INTERIM REPORT

1 JANUARY – 31 MARCH 2007

THE SWEDISH HOUSING FINANCE CORPORATION, SBAB

- Net operating income for the first three months of the year totalled SEK 215 million (SEK 256 million).
- Net profit was SEK 157 million (SEK 180 million).
- Net interest income amounted to SEK 304 million (SEK 340 million).
- Expenses have decreased to SEK 139 million (SEK 153 million).
- SBAB applies new accounting principles, IFRS from 1 January 2007.

Net operating income

SBAB's net operating income for the period totalled SEK 215 million (SEK 256 million). The decrease in the result is mainly explained by lower net interest income.

Net interest income & other operating income

Net interest income totalled SEK 304 million (SEK 340 million). Net interest income for 2006 has been positively affected by SEK 44 million in connection with the maturity of benchmark bond loan SBAB 119. Other operating income amounted to SEK 34 million (SEK 64 million). In all, operating income decreased by SEK 66 million to SEK 338 million. In addition to lower net interest income, net operating income has also been affected by lower interest compensation compared with the corresponding period in 2006. SBAB is continuing to experience very stiff competition and pressure on margins.

Expenses

During the first quarter, expenses totalled SEK 139 million (SEK 153 million). Compared with the corresponding quarter last year, expenses have decreased, especially for personnel and marketing. The new savings products have required a lot of development costs in IT in the first quarter of this year.

Loan losses & doubtful loan claims

Loan losses have continued to be low and have posted a positive net result of SEK 16 million (positive SEK 5 million). The positive net loan losses amount includes dissolution of

Summary, SBAB Group

	Mar 2007	Mar 2006	Dec 2006
Net interest income, SEK million	304	340	1,246
Net operating income, SEK million	215	256	840
Net profit for the year, SEK million	157	180	654
Lending, SEK million	170,318	163,892	169,603
Securitised loans, SEK million	7,455	14,446	7,427
Doubtful loan claims after specific provisions for individually assessed loan claims, SEK million	44	45	45
Volume international borrowing, SEK million	115,179	97,648	111,048
Income/Expenditure ratio excl. loan losses	2.4	2.6	2.4
Income/Expenditure ratio incl. loan losses	2.8	2.7	2.4
Return on equity, %	10.8	8.2 [1]	11.5
Capital ratio, % [1]	9.0	8.8	9.0
Primary capital ratio, % [1]	7.3	7.0	7.3
Equity ratio, %	3.0	3.1	3.0
Rating, long-term borrowing, SBAB			
Standard & Poor's	AA-	AA-	AA-
Moody's	Aa3	Aa3	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+	A-1+
Moody's	P-1	P-1	P-1
Average no. of employees during the period	375	418	410
of which temporary employees	7	24	17

[1] *The competitive figures have not been recalculated according to IAS rules.*

Loan portfolio and securitised loans

	Mar 2007		Dec 2006	
SEK billion	Total	Of which securitised loans	Total	Of which securitised loans
Retail market	104.1		103.8	0.0
Corporate market	66.7	7.5	66.2	7.4
Market value adjustement	–0.5		–0.4	
Total	170.3	7.5	169.6	7.4

All figures in brackets for income items and new lending refer to the corresponding period last year.
The comparison date is 31 December of the previous year for figures concerning balance sheet items, capital adequacy, lending and market shares.

group reserves of SEK 19 million. During the first quarter, doubtful loan claims have decreased marginally compared with the turn of the year from SEK 159 million to SEK 158 million. The provision ratio for specific provisions for loan claims assessed individually was unchanged at 72%.

Lending

During the first quarter, lending to the retail market has decreased. New lending to the retail market totalled SEK 5,008 million (SEK 7,694 million) during the first three months of the year. The portfolio now totals SEK 104,156 million (SEK 103,801 million) excluding adjustment for value with reference to hedge accounting. SBAB's market share for retail market lending is 9.1% (9.5%). SBAB's business partners continue to be important distribution channels.

New lending to the corporate market was SEK 3,368 million (SEK 1,849 million). The corporate market portfolio amounts to SEK 66,677 million (SEK 66,208 million) excluding adjustment for value with reference to hedge accounting. SBAB's market share for corporate market lending is 14.2% (14.0%).

The accumulated adjustment for value with reference to hedge accounting for the whole portfolio amounts to a negative SEK -514 million (SEK -405 million).

Funding

SBAB considers it very important to have a well-diversified funding portfolio. This requires an active presence in the capital market and a flexible range of products. On 31 March, the portfolio consisted of the following: Swedish Commercial Paper Programme SEK 18.3 billion (SEK 18.2 billion), Swedish covered bonds SEK 45.9 billion (SEK 47.0 billion), European Commercial Paper Programme USD 959 million (USD 1,440 million), US Commercial Paper Programme USD 1,626 million (USD 1,813 million), Euro Medium Term Note Programme USD 8,673 million (USD 9,292 million), Euro Medium Term Covered Note Programme EUR 3,620 million (EUR 2,486 million). Total programme utilisation converted into Swedish kronor was SEK 177.1 billion (SEK 173.5 billion).

Borrowing through issue of covered bonds is taken care of by SBAB's wholly-owned subsidiary the Swedish Covered Bonds Corporation. The credit rating institutes Moody's and Standard & Poor's have set a credit rating of Aaa/AAA for the covered bonds issued.

