

# Annual Report 2010

## Including Sustainability Report



**The Swedish Housing Finance Corporation, SBAB**





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## Financial Information 2011

*SBAB's interim reports, annual reports and other financial information are available at [sbab.se](http://sbab.se)*

<i>Year-end Report 2010</i>	<i>4 February</i>
<i>Annual Report 2010</i>	<i>end of March</i>
<i>Annual General Meeting</i>	<i>14 April</i>
<i>Interim Report January-March</i>	<i>29 April</i>
<i>Interim Report January-June</i>	<i>22 July</i>
<i>Interim Report January-September</i>	<i>28 October</i>

The Swedish Housing Finance Corporation, SBAB,  
corp. reg. no: 556253-7513

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

# Year in Brief 2010

- SBAB's operating profit declined compared with the preceding year and amounted to SEK 785 million (1,289). Net interest income rose 16% to SEK 1,762 million (1,519). Total lending rose 10% to SEK 249.1 billion (226.0). The market share in retail lending increased to 8.1% (8.0). SBAB's deposit volume continued to show favourable development and amounted to SEK 6.1 billion (4.7). The loan loss rate continued to decline to 0.02% (0.06).
- On 30 November, SBAB was granted permission to conduct retail banking operations by the Swedish Financial Supervisory Authority.
- In March, SBAB launched its Value Guide, a new free-of-charge Internet service for value indications of tenant-owner rights, retail homes and holiday homes. In July, the service was also launched as an application for iPhone and Android mobile devices. The total number of value indications completed via the Internet and mobile applications exceeded 400,000 by the end of December.
- In cooperation with the If insurance company, SBAB introduced a customised insurance offering in April for tenant-owner associations comprising property and collective home insurance and collective tenant-owner supplements.
- SBAB implemented a new telephony platform in December and, as a result, now offers increased customer service functionality via telephone.
- SBAB's Outlook at Standard & Poor's was upgraded on 3 September 2010 from negative to stable. At the same time, the long-term "A+" rating and "A1" rating for SBAB's short-term funding were confirmed. In justifying the more favourable outlook for SBAB, Standard & Poor's pointed to the high quality of SBAB's assets, its stronger capital base and, in turn, SBAB's favourable potential to maintain or improve its position in the residential mortgage market.

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

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



# CEO's Review

“The past few years have been characterised by global financial crises that have impacted the financial sector in particular. SBAB has emerged from this period with a stronger business and with increased net interest income, while having the strength to further develop its operations. During 2010, we noted favourable growth both in deposits and lending and increased the market shares of all of our business areas, which is very gratifying.

## Mortgage loan market

After a period of several years with strong growth, we noted slower growth in the residential mortgage market toward the end of 2010. SBAB's lending shows a corresponding trend, and we anticipate continued modest growth during 2011, with some stabilisation in both housing prices and sales volumes. Underlying factors include stated expectations of higher interest rates, but probably also the introduction of the residential mortgage cap.

## Focus on savings

Bank deposits from Swedish households have shown strong growth in recent years and exceeded SEK 1,000 billion for the first time ever in 2010. This is an expansive market in which SBAB has achieved sustained favourable growth. Since April 2007, when we introduced deposits for private individuals, our customers have increasingly availed themselves of savings as a product from us. One reason for this trend is that our deposit products offer competitive interest rates with straightforward terms and conditions. During 2010, our deposit volumes rose about 30%. Savings currently comprise an area of focus in which we plan to develop and introduce more products.

## SBAB Bank AB

On 30 November, SBAB was granted permission by the Swedish Financial Supervisory Authority to conduct banking operations. A motion will be submitted to an Extraordinary General Meeting on 16 March 2011 proposing that new articles of association be adopted whereby the registered name of the company will be changed to SBAB Bank AB (publ). The change will clarify the fact that SBAB Bank operates in a broader market than the residential



mortgage market and will provide us with opportunities to continue our strategy to broaden our offering. However, this does not mean that we will become a full-service bank. We are a niche player aiming to expand within more sectors and our objective is to become an attractive and straightforward bank alternative for many people. Central elements in this transition include our Internet service, Internet banking solution and telephone customer service, while continuously offering straightforward, attractively priced, first-class products and services.

## Expanded service for our customers

We strive constantly to improve and strengthen the service we offer to our customers. During 2010, we invested in a new telephony platform that has increased our accessibility to meet our customers' requirements more effectively. Since 1 January 2011, our customer service is now open from 8:00 am to 9:00 pm, seven days a week.

## Sustainable development

The continued success of SBAB requires that our customers and the general public believe that we develop and conduct our operations in a sustainable and responsible manner. During 2010, we adopted a climate action plan for years 2011–2014 and conducted a series of workshops in the organisation focused on Corporate Responsibility. Work efforts related to communications and training in CR issues will be continued in 2011.

In conclusion, I would like to thank all our customers for the confidence they have shown and all our employees for their excellent work during the year.

Stockholm, 15 March 2011

A handwritten signature in black ink, which appears to read 'Eva Cederbalk'.

Eva Cederbalk  
Chief Executive Officer



# Business Model

SBAB's business model is based on distribution of residential mortgage loans and savings via the Internet and telephone to private individuals, as well as the distribution of loans, savings and investments through personal relationships with companies and tenant-owner associations.

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## Business concept

SBAB offers loans and saving services in areas in which our ability to challenge and simplify give us the market's most satisfied customers. Our customers are individuals, tenant-owner associations and companies.

## Core values

Challenge and simplify are the two core values that permeate SBAB's operations.

- Challenging entails that SBAB consistently delivers products and services in an innovative and straightforward manner and consistently surpasses customer expectations.
- Simplifying means that SBAB never makes things more complicated than they need be.

## Strategies

To satisfy SBAB's business objectives, it is crucially important for the company to achieve growth in both the retail

and corporate markets. SBAB's strategies are divided into business strategies for profitable growth, customer satisfaction, brand building and competitive funding, as well as goals for employee development and sustainable development.

## Brand

SBAB's brand platform is the foundation for all communications, both internally and externally. The company's communications represent an important factor in profiling and highlighting operations and the brand. SBAB's communications are also important in creating confidence in SBAB's operations and strengthening SBAB's image.

## Communication and sales channels

Sbab.se, SBAB's key communication and sales channel, is developed continuously based on the guiding principles of user friendliness, clarity and simplicity. Should a customer require more personal counselling, account managers are available by telephone. For personal counselling aimed at corporate customers and tenant-owner associations, we have local offices in Stockholm, Gothenburg and Malmö.

## Cooperation

SBAB's business model includes engaging in partnerships in order to generate increased profitability. Through a number of partnerships with banks and property brokers, residential mortgages are delivered to SBAB, thus contributing to increased economies of scale and thereby to a positive earnings trend.



# Sustainability Report

“ It is crucial for SBAB to work actively and with a long-term approach in order to contribute to sustainable social development. Accordingly, we have chosen to integrate Corporate Responsibility into our business plan and monitor key indicators for this area as part of our corporate governance model.

Eva Cederbalk, CEO

## Strategy

SBAB defines Corporate Responsibility (CR) as the efforts the company makes to integrate economic responsibility, social responsibility and environmental responsibility throughout its operations.



A long-term contribution to sustainable social development primarily requires that SBAB pursues sound business operations. In practice, this implies sustainable financial development of SBAB, combined with ethically responsible performance. Operations must also be conducted in a manner that results in minimum negative environmental impact.

By means of a structured and active dialogue with the company's employees, customers and other stakeholders, SBAB becomes aware of the wishes, demands and expectations that the business environment has on SBAB. This awareness provides the basis for developing the company's operations in the right direction and contributes to sustainable progress for SBAB.

## Focus in 2010

- Continued communications and training programmes in CR issues in the organisation
- Action plan based on SBAB's climate report
- Customer dialogue

## Performance in 2010

- Completion of the first Global Compact "Communication on progress"
- A series of workshops focusing on CR were completed in the organisation
- A climate action plan for 2011–2014 was adopted
- New environmental goals were set
- Climate neutral
- A major rebuilding project at the Stockholm office to improve the work environment and reduce the environmental impact commenced and was completed during the first quarter of 2011
- Expanded number of customer surveys and user tests

## Focus for 2011–2012

- Work actively with SBAB's new climate action plan to attain the established environmental goals
- Develop sustainable products and services
- Develop a social strategy
- Continued communications and training efforts in CR issues in the organisation

## STAKEHOLDER MODEL



- **Customers:** Customer surveys, user surveys, brand analyses, customer meetings, question forum at sbab.se, Annual General Meeting, sustainable development in the Annual Report, CR at sbab.se, information and publications from SBAB's financial secretariat
- **Investors:** Investor presentations, rating company analyses, personal and regular contacts, Annual General Meeting, sustainable development in the Annual Report, CR at sbab.se
- **Employees:** HR surveys, intranet, leadership days, business plan, CR workshops, sustainable development in the Annual Report, CR at sbab.se

## Stakeholder dialogue

Various groups in society have an interest in how SBAB's operations are conducted. The illustration above shows the company's primary stakeholders and their interaction. SBAB's priority stakeholders are customers, investors and employees. It is SBAB's ambition, whenever reasonable, to meet the wishes, expectations and demands that various stakeholders impose on SBAB.

### Customers

Long-term customer relations are achieved by providing high accessibility and surpassing customer expectations in terms of good service. It is also important that products and

services are straightforward, simple and competitive. By means of an active dialogue with the company's customers, using, for example, customer surveys and user surveys, SBAB is able to consistently improve its services and products on the basis of customer requirements and wishes.

The degree to which SBAB manages to meet customer expectations is shown, for instance, in the results of independent surveys. In the 2010 survey by the Swedish Quality Index, SBAB retained its top ranking as a residential mortgage company with the most satisfied institutional customers (tenant-owner associations, private property owners and property companies). SBAB also has a strong position in the retail market, where it was ranked among the top three major players in the residential mortgage market. Customer relations also very much involve image and confidence. To ensure that SBAB works in the appropriate manner and gains the confidence of the market and customers, SBAB monitors various types of confidence surveys covering the market. The "Image Index" is conducted annually by Nordic Brand Academy. The latest survey confirms that SBAB is ranked third among financial companies. Through an active and open dialogue with the company's customers, SBAB's ambition is to retain top rankings in these surveys.

### Investors

SBAB's relations with the company's investors are based on the confidence in SBAB's employees, SBAB's operations and a sustainable positive development of the company. SBAB's employees in the finance department have daily contact with investors and other counterparties in the capital markets. Close contact with the market ensures that SBAB is aware of the demands and wishes that investors and other counterparties have on the company. SBAB conducts road shows in Sweden and abroad through which operations are presented. Road shows offer investors an excellent opportunity to ask questions and pursue a dialogue with SBAB's representatives. In addition to these major presentations, SBAB meets investors in lower profile contexts that offer the opportunity to present questions regarding operations and pursue a personal dialogue with SBAB's representatives.



Each year, SBAB meets the rating agencies Standard & Poor's and Moody's. These meetings involve a highly transparent review of SBAB and its operations, while setting the basis for the official rating that the rating agencies subsequently assign the company. Extensive surveys are also conducted on behalf of investors regarding SBAB's sustainability efforts. These surveys are conducted by companies specialising in sustainability analysis and the results function as a complement to investment decisions. Through these surveys, SBAB gains awareness of what investors believe are key areas in respect of sustainable development. In all communication channels with investors and the capital market, SBAB seeks to be transparent and provide relevant information. Information on SBAB's financial operations is also available at [sbab.se](http://sbab.se) and [scbc.se](http://scbc.se).

### Employees

Clear and active communications with all employees make the company more efficient and contribute to attaining the operational goals. An interactive intranet offers employees the possibility to communicate with executive management and monitor operational progress.

SBAB is a relatively small organisation with short decision-making channels in which all employees are close to information regarding the company's vision and goals. SBAB's employee dialogues proceed on the basis of a personal business plan, including goals and activities. The dialogue links SBAB's overall business plan, with its goals and strategies, with the individual employee's work tasks and identifies how these contribute to the whole. 82% (68) of SBAB's employees had an employee dialogue and at least one follow-up during the year.

During the autumn, a series of department-customised workshops with the focus on CR were completed. Participants from all business areas and certain central units participated. After an information and training session, employees were able, on the basis of risks and possibilities, to conduct a materiality analysis in respect of focus areas for CR work at their own units during the year ahead. The results will be integrated into the unit's business plan

and will contribute to the achievement of SBAB's overall CR goals. During 2011, all departments/units will have conducted a CR workshop.

### Economic responsibility

As a residential mortgage company, SBAB has a key function in society that includes providing companies and households with home financing. SBAB's aim is to pursue profitable and sustainable operations based on customer requirements. SBAB's mandate from the owner is to on a profitable basis contribute to greater competition in the Swedish residential mortgage market. Success in this endeavour requires that the company pursues operations in a responsible manner and at low cost. In recent years, the financial crisis and recession has affected major parts of society. Thanks to stable finances and sound liquidity, SBAB has been able to pursue operations as normal and meet its customers' financing requirements.

### Responsible granting of loans

SBAB seeks to create long-term relations through which customers feel confident in SBAB and its operations. This requires that SBAB takes responsibility both for the customer and the company by ensuring that customers have the financial capacity required to meet their undertakings. Each SBAB customer is subjected to a rigorous credit assessment process.

It is in the interest of SBAB to conduct correct and reliable credit assessments in order to avoid a situation in which the customer is unable to manage his/her undertakings to SBAB. It is also SBAB's responsibility to ensure that the customer is aware of the implications of the undertaking and that the customer has a financial situation that meets the requirements that SBAB imposes for the granting of credit. SBAB's target for loan losses is to be below the average for the banking sector.

Furthermore, SBAB believes that it is important to show the company's customers and the business environment that SBAB is a reliable business partner, not just when conditions are favourable but also in a more challenging market. SBAB increased its market share for residential



### Direct economic value generated, pursuant to GRI (indicator EC1)

Income 2010: SEK 1,389 million

#### Distributed economic value

Employee compensation, SEK 316 million

Operating expenses, SEK 262 million

Payments to the public sector, SEK 388 million







SBAB's actual credit losses shall be lower than the average for the banking sector.

mortgages during the past year. Thanks to a stringent and reliable credit granting process – combined with advanced risk management – SBAB has managed to strengthen its market position. Refer to pages 23-41 for more detailed information on SBAB's risk management. SBAB's success during the year also confirms that customers have felt confident and secure with the company and the SBAB brand.

### Counteracting financial crime

SBAB works actively in preventing the company from being used for criminal activities. SBAB complies with applicable legislation and stipulations, and conducts company-wide risk assessments at least once annually. These actions are designed to identify risks and thus be able to take actions that prevent operations from being utilised for money laundering, the financing of terrorism or other criminal activities. The key factor is a high level of insight, including understanding of the customer's business and transactions with SBAB. Clearly defined operations, detailed procedures and continuous checks add further to reducing the risk of SBAB being exploited for criminal or other undesirable operations.

### Return requirement

SBAB's return requirement, set by the owner, is a return on equity corresponding to the yield on five-year Government bonds plus five percentage points after tax over a business cycle. SBAB attained the owner's return requirement for 2010.

The owner's dividend policy is that one third of net profit after tax be distributed to the owner. In view of the regulations governing continuing application of the

transitional rules for capital requirements and that SBAB needed to replace outstanding debentures during 2011, the Board proposes that the profit for 2010 be carried forward and that no dividend be paid.

Key data	2010	2009	2008
● Expenditure/income excl. loan losses, %	42	29	46
Loan loss ratio, %	0.02	0.06	0.01
Return on equity, %	7.5	13.8	6.7
Tier 1 capital ratio, % <sup>1)</sup>	10.2	9.2	9.4

● = CR key data in the business plan

<sup>1)</sup> with transition rules

## Social responsibility

### Business ethics and shared values

SBAB's Board sets a business ethics policy every year at its statutory Board meeting. This creates a foundation that ensures that SBAB and its employees adopt a shared approach to ethical matters. SBAB aims to pursue sound operations so that the confidence of its owner, customers, business partners, the public and the financial market in SBAB is maintained.

SBAB's shared values – commitment, innovation, comprehensive approach, consideration and trust – provide the basis for how the company should act internally and externally. An ethically correct approach throughout SBAB's operations provides a foundation for sustainable development. It is crucial that all employees understand and adapt the company's guidelines to everyday operations. Work on visualising SBAB's business ethics policy will be assigned priority during 2011 within the framework of sustainable development.

Proud, motivated and competent employees underlie SBAB's success and strengthen the brand. This requires quality in leadership, competence enhancement and stimulating work.



## Employees

### "Tempen" – SBAB's internal HR survey

As part of efforts to promptly capture the potential for improvements, SBAB conducts two employee surveys each year. The latest survey confirms additional improvements, notably in the area of "Favourable cooperation among units", for which 80% of the respondents were positive (70), and "Develop and learn anew" with 89% of respondents responding positively (81). The survey attracted a response frequency of 92% (92). By means of the result from the surveys, SBAB can identify areas of improvements, formulate action plans and take measures when required. During 2011, additional efforts will be made to increase the percentage of employees completing employee dialogues, including follow-up.

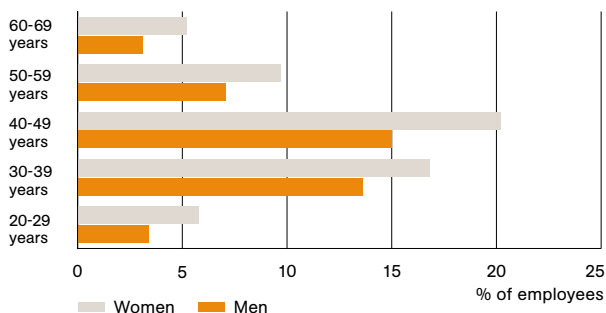
"Tempen" survey	2010		2009		2008
	autumn	spring	autumn	spring	full year
Favourable work climate	91	90	87	87	87
Develop and learn anew	89	87	81	74	73
Proud of SBAB	88	90	86	81	80
Feedback from management	79	83	79	76	77
Manager facilitates participation	84	84	82	78	79

The data in the table shows the percentage of employees that agree. SBAB regards a level of 75% as a satisfactory result.

### Operational development

SBAB continuously works with enhancing processes, organisation and competence. During the year, SBAB launched an internal programme that involves all employees in moving the company toward a selected target area, a process referred to as "VU" (operational development).

### Breakdown by age



## Leadership

SBAB works consistently to further develop the company's leadership skills. During the year, three leadership days were held during which all executives gathered to work jointly on the corporate vision, business potential and leadership. Over the course of the year, activities for the development of management groups were completed. Good leadership is a key factor for the business and the employees alike. Progress is monitored regularly by means of HR surveys. The surveys in 2010 indicated that employees feel that SBAB's leaders offers clear feedback on work performance and that leaders communicate SBAB's goals in a manner that creates a high level of understanding and participation among employees.

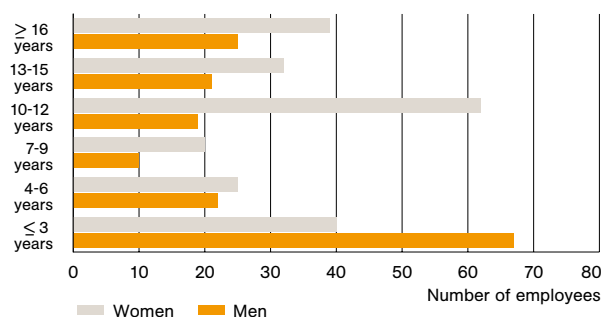
### Competency development

SBAB conducts operations for which the confidence of customers and the business environment in the company is highly important. In turn, this imposes considerable demands on employee competence. SBAB continuously conducts product-training courses. Among other areas, property valuation courses were completed during 2010. SBAB also continued its efforts in the area of internal training programmes. During the year, training in risk management, credit regulations, portfolio analysis, money laundering and security were carried out. Within the framework of "VU", 55 "VU" leaders and coaches underwent a one or two-day course.

### Equality and diversity

SBAB aims to provide an equal-opportunities workplace that offers scope for a diversity. A diverse work environment

### Employment periods



The 2010 HR survey focused on cooperation and leadership. The results indicate continuing improvement.

contributes to sound decisions and promotes learning in the company. Equality and diversity must always be considered in the recruitment process. SBAB regularly conducts pay reviews to ensure that no systematic and unreasonable pay differences exist. SBAB's goal is to have a uniform gender distribution (50/50) among executives with HR responsibilities. At year-end, 67% (61) of executives were men.

#### Work environment and health

A sound work environment and healthy employees are important factors underlying sustainable success. SBAB conducted a work environment review during the year to identify and prevent work-environment-related problems. A programme involving the rebuilding of SBAB's two largest offices (in Karlstad and Stockholm) was initiated during 2009 and continued through 2010 with the objective of creating a better work environment in terms of air, light, sound and aesthetics.

SBAB cares for the health of its employees. As part of its preventive care programme, SBAB offers such benefits as free medical expenses, subsidised medical insurance, health-maintenance allowance, a healthcare hour and free access to a gym. SBAB's healthcare "ambassadors" work to inspire employees to participate in activities that the company initiates. During the year, inspirational lectures were held on the subject of diet and exercise, work propensity and job satisfaction.

SBAB works actively to prevent long-term illness. This is done through close contact with the employees, the company healthcare service, the National Insurance Office and the employee's manager. Flexibility to identify solutions that permit a return to work on a part-time basis is another aim. Sickness absence declined during the year to 2.5% (2.6).

SBAB believes it is important to offer employees the potential to combine work with private life and, thus, offers benefits such as flexible working hours and supplemented parental pay during parental leave of absence.

#### Guidelines for incentive programmes

SBAB's model for the company's incentive programme comprises two components, of which one is related to

overall company goals and the other to departmental or unit goals. A prerequisite for any payout from the programme is that the owner's return requirement is attained. The maximum result is set at two months' pay. The incentive programme covers all employees, except the company's executive management, internal audit and other senior executives who report directly to the CEO. This is in line with "Guidelines for employment terms for senior executives in state-owned companies", which was approved on 20 April 2009. The company's risk-takers are subject to the postponement of part of the incentive payment. More information on the incentive programme is available in Note 6.

Key data	2010	2009	2008
● SKI retail market	71.7	71.8	74.1
SKI institutional customers <sup>2)</sup>	73.3	71.1	70.9
● Image Index	64.3	67.6	66.9
● Satisfied employees <sup>3)</sup>	87	79	75
● Female executives at year-end, %	33	39	41
Position at year-end	382	360	352
of which, held by women	218	210	210
Average age, years	42	43	43
Employee turnover, %	4	3	8
Short-term absenteeism, %	0.9	1.7	1.6
Long-term absenteeism, %	1.6	0.9	2.0
Total sickness absenteeism, %	2.5	2.6	3.6
Use of health-maintenance allowance by all employees, %	65	73	68
Proportion of male employees, receiving parental leave allowance, %	16	16	24
Training days per employee	3.9	3.4	2.0

● = CR key data in the business plan

<sup>2)</sup> Comprises the customer categories tenant-owner associations, private property owners and property companies.

<sup>3)</sup> According to the HR surveys.

#### Social commitment

The purpose of SBAB's social cooperation projects and support at the local level is to contribute to the positive development of the community that we are part of. Over the years, SBAB has provided financial support to a series of projects and organisations. Since 2009, and proceeding on the basis of employee priorities, SBAB has elected to support BRIS (Children's Right in Society), the World Wildlife Fund and the City Mission.



SBAB's employees vote for the organisations that the company will support.



#### *BRIS (Children's Right in Society)*

SBAB is an accredited golden corporate partner of the Swedish organisation BRIS, whose goals are to strengthen the rights of children and young people and to improve their living conditions.

#### *World Wildlife Fund, WWF*

SBAB supports WWF, with the larger share of the financial contribution earmarked for the "Baltic Project", which is aimed at preserving and improving the conditions for biological diversity in the Baltic Sea.

#### *Stadsmissionen (City Mission)*

The City Mission pursues activities to help the homeless and drug abuse victims. The City Mission's activities are aimed at alleviating acute problems and offering hope and courage to the exposed, as well as helping individuals and groups to personally take control of their lives. In addition to financial assistance, SBAB has donated computers and other office materials, which are used in the educational activities of the Stockholm City Mission.

#### *Local social commitment*

SBAB's largest office in terms of employee numbers is located in Karlstad. Here, SBAB is active in a project called "Entrepreneur 3.0". The project is run by the Värmland Chamber of Commerce and is aimed at increasing interaction between the school system and the business community. The project offers pupils aged 14 to 16 the opportunity to establish contact with companies, thereby facilitating their transition to working life. This cooperative venture commenced in 2009 and SBAB will maintain regular contact with a class and monitor its progress up to age 16.

#### *Miscellaneous*

SBAB's contribution to other socially and environmentally related projects during the year:

- Turn off Lights for the Climate – a global WWF initiative to turn off all lights for an hour in a bid to focus attention to the climate issue.
- Vacuum Sweden – the collection of outgoing 50-öre coins on behalf of BRIS, Childhood and SOS Children's Villages International

- My Big Day – financial support to assist seriously ill children to achieve their dreams
- Doctors Without Borders – financial support for "Doctors Without Borders" and the organisation's efforts to assist victims of natural disasters in Haiti and Pakistan

### **Environmental responsibility**

SBAB aims to ensure that its operations exert a minimum, negative environmental impact. The company distributes most services and products via the Internet and by telephone. This reduces the negative impact that otherwise arises from an office network, by reducing energy consumption for heating/cooling of premises, office materials and transport, for example. SBAB therefore has a proportionally limited negative environmental impact.

#### **Climate reporting**

Since the 2008 financial year, SBAB has published a climate report in line with the Greenhouse Gas Protocol (GHG protocol). The climate report provides an opportunity to identify what measures are the best to further reduce SBAB's impact on the environment and climate. The report is updated annually. SBAB provides climate compensation for its reported net emissions and – as of the 2010 financial year – is climate neutral. Climate compensation is achieved through the purchase of CERs (Certified Emissions Reduction). More information on SBAB's climate report is available at [sbab.se](http://sbab.se).

Key data	2010	2009	2008
● Total emissions, tons of CO <sub>2</sub>	235.1	234.8	231.2
Business trips by car, number/tonnes of CO <sub>2</sub>	244/26.1	597/30.7	702/29.5
Business trips by train, number/tonnes of CO <sub>2</sub>	1,338/6.7	2,115/6.9	1,015/3.4
Business trips by air, number/tonnes of CO <sub>2</sub>	272/72.5	598/71.4	377/65.8
Business trips, total, number/tonnes of CO <sub>2</sub>	1,854/105.3	3,310/109.0	2,094/98.7
Paper consumption, Retail market/newly loans granted, pages	25.2	26.6	37.4

● = CR key data in the business plan



SBAB's environmental target is to reduce CO<sub>2</sub> emissions by 5% annually during the period 2011–2014. This target will be attained by means of cost-effective and quality-enhancing measures.

### **Climate action plan**

A "climate action plan" was drawn up during the year on the basis of the climate report.

The primary purpose of the action plan is to further reduce SBAB's environmental impact. It is also aimed at raising environmental and climate awareness among employees and other stakeholders. Employees are the principal driving force in achieving the company's environmental goals. By means of concrete and consistent environmental work, all employees contribute to a sustainable environmental development.

### **Examples of measures in the climate action plan:**

- Reduce and enhance travel efficiency through, for example, increased use of video-conference equipment
- Increase the use of public transport
- Focus on energy-efficient equipment in connection with all types of purchases
- Environmental focus in connection with rebuilding/renovation
- Dialogue with property owners regarding improvement programmes involving heating/cooling
- Paperless loan management (deposits and lending)
- Reduce paper consumption at SBAB though, for example, printouts with personal codes
- Further improve sorting-at-source and the recycling of waste
- Use of eco-certified suppliers whenever possible
- Inform and communicate SBAB's environmental goals and action plan internally

### **Performance in 2010:**

- Extensive environmental investment in connection with the rebuilding of SBAB's office in Stockholm. The rebuilding is expected to reduce office power consumption by some 15%
- Approval of a climate action plan for 2011–2014
- New environmental goal established
- Decision taken to offset carbon-dioxide emissions by means of a Clean Development Mechanism (CDM) project

## **Responsibility, control and reporting**

### **Responsibility**

The Board has ultimate responsibility for ensuring that the work performed by SBAB in the field of sustainable development is pursued actively and reliably. During 2010, a CR Council was established with participants drawn from the company's executive management, all business areas, staff functions and CR Coordinator. The CR Council reports directly to executive management. At SBAB, the Communications and Product department is responsible for the coordination of efforts involving sustainable development.

### **Control**

Since SBAB considers it important that CR is an integrated feature of operations, it has opted to assess, report and follow up CR goals using the same control model as that used for the organisation's other goals and key data. Accordingly, CR is also an integrated component of SBAB's overall business plan.

To clarify SBAB's CR strategy and shared approach to how SBAB should contribute to sustainable and positive social development, a CR policy has been established and approved by the Board. Other internal instructions and guidelines relating to CR are set by executive management.

### **Reporting**

SBAB reports its sustainable development work on the basis of GRI, level C+. Company executives are responsible for all key data and performance indicators. The quality of the reporting is assured by independent auditing and confirmation. More information on sustainable development at SBAB and the GRI index is available at [sbab.se](http://sbab.se).

SBAB has signed the UN's Global Compact (GC) and thus supports the ten principles in respect of human rights, labour standards, environment and anti-corruption. SBAB assumes responsibility for annual reporting of the company's improvement programmes in line with GC's requirements that take the form of a Communication on Progress, which is also reported on GC's website: [unglobalcompact.org](http://unglobalcompact.org).



# Auditor's Report on Review of Sustainability Report

*To the readers of Sveriges Bostadsfinansieringsaktiebolags, SBAB (publ) Annual Report*

We have been engaged by the management of SBAB to review the "Sustainability Report" section on pages 4-11 of the SBAB Annual Report for the year 2010. The Board of Directors and Executive Management team are responsible for the company's activities regarding environment, health and safety, social responsibility, and sustainable development, and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the sustainability report based on our review.

## **The scope of the review**

We have performed our review in accordance with RevR 6 *Assurance of Sustainability Reports* issued by Far. A review consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria on which our review is based are the parts of the *Sustainability Reporting Guidelines G3*, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the company has developed

and disclosed. We consider these criteria suitable for the preparation of the Sustainability Report.

Our review has, based on an assessment of materiality and risk, included e.g. the following procedures:

- a. update of our knowledge and understanding of SBAB's organisation and activities,
- b. assessment of the outcome of the company's stakeholder dialogue,
- c. interviews with management at group level and at selected business units in order to assess if the qualitative and quantitative information stated in the Sustainability Report is complete, accurate and sufficient,
- d. examination of internal and external documents in order to assess if the information stated in the Sustainability Report is complete, accurate and sufficient,
- e. evaluation of the design of selected systems and processes used to obtain, manage and validate sustainability information,
- f. analytical procedures of the information stated in the Sustainability Report,
- g. assessment of the company's declared application level according to the GRI guidelines,
- h. assessment of the overall impression of the Sustainability Report, and its format, taking into consideration the consistency of the stated information with applicable criteria,

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the information in the Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria.

*Stockholm, 16 March 2011*

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg  
*Authorised Public Accountant*

Fredrik Ljungdahl  
*Expert Member of Far*



# Administration Report

## Organisation

The Swedish Housing Finance Corporation, SBAB (corp. reg. no: 556253-7513) ("SBAB") is a state-owned public limited liability company. SBAB is an independent profit-making company that is regulated by the Act on Banking and Financing Activities (2004:297) and is subject to the supervision of the Swedish Financial Supervisory Authority (SFSA).

SBAB, which was established for the purpose of acquiring the requisite capital to finance Government-backed residential mortgages, commenced operations on 1 July 1985. Prior to this, Government-backed residential mortgages were financed directly via the Government budget.

The SBAB Group consists of SBAB, the subsidiary The Swedish Covered Bond Corporation (corp. reg. no: 556645-9755) ("SCBC") and the partly owned company FriSpar Bolån AB (corp. reg. no: 556248-3338) ("FriSpar").

SCBC is 100% owned by SBAB and the company is consolidated in the SBAB Group. SCBC's main purpose is to issue covered bonds pursuant to the Covered Bonds Issuance Act (2003:1223) in the Swedish and international capital market. SCBC does not conduct any lending activities but acquires loans primarily from SBAB.

FriSpar is a jointly owned company with operations in southern Sweden. SBAB has a 51% interest in FriSpar and the company is recognised in accordance with the proportional consolidation method in the SBAB Group. The owning parties Sparbanken Finn and Sparbanken Gripen merged on 1 November 2010 and adopted the name Sparbanken Öresund AB (publ), which now owns 49% of FriSpar. Lending is conducted primarily to the retail market. Market development, lending and credit evaluation are conducted by Sparbanken Öresund AB (publ). Funding and ongoing administration are handled by SBAB.

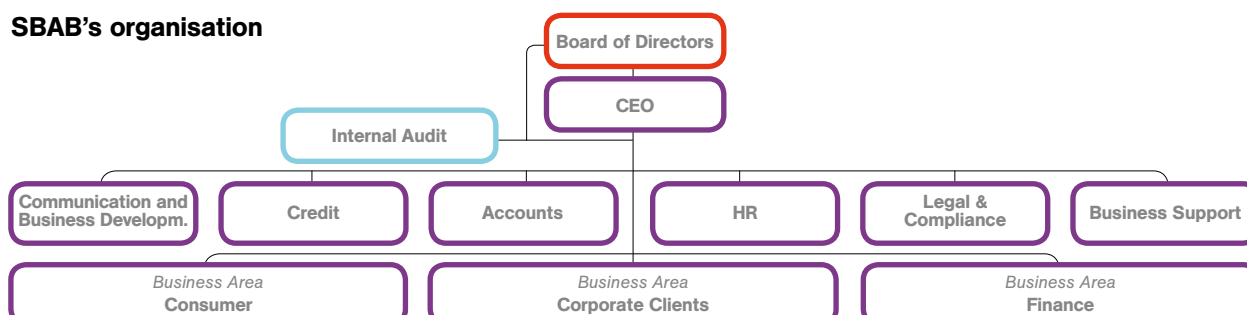
### Extraordinary General Meeting

On 30 November 2010, SBAB received the SFSA's permission to conduct banking operations. On 16 March 2011, SBAB will hold an Extraordinary General Meeting, which will resolve on a motion concerning an amendment of the Articles of Association permitting the object of operations to be changed to include banking operations, as well as other amendments required by the change of operations. The Extraordinary General Meeting will also vote to resolve the company's new name, SBAB Bank AB (publ).

