



ANNUAL REPORT
2005



The SBAB logo is a red shield-shaped emblem with the letters "SBAB" in white, serif font.



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Financial information 2006

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| Announcement of Result | 31 January |
| Annual General Meeting | 19 April |
| Interim Report, January-March | 3 May |
| Interim Report, January-June | 30 August |
| Interim Report, January-September | 30 October |

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

The Year in Brief 2005

- ▶ SBAB's return on equity was 8.7%, which is higher than the owner's required return of 7.8% for 2005. The net operating income was SEK 666 million (SEK 678 million).
- ▶ Loan losses continued to be low, leading to the dissolution of provisions made in previous years.
- ▶ SBAB's new lending to the retail market increased by a record level and passed a milestone with a loan portfolio to individuals of SEK 100 billion.
- ▶ During the year, SBAB launched the campaign "Abolish the top loan", which created very great demand. The abolition of the top loan enables customers to borrow up to 95% of the value of the housing at the same interest rate. SBAB insures between 85% and 95% of its credit risk.
- ▶ During the year, preparations have been made for issuing covered bonds and a special wholly-owned subsidiary has been acquired for this purpose. In October, SBAB submitted, on behalf of its subsidiary, an application for a licence to the Swedish financial supervisory authority, Finansinspektionen, to issue covered bonds.
- ▶ During the year, SBAB submitted an application to Finansinspektionen to apply internal rating models for lending activities according to Basel II from 1 January 2007.
- ▶ The Riksdag (the Swedish Parliament) resolved on 16 December 2005 to give its approval to SBAB's mandate being extended to include accepting deposits from the general public. In 2006, SBAB will make preparations to be able to offer savings products to customers as well.
- ▶ SBAB's long-term rating was upgraded by the rating agency Moody's Investors Service to Aa3 from A1.
- ▶ A new bond loan was introduced in May 2005, loan 122.
- ▶ The parts of SBAB's activities relating to retail loans have been concentrated at two customer centres in Karlstad and Uppsala. As a result of this, the office in Linköping has been closed.
- ▶ A new business area, Corporate Loans, was created in the autumn with a view to a renewed focus on the corporate market.
- ▶ According to the Swedish Quality Index, SBAB has the most satisfied retail customers among the largest providers in the residential mortgage industry.
- ▶ SBAB won the "100-wattaren", a prize in Dagens Industri's and Swedish Advertisers Association's advertising competition for long-term brand management. SBAB also received an award for the "Abolish the top loan" campaign.

| Summary for the SBAB group | 2005 | 2004 |
|---|-------------|-------------|
| Net interest income, SEK million | 1,296 | 1,214 |
| Net operating income, SEK million | 666 | 678 |
| Net profit for the year, SEK million | 471 | 485 |
| Lending, SEK million | 156,020 | 130,907 |
| Securitized, SEK million | 15,108 | 25,153 |
| Doubtful loan claims after specific provisions for individually assessed loan claims, SEK million | 49 | 96 |
| Volume, international borrowing, SEK million | 90,563 | 66,602 |
| Income/Expenditure ratio, excl. loan losses | 2.1 | 2.3 |
| Income/Expenditure ratio, incl. loan losses | 2.2 | 2.4 |
| Return on equity, % | 8.7 | 9.5 |
| Capital ratio, % | 9.0 | 10.0 |
| Primary capital ratio, % | 7.1 | 8.4 |
| Equity ratio, % | 3.7 | 4.1 |
| Rating, long-term borrowing Standard & Poor's Moody's | AA- Aa3 | AA- A1 |
| Rating, current borrowing Standard & Poor's Moody's | A-1+ P-1 | A-1+ P-1 |
| Average number of employees during the period of which temporary employees | 421 34 | 391 30 |



The Chairman's Comments

The last year has been characterised by continued expansion of the retail mortgage market at the same time as an intensive discussion has taken place about a property bubble.

The Swedish residential mortgage market

The Swedish residential mortgage market has continued to expand in 2005. The total volume of outstanding loans was SEK 1,544 billion at the end of 2005, including securitised loans. This expansion is mainly explained by rising prices in the housing market. The volume of new construction has been at normal levels during the year. The sharp increase in prices is primarily caused by low interest rates, combined, to some extent, with a shortage of housing in the metropolitan areas. Although households' total loan-to-value ratio is at the highest level since the crisis in the early 1990s, household interest expenditure in relation to disposable income is at a historically low level.

The low level of interest rates has greatly affected both the fast expansion in lending and house prices. In less than two years, the Riksbank has cut the interest rate by more than half. It is evident that such a substantial interest rate cut makes it possible for consumers to pay considerably more for their housing without increasing interest expenditure. This trend has been mainly driven by the Riksbank's interest rate policy and not by the Swedish residential mortgage institutions in general or SBAB in particular.

At the same time, SBAB is responsible, in this very sensitive situation, for making careful assessments of creditworthiness, to protect both the customer and the company against the negative effects of an interest rate increase.

SBAB's mandate

The owner's mandate to SBAB is to act to ensure diversity and competition in the Swedish residential mortgage market whilst obtaining a return on investment in line with market rates. Over a business cycle, the return on equity after tax is required to be equivalent to the corresponding rate for the five-year government bond plus five percentage points. This corresponds to the average long-term return on equity available on the stock exchange. SBAB's return on equity has exceeded this goal in recent years.



The Board of Directors' activities

During the year, the Board has continued to work on the company's strategy. The future direction entails both a development of residential mortgages and a broadening of the range of products.

The board has also worked with matters relating to the new Code of Corporate Governance. SBAB applies the Code although some work remains to be done before it is clear how all parts of the Code are to be interpreted and transformed into rules and controls.

The regulatory framework concerning covered bonds will also affect the company's funding in the future. It will provide us with a clear form for financing residential mortgages, entailing changes in the company's funding and legal structure.

The development of the application of the Basel II regulatory framework is continuing. When the regulatory framework is implemented, it will lead to substantial changes in valuation of credit risks and thus also pricing of loans.

Stockholm, March 2006

A handwritten signature in black ink, which appears to read 'Claes Kjellander'.

CLAES KJELLANDER
Chairman of the Board

The CEO's Review

SBAB has, as first residential mortgage provider in Sweden, abolished the expensive top loan for its customers. Once again, SBAB has changed the rules of play in the industry by further developing mortgage products to the benefit of Swedish residential mortgage customers.

A year of profitable growth

Another successful year has passed with strong sales. SBAB has achieved a milestone with a retail loan portfolio of SEK 100 billion.

Abolished top loans

SBAB has become the first residential mortgage provider in Sweden to abolish the expensive top loan for residential mortgage customers, thus continuing to introduce simplifications for our customers and reduce mortgage loan costs.

Our campaign, "Abolish the top loan", received some criticism that the changed loan rules could have consequences for households with small margins. However, the new loan rules do not mean that customers can increase their loans, only that the price is lower. We have moreover a responsibility as lender to provide correct information to our customers and to be very careful when assessing creditworthiness.

Corporate market

SBAB has had a strong position in the corporate market for many years and is now focusing on a further expansion of this operation and its customer base. A new business area has been created and a new head of this area has been recruited. With a broader range of services and a stronger organisation, SBAB has good prospects of being able to meet customer requirements.

Funding

Professional funding is one of the success factors underlying SBAB's strong position in the market. It is very satisfying that SBAB has been upgraded by the rating agency Moody's Investors Service to Aa3 from A1. This is a recognition of our financial strength, our low risk and our strong position in the market.

Strategic partners

SBAB's strategic business partners are an important component in SBAB's successes. In particular, the savings banks Sparbankerna Finn and Gripen, through the jointly-owned company FriSpar Bolån, and Ikanobanken, ICA Banken and SalusAnsvar have contributed to increased sales.



Future development

The Riksdag decided on 16 December 2005 to approve the expansion of SBAB's mandate to include borrowing from the public. The background to this is the strategic work carried out by the Board and the Executive Management in 2005, which has, among other things, led to a strategy for a broader product range.

Work is taking place during 2006 on developing new products. We hope that we will be able to offer our customers savings products that are also profitable for the company.

We will, of course, continue to develop our core business – residential mortgages and corporate loans. We see good opportunities both in developing products and in strengthening our communication with customers.

Staff

Finally, I would like to express my gratitude to all of our staff for their achievements during the year. Our successes during the year would not have been possible without everyone's hard work.

Stockholm, March 2006

A handwritten signature in black ink, appearing to read "Eva Cederbalk".

EVA CEDERBALK
Chief Executive Officer

Business Model

Vision

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

Core values

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

Business idea

SBAB's business idea is to finance housing in a simple manner, offering value for money. SBAB strives to make housing cheaper for people who own their house by low prices and a high level of access. SBAB is to offer competitive services to owners of apartment blocks in expanding locations.

Strategies

To succeed as price leader, SBAB must have efficient and professional funding operations to minimise funding costs. A prerequisite for price leadership is that SBAB operates the business in the most cost-efficient manner – making continuous simplifications in order to find the most efficient and smartest methods of work at the same time as making it easier for the customer to do business with SBAB. The challenge is, of course, to always adopt a critical approach to the current way of doing things and to look for the simplest and cheapest solution without compromising quality and risk control.

Values

SBAB's staff have together developed the values that are to characterise the company's methods and which are to be expressed in a commercial approach, service, a high level of satisfaction and well-being.

Governance

SBAB's strategic business plan for 2005 has served as the basis for planning, control and monitoring of activities during the year.

Customer value

SBAB's overall strategy has been to drive prices down and, within this framework, to offer a high level of service, where customers are treated professionally, pleasantly and correctly. An important goal is to process all applications by retail customers within 24 hours.

Market share of retail market
TARGET: 9.21%
OUTCOME: 9.37%



Finance capital

Finance capital is the ultimate condition for activity, to be able to engage in activity in a profitable and competitive way. The owner's profitability requirements exercise a controlling influence and consist of the risk-free government bond rate plus a risk premium of five per cent.

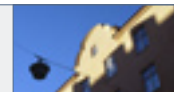
Return on equity
TARGET: 7.8%
OUTCOME: 8.7%



Staff value

SBAB's staff is a very important resource whose competence must be made use of and developed.

Staff survey
TARGET: Interval 70-80
OUTCOME: 75.5



Structure value

The structure value highlights SBAB's internal processes and systems and how these have been developed to increase internal efficiency.

Income/Expenditure ratio excluding loan losses
TARGET: 2.3
OUTCOME: 2.1



Civic value

SBAB's civic value highlights the company's ability to be competitive and an alternative in the residential mortgage market.

SKI satisfaction
TARGET: Achieve the highest customer satisfaction for retail market customers compared with the major banks
OUTCOME: Achieved, with a satisfaction of 77.8



SBAB's values



Commitment

Through our own initiatives and by actively participating, we put ourselves in the customer's shoes and take responsibility for our own part in the company's development.



Innovation

We look for new challenges, see opportunities and find new simple solutions, which we have the courage to see through.



Consideration

We are responsive and sensitive.



Trust

We are open, honest and show our customers and each other respect. We keep our promises.



Overview perspective

We understand the customer's reality and needs, our surroundings and each other's work in such a way that we act for the best, for the customer and for ourselves.

Sustainable Development

The most used definition of sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their needs". This definition originated in the Brundtland Commission 1987 (World Commission for Environment and Development). SBAB is to comply with this by engaging in activities in a long-term and responsible way with a balance between social, economic and environmental considerations.

Social responsibility

SBAB is to engage in activities in such a way as to maintain the confidence of the general public and the financial market in the company and so that the activity can be considered as being sound. A sound activity requires, among other things, that it is pursued in an ethical way. The ethical policy creates a basis for a common approach to ethical issues for SBAB and its staff.

SBAB's efforts to improve the working environment are based on the Swedish Work Environment Authority's publication *Systematiskt arbetsmiljöarbete* ("Systematic work with the working environment"). For the employee, this means a positive exchange in the form of work satisfaction, community and personal development. For the company, it is essential for increased competitiveness and profitability. It is thus both in the employer's and the employee's interests to create a good working environment. SBAB has a very high staff index, 75.5, and low staff turnover.

SBAB has keep-fit activities with the opportunity to engage in keep-fit activities for an hour a week during working hours and a special keep-fit grant. SBAB works with keep-fit activities on the basis of a "Health Diploma", which is organised by Korpen (an inter-company sports organisation) in co-operation with other organisations. This method of work enables workplaces to work with health-related issues through their staff and to establish a strategic and practical basis for sustainable health work. SBAB has a low level of sick leave.

Gender equality work is integrated into SBAB's activities through the objectives and strategies of the gender equality plan established in the company's business plan under staff value. A special gender equality plan is also drawn up as a separate document each year as a complement to the parts of the company's business plan that concern gender equality. SBAB has an even gender distribution between men and women in leading positions. The result of the annual wage survey shows that there is no systematic wage discrimination between men and women at SBAB.

Economic responsibility

SBAB's mandate from its owner to work for diversity and competition in the Swedish residential mortgage market, where SBAB has assumed an important role as a price leader in the provision of retail 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 conditions and development. As well as a more traditional control of activities and follow-up, SBAB's activities are therefore 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 economic development. SBAB's return complies with the requirements made on the activity by the owner.

Environment

SBAB's production and distribution of residential mortgage services and other financial services already has a relatively low impact on the environment since parts of the activity are conducted via Internet, which reduces the use and transport of paper. The environmental work mainly pursued is focused on sorting the waste generated by the activity by sorting and collecting environmentally hazardous and recyclable waste. SBAB's company vehicles are to be in environmental class 1.



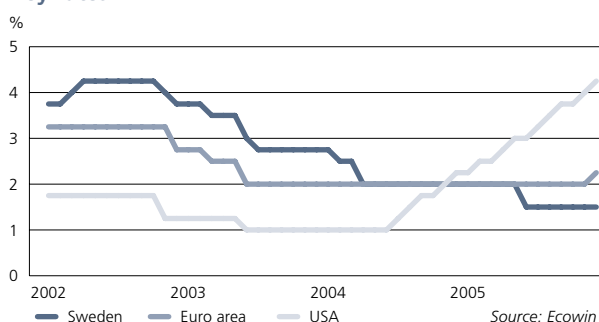
Economic Environment

Interest rates reached record-low levels in 2005. The Riksbank's key rate was cut to 1.5% in June and remained at that level for the rest of the year. Indications of increased economic activity during the autumn and a weakening of the krona led the Riksbank to indicate clearly in December that an increase in the key rate was to be expected in early 2006. The low interest rate contributed to a strong increase in household borrowing and rising house prices.

The level of economic activity and interest rates
Weak growth rate made the Riksbank take action in June

The Swedish economy slowed down at the end of 2004 and early 2005. The development of the labour market was disappointing and when the preliminary GDP figure for the first quarter was published at the beginning of June, growth proved to be considerably lower than expected. The Riksbank had been under a lot of pressure to cut the key rate and the weak growth triggered a cut in the key rate on 22 June from 2% to 1.5%.

Key rates



By that time, the US central bank, the Federal Reserve, had increased its key rate from 1% to 3%. The European Central Bank's key rate remained at 2%. During the summer, there were speculations about a further cut by the Riksbank.

Indications of stronger economic activity during the autumn

During the summer, statistics showed that concern about the level of economic activity had been exaggerated. Previous speculations

that the Federal Reserve would make a halt in the process of raising interest rates died away and the long market rates rose. The hurricanes that affected the United States in the late summer caused the oil price to accelerate upwards again. Concern for the level of activity again took the upper hand and the long market rates fell.

This time as well the conclusions proved to be overhasty. The US economy continued to increase at a good pace and the feeble economy of the euro area showed signs of recuperation. The long rates turned upwards and there was an upward trend for the greater part of the autumn.

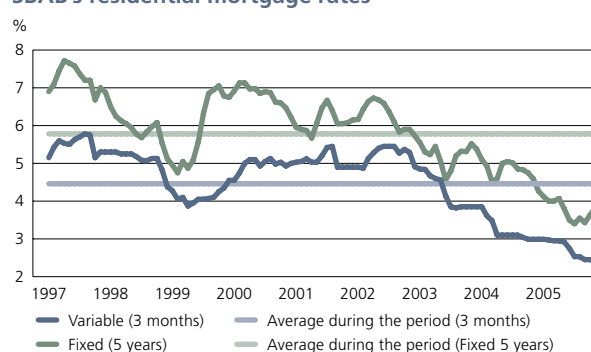
In Sweden, the preliminary figures for the first quarter proved to have underestimated growth. GDP for the first and second quarter increased by over 2% and 3.5% respectively. There were increasing signs that the labour market was becoming stronger.

The Riksbank sharpens tone at the end of the year

The slackening of the Swedish economy was thus temporary. Domestic demand drove up the level of activity. However, exports increased as well, with the weakening of the krona being a contributory factor. In particular, it was driven by the gap between international and Swedish key rates.

The stronger growth in combination with the weakening of the krona, which was greater than the Riksbank had expected, gave rise to a marked sharpening of tone by the Riksbank in December. It clearly announced that there would soon be an interest

SBAB's residential mortgage rates



rate increase and most analysts expected an increase already at the end of January 2006.

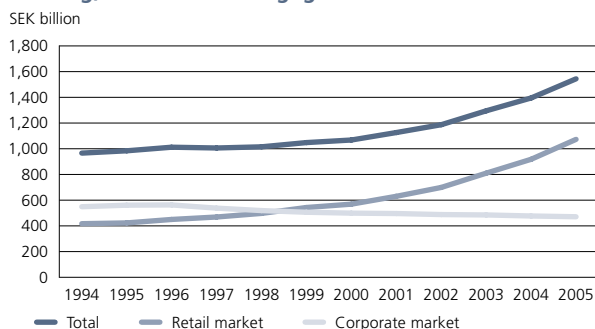
Residential mortgage rates record low

The cut in the key rate meant that the variable interest rate was record low and considerably below its more long-term average. This was also the case for the fixed mortgage rates which, even after the increase in the autumn, were a long way under the long-term average at the end of the year.

The residential mortgage market in 2005

The total residential mortgage market increased strongly in 2005, to SEK 1,544 billion, an increase equivalent to around 10%. The reason is the strong increase in retail market loans, while the corporate market fell back slightly. In the last five-year period, the total market increased by 40%, which corresponds to almost SEK 450 billion.

Lending, residential mortgage market



Retail market

| | 2005 (SEK bn) | 2004 (SEK bn) | Change (SEK bn) | Change (%) |
|-------------------------|------------------|------------------|--------------------|---------------|
| Single-family dwellings | 874.0 | 762.4 | +111.6 | +14.6 |
| Tenant-owned apartments | 198.9 | 156.0 | +42.9 | +27.5 |
| Total | 1,072.9 | 918.4 | +154.5 | +16.8 |
| Of which securitised | 8.2 | 17.4 | -9.2 | -52.9 |

Source: Preliminary statistics from the Swedish Bankers Association as per December 2005

Corporate market

| | 2005 (SEK bn) | 2004 (SEK bn) | Change (SEK bn) | Change (%) |
|------------------------|------------------|------------------|--------------------|---------------|
| Multi-family dwellings | 403.1 | 409.1 | -6.0 | -1.5 |
| Commercial properties | 28.0 | 28.2 | -0.2 | -0.7 |
| Other | 39.9 | 39.6 | +0.3 | +0.8 |
| Total | 471.0 | 476.9 | -5.9 | -1.2 |
| Of which securitised | 8.1 | 9.4 | -1.3 | -13.8 |

Source: Preliminary statistics from the Swedish Bankers Association as per December 2005

The retail market

A feature of the residential mortgage market during the year has been further stiffening competition and downward pressure on prices. One effect of this can be seen in the form of reduced list prices and a higher extent of product development. All major banks have reduced their list prices to be more competitive with niche players.

At the same time, the historically low level of interest rates has led to a sharp increase in lending to private housing during the year. This has contributed to continued price increases for single-family dwellings and tenant-owned apartments. The price increase in 2005 on houses was around 10%. It was strongest during the summer with a somewhat dampened trend at the beginning and end of the year. The trend continued to be strong for tenant-owned apartments although also uneven, where the



metropolitan areas accounted for a large part of the total price increase of around 18%. The low interest rates have also contributed to increased borrowing on properties for refurbishment and conversions and extensions.

Retail lending increased to SEK 1,073 billion.

The corporate market

Lending to the corporate market decreased by around SEK 6 billion during the year. A large part of this is due to municipalities and municipal companies consolidating their balance sheets. Lending to these decreased by SEK 6 billion equivalent to 7%. The sector has been focused on reducing borrowing and thus the risk in the activity for a number of years.

An exception in the corporate market is lending to tenant-owner associations which increased during the year by SEK 7 billion. Lending to tenant-owner associations has been characterised by a stable annual growth of approximately 3.5% with relatively small fluctuations between years. The growth in volume is driven above all by new production, refurbishments and to some extent reorganisations from rented to tenant-owned apartments.

There has been a high level of interest in residential and commercial properties in 2005 both from national and international purchasers. The volume of sales has been record-high and the yield requirements have in many cases decreased in both sectors. The continued low rates have made a strong contribution to profitability in the sector and thus interest in the properties.

Other events in the residential mortgage market

A number of new products have appeared in the Swedish residential mortgage market. One group that the banks have shown an interest in is pensioners and a number of new senior loans were introduced in 2005. A new company has been created, Svensk Hypotekspension, with a view to attracting pensioners to make use of unrealised values in properties with low mortgages. During the autumn, SEB launched a new product, Bolån 65+, to meet demand from this customer group. Several players are expected to launch similar products in the near future.

During the spring, Nordea launched the product BoFlex which enables customers to use properties without mortgages as a form of overdraft.

BlueStep is a new player in the market focusing on customers who have problems in obtaining mortgages on their properties through any of the usual players in the market.

Market & Brand

Long-time brand management by advertising campaigns has, together with attention from the mass media, contributed to both increased sales and increased knowledge about SBAB throughout Sweden. SBAB has gained a top rating among the residential mortgage providers for 2005 in the Swedish Quality Index's measurement of customer satisfaction among Swedish residential mortgage customers in the retail market.

Marketing

SBAB has acted as the challenger and price-cutter in the Swedish residential mortgage market and is a clear alternative to the major banks for all those who own or plan to purchase a property.

During 2000-2005, SBAB has challenged the major banks by offering simplified and innovative solutions for mortgages. For instance, a uniform price was introduced for single-family dwellings, holiday homes and tenant-owned apartments in connection with the removal of the interest surcharge for tenant-owned apartments in 2003.

During the past year, SBAB has abolished the top loan, which means that customers can be offered residential mortgages of up to 95% of the market value at the same low price.

SBAB and the advertising agency TBWA were awarded a prize in this context when they obtained full points in the "100-wattaren" award for long-term brand management in November. This competition is arranged by Dagens Industri and the Swedish Advertisers Association in co-operation with the Advertising Association of Sweden and rewards creative effective advertising. The motivation was as follows:

"This year's winner was self-evident. How could the jury disregard an advertiser who has worked uninterruptedly to expand their frontiers for communication for six years? Every campaign has been unexpected and successful. And every campaign has produced a greater impact than the one before. If you challenge your competitors to football, convert advertising pillars into offices, deliver mortgages by moped, let 200 sandwich men walk up and down in front of banks, and promise to eat your hat, then you really earned 100-wattaren's prestigious prize for long-term brand management. Congratulations SBAB!"

