



Interim report for The Swedish National Housing Finance Corporation, SBAB

1 January – 30 June 2003

Net operating income

The upward trend in net operating income is sustained, with the net operating income for the first six months 2003 amounting to SEK 371 million (335 million), representing an improvement of 11 per cent compared to the corresponding period in 2002.

The positive development in the result reflects continued good new lending in the retail customer market, increased margins maintained and a restructuring of the property-company customer market loan portfolio, a good result from funding operations and a continued low level of net loan losses.

Net interest income

Net interest income shows a continued upward trend, with a 9 per cent better outcome compared to the same period last year. Diligent striving after better price/risk matching and a changed structure in the portfolio are the main reasons for the improvement.

Expenses

Expenses have increased and amounted to SEK 235 million (214 million). Among the underlying causes are increased marketing efforts compared to the corresponding period last year, costs for a new system for the funding operations and the development of an internal rating model adapted to the proposed new capital adequacy requirements.

Loan losses

Net loan losses continue to be low and at SEK 19 million are SEK 15 million lower than for the corresponding period 2002.

Doubtful loan claims and provisions

Doubtful loan claims have reduced from SEK 673 million to SEK 458 million since the beginning of the year. The provision ratio regarding specific provisions for individually assessed loan claims has increased from 44 per cent to 50 per cent. Total provisions at the end of the period June 30 were SEK 384 million, of which SEK 130 million referred to collective provisions for loan claims assessed individually.

Lending

SBAB's lending to the retail customer market increased during the first six months with new lending amounting to SEK 7.3 billion. Lending is predominantly undertaken via Internet. As earlier, SBAB's co-operation partners constitute important distribution channels.

SUMMARY FOR THE SBAB GROUP

	June 2003	June 2002	Dec 2002
Net operating income, SEK million	371	335	618
Loan losses, SEK million	19	34	74
Return on equity A, % ¹	10.4	10.7	10.1
Return on equity B, % ²	11.6	11.3	10.2
Capital ratio, %	10.1	9.8	10.0
Primary capital ratio, %	7.9	7.4	7.8
Equity ratio, %	3.5	3.1	3.4
Doubtful loans after specific provisions for individually assessed loan claims, SEK million	230	336	379
Income/Expenditure ratio, excl. loan losses	2.7	2.7	2.5
Income/Expenditure ratio, incl. loan losses	2.5	2.4	2.1
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	60 825	65 499	62 656
Lending, SEK million	134 818	138 265	133 840
Loans securitised, SEK million	17 450	18 258	17 968
Average number of employees	381	382	388
of whom temporary employees	27	32	36

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

² 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	June 2003		June 2002	
	Total	of which securitised loans	Total	of which securitised loans
Retail market	57.3	16.4	51.8	17.2
Property-company market	95.0	1.0	104.7	1.0
Total	152.3	17.4	156.5	18.2

New lending in the company customer segment was SEK 1.7 billion.

SBAB's customers have increasingly opted for longer maturities compared to the corresponding period last year. This concerns both property-company and retail market customers.

SBAB's lending at the end of the first six months totalled SEK 134 818 million (138 265 million), to which should be added securitised loans totalling SEK 17 450 million (18 258 million), making a total of SEK 152 268 million of which SEK 57 262 million related to the retail customer market.

Excluding loans securitised, the loan portfolios for the property-company and the retail customer markets amounted to SEK 93 996 million (103 675 million) and SEK 40 822 million (34 590 million) respectively. The decreased volume of lending to the property-company customer market is mainly due to decreased lending to municipal housing companies and a focusing on certain specific customer groups in combination with the discontinuation of unprofitable engagements.

Effective 1 June the maximum allowed loan-to-value ratio on mortgages was raised from 70 per cent to 75 per cent. This is in line with the preparations for the future legislation regarding secured bonds.

Funding

Long-term funding for the first six months amounted to SEK 24 412 million (8 727 million), SEK 13 090 million (7 686 million) being raised in the international market and SEK 11 322 million (1 041 million) in the domestic bond market. The short-term debt amounted to SEK 39 077 million (42 330 million).

Capital adequacy

The capital and primary capital ratios at the end of the first half year were 10.1 per cent (9.8 per cent) and 7.9 per cent (7.4 per cent) respectively and included the profit for the first six months after deductions for estimated tax and dividend. SBAB's capital base amounted to SEK 6 068 million (5 836 million). The parent company's capital ratio was 879.1 per cent (752.9 per cent), the primary capital ratio 546.0 per cent (460.5 per cent) and the capital base SEK 3 912 million (4 151 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 30 June 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 129 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.

