



# Year-end report for 2010

THE SWEDISH HOUSING FINANCE CORPORATION, SBAB (PUBL)

*"SBAB's operations performed well with a continued positive trend in net interest income, combined with low costs and low loan losses."*

EVA CEDERBALK, CEO SBAB

- **Net interest income rose 16% to SEK 1,762 million (1,519).**
- **Operating profit amounted to SEK 785 million (1,289).**
- **The net result of financial instruments developed negatively. Assets recognised at fair value in the liquidity portfolio and the total impact of hedge accounting had a more negative impact on profit in 2010 than in the preceding year.**
- **Loan losses remained low and amounted to SEK 40 million (loss: 107). The loan loss rate was 0.02% (0.06).**
- **Deposits increased to SEK 6.1 billion (4.7).**
- **Lending totalled SEK 249.1 billion (226.0).**
- **SBAB's market share in retail lending was 8.1% (8.0).**
- **Without taking the transitional regulations into account, the capital adequacy ratio was 22.4% (19.7) and the Tier 1 capital ratio 19.1% (15.9).**

*All comparable figures in parentheses pertaining to income statement items and new lending refer to the year-earlier period. For comparable figures pertaining to balance sheet items, capital adequacy and market share, the date of comparison is the preceding year-end.*

*This is a translation of the Swedish year-end report. The auditor has not signed the translation for approval.*

## SUMMARY SBAB GROUP

	Jan-Dec 2010	Jan-Dec 2009
Net interest income, SEK million	1,762	1,519
Operating profit excl. net result of financial instruments, SEK million	1,074	794
Operating profit, SEK million	785	1,289
Net profit for the year, SEK million	577	951
Lending, SEK billion	249.1	226.0
Doubtful loan receivables after individual provisions, SEK million	31	29
Loan losses, net, SEK million	-40	-107
Loan loss rate, % <sup>1)</sup>	0.02	0.06
Expenditure/Income ratio excl. loan losses, %	42	29
Return on equity, %	7.5	13.8
Core tier 1 capital ratio without transitional regulations, %	14.1	14.1
Capital adequacy ratio without transitional regulations, %	22.4	19.7
Tier 1 capital ratio without transitional regulations, %	19.1	15.9
Core tier 1 capital ratio with transitional regulations, %	6.4	6.6
Capital adequacy ratio with transitional regulations, %	10.2	9.2
Tier 1 capital ratio with transitional regulations, %	8.7	7.4
Rating, long-term funding, SBAB		
Standard & Poor's	A+	A+
Moody's	A1	A1
Rating, long-term funding, SCBC		
Standard & Poor's	AAA	AAA
Moody's	Aaa	Aaa
Rating, short-term funding, SBAB		
Standard & Poor's	A-1	A-1
Moody's	P-1	P-1
Average no. of employees during the year	431	396

<sup>1)</sup> Loan losses in relation to opening balance for lending to the public.

## Operating profit

The favourable trend in lending during the year contributed to a 16% increase in net interest income compared with the preceding year, while expenses rose 5%. The loan loss rate remained very low at 0.02% (0.06). SBAB's operating profit declined compared with the preceding year to SEK 785 million (1,289).

The decline was due to negative development in the net result of financial instruments, in part because of the development of hedge-accounted items and in part because of lower value development in the component of the liquidity portfolio that is measured at fair value. The development for net interest income was very positive and significantly higher year-on-year at SEK 1,762 million (1,519). The increase was attributable to a favourable volume of business, combined with a stabilisation of the interest margin during the year. The "Commission expense" item includes the fee to the Government stability fund, which amounted to SEK 52 million (46).

The net result of financial instruments measured at fair value declined to an expense of SEK 289 million (income: 495). For hedge-accounted items, pertaining to derivatives and the repurchase of own debt, the difference between the periods was a negative SEK 445 million. During the second half of the year, a new methodology for hedge accounting was introduced, which had a negative impact of SEK 134 million on profit. The aim of the repurchase of own debt has been to reduce the liquidity and financing risk, which has entailed repurchases of debt with short remaining maturities and the subsequent issuance of bonds with longer maturities. In addition, repurchases under the Swedish Government's guarantee programme have been conducted to reduce future interest expense. In addition to the aforementioned changes between periods, the positive recovery noted in 2009 in respect of the part of the liquidity portfolio measured at fair value was not followed by corresponding development during 2010. The difference between the years was a negative SEK 306 million. The remainder of the decline in earnings was due mainly to a change in the value of derivatives for which hedge-accounting is not applied. The derivative contracts that SBAB enters into and its holdings of bonds are a natural component of the company's financial risk management.