"Abolish the top loan" has been the bearing component of SBAB's market communications in 2005. A massive campaign, which was rewarded with the "75-watt prize", was carried out in April.

Alongside the marketing, the message "SBAB abolishes the top loan" has attracted a great deal of mass media interest and contributed positively to increased preference and increased

knowledge about SBAB's brand. Recurrent articles on interest rate movements and the level of economic activity, as well as assessment by brokers of price movements on properties has also attracted attention in the press and media.

Satisfied customers

According to the Swedish Quality Index, which measures customer satisfaction annually, SBAB's customers are the most satisfied residential mortgage customers in the retail market among the largest providers in the Swedish residential mortgage market for the fifth consecutive year. The survey asks Swedish residential mortgage customers about their expectations, image, perceived quality and value for money. The total score is called the "customer satisfaction index".

Besides customer satisfaction, the survey is also based on values such as company image, customer expectations, product quality, service, value for money and loyalty.

sbab.se

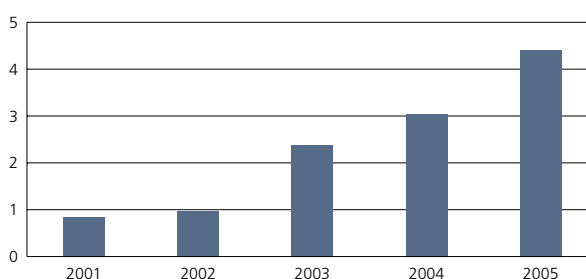
Internet is an important distribution channel for SBAB's residential mortgages, a place where SBAB meets its customers. Visits to sbab.se have increased steadily year by year. In 2005, the website had 4,362,000 visits (3,047,000), which is a new record. Altogether during the year, over 124,000 applications and loan promises were made via Internet.

During 2005, a number of new developments were introduced on sbab.se. Among other things, a mobile site was started which allows the visitor to see current interest rates and calculate the cost of a loan at SBAB directly by mobile phone. During the autumn the "interest rate blog" started on sbab.se. SBAB's financial secretariat comments on the current movements of housing interest rates and housing prices there. In the blog, readers can discuss with one another and ask SBAB's experts questions.

SBAB's website received the top grade in the Web Service Awards in the category bank and finance. The grade was set by the website's visitors by their answering a digital questionnaire.

Number of visits to sbab.se

Million visitors



Lending

SBAB continues to take market shares. SBAB's new lending to the retail market was record-breaking and the retail loan portfolio exceeded SEK 100 billion.

This year's lending operations

Retail market

In mid-April, SBAB abolished the top loan and introduced instead a residential mortgage loan with the possibility of borrowing up to 95% of the market value at the same interest rate. SBAB insures between 85% and 95% of its credit risk. This product launch attracted a great deal of attention among both customers and mass media and has greatly contributed to the market share of the retail market increasing by 1.0 percentage point to 9.4%.

SBAB's new lending to private customers amounted in 2005 to SEK 37.3 billion. Of the new lending, 64% was for single-family dwellings and holiday homes and 36% for tenant-owned apartments. The increase is largely explained by a well-planned product launch and a favourable market situation and by a good development of sales for both SBAB and its partner companies during the year.

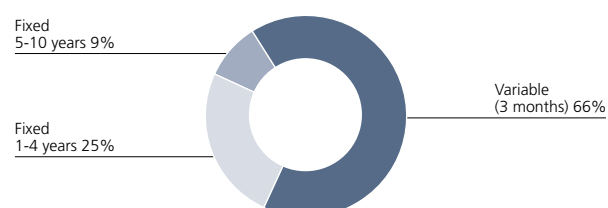
SBAB has had its greatest success on the important market for house purchases. SBAB has increased its new lending and also taken market shares.

During the year, there has continued to be great interest in short fixed-interest terms in the retail market, although with a shift towards longer fixed-interest terms at the end of the year. It is primarily the variable three-month interest rate that 66% of the customers have chosen. The most popular of the fixed interest rates, with an 11% share, has been the two-year fixed-interest term.

The increasing competition has led to margins being lower in 2005 than in previous years.

Good service combined with competitive interest rates has contributed to 93% of the retail market customers opting to retain their loans in this year's loan negotiations.

Choice of fixed-interest term 2005



New lending (SEK billion)

| | 2005 | 2004 | Change |
|---|-------------|-------------|--------------|
| Retail market | | | |
| Single-family dwellings and holiday homes | 23.8 | 15.2 | +8.6 |
| Tenant-owned apartments | 13.5 | 8.9 | +4.6 |
| Total retail market | 37.3 | 24.1 | +13.2 |
| Corporate market | | | |
| Tenant-owner associations | 3.0 | 2.5 | +0.5 |
| Private property companies | 1.6 | 1.8 | -0.2 |
| Municipal property companies | 0.2 | 0.1 | +0.1 |
| Commercial properties | 0.2 | 0.0 | +0.2 |
| Total corporate market | 5.0 | 4.4 | +0.6 |
| Total residential mortgage market | 42.3 | 28.5 | +13.8 |

Corporate market

The corporate market portfolio consists of commercial, municipal and private property companies. In 2005, there has been intensive competition in the corporate market. New lending for the year for corporate loans was SEK 5 billion and the renewal rate was 86%. As regards tenant-owner associations, SBAB has acquired its strong position with small changes in the portfolio. The extension per cent for tenant-owner associations was 88%.

A new business area, Corporate Loans, has been created during the year. The intention of this new business area is to expand the activity and the customer base by using the potential that exists in this sector, both as regards multi-family dwellings and commercial properties.

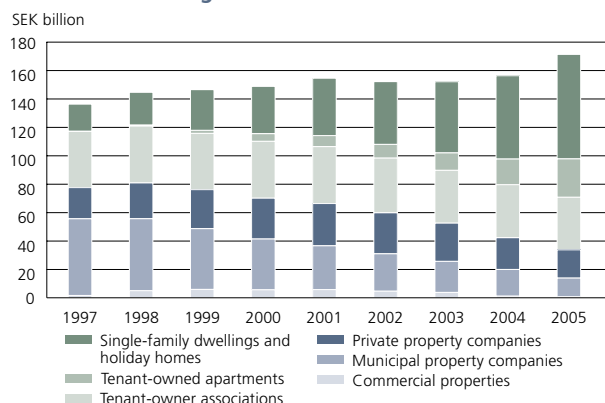
With a long-term strategy, a broader range of services and new methods of work, SBAB has the ability to meet customer demand and reverse the negative trend in the portfolio.

Development of the portfolio

SBAB's lending portfolio increased in 2005 by SEK 15.0 billion and amounted at the turn of the year to SEK 171.1 billion, of which SEK 15.1 billion was securitised loans. SBAB's market share of the total residential mortgage market decreased by 0.1% to 11%.

The increase of the market shares in the retail market has continued for several years, which means that the proportion of retail market loans in the portfolio is increasing. Due to higher direct margins on the retail market at the same time as the credit risk is less than for other markets, the development of the composition of the portfolio is positive for SBAB. The focus on the retail market led during the year to an increase in volume of SEK 23.9 billion and at the end of the year, retail market loans accounted for SEK 100 billion, which is equivalent to 59% of SBAB's total loan portfolio. This can be compared with the situation in 2000 when the share of retail market loans was 26% and the volume was SEK 39 billion.

The distribution of the loan portfolio by categories of owner including securitisation



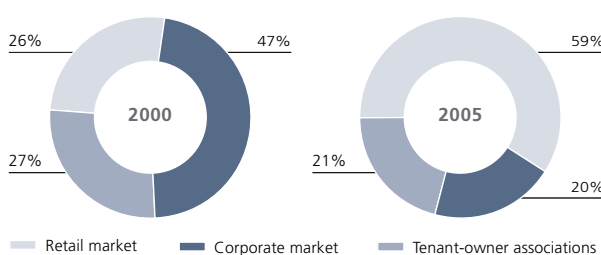
Lending to corporate customers has continued to decrease in 2005. The foremost reason for the decrease of the market share is the high competition in the municipal credit market and a lower borrowing requirement. The reduction of lending to municipalities

The distribution of the loan portfolio by categories of owner (SEK billion)

| | 2005 | SEC | 2004 | SEC | Change incl SEC |
|---|--------------|-------------|--------------|-------------|-----------------|
| Single-family dwellings and holiday homes | 69.3 | 4.2 | 46.6 | 11.9 | +15.0 |
| Tenant-owned apartments | 24.2 | 2.8 | 14.3 | 3.8 | +8.9 |
| Tenant-owner associations | 28.7 | 8.1 | 28.7 | 8.4 | -0.3 |
| Private property companies | 19.8 | - | 22.3 | - | -2.5 |
| Municipal property companies | 13.2 | - | 17.8 | 1.0 | -5.6 |
| Commercial properties | 0.8 | - | 1.2 | - | -0.4 |
| Total | 156.0 | 15.1 | 130.9 | 25.2 | +15.0 |

SEC = Securitisation

Distribution of the loan portfolio including securitisation



and municipal property companies is reflected in the loan portfolio's composition of collateral in where the volume of municipal guarantees and direct loans to municipalities is continuously decreasing. The market share on the corporate market totalled 14.8% (16.5%).

Composition of collateral in the loan portfolio (SEK billion)

| | 2005 | SEC | 2004 | SEC | Change incl SEC |
|--|--------------|-------------|--------------|-------------|-----------------|
| Municipal guarantees and direct loans municipalities | 16.5 | - | 21.0 | - | -4.5 |
| Government guarantee | 2.5 | 0.0 | 3.4 | 0.0 | -0.9 |
| Bank guarantee | 0.0 | - | 0.1 | - | -0.1 |
| Mortgage deeds | 112.7 | 12.3 | 92.1 | 21.4 | +11.5 |
| Tenant-owned apartments | 24.2 | 2.8 | 14.3 | 3.8 | +8.9 |
| Total | 156.0 | 15.1 | 130.9 | 25.2 | +15.0 |

SEC = Securitisation

Concentration to metropolitan regions

The portfolio is concentrated to an increasing extent in the metropolitan regions. The demographic changes mean that the population has increased in the metropolitan regions with a resultant increased demand for housing. This has in turn led to a higher turnover in the property market and increased demand for residential mortgages. The existing lending is predominantly concentrated to the Stockholm region and secondly to the Öresund region (Malmö and Helsingborg regions). It is also in these regions that new lending is the greatest.



The geographical distribution of the loan portfolio (SEK billion)

| | 2005 | Sec | 2004 | Sec | Change incl Sec |
|---------------------------------|--------------|-------------|--------------|-------------|--------------------|
| Stockholm region | 64.9 | 8.2 | 49.8 | 13.9 | +9.4 |
| Gothenburg region | 12.7 | 1.7 | 10.2 | 2.8 | +1.4 |
| Öresund region | 31.6 | 1.7 | 24.6 | 2.9 | +5.8 |
| University and growth locations | 16.1 | 1.9 | 15.4 | 2.7 | -0.1 |
| Other locations | 30.7 | 1.6 | 30.9 | 2.9 | -1.5 |
| Total | 156.0 | 15.1 | 130.9 | 25.2 | +15.0 |

SEC = Securitisation

In the event of change of terms and new borrowing, an average of 62% of the customers have selected a variable interest rate during the year. The reason for this is the very attractive interest-rate level on the variable interest rate.

Development of SBAB's loan portfolio excluding securitised loans

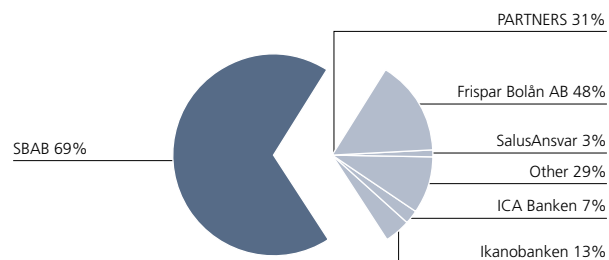
| | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|------|------|------|------|------|
| Loan portfolio, excluding securitisation, SEK billion | 156 | 131 | 126 | 134 | 137 |
| Average remaining term, years | 1.5 | 1.4 | 1.7 | 1.6 | 1.8 |
| Average interest rate, % | 3.81 | 4.39 | 5.05 | 5.42 | 5.5 |
| Number of loans, thousands | 321 | 243 | 208 | 192 | 186 |
| Proportion of loans with municipal or Government guarantee, % | 12 | 19 | 22 | 25 | 28 |

Lending collaboration

One of SBAB's important channels of distribution to retail customers is through its business partners. A large part of the growth originates from SBAB's bank business partners such as Sparbankerna Finn and Gripen, ICA Banken, Ikanobanken and SalusAnsvar.

New lending from partners has increased by 16% compared with the same period last year and growth has increased by 19%.

Lending through business partners in 2005



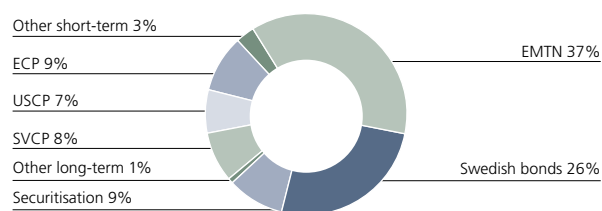
The jointly owned company FriSpar Bolån AB, which is 51% owned by SBAB and 49% by Sparbankerna Finn and Gripen, continues to show a favourable portfolio development. During the year, FriSpar has increased its portfolio by SEK 3,700 million to SEK 14,735 million.

Funding

Professional and competitive funding is one of the success factors underlying SBAB's strong position in the residential mortgage market.

SBAB regards having a well-diversified funding portfolio as very important. This requires an active presence in the capital market and a flexible range of products. SBAB's funding is to be well-balanced with regard to the distribution between the Swedish and international capital market, maturities, currencies as well as public transactions and private placements.

Product portfolio including securitisation, 31 December 2005



Outstanding securities issued on 31 December 2005, SEK 167.8 billion.

Covered bonds

During the year, SBAB has engaged in preparatory work to introduce covered bonds. This work has been given a high priority as an increase of the product range to include covered bonds would enable SBAB to make funding even more effective. Furthermore, covered bonds would make possible a further broadening of the investor base.

In October 2005, SBAB submitted an application to Finansinspektionen, through a newly-established subsidiary, for a licence for the subsidiary to issue covered bonds. SBAB's goal is to achieve the highest credit ratings for the subsidiary's covered bonds.

The intention is for the newly-established subsidiary to include collateral predominantly consisting of loans to individuals and companies with collateral in residential properties. SBAB intends to



convert the Swedish bond loans 118, 121 and 122 to be included in the covered debt. A new secured EMTN programme (Euro Medium Term Note Programme) is planned for the subsidiary.

Past experience from securitisation transactions have been valuable for SBAB in the preparatory work with covered bonds, since there are considerable similarities in the design of routines, work processes and handling of information.

| Programme use | 31 Dec 2005 | 31 Dec 2004 | Limits |
|--|-------------|-------------|-------------|
| Swedish Commercial Paper Programme, (SVCP) | SEK 14.2bn | SEK 13.9bn | SEK 25bn |
| Swedish Benchmark Bonds | SEK 41.1bn | SEK 39.3bn | |
| European Commercial Paper Programme, (ECP) | USD 1,790m | USD 954m | USD 2,000m |
| US Commercial Paper Programme, (USCP) | USD 1,537m | USD 1,045m | USD 4,000m |
| Euro Medium Term Note Programme, (EMTN) | USD 7,895m | USD 7,746m | USD 11,000m |

Moody's upgraded SBAB's long-term credit rating on 30 June 2005, from A1 to Aa3, in connection with the introduction of a new rating method.

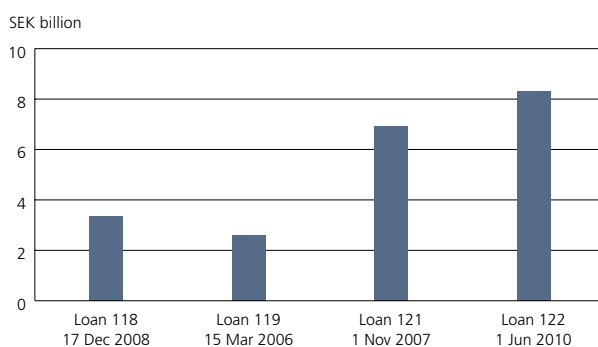
| SBAB's rating | Standard & Poor's | Moody's |
|----------------------|-------------------|---------|
| Short-term borrowing | A-1+ | P-1 |
| Long-term borrowing | AA- | Aa3 |

Long-term funding 2005

SBAB's long-term funding mostly takes place through Swedish benchmark bonds and the EMTN bond market.

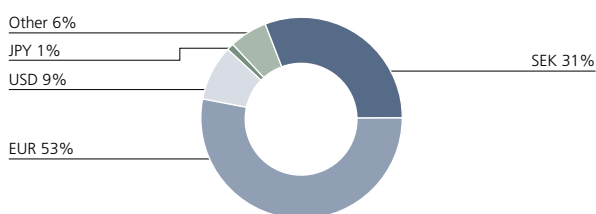
SBAB's Swedish bond loan 120, of SEK 6.5 billion, matured on 15 June 2005. A new bond loan, 122, was introduced on 3 May 2005. In all, SBAB issued SEK 21.2 billion in Swedish bond loans in 2005. Re-purchases totalled SEK 12.9 billion.

Swedish Benchmark Bonds – issued in 2005



Under the EMTN programme, a countervalue of SEK 47.7 billion was issued in 2005. SBAB and its market makers are to ensure that SBAB's securities have a good liquidity in the secondary market.

EMTN programme – currency distribution issued securities in 2005

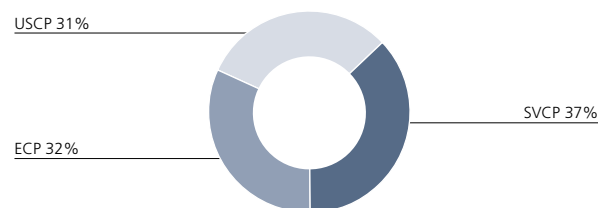


SBAB has carried out a total of four securitisation transactions; Morfun No1 and SRM No 1-3. Morfun No 1 of SEK 1.0 billion matured on 23 May 2005 and SRM No 1 of SEK 7.6 billion matured on 15 November 2005. Further information on the outstanding securitisation transactions is available on www.srmnv.com.

Short-term funding 2005

SBAB has three established commercial paper programmes for short-term funding: Swedish Commercial Paper Programme (SVCP), European Commercial Paper Programme (ECP) and US Commercial Paper Programme (USCP). The limit for the US programme was increased in 2005 from USD 2,000 million to USD 4,000 million.

Commercial Paper – issued volume 2005 distributed by programme



Risk Management

Effective risk management is essential for SBAB's business. In recent years, SBAB has invested major resources in the further development of risk management in the group. Part of this has been the development of advanced credit risk models for Basel II.

Overall principles for SBAB's risk management

The objective for SBAB's risk management is to support the company's business operations and rating goals and to identify, measure, guide and control risks. Risk-taking is low and balanced through maintaining total risk levels at a level commensurate with SBAB's long-term financial goals.

Risk control

SBAB has a central risk control unit that analyses, controls and reports on all of SBAB's risks. The Risk Control Unit reports to the Chief Financial Controller and is thereby independent of the trading and operational parts of business.

Application for review of IRC methods according to Basel II

During the year, SBAB has submitted a request to Finansinspektionen for a review of IRC methods (internal risk classification methods). This request relates to IRC methods for lending activities. SBAB's intention is to apply the IRC method for retail market loans as from 1 January 2007. SBAB intends to apply the basic IRC method for corporate loans from 1 January 2007 and the advanced IRC method as soon as the rules permit, i.e. from 1 January 2008. SBAB intends initially to apply the standard method for other categories of exposure.

As regards operational risks, SBAB intends to request to be permitted to apply the standard method.

Further development work on the Basel II regulatory framework will be concentrated in the next few years on the further development of the ICAAP – Internal Capital Adequacy Assessment Process.

Credit risk in lending activities

The IRC method has been used in credit management for corporate market exposures since the beginning of 2004. As regards private exposures, risk classification has been made by internal rating directly at the time of assessment of creditworthiness. The

risk classification method for collateral has been used in risk analysis and reporting since December 2004.

The risk classification methods developed show that there is a low level of risk attached to the lending activities engaged in by SBAB. Despite this, credit risks are SBAB's greatest risk category and work in this area has accordingly been given priority in recent years.

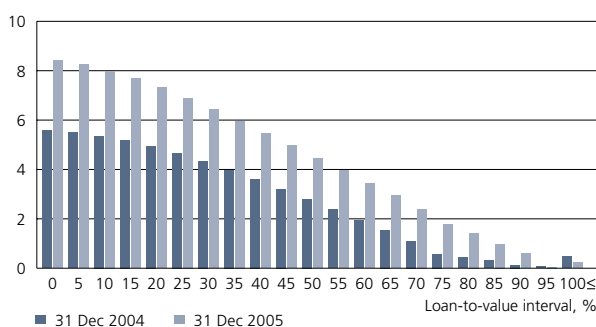
During the year, SBAB has, after extensive analyses with developed risk models, decided in certain cases to increase the loan to value ratio from 75% to 85% for corporate exposures and from 75% to 95% for household exposures. Lending over 75% requires that SBAB receives collateral with best right. Lending also requires that the customer is among the better risk categories. SBAB takes out insurance with Genworth Financial Mortgage Insurance Limited for all loans in the loan-to-value ratio between 85% and 95%. This collaboration has been developed to enable SBAB to offer retail market customers a profitable overall solution.

SBAB also offers loans for deposits as advances on future residential mortgages, to the customers who are purchasing a new house. Bridge loans are offered to customers who are in the process of moving house provided that a binding agreement is made on sale of their previous house. Both forms of loans are normally provided without collateral, but for a very short period of time, and the risk is accordingly limited.

Besides following up the customers' payment capacity, a continuous follow-up also takes place of the customers' actual payments. Special credit supervisors work in both the retail and corporate market, who, among other things, deal with customers who are late payers or shows signs of increased risk.

Apportionment of capital, individuals

Loan capital provided, SEK billion



The Treasury Department's management of market and liquidity risks

The Board sets limits for interest rate risk, currency risk, option risk, liquidity and financing risk and credit risk. In certain cases, several different limits apply within certain areas (see note 34).



Interest rate risk

The main principle utilised in the management of the company's interest rate risk is the application of matching both with regard to fixed interest terms and the interest rate base.

As well as direct matching through the fixed-interest term for the respective funding or lending, matching is also carried out by use of derivative instruments. Derivative instruments may only be acquired or issued for the purposes of hedging.

