Annual Report 2008

The Swedish Covered Bond Corporation (SCBC)

Contents

This is a translation of the Swedish annual report. The translation has not been signed for approval by the auditor.

Financial information 2009

SCBC's interim report for January-June, annual reports and other financial information are available at scbc.se

Annual Report 2008	31 March
Annual General Meeting	14 April
Interim Report January-June	14 August

The Year in Brief 2008

- Operating profit amounted to SEK 1,012 million (566).
- Despite the uncertainty that has marked capital markets, SCBC had good access to funds throughout the year.
- A public benchmark bond of EUR 1.25 billion was issued.
- SCBC acquired loans worth approximately SEK 19 billion from FriSpar Bolån AB, a subsidiary of the SBAB Group.
- Bonds were issued in several currencies (SEK, EUR, CHF, NOK and USD).

Summary	**2008**	2007
Net interest income, SEK million	797	840
Operating profit, SEK million	1,012	566
Net profit for the year, SEK million	720	408
Loan losses as a percentage of lending, %	(0.01)	0.00
Lending, SEK million	157,792	128,205
Average remaining maturity in loan portfolio, years	1.5	1.7
Capital ratio, %	10.0	8.5
Primary capital ratio, %	10.0	8.5
Volume of international funding, SEK million	66,779	50,716
Rating, long-term funding, SCBC		
Standard & Poor's	AAA	AAA
Moody's	Aaa	Aaa

The MD's Review

"In an international comparison, the Swedish covered bond market showed strength during the year."

An eventful year

The global financial crisis that characterised the market during the year is without parallel in modern times. As all other players active in the capital markets, SCBC is affected by the crisis. All of SCBC's covered bonds have the highest possible rating, and it is gratifying to note that despite the uncertainty prevailing in the capital market, they remained an attractive investment alternative for institutional investors during the year.

Expanded collaboration

Through SCBC's acquisition of loans originated by FriSpar Bolån AB, a company jointly owned by SBAB and Sparbankerna Finn and Gripen, the collaboration between SCBC and SBAB's business partners was expanded. The acquisition gives Sparbankerna Finn and Gripen an opportunity to offer covered financing on favourable terms. Due to the uncertainty prevailing in financial markets, it has at times been difficult even for large, well-established banks to obtain funding. For smaller, local residential mortgage providers, it may therefore be of interest to review sources of funding.

Investors

SCBC strives for transparency and clarity in communication with investors and other participants in capital markets. In conjunction with the start of operations in 2006, the scbc.se website was created, which provides detailed information about the cover pool assets that constitute the collateral for SCBC's covered bonds. The information is available to all and updated monthly.

A sound dialogue and long-term relations with investors are important. Regular contacts and personal meetings between investors and representatives for SCBC create confidence in and understanding of the company's operations. During the year, SCBC visited investors in Sweden, Finland, Denmark and Norway. Together with other leading issuers of Swedish covered bonds, SCBC also conducted a much appreciated road show in Germany and France. An active presence and a flexible product offering make SCBC an attractive investment alternative. It is our ambition to maintain an active dialogue with investors and business partners and to ensure continued very high quality in all aspects of the company's operations.

Stockholm, March 2009

Per Tunestam
Managing Director

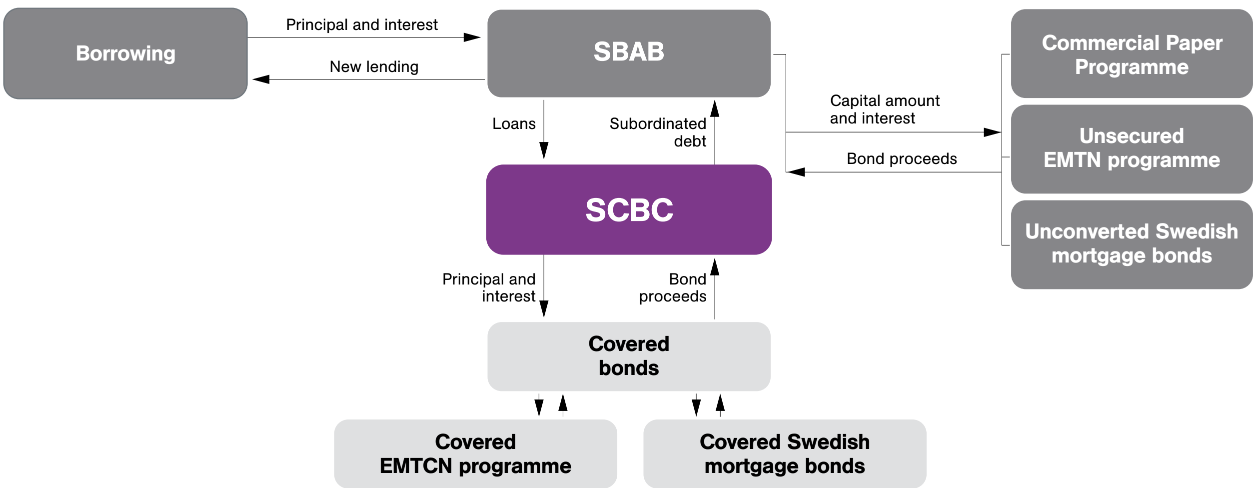
Operations and organization

The Swedish Covered Bond Corporation, SCBC, is a wholly owned subsidiary of The Swedish Housing Finance Corporation, SBAB. Its operations began in 2006 when the company received a permit from the Swedish Financial Supervisory Authority to issue covered bonds. In the same year, SCBC also became the first Swedish issuer of covered bonds.

SCBC is a credit-market company whose operations are primarily focused on issuing covered bonds in Swedish and international capital markets. For this purpose, the company currently uses two funding programmes, the mortgage bond programme in Sweden and the EMTCN programme primarily in the international market.

SCBC's operations are conducted by personnel employed by the Parent Company SBAB. These services are regulated by an outsourcing agreement between the parties under which SBAB performs services on behalf of SCBC and receives outsourcing revenue. The loans that are not funded by issuing covered bonds are financed by a subordinated loan from the Parent Company SBAB. The subordinated loan and SBAB's claims on SCBC under the outsourcing agreement are subordinated to all non-covered creditors in the event of SCBC's bankruptcy, liquidation or company restructuring. SCBC thus minimizes the risk of conflicts between creditors. To hedge currency and interest rate risks that arise as a natural part of operations, SCBC regularly enters into derivative transactions with SBAB and external counterparties.

Operations in SCBC must be conducted in such a manner that they comply with the requirements specified in the Covered Bonds Act (2003:1223) and in the Swedish Financial Supervisory Authority's regulations FFFS 2004:11.



Business environment

The severe escalation of the financial crisis during the autumn pervaded developments in the economy and interest rates. The Swedish economy weakened considerably, with interest rates falling to very low levels. Despite the slowdown towards the close of the year, the overall market for residential mortgages rose steeply in 2008.

Economic conditions and interest rates

The Swedish economy continued its downward trend from 2007 and weakened during the first half of 2008. When the full force of the financial crisis hit during the autumn, this had a considerably negative impact on Swedish growth, which stagnated during the third quarter. The labour market began to deteriorate markedly during the second half of the year, with the number of redundancy notices climbing steeply towards the end of the year.

Rising energy and food prices pushed inflation above 4% during the summer. However, the cooling effect that the financial crisis had on the economy sharply reduced commodity prices during the second half of the year, thereby dampening inflation. Despite the weaker economy, rising inflation during the first half of the year prompted the Riksbank to raise its key interest rate from 4% in January to 4.75% in September. The serious situation in the financial market and slower growth subsequently induced the Riksbank to rapidly reduce its key rate to 2% in December.

The impact of the financial crisis during the autumn sharply reduced Government bond rates. Higher demand for safe investments, lower central bank rates and a decrease in anticipated inflation contributed to pushing down the five-year government bond yield to almost 2%. Although the interest differential between residential mortgage bonds and Government bonds was very high during the first six months, residential mortgage bond rates also fell sharply during the fourth quarter.

The turbulence prevailing in financial markets contributed to the abnormal widening of the interest rate differential between the Riksbank's key interest rate and the fixed three-month mortgage rate during the second half of the year. Longer-term, fixed interest rates on residential mortgages also increased, due to the substantial difference between rates on mortgage bonds and Government bonds. The upturn in interest rates on residential mortgages reversed into a sharp fall towards the close of the year, when both short and long-term rates fell in the wake of the financial crisis.

Residential mortgage market

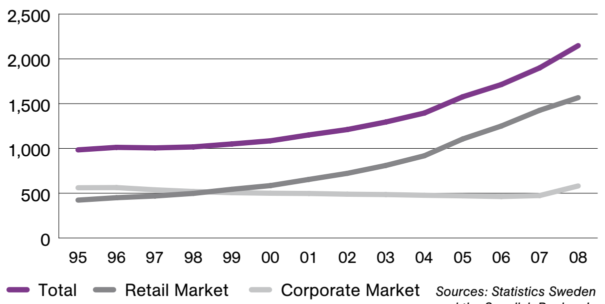
The overall market for loans to corporate and retail customers in Sweden continued to show sharp growth in 2008, amounting to SEK 2,148 billion, equal to a growth rate of 13%. During most of the year, growth tracked that of the preceding year, with the distinct difference that the trend was weaker during late autumn. Over the past five years, the overall market has expanded by SEK 850 billion, or 67%.

Retail market

During 2008, the retail market for residential mortgages was marked by continuing intense competition and pressure on lending margins. The major banks reduced their residential mortgage rates, with only minor differences among the various providers. However, the considerable narrowing in margins in recent years ceased and stabilised at a historically low level.

Trend in housing market

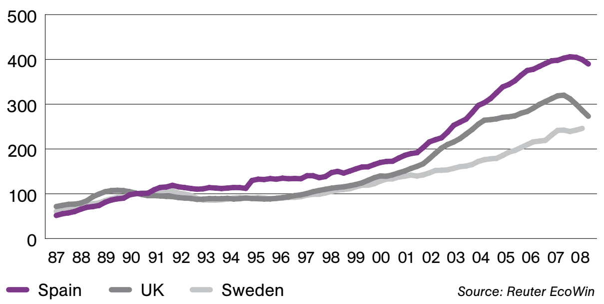
SEK billion



Sources: Statistics Sweden and the Swedish Bankers' Association

Housing prices in Spain, UK and Sweden

Index 1990 = 100



Source: Reuter EcoWin

The deterioration in economic conditions and the high interest rates for residential mortgages that prevailed into autumn led to a sharp fall in the price of tenant-owner apartments. In the case of single-family dwellings, demand also declined, although the fall in prices was substantially less than that for tenant-owner apartments. Lower demand for housing and tougher terms in the credit market led to a rapid slowdown in residential construction. Nevertheless, the overall market for retail residential mortgages rose by some SEK 140 billion during the year.

Prices for residential properties in Sweden have increased by an average of 15% over the past ten years. Accordingly, the trend in Sweden largely tracks the international average. Compared with the price trend in the UK and Spain, however, the rate of price increases has been much lower.

Retail market	2008 SEK billion	2007 SEK billion	Change SEK billion	Change %
Single-family dwellings and holiday homes	1,208.2	1,118.9	89.3	8.0
Tenant-owner apartments	358.5	308.0	50.5	16.4
Total	**1,566.7**	**1,426.9**	**139.8**	**9.8**

Corporate market	2008 SEK billion	2007 SEK billion	Change SEK billion	Change %
Multi-family dwellings	463.6	433.9	29.7	6.8
Commercial properties	34.8	31.4	3.4	10.8
Other[1]	82.5	38.9	43.6	112.1
Total	**580.9**	**504.2**	**76.7**	**15.2**

Source: Swedish Bankers' Association

[1] *The item Other rose sharply during the year because Swedbank Hypotek AB acquired loans of SEK 37 billion from the subsidiary Swedbank Jordbruksfastigheter AB.*

Corporate market

The year was marked by ever-increasing financing costs. Towards the end of the year, market terms and conditions for credit granting stiffened, especially for commercial properties. During the autumn, a dramatic deterioration in economic indicators led to a worsening of forecasts for rent trends and vacancies. During the year, the price perceptions of buyers and sellers differed considerably, resulting in fewer transactions and falling property prices. Towards the close of the year, interest rates declined, which can be expected to have a stabilizing effect on property prices.

The residential mortgage institutions' lending to the corporate market increased during the year. It is difficult to assess the total credit volume, since a large share of the loans are off the balance sheets of the residential mortgage institutions and are thus not included in statistics. These loans are with Swedish banks and non-Swedish providers, for example.

Towards the end of the year, lending to tenant-owner associations rose sharply. The components driving the growth are new production, renovations and conversion from rented to tenant-owner apartments.

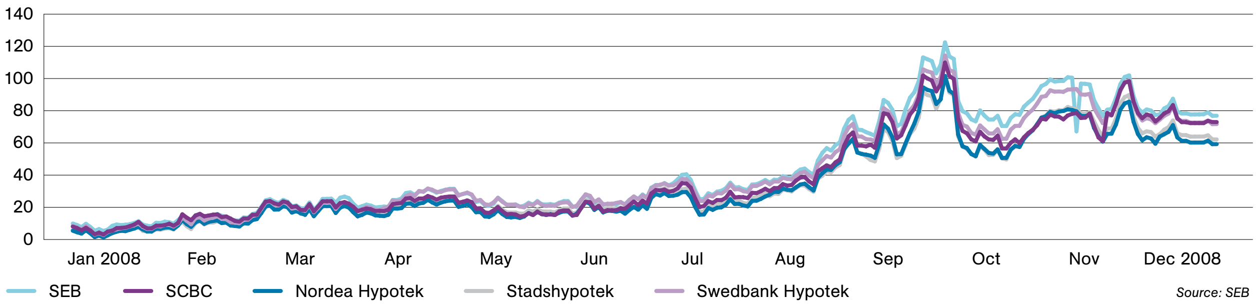
The Swedish covered bond market

Between 2006 and 2008, all of Sweden's leading residential mortgage institutions converted to covered bonds. Accordingly, the Swedish residential bond market could not be regarded as a homogenous covered bond market until 2008.

The Swedish covered bond market is the fourth largest in Europe, with an outstanding volume of SEK 978 billion in December 2008. The turmoil and uncertainty that characterized capital markets during the year had a negative impact on liquidity and issue levels. However, the Swedish covered bond market functioned relatively well and showed inherent strength during the year in an international comparison.

Asset swap spreads in the Swedish mortgage bond market – maturity 2013

Basis points against Stibor



Source: SEB

The issuing technique in the Swedish market is somewhat different from those of the public international market for covered bonds. After the initial launch, issue volumes are gradually built up via ongoing issuing in each bond during its maturity period through on-tap issuing. To ensure favourable liquidity in the market, each issuer also provides a repo facility.

Regulatory framework for covered bonds in brief

In 2004, it became possible for Swedish banks and credit-market companies to issue covered bonds according to the Covered Bonds Act (2003:1223). In the same year, the Swedish Financial Supervisory Authority issued regulations and general guidelines (FFFS 2004:11) regarding covered bonds. Issuance of covered bonds under the Swedish legislation took place for the first time in 2006.

The following section regarding the regulations for covered bonds is by no means exhaustive and should therefore not be relied upon as a complete presentation or description of all aspects relating to the regulations for covered bonds.

Covered bonds and cover pools

Covered bonds refer to bonds and other comparable debentures that are linked to preferential rights in the issuing institution's cover pool. The cover pool primarily consists of credits issued against collateral in a certain type of real property or site-leasehold rights, collateral in tenant-owner rights or so-called public credits issued by the Swedish government or municipalities, for example. The cover pool may also contain certain qualified substitute collateral, which normally may amount to at most 20% of the cover pool.

In addition to the holders of covered bonds, the issuing institution's counterparties in derivative contracts are also entitled to preferential rights to the cover pool.

An issuing institution must continuously monitor the trend of property prices in the locations or regions in which the institution provides credit. In cases of declining price levels, the institution must check whether a property that constitutes collateral for granted credits maintains the same value as the original or most recent valuation. If the market conditions in the location or region deteriorate significantly, the valuation must be reassessed.

Permits and independent inspector

To be entitled to issue covered bonds, a permit is required from the Swedish Financial Supervisory Authority (FI), which is also the supervisory authority for the issuing institution's operations. FI will also appoint an independent inspector for each issuing institution who is charged with monitoring the register that each issuing institution is obligated to maintain for the covered bonds, cover pool and derivative contracts and ensuring that it is maintained in the correct manner and in accordance with the regulations. The independent inspector reports regularly to FI.

Matching rules

The nominal value of the cover pool must at all times exceed the nominal value of the receivables that may be claimed against the issuing institution on the basis of the covered bonds. In calculating the nominal value of the cover pool and the covered bonds, consideration must be taken to any exchange-rate differences and derivative contracts. The issuing institution must also ensure that payment flows with respect to the cover pool, derivative contracts and covered bonds are such that the issuing institution at all times is able to meet its payment obligations to holders of covered bonds and counterparties in derivative contracts.

The present value of assets in the cover pool must, upon a daily calculation, exceed the present value of the liabilities that relate to the covered bonds. The requirement to calculate the present value of the cover pool's assets must also be fulfilled after an assumed interest-rate change that would result in a sudden and sustained parallel shift of the relevant interest-rate curve by one percentage point up or down. The present value of the issuing institution's cover pool must, upon a daily calculation, exceed the present value of the liabilities that relate to the covered bonds in the event of a 10% sudden and sustained change of the ratio between the currency of the bonds and the currency of the assets. In these calculations, the present value of derivative contracts must also be included.

Administration Report

Lending

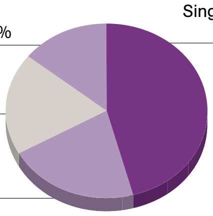
SCBC does not carry out new lending itself, but acquires loans from SBAB and loans originated by SBAB's business partners on an ongoing basis. The intention of the acquisitions is for these loans to be wholly or partly included in the cover pool that serves as collateral for SCBC's covered bond.

Lending to the public amounted to SEK 157,792 million at 31 December 2008, compared with SEK 128,205 million at the beginning of the year. In order to enable additional funding via covered bonds, loans originated by FriSpar Bolån AB were acquired during the year. These loans amounted to SEK 18,679 million at 31 December 2008. All loans from business partners were originated according to credit regulations that in all significant respects correspond to SBAB's own regulations and thus are of equally high quality as other loans. The portfolio in SCBC primarily consists of loans for residential purposes, with the retail market as the largest segment. The underlying collateral consists primarily of mortgage deeds on single- and multi-family dwellings and pledges of tenant-owner rights. The portfolio does not contain any lending for purely commercial objects. All loans granted relate to the Swedish market and are geographically concentrated to the metropolitan areas, as well as university and growth regions.

Since June 2008, SBAB buys back loans that are past due by 30 days or more, compared with 60 days previously.

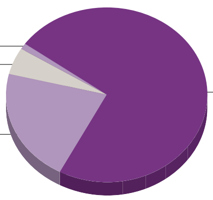
Distribution by owner categories

31 December 2008



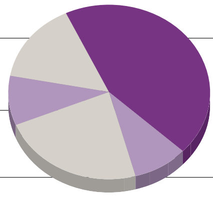
Distribution by type of collateral

31 December 2008



Geographic distribution

31 December 2008



Cover pool

Of SCBC's total loan portfolio, 95% consists of qualified assets that are included in the cover pool. This means that they constitute formal collateral for the covered bonds issued by the company.

Of the loans in the cover pool, approximately 95% correspond to lending against mortgage deeds or tenant-owner rights. In calculating LTV[1] for these loans, the upper limit of the loan's (or group of loans) LTV ratio is used. The market value of the properties that form the basis for the calculations is predominantly from the most recent lending date. Overall, this results in a conservative assessment of the LTV of the credits.

Information regarding SCBC's cover pool is published monthly on scbc.se.

[1] *LTV = Loan to Value*

Key figures for the cover pool	31 Dec 2008
Total cover pool, SEK billions	153.1
Loan portfolio, SEK billions	149.7
Average weighted Max-LTV, %	59
Average loan amount, SEK thousands	462
Average weighted seasoning, years	4.5
Average weighted remaining period, years	1.6
Substitute collateral, SEK billions	3.4

Max-LTV for cover pool

Mortgage deeds and tenant-owner rights

	31 Dec 2008		
Max-LTV (%)	Number [1]	Loan amount (SEK billion)	Loan amount (%)
0-20	19,512	5,727	4%
20-40	34,998	19,392	14%
40-50	20,496	13,764	10%
50-60	22,155	22,804	16%
60-70	21,103	20,949	15%
70-75	71,934	34,325	41%
Total	**190,198**	**141,961**	**100%**

[1] *Refers to number of blocks of mortgage deeds for mortgages and number of loans for tenant-owner rights.*

Funding

During 2008, the capital markets were characterized by extreme events and high volatility. Despite great uncertainty in the market, SCBC succeeded in retaining access to the most important funding markets in the currencies SEK and EUR.

The turmoil that characterized financial markets during the year also affected SCBC's funding operations, primarily through higher funding costs. The difference in level between covered and unsecured funding increased sharply and covered bonds now comprise the SBAB Group's principal source of funding. Outstanding covered debt, excluding repos, amounted to SEK 127 billion at 31 December 2008 (carrying value including market-value changes). This corresponded to an increase of about SEK 22 billion, compared with 31 December 2007.

Funding programmes

SCBC has two programmes for long-term funding, the EMTCN programme and the Swedish covered bond programme. Outstanding funding volume (carrying value excluding market value changes) on 31 December 2008 amounted to:

- EMTCN programme: Equivalent value of SEK 65.2 billion in several foreign currencies.
- The Swedish covered bond programme: SEK 66.1 billion (including SEK 9.5 billion in repos).

Transactions during the year

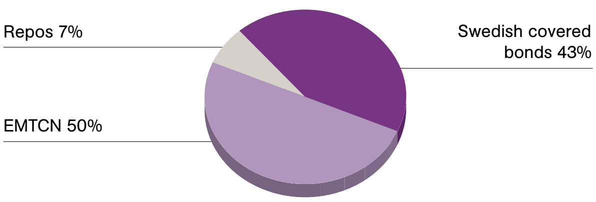
Among the bonds that SCBC issued in the international market under the EMTCN programme, the following were the most noteworthy:

- EUR 1.25 billion in the public euro market
- CHF 150 million in the public Swiss market

A number of private placements in several foreign currencies were also issued under the EMTCN programme.

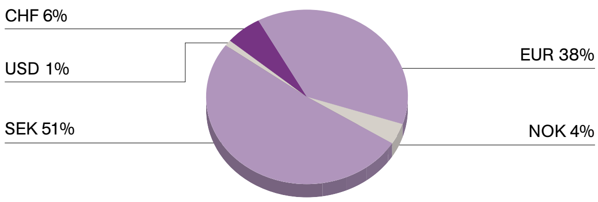
Funding

31 December 2008



Funding – currency distribution

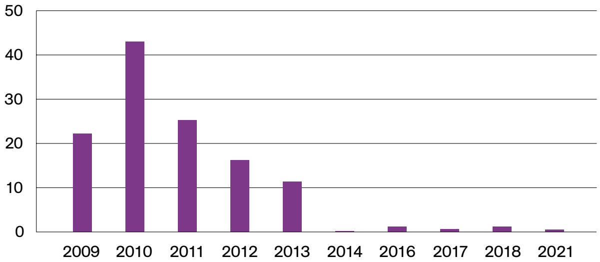
31 December 2008



Funding – maturity profile

31 December 2008

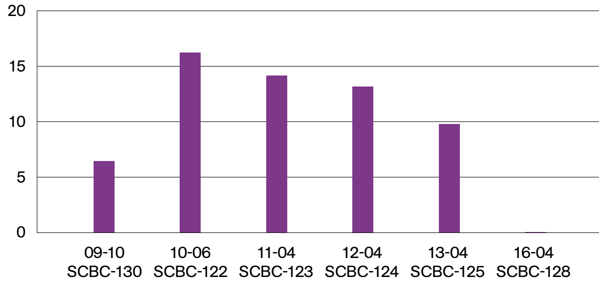
SEK billions



Outstanding volume of SCBC's Swedish covered bonds

31 December 2008

SEK billion



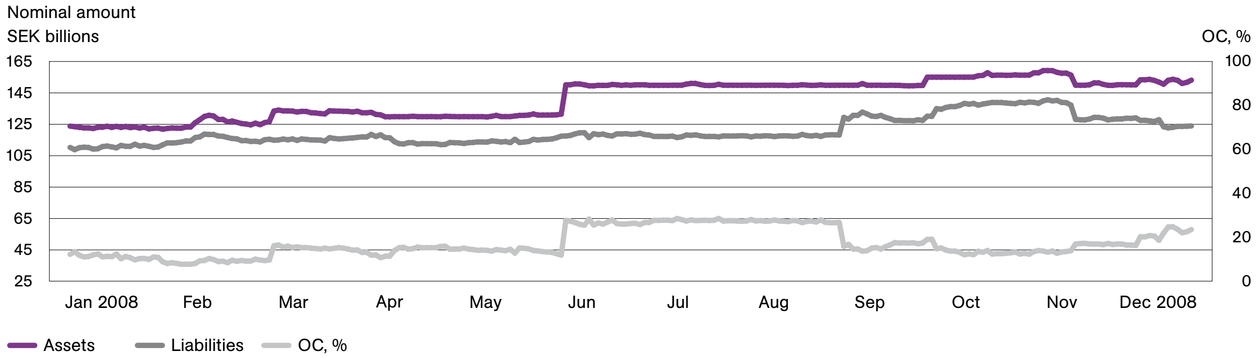
Rating

The rating agencies Moody's and Standard & Poor's have assigned SCBC's bond programmes the highest possible long-term ratings of Aaa and AAA, respectively. SCBC engages in an ongoing dialogue with both rating agencies and regularly reports a large volume of information regarding SCBC's assets, outstanding debt and derivatives. Because SCBC's primary objective is to supply the SBAB Group with the best possible long-term funding, retaining the highest possible rating is of central importance.

SCBC's strong credit structure, combined with the high quality of the underlying assets in the cover pool and the Swedish legislation regarding covered bonds, have contributed to SCBC obtaining the highest possible rating.

Another important parameter on which the rating institutions' credit assessment is based is the level of nominal over-collateralization in relation to the outstanding collateralized debt or the OC level. The historical development in relation to the cover pool on each date during the year and the actual OC level (as a percentage) is presented below.

Cover pool – historical development



Earnings

Operating profit

SCBC's operating profit for 2008 amounted to SEK 1,012 million (566). The increase was primarily attributable to unrealized market value changes in net income from financial instruments measured at fair value.

As of December, SCBC had granted Group contributions to the Parent Company SBAB in an amount of SEK 1,600 million before tax.

For 2008, return on equity amounted to 9.5%.

Net interest income

Net interest income declined somewhat, compared with the preceding year, and amounted to SEK 797 million (840). The turbulence in the financial market during the year had a negative impact on interest income, primarily through increased costs for funding and continued pressure on lending margins.

Return on equity improved, compared with the preceding year, as a result of a higher average interest rate during the year. The average lending interest rate amounted to 4.94% (4.26). The credit portfolio increased by SEK 29.6 billion compared with 2007, which together with an increase in equity maintained the net interest level.

The investment margin (net interest income in relation to average total assets) declined to 0.49% (0.74). This decline primarily reflected the effects of the turbulent financial market.

Other income and expenses

Net commission income and other income amounted to SEK 631 million (34). The increase was due to net income from financial instruments measured at fair value, which improved by SEK 608 million compared with the preceding year. SEK 504 million of this increase was attributable to unrealized market value changes in derivative instruments and hedged items, which was largely due to the lower interest-rate levels on 31 December 2008, compared with 31 December 2007. The remaining increase of SEK 104 million corresponded to realized gains attributable to interest-bearing financial instruments.

Expenses

Expenses amounted to SEK 399 million, up 29% on the preceding year. The increase was primarily attributable to the cost of the services that SBAB provides to SCBC under the outsourcing agreement. The higher outsourcing costs were primarily due to the increase in the loan portfolio since the preceding year.

Loan losses

Loan losses increased and amounted to a net of SEK 17 million (recovery: 1), corresponding to 0.01% of the outstanding credit volume. The increase was primarily due to higher collective provisions for the consumer market portfolio. The collective provision for the consumer market portfolio increased during the year and amounted to SEK 78 million (51), while the collective provision for corporate market loans declined and amounted to SEK 7 million (20) at year-end. In relation to the loan portfolio's size, loan losses remained very low.

Dividend principle and appropriation of profits

SCBC has no established dividend principle. Dividends are proposed by the Board of Directors in accordance with the Swedish Companies Act and thereafter approved by the Annual General Meeting. For the 2008 fiscal year, the Board of Directors and the Managing Director propose that the profit for the year be carried forward and that no dividend be paid.

Significant events after the balance sheet date

- A revaluation of underlying property values in SCBC's loan portfolio is being performed during the first quarter of 2009.
- Uncertainty concerning developments in financial markets continues to prevail.
- During 2008, a minor increase in credit risk was noted. This trend has not been exacerbated during early 2009.

