Annual Report 2010

The Swedish Covered Bond Corporation (SCBC)

Contents

Financial information 2011

SCBC's interim reports, annual reports and other financial information are available at scbc.se

Year-End Report 2010	4 February
Annual Report 2010	end of March
Annual General Meeting	13 April
Interim Report January-June	22 July

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

The Swedish Covered Bond Corporation (SCBC)
Corp. Reg. No. 556645-9755

The Year in Brief 2010

- Operating profit amounted to SEK 1,147 million (loss: 295).
- Despite the uncertainty that marked capital markets, SCBC had good access to funds throughout the year.
- SCBC continued to extend the average remaining maturity of the debt portfolio.

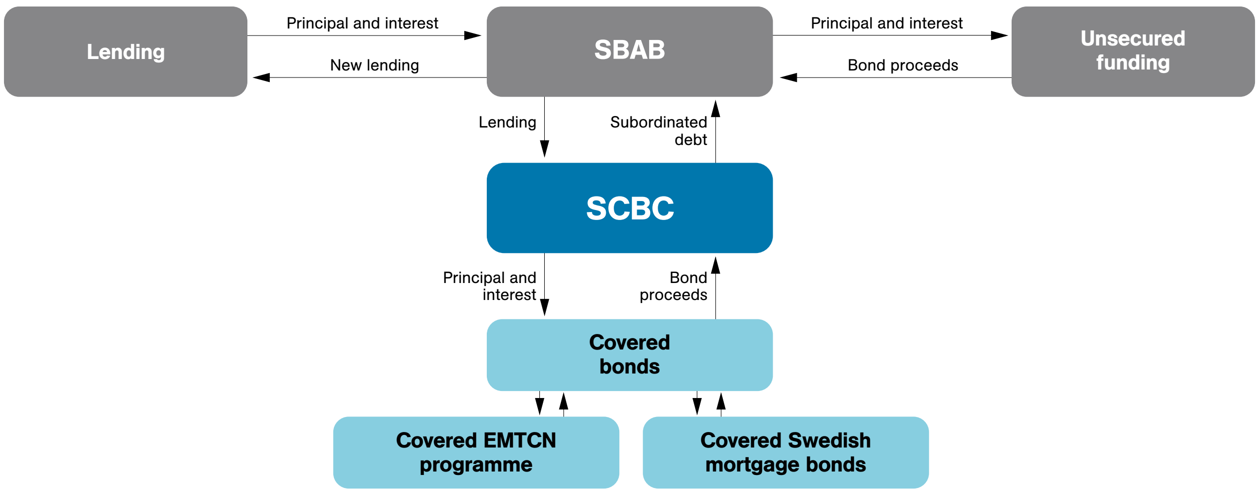
Summary	2010	2009
Net interest income, SEK million	1,440	813
Operating profit/loss, SEK million	1,147	−295
Net profit/loss for the year, SEK million	846	−217
Loan losses as a percentage of lending, % [1]	0.01	0.02
Lending, SEK billion	209.7	173.3
Average remaining maturity in loan portfolio, years	1.3	1.4
Capital adequacy ratio, %	10.3	11.1
Tier 1 capital ratio, %	10.3	11.1
Core Tier 1 capital ratio, %	10.3	11.1
Rating, long-term funding		
Standard & Poor's	AAA	AAA
Moody's	Aaa	Aaa

[1] *Loan losses in relation to opening balance for lending to the public.*

Administration report

Organisation

The Swedish Covered Bond Corporation ("SCBC") is a Swedish public limited liability company owned 100% by The Swedish Housing Finance Corporation, SBAB (publ) ("SBAB"). SCBC conducts its operations in compliance with the requirements stipulated in the Covered Bonds Act (2003:1223) and the Swedish Financial Supervisory Authority's provisions (FFFS 2004:11).



Lending

SCBC does not conduct new lending operations itself, but acquires loans from SBAB on an ongoing basis or as required. The intention of the acquisitions is for these loans to be included in full or in part in the cover pool that serves as collateral for SCBC's covered bonds.

Lending to the public amounted to SEK 209.7 billion at 31 December 2010 (173.3). SCBC's loan portfolio was expanded during the year to enable additional borrowing via covered bonds. The portfolio in SCBC primarily consists of loans for residential purposes, with the retail market as the largest segment. The underlying collateral consists mainly of mortgages on single- and multi-family dwellings and pledges of tenant-owner rights. The portfolio does not contain any lending for purely commercial objects. All loans granted relate to the Swedish market and are geographically concentrated to metropolitan areas, as well as university and growth regions. SBAB acquires loans from SCBC that are past due by 30 days or more.

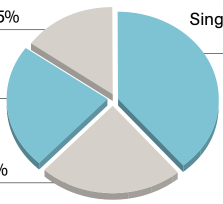
Cover pool

Of SCBC's total credit portfolio, approximately 95% consists of assets that qualify for inclusion in SCBC's cover pool when issuing covered bonds. Of the loans in the cover pool, lending against mortgage deeds or tenant-owner rights accounts for approximately 96%. In calculating LTV[1)] for these loans, the upper limit of the loan's (or group of loans) LTV ratio in the pledge is used. Information regarding SCBC's cover pool is published monthly on scbc.se.

[1)] *LTV = Loan to Value*

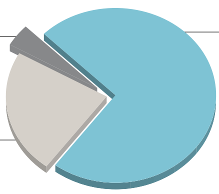
Distribution by property type

31 December 2010



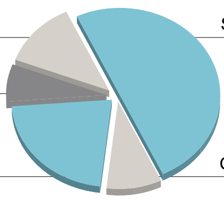
Distribution by type of collateral

31 December 2010



Geographic distribution

31 December 2010



Key figures for the cover pool

	31 Dec 2010
Total cover pool, SEK billions	205.1
Credit portfolio, SEK billions	199.1
Average weighted Max-LTV, %	59.4
Average loan amount, SEK thousands	566
Average weighted seasoning, years	4.0
Average weighted remaining period, years	1.3
Substitute collateral, SEK billions	6.0

Max-LTV for cover pool

Mortgage deeds and tenant-owner rights	31 Dec 2010		
		Loan amount	
Max LTV, %	Number [1)]	(SEK billion)	(%)
0–20	24,299	8,298	4
20–40	34,739	24,732	13
40–50	18,262	18,551	10
50–60	21,477	31,143	16
60–70	24,450	27,742	14
70–75	89,026	82,022	43
Total	**212,253**	**192,488**	**100**

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

Funding

Despite the unrest that characterised financial markets during 2010, the Swedish covered bond market functioned well throughout the year. Covered bonds are still the SBAB Group's principal source of funding.

SCBC has a well diversified investor base and issued bonds in a number of markets and currencies during the year, including two public EUR-denominated transactions in the European covered bond market. During the year, the average outstanding maturity of the debt portfolio was gradually extended.

Funding programmes

SCBC has two programmes for long-term funding, an EMTCN (Euro Medium Term Covered Note) programme and a Swedish covered bond programme. Outstanding funding volume excluding repos on 31 December 2010 totalled SEK 155.3 billion (including market value changes). This corresponded to an increase of about SEK 15.3 billion compared with 31 December 2009.

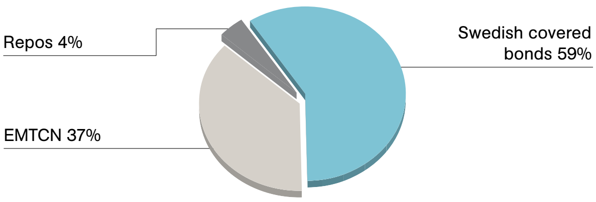
Transactions during the year

Notable bond issuances by SCBC during the year included:

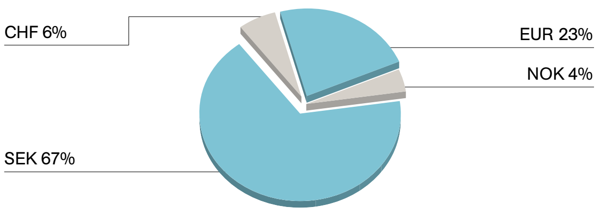
- A 5-year and a 7-year covered bond each amounting to EUR 1 billion
- The launch of a 5-year covered benchmark bond in the Swedish market (loan 131)
- A 5-year private placement of EUR 295 million
- A 7-year issuance of CHF 150 million in the Swiss public market

Rating	2010
Moody's	Aaa
Standard & Poor's	AAA

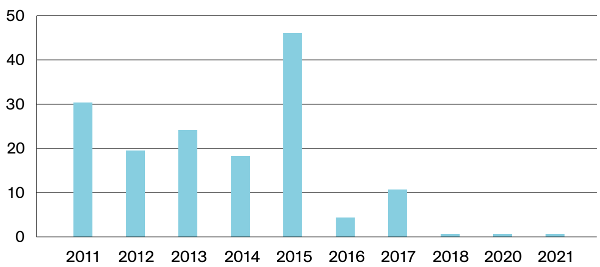
Funding
31 December 2010



Funding – currency distribution
31 December 2010

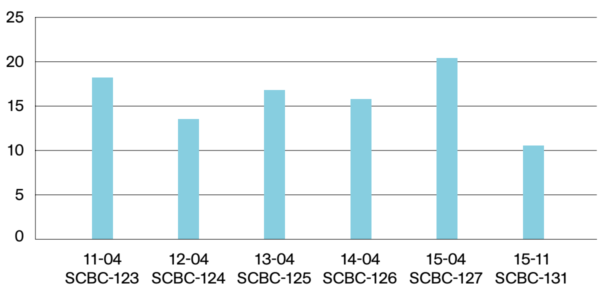


Total funding[1] – maturity profile
31 December 2010
SEK billion



[1] *Excluding repos.*

Outstanding volume of SCBC's Swedish covered bonds
31 December 2010
SEK billion



Operating profit

SCBC's operating profit in 2010 amounted to SEK 1,147 million (loss: 295). Net interest income was significantly higher than in 2009 at SEK 1,440 million (813). The main factors underlying the improvement were a stabilised interest-rate margin combined with an increased loan portfolio. At year-end, the loan portfolio amounted to SEK 209.7 billion (173.3). Net income from financial instruments measured at fair value also improved to SEK 249 million (expense: 580). During 2010, hedge accounting items and loan receivables were the primary contributors to the favourable trend. During the year, SCBC developed, and during the second half of the year introduced, a method that better reflects the hedging relationship of the underlying hedged item. The effect of this before tax amounted to SEK 115 million. Net commission income declined somewhat to SEK 69 million (59), due largely to an increased fee for the existing liquidity facility between the Parent Company SBAB and SCBC. The stability fee totalled SEK 31 million (28). SCBC's total operating income increased year-on-year to SEK 1,621 million (175).

Expenses for the year amounted to SEK 464 million (445). The increase was due to a rise in costs for services performed by SBAB on behalf of SCBC under the outsourcing agreement. Net loan losses declined to SEK 10 million (loss: 25), mainly as a result of a minor allocation to the collective provision for the retail market. The loan loss rate was 0.01% (0.02).

Dividend policy and appropriation of profits

SCBC has no established dividend policy. Dividends are proposed by the Board of Directors in accordance with the provisions of the Swedish Companies Act and thereafter approved by the Annual General Meeting. All of the shares are owned by the Parent Company, the Swedish Housing Finance Corporation, SBAB, Corp. Reg. No. 556253-7513. The proposed but as yet unpaid dividend amounts to SEK 100 million.

Corporate Governance Report

SCBC's Corporate Governance Report 2010 is presented on pages 39–43 of this Annual Report.

