



# 2004

ANNUAL REPORT



**RESIDENTIAL MORTGAGES VIA INTERNET & TELEPHONE**

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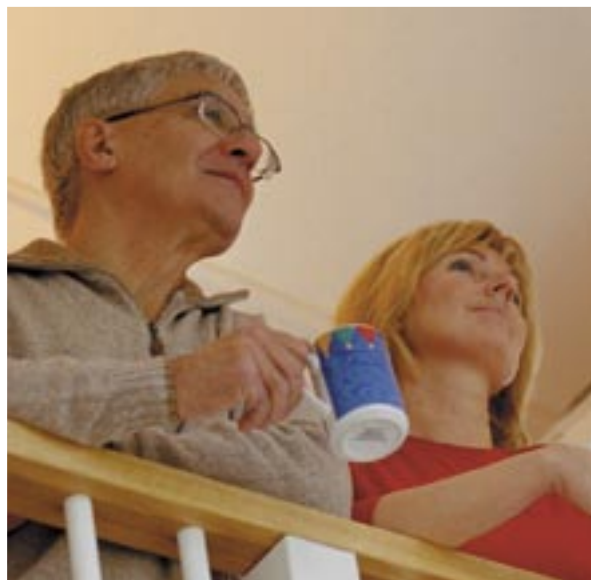
# The Year in Brief

- The operating profit for 2004 amounted to SEK 678 million (721 million), which is 6% lower than 2003. This corresponded to a return on equity capital employed of 9.5% thereby exceeding the set rate of return expected by the owner.
- Loan losses continue to be low and posted a positive result of SEK 7 million, which is an improvement of SEK 35 million on the previous year.
- New lending amounted to SEK 28.5 billion (21.9 billion).
- During the autumn 2004, SBAB was the first mortgage lender to lower the floating interest rate to the historically low level of 2.99%.
- In the spring of 2004, an automated mortgage promise service was launched whereby the customer can obtain a credit decision on their screen within seconds via SBAB's website.
- SBAB has initiated work with the application for permission, as well as the implementation of measures required by law to be able to issue covered bonds.
- SBAB has made a preliminary application to the Swedish Financial Supervisory Authority concerning the application of internal rating models in operations from and including 31 December 2006 by way of adjustment to the coming capital adequacy requirements in accordance with Basel II.
- In November 2004, a new bond issue was introduced, SBAB 121.
- During the year, a business venture was started with Svensk Fastighetsförmedling, Sweden's largest chain of real estate agents.
- SBAB received "the Years Honourable Mention" for having been active as price leader in the residential mortgage market for several years in conjunction with the magazine Privata Affärer choosing the Bank of the Year.
- SBAB's customers are still the most satisfied customers in the residential mortgage market according to the Swedish Quality Index (SKI).
- SBAB won the "100-wattare" a prize awarded by the newspaper Dagens Industri and the Annonsörföreningen (Advertisers' association) via their advertising competition for "Hatten" (the hat) campaign in the class for the best and most effective consumer advertising.

## FINANCIAL INFORMATION 2005

Announcement of SBAB's result for 2004	January 31
Annual General Meeting	April 13
Interim report January-March	April 28
Interim report January-June	August 25
Interim report January-September	October 28

SBAB's interim reports, annual reports and other financial information are available at [sbab.se](http://sbab.se)



SBAB IS WHOLLY OWNED BY THE SWEDISH STATE AND HAS A MANDATE TO CONTRIBUTE TO COMPETITION IN THE RESIDENTIAL MORTGAGE MARKET THROUGH OPERATING AN EFFICIENT AND PROFITABLE RESIDENTIAL MORTGAGE BUSINESS.

Summary for the SBAB-group	2004	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, %	9.5	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 Moody's	AA- A1	AA- A1
Rating, short-term debt Standard & Poor's Moody's	A-1+ P-1	A-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	391	384
of whom temporary employees	30	31





*The last year has seen a growing residential mortgage market with increased pressure on prices. SBAB's role of ensuring diversity and competition in the Swedish residential mortgage market has contributed to greater competition to the benefit of all Swedish residential mortgage customers.*

# The Chairman's Comments

## THE SWEDISH RESIDENTIAL MORTGAGE MARKET

Over the last few years, we have seen great expansion in the Swedish mortgage market. Since 1999 the outstanding volume of loans has grown by 60% and increasingly, consumers clearly perceive residential mortgages as "a commodity" which all operators in the market can deliver and price as the key factor in their choice of supplier. In cases where customers perceive all suppliers as offering similar products it is only natural to choose the cheapest. This has contributed to a greater degree of price competition and we have seen prices drop, with an accompanying pressure on margins. However margins are still high in the Swedish mortgage market when comparison is made with many countries in Europe.

## BASEL II REGULATIONS

Within the banking world today adjustments are taking place to conform to the new Basel II regulations that take effect 31 December 2006. Mortgage lending is normally associated with relatively low risk and one can expect margins and pricing to be affected when these regulations come into force. Even if there are a number of years left, we can expect gradual adjustment to the new regulations.

## 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 is required to be equivalent to the corresponding rate for the five-year Government bond plus five percentage points after tax. This corresponds to the average long-term return on equity available from an investment on the stock exchange. SBAB's return on equity has exceeded this goal for the latest five year period.

## THE BOARD OF DIRECTORS' ACTIVITIES

With regard to the aforementioned pressure on prices and margins it is important to increase market share and improve cost efficiency both as regards funding costs and our internal administration. The Board's work focuses on these issues, which are considered both in board meetings and in specific committees. In addition the Board has also focused on the ever more important Corporate Governance issues.

Stockholm, February 2005

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

CLAES KJELLANDER  
Chairman of the Board



*SBAB continues as the challenger in the residential mortgage market and the customer's first choice. We strive at all times to offer the customer the best terms possible and according to the Swedish Quality Index have the most satisfied customers in the residential mortgage sector.*

# The CEO's Review

## ANOTHER SUCCESSFUL YEAR

SBAB's mandate is to contribute to increased competition in the Swedish residential mortgage market whilst maintaining profitability. Our vision is therefore to be the leading residential mortgage company and the customer's first choice.

Over the year we have continued to develop our business with greater customer benefit as our prime mover. SBAB continues to be the challenger that offers the customer good terms and simple administration with a high level of service. It is therefore encouraging to know that our customers are the most satisfied in the entire residential mortgage market and that it is the customers themselves that say this (according to the Swedish Quality Index 2004).

The positive response from both customers and market has enabled us to continue to increase our market share from 7.7% to 8.4% of the retail market. SBAB's share of the total market is 11.1%.

2004 was also a good year from a financial standpoint,

net operating income amounted to SEK 678 million and corresponds to a return on equity of 9.5%, thus exceeding the owner's expected rate of return. The extremely low level of interest rates has contributed to a substantial increase in volume for the company with a positive effect on net interest income. However this effect has been eliminated by lower returns on equity capital and cash flow. Net interest income amounted to SEK 1,214 million, which is 3% less than for 2003. The company's high degree of profitability is due to, aside from the increased volumes, great cost-effectiveness, efficient and professional funding as well as low levels of loan losses.

SBAB runs its operations with efficient processes and through utilising Internet and telephone as the key communication channels can thereby preclude costs for a large network of offices such as our competitors have to bear. This cost advantage is the primary reason behind SBAB's success over the years in profitably maintaining its position as the challenger and the price leader.





### COMPETITION HEIGHTENS

Competition in the Swedish residential mortgage market has sharpened further over the year; it has become clearer and clearer that residential mortgages are a prioritised product amongst the banks. Irrespective of our competitors strategies we will continue to strive to offer homeowners the lowest costs possible for residential mortgages.

Competition in the property-company market is just as intense as in the retail market. There are other operators than the Swedish banks, for example institutes specialised in municipal lending and overseas banks. SBAB currently has a large company portfolio and our strategy is to develop it further.

### STRATEGIC PARTNERS

Contributory factors in SBAB's successes are the strategic partnerships we have with Sparbanken Finn and Sparbanken Gripen via the jointly owned company FriSpar Bolån, as well as Ikanobanken and ICA Banken. These banks, which function as retailers, increase their sales of residential mortgages every year.

A business partnership was started during the year with Svensk Fastighetsförmedling, the country's largest chain of real estate agents. A real estate agent is a natural interface for financing residential mortgages and we are very pleased to report that Svensk Fastighetsförmedling have chosen us as partner and we look forward to a profitable relationship.

### COST-EFFICIENT WORK METHODS

Our service model and working methods are developed with the customer in focus; the prime goal being to make it simple for the customer to apply for a loan and to interact with us. The strive for simplicity has contributed to a high level of internal cost-efficiency. Projects in several strategic areas have however placed large demands on resources and thereby contributed to an increase in pressure from costs during the year. We have expended much energy and money on several large strategic projects such as the new capital adequacy requirements (Basel II), covered bonds as well as a new customer care concept.

Internet is the most common method for customers to contact us with 68% of all loan applications and loan promises from and to private customers taking that route, thus making SBAB one of the largest e-commerce companies in the country.

Our website is also a useful source of information and advice concerning our services but it is not only our customers who use our website for information, we have over 3 million visitors per year! We receive a lot of attention regarding the website's well developed functionality and were awarded at the beginning of 2004 the Web Service Award 2003 in the category information and service. SBAB also received an honourable mention for the website achieving the highest rating that has ever been achieved by a company within the bank and finance sector.

### MOTIVATED STAFF

SBAB's success would not have been possible without the commitment and energy of all our loyal members of staff. It is crucial that we continue to develop the company as an employer and workplace. Human Resources issues will come to receive greater strategic importance within SBAB. Human Resources has been given a new direction under the year and our new Human Resources Manager is part of the executive management.

For myself, I look back on my first year with the company as CEO with satisfaction. It has been incredibly stimulating to come to a company with a strong market position and with many committed and professional employees. SBAB is without doubt a successful company. Certainly we have great challenges ahead – continued intense competition, new prerequisites regarding funding and capital adequacy requirements – yet I am convinced that we will successfully continue to develop SBAB into the future.

Stockholm, February 2005

EVA CEDERBALK  
Chief Executive Officer

# Vision, Values, Business Idea & Strategies



## VISION

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

## VALUES

Within SBAB thoughts and actions are characterised by the common core values produced together with the entire workforce and which consist of commitment, innovation, consideration, trust and an overview perspective. These common core values lead to professionalism, service, job satisfaction and well-being.

## BUSINESS IDEA

SBAB's business idea is to finance housing in a simple manner offering value for money – with low prices and high availability we contribute to reducing the cost of living for home-

owners. Over and above this we offer competitive services to owners of multi-family housing in regions of growth.

## STRATEGIES

To succeed as price leader we must have efficient and professional funding operations to minimise our funding costs. We package and sell mortgage risk to investors within and outside of Sweden thus enabling competitive pricing of our financial instruments.

A prerequisite for price leadership is that we operate the business in a cost-efficient manner which is why we invest heavily in process development. Simplicity is a prestigious word – to find the most efficient and smartest internal processes whilst making it simple for the customer to use us. The challenge is of course as always to seek the simplest and cheapest solution without compromising quality and risk control.

### 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 care and do so with our hearts.



#### 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 others work in such a way that we act for the best, for the customer and ourselves.



# Economic Environment

*Surprisingly robust exports contributed to growth in Sweden during 2004 proving significantly stronger than most expected at the start of the year. Households retained confidence in their own economy and consumption increased. Investments started to increase after a slow start and low interest rates contributed to house prices continuing to rise and the residential mortgage market increased rapidly in size.*

## ECONOMIC TRENDS AND INTEREST RATES 2004 Brighter expectations in spring proved fleeting

At the beginning of 2004 there were still fears that the improvement in the international economy that was starting to take form would not last. A falling dollar caused worry; would it break the fragile economic upturn in the Euro area and Japan? Both cases were dependant on help from increased exports to have any hope of maintaining growth. Weak employment figures from the USA put a dampener on the mood; but when the figures for March and onwards proved stronger than expected, optimism increased and market rates started to move upwards.

By the start of the summer worries over the economy were gaining the upper hand again. Employment figures from the USA disappointed anew and in the background was a rising oil price with the accompanying worry of its effect on the economy. Several events in rapid succession, amongst others the rumours of the threat of terrorism in Saudi Arabia, sabotage of oil pipelines in Iraq and in Russia the Yukos affair started the oil price climbing to new heights. At the beginning of July the price of Brent oil was just over \$32 per barrel, in August it reached \$45 per barrel and after a temporary drop it rose steeply to over \$50 per barrel during the second half of October. The oil price roulette continued, in November prices were down to hardly \$37 per barrel only to careen away upwards to \$43 per barrel at the end of the year.

Oil price worries were overshadowed in the latter part of the autumn by ever wider dollar fears. The weakening in the dollar started already back in 2001 but during the late autumn of 2004 the fall was accentuated. The reason behind it, the USA's huge trade deficit, came into focus. Despite growth in 2004 being good from an international viewpoint the end of the year was characterised by worry and uncertainty; the risk for a sharp slowdown in the economy could not be excluded. The Euro area and Japan being at most risk.

## Growth in Sweden stronger than expected

Swedish exports, driven by telecoms products and vehicles, increased considerably more than expected. Households looked

favourably at the prospects for their own economies and consumption developed favourably. For 2004 it is estimated to have increased by just over 2% and as in 2002 and 2003 households have consumed at a pace that outstripped disposable income. In real terms, disposable income increased by scarcely 2% in 2004.

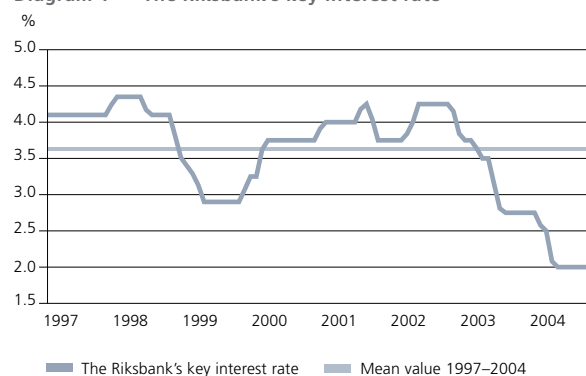
Investments, which earlier seemed to be holding back growth, started to pick up in 2004 and the building sector saw a strengthening in the market. Altogether GNP is calculated to have increased by 3.8% in 2004 which can be compared to the average of analysts' estimates which at the start of the year was barely 2.5%.

## The Riksbank acted decisively

Despite significant growth in the economy employment levels continued to fall, this was reflected in the rapid increase in productivity. The Swedish economy could grow whilst maintaining low inflationary pressure and low utilisation of resources. By the end of 2003 it was clear that employment had shown significantly weaker development than the Riksbank expected in their forecasts. In February 2004 the Riksbank lowered the key interest rate from 2.75%, its level since summer 2003, to 2.50%.

Shortly after, a further reduction in the key interest rate was signalled to be on its way, the market expected a cut to 2.25%, but it was larger than that; the key interest rate was

**Diagram 1 The Riksbank's key interest rate**





cut to 2%. If we take the period from 1997-2004 as a suitable norm for comparison, we can see that the key interest rate in 2004 lay well below the mean for the period. Even from a longer historical perspective current levels are extremely low; not since the start of the 1960s and the start of the 1970s (the oil crisis) have we seen such levels.

The Riksbank left the rate at 2% until the end of the year. There was a general expectation in early autumn that the Riksbank would have to raise the rate at the end of the year or in the first quarter 2005. However the weakening of the dollar/strengthening of the krona exerted a downward pressure on import prices reducing already low inflationary pressures further. There were no bright spots on the horizon in the labour market, so by the end of the year expectations from the Riksbank had changed, now there is a presumption that the Riksbank will wait at least until the summer before raising interest rates.

### Long-term interest rates sensitive to American statistics

Due to its sheer size, developments in the American finance market have immediate effects on the European markets, including Sweden. Economic statistics from the USA become of decisive importance for long-term interest rates home in Sweden. During 2004 it was above all others the employment statistics that were given strategic importance. At the beginning of the year pessimism prevailed, the labour market's inertia risked becoming permanent, which could have brought down the economy in the USA long-term and had negative repercussions on the World economy as a whole. Interest rates moved successively lower and on the eve of the publication of the February figures (in the beginning of March) expectations were high of a substantial improvement in the employment statistics. On publication the figures proved a great disappointment and now came a sharp and dramatic drop in interest rates. In the months that followed the employment figures strengthened significantly and expectations and interest rates rose.

**Diagram 2 Interest rates for Swedish Government bonds, 5 years, 2004**



The summer came with new disappointments; employment figures substantially lower than expected and even the other economic indicators clouding future expectations; interest rates fell.

### Dollar fears took over from the oil price in keeping rates low

As mentioned earlier a rising oil price lay threatening during the summer. More and more attention focused on the oil price's rise to new heights during the autumn. Worries over what the economy would bring in the future grew and intensified and long-term market interest rates dropped.

In the autumn stronger figures for employment in the USA and other statistics showed strong growth in the economy. The weaker dollar favoured industry whereas in the Euro area weaker figures came in the wake of the stronger Euro; conditions for exporting weakened whilst domestic demand stagnated.

Expectations of the central banks actions shifted sharply towards the close of the year. The Federal Reserve in the USA, the central bank, had marked out its route in the early summer; the key interest rate would be gradually raised. The first increase in June was followed by several more, but the low employment figures and rising oil price fed doubts that the marked route would be followed.



When stronger figures came later in the autumn expectations that the Fed would carry out its previously announced plans strengthened. At the same time the weakened dollar, with its consequences for exports and the economy, deferred expectations of an interest rate hike from the ECB and even the Riksbank. As a result the normally close relationship between American and European interest rates was temporarily severed.

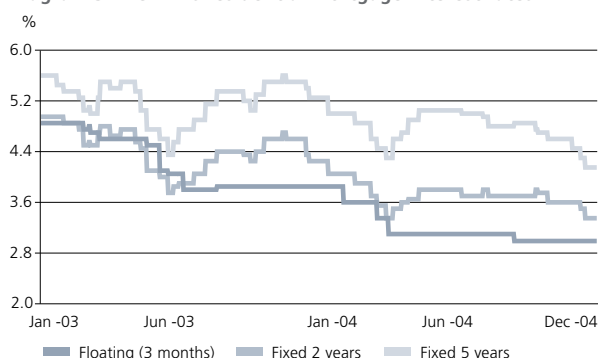
### Floating mortgage interest rates exceptionally low

The Riksbank's two interest rate reductions at the start of the year, in total 0.75 of a percentage point, brought floating interest rates down to an extremely low level. At the beginning of the year SBAB's floating three month residential mortgage interest rate was 3.85%, already an extremely low level, as late as January 2003 it was 4.95 %. After the Riksbank's reductions the floating residential mortgage interest rate at SBAB was set at 3.10%, where it stayed until the middle of September when it was lowered to 2.99% at which level it remained to the end of the year. The last cut by SBAB had nothing to do with market movements neither caused by changes in key interest rates nor expectations thereof; it was part of SBAB's ambitions to be price leader in the market.

### Fixed mortgage interest rates set new lows

The fixed mortgage interest rates follow the other long-term market rates and as has been made evident these fell dramatically in the first months of the year. A five year residential mortgage with SBAB was 5.25% at the turn of the year; by the end of March it was down to 4.30%. Stronger figures from the USA caused rates to change direction and by early summer the five year residential mortgage with SBAB was 5.05%. Then it was time for a renewed downward spiral and at the start of December it was back at 4.30%. This was not the end of it; the continuing fall in long-term market interest rates drew fixed mortgage interest rates down further. At the end of the year a new record had been set when a five year residential mortgage with SBAB fell to 4.15%.

**Diagram 3 SBAB's residential mortgage interest rates**



## THE RESIDENTIAL MORTGAGE MARKET

The residential mortgage market is defined as the lending from housing finance institutions against security in real estate as measured every month by the Riksbank's financial market statistics. The total market for residential mortgages has increased dramatically over the last years and in 2004 lending increased by SEK 100.7 billion. Housing finance institutions' total lending amounts to SEK 1,395.3 billion, an increase of circa 7.8% during 2004.

Residential mortgages to consumers continued to grow extremely rapidly during 2004 showing an increase of SEK 108.6 billion. The increase in volume is greatest for private homes, SEK 75.3 billion, but calculated as a percentage the increase for tenant-owner apartments is significantly larger with lending for tenant-owner apartments showing an increase of circa 27%. The increase in lending is mostly due to higher property prices as well as the increase in number of tenant-owner apartments due to the conversion of rental apartments



**Table 1 Retail market**

	2004 (SEK billion)	2003 (SEK billion)	Change (SEK billion) (%)	
Private homes	762.4	687.1	+75.3	+11.0
Tenant-owner apartments	156.0	122.7	+33.3	+27.1
<b>Total</b>	<b>918.4</b>	<b>809.8</b>	<b>+108.6</b>	<b>+13.4</b>
of which securitised	17.4	18.4	-1.0	-5.4

**Table 2 Property-company market**

	2004 (SEK billion)	2003 (SEK billion)	Change (SEK billion) (%)	
Multi-family housing	204.9	216.7	-11.8	-5.4
Tenant-owner co-operatives	204.2	193.5	+10.7	+5.5
Commercial properties	28.2	32.8	-4.6	-14.0
Others	39.6	41.8	-2.2	-5.3
<b>Total</b>	<b>476.9</b>	<b>484.8</b>	<b>-7.9</b>	<b>-1.6</b>
of which securitised	9.4	9.9	-0.5	-5.1

to tenant-owner apartments and a certain amount of new production of tenant-owner apartments.

The volume of outstanding loans in the property-company market continued downwards during 2004 and decreased by SEK 7.9 billion in total. Within the property-company market however the tenant-owner co-operatives increased their share with SEK 10.7 billion (5.5%) which represents almost a doubling of the previous year's growth.

The shrinking lending volume within the property-company market is due first and foremost to the reduction in demand from municipalities and municipal housing companies as well as lending to commercial property.

Demand has remained strong in 2004 for multi-family housing in the larger Swedish cities. In some areas interest has even been shown by municipal housing companies in acquiring further housing.

2004 has also shown continued strong demand in the central areas of the larger cities to convert from rental apartments to tenant-owner co-operatives which has led to deals being struck at ever higher prices. The greatest increases in value have been concentrated to the south of Sweden.

### Higher prices for private homes and tenant-owner apartments

Households' confidence in the future and their inclination to spend strengthened in 2004. House prices continued to rise quickly supported by very attractive interest rates. For the country as a whole, house prices increased by almost 10% on an annual basis by the end of the year. In the larger cities of Malmö and Gothenburg the corresponding increase was 13-14%. The second half of 2003 saw little movement in house prices in Stockholm while the other two big cities saw rises of 10-12%, however house prices recovered quickly in Stockholm in 2004. By the end of the year prices had risen by circa 9% and the difference between the cities had been vastly reduced.