SBAB's expenses totalled SEK 604 million (578). Personnel costs were higher than in the preceding year at SEK 316 million (309). The number of employees was higher, due mainly to an increase in temporary employees resulting from the high inflow of customers during the first half of the year. The item includes a provision of SEK 11 million (28) for the incentive programme, including fees. SBAB's other expenses increased to SEK 262 million (241), which was mainly due to ongoing business development activities aimed at broadening the customer offering, as well as more proactive marketing than in previous years. Depreciation/ amortisation amounted to SEK 26 million (28).

The expenditure/income ratio, excluding loan losses, amounted to 42% (29). The increase was primarily due to the substantial change in income from the item "Net income/ expense from financial instruments measured at fair value."

If the expense development is considered in relation to net interest income, which provides a more accurate link to the underlying development of the operations, a continued steady improvement to 35% (39) was noted.

## Loan losses

Loan losses declined to SEK 40 million (loss: 107), net. The year-on-year decline derived primarily from lower collective provisions. Confirmed loan losses remained low. The loan loss rate was 0.02% (0.06).

## Lending

SBAB's lending growth was high during the year and lending to the public rose 10.2% to SEK 249.1 billion (226.0). However, new lending declined year-on-year to SEK 50.4 billion (64.6). SBAB's total market share rose somewhat to 9.6% (9.5).

Lending to the retail market increased 10% to SEK 149.4 billion (135.8). New lending amounted to SEK 31.3 billion (36.4). SBAB's increased its share of the retail market somewhat during the year to 8.1% (8.0). The introduction of a ceiling on residential loans (max 85% LTV) had a dampening effect on the market for mortgage loans. During the period since its introduction, SBAB has experienced reduced demand and lower growth, which had an adverse impact on the market share, particularly during the fourth quarter.

Demand for lending to the corporate market and tenant-owner associations remained high and growth in lending was positive. Lending to the corporate market and tenant-owner associations amounted to SEK 99.7 billion (90.1), up 10.6%. New lending totalled SEK 19.1 billion (28.2). SBAB increased its share in the market for lending to tenant-owner associations to 18.4% (17.7).

Loan portfolio	Dec 2010		Dec 2009	
	SBAB-Group *	Group incl. all of FriSpar	SBAB-Group *	Group incl. all of FriSpar
SEK million				
Retail lending	149,429	153,352	135,842	139,966
- new lending	31,333	34,631	36,403	39,091
Corporate lending (incl. tenant-owner associations)	99,674	99,732	90,134	90,218
- new lending	19,064	19,064	28,223	28,223
<b>Total</b>	<b>249,103</b>	<b>253,084</b>	<b>225,976</b>	<b>230,184</b>
- new lending	50,397	53,695	64,626	67,314

\* In the SBAB Group, 51% of the co-owned FriSpar Bolån AB (a partnership with Sparbanken Öresund AB (publ)) is consolidated in accordance with the proportional method.

## Deposits

SBAB's deposits continued to experience a positive trend, in terms of the number of accounts opened and the balance trend. Deposits grew 30.7% during the year to SEK 6.1 billion (4.7). Despite generally low interest rates, SBAB's deposit products, which are characterised by a competitive interest rate and straightforward product terms, continued to attract new customers among the retail market, tenant-owner associations and the corporate market.

## Funding

SBAB attaches considerable importance to having a well-diversified funding portfolio, which requires an active market presence and a flexible range of products. SBAB has a proactive approach to extending the remaining term of its funding by reducing the proportion of short-term debt and extending the maturity of funding through repurchases and issuance of bonds with longer tenures. These activities are mainly conducted with the aim of limiting SBAB's liquidity and financing risks.

The total value of debt securities in issue rose SEK 12.9 billion during the year to SEK 262.0 billion (249.1). The limit for SBAB's EMTN programme was changed during the fourth quarter from USD 16 billion to EUR 13 billion.

Funding through the issuance of covered bonds takes place in SBAB's wholly owned subsidiary The Swedish Covered Bond Corporation, SCBC. The total volume of covered bonds issued amounted to SEK 155.3 billion (140.0).

Although SBAB was affiliated with the Swedish Government's guarantee programme for medium-term funding during 2009, the company discontinued its participation in the programme in November 2009. At year-end, the volume outstanding under the Government-guaranteed programme totalled SEK 15.0 billion (21.4).

Programme utilisation	31 Dec 2010	31 Dec 2009
Swedish Commercial Paper Programme	SEK 9.6 billion	SEK 14.3 billion
Swedish covered bonds	SEK 95.4 billion	SEK 83.9 billion
European Commercial Paper Programme	USD 1,469 million	USD 1,176 million
US Commercial Paper Programme	USD 1,048 million	USD 200 million
Euro Medium Term Note Programme	EUR 7,210 million	USD 8,867 million
Euro Medium Term Covered Note Programme	EUR 6,652 million	EUR 5,175 million
Swedish Government Guarantee Programme	SEK 15.0 billion	SEK 21.4 billion

## Capital adequacy and risk

Without taking the transitional regulations into account, SBAB's capital adequacy ratio under Pillar 1 was 22.4% and the Tier 1 capital ratio was 19.1%. The Core tier 1 capital ratio was 14.1%.

