



# Interim Report

## The Swedish Housing Finance Corporation, SBAB

1 January – 30 June 2004

### Net Operating Result

Net operating income for the first six months amounted to SEK 360 million (SEK 371 million). The slightly lower result than for the corresponding period for the previous year is due to the increase in costs and the lower net interest income. Developments in net loan losses continue to be positive.

### Net Interest Income

Net interest income amounted to SEK 629 million which is 1.6 per cent lower than in the corresponding period in 2003. The development of net interest income depends foremost on the drop in yield effect on flows and equity capital due to lower market interest rates.

### Expenses

Expenses have increased and amounted to SEK 263 million (SEK 235 million). The increase is amongst other things due to larger investments in IT, higher staff costs as well as higher administration costs compared to the same period in 2003.

### Loan Losses

Net loan losses continued to be low and posted a positive result of SEK 8 million, which is an improvement of SEK 27 million over the corresponding period in 2003.

### Doubtful Loan Receivables and Provisions

Doubtful loan receivables have been reduced since the year-end from SEK 220 million to SEK 217 million. The provision ratio regarding specific provisions for individually assessed loan receivables was 48 per cent. At the end of the second quarter, total provisions amounted to SEK 292 million of which SEK 169 million regards collective provisions for individually assessed loan receivables.

#### SUMMARY FOR THE SBAB GROUP

	June 2004	June 2003	Dec 2003
Net interest income, SEK million	629	639	1 253
Net operating income, SEK million	360	371	721
Net profit, SEK million	256	267	519
Loan losses net, SEK million	(8)	19	28
Return on equity, % <sup>1</sup>	10.5	10.4	11.0
Capital ratio, %	10.1	10.1	10.2
Primary capital ratio, %	8.4	7.9	8.4
Equity ratio, %	4.0	3.5	3.9
Doubtful loan receivables after specific provisions for individually assessed loan receivables, SEK million	113	230	102
Income/Expenditure ratio, excluding loan losses	2.3	2.7	2.5
Income/Expenditure ratio, including loan losses	2.4	2.5	2.4
Rating, long-term debt Standard & Poor's Moody's	AA- A1	AA- A1	AA- A1
Rating, short-term debt Standard & Poor's Moody's	A-1+ P-1	A-1+ P-1	A-1+ P-1
Volume of international borrowing, SEK million	72 397	60 825	74 494
Lending, SEK million	129 651	134 818	125 772
Loans securitised, SEK million	25 212	17 450	26 042
Average number of employees of whom temporary employees	381 26	381 27	384 31

<sup>1</sup> Net profit for the last twelve months in relation to the average equity capital.

#### LOAN PORTFOLIO AND SECURITISED LOANS

SEK billion	June 2004		June 2003	
	Total	of which securitised loans	Total	of which securitised loans
Retail market	70.1	15.8	57.3	16.4
Property-company market	84.8	9.4	95.0	1.0
<b>Total</b>	<b>154.9</b>	<b>25.2</b>	<b>152.3</b>	<b>17.4</b>

## Lending

During the first six months, SBAB has increased lending to the retail market. New lending in the retail market amounted to SEK 12 464 million (SEK 7 337 million) for the period. Lending is predominantly via the Internet and as earlier, SBAB's business partners constitute important distribution channels. The continuation of good growth in lending to the retail market has resulted in an increase in the size of the portfolio, which now amounts to SEK 54 325 million (SEK 46 179 million) excluding securitised loans.

New lending in the property-company market totalled SEK 2 472 million (SEK 1 702 million) and the total size of the property-company portfolio excluding securitisations amounts to SEK 75 326 million (SEK 79 593 million). Lending to municipal housing companies has decreased and the focus on certain specific customer groups, in combination with the discontinuation of unprofitable commitments, has resulted in a reduction in the property-company market portfolio.

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

## Funding

Long-term funding in the first half of 2004 amounted to SEK 28 593 million (SEK 24 412 million), of which SEK 15 019 million (SEK 13 090 million) was raised in the international market and SEK 13 574 million (SEK 11 322 million) in the domestic bond market. Short-term debt, defined as short-term at the issue date, amounted to SEK 24 841 million (SEK 39 077 million).

## Capital Adequacy

The capital ratio at the end of the second quarter was 10.1 per cent (10.2 per cent). The primary capital ratio was 8.4 per cent (8.4 per cent) and included six months profits with estimated tax and dividends deducted. SBAB's capital base amounted to SEK 6 215 million (SEK 6 015 million). The parent company's capital ratio was 10.6 per cent (10.6 per cent), the primary capital ratio 8.8 per cent (8.7 per cent) and the capital base SEK 5 965 million (SEK 5 799 million).

