



# Interim Report

## The Swedish Housing Finance Corporation, SBAB

1 January – 31 March 2004

### Results for the First Quarter 2004

Net operating income for the first quarter amounted to SEK 193 million (SEK 192 million). The first quarter continues to post strong results despite greater investments in IT-development and marketing in comparison to the same period in 2003. Net loan losses continue to be extremely low and the results for the quarter show net recoveries.

### Net Interest Income

The first quarter has continued the stable development of net interest income with a 2 per cent improvement on the corresponding period in 2003. The development of net interest income has been positive due to good new lending in the retail market, a restructuring of the loan portfolio and good results for funding operations. Compared to the same period last year, the yield effect on flows and equity capital was lower as a result of lower market interest rates.

### Expenses

Expenses have increased and amounted to SEK 129 million (SEK 113 million). The increase is due to greater marketing efforts, IT-development as well as higher personnel costs compared to the corresponding period last year. Estimated bonus payments have also been charged to the first quarter's result.

### Loan Losses

Net loan losses posted a positive result of SEK 8 million, which is SEK 16 million better than for the corresponding period 2003.

### Doubtful Loan Receivables and Provisions

Doubtful loan receivables have been steadily reduced since the year-end from SEK 220 million to SEK 195 million. The provision ratio regarding specific provisions for individually assessed loan receivables is unchanged at 54 per cent. At the end of the first quarter, total provisions amounted to SEK 293 million of which SEK 170 million regards collective provisions for individually assessed loan receivables.

### SUMMARY FOR THE SBAB GROUP

	March 2004	March 2003	Dec 2003
Net interest income, SEK million	323	318	1 253
Net operating income, SEK million	193	192	721
Net operating income after tax, SEK million	139	137	519
Loan losses net, SEK million	(8)	8	28
Return on equity A, % <sup>1</sup>	11.0	10.4	11.0
Return on equity B, % <sup>2</sup>	11.3	12.1	11.0
Capital ratio, %	10.6	9.9	10.2
Primary capital ratio, %	8.8	7.7	8.4
Equity ratio, %	3.8	3.4	3.9
Doubtful loan receivables after specific provisions for individually assessed loan receivables, SEK million	90	347	102
Income/Expenditure ratio, excluding loan losses	2.4	2.8	2.5
Income/Expenditure ratio, including loan losses	2.6	2.6	2.4
Rating, long-term debt Standard & Poor's	AA-	AA-	AA-
Moody's	A1	A1	A1
Rating, short-term debt Standard & Poor's	A-1+	A-1+	A-1+
Moody's	P-1	P-1	P-1
Volume of international borrowing, SEK million	76,560	62,495	74,494
Lending, SEK million	126,310	134,625	125,772
Loans securitised, SEK million	25,845	17,692	26,042
Average number of employees for the period	380	381	384
of whom temporary employees	28	25	31

<sup>1</sup> Net operating income (after actual tax) for the last twelve months in relation to the average equity capital.

<sup>2</sup> Net operating income (after standard rate tax) for the reporting period adjusted to represent the full year's result in relation to the average equity capital.

### LOAN PORTFOLIO AND SECURITISED LOANS

SEK billion	March 2004		March 2003	
	Total	of which securitised loans	Total	of which securitised loans
Retail market	65.8	16.0	55.5	16.7
Property-company market	86.4	9.8	96.8	1.0
<b>Total</b>	<b>152.2</b>	<b>25.8</b>	<b>152.3</b>	<b>17.7</b>

## Lending

New lending amounted to SEK 6 090 million (SEK 4 457 million) for the period. SBAB's lending to the retail market has increased during the first quarter, and totalled SEK 5 206 million. Lending is predominantly via the Internet. As earlier, SBAB's business partners constitute important distribution channels. New lending in the property-company market was SEK 884 million.

SBAB's customers are choosing on the whole somewhat shorter loan terms than during the corresponding period in 2003.

Of the managed loan portfolio, excluding securitised loans, the loan portfolio for retail customers amounted to SEK 49 715 million (SEK 46 178 million) and the property-company portfolio to SEK 76 595 million (SEK 79 594 million). Focus on specific customer groups, in combination with the discontinuation of unprofitable commitments, has also resulted in a reduction in the property-company market portfolio.

## Funding

Long-term funding in the first quarter of 2004 amounted to SEK 15 411 million (SEK 10 125 million), of which SEK 10 593 million (SEK 5 992 million) was raised in the international market and SEK 4 819 million (SEK 4 133 million) in the domestic bond market. Short-term debt, defined as short-term at the issue date, amounted to SEK 30 023 million (SEK 51 730 million).

## Capital Adequacy

The capital ratio at the end of the first quarter was 10.6 per cent (10.2 per cent). The primary capital ratio was 8.8 per cent (8.4 per cent) and included three months profits with estimated

tax and dividends deducted. SBAB's capital base amounted to SEK 6 111 million (SEK 6 015 million). The parent company's capital ratio was 11.1 per cent (10.6 per cent), the primary capital ratio 9.2 per cent (8.7 per cent) and the capital base SEK 5 893 million (SEK 5 799 million).

## Tax

Tax has been deducted from the results.

## Interest Rate Risk

A parallel shift in the yield curve of plus one percentage point at 31 March 2004 would have resulted in a reduction in the net value of SBAB's interest bearing assets and liabilities, including derivative transactions, of SEK 134.8 million.

## Accounting Principles

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

## Prospects for the Rest of the Year

The result for the full year 2004 is expected to be in line with the result for 2003.

INCOME STATEMENT	GROUP		PARENT COMPANY	
	Jan-March 2004	Jan-March 2003	Jan-March 2004	Jan-March 2003
SEK million				
Interest income	1,522	1,805	1,422	1,507
Interest expenses	(1,199)	(1,487)	(1,119)	(1,484)
<b>Net interest income</b>	<b>323</b>	<b>318</b>	<b>303</b>	<b>23</b>
Dividends received	-	0	-	0
Commission income	13	12	21	-
Commission expenses	(22)	(18)	(10)	(4)
Other operating income	0	1	0	58
<b>Total operating income</b>	<b>314</b>	<b>313</b>	<b>314</b>	<b>77</b>
General administration expenses	(112)	(100)	(114)	(62)
Depreciation of tangible and intangible fixed assets	(3)	(3)	(3)	(3)
Other operating expenses	(14)	(10)	(14)	(1)
<b>Total operating expenses</b>	<b>(129)</b>	<b>(113)</b>	<b>(131)</b>	<b>(66)</b>
<b>Operating income before loan losses</b>	<b>185</b>	<b>200</b>	<b>183</b>	<b>11</b>
Loan losses, net (Note 1)	8	(8)	8	-
<b>Net operating income</b>	<b>193</b>	<b>192</b>	<b>191</b>	<b>11</b>
Allocations	-	-	(28)	0
Minority share in the period's result	(0)	(0)	-	-
Deferred taxes	(8)	(9)	-	-
Tax on profit for the period	(46)	(46)	(46)	(3)
<b>Net profit for the period</b>	<b>139</b>	<b>137</b>	<b>117</b>	<b>8</b>

BALANCE SHEET		GROUP			PARENT COMPANY	
SEK million	31 March 2004	31 March 2003	31 Dec 2003	31 March 2004	31 Dec 2003	
<b>ASSETS</b>						
Cash in hand and balance at central banks	0	0	0	0	0	
Eligible Treasury Bills, etc.	388	281	709	388	709	
Lending to credit institutions	7,305	2,434	3,777	16,037	11,963	
Lending to the public (Note 2)	126,310	134,625	125,772	117,544	117,540	
Shares and participations	1	0	1	1	1	
Shares and participations in group companies	-	-	-	230	204	
Intangible fixed assets	34	10	31	10	9	
Tangible assets	23	25	22	23	22	
Other assets	1,058	518	931	1,057	929	
Pre-paid costs and accrued income	617	710	611	619	620	
<b>TOTAL ASSETS</b>	<b>135,736</b>	<b>138,603</b>	<b>131,854</b>	<b>135,909</b>	<b>131,997</b>	
<b>LIABILITIES AND EQUITY CAPITAL</b>						
<b>LIABILITIES</b>						
Debt to credit institutions	2,848	6,717	4,562	2,832	4,550	
Bonds issued, etc.	123,578	122,943	118,018	124,028	118,418	
Other liabilities	247	277	170	247	171	
Accrued costs and pre-paid income	2,182	2,270	2,252	2,169	2,228	
Provision for deferred tax	255	221	246	-	-	
Subordinated debt	1,482	1,482	1,482	1,482	1,482	
<b>Total liabilities</b>	<b>130,592</b>	<b>133,910</b>	<b>126,730</b>	<b>130,758</b>	<b>126,849</b>	
<b>Untaxed reserves</b>	-	-	-	<b>886</b>	857	
<b>Minority share holding</b>	<b>222</b>	149	198	-	-	
<b>EQUITY CAPITAL</b>						
<i>Restricted equity capital</i>						
Share capital	1,958	1,958	1,958	1,958	1,958	
Restricted reserves/Legal reserve	1,048	960	1,026	392	392	
<i>Unrestricted equity capital</i>						
Unrestricted reserves/Profit brought forward	1,777	1,489	1,423	1,798	1,511	
Net profit for the period	139	137	519	117	430	
<b>Total equity capital</b>	<b>4,922</b>	<b>4,544</b>	<b>4,926</b>	<b>4,265</b>	<b>4,291</b>	
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>135,736</b>	<b>138,603</b>	<b>131,854</b>	<b>135,909</b>	<b>131,997</b>	

CHANGES IN EQUITY CAPITAL		GROUP			PARENT COMPANY	
SEK million	Jan–March 2004 Total equity capital	Jan–March 2003 Total equity capital	Jan–Dec 2003 Total equity capital	Jan–March 2004 Total equity capital	Jan–March 2003 Total equity capital	
Equity capital at the beginning of the period	4,926	4,544	4,544	4,291	2,505	
Dividends	(143)	(137)	(137)	(143)	(137)	
Net profit for the period	139	137	519	117	8	
Equity capital at the end of the period	4,922	4,544	4,926	4,265	2,376	

CASH FLOW ANALYSIS		GROUP			PARENT COMPANY	
SEK million	Jan–March 2004	Jan–March 2003	Jan–Dec 2003	Jan–March 2004	Jan–March 2003	
Liquid funds at the beginning of the period	651	581	581	651	571	
Cash flow from current operations	(557)	(50)	196	(510)	(53)	
Cash flow from investment operations	(8)	(12)	(38)	(5)	(9)	
Cash flow from financing operations	25	0	(88)	(25)	0	
Increase/Decrease in liquid funds	(540)	(62)	70	(540)	(62)	
Liquid funds at the end of the period	111	519	651	111	509	

Liquid funds are defined as cash in hand and balances at banks and assets payable on demand.

**Note 1** Loan Losses, Net

Group SEK million	Jan–March 2004	Jan–March 2003
<i>Specific provision for individually assessed loan receivables</i>		
The period's write-offs for actual losses	8	9
Reversal of previous provisions for probable loan losses reported as actual losses in the accounts for the period	(8)	(6)
The period's provision for probable loan losses	4	19
Recoveries in respect of actual loan losses in previous years	(1)	(9)
Reversal of previous provisions for probable loan losses no longer required	(11)	(37)
<b>Net cost for the period</b>	<b>(8)</b>	<b>(24)</b>
<i>Collective provision for individually assessed loan receivables</i>		
Allocation to/withdrawal from collective provision	(0)	12
<i>Collectively assessed homogeneous groups of loan receivables</i>		
The year's write-offs for actual loan losses	1	1
Recoveries in respect of actual loan losses in previous years	(0)	(0)
Allocation to/withdrawal from provision for loan losses	(1)	19
<b>Net cost for the period of collectively valued homogeneous loan receivables</b>	<b>(0)</b>	<b>20</b>
<b>Net cost of loan losses for the period</b>	<b>(8)</b>	<b>8</b>

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

**Note 2** Lending to the Public

Group SEK million	31 March 2004 Lending Provision		31 Dec 2003 Lending Provision	
Municipal property companies	20,617	-	20,842	-
Tenant-owner co-operatives	28,430	(209)	28,430	(218)
Private property companies	25,550	(66)	26,750	(70)
Single-family homes and holiday homes	39,944	(15)	37,932	(16)
Tenant-owner apartments	9,789	(3)	8,266	(3)
Commercial properties	2,273	-	3,859	-
Reserve for probable loan losses	(293)	-	(307)	-
<b>Total</b>	<b>126,310</b>	<b>(293)</b>	<b>125,772</b>	<b>(307)</b>

<i>Doubtful loans and non-performing loan receivables</i>	31 March 2004	31 Dec 2003
a) Doubtful loan receivables	195	220
b) Non-performing loan receivables, which are included in doubtful loan receivables	35	63
c) Non-performing loan receivables on which interest is taken up as income and which thus are not included in doubtful loan receivables	204	186
d) Specific provisions for individually assessed loan receivables	105	118
e) Collective provisions for individually assessed loan receivables	170	170
f) Provisions for collectively assessed homogeneous groups of loan receivables	18	19
g) Provisions, total (d+e+f)	293	307
h) Doubtful loan receivables after specific provisions for individually assessed loan receivables (a–d)	90	102
i) Provision ratio regarding specific provisions for individually assessed loan receivables (d/a)	54%	54%

**Note 3** Actual and Nominal Values of Derivatives

Group SEK million	31 March 2004		31 Dec 2003	
	Nominal value	Actual value	Nominal value	Actual value
<i>Derivatives with positive or zero values - not reported in the Balance Sheet</i>				
Interest rate swaps	53,139	1,797	52,277	1,214
Interest rate and currency swaps	57,641	2,392	16,453	1,154
Equity linked derivative contracts	245	35	245	21
<b>Total</b>	<b>111,025</b>	<b>4,224</b>	<b>68,975</b>	<b>2,389</b>
<i>Derivatives with negative values - not reported in the Balance Sheet</i>				
Interest rate swaps	75,600	3,804	67,543	2,731
Interest rate and currency swaps	20,136	2,107	58,355	3,820
Equity linked derivative contracts	244	28	469	33
<b>Total</b>	<b>95,980</b>	<b>5,939</b>	<b>126,367</b>	<b>6,584</b>

All borrowing in foreign currencies is hedged with interest rate and currency swaps and/or equity linked contracts in order to take SBAB off risk.

Stockholm, 6 May 2004

Eva Cederbalk

Chief Executive Officer

**Auditors' Report**

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

Stockholm, 6 May 2004

KPMG Bohlins AB

Per Bergman

Authorised Public Accountant

Lars-Ola Andersson

Authorised Public Accountant  
Appointed by the Swedish  
Financial Supervisory Authority

**Financial reporting**

SBAB's interim reports for the second and third quarters of 2004 will be published on the 26 August and 4 November 2004 respectively.



Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ)