Annual Report 2008

The Swedish Housing Finance Corporation, SBAB

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Financial Information 2009

SBAB's interim reports, annual reports and other financial information are available at sbab.se

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

The Year in Brief 2008

- Operating profit amounted to SEK 585 million (258). The increase was attributable primarily to a reduction compared with the preceding year in the negative impact of items measured at fair value. Expenses remained at the year-earlier level of SEK 520 million (517). Loan losses in relation to outstanding volume amounted to 0.01%.
- Despite the reduction in market liquidity, SBAB has maintained adequate access to funds throughout the financial crisis.
- In April, SBAB launched a new model for setting interest rates on home loans for private individuals. The model is clear and straightforward, and the interest rate charged to the customer depends on the loan-to-value ratio and the size of the loan.
- SBAB has entered into collaborations with the property-broker chain ERA, the Internet brokerage Nordnet and the savings bank Sparbanken Syd. As a result of these collaborations, SBAB reaches new target groups in a broader market.
- SBAB experienced a considerable inflow of new customers for its savings products and a sharp rise in deposits. SBAB's Sparkonto (savings account) was named Savings Account of the Year by the financial magazine Privata Affärer.
- Two successful EUR-denominated issues in the form of both covered and non-covered borrowing were implemented. With a total issuance volume of EUR 1.25 billion each, these are the two largest individual issues ever conducted by the SBAB Group.

Summary, SBAB Group	**2008**	2007
Net interest income, SEK million	1,141	1,177
Operating profit, SEK million	585	258
Net profit for the year, SEK million	424	190
Lending, SEK million	183,959	167,981
Loan losses as a percentage of lending, %	(0.01)	0.01
Volume of international borrowing, SEK million	128,326	119,878
Expenditure/Income ratio excluding loan losses, % [1]	46	68
Expenditure/Income ratio including loan losses, % [1]	48	66
Return on equity, % [2]	6.7	3.1
Capital ratio, %	9.4	9.4
Primary capital ratio, %	7.6	7.6
Equity ratio, %	2.5	2.8
Rating, long-term borrowing, SBAB		
Standard & Poor's [3]	A+	AA–
Moody's [4]	A1	Aa3
Rating, long-term borrowing, SCBC		
Standard & Poor's	AAA	AAA
Moody's	Aaa	Aaa
Rating, short-term borrowing, SBAB		
Standard & Poor's [3]	A–1	A–1+
Moody's	P–1	P–1
Average number of employees during the year,	365	374
of whom, temporary employees	8	8

[1] *Expenses/operating income.*

[2] *At 31 December 2008, adjusted return on equity, excluding change in market value of the liquidity portfolio, amounted to 14.7%.*

[3] *On 26 November 2008, Standard & Poor's downgraded SBAB's rating for long-term borrowing to A+ with a negative outlook and to A–1 for short-term borrowing.*

[4] *On 5 February 2008, Moody's downgraded SBAB's rating for long-term borrowing to A1 with a negative outlook.*

The Chairman's Statement

The past year was marked by continuing severe turbulence and uncertainty in capital markets, which hit both the home loans and property markets.

SBAB's mandate

SBAB has been mandated by its owner to engage in efficient operations with the aim of contributing to diversity and competition in the market for home loans and deposits from the public. At the same time, SBAB is to care for consumers and companies through stringent credit scoring. SBAB is also expected to provide its owner with a commercial return on its investment in the company. This has been formulated as a return on equity equivalent to the yield on five-year Government bonds plus five percentage points after tax, which corresponds to the average long-term return on the stock market.

Wider mandate

On 29 January 2009, the Swedish Government drafted a Parliamentary Bill to extend SBAB's mandate, which means that, in addition to the company's current operations, SBAB will also be permitted to engage in banking operations, as well as business activities that are naturally associated with banking, financial and fund operations. The purpose of the Bill extending the mandate is to enhance SBAB's future potential to offer a broader range of financial services that are beneficial for customers and that promote diversity and competition in the banking market, while SBAB continues to increase the value generated for the shareholder.

Credit market uncertainty

The past 18 months have been marked by considerable uncertainty in financial markets. This uncertainty originated from the sub-prime loans provided in the US home loans market. During 2008, this financial uncertainty spread to the rest of the global economy. A shortage of funding and the accompanying high borrowing costs are pushing up the costs of home loans. This has led to a growing gap between interest rates on home loans and the key rates set by the Swedish Riksbank. Although the effects of the recession on the real economy are difficult to assess, there is a risk that – longer term – the downturn will lead to more acute credit problems as borrowers encounter difficulties in meeting their commitments. However, past experience indicates that individuals, in particular, ultimately represent only a minor risk in terms of loan losses.

The Board's activities

SBAB is one of the companies in which the Swedish Government has indicated its intention to reduce its ownership. The Swedish Parliament (the Riksdag) has made a decision in this respect and the Government has been mandated to complete a sale. However, the Government has refrained from taking further steps in the sales process due to the financial crisis that marked the latter half of the year and, as a result, the Board has intensified its efforts in respect of the company's future strategy and development. SBAB has a distinct strategic direction, which entails a continuing development of home loans products and a broadening of the product range.

On 12 February 2009, SBAB's Board of Directors applied for participation in the Swedish Government's guarantee programme. We expect that participation in the programme will permit a higher borrowing volume and a broader investor base. The Swedish National Debt Office approved SBAB's application on 17 February 2009.

The regulations governing capital adequacy were amended a few years ago. Our risk computations point to lower equity requirements following the phase-out of the transition rules. However, the magnitude of capital requirements is not determined solely by regulations but also by factors such as the company's own assessment and other stakeholder requirements in terms of capitalisation. Solid capital adequacy is always important, especially during periods of financial turbulence. I believe that in the future we will see demands for a larger equity base than that indicated by these regulations, which will impact on the price and volume of home loans.

Stockholm, March 2009

Claes Kjellander

Chairman of the Board

The CEO's Review

SBAB saw a substantial inflow of customers during 2008. This confirms that customers appreciate our expertise, straightforward terms and conditions, and excellent service.

Lending

We have experienced a turbulent year in the home loans market. Financial concerns led to falling prices for single-family dwellings, tenant-owned apartments and commercial property, combined with continuing pressure on margins. Despite the challenging market situation, we increased our lending volumes. SBAB continues to present a challenge on behalf of our retail customers, as exemplified by the launch of a new model for setting interest rates during the year. The model is straightforward and clear and the interest rate paid by the customer depends on the loan-to-value ratio and the size of the loan.

The initiatives on the part of the Partners business unit during the year led to a number of key cooperation agreements with, for example, the savings bank Sparbanken Syd, the Internet brokerage Nordnet and the property-broker chain ERA.

During the year, our expertise and experience generated considerable confidence in the market, which led SBAB to participate in a greater number of transactions involving reorganisations from rented to tenant-owned apartments, as well as property transactions. As a result, we have consolidated our position as a key player for the financing of multi-family dwellings and commercial properties.

Deposits

We experienced a substantial inflow of customers in 2008 and it is highly gratifying to see that so many savings customers selected SBAB, thus confirming that we have one of the most competitive savings accounts in the market. At year-end, we were awarded the "Savings Account of the Year" award by the Swedish finance magazine Privata Affärer on the basis that SBAB offers one of the best interest rates and straightforward product terms and conditions.

Borrowing

The financial markets were characterised by turbulence throughout 2008. Despite difficult market conditions, we were successful in our capital market borrowing programmes and completed two record-large issues for the company.

Business projects

A key success factor for SBAB is the ability to transform the business areas' wishes for new products and services into cost-effective, stable and user-friendly IT solutions. In addition to the adaptation, operation and support of existing IT systems, SBAB handled a number of major business projects during the year. These included a new interest-rate model for retail customers, analytical tools for the risk classification of customer stock and flexible technology platforms for business partners.

Sustainable development

The society of today and an increasingly globalised world are raising the demands placed on companies to pursue and develop their operations in a sustainable manner, with the focus on environmental responsibility, social responsibility and, not least, financial responsibility. For the 2008 financial year, SBAB has for the first time presented a sustainability report based on the Global Reporting Initiative, (GRI). Our hope is that this will make it easier and clearer for our stakeholders to see how SBAB works with sustainable development.

Employees and customers

According to SKI (Swedish Quality Index), SBAB is the financial player that has the most satisfied customers among institutional customers (tenant-owner associations and property companies). SBAB also gained a top ranking for loans to individuals. This proves that customers appreciate our expertise, straightforward terms and conditions and outstanding service.

It has been a very eventful year with many challenges. I would like to thank all our employees for their excellent efforts during 2008. I would also like to thank those customers who showed their confidence in SBAB by selecting us.

Stockholm, March 2009

Eva Cederbalk

CEO

Business Model

Brand + Business concept + Core values + Values + Strategies

Challenge and simplify are the two core values that permeate SBAB's operations. In relation to customers this approach is noted through our efforts to adapt products and services to ensure they are as straightforward and clear as possible.

Brand
SBAB's business model is based on the distribution of home loans and savings products via the Internet and by telephone. Marketing and communications by the company are crucial in efforts to enhance brand recognition and create favourable business opportunities. SBAB is a challenger in the home loans market, with its focus on creating attractively priced, straightforward products. For corporate clients and tenant-owner associations, the brand represents favourable financing solutions in which SBAB contributes know-how and prompt action.

Business concept
SBAB offers loans and savings services in areas in which our ability to challenge and simplify give us the market's most satisfied customers.

- Our price, availability and straightforward terms and conditions give us the market's most satisfied and loyal customers among individuals and tenant-owner associations.
- Our ability to understand and act on the basis of the conditions faced by property companies – offering effective and attractively priced solutions – makes us the most reliable partner in the sector.
- Our efficiency and willingness to consistently improve creates profitability and the potential to persistently challenge our competitors.

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

- Challenging entails that SBAB does not observe conventions and traditions, but instead consistently delivers new products in an innovative and straightforward manner. The challenger consistently surpasses customer expectations.
- Simplifying means that SBAB never makes things more complicated than they need be. This applies to the customer dialogue as well as the company's in-house procedures and IT solutions.

Values
Employees at SBAB have jointly drafted SBAB's values; namely, commitment, innovation, a comprehensive approach, consideration and trust. These values govern SBAB's actions, both internally and externally.

Strategies
To satisfy SBAB's business objectives, it is crucially important for the company to create growth in both the retail and corporate markets. SBAB's strategies are divided into strategies for growth, customer satisfaction, brand building, product development, competitive borrowing, efficiency and goals for employee development.




Business Environment

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

Economic conditions and interest rates

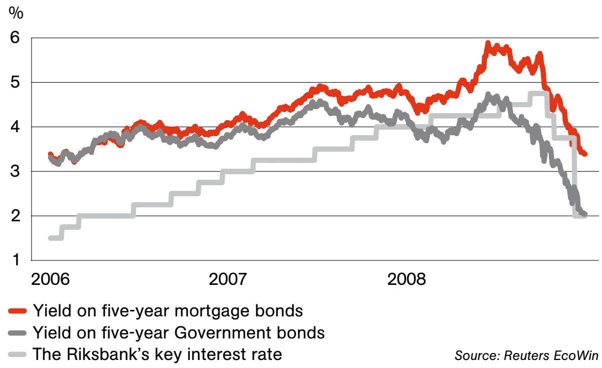
The Swedish economy continued its downward trend from 2007 and weakened during the first half of 2008. When the full force of the financial crisis hit during the autumn, this had a considerably negative impact on Swedish growth, which stagnated during the third quarter. The labour market began to deteriorate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

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

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

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

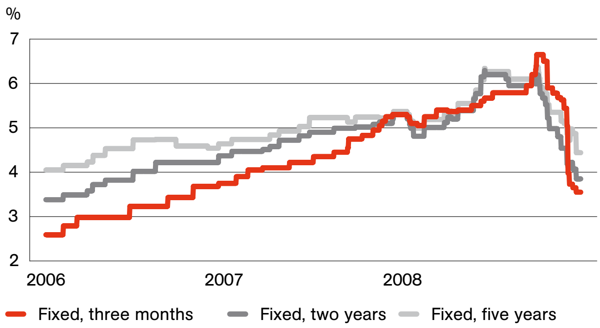
The Riksbank's key interest rate and the yield on five-year Government and mortgage bonds



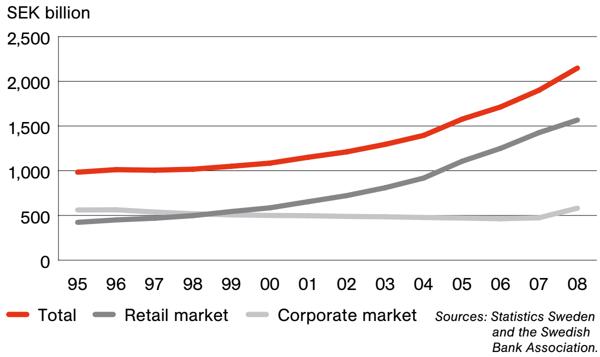
Home loans market

The overall market for loans to companies and individuals in Sweden continued to show sharp growth in 2008, amounting to SEK 2,148 billion, equal to a growth rate of 13%. During most of the year, growth tracked that of the preceding year, with the distinct difference that the trend was weaker during late autumn. As in previous years, the retail market showed very sharp growth, at the same time

SBAB's lending rates to retail customers



Trend in the home loans market



as the corporate market also grew considerably. Over the past five years, the overall market has expanded by SEK 850 billion, or 67%.

Retail market

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

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

Corporate market

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

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

Lending to tenant-owner associations saw positive growth, which edged up further towards the end of the year. The growth in lending in this case was driven by new production, renovations and reorganisation from rented to tenant-owned apartments.

Due to greater uncertainty – resulting in falling market prices – construction companies found it more difficult to sell newly produced apartments, leading to a sharp slowdown in the start-up of new projects during the autumn.

Home loans market

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

Corporate market	2008 SEK billion	2007 SEK billion	Change SEK billion	Change %
Multi-family dwellings	463.6	434.7	28.9	6.6
Commercial properties	34.8	31.4	3.4	10.8
Other [1]	82.5	38.9	43.6	112.1
Total	**580.9**	**505.0**	**75.9**	**15.0**

Source: Swedish Bank Association

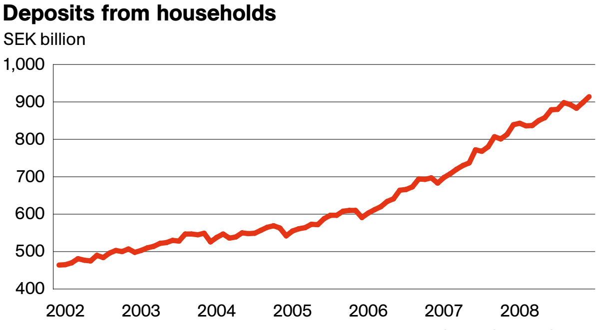
[1] *The item "Other" rose sharply during the year as a result of Swedbank Hypotek AB acquiring loans of SEK 37 billion from the subsidiary Swedbank Jordbruksfastigheter AB.*

Deposit market

The upward trend in the Swedish deposit market continued in 2008, rising by SEK 64 billion. One factor underlying the strong inflow to the deposit market was that the negative stock market climate favoured bank savings accounts.

However, a slowdown occurred during the autumn, with the figures turning negative over the course of a few months. One reason for this was the withdrawal of household savings from the major banks and their subsequent deposit in various savings products at the Swedish National Debt Office, which implies that deposits in savings accounts over the entire year grew sharply.

Deposits from households



Source: Statistics Sweden

Sustainable Development

Sustainable Development

At SBAB, Corporate Responsibility (CR) is integrated into all business areas. The goal is to have a sound balance betwen financial responsibility, social responsibility and environmental responsibility. SBAB focuses on areas in which the company has the greatest potential to contribute to positive and sustainable social development.

During 2008, SBAB launched efforts aimed at formulating and configuring a new CR strategy. The purpose of the new strategy is to highlight efforts – externally and internally – in regard to issues affecting the company's corporate responsibility and integrate these with the company's other business strategies. The new strategy will be finalised during 2009 and will be introduced gradually.

Governance and responsibility for SBAB's sustainability programmes

At SBAB, the Communication and Business Development Department is responsible for the coordination of programmes involving sustainable development. A CR manager has been appointed. The policies that will govern sustainable development programmes are set by SBAB's Board, with guidelines and instructions set by Executive Management. It is the responsibility of each manager to ensure that employees are familiar with SBAB's approach to areas relevant to sustainability, and comply with current rules. To ensure that sustainable development efforts in the organisation can be integrated effectively, SBAB has elected to measure, report and monitor CR goals using the same control model as that used for the organisation's other goals and key data. For the 2008 financial year, SBAB reports its sustainable development efforts on the basis of Level C of the Global Reporting Initiative (GRI).

More information on corporate sustainability at SBAB and the GRI Index is available at sbab.se.

Financial responsibility

The company's role in society

As a home loans company, SBAB's role in society is to engage in profitable operations that contribute to diversity and competition in the Swedish home loans market. SBAB has adopted a crucial price-cutting role and has made a major contribution to reducing home loans costs for consumers. By pursuing responsible low-cost business operations, SBAB contributes to positive, sustainable social development. The goal for 2008 was to attain an expenditure/income ratio of 42.

SBAB's operations are regulated by a number of laws, ordinances and stipulations. In addition to conventional business governance and monitoring, operations are covered by internal regulations involving policies, instructions and committee activities. Combined with the business model applied at SBAB, this creates a framework that permits sound credit granting along with sustainable and favourable financial development.

Return requirement

SBAB's return requirement over a business cycle has been set by its owner as a return on equity corresponding to the yield on five-year Government bonds plus five percentage points after tax. SBAB's dividend policy is that one third of net profit after tax be distributed to the owner.

SBAB did not attain the owner's return requirement in 2008.

Social responsibility

Business ethics and shared values

SBAB's Board sets a business ethics policy every year at its statutory Board meeting. This states that SBAB shall pursue sound operations in such a manner that the confidence of its owner, customers, business partners, the public and the financial market in SBAB is maintained. In addition to the company's internal ethics policy, SBAB complies with legislation and stipulations as well as official recommendations and guidelines in respect of ethical matters.

SBAB's shared values – commitment, innovation, comprehensive approach, consideration and trust – provide the basis for how the company should act internally and externally. SBAB's view of people entails respect for each individual's integrity and their equal value. SBAB promotes equality and counters discrimination in all forms. It is the responsibility of each manager to ensure that employees are familiar with the ethics policy and that they comply with it.

Social commitment

SBAB has a strong social commitment and, over the years, it has sponsored a variety of projects and organisations.

Unfortunately, the current recession means that an increasing number of people with little or no margin are being made homeless. Thus, in 2008, SBAB elected to support the work of the Stockholm City Mission in alleviating and changing the conditions for the homeless.

Employees

To be able to develop operations and gain the confidence of new customers, SBAB must be a good employer and business partner. All employees with similar skills shall have the same rights to employment, promotion, salary and skills development irrespective of age, gender, ethnic background, functional disabilities, religion or sexual orientation. For more information on how SBAB works with employee issues, refer to pages 20-21 of the Annual Report.

Environmental responsibility

Minor direct environmental impact

SBAB shall ensure that its operations exert a minimum, negative environmental impact. The distribution of services and products via the Internet and by telephone is part of the company's CR strategy. This reduces the negative impact that otherwise arises from an office network, while also reducing paper consumption and transport, for example.

Environmentally certified suppliers

SBAB's long-term goal is that all of the company's suppliers be environmentally certified. During 2007, work commenced on using fewer and more environmentally aware suppliers. This programme continued throughout 2008. Another of SBAB's aims is that all waste leaving the company be recycled. By means of policies, instructions, training and commitment, SBAB will encourage and urge all employees to assume personal environmental responsibility at work and privately.

Business travel

SBAB's ambition is to reduce the number of business trips by company employees. This can be achieved by encouraging digital meetings, for example. SBAB's internal instructions for business travel encourage all personnel to travel by train. Company cars are used very restrictively and must meet the requirements of environmental category 1. In an effort to reduce travel by car and taxi in the local area, all employees have the potential to use company bicycles that are available at SBAB's offices.

Financial responsibility	**2008**	2007	2006
Expenditure/Income, excl. loan losses, %	46	68	41
Return on equity, %	6.7	3.1	11.5
Primary capital ratio, %	7.6	7.6	7.3
Social responsiblity			
SKI			
– retail market	74.1	72.8	75.4
– institutional customers	70.9	70.5	73.0
Satisfied employees [1]	75	71	i.u.
Positions at year-end	352	351	360
of which, held by women	210	207	216
Female executives at year-end, %	41	39	39
Short-term absenteeism, %	1.6	1.7	1.9
Long-term absenteeism, %	2.0	2.7	2.3
Total sickness absence, %	3.6	4.4	4.2
Use of health-preservation allowance by all employees, %	68	66	68
Average age	43	42	41
Number of employees, average	365	374	410
Employee turnover, %	8	10	6
Proportion of all male employees receiving parental leave allowance, %	24	21	19
Training days per employee	2.0	2.3	2.1
Environmental responsibility			
Environmentally certified suppliers, %	20	n.a.	n.a.
Business trips, non-environmental cars, number	527	n.a.	n.a.
Business trips, environmental cars, number	702	n.a.	n.a.
Business trips by train, number	1,015	n.a.	n.a.
Business trips by air, number	377	n.a.	n.a.
Business trips, total, number	2,621	n.a.	n.a.
CO_2 emissions linked with transport, kg	36,262	n.a.	n.a.
Paper consumption, Retail market [2]/ /newly paid loans, pages	37.4	39.5	34.0

[1] *According to opinion survey*
[2] *Incl. Partner*

Stakeholder dialogue

Having an open and healthy dialogue with the company's various stakeholders is crucial for SBAB. Awareness of the business environment's wishes, demands and expectations as regards the company is a prerequisite for being able to develop business operations in the right direction and thus be able to ensure positive and sustainable financial development. A number of groups in society are interested in SBAB's operations and are affected by how they are pursued.

The illustration shows the company's primary stakeholders. Whenever reasonable, SBAB aims to meet the wishes, expectations and demands imposed by various stakeholders on the company.

Customers

Being attentive to customer requirements is a key feature of SBAB's product development process. This ensures that the company's products meet existing and potential customers' wishes and expectations.

Long-term customer relations are achieved by providing good accessibility and exceeding customer's expectations in terms of service by means of straightforward, clear and competitive offerings. This year's customer satisfaction survey – conducted by The Swedish Quality Index – shows that SBAB has the most satisfied institutional customers (tenant-owner associations and property companies) as well as a top listing in the Retail market. SBAB's goal is to be at the top of these listings in all customer segments.

Investors

A key condition for success in funding activities is long-term relations with the company's investors and counterparties in the capital market. This requires considerable expertise among SBAB's employees, as well as the confidence of investors in SBAB's operations. The dialogue with investors is conducted through, for example, daily contact and personal meetings, road shows, as well as through scbc.se and sbab.se. In all of these communications channels, SBAB seeks to be transparent and provide relevant information to investors.

Employees

An interactive intranet offers employees the opportunity to pursue a dialogue with company management and monitor the development of operations. Regular employee surveys ensure that the company lives up to employee demands and wishes in terms of being a good employer.

SBAB works with individual goals and activities plans. These discussions link up the company's overriding goals and strategies with the duties of employees and how these contribute to the whole.

- *Customer channels: Customer surveys, user tests, brand analyses, partner cooperation, customer meetings, question forum at sbab.se, Annual General Meeting, sustainable development in the Annual Report, CR at sbab.se*
- *Investor channels: Road shows, rating companies' analyses, personal and regular contacts, Annual General Meeting, sustainable development in the Annual Report, CR at sbab.se*
- *Employee channels: Employee surveys, intranet, training in areas affecting CR, sustainable development in the Annual Report, CR at sbab.se*

Achieved 2008

- Sustainability accounting based on GRI (the Global Reporting Initiative)
- Key data and goals for sustainable development integrated into SBAB's governance model and overall business plan for 2009
- New Compliance function established
- Additional increase in the number of environmentally certified suppliers
- Decision on the purchase of "green" electricity, environmentally labelled coffee and ecological fruit
- Decision to overhaul workplace lighting in an effort to reduce energy consumption

Focus 2009

- Develop SBAB's CR strategy
- Review of policies and instructions
- CR training in the organisation
- Improve the communication of SBAB's sustainability work

Administration Report

Organisation

The Swedish Housing Finance Corporation, SBAB (corp. reg. no: 556253-7513) is a public limited liability company wholly owned by the Swedish Government. The ownership interests of the Swedish Government are represented by the Ministry of Enterprise, Energy and Communication. SBAB is an independent profit-making company that is regulated by the Act on Banking and Insurance Business (2004:297) and is under the supervision of the Swedish Financial Supervisory Authority (FI).

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

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

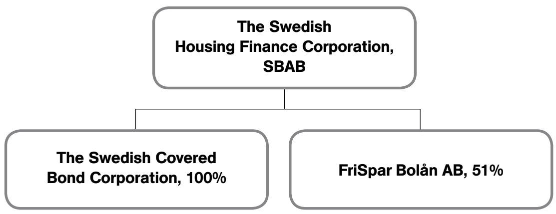
SCBC is 100% owned by SBAB and the company is consolidated in the SBAB Group. SCBC's primary operations comprise the issuance of bonds pursuant to the Issuance of Covered Bonds Act (2003:1223) in the Swedish and international capital markets. SCBC does not pursue lending activities but instead acquires loans primarily from SBAB.

FriSpar is a jointly owned company with operations in southern Sweden, primarily in western and central Skåne. SBAB's has a 51% interest in FriSpar and the company is reported in accordance with the proportional consolidation method in the SBAB Group. The savings banks Sparbanken Finn own 34.3% and Sparbanken Gripen AB (publ) 14.7% of FriSpar. Lending is conducted both to the retail and corporate markets. Market development, lending and credit evaluation is conducted by the savings banks. Borrowing and ongoing administration are handled by SBAB.