Three-year review

SEK million	2008	2007	2006
Interest income	8,006	4,786	1,775
Interest expense	(7,209)	(3,946)	(1,472)
Net interest income	**797**	**840**	**303**
Other operating income	631	34	152
Total operating income	**1,428**	**874**	**455**
Other operating expenses	(399)	(309)	(157)
Total operating expenses	**(399)**	**(309)**	**(157)**
Net profit before loan losses	**1,029**	**565**	**298**
Loan losses, net	(17)	1	–
Operating profit	**1,012**	**566**	**298**
Loan portfolio	157,792	128,205	88,654
Deferred tax assets	135	–	–
Other assets	26,519	9,848	772
Total assets	**184,446**	**138,053**	**89,426**
Debt securities in issue	126,578	105,361	68,741
Other liabilities	29,059	11,409	6,574
Deferred income tax liabilities	–	21	–
Subordinated debt to Parent company	19,426	15,439	9,896
Equity	9,383	5,823	4,215
Total liabilities and equity	**184,446**	**138,053**	**89,426**
Lending			
Investment margin, %	0.49	0.74	0.68
Loan losses			
Loan losses as a percentage of lending, %	(0.01)	0.00	–
Provision ratio in relation to lending, %	0.05	0.06	–
Productivity			
Expenditure/Income ratio, exc. loan losses, %	28	35	35
Expenditure/Income ratio, incl. loan losses, %	29	35	35
Capital structure			
Return on equity, %	9.5	8.1	10.2
Capital adequacy, % [1)]	10.0	8.5	8.8
Primary capital ratio, % [1)]	10.0	8.5	8.8
Equity ratio, %	5.1	4.2	4.7
Consolidation ratio, %	5.0	4.2	4.7
Employees			
Number of employees	1	1	1

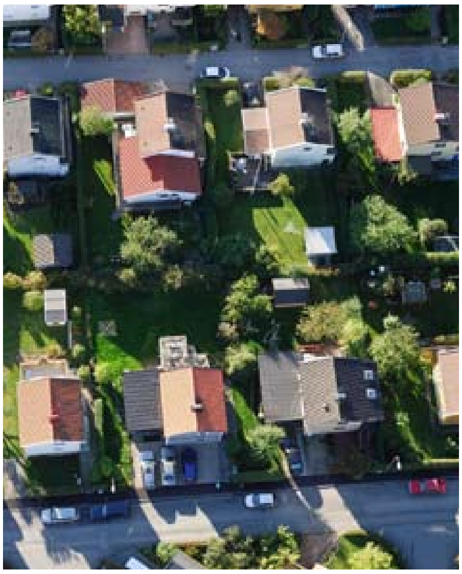
[1)] *The comparative figures for 2006 have not been restated according to statutory IFRS.*

SCBC only reports a three-year summary because the company was not active prior to 2006.

Definitions of key ratios

Investment margin	• Net interest income in relation to average total assets
Loan losses as a percentage of lending	• Loan losses as a percentage of lending.
Provision ratio in relation to lending	• Total provision for probable loan losses in relation to lending
Expenditure/Income ratio excl. loan losses	• Total operating expenses/total income
Expenditure/Income ratio incl. loan losses	• (Total operating expenses plus loan losses)/ total income
Return on equity	• Operating profit after actual tax in relation to average equity
Capital adequacy	• Capital base/risk-weighted amount
Primary capital ratio	• Primary capital/ risk-weighted amount
Equity ratio	• Equity in relation to total assets at year-end
Consolidation ratio	• Equity, incl. deferred tax, in relation to total assets at year-end
Number of employees	• Permanent employees

Financial Reports



Income Statement

SEK million	Note	2008	2007
Interest income	1	8,006	4,786
Interest expense	1	(7,209)	(3,946)
Net interest income		**797**	**840**
Commission income	2	11	7
Commission expense	2	(16)	(1)
Net income from financial instruments measured at fair value	3	636	28
Other operating income		0	(0)
Total operating income		**1,428**	**874**
General administrative expenses	4	(398)	(307)
Other operating expenses	5	(1)	(2)
Total expenses before loan losses		**(399)**	**(309)**
Profit before loan losses		**1,029**	**565**
Loan losses, net	6	(17)	1
Operating income		**1,012**	**566**
Income tax expense	7	(292)	(158)
Profit for the year		**720**	**408**

Balance Sheet

SEK million	Note	31 Dec 2008	31 Dec 2007
ASSETS			
Loans and advances to credit institutions	8	5,535	7,015
Loans and advances to the public	9	157,792	128,205
Change in fair value of hedged loan receivables	10	4,568	(708)
Derivative financial instruments	11	14,745	3,113
Deferred tax assets	19	135	–
Other assets	13	1,382	129
Prepaid expenses and accrued income	14	289	299
TOTAL ASSETS		**184,446**	**138,053**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	15	20,629	8,435
Debt securities in issue	16	126,578	105,361
Derivative financial instruments	11	4,020	994
Other liabilities	17	1,629	83
Accrued expenses and prepaid income	18	2,781	1,897
Deferred tax liabilities	19	–	21
Subordinated debt to Parent Company	20	19,426	15,439
Total liabilities		**175,063**	**132,230**
Equity			
Share capital		50	50
Shareholder contribution		9,550	5,150
Retained earnings		(937)	215
Profit for the year		720	408
Total equity	21	**9,383**	**5,823**
TOTAL LIABILITIES AND EQUITY		**184,446**	**138,053**
OFF-BALANCE SHEET ITEMS			
Assets pledged for own liabilities	22	153,105	123,687

Statement of Changes in Equity

SEK million	Restricted equity Share capital	Non-restricted equity Shareholder contribution	Retained earnings and profit for the year	Total equity
OPENING BALANCE 1 JANUARY 2007	**50**	**3,950**	**215**	**4,215**
Shareholder contribution		1,200		1,200
Profit for the year			408	408
CLOSING BALANCE 31 DECEMBER 2007	**50**	**5,150**	**623**	**5,823**

SEK million	Restricted equity Share capital	Non-restricted equity Shareholder contribution	Retained earnings and profit for the year	Total equity
OPENING BALANCE 1 JANUARY 2008	**50**	**5,150**	**623**	**5,823**
Shareholder contribution		4,400		4,400
Dividend to Parent Company			(408)	(408)
Group contribution provided to Parent Company			(1,152)	(1,152)
Profit for the year			720	720
CLOSING BALANCE 31 DECEMBER 2008	**50**	**9,550**	**(217)**	**9,383**

The shareholder contributions that have been paid are conditional and the Parent Company, SBAB, is entitled to demand repayment of the contributions from SCBC's disposable earnings, assuming that the Annual General Meeting approves such a course of action.

Cash Flow Statement

SEK million	2008	2007
Cash and cash equivalents at the beginning of the year	**7,015**	**0**
OPERATING ACTIVITIES		
Interest and commission received	8,089	4,624
Interest and commission paid	(6,480)	(3,378)
Realised changes in value	131	29
Payments to suppliers	(323)	(365)
Income taxes paid	(164)	(158)
Change in subordinated debt	3,928	5,543
Change in loans and advances to the public	(29,600)	(39,539)
Changes in loans and advances to credit institutions	12,194	3,642
Issue of long-term debt securities	45,886	50,979
Repayment of long-term debt securities	(38,835)	(15,366)
Change in other assets and liabilities	902	(196)
Cash flow from operating activities	**(4,272)**	**5,815**
INVESTING ACTIVITIES		
Cash flow from investing activities	**–**	**–**
FUNDING ACTIVITIES		
Dividend paid	(408)	–
Shareholder contribution received from Parent Company	3,200	1,200
Cash flow from funding activities	**2,792**	**1,200**
Increase/decrease in cash and cash equivalents	**(1,480)**	**7,015**
Cash and cash equivalents at year-end	**5,535**	**7,015**

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.

Risk management

A broad definition of risk is the volatility in future income that is dependent on changes in the value of assets and liabilities. Risk is a natural element in a business, but entails that some form of uncertainty occurs, and this uncertainty must be managed.

SCBC's risk-management processes comply with those applied by the entire SBAB Group and the company also complies with the regulations for covered bonds (see page 6). Risk management entails that, in each individual transaction, SCBC will be able to measure the value generated by the transaction with regard to return and risk, and the level of capital that is optimal in relation to the inherent risk. In concrete terms, this entails that SCBC conducts a recurring discussion focusing on the following questions:

- What are the various risks generated in SCBC's operations, and how can these be measured consistently to create comparability?
- How can SCBC organise its risk management and integrate it into business management so that all employees understand the value of correct risk management?
- Does SCBC have sufficient capital to counter the company's risks?

Risk appetite

Risk is an integrated part of all activities conducted by SCBC. Given the company's strategy of generating income primarily by taking credit risks, it is important to know how much risk is actually desirable, both at an aggregated level and in relation to various segments and individual customers. Risk appetite can be defined as "the impact on earnings that a company can accept to support a particular strategy." SCBC's risk appetite is expressed as follows:

- That the SBAB Group will generate a return on equity that is five percentage points higher than the return on five-year government bonds after tax, viewed over a business cycle
- That the SBAB Group's primary capital ratio will not be less than 7%
- That the economic capital will not exceed 85% of the available capital
- Earnings should be based primarily on credit risk and interest rate risk.

The Group's risk process can be described simply as follows:

1. Identify risk

The SBAB Group conducts its operations in three different business areas. Corporate and Retail handle loans, while Finance handles borrowing and financial risk management. The first two business areas primarily generate credit risk, while the borrowing operations generate several financial risks, of which the management of the interest rate risk can give rise to some earnings.

2. Measure risk and capital requirements

Identified risks are measured in various models. For commercial and operational risks, standards based on the business areas' operating expenses and operating income are used. For credit risk, SCBC has developed several statistical rating models depending on the type of counterparty for which a credit rating is required (PD – probability of default) and the existing collateral (LGD – loss given default). The SBAB Group uses an advanced method to establish internal and external capital requirements. Depending on the purpose of the rating, market risk is assessed with a Value at Risk (VaR) model or through a parallel shift of the yield curve. The Swedish Financial Supervisory Authority has established that the SBAB Group's capital evaluation meets the requirements stipulated by the second pillar of the Basel regulations.

3. Analyse, control and report

Based on the information provided by the models, the company conducts an analysis of how the risks affect and can be expected to affect the operations. These efforts include follow-up and analysis of historical outcomes, as well as future-oriented stress tests and scenario analyses. At each reporting instance, SCBC's Board of Directors and MD are to be provided with an adequate report on the company's risk profile.

These efforts then comprise part of the supporting documentation for SCBC's strategic planning and form the foundation for the establishment of capital goals.

During the year, SCBC continued its efforts to implement a closely connected infrastructure for the increased requirements for capital adequacy accounting and the establishment of profitability measurement in all customer segments throughout the entire risk process. In the current phase, SCBC has proceeded with the installation of analysis tools for in-depth analysis and risk classification of the entire customer base and processes to automate the reporting.

Overall aims for risk management

- The aim of SCBC's risk management is to support business operations and rating targets. Risk-taking must be balanced. This will be achieved by ensuring that total risk is kept at a level compatible with the long-term financial objectives for return, the size of risk capital and the target rating.
- The aim is to identify, control and monitor relevant risks.
- Allocation of capital is to be based on the desired risk level and earnings capacity.
- Risk management aims to be transparent and thus easily presented for and understood by external parties.

Organisation and responsibility

Board of Directors

The Board of Directors has ultimate responsibility for risk managements and takes decisions on risk strategy, risk appetite, risk policy and instructions for managing and measuring risk. Through the financial directives, the Board determines limits for, inter alia, market risk and liquidity risk. In accordance with the finance instructions, certain decisions on limits are made by the SBAB Group's Finance Committee. The Board also makes decisions regulating the decision-making authority of executives through the credit instructions.

At the statutory meeting of the SCBC Board of Directors, decisions were made concerning the establishment, in applicable areas, of governing documents in the form of policies and instructions that the Parent Company's Board of Directors has decided to apply for the Parent Company's operations. It was also decided that the decisions that the Parent Company has taken or will take in the future concerning these governing documents will similarly, in applicable areas, apply to SCBC, including amendments, and that these decisions will take effect on the date decided by the Parent Company for each particular governing document.

Decisions made by the Parent Company's Board of Directors concerning governing documents are reported at meetings of the SCBC Board.

Asset and Liability Management Committee (ALCO)

The Asset and Liability Management Committee (ALCO) is a body within the SBAB Group that handles matters relating to risk and capital planning that are to be addressed by Parent Company's executive management. The Parent Company's Chief Financial Officer is the chairman of the ALCO. Other committee members are the managers for each of the business areas, the Chief Credit Officer and the Head of Accounts and Risk Department.

Risk Department

The Risk Department is a unit within the SBAB Group's finance division that is responsible for analyzing, assessing and reporting on the overall risks of the SBAB Group. In particular, credit risk, the most significant risk for SCBC, is monitored and analysed. The risk department is responsible for the design, implementation, reliability and monitoring of SCBC's risk classification systems and for SCBC's internal capital evaluation. The individual risks are dealt with by each of the business areas within the SBAB Group.

The SBAB Group's overall risk scenario is delivered by the Risk Department to the SBAB Group's CEO, executive management and the Board, together with a description of the trend of economic capital and risk-adjusted return. Monthly reports on capital adequacy are also provided to the MD and Board of SCBC. In addition, a more detailed description of the risk trend is reported quarterly.

Swedish Financial Supervisory Authority's (FI) examination of risk assessment methods

SCBC has received approval from FI to base capital requirements for credit risk on internal risk classification methods (IRB methods). FI has examined SCBC's internal methods and assessed them to be reliable.

The method used by the company to measure and handle operational risk complies with the provisions of FI's directives and FI regards them as reliable. FI has reviewed the method and assesses them to be reliable. SCBC applies a standard method for measuring and managing operational risk.

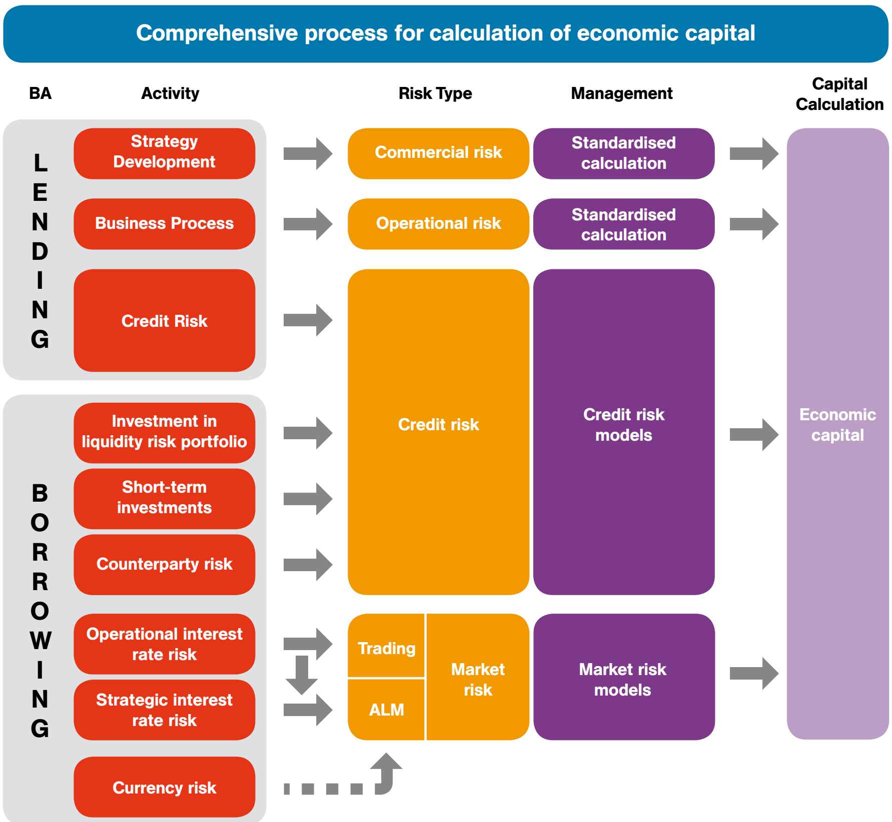
During 2008, SCBC applied for a permit to use its own estimates for LGD and credit conversion factor (CCF) for corporate loans and loans to tenant-owner associations for collateral in the form of mortgage deeds.