## Interest Rate Risk

A parallel shift in the yield curve of plus one percentage point at 30 June 2004 would have resulted in a reduction in the net value of SBAB's interest bearing assets and liabilities, including derivative transactions, of around SEK 127.5 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 2004 is expected to be in line with the result for 2003.

INCOME STATEMENT	GROUP				PARENT COMPANY	
	Jan-June 2004	Jan-June 2003	April-June 2004	April-June 2003	Jan-June 2004	Jan-June 2003
SEK million						
Interest income	2 979	3 587	1 457	1 782	2 778	2 988
Interest expenses	(2 350)	(2 948)	(1 151)	(1 461)	(2 190)	(2 942)
<b>Net interest income</b>	<b>629</b>	639	<b>306</b>	321	<b>588</b>	46
Dividends received	-	0	-	0	-	0
Commission income	31	23	18	11	49	-
Commission expenses	(45)	(38)	(23)	(20)	(22)	(9)
Other operating income	0	1	0	0	0	118
<b>Total operating income</b>	<b>615</b>	625	<b>301</b>	312	<b>615</b>	155
General administration expenses	(224)	(200)	(112)	(100)	(227)	(126)
Depreciation of tangible and intangible fixed assets	(8)	(6)	(5)	(3)	(6)	(6)
Other operating expenses	(31)	(29)	(17)	(19)	(31)	(2)
<b>Total operating expenses</b>	<b>(263)</b>	(235)	<b>(134)</b>	(122)	<b>(264)</b>	(134)
<b>Operating income before loan losses</b>	<b>352</b>	390	<b>167</b>	190	<b>351</b>	21
Loan losses, net (Note 1)	8	(19)	0	(11)	8	-
<b>Net operating income</b>	<b>360</b>	371	<b>167</b>	179	<b>359</b>	21
Allocations	-	-	-	-	(52)	1
Minority share in the period's result	(0)	(0)	(0)	(0)	-	-
Deferred taxes	(15)	(18)	(7)	(9)	-	-
Tax on profit for the period	(89)	(86)	(42)	(40)	(89)	(6)
<b>Net profit for the period</b>	<b>256</b>	267	<b>118</b>	130	<b>218</b>	16

BALANCE SHEET		GROUP			PARENT COMPANY	
SEK million	30 June 2004	30 June 2003	31 Dec 2003	30 June 2004	31 Dec 2003	
<b>ASSETS</b>						
Cash in hand and balance at central banks	0	0	0	0	0	
Eligible Treasury Bills, etc.	50	668	709	50	709	
Lending to credit institutions	1 377	607	3 777	10 921	11 963	
Lending to the public (Note 2)	129 651	134 818	125 772	120 034	117 540	
Shares and participations	0	1	1	0	1	
Shares and participations in group companies	-	-	-	255	204	
Intangible fixed assets	33	18	31	10	9	
Tangible assets	21	25	22	21	22	
Other assets	1 443	2 613	931	1 440	929	
Pre-paid costs and accrued income	607	698	611	619	620	
<b>TOTAL ASSETS</b>	<b>133 182</b>	<b>139 448</b>	<b>131 854</b>	<b>133 350</b>	<b>131 997</b>	
<b>LIABILITIES AND EQUITY CAPITAL</b>						
<b>LIABILITIES</b>						
Debt to credit institutions	2 079	7 714	4 562	2 048	4 550	
Funding from general public	1 000	-	-	1 000	-	
Bonds issued, etc.	121 091	122 648	118 018	121 591	118 418	
Other liabilities	107	133	170	107	171	
Accrued costs and pre-paid income	1 876	2 393	2 252	1 847	2 228	
Provision for deferred tax	261	230	246	-	-	
Subordinated debt	1 482	1 482	1 482	1 482	1 482	
<b>Total liabilities</b>	<b>127 896</b>	<b>134 600</b>	<b>126 730</b>	<b>128 075</b>	<b>126 849</b>	
<b>Untaxed reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>909</b>	<b>857</b>	
<b>Minority share holding</b>	<b>247</b>	<b>174</b>	<b>198</b>	<b>-</b>	<b>-</b>	
<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	1 063	983	1 026	392	392	
<i>Unrestricted equity capital</i>						
Unrestricted reserves/Profit brought forward	1 762	1 466	1 423	1 798	1 511	
Net profit for the period	256	267	519	218	430	
<b>Total equity capital</b>	<b>5 039</b>	<b>4 674</b>	<b>4 926</b>	<b>4 366</b>	<b>4 291</b>	
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>133 182</b>	<b>139 448</b>	<b>131 854</b>	<b>133 350</b>	<b>131 997</b>	

