

November 6, 2007

Research Update:

SBAB Outlook Revised To Developing On Privatization Plans; 'AA-/A-1+' Ratings Affirmed

Primary Credit Analyst:

Louise Lundberg, Stockholm (46) 8-440-5938; louise_lundberg@standardandpoors.com

Secondary Credit Analyst:

Miguel Pintado, Stockholm (46) 8-440-5904; miguel_pintado@standardandpoors.com

Table Of Contents

Rationale

Outlook

Ratings List

Research Update:

SBAB Outlook Revised To Developing On Privatization Plans; 'AA-/A-1+' Ratings Affirmed

Rationale

On Nov. 6, 2007, Standard & Poor's Ratings Services revised its outlook on Sweden-based mortgage lender Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ) (SBAB) to developing from stable. At the same time, the 'AA-/A-1+' counterparty credit ratings on SBAB were affirmed.

Standard & Poor's expects that the Swedish government's plans to reduce its current 100% ownership in SBAB will materialize within the two-year outlook horizon. The Swedish parliament adopted a bill, rendering the sale possible, in June and the government has started preparations for the sale. No detailed timeframe or procedure has been announced, however.

The developing outlook factors in our expectation that a change in rating is likely within the outlook horizon but that it is difficult to predict the direction of the rating change with any certainty until an agreement with a new owner has been reached.

Currently, Standard & Poor's uses its criteria for government-related entities (GREs) to assess the credit quality of SBAB (see "Rating Government-Related Entities: A Primer", published June 14, 2006 on RatingsDirect). Under this approach, we have assessed that the company is likely to benefit from extraordinary support from the government in the event of financial distress, primarily based on its current ownership structure. This implies that the ratings on SBAB at present are two notches higher than its standalone credit quality would warrant.

Factors that underpin the stand-alone assessment of SBAB's credit quality are the low-risk nature of the company's business of mortgage banking, good asset quality, and adequate capitalization. The standalone assessment is constrained by low and declining profitability, minimal revenue diversification, and SBAB's heavy reliance on wholesale funding.

Even though SBAB is heavily reliant on wholesale funding, we regard its funding as well-diversified and adequate. Issuance of covered bonds since 2006 has further strengthened the company's funding flexibility. Due to recent credit market turmoil, SBAB has significantly increased its liquidity reserve to more than sufficiently maintain its policy of always covering its 30-day maximum cumulative outflow. Standard & Poor's takes comfort from the high credit quality of SBAB's liquidity portfolio.

SBAB's profitability is, however, low and we expect it to remain pressured by tight margins and intense competition. In the third quarter of 2007, net operating income was negative as the company accounted for unrealized mark-to-market losses in its liquidity portfolio. Excluding these unrealized losses, net operating income was on a par with the corresponding quarter in 2006.

Outlook

The developing outlook reflects Standard & Poor's expectations that the Swedish government will divest SBAB within the outlook horizon. Once the company has been sold, the ratings will become dependent on the credit standing of the acquirer. Depending on the importance of SBAB to its future owner, the rating on SBAB will be between its stand-alone rating and the future owner's rating level.

A negative rating action could follow a significant erosion of SBAB's franchise in the mortgage lending market in Sweden or a deterioration in its liquidity or funding position that ultimately reduces its underlying profitability. A positive rating action based on a stand-alone assessment of SBAB is unlikely at this stage.

Ratings List

	To	From
Counterparty Credit Ratings		
Global Scale Rating	AA-/Developing/A-1+	AA-/Stable/A-1+
Nordic National Scale Rating	--/--/K-1	

CP

Global Scale Rating	A-1+
Nordic National Scale Rating	K-1

NB: This list does not include all ratings affected.

Additional Contact:

Financial Institutions Ratings Europe;FIG_Europe@standardandpoors.com

Ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. It can also be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office Hotline (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017. Members of the media may also contact the European Press Office via e-mail on: media_europe@standardandpoors.com.

Copyright © 2007, Standard & Poors, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscribers or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.9823 or by e-mail to: research_request@standardandpoors.com.