

INTERIM REPORT

1 JANUARY – 30 SEPTEMBER 2006

THE SWEDISH HOUSING FINANCE CORPORATION, SBAB

THE PERIOD IN BRIEF

- The retail market portfolio continues to increase and totals as of 30 September SEK 104,353 million (SEK 93,528 million) excl. securitised loans.
- Net operating income for the first nine months of the year totalled SEK 505 million (SEK 505 million).
- Net interest income increased to SEK 1,002 million (SEK 961 million).
- Expenses amounted to SEK 435 million (SEK 412 million).

NET OPERATING INCOME

SBAB's net operating income for the first nine months of the year amounted to SEK 505 million (SEK 505 million). This result is in line with the result for the same period last year.

NET INTEREST INCOME & OTHER OPERATING INCOME

Net interest income amounted to SEK 1,002 million compared with SEK 961 million for the first nine months of 2005. Continued stiff competition and pressure on margins have led to income not increasing at the same rate as the portfolio. Other operating income amounted to SEK -67 million (SEK -49 million). The increase in commission expenses is mainly explained by the positive development of volume of SBAB's partners. The lower commission income is explained by lower service income from securitised loans since repurchase of SRM1 took place in November 2005.

EXPENSES

During the first nine months of the year, expenses totalled SEK 435 million (SEK 412 million). Compared with the corresponding period last year, SBAB's on-going development projects have been pursued more intensively, which has increased project expenses. However, administration expenses and staff costs are considerably lower for the first nine months of the year compared with the same period last year.

LOAN LOSSES & DOUBTFUL LOAN CLAIMS

Loan losses have continued to be low and have posted a positive result of SEK 5 million (SEK 5 million). Doubtful loan claims have decreased during the first nine months of the year from SEK 144 million to SEK 125 million. The provision ratio for specific provisions for loan claims assessed individually was 70%. Total provisions at the end of September 2006 were SEK 219 million, of which SEK 111 million was for collective provisions for loan claims assessed individually.

LENDING

During the first nine months of the year, new lending to the retail market totalled SEK 21,417 million (SEK 27,012 million). SBAB's business partners continue to be important distribution channels. The portfolio now totals SEK 104,353 million (SEK 93,528 million) excl. securitised loans. SBAB's market share for retail market lending is 9.5 % (9.4%).

Summary SBAB group

	Sep 2006	Sep 2005	Dec 2005
Net interest income, SEK million	1,002	961	1,296
Net operating income, SEK million	505	505	666
Net operating income after tax, SEK million	359	358	471
Lending, SEK million	162,333	143,806	156,020
Loans securitised, SEK million	14,428	22,989	15,108
Doubtful loan claims after specific provisions for loan claims assessed individually, SEK million	37	58	49
Volume of international borrowing, SEK million	96,574	74,337	90,563
Income/Expenditure ratio excluding loan losses	2.2	2.2	2.1
Income/Expenditure ratio including loan losses	2.2	2.2	2.2
Return on equity, %	8.3	8.5	8.7
Capital ratio, %	9.4	9.0	9.0
Primary capital ratio, %	7.7	7.6	7.1
Equity ratio, %	3.5	3.9	3.7
Rating, long-term borrowing Standard & Poor's Moody's	AA-Aa3	AA-Aa3	AA-Aa3
Rating, short-term borrowing Standard & Poor's Moody's	A-1+ P-1	A-1+ P-1	A-1+ P-1
Average number of employees during the period of which temporary employees	419 20	415 34	421 34

Loan portfolio and securitised loans

SEK billion	Sep 2006		Dec 2005	
	Total	Of which securitised loans	Total	Of which securitised loans
Retail market	111.0	6.6	100.5	7.0
Corporate market	65.8	7.8	70.6	8.1
Total	176.8	14.4	171.1	15.1

All figures in brackets for income items and new lending refer to the corresponding period last year.

The comparison date is 31 December of the previous year for figures concerning balance sheet items, capital adequacy, lending and market shares.

New lending in the corporate market increased to SEK 5,516 million (SEK 3,302 million), which is an increase of 67%. The corporate market portfolio excl. securitised loans totals SEK 57,980 million (SEK 62,492 million). SBAB's market share for corporate market lending is 13.9% (14.8%).

FUNDING

SBAB considers it very important to have a well-diversified funding portfolio. This requires an active presence in the capital market and a flexible range of products. On 30 September 2006, the portfolio consisted of the following: Swedish Commercial Paper Programme SEK 16.3 billion (SEK 14.2 billion), Swedish covered bonds SEK 44.1 billion (SEK 0.0 billion), European Commercial Paper Programme USD 1,569 million (USD 1,790 million), US Commercial Paper Programme USD 2,097 million (USD 1,537 million), Euro Medium Term Note Programme USD 9,193 million (USD 7,895 million), Euro Medium Term Covered Note Programme USD 232 million (USD 0 million).

CAPITAL ADEQUACY

The capital adequacy ratio at the end of September was 9.4% (9.0%). The primary capital ratio was 7.7% (7.1%) and included nine months' profit with tax and dividend deducted. SBAB's capital base amounted to SEK 8,823 million (SEK 7,507 million). The capital ratio for the parent company was 22.8% (9.6%), the primary capital ratio 18.4% (7.4%) and the capital base SEK 8,355 million (SEK 7,171 million).

SBAB has carried out an issue in the form of hybrid capital of SEK 1,000 million (nominal amount), which explains an increased capital base and capital adequacy. The parent company's increased capital ratio and primary capital ratio is mainly due to transfers of the credit portfolio to SBAB's wholly-owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (SCBC). As at 30 September, the subsidiary's credit portfolio amounted to SEK 89,803 million.

INTEREST RATE RISK

A parallel shift in the yield curve of plus one percentage point on 30 September 2006 would have resulted in a reduction of the net value of SBAB's interest bearing assets and liabilities, including derivative transactions, of around SEK 142.9 million.

ACCOUNTING PRINCIPLES

This interim report has been produced in accordance with the provisions of the Annual Reports (Credit Institutions and Securities Companies) Act (ÅRKL) and complies with the regulations and general guidelines (FFFS 2002:22) issued by the Swedish Financial Supervisory Authority with supplements and adaptations in accordance with the transitional provisions for the regulations and general guidelines (FFFS 2005:33) of the Swedish Financial Supervisory Authority. The accounting principles have not changed since the Annual Report for 2005.

All listed companies in the EU shall apply the accounting standards (IFRS) produced by the IASB (International Accounting Standards Board) from 2005 with certain exceptions. The respective member state may make a decision to postpone implementation of IFRS to 2007 for those companies which are only listed with debt instruments. The Swedish parliament, the Riksdag, decided at the end of 2004 that Sweden would make use of this possibility. SBAB has only issued listed debt instruments and is preparing to introduce IFRS from 2007.

CURRENT EVENTS

- In October, in conjunction with a review of SBAB's business activity, redundancy was identified which has led to the decision to close the office in Uppsala. All business activity relating to consumer loans has been concentrated at SBAB's customer centre in Karlstad. Costs relating to this closure will be charged to the fourth quarter.
- Additional assets of SEK 26.9 billion have been transferred to SBAB's wholly-owned subsidiary SCBC.
- A new website for SBAB's investor relations has been launched. Information about SBAB's subsidiary SCBC's cover pool will be published on the website www.scbc.se each month.
- During September SBAB introduced two new Swedish covered bond loans in the capital market, loan numbers 129 and 130.

FINANCIAL INFORMATION

SBAB's report on operations for 2006 will be published on 31 January 2007.

SBAB's annual general meeting will be held on 19 April 2007 in Stockholm.

Income statement

SEK million	GROUP				PARENT COMPANY	
	Jan-Sep 2006	Jan-Sep 2005	Jul-Sep 2006	Jul-Sep 2005	Jan-Sep 2006	Jan-Sep 2005
Interest income	4,323	4,078	1,495	1,315	3,620	4,010
Interest expense	(3,321)	(3,117)	(1,164)	(989)	(2,876)	(3,132)
Net interest income	1,002	961	331	326	744	878
Dividends received	0	-	-	-	0	-
Commission income	34	39	14	13	77	75
Commission expenses	(102)	(88)	(35)	(32)	(41)	(40)
Net income from financial transactions	1	-	0	-	1	-
Other operating income	0	0	0	0	73	0
Total operating income	935	912	310	307	854	913
General administration expenses	(375)	(350)	(106)	(114)	(379)	(360)
Depreciation of tangible and intangible fixed assets	(20)	(16)	(7)	(5)	(12)	(11)
Other operating expenses	(40)	(46)	(5)	(9)	(40)	(46)
Total operating expenses	(435)	(412)	(118)	(128)	(431)	(417)
Operating income before loan losses	500	500	192	179	423	496
Loan losses, net (Note 1)	5	5	0	1	5	5
Net operating income	505	505	192	180	428	501
Allocations	-	-	-	-	(51)	(79)
Minority share in the period's result	1	0	(0)	0	-	-
Deferred taxes	(13)	(23)	(3)	(8)	-	-
Tax on profit for the period	(134)	(124)	(53)	(43)	(111)	(124)
Net profit for the period	359	358	136	129	266	298

Balance sheet

SEK million	GROUP			PARENT COMPANY	
	30 Sep 2006	30 Sep 2005	31 Dec 2005	30 Sep 2006	31 Dec 2005
ASSETS					
Cash in hand and balance at central banks	0	0	0	0	0
Repo eligible Treasury bills, etc.	3	3	3	3	3
Lending to credit institutions (Note 2)	3,110	600	157	49,075	14,799
Lending to the public (Note 3)	162,333	143,806	156,020	55,722	141,285
Bonds and other interest-bearing securities	14,143	-	-	14,143	-
Shares and participations	0	0	0	0	0
Shares and participations in group companies	-	-	-	4,433	357
Intangible fixed assets	49	47	48	21	17
Tangible assets	20	20	21	20	21
Other assets	3,932	4,568	5,175	3,020	5,173
Prepaid expenses and accrued income	548	428	404	363	425
TOTAL ASSETS	184,138	149,472	161,828	126,800	162,080
LIABILITIES AND EQUITY CAPITAL					
LIABILITIES					
Liabilities to credit institutions	10,658	8,176	4,525	-	4,490
Securities issued, etc.	157,809	129,616	145,400	111,932	146,100
Other liabilities	4,367	2,564	2,592	5,519	2,591
Accrued expenses and prepaid income	1,875	1,620	1,212	425	1,176
Allocations	318	297	304	0	-
Subordinated debt	2,735	1,368	1,851	2,735	1,851
Total liabilities	177,762	143,641	155,884	120,611	156,208
Untaxed reserves	-	-	-	1,106	1,055
Minority shareholding	417	344	344	-	-
EQUITY CAPITAL					
Share capital	1,958	1,958	1,958	1,958	1,958
Restricted reserves/Legal reserve	1,209	1,155	1,174	392	392
Non-restricted reserves/Profit brought forward	2,433	2,016	1,997	2,467	2,074
Net profit for the period	359	358	471	266	393
Total equity capital	5,959	5,487	5,600	5,083	4,817
TOTAL LIABILITIES AND EQUITY CAPITAL	184,138	149,472	161,828	126,800	162,080

Changes in equity capital

SEK million	GROUP			PARENT COMPANY	
	Jan-Sep 2006	Jan-Sep 2005	Jan-Dec 2005	Jan-Sep 2006	Jan-Sep 2005
Equity capital at the beginning of the period	5,600	5,268	5,268	4,817	4,563
Dividend	-	(139)	(139)	-	(139)
Net profit for the period	359	358	471	266	298
Equity capital at the end of the period	5,959	5,487	5,600	5,083	4,722

Cash flow analysis

SEK million	GROUP			PARENT COMPANY	
	Jan-Sep 2006	Jan-Sep 2005	Jan-Dec 2005	Jan-Sep 2006	Jan-Sep 2005
Liquid funds at the beginning of the period	157	2,406	2,406	157	2,406
Cash flow from current operations	1,905	(1,717)	(2,650)	6,050	(1,577)
Cash flow from investment operations	(19)	(23)	(32)	(4,091)	(90)
Cash flow from financing operations	1,067	(66)	433	994	(139)
Increase/Decrease in liquid funds	2,953	(1,806)	(2,249)	2,953	(1,806)
Liquid funds at the end of the period	3,110	600	157	3,110	600

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

Note 1 Loan losses, net

Group SEK million	Jan-Sep	
	2006	2005
<i>Specific provision for individually assessed loan claims</i>		
The period's write-off for actual loan losses	6	14
Reversal of previous provisions for probable loan losses reported as actual loan losses in the accounts for the period	(3)	(15)
The period's provision for probable loan losses	11	9
Recoveries in respect of actual losses in previous years	(4)	(3)
Reversal of provisions for probable loan losses no longer required	(14)	(11)
Net cost for the period	(4)	(6)
<i>Collective provision for individually assessed loan claims</i>		
Allocation to/withdrawal from collective provisions	(2)	-
<i>Collective assessed homogeneous groups of loan claims</i>		
The period's write-off for actual loan losses	2	3
Recoveries in respect of loan losses in previous years	(1)	(2)
Allocation to/withdrawal from provision for loan losses	0	(0)
Net cost for the period of collectively assessed homogeneous loan claims	1	1
Net cost for loan losses for the period	(5)	(5)

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

Note 2 Lending to credit institutions

SEK 29,180 million of the parent company's lending to credit institutions is related to a claim on the wholly-owned subsidiary SCBC (AB Sveriges Säkerställda Obligationer). These claims are subordinated, i.e. the claims are met only after other creditors of the subsidiary have been paid.

Note 3 Lending to the public

Group SEK million	30 Sep 2006		31 Dec 2005	
	Lending	Provision	Lending	Provision
Municipal multi-family dwellings	10,759	-	13,158	-
Tenant-owner associations	27,864	(159)	28,890	(166)
Privately-owned multi-family dwellings	18,013	(40)	19,880	(42)
Single-family dwellings and holiday homes	74,894	(14)	69,319	(18)
Tenant-owned apartments	29,479	(6)	24,229	(2)
Commercial properties	1,543	-	772	-
Provision for probable loan losses	(219)		(228)	
Total	162,333	(219)	156,020	(228)

SEK 84,971 million of the loans in the lending portfolio are collateral pledged for covered bonds of SEK 46,727 million.

<i>Doubtful and non-performing loan claims</i>	30 Sep 2006	31 Dec 2005
a) Doubtful loan claims	125	144
b) Non-performing loan claims which are included in doubtful loan claims	6	42
c) Non-performing loan claims for which interest is taken up as income and which are thus not included in doubtful loan claims	182	92
d) Specific provisions for individually assessed loan claims	88	95
e) Collective provisions for individually assessed loan claims	111	113
f) Provisions for collectively assessed homogeneous groups of loan claims	20	20
g) Total provisions (d+e+f)	219	228
h) Doubtful loan claims after specific provisions for individually assessed loan claims (a-d)	37	49
i) Provision ratio for specific provisions for individually assessed loan claims (d/a)	70%	66%

Note 4 Book values and actual values of derivative instruments

Group SEK million	30 Sep 2006		31 Dec 2005	
	Book value	Actual value	Book value	Actual value
<i>Derivative instruments with positive values or zero value</i>				
Interest rate swaps	1,494	2,042	1,154	1,946
Interest rate and currency swaps	454	649	1,472	1,735
Equity-related derivative contracts	0	37	3	40
Total	1,948	2,728	2,629	3,721
<i>Derivative instruments with negative values</i>				
Interest rate swaps	1,660	2,256	1,526	2,921
Interest rate and currency swaps	1,369	1,340	975	971
Equity-related derivative contracts	0	1	0	3
Total	3,029	3,597	2,501	3,895

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

Stockholm, 27 October 2006

Eva Cederbalk
Chief Executive Officer

AUDITORS' REPORT

To the Board of Directors of the Swedish Housing Finance Corporation, SBAB (publ)
Reg no. 556253-7513

Introduction

We have reviewed the enclosed interim report for the period 1 January to 30 September 2006. The Board of Directors and the CEO are responsible for preparing and presenting this interim report in accordance with the Annual Accounts (Credit Institutions and Securities Companies) Act. Our responsibility is to express an opinion on this interim report based on our review.

The direction and extent of the review

We have performed this review in accordance with the review standard SÖG 2410 *Review of financial information in interim reports performed by the company's appointed auditors*, issued by FAR. A review consists of making enquiries, in the first place to persons who are responsible for financial and accounting matters, performing an analytical review and undertaking other review measures. A review has another direction and is of considerably smaller scope than an audit in accordance with the Auditing Standard in Sweden RS and generally accepted auditing practice otherwise. The measures undertaken in a review do not permit us to be certain that we have become aware of all important circumstances that would have been identified if an audit had been performed. The expressed conclusion based on a review does not therefore have the same degree of certainty that a conclusion expressed as a result of an audit has.

Conclusion

On the basis of our review, nothing has emerged which gives us cause to consider that the attached interim report is not, in all essentials, drawn up in accordance with the Annual Reports (Credit Institutions and Securities Companies) Act.

Stockholm, 27 October 2006

KPMG Bohlins AB

Per Bergman
Authorised Public Accountant

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



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