Five-year overview

SEK million	2010	2009	2008	2007	2006
Interest income	3,667	3,445	8,006	4,786	1,775
Interest expense	−2,227	−2,632	−7,209	−3,946	−1,472
Net interest income	**1,440**	**813**	**797**	**840**	**303**
Other operating income	181	−638	631	34	152
Total operating income	**1,621**	**175**	**1,428**	**874**	**455**
Other operating expenses	−464	−445	−399	−309	−157
Total operating expenses	**−464**	**−445**	**−399**	**−309**	**−157**
Profit/loss before loan losses	**1,157**	**−270**	**1,029**	**565**	**298**
Loan losses, net	−10	−25	−17	1	–
Operating profit/loss	**1,147**	**−295**	**1,012**	**566**	**298**
Loan portfolio	209,661	173,371	157,792	128,205	88,654
Deferred tax assets	–	55	135	–	–
Other assets	14,207	24,686	26,519	9,848	772
Total assets	**223,869**	**198,112**	**184,446**	**138,053**	**89,426**
Debt securities in issue	155,319	139,963	126,578	105,361	68,741
Other liabilities	19,709	21,908	29,059	11,409	6,574
Deferred income tax liabilities	17	–	–	21	–
Subordinated debt to Parent company	38,363	26,626	19,426	15,439	9,896
Equity	10,461	9,615	9,383	5,823	4,215
Total liabilities and equity	**223,869**	**198,112**	**184,446**	**138,053**	**89,426**
Lending					
Investment margin, %	0.68	0.43	0.49	0.74	0.68
Loan losses					
Loan loss rate, %	0.01	0.02	0.01	−0.00	–
Productivity					
Expenditure/Income ratio, excl. loan losses, %	29	254	28	35	35
Expenditure/Income ratio, incl. loan losses, %	29	269	29	35	35
Capital structure					
Return on equity, %	8.4	−2.3	9.5	8.1	10.2
Capital adequacy ratio including transitional regulations, % [1]	10.3	11.1	10.0	8.5	8.8
Capital adequacy ratio excluding transitional regulations, % [1]	30.6	33.1	21.8	–	–
Tier 1 capital ratio including transitional regulations, % [1]	10.3	11.1	10.0	8.5	8.8
Tier 1 capital ratio excluding transitional regulations, % [1]	30.6	33.1	21.8	–	–
Equity ratio, %	4.7	4.9	5.1	4.2	4.7
Consolidation ratio, %	4.7	4.8	5.0	4.2	4.7
Employees					
Number of employees	1	1	1	1	1

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

Definitions of key ratios

Investment margin • Net interest income in relation average total assets
Loan loss rate • Loan losses in relation to opening balance for 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
Capital adequacy ratio • Capital base/risk-weighted amount
Tier 1 capital ratio • Tier 1 capital/risk-weighted amount
Equity ratio • Equity in relation to total assets at year-end
Consolidation ratio • Equity and deferred tax in relation to total assets at year-end
Number of employees • Permanent employees

Financial Reports

Risk Management

In a business, risk is a natural element that has to be managed. The recent crisis of confidence in the financial sector exemplifies the importance of, among other factors, efficient management of liquidity risks. Information concerning capital adequacy and risk management for the SBAB Group in accordance with Basel II, Pillar 3 is available at sbab.se.

Risk tolerance at SCBC

SCBC defines risk tolerance as the risk that the company is willing to take to achieve the established business objectives within the framework of the selected long-term strategy. SCBC has established the following objectives in order to measure its risk tolerance:

- The capital adequacy ratio, in accordance with Basel II, Pillar 1, including transitional regulations, shall not be less than 10%. Periodic deviation from the capital adequacy objective by 10% is permissible as long as it does not exceed half of a percentage point.
- The Tier 1 capital ratio, in accordance with Basel II, Pillar 1, including transitional regulations, shall not be less than 7%.

Both of the objectives were achieved. The capital quotient and Tier 1 capital ratio are presented on page 20.

Overall risk management objectives for the SBAB Group

- Risk management shall support the business operations and rating targets.
- Risk-taking shall be balanced. It is to be achieved by ensuring that total risk is kept at a level compatible with the long-term financial objectives for return, the size of risk capital and the target rating.
- Relevant risks shall 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.
- Risk management shall be transparent and thus easily presented for and understood by external parties.
- The SBAB Group must maintain an appropriate risk-management organisation with a well-defined division of responsibilities.

Organisation and responsibility

Board of Directors

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

Asset and Liability Management Committee (ALCO)

ALCO is a body within the SBAB Group that handles risk and capital-planning matters that are to be addressed by the Parent Company's executive management and Board. The Chief Executive Officer of the SBAB Group, who is also the Chairman of the Board of SCBC, is the chairman of the ALCO. Other committee members are the managers of each particular SBAB business areas, the Head of the Accounting and Controlling Department, the Chief Credit Officer and the Head of the Risk Department.

Risk Department

The Head of the Risk Department is appointed by the CEO and has overall responsibility for developing and ensuring that SBAB's risk strategies comply with the intentions, and that policies and processes support relevant follow-up.

The Risk Department is a unit within the SBAB Group's credit division that is responsible for analysing, assessing and reporting on the overall risks of the SBAB Group. The credit risk, in particular, is monitored and analysed. The Middle Office, in the Finance business area, is responsible for identifying, quantifying and analysing financial risks. These are reported on a daily basis to the Risk Department, which follows up the current risk levels and ensures compliance with limits.

The Risk Department is also responsible for the design, implementation, reliability and monitoring of SBAB's risk-classification systems and for the economic capital model. The individual risks are dealt with by each of the SBAB Group's business areas.

The Group's overall risk scenario and capital coverage are reported by the Risk Department to the SCBC CEO and Board on a monthly basis. A detailed description of the risk trend is reported on a quarterly basis.

Review by the Swedish Financial Supervisory Authority (SFSA) of risk assessment methods

The SFSA has granted the SBAB Group permission to base capital requirements for credit risk on the IRB approach. The SFSA has examined the company's internal approaches and concluded that they are reliable. The SBAB Group has been granted the right to apply the standardised approach to credit risk for exposure to the Kingdom of Sweden, the Riksbank, Swedish municipalities, portfolios of insignificant size (time-limited permission) and all central government and institutional exposures.

SCBC uses the standardised approach to measure and handle operational risk. The approach complies with the provisions contained in the SFSA directives. The SFSA has reviewed the approach and assesses it to be reliable.

Credit risk

Credit risk is defined as the risk of loss due to the customer's or counterparty's inability to make interest payments and amortisation or otherwise fulfil the payment obligations. Credit risk also arises in financial operations in conjunction with loans and loan promises, as well as in connection with changes in the value of pledged assets entailing that these no longer cover the company's receivables.

Credit risk in lending operations

SCBC does not conduct any lending operations of its own; instead it acquires all loans from the Parent Company. The credit risk is restricted by limits decided upon by the SBAB Group for the customer or customer group. The credit risk is also managed in the SBAB Group credit-granting process, where potential borrowers' ability to make their interest payments and pay capital instalments is analysed. The loans that have been acquired have been granted to borrowers who are adjudged 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 is based on the analysis of the credit risk for new and existing customers in the loan portfolios. Should any loan remain in default for 30 days, the Parent Company repurchases such a loan.

SCBC applies the IRB approach for retail credits and the Foundation IRB (FIRB) approach for corporate credits. The IRB approach is used for assessing the credit risk associated with every part of individual exposures to retail or corporate customers that have a mortgage deed or a tenant owner right as collateral. For other types of exposures, the standardised approach is used for measurement of credit risk. For the cases in which external ratings are used, the lowest rating from either Moody's or Standard & Poor's is selected.

In credit risk models, an assessment is made of the probability of default (PD), loss given default (LGD) and the credit conversion factor (CCF), meaning the part of the

Maximum credit risk exposure without taking into account collateral held or other credit enhancements

	Maximum exposure	
SEK million	**2010**	2009
Credit risk exposure for on-balance sheet items		
Loans and advances to credit institutions	7,629	9,972
Loans and advances to the public:		
Loans to consumers		
– Single-family dwellings and holiday homes	81,934	68,615
– Tenant-owner rights	48,023	38,542
Loans to companies/legal entities		
– Tenant-owner associations	48,273	39,852
– Private multi-family dwellings	24,029	19,125
– Municipal multi-family dwellings	7,231	7,229
– Commercial properties	171	8
Change in fair value of hedged loan receivables	1,122	2,961
Derivative instruments	5,146	10,901
Other assets	55	693
Prepaid expenses and accrued income	256	214
Credit risk exposure for off-balance sheet items		
Financial guarantees	–	–
Loans granted but not yet paid	–	–
Maximum credit exposure per 31 December	**223,869**	**198,112**

The table describes the maximum credit risk exposure for SCBC at the end of 2010 and 2009 without taking pledged assets into consideration. The carrying amount is used for assets on the balance sheet. A total of 97% (93) of the total credit risk exposure derives from lending to credit institutions and the public.

off-balance sheet commitment that is utilised in the event of default. On the basis of these parameters, together with exposure at default (EAD), customers can be ranked according to risk and the expected and unexpected loss can be estimated. After assessment, the exposure is referred to one of eight risk classes for corporate and retail loans (C1–C8 and R1–R8) respectively. The eighth class comprises customers in default. The way customers in high risk classes develop is 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, all PD models were reviewed. Adjustments resulting from the review will be implemented in 2011. The implementation of the model for corporate loans, which was scheduled to be implemented in 2010, has been postponed for a year to enable coordination with the changes in other PD models.

In connection with the quantitative assessment, the department for Corporate clients[1] conducts a systematic qualitative assessment based on the regulatory system for credit. This enables a more uniform risk assessment that is founded on a larger amount of data.

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

Expected loss (EL) is calculated using the formula
EL = PD*LGD*EAD, where

- PD (probability of default) is the probability of default for a customer,
- LGD (loss given default) states the extent of the loss in the event of default and
- EAD (exposure at default) measures the expected exposure in the event of default.

[1] *Retail refers to all lending to consumers pertaining to single-family dwellings, holiday homes and tenant-owner rights. Corporate 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 clients.*

Collateral in the lending operations

In order to grant credit, the SBAB Group requires that adequate collateral is provided in the form of real estate or a share in a tenant-owner association. Adequate collateral normally means mortgage deeds in a property or a tenant owner right within a maximum of 75–85% of the market value. The 85% ratio applies provided that collateral can be obtained with priority right and that the customer has risk class R1–R4 for private customers and C1–C4 for corporate customers. In other cases, a loan-to-value ratio of 75% applies. If collateral was complemented with "Låneskydd Trygg"[2], it was previously possible to grant loans to private customers 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 addition to collateral against a property mortgage deed or a share in a tenant-owner association, it is possible to grant credit against, inter alia, collateral in the form of a state credit guarantee, a municipal guarantee, securities, bank guarantees and deposits in a Swedish bank. SCBC does not hold any collateral which has been taken over to protect a receivable.

Loan portfolios in lending operations

Loan portfolios by risk class

SCBC's lending to the public amounted to SEK 209.7 billion (173.3) at 31 December 2010. Every customer is allocated to a risk class. Individually reserved corporate and retail market loans are always allocated to the worst corporate market risk class, C8, and the worst retail market risk class, R8, respectively. Loans covered by collective provisions are obtained for the corporate market from risk classes C6–C8, and collectively impaired retail market loans comprise loans in risk classes R5–R8. Risk class C0 comprises loans to Swedish municipalities, whereby the customers are not classified according to this model.

Loans and advances to the public and credit institutions

The loan portfolio has been allocated among 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. An individual provision for a loan receivable is based on an individual assessment of the future cash flow together with an estimate of the market value of the underlying collateral, which serves as the basis for the individual provision. In the case of collective provisions, the risk in a group of

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

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	0.9%	0.0%	0.9%	0.0%
C1	64.6%	0.0%	70.1%	0.0%
C2	21.8%	0.0%	17.5%	0.0%
C3	8.8%	0.0%	6.5%	0.0%
C4	1.6%	0.1%	2.0%	0.1%
C5	1.3%	0.1%	1.7%	0.2%
C6	0.8%	1.3%	1.0%	1.2%
C7	0.1%	5.8%	0.2%	1.9%
C8	0.1%	0.0%	0.1%	0.8%
	100.0%	0.0%	100.0%	0.0%

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	40.4%	0.0%	36.8%	0.0%
R2	20.7%	0.0%	20.0%	0.0%
R3	24.8%	0.0%	26.4%	0.0%
R4	10.6%	0.0%	12.6%	0.0%
R5	2.1%	1.1%	2.5%	0.8%
R6	0.9%	2.8%	1.1%	2.1%
R7	0.5%	5.6%	0.6%	5.4%
R8	0.0%	6.8%	0.0%	7.9%
	100.0%	0.1%	100.0%	0.1%

R = Retail Market

loans has changed, but this change cannot be attributed to any particular customer. The table specifies the provision without taking into consideration guarantees as well as the amount guaranteed for each group of provisions.

Loans and advances to the public without past due unpaid amounts or individual provisions

The allocation of loans per risk class for the loans that had neither past due unpaid amounts nor individual provisions shows that 97% in 2010 (96%) were in the risk classes C0/R1–C4/R4. Loans for commercial properties are covered by municipal guarantees or property mortgages. The allocation includes total transaction costs of SEK 21 million (15) that were allocated to individual loans without past due unpaid amounts or to loans with individual provisions. The transaction costs derive mainly from the segment single-family dwellings and holiday homes.

Loans with past due unpaid amounts but without individual provisions

The table describes loans with past due unpaid amounts without individual provisions distributed by past due amortisation, past due accrued interest and principal for which notice of termination has been given. Furthermore, for the sake of completeness, principal and accrued interest not yet past due are also stated for these loans. All amounts are allocated to lending segments. For loans with past due amounts in several time intervals, the part not past due is, where relevant, shown in the oldest time interval. In the case of the first time interval, SCBC has decided not to take into consideration amounts that are past due by five days or less so that the analysis is not distorted by payments delayed because the payment date is a holiday. The value of collateral and guarantees mainly represents the value of mortgages in fixed property and tenant-owner rights and, to a lesser extent, credit guarantees from the National Housing Credit Guarantee Board, insurance companies and banks, which are entered at the estimated amount expected to be received in the event of insolvency.