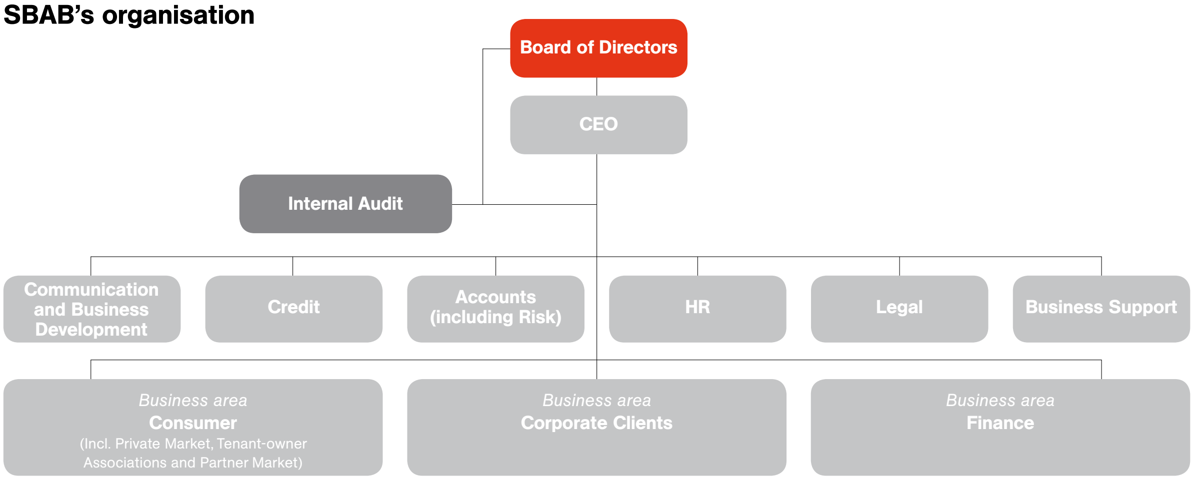
SBAB's main business consists of the operation of efficient and profitable lending in the Swedish home loans market to individuals, tenant-owner associations and companies. SBAB has a number of business partners that act as key distribution channels for SBAB's products.

In April 2007, SBAB expanded its product range to include savings products for individuals.

The SBAB Group



SBAB's organisation



Lending

During 2008, SBAB increased its lending portfolio by SEK 7.4 billion amid a deteriorating market. This was driven by new lending of SEK 34.5 billion (32.6) and redemption of SEK 27.1 billion (33.4). The year-end portfolio totalled SEK 185.2 billion (177.8). The portfolio is distributed among the Retail Market, SEK 80.5 billion; Tenant-owner Associations, SEK 35.0 billion; Partners, SEK 37.7 billion; and Corporate Clients, SEK 32.0 billion.

The loan portfolio presented in this section includes FriSpar's entire loan portfolio. In the subsequent financial report, FriSpar is consolidated at 51% in accordance with proportional consolidation method.

Lending operations during the year

Retail market, excluding business partners

Conditions in the retail market a deteriorated in 2008. The trend during the first six months was cautious, as a result of developments in the US and UK. After the summer, however, the full impact of the financial turbulence was felt in the form of falling prices for single-family dwellings and tenant-owned apartments, for example. The decline in prices for single-family dwellings during the year was about 5%, with prices of tenant-owned apartments falling some 10%. Pressure on margins did not decline significantly and remained heavy. Growth in home loans decelerated in 2008 and was less than in 2007. New lending declined particularly during the fourth quarter. Overall market expansion in 2008 was SEK 140 billion (176).

New lending by the Retail market business unit (home loans to individuals, excluding partners) totalled SEK 14.9 billion (15.0), with redemptions during the year amounting to SEK 12.5 billion (15.4) resulting in a portfolio of SEK 80.5 billion (78.1) at year-end 2008. A substantial share, SEK 1.8 billion, of total new lending consisted of loans made in conjunction with reorganisation from rented to tenant-owned apartments. SBAB's share of the retail market declined during the year to 7.5% (8.1).

For new lending and outstanding loans in 2008, 77% of customers selected a maturity of 1-3 months, 19% 1-4 years and 4% 5-10 years. In conjunction with new lending, customers generally opted for shorter maturities.

During the autumn, SBAB decided not to offer the shortest maturity, namely a one-month fixed-interest term, to new customers.

During 2008, SBAB elected to continue to offer lending of up to 95% of the market value of single-family dwellings. However, due to the uncertainty concerning the trend in the residential market, SBAB recommends all of its customers not to borrow more than 85% of the market value. Also during the year, SBAB introduced a number of changes in its credit granting process, including a higher pace of amortisation for the part of the loan exceeding 85% of the market value.

In April, SBAB launched a new interest rate model for home loans for individuals. The model is simple and straightforward and the interest rate offered to customers depends on the loan-to-value ratio and the size of the loan. Customers can readily calculate their own interest payments on sbab.se or receive personal telephone assistance from SBAB's customer service unit.

sbab.se

SBAB offers home loans and savings products via the Internet and by telephone. This makes the sbab.se website




a key communications and sales channel. During 2008, sbab.se had 3.6 million visitors. The website has been designed with user friendliness in mind. During the year, work continued on raising interaction between SBAB and website visitors. During 2008, the magazine Internetworld ranked sbab.se as one of Sweden's 100 best websites.

Tenant-owner associations

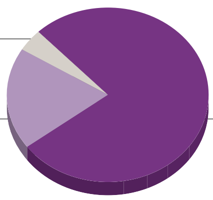
The pace of reorganisation from rented to tenant-owned apartments was slightly higher than in the preceding year, due primarily to the sale of blocks of rental apartments by municipal housing companies in the Stockholm region following the abolition of legislation prohibiting such sales. However, the City of Stockholm decided to suspend such reorganisations in central city areas, with the exception of those associations that had received a price for their properties but had not yet completed the transaction. Due to the escalating financial turbulence, a certain slowdown was also noted during the autumn. The underlying reason is that buyers and sellers are finding it more difficult to reach a consensus on the appropriate price level and, thus, the decision-making process requires more time.

Lending to tenant-owner associations totalled SEK 35.0 billion (33.7), equal to a market share of 14% (14). New lending for the year was distinctly higher than in 2007, at SEK 5.6 billion (3.4) and the proportion of extended loans rose to 85% (83).

Business partners

SBAB's business partners continue to serve as a key distribution channel for SBAB. The Partner business unit is in an expansive phase, reflected in an increase in the workforce during the year. Most of the growth generated by partners derives from interbank cooperation with the Sparbanken Finn and Gripen savings banks, ICA Banken, Ikanobanken, Bank2, SalusAnsvar and GE Money Bank.

Choices of fixed-interest terms, retail market 2008



During the year, SBAB commenced cooperation the savings bank Sparbanken Syd, the Internet brokage Nordnet and property-broker chain ERA.

New lending via partners during the year was on a par with that for 2007. In 2008, new lending totalled SEK 6.3 billion (6.8). Total lending in the partner market continues to rise and now amounts to SEK 37.6 billion (36.0). The jointly owned company FriSpar Bolån AB, which is 51% owned by SBAB and 49% by the Sparbanken Finn and Gripen savings banks, continues to report favourable development.

Previously, the assets in FriSpar's lending portfolio could not be used in the collateral base in SCBC's issuance of covered bonds. Consequently, most of the portfolio has been acquired by SCBC, which can thus use the assets in the issuance of covered bonds. As a result of this acquisition, SBAB can continue to offer FriSpar competitive funding for its borrowing activities.

During the year, SBAB completed a number of strategic investments as part of efforts to advance its position as the natural partner for players also wishing to provide home loans. A number of new reusable services have been developed, primarily vis-à-vis chains of estate agent, for the sale of SBAB's home loans. Thanks to its flexible technology platform, SBAB's system can be reflected directly into the business partners' systems solutions, permitting rapid technology and product launches.

Corporate clients

New lending to property companies and property funds totalled SEK 7.7 billion (7.4) during 2008, an increase from the preceding year. New lending to multi-family dwellings totalled SEK 6.2 billion (5.2), with commercial properties accounting for SEK 1.5 billion (2.1). Lending to the municipal sector continued to decline. The corporate portfolio, including the municipal portfolio, totalled SEK 32.0 billion (30.1), an increase from the preceding year. SBAB's market share for lending to legal entities, excluding tenant-owner associations, is estimated to be about 5%.

New lending is highly dependent on an active transactions market. Since property transfers during the second half of the year essentially stagnated, new sales occurred mainly during the first six months. Despite difficult conditions in capital markets, business opportunities emerged in the autumn that permitted SBAB to take over existing loans from other players. This led to favourable growth in the multi-family dwellings portfolio of SEK 3.0 billion (decline: 0.8) during the year.

New lending

SEK billion	2008	2007	Change
Retail market (excluding business partners)	14.9	15.0	−0.1
Business partners	6.3	6.8	−0.5
Total retail market	**21.2**	**21.8**	**−0.6**
Tenant-owner associations	5.6	3.4	+2.2
Corporate clients	7.7	7.4	+0.3
Total home loans market	**34.5**	**32.6**	**+1.9**

Thanks to a specialised organisation with customer teams in Stockholm, Gothenburg and Malmö, active marketing programmes aimed at mid-size and large property companies can be pursued. The decision-making channels at SBAB are short, which contributes to creating straightforward business processes.

During the past three years, SBAB has experienced sharp growth in the property market, excluding the municipal sector. The significance of sound and long-term credit granting becomes even more obvious in times of uncertainty. Continual monitoring, in-house valuation expertise and well-developed models and risk-analysis tools ensure favourable loan management.

Portfolio trend

In 2008, SBAB's lending portfolio increased by SEK 7.4 billion (decline: 0.8) and totalled SEK 185.2 billion (177.8) at year-end. SBAB's market share of the total home loans market was 8.6% (9.4).

The major share of SBAB's portfolio, 44% (45), comprises loans for single-family dwellings and holiday homes. Lending to municipalities and municipal property companies has declined over a number of years, as reflected in the loan portfolio's collateral composition, in which the volume of municipal guarantees and direct loans to municipalities has steadily declined. Mortgage deeds account for the largest category of collateral, representing 75% (74) of the portfolio.

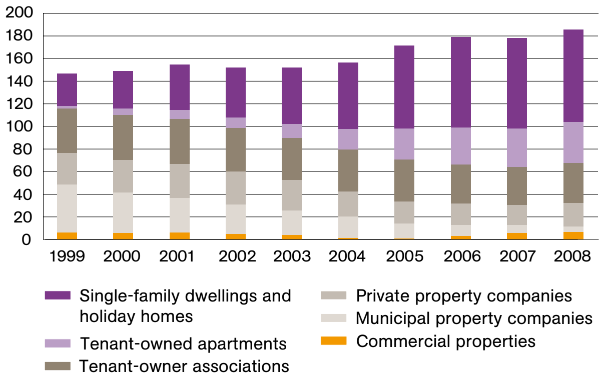
The Retail market, including the Partner market, saw an increase in volume of SEK 4.1 billion (1.5) during the year, and retail market loans totalled SEK 117.9 billion (113.8) at year-end, or 64% (64) of SBAB's total loan portfolio. This may be compared with 2003, when the retail market share was 41%.

The Corporate market portfolio, including tenant-owner associations, increased by SEK 3.2 billion (decline: 2.3) and totalled SEK 67.2 billion (64.0), corresponding to a market share of 11.4% (13.4). Lending to the Corporate market, excluding tenant-owner associations, rose during the year to SEK 32.4 billion (30.6), with lending to tenant-owner associations rising to SEK 34.9 billion (33.4).

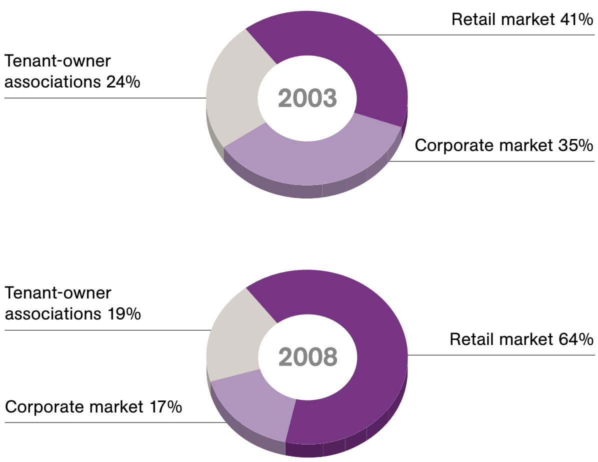
To a considerable extent, the portfolio is focused on metropolitan regions. Demographic changes have led to rising populations in these regions, leading to higher demand for housing. In turn, this has resulted in higher turnover in the property market, with the consequent higher demand for home loans. Outstanding loans are predominantly concentrated to the Stockholm region 43% (43) and secondly to the Öresund region (Malmö and Helsingborg) 24% (23). These regions also account for the largest share of new lending.

Distribution of loan portfolio by owner categories

SEK billion



Distribution of the loan portfolio



Distribution of loan portfolio by owner categories

SEK billion	2008	2007	Change
Single-family dwellings and holiday homes	81.3	80.0	+1.3
Tenant-owned apartments	36.6	33.8	+2.8
Tenant-owner associations	34.9	33.4	+1.5
Private property companies	21.1	18.0	+3.1
Municipal property companies	5.0	7.0	−2.0
Commercial properties	6.3	5.6	+0.7
Total	**185.2**	**177.8**	**+7.4**

Composition of collateral in the loan portfolio

SEK billion	2008	2007	Change
Municipal guarantees and direct loans, municipalities	8.5	10.7	−2.2
Government guarantees	1.1	1.3	−0.2
Bank guarantees	0.0	0.0	+0.0
Mortgage deeds	138.2	131.1	+7.1
Tenant-owned apartments	36.6	33.8	+2.8
Other security	0.8	0.9	−0.1
Total	**185.2**	**177.8**	**+7.4**

Geographic distribution of the loan portfolio

SEK billion	2008	2007	Change
Stockholm region	80.3	75.6	+4.7
Gothenburg region	15.8	15.1	+0.7
Öresund region	45.3	41.3	+4.0
University and growth locations	15.8	16.3	−0.5
Other locations	27.9	29.5	−1.6
Total	**185.2**	**177.8**	**+7.4**

Trend in SBAB's loan portfolio (excluding securitised loans)*

	2008	2007	2006	2005	2004
Loan portfolio, SEK billion	185	178	171	156	131
Average remaining term, years	1.5	1.6	1.5	1.5	1.4
Number of loans, thousands	357	359	364	321	243
Proportion of loans with municipal or Government guarantees, %	5	6	8	12	19

**SBAB repurchased all securitised loans in 2007.*

Deposits

During the year, SBAB reported a substantial inflow of customers and deposit volumes into its various deposit products. In a few weeks in October, the number of accounts and deposit volumes doubled. Meanwhile, SBAB was awarded the distinction of the "Savings Account of the year" by Privata Affärer, a Swedish finance magazine.

Since spring 2007, SBAB has offered two savings products for depositors. The Savings Account (Sparkontot) both for existing and new customers, carrying an interest rate of 2.85% as of 31 December 2008 and the SBAB account (SBAB-kontot) for existing customers with home loans of SEK 1 million or more carrying an interest rate of 3.35% as of 31 December 2008. These accounts were launched as part of a long-term programme to broaden SBAB's product range to include deposits.

These interest rates varied sharply during the year, due to the ongoing financial crisis. At its peak, the Savings Account offered an interest rate of 5.50% in October, before falling to its lowest level of 2.85% in December. For the SBAB account, the peak was 6.00% in October, with a low of 3.35% in December.

During the year, SBAB opted to adjust interest rates on its deposit accounts in relation to the trend in short-term rates for home loans.

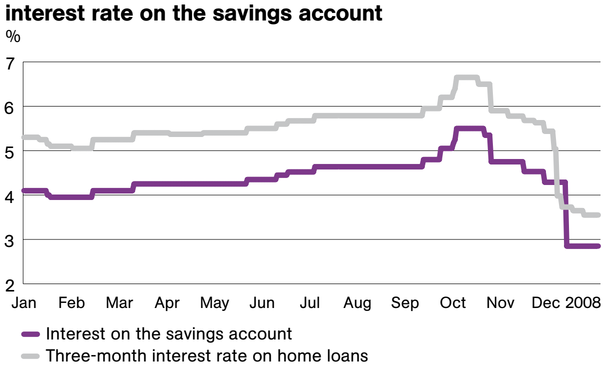
As a form of savings, bank deposits grew sharply in 2008 at the expense of other savings forms such as stocks and mutual funds. Total bank deposits expanded by SEK 64 billion in 2008. Amid an uncertain market with falling stock prices, a bank deposit is a secure and safe form of savings with a guaranteed return. Moreover, the interest rate on deposit accounts was relatively high in 2008.

Growth in deposit volumes and number of accounts was very steep in 2008. The volume of deposits rose from SEK 759 million to SEK 3,542 million as of 31 December 2008. The number of accounts opened during the year was some 22,000, with the total number at year-end amounting to approximately 30,700 active accounts. During the year, SBAB conducted two major marketing activities aimed at deposits, one in January and the second in November.

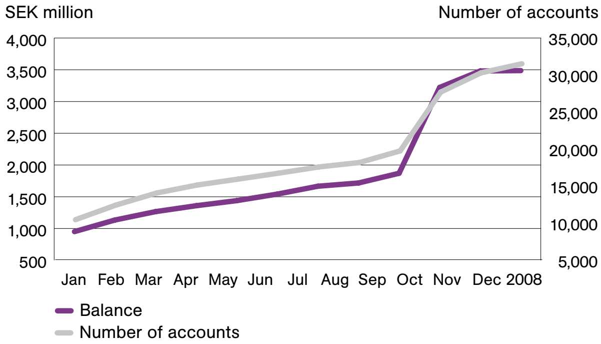
In the initial period following the launch of the deposit products, it was mainly existing home loans customers who opted to open a deposit account at SBAB. During most of 2008, this trend was reversed and later during the year, entirely new customers dominated the inflow with no other connection to SBAB. By this means, deposits have become a key component in SBAB's strategy for customer recruitment.

In November, SBAB was awarded the "The Savings Account of the Year" distinction by *Privata Affärer,* a major Swedish finance magazine. Explaining its selection, the magazine wrote: *"Unfortunately, most banks' savings accounts are not characterized by simplicity. But this challenger has provided a great service by offering a new savings account without complicated conditions or different levels, and with one of the market's best interest rates."*

SBAB's three-month interest rate on home loans and interest rate on the savings account



Volume of deposits and number of accounts



Borrowing

The capital market was marked by unprecedented events and high volatility during 2008. The turbulence prevailing in financial markets impacted on SBAB's borrowing activities, particularly through widening credit spreads both for covered and uncovered borrowing.

The SBAB Group continued to refinance non-covered debt through issues of covered bonds, which now represent the Group's key source of borrowing. SBAB has managed to retain access to its most significant borrowing markets, with borrowings denominated in SEK and EUR. This is illustrated by the two large public EUR bond transactions during the year, as well as by completion of SEK-denominated issuance. These transactions were finalised ahead of the announcement of the Government-guarantee programme for Swedish banks. SBAB had not affiliated to the guarantee programme at year-end 2008; instead, it applied for participation in the programme in early February 2009. The National Debt Office approved SBAB's application on February 17, 2009.

Despite increasing concerns and falling market liquidity during the financial crisis, SBAB had ample access to funding at all stages. SBAB was able to meet its goal of securing a greater share of long-term borrowing.

SBAB attaches major significance to having a well-diversified funding portfolio and a broad investor base. The achievement of these objectives requires an active market presence in Sweden and internationally. A broad product range and flexible borrowing strategies are essential in meeting investors' wishes and requirements for various types of investment alternatives.

Some key events during the year:

- Two successful issues were made in EUR both for covered and non-covered borrowing. With a total issuance volume of EUR 1.25 billion each, these are the two largest individual issues ever conducted by the SBAB Group.
- Issuance in a several currencies: SEK, EUR, USD, GBP, JPY, CHF and NOK, along with an active market presence in conjunction with all borrowing programmes.
- Extension of the maturity of the debt portfolio.

SBAB

Short-term borrowing

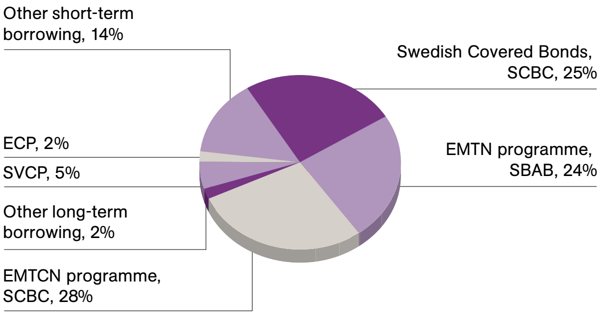
SBAB has three established commercial paper programmes for short-term borrowing: a Swedish Commercial Paper Programme (SVCP), a European Commercial Paper Programme (ECP) and a US Commercial Paper Programme (USCP).

Long-term borrowing

SBAB has one long-term borrowing programme. A number of transactions under the EMTN programme were conducted during the year with a total volume corresponding to SEK 37,376 million and distributed among the following currencies: EUR, JPY, USD and SEK.

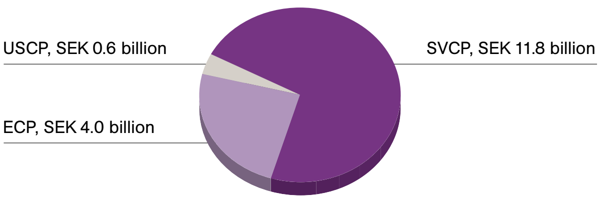
Sources of funding, Group

Debt outstanding at 31 December 2008: SEK 235 billion



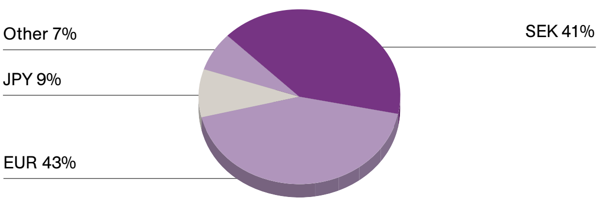
Commercial Paper Programmes

Volume outstanding at 31 December 2008



EMTN programme, SBAB 2008

Breakdown of currencies of issued securities



Short-term borrowing, SBAB	Limit
Swedish Commercial Paper Programme (SVCP)	SEK 25 billion
European Commercial Paper Programme (ECP)	USD 2 billion
US Commercial Paper Programme (USCP)	USD 4 billion

Long-term borrowing, SBAB	Limit
Euro Medium Term Note Programme (EMTN)	USD 11 billion

Rating

On 5 February 2008, Moody's altered SBAB's long-term rating from Aa3 to A1, while also changing its outlook to negative.

Standard & Poor's changed its long-term rating on 26 November 2008 from AA– to A+, while also altering the short-term rating from A–1+ to A–1, and simultaneously changed its outlook to negative.

SCBC's borrowing programme for covered bonds has been assigned a rating of Aaa/AAA.

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

SCBC

SCBC (The Swedish Covered Bond Corporation) currently uses two borrowing programmes: the mortgage bond programme in Sweden and, primarily, the EMTCN programme in the international market. Both programmes have received the highest possible long-term credit rating of Aaa/AAA from Moody's and Standard & Poor's.

SCBC does not conduct any lending activities itself; instead it continuously acquires loans from SBAB. The intention of these loan acquisitions is that they should be wholly or partly included in the collateral composition for investors who are holders of SCBC's covered bonds. In 2008, SCBC's portfolio of loans increased by some SEK 30 billion (40).

The configuration and corporate structure chosen by SBAB for its issue of covered bonds, combined with Swedish legislation on covered bonds, are much appreciated by market participants and rating institutions.

During the year, SCBC issued a total of SEK 28,702 million (24,088) in Swedish covered bonds, with an equivalent value of SEK 17,193 million (26,901) under the EMTCN programme.

The debt outstanding under the Swedish covered mortgage bond programme at 31 December 2008 was SEK 56,642 million (55,316), excluding repos, and the equivalent value under the EMTCN programme was SEK 65,175 million (51,251).

Information on SCBC's collateral composition is published on the scbc.se website.

Employees

Committed employees who feel proud to be working at SBAB are a crucial factor in the company's success. Key factors underlying employee commitment are skilled leadership, favourable development opportunities and stimulating work.

Leadership

SBAB's executives should serve as good role models, communicate clearly and be courageous and decisive, while being able to develop employees and take a comprehensive approach. During the year, SBAB continued to focus on executive development in the form of management training courses and coaching leadership methods. A total of 37 employees have participated in management training course, of whom 16 did so in 2008.

Development opportunities

To achieve commitment and high performance, it is crucial that SBAB's goals and strategies are clear, subdividable, and well supported in the organisation. SBAB's business planning process and accompanying employee goals and activities plan are, thus very important as communication and planning tools. Targeted efforts with individual goals and activities plans ensure employee understanding of SBAB's business plan and the importance of how the employee's efforts contribute to the organisation as a whole. During the year, 82% (n.a.) had a discussion on goals and activities, with least one follow-up meeting. These discussions also provide the basis for the identification of training requirements. Training programmes during the year included one that focused on risk and accounting.

New employee survey

The employee survey is a key tool in the continuing development of SBAB and employees. A tool referred to as "thermometer" has been developed at SBAB in an effort to facilitate continual employee surveys. For the first survey undertaken in September, the response rate was very high, a full 93%. This survey also showed that 75% of SBAB's employees are satisfied or very satisfied with their work situation. A level above 70% is good but SBAB's goal is to raise this figure to 77% by 2010.

Gender equality and diversity

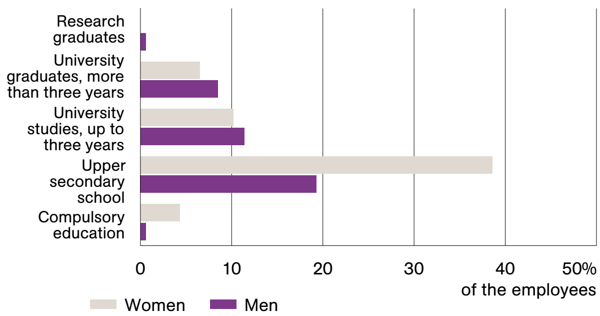
SBAB seeks to create a workplace that offers equality and diversity. Equal opportunities and rights should be available for everybody irrespective of age, gender, ethnic background, functional disabilities, religion or sexual orientation.

The goal is to have an even gender distribution (50/50) among executives in all positions. The proportion of female executives at year-end was 41% (39) and the proportion of women in Executive Management was 50% (50). A pay review is conducted annually to ensure that no systematic and unreasonable pay differences exist.

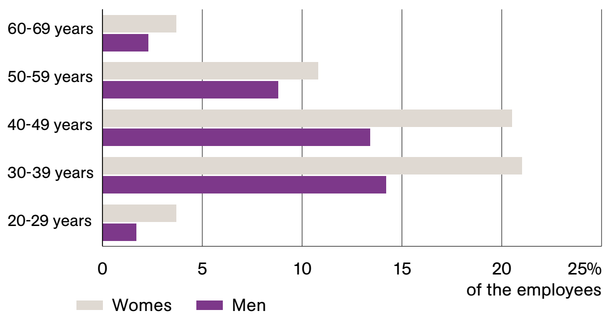
Work environment and health

A sound work environment and healthy employees are important factors. Efforts to ensure that SBAB has a good work environment include a work environment review

Levels of education



Breakdown by age



and employee survey. SBAB offers all of its employees a health-preservation hour, which permits them to use one hour of work time each week for preventive healthcare purposes. Employees are also offered a health-preservation allowance, free medical care, access to fitness centres and subsidised private medical insurance.