Prices of tenant-owner apartments in Malmö and Gothenburg increased sharply in the first quarter of 2004 before

slowing down, though by the end of the year prices had still risen by just over 13% in Gothenburg and just over 10% in Malmö. Prices started to fall in Stockholm at the end of 2002 and continued to fall in 2003 before recovering at the beginning of 2004 from which levels they have remained fairly unchanged.

Altogether favourable conditions were created for the continued strong expansion of the residential mortgage market.

### Sustainable price development

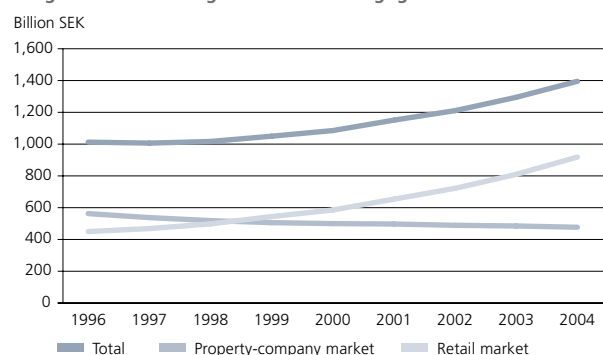
Prices of private homes and tenant-owner apartments have risen steeply since the middle of the 1990s. Several studies conducted by the Riksbank, the Swedish Construction Federation, Temaplan and even SBAB's own analysis show that the price increases in private homes and tenant-owner apartments can be explained by fundamental factors such as mortgage loan interest rates, incomes, wealth, employment levels and population growth.

Both floating and fixed mortgage loan interest rates are exceedingly low today, when rates rise to a normal level this normally has a negative impact on the price of housing. With more normalised interest rates however it is also likely that the economy will remain strong, with positive development in incomes and employment which will in turn assuage the effect on housing prices of the higher interest rates. It is therefore less likely that a future increase in interest rates will lead to a significant drop in prices for private homes and tenant-owner apartments.

Housing prices are also determined by the supply of housing. Since the crisis at the beginning of the 1990s housing starts have remained very low. Investments in housing have however gradually increased and in 2004 between 25-30,000 apartments started production, a figure representing 0.7% of the total housing stock. However this figure would have to increase sharply before it would have a significant effect on housing prices. Forecasts from the National Institute of Economic Research and Ministry of Finance predict however that housing starts will remain moderate for the next few years thus any threat to housing prices from an increase in housing starts seems unlikely.

To sum up, it seems likely that increases in housing prices will be dampened when interest rates return to more normal levels. Price increases since the 1990's have been greatest in the big city regions while good growth and a growing population indicate that the risk of a large fall in prices in these areas continues to be quite small.

**Diagram 4 Lending residential mortgage market**



# Administration Report

*The administration report is the formal part of the annual report. According to the Annual Accounts Act it should contain a fair and accurate overview of the company's business operations, situation and results and is also examined by the company's auditors.*

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# Market & Brand

*SBAB is becoming increasingly well-known as an operator in the Swedish residential mortgage market. Long term brand management in the form of marketing campaigns and customer contact combined with the attention of the media have strongly contributed to the increased level of brand recognition, thus creating favourable conditions for greater competition and lower housing costs for all residential mortgage customers in Sweden.*

## MARKETING

SBAB aims to maintain the brand in the long-term through utilising recurring marketing campaigns amongst other methods. The purpose of the campaigns is, aside from increased brand recognition, to stimulate sales. SBAB is the challenger and price leader in the residential mortgage market, facts which are reflected in the campaigns. 2004 saw the campaign "Förlåt banken" (Sorry bank) which was shown on national television both in the spring and in the autumn, the campaign utilised irony to take yet another step in our challenge to the residential mortgage market and received much attention.

SBAB, and our advertising agency TBWA, received the award "100-wattare" in Dagens Industri's (a business paper) and Annonsörföreningen's (Advertisers' association) advertising prize, 100W. SBAB's campaign "Hatten", which was conducted in the autumn 2003, won in the class for the best and most effective consumer oriented campaign. The campaign created great interest from Swedish loan customers and the media which was shown by an increase in the number of loan applications and the great amount of media attention, these were important factors in obtaining the prize for best and most effective advertisement. In the campaign SBAB dared the large banks to follow SBAB's example to increase the customer benefit by removing the interest rate mark-up on loans for tenant-owner apartments, thereby creating one price for private homes and tenant-owner apartments.

The large banks did not take up the challenge during the campaign but did later follow SBAB's lead by removing the mark-up.



## BRAND RECOGNITION IS INCREASING

The long-term brand management has paid results and SBAB's brand recognition increases all the time.

During 2004 SBAB was in and out of the media continually which strongly contributes to brand recognition. SBAB appears

especially in articles concerning residential mortgages, interest rates and the economy as well as marketing.

SBAB received an award in conjunction with the magazine Privata Affärer giving their award for the Bank of the Year. SBAB received "the Year's Honourable Mention" with the motivation: "By actively acting as price leader for several years in the residential mortgage market, SBAB has made a decisive contribution to the sharpening of competition to the benefit of all residential mortgage holders. For these actions – in complete accord with Privata Affärer's spirit- the jury has decided to award an honourable mention to SBAB."

The aforementioned award proves the importance of SBAB as an operator in the residential mortgage market and the company's role in increasing competition to the benefit of residential mortgage customers in Sweden.

SBAB has worked for a long time with building up a contact net and trust capital both in the Swedish and the international capital markets. Meetings with the capital markets are characterised by an air of openness concerning SBAB and by new business opportunities. For example SBAB has managed to successfully build good relations both with private and institutional investors in Sweden and Japan as well as institutional investors in the rest of Europe. This has resulted in SBAB becoming a well established brand in these markets. The American market has also been important for SBAB's short-term financing.

## SATISFIED CUSTOMERS

In the Swedish Quality Index's measurement of customer satisfaction in the residential mortgage market, SBAB receives the highest grading again this year from private customers and is even able to show the greatest improvement on the previous year's performance. Aside from the core value of customer satisfaction, other values such as corporate image, product quality, service quality, value and loyalty are weighed together in the grade for satisfaction.

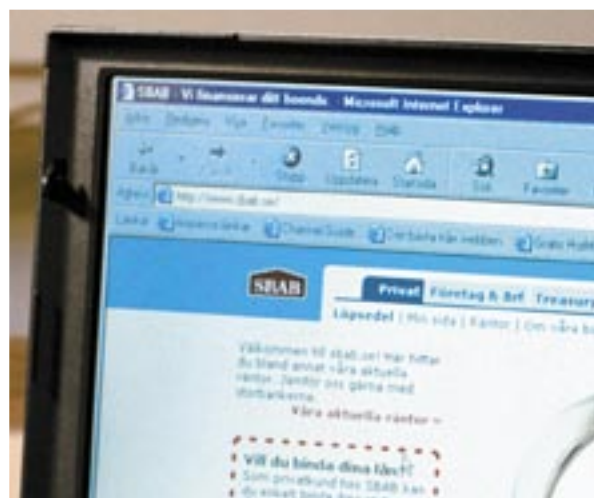
Customer satisfaction is also measured for the property-company market which includes tenant-owner co-operatives, private property owners and property-companies. Here again SBAB maintains a strong position and comes in second.



**Table 3 Customer satisfaction  
– Retail market 2004**

Company	Index
<b>SBAB</b>	<b>78.2</b>
All others	75.6
Stadshypotek (incl. SHB Hypotek)	71.5
SEB Hypotek/bolån	70.6
Nordea Hypotek	69.5
FSB (Spintab)	66.8
<b>Industry as a whole</b>	<b>72.5</b>

*Figures from Swedish Quality Index*



**Table 4 Customer satisfaction  
– Property-company market 2004**

Company	Index
Stadshypotek (incl. SHB Hypotek)	73.7
<b>SBAB</b>	<b>72.9</b>
All others	72.6
FSB (Spintab)	71.0
SEB Hypotek/bolån	69.9
Nordea Hypotek	68.3
<b>Industry as a whole</b>	<b>71.7</b>

*Figures from Swedish Quality Index*

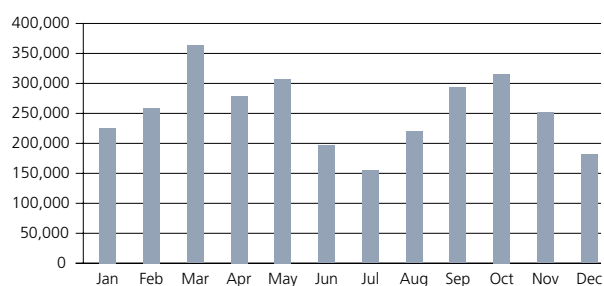
## sbab.se

SBAB offers customers residential mortgages delivering value for money via the Internet and telephone. All marketing activities refer the customer to sbab.se or the telephone where they can obtain quality service.

Site traffic at sbab.se has increased to circa 3,047,000 visits in 2004 (2,379,000). The website is visited by customers, investors, the press/media and the public.

At the start of 2004, SBAB received the Web Service Awards' prize for 2003 in the category information and service as well as an honourable mention for the website receiving the highest grading ever for a company within the bank and finance sector.

**Diagram 5 Site traffic at sbab.se during 2004**



## ENVIRONMENTAL WORK

SBAB's production and distribution of residential mortgage loan services and other financial services have low impact on the environment as the majority of business occurs over the Internet thereby minimising the use of paper and its transport. We work with electronic invoicing amongst other measures to reduce the consumption of paper.

SBAB aims to contribute to ensure long-term ecological development by focusing on minimising the environmental effects of its operations. For the last two years SBAB has concentrated its sponsorship activities on the World Wide Fund for Nature's efforts towards saving the Baltic Sea. The WWF's environmental work in the Baltic is aimed at reducing over fertilization, creating a network of protected areas, stopping environmentally hazardous transports and creating a sustainable fish stock.

# Lending

*The volume of loans secured against real estate has increased dramatically the last few years and in 2004 the residential mortgage market grew more than ever whilst competition sharpened. SBAB stood its ground well against the competition and managed to acquire market share in the expansive and important retail market. Market share in the multi-family housing market however dropped.*

## THE YEAR'S LENDING OPERATIONS

Successes in the retail market build mainly on SBAB successfully challenging other operators in the residential mortgage market by offering best value in the retail market; a fact evinced in the autumn of 2004 when SBAB became the first housing finance institution to lower the floating rate to a historical 2.99%. In autumn 2003 the implementation of a one price strategy for private homes and tenant-owner apartments together with a successful campaign aimed at the market for new real estate purchases contributed strongly to very positive developments in sales over the year.

As regards property companies, SBAB has defended its strong position concerning tenant-owner co-operatives with small changes in the portfolio. From this strong position, SBAB intends to commit more to establishing dialogue with the tenant-owners and the boards of tenant-owner cooperatives. Concerning the remainder of the portfolio, intensive competition and strategic restructuring have resulted in lower credit volumes. Lending has been reduced both to municipal and private companies as well as for commercial properties. Lending towards commercial property is no longer part of SBAB's lending strategy which has led to a conscious reduction in lending to this group.

To continue as price leader in the retail market we will continue to develop our Internet business and the automation of processes. Internet and telephone are the most important distribution and communication channels for SBAB's retail market lending; 2004 saw 68% of all loan applications and promises processed via Internet for the retail market.

In spring 2004, SBAB launched a completely automated loan promise enabling the customers to obtain a credit decision within seconds directly on their screens. Loan promise applications, like the web based loan application, are completely integrated with SBAB's credit handling system for efficiency in the application process for customers. Loan promises are given when the customer's repayment ability and credit status have been checked; when granted the promise is valid for six months. Once the customer has found a property, the customer adds the property details to the loan promise and a new decision can be given that also takes into account the security proposed.

SBAB's new lending to private customers amounted to SEK 24 billion in 2004, of which 63% for private homes and 37% for tenant-owner apartments. This represents an increase of 45% on the previous year's new lending. Favourable market conditions and positive developments in retail sales both for SBAB and its business partners lie behind the increase. New lending for multi-family housing was SEK 4.4 billion, primarily to tenant-owner co-operatives, 57%, and private property owners, 41%.



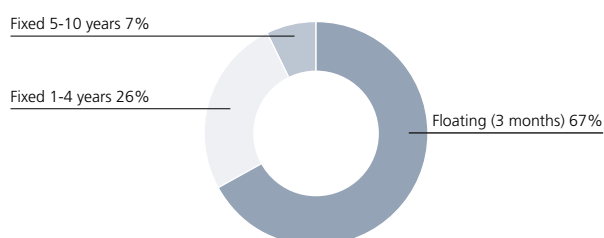
**Table 5 New lending, SEK billion**

Retail market	2004	2003	Change
Private homes	15.2	12.1	+3.1
Tenant-owner apartments	8.9	4.5	+4.4
<b>Total retail market</b>	<b>24.1</b>	<b>16.6</b>	<b>+7.5</b>
<b>Property-company market</b>			
Tenant-owner co-operatives	2.5	2.3	+0.2
Private multi-family housing	1.8	2.5	-0.7
Municipal multi-family housing	0.1	0.1	0.0
Commercial properties	0.0	0.4	-0.4
<b>Total property-company market</b>	<b>4.4</b>	<b>5.3</b>	<b>-0.9</b>
<b>Total residential mortgage market</b>	<b>28.5</b>	<b>21.9</b>	<b>+6.6</b>

The year has shown great interest in short-term loans in the retail market principally the three month floating rate chosen by 67% of customers. Two year fixed rate loans have been the most popular of the fixed term loans.

Good service in combination with competitive interest rates has contributed to 92% of retail market customers choosing to extend their loans when it was time for renewal. As regards tenant-owner co-operatives, 88% chose to extend and for other property-company customers (including commercial properties and municipalities) the figure was 79%.

Diagram 6 Choice of fixed interest term 2004



### Development of lending partners

SBAB's business partners act as intermediaries in 35% (32%) of SBAB's new lending to private customers. Partnership with Sparbanken Finn and Sparbanken Gripen, ICA Banken, Ikanobanken and Salus Ansvar continues to be important distribution channels for SBAB.

FriSpar Bolån, a residential mortgage company, with its market in Skåne, is 51% owned by SBAB and 49% owned by Sparbanken Finn and Sparbanken Gripen. The company has developed favourably and had a loan portfolio of SEK 11 billion at the year end.

### The lending organisation

In pace with the ever greater importance of the retail market for SBAB, the lending organisation has been restructured for the purpose of creating economies of scale and for building an efficient organisation to handle continued expansion. The change has meant the greater part of sales and credit administration being handled by larger units whilst a large proportion of local and regional marketing efforts are conducted from offices in Sweden's most expansive regions. A stage in this restructuring was the phasing out of operations in Umeå. Organisational changes and expansion plans also require recruitment for some offices, which has led to the Stockholm office recruiting staff to strengthen the position in the market for tenant-owner co-operatives and purchases of homes.

Even in the property-company market change has been implemented with the purpose of increasing focus and efficiency, this has resulted in management and control of these operations being concentrated to our head office in Stockholm.

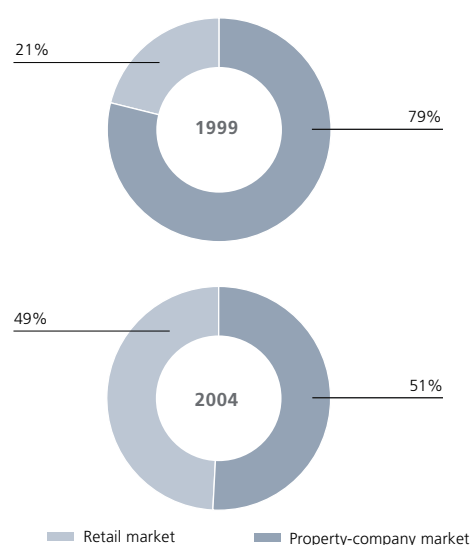
## PORTFOLIO DEVELOPMENT

SBAB's lending portfolio increased by SEK 4.3 billion in 2004 and totalled SEK 156.1 billion at the end of the year, of which securitised loans amounted to SEK 25.2 billion. Despite the increased volumes SBAB's market share of the total residential mortgage loan market fell by 0.5% to 11.1%.

However our market share of the retail market increased from 7.7% to 8.4%. This trend has continued for several years including 2004 and has resulted in a larger proportion of retail market loans. As gross profit margins for the retail market are greater than for other markets these portfolio developments have been positive for SBAB. Focus on the retail market during the year led to an increase of SEK 14.3 billion in the portfolio which by the end of the year totalled SEK 76.7 billion, equivalent to 49% of SBAB's total loan portfolio. This is in marked contrast to 1999 when the proportion of retail market loans was 21% and the volume of retail market loans SEK 31 billion. Securitised retail market loans amounted to SEK 11.9 billion regarding private homes and SEK 3.8 billion regarding tenant-owner apartments.

Lending to property-company customers has been reduced consistently since 1998 and this trend continued in 2004. At the end of the year the market share amounted to 16.5% (18.3%). Securitised loans amounted to SEK 1 billion regarding municipal property companies and SEK 8.4 billion regarding tenant-owner co-operatives. The foremost reasons for the reduction in market share are the high degree of competition in the municipal property company market and the strategic measures taken to minimise risk and raise quality in the loan portfolio.

Diagram 7 Allocation of loan portfolio retail market and property-company market (including securitised loans)





**Table 6** Loan portfolio by category of owner (SEK billion)

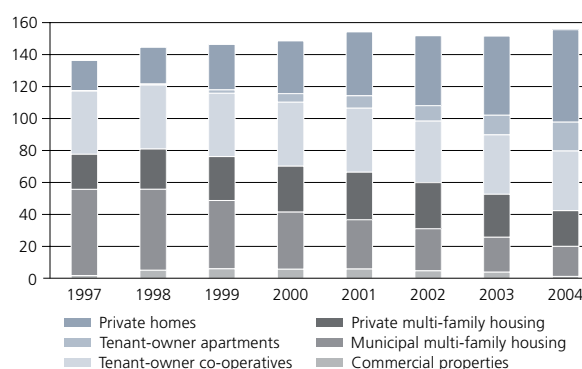
	2004	SL	2003	SL	Change incl. SL
Private homes	46.6	11.9	37.9	12.1	+8.5
Tenant-owner apartments	14.3	3.8	8.3	4.0	+5.8
Tenant-owner co-operatives	28.7	8.4	28.2	8.9	0.0
Private multi-family housing	22.3	0.0	26.7	0.0	-4.4
Municipal multi-family housing	17.8	1.0	20.8	1.0	-3.0
Commercial properties	1.2	0.0	3.9	0.0	-2.7
<b>Total</b>	<b>130.9</b>	<b>25.2</b>	<b>125.8</b>	<b>26.0</b>	<b>+4.3</b>

SL = Securitised loans

The reduction in lending to municipalities and municipal property companies is reflected clearly in the make up of the securities pledged for the loan portfolio, the volume of

**Diagram 8** Loan portfolio by category of owner (including securitised loans)

SEK billion



municipal guarantees and direct loans to municipalities have steadily shrunk.

### Refinement of the portfolio

Strategic measures regarding the portfolio include amongst others the phasing out of loans to commercial properties, the phasing out of loans greater than 75% of the loan to value as well as the reduction in risks due to over concentration. Loans regarding commercial properties are considered to carry more risk than loans for housing as commercial properties are more sensitive to the business cycle.

Improvements to the portfolio have been made in active partnership with the customers where the restructuring of





**Table 7 Security structure of loan portfolio  
(SEK billion)**

	2004	SL	2003	SL	Change incl. SL
Municipal guarantees and direct loans to municipalities	21.0	–	24.1	–	–3.1
Government guarantee	3.4	0.0	3.9	0.0	–0.5
Bank guarantees	0.1	–	0.1	–	0.0
Mortgage deeds	92.1	21.4	89.4	22.0	+2.1
Tenant-owner apartments	14.3	3.8	8.3	4.0	+5.8
<b>Total</b>	<b>130.9</b>	<b>25.2</b>	<b>125.8</b>	<b>26.0</b>	<b>+4.3</b>

SL = Securitised loans

pledged securities and/or acceleration of amortisation plans have been amongst the methods used. The phasing out of loans regarding commercial properties has been especially noticeable this year from SEK 3.9 billion to SEK 1.2 billion. The quality of the portfolio has been continually improved via cautious lending and pricing according to risk as well as through proactive work to ensure early discovery and the rapid implementation of remedial measures if the customer experiences solvency problems.

Even if SBAB has had very low levels of loan losses over the last few years and the strategic measures regarding the portfolio have led to the loan portfolio being low risk, there is constant work ongoing to minimise operative risks. This is achieved through further improvements to the loan process, regular screening of instructions and directions, ongoing training programmes and information, system development as well as through the integration of credit control with business operations. Volume growth during the year has occurred with low levels of risk maintained.

### Focus on the big city regions

The portfolio is becoming more and more concentrated to the big city regions. Demographic changes have seen the big city regions' populations growing with an increased demand for housing as a consequence. This has in its turn occasioned



**Table 8 The loan portfolio's geographical distribution  
(SEK billion)**

	2004	SL	2003	SL	Change incl. SL
Stockholm region	49.8	13.9	40.7	13.1	+9.9
Gothenburg region	10.2	2.8	8.9	3.0	+1.1
Öresund region	24.6	2.9	13.7*	1.9*	+11.9
University and growth areas	15.4	2.7	20.6	4.1	–6.6
Others	30.9	2.9	41.9	3.9	–12.0
<b>Total</b>	<b>130.9</b>	<b>25.2</b>	<b>125.8</b>	<b>26.0</b>	<b>+4.3</b>

SL = Securitised loans

\*Malmö region

**Table 9 Development of SBAB's loan portfolio,  
excluding securitised loans**

	2004	2003	2002	2001	2000
Loan portfolio excl. securitised loans (SEK billion)	131	126	134	137	140
Average remaining tenor (years)	1.4	1.7	1.6	1.8	2.0
Average interest rate (%)	4.39	5.05	5.42	5.50	5.74
Number of customers (thousands)	243	208	192	186	198
Loans with municipal or government guarantee (%)	19	22	25	28	31

a higher level of turnover in the property market with the consequential increase in demand for residential mortgages. Existing lending is predominantly focused to Stockholm on the one hand and on the other to the Öresund region (Malmö and Helsingborg regions). It is also in these regions that new lending is greatest.

The average remaining tenor continues to diminish. When renegotiating loan terms and for new lending, 67% of customers have chosen floating interest rates, the reason being the extremely attractive interest rate levels for floating interest rates.

