



# Interim report for The Swedish National Housing Finance Corporation, SBAB

1 January – 31 March 2003

## Net Operating Income

Net operating income for the first quarter of 2003, at SEK 192 million (176 million), represents an improvement of 9 per cent compared to the corresponding period in 2002.

The positive development in the result reflects well sustained new lending in the retail customer segment, a maintained increase in margins in the company customer segment, a good result from funding operations and continued low net loan losses.

## Net Interest Income

Net interest income continues to show an upward trend, with a 9 per cent better outcome compared to the corresponding period last year. Better price/risk matching and a changed structure in the portfolio are the main reasons for the improvement.

## Expenses

Expenses show an increase at SEK 113 million (102 million). Underlying causes relate to greater marketing efforts and more extensive development work compared to the corresponding period last year.

## Loan Losses

Loan losses affected the result to the extent of SEK 8 million, which is around SEK 4 million less than for the corresponding period 2002. During the period an already fully written-down portfolio of claims was sold for around SEK 7 million, which made a positive contribution to the result of a like amount.

## SUMMARY FOR THE SBAB GROUP

	March 2003	March 2002	Dec 2002
Net operating income, SEK million	<b>192</b>	176	618
Loan losses, SEK million	<b>8</b>	12	74
Return on equity A, % <sup>1</sup>	<b>10.4</b>	10.2	10.1
Return on equity B, % <sup>2</sup>	<b>12.1</b>	12.0	10.2
Capital ratio, %	<b>9.9</b>	9.8	10.0
Primary capital ratio, %	<b>7.7</b>	7.3	7.8
Equity ratio, %	<b>3.4</b>	3.1	3.4
Problem loans after provisions, SEK million	<b>220</b>	373	283
Income/Expenditure ratio, excl. loan losses	<b>2.8</b>	2.8	2.5
Income/Expenditure ratio, incl. loan losses	<b>2.6</b>	2.5	2.1
Rating, long-term debt			
Standard & Poor's	<b>AA-</b>	AA-	AA-
Moody's	<b>A1</b>	A1	A1
Rating, short-term debt			
Standard & Poor's	<b>A-1+</b>	A-1+	A-1+
Moody's	<b>P-1</b>	P-1	P-1
Volume of international borrowing, SEK million	<b>62 495</b>	69 868	62 656
Lending, SEK million	<b>134 625</b>	137 289	133 840
Loans securitised, SEK million	<b>17 692</b>	18 497	17 968
Average number of employees	<b>381</b>	378	388
of whom temporary employees	<b>25</b>	29	36

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

<sup>2</sup> Operating income for the reporting period (annualised and after tax estimated at the standard rate), in relation to average equity capital.

## LOAN PORTFOLIO AND SECURITISED LOANS

SEK billion	March 2003		March 2002	
	Total	Of which securitised loans	Total	Of which securitised loans
Retail market	<b>55.5</b>	<b>16.7</b>	50.9	17.5
Property company market	<b>96.8</b>	<b>1.0</b>	104.9	1.0
<b>Total</b>	<b>152.3</b>	<b>17.7</b>	155.8	18.5

## Problem Loans

Problem loans after provisions have reduced from SEK 283 million at year-end 2002 to SEK 220 million, the provision ratio including general provisions being 65 per cent.

## Lending

SBAB's lending to the retail market increased during the first quarter, with new lending amounting to SEK 3 482 million. Own sales are predominantly via Internet. As earlier, SBAB's co-operation partners constitute important sales channels.

SBAB's lending at the end of the first quarter totalled SEK 134 625 million (137 289 million), to which should be added the securitised SBAB generated loans totalling SEK 17 692 million (18 497 million), of which SEK 16 682 million relates to the retail market.

Excluding loans securitised, the loan portfolios for the property-company and retail markets amounted to SEK 95 778 million (103 880 million) and SEK 38 847 million (33 409 million) respectively.

The percentage of loans covered by mortgages was 76 per cent. Where mortgages provide the only collateral for new lending, loans are normally restricted to 70 per cent of the market value of the property concerned.

## Funding

Long-term funding for the first quarter amounted to SEK 10 125 million (3 729 million), SEK 5 992 million (2 907 million) being raised in the international market and SEK 4 133 million (822 million) in the domestic bond market. The short-term debt amounted to SEK 51 730 million (41 977 million).

## Capital Adequacy

The capital and primary capital ratios at the end of the first quarter were 9.9 per cent (9.8 per cent) and 7.7 per cent (7.3 per cent) respectively and included the profit for the first three months after deductions for estimated tax and dividend. SBAB's capital base amounted to SEK 5 955 million (5 781 million).

The primary capital ratio amounted to 7.8 per cent at the end of 2002.

The parent company's capital ratio was 463.7 per cent (654.4 per cent), the primary capital ratio 289.2 per cent (401.9 per cent) and the capital base SEK 3 940 million (4 178 million).

