

INTERIM REPORT

1 JANUARY – 30 JUNE 2005

THE SWEDISH HOUSING FINANCE CORPORATION, SBAB

THE PERIOD IN BRIEF

- New lending to the retail market was 32% higher than in the corresponding period last year.
- SBAB's market share for retail market lending now totals 8.8% (8.1%).
- Moody's Investors Service increased the rating to Aa3 from A1.
- Net operating income for the first six months was SEK 325 million (SEK 360 million), which is a reduction of 10%.
- Net interest income increased by 1% to SEK 635 million (SEK 629 million).
- Expenses totalled SEK 284 million (SEK 263 million), an increase of 8%.

NET OPERATING INCOME

SBAB's net operating income for the first six months of 2005 amounted to SEK 325 million (SEK 360 million), which is 10% lower than for 2004. This is primarily the result of increased commission expenses, increased expenses and a reduced net gain from the net loan losses position compared with the corresponding period last year.

NET INTEREST INCOME AND OTHER OPERATING INCOME

Net interest income amounted to SEK 635 million compared to SEK 629 million for the first six months of 2004. Underlying this change was a positive development in retail market lending, although reduced interest rates have had a negative effect on yield. Net commission and other operating income amounted to a loss of SEK -30 million (SEK -14 million). Commission expenses have increased as a consequence of the growth in volume with SBAB's business partners.

EXPENSES

Expenses increased by 8% to SEK 284 million (SEK 263 million). The increase in expenses is primarily the result of increased personnel and marketing costs in the second quarter.

LOAN LOSSES AND DOUBTFUL LOAN CLAIMS

Net loan losses continued to be low and posted a positive result of SEK 4 million (SEK 8 million). Doubtful loan claims have been reduced since the year-end from SEK 214 million to SEK 171 million. The provision ratio regarding specific provisions for loan claims assessed

Summary for the SBAB group

	Jun 2005	Jun 2004	Dec 2004
Net interest income, SEK million	635	629	1 214
Net operating income, SEK million	325	360	678
Net profit for the period, SEK million	229	256	485
Loan losses, net, SEK million	4	8	7
Lending, SEK million	136,873	129,651	130,907
Loans securitised, SEK million	23,129	25,212	25,153
Doubtful loan claims after specific provisions for loan claims assessed individually	68	113	96
Volume of international borrowing, SEK million	76,570	72,397	66,602
Income/Expenditure ratio, excluding loan losses	2.1	2.3	2.3
Income/Expenditure ratio, including loan losses	2.2	2.4	2.4
Return on equity, %	8.8	10.5	9.5
Capital ratio, %	9.3	10.1	10.0
Primary capital ratio, %	7.8	8.4	8.4
Equity ratio, %	3.8	4.0	4.1
Rating, long-term debt Standard & Poor's Moody's	AA- Aa3	AA- A1	AA- A1
Rating, short-term debt Standard & Poor's Moody's	A-1+ P-1	A-1+ P-1	A-1+ P-1
Average number of employees during the period of whom temporary employees	408 30	381 26	391 30

Loan portfolio and securitised loans

SEK million	Jun 2005		Dec 2004	
	Total	of which securitised loans	Total	of which securitised loans
Retail market	87.1	15.0	76.7	15.8
Corporate market	72.9	8.1	79.4	9.4
Total	160.0	23.1	156.1	25.2

individually was 61%. At the end of the first six months, total provisions amounted to SEK 265 million, of which SEK 144 million related to collective provisions for loan claims assessed individually.

LENDING

During the first six months, SBAB's lending to the retail market has increased. New lending in the retail market amounted to SEK 16,443 million (SEK 12,464 million) during the period. As earlier, SBAB's business partners are important distribution channels. When SBAB, as first residential mortgage company in Sweden, abolished top loans in April 2005, there was a further increase in the good growth in lending to retail customers. SBAB has credit insurance for loans with a loan to value ratio of over 85%. The portfolio now amounts to SEK 72,061 million (SEK 60,942 million) excluding securitised loans. SBAB's market share of retail market lending has increased to 8.8% (8.1%).

New lending in the corporate market was SEK 1,892 million (SEK 2,472 million). The corporate market portfolio, excluding securitised loans, amounted to SEK 64,812 million (SEK 69,965 million).

SBAB's customers are choosing, on the whole, somewhat shorter loan terms than during the corresponding period in 2004.

FUNDING

Long-term funding in the first six months of the year amounted to SEK 32,944 million (SEK 28,593 million) of which SEK 20,304 million (SEK 15,019 million) was raised in the international market and SEK 12,640 million (SEK 13,574 million) in the domestic bond market. Short-term funding, defined as short-term at the issue date, amounted to SEK 49,843 million (SEK 24,841 million).

CAPITAL ADEQUACY

The capital ratio at the end of the first six months was 9.3% (10.0%). The primary capital ratio was 7.8% (8.4%) and included six months' profit with estimated tax and dividend deducted.

SBAB's capital base amounted to SEK 6,563 million (SEK 6,386 million). The parent company's capital ratio was 9.9% (10.6%), the primary capital ratio 8.2% (8.8%) and the capital base SEK 6,281 million (SEK 6,120 million).