At the end of 2010, 99.9% (99.9) of lending had no past due unpaid amounts and was not assessed as doubtful. As in 2009, SCBC's loan portfolio of SEK 209.7 billion (173.3) included no past due capital receivables for which notice of termination has been given, excluding past due amounts from 2010, which was because the Parent Company acquires loans from SCBC that are more than 30 days past due.

Loans to the public and credit institutions

	2010		2009	
SEK million	Public	Credit institutions	Public	Credit institutions
Current loans without past due unpaid amounts or provisions	209,576	7,629	173,329	9,972
Loans with unpaid amounts > 5 days past due	211	–	142	–
Loans with individual provisions	–	–	2	–
Total outstanding loans	**209,787**	**7,629**	**173,473**	**9,972**
Individual provisions	–	–	–2	–
Collective provisions corporate market	–18	–	–14	–
Collective provisions retail market	–108	–	–86	–
Total provisions	**–126**	**–**	**–102**	**–**
Total lending after provisions	**209,661**	**7,629**	**173,371**	**9,972**
Guarantees for loans with individual provisions	–	–	1	–
Guarantees for loans with collective provisions, corporate market	2	–	6	–
Guarantees for loans with collective provisions, retail market	26	–	22	–
Total guarantees	**28**	**–**	**29**	**–**
Total lending after provisions and guarantees	**209,689**	**7,629**	**173,400**	**9,972**

At 31 December 2010, total provision (individual and collective) amounted to SEK 98 million (73) after a deduction for guarantees.
No provisions were posted for loans to credit institutions.

Loans and advances to the public at 31 December 2010 by segment without loans with past due unpaid amounts or loans with individual provisions including transaction costs

	2010					
Risk class SEK million	Single-family dwellings and holiday homes	Tenant-owned apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties [1]
C0	–	–	–	–	732	–
C/R1	37,905	14,541	27,512	18,372	5,617	10
C/R2	16,040	10,875	13,796	2,849	680	77
C/R3	18,113	14,119	4,900	1,832	160	84
C/R4	7,016	6,766	868	380	23	–
C/R5	1,603	1,138	664	352	13	–
C/R6	710	374	385	214	6	–
C/R7	479	162	61	35	–	–
C/R8	26	8	79	–	–	–
Total	**81,892**	**47,983**	**48,265**	**24,034**	**7,231**	**171**

Loans and advances to the public at 31 December 2009 by segment without loans with past due unpaid amounts or loans with individual provisions, including transaction costs

	2009					
Risk class SEK million	Single-family dwellings and holiday homes	Tenant-owned apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties [1]
C0	–	–	–	–	585	–
C/R1	30,700	8,797	28,400	12,385	5,649	–
C/R2	12,696	8,719	7,265	3,785	549	8
C/R3	15,946	12,358	2,232	1,943	139	–
C/R4	6,520	7,018	568	502	208	–
C/R5	1,466	1,163	611	416	96	–
C/R6	799	318	560	81	3	–
C/R7	435	142	145	18	–	–
C/R8	26	10	68	–	–	–
Total	**68,588**	**38,525**	**39,849**	**19,130**	**7,229**	**8**

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

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

SEK 000s	2010 Single-family dwellings and holiday homes	Tenant-owned apart-ments	Tenant-owner associa-tions	Private multi-family dwellings	Municipal multi-family dwellings	Com-mercial pro-perties
5–30 days past due[1]						
Past due amortisation	318	351	73	25	–	–
Past due accrued interest	434	230	136	44	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	112,790	75,570	14,456	6,600	–	–
Accrued interest not past due	46	33	44	15	–	–
31–60 days past due						
Past due amortisation	–	200	–	–	–	–
Past due accrued interest	–	–	–	–	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	–	430	–	–	–	–
Accrued interest not past due	–	–	–	–	–	–
61–90 days past due						
Past due amortisation	–	–	–	–	–	–
Past due accrued interest	–	–	–	–	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	–	–	–	–	–	–
Accrued interest not past due	–	–	–	–	–	–
>90 days past due						
Past due amortisation	–	–	–	–	–	–
Past due accrued interest	–	–	–	–	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	–	–	–	–	–	–
Accrued interest not past due	–	–	–	–	–	–
Total past due						
Total past due amortisation	318	551	73	25	–	–
Total past due accrued interest	434	230	136	44	–	–
Total terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Total principal not past due	112,790	76,000	14,456	6,600	–	–
Total accrued interest not past due	46	33	44	15	–	–
Total lending for loans with past due receivable without provision	113,108	76,551	14,529	6,625	–	–
Value of collateral and guarantees	113,057	76,551	14,529	6,625	–	–

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

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

	2009					
SEK 000s	Single-family dwellings and holiday homes	Tenant-owned apart-ments	Tenant-owner associa-tions	Private multi-family dwellings	Municipal multi-family dwellings	Com-mercial pro-perties
5–30 days past due[1]						
Past due amortisation	383	97	1,660	4	–	–
Past due accrued interest	419	109	2	17	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	95,917	33,179	8,043	2,805	–	–
Accrued interest not past due	53	12	15	6	–	–
31–60 days past due						
Past due amortisation	–	–	–	–	–	–
Past due accrued interest	–	–	–	–	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	–	–	–	–	–	–
Accrued interest not past due	–	–	–	–	–	–
61–90 days past due						
Past due amortisation	–	–	–	–	–	–
Past due accrued interest	–	–	–	–	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	–	–	–	–	–	–
Accrued interest not past due	–	–	–	–	–	–
>90 days past due						
Past due amortisation	–	–	–	–	–	–
Past due accrued interest	–	–	–	–	–	–
Terminated past due principal excl. past due amortisation	–	–	–	–	–	–
Principal not past due	–	–	–	–	–	–
Accrued interest not past due	–	–	–	–	–	–
Total past due						
Total past due amortisation	383	97	1,660	4	–	–
Total past due accrued interest	419	109	2	17	–	–
Total terminated past due principal excl. past due amortisation						
Total principal not past due	95,917	33,179	8,043	2,805	–	–
Total accrued interest not past due	53	12	15	6	–	–
Total lending for loans with past due receivable without provision	96,300	33,276	9,703	2,809	–	–
Value of collateral and guarantees	96,271	33,276	9,703	2,809	–	–

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

Counterparty risks

SEK million	2010		2009	
Rating category	Limit	Utilised limit	Limit	Utilised limit
AAA	0	0	–	–
AA– to AA+	1,880	212	2,690	558
A– to A+	1,597	341	1,762	823
Below A–	–	–	–	–
Total	**3,477**	**553**	**4,452**	**1,381**

The table shows the utilised limit and the limit at an aggregated level, respectively, per rating category whereby the various counterparties have been placed in relation to their lowest rating, for SCBC's counterparties and serves as a summary of the external derivative instruments that SCBC had entered into at 31 December 2010. At Group level, limits are set for all investments (excluding the liquidity portfolio), derivative instruments and repo contracts. In accordance with the financial instructions, limits are set by SBAB's Finance Committee within the scope of the rating-related framework established by the Parent Company's Board. Utilised limits are calculated as the market value of derivative instruments, repo contracts and investments. For counterparties who are also loan customers, the limit is to be coordinated with the credit limit. The limit can be established for a period of time of at most a year before a new consideration must be made. The decisions of the Finance Committee are to be reported to the Board at the following Board meeting. A rating is established for all of SBAB's counterparties with large collateral agreements.

Loans with individual provisions

Doubtful loan receivables are those for which a provision has been made on the basis of an individual risk assessment. Doubtful loan receivables amounted to SEK 0 million (2).

Restructured receivables

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

Restructuring of a loan receivable may entail:

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

Credit risk in the treasury operations

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

Counterparty risks

Counterparty risks comprise exposures to leading banks and to the Parent Company and are covered exclusively by unilateral collateral agreements for which the counterparty transfers funds or provides collateral to reduce the exposure, known as Credit Support Annexes "CSAs".

Recognised value of renegotiated loans by segment

Recognised value of financial assets that would otherwise have been reported as past due or impaired and whose terms have been renegotiated

SEK million	2010	2009
Single-family dwellings and holiday homes	4	5
Tenant-owned apartments	1	1
Tenant-owner associations	–	2
Private properties	1	–
Municipal properties	–	–
Commercial properties	–	–
Total	**6**	**8**

In accordance with the finance instructions, credit-risk limits are established by the SBAB Group's Finance Committee. This applies to all counterparties to the treasury operations, with the exception of the Kingdom of Sweden and companies included in the SBAB Group, for which no limits are placed on exposure. The calculated exposure for the counterparty risk is established for the Group in accordance with the "market valuation method" and "agreements on netting of derivative contracts". The credit-risk limit may be established for a period of no longer than one year, following which a new assessment must be conducted.

Liquidity risk

Liquidity risk is defined as the risk of the company not being able to meet its payment obligations in connection with due dates without the related cost increasing significantly. At SCBC, the liquidity risk is managed as part of the Group's overall risk management.

Maturities for financial assets and liabilities

Amounts refer to contracted, undiscounted cash flows.

	2010							2009						
SEK million	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
ASSETS														
Loans and advances to credit institutions	158	7,475	–	–	–	–	7,633	56	9,917	–	–	–	–	9,973
Loans and advances to the public	–	34,580	43,428	64,669	70,293	7,241	220,211	–	21,450	36,365	59,466	57,713	7,044	182,038
Derivative instruments	–	129,790	15,979	23,290	105,678	28,657	303,394	–	109,127	19,724	23,359	83,285	16,754	252,249
Other assets	311	–	–	–	–	–	311	852	–	–	–	–	–	852
Total financial assets	**469**	**171,845**	**59,407**	**87,959**	**175,971**	**35,898**	**531,549**	**908**	**140,494**	**56,089**	**82,825**	**140,998**	**23,798**	**445,112**
LIABILITIES														
Liabilities to credit institutions	–	10,822	–	–	–	–	10,822	–	14,625	–	–	–	–	14,625
Debt securities in issue	–	2,208	21,769	11,817	119,669	17,988	173,451	–	13,171	13,880	14,111	96,995	13,792	151,949
Derivative instruments	–	130,273	14,376	24,479	108,072	29,892	307,092	–	108,210	17,780	22,466	80,068	16,988	245,512
Other liabilities	3,345	–	–	–	–	–	3,345	3,224	–	–	–	–	–	3,224
Subordinated liabilities	38,363	–	–	–	–	–	38,363	26,626	–	–	–	–	–	26,626
Total financial liabilities	**41,708**	**143,303**	**36,145**	**36,296**	**227,741**	**47,880**	**533,073**	**29,850**	**136,006**	**31,660**	**36,577**	**177,063**	**30,780**	**441,936**

For receivables and liabilities that have been amortised, the fixed-interest term for the amortisation has been computed as the period up to the due date for the particular amortisation.

SCBC has entered into an agreement with the Parent Company SBAB concerning a liquidity facility. The purpose of this agreement is to enable SCBC to borrow funds from the Parent Company should SCBC not be able to pay its own bond holders when SCBC's bonds mature.

Refinancing risk

The refinancing risk is a ratio showing the matching between the maturity structure of assets and liabilities. The SBAB Group generally endeavours to achieve maturity periods for funding that exceed the maturity period on the assets side.

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

Since the second half of 2007, the Group has adopted a more conservative approach to management of the refinancing risk. For example, a greater proportion of upcoming redemptions have been prefinanced and the portion of short-term funding has been reduced. The SBAB Group has actively focused on levelling out debt maturities and the liability duration has been extended. Covered bonds in particular have been used to extend the maturity of the funding portfolio.

The tables "Maturities for financial assets and liabilities" and "Derivative Cash Flow Statement" show how SCBC's future cash flows appeared as at 31 December 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. SCBC shall be characterised by low risk-taking, and the SBAB Group's Board decides ultimately on methods for risk measurement and limits.

The management of SCBC's risks is delegated, via an outsourcing agreement, to SBAB, where it is followed up and managed at both company and Group level. The point of departure for SBAB's management of SCBC's market risk is that it must be minimised, subject to the overall objective of satisfying the matching regulations expressed in the Covered Bonds Act (2003:1223). The Risk Department monitors current risk levels and compliance with limits.

Derivative Cash Flow Statement

Amounts refer to contracted, undiscounted cash flows.

	2010						2009					
SEK million	Up to 1 month	1–3 months	3–12 months	1–5 years	> 5 years	Total	Up to 1 month	1–3 months	3–12 months	1–5 years	> 5 years	Total
DERIVATIVES SETTLED ON A NET BASIS												
Currency-related derivatives	–	–	–	–	–	–	–	–	–	–	–	–
Interest-rate-related derivatives	–223	–157	850	152	–553	69	–293	–587	1,590	961	–642	1,029
Total derivatives settled on a net basis	**–223**	**–157**	**850**	**152**	**–553**	**69**	**–293**	**–587**	**1,590**	**961**	**–642**	**1,029**
DERIVATIVES SETTLED ON A GROSS BASIS												
Currency-related derivatives												
– Inflows of cash	2,120	1,462	11,929	34,401	20,965	70,877	2,011	12,142	13,794	23,470	9,498	60,915
– Outflows of cash	–2,113	–1,574	–12,365	–36,947	–21,647	–74,646	–1,843	–10,513	–12,548	–21,214	–9,090	–55,208
Interest-rate-related derivatives												
– Inflows of cash	–	–	–	–	–	–	–	–	–	–	–	–
– Outflows of cash	–	–	–	–	–	–	–	–	–	–	–	–
Inflows total	**2,120**	**1,462**	**11,929**	**34,401**	**20,965**	**70,877**	**2,011**	**12,142**	**13,794**	**23,470**	**9,498**	**60,915**
Outflows total	**–2,113**	**–1,574**	**–12,365**	**–36,947**	**–21,647**	**–74,646**	**–1,843**	**–10,513**	**–12,548**	**–21,214**	**–9,090**	**–55,208**

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 actual interest base, usually the three-month STIBOR.

Interest-rate risk

Interest-rate risk arises primarily when the interest rate structure between the company's funding and lending is not fully matched. SCBC's interest rate structure as at 31 December 2010 is shown in the table Fixed-interest terms for financial assets and liabilities. The main principle is that all interest-rate risk in SCBC is hedged directly. Accordingly, at SCBC, interest-rate risk arises only to a limited extent. SCBC takes no active positions.

The interest-rate risk limits set by the Parent Company's Board for the Group also include SCBC and are allocated to an operational and a strategic risk, both of which are managed at Group level. The operational interest-rate risk is subject to a limit of 1% of SBAB's capital base. As at 31 December 2010, the operational interest-rate risk exposure of the SBAB Group was a negative SEK 28 million (negative: 43), compared with the limit set by the Parent Company's Board of +/– SEK 133 million.

The strategic interest-rate risk is the risk that arises when SBAB's equity and its flow are invested in fixed-interest lending. The flow arises because the frequency of interest payments from lending and funding varies. SBAB's equity and flow is to primarily be used to fund lending operations. The benchmark for the investment of equity is defined as a maturity ladder with even maturities each year from one year to ten years. The flow is invested at an average maturity corresponding to the average maturity of the lending portfolio. The interest-rate risk associated with equity is defined as 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 was within the approved interval of +/– SEK 20 million established for deviation from the benchmark.

The interest-rate risk is quantified on a daily basis 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 and 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 confidence interval of 99.97% and a period of one year are applied. The change in the value of the portfolio resulting from a parallel shift

Fixed-rate interest term for financial assets and liabilities

Carrying amounts	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
ASSETS														
Lending to credit institutions	72	7,557	–	–	–	–	7,629	53	9,919	–	–	–	–	9,972
Lending to the public	–	128,378	8,667	9,842	56,184	6,590	209,661	–	99,196	11,794	8,203	47,911	6,267	173,371
Change in fair value of interest-hedged loan receivables	–	1,003	588	993	−386	−1,076	1,122	–	851	670	1,133	1,216	−909	2,961
Derivative instruments	–	−127,134	24,392	9,635	81,175	17,078	5,146	–	−144,161	28,243	13,364	102,291	11,165	10,901
Other assets	311	–	–	–	–	–	311	852	–	–	–	–	–	852
Total financial assets	**383**	**9,804**	**33,647**	**20,470**	**136,973**	**22,592**	**223,869**	**905**	**−34,195**	**40,708**	**22,699**	**151,417**	**16,523**	**198,057**
LIABILITIES														
Liabilities to credit institutions	–	10,818	–	–	–	–	10,818	–	14,625	–	–	–	–	14,625
Debt securities in issue	–	18,498	18,230	9,551	92,745	16,295	155,319	–	17,660	10,491	13,043	85,790	12,979	139,963
Derivative instruments	–	−75,475	19,769	10,913	44,659	5,680	5,546	–	−107,558	33,955	9,369	64,647	3,646	4,059
Other liabilities	3,345	–	–	–	–	–	3,345	3,224	–	–	–	–	–	3,224
Subordinated debt	−608	38,971	–	–	–	–	38,363	−551	27,177	–	–	–	–	26,626
Total financial liabilities	**2,737**	**−7,188**	**37,999**	**20,464**	**137,404**	**21,975**	**213,391**	**2,673**	**−48,097**	**44,446**	**22,412**	**150,437**	**16,625**	**188,497**
Difference assets and liabilities	−2,354	16,992	−4,352	6	−431	617	10,478	−1,768	13,902	−3,739	287	980	−101	9,560

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.

Currency risk

Currency risk means the risk of changes in the Swedish krona's exchange rate in relation to other currencies leading to deterioration in profitability.

All of SCBC's funding in foreign currency is translated to and hedged in Swedish krona through the derivative market.

Operational risk

Operational risk means the risk of losses due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events. The definition includes legal risk. SCBC uses the standardised approach to assess capital requirements for operational risk. This approach 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
- Processes for managing operational risks
- Contingency plans and continuity plans
- Method for allocating operating income among business areas.

The SBAB Group 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, as well as the registration of incidents that have occurred. 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.

Business risk

Business risk is the risk that deteriorating competitive conditions or an incorrect strategy or decision will result in declining income. Business risk also includes margin risk, which arises when fixed-interest maturities applying to the interest-rate margin for assets and liabilities differ.

Business risk is divided into two main groups: new business and existing business. New business should be relatively identical to business already existing in the

Capital base

SEK million	2010	2009
Tier 1 capital		
Equity	10,461	9,615
Proposed dividend/Group contribution	−100	−450
Total Tier 1 capital gross	**10,361**	**9,165**
Deferred tax assets	–	−55
Difference between provisions and expected loss amount for exposures recognised in accordance with IRB	−121	−117
Total Tier 1 capital net	**10,240**	**8,993**
Supplementary capital		
Perpetual subordinated debentures	–	–
Time-limited subordinated debentures	–	–
Total supplementary capital	**–**	**–**
Expanded part of capital base	–	–
Deduction from entire capital base	–	–
Amount for capital base net after deductible items and limit value	**10,240**	**8,993**

SBAB Group. Changes in the form of new products or new markets should account for only a minor share of the SBAB Group's operations and should be implemented at a pace ensuring that they do not materially jeopardise the level of earnings or the capital base. Business risk is included in the calculation of the capital requirement based on economic capital using a standardised approach that reflects the business areas' operating expenses.

Concentration risk

The SBAB Group is considered primarily to be exposed to credit-risk-related concentration risk within its lending operations. The concentration risk is calculated on the basis of major exposures, industry concentration and geographical concentration.

The calculations for capital requirements related to the concentration risk were developed during autumn 2009. During 2010, the method was implemented gradually in that capital was allocated to the various parts of the lending operations. The entire capital requirement for concentration risk is included in the SBAB Group's economic capital for credit risk.

Large exposures, meaning exposures amounting to 10% or more of the capital base, are managed on the basis of credit instructions and finance instructions. The exposures concerned are identified, checked and followed up in order to ensure that they are within the established limits and statutory framework for large exposures.

Internal capital adequacy assessment, Basel Committee's Pillar 2

The purpose of the internal capital adequacy assessment process is to ensure that the SBAB Group identifies, evaluates, secures and handles the risks to which it is exposed and that the SBAB Group has 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 Group's performance.

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

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 had declined to SEK 6,463 million (6,521). The comparative figure at 31 December 2009 has been reduced by SEK 418 million due to an adjustment for the capital required to cover the concentration risk associated with economic capital and a reduction in the PD floor.

Economic capital

Economic capital comprises the capital that, according to assessment, the SBAB Group requires to cover unexpected losses during the coming year. Expected losses shall be covered by earnings from operating activities. The assessment of economic capital takes into account credit risk, market risk, operational risk and business risk. Credit risk is the dominant risk in the SBAB Group's operations. The levels take into account diversification effects, meaning that

Capital requirements

SEK million	2010	2009
Credit risk reported in accordance with IRB approach		
– Corporate exposures	1,927	1,478
– Retail exposures	536	461
Total credit risk for exposures in accordance with IRB approach	**2,463**	**1,939**
Credit risk reported in accordance with standardised approach		
– exposures to governments and central banks	0	0
– exposures to municipalities and comparable associations	0	0
– institutional exposures	77	92
– corporate exposures	20	3
– retail exposures	1	2
– unregulated items	–	0
– other items	2	1
Total credit risk for exposures in accordance with standardised approach	**100**	**98**
Risks in the commercial portfolio	**–**	**–**
Operational risk	**111**	**137**
Currency risk	**–**	**–**
Commodity risk	**–**	**–**
Total capital requirement	**2,674**	**2,174**
Addition during transitional period	5,274	4,287
Capital requirement including addition	**7,948**	**6,461**

the risk has been reduced by considering 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 is founded on a basic scenario that reflects the most probable operational development in accordance with internal forecasts. Complementing this, stress tests and scenario analyses are performed, in which the way the credit portfolio and capital requirements will develop during a serious economic downturn is evaluated. In the stressed scenario, the Swedish economy is subjected to several major disturbances simultaneously. A combination of external and internal factors further exacerbates the situation and leads to a recession, inflation and problems in the bank sector. The scenario is of the nature that might be expected to occur every 20–25 years.

The stress tests are conducted in such a way that the macro scenario that forms the foundation for the test is translated to reflect the effects it has on the SBAB Group's risk models. A change in the credit-worthiness of individual loans is simulated by changes to the majority of the parameters in SBAB's IRB models. A negative stress on PD variables simulates the deterioration in the payment capacity of customers due to factors including higher interest rates, while declining market values for underlying collateral lead to an increase in LGD.

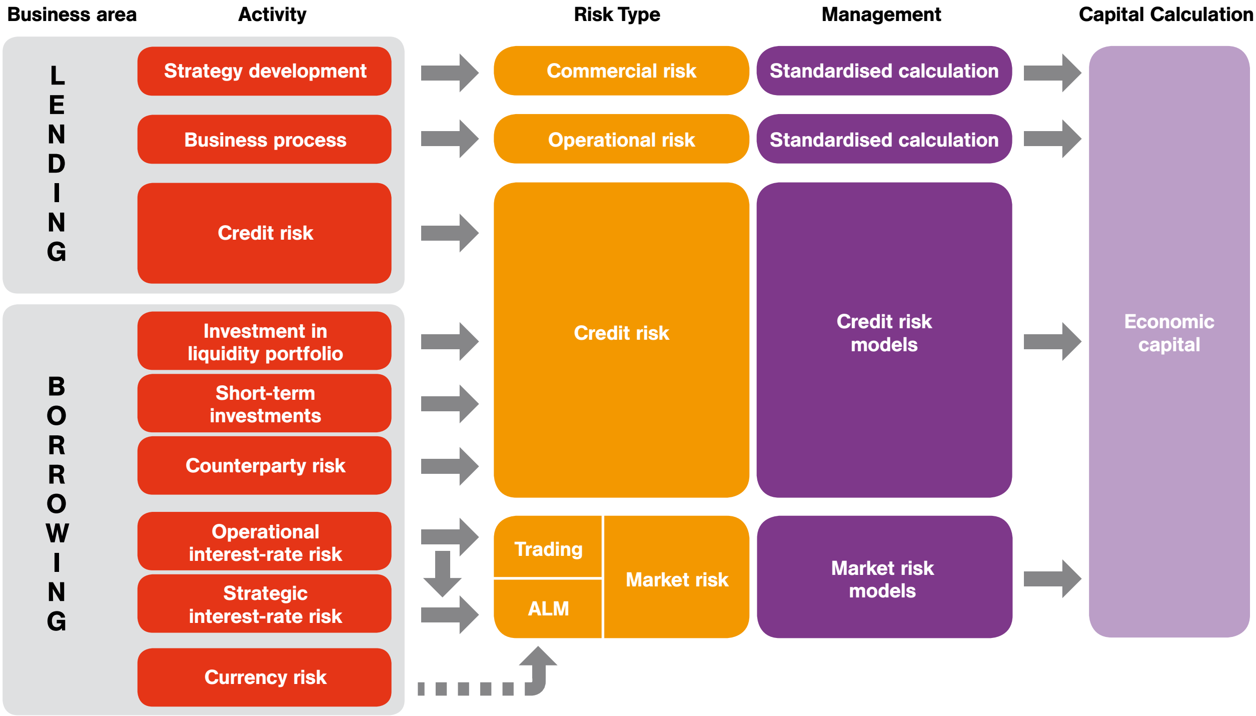
To evaluate the effect of the stress test, measurements are made of the change in the SBAB Group's economic capital and expected losses for the credit portfolio due to the changes in composition and credit quality. In the stress scenario characterised by a severe recession, both the economic capital and the expected losses increase signifi-

SBAB Group's economic capital by risk type

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

The model has been adjusted in relation to the preceding year. Comparative figures for 2009 have been adjusted accordingly.

Comprehensive process for calculation of economic capital



cantly, although from very low levels. During the first year of the stressed scenario, economic capital and expected losses start to rise and then rise additionally during the second year before recovering somewhat in the final year. The increase in economic capital and expected losses derives largely from the simulation of declining market values, since these have an impact on both the PD and the LGD dimension. On the basis of the results of the stress tests, a buffer has been allocated to offset the increase in economic capital during the first year of the stressed scenario. The increase in economic capital during the remaining years is covered more than adequately by the Group's equity and unappropriated earnings, which significantly exceed the lowest level corresponding to the minimum capital requirement under the regulatory framework.

Capital adequacy

SCBC 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 adequacy ratio, the Tier 1 capital ratio and the core Tier 1 capital ratio each amounted to 30.6% (33.1) at 31 December 2010. Earnings for the year are included in the calculation of the capital base and Tier 1 capital. The figures for 31 December 2010 include a dividend of SEK 100 million paid to the Parent Company, which is in line with the Board of Directors' proposal for the appropriation of profits.

There are no ongoing or anticipated material obstacles or legal barriers to a rapid transfer of funds from the capital base or what generally arises from the Companies Act.

Capital adequacy

SEK millions	2010	2009
Core Tier 1 capital	10,240	8,993
Tier 1 capital	10,240	8,993
Total capital	10,240	8,993
Without transitional regulations		
Risk-weighted assets	33,425	27,172
Core Tier 1 capital ratio	30.6%	33.1%
Tier 1 capital ratio	30.6%	33.1%
Capital adequacy ratio	30.6%	33.1%
Capital quotient	3.83	4.14
With transitional regulations		
Risk-weighted assets	99,355	80,760
Core Tier 1 capital ratio	10.3%	11.1%
Tier 1 capital ratio	10.3%	11.1%
Capital adequacy ratio	10.3%	11.1%
Capital quotient	1.29	1.39

Income Statement

SEK million	Note	2010	2009
Interest income	1	3,667	3,445
Interest expense	1	–2,227	–2,632
Net interest income		**1,440**	**813**
Commission income	2	10	9
Commission expense	2	–79	–68
Net income from financial instruments measured at fair value	3	249	–580
Other operating income		1	1
Total operating income		**1,621**	**175**
General administrative expenses	4	–463	–444
Other operating expenses		–1	–1
Total expenses before loan losses		**–464**	**–445**
Profit/loss before loan losses		**1,157**	**–270**
Loan losses, net	5	–10	–25
Operating profit/loss		**1,147**	**–295**
Income tax expense	6	–301	78
Profit/loss for the year		**846**	**–217**

Statement of Comprehensive Income

SEK million	2010	2009
Profit/loss for the year	**846**	**–217**
Revenues/expenses recognised directly in equity	–	–
Other comprehensive income during the year, after tax	**–**	**–**
Total comprehensive income during the year	**846**	**–217**

Balance Sheet

SEK million	Note	2010	2009
ASSETS			
Loans and advances to credit institutions	7	7,629	9,972
Loans and advances to the public	8	209,661	173,371
Change in value of interest-rate-hedged items in portfolio hedges		1,122	2,961
Derivative instruments	9	5,146	10,901
Deferred tax assets	18	–	55
Other assets	12	55	638
Prepaid expenses and accrued income	13	256	214
TOTAL ASSETS		**223,869**	**198,112**
LIABILITIES AND EQUITY			
Liabilities to credit institutions	14	10,818	14,625
Debt securities in issue	15	155,319	139,963
Derivative instruments	9	5,546	4,059
Other liabilities	16	95	18
Accrued expenses and prepaid income	17	3,250	3,206
Deferred tax liabilities	18	17	–
Subordinated debt to Parent Company	19	38,363	26,626
Total liabilities		**213,408**	**188,497**
Share capital		50	50
Shareholder contribution		9,550	9,550
Retained earnings		15	232
Profit/loss for the year		846	–217
Total equity	20	**10,461**	**9,615**
TOTAL LIABILITIES AND EQUITY		**223,869**	**198,112**

OFF-BALANCE SHEET ITEMS			
Assets pledged for own liabilities	21	205,087	173,215
Other assets pledged		None	None
Contingent liabilities		None	None
Commitments		None	None

Statement of Changes in Equity

SEK million	Share capital	Shareholder contribution	Retained earnings	Profit/loss for the year	Total equity
OPENING BALANCE, 1 JANUARY 2010	**50**	**9,550**	**15**		**9,615**
Profit/loss for the year				846	846
CLOSING BALANCE, 31 DECEMBER 2010	**50**	**9,550**	**15**	**846**	**10,461**

SEK million	Share capital	Shareholder contribution	Retained earnings	Profit/loss for the year	Total equity
OPENING BALANCE, 1 JANUARY 2009	**50**	**9,550**	**–218**		**9,382**
Group contribution received from the Parent Company, after tax			450		450
Profit/loss for the year				–217	–217
CLOSING BALANCE, 31 DECEMBER, 2009	**50**	**9,550**	**232**	**–217**	**9,615**

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

Cash Flow Statement

SEK million	2010	2009
Cash and cash equivalents at the beginning of the year	**9,972**	**5,535**
OPERATING ACTIVITIES		
Interest received	3,590	3,541
Commission received	12	36
Interest paid	–3,177	–3,025
Commission paid	–76	–39
Realised changes in value	173	–173
Payments to suppliers	–463	–480
Income taxes paid	–169	101
Change in subordinated receivables	11,737	7,208
Change in loans and advances to the public	–36,295	–15,602
Changes in loans and advances to credit institutions	–3,806	–6,004
Issue of long-term debt securities	69,993	69,899
Repayment of long-term debt securities	–44,708	–50,470
Change in other assets and liabilities	236	–155
Cash flow from operating activities	**–2,953**	**4,837**
INVESTING ACTIVITIES		
Cash flow from investing activities	**–**	**–**
FUNDING ACTIVITIES		
Dividend paid		
Group contribution provided/received	610	–1,600
Shareholder contribution received from Parent Company	–	1,200
Cash flow from funding activities	**610**	**–400**
Increase/decrease in cash and cash equivalents	**–2,343**	**4,437**
Cash and cash equivalents at year-end	**7,629**	**9,972**

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

Accounting Policies

The Swedish Covered Bond Corporation, SCBC, is a wholly owned subsidiary of The Swedish Housing Finance Corporation, SBAB (publ). SCBC is a credit market company whose operations focus on the issuance of covered bonds. Its operations began in 2006 when the company received a licence from the Swedish Financial Supervisory Authority (SFSA) to issue covered bonds. The Parent Company, SBAB is a limited liability company that is registered in Stockholm County, Stockholm Municipality. The address of the Head Office is the Swedish Housing Finance Corporation, SBAB (publ), Box 27 308, SE-102 54 Stockholm.

This annual report has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. SCBC applies statutory IFRS, which means that the annual report has been prepared in compliance with IFRS subject to the additions and exceptions that ensue from the Swedish Financial Reporting Council's recommendation RFR 2, Accounting for Legal Entities, and the SFSA's regulations and general guidelines on annual reports in credit institutions and securities companies undertakings (FFFS 2008:25). The annual report has been prepared in accordance with the acquisition method, apart from derivative instruments and financial assets and liabilities measured at fair value through profit or loss, as well as hedge-accounted item.

On 14 March 2011, the Board of Directors approved the financial statements for publication. They will receive final approval from the Annual General Meeting of Shareholders on 13 April 2011.

Amended and new accounting policies in 2010

No amended or new accounting policies had an impact on the company's financial statements.

Implementation of new accounting standards

- IFRS 9 – Financial Instruments
  IFRS 9 Classification and Measurement, is the first part of a larger project aimed at replacing IAS 39. IFRS 9 contains two primary measurement categories for financial assets: Accrued cost and fair value. Classification occurs on the basis of the company's business model and the characteristic properties of its contractual cash flows. For financial liabilities, most of the current rules contained in IAS 39 will be retained. Guidance in IAS 39 pertaining to impairment testing of financial assets and hedge accounting will continue to apply until IASB has completed those aspects of IFRS 9. The standard is mandatory as of January 2013, although advance application is permissible. IFRS 9 has not been adopted by the EU. SCBC's preliminary assessment is that introduction of the standard, concerning classification and measurement of financial assets and liabilities, will have a limited impact on its financial statements.
- IAS 24 (revised) – Related Party Disclosures
  The revised standard clarifies and simplifies the definition of related party in respect of government-owned companies. Clarifications have been to the effect that the standard is also to apply to a company's individual statements, meaning that companies that do not have any subsidiaries, associated companies and/or joint ventures also have to apply the standard. In addition, a number of definitions have revised and clarified, while certain disclosure requirements regarding related parties have been amended. The amendments pertaining to application area, definitions and disclosure requirements will have an impact on SCBC's financial statements. The amendments will be applied as of January 2011.

General accounting policies

Recognition and derecognition in the balance sheet

Issued and purchased securities, including all derivative instruments, are recognised on the trade date, meaning the date on which the significant risks and contractual rights are transferred between the parties. Other financial instruments are recognised on the settlement date. A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire and the company has transferred essentially all of the risks and rewards of ownership of the financial asset. A financial liability is derecognised when it is extinguished, meaning when the obligation specified in the contract is discharged, cancelled or expires.

Recognition of income and expense

Interest income and interest expense (including interest income from impaired receivables) are recognised 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 or loss via net interest income over the expected life of the loan. Commission income and commission expense are included in profit or loss continuously in accordance with the terms of the contract. In the event of premature redemption of loans, the customer pays an early redemption fee intended to cover the cost that arises for SCBC. This fee is recognised as income directly under the heading Net income from financial instruments measured at fair value. Other items under this heading are described in the section Financial instruments.

Financial instruments

Classification

All financial instruments that are covered by IAS 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

SCBC has not classified any assets as "Held-to-maturity investments" or as "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 main tools used are models based on discounted cash flows. In individual cases, the calculations may also be based on assumptions or estimates.

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

The categories "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss" are divided into available-for-sale holdings and into financial assets/liabilities that executive management designated as such upon initial recognition. All of SCBC's assets and liabilities in these categories are classified as held for trading. Each of these categories includes derivatives that are not subject to hedge accounting. Assets in this category are initially recognised at fair value, while related transaction expenses are recognised in profit or loss. Changes in fair value and realised gains or losses for these assets are recognised directly in profit or loss under the heading "Net income from financial instruments measured at fair value", while the effective interest rate is recognised as interest income.

Loans and receivables

Financial assets classified as loan receivables and accounts receivable are recognised at acquisition value (cost) at the date of transfer. 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 customers and credit institutions and include associated items. Changes in fair value and impairment losses are recognised as "Loan losses, net", while the effective interest rate is recognised as interest income. Also refer to the paragraph "Loan losses" on page 27.

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

Repurchase agreements

Repurchase agreements, also referred to as repos, are agreements where the parties have simultaneously reached agreement on sale and repurchase of a particular security at a pre-determined price. Securities that have been provided or received according to a repo agreement are retained or are not recognised in the balance sheet, respectively. Payments received are recognised in the balance sheet as liabilities to credit institutions and payments made are recognised as loans and advances to credit institutions. The impact on profit or loss is attributable to the difference between sale and repurchase prices and is recognised in net interest income.

Derivative instruments and hedge accounting

Derivative instruments are used primarily to eliminate interest rate and currency risk in the company's assets and liabilities. Derivative instruments are recognised at fair value in the balance sheet. For hedging relationships where the risks of significant fluctuation in gain or loss is the greatest and that meet the formal hedge accounting criteria, SCBC has chosen to apply hedge accounting for hedging of the interest rate and currency risk. The method applied by SCBC is fair value hedging; see below. There are also other economic hedges for which hedge accounting is not applied and such derivative instruments are classified as assets or liabilities, respectively, measured at fair value through profit or loss.

Fair value hedge

In the case of a fair value hedge, the derivative hedging instrument is measured at fair value at the same time as the hedged asset or liability is measured 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 or loss under the heading “Net income from financial instruments measured at fair value”. The effective interest rate of 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 or loss in accordance with the effective interest method. The accrual extends over the remaining life of the hedged item. The realised gain or loss arising from premature closing of a hedging instrument is recognised in profit or loss under the heading “Net income from financial instruments measured at fair value”.

Macro hedge

In this type of hedge, derivative instruments are used at an aggregated level to hedge structured interest-rate risks. When reporting these transactions, the “carve-out” version of IAS 39 is applied, as adopted by the EU. In the financial statements, 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 receivables based on the next contractual renewal date. The hedging instrument used is a portfolio of interest rate swaps grouped in accordance with renewal intervals based on conditions in the fixed leg of the swap.

Loan losses

On the balance-sheet date, an assessment takes place of whether there is any objective evidence that an individual loan or group of loans requires impairment. This takes place as a result of events that have occurred after the initial recognition of the asset and which have had an impact on the estimated future cash flows for the loan receivable or group of loan receivables in question. Events that could 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 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. Measurement of probable loan losses is effected in gross amounts and, when there is a guarantee, this is recognised as a receivable against the counterparty. If the present value of future cash flows exceeds the carrying amount of the asset, no impairment takes place and the receivable is not regarded as uncertain. The impairment amount is recognised in profit or loss under the heading “Loan losses, net”. Confirmed loan losses and provisions for 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-risk characteristics and are adjudged on a collective basis in terms of the impairment requirement.

Collectively measured loan receivables

The loan receivables assessed in this group are as follows:

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

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

- As part of the work on Basel II, statistical models have been produced for use in the internal ratings-based system. Adjusted in accordance with the IFRS regulatory framework, groups of loans, which have been subject to events that produce a measurable negative impact on the expected future cash flows, have been identified.

- In addition, groups of loans are identified for which future cash flows have undergone a measurable deterioration due to events that have recently taken place but which have not yet had an impact in the risk classification system.

Restructured loan receivables

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

Miscellaneous

Functional currency

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

Foreign currency translation of receivables and liabilities

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 or loss under "Net income from financial instruments measured at fair value".

Taxes

Total tax consists of current tax and deferred tax. Current tax comprises tax which is to be paid or received for taxable earnings during the current year and adjustments of current taxes for previous years. Accordingly, for items recognised in profit or loss, the related tax effects are also recognised in profit or 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 measured 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 loans and advances to credit institutions with a maturity of at most three months from the acquisition date.

Segment reporting

A segment is a line of business or geographical area that is distinguishable for accounting purposes and is subject to risks and opportunities that differ from those of other lines of business and areas. Since SCBC's operations consist mainly of investments in loan receivables with a risk level that enables the issuance of covered bonds, only one segment is reported, SCBC as a whole.

Dividends

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

Group contributions

Group contributions are provided or received in order to minimise the Group's taxes and are recognised as a decrease/increase in unrestricted shareholders' equity after adjustments for estimated tax.

Critical accounting estimates and judgements

Critical estimates

To prepare the annual accounts in compliance with IFRS, it is required that executive management use estimates and judgements 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. 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 described below:

- For collectively measured loan receivables, the estimates of future cash flows are based partly on assumptions concerning how observable data may result in loan losses. See also the section Loan losses above.

Significant events after the balance-sheet date

See the section of the administration report called "Earnings" on page 5.

Notes

Note 1 Net interest income

SEK million	2010	2009
Interest income		
Loans and advances to credit institutions	68	37
Loans and advances to the public [1]	5,414	5,378
Interest-bearing securities	−1,815	−1,970
Total	**3,667**	**3,445**
Interest expense		
Liabilities to credit institutions	−61	−209
Debt securities in issue	−1,661	−2,202
Subordinated debt	−505	−219
Other	–	−2
Total	**−2,227**	**−2,632**
Net interest income	**1,440**	**813**

The subordinated liability has been issued by the Parent Company.

[1] *Includes SEK 0 million in interest income on uncertain receivables.*

Note 2 Commissions

SEK million	2010	2009
Commission income		
Commission on lending	10	9
Total	**10**	**9**
Commission expense		
Stability fee	−31	−28
Other commissions	−48	−40
Total	**−79**	**−68**
Commissions, net	**−69**	**−59**

Note 3 Net income from financial instruments measured at fair value

SEK million	2010	2009
Gains/losses on interest-bearing financial instruments:		
– Change in value of hedged items in hedge accounting	1,009	70
– Realised income/expense from financial items	−534	−827
– Derivative instruments in hedge accounting	−319	219
– Other derivative instruments	0	−181
– Loan receivables	91	140
Currency translation effects	**2**	**−1**
Total	**249**	**−580**

Note 4 General administrative expenses

SEK million	2010	2009
Outsourcing costs	–431	–410
Management fee	–31	–33
Other administrative expenses	–1	–1
Total	**–463**	**–444**

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

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

Fees and compensation for expenses to auditors

Fees and compensation for expenses to PwC amounted to SEK 0.7 million (0.7), of which the audit cost accounted for SEK 0.3 million. Of the SEK 0.4 million for audit tasks in addition to the audit of the annual financial statements, tax consultancy accounted for SEK 0 million and other services for SEK 0 million.

The audit assignment includes examination of the annual report, the accounting records and the administration by the Board and CEO. The audit assignment also includes consultancy and other assistance resulting from such examination. Audit tasks in addition to the audit of the annual financial statements pertain to the examination of interim reports/year-end report and such other duties that may only be performed by the signing-off auditor, such as the preparation of various types of certificates. Other services pertain to consultancy services required at the initiative SCBC.

Note 5 Loan losses, net

SEK million	2010	2009
Corporate Market		
Collective provision, corporate market loans		
Allocation/reversal of collective provision	2	–6
Guarantees	–4	2
Net cost for the year for collective provisions for corporate market loans	**–2**	**–4**
Retail market		
Individual provision, retail market loans		
This year's write-off for confirmed loan losses	–2	0
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in this year's financial statements	1	–
This year's provision for probable loan losses	–	–1
Guarantees	–	–
Net cost for the year for individual provisions for retail market loans	**–1**	**–1**
Collective provision, retail market loans		
This year's write-off for confirmed loan losses	–1	–
Allocation/reversal of collective provision	–6	–19
Guarantees	–0	–1
Net cost for the year for collective provisions for retail market loans	**–7**	**–20**
This year's net cost for loan losses	**–10**	**–25**

The write-offs regarding confirmed losses as specified above relate to receivables from the public. The guarantees pertain to received or estimated receivables from the National Housing Credit Guarantee Board, insurance companies and banks. Refer also to the paragraph concerning credit risk in the section Risk management on page 14.

Note 6 Income tax

SEK million	2010	2009
Current tax	–229	–262
Deferred income tax	–72	340
Total	**–301**	**78**
The effective tax rate differs from the nominal tax rate in Sweden as below:		
Profit before tax	1,147	–295
Nominal tax rate in Sweden 26.3%	–302	78
Tax for previous years and others	1	0
Total tax	**–301**	**78**
Effective tax rate	26.2%	26.4%

Note 7 Loans and advances to credit institutions

SEK million	2010	2009
Lending in Swedish kronor	7,543	9,969
Lending in foreign currency	86	3
Total	**7,629**	**9,972**
of which repos	*7,470*	*9,916*
Loans and advances to credit institutions in accordance with remaining term, net carrying amount		
Payable on demand	159	56
At most 3 months	7,470	9,916
Longer than 3 months but at most 1 year	–	–
Longer than 1 year but at most 5 years	–	–
Longer than 5 years	–	–
Total credit institutions	**7,629**	**9,972**
Average remaining term, years	0.0	0.0
Total	**7,629**	**9,972**

Of SCBC's loans and advances to credit institutions, SEK 72 million (53) pertains to a receivable from FriSpar Bolån AB (a joint venture in the SBAB Group).

Note 8 Loans and advances to the public

SEK million	2010	2009
Opening balance	173,473	157,877
Transferred from Parent Company	54,643	30,409
Amortisation, write-offs, redemption	−18,329	−14,813
Closing balance	209,787	173,473
Provision for probable loan losses	−126	−102
Closing balance	209,661	173,371
Receivables outstanding distributed by remaining term, net, carrying amount		
Payable on demand	–	–
At most 3 months	32,905	20,313
Longer than 3 months but at most 1 year	104,649	93,374
Longer than 1 year but at most 5 years	65,330	53,230
Longer than 5 years	6,777	6,454
Total	**209,661**	**173,371**
Average remaining term, years	1.3	1.4
Distribution of lending by property type		
Single-family dwellings and holiday homes	82,005	68,674
Tenant-owned apartments	48,060	38,570
Tenant-owner associations	48,280	39,859
Private multi-family dwellings	24,040	19,133
Municipal multi-family dwellings	7,231	7,229
Commercial properties	171	8
Provision for probable loan losses	−126	−102
Total	**209,661**	**173,371**
Percentage of lending with a state or municipal guarantee	4	4
Average fixed-interest term, years	1.0	1.0

In case of early redemption between interest-rate adjustment dates, SCBC has the right to receive so-called 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%. For other loans, the reinvestment interest rate for comparable government securities is, in most cases, the applicable interest rate. In other cases, the comparable interest rate is specified in the current loan conditions.

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

Doubtful loan receivables and provisions

SEK million	2010	2009
a) Doubtful loan receivables	–	2
b) Individual provisions, loan receivables	–	2
c) Collective provisions, corporate market loans	18	14
d) Collective provisions, retail market loans	108	86
e) Total provisions (b+c+d)	126	102
f) Doubtful loan receivables after individual provisions (a–b)	–	0
g) Provision ratio for individual provisions (b/a)	–	93%

Refer also to the paragraph concerning credit risk in the section Risk management on page 8.

Distribution of doubtful loan receivables and provisions by property type

SEK million	2010					2009				
	Tenant-owner associations	Private multi-family dwellings	Single-family dwellings and holiday homes	Tenant-owned apartments	Total	Tenant-owner associations	Private multi-family dwellings	Single-family dwellings and holiday homes	Tenant-owned apartments	Total
Doubtful loan receivables, gross					–		1	1		2
Individual provisions, loan receivables					–		1	1		2
Collective provisions, corporate market loans	7	11			18	7	7			14
Collective provisions, retail market loans			71	37	108			58	28	86
Doubtful loan receivables after individual provisions					–		0	0		0

Note 9 Derivative instruments

SEK million	2010			2009		
	Fair value, assets	Fair value, liabilities	Nominal amount	Fair value, assets	Fair value, liabilities	Nominal amount
Derivatives in fair value hedges						
Interest-rate related						
– interest-rate swaps	2,428	1,868	367,828	4,371	218	303,565
Currency related	2,475	2,682	52,734	5,448	3,063	48,602
Total	**4,903**	**4,550**	**420,562**	**9,819**	**3,281**	**352,167**
Other derivatives						
Interest-rate related				–	–	–
– interest-rate swaps	216	98	15,816	925	727	44,964
Currency related	27	898	13,578	157	51	5,985
Total	**243**	**996**	**29,394**	**1,082**	**778**	**50,949**

Derivative instruments by remaining term, carrying amount	2010 Fair value	2010 Nominal amount	2009 Fair value	2009 Nominal amount
At most 3 months	0	3,356	1,774	16,504
3–12 months	502	52,429	1,733	69,151
1–5 years	145	152,978	5,836	125,949
Longer than 5 years	–1,047	241,193	–2,501	191,512
Total	**–400**	**449,956**	**6,842**	**403,116**

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

Fair value hedges
SCBC mainly uses fair value hedges to protect against changes in the fair value of lending and funding at fixed interest rates and to hedge currency exposure of funding in foreign currency. The hedge instruments primarily used are interest-rate swaps and interest-currency swaps.

As at 31 December 2010, derivatives held for fair value hedging had a nominal amount of SEK 421 billion (352). The fair value of these derivatives was SEK 354 million (6,538). The year's change in value of these derivatives amounted to a negative SEK 319 million (pos: 219). The change in fair value of the hedged items with respect to hedged risk amounted to SEK 1,009 million (70) and the realised loss on the repurchased debt was SEK 534 million (loss: 827). Accordingly, SCBC's hedge accounting for fair value and completed repurchases affected the year's earnings positively by SEK 156 million (neg: 538).

Note 10 Classification of financial instruments

Financial assets

SEK million	2010						2009					
	Hedge-accounted derivative instruments	Loan receivables in hedge accounting	Other derivative instruments measured at fair value through profit or loss	Other loan receiv-ables	Total	Total fair value	Hedge-accounted derivative instruments	Loan receivables in hedge accounting	Other derivative instruments measured at fair value through profit or loss	Other loan receiv-ables	Total	Total fair value
Loans and advances to credit institutions				7,629	7,629	7,629				9,972	9,972	9,972
Loans and advances to the public		209,661			209,661	210,089		173,371			173,371	175,693
Change in fair value of interest-rate hedged items in portfolio hedges		1,122			1,122	–		2,961			2,961	–
Derivative instruments	4,903		243		5,146	5,146	9,819		1,082		10,901	10,901
Other assets				55	55	55				638	638	638
Prepaid expenses and accrued income		217		39	256	256		212		2	214	214
Total	**4,903**	**211,000**	**243**	**7,723**	**223,869**	**223,175**	**9,819**	**176,544**	**1,082**	**10,612**	**198,057**	**197,418**

Financial liabilities

SEK million	2010						2009					
	Hedge-accounted derivative instruments	Other financial liabilities covered by hedge accounting	Other derivative instruments and liabilities measured at fair value through profit or loss	Other finan-cial liabili-ties	Total	Total fair value	Hedge-accounted derivative instruments	Other financial liabilities covered by hedge accounting	Other derivative instruments and liabilities measured at fair value through profit or loss	Other finan-cial liabili-ties	Total	Total fair value
Liabilities to credit institutions				10,818	10,818	10,818				14,625	14,625	14,625
Debt securities in issue, etc		136,820		18,499	155,319	155,937		139,963			139,963	140,185
Derivative instruments	4,550		996		5,546	5,546	3,281		778		4,059	4,059
Other liabilities				95	95	95				18	18	18
Accrued expenses and prepaid income		3,200		50	3,250	3,250		3,135		71	3,206	3,206
Subordinated debt to Parent Company				38,363	38,363	38,363				26,626	26,626	26,626
Total	**4,550**	**140,020**	**996**	**67,825**	**213,391**	**214,009**	**3,281**	**143,098**	**778**	**41,340**	**188,497**	**188,719**

Note 11 Fair value measurement

	2010				2009			
SEK million	Quoted market prices (Level 1)	Other observable data (Level 2)	Un-observable data (Level 3)	Total	Quoted market prices (Level 1)	Other observable data (Level 2)	Un-observable data (Level 3)	Total
Assets								
Securities in the category trade	–	243	–	243	–	1,082	–	1,082
Other derivative instruments	–	4,903	–	4,903	–	9,819	–	9,819
Total	**–**	**5,146**	**–**	**5,146**	**–**	**10,901**	**–**	**10,901**
Liabilities								
Securities in the category trade	–	996	–	996	–	778	–	778
Other derivative instruments	–	4,550	–	4,550	–	3,281	–	3,281
Total	**–**	**5,546**	**–**	**5,546**	**–**	**4,059**	**–**	**4,059**

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

Quoted market prices (Level 1)
Measurement at quoted prices in an active market. An active market is a market in which there are easily available prices with satisfactory regularity. The valuation technique is currently not used for any assets or liabilities.