Risks

Credit risk in the lending operations

Credit risk is defined as the risk of loss due to the customer or counterparty's inability to make interest payments and amortisation or otherwise fulfil the loan agreement. Credit risk arises in conjunction with loans and loan promises, and also in connection with impairment of the value of pledged assets entailing that these no longer cover the company's receivables. Since June 2008, the Parent Company buys back credits that are 30 days past due, as opposed to 60 days previously.

Credit risk in lending operations is restricted by limits decided by the SBAB Group for the customer or customer group. The credit risk is also managed in the credit granting process, where potential borrowers' ability to make their interest payments is analysed in the SBAB Group's credit-granting process. For example, new retail loans are granted only to borrowers who are expected to be able to pay interest and amortisation in an interest-rate situation that



exceeds the level when the credit decision was taken by about 2%. Risk classification is also used in the analysis of the credit risk for new and existing customers in the loan portfolios.

To measure and monitor credit risk, the standardised method, as well as the foundation or advanced internal risk classification method, can be applied. SCBC applies the advanced IRB method for retail credit. In 2008, SCBC applied for a permit to also use the advanced IRB method for corporate credit. FI is expected to respond to the application in 2009. Until a permit is obtained, the foundation IRB method will be used.

The IRB method is used for every part of individual exposures to corporate or retail customers that have a mortgage deed or a tenant-owner apartment as collateral. For other types of exposures, the standardised method is used for measurement of credit risk. For the cases in which external ratings were used, the lowest rating from either Moody's or Standard & Poor's was selected. In credit risk models, an assessment is made of the probability of default (PD), loss given default LGD and the part of the off-balance sheet commitment that is utilised in the event of default, credit conversion factor (CCF). On the basis of these parameters, together with exposure at default (EAD), customers can be ranked according to risk and the expected and unexpected loss can be estimated. After assessment, the exposure is referred to one of eight risk classes for corporate and retail loans respectively, where the eighth class comprises customers in default. Customers in high risk classes are monitored thoroughly and, when necessary, the exposure is managed actively by credit monitoring personnel in the credit division. Models developed are validated annually. The current year's validation shows, inter alia, an increased concentration of customers in the best risk classes. To counteract the increased concentration, the models will be adjusted so that a more even distribution is achieved.

A more rigorous process, in which qualitative factors complement the previously conducted quantitative assessment process of the customers' risk classes, is used in Corporate Market[1] for customer segments for which current financial accounts are available. This entails greater uniformity in the assessment and facilitates handling of supporting documentation. For other customer segments, credit analysts, as in the past, add their assessment of risk class and an explanatory statement to the supporting material for assessment of risk class in the decision-processing system.

The expected loss (EL) assessed in the models can be compared with the assessed probable loss in the reporting seen over a longer period of time. The management of the latter is regulated by IAS 39. According to these regulations, assets are to be impaired when there are objective grounds for impairment due to the occurrence of one or more events that have a negative impact on the future cash flow. This differs from the expected loss produced by the models, where the risk in each individual loan is estimated based on outcomes during a longer period of time in a statistical model. The way EL is computed is regulated by the Capital Adequacy and Large Exposures Act (2006:1371) and by FI's capital adequacy directives (FFFS 2007:1), whereby every risk can be measured on the basis of a protracted period of time.

Expected loss (EL) is calculated using the formula EL = PD*LGD*EAD, where
- PD (probability of default) is the probability of default for a customer,
- LGD (loss given default) states the extent of the loss in the event of default and
- EAD (exposure at default) measures the expected exposure in the event of default.

[1] *Retail refers to all lending to consumers pertaining to single-family dwellings, holiday homes and tenant-owner apartments. Corporate refers to all lending to the public. This entails, inter alia, that loans to private individuals pertaining to multi-family dwellings are considered corporate customers.*

Maximum credit risk exposure before collateral held or other credit enhancements

SEK million	2008	2007
Credit risk exposure for on-balance sheet items		
Loans and advances to credit institutions	5,535	7,015
Loans and advances to the public:		
Loans to consumers		
– Single-family dwellings and holiday homes	72,820	54,458
– Tenant-owner apartments	32,920	26,097
Loans to companies/legal entities		
– Tenant-owner associations	30,663	27,699
– Private multi–family dwellings	16,269	12,982
– Municipal multi–family dwellings	4,996	6,954
– Commercial properties	124	15
Change in fair value of hedged loan receivables	4,568	(708)
Derivative financial instruments	14,745	3,113
Other assets	1,382	129
Prepaid expenses and accrued income	289	299
Credit risk exposure for off-balance sheet items		
Financial guarantees	–	–
Loan promises and other credit-related commitments	–	–
Maximum credit exposure per 31 December	**184,311**	**138,053**

The different methods will lead to different results in different phases of the business cycle. When the level of economic activity is high, the recognised impairment will be lower than that estimated by the IRB models, since the latter are based on the default trend over a longer period of time, which will generate a more normalised value. For the same reason, the recognised impairment during a recession will be higher than that based on IRB.

The above specification describes SCBC's maximum exposure to credit risk at the end of 2007 and 2008 without taking collateral pledged into consideration. For assets in the balance sheet, the carrying amount is stated. A total of 91% (97) of total exposure to credit risk derives from lending to credit institutions and the public (taking changes in the fair value of hedge-accounted loan receivables into account).

Collateral in the lending operations

In order for the SBAB Group to grant credit, adequate collateral in the form of real estate or a tenant-owner apartment is required. Adequate collateral usually means mortgage deeds in a property or a tenant-owner apartment up to 75%-85% of the market value. The 85% ratio applies provided that collateral can be obtained with priority right and that the customer has risk class R1-R4 for retail customers and C1-C4 for corporate customers. In other cases, a loan-to-value ratio of 75% applies. If collateral is complemented with credit insurance, it is possible to provide loans to private customers at up to 95% of market value. This remains possible in 2009, but the credit insurance requirement has been replaced by a requirement for "Låneskydd Trygg"[2] which is signed by the borrower, and the loan amount exceeding 85% of market value must be amortised over a maximum of 10 years, as opposed to 15 years previously. In addition to the above collateral, it is possible to grant credit for, inter alia, collateral in the form of a state credit guarantee, a municipal guarantee, securities, bank guarantees and deposits in a Swedish bank. SCBC does not hold any collateral which has been taken over to protect a receivable.

[2] *Unemployment and illness insurance with no life insurance component.*

Loan portfolio allocated by risk class

Corporate Market	2008		2007	
Risk class	Lending	Provision/lending in respective risk class	Lending	Provision/lending in respective risk class
C0	1.3%	–	2.1%	–
C1	63.8%	0.0%	54.3%	–
C2	18.2%	0.0%	21.3%	–
C3	8.6%	0.0%	13.8%	–
C4	4.9%	0.0%	3.9%	–
C5	2.2%	0.1%	3.1%	–
C6	0.7%	0.9%	1.4%	1.1%
C7	0.1%	3.6%	0.1%	30.2%
C8	0.2%	–	0.0%	0.0%
	100.0%	0.0%	100.0%	0.0%

C = *Corporate market*

Loan portfolio allocated by risk class

Retail Market	2008		2007	
Risk class	Lending	Provision/lending in respective risk class	Lending	Provision/lending in respective risk class
R1	38.2%	0.0%	39.3%	–
R2	20.2%	0.0%	21.1%	–
R3	25.0%	0.0%	24.0%	–
R4	11.7%	0.0%	10.8%	–
R5	2.8%	0.5%	2.9%	0.3%
R6	1.4%	1.4%	1.3%	1.2%
R7	0.6%	3.7%	0.6%	6.2%
R8	0.1%	5.1%	0.0%	11.4%
	100.0%	0.1%	100.0%	0.1%

R = *Retail market*

Loan portfolios by risk class
SCBC's lending to the public amounted to SEK 158 billion (128) at 31 December 2008. Every customer is allocated a risk class. Individually reserved corporate market loans are always allocated to the worst corporate market risk class, C8. Loans covered by collective provisions are obtained for the corporate market from risk classes C6 and C7, and collectively impaired retail market loans comprise loans in risk classes R5-R8. Risk class C/R0 are loans to Swedish municipalities, whereby the customers are not classified according to this model. The substantial concentration in the best risk classes indicates that the risk differentiation is not optimal. To counteract the increasing concentration, the models will be adjusted in 2009.

Loans and advances to the public and credit institutions
The loan portfolio has been allocated to loans where the borrower has fulfilled his obligations in accordance with the terms of the loan, loans where the borrower has not done so and loans with individual provisions. SCBC has no loans with individual provisions. An individual provision for a loan receivable is based on an individual assessment of the future cash flow together with an estimate of the market value of the underlying collateral, which serves as the basis for the individual provision. In the case of collective provisions, the risk in a group of loans has changed, but this change cannot be attributed to any particular customer. The table specifies the provision without taking into consideration guarantees and the amount guaranteed for each group of provisions.

Loans and advances to the public per segment without past due unpaid amounts or individual provisions plus transaction costs
The allocation of loans per risk class for the loans that had neither past due unpaid amounts nor individual provisions shows that 95% in 2008 and 95% in 2007 were in the four best risk classes. Loans for commercial properties are covered by municipal sureties or mortgages in residential properties. Unlike the allocation for 2007, the allocation for 2008 includes total transaction costs of SEK 12 million (17) that were allocated to individual loans without past due unpaid amounts and to loans with individual provisions. The transaction costs derive mainly attributable from the segment single-family dwellings and holiday homes.

Loans with past due unpaid amounts but without individual provisions
The table describes loans with past due unpaid amounts without individual provisions distributed by past due amortisation, past due accrued interest and principal for which notice of termination was given. Furthermore, for the sake of completeness, principal and accrued interest not yet past due are also stated for these loans. All amounts are allocated to lending segments. For loans with past due amounts in several time intervals, the part not past due is, where relevant, shown in the oldest time interval. In the case of the first time interval, SCBC decided not to take into consideration amounts past due by five days or less so that the analysis would not be distorted by payments delayed because the payment date was a holiday.

Loans to the public and credit institutions without past due unpaid amounts, with past due unpaid amounts and with provisions

	31 Dec 2008		31 Dec 2007	
SEK million	Customers	Credit institutions	Customers	Credit institutions
Current loans without past due unpaid amounts or provisions	157,464	5,535	127,953	7,015
Loans with unpaid amounts > 5 days past due	413	–	323	–
Loans with individual provisions	–	–	–	–
Total outstanding loans	**157,877**	**5,535**	**128,276**	**7,015**
Individual provisions	–	–	–	–
Collective provisions, corporate market	(7)	–	(20)	–
Collective provisions, retail market	(78)	–	(51)	–
Total provisions	**(85)**	**–**	**(71)**	**–**
Total lending after provisions	**157,792**	**5,535**	**128,205**	**7,015**
Guarantees for loans with individual provisions	–	–	–	–
Guarantees for loans with collective provisions, corporate market	4	–	7	–
Guarantees for loans with collective provisions, retail market	23	–	21	–
Total guarantees	**27**	**–**	**28**	**–**
Total lending after provisions and guarantees	**157,819**	**5,535**	**128,233**	**7,015**

At 31 December 2008, collective provisions totalled SEK 58 million (43), after a deduction for guarantees, equal to 0.04% (0.03) of the loan portfolio. No provisions were posted for loans to credit institutions.

Loans and advances to the public 2008 by segment without loans with past due unpaid amounts or loans with individual provisions plus transaction costs

	2008					
Risk class SEK million	Single-family dwellings and holiday homes	Tenant-owner apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties [1]
C/R0	–	–	–	–	681	–
C/R1	31,428	8,954	20,752	10,105	2,266	–
C/R2	13,613	7,718	5,608	2,638	1,108	119
C/R3	16,975	9,490	2,360	1,486	606	–
C/R4	7,352	5,000	827	1,480	233	–
C/R5	1,827	1,072	631	426	101	–
C/R6	980	433	255	115	–	–
C/R7	472	155	45	16	–	5
C/R8	40	16	75	–	–	–
Total	**72,687**	**32,838**	**30,553**	**16,266**	**4,995**	**124**

Loans and advances to the public 2007 by segment without loans with past due unpaid amounts or loans with individual provisions plus transaction costs

Risk class SEK million	Single-family dwellings and holiday homes	Tenant-owner apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties [1]
C/R0	–	–	–	49	932	–
C/R1	23,939	7,762	17,665	5,148	3,002	–
C/R2	11,262	5,736	4,409	3,853	1,887	–
C/R3	11,652	7,621	3,593	2,269	719	10
C/R4	4,990	3,656	689	895	269	–
C/R5	1,482	813	794	565	123	5
C/R6	640	334	482	180	22	–
C/R7	338	106	26	8	–	–
C/R8	7	4	–	–	–	–
Total	**54,310**	**26,032**	**27,658**	**12,967**	**6,954**	**15**

[1] *Commitments disclosed in this category are complemented by municipal sureties or collateral in residential properties.*

Loans and advances to the public 2008 with past due unpaid amounts but without loans with individual provisions

	2008					
	Retail market		Corporate market			
SEK thousand	Single-family dwellings and holiday homes	Tenant-owned apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties
5-30 days past due [1]						
Past due amortisation	1,036	1,031	15,445	16	–	–
Past due accrued interest	1,149	574	372	140	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	189,610	101,725	95,509	8,626	–	–
Accrued interest not past due	130	54	353	42	–	–
31-60 days past due						
Past due amortisation	–	–	–	–	–	–
Past due accrued interest	–	–	–	–	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	–	–	–	–	–	–
Accrued interest not past due	–	–	–	–	–	–
61-90 days past due						
Past due amortisation	–	–	–	–	–	–
Past due accrued interest	–	–	–	–	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	–	–	–	–	–	–
Accrued interest not past due	–	–	–	–	–	–
>90 days past due						
Past due amortisation	–	–	–	–	–	–
Past due accrued interest	–	–	–	–	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	–	–	–	–	–	–
Accrued interest not past due	–	–	–	–	–	–
Total past due						
Total past due amortisation	1,036	1,031	15,445	16	–	–
Total past due accrued interest	1,149	574	372	140	–	–
Total terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Total principal not past due	189,610	101,725	95,509	8,626	–	–
Total accrued interest not past due	130	54	353	42	–	–
Total lending for loans with past due receivable without provision	190,646	102,756	110,954	8,642	–	–
Value of collateral and guarantees	190,614	102,756	110,877	8,642	–	–

[1] *For the time interval, amounts past due by five days or less are not taken into consideration to ensure that the analysis is not be distorted by payments delayed because the payment date was a holiday.*

At the end of 2008, 99.7% (97.7) of lending, excluding unpaid amortisation in 2008, had no past due unpaid amounts. This was because, as of June 2008, the Parent Company buys back loans that are more than 30 days past due, as opposed to 60 days in the past. The majority of the loans that had past due unpaid amounts pertained to loans for single-family dwellings and tenant-owner apartments, 0.4% (0.7) of lending to the segment.

Doubtful receivables

Doubtful receivables comprise receivables for which the borrower has been granted some form of concession, due to deterioration in the borrower's financial position or other financial difficulties.

Restructured loan receivables

Restructured receivables entail that the borrower has been granted some form of concession due to deterioration of his/her financial position or because he/she has encountered other financial problems. After the loans have been restructured, they are considered satisfactory on the basis of the new terms.

