



Interim report for The Swedish Housing Finance Corporation, SBAB

1 January – 30 September 2003

Net operating income

The net operating result continues to show positive development, with net operating income for the nine month period at SEK 554 million (509 million), an improvement of 9 per cent compared to the corresponding period in 2002. While profitability has remained strong, there has been some levelling off, third quarter earnings being somewhat lower compared to the preceding quarter but, on the other hand, net loan losses continue to be very low.

Net interest income

The development for the first nine months continues to be good with an 8 per cent better outcome compared to the corresponding period last year. Continued good new lending in the retail customer market, restructuring of the loan portfolio in the property-company customer market and good results from funding operations provide the main reasons for the improved net interest income over the period.

However, the third quarter saw a weaker development in net interest income for which the securitisation transaction undertaken on July 1 provides the main explanation.

Expenses

Expenses have increased and amounted to SEK 341 million (308 million). Intensified marketing efforts and higher staff costs due to collectively agreed salary increases and higher pension costs have been among the causes. During the year, SEK 27 million of intangible assets have been capitalized, SEK 18 million relating to development costs and SEK 9 million to licences.

Loan losses

Net loan losses continue to be low at SEK 24 million, which is SEK 23 million lower than for the corresponding period 2002.

Doubtful loan receivables and provisions

Loan receivables deemed doubtful have reduced from SEK 673 million to SEK 404 million since the beginning of the year. The provision ratio regarding specific provisions for individually assessed loan receivables has increased from 44 per cent to 46 per cent. Total provisions at the end of the third quarter were SEK 366 million, of which SEK 155 million related to collective provisions for loan receivables assessed individually.

SUMMARY FOR THE SBAB GROUP

	Sept 2003	Sept 2002	Dec 2002
Net interest income, SEK million	940	872	1 175
Net after-tax profit, SEK million	398	365	444
Net operating income, SEK million	554	509	618
Loan losses, SEK million	24	47	74
Return on equity A, % ¹	10.3	10.4	10.1
Return on equity B, % ²	11.4	11.3	10.2
Capital ratio, %	10.0	9.7	10.0
Primary capital ratio, %	8.2	7.5	7.8
Equity ratio, %	3.5	3.2	3.4
Doubtful loans after specific provisions for individually assessed loan receivables, SEK million	218	335	379
Income/Expenditure ratio, excl. loan losses	2.7	2.8	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	66 388	65 873	62 656
Lending, SEK million	127 593	133 895	133 840
Loans securitised, SEK million	26 401	18 090	17 968
Average number of employees	385	386	388
of whom temporary employees	32	35	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	September 2003		September 2002	
	Total	of which securitised loans	Total	of which securitised loans
Retail market	59.4	16.3	52.4	17.1
Property-company market	94.6	10.1	99.6	1.0
Total	154.0	26.4	152.0	18.1

Lending

SBAB's lending to the retail customer market increased during the first nine months, with new lending amounting to SEK 11.4 billion. Lending is predominantly via the Internet. As earlier, SBAB's co-operation partners constitute important distribution channels. New lending in the property-company customer market was SEK 3.4 billion.

SBAB's customers are increasingly opting for longer maturities in comparison with the corresponding period last year.

As mentioned earlier, SBAB undertook a securitisation transaction on July 1. This was the third such transaction undertaken under the SRM Investment securitisation programme and contained loans to tenant-owner co-operatives corresponding to around Euro 1 billion, or SEK 9.2 billion, now transferred to a so-called special purpose vehicle company.

Of the managed loan portfolio excluding securitisations, the loan portfolios for the retail customer and the property-company markets amounted to SEK 43 021 million (36 873 million) and SEK 84 572 million (96 967 million) respectively. The decreased volume in the property-company customer market is mainly due to the aforesaid securitisation. Lending to municipal housing companies has at the same time decreased and the focusing on certain specific customer groups, in combination with the discontinuation of unprofitable engagements, has also resulted in a reduction of the portfolio.

Funding

Long-term funding for the first nine months amounted to SEK 37 683 million (41 338 million), SEK 22 645 million (34 863 million) being raised in the international market and SEK 15 037 million (6 475 million) in the domestic bond market. Short-term debt, defined as short-term at the issue date, amounted to SEK 35 369 million (55 307 million).

Capital adequacy

The capital ratio at the end of the nine month period was 10.0 per cent (10.0 per cent). The primary capital ratio was 8.2 per cent

(7.8 per cent) and included the profit for the first nine months after deductions for estimated tax and dividend. SBAB's capital base amounted to SEK 5 912 million (5 857 million). The parent company's capital ratio was 142.5 per cent (893.5 per cent), the primary capital ratio 88.1 per cent (559.8 per cent) and the capital base SEK 3 884 million (3 970 million).

Interest rate risk

A parallel shift in the yield curve of plus one percentage point at 30 September 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 136 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.

Tax

Estimated tax has been applied to the result.

Events subsequent to the period reported

On October 1, 2003 the subsidiaries SBAB, Sveriges Bostadsfinansieringsaktiebolag and SBAB, Statens Bostadslåneaktiebolag were merged with the parent company by so called absorption. The merger was carried out in order to render the administration of SBAB more effective. In connection with the merger, the name of the parent company was changed to Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ). After the merger, the SBAB-group consists of the parent company and the partly owned subsidiary FriSpar Bolån AB.