SBAB's equity capital is managed through the greater proportion being utilised for lending.

Currency risk

As a principal rule, SBAB's assets should not be exposed to exchange rate fluctuations. All funding in international currencies are therefore converted into Swedish kronor via the swap market.

Option risk

At a borrower's or investor's request, a loan or bond may contain certain interest rate option structures. As a principal rule, the option risk thus arising is to be eliminated via the derivative market.

Liquidity and financial risk

During the year, the Board has decided to strengthen SBAB's liquidity reserve. Development work has been started and will be completed in 2006. This reinforcement is to take place partly through the establishment of a liquidity portfolio consisting of liquid interest-bearing securities of high quality. The portfolio may amount to at most 20% of the balance-sheet total. Renewable funding and liquidity facilities at external parties as well as other assets that guarantee immediate liquidity regardless of SBAB's creditworthiness are included in the liquidity reserve alongside the portfolio.

The liquidity risk is to be measured by totalling SBAB's maximum need for new funding ("MCO", Maximum Cumulative Outflow) for a given number of days to come. In this measurement, SBAB is expected to have to replace all debt that matures or which is subject to interest adjustment and to fund all existing assets. The net of known flows of interest payments is taken into consideration.

The liquidity risk measure is to be complemented with a number of stress test that are to be regularly reported on to the Board.

The liquidity portfolio replaces previously set limits for the investment portfolio and prefunding. SBAB already uses a number of techniques to control and limit the occurrence of liquidity and refinancing risk:

- ▶ As a benchmark, the Treasury Department is to finance up to 50% of short-term lending with funding that has both a longer tied-up capital period but where the interest conditions can be adjusted with shorter intervals.
- ▶ In order to further strengthen access to liquid funds, SBAB has entered into stand-by credit agreements, giving SBAB the right to raise loans when necessary. Amongst these is a stand-by credit undertaking with Riksgäldskontoret (the Swedish National Debt Office), which gives SBAB the right to borrow, up to a specified limit (SEK 7 billion in 2005) at a predetermined market interest rate.
- ▶ An essential prerequisite in keeping to a minimum liquidity and prefunding risks is that SBAB continually has access to the global capital market. This is achieved through SBAB maintaining a high market presence, ensuring good investor relations and having the necessary programmes and issue techniques.

Credit risk

Placements, consisting of derivative contracts and repo contracts may only be made with counterparties with a valid counterparty limit. The maximum counterparty limit is limited, among other things, by the counterparty's rating level. Limits are to be set for all counterparties at least once a year.

The risk mandates in detail

Risk mandates and limits utilised as at 31 December 2005 are shown in note 34. Counterparty risks and limits utilised as at 31 December 2005 are shown in note 35.

Operational risks

SBAB uses generally accepted methods for identifying, measuring, guiding and controlling relevant operational risks. The method entails that the risks are graded on the basis of the probability and economic scope of the possible damage.

Security issues

A well-defined level of security with security of information as a considerable part is a prioritised goal for SBAB. Security work is based on clear instructions, high alertness, careful documentation and continuous follow-up.

Staff

Committed and well-motivated staff are essential for SBAB's success. In this year's staff survey, the response rate was 91% (84%) and NMI (satisfied staff index, Swedish initials) 75.5 (75.4).

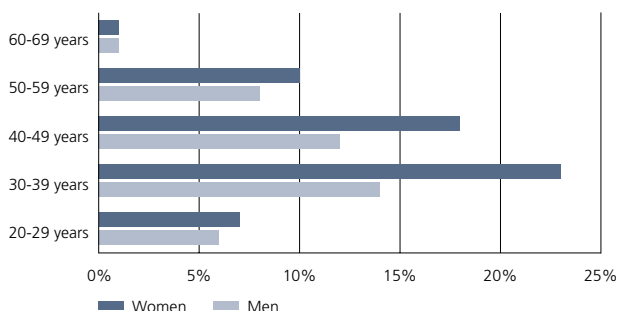
A yearly staff survey is conducted to determine if SBAB as a whole and in its parts is developing towards the goals. The survey is shown as an index where the 70-80 range is necessary for the organisation to be successful. This year's survey showed especially that improvements had been made in the areas good interpersonal relations at work, information support and workload. 91% (84%) of SBAB's staff participated in the survey which took place in March 2005. The area selected as a particularly prioritised development area was internal collaboration.



| Staff | 2005 | 2004 | 2003 | 2002 | 2001 |
|--|------|------|------|------|------|
| Average number of employees | 421 | 391 | 384 | 388 | 368 |
| Number of positions at year-end of which held by women | 396 | 364 | 355 | 357 | 347 |
| | 233 | 216 | 209 | 211 | 199 |
| Sick leave, short-term, % | 2 | 1 | 1 | n.d. | n.d. |
| Sick leave, long-term, % | 3 | 3 | 3 | n.d. | n.d. |
| Total sick leave, % | 5 | 4 | 4 | 4 | 3 |
| Staff turnover % | 5 | 4 | 3 | 6 | 16 |
| Average age | 41 | 40 | 41 | 41 | 40 |
| Staff costs, SEK million | 280 | 225 | 227 | 239 | 190 |
| Net operating income per employee (average), SEK million | 1.6 | 1.7 | 1.9 | 1.6 | 1.5 |
| Training days/employee (average) | 2.0 | 1.5 | 2.5 | 4.5 | 3.3 |

n.d. = no data

Age distribution



Communication

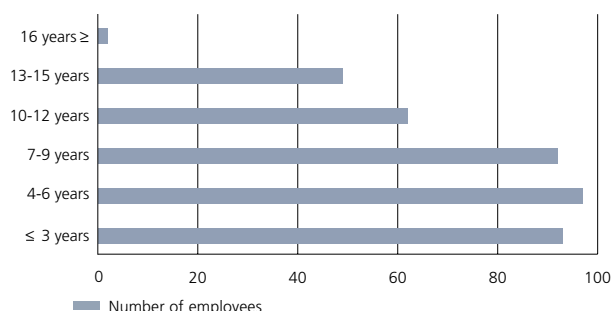
During the year, SBAB has focused on working more with internal communications and dialogue between the executive management and the staff. Among other things, many managers and a group of staff, known as "challengers", have participated in extensive work on the design of a new vision and strategy to raise questions and produce new ideas.

SBAB's executive management has also aimed to inform continuously and engage in a dialogue about current events within SBAB.

Health and keep-fit work

SBAB carries out active health and keep-fit work with a keep-fit supervisor who, together with a network of internal health leaders, actively conducts inspiring health and keep-fit activities. SBAB has also worked together with students from the Swedish

Period of employment



School of Sport and Health Sciences (GIH) to create commitment to health and keep-fit activities.

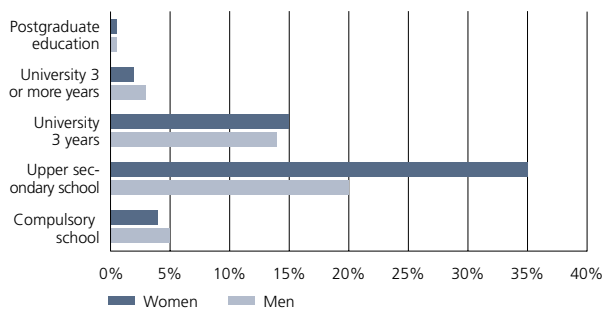
SBAB has a keep-fit hour, in which every employee can use one working hour a week for a keep-fit activity. There is also a keep-fit allowance for subsidising keep-fit activities.

During the year, SBAB has worked closely with the company health services, the social insurance agency and other care-providers with a view to getting those on long-term sick leave back to full-time or part-time work. It is also important for those on sick leave to retain contact with their workplace during their period of sick leave. Total sick leave in relation to working hours was 4.54% (4.49%). The largest portion of sick leave consists of long-term sick leave among women.

Equal opportunities

SBAB's long-term goal is to have an even distribution of genders amongst managers and top executives. The percentage of women in the executive management of the company is 50% (44%). The percentage of women managers is 37% (40%). In all, 59% (59%) of the posts in the company are occupied by women.

Educational level



The company compensates staff on parental leave for one year with up to 10% of their salary below 7.5 income base amounts (a base amount is an amount set annually by the Swedish authorities) as well as 80% of the portion of salary above 7.5 income base amounts. SBAB actively encourages men to take parental leave.

A wage survey is made every year by an external party to ensure that there is no systematic wage discrimination. No systematic wage discrimination was detected at the most recent wage survey.

Development

One of the manager's most important roles in SBAB is to clarify the direction and future vision for SBAB by being good communicators and sources of inspiration. This provides staff with the ability to see their part in the whole picture and to work with clear goals. Within SBAB, staff are regarded as a supplier, who provides their services to their manager annually. This offering includes both the undertaking by the member of staff, based on the company's business plan, and a plan for their own development.

Incentive programme

During the year, SBAB has changed the incentive programme which covered all members of staff except the CEO. The model is based on part of the outcome being determined by goals for the company as a whole and the other part by goals for the respective department after approval by the CEO. The maximum outcome can be two monthly salaries and the required return on equity must have been achieved. The incentive programme complies with the owner's guidelines. Additional information about the incentive programme can be found in note 4.



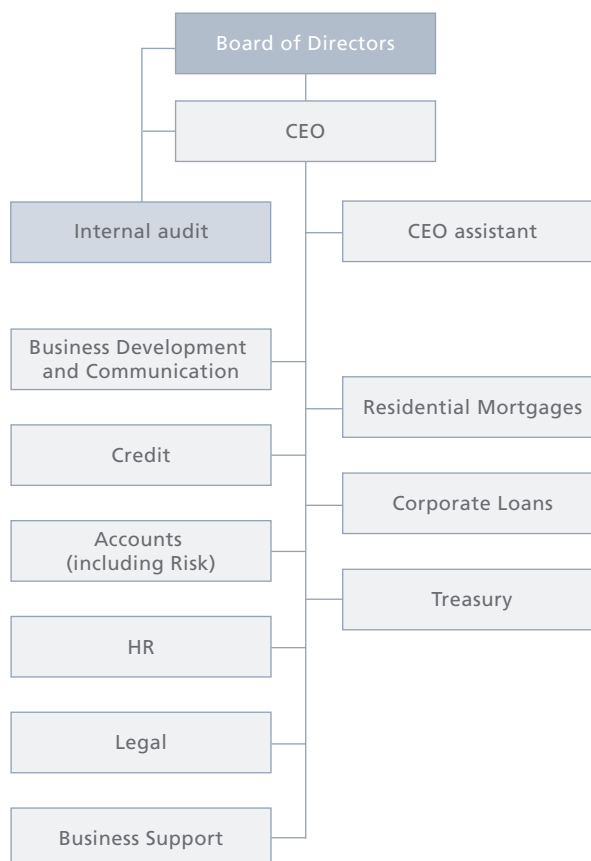
Organisation

SBAB is continuing to develop its activities with increased customer benefit as the main driving force. The new organisation provides a better use of resources and more efficient care of new and existing customers.

During the past year, a couple of important changes in the organisation have taken place with the focus on efficiency and large-scale operation. At the beginning of April, SBAB opened a new customer centre in Uppsala which, together with the office in Karlstad, will provide service to retail customers in SBAB. At the end of the year, the parts of SBAB's activity which relate to retail market credits were moved from other offices to these two customer centres at the same time as transactions with tenant-owner associations were concentrated to Stockholm, Gothenburg and Malmö. As a consequence of this change, the Linköping office was closed.

SBAB has decided to make a renewed focus on the corporate market and a new business area has been established for this purpose, Corporate Loans. SBAB is increasing its regional presence by establishing teams in Gothenburg and Malmö which, together with the Stockholm office, will target corporate market customers. Per O. Dahlstedt took up his appointment in December as new head of the Corporate Loans business area.

During the year a new Chief Financial Officer has been recruited, Johanna Clason.



IT Development & Projects

IT is of key importance for SBAB's activities. In 2005, SBAB has continued to engage in extensive development work of the IT platform to be able to maintain a high level of cost effectiveness and accessibility.

Infrastructure

SBAB's infrastructure is based on standard components to the greatest possible extent to maintain high cost effectiveness, ability to change and accessibility.

IT strategy

In 2005, SBAB completed a strategy for development of information technology together with methods for project control, information structure and support.

SBAB's strategy is based on how IT can supply benefit to the business at the maximum cost-effectiveness, which entails work with re-use of both applications and information governed by the overall architecture of the company.

SBAB uses a model for the design of the application structure, which provides a high level of flexibility, re-use and cost-effectiveness.

Project activity

SBAB has an extensive project activity in relation to its size. This provides a high rate of change with a lot of relatively extensive changes.



Major projects in 2005:

- ▶ *Covered bonds* – A project to issue covered bonds.
- ▶ *Basel II* – Ensure maximum usefulness of SBAB's adaptation to the Basel II regulatory framework.
- ▶ *IFRS* – Adjustments to new accounting principles.
- ▶ *CRM project* – The introduction of both processes and system support for new ways to interact with customers.
- ▶ *DataClearing* – Since autumn 2005, SBAB has participated in data clearing, which provides efficiency benefits for outgoing payments.
- ▶ *Information system* – Component development to re-use investments already made and develop new common services with quality-assured information for use in all projects.
- ▶ *Strategy project* – SBAB's future direction.

Result

Result for the SBAB Group

The Group's net operating income was SEK 666 million (SEK 678 million). 2005's net operating income is 2% lower than the previous year. The deterioration in income is primarily explained by higher costs.

SBAB's return on equity expressed as an average for the five-year period 2001-2005 amounts to 9.8%. SBAB has a return on investment requirement imposed by the State that means that its operations over a business cycle should yield a return on equity corresponding to the rate of interest on five-year government bonds plus five percentage points after tax. For the period 2001-2005, this means approximately 9.1%, which means that SBAB has achieved the owner's yield requirement. For 2005, the yield requirement has been calculated at 7.8% and the result has accordingly exceeded the requirement.

Net interest income

Net interest income amounted to SEK 1,296 million (SEK 1,214 million), which is 7% higher than last year. The good development of retail market lending has had a positive effect on net interest income, while falling interest rates have affected income negatively. The average interest rate on lending to the public has decreased from 4.39% in 2004 to 3.81% in 2005.

The investment margin (net interest income in relation to total capital employed) decreased from 0.91% in 2004 to 0.87%, which is explained by the increased total capital employed.



Other income and expenses

Net commission and other operating income amounted to SEK –70 million (SEK –38 million). Commission income decreased over the year by 14% to SEK 50 million. Commission expenses amounted to SEK 120 million, which is 25% higher than the year before. This increase is primarily explained by greater payments to our business partners as a consequence of continued growth in sales.

Expenses

Expenses (total costs excluding loan losses) increased by 18% and totalled SEK 596 million (SEK 505 million). Staff costs have increased to SEK 280 million (SEK 225 million), which includes costs for the incentive programme at SEK 19 million and restructuring costs of SEK 20 million. Approximately SEK 24 million has been charged to costs for 2005 for restructuring costs for reorganisation carried out in December. Marketing costs were SEK 53 million (SEK 50 million).

In all, other expenses amounted to SEK 241 million (SEK 212 million).

Depreciation totalled SEK 22 million (SEK 18 million) and this increase is primarily explained by amortisation on investments made in intangible assets.

Loan losses and doubtful loan claims

Loan losses continued to be low and amounted net to a positive result of SEK 36 million (SEK 7 million). Doubtful receivables have decreased from SEK 214 million to SEK 144 million. The specific provisions for individually valued receivables have decreased slightly and totalled SEK 95 million (SEK 118 million). Doubtful receivables after specific provisions for individually valued loan claims totalled SEK 49 million (SEK 96 million). The provision ratio for specific provisions for doubtful claims was 66% (55%).

Doubtful claims, non-performing loan claims and provisions

| | 2005 | 2004 | 2003 |
|--|------|------|------|
| Doubtful loan claims, SEK million | 144 | 214 | 220 |
| Non-performing loan claims, which are included in doubtful loan claims, SEK million | 42 | 57 | 63 |
| Non-performing loan claims on which interest is taken up as income and thus are not included in doubtful claims, SEK million | 92 | 145 | 186 |
| Total provisions, SEK million | 228 | 281 | 307 |
| Provision ratio, lending portfolio, % | 0.15 | 0.21 | 0.24 |
| Loan losses, net, SEK million | 36 | 7 | (28) |



SBAB has made an analysis of smaller corporate customers and tenant-owner associations, where mortgages exceed the market value. In the light of this analysis, a collective provision has been made for anticipated loan losses in areas classified by SBAB as having weak prospects for growth and in areas outside the metropolitan areas that SBAB deems to have an uncertain development due to large changes in infrastructure. In addition, information has been added from SBAB's risk classification model, which means that SBAB is successively going over to a new model. Group provisions have decreased and, at the end of the year amounted to SEK 113 million (SEK 144 million).

New lending to retail market customers takes place through a process with a high degree of system support for analysis of repayment capacity and market valuation of properties. The provision for collective homogenous loan claims amounted to SEK 20 million at the end of the year (SEK 19 million).

Anticipated higher interest rates can lead to lower market prices for housing. There is therefore reason to adopt a cautious attitude when making assessments of the future development of doubtful receivables.

Preparations for new accounting rules (IFRS/IAS)

According to EU regulations, all listed parent companies must apply the International Financial Reporting Standards (IFRS). The requirement for application of IFRS concerns the consolidated accounts of

companies from 2005. However, the requirement applies first from 2007 for companies which only have listed instruments of debt. SBAB only has listed instruments of debt and will therefore apply IFRS from 2007.

SBAB has carried out extensive investigation work to shed light on the consequences of the application of IFRS. This work has concentrated on questions relating to IAS 39, in particular hedge accounting. Accounting without hedge accounting or the equivalent entails a risk for fluctuations in results, which does not reflect the financial result. These fluctuations are neutralised over time, although they can lead to major fluctuations in results during certain periods. By applying hedge accounting, these fluctuations can be limited.

SBAB will apply hedge accounting in order to reduce the risk of major fluctuations that are not linked to the result. With accounting of this kind, it is in normal circumstances possible to limit fluctuations in results quite considerably. However, the remaining result can be difficult to analyse and explain since it is not linked to the financial result. This is to be compared with the present accounting where a consistent hedge accounting in relation to acquisition values is applied, which means that there is more of a direct connection with the financial result.

As regards the other parts of IFRS, changes in relation to current accounting concern mainly the following.

► *Group structure*

The external companies that have acquired credits from SBAB through securitisation transactions, will be consolidated, unlike the present situation. FriSpar Bolån AB which is 51% owned by Sveriges Bostadsfinansieringsbolag, SBAB, and which is now reported as a subsidiary, will be shown as a joint venture.

► *Loan losses*

There is no difference for individually valued loan claims in relation to present accounting. However, there are certain differences for collective provisions. These provisions are now made for two groups (individually valued loan claims and homogenous groups of loan claims). The way of calculating the size of the provisions is different for the two groups. After the transition to IFRS, the provision will be made in principle in the same way for both groups. The basis for the provisions will be obtained from the internal risk classification system.

► *Interest compensation*

In the event of early redemption of loans, the customer pays interest compensation intended to cover the cost that arises for SBAB. Unlike the present situation – where the interest compensation payment is accrued over the remaining fixed-interest term at the time of redemption – the payment will be entered directly against the result.

To handle the accounts in compliance with IFRS, an expansion of IT support will be required as regards the part applying hedge accounting. In 2006, IT support will therefore be expanded in order to be able to support future accounting in an effective way.



Capital adequacy

At year-end, the capital adequacy ratio was 9.0% (10.0%). The capital base was SEK 7,507 million (SEK 6,386 million) and it has increased by SBAB issuing a subordinated loan of SEK 500 million during the period. The change in the capital ratio is mainly due to increased lending in the retail market and the re-purchase of securitised loan claims.

Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ)

The parent company reported a net operating income (income before tax and appropriations) of SEK 661 million (SEK 676 million). Capital adequacy at year-end was 9.6% (10.6%) and the capital base was SEK 7,171 million (SEK 6,120 million).

FriSpar Bolån AB

FriSpar Bolån AB is owned to 51% by SBAB and the remainder by Sparbanken Finn and Sparbanken Gripen. Net operating income was SEK -2.3 million (SEK 0.1 million). On 31 December, the capital ratio was 8.5% (9.1%) and the loan portfolio was SEK 14,735 million (SEK 11 035 million).

Lagrummet Augusti nr 52 Aktiebolag

Lagrummet Augusti nr 52 Aktiebolag is a wholly-owned subsidiary of Sveriges Bostadsfinansieringsaktiebolag, SBAB. The company was acquired on 13 October 2005 and has not engaged in any activity in 2005. The subsidiary has been acquired to issue covered bonds.

Dividend principle and proposed appropriation of profit

The dividend principle decided upon by the owner of the wholly-owned state company is that a third of the net profit should be distributed to the owner.

The Board proposes that the profit for 2005 is to be carried forward and that no dividend is to be paid. The reason for this is the capital requirement that SBAB has due to the strong expansion that has taken place in 2005 in retail lending and future expansion and the ensuing capital requirement.