## Tax

Estimated tax has been applied to the result.

## Interest Rate Risk

A parallel shift in the yield curve of plus one percentage point at 31 March 2003 would have resulted in a reduction in the net value of SBAB's interest bearing assets and liabilities, including derivative transactions, of around SEK 137 million (128 million).

## Accounting Principles

The Interim Report has been prepared in accordance with the recommendation regarding interim reporting issued by the Swedish Financial Accounting Standards Council (RR20) and with the regulations issued by the Swedish Financial Supervisory Authority (2002:22). Accounting principles have not been changed since the Annual Report for 2002. New recommendations from the Swedish Financial Accounting Standards Council have not affected the Group's financial statements.

INCOME STATEMENT	GROUP		PARENT COMPANY	
	Jan-March 2003	Jan-March 2002	Jan-March 2003	Jan-March 2002
SEK million				
Interest income	1 805	1 899	1 507	1 616
Interest expenses	(1 487)	(1 606)	(1 484)	(1 598)
<b>Net interest income</b>	<b>318</b>	293	<b>23</b>	18
Dividends received	0	0	0	0
Commission income	12	10	-	-
Commission expenses	(18)	(13)	(4)	(3)
Other operating income	1	0	58	3
<b>Total operating income</b>	<b>313</b>	290	<b>77</b>	18
General administration expenses	(100)	(93)	(62)	(7)
Depreciation of tangible fixed assets	(3)	(3)	(3)	(3)
Other operating expenses	(10)	(6)	(1)	(0)
<b>Total operating expenses</b>	<b>(113)</b>	(102)	<b>(66)</b>	(10)
<b>Operating income before loan losses</b>	<b>200</b>	188	<b>11</b>	8
Loan losses, net (Note 1)	(8)	(12)	-	-
<b>Net operating income</b>	<b>192</b>	176	<b>11</b>	8
Allocations	-	-	0	25
Minority share in the year's result	(0)	(0)	-	-
Deferred tax liability	(9)	(5)	-	-
Current taxes	(46)	(45)	(3)	(9)
<b>Net profit for the period</b>	<b>137</b>	126	<b>8</b>	24

BALANCE SHEET	GROUP			PARENT COMPANY		
	SEK million	31 March 2003	31 March 2002	31 Dec 2002	31 March 2003	31 March 2002
<b>ASSETS</b>						
Cash in hand and balance at central banks	0	0	0	0	0	0
Eligible Treasury Bills, etc.	281	2 642	1 169	281	1 169	1 169
Lending to credit institutions	2 434	320	581	133 164	130 642	130 642
Lending to the public (Note 2)	134 625	137 289	133 840	-	-	-
Bonds and other interest-bearing instruments	-	30	-	-	-	-
Shares and participations, etc	0	0	0	0	0	0
Shares and participations in group companies	-	-	-	2 722	2 722	2 722
Intangible assets	10	-	-	7	-	-
Tangible assets	25	27	25	25	25	25
Other assets	518	1 004	1 483	125	1 010	1 010
Pre-paid costs and accrued income	710	776	720	86	51	51
<b>Total assets</b>	<b>138 603</b>	<b>142 088</b>	<b>137 818</b>	<b>136 410</b>	<b>135 619</b>	<b>135 619</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>						
<b>LIABILITIES</b>						
Debt to credit institutions	6 717	3 341	6 300	6 695	6 289	6 289
Bonds issued, etc.	122 943	129 273	122 970	123 243	123 270	123 270
Other liabilities	277	384	286	188	56	56
Accrued costs and pre-paid income	2 270	2 118	1 875	2 260	1 851	1 851
Provision for deferred tax	221	204	212	-	-	-
Subordinated debt	1 482	2 418	1 482	1 482	1 482	1 482
<b>Total liabilities</b>	<b>133 910</b>	<b>137 738</b>	<b>133 125</b>	<b>133 868</b>	<b>132 948</b>	<b>132 948</b>
<b>Untaxed reserves</b>	-	-	-	166	166	166
<b>Minority share holding</b>	<b>149</b>	<b>124</b>	<b>149</b>	-	-	-
<b>EQUITY CAPITAL</b>						
<i>Tied equity capital</i>						
Share capital	1 958	1 958	1 958	1 958	1 958	1 958
Tied reserves/Legal reserve	960	916	937	392	392	392
<i>Unrestricted equity</i>						
Profit brought forward	1 489	1 226	1 205	18	59	59
Net profit for the period	137	126	444	8	96	96
<b>Total equity capital</b>	<b>4 544</b>	<b>4 226</b>	<b>4 544</b>	<b>2 376</b>	<b>2 505</b>	<b>2 505</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>138 603</b>	<b>142 088</b>	<b>137 818</b>	<b>136 410</b>	<b>135 619</b>	<b>135 619</b>