CHANGES IN EQUITY CAPITAL		GROUP			PARENT COMPANY	
SEK million	Jan–June 2004	Jan–June 2003	Jan–Dec 2003	Jan–June 2004	Jan–June 2003	
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	256	267	519	218	16	
Equity capital at the end of the period	5 039	4 674	4 926	4 366	2 384	

CASH FLOW ANALYSIS		GROUP			PARENT COMPANY	
SEK million	Jan–June 2004	Jan–June 2003	Jan–Dec 2003	Jan–June 2004	Jan–June 2003	
Liquid funds at the beginning of the period	651	581	581	651	571	
Cash flow from current operations	830	163	196	927	196	
Cash flow from investment operations	(10)	(25)	(38)	(58)	(40)	
Cash flow from financing operations	(94)	(112)	(88)	(143)	(137)	
Increase/Decrease in liquid funds	726	26	70	726	19	
Liquid funds at the end of the period	1 377	607	651	1 377	590	

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

**Note 1** Loan Losses, Net

SEK million	GROUP	
	Jan-June 2004	Jan-June 2003
<i>Specific provision for individually assessed loan receivables</i>		
The period's write-offs for actual loan losses	12	43
Reversal of previous provisions for probable loan losses reported as actual loan losses in the accounts for the period	(12)	(45)
The period's provision for probable loan losses	14	23
Recoveries in respect of actual loan losses in previous years	(2)	(13)
Reversal of previous provisions for probable loan losses no longer required	(19)	(50)
<b>Net cost for the period</b>	<b>(7)</b>	<b>(42)</b>
<i>Collective provision for individually assessed loan receivables</i>		
Allocation to/Withdrawal from collective provision	(1)	40
<i>Collectively assessed homogeneous groups of loan receivables</i>		
The year's write-offs for actual loan losses	1	3
Recoveries in respect of actual loan losses in previous years	(1)	(1)
Allocation to/Withdrawal from provision for loan losses	0	19
<b>Net cost for the period of collectively valued homogeneous loan receivables</b>	<b>0</b>	<b>21</b>
<b>Net cost of loan losses for the period</b>	<b>(8)</b>	<b>19</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

SEK million	GROUP	
	30 June 2004 Lending Provision	31 Dec 2003 Lending Provision
Municipal property companies	19 606	-
Tenant-owner co-operatives	28 744	(204)
Private property companies	25 070	(69)
Single-family homes and holiday homes	42 613	(16)
Tenant-owner apartments	11 731	(3)
Commercial properties	2 179	-
Reserve for probable loan losses	(292)	(307)
<b>Total</b>	<b>129 651</b>	<b>(292)</b>

	30 June 2004	31 Dec 2003
<i>Doubtful loan receivables and non-performing loan receivables</i>		
a) Doubtful loan receivables	217	220
b) Non-performing loan receivables, which are included in doubtful loan receivables	78	63
c) Non-performing loan receivables on which interest is taken up as income and which thus are not included in doubtful loan receivables	133	186
d) Specific provisions for individually assessed loan receivables	104	118
e) Collective provisions for individually assessed loan receivables	169	170
f) Provisions for collectively assessed homogeneous groups of loan receivables	19	19
g) Provisions, total (d+e+f)	292	307
h) Doubtful loan receivables after specific provisions for individually assessed loan receivables (a-d)	113	102
i) Provision ratio regarding specific provisions for individually assessed loan receivables (d/a)	48%	54%

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

SEK million	GROUP		GROUP	
	30 June 2004 Nominal value	Actual value	31 Dec 2003 Nominal value	Actual value
<i>Derivatives with positive or zero values - not reported in the Balance Sheet</i>				
Interest rate swaps	61 920	1 569	52 277	1 214
Interest rate and currency swaps	33 650	1 278	16 453	1 154
Equity linked derivative contracts	274	34	245	21
<b>Total</b>	<b>95 844</b>	<b>2 881</b>	<b>68 975</b>	<b>2 389</b>
<i>Derivatives with negative values - not reported in the Balance Sheet</i>				
Interest rate swaps	68 595	2 870	67 543	2 731
Interest rate and currency swaps	33 782	1 385	58 355	3 820
Equity linked derivative contracts	215	17	469	33
<b>Total</b>	<b>102 592</b>	<b>4 272</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, 26 August 2004

Eva Cederbalk

Chief Executive Officer

**Auditor's 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 & accounts legislation.

Stockholm, 26 August 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 report for the third quarter of 2004 will be published on 4 November 2004.



Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ)