

ANNOUNCEMENT OF SBAB'S RESULT FOR 2005

1 JANUARY – 31 DECEMBER 2005 • THE SWEDISH HOUSING FINANCE CORPORATION, SBAB

THE YEAR IN BRIEF

- New lending to the retail market was a record-breaking 57% higher than last year.
- SBAB's market share for retail lending is 9.4% (8.3%).
- Net operating income for the year amounted to SEK 666 million (SEK 678 million).
- Net interest income increased to SEK 1,296 million (SEK 1,214 million).
- Expenses totalled SEK 596 million (SEK 505 million).
- Parts of the operation were reorganised and SEK 24 million was charged to the result for the fourth quarter in restructuring expenses.

NET OPERATING INCOME

SBAB's net operating income for 2005 amounted to SEK 666 million (SEK 678 million). The main explanation for the change in income is higher expenses than last year.

NET INTEREST INCOME & OTHER OPERATING INCOME

Net interest income totalled SEK 1,296 million in comparison with SEK 1,214 million in 2004. This increase is explained by a very good development of retail market lending although falling interest rates have had a negative impact on yield. Net commission and other operating income amounted to a loss of SEK 70 million (SEK -38 million). Commission expenses have increased as a consequence of the growth in volume with SBAB's business partners.

EXPENSES

Expenses have increased to SEK 596 million (SEK 505 million). The high level of demand for SBAB's products has led to an increase in volume-related administration expenses compared with last year. Personnel costs have also been affected by an increase in the number of permanent and temporary staff. Furthermore, SBAB has pursued a number of extensive development projects due to adaptation to various rule changes. In addition, restructuring expenses for a reorganisation have been charged to expenses for 2005.

Summary for the SBAB group

	Dec 2005	Dec 2004
Net interest income, SEK million	1,296	1,214
Net operating income, SEK million	666	678
Net operating income after tax, SEK million	471	485
Lending, SEK million	156,020	130,907
Loans securitised, SEK million	15,108	25,153
Doubtful loan receivables after specific provisions for individually assessed loan receivables, SEK million	49	96
Volume of international borrowing, SEK million	90,563	66,602
Income/Expenditure ratio, excluding loan losses	2.1	2.3
Income/Expenditure ratio, including loan losses	2.2	2.4
Return on equity, %	8.7	9.5
Capital ratio, %	8.9	10.0
Primary capital ratio, %	6.9	8.4
Equity ratio, %	3.7	4.1
Rating, long-term debt Standard & Poor's Moody's	AA- Aa3	AA- A1
Rating, short-term debt Standard & Poor's Moody's	A-1+ P-1	A-1+ P-1
Average number of employees during the period of whom temporary employees	421 34	391 30

Loan portfolio and securitised loans

	Dec 2005		Dec 2004	
	Total	Of which securitised loans	Total	Of which securitised loans
SEK billion				
Retail market	100.5	7.0	76.7	15.8
Corporate market	70.6	8.1	79.4	9.4
Total	171.1	15.1	156.1	25.2

LOAN LOSSES & DOUBTFUL LOAN RECEIVABLES

Loan losses have continued to be low and amounted net to a positive result of SEK 36 million (SEK 7 million). Doubtful loan receivables have been reduced during the year from SEK 214 million to SEK 144 million. The provision ratio for specific provisions for loan receivables assessed individually was 66%. At the end of 2005, total provisions amounted to SEK 228 million, of which SEK 113 million related to collective provisions for loan receivables assessed individually.

LENDING

During the year, SBAB's lending to the retail market has continued to increase. New lending to the retail market amounted during the year to SEK 37,260 million (SEK 23,750 million). As earlier, SBAB's business partners are important distribution channels. When SBAB as the first residential mortgage company in Sweden abolished top loans in April 2005, there was a further increase in the good growth in lending to retail customers. SBAB has a credit insurance for loans with a loan to value ratio of over 85%. The portfolio now amounts to SEK 93,528 million (SEK 60,942 million) excluding securitised loans. SBAB's market share of retail market lending has increased to 9.4% (8.3%).

New lending in the corporate market was SEK 4,976 million (SEK 4,481 million). The corporate market portfolio excluding securitised loans amounted to SEK 62,492 million (SEK 69,965 million).

FUNDING

Long-term funding during the year amounted to SEK 68,866 million (SEK 43,321 million) of which SEK 47,696 million (SEK 21,698 million) was raised in the international market and SEK 21,170 million (SEK 21,623 million) in the domestic bond market. The original short-term loan debt, defined as short-term on the issue date, totalled SEK 45,075 million (SEK 34,717 million).

CAPITAL ADEQUACY

At the end of 2005, the capital adequacy ratio was 8.9% (10.0%). The primary capital ratio was 6.9% (8.4%). SBAB's capital base amounted to SEK 7,376 million (SEK 6,386 million). The parent company's capital adequacy ratio was 9.4% (10.6%), the primary capital ratio was 7.3% (8.8%) and the capital base SEK 7,040 million (SEK 6,120 million). The capital base has increased due to SBAB issued subordinated debenture of SEK 500 million during the period. The

change in the capital adequacy ratio is mainly due to increased lending in the retail market and to the repurchase of securitised loans.

