

INTERIM REPORT

1 JANUARY – 30 SEPTEMBER 2005

THE SWEDISH HOUSING FINANCE CORPORATION, SBAB

THE PERIOD IN BRIEF

- New lending to the retail market was 56% higher than in the corresponding period last year.
- SBAB's market share for retail market lending now totals 9.2% (8.2%).
- Net operating income for the first nine months was SEK 505 million (SEK 547 million), which is a reduction of 8%.
- Net interest income increased by 3% to SEK 961 million (SEK 933 million).

NET OPERATING INCOME

SBAB's net operating income for the first nine months of 2005 amounted to SEK 505 million (SEK 547 million), which is 8% lower than the corresponding period in 2004. The deterioration in income is primarily explained by an increase in overheads.

NET INTEREST INCOME AND OTHER OPERATING INCOME

Net interest income amounted to SEK 961 million compared with SEK 933 million for the first nine 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 –49 million (SEK –24 million). Commission expenses have increased as a consequence of the growth in volume with SBAB's business partners.

EXPENSES

Expenses increased by 12% to SEK 412 million. The high level of new sales has led to an increase in volume-related costs. Personnel costs have also been affected by an increase in the number of permanent and temporary staff. During the period, marketing has been more intense and is at a higher level. In addition, SBAB is engaging in a number of extensive development projects due to different changes in regulatory frameworks, among other things. Together, the investment for these projects total approximately SEK 40 million which is on a level with last year.

Summary for the SBAB group

	Sep 2005	Sep 2004	Dec 2004
Net interest income, SEK million	961	933	1,214
Net operating income, SEK million	505	547	678
Net profit for the period, SEK million	358	391	485
Lending, SEK million	143,806	129,222	130,907
Loans securitised, SEK million	22,989	25,354	25,153
Doubtful loan claims after specific provisions for loan claims assessed individually, SEK million	58	97	96
Volume of international borrowing, SEK million	74,337	71,922	66,602
Income/Expenditure ratio, excluding loan losses	2.2	2.5	2.3
Income/Expenditure ratio, including loan losses	2.2	2.5	2.4
Return on equity, %	8.5	10.3	9.5
Capital ratio, %	9.0	10.1	10.0
Primary capital ratio, %	7.6	8.4	8.4
Equity ratio, %	3.9	4.0	4.1
Rating, long-term borrowing Standard & Poor's Moody's	AA- Aa3	AA- A1	AA- A1
Rating, short-term borrowing 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	415 34	393 29	391 30

Loan portfolio and securitised loans

	Sep 2005		Dec 2004	
	Total	of which securitised loans	Total	of which securitised loans
SEK billion				
Retail market	94.3	15.1	76.7	15.8
Corporate market	72.5	7.9	79.4	9.4
Total	166.8	23.0	156.1	25.2

LOAN LOSSES AND DOUBTFUL LOAN CLAIMS

Net loan losses have continued to be low and posted a positive result of SEK 5 million (SEK 7 million). Doubtful loan claims have been reduced since the year-end from SEK 214 million to SEK 161 million. The provision ratio regarding specific provisions for loan claims assessed individually was 64%. At the end of September 2005, 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 nine months, SBAB lending to the retail market has increased. New lending to the retail market amounted to SEK 27,012 million (SEK 17,276 million). As earlier, SBAB's business partners are important distribution channels. When SBAB as the first residential mortgage company in Sweden abolished top loans in April 2005, there was a further increase in the good growth in lending to retail customers. SBAB has credit insurance for loans with a loan to value ratio of over 85%. The portfolio now amounts to SEK 79,212 million (SEK 60,942 million) excluding securitised loans. SBAB's market share of retail market lending has increased to 9.2% (8.2%).

New lending in the corporate market was SEK 3,300 million (SEK 3,296 million). The corporate market portfolio excluding securitised loans amounted to SEK 64,594 million (SEK 69,965 million).

FUNDING

Long-term funding in the first nine months of the year amounted to SEK 47,710 million (SEK 30,353 million) of which SEK 31,590 million (SEK 15,080 million) was raised in the international market and SEK 16,120 million (SEK 15,274 million) in the domestic bond market. Short-term funding, defined as short-term at the issue date, amounted to SEK 44,355 million (SEK 33,238 million).

CAPITAL ADEQUACY

The capital ratio at the end of the first nine months of the year was 9.0% (10.0%). The primary capital ratio was 7.6% (8.4%) and included nine months' profit with estimated tax and dividend deducted. SBAB's capital base amounted to SEK 6,711 million

(SEK 6,386 million). The parent company's capital ratio was 9.5% (10.6%), the primary capital ratio 8.0% (8.8%) and the capital base SEK 6,372 million (SEK 6,120 million).

INTEREST RATE RISK

A parallel shift in the yield curve of plus one percentage point at 30 September 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 138.8 million.

ACCOUNTING PRINCIPLES

The 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 until 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 in 2007.

CURRENT EVENTS

On 13 October, SBAB has submitted an application to Finansinspektionen, through a newly-established subsidiary, on permission for the subsidiary to issue secured bonds pursuant to the Issue of Secured Bonds Act (2003:1223). SBAB has appointed Citigroup as advisor in the preparatory work for the transition to secured bonds.

The Government proposes in the Budget Bill for 2006 that SBAB's assignment be expanded to include accepting deposits from the public. The decision is to be made by the Riksdag in December 2005.

Income statement

SEK million	GROUP				PARENT COMPANY	
	Jan-Sep 2005	Jan-Sep 2004	Jul-Sep 2005	Jul-Sep 2004	Jan-Sep 2005	Jan-Sep 2004
Interest income	4,078	4,409	1,315	1,430	4,010	4,102
Interest expenses	(3,117)	(3,476)	(989)	(1,126)	(3,132)	(3,234)
Net interest income	961	933	326	304	878	868
Commission income	39	44	13	13	75	71
Commission expenses	(88)	(68)	(32)	(23)	(40)	(31)
Other operating income	0	0	0	0	0	0
Total operating income	912	909	307	294	913	908
General administration expenses	(350)	(314)	(114)	(90)	(360)	(318)
Depreciation of tangible and intangible fixed assets	(16)	(13)	(5)	(5)	(11)	(9)
Other operating expenses	(46)	(42)	(9)	(11)	(46)	(42)
Total operating expenses	(412)	(369)	(128)	(106)	(417)	(369)
Operating income before loan losses	500	540	179	188	496	539
Loan losses, net (Note 1)	5	7	1	(1)	5	7
Net operating income	505	547	180	187	501	546
Allocations	-	-	-	-	(79)	(80)
Minority share in the period's result	0	(0)	0	(0)	-	-
Deferred taxes	(23)	(23)	(8)	(8)	-	-
Tax on profit for the period	(124)	(133)	(43)	(45)	(124)	(133)
Net profit for the period	358	391	129	134	298	333

Balance sheet

SEK million	GROUP			PARENT COMPANY	
	30 Sep 2005	30 Sep 2004	31 Dec 2004	30 Sep 2005	31 Dec 2004
ASSETS					
Cash in hand and balance at central banks	0	0	0	0	0
Repo eligible Treasury Bills, etc.	3	-	225	3	225
Lending to credit institutions	600	2,973	2,406	14,318	13,389
Lending to public (Note 2)	143,806	129,222	130,907	129,997	119,872
Shares and participations	0	0	0	0	0
Shares and participations in group companies	-	-	-	357	280
Intangible fixed assets	47	34	39	18	16
Tangible assets	20	21	21	20	21
Other assets	4,568	1,856	930	4,566	928
Prepaid costs and accrued income	428	595	573	436	587
TOTAL ASSETS	149,472	134,701	135,101	149,715	135,318
LIABILITIES AND EQUITY CAPITAL					
LIABILITIES					
Debts to credit institutions	8,176	6,022	6,596	8,109	6,583
Borrowing from public	-	1,000	-	-	-
Bonds issued, etc.	129,616	117,460	119,025	130,316	119,575
Other liabilities	2,564	615	124	2,563	125
Accrued costs and prepaid income	1,620	2,432	2,061	1,606	2,038
Provision for deferred tax	297	269	274	-	-
Subordinated debt	1,368	1,482	1,482	1,368	1,482
Total liabilities	143,641	129,280	129,562	143,962	129,803
Untaxed reserves	-	-	-	1,031	952
Minority share	344	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	1,155	1,083	1,095	392	392
<i>Unrestricted equity capital</i>					
Unrestricted reserves/Profit brought forward	2,016	1,742	1,730	2,074	1,798
Net profit for the period	358	391	485	298	415
Total equity capital	5,487	5,174	5,268	4,722	4,563
TOTAL LIABILITIES AND EQUITY CAPITAL	149,472	134,701	135,101	149,715	135,318

Changes in equity capital

SEK million	GROUP			PARENT COMPANY	
	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004	Jan-Sep 2005	Jan-Sep 2004
Equity capital 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	358	391	485	298	333
Equity capital at the end of the period	5,487	5,174	5,268	4,722	4,481

Cash flow analysis

SEK million	GROUP			PARENT COMPANY	
	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004	Jan-Sep 2005	Jan-Sep 2004
Liquid funds at the beginning of the period	2,406	3,777	3,777	2,406	3,777
Cash flow from current operations	(1,717)	(695)	(1,275)	(1,577)	(598)
Cash flow from investment operations	(23)	(15)	(26)	(90)	(63)
Cash flow from financing operations	(66)	(94)	(70)	(139)	(143)
Increase/Decrease in liquid funds	(1,806)	(804)	(1,371)	(1,806)	(804)
Liquid funds at the end of the period	600	2,973	2,406	600	2,973

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-Sep	
	2005	2004
<i>Specific provision for loan claims assessed individually</i>		
The period's write-offs for actual loan losses	14	17
Reversal of previous provisions for probable loan losses reported as actual loan losses in the accounts for the period	(15)	(15)
The period's provision for probable loan losses	9	14
Recoveries in respect of actual loan losses in previous years	(3)	(2)
Reversal of previous provisions for probable loan losses no longer required	(11)	(20)
Net cost for the period	(6)	(6)
<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 for actual loan losses	3	1
Recoveries in respect of actual loan losses in previous years	(2)	(2)
Allocation to/Withdrawal from provision for loan losses	(0)	1
Net cost for the period of collectively assessed homogeneous loan claims	1	0
Net cost for loan losses for the period	(5)	(7)

Both the write-offs for actual loan losses for the period 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 Sep 2005		31 Dec 2004	
	Lending	Provision	Lending	Provision
Municipal dwellings	14,421	-	17,797	-
Tenant-owner associations	29,003	(190)	28,891	(201)
Privately-owned multi-family dwellings	20,603	(57)	22,325	(61)
Single-family dwellings and holiday homes	57,876	(16)	46,675	(17)
Tenant-owned apartments	21,354	(2)	14,286	(2)
Commercial properties	814	-	1,214	-
Reserve for probable loan losses	(265)		(281)	
Total	143,806	(265)	130,907	(281)

Note 2 continued.

<i>Doubtful and non-performing loan claims</i>	30 Sep 2005	31 Dec 2004
a) Doubtful loan claims	161	214
b) Non-performing loan claims, which are included in doubtful loan claims	54	57
c) Non-performing loan claims on which interest is taken up as income and which are thus not included in doubtful loan claims	159	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)	58	96
i) Provision ratio regarding specific provisions for loan claims assessed individually (d/a)	64%	55%

Note 3 Book and actual values of derivatives

Group SEK million	30 Sep 2005		31 Dec 2004	
	Book value	Actual value	Book value	Actual value
<i>Derivatives with positive or zero values</i>				
Interest rate swaps	1,760	2,918	784	2,215
Interest rate and currency swaps	1,420	1,837	41	1,160
Equity-linked derivative contracts	3	30	1	57
Total	3,183	4,785	826	3,432
<i>Derivatives with negative values</i>				
Interest rate swaps	2,007	4,173	1,428	3,919
Interest rate and currency swaps	448	643	103	2,694
Equity-linked derivative contracts	0	4	0	6
Total	2,455	4,820	1,531	6,619

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

Stockholm, 27 October 2005

Eva Cederbalk
Chief Executive Officer

REVIEW REPORT

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

Stockholm, 27 October 2005

KPMG Bohlins AB

Per Bergman
Authorised Public Accountant

Lars-Ola Andersson
Authorised Public Accountant
Appointed by Finansinspektionen

FINANCIAL INFORMATION

SBAB's report on operations for 2005 will be published on 31 January 2006.

SBAB's annual general meeting of shareholders will be held on 19 April 2006 in Stockholm.



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