At 31 December 2010, the internally calculated capital requirement was SEK 6,463 million (6,521). Profit for 2010 is included in the calculation of the aforementioned capital ratios. The regulatory amendments published in 2010, known as the Basel III Accord, primarily pertained to increased requirements for capital levels, the composition of the capital base and the size of the liquidity reserve, as well as extended terms for funding for the financial sector. Adaptation to the new rules will occur gradually until 2019. The current transitional rules for the implementation of Basel II will remain in force until at least year-end 2011.

SBAB maintained a favourable liquidity situation. To ensure access to liquidity, SBAB maintains a liquidity reserve, which was valued at SEK 40.9 billion (35.3) on 31 December 2010. SBAB measures and stress tests liquidity risk by totalling the

maximum conceivable need for liquidity for every day during the coming 365 days. This measure of liquidity risk is referred to as Maximum Cumulative Outflow (MCO) and is subject to limits. The MCO calculations are based on a crisis scenario in which all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption and that no funding is available. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve is established on the basis of these calculations. At 31 December 2010, the liquidity reserve corresponded to 63 days (81) MCO. Since global financial markets were characterised by higher liquidity and increased stability during the year, a lower MCO is an adaptation to a more normalised level.

At 31 December 2010, a parallel shift of the yield curve by plus one percentage point would have reduced the net value of SBAB's interest-bearing assets and liabilities, including derivative transactions, by SEK 27.7 million.

For more information on SBAB's risks and risk management, refer to the Annual Report for 2009.

## Currents events

On 30 November 2010, SBAB was granted permission by the Swedish Financial Supervisory Authority to conduct banking operations. At a Extraordinary General Shareholders' Meeting in early 2011, SBAB intends to adopt the Articles of Association approved by the Swedish Financial Supervisory Authority. In conjunction with this, SBAB will also adopt the name SBAB Bank AB (publ).

SBAB has extended its opening hours and is now open from 8:00 a.m. to 9:00 p.m. on all weekdays.

## Performance in the fourth quarter of 2010 compared with the third quarter of 2010

As in the third quarter, the business volume development in the fourth quarter was positive. New lending in the fourth quarter amounted to SEK 10.6 billion (9.9) and total lending to SEK 249.1 billion (247.8). New lending to the retail market totalled SEK 6.0 billion (7.7), and SBAB's market share was 8.1% (8.2). New lending to the corporate market and tenant-owner associations amounted to SEK 4.6 billion (2.2). SBAB's market share for lending to tenant-owner associations was 18.4% (18.6).

Deposits through SBAB's savings products increased during the quarter and totalled SEK 6.1 billion (5.5) at the end of the period.

Net interest income declined to SEK 385 million (428). Total operating income amounted to SEK 521 million (203). The increase resulted predominantly from positive development in hedge-accounted items and was attributable to the implementation of developed methods.

Expenses were higher in the fourth quarter, amounting to SEK 160 million (133). Fourth-quarter results were in line with the year-earlier period. On a seasonal basis, costs in the third quarter are generally low. During the quarter, SBAB incurred loan losses of SEK 1 million (recoveries: 5). Operating profit for the quarter rose to SEK 360 million (75).

## Performance of the Parent Company in 2010

Lending to the public amounted to SEK 35.3 billion (48.2). The decrease was due to transfers to SCBC, which does not conduct any new lending activities itself, but acquires loans from SBAB on an ongoing basis.

Operating profit totalled SEK 84 million (860). Operating income amounted to SEK 713 million (1,513). This development was due in part to lower net interest income, amounting to SEK 304 million (683). Higher year-on-year interest expenses for debt securities in issue and subordinated debentures had an adverse effect on net interest income. During the year, the Parent Company issued a subordinated debenture of SEK 2.0 billion, which is considered tier 1 capital. The net result of financial items developed negatively due to the method development that occurred in the area of hedge accounting during the year. In addition, the development for the portion of the liquidity portfolio measured at fair value was not as favourable as in the year-earlier period. Profit includes an anticipated dividend from SCBC of SEK 100 million.

Expenses increased to SEK 599 million (571). Loan losses declined during the year to SEK 30 million (loss: 82). The Parent Company's capital adequacy was favourable. Without applying the transitional regulations, the Tier 1 capital ratio amounted to 39.6% (29.7) and the capital adequacy ratio to 47.3% (37.2).

## Accounting policies

The SBAB Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. It also complies with the Swedish Financial Supervisory Authority's accounting directives, the Annual Accounts Act for Credit Institutions and Securities Companies, and the Swedish Financial Reporting

Board's recommendation RFR 1 Supplementary Accounting Rules for Groups.

For the Parent Company, statutory IFRS is applied, which means that the year-end report has been prepared in compliance with IFRS subject to the additions and exceptions that ensue from the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, the Swedish Financial Supervisory Authority's regulations and general guidelines on the annual accounts of credit institutions and securities companies and the Annual Accounts Act for Credit Institutions and Securities Companies.

This year-end report complies with the requirements of IAS 34 Interim Financial Reporting and IAS 1 Presentation of Financial Statements. The accounting policies and methods of calculation are unchanged compared with the Annual Report for 2009. The standards that became effective on 1 January 2010, IAS 27 (Amendment) and IFRS 3 (Revised), have not affected the company's financial statements.

## Financial information

SBAB will publish its 2010 Annual Report at the end of March 2011. The Annual General Meeting will be held on 14 April 2011 in Stockholm. Interim reports will be published on 29 April, 22 July and 28 October 2011.

*Stockholm, 3 February 2011*

Eva Cederbalk  
*Chief Executive Officer*

# Income statement

SEK million	Group				Parent Company	
	Jan-Dec 2010	Jan-Dec 2009	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Interest income	5,355	6,043	1,630	1,074	2,226	2,294
Interest expense	-3,593	-4,524	-1,245	-617	-1,922	-1,611
<b>Net interest income</b>	<b>1,762</b>	<b>1,519</b>	<b>385</b>	<b>457</b>	<b>304</b>	<b>683</b>
Dividends received	-	-	-	-	114	9
Commission income	50	44	13	17	109	90
Commission expense	-94	-90	-22	-31	-44	-40
Net income/expense from financial instruments measured at fair value (Note 1)	-289	495	145	-46	-201	356
Other operating income	0	6	-	0	431	415
<b>Total operating income</b>	<b>1,429</b>	<b>1,974</b>	<b>521</b>	<b>397</b>	<b>713</b>	<b>1,513</b>
Personnel costs	-316	-309	-75	-81	-317	-308
Other expenses	-262	-241	-78	-68	-270	-250
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-26	-28	-7	-8	-12	-13
<b>Total expenses before loan losses</b>	<b>-604</b>	<b>-578</b>	<b>-160</b>	<b>-157</b>	<b>-599</b>	<b>-571</b>
<b>Profit before loan losses</b>	<b>825</b>	<b>1,396</b>	<b>361</b>	<b>240</b>	<b>114</b>	<b>942</b>
Loan losses, net (Note 2)	-40	-107	-1	-42	-30	-82
<b>Operating profit</b>	<b>785</b>	<b>1,289</b>	<b>360</b>	<b>198</b>	<b>84</b>	<b>860</b>
Tax	-208	-338	-96	-52	7	-224
<b>Profit for the year</b>	<b>577</b>	<b>951</b>	<b>264</b>	<b>146</b>	<b>91</b>	<b>636</b>

# Statement of comprehensive income

SEK million	Group				Parent Company	
	Jan-Dec 2010	Jan-Dec 2009	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
<b>Profit for the year</b>	<b>577</b>	<b>951</b>	<b>264</b>	<b>146</b>	<b>91</b>	<b>636</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Change in reclassified financial assets, after tax,	57	67	11	13	57	67
Change in instruments used in cash flow hedging, after tax	3	-3	3	0	3	-3
<b>Other comprehensive income, net after tax</b>	<b>60</b>	<b>64</b>	<b>14</b>	<b>13</b>	<b>60</b>	<b>64</b>
<b>Total comprehensive income for the year</b>	<b>637</b>	<b>1,015</b>	<b>278</b>	<b>159</b>	<b>151</b>	<b>700</b>

# Balance sheet

SEK million	Group		Parent Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
<b>ASSETS</b>				
Cash and bank balances at central banks	0	0	0	0
Chargeable treasury bills and other eligible bills	2,365	8,098	2,365	8,098
Loans and advances to credit institutions (Note 3)	12,892	9,054	50,265	37,070
Loans and advances to the public (Note 4)	249,103	225,976	35,298	48,225
Value change of interest-hedged items in portfolio hedges	500	2,590	-14	-23
Bonds and other interest-bearing securities	37,985	32,412	37,985	32,412
Derivative instruments (Note 6)	12,665	15,123	10,326	10,375
Shares and participations in joint ventures	-	-	587	510
Shares and participations in Group companies	-	-	9,600	9,600
Intangible fixed assets	34	39	5	6
Property, plant and equipment	28	22	28	22
Other assets	462	65	515	43
Prepaid expenses and accrued income	891	696	634	480
<b>TOTAL ASSETS</b>	<b>316,925</b>	<b>294,075</b>	<b>147,594</b>	<b>146,818</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Liabilities to credit institutions	18,257	16,339	9,975	8,707
Deposits from the public	6,083	4,653	6,083	4,653
Debt securities in issue	261,962	249,095	107,223	109,749
Derivative instruments (Note 6)	12,576	8,330	9,838	10,424
Other liabilities	338	331	242	922
Accrued expenses and prepaid income	4,033	4,066	790	869
Provisions	154	333	214	373
Subordinated debt	5,508	3,551	5,508	3,551
<b>Total liabilities</b>	<b>308,911</b>	<b>286,698</b>	<b>139,873</b>	<b>139,248</b>
<b>Equity</b>				
Share capital	1,958	1,958	1,958	1,958
Legal reserve	-	-	392	392
Other reserves/Fair value reserve	-80	-140	-80	-140
Retained earnings	5,559	4,608	5,360	4,724
Profit for the year	577	951	91	636
<b>Total equity</b>	<b>8,014</b>	<b>7,377</b>	<b>7,721</b>	<b>7,570</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>316,925</b>	<b>294,075</b>	<b>147,594</b>	<b>146,818</b>

# Statement of changes in equity

<b>Group</b> SEK million	<b>Share capital</b>	<b>Other reserves</b>	<b>Retained earnings and profit for the year</b>	<b>Total equity</b>
<b>OPENING BALANCE 1 January 2009</b>	1,958	-204	4,678	6,432
Amended accounting policy, IAS 19, after tax			-70	-70
<b>Adjusted opening balance 1 January 2009</b>	1,958	-204	4,608	6,362
Total comprehensive income for the year, after tax		64		64
Profit for the year			951	951
<b>CLOSING BALANCE 31 December 2009</b>	1,958	-140	5,559	7,377
<b>OPENING BALANCE 1 January 2010</b>	1,958	-140	5,559	7,377
Total comprehensive income for the year, after tax		60		60
Profit for the year			577	577
<b>CLOSING BALANCE 31 December 2010</b>	1,958	-80	6,136	8,014

<b>Parent Company</b> SEK million	<b>Restricted equity</b>		<b>Non-restricted equity</b>		<b>Total equity</b>
	<b>Share capital</b>	<b>Legal fund</b>	<b>Fair value reserve</b>	<b>Retained earnings and profit for the year</b>	
<b>OPENING BALANCE 1 January 2009</b>	1,958	392	-204	5,173	7,319
Total comprehensive income for the year, after tax			64		64
Profit for the year				636	636
Group contribution paid, after tax				-449	-449
<b>CLOSING BALANCE 31 December 2009</b>	1,958	392	-140	5,360	7,570
<b>OPENING BALANCE 1 January 2010</b>	1,958	392	-140	5,360	7,570
Total comprehensive income for the year, after tax			60		60
Profit for the year				91	91
<b>CLOSING BALANCE 31 December 2010</b>	1,958	392	-80	5,451	7,721

# Cash flow statement

SEK million	<b>Group</b>		<b>Parent Company</b>	
	<b>Jan-Dec 2010</b>	Jan-Dec 2009	<b>Jan-Dec 2010</b>	Jan-Dec 2009
<b>Cash and cash equivalents at the beginning of the year</b>	4,862	11,377	1,942	5,986
Cash flow from operating activities	2,125	-6,487	711	-4,427
Cash flow from investing activities	-28	-28	-95	-1,217
Cash flow from funding activities	2,000	-	1,390	1,600
<b>Increase/decrease in cash and cash equivalents</b>	4,097	-6,515	2,006	-4,044
<b>Cash and cash equivalents at year-end</b>	8,959	4,862	3,948	1,942

Cash and cash equivalents are defined as loans and advances to credit institutions with a maturity not later than three months from the acquisition date.

# Notes

## Note 1 Net income/expense from financial instruments measured at fair value

SEK million	Group		Parent Company	
	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Gains/losses on interest-bearing financial instruments				
- Securities measured at fair value through profit and loss	-156	432	-156	432
- Value change of hedged items in hedge accounting	869	1,147	198	357
- Realised loss from financial liabilities	-770	-949	-236	-121
- Derivative instruments	-349	-321	-31	-359
- Loan receivables	118	190	27	50
Currency translation effects	-1	-4	-3	-3
<b>Total</b>	<b>-289</b>	<b>495</b>	<b>-201</b>	<b>356</b>

## Note 2 Loan losses, net

Group	Jan-Dec 2010	Jan-Dec 2009
<b>CORPORATE MARKET</b>		
SEK million		
INDIVIDUAL PROVISION FOR CORPORATE MARKET LOANS		
Write-off of confirmed loan losses for the year	-8	-9
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the year	6	11
Provision for probable loan losses for the year	-9	-7
Recoveries in respect of confirmed loan losses in prior years	0	1
Reversal of prior year provisions for probable loan losses no longer required	3	17
Guarantees	3	-6
<b>Net cost/income for the year for individual provisions for corporate market loans</b>	<b>-5</b>	<b>7</b>
COLLECTIVE PROVISION FOR CORPORATE MARKET LOANS		
Allocation to collective provision	-1	-13
Guarantees	-6	3
<b>Net cost for the year for collective provisions for corporate market loans</b>	<b>-7</b>	<b>-10</b>
<b>RETAIL MARKET</b>		
SEK million		
INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS		
Write-off of confirmed loan losses for the year	-13	-7
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the year	8	6
Provision for probable loan losses for the year	-8	-6
Reversal of prior year provisions for probable loan losses no longer required	1	0
Guarantees	0	-
<b>Net cost for the year for individual provisions for retail market loans</b>	<b>-12</b>	<b>-7</b>
COLLECTIVE PROVISION FOR RETAIL MARKET LOANS		
Write-off of confirmed loan losses for the year	-17	-16
Recoveries in respect of confirmed loan losses in prior years	2	2
Allocation to collective provision	-8	-96
Guarantees	7	13
<b>Net cost for the year for collective provisions for retail market loans</b>	<b>-16</b>	<b>-97</b>
<b>NET COST FOR THE YEAR FOR LOAN LOSSES</b>	<b>-40</b>	<b>-107</b>

Both the write-off of confirmed loan losses for the year and reversal of prior year write-offs as specified above relate to receivables from the public.



### Note 3 Loans and advances to credit institutions

Of the Parent Company's loans and advances to credit institutions, SEK 38,363 million (26,626) relates to a receivable from the wholly owned subsidiary The Swedish Covered Bond Corporation, SCBC (publ). This receivable is subordinated in the event of bankruptcy or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid.

### Note 4 Loans and advances to the public

Group SEK million	31 Dec 2010		31 Dec 2009	
	Loans and advances	Provision	Loans and advances	Provision
Single-family dwellings and holiday homes	93,386	-148	86,588	-145
Tenant-owner rights	56,231	-107	49,500	-101
Tenant-owner associations	55,153	-60	49,018	-71
Private multi-family dwellings	28,378	-37	25,272	-26
Municipal multi-family dwellings	7,363	-	8,178	-
Commercial properties	8,877	-	7,763	-
Other	67	-0	-	-
Provision for probable loan losses	-352		-343	
<b>Total</b>	<b>249,103</b>	<b>-352</b>	<b>225,976</b>	<b>-343</b>

Doubtful and nonperforming loan receivables	31 Dec 2010	31 Dec 2009
a) Doubtful loan receivables	104	104
b) Nonperforming loan receivables* included in doubtful loan receivables	17	26
c) Nonperforming loan receivables* not included in doubtful loan receivables	279	331
d) Individual provisions for loan receivables	73	75
e) Collective provisions for corporate market loans	38	38
f) Collective provisions for retail market loans	241	230
g) Total provisions (d+e+f)	352	343
h) Doubtful loan receivables after individual provisions (a-d)	31	29
i) Provision ratio for individual provisions (d/a)	70%	72%

\* where cash flows are > 60 days past due.

In certain partnerships on the lending side, it is possible for the partner to acquire brokered loans

### Note 5 Classification of financial instruments

Group 31 Dec 2010, SEK million	Assets measured at fair value through profit and loss	Hedge-accounted derivative instruments	Loan receivables	Total
<b>Financial assets</b>				
Cash and balances at central banks			0	0
Chargeable treasury bills and other eligible bills	2,365			2,365
Loans and advances to credit institutions			12,892	12,892
Loans and advances to the public			249,103	249,103
Value change of interest-hedged items in portfolio hedges			500	500
Bonds and other interest-bearing securities	23,049		14,936	37,985
Derivative instruments	2,994	9,671		12,665
Other assets			462	462
Prepaid expenses and accrued income	511		380	891
<b>Total</b>	<b>28,919</b>	<b>9,671</b>	<b>278,273</b>	<b>316,863</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions			18,257	18,257
Deposits from the public			6,083	6,083
Debt securities in issue			261,962	261,962
Derivative instruments	4,747	7,829		12,576
Other liabilities			338	338
Accrued expenses and prepaid income			4,033	4,033
Subordinated debt			5,508	5,508
<b>Total</b>	<b>4,747</b>	<b>7,829</b>	<b>296,181</b>	<b>308,757</b>

## Note 5 Cont.

<b>Parent Company</b> 31 Dec 2010, SEK million	Assets measured at fair value through profit and loss	Hedge-accounted derivative instruments	Loan receivables	Total
<b>Financial assets</b>				
Cash and balances at central banks			0	0
Chargeable treasury bills and other eligible bills	2,365			2,365
Loans and advances to credit institutions			50,265	50,265
Loans and advances to the public			35,298	35,298
Value change of interest-hedged items in portfolio hedges			-14	-14
Bonds and other interest-bearing securities	23,049		14,936	37,985
Derivative instruments	5,907	4,419		10,326
Other assets			515	515
Prepaid expenses and accrued income	511		123	634
<b>Total</b>	<b>31,832</b>	<b>4,419</b>	<b>101,123</b>	<b>137,374</b>