# Funding

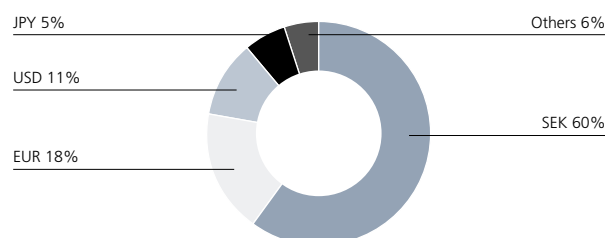
*SBAB is a well established borrower in the global capital markets. The company's funding is characterised by a high degree of innovation and original ideas as well as strong focus on diversification.*

SBAB's treasury department is responsible for the company's funding and financial risk management both from a strategic and operative point of view. SBAB places great importance on maintaining good long-term relations with the capital markets based on trust and openness. Thereby, guaranteeing that SBAB always has access to the global capital markets to be able to satisfy the funding needs of operations, both short and long-term. Conditions in the different capital markets change from time to time and by being active in different capital market segments SBAB's access to competitive funding is ensured. Historically, SBAB has been flexible in its product range for the capital market which is controlled entirely by demand. SBAB's goal is to achieve an equal split between international and domestic funding.

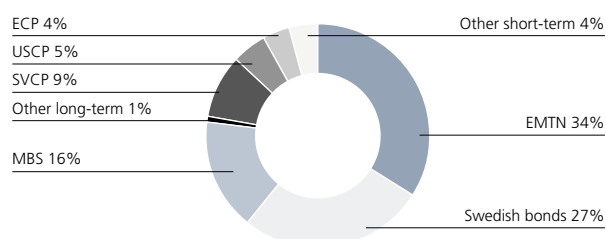
SBAB aims to maintain a high market presence in those markets deemed strategically important. Through an active market presence, stable development of SBAB's credit spread

can be achieved, which benefits both investors and intermediaries. SBAB's strategic currencies are SEK, JPY, USD and EUR in which SBAB intends to be a regular borrower. SBAB and its intermediaries in the capital markets will ensure that SBAB's securities enjoy high liquidity in the secondary market.

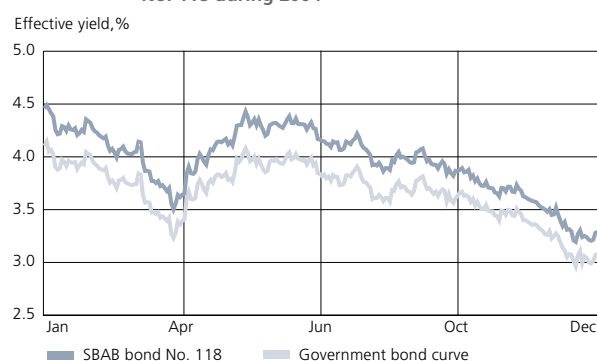
**Diagram 11 Funding – Distribution by currency 2004**



**Diagram 9 Funding – Product portfolio including securitisations 2004**




**Diagram 10 Development in interest rates for SBAB bond No. 118 during 2004**



## RATING

SBAB's rating is a crucial prerequisite to achieve attractive funding levels. The rating depends on the company's profitability, competitive conditions and level of risk. SBAB's rating for long-term debt is with Standard & Poor's AA– and with Moody's A1.



SBAB's rating	Standard & Poor's	Moody's
Short-term funding	A–1+	P–1
Long-term funding	AA–	A1



Table 10 SBAB's debt structure	31 Dec 2004	31 Dec 2003	Ceiling
Total of bonds issued, subordinated debt, liabilities to credit institutions	SEK 127 billion	SEK 124 billion	
International Funding	SEK 66.6 billion (52.2%)	SEK 74.5 billion (60.1%)	
Long-term Funding	SEK 45.6 billion (35.7%)	SEK 60.8 billion (49.0%)	
International Long-term Funding	SEK 17.1 billion (37.5%)	SEK 27.6 billion (45.5%)	
Euro Medium Term Note Programme, (EMTN)	USD 7,746 million	USD 7,762 million	USD 11,000 million
Swedish Benchmark Bonds	SEK 39.3 billion	SEK 32.1 billion	
Swedish Certificate Programme, (SVCP)	SEK 13.9 billion	SEK 12.5 billion	SEK 25 billion
European Commercial Paper Programme, (ECP)	USD 954 million	USD 654 million	USD 2,000 million*
US Commercial Paper Programme, (USCP)	USD 1,045 million	USD 1,285 million	USD 2,000 million
Average loan term	1.2 years	1.4 years	

\* The ceiling of the ECP was raised during 2004 from USD, 1,000 million to USD 2,000 million.

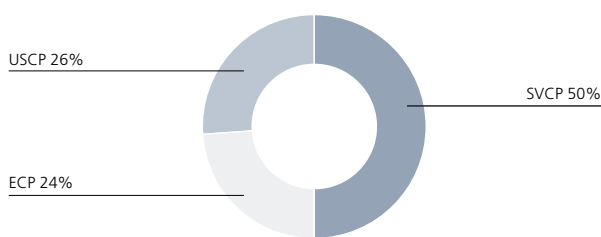
## SHORT-TERM FUNDING 2004

SBAB mainly finances its short-term funding needs through three commercial paper programmes; the Swedish commercial paper programme (SVCP), the European Commercial Paper Programme (ECP) and the US Commercial Paper Programme (USCP). The ceiling for the ECP-programme was raised during the year from USD 1,000 million to USD 2,000 million. SBAB is also active in the repo- and deposit markets for short term liquidity needs on a weekly basis.

## LONG-TERM FUNDING 2004

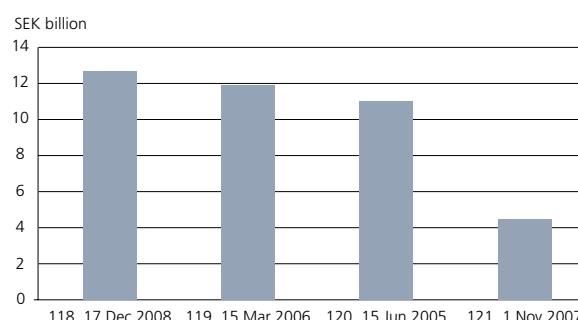
SBAB's range of products for long-term funding includes benchmark bonds as well as private placements. Supply is adjusted depending on pricing and demand in the capital markets. Sales are conducted mainly via private placements of SBAB's Euro Medium Term Note Programme (EMTN-programme). SBAB bonds Nos. 118-121 are traded in the Swedish bond market. The bonds pay fixed coupons and have a high degree of liquidity.

Diagram 12 Commercial paper volume 2004 distributed according to programme



Total volume SEK 27.7 billion

Diagram 13 Swedish benchmark bonds



Total volume SEK 40.1 billion



In November 2004 SBAB 121 was launched, with a fixed coupon of 4.0% and matures 1 November 2007.

During 2004 SBAB issued bond Nos. 118-121 to the amount of SEK 21.6 billion (SEK 18.9 billion), redemptions amounted to SEK 14.4 billion (SEK 10.4 billion).

In 2004 a total of SEK 21.7 billion (SEK 35.2 billion) was issued in long-term bonds under the EMTN-programme. There was great demand from investors for different SBAB products with durations of 1-2 years.

## COVERED BONDS

In May 2003 the Government presented a bill to the Riksdag (Swedish Parliament) concerning the passing of a new law governing the issuance of so called covered bonds. The bill was passed in the Riksdag in November the same year, whereupon the proposed law took effect from and including 1 July 2004. The aim was to give Swedish residential mortgage companies greater opportunities to utilise an internationally competitive financing form when raising capital. Covered bonds are established financial instruments from an international perspective with favourable pricing in the market.

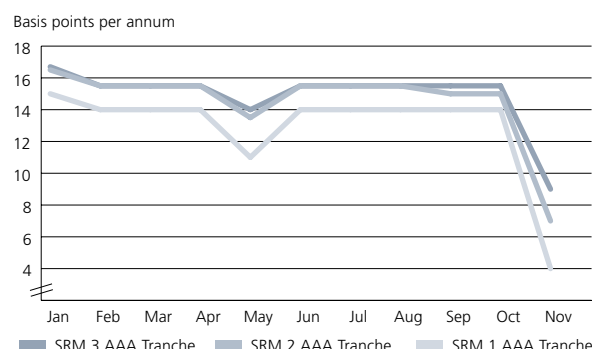
Against this background, SBAB's Board has decided to allow the use of covered bonds as a source of financing. This decision means that SBAB has started the preparatory work with application for permission and implementing those measures required by law to be able to issue covered bonds.

The base requirement for a bond to be considered covered is the existence of a specific pool of assets tied to the actual bond issue. The securities will consist mainly of residential mortgages and loans to municipalities and similar public bodies.

From the investor's perspective covered bonds signify that the investor, through the power of legislation, has been afforded priority rights in such case as the issuer being found to be insolvent, something that has a positive effect on the investor's investment risk.

For SBAB, the opportunity to issue covered bonds means that the cost of financing can be reduced as the rating of these bonds is more favourable. Aside from this an attractive market is opened up which supplies the prerequisites for a further broadening of the investor base. SBAB's previous experience of securitisations is of value as the internal processes required to handle securitisations are similar to those required to handle covered bonds.

Diagram 14 Credit spread SRM (spread over Libor) during 2004



## SECURITISED LOANS, MORTGAGE BACKED SECURITIES (MBS)

The securitisation of loans has a number of aspects as a source of finance for SBAB. Such financial instruments create flexibility regarding the composition of the balance sheet; another aspect is access to additional capital market segments.

Internal work processes and competence have been built up regarding the securitisation of loans as a form of finance, thus reducing the lead time in securitising a portfolio. This is a prerequisite for creating flexibility around this type of financial instrument, which in the current situation can also be seen as a liquidity reserve for SBAB.

SBAB has conducted four loan securitisations, SRM Nos. 1-3 and Morfun No. 1. The securitised portfolios have included loans regarding private homes, tenant-owner co-operatives and to property companies. Updated information on the development of the SRM portfolios is available from their dedicated website; [www.srminv.com](http://www.srminv.com).

Investor demand for SBAB's mortgage backed securities has been good, which has been reflected in their pricing. During 2004, SBAB's MBS portfolios have been very competitively priced when compared to other MBS issuers in Europe.

## NEW SUPPORT SYSTEM FOR FINANCIAL OPERATIONS

The first quarter of 2004 saw a new support system introduced to financial operations. A higher degree of automation has improved work processes which in consequence has reduced operational risks in this part of the business.

# Risk Management

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

## OVERALL PRINCIPLES FOR SBAB'S RISK MANAGEMENT

Capital should be distributed in accordance with the different risk levels within operations. The return on equity achieved should be measured against the risk-taking necessary to achieve it. SBAB's risk management should be transparent and therefore possible to present to and be followed by interested parties outside the organisation. The objective for risk management is the identification, measurement, control and verification of relevant risks.

## RISK CONTROL

SBAB has a central risk control unit that analyses and validates all of SBAB's risks. The Risk Control Unit reports to the Board, CEO and others in need of risk information. The reports produced give an objective and comprehensive view of the company's total level of risk as well as analysis of developments. Another important task for the unit is the monitoring of compliance with the rules and regulations for risk management in operations and when necessary suggest improvements.

The Risk Control Unit is independent of the trading and operative parts of the business through reporting directly to the company's financial controller. In the last year, much of the unit's resources have been utilised for participation in the ongoing development work regarding Basel II.

## CREDIT RISK IN LENDING OPERATIONS

SBAB grants loans to residential properties and tenant-owner apartments, a segment that is normally considered low risk. Loans for commercial properties can also be granted but to an extremely limited extent and in connection with lending to residential property.

Since June 2003 SBAB has been able to lend, against mortgage collateral, up to 75% of LTV as assessed by SBAB. An equivalent lending limit is also applied to lending to tenant-owner apartments. This change has been made in the light of the new legislation regarding covered bonds. When municipal or government guarantees comprise the collateral, loans can be granted up to the amount guaranteed.

A partnership with General Electric Mortgage Insurance, GEMI, has been developed to enable SBAB to offer retail market customers an economically attractive and comprehensive solution to their housing finance needs through offering up to 95% loan-to-value financing. The partnership entails GEMI insuring loans with a loan-to-value above 75%.

SBAB also offers down payment loans to customers buying new homes, these services can be regarded as advances against future residential mortgages, normally without collateral, but for very short periods. Customers are credit rated according to the same regulations as would apply in any other lending.

SBAB also offers bridging loans to customers who are in the process of moving home on condition that a binding sale

Apportionment of capital will be carried out with reference to the disparate levels of risk within the business.





A new support system has been implemented within the treasury department during 2004.

agreement has been signed regarding the sale of the home they are selling. The loan is redeemed through the surrender of the former home. Such lending entails greater exposure for SBAB as regards one specific customer than would otherwise be accepted; though due to the requirement of a binding sale agreement such risks are limited.

Aside from following up the customers' repayment ability, a running check is maintained of customers actual payments. Credit officers monitor customers both in the retail and the company market to enable early action in cases of customers who are late with payments or show other signs of heightened risk.

#### TREASURY DEPARTMENT'S MANAGEMENT OF MARKET AND LIQUIDITY RISKS

The implementation of the new treasury system within the Treasury department, in 2004, comprehensively improves the management of operative and financial risks within this business.

The Board sets individual limits in respect of interest rate risk, currency risk, option risk, liquidity and financing risk as well as credit risk. In certain cases several different limits apply within certain areas (see note 37).

##### Interest rate risk

The main principle utilised in the management of the company's interest rate risk is the application of matching to long-term funding and lending, at the same interest rate base, on an aggregated basis. This matching can occur directly via the fixed interest terms in demand with investors being offered to lending customers and vice versa.

Derivative instruments are also utilised in matching, as

the use of interest rate futures and interest rate swaps enable the flexible management of interest rate risk through which a desirable maturity profile regarding the company's funding and lending can be achieved. Derivative instruments may only be acquired or issued for the purposes of hedging.

SBAB's equity capital and float is managed through the greater proportion being utilised for lending; the remainder can, if greater profitability can be achieved, be placed in interest-bearing securities. The exposure thus incurred constitutes by definition, the company's strategic interest rate risk. This management is based on the correlation of the average maturities for placement of the equity capital and float with the average fixed interest period of the company's lending.

##### Currency risk

SBAB's assets are denominated in Swedish Kronor and funded in a corresponding manner. As a principal rule, SBAB should not be exposed to exchange rate fluctuations; therefore all funding in international currencies should be immediately converted to Swedish Kronor via the swap market. However temporary investment in matching currencies is also approved. The severely restricted currency risk limit at the company's disposal is aimed at in part making the management of flows of different currencies more flexible and also in part at enabling the repurchase of previously issued bonds in foreign currency.

##### Option risk

At a borrower's or an investor's request, a loan or bond may contain certain interest rate option structures. Option risk arising from such financing forms is eliminated via the derivative market. For administrative reasons however, a strictly curtailed option risk can be accepted (see note 37). As regards currency options, no open positions are allowed.



### Liquidity and financing risk

Funding operations are conducted in accordance with the limit for pre-arranged funding, a limit imposed to restrict liquidity risks. Funds pre-arranged are invested in liquid interest-bearing securities until the maturity date for the respective funding. To limit risks where different interest rates apply to different investments a special limit for so-called spread risks is used.

SBAB also utilises a selection of other techniques to monitor and limit the advent of liquidity and refinancing risks:

- The treasury department has the objective of financing 50% of the short-term lending with funding that has both a longer tied capital period and where the interest rate conditions are adjusted with shorter intervals. This measure is of central importance especially as short-term lending has increased so dramatically over the last years.
- A particular risk mandate exists, the so-called investment portfolio, which allows for borrowing and investing amounts corresponding to 10% of the balance sheet. Another specific risk mandate exists for the sale of forward transactions in Government securities.
- In order to further strengthen access to liquid funds SBAB has entered into stand-by credit agreements, giving SBAB the right to take up loans when necessary. Amongst these is a stand-by credit facility with Riksgäldskontoret (the Swedish National Debt Office), which gives SBAB the right to borrow, up to a specified limit (SEK 8 billion during 2004), to a pre-determined market interest rate.
- An essential prerequisite in ensuring the minimisation of liquidity and prefunding risks is that SBAB continually has access to the entire global capital market. Liquidity and refinancing opportunities can then be secured even if one or more of the markets underperform periodically. This is achieved through SBAB maintaining a high market presence, ensuring good investor relations and having the necessary programmes in place to distribute its securities easily.

### Credit risk

A minimum of one credit assessment for each and every financial counterpart is conducted annually and in conjunction with this a credit limit for the respective counterpart.

### The risk mandates in detail

Risk mandates and utilised limits as at 31 December 2004 can be seen in note 37.

Counterparty risks and utilised limits as at 31 December 2004 can be seen in note 38.

### OPERATIONAL RISKS

During SBAB's work with the Basel II regulations, SBAB has developed a method for identifying, measuring, managing, and monitoring relevant operational risks. The method entails the grading of risks according to probability and the extent of possible financial repercussions. SBAB intends to apply the standardised method to operational risks during the transition to the new capital adequacy requirements.

### Security issues

A well-defined level of security with security of information forming its core is a prioritised goal for SBAB. Security work is built on clear instructions, high alertness, careful documentation and continuous follow-up.

### COVERAGE OF RISKS WORLD-WIDE

SBAB maintains a continuous watch for international factors that could directly or indirectly affect the risk position of the company. This involves monitoring trends and tendencies that could have a business impact on the lending and funding markets. SBAB's economic research unit prepares ongoing analyses and forecasts regarding economic developments in Sweden and internationally.

### BASEL II, SBAB'S ADAPTION TO FUTURE CAPITAL ADEQUACY REQUIREMENTS

SBAB has developed internal rating models for classifying borrowers and guarantors according to risk in accordance with the coming Basel II regulations covering lending to the retail and property-company market. The models have received the Board's approval and are already being used in business operations. Exposure regarding financial institutions, states and municipalities will be calculated according to the standardised method, this method will also be applied to operational risks initially.

The internal rating model for the retail market has been utilised over the year for making risk analyses of the loan portfolio and for risk classification of individual businessmen.



The model will be integrated into the credit rating process for the retail market in 2005. Risk classification will of course be of great significance on the credit decision.

The internal rating model for the property-company market has been used in credit operations for the entire year both as regards credit rating and for yearly reports. Before implementation the models were checked against SBAB's previous customer classification system and as experience has been gained through usage of these risk classification models, they have been calibrated during the autumn 2004. The risk models form a natural part of the credit process, the risk classification proposed by the model is checked by a credit officer before a formal decision is made. The usage of well functioning models has resulted in a more efficient credit process.

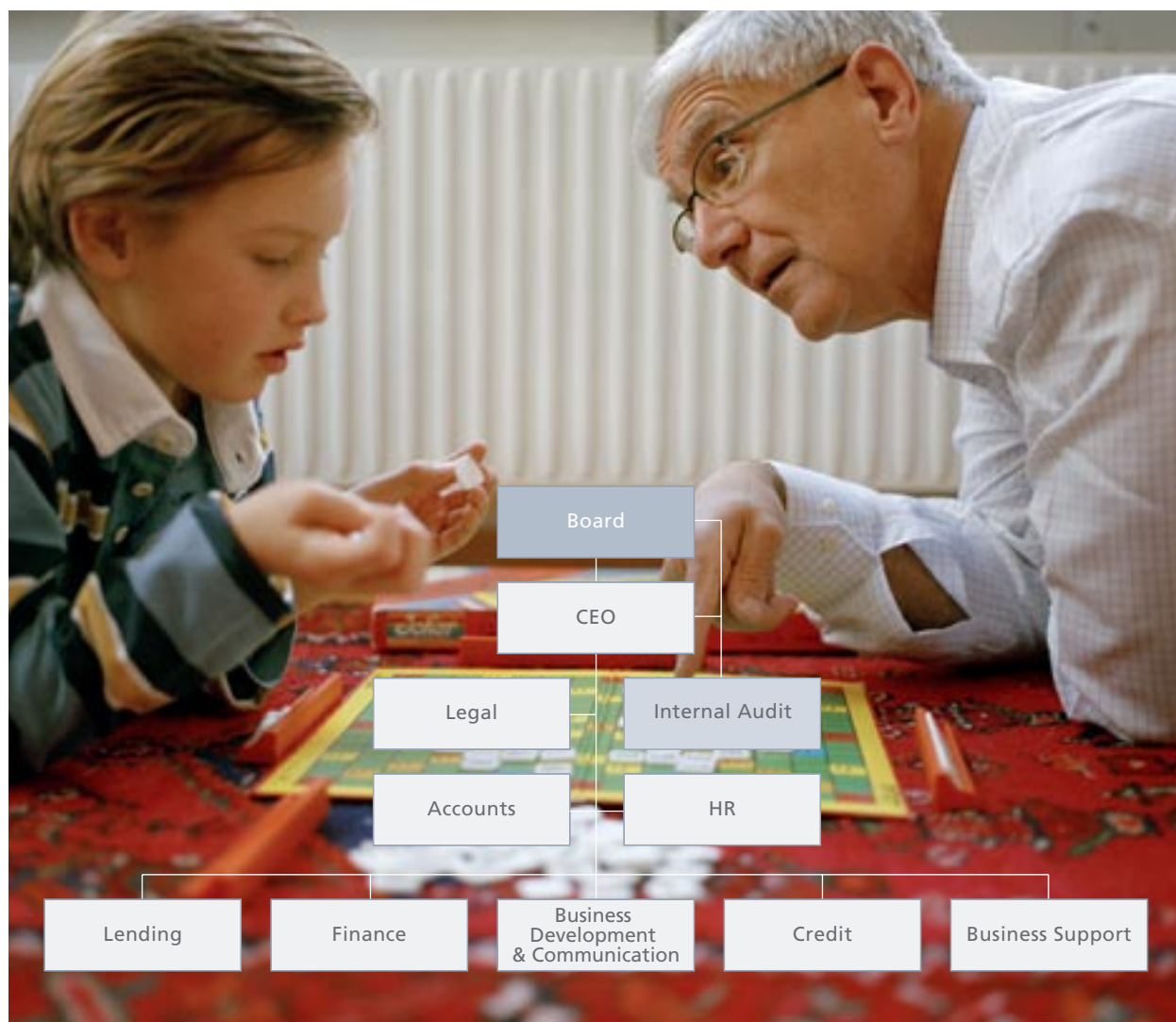
In the past year another risk model has been developed

to calculate the loss proportion in the event of insolvency for different loan to values regarding securities in the form of mortgage deeds for real estate and the right of use to tenant-owner co-operative apartments. The model builds on statistics from and including 1997, both for the retail and the property-company markets and has received approval from the Board during the last year. The model shows that the loss proportion is closely related to the security's loan to value positioning. In the loan to value circumstances that SBAB offers loans the loss proportion has been acutely limited.

SBAB has, in accordance with Finansinspektionens (the Swedish Financial Supervisory Authority's) requirements, submitted a preliminary application regarding the utilisation of internal rating models for the appraisal of capital requirements from and including the 31 December 2006.



# Organisation



The autumn of 2004 has seen the implementation of a more appropriate organisation at SBAB to further sharpen focus both on current and on future business dealings. The intention is to further enhance SBAB's opportunities for expansion through utilising the growth in the residential mortgage market. This change has positive overtones and has been implemented neither for the purpose of making rationalisations nor for the identification of supernumeraries.

The executive management of the company has been strengthened via the creation of a new unit responsible for the company's business development and communication issues.