INTEREST RATE RISK

A parallel shift in the yield curve plus one percentage point at 31 December 2005 would have resulted in a reduction in the net value of SBAB's interest-bearing assets and liabilities, including derivative transactions, of approximately SEK 126 million.

ACCOUNTING PRINCIPLES

This announcement has been prepared in accordance with the provisions of the Annual Accounts Act concerning Credit Institutions and Securities Companies (ÅRKL) and the regulations issued by the Financial Supervisory Authority (2002:22). The accounting principles have not been changed since the Annual Report for 2004.

All listed parent companies in the EU are to apply the accounting standard recommended by the IASB (International Accounting Standards Board) from 2005 with certain exemptions. Each Member State can decide on a postponement to 2007 for those companies which are only listed with debt instruments. The Riksdag (The Swedish Parliament) decided at the end of 2004 that Sweden would make use of this possibility. SBAB has only issued listed debt instruments and is preparing to apply IFRS from 2007.

CURRENT EVENTS

- On 16 December 2005, the Riksdag decided to approve a broadening of SBAB's mission to include accepting deposits from the public. During 2006, SBAB will prepare for also being able to offer savings products to customers.
- The parts of SBAB's activities relating to retail market loans have been concentrated at two customer centres in Karlstad and Uppsala as a component in the role of being a challenger in the residential mortgage market. As a result of this, the office in Linköping has been wound up.
- A new business area, Corporate Lending, was established during the autumn with the intention of a renewed focus on the corporate market.
- In November, SBAB won an award in Dagens Industri's and the Association of Swedish Advertisers' competition for long-term trademark management, 100-wattaren. SBAB also received an award for the campaign "Drop the top loan".

Income Statement

SEK million	GROUP				PARENT COMPANY	
	Jan-Dec 2005	Jan-Dec 2004	Oct-Dec 2005	Oct-Dec 2004	Jan-Dec 2005	Jan-Dec 2004
Interest income	5,419	5,820	1,341	1,411	5,323	5,748
Interest expenses	(4,123)	(4,606)	(1,006)	(1,130)	(4,142)	(4,623)
Net interest income	1,296	1,214	335	281	1,181	1,125
Commission income	50	58	11	14	101	96
Commission expenses	(120)	(96)	(32)	(28)	(53)	(46)
Other operating income	0	0	0	0	0	0
Total operating income	1,226	1,176	314	267	1,229	1,175
General administration expenses	(511)	(426)	(161)	(112)	(526)	(432)
Depreciation of tangible and intangible fixed assets	(22)	(18)	(6)	(5)	(15)	(13)
Other operating expenses	(63)	(61)	(17)	(19)	(63)	(61)
Total operating expenses	(596)	(505)	(184)	(136)	(604)	(506)
Operating income before loan losses	630	671	130	131	625	669
Loan losses, net (Note 1)	36	7	31	(0)	36	7
Net operating income	666	678	161	131	661	676
Allocations	-	-	-	-	(103)	(95)
Minority share in the year's result	1	(0)	1	0	-	-
Tax on profit for the year	(196)	(193)	(49)	(37)	(165)	(166)
Net profit for the year	471	485	113	94	393	415

Balance sheet

SEK million	GROUP		PARENT COMPANY	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
ASSETS				
Cash in hand and balance at central banks	0	0	0	0
Eligible Treasury Bills, etc	3	225	3	225
Lending to credit institutions	157	2,406	14,799	13,389
Lending to public (Note 2)	156,020	130,907	141,285	119,872
Shares and participations	0	0	0	0
Shares and participations in group companies	-	-	357	280
Intangible fixed assets	48	39	17	16
Tangible assets	21	21	21	21
Other assets	5,175	930	5,173	928
Prepaid expenses and accrued income	404	573	425	587
TOTAL ASSETS	161,828	135,101	162,080	135,318
LIABILITIES AND EQUITY CAPITAL				
LIABILITIES				
Debts to credit institutions	4,525	6,596	4,490	6,583
Bonds issued, etc	145,400	119,025	146,100	119,575
Other liabilities	2,592	124	2,591	125
Accrued expenses and prepaid income	1,212	2,061	1,176	2,038
Provision for deferred tax	304	274	-	-
Subordinated debt	1,851	1,482	1,851	1,482
Total liabilities	155,884	129,562	156,208	129,803
Untaxed reserves	-	-	1,055	952
Minority shareholding	344	271	-	-
EQUITY CAPITAL				
<i>Restricted equity capital</i>				
Share capital	1,958	1,958	1,958	1,958
Restricted reserve	-	-	392	392
<i>Unrestricted equity capital</i>				
Profit brought forward	-	-	2,074	1,798
Reserves	3,171	2,825	-	-
Net profit for the year	471	485	393	415
Total equity capital	5,600	5,268	4,817	4,563
TOTAL LIABILITIES AND EQUITY CAPITAL	161,828	135,101	162,080	135,318