Events subsequent to the period reported

SBAB undertook a securitisation transaction on 1 July. The transaction was the third one undertaken under the SRM Investment securitisation programme and contained loans to tenant-owner co-operatives corresponding to around EURO 1 billion, which have been transferred to a so-called special purpose vehicle company.

The subsidiaries SBAB, Sveriges Bostadsfinansieringsaktiebolag and SBAB, Statens Bostadslåneaktiebolag will be merged with the parent company by so-called absorption during the autumn 2003. The merger is being carried through in order to render the administration of SBAB more effective. In connection with the merger it is planned to change the name of the parent company to SBAB, Sveriges Bostadsfinansieringsaktiebolag (publ).

Propects for 2003

The result for the whole year 2003 is expected to exceed the result for 2002.

INCOME STATEMENT	GROUP				PARENT COMPANY	
	Jan-June 2003	Jan-June 2002	April-June 2003	April-June 2002	Jan-June 2003	Jan-June 2002
SEK million						
Interest income	3 587	3 825	1 782	1 926	2 988	3 263
Interest expenses	(2 948)	(3 239)	(1 461)	(1 633)	(2 942)	(3 225)
Net interest income	639	586	321	293	46	38
Dividends received	0	0	0	0	0	0
Commission income	23	22	11	12	-	-
Commission expenses	(38)	(27)	(20)	(14)	(9)	(6)
Other operating income	1	2	0	2	118	7
Total operating income	625	583	312	293	155	39
General administration expenses	(200)	(189)	(100)	(96)	(126)	(13)
Depreciation of tangible fixed assets	(6)	(6)	(3)	(3)	(6)	(6)
Other operating expenses	(29)	(19)	(19)	(13)	(2)	(1)
Total operating expenses	(235)	(214)	(122)	(112)	(134)	(20)
Operating income before loan losses	390	369	190	181	21	19
Loan losses, net (Note 1)	(19)	(34)	(11)	(22)	-	-
Net operating income	371	335	179	159	21	19
Allocations	-	-	-	-	1	49
Minority share in the year's result	(0)	(1)	(0)	(1)	-	-
Deferred tax liability	(18)	(8)	(9)	(3)	-	-
Current taxes	(86)	(85)	(40)	(40)	(6)	(19)
Net profit for the period	267	241	130	115	16	49

BALANCE SHEET		GROUP			PARENT COMPANY	
SEK million	30 June 2003	30 June 2002	31 Dec 2002	30 June 2003	31 Dec 2002	
ASSETS						
Cash in hand and balance at central banks	0	0	0	0	0	
Eligible Treasury Bills, etc.	668	170	1 169	668	1 169	
Lending to credit institutions	607	293	581	131 407	130 642	
Lending to the public (Note 2)	134 818	138 265	133 840	-	-	
Shares and participations	1	0	0	1	0	
Shares and participations in group companies	-	-	-	2 722	2 722	
Intangible fixed assets	18	-	-	8	-	
Tangible assets	25	28	25	25	25	
Other assets	2 613	3 045	1 483	2 192	1 010	
Pre-paid costs and accrued income	698	820	720	75	51	
Total assets	139 448	142 621	137 818	137 098	135 619	
LIABILITIES AND EQUITY CAPITAL						
LIABILITIES						
Debt to credit institutions	7 714	4 577	6 300	7 694	6 289	
Bonds issued, etc.	122 648	128 193	122 970	122 948	123 270	
Other liabilities	133	100	286	48	56	
Accrued costs and pre-paid income	2 393	2 661	1 875	2 376	1 851	
Provision for deferred tax	230	207	212	-	-	
Subordinated debt	1 482	2 418	1 482	1 482	1 482	
Total liabilities	134 600	138 156	133 125	134 548	132 948	
Untaxed reserves	-	-	-	166	166	
Minority share holding	174	124	149	-	-	
EQUITY CAPITAL						
<i>Tied equity capital</i>						
Share capital	1 958	1 958	1 958	1 958	1 958	
Tied reserves/Legal reserve	983	925	937	392	392	
<i>Unrestricted equity</i>						
Profit brought forward	1 466	1 217	1 205	18	59	
Net profit for the period	267	241	444	16	96	
Total equity capital	4 674	4 341	4 544	2 384	2 505	
TOTAL LIABILITIES AND EQUITY CAPITAL	139 448	142 621	137 818	137 098	135 619	

