



Announcement of SBAB's Result for 2004

The Swedish Housing Finance Corporation, SBAB

1 January – 31 December 2004

Fourth Quarter

Net operating income for the fourth quarter amounted to SEK 131 million, a decrease of SEK 36 million on the corresponding period 2003.

- Net interest income amounted to SEK 281 million, SEK 32 million less than for the same period 2003. Valuation and accrual accounting techniques has been developed in conjunction with the transition to a new support system for financial operations. This has resulted in a SEK 20 million charge to the accounts for the last quarter.
- Expenses amounted to SEK 136 million representing a reduction of SEK 4 million when compared to the fourth quarter 2003.
- Net loan losses amounted to SEK 0.4 million.

2004

Net Operating Income

Net operating income for 2004 amounted to SEK 678 million (SEK 721 million), 6 per cent lower than the result for 2003. The return on equity capital was 9,6 per cent and thereby exceeding the owners requirement.

Net Interest Income

Net interest income amounted to SEK 1 214 million which is 3 per cent lower than 2003 when net interest income amounted to SEK 1 253 million. Aside from the aforementioned adjustment the developments in net interest income are also due to the lower yield effect on flows and equity capital due to lower market interest rates.

Expenses

Expenses have increased and amounted to SEK 505 million (SEK 481 million). This increase is due to large investments in strategic projects and marketing as well as higher depreciation costs than the previous year.

Net Loan Losses

Net loan losses continued to be low and posted a positive result of SEK 7 million, which is an improvement of SEK 35 million on 2003.

SUMMARY FOR THE SBAB GROUP

| | Dec 2004 | Dec 2003 |
|---|-----------|-----------|
| Net interest income, SEK million | 1,214 | 1,253 |
| Net operating income, SEK million | 678 | 721 |
| Net operating income after tax, SEK million | 485 | 519 |
| Loan losses net, SEK million | (7) | 28 |
| Return on equity, % | 9.6 | 11.0 |
| Capital ratio, % | 10.0 | 10.2 |
| Primary capital ratio, % | 8.4 | 8.4 |
| Equity ratio, % | 4.1 | 3.9 |
| Doubtful loan receivables after specific provisions for individually assessed loan receivables, SEK million | 96 | 102 |
| Income/Expenditure ratio, excluding loan losses | 2.3 | 2.5 |
| Income/Expenditure ratio, including loan losses | 2.4 | 2.4 |
| Rating, long-term debt | | |
| Standard & Poor's | AA- | AA- |
| Moody's | A1 | A1 |
| Rating, short-term debt | | |
| Standard & Poor's | A-1+ | A-1+ |
| Moody's | P-1 | P-1 |
| Volume of international borrowing, SEK million | 66,602 | 74,494 |
| Lending, SEK million | 130,907 | 125,772 |
| Loans securitised, SEK million | 25,153 | 26,042 |
| Average number of employees for the period of whom temporary employees | 391 30 | 384 31 |

LOAN PORTFOLIO AND SECURITISED LOANS

| SEK billion | Dec 2004 | | Dec 2003 | |
|-------------------------|--------------|----------------------------|--------------|----------------------------|
| | Total | of which securitised loans | Total | of which securitised loans |
| Retail market | 76.7 | 15.8 | 62.3 | 16.1 |
| Property-company market | 79.4 | 9.4 | 89.5 | 9.9 |
| Total | 156.1 | 25.2 | 151.8 | 26.0 |

Doubtful Loan Receivables and Provisions

Doubtful loan receivables have been reduced from SEK 220 million to SEK 214 million in 2004. The provision ratio regarding specific provisions for individually assessed loan receivables was 55 per cent (54 per cent). At year-end, total provisions amounted to SEK 281 million (SEK 307 million) of which SEK 144 million (SEK 170 million) regards collective provisions for individually assessed loan receivables.

Lending

During the year, SBAB has increased lending to the retail market with new lending amounting to SEK 24 086 million (SEK 16 594 million). As earlier SBAB's business partners constitute important distribution channels. The continuation of good growth in lending to the retail market has resulted in an increase in the size of the portfolio, which now amounts to SEK 60 942 million (SEK 46 179 million) excluding securitised loans.

New lending in the property-company market amounted to SEK 4 481 million (SEK 5 294 million) and the total size of the property-company portfolio excluding securitisations amounted to SEK 69 965 million (SEK 79 593 million). Lending to municipal property companies has decreased and the focus on certain specific customer groups, in combination with the discontinuation of unprofitable commitments, has resulted in a reduction in the property-company market portfolio. SBAB's customers have chosen somewhat shorter loan terms in 2004 than in 2003.

Funding

Long-term funding for the year amounted to SEK 43 321 million (SEK 54 057 million), of which SEK 21 698 million (SEK 35 195 million) was raised in the international market and SEK 21 623 million (SEK 18 862 million) in the domestic bond market. Short-term debt, defined as short-term at the issue date, totalled SEK 34 717 million (SEK 31 904 million).

Capital Adequacy

The capital ratio at the end of the year was 10.0% (10.2%). The primary capital ratio was 8.4% (8.4%) and included twelve months' profits with estimated tax and dividends deducted. SBAB's capital base amounted to SEK 6 386 million (SEK 6 015 million). The parent company's capital ratio was 10.6% (10.6%), the primary capital ratio 8.8% (8.7%) and the capital base SEK 6 120 million (SEK 5 799 million).

Interest Rate Risk

A parallel shift in the yield curve of plus one percentage point at 31 December 2004 would have resulted in a reduction in the net value of SBAB's interest bearing assets and liabilities, including derivative transactions, of around SEK 132.7 million.

Accounting Principles

This announcement of result has been prepared in accordance with the terms of the Annual Accounts Act concerning credit institutions and securities companies (ÅRKL) and the regulations issued by the Swedish Financial Supervisory Authority (2002:22). Accounting principles have not been changed since the Annual Report for 2003.

Prospects for 2005

The strategy is to maintain focus on the retail market and tenant-owner co-operatives. The overall strategy is for SBAB to be the leading housing mortgage company. Achieving the expected increase in the loan portfolio during 2005 requires high levels of activity in the market, low market interest rates and continued tight margins. The result for 2005 is therefore expected to be in line with the result for 2004.

| INCOME STATEMENT | GROUP | | | | PARENT COMPANY | |
|--|--------------|--------------|--------------|--------------|----------------|--------------|
| | Jan-Dec 2004 | Jan-Dec 2003 | Oct-Dec 2004 | Oct-Dec 2003 | Jan-Dec 2004 | Jan-Dec 2003 |
| SEK million | | | | | | |
| Interest income | 5,820 | 6,774 | 1,411 | 1,560 | 5,404 | 6,720 |
| Interest expenses | (4,606) | (5,521) | (1,130) | (1,247) | (4,279) | (5,536) |
| Net interest income | 1,214 | 1,253 | 281 | 313 | 1,125 | 1,184 |
| Dividends received | - | 0 | - | 0 | - | 0 |
| Commission income | 58 | 51 | 14 | 15 | 96 | 80 |
| Commission expenses | (96) | (81) | (28) | (23) | (46) | (43) |
| Other operating income | 0 | 2 | 0 | 1 | 0 | 2 |
| Total operating income | 1,176 | 1,225 | 267 | 306 | 1,175 | 1,223 |
| General administration expenses | (426) | (414) | (112) | (124) | (432) | (434) |
| Depreciation of tangible and intangible fixed assets | (18) | (12) | (5) | (3) | (13) | (12) |
| Other operating expenses | (61) | (55) | (19) | (13) | (61) | (55) |
| Total operating expenses | (505) | (481) | (136) | (140) | (506) | (501) |
| Operating income before loan losses | 671 | 744 | 131 | 166 | 669 | 722 |
| Loan losses, net (Note 1) | 7 | (28) | (0) | (4) | 7 | (28) |
| Change in value of repossessed property | - | 5 | - | 5 | - | 5 |
| Net operating income | 678 | 721 | 131 | 167 | 676 | 699 |
| Allocations | - | - | - | - | (95) | (102) |
| Minority share in the period's result | (0) | 0 | 0 | 0 | - | - |
| Tax on profit for the period | (193) | (202) | (37) | (46) | (166) | (167) |
| Net profit for the period | 485 | 519 | 94 | 121 | 415 | 430 |

| BALANCE SHEET | GROUP | | PARENT COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 31 Dec 2004 | 31 Dec 2003 | 31 Dec 2004 | 31 Dec 2003 |
| SEK million | | | | |
| ASSETS | | | | |
| Cash in hand and balance at central banks | 0 | 0 | 0 | 0 |
| Eligible Treasury Bills, etc. | 225 | 709 | 225 | 709 |
| Lending to credit institutions | 2,406 | 3,777 | 13,389 | 11,963 |
| Lending to the public (Note 2) | 130,907 | 125,772 | 119,872 | 117,540 |
| Shares and participations | 0 | 1 | 0 | 1 |
| Shares and participations in group companies | - | - | 280 | 204 |
| Intangible fixed assets | 39 | 31 | 16 | 9 |
| Tangible assets | 21 | 22 | 21 | 22 |
| Other assets | 930 | 931 | 928 | 929 |
| Pre-paid costs and accrued income | 573 | 611 | 587 | 620 |
| TOTAL ASSETS | 135,101 | 131,854 | 135,318 | 131,997 |
| LIABILITIES AND EQUITY CAPITAL | | | | |
| LIABILITIES | | | | |
| Debt to credit institutions | 6,596 | 4,562 | 6,583 | 4,550 |
| Bonds issued, etc. | 119,025 | 118,018 | 119,575 | 118,418 |
| Other liabilities | 124 | 170 | 125 | 171 |
| Accrued costs and pre-paid income | 2,061 | 2,252 | 2,038 | 2,228 |
| Provision for deferred tax | 274 | 246 | - | - |
| Subordinated debt | 1,482 | 1,482 | 1,482 | 1,482 |
| Total liabilities | 129,562 | 126,730 | 129,803 | 126,849 |
| Untaxed reserves | - | - | 952 | 857 |
| Minority share holding | 271 | 198 | - | - |
| EQUITY CAPITAL | | | | |
| <i>Restricted equity capital</i> | | | | |
| Share capital | 1,958 | 1,958 | 1,958 | 1,958 |
| Restricted reserves/Legal reserve | 1,095 | 1,026 | 392 | 392 |
| <i>Unrestricted equity capital</i> | | | | |
| Unrestricted reserves/Profit brought forward | 1,730 | 1,423 | 1,798 | 1,511 |
| Net profit for the year | 485 | 519 | 415 | 430 |
| Total equity capital | 5,268 | 4,926 | 4,563 | 4,291 |
| TOTAL LIABILITIES AND EQUITY CAPITAL | 135,101 | 131,854 | 135,318 | 131,997 |

| CHANGES IN EQUITY CAPITAL | GROUP | | PARENT COMPANY | |
|---|--------------|--------------|----------------|--------------|
| SEK million | 2004 | 2003 | 2004 | 2003 |
| Equity capital at the beginning of the period | 4,926 | 4,544 | 4,291 | 2,505 |
| Dividends | (143) | (137) | (143) | (137) |
| Merger difference | - | - | - | 1,493 |
| Net profit for the year | 485 | 519 | 415 | 430 |
| Equity capital at the end of the year | 5,268 | 4,926 | 4,563 | 4,291 |

| CASH FLOW ANALYSIS | GROUP | | PARENT COMPANY | |
|---|--------------|--------------|----------------|--------------|
| SEK million | 2004 | 2003 | 2004 | 2003 |
| Liquid funds at the beginning of the year | 3,777 | 581 | 3,777 | 571 |
| Taken over at the merger | - | - | - | 10 |
| Cash flow from current operations | (1,275) | 3,322 | (1,133) | 3,400 |
| Cash flow from investment operations | (26) | (38) | (95) | (67) |
| Cash flow from financing operations | (70) | (88) | (143) | (137) |
| Increase/Decrease in liquid funds | (1,371) | 3,196 | (1,371) | 3,196 |
| Liquid funds at the end of the year | 2,406 | 3,777 | 2,406 | 3,777 |

Liquid funds are defined as cash in hand, balances at banks and loans to credit institutions with a tenor of less than three months.

Note 1 Loan Losses, net

| SEK million | GROUP | | PARENT COMPANY | |
|--|-------------|-------|----------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| <i>Specific provision for individually assessed loan receivables</i> | | | | |
| The year's write-offs for actual loan losses | 28 | 133 | 28 | 133 |
| Reversal of previous provisions for probable loan losses reported as actual loan losses in the accounts for the year | (20) | (106) | (20) | (106) |
| The year's provision for probable loan losses | 38 | 13 | 38 | 13 |
| Recoveries in respect of actual loan losses in previous years | (6) | (12) | (6) | (12) |
| Reversal of previous provisions for probable loan losses no longer required | (20) | (92) | (20) | (92) |
| Net cost for the year | 20 | (64) | 20 | (64) |
| <i>Collective provision for individually assessed loan receivables</i> | | | | |
| Allocation to/withdrawal from collective provision | (26) | 80 | (26) | 80 |
| <i>Collectively assessed homogeneous groups of loan receivables</i> | | | | |
| The year's write-offs for actual loan losses | 3 | 3 | 3 | 3 |
| Recoveries in respect of actual loan losses in previous years | (3) | (3) | (3) | (3) |
| Allocation to/withdrawal from provision for loan losses | (1) | 12 | (1) | 12 |
| Net cost for the year of collectively valued homogeneous loan receivables | (1) | 12 | (1) | 12 |
| Net cost of loan losses for the year | (7) | 28 | (7) | 28 |

Both the write-offs for actual loan losses for the year 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 | 31 Dec 2004 | | 31 Dec 2003 | |
|---------------------------------------|----------------|--------------|-------------|-----------|
| | Lending | Provision | Lending | Provision |
| Municipal property companies | 17,797 | - | 20,842 | - |
| Tenant-owner co-operatives | 28,891 | (201) | 28,430 | (218) |
| Private property companies | 22,325 | (61) | 26,750 | (70) |
| Single-family homes and holiday homes | 46,675 | (17) | 37,932 | (16) |
| Tenant-owner apartments | 14,286 | (2) | 8,266 | (3) |
| Commercial properties | 1,214 | - | 3,859 | - |
| Reserve for probable loan losses | (281) | - | (307) | - |
| Total | 130,907 | (281) | 125,772 | (307) |

| <i>Doubtful loan receivables and non-performing loan receivable</i> | 31 Dec 2004 | 31 Dec 2003 |
|---|-------------|-------------|
| a) Doubtful loan receivables | 214 | 220 |
| b) Non-performing loan receivables, which are included in doubtful loan receivables | 57 | 63 |
| c) Non-performing loan receivables on which interest is taken up as income and which thus are not included in doubtful loan receivables | 145 | 186 |
| d) Specific provisions for individually assessed loan receivables | 118 | 118 |
| e) Collective provisions for individually assessed loan receivables | 144 | 170 |
| f) Provisions for collectively assessed homogeneous groups of loan receivables | 19 | 19 |
| g) Provisions, total (d+e+f) | 281 | 307 |
| h) Doubtful loan receivables after specific provisions for individually assessed loan receivables (a-d) | 96 | 102 |
| i) Provision ratio regarding specific provisions for individually assessed loan receivables (d/a) | 55% | 54% |

Financial reporting

The Annual Report will be published 13 April 2005. It will be accessible on SBAB's home page on Internet at www.sbab.se and at SBAB's head office with the address: Box 27308, SE-102 54 Stockholm, Sweden. The Interim Report for the first quarter will be published on 28 April 2005.

The Annual General Meeting will be held in Stockholm on 13 April 2005.

Stockholm, 31 January 2005

Eva Cederbalk
Chief Executive Officer

Auditors' Report

We have carried out a broad examination of this statement according to the recommendation issued by FAR (the institute for the accountancy profession in Sweden). There are significant limitations in a broad examination, compared with an audit. Nothing has emerged to suggest that this statement does not meet the requirements according to the stock exchange and annual report & accounts legislation.

Stockholm, 31 January 2005

KPMG Bohlins AB

Per Bergman
Authorised Public Accountant

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



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