At the same time the apportionment of responsibility for operations has undergone refinement and clarification. Furthermore, the management has also been strengthened through Human Resources taking a self-contained role.

Independent risk control is a free-standing unit independent of the credit and business operations and forms a part of the accounts department.

The main objective of the measures taken is through the improved use of resources, clearer demarcation of responsibilities and simpler decision paths to better and more efficiently attend to new and existing customers.

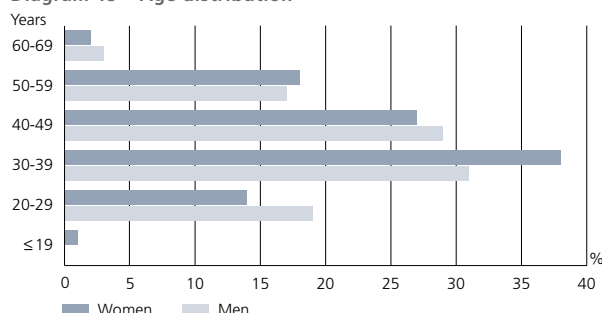
# Staff

*Attracting and developing competent and committed staff is of extreme importance for SBAB. The so called offer model enables individuals to take great responsibility for their own personal development and for SBAB as employer to utilise the individual's ability and potential to meet our customers' needs in a professional manner.*

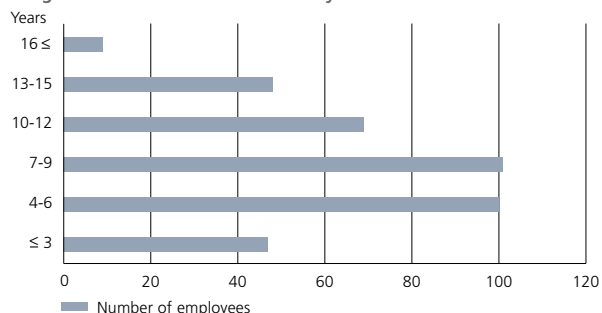
A prerequisite for a successful organisation is confidence in every member of staff to carry out and develop their assignments. To achieve this, each and every person must see their role in the entire process, have clear goals, the resources necessary and be aware of the result to be achieved. SBAB sees its staff as suppliers that tender their services on an annual basis to their managers. The tender contains the employees' commitment based on the company's business plan and a plan for their own development.

Yearly staff appraisals are conducted to determine if SBAB as a whole and in its parts is developing towards the goal and are shown as an index. The company that conducts the appraisals, on SBAB's behalf, estimates that a value in the 70-80 range is necessary to build a successful organisation. The index this year was 75.8 (75.4) and especially showed improvements within the areas of quality assurance, development opportunities, understanding of company values and culture. 84% of the staff at SBAB participated in the survey that was conducted in March 2004.

**Diagram 15 Age distribution**



**Diagram 16 Period of service in years**



## COMPETENCE DEVELOPMENT

For a number of years, SBAB has made large investments in competence development for the company as a whole both at staff and management levels. 2004 has shown a reduction in training and is estimated at circa 1.5 days per employee (2.5); this has in part been occasioned by very high influxes of customers during the spring with the consequent need to defer some programmes until later dates.

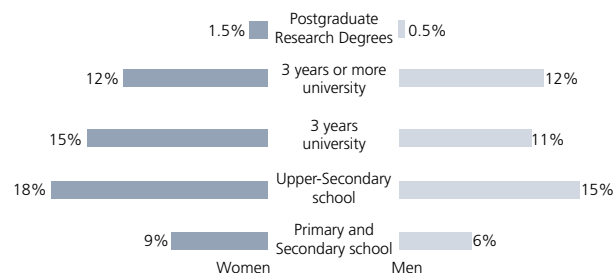
SBAB's programme for the certification of mortgage loan advisors consisting of sales methodology, law, business environment analysis and insolvency issues has however been completed with 25 members of staff receiving certification during the year. A sales training programme started in autumn 2004 and will continue during 2005 as needs for such training increases due to the trend towards clear sales requirements.



**Table 11 Staff**

	2004	2003	2002	2001	2000
Average number of employees	391	384	388	368	365
Number of positions at year end	364	355	357	347	338
- of which held by women	216	209	211	199	202
Sick leave, short-term, %	1	1	n/d	n/d	n/d
Sick leave, long-term, %	3	3	n/d	n/d	n/d
Total sick leave, %	4	4	4	3	3
Staff turnover, %	4	3	6	16	12
Average age	40	41	41	40	39
Staff costs, SEK million	225	227	239	190	181
Net operating income per employee (average), SEK million	1.7	1.9	1.6	1.5	1.3
Training days/employee (average)	1.5	2.5	4.5	3.3	2.7

n/d = no data

**Diagram 17 Level of education – Distributed according to gender**

To meet the increase in long-term absence due to ill health, a keep-fit programme for the entire company has resulted in a number of training days covering the areas keep-fit, diet and health.

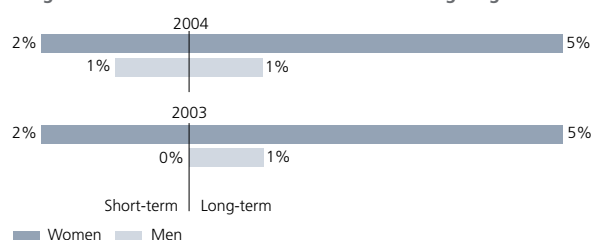
## HEALTH AND KEEP-FIT WORK

Total absence on account of ill-health, expressed as a percentage of working hours was 4% (4%) where absence due to long-term illness amongst women represents the major portion. SBAB has gathered its resources and intensified cooperation with company health services, försäkringskassorna (the Swedish Social Insurance Administration) and other health service providers and succeeded in returning 70% of those absent full-time due to ill-health to their work either on a full-time or a part-time basis.

SBAB aims to be a good and attractive workplace where the staff's health and job satisfaction are important. Through active work with health issues, SBAB aims to give its staff a stimulating working environment and create positive attitudes concerning health and keep-fit.

SBAB has a goal of being awarded a health diploma as a workplace by Korpen (an inter-company sports organisation) and our active work in pursuit of this goal resulted in a diploma for 2004.

Keep-fit requires own commitment, which is the reason for having a person designated responsible who together with a network of internal health leaders can actively conduct inspiring health and keep-fit activities.

**Diagram 18 Sick leave – Distributed according to gender**

Long-term sick leave is defined as absence due to illness of more than 60 days. The percentages show the weighted absence due to illness in the respective categories in relation to the total absence due to illness in the respective categories.

One important element is SBAB electing to have 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.

## EQUAL OPPORTUNITIES

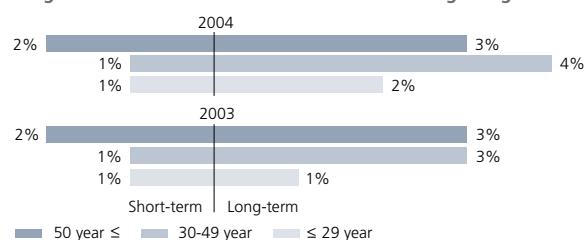
SBAB strives to ensure that all members of staff have equal rights, opportunities and obligations in everything where it concerns the workplace irrespective of gender, age or ethnic background. By actively working for equal opportunities, differences in salary, employment terms and opportunities for development should be levelled out or eliminated.

SBAB's equal opportunities plan has been inspected and approved this year by JÄMO (Office of the Equal Opportunities Ombudsman), which is evidence that SBAB is on the right path. The employee survey showed the same results, namely that the equal opportunities index increased to 73.1 (71.8). The year has seen theme weeks regarding equal opportunities, inspirational articles, exhibitions as well as group work and was crowned by a very well attended speech by JÄMO's Claes Borgström.

The company's long-term goal is to have an even distribution of genders amongst managers and top management. The percentage of women in the executive management of the company is already 44% (40%) and the percentage of female managers is 40% (40%) well on the way to our target. In total 59% (59%) of the posts in the company are occupied by women.

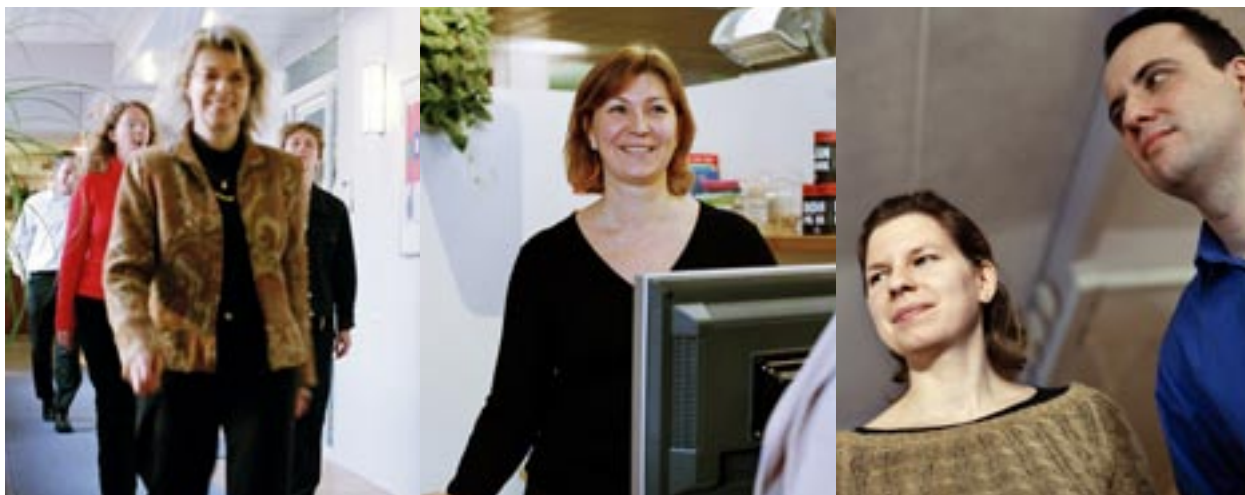
The company compensates staff on maternity/paternity leave for one year with up to 10% of their salary below 7.5 "basbelopp" (a basbelopp is an amount set annually by the Swedish authorities currently SEK 39,300 for national social security purposes) as well as 80% of the portion of the salary over 7.5 basbelopp. SBAB actively encourages men to take paternity leave.

SBAB has an equal opportunity group that is an important support for the work regarding equal opportunities and ethnic multiplicity in the company. The group consists of the Chief Executive Officer and representatives from the HR department and other parts of the company.

**Diagram 19 Sick leave – Distributed according to age**

Long-term sick leave is defined as absence due to illness of more than 60 days. The percentages show the weighted absence due to illness in the respective categories in relation to the total absence due to illness in the respective categories.





SBAB AIMS TO BE A GOOD AND ATTRACTIVE WORKPLACE  
WHERE THE STAFF'S HEALTH AND JOB SATISFACTION ARE IMPORTANT



SBAB STRIVES TO ENSURE THAT ALL MEMBERS OF STAFF HAVE EQUAL RIGHTS,  
OPPORTUNITIES AND OBLIGATIONS



# IT-development & Projects

*SBAB has made significant progress within certain areas during 2004. IT-development now has an improved base that will facilitate the continued development of the business.*

## INFRASTRUCTURE

To enable the management of the increased influx of customers whilst maintaining service levels the telephony system has been developed with the support of automatic voice recognition to connect calls to the right member of staff. New systems and processes have been implemented to efficiently handle calls and email in the same manner and reduce waiting times for our customers.

SBAB has invested resources in converting to a new operative system of servers and work stations during 2004. In addition, further server consolidation has been conducted in order to raise operational quality and lower running costs.

Email and telephony are important channels for SBAB in its chosen business model. A new firewall and spam filter for email have been implemented to further increase protection from unwanted access.

## IT-STRATEGY

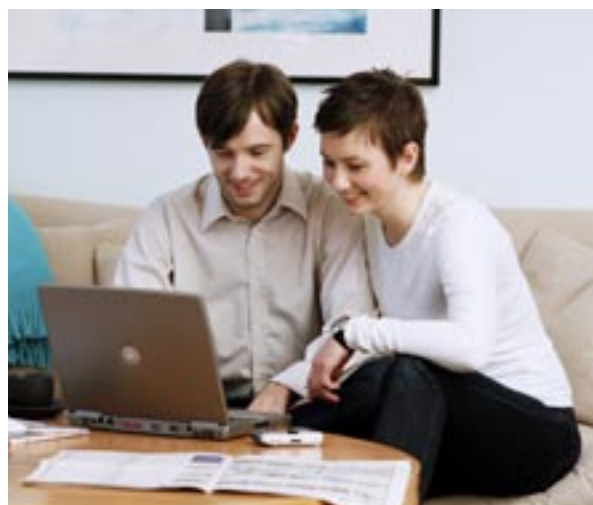
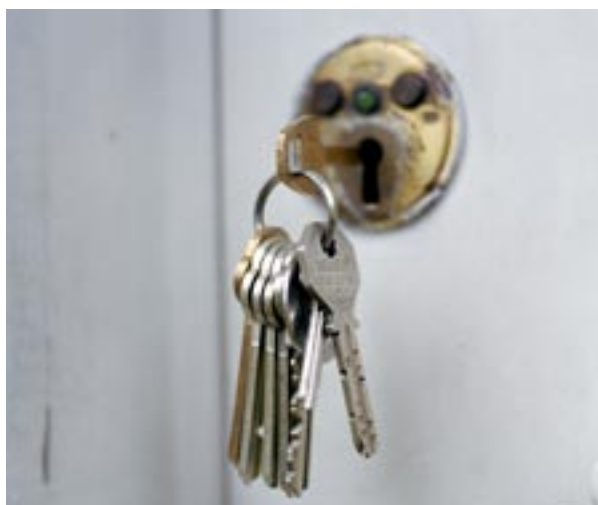
2004 saw the drawing-up of an IT-strategy to describe all the components of the structural value (see Management Model

page 33) and how they connect together. A number of strategic goals were established for continued work, amongst them the focus on a "service oriented architecture" that delivers great advantages to SBAB regarding opportunities to further raise process efficiency.

## PROJECTS

SBAB has run several projects during 2004 to render the business more efficient of which the larger projects have been:

- *New finance system* – A new support system for finance operations has been implemented during the year.
- *Basel II* – Project to adapt operations to the Basel II regulations.
- *Adjustment to IFRS* – Adjustment of SBAB's operations to follow the new accounting rules.
- *Project to issue covered bonds*
- *Customer relations project* – Project with the goals of increasing the customer relation value and of adjusting our offers to different customer groups.



# Owner's Controls & Corporate Governance

*The foremost goal for state owned companies operating in fully competitive marketplaces is to create value for the customer and the owner.*

## OWNER'S CONTROLS

### Owner policy

Like other owners, the State has a number of tools for exerting influence on companies it owns; accounting requirements, board nominations, auditors, capital structure and the establishment of policies.

The purpose of the accounting requirements is for state owned companies and the State's management of such companies to fulfil transparency requirements, which is seen both as a democracy issue and as being about how the State utilises resources. The State's goal is for state owned companies to be at least as transparent as stock exchange listed companies. The State has established specific guidelines for external financial reporting.

The State's board nominations are made for the purpose of creating effective boards with relevant competence both for the business and for each company's current stage of development.

The capital structure of state owned companies must be optimised; the companies must use both borrowed and equity capital efficiently whilst maintaining focus on their core business.

The Government has decided that Sweden should take the forefront in the conversion to economically, ecologically and socially sustainable development. Swedish work with equal opportunities should show success and be an international role model. Respect for the environment, social issues and ethics are therefore natural evaluation parameters for decisions regarding the management of state owned companies. As part of the State's owner control policy the State has prioritised important policy issues such as social responsibility, ethics, the environment, equal opportunities, healthy working environments as well as openness and transparency regarding state owned companies' operations. The State has also established specific guidelines for the employment terms of top management and incentive programmes in state owned companies.

## Owner expectations of SBAB

SBAB's mandate is to contribute to competition and diversity while maintaining an efficient organisation and being run according to accepted business norms and financial goals. SBAB operates in fully competitive marketplaces.

The financial requirements are that SBAB's return (after standard rate tax) on its average equity capital over a five year business cycle, should correspond to the rate of interest on a five-year Government bond plus five percentage points.

The dividend should amount to one third of the year's after-tax profits.

## CORPORATE GOVERNANCE

Management and control of SBAB is allocated between the shareowner, the Board and the Chief Executive Officer in accordance with Swedish Companies Act and SBAB's articles of association.

### The Annual General Meeting

SBAB's Annual General Meeting was held on 24 March 2004 in Stockholm. The AGM was open to the public, who were invited to attend through advertising in the daily press, together with other specially invited guests including business partners, Members of Parliament, customers and other interested parties.

The following Board Members were re-elected at the AGM Claes Kjellander (Chairman), Christina Ragsten Pettersson, Jan Berg, Per Erik Granström, Kerstin Grönwall, Lars Linder-Aronson and Michael Thorén. Helena Levander was elected as a new Member of the Board. Board Member and CEO of SBAB Christer Malm stepped down at the AGM in conjunction with his retirement.

Directors' emoluments were decided at the AGM, further the Board and CEO were discharged from liability for 2003, the appropriation of profit for 2003 accepted and the income statement and balance sheet for 2003 accepted. The AGM



also decided to change the company's articles of association to enable SBAB to finance its operations through the issuance of covered bonds.

### The Board of directors' activities

SBAB's board consists of seven board members elected at the AGM as well as one board member appointed by the employee organisation Finansförbundet. Up till the board meeting of 27 October 2004 the number of board members elected at the AGM was eight. Christina Ragsten Pettersson relinquished her position as Board Member on 27 October 2004.

The Board acts in accordance with the programme drawn up and ratified at the board meeting following election in the spring. The programme regulates the allocation of work between the Board, the Chairman and the CEO.

During the 2004 business year, the Board has had six scheduled meetings as well as two extra board meetings; on 5 May, to

attend to the financial report for the first quarter and decide the remit of the Board's committees and on 19 August, to attend to the half year report and the internal audit's status report.

Aside from the aforementioned issues, the Board has dealt with and made decisions concerning strategic issues as well as received status reports regarding development projects in SBAB, for example the project relating to the implementation of new capital adequacy regulations and accounting rules.

The Board's secretary and recorder of the minutes has at all meetings been Christine Ehnström, SBAB's Chief Legal Counsel.

In addition to the Board meetings, the Board follows the day-to-day work in SBAB and financial developments through the extensive monthly reports submitted by the CEO.

### The Board's Committees

The Board has further extended its work through selected Board Member's participation in the following committees

#### Board meetings 2004

February	March	May	September	October	December
Proposal for annual report 2003 as well as decision regarding payment of bonuses for 2003 to SBAB's staff. Account of SBAB's auditor's assessment of operations and status report from Internal Audit. Decision taken regarding the authorization of the CEO to call an AGM.	Inaugural board meeting following election, decision on policies and directives in SBAB as well as introduction of SBAB's Board Members to its subsidiary FriSpar Bolån AB and other various authorisations. Decision taken regarding the establishment of a new board committee – The Finance Committee.	Presentation and discussion of the strategic direction for the business plan 2005.	Strategic discussions regarding the 2005 business plan and setting of guidelines for the organisation's business plan work in the autumn.	Interim report and evaluation of Board and CEO.	Final decision regarding business plan and budget for 2005.

#### Study visit to SBAB's customer centre

In addition to the scheduled board meetings the Board visited SBAB's customer centre in Karlstad for one day in November. They were given a presentation of the operations and visited the different working groups.



established by the Board. The different committees' meetings are recorded and the minutes circulated to all Board Members and reviewed when the Board meets.

### The Credit Committee

The Credit Committee consists of three Board Members selected by the Board, one of which is the Committee Chairman. The CEO is also a member of the credit committee. Either the Chief Credit Officer or another specially appointed executive submits the report.

The Credit Committee's remit is to decide credit limits and credits according to established credit directives. A further assignment is, in advance of Board decisions, the preparation of changes in credit policy and credit instructions, the evaluation of portfolio strategies, the analysis of credit portfolios, the evaluation of valuation/decision/risk models, the evaluation of new or existing delegation rights and pricing issues based on market conditions before strategy discussions at Board level. The Credit Committee should also follow credit risks and their pricing as well as the monthly sales and pricing.

Members of the Credit Committee over the last year were: Christina Ragsten Pettersson, (Chairman until 27 October 2004), Claes Kjellander (Chairman from and including 27 October 2004), Jan Berg, Eva Cederbalk (CEO) and Helena Levander (member from 27 October 2004).

The Credit Committee has had 15 meetings over the year.

### The Audit Committee

The Audit Committee consists of three Board Members one of which is the Committee Chairman.

SBAB is represented by the Head of Internal Audit and in addition the company's elected auditors are also present. The Committee's remit is to examine the company's management, external reporting and internal controls.

Further, the Committee is, in advance of Board decisions and presentations to the Board, to prepare the internal audit plan and reporting for coming years, the elected auditor's plan and reporting, the company's accounting principles and changes in accounting rules, interim reports and the annual accounts, the evaluation of elected auditors and to follow the production of the company's risk analysis and the internal audit's evaluation of internal controls.

Members of the Audit Committee over the last year were: Christina Ragsten Pettersson, (Chairman until 27 October 2004), Jan Berg (Chairman from 16 December 2004), Kerstin Grönwall and Lars Linder-Aronson (member from 16 December 2004). The Head of Internal Audit at SBAB has been present and reported to the Audit Committee during the year.

The Audit Committee has had five meetings over the year.

### The Finance Committee

The Finance Committee consists of two Board Members one of which is the Committee Chairman, selected by the Board and SBAB's CEO. The Board can appoint further members, which are not Members of the Board, with a suitable background for the committee's work. The Chief Financial Officer or another executive appointed from the treasury department is responsible for submitting reports on their respective areas as well as, if appropriate, SBAB's Risk Manager.

Other members appointed by the Board do not participate in the decision making process but are present for advisory purposes only.

The Finance Committee's remit is to take decisions in accordance with the Board's established finance directives concerning credit risk limits for financial operations as well as, in cases where the limits have been exceeded due to changes in exchange rates or interest rates, to recommend remedial measures; to give an opinion regarding instructions for the



handling of credit risk limits, the use of new financial instruments and the guide value for interest rate risk in the company's equity capital and float in accordance with the Board's established principles.

Additionally the Finance Committee is to monitor risks within financial operations.

The Finance Committee prepares changes in financial policy, finance instructions and other areas in preparation for Board decisions.

The Finance Committee was created at the Board's meeting in March 2004.

Members of the Finance Committee over the last year were: Lars Linder-Aronson (Chairman), Helena Levander, Bo Marking and Eva Cederbalk (CEO).

The Finance Committee has had six meetings over the year.

### The Compensation Committee

The Finance Committee consists of two Board Members one of which is the Committee Chairman, selected by the Board and SBAB's CEO. The company's Head of Human Resources can be co-opted to the committee if needed.

The Compensation Committee's remit is to prepare principles for fixed and performance based remuneration, other benefits, pensions, notice periods and redundancy payments regarding the company's executive management.

The Compensation Committee can decide on issues regarding terms of employment for the executive management however not as regards the CEO in which case it remains a matter for the Board.

In addition the Compensation Committee is to monitor developments in salary and wages for the company as a whole as well as prepare issues regarding SBAB's remuneration system and incentive programme.

Members of the Compensation Committee over the last

year were: Claes Kjellander (Chairman), Michael Thorén and Eva Cederbalk (CEO).

The Compensation Committee has had two meetings over the year.

## OTHER GOVERNING BODIES

### Auditors

Every fourth year the AGM appoints an auditor or auditing firm to audit SBAB. The Auditor must be an authorised public accountant or an authorised public accounting firm that appoints the lead auditor. The AGM in 2002 appointed KPMG Bohlins AB as auditor. The lead auditor is Per Bergman. In addition the Swedish Financial Supervisory Authority appoints an auditor to SBAB. The Swedish Financial Supervisory Authority has appointed Lars-Ola Andersson, SET Revisionsbyrå AB as auditor to SBAB.

### Internal Audit

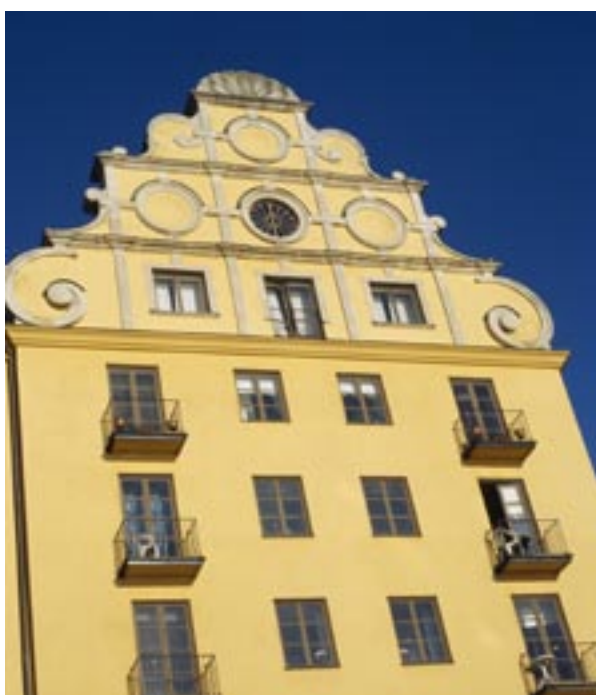
SBAB has an internal audit unit consisting of two staff members. The Internal Audit Unit operates independently in accordance with FFFS 1999:12, 10§. Internal Audit is directly under the CEO and reports directly to the Board.

The Internal Audit Unit's assignment is to monitor operations within SBAB to ensure that they are of a scope and direction that is in accordance with the Board's directives to the business and to audit and evaluate the organisation, routines and internal controls for companies within the SBAB group. The Internal Audit Unit examines and evaluates development, operation and management of the IT-system as well as conducting special assignments on behalf of the Board or CEO. The Internal Audit Unit can also assist the business with advice and recommendations within their own competence areas (mainly regarding internal controls and strategic management).



# Management Model

*SBAB's strategic business plan forms the basis for planning, strategic management and following up the company's operations. A balanced scorecard is used for planning and following up utilising five areas; the customer, finance, staff, structure and society. The balanced scorecard enables SBAB to connect the business to the overall strategies and create a work methodology that enables the entire organisation to strive to meet the same goal.*



## CUSTOMER VALUE

The goal for customer value is for SBAB customers to be the most satisfied in the entire residential mortgage industry. This is measured with the assistance of Swedish Quality Index (SKI). Measurements for 2004 show SBAB's customers as being most satisfied with an index of 78.2 compared to the industry as a whole with 72.5. As regards property-company customers SBAB had the next best figures with 72.9 compared with the industry average of 71.7.

SBAB's overall strategy is to be price leader and offer premium class service. The latter builds on meeting all customers in a professional, pleasant and correct manner. Our goal is to handle all private customers' applications the same day they come in and maintain running contact with our existing customers.

## FINANCIAL CAPITAL

The financial capital regards SBAB from the owner's profitability requirements.

The owner's requirement for after-tax return on equity for 2004 has been calculated to 8.8%, the actual return was 9.5%.

## STAFF VALUE

During the year SBAB returned to the staff survey's index as a goal for staff value. The result for the year was 75.8 (75.4). The original goal for the year was to conduct a quality certification however due to an extremely heavy workload the activity has had to make way for higher priorities.

The staff constitute an important resource whose competence must be looked after and developed. Customers often come into contact with the different parts of an organisation and it is therefore of crucial importance for the company's success that all parts utilise the same values and service culture.

## STRUCTURAL VALUE

The structural value illuminates SBAB's internal processes and systems and how these are developed to increase internal efficiency. Elastic processes and higher efficiency creates more satisfied staff and customers. The goal for 2004 is an income/expenditure ratio, including loan losses, of 2.3, the result was 2.4.

## PUBLIC VALUE

SBAB's public value illuminates the company's ability to provide a competitive factor and increase public knowledge regarding possible alternatives in the residential mortgage loan market.

The goal for public value is based on SBAB's strategic goal of increasing market share in the retail market and tenant-owner co-operatives. The goal for the retail market in 2004 was 8.3% and the result was 8.4%; for tenant-owner co-operatives the goal was 18.1% and the result 18.0%.

# Result

## RESULT FOR THE SBAB-GROUP

The SBAB group showed a net operating income of SEK 678 million (SEK 721 million). 2004's net operating income is circa 6% lower than the previous year. The underlying reason being lower net interest income for 2004.

SBAB's return on equity capital expressed as an average for the five-year period 2000-2004 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 2000-2004 this means circa 9.5%, which means that SBAB has achieved the owner's yield requirement. For 2004 the yield requirement has been calculated at 8.8% which means that the result for the year has surpassed expectations.

## NET INTEREST INCOME

Net interest income amounted to SEK 1,214 million (SEK 1,253 million) and is 3% lower than the previous year. Net interest income has been more negatively affected by low interest rates, the return on equity capital and float than 2003. The margin effect from the lending portfolio has developed positively in pace with the continued good development of

lending to the retail market. The transition to the new support system for financial operations has involved development of valuation and accrual techniques which have burdened the net interest income with a post of SEK 20 million for 2004.

The investment margin (net interest income in relation to the average total capital employed) dropped from 0.93% for 2003 to 0.91% for 2004, which is explained by the somewhat lower net interest income and increase in total capital employed.

## OTHER INCOME AND COSTS

Net commission and other income amounted to a loss of SEK 38 million (SEK -28 million). Commission income increased over the year by 13% to SEK 58 million and is due to higher lending commissions and management fees from securitisations. Commission costs amounted to SEK 96 million, an increase of 18%, due to greater payments to our business partners as a consequence of continued growth in sales.

## EXPENSES

Expenses (total costs excluding loan losses) amounted to SEK 505 million (SEK 481 million). Staff costs fell to SEK 225 million (SEK 227 million), which is primarily explained by lower







**Table 12 Doubtful loan receivables, non-performing loans and provisions**

	2004	2003	2002
Doubtful loan receivables (SEK million)	214	220	673
Non-performing loans, which are included in doubtful loan receivables (SEK million)	57	63	206
Non-performing loans on which interest is taken up as income and thus are not included in doubtful loan receivables (SEK million)	145	186	294
Total provisions (SEK million)	281	307	391
Provision ratio - lending portfolio (%)	0.21	0.24	0.29
Loan losses, net (SEK million)	7	(28)	(74)

pension costs. Investment in marketing has continued and costs increased to SEK 50 million (SEK 46 million). The positive development of volume and the increase in number of retail market customers have entailed an increase in volume related costs such as credit references, property information and postage. Additionally costs have been affected by extensive projects regarding Basel II, covered bonds, a new customer care concept and the new IFRS/IAS accounting rules. In total other expenses amounted to SEK 212 million (SEK 196 million).

Depreciation amounted to SEK 18 million (SEK 12 million) and the increase is primarily due to depreciation of investments made in intangible assets regarding the IT-system in 2003.

## LOAN LOSSES AND DOUBTFUL LOAN RECEIVABLES

Loan losses decreased considerably during the year from an already low level and posted a positive result of SEK 7 million (SEK -28 million).

Loan receivables deemed doubtful continue to fall at by the end of 2004 amounted to SEK 214 million (SEK 220 million).

Specific provisions for individually assessed loan receivables amounted to SEK 118 million (SEK 118 million) and net doubtful loans after specific provisions for individually assessed loan receivables amounted to SEK 96 million (SEK 102 million). The positive trend has resulted in many doubtful loans being finalised during the year. The provision ratio regarding specific provisions for doubtful loans was 55% (54%). The collective provision for individually assessed loan receivables amounted at the end of the year to SEK 144 million.

SBAB has conducted an analysis of smaller property-company customers where mortgages exceed market values. Armed with better knowledge of this portion of the loan portfolio, 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 large city areas that SBAB deems to have an uncertain future due to large changes in infrastructure such as the dissolution of regiments and/or heavy dependency on the IT and telecoms industries. Demand for housing has decreased in these areas and SBAB adopts a very cautious attitude in the assessment of continued development.

In 2005 a new model will be applied to establish the collective reserve for otherwise individually assessed loan receivables. The new model utilises statistical loss risk calculation in accordance with Basel II.

An ever greater portion of new lending is to private customers via an automated process that analyses repayment ability whilst evaluating the market value of the property, a process in which we have never actually met the customer physically. The reserve for collectively assessed homogeneous groups of loan receivables amounted at year-end to SEK 19 million.

There is reason for adopting a cautious attitude in assessing the future position concerning doubtful loan receivables. An expectation of higher interest rates could lead to lower market prices for housing.

## PREPARATIONS FOR NEW ACCOUNTING RULES (IFRS/IAS)

All listed companies in the EU must apply the new accounting standards from the IASB (International Accounting Standards Board). The standard will not however be applied fully, which that there are a number of differences between the EU's and the IASB's rules. The standard will be required to be applied from and including 2005 as regards companies' group accounts. As regards those companies that are only listed via their debt instruments each member country can decide to postpone implementation until 2007. The Riksdag decided at the end of the previous year that Sweden would utilise this option.

SBAB has only issued listed debt instruments and is preparing to apply the IFRS in 2007.

The year has seen comprehensive charting of the effects that the application of IFRS will have on SBAB's accounting. The main focus has been the rules concerning the accounting for financial instruments in IAS 39. There the focus has been on analysis of the rules regarding hedge accounting IAS 39. In the current situation there is considerable uncertainty as to how these rules for hedge accounting will be formulated in 2007.

An application of the IFRS will entail changes regarding SBAB's group structure. The securitisation company will, unlike at present, be consolidated into the SBAB group. In note 39 the consequences of such a consolidation are shown. FriSpar Bolån AB, owned to 51% by Sveriges Bostadsfinansieringsbolag, SBAB and which is presently shown as a subsidiary, will on application of IAS be shown as a joint venture.

## CAPITAL ADEQUACY

At year-end the capital and primary capital ratios were 10.0% (10.2%) and 8.4% (8.4%) respectively. Equity capital has also increased as a result of improved and retained profit, whilst the risk weighting has increased as a result of the growth in the loan portfolio. The combined effect of securitisations conducted in previous years was 1.2 percentage points for the capital ration and 1.5 percentage points for the primary capital ratio.

## SVERIGES BOSTADSFINANSIERINGS- AKTIEBOLAG, SBAB (PUBL)

The parent company reported a net operating income of SEK 676 million (SEK 699 million). The capital base amounted to SEK 6,120 million (SEK 5,799 million). For the year of operation 2004 the Board proposes that SEK 139 million (SEK 143 million) is distributed to the owner. The capital ratio was 10.6 per cent at the year-end (10.6 per cent).

## FRISPÄR BOLÅN AB

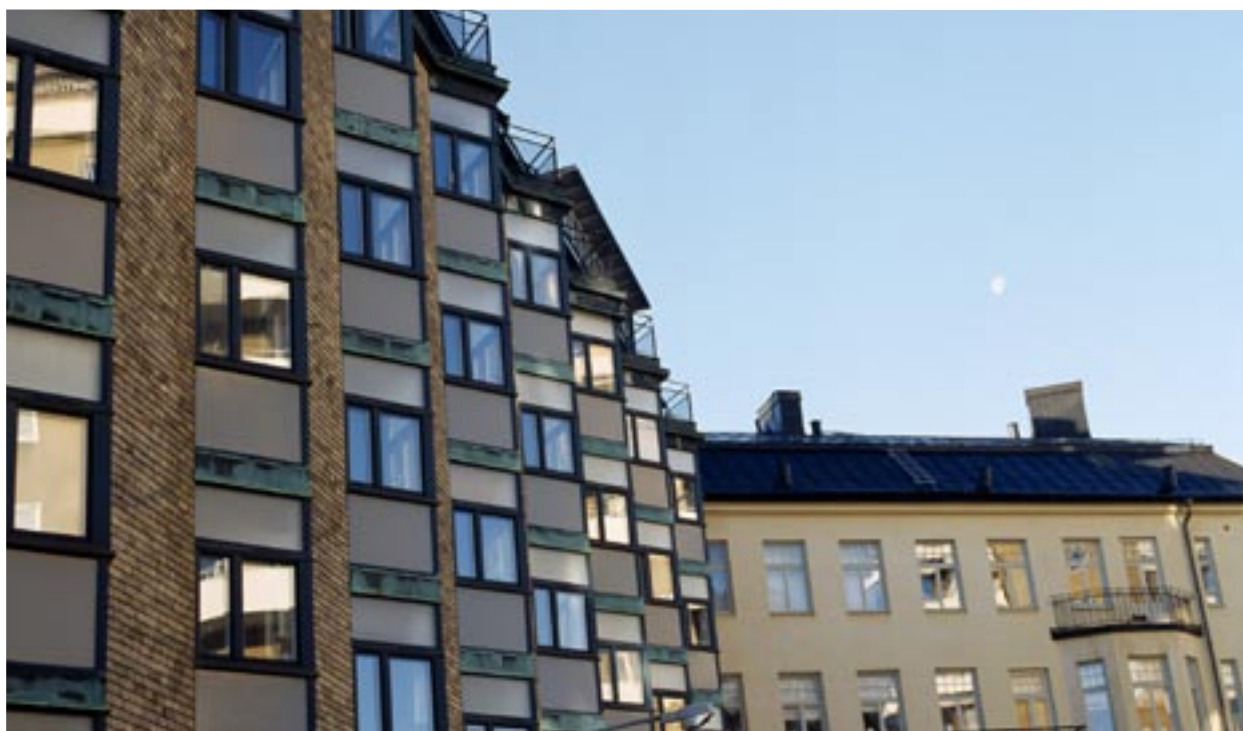
FriSpar Bolån AB is owned to 51% per cent by Sveriges Bostadsfinansieringsaktiebolag, SBAB and the remainder by Sparbanken Finn and Sparbanken Gripen. Net operating income (before tax and allocations) was SEK 0.1 million (SEK -0.4 million). As of the 31 December 2004 the loan portfolio was SEK 11,035 million (SEK 8,232 million) and the capital ratio was 9.1 per cent (8.9 per cent).

## DIVIDEND PRINCIPLE

The dividend principle is that a third of the net profit after tax of the State owned company should be distributed to the owner.

## PROPOSED APPROPRIATION OF PROFIT

The Board proposes that SEK 139 million is distributed to the owner in accordance with the owner's guidelines.



# Five Year Overview

SEK million	2004	2003	2002	2001	2000
Interest income	5,820	6,774	7,675	8,078	8,398
Interest expenses	(4,606)	(5,521)	(6,500)	(7,009)	(7,500)
<b>Net interest income</b>	<b>1,214</b>	<b>1,253</b>	<b>1,175</b>	<b>1,069</b>	<b>898</b>
Other operating income	(38)	(28)	(12)	(11)	(8)
<b>Total operating income</b>	<b>1,176</b>	<b>1,225</b>	<b>1,163</b>	<b>1,058</b>	<b>890</b>
Depreciation of tangible and intangible assets	(18)	(12)	(12)	(15)	(16)
Other operating expenses	(487)	(469)	(459)	(447)	(393)
<b>Total operating expenses</b>	<b>(505)</b>	<b>(481)</b>	<b>(471)</b>	<b>(462)</b>	<b>(409)</b>
<b>Operating income before loan losses</b>	<b>671</b>	<b>744</b>	<b>692</b>	<b>596</b>	<b>481</b>
Loan losses including change in value of repossessed property	7	(23)	(74)	(55)	(12)
<b>Net operating income</b>	<b>678</b>	<b>721</b>	<b>618</b>	<b>541</b>	<b>469</b>
Loan portfolio	130,907	125,772	133,840	137,430	139,734
Other assets	4,194	6,082	3,978	9,295	11,359
<b>Total assets</b>	<b>135,101</b>	<b>131,854</b>	<b>137,818</b>	<b>146,725</b>	<b>151,093</b>
Bonds issued, etc.	119,025	118,018	122,970	132,498	129,206
Other liabilities	8,781	6,984	8,461	7,291	15,470
Provision for deferred tax	274	246	212	199	188
Subordinated debt	1,482	1,482	1,482	2,418	2,221
Equity capital incl minority share holding	5,539	5,124	4,693	4,319	4,008
<b>Total liabilities and equity capital</b>	<b>135,101</b>	<b>131,854</b>	<b>137,818</b>	<b>146,725</b>	<b>151,093</b>
Number of employees (annual average)	391	384	388	368	365
New lending, SEK million	28,572	21,888	15,144	23,638	21,930
Loan losses (per cent of lending)	-0.01%	0.02%	0.06%	0.04%	0.01%
Doubtful loans after specific provision, SEK million	96	102	379	284	498
Provision ratio in relation to lending	0.21%	0.24%	0.29%	0.24%	0.25%
Equity ratio, unadjusted	4.3%	4.1%	3.6%	3.1%	2.8%
Equity ratio	4.1%	3.9%	3.4%	2.9%	2.7%
Capital ratio	10.0%	10.2%	10.0%	9.5%	9.7%
Primary capital ratio	8.4%	8.4%	7.8%	7.0%	6.8%
Return on equity capital, actual tax	9.5%	11.0%	10.1%	9.5%	8.8%
I/E ratio, excluding loan losses	2.3	2.5	2.5	2.3	2.2
I/E ratio, including loan losses	2.4	2.4	2.1	2.0	2.1
Investment margin	0.91%	0.93%	0.83%	0.72%	0.59%

## Definitions of key ratios

**Number of employees** • permanent and temporary employees (annual average)

**New lending** • gross lending

**Loan losses as a percentage of lending** • loan losses in relation to lending at the year-end

**Doubtful loans after specific provision** • doubtful loan receivables net after specific provision for loans assessed individually

**Provision ratio in relation to lending** • total provision for probable loan losses in relation to lending

**Equity ratio (unadjusted)** • equity capital, minority share holding and deferred tax liability in relation to total assets at year-end

**Equity ratio** • equity capital including minority share holding in relation to total assets at year-end

**Capital ratio** • capital base/risk-weighted assets

**Primary capital ratio** • primary capital / risk-weighted assets

**Return on equity capital** • net operating income after actual tax in relation to average equity capital

**I/E ratio excl. loan losses** • total income/ (total operating expenses - loan losses)

**I/E ratio incl. loan losses** • total income/total operating expenses

**Investment margin** • net interest income in relation to average total assets

# Income Statement

SEK million	Note	GROUP		PARENT COMPANY	
		2004	2003	2004	2003
Interest income		5,820	6,774	5,748	6,720
Interest expenses		(4,606)	(5,521)	(4,623)	(5,536)
<b>Net interest income</b>	<b>1</b>	<b>1,214</b>	<b>1,253</b>	<b>1,125</b>	<b>1,184</b>
Dividends received		–	0	–	0
Commission income	2	58	51	96	80
Commission expenses	3	(96)	(81)	(46)	(43)
Other operating income	4	0	2	0	2
<b>Total operating income</b>		<b>1,176</b>	<b>1,225</b>	<b>1,175</b>	<b>1,223</b>
General administration expenses	5	(426)	(414)	(432)	(434)
Depreciation of tangible and intangible fixed assets	6	(18)	(12)	(13)	(12)
Other operating expenses	7	(61)	(55)	(61)	(55)
<b>Total operating expenses before loan losses</b>		<b>(505)</b>	<b>(481)</b>	<b>(506)</b>	<b>(501)</b>
<b>Operating income before loan losses</b>		<b>671</b>	<b>744</b>	<b>669</b>	<b>722</b>
Loan losses, net	8	7	(28)	7	(28)
Change in repossessed property	9	–	5	–	5
<b>Net operating income</b>		<b>678</b>	<b>721</b>	<b>676</b>	<b>699</b>
Allocations	10	–	–	(95)	(102)
Minority share in the year's result		(0)	0	–	–
Tax on profit for the year	11	(193)	(202)	(166)	(167)
<b>Net profit for year</b>		<b>485</b>	<b>519</b>	<b>415</b>	<b>430</b>



# Balance Sheet

		GROUP		PARENT COMPANY	
SEK million	Note	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
ASSETS					
Cash in hand and balance at central banks		0	0	0	0
Repo eligible treasury bills, etc.	12	225	709	225	709
Lending to credit institutions	13	2,406	3,777	13,389	11,963
Lending to the public	14	130,907	125,772	119,872	117,540
Shares and participations	15	0	1	0	1
Shares and participations in group companies	16	–	–	280	204
Intangible assets	17	39	31	16	9
Tangible assets	18	21	22	21	22
Other assets	19	930	931	928	929
Pre-paid costs and accrued income	20	573	611	587	620
Total assets		135,101	131,854	135,318	131,997
LIABILITIES AND EQUITY CAPITAL					
LIABILITIES					
Debt to credit institutions	21	6,596	4,562	6,583	4,550
Bonds issued, etc.	22	119,025	118,018	119,575	118,418
Other liabilities	23	124	170	125	171
Accrued costs and pre-paid income	24	2,061	2,252	2,038	2,228
Provisions	25	274	246	–	–
Subordinated debt	26	1,482	1,482	1,482	1,482
Total liabilities		129,562	126,730	129,803	126,849
Untaxed reserves	27	–	–	952	857
Minority share holding		271	198	–	–
EQUITY CAPITAL		28			
Restricted equity capital					
Share capital		1,958	1,958	1,958	1,958
Restricted reserves/Legal reserve		1,095	1,026	392	392
Unrestricted equity capital					
Non-restricted 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
MEMORANDUM ITEMS					
MEMORANDUM ITEMS	Note				
Security pledged on own debt	29				
Other security pledged	None				
Contingent liabilities	None				
Commitments	30				

# Changes in Equity Capital

	GROUP		PARENT COMPANY	
SEK million	2004	2003	2004	2003
Equity capital at the beginning of the year	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 year-end	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
<b>CURRENT OPERATIONS</b>				
Interest and commission received	5,939	7,011	5,899	6,981
Interest and commission paid	(3,966)	(5,136)	(3,929)	(5,106)
Dividends received on shares and similar securities	–	0	–	0
Receipts in respect of earlier written-off loans	9	27	9	27
Payments to suppliers and employees	(491)	(495)	(497)	(515)
Paid tax	(177)	(162)	(177)	(161)
Increase/decrease in lending to the public	(5,109)	8,152	(2,306)	10,242
Increase/decrease in securities, current assets	483	461	483	461
Increase/decrease in debt to credit institutions	2,034	(1,738)	2,033	(1,739)
Issue of long-term debt	45,318	53,937	45,468	54,037
Repayment of interest-bearing securities	(45,798)	(51,903)	(45,798)	(51,903)
Decrease/increase of other borrowing, short-term	510	(6,366)	510	(6,366)
Change in other assets and liabilities	(27)	(466)	(2,828)	(2,558)
Cash flow from current operations	(1,275)	3,322	(1,133)	3,400
<b>INVESTMENT OPERATIONS</b>				
Sales of tangible fixed assets	0	2	0	2
Investments in tangible and intangible fixed assets	(26)	(40)	(19)	(18)
Shareholder's contribution made	–	–	(76)	(51)
Cash flow from investment operations	(26)	(38)	(95)	(67)
<b>FINANCING OPERATIONS</b>				
Repayment of subordinated loans	–	–	–	–
Dividend paid	(143)	(137)	(143)	(137)
Minority shareholder's contribution, received	73	49	–	–
Cash flow from financing operations	(70)	(88)	(143)	(137)
Decrease/increase 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 and lending to credit institutions with a tenor not higher than three months.

# Capital Adequacy Analysis

SEK million	GROUP		PARENT COMPANY	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
<b>CAPITAL BASE</b>				
Equity capital	5,127	4,783	4,424	4,148
Untaxed reserves, adjusted for tax	–	–	685	617
Minority share holding	271	198	–	–
Less intangible assets	(39)	–	(16)	–
<b>Total primary capital</b>	<b>5,359<sup>1</sup></b>	<b>4,981</b>	<b>5,093<sup>1</sup></b>	<b>4,765</b>
Fixed term subordinated loans	760	760	760	760
Perpetual subordinated loans	722	722	722	722
<b>Total secondary capital</b>	<b>1,482</b>	<b>1,482</b>	<b>1,482</b>	<b>1,482</b>
Credit enhancement of securitisation company	(455)	(448)	(455)	(448)
<b>Total capital base</b>	<b>6,386</b>	<b>6,015</b>	<b>6,120</b>	<b>5,799</b>

## 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 2004	31 Dec 2003
A = 0 %	25,225	0	25,225	0	0
B = 20 %	2,803	1,228	4,031	806	1,101
C = 50 %	89,372	983	90,355	45,178	42,863
D = 100 %	17,678	281	17,959	17,959	15,034
<b>Total risk-weighted amount</b>				<b>63,943</b>	<b>58,998</b>

PARENT COMPANY (SEK million)

Risk group	Balance sheet items	Off-balance sheet items	Total investments	Risk-weighted amount	Risk weighted amount
				31 Dec 2004	31 Dec 2003
A = 0 %	36,508	0	36,508	0	0
B = 20 %	2,803	1,228	4,031	806	1,101
C = 50 %	79,520	983	80,503	40,252	39,069
D = 100 %	16,487	281	16,768	16,768	14,294
<b>Total risk-weighted amount</b>				<b>57,826</b>	<b>54,464</b>

## CALCULATION OF CAPITAL ADEQUACY RATIO

	GROUP		PARENT COMPANY	
	31 Dec 2004	31 Dec 2003	31 Dec 2004	31 Dec 2003
Primary capital	5,359	4,981	5,093	4,765
Capital base	6,386	6,015	6,120	5,799
Risk-weighted amount	63,943	58,998	57,826	54,464
Primary capital ratio, %	8.4	8.4	8.8	8.7
Capital ratio, %	10.0	10.2	10.6	10.6

<sup>1</sup> Proposed dividend of SEK 139 million (SEK 143 million) has not been included in the primary capital.

# Accounting Principles

The annual report and accounts of Sveriges Bostadsfinansierings-aktiebolag, SBAB (publ), have been prepared in accordance with the terms of the Annual Accounts Act concerning credit institutions and securities companies (ÅRKL), and the directives issued by the Swedish Financial Supervisory Authority (FFFS 2002:22).

All figures are shown in million Swedish kronor (SEK million) unless otherwise stated.

## New accounting principles 2004

SBAB has adopted the new recommendations made by the Swedish Financial Accounting Standards Council regarding employee benefits (RR29) that came into force during 2004. The rest of the accounting principles remain unchanged from previous years.

## General accounting principles

### Group consolidated financial statements

The financial statements are prepared according to the acquisition accounting method and consist of the parent company and the 51% owned FriSpar Bolån.

The securitisation companies are not consolidated into the SBAB Group, since "Group" as defined in the Swedish Financial Supervisory Authority directives and in the Annual Accounts Act concerning credit institutions and securities companies contains 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 group consolidated financial statements (RR1:00) contain no ownership requirement; instead the group definition is based on the concept of decisive influence. A description of SBAB, with the securitisation companies included, is set out in note 39.

### Securitisation of loan claims

Securitized loan claims are not reported in SBAB's balance sheet. Securitized loan claims are transferred at their nominal value and do not therefore generate any return. 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 company. 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 instruments, are reported at their historical cost on the trade date, i.e. at the time when the essential risks and rights have passed between the parties. Lending and liabilities to credit institutes are accounted for as at the settlement date.

### Hedge accounting

SBAB consistently applies hedge accounting with acquisition valuation for financial assets and liabilities, both on and off the 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 according to the effective yield method. Interest income on doubtful loan receivables 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 are accounted for from the moment of lending at their historical cost, i.e. the amount lent to the borrower. Loan claims are thereafter reported at historical cost after deductions for amortisations and of provisions for probable loan losses. Probable loan losses are provided for according to the principles stated below.

#### *Provision for loan losses and doubtful loans*

Provision for a probable loan loss 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 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 property-company customer portfolio is individually assessed. Provision against probable losses is accounted for 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 cannot yet be classified as individual claims, a collective group provision against these loan losses has been made. Within SBAB this provision is primarily aimed at covering yet unidentified risks in the property-company portfolio's 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 rate differential compensation on prepayment of loans

Borrower's who prepay loans pay interest rate differential compensation intended to cover the cost SBAB incurs. The interest rate differential compensation received is distributed over the remaining term.

### Financial current assets

Lending to credit institutions and financial instruments that are not intended to be held till 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 operations hedge accounting principles are applied with acquisition valuation, which in



this case means valuation to the amortised cost. Realised capital gains and losses from such instruments are distributed over the instruments' original fixed term.

Interest-bearing financial assets not included under hedge accounting are recorded at the lower of amortised cost and net realisable value, i.e. in accordance with the prudence concept. Realised capital gains and losses on these instruments and unrealised changes in their value are reported in the income statement under "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. Payment 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 the 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 bonds' remaining term when repurchases are made as part of the management of interest rate risks in funding operations or as an exchange of debt.

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

### Derivatives

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.

Exchange gains and exchange losses that have occurred on premature liquidation of derivatives or as a result of forward transactions undertaken are distributed over the hedged asset's and liability's remaining terms.

### Others

#### Valuation of claims and liabilities in foreign currencies

SBAB applies the Swedish Financial Accounting Standards Council's recommendations on the reporting of the effects of changes in exchange rates (RR8). Bonds and commercial paper issued in foreign currencies as well as derivative instruments used for hedging currency risks regarding these liabilities are valued at the balance sheet date's exchange rate. Unrealised exchange rate gains and losses on hedged instruments are neutralised mainly by means of exchange rate gains and losses in the derivative instruments. Any possible remaining net effect of exchange rate differences is reported in the balance sheet under the post "bonds issued". Subordinated debt is valued and reported according to the same principles. Other claims and liabilities in foreign currencies are valued at the balance sheet date's exchange rate.

### Tangible assets

SBAB applies the recommendation: Accounting of Tangible Assets (RR12) by the Swedish Financial Accounting Standards Council. Tangible assets are valued at historical cost less accumulated depreciation.

#### Depreciation of tangible assets

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.

#### Property 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 outcome of the property management is reported net of rental

income and operating costs, maintenance and property tax under the heading "other operating income" or under the heading "other operating expenses".

### Intangible assets

SBAB applies the recommendation: Accounting of Intangible Assets (RR15) by the Swedish Financial Accounting Standards Council. Investments in purchased and/or internally produced software are valued at historical cost reduced by accumulated amortisation. A pre-requisite 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 programme.

Capitalised development costs are reported in the Group accounts only.

#### Amortisation of intangible assets

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

### Depreciation

SBAB applies the recommendation: Write-Down (RR17) by the Swedish Financial Accounting Standards Council. An asset's recovery value is established when there is an indication that points to a possible drop in the asset's 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.

### Taxes

SBAB applies the recommendation: Income Taxes (RR9) by the Swedish Financial Accounting Standards Council. Total tax contains present year actual tax and deferred tax – Actual tax contains tax to be paid or received regarding the present year and adjustments to actual tax for earlier years. Deferred tax is estimated according to balance sheet method based on temporary differences between reported and taxable values of assets and liabilities.

### Pensions

SBAB applies the recommendation: Employee Benefits (RR29) by the Swedish Financial Accounting Standards Council from and including 1 January 2004. SBAB has defined contribution pension plans and defined benefit pension plans. The cost of defined contribution pension plans is charged to the result for the period the premium concerns.

The defined benefit pension plans 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 acute group, URA 42, these are defined benefit plans that encompass several employers. For the financial year 2004, SPP has been unable to present information that would enable the reporting of these defined benefit plans. In accordance with URA 42, they are therefore shown as defined contribution plans. For other defined benefit plans a pension liability is established and reported in the balance sheet. Calculations are conducted utilising actuarial presumptions and in accordance with the method prescribed by RR29.

### Segment reporting

SBAB's operations are not reported according to different segments, as the company is active in one geographical area, Sweden, and within one business line, lending.

### New accounting principles 2005

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

# Notes to the Income Statement and Balance Sheet

Note 1 Net interest income	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
<i>Interest income</i>				
Lending to credit institutions	67	70	411	385
Lending to the public	5,650	6,584	5,234	6,215
Securitised loans	95	97	95	97
Interest-bearing securities	8	23	8	23
<b>Total</b>	<b>5,820</b>	<b>6,774</b>	<b>5,748</b>	<b>6,720</b>
<i>Interest expenses</i>				
Debt to credit institutions	96	193	96	193
Borrowing from the public	14	12	14	12
Interest-bearing securities	4,363	5,180	4,380	5,195
Subordinated debt	85	90	85	90
Other	48	46	48	46
<b>Total</b>	<b>4,606</b>	<b>5,521</b>	<b>4,623</b>	<b>5,536</b>
<b>Net interest income</b>	<b>1,214</b>	<b>1,253</b>	<b>1,125</b>	<b>1,184</b>

The average interest rate on lending to the public over the year was 4.39% (2003 5.05%), excluding deferred purchase price from the securitisation companies.

In the parent company the average interest rate on lending to the public was 4.39% (5.04%). Of the parent company's interest income, SEK 345 million (315 million) relates to group companies.

AVERAGE BALANCES FOR THE ITEMS ABOVE	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Lending to credit institutions	3,131	2,903	12,685	12,112
Lending to the public	128,755	130,462	119,181	123,220
Interest-bearing securities	272	560	272	560
Debt to credit institutions	4,199	5,939	4,199	5,939
Borrowing from the public	694	370	694	370
Interest-bearing securities	116,826	119,714	117,302	120,050

Note 2 Commission income	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Commissions on lending	26	23	64	52
Administration of securitisation companies	32	28	32	28
<b>Total</b>	<b>58</b>	<b>51</b>	<b>96</b>	<b>80</b>

Note 3 Commission expenses	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Commissions on securities	19	20	19	20
Other commissions	77	61	27	23
<b>Total</b>	<b>96</b>	<b>81</b>	<b>46</b>	<b>43</b>

## Note 4 Other operating income

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Capital gains from sale of tangible assets	0	1	0	1
Other operating income	0	1	0	1
<b>Total</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>

## Note 5 General administration expenses

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Staff costs				
– salaries and other remuneration	144	140	144	140
– pension costs	24	31	24	31
– other social security expenses	57	56	57	56
IT-costs	88	75	94	92
Rents and other costs for premises	24	26	24	26
Other administration expenses	89	86	89	89
<b>Total</b>	<b>426</b>	<b>414</b>	<b>432</b>	<b>434</b>

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Average number of employees				
Women	231	225	231	225
Men	160	159	160	159
<b>Total average number of employees</b>	<b>391</b>	<b>384</b>	<b>391</b>	<b>384</b>

## Leading officers, distribution by gender

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Board				
Women	2	2	2	2
Men	14	14	6	6
<b>Total number of board members</b>	<b>16</b>	<b>16</b>	<b>8</b>	<b>8</b>

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Executive management				
Women	5	4	4	3
Men	7	10	5	8
<b>Total number of members of the executive management</b>	<b>12</b>	<b>14</b>	<b>9</b>	<b>11</b>

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Salaries and other remuneration				
Board, CEO and Deputy CEO	6	6	6	6
Other members of the parent company's executive management	8	8	8	8
Other employees	130	126	130	126
<b>Total salaries and other remuneration</b>	<b>144</b>	<b>140</b>	<b>144</b>	<b>140</b>

Salary and other remuneration to the CEO Eva Cederbalk (from and including 16 Feb. 2004) amounted to SEK 2.2 million. No car is provided and no fringe benefits have been paid. Salary and other remuneration to the former CEO Christer Malm (up to and including 24 March 2004) amounted to SEK 0.8 million (2.2 million). No car is provided and no fringe benefits have been paid. Salary and other remuneration to the former Deputy CEO Krister Orrell (up to and including 30 June 2004) amounted to SEK 0.8 million (1.3 million). No car is provided and no fringe benefits have been paid. Salary and other remuneration to the Deputy CEO Peter Gertman amounted to SEK 1.6 million (1.4 million). No car is provided and no fringe benefits have been paid (0.1 million).

Salary and other remuneration to the other members of the executive management amounted to SEK 8.3 million (8.4 million). Other fringe benefits to the executive management (subsidised interest, board, health care benefits and company cars) amounted to SEK 0.1 million (0.1 million).

Salary and other remuneration to the executive management which have principally consisted of the following functions amounted to (SEK million): Chief Financial Officer 1.9, Chief Credit Officer 1.3, Chief Legal Counsel 0.8, Chief Information Officer 1.3, Chief Financial Controller 0.9 as well as the Chief of Business Development & Communication 1.3.

Otherwise remuneration to functions that for a shorter period formed part of the executive management amounted to (SEK million): Head of HR 0.1 (from and including 01 Dec. 2004), Chief Accounting Officer 0.1 (up to and including 29 Feb. 2004) as well as the Chief Communication Officer 0.6 (up to and including 31 Aug. 2004).

cont'd Note 5

Pension costs including special employer's contribution amounted to SEK 29.7 million (38.0 million).

Pension costs including special employer's contribution amounted to (SEK million) for the CEO Eva Cederbalk 0.6 (from and including 24 March 2004), for the former CEO Christer Malm 0.4 (7.8) (up to and including 30 March 2004), for the former Deputy CEO Krister Orrell 3.4 (1.4) (up to and including 30 June 2004) and for the Deputy CEO Peter Gertman 0.7 (0.7).

For other members of the executive management, pension costs including special employer's contribution amounted to SEK 2.6 million (2.8 million). Pension costs including special employer's contribution amounted to (SEK million) for the executive management primarily made up of the following functions: Chief Financial Officer 0.7, Chief Credit Officer 0.4, Chief Legal Counsel 0.2, Chief of Business Development & Communication 0.3, Chief Information Officer 0.4 and Chief Financial Controller 0.3.

Otherwise pension costs including special employer's contribution (SEK million), to functions that for a shorter period formed part of the executive management amounted to: Head of HR 0.0 (from and including 01 Dec. 2004), Chief Accounting Officer 0.1 (up to and including 29 Feb. 2004) and the Chief Communication Officer 0.2 (up to and including 31 Aug. 2004).

Issues concerning compensation to the executive management are handled by the Board's Compensation Committee.

Remuneration to Board Members of the Parent company amounted to SEK 712,000 (652,302) and for committee and council work remuneration amounted to SEK 186,000 (135,000). Remuneration to the Chairman of the Board amounted to SEK 160,000 (160,000), Deputy Chairman SEK 72,000 (96,000) and to the six ordinary members SEK 80,000 (80,000) each. Board Members that form part of a committee or council receive SEK 3,000 per meeting attended.

### Agreement on severance payments, pensions, etc. for SBAB's management

SBAB employees are covered by a pension plan that covers illness, survivor's coverage, a retirement pension, a supplementary pension, and in some cases a family pension. The pension plan also includes a so-called "tiotaggare", where the recipient can choose an alternative investment for a portion of the premium.

SBAB applies from and including 1 January 2004 the Swedish Financial Accounting Standards Council recommendation: Employee Benefits (RR29). SBAB has defined contribution pension plans and defined benefit pension plans. The defined benefit pension plans 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 acute group, URA 42, these are defined benefit plans that encompass several employers. For the financial year 2004, SPP has been unable to present information that would enable the reporting of these defined benefit plans. SBAB's costs for defined benefit collectively agreed employer schemes amounted to SEK 17.1 million.

The CEO has an employment contract, which at signing, was in accordance with the Government's guidelines for management fulfilling comparable roles in state-owned companies (October 2003). The period of notice for termination of the contract 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 a mutual right to request retirement, at the earliest from the CEO reaching the age of 62. The company pays into a defined contribution pension plan corresponding to 25% of the CEO's pensionable salary, however not after the CEO reaches the age of 62.

An agreement has been reached with the Deputy CEO on a mutual right to request retirement from the age of 60. The pension corresponds to 60% of salary at the time of retirement up till ordinary pension age. This pension promise has been secured via insurance. This pension is a benefit and not part of the bank's pension plan, BTP, which is why special calculations have been made in accordance with RR29. These calculations show no effects on the result. The bank has entered into an agreement with the Chief Financial Officer regarding the receipt of a pension even for salary in excess of 30 "basbelopp" (a basbelopp is an amount set annually by the Swedish authorities currently SEK 39,300 for national social security purposes). No other pension agreements that differ from the general rules followed in the collective agreements in the banking industry exist.

In those cases that individual agreements for severance pay exist, these agreements follow the guidelines for state-owned companies. If the company terminates the contract compensation will be paid for a period not exceeding two years including notice period. On the person finding new employment or receiving income from other employment during the two year period the compensation will be reduced accordingly.

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Absence due to illness				
Total absence due to illness	4%	4%	4%	4%
– women	7%	7%	7%	7%
– men	2%	1%	2%	1%
– up to 29 years	3%	3%	3%	3%
– 30–49 years	5%	4%	5%	4%
– from 50 years	5%	5%	5%	5%
Proportion representing long-term sick leave, i.e. sick leave greater than 60 days	70%	69%	70%	69%

### Bonus scheme

SBAB's bonus scheme includes all employees in permanent employment with the exception of the CEO and follows the Government's guidelines for incentive programmes regarding employees of state-owned companies (October 2003). Temporary employees, employed in the company for a certain period, are also covered by the scheme if still employed at the year-end. The prerequisites for payment of bonus in 2004 are in one part that the company achieves its profit target of SEK 715 million for 2004 and in the other part to reach the goal for market share of 10.05% for the consolidated credit stock regarding private homes, holiday homes, tenant-owner apartments and tenant-owner co-operatives. The minimum bonus is SEK 10,000 increasing linearly in the programmes two parts and includes both staff and leaders. For individuals to receive a bonus they must have a processed and approved employee offer. The maximum bonus payment is SEK 40,000 for full-time employment. If working part-time or for a portion of the year the bonus is reduced in line with the time worked. For 2004 no bonus will be paid as the profit target was not reached.



## cont'd Note 5 Fees and remuneration of costs to auditors

Fees and remuneration of costs to KPMG amounted to SEK 7.3 million of which SEK 1.4 million related to audit. Fees and remuneration of costs to authorised auditor Lars-Ola Andersson amounted to SEK 183,000 of which SEK 183,000 related to audit.

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Future rental costs				
Contracted future rental costs fall due for payment:				
– within one year	17.8	18.8	17.8	18.8
– between one and five years	73.0	52.3	73.0	52.3
– after five years	–	–	–	–

## Note 6 Depreciation of tangible assets and amortisation of intangible assets

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Equipment	10	12	10	12
of which: computer equipment	7	6	7	6
Intangible assets	8	0	3	0
<b>Total</b>	<b>18</b>	<b>12</b>	<b>13</b>	<b>12</b>

## Note 7 Other operating expenses

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Marketing	50	46	50	46
Running costs of repossessed property, net	–	0	–	0
Other operating expenses	11	9	11	9
<b>Total</b>	<b>61</b>	<b>55</b>	<b>61</b>	<b>55</b>

## Note 8 Loan losses, net

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
SPECIFIC PROVISION FOR LOAN CLAIMS ASSESSED INDIVIDUALLY				
The year's write-offs for actual loan losses	28	133	28	133
Reversal of previous provisions for probable loan losses reported as actual losses in the financial statements for 2004	(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)
<b>Net cost for the year</b>	<b>20</b>	<b>(64)</b>	<b>20</b>	<b>(64)</b>
COLLECTIVE PROVISION FOR LOAN CLAIMS ASSESSED INDIVIDUALLY				
Allocation to/withdrawal from collective provision	(26)	80	(26)	80
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	(3)	(3)	(3)	(3)
Allocation to/withdrawal from provision for loan losses	(1)	12	(1)	12
<b>Net cost for the year of collectively valued homogeneous loan claims</b>	<b>(1)</b>	<b>12</b>	<b>(1)</b>	<b>12</b>
<b>Net cost of loan losses for the year</b>	<b>(7)</b>	<b>28</b>	<b>(7)</b>	<b>28</b>

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

## Note 9 Change in value of repossessed property

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Unrealised change in value	–	–	–	–
Realised change in value	–	5	–	5
<b>Change in value of repossessed property</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>5</b>

## Note 10 Allocations

	PARENT COMPANY	
	2004	2003
Depreciation over plan	(2)	1
Transfer to tax allocation reserve	(195)	(199)
Transfer from tax allocation reserve	102	96
<b>Total</b>	<b>(95)</b>	<b>(102)</b>

## Note 11 Tax on the year's result

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Result before tax	678	721	581	597
Non-deductible expenses	11	2	11	2
Non-taxable income	0	(2)	–	(2)
Taxable income	689	721	592	597
Current tax rate	28%	28%	28%	28%
Tax on the year's result	193	202	166	167
– of which tax cost for the period	164	167	164	167
– of which tax adjustments attributable to previous years	2	–	2	–
Deferred tax				
– of which related to change in untaxed reserves	27	29	–	–
– of which taxable temporary difference in intangible assets	0	6	–	–

## Note 12 Repo eligible treasury bills, etc.

	GROUP						PARENT COMPANY					
	2004			2003			2004			2003		
	Acqu. value	Actual value	Book value	Acqu. value	Actual value	Book value	Acqu. value	Actual value	Book value	Acqu. value	Actual value	Book value
Current assets:												
Swedish Treasury bills	–	–	–	617	617	617	–	–	–	617	617	617
Swedish Government bonds	226	225	225	92	93	92	226	225	225	92	93	92
Fixed assets:												
Swedish Government bonds	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total repo eligible Treasury bills, etc.</b>	<b>226</b>	<b>225</b>	<b>225</b>	<b>709</b>	<b>710</b>	<b>709</b>	<b>226</b>	<b>225</b>	<b>225</b>	<b>709</b>	<b>710</b>	<b>709</b>
Positive difference as a result of book values exceeding nominal values (acquisition at a premium)			25			–			25			–
Negative difference as a result of book values being less than nominal values (acquisition at a discount)			–			(3)			–			(3)
<i>Holding of Repo eligible Treasury Bills, etc. distributed by remaining term, book value</i>												
Up to 1 year			–			709			–			709
More than 1 year but 5 years at most			225			–			225			–
More than 5 but 10 years at most			–			–			–			–
More than 10 years			–			–			–			–
<b>Total</b>			<b>225</b>			<b>709</b>			<b>225</b>			<b>709</b>
Average remaining term, years			2.6			0.2			2.6			0.2
Average remaining fixed-interest term, years			2.6			0.2			2.6			0.2

The securities portfolio reported in this note and in note 13 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.

The unrealised excess value of the instruments intended to cover interest-rate risks for matching borrowing in these holdings, which amounted to SEK 0 million (1 million) on 31 December 2004, has not therefore been included in the calculation of the actual value of the portfolio. A corresponding undervalue exists in SBAB's long-term borrowing in Swedish kronor.

## Note 13 Lending to credit institutions

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
<i>Outstanding claims distributed by remaining term, net book value</i>				
Payable on demand	203	651	203	651
3 months at most	2,203	3,126	2,203	3,126
More than 3 months but 1 year at most	–	–	–	–
More than 1 year but 5 years at most	–	–	–	–
More than 5 years	–	–	–	–
<b>Total</b>	<b>2,406</b>	<b>3,777</b>	<b>2,406</b>	<b>3,777</b>
Average remaining term, years	0.0	0.0	0.0	0.0
Group companies	–	–	10,983	8,186
<b>Total</b>	<b>2,406</b>	<b>3,777</b>	<b>13,389</b>	<b>11,963</b>

## Note 14 Lending to the public

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Opening balance	126,079	134,231	117,847	–
Taken over in connection with the merger	–	–	–	128,089
Lending for the year	28,572	21,888	24,434	18,720
Securitisation, net	889	(8,075)	889	(8,075)
Amortisation, writing off, redemption, etc.	(24,352)	(21,965)	(23,017)	(20,887)
Closing balance	131,188	126,079	120,153	117,847
Reserve for probable credit losses	(281)	(307)	(281)	(307)
Closing balance	130,907	125,772	119,872	117,540
Of which: Subordinated assets	–	–	–	–
<i>Claims outstanding distributed by remaining term, net book value</i>				
Payable on demand	–	–	–	–
3 months at most	16,322	13,235	14,945	12,687
More than 3 months but 1 year at most	59,383	49,363	54,232	45,941
More than 1 year but 5 years at most	52,934	60,487	48,599	56,374
More than 5 years	2,268	2,687	2,096	2,538
<b>Total</b>	<b>130,907</b>	<b>125,772</b>	<b>119,872</b>	<b>117,540</b>
Average remaining term, years	1.4	1.7	1.4	1.7

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
<b>DOUBTFUL LOANS AND NON-PERFORMING LOANS</b>				
a) Doubtful loan receivables	214	220	214	220
b) Non-performing loan receivables, which are included in doubtful loan receivables	57	63	57	63
c) Non-performing loan receivables on which interest is taken up as income and which are thus not included in doubtful loan receivables	145	186	142	180
d) Specific provisions for loan receivables assessed individually	118	118	118	118
e) Collective provisions for loan receivables assessed individually	144	170	144	170
f) Provisions for collectively assessed homogeneous groups of loan receivables	19	19	19	19
g) Provisions, total (d+e+f)	281	307	281	307
h) Doubtful loan receivables after specific provisions for loan receivables assessed individually (a–d)	96	102	96	102
i) Provision ratio regarding specific provisions for loan receivables assessed individually (d/a)	55%	54%	55%	54%

## cont'd Note 14 GROUP

DISTRIBUTION OF LENDING BY CATEGORY OF BORROWER	2004			2003		
	FriSpar Bolån AB	Sveriges Bostads- finansierings- aktiebolag, SBAB (publ)	Total	FriSpar Bolån AB	Sveriges Bostads- finansierings- aktiebolag, SBAB (publ)	Total
Municipal property companies	–	17,797	17,797	–	20,842	20,842
Tenant-owner co-operatives	116	28,775	28,891	47	28,383	28,430
Private property companies	135	22,190	22,325	19	26,731	26,750
Private homes and holiday homes	9,594	37,081	46,675	7,457	30,475	37,932
Tenant-owner apartments	1,190	13,096	14,286	709	7,557	8,266
Business and commercial properties	–	1,214	1,214	–	3,859	3,859
Reserve for probable losses	–	(281)	(281)	–	(307)	(307)
<b>Total</b>	<b>11,035</b>	<b>119,872</b>	<b>130,907</b>	<b>8,232</b>	<b>117,540</b>	<b>125,772</b>
Proportion of lending covered by government or municipal guarantees, per cent	–	20	19	–	22	22
Average fixed-interest term, years	1.3	1.3	1.3	1.6	1.5	1.5

If prepayment occurs between interest rate adjustment dates, SBAB has the right to receive compensation for the interest rate difference. The amount of the compensation in the case of own homes is based on the interest rate of 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 reinvestment interest rate for comparable Government certificates 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 5,288 million (4,595 million) for the group and SEK 5,135 million (4,464 million) for the parent company.

At the end of the year the group's loans to Board Members amounted to SEK 5.2 million and to the executive management SEK 4.9 million. These loans are covered by bank-standard security.

## GROUP

DOUBTFUL LOANS & NON-  
PERFORMING LOAN RECEIVABLES  
DISTRIBUTED BY CATEGORY OF  
BORROWER

	2004					2003				
	Tenant owner co- operatives	Private property compa- nies	Private homes and holiday homes	Tenant owner apart- ments	Total	Tenant owner co- operatives	Private property compa- nies	Private homes and holiday homes	Tenant owner apart- ments	Total
Non-performing loan receivables	25	143	28	6	202	36	176	32	5	249
Non-performing loan receivables, gross	127	87			214	136	84			220
Specific provisions for loan receivables assessed individually	(89)	(29)			(118)	(88)	(30)			(118)
Collective provisions for loan receivables assessed individually	(112)	(32)			(144)	(130)	(40)			(170)
Provisions for collectively assessed homogeneous groups of loan receivables			(17)	(2)	(19)			(16)	(3)	(19)
Doubtful loan receivables after specific provisions for loan receivables assessed individually					96					102

RESTRUCTURED LOAN CLAIMS	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Restructured loans during the financial year				
– before restructuring	92	102	92	102
– after restructuring	92	111	92	111
Doubtful loan receivables which reverted to normal status during the year	40	198	40	198



## Note 15 Shares and participations

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Tenant-owner apartments	–	1	–	1
Other, listed	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>

## Note 16 Shares and participations group companies

PARENT COMPANY	FriSpar Bolån AB	Total 2004	Total 2003
Acquisition value at the beginning of the year	204	204	2,722
Merger	–	–	(2,569)
Shareholder's contribution	76	76	51
<b>Acquisition value at the end of the year</b>	<b>280</b>	<b>280</b>	<b>204</b>

		Result	Equity capital	Share	Number	Book value
FriSpar Bolån AB	2003	0	403	51%	6,120	204
556248-3338, Stockholm	2004	0	553	51%	6,120	280

## Note 17 Intangible fixed assets

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Acquisition value at the beginning of the year	31	–	9	–
– Acquisitions during the year	16	31	10	9
– Disposals during the year	–	–	–	–
Acquisition value at the end of the year	47	31	19	9
Amortisations at the beginning of the year	(0)	–	(0)	–
– Amortisations for the year according to plan	(8)	(0)	(3)	(0)
– Disposals during the year	–	–	–	–
Accumulated amortisations according to plan	(8)	(0)	(3)	(0)
<b>Net book value</b>	<b>39</b>	<b>31</b>	<b>16</b>	<b>9</b>

## Note 18 Tangible assets

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
<b>EQUIPMENT</b>				
Acquisition value at the beginning of the year	132	126	132	126
– Acquisitions during the year	10	9	10	9
– Disposals during the year	(39)	(3)	(39)	(3)
Acquisition value at the end of the year	103	132	103	132
Depreciation at the beginning of the year	(110)	(101)	(110)	(101)
– Depreciation for the year according to plan	(10)	(12)	(10)	(12)
– Disposals during the year	38	3	38	3
Accumulated depreciation according to plan	(82)	(110)	(82)	(110)
<b>Net book value</b>	<b>21</b>	<b>22</b>	<b>21</b>	<b>22</b>

Note 19 Other assets	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Clearing reserve	316	271	316	271
Past-due interest	41	60	39	58
Receivables-securitisation company	568	597	568	597
Other receivables	5	3	5	3
<b>Total</b>	<b>930</b>	<b>931</b>	<b>928</b>	<b>929</b>

Of the securitisation company receivables, SEK 455 million (448 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.

Note 20 Pre-paid costs and accrued income	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Pre-paid costs	46	27	46	27
Accrued interest income	508	574	502	568
Other accrued income	19	10	39	25
<b>Total</b>	<b>573</b>	<b>611</b>	<b>587</b>	<b>620</b>

Note 21 Debt to credit institutions	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
<i>Outstanding debts distributed by remaining term, book value</i>				
Payable on demand	–	–	–	–
3 months at most	6,596	4,562	6,583	4,550
More than 3 months but 1 year at most	–	–	–	–
More than 1 year but 5 years at most	–	–	–	–
More than 5 years	–	–	–	–
<b>Total</b>	<b>6,596</b>	<b>4,562</b>	<b>6,583</b>	<b>4,550</b>
Average remaining term, years	0.0	0.0	0.0	0.0

Note 22 Bonds issued, etc.	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Swedish certificates	13,853	12,518	13,853	12,518
Foreign certificates	13,839	14,836	13,839	14,836
<b>Total</b>	<b>27,692</b>	<b>27,354</b>	<b>27,692</b>	<b>27,354</b>
Swedish bonds	39,337	32,106	39,887	32,506
Accrued premiums and discounts on issue of Swedish bonds	411	381	411	381
<b>Total</b>	<b>39,748</b>	<b>32,487</b>	<b>40,298</b>	<b>32,887</b>
Foreign bonds	51,585	58,179	51,585	58,179
Accrued premiums and discounts on issue of foreign bonds	0	(2)	0	(2)
<b>Total</b>	<b>51,585</b>	<b>58,177</b>	<b>51,585</b>	<b>58,177</b>
<b>Total bonds issued, etc.</b>	<b>119,025</b>	<b>118,018</b>	<b>119,575</b>	<b>118,418</b>
<i>of which:</i>				
Group companies	–	–	550	400
Bonds issued, etc. distributed by remaining term, book value				
Up to 1 year	74,389	59,147	74,604	59,147
More than 1 year but 5 years at most	42,622	56,121	42,957	56,521
More than 5 years but 10 years at most	1,399	2,012	1,399	2,012
More than 10 years	615	738	615	738
<b>Total</b>	<b>119,025</b>	<b>118,018</b>	<b>119,575</b>	<b>118,418</b>
Average remaining term, years	1.2	1.4	1.2	1.4
Average remaining fixed-interest term, years	1.0	1.0	1.0	1.0
Average remaining fixed-interest term with regard to swaps, years	1.4	1.5	1.4	1.5

## Note 23 Other liabilities

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Creditors	10	15	10	15
Employer's income tax	5	5	5	5
Tax liabilities	7	11	8	12
Liabilities to borrowers	76	65	76	65
Liabilities to securitisation companies	14	53	14	53
Other	12	21	12	21
<b>Total</b>	<b>124</b>	<b>170</b>	<b>125</b>	<b>171</b>

## Note 24 Accrued costs and pre-paid income

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Accrued interest costs	1,945	2,143	1,959	2,147
Other accrued costs	116	109	79	81
<b>Total</b>	<b>2,061</b>	<b>2,252</b>	<b>2,038</b>	<b>2,228</b>

## Note 25 Allocations

	GROUP	
	2004	2003
Provisions for deferred tax regarding temporary differences in:		
– Tax allocation reserve	267	240
– Intangible fixed assets	7	6
<b>Total</b>	<b>274</b>	<b>246</b>

## Note 26 Subordinated debt

LOAN CODE	Nominal amount	Outstanding nominal amount	SBAB's entitlement to redeem	Interest rate 31 Dec 2004	Due date	Book value	
						2004	2003
Subordinated debenture loan, JPY 1	10,000,000,000	10,000,000,000	2008	6.20	Perpetual	722	722
Subordinated debenture loan, JPY 2	10,000,000,000	10,000,000,000		5.23	16 Nov 2015	760	760
<b>Total</b>						<b>1,482</b>	<b>1,482</b>
Year's share of discounts and premiums on issue of own subordinated debt						–	–
<b>Total</b>						<b>1,482</b>	<b>1,482</b>
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 means 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 the Swedish Financial Supervisory Authority. Permission has been obtained to include these in the company's capital base for the purpose of calculating the company's capital cover.

## Subordinated debt concerns the two following loans

## JPY 1

The loan is undated.

Interest rate: For the period 30 September 1992 to 29 March 2008, 6.20%. For the period 30 March 2008 to 29 March 2013, the higher of 8.20% and the long-term prime rate for JPY plus a margin of 2%. For the period 30 March 2013 and thereafter the higher of the interest rate fixed for the period 30 March 2008 to 29 March 2013 and the long term prime rate for the JPY for the period plus a margin of 3%.

## JPY 2

Term: 16 November 1995 – 16 November 2015

Interest rate: Previously, SBAB could choose to pay interest in EUR, AUD or USD with an interest rate of 6.00, 6.10 and 6.80% respectively. The 23 February 2004 the terms of the loan were changed enabling SBAB from this date forward to elect to make interest payments in USD, EUR or JPY with an interest rate of 5.23% irrespective of currency.

*cont'd Note 26* **Circumstances can lead to the early redemption of the subordinated debenture loans**

SBAB may call the loans JPY1 and JPY2 for early redemption if SBAB for instance is required to withhold tax on interest payment as a result of amendments to tax 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 in March.

The loans can be called for early redemption by the lenders as a result of events of default such as non-payment of interest due to the commencement of receivership or debt readjustment proceedings in respect of SBAB. Early redemption (on a date other than the date on which the issuer has the right of early redemption) of undated subordinated debenture loans, such as JPY1, or subordinated debenture loans with fixed maturity issued after 1 January 1996 requires the permission of the Swedish Financial Supervisory Authority. Early redemption of subordinated debenture loans with fixed maturity issued before 1 January 1996, such as JPY2, should be advised to the Swedish Financial Supervisory Authority as soon as possible after the loan has been redeemed.

**Conditions concerning subordination**

In the event of the company going into receivership 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 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 receivership or liquidation.

**Note 27 Untaxed reserves**

	PARENT COMPANY	
	2004	2003
Tax allocation reserve year of taxation 1999	–	102
Tax allocation reserve year of taxation 2000	94	94
Tax allocation reserve year of taxation 2001	108	108
Tax allocation reserve year of taxation 2002	167	167
Tax allocation reserve year of taxation 2003	186	186
Tax allocation reserve year of taxation 2004	199	199
Tax allocation reserve year of taxation 2005	195	–
Additional depreciation	3	1
<b>Total</b>	<b>952</b>	<b>857</b>

**Note 28 Equity capital**

The share capital amounts to SEK 1,958,300 thousand divide into 19,583 shares each with a nominal value of SEK 100 thousand. All of the shares are owned by the Swedish State. Dividend is proposed by the Board in accordance with the terms of the Companies Act and is determined by the Annual General Meeting. The proposed, but yet to be determined, dividend for 2004 amounts to SEK 139 million (SEK 7,098 per share). Equity capital is distributed between non-distributable earnings and distributable earnings respectively according to Swedish law. In a group, it is only permissible to distribute the lower of the parent company's or the group's unrestricted earnings. Share capital and the legal reserve constitute restricted equity capital.

GROUP	Share capital	Restricted reserves	Un-restricted reserves	Profit for the year	Total equity capital
Equity capital at the beginning of the year	1,958	1,026	1,423	519	4,926
Profit brought forward from 2003	–	–	519	(519)	0
Dividend	–	–	(143)	–	(143)
Adjustment between restricted and un-restricted reserves	–	69	(69)	–	0
Profit for the year	–	–	–	485	485
<b>Equity capital at the end of the year</b>	<b>1,958</b>	<b>1,095</b>	<b>1,730</b>	<b>485</b>	<b>5,268</b>

PARENT COMPANY	Share capital	Legal reserve	Profits brought forward	Profit for the year	Total equity capital
Equity capital at the beginning of the year	1,958	392	1,511	430	4,291
Profit brought forward from 2003	–	–	430	(430)	0
Dividend	–	–	(143)	–	(143)
Profit for the year	–	–	–	415	415
<b>Equity capital at the end of the year</b>	<b>1,958</b>	<b>392</b>	<b>1,798</b>	<b>415</b>	<b>4,563</b>



### Note 29 Assets pledged for own liabilities

	GROUP				PARENT COMPANY			
	2004		2003		2004		2003	
	Nominal amount	Book amount	Nominal amount	Book amount	Nominal amount	Book amount	Nominal amount	Book amount
Mortgages	–	–	–	–	–	–	–	–
Securities	–	–	620	617	–	–	620	617
Other collateral	–	–	–	–	–	–	–	–
<b>Total</b>	–	–	620	617	–	–	620	617

### Note 30 Off-balance sheet commitments

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
	Nominal amount	Nominal amount	Nominal amount	Nominal amount
<i>Future commitments</i>				
– Agreements on the purchase and sale of forward securities contracts	–	–	–	–
– Other commitments to future payments	–	–	–	–
<i>Interest rate- and currency-related contracts</i>				
– Interest rate futures	–	–	–	–
– Currency futures	13,839	15,516	13,839	15,516
– Interest and currency swaps	194,258	179,826	194,258	179,826
<i>Other commitments</i>				
– Loan commitments	5,288	4,595	5,135	4,464
– Unutilised portion of credit facilities granted	–	–	–	–
– Other commitments	–	–	–	–
<b>Total</b>	<b>213,385</b>	<b>199,937</b>	<b>213,232</b>	<b>199,806</b>

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 so called threshold amount.

### Note 31 Book values and actual values of items both on and off the balance sheet

	GROUP				PARENT COMPANY			
							2004	
	Current assets		Fixed assets		Current assets		Fixed assets	
	Book value	Actual value	Book value	Actual value	Book value	Actual value	Book value	Actual value
<b>ASSETS</b>								
Cash in hand and balance in central banks	0	0	–	–	0	0	–	–
Repo eligible Treasury Bills, etc.	225	225	–	–	225	225	–	–
Lending to credit institutions	2,406	2,406	–	–	13,389	13,676	–	–
Lending to the public	–	–	130,907	134,156	–	–	119,872	122,833
Shares and participations, etc.	–	–	0	0	–	–	0	0
Shares and participations in group companies	–	–	–	–	–	–	280	280
Intangible assets	–	–	39	39	–	–	16	16
Tangible assets	–	–	21	21	–	–	21	21
Other assets	475	475	455	455	473	473	455	455
Pre-paid costs and accrued income	573	573	–	–	587	587	–	–
<b>Total assets</b>	<b>3,679</b>	<b>3,679</b>	<b>131,422</b>	<b>134,671</b>	<b>14,674</b>	<b>14,961</b>	<b>120,644</b>	<b>123,605</b>

cont'd Note 31

	GROUP		PARENT COMPANY	
	Book value	Actual value	Book value	Actual value
<b>LIABILITIES</b>				
Liabilities to credit institutions	6,596	6,596	6,583	6,583
Borrowing from the public	–	–	–	–
Bonds issued, etc.	119,025	120,664	119,575	121,221
Other liabilities	124	124	125	125
Accrued costs and pre-paid income	2,061	2,061	2,038	2,038
Allocations	274	274	–	–
Subordinated debt	1,482	1,505	1,482	1,505
<b>Total liabilities</b>	<b>129,562</b>	<b>131,224</b>	<b>129,803</b>	<b>131,472</b>
<b>DURATION</b>				
Assets, years		1.2		1.2
Liabilities, years		1.1		1.1

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 32 Booked, actual and nominal values of derivatives

	2004		2003	
	Nominal value	Actual value	Nominal value	Actual value
<b>GROUP AND PARENT COMPANY DERIVATIVES WITH POSITIVE OR ZERO VALUES</b>				
– taken up in the balance sheet in whole or in part				
< 1 year interest rate swaps	25,298	572	3,636	28
> 1 year interest rate swaps	39,689	1,643	48,641	1,186
< 1 year interest rate and currency swaps	6,561	189	9,966	180
> 1 year interest rate and currency swaps	5,939	971	6,487	974
< 1 year equity-linked derivative contracts	49	1	0	0
> 1 year equity-linked derivative contracts	318	56	245	21
<b>Total</b>	<b>77,854</b>	<b>3,432</b>	<b>68,975</b>	<b>2,389</b>
<b>GROUP AND PARENT COMPANY DERIVATIVES WITH NEGATIVE VALUES</b>				
– taken up in the balance sheet in whole or in part				
< 1 year interest rate swaps	31,224	932	16,961	416
> 1 year interest rate swaps	50,616	2,987	50,582	2,315
< 1 year interest rate and currency swaps	34,853	1,465	38,380	2,703
> 1 year interest rate and currency swaps	13,466	1,229	19,975	1,117
< 1 year equity-linked derivative contracts	0	0	65	1
> 1 year equity-linked derivative contracts	84	6	404	32
<b>Total</b>	<b>130,243</b>	<b>6,619</b>	<b>126,367</b>	<b>6,584</b>

#### Book value:

Derivative instruments are not taken up in the balance sheet under their own heading but are reported as appropriate together with the secured posts. The acquisition value of derivative instruments has been included in the book value of bonds issued and unrealised exchange rate differences have been neutralised by opposite differences for bonds issued and subordinated debt. See also Accounting Principle - Derivatives and Valuation of claims and liabilities in foreign currencies.