Five-Year Overview

| SEK million | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|----------------|----------------|----------------|----------------|----------------|
| Interest income | 5,419 | 5,820 | 6,774 | 7,675 | 8,078 |
| Interest expenses | (4,123) | (4,606) | (5,521) | (6,500) | (7,009) |
| Net interest income | 1,296 | 1,214 | 1,253 | 1,175 | 1,069 |
| Other operating income | (70) | (38) | (28) | (12) | (11) |
| Total operating income | 1,226 | 1,176 | 1,225 | 1,163 | 1,058 |
| Depreciation of tangible and intangible fixed assets | (22) | (18) | (12) | (12) | (15) |
| Other operating expenses | (574) | (487) | (469) | (459) | (447) |
| Total operating expenses | (596) | (505) | (481) | (471) | (462) |
| Operating income before loan losses | 630 | 671 | 744 | 692 | 596 |
| Loan losses including change in value of property | 36 | 7 | (23) | (74) | (55) |
| Net operating income | 666 | 678 | 721 | 618 | 541 |
| Loan portfolio | 156,020 | 130,907 | 125,772 | 133,840 | 137,430 |
| Other assets | 5,808 | 4,194 | 6,082 | 3,978 | 9,295 |
| Total assets | 161,828 | 135,101 | 131,854 | 137,818 | 146,725 |
| Securities issued, etc. | 145,400 | 119,025 | 118,018 | 122,970 | 132,498 |
| Other liabilities | 8,329 | 8,781 | 6,984 | 8,461 | 7,291 |
| Provision for deferred tax | 304 | 274 | 246 | 212 | 199 |
| Subordinated debt | 1,851 | 1,482 | 1,482 | 1,482 | 2,418 |
| Equity capital including minority shareholding | 5,944 | 5,539 | 5,124 | 4,693 | 4,319 |
| Total liabilities and equity capital | 161,828 | 135,101 | 131,854 | 137,818 | 146,725 |
| <i>Lending</i> | | | | | |
| New lending, SEK million | 42,235 | 28,572 | 21,888 | 15,144 | 23,638 |
| Investment margin | 0.87% | 0.91% | 0.93% | 0.83% | 0.72% |
| <i>Loan losses</i> | | | | | |
| Loan losses as a percentage of lending | -0.02% | -0.01% | 0.02% | 0.06% | 0.04% |
| Doubtful claims after specific provision, SEK million | 49 | 96 | 102 | 379 | 284 |
| Provision ratio in relation to lending | 0.15% | 0.21% | 0.24% | 0.29% | 0.24% |
| <i>Productivity</i> | | | | | |
| Income/Expenditure ratio excluding loan losses | 2.1 | 2.3 | 2.5 | 2.5 | 2.3 |
| Income/Expenditure ratio including loan losses | 2.2 | 2.4 | 2.4 | 2.1 | 2.0 |
| <i>Capital structure</i> | | | | | |
| Return on equity | 8.7% | 9.5% | 11.0% | 10.1% | 9.5% |
| Capital ratio | 9.0% | 10.0% | 10.2% | 10.0% | 9.5% |
| Primary capital ratio | 7.1% | 8.4% | 8.4% | 7.8% | 7.0% |
| Equity ratio | 3.7% | 4.1% | 3.9% | 3.4% | 2.9% |
| Consolidation ratio | 3.9% | 4.3% | 4.1% | 3.6% | 3.1% |
| <i>Employees</i> | | | | | |
| Number of employees (annual average) | 421 | 391 | 384 | 388 | 368 |

Definitions of key ratios

| | | | |
|---|---|--|---|
| New lending | ▶ gross lending | I/E ratio including loan losses | ▶ total income/total operating expenses |
| Investment margin | ▶ net interest income in relation to average total assets | Return on equity | ▶ net operating income after actual tax in relation to average equity capital |
| Loan losses as a percentage of lending | ▶ loan losses in relation to lending at year-end | Capital ratio | ▶ capital base/risk-weighted amount |
| Doubtful claims after specific provision | ▶ doubtful loan claims after specific provision for loan claims assessed individually | Primary capital ratio | ▶ primary capital/risk-weighted amount |
| Provision ratio in relation to lending | ▶ total provision for probable loan losses in relation to lending | Equity ratio | ▶ equity capital including minority interest in relation to total assets at year-end |
| I/E ratio excluding loan losses | ▶ total income/(total operating expenses less loan losses) | Consolidation ratio | ▶ equity capital including minority interest and deferred tax in relation to total assets at year-end |
| | | Number of employees | ▶ permanent and temporary employees (annual average) |

Income Statement

| SEK million | Note | GROUP | | PARENT COMPANY | |
|--|------|--------------|--------------|----------------|--------------|
| | | 2005 | 2004 | 2005 | 2004 |
| Interest income | | 5,419 | 5,820 | 5,323 | 5,748 |
| Interest expenses | | (4,123) | (4,606) | (4,142) | (4,623) |
| Net interest income | 1 | 1,296 | 1,214 | 1,181 | 1,125 |
| Commission income | 2 | 50 | 58 | 101 | 96 |
| Commission expenses | 3 | (120) | (96) | (53) | (46) |
| Other operating income | | 0 | 0 | 0 | 0 |
| Total operating income | | 1,226 | 1,176 | 1,229 | 1,175 |
| General administration expenses | 4 | (511) | (426) | (526) | (432) |
| Depreciation of tangible and intangible fixed assets | 5 | (22) | (18) | (15) | (13) |
| Other operating expenses | 6 | (63) | (61) | (63) | (61) |
| Total expenses before loan losses | | (596) | (505) | (604) | (506) |
| Operating income before loan losses | | 630 | 671 | 625 | 669 |
| Loan losses, net | 7 | 36 | 7 | 36 | 7 |
| Net operating income | | 666 | 678 | 661 | 676 |
| Allocations | 8 | – | – | (103) | (95) |
| Minority share in the year's result | | 1 | (0) | – | – |
| Tax on profit for the year | 9 | (196) | (193) | (165) | (166) |
| Net profit for the year | | 471 | 485 | 393 | 415 |

Balance Sheet

| SEK million | Note | 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 |
| Repo eligible Treasury bills, etc. | 10 | 3 | 225 | 3 | 225 |
| Lending to credit institutions | 11 | 157 | 2,406 | 14,799 | 13,389 |
| Lending to the public | 12 | 156,020 | 130,907 | 141,285 | 119,872 |
| Shares and participations | | 0 | 0 | 0 | 0 |
| Shares and participations in group companies | 13 | – | – | 357 | 280 |
| Intangible fixed assets | 14 | 48 | 39 | 17 | 16 |
| Tangible fixed assets | 15 | 21 | 21 | 21 | 21 |
| Other assets | 16 | 5,175 | 930 | 5,173 | 928 |
| Prepaid expenses and accrued income | 17 | 404 | 573 | 425 | 587 |
| TOTAL ASSETS | | 161,828 | 135,101 | 162,080 | 135,318 |
| LIABILITIES AND EQUITY CAPITAL | | | | | |
| LIABILITIES | | | | | |
| Liabilities to credit institutions | 18 | 4,525 | 6,596 | 4,490 | 6,583 |
| Securities issued, etc. | 19 | 145,400 | 119,025 | 146,100 | 119,575 |
| Other liabilities | 20 | 2,592 | 124 | 2,591 | 125 |
| Accrued expenses and prepaid income | 21 | 1,212 | 2,061 | 1,176 | 2,038 |
| Allocations | 22 | 304 | 274 | – | – |
| Subordinated debt | 23 | 1,851 | 1,482 | 1,851 | 1,482 |
| Total liabilities | | 155,884 | 129,562 | 156,208 | 129,803 |
| Untaxed reserves | 24 | – | – | 1,055 | 952 |
| Minority interest | | 344 | 271 | – | – |
| EQUITY CAPITAL | | | | | |
| Share capital | 25 | 1,958 | 1,958 | 1,958 | 1,958 |
| Restricted equity/Legal reserve | | 1,174 | 1,095 | 392 | 392 |
| Non-restricted equity/Profit brought forward | | 1,997 | 1,730 | 2,074 | 1,798 |
| 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 |
| MEMORANDUM ITEMS | | | | | |
| Security pledged on own debts | 26 | | | | |
| Other security pledged | | None | None | None | None |
| Contingent liabilities | | None | None | None | None |
| Commitments | 27 | | | | |

Changes in Equity Capital

| SEK million | GROUP | | PARENT COMPANY | |
|---|-------|-------|----------------|-------|
| | 2005 | 2004 | 2005 | 2004 |
| Equity capital 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 capital 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 |
| CURRENT OPERATIONS | | | | |
| Interest and commission received | 5,540 | 5,939 | 5,494 | 5,899 |
| Interest and commission paid | (4,416) | (3,966) | (4,387) | (3,929) |
| Dividends received on shares and similar securities | – | – | – | – |
| Receipts in respect of earlier written-off loans | 5 | 9 | 5 | 9 |
| Payments to suppliers and employees | (530) | (491) | (545) | (497) |
| Income taxes paid | (163) | (177) | (164) | (177) |
| Change in lending to the public | (25,088) | (5,109) | (21,388) | (2,306) |
| Change in securities, current assets | 222 | 483 | 222 | 483 |
| Change in liabilities to credit institutions | (2,093) | 2,034 | (2,093) | 2,033 |
| Issue of long-term debt | 67,458 | 45,318 | 67,873 | 45,468 |
| Repayment of long-term debt | (55,718) | (45,798) | (55,983) | (45,798) |
| Issue of short-term debt | 176,370 | 123,880 | 176,370 | 123,880 |
| Repayment of short-term debt | (164,379) | (123,370) | (164,379) | (123,370) |
| Change in other assets and liabilities | 142 | (27) | (3,540) | (2,828) |
| Cash flow from current operations | (2,650) | (1,275) | (2,515) | (1,133) |
| INVESTMENT OPERATIONS | | | | |
| Sale of tangible fixed assets | 0 | 0 | 0 | 0 |
| Investments in tangible and intangible fixed assets | (32) | (26) | (17) | (19) |
| Shareholders' contribution made | – | – | (77) | (76) |
| Acquisition of subsidiaries | – | – | 0 | – |
| Cash flow from investment operations | (32) | (26) | (94) | (95) |
| FINANCING OPERATIONS | | | | |
| Subordinated loans | 499 | – | 499 | – |
| Dividend paid | (139) | (143) | (139) | (143) |
| Minority shareholders' contribution | 73 | 73 | – | – |
| Cash flow from financing operations | 433 | (70) | 360 | (143) |
| Decrease in liquid funds | (2,249) | (1,371) | (2,249) | (1,371) |
| Liquid funds at year-end | 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.

Capital Adequacy Analysis

| SEK million | GROUP | | PARENT COMPANY | |
|--|--------------|--------------|----------------|--------------|
| | 31 Dec 2005 | 31 Dec 2004 | 31 Dec 2005 | 31 Dec 2004 |
| CAPITAL BASE | | | | |
| Equity capital | 5,600 | 5,127 | 4,817 | 4,424 |
| Untaxed reserves, after deduction for tax | – | – | 760 | 685 |
| Minority shareholding | 344 | 271 | – | – |
| Less intangible assets | (48) | (39) | (17) | (16) |
| Total primary capital ¹ | 5,896 | 5,359 | 5,560 | 5,093 |
| Fixed term subordinated loans | 1,260 | 760 | 1,260 | 760 |
| Perpetual subordinated loans | 722 | 722 | 722 | 722 |
| Total secondary capital | 1,982 | 1,482 | 1,982 | 1,482 |
| Credit enhancement of securitisation company | (371) | (455) | (371) | (455) |
| Total capital base | 7,507 | 6,386 | 7,171 | 6,120 |

¹ No dividend is proposed for 2005. Dividend of SEK 139 million decided upon for 2004 has not been included in the primary capital.

RISK WEIGHTED AMOUNT

| GROUP (SEK million) Risk group | Balance sheet items | Off-balance sheet items | Total investments | Risk-weighted amount | Risk-weighted amount |
|-----------------------------------|------------------------|----------------------------|----------------------|-------------------------|-------------------------|
| | | | | 31 Dec 2005 | 31 Dec 2004 |
| A = 0% | 19,460 | 0 | 19,460 | 0 | 0 |
| B = 20% | 2,286 | 1,975 | 4,261 | 852 | 806 |
| C = 50% | 110,693 | 262 | 110,955 | 55,478 | 45,178 |
| D = 100% | 26,727 | 0 | 26,727 | 26,727 | 17,959 |
| Total risk-weighted amount | | | | 83,057 | 63,943 |

| PARENT COMPANY (SEK million) Risk group | Balance sheet items | Off-balance sheet items | Total investments | Risk-weighted amount | Risk-weighted amount |
|--|------------------------|----------------------------|----------------------|-------------------------|-------------------------|
| | | | | 31 Dec 2005 | 31 Dec 2004 |
| A = 0% | 34,487 | 0 | 34,487 | 0 | 0 |
| B = 20% | 2,286 | 1,975 | 4,261 | 852 | 806 |
| C = 50% | 97,673 | 262 | 97,935 | 48,968 | 40,252 |
| D = 100% | 25,005 | 0 | 25,005 | 25,005 | 16,768 |
| Total risk-weighted amount | | | | 74,825 | 57,826 |

CALCULATION OF CAPITAL ADEQUACY RATIO

| SEK million | GROUP | | PARENT COMPANY | |
|--------------------------|-------------|-------------|----------------|-------------|
| | 31 Dec 2005 | 31 Dec 2004 | 31 Dec 2005 | 31 Dec 2004 |
| Primary capital | 5,896 | 5,359 | 5,560 | 5,093 |
| Capital base | 7,507 | 6,386 | 7,171 | 6,120 |
| Risk-weighted amount | 83,057 | 63,943 | 74,825 | 57,826 |
| Primary capital ratio, % | 7.1 | 8.4 | 7.4 | 8.8 |
| Capital ratio, % | 9.0 | 10.0 | 9.6 | 10.6 |

Accounting Principles

The annual report and accounts of Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ) have been prepared in accordance with the provisions of the Annual Accounts Act concerning Credit Institutions and Securities Companies (ÅRKL), and the directives and general guidelines issued by the Swedish Financial Supervisory Authority, Finansinspektionen (FFFS 2002:22).

All amounts are shown in million Swedish kronor (SEK million).

New accounting principles 2005

The accounting principles are unchanged from previous years.

Transition to new accounting standards, IAS/IFRS from 2007

All listed parent companies in the EU must apply the accounting standard, produced by the IASB (International Accounting Standards Board). Requirements for the application of IFRS apply from 2005 and concern the company's consolidated financial statements. SBAB's only listings are for its debt instruments and it can therefore wait until 2007 before applying IFRS. SBAB has not made the transition to the new standard in 2005 but prepare for a transition to IFRS in 2007.

General accounting principles

Consolidated financial statements

The consolidated financial statements have been prepared in accordance with the acquisition accounting method and consist of the parent company, Lagrummet Augusti Nr 52, and the 51% owned FriSpar Bolån, in accordance with the regulations of Finansinspektionen and the Annual Accounts Act concerning Credit Institutions and Securities Companies (ÅRKL).

The securitisation companies are not consolidated in the SBAB group, since "Group" as defined in Finansinspektionen's regulations and in the Annual Accounts Act concerning Credit Institutions and Securities Companies includes an ownership requirement. As SBAB owns no participation in the securitisation companies these are not included in the group definition. The recommendations of the Swedish Financial Accounting Standards Council regarding consolidated financial statements (RR1:00) contain no ownership requirement, instead the group definition is based on the concept of decisive influence.

The effects of a consolidation of the securitisation companies are reported in note 36.

Securitisation of loan claims

Securitized loan claims are not reported in SBAB's balance sheet. Securitized loan claims are transferred at the nominal value of the transferred claims and do not therefore generate any income. However, a deferred purchase price is paid to SBAB on an ongoing basis over the term of the securitisation transaction, based on the profit earned by the securitisation companies. SBAB therefore takes up such deferred purchase price as income as and when earned, reporting it under interest income.

Claims that SBAB may have on the company to which the loans have been transferred are deducted from the capital base if such claims are considered as credit enhancement.

Trade date accounting

Securities both issued and acquired, including all derivative transactions, are reported at their historical cost on trade date, i.e. at the time when the essential risks and rights have passed between the parties. Lending and liabilities to credit institutions are accounted for as at settlement date.

Hedge accounting

SBAB consistently applies hedge accounting with acquisition valuation of hedged interest rate risks in financial assets and liabilities, both on and off balance sheet. Hedge accounting with acquisition valuation means that accounting for unrealised gains and losses is postponed.

Income accounting

Income is reported in accordance with the Swedish Financial Accounting Standards Council's recommendation Income (RR11). Interest income is

accounted for in accordance with the effective yield method. Interest income on doubtful loan claims is taken up as income on a cash basis.

Commission income is taken up as income on a current basis in accordance with the terms of agreement.

Financial instruments

SBAB applies the recommendations issued by the Swedish Financial Accounting Standards Council on Financial Instruments: Disclosure and presentation (RR27) when reporting financial instruments.

Financial fixed assets

Loan claims are classified as financial fixed assets and reported in the balance sheet from their moment of lending at their historical costs, i.e. the amount lent to the borrower. Loan claims are thereafter reported at historical cost after deductions for amortisation and of provisions for probable loan losses. Probable loan losses are provided for according to the principles below.

Provisions for probable loan losses

Provision for probable loan losses is made if the claim is doubtful, i.e. if based on occurrences and circumstances existing as at the balance sheet date, it seems probable that obligations will not be fulfilled according to contract conditions. A loan claim is not normally considered doubtful if there is collateral which provides a satisfactory margin both for capital and interest, including compensation for possible delays.

Actual losses during the year, provisions for probable loan losses and reversals of interest etc., which were taken up as income at the previous year's closing, are reported as loan losses.

Actual losses are losses where the amounts are defined or can almost certainly be determined.

Individually assessed loan claims

The corporate market portfolio is individually assessed. Provision against probable losses is accounted for both by the difference between the acquisition loan amount and the amount deemed likely to be recovered.

Collective valuation of individually assessed loan claims

Where it is considered probable that loan losses have occurred in a group of loan claims, which should be assessed individually, but where losses still cannot be classified as individual claims, a collective group provision against these loan losses has been made. Within SBAB this provision is primarily aimed at covered yet unidentified risks in the corporate customer portfolios smaller loans in locations assessed as weak by SBAB.

Collective valuation of homogenous groups of loan claims

The loans in the retail market portfolio consist of a large number of loans, each relatively limited in value and with similar credit risk. Provisions for probable loan losses in this portfolio are partly based on non-performing loans at the balance sheet date and partly on a component designed to compensate for the risk of misjudgements being made due to the automatic analysis of payment ability and of property valuations taking place at a distance.

Restructured loan claims

A restructured loan claim is a claim where SBAB has given some sort of concession due to a shortfall in the borrower's ability to pay.

Interest compensation on prepayment of loans

Borrowers who prepay loans pay interest compensation intended to cover the cost SBAB incurs. The interest compensation is distributed over the remaining term.

Financial current assets

Lending to credit institutions and financial instruments that are not intended to be held until maturity are classified as financial current assets.

For financial instruments that are held as part of the management of interest rate risks incurred in the funding operation, hedge accounting principles are

applied, which in this case means valuation at the accrued acquisition value. Assets in trading stocks are valued at their actual value. Other interest-bearing financial assets are valued at the lowest of the amortised cost and actual value, i.e. according to the lower of cost or market. Realised capital gains and losses on these instruments and unrealised changes in their value are reported in the income statement under the heading "Financial transactions, net".

The term amortised cost is defined as the present value of future payments discounted by the effective interest rate. This method takes account of acquisitions above and below par by spreading them over the remaining term of the instrument. Payments received plus the change in the net book value during the year is reported as interest income.

Financial liabilities

Financial liabilities are reported at their amortised cost. Any premium or discount at the time of issue of a bond is distributed over the tenor of the bond in such a manner as to obtain an effective annual interest rate.

Realised capital gains and losses from repurchases of SBAB bonds are distributed over the repurchased bond's remaining term when repurchases are made as part of the management of interest rate risks in funding operations or as an exchange of debt. Otherwise, realised capital gains and losses from repurchases are reported directly in the income statement.

Bond issues with connected repurchase agreements, "repos", are regarded as short-term borrowing, with the price differential constituting the interest cost for the period.

Derivative instruments

SBAB uses derivatives with the aim of eliminating interest and currency risks in lending and borrowing at fixed interest rates. These are part of the hedge accounting and are therefore reported at the historical cost or where appropriate at amortised cost.

The result of forward transactions is distributed over the remaining fixed-interest period of the hedged asset or liability. Exchange gains and exchange losses that have occurred on premature liquidation of derivatives or as a result of forward transactions undertaken are reported directly in the income statement. Derivative transactions with a positive value on closing date are reported in the item Other assets and transactions with a negative value are reported in the item Other liabilities.

Miscellaneous

Valuation of claims, liabilities and derivatives in foreign currencies

SBAB applies the Swedish Financial Accounting Standards Council's recommendations on the reporting of the effects or changes in exchange rates (RR8). Receivables and liabilities in foreign currency are valued at the closing-day rate.

Tangible assets

SBAB applies the Swedish Financial Accounting Standards Council's recommendation, Accounting of Tangible Assets (RR12). Tangible assets are reported as an asset in the balance sheet if it is probable that future financial benefits will benefit the company and the acquisition value of the asset can be valued in a reliable way. Tangible assets are reported at acquisition value less accumulated depreciation and any write-downs.

Depreciation of tangible assets

The depreciable amount is calculated as the acquisition value of the asset with a deduction for the estimated residual value at the end of its economic life.

Straight-line depreciation is applied over the estimated economic life. The economic life is estimated at four years for computer equipment and five years for other equipment.

Assessment of the residual value and economic life of assets is made continuously.

Properties repossessed to protect claims

Property repossessed in order to protect claims is treated as a current asset and valued at the lower of historical cost and net realisable value. The fair value is determined annually by individual valuation.

The outcome of the property management is reported net of rental income and operating costs, maintenance and property tax under the heading of Other operating income or under the heading Other operating expenses.

Intangible fixed assets

An intangible asset is an identifiable non-monetary asset without physical

substance, which is held to be used in production or distribution of goods or services, for letting or for administrative purposes.

SBAB applies the Swedish Financial Accounting Standards Council's recommendation on Accounting of Intangible Assets (RR15). Investments in purchased value and/or internally produced software are valued at historical cost reduced by accumulated amortisation and any write-downs. A prerequisite for capitalisation to take place is that:

- The resource is controlled by the company and is deemed to give economic advantages in the future.
- Expenditure outlays are directly attributable to the development of the programme.

Additional outlays for capitalised intangible assets are reported as an asset in the balance sheet only when they increase the future economic benefits for the specific asset to which they relate. All other expenses are expensed as they arise.

Capitalised development costs are reported in the consolidated accounts only.

Depreciation of intangible fixed assets

Straight-line depreciation is applied over the estimated economic life of the assets. The economic life is estimated at between four to five years.

Write-downs

SBAB applies the Swedish Financial Accounting Standards Council's recommendation Write-downs (RR17). To establish if there is a need of write-down, the asset's recovery value is determined. An asset's recovery value is established when there is an indication that points to a possible drop in value. The asset is written down when the reported value is greater than the recovery value. The amount of write-down burdens the period's result.

Furthermore, the recovery value is calculated at the end of each financial year for intangible assets which are not yet ready for use.

Taxes

SBAB applies the Swedish Financial Accounting Standards Council's recommendation about Income Taxes (RR9). Total tax consists of current tax and deferred tax. Current tax includes tax which is to be paid or received for the present year and adjustments of current tax for previous years. Deferred tax is estimated according to the balance sheet method based on temporary differences between the reported and taxable values of assets and liabilities. Deferred tax attributable to tax loss carry forwards has been reported as an asset in the balance sheet since it has been considered that it will be possible to deduct the losses from future surpluses.

Pensions

SBAB applies the Swedish Financial Accounting Standards Council's recommendation about Employee benefits (RR29). SBAB has defined contribution pension schemes and defined benefit pension schemes. The cost of defined contribution pension schemes is charged to the result for the period the premium concerns.

The defined benefit pension schemes are predominantly in collectively agreed employer schemes (BTP), which are secured through insurance with SPP. According to RR29 and a statement from the Swedish Financial Accounting Standards Council's emerging issues task force, URA42, these are defined benefit schemes that encompass several employers.

According to URA45, the information that can be provided on defined benefit pension schemes is not designed according to the requirements made in RR29. The design of the BTP scheme means that it is not possible to calculate surpluses or deficits within the scheme and their possible impact on future premiums. As long as the basic design of the scheme is not changed, it is not possible to report these as defined contribution schemes. In accordance with URA45, these schemes are reported for the 2005 financial year as defined contribution schemes.

A pension liability is reported in the balance sheet for other defined benefit schemes. The calculation is made on the basis of actuarial assumptions and in accordance with the method provided for in RR29.