Measurement based on other observable data (Level 2)
Measurement aided by external market information other than quoted prices, such as quoted interest rates or prices for closely related instruments. This group includes all non-quoted derivative instruments.

Measurement based in part on unobservable data (Level 3)
Measurement whereby a material component of the model is based on estimates or assumptions that do not originate directly from the market. This technique is currently not used for any assets or liabilities.

Note 12 Other assets

SEK million	2010	2009
Past due interest-rate receivables	55	28
Securities settlement receivables	–	–
Receivables according to outsourcing agreement	–	–
Tax assets	–	0
Receivable from Parent Company	–	610
Total	**55**	**638**
Other assets by remaining term, carrying amount		
At most 1 year	55	638
Longer than 1 year	–	–
Total	**55**	**638**

Note 13 Prepaid expenses and accrued income

SEK million	2010	2009
Prepaid expenses	2	2
Accrued interest income	217	174
Other accrued income	37	38
Total	**256**	**214**
Prepaid expenses and accrued income by remaining maturity, carrying amount		
At most 1 year	237	195
Longer than 1 year	19	19
Total	**256**	**214**

Note 14 Liabilities to credit institutions

SEK million	2010	2009
Lending in Swedish kronor	8,664	11,942
Lending in foreign currency	2,154	2,683
Total	**10,818**	**14,625**
of which repos	*8,283*	*6,183*
Liabilities to credit institutions by remaining maturity, carrying amount		
Payable on demand	2,535	8,442
At most 3 months	8,283	6,183
Longer than 3 months but at most 1 year	–	–
Total	**10,818**	**14,625**
Average remaining term, years	0.0	0.0

Note 15 Debt securities in issue

SEK million	2010	2009
Financial liabilities in hedge accounting:		
Bond loans in Swedish kronor	101,143	89,690
Bond loans in foreign currency	54,176	50,273
Total debt securities in issue	**155,319**	**139,963**
of which covered bonds	*155,319*	*139,963*
Debt securities in issue by remaining term, carrying amount		
At most 1 year	30,590	36,006
Longer than 1 year but at most 5 years	107,670	90,978
Longer than 5 years but at most 10 years	15,879	12,979
Longer than 10 years	1,180	–
Total	**155,319**	**139,963**
Average remaining term, years	3.1	2.5
Average remaining fixed-interest term, years	2.7	2.3

Also refer to Funding on page 4.

Note 16 Other liabilities

SEK million	2010	2009
Tax liability	62	1
Liabilities to borrowers	33	17
Liabilities to Parent Company	–	–
Other	–	–
Total	**95**	**18**
Other liabilities by remaining term, carrying amount		
At most 1 year	95	18
Longer than 1 year	–	–
Total	**95**	**18**

Note 17 Accrued expenses and prepaid income

SEK million	2010	2009
Accrued interest expense	3,203	3,163
Other accrued expenses	47	43
Total	**3,250**	**3,206**
Accrued expenses and prepaid income allocated by remaining term, carrying amount		
At most 1 year	3,250	3,206
Longer than 1 year	–	–
Total	**3,250**	**3,206**

Note 18 Deferred taxes

SEK million	2010	2009
Deferred tax assets (+)/tax liabilities (–) for temporary differences in:		
- Debt securities in issue	59	811
- Derivative instruments	–76	–756
- Loss carry-forward	–	–
Total	**–17**	**55**
Change in deferred income taxes:		
Deferred tax recognised in profit or loss	–72	340
Deferred income tax attributable to items recognised directly in equity	–	–420
Total	**–72**	**–80**
Deferred tax allocated by expected maturity date, carrying amount		
At most 1 year	–	–
Longer than 1 year	–17	55
Total	**–17**	**55**

Note 19 Subordinated debt to Parent Company

SEK million	2010	2009
Subordinated debt to Parent Company	38,363	26,626
Total	**38,363**	**26,626**

Terms and conditions for subordination
The subordinated debt was issued by the Parent Company. The subordinated debt is subordinated to the company's other liabilities in bankruptcy or liquidation, which means that they carry an entitlement to payment only after other claimants have received payment.

Note 20 Equity

The share capital amounts to SEK 50,000,000. The number of shares was 500,000, with a quotient value of SEK 100 each, as in previous years. All shares are owned by the Parent Company, The Swedish Housing Finance Corporation, SBAB, Corp. Reg. No. 556253-7513. Distributable equity in SCBC amounts to SEK 10,411 million. Dividends are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. The proposed but as yet unpaid dividend amounts to SEK 100 million. A specification of changes in equity is presented on page 23.

Note 21 Assets pledged for own liabilities

SEK million	2010	2009
Loan receivables	199,073	165,569
Repos	6,014	7,646
Total	**205,087**	**173,215**

Of the total loan portfolio (see Note 8), and "Loans and advances to credit institutions" (see Note 7), the values reported above constitute the asset pool for covered bonds amounting to SEK 155.3 billion (139.9).

Note 22 Information about related parties

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

SEK million	2010		2009	
Loans to key personnel	Lending	Interest income	Lending	Interest income
CEO	–	–	1	0
Board of Directors	3	0	3	0
Other key senior executives	4	0	9	0
Total	**7**	**0**	**13**	**0**

The CEO and the Board refer to SCBC. The Board members of the Parent Company are included among Other key executives. Lending to members of the Board of the Swedish Covered Bond Corporation (SCBC) or to employees holding key positions in the company may not occur on terms that are not normally available to other personnel.

Proposed Appropriation of Profits

SCBC's non-restricted equity, according to the balance sheet, amounts to SEK 10,410,651,934, of which the profit for the year accounted for SEK 845,703,621.

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 at the disposal of the Annual General Meeting, as shown in SCBC's balance sheet, namely SEK 10,410,651,934, be appropriated in the following manner.

To the shareholder	SEK 100,000,000
To be carried forward	SEK 10,310,651,934
Total appropriation	SEK 10,410,651,934

The Board and the CEO certify that the financial statements and the annual accounts were prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and with generally accepted accounting policies for credit market companies, and provide a true and fair view of the company's business activities, position and earnings.

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

Stockholm, 14 March 2011

Eva Cederbalk
Chairman of the Board

Bo Andersson
Board Member

Johan Brodin
Board Member

Per Balazsi
Board Member

Johanna Clason
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 The Swedish Covered Bond Corporation, reg. no. 556645-9755

We have audited the annual accounts, the accounting records and the administration of the Board of Directors and the CEO of The Swedish Covered Bond Corporation, corp. reg. no. 556495-9755 for the year 2010. The Annual Report and the consolidated accounts are included in the printed version of the report on pages 2-37. These accounts and the administration of the Company are the responsibility of the Board of Directors and the CEO. They are also responsible for ensuring compliance with the Annual Accounts Act for Credit Institutions and Securities Companies when preparing this report. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO, as well as evaluating the important estimations made by the Board and the CEO when drawing up the annual accounts and evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the CEO. We have also examined whether any Member of the Board or the CEO has in any other way acted in contravention of the Swedish 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 have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and, thereby, give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory Administration Report is in accordance with other parts of the annual accounts.

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

Stockholm, 16 March 2011

Öhrlings PricewaterhouseCoopers

Ulf Westerberg
Authorised Public Accountant

Corporate Governance Report

The Swedish Covered Bond Corporation ("SCBC") is a Swedish public limited liability company owned 100 % by The Swedish Housing Finance Corporation, SBAB ("SBAB") whose shares are wholly owned by the Kingdom of Sweden. SCBC is headquartered in Stockholm. Governance of SCBC occurs through general shareholder meetings, the Board of Directors and the CEO in accordance with the Swedish Companies Act, the Articles of Association and policies adopted by SCBC.

SCBC was formed in order to broaden SBAB's funding opportunities following a change in Swedish legislation in 2004 permitting the issuance of covered bonds. Through the formation of a separate company, in which loans and supplementary collateral acquired from SBAB constitute an AAA-rated cover pool, opportunities are provided for reducing the cost of the SBAB Group's funding. This is the only type of funding operation conducted by SCBC. On an annual basis, SCBC's Board of Directors establishes the policies and instructions that SBAB's Board of Directors has adopted for SBAB and has decided that they will also apply where applicable to SCBC. This is appropriate because SCBC's operational activities are conducted by SBAB on assignment from SCBC. The company has a few non-prioritised creditors, of which SBAB is the largest. SBAB's non-prioritised receivable from SCBC is subordinated.

Accordingly, SCBC's operation may be viewed as an instrument for the Parent Company's funding activities. SBAB's CFO is also CEO of SCBC. SCBC's objectives and strategies are a feature of the Parent Company's funding strategy. These objectives and strategies are presented in SBAB's business plan which, in appropriate areas, is also adopted for SCBC after the SBAB Board has established a business plan for SBAB. SCBC's funding operations are controlled by SBAB's finance policy and the underlying finance instruction. In view of this, SCBC does not comply with the Swedish Code of Corporate Governance ("the Code"). In this context, it may be noted that the Parent Company SBAB complies with the Code in the manner applied by the Government Offices.

Annual General Meeting

SCBC's Annual General Meeting (AGM) was held on 20 April 2010 in Stockholm. At the meeting, Board members Bo Andersson, Per Balazsi and Johan Brodin were re-elected. Eva Cederbalk was newly elected and was also elected Chairman of the Board. Johanna Clason declined re-election at the AGM and, in connection with the statutory Board meeting, was appointed the new CEO of SCBC.

The AGM resolved to discharge the Board of Directors and the CEO from personal liability, to approve the appropriation of profits and to adopt the annual financial statements for 2009, and that no director fees were to be paid to the members of the Board.

There are no limitations on the number of votes that a shareholder can cast at a general meeting. The Board of Directors has not been authorised by a general meeting to decide that the company is to issue new shares or acquire treasury shares. The only regulation contained in the Articles of Association about an amendment of the Articles of Association is the clause concerning official notification of an extraordinary shareholders meeting at which the matter of an amendment of the Articles of Association will be addressed, which must be issued no earlier than six weeks and no later than four weeks prior to the meeting.

The Board of Directors and its working format

SCBC's Board of Directors is a board with employees of SBAB, to which is appointed members of SBAB's company management who are also responsible for those aspects of SBAB's operation that relate to SCBC's outsourced operation. The CEO of SBAB is appointed Chairman of the Board. The other Board members are SBAB's Chief Credit Officer, the Head of the Accounting and Controlling Department and the Head of Business Support.

In accordance with the Articles of Association, the Board of Directors shall comprise no fewer than three and no more than seven members plus no more than six deputies. The Articles of Association contain no clauses concerning the appointment and dismissal of Board members. The members are normally elected at the AGM for the period up to the following AGM. The CEO is not a member of the Board. Following the 2010 AGM, the members of the Board of SCBC are Eva Cederbalk, Bo Andersson, Per Balazsi and Johan Brodin.

The Board of Directors is ultimately responsible for the company's organisation and management. The work of the Board complies with the working procedures adopted annually at the Board of Directors' statutory Board meeting immediately after the AGM. The working procedures govern official notifications, the agenda and the quoracy of Board meetings, as well as the division of work between the Board of Directors and the CEO.