### The SBAB Group



### SBAB's organisation



# Lending

SBAB continues to capture market shares and the lending portfolio grew 10% (24) during the year. New lending amounted to SEK 53.7 billion (67.3) and loan redemption to SEK 30.8 billion (22.3). At year-end, SBAB's total loan portfolio corresponded to SEK 253.1 billion (230.2), of which lending to households accounted for SEK 153.4 billion (140.0), to tenant-owner associations for SEK 55.1 billion (49.0) and corporate clients SEK 44.6 billion (41.2).

*The loan portfolio presented in this section includes FriSpar Bolån AB's entire loan portfolio. In SBAB's financial reports, FriSpar is consolidated at 51% in accordance with the proportional consolidation method.*

## Lending operations during the year

### Households

The market for residential mortgages for households grew robustly during 2010. Key factors underlying market development are the turnover and the price trend for single-family dwellings and tenant-owner rights. In 2010, prices for single-family dwellings and tenant-owner rights continued to rise because of the continuing low interest rates and high demand for residential properties. During the year, prices rose approximately

7% (20) for tenant-owner rights and approximately 3% (10) for single-family dwellings<sup>1)</sup>. The large number of reorganisations from rented to tenant-owner rights was another reason for the growth in the household market for residential mortgages.

In October 2010, the SFSA introduced a residential mortgage cap that limits the loan-to-value (LTV) ratio to 85%. In connection with the introduction of the mortgage cap, SBAB and the remainder of the market reduced the maximum LTV ratio for residential mortgages to 85%.

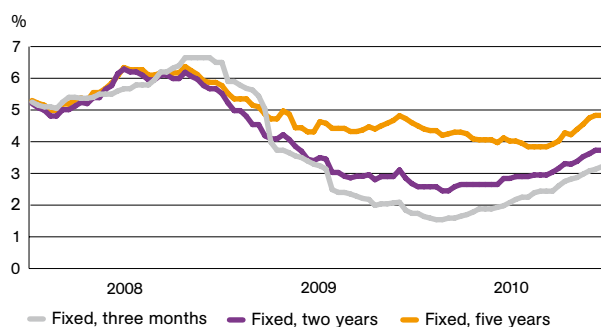
SBAB's new lending to households during the year amounted to SEK 34.6 billion (39.1). Most of the new lending, or SEK 23.9 billion (27.6), pertained to loans for home purchases, of which loans to members in connection with reorganisation from rented to tenant-owner rights accounted for SEK 3.1 billion (5.8). As a feature of SBAB's plan to broaden its operations, unsecured loans for household customers who have their residential mortgages with SBAB were launched during the year. New lending based on unsecured loans amounted to SEK 0.1 billion (-).

The differential between the three-month interest rate and longer, fixed mortgage rates decreased during the year, whereby interest in longer periods of fixed interest increased. In selecting maturities in 2010, 82% (89) of customers opted for 1-3 months, 16% (10) for 1-4 years and 2% (1) for 5-10 years.

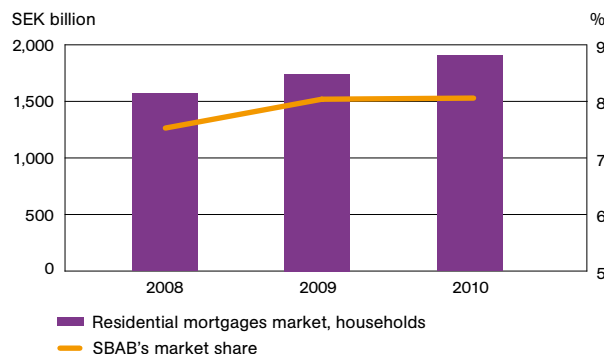
The loan portfolio for households increased SEK 13.4 billion (22.1) to SEK 153.4 billion (140.0), resulting in SBAB's market share for household lending rising to 8.1% (8.0).

<sup>1)</sup> Source: Svensk Mäklarstatistik AB

## SBAB's lending rates to retail customers



## Trend in the residential mortgage market, households



### Business partners

SBAB's business partners continue to serve as an important distribution channel for SBAB's lending to households. New lending via partners totalled SEK 14.1 billion (13.6). As in preceding years, a large share of new lending derived from FriSpar, which is owned jointly by SBAB and Sparbanken Öresund. Other business partners – including Sparbanken Syd, ICA Banken, Ikano Bank and Bättre Bolån (a partnership with property broker Erik Olsson) – also saw a favourable trend in 2010. During the year, SBAB entered into a new partnership with Folksam for the distribution of residential mortgages.

At year-end, lending to households via business partners totalled SEK 54.1 billion (46.2).

### Tenant-owner associations

A strong trend was noted for lending to tenant-owner associations during the year, of which the reorganisation from rented to tenant-owner rights was a significant component. New production of tenant-owned apartments also increased. At year-end, the total market was worth SEK 286 billion (269), representing growth of 6.4% (9.6) in 2010.

SBAB's new lending to tenant-owner associations amounted to SEK 11.6 billion (16.5). SBAB holds a strong position on the market for reorganisations, which accounted for a large proportion of new lending, or SEK 4.5 billion (7.0). New lending to newly produced tenant-owner associations amounted to SEK 2.4 billion (1.1), while new lending to existing customers and to tenant-owner associations that changed lender amounted to SEK 4.7 billion (8.4).

In April, SBAB, in cooperation with the insurance company If, launched a customised insurance solution for tenant-owner associations, comprising property and collective householders' insurance, as well as a collective tenant-owner supplement.

The loan portfolio grew SEK 6.1 billion (14.1) during

### New lending

SEK billion	2010	2009	2008
Households	34.7	39.1	21.2
of which business partners	14.1	13.6	6.3
Tenant-owner associations	11.6	16.5	5.6
Corporate clients	7.4	11.7	7.7
<b>Total new lending</b>	<b>53.7</b>	<b>67.3</b>	<b>34.5</b>

the year to SEK 55.1 billion (49.0) at year-end. SBAB's market share for lending to tenant-owner associations rose to 18.5% (17.7).

### Corporate clients (excluding tenant-owner associations)

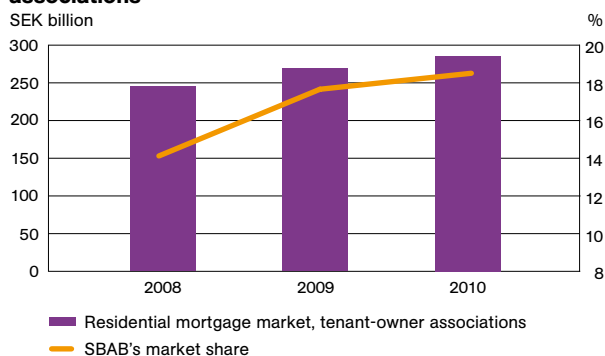
The property market recovered and developed positively in 2010. Property companies reported healthy results and higher property values based on a stable vacancy and rental trend. The number of property transactions increased significantly and yield requirements declined. The credit market developed favourably, following a number of problematic years, and competition for customers and business intensified significantly. Demand in the property market is being driven primarily by Swedish and, to a certain extent, foreign players, whereby the foreign players increased their activity after a much calmer 2009. Mortgage institutions increased their corporate lending by 9% in 2010, a much weaker growth rate than in 2009 when the market grew by 17%<sup>2)</sup>.

SBAB's new lending to property companies, property funds and municipalities amounted to SEK 7.4 billion (11.7) in 2010. New lending to private multi-family dwellings amounted to SEK 5.8 billion (6.2), to commercial properties to SEK 1.2 billion (1.7) and to municipalities and municipal multi-family dwellings to SEK 0.4 billion (3.8).

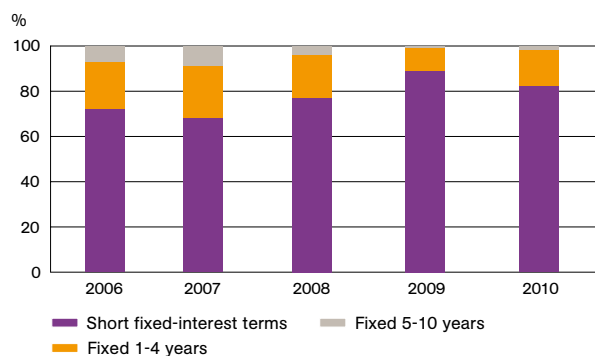
SBAB's lending to corporate clients, including lending to municipalities, totalled SEK 44.6 billion (41.2).

<sup>2)</sup> Source: Swedish Bankers' Association

### Trend in the residential mortgage market, tenant-owner associations



### Choices of fixed-interest terms, lending to households





## Loan portfolio

At year-end, SBAB's total loan portfolio totalled SEK 253.1 billion (230.2), corresponding to a share of 9.6% (9.5) of the total market for residential mortgages. At year-end, lending to households accounted for 60% (61) of SBAB's total loan portfolio and amounted to SEK 153.4 billion (140.0). Lending to the corporate market, including tenant-owner associations, totalled SEK 99.7 billion (90.2).

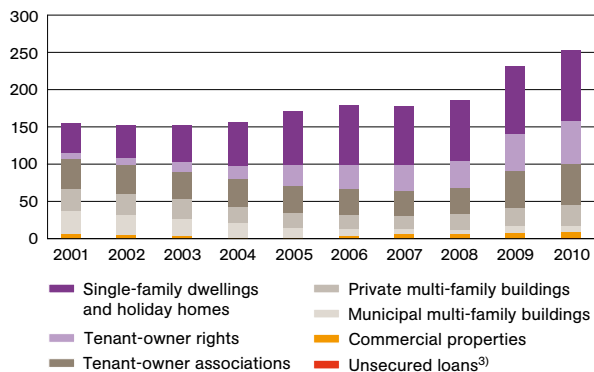
Lending for single-family dwellings (including holiday homes) represented the largest part of SBAB's portfolio, or 38% (39). Lending to municipalities and municipal multi-family dwellings amounted to SEK 7.4 billion (8.2) at year-end. Lending to commercial properties totalled SEK 8.9 billion (7.7) representing 3.5% (3.3) of SBAB's portfolio. Mortgage deeds represent the largest category of collateral, accounting for 74% (74) of the portfolio.

SBAB's loan portfolio is largely centred on the major metropolitan regions, of which the Stockholm region accounted for 48% (47), the Öresund region 23% (23) and Gothenburg region 9% (9).

Unsecured loans, loans that are not backed by formal collateral, were launched during the year and amounted to SEK 0.1 billion (–) at year-end.

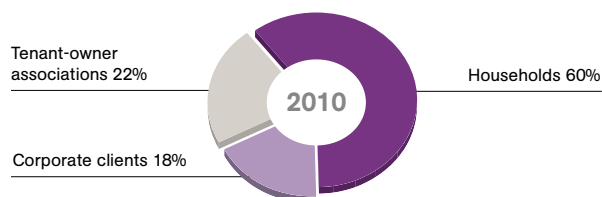
## Distribution of loan portfolio by type of property

SEK billion



<sup>3)</sup> Loans without formal collateral

## Distribution of loan portfolio by borrower category



## Distribution of loan portfolio by type of property

SEK billion	2010	2009	Change
Single-family dwellings	96.0	90.0	+5.9
Tenant-owner rights	57.3	50.0	+7.3
Tenant-owner associations	55.1	49.0	+6.1
Private multi-family buildings	28.3	25.3	+3.1
Municipal multi-family buildings	7.4	8.2	–0.8
Commercial properties	8.9	7.7	+1.2
Unsecured loans <sup>3)</sup>	0.1	0.0	+0.1
<b>Total</b>	<b>253.1</b>	<b>230.2</b>	<b>+22.9</b>

<sup>3)</sup> Loans without formal collateral

## Composition of collateral in the loan portfolio

SEK billion	2010	2009	Change
Mortgage deeds	186.1	169.7	+16.4
Tenant-owner rights	57.3	50.0	+7.3
Municipal guarantees and direct loans, municipalities	7.8	8.8	–1.0
Government guarantees	0.8	1.0	–0.2
Bank guarantees	0.0	0.0	+0.0
Other collateral	1.0	0.7	+0.3
Unsecured loans <sup>3)</sup>	0.1	0.0	+0.1
<b>Total</b>	<b>253.1</b>	<b>230.2</b>	<b>+22.9</b>

<sup>3)</sup> Loans without formal collateral

## Geographic distribution of the loan portfolio

SEK billion	2010	2009	Change
Stockholm region	121.5	108.2	+13.3
Gothenburg region	22.1	20.5	+1.6
Öresund region	59.2	53.5	+5.7
University and growth locations	19.9	18.6	+1.3
Other locations	30.4	29.4	+1.0
<b>Total</b>	<b>253.1</b>	<b>230.2</b>	<b>+22.9</b>

## Trend in SBAB's loan portfolio (excluding securitised loans)<sup>4)</sup>

	2010	2009	2008	2007	2006
Loan portfolio, SEK billion	253	230	185	178	171
Average remaining term, years	1.3	1.3	1.5	1.6	1.5
Number of loans, thousands	407	392	357	359	364
Proportion of loans with municipal or government guarantees, %	3	4	5	6	8

<sup>4)</sup> SBAB repurchased all securitised loans in 2007.

# Deposits

SBAB's deposits portfolio rose by 31% (31) to SEK 6.1 billion (4.7), of which SEK 4.8 billion (4.2) was deposits from households and SEK 1.3 billion (0.4) deposits from corporate clients and tenant-owner associations.

## Retail market

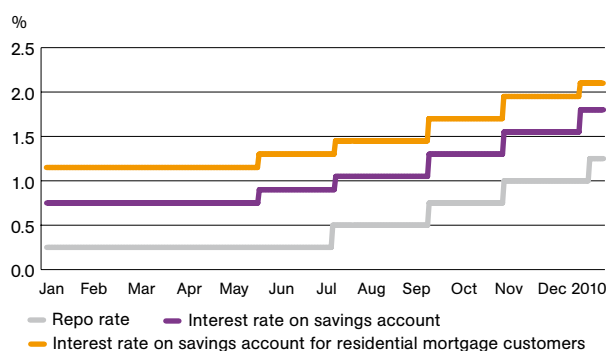
Household bank deposits rose in 2010. At year-end, bank deposits from households totalled SEK 1,096 billion (1,006)<sup>1)</sup>, representing an increase of 8.9% (5.3) compared with the preceding year.

Interest in SBAB's savings accounts was considerable during the year. The number of savings customers in the retail market increased by about 17,000 (about 12,000). At year-end, SBAB's deposits from households amounted to SEK 4.8 billion (4.2), representing an increase of 13% (20). SBAB offers two competitive types of savings accounts for individuals.

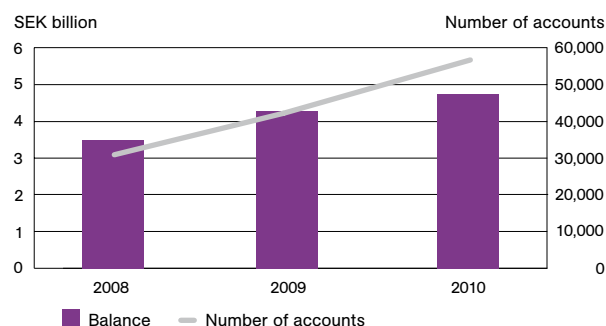
The savings products are subject to no fees, offer free

<sup>1)</sup> Source: Statistics Sweden (MFI deposits and funding from households).

## SBAB's floating savings rates for retail customers



## Volume of deposits and number of accounts



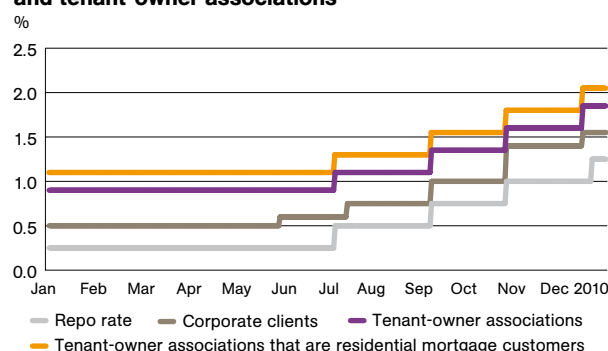
withdrawals and are easy to open and manage through sbab.se. The Savings Account (Sparkontot), both for existing and new customers, carried an interest rate of 1.80% as of December 31, 2010, and the SBAB Account (SBAB-kontot) for existing customers with residential mortgages of SEK 1 million or more carried an interest rate of 2.10% as of the same date.

## Corporate clients and tenant-owner associations

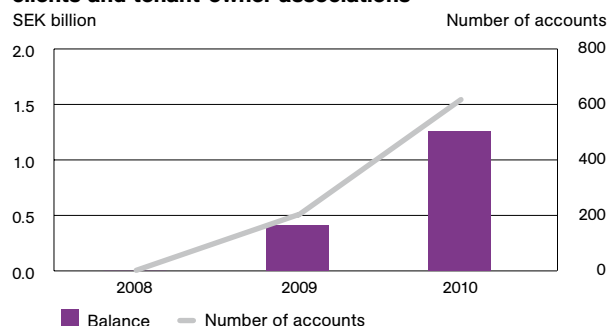
Since the end of 2009, SBAB has offered a deposit account for corporate clients and tenant-owner associations. In addition to an account with a floating interest rate, accounts for fixed-term deposits are also offered, firstly, in the form of a deposit account with a fixed term and fixed interest conditions and, secondly, as a special deposit account offering a flexible term and individual interest-rate setting.

During the year, deposits from corporate clients and tenant-owner associations rose SEK 0.9 billion (0.4) to SEK 1.3 billion (0.4).

## SBAB's floating investment rates for corporate clients and tenant-owner associations



## Deposit volume and number of accounts, corporate clients and tenant-owner associations



# Funding

Broad, well-diversified funding is the cornerstone in SBAB's funding strategy. SBAB is active in Sweden and in international capital markets and monitors these markets continuously to identify opportunities for new issuances. SBAB was successful in its efforts to continue its diversification programme during 2010.

## Capital market trend in 2010

The capital market fluctuated widely in 2010, an eventful year. High levels of market activity were periodically replaced by an atmosphere of risk aversion and a less liquid market. Triggering factors included the budgetary problems in several European countries and primarily a concern that countries would not be able to refinance their running deficits and debt due. The problems culminated in late April and early May. Unease was mitigated by a joint assistance package from the euro zone and the International Monetary Fund (IMF). The market then returned to a somewhat more stable phase. The results of the stress tests of European banks by the Committee of European Banking Supervisors (CEBS) were released in July, thus providing an illustration of the situation of the banks. The capital markets received further support through clearer conditions on 26 July when the Basel Committee's revised proposal on new bank regulations was published. At the end of the year, market concern grew. The budget deficits of several European countries and sharp increases in funding requirements were again the underlying factors.

Political solutions and broad agreements succeeded in temporarily easing this concern, but a number of unanswered questions remained. An uncertain business environment and worry about the global economy led to a more volatile capital market. Periodically, the capital market functioned well, liquidity was strong and many transactions were carried out. Occasionally, activity was subdued due to renewed turbulence.

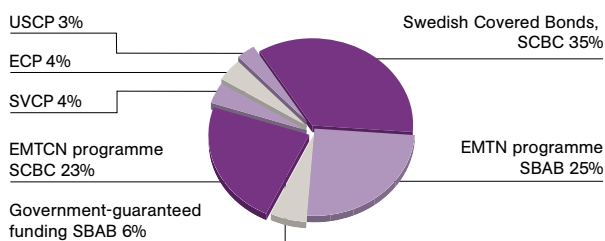
## Funding activities

SBAB actively works to limit liquidity and refinancing risk. These efforts have entailed a higher percentage of total funding being long-term, as well as more active debt management through buy-backs and switches. Active debt management is mainly pursued with the aim of reducing refinancing and liquidity risk, as well as addressing investor interest in extending the debt. The maturity of the debt portfolio continued to increase in 2010, mainly as a result of issuances with longer maturities. Debt was repurchased in 2010, mainly in loans with shorter maturities. During the year, SBAB continued to repurchase government-guaranteed debt maturing in 2011 and 2012. At year-end, the outstanding volume of government-guaranteed bonds amounted to SEK 15.0 billion (21.4).

In 2010, the strategy was to fund a large percentage of the total annual requirement early in the year. A large amount of the total issued volume was raised in the first and second quarter. Around half of the funding was raised in foreign currency while the other half was raised in SEK. The SBAB Group implemented four public benchmark transactions on the European capital market. SBAB was active in several foreign currencies, often through private placements.

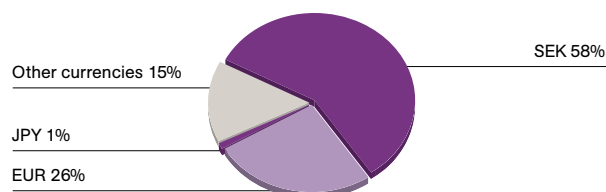
## Sources of funding, securities in issue, SBAB Group

Debt outstanding, 31 December 2010: SEK 262 billion



## Currency distribution, securities in issue SBAB Group

Debt outstanding, 31 December 2010: SEK 262 billion







This is a selection of the SBAB Group's funding transactions during the year:

- A 5-year and a 7-year covered bond transaction of EUR 1 billion each
- A 5-year private placement of EUR 295 million
- A Swedish 5-year unsecured transaction of SEK 3.5 billion
- The launch of a new Swedish covered benchmark bond, SCBC 131
- A 3-year unsecured transaction of EUR 750 million.

## SBAB

### *The Group's short-term funding*

SBAB has three commercial paper programmes for unsecured short-term funding. Commercial paper was issued in the following currencies during the year: SEK, CAD, CHF, EUR, GBP and USD.

#### Short-term funding, SBAB

	Limit
Swedish Commercial Paper Programme (SVCP)	SEK 25 billion
European Commercial Paper Programme (ECP)	USD 2 billion
US Commercial Paper Programme (USCP)	USD 4 billion

### *The Group's long-term funding*

The Parent Company, SBAB, issues its long-term unsecured debt under the international EMTN programme. The limit for the EMTN programme was changed during the year from USD 11 billion to EUR 13 billion. The Group's covered bond funding is conducted through the subsidiary SCBC's covered EMTCN programme and under the Swedish covered mortgage bond programme. During the year, the Group issued a number of long-term transactions with a volume equivalent to SEK 103.9 billion distributed among the following currencies: EUR, CHF, JPY, NOK and SEK.

#### Long-term funding sources

	Limit
Euro Medium Term Note Programme (EMTN)	EUR 13 billion
Euro Medium Term Covered Note Programme (EMTCN), SCBC	EUR 10 billion
Mortgage Bond Programme, SCBC	No set limit

## SCBC

The operations of SCBC focus primarily on issuing covered bonds in Swedish and international capital markets. For this purpose, the company currently uses two funding programmes: a covered mortgage bond programme in Sweden and an EMTCN programme, primarily in the international market. Both programmes received the highest possible long-term credit rating of Aaa/AAA from Moody's and Standard & Poor's.

SCBC does not conduct any lending activities itself; instead it continuously acquires loans from SBAB and FriSpar. The intention of these loan acquisitions is that they should be wholly or partly included in the cover pool for investors who are holders of SCBC's covered bonds. In 2010, SCBC's portfolio of loans increased by some SEK 36.4 billion.

Information on SCBC's covered bonds and cover pool is published on the [scbc.se](http://scbc.se) website.

## Rating

On 3 September 2010, Standard & Poor's revised SBAB's outlook from negative to stable. At the same time, the long-term "A+" rating and "A1" rating for SBAB's short-term funding were confirmed. Standard & Poor's grounds for the more positive view of SBAB are the high quality of SBAB's assets, its stronger capital base and the fact that SBAB thereby has favourable possibilities of retaining or improving its position on the residential mortgage market.

Rating	Moody's	Standard & Poor's
Long-term funding, SBAB	A1	A+
Long-term funding, SCBC	Aaa	AAA
Short-term funding, SBAB	P-1	A-1

# Results

## Operating profit

SBAB's operating profit decreased to SEK 785 million (1,289). Continued strong demand combined with volume growth characterised 2010.

SBAB increased its investment margin in 2010 to 0.58% (0.55). The expenditure/income ratio rose to 42% (29) due to the decline net income from financial items. The expense trend in relation to net interest income, which provides a more accurate link to the underlying development of the operations, improved to 35% (39). Loan losses decreased, remaining at a low level. The loan loss rate was 0.02% (0.06).

Return on equity was 7.5% (13.8). SBAB's owner has stated an expected return on equity after tax, also known as the return requirement. This is configured so that the return, over a business cycle, should correspond to the return on five-year government bonds plus a risk premium of 5%. Expressed as an average over the five-year period of 2006-2010, SBAB's return on equity was 8.5% (8.7 during the period 2005-2009). For the corresponding period, the owner's average return requirement was 8.3% (8.4).

## Operating income

Operating income totalled SEK 1,429 million (1,974). Net interest income rose 16% to SEK 1,762 million (1,519).

Since SBAB was affiliated with the Swedish Government's guarantee programme for medium-term funding during the year, net interest income was charged with SEK 176 million (214) in fees for issuances conducted under this programme in preceding years. In addition, a provision of SEK 52 million (46) was posted for what is referred to as the "stability fee", which the Swedish Parliament decided to introduce in 2009. These factors primarily explain the increase in commission expenses to SEK 94 million (90). The stability fee amounts to a fixed percentage of 0.036%, calculated on the basis of pledges in the fee-payer's balance sheet less certain Group-wide loans and subordinate liabilities. An average of the debt that SBAB issued under the Government guarantee programme could also be deducted from the underlying fee basis. For 2010, only half of the fee needed to be paid.

The net result of financial instruments measured at fair value declined to an expense of SEK 289 million (income: 495). For hedge-accounted items, pertaining to derivatives and the repurchase of own debt, the difference between the periods was a negative SEK 445 million. During the second half of the year, a new methodology for hedge accounting was introduced, which had a negative impact of SEK 134 million on profit. The aim of the repurchase of own

debt was to reduce the liquidity and financing risk, which entailed repurchases of debt with short remaining maturities and the subsequent issuance of bonds with longer maturities. In addition, repurchases under the Swedish Government's guarantee programme were conducted to reduce future interest expense. In addition to the aforementioned changes between periods, the positive recovery noted in 2009 in respect of the part of the liquidity portfolio measured at fair value was not followed by corresponding development during 2010. The difference between the years was a negative SEK 306 million. The remainder of the decline in earnings was due mainly to a change in the value of derivatives for which hedge-accounting is not applied. The derivative contracts that SBAB enters into and its holdings of bonds are a natural component of the company's financial risk management.

## Operating expenses

Expenses increased to SEK 604 million (578). The increase was largely due to rising payroll costs in the amount of SEK 316 million (309). The average number of employees in 2010 was 431 (396). The company had several temporary employees particularly in the first half of the year. These figures include a provision of SEK 11 million (28) for the incentive programme, including social fees. SBAB's incentive programme complies with the guidelines set by the owner. SBAB's Board conducted an overview of the incentive programme as a result of the new stipulations issued by the SFSA regarding remuneration policy in credit institutions, investment firms and fund management companies (FFFS 2009:6).

Other expenses amounted to SEK 262 million (241). The increase was primarily due to higher business volumes and higher consultancy expenses in conjunction with the broadening of SBAB's operations. Greater competition in residential mortgages together with greater focus on SBAB's deposit products pushed marketing activities to a more normal level during the year. SBAB succeeded in increasing its market share to 9.6% (9.5). Marketing expenses increased 27% to SEK 56 million (44). Depreciation/amortisation totalled SEK 26 million (28). During the year, expenses in relation to average total assets continued to decline and amounted to 0.20% (0.21).

## Loan losses

Loan losses declined to SEK 40 million (107), net. The loan loss rate remained very low at 0.02% (0.06). The decrease was due mainly to the lower new collective provisions. Confirmed loan losses amounted to SEK 39 million (32).

Of this, SEK 14 million (17) was reserved individually in prior years. In addition, SEK 13 million (3) was received via loan loss insurance.

For a more detailed account of the trend in credit risk, refer to the "Risk management" section on pages 23-41.

#### **Doubtful loan receivables and provisions SBAB Group**

	2010	2009	2008
Doubtful loan receivables, SEK million	104	104	138
Total provisions, SEK million	352	343	255
Loan loss rate, %	0.02	0.06	0.01

#### **The Swedish Housing Finance Corporation, SBAB**

Operating profit was SEK 84 million (860). Operating income totalled SEK 713 million (1,513), with the decline due in part to lower net interest income, amounting to SEK 304 million (683). Interest expenses for debt securities in issue and subordinated debentures increased compared with the preceding year. This development was due to higher funding expenses for issued securities combined with a higher average volume of bonds outstanding compared with the preceding year. During the year, the Parent Company issued a subordinated debenture of SEK 2.0 billion, which constitutes Tier 1 capital. In addition, lending to the public was lower compared with the preceding year. Operating profit includes an anticipated dividend from SCBC of SEK 100 million.

The net result of financial instruments measured at fair value declined to an expense of SEK 201 million (income: 356). This decrease was primarily due to the method development that occurred in the area of hedge accounting during the year, as well as the fact that the trend for the portion of the liquidity portfolio measured at fair value was not as favourable as in 2009.

Expenses amounted to SEK 599 million (571). This increase was due to payroll costs, as well as higher marketing expenses resulting from ongoing business development activities aimed at broadening the customer offering. Loan losses decreased, amounting to SEK 30 million net (82), primarily as a result of smaller collective provisions.

The Parent Company continues to have highly satisfactory capital adequacy. The capital base totalled SEK 12,711 million (10,855), with Tier 1 capital amounting to SEK 10,647 million (8,647). Without taking the transitional regulations into account, the Tier 1 capital ratio was 39.6% (29.7) and the capital adequacy ratio 47.3% (37.2).

#### **The Swedish Covered Bond Corporation, SCBC**

SCBC's net profit was significantly better than in the preceding year. An operating profit of SEK 1,147 million

was reported for 2010 (loss: 295). Net interest income was higher than in the preceding year at SEK 1,440 million (813). An increase in the loan portfolio and an interest margin that stabilised during the year were the main contributors to this development. SCBC's loan portfolio amounted to SEK 209.7 billion (173.4) at year-end. The loan portfolio was increased in order to permit additional funding via covered bonds. "Net income from financial instruments measured at fair value" also improved to SEK 249 million (expense: 580). During the year, hedge-accounted items and loan receivables were the main contributors to this positive trend. During the year, SCBC developed a method and introduced it in the second half of the year, which better reflects the hedging relationship with the underlying hedged item.

Operating expenses increased somewhat and amounted to SEK 464 million (445). This development was due to higher costs of the services that SBAB provides to SCBC under the outsourcing agreement.

Loan losses decreased to SEK 10 million net (25). The loan loss rate was 0.01% (0.02). Without taking the transitional regulations into account, the capital adequacy ratio and the Tier 1 capital ratio were 30.6% (33.1).

#### **FriSpar Bolån AB**

Operating profit totalled SEK 34 million (39). At 31 December 2010, capital adequacy ratio was 27.7% (26.2) and the loan portfolio totalled SEK 8,124 million (8,589). The owner parties Sparbanken Finn and Sparbanken Gripen merged on 1 November 2010, assuming the name Sparbanken Öresund AB (publ).

#### **Dividend policy and proposed appropriation of profits**

The dividend policy set by the owner entails that one third of net profit after tax be distributed to the owner. However, in view of the rules regarding continued application of transitional regulations for capital adequacy requirements and the fact that SBAB needs to replace outstanding subordinated debentures in 2011, the Board proposes that the net profit for 2010 be carried forward and that no dividend be paid.

#### **Corporate Governance Report**

SBAB's Corporate Governance Report for 2010 is appended to this Annual Report; see page 76.

#### **Significant events after the balance sheet date**

In conjunction with an Extraordinary General Meeting on 16 March 2011, SBAB intends to adopt new Articles of Association and to simultaneously assume the name SBAB Bank AB (publ). Board Member Lennart Francke stepped down from SBAB's Board in February 2011.