Segment reporting

SBAB applies the Swedish Financial Reporting Standards Council's recommendation about Segment reporting (RR25). SBAB provides similar products, which are exposed to similar risks and opportunities. For this reason, only one sector of operations is presented, Lending, in one geographical area, Sweden.

Notes to the Income Statement and Balance Sheet

| Note 1 Net interest income | GROUP | | PARENT COMPANY | |
|------------------------------------|--------------|--------------|----------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| <i>Interest income</i> | | | | |
| Lending to credit institutions | 30 | 67 | 405 | 411 |
| Lending to the public | 5,307 | 5,650 | 4,836 | 5,234 |
| Securitised loans | 80 | 95 | 80 | 95 |
| Interest-bearing securities | 2 | 8 | 2 | 8 |
| Total | 5,419 | 5,820 | 5,323 | 5,748 |
| <i>Interest expenses</i> | | | | |
| Liabilities to credit institutions | 149 | 96 | 149 | 96 |
| Borrowing from the public | 0 | 14 | 0 | 14 |
| Interest-bearing securities | 3,851 | 4,363 | 3,870 | 4,380 |
| Subordinated debt | 79 | 85 | 79 | 85 |
| Other | 44 | 48 | 44 | 48 |
| Total | 4,123 | 4,606 | 4,142 | 4,623 |
| Net interest income | 1,296 | 1,214 | 1,181 | 1,125 |

The average interest rate on lending to the public during the year was 3.81% (4.39%), excluding deferred purchase price from securitisation companies.

In the parent company, the average interest rate on lending to the public was 3.82% (4.39%). Of the parent company's interest income, SEK 375 million (SEK 345 million) relates to group companies.

| Average balances for the items above | GROUP | | PARENT COMPANY | |
|--------------------------------------|---------|---------|----------------|---------|
| | 2005 | 2004 | 2005 | 2004 |
| Lending to credit institutions | 1,564 | 3,131 | 14,294 | 12,685 |
| Lending to the public | 139,347 | 128,755 | 126,578 | 119,181 |
| Interest-bearing securities | 40 | 272 | 40 | 272 |
| Liabilities to credit institutions | 8,375 | 4,199 | 8,375 | 4,199 |
| Borrowing from the public | 17 | 694 | 17 | 694 |
| Interest-bearing securities | 127,676 | 116,826 | 128,294 | 117,302 |

| Note 2 Commission income | GROUP | | PARENT COMPANY | |
|--|-----------|-----------|----------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Commissions on lending | 21 | 26 | 72 | 64 |
| Administration of securitisation companies | 29 | 32 | 29 | 32 |
| Total | 50 | 58 | 101 | 96 |

| Note 3 Commission expenses | GROUP | | PARENT COMPANY | |
|----------------------------|------------|-----------|----------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Commission on securities | 20 | 19 | 20 | 19 |
| Other commissions | 100 | 77 | 33 | 27 |
| Total | 120 | 96 | 53 | 46 |

Note 4 General administration expenses

| | GROUP | | PARENT COMPANY | |
|------------------------------------|------------|------------|----------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Staff costs | | | | |
| – salaries and other remuneration | 182 | 144 | 182 | 144 |
| – pension costs | 29 | 24 | 29 | 24 |
| – other social security expenses | 69 | 57 | 69 | 57 |
| IT costs | 81 | 88 | 96 | 94 |
| Rents and other costs for premises | 26 | 24 | 26 | 24 |
| Other administration expenses | 124 | 89 | 124 | 89 |
| Total | 511 | 426 | 526 | 432 |

| | GROUP | | PARENT COMPANY | |
|--|------------|------------|----------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Average number of employees | | | | |
| Women | 254 | 231 | 254 | 231 |
| Men | 167 | 160 | 167 | 160 |
| Total average number of employees | 421 | 391 | 421 | 391 |

| | GROUP | | PARENT COMPANY | |
|---|-----------|-----------|----------------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| Leading officers, distribution by gender | | | | |
| Board of Directors | | | | |
| Women | 4 | 2 | 3 | 2 |
| Men | 16 | 14 | 6 | 6 |
| Total number of Board Members | 20 | 16 | 9 | 8 |

| | GROUP | | PARENT COMPANY | |
|--|-----------|-----------|----------------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| Executive Management | | | | |
| Women | 5 | 4 | 5 | 4 |
| Men | 7 | 6 | 5 | 5 |
| Total number of persons in Executive Management | 12 | 10 | 10 | 9 |

| | GROUP | | PARENT COMPANY | |
|--|------------|------------|----------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Salaries and other remuneration | | | | |
| Board, CEO and Deputy CEO | 5 | 6 | 5 | 6 |
| Other persons in parent company's executive management | 9 | 8 | 9 | 8 |
| Other employees | 168 | 130 | 168 | 130 |
| Total salaries and other remuneration | 182 | 144 | 182 | 144 |

Salaries and other remuneration to the CEO Eva Cederbalk amounted to SEK 2.6 million (SEK 2.2 million from 16 February 2004). No car is provided and no fringe benefits have been paid. Salaries and other remuneration to Deputy CEO Peter Gertman total SEK 1.6 million (SEK 1.6 million). Car and fringe benefits amounted to SEK 0.0 million (–).

Salaries and other remuneration to other members of the executive management amounted to SEK 8.6 million (SEK 8.3 million). Other fringe benefits to executive management (subsidised interest rate, subsistence allowance, sick benefit and car benefit) amounted to SEK 0.1 million (SEK 0.1 million). Salary and other benefits to executive management which have mainly consisted of the following functions: Chief Credit Officer SEK 1.4 million (SEK 1.3 million), Chief Legal Counsel SEK 0.5 million (SEK 0.8 million), Chief Information Officer SEK 1.3 million (SEK 1.3 million), Chief Financial Controller SEK 1.1 million (SEK 0.9 million), Chief Communication Officer SEK 1.3 million (SEK 1.3 million), Chief Financial Officer SEK 1.9 million (SEK 1.9 million) and Human Resources Manager SEK 1.0 million (SEK 0.1 million from 1 December 2004).

Otherwise, remuneration to functions that for a shorter period formed part of executive management amounted to: Head of Corporate Loans SEK 0.1 million (from 1 December 2005).

Pension costs including special employers' contribution, totalled SEK 36.1 million (SEK 29.7 million).

Pension costs, including special employers' contribution, to CEO Eva Cederbalk SEK 0.7 million (SEK 0.6 million from 16 February 2004) and for Deputy CEO Peter Gertman SEK 0.7 million (SEK 0.7 million).

Pension costs including special employers' contribution has been paid for other members of the executive management at SEK 3.1 million (SEK 2.6 million). Pension cost, including special employers' contribution, for executive management has mainly consisted of the following functions: Chief Credit Officer SEK 0.6 million (SEK 0.4 million), Chief Legal Counsel SEK 0.2 million (SEK 0.2 million), Chief Information Officer SEK 0.5 million (SEK 0.4 million), Chief Financial Controller SEK 0.4 million (SEK 0.3 million), Chief Communication Officer SEK 0.5 million (SEK 0.3 million), Chief Financial Officer SEK 0.5 million (SEK 0.7 million) and Human Resources Manager SEK 0.4 million (SEK 0.0 million from 1 December 2004).

Otherwise, pension costs, including special employers' contribution for functions which have been included in executive management for a shorter period, Head of Corporate Loans, SEK 0.0 million (from 1 December 2005).

The Board of Directors considers matters relating to remuneration of executive management in the Board's remuneration committee. Remuneration to Board Members has been paid at SEK 752,000 (SEK 712,000) for work on the Board and at SEK 174,000 (SEK 186,000) for work in executive committees, councils and committees. A fee of SEK 172,000 (SEK 160,000) was paid to the Chairman of the Board and SEK 84,000 (SEK 80,000) each to the seven ordinary Board Members. Board Members that serve on a committee, council or executive committee receive SEK 3,000 per meeting attended.

continued
Note 4

| Sick leave | GROUP | | PARENT COMPANY | |
|--|-------|------|----------------|------|
| | 2005 | 2004 | 2005 | 2004 |
| Total sick leave | 5% | 4% | 5% | 4% |
| – women | 7% | 7% | 7% | 7% |
| – men | 1% | 2% | 1% | 2% |
| – younger than 29 years | 2% | 3% | 2% | 3% |
| – 30-49 years | 5% | 5% | 5% | 5% |
| – 50 years and older | 4% | 5% | 4% | 5% |
| Proportion long-term sick leave, i.e. sick leave with a duration of over 60 days | 64% | 70% | 64% | 70% |

Agreement on severance pay, pensions etc.

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

SBAB applies the Swedish Financial Accounting Standards Council's recommendation on Employee Benefits (RR29). SBAB has defined contribution and defined benefit pension schemes. The defined benefit schemes are predominantly collectively agreed employer schemes (BTP), secured through insurance with SPP.

According to RR29 and a statement from the Emerging Issues Task Force, URA42, these defined benefit schemes cover several employers. SBAB has not had access to the information for the 2005 financial year, which would make it possible to report these as fixed benefit schemes. SBAB's cost for fixed benefit employer schemes is SEK 31.1 million.

The CEO has a contract of employment that complies with government guidelines for management fulfilling comparable roles in state-owned companies (October 2003). The period of notice is six months for both parties. If the company terminates the contract and thereby severs the CEO from her employment in the company, the company shall make a severance payment corresponding to 18 months' salary in addition to salary during the notice period.

An agreement has also been reached with the CEO on mutual right to request retirement, at the earliest from when the CEO has attained the age of 62. The company pays a premium-defined pension insurance equivalent to 25% of the CEO's pensionable salary although at the latest to the age of 62.

An agreement has been reached with the Deputy CEO on mutual right to request retirement, at the earliest from the age of 60. The pension undertaking is equivalent to 60% of pensionable salary at the time of retirement until ordinary retirement age. The pension commitment is secured by insurance. This pension is a benefit not part of the banks' pension scheme, BTP, which is why special calculations in accordance with RR29 have been made. However, the calculation does not show any effect on the result. An agreement has been entered into with the Head of Corporate Loans on a benefit-defined pension equivalent to 20% of pensionable salary.

There are no other pension agreements that differ from the general rules followed in the collective agreements in the banking industry. In the cases when individual agreements on severance pay exist, these guidelines comply with the guidelines for state-owned companies. In the event of notice being given by the company, payment is made for at most two years including the period of notice. Payment received from new employment or other activity is deducted from this payment.

Incentive programme

SBAB's incentive programme covers all employees (although with a stipulated period of employment) with the exception of the CEO and complies with the government guidelines for incentive programmes for employees in state-owned companies (October 2003). The maximum outcome is two monthly salaries for all employees. The prerequisite for payment of an incentive salary is that the yield requirement is met. The incentive programme for 2005 consists of two parts, one part based on overall company targets and one based on unit targets.

SEK 19.2 million was paid in incentive salary in 2005 including social security contributions and pension costs.

Fees and cost payments to auditors

Fees and cost payments to KPMG total SEK 3.0 million, of which SEK 1.4 million related to audit.

Fees and cost payments to SET authorised auditors total SEK 189,000, of which SEK 189,000 related to audit.

| Future rental fees | GROUP | | PARENT COMPANY | |
|-------------------------------------|-------|------|----------------|------|
| | 2005 | 2004 | 2005 | 2004 |
| Agreed future rental fees fall due: | | | | |
| – within one year | 19.3 | 17.8 | 19.3 | 17.8 |
| – between one and five years | 41.4 | 73.0 | 41.4 | 73.0 |
| – after five years | 1.1 | – | 1.1 | – |

Note 5 Depreciation of tangible fixed assets and amortisation of intangible fixed assets

| | GROUP | | PARENT COMPANY | |
|-------------------------------|-----------|-----------|----------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Equipment | 10 | 10 | 10 | 10 |
| – of which computer equipment | 7 | 7 | 7 | 7 |
| Intangible fixed assets | 12 | 8 | 5 | 3 |
| Total | 22 | 18 | 15 | 13 |

| Note 6 Other operating expenses | GROUP | | PARENT COMPANY | |
|---------------------------------|-----------|-----------|----------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Marketing | 53 | 50 | 53 | 50 |
| Other operating expenses | 10 | 11 | 10 | 11 |
| Total | 63 | 61 | 63 | 61 |

| Note 7 Loan losses, net | GROUP | | PARENT COMPANY | |
|---|-------------|------------|----------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| SPECIFIC PROVISION FOR LOAN CLAIMS ASSESSED INDIVIDUALLY | | | | |
| 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 this year's financial statements | (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 |
| COLLECTIVE PROVISIONS FOR INDIVIDUALLY ASSESSED LOAN CLAIMS | | | | |
| Allocation to/withdrawal from collective provision | (31) | (26) | (31) | (26) |
| COLLECTIVELY VALUED HOMOGENEOUS GROUPS OF LOAN CLAIMS | | | | |
| 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 for collectively valued homogeneous loan claims | (1) | (1) | (1) | (1) |
| Net cost for the year for loan losses | (36) | (7) | (36) | (7) |

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

| Note 8 Allocations | PARENT COMPANY | |
|--------------------------------------|----------------|-------------|
| | 2005 | 2004 |
| Depreciation over plan | (0) | (2) |
| Transfer to tax allocation reserve | (197) | (195) |
| Transfer from tax allocation reserve | 94 | 102 |
| Total | (103) | (95) |

| Note 9 Tax on profit for the year | GROUP | | PARENT COMPANY | |
|--|------------|------------|----------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Result before tax | 666 | 678 | 558 | 581 |
| Non-deductible expenses | 4 | 11 | 4 | 11 |
| Non-taxable income | – | 0 | – | – |
| Taxable supplements | 27 | – | 27 | – |
| Taxable income | 697 | 689 | 589 | 592 |
| Current tax rate | 28% | 28% | 28% | 28% |
| Tax on the profit for the year | 196 | 193 | 165 | 166 |
| – of which tax cost for the period | 165 | 164 | 165 | 164 |
| – of which tax adjustments attributable to previous years | – | 2 | – | 2 |
| Deferred tax | | | | |
| – of which related to change in untaxed reserves | 29 | 27 | – | – |
| – of which taxable temporary difference in intangible assets | 2 | 0 | – | – |

Note 10 Repo eligible Treasury bills, etc.

| | 2005 | | | GROUP 2004 | | | 2005 | | | PARENT COMPANY 2004 | | |
|--|--------------------------------|-----------------|---------------|--------------------------------|-----------------|---------------|--------------------------------|-----------------|---------------|--------------------------------|-----------------|---------------|
| | Ac- crued acqu. value | Actual value | Book value | Ac- crued acqu. value | Actual value | Book value | Ac- crued acqu. value | Actual value | Book value | Ac- crued acqu. value | Actual value | Book value |
| Current assets: | | | | | | | | | | | | |
| Swedish Treasury bills | 3 | 3 | 3 | – | – | – | 3 | 3 | 3 | – | – | – |
| Swedish Government bonds | – | – | – | 226 | 225 | 225 | – | – | – | 226 | 225 | 225 |
| Total eligible Treasury bills, etc. | 3 | 3 | 3 | 226 | 225 | 225 | 3 | 3 | 3 | 226 | 225 | 225 |
| <i>Holding of repo-eligible Treasury bills, etc. distributed by remaining term, book value</i> | | | | | | | | | | | | |
| Up to 1 year | | | 3 | | | – | | | 3 | | | – |
| More than 1 year but 5 years at most | | | – | | | 225 | | | – | | | 225 |
| Total | | | 3 | | | 225 | | | 3 | | | 225 |
| Average remaining term, years | | | 0.1 | | | 2.6 | | | 0.1 | | | 2.6 |
| Average remaining fixed-interest term, years | | | 0.1 | | | 2.6 | | | 0.1 | | | 2.6 |

The securities portfolio reported in this note and in note 11 below contains instruments acquired in order to cover interest rate risks in fixed-interest borrowing as well as investments of liquid funds in short-term interest-bearing instruments.

Note 11 Lending to credit institutions

| | GROUP | | PARENT COMPANY | |
|---|------------|--------------|----------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| <i>Outstanding claims distributed by remaining term, net book value</i> | | | | |
| Payable on demand | 157 | 203 | 157 | 203 |
| At most 3 months | – | 2,203 | – | 2,203 |
| Total credit institutions | 157 | 2,406 | 157 | 2,406 |
| Average remaining term, years | 0.0 | 0.0 | 0.0 | 0.0 |
| Group companies | – | – | 14,642 | 10,983 |
| Total | 157 | 2,406 | 14,799 | 13,389 |

Note 12 Lending to the public

| | GROUP | | PARENT COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| Opening balance | 131,188 | 126,079 | 120,153 | 117,847 |
| Lending for the year | 42,238 | 28,572 | 36,969 | 24,434 |
| Securitisation, net | 9,035 | 889 | 9,035 | 889 |
| Amortisation, writing-offs, redemption, etc. | (26,213) | (24,352) | (24,644) | (23,017) |
| Closing balance | 156,248 | 131,188 | 141,513 | 120,153 |
| Reserve for probable loan losses | (228) | (281) | (228) | (281) |
| Closing balance | 156,020 | 130,907 | 141,285 | 119,872 |
| – of which subordinated assets | – | – | – | – |
| <i>Claims outstanding distributed by remaining term, net book value</i> | | | | |
| Payable on demand | – | – | – | – |
| At most 3 months | 26,531 | 16,322 | 24,667 | 14,945 |
| More than 3 months but 1 year at most | 69,198 | 59,383 | 62,621 | 54,232 |
| More than 1 year but at most 5 years | 52,464 | 52,934 | 47,273 | 48,599 |
| More than 5 years | 7,827 | 2,268 | 6,724 | 2,096 |
| Total | 156,020 | 130,907 | 141,285 | 119,872 |
| Average remaining term, years | 1.5 | 1.4 | 1.5 | 1.4 |

continued
Note 12

| DOUBTFUL AND NON-PERFORMING LOAN CLAIMS | GROUP | | PARENT COMPANY | |
|---|-------|------|----------------|------|
| | 2005 | 2004 | 2005 | 2004 |
| a) Doubtful loan claims | 144 | 214 | 144 | 214 |
| b) Non-performing loan claims, which are included in doubtful loan claims | 42 | 57 | 42 | 57 |
| c) Non-performing loan claims on which interest is taken up as income and which are thus not included in doubtful loan claims | 92 | 145 | 86 | 142 |
| d) Specific provisions for loan claims assessed individually | 95 | 118 | 95 | 118 |
| e) Group provisions for loan claims assessed individually | 113 | 144 | 113 | 144 |
| f) Provisions for collectively assessed homogeneous groups of loan claims | 20 | 19 | 20 | 19 |
| g) Total provisions (d+e+f) | 228 | 281 | 228 | 281 |
| h) Doubtful loan claims after specific provisions for loan claims valued individually (a-d) | 49 | 96 | 49 | 96 |
| i) Provision ratio regarding specific provisions for loan claims valued individually (d/a) | 66% | 55% | 66% | 55% |

GROUP

DISTRIBUTION OF LENDING BY CATEGORY OF BORROWER

| CATEGORY OF BORROWER | 2005 | | | 2004 | | |
|---|------------------|--|----------------|------------------|--|----------------|
| | FriSpar Bolån AB | Sveriges Bostads-aktiebolag, SBAB (publ) | Total | FriSpar Bolån AB | Sveriges Bostads-aktiebolag, SBAB (publ) | Total |
| Municipal multi-family dwellings | – | 13,158 | 13,158 | – | 17,797 | 17,797 |
| Tenant-owner associations | 166 | 28,724 | 28,890 | 116 | 28,775 | 28,891 |
| Private multi-family dwellings | 151 | 19,728 | 19,879 | 135 | 22,190 | 22,325 |
| Single-family dwellings and holiday homes | 12,697 | 56,623 | 69,320 | 9,594 | 37,081 | 46,675 |
| Tenant-owned apartments | 1,721 | 22,508 | 24,229 | 1,190 | 13,096 | 14,286 |
| Commercial properties | – | 772 | 772 | – | 1,214 | 1,214 |
| Provision for probable loan losses | – | (228) | (228) | – | (281) | (281) |
| Total | 14,735 | 141,285 | 156,020 | 11,035 | 119,872 | 130,907 |
| Proportion of lending covered by Government or municipal guarantees in per cent | – | 13 | 12 | – | 20 | 19 |
| Average fixed-interest period, years | 1.5 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |

If prepayment occurs between interest-rate adjustment dates, SBAB has the right to receive compensation for the interest rate difference. The size of the compensation in the case of retail market loans is based on the interest rate on the loan compared with the interest rate on Government bonds/Treasury bills with a comparable remaining term up to the interest adjustment date +1%. For other loans, the re-investment interest rate for comparable Government securities is the applicable interest rate.

In addition to mortgage security 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.

Loans granted but not yet advanced amounted to SEK 5,386 million (SEK 5,288 million) for the Group and SEK 5,145 million (SEK 5,135 million) for the parent company.

At the end of the year, the Group's loans to Board Members amounted to SEK 9.9 million and loans to leading executives to SEK 1.0 million. These loans are covered by bank-standard security.

GROUP

DOUBTFUL AND NON-PERFORMING LOAN CLAIMS, DISTRIBUTED BY CATEGORY OF BORROWER

| BY CATEGORY OF BORROWER | 2005 | | | | | 2004 | | | | |
|--|----------------------------|--------------------------------|---|-------------------------|-------|----------------------------|--------------------------------|---|-------------------------|-------|
| | Tenant-owners associations | Private multi-family dwellings | Single family dwellings & holiday homes | Tenant-owned apartments | Total | Tenant-owners associations | Private multi-family dwellings | Single family dwellings & holiday homes | Tenant-owned apartments | Total |
| Non-performing loan claims | – | 66 | 56 | 12 | 134 | 25 | 143 | 28 | 6 | 202 |
| Doubtful loan claims, gross | 96 | 48 | | | 144 | 127 | 87 | | | 214 |
| Specific provisions for loan claims assessed individually | (78) | (17) | | | (95) | (89) | (29) | | | (118) |
| Collective provisions for loan claims assessed individually | (88) | (25) | | | (113) | (112) | (32) | | | (144) |
| Provisions for collectively assessed groups of loan claims | | | (18) | (2) | (20) | | | (17) | (2) | (19) |
| Doubtful loan claims after specific provisions for loan claims assessed individually | | | | | 49 | | | | | 96 |

continued
Note 12

| RESTRUCTURED LOAN CLAIMS | GROUP | | PARENT COMPANY | |
|--|-------|------|----------------|------|
| | 2005 | 2004 | 2005 | 2004 |
| Restructured loan claims during the financial year | | | | |
| – before restructuring | 87 | 92 | 87 | 92 |
| – after restructuring | 87 | 92 | 87 | 92 |
| Doubtful loan claims which reverted to normal status during the year | 20 | 40 | 20 | 40 |

Note 13 Shares and participations in group companies

| PARENT COMPANY | Lagrummet | FriSpar | Total | Total |
|---|---------------------|------------|------------|------------|
| | Augusti Nr 52 AB | Bolån AB | 2005 | 2004 |
| Acquisition value at the beginning of the year | – | 280 | 280 | 204 |
| Acquisition value during the year | 0 | – | 0 | – |
| Shareholders' contribution | – | 77 | 77 | 76 |
| Acquisition value at the end of the year | 0 | 357 | 357 | 280 |

| PARENT COMPANY | 2005 | | 2004 | |
|------------------|--|--|--|--|
| | Lagrummet Augusti Nr 52 AB 556645-9755, Stockholm | FriSpar Bolån AB 556248-3338, Stockholm | Lagrummet Augusti Nr 52 AB 556645-9755, Stockholm | FriSpar Bolån AB 556248-3338, Stockholm |
| Result | – | (1) | – | 0 |
| Equity capital | 0 | 702 | – | 553 |
| Capital share, % | 100% | 51% | – | 51% |
| Number of shares | 1,000 | 6,120 | – | 6,120 |
| Book value | 0 | 357 | – | 280 |

The subsidiary Lagrummet Augusti nr 52 AB is in process of change of name to AB Sveriges Säkerställda Obligationer. The share capital is SEK 100,000. When the new issue in process has been registered, the share capital will amount to SEK 500,000 and the number of shares to 5,000.