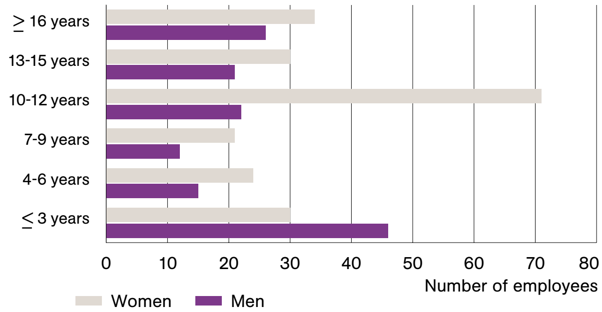
SBAB's rehabilitation programmes for employees on sick leave entail early proactive efforts involving contact with the absentee employee, company healthcare services, the National Insurance Office and the employee's manager. Total sickness absence declined during the year to 3.6% (4.4).

SBAB's employees should be able to combine work and private life in a natural manner. Employees on parental leave-of absence are compensated over a year in the form of 10% of pay below 10 income base amounts and 80% of salary increments exceeding 10 income base amounts. The proportion of men on parental leave and receiving parental allowance is rising and totalled 24% (21) in 2008.

Guidelines for incentive programmes

A new model for the company's incentive programme was introduced during the year. The model comprises two components, of which one is related to overall company goals and the other to department or team goals. The outcomes from the two components are independent of each other. The maximum result is two months pay. The incentive programme covers all employees except the CEO. More information on the incentive programme is available in Note 5.

Employment periods



Results

Operating profit

SBAB's operating profit for 2008 totalled SEK 585 million (258). Net interest income declined slightly while expenses remained at the preceding year's level. The increase in operating profit derived mainly from the trend in items reported under "Net income from financial instruments reported at fair value". In 2008, the negative impact on earnings from this item was a mere SEK 26 million compared with a negative SEK 441 million in 2007. Loan losses were charged against operating profit in the amount of SEK 22 million (recoveries: 20). Net income from financial instruments reported at fair value included a loss on the liquidity portfolio of 703 million (loss: 616). Excluding this effect, operating profit totalled SEK1 288 million (874).

SBAB's owner has set an expected return on equity after tax, or the expected return. This is configured so that the return, over a business cycle, should correspond to the return on five-year Government bonds plus a risk premium of 5%. The return in 2008 was 6.7%. The adjusted return, that is, excluding changes in market value in the liquidity portfolio, was 14.7%. SBAB's return on equity, expressed as the average over the five-year period 2004-2008 was 7.9%. For the corresponding period, the owner's return requirement was 8.6%. For 2008, the owner's return requirement was estimated at 8.8%.

Operating income

Operating income was considerably higher than in the preceding year, totalling SEK 1,127 million (755). The improvement derived from lower costs, attributable to unrealised market value changes compared with 2007. Financial market turbulence resulted in higher borrowing costs, with a negative impact on net interest income. Net interest income for 2008 was slightly lower than a year earlier, and amounted to SEK 1,141 million (1,177). The market value of the liquidity portfolio declined by SEK 703 million (decline: 616).

The investment margin (net interest income in relation to average total assets) declined to 0.48% (0.55).

Expenses

Expenses totalled SEK 520 million (517). Personnel costs amounted to SEK 268 million (251), with the increase attributable to higher pension expenses and social security expenses, as well as provisions to fund the incentive programme. SBAB's other expenses declined SEK 15 million compared with a year earlier. Depreciation/amortisation amounted to SEK 32 million, on a par with the year earlier period. SBAB continued to have very low expenses, with a decrease to 0.22% (0.24) in relation to average total assets.

Loan losses

Loan losses rose and totalled a net SEK 22 million (recoveries: 20), corresponding to 0.01% of the loan volume outstanding. The increase was due to the rise in anticipated loan losses because of the current economic conditions and the ongoing turbulence in financial markets.

The in-house credit risk analysis points to a certain increase in the risk weighting for consumer loans. The increase, however, is from a low level and is mainly attributable to higher interest rates during the year, which gave rise to a slight increase in the number of customers defaulting on any due date. The analysis shows that no substantial increase in economic capital occurred; instead, operations were marked by a continuing low risk level. For a more detailed account of the trend in credit risk in SBAB, refer to the section "Risk management" on pages 30-45.

Doubtful loan receivables and provisions SBAB Group

	2008	2007	2006
Doubtful loan receivables, SEK million	138	180	159
Total provisions, SEK million	255	260	280
Provisions ratio, loan portfolio, %	0.14	0.15	0.16
Loan losses net, SEK million	(22)	20	0

The Swedish Housing Finance Corporation, SBAB

The Parent Company's net profit trend remained on a par with that of the preceding year. Operating income totalled SEK 557 million compared with SEK 548 million in 2007. Net interest income was SEK 270 million (224). Expenses totalled SEK 514 million (518). Loan losses rose, totalling a net SEK 4 million (recoveries: 19). Operating profit for the year was 39 million (49).

The Parent Company continues to have highly satisfactory capital adequacy. The capital base in the Parent Company totalled SEK 9,481 million (9,187), with primary capital amounting to SEK 7,287 million (7,240). The primary capital ratio and capital adequacy ratios were 27.2% (27.3) and 35.3% (34.7), respectively.

Since May 2006, the Parent Company has regularly transferred loans to the wholly owned subsidiary SCBC.

The Swedish Covered Bond Corporation, SCBC

SCBC is a wholly owned subsidiary of SBAB. SCBC is a credit market company whose operations focus primarily on issuing covered bonds on the Swedish and international capital markets.

Operating profit for 2008 totalled SEK 1,012 million (566). The increase was mainly attributable to unrealised changes in market value affecting net income from financial instruments recognised at fair value. Net interest income declined slightly and totalled SEK 797 million (840). Expenses amounted to SEK 399 million (309), with the increase due to the outsourcing agreement signed between the Parent Company and SCBC, which is linked to SCBC's loan portfolio. SCBC's loan portfolio totalled SEK 157,792 million (128,205) at year-end.

Loan losses amounted to SEK 17 million (positive: 1), with the increase primarily due to higher Group-wide provisions for the retail market portfolio. In relation to lending, loan losses were 0.01%. Capital adequacy in SCBC was 10.0% (8.5). The primary capital ratio was 10.0% (8.5).

FriSpar Bolån AB

FriSpar Bolån AB is a joint venture, with 51% owned by SBAB and the remainder held by the savings banks Sparbanken Finn and Gripen. Operating profit was SEK 25.3 million (2.1). As of 31 December 2008, capital adequacy was 96.9% (8.8) and the loan portfolio totalled SEK 2,465 million (20,012). The decrease in the loan portfolio was due to SBAB acquiring loans from FriSpar in an effort to facilitate borrowing via covered bonds.

Dividend policy and proposed appropriation of profits

The dividend policy set by the owner entails that one third of net profit after tax is to be distributed to the owner. However, for the 2008 financial year, the Board and CEO propose that net profit for the year be carried forward to a new account and that no dividend be paid.

Significant events after the balance sheet date

- On 29 January 2009, the Government of Sweden decided to propose a bill (2008/09:104) whereby the Swedish Parliament is asked to approve that SBAB's mission be expanded to enable SBAB, in addition to its current activities, to also engage in banking operations and any activities that are naturally connected to such operations in accordance with the Banking and Finance Business Act (SFS 2004:297) and in fund operations in accordance with the Swedish Investment Fund Act (SFS 2004:46).
- On 17 February 2009, the National Debt Office approved SBAB's application for participation in the Swedish Government's guarantee programme. Subsequently, SBAB has issued bonds guaranteed by the Swedish Government.
- Following the close of the financial year, uncertainty concerning developments in financial markets continues to prevail.
- During 2008, a certain increase in credit risk was noted. This trend has not been exacerbated during early 2009.

Five-Year Overview

SEK million	2008	2007	2006	2005 [1]	2004 [1]
Interest income	11,222	8,585	6,704	5,419	5,820
Interest expense	(10,081)	(7,408)	(5,487)	(4,123)	(4,606)
Net interest income	**1,141**	**1,177**	**1,217**	**1,296**	**1,214**
Other operating income	(14)	(422)	218	(70)	(38)
Total operating income	**1,127**	**755**	**1,435**	**1,226**	**1,176**
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	(32)	(31)	(26)	(22)	(18)
Other operating expenses	(488)	(486)	(569)	(574)	(487)
Total operating expenses	**(520)**	**(517)**	**(595)**	**(596)**	**(505)**
Net profit before loan losses	**607**	**238**	**840**	**630**	**671**
Loan losses, incl. change in value of property	(22)	20	0	36	7
Operating profit	**585**	**258**	**840**	**666**	**678**
Loan portfolio	183,959	167,981	170,013	156,020	130,907
Other assets	69,335	55,110	33,712	5,808	4,194
Total assets	**253,294**	**223,091**	**203,725**	**161,828**	**135,101**
Deposits	3,542	759	–	–	–
Securities issued, etc.	198,643	191,807	182,328	145,400	119,025
Other liabilities	41,011	21,574	12,555	8,329	8,781
Deferred income tax liabilities	–	–	–	304	274
Subordinated liabilities	3,666	2,725	2,808	1,851	1,482
Equity, including minority interests	6,432	6,226	6,034	5,944	5,539
Total liabilities and equity	**253,294**	**223,091**	**203,725**	**161,828**	**135,101**
Lending					
New lending, SEK million	32,425	30,484	35,893	42,235	28,572
Investment margin, %	0.48	0.55	0.67	0.87	0.91
Securitised, SEK million	–	–	7,427	15,108	25,153
Loan losses					
Loan losses as a percentage of lending, %	(0.01)	0.01	0.00	0.02	0.01
Doubtful loan receivables after specific provisions, SEK million	43	62	45	49	96
Provision ratio as a percentage of lending, %	0.14	0.15	0.16	0.15	0.21
Productivity					
Expenditure/Income ratio, excl. loan losses, %	46	68	41	49	43
Expenditure/Income ratio, incl. loan losses, %	48	66	41	46	42
Capital structure					
Return on equity, %	6.7	3.1	11.5	8.7	9.5
Capital adequacy, % [2]	9.4	9.4	9.0	9.0	10.0
Primary capital ratio, % [2]	7.6	7.6	7.3	7.1	8.4
Equity ratio, %	2.5	2.8	3.0	3.7	4.1
Consolidation ratio, %	2.5	2.8	3.0	3.9	4.3
Employees					
Number of employees (annual average)	365	374	410	421	391

[1] *The comparative figures for 2004-2005 have not been restated according to IAS/IFRS. The main differences are that the securitisation companies have not been consolidated and that FriSpar Bolån AB is reported as a subsidiary instead of a joint venture.*

[2] *The comparative figures for 2004-2006 have not been restated according to IAS/IFRS.*

Definitions of key ratios

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

Financial Reports

Income Statement

		Group		Parent Company	
SEK million	Note	2008	2007	2008	2007
Interest income	1	11,222	8,585	4,445	4,231
Interest expense	1	(10,081)	(7,408)	(4,175)	(4,007)
Net interest income		**1,141**	**1,177**	**270**	**224**
Dividend income		–	0	–	408
Commission income	2	45	56	73	82
Commission expense	2	(33)	(37)	(18)	(36)
Net income from financial instruments measured at fair value	3	(26)	(441)	(143)	(436)
Other operating income	4	0	0	375	306
Total operating income		**1,127**	**755**	**557**	**548**
Personnel costs	5	(268)	(251)	(268)	(251)
Other expenses	6	(220)	(235)	(230)	(249)
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	7	(32)	(31)	(16)	(18)
Total expenses before loan losses		**(520)**	**(517)**	**(514)**	**(518)**
Profit before loan losses		**607**	**238**	**43**	**30**
Loan losses, net	8	(22)	20	(4)	19
Operating income		**585**	**258**	**39**	**49**
Appropriations	9	–	–	–	3
Income tax expense	10	(161)	(68)	16	99
Profit for the year		**424**	**190**	**55**	**151**

Balance Sheet

		Group		Parent Company	
SEK million	Note	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
ASSETS					
Cash and balances at central banks		0	0	0	0
Chargeable treasury bills and other eligible bills	11	10	10	10	10
Loans and advances to credit institutions	12	12,570	19,909	33,094	38,502
Loans and advances to the public	13	183,959	167,981	24,910	29,570
Change in fair value of hedged loan receivables	14	3,270	(922)	(41)	(88)
Bonds and other interest-bearing securities	15	31,787	31,056	31,787	31,056
Derivative financial instruments	16	20,649	3,799	11,694	2,225
Shares and participations	18	–	4	–	4
Shares and participations in joint ventures	19	–	–	510	602
Shares and participations in Group companies	20	–	–	9,600	5,200
Deferred tax assets	30	24	103	–	0
Intangible fixed assets	21	48	58	12	19
Property, plant and equipment	22	12	14	12	14
Other assets	23	228	296	1,686	537
Prepaid expenses and accrued income	24	737	783	506	490
TOTAL ASSETS		**253,294**	**223,091**	**113,780**	**108,141**
LIABILITIES AND EQUITY					
Liabilities					
Liabilities to credit institutions	25	29,692	15,537	14,449	7,092
Customer accounts	26	3,542	759	3,542	759
Debt securities in issue	27	198,643	191,807	72,872	86,573
Derivative financial instruments	16	7,543	2,923	9,312	3,467
Other liabilities	28	172	694	1,342	671
Accrued expenses and prepaid income	29	3,604	2,420	924	524
Deferred tax liabilities	30	–	–	354	–
Subordinated liabilities	31	3,666	2,725	3,666	2,725
Total liabilities		**246,862**	**216,865**	**106,461**	**101,811**
Equity					
Share capital	32	1,958	1,958	1,958	1,958
Legal reserve		–	–	392	392
Other reserves/Fair value reserve	32	(204)	14	(204)	14
Retained earnings		4,254	4,064	5,118	3,815
Profit for the year		424	190	55	151
Total equity		**6,432**	**6,226**	**7,319**	**6,330**
TOTAL LIABILITIES AND EQUITY		**253,294**	**223,091**	**113,780**	**108,141**
Off-balance sheet items					
Assets pledged for own liabilities	33	153,115	130,793	10	7,106
Commitments	34	24,719	24,030	46,813	23,951

Statement of Changes in Equity

Group

SEK million		Share capital	Other reserves	Retained earnings and profit for the year	Total equity
OPENING BALANCE 1 JANUARY 2007		**1,958**	**12**	**4,064**	**6,034**
Change in cash flow hedges, after tax	Note 32		2		2
Total transactions reported directly in equity			*2*		*2*
Profit for the year				190	190
CLOSING BALANCE 31 DECEMBER 2007		**1,958**	**14**	**4,254**	**6,226**
OPENING BALANCE 1 JANUARY 2008		**1,958**	**14**	**4,254**	**6,226**
Change in reclassified financial assets, after tax	Note 32		(203)		(203)
Change in cash flow hedges, after tax	Note 32		(15)		(15)
Total transactions reported directly in equity			*(218)*		*(218)*
Profit for the year				424	424
CLOSING BALANCE 31 DECEMBER 2008		**1,958**	**(204)**	**4,678**	**6,432**

Parent Company

		Restricted equity		Non-restricted equity		
SEK million		Share capital	Legal reserve	Fair value reserve	Retained earnings and profit for the year	Total equity
OPENING BALANCE 1 JANUARY 2007		**1,958**	**392**	**12**	**3,815**	**6,177**
Change in cash flow hedges, after tax	Note 32			2		2
Total transactions reported directly in equity				*2*		*2*
Profit for the year					151	151
CLOSING BALANCE 31 DECEMBER 2007		**1,958**	**392**	**14**	**3,966**	**6,330**
OPENING BALANCE 1 JANUARY 2008		**1,958**	**392**	**14**	**3,966**	**6,330**
Change in reclassified financial assets, after tax	Note 32			(203)		(203)
Change in cash flow hedges, after tax	Note 32			(15)		(15)
Total transactions reported directly in equity				*(218)*		*(218)*
Profit for the year					55	55
Group contribution received, after tax					1,152	1,152
CLOSING BALANCE 31 DECEMBER 2008		**1,958**	**392**	**(204)**	**5,173**	**7,319**

Cash Flow Statement

	Group		Parent Company	
SEK million	2008	2007	2008	2007
Cash and cash equivalents at the beginning of the year	**10,140**	**1,453**	**3,124**	**791**
OPERATING ACTIVITIES				
Interest and commission received	11,351	8,509	4,485	4,328
Interest and commission paid	(10,177)	(6,214)	(4,902)	(3,271)
Dividends received for shares and similar securities	–	0	408	0
Realised changes in value	(475)	17	(622)	1
Recoveries on loans previously written off	1	8	1	8
Payments to suppliers and employees	(482)	(522)	(484)	(518)
Income taxes paid	(96)	(564)	68	(406)
Changes in subordinated receivables	–	–	(3,986)	(5,543)
Changes in loans and advances to credit institutions[1)]	8,577	(1,261)	12,255	(2,574)
Change in loans and advances to the public	(15,989)	2,031	4,663	35,462
Change in securities, current assets	3,123	(10,036)	3,123	(10,036)
Change in liabilities to credit institutions	14,156	10,130	7,357	6,487
Change in customer accounts	2,783	759	2,783	759
Issue of long-term debt securities	78,787	68,926	33,198	18,126
Repayment of long-term debt securities	(69,031)	(60,986)	(30,435)	(37,999)
Issue of short-term debt securities	111,530	150,806	111,530	150,806
Repayment of short-term debt securities	(133,332)	(153,073)	(133,332)	(153,073)
Change in other assets and liabilities	127	187	(537)	1,131
Cash flow from operating activities	**853**	**8,717**	**5,573**	**3,688**
INVESTING ACTIVITIES				
Sale of property, plant and equipment	0	1	0	1
Investments in property, plant and equipment and intangible fixed assets	(19)	(31)	(6)	(13)
Investments in subsidiaries and joint ventures	–	–	(3,108)	(1,343)
Cash flow from investing activities	**(19)**	**(30)**	**(3,114)**	**(1,355)**
FUNDING ACTIVITIES				
Issue of subordinated debentures	1,000	–	1,000	–
Repayment of subordinated debentures	(597)	–	(597)	–
Cash flow from funding activities	**403**	**–**	**403**	**–**
Increase/Decrease in cash and cash equivalents	**1,237**	**8,687**	**2,862**	**2,333**
Cash and cash equivalents at year-end	**11,377**	**10,140**	**5,986**	**3,124**

[1)] *Pertains to loans and advances to credit institutions with a maturity of more than three months from the date of acquisition.*
Cash and cash equivalents are defined as loans and advances to credit institutions with a maturity not later than three months from the acquisition date.

Risk Management

Risk is a natural element in a business, but entails that some form of uncertainty occurs, and this uncertainty must be managed. A broad definition of risk is the volatility in future income that is dependent on changes in the value of assets and liabilities. For SBAB, risk arises primarily in the lending operations in the form of credit risk, although various types of risks must also be managed in other activities. The events of the past year, for example, indicate the importance of effective liquidity risk management.

For SBAB, risk management entails that, in each individual transaction, SBAB will be able to measure the value generated by the transaction with regard to return and risk, and the level of capital that is optimal in relation to the inherent risk. In concrete terms, this entails that SBAB conducts a recurring discussion focusing on the following questions:

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

Risk appetite

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

- That SBAB will generate a return on equity that is five percentage points higher than the return on five-year government bonds after tax, viewed over a business cycle
- That SBAB's primary capital ratio will not be less than 7%
- The economic capital will not exceed 85% of the available capital

In addition, earnings should be based primarily on credit risk and interest rate risk. As a primary rule, SBAB aims to avoid exposure to exchange rate fluctuations. Accordingly, no earnings from currency positions arise.

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

1. Identify risk

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

2. Measure risk and capital requirements

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

3. Analyse, control and report

Based on the information provided by the models, the company conducts an analysis of how the risks affect and can be expected to affect the operations. These efforts include follow-up and analysis of historical outcomes as well as future-oriented stress tests and scenario analyses. At each reporting instance, SBAB's Board of Directors and management are to be provided with an adequate report on the company's risk profile. These efforts comprise the supporting documentation for SBAB's strategic planning and form the foundation for the establishment of capital goals.

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

Overall aims for risk management

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

Organisation and responsibility

The Board of Directors has ultimate responsibility for risk managements and takes decisions on risk strategy, risk appetite, risk policy and instructions for managing and measuring risk. Through the financial directives, the Board determines limits for, inter alia, market risk and liquidity risk. For certain issues, the Board has delegated responsibility to SBAB's Finance Committee. The credit instructions are established by the Board, which thereby regulates authorities to take credit and limit decisions at various levels in SBAB.

The Asset and Liability Management Committee (ALCO) handles matters relating to risk and capital planning, which are then addressed by executive management. The Chief Financial Officer is the chairman of the ALCO. Other committee members are the managers for each of the business areas, the Chief Credit Officer and the Head of Accounts and Risk Department.

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

A monthly report on the overall risk scenario is delivered by Risk to the CEO, executive management and the Board, together with a description of the trend of economic capital and risk-adjusted return. Continuous reports on current capital adequacy are provided to the CEO, the Board and senior executives at SBAB. In addition, the Board and CEO of the SBAB Group are provided with a quarterly detailed description of risks.

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

FI has reviewed SBAB's internal methods and assessed them to be reliable.

Accordingly, FI has granted SBAB permission to base capital requirements for credit risk on internal ratings-based methods (IRB methods). At the same time, SBAB was granted the right to apply the standardised method for credit risk for

- exposure amounts to the Swedish Government, the Riksbank and Swedish municipalities
- portfolios of insignificant size (time-limited permission)
- all central government and institutional exposures.

The standardised method is used to measure and handle operational risk. The method complies with the provisions of FI's directives. FI has reviewed the method and assesses it to be reliable.

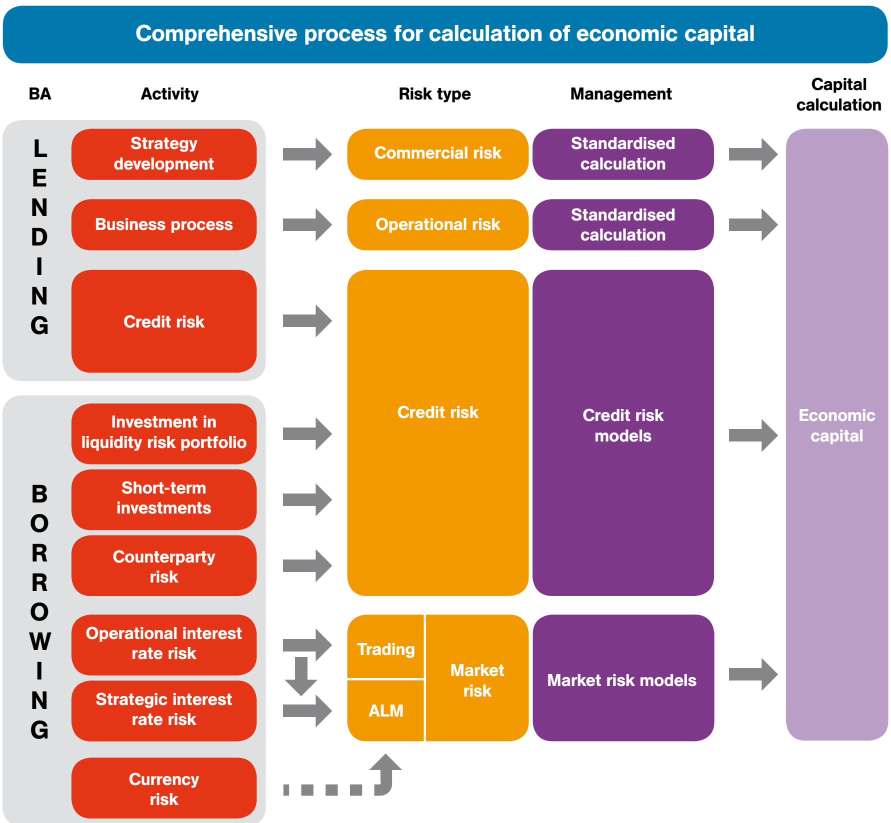
SBAB has applied for a permit to use its own estimates for LGD and credit conversion factor (CCF) for corporate loans and loans to tenant-owner associations for collateral in the form of mortgage deeds.

Risks

Credit risk

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

The table on page 32 describes the maximum credit risk exposure for the SBAB Group at the end of 2007 and 2008 without taking pledged assets into consideration. The carrying value is used for assets on the balance sheet. A total of 81% (85) of the total credit risk exposure derives from lending to credit institutions and customers (taking into consideration the change in fair value for hedged loan receivables and credit-related commitments). As of 2008, loan promises to private individuals are included in the item "Loan promises and other credit-related commitments". Accordingly, comparative figures for 2007 were adjusted.



Credit risk in the lending operations

Credit risk in lending operations is restricted by limits decided upon for the customer or customer group. The credit risk is also managed in the credit granting process, where potential borrowers' ability to make their interest payments is analysed. For example, new retail loans are granted only to borrowers who are expected to be able to pay interest and amortisation in an interest-rate situation that exceeds current levels by at least 2% above the five-year home loan interest rate. Furthermore, risk classification based on IRB methods is used in the analysis of the credit risk for new and existing customers in the loan portfolios.

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

For every part of individual exposures to corporate or retail customers which have a tenant-owned apartment or mortgage deed in a residential property as collateral, as is the case for 81% (79) of total lending, the credit risk is assessed in the Group's credit risk models. For other types of exposures, the standardised method is used for measurement of credit risk. For the cases in which external ratings were used, the lowest rating from either Moody's or Standard & Poor's was selected. In credit risk models, an assessment is made of PD, LGD and the part of the off-balance sheet commitment which is utilised in the event of default, CCF. On the basis of these parameters, together with EAD, customers can be ranked according to risk and the expected and unexpected loss can be estimated. After assessment, the exposure is referred to one of eight risk classes for corporate and retail loans respectively, where the eighth class comprises customers in default. Customers in high risk classes are monitored thoroughly and, when necessary, the exposure is managed actively by credit monitoring personnel in the credit division. Models developed are validated annually. The current year's validation shows, inter alia, an increased concentration of customers in the best risk classes. To counteract the increased concentration, the models will be adjusted so that a more even distribution is achieved.

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

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

The different methods will lead to different results in different phases of the business cycle. When the level of economic activity is high, the reported impairment will be lower than that estimated by the IRB models, since the latter are based on the default trend over a longer period of time, which will generate a more standardised value. The opposite will be the case when the level of economic activity is lower.