# Five-Year Overview

## Group

SEK million	2010	2009	2008	2007	2006
Interest income	5,335	6,043	11,222	8,585	6,704
Interest expense	-3,593	-4,524	-10,081	-7,408	-5,487
<b>Net interest income</b>	<b>1,762</b>	<b>1,519</b>	<b>1,141</b>	<b>1,177</b>	<b>1,217</b>
Other operating income	-333	455	-14	-422	218
<b>Total operating income</b>	<b>1,429</b>	<b>1,974</b>	<b>1,127</b>	<b>755</b>	<b>1,435</b>
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-26	-28	-32	-31	-26
Other operating expenses	-578	-550	-488	-486	-569
<b>Total operating expenses</b>	<b>-604</b>	<b>-578</b>	<b>-520</b>	<b>-517</b>	<b>-595</b>
<b>Net profit before loan losses</b>	<b>825</b>	<b>1,396</b>	<b>607</b>	<b>238</b>	<b>840</b>
Loan losses, incl. change in value of property	-40	-107	-22	20	0
<b>Operating profit</b>	<b>785</b>	<b>1,289</b>	<b>585</b>	<b>258</b>	<b>840</b>
Loan portfolio	249,103	225,976	183,959	167,981	170,013
Other assets	67,822	68,099	69,335	55,110	33,712
<b>Total assets</b>	<b>316,925</b>	<b>294,075</b>	<b>253,294</b>	<b>223,091</b>	<b>203,725</b>
Deposits from the public	6,083	4,653	3,542	759	-
Securities issued, etc.	261,962	249,095	198,643	191,807	182,328
Other liabilities	35,298	29,161	41,011	21,574	12,555
Deferred income tax liabilities	60	238	-	-	-
Subordinated liabilities	5,508	3,551	3,666	2,725	2,808
Equity, including minority interests	8,014	7,377	6,432	6,226	6,034
<b>Total liabilities and equity</b>	<b>316,925</b>	<b>294,075</b>	<b>253,294</b>	<b>223,091</b>	<b>203,725</b>
<i>Lending</i>					
New lending, SEK million	50,398	64,626	32,425	30,484	35,893
Investment margin, %	0.58	0.55	0.48	0.55	0.67
Securitised, SEK million	-	-	-	-	7,427
<i>Loan losses</i>					
Loan loss rate, %	0.02	0.06	0.01	-0.01	0.00
Rate of doubtful loan receivables, %	0.01	0.01	0.02	0.04	0.03
<i>Productivity</i>					
Expenditure/Income ratio, excl. loan losses, %	42	29	46	68	41
Expenditure/Income ratio, incl. loan losses, %	45	35	48	66	41
<i>Capital structure</i>					
Return on equity, %	7.5	13.8	6.7	3.1	11.5
Core Tier 1 capital ratio without transitional regulations, %	14.1	14.1	11.8	-	-
Tier 1 capital ratio without transitional regulations, %	19.1	15.9	13.5	-	-
Capital adequacy ratio without transitional regulations, %	22.4	19.7	16.8	-	-
Core Tier 1 capital ratio with transitional regulations, %	6.4	6.6	6.6	-	-
Tier 1 capital ratio with transitional regulations, % <sup>1)</sup>	8.7	7.4	7.6	7.6	7.3
Capital adequacy ratio with transitional regulations, % <sup>1)</sup>	10.2	9.2	9.4	9.4	9.0
Equity ratio, %	2.5	2.5	2.5	2.8	3.0
Consolidation ratio, %	2.5	2.6	2.5	2.8	3.0
<i>Employees</i>					
Number of employees (annual average)	431	396	365	374	410

<sup>1)</sup> The comparative figures for 2006 have not been restated according to IAS/IFRS. The five-year overview for the Parent Company is presented in Note 38.

## Definitions of key ratios

**New lending** • Gross lending

**Investment margin** • Net interest income in relation to average total assets

**Loan loss rate** • Loan losses in relation to opening balance for lending to the public

**Rate of doubtful loan receivables** • Doubtful loan receivables (net) in relation to year-end lending to the public

**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

**Core Tier 1 capital ratio** • Tier 1 capital minus Tier 1 capital contribution in relation to risk-weighted assets, RWA

**Capital adequacy ratio** • Capital base/risk-weighted amount

**Tier 1 capital ratio** • Tier 1 capital/ risk-weighted amount

**Equity ratio** • Equity, incl. minority interest, in relation to total assets at year-end

**Consolidation ratio** • Equity, incl. minority interest, and deferred tax in relation to total assets at year-end

**Number of employees** • Permanent and temporary employees (annual average)

# Financial Reports

## Risk Management

For SBAB, risk arises primarily in the lending operations in the form of credit risk, as well as in other activities. The recent crisis of confidence in the financial sector exemplifies the importance of effective management of liquidity risk. Additional information concerning the Group's capital adequacy and risk management is available at [sbab.se](http://sbab.se).

### Risk tolerance

Risk is an integrated part of all activities conducted by SBAB. Given the company's chosen 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 tolerance is defined as "the risk SBAB is willing to take to achieve set business targets within the framework of the long-term strategy". SBAB has set the following targets to measure risk tolerance:

- SBAB shall have 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.
- The capital quotient shall exceed 1.25 (corresponds to a capital adequacy ratio of 10%).
- The Tier 1 capital ratio, according to Basel II, Pillar 1, including transitional regulations, shall exceed 7%.
- The economic capital shall not exceed 85% of the available capital.
- The liquidity reserve shall be able to handle flows for a minimum of 20 days, with a target of 30 days.
- The tolerance level for operating risk shall not exceed SEK 7.5 million.

In addition, earnings should be based primarily on credit risk and interest-rate risk.

All of the objectives were achieved. The return on equity exceeded the target by 0.3% (0.4) and the economic capital corresponded to 39% (49) of the available capital. Some adjustments were made in the model for the calculation of economic capital compared with the preceding year. Available capital refers to the capital base, in contrast to the preceding year when it referred to equity. Comparative figures have been adjusted accordingly. The capital quotient and Tier 1 capital ratio are presented on page 41. Information on the number of days covered by the liquidity reserve in 2010 is presented on page 34. The operating risk is SEK 1.2 million below the tolerance level.

### Risk measure and capital requirements

SBAB's definition of capital and capital requirement comply with external requirements. Internal follow-up and reporting are based on Pillars 1 and 2 of the Basel rules.

In general terms, the Group's risk process can be described as follows:

#### 1. Identify risk

SBAB continuously identifies the risks generated by its operations. Operations are conducted in three different business areas. Corporate Clients and Consumer handle loans, while Finance handles funding and financial risk management. The first two mentioned above mainly generate credit risk, while the funding activities mainly manage financial risks and counterparty risks.

#### 2. Measure risk and capital requirements

Identified risks are measured in various models. For business and operational risks, standards are used based on the business areas' operating expenses and operating income. For credit risk, SBAB 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. Market risk is measured with a Value at Risk (VaR) model in the calculation of economic capital and otherwise through a parallel shift of the yield curve.

### 3. Analyse, control and report

Based on the information provided by the models, an analysis is conducted 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. The results of the analysis, together with a qualitative assessment of other risks, are reported to ALCO (Asset and Liability Management Committee), which is a preparatory body for risk and capital planning issues in SBAB. SBAB's Board of Directors and management are continuously provided with an adequate account of the company's risk profile. These efforts comprise the supporting documentation for SBAB's strategic planning and form the foundation for the establishment of capital goals.

### Overall aims for risk management

- SBAB's risk management supports the Group's business operations and rating targets.
- Risk-taking shall be balanced. This is to be achieved by ensuring that total risk is kept at a level compatible with SBAB's long-term financial objectives for return, the size of risk capital and the target rating.
- Relevant risks are to be identified, measured, managed and controlled.
- Within the company's different business areas, allocation of capital shall be based on the desired risk level and earnings capacity.
- SBAB's risk management shall be transparent and thus easily presented to and understood by external parties.
- SBAB shall maintain an appropriate risk management organisation with a clear distribution of responsibility.

### Organisation and responsibility

The Board of Directors has ultimate responsibility for risk management and makes decisions on risk strategy, risk tolerance, risk policy and instructions for managing and measuring risk. Through the financial directives, the Board determines limits for the management of financial risks. For certain issues, the Board has delegated responsibility to SBAB's Finance Committee. The credit instructions are established by the Board, which thereby regulates authorities to make credit and limit decisions at various levels in SBAB. The Board's Credit Committee takes decisions concerning credit limits and loans exceeding SEK 250 million.

ALCO handles matters relating to risk and capital planning, which are then addressed by executive management or the Board. The CEO is the chairman of the ALCO.

Other committee members are the managers of each of the business areas, the Chief Credit Officer, the Head of Accounting and Controlling Department and the Head of the Risk Department.

The Risk Department is a unit within the credit division. The Head of the Risk Department is appointed by the CEO and has overall responsibility for developing and ensuring that SBAB's strategies comply with the original intentions and that policies and processes support relevant follow-ups.

The Risk Department is responsible for analysing, assessing and reporting on the overall risks of the SBAB Group. In particular, credit risk, the most significant risk for SBAB, is controlled and analysed. Middle Office in the Finance business area is responsible for the identification, quantification and analysis of financial risks. These are reported daily to the Risk Department, which monitors the current risk levels and compliance to limits.

The Risk Department is also responsible for the formulation, implementation, reliability and monitoring of SBAB's risk-classification systems and for models for economic capital. The individual risks are dealt with by each of the business areas. A monthly report on the overall risk scenario and the trend in economic capital is delivered by the Risk Department to the CEO, executive management and the Board. The Risk Department also continuously reports on capital adequacy ratio, the Tier 1 capital ratio and the core Tier 1 capital ratio to the CEO, the Board and senior executives at SBAB. In addition, the Board and CEO of SBAB are provided with a quarterly detailed description of risks.

### Credit Risk

*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, in connection with impairment of the value of pledged assets entailing that these no longer cover the Group's receivables and also in SBAB's finance activities.*

The table on page 25 describes the maximum credit risk exposure for SBAB at the end of 2009 and 2010 without taking pledged assets into consideration. The carrying amount is used for assets on the balance sheet. A total of 84% (83) of the total credit risk exposure derives from lending to credit institutions and the public (taking into consideration loan promises and credit related commitments).

### Credit risk in the lending operations

Credit risk in the lending operations is restricted by limits decided upon 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 and amortisation is analysed. 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 comfortably exceeds the rate prevailing when the loan decision is taken. Furthermore, risk classification based on internal ratings-based (IRB) approaches is used in the analysis of the credit risk for new and existing customers in the loan portfolios.

SBAB applies the IRB approach for retail credits and the Foundation IRB approach for corporate credits. The SFSA has reviewed SBAB's internal methods and assessed them to be reliable. Accordingly, the SFSA has granted SBAB permission to base capital requirements for credit risk on internal ratings-based approaches (IRB approaches). At the same time, SBAB was granted the right to apply the standardised approach for credit risk for exposures to the Swedish Government, the Riksbank and Swedish municipalities, portfolios of insignificant size (time-limited permission) and all central government and institutional exposures.

For every part of individual exposures to corporate or retail customers that accounts for a unit in a tenant-owner association (tenant-owner right) or mortgage deed in a residential property as collateral, as is the case for 93% (92) of total lending, the credit risk is assessed in the Group's credit risk models. For other types of exposures, the standardised IRB approach is used for measurement of credit risk. For the cases in which external ratings are used, the lowest rating from Moody's or Standard & Poor's is selected. In credit risk models, an assessment is made of PD, LGD and the credit conversion factor (CCF), meaning the part of the off-balance sheet commitment which is utilised in the event of default. On the basis of these parameters, together with 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. The developed models are validated annually and calibrated as the need arises. During the year, a review was conducted of all PD models. Adjustments resulting from the review will be implemented in 2011. The preceding year's planned implementation of models for corporate credit was postponed for one year in order to be coordinated with changes to other PD models.

In conjunction with the quantitative assessment, a system-oriented qualitative assessment is performed by the department of Corporate Clients<sup>1)</sup> on the basis of the rules and regulations for loans. This enables greater uniformity in risk assessments based on extensive supporting data.

The assessed expected loss (EL) in the model 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, whose magnitude is regulated by the Capital Adequacy and Large Exposures Act (2006:1371) and by the SFSA's regulations and general guidelines governing capital adequacy and large exposures (FFFS 2007:1), where the risk in each individual loan is estimated based on outcomes over a longer period of time in a statistical model.

#### Maximum credit risk exposure before collateral held or other credit enhancements

SEK million	2010	2009
<i>Credit risk exposure for on-balance sheet items</i>		
Chargeable treasury bills and other eligible bills	2,365	8,098
Lending to credit institutions	12,892	9,054
Lending to the public		
Loans to consumers		
– Single-family dwellings and holiday homes	93,238	86,443
– Tenant-owner rights	56,124	49,399
– Other	67	–
Loans to companies/legal entities		
– Tenant-owner associations	55,093	48,947
– Private multi-family dwellings	28,341	25,246
– Municipal multi-family dwellings	7,363	8,178
– Commercial properties	8,877	7,763
Change in fair value of interest-rate hedged items in portfolio hedges	500	2,590
Bonds and other interest-bearing securities	37,985	32,412
Derivative instruments	12,665	15,123
Other assets	524	126
Prepaid expenses and accrued income	891	696
<i>Credit risk exposure for off-balance sheet items</i>		
Loan promises and other credit-related commitments	30,136	53,282
Other commitments	199	–
<b>Maximum credit exposure per 31 December</b>	<b>347,260</b>	<b>347,357</b>

#### Collateral in the lending operations

In order to grant credit, adequate collateral is required, which can be provided in the form of real estate or a tenant-owner right. Adequate collateral usually means mortgage deeds in a property or a unit in a tenant-owner association 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

<sup>1)</sup> Retail refers to all lending to consumers pertaining to single-family dwellings, holiday homes and tenant-owner rights. Corporate Clients refers to all other lending to the public. This entails, inter alia, that loans to private individuals pertaining to multi-family dwellings are considered corporate customers.

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.
- EAD (exposure at default) measures the expected exposure in the event of default.

## Loan portfolio allocated by risk class

Corporate Market		2010		2009	
Risk class	Lending	Provision/lending in respective risk class	Lending	Provision/lending in respective risk class	
C0	0.7%	–	0.8%	–	
C1	63.3%	0.0%	67.8%	0.0%	
C2	21.6%	0.0%	17.8%	0.0%	
C3	9.1%	0.0%	8.2%	0.0%	
C4	1.9%	0.1%	2.0%	0.1%	
C5	1.4%	0.2%	1.6%	0.2%	
C6	1.2%	1.4%	1.0%	2.0%	
C7	0.3%	5.4%	0.3%	6.2%	
C8	0.5%	11.3%	0.5%	12.3%	
	<b>100.0%</b>	<b>0.1%</b>	<b>100.0%</b>	<b>0.1%</b>	

C = Corporate market

## Loan portfolio allocated by risk class

Retail Market		2010		2009	
Risk class	Lending	Provision/lending in respective risk class	Lending	Provision/lending in respective risk class	
R1	38.6%	0.0%	34.0%	0.0%	
R2	20.5%	0.0%	19.4%	0.0%	
R3	25.1%	0.0%	27.6%	0.0%	
R4	11.3%	0.0%	13.8%	0.0%	
R5	2.4%	1.3%	2.7%	1.0%	
R6	1.1%	3.8%	1.3%	2.7%	
R7	0.8%	7.5%	0.9%	7.8%	
R8	0.2%	13.1%	0.3%	14.1%	
	<b>100.0%</b>	<b>0.2%</b>	<b>100.0%</b>	<b>0.2%</b>	

R = Retail market

for retail customers and C1-C4 for corporate customers. In other cases, a loan-to-value ratio of 75% applies. If the collateral was supplemented with "Låneskydd Trygg"<sup>2)</sup>, there was a possibility until early 2010 to grant loans to retail customers for up to 95% of the market value with a requirement for amortisation down to 85% within ten years. This is no longer possible since the introduction of the residential mortgage cap. In 2010, SBAB has also begun to grant smaller unsecured loans to residential mortgage borrowers in the household segment.

In addition to mortgage deeds in a property or a unit in a tenant-owner association, 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. To a limited extent, equities corresponding to up to 85% of the market value in the underlying property can be approved as collateral. SBAB does not hold any collateral which has been taken over to protect a receivable.

### Loan portfolios in lending operations

#### Loan portfolios by risk class

Every customer is allocated to a risk class. Customers with individually reserved loans are always allocated to the worst corporate market risk class, C8, or the worst

retail market risk class, R8 respectively. Loans covered by collective provisions are obtained for the corporate market from risk classes C6 to C8, and collectively impaired retail market loans comprise loans in risk classes R5-R8. Risk class C0 are loans where the counterparty has a risk weight of 0% (Swedish municipalities). Transaction costs, attributable to loans, of SEK 23 million (18) have been allocated in the table.

### Lending to the public and credit institutions

In the table "Lending to the public and credit institutions without overdue unpaid amounts, with overdue unpaid amounts and with provisions", 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.

In the case of a loan receivable for which individual provision has been posted, an individual assessment of the future cash flow has been made 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 or the

<sup>2)</sup> Unemployment and illness insurance with no life insurance component.

**Loans to the public and credit institutions without overdue unpaid amounts, with overdue unpaid amounts and with provisions**

SEK million	2010		2009	
	Public	Credit institutions	Public	Credit institutions
Current loans without overdue unpaid amounts or provisions	248,641	12,892	225,566	9,054
Loans with unpaid amounts > 5 days	710		649	
Loans with individual provisions	104		104	
<b>Total outstanding loans</b>	<b>249,455</b>	<b>12,892</b>	<b>226,319</b>	<b>9,054</b>
Individual provisions	73		75	
Collective provisions, corporate market	38		38	
Collective provisions, retail market	241		230	
<b>Total provisions</b>	<b>352</b>		<b>343</b>	
<b>Total lending after provisions</b>	<b>249,103</b>	<b>12,892</b>	<b>225,976</b>	<b>9,054</b>
Guarantees for loans with individual provisions	1		6	
Guarantees for loans with collective provisions, corporate market	2		8	
Guarantees for loans with collective provisions, retail market	54		46	
<b>Total guarantees</b>	<b>57</b>		<b>60</b>	
<b>Total lending after provisions and guarantees</b>	<b>249,160</b>	<b>12,892</b>	<b>226,036</b>	<b>9,054</b>

**Lending to the public by segment without loans with overdue unpaid amounts or loans with individual provisions plus transaction costs**

Risk class SEK million	2010						
	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Unsecured loans
C0	–	–	–	–	732	–	–
C/R1	41,194	16,516	29,472	21,629	5,700	6,298	7
C/R2	17,988	12,670	16,629	2,992	682	1,262	10
C/R3	21,083	16,407	5,728	2,232	206	896	25
C/R4	8,826	8,053	1,349	459	23	71	21
C/R5	2,028	1,471	916	433	14	9	3
C/R6	1,016	572	413	472	6	341	0
C/R7	784	285	220	35	–	–	–
C/R8	48	19	346	49	–	–	–
<b>Total</b>	<b>92,967</b>	<b>55,993</b>	<b>55,073</b>	<b>28,301</b>	<b>7,363</b>	<b>8,877</b>	<b>66</b>

Risk class SEK million	2009					
	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties
C0	–	–	–	–	684	–
C1/R1	35,582	10,659	33,551	16,336	6,286	5,007
C2/R2	15,560	10,849	9,820	4,566	708	938
C3/R3	21,421	16,171	2,860	2,778	158	1,611
C4/R4	9,610	9,064	766	623	242	207
C5/R5	2,052	1,654	766	567	97	–
C6/R6	1,108	564	649	284	3	–
C7/R7	801	322	162	59	–	–
C8/R8	52	19	350	0	–	–
<b>Total</b>	<b>86,186</b>	<b>49,301</b>	<b>48,924</b>	<b>25,213</b>	<b>8,178</b>	<b>7,763</b>

amount guaranteed for each group of provisions. The value of collateral and guarantees largely refers to the value of mortgage deeds in real estate and units in tenant-owner associations and to a lesser extent to the value of loan guarantees from the Swedish National Housing Credit Guarantee Board, insurance companies and banks that have been recognised at the assessed value of what

is estimated to be received in a situation of insolvency.

As at December 31, 2010, total provisions (individual and collective) amounted to SEK 295 million (283) after deduction for guarantees, which corresponds to 0.1% (0.1) of the loan portfolio, of which individually assessed loans accounted for SEK 73 million (69). As at the end of 2010, individual provisions after deduction for guarantees had



## Lending to the public with overdue unpaid amounts but without loans with individual provisions

SEK 000s	2010						
	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Unsecured loans
<b>5-30 days overdue <sup>1)</sup></b>							
Overdue amortisation	1,264	5,254	133	1,881	–	–	255
Overdue accrued interest	777	383	137	48	–	–	2
Terminated overdue principal excl. overdue amortisation	2,797	–	–	–	–	–	–
Principal not overdue	225,956	122,997	14,456	15,017	–	–	469
Accrued interest not overdue	71	44	44	46	–	–	0
<b>31-60 days overdue</b>							
Overdue amortisation	416	335	–	–	–	–	–
Overdue accrued interest	368	144	–	–	–	–	–
Terminated overdue principal excl. overdue amortisation	3,615	–	–	–	–	–	–
Principal not overdue	61,817	33,170	–	–	–	–	–
Accrued interest not overdue	24	12	–	–	–	–	–
<b>61-90 days overdue</b>							
Overdue amortisation	28	26	–	–	–	–	–
Overdue accrued interest	237	95	–	–	–	–	–
Terminated overdue principal excl. overdue amortisation	4,249	600	–	–	–	–	–
Principal not overdue	23,946	14,458	–	–	–	–	–
Accrued interest not overdue	5	1	–	–	–	–	–
<b>&gt;90 days overdue</b>							
Overdue amortisation	3,175	1,263	–	163	–	–	–
Overdue accrued interest	2,506	861	–	525	–	–	–
Terminated overdue principal excl. overdue amortisation	50,140	31,843	–	38,054	–	–	–
Principal not overdue	37,864	14,115	–	240	–	–	–
Accrued interest not overdue	142	36	–	151	–	–	–
<b>Total overdue</b>							
Total overdue amortisation	4,883	6,878	133	2,044	–	–	255
Total overdue accrued interest	3,888	1,483	137	573	–	–	2
Total terminated overdue principal excl. overdue amortisation	60,801	32,443	–	38,054	–	–	–
Total principal not overdue	349,583	184,740	14,456	15,257	–	–	469
Total accrued interest not overdue	242	93	44	197	–	–	0
Total lending for loans with overdue receivable without provision	415,267	224,061	14,589	55,355	–	–	724
Value of collateral and guarantees	405,668	207,127	14,589	55,355	–	–	0

<sup>1)</sup> For the first time interval, SBAB has decided not to take into consideration amounts overdue by up to five days before the analysis occurs, so that the analysis is not distorted by payments delayed because the payment date is a holiday.

increased by SEK 3 million (decrease: 14), compared with the preceding year, and constituted 69% (66) of doubtful loan receivables, which amounted to SEK 104 million (104). No need for provisions arose for loans to credit institutions.

### Lending to the public without overdue unpaid amounts or individual provisions

The allocation of loans per risk class for the loans that had neither overdue unpaid amounts nor individual provisions shows that 96% (96) were in the risk classes C0/R1-C4/R4 in 2010. In the allocation for 2010, total transaction costs of SEK 23 million (18) are included and were allocated to individual loans without overdue unpaid amounts and to loans with individual provisions. The cost was mainly attributable to single-family dwellings and holiday homes.

### Loans with overdue unpaid amounts but without individual provisions

The table describes loans with overdue unpaid amounts without individual provisions distributed by overdue amortisation, overdue accrued interest and principal for which notice of termination was given. Furthermore, for the sake of completeness, principal and accrued interest not yet overdue are also stated for these loans. All amounts are allocated to lending segments. For loans with overdue amounts in several time intervals, the part not overdue is, where relevant, shown in the oldest time interval.

At the end of 2010, 99.7% (99.7) of lending had no overdue unpaid amounts and was not assessed as doubtful. Of SBAB's loan portfolio totalling SEK 249 billion (226), SEK 710 million (649) of the principal includes

## Lending to the public with overdue unpaid amounts but without loans with individual provisions

	2009					
SEK 000s	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties
<b>5-30 days overdue <sup>1)</sup></b>						
Overdue amortisation	1,597	2,846	3,287	169		-
Overdue accrued interest	757	242	8	18	-	-
Terminated overdue principal excl. overdue amortisation	470	588	-	-	-	-
Principal not overdue	192,048	73,741	13,227	2,805		-
Accrued interest not overdue	68	24	16	6	-	-
<b>31-60 days overdue</b>						
Overdue amortisation	67	104	-	1	-	-
Overdue accrued interest	371	136	-	4	-	-
Terminated overdue principal excl. overdue amortisation	1,197	35	-	-	-	-
Principal not overdue	54,604	30,402	-	660	-	-
Accrued interest not overdue	22	2	-	2	-	-
<b>61-90 days overdue</b>						
Overdue amortisation	143	13	-	56	-	-
Overdue accrued interest	323	80	-	225	-	-
Terminated overdue principal excl. overdue amortisation	3,118	-	-	15,526	-	-
Principal not overdue	26,284	8,832	-	22,934	-	-
Accrued interest not overdue	2	-	-	2	-	-
<b>&gt;90 days overdue</b>						
Overdue amortisation	2,090	703	-	84	-	-
Overdue accrued interest	3,603	2,296	-	413	-	-
Terminated overdue principal excl. overdue amortisation	67,416	42,996	-	6,699	-	-
Principal not overdue	42,799	31,525	-	-	-	-
Accrued interest not overdue	185	92	-	103	-	-
<b>Total overdue</b>						
Total overdue amortisation	3,898	3,665	3,287	310	-	-
Total overdue accrued interest	5,054	2,755	8	661	-	-
Total terminated overdue principal excl. overdue amortisation	72,200	43,619	-	22,225	-	-
Total principal not overdue	315,734	144,500	13,227	26,399	-	-
Total accrued interest not overdue	277	118	16	113	-	-
Total lending for loans with overdue receivable without provision	391,832	191,785	16,514	48,934	-	-
Value of collateral and guarantees	377,446	169,681	11,357	48,892	-	-

<sup>1)</sup> For the first time interval, SBAB has decided not to take into consideration amounts overdue by up to five days before the analysis occurs, so that the analysis is not distorted by payments delayed because the payment date is a holiday.

certain amounts that have become overdue. Most of the loans with overdue unpaid amounts pertained to loans for single-family dwellings and holiday homes (0.5% in 2010, compared with 0.5% in 2009).

When calculating the value of collateral, the entire loan-to-value for mortgage deeds or tenant-owner rights within the market value was included together with the entire municipal guarantee, government loan guarantee and bank guarantee. The value of the mortgaged collateral is based on the market value of the properties mortgaged as collateral for the corresponding loans. The market value is checked regularly and refers to the most probable price in a sale on the open property market on the valuation date.

### **Loans with individual provisions (doubtful loan receivables) pertaining to loans to the public**

Doubtful loan receivables are those for which a provision has been made on the basis of an individual risk assessment. Doubtful loan receivables account for 0.042% (0.046) of SBAB's total lending. For tenant-owner associations, a minor reduction in doubtful loan receivables occurred, which can be attributed to active insolvency management.

### **Restructured loan receivables**

Restructured receivables mean 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

## Doubtful loan receivables

	2010						
SEK million	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Un-secured loans
Doubtful loan receivables	3	14	66	21	–	–	–
Individual provision, corporate market	–	–	–44	–15	–	–	–
Individual provision, retail market	–3	–11	–	–	–	–	–
<b>Doubtful loan receivables, net</b>	<b>0</b>	<b>3</b>	<b>22</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>–</b>
Estimated value of guarantees	–	–	–	1	–	–	–
<b>Doubtful loan receivables taking into pledged guarantees consideration</b>	<b>0</b>	<b>3</b>	<b>22</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Value of collateral and guarantees</b>	<b>0</b>	<b>2</b>	<b>22</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Doubtful loan receivables

	2009						
SEK million	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	
Doubtful loan receivables	10	7	77	10	–	–	–
Individual provision, corporate market	–	–	–52	–7	–	–	–
Individual provision, retail market	–9	–7	–	–	–	–	–
<b>Doubtful loan receivables, net</b>	<b>1</b>	<b>0</b>	<b>25</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>
	–	–	5	1	–	–	–
<b>Doubtful loan receivables taking into pledged guarantees consideration</b>	<b>1</b>	<b>0</b>	<b>30</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Value of collateral and guarantees</b>	<b>1</b>	<b>0</b>	<b>28</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>

The value of collateral and guarantees pertains predominantly to the value of pledges in fixed property and tenant-owner rights and to a lesser extent in credit guarantees from the National Housing Credit Guarantee Board, insurance companies and banks that have been entered at the estimated value of the amount that is expected to flow in, in the event of insolvency.

have been restructured, they are considered satisfactory on the basis of the new terms.

Restructuring of a loan receivable could entail:

- that the terms of the loan are modified by terms that are not commercial,
- that the borrower repays part of the loan by handing over various assets,
- that the borrower agrees to convert part of the loan receivable into an ownership share, or
- that the borrower is replaced or supplemented by a new borrower.

## Reported value of renegotiated loans by property type

SEK million	2010	2009
Single-family dwellings and holiday homes	14	13
Tenant-owner rights	5	10
Tenant-owner associations	70	109
Private properties	1	0
Municipal properties	–	–
Commercial properties	–	–
Unsecured loans	–	–
<b>Total</b>	<b>90</b>	<b>132</b>

Carrying amount of financial assets that would otherwise have been recognised as overdue or impaired and whose terms have been renegotiated by property type.

## Credit risk in the treasury operations

In the treasury operations, credit risk arises in the form of counterparty risks for the derivative contracts entered into by SBAB to handle the company's risks and as a result of investments, primarily in the form of investments in the liquidity portfolio.

### Counterparty risk

Counterparty risk is the risk that SBAB's financial counterparties cannot fulfil their commitments based on concluded derivative contracts and mainly comprises exposures to leading banks. This exposure is predominantly covered by collateral agreements, where the counterparty provides funds or collateral to reduce the exposure. In accordance with the finance instructions, the credit-risk limit is established by SBAB's Finance Committee for all counterparties, with the exception of the Kingdom of Sweden and companies included in the SBAB Group, for which no limits are placed on exposure.

To limit the potential counterparty risk associated with derivative transactions involving derivative instruments that are not cleared by clearing organisations approved by the SFSA, standard agreements covering "netting in bankruptcy" have been entered into with the counterparty. These agreements, known as ISDA Master Agreements, or similar agreements, have in particular cases been supplemented with associated collateral agreements, known as Credit Support Annexes "CSAs". When SCBC enters into derivative agreements, it must always draft an associated CSA.

## Counterparty risks

SEK million	Group				Parent Company			
	2010		2009		2010		2009	
Rating category	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit
AAA	500	0	500	–	500	0	500	–
AA– to AA+	8,830	1,346	7,880	649	8,830	1,137	7,880	491
A– to A+	10,725	1,399	10,335	1,742	10,725	1,080	10,335	1,114
Below A–	–	–	–	–	–	–	–	–
Unrated	–	–	–	–	–	–	–	–
<b>Total</b>	<b>20,055</b>	<b>2,745</b>	<b>18,715</b>	<b>2,391</b>	<b>20,055</b>	<b>2,217</b>	<b>18,715</b>	<b>1,605</b>

The table shows the utilised limit and the limit, respectively, at an aggregated level per rating category, with each counterparty placed in relation to its lowest rating, for SBAB's counterparties which are banks and credit institutions. The compilation includes investments (excluding the liquidity portfolio), derivative contracts and repo contracts. The limit is 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 shall be coordinated with the credit limit. A limit per counterparty 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 next Board meeting. All of SBAB's counterparties have a rating.

Individual limits for investment and counterparty exposure may, as a main rule, be at most 15% of SBAB's capital base. Excepted from this are certain Nordic counterparties for whom the maximum limit may amount to the equivalent of 20% of the capital base. The current rating of individual counterparties issued by Moody's or Standard & Poor's is an additional restriction in establishing individual limits. The higher the rating class of a counterparty, the greater the exposure that can be permitted in relation to SBAB's capital base.

## Chargeable treasury bills, bonds and other interest-bearing securities, per rating category

The table shows an analysis of chargeable treasury bills, bonds and other interest-bearing securities allocated in accordance with the lowest rating at 31 December 2010 based on Standard & Poor's rating or equivalent.

SEK million	2010				
	Government-guaranteed securities	Non-governmental public entities	Covered bonds	RMBS	Total
AAA	6,813	1,057	16,542	13,475	37,887
AA– to AA+	–	–	1,000	1,225	2,225
A– to A+	–	–	–	–	–
Below A–	–	–	–	238	238
<b>Total</b>	<b>6,813</b>	<b>1,057</b>	<b>17,542</b>	<b>14,938</b>	<b>40,350</b>

## Chargeable treasury bills, bonds and other interest-bearing securities, geographical distribution

Carrying amount	2010			
	Sweden	Other EU	Other	Total
Securities, SEK million				
Covered bonds	10,943	6,514	85	17,542
RMBS	–	14,186	752	14,938
Government-guaranteed securities	5,357	1,362	94	6,813
Non-governmental public entities	1,057	–	–	1,057
<b>Total as at 31 December 2010</b>	<b>17,357</b>	<b>22,062</b>	<b>931</b>	<b>40,350</b>
<b>Total as at 31 December 2009</b>	<b>14,016</b>	<b>25,406</b>	<b>1,008</b>	<b>40,510</b>

### Liquidity portfolio

SBAB's liquidity portfolio comprises liquid, interest-bearing securities with high ratings and is an integrated part of the Group's liquidity risk management. Holdings in securities are limited by asset class and by country, respectively, and must have the highest rating upon acquisition. In addition to these collective limits, limits for individual issuers may also be set.

Holdings in the portfolio are long-term and amounted to SEK 39.0 billion at 31 December 2010 and had an average maturity of 2.9 years. At the same date, 96% of the portfolio's value had a rating of Aaa from Moody's or AAA from Standard & Poor's. The various asset classes in the portfolio are:

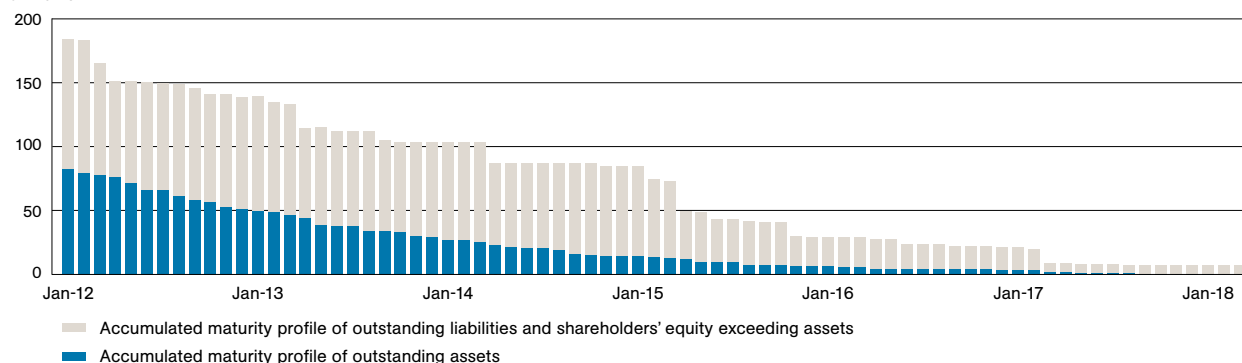
- Securities issued or guaranteed by central governments
- Securities issued by public sector entities (PSEs)
- European covered bonds
- European and Australian residential mortgage-backed securities (RMBS)

Government bonds, SEK 4.8 billion, securities guaranteed by governments, SEK 1.7 billion, securities issued by PSEs, SEK 1.1 billion, and covered bonds, SEK 16.5 billion are classified as "Financial assets at fair value through profit and loss," while the RMBS component of the portfolio, SEK 14.9 billion, is classified as "Loans and receivables."



## Future surplus liquidity, one year and onward, Group

SEK billion



Assets and liabilities plus equity from one year and onward, as at 31 December 2010. The graph shows that SBAB has longer liabilities and equity than assets and therefore has future funding for existing assets. In the graph, mortgage assets expire on the stipulated date of expiry.

## Liquidity risk

*Liquidity risk is defined as the risk that SBAB will not be able to meet its payment obligations in connection with due dates without the related cost increasing significantly.*

SBAB has long understood the importance of well-functioning and proactive liquidity risk management. The company's liquidity risk management is based on the following principles:

### Broad and diversified funding

Because SBAB has maintained an active presence in the international capital market since 1989, its brand is well established. Funding takes place on a global basis on short-term, mid-term and long-term. Moreover, the SBAB Group has access to the covered bond market, both in Sweden and internationally, through its subsidiary, The Swedish Covered Bond Corporation (SCBC).

### Liquidity reserves

To ensure access to funds in times when the normal sources of funding do not function, SBAB keeps a liquidity portfolio available to ensure access to liquidity. The portfolio comprises liquid securities with high ratings of which 88% is eligible assets for repos with the Riksbank or another central bank.

At 31 December 2010, SBAB had the following reserves:

- ➊ SEK 2.0 billion loan facility at the Swedish National Debt Office (which is being reduced by SEK 1 billion per year),
- ➋ SEK 1.5 billion in bank facilities, and
- ➌ SEK 37.1 billion in liquid securities.

When calculating the value of the securities included in the reserves, SBAB applies the valuation deductions issued by the Riksbank, in accordance with the Riksbank's Guidelines

for Collateral Management in the Riksbank's regulatory framework for RIX and monetary policy instruments. In addition to the above reserves, unutilised issuing capacity for covered bonds constitutes a liquid reserve.

### A liquid balance sheet

SBAB's assets consist primarily of lending against collateral in property and tenant-owner rights. SCBC was established in 2006 with the purpose of issuing covered bonds, which has also resulted in increased liquidity in SBAB's balance sheet.

### Continuous monitoring of liquidity risks

Active debt management, the liquidity of the balance sheet and the size of SBAB's liquidity reserves are key factors in SBAB's liquidity risk management. By viewing funding activities as a natural part of both operations and strategic planning of liquidity risk, concentrations of excessively large funding maturities are avoided. Another important part of the continuous liquidity risk management is constantly monitoring and testing the practical liquidity value of the liquidity portfolio on the private market.

### Liquidity risk measurements

SBAB measures and stress-tests its liquidity risk by totalling the maximum conceivable need for liquidity for every day during the coming 365 days. This measure of liquidity risk is referred to as Maximum Cumulative Outflow (MCO) and is limited. The MCO calculations are based on a crisis scenario in which all loans are extended on maturity, meaning that no liquidity is added through loan redemption and that no funding is available. In this way, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established.

Moreover, unutilised issuing capacity for covered bonds is an additional reserve that is not included in the calculation of MCO.

**Maturities for financial assets and liabilities** (Amounts refer to contracted, undiscounted cash flows)

Group	2010							2009						
	Without fixed-rate interest term	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	Without fixed-rate interest term	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
SEK million														
<b>ASSETS</b>														
Cash and balances from central bank	0	-	-	-	-	-	0	-	-	-	-	-	-	-
Chargeable treasury bills and other eligible bills	-	108	34	69	2,077	515	2,803	-	7,000	-	55	1,110	-	8,165
Lending to credit institutions	581	8,782	706	1,981	952	34	13,036	275	5,268	974	1,845	730	65	9,157
Lending to the public	-	39,331	50,355	78,122	85,896	8,075	261,779	-	28,721	48,002	84,533	67,438	7,781	236,475
Bonds and other interest-bearing securities	-	2,395	1,653	5,924	25,713	6,747	42,432	-	793	636	2,553	25,817	6,763	36,562
Of which classified as loan receivables and accounts receivable		1,595	1,013	4,135	7,182	2,331	16,256	-	463	382	2,153	15,895	2,629	21,522
Derivative instruments	-	43,432	9,072	24,395	133,766	29,364	240,029	-	15,328	16,955	18,824	96,656	17,868	165,631
Other assets	1,353	-	-	-	-	-	1,353	761	-	-	-	-	-	761
<b>Total financial assets</b>	<b>1,934</b>	<b>94,048</b>	<b>61,820</b>	<b>110,491</b>	<b>248,404</b>	<b>44,735</b>	<b>561,432</b>	<b>1,036</b>	<b>57,110</b>	<b>66,567</b>	<b>107,810</b>	<b>191,751</b>	<b>32,477</b>	<b>456,750</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	-	18,271	-	-	-	-	18,271	-	16,340	-	-	-	-	16,340
Customer accounts	6,069	1	0	0	13	-	6,083	4,653	-	-	-	-	-	4,653
Debt securities in issue	-	41,810	31,725	23,031	168,870	18,071	283,507	-	33,718	32,104	19,562	164,368	14,948	264,700
Derivative instruments	-	44,080	7,618	25,590	135,325	31,391	244,004	-	14,239	14,899	17,763	93,953	18,822	159,676
Other liabilities	4,370	-	-	-	-	-	4,370	4,397	-	-	-	-	-	4,397
Subordinated liabilities	-	2	773	13	4,777	1,044	6,609	-	1	129	14	1,980	1,887	4,011
Loan promises and other credit-related commitments	-	30,136	-	-	-	-	30,136	-	53,282	-	-	-	-	53,282
<b>Total financial liabilities</b>	<b>10,439</b>	<b>134,300</b>	<b>40,116</b>	<b>48,634</b>	<b>308,985</b>	<b>50,506</b>	<b>592,980</b>	<b>9,050</b>	<b>117,579</b>	<b>47,132</b>	<b>37,339</b>	<b>260,301</b>	<b>35,657</b>	<b>507,058</b>
<b>Parent Company</b>														
<b>ASSETS</b>														
Cash and balances from central bank	0	-	-	-	-	-	0	-	-	-	-	-	-	-
Chargeable treasury bills and other eligible bills	-	108	34	69	2,077	515	2,803	-	7,000	-	55	1,110	-	8,165
Lending to credit institutions	38,863	4,198	1,440	4,042	1,943	69	50,555	26,845	3,059	1,988	3,766	1,489	132	37,279
Lending to the public	-	4,278	6,188	11,386	14,603	799	37,254	-	6,541	10,620	23,141	8,961	670	49,932
Bonds and other interest-bearing securities	-	2,395	1,653	5,924	25,713	6,747	42,432	-	793	636	2,553	25,817	6,763	36,562
Of which classified as loan receivables and accounts receivable		1,595	1,013	4,135	7,182	2,331	16,256	-	463	382	2,153	15,895	2,629	21,522
Derivative instruments	-	165,208	18,271	23,092	149,742	14,751	371,064	-	96,681	29,734	13,520	116,842	14,882	271,659
Other assets	1,148	-	-	-	-	-	1,148	523	-	-	-	-	-	523
<b>Total financial assets</b>	<b>40,011</b>	<b>176,187</b>	<b>27,586</b>	<b>44,513</b>	<b>194,078</b>	<b>22,881</b>	<b>505,256</b>	<b>27,368</b>	<b>114,074</b>	<b>42,978</b>	<b>43,035</b>	<b>154,219</b>	<b>22,446</b>	<b>404,120</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	-	9,988	-	-	-	-	9,988	-	8,708	-	-	-	-	8,708
Customer accounts	6,069	1	0	0	13	-	6,083	4,653	-	-	-	-	-	4,653
Debt securities in issue	-	39,656	10,243	11,346	49,307	83	110,635	-	20,576	18,467	5,479	67,616	1,156	113,294
Derivative instruments	-	165,373	18,417	23,099	148,906	15,543	371,338	-	96,511	29,623	13,351	117,356	15,602	272,443
Other liabilities	1,032	-	-	-	-	-	1,032	1,791	-	-	-	-	-	1,791
Subordinated liabilities	-	2	773	13	4,777	1,044	6,609	-	1	129	14	1,980	1,887	4,011
Loan promises and other credit-related commitments	-	29,962	-	-	-	-	29,962	-	53,184	-	-	-	-	53,184
<b>Total financial liabilities</b>	<b>7,101</b>	<b>244,982</b>	<b>29,433</b>	<b>34,458</b>	<b>203,003</b>	<b>16,670</b>	<b>535,647</b>	<b>6,444</b>	<b>178,980</b>	<b>48,219</b>	<b>18,844</b>	<b>186,952</b>	<b>18,645</b>	<b>458,084</b>

For receivables and liabilities that have been amortised, the amortisation maturity has been calculated as the period up to the due date for each particular amortisation. Foreign flows have been recalculated at the exchange rate at 31 December 2010. The Parent Company SBAB is the creditor for SCBC's subordinated debt. Since the maturity is not specified, the current debt is reported as without maturity and without estimated interest flows. The item "Loan promises and other credit-related commitments" for the Group, which totals SEK 30,136 million (53,282), amounts to SEK 4,190 million (9,326), after application of the internal model for calculating the conversion factor. The reduction has not been included in the table. Corresponding figures for the Parent Company amounted to SEK 29,962 million (53,184) and SEK 4,046 million (9,242) respectively.

### **Liquidity situation in 2010**

During 2010, the liquidity reserve averaged 79 days MCO (73). At 31 December 2010, the liquidity reserve corresponded to 63 days MCO (81). During 2010, SBAB's liquidity reserve was never less than the equivalent of 36 days' future liquidity requirements.

### **New regulations for liquidity risk**

In the wake of the financial crisis and its implications, a major international review and extensive efforts were launched to review the regulations for the management of the liquidity risks of banks and credit institutions. The objective of the new regulations, which are still being formulated, is to increase the resilience of banks to serious disruptions on the capital market and to achieve greater harmonisation in the view of liquidity risk at international level.

In order to set minimum levels for the liquidity of banks, the new regulations focus on two key ratios or standard measurements called the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR aims to ensure that the player maintains an adequate amount of unutilised liquid assets that, when necessary, can be converted to liquid funds that cover a 30-day forecast liquidity requirement, while NSFR aims to indicate how stable the Group's funding is by comparing the stability of assets and liabilities.

During the autumn, it was announced that LCR is intended to be introduced as a quantitative requirement beginning 1 January 2015 and NSFR beginning 1 January 2018, but that an observation period will begin on 1 January 2011.

### **Refinancing risk**

*SBAB has the objective of maintaining diversified funding. SBAB also generally endeavours to achieve maturity periods for funding that exceed the duration on the asset side. Refinancing risk is a measure of the deviation between the structure of assets and liabilities.*

SBAB's calculation of refinancing risk is based on all contracted capital amounts with a remaining maturity exceeding one year. The calculation thus supplements SBAB's liquidity risk model, which covers the interval up to one year. In the funding risk model, equity is assigned a maturity corresponding to SBAB's longest lending assets.

Since the second half of 2007, SBAB has adopted a more conservative approach to management of refinancing risk. For example, a larger portion of upcoming redemptions has been prefinanced and the portion of short-term funding has been reduced. SBAB has actively worked to even out the debt maturities while extending the duration of the debt. Monitoring of upcoming maturities, repurchases, replacements and prefinancing constitute key elements of practical management efforts aimed at

minimising the risk. Funding risk is calculated in part as the total of maturing funding within 90-day periods relative to total funding volume, and in part as a theoretical closing cost. The closing cost is the potential cost that would arise in order to achieve a fully maturity-matched balance sheet.

The tables Maturities for financial assets and liabilities and Derivative Cash Flow Statement show how SBAB's future cash flows appeared as at 31 December 2010 and 31 December 2009 respectively, both in the short and long-term perspective.

### **Market risk**

*Market risk is the risk that unfavourable market fluctuations could negatively affect the company's earnings. SBAB aims to be characterised by low risk-taking, and the company'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.*

### **Interest-rate risk for positions not included in the trading portfolio**

Interest-rate risk arises primarily when the interest rate structure between the company's funding and lending is not fully matched. SBAB's interest rate structure as at 31 December 2010 is shown in the table Fixed-interest period for financial assets and liabilities.

The main principle of SBAB's interest-rate risk management is to use direct funding and derivative instruments to limit exposure, and to create positive added value through active management within the limits set by the Board.

The interest-rate risk limits set by the Board consist of an operational and a strategic component. The operational interest-rate risk is limited to 1% of SBAB's capital base. The operational interest-rate risk exposure at 31 December 2010 was a negative SEK 28 million (negative: 43), in comparison to the limit set by the Board of +/- SEK 133 million.

The strategic interest-rate risk is the interest rate exposure that arises through SBAB's equity and its flow being invested in fixed-interest lending. The flow arises because interest payments for lending and funding have different payment frequencies. SBAB's equity and flow should be used primarily to fund lending operations. The benchmark for investment of equity is defined as a series of durations with even maturities every year from one to ten years. The flow is invested with an average duration corresponding to the average duration of the lending portfolio. The interest-rate risk associated with equity is the interest-rate risk on the deviation from the benchmark established by the Board. As at 31 December 2010, the strategic interest-rate risk amounted to SEK 14 million (12), which is within the approved interval for the deviation from the benchmark, which is +/- SEK 20 million.

**Derivative Cash Flow Statement** (Amounts refer to contracted, undiscounted cash flows)

Group	2010						2009					
	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
SEK million												
DERIVATIVES SETTLED ON A NET BASIS												
Currency-related derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Interest-rate-related derivatives	-435	113	868	18	-1,338	-774	-339	-496	1,895	754	-1,409	405
<b>Total derivatives settled on a net basis</b>	<b>-435</b>	<b>113</b>	<b>868</b>	<b>18</b>	<b>-1,338</b>	<b>-774</b>	<b>-339</b>	<b>-496</b>	<b>1,895</b>	<b>754</b>	<b>-1,409</b>	<b>405</b>
DERIVATIVES SETTLED ON A GROSS BASIS												
Currency-related derivatives												
- Inflows	18,705	22,535	20,457	98,198	25,722	185,617	2,089	12,413	25,764	66,830	13,572	120,668
- Outflows	-18,728	-22,835	-21,064	-99,775	-26,411	-188,813	-1,880	-10,698	-24,542	-64,881	-13,117	-115,118
Interest-rate-related derivatives												
- Inflows	-	-	-	-	-	-	-	-	-	-	-	-
- Outflows	-	-	-	-	-	-	-	-	-	-	-	-
<b>Inflows total</b>	<b>18,705</b>	<b>22,535</b>	<b>20,457</b>	<b>98,198</b>	<b>25,722</b>	<b>185,617</b>	<b>2,089</b>	<b>12,413</b>	<b>25,764</b>	<b>66,830</b>	<b>13,572</b>	<b>120,668</b>
<b>Outflows total</b>	<b>-18,728</b>	<b>-22,835</b>	<b>-21,064</b>	<b>-99,775</b>	<b>-26,411</b>	<b>-188,813</b>	<b>-1,880</b>	<b>-10,698</b>	<b>-24,542</b>	<b>-64,881</b>	<b>-13,117</b>	<b>-115,118</b>
<b>Parent Company</b>												
DERIVATIVES SETTLED ON A NET BASIS												
Currency-related derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Interest-rate-related derivatives	-213	270	18	-133	-785	-843	-46	92	304	-207	-767	-624
<b>Total derivatives settled on a net basis</b>	<b>-213</b>	<b>270</b>	<b>18</b>	<b>-133</b>	<b>-785</b>	<b>-843</b>	<b>-46</b>	<b>92</b>	<b>304</b>	<b>-207</b>	<b>-767</b>	<b>-624</b>
DERIVATIVES SETTLED ON A GROSS BASIS												
Currency-related derivatives												
- Inflows	16,584	21,073	8,528	63,797	4,758	114,740	78	271	11,970	43,360	4,074	59,753
- Outflows	-16,616	-21,261	-8,699	-62,828	-4,765	-114,169	-37	-185	-11,994	-43,667	-4,027	-59,910
Interest-rate-related derivatives												
- Inflows	-	-	-	-	-	-	-	-	-	-	-	-
- Outflows	-	-	-	-	-	-	-	-	-	-	-	-
<b>Inflows total</b>	<b>16,584</b>	<b>21,073</b>	<b>8,528</b>	<b>63,797</b>	<b>4,758</b>	<b>114,740</b>	<b>78</b>	<b>271</b>	<b>11,970</b>	<b>43,360</b>	<b>4,074</b>	<b>59,753</b>
<b>Outflows total</b>	<b>-16,616</b>	<b>-21,261</b>	<b>-8,699</b>	<b>-62,828</b>	<b>-4,765</b>	<b>-114,169</b>	<b>-37</b>	<b>-185</b>	<b>-11,994</b>	<b>-43,667</b>	<b>-4,027</b>	<b>-59,910</b>

Foreign currency flows were converted at the closing rate as at 31 December 2010. 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 current interest base, usually the three-month STIBOR.



## Fixed-rate interest term for financial assets and liabilities

### Carrying amounts

Group	2010							2009						
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
<b>ASSETS</b>														
Cash and balances from central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	0	–	–	1,862	503	2,365	–	6,999	–	–	1,099	–	8,098
Lending to credit institutions	–	11,836	64	68	893	31	12,892	–	8,132	119	61	682	59	9,054
Lending to the public	–	158,187	9,809	10,929	62,836	7,342	249,103	–	140,650	13,548	10,124	54,712	6,942	225,976
Change in fair value of hedged loan receivables	–	80	69	72	134	145	500	–	45	171	114	2,020	241	2,590
Bonds and other interest-bearing securities	–	15,653	381	1,497	16,298	4,156	37,985	–	20,110	103	202	8,193	3,805	32,412
Derivative instruments	–	–83,105	26,449	5,594	47,483	16,244	12,665	–	–171,634	28,175	20,498	121,872	16,211	15,123
Other assets	1,353	–	–	–	–	–	1,353	761	–	–	–	–	–	761
<b>Total financial assets</b>	<b>1,353</b>	<b>102,651</b>	<b>36,772</b>	<b>18,160</b>	<b>129,506</b>	<b>28,421</b>	<b>316,863</b>	<b>761</b>	<b>4,303</b>	<b>42,116</b>	<b>30,999</b>	<b>188,578</b>	<b>27,258</b>	<b>294,014</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	–	18,257	0	–	–	–	18,257	–	16,339	–	–	–	–	16,339
Customer accounts	–	6,083	–	–	–	–	6,083	–	4,653	–	–	–	–	4,653
Debt securities in issue	–	94,034	29,929	9,881	111,823	16,295	261,962	–	69,895	43,629	13,247	108,445	13,879	249,095
Derivative instruments	–	–30,811	13,705	6,223	15,238	8,222	12,576	–	–103,579	20,041	9,820	69,430	12,618	8,330
Other liabilities	4,371	–	–	–	–	–	4,371	4,397	–	–	–	–	–	4,397
Subordinated liabilities	–	1,271	503	–	3,004	730	5,508	–	300	–	928	1,583	740	3,551
<b>Total financial liabilities</b>	<b>4,371</b>	<b>88,833</b>	<b>44,137</b>	<b>16,104</b>	<b>130,065</b>	<b>25,247</b>	<b>308,757</b>	<b>4,397</b>	<b>–12,392</b>	<b>63,670</b>	<b>23,995</b>	<b>179,458</b>	<b>27,237</b>	<b>286,365</b>
Difference assets and liabilities	–3,018	13,818	–7,365	2,056	–559	3,174	8,106	–3,637	16,694	–21,554	7,004	9,121	21	7,649
<b>Parent Company</b>														
<b>ASSETS</b>														
Cash and balances from central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	0	–	–	1,862	503	2,365	–	6,999	–	–	1,099	–	8,098
Lending to credit institutions	–608	48,718	130	138	1,823	64	50,265	–551	35,741	243	125	1,392	121	37,070
Lending to the public	–	26,764	1,076	1,016	5,723	719	35,298	–	38,033	1,630	1,857	6,091	613	48,225
Change in fair value of hedged loan receivables	–	–1	–1	–2	–9	–1	–14	–	–1	–1	–1	–13	–7	–23
Bonds and other interest-bearing securities	–	15,653	381	1,497	16,298	4,156	37,985	–	20,110	103	202	8,193	3,805	32,412
Derivative instruments	–	–90,602	34,772	7,459	52,062	6,635	10,326	–	–192,710	46,579	21,182	118,810	16,515	10,375
Other assets	1,149	–	–	–	–	–	1,149	523	–	–	–	–	–	523
<b>Total financial assets</b>	<b>541</b>	<b>532</b>	<b>36,358</b>	<b>10,108</b>	<b>77,759</b>	<b>12,076</b>	<b>137,374</b>	<b>–28</b>	<b>–91,827</b>	<b>48,553</b>	<b>23,365</b>	<b>135,571</b>	<b>21,047</b>	<b>136,680</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	–	9,975	–	–	–	–	9,975	–	8,707	–	–	–	–	8,707
Customer accounts	–	6,083	–	–	–	–	6,083	–	4,653	–	–	–	–	4,653
Debt securities in issue	–	75,587	12,007	432	19,197	–	107,223	–	52,311	33,332	204	23,001	901	109,749
Derivative instruments	–	–89,966	26,651	6,810	56,333	10,010	9,838	–	–161,257	32,732	14,497	104,010	20,441	10,424
Other liabilities	1,032	–	–	–	–	–	1,032	1,791	–	–	–	–	–	1,791
Subordinated liabilities	–	1,271	503	–	3,004	730	5,508	–	300	–	928	1,583	740	3,551
<b>Total financial liabilities</b>	<b>1,032</b>	<b>2,950</b>	<b>39,161</b>	<b>7,242</b>	<b>78,534</b>	<b>10,740</b>	<b>139,659</b>	<b>1,791</b>	<b>–95,286</b>	<b>66,064</b>	<b>15,629</b>	<b>128,594</b>	<b>22,082</b>	<b>138,875</b>
Difference assets and liabilities	–492	–2,418	–2,803	2,866	–775	1,336	–2,285	–1,820	3,459	–17,511	7,735	6,977	–1,035	–2,194

The interest-rate risk is quantified daily 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 interest-rate risk is also quantified through measurements of Value at Risk (VaR). 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 interval of 99.97% and a period of one year are applied as a confidence interval. The change in the value of the portfolio resulting from a parallel shift in the yield curve is used for setting and following up limits, while the VaR result is included in the model for economic capital. The calculation takes into account all contracted transaction flows affecting lending, liabilities and derivatives.

#### **Basis swap risk**

Basis swap risk arises when funding in a foreign currency is swapped to SEK with a deviating duration relative to the duration of the underlying funding. This risk is calculated as the effect on the present value of a parallel shift in the basis swap curve from foreign currencies to SEK. The risk upon a spread change of  $\pm 0.25$  percentage points may not exceed SEK 50 million. At 31 December 2010, the basis swap risk amounted to SEK 50,000 (no information available for 2009).

#### **Currency risk**

Currency risk means the risk of changes in the exchange rate for SEK in relation to other currencies leading to deterioration in profitability. As a main rule, SBAB must not be exposed to exchange rate fluctuations. Accordingly, funding in international currency has to be hedged or invested in matching currencies. Investments are currency hedged through funding in the corresponding currency or by entering into currency swap contracts.

The currency risk, excluding the liquidity portfolio, is calculated as the effect on the present value of all contracted liquid flows given a change in the exchange rate of  $\pm 10$  percentage points per corresponding exchange rate. At 31 December 2010, currency risk amounted to SEK 6.8 million (7.7). Total currency exposure may not exceed the equivalent of SEK 10 million. The liquidity portfolio is also hedged through funding in the corresponding currency or through currency swap contracts.

#### **Risks associated with the trading portfolio**

The trading portfolio predominantly comprises investments in SBAB's liquidity portfolio<sup>1)</sup>. The liquidity portfolio is subject to a minimised interest-rate risk. The risk in the liquidity portfolio primarily derives from credit risk. At SBAB, the interest rate, currency, credit and liquidity risk arising from

the trading portfolio are managed as an integral feature of the balance sheet, together with other operations, and the risks are limited in accordance with the finance instruction.

Interest-rate risk in the trading portfolio is included as part of the limit on operational interest-rate risks that has been delegated to the treasury department. Credit risks in the shape of issuer and counterparty risk in the trading portfolio are governed by credit risk limits set by SBAB's Finance Committee.

#### **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.*

SBAB uses the standardised approach to assess operational risk and capital requirements. 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 approach, SBAB must fulfil the requirements for documentation, processes and structures stipulated in the regulations, such as:

- ✦ established control documents
- ✦ documented risk management
- ✦ internal reporting structure
- ✦ process for managing operational risks
- ✦ contingency plans and continuity plans
- ✦ method for allocating operating revenues among business areas.

SBAB uses the Opera model to manage operational risk. The model is based on self-evaluation of operational risks and risks associated with financial reporting in existing processes and on incident reporting. The results of the self-evaluation are reported annually and any incidents that occur are reported on a monthly basis to the Board of Directors and senior executives.

SBAB's management and measurement of operational risk fulfils the provisions of SFSA's directives. SFSA has reviewed the method and assesses it to be reliable.

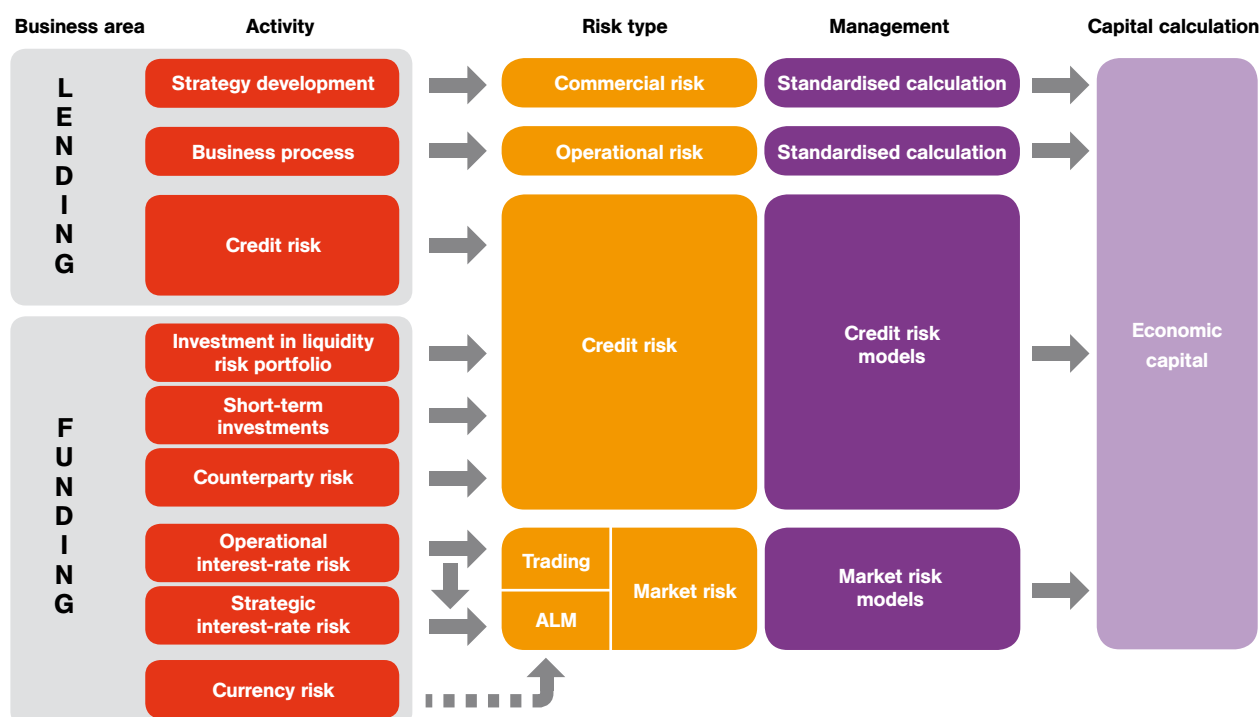
#### **Business risk**

*Business risk means the risk of declining earnings due to more difficult competitive conditions, strategic mistakes or incorrect decisions. Business risk also includes margin risk that arises when the interest margin for assets and liabilities has different fixed-rate periods.*

Business risk is allocated to two main groups: new business and existing business. New business shall be relatively similar to those SBAB already has. Changes in the

<sup>1)</sup> SBAB's liquidity portfolio, excluding RMBS, is a part of the trading portfolio.

## Comprehensive process for calculation of economic capital



form of new products or new markets may only constitute a small part of SBAB's activities and must be implemented at such a pace that SBAB does not substantially risk its profit level or capital base. Business risk is included in the calculation of the capital requirement on the basis of economic capital with the aid of a standardised approach, which is based on the business areas' operating expenses.

### Concentration risk

*SBAB defines concentration risk as the risk that arises from either large exposures or from exposures in the loan portfolio being concentrated to certain regions or industries.*

SBAB is assessed to primarily be exposed to credit risk-related concentration risk in lending operations. Concentration risk is calculated based on large exposures, industry concentrations and geographic concentrations.

The method for calculating capital requirements for concentration risk was developed in autumn 2009. In 2010, a gradual implementation occurred of the method for the allocation of capital to the various parts of the lending operations. The entire capital requirement for concentration risk is included in economic capital for credit risk.

In the calculation made at 31 December 2010, the internally calculated capital requirement for credit-related concentration risk amounts to SEK 943 million.

Large exposures, meaning those amounting to 10% or more of the capital base, are managed based on the

credit instruction and finance instruction. The exposures concerned are identified, checked and monitored to ensure that they fall within set limits and the statutory framework for large exposures.

### Internal capital adequacy assessment, Basel Committee's Pillar 2

The purpose of SBAB's internal capital adequacy assessment process is to identify, value, secure and manage the risks to which it is exposed and for the Group to have 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.

SBAB's evaluation of the magnitude of the capital required to counter the combined risk in the company's operations is based primarily on the calculation of SBAB's economic capital. A qualitative assessment is then made of the risks that are not included in the calculation of economic capital. In addition, SBAB takes into account risk linked to extraordinary events, which are illustrated in conjunction with stress tests. Based on the qualitative assessment and the results of the stress tests, economic capital is supplemented with an extra buffer capital, which corresponds to the capital in accordance with Pillar 2.

Taken together, the calculated risk capital comprises the capital that is desirable to meet all risks in the SBAB Group's operations. At 31 December 2010, internally calculated

capital requirements amounted to SEK 6,463 million (6,521). The comparative figure as at December 2009 decreased by SEK 418 million due to adjustments for the introduction of capital adequacy requirements for concentration risk in economic capital and a decrease in the PD floor.

### Economic capital

Economic capital comprises the capital that, according to SBAB's assessment, is required to cover unexpected losses during the coming year. Expected losses must be covered by earnings from operating activities. The economic capital evaluation takes into account credit risk, market risk, operational risk and business risk. Credit risk is the dominant risk in SBAB's operations. The levels observe diversification effects, meaning that the risk has been reduced by taking into account the probability that several risks will be realised simultaneously.

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 considerations.

### Stress tests

Capital planning represents a basic scenario that reflects the most likely development for operations based on internal forecasts. As a complement, stress tests and scenario analyses are also conducted, in which the development of the loan portfolio and the capital requirement are evaluated during a sharp economic downturn.

In the stressed scenario, the Swedish economy is struck by several major disruptions at the same time. A combination of external and internal factors further exacerbates the situation and leads to recession, inflation and problems in the banking sector. This scenario is of the magnitude that it can be estimated to occur with a periodicity of 20 to 25 years.

The stress tests are conducted so that the macro-scenario that forms the basis of the stress translates to the effects it has on SBAB's risk models. A change in the credit rating for individual loans is simulated by a change in most of the parameters in SBAB's IRB models. A negative stress on PD variables simulates the deteriorated payment capacity of customers due to factors including higher interest rates, while the declining market value of underlying collateral results in higher LGD.

To evaluate the effect of the stress test, a calculation is made of the change in SBAB's economic capital and expected losses for the loan portfolio resulting from the change in its composition and credit quality. In the marked

economic decline reflected in the stress scenario, both economic capital and the anticipated losses increase sharply, although from very low levels. In the first year of the stress scenario, economic capital increases by slightly more than SEK 600 million and loan losses increase by nearly SEK 40 million, to increase further in the second year and recover somewhat in the final year. The increase in both economic capital and anticipated losses is largely due to the simulation of declining market values since they have an impact on both the PD and LGD dimensions.

Based on the results of the stress tests, a buffer of SEK 600 million has been allocated to address the increase in economic capital in the first year of the stressed scenario. The increase in economic capital in the other years is adequately covered by the Group's equity and earnings, which substantially exceed the lowest level corresponding to the minimum capital requirement pursuant to the regulations.

### The SBAB Group's economic capital allocated by risk type

SEK million	2010	2009
Credit risk,	4,760	4,786
of which concentration risk	943	1,065
Market risk	170	238
Commercial risk	179	201
Operational risk	162	158
<b>Total economic capital</b>	<b>5,271</b>	<b>5,383</b>

*The model has been adjusted compared with the preceding year. The comparative figures for 2009 have been adjusted accordingly.*

### Capital adequacy

SBAB reports credit risk mainly in accordance with the IRB approach, and reports operational and market risk in accordance with the standardised approach. After full implementation of Basel II, without taking the transitional regulations into account, the capital quotient was 2.80 (2.46), capital adequacy ratio was 22.4% (19.7), the Tier 1 capital ratio was 19.1% (15.9) and the core Tier 1 capital ratio was 14.1% (14.1) at 31 December 2010. Earnings for the year are included in the calculation of the capital base and Tier 1 capital. The figures do not include any dividend to shareholders, which is in line with the Board of Directors' proposal for the appropriation of profits.

For the Parent Company, the capital quotient was 5.91 (4.66), capital adequacy ratio 47.3% (37.2), the Tier 1 capital ratio 39.6% (29.7) and the core Tier 1 capital ratio was 28.5% (26.3), without taking the transitional regulations into account.

There are no ongoing or anticipated material obstacles or legal barriers to a rapid transfer of funds from the capital base other than those that ensue from the terms for the subordinated debentures (see Note 30) or what generally arises from the Swedish Companies Act.



## Capital base

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<b>Tier 1 capital</b>				
Equity	8,014	7,377	7,721	7,570
Dividend not yet received	–	–	–100	–
Unrealised changes in value of loans and receivables that were previously classified as available-for-sale assets	80	136	80	136
Change in value attributable to derivative instruments included in cash-flow hedges	1	4	1	4
Tier 1 capital contribution without redemption incentives <sup>1)</sup>	2,000	–	2,000	–
Tier 1 capital contribution with redemption incentives <sup>1)</sup>	994	994	994	994
Minority interest	565	492	–	–
<b>Total Tier 1 capital gross</b>	<b>11,654</b>	<b>9,003</b>	<b>10,696</b>	<b>8,704</b>
Other intangible assets	–34	–39	–5	–6
Half of difference between anticipated loss amount in accordance with IRB and corresponding provisions	–109	–116	–44	–52
<b>Total Tier 1 capital net</b>	<b>11,511</b>	<b>8,848</b>	<b>10,647</b>	<b>8,646</b>
<b>Supplementary capital</b>				
Perpetual subordinated debentures	–	–	–	–
Time-limited subordinated debentures	2,108	2,260	2,108	2,260
Half of difference between anticipated loss amount in accordance with IRB and corresponding provisions	–109	–115	–44	–51
<b>Total supplementary capital</b>	<b>1,999</b>	<b>2,145</b>	<b>2,064</b>	<b>2,209</b>
Expanded part of capital base	–	–	–	–
Deduction from entire capital base	–	–	–	–
<b>Amount for capital base net after deductible items and limit value</b>	<b>13,510</b>	<b>10,993</b>	<b>12,711</b>	<b>10,855</b>

<sup>1)</sup> Encompassed by the transitional rules to FFFS 2010:10

## Capital requirements

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<b>Credit risk reported in accordance with IRB approach</b>				
Corporate exposures	2,317	2,014	385	528
Retail exposures	838	889	251	382
<b>Total credit risk in accordance with IRB approach</b>	<b>3,155</b>	<b>2,903</b>	<b>636</b>	<b>910</b>
<b>Credit risk reported in accordance with standardised method</b>				
Exposures to governments and central banks	0	0	0	0
Exposures to municipalities and comparable associations	0	0	0	0
Institutional exposures	178	188	102	104
Corporate exposures	1,068	1,044	1,048	1,041
Retail exposures	17	23	16	21
Unregulated items	1	1	1	1
Other items	6	5	4	4
<b>Total credit risk in accordance with standardised method</b>	<b>1,270</b>	<b>1,261</b>	<b>1,171</b>	<b>1,171</b>
<b>Risks in the commercial portfolio</b>	<b>214</b>	<b>158</b>	<b>214</b>	<b>158</b>
<b>Operational risk</b>	<b>183</b>	<b>140</b>	<b>130</b>	<b>93</b>
<b>Currency risk</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Raw material risk</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total minimum capital requirement according to Basel II</b>	<b>4,822</b>	<b>4,462</b>	<b>2,151</b>	<b>2,332</b>
Addition according to transitional rules	5,769	5,120	159	493
<b>Capital requirement including addition</b>	<b>10,591</b>	<b>9,582</b>	<b>2,310</b>	<b>2,825</b>

## Capital adequacy

	Group		Parent Company		FriSpar		SCBC	
SEK million	2010	2009	2010	2009	2010	2009	2010	2009
Core Tier 1 capital	8,517	7,854	7,653	7,653	1,142	992	10,240	8,993
Tier 1 capital	11,511	8,848	10,647	8,647	1,142	992	10,240	8,993
Total capital	13,510	10,993	12,711	10,855	1,142	992	10,240	8,993
<b>Without transitional rules</b>								
Risk-weighted assets	60,279	55,780	26,891	29,147	843	791	33,425	27,172
Core Tier 1 capital	14.1%	14.1%	28.5%	26.3%	135.6%	125.4%	30.6%	33.1%
Tier 1 capital ratio	19.1%	15.9%	39.6%	29.7%	135.6%	125.4%	30.6%	33.1%
Capital adequacy quotient	22.4%	19.7%	47.3%	37.2%	135.6%	125.4%	30.6%	33.1%
Capital ratio	2.80	2.46	5.91	4.66	16.95	15.68	3.83	4.14
<b>With transitional rules</b>								
Risk-weighted assets	132,388	119,776	28,876	35,311	4,122	3,790	99,355	80,760
Core Tier 1 capital	6.4%	6.6%	26.5%	21.7%	27.7%	26.2%	10.3%	11.1%
Tier 1 capital ratio	8.7%	7.4%	36.9%	24.5%	27.7%	26.2%	10.3%	11.1%
Capital adequacy quotient	10.2%	9.2%	44.0%	30.7%	27.7%	26.2%	10.3%	11.1%
Capital ratio	1.28	1.15	5.50	3.84	3.46	3.27	1.29	1.39

In the calculation of capital adequacy ratio and the capital quotient, FriSpar Bolån AB is consolidated as a subsidiary, in contrast to the consolidated financial statements in which FriSpar Bolån AB is consolidated in accordance with the proportional method. This is due to differences between the rules and regulations for capital adequacy and large exposures and IFRS.

# Income Statement

SEK million	Note	Group		Parent Company	
		2010	2009	2010	2009
Interest income	1	5,355	6,043	2,226	2,294
Interest expense	1	-3,593	-4,524	-1,922	-1,611
<b>Net interest income</b>		<b>1,762</b>	<b>1,519</b>	<b>304</b>	<b>683</b>
Dividend income	2	-	-	114	9
Commission income	3	50	44	109	90
Commission expense	3	-94	-90	-44	-40
Net income from financial instruments measured at fair value	4	-289	495	-201	356
Other operating income	5	0	6	431	415
<b>Total operating income</b>		<b>1,429</b>	<b>1,974</b>	<b>713</b>	<b>1,513</b>
Personnel costs	6	-316	-309	-317	-308
Other expenses	7	-262	-241	-270	-250
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	8	-26	-28	-12	-13
<b>Total expenses before loan losses</b>		<b>-604</b>	<b>-578</b>	<b>-599</b>	<b>-571</b>
<b>Profit before loan losses</b>		<b>825</b>	<b>1,396</b>	<b>114</b>	<b>942</b>
Loan losses, net	9	-40	-107	-30	-82
<b>Operating income</b>		<b>785</b>	<b>1,289</b>	<b>84</b>	<b>860</b>
Income tax	10	-208	-338	7	-224
<b>Profit for the year</b>		<b>577</b>	<b>951</b>	<b>91</b>	<b>636</b>

# Statement of Comprehensive Income

SEK million	Note	Group		Parent Company	
		2010	2009	2010	2009
<b>Profit for the year</b>		<b>577</b>	<b>951</b>	<b>91</b>	<b>636</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Change in reclassified financial assets, after tax	31	57	67	57	67
Change in instruments used in cash flow hedging, after tax	31	3	-3	3	-3
<b>Other comprehensive income during the year, after tax</b>		<b>60</b>	<b>64</b>	<b>60</b>	<b>64</b>
<b>Total comprehensive income during the year</b>		<b>637</b>	<b>1,015</b>	<b>151</b>	<b>700</b>

# Balance Sheet

SEK million	Note	Group		Parent Company	
		2010	2009	2010	2009
<b>ASSETS</b>					
Cash and balances at central banks		0	0	0	0
Chargeable treasury bills and other eligible bills	11	2,365	8,098	2,365	8,098
Lending to credit institutions	12	12,892	9,054	50,265	37,070
Lending to the public	13	249,103	225,976	35,298	48,225
Change in value of interest-rate-hedged items in portfolio hedges	14	500	2,590	-14	-23
Bonds and other interest-bearing securities	15	37,985	32,412	37,985	32,412
Derivative instruments	16	12,665	15,123	10,326	10,375
Shares and participations in joint ventures	17	-	-	587	510
Shares and participations in Group companies	18	-	-	9,600	9,600
Intangible fixed assets	19	34	39	5	6
Property, plant and equipment	20	28	22	28	22
Other assets	21	462	65	515	43
Prepaid expenses and accrued income	22	891	696	634	480
<b>TOTAL ASSETS</b>		<b>316,925</b>	<b>294,075</b>	<b>147,594</b>	<b>146,818</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Liabilities to credit institutions	23	18,257	16,339	9,975	8,707
Customer accounts	24	6,083	4,653	6,083	4,653
Debt securities in issue	25	261,962	249,095	107,223	109,749
Derivative instruments	16	12,576	8,330	9,838	10,424
Other liabilities	26	338	331	242	922
Accrued expenses and prepaid income	27	4,033	4,066	790	869
Deferred tax liabilities	28	60	238	214	373
Provisions	29	94	95	-	-
Subordinated liabilities	30	5,508	3,551	5,508	3,551
<b>Total liabilities</b>		<b>308,911</b>	<b>286,698</b>	<b>139,873</b>	<b>139,248</b>
<b>Equity</b>					
Share capital	31	1,958	1,958	1,958	1,958
Legal reserve		-	-	392	392
Other reserves/Fair value reserve	31	-80	-140	-80	-140
Retained earnings		5,559	4,608	5,360	4,724
Profit for the year		577	951	91	636
<b>Total equity</b>		<b>8,014</b>	<b>7,377</b>	<b>7,721</b>	<b>7,570</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>316,925</b>	<b>294,075</b>	<b>147,594</b>	<b>146,818</b>
<b>Off-balance sheet items</b>					
Assets pledged for own liabilities	32	211,192	166,374	8,571	7,157
Commitments	33	30,335	53,282	60,745	89,285



# Statement of Changes in Equity

## Group

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

## Parent Company

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

# Cash Flow Statement

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<b>Cash and cash equivalents at the beginning of the year</b>	<b>4,862</b>	<b>11,377</b>	<b>1,942</b>	<b>5,986</b>
<b>OPERATING ACTIVITIES</b>				
Interest received	5,128	6,162	2,065	2,326
Commission received	52	39	110	86
Interest paid	-4,045	-4,729	-1,445	-1,895
Commission paid	-86	-46	-40	-23
Dividends received for shares and similar securities	-	-	14	9
Recoveries on loans previously written off	2	3	2	3
Payments to suppliers and employees	-593	-531	-600	-532
Income taxes paid/received	-297	89	-122	-7
Changes in subordinated receivables	-	-	-11,736	-7,200
Changes in lending to credit institutions <sup>1)</sup>	259	-3,000	548	-820
Change in lending to the public	-23,049	-41,942	12,915	-23,354
Change in chargeable treasury bills and other eligible bills	5,587	-8,094	5,587	-8,094
Change in bonds and other interest-bearing securities	-9,431	-1,692	-9,431	-1,692
Change in liabilities to credit institutions	1,918	-13,353	1,268	-5,742
Change in customer accounts	1,430	1,111	1,430	1,111
Issue of long-term debt securities	104,255	141,797	34,593	72,077
Repayment of long-term debt securities	-80,093	-93,954	-34,203	-40,273
Issue of short-term debt securities	142,668	83,691	142,668	83,691
Repayment of short-term debt securities	-139,939	-75,707	-139,939	-75,707
Change in other assets and liabilities	-1,641	3,669	-2,973	1,609
<b>Cash flow from operating activities</b>	<b>2,125</b>	<b>-6,487</b>	<b>711</b>	<b>-4,427</b>
<b>INVESTING ACTIVITIES</b>				
Sale of property, plant and equipment	0	0	0	0
Investments in property, plant and equipment and intangible fixed assets	-28	-28	-18	-17
Investments in subsidiaries and joint ventures	-	-	-77	-1,200
<b>Cash flow from investing activities</b>	<b>-28</b>	<b>-28</b>	<b>-95</b>	<b>-1,217</b>
<b>FUNDING ACTIVITIES</b>				
Issue of subordinated debentures	2,000	-	2,000	-
Group contribution provided/received	-	-	-610	1,600
<b>Cash flow from funding activities</b>	<b>2,000</b>	<b>-</b>	<b>1,390</b>	<b>1,600</b>
<b>Increase/Decrease in cash and cash equivalents</b>	<b>4,097</b>	<b>-6,515</b>	<b>2,006</b>	<b>-4,044</b>
<b>Cash and cash equivalents at year-end</b>	<b>8,959</b>	<b>4,862</b>	<b>3,948</b>	<b>1,942</b>

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

<sup>1)</sup> Pertains to lending to credit institutions with a maturity of more than three months from the date of acquisition.

# Accounting Policies

The operations of the Swedish Housing Finance Corporation (SBAB) and its subsidiaries and joint ventures mainly comprise lending to private individuals, tenant-owner associations and companies in the Swedish residential mortgage market. SBAB's offering also includes savings products. SBAB is a limited liability company that is registered in Stockholm County, Stockholm Municipality, which is also where the Board of Directors has its registered office. The address of the Head Office is the Swedish Housing Finance Corporation (SBAB), Box 27 308, SE-102 54 Stockholm.

The Annual Report for the Swedish Housing Finance Corporation (SBAB) has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition to these accounting standards, the accounting regulatory code of the SFS (SFS 2008:25), the Annual Accounts Act for Credit Institutions and Securities Companies and the requirements in the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups were taken into consideration. It has been prepared in accordance with the acquisition method, apart from items pertaining to revaluation of derivative instruments, available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and hedge-accounted items.

These consolidated financial statements were authorised for issue by the Board of Directors on 15 March 2011. They will receive final approval from the Annual General Meeting of Shareholders on 14 April 2011.

## Changed and new accounting policies in 2010

The Group has applied the following new or revised accounting policies as of 1 January 2010.

- **IAS 1 (Revised) Presentation of Financial Statements**  
A company must present a statement of changes in equity which, for each component, contains changes depending on profit or loss, each item in other comprehensive income and transactions with owners. As of 2011, companies may elect to present the specifications in a note, an approach that SBAB has decided to apply in advance in 2010.
- **IAS 27 (Amendment), Consolidated and Separate Financial Statements**  
The amended standard requires that under certain conditions the effects of all transactions with shareholders who have no controlling influence (previously called minority interests) be recognised in shareholders' equity. The standard also stipulates how measurement and accounting should be performed when a parent company loses its controlling influence. This standard had no impact on the company's financial statements.
- **IFRS 3 (Revised), Business Combinations.**  
The revised standard continues to prescribe that the acquisition method be applied to business combinations, but with certain material changes. This standard had no impact on the company's financial statements.
- **IFRS 8 (Amendment) Operating segments**  
The standard has been amended so that a company need not provide information on total assets for a segment for which information has to be provided in excess of the amount that is regularly reported to the chief operating decision maker. This means that in future SBAB will not disclose this information.

## Implementation of new accounting standards

- **IFRS 9 Financial instruments**  
IFRS 9 Classification and Measurement is the first part of a larger project intended to replace IAS 39. IFRS 9 contains two primary measurement categories for financial assets: amortised cost and fair value. Classification occurs on the basis of the company's business model and the characteristic properties of contractual cash flows. For financial liabilities, most of the current rules of IAS 39 are retained. Guidance provided in IAS 39 in respect of impairment testing of financial assets and hedge accounting continues to apply until IASB has finalised these sections of IFRS9.  
The standard is mandatory as of 1 January 2013, but advance application is permissible. However, IFRS 9 has not yet been adopted by the EU. SBAB's preliminary assessment is that

implementation of the standard, in respect of classification and measurement of financial assets and liabilities, will have a limited impact on the financial statements.

## ➤ IAS 24 (Revised) Related Party Disclosures

The revised standard clarifies and simplifies the definition of a related party. When the revised standard becomes applicable, the Group will be required to provide disclosures concerning transactions between Group companies and joint ventures. The Group will apply the revised standard as of 1 January 2011.

The assessment is that other amendments, interpretations and annual improvements approved by the EU have no material impact on SBAB's financial statements.

## General accounting policies

### Consolidation

The consolidated financial statements were prepared in accordance with the acquisition method and include the Parent Company, The Swedish Housing Finance Corporation, SBAB and its subsidiaries.

Entities qualify as subsidiaries if they are controlled by the Parent Company, which means that the Parent Company has the power to govern the financial and operating strategies of the entity in order to obtain financial benefits from its activities. The companies included in the Group are those over which SBAB exercises the control generally accompanying a shareholding of more than 50% of the voting rights or where the Group exercises a sole determining influence by agreement. The companies are consolidated from the date on which control is transferred to SBAB and are deconsolidated from the date on which control ceases. Intra-Group transactions and receivables and liabilities between Group companies are eliminated.

### Joint venture

By contractual agreement, FriSpar Bolån is to be regarded as a joint venture and reported in accordance with the proportional consolidation method. Proportional consolidation means that SBAB's share (51%) of the company's assets and liabilities is included in the consolidated balance sheet. The corresponding share of the company's income and expense is included in the consolidated income statement.

### 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 Group 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 effective interest method. The calculation of the effective interest rate includes all fees paid or received between parties to the contract, including transaction expenses.

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 SBAB. 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:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Financial liabilities at fair value through profit or loss
- Other financial liabilities

SBAB has no assets classified as “held-to-maturity investments” or “Available-for-sale financial assets”.

#### **Measurement of fair value**

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.

Measurement of the fair value of financial instruments measured at fair value and quoted on an active market is based on quoted prices.

If the market for a financial instrument is not active, the fair value is established on the basis of generally accepted valuation techniques. Calculations conducted in connection with measurement are based to the greatest extent possible on observable market information. The models primarily used are based on discounted cash flows. In individual cases, the calculations may also be based on assumptions or estimates.

#### **Financial assets at fair value through profit or loss**

The category Financial assets at fair value through profit or loss is divided into those financial assets held for trading and those financial assets that executive management has designated as such upon initial recognition. All of SBAB's assets in this category are classified as held for trading and primarily include interest-bearing instruments. This category also includes derivative instruments that are not covered by hedge accounting. Assets in this category are initially recognised at fair value, while related transaction expenses are recognised in profit or 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 the effective interest is recognised as interest income.

#### **Loans and receivables**

Financial assets classified as loans and receivables are reported at fair value plus transaction expenses at the time the loan is released. Loans and receivables are subsequently measured at amortised cost using the effective interest method. This category consists of assets with fixed or determinable payments that are not quoted in an active market. Loan receivables consist of lending to the public and credit institutions and include associated items. The majority of lending comprises consumer credits for home loans and loans to legal entities and private individuals for multi-family dwellings and commercial properties. Changes in value and impairment losses are recognised as “Loan losses, net” while the effective interest is recognised as interest income. Also refer to the section on “impairment of financial assets”.

From 1 July 2008, loan receivables are also covered by the bonds (RMBS, Residential Mortgage Backed Securities) that have been reclassified from Available-for-sale financial assets to Loans receivables and accounts receivable. For further information, refer to Note 34.

Impairment losses are recognised as Impairment of financial assets, while effective interest is recognised as interest income.

#### **Available-for-sale financial assets**

Financial assets that were previously included in this category pertained to the bonds that have been reclassified as Loans and receivables. The change in value that was recognised on the reclassification occasion in Other reserves/Fair value reserve under equity will be reversed using the effective interest method in pace with the maturity period of the underlying asset. This reversal will be recognised in profit and loss as interest income.

#### **Financial liabilities at fair value through profit or loss**

The category Financial liabilities at fair value through profit or loss is divided into those financial liabilities held for trading and those financial liabilities that executive management has designated as such upon initial recognition. All of SBAB's liabilities in this category are classified as held for trading. The category includes Derivatives not covered by hedge accounting. Liabilities in this category are initially recognised at fair value, while related transaction expenses are recognised in profit or loss.

Changes in fair value and realised gains or losses for these liabilities are recognised in profit and loss under the heading Net income from financial instruments measured at fair value, while effective interest is recognised in net interest income.

#### **Other financial liabilities**

Financial liabilities that are not classified as Financial liabilities 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 effective interest method. This category consists mainly of debt securities in issue, customer accounts and liabilities to credit institutions.

Realised profit and loss from repurchase of own liabilities affects profit and 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 lending to credit institutions. The impact on profit and loss is attributable to the difference between sale and repurchase prices and is recognised in net interest income.

#### **Derivative instruments and hedge accounting**

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

For economic hedges where the risks for significant fluctuation in gain or loss are greatest and that meet the formal hedge accounting criteria, SBAB has chosen to apply hedge accounting for hedging of the interest rate and currency risk. In addition, there are other economic hedges for which hedge accounting is not applied. These derivative instruments that are not subject to hedge accounting are classified as assets or liabilities at fair value through profit or loss.

SBAB uses two models for hedge accounting: fair value hedge and cash flow hedge.

#### **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 effective interest for the hedge is recognised in net interest income.

When hedging relationships are terminated, the cumulative gains or losses are accrued adjusting the carrying amount of the hedged item in profit and loss in accordance with the effective 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 and 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 value of interest-rate-hedged items in portfolio hedges 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.

#### **Cash flow hedge**

In a cash flow hedge, the hedging instrument, meaning the derivative financial contract, is measured at fair value. The effective portion of the total change in value is recognised in equity under the item “Other provisions/Fair value reserve”. Accumulated amounts are reversed in profit and loss during the period when the hedged item affects profit or loss. The ineffective portion of the change on the market value of the derivative is recognised in profit or loss under the item Net income from financial instruments measured at fair value where the realised gain or loss attributable to the termination of a hedge relationship is also recognised. The effective interest for the derivative is recognised in the net interest income.



### Loan losses and impairment of financial assets

On the balance-sheet date, an assessment takes place of whether there is any objective evidence that an individual receivable or group of receivables is impaired. 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 receivable or group of 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 effective 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 or impairment of other financial assets is effected in gross amounts, and when there is a guarantee or the equivalent, this is recognised as a receivable on 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 or Impairment of financial assets depending on the type of receivable. Refer to the paragraph on Loans and receivables on page 47. If the impairment requirement has declined in a subsequent period and the decrease can objectively be attributed to an event that occurred after the impairment loss had been recognised, a reversal of a previously recognised impairment loss can be recognised in the corresponding profit and loss item.

Confirmed loan losses and probable losses, with deductions for guarantees expected to be utilised or that have been utilised plus 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 a group of financial assets with similar credit characteristics and are impairment tested collectively.

### Collectively measured loan receivables

The loan receivables assessed in this group are as follows:

- Retail market loans for which an individual provision has not been posted. 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 SBAB's work with Basel II, statistical models have been produced for use in the Group's internal risk classification system. SBAB 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, SBAB 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 SBAB has made some form of concession due to deficiencies in the borrower's solvency. 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.

### Individually valued bonds

Receivables included in this group are the bonds (RMBS) that as of 1 July 2008 were reclassified from Available-for-sale financial assets to Loans and receivables. Each security is impairment tested individually. SBAB's approach is described in the Liquidity portfolio paragraph in the "Risk management" section on page 31.

### Miscellaneous

#### Functional currency

Functional currency is the currency used in the primary economic environments in which the companies included in the Group conduct their operations. The companies included in the Group are the Parent Company, a subsidiary and a joint venture. The Parent Company's functional currency and presentation currency is Swedish kronor. The Group's presentation currency is Swedish kronor.

#### Foreign currency translation of receivables and liabilities

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.

#### Leasing

Existing leases relate to normal leases for SBAB's operations. They mainly concern office premises and office equipment and are classified as operating leases.

In operating leases, lease payments shall be recognised as expenses in profit and loss on a straight-line basis over the lease term. Agreed future lease payments are presented in Note 7.

#### Property, plant and equipment

Property, plant and equipment is recognised as an asset in the balance sheet if it is probable that future economic benefits will flow to the entity and the cost of the item can be measured reliably. An item of property, plant and equipment is carried at its cost less any accumulated depreciation and any impairment loss.

#### Depreciation of property, plant and equipment

The depreciable amount is calculated as the cost of an asset less its estimated residual value at the end of its useful life.

The depreciable amount is allocated on a straight-line basis over the estimated useful life of the asset, and the depreciation charge for each period is recognised in profit or loss. The useful life is estimated at four years for computer hardware and five years for other equipment.

The residual value and useful life of an asset are assessed annually.

#### Intangible fixed assets

Investments in acquired computer software and/or software developed by SBAB are carried at cost less any accumulated amortisation and any impairment loss. Costs for the maintenance of software are expensed as they arise. Development expenditure that is directly attributable to the development and testing of identifiable and unique software products controlled by the Group is recognised as an intangible asset when the following criteria are fulfilled:

- it is technically possible to complete the software so that it can be used,
- the company intends to complete the software and use it,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, economic and other resources for completing the development and for using the software are available, and
- the expenditure that was attributable to the software during its development can be reliably estimated.

Other development expenditure that does not fulfil these criteria is expensed as it arises. Development expenditure that has previously been expensed may not be recognised as an asset in a later period.

Additional expenses for capitalised development expenditure are recognised as an asset in the balance sheet only in cases where they increase the future economic benefits of the specific asset to which they are attributable. All other costs are expensed as they arise.

Development expenditure is capitalised only in the consolidated balance sheet.

#### Amortisation of intangible fixed assets

Amortisation is allocated on a straight-line basis over the useful life of the asset. The useful life is estimated at four or five years.

The amortisation period and amortisation method for an intangible fixed asset are reviewed at each financial year-end.

### **Impairment of non-financial assets**

The recoverable amount of an asset is measured when there is any indication that an asset may be impaired. Development work not yet available for use is tested annually for impairment irrespective of whether there is any indication of impairment. An asset is impaired when its carrying amount exceeds its recoverable amount. The impairment loss for each period is charged against profit or loss.

### **Taxes**

Total tax consists of current tax and deferred tax. Current tax comprises tax which is to be paid or received for taxable earnings during 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. Tax effects of items recognised in other comprehensive income or in equity are recognised in other comprehensive income or equity.

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 to the extent that it is probable that the carryforwards can be used to offset future taxable profit. Deferred taxes are calculated in accordance with the tax rate applicable at the time of taxation.

### **Cash and cash equivalents**

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

### **Pensions**

The Group has both defined-contribution and defined-benefit pension plans. For the defined-contribution pension plans, fixed fees are paid to an independent unit, following which no additional obligations arise. The defined-benefit plan stipulates an amount for the pension benefit that an employee will receive on retirement based on age, period of service and salary.

Pension costs for defined-contribution plans are expensed on a current-account basis in pace with vesting by the individual employee.

The provision recognised in the balance sheet for defined-benefit pension plans is the present value of the defined-benefit pension obligation at the end of the reporting period less the fair value of the plan assets, adjusted for unrecognised actuarial gains and losses, as well as unrecognised costs for service during prior periods. The defined-benefit pension obligation is calculated annually by independent actuaries applying the projected unit credit method.

Actuarial gains and losses resulting from experience-based adjustments and changes affecting actuarial assumptions exceeding the higher of 10% of the fair value of the plan assets and 10% of the present value of the defined-benefit obligation are recognised as costs or revenues over the employee's estimated average remaining period of service.

### **Segment reporting**

An operating segment is a part of a company that generates revenues and incurs costs. Operating segments are reported in a manner that complies with the internal financial reporting as submitted by the chief operating decision-maker. At SBAB, the CEO is the function that is responsible for allocating resources and assessing the result of the operating segment.

### **Accounting Policies for the Parent Company**

The Parent Company, The Swedish Housing Finance Corporation, SBAB applies statutory IFRS, which means that the Annual Report has been prepared in compliance with IFRS with the additions and exceptions that ensue from the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, the Annual Accounts Act for Credit Institutions and Securities Companies and the SFSA's regulations and general guidelines on the annual accounts of credit institutions and securities companies (FFFS 2008:25).

### **Differences in comparison with the Group**

The main differences between the accounting policies of the Group and those of the Parent Company are shown below:

#### *Presentation of income statement and balance sheet*

The Parent Company complies with the Annual Accounts Act for Credit Institutions and Securities Companies presentation standards for income statements and balance sheets, which entails a different presentation of equity. The Parent Company's legal reserve is reported in the Group as retained earnings, while the Parent Company's fair value reserve is included in the Group's other reserves.

### **Pensions**

The Act on Safeguarding Pension Obligations and regulations issued by the SFSA containing rules requiring a different method of recognising defined-benefit pension plans compared with the manner stipulated in IAS 19. Application of the Act on Safeguarding Pension Obligations is a prerequisite for tax deductibility of the pension payments. In view of this, RFR 2 states that the regulations of IAS 19 in terms of defined-benefit pension plans need not be applied by the legal entity.

### **Subsidiaries**

Participating rights in subsidiaries are recognised in the Parent Company in accordance with the cost method.

### **Dividends**

Dividends received from subsidiaries are recognised in profit or loss. Anticipated dividends from subsidiaries are recognised in cases where formal decisions have been taken in the subsidiaries or where the Parent Company otherwise has full control over the decision-making process before it publishes its financial statements.

### **Group contributions**

Group contributions that are provided and received to minimise the Group's taxes are recognised in the Parent Company as a decrease and increase, respectively, in unrestricted shareholders' equity after adjustments for estimated tax.

### **Critical accounting estimates and judgments**

#### **Significant estimates in the application of SBAB's accounting policies**

SBAB owns 51% of the shares of FriSpar Bolån AB, although the shareholders' agreement between SBAB and the savings bank Sparbanken Öresund states that SBAB cannot solely govern the financial and operating policies for the company. In addition, unanimity among all partners is required for valid decisions in all important matters. Accordingly, SBAB does not have a controlling influence and executive management have arrived at the assessment that FriSpar Bolån AB is to be reported as a joint venture. At the Group level, this entails a marginal influence on net interest income, total assets and capital adequacy compared with reporting FriSpar Bolån AB as a subsidiary.

### **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 presented in the Annual Report. Subsequently, the actual outcome may differ to some extent from the estimates made.

#### *Measurement of loan receivables*

The area that primarily entails a risk of causing an adjustment to the carrying amounts of assets and liabilities in the next financial year is measurement of loan receivables.

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 and impairment of financial assets above. The portion of the liquidity portfolio that pertains to RMBS is also measured as a loan receivable. Here too the most critical assumption involves estimating future cash flow. Models are used to enable measurements to be performed in an appropriate manner.

#### *Recognition of pension*

Measurement of the Group's pension obligations are based on a number of actuarial and financial assumptions that have a material impact on carrying amounts. SBAB has used the yield on Government bonds for the discounting of pension obligations. Discussions have recently centred upon whether the yield on mortgage bonds would be a useful interest rate in this context. Since the corridor method is used for the measurement of the pension obligation, this would have no immediate impact on the size of the provision. Had SBAB used the yield on mortgage bonds, the liability would have ultimately been reduced. The assumptions upon which the measurement is based are presented in Note 29.

### **Events after the balance sheet date**

See the "Results" section of the Administration Report on page 21.

# Notes

## Note 1 Net interest income

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<b>Interest income</b>				
Lending to credit institutions	135	106	691	437
Lending to the public <sup>1)</sup>	6,549	6,641	1,049	1,192
Interest-bearing securities	896	969	896	969
Derivative instruments	-2,225	-1,673	-410	-304
<b>Total</b>	<b>5,355</b>	<b>6,043</b>	<b>2,226</b>	<b>2,294</b>
<b>Interest expense</b>				
Liabilities to credit institutions	-75	-223	-48	-111
Customer accounts	-61	-59	-61	-59
Debt securities in issue	-6,611	-7,331	-1,880	-2,192
Subordinated liabilities	-272	-167	-272	-167
Derivative instruments	3,444	3,282	357	942
Other	-18	-26	-18	-24
<b>Total</b>	<b>-3,593</b>	<b>-4,524</b>	<b>-1,922</b>	<b>-1,611</b>
<b>Net interest income</b>	<b>1,762</b>	<b>1,519</b>	<b>304</b>	<b>683</b>

<sup>1)</sup> Includes interest income of SEK 2 million (5) from doubtful receivables.