During 2010, the Board of Directors held six scheduled Board meetings and one unscheduled Board meeting. The work of the Board complies with an annual plan whose aims include satisfying the Board's need of information. SCBC's Board makes decision on matters concerning SCBC's strategic orientation, funding, policies and certain instructions. The Board addresses the company's annual report and six-month report and decides on their adoption and publication. The control issues that are the responsibility of the Board are dealt with by the Board in its entirety. Each year, the Board also receives reports from SCBC's auditor and, as of the 2009 financial year, reports on the SBAB Group's internal audit and compliance in terms of observations from completed examinations and assessments of how control activities and regulatory compliance is maintained within the company.

Neither the members of the Board nor the CEO hold shares or financial instruments issued by SCBC.

The Board's committees

Audit Committee

With respect to the statutory Audit Committee, this duty is handed by the Audit Committee of the Parent Company SBAB, which conducts these duties integrated with the committee's monitoring of this area on behalf of SBAB in other respects.

The Audit Committee's principal duty, on the basis of the assignment from the owner and the applicable regulatory framework, is to examine the SBAB Group's control mechanisms, the internal controls and the financial information, as well as preparing matters in these areas ahead of Board decisions. In so doing, SCBC's operations are dealt with indirectly and, if there are separate issues that affect the legal entity SCBC, these are also addressed in the Group-wide Audit Committee.

The Audit Committee includes at least three Board members appointed by the Board, of whom one is the Committee Chairman. The Head of the Internal Audit is the convenor of and secretary at the Committee's meetings. SBAB's Head of the Accounting and Controlling Department, who is also Member of the SCBC Board, attends the Committee's meetings and in this role is responsible for ensuring that matters involving SCBC are addressed by the Committee and are fed back to other Members of the SCBC Board. The SCBC Board is also provided with extracts from minutes of meetings of the Audit Committee. Debriefing from Board Committees is a standing item on the agenda of SCBC's Board meetings.

The Audit Committee held six meetings during the year.

The Credit Committee

In respect of matters that have to be addressed by the Credit Committee, these are handled through the Credit Committee of the Parent Company SBAB, which conducts these duties integrated with the committee's monitoring of this area on behalf of SBAB in other respects.

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, matters involving changes in credit policy and credit instructions, the assessment of portfolio strategies, the transparency of the loan portfolio, an evaluation of decision and risk models, an evaluation of existing or new delegation rights and the Board's annual review of regulatory frameworks, models for granting credits and outcomes in terms of consumer credit granting.

The Credit Committee comprises at least two members appointed by the Parent Company's Board, one of whom is the chairman of the committee, and SBAB's CEO. The Chief Credit Officer, the head of the Corporate business area or another specially appointed officer acts as reporter. SBAB's Chief Credit Officer, who is also a member of the SCBC Board, attends meetings of the Credit Committee, and in this role is responsible for ensuring that matters involving SCBC are addressed by the Committee and are fed back to other Members of the SCBC Board.

The Credit Committee held 19 meetings during the year.

Finance Committee

In respect of matters that have to be addressed by the Finance Committee, these are handled through the Finance Committee of the Parent Company SBAB, which conducts these duties integrated with the committee's monitoring of this area on behalf of SBAB in other respects.

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 decide on measures should limits be exceeded due to changes in the exchange rate or interest rate, to issue instructions concerning the handling of credit risk limits for counterparties who are not loan customers, to take decisions on the use of new financial instruments, to take decisions on limits for the funding risk and to take decisions on the benchmark for interest-rate risk in 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 members appointed by the Parent Company's Board, one of whom is the chairman of the committee, plus SBAB's CEO. SBAB's 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. SBAB's CFO, who is also Member of the SCBC Board, attends the Finance Committee's meetings and in this role is responsible for ensuring that matters involving SCBC are addressed by the Committee and are fed back to other Members of the SCBC Board.

The Finance Committee held eight meetings during the year.

The Chief Executive Officer

The Board has formulated instructions for the CEO's role and duties. The CEO is responsible for the ongoing management of the operations in accordance with guidelines, policies and instructions issued by the Board. The CEO reports to the Board.

Remuneration of Board of Directors and senior executives

The members of the Board are not remunerated.

There is no need for a Remuneration Committee for SCBC because the employment terms and conditions for the only employee, SCBC's CEO, in terms of remuneration, are governed by the terms and conditions for employment at SBAB. The agreement governing the position of SCBC's CEO, which is a supplementary agreement to the employment contract at SBAB, is required to regulate a couple of points specific to the position of CEO at SCBC.

However, the Board has established a remuneration policy and should the Board decide that salary and other remuneration is to be paid to SCBC employees, the remuneration policy is to be updated in accordance with the SFSA's regulations and general guidelines for remuneration systems in credit institutions, securities companies and fund companies.

Other control bodies and functions

For control and audit functions such as compliance, risk and internal audit, the SFSA, as stated in FFFS 2005:1, permits such functions to be positioned at the central level within a group of companies. This is also how they are positioned in the SBAB Group.

SCBC has outsourced its operational activities to the Parent Company. In addition, SBAB accounts for financial reporting, legal matters involving the legal entity SCBC and formalities concerning SCBC's corporate governance.

Accordingly, the examination and controls implemented by the internal audit, compliance and risk in respect of SCBC are conducted on an integrated basis corresponding to the examination activities pertaining to SBAB.

Independent auditor

In accordance with the Covered Bonds Act (2003:1223), the SFSA must appoint an independent auditor for each issuing institution. The duties of this auditor are to monitor that the register that an issuing institution is obligated to maintain over the covered bonds, covered pool and derivative contracts is maintained correctly and in the manner stated in the Covered Bonds Act (2003:1223). In the SFSA's provisions (FFFS 2004:11), the role and duties of the independent auditor are described in greater detail. The independent auditor is to report regularly to the SFSA. These reports are also issued to the SCBC Board. The SFSA has appointed Jan Palmqvist as SCBC's independent auditor.

Auditor

The owner is responsible for the election of auditors of state-owned companies. The SBAB Group's Audit Committee evaluates the audit activities and assists the owner in the formulation of proposals concerning auditors and the fees to be paid to them. Administrators at the Government Offices monitor all steps in the procurement process from procurement criteria to selection and evaluation. When the process has been completed, proposals for the appointment of auditors are disclosed in accordance with the guidelines of the Code. The final decision is made by the owner at the AGM.

Every fourth year, the AGM appoints the auditor or the accounting firm that is to be commissioned to audit the SBAB Group. Auditors must be authorised public accountants or an authorised accounting firm that then appoints the auditor-in-charge. The 2007 AGM appointed Öhrlings PricewaterhouseCoopers AB as auditor. The auditor-in-charge is Ulf Westerberg. A more detailed presentation of the auditor and the fees and expenses paid to auditors is provided on page 44 and in Note 4, respectively, of the Annual Report.

The auditor examines the Annual Report, the consolidated financial statements and the accounting records, as well as the Board's and the CEO's administration of the company. The auditor reports the results of his examination to the owner through the audit report, which is presented to the AGM. In addition, the auditor reviews SCBC's interim reports and provides detailed accounts to SBAB's Audit Committee at scheduled meetings of the Audit Committee and to SBAB's Board at least once annually.

Internal audit

The internal audit of SCBC is performed by the SBAB Group's internal audit unit, which constitutes an internal independent examination function in accordance with the SFSA's provisions (FFFS 2005:1, Chapter 6). Accordingly, the main function of the internal audit is to examine and evaluate the internal controls of companies within the SBAB Group. A summary of the findings from the internal audit is reported, in writing and orally, directly to the Board and the Audit Committee in accordance with the adopted reporting and meeting plan.

The internal audit's examination activities are performed in accordance with an audit plan that is prepared annually by the Audit Committee and decided 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 that forms the foundation for the plan to both the Audit Committee and the Board. At least once annually, the Head of the Internal Audit makes a written and an oral report pertaining to SCBC to the Audit Committee and the Board, as well as a written report to SCBC's Board of Directors on the result of the internal audit's work in accordance with the plan. The internal audit's activities must also be coordinated with the external independent examination conducted in accordance with med the Covered Bonds Act (2003:1223).

Compliance

The SBAB Group has a Compliance Officer positioned at Head Office, whose role is to monitor, on an overall level, that SCBC's operations are conducted in compliance with the laws and regulations governing financial operations that require permits. The Compliance Officer is also responsible for controlling and organising the structure required to ensure that the control and governance functions at SBAB follow up their own instruction areas in accordance with a shared model. In addition to continuous reporting to SBAB's chief legal counsel, reporting occurs biannually to the CEO and SBAB's company management, which includes members who are also members of the SCBC Board, and annually to the SCBC 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 SCBC Board.

Risk

The SBAB Group has a central Risk Department that analyses and checks the company's overall risks. The Risk Department performs its work on the basis of an established annual plan. The Risk Department makes continuous reports to the Board of Directors, CEO and SBAB's company management, which includes members who are also members of the SCBC Board, and the CEO of SCBC concerning the Group's total risks on the basis of available risk information. The unit's duties are 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 the internal control process with regard to financial reporting is the control environment, meaning the organisational structure and division of responsibilities, as well as guidelines and steering documents. SBAB's Accounts Department is responsible for internal control in terms of financial reporting. The Accounts Department analyses, checks and evaluates the company's financial reporting risk.

Risk assessment and control activities

Business-support processes that provide data for the financial statements are evaluated and documented in the internal control process pertaining to financial reporting. The processes are charted and contain control activities in the form of descriptions of processes, reasonability assessment, reconciliations, attestations and results analyses.

Each year a risk assessment is performed in the form of a self-evaluation of the charted business-support processes that provide data for the financial statements. The self-evaluation is to identify and assess the principal risks that could lead to faults in financial statements. The risks are identified, evaluated and documented at a process and department level, and in the places they occur in SCBC's financial statements. The self-evaluation forms the starting point for improvement measures. Significant risks that are identified must be addressed and rectified.

When an event occurs that could generate faults in the financial statements, the operations must send incident reports to the Accounts Department.

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

Information and communication

The SBAB Group's process concerning the internal control of financial reporting and the relating control documents, in the form of policies, instructions and directives, is available on the SBAB Group's intranet. The charted business-support processes that provide data for the financial statements are documented on SBAB's intranet. Control documents must be updated and approved annually.

Follow-up

The Board receives monthly financial statements. In addition, the Audit Committee fulfils an important function in the Board's follow-up activities. The work of the committees is described under the heading "The Board's committees" on pages 40–41.

Financial information 2010

SCBC published the following financial reports during 2010.

Year-end report 2010	5 February
Interim Report January–June	23 July

The 2009 Annual Report was published on 31 March 2010.

Auditor's report on the Corporate Governance Report

To the Annual General Meeting of the Swedish Covered Bond Corporation ("SCBC"), Corp. Reg. No. 556645-9755

It is the Board of Directors which 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, 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.

Stockholm 16 March 2011

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg

Authorised Public Accountant

CEO, Board of Directors and auditor

Johanna Clason

Chief Executive Officer, SCBC
Chief Financial Officer, SBAB
Bachelor of Business Administration and Economics
Born 1965
Year of employment 2005
Board assignments: Board member of the Medical Products Agency.
Past experience: IR Brummer & Partners, treasurer AB Svensk Exportkredit, Trader ABB Treasury Center (Sweden) AB.

Eva Cederbalk

Chairman of the Board, SCBC
Chief Executive Officer, SBAB
Bachelor of Business Administration and Economics
Born 1952
Year of employment 2004
Board assignments: Board member of Bilia AB, Klarna AB and KK-stiftelsen
Past experience: CEO Netgiro International, Head of E-Business If Skadeförsäkring AB, CEO Dial Försäkrings AB, various positions in the SEB Group, including Head of Internet and Telephone Banking, Head of Banking Products, Head of SEB Kort, CEO Eurocard AB

Bo Andersson

Board member, SCBC
Head of Business Support, SBAB
Graduate engineer
Born 1966
Year of employment 2004
Elected to the Board 2008
Past experience: Project manager Sydkraft, Senior project manager Honeywell, head of project development – CPMO Icon Medialab.

Per Balazsi

Board Member, SCBC
Head of the Accounting and Controlling Department, SBAB
Bachelor of Business Administration and Economics, Executive MBA
Born 1966
Year of employment 2002
Elected to the Board 2006
Past experience: Risk analyst Swedish National Debt Office, deputy assistant undersecretary at the Ministry of Finance.

Johan Brodin

Board member, SCBC
Chief Credit Officer, SBAB
Bachelor of Business Administration and Economics
Born 1968
Year of employment 2005
Elected to the Board 2009
Past experience: Various positions at Handelsbanken, Senior Manager at KPMG, Senior Manager Oliver Wyman

Changes in the Board during 2010

Per Tunestam resigned as CEO of SCBC. He was succeeded by Johanna Clason, who was formerly a Board member.

Per Balazsi resigned as Chairman of the Board of SCBC. He was succeeded by Eva Cederbalk.

Auditor

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

Ulf Westerberg, Öhrlings PricewaterhouseCoopers AB

Auditor-in-charge at SCBC since 2007
Born 1959
Other assignments: NCC, Brio, Home Properties, Proventus, Stronghold.

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