	Assets measured at fair value through profit and loss	Hedge-accounted derivative instruments	Other financial liabilities	Total
<b>Financial liabilities</b>				
Liabilities to credit institutions			9,975	9,975
Deposits from the public			6,083	6,083
Debt securities in issue			107,223	107,223
Derivative instruments	7,224	2,614		9,838
Other liabilities			242	242
Accrued expenses and prepaid income			790	790
Subordinated debt			5,508	5,508
<b>Total</b>	<b>7,224</b>	<b>2,614</b>	<b>129,821</b>	<b>139,659</b>

As of 1 July 2008, the fair value of the reclassified portfolio amounted to SEK 21.7 billion. The average effective compound interest rate used in reclassification was 6.3%. At the same date, the fair value reserve attributable to these assets had a negative value of SEK 200 million, net after tax. At 31 December 2010, the fair value of the assets would have amounted to SEK 14.3 billion had the assets continued to be recognised as "Available-for-sale financial assets." The carrying amount at 31 December 2010 was SEK 14.9 billion. At the same date, the fair value reserve attributable to the reclassified assets would have amounted to a negative SEK 0.7 billion, net after tax, had the assets continued to be recognised as "Available-for-sale financial assets." The reserve amounted to a negative SEK 80 million, net after tax, at 31 December 2010. After the reclassification date, SEK 158 million of the reserve before tax was reversed and exchange rate fluctuations had a negative impact of SEK 11 million before tax on the value of the reserve.

## Note 6 Derivative instruments

<b>Group</b> 31 Dec 2010, SEK million	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	5,012	4,317	357,046
Currency related	7,653	8,259	153,672
<b>Total</b>	<b>12,665</b>	<b>12,576</b>	<b>510,718</b>

<b>Parent Company</b> 31 Dec 2010, SEK million	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	4,637	4,620	523,866
Currency related	5,689	5,218	105,283
<b>Total</b>	<b>10,326</b>	<b>9,838</b>	<b>629,149</b>

## Note 7 Operating segments

Group	Jan-Dec 2010				Jan-Dec 2009			
	Consumer	Corporate Clients	Finance	Total	Consumer	Corporate Clients	Finance	Total
<b>Risk-adjusted income statement, SEK million</b>								
Risk-adjusted income	1,036	243	104	1,383	759	161	1,001	1,921
Risk-adjusted expenses	-488	-116	-93	-697	-451	-127	-92	-670
Tax	-144	-33	-3	-180	-81	-9	-239	-329
<b>Risk-adjusted profit after tax</b>	<b>404</b>	<b>94</b>	<b>8</b>	<b>506</b>	<b>227</b>	<b>25</b>	<b>670</b>	<b>922</b>
RAROC*, after tax	12.1%	6.8%	1.7%	9.7%	7.8%	2.3%	42.4%	16.5%

\* Risk Adjusted Return On (economic) Capital, meaning risk-adjusted return after tax.

For more information concerning "economic capital" and "expected losses", refer to pages 30 and 43 of the Annual Report for 2009.

The following is a reconciliation between SBAB's risk-adjusted income statement (as above) and SBAB's external result.

Group	Jan-Dec 2010	Jan-Dec 2009
<b>Reconciliation, SEK million</b>		
Risk-adjusted income	1,383	1,921
Adjustment to return on recognised equity	46	53
<b>Total net interest income and other operating income</b>	<b>1,429</b>	<b>1,974</b>
Risk-adjusted expenses	-697	-670
Adjustment to recognised loan losses	53	-15
<b>Expenses and loan losses</b>	<b>-644</b>	<b>-685</b>
Risk-adjusted profit before tax	686	1,251
Tax according to risk-adjusted income statement	-180	-329
<b>Risk-adjusted profit after tax</b>	<b>506</b>	<b>922</b>
<b>Risk-adjusted items</b>		
Adjustment to return on recognised equity	46	53
Adjustment to recognised loan losses	53	-15
Reversal of tax under risk-adjusted income statement	180	329
<b>Operating profit</b>	<b>785</b>	<b>1,289</b>
Recognised tax	-208	-338
<b>Profit for the year after tax</b>	<b>577</b>	<b>951</b>

## Capital base

Group	31 Dec 2010	31 Dec 2009
SEK million		
<b>Tier 1 capital</b>		
Equity	8,014	7,377
Unrealised value changes of loan and accounts receivable previously classified as assets available-for-sale	80	136
Value changes attributable to derivative instruments included in cash-flow hedges	1	4
Tier 1 capital contributions without buy-back incentive *	2,000	-
Tier 1 capital contributions with buy-back incentive *	994	994
Minority interest	565	492
<b>Total Tier 1 capital, gross</b>	<b>11,654</b>	<b>9,003</b>
Other intangible assets	-34	-39
Half of difference between expected losses under IRB and corresponding provisions	-109	-116
<b>Total Tier 1 capital, net</b>	<b>11,511</b>	<b>8,848</b>
<b>Tier 2 capital</b>		
Perpetual subordinated debentures (Upper Tier 2)	-	-
Time-limited subordinated debentures (Lower Tier 2)	2,108	2,260
Half of difference between expected losses under IRB and corresponding provisions	-109	-115
<b>Total Tier 2 capital</b>	<b>1,999</b>	<b>2,145</b>
Expanded part of capital base	-	-
Deduction from entire capital base	-	-
<b>Amount for capital base net after deductible items and limit values</b>	<b>13,510</b>	<b>10,993</b>