## Note 2 Dividend income

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Anticipated dividend from the subsidiary The Swedish Covered Bond Corporation (SCBC)	-	-	100	-
Dividend income from FriSpar Bolån AB joint venture	-	-	14	9
<b>Total</b>	<b>-</b>	<b>-</b>	<b>114</b>	<b>9</b>

## Note 3 Commissions

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<b>Commission income</b>				
Commission on lending	32	26	62	55
Other commissions	18	18	47	35
<b>Total</b>	<b>50</b>	<b>44</b>	<b>109</b>	<b>90</b>
<b>Commission expense</b>				
Commission on securities	-42	-44	-23	-23
Stability fee	-52	-46	-21	-17
<b>Total</b>	<b>-94</b>	<b>-90</b>	<b>-44</b>	<b>-40</b>
<b>Commissions, net</b>	<b>-44</b>	<b>-46</b>	<b>65</b>	<b>50</b>

**Note 4** Net income from financial instruments  
measured at fair value

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<b>Gains/losses on interest-bearing financial instruments</b>				
– Securities measured at fair value through profit or loss	–156	432	–156	432
– Change in hedged items in hedge accounting	869	1,147	198	357
– Realised gain/loss from financial liabilities	–770	–949	–236	–121
– Derivative instruments in hedge accounting	–661	–325	–399	–144
– Other derivative instruments	312	4	368	–215
– Loan receivables	118	190	27	50
<b>Currency translation effects</b>	–1	–4	–3	–3
<b>Total</b>	<b>–289</b>	<b>495</b>	<b>–201</b>	<b>356</b>

**Note 5** Other operating income

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Administrative services for subsidiaries	–	–	431	410
Other operating income	0	6	0	5
<b>Total</b>	<b>0</b>	<b>6</b>	<b>431</b>	<b>415</b>

**Note 6** Personnel costs

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Salaries and other remuneration	–192	–191	–192	–191
Cost of pension premiums	–37	–32	–38	–31
Other social security expenses	–70	–70	–70	–70
Other personnel costs	–17	–16	–17	–16
<b>Total</b>	<b>–316</b>	<b>–309</b>	<b>–317</b>	<b>–308</b>

Average number of employees

	Group		Parent Company	
	2010	2009	2010	2009
Women	251	236	251	236
Men	180	160	180	160
<b>Total average number of employees</b>	<b>431</b>	<b>396</b>	<b>431</b>	<b>396</b>

Sickness absence

	Group		Parent Company	
	2010	2009	2010	2009
<b>Total sickness absence, %</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>	<b>2.6</b>
Women, %	3.6	3.1	3.6	3.1
Men, %	1.1	1.7	1.1	1.7
29 years or younger, %	2.6	2.3	2.6	2.3
30-49 years, %	1.7	2.4	1.7	2.4
50 years and older, %	4.6	2.9	4.6	2.9
Proportion of long-term sickness absence, i.e. sickness absence exceeding 60 days, %	37.0	33.3	37.0	33.3

Gender distribution among senior executive

Board of Directors, elected at AGM	Group		Parent Company	
	2010	2009	2010	2009
Women	6	5	5	4
Men	11	12	4	5
<b>Total no. of Board Members</b>	<b>17</b>	<b>17</b>	<b>9</b>	<b>9</b>

The Group includes the subsidiary The Swedish Covered Bond Corporation (SCBC) and the jointly owned company FriSpar Bolån AB.

	Group		Parent Company	
	2010	2009	2010	2009
<b>Executive management</b>				
Women	6	5	5	5
Men	6	7	5	5
<b>Total number of persons in executive management</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>10</b>

The Group includes the MD of the subsidiary The Swedish Covered Bond Corporation, SCBC and the jointly owned company FriSpar Bolån AB.

#### Salaries and other remuneration

	Group		Parent Company	
	2010	2009	2010	2009
SEK million				
CEO	-3	-4	-3	-4
Senior executives who report directly to the CEO	-14	-13	-14	-13
Other employees	-175	-174	-175	-174
<b>Total salaries and other remuneration</b>	<b>-192</b>	<b>-191</b>	<b>-192</b>	<b>-191</b>

Board Members who are employed by the Parent Company receive remuneration and pension benefits as a result of their employment. No additional remuneration or pension benefits are paid for Board assignments.

No remuneration is paid to the MD or the Board of the subsidiary The Swedish Covered Bond Corporation, SCBC and the jointly owned company FriSpar Bolån AB.

#### Employment presentation

	Group		Parent Company	
	2010	2009	2010	2009
<b>Total number of employees at year-end, number</b>	<b>422</b>	<b>418</b>	<b>422</b>	<b>418</b>
Of whom, women, %	57.5	51.9	57.5	51.9
Of whom, managers, %	12.1	11.0	12.1	11.0
Of whom, female managers, %	4.0	4.3	4.0	4.3
Of whom, temporary employees, %	9.6	13.9	9.6	13.9
Of whom, part-time employees, %	4.9	4.8	4.9	4.8

#### Personnel turnover

	Group		Parent Company	
	2010	2009	2010	2009
<b>Permanent employees who terminated employment during the year, number</b>	<b>14</b>	<b>9</b>	<b>14</b>	<b>9</b>
Of whom, women, %	71.4	44.4	71.4	44.4
Of whom, 30 years or younger, %	21.4	-	21.4	-
Of whom, 30-50 years, %	71.5	55.6	71.5	55.6
Of whom, 50 years and older, %	7.1	44.4	7.1	44.4

#### External education/training

	Group		Parent Company	
	2010	2009	2010	2009
<b>Education/training days per employee, number</b>	<b>1.6</b>	<b>1.4</b>	<b>1.6</b>	<b>1.4</b>

#### Internal education/training

	Group		Parent Company	
	2010	2009	2010	2009
<b>Training days per employee, number</b>	<b>2.3</b>	<b>2.0</b>	<b>2.3</b>	<b>2.0</b>
<b>Training days per temporary employee, number</b>	<b>2.3</b>	<b>2.0</b>	<b>2.3</b>	<b>2.0</b>

#### Salaries and other remuneration

Salaries and other remuneration to the CEO amounted to SEK 3.0 million (3.0). No company car was provided and no fringe benefits were paid.

Salaries and other remuneration to senior executives who report directly to the CEO totalled SEK 14.5 million (14.6). Fringe benefits (subsidised interest rate and sickness benefit) to these executives amounted to SEK 0.1 million (0.1). Salary and other benefits to senior executives who report directly to the CEO were paid in the following amounts: Chief Credit Officer SEK 1.3 million (1.5), Chief Legal Counsel SEK 1.2 million (1.2), Chief Information Officer SEK 1.4 million (1.4), Head of Accounting and Controlling Department SEK 1.4 million (1.4), Chief Communication Officer SEK 1.7 million (1.7), Chief Financial Officer SEK 1.6 million (1.6), Head of Corporate Clients SEK 1.8 million (1.8), Human Resources Manager SEK 1.4 million (1.3), Head of Consumer Department SEK 1.6 million (1.6) and Head of Internal Audit SEK 1.1 million (1.1). In view of SBAB's participation in the Swedish Government's guarantee programme, the five senior executives with the highest combined remuneration in October 2008, did not have their remuneration revised in 2009 or 2010. During 2009, the Government adopted new guidelines for employment terms and conditions of senior executives in state-owned companies. Among other consequences, the guidelines entail that variable remuneration should not be paid to senior executives. As an adaptation to these guidelines, the Remuneration Committee has decided to remunerate other senior executives, who are no longer covered by the incentive programme, with a pay supple-



ment corresponding to 8% of the executive's annual salary, which will apply as long as SBAB has an incentive programme. For 2010, the Remuneration Committee has proposed a remuneration policy for decision by the Board of Directors. A risk analysis and the remuneration policy are published on sbab.se. The Remuneration Committee's composition and authorities are described on pages 79-80.

#### Remuneration to the Board

The level of remuneration paid to the Board is resolved at the Annual General Meeting. Remuneration of Board Members in the Parent Company was paid in amounts of SEK 0.9 million (0.9) for Board work and SEK 0.4 million (0.3) for work on executive committees and committees. A fee of SEK 0.3 million (0.4) was paid to the Chairman of the Board and of SEK 0.1 million (0.1) each to the elected Board Members. No fee is payable to the owners' representative and the employee representatives who sit on the Board. Board Members serving on a committee or executive committee received SEK 3,500 per meeting attended.

#### Pensions

Pension costs for the entire company, including special employers' contributions, totalled SEK 46.8 million (40.0). Pension costs, including special employers' contributions, for the CEO amounted to SEK 0.8 million (0.9).

Pension costs, including special employers' contributions, of SEK 5.1 million (5.1) were paid to senior executives who report directly to the CEO. Pension costs, including special employers' contributions were paid to these executives in the following amounts: Chief Credit Officer SEK 0.6 million (0.8), Chief Legal Counsel SEK 0.4 million (0.3), Chief Information Officer SEK 0.5 million (0.4), Head of Accounting and Controlling Department SEK 0.5 million (0.5), Chief Communication Officer SEK 0.6 million (0.6), Chief Financial Officer SEK 0.6 million (0.6), Head of Corporate Clients SEK 0.5 million (0.5), Human Resources Manager SEK 0.5 million (0.5), Head of Consumer Department SEK 0.5 million (0.5) and Head of Internal Audit SEK 0.4 million (0.4).

SBAB employees are covered by a pension plan that includes illness pension, survivor's coverage, retirement pension, supplementary pension and, in some cases, family pension. The pension plan also covers those on high incomes, whereby the recipient can choose an alternative investment for a portion of the premium. SBAB applies IAS 19 Employee Benefits. SBAB has defined-contribution pension plans and defined-benefit pension plans. The defined-benefit plans are collective employer plans (BTP), secured through insurance with SPP. These are defined-benefit multi-employer plans. SBAB's pension costs amounted to SEK 37.6 million (32.1) excluding payroll tax. See Note 29, Provisions, for additional information.

#### The Board's proposed guidelines for remuneration of senior executives

During 2010, the Board's preparation of matters relating to remuneration of the company's senior executives occurred in the Remuneration Committee, which also decided on remuneration to the CEO and senior executives. For further information on the Remuneration Committee, see pages 79-80. The Board's motion concerning principles for the remuneration and other employment terms of senior executives, which is resolved by the Annual General Meeting, entails in brief that remuneration shall consist of a fixed basic salary without any variable remuneration.

#### Agreements on severance pay and pension

With respect to pension conditions, periods of notice and severance pay for senior executives, the principles stipulated in the Government's guidelines for senior executives (April 2009) apply, with the exception of the CEO, for whom no deductions will be made from pay during periods of notice/severance pay in connection with new employment. SBAB and the CEO are subject to a mutual period of notice of six months. If the company gives notice terminating the contract and the CEO leaves her post, the company shall - in addition to salary during the period of notice - pay severance pay corresponding to 18 monthly salaries without deduction of new salary. An agreement has been entered into with the CEO on a mutual right to demand pension no earlier than when the CEO turns 62. The company pays for a defined-contribution pension insurance plan corresponding to 25% of the CEO's pensionable salary, although no longer than until age 62.

An agreement has been entered into with the Head of the Corporate Clients concerning a defined-contribution plan corresponding to 22% of pensionable salary. There are no other pension agreements that deviate from the general rules of the collective agreement for the bank area.

In cases where individual agreements on severance pay exist, these comply with the Government's guidelines for state-owned companies. In the event of notice being served by the company, compensation of up to two years' salary is paid including the period of notice. Deductions will be made from the compensation should new employment or income from other activity be received during the two-year period.

The accumulated total amount plus the expensed total amount for severance pay and guaranteed variable remuneration pledged during the year was SEK 0. Disbursed severance pay during the year amounted to SEK 0.0 million (1.1).

#### Loans to senior executives

Loans to senior executives are presented in Note 36, Information about related parties.

#### Incentive programme

Following preparation by SBAB's Remuneration Committee and a decision by the Board of Directors, the incentive programme for 2010 has been approved in compliance with the Swedish Financial Supervisory Authority's new regulations and general guidance on the remuneration policy of credit institutions, investment firms and fund management companies (FFFS 2009:6).

The overall principles and conditions for SBAB's incentive programme are established by the Board for a year at a time. The incentive programme is aimed at encouraging employees to contribute to increasing SBAB's value. The incentive programme covers all employees (subject to a certain period of employment and on condition that they have been employed for a full quarter and remained employed on 31 December 2010). Those exempted from the incentive programme are the CEO and ten senior executives who report directly to the CEO as well as internal auditors. The maximum payment is two monthly salaries. All payment from the incentive programme consists of cash. The incentive programme for 2010 is based on two parts: 50% is based on company-wide goals, calculated on the basis of earnings targets for the year after costs for the incentive programme have been taken into account and 50% on unit goals. A prerequisite for pay-outs for any of the programme's components is the achievement of target requirements. The company-wide goals were not exceeded, while the results of the unit goals vary from 0% fulfilment to 100% fulfilment. Payment based on unit goals is pensionable in the BTP scheme.

During 2010, SBAB paid remuneration pertaining to the 2009 incentive programme corresponding to SEK 20.7 million. In 2010, SBAB expensed SEK 11.4 million<sup>1)</sup>, within the framework of the incentive programme for 2010. Accordingly variable remuneration accounted for 3.6% of total payroll costs<sup>1)</sup>. The programme's 366 recipients include 14 employees who can influence the company's risk level as well as certain control functions. Their portion of remuneration from the incentive programme corresponds to SEK 1.0 million<sup>1)</sup> and accounted for 5.5% of their total payroll costs<sup>1)</sup>. In order not to disclose information about the individual employees' financial situation, no further breakdown of remuneration from the incentive programme per business area or equivalent has been performed. 60% of SEK 1.0 million is accounted for by deferred remuneration and will be disbursed during the spring of 2014 after indexing in relation to the Consumer Price Index (CPI). Prior to disbursement, a risk adjustment will be performed by the Board of Directors deciding, on the basis of documentation from the Remuneration Committee, whether all or parts of the deferred incentive remuneration will be disbursed, a decision that the Board has unrestricted rights to make. The previously deferred incentive remuneration for 14 employees who in 2009 were deemed to be able to influence the company's risk level amounts to SEK 1.3 million and will be disbursed not earlier than 2013.

<sup>1)</sup> Total of salary, pensions and social fees.

## Note 7 Other expenses

SEK million	Group		Parent Company	
	2010	2009	2010	2009
IT expenses	-109	-90	-119	-100
Rents <sup>1)</sup>	-18	-17	-18	-17
Other costs for premises	-9	-6	-9	-6
Other administration expenses	-59	-69	-58	-68
Marketing	-56	-44	-55	-44
Other operating expenses	-11	-15	-11	-15
<b>Total</b>	<b>-262</b>	<b>-241</b>	<b>-270</b>	<b>-250</b>

Expenses for development amounted to SEK 70 million (68), of which SEK 10 million (11) was for internally produced intangible assets in the Group. Most of the development work is pursued in project form and includes the budgets of entire projects, involving such expenses as planning, analysis, specification of requirements, programming, implementation and quality testing.

### Fees and expenses for auditors

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Auditing commissions	-3.5	-3.0	-3.1	-2.6
Auditing activities in addition to auditing commissions	-3.3	-3.5	-2.9	-3.0
Tax advisory services	-	-	-	-
Other services	-0.5	-0.5	-0.5	-0.5
<b>Total</b>	<b>-7.3</b>	<b>-7.0</b>	<b>-6.5</b>	<b>-6.1</b>

Auditing commissions refer to examination of the Annual Report and financial accounts and the administration by the Board and the CEO. Auditing commissions also include consultancy services and other assistance resulting from such examinations.

Auditing activities in addition to auditing commissions refer to examination of interim/year-end reports and such tasks that can only be signed off by auditors, such as various types of certificates.

Other services refer to consultancy services ordered by SBAB.

### Future rents <sup>1)</sup>

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<b>Agreed future rents due for payment</b>				
– within a year	-19	-14	-19	-14
– between one and five years	-74	-42	-74	-42
– after five years	-23	-29	-23	-29
<b>Total</b>	<b>-116</b>	<b>-85</b>	<b>-116</b>	<b>-85</b>

<sup>1)</sup> Rents = operating leases

## Note 8 Depreciation of property, plant and equipment and amortisation of intangible fixed assets

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<b>Property, plant and equipment</b>				
Computer hardware	-4	-3	-4	-3
Other equipment	-4	-3	-4	-3
<b>Amortisation of intangible fixed assets</b>				
Acquired software	-4	-7	-4	-7
Internally developed part of software	-14	-15	-	-
<b>Total</b>	<b>-26</b>	<b>-28</b>	<b>-12</b>	<b>-13</b>

## Note 9 Loan losses, net

### Corporate Market

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<i>Individual provision, corporate market loans</i>				
This year's write-off for confirmed loan losses	-8	-9	-8	-9
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in this year's financial statements	6	11	6	11
This year's provision for probable loan losses	-9	-7	-9	-7
Recoveries in respect of confirmed loan losses in prior years	0	1	0	1
Reversal of prior year provisions for probable loan losses no longer required	3	17	3	17
Guarantees	3	-6	3	-6
<b>Net cost/income for the year for individual provisions for corporate market loans</b>	<b>-5</b>	<b>7</b>	<b>-5</b>	<b>7</b>
<i>Collective provision, corporate market loans</i>				
Allocation to collective provision	-1	-13	-3	-7
Guarantees	-6	3	-2	1
<b>Net cost for the year for collective provisions for corporate market loans</b>	<b>-7</b>	<b>-10</b>	<b>-5</b>	<b>-6</b>
<b>Retail market</b>				
SEK million				
<i>Individual provision, retail market loans</i>				
This year's write-off for confirmed loan losses	-13	-7	-13	-7
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in this year's financial statements	8	6	8	6
This year's provision for probable loan losses	-8	-6	-7	-5
Recoveries in respect of prior provisions for probable loan losses no longer required	1	0	1	0
Guarantees	0	-	0	-
<b>Net cost for the year for individual provisions for retail market loans</b>	<b>-12</b>	<b>-7</b>	<b>-11</b>	<b>-6</b>
<i>Collective provision, retail market loans</i>				
This year's write-off for confirmed loan losses	-17	-16	-16	-16
Recoveries in respect of confirmed loan losses in prior years	2	2	2	2
Allocation to collective provision	-8	-96	-1	-74
Guarantees	7	13	6	11
<b>Net cost for the year for collective provisions for retail market loans</b>	<b>-16</b>	<b>-97</b>	<b>-9</b>	<b>-77</b>
<b>THIS YEAR'S NET COST FOR LOAN LOSSES</b>	<b>-40</b>	<b>-107</b>	<b>-30</b>	<b>-82</b>

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. The guarantees refer to received or anticipated receivables from the Swedish National Housing Credit Guarantee Board, insurance companies and banks. For additional analyses and information on loan losses, refer to the paragraph "Credit risk" in the "Risk management" section on page 24.

## Note 10 Income tax

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Current tax	-387	-123	-153	145
Deferred income tax	179	-215	160	-369
<b>Total</b>	<b>-208</b>	<b>-338</b>	<b>7</b>	<b>-224</b>
<i>The effective tax rate differs from the nominal tax rate in Sweden as below</i>				
Profit before tax	785	1,289	84	860
Nominal tax rate in Sweden 26.3%	-206	-339	-22	-226
Tax-exempt dividend from subsidiaries	-	-	30	2
Tax for prior years and others	-2	1	-1	0
<b>Total tax</b>	<b>-208</b>	<b>-338</b>	<b>7</b>	<b>-224</b>
Effective tax rate	26.6%	26.2%	-8.5%	26.0%

**Note 11 Chargeable treasury bills and other eligible bills**

	<b>Group</b>		<b>Parent Company</b>	
SEK million	2010	2009	2010	2009
<b>Current assets at fair value through profit or loss</b>				
The Swedish state	2,365	8,098	2,365	8,098
<b>Total chargeable treasury bills and other eligible bills</b>	<b>2,365</b>	<b>8,098</b>	<b>2,365</b>	<b>8,098</b>
<i>Holdings of chargeable treasury bills and other eligible bills by remaining term, carrying amount</i>				
At most 1 year	–	6,999	–	6,999
Longer than 1 year but at most 5 years	1,862	1,099	1,862	1,099
Longer than 5 years but at most 10 years	503	–	503	–
Longer than 10 years	–	–	–	–
<b>Total</b>	<b>2,365</b>	<b>8,098</b>	<b>2,365</b>	<b>8,098</b>
Average remaining term, years	4.5	0.4	4.5	0.4
Average remaining fixed-interest term, years	4.4	0.4	4.4	0.4

**Note 12 Lending to credit institutions**

	<b>Group</b>		<b>Parent Company</b>	
SEK million	2010	2009	2010	2009
Lending in Swedish kronor	12,732	9,045	50,191	37,064
Lending in foreign currency	160	9	74	6
<b>Total</b>	<b>12,892</b>	<b>9,054</b>	<b>50,265</b>	<b>37,070</b>
<i>of which repos</i>	7,263	2,917	2,262	–
<i>Lending to credit institutions in accordance with remaining term, net carrying amount</i>				
Payable on demand	1,518	1,528	39,748	28,081
At most 3 months	7,818	3,998	3,259	1,789
Longer than 3 months but at most 1 year	2,631	2,787	5,371	5,687
Longer than 1 year but at most 5 years	893	682	1,823	1,392
Longer than 5 years	32	59	64	121
<b>Total</b>	<b>12,892</b>	<b>9,054</b>	<b>50,265</b>	<b>37,070</b>
Average remaining term, years	0.4	0.4	0.2	0.2

Of the Parent Company's lending to credit institutions, SEK 38,363 million (26,626) is related to receivables from the wholly owned subsidiary The Swedish Covered Bond Corporation, SCBC. These receivables are subordinated, which means that payment is received only after payment of the subsidiary's other creditors.

**Note 13 Lending to the public**

	<b>Group</b>		<b>Parent Company</b>	
SEK million	2010	2009	2010	2009
Opening balance	226,319	184,214	48,461	25,078
Lending for the year	50,398	64,626	46,965	61,828
Transferred to Group company	–	–	–44,928	–28,964
Amortisation, write-offs, redemption, etc.	–27,262	–22,521	–14,979	–9,481
Closing balance	249,455	226,319	35,519	48,461
Provision for probable loan losses	–352	–343	–221	–236
Closing balance	249,103	225,976	35,298	48,225
<i>of which subordinated assets</i>	–	–	–	–
<i>Receivables outstanding by remaining term, net carrying amount</i>				
Payable on demand	–	–	–	–
At most 3 months	37,343	27,246	3,996	6,225
Longer than 3 months but at most 1 year	124,328	129,370	16,940	33,095
Longer than 1 year but at most 5 years	79,875	62,232	13,615	8,292
Longer than 5 years	7,557	7,128	747	613
<b>Total</b>	<b>249,103</b>	<b>225,976</b>	<b>35,298</b>	<b>48,225</b>
Average remaining term, years	1.3	1.3	1.3	1.0

**Group**

## Distribution of lending by type of property

SEK million	2010				2009			
	FriSpar Bolån AB	The Swedish Covered Bond Corporation, SCBC	The Swedish Housing Finance Corporation, SBAB	Total within Group <sup>1)</sup>	FriSpar Bolån AB	The Swedish Covered Bond Corporation, SCBC	The Swedish Housing Finance Corporation, SBAB	Total within Group <sup>1)</sup>
Single-family dwellings and holiday homes	5,567	82,005	8,541	93,386	7,234	68,674	14,225	86,588
Tenant-owner rights	2,448	48,060	6,922	56,231	1,194	38,570	10,321	49,500
Tenant-owner associations	44	48,280	6,851	55,153	83	39,859	9,117	49,018
Private multi-family dwellings	74	24,040	4,300	28,378	88	19,133	6,094	25,272
Municipal multi-family dwellings	–	7,231	132	7,363	–	7,229	949	8,178
Commercial properties	–	171	8,706	8,877	–	8	7,755	7,763
Other	–	–	67	67	–	–	–	–
Provision for probable loan losses	–9	–126	–221	–352	–10	–102	–236	–343
<b>Total</b>	<b>8,124</b>	<b>209,661</b>	<b>35,298</b>	<b>249,103</b>	<b>8,589</b>	<b>173,371</b>	<b>48,225</b>	<b>225,976</b>
Proportion of lending with a state or municipal guarantee, %	–	3	1	3	–	4	3	4
Average fixed-interest term, years	0.8	1.0	0.6	0.9	0.6	1.0	0.5	0.9

<sup>1)</sup> The Group includes 51% of FriSpar Bolån AB.

In case of early redemption between interest-rate adjustment dates, SBAB 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, SBAB 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.

SEK 50,233 million (41,642) of SBAB's portfolio was provided by business partners and it is possible for certain partners, in the event of a change of ownership of SBAB, to acquire loans provided. Loan promises and other credit-related commitments are reported in Note 33.

## Doubtful loan receivables and provisions

SEK million	Group		Parent Company	
	2010	2009	2010	2009
a) Doubtful loan receivables	104	104	104	103
b) Individual provisions, loan receivables	73	75	73	73
c) Collective provisions, corporate market loans	38	38	20	23
d) Collective provisions, retail market loans	241	230	128	140
e) Total provisions (b+c+d)	352	343	221	236
f) Doubtful loan receivables after individual provisions (a–b)	31	29	31	30
g) Provision ratio for individual provisions (b/a)	70%	72%	70%	71%

For further information concerning doubtful and unregulated loan receivables, see the "Credit risk" paragraph in the "Risk management" section, page 24.

**Group**

## Distribution of doubtful loan receivables and provisions by type of property

SEK million	2010					2009				
	Single family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Total	Single family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Total
Doubtful loan receivables, gross	3	14	66	21	104	10	7	77	10	104
Individual provisions, loan receivables	–3	–11	–44	–15	–73	–9	–7	–52	–7	–75
Collective provisions corporate market loans			–16	–22	–38			–19	–19	–38
Collective provisions, retail market loans	–146	–95			–241	–136	–94			–230
Doubtful loan receivables after individual provisions					31					29



**Note 14** Change in value of interest-rate hedged items in portfolio hedges

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Carrying amount, opening balance	2,590	3,270	-23	-41
Terminated hedges	-1	8	9	18
Revaluation of hedged items	-2,089	-688	-	-
<b>Total</b>	<b>500</b>	<b>2,590</b>	<b>-14</b>	<b>-23</b>

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

**Note 15** Bonds and other interest-bearing securities

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Securities measured at fair value through profit or loss	23,049	13,011	23,049	13,011
Securities classified as loans and receivables, measured at amortised cost	14,936	19,401	14,936	19,401
<b>Total</b>	<b>37,985</b>	<b>32,412</b>	<b>37,985</b>	<b>32,412</b>
<i>Holding by issuer, etc</i>				
<b>CURRENT ASSETS</b>				
<b>Listed securities</b>				
<i>Issued by public bodies</i>				
The Swedish state	1,515	1,095	1,515	1,095
Foreign states	1,256	-	1,256	-
Other public issuers	1,057	-	1,057	-
<i>Issued by other borrowers</i>				
Swedish banks (with government guarantee)	1,478	1,468	1,478	1,468
Swedish mortgage institutions	10,943	3,355	10,943	3,355
Other foreign issuers (covered bonds, RMBS)	21,537	26,394	21,537	26,394
Other foreign issuers (with government guarantee)	199	100	199	100
<b>Total listed securities</b>	<b>37,985</b>	<b>32,412</b>	<b>37,985</b>	<b>32,412</b>
<b>Unlisted securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>37,985</b>	<b>32,412</b>	<b>37,985</b>	<b>32,412</b>
<i>- of which subordinated assets</i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Bonds and other interest-bearing securities distributed by remaining term, carrying amount</i>				
At most 1 year	7,318	1,244	7,318	1,244
Longer than 1 year but at most 5 years	23,146	22,783	23,146	22,783
Longer than 5 years but at most 10 years	5,895	5,446	5,895	5,446
Longer than 10 years	1,626	2,939	1,626	2,939
<b>Total</b>	<b>37,985</b>	<b>32,412</b>	<b>37,985</b>	<b>32,412</b>
Average remaining term, years	3.2	4.0	3.2	4.0

## Note 16 Derivative instruments

SEK million	Group						Parent Company					
	2010			2009			2010			2009		
	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount
<b>Derivatives in fair-value hedges</b>												
Interest-rate-related												
– interest-rate swaps	4,218	2,982	282,613	6,338	4,086	231,896	1,139	150	16,448	1,399	329	26,969
Currency-related	5,406	4,776	73,399	6,456	2,056	77,406	3,225	2,389	28,432	1,198	2,028	31,060
<b>Total</b>	<b>9,624</b>	<b>7,758</b>	<b>356,012</b>	<b>12,794</b>	<b>6,142</b>	<b>309,302</b>	<b>4,364</b>	<b>2,539</b>	<b>44,880</b>	<b>2,597</b>	<b>2,357</b>	<b>58,029</b>
<b>Derivatives in cash flow hedges</b>												
Currency-related	40	11	375	22	20	507	40	11	375	22	20	507
<b>Total</b>	<b>40</b>	<b>11</b>	<b>375</b>	<b>22</b>	<b>20</b>	<b>507</b>	<b>40</b>	<b>11</b>	<b>375</b>	<b>22</b>	<b>20</b>	<b>507</b>
<b>Other derivatives</b>												
Interest-rate-related												
– interest-rate swaps	704	1,189	77,000	910	1,469	92,567	3,409	4,324	509,986	6,464	7,348	469,502
– forwards	89	146	–2,568	37	41	5,802	89	146	–2,568	37	41	5,802
Currency-related	2,208	3,472	79,898	1,360	658	54,943	2,424	2,818	76,476	1,255	658	57,102
<b>Total</b>	<b>3,001</b>	<b>4,807</b>	<b>154,330</b>	<b>2,307</b>	<b>2,168</b>	<b>153,312</b>	<b>5,922</b>	<b>7,288</b>	<b>583,894</b>	<b>7,756</b>	<b>8,047</b>	<b>532,406</b>

### Derivative instruments by remaining term, carrying amount

SEK million	Group				Parent Company			
	2010		2009		2010		2009	
	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount
At most 3 months	–452	43,098	1,591	65,408	–451	46,454	–183	54,352
3-12 months	134	73,954	1,509	90,293	–368	61,970	–224	88,322
1-5 years	785	334,545	3,335	271,153	641	278,179	504	416,651
Longer than 5 years	–378	59,120	358	36,267	666	242,546	–146	31,617
<b>Total</b>	<b>89</b>	<b>510,717</b>	<b>6,793</b>	<b>463,121</b>	<b>488</b>	<b>629,149</b>	<b>–49</b>	<b>590,942</b>

### 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

SBAB 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 interest/currency swaps.

#### Group

As at 31 December 2010, the nominal amount of derivatives held for fair value hedging was SEK 356.0 billion (309.3). The fair value of these derivatives was SEK 1,866 million (6,652) and the year's change in value was a decline of SEK 661 million (decline: 325). The change in value of the hedged items with respect to hedged risk amounted to income of SEK 869 million (1,147) and the realised result from repurchased debt amounted to an expense of SEK 770 million (expense: 949). Accordingly, the effect on the year's earnings of the Group's hedge accounting for fair value as well as completed repurchases was an expense of SEK 562 million (expense: 127).

#### Parent Company

As at 31 December 2010, the nominal amount of derivatives held for fair value hedging was SEK 44.9 billion (58.0). The fair value of these derivatives was SEK 1,825 million (240) and the year's change in value was a decline of SEK 399 million (decline: 144). The change in fair value of the hedged items with respect to hedged risk amounted to income of SEK 198 million (income: 357) and the realised result from repurchased debt amounted to an expense of SEK 236 million (expense: 121). Accordingly, the effect on the year's earnings of the Parent Company's hedge accounting for fair value and completed repurchases was an expense of SEK 437 million (income: 92).

#### Cash flow hedges

SBAB also hedges uncertainty associated with future cash flows. Uncertainty associated with future cash flows arises when funding takes place at floating interest rates. These interest rates have a fixed-interest term of between one and six months. However, the maturity horizon is considerably longer, up to 15 years. Interest/currency swaps are used to hedge the future interest-rate payments for a desired maturity. Interest rate swaps with a future value date are used for future cash flows that are to be reinvested or refinanced to guarantee a known reinvestment or a refinancing rate. There is a high degree of probability that the hedged future cash flows will be received, since they are contracted.

#### Group and Parent Company

As at 31 December 2010, the nominal amount of derivatives held for cash flow hedging was SEK 0.4 billion (0.5). The fair value of these derivatives was SEK 29 million (2). To the extent that the hedge is effective, the change in value of derivative contracts is recognised in equity. The change in value is recognised in profit or loss at the same rate as the cash flows of the hedged item affect earnings. At the end of the year, the hedge reserve after tax amounted to a negative SEK 1 million (negative: 4). These hedges showed no ineffectiveness.

## Note 17 Shares and participations in joint ventures

FriSpar Bolån AB is a joint venture recognised in accordance with the proportional consolidation method.

### Parent Company

SEK million	2010	2009
	Frispar Bolån AB 556248-3338, Stockholm	Frispar Bolån AB 556248-3338, Stockholm
Swedish credit institutions		
Cost at the beginning of the year	510	510
Shareholders' contribution	77	–
<b>Cost at the end of the year</b>	<b>587</b>	<b>510</b>

The assets are expected to be disposed of after more than 12 months.

### Parent Company

SEK million	2010	2009
	Frispar Bolån AB 556248-3338, Stockholm	Frispar Bolån AB 556248-3338, Stockholm
Swedish credit institutions		
Number of shares	6,120	6,120
Share of equity, %	51	51
Carrying amount	587	510

### Parent Company

SEK million	2010	2009
	Frispar Bolån AB 556248-3338, Stockholm	Frispar Bolån AB 556248-3338, Stockholm
Swedish credit institutions		
Current assets	9	12
Fixed assets	4,709	4,895
Current liabilities	23	18
Long-term liabilities	4,094	4,363
Income	27	26
Expenses	–10	–6

The amounts relate to the Parent Company's share, meaning 51% of FriSpar Bolån AB's corresponding amount.

## Note 18 Shares and participations in Group companies

### Parent Company

SEK million	2010	2009
	The Swedish Covered Bond Corporation 556645-9755, Stockholm	The Swedish Covered Bond Corporation 556645-9755, Stockholm
Swedish credit institutions		
Cost at the beginning of the year	9,600	9,600
Shareholders' contribution	–	–
<b>Cost at the end of the year</b>	<b>9,600</b>	<b>9,600</b>

The assets are expected to be disposed of after more than 12 months.