Note 14 Intangible fixed assets

| | GROUP | | PARENT COMPANY | |
|--|-----------|-----------|----------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Acquisition value at the beginning of the year | 47 | 31 | 19 | 9 |
| – Acquisitions during the year | 21 | 16 | 6 | 10 |
| – Disposals during the year | – | – | – | – |
| Acquisition value at the end of the year | 68 | 47 | 25 | 19 |
| Amortisation at the beginning of the year | (8) | (0) | (3) | (0) |
| – Amortisation for the year according to plan | (12) | (8) | (5) | (3) |
| – Disposals during the year | – | – | – | – |
| Accumulated amortisation according to plan | (20) | (8) | (8) | (3) |
| Net book value | 48 | 39 | 17 | 16 |

Note 15 Tangible fixed assets

| EQUIPMENT | GROUP | | PARENT COMPANY | |
|--|-----------|-----------|----------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Acquisition value at the beginning of the year | 103 | 132 | 103 | 132 |
| – Investments during the year | 10 | 10 | 10 | 10 |
| – Disposals during the year | (12) | (39) | (12) | (39) |
| Acquisition value at the end of the year | 101 | 103 | 101 | 103 |
| Depreciation at the beginning of the year | (82) | (110) | (82) | (110) |
| – Depreciation for the year according to plan | (10) | (10) | (10) | (10) |
| – Disposals during the year | 12 | 38 | 12 | 38 |
| Accumulated depreciation according to plan | (80) | (82) | (80) | (82) |
| Net book value | 21 | 21 | 21 | 21 |

| Note 16 Other assets | GROUP | | PARENT COMPANY | |
|---------------------------------|--------------|------------|----------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Clearing reserve | 2,082 | 316 | 2,082 | 316 |
| Past due interest | 37 | 41 | 35 | 39 |
| Claims - securitisation company | 426 | 568 | 426 | 568 |
| Derivatives | 2,629 | – | 2,629 | – |
| Other receivables | 1 | 5 | 1 | 5 |
| Total | 5,175 | 930 | 5,173 | 928 |

Of the securitisation company claims, SEK 371 million (SEK 455 million) in claims depends, among other things, on the development of the portfolio transferred. The claims do not become payable until the claims of other creditors in the securitisation transactions have been satisfied.

SBAB uses derivatives with a view to eliminating the interest and foreign currency risks in fixed interest lending and borrowing. Derivative instruments were reported last year together with the hedged items.

| Note 17 Prepaid expenses and accrued income | GROUP | | PARENT COMPANY | |
|---|------------|------------|----------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Prepaid expenses | 33 | 46 | 33 | 46 |
| Accrued interest income | 351 | 508 | 345 | 502 |
| Other accrued income | 20 | 19 | 47 | 39 |
| Total | 404 | 573 | 425 | 587 |

| Note 18 Liabilities to credit institutions | GROUP | | PARENT COMPANY | |
|--|--------------|--------------|----------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| <i>Outstanding liabilities distributed by remaining term, book value</i> | | | | |
| Payable on demand | – | – | – | – |
| At most 3 months | 4,525 | 6,596 | 4,490 | 6,583 |
| Total | 4,525 | 6,596 | 4,490 | 6,583 |
| Average remaining term, years | 0.0 | 0.0 | 0.0 | 0.0 |

| Note 19 Securities issued, etc. | GROUP | | PARENT COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| Swedish commercial paper programmes | 14,183 | 13,853 | 14,183 | 13,853 |
| Foreign commercial paper programmes | 26,402 | 13,839 | 26,402 | 13,839 |
| Total | 40,585 | 27,692 | 40,585 | 27,692 |
| Swedish bonds | 41,052 | 39,337 | 41,752 | 39,887 |
| Accrued premiums and discounts on issue of Swedish bonds | 954 | 411 | 954 | 411 |
| Total | 42,006 | 39,748 | 42,706 | 40,298 |
| Foreign bonds | 62,819 | 51,585 | 62,819 | 51,585 |
| Accrued premiums and discounts on issue of foreign bonds | (10) | 0 | (10) | 0 |
| Total | 62,809 | 51,585 | 62,809 | 51,585 |
| Total bonds issued, etc. | 145,400 | 119,025 | 146,100 | 119,575 |
| <i>– of which group companies</i> | <i>–</i> | <i>–</i> | <i>700</i> | <i>550</i> |
| <i>Securities issued etc. distributed by remaining term, book value</i> | | | | |
| At most 1 year | 80,885 | 74,389 | 81,585 | 74,604 |
| More than 1 year but at most 5 years | 61,416 | 42,622 | 61,416 | 42,957 |
| More than 5 years but at most 10 years | 2,930 | 1,399 | 2,930 | 1,399 |
| More than 10 years | 169 | 615 | 169 | 615 |
| Total | 145,400 | 119,025 | 146,100 | 119,575 |
| Average remaining term, years | 1.3 | 1.2 | 1.2 | 1.2 |
| Average remaining fixed-interest term, years | 0.9 | 1.0 | 1.0 | 1.0 |

| Note 20 Other liabilities | GROUP | | PARENT COMPANY | |
|---|--------------|------------|----------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Creditors | 8 | 10 | 8 | 10 |
| Employees' income tax | 6 | 5 | 6 | 5 |
| Tax liabilities | 7 | 7 | 8 | 8 |
| Liabilities to borrowers | 43 | 76 | 41 | 76 |
| Liabilities to securitisation companies | 13 | 14 | 13 | 14 |
| Derivatives | 2,501 | – | 2,501 | – |
| Other | 14 | 12 | 14 | 12 |
| Total | 2,592 | 124 | 2,591 | 125 |

SBAB uses derivatives with a view to eliminating interest rate and currency risks in fixed-interest lending and borrowing. Derivative instruments were reported last year together with the hedged items.

| Note 21 Accrued expenses and prepaid income | GROUP | | PARENT COMPANY | |
|---|--------------|--------------|----------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| Accrued interest expenses | 1,040 | 1,945 | 1,048 | 1,959 |
| Other accrued expenses | 172 | 116 | 128 | 79 |
| – of which incentive programme | 19 | – | 19 | – |
| – of which re-organisation | 24 | 6 | 24 | 6 |
| Total | 1,212 | 2,061 | 1,176 | 2,038 |

| Note 22 Allocations | GROUP | |
|--|------------|------------|
| | 2005 | 2004 |
| Allocations for deferred tax for temporary differences in: | | |
| – Tax allocation reserve | 295 | 267 |
| – Intangible fixed assets | 9 | 7 |
| Total | 304 | 274 |

Note 23 Subordinated debt

| GROUP AND PARENT COMPANY | Nominal amount | Outstanding nominal amount | SBAB's entitlement to redeem | Interest rate, % 31 Dec 2005 | Due date | GROUP | |
|--|----------------|----------------------------|------------------------------|------------------------------|-------------|--------------|--------------|
| | | | | | | 2005 | 2004 |
| Subordinated debenture loan, JPY 1 | 10,000,000,000 | 10,000,000,000 | 2008 | 6.20 | Perpetual | 676 | 722 |
| Subordinated debenture loan, JPY 2 | 10,000,000,000 | 10,000,000,000 | | 5.23 | 16 Nov 2015 | 676 | 760 |
| Subordinated debenture loan, SEK | 500,000,000 | 500,000,000 | 2011 | 3.60 | 14 Jun 2016 | 499 | – |
| Total | | | | | | 1,851 | 1,482 |
| Accrued price differences on own issued subordinated debenture loans | | | | | | – | – |
| Total | | | | | | 1,851 | 1,482 |
| – of which group companies | | | | | | – | – |

All funding for the group is raised by the parent company. Subordinated debenture loans are subordinate to the company's other debts, which mean that they carry an entitlement to payment only when other creditors have received payment.

Subordinated debenture loans have been taken up under conditions approved by Finansinspektionen. Permission has been obtained to include these in the company's capital base for the purpose of calculating the company's capital adequacy.

Subordinated debt concerns the three following 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 a supplement 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 a supplement 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.

continued
Note 23

SEK

Term: 14 December 2005 – 14 June 2016

Interest rate: For the period 14 December 2005 – 14 June 2011: 3.60%. On the first interest payment date, which falls on 14 June 2006, SBAB shall also pay accrued interest from 15 June 2005. For the period from 14 June 2011: Variable interest corresponding to three months' STIBOR plus 1.71% is to be paid quarterly in arrears.

Circumstances that may lead to early redemption of the subordinated debenture loans

SBAB may call in the loans JPY1, JPY2 and SEK for early redemption if SBAB, for instance, is required to withhold tax on interest payment as a result of amendments to 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, until 14 June 2011, to call in the loan SEK for early redemption from 14 June 2011 inclusive and every subsequent interest payment date, which falls quarterly. The loan can be called in for early redemption by the lenders as a result of event of default such as non-payment of interest due to the commencement of receivership or debt readjustment proceedings in respect of SBAB. Early redemption of perpetual subordinated debenture loans (on another day than that on which the issuer is entitled to early redemption) such as JPY 1, a subordinated debenture loan with fixed maturity issued after 1 January 1996 requires the permission of Finansinspektionen. Early redemption of subordinated debenture loans with fixed maturity issued before 1 January 1996, such as JPY 2, should be advised to Finansinspektionen as soon as possible after the loan has been redeemed.

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 undated subordinated loans but have equal right to other holders of fixed maturity subordinated notes. Holders of undated subordinated loans have equal right to receive payment. Undated subordinated loans can be converted to equity capital. This may be done to meet losses in order to avoid bankruptcy or liquidation.

Note 24 Untaxed reserves

| | PARENT COMPANY | |
|--|----------------|------------|
| | 2005 | 2004 |
| Additional depreciation | 3 | 3 |
| Tax allocation reserve, tax assessment year: | | |
| -2000 | – | 94 |
| -2001 | 108 | 108 |
| -2002 | 167 | 167 |
| -2003 | 186 | 186 |
| -2004 | 199 | 199 |
| -2005 | 195 | 195 |
| -2006 | 197 | – |
| Total | 1,055 | 952 |

Note 25 Equity capital

The share capital amounts to SEK 1,958,300,000 divided into 19,583 shares. All shares are owned by the Swedish State. Restricted reserves in the consolidated accounts consist of non-distributable capital in the form of the legal reserves and the part of untaxed reserves which is reported in the consolidated accounts as equity capital.

Distributable equity capital in the Group amounts to SEK 2,468 million. Dividend is proposed by the Board in accordance with the provisions of the Companies Act and is determined by the Annual General Meeting. No dividend is proposed for 2005.

| GROUP | Share capital | Restricted reserves | Non-restricted reserves | Profit for the year | Total equity capital |
|--|---------------|---------------------|-------------------------|---------------------|----------------------|
| Equity capital at the beginning of the year | 1,958 | 1,095 | 1,730 | 485 | 5,268 |
| Profit brought forward from 2004 | – | – | 485 | (485) | – |
| Dividend | – | – | (139) | – | (139) |
| Profit for the year | – | 79 | (79) | 471 | 471 |
| Equity capital at the end of the year | 1,958 | 1,174 | 1,997 | 471 | 5,600 |
| PARENT COMPANY | Share capital | Legal reserve | Profit brought forward | Profit for the year | Total equity capital |
| Equity capital at the beginning of the year | 1,958 | 392 | 1,798 | 415 | 4,563 |
| Profit brought forward from 2004 | – | – | 415 | (415) | – |
| Dividend | – | – | (139) | – | (139) |
| Profit for the year | – | – | – | 393 | 393 |
| Equity capital at the end of the year | 1,958 | 392 | 2,074 | 393 | 4,817 |

Note 26 Assets pledged for own liabilities

| | GROUP | | | | PARENT COMPANY | | | |
|------------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|
| | 2005 | | 2004 | | 2005 | | 2004 | |
| | Nominal amount | Book amount | Nominal amount | Book amount | Nominal amount | Book amount | Nominal amount | Book amount |
| Mortgages | – | – | – | – | – | – | – | – |
| Securities | 3 | 3 | – | – | 3 | 3 | – | – |
| Other collateral | – | – | – | – | – | – | – | – |
| Total | 3 | 3 | – | – | 3 | 3 | – | – |

Note 27 Off-balance sheet commitments

| | GROUP | | PARENT COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| | Nominal amount | Nominal amount | Nominal amount | Nominal amount |
| <i>Future commitments</i> | | | | |
| – Agreements on the purchase and sale of forward securities contracts | – | – | – | – |
| – Other commitments on future payments | – | – | – | – |
| <i>Derivative contracts</i> | | | | |
| – Interest rate futures | – | – | – | – |
| – Interest rate swaps | 139,974 | 146,827 | 139,974 | 146,827 |
| – Interest rate and currency swaps | 79,306 | 60,819 | 79,306 | 60,819 |
| – Share-related derivative contracts | 240 | 451 | 240 | 451 |
| <i>Other commitments</i> | | | | |
| – Loans granted but not released | 5,386 | 5,288 | 5,145 | 5,135 |
| – Unused portion of granted credit facilities | – | – | – | – |
| – Other commitments | – | – | – | – |
| Total | 224,906 | 213,385 | 224,665 | 213,232 |

To limit the potential counterparty risk in derivative transactions, SBAB has entered into a number of so-called security agreements which means that the parties have agreed beforehand on providing acceptable securities for exposures exceeding a certain threshold value.

Note 28 Book values and actual values of items both on and off the balance sheet

| | GROUP | | | | PARENT COMPANY | | | |
|--|----------------|--------------|----------------|----------------|----------------|---------------|----------------|----------------|
| | 2005 | | 2005 | | 2005 | | 2005 | |
| | Current assets | Fixed assets | Current assets | Fixed assets | Current assets | Fixed assets | Current assets | Fixed assets |
| | Book value | Actual value | Book value | Actual value | Book value | Actual value | Book value | Actual value |
| ASSETS | | | | | | | | |
| Cash in hand and balance in central banks | 0 | 0 | – | – | 0 | 0 | – | – |
| Repo eligible Treasury bills, etc. | 3 | 3 | – | – | 3 | 3 | – | – |
| Lending to credit institutions | 157 | 157 | – | – | 14,799 | 15,046 | – | – |
| Lending to the public | – | – | 156,020 | 158,452 | – | – | 141,285 | 143,467 |
| Shares and participations, etc. | – | – | 0 | 2 | – | – | 0 | 2 |
| Shares and participations in group companies | – | – | – | – | – | – | 357 | 357 |
| Intangible fixed assets | – | – | 48 | 48 | – | – | 17 | 17 |
| Tangible assets | – | – | 21 | 21 | – | – | 21 | 21 |
| Other assets | 4,804 | 5,896 | 371 | 371 | 4,802 | 5,894 | 371 | 371 |
| Prepaid expenses and accrued income | 404 | 404 | – | – | 425 | 425 | – | – |
| Total assets | 5,368 | 6,460 | 156,460 | 158,894 | 20,029 | 21,368 | 142,051 | 144,235 |

continued
Note 28

| | GROUP | | PARENT COMPANY | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | Book value | Actual value | Book value | Actual value |
| LIABILITIES | | | | |
| Liabilities to credit institutions | 4,525 | 4,525 | 4,490 | 4,490 |
| Securities issued, etc. | 145,400 | 143,807 | 146,100 | 144,508 |
| Other liabilities | 2,592 | 3,986 | 2,591 | 3,985 |
| Accrued expenses and prepaid income | 1,212 | 1,212 | 1,176 | 1,176 |
| Allocations | 304 | 304 | – | – |
| Subordinated debt | 1,851 | 2,043 | 1,851 | 2,043 |
| Total liabilities | 155,884 | 155,877 | 156,208 | 156,202 |
| DURATION | | | | |
| Assets, years | | 1.2 | | 1.2 |
| Liabilities, years | | 1.3 | | 1.3 |

In order to arrive at the actual value of borrowing and lending at fixed interest rates, the future cash flows from the year-end up to first interest rate adjustment date have been discounted to give a present value. In arriving at the present value of SBAB's lending, the interest rates on SBAB's borrowing at year-end have been used as the discount rate, adding a margin for administration costs. To calculate the present value of SBAB's borrowing, interest rates on SBAB's borrowing at year-end have been used as the discount rate. It should be noted that reported information of actual value, does not constitute an evaluation of SBAB as a company.

Note 29 Book, actual and nominal values of derivative instruments

| GROUP DERIVATIVE INSTRUMENTS WITH POSITIVE OR ZERO VALUES | 2005 | | | 2004 | | |
|---|--------------|----------------|--------------|------------|---------------|--------------|
| | Book value | Nominal value | Actual value | Book value | Nominal value | Actual value |
| <i>– taken up in the balance sheet in whole or in part</i> | | | | | | |
| < 1 year interest rate swaps | 511 | 26,468 | 559 | 327 | 25,298 | 572 |
| > 1 year interest rate swaps | 643 | 41,124 | 1,387 | 457 | 39,689 | 1,643 |
| < 1 year interest rate and currency swaps | 1,139 | 30,282 | 1,211 | 30 | 6,561 | 189 |
| > 1 year interest rate and currency swaps | 333 | 12,662 | 524 | 11 | 5,939 | 971 |
| < 1 year equity-linked derivative contracts | 3 | 36 | 3 | 1 | 49 | 1 |
| > 1 year equity-linked derivative contracts | 0 | 29 | 37 | 0 | 318 | 56 |
| Total | 2,629 | 110,601 | 3,721 | 826 | 77,854 | 3,432 |

| GROUP DERIVATIVE INSTRUMENTS WITH NEGATIVE VALUES | 2005 | | | 2004 | | |
|--|--------------|----------------|--------------|--------------|----------------|--------------|
| | Book value | Nominal value | Actual value | Book value | Nominal value | Actual value |
| <i>– taken up in the balance sheet in whole or in part</i> | | | | | | |
| < 1 year interest rate swaps | 515 | 25,867 | 695 | 496 | 31,224 | 932 |
| > 1 year interest rate swaps | 1,011 | 46,516 | 2,226 | 932 | 50,616 | 2,987 |
| < 1 year interest rate and currency swaps | 514 | 22,143 | 468 | 59 | 34,853 | 1,465 |
| > 1 year interest rate and currency swaps | 461 | 14,219 | 503 | 44 | 13,466 | 1,229 |
| < 1 year equity-linked derivative contracts | – | – | – | – | 0 | 0 |
| > 1 year equity-linked derivative contracts | 0 | 175 | 3 | 0 | 84 | 6 |
| Total | 2,501 | 108,920 | 3,895 | 1,531 | 130,243 | 6,619 |

Derivatives for hedge accounting, see accounting principles – Derivative instruments.