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-owned apartments. Corporate refers to all lending to the public. This entails, inter alia, that loans to private individuals pertaining to multi-family dwellings are considered corporate customers.*

Maximum credit risk exposure before collateral held or other credit enhancements

SEK million	2008	2007
Credit risk exposure for on-balance sheet items		
Chargeable treasury bills and other eligible bills	10	10
Loans and advances to credit institutions	12,570	19,909
Loans and advances to the public:		
Loans to consumers		
– Single-family dwellings and holiday homes	80,212	71,567
– Tenant-owned apartments	36,611	32,558
Loans to companies/legal entities		
– Tenant-owner associations	34,821	33,346
– Private multi-family dwellings	21,010	17,913
– Municipal multi–family dwellings	5,046	7,000
– Commercial properties	6,259	5,597
Change in fair value of hedged loan receivables	3,270	(922)
Bonds and other interest-bearing securities	31,787	31,056
Derivative financial instruments	20,649	3,799
Other assets	228	296
Prepaid expenses and accrued income	737	783
Credit risk exposure for off-balance sheet items		
Financial guarantees	–	–
Loan promises and other credit-related commitments	24,719	24,030
Maximum credit exposure per 31 December	**277,929**	**246,942**

Collateral in the lending operations

In order to grant credit, adequate collateral is required, which can be provided in the form of real estate or a tenant-owned apartment. Adequate collateral usually means mortgage deeds in a property or a tenant-owned apartment up to 75%-85% of the market value. The 85% ratio applies provided that collateral can be obtained with priority right and that the customer has risk class R1-R4 for retail customers and C1-C4 for corporate customers. In other cases, a loan-to-value ratio of 75% applies. If collateral was complemented with credit insurance, it was possible in 2008 to provide loans to private customers at up to 95% of market value. This remains possible in 2009, but the credit insurance requirement has been replaced by a requirement for "Låneskydd Trygg"[2] which is signed by the borrower, and the loan amount exceeding 85% of market value must be amortised over a maximum of 10 years (previously 15 years). In addition to the above collateral, it is possible to grant credit for, inter alia, collateral in the form of a state credit guarantee, a municipal guarantee, securities, bank guarantees and deposits in a Swedish bank. To a limited extent, equities corresponding to up to 85% of the market value in the underlying property can be approved as collateral. SBAB does not hold any collateral which has been taken over to protect a receivable.

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

Loan portfolio allocated by risk class

Corporate Market	2008		2007	
Risk class	Lending	Provision/lending in respective risk class	Lending	Provision/lending in respective risk class
C0	1.0%	–	1.5%	–
C1	60.1%	0.0%	50.0%	–
C2	20.1%	0.0%	21.8%	–
C3	9.2%	0.0%	14.9%	–
C4	5.5%	0.0%	5.0%	–
C5	2.3%	0.2%	3.6%	–
C6	0.9%	2.5%	2.3%	1.5%
C7	0.2%	3.4%	0.2%	22.6%
C8	0.7%	16.1%	0.7%	24.4%
	100.0%	**0.2%**	**100.0%**	**0.2%**

C = *Corporate market*

Loan portfolio allocated by risk class

Retail Market	2008		2007	
Risk class	Lending	Provision/lending in respective risk class	Lending	Provision/lending in respective risk class
R1	37.1%	0.0%	38.3%	–
R2	19.8%	0.0%	20.7%	–
R3	25.1%	0.0%	24.3%	–
R4	12.2%	0.0%	11.4%	–
R5	2.9%	0.5%	3.0%	0.4%
R6	1.5%	1.4%	1.4%	1.2%
R7	1.0%	4.5%	0.8%	5.8%
R8	0.4%	9.3%	0.1%	19.2%
	100.0%	**0.1%**	**100.0%**	**0.1%**

R = *Retail market*

Loan portfolios by risk class

Every customer is allocated a risk class. Customers with individually reserved corporate market loans are always allocated to the worst corporate market risk class, C8. Loans covered by collective provisions are obtained for the corporate market from risk classes C6 and C7, and collectively impaired retail market loans comprise loans in risk classes R5-R8. Risk class C/R0 are loans where the counterparty has a risk weight of 0% (Swedish municipalities). Transaction costs of SEK 13 million were allocated in the table for the year 2008, but not for the year 2007, as at that time the costs could not be allocated to current loans. The substantial concentration in the best risk classes indicates that the risk differentiation is not optimal. To counteract the increasing concentration, the models will be adjusted in 2009.

Loans and advances to the public and credit institutions

In the table "Loans and advances to the public and credit institutions without overdue unpaid amounts, with overdue unpaid amounts and with provisions", the loan portfolio has been allocated to loans where the borrower has fulfilled his obligations in accordance with the terms of the loan, loans where the borrower has not done so and loans with individual provisions.

In the case of a loan receivable for which individual provision has been made, an individual assessment of the future cash flow has been made together with an estimate of the market value of the underlying collateral, which serves as the basis for the individual provision. In the case of collective provisions, the risk in a group of loans has changed, but this change cannot be attributed to any particular customer. The table specifies the provision without taking into consideration guarantees or the amount guaranteed for each group of provisions.

As at 31 December 2008, total provisions (individual and collective) amounted to SEK 201 million (187) after deduction for guarantees, which were 0.1% (0.1) of the loan portfolio, of which individually assessed loans accounted for SEK 83 million (89). As at year-end 2008/2009, individual provisions after deduction for guarantees decreased by SEK 6 million compared with the preceding year and constituted 60% (49) of doubtful loan receivables, which amounted to SEK 138 million (180). No need for provisions arose for loans to credit institutions.

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

The allocation of loans per risk class for the loans that had neither overdue unpaid amounts nor individual provisions shows that 95% in 2008 and 94% in 2007 were in the four best risk classes. Unlike the allocation for 2007, the allocation for 2008 includes total transaction costs of SEK 13 million (21) which were allocated to individual loans without overdue unpaid amounts and to loans with individual provisions. The cost was mainly attributable to single-family dwellings and holiday homes.

Loans with overdue unpaid amounts but without individual provisions

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

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

	31 December 2008		31 December 2007	
SEK million	Customers	Credit institutions	Customers	Credit institutions
Current loans without overdue unpaid amounts or provisions	183,066	12,570	167,423	19,909
Loans with unpaid amounts > 5 days overdue	1,010		638	
Loans with individual provisions	138		180	
Total outstanding loans	**184,214**	**12,570**	**168,241**	**19,909**
Individual provisions	95		118	
Collective provisions, corporate market	25		53	
Collective provisions, retail market	135		89	
Total provisions	**255**		**260**	
Total lending after provisions	**183,959**	**12,570**	**167,981**	**19,909**
Guarantees for loans with individual provisions	12		29	
Guarantees for loans with collective provisions, corporate market	6		8	
Guarantees for loans with collective provisions, retail market	36		36	
Total guarantees	**54**		**73**	
Total lending after provisions and guarantees	**184,013**	**12,570**	**168,054**	**19,909**

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

	2008					
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
C/R0	–	–	–	–	681	–
C/R1	33,881	9,550	22,489	12,212	2,282	3,317
C/R2	14,817	8,307	6,452	3,715	1,108	2,189
C/R3	18,697	10,653	2,816	2,367	615	320
C/R4	8,409	5,828	1,139	1,985	233	349
C/R5	2,032	1,253	886	495	104	79
C/R6	1,157	524	440	163	–	–
C/R7	704	246	80	29	–	5
C/R8	58	24	350	26	–	–
Total	**79,755**	**36,385**	**34,652**	**20,992**	**5,023**	**6,259**

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

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
C/R0	–	–	–	49	932	–
C/R1	30,606	9,268	19,350	6,843	3,018	2,669
C/R2	14,701	6,903	5,906	5,497	1,891	598
C/R3	15,677	9,601	4,547	2,908	742	1,319
C/R4	6,917	4,914	1,052	1,174	269	686
C/R5	1,920	1,103	1,242	957	125	18
C/R6	923	472	772	400	22	302
C/R7	552	157	96	14	–	–
C/R8	12	8	267	–	–	–
Total	**71,309**	**32,426**	**33,232**	**17,843**	**7,000**	**5,592**

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

	2008					
	Retail market		Corporate market			
SEK 000s	Single-family dwellings and holiday homes	Tenant-owned apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties
5-30 days overdue [1]						
Overdue amortisation	6,867	5,013	45,479	12,592	23,236	–
Overdue accrued interest	1,980	825	440	328	344	–
Terminated overdue principal excl. overdue amortisation	742	–	–	–	–	–
Principal not overdue	323,839	144,057	95,509	14,911	0	–
Accrued interest not overdue	188	67	353	75	–	–
31-60 days overdue						
Overdue amortisation	117	342	–	–	–	–
Overdue accrued interest	903	477	–	–	–	–
Terminated overdue principal excl. overdue amortisation	–	1,120	–	–	–	–
Principal not overdue	97,632	51,705	–	–	–	–
Accrued interest not overdue	124	82	–	–	–	–
61-90 days overdue						
Overdue amortisation	50	136	4	–	–	–
Overdue accrued interest	342	272	34	–	–	–
Terminated overdue principal excl. overdue amortisation	458	–	2,668	–	–	–
Principal not overdue	26,492	20,975	–	–	–	–
Accrued interest not overdue	(2)	0	(1)	–	–	–
>90 days overdue						
Overdue amortisation	3,233	489	–	9	–	–
Overdue accrued interest	2,932	946	–	10	–	–
Terminated overdue principal excl. overdue amortisation	55,229	19,998	–	217	–	–
Principal not overdue	38,858	17,879	–	–	–	–
Accrued interest not overdue	242	35	–	3	–	–
Total overdue						
Total overdue amortisation	10,267	5,980	45,483	12,601	23,236	–
Total overdue accrued interest	6,157	2,520	474	338	344	–
Total terminated overdue principal excl. overdue amortisation	56,429	21,118	2,668	217	–	–
Total principal not overdue	486,821	234,616	95,509	14,911	0	–
Total accrued interest not overdue	552	184	352	78	–	–
Total lending for loans with overdue receivable without provision	553,517	261,714	143,660	27,729	23,236	–
Value of collateral and guarantees	547,249	260,737	143,397	27,318	23,236	–

[1] *For the time interval, SBAB decided not to take into consideration amounts overdue by five days or less so that the analysis would not be distorted by payments delayed because the payment date was a holiday.*

In 2008, 99.3% (99.5) of lending had no overdue unpaid amounts and was not assessed as doubtful. Of SBAB's loan portfolio of SEK 184 billion (168), SEK 1,010 million of the principal was overdue in 2008 compared with SEK 638 million in 2007. The majority of the loans which had overdue unpaid amounts pertained to loans for single-family dwellings and tenant-owned apartments (0.7% of lending to the segment in 2008, compared with 0.4% in 2007).

When calculating the value of the collateral, the entire loan-to-value for mortgage deeds or tenant-owned apartments within the market value was included together with the entire municipal guarantee, government loan guarantee and bank guarantee. In 2007, other collateral such as personal guarantees other than municipal guarantees or pledged securities was not taken into consideration except in two cases, where guarantees of SEK 24 million and SEK 40 million respectively were included in the table for 2007. The value of the mortgaged collateral is based on the market value of the properties mortgaged as collateral for the corresponding loans. The market value is regularly updated and refers to the most probable price in a sale on the open property market on the valuation date.

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

Doubtful loan receivables are those for which a provision has been made on the basis of an individual risk assessment. Doubtful loan receivables make up 0.1% (0.1) of SBAB's total lending. For tenant-owner associations and private property owners, a minor reduction in doubtful loan receivables occurred, which can be attributed to active insolvency management.

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

	2007					
	Retail market		Corporate market			
SEK 000s	Single-family dwellings and holiday homes	Tenant-owned apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties
5-30 days overdue [1]						
Overdue amortisation	5,271	8,656	44,599	41,554	0	4,516
Overdue accrued interest	146	12	222	330	0	0
Terminated overdue principal excl. overdue amortisation	0	0	0	0	0	0
Principal not overdue	14,584	1,667	14,830	4,502	0	0
Accrued interest not overdue	44	2	78	16	0	0
31-60 days overdue						
Overdue amortisation	1,798	328	27	76	0	0
Overdue accrued interest	1,144	480	11	337	0	0
Terminated overdue principal excl. overdue amortisation	0	224	0	495	0	0
Principal not overdue	197,686	91,437	13,002	34,168	0	0
Accrued interest not overdue	250	80	60	145	0	0
61-90 days overdue						
Overdue amortisation	31	28	0	0	0	0
Overdue accrued interest	221	124	0	0	0	0
Terminated overdue principal excl. overdue amortisation	738	1,493	0	0	0	0
Principal not overdue	35,689	16,562	4,167	895	0	0
Accrued interest not overdue	115	33	35	9	0	0
>90 days overdue						
Overdue amortisation	670	293	0	3	0	0
Overdue accrued interest	1,617	413	93	4	0	0
Terminated overdue principal excl. overdue amortisation	34,213	11,476	3,194	365	0	0
Principal not overdue	22,556	10,526	15,252	0	0	0
Accrued interest not overdue	152	26	18	0	0	0
Total overdue						
Total overdue amortisation	7,770	9,305	44,626	41,633	0	4,516
Total overdue accrued interest	3,128	1,029	326	671	0	0
Total terminated overdue principal excl. overdue amortisation	34,951	13,193	3,194	860	0	0
Total principal not overdue	270,515	120,192	47,251	39,565	0	0
Total accrued interest not overdue	561	141	191	170	0	0
Total lending for loans with overdue receivable without provision	313,236	142,690	95,071	82,058	0	4,516
Value of collateral and guarantees	308,762	138,890	94,426	81,088	0	4,516

[1] *For the time interval, SBAB decided not to take into consideration amounts overdue by five days or less so that the analysis would not be distorted by payments delayed because the payment date was a holiday.*

Restructured loan receivables

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

Restructuring of a loan receivable may entail

a) that the terms of the loan are modified by terms which are not commercial,
b) that the borrower partly repays the loan by handing over various assets
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.

Reported value of renegotiated loans by borrower category

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

SEK million	2008	2007
Single-family dwellings and holiday homes	12	7
Tenant-owned apartments	3	1
Tenant-owner associations	108	127
Private properties	3	3
Municipal properties	–	–
Commercial properties	–	–
Total	**126**	**138**

Doubtful loan receivables

SEK million	2008 Single-family dwellings and holiday homes	Tenant-owned apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties
Doubtful loan receivables	11	7	105	15		
Individual provision, corporate market			(68)	(12)		
Individual provision, retail market	(10)	(5)				
Doubtful loan receivables, net	1	2	37	3		
Estimated value of guarantees	–	–	12	–		
Doubtful loan receivables taking into consideration pledged guarantees	1	2	49	3		
Value of collateral and guarantees	1	2	39	3		

Doubtful loan receivables

SEK million	2007 Single-family dwellings and holiday homes	Tenant-owned apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties
Doubtful loan receivables	14		138	28		
Individual provision, corporate market			(90)	(16)		
Individual provision, retail market	(12)					
Doubtful loan receivables, net	2		47	13		
Estimated value of guarantees			28	1		
Doubtful loan receivables taking into consideration pledged guarantees	2		75	14		
Value of collateral and guarantees	6		67	26		

When calculating the value of collateral and guarantees, valuation was based on the market value for each individual property to which the value of pledged guarantees was added.

Credit risk in the finance operations

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

Counterparty risks

Counterparty risks comprise exposures to leading banks and are predominantly covered by collateral agreements, where the counterparty provides funds or collateral to reduce the exposure.

SBAB's securities are found almost exclusively in its liquidity portfolio. However, the trading book includes a minor item of SEK 218 million located outside the liquidity portfolio.

SBAB's securities holdings are described per credit rating and per geographical distribution respectively. Geographical distribution refers to the issuer's legal domicile.

Liquidity portfolio

SBAB's liquidity portfolio comprises three asset classes:

- European covered bonds
- European and Australian residential mortgage-backed securities (RMBS), i.e. securities covered by portfolios of home loans
- Securities issued by or guaranteed by central governments

SBAB's liquidity portfolio is a liquidity reserve which is intended to manage liquidity and funding risks. At 31 December 2008, the portfolio amounted to SEK 31.5 billion (31.0).

The assets are classified as Loan receivables and accounts receivable (RMBS), SEK 23.1 billion (-) and Securities measured at fair value through profit and loss (covered bonds, government bonds and securities guaranteed by government), SEK 8.4 billion (31.0).

In accordance with the decision of the European Commission and FI's assessment, SBAB decided to reclassify assets in the RMBS portfolio from the category Available-for-sale financial assets to the category Loan receivables and accounts receivable. The assets were reclassified as a result of SBAB's opinion that the decline in the global financial markets in the autumn of 2008 was sufficient to motivate a reclassification. SBAB had both the intent and the capacity to hold the reclassified assets for the foreseeable future. This reclassification was made at 1 July 2008 at a fair value of SEK 21.7 billion. The reclassification was not permitted in 2007. The effects of the reclassification are reported in Note 17.

The reclassification of assets in the RMBS portfolio as Loan receivables and accounts receivable entails that the assets be reported at their accrued acquisition value and that credit risk assessment will take place in accordance with the same principles used in the risk assessment of SBAB's loan portfolio. All exposures in the RMBS portfolio are ranked according to loan to value (LTV) and age (date originated) in three different groups. For all exposures in the groups with the greatest uncertainty, information on actual and expected cash flow and any change in LTV was updated. For the countries with the most doubtful exposures, information was obtained on the trend for such essential macrovariables as available income, unemployment and the trend in interest expense. Updated and obtained information was then analysed by the credit division. No need for a provision was deemed to exist.

The turbulence that characterised the capital market in 2008 had a negative impact on the market value of the liquidity portfolio. In conjunction with the abovementioned reclassification, SBAB reported a change in the market value of the portfolio entailing that SEK 176 million will be charged against operating profit and SEK 277 million will be charged against equity before taxes. The continued turbulence in the capital market in the second half of 2008 entailed that a total of SEK 703 million was charged against operating profit for 2008. Since 1 July 2008, the assets that were reclassified have been reported at their accrued acquisition value, while SEK 1 million, net after exchange rate effects, of the SEK 277 million change in value was reversed at 31 December 2008. The change in value will be reversed in its

Counterparty risks

SEK million	Group				Parent Company			
	31 Dec 2008		31 Dec 2007		31 Dec 2008		31 Dec 2007	
Rating category	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit
AAA	1,270	273	1,745	63	1,270	273	1,745	63
AA– to AA+	9,590	1,801	13,060	1,947	9,590	1,154	13,060	635
A– to A+	7,780	3,990	4,720	1,392	7,780	1,774	4,720	1,392
Below A–	–	–	–	–	–	–	–	–
Unrated	–	–	–	–	–	–	–	–
Total	**18,640**	**6,064**	**19,525**	**3,402**	**18,640**	**3,201**	**19,525**	**2,090**

The table shows the utilised limit and the limit respectively, at an aggregated level per rating category for SBAB's counterparties. The compilation includes investments (excluding the liquidity portfolio), derivative contracts and repo contracts. The limit is set by the Finance Committee within the scope of the rating-related framework established by the Board. Utilised limits are calculated as the market value of derivative financial instruments, repo contracts and investments. For counterparties who are also loan customers, the limit is to be coordinated with the credit limit. A limit per counterparty can be established for a period of time of at most a year before a new consideration must be made. The decisions of the Finance Committee are to be reported to the Board at the next Board meeting. All of SBAB's counterparties have a rating.

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

Chargeable treasury bills, bonds and other interest-bearing securities

The table shows an analysis of chargeable treasury bills, bonds and other interest-bearing securities allocated by rating as at 31 December 2008 based on Standard & Poor's rating.

	2008			
Rating category SEK million	Government-guaranteed securities	Covered bonds	RMBS	Total
AAA	21	8,634	23,132	31,787
AA– to AA+	–	–	–	–
A– to A+	–	–	–	–
Below A–	–	–	–	–
Unrated	–	–	–	–
Total	**21**	**8,634**	**23,132**	**31,787**

All securities have the highest rating, AAA, from Standard & Poor's. However, two covered bonds have a split rating, CB-HYPINT-4,5-2010-03-04 with Aa3 from Moody's and CB-BRADI-4,875-201706 with A1 from Moody's.

Chargeable treasury bills, bonds and other interest-bearing securities. Geographical distribution.

Carrying amount	2008				
Securities, SEK million	Sweden	Other EU	Canada	Australia	Total
Covered bonds	951	7,683	–	–	8,634
RMBS	–	21,591	–	1,541	23,132
Government-guaranteed securities	8	13	–	–	21
Total as at 31 December 2008	**959**	**29,287**	**–**	**1,541**	**31,787**
Total as at 31 December 2007	**1,070**	**28,281**	**32**	**1,673**	**31,056**

entirety during the bonds' remaining maturity period.

The holdings in the liquidity portfolio are long term. SBAB has liquidity reserves that correspond to the liquidity requirement for 30 days or more. A total of 98% of the portfolio comprises securities with only the highest rating, Aaa, from Moody's, or AAA from Standard & Poor's, except for two covered bonds that have the rating AAA/Aa3 and AAA/A1, respectively. SBAB's liquidity portfolio does not have and has never had any exposure to the United States, to US assets or to home loans not classed as prime. The average maturity for the assets in the liquidity portfolio is 3.9 years (4.5). Derivative contracts have been entered into to manage interest-rate risk and currency risk. The bonds in the portfolio can be pledged at the Riksbank or the European Central Bank.

Market risk

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

Interest-rate risk

Interest-rate risk arises naturally in SBAB's activities and originates primarily when the interest-rate structure between the company's deposits and lending, Asset and Liability Management risk, (ALM risk) is not fully matched. SBAB's interest rate structure as at 31 December 2008 is shown in the table Fixed-interest terms for financial assets and liabilities. The main principle of SBAB's handling of its ALM risk is to use direct borrowing and derivatives to limit exposure, and to create positive added value through active management within the limits set by the Board.

The interest-rate risk limits set by the Board consist of an operational and a strategic component. The operational interest-rate risk, which comprises exposure in ALM and trading activities, is limited to 1% of SBAB's capital base. The operational interest-rate risk exposure amounted as at 31 December 2008 to a negative SEK 77 million (negative: 11).

The strategic interest-rate risk exposure arises through the company's equity and flow being invested in lending with fixed interest rates. The benchmark for investment of equity is defined as a series of durations with even fixed-interest maturities every year from 1 to 10 years. The flow is invested based on its combined duration. The strategic risk expresses deviation from the benchmark and is limited to +/– SEK 20 million. As at 31 December 2008, this deviation amounted to SEK 11 million (6).

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

The change in the portfolio's value in the event of a parallel shift of the yield curve is used when setting and monitoring limits, while the result from VaR is included in SBAB's model for economic capital.

Currency risk

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

Certain currency risks can arise due to a mismatch in interest rate flows. Accordingly, a limited deviation from the main rule may be acceptable. currency risk, excluding the liquidity portfolio, is calculated as the effect on the present value of all contracted liquid flows given a change in the exchange rate of +/– 10 percentage points per corresponding exchange rate. Total currency exposure may not exceed the equivalent of SEK 10 million.

The liquidity portfolio can also be hedged through funding in the corresponding currency or through currency swap contracts. Calculated per currency, the portfolio is to be hedged to between 99.5% and 100.5%.

Option risk

Currency options may only be used for the purpose of hedging, and no open exposures are permitted. For interest rate options, an exposure of SEK 2 million is permitted, corresponding to an interest rate change of +/– 1 percentage point and a volatility change of 50%.

Operational risk

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

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

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

Commercial risk

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

Liquidity risk

Liquidity risk means the risk of SBAB encountering difficulties in meeting payment obligations associated with financial liabilities. There has been a strong focus on liquidity risk management in the entire bank sector since credit turbulence broke out in the latter half of 2007. SBAB has long understood the importance of advanced liquidity risk management. The company's liquidity risk management is based on the following principles:

Broad and diversified borrowing

Because SBAB has maintained an active presence in the international capital market since 1989, its brand is well-established. Borrowing takes place on a global basis with both short-term and long-term loans. Moreover, since 2006 the SBAB Group has had access to the covered bond market through its subsidiary, The Swedish Covered Bond Corporation (SCBC).

Conservative matching of assets and liabilities

SBAB applies strict regulations as to how assets and liabilities are to be matched. As a rule, capital maturity for funding the lending must be at least as long as that for the lending itself.

Liquidity reserve with immediately available liquidity

At 31 December 2008, SBAB had the following reserves of immediately available liquidity:

- SEK 4 billion loan facility at the Swedish National Debt Office
- SEK 4.6 billion in bank facilities
- SEK 31.8 billion in liquid securities

Liquidity reserves

When calculating the value of reserves, SBAB applies the valuation deductions issued by the Riksbank, in accordance with the Riksbank's Guidelines for Collateral Management in the Riksbank's regulatory framework for RIX and monetary policy instruments.

For calculation of the issue capacity of covered bonds, SBAB measures the quantity of qualified assets that are not already taken into use for strategic covering of outstanding debt in SCBC. In addition, a valuation deduction is added corresponding to SCBC's minimum possible extent of excess collateral.

Fixed-rate interest terms for financial assets and liabilities

Carrying amount

Group	**2008**							2007						
SEK million	Without fixed-rate interest term	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total interest term	Without fixed-rate interest term	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total interest term
ASSETS														
Cash and balances from central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	10	–	–	–	–	10	–	10	–	–	–	–	10
Loans and advances to credit institutions	–	11,964	32	61	448	65	12,570	–	14,277	357	779	4,066	430	19,909
Loans and advances to the public	–	88,507	8,329	15,016	62,932	9,175	183,959	–	77,558	7,487	18,331	56,718	7,887	167,981
Change in fair value of hedged loan receivables	–	3	41	221	2,445	560	3,270	(922)	–	–	–	–	–	(922)
Bonds and other interest-bearing securities	–	23,078	615	–	3,799	4,295	31,787	–	23,578	95	0	2,436	4,947	31,056
Derivative financial instruments	–	(130,081)	2,238	21,347	117,604	9,541	20,649	–	(19,296)	7,808	9,341	11,714	(5,769)	3,799
Other financial assets	965	–	–	–	–	–	965	961	118	–	–	–	–	1,079
Total financial assets	**965**	**(6,519)**	**11,255**	**36,645**	**187,228**	**23,636**	**253,210**	**39**	**96,245**	**15,747**	**28,451**	**74,934**	**7,495**	**222,912**
LIABILITIES														
Liabilities to credit institutions	–	24,692	5,000	–	–	–	29,692	–	15,537	–	–	–	–	15,537
Customer accounts	–	3,542	–	–	–	–	3,542	–	759	–	–	–	–	759
Debt securities in issue	–	57,471	6,113	22,955	106,731	5,373	198,643	–	67,434	16,678	28,620	72,842	6,233	191,807
Derivative financial instruments	–	(93,063)	8,246	13,478	64,047	14,835	7,542	–	5,881	5,877	(924)	(5,000)	(2,911)	2,923
Other liabilities	3,776	–	–	–	–	–	3,776	2,890	–	–	–	224	–	3,114
Subordinated liabilities	–	300	–	1,033	1,585	748	3,666	–	881	–	699	478	667	2,725
Total financial liabilities	**3,776**	**(7,058)**	**19,359**	**37,466**	**172,363**	**20,956**	**246,862**	**2,890**	**90,492**	**22,555**	**28,395**	**68,544**	**3,989**	**216,865**
Difference assets and liabilities	(2,811)	539	(8,104)	(821)	14,865	2,680	6,348	(2,851)	5,753	(6,808)	56	6,390	3,506	6,047
Parent Company														
ASSETS														
Cash and balances from central banks	–	0	–	–	–	–	–	–	0	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	10	–	–	–	–	10	–	10	–	–	–	–	10
Loans and advances to credit institutions	(668)	27,179	5,410	125	915	133	33,094	–	27,010	728	1,589	8,298	878	38,502
Loans and advances to the public	–	16,056	1,178	1,173	4,982	1,521	24,910	–	21,222	662	1,738	5,133	815	29,570
Change in fair value of hedged loan receivables	–	(2)	(2)	(4)	(22)	(11)	(41)	(88)	–	–	–	–	–	(88)
Bonds and other interest-bearing securities	–	23,078	615	–	3,799	4,295	31,787	–	23,578	95	–	2,436	4,947	31,056
Derivative financial instruments	–	(151,584)	11,993	21,968	114,698	14,619	11,694	–	33,237	7,552	244	(29,429)	(9,379)	2,225
Other financial assets	2,192	–	–	–	–	–	2,192	909	118					1,027
Total financial assets	**1,524**	**(85,263)**	**19,194**	**23,262**	**124,372**	**20,557**	**103,646**	**821**	**105,175**	**9,036**	**3,571**	**(13,562)**	**(2,740)**	**102,302**
LIABILITIES														
Liabilities to credit institutions	–	9,449	5,000	–	–	–	14,449	–	7,092	–	–	–	–	7,092
Customer accounts	–	3,542	–	–	–	–	3,542	–	759	–	–	–	–	759
Debt securities in issue	–	54,488	6,189	1,762	8,752	1,681	72,872	–	66,681	10,961	3,458	4,951	522	86,573
Derivative financial instruments	–	(137,713)	8,247	19,922	102,852	16,004	9,312	–	27,295	4,459	(862)	(21,689)	(5,736)	3,467
Other liabilities	2,266	–	–	–	–	–	2,266	971	–	–	–	224	–	1,195
Subordinated liabilities	–	300	–	1,033	1,585	748	3,666	–	881	–	699	478	667	2,725
Total financial liabilities	**2,266**	**(69,934)**	**19,436**	**22,717**	**113,189**	**18,433**	**106,107**	**971**	**102,708**	**15,420**	**3,295**	**(16,036)**	**(4,547)**	**101,811**
Difference assets and liabilities	(742)	(15,329)	(242)	545	11,183	2,124	(2,461)	(150)	2,466	(6,384)	277	2,474	1,808	491

A liquid balance sheet

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

Continuous monitoring of liquidity risks

The size of SBAB's liquidity reserves and the liquidity of the balance sheet are key factors in SBAB's management of liquidity risk. By coordinating lending with liquidity risk management, concentrations of large borrowing maturities are avoided.

Liquidity risk measurements

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

In addition, SCBC has issuing capacity in the form of qualified assets for covered bonds that have not yet been taken into use. This comprises an additional reserve that is not included in the calculation of MCO. The principal liquidity risk measures for SBAB are:

(1) how long the company can cope without raising new loans
(2) how long the company can cope if it can only issue covered debt*

** This latter measurement is limited by the amount of qualified collateral for covered bonds in SBAB's balance sheet. See also the Annual Report for SCBC.*

Liquidity situation in 2008

In the strained market that prevailed in 2008, SBAB adopted a conservative approach to liquidity risk management and planned to increase the average MCO. In 2008, the liquidity reserve corresponded to an average of 87 days MCO.

At 31 December 2008, the size of SBAB's liquidity reserve corresponded to 105 days MCO (63).

The volume of the qualified total collateral entails that SBAB need not rely on non-covered funding in 2009. During 2008, SBAB's liquidity reserve was never less than the equivalent of 30 days' future liquidity requirements, including maturities of large benchmark bonds.

Funding risk

SBAB generally endeavours to achieve a matching in maturity periods for tied-up capital between liabilities and assets. Funding risk is an expression of deviations from this matching. SBAB's calculation of funding risk is based on all contracted capital amounts with a remaining maturity of over one year, which thus supplements SBAB's use of the liquidity risk model, which covers the interval up to one year. In the funding risk model, equity is calculated as having the same maturity as SBAB's longest lending assets. The funding risk is calculated as the extent of any future liquidity deficit.

In the prevailing financial crisis, SBAB has selected a more conservative funding risk management method than previously. Forthcoming defaults are prefunded and the share of short-term lending has been reduced.

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

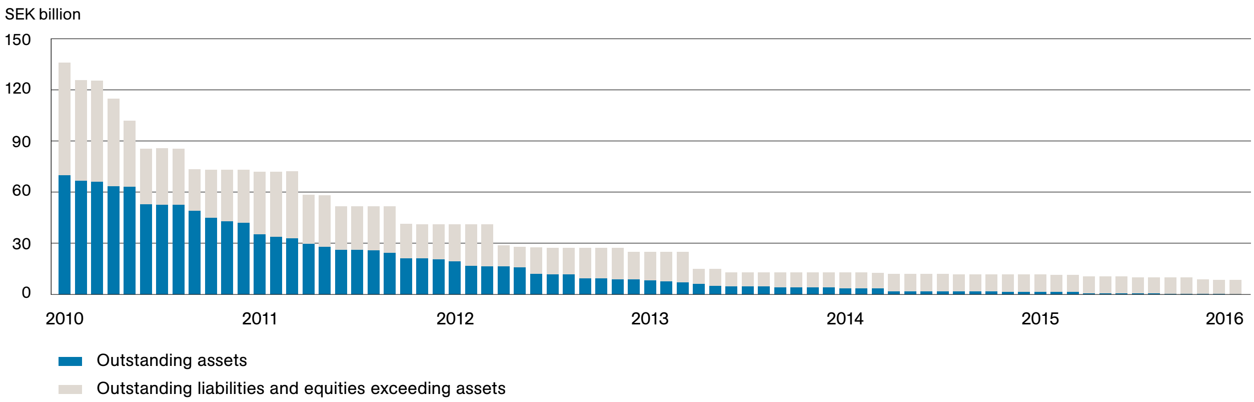
The tables Maturities for financial assets and liabilities and Derivative Cash Flow Statement show how SBAB's future cash flows appeared as at 31 December 2008 and 31 December 2007 respectively, both in the short- and long-term perspective.

Concentration risk

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

SBAB defines concentration risk as "if the same underlying factor realises the risk" in combination with the fact that the concentration must be regarded as risky. SBAB's assessment is that concentration can also be an expression of risk aversion. Lending concentrated to metropolitan regions is an example of this, as are financial investments concentrated to a few asset types with high credit ratings. In other words, there are examples of concentrations that de facto entail a lower risk. However, the existence of certain concentrations that increase risk cannot be ruled out. These include exposures to certain geographical groupings or to borrowers in the same industry. SBAB is developing a model to manage concentration risks, and expects the model to be completed in the first half of 2009. Large exposures, meaning borrower concentrations, are dealt with on the basis of the SBAB Group's credit directives. The loans concerned are identified, checked and monitored to ensure that they fall within the statutory framework for individual investments.

Future surplus liquidity, one year and onward



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

Maturities for financial assets and liabilities

Amounts refer to contracted, undiscounted cash flows.

Group	2008							2007						
SEK million	Without maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	Without maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
ASSETS														
Cash and balances from central banks	0	–	–	–	–	–	0	0	–	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	10	–	–	–	–	10	–	10	–	–	–	–	10
Lending to credit institutions	200	11,272	167	448	491	71	12,649	98	14,618	379	818	4,464	476	20,853
Customer balances	–	23,681	28,383	62,422	72,260	9,992	196,738		25,502	26,384	55,881	64,766	8,813	181,346
Bonds and other interest-bearing securities	–	782	1,217	1,567	25,906	8,505	37,977	–	736	943	2,163	24,158	10,891	38,891
of which reclassified assets	–	*667*	*1,102*	*1,405*	*20,247*	*3,257*	*26,678*	–	–	–	–	–	–	–
Derivative financial instruments	–	13,693	11,238	27,398	84,415	11,667	148,411	–	4,620	10,944	25,134	84,044	9,623	134,365
Other assets	965	–	–	–	–	–	965	961	–	–	–	118	–	1,079
Total financial assets	**1,165**	**49,438**	**41,005**	**91,835**	**183,072**	**30,235**	**396,750**	**1,059**	**45,486**	**38,650**	**83,996**	**177,550**	**29,802**	**376,543**
LIABILITIES														
Liabilities to credit institutions	9,634	15,146	5,120	–	–	–	29,900	–	15,606	–	–	–	–	15,606
Customer accounts	3,542	–	–	–	–	–	3,542	759	–	–	–	–	–	759
Debt securities in issue	–	25,221	10,617	33,504	138,933	7,683	215,958	–	37,430	31,324	36,506	95,369	8,099	208,728
Derivative financial instruments	–	13,204	10,637	23,991	76,014	11,982	135,828	–	5,156	11,020	24,678	83,571	9,913	134,338
Other liabilities	3,776	–	–	–	–	–	3,776	2,339	562	–	–	251	–	3,152
Subordinated liabilities	–	3	130	44	2,079	2,047	4,303	–	596	59	21	824	1,850	3,350
Loan promises and other credit-related commitments	–	24,719	–	–	–	–	24,719	–	24,030	–	–	–	–	24,030
Total financial liabilities	**16,952**	**78,293**	**26,504**	**57,539**	**217,026**	**21,712**	**418,026**	**3,098**	**83,380**	**42,403**	**61,205**	**180,015**	**19,862**	**389,963**
Parent Company														
ASSETS														
Cash and balances from central banks	0	–	–	–	–	–	0	0	–	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	10	–	–	–	–	10	–	10	–	–	–	–	10
Lending to credit institutions	19,524	5,975	5,815	915	1,001	144	33,374	15,538	12,353	774	1,669	9,111	970	40,414
Customer balances	–	3,087	3,511	9,698	8,670	1,656	26,622	–	5,589	4,957	12,259	7,743	910	31,459
Bonds and other interest-bearing securities	–	782	1,217	1,567	25,906	8,505	37,977	–	736	943	2,163	24,158	10,891	38,891
of which reclassified assets	–	*667*	*1,102*	*1,405*	*20,247*	*3,257*	*26,678*	–	–	–	–	–	–	–
Derivative financial instruments	–	81,880	18,155	24,171	91,082	16,617	231,905	–	54,638	17,831	29,415	88,531	12,449	202,864
Other assets	2,192	–	–	–	–	–	2,192	909	–	–	–	118	–	1,027
Total financial assets	**21,716**	**91,734**	**28,698**	**36,351**	**126,659**	**26,922**	**332,080**	**16,447**	**73,326**	**24,505**	**45,506**	**129,661**	**25,220**	**314,665**
LIABILITIES														
Liabilities to credit institutions	544	8,998	5,120	–	–	–	14,662	–	7,152	–	–	–	–	7,152
Customer accounts	3,542	–	–	–	–	–	3,542	759	–	–	–	–	–	759
Debt securities in issue	–	24,750	8,356	9,138	34,161	3,104	79,509	–	37,048	24,039	9,050	18,357	1,179	89,673
Derivative financial instruments	–	79,718	18,650	23,726	91,705	16,563	230,362	–	53,620	18,352	29,404	89,670	13,718	204,764
Other liabilities	2,266	–	–	–	–	–	2,266	971	11	–	–	251	–	1,233
Subordinated liabilities	–	3	130	44	2,079	2,047	4,303	–	596	59	21	824	1,850	3,350
Loan promises and other credit-related commitments	–	24,633	–	–	–	–	24,633	–	23,951	–	–	–	–	23,951
Total financial liabilities	**6,352**	**138,102**	**32,256**	**32,908**	**127,945**	**21,714**	**359,277**	**1,730**	**122,378**	**42,450**	**38,475**	**109,102**	**16,747**	**330,882**

For receivables and liabilities that are amortised, the fixed-interest term for amortisations was calculated as the period from the due date for the respective amortisation. Foreign currency flows were converted at closing rate as at 31 December 2008. Future interest-rate flows for assets and liabilities with floating interest rates were estimated to the stipulated term of expiry with the aid of forward/forward interest rates based on the actual interest base, usually the three-month STIBOR. The Parent Company SBAB is the creditor for SCBC's subordinated liabilities. Because the maturity is not specified, current liability is reported without maturity and without estimated interest-rate flow. As at 31 December 2008, the item Loans granted but not yet advanced was redefined to Loan promises and other credit-related commitments. This item also includes loan promises to private individuals. The Group item of SEK 24,719 million (24,030) was reduced to SEK 4,756 million (4,179) after taking the credit conversion factor into consideration, i.e. the probability of payment. Corresponding figures for the Parent Company amounted to SEK 24,633 million (23,951) and SEK 4,682 million (4,122) respectively.

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

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

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

Derivative Cash Flow Statement

Amounts refer to contracted, undiscounted cash flows

Group	2008						2007					
SEK million	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
DERIVATIVES SETTLED ON A NET BASIS												
Currency-related derivatives	–	–	–	–	–	–	–	–	–	–	–	–
Interest-rate-related derivatives	(839)	(359)	1,445	573	(863)	(43)	(523)	(171)	459	(82)	(2)	(319)
Total derivatives settled on a net basis	**(839)**	**(359)**	**1,445**	**573**	**(863)**	**(43)**	**(523)**	**(171)**	**459**	**(82)**	**(2)**	**(319)**
DERIVATIVES SETTLED ON A GROSS BASIS												
Currency-related derivatives												
– Inflows	2,753	8,986	27,586	65,660	9,513	114,498	580	1,787	19,529	59,208	6,975	88,079
– Outflows	(2,260)	(7,793)	(25,022)	(57,832)	(8,965)	(101,872)	(502)	(1,708)	(19,606)	(58,653)	(7,263)	(87,732)
Interest-rate-related derivatives												
– Inflows	–	–	–	–	–	–	–	–	–	–	–	–
– Outflows	–	–	–	–	–	–	–	–	–	–	–	–
Inflows total	**2,753**	**8,986**	**27,586**	**65,660**	**9,513**	**114,498**	**580**	**1,787**	**19,529**	**59,208**	**6,975**	**88,079**
Outflows total	**(2,260)**	**(7,793)**	**(25,022)**	**(57,832)**	**(8,965)**	**(101,872)**	**(502)**	**(1,708)**	**(19,606)**	**(58,653)**	**(7,263)**	**(87,732)**
Parent Company												
DERIVATIVES SETTLED ON A NET BASIS												
Currency-related derivatives	–	–	–	–	–	–	–	–	–	–	–	–
Interest-rate-related derivatives	281	546	249	(621)	(217)	238	677	403	(345)	(551)	(803)	(619)
Total derivatives settled on a net basis	**281**	**546**	**249**	**(621)**	**(217)**	**238**	**677**	**403**	**(345)**	**(551)**	**(803)**	**(619)**
DERIVATIVES SETTLED ON A GROSS BASIS												
Currency-related derivatives												
– Inflows	2,397	8,393	10,561	15,434	5,228	42,013	268	1,309	8,571	16,956	2,447	29,551
– Outflows	(2,000)	(7,453)	(10,863)	(15,436)	(4,957)	(40,709)	(269)	(1,372)	(8,735)	(17,544)	(2,913)	(30,833)
Interest-rate-related derivatives												
– Inflows	–	–	–	–	–	–	–	–	–	–	–	–
– Outflows	–	–	–	–	–	–	–	–	–	–	–	–
Inflows total	**2,397**	**8,393**	**10,561**	**15,434**	**5,228**	**42,013**	**268**	**1,309**	**8,571**	**16,956**	**2,447**	**29,551**
Outflows total	**(2,000)**	**(7,453)**	**(10,863)**	**(15,436)**	**(4,957)**	**(40,709)**	**(269)**	**(1,372)**	**(8,735)**	**(17,544)**	**(2,913)**	**(30,833)**

Economic capital

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

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

The SBAB Group's economic capital allocated by risk type

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

Stress tests

To ensure that the economic capital can also cover unexpected losses in deteriorating economic conditions, stress tests and scenario analyses are conducted on the basis of a number of selected variables. Particular weight is placed on the interest rate trend and market price changes pertaining to properties.

Stress tests are based on two main scenarios. The first, a downturn scenario, is based on the trends seen in 1992 – 1994, while the second is based on the current time period and is a flexible scenario. The latter illustrates the effects of SBAB's future outlook. Although the essential purpose of the tests is to indicate the need for the supply of capital, the effects on the Group's earnings trend are also illustrated.

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

In a recessionary scenario, it is largely the same customers who move, but in the opposite direction.

Capital adequacy

SBAB reports credit risk mainly in accordance with the IRB method, and reports operational risk in accordance with the standardised method. The regulations implemented in 2007 for capital adequacy and large exposures entail that the low risk in the company's operations is now beginning to be reflected in the minimum capital requirement. However, during a transitional period of three years, the effect will be limited due to transitional provisions that will gradually be reduced. As a result of the transitional provision, the minimum capital requirement as at 31 December 2008 increased by SEK 3,577 million, rising from SEK 4,518 million to SEK 8,095 million.

In 2008, SBAB applied for permission to also use the advanced risk classification method for corporate credit. If such permission is granted, the company's own values for LGD can be used in 2009. This is expected to further reduce the already low minimum capital requirement before the effect of the transitional provisions.

The proportional method is used in SBAB's reporting, but is not used for capital adequacy reporting for FriSpar Bolån AB. Instead, the company is consolidated to 100% and a minority holding is reported. This is due to differences in the way Group affiliation is defined in the regulations for capital adequacy and large exposures and in IFRS.

SBAB's capital adequacy ratio amounted to 1.17 (1.19) at 31 December 2008. The capital adequacy amounted to 9.4% (9.4), the primary capital ratio was 7.6% (7.6) and the capital base was SEK 9,498 million (8,788). The capital adequacy ratio for the Parent Company was 4.42 (4.48), the capital adequacy was 35.3% (34.7), the primary capital ratio was 27.2% (27.3) and the capital base was SEK 9,481 million (9,187).

The capital ratio for the Parent Company was affected by transfers of loans to the wholly-owned subsidiary SCBC. During the year, FriSpar Bolån AB transferred loans to the Parent Company, which in turn transferred credits to SCBC. As at 31 December 2008, SCBC's lending portfolio amounted to SEK 158 billion (128). During the year, the Parent Company transferred a capital contribution of SEK 3.2 billion to SCBC. The information as at December 2007 includes profit in subsidiaries in accordance with the Board's proposed annual accounts. An additional capital contribution of SEK 1.2 billion was decided upon in December 2008, but was not paid before year-end. In turn, SCBC submitted a Group contribution of SEK 1.6 billion before tax effects to the Parent Company. Information as at December 2008 includes the Board's proposal for the appropriation of profits, namely that no dividend to shareholders is proposed.

There are no ongoing or anticipated material obstacles or legal barriers for a fast transfer of funds from the capital base other than those that ensue from the terms for the subordinated debentures (see Note 31) or what generally applies arising from the Companies Act.

Capital base

Group	31 Dec 2008	31 Dec 2007
SEK million		
Primary capital		
Equity	6,637	6,198
Primary capital contribution	994	994
Minority interest	500	467
Total primary capital gross	**8,131**	**7,659**
Less other intangible assets	(48)	(58)
Less deferred tax assets	(24)	(103)
Deductions in accordance with Chapter 3, Section 8 of the Capital Adequacy Act	(411)	(346)
Total primary capital net	**7,648**	**7,152**
Supplementary capital		
Perpetual subordinated debentures		722
Time-limited subordinated debentures	2,260	1,260
Deductions in accordance with Chapter 3, Section 8 of the Capital Adequacy Act	(410)	(346)
Total supplementary capital	**1,850**	**1,636**
Expanded part of capital base	–	–
Deduction from entire capital base	–	–
Amount for capital base net after deductible items and limit value	**9,498**	**8,788**
Capital requirements		
Credit risk reported in accordance with IRB method		
– corporate exposures	1,577	1,590
– retail exposures	672	392
Total credit risk in accordance with IRB method	**2,249**	**1,982**
Credit risk reported in accordance with standardised method		
– exposures to governments and central banks	0	0
– exposures to municipalities and comparable associations	0	0
– institutional exposures	978	523
– corporate exposures	980	518
– retail exposures	14	18
– unregulated items	1	0
– other items	4	8
Total credit risk in accordance with standardised method	**1,977**	**1,067**
Risks in the commercial portfolio	**149**	**487**
Operational risk	**143**	**170**
Currency risk	**–**	**–**
Raw material risk	**–**	**–**
Total minimum capital requirement	**4,518**	**3,706**
Addition during transitional period	3,577	3,675
Capital requirement including addition	**8,095**	**7,381**

Capital adequacy	Group		Parent Company		FriSpar Bolån		SCBC	
SEK million	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Primary capital	7,648	7,152	7,287	7,240	993	940	7,371	4,806
Total capital	9,498	8,788	9,481	9,187	993	940	7,371	4,806
Risk-wighted assets; Basel 1	116,105	98,918	31,666	27,901	1,285	11,294	83,369	59,692
Capital requirements / 8 %	101,182	92,258	26,840	25,636	1,024	10,566	73,535	56,027
Primary capital ratio	7.6%	7.6%	27.2%	27.3%	96.9%	8.8%	10.0%	8.5%
Capital adequacy	9.4%	9.4%	35.3%	34.7%	96.9%	8.8%	10.0%	8.5%
Capital ratio	1.17	1.19	4.42	4.48	12.12	1.11	1.25	1.07

Accounting Policies

The Annual Report for the Swedish Housing Finance Corporation (SBAB) (publ) was prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition to these accounting standards, the accounting regulatory code of the Swedish Financial Supervisory Authority, the Act concerning Credit Institutions and Securities Companies (ÅRKL) and the requirements in the Swedish Financial Reporting Board's recommendation RFR 2.1 Supplementary Accounting Rules for Groups were taken into consideration.

These consolidated financial statements were authorised for issue by the Board of Directors on 12 March 2009. They will receive final approval from the Annual General Meeting of Shareholders on 15 April 2009.

Changed and new accounting policies in 2008

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

- IAS 39 Financial Instruments: Recognition and Measurement
  This amendment allows the reclassification of financial assets, from financial assets held for trading and saleable assets, under special circumstances. The amendment of IFRS 7 Financial Instruments: Disclosures entails specific disclosure requirements for these reclassified assets. The amendments are in effect from 1 July 2008 and have been applied by SBAB.
- IFRIC 11 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 14 – IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The above IFRIC interpretations have no impact on the consolidated financial statements.

Implementation of new accounting standards

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

- IFRS 8 Operating Segments
  This standard addresses the division of a company's operations into different segments. SBAB's preliminary assessment is that the implementation of this standard will entail various changes to existing divisions into segments.
- IAS 23 Borrowing Costs
  This standard addresses capitalisation of borrowing costs in conjunction with purchasing, construction or production of an asset. SBAB's assessment is that the amendment will not impact on the consolidated financial statements.
- IAS 1 Presentation of Financial Statements
  The purpose of this amendment is to facilitate users' ability to analyse information in financial statements. SBAB's assessment is that the amendment will impact on the presentation of the consolidated financial statements.
- IFRS 2 Share-Based Payment
  The amended standard addresses vesting conditions and cancellations. SBAB's assessment is that the amendment will not entail any changes in the consolidated financial statements.
- IAS 32 Financial Instruments: Classification and IAS 1 Presentation of Financial Statements
  These amendments pertain to certain financial instruments which are to be classified as equity. SBAB's assessment is that these particular amendments will not impact on the consolidated financial statements.

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

- Amendments to IAS 27 Consolidated and Separate Financial Statements and IFRS 3 Business Combinations will be applied to annual financial statements for periods beginning on or after 1 July 2009, but will only impact on the reporting of future transactions and acquisitions.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement. This amendment, which will be applied to annual financial statements for periods beginning on or after 1 July 2009, is not expected to have any impact on the consolidated financial statements.

In addition, in 2008 IFRIC issued the following interpretations:

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

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

General accounting policies

Consolidation

The consolidated financial statements were prepared in accordance with the acquisition method and include the Parent Company, The Swedish Housing Finance Corporation, SBAB and its subsidiaries. The Group's securitisation companies were also included in the preceding year.

Entities qualify as subsidiaries if they are controlled by the Parent Company, which means that the Parent Company has the power to govern the financial and operating strategies of the entity in order to obtain financial benefits from its activities. The companies included in the Group are those over which SBAB exercises the control generally accompanying a shareholding of more than 50% of the voting rights or where the Group exercises a sole determining influence by agreement. The securitisation companies are SPEs (Special Purpose Entities) and are consolidated in accordance with SIC 12. The companies are consolidated from the date on which control is transferred to SBAB and are deconsolidated from the date on which control ceases.

The consolidated financial statements are based on amortised cost, fair value and historical cost. Intra-Group transactions and balances are eliminated.

Joint venture

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

Recognition and derecognition in the balance sheet

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

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

Recognition of income and expense

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

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

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

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

Financial instruments

Classification

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

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

SBAB has not classified any assets as held-to-maturity investments.

Measurement

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

Fair value of financial instruments measured at fair value and quoted on an active market, for example, market-quoted financial assets and financial liabilities and derivative financial instruments, 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. These calculations in connection with valuation are based to the greatest extent possible on market information. In the event of credit spreads not being available for a financial instrument held, a credit spread should be used for an equivalent instrument with the same credit rating and maturity.

Financial assets measured at fair value through profit or loss

The category Financial liabilities measured at fair value through profit or loss is divided into those financial liabilities held for trading and those financial liabilities that executive management has designated as such upon initial recognition. All of SBAB's assets in this category are classified as held for trading and primarily include interest-bearing instruments. Assets in this category are initially recognised at fair value, while related transaction expenses are recognised in profit and loss.

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

Loan receivables and accounts receivable

Financial assets classified as loan receivables and accounts receivable are reported at fair value plus transaction expenses at the time the loan is released. Loan receivables and accounts receivable are subsequently measured at amortised cost using the compounded interest method. This category consists of assets with fixed or determinable payments that are not quoted in an active market. Loan receivables consist of lending to the public and credit institutions and include associated items. The majority of lending comprises consumer credits for home loans and loans to legal entities and private individuals for multi-family dwellings and commercial properties.

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

Reclassification

Financial assets held for sale can be reclassified as loan receivables and accounts receivable if SBAB intends and is able to hold the financial assets in the foreseeable future. On the date of reclassification, the reclassified assets must fulfil the definition of the category to which they are reclassified.

The assets are reclassified at their fair value on the date of reclassification. Fair value corresponds to cost or amortised cost. The effective return on financial assets reclassified as loan receivables and accounts receivable is measured on the date of reclassification.

From 1 July 2008, loan receivables are also covered by the bonds (RMBS) that, according to IASB's amendments (approved by the EU on 15 October 2008) to IAS 39 and IFRS 7, can be reclassified from Available-for-sale financial assets to Loans receivables and accounts receivable. For further information, refer to Note 17.

Impairment losses are recognised as Impairment of financial assets, while interest accrued and received is recognised as interest income.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that have been identified as available for sale or have not been classified as loan receivables and accounts receivable, held-to-maturity investments or financial assets measured at fair value.

These assets are initially recognised at fair value plus transaction expenses and subsequently recognised at fair value, with the change in value recognised in equity after tax. Realised profit or loss is recognised directly in profit and loss under the heading Net income from financial instruments measured at fair value. Interest accrued and received is recognised as interest income.

During the year, these assets were reclassified as Loan receivables and accounts receivable in accordance with the amendments by IASB. The change in value recognised in Other reserves/Fair value reserve under equity at the time of reclassification was reversed using the compounded interest method in pace with the maturity period of the underlying asset. This reversal was recognised in profit and loss as interest income.

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

Cash flow hedge
In a cash flow hedge, the hedging instrument, meaning the derivative financial contract, is measured at fair value. The portion of the fair value adjustment determined to be an effective hedge is recognised directly against the fair value reserve in equity. The ineffective portion of the change in the market value of the derivative is recognised in profit or loss under the item Net income from financial instruments measured at fair value where the realised gain or loss resulting from the terminated hedge relationship is also recognised. The interest rate effect of the hedge is recognised in the net interest income. The currency effect is recognised under the item Net income from financial instruments measured at fair value.

Loan losses and impairment of financial assets

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

The amount of impairment is measured as the difference between the carrying amount of the receivable and the present value of estimated future cash flows discounted at the compounded interest rate of the receivable. The cash flows attributable to the borrower or issuer and any use of the collateral are taken into consideration when assessing the need for impairment. Any expenses associated with selling the collateral are included in the cash flow calculations. Calculation of probable loan losses or impairment of other financial assets is effected in gross amounts, and when there is a guarantee or the equivalent, this is recognised as a receivable on the counterparty. If the present value of future cash flows exceeds the carrying amount of the asset, no impairment takes place and the receivable is not regarded as impaired. The impairment amount is recognised in profit and loss under the heading Loan losses, net or Impairment of financial assets depending on the type of receivable. Refer to the paragraph on Loan receivables and accounts receivable on page 47.

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

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

Individually measured loan receivables
Corporate loans are individually measured for impairment. Retail market loans are individually measured for impairment if there are

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

Collectively measured loan receivables

The loan receivables assessed in this group are as follows:

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

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

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

Restructured loan receivables

A restructured loan receivable is a receivable on which SBAB has made some form of concession due to deficiencies in the borrower's solvency. Concessions granted are regarded as a confirmed loan loss. A loan that has been restructured is no longer regarded as doubtful but as a receivable with new conditions.

Individually valued bonds

Receivables included in this group are the securities (RMBS) that, in accordance with the IASB's amendments (approved by the EU on 15 October 2008) to IAS 39 and IFRS 7, were reclassified from Available-for-sale financial assets to Loan receivables and accounts receivable, as at 1 July 2008. Each security is assessed individually.

Miscellaneous

Functional currency

Functional currency is the currency used in the primary economic environments in which the Group operates. The companies included in the Group are the Parent Company, subsidiaries and joint ventures. The Parent Company's functional currency and presentation currency is Swedish kronor. The Group's presentation currency is Swedish kronor.

Foreign currency translation of receivables and liabilities

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

Leasing

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

In operating leases, lease payments shall be recognised as expenses in profit and loss on a straight-line basis over the lease term. The lease terms are between one and five years.

Property, plant and equipment

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

Depreciation of property, plant and equipment

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

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

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

Intangible assets

Investments in acquired computer software and/or software developed by SBAB are carried at cost less any accumulated amortisation and any impairment loss. A prerequisite for capitalising an item in the balance sheet is that:

- the resource is controlled by the company and future economic benefits are expected to flow to the company
- accrued expenses are directly attributable to software development
- the cost of the asset can be reliably measured

Subsequent expenditure for capitalised intangible assets is recognised as an asset in the balance sheet only when it increases the future economic benefits for the specific asset to which it is attributed. All other expenditures are recognised in profit or loss when they occur.

Development expenditures are capitalised only in the consolidated balance sheet.

Amortisation of intangible assets

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

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

Impairment of non-financial assets

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

Taxes

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

Deferred tax assets and tax liabilities are calculated according to the balance sheet method on the basis of temporary differences that arise between the carrying amount and the tax base of an asset or liability. Deferred tax assets are recognised for unutilised tax losses and tax credits. A deferred tax asset is recognised as an asset in the balance sheet to the extent that it is probable that future taxable profit will be available against which it can be utilised. A deferred tax liability is calculated for temporary differences and untaxed reserves. Deferred tax assets and tax liabilities were recalculated from 28% to 26.3% for the Parent Company and Swedish subsidiaries within the Group in accordance with the applicable tax rate as of 2009. The tax rate for the securitisation companies is 0%.

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.

Pensions
SBAB has defined-contribution plans and defined-benefit plans. The contribution payable to a defined-contribution plan is recognised in profit or loss in the period in which it was incurred.

The defined-benefit plans consist of collective employer plans (BTP plans) which are multi-employer plans secured by insurance at SPP. The information that can be provided about these does not comply with the requirements in IAS 19. The design of the BTP plans entails that it is not possible to determine the surplus or deficit in the plans and its possible impact on future premiums. As long as the basic design of the plans does not change, it is not possible to record them as defined-benefit plans. Accordingly, they are accounted for as defined-contribution plans.

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.

The primary segments that have been identified are lines of business which coincide with SBAB's business areas: Consumer, Corporate and Finance. The Consumer segment includes lending for single-family dwellings, holiday homes, tenant-owned apartments and tenant-owner associations. The Corporate segment includes lending for private multi-family dwellings, commercial properties and municipal home loans, and the Finance segment consists of SBAB's borrowing, management of financial risks and liquidity. Since SBAB is only active in Sweden, there are no secondary geographical segments. Overhead expenses for the non-trading activity have been allocated to the segments with the aid of relevant allocation principles.

Accounting policies for the Parent Company

The Parent Company, The Swedish Housing Finance Corporation, SBAB applies statutory IFRS, which means that the Annual Report has been prepared in compliance with IFRS with the additions and exceptions that ensue from the Swedish Financial Reporting Board's recommendation RFR 2.2 Accounting for Legal Entities and the Swedish Financial Supervisory Authority's regulations and general guidelines on the annual accounts of credit institutions and securities companies (FFFS 2006:16).

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

Subsidiaries
Shareholdings in subsidiaries are recognised in the Parent Company in accordance with the cost method.

Dividends
Dividends received from subsidiaries are recognised in profit or loss provided that these are attributable to profits earned after the acquisition. However, if the dividend concerns repayment of capital, this reduces the acquisition value. Anticipated dividends from subsidiaries are recognised in cases where formal decisions have been taken in the subsidiaries or where the Parent Company otherwise has full control over the decision-making process before it publishes its financial statements.

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

Presentation of income statement and balance sheet
The Parent Company complies with the ÅRKL presentation standards for income statements and balance sheets, which entails that equity is presented separately. The Parent Company's legal reserve is reported in the Group as retained earnings, while the Parent Company's fair value reserve is included in the Group's other reserves.

Critical accounting estimates and judgments

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

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

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

- The turbulence that prevailed in financial markets led to an increase in the price of liquidity and credit risk. The financial market was characterised by low liquidity and thus turnover and trade, which in turn led to high price volatility. High volatility (variation in price of a financial asset) entails that the fair value (see definition on page 47) of the portion of the liquidity portfolio (see detailed description on page 37) classified as Financial assets measured at fair value may fluctuate considerably between different measuring dates and, accordingly, this may impact on the company's profit or loss. Since the liquidity portfolio is interest-rate and currency hedged, the change in fair value that has an impact on the company's profit or loss is attributable to changes in the price of liquidity and credit risk.
- In the case of individually measured receivables, the most critical assessment, which also contains the most uncertainty, is the estimate of the future cash flow that the customer will generate. For collectively measured loan receivables, the estimates of future cash flows are based partly on the assumption of how observable data may result in loan losses. See also the section Loan losses and impairment of financial assets above.

Notes

Note 1 Net interest income

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Interest income				
Loans and advances to credit institutions	501	454	1,790	1,340
Loans and advances to the public [1)]	8,604	7,218	1,128	1,881
Securitised loans	–	–	–	7
Interest-bearing securities	2,117	913	1,527	1,003
Total	**11,222**	**8,585**	**4,445**	**4,231**
Interest expense				
Liabilities to credit institutions	507	281	249	101
Deposits/borrowing from the public	84	10	84	10
Debt securities in issue	9,313	6,947	3,675	3,730
Subordinated liabilities	139	135	139	135
Other	38	35	28	31
Total	**10,081**	**7,408**	**4,175**	**4,007**
Net interest income	**1,141**	**1,177**	**270**	**224**

[1)] Includes interest income of SEK 6 million (7) from doubtful receivables.

Note 2 Commissions

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Commission income				
Commission on lending	34	44	61	67
Administration of securitisation companies	–	–	–	3
Other commissions	11	12	12	12
Total	**45**	**56**	**73**	**82**
Commission expense				
Commission on securities	33	37	18	36
Total	**33**	**37**	**18**	**36**
Commissions, net	**12**	**19**	**55**	**46**

Note 3 Net income from financial instruments measured at fair value

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Gains/losses on interest-bearing financial instruents:				
– Securities measured at fair value through profit or loss	(146)	(790)	(146)	(790)
– Hedged items in hedge accounting	(1,672)	72	(444)	250
– Derivative instruments in hedge accounting	1,252	42	502	(254)
– Other derivative instruments	398	155	(48)	323
– Early redemption compensation from loan receivables	32	49	4	32
– Liabilities measured at fair value	(2)	(1)	(2)	(1)
– Other financial liabilities	119	28	0	(0)
Gains/losses on shares and participations	0	2	0	2
Currency translation effects	(7)	2	(9)	2
Total	**(26)**	**(441)**	**(143)**	**(436)**

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

Note 4 Other operating income

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Administrative services for subsidiaries	–	–	375	306
Other operating income	0	0	0	0
Total	**0**	**0**	**375**	**306**

Note 5 Personnel costs

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Salaries and other remuneration	160	152	160	152
Cost of pension premiums	32	27	32	27
Other social security expenses	62	59	62	59
Other personnel costs	14	13	14	13
Total	**268**	**251**	**268**	**251**

Average number of employees

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Women	217	224	217	224
Men	148	150	148	150
Total average number of employees	**365**	**374**	**365**	**374**

Sickness absence

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Total sickness absence	**3.6%**	**4.4%**	**3.6%**	**4.4%**
Women	4.4%	5.2%	4.4%	5.2%
Men	2.5%	3.3%	2.5%	3.3%
29 years or younger	1.2%	1.5%	1.2%	1.5%
30-49 years	3.8%	4.2%	3.8%	4.2%
50 years and older	3.6%	5.8%	3.6%	5.8%
Proportion of long-term sickness absence, i.e.sickness absence exceeding 60 days	56.3%	60.4%	56.3%	60.4%

Gender distribution among senior executives

Board of Directors, elected at meeting	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Women	3	3	2	2
Men	13	13	6	6
Total no. of Board members	**16**	**16**	**8**	**8**

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

Executive management	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Women	5	5	5	5
Men	7	7	5	5
Total number of persons in executive management	**12**	**12**	**10**	**10**

The Group includes the subsidiary SCBC and the jointly owned company FriSpar Bolån AB.

Salaries and other remuneration

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
The Board of Directors, CEO and Deputy CEO	4	5	4	5
Other persons in the Parent Company's executive management	13	12	13	12
Other employees	143	135	143	135
Total salaries and other remuneration	**160**	**152**	**160**	**152**

No remuneration is paid to the executive management or the Board of the subsidiary SCBC and the jointly owned company FriSpar Bolån AB.

Continued Note 5

Salaries and other remuneration for the CEO and other members of the executive management

Salaries and other remuneration to the CEO Eva Cederbalk amounted to SEK 3.0 million (2.9). No car was provided and no fringe benefits were paid. The preceding Deputy CEO received no remuneration or fringe benefits (SEK 0.8 million).

Salaries and other remuneration to the executive management amounted to SEK 12.8 million (12.0). Other fringe benefits to executive management (subsidised interest rate and sickness benefit) of SEK 0.1 million (0.1) were paid. Salary and other benefits to executive management consisted of the following functions: Chief Credit Officer SEK 1.6 million (1.5), Chief Legal Counsel SEK 1.0 million (0.9), Chief Information Officer SEK 1.2 million (1.4), Head of Accounts Department SEK 1.2 million (1.2), Chief Communication Officer SEK 1.5 million (1.5), Chief Financial Officer SEK 1.6 million (1.5), Head of Corporate Clients SEK 1.8 million (1.7), Human Resources Manager SEK 1.2 million (1.1) and Head of Consumer Department SEK 1.7 million (1.2 from 1 May 2007).

Remuneration to the Board

The level of remuneration paid to the Board is decided at the Annual General Meeting. Remuneration to Board Members in the Parent Company was paid in amounts of SEK 1.2 million (1.2) for board work and SEK 0.3 million (0.3) for work on executive committees, councils and committees. A fee of SEK 0.3 million (0.3) was paid to the Chairman of the Board and of SEK 0.2 million (0.2) each to the ordinary Board Members. Directors' fees are not paid to employee representatives who sit on the Board. Board Members serving on a committee, council or executive committee received SEK 3,500 per meeting attended.

Pensions

Pension costs for the entire company, including special employers' contributions, totalled SEK 40.0 million (33.8).

Pension costs, including special employers' contributions, for CEO Eva Cederbalk amounted to SEK 0.8 million (0.8). No pension contribution was paid to the preceding Deputy CEO (SEK 0.4 million).

Pension costs, including special employers' contributions, of SEK 4.6 million (3.8) were paid to other members of executive management. Pension costs, including special employers' contributions, were paid for executive management, which consisted of the following functions: Chief Credit Officer SEK 0.6 million (0.6), Chief Legal Counsel SEK 0.3 million (0.3), Chief Information Officer SEK 0.5 million (0.5), Head of Accounts Department SEK 0.5 million (0.4), Chief Communication Officer SEK 0.5 million (0.5), Chief Financial Officer SEK 0.5 million (0.5), Head of Corporate Clients SEK 0.5 million (0.4), Human Resources Manager SEK 0.5 million (0.4) and Head of Consumer Department SEK 0.7 million (0.2 from 1 May 2007).

SBAB employees are covered by a pension plan that includes illness pension, survivor's coverage, retirement pension, supplementary pension and, in some cases, family pension. The pension plan also covers those on high incomes, whereby the recipient can choose an alternative investment for a portion of the premium.

SBAB applies IAS 19 Employee Benefits. SBAB has defined-contribution pension plans and defined-benefit pension plans. The defined-benefit plans are collective employee plans (BTP), secured through insurance with SPP. These are defined-benefit multi-employer plans. SBAB does not have access to the type of information that would make it possible to report these as defined-benefit plans; instead it reports them, in accordance with IAS 19, as if they were defined-contribution plans. SBAB's cost for the defined-benefit multi-employer plans amounted to SEK 31.0 million (25.7) excluding employers' contributions.

The Board's proposed guidelines for remuneration of executive management

The Board prepares matters relating to remuneration of the company's executive management in the Remuneration Committee. For further information on the Remuneration Committee, see page 73. The Committee convened twice in 2008. Remuneration to executive management is to consist of a fixed basic salary and, where appropriate, any remuneration decided upon by the Board, which is to be paid through the incentive programme adopted by the Board (see below) and must not be intended only for executive management.

Pension conditions, period of notice and severance pay are in accordance with the principles presented in the Government guidelines for senior executives (July 2008).

Agreements on severance pay and pension for the CEO and other members of executive management

The CEO has a contract of employment which complies with the Government's guidelines for persons in executive management and comparable positions in state-owned companies (July 2008). A period of notice of six months applies to both parties. If the company gives notice terminating the contract and the CEO leaves her post, the company shall - in addition to salary during the period of notice – pay severance pay corresponding to 18 monthly salaries. An agreement has been entered into with the CEO on a mutual right to demand pension no earlier than when the CEO turns 62. The company pays for a defined-contribution pension insurance plan corresponding to 25% of the CEO's pensionable salary, although no longer than until age 62.

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

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

Loans to senior executives

Loans to senior executives are presented in Note 35.

Incentive programme

The overall principles and prerequisites for SBAB's incentive programme are established by the Board for a year at a time. The incentive programme covers all employees (subject to a certain period of employment) except the CEO and complies with the Government guidelines for employees in state-owned companies (July 2008). The maximum outcome is two monthly salaries for all employees. The incentive programme for 2008 is based on two parts, 50% for the company as a whole and 50% based on unit goals, of which the latter is pensionable in the BTP scheme. For members of executive management, 75% of the incentive programme is based on corporate goals and 25% on incentive-based goals for the organisational unit. For 2008, incentive payments were paid only for unit goals and amounted to SEK 7.8 million. For 2007, no incentive payments were made.

Note 6 Other expenses

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
IT expenses	85	70	98	89
Rents[1)]	16	12	16	12
Other costs for premises	4	5	4	5
Other administration expenses	49	76	47	73
Marketing	54	58	54	58
Other operating expenses	12	14	11	12
Total	**220**	**235**	**230**	**249**

Expenses for development amounted to SEK 57 million (60), of which SEK 13 million (18) was for internally produced intangible assets in the Group. The majority of the development work is pursued in project form and includes the budgets of whole projects, involving such expenses as planning, analysis, specification of requirements, programming, implementation, quality testing, etc.

Fees and expenses for auditors
Fees and expenses for Öhrlings PricewaterhouseCoopers amounted to SEK 5.5 million (7.4) of which SEK 4.4 million (5.0) was for the audit. No remuneration or expenses was paid to KPMG during the year. In 2007, fees and expenses to KPMG amounted to SEK 0.5 million, of which SEK 0.5 million was for the audit.
No remuneration or expenses were paid to SET authorised public accountants during the year. In 2007, fees and expenses to SET authorised public accountants amounted to SEK 0.1 million, of which SEK 0.1 million was for the audit.

Auditing commissions refer to examination of the Annual Report and financial accounts and the administration by the Board and the CEO, other duties devolving on the company's auditor in provision of advice or other assistance occasioned by observations in the course of such examination or implementation of other such tasks. Everything else is classed as other assignments.

Future rents [1)]

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Agreed future rents due for payment:				
– within a year	11.9	15.8	11.9	15.8
– between one and five years	27.4	41.1	27.4	41.1
– after five years	–	–	–	–

[1)] *Rents = operating leases*

Note 7 Depreciation of property, plant and equipment and amortisation of intangible fixed assets

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Property, plant and equipment				
Computer hardware	4	5	4	5
Other equipment	3	3	3	3
Amortisation of intangible fixed assets				
Acquired software	9	10	9	10
Internally developed part of software	16	13	–	–
Total	**32**	**31**	**16**	**18**

Note 8 Loan losses, net

Corporate market

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Individual provision, corporate market loans				
This year's write-off for confirmed loan losses	2	4	2	4
Reversal of prior year provisions for probable loan losses reported as confirmed loan losses in this year's financial statements	(2)	(3)	(2)	(3)
This year's provision for probable loan losses	15	21	15	15
Recoveries in respect of confirmed loan losses in prior years	(0)	(3)	(0)	(3)
Reversal of prior year provisions for probable loan losses no longer required	(41)	(26)	(41)	(26)
Guarantees	16	(9)	16	(3)
Net cost for the year for individual provisions for corporate market loans	**(10)**	**(16)**	**(10)**	**(16)**
Collective provision, corporate market loans				
Allocation/reversal of collective provision	(28)	(23)	(14)	(19)
Guarantees	2	6	(1)	8
Net cost for the year for collective provisions for corporate market loans	**(26)**	**(17)**	**(15)**	**(11)**

Continued Note 8

Retail market	Group		Parent Company	
SEK million	2008	2007	2008	2007
Individual provision, retail market loans				
This year's write-off for confirmed loan losses	4	–	4	–
Reversal of prior year provisions for probable loan losses reported as confirmed loan losses in this year's financial statements	(4)	–	(4)	–
This year's provision for probable loan losses	9	12	9	12
Recoveries in respect of prior provisions for probable loan losses no longer required	(2)	–	(2)	–
Guarantees	–	–	–	–
Net cost for the year for individual provisions for retail market loans	**7**	**12**	**7**	**12**
Collective provision, retail market loans				
This year's write-off for confirmed loan losses	5	5	5	5
Recoveries in respect of confirmed loan losses in prior years	(1)	(5)	(1)	(5)
Allocation/reversal of collective provision	42	(2)	19	(12)
Guarantees	5	3	(1)	8
Net cost for the year for collective provisions for retail market loans	**51**	**1**	**22**	**(4)**
THIS YEAR'S NET COST/NET INCOME FOR LOAN LOSSES	**22**	**(20)**	**4**	**(19)**

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

Note 9 Appropriations

	Parent Company	
SEK million	2008	2007
Excess depreciation	–	3
Total	**–**	**3**

Note 10 Income tax expense

	Group		Parent Company	
SEK million	2008	2007	2008	2007
Current tax	(4)	(43)	–	94
Deferred income tax	(157)	(25)	16	5
Total	**(161)**	**(68)**	**16**	**99**
The effective tax rate differs from the nominal tax rate in Sweden as below				
Profit before tax	585	258	39	52
Nominal tax rate in Sweden 28%	(164)	(72)	(11)	(15)
Effect of tax rates in other countries	–	4	–	–
Recalculation of deferred tax to 26.3%	3		27	
Tax-free dividend from subsidiaries	–	–	–	114
Tax for previous years and others	0	0	0	0
Total tax	**(161)**	**(68)**	**16**	**99**
Effective tax rate	27%	26%	–41%	–191%

Note 11 Chargeable treasury bills and other eligible bills

	Group		Parent Company	
SEK million	2008	2007	2008	2007
Current assets measured at fair value through profit or loss				
The Swedish state	10	10	10	10
Total chargeable treasury bills and other eligible bills	**10**	**10**	**10**	**10**
Holdings of chargeable treasury bills and other eligible bills by remaining term, carrying amount				
At most 1 year	10	10	10	10
Longer than 1 year but at most 5 years	–	–	–	–
Longer than 5 years but at most 10 years	–	–	–	–
Longer than 10 years	–	–	–	–
Total	**10**	**10**	**10**	**10**
Average remaining term, years	0.1	0.1	0.1	0.1
Average remaining fixed-interest term, years	0.1	0.1	0.1	0.1

Note 12 Loans and advances to credit institutions

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Lending in Swedish kronor	12,364	19,820	32,892	38,413
Lending in foreign currency	206	89	202	89
Total	**12,570**	**19,909**	**33,094**	**38,502**
of which repos	*10,810*	*8,803*	*10,768*	*1,787*
Loans and advances to credit institutions in accordance with remaining term, net carrying amount				
Payable on demand	185	63	19,493	15,465
At most 3 months	11,275	11,049	5,990	5,083
Longer than 3 months but at most 1 year	597	4,300	6,563	8,776
Longer than 1 year but at most 5 years	448	4,067	915	8,300
Longer than 5 years	65	430	133	878
Total	**12,570**	**19,909**	**33,094**	**38,502**
Average remaining term, years	0.2	0.9	0.2	0.9

Of the Parent Company's loans and advances to credit institutions, SEK 19,426 million (15,439) relates to receivables from the wholly owned subsidiary The Swedish Covered Bond Corporation These receivables are subordinated, which means that payment is received only after the subsidiary's other creditors have been paid.

Note 13 Loans and advances to the public

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Opening balance	168,241	170,293	29,752	65,256
Lending for the year	32,425	30,487	30,283	28,246
Transferred to/from Group company	–	–	(24,729)	(53,474)
Securitisation, net	–	–	–	6,902
Amortisation, write-offs, redemption, etc.	(16,452)	(32,539)	(10,228)	(17,178)
Closing balance	184,214	168,241	25,078	29,752
Provision for probable loan losses	(255)	(260)	(168)	(182)
Closing balance	183,959	167,981	24,910	29,570
of which subordinated assets	–	–	–	–
Receivables outstanding by remaining term, net carrying amount				
Payable on demand	–	–	–	–
At most 3 months	21,560	23,544	2,800	5,245
Longer than 3 months but at most 1 year	86,999	77,949	12,679	16,496
Longer than 1 year but at most 5 years	66,225	58,601	7,910	7,014
Longer than 5 years	9,175	7,887	1,521	815
Total	**183,959**	**167,981**	**24,910**	**29,570**
Average remaining term, years	1.5	1.6	1.4	1.3

Group

Distribution of lending by category of borrower

SEK million	2008				2007			
	FriSpar Bolån AB	The Swedish Covered Bond Corporation	The Swedish Housing Finance Corporation, SBAB	Total within Group*	FriSpar Bolån AB	The Swedish Covered Bond Corporation	The Swedish Housing Finance Corporation, SBAB	Total within Group*
Single-family dwellings and holiday homes	2,199	72,878	6,321	80,320	17,191	54,500	8,384	71,651
Tenant-owned apartments	65	32,940	3,679	36,653	2,557	26,106	5,165	32,575
Tenant-owner associations	85	30,664	4,193	34,901	120	27,703	5,700	33,465
Private multi-family dwellings	118	16,275	4,700	21,035	154	12,998	4,876	17,953
Municipal multi-family dwellings	2	4,996	50	5,046	2	6,954	45	7,000
Commercial properties	–	124	6,135	6,259	–	15	5,582	5,597
Provision for probable loan losses	(4)	(85)	(168)	(255)	(13)	(71)	(182)	(260)
Total	**2,465**	**157,792**	**24,910**	**183,959**	**20,011**	**128,205**	**29,570**	**167,981**
Proportion of lending with a state or municipal guarantee,%	0	5	2	4	–	8	2	6
Average fixed-interest term, years	1.4	1.3	1.0	1.3	1.6	1.5	0.8	1.4

* *The Group includes 51% of FriSpar Bolån AB.*

Continued Note 13

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

In addition to mortgage deeds in pledged property, SBAB has, in certain cases, received government or municipal guarantees as collateral for the borrower's commitments. The proportion of loans covered by this type of guarantee is shown in the table above. SEK 36,431 million (26,215) of SBAB's portfolio was provided by business partners and it is possible for certain partners, in the event of a change of ownership of SBAB, to acquire loans provided.

Loan promises and other credit-related commitments are reported in note 34.