### Parent Company

SEK million	2010	2009
	The Swedish Covered Bond Corporation 556645-9755, Stockholm	The Swedish Covered Bond Corporation 556645-9755, Stockholm
Swedish credit institutions		
Number of shares	500,000	500,000
Share of equity, %	100	100
Carrying amount	9,600	9,600

**Note 19** Intangible fixed assets

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Cost at the beginning of the year	143	131	44	43
Acquisitions during the year	13	12	4	1
Divestments during the year	–	–	–	–
Cost at the end of the year	156	143	48	44
Amortisation at the beginning of the year	–104	–83	–38	–31
Amortisation for the year according to plan	–18	–21	–5	–7
Divestments during the year	–	–	–	–
Accumulated amortisation according to plan	–122	–104	–43	–38
<b>Net carrying amount</b>	<b>34</b>	<b>39</b>	<b>5</b>	<b>6</b>

**Note 20** Property, plant and equipment

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Cost at the beginning of the year	126	111	126	111
Acquisitions during the year	14	16	14	16
Divestments during the year	–0	–1	–0	–1
Cost at the end of the year	140	126	140	126
Depreciation at the beginning of the year	–104	–99	–104	–99
Depreciation for the year according to plan	–8	–6	–8	–6
Divestments during the year	0	1	0	1
Accumulated depreciation according to plan	–112	–104	–112	–104
<b>Net carrying amount</b>	<b>28</b>	<b>22</b>	<b>28</b>	<b>22</b>

**Note 21** Other assets

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Securities settlement receivables	382	–	382	–
Overdue interest receivables	73	47	17	18
Anticipated dividends	–	–	100	–
Other	7	18	16	25
<b>Total</b>	<b>462</b>	<b>65</b>	<b>515</b>	<b>43</b>
<i>Other assets by remaining term, carrying amount</i>				
At most 1 year	462	65	515	43
Longer than 1 year	–	–	–	–
<b>Total</b>	<b>462</b>	<b>65</b>	<b>515</b>	<b>43</b>

**Note 22** Prepaid expenses and accrued income

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Prepaid expenses	21	20	19	18
Accrued interest income	795	594	578	419
Accrued guarantees	53	60	20	26
Other accrued income	22	22	17	17
<b>Total</b>	<b>891</b>	<b>696</b>	<b>634</b>	<b>480</b>
<i>Prepaid expenses and accrued income by remaining maturity, carrying amount</i>				
At most 1 year	856	656	620	463
Longer than 1 year	35	40	14	17
<b>Total</b>	<b>891</b>	<b>696</b>	<b>634</b>	<b>480</b>

## Note 23 Liabilities to credit institutions

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Lending in Swedish kronor	11,877	13,656	4,473	8,707
Lending in foreign currency	6,380	2,683	5,502	–
<b>Total</b>	<b>18,257</b>	<b>16,339</b>	<b>9,975</b>	<b>8,707</b>
<i>of which repos</i>	<i>14,115</i>	<i>7,879</i>	<i>8,300</i>	<i>8,695</i>
<i>Liabilities to credit institutions by remaining maturity, carrying amount</i>				
Payable on demand	4,142	8,460	1,675	12
At most 3 months	14,115	7,879	8,300	8,695
<b>Total</b>	<b>18,257</b>	<b>16,339</b>	<b>9,975</b>	<b>8,707</b>
Average remaining term, years	0.0	0.0	0.0	0.0

## Note 24 Customer accounts

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Private individuals	4,816	4,248	4,816	4,248
Tenant-owner associations	990	360	990	360
Companies	277	45	277	45
<b>Total</b>	<b>6,083</b>	<b>4,653</b>	<b>6,083</b>	<b>4,653</b>
<i>Customer accounts by remaining maturity, carrying amount</i>				
Payable on demand	6,069	4,651	6,069	4,651
At most 3 months	1	–	1	–
Longer than 3 months but at most 1 year	0	1	0	1
Longer than 1 year but at most 5 years	13	1	13	1
Longer than 5 years	–	–	–	–
<b>Total</b>	<b>6,083</b>	<b>4,653</b>	<b>6,083</b>	<b>4,653</b>

## Note 25 Debt securities in issue

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<i>Financial liabilities at amortised cost</i>				
Commercial paper programmes in Swedish kronor	9,649	14,343	9,649	14,343
Commercial paper programmes in foreign currency	16,869	9,811	16,869	9,811
<b>Total</b>	<b>26,518</b>	<b>24,154</b>	<b>26,518</b>	<b>24,154</b>
<i>Financial liabilities in hedge accounting</i>				
Bond loans in Swedish kronor	141,428	133,663	40,865	44,590
Bond loans in foreign currency	94,016	91,278	39,840	41,005
<b>Total</b>	<b>235,444</b>	<b>224,941</b>	<b>80,705</b>	<b>85,595</b>
<b>Total debt securities in issue</b>	<b>261,962</b>	<b>249,095</b>	<b>107,223</b>	<b>109,749</b>
<i>of which covered bonds</i>	<i>154,739</i>	<i>139,346</i>	<i>–</i>	<i>–</i>
<i>Debt securities in issue by remaining term, carrying amount</i>				
At most 1 year	89,630	77,299	59,501	41,562
Longer than 1 year but at most 5 years	155,050	157,503	47,499	66,872
Longer than 5 years but at most 10 years	16,064	12,982	185	1,315
Longer than 10 years	1,218	1,311	38	–
<b>Total</b>	<b>261,962</b>	<b>249,095</b>	<b>107,223</b>	<b>109,749</b>
Average remaining term, years	2.2	1.9	1.0	1.4
Average remaining fixed-interest term, years	1.9	1.6	0.7	0.7



The bond loan conditions in SBAB's long-term funding programme include a possibility for the bondholder to demand premature redemption of the holder's bonds issued in such loan programmes if the Swedish Government ceases to own the majority of the shares in SBAB and the Swedish state, before such change in ownership, has not taken steps to guarantee SBAB's commitments ensuing from the bond loan or the bondholders have accepted this in such a way as is described in current terms and conditions. Subordinated debentures and Tier 1 contributions issued under the long-term funding programme do not include the aforesaid conditions, however. Total funding under these programmes with the right to demand redemption amounted to SEK 64.7 billion (63.2) as at 31 December 2010.

## Note 26 Other liabilities

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Accounts payable	7	10	7	10
Employees' income tax	5	6	5	6
Tax liabilities	164	54	102	52
Liabilities to borrowers	143	240	109	223
Liabilities to subsidiaries	–	–	–	610
Other	19	21	19	21
<b>Total</b>	<b>338</b>	<b>331</b>	<b>242</b>	<b>922</b>
<i>Other liabilities allocated according to remaining term, carrying amount</i>				
At most 1 year	338	331	242	922
Longer than 1 year	–	–	–	–
<b>Total</b>	<b>338</b>	<b>331</b>	<b>242</b>	<b>922</b>

## Note 27 Accrued expenses and prepaid income

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Accrued interest expense	3,796	3,810	599	657
Other accrued expenses	237	256	191	212
– of which incentive programme	11	28	11	28
<b>Total</b>	<b>4,033</b>	<b>4,066</b>	<b>790</b>	<b>869</b>
<i>Accrued expenses and prepaid income allocated by remaining term, carrying amount</i>				
At most 1 year	4,033	4,066	790	869
Longer than 1 year	–	–	–	–
<b>Total</b>	<b>4,033</b>	<b>4,066</b>	<b>790</b>	<b>869</b>

## Note 28 Deferred taxes

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<i>Deferred tax assets (+)/tax liability (-) pertaining to temporary differences in</i>				
– Change in value of interest-rate-hedged items in portfolio hedges	160	92	–	–
– Bonds	–177	–277	–177	–277
– Securities in issue	73	854	20	71
– Derivative instruments	–134	–923	–57	–167
– Intangible fixed assets	–7	–9	–	–
– Provision for pensions	25	25	–	–
– Other	0	0	0	0
<b>Total</b>	<b>–60</b>	<b>–238</b>	<b>–214</b>	<b>–373</b>
<i>Change in deferred taxes</i>				
Deferred tax in profit or loss	179	–215	160	–369
Deferred tax attributable to items recognised directly in equity	–1	–47	–1	350
<b>Total</b>	<b>178</b>	<b>–262</b>	<b>159</b>	<b>–19</b>
<i>Deferred tax by expected due date, carrying amount</i>				
At most 1 year	–	–	–	–
Later than 1 year	–60	–238	–214	–373
<b>Total</b>	<b>–60</b>	<b>–238</b>	<b>–214</b>	<b>–373</b>

## Note 29 Provisions

	Group	
SEK million	2010	2009
Provisions for pensions	-76	-77
Provision for special payroll tax on pensions	-18	-18
<b>Total</b>	<b>-94</b>	<b>-95</b>

### Summary of defined-benefit pension plan

	Group	
SEK million	2010	2009
Present value of the obligation, closing balance	290	242
Fair value of plan assets	-181	-163
Unrecognised actuarial gain (+) / loss (-) net	-33	-2
<b>Provisions for pensions</b>	<b>76</b>	<b>77</b>

### Changes pertaining to pension obligations

	Group	
SEK million	2010	2009
<b>Present value of the obligation, opening balance</b>	<b>242</b>	<b>233</b>
Cost pertaining to service during the period	9	10
Interest expense	9	9
Pension disbursements	-4	-5
Actuarial gain (-) / loss (+) during the period	35	-5
– of which, experience-based	20	-5
<b>Present value of the obligation, closing balance</b>	<b>291</b>	<b>242</b>

### Changes in fair value of plan assets

	Group	
SEK million	2010	2009
<b>Fair value, opening balance</b>	<b>163</b>	<b>157</b>
Expected return	8	8
Premium payments	10	10
Disbursed compensation	-4	-5
Actuarial gain (+) / loss (-) during the period	4	-7
– of which, experience-based	4	-7
<b>Fair value, closing balance</b>	<b>181</b>	<b>163</b>

The plan assets comprised interest-bearing instruments 65% (86), equities 28% (8) and alternative investments 7% (6). The return on plan assets was 6%.

### Pension cost pertaining to defined-benefit pension plan

	Group	
SEK million	2010	2009
Cost pertaining to service during the period	9	10
Interest expense	9	9
Expected return on plan assets	-8	-8
<b>Total pension cost for defined-benefit pension plan</b>	<b>10</b>	<b>11</b>

During 2011, SEK 12 million (9) is expected to be paid into the defined-benefit pension plan.

### Actuarial and financial obligations

	Group	
%	2010	2009
Discount interest rate	3.50	3.75
Return on plan assets	5.00	5.00
Annual salary increase	3.00	3.00
Annual increase in income base amount	3.00	3.00
Annual inflation	2.00	2.00
Retirement frequency	6.00	6.00
Mortality table	DUS06	DUS06

Unrecognised actuarial gain (+) / loss (-) net		Group	
SEK million		2010	2009
<b>Unrecognised actuarial gain (+) / loss (-) net, opening balance</b>		<b>-2</b>	<b>-</b>
<i>Corridor limit, opening balance</i>		<i>24</i>	<i>23</i>
Amortisation of actuarial gain (-) / loss (+)		-	-
Actuarial gain (+) / loss (-) on present value of the obligation during the period		-35	5
Actuarial gain (+) / loss (-) on plan assets during the period		4	-7
<b>Unrecognised accumulated actuarial gain (+) / loss (-) net, closing balance</b>		<b>-33</b>	<b>-2</b>

## Note 30 Subordinated liabilities

### Group and Parent Company

Loan designation	Currency	Nominal amount	Nominal amount outstanding	First possible redemption right for SBAB	Interest rate, % 31 Dec 2010	Due date	Carrying amount, SEK million	
							2010	2009
Debenture JPY 1	JPY	10,000,000,000	10,000,000,000	-	5.23	2015-11-16	971	929
Debenture SEK 1	SEK	500,000,000	500,000,000	2011	3.60	2016-06-14	503	516
Debenture SEK 2	SEK	700,000,000	700,000,000	2016	5.22	Undated	730	739
Debenture SEK 3	SEK	300,000,000	300,000,000	2016	3 M STIBOR+0.93	Undated	300	300
Debenture SEK 4	SEK	1,000,000,000	1,000,000,000	2013	7.32	2018-04-25	1,040	1,067
Debenture SEK 5	SEK	2,000,000,000	2,000,000,000	2015	7.16	Undated	1,964	-
<b>Total</b>							<b>5,508</b>	<b>3,551</b>
<i>Of which, Group companies</i>							-	-

The subordinate debentures are subordinated to the Parent Company's other liabilities, which means that they carry entitlement to payment only after other claimants have received payment. Subordinated debentures SEK 2, SEK 3 and SEK 5 are subordinated to other subordinated debentures, known as Tier 1 contributions, and may be included in Tier 1. Permission has been obtained from the Swedish Financial Supervisory Authority to include these in the company's capital base for the purpose of calculating the Parent Company's capital adequacy.

#### Subordinated liabilities are distributed among the following six loans:

##### JPY 1

Term: 1995-11-16 - 2015-11-16

Interest rate: SBAB can decide to pay the interest in USD, EUR or JPY. The interest rate is 5.23% in the respective currency.

##### SEK 1

Term: 2005-12-14 - 2016-06-14

Interest rate: For the period 14 December 2005 - 14 June 2011: 3.60%. For the subsequent period: Floating interest corresponding to three months STIBOR plus 1.71%.

##### SEK 2

The loan is undated.

Interest rate: For the period 30 June 2006 - 30 June 2016: 5.22%. For the subsequent period: Floating interest corresponding to three months STIBOR plus 1.93%.

##### SEK 3

The loan is undated.

Interest rate: For the period 30 June 2006 - 30 June 2016: Floating interest equivalent to three months STIBOR plus 0.93%. For the subsequent period: Floating interest corresponding to three months STIBOR plus 1.93%.

##### SEK 4

Term: 2008-04-25 - 2018-04-25

Interest rate: For the period 25 April 2008 - 25 April 2013: 7.32%. For the subsequent period: Floating interest corresponding to three months STIBOR plus 4.10%.

##### SEK 5

The loan is undated.

Interest rate: For the period 8 April 2010 - 8 June 2015: 7.16%. For the subsequent period: Floating interest corresponding to three months STIBOR plus 4.50%.

## Note 31 Equity

The share capital amounts to SEK 1,958,300,000. The number of shares was 19,583, each with a quotient value of SEK 100,000, as in previous years. All shares are owned by the Swedish state. 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 2010. It was decided not to pay a dividend for the years 2008-2009.

### Specification of changes in equity

#### Group

##### Other reserves

SEK million	2010	2009
<b>Cash flow hedges at the beginning of the year</b>	<b>-4</b>	<b>-1</b>
Change in fair value	4	-4
Tax attributable to the change	-1	1
<b>Cash flow hedges at the end of the year</b>	<b>-1</b>	<b>-4</b>
<b>Reclassification of financial assets at the beginning of the year</b>	<b>-136</b>	<b>-203</b>
Accrual of interest and currency effect in reclassified financial assets	77	91
Tax attributable to the change	-20	-24
<b>Reclassified financial assets at the end of the year</b>	<b>-79</b>	<b>-136</b>
<b>Total</b>	<b>-80</b>	<b>-140</b>

#### Parent Company

##### Reserve for fair value

SEK million	2010	2009
<b>Cash flow hedges at the beginning of the year</b>	<b>-4</b>	<b>-1</b>
Change in fair value	4	-4
Tax attributable to the change	-1	1
<b>Cash flow hedges at the end of the year</b>	<b>-1</b>	<b>-4</b>
<b>Reclassification of financial assets at the beginning of the year</b>	<b>-136</b>	<b>-203</b>
Accrual of interest and currency effect in reclassified financial assets	77	91
Tax attributable to the change	-20	-24
<b>Reclassified financial assets at the end of the year</b>	<b>-79</b>	<b>-136</b>
<b>Total</b>	<b>-80</b>	<b>-140</b>

## Note 32 Assets pledged for own liabilities

SEK million	Group		Parent Company	
	2010	2009	2010	2009
Loan receivables	199,073	165,569	-	-
Other receivables	271	158	271	158
Repos	3,548	647	-	-
Securities	8,300	0	8,300	6,999
<b>Total</b>	<b>211,192</b>	<b>166,374</b>	<b>8,571</b>	<b>7,157</b>

Of the assets pledged, SEK 205.1 billion (166.2) consists of collateral for covered bonds of SEK 154.7 billion (139.3).

### Note 33 Commitments

SEK million	Group		Parent Company	
	2010	2009	2010	2009
<i>Commitments concerning future payments</i>	–	–	–	–
<i>Other commitments</i>				
Loan promises and other credit related commitments	30,136	53,282	29,962	53,184
Unutilised portion of granted credit facilities	–	–	–	–
Other commitments	199	–	30,783	36,101
<b>Total</b>	<b>30,335</b>	<b>53,282</b>	<b>60,745</b>	<b>89,285</b>
<i>Commitments allocated by remaining term</i>				
Within 1 year	30,250	52,440	60,660	88,443
1-5 years	85	842	85	842
> 5 years	–	–	–	–
<b>Total</b>	<b>30,335</b>	<b>53,282</b>	<b>60,745</b>	<b>89,285</b>

Loan promises and other credit-related commitments in the Group totalling SEK 30,136 million (53,282) were reduced to SEK 4,190 million (9,326) after taking into account the conversion factor, meaning the statistically calculated probability that the exposure will lead to payment of the loan. Corresponding figures for the Parent Company amounted to SEK 29,962 million (53,184) and SEK 4,046 million (9,242) respectively. Other commitments in the Parent Company pertain to a liquidity facility with the subsidiary SCBC. The purpose of the agreement is to enable SCBC to borrow funds from the Parent Company if SCBC cannot obtain payment for its bondholders when its bonds fall due.

### Note 34 Classification of financial instruments

#### Group

#### Financial assets

SEK million	2010						2009					
	Hedge- accounted derivative instruments	Loan receivables included in hedge accounting	Assets at fair value through profit or loss	Other loan receiv- ables	Total	Total fair value	Hedge- accounted derivative instruments	Loan receivables included in hedge accounting	Assets at fair value through profit or loss	Other loan receiv- ables	Total	Total fair value
Cash and balances at central banks				0	0	0				0	0	0
Chargeable treasury bills and other eligible bills			2,365		2,365	2,365			8,098		8,098	8,098
Lending to credit institutions				12,892	12,892	12,903				9,054	9,054	9,091
Lending to the public		92,122		156,981	249,103	249,850		84,865		141,111	225,976	228,936
Change in value of interest-rate- hedged items in portfolio hedges		500			500	–		2,590			2,590	–
Bonds and other interest-bearing securities			23,049	14,936	37,985	37,312			13,011	19,401	32,412	31,370
Derivative instruments	9,664		3,001		12,665	12,665	12,816		2,307		15,123	15,123
Other assets				462	462	462				65	65	65
Prepaid expenses and accrued income		100	511	280	891	891		84	263	349	696	696
<b>Total</b>	<b>9,664</b>	<b>92,722</b>	<b>28,926</b>	<b>185,551</b>	<b>316,863</b>	<b>316,448</b>	<b>12,816</b>	<b>87,539</b>	<b>23,679</b>	<b>169,980</b>	<b>294,014</b>	<b>293,379</b>



## Financial liabilities

SEK million	2010						2009					
	Hedge-accounted derivative instruments	Liabilities covered by hedge accounting	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Total fair value	Hedge-accounted derivative instruments	Liabilities covered by hedge accounting	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions				18,257	18,257	18,257				16,339	16,339	16,339
Customer accounts				6,083	6,083	6,083				4,653	4,653	4,653
Debt securities in issue		181,035		80,927	261,962	263,628		224,941		24,154	249,095	250,493
Derivative instruments	7,769		4,807		12,576	12,576	6,162		2,168		8,330	8,330
Other liabilities				338	338	338				331	331	331
Accrued expenses and prepaid income		3,654		379	4,033	4,033		3,705		361	4,066	4,066
Subordinated liabilities		5,208		300	5,508	5,507		3,251		300	3,551	3,431
<b>Total</b>	<b>7,769</b>	<b>189,897</b>	<b>4,807</b>	<b>106,284</b>	<b>308,757</b>	<b>310,422</b>	<b>6,162</b>	<b>231,897</b>	<b>2,168</b>	<b>46,138</b>	<b>286,365</b>	<b>287,643</b>

## Parent Company

## Financial assets

SEK million	2010						2009					
	Hedge-accounted derivative instruments	Loan receivables included in hedge accounting	Assets at fair value through profit or loss	Other loan receivables	Total	Total fair value	Hedge-accounted derivative instruments	Loan receivables included in hedge accounting	Assets at fair value through profit or loss	Other loan receivables	Total	Total fair value
Cash and balances at central banks				0	0	0				0	0	0
Chargeable treasury bills and other eligible bills			2,365		2,365	2,365			8,098		8,098	8,098
Lending to credit institutions				50,265	50,265	50,284				37,070	37,070	37,148
Lending to the public				35,298	35,298	35,608				48,225	48,225	48,819
Change in value of interest-rate-hedged items in portfolio hedges				-14	-14	-				-23	-23	-
Bonds and other interest-bearing securities			23,049	14,936	37,985	37,312			13,011	19,401	32,412	31,370
Derivative instruments	4,404		5,922		10,326	10,326	2,619		7,756		10,375	10,375
Other assets				515	515	515				43	43	43
Prepaid expenses and accrued income			511	123	634	634			263	217	480	480
<b>Total</b>	<b>4,404</b>		<b>31,847</b>	<b>101,123</b>	<b>137,374</b>	<b>137,044</b>	<b>2,619</b>		<b>29,128</b>	<b>104,933</b>	<b>136,680</b>	<b>136,333</b>

## Financial liabilities

SEK million	2010						2009					
	Hedge-accounted derivative instruments	Liabilities covered by hedge accounting	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Total fair value	Hedge-accounted derivative instruments	Liabilities covered by hedge accounting	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions				9,975	9,975	9,975				8,707	8,707	8,707
Customer accounts				6,083	6,083	6,083				4,653	4,653	4,653
Debt securities in issue		25,733		81,490	107,223	107,391		85,595		24,154	109,749	110,800
Derivative instruments	2,550		7,288		9,838	9,838	2,377		8,047		10,424	10,424
Other liabilities				242	242	242				922	922	922
Accrued expenses and prepaid income		500		290	790	790		570		299	869	869
Subordinated liabilities		5,208		300	5,508	5,507		3,251		300	3,551	3,431
<b>Total</b>	<b>2,550</b>	<b>31,441</b>	<b>7,288</b>	<b>98,380</b>	<b>139,659</b>	<b>139,826</b>	<b>2,377</b>	<b>89,416</b>	<b>8,047</b>	<b>39,035</b>	<b>138,875</b>	<b>139,806</b>

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

The table below shows how the reclassified assets were recognised in terms of gains, losses, revenues and costs. Interest income is shown gross, excluding financial expense. Currency effects do not take into account the counteracting effects that have arisen in connection with funding.

## Impact on profit

SEK million	2010	2009
Interest income	328	628
Change in fair value	-	-
Currency effect	-2,131	-1,138
<b>Total</b>	<b>-1,803</b>	<b>-510</b>

## Expected cash flow per reclassification occasion, 1 July 2008

SEK million	< 1 year	1-2 years	2-5 years	> 5 years
Structured loans	2,430	1,769	14,875	2,603

## Note 35 Calculation of fair value

### Group

SEK million	2010				2009			
	Quoted market prices (Level 1)	Other observable data (Level 2)	Non- observable data (Level 3)	Total	Quoted market prices (Level 1)	Other observable data (Level 2)	Non- observable data (Level 3)	Total
<b>Assets</b>								
Securities in the category trade	14,136	11,278	–	25,414	5,919	15,190	–	21,109
Derivative instruments in the category trade	89	2,912	–	3,001	37	2,270	–	2,307
Other derivative instruments	–	9,664	–	9,664	–	12,816	–	12,816
<b>Total</b>	<b>14,225</b>	<b>23,854</b>	<b>–</b>	<b>38,079</b>	<b>5,956</b>	<b>30,276</b>	<b>–</b>	<b>36,232</b>
<b>Liabilities</b>								
Derivate instruments in the category trade	146	4,661	–	4,807	41	2,127	–	2,168
Other derivative instruments	–	7,769	–	7,769	–	6,162	–	6,162
<b>Total</b>	<b>146</b>	<b>12,430</b>	<b>–</b>	<b>12,576</b>	<b>41</b>	<b>8,289</b>	<b>–</b>	<b>8,330</b>

### Parent Company

SEK million	2010				2009			
	Quoted market prices (Level 1)	Other observable data (Level 2)	Non- observable data (Level 3)	Total	Quoted market prices (Level 1)	Other observable data (Level 2)	Non- observable data (Level 3)	Total
<b>Assets</b>								
Securities in the category trade	14,136	11,278	–	25,414	5,919	15,190	–	21,109
Derivative instruments in the category trade	89	5,833	–	5,922	37	7,719	–	7,756
Other derivative instruments	–	4,404	–	4,404	–	2,619	–	2,619
<b>Total</b>	<b>14,225</b>	<b>21,515</b>	<b>–</b>	<b>35,740</b>	<b>5,956</b>	<b>25,528</b>	<b>–</b>	<b>31,484</b>
<b>Liabilities</b>								
Derivate instruments in the category trade	146	7,142	–	7,288	41	8,006	–	8,047
Other derivative instruments	–	2,550	–	2,550	–	2,377	–	2,377
<b>Total</b>	<b>146</b>	<b>9,692</b>	<b>–</b>	<b>9,838</b>	<b>41</b>	<b>10,383</b>	<b>–</b>	<b>10,424</b>

### Parent Company and Group

In the table, financial assets and liabilities at fair value in the balance sheet are divided on the basis of the following three measurement methods:

#### Quoted market prices (Level 1)

Measurement at quoted prices in a market for identical assets and liabilities. The measurement method is mainly used for holdings of interest-bearing securities issued by Swedish banks, Swedish mortgage institution and the Kingdom of Sweden, plus publicly quoted derivative instruments, primarily interest-rate futures.

#### Measurement based on other observable data (Level 2)

Measurement aided by external market information other than quoted prices, such as those included in Level 1; for example, interest rates or prices for closely related instruments. This group includes all non-quoted derivative instruments, as well as holdings of European covered bonds.

#### Measurement based in part on non-observable data (Level 3)

Measurement whereby a material component of the model is based on estimates or assumptions that did not originate directly from the market. This method is currently not used for any assets or liabilities.

## Note 36 Information about related parties

SBAB is a 100% state-owned Swedish public limited company.

### Group companies and joint ventures

The Swedish Covered Bond Corporation is to be regarded as a subsidiary and recognised in accordance with the acquisition method, which entails that internal transactions are eliminated at the Group level. FriSpar Bolån AB is a joint venture.

Parent Company SEK million	2010					
	Group companies		Joint ventures		Total	
	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Lending to credit institutions	38,363	505	7,954	169	46,317	674
Derivative instruments	1,599	1,382			1,599	1,382
Other assets	177		9		186	
<b>Total</b>	<b>40,139</b>	<b>1,887</b>	<b>7,963</b>	<b>169</b>	<b>48,102</b>	<b>2,056</b>
Liabilities to credit institutions	2,478	34			2,478	34
Debt securities in issue			1,100	34	1,100	34
Derivative instruments	1,208	480			1,208	480
Other liabilities	0		13		13	
<b>Total</b>	<b>3,686</b>	<b>514</b>	<b>1,113</b>	<b>34</b>	<b>4,799</b>	<b>548</b>

Parent Company SEK million	2009					
	Group companies		Joint ventures		Total	
	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Lending to credit institutions	26,626	291	8,503	132	35,129	423
Derivative instruments	3,753	-195			3,753	-195
Other assets	212		7		219	
<b>Total</b>	<b>30,591</b>	<b>96</b>	<b>8,510</b>	<b>132</b>	<b>39,101</b>	<b>228</b>
Liabilities to credit institutions	6,999	7			6,999	7
Debt securities in issue			1,000	39	1,000	39
Derivative instruments	2,400	613			2,400	613
Other liabilities	0		20		20	
<b>Total</b>	<b>9,399</b>	<b>620</b>	<b>1,020</b>	<b>39</b>	<b>10,419</b>	<b>659</b>

Of the Parent Company's commission income, commission from joint ventures accounts for SEK 50 million (44) and compensation concerning the Group companies' ability to exercise a liquidity facility at the Parent Company for SEK 29 million (18). In addition, the Parent Company conducts administrative services on behalf of Group companies for SEK 431 million (410); see Note 5.

### Loans to the Board, the CEO and other key executive personnel

SEK million	2010		2009	
	Lending	Interest income	Lending	Interest income
<b>Loans to key personnel</b>				
CEO	-	-	-	-
Board of Directors	2	0	6	0
Other key executive personnel	8	0	11	0
<b>Total</b>	<b>10</b>	<b>0</b>	<b>17</b>	<b>0</b>

SEK million	2010		2009	
	Deposits	Interest expense	Deposits	Interest expense
<b>Deposits from key personnel</b>				
CEO and other key executive personnel	2	0	2	0
Board of Directors	0	0	2	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>0</b>

The CEO and the Board refer to the Parent Company. Wherever relevant, the CEO and board of other Group companies are included under Other key executives.

Lending to members of the Board of the Swedish Housing Finance Corporation, SBAB or to employees holding key positions in the company may not occur on terms that are not normally available to other personnel.

Deposits from key personnel are made on the same terms and conditions as other deposits in the company.

## Note 37 Operating segments

SBAB has identified three operating segments: Consumer, Corporate Clients and Finance. The operating segments comply with how SBAB's organisation is composed and matches the segments previously presented in accordance with IAS 14. The Consumer operating segment includes lending for single-family dwellings, holiday homes, tenant-owner rights and tenant-owner associations, as well as deposits from private individuals and tenant-owner associations. Corporate Clients includes lending to private multi-family dwellings, commercial properties and municipal home loans, together with deposits. The Finance operating segment includes SBAB's funding, as well as management of financial risks and liquidity. Overhead costs/indirect costs have been allocated to the segments using relevant allocation keys.

### Group

SEK million	2010				2009			
Risk-adjusted income statement	Consumer	Corporate Clients	Finance	Total	Consumer	Corporate Clients	Finance	Total
<b>Net interest income</b>	<b>999</b>	<b>241</b>	<b>476</b>	<b>1,716</b>	<b>746</b>	<b>167</b>	<b>552</b>	<b>1,465</b>
Commission income	45	6	-1	50	39	5	0	44
Other operating income	-7	-4	-83	-94	-24	-12	-47	-83
Net income from financial instruments measured at fair value	-1	0	-288	-289	-2	1	496	495
<b>Total operating income</b>	<b>1,036</b>	<b>243</b>	<b>104</b>	<b>1,383</b>	<b>759</b>	<b>161</b>	<b>1,001</b>	<b>1,921</b>
Other expenses	-197	-40	-42	-279	-181	-36	-40	-257
Personnel costs	-201	-52	-46	-299	-195	-53	-45	-293
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-20	-3	-3	-26	-19	-3	-6	-28
<b>Total expenses before loan losses</b>	<b>-418</b>	<b>-95</b>	<b>-91</b>	<b>-604</b>	<b>-395</b>	<b>-92</b>	<b>-91</b>	<b>-578</b>
Loan losses, net	-70	-21	-2	-93	-56	-35	-1	-92
<b>Operating income</b>	<b>548</b>	<b>127</b>	<b>11</b>	<b>686</b>	<b>308</b>	<b>34</b>	<b>909</b>	<b>1,251</b>
Tax	-144	-33	-3	-180	-81	-9	-239	-329
<b>Risk-adjusted profit after tax</b>	<b>404</b>	<b>94</b>	<b>8</b>	<b>506</b>	<b>227</b>	<b>25</b>	<b>670</b>	<b>922</b>
<b>RAROC<sup>1)</sup>, after tax, %</b>	<b>12.1</b>	<b>6.8</b>	<b>1.7</b>	<b>9.7</b>	<b>7.8</b>	<b>2.3</b>	<b>42.4</b>	<b>16.5</b>

<sup>1)</sup> Risk-Adjusted Return On (economic) Capital, meaning risk-adjusted return after tax.

For further information on economic capital and expected losses, refer to page 24-25 and 39.

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

### Reconciliation

#### Group

SEK million	2010	2009
<b>Net interest income</b>	<b>1,762</b>	<b>1,519</b>
Commission income	50	44
Commission expense	-94	-90
Other operating income	0	6
Net of financial items measured at fair value	-289	495
<b>Total operating income</b>	<b>1,429</b>	<b>1,974</b>
Risk-adjusted revenues	1,383	1,921
Adjustment to return on recognised equity	46	53
<b>Total operating income</b>	<b>1,429</b>	<b>1,974</b>
Other expenses	-262	-241
Personnel costs	-316	-309
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-26	-28
Loan losses, net	-40	-107
<b>Total overhead costs and loan losses</b>	<b>-644</b>	<b>-685</b>
Risk-adjusted costs	-697	-670
Adjustment to recognised loan losses	53	-15
<b>Total overhead costs and loan losses</b>	<b>-644</b>	<b>-685</b>
Risk-adjusted profit before tax	686	1,251
Tax according to risk-adjusted profit or loss	-180	-329
<b>Risk-adjusted profit after tax</b>	<b>506</b>	<b>922</b>
<b>Risk-adjusted items</b>		
Adjustment to return on recognised equity	46	53
Adjustment to recognised loan losses	53	-15
Reversal of tax according to risk-adjusted profit or loss	180	329
<b>Operating profit</b>	<b>785</b>	<b>1,289</b>
Reported tax	-208	-338
<b>Profit for the year after tax</b>	<b>577</b>	<b>951</b>



## Note 38 Five-year summary

### Parent Company

SEK million	2010	2009	2008	2007	2006 <sup>1)</sup>
Interest income	2,226	2,294	4,445	4,231	4,869
Interest expense	-1,922	-1,611	-4,175	-4,007	-4,043
<b>Net interest income</b>	<b>304</b>	<b>683</b>	<b>270</b>	<b>224</b>	<b>826</b>
Other operating income	409	830	287	324	624
<b>Total operating income</b>	<b>713</b>	<b>1,513</b>	<b>557</b>	<b>548</b>	<b>1,450</b>
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-12	-13	-16	-18	-16
Other operating expenses	-587	-558	-498	-500	-579
<b>Total operating expenses</b>	<b>-599</b>	<b>-571</b>	<b>-514</b>	<b>-518</b>	<b>-595</b>
<b>Result before loan losses</b>	<b>114</b>	<b>942</b>	<b>43</b>	<b>30</b>	<b>855</b>
Loan losses, net	-30	-82	-4	19	-0
<b>Operating profit</b>	<b>84</b>	<b>860</b>	<b>39</b>	<b>49</b>	<b>855</b>
Loan portfolio	35,298	48,225	24,910	29,570	65,036
Other assets	112,296	98,593	88,870	78,571	56,623
<b>Total assets</b>	<b>147,594</b>	<b>146,818</b>	<b>113,780</b>	<b>108,141</b>	<b>121,659</b>
Deposits	6,083	4,653	3,542	759	-
Debt securities in issue	107,223	109,749	72,872	86,573	105,983
Other liabilities	20,845	20,922	26,027	11,754	6,688
Deferred tax liabilities	214	373	354	-	-
Subordinated liabilities	5,508	3,551	3,666	2,725	2,808
Untaxed reserves	-	-	-	-	3
Shareholders' equity	7,721	7,570	7,319	6,330	6,177
<b>Total liabilities and equity</b>	<b>147,594</b>	<b>146,818</b>	<b>113,780</b>	<b>108,141</b>	<b>121,659</b>
Core Tier 1 ratio, % <sup>2)</sup>	26.5	21.7	23.4	23.6	-
Tier 1 ratio, % <sup>2)</sup>	36.9	24.5	27.2	27.3	15.3
Capital adequacy ratio, % <sup>2)</sup>	44.0	30.7	35.3	34.7	19.1

<sup>1)</sup> Since May 2006, the Parent Company has transferred parts of the loan portfolio to the subsidiary The Swedish Covered Bond Corporation, SCBC.