CASH FLOW ANALYSIS	GROUP			PARENT COMPANY		
	SEK million	31 March 2003	31 March 2002	31 Dec 2002	31 March 2003	31 March 2002
Liquid funds at the beginning of the period	581	548	548	548	571	544
Cash flow from current operations	(934)	3 115	11 267	11 267	(937)	3 163
Cash flow from investment operations	(12)	(3)	(13)	(13)	(9)	(3)
Cash flow from financing operations	884	(3 340)	(11 221)	(11 221)	884	(3 390)
Increase/Decrease in liquid funds	(62)	(228)	33	33	(62)	(230)
Liquid funds at the end of the period	519	320	581	581	509	314

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

CHANGES IN EQUITY CAPITAL	GROUP			PARENT COMPANY		
	SEK million	31 March 2003 Total equity capital	31 March 2002 Total equity capital	31 Dec 2002 Total equity capital	31 March 2003 Total equity capital	31 March 2002 Total equity capital
Opening equity capital	4 544	4 220	4 220	4 220	2 505	2 529
Dividends	(137)	(120)	(120)	(120)	(137)	(120)
Profit for the period	137	126	444	444	8	24
Closing equity capital	4 544	4 226	4 544	4 544	2 376	2 433

**Note 1 Loan Losses, Net**

SEK million	GROUP	
	Jan–March 2003	Jan–March 2002
<i>Specific provision for loan claims assessed individually</i>		
The period's write-offs for actual losses	9	6
Reversal of previous provisions for probable losses reported as actual losses in the accounts for the period	(6)	(5)
The period's provision for probable loan losses	19	14
Recoveries in respect of actual loan losses in previous years	(9)	(2)
Reversal of previous provisions for probable losses no longer required	(37)	(6)
Net cost for the period	(24)	7
<i>Collective provision for loan claims assessed individually</i>		
Allocation to/Withdrawal from collective provision	12	10
<i>Collectively valued homogeneous groups of loan claims</i>		
The period's write-offs for actual loan losses	1	1
Recoveries in respect of actual loan losses in previous years	(0)	(27)
Allocation to/withdrawal from provision for loan losses	19	21
Net cost for the period of collectively valued homogeneous loans claims	20	(5)
Net cost of loan losses for the period	8	12

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

**Note 2 Lending to the Public**

SEK million	31 March 2003		GROUP	
	Lending	Provision	Lending	Provision
Municipal housing companies	24 547	-	25 326	-
Tenant-owner co-operatives	38 156	(303)	38 480	(294)
Private rental housing	28 650	(73)	28 845	(90)
Single-family homes	33 171	(26)	31 606	(7)
Tenant-owner apartments	5 702	(0)	5 274	(0)
Commercial properties	4 801	-	4 700	-
Less reserve for probable losses	(402)		(391)	
<b>Total</b>	<b>134 625</b>	<b>(402)</b>	<b>133 840</b>	<b>(391)</b>

31 March 2003 31 Dec 2002

*Non-performing loans and problem loans*

a) Non-performing loans, not categorised as problem loans, on which interest is taken up as income	241	294
b) Doubtful loans on which interest will not be taken up before payment	219	282
c) Loans for which the interest rate has been reduced below the prevailing market interest rates	1	1
d) Total problem loans (b+c)	220	283
e) Reserve for probable loan losses on doubtful loans	402	391
f) Estimated value of problem loans before write-offs for probable loan losses	622	674

Lending in the parent company consists of promissory note loans advanced to the subsidiaries. The security held by the parent company for these loans comprises the collateral held by the subsidiaries for their lending.

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

SEK million	31 March 2003		GROUP	
	Nominal value	Actual value	31 Dec 2002 Nominal value	Actual value
<i>Derivatives with positive or zero values - not reported in the Balance Sheet</i>				
Interest linked swaps	41 184	1 348	31 863	861
Interest and currency linked swaps	33 879	1 593	24 795	1 515
Equity linked derivative contracts	125	10	125	10
<b>Total</b>	<b>75 188</b>	<b>2 951</b>	<b>56 783</b>	<b>2 386</b>
<i>Derivatives with negative values - not reported in the Balance Sheet</i>				
Interest linked swaps	82 022	3 058	77 522	2 543
Interest and currency linked swaps	35 778	2 897	46 270	3 375
Equity linked derivative contracts	718	72	657	65
<b>Total</b>	<b>118 518</b>	<b>6 027</b>	<b>124 449</b>	<b>5 983</b>

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

Stockholm, 8 May 2003

Christer Malm  
Managing Director

**Auditors' report**

We have carried out a broad examination of this interim report, and in doing so we have followed the recommendations 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 under the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 8 May 2003

KPMG  
Per Bergman  
Authorised Public Accountant

Hans Lindén  
Authorised Public Accountant  
Appointed by the  
Swedish Financial Supervisory Authority

**Financial reporting**

SBAB's Interim Report for the first six months will be published on September 4, 2003.



Statens Bostadsfinansieringsbolag, SBAB (publ)  
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