## Note 33 Fixed interest terms for financial assets and liabilities

GROUP	2004							2003						
	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
<b>ASSETS</b>														
Cash in hand and balance in central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Repo eligible Treasury Bills	–	–	–	–	225	–	225	–	709	–	–	–	–	709
Lending to credit institutions	–	2,406	–	–	–	–	2,406	–	3,777	–	–	–	–	3,777
Lending to the public	–	53,997	10,686	11,633	52,323	2,268	130,907	–	43,687	9,113	10,534	59,751	2,687	125,772
Other assets	1,173	368	11	11	–	–	1,563	1,131	431	18	14	2	–	1,596
<b>Total financial assets</b>	<b>1,173</b>	<b>56,771</b>	<b>10,697</b>	<b>11,644</b>	<b>52,548</b>	<b>2,268</b>	<b>135,101</b>	<b>1,131</b>	<b>48,604</b>	<b>9,131</b>	<b>10,548</b>	<b>59,753</b>	<b>2,687</b>	<b>131,854</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	–	6,596	–	–	–	–	6,596	–	4,562	–	–	–	–	4,562
Bonds issued, etc.	–	55,316	8,808	6,764	45,709	2,428	119,025	–	43,317	9,217	7,125	55,971	2,388	118,018
Other liabilities	455	852	350	57	714	31	2,459	533	998	815	262	47	13	2,668
Subordinated debt	–	722	760	–	–	–	1,482	–	722	760	–	–	–	1,482
<b>Total financial liabilities</b>	<b>455</b>	<b>63,486</b>	<b>9,918</b>	<b>6,821</b>	<b>46,423</b>	<b>2,459</b>	<b>129,562</b>	<b>533</b>	<b>49,599</b>	<b>10,792</b>	<b>7,387</b>	<b>56,018</b>	<b>2,401</b>	<b>126,730</b>
Difference between assets and liabilities	718	(6,715)	779	4,823	6,125	(191)	5,539	598	(995)	(1,661)	3,161	3,735	286	5,124
Cumulative interest rate sensitivity	718	(5,997)	(5,218)	(395)	5,730	5,539		598	(397)	(2,058)	1,103	4,838	5,124	

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

PARENT COMPANY	2004							2003						
	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
<b>ASSETS</b>														
Cash in hand and balance in central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Repo eligible Treasury Bills	–	–	–	–	225	–	225	–	709	–	–	–	–	709
Lending to credit institutions	–	3,777	1,608	3,518	4,315	171	13,389	–	6,572	557	572	4,113	149	11,963
Lending to the public	–	48,828	10,165	10,795	47,988	2,096	119,872	–	40,846	8,556	9,962	55,638	2,538	117,540
Other assets	1,441	368	12	11	–	–	1,832	1,320	431	18	14	2	–	1,785
<b>Total financial assets</b>	<b>1,441</b>	<b>52,973</b>	<b>11,785</b>	<b>14,324</b>	<b>52,528</b>	<b>2,267</b>	<b>135,318</b>	<b>1,320</b>	<b>48,558</b>	<b>9,131</b>	<b>10,548</b>	<b>59,753</b>	<b>2,687</b>	<b>131,997</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	–	6,583	–	–	–	–	6,583	–	4,550	–	–	–	–	4,550
Bonds issued, etc.	–	55,316	9,023	6,764	46,044	2,428	119,575	–	43,317	9,217	7,125	56,371	2,388	118,418
Other liabilities	159	852	350	57	714	31	2,163	264	998	815	262	47	13	2,399
Other liabilities	–	722	760	–	–	–	1,482	–	722	760	–	–	–	1,482
<b>Total financial liabilities</b>	<b>159</b>	<b>63,473</b>	<b>10,133</b>	<b>6,821</b>	<b>46,758</b>	<b>2,459</b>	<b>129,803</b>	<b>264</b>	<b>49,587</b>	<b>10,792</b>	<b>7,387</b>	<b>56,418</b>	<b>2,401</b>	<b>126,849</b>
Difference between assets and liabilities	1,282	(10,500)	1,652	7,503	5,770	(192)	5,515	1,056	(1,029)	(1,661)	3,161	3,335	286	5,148
Cumulative interest rate sensitivity	1,282	(9,218)	(7,566)	(63)	5,707	5,515		1,056	27	(1,634)	1,527	4,862	5,148	

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

## Note 34 Tenor of financial assets and liabilities

GROUP	2004							2003						
	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
<b>ASSETS</b>														
Cash in hand and balance in central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Repo eligible Treasury Bills	–	–	–	–	225	–	225	–	709	–	–	–	–	709
Lending to credit institutions	–	2,406	–	–	–	–	2,406	–	3,777	–	–	–	–	3,777
Lending to the public	–	16,322	22,456	36,927	52,934	2,268	130,907	–	13,235	16,534	32,829	60,487	2,687	125,772
Other assets	1,173	368	11	11	0	–	1,563	1,131	431	18	14	2	–	1,596
<b>Total financial assets</b>	<b>1,173</b>	<b>19,096</b>	<b>22,467</b>	<b>36,938</b>	<b>53,159</b>	<b>2,268</b>	<b>135,101</b>	<b>1,131</b>	<b>18,152</b>	<b>16,552</b>	<b>32,843</b>	<b>60,489</b>	<b>2,687</b>	<b>131,854</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	–	6,596	–	–	–	–	6,596	–	4,562	–	–	–	–	4,562
Bonds issued, etc.	–	44,460	18,547	11,382	42,622	2,014	119,025	–	29,659	13,612	15,876	56,121	2,750	118,018
Other liabilities	455	852	350	57	714	31	2,459	533	998	815	262	47	13	2,668
Subordinated debt	–	–	–	–	–	1,482	1,482	–	–	–	–	–	1,482	1,482
<b>Total financial liabilities</b>	<b>455</b>	<b>51,908</b>	<b>18,897</b>	<b>11,439</b>	<b>43,336</b>	<b>3,527</b>	<b>129,562</b>	<b>533</b>	<b>35,219</b>	<b>14,427</b>	<b>16,138</b>	<b>56,168</b>	<b>4,245</b>	<b>126,730</b>
<b>PARENT COMPANY</b>														
<b>ASSETS</b>														
Cash in hand and balance in central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Repo eligible Treasury Bills	–	–	–	–	225	–	225	–	709	–	–	–	–	709
Lending to credit institutions	–	3,776	1,609	3,518	4,315	171	13,389	–	4,321	1,140	2,263	4,091	148	11,963
Lending to the public	–	14,945	20,840	33,392	48,599	2,096	119,872	–	12,687	15,388	30,553	56,374	2,538	117,540
Other assets	1,442	368	11	11	0	–	1,832	1,320	431	18	14	2	–	1,785
<b>Total financial assets</b>	<b>1,442</b>	<b>19,089</b>	<b>22,460</b>	<b>36,921</b>	<b>53,139</b>	<b>2,267</b>	<b>135,318</b>	<b>1,320</b>	<b>18,148</b>	<b>16,546</b>	<b>32,830</b>	<b>60,467</b>	<b>2,686</b>	<b>131,997</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	–	6,583	–	–	–	–	6,583	–	4,550	–	–	–	–	4,550
Bonds issued, etc.	–	44,460	18,762	11,382	42,957	2,014	119,575	–	29,659	13,612	15,876	56,521	2,750	118,418
Other liabilities	159	852	350	57	714	31	2,163	264	998	815	262	47	13	2,399
Subordinated debt	–	–	–	–	–	1,482	1,482	–	–	–	–	–	1,482	1,482
<b>Total financial liabilities</b>	<b>159</b>	<b>51,895</b>	<b>19,112</b>	<b>11,439</b>	<b>43,671</b>	<b>3,527</b>	<b>129,803</b>	<b>264</b>	<b>35,207</b>	<b>14,427</b>	<b>16,138</b>	<b>56,568</b>	<b>4,245</b>	<b>126,849</b>

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



## Note 35 Distribution of security for balance sheet and off balance sheet items

GROUP DISTRIBUTION OF SECURITY	2004							Of which off balance sheet
	Municipal guarantee	Municipal responsibility for losses	Government credit guarantee	Bank guarantee	Mortgage	Other	Total	
Investments						541	541	
Derivative contracts						1,392	1,392	1,392
Credit institutions						2,406	2,406	
Other companies								
– Tenant-owner co-operatives	2,616	4	2,867	54	23,740		29,281	453
– Private property companies	804	11	1,665	15	21,639		24,134	1,763
– Commercial properties					1,782		1,782	562
– Other companies						661	661	
Households								
– Private homes and holiday homes	11	3,622	292	0	44,436		48,361	1,519
– Tenant-owner apartments						15,291	15,291	943
Public sector								
– Municipal property companies	16,331	0		3	1,598		17,932	48
<b>Total</b>	<b>19,762</b>	<b>3,637</b>	<b>4,824</b>	<b>72</b>	<b>93,195</b>	<b>20,291</b>	<b>141,781</b>	<b>6,680</b>

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	
Investments						821	821	
Derivative contracts						1,392	1,392	1,392
Credit institutions					9,799	3,590	13,389	
Other companies								
– Tenant-owner co-operatives	2,616	4	2,867	54	23,616		29,157	445
– Private property companies	804	11	1,665	15	21,504		23,999	1,763
– Commercial properties					1,782		1,782	562
– Other companies						658	658	
Households								
– Private homes and holiday homes	11	3,622	292	0	34,724		38,649	1,408
– Tenant-owner apartments						14,066	14,066	909
Public sector								
– Municipal property companies	16,331	0		3	1,598		17,932	48
<b>Total</b>	<b>19,762</b>	<b>3,637</b>	<b>4,824</b>	<b>72</b>	<b>93,023</b>	<b>20,527</b>	<b>141,845</b>	<b>6,527</b>

## Note 36 Genuine repurchase transactions

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Amount borrowed through the sale of securities with the subsequent repurchase of corresponding assets included in the following items in the balance sheet:				
– Debt to credit institutions	6,583	4,550	6,583	4,550
– Borrowing from the public	–	–	–	–
Amount lent through the purchase of securities with the subsequent sale of corresponding assets included in the following items in the balance sheet:				
– Lending to credit institutions	1,800	3,126	1,800	3,126
– Lending to the public	–	–	–	–

## Note 37 Risk mandate and utilised limits

	GROUP		PARENT COMPANY	
	2004	2004	2004	2004
	Limit	Utilised limit	Limit	Utilised limit
<i>Interest rate risk</i>				
– Operative interest rate risk*	48	(35)	48	(35)
– Strategic interest rate risk*	239	(98)	239	(98)
of which exposures within 12 months	60	(14)	60	(14)
Target value strategic interest rate risk	89 ±20	(98)	89 ±20	(98)
– Reverse spread positions	20	–	20	–
– Spread risk at pre-financing	50	(1)	50	(1)
<b>Total</b>	<b>357</b>	<b>(134)</b>	<b>357</b>	<b>(134)</b>
<i>Currency risk</i>	10	2	10	2
<i>Option risk</i>	2	–	2	–
<i>Liquidity and financing risk</i>				
– Reverse spread positions	5,000	–	5,000	–
– Pre-financing	5,000	200	5,000	200
– Unmatched swaps	6,000	3,800	6,000	3,800
– Investment portfolio	13,200	–	13,200	–
<i>Credit facilities**</i>	11,190	–	11,190	–

\* The limit is stated in absolute terms.

\*\* Of the credit facilities, 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 rate risk of on the one hand the total of external lending and investments financed by external borrowing and, on the other hand, to 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 next 12 months' exposure may amount, at the most, to an absolute amount corresponding to 25% of the total limit.

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 per cent. For the operating risk, the interest rate risk is calculated based on the market value and for the strategic interest rate risk it is based on all contracted cash flows.

##### – Interest rate risk in reverse spread positions and pre-financing

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.

Pre-financing may be used to reduce interest rate risk, and/or financing or liquidity risk and in monetary terms is limited to SEK 5 billion. The interest rate risk for pre-financing, calculated as the cost of a spread change of +/- 0.25 percentage points may at most amount to SEK 50 million. Borrowed funds should be invested in liquid interest-bearing assets with matching fixed interest terms.

##### – Total interest rate risk

The total interest rate risk, the sum of operative and strategic interest rate risk and spread risks, may at most amount to SEK 357 million.

#### Currency and option risk

The maximum currency risk exposure may not exceed the equivalent of SEK 10 million.

The loss risk in the open interest option position should be calculated as the combined maximum risk of loss at a change in interest of +/- 1 percentage point as well as a volatility change of 50%. The risk of loss in the options position may at most amount to SEK 2 million.

#### Liquidity and financing risk

##### – Unmatched swaps

Unmatched swaps may be used with the aim of changing the interest rate risk. By non-financed 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 the float, or which have a maturity which is no longer than the final due date of the underlying borrowing.

The limit for non-financed swaps amounts to SEK 6 billion.

##### – Investment portfolio

Borrowing aimed at investing in liquid interest-bearing securities (investment portfolio) may occur up to an amount corresponding to 10% of the balance sheet total at the start of the year. The term of the investment may run up to 10 years at most. The term of the borrowing and the investment should be matched as far as possible. The term of the investment may not exceed the term of the borrowing. Where the term of the borrowing exceeds that of the investment it may not have a fixed interest term for more than 3 months of the excess period.

## Note 38 Counterparty risks

	GROUP		PARENT COMPANY	
	2004		2004	
	Limit	Utilised limit	Limit	Utilised limit
<i>Counterparties with rating</i>				
AAA	2,010	580	2,010	580
AA	7,300	2,347	7,300	2,347
A	3,960	429	3,960	429
<b>Total</b>	<b>13,270</b>	<b>3,356</b>	<b>13,270</b>	<b>3,356</b>
<i>Termination commitments</i>	–	–	–	–

A credit risk 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 that are also loan customers the limit should be coordinated with the credit limit. Investments, entering into derivative contracts and repo contracts may only be done with counterparties for whom there is a valid limit and may be done in interest-bearing instruments issued by the counterparty or alternatively with an interest-bearing account with the counterparty.

The credit risk limit may 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 at most. The actual applicable level for credit risk limits is limited by the counterparties' present rating from Moody's and/or Standard & Poor's.

Calculation of credit and counterparty risks should, with two exceptions, take place according to the regulations set by the Swedish Financial Supervisory Authority, which are valid at the time (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 39 SBAB including securitisation companies

The securitisation companies (SC) are not consolidated into the SBAB group, which is in accordance with the Swedish Financial Supervisory Authority regulations. If the consolidated accounting definition in the recommendation by the Swedish Financial Accounting Standards Council (RR1:00) is applied, it means that the companies are consolidated. The SBAB group is shown below by following the Swedish Financial Accounting Standards Council recommendation.

	2004					
	SBAB excl SCs	Morfun	SRM No 1	SRM No 2	SRM No 3	SBAB incl SCs
<b>Income statement</b>						
Net interest income	1,214	6	47	56	26	1,248
Other income and expenses	(38)	(6)	(46)	(55)	(26)	(70)
Overhead expenses	(505)	(0)	(1)	(1)	(0)	(507)
Loan losses	7	–	–	–	–	7
<b>Profit before tax</b>	<b>678</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>678</b>
<b>Balance sheet</b>						
ASSETS						
Repo 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	960
<b>Total assets</b>	<b>135,101</b>	<b>1,068</b>	<b>8,658</b>	<b>7,856</b>	<b>8,941</b>	<b>160,930</b>
LIABILITIES AND EQUITY CAPITAL						
Debt to credit institutions	6,596	–	–	–	–	6,596
Securities issued incl. subordinated loans	120,507	1,010	8,482	7,708	8,538	146,245
Other allocations and liabilities	2,459	58	176	148	403	2,550
Minority	271	–	–	–	–	271
Equity capital	5,268	0	0	0	0	5,268
<b>Total liabilities and equity capital</b>	<b>135,101</b>	<b>1,068</b>	<b>8,658</b>	<b>7,856</b>	<b>8,941</b>	<b>160,930</b>

# Proposed Appropriation of Profit

The group's unrestricted equity capital according to the group balance sheet amounts to SEK 2,215 million, of which the year's result amounts to SEK 485 million. No allocation to restricted reserves is necessary.

In accordance with chapter 6, section 2, second paragraph of the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Board is of the opinion that the company's equity capital is of sufficient strength in relation to the extent of operations and connected risks. 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 1,798 million, and the year's result, SEK 415 million are appropriated as follows:

To the shareholder, a dividend of SEK 7,098 per share	SEK 139 million
Carried Forward	SEK 2,074 million
Total	SEK 2,213 million

Stockholm, 14 March 2005

Claes Kjellander  
*Chairman*

Jan Berg

Per Erik Granström

Kerstin Grönwall

Helena Levander

Lars Linder-Aronson

Michael Thorén

Anders Blom  
*Employee Representative*

Eva Cederbalk  
*Chief Executive Officer*

Our audit report has been given on 15 March 2005

KPMG Bohlins AB

Per Bergman  
*Authorised Public Accountant*

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

# Audit Report

To the General Meeting of the shareholders of the Swedish Housing Finance Corporation, SBAB, Organisation number 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 (publ) for the year 2004. These accounts and the administration of the Company as well as the application of the Annual Accounts Act concerning credit institutions and securities companies during the preparation of the annual accounts are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit 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 the 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 if 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 principles in Sweden. The Administration report is consistent with the remaining parts of the annual report.

We recommend to the General Meeting of Shareholders 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 Officers be discharged from liability for the financial year.

Stockholm, 15 March 2005

KPMG Bohlins AB

Per Bergman  
*Authorised Public Accountant*

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



# Board of Directors



Claes Kjellander



Per Erik Granström



Helena Levander



Michael Thorén



Jan Berg



Kerstin Grönwall



Lars Linder-Aronson



Anders Blom

## Claes Kjellander

Chairman  
CEO Jones Lang LaSalle AB  
Bachelor of Science  
Born 1945  
Elected to the Board 2003  
Member of SBAB's Credit Committee and Compensation 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

## Per Erik Granström

Member of Parliament  
Graduated as teacher from the Swedish Trade Union Confederation's school in Brunnsvik  
Born 1942  
Elected to the Board 1995  
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' Union's section in Ludvika, Teacher at the Swedish Trade Union Confederation's school in Brunnsvik

## 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 Credit Committee and Finance Committee  
Other board assignments: Board member of Bure Equity AB, Board member of Gant AB, Board member of Svensk Exportkredit AB (publ)  
Past experience: Managing Director of Neonet Securities AB, Managing Director of Odin Fonder, Senior Fund Manager Nordea Asset Management, SEB Asset Management

## 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 Compensation Committee  
Other board assignments: Board member Venantius AB (publ), Board member of Försäkrings AB Bostadsgaranti and Board member of AB Bostadsgaranti  
Past experience: Analyst ABN Amro Bank, project manager Retriva Kredit AB

## 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  
Past experience: Chairman of Securum International, Chief Credit Officer Venantius, Project Manager Securum, Business Controller Gamlestaden

## 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

## Lars Linder-Aronson

Chairman of 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 and Board member of Tanglin Investment Management AB  
Past experience: Managing Director of Enskilda Securities, Deputy Managing Director of SEB

## Anders Blom

Employee Representative appointed by the Finansförbundet (Swedish Financial Services Trade Union)  
Born 1955

*Christina Ragsten Pettersson resigned, on 27 October 2004, as Board Member and Deputy Chairman of SBAB. She was elected to SBAB's Board in 1999.*

# Executive Management & Auditors



Eva Cederbalk



Per Balazsi



Lena Hedlund



Göran Laurén



Bengt-Olof Nilsson Lalér



Peter Gertman



Christine Ehnström



Catharina Kandel



Ulf Tingström

## 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 försäljning, 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

## 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 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 Skandia-Banken

## Göran Laurén

Chief Financial Officer  
MBA, Master of Business Administration and Economics  
Born 1962  
Year of employment 1991  
Board assignments: Board member of Treviljor AB  
Past experience: Head of Currency management at Svenska Finans AB, Finance and Accounting Manager Företagsfinans AB as well as Forsen Finans AB

## 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), MBA  
Born 1960  
Year of employment 2001  
Past experience: Sales Manager IBM, Division Head SPP, CIO Icon Medialab International

## Auditors

**KPMG Bohlins AB have had the assignment as auditors for SBAB since 1985.**

## Per Bergman

Authorised public accountant  
KPMG Bohlins AB  
Born 1946  
Lead Auditor for SBAB since 1996  
Other assignments: Alecta pensionsförsäkring, Axel Johnson AB, Axfood AB, Enea AB, JC AB, KF Ek förenings, KP Pension, Sardus AB and AB Svensk Exportkredit

## Lars-Ola Andersson

Authorised public accountant  
SET Revisionsbyrå AB  
Born 1954  
Auditor appointed by the Swedish Financial Supervisory Authority to SBAB since 2003  
Other assignments: Appointed by the Swedish Financial Supervisory Authority to circa 15 other companies in the financial sector, amongst others Länsförsäkringsgruppen

# FriSpar Bolån AB

*FriSpar Bolån AB is a jointly owned credit market company operating in the south of Sweden, primarily in the middle and west of Skåne. SBAB owns 51% and the company is consolidated into the SBAB group. Sparbanken Finn and Sparbanken Gripen own 34.3% and 14.7% respectively.*

*The company lends both to the retail and property-company markets. Marketing, lending and credit rating are conducted by Sparbanken Finn and Sparbanken Gripen. Funding and everyday administration by SBAB.*

*The partnership in the company has been successful for all three parties and today the company has a balance sheet total of greater than SEK 11 billion. Continued positive development of lending volumes is expected over the coming year.*

## THE BOARD OF DIRECTORS, FRISPAR BOLÅN AB

### Lars-Olof Svensson

Chairman  
Deputy Managing Director of Sparbanken Finn  
Master of Business Administration and Economics  
Born 1950  
Employed since 1998 in Sparbanken Finn

### Thomas Bredgard

Credit Manager of Sparbanken Finn  
Born 1944  
Employed since 1988 in Sparbanken Finn

### Peter Gertman

Deputy Chief Executive Officer of SBAB  
Master of Business Administration and Economics  
Born 1957  
Employed since 1991 in SBAB

### Bengt Johansson

Head of Operations and Deputy Managing Director of Sparbanken Gripen AB (publ)  
Born 1950  
Employed since 1990 in Sparbanken Gripen AB (publ)

### Peter Bjurenwall

Retail Market Manager of Sparbanken Gripen AB (publ)  
Born 1966  
Employed since 1998 in Sparbanken Gripen AB (publ)

### Erik Ekström

Head of Business Development Lending for SBAB  
Master of Laws (LLM)  
Born 1965  
Employed since 1997 in SBAB

### Gustav Hoorn

Regional Manager SBAB  
Master of Business Administration and Economics  
Born 1958  
Employed since 1995 in SBAB

### Bengt-Olof Nilsson Lalér

Chief Credit Officer of SBAB  
Master of Business Administration and Economics  
Born 1957  
Employed since 2000 in SBAB





# Addresses

## HEAD OFFICE

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