<sup>2)</sup> The figures were calculated in accordance with the transitional rules. The comparative figures for 2006 have not been restated in accordance with IAS/IFRS.

# Proposed Appropriation of Profits

The Group's income statements and balance sheets will be submitted to the Annual General Meeting on 14 April 2011 for adoption.

The Board and the CEO certify that the consolidated financial statements were prepared in accordance with the international accounting standard IFRS as adopted by the EU and provide a true and fair view of the Group's position and earnings. The Annual Report was prepared in accordance with generally accepted accounting policies and provides a true and fair view of the Parent Company's position and earnings.

The administration report for the Group and Parent Company provides a true and fair view of the development of the Group and Parent Company's operations, position and earnings, and describes the significant risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

In accordance with Chapter 6, Section 2, second subsection of the Annual Accounts Act for Credit Institutions and Securities Companies, 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 CEO propose that the funds which, according to the balance sheet of the Parent Company, are at the disposal of the Annual General Meeting, namely SEK 5,371,255,939, of which the profit for the year amounts to SEK 91,282,306, be carried forward.

*Stockholm, 15 March 2011*

Arne Liljedahl  
*Chairman of the Board*

Jakob Grinbaum  
*Board Member*

Hanna Lagercrantz  
*Board Member*

Helena Levander  
*Board Member*

Karin Moberg  
*Board Member*

Lena Smeby-Udesen  
*Board Member*

Anna Christenson  
*Board Member*  
*(Employee Representative)*

Göran Thilén  
*Board Member*  
*(Employee Representative)*

Eva Cederbalk  
*Chief Executive Officer*

Our audit report was submitted on 16 March 2011

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg  
*Authorised Public Accountant*

# Audit Report

To the Annual General Meeting of Shareholders of the Swedish Housing Finance Corporation, SBAB, reg. no. 556253-7513

We have audited the annual accounts, consolidated accounts, accounting records and administration of the Board of Directors and the Chief Executive Officer of the Swedish Housing Finance Corporation, reg. no. 556253-7513, for the year 2010. The Annual Report and the consolidated accounts are included in the printed version of the report on pages 13-74. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Chief Executive Officer. They are also responsible for ensuring compliance with the Annual Accounts Act for Credit Institutions and Securities Companies when preparing this report and for compliance with the international financial reporting standards IFRS as adopted by the EU and the Annual Accounts for Credit Institutions and Securities Companies when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted the audit in accordance with generally accepted auditing standards in Sweden. This entails that we planned and performed the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts were 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 policies used and their application by the Board of Directors and Chief Executive Officer, as well as evaluating the important estimates made by the Board and Chief Executive Officer when drawing up the annual accounts and consolidated accounts and evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company to enable us to determine the liability, if any, to the Company of any Board Member or the Chief Executive Officer. We also examined whether any Board Member or the Chief Executive Officer had, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business 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 were prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, accordingly, provide a true and fair view of the Company's earnings and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated accounts were prepared in accordance with the international accounting standard IFRS as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies and provide a true and fair view of the Group's financial position and results. The administration report is in accordance with other parts of the annual accounts and consolidated accounts.

We recommend to the Annual General Meeting of Shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

*Stockholm, 16 March 2011*

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg  
*Authorised Public Accountant*

# Corporate Governance Report

## Chairman's Statement

In 2010, the Board's work included matters pertaining to the strategic efforts required to develop SBAB's business to enable an expansion of the customer offering. In late 2010, SBAB obtained a license from the Swedish Financial Supervisory Authority to conduct banking operations – an activity that SBAB will commence in 2011.

To date, SBAB has primarily been associated with housing financing while banking operations will provide a broader platform from which SBAB can offer additional products and services to customers.

Through the addition of banking services, SBAB will be able to offer its customers simple and modern products and services.

In developing its banking operations, SBAB will capitalise on its principal assets in the form of the customer base, the technical platform and SBAB's distribution model.

Matters concerning liquidity, capitalisation and regulatory framework developments in these areas were also recurring items on the Board's agenda in 2010. The regulations that arose in the wake of the financial crisis have led to an increasingly complex situation for financial companies, thus imposing strict requirements on solid corporate governance.

The Board has also, particularly through the work of its committees, focused on issues involving SBAB's granting of credit, funding operations, auditing and internal controls, as well as remuneration. In addition, reviews of the operation's earnings and volume trend were conducted on a regular basis during the year.

Three new members, Arne Liljedahl, Jakob Grinbaum and Hanna Lagercrantz, were elected to the Board through a resolution by the Annual General Meeting in April, while three members stepped down from the Board: Claes Kjellander, Lars Linder-Aronson and Michael Thorén. Lennart Francke stepped down from the Board in February 2011.



Stockholm, 15 March 2011

A handwritten signature in black ink, reading "Arne Liljedahl".

Arne Liljedahl  
Chairman of the Board

# Corporate Governance Report

## The State's governance, the Swedish Code of Corporate Governance and nonconformities with the Swedish Code of Corporate Governance

SBAB is a 100% state-owned Swedish public limited liability company. SBAB's registered office is in Stockholm. The owner controls SBAB through General Meetings of shareholders, the Board of Directors and the CEO in accordance with the Companies Act, the articles of association, SBAB policies and instructions and guidelines from the Government. The Swedish Code of Corporate Governance (the Code) is part of the Government's framework for corporate governance that complements the state's ownership policy. In certain issues, the Government Offices have decided to apply the rules in a manner that deviates from the Code rules, which are described in greater detail in the Government Communication on State Ownership Policy 2009.

SBAB complies with the Code in accordance with the Government Offices' interpretation, which entails the deviations from Code items 1, 2 and 4.5, as described below.

## Articles of Association

SBAB's Articles of Association regulate matters such as SBAB's business objective. The Articles of Association do not include any stipulations regulating the appointment or dismissal of Board Members, with the exception of a stipulation stating that the General Meeting of Shareholders is to appoint the Chairman of the Board and the one determining the minimum and maximum number of Board Members. Changes to the Articles of Association require notification of an Extraordinary General Meeting convened to address amendments to the Articles of Association to be issued not earlier than six weeks and not later than four weeks prior to the Meeting. SBAB is a 100% state-owned limited liability company and the Articles of Association

do not assign any limitations as to the number of votes that the shareholder can exercise at a General Meeting of Shareholders.

## Annual General Meeting

SBAB's Annual General Meeting was held on 21 April 2010 in Stockholm. The Annual General Meeting was open and the public was invited to attend, as were other specially invited persons including SBAB's business partners, Members of Parliament, customers and other stakeholders. In addition to these persons, most of the Board Members, the CEO, and SBAB's auditor attended the meeting. Claes Kjellander, former Chairman of the Board, chaired the Annual General Meeting.

Lennart Francke, Helena Levander, Karin Moberg and Lena Smeby-Udesen were re-elected to the Board at the Annual General Meeting. Newly elected Board Members were Arne Liljedahl, who was also elected Chairman of the Board, Jakob Grinbaum and Hanna Lagercrantz. Claes Kjellander, former Chairman of the Board, Lars Linder-Aronson and Michael Thorén stepped down as Board Members in conjunction with the Annual General Meeting.

The fees payable to Board Members were resolved at the Annual General Meeting. The meeting also resolved to discharge the Board of Directors and the CEO from liability and took decisions on the appropriation of profits and the adoption of the annual accounts for 2009. The CEO, Eva Cederbalk, held an address on SBAB's activities in 2009. Auditor Ulf Westerberg, auditor in charge at Öhrlings PricewaterhouseCoopers AB, reported at the Annual General Meeting on his examination in the audit report. In addition, Ulf Westerberg submitted to the Meeting his report on the open accounting prepared by SBAB in accordance with the Insight into Certain Financial Links and Related Matters Act (2005:590).

## Board Members' attendance of meetings of the Board, committees and subcommittees in 2010

	Board	Credit committee	Finance committee	Audit committee	Remuneration committee
Number of meetings	11	19	8	6	5
<b>Attendance</b>					
Claes Kjellander *	4	5	3		4
Arne Liljedahl **	7	11	4		1
Anna Christenson	10				
Lennart Francke ***	10	18		6	
Jakob Grinbaum **	7		5	4	
Hanna Lagercrantz **	6				1
Helena Levander	8	15			
Lars Linder-Aronson *	3		3		
Karin Moberg	11			6	
Lena Smeby-Udesen	9		8		
Göran Thilén **	8				
Michael Thorén *	4			1	4

\* The Board Member stepped down in conjunction with the 2010 Annual General Meeting. Accordingly, attendance at the above meetings only encompassed part of 2010.

\*\* The Board Member was elected in conjunction with the 2010 Annual General Meeting, or at another date during spring 2010 in the case of employee representatives. Accordingly, attendance at the above meetings only encompassed part of 2010.

\*\*\* The Board Member stepped down in February 2011.



The General Meeting of Shareholders has not authorised the Board to issue any new shares or to purchase own shares of the company.

### **Nomination process**

Uniform and shared principles are applied for a structured nomination process for the state-owned companies, as described in the Government Communication on State Ownership Policy 2009. This entails that Item 1.4 and a significant portion of Item 2 of the Code are not applied for SBAB.

### **The Board of Directors and its methods of work**

According to the Articles of Association, the Board is to consist of not fewer than five and not more than ten Members. The Members of the Board are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. SBAB's board consists of seven Board Members elected at the Annual General Meeting and two members appointed by the local branch of the employee organisation the Financial Sector Union of Sweden. The CEO is not a member of the Board. Following the 2010 Annual General Meeting, the Board of Directors of SBAB comprised Arne Liljedahl (Chairman of the Board), Anna Christenson (employee representative), Lennart Francke, Jakob Grinbaum, Hanna Lagercrantz, Helena Levander, Karin Moberg, Lena Smeby-Udesen and Göran Thilén (employee representative). The Board Member Lennart Francke stepped down from the Board in February 2011. A specification of age, principal education, occupational experience and the other assignments held by the members of the Board is presented on page 82.

All Board Members with the exception of the employee representatives are independent in relation to SBAB and the executive management. The state's owner policy explicitly states that the independence of the Board Members in relation to its majority shareholders need not be reported, which is motivated by the fact that the Code is primarily geared toward companies with diversified ownership. The Code requires companies to have not fewer than two Board Members who are independent in relation to its majority shareholders and the independence of all Board Members in relation to its majority owners to be reported, primarily in the interest of protecting minority shareholders. According to the owner's guidelines, wholly state-owned companies or partly owned companies with few owners have no reason to report this type of independence. Accordingly, Item 4.5 of the Code is not applied by SBAB pertaining to reporting of independence in relation to majority shareholders.

The Board is ultimately responsible for the organisation and administration of the company. The work of the Board complies with the formal work plan adopted annually at the statutory meeting of the Board following the Annual General Meeting. The formal work plan regulates decision-making within SBAB, the arrangements for Board meetings, and the division of work among the Board, the Chairman of the Board and the Board committees.

In 2010, the Board held eight ordinary board meetings, three extraordinary meetings and one specialised seminar concerning SBAB's internal capital assessment. The work of the Board takes place in accordance with an annual reporting plan aimed at meeting the Board's need for information. SBAB's Board takes decisions in matters concerning SBAB's strategic direction, investments, financing, major organisational issues and policies, and certain instructions. The Board considers the company's quarterly interim reports and decides on their adoption and publication. Issues relating to control that are the responsibility of the Board are discussed by the Board as a whole and are prepared by committees specially established by the Board. The Board also annually receives reports from SBAB's auditor and the company's internal auditing concerning observations from examinations and assessments on how control is maintained within the company. Other SBAB executives attend board meetings as reporter. SBAB's Chief Legal Counsel keeps the minutes of board meetings.

In addition to its meetings, the Board monitors SBAB's ongoing work and financial development through the CEO's monthly written report to the Board. The report includes an account of net operating income and information on changes in the loan portfolios and includes a report on margins, loan losses and problem loans, funding activity and the capital adequacy situation and risks.

The work of the Board and CEO is reviewed annually in accordance with the Board's formal work plan and the owner's instructions. An evaluation of the work of the Board and CEO was implemented at the end of 2010, the results of which were addressed by the Board meeting held on 3 February 2011.

None of the Board Members or the CEO holds shares or financial instruments issued by SBAB.

### **Committees of the Board**

The Board has intensified its work through the participation of Board Members in the following committees established by the Board. The committee meetings are minuted and the minutes are circulated to all Board Members and submitted and reported at Board meetings.

#### **Credit Committee**

The principal task of the Credit Committee is to decide on credit limits and loans in accordance with established credit instructions. The Credit Committee also has the task of preparing, for decision by the Board, changes in credit policy and credit instructions, assessing portfolio strategies, increasing the transparency of the loan portfolio, assessing valuation, decision and risk models, and evaluating existing or new delegation rights and of the Board's annual review of regulations, loan-granting model and results of the granting of retail credit.

The Credit Committee comprises at least two Board Members appointed by the Board, one of whom is the chairman of the committee, and SBAB's CEO. The Chief Credit Officer, the head of Corporate Clients or another specially appointed officer acts as reporter.



Following the statutory Board meeting in 2010 and during the remainder of the year, the members of the Credit Committee were: Lennart Francke (Chairman), Helena Levander and Eva Cederbalk (CEO). After Lennart Francke stepped down from the Board in February 2011, the members of the Credit Committee are: Arne Liljedahl (Chairman), Helena Levander and Eva Cederbalk (CEO).

The Credit Committee held 19 meetings during the year.

#### **Finance Committee**

The principal task of the Finance Committee is to take decisions in accordance with the financial instructions adopted by the Board for credit risk limits for financial activities, to take a position on measures required in the event of exceeded limits due to changes in the exchange rate or interest rate, to issue instructions concerning handling of credit risk limits for counterparties who are not loan customers, to take a position on the use of new financial instruments to determine risk limits for funding risks and to decide on the benchmark for interest rate risk associated with the company's equity in accordance with the principles established by the Board. In addition, the Finance Committee shall monitor risks in financial activities. The Finance Committee is to prepare changes in financial policy and financial instructions and other matters relating to financial activity for Board decisions.

The Finance Committee comprises at least three Board Members appointed by the Board, one of whom is the chairman of the committee, and SBAB's CEO. The Chief Financial Officer or another specially appointed officer acts as reporter for the issue concerned as does, to the extent relevant, SBAB's Risk Manager.

Since the statutory Board meeting in 2010, the Finance Committee has comprised the following members: Jakob Grinbaum (Chairman), Arne Liljedahl, Lena Smeby-Udesen and Eva Cederbalk (CEO).

The Finance Committee held eight meetings during the year.

#### **Audit Committee**

The main task of the Audit Committee is to examine the governance of SBAB, internal controls and financial information, and to prepare issues within these areas for decision by the Board.

The Audit Committee is also to prepare the Board's quality assurance work on financial reports, hold regular meetings with SBAB's auditors and acquire information concerning the focus and scope of the auditing, as well as to discuss the coordination between the external and internal auditing and the opinions on the Group's risks. In addition, the Audit Committee is to evaluate external auditing work and inform the owner's administrator of the results of this and assist in the drafting of proposals for auditors and fees.

The internal audit's auditing schedule and status reports concerning the work of the internal auditors are also addressed in the Audit Committee ahead of decisions or presentations to the Board.

The Audit Committee comprises at least three Board Members appointed by the Board, one of whom is the chairman of the committee.

Following the statutory Board meeting in 2010 and for the remainder of the year the Audit Committee comprised: Karin Moberg (Chairman), Lennart Francke and Jakob Grinbaum. After Lennart Francke stepped down from the Board in February 2011, the members of the Audit Committee are: Karin Moberg (Chairman), Jakob Grinbaum and Lena Smeby-Udesen.

The Audit Committee had six meetings during the year.

#### **Remuneration Committee**

The principal task of the Remuneration Committee is to prepare proposals to be decided on regarding principles for remuneration and other employment terms for senior executives ahead of the Board's recommendations and the Meeting's resolutions and to otherwise prepare matters relating to remuneration and other conditions for the

company's senior executives. The Remuneration Committee shall also formulate matters concerning SBAB's remuneration system and incentive programme ahead of decisions by the Board. The Remuneration Committee monitors overall salary developments at SBAB.

The Remuneration Committee comprises two Board Members appointed by the Board, one of whom is the chairman of the committee. The CEO and, in certain cases, the Human Resources Manager participate in the meetings of the Remuneration Committee.

Following the statutory Board meeting in 2010 the Remuneration Committee comprises Arne Liljedahl (Chairman) and Hanna Lagercrantz.

The Remuneration Committee had five meetings during the year.

## CEO

The Board has established instructions for the role and work of the CEO. The CEO is responsible for the day-to-day administration of the operation in accordance with the Board's guidelines, adopted policies and instructions. The CEO reports to the Board. Executive management, which is presented in further detail on page 83, provides the CEO with support in exercising operational management of SBAB.

## Remuneration to the Board and senior executives

Further information on the remuneration of Board Members, the CEO and other members of executive management is provided in Note 6 to the income statements and balance sheets.

## Auditors

The owner is responsible for the appointment of auditors for state-owned companies. SBAB's Audit Committee evaluates the contribution of the auditor and assists the owner in producing proposals for the auditor and fees. Officials at the Government Offices monitor all the steps of the procurement process from tendering criteria to selection and evaluation. When the process is concluded, proposals for appointment of an auditor are published in accordance with the guidelines of the Code. The final decision is taken by the owner at the Annual General Meeting.

Every four years, the Annual General Meeting appoints an auditor or auditing firm to audit SBAB. The auditor is to be an authorised public accountant or authorised public accountancy firm which appoints an auditor-in-charge. The 2007 Annual General Meeting appointed Öhrlings PricewaterhouseCoopers AB as auditor. The auditor-in-charge is Ulf Westerberg. A more detailed presentation of the auditor and the fees and cost compensation paid is included on page 83 and Note 7.

The auditor examines the annual report, consolidated accounts, accounting records and the administration of the company by the Board and the CEO. A report on the result of this examination is issued to the shareholder through an audit report, which is submitted to the Annual General Meeting. In addition, the auditor conducts

an examination of SBAB's interim reports and submits detailed accounts to the Audit Committee at the ordinary Audit Committee meetings and to the Board at least once a year.

## Compliance, internal audit and risk

### Compliance

SBAB has a centrally located Compliance Officer whose task, on a comprehensive level, is to monitor that operations are managed in accordance with the laws and regulations applicable for financial businesses subject to permits. The Compliance Officer is also responsible for leading and organising the structure required to ensure that controlling functions within SBAB implement monitoring in their areas of instruction in accordance with a shared model.

In addition to continuous reporting to SBAB's chief legal counsel, reporting occurs semi-annually to the CEO and Board. Each year, an oral report is also made to SBAB's Audit Committee. The annual plan for the compliance function is established by the CEO.

### Internal Audit

The internal audit in SBAB is an internal independent inspection function in accordance with the Swedish Financial Supervisory Authority's regulations (FFFS 2005:1, Chapter 6). Accordingly, the main task of the internal audit is to review and evaluate the internal audit for companies in the SBAB Group. The review efforts of the internal audit take place in accordance with an audit plan which is annually prepared by the Audit Committee and decided upon by the Board. In connection with this, the Head of the Internal Audit presents both the proposed audit plan for the coming year and the overall risk assessment on which the plan is based to both the Audit Committee and the Board. At least twice a year, the Head of Internal Audit makes an oral and written report directly to the Audit Committee and the Board on the result of the work of the internal audit. These reports are prepared in accordance with an established reporting and meeting plan.

### Risk

SBAB has a central risk unit that analyses and checks the company's overall risks. The risk unit performs its work on the basis of an established annual plan. The risk unit makes continuous reports to the Board of Directors, CEO and executive management concerning the company's total risks on the basis of available risk information. Another of the unit's duties is to monitor and ensure on an overall basis that SBAB identifies, measures, checks and has control over all risks.

## Internal control of financial reporting

### Control environment

The basis for SBAB's internal control process with regard to financial reporting is the control environment, meaning the organisation and division of decisions, as well as SBAB's guidelines and governing documents. The Accounts Department is responsible for handling the

internal control concerning financial reporting. SBAB's Accounts Department analyses, reviews and evaluates the company's financial reporting risks.

#### **Risk assessment and control activities**

The operational processes that contribute data to the financial reports are evaluated and documented in the internal control process pertaining to financial reporting. The processes are identified and encompass control activities in the form of procedure descriptions, reasonability assessments, reconciliations, attestations and result analyses.

Risk assessments are conducted annually in the form of a self-evaluation and of established operational processes that contribute to the financial reporting. The self evaluation is intended to identify and assess the most significant risks that could lead to errors in the financial reports. The risks are identified, measured and documented at the process and departmental level, as well as their location in the financial reports. The self-evaluation forms the basis for improvement measures. Material risks that are identified must be handled and rectified.

In the event of a circumstance that could generate a financial reporting error, the operation must file an incident report with the Accounts Department.

The Accounts Department shall annually report on the company's financial reporting risks, on the basis of available risk information, to the Board, the Audit Committee and the CEO.

#### **Information and communication**

SBAB's process pertaining to the internal control of its financial reporting and the associated governing documents, in the form of instructions and directions, are available on SBAB's intranet. The identified operational processes that contribute data to the financial reports are documented on SBAB's intranet. The governing documents shall be updated and approved annually.

#### **Follow-up**

The Board receives monthly financial reports, and SBAB's financial situation is addressed at every Board meeting. Moreover, the Board's various committees perform important functions in the Board's follow-up. The work of the committees is described under the heading Committees of the Board on pages 78-80.

#### **Financial information 2010**

SBAB published the following financial reports in 2010:

Year-end Report for 2009	5 February
Interim report January-March	29 April
Interim report January-June	23 July
Interim report January-September	29 October

The Annual Report for 2009 was published on 31 March 2010.

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# Auditor's Report on the Corporate Governance Report

To the Annual General Meeting of the The Swedish Housing Finance Corporation, SBAB, Corp. Reg. No. 556253-7513

It is the Board of Directors that is responsible for the 2010 Corporate Governance Report and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Report has been prepared and is consistent with the other parts of the annual accounts and the consolidated accounts, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the company.

In our opinion, a Corporate Governance Report has been prepared and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, 16 March 2011

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg  
Authorised Public Accountant



# Board of Directors



**Arne Liljedahl**

**Chairman of the Board**  
**Bachelor of Business Administration and Economics**  
**Born 1950**  
**Elected to the Board 2010**  
**Member of SBAB's Credit Committee, Finance Committee and Remuneration Committee**  
**Other assignments:** Chairman of the Board Carnegie Investment Bank, Board Member of Electro-engine in Sweden AB, Board Member of Lindorff Group, Senior Advisor Ernst & Young  
**Past experience:** CFO/ Executive Vice President and member of the Group management at Nordea



**Jakob Grinbaum**

**Senior Advisor**  
**Bachelor of Arts**  
**Born 1949**  
**Elected to the Board 2010**  
**Member of SBAB's Finance Committee and Audit Committee**  
**Other assignments:** Board Member of the Fourth Swedish National Pension Fund, Board Member of the Östgötagården Foundation in Uppsala, Board Member of IK Sirius, member of the Advisory Board at Property Nordic AB.  
**Past experience:** Executive Vice President, Group Treasury and Group Corporate Development at Nordea



**Hanna Lagercrantz**

**Desk Officer, Ministry of Finance**  
**Bachelor of Business Administration and Economics, M.Sc., M.Phil.**  
**Born 1970**  
**Elected to the Board 2010**  
**Member of SBAB's Remuneration Committee**  
**Other assignments:** Board Member of A/O Dom Shvetsii, Board Member of LKAB, Board Member of Swedish Space Corporation  
**Past experience:** Employment in SEB Investor Relations, SEB of Investment Management, Corporate Finance UBS Brunswick, UBS S.G. Warburg



**Helena Levander**

**Partner and CEO Nordic Investor Services AB**  
**Bachelor of Business Administration and Economics**  
**Born 1957**  
**Elected to the Board 2004**  
**Member of SBAB's Credit Committee**  
**Other assignments:** Board Member of Erik Penser Bankaktiebolag, Board Member of the Mistra research project "Sustainable Investments", Board Member of Nordisk Energiförvaltning ASA, Board Member of Stampen AB, Board Member of AB Svensk Exportkredit (SEK), Board Member of Wiborg Kapitalförvaltning  
**Past experience:** CEO Neonet Securities AB, CEO Odin Fonder, Senior Fund Manager Nordea Asset Management, SEB Asset Management



**Karin Moberg**

**Bachelor of Business Administration and Economics**  
**Born 1963**  
**Elected to the Board 2009**  
**Member of SBAB's Audit Committee**  
**Other assignments:** Founder of FriendsOfAdam, Board Member of Caretech AB, Board Member of Doro AB, Board Member of Intoi AB, Board Member of Qbrick AB, Board Member of the Seventh Swedish Pension Fund  
**Past experience:** Various positions at TelliaSonera, including CEO Tellia e-bolaget, Marketing Director and acting Chief Communication Officer, Management consultant Karlöf & Partners, sales representative in Hong Kong for IDF Ltd and Ekonomitryck AB



**Lena Smeby-Udesen**

**CFO, Second Swedish Pension Fund**  
**Master of Business Administration and Economics**  
**Born 1961**  
**Elected to the Board 2009**  
**Member of SBAB's Finance Committee and Audit Committee**  
**Other assignments:** Chairman of the Board of Stiftelsen Centrum för Finans, Gothenburg School of Economics  
**Past experience:** Executive Corporate Banking Göteborg and Malmö, Swedbank Markets, Project financing, Business Controller Ericsson group, Volvo Energi AB



**Anna Christenson**

**Employee Representative**  
 since 2010  
 Appointed by the Financial Sector Union of Sweden  
**Born 1970**



**Göran Thilén**

**Employee Representative**  
 since 2010  
 Appointed by the Financial Sector Union of Sweden  
**Born 1951**

## Changes in the Board during 2010 and in early 2011

New members during the year are Arne Liljedahl, Jakob Grinbaum and Hanna Lagercrantz. The members Claes Kjellander, Lars Linder-Aronson and Michael Thorén stepped down in connection with the Annual General Meeting in April 2010. Göran Thilén replaced Anders Bloom as employee representative. Board Member Lennart Francke stepped down in February 2011.



# Executive Management and Auditor



**Eva Cederbalk**

**CEO**  
**Bachelor of Business Administration and Economics**  
**Born 1952**  
**Year of employment 2004**  
**Board assignments:** Chairman of the Board of the Swedish Covered Bond Corporation, Board Member of Bilja AB, Board Member of Klarna AB, Board Member of the Knowledge Foundation  
**Past experience:** CEO Netgiro International, Head of E-Business If Skadeförsäkring AB, CEO Dial Försäkrings AB, various positions at SEB Group, including Head of Internet and Telephone Banking, Head of Banking Products, Head of SEB Kort, CEO Eurocard AB



**Bo Andersson**

**Chief Information Officer**  
**Master of Science**  
**Born 1966**  
**Year of employment 2004**  
**Board Assignments:** Board Member of The Swedish Covered Bond Corporation  
**Past experience:** Project Manager Sydskraft, Senior Project Manager Honeywell, Chief Project Manager Officer - CPMO Icon Media-lab



**Per Balazsi**

**Head of Accounting and Controlling Department**  
**Master of Business Administration and Economics, Executive MBA**  
**Born 1966**  
**Year of employment 2002**  
**Board assignments:** Board Member of the Swedish Covered Bond Corporation  
**Past experience:** Risk analyst at the Swedish National Debt Office, Deputy Assistant Undersecretary, Ministry of Finance



**Fredrik Bergström**

**Head of Consumer Department**  
**Bachelor of Business Administration and Economics**  
**Born 1970**  
**Year of employment 2007**  
**Board assignments:** Board Member of FriSpar Bolån AB  
**Past experience:** Distribution Manager If Private Business in Sweden and other positions in If Skadeförsäkring AB and Dial Försäkrings AB



**Johan Brodin**

**Chief Credit Officer**  
**Bachelor of Business Administration and Economics**  
**Born 1968**  
**Year of employment 2005**  
**Board assignments:** Board Member of FriSpar Bolån AB, Board Member of The Swedish Covered Bond Corporation  
**Past experience:** Various positions at Handelsbanken, Senior Manager at KPMG, Senior Manager Oliver Wyman



**Johanna Clason**

**Chief Financial Officer**  
**Bachelor of Business Administration and Economics**  
**Born 1965**  
**Year of employment 2005**  
**Board assignments:** Board Member of Swedish Medical Products Agency  
**Past experience:** IR Brummer & Partners, Executive Director, Treasurer AB Svensk Exportkredit, Trader ABB Treasury Center (Sweden) AB



**Per O. Dahlstedt**

**Head of Corporate Clients**  
**Bachelor of Business Administration and Economics**  
**Born 1953**  
**Year of employment 2005**  
**Past experience:** Senior Advisor Strategic and Operational Development Askus Consulting, Business Area Manager and Regional Area Manager positions within SEB



**Christine Ehnström**

**Chief Legal Counsel**  
**Master of Laws (LL.M.)**  
**Born 1973**  
**Year of employment 1999**  
**Board assignments:** Board Member of Maricon Marinconsult AB's pension foundation  
**Past experience:** Legal Counsel Volvo Treasury AB (publ)



**Lena Hedlund**

**Chief Communication Officer**  
**Bachelor of Business Administration and Economics**  
**Born 1961**  
**Year of employment 1994**  
**Board assignments:** Board Member of HEBA Fastighets AB (publ), member of Centrala Studiemedelsnämnden's Advisory Council (CSN)  
**Past experience:** Property valuation, sales and credit ratings at Stadshypotek AB (publ)



**Catharina Kandel**

**Human Resources Manager**  
**B.A. Personnel and Working Life Programme**  
**Born 1965**  
**Year of employment 2004**  
**Past experience:** HR positions at Försäkringsaktiebolaget Skandia, HR Manager SkandiaBanken

## Auditor

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

**Ulf Westerberg, Öhrlings PricewaterhouseCoopers AB**

### Auditor-in-charge at SBAB since 2007

**Born 1959 Other assignments:** Brio, Home Properties, NCC, Proventus, Stronghold

## Change in executive management during 2011

Lena Hedlund will step down as Chief Communication Officer and leave SBAB during spring 2011. The recruitment of her successor has been initiated.

# Addresses

## Head office

### SBAB

Box 27308  
SE-102 54 Stockholm  
(Visiting address: Löjtnantsgatan 21)  
Tel: +46-771-45 30 00  
Fax: +46-8-611 46 00  
E-mail: kundcenter@sbab.se  
Reg. no. 556253-7513  
www.sbab.se

## Loans to single-family dwellings, tenant-owner rights and holiday homes

### SBAB

Box 1012  
SE-651 15 Karlstad  
(Visiting address: Tingvallagatan 11)  
Tel: +46-771-45 30 00  
Fax: +46-54-17 71 10  
E-mail: kundcenter@sbab.se

## Loans to companies and tenant-owner associations

### SBAB

Box 53072  
SE-400 14 Göteborg  
(Visiting address: Kungsporsävenyn 31-35)  
Tel companies: +46-31-743 37 40  
Tel tenant-owner associations: +46-31-743 37 00  
Fax: +46-31-743 37 10  
E-mail: goteborg@sbab.se

### SBAB

Rundelsgatan 16  
SE-211 36 Malmö  
Tel companies: +46-40-664 53 59  
Tel tenant-owner associations: +46-40-664 53 40  
Fax: +46-40-664 53 58  
E-mail: malmo@sbab.se

### SBAB

Box 27308  
SE-102 54 Stockholm  
(Visiting address: Löjtnantsgatan 21)  
Tel companies: +46-8-614 43 55  
Tel tenant-owner associations: +46-771-45 30 00  
Fax companies: +46-8-614 38 63  
Fax tenant-owner associations: +46-8-614 38 60  
E-mail: stockholm@sbab.se



[www.sbab.se](http://www.sbab.se)  
+46-771- 45 30 00



The Swedish Housing Finance Corporation, SBAB

Visiting address: Löjtnantsgatan 21 • Postal address: Box 27308, SE-102 54 Stockholm • Tel: +46-771-45 30 00 • Fax: +46-8-611 46 00

Internet: [www.sbab.se](http://www.sbab.se) • E-mail: [kundcenter@sbab.se](mailto:kundcenter@sbab.se)

Reg. no. 556253-7513