Note 30 Fixed-interest terms for financial assets and liabilities

| GROUP | 2005 | | | | | | | 2004 | | | | | | |
|---|-----------------------------|---------------|---------------|---------------|---------------|--------------|----------------|-----------------------------|---------------|---------------|---------------|---------------|--------------|----------------|
| | Without fixed interest term | <3 months | 3-6 months | 6-12 months | 1-5 years | >5 years | Total | Without fixed interest term | <3 months | 3-6 months | 6-12 months | 1-5 years | >5 years | Total |
| ASSETS | | | | | | | | | | | | | | |
| Cash in hand and balance in central banks | - | 0 | - | - | - | - | 0 | - | 0 | - | - | - | - | 0 |
| Repo eligible Treasury Bills | - | 3 | - | - | - | - | 3 | - | - | - | - | 225 | - | 225 |
| Lending to credit institutions | - | 157 | - | - | - | - | 157 | - | 2,406 | - | - | - | - | 2,406 |
| Lending to the public | - | 77,687 | 7,989 | 11,175 | 51,342 | 7,827 | 156,020 | - | 53,997 | 10,686 | 11,633 | 52,323 | 2,268 | 130,907 |
| Other assets | 3,735 | (22,412) | 998 | 1,676 | 24,559 | (2,977) | 5,579 | 1,173 | 368 | 11 | 11 | - | - | 1,563 |
| - of which derivatives | 785 | (22,412) | 998 | 1,676 | 24,559 | (2,977) | 2,629 | - | - | - | - | - | - | - |
| Total financial assets | 3,735 | 55,435 | 8,987 | 12,851 | 75,901 | 4,850 | 161,759 | 1,173 | 56,771 | 10,697 | 11,644 | 52,548 | 2,268 | 135,101 |
| LIABILITIES | | | | | | | | | | | | | | |
| Liabilities to credit institutions | - | 4,525 | - | - | - | - | 4,525 | - | 6,596 | - | - | - | - | 6,596 |
| Securities issued, etc | - | 98,157 | 8,279 | 3,678 | 33,700 | 1,586 | 145,400 | - | 55,316 | 8,808 | 6,764 | 45,709 | 2,428 | 119,025 |
| Other liabilities | 2,634 | (50,156) | 5,681 | 6,119 | 37,342 | 2,488 | 4,108 | 455 | 852 | 350 | 57 | 714 | 31 | 2,459 |
| - of which derivatives | 1,331 | (50,156) | 5,681 | 6,119 | 37,038 | 2,488 | 2,501 | - | - | - | - | - | - | - |
| Subordinated debts | - | 676 | - | - | 676 | 499 | 1,851 | - | 722 | 760 | - | - | - | 1,482 |
| Total financial liabilities | 2,634 | 53,202 | 13,960 | 9,797 | 71,718 | 4,573 | 155,884 | 455 | 63,486 | 9,918 | 6,821 | 46,423 | 2,459 | 129,562 |
| Difference between assets and liabilities | 1,101 | 2,233 | (4,973) | 3,054 | 4,183 | 277 | 5,875 | 718 | (6,715) | 779 | 4,823 | 6,125 | (191) | 5,539 |
| Cumulative interest rate sensitivity | 1,101 | 3,334 | (1,639) | 1,415 | 5,598 | 5,875 | | 718 | (5,997) | (5,218) | (395) | 5,730 | 5,539 | |

The fixed-interest term for assets and liabilities that are amortised is calculated as the period up to the date the respective amortisation is due.

| PARENT COMPANY | 2005 | | | | | | | 2004 | | | | | | |
|---|-----------------------------|---------------|---------------|---------------|---------------|--------------|----------------|-----------------------------|---------------|---------------|---------------|---------------|--------------|----------------|
| | Without fixed interest term | <3 months | 3-6 months | 6-12 months | 1-5 years | >5 years | Total | Without fixed interest term | <3 months | 3-6 months | 6-12 months | 1-5 years | >5 years | Total |
| ASSETS | | | | | | | | | | | | | | |
| Cash in hand and balance in central banks | - | 0 | - | - | - | - | 0 | - | 0 | - | - | - | - | 0 |
| Repo eligible Treasury Bills | - | 3 | - | - | - | - | 3 | - | - | - | - | 225 | - | 225 |
| Lending to credit institutions | - | 7,155 | 585 | 843 | 5,120 | 1,096 | 14,799 | - | 3,777 | 1,608 | 3,518 | 4,315 | 171 | 13,389 |
| Lending to the public | - | 70,645 | 7,400 | 10,327 | 46,189 | 6,724 | 141,285 | - | 48,828 | 10,165 | 10,795 | 47,988 | 2,096 | 119,872 |
| Other assets | 4,117 | (22,418) | 998 | 1,676 | 24,559 | (2,977) | 5,955 | 1,441 | 368 | 12 | 11 | - | - | 1,832 |
| - of which derivatives | 785 | (22,412) | 998 | 1,676 | 24,559 | (2,977) | 2,629 | - | - | - | - | - | - | - |
| Total financial assets | 4,117 | 55,385 | 8,983 | 12,846 | 75,868 | 4,843 | 162,042 | 1,441 | 52,973 | 11,785 | 14,324 | 52,528 | 2,267 | 135,318 |
| LIABILITIES | | | | | | | | | | | | | | |
| Liabilities to credit institutions | - | 4,490 | - | - | - | - | 4,490 | - | 6,583 | - | - | - | - | 6,583 |
| Securities issued, etc | - | 98,857 | 8,279 | 3,678 | 33,700 | 1,586 | 146,100 | - | 55,316 | 9,023 | 6,764 | 46,044 | 2,428 | 119,575 |
| Other liabilities | 2,597 | (50,156) | 5,681 | 6,119 | 37,038 | 2,488 | 3,767 | 159 | 852 | 350 | 57 | 714 | 31 | 2,163 |
| - of which derivatives | 1,331 | (50,156) | 5,681 | 6,119 | 37,038 | 2,488 | 2,501 | - | - | - | - | - | - | - |
| Subordinated debts | - | 676 | - | - | 676 | 499 | 1,851 | - | 722 | 760 | - | - | - | 1,482 |
| Total financial liabilities | 2,597 | 53,867 | 13,960 | 9,797 | 71,414 | 4,573 | 156,208 | 159 | 63,473 | 10,133 | 6,821 | 46,758 | 2,459 | 129,803 |
| Difference between assets and liabilities | 1,520 | 1,518 | (4,977) | 3,049 | 4,454 | 270 | 5,834 | 1,282 | (10,500) | 1,652 | 7,503 | 5,770 | (192) | 5,515 |
| Cumulative interest rate sensitivity | 1,520 | 3,038 | (1,939) | 1,109 | 5,564 | 5,834 | | 1,282 | (9,218) | (7,566) | (63) | 5,707 | 5,515 | |

The fixed-interest term for assets and liabilities that are amortised is calculated as the period up to the date the respective amortisation is due.

Note 31 Tenor of financial assets and liabilities

| GROUP | 2005 | | | | | | | 2004 | | | | | | |
|---|----------------|---------------|---------------|---------------|---------------|--------------|----------------|----------------|---------------|---------------|---------------|---------------|--------------|----------------|
| | With-out tenor | <3 months | 3-6 months | 6-12 months | 1-5 years | >5 years | Total | With-out tenor | <3 months | 3-6 months | 6-12 months | 1-5 years | >5 years | Total |
| ASSETS | | | | | | | | | | | | | | |
| Cash in hand and balance in central banks | – | 0 | – | – | – | – | 0 | – | 0 | – | – | – | – | 0 |
| Repo eligible Treasury Bills | – | 3 | – | – | – | – | 3 | – | – | – | – | 225 | – | 225 |
| Lending to credit institutions | – | 157 | – | – | – | – | 157 | – | 2,406 | – | – | – | – | 2,406 |
| Lending to the public | – | 26,531 | 24,414 | 44,784 | 52,464 | 7,827 | 156,020 | – | 16,322 | 22,456 | 36,927 | 52,934 | 2,268 | 130,907 |
| Other assets | 2,617 | (10,972) | 2,690 | 3,836 | 6,847 | 561 | 5,579 | 1,173 | 368 | 11 | 11 | 0 | – | 1,563 |
| – of which derivatives | – | (11,290) | 2,681 | 3,830 | 6,847 | 561 | 2,629 | – | – | – | – | – | – | – |
| Total financial assets | 2,617 | 15,719 | 27,104 | 48,620 | 59,311 | 8,388 | 161,759 | 1,173 | 19,096 | 22,467 | 36,938 | 53,159 | 2,268 | 135,101 |
| LIABILITIES | | | | | | | | | | | | | | |
| Liabilities to credit institutions | – | 4,525 | – | – | – | – | 4,525 | – | 6,596 | – | – | – | – | 6,596 |
| Securities issued, etc. | – | 52,437 | 7,233 | 21,215 | 61,416 | 3,099 | 145,400 | – | 44,460 | 18,547 | 11,382 | 42,622 | 2,014 | 119,025 |
| Other liabilities | 266 | 1,256 | 294 | 146 | 1,881 | 265 | 4,108 | 455 | 852 | 350 | 57 | 714 | 31 | 2,459 |
| – of which derivatives | – | 671 | 251 | 107 | 1,242 | 230 | 2,501 | – | – | – | – | – | – | – |
| Subordinated debts | – | – | – | – | – | 1,851 | 1,851 | – | – | – | – | – | 1,482 | 1,482 |
| Total financial liabilities | 266 | 58,218 | 7,527 | 21,361 | 63,297 | 5,215 | 155,884 | 455 | 51,908 | 18,897 | 11,439 | 43,336 | 3,527 | 129,562 |
| PARENT COMPANY | | | | | | | | | | | | | | |
| ASSETS | | | | | | | | | | | | | | |
| Cash in hand and balance at central banks | – | 0 | – | – | – | – | 0 | – | 0 | – | – | – | – | 0 |
| Repo eligible Treasury Bills | – | 3 | – | – | – | – | 3 | – | – | – | – | 225 | – | 225 |
| Lending to credit institutions | – | 2,009 | 2,124 | 4,412 | 5,158 | 1,096 | 14,799 | – | 3,776 | 1,609 | 3,518 | 4,315 | 171 | 13,389 |
| Lending to the public | – | 24,667 | 22,277 | 40,344 | 47,273 | 6,724 | 141,285 | – | 14,945 | 20,840 | 33,392 | 48,599 | 2,096 | 119,872 |
| Other assets | 2,642 | (10,978) | 2,690 | 3,836 | 6,847 | 918 | 5,955 | 1,442 | 368 | 11 | 11 | 0 | – | 1,832 |
| – of which derivatives | – | (11,290) | 2,681 | 3,830 | 6,847 | 561 | 2,629 | – | – | – | – | – | – | – |
| Total financial assets | 2,642 | 15,701 | 27,091 | 48,592 | 59,278 | 8,738 | 162,042 | 1,442 | 19,089 | 22,460 | 36,921 | 53,139 | 2,267 | 135,318 |
| LIABILITIES | | | | | | | | | | | | | | |
| Liabilities to credit institutions | – | 4,490 | – | – | – | – | 4,490 | – | 6,583 | – | – | – | – | 6,583 |
| Securities issued, etc. | – | 52,822 | 7,448 | 21,315 | 61,416 | 3,099 | 146,100 | – | 44,460 | 18,762 | 11,382 | 42,957 | 2,014 | 119,575 |
| Other liabilities | 221 | 1,264 | 294 | 146 | 1,577 | 265 | 3,767 | 159 | 852 | 350 | 57 | 714 | 31 | 2,163 |
| – of which derivatives | – | 671 | 251 | 107 | 1,242 | 230 | 2,501 | – | – | – | – | – | – | – |
| Subordinated debts | – | – | – | – | – | 1,851 | 1,851 | – | – | – | – | – | 1,482 | 1,482 |
| Total financial liabilities | 221 | 58,576 | 7,742 | 21,461 | 62,993 | 5,215 | 156,208 | 159 | 51,895 | 19,112 | 11,439 | 43,671 | 3,527 | 129,803 |

The tenor of the assets and liabilities that are amortised is calculated as the period up to the date the respective amortisation is due.

Note 32 Distribution of security for balance sheet and off balance sheet items

| GROUP DISTRIBUTION OF SECURITY | 2005 | | | | | | | Of which off balance sheet |
|---|---------------------|-------------------------------------|-----------------------------|----------------|----------------|---------------|----------------|----------------------------|
| | Municipal guarantee | Municipal responsibility for losses | Government credit guarantee | Bank guarantee | Mortgage | Other | Total | |
| Corporate | | | | | | | | |
| – Tenant-owner associations | 2,333 | 1 | 1,457 | 30 | 25,532 | | 29,353 | 629 |
| – Private property companies | 784 | 4 | 851 | 14 | 19,006 | | 20,659 | 821 |
| – Commercial properties | | | | | 772 | | 772 | |
| Households | | | | | | | | |
| – Single family dwellings and holiday homes | 10 | 1,183 | 213 | | 70,375 | | 71,781 | 2,480 |
| – Tenant-owned apartments | | | | | | 25,621 | 25,621 | 1,394 |
| Public sector | | | | | | | | |
| – Municipal multi-family dwellings | 12,277 | 0 | | 2 | 941 | | 13,220 | 62 |
| Total | 15,404 | 1,188 | 2,521 | 46 | 116,626 | 25,621 | 161,406 | 5,386 |

| GROUP DISTRIBUTION OF SECURITY | 2004 | | | | | | | Of which off balance sheet |
|---|---------------------|-------------------------------------|-----------------------------|----------------|---------------|---------------|----------------|----------------------------|
| | Municipal guarantee | Municipal responsibility for losses | Government credit guarantee | Bank guarantee | Mortgage | Other | Total | |
| Corporate | | | | | | | | |
| – Tenant-owner associations | 2,603 | 2 | 1,968 | 54 | 24,516 | | 29,143 | 453 |
| – Private property companies | 800 | 4 | 1,105 | 15 | 22,102 | | 24,026 | 1,763 |
| – Commercial properties | | | | | 1,776 | | 1,776 | 562 |
| Households | | | | | | | | |
| – Single family dwellings and holiday homes | 12 | 1,442 | 287 | 0 | 46,437 | | 48,178 | 1,519 |
| – Tenant-owned apartments | | | | | | 15,228 | 15,228 | 943 |
| Public sector | | | | | | | | |
| – Municipal multi-family dwellings | 16,251 | 0 | | 3 | 1,590 | | 17,844 | 48 |
| Total | 19,666 | 1,448 | 3,360 | 72 | 96,421 | 15,228 | 136,195 | 5,288 |

| PARENT COMPANY DISTRIBUTION OF SECURITY | 2005 | | | | | | | Of which off balance sheet |
|---|---------------------|-------------------------------------|-----------------------------|----------------|----------------|---------------|----------------|----------------------------|
| | Municipal guarantee | Municipal responsibility for losses | Government credit guarantee | Bank guarantee | Mortgage | Other | Total | |
| Corporate | | | | | | | | |
| – Tenant-owner associations | 2,333 | 1 | 1,457 | 30 | 25,366 | | 29,187 | 629 |
| – Private property companies | 784 | 4 | 851 | 14 | 18,855 | | 20,508 | 821 |
| – Commercial properties | | | | | 772 | | 772 | |
| Households | | | | | | | | |
| – Single family dwellings and holiday homes | 10 | 1,183 | 213 | | 57,472 | | 58,878 | 2,274 |
| – Tenant-owned apartments | | | | | | 23,865 | 23,865 | 1,359 |
| Public sector | | | | | | | | |
| – Municipal multi-family dwellings | 12,277 | 0 | | 2 | 941 | | 13,220 | 62 |
| Total | 15,404 | 1,188 | 2,521 | 46 | 103,406 | 23,865 | 146,430 | 5,145 |

| PARENT COMPANY DISTRIBUTION OF SECURITY | 2004 | | | | | | | Of which off balance sheet |
|---|---------------------|-------------------------------------|-----------------------------|----------------|---------------|---------------|----------------|----------------------------|
| | Municipal guarantee | Municipal responsibility for losses | Government credit guarantee | Bank guarantee | Mortgage | Other | Total | |
| Corporate | | | | | | | | |
| – Tenant-owner associations | 2,603 | 2 | 1,968 | 54 | 24,392 | | 29,019 | 445 |
| – Private property companies | 800 | 4 | 1,105 | 15 | 21,968 | | 23,892 | 1,763 |
| – Commercial properties | | | | | 1,776 | | 1,776 | 562 |
| Households | | | | | | | | |
| – Single family dwellings and holiday homes | 12 | 1,442 | 287 | 0 | 36,732 | | 38,473 | 1,408 |
| – Tenant-owned apartments | | | | | | 14,003 | 14,003 | 909 |
| Public sector | | | | | | | | |
| – Municipal multi-family dwellings | 16,251 | 0 | | 3 | 1,590 | | 17,844 | 48 |
| Total | 19,666 | 1,448 | 3,360 | 72 | 86,458 | 14,003 | 125,007 | 5,135 |

Note 33 Genuine repurchase transactions

| | GROUP | | PARENT COMPANY | |
|---|-------|-------|----------------|-------|
| | 2005 | 2004 | 2005 | 2004 |
| Amount borrowed through the sale of securities with the subsequent repurchase of corresponding assets included in the following items in the balance sheet: | | | | |
| – Liabilities to credit institutions | 4,371 | 6,583 | 4,371 | 6,583 |
| – Borrowing from the public | – | – | – | – |
| Amount lent through purchases of securities with the subsequent sale of corresponding assets included in the following items in the balance sheet: | | | | |
| – Lending to credit institutions | – | 1,800 | – | 1,800 |
| – Lending to the public | – | – | – | – |

Note 34 Risk mandate and utilised limits

| | GROUP/PARENT COMPANY | | | |
|---|----------------------|----------------|-------------|----------------|
| | 31 Dec 2005 | | 31 Dec 2004 | |
| | Limit | Utilised limit | Limit | Utilised limit |
| <i>Interest rate risk</i> | | | | |
| – Operational interest rate risk* | 52 | (32) | 48 | (35) |
| – Strategic interest rate risk* | 263 | (94) | 239 | (98) |
| of which exposures within 12 months | 65 | (16) | 60 | (14) |
| Target value strategic interest rate risk | 89 (+/-20) | (94) | 89 (+/-20) | (98) |
| – Reverse spread positions | 20 | – | 20 | – |
| – Spread risk at pre-financing | – | – | 50 | (1) |
| Total | 335 | (126) | 357 | (134) |
| <i>Currency risk</i> | 10 | 0 | 10 | 2 |
| <i>Option risk</i> | 2 | – | 2 | – |
| <i>Liquidity and refinancing risk**</i> | | | | |
| – Reverse spread positions | 5,000 | – | 5,000 | – |
| – Pre-financing | – | – | 5,000 | 200 |
| – Unmatched swaps | 6,000 | 4,800 | 6,000 | 3,800 |
| – Investment portfolio | – | – | 13,200 | – |
| – Liquidity portfolio | 27,020 | – | – | – |
| <i>Credit facilities***</i> | 11,880 | – | 11,190 | – |

* The limit is stated in absolute terms.

** The limit for the investment portfolio has been replaced by a mandate for the liquidity portfolio. At the same time, the mandate for pre-financing was abolished.

*** Of the credit facilities, SEK 7,000 million (SEK 8,000 million) has been granted by the Swedish National Debt Office which reduces by SEK 1,000 million yearly.

Interest rate risk

– Operational and strategic interest rate risk

The operational interest rate risk exposure corresponds to the net interest risk of on the one hand the total of external lending and investments financed by external borrowing, and, on the other hand, the sum of external borrowing and derivative instruments. The operational interest rate risk may not exceed an absolute amount corresponding to 1% of equity capital at the beginning of the year. The strategic interest rate risk exposure corresponds to the total of interest rate risk in equity capital and the interest rate risk in the float (by float is meant the surplus liquidity that arises due to interest rate payments for lending and borrowing in certain cases not always being in step). The strategic interest rate risk may not exceed an absolute amount corresponding to 5% of equity capital at the beginning of the year, of which the interest rate risk concerning the 12 months' exposure may amount, at the most, to an absolute amount corresponding to 25% of the total limit.

The Finance Committee of the Board stipulates, within the limit for the strategic interest rate risk, a target value for the strategic risk. The actual strategic risk may differ from the target value by no more than SEK +/- 20 million.

The interest rate risk is calculated as the effect on the present value of a parallel shift in the yield curve of +/- 1%. The calculation is based on market values and thus all contracted cash flows.

– Interest rate risk in reverse spread positions

So called reverse spread positions, where interest rate hedging is initially achieved by sales of forward transactions in Government securities, may be taken up to a maximum amount of SEK 5 billion. The risk at a spread change of +/- 0.25 percentage points may at most amount to SEK 20 million.

Previous mandates concerning pre-financing have been removed in connection with decisions on the introduction of a liquidity portfolio (see next page).

continued
Note 34

– Total interest rate risk

The total interest rate risk, the total of operational and strategic interest-rate risk and spread risks, may amount to at most SEK 335 million.

Currency and option risk

The currency risk is calculated as the effect on the present value of an exchange rate change of +/-10 percentage points on the corresponding exchange rate. The total currency exposure may not exceed the equivalent value of SEK 10 million.

The risk of loss in the open interest rate position is to be calculated as the total maximum risk of loss in the event of a change in interest rate of +/-1 percentage points and a volatility change of 50%. The loss risk in the option position may amount at most to SEK 2 million.

Liquidity and financing risk

During the year, the Board has decided that SBAB should further strengthen its liquidity reserve to reduce the liquidity risk. This risk is measured by totalling SBAB's maximum needs ("MCO", Maximum Cumulative Outflow) for new borrowing funds for a number of days to come, from 0 to 365 days. In this definition, SBAB is expected to replace all debt fallen due and to finance all existing assets. The liquidity reserve is to consist of liquid securities (the "liquidity portfolio"), renewable borrowing, liquidity facilities at external parties, and other assets that guarantee immediate liquidity regardless of SBAB's credit rating. Reserves are to be kept in SBAB's most important borrowing currencies SEK, USD and EUR.

– Liquidity portfolio

Borrowing aimed at investing in liquid interest-bearing securities (the liquidity portfolio) may occur up to an amount corresponding to 20% of the balance sheet total at the start of the year. Above this amount, it is subject to restriction by the Finance Committee, which is to give its approval for the size of the portfolio based on the requirements of the liquidity risk. The term of the investment may be at most 10 years. The term of the borrowing and investment are to be matched to the greatest possible extent. The term of the investment may not exceed the term of the borrowing. Borrowing whose term exceeds the investment may not have a fixed-interest period of more than three months for that part of the borrowing that exists the term of the investment. The liquidity portfolio must be 100% nominally matched at the end of the trading day for assets and financing in foreign currency. The margin that arises between financing and borrowing is to be transferred to SEK. Investments in the liquidity portfolio are only to take place at borrowers with a very high credit rating.

During the year, the preparatory work has started for building up the liquidity portfolio. The liquidity portfolio replaces earlier opportunities for investment in the investment portfolio.

– Unmatched swaps

Unmatched swaps may be used with the aim of changing the interest rate risk. By unmatched swaps is meant currency interest rate swaps and interest rate swaps which are either not matched by any underlying borrowing or have been financed via own equity capital or float or which have a maturity which is no longer than the final due date of the underlying borrowing.

The limit for unmatched swaps is SEK 6 billion.

Note 35 Counterparty risks

| | GROUP/PARENT COMPANY | | | |
|-----------------------------------|----------------------|----------------|---------------|----------------|
| | 31 Dec 2005 | | 31 Dec 2004 | |
| | Limit | Utilised limit | Limit | Utilised limit |
| <i>Counterparties with rating</i> | | | | |
| – AAA | 1,555 | 368 | 2,010 | 580 |
| – AA | 8,206 | 1,873 | 7,300 | 2,347 |
| – A | 4,430 | 714 | 3,960 | 429 |
| Total | 14,191 | 2,956 | 13,270 | 3,356 |
| <i>Termination commitments</i> | – | – | – | – |

A credit limit is determined for all counterparties (i.e. borrowers and financial counterparties) with the exception of the Swedish state. The limits are set by the Finance Committee. For those counterparties who are also loan customers the limit should be coordinated with the credit limit. Investments, entering into derivative contracts and repo contracts may only take place with counterparties for whom there is a valid limit and may take place in interest-bearing instruments issued by the counterparty or alternatively with an interest bearing account/deposit with the counterparty.

The credit risk limit can be set for a period of one year at most, calculated from the date of the Finance Committee's decision, before a new review takes place. The credit risk limit may, with the exception of certain Nordic counterparties, reach an amount corresponding to 15% of SBAB's capital base. The actual applicable level for credit risk limits is offered by the counterparties' present rating from Moody's and/or Standard & Poor's.

Calculation of credit and counterparty risk, with two exceptions, take place according to the regulations set by Finansinspektionen (or the corresponding government authority decision) concerning capital adequacy and the reporting of large exposures. The first exception is that the exposure should not be reduced with regard to the counterparty's risk weight. The other exception is that, where it concerns derivative transactions, the market value and potential risk are fully offset, although the counterparty risk may never be below the estimated exposure according to current regulations (see above).