CASH FLOW ANALYSIS		GROUP			PARENT COMPANY	
SEK million	30 June 2003	30 June 2002	31 Dec 2002	30 June 2003	30 June 2002	
Liquid funds at the beginning of the period	581	548	548	571	544	
Cash flow from current operations	(1 574)	6 291	11 267	(1 615)	6 263	
Cash flow from investment operations	(25)	(6)	(13)	(15)	(6)	
Cash flow from financing operations	1 625	(6 540)	(11 221)	1 649	(6 514)	
Increase/Decrease in liquid funds	26	(255)	33	19	(257)	
Liquid funds at the end of the period	607	293	581	590	287	

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	30 June 2003	30 June 2002	31 Dec 2002	30 June 2003	30 June 2002	
	Total equity capital	Total equity capital	Total equity capital	Total equity capital	Total equity capital	
Opening equity capital	4 544	4 220	4 220	2 505	2 529	
Dividends	(137)	(120)	(120)	(137)	(120)	
Profit for the period	267	241	444	16	49	
Closing equity capital	4 674	4 341	4 544	2 384	2 458	

Note 1 Loan losses, net

SEK million	GROUP	
	Jan-June 2003	Jan-June 2002
<i>Specific provision for loan claims assessed individually</i>		
The period's write-offs for actual losses	43	23
Reversal of previous provisions for probable losses reported as actual losses in the accounts for the period	(45)	(24)
The period's provision for probable loan losses	23	23
Recoveries in respect of actual loan losses in previous years	(13)	(3)
Reversal of previous provisions for probable losses no longer required	(50)	(22)
Net cost for the period	(42)	(3)
<i>Collective provision for loan claims assessed individually</i>		
Allocation to/withdrawal from collective provision	40	45
<i>Collectively valued homogeneous groups of loan claims</i>		
The period's write-offs for actual loan losses	3	2
Recoveries in respect of actual loan losses in previous years	(1)	(28)
Allocation to/withdrawal from provision for loan losses	19	18
Net cost for the period of collectively valued homogeneous loan claims	21	(8)
Net cost of loan losses for the period	19	34

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

Note 2 Lending to the public

SEK million	30 June 2003		GROUP 31 Dec 2002	
	Lending	Provision	Lending	Provision
Municipal housing companies	24 029	-	25 326	-
Tenant-owner co-operatives	37 994	(285)	38 480	(294)
Private rental housing	27 818	(73)	28 845	(90)
Single-family homes	34 755	(25)	31 606	(7)
Tenant-owner apartments	6 093	(1)	5 274	(0)
Commercial properties	4 513	-	4 700	-
Less reserve for probable losses	(384)		(391)	
Total	134 818	(384)	133 840	(391)

Doubtful loans and non-performing loans

	30 June 2003	31 Dec 2002
a) Doubtful loans	458	673
b) Non-performing loans, which are included in doubtful loans	189	206
c) Non-performing loans on which interest is taken up as income and which are thus not included in doubtful loans	258	294
d) Specific provisions for loan claims assessed individually	228	294
e) Collective provisions for loan claims assessed individually	130	90
f) Provisions for collectively assessed homogeneous groups of loan claims	26	7
g) Provisions, total (d+e+f)	384	391
h) Doubtful loans after specific provisions for loan claims assessed individually (a-d)	230	379
i) Provision ratio regarding specific provisions for loan claims assessed individually (d/a)	50%	44%

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	30 June 2003		GROUP 31 Dec 2002	
	Nominal value	Actual value	Nominal value	Actual value
<i>Derivatives with positive or zero values – not reported in the Balance Sheet</i>				
Interest linked swaps	40 732	1 897	31 863	861
Interest and currency linked swaps	27 321	1 065	24 795	1 515
Equity linked derivative contracts	27	2	125	10
Total	68 080	2 964	56 783	2 386
<i>Derivatives with negative values – not reported in the Balance Sheet</i>				
Interest linked swaps	92 936	3 870	77 522	2 543
Interest and currency linked swaps	36 298	2 533	46 270	3 375
Equity linked derivative contracts	665	71	657	65
Total	129 899	6 474	124 449	5 983

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, 3 September 2003

Christer Malm
Managing Director

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, 3 September 2003

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 nine month Interim Report will be published on 18 November 2003.



Statens Bostadsfinansieringsaktiebolag, SBAB (publ)