SBAB ANNUAL REPORT 2007

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Financial information 2008

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

Announcement of Result	31 January
Annual General Meeting	15 April
Interim Report January-March	30 April
Interim Report January-June	29 August
Interim Report January-September	30 October

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

The Year in Brief 2007

- Net operating income amounted to SEK 258 million (SEK 840 million). Expenses have been reduced to SEK 517 million (SEK 595 million). Credit losses continued to be low.
- Net operating income adjusted for unrealised changes in market value in the liquidity portfolio amounted to SEK 874 million.
- The turbulence affecting the credit market in the latter part of the year has had a negative impact on market values in the company's liquidity portfolio.
- The market has been characterised by stiff competition and strong pressure on margins during 2007.
- SBAB has initiated collaboration with GE Money Bank in the residential mortgages segment.
- During the year, SBAB has carried out extensive development work and has increased its offering with the following products and services:
  – SBAB's saving products: The SBAB-konto (SBAB account) and Sparkonto (Savings Account) which offer some of the market's best deposit rates.
  – An attractively priced short-term interest rate product where the customer can raise a loan with 30-days interest for 12 months.
  – SBAB's property insurance in collaboration with the insurance company If.
  – SBAB Bankpaket (Bank Package) in collaboration with the savings bank Sparbanken Gripen, a transaction account for tenant-owner associations.
- In June, the Riksdag approved the Government's proposal to authorise the Government to reduce state ownership in six companies, one of which is SBAB.
- The 2007 Annual Report is the first prepared in compliance with the IFRS/IAS accounting standards.
- SBAB was nominated by Internetworld's editorial board to Top 100, and is one of Sweden's best 10 sites in the Bank & Finance category.
- In December, SBAB launched a new website with a new graphic profile and a new simplified and improved customer-friendly structure.

Summary for the SBAB Group	2007	2006
Net interest income, SEK million	1,177	1,217
Net operating income, SEK million	258	840
Net profit after tax, SEK million	190	654
Lending, SEK million	167,981	170,013
Impaired loans after specific provisions for individually assessed loans, SEK million	62	45
Volume international borrowing, SEK million	119,878	111,048
Income/Expenditure ratio excl. credit losses	1.5	2.4
Income/Expenditure ratio incl. credit losses	1.5	2.4
Return on equity, %	3.1	11.5
Capital adequacy, %	9.4	9.0
Primary capital ratio, %	7.6	7.3
Equity ratio, %	2.8	3.0
Rating, long-term borrowing, SBAB		
Standard & Poor's	AA- [1]	AA-
Moody's	Aa3 [2]	Aa3
Rating, long-term borrowing, SCBC		
Standard & Poor's	AAA	AAA
Moody's	Aaa	Aaa
Rating, short-term borrowing, SBAB		
Standard & Poor's	A-1+	A-1+
Moody's	P-1	P-1
Average no. of employees during the period	374	410
of which temporary employees	8	17

[1] *On 6 November 2007, Standard & Poor's changed the Outlook for SBAB from stable to developing. The reason for this is an expected change in SBAB's ownership.*

[2] *On 3 July 2007, Moody's started a review for possible downgrading of SBAB's Aa3 rating for long-term borrowing. This review was based on the Swedish Parliament, the Riksdag deciding on 20 June 2007 to authorise the Government to sell SBAB. SBAB's short-term rating and SCBC's long-term rating were not affected by the review. On 5 February 2008, Moody's changed SBAB's long-term rating from Aa3 to A1 and changed to negative outlook at the same time.*

The Chairman's Statement

The past year has been characterised by continued growth in both the residential mortgage and the property market. SBAB has entered the savings market by introducing deposit accounts.

SBAB's mandate

SBAB's mandate from the owner is to act to ensure diversity and competition in the Swedish residential mortgage market through efficient and profitable mortgage loan operations and at the same time protect both the consumer and the company by a careful creditworthiness assessment. SBAB shall also provide the owner with a return on investment in the company, according to which return on equity is to correspond to the five-year government bond rate plus five percentage points after tax, over a business cycle.

The residential mortgage market

The Swedish residential mortgage market continued to grow during 2007. The volume of outstanding loans totalled SEK 1,886 billion at the end of 2007, of which consumer lending accounted for SEK 1,411 billion. Prices and turnover have continued to increase in the corporate market as well. At the same time the market has become increasingly internationalised. Turnover of both commercial and residential properties has continued to be at a high level this year.

The higher key policy rate in combination with the development of Stibor has led to an increase in the interest rate of around 1.5 percentage points for residential mortgages with 3-month fixed interest term during the year.

Turbulence in the credit market

The latter part of the year has been characterised by turbulence in the financial markets. This turbulence originated in the "sub-prime" loans offered in the US residential mortgage market which were packaged and placed on the international capital market. Uncertainty about the creditworthiness of these repackaged loans has spread to the whole international residential mortgage market and also affected the Swedish capital market. It is difficult to make an assessment of the duration of this uncertainty. The credit turbulence has led to higher interest rates and deteriorating market liquidity.

Sale of SBAB

The Government has announced that SBAB is one of the six companies that the state intends to reduce its ownership of. This process has now advanced so far that the Riksdag has instructed the Government to carry out a sale. This work has also started and advisors have been appointed. When and how the sale will take place is a matter for the owners and no timetable for this process has been established. SBAB is continuing to develop well, which means that SBAB, in my view, is well-prepared for a sale.

The Board of Director's activities

During the year, the Board of Directors has continued to work on SBAB's strategy and the company now has a clear strategic focus entailing both continued development of residential mortgage products and a broadening of the product range. We can see the result of this work through the company having entered the savings market by offering deposit accounts for private persons.

The new rules for capital adequacy, the Basel II rules, have come into effect. Our risk assessments indicate a reduced capital requirement in the future. The size of the capital requirement will be determined not only by the rules but also by other factors such as the company's own assessments and the credit rating the company is given by the rating institutions. SBAB's ambition is to respond to and comply with stakeholders' wishes for transparency and openness in SBAB.

The Board has monitored the work with the IFRS/IAS accounting standards, which started to be applied during the year. This year's annual report is the first produced in compliance with these standards.

Stockholm, March 2008

Claes Kjellander
Chairman of the Board

The CEO's review

During 2007, SBAB has focused on product development. We will continue our challenging approach and intend to make it even better and easier to be a customer of SBAB.

An eventful year

Competition has continued to be tough on the residential mortgage market, leading to a further reduction in margins. The financial turbulence that has affected the capital market in the latter half of 2007 has led to a deterioration in liquidity in the market. At the same time, the trend towards reduced credit losses is continuing and there has been increased growth in both the residential mortgage and property markets.

For SBAB, intensive development work has been a feature of the past year. As well as new offers to our residential mortgage customers, we have also introduced savings products.

Saving

In April, we introduced two savings products and we are now pleased to be able to offer our customers some of the most competitive deposit accounts in the market. This is wholly in line with our aim of continue our challenging approach in various contexts. During 2008, we will continue working to improve and simplify for both our existing and new customers in this product area.

Lending

As previously mentioned, competition in the residential mortgage market has intensified and there continues to be stiff pressure on margins. From this perspective 2007 has been a tough year for SBAB and our positive development of market shares has come to a halt. The work we have put in during the year on product development enables us, however, to have a positive view of future developments. Within the Corporate Loans business area, we have seen increased activity and a good market response, which has resulted in increased new lending to property companies during the year.

Funding

As a consequence of the residential mortgage crisis in the US, the credit market both internationally and in Sweden has not functioned in the customary way in the latter half of 2007. This has affected all participants in the capital market, including SBAB. Thanks to well-diversified borrowing and a broad investor base, we have coped with this situation very well. Our ability to issue covered bonds has been a great benefit when the market has put a higher value on bonds with the best credit rating.

Partners

Lending via partners is still an important distribution channel for us. We have expanded our resources in order to intensify efforts to develop our partnerships and new agreements have been entered into during the year. Work on strengthening SBAB's partner co-operation will continue during 2008. We have introduced two new services for our tenant-owner association customers. SBAB Bank Package is a transaction account developed in collaboration with the savings bank Sparbanken Gripen, and SBAB Property Insurance provides insurance cover for properties and boards of tenant-owner associations developed in collaboration with the insurance company If.

Staff and customers

It has been a challenging year. I would like to take this opportunity to thank all of our staff for their good work. Strong commitment and hard work from everyone has resulted in our being well equipped to face coming challenges during 2008.

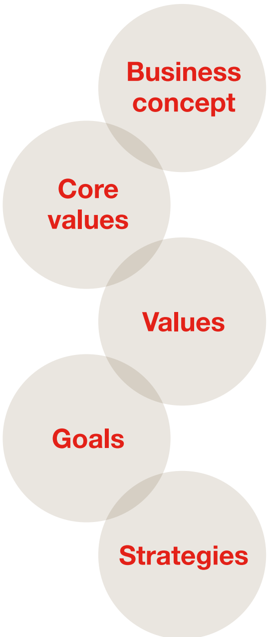
I would also like to thank the customers who have chosen SBAB for their confidence in us. In December, we introduced a new version of sbab.se and we hope that the website and our continuous work on simplifying and making improvements for our customers will mean that you will continue to choose SBAB in the future.

Stockholm, March 2008

Eva Cederbalk
Chief Executive Officer

Business Model

SBAB is the leading residential mortgage company – the customer's first choice.



Business concept

We offer loan and savings services in areas where our ability to challenge and simplify makes our customers the most satisfied in the market.

- Our prices, our accessibility and our easily understandable terms and condition give us the market's most satisfied and loyal customers among private persons and tenant-owner associations.
- Our ability to understand and act on the basis of the conditions in which property companies operate, with efficient and attractively-priced solutions, make us the most reliable partner in the industry.
- Our efficiency and willingness to continuously improve creates profitability, enabling us to persistently challenge our competitors.

Core values

SBAB's activities are to be characterised by two core values, to challenge and to simplify.

- To challenge means that we at SBAB continuously provide new products and services in a new, simpler and more affordable way. The challenger exceeds customer expectations all the time.
- To simplify means that we at SBAB do not make things more complicated than they need be. This applies both in our dialogue with our customers and in our internal routines.

Values

Our common goals are commitment, innovation, a comprehensive approach, consideration and trust. These values govern our actions both internally and externally.

Goals

SBAB has set long-term goals to achieve profitable growth. A high return on equity is an important measure of value-creation and is crucial for long-term sustainable growth with financial stability. To grow profitably, we must be efficient both within the company and in relation to our customers and business partners. The company's loan portfolio is to be well composed with the emphasis on financing of housing. Other important goals are the continued positive development of the SBAB brand and active product development. A further prerequisite is the commitment and competence of our staff.

The owner's required return has been estimated at 9.2% for 2007. The outcome was 3.1%. This discrepancy is explained by the negative unrealised changes in market value in the liquidity portfolio. Adjusted for these, return on equity was around 10%. The target for the expenditure/income ratio was set at 40%, excluding the item net result of financial transactions. The outcome during the year was 43%. This discrepancy is mainly explained by the effect of stiff competition on profits.

In accordance with the company's goals, at least two new products were introduced during the year. Of these, the deposit accounts, the SBAB account and the Sparkonto attracted most attention.

The target for the development of competence is to reach 75 in a staff index, which is measured by a staff survey. The outcome for the year 2007 was 72. An outcome within the range of 70-80 is a good result although we did not succeed in achieving the target of 75.

The brand is measured according to a special index for conceivable brands for residential mortgages. The target was set at 27% in the main markets, which was also achieved with an outcome of 27%. The conceivable brand means the proportion of persons asked who have a residential mortgage and who can conceive of obtaining their residential mortgage from SBAB.

In 2007, SBAB started to apply risk-adjusted profit in relation to economic capital (risk-adjusted return) in the internal control of profitability. No target has been set for 2007. The outcome of the risk-adjusted return for the year was around 16% adjusted for unrealised changes in market value.

Strategies

To succeed in achieving our vision, it is of key importance that SBAB creates growth both in the consumer and the corporate market. Our strategies consist of business strategies for profitability, portfolio growth, the brand, product development and the staff. In common for all our strategies is that we achieve a high level of customer satisfaction.

Sustainable Development

SBAB shall contribute to sustainable development by carrying out its activities in a long-term and responsible way. SBAB is dependent on the trust of its business environment. It is therefore important to safeguard respect for customers, staff, investors and owners. To maintain this trust, issues relating to secrecy, integrity and security are very important. SBAB has an ethical policy which serves as the basis for a common approach in ethical issues. SBAB's goal is to engage in operations with a good balance between social, economic and environmental taking of responsibility.

Social responsibility

Efforts to improve the working environment are conducted with systematic surveys and recurrent staff questionnaires. A good working environment, with a high level of work satisfaction, good social relations and opportunities for personal development, is important for SBAB's continued competitiveness and profitability. The creation of a good working environment is in the interest of both SBAB and the individual member of staff. Staff at SBAB have the opportunity to take part in health promotion activities for an hour a week during working time and have a special fitness grant.

Understanding, putting a value on and making use of staff diversity and competence develops both the individual and the company as a whole. Gender equality work is an integrated part of SBAB's activities and is taken into account in recruitment. Annual salary surveys are carried out to ensure that there are no systematic wage differences between the sexes.

Economic responsibility

SBAB's mandate from the owner is to work for diversity and competition in the Swedish residential mortgage market, where SBAB has assumed an important role in keeping down prices of residential mortgages. An activity such as SBAB's is regulated by extensive laws and regulations which primarily lead to requirements for a sound provision of credit on good long-term economic conditions and development. As well as a more traditional control of activities and follow-up, SBAB's activities are covered by an internal regulatory framework with policies, instructions, committees and executive committees for, among other things, the provision of credit, funding and audit. With this as an important framework for SBAB's activities together with the business model applied, the opportunities are created for long-term sound economic development. SBAB's return complies with the long-term requirements made on the activity by the owner.

Environment

SBAB shall strive for its activity to have the least possible negative impact on the environment. SBAB's production and distribution of financial services has a relatively low impact on the environment since substantial parts of the activity are conducted on Internet, which reduces the use and transport of paper.

During the year, SBAB's internal environmental work has, among other things, been focused on consolidating to a smaller number of more environmentally aware suppliers. Further work has taken place on SBAB's travel policy and 80% of travel now takes place by rail. Furthermore, SBAB's company cars shall have environmental class 1. SBAB's ambition is to encourage and urge all members of staff to assume personal environmental responsibility both at work and privately.

Economic Environment

The level of activity in the Swedish economy slackened but the Riksbank continued to raise the key policy rate from 3% to 4%. During the autumn, the crisis in the US residential mortgage market had major repercussions on the Swedish capital market. The residential mortgage market in Sweden has still not been affected and increased sharply during 2007. It is primarily lending to single-family dwellings and tenant-owned apartments that has increased during the year.

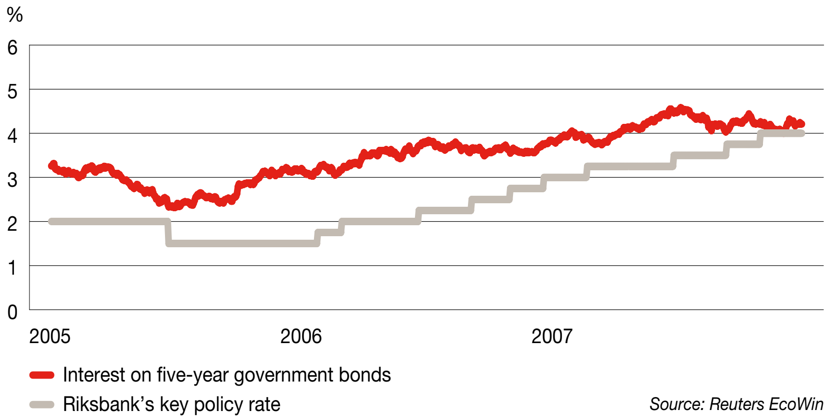
The economic situation and interest rates

Growth was strong in the Swedish economy during 2007, although it slackened compared with last year. The driving force came from domestic demand while foreign trade had a negative impact on growth. Rising income and increased employment contributed to household consumption rising at a good rate and investments were pulled up by good capacity utilisation. The prices of tenant-owned apartments and single-family dwellings rose sharply during the first six months of the year although the housing market markedly cooled down during the autumn.

The underlying inflation – excluding interest costs, taxes and subsidies – was stable until the autumn when it started to rise. The risk for increasing inflationary pressure in the future led the Riksbank to continue to raise the key policy rate. From a level of 3% at the beginning of 2007, the key policy rate was raised in four steps to 4% at the end of the year.

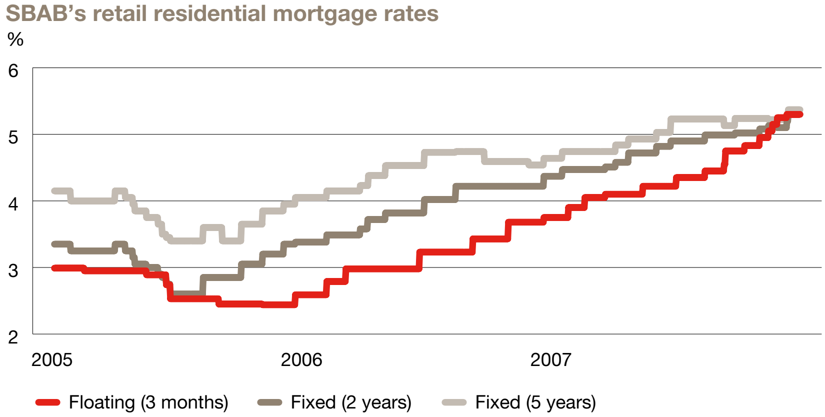
During the summer, the crisis in the US residential mortgage market started to come into focus. The financial turbulence increased during the autumn and spread internationally. Demand for liquidity increased sharply and a reduced risk propensity contributed to increased interest in risk-free government securities and the interest rate decreased on these securities. Underlying the fall in interest rates and the weakness of the stock

Key policy rates



Source: Reuters EcoWin

SBAB's retail residential mortgage rates



market were also fears that the credit crisis could weaken the level of economic activity.

The uncertain financial situation was also noticeable on the Swedish capital market. Interbank rates, that reflect the short-term loans between banks, rose sharply during the latter half of the year compared with interest rates on Swedish government bonds, with the corresponding maturity. Floating mortgage rates were therefore drawn up more than normal in relation to the Riksbank's increased key policy rate.

The development of long-term market rates was also marked by the credit turbulence. Interest rates on government bonds rose until the summer and then fell again during the second half of the year when the credit crisis broke out. The reduced risk appetite entailed that interest on mortgage bonds did not fall in turn but was largely unchanged during the autumn. This was also reflected in long-term fixed mortgage rates which only changed marginally during the latter half of the year.

Consumer market	2007 billion	2006 billion	Change billion	%
Single-family dwellings and holiday homes	1,106.1	999.6	106.5	10.7
Tenant-owned apartments	305.5	250.1	55.4	22.1
Total	**1,411.6**	**1,249.7**	**161.9**	**12.9**

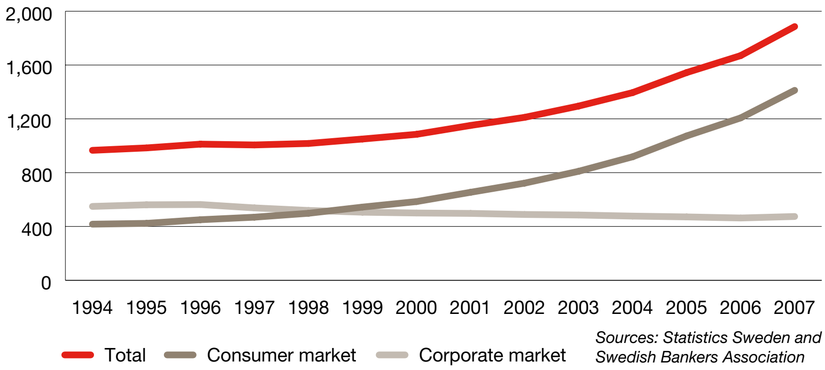
Corporate market	2007 billion	2006 billion	Change billion	%
Multi-family dwellings	403.8	398.2	5.6	1.4
Commercial properties	31.4	27.5	3.9	14.1
Other	39.0	37.4	1.6	4.3
Total	**474.2**	**463.1**	**11.1**	**2.4**

Source: Swedish Bankers Association

These statistics do not include, inter alia, direct financing by banks, Kommuninvest, foreign banks and financing with shares as collateral.

Lending, mortgage institutions

SEK billion



Sources: Statistics Sweden and Swedish Bankers Association

Lending from mortgage institutions increased sharply since 2000. This consists mainly of lending for single-family dwellings and tenant-owned apartments which has increased while mortgage lending to the corporate market has decreased during the period.

The residential mortgage market

The total residential mortgage market continued to increase sharply during 2007, to SEK 1,886 billion, which corresponds to an increase of around 10%. This has been caused by the large increase in loans in the private market at the same time as the corporate market has expanded. During the past five-year period, the total market has increased by 56%, which corresponds to almost SEK 675 billion.

The consumer market

During the year, the consumer residential mortgage market has been characterised by further stiffening competition. The major banks have reduced their list prices and the difference in pricing between major banks and other participants has been more or less evened out. This has led to a further squeeze on the margins of providers of residential mortgages.

The price increase on single-family dwellings and tenant-owned apartments has continued during 2007. The price trend for single-family dwellings amounted to approximately 11% with a relatively stable rate of development during the year. The rate of increase for tenant-owned apartments was around 5%. However, price development has been sharply braked, or even shown a negative trend during the autumn in certain geographical areas, in particular the Stockholm area.

Residential mortgage volumes continued to increase sharply and exceeded the rate of growth for the previous year. The market grew by SEK 162 billion to SEK 1,412 billion.

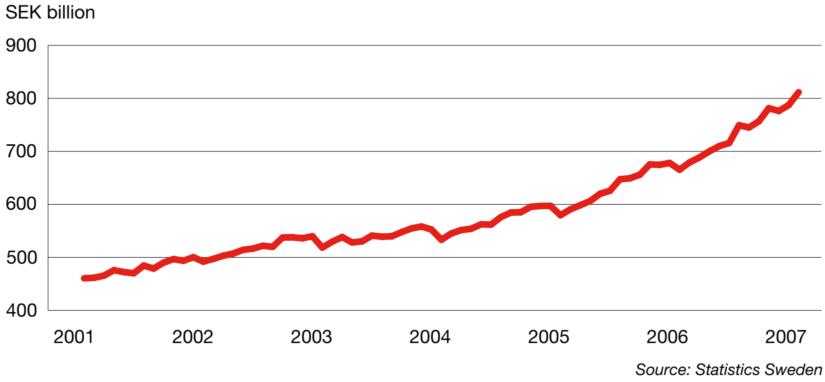
The corporate market

At the start of the year, there was a continued high level of interest in both residential and commercial properties, from both national and international players. During the second half of the year, the market slowed down both with regard to the number of transactions and the price trend. The reported corporate lending has continued to fall but this does not reflect reality since it is difficult to capture all funding sources in the statistics. An increasingly large component of property transactions are financed with inputs of foreign capital or by shares as alternative collateral and are thus not captured in the statistics as property loans. SBAB considers that the total corporate market has a positive growth with a volume of over SEK 800 billion. The market for tenant-owner associations has a steady positive growth where new production, refurbishment and reorganisation are driving growth.

The savings market

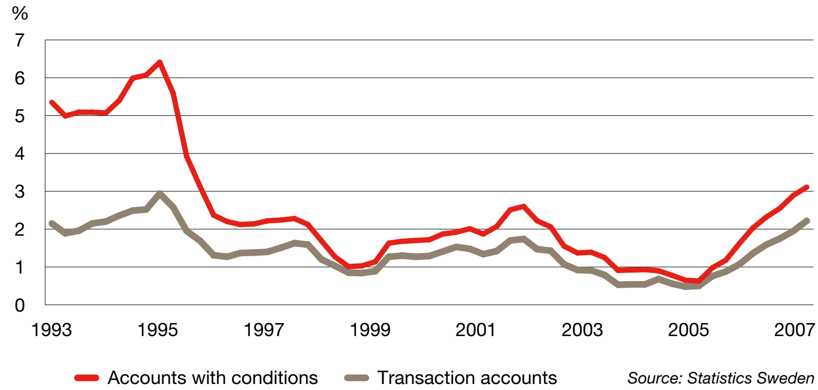
The market for bank deposits from households totalled as at 31 December 2007 to SEK 838 billion and makes up a large component of total savings, where, for instance, direct ownership of shares amounts to around SEK 617 billion and unit trusts to around SEK 485 billion. Bank deposits have grown sharply with an average annual growth of around 15% in the past three years. The market volume increased by almost SEK 300 billion during the corresponding period. Turbulent stock markets and higher market interest rates have contributed to making bank deposits more attractive. At the same time, financial players have become more interested in offering savings products. During 2007, the market for bank deposits increased by SEK 156 billion, which corresponds to 22%.

Deposits from households



Deposits from households have risen sharply since 2000. Household funds deposited in savings accounts have almost doubled during the period and the trend is even sharper in the most recent years.

Deposits from households, average interest rates



The average interest rates on customer accounts, both for transaction accounts and accounts with conditions, rose during 2007 to the highest levels for over ten years. This is partly due to higher interest rates but also to increased competition in the market for savings accounts.

Administration Report

Lending

The market continues to be characterised by tough competition and squeezed margins which has led to a reduction of the total loan portfolio by SEK –0.8 billion (SEK +7.5 billion). At the end of the year, the portfolio amounted to SEK 177.8 billion (SEK 178.6 billion). The consumer market, driven by partner co-operation, increased slightly during the year while Tenant-owner Associations and the Corporate Market decreased slightly.

The loan portfolio as presented in this section includes the whole of FriSpar's loan portfolio. In the Financial Reports later in this report, FriSpar has been consolidated at 51% in accordance with proportionate consolidation.

The year's lending operations

Consumer market

New lending in this segment amounted to SEK 21.8 billion (SEK 27.7 billion). This reduction is mainly attributable to lower lending volumes on change of lender for existing residents. A rising interest rate makes customers less inclined to move fixed loans. The continued squeeze on margins and tough competition with pricing below the official interest rate, in particular on short-term lending, has also contributed to reduced new lending volumes for SBAB. New lending intended for financing of house buying continues to be strong and the total market has continued to grow.

SBAB's market shares have decreased during the year to 8.1% (9.3%). Total lending in the consumer market rose during the year by SEK 1.5 billion (SEK 11.8 billion) to SEK 113.8 billion (SEK 112.3 billion).

Work has continued during the year on expanding the number of products, both SBAB's own products and products via partners. Deposit accounts are the most important of SBAB's own products. Among the partnership products, may be mentioned alarm services in collaboration with Securitas, inspection services through Anticimex, insurance in cooperation with If and Cigna. An increasing number of customers, in particular in connection with house buying, purchase one or more of these supplementary products.

Another new offering is the short-term interest product introduced during the year. Customers are offered a very attractive interest rate with a 30-day fixed-interest period for 12 months, after which the loan becomes a 90-day product or another maturity chosen by the customer. The product has been very well received and has contributed to increasing SBAB's competitiveness.

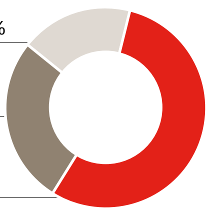
Apace with the interest gap between different maturities decreasing during the year, the proportion of fixed loans has risen. At the end of the year, half of all loans paid out were with fixed interest rates. Of the fixed interest rates, a fixed-interest period of five years has been most popular with a share of 12%.

Tenant-owner associations

Lending to tenant-owner associations amounted to SEK 33.4 billion (SEK 34.7 billion), which corresponds to a market share of 14% (16%). New lending for the year was slightly higher than the previous year, SEK 3.4 billion (SEK 3.2 billion), and the proportion of loans that were extended after renegotiation rose to 83% (79%). The trend with falling margins has continued as competition has become even tougher.

Two new services have been introduced during the year, SBAB

Choice of fixed-interest term consumer market 2007



New lending

SEK billion	2007	2006	Change
Consumer market			
Single-family dwellings and holiday homes	11.7	16.2	–4.5
Tenant-owned apartments	10.1	11.5	–1.4
Total consumer market	**21.8**	**27.7**	**–5.9**
Corporate market			
Tenant-owner associations	3.4	3.2	+0.2
Private multi-family dwellings	4.9	4.5	+0.4
Municipal multi-family dwellings	0.0	0.0	+0.0
Commercial properties	2.4	2.6	–0.2
Total corporate market	**10.7**	**10.3**	**+0.4**
Total residential mortgage market	**32.5**	**38.0**	**–5.5**

Bank Package and SBAB Property Insurance. SBAB Bank Package is a transaction account for tenant-owner associations offered in collaboration with Sparbanken Gripen. SBAB Property Insurance is an insurance for properties and boards of tenant owner associations in collaboration with the insurance company If. The new services offered have been positively received by tenant-owner associations.

The decision to repeal the legislation banning reorganisation of rented property will very probably lead to a sharp increase in the amount of public housing reorganised as tenant-owned housing. This year there has already been an increase in the number of reorganisations from municipal property companies.

The change in the tax rules is driving the trend towards a reduction of loans in tenant-owner associations and in increase in loans among the members of the association. The members can benefit from the right of deduction of interest expense, which tenant-owner associations cannot.

Corporate market

New lending to property companies and property funds continued to increase during the year despite the market braking sharply during the latter half of the year due to the turbulence in the credit and capital market. New lending to multi-family dwellings amounted to SEK 4.9 billion and commercial properties to SEK 2.4 billion. Lending to the municipal sector continued to decrease and the corporate market portfolio, including the municipal portfolio, amounted to SEK 30.6 billion. SBAB's market share for lending to legal entities, excluding tenant-owner associations is assessed at around 6-7%.

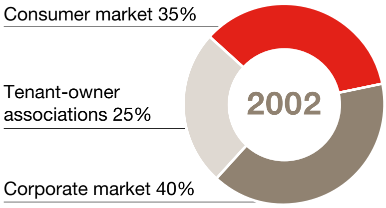
Thanks to a specialised organisation with seven customer teams in Stockholm, Göteborg and Malmö, active marketing efforts are made with medium-sized and large property companies at prioritised locations. SBAB has participated in new construction and reorganisation projects and provided acquisition loans in connection with property transactions. Competition continues to be very tough both from Swedish banks and foreign players. The key to success is being competent, relation-focused and swift and being able to offer good terms and conditions and customer-adapted solutions.

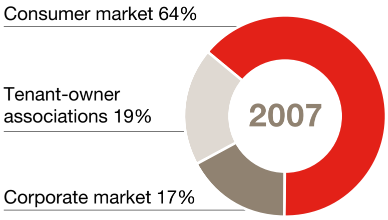
For sound long-term provision of credit in a strong competitive market, it is important to have a well-balanced risk philosophy for, among other things, loan-to-value ratio and interest terms. With the new capital adequacy rules, SBAB has further developed models and calculation tools to be able to structure and set prices for transactions according to risk and to ensure as good a risk-adjusted return as possible.

Business partners

Lending via partners continues to be an important channel for distribution for SBAB. The majority of growth from partners comes from bank collaboration with the savings banks Sparbankerna Finn and Gripen, ICA Banken, Ikanobanken, Bank2 and SalusAnsvar. During the year, SBAB initiated collaboration with GE Money Bank.

Distribution of loan portfolio including securitisation

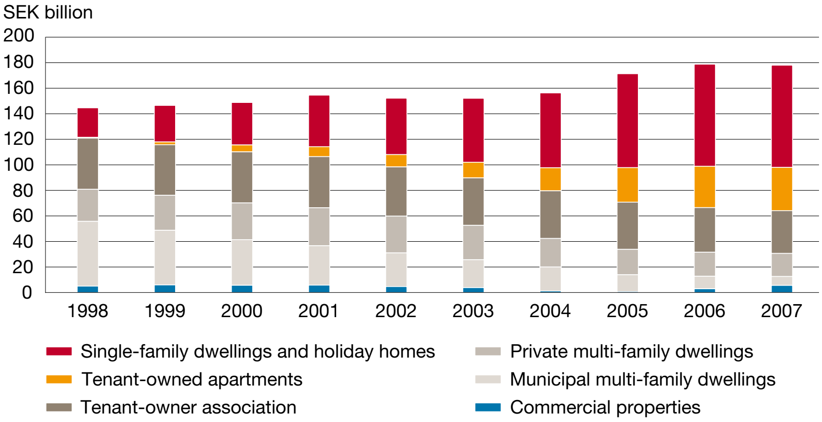




During the year, new lending has decreased slightly, however, compared with 2006. In 2007, new lending totalled SEK 6,822 million (SEK 7,427 million). The total lending in the partner market continues to increase and now amounts to SEK 36 billion (SEK 34 billion).

The jointly owned company FriSpar Bolån AB, which is 51% owned by SBAB and 49% by Sparbankerna Finn and Gripen, continues to have a favourable portfolio development. During the year, FriSpar has increased the portfolio by SEK 2.6 billion to SEK 20 billion.

Distribution of loan portfolio by categories of owner including securitisation



Portfolio development

SBAB's loan portfolio decreased during 2007 by SEK 0.8 billion to SEK 177.8 billion at year-end. During the year, securitised loans have been repurchased and SBAB no longer has any securitised loans.

SBAB's market share of the total residential mortgage market decreased by 1.0% to 9.4%.

Reduced lending to municipalities and municipal property companies is reflected in the composition of collateral in the loan portfolio, where the volume covered by municipal guarantees and direct loans to municipalities has decreased most.

During the year, there was an increase in volume in the consumer market of SEK 1.5 billion and at the end of the year, consumer market loans totalled SEK 113.8 billion corresponding to 64% of SBAB's total loan portfolio. This can be compared with 2002 when the proportion of consumer market loans was 35% and the volume was SEK 53.9 billion.

Corporate market loans decreased by SEK 2.3 billion to SEK 64.0 billion which corresponds to a market share of 13.4%.

Concentration to metropolitan regions

The portfolio is becoming increasingly concentrated on metropolitan regions. The demographic changes have led to population increase in the metropolitan regions with a consequent increased demand for housing. This has in turn led to higher turnover in the property market. Existing lending is predominantly concentrated on the Stockholm region and, in second place, the Öresund region (The Malmö and Helsingborg regions). It is also in these regions that new lending is highest.

The distribution of the loan portfolio by owner categories

SEK billion	2007	SEC*	2006	SEC*	Change incl. SEC*
Single-family dwellings and holiday homes	80.0	–	79.9	–	+0.1
Tenant-owned apartments	33.8	–	32.4	–	+1.4
Tenant-owner associations	33.4	–	27.3	7.4	–1.3
Private multi-family dwellings	18.0	–	18.8	–	–0.8
Municipal multi-family dwellings	7.0	–	9.8	–	–2.8
Commercial properties	5.6	–	3.0	–	+2.6
Total	**177.8**	**–**	**171.2**	**7.4**	**–0.8**

** SEC = Securitisation*

Composition of collateral

SEK billion	2007	SEC*	2006	SEC*	Change incl. SEC*
Municipal guarantees and direct loans municipalities	10.7	–	12.8	–	–2.1
Government guarantee	1.3	–	1.6	0.0	–0.3
Bank guarantee	0.0	–	0.0	–	+0.0
Mortgage deeds	131.1	–	124.4	7.4	–0.7
Tenant-owned apartments	33.8	–	32.4	–	+1.4
Other collateral	0.9	–	0.0	–	+0.9
Total	**177.8**	**–**	**171.2**	**7.4**	**–0.8**

** SEC = Securitisation*

Geographical distribution of the loan portfolio

SEK billion	2007	SEC*	2006	SEC*	Change incl. SEC*
Stockholm region	75.6	–	74.1	3.0	–1.5
Göteborg region	15.1	–	14.4	1.1	–0.4
Öresund region	41.3	–	36.6	0.9	+3.8
University and growth locations	16.3	–	16.2	1.4	–1.3
Other locations	29.5	–	29.9	1.0	–1.4
Total	**177.8**	**–**	**171.2**	**7.4**	**–0.8**

** SEC = Securitisation*

Development of SBAB's loan portfolio (excluding securitised loans)

	2007	2006	2005	2004	2003
Loan portfolio (excl. securisation), SEK billion	178	171	156	131	126
Average remaining term, years	1.6	1.5	1.5	1.4	1.7
Average interest rate, %	4.29	3.64	3.81	4.39	5.05
Number of loans, thousands	359	364	321	243	208
Proportion of loans with municipal or government guarantee, %	6	8	12	19	22

Saving

Two new savings products were introduced in 2007. With the introduction of these savings products, SBAB has taken a further step in the strategy of broadening the product range and is thus challenging the major banks in a new area.

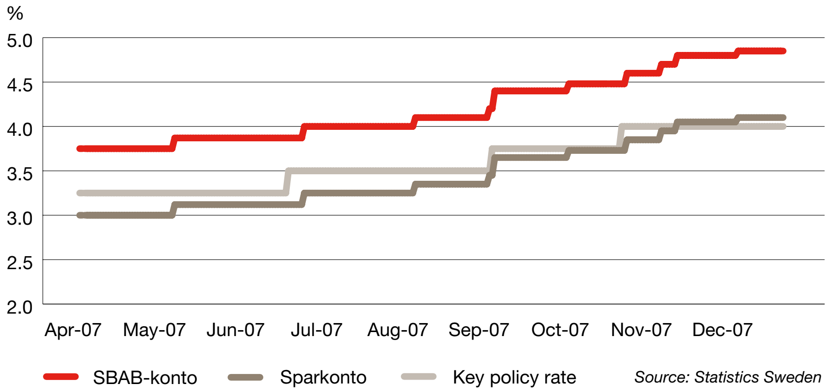
In April 2007, SBAB introduced two savings products: The savings account (Sparkonto) for both new and existing customers with an interest rate of 4.10% as at 31 December 2007 and the SBAB account (SBAB-konto) for customers with residential mortgages of at least SEK 1 million with an interest rate of 4.85% as at 31 December 2007. Interest is calculated from the first krona deposited regardless of the amount saved and all withdrawals are free of charge. An account can easily be opened via sbab.se or customer services. The deposited amount totalled SEK 759 million as at 31 December 2007.

Saving products are a component of SBAB's long-term strategy and have had a good start during the year. Taking into consideration the extent of the market, it is too early to estimate SBAB's market share.

The SBAB brand has had a strong association with the residential mortgage business and entry into the savings market makes demands on a further development of the brand position. During April, a launch campaign was carried out for the savings products and during December a small campaign with full pages in a number of daily papers.

The interest rate level of both savings products has increased more than the key policy rate during the year. This is due to the savings products tracking the development of the short-term mortgage rates instead of the key policy rate. In this way, customers will obtain a clear link with market changes on both residential mortgages and saving with SBAB.

Interest rates on savings



Source: Statistics Sweden

Funding

2007 was an active year for SBAB's funding in the international capital markets. SBAB has continued to benefit from the successful establishment of SCBC in 2006 and a further broadening of the investor base in Europe. SBAB has refinanced maturing non-covered debt by covered debt according to plan. The credit markets were marked by turbulence with increasing credit spreads and reduced liquidity in the second half of the year. During this period, SBAB has continued to successfully borrow both in the covered and non-covered bond markets.

A selection of the most important events during the year:

- Follow-up of 2006's successful establishment of SCBC and its covered bond issuance with a further two public benchmark bonds in euro.
- Introduction of Sweden's and SCBC's second and third Swiss public issues.
- New covered bond issues in a number of currencies such as Swedish kronor, Norwegian kroner, British pounds, Swiss francs and US dollars.
- During the first half of the year, SBAB decided to repurchase the securitised loan portfolio in SRM Investment No 3 Limited of SEK 7.4 billion.

SBAB

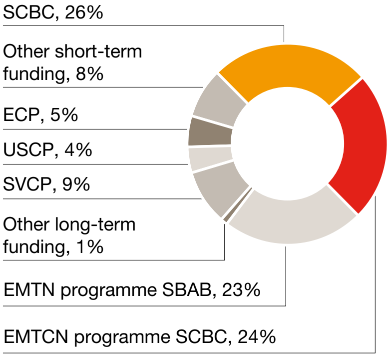
Short-term funding

SBAB has the highest possible credit rating by Standard & Poor's A-1+ and Moody's P-1 and has three established commercial paper programmes for short-term funding.

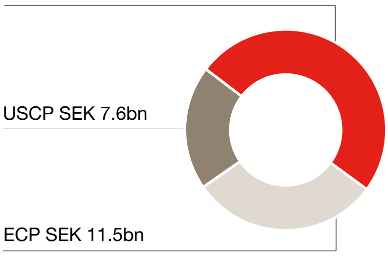
Long-term funding

During the year, SBAB has issued a number of transactions through the EMTN programme at an equivalent volume of SEK 17,826 million, allocated to different currencies such as Euro, Japanese yen, Hong Kong dollar and Swedish kronor. During the year, a Swedish krona issue (SEK 7.5 billion) was made which was the largest single public EMTN

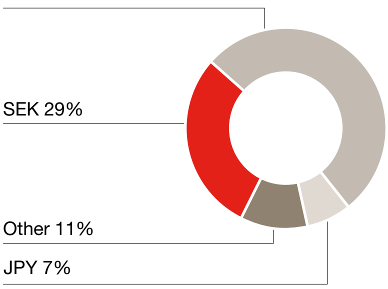
Funding sources, group
Outstanding debt 31 December 2007: SEK 210bn



Commercial paper programmes
Outstanding volume 31 December 2007



EMTN programme SBAB 2007
Allocation of currencies, securities issued



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

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

issue placed in the Swedish market during 2007.

Rating

On 3 July 2007, Moody's started a review of a possible downgrading of SBAB's Aa3 rating for long-term funding. This review is based on the Riksdag deciding on 20 June 2007 to authorise the Government to sell SBAB. SBAB's short-term rating and SCBC's long-term rating are not affected by the review. On 5 February 2008, Moody's changed SBAB's long-term rating from Aa3 to A1 and at the same changed to negative Outlook.

On 6 November 2007, Standard & Poor's changed the Outlook for SBAB from stable to developing. The reason for this is the expected changes in SBAB's ownership. SBAB's short-term rating and SCBC's long-term rating are not affected.

SCBC

The Swedish Covered Bond Corporation, SCBC, is a wholly-owned subsidiary of SBAB. SCBC is a credit market company whose activities are mainly focused on issuing covered bonds in the Swedish and international capital market. For this pupose, the company currently uses two funding programmes: the mortgage bond programme in Sweden and the EMTCN programme preferably in the international market. These two programmes both have the highest possible credit rating Aaa/AAA by the rating institutions Moody's and Standard & Poor's.

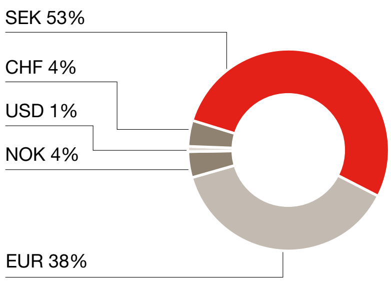
SCBC does not carry out any lending activities itself but acquires loans from SBAB currently or when required. The intention of the acquisitions is for these loans to be wholly or partly included in the cover asset pool which is collateral for the investors who own SCBC's covered bonds. During 2007, SCBC's loan portfolio increased by around SEK 40 billion.

The arrangement and corporate structure chosen by SBAB for its issue of covered bonds together with the Swedish legislation on covered bonds has been appreciated by the market participants and rating institutions.

During the year, SCBC has issued a total of SEK 24,088 million Swedish covered mortgage bonds.

Outstanding debt under the Swedish covered mortgage bond programme as at 31 December 2007 was SEK 55,645 million, excluding repos.

Allocation of currencies securities issued SCBC 2007



Rating	Moody's	Standard & Poor´s
Long-term funding, SBAB	Aa3 [1)]	AA- [2)]
Long-term funding, SCBC	Aaa	AAA
Short-term funding, SBAB	P-1	A-1+

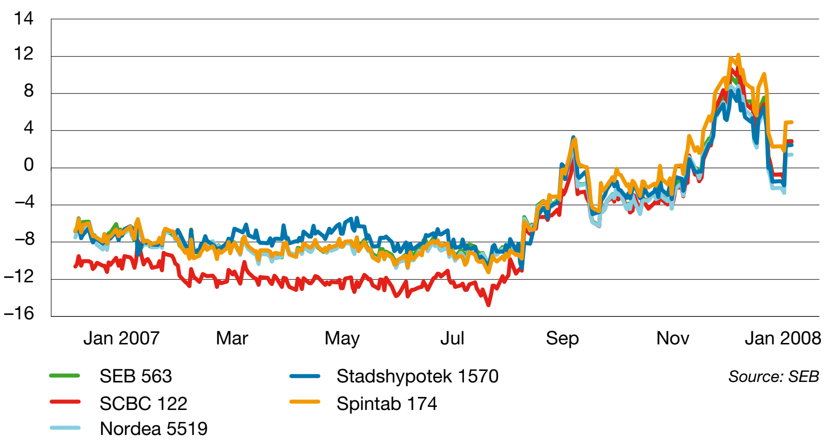
[1)] *On 3 July 2007, Moody's started a review of a possible downgrading of SBAB's Aa3 rating for long-term funding. This review is based on the Riksdag deciding on 20 June 2007 to authorise the Government to sell SBAB. SBAB's short-term rating and SCBC's long-term rating are not affected by the review. On 5 February 2008, Moody's changed SBAB's long-term rating from Aa3 to A1 and at the same changed to negative Outlook.*

[2)] *On 6 November 2007, Standard & Poor's changed the Outlook for SBAB from stable to developing. The reason for this is an expected change in SBAB's ownership.*

Long-term funding, SCBC	Limit
Euro Medium Term Covered Note Programme (EMTCN), SCBC	EUR 10bn
Swedish bond loan programme for continuous issue of covered bonds	unlimited

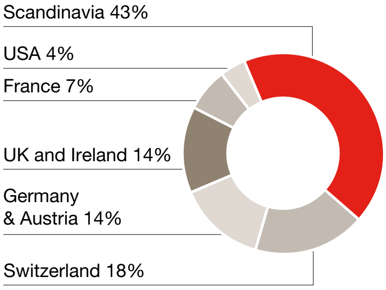
Asset swap spreads Swedish mortgage bond market - maturity 2010

Basis points compared to STIBOR



Source: SEB

Geographical allocation SCBC, EUR 1 billion, 3 years
Equivalent value, SEK 9.1bn

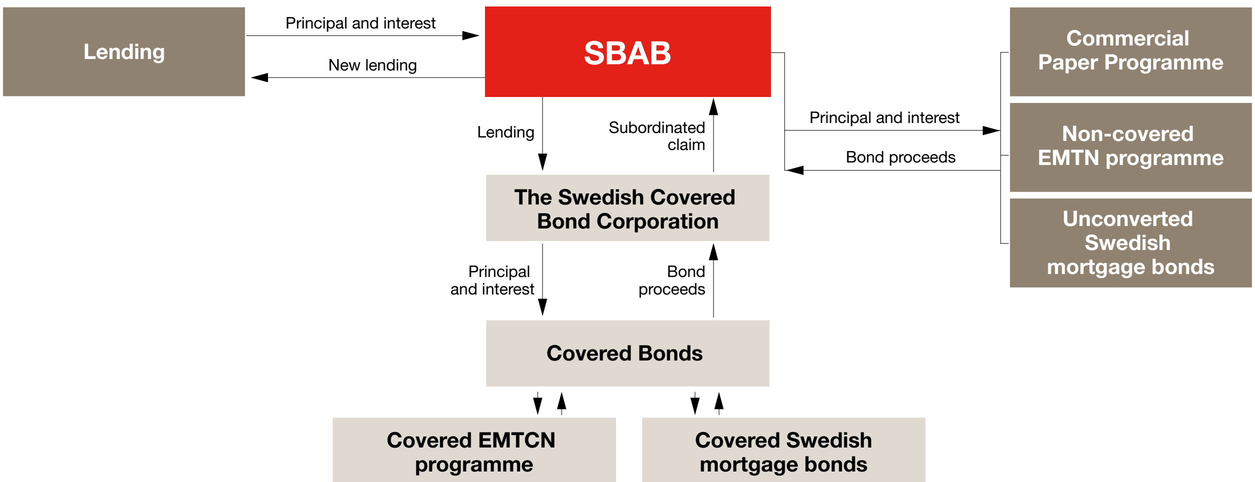


Several large public international issues have been made in SCBC during the year, including:

- Public bond loan, EUR 1bn, 3-year maturity
- Public bond loan, EUR 1bn, 2-year maturity, supplement to EUR 30m issue on a later occasion
- Public bond loan, CHF 250m, 6-year maturity
- Public bond loan, CHF 115m, 2-year maturity

SCBC has moreover issued a number of what are known as private placements under the EMTCN programme in a number of different currencies.

Information about SCBC's cover asset pool is published on the website www.scbc.se.



Staff

Committed and well-motivated staff are essential for SBAB's success. This requires that management are able to communicate and create a feeling of association. The starting point for our managers is that they are good role models as well as being clear and inspiring in their communication.

The staff survey is an important tool for the continued development of SBAB and its staff. This year's staff survey took place during the spring and continued to have a high response rate 89% (91%). The SSI result (Satisfied Staff Index) was 71.7 (75.5). This outcome gives a good indication of the areas for improvement that the company should give priority to and creates a high level of commitment in the organisation. A level of over 70 is desirable.

Communication

Communication is a crucial factor in the management and control of SBAB. The executive management regularly visits offices and has regular telephone meetings with managers to provide information and engage in dialogue about the development of the result and current events. Moreover, the structure of SBAB's intranet has been improved to further simplify internal communications.

Management

A management profile has been prepared during the year. SBAB endeavours to have managers who are skilled communicators, have a comprehensive view, are courageous, develop staff and make decisions. This management profile is to serve as the basis in recruitment of new managers and be followed up in development interviews.

Management training is focused on communication, feed-back training and coaching of staff. 85% of all managers at all levels have now participated in or started on management training.

Health and fitness activities

A health promotion supervisor together with internal inspirers involve and motivate SBAB's staff. SBAB has a fitness hour where all staff are able to use an hour of their working time each week for a health promotion activity. Staff also have a fitness grant, free doctor's visits and access to training premises.

We are continuing to engage in long-term close collaboration with the company health care, the Social Insurance Agency, persons on sick leave and managers. The number of staff on long-term sick leave (full- and part-time) as at 31 December 2007 decreased to 11 (19). During the year, sick leave in relation to the period worked increased slightly, however and totalled 4.4% (4.2%). Long-term sick leave was 2.7% (2.3%), while short-term sick leave decreased to 1.7% (1.9%).

Gender equality and diversity

SBAB strives for equal opportunities and diversity in its activities.

The long-term goal is to have an even gender distribution in all parts of the organisation. In all, 59% (60%) of the company's posts were held by women. The proportion of women in the executive management is 50% (50%). The proportion of female managers is 39% (39%).

The company compensates staff on parental leave for a year with 10% of their salary under 7.5 income base amounts and 80% of the part of salary exceeding 7.5 income base amounts. The proportion of men who are on parental leave with parental allowance increased to 21% (19%) during the year.

An annual wage survey is carried out to ensure that there are no systematic and unjustified wage differences.

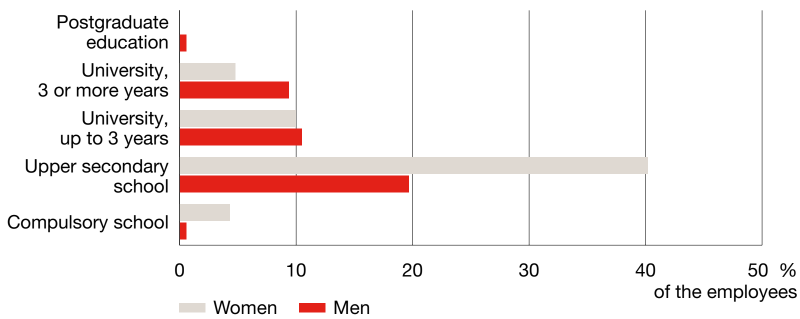
Competence development

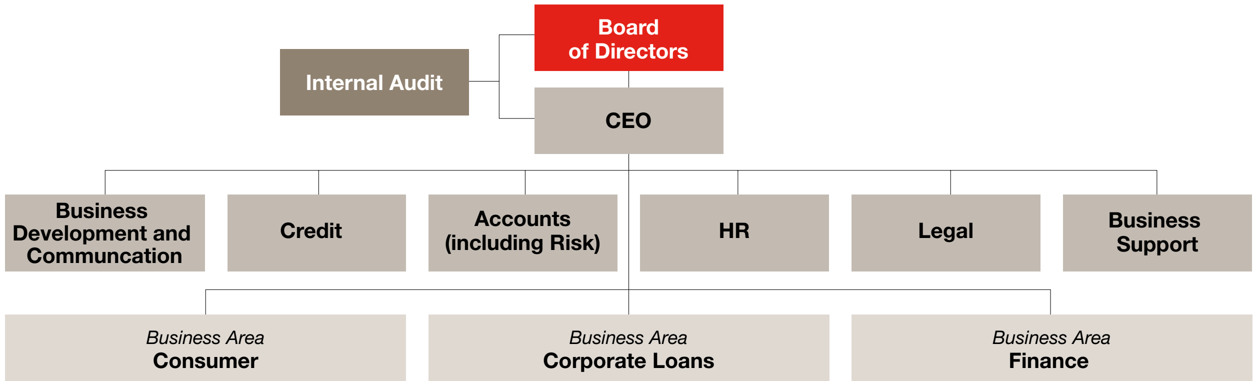
In connection with the new initiative to introduce savings products, a high-quality training initiative took place during the spring for all members of the customer services staff.

Bank secrecy and bank ethics are important components of activity and seminars were held on this topic during the year.

Within Corporate Loans, the main competence is structured finance and developing long-term customer relations. An extensive training programme was carried out for all staff within the business area.

Educational level





Organisation

A new head of the Consumer business area took up work during the spring. Certain organisational changes were made to continue to develop the activity efficiently. A minor organisational change also took place in the Consumer business area. Three departments, Consumer Market, Tenant-owner associations and Partner Market were established and made responsible for sales and profitability within the respective area. Partner Market continues to be an important channel of distribution and is now in an expansive phase and has been enlarged.

The focus during the year has been product development. A common product unit focused on co-ordination of business and product development was created within the Business Development and Communication area.

During the year, we have further improved the quality of our risk models and systems and reinforced the function with more staff.

Guidelines for remuneration and incentive programmes

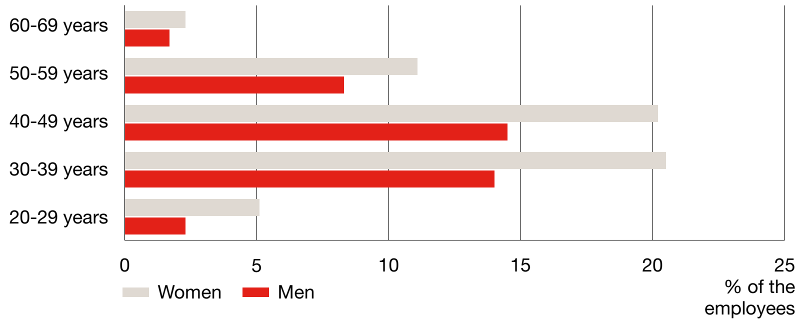
The incentive programme covers all the staff except the CEO and is in accordance with the owner's guidelines. Additional information about the incentive programme and the Board's proposed guidelines for remuneration to executive management is shown in Note 5.

Staff

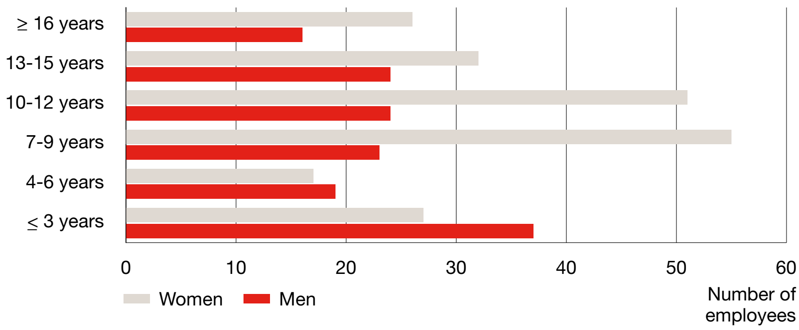
	2007	2006	2005	2004	2003
Average no. of employees	374	410	421	391	384
No. of positions at year-end	351	360	396	364	355
held by women	207	216	233	216	209
Short-term leave, %	1.7	1.9	1.7	1.1	1.7
Long-term leave, %	2.7	2.3	2.9	3.2	2.6
Total sick leave, %	4.4	4.2	4.6	4.3	4.3
Staff turnover, %	10	6	5	4	3
Average age	42	41	41	40	41
Staff costs, SEK million*	251	261	280	225	227
Training days/employee, average	2.3	2.1	2.0	1.5	2.5

The comparison figures for the years 2003-2005 have not been restated in accordance with IAS standards.

Age distribution



Period of employment



The SBAB Brand

Now you can both borrow and save with SBAB! This year's marketing has been characterised by SBAB expanding its activities and introducing savings products alongside residential mortgages. SBAB has previously profiled itself as a challenger to the major banks. This profile is being maintained and further developed with the introduction of new products.

For many years, SBAB has positioned itself as a challenger in the residential mortgage market with the focus on creating attractively priced residential mortgages. In particular, SBAB challenges the major banks. The major part of the total market share of 9.4% consists of consumer lending.

Savings products were introduced in April to further challenge the financial market and provide additional opportunities for more people to become SBAB customers.

With this introduction, a further step was taken in SBAB's endeavour to always do what is right for customers. Customer-friendly terms for both residential mortgages and saving have been self-evident lodestars and SBAB strives to profile itself as a "decent" company which helps customers with their housing finances.

Communication

During the past year, SBAB has worked on the basis of a new communication platform and a new graphic profile. SBAB's campaigns have continued to be inspired by a strong spirit of challenge.

Four major advertising campaigns have been arranged with a view to strengthening SBAB as a brand, retaining good knowledge and creating a flow of business. The most extensive campaign was carried out during April in connection with the establishment of SBAB's new savings products.

SBAB has a tradition of challenging the residential mortgage market. During the summer, a new short-term interest product was launched with a 30-day fixed-interest period for both new and existing customers.

This year's advertising campaigns have taken place both in traditional media such as printed advertising, daily press, TV and outdoors but the main part of the media investment has taken place on Internet this year.

SBAB appears relatively frequently in the media which contributes to the development of the SBAB brand. Continuous forecasts and reports on the level of economic activity, interest rates, housing prices, savings, etc. from SBAB's economic secretariat create a high level of mass media interest. This creates a mass media picture of SBAB as a competent player in the financial market. In addition, SBAB has made frequent appearances in the media during the year due to the ongoing sale of state-owned companies.

In this year's measurement of the Swedish Quality Index, SBAB has a poorer result for the consumer market but has, despite this, better customer satisfaction than the major banks for the seventh consecutive year. In this year's survey, Länsförsäkringar and the independent savings banks achieved better customer satisfaction than SBAB. This year as well, SBAB was the participant that received the lowest number of complaints from customers.

sbab.se

SBAB profiles itself as a challenger to the major banks by competitive residential mortgages and savings products as well as a simple way of handling products via the Internet and telephone. SBAB's branch-less strategy makes the web a very important channel for information and sales.

At the end of the year, SBAB's new website was launched with a view to making it even simpler and better for customers to obtain assistance. One of the new developments on the web is the expert corner where our economists, together with customer managers, provide tips and advice on interest rates, market trends and housing finances. The website has also been adapted to the new graphic profile.

During the year, the web application "Storstadsguiden" (the Metropolitan Guide) was further developed and now includes price history for tenant-owned apartments and single-family dwellings as well as information on the 100 last sold single-family dwellings in the Stockholm, Malmö and Gothenburg regions. SBAB's Metropolitan Guide is a cost-free, web-based mapping service that is intended for customers who want to know more about housing prices or are involved in a bidding process.

Tenant-owner associations and corporate customers

SBAB is a relatively well-known participant in this market which is mainly operated by relation marketing. During the year, a number of customer meetings have been arranged with the intention of creating strong customer relations and giving customers relevant information about financing and interest rate trends, among other things.

SBAB also participated this year as a partner in Business Arena, a meeting place for the property industry, and advertised in certain trade magazines.

According to the Swedish Quality Index, SBAB continues to have the second highest customer satisfaction after Handelsbanken, within the customer segment, which includes tenant-owner associations, private property owners and property companies.

Result

Operating income

SBAB's net operating income for 2007 amounted to SEK 258 million (SEK 840 million). The reduction in net operating income compared with the corresponding period last year is primarily attributable to unrealised changes in market value in SBAB's liquidity portfolio. The negative charge on earnings for this reason amounted to SEK 616 million. Net operating income adjusted for the unrealised change in market value in the liquidity portfolio amounts to SEK 874 million, which is slightly higher than the corresponding period last year (SEK 840 million).

SBAB's return on equity expressed as an average for the five-year period 2003-2007 amounts to 8.8%. The return on equity is 3.1% for 2007. If the negative unrealised market value effect is excluded from the net operating income, return on equity amounts to around 10%. SBAB has a return on equity requirement from its owner that means that its operations over a business cycle should yield a return on equity corresponding to the yield on five-year government bonds plus five percentage points after tax. For the period 2003-2007, the return on equity has been calculated at around 8.7%, which means that SBAB has achieved the owner's requirement. The owner's requirement for 2007 has been calculated at 9.2%.

Net interest income

Net interest income amounted to SEK 1,177 million (SEK 1,217 million). During 2007, the residential mortgage market has been characterised by very tough competition, a clearly downward marginal trend and a high level of demand for short fixed-interest periods. Net interest income has been positively affected by higher market rates compared with previous years. This has also increased return on invested equity and payment flows. The higher market rates are reflected in the average interest rate on customer lending which rose from 3.64% for 2006 to 4.29% for 2007.

The investment margin (net interest income in relation to average total assets) decreased from 0.67% for 2006 to 0.55%, which further underlines the tough competition in the residential mortgage market.

Other income and expenses

Net commission income and other operating income amounted to SEK –422 million (SEK 218 million).

This reduction is primarily attributable to the unrealised change in value in the liquidity portfolio. Positive unrealised gains arose in hedged items and derivatives held for hedging corresponding to SEK 325 million.

The liquidity portfolio

SBAB's liquidity portfolio is a liquidity reserve which is intended to manage liquidity and funding risks. The holding in the portfolio is long term. SBAB has liquidity reserves that correspond to the need of liquidity for 30 days or more (see page 36). All securities have the highest rating Aaa from Moody's, or AAA from Standard & Poor's or AAA from Fitch, apart from one covered bond with the rating AAA/Aa2. This bond corresponds to around 0.6% of the portfolio value. SBAB's liquidity portfolio neither has nor has had any exposure to the United States, to US assets or to residential mortgages that are not classified as "prime". Derivative contracts have been entered into to manage interest rate and currency risk. As at 31 December 2007, the portfolio amounted to SEK 31.0 billion (SEK 21.8 billion). This change is a result of SBAB's goal to maintain liquidity reserves corresponding to the need of liquidity for 30 days or more. The bonds in the portfolio can be pledged at the Riksbank or the European Central Bank.

SBAB assesses the market value of each security individually and records the change in value in the income statement. Consequently, the unrealised change in market value affects the net operating income. The negative change in market value at 31 December 2007 amounted to SEK 616 million and is a result of the financial turbulence that characterised the credit market during the latter half of 2007. The realised effect amounts to SEK –7 million.

Expenses

Expenses decreased to SEK 517 million (SEK 595 million), a reduction of 13%. Staff costs have decreased by 4% to SEK 251 million (SEK 261 million). The average number of employees was 374, which is a reduction of 36 compared with 2006.

During the year, SBAB has increased its marketing due to the introduction of savings products. Marketing costs amounted to SEK 58 million (SEK 42 million).

Depreciation increased slightly to SEK 31 million (SEK 26 million).

Other expenses have decreased by 33% to SEK 177 million (SEK 266 million). This sharp drop is mainly explained by SBAB having considerably reduced consultancy costs during 2007 compared with previous years.

IT development & Projects

During the past year, SBAB has invested a lot in the development of IT processes, both within projects, ongoing systems development and operations. This work has been based on industrial standards and quality and efficiency improvements could already be noted this year. With the aid of well-considered process support tools, it is now possible for all internal clients to follow development work and the use of resources for development commissions ordered.

Major projects in process during 2007:

- **The savings project** – Was put into production in April. SBAB was nominated in the category ”Best use of IT in consumer banking” in the UK competition ”Financial Sector Technology Awards” for the technical solution on which SBAB's deposit business is based.
- **www.sbab.se** – A new website based on more products, simpler and better solutions for customers and a new graphic profile.
- **Basel II** – Implementation of technical support for adaptation to the new capital adequacy rules. This makes possible increased precision and traceability in credit risk assessment and analysis of customers in the loan portfolio. It is intended to complete delivery of the project during the first quarter of 2008.
- **Campaign management tool** – A tool for campaign management which is integrated with other systems. The pilot campaigns have produced impressive results in the frequency of acceptances in customer offers.
- **Counterparty rating** – Further development of the process support by qualitative scoring methods. These also include development of the first version of system support for value-based pricing and calculation of the risk-adjusted return per customer.

Credit losses and impaired loans

Impairment charges continue to be at a low level and amounted net to a positive SEK 20 million (SEK 0 million). The size of the impaired loans remains substantially at the corresponding level to the previous year. The specific provision for individually assessed claims has increased slightly during the year to SEK 118 million (SEK 114 million), impaired loans after specific provisions for individually assessed loan receivables amounted to SEK 62 million (SEK 45 million). The provision rate for impaired loans for which specific provision had been made was 66% (72%).

SBAB implemented a new method for collective provisions during January 2007. An assessment of the need for a collective provision is made in the same way for corporate loans as for consumer loans. Information from SBAB's risk classification models has served as a basis for the assessment and the level of the collective provisions decreased slightly during the year to SEK 142 million at year-end.

Impaired loans and provisions

	2007	2006	2005 [1]
Impaired loans, SEK million	180	159	144
Total provisions, SEK million	260	280	228
Provision ratio, loan portfolio, %	0.15	0.16	0.15
Impairment charges, SEK million	20	0	36

[1] *The comparison figures for 2005 have not been restated in accordance with IAS standards.*

Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ)

Net operating income (profit before tax and appropriations) for the parent company amounted to SEK 49 million (SEK 855 million). Capital adequacy at year-end was 34.7% (19.1%) and the capital base was SEK 9,187 million (SEK 8,607 million). Since May 2006, the parent company has currently transferred loans to the subsidiary SCBC. During 2007, SCBC acquired a loan portfolio of around SEK 53 billion. This transfer entails reduced net interest in the parent company. The development of the parent company's expenses and credit losses corresponded with that of the group.

The Swedish Covered Bond Corporation

The Swedish Covered Bond Corporation (SCBC) is a wholly-owned subsidiary of SBAB. The company's main activity is to issue covered bonds on the Swedish and the international capital market. The company's net operating income amounted to SEK 566 million (SEK 298 million). On 31 December 2007, the capital adequacy was 8.5% (8.8%) and the loan portfolio was SEK 128,205 million (SEK 88,654 million).

FriSpar Bolån AB

FriSpar Bolån AB is 51% owned by SBAB, the remainder being owned by the savings banks Sparbankerna Finn and Gripen. Net operating income was SEK 2.1 million (SEK –0.6 million). On 31 December 2007, the capital adequacy was 8.8% (9.2%) and the loan portfolio was SEK 20,012 million (SEK 17,441 million).

Dividend policy and proposed appropriation of profit

The dividend policy decided upon by the owner is that a third of the net profit should be distributed to the owner. The Board and the CEO propose that the net profit for the year 2007 be carried forward and that no dividend be paid.

Important dates after balance-sheet date

- SBAB and the estate agent chain ERA have initiated collaboration enabling ERA to offer residential mortgage products through SBAB.
- In February 2008, SBAB exceeded SEK 1 billion in capital deposited by savings customers.
- Moody's downgraded the parent company SBAB's rating from Aa3 to A1 with negative Outlook.
- The uncertainty in the market persists leading to a further effect on market values.

Five-year Overview

SEK million	2007	2006	2005 [1]	2004 [1]	2003 [1]
Interest income	8,585	6,704	5,419	5,820	6,774
Interest expense	(7,408)	(5,487)	(4,123)	(4,606)	(5,521)
Net interest income	**1,177**	**1,217**	**1,296**	**1,214**	**1,253**
Other operating income	(422)	218	(70)	(38)	(28)
Total operating income	**755**	**1,435**	**1,226**	**1,176**	**1,225**
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	(31)	(26)	(22)	(18)	(12)
Other operating expenses	(486)	(569)	(574)	(487)	(469)
Total operating expenses	**(517)**	**(595)**	**(596)**	**(505)**	**(481)**
Operating income before impairment charges	**238**	**840**	**630**	**671**	**744**
Impairment charges incl. change in value of property	20	0	36	7	(23)
Net operating income	**258**	**840**	**666**	**678**	**721**
Loan portfolio	167,981	170,013	156,020	130,907	125,772
Other assets	55,110	33,712	5,808	4,194	6,082
Total assets	**223,091**	**203,725**	**161,828**	**135,101**	**131,854**
Securities issued etc.	191,807	182,328	145,400	119,025	118,018
Other liabilities	22,333	12,555	8,329	8,781	6,984
Deferred income tax liabilties	–	–	304	274	246
Subordinated liabilities	2,725	2,808	1,851	1,482	1,482
Equity including minority interests	6,226	6,034	5,944	5,539	5,124
Total liabilities and equity	**223,091**	**203,725**	**161,828**	**135,101**	**131,854**
Lending					
Securitised, SEK million	–	7,427	15,108	25,153	26,042
New lending, SEK million	30,487	35,893	42,235	28,572	21,888
Investment margin	0.55%	0.67%	0.87%	0.91%	0.93%
Impairment charges					
Impairment charges as a % of lending	0.01%	0.00%	0.02%	0.01%	(0.02%)
Impaired loans after specific provision, SEK million	62	45	49	96	102
Provision ratio, as a percentage of lending	0.15%	0.16%	0.15%	0.21%	0.24%
Productivity					
Income/Expenditure ratio excl. impairment charges	1.5	2.4	2.1	2.3	2.5
Income/Expenditure ratio incl. impairment charges	1.5	2.4	2.2	2.4	2.4
Capital structure					
Return on equity	3.1%	11.5%	8.7%	9.5%	11.0%
Capital adequacy, % [2]	9.4%	9.0%	9.0%	10.0%	10.2%
Primary capital ratio, % [2]	7.6%	7.3%	7.1%	8.4%	8.4%
Equity ratio	2.8%	3.0%	3.7%	4.1%	3.9%
Consolidation ratio	2.8%	3.0%	3.9%	4.3%	4.1%
Employees					
No. of employees (annual average)	374	410	421	391	384

[1] *The comparison figures for the years 2003-2005 have not been restated according to IAS standards.*
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 comparison figures for the years 2003-2006 have not been restated according to IAS standards.*

Definitions of key ratios

New lending • Gross lending
Investment margin • Net interest income in relation to average total assets
Impairment charges as a percentage of lending • Impairment charges as a percentage of lending at the end of the year
Impaired loans after specific provisions • Impaired loans after specific provisions for individually assessed loan receivables
Provision ratio in relation to lending • Total provision for probable impairment in relation to lending
Income/Expenditure ratio excl. impairment charges • Total income/(total operating expenses less impairment charges)
Income/Expenditure ratio incl. impairment charges • Total income/total operating expenses
Return on equity • Net operating income 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 the end of the year
Consolidation ratio • Equity incl. minority interest and deferred tax in relation to total assets at the end of the year
Number of employees • Permanent and temporary employees (annual average)

Financial Reports

Income Statement

		GROUP		PARENT COMPANY	
SEK million	Note	2007	2006	2007	2006
Interest income	1	8,585	6,704	4,231	4,869
Interest expense	1	(7,408)	(5,487)	(4,007)	(4,043)
Net interest income		**1,177**	**1,217**	**224**	**826**
Dividend income		0	0	408	0
Commission income	2	56	53	82	99
Commission expense	2	(37)	(27)	(36)	(27)
Net income from financial instruments designated at fair value	3	(441)	192	(436)	395
Other operating income	4	0	0	306	157
Total operating income		**755**	**1,435**	**548**	**1,450**
Staff costs	5	(251)	(261)	(251)	(261)
Other expenses	6	(235)	(308)	(249)	(318)
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	7	(31)	(26)	(18)	(16)
Total expenses before impairment charges		**(517)**	**(595)**	**(518)**	**(595)**
Impairment charges	8	20	(0)	19	(0)
Operating profit		**258**	**840**	**49**	**855**
Appropriations	9	–	–	3	1,052
Income tax expense	10	(68)	(186)	99	(540)
Profit for the year		**190**	**654**	**151**	**1,367**

Balance Sheet

		GROUP		PARENT COMPANY	
SEK million	Note	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
ASSETS					
Cash and balances at central banks		0	0	0	0
Treasury bills and other eligible bills	11	10	3	10	3
Loans and advances to credit institutions	12	19,909	9,962	38,502	28,052
Loans and advances to customers	13	167,981	170,013	29,570	65,036
Fair value adjustment of interest-rate hedged loan receivables	14	(922)	(405)	(88)	(255)
Bonds and other interest-bearing securities	15	31,056	21,813	31,056	21,813
Derivative financial instruments	16	3,799	1,355	2,225	1,641
Other shares and participations	18	4	2	4	2
Investments in associates and joint ventures	19			602	459
Investments in subsidiaries	20			5,200	4,000
Deferred income tax assets	30	103	133	0	–
Intangible fixed assets	21	58	55	19	21
Property, plant and equipment	22	14	19	14	19
Other assets	23	296	84	537	387
Prepaid expenses and accrued income	24	783	691	490	481
TOTAL ASSETS		**223,091**	**203,725**	**108,141**	**121,659**
LIABILITIES AND EQUITY					
Liabilities					
Liabilities to credit institutions	25	15,537	5,407	7,092	605
Customer accounts	26	759	–	759	–
Debt securities in issue	27	191,807	182,328	86,573	105,983
Derivative financial instruments	16	2,923	5,259	3,467	5,143
Other liabilities	28	694	890	671	608
Accrued expenses and prepaid income	29	2,420	999	524	332
Subordinated liabilities	31	2,725	2,808	2,725	2,808
Total liabilities		**216,865**	**197,691**	**101,811**	**115,479**
Untaxed reserves		**–**	**–**	**–**	**3**
Equity					
Share capital		1,958	1,958	1,958	1,958
Legal reserve				392	392
Other reserves/Fair value reserve		14	12	14	12
Retained earnings		4,064	3,410	3,815	2,448
Net profit for the year		190	654	151	1,367
Total equity	32	**6,226**	**6,034**	**6,330**	**6,177**
TOTAL LIABILITIES AND EQUITY		**223,091**	**203,725**	**108,141**	**121,659**
Off-balance sheet items					
Assets pledged for own liabilities	33	130,793	84,891	7,102	608
Commitments	34	4,190	3,264	4,080	3,175

Statement of Changes in Equity

GROUP

SEK million	Share capital	Other reserves	Retained earnings and net profit for the year	Total equity
OPENING BALANCE 1 JANUARY 2006	**1,958**	**(2)**	**3,410**	**5,366**
Change in cash flow hedges*, after tax		14		14
Total transactions reported directly in equity		*14*		*14*
Net profit for the year			654	654
CLOSING BALANCE 31 DECEMBER 2006	**1,958**	**12**	**4,064**	**6,034**
OPENING BALANCE 1 JANUARY 2007	**1,958**	**12**	**4,064**	**6,034**
Change in cash flow hedges*, after tax		2		2
Total transactions reported directly in equity		*2*		*2*
Net profit for the year			190	190
CLOSING BALANCE 31 DECEMBER 2007	**1,958**	**14**	**4,254**	**6,226**

** Refers to change in fair value.*

The effects of the transition to IFRS for the group are described on pages 64-67.

PARENT COMPANY

	Restricted equity		Non-restricted equity		
SEK million	Share capital	Legal reserve	Fair value reserve	Retained earnings and net profit for the year	Total equity
CLOSING BALANCE 31 DECEMBER 2005	**1,958**	**392**		**2,467**	**4,817**
Effects of transition to IFRS			(2)	(19)	(21)
OPENING BALANCE 1 JANUARY 2006	**1,958**	**392**	**(2)**	**2,448**	**4,796**
Change in cash flow hedges*, after tax			14		14
Total transactions reported directly in equity			*14*		*14*
Net profit for the year				1,367	1,367
CLOSING BALANCE 31 DECEMBER 2006	**1,958**	**392**	**12**	**3,815**	**6,177**
OPENING BALANCE 1 JANUARY 2007	**1,958**	**392**	**12**	**3,815**	**6,177**
Change in cash flow hedges*, after tax			2		2
Total transactions reported directly in equity			*2*		*2*
Net profit for the year				151	151
CLOSING BALANCE 31 DECEMBER 2007	**1,958**	**392**	**14**	**3,966**	**6,330**

** Refers to change in fair value.*

The effects of the change of accounting policies for the parent company are described on page 63.

Cash Flow Statement

	GROUP		PARENT COMPANY	
SEK million	2007	2006	2007	2006
Cash and cash equivalents at the beginning of the year	**1,453**	**821**	**791**	**157**
OPERATING ACTIVITIES				
Interest and commission received	8,509	6,517	4,328	4,982
Interest and commission paid	(6,214)	(6,253)	(3,271)	(4,937)
Dividends received	0	0	0	0
Realised changes in value	17	–	1	–
Recoveries on loans previously written off	8	6	8	6
Cash payments to employees and suppliers	(522)	(584)	(518)	(593)
Income taxes paid	(564)	(124)	(406)	(124)
Net changes in subordinated receivables	–	–	(5,543)	(9,931)
Net changes in loans and advances to credit institutions	(1,261)	(1,334)	–	–
Net changes in loans and advances to customers	2,031	(6,141)	35,462	76,279
Net changes in short-term securities	(10,036)	(21,847)	(10,036)	(21,847)
Net changes in liabilities to credit institutions	10,130	900	6,487	(3,885)
Net change in customer accounts	759	–	759	–
Issue of long-term debt securities	68,926	79,025	18,126	49,643
Repayment of long-term debt securities	(60,986)	(51,920)	(37,999)	(84,554)
Issue of short-term debt securities	150,806	190,536	150,806	190,536
Repayment of short-term debt securities	(153,073)	(189,421)	(153,073)	(189,421)
Net changes in other assets and liabilities	187	309	(1,443)	(2,394)
Cash flows for operating activities	**8,717**	**(331)**	**3,688**	**3,760**
INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	1	0	1	0
Purchase of property, plant and equipment as well as intangible assets	(31)	(31)	(13)	(19)
Investments in subsidiaries and joint ventures	–	–	(1,343)	(4,101)
Acquisitions of subsidiaries	–	–	–	–
Cash flows from investing activities	**(30)**	**(31)**	**(1,355)**	**(4,120)**
FINANCING ACTIVITIES				
Net changes in subordinated liabilities	–	994	–	994
Cash flows from financing activities	**–**	**994**	**–**	**994**
Net increase/decrease in cash and cash equivalents	**8,687**	**632**	**2,333**	**634**
Cash and cash equivalents at the end of the year	**10,140**	**1,453**	**3,124**	**791**

Cash and cash equivalents comprises cash in hand, on demand deposits and lending to credit institutions with original maturity of less than three months.

Risk Management

Successful risk management is a corner-stone for financial business. The central independent risk section within SBAB (Risk) has improved the quality of existing models for credit risk during the year. Additional system support has been acquired to further improve the ability to analyse the group's risk-taking.

Overall goals for risk management

- SBAB's risk management shall support the company's business activity and rating targets. Risk-taking is to be balanced, which is to be achieved by the total risk level being kept at such a level as to be compatible with SBAB's long-term financial goals for return, the size of risk capital and the rating aimed at.
- Relevant risks shall be identified, measured, controlled and checked.
- Allocation of capital is to take place based on the desired risk level and earning capacity within the company's different business areas.
- SBAB's risk management shall be transparent and thus able to be presented to and followed by outside stakeholders.

Organisation and responsibility

The Board is ultimately responsible for risk management and decides on the risk strategy, risk propensity, risk policy and instructions for management and measurement of risk. In the financial directive, the Board sets limits for, for instance, market and liquidity risk. Delegation of decisions to SBAB's finance committee has been made in certain matters. The Board also decides on the powers granted to decision-makers to make credit and limit decisions at different levels in SBAB through decisions of the credit directive.

The Asset and Liability Management Committee (ALCO) deals with matters relating to risks and capital planning dealt with by the executive management. The Head of Accounts and Risk Department is chairman of ALCO. The other members of the committee are the heads of the respective business area, the Chief Credit Officer and the Risk Manager.

Risk is a section within the accounts department which is responsible for analysing, assessing and reporting on the overall risks of the SBAB Group. In particular, credit risk, which is the most important risk for SBAB, is checked and analysed. Risk is responsible for the design, implementation, reliability and monitoring of SBAB's risk classification systems and for SBAB's internal capital evaluation. The specific risks are dealt with by the respective business area.

A monthly report on the overall risk scenario is made by Risk to the CEO, the executive management and the Board together with a description of the development of economic capital and risk-adjusted return. Furthermore, continuous reports are made on capital adequacy to the CEO and the Board and the senior executives at SBAB. Quarterly reports are made to the Board and the CEO with a more detailed description of risks in the SBAB Group.

The Financial Supervisory Authority's examination of methods for risk management

The Financial Supervisory Authority has examined the company's internal methods and considers that they are reliable.

SBAB has therefore been granted permission by the Financial Supervisory Authority to base the capital requirement for credit risk on internal risk classification methods (IRC methods). At the same time, SBAB was granted the right to apply the standard method for credit risk for

- the exposure amount in relation to the Swedish state, the Swedish Riksbank and Swedish municipalities
- portfolios of an insignificant size (time-limited consent)
- all state and institutional exposures.

SBAB will apply for a licence to use its own estimates during 2008 for LGD and the conversion factor (CF) for loans to companies and tenant-owner associations based on mortgage deed collateral.

The standard method is applied to measure and manage operational risk. This method complies with the regulations in the Swedish Financial Supervisory Authority's regulations. During the year, the Financial Supervisory Authority has examined the method and found it to be reliable.

Risks

Credit risk

The following table shows the maximum credit exposure for the SBAB group at the end of 2006 and 2007 without taking pledged assets into consideration. The carrying value is used for assets on the balance sheet.

84% (88%) of the total credit exposure derives from lending to credit institutions and customers (taking into consideration, the change in fair value for interest rate

Maximum credit risk exposure before collateral held or other credit enhancements

SEK million	2007	2006
Credit risk exposure for on-balance sheet items		
Treasury bills and other eligible bills	10	3
Loans and advances to credit institutions	19,909	9,962
Loans and advances to customers:		
Loans to consumers		
– Single-family dwellings and holiday homes	71,567	72,485
– Tenant-owned apartments	32,558	31,321
Loans to companies/legal entities		
– Tenant-owner associations	33,346	34,713
– Private multi-family dwellings	17,913	18,758
– Municipal multi-family dwellings	7,000	9,781
– Commercial properties	5,597	2,955
Fair value adjustment of interest rate hedged loan receivables	(922)	(405)
Bonds and other interest-bearing securities	31,056	21,813
Derivative financial instruments	3,799	1,355
Other assets	296	84
Prepaid expenses and accrued income	783	691
Credit risk exposure for off-balance sheet items		
Financial guarantees	–	–
Loans granted but not released	4,190	3,351
Maximum credit exposure as at 31 December	**227,102**	**206,867**

hedged loan receivables and loans that have been granted but not released.

Credit risk in lending activities

The credit risk is defined as the risk of loss due to the customer or counterparty being unable to pay interest and amortisation payments or otherwise comply with the loan agreement. Credit risk also arises, besides in loans and loan commitments, in the event of changes in value of pledged assets so that these no longer cover the group's claims.

The credit risk in lending activities is restricted by the limits set for the customer or customer group. The credit risk is also managed by the ability of potential borrowers to pay interest being analysed in the process of granting credit. New loans to consumers, for instance, are only granted to borrowers who are expected to be able pay interest and amortisation at interest rates above the current levels. Furthermore, risk class assessment is used, which is based on internal risk classification method, in analysis of the credit risk of new and existing customers in the loan portfolios.

A standardised method, a basic or advanced IRC method may be used for measurement and monitoring credit risk. SBAB applies an advanced IRC method for consumer loans. During 2008, it is possible to apply for a licence to use advanced IRC methods for corporate loans as well, which SBAB intends to do. Until this licence has been obtained, the basic IRC method will be used.

The credit risk is assessed in the group's credit models for every part of individual commitments to businesses or households, which have a tenant-owned apartment or a mortgage in residential property as collateral, which is the case for 79% (89%) of total lending. A standardised method is used for measurement of credit risk for other types of commitment. External rating obtained from Standard & Poor´s has been used in a few cases. 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, CF. On the basis of these parameters, together with EAD, customers can be ranked according to risk and the anticipated or unanticipated loss estimated. After assessment, the total receivable is referred to one of eight risk classes for corporate and consumer loans respectively, where the eighth class consists of customers in default. The development of customers in poorer risk classes is monitored with especial care and the total receivable is, when necessary, actively managed by credit analysts in the credit department. Models developed are validated annually.

A more uniform procedure where qualitative factors now complement the previous quantitative assessment of a customer's risk class has been developed and implemented during the year in Corporate Market[1)] for the customer segment where current financial reports are available, which entails increased uniformity in the assessment and easier handling of the underlying data. For other customer segments in Corporate Market, the credit analysts, as before, add their assessment of the risk class together with an explanatory statement to the supporting material for assessment of risk class in the decision processing system.

The expected loss (EL) is measured by the formula
EL = PD*LGD*EAD where
– PD (probability of default) states the probability of customer default
– LGD (loss given default) states how large the loss will be in the event of default and
– EAD (exposure at default) measures the expected exposure in the event of default.

The estimated expected loss (EL) from models can be compared with the estimated probable loss in the accounts viewed over a longer period of time. The latter is managed in compliance with IAS 39. According to these standards, impairment is to take place where there is objective evidence of impairment due to one or more events having taken place which have a negative impact on future cash flows, unlike the expected loss produced by the models, the size of which is regulated by the Act concerning Capital Adequacy and Large Exposures (SFS 2006:1371) and the Financial Supervisory Authority's regulations FFFS 2007:1, where the risk in each particular loan is to be calculated on the basis of the outcome over 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 according to that estimated by IRC models since the latter are based on the development of default over a longer period of time, which will generate a more standardised value, while the opposite will be the case when the level of economic activity is lower.

Loan portfolios by risk class

Every customer is allocated a risk class. Customers with individually reserved corporate market loans are also allocated to the worst corporate market risk class C8. The loans covered by collective provisions are obtained for the corporate market from risk classes C6 and C7 and collectively impaired consumer market loans consist of loans in risk classes R5-R8. Risk class C/R0 are loans where the customers are not classified in accordance with a model.

Lending to customers and credit institutions

In the table "Loans and advances to customers and credit institutions without unpaid amounts past due, with amounts past due and with provisions", the loan portfolio has been allocated to loans, where the borrower has performed his obligations according to the terms of the loan, loans where the borrower has not performed his undertakings according to the terms of the loan and loans with individual provisions.

In the case of a loan for which individual provision has been made, an individual assesment of the future cash flow has been made together with an estimate

1) *The consumer market refers to all lending to consumers for single-family dwellings, holiday homes and tenant-owned apartments. The corporate market refers to all other lending to customers. Among other things, this means that loans to private persons for multi-family dwellings are treated as corporate loans.*

Internal rating of the loan portfolio 2007

Corporate market			Consumer market		
Risk class*	Lending allocated by risk class	Provision/lending in respective risk class	Risk class **	Lending allocated by risk class	Provision/lending in respective risk class
C0	1.5%		R0	0.0%	–
C1	50.0%	–	R1	38.3%	–
C2	21.8%	–	R2	20.7%	–
C3	14.9%	–	R3	24.3%	–
C4	5.0%	–	R4	11.4%	–
C5	3.6%	–	R5	3.0%	0.4%
C6	2.3%	1.5%	R6	1.4%	1.2%
C7	0.2%	22.6%	R7	0.8%	5.8%
C8	0.7%	24.4%	R8	0.1%	19.2%
	100%	0.24%		100%	0.10%

* *C = Corporate market*
** *R = Retail (Consumer market)*

Internal rating of the loan portfolio 2006

Corporate market			Consumer market		
Risk class*	Lending allocated by risk class	Provision/lending in respective risk class	Risk class **	Lending allocated by risk class	Provision/lending in respective risk class
C0	1.8%	–	R0	0.0%	–
C1	31.0%	–	R1	24.2%	–
C2	16.9%	–	R2	27.7%	–
C3	33.6%	–	R3	34.4%	–
C4	5.8%	–	R4	10.2%	–
C5	7.4%	–	R5	1.8%	0.5%
C6	2.3%	4.1%	R6	1.1%	1.6%
C7	0.3%	9.2%	R7	0.5%	8.7%
C8	0.9%	20.6%	R8	0.1%	10.5%
100%	0.29%		100%	0.09%	

* *C = Corporate market*

** *R = Retail (Consumer market)*

Loans and advances to customers and credit institutions without unpaid amounts past due, with unpaid amounts past due and with provisions

SEK million	31 Dec 2007 Customers	31 Dec 2007 Credit institutions	31 Dec 2006 Customers	31 Dec 2006 Credit institutions
Current loans without unpaid amounts past due or provisions	167,423	19,909	169,519	9,962
Loans with unpaid amount past due > 5 days	638		615	
Loans with individual provisions	180		159	
Total outstanding loans	**168,241**	**19,909**	**170,293**	**9,962**
Individual provisions	118		114	
Collective provisions, corporate market	53		76	
Collective provisions, consumer market	89		90	
Total provisions	**260**		**280**	
Total lending after provisions	**167,981**	**19,909**	**170,013**	**9,962**
Guarantees for loans with individual provisions	29		22	
Guarantees for loans with collective provisions, corporate market	8		14	
Guarantees for loans with collective provisions, consumer market	36		39	
Total guarantees	**73**		**75**	
Total lending after provisions and guarantees	**168,054**	**19,909**	**170,088**	**9,962**

Loans and advances to customers 2007 by segment without amounts past due or provisions

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	0	0	0	49	932	0
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	0	0
C/R8	12	8	267	0	0	0
Total	**71,309**	**32,426**	**33,232**	**17,843**	**7,000**	**5,592**

of the market value of the underlying collateral, which serves as the basis for the individual provision. In the case of collective provisions, change has been made of the risk in the loan although this change cannot be attributed to any particular customer. The table specifies the provision without taking guarantees into consideration, and the amount guaranteed for the respective provision group.

Total provisions (individual and collective) amounted as at 31 December 2007 to SEK 187 million (SEK 205 million) after deduction for guarantees, which are 0.1% (0.1%) of the loan portfolio, of which individually assessed loans amounted to SEK 89 million (SEK 92 million). Individual provisions after deduction for guarantees have as at year-end 2007/2008 decreased by SEK 18 million compared with the previous year and constitute 49% (58%) of impaired loans, which amount to SEK 180 million (SEK 159 million). No need of provisions has arisen for loans to credit institutions.

Loans and advances to customers without amounts past due or individual provisions

The allocation of loans per risk class for the loans which have neither unpaid amounts past due nor individual provision shows that 94% in 2007 and 93% in 2006 are in the four best risk classes. The allocation does not include any transaction costs totalling SEK 21 million (SEK 33 million) which could not be attributed to individual loans. The cost is mainly attributable to single-family dwellings and holiday homes.

Loans with amounts past due for payment but without individual provisions

The table describes loans with amounts past due for payment without individual provisions broken down by amortisation past due, accrued interest past due and principal for which notice of termination has been given. Furthermore, for the sake of completeness, principal and accrued interest not yet past due are also stated for these loans. All amounts have been allocated to lending segments. For loans with amounts past due in several time intervals, the part not past due is in relevant cases shown in the oldest time interval. In the case of the first time interval, it has been decided not to take into consideration amounts past due up to five days before the most recent due date to avoid the analysis being disrupted by payment not received due to holidays.

99.5% of lending in 2007 does not have any unpaid amount past due or has not been regarded as impaired compared with 99.6% in 2006. Of SBAB's loan portfolio of SEK 168 billion (SEK 170 billion), SEK 638 million of the principal was past due for payment in 2007 compared with SEK 615 million in 2006. Of the loans which have unpaid amounts past due, the largest proportion consists of loans to private property owners (0.5% of lending to this segment both for 2007 and 2006).

When calculating the value of the collateral, the entire loan-to-value for mortgage deeds or tenant-owned apartments within the market value have been included together with the municipal guarantee, the state loan guarantee and the bank guarantee. Other collateral such as personal guarantees from another than the municipality or pledged securities have not been taken into consideration except in two cases where guarantees of SEK 24 million and SEK 40 million respectively has been included in the table for 2007. The value of the mortgaged collateral is based on the

Loans and advances to customers 2006 by segment without amounts past due or provisions

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	0	0	21	12	1,229	0
C/R1	20,619	4,766	16,922	3,316	27	5
C/R2	21,611	7,337	5,674	3,842	6	1,527
C/R3	22,268	13,513	7,372	7,349	6,466	999
C/R4	5,494	4,612	1,657	1,963	338	316
C/R5	1,155	587	1,403	1,841	1,683	75
C/R6	736	269	1,201	240	29	37
C/R7	361	119	93	42	0	0
C/R8	26	5	263	57	0	0
Total	**72,271**	**31,208**	**34,607**	**18,665**	**9,777**	**2,958**

Loans and advances to customers with unpaid amounts past due but without individual provisions 2007

	Consumer market		Corporate market			
SEK thousand	Single-family dwellings and holiday homes	Tenant-owned apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties
Past due 5-30 days						
Amortisation past due	5,271	8,656	44,599	41,554	0	4,516
Accrued interest past due	146	12	222	330	0	0
Terminated principal past due excl. amortisation past due	0	0	0	0	0	0
Principal not past due	14,584	1,667	14,830	4,502	0	0
Accrued interest not past due	44	2	78	16	0	0
Past due 31-60 days						
Amortisation past due	1,798	328	27	76	0	0
Accrued interest past due	1,144	480	11	337	0	0
Terminated principal past due excl. amortisation past due	0	224	0	495	0	0
Principal not past due	197,686	91,437	13,002	34,168	0	0
Accrued interest not past due	250	80	60	145	0	0
Past due 61-90 days						
Amortisation past due	31	28	0	0	0	0
Accrued interest past due	221	124	0	0	0	0
Terminated principal past due excl. amortisation past due	738	1,493	0	0	0	0
Principal not past due	35,689	16,562	4,167	895	0	0
Accrued interest not past due	115	33	35	9	0	0
Past due > 90 days						
Amortisation past due	670	293	0	3	0	0
Accrued interest past due	1,617	413	93	4	0	0
Terminated principal past due excl. amortisation past due	34,213	11,476	3,194	365	0	0
Principal not past due	22,556	10,526	15,252	0	0	0
Accrued interest not past due	152	26	18	0	0	0
Total past due						
Total amortisation past due	7,770	9,305	44,626	41,633	0	4,516
Total accrued interest past due	3,128	1,029	326	671	0	0
Total terminated principal past due excl. amortisation past due	34,951	13,193	3,194	860	0	0
Total principal not past due	270,515	120,192	47,251	39,565	0	0
Total accrued interest not past due	561	141	191	170	0	0
Total lending for loans with claim past due 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

Loans and advances to customers with unpaid amounts past due but without individual provisions 2006

	Consumer market		Corporate market			
SEK thousand	Single-family dwellings and holiday homes	Tenant-owned apartments	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties
Past due 5-30 days						
Amortisation past due	3,697	2,896	14,284	636	36	0
Accrued interest past due	108	8	0	40	0	0
Terminated principal past due excl. amortisation past due	0	0	0	0	0	0
Principal not past due	13,341	5,871	30,010	3,282	0	0
Accrued interest not past due	38	9	149	8	0	0
Past due 31-60 days						
Amortisation past due	667	1,300	84	4	0	0
Accrued interest past due	652	272	305	22	0	0
Terminated principal past due excl. amortisation past due	1,207	338	0	0	0	0
Principal not past due	161,530	77,427	40,285	1,916	3,822	0
Accrued interest not past due	119	43	169	8	20	0
Past due 61-90 days						
Amortisation past due	140	616	0	23	0	0
Accrued interest past due	185	50	0	107	0	0
Terminated principal past due excl. amortisation past due	748	84	0	0	0	0
Principal not past due	31,651	9,929	32,155	12,878	0	0
Accrued interest not past due	48	9	304	85	0	0
Past due > 90 days						
Amortisation past due	866	151	0	5	0	0
Accrued interest past due	1,526	397	125	1,999	0	0
Terminated principal past due excl. amortisation past due	17,303	9,860	0	75,055	0	0
Principal not past due	30,469	11,933	18,105	414	0	0
Accrued interest not past due	119	25	26	0	0	0
Total past due						
Total amortisation past due	5,370	4,963	14,368	668	36	0
Total accrued interest past due	2,471	727	430	2,168	0	0
Total terminated principal past due excl. amortisation past due	19,258	10,282	0	75,055	0	0
Total principal not past due	236,991	105,160	120,555	18,490	3,822	0
Total accrued interest not past due	324	86	648	101	20	0
Total lending for loans with claim past due without provision	261,619	120,405	134,923	94,213	3,858	0
Value of collateral and guarantees	255,989	120,057	121,234	91,984	3,858	0

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 valuation date.

Loans with individual provisions (impaired loans) relating to loans to customers
Impaired loans refers to claims where provision has been made on the basis of individual risk assessment. Impaired loans make up 0.1% (0.1%) of SBAB's total lending.

Restructured loan receivables
Restructured loan receivables consist of claims where the borrower has been granted some form of concession due to deterioration of the borrower's financial position or to the borrower having encountered other financial problems. After the loans have been restructured, they are considered as satisfactory on the basis of the new terms.

Restructuring of a loan receivable may mean
a) that the terms of the loan are modified by terms which are not commercial,
b) that the borrower partly repays his 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

The reported value of financial assets which would otherwise have been reported as past due for payment or written-down and whose terms have been renegotiated.

SEK million	2007	2006
Single-family dwellings and holiday homes	7	–
Tenant-owned apartments	1	–
Tenant-owner associations	127	81
Private multi-family dwellings	3	–
Municipal multi-family dwellings	–	–
Commercial properties	–	–
Total	**138**	**81**

Impaired loans 2007

SEK million	Single-family dwellings and holiday homes	Tenant-owned apart-ments	Tenant-owner associa-tions	Private multi-family dwellings	Municipal mulitl-family dwellings	Commer-cial proper-ties
Impaired loans	14		138	28		
Individual provisions, corporate market			90	16		
Individual provisions, consumer market	12					
Impaired loans net	2		47	13		
Estimated value of guarantees			28	1		
Impaired loans taking into consideration guarantees	2		75	14		
Value of collateral and guarantees	6		67	26		

Impaired loans 2006

SEK million	Single-family dwellings and holiday homes	Tenant-owned apart-ments	Tenant-owner associa-tions	Private multi-family dwellings	Municipal mulitl-family dwellings	Commer-cial proper-ties
Impaired loans			120	39		
Individual provisions, corporate market			98	16		
Individual provisions, consumer market						
Impaired loans net			22	23		
Estimated value of guarantees			21	1		
Impaired loans taking into consideration guarantees			43	24		
Value of collateral and guarantees			35	35		

When calculating the value of collateral and guarantees, validation has taken place on the basis of the market value for each individual property to which the value of guarantees provided has been added.

Counterparty risks

	GROUP				PARENT COMPANY			
SEK million	31 Dec 2007		31 Dec 2006		31 Dec 2007		31 Dec 2006	
Rating category	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit
AAA	1,745	63	1,955	73	1,745	63	1,955	73
AA	13,060	1,947	11,650	1,852	13,060	635	11,650	1,847
A	4,720	1,392	3,670	698	4,720	1,392	3,670	678
Total	**19,525**	**3,402**	**17,275**	**2,623**	**19,525**	**2,090**	**17,275**	**2,598**

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 set by the Board. Utilised limits are calculated as the market value of derivative financial instruments, repo contracts and investments. The limit shall be coordinated with the credit limit for the counterparties who are also loan customers. A limit per counterparty can be established for a period of time of at most a year before a new consideration is 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 exposure that can be permitted in relation to SBAB's capital base.

Collateral in lending activity

In order to provide a loan, it is required that satisfactory collateral can be provided in real estate or a tenant-owned apartment. Satisfactory collateral usually means a mortgage in the property or tenant-owned apartment within 75% – 85% of the market value. 85% applies provided that collateral can be obtained with priority right and that the customer has risk class R1-R4 for a consumer or C1-C4 for a corporate customer. In other cases, a loan-to-value ratio of 75% applies. If the collateral is supplemented by credit insurance, it is possible to borrow within 100% of the market value. Besides the above collateral, it is possible to provide loans, inter alia, against collateral in the form of a government loan guarantee, municipal guarantee, securities, bank guarantee and deposits in a Swedish bank. To a limited extent, shares may be approved as collateral up to 85% of the market value of the underlying properties. SBAB does not hold any collateral which has been taken over to protect claims.

Credit risk in financing activity

Within financing activities, credit risk arises partly in the form of counterparty risk for the derivative contracts SBAB enters into to manage the company's risks and partly through the investments made in the liquidity portfolio.

Counterparty risks

Counterparty risks consist of the exposures to leading banks and is predominantly covered by ”collateral contracts”, where the counterparty provides collateral for the exposure.

Liquidity portfolio

SBAB's liquidity portfolio consists of three asset classes

- Securities issued by or guaranteed by states
- European covered bonds
- European and Australian ”residential mortgage backed securities” (”RMBS”), i.e. securities with collateral in the form of residential mortgage portfolios.

The holdings in the liquidity portfolio are described per credit rating and geographical distribution respectively in the tables.

All securities have the highest rating Aaa from Moody's, or AAA from Standard & Poor's or AAA from Fitch, except one covered bond that has the rating AAA/Aa2. This corresponds to around 0.6% of the portfolio value. SBAB's liquidity portfolio does not have and has never had any exposure to US assets. All assets in the liquidity portfolio which are considered as residential mortgages are classed as "prime". No securities in SBAB's portfolio have been downgraded. The average maturity for the assets in the liquidity portfolio is 4.49 years (5.66 years).

Eligible treasury bills, bonds and other interest-bearing securities

Distributed in accordance with rating as at 31 December 2007 based on Standard & Poor's rating or the corresponding rating from Moody's. Carrying values.

Rating category SEK million	Government guaranteed securities	Covered bonds	RMBS	Total
AAA	49	7,839	23,168	31,056
AA- to AA+	0	0	0	0
A- to A+	0	0	0	0
Lower than A-	0	0	0	0
Lacks rating	0	0	0	0
Total	**49**	**7,839**	**23,168**	**31,056**

All securities have the highest rating. One "covered bond" (CB-HYPINT-4,5-2010-03-04) has, however, a split rating with Aa2 from Moody's.

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

Carrying values

Securities SEK million	Sweden	Other EU	Canada	Australia	Total
Covered bonds	1,064	6,775	0	0	7,839
RMBS	0	21,495	0	1,673	23,168
Government guaranteed securities	6	11	32	0	49
Total as at 31 December 2007	**1,070**	**28,281**	**32**	**1,673**	**31,056**
Total as at 31 December 2006	**1,866**	**19,947**	**0**	**0**	**21,813**

Market risk

The market risk is the risk that unfavourable market movements may affect the result of the company negatively. SBAB shall be characterised by a low risk taking and the company's Board decides ultimately on methods for risk measurement and limits. The market risk is followed up at group level and the Risk section follows up current risk levels and compliance with limits by daily reporting.

SBAB's interest rate risk exposure arises mainly through the company's lending and funding not being fully matched.

Interest rate risk

Interest rate risk arises naturally in SBAB's activities and arises 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 2007 is shown in the table "Fixed-interest terms for financial assets and liabilities". The main principle for ALM is to limit exposure by direct funding and use of derivatives – mainly interest rate swaps – to limit exposure and to create positive value-added by active management within the limits set by the Board.

Derivatives may also be used to change interest rate risk exposure outside the ordinary deposit and lending activities (trading risk). ALM risk is the predominant part of ALM and trading risks.

The interest rate risk limits set by the Board consist of an operational and a strategic component. The operational interest rate risk which consists of 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 2007 to SEK –11 million (SEK –72 million).

The strategic interest rate risk exposure arises through the company's equity being invested in lending with fixed interest rates. The benchmark for investment of equity is defined as maturity steps with even maturities from 1 to 10 years. The strategic risk expresses deviation from the benchmark and is limited to +/– SEK 20 million. As at 31 December 2007, this deviation amounted to SEK 6 million (SEK 14 million).

The interest rate risk is measured continuously in the form of "Value at Risk" (VaR) and through sensitivity analysis of the change in value of the portfolio in the event of a parallel shift of the yield curve by one percentage point. The VaR-model used is what is referred to as 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 one-sided 99.97% confidence interval is applied and a risk settlement period of 1 year, in line with SBAB's model for economic capital.

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

Currency risk

Currency risk means the risk of changes of the Swedish krona's exchange rate in relation to other currencies leading to deterioration in profitability. In principle, SBAB shall not, as a main rule, be exposed to exchange rate fluctuations. International funding shall therefore be immediately hedged or invested in matching currencies. Investments shall be currency hedged through financing in the corresponding currency or by entering into currency swap contracts.

Certain currency risks can arise due to mismatch in interest rate flows and a limited deviation from the main rule may therefore be acceptable. The currency risk 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.

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

SBAB uses the standard method for calculation of capital requirements. This method calculates the capital requirement on the basis of 12-18% of the average operating income of the business areas in the past three years. A prerequisite for being able to use the standard method is that the company complies with the regulatory requirements for documentation, procedures and structure.

SBAB uses the Opera model for management of operational risk. This model is based partly on self-assessment of operational risks for established procedures and partly on incident reporting.

Trading risk

Trading risk means the risk of unfavourable market movements, for example a downturn in the market. This is then allocated to two main groups: new business and existing business. Trading risk is included in the calculation of the capital requirement on the basis of economic capital with the aid of a standard method.

Fixed-rate interest terms for financial assets and liabilities

GROUP							2007							2006
SEK million	Without fixed-rate term	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	Without fixed-rate term	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
ASSETS														
Cash and cash equivalents from central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Treasury bills and other eligible bills	–	10	–	–	–	–	10	–	3	–	–	–	–	3
Loans and advances to credit institutions	–	14,277	357	779	4,066	430	19,909	–	5,357	374	592	3,355	282	9,962
Loans and advances to customers	–	77,558	7,487	18,331	56,718	7,887	167,981	–	81,178	9,002	14,936	58,460	6,437	170,013
Fair value adjustment of interest-rate hedged loan receivables	(922)	–	–	–	–	–	(922)	(405)	–	–	–	–	–	(405)
Bonds and other interest-bearing securities	–	23,578	95	0	2,436	4,947	31,056	–	12,425	1,157	1,012	2,317	4,902	21,813
Derivative financial instruments	–	(19,296)	7,808	9,341	11,714	(5,769)	3,799	48	(32,250)	3,251	21,487	18,810	(9,991)	1,355
Other assets	961	118	–	–	–	–	1,079	775	–	–	–	–	–	775
Total financial assets	**39**	**96,245**	**15,747**	**28,451**	**74,934**	**7,495**	**222,912**	**418**	**66,714**	**13,784**	**38,027**	**82,943**	**1,631**	**203,516**
LIABILITIES														
Liabilities to credit institutions	–	15,537	–	–	–	–	15,537	–	5,407	–	–	–	–	5,407
Customer accounts	–	759	–	–	–	–	759	–	–	–	–	–	–	–
Debt securities in issue	–	67,434	16,678	28,620	72,842	6,233	191,807	–	92,185	6,369	24,263	54,893	4,619	182,328
Derivative financial instruments	–	5,881	5,877	(924)	(5,000)	(2,911)	2,923	–	(12,625)	5,800	1,096	11,012	(25)	5,259
Other liabilities	2,890	–	–	–	224	–	3,114	1,459	1,464	(599)	30	(509)	45	1,889
Subordinated liabilities	–	881	–	699	478	667	2,725	–	319	–	612	1,141	736	2,808
Total financial liabilities	**2,890**	**90,492**	**22,555**	**28,395**	**68,544**	**3,989**	**216,865**	**1,459**	**86,750**	**11,570**	**26,001**	**66,537**	**5,375**	**197,691**
Difference assets and liabilities	(2,851)	5,753	(6,808)	56	6,390	3,506	6,047	(1,041)	(20,036)	2,214	12,026	16,406	(3,744)	5,825
PARENT COMPANY														
ASSETS														
Cash and cash equivalents from central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Treasury bills and other eligible bills	–	10	–	–	–	–	10	–	3	–	–	–	–	3
Loans and advances to credit institutions	–	27,010	728	1,589	8,298	878	38,502	–	18,655	764	1,209	6,848	576	28,052
Loans and advances to customers	–	21,222	662	1,738	5,133	815	29,570	–	35,821	2,907	4,483	19,095	2,730	65,036
Fair value adjustment of interest-rate hedged loan receivables	(88)	–	–	–	–	–	(88)	(255)	–	–	–	–	–	(255)
Bonds and other interest-bearing securities	–	23,578	95	–	2,436	4,947	31,056	–	12,425	1,157	1,012	2,317	4,902	21,813
Derivative financial instruments	–	33,237	7,552	244	(29,429)	(9,379)	2,225	66	29,135	4,512	845	(18,914)	(14,003)	1,641
Other assets	909	118	–	–	–	–	1,027	742	126	–	–	–	–	868
Total financial assets	**821**	**105,175**	**9,036**	**3,571**	**(13,562)**	**(2,740)**	**102,302**	**553**	**96,165**	**9,340**	**7,549**	**9,346**	**(5,795)**	**117,158**
LIABILITIES														
Liabilities to credit institutions	–	7,092	–	–	–	–	7,092	–	605	–	–	–	–	605
Customer accounts	–	759	–	–	–	–	759	–	–	–	–	–	–	–
Debt securities in issue	–	66,681	10,961	3,458	4,951	522	86,573	–	84,535	6,075	9,324	5,250	800	105,983
Derivative financial instruments	–	27,295	4,459	(862)	(21,689)	(5,736)	3,467	–	(56,004)	5,489	4,984	46,536	4,138	5,143
Other liabilities	971	–	–	–	224	–	1,195	864	3,121	(290)	(221)	(2,338)	(196)	940
Subordinated liabilities	–	881	–	699	478	667	2,725	–	319	–	612	1,141	736	2,808
Total financial liabilities	**971**	**102,708**	**15,420**	**3,295**	**(16,036)**	**(4,547)**	**101,811**	**864**	**32,576**	**11,274**	**14,699**	**50,589**	**5,478**	**115,479**
Difference assets and liabilities	(150)	2,466	(6,384)	277	2,474	1,808	491	(311)	63,589	(1,934)	(7,150)	(41,243)	(11,273)	1,679

Liquidity risk

Liquidity risk means the risk of SBAB having problems in meeting its payment obligations which are associated with financial liabilities. There has been a strong focus on liquidity risk management in the whole bank sector since the credit turbulence broke out in the latter half of 2007. For a long time, SBAB has identified the importance of an advanced liquidity risk management. SBAB's liquidity risk management is based on the following principles:

Broad and diversified funding

SBAB has had an active presence in the international capital market since 1989. This means that SBAB's brand is well-established and that funding takes place on a global basis with both short-term and long-term debt. Moreover, the SBAB Group, as the first Swedish issuer, has had access to the covered bond market since 2006, through its subsidiary The Swedish Covered Bond Corporation, (SCBC).

Conservative matching of assets and liabilities

SBAB has strict regulations as to how assets and liabilities are to be matched, where lending as a rule shall have at least as long funding as the period of tied-up capital.

Liquidity reserve with immediately available liquidity

As at 31 December 2007, SBAB had the following reserves of immediately available liquidity:

- SEK 5 billion loan facility at the Swedish National Debt Office
- SEK 3.9 billion of bank facilities
- SEK 31.1 billion of liquid securities

Liquidity reserves

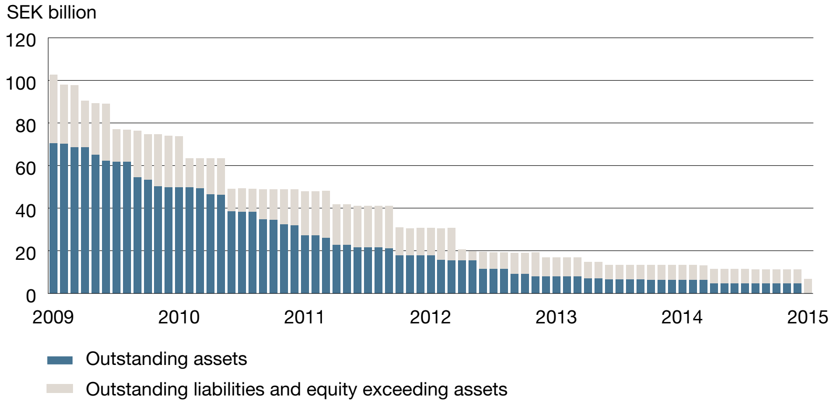
When calculating the value of reserves, SBAB applies the valuation deductions issued by the Riksbank, according to "The Riksbank's guidelines for collateral management" in the Riksbank's regulatory framework for RIX and Monetary Policy Instruments.

The reserve value is always calculated as zero for all bonds issued or guaranteed by SBAB or SCBC. For calculation of the issue capacity of covered bonds, the quantity of qualified assets is measured which are not already taken into use for strategic covering of outstanding debt in SCBC. In addition to this, a valuation deduction is added corresponding to SCBC's minimum possible extent of excess collateral.

A liquid balance sheet

SBAB's assets consist largely of lending for collateral in property. SCBC was established in 2006 with the purpose of issuing covered bonds. This has also entailed increased liquidity in SBAB's balance sheet. In addition, SBAB has expertise for securitisation of assets if required. During the years 2000-2003, SBAB carried out four securitisations in the form of "Mortgage Backed Securities".

Future surplus liquidity, from one year and onwards



Assets and liabilities plus equity from one year and onwards as at 31 December 2007. The graph shows that SBAB has longer liabilities and equity than assets and therefore does not lack future funding for existing assets.

Low dependence on non-covered funding

Overall, SBAB has a low level of dependency on non-covered funding through the company's liquidity reserves and a liquid balance sheet. SBAB measures the liquidity of the balance sheet regularly.

Continuous monitoring of liquidity risk

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 co-ordinating funding and liquidity risk management, concentration of large funding maturities are avoided.

Liquidity risk measures

SBAB measures liquidity risk by totalling the maximum conceivable need of liquidity for every day during the next 365 days. This measure of liquidity risk is referred to as "Maximum Cumulative Outflow" (MCO) and is limited. The model is based on the assumption that all loans are extended on maturity and that liquidity is never received by loan redemption. In this way, the maximum need of liquidity can be identified for every given future period. SBAB's future funding need can be assessed by counterpoising the size of the liquidity reserves to the measured liquidity risk.

The most important liquidity risk measure for SBAB is:

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

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

As at 31 December 2007, the size of SBAB's liquidity reserve corresponds to 63 days (38 days) MCO. The volume of the qualified total collateral means that SBAB need not rely on non-covered funding in 2008. During 2007, SBAB's liquidity reserve was never less than the equivalent of 30 days future liquidity requirements, including maturities of large benchmark bonds.

Financial risk

SBAB endeavours to achieve an overall matching in the period of tied-up capital between liabilities and assets. The financing risk is an expression of deviations from this matching.

SBAB's calculation of financial risk is to be 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 financial risk model, equity is calculated as having the same maturity as SBAB's longest lending assets. The financial risk is calculated as

(1) the costs of achieving risk neutrality by matching and
(2) the size of any future liquidity deficits. Both these measures are subject to limits.

As at 31 December 2007, the cost of achieving risk neutrality was calculated as negative, i.e. SBAB should be able to realise a profit if liabilities and assets were changed to perfect matching.

The tables "Maturities for financial assets and liabilities" and "Derivative cash flows" show how SBAB's future cash flows appeared as at 31 December 2007 and 31 December 2006 respectively, both in the short- and long-term perspective.

Maturities for financial assets and liabilities

The amounts refer to contracted, undiscounted, cash flows.

GROUP	2007							2006						
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 cash equivalents from central banks	0	–	–	–	–	–	0	0	–	–	–	–	–	0
Treasury bills and other other eligible bills	–	10	–	–	–	–	10	–	3	–	–	–	–	3
Loans and advances to credit institutions	98	14,618	379	818	4,464	476	20,853	662	4,908	392	616	3,626	308	10,512
Loans and advances to customers	–	25,502	26,384	55,881	64,766	8,813	181,346	–	23,305	29,472	55,096	66,789	7,054	181,717
Bonds and other interest-bearing securities	–	736	943	2,163	24,158	10,891	38,891	–	239	317	1,611	13,689	11,404	27,260
Derivative financial instruments	–	4,620	10,944	25,134	84,044	9,623	134,365	–	13,233	12,355	18,741	50,800	9,561	104,690
Other assets	961	–	–	–	118	–	1,079	775	–	–	–	–	–	775
Total financial assets	**1,059**	**45,486**	**38,650**	**83,996**	**177,550**	**29,802**	**376,543**	**1,437**	**41,688**	**42,537**	**76,064**	**134,904**	**28,328**	**324,958**
LIABILITIES														
Liabilities to credit institutions	–	15,606	–	–	–	–	15,606	–	5,402	–	–	–	–	5,402
Customer accounts	759	–	–	–	–	–	759	–	–	–	–	–	–	–
Debt securities in issue	–	37,430	31,324	36,506	95,369	8,099	208,728	–	36,488	20,373	39,766	83,485	5,720	185,832
Derivative financial instruments	–	5,156	11,020	24,678	83,571	9,913	134,338	–	14,235	13,361	18,394	52,507	10,022	108,519
Other liabilities	2,339	562	–	–	251	–	3,152	1,889	–	–	–	–	–	1,889
Subordinated liabilities	–	596	59	21	824	1,850	3,350	–	21	21	70	1,442	1,932	3,486
Loans granted but not released	–	4,190	–	–	–	–	4,190	–	3,264	–	–	–	–	3,264
Total financial liabilities	**3,098**	**63,540**	**42,403**	**61,205**	**180,015**	**19,862**	**370,123**	**1,889**	**59,410**	**33,755**	**58,230**	**137,434**	**17,674**	**308,392**

PARENT COMPANY														
ASSETS														
Cash and cash equivalents from central banks	0	–	–	–	–	–	0	0	–	–	–	–	–	0
Treasury bills and other eligible bills	–	10	–	–	–	–	10	–	3	–	–	–	–	3
Loans and advances to credit institutions	15,538	12,353	774	1,669	9,111	970	40,414	9,896	9,290	801	1,257	7,400	629	29,272
Loans and advances to customers	–	5,589	4,957	12,259	7,743	910	31,459	–	8,253	11,092	23,435	23,661	2,990	69,431
Bonds and other interest-bearing securities	–	736	943	2,163	24,158	10,891	38,891	–	239	317	1,611	13,689	11,404	27,260
Derivative financial instruments	–	54,638	17,831	29,415	88,531	12,449	202,864	–	52,436	17,739	25,529	58,601	8,377	162,682
Other assets	909	–	–	–	118	–	1,027	742	125	1	–	–	–	868
Total financial assets	**16,447**	**73,326**	**24,505**	**45,506**	**129,661**	**25,220**	**314,665**	**10,638**	**70,346**	**29,949**	**51,832**	**103,352**	**23,400**	**289,516**
LIABILITIES														
Liabilities to credit institutions	–	7,152	–	–	–	–	7,152	–	606	–	–	–	–	606
Customer accounts	759	–	–	–	–	–	759	–	–	–	–	–	–	–
Debt securities in issue	–	37,048	24,039	9,050	18,357	1,179	89,673	–	36,515	19,874	22,568	28,835	1,227	109,019
Derivative financial instruments	–	53,620	18,352	29,404	89,670	13,718	204,764	–	52,599	18,739	26,071	60,200	8,802	166,411
Other liabilities	971	11	–	–	251	–	1,233	591	–	–	–	–	–	591
Subordinated liabilities	–	596	59	21	824	1,850	3,350	–	21	21	70	1,442	1,932	3,486
Loans granted but not released	–	4,080	–	–	–	–	4,080	–	3,175	–	–	–	–	3,175
Total financial liabilities	**1,730**	**102,507**	**42,450**	**38,475**	**109,102**	**16,747**	**311,011**	**591**	**92,916**	**38,634**	**48,709**	**90,477**	**11,961**	**283,288**

For receivables and liabilties that are amortised, the fixed-interest term for amortisations has been calculated as the period from the due date for the respective amortisation. Foreign currency flows have been converted at closing rate as at 31 December 2007.

Derivative Cash Flows

The amounts refer to contracted, undiscounted, cash flows.

GROUP						2007						2006
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												
Foreign exchange derivatives	–	–	–	–	–	–	–	–	–	–	–	–
Interest-rate derivatives	(523)	(171)	459	(82)	(2)	(319)	(420)	(177)	517	(456)	92	(444)
Total derivatives settled on a net basis	**(523)**	**(171)**	**459**	**(82)**	**(2)**	**(319)**	**(420)**	**(177)**	**517**	**(456)**	**92**	**(444)**
DERIVATIVES SETTLED ON A GROSS BASIS												
Foreign exchange derivatives												
– Inflows	580	1,787	19,529	59,208	6,975	88,079	2,746	9,155	21,844	34,049	7,384	75,178
– Outflows	(502)	(1,708)	(19,606)	(58,653)	(7,263)	(87,732)	(2,806)	(9,499)	(23,020)	(35,300)	(7,937)	(78,562)
Interest-rate derivatives												
– Inflows	–	–	–	–	–	–	–	–	–	–	–	–
– Outflows	–	–	–	–	–	–	–	–	–	–	–	–
Inflows total	**580**	**1,787**	**19,529**	**59,208**	**6,975**	**88,079**	**2,746**	**9,155**	**21,844**	**34,049**	**7,384**	**75,178**
Outflows total	**(502)**	**(1,708)**	**(19,606)**	**(58,653)**	**(7,263)**	**(87,732)**	**(2,806)**	**(9,499)**	**(23,020)**	**(35,300)**	**(7,937)**	**(78,562)**

PARENT COMPANY												
DERIVATIVES SETTLED ON A NET BASIS												
Foreign exchange derivatives	–	–	–	–	–	–	–	–	–	–	–	–
Interest-rate derivatives	677	403	(345)	(551)	(803)	(619)	0	243	(324)	(790)	60	(811)
Total derivatives settled on a net basis	**677**	**403**	**(345)**	**(551)**	**(803)**	**(619)**	**0**	**243**	**(324)**	**(790)**	**60**	**(811)**
DERIVATIVES SETTLED ON A GROSS BASIS												
Foreign exchange derivatives												
– Inflows	268	1,309	8,571	16,956	2,447	29,551	2,637	9,103	21,169	12,944	2,942	48,795
– Outflows	(269)	(1,372)	(8,735)	(17,544)	(2,913)	(30,833)	(2,754)	(9,390)	(22,386)	(13,753)	(3,427)	(51,710)
Interest-rate derivatives												
– Inflows	–	–	–	–	–	–	–	–	–	–	–	–
– Outflows	–	–	–	–	–	–	–	–	–	–	–	
Inflows total	**268**	**1,309**	**8,571**	**16,956**	**2,447**	**29,551**	**2,637**	**9,103**	**21,169**	**12,944**	**2,942**	**48,795**
Outflows total	**(269)**	**(1,372)**	**(8,735)**	**(17,544)**	**(2,913)**	**(30,833)**	**(2,754)**	**(9,390)**	**(22,386)**	**(13,753)**	**(3,427)**	**(51,710)**

Internal capital assessment

The internal capital assessment process aims at ensuring that the companies identify, evaluate, hedge and manage the risks they are exposed to and that the companies have a risk capital that is in parity with the selected risk profile.

SBAB's assessment of the size of the risk capital needed to meet the overall risk of the company's activity, is mainly based on the calculation of SBAB's economic capital. In addition to this, a qualitative assessment is made of the risks that are not included in the assessment of the economic capital. In addition, the risk linked to extraordinary events indicated in connection with stress tests is taken into account. The economic capital together with the qualitative assessment and the capital buffer make up the capital requirement needed to meet the risks in the company's activity.

Economic capital

The economic capital consists of the capital that the company considers is required to cover unexpected losses during the coming year. The expected losses shall be covered by the result of current operations. Consideration has been taken in the assessment of the economic capital to credit risk, market risk, operational risk and trading risk. The credit risk is the predominant risk in SBAB's activities, as shown in the table. The levels reflect diversification effects, i.e. the risk has been reduced by taking into account the probability of several risks occurring at the same time.

The model for economic capital is based to a large extent on the result from the Group's IRC models for measurement of credit risk. In addition to serving as an assessment of the company's total capital requirements to meet the risks in the company's activities, the economic capital is also used for follow-up of the return in the company's activities and for strategic considerations.

Stress tests

Stress tests and scenario analysis are carried out on the basis of a number of selected variables, in order that the economic capital shall also cover unexpected losses in economic conditions that are worse than at present. Special weight is given to interest rate development and market price changes of properties. The stress tests carried out show that, in the event of substantial economic downturn, the greatest changes would take place between risk classes in the better segments while the poorest segments are not affected to the same extent. This can be seen as a result of an increasing number of borrowers coming to represent an increasing low credit risk over a ten-year period, partly due to a gradual reduction in interest rates. In a downturn scenario, it is largely the same customers that will move although in the opposite direction.

Economic capital

	31 Dec 2007	31 Dec 2006
Economic capital SEK million	3,880	2,816
of which		
Credit risk	82%	84%
Market risk	13%	10%
Trading risk	4%	5%
Operational risk	1%	1%

The higher level of economic capital as at 31 December 2007 reflects a continuous calibration and development of the model. Calibration is intended to improve the balance of the increasing clear requirement scenario for pillar 2 in relation to the regulatory requirements of pillar 1.

Concentration risk

SBAB defines concentration risk by the approach "If the same underlying factor realises the risk" in combination with the concentration having to be considered as risky. SBAB considers that concentration can be an expression of risk aversion. Lending concentrated to metropolitan regions as well as financial investments concentrated on a few types of assets with a high credit rating are examples of this, i.e. concentrations exists that de facto entail a lower risk. Large exposures, i.e. lender concentrations or "event risks" are managed on the basis of directives in SBAB's credit directives.

SBAB is mainly concentrated on the property market. Accordingly, the company is mainly exposed to credit risk. The stress tests of SBAB's loan portfolio carried out have, however, not been able to show risk-filled concentrations. The requisite capital has, however, been allocated to meet the credit risks that the activity gives rise to. In a broader perspective, SBAB is moreover exposed to interest rate risk, operating risk, trading risk, liquidity risk and financial risk. As regards financial investments, SBAB limits these to a few securities with the highest rating, and the company therefore considers that this concentration is to be regarded as hardly risk-filled. Risk-filled concentration is understood as meaning interest rate risk, liquidity risk, and financial risk concentrated to one point in time. In reality, this is not the case and the assessment is therefore that no risk-filled concentration of these risk types can be demonstrated.

Capital adequacy

SBAB reports credits risk mainly in accordance with the IRC method and operating risks in accordance with the standard method. The new regulatory framework for capital adequacy and large exposures introduced in 2007 means that the low risk in the company's activities is now starting to be reflected in the capital requirements. During a three-year transitional period, however, the effect is limited due to transitional regulations, which are being phased out. The transitional rule has the effect that the minimum capital requirement as at 31 December 2007 increases by SEK 3,675 million from SEK 3,706 million to SEK 7,381 million.

During 2008, SBAB will apply for a licence to use advanced risk classification methods for corporate loans as well. If this licence is granted, the company's own values for LGD can be used during 2008 which are estimated to further reduce the already low minimum capital requirements before the effect of the transitional rules.

Besides the subsidiary SCBC and FriSpar Bolån AB, the practically wound-up securities companies SRM 2 and SRM 3 are consolidated since these companies are controlled by SBAB by agreement. The SRM companies are not considered as being part of the group for the purpose of capital adequacy, however.

Unlike in SBAB's accounts, proportionate consolidation is not used for FriSpar Bolån AB in the capital adequacy report. This is due to differences in rules relating to group definition between the regulatory frameworks for capital adequacy and large exposures and IFRS.

As at 31 December 2007, the group's capital ratio amounted to 1.19. The capital adequacy amounted to 9.4% (9.0%), the primary capital ratio was 7.6% (7.3%) and the capital base SEK 8,788 million (SEK 9,150 million).

The capital ratio for the parent company was 4.48, the capital adequacy was 34.7% (19.1%), the primary capital ratio 27.3% (15.3%) and the capital base SEK 9,187 million (SEK 8,607 million). The increase in the capital ratio for the parent company is mainly due to transfers of loans to the wholly-owned subsidiary SCBC. As at 31 December 2007 SCBC's loan portfolio amounted to SEK 128 billion (SEK 89 billion). The information as at December 2007 includes profit in subsidiaries in accordance with the Board's proposed annual accounts.

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

Capital base

SEK million	31 Dec 2007
GROUP	
Primary capital	
Equity	6,198
Primary capital contribution	994
Minority interest	467
Total primary capital gross	**7,659**
Less other intangible assets	(58)
Less deferred income tax receivables	(103)
Deduction under Chapter 3, section 8, of the Capital Adequacy Act	(346)
Total primary capital net	**7,152**
Supplementary capital	
Perpetual subordinated loans	722
Time-limited subordinated debentures	1,260
Deduction under Chapter 3, section 8, of the Capital Adequacy Act	(346)
Total supplementary capital	**1,636**
Expanded part of capital base	0
Deduction from whole capital base	0
Amount for capital base net after deductible items and limit values	**8,788**
Capital requirements	
Minimum capital for:	
Credit risk reported according to standard method	1,067
of which	
– exposures in relation to states and central banks	0
– exposures in relation to municipalities and comparable associations	0
– institutional exposures	523
– corporate exposures	518
– household exposures	18
– unregulated items	0
– other items	8
Credit risk reported in accordance with IRC method	1,982
of which	
– corporate exposures	1,590
– household exposures	392
Risks in commercial stocks	487
Operational risk	170
Currency risk	0
Raw material risk	0
Total minimum capital requirement	**3,706**
Addition during a transitional period	3,675
Capital requirement including addition	**7,381**

Capital adequacy

31 Dec 2007, SEK million	Group	Parent Company	FriSpar Bolån	SCBC
Primary capital	7,152	7,240	940	4,806
Total capital	8,788	9,187	940	4,806
Risk-weighted assets (Basel I)	98,918	27,901	11,294	59,692
Risk-weighted assets * 95%	93,972	26,506	10,730	56,707
Capital requirement / 8%	92,258	25,636	10,566	56,027
Primary capital ratio	7.6%	27.3%	8.8%	8.5%
Capital adequacy	9.4%	34.7%	8.8%	8.5%
Capital ratio	1.19	4.48	1.11	1.07

Accounting Policies

The annual report for Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ) has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. As well as 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 Accounting Standards Council's recommendation RR30:06 Supplementary Accounting Rules for Groups have been taken into consideration.

These consolidated financial statements have been authorised for issue by the Board of Directors on 19 March 2008. They will finally be approved by the Annual General Meeting of Shareholders on 15 April 2008.

New accounting policies in 2007

The SBAB Group has applied the International Financial Reporting Standards (IFRS) from 1 January 2007. The consolidated financial statements for 2007 are thus the first to be prepared in compliance with IFRS.

The requirements for disclosures according to IFRS 1 "First-time Adoption of International Financial Reporting Standards" have been applied in the description of the changes in the consolidated balance sheets and income statements due to the introduction of IFRS. These changes are described in more detail in the section "Effects of Transition to IFRS for the Group".

The introduction of new accounting standards

IASB has created one new standard, which has also been adopted by the EU. The standard is 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 deals with the division of the company's business activities into different segments. SBAB's preliminary assessment is that the introduction of this standard will not entail any change in the existing division into segments.

IASB has furthermore adopted amendments of existing standards, which have not yet been adopted by the EU:

- **IAS 1 Presentation of Financial Statements**
  This amendment is intended to improve the ability of users to analyse the information in the financial statements. The amendment is effective from 1 January 2009 and shall be applied to annual financial statements for periods beginning on or after that date. SBAB has not yet assessed how the change will affect the arrangement of the group's financial statements.
- **Amendments to IAS 27**
  Consolidated and Separate Financial Statements and IFRS 3 Business Combinations will be effective from 1 July 2009, but will only have an impact on the reporting of future transactions and acquisitions.
- **Amendments to IAS 23**
  Borrowing Costs and IFRS 2 Share-based Payment are both expected to be effective from 1 January 2009, but will not have any impact on the group's financial statements.

Furthermore, IFRIC has issued four interpretations:

- IFRIC 11 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

These interpretations, of which IFRIC 12-14 have still not been adopted by the EU, will not have any impact on SBAB's financial statements.

General accounting policies

Consolidation

The consolidated financial statements have been prepared in accordance with the acquisition method and include the parent company Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ) and its subsidiaries, including the securitisation companies.

Entities qualify as subsidiaries if they are controlled by the parent, which means that the parent company has the power to govern the financial and operating strategies of the entity, so as to obtain 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. Subsidiaries 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

FriSpar Bolån is by contractual agreement to be regarded as a joint venture and reported in accordance with proportionate consolidation. Proportionate 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
Issued and purchased securities, including all derivative financial instruments, are recognised on trade date, i.e. the date on which the significant risks and contractual rights are transferred between the parties. Other financial instruments are recognised on 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 substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

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

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, and are therefore recognised in the balance sheet and brought to profit and loss via net interest income over the expected life of the loan.

Commission income and commission expense are brought to profit and loss currently 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 taken up as income directly under the heading ”Net income from financial instruments designated at fair value”. Other items under this heading are described in the section ”Financial instruments”.

Financial instruments

Classification
All financial instruments covered by IAS 39 have been classified in accordance with this standard in the following categories:

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

SBAB has not classified any assets as ”Held-to-maturity investments” or as ”Available-for-sale financial assets”.

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

Fair value of financial instruments valued at fair value and quoted on an active market, for example, market-quoted financial assets and financial liabilities and derivative financial instruments, are 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 on quoted interest rates and credit spreads. In the event of credit spreads not being available, for the financial instrument held, a credit spread should be used for an equivalent instruments with the same credit rating and maturity.

Financial assets valued at fair value through profit or loss
The category ”financial assets valued at fair value through profit or loss” are divided into securities held for trading and those financial assets which the executive management has designated as such on initial recognition. All assets in the category are held for trading and include both interest-bearing securities and quoted shares. Assets in this category are initially recognised at fair value, while related transaction expenses are recognised in the income statement.

Changes in fair value and realised gain or loss for these assets are recognised directly in the income statement under the heading ”Net income from financial instruments designated at fair value”, while interest accrued and received is recognised as interest income.

Loans and receivables
Financial assets classified as loans and receivables are reported at the time the loan is released at fair value plus transaction expenses. Loans and receivables are subsequently measured at amortised cost using the effective interest method. This category consists of non-derivative assets with fixed or determinable payments that are not quoted in an active market. Loans consist of lending to the customers and credit institutions and include associated items. The main part of lending consists of consumer credits for residential mortgages and loans to legal entities and private persons for multi-family dwellings and commercial properties.

Changes in fair value and impairment losses are recognised as “Impairment charges”, while interest accrued and received is recognised as interest income.

Financial liabilities valued at fair value through profit or loss
The category ”financial liabilities valued at fair value through profit or loss” is divided into those financial liabilities held for trading and those financial liabilities which the executive management has designated as such upon initial recognition. The category includes ”Sold not held securities” which are held for trading. Assets in this category are initially recognised at fair value while related transaction expenses are recognised in the income statement.

Changes in fair value and realised gain or loss for these liabilities is recognised directly in the income statement under the heading ”Net income from financial instruments designated at fair value”, while interest paid and accrued is recognised as interest expense.

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

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

Sale and repurchase agreements

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

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

Derivative financial instruments and hedge accounting
Derivative financial instruments are always recognised at fair value in the balance sheet. A prerequisite for being able to apply hedge accounting is that the hedge is formally designated and documented. It must be possible to reliably measure the effectiveness of the hedge and it is expected to be and have been very effective throughout the financial

reporting periods in achieving offsetting changes in fair value. The hedge accounting relationship is discontinued as soon as any of these criteria are no longer met.

SBAB has chosen to apply hedge accounting for the hedging relationships where the risks for significant fluctuation in gain or loss are greatest. In addition, there are economic hedges, which do not meet the hedge accounting criteria. For these, change in fair value is recognised directly in the income statement under the heading ”Net income from financial instruments designated at fair value” and the interest rate effect in net interest income.

On the basis of IAS 39, there are two models for hedge accounting applied by SBAB; fair value hedge and cash flow hedge respectively.

Fair value hedge

Hedging at fair value entails a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identified portion of such an asset or liability that is attributable to a particular risk and which could affect profit or loss.

Hedge accounting at fair value is applied in certain cases when interest rate exposure in a recognised financial asset or financial liability is hedged by derivative financial instrument, for example interest rate swaps. In the case of a fair value hedge, the gain or loss from measuring the derivative hedging instrument at fair value shall be recognised in profit or loss at the same time as the gain or loss attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss under the item “Net income from financial instruments designated at fair value”, offsetting each other to the extent that the hedge is effective. The interest rate effect of the hedge is reported in net interest income.

When the hedging relationship is discontinued, the cumulative gains or losses are accrued adjusting the carrying amount of the hedged item in the income statement. The allocation extends over the remaining life of the hedged item. The realised gain or loss which is attributable to premature closing of a hedge is recognised in profit or loss under the heading ”Net income from financial instruments designated 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. Derivative financial instruments designated as macro hedges are treated like other fair value hedging instruments for the purpose of accounting.

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 receivables based on the next contractual renewal date. The hedging instrument used is portfolio of interest-rate swaps grouped in accordance with renewal intervals based on conditions in the fixed leg of the swap.

Cash flow hedge

A cash flow hedge is a hedge of exposure to variability in cash flows that are attributable to a particular risk, associated with a recognised asset or liability (such as future interest payments on receivables or payables with a floating interest rate) or a very probable forecast transaction which could affect profit or loss.

In a cash flow hedge, the hedging instrument, i.e. the derivative financial contract, is remeasured at fair value, but instead of presenting the changes in fair value through profit or loss the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other reserves in equity.

An effective hedge means that cash flows attributable to the hedged item are corresponded to by cash flows attributable to the hedging instrument. The ineffective portion of the gain or loss attributable to the change in the fair value of the derivative shall be recognised in profit or loss under the item ”Net income from financial instruments designated at fair value” where also the realised gain or loss that is attributable to premature closing of a hedge is recognised. The interest rate effect of the hedge is recognised in the net interest income.

Impairment of loans

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

The amount of impairment is measured as the difference between the carrying value of the loan and the present value of estimated future cash flows discounted at the effective interest rate of the loan. The cash flows attributable to the borrower and any use of the collateral are taken into consideration when assessing the need for impairment. Any expenses associated with selling the collateral are included in the cash flow calculations. Calculation of probable impairments is made gross and when there is a guarantee this is recognised as a claim on the counterparty. If the current value of future cash flows exceeds the carrying value of the asset, no impairment takes place and the loan is not regarded as impaired. The impairment amount is reported in the income statement under the heading “Impairment charges”.

Uncollectible items written off during the year as well as allowances for loan impairments with deductions for guarantees provided and recoveries are recognised as impairment charges.

Uncollectible loans written off refers to losses where the amounts are definite or established with a high level of probability.

Individually assessed loans

Corporate loans are individually assessed for impairment. Consumer loans are individually assessed for impairment if there are special reasons for doing so. Loans not determined to be impaired individually are included in the selection of loans collectively assessed for impairment.

Collectively assessed loans

The loans included in this group are as follows:

- Consumer loans not individually assessed. These consist of a large number of loans each of an insignificant amount and similar credit risk characteristics.
- Individually assessed loans where no objective evidence of individual impairment has been determined as above,”Individually assessed loans”.

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

- Statistical models have been produced in the work with Basel II which are used in the internal risk classification system. Adjusted in accordance with the IFRS regulatory framework, groups of loans are identified, which have been subject to events that produce a measurable negative impact on the expected future cash flows.
- In addition, the groups of loans are identified, for which future cash flows have a measurable deterioration due to events that have recently taken place, which have not yet had an impact in the risk classification system.

Restructured loans

A restructured loan is a claim where SBAB has made some form of concession due to deficiencies in the borrower’s solvency. Concessions granted are regarded as an uncollectible loan. A loan which has been restructured is no longer regarded as impaired but as a claim with new conditions.

Miscellaneous

Functional currency
Functional currency is the currency in the primary economic environments in which the group operates. The companies in the group are the parent company, subsidiaries and joint ventures. The parent company's functional currency, as well as presentation currency, is Swedish kronor. The group's presentation currency is Swedish kronor.

Foreign currency translation of assets and liabilities
SBAB applies IAS 21 for accounting for 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 assets and liabilities shall be translated using the closing rate. Foreign exchange gains or losses resulting from settlements of foreign currency transactions and in translation of monetary assets and liabilities in foreign currency are recognised in the income statement under "Net income from financial instruments designated at fair value".

Leases
Existing leases relate to normal leases for the activity and mainly concern office premises and office equipment and are classified as operating leases.

In operating leases, lease payments shall be recognised as an expense in the income statement 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 shall be recognised as an asset 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 shall be carried at its cost less any accumulated depreciation and any accumulated impairment loss.

Depreciation of property, plant and equipment

The depreciable amount is determined as the cost of an asset less its residual value at the end of its useful life. The depreciable amount is allocated on a straight-line basis over the useful life of the assets and the depreciation charge for each period shall be 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 is reviewed annually.

Intangible assets
Investments in acquired computer software and/or software developed by SBAB shall be carried at its cost less any accumulated amortisation and any accumulated impairment loss. A prerequisite for recognising 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 expenditures covering intangible assets recognised in the balance sheet are recognised in the carrying amount of an asset only when they increase the future economic benefits. All other expenditures are recognised in profit and loss when they occur.

Development expenditures are only recognised in the consolidated balance sheet.

Amortisation of intangible assets

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

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

Impairment of non-monetary 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 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 shall be recognised in profit or loss.

Taxes
Total tax consists of current tax and deferred income tax. Current tax consists of tax which is to be paid or received for the current year and adjustments of taxes for previous years. Tax effects attributable to transactions recognised through profit or loss are recognised in the income statement. Tax effects attributable to items recognised in equity are recognised in equity.

Deferred income tax assets and 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. A deferred income tax asset shall be recognised for the carry forward of unused tax losses or tax credits. A deferred income tax asset is recognised in the balance sheet to the extent it is probable that future taxable profit will be available against which it can be utilised. A deferred income tax liability is calculated for temporary differences and untaxed reserves. Deferred income tax assets and tax liabilities have been calculated at 28% for the parent company and Swedish subsidiaries within the group, while 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 not later than three months from the acquisition date.

Pension costs
SBAB has defined contribution plans and defined benefit plans. The contribution payable to a defined contribution plan shall be recognised in profit or loss in the period it has been incurred.

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

Segment reporting
A segment is a distinguishable component or a geographical area which is subject to risks and rewards that are different from those of other segments and areas.

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

Accounting policies for parent company

The parent company, Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ) 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 Accounting Standards Council's recommendation RR32:06 Accounting for Legal Entities and Finansinspektionen's (The Swedish Financial Supervisory Authority's) regulations and general guidelines on annual reports in credit institutions and securities companies undertakings (FFFS 2006:16).

Differences in comparison with the group

The main differences between the group's and the parent company's accounting policies are shown below:

Subsidiaries

Shareholdings in subsidiaries are recognised in the parent company in accordance with the cost method.

Dividends

Dividend received from subsidiaries are recognised in profit or loss provided that these are attributable to profits earned after the acquisition. If the dividend concerns repayment of capital, this reduces the acquisition value. Anticipated dividend from subsidiaries is recognised in those cases where formal decisions have been made in the subsidiaries or where the parent company has in another way full control over the decision-making process before the parent company publishes its financial statements.

Format for income statement and balance sheet

The parent company complies with ÅRKL's format for the income statement and the balance sheet, which, among other things, entails a different format for equity. The parent company's legal reserve is reported in the group as retained earnings while the parent company's fair value reserve is included in the group's other reserves.

Critical accounting estimates and judgments

Significant judgments applying SBAB's accounting policies

The SRM companies or securitisation companies, are owned by SRM Holdings Ltd, which is in turn owned by a foundation. Despite SBAB not owning any shares in the SRM companies, the executive management has decided that the companies shall be consolidated since SBAB is deemed to control them. This assessment is based, inter alia, on the fact that the major part of the important decisions for activities have in practice been made by SBAB in advance through agreements entered into. The continuous administration in SRM is carried out by SBAB which thus also has some influence over the daily operations. With consolidation, the group's total assets increase although profit and equity are not affected. According to present rules, the assets of the SRM companies are excepted from the capital adequacy calculation and accordingly the capital adequacy is not affected either. The effect on other key ratios is marginal.

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. Unanimity between the partners is required for valid decisions in certain important matters. SBAB accordingly does not have a controlling influence and the executive management have made the assessment that FriSpar Bolån AB is to be reported as a joint venture. At group level, this entails a marginal effect on net interest, 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 the executive management use estimates and judgments based on historical experience and assumptions which 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. 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:

- **Financial assets valued at fair value through profit or loss**
  The liquidity portfolio is a significant part of the company's management of liquidity risk (see more detailed description on page 36). The turbulence in the financial markets has led to an increase in the price for liquidity and credit risk. The financial market has been characterised by low liquidity and thus turnover and trade which has in turn created high price volatility. High volatility (variation in price of a financial asset) entails that the fair value (see definition on page 42) of the assets in the liquidity portfolio may fluctuate considerably between different measuring dates and this may accordingly have an impact on the company's profit or loss. The liquidity portfolio is interest-rate and currency hedged and the change in fair value which has an impact on the company's profit or loss is therefore attributable to change in the price of liquidity and credit risk. No securities in SBAB's liquidity portfolio have been subject to downgrading and the credit ratings are accordingly unchanged from the acquisition date.

- **Impairment of loans**
  In the case of individually assessed loan receivables, the most critical assumption, which also contains the greatest uncertainty, is to estimate the future cash flows that the customer will generate. For collectively assessed loan receivables, the future cash flows are estimated partly based on the assumption of how observable data may entail impairment. See also the section on "Impairment of loans" above.

Notes

Note 1 Net interest income

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Interest income				
Loans and advances to credit institutions	454	291	1,340	997
Loans and advances to customers[1)]	7,218	6,050	1,881	3,459
Securitised loans	–	–	7	50
Interest-bearing securities	913	363	1,003	363
Total	**8,585**	**6,704**	**4,231**	**4,869**
Interest expense				
Liabilities to credit institutions	281	176	101	71
Customer accounts	10	7	10	7
Debt securities in issue	6,947	5,148	3,730	3,809
Subordinated liabilities	135	112	135	112
Other	35	44	31	44
Total	**7,408**	**5,487**	**4,007**	**4,043**
Net interest income	**1,177**	**1,217**	**224**	**826**

1) Includes interest income from impaired loans at SEK 7 million.

Note 2 Commission

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Commission income				
Commission on lending	44	47	67	74
Administration of securitisation companies	–	–	3	19
Other commissions	12	6	12	6
Total	**56**	**53**	**82**	**99**
Commission expense				
Commission on securities	37	27	36	27
Total	**37**	**27**	**36**	**27**
Commissions, net	**19**	**26**	**46**	**72**

Note 3 Net income from financial instruments designated at fair value

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Unrealised gains/losses on interest-bearing financial instruments:				
– Securities valued at fair value through profit or loss	(786)	(57)	(786)	(57)
– Hedged items	72	(435)	250	(712)
– Derivative financial instruments for fair value hedging	253	599	95	912
– Liabilities valued at fair value	(1)	–	(1)	–
Unrealised gains/losses on shares and participations valued at fair value through profit or loss:	2	0	2	0
Realised gains/losses on interest-bearing financial instruments:				
– Securities valued at fair value through profit or loss	(4)	0	(4)	0
– Early redemption compensation from loan receivables	49	105	32	84
– Financial liabilities	28	(20)	0	168
– Derivative financial instruments for fair value hedging	(56)	0	(26)	0
Currency translation effects	2	0	2	0
Total	**(441)**	**192**	**(436)**	**395**

Note 4 Other operating income

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Administrative services for subsidiaries	–	–	306	157
Other operating income	0	0	0	0
Total	**0**	**0**	**306**	**157**

Note 5 Staff costs

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Salaries and other remunerations	152	159	152	159
Cost of pension premiums	27	26	27	26
Other social security expenses	59	60	59	60
Other staff costs	13	16	13	16
Total	**251**	**261**	**251**	**261**

Average number of employees

	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Women	224	246	224	246
Men	150	164	150	164
Total average number of employees	**374**	**410**	**374**	**410**

Sick leave

	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Total sick leave	**4.4%**	**4.2%**	**4.4%**	**4.2%**
Women	5.2%	5.9%	5.2%	5.9%
Men	3.3%	1.8%	3.3%	1.8%
29 years or younger	1.5%	2.0%	1.5%	2.0%
30-49 years	4.2%	4.3%	4.2%	4.3%
50 years and older	5.8%	5.0%	5.8%	5.0%
Proportion of long-term sick leave, i.e. sick leave for longer than 60 days	60.4%	53.1%	60.4%	53.1%

Gender distribution among senior executives

Board of Directors	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Women	3	4	2	2
Men	10	12	6	6
Total no. of board members	**13**	**16**	**8**	**8**

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

Executive management	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
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 The Swedish Covered Bond Corporation and the jointly-owned company FriSpar Bolån AB.

Salaries and other remunerations

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
The Board of Directors, CEO and Deputy CEO	5	7	5	7
Other persons in the parent company's executive management	12	10	12	10
Other employees	135	142	135	142
Total salaries and other remunerations	**152**	**159**	**152**	**159**

No remuneration is paid to the executive management and the board of the subsidiary The Swedish Covered Bond Corporation and the jointly-owned company FriSpar Bolån AB.

continued note 5

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

Salaries and other remuneration to the CEO Eva Cederbalk amounted to SEK 2.9 million (SEK 2.8 million). No car is provided and no fringe benefits have been paid. Salaries and other remuneration to former Deputy CEO Peter Gertman total SEK 0.8 million (SEK 3.3 million). Car and fringe benefits have been provided at SEK 0.0 million (SEK 0.1 million).

Salaries and other remuneration to the executive management amounted to SEK 12.0 million (SEK 10.5 million). Other fringe benefits to executive management (subsidised interest rate and sickness benefit) have been paid at SEK 0.1 million (SEK 0.1 million). Salary and other benefits to executive management which have consisted of the following functions: Chief Credit Officer SEK 1.5 million (SEK 1.5 million), Chief Legal Counsel SEK 0.9 million (SEK 0.9 million), Chief Information Officer SEK 1.4 million (SEK 1.4 million), Head of Accounts and Risk Department SEK 1.2 million (SEK 1.2 million), Chief Communication Officer SEK 1.5 million (SEK 1.4 million), Chief Financial Officer SEK 1.5 million (SEK 1.4 million) and Head of Corporate Loans SEK 1.7 million (SEK 1.6 million), Human Resources Manager SEK 1.1 million (SEK 1.1 million) and Head of Consumer Department SEK 1.2 million (from 1 May 2007).

Remuneration to the Board

The level of remuneration to the Board is decided at the Annual General Meeting. Remuneration to Board Members in the parent company has been paid at SEK 1.2 million (SEK 0.8 million) and at SEK 0.3 million (SEK 0.2 million) for work in executive committees, councils and committees. A fee of SEK 0.3 million (SEK 0.2 million) was paid to the Chairman of the Board and SEK 0.2 million (SEK 0.1 million) each to the ordinary Board Members. Employee representatives that sit on the Board do not receive a fee. Board Members that serve on a committee, council or executive committee receive SEK 3,500 per meeting attended.

Pensions

Pension costs for the whole company including special employers' contribution, totalled SEK 33.8 million (SEK 31.9 million).

Pension costs, including special employers' contribution, to CEO Eva Cederbalk SEK 0.8 million (SEK 0.8 million) and for former Deputy CEO Peter Gertman SEK 0.4 million (SEK 1.5 million).

Pension costs including special employers' contribution have been paid for other members of the executive management at SEK 3.8 million (SEK 3.4 million). Pension cost, including special employers' contribution, for executive management has consisted of the following functions: Chief Credit Officer SEK 0.6 million (SEK 0.6 million), Chief Legal Counsel SEK 0.3 million (SEK 0.2 million), Chief Information Officer SEK 0.5 million (SEK 0.5 million), Head of Accounts and Risk Department SEK 0.4 million (SEK 0.4 million), Chief Communication Officer SEK 0.5 million (SEK 0.4 million), Chief Financial Officer SEK 0.5 million (SEK 0.5 million), Head of Corporate Loans SEK 0.4 million (SEK 0.4 million), Human Resources Manager SEK 0.4 million (SEK 0.4 million) and Head of Consumer Department SEK 0.2 million (from 1 May 2007).

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

SBAB applies IAS 19 Employee Benefits. SBAB has defined contribition plans and defined benefit plans. The defined benefit plans are collective employee plans (BTP), which are secured through insurance with SPP. These are defined benefit multi-employer plans. SBAB does not have access to such information which would make it possible to report these as defined-benefit plans but reports them, in accordance with IAS 19, as if they were defined contribution plans. SBAB's cost for the defined benefit multi-employer plans amounts to SEK 25.7 million (SEK 26.7 million).

The Board's proposed guidelines for remuneration to the executive management

The Board prepares matters relating to compensation to the company's executive management in the Remuneration Committee. See page 73 for more information about the remuneration committee. They have met twice in 2007. Remuneration to the executive management is to consist of a fixed basic salary and, when appropriate, the remuneration decided upon by the Board, which is to be paid by the incentive programme adopted (see below), which is not only intended for the executive management.

As regard pension conditions, period of notice and severance pay, it is proposed that the principles presented in the Government guidelines for senior executives (October 2003) shall apply, with the exception of pension conditions for defined-benefit pensions for a few senior executives for whom the current provisions of the collective agreement shall apply instead, in accordance with the conditions of the contract of employment entered into.

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

The CEO has a contract of employment, which complies with the Government's guidelines for persons in the executive management and comparable positions in state-owned companies (October 2003). A period of notice of six months applies to both parties. If the company gives notice to terminate the contract and the CEO leaves her post, the company shall – as well as 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 a pension at the earliest when the CEO attains the age of 62. The company pays a defined premium pension insurance corresponding to 25% of the CEO's pensionable salary, although at the longest until the age of 62.

An agreement has been entered into with the Head of Corporate Loans on a defined contribution plan corresponding to 20% of the pensionable salary. An agreement has been entered into with the Head of Consumer Department on a lump sum pension. There are no other pension agreements that deviate from the general rules of the collective agreement.

In the cases when individual agreements on severance pay exist, these comply with the guidelines for state-owned companies. In the event of notice being given 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 during the two-year period.

Loans to senior executives

Loans to senior executives are shown in Note 35, Information about related parties.

Incentive programme

The overall principle and prerequisites for SBAB's incentive programme are established by the Board for a year at a time. The incentive programme covers all employees (although with a certain period of employment) except the CEO and complies with the Government guidelines for employees in state-owned companies (October 2003). A prerequisite for an incentive salary to be paid is that the required return has been achieved. The maximum outcome is two monthly salaries for all employees. The incentive programme for 2007 is based on two parts, a part for the company as a whole and a part based on unit goals, of which the latter is pensionable in the BTP scheme. No incentive payment is being made for 2007.

Note 6 Other expenses

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
IT expenses	70	124	89	136
Rents[1)]	12	33	12	33
Other costs for premises	5	4	5	4
Other administration expenses	76	95	73	93
Marketing	58	42	58	42
Other operating expenses	14	10	12	10
Total	**235**	**308**	**249**	**318**

Expenses for development amount to SEK 60 million (SEK 103 million) of which SEK 18 million (SEK 13 million) is for internally produced intangible assets in the group. The major part of the development is pursued in project form and includes the budgets of whole projects with expenses such as planning, analysis, specification of requirements, programming, implementation, quality testing, etc.

Fees and expenses for auditors
Fees and expenses for Öhrlings PricewaterhouseCoopers amount to SEK 7.4 million, of which SEK 5.0 million is for audit.
Fees and expenses to KPMG amount to SEK 0.5 million, of which SEK 0.5 million is for audit.
Fees and expenses to SET authorised public accountants amount to SEK 0.1 million, of which SEK 0.1 million is for 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 other assignments.

Future rents[1)]

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Agreed future rents due for payment:				
– within a year	15.8	17.1	15.8	17.1
– between one and five years	41.1	51.7	41.1	51.7
– after five years	–	9.5	–	9.5

[1)] *Rents = operating leases*

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

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Property, plant and equipment				
Computer hardware	5	6	5	6
Other equipment	3	3	3	3
Intangible fixed assets				
Acquired software	10	7	10	7
Internally developed part of software	13	10	–	–
Total	**31**	**26**	**18**	**16**

Note 8 Impairment charges

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Specific provision for individually assessed loans				
This year's write-off for uncollectible loans	4	21	4	21
Reversal of previous year's provisions for probable impairment reported as uncollectible loans in this year's financial statements	(3)	(15)	(3)	(15)
This year's provision for probable impairment	33 [1)]	22	27 [1)]	22
Recoveries in respect of actual impairment in previous years	(3)	(4)	(3)	(4)
Recoveries in respect of previous provisions for probable impairment no longer required	(26)	(21)	(26)	(21)
Guarantees	(9)	(3)	(3)	(3)
Net cost for the year for individually assessed loans	**(4)**	**0**	**(4)**	**0**
Collective provision for individually assessed loans				
Allocation/reversal of collective provision	(23)	0	(19)	0
Guarantees	6	0	8	0
Net cost for the year for collective provisions for individually assessed loans	**(17)**	**0**	**(11)**	**0**
Collective provision for homogeneous groups of loans				
The year's write-off for uncollectible loans	5	3	5	3
Recoveries in respect of uncollectible loan losses in previous years	(5)	(2)	(5)	(2)
Allocation to/reversal of collective provisions	(2)	0	(12)	0
Guarantees	3	(1)	8	(1)
Net cost for the year of collective provisions for homogeneous groups of loan receivables	**1**	**0**	**(4)**	**0**
Impairment charges (income)	**(20)**	**0**	**(19)**	**0**

[1)] *The amount includes specific provision at SEK 12 million for other "collective provisions for homogeneous groups of loans".*

Both the write-offs for the year regarding uncollectible loan receivables and reversal of previous year's write-offs as specified above relate to loans and advances to customers.

Note 9 Appropriations

SEK million	MODERBOLAGET 2007	2006
Additional depreciation	3	0
Transfer from tax allocation reserve	–	1,052
Total	**3**	**1,052**

Note 10 Income tax expense

	GROUP		PARENT COMPANY	
SEK million	2007	2006	2007	2006
Current tax	(43)	(623)	94	(540)
Deferred income tax	(25)	437	5	0
Total	**(68)**	**(186)**	**99**	**(540)**
The effective tax differs from the nominal tax rate in Sweden as below				
Profit before tax	258	840	52	1,907
Nominal tax rate in Sweden 28%	(72)	(235)	(15)	(534)
Effect of tax rates in other countries	4	55	–	–
Tax-free dividend from subsidiaries	–	–	114	–
Tax for previous years and others	0	(6)	0	(6)
Total	**(68)**	**(186)**	**99**	**(540)**
Effective tax rate	26%	22%	(191%)	28%

Note 11 Treasury bills and other eligible bills

	GROUP		PARENT COMPANY	
SEK million	2007	2006	2007	2006
Current assets valued at fair value through profit or loss				
The Swedish state	10	3	10	3
Total	**10**	**3**	**10**	**3**
Holdings of treasury bills and other eligible bills by remaining term, carrying value				
At most 1 year	10	3	10	3
Longer than 1 year but at most 5 years	–	–	–	–
Longer than 5 years but at most 10 years	–	–	–	–
Longer than 10 years	–	–	–	–
Total	**10**	**3**	**10**	**3**
Average remaining term, years	0.1	0.2	0.1	0.2
Average remaining fixed-interest period, years	0.1	0.2	0.1	0.2

Note 12 Loans and advances to credit institutions

	GROUP		PARENT COMPANY	
SEK million	2007	2006	2007	2006
Lending in Swedish kronor	19,820	9,954	38,413	28,044
Lending in foreign currency	89	8	89	8
Total	**19,909**	**9,962**	**38,502**	**28,052**
of which repos	*8,803*	–	*1,787*	–
Outstanding receivables by remaining term, net, carrying value				
Payable on demand	63	718	15,465	9,913
At most 3 months	11,049	1,612	5,083	2,563
Longer than 3 months but at most 1 year	4,300	3,968	8,776	8,098
Longer than 1 year but at most 5 years	4,067	3,381	8,300	6,900
Longer than 5 years	430	283	878	578
Total	**19,909**	**9,962**	**38,502**	**28,052**
Average remaining term, years	0.9	1.5	0.9	1.1

Of the parent company's loans and advances to credit institutions, SEK 15,439 million (SEK 9,896 million) relates to a receivable from the wholly-owned subsidiary The Swedish Covered Bond Corporation. This receivable is subordinated which means that payment is received only after the other creditors of the subsidiary have been paid.

Note 13 Loans and advances to customers

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Opening balance	170,293	164,179	65,256	141,556
Lending for the year	30,487	35,893	28,246	33,691
Transferred to subsidiaries	–	–	(53,474)	(104,806)
Securitisation, net	–	–	6,902	4,906
Amortisation, write-offs, redemption, etc.	(32,539)	(29,779)	(17,178)	(10,091)
Closing balance	168,241	170,293	29,752	65,256
Provision for impairment	(260)	(280)	(182)	(220)
Closing balance	167,981	170,013	29,570	65,036
of which subordinated assets	–	–	–	–
Receivables outstanding by remaining terms, net carrying value				
Payable on demand	–	–	–	–
At most 3 months	23,544	81,177	5,245	35,820
Longer than 3 months but at most 1 year	77,949	23,939	16,496	7,391
Longer than 1 year but at most 5 years	58,601	58,460	7,014	19,095
Longer than 5 years	7,887	6,437	815	2,730
Total	**167,981**	**170,013**	**29,570**	**65,036**
Average remaining term, years	1.6	1.3	1.3	1.2

GROUP

Distribution of lending by category of lender

SEK million	2007				2006				
	FriSpar Bolån AB	The Swedish Covered Bond Corporation	Sveriges Bostads-finansierings-aktiebolag, SBAB (publ)	Total within group*	SRM Investment No3 Limited	FriSpar Bolån AB	The Swedish Covered Bond Corporation	Sveriges Bostads-finansierings-aktiebolag, SBAB (publ)	Total within group*
Single-family dwellings and holiday homes	17,191	54,500	8,384	71,651	–	15,037	40,900	23,987	72,557
Tenant-owned apartments	2,557	26,106	5,165	32,575	–	2,152	15,843	14,398	31,339
Tenant-owner associations	120	27,703	5,700	33,465	7,427	134	14,399	12,967	34,861
Private multi-family dwellings	154	12,998	4,876	17,953	–	126	9,203	9,530	18,797
Municipal multi-family dwellings	2	6,954	45	7,000	–	–	8,365	1,416	9,781
Commercial properties	–	15	5,582	5,597	–	–	0	2,958	2,958
Provision for impairment	(13)	(71)	(182)	(260)	–	(8)	(56)	(220)	(280)
Total	**20,011**	**128,205**	**29,570**	**167,981**	**7,427**	**17,441**	**88,654**	**65,036**	**170,013**
Proportion of lending with a state or municipal guarantee, %	–	8	2	6	–	–	13	5	8
Average fixed-interest term, years	1.6	1.5	0.8	1.4	1.9	1.5	1.3	1.2	1.3

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

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

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

SEK 26,215 million of SBAB's portfolio has been provided by its business partners and it is possible for certain partners, in the event of a change of ownership of SBAB, to acquire loans provided.

Loans granted but not yet released are shown in Note 34.

continued note 13

Impaired loans

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
a) Impaired loans	180	159	180	159
b) Specific provisions for individually assessed loans	118	114	118	114
c) Collective provisions for individually assessed loans	53	76	32	57
d) Provisions for collectively assessed homogeneous groups of loans	89	90	32	49
e) Total provisions (b+c+d)	260	280	182	220
f) Impaired loans after specific provisions for individually assessed loans (a-b)	62	45	62	45
g) Provision ratio for specific provisions for individually assessed loans (b/a)	66%	72%	66%	72%

GROUP

Impaired loans distribution by borrower categories

SEK million	2007					2006				
	Tenant-owner-associations	Private multi-family-dwellings	Single family dwellings and holiday homes	Tenant-owner apartments	Total	Tenant-owner-associations	Private multi-family-dwellings	Single family dwellings and holiday homes	Tenant-owner apartments	Total
Impaired loans, gross	138	28	14		180	120	39			159
Specific provisions for individually assessed loans	(90)	(16)	(12)		(118)	(98)	(16)			(114)
Collective provisions for individually assessed loans	(29)	(24)			(53)	(49)	(27)			(76)
Provisions for collectively assessed homogeneous groups of loans			(72)	(17)	(89)			(72)	(18)	(90)
Impaired loans after specific provisions for individually assessed loans					62					45

Note 14 Fair value adjustment of interest-rate hedged loan receivables

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Opening balance	(405)	932	(255)	932
Terminated hedges	5	–	58	–
Revaluation of hedged items	(522)	(1,337)	109	(1,187)
Closing balance at the end of the year	**(922)**	**(405)**	**(88)**	**(255)**

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 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Securities valued at fair value through profit or loss	31,056	21,813	31,056	21,813
Total bonds and other interest-bearing securities	**31,056**	**21,813**	**31,056**	**21,813**
Holding by issuer, etc				
CURRENT ASSETS				
Listed securities				
Issued by public bodies:				
The Swedish state	6	6	6	6
Issued by other borrowers:				
Swedish mortgage institutions	1,064	1,860	1,064	1,860
Other foreign issuers (covered bonds)	29,943	18,935	29,943	18,935
Other foreign issuers (with government guarantee)	43	1,012	43	1,012
Total listed securities	31,056	21,813	31,056	21,813
Unlisted securities	–	–	–	–
Total bonds and other interest-bearing securities	**31,056**	**21,813**	**31,056**	**21,813**
of which subordinated assets	–	–	–	–
Holding by remaining maturity, carrying value				
At most 1 year	356	1,012	356	1,012
Longer than 1 year but at most 5 years	17,030	8,085	17,030	8,085
Longer than 5 years but at most 10 years	9,837	9,874	9,837	9,874
Longer than 10 years	3,833	2,842	3,833	2,842
Total	**31,056**	**21,813**	**31,056**	**21,813**
Average remaining term, years	6.0	6.9	6.0	6.9

Note 16 Derivative financial instruments

SEK million	GROUP 2007			GROUP 2006			PARENT COMPANY 2007			PARENT COMPANY 2006		
	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount
Interest-rate derivatives												
– swaps	1,377	1,557	195,735	1,071	1,636	173,262	1,617	2,177	317,047	1,357	2,014	285,651
– forwards	35	36	4,211	4	2	4,000	35	36	4,211	4	2	4,000
Share-related	50	0	144	47	0	144	50	0	144	47	0	144
Currency-related	2,307	1,330	96,685	233	3,621	90,760	523	1,254	47,517	233	3,127	67,891
Credit-related	30	–	18,600	–	–	–	–	–	–	–	–	–
Total derivative financial instruments	**3,799**	**2,923**	**315,375**	**1,355**	**5,259**	**268,166**	**2,225**	**3,467**	**368,919**	**1,641**	**5,143**	**357,686**

Holding by remaining term, carrying value	GROUP 2007 Fair value	GROUP 2007 Nominal amount	GROUP 2006 Fair value	GROUP 2006 Nominal amount	PARENT COMPANY 2007 Fair value	PARENT COMPANY 2007 Nominal amount	PARENT COMPANY 2006 Fair value	PARENT COMPANY 2006 Nominal amount
At most 3 months	(313)	28,965	(893)	41,995	(313)	28,965	(917)	41,997
3-12 months	166	77,557	(1,570)	75,614	(71)	87,230	(1,455)	83,276
1-5 years	1,004	184,787	(1,008)	128,473	(5)	123,238	(777)	128,284
Longer than 5 years	19	24,066	(433)	22,084	(853)	129,486	(352)	104,129
Total	**876**	**315,375**	**(3,904)**	**268,166**	**(1,242)**	**368,919**	**(3,501)**	**357,686**

continued note 16

Hedge accounting

Hedge accounting is only applied for the hedge relationships where the risks are considered to be greatest for substantial fluctuation in gain or loss.

Fair value hedges

SBAB mainly uses fair value hedges to protect itself against changes in fair value of lending and funding at fixed interest rates and to hedge currency exposure of funding in foreign currency. The hedge instruments mostly used are interest-rate swaps and currency swaps. In a few cases, hedge accounting also takes place of changes in fair value for credit exposures. In these cases, credit derivatives are used as a hedging instrument.

The group

As at 31 December 2007, derivates held for fair value hedging had a nominal amount of SEK 214.3 billion. The fair value of these derivatives was SEK 1,209 million. The year's change in value of these derivatives amounted to SEK 42 million and is reported in the income statement under the items Net income from financial instruments designated at fair value. The change in value of the hedged items with respect to hedged risk amounts to SEK 72 million, which is also reported under the item Net income from financial instruments designated at fair value. The group's hedge accounting for fair value has thus affected the year's earnings by SEK 114 million.

The parent company

As at 31 December 2007, derivates held for fair value hedging have a nominal amount of SEK 18.3 billion. The fair value of these derivatives was SEK –232 million. The year's change in value of these derivatives amounts to SEK to –254 million and is reported in the income statement under the item Net income from financial instruments designated at fair value. The change in value of the hedged items with respect to hedged risk amounts to SEK 250 million, which is also reported under the item Net income from financial instruments designated at fair value. The parent company's hedge accounting for fair value has thus affected the year's earnings by SEK –4 million.

Cash flow hedges

SBAB also hedges uncertainty in future cash flows. Uncertainty in future cash flows arises when funding takes place at floating interest-rates. These interest-rates have a fixed-interest term of between 1-6 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 reinvestment or a refinancing rate. The future cash flows which are hedged will be received with a high degree of probability as they are contracted.

The group and the parent company

As at 31 December 2007, derivatives held for cash flow hedging have a nominal amount of SEK 1.9 billion. The fair value of these derivatives was SEK –202 million. 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 the income statement 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 amounts to SEK 14 million. The hedges have been highly effective.

Note 17 Classification of financial instruments

GROUP

Financial assets

SEK million	2007						2006					
	Securities valued at fair value through profit or loss	Loan receiv-ables	Loan receiv-ables in hedge accounting	Deriva-tives held for hedging	Total	Total fair value	Securities valued at fair value through profit or loss	Loan receiv-ables	Loan receiv-ables in hedge accounting	Deriva-tives held for hedging	Total	Total fair value
Cash and balances at central banks		0			0	0		0			0	0
Treasury bills and other eligible bills	10				10	10	3				3	3
Loans and advances to credit institutions		19,909			19,909	19,872		9,962			9,962	10,019
Loans and advances to customers		75,183	92,798		167,981	166,606		91,191	78,822		170,013	170,908
Fair value adjustment of interest-rate hedged loan receivables		(53)	(869)		(922)	–			(405)		(405)	–
Bonds and other interest-bearing securities	31,056				31,056	31,056	21,813				21,813	21,813
Other shares and participations	4				4	4	2				2	2
Derivative financial instruments				3,799	3,799	3,799				1,355	1,355	1,355
Other assets		296			296	296		84			84	84
Prepaid expenses and accrued income	328	455			783	783	227	464			691	691
Total	**31,398**	**95,790**	**91,929**	**3,799**	**222,916**	**222,426**	**22,045**	**101,701**	**78,417**	**1,355**	**203,518**	**204,875**

continued note 17

GROUP

Financial liabilities

SEK million	2007						2006					
	Liabilities valued at fair value through profit or loss	Other financial liabilities	Other financial liabilities in hedge accounting	Derivatives held for hedging	Total	Total fair value	Liabilities valued at fair value through profit or loss	Other financial liabilities	Other financial liabilities in hedge accounting	Derivatives held for hedging	Total	Total fair value
Liabilities to credit institutions		15,537			15,537	15,537		5,407			5,407	5,407
Customer accounts		759			759	759					–	–
Debt securities in issue		38,127	153,680		191,807	191,786		40,394	141,934		182,328	181,553
Derivative financial instruments				2,923	2,923	2,923				5,259	5,259	5,259
Other liabilities	224	470			694	694		890			890	890
Accrued expenses and prepaid income	9	107	2,304		2,420	2,420		60	939		999	999
Subordinated liabilities			2,725		2,725	2,741			2,808		2,808	2,839
Total	**233**	**55,000**	**158,709**	**2,923**	**216,865**	**216,860**		**46,751**	**145,681**	**5,259**	**197,691**	**196,947**

PARENT COMPANY

Financial assets

SEK million	2007						2006					
	Securities valued at fair value through profit or loss	Loan receivables	Loan receivables in hedge accounting	Derivatives held for hedging	Total	Total fair value	Securities valued at fair value through profit or loss	Loan receivables	Loan receivables in hedge accounting	Derivatives held for hedging	Total	Total fair value
Cash and balances at central banks		0			0	0		0			0	0
Treasury bills and other eligible bills	10				10	10	3				3	3
Loans and advances to credit institutions		38,502			38,502	38,425		28,052			28,052	28,169
Loans and advances to customers		29,570			29,570	29,018		34,560	30,476		65,036	65,432
Fair value adjustment of interest-rate hedged loan receivables		(88)			(88)	–			(255)		(255)	–
Bonds and other interest-bearing securities	31,056				31,056	31,056	21,813				21,813	21,813
Other shares and participations	4				4	4	2				2	2
Derivative financial instruments				2,225	2,225	2,225				1,641	1,641	1,641
Other assets		537			537	537		387			387	387
Prepaid expenses and accrued income	328	162			490	490	227	254			481	481
Total	**31,398**	**68,683**		**2,225**	**102,306**	**101,765**	**22,045**	**63,253**	**30,221**	**1,641**	**117,160**	**117,928**

PARENT COMPANY

Financial liabilities

SEK million	2007						2006					
	Liabilities valued at fair value through profit or loss	Other financial liabilities	Other financial liabilities in hedge accounting	Derivatives held for hedging	Total	Total fair value	Liabilities valued at fair value through profit or loss	Other financial liabilities	Other financial liabilities in hedge accounting	Derivatives held for hedging	Total	Total fair value
Liabilities to credit institutions		7,092			7,092	7,092		605			605	605
Customer accounts		759			759	759					–	–
Debt securities in issue		38,127	48,446		86,573	85,990		40,394	65,589		105,983	105,816
Derivative financial instruments				3,467	3,467	3,467				5,143	5,143	5,143
Other liabilities	224	447			671	671		608			608	608
Accrued expenses and prepaid income	9	96	419		524	524		7	325		332	332
Subordinated liabilities			2,725		2,725	2,741			2,808		2,808	2,839
Total	**233**	**46,521**	**51,590**	**3,467**	**101,811**	**101,244**	**0**	**41,614**	**68,722**	**5,143**	**115,479**	**115,343**

Note 18 Other shares and participations

	GROUP		PARENT COMPANY	
SEK million	2007	2006	2007	2006
Listed shares valued at fair value through profit or loss	4	2	4	2
Total	**4**	**2**	**4**	**2**

The assets are expected to be disposed of within twelve months.

Note 19 Investments in associates and joint ventures

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

SEK million	2007	2006
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	459	357
Shareholders' contribution	143	102
Acquisition value at the end of the year	**602**	**459**

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

	2007	2006
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 value	602	459

	2007	2006
PARENT COMPANY Swedish credit institutions	FriSpar Bolån AB 556248-3338 Stockholm	FriSpar Bolån AB 556248-3338 Stockholm
Current assets	11	8
Fixed assets	10,697	9,358
Short term liabilities	53	51
Long-term liabilities	10,169	8,856
Income	31	31
Expenses	(30)	(31)

The amounts relate to the parent company's share, i.e. 51% of FriSpar's corresponding amount.

Note 20 Investments in subsidiaries

SEK million	2007	2006
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	4,000	0
New issue	–	50
Shareholders' contribution	1,200	3,950
Acquisition value at the end of the year	**5,200**	**4,000**

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

	2007	2006
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 value	5,200	4,000

The SRM companies are treated as subsidiaries in the consolidated accounts since SBAB has a controlling influence by agreement. SBAB does not own any shares in the companies.

Note 21 Intangible fixed assets

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Acquisition value at the beginning of the year	92	68	36	25
– Acquisitions during the year	26	24	8	11
– Divestments during the year	–	(0)	–	(0)
Acquisition value at the end of the year	118	92	44	36
Amortisation at the beginning of the year	(37)	(20)	(15)	(8)
– Amortisation for the year according to plan	(23)	(17)	(10)	(7)
– Divestments during the year	–	0	–	0
Accumulated amortisation according to plan	(60)	(37)	(25)	(15)
Net carrying value	**58**	**55**	**19**	**21**

Note 22 Property, plant and equipment

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Acquisition value at the beginning of the year	107	101	107	101
– Acquisitions during the year	4	7	4	7
– Divestments during the year	(4)	(1)	(4)	(1)
Acquisition value at the end of the year	107	107	107	107
Depreciation at the beginning of the year	(88)	(80)	(88)	(80)
– Depreciation for the year according to plan	(7)	(9)	(7)	(9)
– Divestments during the year	2	1	2	1
Accumulated depreciation according to plan	(93)	(88)	(93)	(88)
Net carrying value	**14**	**19**	**14**	**19**

Note 23 Other assets

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Claims on securities settlement proceeds	10	–	–	–
Past due interest	138	83	37	38
Anticipated dividend	–	–	408	–
Tax assets	14	–	77	–
Receivables from securitisation companies	–	–	–	307
Other	134	1	15	42
Total	**296**	**84**	**537**	**387**
Other assets by remaining term, carrying value				
At most 1 year	178	84	537	387
Longer than 1 year	118	–	–	–
Total	**296**	**84**	**537**	**387**

Note 24 Prepaid expenses and accrued income

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Prepaid expenses	21	15	21	15
Accrued interest income	656	572	398	372
Accrued guarantees	79	75	38	50
Other accrued income	27	29	33	44
Total	**783**	**691**	**490**	**481**
Other assets by remaining term, carrying value				
At most 1 year	735	645	469	451
Longer than 1 year	48	46	21	30
Total	**783**	**691**	**490**	**481**

Note 25 Liabilities to credit institutions

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Lending in Swedish kronor	8,660	4,802	215	–
Lending in foreign currency	6,877	605	6,877	605
Total	**15,537**	**5,407**	**7,092**	**605**
of which repos	*15,527*	*5,398*	*7,092*	*605*
Outstanding liabilities by remaining term, carrying value				
Payable on demand	–	–	–	–
At most 3 months	15,537	5,407	7,092	605
Total	**15,537**	**5,407**	**7,092**	**605**
Average remaining term, years	0.1	0.0	0.1	0.0

Note 26 Customer accounts

GROUP AND PARENT COMPANY

Total customer deposits amounted at the end of 2007 to SEK 759 million.

SBAB currently offers two savings products, the Sparkonto and the SBAB-konto. The Sparkonto is a deposit account with flexible interest and is available for both existing and new customers. The interest rate on the savings account was 4.10% as at 31 December 2007. The SBAB-konto is a savings account offered to customers with at least SEK 1 million in residential mortgages with SBAB and/or its wholly-owned subsidiary. Special interest terms apply to the SBAB-konto. The interest rate on the SBAB-konto is floating and was 4.85% as at 31 December 2007.

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.The Sparkonto has 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 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Financial liabilities at amortised cost:				
Swedish kronor commercial paper programmes	18,961	18,180	18,961	18,180
Foreign currency commercial paper programmes	19,166	22,215	19,166	22,215
Total	**38,127**	**40,395**	**38,127**	**40,395**
Financial liabilities in hedge accounting:				
Bond loans in Swedish kronor	68,935	58,850	14,417	12,385
Bond loans in foreign currency	84,745	83,083	34,029	53,203
Total	**153,680**	**141,933**	**48,446**	**65,588**
Total debt securities in issue	**191,807**	**182,328**	**86,573**	**105,983**
of which covered bonds	*105,719*	*69,143*	–	–
Debt securities in issue by remaining term, carrying value				
At most 1 year	98,806	99,137	68,030	76,692
Longer than 1 year but at most 5 years	86,161	78,089	17,614	28,008
Longer than 5 years but at most 10 years	6,219	4,509	848	1,197
Longer than 10 years	621	593	81	86
Total	**191,807**	**182,328**	**86,573**	**105,983**
Average remaining term, years	1.6	1.6	0.6	0.8
Average remaining fixed-interest rate, years	1.5	1.3	0.3	0.4

The bond loan conditions in SBAB's long-term funding programme includes a possibility for the bondholder to demand premature redemption of the holder's bonds issued in such loan programmes if the Swedish state 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 amounts to SEK 46.8 billion as at 31 December 2007.

Note 28 Other liabilities

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Accounts payable	13	19	13	19
Employees' income tax	5	5	5	5
Tax liabilities	–	506	–	422
Liabilities to borrowers	443	347	420	130
Sold not held securities	224	–	224	–
Liabilities to securitisation companies	–	–	–	19
Other	9	13	9	13
Total	**694**	**890**	**671**	**608**

continued note 28

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Other liabilities allocated according to remaining term, carrying value				
At most 1 year	694	890	671	608
Longer than 1 year	–	–	–	–
Total	**694**	**890**	**671**	**608**

Note 29 Accrued expenses and prepaid income

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Accrued interest expense	2,327	876	437	236
Other accrued expenses	93	123	87	96
of which re-organisation	–	*16*	–	*16*
Total	**2,420**	**999**	**524**	**332**
Other liabilities by expected due date, carrying value				
At most 1 year	2,420	999	524	332
Longer than 1 year	–	–	–	–
Total	**2,420**	**999**	**524**	**332**

Note 30 Deferred income tax assets

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Deferred tax for temporary differences in:				
– Change of fair value for interest-rate hedged loan receivables	35	30	–	–
– Debt securities in issue	(216)	113	41	–
– Derivative financial instruments	295	0	(41)	–
– Intangible fixed assets	(11)	(9)	–	–
– Additional depreciation	–	(1)	–	–
– Other	0	–	0	–
Total	**103**	**133**	**0**	–
Change in deferred income taxes:				
Deferred income tax in income statement	(25)	437	5	–
Deferred income tax attributable to items recognised directly in equity	(5)	0	(5)	–
Total	**(30)**	**437**	**0**	–
Outstanding receivables by expected due date, carrying value				
At most 1 year	–	–	–	–
Longer than 1 year	103	133	0	–
Total	**103**	**133**	**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 2007	Due date	Carrying value 2007	Carrying value 2006
Debenture JPY 1	10,000,000,000	10,000,000,000	2008	6.20	Perpetual	581	614
Debenture JPY 2	10,000,000,000	10,000,000,000	–	5.23	16 Nov 2015	698	714
Debenture SEK 1	500,000,000	500,000,000	2011	3.60	14 Jun 2016	479	483
Debenture SEK 2	700,000,000	700,000,000	2016	5.22	Perpetual	667	697
Debenture SEK 3	300,000,000	300,000,000	2016	3 M STIBOR+0.93	Perpetual	300	300
Total						**2,725**	**2,808**
of which group companies						–	–

The subordinate debentures are subordinate to the parent company's other debts, which means that they carry an 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 have been 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 consists of the following five loans:

JPY 1
The loan is undated.
Interest rate: For the period 30 September 1992 – 29 March 2008: 6.20%. For the period 30 March 2008 – 29 March 2013, the highest of 8.20% and "long-term prime rate" for JPY with an addition of 2%. For the period from 30 March 2013 and thereafter, the highest of the interest rates set for the period 30 March 2008 – 29 March 2013 and "long-term prime rate" for JPY for the current period with an addition of 3%.

JPY 2
Term: 16 November 1995 – 16 November 2015
Interest rate: SBAB can decide to pay the interest in USD, EUR or JPY. Interest totals 5.23% of 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 equivalent 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 equivalent to three months STIBOR plus 1.93% to be paid quarterly in arrears.

Circumstances that may lead to early redemption of the subordinated debentures

SBAB may call in the loans for early redemption if SBAB, in certain conditions, as a result of amendments to tax legislation. SBAB also has the right to call JPY1 for early redemption as of 30 March 2008 and thereafter every fifth year on the interest payment date that falls due in March. SBAB is also entitled to call in the loan SEK 1 for early redemption from 14 June 2011 and every subsequent interest payment date, which falls quarterly. The loans SEK 2 and SEK 3 can be called in for early redemption from 30 June 2016 and on all subsequent interest payment dates. The loan can be terminated by the lenders as a result of events of default such as non-payment of interest due to the commencement of bankruptcy or composition proceedings in respect of SBAB. Early redemption of perpetual subordinated debentures and fixed period subordinated debentures issued after 1 January 1996 (on another day than that on which the issuer is entitled to early redemption) requires the permission of the Swedish Financial Supervisory Authority. Early redemption of subordinated debentures with fixed maturity issued before 1 January 1996 should be advised to the Financial Supervisory Authority as soon as possible after the loan has been redeemed. Notice of early termination of loans SEK 2 and SEK 3 can also be given by SBAB if the conditions change for including these loans in primary capital.

Conditions concerning subordination

In the event of the company being declared bankrupt or liquidation, lenders holding subordinated notes have the right to payment from the company's assets after other creditors. Lenders holding subordinated notes of fixed maturity have the right to payment before holders of perpetual subordinated loans but have equal right to other holders of fixed maturity subordinated notes. Lenders holding perpetual subordinated loans have equal right with other holders of perpetual subordinated loans. The subordinated loans, which 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 quota value of SEK 100,000, as in previous years. All shares are owned by the Swedish state.

Dividend is proposed by the Board in accordance with the provisions of the Companies Act and is determined by the Annual General Meeting. It is not proposed that a dividend be paid for 2007. It was decided not to pay a dividend in 2005 and 2006. A full statement of changes in equity is given on page 26.

Note 33 Assets pledged for own liabilities

	GROUP		PARENT COMPANY	
SEK million	2007	2006	2007	2006
Mortgages	121,282	84,283	–	–
Repos	2,405	–	–	–
Securities	7,106	608	7,106	608
Total	**130,793**	**84,891**	**7,106**	**608**

Of the assets pledged, SEK 123,687 million (SEK 84,283 million) consists of collateral for covered bonds of SEK 105,719 million (SEK 69,143 million).

Note 34 Commitments

SEK million	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Commitments on future payments				
Agreements on purchase and sales of forward securities contracts	–	–	–	–
Other commitments on future payments	–	–	–	–
Other commitments				
Loans granted but not released	4,190	3,264	4,080	3,175
Unutilised portion of granted credit facilities	–	–	–	–
Other commitments	–	–	–	–
Commitments by year due				
Within 1 year	2,738	3,064	2,628	2,975
1-5 years	1,452	200	1,452	200
> 5 years	–	–	–	–
Total	**4,190**	**3,264**	**4,080**	**3,175**

Note 35 Information about related parties

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

Group companies and joint ventures

The Swedish Covered Bond Corporation and the securitisation companies are treated as subsidiaries and reported in accordance with the acquisition accounting method, which entails that internal transactions are eliminated at group level. FriSpar Bolån AB is a joint venture and is reported in accordance with proportionate consolidation.

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 assets	18				18	
Total	**1,135**	**–**	**950**	**34**	**2,085**	**34**
Parent Company 2006						
Loans and advances to credit institutions	9,896	490	17,365	463	27,261	953
Derivative financial instruments	47				47	
Other assets	357				357	
Total	**10,300**	**490**	**17,365**	**463**	**27,665**	**953**
Debt securities in issue			900	23	900	23
Derivative financial instruments	517				517	
Other assets	19				19	
Total	**536**	**–**	**900**	**23**	**1,436**	**23**

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

continued note 35

Loans to the Board, the CEO and other key executive staff

SEK million	2007		2006	
Loans to key staff	Lending	Interest income	Lending	Interest income
CEO	–	–	–	–
The Board	2	0	0	0
Other key executive staff	10	0	7	0
Total	**12**	**0**	**7**	**0**

The CEO and the Board refer to the parent company. When relevant, the CEO and board of other group companies are included under Other key executive staff.

Lending to members or deputy members of the Board of Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ), the CEO or Deputy CEO and the Chief Credit Officer (other key executive staff) may only take place on terms normally available, i.e. they cannot obtain loans on more favourable terms. Other key staff may raise loans on customary terms for staff.

Please refer to Note 5 Staff costs otherwise.

Note 36 Segment reporting

GROUP

SEK million	2007					2006				
Income Statement	Consumer	Corporate loans	Finance	Items not allocated	Total	Consumer	Corporate loans	Finance	Items not allocated	Total
Net interest income	767	173	237		1,177	851	135	231		1,217
Net commission income	22	0	(3)		19	23	0	3		26
Net income from financial instruments designated at fair value	0	4	(445)		(441)	0	–	192		192
Total operating income	**789**	**177**	**(211)**		**755**	**874**	**135**	**426**		**1,435**
Other expenses	(370)	(63)	(53)		(486)	(441)	(70)	(58)		(569)
Depreciation of property, plant and equipment and amortisation of intangible assets	(21)	(2)	(8)		(31)	(17)	(2)	(7)		(26)
Total expenses before credit losses	**(391)**	**(65)**	**(61)**		**(517)**	**(458)**	**(72)**	**(65)**		**(595)**
Impairment charges	17	3	–		20	0	0	–		0
Net operating income	**415**	**115**	**(272)**		**258**	**416**	**63**	**361**		**840**
Balance sheet as at 31 December										
Assets	148,911	28,762	45,301	117	223,091	149,174	30,275	24,143	133	203,725
Liabilities	143,790	27,774	45,301		216,865	143,540	29,502	24,143	506	197,691
Other										
Investments for the year	21	2	7		30	19	3	9		31

FriSpar Bolån is included with the joint-owned portion in the respective segment. Intra-group eliminations have already been adjusted in the respective segment. Items not allocated includes such items which are not to be allocated, such as tax liability and deferred tax assets.

Effects of Change of Accounting Policies for the Parent Company

Changes in equity in changed accounting policies

PARENT COMPANY SEK million	Share capital	Legal reserve	Retained earnings	Equity
Closing balance 31 December 2005 according to previously applied accounting policies	1,958	392	2,467	4,817
Changed accounting policies				
Net effects of transition to fair value accounting according to IAS 39			(254)	(254)
Change of impairment provision according to IAS 39			21	21
Other restatements according to IAS 39			205	205
Change in tax attributable to restatements according to IFRS			7	7
Opening balance IFRS 1 January 2006	1,958	392	2,446	4,796

	Share capital	Legal reserve	Retained earnings	Equity
Closing balance 31 December 2006 according to previously applied accounting policies	1,958	392	3,575	5,925
Changed accounting policies				
Net effects of transition to fair value accounting according to IAS 39			160	160
Change of impairment provision according to IAS 39			16	16
Other restatements according to IAS 39			168	168
Change in tax attributable to restatements according to IFRS			(92)	(92)
Closing balance IFRS 31 December 2006	1,958	392	3,827	6,177

From 1 January 2007, SBAB has prepared its accounts for the parent company in compliance with statutory IFRS. The interim report for the first quarter of 2007 was the first report prepared by the company in compliance with IFRS. SBAB has applied the recommendations and statements of the Swedish Financial Accounting Standards Council until the end of 2006.

The changes in the accounting policies entailed by this transition and the effects of the transition on equity are presented below.

Application of IAS 39 – Financial instruments and hedge accounting

SBAB has investments in interest-bearing instruments. These have previously been valued at amortised cost. In compliance with IAS 39, these assets shall be valued at fair value. The changes in value of these instruments have been recognised in profit or loss from 2007 where these are classified as ”Financial assets valued at fair value through profit or loss”.

SBAB has derivative financial instruments, forward contracts, which are held to create the desired fixed interest-rate term on lending. These derivative financial instruments have previously not been reported at fair value, which is mandatory according to IAS 39. The changes in fair value of derivative financial instruments that are identified as cash flow hedges and which comply with the conditions for hedge accounting are recognised in equity. Accumulated amounts in equity are recognised in the income statement in the periods in which the hedged items affect earnings. Changes in fair value of derivatives which are identified as fair value hedges, and which comply with the conditions for hedge accounting are recognised in the income statement together with changes in the fair value of the asset or liability that gave rise to the hedged risk.

The transitional effect on equity which is expected to arise due to derivative financial instruments and financial assets being valued at fair value as at 1 January 2006 amounts to SEK –184 million, after taking tax into consideration.

Change of impairment provision

The adjustments made in collective provisions are attributable to the changes in policy for the part of collective provisions relating to consumer loans. In previous years, SBAB has used a very simple model based on a statistically produced proportion of the size of the portfolio and future risk/event development for the homogeneous group of consumer loans. The new principle fully complies with the principle used for corporate loans. Calculation of probable impairment takes place gross and in the event of there being a guarantee, this is reported as a claim on the counterparty.

The transitional effect on equity which is expected to arise through the changed impairment provision and gross reporting of guarantees is calculated at SEK 15 million, after taking into account tax, as at 1 January 2006.

Early redemption compensation and repurchases

In the event of premature redemption of a loan, the customer pays early redemption compensation to cover the cost incurred by SBAB. This compensation has previously been accrued over the remaining fixed-interest term. According to IAS 39, the interest compensation received is to be recognised in profit or loss directly. The corresponding applies in the event of SBAB's repurchase of a debt, where the cost/income on repurchase has been accrued over the original term, while, according to IAS 39, it is to be recognised in profit or loss directly.

The transitional effect on equity, which is expected to arise due to early redemption compensation being recognised as income directly, as at 1 January 2006, amounts to SEK 130 million, after taking tax into consideration.

Accrual of fees

Transaction expenses in the form of sales commission to business partners, relating to acquisition of loans, have previously been substantially expensed in connection with the performance taking place. According to IAS 39, these commissions are transaction expenses, which are therefore part of the acquisition cost for the loan, and will be reported in the balance sheet and recognised as interest over the expected term of the loan.

The transitional effect on equity, which is expected to arise due to transaction expenses being recognised over the expected term of the loan, amounts as at 1 January 2006, to SEK 31 million, after taking tax into consideration.

Taxes

The above adjustments decreased tax expense as at 1 January 2006 by SEK 7 million.

Effects of Transition to IFRS for the Group

Changes in equity in the transition to IFRS

GROUP SEK million	Share capital	Legal reserves	Other reserves	Retained earnings	Equity
Closing balance 31 December 2005 according to previously applied accounting policies	1,958	1,174		2,468	5,600
Restatement according to IFRS					
Reassignment of legal reserves to retained earnings		(392)		392	
Reassignment equity portion of untaxed reserves and other restricted reserves		(782)		782	
Net effects of transition to fair value accounting according to IAS 39				(466)	(466)
Change in impairment provision according to IAS 39				21	21
Other restatements according to IAS 39			(2)	206	204
Change in tax attributable to restatement according to IFRS				7	7
Opening balance IFRS 1 January 2006	1,958	–	(2)	3,410	5,366

	Share capital	Legal reserves	Other reserves	Retained earnings	Equity
Closing balance 31 December 2006 according to previously applied accounting policies	1,958	418		3,686	6,062
Restatement according to IFRS					
Reassignment of legal reserves to retained earnings		(392)		392	
Reassignment of equity portion of untaxed reserves and other restricted reserves		(26)		26	
Net effects of transition to fair value accounting according to IAS 39				(233)	(233)
Change in impairment provision according to IAS 39				16	16
Other restatements according to IAS 39			12	166	178
Change in tax attributable to restatement according to IFRS				11	11
Closing balance IFRS 31 December 2006	1,958	–	12	4,064	6,034

Effects of transition to IFRS for the group

From 1 January 2007, SBAB has prepared its consolidated accounts in compliance with IFRS. The interim report for the first quarter of 2007 was the first report prepared by the company in compliance with IFRS. SBAB has applied the recommendations and statements of the Swedish Financial Accounting Standards Council until the end of 2006. The transition to IFRS has been reported in compliance with IFRS 1, "First-time Adoption of IFRS", the transition date being 1 January 2006. IFRS 1 stipulates that the comparison figures for the immediate previous year shall also be reported in compliance with IFRS. Financial information for previous financial years before 2006 has not been restated. The main rule means that all applicable IFRS and IAS standards, which have taken effect and been adopted by the EU as at 31 December 2007, shall be applied with retroactive effect. However, IFRS 1 contains some exemptions from the main rule which the company may decide to apply. SBAB has not applied any exemptions from the main rule according to IFRS 1.

The changes in accounting policies entailed by this transition and the transition effects on the group's income statement and balance sheets are presented below.

Application of IAS 39

a) Financial instruments and hedge accounting

SBAB has investments in interest-bearing instruments. These have previously been valued at amortised cost. In compliance with IAS 39, these assets shall be valued at fair value. The changes in value of these instruments have been recognised in the income statement from 2007 where these are classified as "Financial assets valued at fair value through profit or loss".

SBAB has derivative financial instruments, forward contracts, which are held to create the desired fixed-interest term on lending. These derivative financial instruments have previously not been reported at fair value, which is mandatory according to IAS 39. The changes in fair value of derivative financial instruments that are identified as cash flow hedges and which comply with the conditions for hedge accounting are recognised in equity. Accumulated amounts in equity are recognised in the income statement in the periods in which the hedged items affect earnings. Changes in fair value of derivatives which are identified as fair value hedges, and which comply with the conditions for hedge accounting are recognised in the income statement together with changes in the fair value of the asset or liability that gave rise to the hedged risk.

The transitional effect on equity which is expected to arise due to derivative financial instruments and financial assets being valued at fair value as at 31 December 2006 amounts to SEK –154 million, after taking tax into consideration.

b) Change impairment of provision

The adjustments made in collective provisions are attributable to the changes in policy for the part of collective provisions relating to consumer loans. In previous years, SBAB has used a very simple model based on a statistically produced proportion of the size of the portfolio and future risk/event development for the homogenous group of consumer loans. The new principle fully complies with the principle used for corporate loans. Calculation of probable impairment takes place gross and in the event of there being a guarantee, this is reported as a receivable from the counterparty.

The transitional effect on equity which is expected to arise through the changed impairment provision and gross reporting of guarantees is calculated at SEK 12 million, after taking into account tax, as at 31 December 2006.

c) Early redemption compensation and repurchases

In the event of premature redemption of a loan, the customer pays early redemption compensation to cover the cost that arises for SBAB. This compensation has previously been accrued over the remaining fixed-interest term. According to IAS 39, the early redemption compensation received is to be recognised as income directly. The corresponding applies in the event of SBAB's repurchase of a debt, where the cost/income on repurchase was accrued over the original term, while, according to IAS 39, it is to be recognised directly in profit or loss.

The transitional effect on equity, which is expected to arise due to early redemption compensation being recognised directly in profit or loss, as at 31 December 2006, amounts to SEK 99 million, after taking tax into consideration.

d) Accrual of fees

Transaction expenses in the form of sales commission to business partners, relating to acquisition of loans, have previously been substantially expensed in connection with the performance taking place. According to IAS 39, these commissions are transaction expenses, which are therefore part of the acquisition cost for the loan, and will be reported in the balance sheet and recognised as interest over the expected term of the loan.

The transitional effect on equity, which is expected to arise due to transaction expenses being recognised over the expected term of the loan, amounts as at 31 December 2006, to SEK 25 million, after taking tax into consideration.

Application of IAS 27

e) Consolidation of securitisation companies

SBAB has previously not consolidated securitisation companies taking into consideration legal ownership. The introduction of IAS 27 means that the group definition is based on control. The securitisation companies are controlled by agreement with SBAB and are thereby consolidated according to IAS 27.

Application of IAS 31

f) Interests in joint ventures

SBAB has previously consolidated FriSpar which is 51% owned. FriSpar is a joint venture by agreement in accordance with IAS 31. FriSpar is reported in accordance with proportionate consolidation.

Taxes

The above adjustments decreased tax expense as at 31 December 2006 by SEK 11 million.

Cash flow statement

The application of IAS 27 and IAS 31 has entailed that the cash flow statements have been changed and the securitisation companies are included in the statement. FriSpar which is reported in accordance with proportionate consolidation is included with the portion that has affected the consolidated accounts. See the above section on the effects of IAS 27 and IAS 31.

See pages 66-67 for specification of the above effects in the consolidated income statement, balance sheet and cash-flow statement.

Restatement of the income statement for 2006 in the transition to IFRS

Income statement

GROUP SEK million	Previous accounting policies	IAS 27 see page 65 e)	IAS 31 see page 65 f)	IAS 39 see page 65 a-d)	Other adjustments	IFRS
Interest income	6,306	531	(59)	(74)		6,704
Interest expense	(4,972)	(512)	(11)	8		(5,487)
Net interest income	1,334	19	(70)	(66)		1,217
Dividend income	0					0
Commission income	40	(17)	30			53
Commission expense	(138)		40	71		(27)
Net income from financial instruments designated at fair value	5			187		192
Other operating income	0					0
Total operating income	1,241	2	0	192		1,435
Staff costs	(245)				(16)	(261)
Other expenses	(322)	(2)	0		16	(308)
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	(26)					(26)
Total expenses before impairment charges	(593)	(2)	0		–	(595)
Impairment charges	4			(4)		0
Net operating income	652	0	0	188	–	840
Minority share of profit/loss for the period	0		(0)			–
Income tax expense	(190)		(0)	4		(186)
Profit for the year	462	0	–	192	–	654

Restatement of the consolidated balance sheet 31 December 2006 in the transition to IFRS

Balance sheet

GROUP SEK million	Previous accounting policies	IAS 27 see page 65 e)	IAS 31 see page 65 f)	IAS 39 see page 65 a-d)	Other adjustments	IFRS
ASSETS						
Cash and balances at central banks	0					0
Treasury bills and other eligible bills	3					3
Loans and advances to credit institutions	791	662	8,509			9,962
Loans and advances to customers	171,160	7,427	(8,545)	(29)		170,013
Fair value adjustment of interest-rate hedged loan receivables				(405)		(405)
Bonds and other interest-bearing securities	21,847			(34)		21,813
Derivative financial instruments	737	(25)		643		1,355
Other shares and participations	0			2		2
Deferred income tax assets				143	(10)	133
Intangible fixed assets	55					55
Property, plant and equipment	19					19
Other assets	394	(309)	(2)	1		84
Prepaid expenses and accrued income	591	24	8	68		691
TOTAL ASSETS	195,597	7,779	(30)	389	(10)	203,725
LIABILITIES AND EQUITY						
LIABILITIES						
Liabilities to credit institutions	5,415		(8)			5,407
Debt securities in issue	174,423	7,766	441	(302)		182,328
Derivative financial instruments	4,713			546		5,259
Other liabilities	772	(13)	(1)	132		890
Accrued expenses and prepaid income	1,115	26	(20)	(122)		999
Deferred income tax liabilities	10				(10)	0
Subordinated liabilities	2,645			163		2,808
Total liabilities	189,093	7,779	412	417	(10)	197,691
Minority interest	442		(442)			–
EQUITY						
Share capital	1,958					1,958
Other reserves	418				(406)	12
Retained earnings	3,686			(28)	406	4,064
Total equity	6,062			(28)	–	6,034
TOTAL LIABILITIES AND EQUITY	195,597	7,779	(30)	389	(10)	203,725

Restatement of the consolidated balance sheet 1 January 2006 in the transition to IFRS

Balance sheet

GROUP SEK million	Previous accounting policies	IAS 27 see page 65 e)	IAS 31 see page 65 f)	IAS 39 see page 65 a-d)	Other adjustments	IFRS
ASSETS						
Cash and balances at central banks	0					0
Treasury bills and other eligible bills	3					3
Loans and advances to credit institutions	157	664	7,175			7,996
Loans and advances to customers	156,020	15,108	(7,220)	(25)		163,883
Fair value adjustment of interest-rate hedged loan receivables				932		932
Derivative financial instruments	2,629	(51)		1,288		3,866
Other shares and participations	0			2		2
Intangible fixed assets	48					48
Property, plant and equipment	21					21
Other assets	2,546	(424)	(1)	1		2,122
Prepaid expenses and accrued income	404	26	10	69		509
TOTAL ASSETS	161,828	15,323	(36)	2,267		179,382
LIABILITIES AND EQUITY						
LIABILITIES						
Liabilities to credit institutions	4,525		(17)			4,508
Debt securities in issue	145,400	15,310	343	(3)		161,050
Derivative financial instruments	2,501	(51)		2,410		4,860
Other liabilities	91	64				155
Accrued expenses and prepaid income	1,212		(18)	(132)		1,062
Deferred income tax liabilities	304			(7)		297
Subordinated liabilities	1,851			233		2,084
Total liabilities	155,884	15,323	308	2,501		174,016
Minority interest	344		(344)			–
EQUITY						
Share capital	1,958					1,958
Other reserves	1,174				(1,176)	(2)
Retained earnings	2,468			(234)	1,176	3,410
Total equity	5,600			(234)	–	5,366
TOTAL LIABILITIES AND EQUITY	161,828	15,323	(36)	2,267	–	179,382

Restatement of the cash flow statement in the transition to IFRS

Cash flow statement

GROUP Jan-Dec 2006 SEK million	Cash flow statement according to previous accounting policies	Revaluation IAS 27 see p.65 e)	Revaluation IAS 31 see p.65 f)	Cash flow statement restated to IFRS
Cash and cash equivalents at the beginning of the period	157	664	(0)	821
Cash flows from operating activities	(427)	(2)	98	(331)
Cash flows from investing activities	(31)	–	–	(31)
Cash flows from financing activities	1,092	–	(98)	994
Increase / Decrease of cash and cash equivalents	634	(2)	(0)	632
Cash and cash equivalents at the end of the period	791	662	(0)	1,453

Proposed Appropriation of Profits

The group's non-restricted equity, according to the consolidated balance sheet, amounts to SEK 4,254 million of which the result for the year is SEK 190 million.

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 activity. 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 3,980 million, of which the result for the year is SEK 151 million be carried forward.

The Board and the CEO certify that the annual accounts have been prepared in accordance with generally accepted accounting policies for credit market companies, the information provided is in accordance with actual conditions and nothing of material importance has been omitted, which could affect the view of the company presented in the annual accounts.

Stockholm, 19 March 2008

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
Employee Representative

Marcus Eklind
Employee Representative

Eva Cederbalk
Chief Executive Officer

Our audit report has been submitted on 20 March 2008

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, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of the Swedish Housing Finance Corporation (publ), reg.no. 556253-7513, for the year 2007. The annual report and the consolidated accounts are included in the printed version of the report on p. 9-68. 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 ensuing 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. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Chief Executive Officer, as well as evaluating the important estimations made by the Board and the 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 in order to be able 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 has, 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 and consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international reporting standards IFRS as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies and give a true and fair view of the Group's financial position and results. The statutory Administration Report is in accordance with other parts of the annual accounts and the 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, 20 March 2008

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 owner management 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 the general meeting 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 policy decided upon by the Government. The Swedish Code of Corporate Governance (The Code) which has been applied by Stockholm stock exchange, Stockholmsbörsen since July 2005 has been stated by the owner to be part of the Government's framework for corporate governance that complements the state's owner policy. The Government Offices have found reason in certain respects to supplement or interpret the rules of the Code in a way described in more detail in the Government Communication State Ownership Policy 2007. SBAB complies with the Code in accordance with the Government Office's interpretation from the date on which the respective code regulation came into question on the first occasion after the Code came into effect, with the exception of the following differences, however.

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 19 April 2007 in Stockholm. The Annual General Meeting was open and the public was invited to attend through advertising in the daily press together with other specially invited persons from business partners, members of parliament, customers and other stakeholders. Most of the Board Members, the CEO, as well as 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. Leif Jakobsson resigned as Board Member in connection with the Annual General Meeting. Öhrlings Pricewaterhouse Coopers AB were appointed as auditor.

The fees of the Board Members were decided upon at the Annual General Meeting. Decisions were also made to grant the Board of Directors and the CEO discharge from liability, on the appropriation of profits and to adopt the annual accounts for 2006. The CEO, Eva Cederbalk, held a speech on SBAB's activities in 2006. Auditor Per Bergman 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.

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

Nomination process

The Nomination Committee is primarily a body for shareholders to prepare 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:

- 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 been given special responsibility for board nominations in all companies managed by the Government Offices.
- The nomination process is driven and co-ordinated 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 the respective board and the company's activity and situation. Recruitment needs are then established and recruitment work commenced.
- The selection of Board Members is to be made on a broad basis of recruitment.

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

The Board of Directors and its forms 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 of Shareholders for the period until the end of the next Annual General Meeting of Shareholders. SBAB's board consists of six Board Members elected at the Annual General Meeting of shareholders and two members appointed by the employee organisation the Financial Sector Union of Sweden. The CEO is not a member of the Board.

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 published in accordance with the guidelines of the Code with the exception of reporting of independence in relation to major owners. The reason for a company having at least two Board Members who are independent in relation to major shareholders and a report to be made on the independence of all Board Members in relation to major owners, according to the Code, is principally to protect minority owners in companies with a number of owners. According to the owner's guidelines, these reasons for reporting independence are lacking in wholly state-owned enterprises and in partly-owned companies with a few owners and accordingly this is not done.

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 first 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 between the Board, the Chairman of the Board, the CEO and the Board committees.

In 2007, the Board had seven ordinary board meetings and four extraordinary meetings. The work of the Board takes place in accordance with an annual reporting plan which aims at meeting the Board's need for information. SBAB's Board makes decisions in matters concerning SBAB's strategic direction, investments, financing, organisational issues, and more important policies and 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 specially appointed committees. The company's internal and external auditors also report their observations to the Board every year from their examination and their assessments on how control is maintained within the company. Other executives in SBAB attend board meetings as reporter or secretary.

Besides the meetings of the Board, the Board follows the ongoing work and financial development of SBAB through the CEO making a written report every month.

Among other things, the report contains a disclosure covering the net operating income, changes in the loan portfolios, interest rate margins, impairment and problem loans, funding activity as well as the capital adequacy situation and risks.

The Board continuously evaluates its work by 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 the CEO is made in accordance with the owner's instructions. The work of the Board and the CEO have been evaluated in connection with the extraordinary Board meeting of 14 November 2007.

Fees are paid to the Chairman of the Board and the Board Members in accordance with the decision taken at the Annual General Meeting. More information on fees to the Board is shown in Note 5 to the income statement and balance sheet.

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 executive committees established by the Board. The executive committee meetings are minuted and all minutes are circulated to all Board Members and notified 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 further has the task of preparing, for decision by the Board, changes in credit policy and the credit instructions, assessing portfolio strategies, increasing the transparency of the loan portfolio, assessing valuation, decision and risk models, evaluating existing or new delegation rights and pricing issues on the basis of market prerequisites for strategic discussions in the Board.

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

The members of the Credit Committee during the year have been: Claes Kjellander (Chairman), Gunilla Asker, Anders Bloom (from 15 May 2007), Jan Berg and Eva Cederbalk (CEO).

The Credit Committee has had 23 meetings during the year.

Finance Committee

The task of the Finance Committee is to make 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 position, to take a position on measures, instructions concerning handling of credit risk limits, uses of new financial instruments and the benchmark for interest rate risk in the company's equity and float 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 consists of at least three Board Members appointed by the Board, one of which is the chairman of the committee, and SBAB's CEO. The Board can furthermore appoint members who are not Board Members, with a suitable background for the work of the committee. The Chief Financial Officer or another person from the company's financial activities acts as reporter in the respective issue and, to the extent applicable, SBAB's Risk Manager.

The members of the Finance Committee during the year have been: Lars Linder-Aronson (Chairman), Helena Levander, Bo Marking (co-opted member until 19 February 2007), Claes Kjellander and Eva Cederbalk (CEO).

The Finance Committee has had ten 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 the financial information and to prepare issues within these areas for decision by the Board.

The Audit Committee consists of at least three Board Members appointed by the Board, one of which 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 and Risk Department participates in the committee's meetings. The auditor elected at the Annual General Meeting of Shareholders participates in certain predetermined meetings during the year.

The members of the Audit Committee during the year have been: Michael Thorén (Chairman), Marcus Eklind (from 15 May 2007), Leif Jakobsson (until 15 May 2007) and Helena Levander.

The Audit Committee has had six meetings during the year.

Attendance of Board Members at meetings of the Board and committees during 2007

	Board	Credit Committee	Audit Committee	Finance Committee	Remuneration Committee
Number of meetings	11	23	6	10	2
Attendance					
Claes Kjellander	11	23		10	2
Gunilla Asker	9	13			
Jan Berg	11	22			
Helena Levander	8		4	5	
Lars Linder-Aronson	10			10	
Michael Thorén	11		6		2
Anders Bloom	11	9			
Marcus Eklind	10		4		

Participation in committees applies in some cases for only part of the year. Attendance at meetings for the member who left the Board in connection with the 2007 Annual General Meeting is not reported. During the first quarter of 2007, the Financial Sector Union of Sweden has appointed an additional employee representative to the Board, Marcus Eklind.

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 leading executives. Questions relating to the CEO's conditions of employment, remuneration and benefits are decided upon by the Board. The Remuneration Committee is in addition to monitor the total wage development in the company and to prepare matters relating to SBAB's remuneration system and incentive programme.

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

The members of the Remuneration Committee during the year have been: Claes Kjellander (Chairman) and Michael Thorén.

The Remuneration Committee has had two meetings during the year.

More information about remuneration to the CEO and other members of the executive management is shown in Note 5 to the balance sheet and income statement.

Other supervisory bodies

Auditor

The owner is responsible for appointment of auditors for state-owned enterprises. SBAB's Audit Committee evaluates the contribution of the auditor and assists the owner in producing proposals for the auditor and fees. The 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 made by the owner at the Annual General Meeting of Shareholders.

The Annual General Meeting appoints every fourth year an auditor or an auditing firm to audit SBAB. The auditor is to be an authorised public accountant or an 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 and fees and cost compensation is included on page 76 and Note 6 to the annual report.

The auditor examines the annual report, the consolidated accounts and the accounting records and the administration of the company by the Board and the CEO. The auditor reports on the result of his examination to the shareholder through his audit report, which is submitted to the Annual General Meeting. In addition, the auditor makes a review of the company's interim reports and submits detailed accounts to the Audit Committee at the ordinary Audit Committee meetings and to the Board once a year.

Internal audit

The internal audit in SBAB is an internally independent inspection function in accordance with the Swedish Financial Supervisory Authority's regulations (FFFS 2005:1, Chapter 6). The main tasks of the internal audit is thus to examine and evaluate the internal audit for companies in the SBAB group. The internal audit is organisationally subordinate to the CEO although it also reports directly to the Board and to the Audit Committee. The work of scrutiny of the internal audit takes 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 for 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.

Internal control of financial reporting

Control environment

The basis for the internal control with regard to financial reporting consists of the control environment, with 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, the Board, the Credit Executive Committee, the Credit Committee and Finance Committee in accordance with a regulatory framework adopted by the Board through policies and instructions. The activity is conducted guided by documented routines and with the support of various IT systems.

Risk assessment and control activities

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

Information and communication

SBAB's regulatory framework is available for the persons concerned in the company's intranet and is updated continuously. Among the most important documents are the authorization manuals, credit policy, credit instructions, financial policy, financial directives and provision and risk classification directives.

Follow-up

The Board receives monthly economic reports and the economic situation of the company and group is taken up 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 2007

SBAB published the following financial reports in 2007:

Announcement of SBAB's results for 2006	31 January
Interim report January-March	31 May
Interim report January-June	31 August
Interim report January-September	31 October

The Annual Report for 2006 was published on 19 April 2007.

Audit Report

As an expansion of our audit assignment, we have, at the request of the Board, examined the corporate governance report for Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ) for 2007. The corporate governance report has been drawn up in accordance with the guidelines stated in the Swedish Corporate Governance Code.

Stockholm, 20 March 2008

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

Market 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 Geveko AB, Board Member of Nordisk energiförvaltning, Board Member of Stampen AB, Board Member of AB Svensk Exportkredit (SEK), Board Member of Transatlantic AB
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, Board Member of Tanglin Asset Management AB
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, Board Member of Venantius AB (publ)
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

Marcus Eklind

Employee Representative since 2007
Appointed by the Financial Sector Union of Sweden
Born 1971

Changes in the Board during 2007

The Board Member Leif Jakobsson resigned in connection with the 2007 Annual General Meeting.

Executive Management & Auditor

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 Försäkringar AB, various posts in the SEB Group, incl. the Head of Internet and telephone bank, Head of Banking Products, Head of SEB Kort, CEO Eurocard AB

Per Balazsi

Head of Accounts and Risk 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 the Swedish National Debt Office, Deputy Assistant Undersecretary Ministry of Finance

Fredrik Bergström

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

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 The Swedish Covered Bond Corporation
Past experience: IR Brummer & Partners, Executive Director, Treasurer AB Svensk Exportkredit, Trader ABB Treasury Center (Sweden) AB

Per O. Dahlstedt

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

Christine Ehnström

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

Lena Hedlund

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

Catharina Kandel

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

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: Deputy Group Credit Manager Föreningsbanken AB, Deputy CEO Föreningsbanken Kredit AB, Operations Manager HSB Bank

Ulf Tingström

Chief Information Officer
Master of Science (Physics), Executive MBA
Born 1960
Year of employment 2001
Past experience: Sales Manager IBM, Division Manager SPP, CIO Icon Medialab International

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 has appointed Ulf Westerberg as auditor-in-charge.

Ulf Westerberg

Auditor-in-charge at SBAB since 2007
Öhrlings PricewaterhouseCoopers AB
Born 1959
Other assignments: Bank2, Brio, Dometic, Home Properties, London & Regional, Proventus, Stronghold, Sveriges Radio, Sveriges Television

Addresses

Head Office

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

Loans to single-family dwellings, tenant-owned apartments and holiday homes

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

Loans to companies and tenant-owner associations

SBAB
Kungsportsavenyen 31-35
SE-411 36 Göteborg
Tel: +46 771 45 30 00
Fax: +46 31 743 37 10
E-mail: goteborg@sbab.se

SBAB
Rundelsgatan 16
SE-211 36 Malmö
Tel: +46 771 45 30 00
Fax: +46 40 664 53 58
E-mail: malmo@sbab.se

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

DESIGN & PRODUCTION: WILDECO
PHOTOGRAPHY: JOHAN OLSSON AND SBAB'S PICTURE ARCHIVE
PRINTED ON ENVIRONMENTALLY APPROVED PAPER AT TROSA TRYCKERI 2008

www.sbab.se
+46 771 45 30 00

Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ)
The Swedish Housing Finance Corporation, SBAB

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