Capital adequacy

New rules apply to capital adequacy and large exposures from 1 February 2007. Capital requirements have now been introduced for operational risks as well as for credit risk and market risk. The new rules mean that the low risk of the company's activities now starts to affect the company's capital adequacy requirement. SBAB reports the credit risk mainly in accordance with the IRB approach and operational risks according to the standard method. However, the effect is limited during a three-year transitional period due to transitional provisions, according to which the minimum capital during 2007 may not be less than 95% of the capital requirement calculated in accordance with the older rules. The corresponding limit for 2008 and 2009 respectively is 90% and 80% respectively.

During the year, SBAB will apply for a licence to use an advanced risk classification method for corporate loans. If this licence is granted, the company's own values for loss given default (LGD) can be used from 2008 which is estimated to further reduce the already low minimum capital requirements before the effect of transitional rules.

The new capital ratio according to Basel II* for the SBAB group was 1.13 at the end of the quarter. The capital ratio excluding adjustment of the difference between expected loss (EL) and reserves amounted to 9.0% (8.8%), the primary capital ratio was 7.3% (7.0%) and the capital base amounted to SEK 8,964 million (SEK 7,605 million). In the parent company, the new capital ratio according to Basel II was 3.03, the capital ratio 23.8% (9.3%), the primary capital ratio 19.3% (7.3%) and the capital base SEK 8,727 million (SEK 7,245 million). The statistics as at March 2007 for the new capital ratio according to Basel II do not include any profit for the first three months. The comparative figures for the capital ratio have not been recalculated in accordance with the IAS rules. If this has been done, they would have been marginally lower due to negative adjustment of the opening balance.

Unlike in SBAB's accounts, the proportional method is not used for FriSpar Bolån AB in the capital adequacy analysis. This is due to differences in rules relating to group affiliation between the Swedish Financial Supervisory Authority's (Finansinspektionen) regulatory framework for capital adequacy and large exposures and IFRS.

Interest rate risk

A parallel shift in the yield curve of plus one percentage point would on 31 March 2007 have entailed a reduction of the net value of SBAB's interest-bearing assets and liabilities, including derivative transactions, of around SEK 12.9 million.

Current events

- SBAB has expanded its range of products to also include savings products for the retail market. Two very competitive savings accounts were introduced in April.
- SBAB has started collaboration with GE Money Bank for residential mortgages.
- The government has requested the Riksdag's approval to reduce its ownership in six state-owned companies, one of which is SBAB.

Financial information

SBAB's interim reports for the second and third quarter of 2007 will be published on 31 August 2007 and 29 October 2007 respectively.

Stockholm, 30 May 2007

Eva Cederbalk
Chief Executive Officer

** New capital ratio = Capital base / Capital requirement*

Income statement

SEK million	GROUP Jan-Mar 2007	GROUP Jan-Mar 2006	PARENT COMPANY Jan-Mar 2007	PARENT COMPANY Jan-Mar 2006
Interest income	1,884	1,509	1,018	1,370
Interest expense	(1,580)	(1,169)	(932)	(1,031)
Net interest income	304	340	86	339
Commission income	12	12	20	15
Commission expenses	(10)	(16)	(10)	(17)
Net result of financial items at fair value	32	68	147	78
Other operating income	0	0	71	0
Total operating income	338	404	314	415
Staff costs	(58)	(63)	(58)	(63)
Other expenses	(74)	(84)	(81)	(84)
Depreciation of tangible and amortisation of intangible fixed assets	(7)	(6)	(5)	(4)
Total expenses before loan losses	(139)	(153)	(144)	(151)
Operating income before loan losses	199	251	170	264
Loan losses, net (Note 1)	16	5	16	5
Net operating income	215	256	186	269
Allocations	-	-	-	(21)
Tax on profit for the period	(58)	(76)	(54)	(71)
Net profit for the period attributable to parent company shareholders	157	180	132	177

Balance sheet

SEK million	GROUP 31 Mar 2007	GROUP 31 Mar 2006	GROUP 31 Dec 2006	PARENT COMPANY 31 Mar 2007	PARENT COMPANY 31 Dec 2006
ASSETS					
Cash in hand and balance at central banks	0	0	0	0	0
Repo eligible Treasury bills	6	3	3	6	3
Lending to credit institutions (Note 2)	10,078	8,823	9,962	32,197	28,087
Lending to the public (Note 3)	170,318	163,892	169,603	52,588	64,716
Bonds and other interest-bearing securities	24,738	3,656	21,813	24,738	21,812
Shares and participations	2	2	2	2	2
Shares and participations in associated companies				459	459
Shares and participations in group companies				5,200	4,000
Intangible fixed assets	61	51	55	22	21
Tangible assets	18	21	19	18	20
Deferred tax asset	-	-	1	0	0
Derivative instruments	2,898	3,200	1,355	2,148	1,641
Other assets	915	624	84	1,209	386
Prepaid expenses and accrued income	722	508	696	484	512
TOTAL ASSETS	209,756	180,780	203,593	119,071	121,659
LIABILITIES AND EQUITY CAPITAL					
LIABILITIES					
Liabilities to credit institutions	9,401	4,812	5,407	5,874	605
Securities issued	185,923	161,163	182,328	99,211	105,983
Derivative instruments	2,862	4,557	5,259	3,673	5,143
Other liabilities	600	1,032	601	673	371
Accrued expenses and prepaid income	1,907	1,298	1,156	457	477
Deferred tax liabilities	26	333	0	25	92
Subordinated debts	2,842	2,039	2,808	2,842	2,808
Total liabilities	203,561	175,234	197,559	112,755	115,479
Untaxed reserves				3	3
EQUITY CAPITAL					
Minority interest	0	0	0	-	-
Share capital	1,958	1,958	1,958	1,958	1,958
Other reserves	16	(1)	12		
Restricted reserves/Legal reserve				408	392
Profit brought forward	4,064	3,409	3,410	3,815	2,446
Net profit for the period	157	180	654	132	1,381
Total equity capital	6,195	5,546	6,034	6,313	6,177
TOTAL LIABILITIES AND EQUITY CAPITAL	209,756	180,780	203,593	119,071	121,659

Changes in equity capital

SEK million	GROUP Jan-Mar 2007	GROUP Jan-Mar 2006	GROUP Jan-Dec 2006	PARENT COMPANY Jan-Mar 2007	PARENT COMPANY Jan-Mar 2006
Equity capital at the beginning of the period	6,034	5,365	5,365	6,178	4,796
Change in hedge provision	4	1	15	3	-
Net profit for the period	157	180	654	132	177
Equity capital at the end of the period	6,195	5,546	6,034	6,313	4,973

Cash flow analysis

SEK million	GROUP Jan-Mar 2007	GROUP Jan-Mar 2006	PARENT COMPANY Jan-Mar 2007	PARENT COMPANY Jan-Mar 2006
Liquid funds at the beginning of the period	9,962	7,996	791	157
Cash flow from current operations	129	811	1,092	101
Cash flow from investment operations	(13)	(9)	(1,204)	(83)
Cash flow from financing operations	-	25	-	-
Increase/Decrease in liquid funds	116	827	(112)	18
Liquid funds at the end of the period	10,078	8,823	679	175

Liquid funds are defined as cash in hand and lending to credit institutions with a tenor of at most three months from the acquisition date.

Accounting principles

The Group applies IFRS, International Financial Reporting Standards, as adopted by the EU, from 1 January 2007. This interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting". The transition to IFRS has been reported in accordance with IFRS 1 "First-time Adoption of IFRS". A complete account of the transition to IFRS is provided on pages 10-16.

In addition to these accounting standards, the Swedish Financial Supervisory Authority, Finansinspektionen, has established accounting regulations and provisions are included in the Annual Accounts (Credit Institutions and Securities Companies) Act (ÅRKL). This interim report has also been adapted to these additional disclosure requirements.

The parent company applies Finansinspektionen's Regulation (FFFS 2006:16) IFRS limited by statute. An account of the changes to accounting principles in the parent company is provided on pages 8-9.

IAS 27 Consolidated Financial Statements/ IAS 31 Interests in Joint Ventures

The introduction of IAS 27 has meant that group definitions are based on control, which affects the SBAB Group in two respects
- securitisation companies will be affected by the group definition as a result of these companies being controlled by SBAB through agreements and will thus be consolidated
- the jointly-owned company FriSpar Bolån (SBAB owns 51%) is not covered by the group definition since the company is a joint venture. FriSpar Bolån will instead be reported in accordance with the proportional method.

IAS 39 Financial instruments: Recognition and Measurement

Classification of financial instruments

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

Financial assets
- Financial assets valued at fair value through the income statement
- Loan claims and accounts receivable
- Investments intended to be retained until maturity
- Financial assets intended for sale

Financial liabilities
- Financial liabilities valued at fair value through the income statement
- Other financial assets

This classification serves as the basis for how each financial asset is valued in the balance sheet and how the change of its fair value is recorded.

Financial assets included in the trading portfolio and derivatives which are not held for hedge accounting are reported at fair value. Changes in fair value are recognised directly in the income statement.

Financial assets classified as available for sale are also valued at fair value. The effects of changes in value are reported against equity capital, except changes in value taking into consideration the accrued acquisition value and changes in value relating to exchange rate changes, which are recognised in the income statement.

Financial assets classified as loans, investments intended to be retained to maturity as well as other financial liabilities are valued at accrued acquisition value applying the effective interest method.

Recognition and derecognition of financial instruments
Financial assets and financial liabilities are recognised in the balance sheet when SBAB becomes a party in a contractual relationship for the financial instrument.

A financial asset is derecognised when the contractual right to the cash flow from the financial asset ceases to apply or when the financial asset is sold.

A financial liability is derecognised when it ceases to exist, i.e. when the undertaking specified in the agreement has been performed, annulled or has expired.

Hedge accounting
SBAB has decided to apply hedge accounting for the hedging relations where the risks for significant impacts on results are greatest.

On the basis of IAS 39, there are two models for hedge accounting that are appropriate for SBAB: fair value hedge and cash flow hedge.

In fair value hedging, the hedged item i.e. the asset or the liability, and the hedge instrument are valued at fair value. Changes in value are recognised in the income statement under the heading net result of financial items at fair value which means that they will cancel one another to the extent that the hedging is effective.

In fair value hedging of portfolios of assets, the change in value of the hedged portfolio is recognised as a separate item in the note to the balance sheet item Lending.

For cash flow hedges, the hedge instrument, i.e. the derivative contract, is assessed at fair value, but instead of reporting the change in value in the income statement, the part of the hedge that is effective is transferred to the hedge reserve in equity capital. An effective hedge means that the cash flow on a hedged item corresponds to the cash flow of the hedge instrument.

The ineffective part of the derivative's change in market value is transferred directly to the income statement under the item net result of financial items at fair value. The effective part of the changes in value of the derivative are transferred away from equity capital to the income statement at the rate that the cash flows from the hedged item are realised.

Certain derivative instruments do not fulfil the criteria for hedge accounting. Changes in fair value for these derivative instruments are recognised immediately in the income statement in the item Net result of financial items at fair value.