Note 36 SBAB including securitisation companies

The securitisation companies (SC) are not consolidated in the SBAB group, which is, in accordance with Finansinspektionen's regulations and the Annual Accounts Act concerning credit institutions and securities companies (ÅRKL). The effects of a consolidation of the securitisation companies are shown below.

| | 2005 | | | | | | |
|--|----------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Income statement | SBAB excl SC | Morfun | SRM No 1 | SRM No 2 | SRM No 3 | Elimination | SBAB incl SC |
| Net interest income | 1,296 | 2 | 41 | 45 | 23 | (80) | 1,327 |
| Other income and expenses | (70) | (1) | (40) | (44) | (22) | 80 | (97) |
| Expenses | (596) | (1) | (1) | (1) | (1) | – | (600) |
| Loan losses | 36 | – | – | – | – | – | 36 |
| Profit before tax | 666 | (0) | 0 | 0 | 0 | – | 666 |
| Balance sheet | SBAB excl SC | Morfun | SRM No 1 | SRM No 2 | SRM No 3 | Elimination | SBAB incl SC |
| ASSETS | | | | | | | |
| Eligible Treasury Bills, etc. | 3 | – | – | – | – | – | 3 |
| Lending to credit institutions | 157 | 0 | 2 | 270 | 394 | – | 823 |
| Lending to the public | 156,020 | – | – | 7,008 | 8,099 | – | 171,127 |
| Other assets | 5,648 | 0 | – | 20 | 35 | (505) | 5,198 |
| Total assets | 161,828 | 0 | 2 | 7,298 | 8,528 | (505) | 177,151 |
| LIABILITIES AND EQUITY CAPITAL | | | | | | | |
| Liabilities to credit institutions | 4,525 | – | – | – | – | – | 4,525 |
| Securities issued including subordinated loans | 147,251 | – | – | 7,166 | 8,144 | – | 162,561 |
| Other allocations and liabilities | 4,108 | 0 | 2 | 132 | 384 | (505) | 4,121 |
| Minority | 344 | – | – | – | – | – | 344 |
| Equity capital | 5,600 | 0 | 0 | 0 | 0 | – | 5,600 |
| Total liabilities and equity capital | 161,828 | 0 | 2 | 7,298 | 8,528 | (505) | 177,151 |
| 2004 | | | | | | | |
| Income statement | SBAB excl SC | Morfun | SRM No 1 | SRM No 2 | SRM No 3 | Elimination | SBAB incl SC |
| Net interest income | 1,214 | 6 | 47 | 56 | 26 | (101) | 1,248 |
| Other income and expenses | (38) | (6) | (46) | (55) | (26) | 101 | (70) |
| Expenses | (505) | (0) | (1) | (1) | (0) | 0 | (507) |
| Loan losses | 7 | – | – | – | – | – | 7 |
| Profit before tax | 678 | 0 | 0 | 0 | 0 | – | 678 |
| Balance sheet | SBAB excl SC | Morfun | SRM No 1 | SRM No 2 | SRM No 3 | Elimination | SBAB incl SC |
| ASSETS | | | | | | | |
| Eligible Treasury Bills, etc. | 225 | – | – | – | – | – | 225 |
| Lending to credit institutions | 2,406 | 52 | 510 | 247 | 470 | – | 3,685 |
| Lending to the public | 130,907 | 1,010 | 8,125 | 7,588 | 8,430 | – | 156,060 |
| Other assets | 1,563 | 6 | 23 | 21 | 41 | (694) | 960 |
| Total assets | 135,101 | 1,068 | 8,658 | 7,856 | 8,941 | (694) | 160,930 |
| LIABILITIES AND EQUITY CAPITAL | | | | | | | |
| Liabilities to credit institutions | 6,596 | – | – | – | – | – | 6,596 |
| Securities issued including subordinated loans | 120,507 | 1,010 | 8,482 | 7,708 | 8,538 | – | 146,245 |
| Other allocations and liabilities | 2,459 | 58 | 176 | 148 | 403 | (694) | 2,550 |
| Minority | 271 | – | – | – | – | – | 271 |
| Equity capital | 5,268 | 0 | 0 | 0 | 0 | – | 5,268 |
| Total liabilities and equity capital | 135,101 | 1,068 | 8,658 | 7,856 | 8,941 | (694) | 160,930 |

Proposed Appropriation of Profit

The group's non-restricted equity capital according to the group balance sheet amounts to SEK 2,468 million, of which the year's result amounts to SEK 471 million.

The Board of Directors and the Chief Executive Officer propose that the funds which, according to the Balance Sheet of the parent company, are at the disposal of the Annual General Meeting, namely profits brought forward SEK 2,074 million, and the year's result SEK 393 million, totalling SEK 2,467 million, be carried forward.

The annual accounts have, to the best knowledge of the Board of Directors and the Chief Executive Officer, been prepared in compliance with generally accepted accounting practice for credit market companies, the information provided is in accord with actual conditions and nothing of material importance has been omitted, which could affect the picture of the company presented by the annual accounts.

Stockholm, 14 March 2006

Claes Kjellander
Chairman

Gunilla Asker

Jan Berg

Per Erik Granström

Kerstin Grönwall

Helena Levander

Lars Linder-Aronson

Michael Thorén

Anders Bloom
Employee representative

Eva Cederbalk
Chief Executive Officer

Our audit report has been submitted on 16 March 2006

KPMG Bohlins AB

Per Bergman
Authorised Public Accountant

Lars-Ola Andersson
Authorised Public Accountant
Appointed by the Swedish Financial Supervisory Authority
(Finansinspektionen)

Audit Report

To the Annual General Meeting 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, SBAB for 2005. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Chief Executive Officer. They are also responsible for ensuring compliance with the Annual Accounts Act concerning Credit Institutions and Securities Companies. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

The audit has been conducted in accordance with generally accepted accounting principles in Sweden. Those standards require that we plan and perform the audit to obtain a high level but not absolute certainty 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 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 Financial Operations 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 Administration Report is in accordance with other parts of the annual accounts and the consolidated accounts.

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

Stockholm, 16 March 2006

KPMG Bohlins AB

Per Bergman
Authorised Public Accountant

Lars-Ola Andersson
Authorised Public Accountant
Appointed by the Swedish Financial Supervisory Authority
(Finansinspektionen)

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. 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 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 the 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 Government Communication 2004/05:120, the 2005 report for state-owned companies. 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.

The owner's guidelines mean that the two code rules that concern the preparation of decisions on appointment of Board Members and auditors are replaced with a special procedure for state-owned companies. The foremost reason for the difference from the Code is that these companies only have one owner while the Code is mainly focused on listed companies with a number of owners.

SBAB's application of the Code has during 2005 entailed a review of the Board's and the Committees' formal work plans and preparation for drawing up a report on the internal control for financial reporting and a survey of the necessary changes in routines for information from the company. The company's auditors have examined this corporate governance report.

The General Meeting of Shareholders

SBAB's supreme decision-making body is the General Meeting of Shareholders. The tasks of the General Meeting of Shareholders include electing a Board of Directors, adopting the company's balance sheets and income statements, deciding on the appropriation of the result from activities and deciding on discharge from liability of the members of the Board and the CEO. The General Meeting of Shareholders also elects an auditor.

The Annual General Meeting of SBAB was held on 13 April 2005 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 interested

parties. Most of the Board Members, the CEO and persons nominated for election to the Board, as well as the company auditors, attended the meeting. Claes Kjellander, Chairman of the Board, chaired the Annual General Meeting.

At the Annual General Meeting, the Board Members Claes Kjellander (Chairman), Jan Berg, Per Erik Granström, Kerstin Grönwall, Helena Levander, Lars Linder-Aronson and Michael Thorén were re-elected. Gunilla Asker was elected as a new Board Member.

The remuneration of the Board Members were decided upon at the Annual General Meeting. Decisions were also made to grant the Board of Directors discharge from liability, on the appropriation of profits and to adopt the annual accounts for 2004. The CEO, Eva Cederbalk, held a speech on SBAB's activities in 2004. 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 companies, the following principles replace the rules of the Code concerning preparation of decisions on appointments of Board Members and auditors:

- ▶ 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 Industry and Trade has been given special responsibility for Board nominations in state-owned companies.
- ▶ The nomination process is driven and co-ordinated by the unit for state ownership at the Ministry of Industry, Employment 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 2004/05:120.

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 for the period until the end of the next Annual General Meeting. As stated above, a new Board Member was elected at the Annual General Meeting, after which SBAB's Board in 2005 has consisted of eight members elected by the Annual General Meeting and one member appointed by the employee organisation the Financial Sector Union of Sweden (Finansförbundet). The CEO is not a member of the Board. The newly-elected Board Member has participated in introductory training.

All Board Members with the exception of the employee representative 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 independents 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-owned state companies and in partly-owned companies with few shareholders.

A presentation of Board Members is contained on page 54 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 2005, the Board had seven ordinary Board 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 report on the net operating income, changes in the loan portfolios, interest rate margins, loan losses and problem loans, funding activity and the capital ratio situation.

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 CEO has been evaluated in connection with the board meeting of 27 October 2005. The work of the Board has not been evaluated, which differs from the provisions of the Code. The reason for this is that the compilation of responses from Board Members had not been completed in December. The evaluation will take place in the first half of 2006.

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 4 to the income statement and balance sheet.

None of the Board Members or the CEO hold shares or financial instruments issued by SBAB. They are not either joint owners of the companies which SBAB has business relations with.

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 tasks of the Credit Committee are to decide on credit limits and loans in accordance with established credit instructions. The Credit Committee further has the task of preparing changes in credit policy and the credit instructions, evaluating portfolio strategies, increasing the transparency of the loan portfolio, evaluating 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 is also to monitor credit risks and pricing of these and monthly sales and pricing.

The Credit Committee consists of three Board Members appointed by the Board, one of which is the chairman of the committee. The CEO is also a member of the Credit Committee. 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), Jan Berg, Helena Levander (until 27 April 2005) and Gunilla Asker (from 27 April 2005) and Eva Cederbalk (CEO).

The Credit 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 the company, internal controls and the financial information and to prepare issues within these areas for decision by the Board.

The Audit Committee consists of 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.

In 2005, the committee consisted of Board Members Jan Berg (Chairman until 27 April 2005, and thereafter member of the committee), Kerstin Grönwall (Chairman from 27 April 2005), Lars Linder-Aronson (until 27 April 2005) and Per Erik Granström (from 27 April 2005). The company's Chief Financial Controller and the auditor appointed by the Annual General Meeting have participated in the committee's meetings.

The Audit Committee has had five 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 capital 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 two 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 do not participate in the Board, 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) and Eva Cederbalk (CEO).

The Finance Committee has had eight meetings during the year.

Remuneration Committee

The task of the Remuneration Committee is to prepare and make proposals in matters relating to compensation and other conditions for the company's leading executives. Questions relating to the CEO's conditions of employment, remuneration and benefits are prepared in the Remuneration Committee and 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. The members of the Remuneration Committee during the year have been: Claes Kjellander (Chairman) and Michael Thorén.

The Remuneration Committee has had one meeting during the year.

More information about remuneration to the CEO and other members of the executive management is shown in note 4 to the balance sheet and income statement.

Other supervisory bodies

Auditors

The owner is responsible for appointment of auditors for state-owned companies. SBAB's Audit Committee evaluates the contribution of the auditors and assists the owner in producing proposals for auditors and fees. However, 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 auditors are published in accordance with the guidelines of the Code. The final decision is made by the owner at the Annual General Meeting.

The Annual General Meeting appoints every fourth year an auditor or a firm of auditors 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 2003, the Annual General Meeting appointed KPMG Bohlins AB as auditor. The auditor in charge is Per Bergman. In addition, an auditor is appointed by Finansinspektionen. Finansinspektionen has appointed Lars-Ola Andersson, SET Revisionsbyrå AB, as auditor in SBAB. A more detailed presentation of the auditors and remuneration and cost compensation is included on page 55 and note 4 to the annual report.

The auditors examine the administration of the company by the Board and the CEO and the quality of the company's accounting documents. The auditors report on the result of their examination to the shareholders through their audit report, which is submitted to the Annual General Meeting. In addition, the auditors make a review of the company's interim reports and submit detailed accounts to the Audit Committee at the ordinary Audit Committee meetings and to the Board once a year.

Attendance at meetings 2005

| | Board | Credit Committee | Audit Committee | Finance Committee | Remu- neration Committee |
|---------------------|-------|---------------------|--------------------|----------------------|--------------------------------|
| Number of meetings | 7 | 10 | 5 | 8 | 1 |
| <i>Attendance</i> | | | | | |
| Claes Kjellander | 7 | 9 | | | 1 |
| Gunilla Asker* | 4 | 6** | | | |
| Jan Berg | 7 | 9 | 5 | | |
| Per Erik Granström | 7 | | 4 | | |
| Kerstin Grönwall | 7 | | 5 | | |
| Helena Levander | 7 | 2** | | 8 | |
| Lars Linder-Aronson | 6 | | 1** | 8 | |
| Michael Thorén | 7 | | | | 1 |

* Appointed to the Board in connection with the Annual General Meeting on 13 April 2005.

** Has served on the committee for part of 2005.

Internal audit

The internal audit in SBAB is an internal independent inspection function in accordance with Finansinspektionen's regulations (FFFS 2005:1, Chapter 6). The main tasks of the internal audit are thus to examine and evaluate the internal control 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 audit work is performed in accordance with an audit plan, which is annually prepared by the Audit Committee and decided upon by 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.

Internal control of financial reporting

The Board is responsible according to the Swedish Companies Act and the Swedish Code of Corporate Governance for internal control. With reference to the statement on the Board's reporting on internal control from the Swedish Corporate Governance Board of 15 December 2005, a description is provided of how the internal control is organised with regard to 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 business is conducted 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 aggregate 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 attestation instruction, credit policy, credit instruction, financial policy, financial instructions, 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 51-52.

The company's internal audit reports twice a year to the Board on the result of its examination of the internal control. The examination of the internal audit takes place in accordance with an audit plan which is prepared annually by the Audit Committee and decided upon by the Board.

Financial reporting 2005

SBAB published the following financial reports in 2005.

| | |
|--|------------|
| Announcement of SBAB's result for 2004 | 31 January |
| Interim Report January-March | 28 April |
| Interim Report January-June | 25 August |
| Interim Report January-September | 28 October |
| Annual Report 2004 was published on 13 April 2005. | |

Internal control report

SBAB's application of the Code has in 2005 entailed preparations for establishing a report for the internal control of the financial reporting. In 2006, continued activities will be carried out which are required to submit a report on the internal control for financial reporting. The report will be presented in early 2007, for the 2006 financial year, and will be examined by the company's external auditor.

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 2005. The corporate governance report has been drawn up in accordance with the guidelines stated in the Swedish Code of Corporate Governance.

Stockholm, 16 March 2006

KPMG Bohlins AB

Per Bergman
Authorised Public Accountant

Board of Directors



Claes Kjellander
Chairman
 Former CEO Jones Lang LaSalle AB
 Bachelor of Science
 Born 1945
 Elected to the Board 2003
 Member of SBAB's Credit Committee and Remuneration Committee
Other Board assignments: Board Member of Specialfastigheter i Sverige
Past experience: Managing Director of Stenvalvet, Deputy Managing Director of Vasakronan, Deputy Managing Director of ABB Fläkt, Administration Director Bristol Myers



Gunilla Asker
Marketing and Sales Director
 Svenska Dagbladet
 Master 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, Head of Marketing at Unilever



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



Per Erik Granström
Member of Parliament
 Graduated as teacher from the Swedish Trade Union Confederations school in Brunnsvik
 Born 1942
 Elected to the Board 1995
 Member of SBAB's Audit Committee
Other Board assignments: Board Member of Laggen i Ludvika AB
Past experience: Chairman of the Municipal Executive Board and Local Government Commissioner in the Municipality of Ludvika, Trade Union Representative at the Swedish Metalworkers Unions section in Ludvika, Teacher at the Swedish Trade Union Confederations school in Brunnsvik



Kerstin Grönwall
Project Manager Folksam
 Born 1948
 Elected to the Board 2002
 Member of SBAB's Audit Committee
Past experience: Project Leader and Manager for Samhällsansvar Folksam, Managing Director of KPA Fonder AB, Manager KPA, Business Developer KPA Liv, Marketing Manager SEB Försäkring, Administration Manager SEB Försäkring



Helena Levander
Partner & Chairman Nordic Investor Services AB
 Master of Business Administration and Economics
 Born 1957
 Elected to the Board 2004
 Member of SBAB's Finance Committee
Other Board assignments: Board Member of Bure Equity AB, Board Member of AB Svensk Exportkredit (publ), Board Member of Transatlantic AB
Past experience: Managing Director of Neonet Securities AB, Managing Director of Odin Fonder, Senior Fund Manager Nordea Asset Management, SEB Asset Management



Lars Linder-Aronson
Chairman Ventshare AB
 Master 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 Investment Management AB
Past experience: Managing Director of Enskilda Securities, Deputy Managing Director of SEB



Michael Thorén
Senior Investment Manager, Ministry of Industry
 Master of Business Administration and Economics
 Born 1969
 Elected to the Board 2003
 Member of SBAB's Remuneration Committee
Other Board assignments: Board Member of Venantius AB (publ), Board Member of Försäkrings AB Bostadsgaranti, Board Member of AB Bostadsgaranti
Past experience: Analyst ABN Amro Bank, project manager Retrieva Kredit AB



Anders Bloom
Employee representative since 2004
 Appointed by the Financial Sector Union of Sweden (Finansförbundet)
 Born 1955

Executive Management & Auditors



Top row from left: Per O. Dahlstedt, Johanna Clason, Catharina Kandel, Eva Cederbalk, Christine Ehnström, Per Balazsi.
Bottom row from left: Lena Hedlund, Bengt-Olof Nilsson Lalér, Ulf Tingström, Peter Gertman.

Eva Cederbalk

CEO
Master of Business Administration and Economics
Born 1952
Year of employment 2004
Board assignments: Chairman S:t Eriks Ögonsjukhus
Past experience: Managing Director of Netgiro International, Head of e-business If skadeförsäkring AB, Managing Director of Dial Försäkringar AB, various positions within the SEB-group amongst others Head of the Internet and telephone bank, Head of Banking Products, Head of SEB Kort, Managing Director of Eurocard AB

Peter Gertman

Deputy CEO
Master of Business Administration and Economics
Born 1957
Year of employment 1991
Board assignments: Board Member of Telge Energi, Board Member of FriSpar Bolån AB
Past experience: Administration Manager Independent Finans, Marketing and Sales Manager Unisys

Per Balazsi

Chief Financial Controller
Master of Business Administration and Economics
Born 1966
Year of employment 2002
Past experience: Risk-Analyst The Swedish National Debt Office, Deputy Assistant Undersecretary Ministry of Finance

Johanna Clason

Chief Financial Officer
Master of Business Administration and Economics
Born 1965
Year of employment 2005
Past experience: IR Brummer & Partners, Executive Director, Treasurer AB Svensk Exportkredit, Trader ABB Treasury Center (Sweden) AB

Per O. Dahlstedt

Head of Corporate Loans
Master 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 (LLM)
Born 1973
Year of employment 1999
Past experience: Legal Counsel Volvo Treasury AB (publ)

Lena Hedlund

Chief Communication Officer
Master of Business Administration and Economics
Born 1961
Year of employment 1994
Board assignments: Board Member of Vasallen AB
Past experience: Sales and Credit Ratings at Stadshypotek AB (publ)

Catharina Kandel

Human Resources Manager
Bachelor of Science Line for Staff and Working Life Issues
Born 1965
Year of employment 2004
Past experience: Various HR-positions within the insurance company Skandia, HR-Manager SkandiaBanken

Bengt-Olof Nilsson Lalér

Chief Credit Officer
Master of Business Administration and Economics
Born 1957
Year of employment 2000
Board assignments: Board Member of FriSpar Bolån AB
Past experience: Deputy Group Credit Manager Föreningsbanken AB, Deputy Managing Director of 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 Head SPP, CIO IconMedialab International

Göran Laurén

Resigned as Chief Financial Officer in spring 2005
Year of employment 1991

Auditors

KPMG Bohlins AB have been SBAB's auditors since 1985.

Per Bergman

Authorised Public Accountant KPMG Bohlins AB
Born 1946
Auditor in charge in SBAB since 1996
Other assignments: Axel Johnson AB, Axfast AB, Axfood AB, Cashguard AB, Enea AB, JC AB, KF Ek förening, KF Fastigheter AB, KP Pension, Sardus AB and AB Svensk Exportkredit

Lars-Ola Andersson

Authorised Public Accountant SET Revisionsbyrå AB
Born 1954
Appointed by Finansinspektionen in SBAB since 2003
Other assignments: Appointed by Finansinspektionen for around 15 other companies in the financial sector, amongst other Länsförsäkringskoncernen

FriSpar Bolån AB

FriSpar Bolån AB is a jointly-owned credit market company operating in the south of Sweden, in particular in western and central Skåne. SBAB's owner share is 51% and the company is consolidated in the SBAB group. The savings bank Sparbanken Finn owns 34.3% and the savings bank Sparbanken Gripen 14.7%.

Lending takes place both to the private and corporate market. Marketing, lending and credit assessment is taken care of by the savings banks. Funding and ongoing administration are handled by SBAB. The partnership in the company has been successful for all three parties and the company now has a balance-sheet total of over SEK 15 billion. A continued positive development of the loan volumes is expected in future years.

Board of Directors, FriSpar Bolån AB

Lars-Olof Svensson

*Chairman of the Board
Deputy Managing Director of
Sparbanken Finn
Master of Business Administration
and Economics
Born 1950
Year of employment 1998 by
Sparbanken Finn*

Jan Olof Arvidsson

*Credit Manager Sparbanken Finn
Economist, Agronomist
Born 1969
Year of employment 1999 by
Sparbanken Finn*

Peter Bjurenwall

*Retail Market Manager of Spar-
banken Gripen AB (publ)
Born 1966
Year of employment 1998 by
Sparbanken Gripen AB (publ)*

Peter Gertman

*Deputy CEO SBAB
Master of Business Administration
and Economics
Born 1957
Year of employment 1991 by
SBAB*

Gustav Hoorn

*Regional Manager SBAB
Master of Business Administration
and Economics
Born 1958
Year of employment 1995 by
SBAB*

Bengt Johansson

*Business Manager and Deputy
CEO Sparbanken Gripen AB (publ)
Born 1950
Year of employment 1990 by
Sparbanken Gripen AB (publ)*

Bengt-Olof Nilsson Lalér

*Chief Credit Officer SBAB
Master of Business Administration
and Economics
Born 1957
Year of employment 2000 by
SBAB*

Göran Laurén

*Resigned on 10 May 2005 as
Board Member of FriSpar Bolån AB
He was elected to FriSpar's Board
in 2005*



Addresses

Head Office

SBAB

Box 27308

SE-102 54 Stockholm

(Visiting address: Löjtnantsgatan 21)

Tel +46-8 614 43 00

Fax +46-8 611 46 00

E-mail kundcenter@sbab.se

Registration 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

SBAB

Box 1546

SE-751 45 Uppsala

(Visiting address: Kungsgatan 64)

Tel +46-771 45 30 00

Fax +46-18 490 40 90

E-mail kundcenter@sbab.se

Loans to companies and tenant-owner associations

SBAB

Kungstorget 2

SE-411 17 Göteborg

Tel +46-771 45 30 00

Fax +46-31 743 37 10

E-mail goteborg@sbab.se

SBAB

Stortorget 17

SE-211 22 Malmö

Tel +46-771 45 30 00

Fax +46-40 30 61 55

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 60 / +46-8 614 38 63

E-mail stockholm@sbab.se

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: +46-8 614 43 00 • Fax. Int: +46-8 611 46 00
Internet: www.sbab.se • E-mail: kundcenter@sbab.se
(Reg.no. 556253-7513)