Changes in equity capital

SEK million	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Equity at the beginning of the year	5,268	4,926	4,563	4,291
Dividend	(139)	(143)	(139)	(143)
Net profit for the year	471	485	393	415
Equity at the end of the year	5,600	5,268	4,817	4,563

Cash flow analysis

SEK million	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Liquid funds at the beginning of the year	2,406	3,777	2,406	3,777
Cash flow from current operations	(2,650)	(1,275)	(2,515)	(1,133)
Cash flow from investment operations	(32)	(26)	(94)	(95)
Cash flow from financing operations	433	(70)	360	(143)
Increase / Decrease in liquid funds	(2,249)	(1,371)	(2,249)	(1,371)
Liquid funds at the end of the year	157	2,406	157	2,406

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

Note 1 Loan losses, net

SEK million	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
<i>Specific provision for individually assessed loan receivables</i>				
The year's write-offs for actual loan losses	25	28	25	28
Reversal of previous provisions for probable loan losses reported as actual loan losses in the accounts for the year	(20)	(20)	(20)	(20)
The year's provision for probable loan losses	9	38	9	38
Recoveries in respect of actual loan losses in previous years	(3)	(6)	(3)	(6)
Reversal of previous provisions for probable loan losses no longer required	(15)	(20)	(15)	(20)
Net cost for the year	(4)	20	(4)	20
<i>Collective provision for individually assessed loan receivables</i>				
Allocation to/withdrawal from collective provisions	(31)	(26)	(31)	(26)
<i>Collectively assessed homogeneous groups of loan receivables</i>				
The year's write-offs for actual loan losses	3	3	3	3
Recoveries in respect of actual loan losses in previous years	(2)	(3)	(2)	(3)
Allocation to/withdrawal from provision for loan losses	(2)	(1)	(2)	(1)
Net cost for the year of collectively assessed homogeneous loan receivables	(1)	(1)	(1)	(1)
Net cost of loan losses for the year	(36)	(7)	(36)	(7)

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

Note 2 Lending to the public

GROUP SEK million	31 Dec 2005		31 Dec 2004	
	Lending	Provision	Lending	Provision
Municipal dwellings	13,158	-	17,797	-
Tenant-owner associations	28,890	(166)	28,891	(201)
Privately-owned multi-family dwellings	19,880	(42)	22,325	(61)
Single-family homes and holiday homes	69,319	(18)	46,675	(17)
Tenant-owned apartments	24,229	(2)	14,286	(2)
Commercial properties	772	-	1,214	-
Provision for probable loan losses	(228)		(281)	
Total	156,020	(228)	130,907	(281)

Doubtful and non-performing loan receivables

	31 Dec 2005	31 Dec 2004
a) Doubtful loan receivables	144	214
b) Non-performing loan receivables included in doubtful loan receivables	42	57
c) Non-performing loan receivables on which interest is taken up as income and which are thus not included in doubtful loan receivables	92	145
d) Specific provisions for individually assessed loan receivables	95	118
e) Collective provisions for individually assessed loan receivables	113	144
f) Provisions for collectively assessed homogenous groups of loan receivables	20	19
g) Total provisions (d+e+f)	228	281
h) Doubtful loan receivables after specific provisions for individually assessed loan receivables (a-d)	49	96
i) Provision ratio regarding specific provisions for individually assessed loan receivables (d/a)	66%	55%

Note 3 Book and actual values of derivatives

GROUP SEK million	31 Dec 2005		31 Dec 2004	
	Book value	Actual value	Book value	Actual value
<i>Derivatives with positive or zero values</i>				
Interest rate swaps	1,154	1,946	784	2,215
Interest rate and currency swaps	1,472	1,735	41	1,160
Equity-linked derivative contracts	3	40	1	57
Total	2,629	3,721	826	3,432
<i>Derivates with negative values</i>				
Interest rate swaps	1,526	2,921	1,428	3,919
Interest rate and currency swaps	975	971	103	2,694
Equity-linked derivative contracts	0	3	0	6
Total	2,501	3,895	1,531	6,619

All funding in foreign currencies is hedged with interest rate and currency swaps and/or equity-linked contracts in order to eliminate risks for SBAB.

Stockholm, 30 January 2006

Eva Cederbalk
Chief Executive Officer

REVIEW REPORT

We have reviewed this announcement of SBAB's result according to the recommendation issued by FAR (the institute for the accountancy profession in Sweden). A review is considerably more limited in scope compared with an audit. Nothing has come to our attention which causes us to believe that this announcement does not comply with the requirements of stock exchange and annual accounts legislation.

Stockholm, 30 January 2006

KPMG Bohlins AB

Per Bergman
Authorised Public Accountant

Lars-Ola Andersson
Authorised Public Accountant
Appointed by Finansinspektionen

FINANCIAL INFORMATION 2006

Annual General Meeting of Shareholders	19 April
January-March Interim Report	3 May
January-June Interim Report	30 August
January-September Interim Report	30 October



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