Financial assets
An assessment of the need for group provision is made as before for events that have occurred but are not known which would have led to an individual provision if they had been known. In recent years, SBAB has adapted the model for group provisions to the IFRS principles. These changed principles have meant that the opening balance for group provisions has been adjusted. At the same time as the adaptation to IFRS, work has been carried out with a view to modernising the existing model and making use of input data which has been systematised in connection with developing models in Basel II. By using input data from Basel II, it is also ensured that underlying information is kept up-to-date and continuously evaluated. In the assessment of the need for group provisions, the expected discounted future cash flows are calculated for a homogeneous group of loan claims in relation to the initially expected cash flows, despite the reduction not being able to be attributed to an individual claim. This assessment is made on the basis of the risk classification as well as the expected probability of default and the assessed loss share.

Interest compensation
In the event of early redemption of a loan, the customer will pay interest compensation which is intended to cover the cost that arises for SBAB. This payment is recognised as income directly. The corresponding applies to SBAB's repurchase of debt, when expenditure/income is recognised directly.

Accrual of expenses
Transaction expenses in the form of sales commission to business partners attributable to acquisition of loans make up a part of the acquisition cost for the loan and will therefore be reported in the balance sheet and accrued as interest over the expected maturity of the loan.

Note 1 Loan losses net

Group SEK million	Jan-Mar 2007	 2006
SPECIFIC PROVISION FOR LOAN CLAIMS ASSESSED INDIVIDUALLY		
The period's write-off for actual loan losses	-	4
Reversal of previous provisions for probable loan losses reported as actual loan losses in the period's financial statements	-	(5)
The period's provision for probable loan losses	0	8
Recoveries in respect of actual loan losses in previous years	0	(3)
Reversal of previous provisions for probable loan losses no longer required	0	(9)
Change in guarantees from external parties	3	0
Net cost for the period	3	(5)
COLLECTIVE PROVISION FOR LOAN CLAIMS ASSESSED INDIVIDUALLY		
Withdrawal from collective provision	(19)	-
COLLECTIVELY ASSESSED HOMOGENOUS GROUPS OF LOAN CLAIMS		
The period's write-off for actual loan losses	1	1
Recoveries in respect of actual loan losses in previous years	(1)	(1)
Withdrawal from provision for loan losses	0	-
Change in guarantees from external parties	0	0
Net cost for the period for collectively valued homogenous loan claims	0	0
Net cost for the period for loan losses	(16)	(5)

Both the write-offs for actual loan losses and reversal of previous write-offs as specified above relate to claims on the public.

Note 2 Lending to credit institutions

Of the parent company's lending to credit institutions, SEK 13,510 million relates to a receivable from the wholly-owned subsidiary the Swedish Covered Bond Corporation (SCBC). These receivables are subordinated, which means that payment is received only after the other creditors of the subsidiary have been paid.

Note 3 Lending to the public

Group	31 Mar 2007		31 Dec 2006	
SEK million	Lending	Reserves	Lending	Reserves
Municipal multi-family dwellings	9,249	-	9,781	-
Tenant-owner associations	34,589	(136)	34,861	(148)
Privately-owned multi-family dwellings	19,436	(35)	18,797	(39)
Single-family dwellings and holiday homes	72,399	(71)	72,557	(76)
Tenant-owned apartments	31,847	(19)	31,339	(19)
Commercial properties	3,573	-	2,958	(3)
Provision for probable loan losses	(261)		(285)	
Adjustment for value with reference to hedge accounting	(514)		(405)	
Total	170,318	(261)	169,603	(285)

Doubtful and non-performing loan claims	31 Mar 2007	31 Dec 2006
a) Doubtful loan claims	158	159
b) Non-performing loan claims included in doubtful claims	6	6
c) Non-performing loan claims for which interest is recognised as income and which are thus not included in doubtful loan claims	144	187
d) Specific provisions for individually assessed loan claims	114	114
e) Collective provisions for individually assessed loan claims	57	72
f) Provisions for collectively assessed homogeneous groups of loan claims	90	98
g) Total provisions (d+e+f)	261	284
h) Doubtful loan claims after specific provisions for individually assessed loan claims (a–d)	44	45
i) Provision ratio for specific provisions for individually assessed loan claims (d/a)	72%	72%

Segment reporting IFRS, Jan-Mar

Group, SEK million	2007 Residential mortgages	2007 Corporate loans	2007 Other	2007 Total	2006 Residential mortgages	2006 Corporate loans	2006 Other	2006 Total
Net interest income	183	38	83	304	230	39	71	340
Net commission	1	0	1	2	(4)	0	0	(4)
Net result of financial items at fair value	0	0	32	32	(1)	0	69	68
Total operating income	184	38	116	338	225	39	140	404
Total expenses before loan losses	(103)	(19)	(17)	(139)	(118)	(17)	(18)	(153)
Operating income before loan losses	81	19	99	199	107	22	122	251
Loan losses, net	13	3	0	16	4	1	0	5
Net operating income	94	22	99	215	111	23	122	256

Capital base, 31 March 2007

Group, SEK million	
Primary capital	
Equity capital	5,951
Primary capital contribution	994
Minority interest	442
Total primary capital, gross	7,387
Less other intangible assets	(61)
Total primary capital net	7,326
Supplementary capital	
Perpetual subordinated loans	722
Time-limited subordinated loans	1,260
Total supplementary capital	1,982
Expanded part of capital base	0
Deductible items and limit values	(344)
Amount of capital base after deductible items and limit values	8,964
Capital requirements	
Minimum capital requirement for:	
Credit risk reported according to standard method	3
Credit risk reported according to the IRB approach	1,798
Risks in commercial stock	365
Operational risk	170
Currency risk	0
Raw material risk	0
Total minimum capital requirements	2,336
Supplement during a transitional period	5,588
Capital requirements including supplements	7,924

Capital adequacy, March 2007

SEK million	Group	Parent company	FriSpar Bolån	SCBC
Primary capital	7,326	7,077	901	5,415
Total capital	8,964	8,727	901	5,401
Risk-weighted assets	105,160	38,656	10,223	56,616
Risk-weighted assets * 0.95	99,902	36,723	9,711	53,785
Primary capital ratio [1)]	7.33%	19.27%	9.28%	10.07%
Capital adequacy [1)]	8.97%	23.76%	9.28%	10.04%
New capital ratio according to Basel II	1.13	3.03	1.16	1.26

[1)] *Excluding adjustment for difference between expected loss (EL) and reserves.*

Effects of change of accounting principles for parent company

Changes in equity capital for changed accounting principles

Parent company, SEK million	Share capital	Restricted reserves	Profit brought forward	Equity capital
Closing balance 31 Dec 2005 according to previously applied accounting principles	1,958	392	2,467	4,817
Changed accounting principles				
Net effects of transition to fair value recognition according to IAS 39			(254)	(254)
Change in loan loss provision according to IAS 39			21	21
Other recalculations according to IAS 39			205	205
Change in deferred tax attributable to recalculation according to IFRS			7	7
Opening balance IFRS 1 Jan 2006	1,958	392	2,446	4,796

	Share capital	Restricted reserves	Profit brought forward	Equity capital
Closing balance 31 Mar 2006 according to previously applied accounting principles	1,958	392	2,563	4,913
Changed accounting principles				
Net effects of transition to fair value recognition according to IAS 39			(176)	(176)
Change in loan loss provision according to IAS 39			20	20
Other recalculations according to IAS 39			239	239
Change in deferred tax attributable to recalculation according to IFRS			(23)	(23)
Closing balance IFRS 31 Mar 2006	1,958	392	2,623	4,973

As from 1 January 2007, SBAB is preparing its accounts for the parent company in compliance with IFRS limited by statute. The interim report for the first quarter of 2007 will be the first report prepared by the company in accordance with IFRS. Until the end of 2006, SBAB applied the recommendations and statements of the Swedish Accounting Standards Council.

The changes in accounting principles which this transition entails and the transitional effects on equity are presented in the following section.

Application of IAS 39 – Financial instruments and hedge accounting

SBAB holds financial assets mainly as short-term investments in interest-bearing instruments. These have been previously valued at accrued acquisition value. In accordance with IAS 39, these assets shall be valued at their fair value. Changes in value of these instruments will be reported via the income statement from 2007 since these are classified as financial assets valued at fair value via the income statement. Unrealised gains and losses due to changes in fair value for financial assets which are classified as financial instruments which can be sold are recognised under equity capital.

SBAB has financial derivative instruments, forward contracts, held to create the desired fixation period on lending. These derivative instruments have previously not been recognised at fair value, which is obligatory according to IAS 39. The changes in fair value of derivative instruments which are identified as cash flow hedges and which comply with the conditions for hedge accounting are recognised under equity capital. Accumulated amounts in equity capital are reversed to the income statement when the hedged item affects the result. Changes in fair value of derivatives which are identified as hedges at fair value, and which meet the conditions for hedge accounting, are recognised in the income statement together with changes in fair value of the assets or liability which has given rise to the hedged risk.

The transitional effect on equity capital which is estimated to arise through derivative 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 in the provision for loan losses

The adjustments made in the group provisions are attributable to changes in principle for the part of the group provisions that refer to consumer loans. In previous years, SBAB has, for the homogeneous group of loan claims which consumer loans constitute, used a very simple model based on a statistically produced portion of the size of the portfolio and future risk/event development. The new principle fully accords with the way and the principle used for corporate loans. According to the new principle, consideration is taken to events that have taken place but which are not known and discount effects. Calculation of probable loan losses takes place gross and if there is a guarantee, this is reported as a claim on the opposite party.

The transitional effect on equity capital calculated to arise through changed loan loss provision and gross accounting of guarantees is expected to amount on 1 January 2006 to SEK 15 million after taking tax into consideration.

Interest compensation payments

In the event of early redemption of loans, the customer pays interest compensation which is intended to cover the cost that arises for SBAB. This compensation has previously been accrued over the remaining fixed-interest period. According to IAS 39, interest compensation payments shall be recognised directly. The corresponding applies to SBAB's repurchase of debt, where the cost/income on repurchase has been accrued over the original maturity, while this is to be recognised directly according to IAS 39.

The transitional effect on equity capital, which is calculated to arise by interest compensation payments is recognised 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 partners relating to acquisition of loans have previously substantially been expensed in connection with performance. According to IAS 39, these commission payments are transaction costs, which therefore constitute a part of the acquisition cost of the loan, which will be recognised in the balance sheet and accrued as interest over the expected maturity of the loan.

The transitional effect on equity capital, which is calculated to arise through the transaction charges being accrued over the expected maturity of the loan as per 1 January 2006, amount to SEK 31 million, after taking tax into consideration.

Deferred taxes

The above adjustments decreased the deferred tax liability as at 1 January 2006 by SEK 7 million.

Effects of transition to IFRS for the group

Changes in equity capital on transition to IFRS

Group, SEK million	Share capital	Restricted reserves	Other reserves	Profit brought forward	Equity capital
	Equity capital attributable to parent company shareholders				
Closing balance 31 Dec 2005 according to previously applied accounting principles	1,958	1,174		2,468	5,600
Recalculation according to IFRS					
Allocation of legal reserve to worked-up result		(392)		392	
Allocation of equity capital portion untaxed reserves		(782)		782	
Net effects of transition to fair value recognition according to IAS 39				(467)	(467)
Change of loan loss provision according to IAS 39				21	21
Other recalculations according to IAS 39			(2)	206	204
Change of deferred tax attributable to recalculation according to IFRS				7	7
Opening balance IFRS 1 Jan 2006	1,958		(2)	3,409	5,365

	Share capital	Restricted reserves	Other reserves	Profit brought forward	Equity capital
	Equity capital attributable to parent company shareholders				
Closing balance 31 Mar 2006 according to previously applied accounting principles	1,958	1,188		2,564	5,710
Recalculation according to IFRS					
Allocation of legal reserve to worked-up result		(392)		392	
Allocation of equity capital portion untaxed reserves		(796)		796	
Net effects of transition to fair value recognition according to IAS 39				(400)	(400)
Change of loan loss provision according to IAS 39				20	20
Other recalculations according to IAS 39			(1)	240	239
Change of deferred tax attributable to recalculation according to IFRS				(23)	(23)
Closing balance IFRS 31 Mar 2006	1,958		(1)	3,589	5,546

	Share capital	Restricted reserves	Other reserves	Profit brought forward	Equity capital
	Equity capital attributable to parent company shareholders				
Closing balance 31 Dec 2006 according to previously applied accounting principles	1,958	418		3,686	6,062
Recalculation according to IFRS					
Allocation of legal reserve to worked-up result		(392)		392	
Allocation of equity capital portion untaxed reserves		(26)		26	
Net effects of transition to fair value recognition according to IAS 39				(233)	(233)
Change of loan loss provision according to IAS 39				16	16
Other recalculations according to IAS 39			12	166	178
Change of deferred tax attributable to recalculation according to IFRS				11	11
Closing balance IFRS 31 Dec 2006	1,958		12	4,064	6,034

As from 1 January 2007, SBAB has prepared its consolidated accounts in accordance with IFRS. The interim report for the first quarter of 2007 is the first report presented by the company in accordance with IFRS. Until the end of 2006, SBAB has applied the recommendations and pronouncements of the Swedish Financial Accounting Standards Council. The transition to IFRS is reported in accordance with IFRS 1, "First-time Adoption of IFRS", the changeover date being 1 January 2006. IFRS 1 stipulates that the comparative figures for 2006 shall also be prepared in accordance with IFRS. Financial information for financial years prior to 2006 is not recalculated. The main rule entails that all applicable IFRS and IAS standards, which have come into force and been approved by the EU as at 31 December 2007, shall be applied retroactively. IFRS 1 contains some exemptions from the main rule, however, which the company may choose to apply. SBAB has not applied any exemptions from the main rule according to IFRS 1.

The changes in accounting principles which this transition entails and the transitional effects on the Group's income statements and balance sheets are presented in the following section. These effects are preliminary and can be changed since certain IAS/IFRS standards are still being reviewed and further IFRIC pronouncements can be expected during 2007.

a) Application of IAS 39 – Financial instruments and hedge accounting

SBAB holds financial assets mainly as short-term investments in interest-bearing instruments. These have been previously valued at the accrued acquisition value. In accordance with IAS 39, these assets shall be valued at their fair value. Changes in value of these instruments will be reported via the income statement from 2007 since these are classified as financial assets valued at fair value via the income statement. Unrealised gains and losses due to changes in fair value for financial assets which are classified as financial instruments which can be sold are recognised under equity capital.

SBAB has financial derivative instruments, forward contracts, held to create the desired fixation period on lending. These derivative instruments have previously not been recognised at fair value, which is obligatory according to IAS 39. The changes in fair value of derivative instruments which are identified as cash flow hedges and which comply with the conditions for hedge accounting are recognised under equity capital. Accumulated amounts in equity capital are reversed to the income statement when the hedged item affects the result. Changes in fair value of derivatives which are identified as hedges at fair value, and which meet the conditions for hedge accounting, are recognised in the income statement together with changes in fair value of the assets or liability which has given rise to the hedged risk.

The transitional effect on equity capital which is estimated to arise through derivative instruments and financial assets being valued at fair value as at 31 December 2006 amounts to SEK –168 million after taking tax into consideration.

b) Change in the provision for loan losses

The adjustments made in the group provisions are attributable to changes in principle for the part of the group provisions that refer to consumer loans. In previous years, SBAB has, for the homogeneous group of loan claims which consumer loans constitute, used a very simple model based on a statistically produced portion of the size of the portfolio and future risk/event development. The new principle fully accords with the way and the principle used for corporate loans. According to the new principle, consideration is taken to events that have taken place but which are not known and discount effects. Calculation of probable loan losses takes place gross and if there is a guarantee, this is reported as a claim on the opposite party.

The transitional effect on equity calculated to arise through changed loan loss provision and gross accounting of guarantees is expected to amount on 31 December 2006 to SEK 12 million after taking tax into consideration.

c) Interest compensation payments

In the event of early redemption of loans, the customer pays interest compensation which is intended to cover the cost that arises for SBAB. This compensation has previously been accrued over the remaining fixation period.

According to IAS 39, interest compensation payments shall be recognised directly. The corresponding applies to SBAB's repurchase of debt, where the cost/income on repurchase has been accrued over the original maturity, while this is to be recognised directly according to IAS 39.

The transitional effect on equity capital, which is calculated to arise by interest compensation payments is recognised directly as at 31 December 2006, amounts to SEK 113 million, after taking tax into consideration.

d) Accrual of fees

Transaction costs in the form of sales commission to partners relating to acquisition of loans have previously substantially been expensed in connection with performance. According to IAS 39, these commission payments are transaction costs, which therefore constitute a part of the acquisition cost of the loan, which will be recognised in the balance sheet and accrued as interest over the expected maturity of the loan.

The transitional effect on equity capital, which is calculated to arise through the transaction costs being accrued over the expected maturity of the loan as per 31 December 2006, amount to SEK 25 million, after taking tax into consideration.

e) Consolidation of securitisation companies

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

f) Participations in joint ventures

SBAB has previously consolidated FriSpar in which SBAB has a 51% ownership stake. FriSpar is by agreement a joint venture in accordance with IAS 31. FriSpar is reported in accordance with the proportional method.

Deferred taxes

The above adjustments decreased the deferred tax liability as at 31 December 2006 by SEK 11 million.

Cash flow analysis

Application of IAS 27 and IAS 31 has led to a change in the cash flow analyses and securitisation is included in the analysis. The portion of FriSpar, reported in accordance with the proportional method, is included which has affected the consolidated accounts. See the section above on the effects of IAS 27 and IAS 31.

Recalculation of group income statement 2006 on transition to IFRS

Income statement

Group SEK million	Previous accounting principles	IAS 27 see page 11 e)	IAS 31 see page 11 f)	IAS 39 see page 10-11 a-d)	Other adjustments	IFRS
Interest income	6,306	531	(59)	(3)	(42)	6,733
Interest expense	(4,972)	(512)	(11)	8		(5,487)
Net interest income	1,334	19	(70)	5	(42)	1,246
Dividends received	0					0
Commission income	40	(17)	30			53
Commission expenses	(138)		40	0	42	(56)
Net income from financial items at fair value	5			187		192
Other operating income	0					0
Total operating income	1,241	2	0	192	0	1,435
Staff costs	(245)					(245)
Other expenses	(322)	(2)	0			(324)
Depreciation of tangible and amortisation of intangible fixed assets	(26)					(26)
Total expenses	(593)	(2)	0	0	0	(595)
Loan losses, net	4			(4)		0
Operating income	652	0	0	188	0	840
Minority share in the period's result	0		0			0
Tax on profit for the period	(190)		0	4		(185)
Net profit for the period	462	0	0	192	0	654

Recalculation of group income statement January-March 2006 on transition to IFRS

Income statement

Group SEK million	Previous accounting principles	IAS 27 see page 11 e)	IAS 31 see page 11 f)	IAS 39 see page 10-11 a-d)	Other adjustments	IFRS
Interest income	1,397	135	(14)	1	(10)	1,509
Interest expense	(1,069)	(130)	(2)	32		(1,169)
Net interest income	328	5	(16)	33	(10)	340
Dividends received						
Commission income	10	(5)	7			12
Commission expenses	(35)		10	(1)	10	(16)
Net income from financial items at fair value	(1)			69		68
Other operating income	0					0
Total operating income	302	0	1	101	0	404
Staff costs	(63)					(63)
Other expenses	(84)	0				(84)
Depreciation of tangible and amortisation of intangible fixed assets	(6)					(6)
Total expenses	(153)	0	0	0	0	(153)
Loan losses, net	5			0		5
Operating income	154	0	1	101	0	256
Minority share in the period's result	1		(1)			0
Tax on profit for the period	(45)		0	(31)		(76)
Net profit for the period	110	0	0	70	0	180

Recalculation of group balance sheet 31 December 2006 on transition to IFRS

Balance sheet

Group SEK million	Previous accounting principles	IAS 27 see page 11 e)	IAS 31 see page 11 f)	IAS 39 see page 10-11 a-d)	Other adjustments	IFRS
ASSETS						
Cash in hand and balance at central banks	0					0
Repo eligible treasury bills, etc.	3					3
Lending to credit institutions	791	662	8,509			9,962
Lending to public	171,160	7,427	(8,550)	(434)		169,603
Bonds and other interest-bearing securities	21,847			(34)		21,813
Shares and participations	0			2		2
Intangible fixed assets	55					55
Tangible assets	19					19
Deferred tax receivables	-			11	(10)	1
Derivative instruments	737	(25)		643		1,355
Other assets	394	(309)	(2)	1		84
Prepaid expenses and accrued income	591	24	13	68		696
TOTAL ASSETS	195,597	7,779	(30)	257	(10)	203,593
LIABILITIES AND EQUITY CAPITAL						
LIABILITIES						
Liabilities to credit institutions	5,415		(8)			5,407
Securities issued, etc.	174,423	7,766	441	(302)		182,328
Derivative instruments	4,713			546		5,259
Other liabilities	772	(13)	(1)	(157)		601
Accrued expenses and prepaid income	1,115	26	(20)	35		1,156
Deferred tax liabilities	10				(10)	0
Subordinated debt	2,645			163		2,808
Total liabilities	189,093	7,779	412	285	(10)	197,559
Minority interest	442	0	(442)			0
EQUITY CAPITAL						
Share capital	1,958					1,958
Other reserves	418				(406)	12
Profit brought forward	3,686			(28)	406	4,064
Total equity capital	6,062	-	-	(28)	0	6,034
TOTAL LIABILITIES AND EQUITY CAPITAL	195,597	7,779	(30)	257	(10)	203,593