\* Subject to the transitional regulations stipulated in the Swedish Financial Supervisory Authority's Regulatory Code FFFS 2010:10

## Capital requirement

Group	31 Dec 2010	31 Dec 2009
SEK million		
<b>Credit risk recognised in accordance with IRB approach</b>		
Corporate exposures	2,317	2,014
Retail exposures	838	889
<b>Total credit risk in accordance with IRB approach</b>	<b>3,155</b>	<b>2,903</b>
<b>Credit risk recognised in accordance with standardised method</b>		
Exposures to governments and central banks	0	0
Exposures to local governments and comparable associations	0	0
Exposures to institutions	178	188
Exposures to corporates	1,068	1,044
Retail exposures	17	23
Past-due items	1	1
Other items	6	5
<b>Total credit risk in accordance with standardised method</b>	<b>1,270</b>	<b>1,261</b>
<b>Risks in trading book</b>	<b>214</b>	<b>158</b>
<b>Operational risk</b>	<b>183</b>	<b>140</b>
<b>Currency risk</b>	-	-
<b>Commodity risk</b>	-	-
<b>Total capital requirement under Basel II</b>	<b>4,822</b>	<b>4,462</b>
Addition during transitional period	5,769	5,120
<b>Capital requirement including addition</b>	<b>10,591</b>	<b>9,582</b>

## Capital adequacy

SEK million	Group		Parent Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Core tier 1 capital	8,517	7,854	7,653	7,653
Tier 1 capital	11,511	8,848	10,647	8,647
Total capital	13,510	10,993	12,711	10,855
<b>Without transitional regulations</b>				
Risk-weighted assets	60,279	55,780	26,891	29,147
Core tier 1 capital ratio	14.1%	14.1%	28.5%	26.3%
Tier 1 capital ratio	19.1%	15.9%	39.6%	29.7%
Capital adequacy ratio	22.4%	19.7%	47.3%	37.2%
Capital quotient	2.80	2.46	5.91	4.66
<b>With transitional regulations</b>				
Risk-weighted assets	132,388	119,776	28,876	35,311
Core tier 1 capital ratio	6.4%	6.6%	26.5%	21.7%
Tier 1 capital ratio	8.7%	7.4%	36.9%	24.5%
Capital adequacy ratio	10.2%	9.2%	44.0%	30.7%
Capital quotient	1.28	1.15	5.50	3.84

When calculating the capital adequacy ratio and capital quotient, FriSpar Bolån AB is consolidated as a subsidiary, in contrast to the consolidated financial statements where FriSpar Bolån AB is consolidated in accordance with the proportional method. This is because the rules and regulations for capital adequacy and major exposures differ from IFRS.

# Review Report

*To the Board of The Swedish Housing Finance Corporation, SBAB (publ)  
Corporate registration number 556253-7513*

## **Introduction**

We have reviewed the year-end report of The Swedish Housing Finance Corporation, SBAB, corp. reg. no. 556253-7513, for the period 1 January 2010 – 31 December 2010. The Board of Directors and the CEO are responsible for preparing and presenting this year-end report in accordance with IAS 34 and the Annual Accounts (Credit Institutions and Securities Companies) Act. Our responsibility is to express an opinion on this year-end report, based on our review.

## **The direction and extent of the review**

We have performed this review in accordance with the Swedish Standard on Review Engagements SÖG 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making enquiries, primarily to persons responsible for financial and accounting matters, performing an analytical review and undertaking other review measures. A review has another direction and is

substantially more limited in scope than an audit conducted in accordance with the Auditing Standard in Sweden (RS) and generally accepted auditing practice otherwise. The measures undertaken in a review do not permit us to be certain that we have become aware of all significant matters that might have been identified in an audit. The expressed conclusion based on a review does not therefore have the degree of certainty that a conclusion expressed as a result of an audit has.

## **Conclusion**

On the basis of our review, nothing has come to our attention which gives us cause to believe that the enclosed year-end report has not been prepared, in all essentials, in accordance with IAS 34 and the Annual Accounts (Credit Institutions and Investment Firms) Act for the Group and in accordance with the Annual Accounts (Credit Institutions and Investment Firms) Act for the Parent Company.

Stockholm, 3 February 2011  
Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg  
*Authorised Public Accountant*



The Swedish Housing Finance Corporation, SBAB