INTEREST RATE RISK

A parallel shift in the yield curve of plus one percentage point at 30 June 2005 would have resulted in a reduction in the net value of SBAB's interest-bearing assets and liabilities, including derivative transactions, of around SEK 156.1 million.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the provisions of the Annual Accounts Act concerning Credit Institutions and Securities Companies (ÅRKL) and the regulations issued by the Swedish financial supervisory authority, Finansinspektionen (2002:22). Accounting principles have not been changed since the Annual Report for 2004.

All listed parent companies in the EU are to apply the accounting standards produced by the IASB (International Accounting Standards Board) as from 2005 with certain exceptions. The respective Member State can make a decision on a postponement to 2007 for those companies that are only listed with debt instruments. The Riksdag decided at the end of 2004 that Sweden would make use of this possibility. SBAB has only issued listed instruments of debt and is preparing for application of IFRS 2007.

CURRENT EVENTS

The strategic plan involves continued focus on the retail market and tenant-owner associations. The overall strategy is for SBAB to be the price leader among residential mortgage lenders.

On 30 June 2005, SBAB was upgraded by the rating agency Moody's Investors Service to Aa3 from A1. This upgrading is an acknowledgment of SBAB's financial strength, the low risk and the strong market position.

A new customer centre focusing on retail customers has been established in Uppsala in spring 2005.

In May 2005, a new bond loan was issued in the market, SBAB 122, with a maturity of five years and a coupon of 4%.

As an adaptation to the coming capital adequacy rules in accordance with Basel II, SBAB has submitted notification to Finansinspektionen in July 2005 on application of internal rating models in operations as from 1 January 2007.

Income statement

SEK million	GROUP				PARENT COMPANY	
	Jan-Jun 2005	Jan-Jun 2004	Apr-Jun 2005	Apr-Jun 2004	Jan-Jun 2005	Jan-Jun 2004
Interest income	2,763	2,979	1,367	1,457	2,718	2,778
Interest expenses	(2,128)	(2,350)	(1,052)	(1,151)	(2,137)	(2,190)
Net interest income	635	629	315	306	581	588
Commission income	26	31	14	18	49	49
Commission expenses	(56)	(45)	(29)	(23)	(26)	(22)
Other operating income	0	0	0	0	0	0
Total operating income	605	615	300	301	604	615
General administration expenses	(236)	(224)	(128)	(112)	(244)	(227)
Depreciation of tangible and intangible fixed assets	(11)	(8)	(6)	(5)	(7)	(6)
Other operating expenses	(37)	(31)	(23)	(17)	(37)	(31)
Total operating expenses	(284)	(263)	(157)	(134)	(288)	(264)
Operating income before loan losses	321	352	143	167	316	351
Loan losses, net (Note 1)	4	8	1	0	4	8
Net operating income	325	360	144	167	320	359
Allocations	-	-	-	-	(48)	(52)
Minority share in the period's result	0	(0)	0	(0)	-	-
Deferred tax expense	(15)	(15)	(6)	(7)	-	-
Tax on profit for the period	(81)	(89)	(37)	(42)	(81)	(89)
Net profit for the period	229	256	101	118	191	218

Balance sheet

SEK million	GROUP			PARENT COMPANY	
	30 Jun 2005	30 Jun 2004	31 Dec 2004	30 Jun 2005	31 Dec 2004
ASSETS					
Cash in hand and balance at central banks	0	0	0	0	0
Repo eligible Treasury bills, etc.	3	50	225	3	225
Lending to credit institutions	2,516	1,377	2,406	15,124	13,389
Lending to public (Note 2)	136,873	129,651	130,907	124,129	119,872
Shares and participations	0	0	0	0	0
Shares and participations in group companies	-	-	-	306	280
Intangible fixed assets	46	33	39	18	16
Tangible assets	22	21	21	22	21
Other assets	8,220	1,443	930	8,217	928
Prepaid costs and accrued income	442	607	573	460	587
TOTAL ASSETS	148,122	133,182	135,101	148,279	135,318
LIABILITIES AND EQUITY CAPITAL					
LIABILITIES					
Debts to credit institutions	8,513	2,079	6,596	8,433	6,583
Borrowing from public	-	1,000	-	-	-
Bonds issued etc.	128,810	121,091	119,025	129,410	119,575
Other liabilities	2,235	107	124	2,235	125
Accrued costs and prepaid income	1,208	1,876	2,061	1,171	2,038
Provision for deferred tax	288	261	274	-	-
Subordinated debt	1,414	1,482	1,482	1,414	1,482
Total liabilities	142,468	127,896	129,562	142,663	129,803
Untaxed reserves	-	-	-	1,001	952
Minority shareholding	296	247	271	-	-
EQUITY CAPITAL					
<i>Restricted equity capital</i>					
Share capital	1,958	1,958	1,958	1,958	1,958
Restricted reserves/Legal reserve	1,133	1,063	1,095	392	392
<i>Unrestricted equity</i>					
Unrestricted reserves/Profit brought forward	2,038	1,762	1,730	2,074	1,798
Net profit for the period	229	256	485	191	415
Total equity capital	5,358	5,039	5,268	4,615	4,563
TOTAL LIABILITIES AND EQUITY CAPITAL	148,122	133,182	135,101	148,279	135,318

Changes in equity capital

SEK million	GROUP			PARENT COMPANY	
	Jan-Jun 2005	Jan-Jun 2004	Jan-Dec 2004	Jan-Jun 2005	Jan-Jun 2004
Equity at the beginning of the period	5,268	4,926	4,926	4,563	4,291
Dividend	(139)	(143)	(143)	(139)	(143)
Net profit for the period	229	256	485	191	218
Equity capital at the end of the period	5,358	5,039	5,268	4,615	4,366

Cash flow analysis

SEK million	GROUP			PARENT COMPANY	
	Jan-Jun 2005	Jan-Jun 2004	Jan-Dec 2004	Jan-Jun 2005	Jan-Jun 2004
Liquid funds at the beginning of the period	2,406	3,777	3,777	2,406	3,777
Cash flow from current operations	243	(2,296)	(1,275)	285	(2,199)
Cash flow from investment operations	(19)	(10)	(26)	(36)	(58)
Cash flow from financing operations	(114)	(94)	(70)	(139)	(143)
Increase/Decrease in liquid funds	110	(2,400)	(1,371)	110	(2,400)
Liquid funds at the end of the period	2,516	1,377	2,406	2,516	1,377

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

Note 1 Loan losses, net

Group SEK million	Jan-Jun	
	2005	2004
<i>Specific provision for loan claims assessed individually</i>		
The period's write-offs for actual loan losses	13	12
Reversal of previous provisions for probable loan losses reported as actual loan losses in the accounts for the period	(13)	(12)
The period's provision for probable loan losses	4	14
Recoveries in respect of actual loan losses in previous years	(1)	(2)
Reversal of previous provisions for probable loan losses no longer required	(8)	(19)
Net cost for the period	(5)	(7)
<i>Collective provision for loan claims assessed individually</i>		
Allocation to/Withdrawal from collective provision	-	(1)
<i>Collectively assessed homogeneous groups of loan claims</i>		
The period's write-offs to actual loan losses	2	1
Recoveries in respect of actual loan losses in previous years	(1)	(1)
Allocation to/Withdrawal from provisions for loan losses	(0)	0
Net cost for the period of collectively assessed homogeneous loan claims	1	0
Net cost of loan losses for the period	(4)	(8)

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

Note 2 Lending to the public

Group SEK million	30 Jun 2005		31 Dec 2004	
	Lending	Provision	Lending	Provision
Municipal dwellings	14,978	-	17,797	-
Tenant-owner associations	28,423	(194)	28,891	(201)
Privately-owned multi-family dwellings	20,838	(53)	22,325	(61)
Single-family dwellings and holiday homes	53,681	(16)	46,675	(17)
Tenant-owned apartments	18,398	(2)	14,286	(2)
Commercial properties	820	-	1,214	-
Reserve for probable loan losses	(265)		(281)	
Total	136,873	(265)	130,907	(281)

Note 2 continued.

<i>Doubtful and non-performing loan claims</i>	30 Jun 2005	31 Dec 2004
a) Doubtful loan claims	171	214
b) Non-performing loan claims, which are included in doubtful loan claims	18	57
c) Non-performing loan claims on which interest is taken up as income and which are thus not included in doubtful loan claims	69	145
d) Specific provisions for loan claims assessed individually	103	118
e) Collective provisions for loan claims assessed individually	144	144
f) Provisions for collectively assessed homogeneous groups of loan claims	18	19
g) Provisions, total (d+e+f)	265	281
h) Doubtful loan claims after specific provisions for loan claims assessed individually (a-d)	68	96
i) Provision ratio regarding specific provisions for loan receivables assessed individually (d/a)	61%	55%

Note 3 Book value and actual values of derivatives

Group SEK million	30 Jun 2005		31 Dec 2004	
	Book value	Actual value	Book value	Actual value
<i>Derivatives with positive or zero values</i>				
Interest rate swaps	1,497	3,018	784	2,215
Interest rate and currency swaps	3,026	3,437	41	1,160
Equity-linked derivative contracts	3	20	1	57
Total	4,526	6,475	826	3,432
<i>Derivatives and negative values</i>				
Interest rate swaps	1,668	4,586	1,428	3,919
Interest-rate and currency swaps	452	611	103	2,694
Equity-linked derivative contracts	0	5	0	6
Total	2,120	5,202	1,531	6,619

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

Stockholm, 24 August 2005

Eva Cederbalk
Chief Executive Officer

REVIEW REPORT

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

Stockholm, 24 August 2005

KPMG Bohlins AB

Per Bergman
Authorised public accountant

Lars-Ola Andersson
Authorised public accountant
Appointed by Finansinspektionen

FINANCIAL INFORMATION

SBAB's interim report for the third quarter will be published on 28 October 2005.



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