Doubtful loan receivables and provisions

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
a) Doubtful loan receivables	138	180	138	180
b) Individual provisions, loan receivables	95	118	95	118
c) Collective provisions, corporate market loans	25	53	17	32
d) Collective provisions, retail market loans	135	89	56	32
e) Total provisions (b+c+d)	255	260	168	182
f) Doubtful loan receivables after individual provisions (a–b)	43	62	43	62
g) Provision ratio for individual provisions (b/a)	69%	66%	69%	66%

Group

Distribution of doubtful loan receivables and provisions by category of borrower

SEK million	2008					2007				
	Single-family dwellings and holiday homes	Tenant-owned apart-ments	Tenant-owner associ-ations	Private multi-family dwellings	Total	Single-family dwellings and holiday homes	Tenant-owned apart-ments	Tenant-owner associ-ations	Private multi-family dwellings	Total
Doubtful loan receivables, gross	11	7	105	15	138	14		138	28	180
Individual provisions, loan receivables	(10)	(5)	(68)	(12)	(95)	(12)		(90)	(16)	(118)
Collective provisions, corporate market loans			(12)	(13)	(25)			(29)	(24)	(53)
Collective provisions, retail market loans	(99)	(36)			(135)	(72)	(17)			(89)
Doubtful loan receivables after individual provisions					43					62

Note 14 Change in fair value of hedged loan receivables

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Carrying amount at the beginning of the year	(922)	(405)	(88)	(255)
Terminated hedges	9	5	47	58
Revaluation of hedged items	4,183	(522)	–	109
Total	**3,270**	**(922)**	**(41)**	**(88)**

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

Note 15 Bonds and other interest-bearing securities

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Securities measured at fair value through profit or loss	8,657	31,056	8,657	31,056
Securities classified as loan receivables and accounts receivable, valued at accrued cost	23,130	–	23,130	–
Total	**31,787**	**31,056**	**31,787**	**31,056**
Holding by issuer, etc				
CURRENT ASSETS				
Listed securities:				
Issued by public bodies:				
The Swedish state	8	6	8	6
Issued by other borrowers:				
Swedish mortgage institutions	951	1,064	951	1,064
Other foreign issuers (covered bonds, RMBS)	30,816	29,943	30,816	29,943
Other foreign issuers (with government guarantee)	13	43	13	43
Total listed securities	31,787	31,056	31,787	31,056
Unlisted securities	–	–	–	–
Total	**31,787**	**31,056**	**31,787**	**31,056**
– of which subordinated assets	–	–	–	–
Bonds and other interest-bearing securities distributed by remaining term, carrying amount				
At most 1 year	1,056	356	1,056	356
Longer than 1 year but at most 5 years	20,411	17,030	20,411	17,030
Longer than 5 years but at most 10 years	6,337	9,837	6,337	9,837
Longer than 10 years	3,984	3,833	3,984	3,833
Total	**31,787**	**31,056**	**31,787**	**31,056**
Average remaining term, years	5.1	6.0	5.1	6.0

Note 16 Derivative financial instruments

SEK million	Group 2008 Fair value assets	Group 2008 Fair value liabilities	Group 2008 Nominal amount	Group 2007 Fair value assets	Group 2007 Fair value liabilities	Group 2007 Nominal amount	Parent Company 2008 Fair value assets	Parent Company 2008 Fair value liabilities	Parent Company 2008 Nominal amount	Parent Company 2007 Fair value assets	Parent Company 2007 Fair value liabilities	Parent Company 2007 Nominal amount
Derivatives in current indexation												
Interest-rate-related												
– swaps	5,940	4,269	194,718	1,031	1,309	155,833	1,531	302	27,144	145	156	9,033
Share-related	5	1	129	50	0	144	5	1	129	50	0	144
Currency-related	11,142	115	63,039	1,959	523	58,299	1,388	153	11,144	176	448	9,130
Total	**17,087**	**4,385**	**257,886**	**3,040**	**1,832**	**214,276**	**2,924**	**456**	**38,417**	**371**	**604**	**18,307**
Derivatives in cash flow hedges												
Interest-rate-related												
– swaps	–	–	–	25	–	80	–	–	–	25	–	80
Currency-related	43	5	529	11	238	1,803	43	5	529	11	238	1,803
Total	**43**	**5**	**529**	**36**	**238**	**1,883**	**43**	**5**	**529**	**36**	**238**	**1,883**
Other derivatives												
Interest-rate-related												
– swaps	650	1,008	31,133	321	248	39,822	6,549	6,707	338,730	1,447	2,021	307,934
– forwards	116	118	2,000	35	36	4,211	116	118	2,000	35	36	4,211
Currency-related	2,445	2,027	29,538	337	569	36,583	2,062	2,026	24,086	336	568	36,584
Credit-related	308	–	18,042	30	–	18,600	–	–	–	–	–	–
Total	**3,519**	**3,153**	**80,713**	**723**	**853**	**99,216**	**8,727**	**8,851**	**364,816**	**1,818**	**2,625**	**348,729**

Derivative instruments by remaining term, carrying amount

SEK million	Group 2008 Fair value	Group 2008 Nominal amount	Group 2007 Fair value	Group 2007 Nominal amount	Parent Company 2008 Fair value	Parent Company 2008 Nominal amount	Parent Company 2007 Fair value	Parent Company 2007 Nominal amount
At most 3 months	1,415	19,890	(313)	28,965	1,455	17,980	(313)	28,965
3-12 months	2,124	65,758	166	77,557	(668)	44,366	(71)	87,230
1-5 years	9,368	228,474	1,004	184,787	(2,106)	161,537	(5)	123,238
Longer than 5 years	199	25,006	19	24,066	3,701	179,879	(853)	129,486
Total	**13,106**	**339,128**	**876**	**315,375**	**2,382**	**403,762**	**(1,242)**	**368,919**

Continued Note 16

Hedge accounting

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

Fair value hedges

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

Group

As at 31 December 2008, the nominal amount of derivatives held for fair value hedging was SEK 257.9 billion (214.3). The fair value of these derivatives was SEK 12,702 million (1,209). The year's change in value of these derivatives amounted to SEK 1,252 million (42) and is reported in profit and loss under the item Net income from financial instruments measured at fair value. The change in value of the hedged items with respect to hedged risk amounted to a negative SEK 1,672 million (positive: 72), which is also reported under the item Net income from financial instruments measured at fair value. Accordingly, the Group's hedge accounting for fair value affected the year's earnings by a negative SEK 420 million (positive: 114).

Parent Company

As at 31 December 2008, the nominal amount of derivatives held for fair value hedging was SEK 38.4 billion (18.3). The fair value of these derivatives was SEK 2,468 million (negative: 232). The year's change in value of these derivatives amounted to SEK 502 million (negative: 254) and is reported in profit and loss under the item Net income from financial instruments measured at fair value. The change in fair value of the hedged items with respect to hedged risk amounted to a negative SEK 444 million (positive: 250), which is also reported under the item Net income from financial instruments measured at fair value. Accordingly, the Parent Company's hedge accounting for fair value affected the year's earnings by SEK 58 million (negative: 4).

Cash flow hedges

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

Group and Parent Company

As at 31 December 2008, the nominal amount of derivatives held for cash flow hedging was SEK 0.5 billion (1.9). The fair value of these derivatives was SEK 38 million (negative: 202). To the extent that the hedge is effective, the change in value of derivative contracts is recognised in equity. The change in value is recognised in profit and loss at the same rate as the cash flows of the hedged item affect earnings. At the end of the year, the hedge reserve after tax amounted to a negative SEK 1 million (positive: 14). These hedges showed virtually no ineffectiveness.

Note 17 Classification of financial instruments

Group

Financial assets

SEK million	2008						2007					
	Hedge-accounted derivative financial instruments	Loan receivables in hedge accounting	Assets measured at fair value through profit or loss	Other loan receivables	Total	Total fair value	Hedge-accounted derivative financial instruments	Loan receivables in hedge accounting	Assets measured at fair value through profit or loss	Other loan receivables	Total	Total fair value
Cash and balances at central banks				0	0	0				0	0	0
Chargeable treasury bills and other eligible bills			10		10	10			10		10	10
Loans and advances to credit institutions				12,570	12,570	12,589				19,909	19,909	19,872
Loans and advances to the public		68,847		115,112	183,959	185,016		92,798		75,183	167,981	166,606
Change in fair value of hedged loan receivables				3,270	3,270	–		(869)		(53)	(922)	–
Bonds and other interest-bearing securities			8,657	23,130	31,787	28,512			31,056		31,056	31,056
Derivative financial instruments	17,130		3,519		20,649	20,649	3,076		723		3,799	3,799
Shares and participations					–	–			4		4	4
Other assets				228	228	228				296	296	296
Prepaid expenses and accrued income		315	189	233	737	737			328	455	783	783
Total	**17,130**	**69,162**	**12,375**	**154,543**	**253,210**	**247,741**	**3,076**	**91,929**	**32,121**	**95,790**	**222,916**	**222,426**

Continued Note 17

Group

Financial liabilities

SEK million	2008						2007					
	Hedge-accounted derivative financial instruments	Liabilities in hedge accounting	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total	Total fair value	Hedge-accounted derivative financial instruments	Liabilities in hedge accounting	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions				29,692	29,692	29,725				15,537	15,537	15,537
Customer accounts				3,542	3,542	3,542				759	759	759
Debt securities in issue		182,335		16,308	198,643	198,907		153,680		38,127	191,807	191,786
Derivative financial instruments	4,390		3,153		7,543	7,543	2,070		853		2,923	2,923
Other liabilities				172	172	172			224	470	694	694
Accrued expenses and prepaid income		3,359		245	3,604	3,604		2,304	9	107	2,420	2,420
Subordinated liabilities		3,666			3,666	3,569		2,725			2,725	2,741
Total	**4,390**	**189,360**	**3,153**	**49,959**	**246,862**	**247,062**	**2,070**	**158,709**	**1,086**	**55,000**	**216,865**	**216,860**

Parent Company

Financial assets

SEK million	2008						2007					
	Hedge-accounted derivative financial instruments	Loan receivables in hedge accounting	Assets measured at fair value through profit or loss	Other loan receivables	Total	Total fair value	Hedge-accounted derivative financial instruments	Loan receivables in hedge accounting	Assets measured at fair value through profit or loss	Other loan receivables	Total	Total fair value
Cash and balances at central banks			0	0	0				0	0	0	
Chargeable treasury bills and other eligible bills			10		10	10			10		10	10
Loans and advances to credit institutions				33,094	33,094	33,169				38,502	38,502	38,425
Loans and advances to the public				24,910	24,910	24,108				29,570	29,570	29,018
Change in fair value of hedged loan receivables				(41)	(41)	–				(88)	(88)	–
Bonds and other interest-bearing securities			8,657	23,130	31,787	28,512			31,056		31,056	31,056
Derivative financial instruments	2,967		8,727		11,694	11,694	407		1,818		2,225	2,225
Shares and participations					–	–			4		4	4
Other assets				1,686	1,686	1,686				537	537	537
Prepaid expenses and accrued income			189	317	506	506			328	162	490	490
Total	**2,967**	**0**	**17,583**	**83,096**	**103,646**	**99,685**	**407**	**0**	**33,216**	**68,683**	**102,306**	**101,765**

Parent Company

Financial liabilities

SEK million	2008						2007					
	Hedge-accounted derivative financial instruments	Liabilities in hedge accounting	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total	Total fair value	Hedge-accounted derivative financial instruments	Liabilities in hedge accounting	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions				14,449	14,449	14,482				7,092	7,092	7,092
Customer accounts				3,542	3,542	3,542				759	759	759
Debt securities in issue		56,565		16,307	72,872	73,253		48,446		38,127	86,573	85,990
Derivative financial instruments	461		8,851		9,312	9,312	842		2,625		3,467	3,467
Other liabilities				1,342	1,342	1,342			224	447	671	671
Accrued expenses and prepaid income		730		194	924	924		419	9	96	524	524
Subordinated liabilities		3,666			3,666	3,569		2,725			2,725	2,741
Total	**461**	**60,961**	**8,851**	**35,834**	**106,107**	**106,424**	**842**	**51,590**	**2,858**	**46,521**	**101,811**	**101,244**

As at 1 July 2008, the fair value of the reclassified portfolio amounted to SEK 21.7 billion. The average compounded interest rate at reclassification amounted to 6.3%. The reserve for fair value attributable to assets amounted to a negative SEK 200 million after tax at the same date. If the assets had continued to be recognised as Financial assets available for sale, their fair value would have amounted to SEK 20.0 billion as at 31 December 2008. The reserve for fair value attributable to the reclassified assets would have amounted to a negative SEK 2.4 billion net after tax at the same date. As at 31 December 2008, the reserve for fair value amounted to a negative SEK 203 million net after tax. The reserve was reversed by SEK 45.5 million before taxes, and exchange rate fluctuations impacted the value by a negative SEK 44.2 million before tax.

The table below describes how the reclassified assets were recognised in earnings in terms of gains, losses, income and costs. Interest income is gross and excludes financing costs. The positive currency effects do not take into consideration the counteractive negative effects that arose in the financing.

Impact on profit	2008		2007
SEK million	(after reclassification)	(before reclassification)	
Interest income	699	307	–
Change in fair value	–	–	–
Currency	3,067	145	–
Total	**3,766**	**452**	**-**

Note 18 Shares and participations

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Listed shares measured at fair value through profit or loss	–	4	–	4
Total	**–**	**4**	**–**	**4**

Note 19 Shares and participations in joint ventures

FriSpar Bolån AB is a joint venture reported in accordance with proportional consolidation.

SEK million	2008	2007
Parent Company		
Swedish credit institutions	FriSpar Bolån AB 556248-3338 Stockholm	FriSpar Bolån AB 556248-3338 Stockholm
Acquisition value at the beginning of the year	602	459
Shareholders' contribution	26	143
Repaid shareholders' contribution	(118)	–
Acquisition value at the end of the year	**510**	**602**

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

	2008	2007
Parent Company		
Swedish credit institutions	FriSpar Bolån AB 556248-3338 Stockholm	FriSpar Bolån AB 556248-3338 Stockholm
Number of shares	6,120	6,120
Share of equity	51%	51%
Carrying amount	510	602

	2008	2007
Parent Company		
Swedish credit institutions	FriSpar Bolån AB 556248-3338 Stockholm	FriSpar Bolån AB 556248-3338 Stockholm
Current assets	11	11
Fixed assets	1,769	10,697
Current liabilities	18	53
Long-term liabilities	1,241	10,169
Income	30	31
Expenses	(17)	(30)

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

Note 20 Shares and participations in Group companies

SEK million	2008	2007
Parent Company		
Swedish credit institutions	The Swedish Covered Bond Corporation 556645-9755 Stockholm	The Swedish Covered Bond Corporation 556645-9755 Stockholm
Acquisition value at the beginning of the year	5,200	4,000
Shareholders' contribution	4,400	1,200
Acquisition value at the end of the year	**9,600**	**5,200**

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

	2008	2007
Parent Company		
Swedish credit institutions	The Swedish Covered Bond Corporation 556645-9755 Stockholm	The Swedish Covered Bond Corporation 556645-9755 Stockholm
Number of shares	500,000	500,000
Share of equity	100%	100%
Carrying amount	9,600	5,200

Note 21 Intangible fixed assets

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Acquisition value at the beginning of the year	118	92	44	36
– *Acquisitions during the year*	16	26	2	8
– *Divestments during the year*	(3)	–	(3)	–
Acquisition value at the end of the year	131	118	43	44
Depreciation at the beginning of the year	(60)	(37)	(25)	(15)
– *Depreciation for the year according to plan*	(26)	(23)	(9)	(10)
– *Divestments during the year*	3	–	3	–
Accumulated depreciation according to plan	(83)	(60)	(31)	(25)
Net carrying amount	**48**	**58**	**12**	**19**

Note 22 Property, plant and equipment

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Acquisition value at the beginning of the year	107	107	107	107
– *Acquisitions during the year*	4	4	4	4
– *Divestments during the year*	(0)	(4)	(0)	(4)
Acquisition value at the end of the year	111	107	111	107
Depreciation at the beginning of the year	(93)	(88)	(93)	(88)
– *Depreciation for the year according to plan*	(6)	(7)	(6)	(7)
– *Divestments during the year*	0	2	0	2
Accumulated depreciation according to plan	(99)	(93)	(99)	(93)
Net carrying amount	**12**	**14**	**12**	**14**

Note 23 Other assets

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Securities settlement receivables	–	10	–	–
Overdue interest receivables	107	138	24	37
Anticipated dividend	–	–	–	408
Receivables on subsidiaries	–	–	1,600	–
Tax assets	108	14	11	77
Other	13	134	51	15
Total	**228**	**296**	**1,686**	**537**
Other assets by remaining term, carrying amount				
At most 1 year	228	178	1,686	537
Longer than 1 year	–	118	–	–
Total	**228**	**296**	**1,686**	**537**

Note 24 Prepaid expenses and accrued income

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Prepaid expenses	17	21	16	21
Accrued interest income	645	656	450	398
Accrued guarantees	56	79	25	38
Other accrued income	19	27	15	33
Total	**737**	**783**	**506**	**490**
Prepaid expenses and accrued income by remaining maturity, carrying amount				
At most 1 year	702	735	491	469
Longer than 1 year	35	48	15	21
Total	**737**	**783**	**506**	**490**

Note 25 Liabilities to credit institutions

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Lending in Swedish kronor	27,823	8,660	14,449	215
Lending in foreign currency	1,869	6,877	–	6,877
Total	**29,692**	**15,537**	**14,449**	**7,092**
of which repos	*6,145*	*15,527*	*–*	*7,092*
Skulder till kreditinstitut fördelade efter återstående löptid, bokfört värde				
Betalbara vid anfordran	9,642	–	544	–
Högst 3 månader	15,050	15,537	8,905	7,092
Längre än 3 månader men högst 1 år	5,000	–	5,000	–
Total	**29,692**	**15,537**	**14,449**	**7,092**
Genomsnittlig återstående löptid, år	0.1	0.1	0.2	0.1

Note 26 Customer accounts

Group and Parent Company

At the end of 2008, total customer deposits amounted to SEK 3,542 million (759).

SBAB currently offers two savings products, the Sparkonto and the SBAB-konto. Sparkonto is a deposit account with a floating interest rate and is offered to both existing and new customers. As at 31 December 2008, the interest rate on the Sparkonto amounted to 2.85% (4.10). The SBAB-konto is a savings account offered to customers with home loans of SEK 1 million or more with SBAB and/or its wholly owned subsidiary. Special interest terms apply to the SBAB-konto. As at 31 December 2008, the interest rate on the SBAB-konto was floating and amounted to 3.35% (4.85).

Interest on deposited funds is calculated for every calendar day of the year. Interest is added to the account at the end of the year or when the account is closed. For the accounts, there are no restrictions on withdrawals and no fees are charged to open an account. The accountholder can close the account at any time. The accounts are covered by the state deposit guarantee.

Note 27 Debt securities in issue

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Financial liabilities at amortised cost:				
Commercial paper programmes in Swedish kronor	11,758	18,961	11,758	18,961
Commercial paper programmes in foreign currency	4,550	19,166	4,550	19,166
Total	**16,308**	**38,127**	**16,308**	**38,127**
Financial liabilities in hedge accounting:				
Bond loans in Swedish kronor	83,365	68,935	23,373	14,417
Bond loans in foreign currency	98,970	84,745	33,191	34,029
Total	**182,335**	**153,680**	**56,564**	**48,446**
Total debt securities in issue	**198,643**	**191,807**	**72,872**	**86,573**
of which covered bonds	*126,280*	*105,719*	–	–
Debt securities in issue by remaining term, carrying amount				
At most 1 year	61,096	98,806	38,847	68,030
Longer than 1 year but at most 5 years	131,546	86,161	31,915	17,614
Longer than 5 years but at most 10 years	4,710	6,219	2,070	848
Longer than 10 years	1,291	621	40	81
Total	**198,643**	**191,807**	**72,872**	**86,573**
Average remaining term, years	1.8	1.6	1.1	0.6
Average remaining fixed-interest term, years	1.6	1.5	0.5	0.3

The bond loan conditions in SBAB's long-term funding programme include a possibility for the bondholder to demand premature redemption of the holder's bonds issued in such loan programmes if the Swedish Government ceases to own the majority of the shares in SBAB and the Swedish state, before such change in ownership, has not taken steps to guarantee SBAB's commitments ensuing from the bond loan or the bondholders have accepted this in such a way as is described in current terms and conditions. Subordinated debentures and primary capital contributions issued under the long-term funding programme do not include the aforesaid conditions, however. Total funding under these programmes with the right to demand redemption amounted to SEK 55.2 billion (46.8) as at 31 December 2008.

Note 28 Other liabilities

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Accounts payable	6	13	6	13
Employees' income tax	5	5	5	5
Liabilities to borrowers	133	443	103	420
Sold not held securities	–	224	–	224
Liabilities to subsidiaries	–	–	1,200	–
Other	28	9	28	9
Total	**172**	**694**	**1,342**	**671**

Continued Note 28

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Other liabilities allocated according to remaining term, carrying amount				
At most 1 year	172	694	1,342	671
Longer than 1 year	–	–	–	–
Total	**172**	**694**	**1,342**	**671**

Note 29 Accrued expenses and prepaid income

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Accrued interest expense	3,479	2,327	808	437
Other accrued expenses	125	93	116	87
of which incentive programme	*8*	-	*8*	-
Total	**3,604**	**2,420**	**924**	**524**
Accrued expenses and prepaid income allocated by remaining term, carrying amount				
At most 1 year	3,604	2,420	924	524
Longer than 1 year	–	–	–	–
Total	**3,604**	**2,420**	**924**	**524**

Note 30 Deferred taxes

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Deferred tax asset (+)/tax liability (-) pertaining to temporary differences in:				
– *Change in fair value of hedged loan receivables*	331	35	–	–
– *Bonds*	(860)	–	(860)	–
– *Debt securities in issue*	1,337	(216)	163	41
– *Derivative financial instruments*	(1,288)	295	(166)	(41)
– *Intangible fixed assets*	(9)	(11)	–	–
– *Loss carry-forward*	513	–	509	–
– *Other*	0	0	0	0
Total	**24**	**103**	**(354)**	**0**
Change in deferred income taxes:				
Deferred tax in profit and loss	(157)	(25)	16	5
Deferred income tax attributable to items recognised directly in equity	78	(5)	(370)	(5)
Total	**(79)**	**(30)**	**(354)**	**0**
Deferred tax allocated by expected maturity date, carrying amount				
At most 1 year	–	–	–	–
Longer than 1 year	24	103	(354)	0
Total	**24**	**103**	**(354)**	**0**

Note 31 Subordinated liabilities

Group and Parent Company

SEK million Loan designation	Nominal amount	Outstanding nominal amount	First possible redemption right for SBAB	Interest rate, % 31 Dec 2008	Due date	Carrying amount 2008	Carrying amount 2007
Debenture JPY 1	–	–	–	–	–	–	581
Debenture JPY 2	10,000,000,000	10,000,000,000	–	5.23	16 Nov 2015	1,033	698
Debenture SEK 1	500,000,000	500,000,000	2011	3.60	14 Jun 2016	514	479
Debenture SEK 2	700,000,000	700,000,000	2016	5.22	Perpetual	748	667
Debenture SEK 3	300,000,000	300,000,000	2016	3 M STIBOR+0.93	Perpetual	300	300
Debenture SEK 4	1,000,000,000	1,000,000,000	2013	7.32	25 Apr 2018	1,071	–
Total						**3,666**	**2,725**
of which Group companies						–	–

The subordinate debentures are subordinated to the Parent Company's other liabilities, which means that they carry entitlement to payment only after other claimants have received payment. Subordinated debentures SEK 2 and SEK 3 are subordinated to other subordinated debentures, known as primary capital contributions, and may be included in primary capital.

The outstanding subordinated debentures were raised under conditions approved by the Financial Supervisory Authority. Permission has been obtained from the Financial Supervisory Authority to include these in the company's capital base for the purpose of calculating the Parent Company's capital adequacy.

Continued Note 31

Subordinated liabilities are distributed among the following five loans:

JPY 2
Term: 16 November 1995 - 16 November 2015
Interest rate: SBAB can decide to pay the interest in USD, EUR or JPY. The interest rate totals 5.23% in the respective currency.

SEK 1
Term: 14 December 2005 - 14 June 2016
Interest rate: For the period 14 December 2005 - 14 June 2011: 3.60%. For the period from 14 June 2011: Floating interest corresponding to three months STIBOR plus 1.71% is to be paid quarterly in arrears.

SEK 2
The loan is undated.
Interest rate: For the period 30 June 2006 - 30 June 2016: 5.22%. For the subsequent period: Floating interest corresponding to three months STIBOR plus 1.93% is to be paid quarterly in arrears.

SEK 3
The loan is undated.
Interest rate: For the period 30 June 2006 - 30 June 2016: Floating interest equivalent to three months STIBOR plus 0.93%. For the subsequent period: Floating interest corresponding to three months STIBOR plus 1.93% is to be paid quarterly in arrears.

SEK 4
Term: 25 April 2008 - 25 April 2013
Interest rate: For the period 25 April 2008 - 25 April 2013: 7.32%. For the subsequent period: Floating interest corresponding to three months STIBOR plus 4.10% is to be paid quarterly in arrears.

Circumstances that could lead to early redemption of the subordinated debentures

Under certain conditions resulting from amendments of tax legislation, SBAB may call in loans for early redemption. SBAB is also entitled to call in loan SEK 1 for early redemption from 14 June 2011 and every subsequent interest payment date, which fall quarterly. Loans SEK 2 and SEK 3 may be called in for early redemption from 30 June 2016 and on all subsequent interest payment dates. Loan SEK 4 may be called in for early redemption from 25 April 2013 and every subsequent interest payment date, which fall quarterly. The loans may be called in for early redemption by the lenders as a result of events of default such as non-payment of interest or due to the commencement of bankruptcy or composition proceedings in respect of SBAB. For the calling-in (on a day other than that on which the issuer is entitled to early redemption) of perpetual subordinated debentures and fixed-period subordinated debentures issued after 1 January 1996, the permission of the Swedish Financial Supervisory Authority (FI) is required. For the calling-in for early redemption of time-limited subordinated debentures issued before 1 January 1996, FI must be informed as soon as possible after the loan has been redeemed. SBAB may also call in Loans SEK 2 and SEK 3 for early redemption if the conditions for including these loans in primary capital change.

Conditions concerning subordination

In the event of the company being declared bankrupt or in liquidation, lenders holding subordinated notes have the right to payment from the company's assets after other creditors. However, lenders holding subordinated notes of fixed maturity have the right to payment before holders of perpetual subordinated loans, but have rights equal to those of other holders of fixed maturity subordinated notes. Lenders holding perpetual subordinated loans have rights equal to those of other holders of perpetual subordinated loans. The subordinated loans that are perpetual may be converted to equity. This may be done to meet losses in order to avoid bankruptcy or liquidation.

Note 32 Equity

The share capital amounts to SEK 1,958,300,000. The number of shares was 19,583, with a quotient value of SEK 100,000, as in previous years. All shares are owned by the Swedish state.

Dividends are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. It is proposed that no dividend be paid for 2008. It was decided not to pay a dividend in 2006 and 2007.

Specification of changes in equity

Other reserves	Group	
SEK million	2008	2007
Cash flow hedges at the beginning of the year	14	12
Change in fair value	(21)	2
Deferred tax attributable to the change	6	(0)
Cash flow hedges at the end of the year	**(1)**	**14**
Assets available for sale at the beginning of the year	**–**	**–**
Change in fair value in assets available for sale*	(277)	–
Accrual of interest and currency effect in reclassified financial assets	1	–
Deferred tax attributable to the change	73	–
Reclassified financial assets at the end of the year	**(203)**	**–**

* *now reclassified to loan receivables*

Continued Note 32

Reserve for fair value

SEK million	Parent Company 2008	2007
Cash flow hedges at the beginning of the year	14	12
Change in fair value	(21)	2
Deferred tax attributable to the change	6	(0)
Cash flow hedges at the end of the year	**(1)**	**14**
Assets available for sale at the beginning of the year	–	–
Change in fair value in assets available for sale*	(277)	–
Accrual of interest and currency effect in reclassified financial assets	1	–
Deferred tax attributable to the change	73	–
Reclassified financial assets at the end of the year	**(203)**	**–**

* *now reclassified to loan receivables*

For further description of the reclassified financial assets, see the section pertaining to the liquidity portfolio on pages 37-38.

Note 33 Assets pledged for own liabilities

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Loan receivables	149,745	121,282	–	–
Repos	3,360	2,405	–	–
Securities	10	7,106	10	7,106
Total	**153,115**	**130,793**	**10**	**7,106**

Of the assets pledged, SEK 153,105 million (123,687) consists of collateral for covered bonds of SEK 126,280 million (105,719).

Note 34 Commitments

SEK million	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Commitments concerning future payments				
Agreements on purchase and sales of forward securities contracts	–	–	–	–
Other commitments concerning future payments	–	–	–	–
Other commitments				
Loan promises and other credit-related commitments	24,719	24,030	24,633	23,951
Unutilised portion of granted credit facilities	–	–	–	–
Other commitments	–	–	22,180	–
Commitments allocated by remaining term				
Within 1 year	23,640	22,578	45,734	22,499
1-5 years	1,079	1,452	1,079	1,452
> 5 years	–	–	–	–
Total	**24,719**	**24,030**	**46,813**	**23,951**

Loan promises and other credit-related commitments in the Group totalling SEK 24,719 million (24,030) were reduced to SEK 4,756 million (4,179) after the conversion factor, i.e. probability of payment. Corresponding figures for the Parent Company amounted to SEK 24,633 million (23,951) and SEK 4,682 million (4,122) respectively.

Other commitments in the Parent Company pertain to a liquidity facility with the subsidiary SCBC. The purpose of the agreement is to enable SCBC to borrow funds from the Parent Company if SCBC cannot obtain payment for its bondholders when its bonds fall due.

Note 35 Information about related parties

SBAB is a Swedish public limited company that is 100% owned by the Swedish state.

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

mnkr	Group Companies		Joint ventures		Total	
Parent Company 2008	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Loans and advances to credit institutions	24,820	1,195	2,337	492	27,157	1,687
Derivative financial instruments	3,946				3,946	
Other assets	1,695		4		1,699	
Total	**30,461**	**1,195**	**2,341**	**492**	**32,802**	**1,687**
Liabilities to credit institutions		34				34
Debt securities in issue			1,000	41	1,000	41
Derivative financial instruments	1,844				1,844	
Other liabilities	1,200		18		1,218	
Total	**3,044**	**34**	**1,018**	**41**	**4,062**	**75**

Continued Note 35

SEK million	Group Companies		Joint ventures		Total	
Parent Company 2007	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Loans and advances to credit institutions	15,439	584	19,939	687	35,378	1,271
Derivative financial instruments	422				422	
Other assets	408				408	
Total	**16,269**	**584**	**19,939**	**687**	**36,208**	**1,271**
Debt securities in issue			950	34	950	34
Derivative financial instruments	1,117				1,117	
Other liabilities	18				18	
Total	**1,135**	**–**	**950**	**34**	**2,085**	**34**

Other purchases and sales between Group companies are reported in Note 4.

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

SEK million	2008		2007	
Loans to key personnel	Lending	Interest income	Lending	Interest income
CEO	–	–	–	–
Board of Directors	1	0	2	0
Other key executives	5	0	10	0
Total	**6**	**0**	**12**	**0**

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

Lending to members or deputy members of the Board of The Swedish Housing Finance Corporation, SBAB, the CEO or and the Chief Credit Officer (other key executive personnel) may only take place on terms normally available, i.e. they cannot obtain loans on more favourable terms. Other key personnel may raise loans on customary terms for personnel.

Otherwise, reference is made to Note 5.

Note 36 Segment reporting

Group

SEK million	2008					2007				
Income statement	Consumer	Corporate Clients	Finance	Items not allo-cated	Total	Consumer	Corporate Clients	Finance	Items not allo-cated	Total
Net interest income	724	143	274		1,141	767	173	237		1,177
Net commission income	32	4	(24)		12	22	0	(3)		19
Net income from financial instruments measured at fair value	(0)	2	(28)		(26)	0	4	(445)		(441)
Total operating income	**756**	**149**	**222**		**1,127**	**789**	**177**	**(211)**		**755**
Other expenses	(378)	(55)	(55)		(488)	(370)	(63)	(53)		(486)
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	(21)	(3)	(8)		(32)	(21)	(2)	(8)		(31)
Total expenses before loan losses	**(399)**	**(58)**	**(63)**		**(520)**	**(391)**	**(65)**	**(61)**		**(517)**
Net loan losses	(21)	(1)	–		(22)	17	3	–		20
Operating income	**336**	**90**	**159**		**585**	**415**	**115**	**(272)**		**258**
Balance sheet as at 31 December										
Assets	153,851	31,691	67,620	132	253,294	148,911	28,762	45,301	117	223,091
Liabilities	148,641	30,601	67,620		246,862	143,790	27,774	45,301		216,865
Other										
Investments for the year	13	2	5		20	21	2	7		30

SBAB's share (51%) of FriSpar Bolån AB is included in the respective segments. Intra-Group eliminations have already been adjusted in the respective segments. Unallocated items include items that are not to be allocated, such as current and deferred income tax.

Proposed Appropriation of Profits

The Group's income statements and balance sheets will be submitted to the Annual General Meeting on 15 April 2009 for adoption.

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

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

In accordance with Chapter 6, section 2, second subsection of ÅRKL, the Board considers that the company's equity is sufficiently large in relation to the extent and risks of the operations. The Board and the CEO propose that the funds which, according to the balance sheet of the Parent Company, are at the disposal of the Annual General Meeting, namely SEK 4,968,842,823, of which the profit for the year amounts to SEK 54,910,177, be carried forward.

Stockholm, 12 March 2009

Claes Kjellander
Chairman of the Board

Gunilla Asker
Board Member

Jan Berg
Board Member

Helena Levander
Board Member

Lars Linder-Aronson
Board Member

Michael Thorén
Board Member

Anders Bloom
Board Member
(Employee Representative)

Göran Thilén
Board Member
(Employee Representative)

Eva Cederbalk
Chief Executive Officer

Our audit report was submitted on 16 mars 2009

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg
Authorised Public Accountant

Audit Report

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

We have audited the annual accounts, consolidated accounts, accounting records and administration of the Board of Directors and the Chief Executive Officer of The Swedish Housing Finance Corporation, reg. no. 556253-7513, for the year 2008. The Annual Report and the consolidated accounts are included in the printed version of the report on p. 11-68. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Chief Executive Officer. They are also responsible for ensuring compliance with the Annual Accounts Act for Credit Institutions and Securities Companies when preparing this report and for compliance with the international financial reporting standards IFRS as adopted by the EU and the Annual Accounts for Credit Institutions and Securities Companies when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted the audit in accordance with generally accepted auditing standards in Sweden. This entails that we planned and performed the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts were free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the Board of Directors and Chief Executive Officer, as well as evaluating the important estimates made by the Board and Chief Executive Officer when drawing up the annual accounts and consolidated accounts and evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company to enable us to determine the liability, if any, to the Company of any Board Member or the Chief Executive Officer. We also examined whether any Board Member or the Chief Executive Officer had, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts were prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, accordingly, provide a true and fair view of the Company's earnings and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated accounts were prepared in accordance with the international accounting standard IFRS as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies and provide a true and fair view of the Group's financial position and results. The administration report is in accordance with other parts of the annual accounts and consolidated accounts.

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

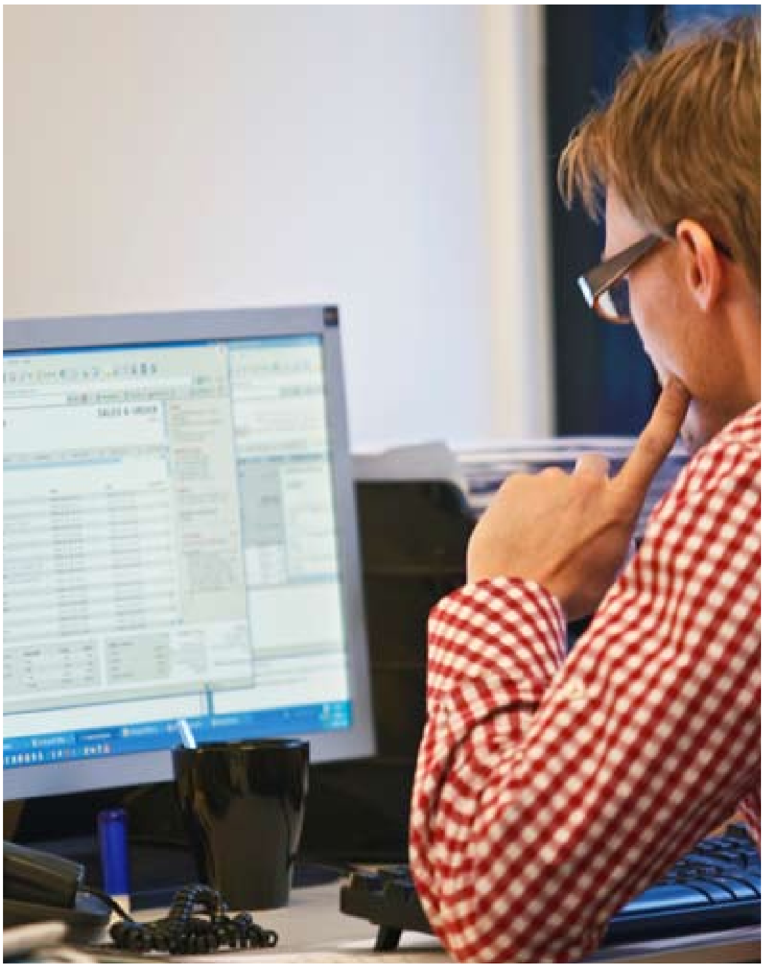
Stockholm, 16 March 2009

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg
Authorised Public Accountant

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

Corporate Governance Report



Corporate Governance Report

The State's governance and the Swedish Code of Corporate Governance

SBAB is a Swedish public limited company that is 100% owned by the Swedish state. SBAB's registered office is in Stockholm. The owner controls SBAB through General Meetings of shareholders, the Board of Directors and the CEO in accordance with the Companies Act, the articles of association, SBAB policies and instructions and the instructions in the form of guidelines and other owner policies decided upon by the Government. The Swedish Code of Corporate Governance (the Code) which has been applied by the Nasdaq OMX Nordic Exchange since July 2005 including the amendments that occurred in 2008, has been stated by the owner to be part of the Government's framework for corporate governance that complements the state's owner policy. In certain respects, the Government Offices have found reason to supplement or interpret the rules of the Code in a way described in more detail in the Government Communication on State Ownership Policy 2007 and the Annual Report for state-owned companies 2007. SBAB complies with the Code in accordance with the Government Offices' interpretation, which entails that the following exceptions deviate from the Code.

The company's auditors have examined this corporate governance report.

The Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders of SBAB was held on 15 April 2008 in Stockholm. The Annual General Meeting was open and the public was invited to attend through a notice in the daily press together with other specially invited persons including business partners, Members of Parliament, customers and other stakeholders. In addition to these persons, most of the Board Members, the CEO, and the company auditor attended the meeting. Claes Kjellander, Chairman of the Board, chaired the Annual General Meeting.

At the Annual General Meeting, Board Members Claes Kjellander (Chairman), Gunilla Asker, Jan Berg, Helena Levander, Lars Linder-Aronson and Michael Thorén were re-elected. Following the 2008 Annual General Meeting, the Board of SBAB comprised the above-named persons and employee representatives Anders Bloom and Göran Thilén, who were both appointed by the local branch Financial Sector Union of Sweden.

The fees of the Board Members were decided upon at the Annual General Meeting. The meeting also decided to discharge the Board of Directors and the CEO from liability and took decisions on the appropriation of profits and the adoption of the annual accounts for 2007. The CEO, Eva Cederbalk, held a speech on SBAB's activities in 2007. Auditor Ulf Westerberg, auditor in charge at Öhrlings PricewaterhouseCoopers AB, reported at the Annual General Meeting on his examination in the audit report and, in this connection, gave an account of his work on the audit of SBAB during the past year. In addition, Ulf Westerberg submitted his report on the open accounting prepared by SBAB in accordance with the Insight into Certain Financial Links and Related Matters Act (2005:590). The meeting also decided on a change to SBAB's articles of association.

The record of proceedings of the Annual General Meeting is available on SBAB's website.

Nomination process

The Nomination Committee is primarily a body through which the shareholder prepares decisions on appointments. In wholly owned state enterprises, the following principles replace the rules of the Code concerning preparation of decisions on appointments of Board Members (accordingly, SBAB does not comply with the majority of item 2 of the Code):

Uniform and common principles are applied for a structured nominations process for the state-owned companies. This is intended to ensure an effective provision of competence to the company boards. The Minister for Enterprise and Energy has special responsibility for board nominations in all companies managed by the Government Offices. The nomination process is driven and coordinated by the unit for state ownership at the Ministry of Enterprise, Energy and Communications. A working group analyses the competence requirements on the basis of the composition of each board and the company's activity and situation. Recruitment needs are then established and recruitment work commenced. Board members are selected from a broad recruiting base.

When the process is completed, nominations are to be published in accordance with the Code's guidelines. The quality of the entire nomination process is ensured through this uniform and structured method of work. A more detailed description of the nomination process is provided in the above-mentioned Government Communication on State Ownership Policy 2007.

The Board of Directors and its methods of work

According to the articles of association, the Board is to consist of at least five and at most ten members. The members of the Board are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. SBAB's board consists of six Board Members elected at the Annual General Meeting and two members appointed by the local branch of the employee organisation the Financial Sector Union of Sweden. The CEO is not a member of the Board. Following the 2008 Annual General Meeting, the Board of SBAB comprised Claes Kjellander (Chairman of the Board), Gunilla Asker, Jan Berg, Anders Bloom (employee representative), Helena Levander, Lars Linder-Aronson, Göran Thilén (employee representative) and Michael Thorén.

All Board Members with the exception of the employee representatives are independent in relation to SBAB and the executive management. The state's owner policy explicitly states that nominations to the Board are to be published in accordance with the guidelines of the Code with the exception of reporting of independence in relation to major owners. The main reason that a company must have at least two Board Members who are independent in relation to major shareholders and must report on the independence of all Board Members in relation to major owners, in accordance with the Code, is to protect minority owners in companies with a number of owners. According to the owner's guidelines, these reasons for reporting independence in relation to larger owners are not applicable in wholly state-owned companies or in partly owned companies with few owners, and accordingly, this procedure is not applied by SBAB. Thus, item 4.4 of the Code is not applied pertaining to reporting of independence in relation to larger owners.

A presentation of Board Members is contained on page 75 of the Annual Report.

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

In 2008, the Board had seven ordinary board meetings and nine extraordinary meetings. The work of the Board takes place in accordance with an annual reporting plan aimed at meeting the Board's need for information. SBAB's Board takes decisions in matters concerning SBAB's strategic direction, investments, financing, major organisational issues and policies, and certain more important instructions. The Board considers the company's quarterly interim reports and decides on their adoption and publication. Issues relating to control are discussed by the Board as a whole and by committees specially appointed by the Board. The company's internal and external auditors also report their observations to the Board annually from their examination and their assessments on how control is maintained within the company. Other executives in SBAB attend board meetings as reporter. Christine Ehnström, SBAB Chief Legal Counsel, kept the minutes at the board meetings.

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

The Board continuously evaluates its work through open discussions between the Chairman of the Board and individual Board Members. In addition, an annual structured evaluation of the work of the Board and CEO is made in accordance with the Board's work plan and the owner's instructions. The work of the Board was evaluated in connection with the Board Meeting of 16 December 2008, and the work of the CEO was evaluated in connection with the Board Meeting of 22 December 2008.

Fees are paid to the Chairman of the Board and the Board Members in accordance with the decision taken at the Annual General Meeting.

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

Committees of the Board

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

Credit Committee

The task of the Credit Committee is to decide on credit limits and loans in accordance with established credit instructions. The Credit Committee also has the task of preparing, for decision by the Board, changes in credit policy and credit instructions, assessing portfolio strategies, increasing the transparency of the loan portfolio, assessing valuation, decision and risk models, and evaluating existing or new delegation rights and pricing issues on the basis of market conditions for strategic discussions in the Board.

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

During the year, the members of the Credit Committee were: Claes Kjellander (Chairman), Gunilla Asker, Jan Berg, Anders Bloom (from 28 April 2008) and Eva Cederbalk (CEO).

The Credit Committee had 17 meetings during the year.

Finance Committee

The 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 and, in the event of exceeded limits due to changes in the exchange rate or interest rate, to take a position on measures, instructions concerning handling of credit risk limits, and the use of new financial instruments and 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 Board Members appointed by the Board, one of whom

Board Members' attendance of meetings of the Board and committees in 2008

	Board	Credit committee	Finance committee	Audit committee	Remuneration committee
Number of meetings	16	17	9	7	2
Attendance					
Claes Kjellander	16	16	6		2
Gunilla Asker	13	10			
Jan Berg	14	17			
Helena Levander	13		7	7	
Lars Linder-Aronson	14		9		
Michael Thorén	15			7	1
Anders Bloom	14	4		3	
Göran Thilén	11				

In some cases, when a Board Member joined or left the committees in conjunction with the statutory meeting in April, participation in committees pertains only to a part of the year. Meeting attendance for the employee representative (Marcus Eklind) who left the Board during the year is not shown. In the first quarter of 2008, the Financial Sector Union of Sweden appointed a new employee representative, Göran Thilén. The CEO's attendance at committee meetings is not shown in the table.

is the chairman of the committee, and SBAB's CEO. The Chief Financial Officer or another specially appointed officer acts as reporter for the issue concerned as does, to the extent applicable, SBAB's Risk Manager.

During the year, the members of the Finance Committee were: Lars Linder-Aronson (Chairman), Claes Kjellander, Helena Levander and Eva Cederbalk (CEO).

The Finance Committee had nine meetings during the year.

Audit Committee

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

The Audit Committee comprises at least three Board Members appointed by the Board, one of whom is the chairman of the committee. The head of Internal Audit acts as convenor and secretary at the committee's meetings. The company's Head of Accounts Department participates in the committee's meetings. In addition, the auditor elected at the Annual General Meeting of Shareholders participates in certain predetermined meetings during the year.

During the year, the members of the Audit Committee were: Michael Thorén (Chairman), Anders Bloom (from 28 April 2008), Marcus Eklind (until 28 April 2008) and Helena Levander.

The Audit Committee had seven meetings during the year.

Remuneration Committee

The task of the Remuneration Committee is to prepare and make proposals in matters relating to compensation and other conditions for the company's senior executives. Issues relating to the CEO's conditions of employment, remuneration and benefits are prepared by the Remuneration Committee and decided upon by the Board. The Remuneration Committee also monitors the overall salary development in the company and prepares matters relating to SBAB's remuneration system and incentive programme.

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

During the year, the members of the Remuneration Committee were Claes Kjellander (Chairman) and Michael Thorén.

The Remuneration Committee had two meetings during the year.

Remuneration to the Board and senior executives

Further information on remuneration to the CEO and other members of executive management is provided in Note 5 to the income statements and balance sheets.

Other supervisory bodies

Auditor

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

Every four years, the Annual General Meeting appoints an auditor or auditing firm to audit SBAB. The auditor is to be an authorised public accountant or authorised public accountancy firm which appoints an auditor-in-charge.

In 2007, the Annual General Meeting appointed Öhrlings PricewaterhouseCoopers AB as auditor. The auditor-in-charge is Ulf Westerberg. A more detailed presentation of the auditor, fees and cost compensation is included on page 76 and Note 6 to the Annual Report.

The auditor examines the annual report, consolidated accounts, accounting records and the administration of the company by the Board and the CEO. A report on the result of this examination is issued to the shareholders through an audit report, which is submitted to the Annual General Meeting. In addition, the auditor conducts an examination of SBAB's interim reports and submits detailed accounts to the Audit Committee at the ordinary Audit Committee meetings and to the Board at least once a year.

Internal Audit

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

Compliance

SBAB has a centrally located Compliance Officer whose task is to, on a comprehensive level, monitor that operations are managed in accordance with the laws and regulations applicable for financial businesses subject to permits. The Compliance Officer is also responsible for leading and organising the structure required to ensure that controlling functions within SBAB implement monitoring in their areas of instruction in accordance with a shared model. In addition to continuous reporting to SBAB's chief legal counsel, reporting occurs biannually to the CEO and Board. The annual plan for the compliance function is established by the CEO and chief legal counsel.

Internal control of financial reporting

Control environment

The basis for the internal control with regard to financial reporting consists of the control environment, including the organisation, decision-making paths, powers, communication and reporting paths, which are documented in regulatory frameworks in the form of policies, instructions, guidelines and manuals.

Decision-making in individual credit and finance matters in SBAB takes place in the decision-making Bodies comprising the Board, Credit Executive Committee, Credit Committee and Finance Committee in accordance with a regulatory framework adopted by the Board through policies and instructions. The activity is conducted with guidance from documented procedures and with the support of various IT systems.

Risk assessment and control activities

SBAB has a central risk unit that analyses and controls the company's aggregated risks. On the basis of available risk information, the risk unit reports to the Board and CEO regarding the company's total risks. The unit is to follow up and ensure on an overall level that SBAB identifies, measures, manages and has control over all risks.

Information and communication

SBAB's regulatory framework is available to the persons concerned on the company's intranet and is updated continuously.

Follow-up

The Board receives monthly financial reports, and SBAB's financial situation is addressed at every Board meeting. Moreover, the Board's various committees perform important functions in the Board's follow-up. The work of the committees is described under the heading Committees of the Board on pages 72-73.

Financial information 2008

SBAB published the following financial reports in 2008:

Announcement of SBAB's results for 2007	31 January
Interim report January-March	30 April
Interim report January-June	29 August
Interim report January-September	30 October

The Annual Report for 2007 was published on 15 April 2008.

Audit report

As an expansion of our audit assignment, we have, at the request of the Board, reviewed the corporate governance report for The Swedish Housing Finance Corporation, SBAB for 2008. The corporate governance report was prepared in accordance with the guidelines stated in the Swedish Code of Corporate Governance.

Stockholm, 16 March 2009

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg
Authorised Public Accountant

The Board of Directors

Claes Kjellander

Chairman of the Board
Bachelor of Science, postgraduate studies in Business Administration and Economics
Born 1945
Elected to the Board 2003
Member of SBAB's Credit Committee, Finance Committee and Remuneration Committee
Other Board assignments: Chairman of the Board of ByggPartner gruppen, Chairman of the Board of ENACO AB, Chairman of the Board of Sydtotal AB, Board Member of Megacon AB, Board Member of Specialfastigheter AB
Past experience: CEO Jones Lang LaSalle AB, CEO Stenvalvet Fastighets AB, Deputy CEO and Acting CEO Vasakronan AB, Deputy CEO ABB Environmental Control AB, CFO Fläkt AB

Gunilla Asker

Marketing and Sales Director Svenska Dagbladet
Bachelor of Business Administration and Economics
Born 1962
Elected to the Board 2005
Member of SBAB's Credit Committee
Past experience: Unit manager at Research International, Marketing and Communications Director at SJ, Marketing Manager, Head of CRM and other appointments at Unilever

Jan Berg

Jan Berg Affärsutveckling AB
Bachelor of Science in Engineering
Born 1953
Elected to the Board 2001
Member of SBAB's Credit Committee
Other Board assignments: Board Member of Agenta Investment Management AB
Past experience: Chairman of the Board of Securum International, Chief Credit Officer Venantius, Project Manager Securum, Business Controller Gamlestaden

Helena Levander

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

Lars Linder-Aronson

Chairman Ventshare AB
Bachelor of Business Administration and Economics
Born 1953
Elected to the Board 2000
Member of SBAB's Finance Committee
Other Board assignments: Board Member of the Seventh Swedish Pension Fund
Past experience: CEO Enskilda Securities, Deputy CEO SEB

Michael Thorén

Desk Officer, Ministry of Enterprise, Energy and Communications
Bachelor of Business Administration and Economics
Born 1969
Elected to the Board 2003
Member of SBAB's Audit Committee and Remuneration Committee
Other Board assignments: Board Member of AB Bostadsgaranti, Board Member of Försäkrings AB Bostadsgaranti
Past experience: Analyst ABN Amro Bank, Project Manager Retriva Kredit AB

Anders Bloom

Employee Representative since 2004
Appointed by the Financial Sector Union of Sweden
Born 1955

Göran Thilén

Employee Representative since 2008
Appointed by the Financial Sector Union of Sweden
Born 1951

Changes in the Board during 2008

Göran Thilén replaced Marcus Eklind as employee representative.

The Executive Management and Auditors

Top row from left: Catharina Kandel, Lena Hedlund, Christine Ehnström, Per O. Dahlstedt, Eva Cederbalk, Per Balazsi, Johanna Clason and Fredrik Bergström. Sitting: Bengt-Olof Nilsson Lalér and Bo Andersson.

Catharina Kandel

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

Lena Hedlund

Chief Communication Officer
Bachelor of Business Administration and Economics, civil engineer
Born 1961
Year of employment 1994
Board assignments: Board Member of HEBA Fastighets AB (publ), Board Member of Vasallen AB (publ)
Past experience: Property valuation, sales and credit ratings at Stadshypotek AB (publ)

Christine Ehnström

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

Per O. Dahlstedt

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

Eva Cederbalk

CEO
Bachelor of Business Administration and Economics
Born 1952
Year of employment 2004
Board assignments: Board member of Bilia AB, Board Member of AB Bostadsgaranti, Board Member of Försäkrings AB Bostadsgaranti
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

Per Balazsi

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

Johanna Clason

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

Fredrik Bergström

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

Bengt-Olof Nilsson Lalér

Chief Credit Officer
Economist
Born 1957
Year of employment 2000
Board assignments: Board Member of The Swedish Covered Bond Corporation
Past experience: Acting Group Credit Manager Föreningsbanken AB, Deputy CEO Föreningsbanken Kredit AB, Operations Manager HSB Bank

Bo Andersson

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

Auditor

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

Ulf Westerberg

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

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