Recalculation of group balance sheet 31 March 2006 on transition to IFRS

Balance sheet

Group SEK million	Previous accounting principles	IAS 27 see page 11 e)	IAS 31 see page 11 f)	IAS 39 see page 10-11 a-d)	Other adjustments	IFRS
ASSETS						
Cash in hand and balance at central banks	0					0
Repo eligible treasury bills, etc.	3					3
Lending to credit institutions	175	1,103	7,545			8,823
Lending to public	156,634	14,446	(7,603)	415		163,892
Bonds and other interest-bearing securities	3,656					3,656
Shares and participations	0			2		2
Intangible fixed assets	51					51
Tangible assets	21					21
Deferred tax receivables	-					0
Derivative instruments	2,090	(45)		1,155		3,200
Other assets	1,051	(432)	(1)	6		624
Prepaid expenses and accrued income	401	37	5	65		508
TOTAL ASSETS	164,082	15,109	(54)	1,643	0	180,780
LIABILITIES AND EQUITY CAPITAL						
LIABILITIES						
Liabilities to credit institutions	4,855		(43)			4,812
Securities issued, etc.	146,021	15,101	368	(327)		161,163
Derivative instruments	2,493			2,064		4,557
Other liabilities	1,262	(18)		(212)		1,032
Accrued expenses and prepaid income	1,240	26	(11)	43		1,298
Deferred tax liabilities	309			24		333
Subordinated debt	1,824			215		2,039
Total liabilities	158,004	15,109	314	1,807		175,234
Minority interest	368	0	(368)			0
EQUITY CAPITAL						
Share capital	1,958					1,958
Other reserves	1,188				(1,189)	(1)
Profit brought forward	2,564			(164)	1,189	3,589
Total equity capital	5,710	-	-	(164)	0	5,546
TOTAL LIABILITIES AND EQUITY CAPITAL	164,082	15,109	(54)	1,643	0	180,780

Recalculation of group balance sheet 1 January 2006 on transition to IFRS

Balance sheet

Group SEK million	Previous accounting principles	IAS 27 see page 11 e)	IAS 31 see page 11 f)	IAS 39 see page 10-11 a-d)	Other adjustments	IFRS
ASSETS						
Cash in hand and balance at central banks	0					0
Repo eligible treasury bills, etc.	3					3
Lending to credit institutions	157	664	7,175			7,996
Lending to public	156,020	15,108	(7,220)	907		164,815
Shares and participations	0			2		2
Intangible fixed assets	48					48
Tangible assets	21					21
Deferred tax receivables	-					0
Derivative instruments	2,629	(51)		1,288		3,866
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	0	179,382
LIABILITIES AND EQUITY CAPITAL						
LIABILITIES						
Liabilities to credit institutions	4,525		(17)			4,508
Securities issued, etc.	145,400	15,310	343	(3)		161,050
Derivative instruments	2,501	(51)		2,410		4,860
Other liabilities	91	64				155
Accrued expenses and prepaid income	1,212		(18)	(131)		1,063
Deferred tax liabilities	304			(7)		297
Subordinated debt	1,851			233		2,084
Total liabilities	155,884	15,323	308	2,502		174,017
Minority interest	344	0	(344)			0
EQUITY CAPITAL						
Share capital	1,958					1,958
Other reserves	1,174				(1,176)	(2)
Profit brought forward	2,468			(235)	1,176	3,409
Total equity capital	5,600	-	-	(235)	0	5,365
TOTAL LIABILITIES AND EQUITY CAPITAL	161,828	15,323	(36)	2,267	0	179,382

Recalculation of cash flow analysis on transition to IFRS

Cash flow analysis

Group Jan-Mar 2006 SEK million	Cash Flow Analysis acc. to previous accounting rules	Revaluation IAS 27 see page 11 e)	Revaluation IAS 31 see page 11 f)	Cash Flow Analysis recalculated to IFRS
Liquid funds at the beginning of the period	157	664	7,175	7,996
Cash flow from current operations	2	439	370	811
Cash flow from investment operations	(9)			(9)
Cash flow from financing operations	25			25
Increase / Decrease in liquid funds	18	439	370	827
Liquid funds at the end of the period	175	1,103	7,545	8,823

Cash flow analysis

Group Jan-Dec 2006 SEK million	Cash Flow Analysis acc. to previous accounting rules	Revaluation IAS 27 see page 11 e)	Revaluation IAS 31 see page 11 f)	Cash Flow Analysis recalculated to IFRS
Liquid funds at the beginning of the period	157	664	7,175	7,996
Cash flow from current operations	(427)	(2)	1,334	905
Cash flow from investment operations	(31)			(31)
Cash flow from financing operations	1,092			1,092
Increase / Decrease in liquid funds	634	(2)	1,334	1,996
Liquid funds at the end of the period	791	662	8,509	9,962

Audit Report

To the Board of Directors of the Swedish Housing Finance Corporation, SBAB
Reg. no. 556253-7513

Introduction

We have reviewed this interim report for the period 1 January 2007 – 31 March 2007. The Board of Directors and the CEO are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts (Credit Institutions and Securities Companies) Act. Our responsibility is to express an opinion on this interim report, based on our review.

The direction and extent of the review

We have performed this review in accordance with the Swedish Standard on Review Engagements SÖG 2410 *Review of financial information in interim reports performed by the company´s appointed auditors* issued by FAR. A review consists of making enquiries, primarily to persons responsible for financial and accounting matters, performing an analytical review and undertaking other review measures. A review has another direction and is substantially less in scope than an audit conducted in accordance with the Auditing Standard in Sweden (RS) and generally accepted auditing practice otherwise. The measures undertaken in a review do not permit us to be certain that we have become aware of all significant matters that might have been identified in an audit. The expressed conclusion based on a review does not therefore have the degree of certainty that a conclusion expressed as a result of an audit has.

Conclusion

On the basis of our review, nothing has come to our attention which gives us cause to believe that the interim report is not prepared, in all essentials, in accordance with the Annual Reports (Credit Institutions and Securities Companies) Act and it provides a true and fair view of the company's financial position as at 31 March 2007 and its financial result and cash flow for the three-month period that ended on that date in accordance with IAS 34.

Stockholm ,30 May 2007

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg
Authorised Public Accountant

SBAB

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