Restructuring of a loan receivable may entail

a) that the terms of the loan are modified by terms which are not commercial,

b) that the borrower partly repays the loan by handing over various assets

Loans and advances to the public 2007 with past due unpaid amounts but without loans with individual provisions

	Retail market		Corporate market			
SEK thousand	Single-family dwellings and holiday homes	Tenant-owner apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties
5-30 days past due [1]						
Past due amortisation	3,552	2,247	20,029	1,399	–	–
Past due accrued interest	108	5	69	29	–	–
Terminated past due principal excl. past due amortisation						
Principal not past due	11,135	2,084	8,266	3,218	–	–
Accrued interest not past due	31	2	44	12	–	–
31-60 days past due						
Past due amortisation	1,732	297	27	69	–	–
Past due accrued interest	834	333	10	261	–	–
Terminated past due principal excl. past due amortisation						
Principal not past due	144,821	60,721	10,521	25,962	–	–
Accrued interest not past due	178	58	49	117	–	–
61-90 days past due [2]						
Past due amortisation	13	8	0	0	–	–
Past due accrued interest	81	23	–	–	–	–
Terminated past due principal excl. past due amortisation						
Principal not past due	17,493	4,324	4,167	895	–	–
Accrued interest not past due	62	15	35	9	–	–
>90 days past due [3]						
Past due amortisation	1	1	–	–	–	–
Past due accrued interest	–	–	–	–	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	–	–	–	–	–	–
Accrued interest not past due	–	–	–	–	–	–
Total past due						
Total past due amortisation	5,298	2,553	20,056	1,468	–	–
Total past due accrued interest	1,023	362	79	290	–	–
Total terminated past due principal excl. past due amortisation						
Total principal not past due	173,449	67,129	22,954	30,075	–	–
Total accrued interest not past due	271	76	129	138	–	–
Total lending for loans with past due receivable without provision	178,747	69,681	43,010	31,543	–	–
Value of collateral and guarantees	178,383	69,681	43,010	31,543	–	–

[1] *For the time interval, amounts past due by five days or less are not taken into consideration to ensure that the analysis is not be distorted by payments delayed because the payment date was a holiday.*
[2] *Amounts past due by 61-90 days pertain to payment notices during the period 29-31 December 2007 that exceeded the limit of 60 days past due.*
[3] *Amounts past due by >90 days pertain mainly to minor residual amounts from a few payment notices.*

Reported value of renegotiated loans by borrower category

Reported value of financial assets which would otherwise have been reported as past due or impaired and whose terms have been renegotiated.

SEK million	2008	2007
Single-family dwellings and holiday homes	9	6
Tenant-owner apartments	1	–
Tenant-owner associations	–	54
Private properties	–	–
Municipal properties	–	–
Commercial properties	–	–
Total	**10**	**60**

c) that the borrower agrees to convert part of the loan receivable into an ownership share, or

d) that the borrower is replaced or supplemented by a new borrower.

Credit risk in the finance operations

In the finance operations, credit risk arises in the form of counterparty risks for the derivative contracts entered into by SCBC to handle the company's risks.

Counterparty risks

Counterparty risks comprise exposures to leading banks and the Parent Company and are covered exclusively by major collateral

Counterparty risks

SEK million	31 Dec 2008		31 Dec 2007	
Rating category	Limit	Utilised limit	Limit	Utilised limit
AAA	–	–	–	–
AA– to AA+	3,647	1,102	7,087	1,467
A– to A+	3,290	2,334	430	–
Below A–	–	–	–	–
Unrated	–	–	–	–
Total	**6,937**	**3,436**	**7,517**	**1,467**

The table shows the utilised limit and the limit respectively, at an aggregated level per rating category for SBAB's counterparties and serves as a summary of the external derivative instruments that SCBC had entered into at 31 December 2008. At Group level, limits are set for all investments (excluding the liquidity portfolio), derivative financial instruments and repo contracts. In accordance with the financial instructions, limits are set by the Finance Committee within the scope of the rating-related framework established by the Board. Utilised limits are calculated as the market value of derivative financial instruments, repo contracts and investments. For counterparties who are also loan customers, the limit is to be coordinated with the credit limit. The limit can be established for a period of time of at most a year before a new consideration must be made. The decisions of the Finance Committee are to be reported to the Board at the following Board meeting. A rating is established for all of SBAB's counterparties with large collateral agreements.

Fixed-rate interest terms for financial assets and liabilities

Carrying amount	2008							2007						
SEK million	Without fixed interest term	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	Without fixed interest term	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
ASSETS														
Loans and advances to credit institutions	96	5,439	–	–	–	–	5,535	–	7,015	–	–	–	–	7,015
Loans and advances to the public	–	71,825	7,118	13,780	57,483	7,586	157,792	–	51,991	6,454	15,782	47,353	6,625	128,205
Change in fair value of hedged loan receivables	–	1,415	876	1,406	1,886	(1,015)	4,568	(708)	–	–	–	–	–	(708)
Derivative financial instruments	–	(118,690)		21,034	109,151	3,250	14,745		26,585	(1,162)	(8,599)	(10,775)	(2,936)	3,113
Other assets	1,671	–	–	–	–	–	1,671	428	–	–	–	–	–	428
Total financial assets	**1,767**	**(40,011)**	**7,994**	**36,220**	**168,520**	**9,821**	**184,311**	**(280)**	**85,591**	**5,292**	**7,183**	**36,578**	**3,689**	**138,053**
LIABILITIES														
Liabilities to credit institutions	–	15,284	5,345	–	–	–	20,629	–	8,435	–	–	–	–	8,435
Debt securities in issue	–	3,035	–	20,713	99,139	3,691	126,578	–	855	5,767	25,168	67,857	5,714	105,361
Derivative financial instruments	–	(95,544)	9,755	15,211	67,439	7,159	4,020	–	57,704	0	(17,759)	(35,230)	(3,722)	994
Other liabilities	4,410	–	–	–	–	–	4,410	2,001	–	–	–	–	–	2,001
Subordinated debt	(668)	20,094	–	–	–	–	19,426	–	15,439	–	–	–	–	15,439
Total financial liabilities	**3,742**	**(57,131)**	**15,100**	**35,924**	**166,578**	**10,850**	**175,063**	**2,001**	**82,434**	**5,767**	**7,409**	**32,627**	**1,992**	**132,230**
Difference assets and liabilities	(1,975)	17,120	(7,106)	296	1,942	(1,029)	9,248	(2,281)	3,157	(475)	(226)	3,950	1,697	5,823

In 2007, the item "Other liabilities" includes deferred tax liabilities. In 2008, the corresponding deferred tax assets are not included in "Other assets".

agreements for which the counterparty provides collateral to reduce the exposure.

Market risk

Market risk is the risk that unfavourable market fluctuations may negatively affect the company's earnings. SCBC shall be characterised by a low risk-taking, and the SBAB Group's Board decides ultimately on methods for risk measurement and limits. Market risk is monitored at the Group level, and through daily reporting, the Risk Department monitors current risk levels and compliance with limits.

SCBC's exposure mainly arises when the company's lending and borrowing are not fully matched and to lesser extent due to changes in exchange rates.

Interest-rate risk

Interest-rate risk arises in SCBC's activities and originates primarily when the interest-rate structure between the company's deposits and lending (ALM risk) is not fully matched. SCBC's interest rate structure as at 31 December 2008 is shown in the table Fixed-interest terms for financial assets and liabilities. The main principle is that SCBC's interest-rate risk, both in relation to the Parent Company and external counterparties. Accordingly, at SCBC, interest-rate risk arises only to a limited extent. SCBC does not conduct trading operations.

The interest-rate risk limits set by the Parent Company's Board for the Group consist of an operational and a strategic component, both of which are managed at Group level. The operational interest-rate risk, which comprises exposure in ALM and trading activities, is limited to 1% of SCBC's capital base. The operational interest-rate risk exposure amounted as at 31 December 2008 to a negative SEK 77 million (negative: 11), while the strategic interest-rate risk exposure was a positive SEK 11 million (6).

At Group level, the interest-rate risk is measured continuously in the form of Value at Risk (VaR) and through sensitivity analysis of the portfolio's change in value in the event of a parallel shift of the yield curve upward by one percentage point. The VaR model used is a parametric model with risk measures based on an assumption of normally distributed standard deviations, calculated by variance/covariance matrices for the risk factors included. A unilateral 99.97% confidence interval and a risk settlement period of one year are applied, in line with the SBAB Group's model for economic capital. The change in the portfolio's value in the event of a parallel shift of the yield curve is used when setting and monitoring limits, while the result from VaR is included in the Group's model for economic capital.

Currency risk

Currency risk means the risk of changes in the Swedish krona's exchange rate in relation to other currencies leading to deterioration in profitability. All of SCBC's borrowing in foreign currency is translated to and hedged in Swedish krona through the derivative market. Accordingly, SCBC shall not be exposed to exchange rate fluctuations.

Option risk

SCBC is not exposed to any option risk.

Operational risk

Operational risk means the risk of losses due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events. The definition includes legal risk.

SCBC uses the standardised method to assess capital requirements for operational risk. This method entails that the capital requirement is based on 12-18% of the average operating income of the business areas for the past three years. To be permitted to use the standardised method, SCBC must fulfil the requirements for documentation, processes and structures stipulated in the regulations.

SCBC uses the Opera model to manage operational risk. The model is based on self-evaluation of operational risks for established processes and on incident reporting.

Commercial risk

Commercial risk means the risk of declining earnings due to more difficult competitive conditions. It is allocated to two main groups: new business and existing business. Commercial risk is included in the calculation of the capital requirement at Group level on the basis of economic capital with the aid of a standardised method.

Liquidity risk

Liquidity risk means the risk of SCBC encountering difficulties in meeting payment obligations associated with financial liabilities. There has been a strong focus on liquidity risk management, which for SCBC's part is managed at Group level, in the entire bank sector since credit turbulence broke out in the latter half of 2007. The Group has long understood the importance of advanced liquidity risk management.

In December 2008, SCBC entered into an agreement with SBAB concerning a liquidity facility. The purpose of this agreement is to enable SCBC to borrow funds from SBAB in the event that SCBC is not able to pay its own bond holders when SCBC's bonds mature.

Funding risk

The SBAB Group generally endeavours to achieve a matching in maturity periods for tied-up capital between liabilities and assets. Funding risk is an expression of deviations from this matching.

The Group's calculation of funding risk is based on all contracted capital amounts with a remaining maturity of over one year, which thus supplements the Group's use of the liquidity risk model, which covers the interval up to one year. In the funding risk model, equity is calculated as having the same maturity as the Group's longest lending assets. The funding risk is calculated as the extent of any future liquidity deficit and is subject to limits. In the prevailing financial crisis, the SBAB Group has selected a more conservative funding risk management method than previously, whereby forthcoming defaults are prefunded and the share of short-term lending has been reduced.

As at 31 December 2008, the cost of achieving risk neutrality was calculated as negative, i.e. SCBC should be able to realise a profit if liabilities and assets are changed to perfect matching.

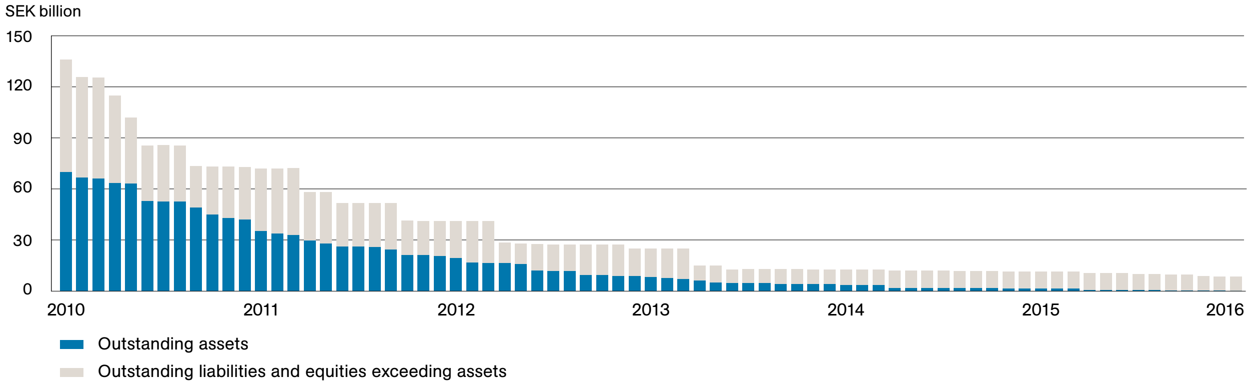
The tables Maturities for financial assets and liabilities and Derivative Cash Flow Statement show how SCBC's future cash flows appeared as at 31 December 2008 and 31 December 2007 respectively, both in the short- and long-term perspective.

Concentration risk

Since the SBAB Group primarily concentrates on the property market, the company is mainly exposed to credit risk. Sufficient capital has been allocated to counter the credit risks that arise from the business operations.

Concentration risk is defined as "if the same underlying factor realises the risk" in combination with the fact that the concentration must be regarded as risky. The SBAB Group's assessment is that concentration can also be an expression of risk aversion. Lending concentrated to metropolitan regions is an example of this, as are financial investments concentrated to a few asset types with high credit ratings. In other words, there are examples of concentrations that de facto entail a lower risk. However, the existence of certain concentrations that increase risk cannot be ruled out. These include exposures to certain geographical groupings or to borrowers in the same

Future surplus liquidity, one year and onward



Assets and liabilities plus equity from one year and onward, as at 31 December 2008. The graph shows that SCBC has longer liabilities and equity than assets and therefore does not lack future funding for existing assets.

Maturities for financial assets and liabilities

Amounts refer to contracted, undiscounted cash flows.

	2008							2007						
SEK million	Without maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	Without maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
ASSETS														
Loans and advances to credit institutions	100	5,437	–	–	–	–	5,537	–	7,021	–	–	–	–	7,021
Loans and advances to the public	–	20,484	24,697	52,256	63,076	8,262	168,775	–	18,742	19,780	40,518	52,335	7,405	138,780
Derivative financial instruments	–	69,517	12,234	33,219	119,538	13,776	248,284	–	51,019	11,111	30,288	101,359	12,832	206,609
Other assets	1,671	–	–	–	–	–	1,671	428	–	–	–	–	–	428
Total financial assets	**1,771**	**95,438**	**36,931**	**85,475**	**182,614**	**22,038**	**424,267**	**428**	**76 782**	**30,891**	**70,806**	**153,694**	**20,237**	**352,838**
LIABILITIES														
Liabilities to credit institutions	9,090	6,196	5,474	–	–	–	20,760	–	8,444	0	0	0	0	8,444
Debt securities in issue	–	497	2,353	24,446	105,125	4,578	136,999	–	409	7,423	27,588	77,229	6,920	119,569
Derivative financial instruments	–	71,190	11,136	30,255	110,512	14,146	237,239	–	52,573	10,666	29,843	99,748	11,853	204,683
Other liabilities	4,410	–	–	–	–	–	4,410	2,001	–	–	–	–	–	2,001
Subordinated debt	19,426	–	–	–	–	–	19,426	15,439	–	–	–	–	–	15,439
Total financial liabilities	**32,926**	**77,883**	**18,963**	**54,701**	**215,637**	**18,724**	**418,834**	**17,440**	**61,426**	**18,089**	**57,431**	**176,977**	**18,773**	**350,136**

For receivables and liabilities that are amortised, the fixed-interest term for amortisations was calculated as the period from the due date for the respective amortisation. Foreign currency flows were converted at closing rate as at 31 December 2008. Future interest-rate flows for assets and liabilities with floating interest rates were estimated to the stipulated term of expiry with the aid of forward/forward interest rates based on the actual interest base, usually the three-month STIBOR. The Parent Company SBAB is the creditor for SCBC's subordinated debt. Because the maturity is not specified, current liability is reported without maturity and without estimated interest-rate flow.

Derivative Cash Flow Statement

Amounts refer to contracted, undiscounted cash flows.

	2008						2007					
SEK million	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
DERIVATIVES SETTLED ON A NET BASIS												
Currency-related derivatives	–	–	–	–	–	–	–	–	–	–	–	–
Interest-rate-related derivatives	(1 119)	(906)	1 197	1 195	(646)	(279)	(1 199)	(574)	805	468	801	301
Total derivatives settled on a net basis	**(1 119)**	**(906)**	**1 197**	**1 195**	**(646)**	**(279)**	**(1 199)**	**(574)**	**805**	**468**	**801**	**301**
DERIVATIVES SETTLED ON A GROSS BASIS												
Currency-related derivatives												
– Inflows of cash	356	594	17,024	50,227	4,285	72,486	312	478	10,958	42,252	4,528	58,528
– Outflows of cash	(260)	(340)	(14,158)	(42,396)	(4,009)	(61,163)	(233)	(336)	(10,871)	(41,109)	(4,350)	(56,899)
Interest-rate-related derivatives												
– Inflows of cash	–	–	–	–	–	–	–	–	–	–	–	–
– Outflows of cash	–	–	–	–	–	–	–	–	–	–	–	–
Inflows total	**356**	**594**	**17,024**	**50,227**	**4,285**	**72,486**	**312**	**478**	**10,958**	**42,252**	**4,528**	**58,528**
Outflows total	**(260)**	**(340)**	**(14,158)**	**(42,396)**	**(4,009)**	**(61,163)**	**(233)**	**(336)**	**(10,871)**	**(41,109)**	**(4,350)**	**(56,899)**

industry. SCBC is developing a model to manage concentration risks, and expects the model to be completed in the first half of 2009. Large exposures, meaning borrower concentrations, are dealt with on the basis of the SBAB Group's credit directives. The loans concerned are identified, checked and monitored to ensure that they fall within the statutory framework for individual investments.

Internal capital evaluation, Basel Committee's Pillar II

The purpose of the SBAB Group's internal capital evaluation process is to ensure that the company identifies, values, secures and handles the risks to which it is exposed and that the SBAB Group has risk capital that is compatible with the selected risk profile. The process is revised annually to capture changes in the operating environment that continuously affect the company's performance.

The risk capital required to counter the combined risk in the SBAB Group's operations is calculated at Group level. This calculation is mainly based on the calculation of the Group's economic capital. A qualitative assessment is also made of the risks that are not included in the calculation of economic capital. In addition, the risk linked to extraordinary events, which is illustrated in conjunction with stress tests, is taken into account. Finally, the risk capital is supplemented with an extra buffer capital. The buffer capital and capital allocation linked to the stress tests – known as surplus capital – is allocated to the business areas based on their share of economic capital.

Taken together, the calculated risk capital comprises the capital that is desirable to meet all risks in the SBAB Group's operations. During the year, FI reviewed the SBAB Group's internal process for capital evaluation. In June 2008, FI stated that it believed that the SBAB Group was sufficiently capitalised in relation to the risk to which it deemed the SBAB Group to be exposed.

Economic capital

Economic capital comprises the capital that, according to the company's assessment, is required to cover unexpected losses during the coming year. Expected losses are to be covered by earnings from operating activities. The economic capital evaluation takes into account credit risk, market risk, operational risk and commercial risk. Credit risk is the dominant risk in the SBAB Group's operations.

To a substantial extent, the economic capital model is based on the result of the Group's IRB models for quantification of credit risk. In addition to comprising an assessment of the combined capital requirement to counter the risks in the company's operations, the economic capital model is also used to monitor profitability in the company's operations, for economic control and for strategic consideration.

The SBAB Group's economic capital allocated by risk type

	31 Dec 2008	31 Dec 2007
Economic capital, SEK M	4,896	3,880
Of which		
Credit risk	71%	82%
Market risk	25%	13%
Commercial risk	3%	4%
Operational risk	1%	1%

Stress tests

To ensure that the economic capital can also cover unexpected losses in deteriorating economic conditions, stress tests and scenario analyses are conducted on the basis of a number of selected variables at Group level. Particular weight is placed on the interest rate trend and market price changes pertaining to properties. Stress tests are based on two main scenarios. The first, a downturn scenario, is based on the trends seen in 1992 – 1994, while the second is based on the current time period and is a flexible scenario. The latter illustrates the effects of the SBAB Group's future outlook. Although the essential purpose of the tests is to indicate the need for the supply of capital, the effects on the Group's earnings trend are also illustrated.

Implemented stress tests show that, in the event of a significant economic decline, the greatest changes take place among risk classes in the superior segments, while the poorest segments are not affected to the same extent. This is explained by the fact that more borrowers have ended up representing an increasingly lower credit risk viewed over a ten-year period, due in part to a gradual reduction in interest rates. In a recessionary scenario, it is largely the same customers who move, but in the opposite direction.

Capital adequacy

SCBC reports credit risk mainly in accordance with the internal risk based method (IRB), and reports operational risk in accordance with the standardised method. The regulations implemented in 2007 for capital adequacy and large exposures entail that the low risk in the company's operations is now beginning to be reflected in the minimum capital requirement. However, during a transitional period of three years, the effect will be limited due to transitional provisions that will gradually be reduced. As a result of the transitional provision, the minimum capital requirement as at 31 December 2008 increased by SEK 3,180 million (2,650), rising from SEK 2,703 million (1,832) to SEK 5,883 million (4,482) (see the table describing capital adequacy).

In 2008, SCBC applied for permission to also use the advanced risk classification method for corporate credit. If such permission is granted, the company's own values for LGD (loss given default) can be used, which is expected to further reduce the already low minimum capital requirement before the effect of the transitional provisions.

SCBC's capital adequacy ratio amounted to 1.25 (1.07) at 31 December 2008. The capital adequacy rate was 10% (8.5), primary capital ratio 10.0% (8.5) and the capital base SEK 7,371 million (4,806). During the year, FriSpar Bolån AB transferred loans to the Parent Company, which in turn transferred credits to SCBC. As at 31 December 2008, SCBC's lending portfolio amounted to SEK 158 billion (128). During the year, the Parent Company granted capital contributions of SEK 3.2 billion to SCBC. An additional capital contribution of SEK 1.2 billion was decided upon in December 2008, but was not paid before year-end and is thus not included in SCBC's capital base. Including this capital contribution, the capital adequacy rate would rise from 10.0% to 11.7%. Information as at December 2008 includes the Board's proposal for the appropriation of profits, namely that no dividend to shareholders be paid. SCBC is providing Group contributions of SEK 1.6 billion to the Parent Company.

There are no ongoing or anticipated material obstacles or legal barriers for a fast transfer of funds from the capital base other than those that ensue from the terms for the subordinated debentures (see Note 20) or what generally applies arising from the Companies Act.

Capital adequacy

SEK millions	31 Dec 2008	31 Dec 2007
Primary capital	7,371	4,806
Total capital	7,371	4,806
Risk-weighted assets; Basel 1	83,369	59,692
Capital requirements/ 8%	73,535	56,027
Primary capital ratio	10.0%	8.5%
Capital adequacy rate	10.0%	8.5%
Capital ratio	1.25	1.07

Capital base

SEK million	31 Dec 2008	31 Dec 2007
Primary capital		
Equity	50	50
Retained earnings	(938)	214
Profit for the year	720	0
Primary capital contribution	8,350	5,150
Minority interest	–	–
Total primary capital gross	**8,182**	**5,414**
Less other intangible assets	–	–
Less deferred tax assets	(135)	-
Deductions in accordance with Chapter 3, Section 8 of the Capital Adequacy Act	(676)	(608)
Total primary capital net	**7,371**	**4,806**
Supplementary capital		
Perpetual subordinated debentures	–	–
Time-limited subordinated debentures	–	–
Deductions in accordance with Chapter 3, Section 8 of the Capital Adequacy Act	–	–
Total supplementary capital	**7,371**	**4,806**
Expanded part of capital base	–	–
Deduction from entire capital base	–	–
Amount for capital base net after deductible items and limit value	**7,371**	**4,806**

Capital requirements

SEK million	31 Dec 2008	31 Dec 2007
Credit risk reported in accordance with IRB method		
– Corporate exposures	1,201	1,090
– Retail exposures	419	204
Total credit risk in accordance with IRB method	**1,620**	**1,294**
Credit risk reported in accordance with standardised method		
– exposures to governments and central banks	0	0
– exposures to municipalities and comparable associations	0	0
– institutional exposures	931	456
– corporate exposures	50	8
– retail exposures	3	2
– unregulated items	0	0
– other items	2	3
Total credit risk in accordance with standardised method	**986**	**469**
Risks in the commercial portfolio	**–**	**–**
Operational risk	**97**	**69**
Currency risk	**–**	**–**
Commodity risk	**–**	**–**
Total minimum capital requirement	**2,703**	**1,832**
Addition during transitional period	3,180	2,650
Capital requirement including addition	**5,883**	**4,482**

Accounting Policies

SCBC applies statutory IFRS, which means that the annual report has been prepared in compliance with IFRS subject to the additions and exceptions that ensue from the Swedish Financial Reporting Council's recommendation RFR 2.1, Accounting for Legal Entities, and Finansinspektionen's (The Swedish Financial Supervisory Authority's) regulations and general guidelines on annual reports in credit institutions and securities companies undertakings (FFFS 2006:16).

On 10 March 2009, the Board of Directors approved the financial statements for publication. They will receive final approval from the Annual General Meeting of Shareholders on 14 April 2009.

Changed and new accounting policies in 2008

The accounting principles and interpretations below are mandatory for the accounting period that began on 1 January 2008.

- IAS 39 Financial Instruments: Recognition and Measurement
  This amendment, which allows the reclassification of financial assets, from financial assets held for trading and available-for-sale assets, under special circumstances, has not been applied by SCBC.
- IFRS 7 Financial Instruments: Disclosures
  Since the amendment of IAS 39 above has not been applied, this amendment has no impact on SCBC's financial statements.
- IFRIC 11 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 14 – IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The above three new recommendations have no impact on SCBC's financial statements.

Implementation of new accounting standards

The IASB has decided to implement new standards and to change applicable standards. These have also been approved by the EU. The standards are effective from 1 January 2009 and shall be applied to financial statements for periods beginning on or after that date.

- IFRS 8 Operating Segments
  This standard addresses the division of a company's operations into different segments. SCBC's preliminary assessment is that the implementation of this standard will not entail changes to existing divisions into segments.
- The amendments of IAS 23 Borrowing Costs and IFRS 2 Share-based payments will not impact on SCBC's financial statements.
- IAS 1 Presentation of Financial Statements
  The purpose of this amendment is to facilitate users' ability to analyse information in financial statements. SCBC has yet to decide on whether this amendment will impact on the presentation of the company's consolidated financial statements.
- IAS 32 Financial Instruments: Classification and IAS 1 Presentation of Financial Statements will not impact on SCBC's financial statements.

In addition, the IASB has decided to make the following amendments to existing standards. These amendments have not been approved by the EU.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement. This amendment, which will be applied to annual financial statements for periods beginning on or after 1 July 2009, is not expected to have any impact on SCBC's financial statements.

In addition, in 2008 IFRIC issued the following interpretations:

- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-Cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

These interpretations, of which IFRIC 15 – 18 have not yet been approved by the EU, will have no impact on SCBC's consolidated financial statements.

General accounting policies

Recognition and derecognition in the balance sheet

Issued and purchased securities, including all derivative financial instruments, are recognised on the trade date, meaning the date on which the significant risks and contractual rights are transferred between the parties. Other financial instruments are recognised on the settlement date.

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire and the company has transferred essentially all of the risks and rewards of ownership of the financial asset. A financial liability is derecognised when it is extinguished, meaning when the obligation specified in the contract is discharged, cancelled or expires.

Recognition of income and expense

Interest income and interest expense (including interest income from impaired receivables are reported in accordance with the compounded interest method. The calculation of the compounded interest rate includes all fees paid or received between parties to the contract, including transaction expenses. It is presumed that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably.

Since transaction costs in the form of sales commissions to business partners or issue expenses attributable to acquisition of loans constitute part of the acquisition cost of the loan, these costs are recognised in the balance sheet and included in profit and loss via net interest income over the expected life of the loan.

Commission income and commission expense are included in profit and loss continuously in accordance with the terms of the contract.

In the event of premature redemption of loans, the customer pays an early redemption fee intended to cover the cost that arises for SCBC. This fee is recognised as income directly under the heading Net income from financial instruments measured at fair value. Other items under this heading are described in the section Financial instruments.

Financial instruments

Classification

All financial instruments that are covered by IAS 39 and are not covered by hedge accounting are classified in accordance with this standard in the following categories:

- Loan receivables and accounts receivable
- Financial assets measured at fair value through profit or loss
- Financial liabilities
- Financial liabilities measured at fair value through profit or loss

SCBC has not classified any assets as held-to-maturity investments or as available-for-sale financial assets.

Measurement

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Fair value of derivative instruments is based on quoted prices. For financial instrument that are not traded in an active market, the fair value is established on the basis of generally accepted valuation techniques. These calculations in connection with valuation are based to the greatest extent possible on market information.

Loan receivables and accounts receivable

Financial assets classified as loan receivables and accounts receivable are reported at acquisition value at the date of transfer. Loan receivables and accounts receivable are subsequently measured at amortised cost using the compounded interest method. This category consists of assets with fixed or determinable payments that are not quoted in an active market. Loan receivables consist of loans and advances to the public and credit institutions and include associated items.

Changes in fair value and impairment losses are recognised as loan losses, while interest accrued and received is recognised as interest income.

Financial assets/financial liabilities measured at fair value through profit or loss

The categories Financial assets/financial liabilities measured at fair value through profit or loss and Financial liabilities measured at fair value through profit or loss are divided into held for trading and into financial assets/liabilities that executive management designated as such upon initial recognition. All of SCBC's assets and liabilities in this category are classified as held for trading. Each of these categories includes derivatives that are not subject to hedge accounting. Assets in this category are initially recognised at fair value, while related transaction expenses are recognised in profit and loss.

Changes in fair value and realised gains or losses for these assets are recognised directly in profit and loss under the heading Net income from financial instruments measured at fair value, while interest accrued and received is recognised as interest income.

Financial liabilities

Financial liabilities that are not classified as Liabilities measured at fair value through profit or loss are initially recognised at fair value with an addition for transaction expenses and are subsequently measured at amortised cost using the compounded interest method. This category consists mainly of debt securities in issue and liabilities to credit institutions.

Realised profit or loss from repurchase of own liabilities affects profit or loss when incurred and is recognised under the heading Net income from financial instruments measured at fair value.

Repurchase agreements

Repurchase agreements, referred to as repos, are agreements where the parties have simultaneously reached agreement on sale and repurchase of a particular security at a pre-determined price. Securities that have been provided or received according to a repo agreement are retained or are not recognised in the balance sheet, respectively.

Payments received are recognised in the balance sheet as liabilities to credit institutions and payments made are recognised as loans and advances to credit institutions. The impact on profit or loss is attributable to the difference between sale and repurchase prices and is recognised in net interest income.

Derivative financial instruments and hedge accounting

Derivative financial instruments are used primarily to eliminate interest rate and currency risk in the company's assets and liabilities. Derivative financial instruments are recognised at fair value in the balance sheet.

For hedging relationships where the risks for significant fluctuation in gain or loss are greatest and that meet the formal hedge accounting criteria, SCBC has chosen to apply hedge accounting for hedging of the interest rate risk. For hedging relationships where the risks for significant fluctuation in gain or loss are greatest and that meet the formal hedge accounting criteria, SCBC has chosen to apply hedge accounting for hedging of the interest rate risk. The method applied by SCBC is fair value hedging; see below.

In addition, there are economic hedges for which hedge accounting is not applied. These derivative financial instruments that are not subject to hedge accounting are classified as assets or liabilities measured at fair value through profit or loss.

Fair value hedge

In the case of a fair value hedge, the derivative hedging instrument is measured at fair value at the same time as the hedged asset or liability is valued with an addition for accumulated changes in fair value attributable to the hedged risk associated with the hedged item. Changes in fair value are recognised directly in profit and loss under the heading Net income from financial instruments measured at fair value. The interest rate effect of the hedge is recognised in net interest income.

When hedging relationships are discontinued, the cumulative gains or losses are accrued adjusting the carrying amount of the hedged item in profit and loss in accordance with the compounded interest method. The accrual extends over the remaining life of the hedged item. The realised gain or loss that is attributable to premature closing of a hedging instrument is recognised in profit or loss under the heading Net income from financial instruments measured at fair value.

Macro hedge

In this type of hedge, derivative financial instruments are used at an aggregated level to hedge structural interest rate risks. When reporting these transactions, the "carve-out" version of IAS 39 is applied, as adopted by the EU. In the accounts, derivative instruments designated as macro hedges are treated in the same way as other hedging instruments recognised at fair value.

In fair value hedging of portfolios of assets, the gain or loss attributable to the hedged risk is recognised under the heading Change in fair value of hedges loan recievables in the balance sheet. The hedged item is a portfolio of loans and accounts receivable based on the next contractual renewal date. The hedging instrument used is a portfolio of interest-rate swaps grouped in accordance with renewal intervals based on conditions in the fixed leg of the swap.

Loan losses

On the balance-sheet date, an assessment takes place of whether there is any objective evidence that an individual loan or group of loans requires impairment. This takes place as a result of events that have occurred after the initial recognition of the asset and which have had an impact on the estimated future cash flows for the loan receivable or group of loan receivables in question. Events that can lead to the loan being impaired include bankruptcy, suspension of payments, a composition or a court order to pay.

The amount of impairment is measured as the difference between the carrying amount of the receivable and the present value of estimated future cash flows discounted at the compounded interest rate of the receivable. The cash flows attributable to the borrower or issuer and any use of the collateral are taken into consideration when assessing the need for impairment. Any expenses associated with selling the collateral are included in the cash flow calculations. Calculation of probable loan losses is effected in gross amounts, and when there is a guarantee, this is recognised as a receivable against the counterparty. If the present value of future cash flows exceeds the carrying amount of the asset, no impairment takes place and the receivable is not regarded as impaired. The impairment amount is recognised in profit and loss under the heading Loan losses, net.

Confirmed loan losses and provisions for probable losses, with deductions for guarantees provided and any recoveries, are recognised as loan losses.

The term "confirmed loan losses" refers to losses where the amounts are definite or established with a high level of probability.

Individually measured loan receivables

Corporate loans are individually measured for impairment. Retail market loans are individually measured for impairment if there are special reasons for doing so. Loan receivables not determined to be impaired individually are included in the selection of loans collectively measured for impairment.

Collectively measured loan receivables

The loan receivables assessed in this group are as follows:

- Retail market loans not individually measured. These consist of a large number of loans each of an insignificant amount and with similar credit risk characteristics.
- Individually measured loan receivables where no objective evidence of individual impairment requirements has been determined as above, Individually measured loan receivables.

Impairment of collectively measured loans is determined in two different ways:

- As part of SCBC's work with Basel II, statistical models have been produced for use in the Group's internal ratings-based system. SCBC has adjusted these in accordance with the IFRS regulatory framework and identified groups of loans which have been subject to events that produce a measurable negative impact on the expected future cash flows.
- In addition, SCBC identifies groups of loans for which future cash flows have undergone a measurable deterioration due to events that have recently taken place but which have not yet had an impact in the risk classification system.

Restructured loan receivables

A restructured loan receivable is a receivable on which SCBC has made some form of concession due to a deterioration in the borrower's financial position or because the borrower has become subject to other financial problems. Concessions granted are regarded as a confirmed loan loss. A loan that has been restructured is no longer regarded as doubtful but as a receivable with new conditions.

Miscellaneous

Functional currency

Functional currency is the currency used in the primary economic environments in which SCBC operates. SCBC's functional currency, also its presentation currency, is Swedish kronor.

Foreign currency translation of receivables and liabilities

SCBC applies IAS 21 for accounting of the effects of changes in foreign currency rates. Foreign currency transactions are recorded by applying the exchange rate on the date of transaction, and foreign currency receivables and liabilities are translated using the closing day rate. Foreign exchange gains or losses resulting from settlements of foreign currency transactions and from translation of monetary assets and liabilities in foreign currency are recognised in profit and loss under Net income from financial instruments measured at fair value.

Taxes

Total tax consists of current tax and deferred tax. Current tax comprises tax which is to be paid or received for the current year and adjustments of current taxes for previous years. Accordingly, for items recognised in profit and loss, the related tax effects are also recognised in profit and loss.

Deferred tax assets and tax liabilities are calculated according to the balance sheet method on the basis of temporary differences that arise between the carrying amount and the tax base of an asset or liability. Deferred tax assets are recognised for unutilised tax losses and tax credits. A deferred tax asset is recognised as an asset in the balance sheet to the extent that it is probable that future taxable profit will be available against which it can be utilised. A deferred tax liability is calculated for temporary differences and untaxed reserves. Deferred tax assets have been recalculated from 28% to 26.3%, which is the applicable tax rate as of 2009.

Cash and cash equivalents

Cash and cash equivalents are defined as loans and advances to credit institutions with a maturity of at most three months from the acquisition date.

Segment reporting

A segment is a line of business or geographical area that is distinguishable for accounting purposes and is subject to risks and opportunities that differ from those of other lines of business and areas.

Since SCBC's operations consist mainly of investments in loan receivables with a risk level that enables the issuance of covered bonds, only one segment is reported, SCBC as a whole.

Dividends

Dividends to the Parent Company are recognised in the balance sheet when they have been approved by the annual General Meeting.

Group contributions

Group contributions provided to the Parent Company in order to minimise the Group's taxes are recognised as a decrease in unrestricted shareholders' equity after adjustments for estimated tax.

Critical accounting estimates and judgments

Critical estimates

To prepare the annual accounts in compliance with IFRS, it is required that executive management use estimates and judgments based on historical experience and assumptions that are considered to be reasonable and fair. These estimates affect the carrying amounts for assets, liabilities and off-balance sheet commitments as well as revenue and expenses in the Annual Report presented. Subsequently, the actual outcome may differ to some extent from the estimates made.

The areas that primarily entail a risk of causing an adjustment to the carrying amounts of assets and liabilities in the next financial year are described below:

- Loan losses

In the case of individually measured loan receivables, the most critical assessment, which also contains the most uncertainty, is the estimate of the future cash flow that the customer will generate. For collectively measured loan receivables, the estimates of future cash flows are based partly on the assumption of how observable data may result in loan losses. See also the section Loan losses above.

Notes

Note 1 Net interest income

SEK million	2008	2007
Interest income		
Loans and advances to credit institutions	192	40
Loans and advances to the public	7,224	4,835
Interest-bearing securities	590	(89)
Total	**8,006**	**4,786**
Interest expense		
Liabilities to credit institutions	350	180
Debt securities in issue	5,712	3,178
Subordinated debt	1,137	584
Other	10	4
Total	**7,209**	**3,946**
Net interest income	**797**	**840**

The subordinated liability has been issued by the Parent Company.

Note 2 Commissions

SEK million	2008	2007
Commission income		
Commission on lending	11	7
Total	**11**	**7**
Commission expense		
Other commissions	16	1
Total	**16**	**1**
Commissions, net	**(5)**	**6**

Note 3 Net income from financial instruments measured at fair value

SEK million	2008	2007
Gains/losses on interest-bearing financial instruments:		
– Hedged items in hedge accounting	(692)	(144)
– Derivative instruments in hedge accounting	918	178
– Other derivative instruments	277	(56)
– Early redemption compensation from loan receivables	28	17
– Other financial liabilities	103	33
Currency translation effects	**2**	**0**
Total	**636**	**28**

The item Currency translation effects includes all currency gains and losses, which entails that other income statement items are reported excluding currency translation effects.

Note 4 General administrative expenses

SEK million	2008	2007
Outsourcing costs	375	306
Management fee	22	–
Other administrative expenses	1	1
Total	**398**	**307**

Note 4, continued

SCBC has a Managing Director who is in charge of day-to-day management of the company, in consultation with the Parent Company's management. The MD's employment is in the Parent Company but he is also employed by SCBC. The company also has a CFO, who is employed by the Parent Company. The Board consists of the MD and four Board members. No salary or other remuneration is paid to the MD, the CFO or the Board.

SBAB is responsible for the day-to-day administrative services in accordance with the outsourcing agreement between SBAB and SCBC.

Fees and compensation for expenses to auditors
Fees and compensation for expenses to Öhrlings PricewaterhouseCoopers amounted to SEK 1.2 million (0.3), which is the audit cost.

The audit assignment includes examination of the annual report and accounting records, and the administration by the Board and MD, other tasks devolving upon the company's auditors and advice or other assistance ensuing from observations in the course of such examination or implementation of other such tasks.

Note 5 Other operating expenses

SEK million	2008	2007
Other operating expenses	1	2
Total	**1**	**2**

Note 6 Loan losses, net

Corporate Market

SEK million	2008	2007
Individual provision, corporate market loan		
This year's write-off for confirmed loan losses	0	–
Reversal of prior year provisions for probable loan losses reported as confirmed loan losses in this year's financial statements	–	–
This year's provision for probable loan losses	–	6
Recoveries in respect of confirmed loan losses in prior years	–	–
Reversal of prior year provisions for probable loan losses no longer required	–	–
Guarantees	–	(6)
Net cost for the year for individual provisions for corporate market loans	**0**	**0**
Collective provision, corporate market loans		
Allocation/reversal of collective provision	(14)	(4)
Guarantees	3	(1)
Net cost for the year for collective provisions for corporate market loans	**(11)**	**(5)**

Retail market

SEK million	2008	2007
Individual provision, retail market loans		
This year's write-off for confirmed loan losses	0	–
Reversal of prior year provisions for probable loan losses reported as confirmed loan losses in this year's financial statements	–	–
This year's provision for probable loan losses	–	–
Recoveries in respect of confirmed loan losses in prior years	–	–
Reversal of prior year provisions for probable loan losses no longer required	–	–
Guarantees	–	–
Net cost for the year for individual provisions for retail market loans	**0**	**–**
Collective provision, retail market loans		
This year's write-off for confirmed loan losses	–	–
Recoveries in respect of confirmed loan losses in prior years	–	–
Allocation/reversal of collective provision	22	8
Guarantees	6	(4)
Net cost for the year for collective provisions for retail market loans	28	4
This year's net cost/net income for loan losses	17	(1)

Both the write-offs for the year regarding confirmed loan losses and reversal of previous year's write-offs as specified above relate to receivables from the public.

Note 7 Income tax expense

SEK million	2008	2007
Current tax	–	(137)
Deferred income tax	(292)	(21)
Total	**(292)**	**(158)**
The effective tax rate differs from the nominal tax rate in Sweden as below:		
Profit before tax	1,012	566
Nominal tax rate in Sweden 28%	(283)	(158)
Recalculation of deferred tax to 26.3%	(9)	–
Tax for previous years and others	0	0
Total tax	**(292)**	**(158)**
Effective tax rate	29%	28%

Note 8 Loans and advances to credit institutions

SEK million	2008	2007
Lending in Swedish kronor	5,531	7,015
Lending in foreign currency	4	–
Total	**5,535**	**7,015**
of which repos	*5,435*	*7,015*
Loans and advances to credit institutions by remaining term, net carrying amount		
Payable on demand	100	–
At most 3 months	5,435	7,015
Longer than 3 months but at most 1 year	–	–
Longer than 1 year but at most 5 years	–	–
Longer than 5 years	–	–
Total credit institutions	**5,535**	**7,015**
Average remaining term, years	0.0	0.0
Total	**5,535**	**7,015**

Of SCBC's loans and advances to credit institutions, SEK 96 million (–) pertains to a receivable from FriSpar Bolån AB, another company in the SBAB Group.

Note 9 Loans and advances to the public

SEK million	2008	2007
Opening balance	128,276	88,710
Transferred from Parent Company	49,852	53,474
Amortisation, write-offs, redemption	(20,251)	(13,908)
Closing balance	157,877	128,276
Provision for probable loan losses	(85)	(71)
Closing balance	157,792	128,205
Loans and advances to the public by remaining term, net carrying amount		
Payable on demand	–	–
At most 3 months	18,659	17,249
Longer than 3 months but at most 1 year	73,698	56,977
Longer than 1 year but at most 5 years	57,849	47,354
Longer than 5 years	7,586	6,625
Total	**157,792**	**128,205**
Average remaining term, years	1.5	1.7

Note 9, continued

Distribution of lending by category of lender

SEK million	2008	2007
Single-family dwellings and holiday homes	72,878	54,500
Tenant-owner apartments	32,940	26,106
Tenant-owner associations	30,664	27,703
Private multi-family dwellings	16,275	12,998
Municipal multi-family dwellings	4,996	6,954
Commercial properties	124	15
Provision for probable loan losses	(85)	(71)
Total	**157,792**	**128,205**
Proportion of lending with a state or municipal guarantee, %	5	8
Average fixed-interest term, years	1.3	1.5

In case of early redemption between interest-rate adjustment dates, SCBC has the right to receive interest-rate compensation. The size of the compensation in the case of retail market loans is based on the interest rate on the loan compared with the interest rate on government bonds/treasury bills with a comparable remaining term up to the interest adjustment date +1 percentage point. For other loans, the reinvestment interest rate for comparable government securities is, in most cases, the applicable interest rate. In other cases, the comparable interest rate is specified in the current loan conditions.

In addition to mortgage deeds in pledged property, SCBC has, in certain cases, received government or municipal guarantees as collateral for the borrower's commitments. The proportion of loans covered by this type of guarantee is shown in the table above.

For loans that SCBC acquired from SBAB and that were brokered by business partners, it is possible, in certain cases, for the partners to acquire the brokered loans. Unless it has approval, SCBC is not entitled to sell on to a third party the loans that SCBC acquired from SBAB through FriSpar Bolån AB.

Doubtful loan receivables and provisions

SEK million	2008	2007
a) Doubtful loan receivables	–	–
b) Individual provisions, loan receivables	–	–
c) Collective provisions, corporate market loans	7	20
d) Collective provisions, retail market loans	78	51
e) Total provisions (b+c+d)	85	71
f) Doubtful loan receivables after individual provisions (a-b)	–	–
g) Provision ratio for individual provisions (b/a)	–	–

Distribution of doubtful loan receivables and provisions by borrower categories

SEK million	2008					2007				
	Tenant-owner associations	Private multi-family dwellings	Single-family dwellings and holiday homes	Tenant-owner apartments	Total	Tenant-owner associations	Private multi-family dwellings	Single-family dwellings and holiday homes	Tenant-owner apartments	Total
Doubtful loan receivables, gross					–					–
Individual provisions, loan receivables					–					–
Collective provisions, corporate market loans	1	6			7	4	16			20
Collective provisions, retail market loans			58	20	78			42	9	51
Doubtful loan receivables after individual provisions					–					–

Note 10 Change in fair value of hedged loan receivables

SEK million	2008	2007
Carrying amount at the beginning of the year	(708)	(40)
Revaluation of hedged items	5,276	(668)
Carrying amount at year-end	**4,568**	**(708)**

Carrying amount at the end of the year refers to accumulated changes in fair value for the hedged item in the portfolio hedge.

Note 11 Derivative financial instruments

SEK million	2008			2007		
	Fair value, assets	Fair value, liabilities	Nominal amount	Fair value, assets	Fair value, liabilities	Nominal amount
Derivatives in fair value hedges						
Interest-rate swaps	4,193	3,951	273,021	1,271	890	208,791
Currency-related	9,821	29	54,152	1,812	104	50,256
Total	**14,014**	**3,980**	**327,173**	**3,083**	**994**	**259,047**
Other derivatives						
Currency-related	423	40	5,452	–	–	–
Credit-related	308	–	18,042	30	–	18,600
Total	**731**	**40**	**23,494**	**30**	**–**	**18,600**
Derivative instruments by remaining term, carrying amount		Fair value	Nominal amount		Fair value	Nominal amount
At most 3 months		(40)	1,909		–	–
3-12 months		2,793	33,931		237	48,887
1-5 years		11,474	152,785		1,009	114,818
Longer than 5 years		(3,502)	162,042		873	113,942
Total		**10,725**	**350,667**		**2,119**	**277,647**

Hedge accounting

Hedge accounting is only applied for the hedge relationships where the risk of substantial fluctuation in terms of gain or loss is considered greatest.

Fair value hedges

SCBC mainly uses fair value hedges to protect against changes in the fair value of lending and funding at fixed interest rates and to hedge currency exposure of funding in foreign currency. The hedge instruments primarily used are interest-rate swaps and currency swaps. In individual cases, hedge accounting is also applied for changes in fair value of credit-risk exposures. In such cases, credit derivatives are used as the hedge instrument.

As at 31 December 2008, the nominal amount of derivatives held for fair value hedging was SEK 327 billion (259). The fair value of these derivatives was SEK 10,034 million (2,088). The year's change in value of these derivatives amounted to SEK 918 million (178) and is reported in profit and loss under the item Net income from financial instruments measured at fair value. The change in value of the hedged items with respect to hedged risk amounted to a negative SEK 692 million (negative: 144), which is also reported under the item Net income from financial instruments measured at fair value. Accordingly, SCBC's hedge accounting for fair value affected the year's earnings by SEK 226 million (34).

Note 12 Classification of financial instruments

Financial assets

SEK million	2008						2007					
	Hedge-accounted derivative financial instruments	Loan receivables in hedge accounting	Other derivative instruments measured at fair value through profit or loss	Other loan receiv-ables	Total	Total fair value	Hedge-accounted derivative financial instruments	Loan receivables in hedge accounting	Other derivative instruments measured at fair value through profit or loss	Other loan receiv-ables	Total	Total fair value
Loans and advances to credit institutions				5,535	5,535	5,535				7,015	7,015	7,015
Loans and advances to the public		157,792			157,792	159,631		108,141		20,064	128,205	127,419
Change in fair value of hedged loan receivables		4,568			4,568	–		(708)			(708)	–
Derivative financial instruments	14,014		731		14,745	14,745	3,083		30		3,113	3,113
Other assets				1,382	1,382	1,382				129	129	129
Prepaid expenses and accrued income				289	289	289				299	299	299
Total	**14,014**	**162,360**	**731**	**7,206**	**184,311**	**181,582**	**3,083**	**107,433**	**30**	**27,507**	**138,053**	**137,975**

Note 12, continued

Financial liabilities

SEK million	2008						2007					
	Hedge-accounted derivative financial instruments	Other financial liabilities covered by hedge accounting	Other derivative instruments measured at fair value through profit or loss	Other financial liabilities	Total	Total fair value	Hedge-accounted derivative financial instruments	Other financial liabilities covered by hedge accounting	Other derivative instruments measured at fair value through profit or loss	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions				20,629	20,629	20,629				8,435	8,435	8,435
Debt securities in issue		126,578			126,578	125,654		105,361			105,361	105,361
Derivative financial instruments	3,980		40		4,020	4,020	994		–		994	994
Other liabilities				1,629	1,629	1,629				83	83	83
Accrued expenses and prepaid income		2,628		153	2,781	2,781		1,891		6	1,897	1,897
Subordinated debt to Parent Company				19,426	19,426	19,426				15,439	15,439	15,439
Total	**3,980**	**129,206**	**40**	**41,837**	**175,063**	**174,139**	**994**	**107,252**	**–**	**23,963**	**132,209**	**132,209**

Note 13 Other assets

SEK million	2008	2007
Past due interest receivables	81	101
Securities settlement receivables	–	10
Receivables according to outsourcing agreement	–	18
Tax assets	101	–
Receivable from Parent Company	1,200	–
Total	**1,382**	**129**
Other assets by remaining term, carrying amount		
At most 1 year	1,382	129
Longer than 1 year	–	–
Total	**1,382**	**129**

Note 14 Prepaid expenses and accrued income

SEK million	2008	2007
Prepaid expenses	2	0
Accrued interest income	253	262
Other accrued income	34	37
Total	**289**	**299**
Prepaid expenses and accrued income by remaining term, carrying amount		
At most 1 year	271	280
Longer than 1 year	18	19
Total	**289**	**299**

Note 15 Liabilities to credit institutions

SEK million	2008	2007
Lending in Swedish kronor	18,760	8,435
Lending in foreign currency	1,869	–
Total	**20,629**	**8,435**
of which repos	*11,539*	*8,435*
Liabilities to credit institutions by remaining term, carrying amount		
Payable on demand	9,090	–
At most 3 months	6,194	8,435
Longer than 3 months but at most 1 year	5,345	–
Total	**20,629**	**8,435**
Average remaining term, years	0.1	0.0

Note 16 Debt securities in issue

SEK million	2008	2007
Financial liabilities in hedge accounting:		
Bond loans in Swedish kronor	60,799	54,845
Bond loans in foreign currency	65,779	50,516
Total debt securities in issue	**126,578**	**105,361**
of which covered bonds	*126,578*	*105,361*
Debt securities in issue by remaining term, carrying amount		
At most 1 year	22,454	30,935
Longer than 1 year but at most 5 years	100,233	68,512
Longer than 5 years but at most 10 years	2,641	5,374
Longer than 10 years	1,250	540
Total	**126,578**	**105,361**
Average remaining term, years	2.2	2.9
Average remaining fixed-interest term, years	2.3	2.5

Note 17 Other liabilities

SEK million	2008	2007
Tax liability	–	63
Liabilities to borrowers	29	20
Liabilities to Parent Company	1,600	–
Other	–	0
Total	**1,629**	**83**
Other liabilities by remaining term, carrying amount		
At most 1 year	1,629	83
Longer than 1 year	–	–
Total	**1,629**	**83**

Note 18 Accrued expenses and prepaid income

SEK million	2008	2007
Accrued interest expense	2,738	1,897
Other accrued expenses	43	–
Total	**2,781**	**1,897**
Accrued expenses and prepaid income by remaining term, carrying amount		
At most 1 year	2,781	1,897
Longer than 1 year	–	–
Total	**2,781**	**1,897**

Note 19 Deferred taxes

SEK million	2008	2007
Deferred tax assets (+)/tax liabilities (-) for temporary differences in:		
– Debt securities in issue	1,252	(357)
– Derivative financial instruments	(1,122)	336
– Loss carry-forward	5	–
Total	**135**	**(21)**
Change in deferred income taxes:		
Deferred tax recognised in profit and loss	(292)	(21)
Deferred income tax attributable to items recognised directly in equity	448	–
Total	**156**	**(21)**
Deferred tax allocated by expected maturity date, carrying amount		
At most 1 year	–	–
Longer than 1 year	135	21
Total	**135**	**21**

Note 20 Subordinated debt to Parent Company

SEK million	2008	2007
Subordinated debt to Parent Company	19,426	15,439
Total	**19,426**	**15,439**

The subordinated liability was issued by the Parent Company. The subordinated debt is subordinated to the company's other debts in bankruptcy, liquidation or undergoing reconstruction, which means that they carry an entitlement to payment only after other claimants have received payment.

Conditions concerning subordination
In the event of the company being declared bankrupt, in liquidation or undergoing reconstruction, the subordinated debt confers entitlement to payment from the company's assets after other claims.

Note 21 Equity

The share capital amounts to SEK 50,000,000. The number of shares was 500,000, with a quotient value of SEK 100 each, as in previous years. All shares are owner by the Parent Company, The Swedish Housing Finance Corporation, SBAB, corp. Reg. No. 556253-7513. Distributable equity in SCBC amounts to SEK 9,333 million. Dividends are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. It is proposed that no dividend be paid for 2008. A specification of changes in equity is presented on page 15.

Note 22 Assets pledged for own liabilities

SEK million	2008	2007
Loan receivables	149,745	121,282
Repos	3,360	2,405
Total	**153,105**	**123,687**

Of the total loan portfolio (see Note 9), and "Loans and advances to credit institutions" (see Note 8), the values reported above constitute the cover asset pool for covered bonds amounting to SEK 126,578 million (105,361).

Note 23 Information about related parties

SCBC is a wholly owned subsidiary of the Swedish Housing Finance Corporation, SBAB with reg. no. 556253-7513.

SEK million	2008		2007	
	Lending	Interest income	Lending	Interest income
Loans to key personnel				
MD	1	0	1	0
Board of Directors	2	0	2	0
Other key senior executives	3	0	6	0
Total	**6**	**0**	**9**	**0**

The MD and the Board refer to SBCB. The Board members of other Group companies are included among Other key executives.

Proposed Appropriation of Profits

SCBC's non-restricted equity, according to the balance sheet, amounts to SEK 9,332,320,070, of which net result for the year accounts for SEK 719,601,691.

The Board and the MD certify that the consolidated financial statements were prepared in accordance with statutory IFRS and in accordance with generally accepted accounting policies for credit market companies, and provide a fair view of the company's business activities, position and earnings.

The administration report provides a true and fair view of the company's development, position and earnings, and describes the significant risks and uncertainty factors faced by the company.

On condition that the motion is approved by the Annual General Meeting, Group contributions of SEK 1,600,000,000 were provided, which resulted in non-restricted equity on the balance-sheet date, taking the tax effect into account, being reduced by SEK 1,152,000,000. According to the Board of Directors and the MD, the proposed value transfer, in the form of Group contributions, is not impeded by the stipulations of Chapter 17, Section 3 of the Swedish Companies Act. The value transfer is defensible in relation to the requirements in terms of equity and the company's liquidity and position in other respects that result from the nature, scope and risks of the operations.

In accordance with Chapter 6, Section 2, second subsection of ÅRKL, the Board considers that the company's equity is sufficiently large in relation to the extent and risks of the operations. The Board and the MD propose that the funds at the disposal of the Annual General Meeting, as shown in SCBC's balance sheet, namely SEK 9,332,320,070, be carried forward.

Stockholm, 10 March 2009

Per Balazsi
Chairman of the Board

Bo Andersson
Board Member

Johanna Clason
Board Member

Bengt-Olof Nilsson Lalér
Board Member

Per Tunestam
MD

Our audit report was submitted on 16 March 2009

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg
Authorised Public Accountant

Audit Report

To the Annual General Meeting of The Swedish Covered Bond Corporation, reg. no. 556645-9755

We have audited the annual accounts, the accounting records and the administration of the Board of Directors and the MD of The Swedish Covered Bond Corporation, corp. reg. no. 556495-9755 for the year 2008. These accounts and the administration of the Company are the responsibility of the Board of Directors and the MD. They are also responsible for ensuring compliance with the Annual Accounts Act for Credit Institutions and Securities Companies when preparing this report. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the MD, as well as evaluating the important estimations made by the Board and the MD when drawing up the annual accounts and evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the MD. We also examined whether any Board Member or the MD has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and, thereby, give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory Administration Report is in accordance with other parts of the annual accounts.

We recommend to the Annual General Meeting of Shareholders that the income statement and balance sheet of the Company be adopted, that the profit for the Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the MD be discharged from liability for the financial year.

Stockholm, 16 March 2009

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg
Authorised Public Accountant

This is a translation of the Swedish audit report.
The translation has not been signed for approval by the auditor.

MD, Board of Director's and Auditor

Per Tunestam

MD
Bachelor of Arts
Born 1964
Employed by SBAB since 1997, similarly employed by SCBC since 2006.
Past experience: Export financing and syndicated currency loans at Handelsbanken, head of securitisation, product development and special financing at SBAB.

Bo Andersson

Head of Business Support
Graduate engineer
Born 1966
Elected to the Board 2008
Past experience: Project manager Sydkraft, Senior project manager Honeywell, head of project development – CPMO Icon Medialab.

Per Balazsi

Chief Financial Controller
Degree in Business Administration, Executive MBA
Born 1966
Elected to the Board 2006
Past experience: Risk analyst Swedish National Debt Office, deputy assistant undersecretary at the Ministry of Finance.

Johanna Clason

Chief Financial Officer
Degree in Business Administration
Born 1965
Year of employment 2005
Elected to the Board 2006
Other Board assignments: Board member of FriSpar Bolån AB, Board member of the Medical Products Agency.
Past experience: IR Brummer & Partners, CFO AB Svensk Exportkredit, trader ABB Treasury Center (Sweden) AB.

Bengt-Olof Nilsson Lalér

Chief Credit Officer
Economist
Born 1957
Year of employment 2000
Elected to the Board 2006
Past experience: Acting Group Credit Manager Föreningsbanken AB, Deputy CEO Föreningsbanken Kredit AB, Operations Manager HSB Bank.

Auditor

The 2007 Annual General Meeting decided to elect the auditing firm Öhrlings PricewaterhouseCoopers AB as auditor for the period until the end of the Annual General Meeting held in 2011. The auditing firm appointed Ulf Westerberg as auditor-in-charge.

Ulf Westerberg

Auditor-in-charge at SCBC since 2007
Öhrlings PricewaterhouseCoopers AB
Born 1959
Other assignments: Brio, Dometic, Home Properties, London & Regional, NCC, Proventus, Stronghold, Sveriges Radio, Sveriges Television.

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