INCOME STATEMENT	GROUP				PARENT COMPANY	
SEK million	Jan-Sept 2003	Jan-Sept 2002	July-Sept 2003	July-Sept 2002	Jan-Sept 2003	Jan-Sept 2002
Interest income	5 214	5 828	1 627	2 003	4 335	4 994
Interest expenses	(4 274)	(4 956)	(1 326)	(1 717)	(4 266)	(4 934)
Net interest income	940	872	301	286	69	60
Dividends received	0	0	0	0	0	0
Commission income	36	32	13	10	-	-
Commission expenses	(58)	(42)	(20)	(15)	(13)	(11)
Other operating income	1	2	0	0	170	11
Total operating income	919	864	294	281	226	60
General administration expenses	(290)	(272)	(90)	(83)	(181)	(19)
Depreciation of tangible and intangible fixed assets	(9)	(9)	(3)	(3)	(9)	(9)
Other operating expenses	(42)	(27)	(13)	(8)	(3)	(2)
Total operating expenses	(341)	(308)	(106)	(94)	(193)	(30)
Operating income before loan losses	578	556	188	187	33	30
Loan losses, net (Note 1)	(24)	(47)	(5)	(13)	-	-
Net operating income	554	509	183	174	33	30
Allocations	-	-	-	-	1	73
Minority share in the year's result	(0)	(1)	(0)	(0)	-	-
Deferred tax liability	(28)	(13)	(10)	(5)	-	-
Current taxes	(128)	(130)	(42)	(45)	(10)	(29)
Net profit for the period	398	365	131	124	24	74

The inflow of new loan applications has increased very much during October. This is a direct result of SBAB's new aggressive strategy in offering uniform pricing to all retail market customers irrespective as to whether the loans relate to owner-occupied homes, tenant-owner apartments or vacation cottages. The challenging strategy was manifested in a campaign in October that

attracted much attention. Although concentrated on Stockholm and Gothenburg, the campaign attracted countrywide response.

Prospects for 2003

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

BALANCE SHEET	GROUP			PARENT COMPANY	
	30 Sept 2003	30 Sept 2002	31 Dec 2002	30 Sept 2003	31 Dec 2002
SEK million					
ASSETS					
Cash in hand and balance at central banks	0	0	0	0	0
Eligible Treasury Bills, etc.	1 322	171	1 169	1 322	1 169
Lending to credit institutions	7 464	5 708	581	131 176	130 642
Lending to the public (Note 2)	127 593	133 895	133 840	-	-
Shares and participations	1	0	0	1	0
Shares and participations in group companies	-	-	-	2 722	2 722
Intangible fixed assets	27	-	-	9	-
Tangible assets	24	26	25	24	25
Other assets	4 234	1 507	1 483	3 595	1 010
Pre-paid costs and accrued income	740	829	720	128	51
TOTAL ASSETS	141 405	142 136	137 818	138 977	135 619
LIABILITIES AND EQUITY CAPITAL					
LIABILITIES					
Debt to credit institutions	7 817	6 553	6 300	7 797	6 289
Bonds issued, etc.	123 416	125 691	122 970	123 766	123 270
Other liabilities	554	189	286	460	56
Accrued costs and pre-paid income	2 917	2 614	1 875	2 915	1 851
Provision for deferred tax	240	212	212	-	-
Subordinated debt	1 482	2 288	1 482	1 482	1 482
Total liabilities	136 426	137 547	133 125	136 420	132 948
Untaxed reserves	-	-	-	165	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	1 007	937	937	392	392
<i>Unrestricted equity</i>					
Non-restricted reserves/Profit brought forward	1 442	1 205	1 205	18	59
Net profit for the period	398	365	444	24	96
Total equity capital	4 805	4 465	4 544	2 392	2 505
TOTAL LIABILITIES AND EQUITY CAPITAL	141 405	142 136	137 818	138 977	135 619

CASH FLOW ANALYSIS	GROUP			PARENT COMPANY	
	30 Sept 2003	30 Sept 2002	31 Dec 2002	30 Sept 2003	31 Dec 2002
SEK million					
Liquid funds at the beginning of the period	581	548	548	571	544
Cash flow from current operations	1 869	7 793	11 267	1 815	7 763
Cash flow from investment operations	(35)	(8)	(13)	(17)	(8)
Cash flow from financing operations	(1 849)	(7 730)	(11 221)	(1 823)	(7 704)
Increase/Decrease in liquid funds	(15)	55	33	(25)	51
Liquid funds at the end of the period	566	603	581	546	595

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

CHANGES IN EQUITY CAPITAL	GROUP			PARENT COMPANY	
	30 Sept 2003	30 Sept 2002	31 Dec 2002	30 Sept 2003	31 Dec 2002
SEK million					
	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	398	365	444	24	74
Equity capital at close	4 805	4 465	4 544	2 392	2 483

Note 1 Loan losses, net

Group SEK million	Jan–Sept 2003	Jan–Sept 2002
<i>Specific provision for loan receivables assessed individually</i>		
The period's write-offs for actual losses	69	39
Reversal of previous provisions for probable losses reported as actual losses in the accounts for the period	(59)	(41)
The period's provision for probable loan losses	17	19
Recoveries in respect of actual loan losses in previous years	(13)	(4)
Reversal of previous provisions for probable losses no longer required	(74)	(20)
Net cost for the period	(60)	(7)
<i>Collective provision for loan receivables assessed individually</i>		
Allocation to/withdrawal from collective provision	65	65
<i>Collectively valued homogeneous groups of loan receivables</i>		
The period's write-offs for actual loan losses	3	3
Recoveries in respect of actual loan losses in previous years	(2)	(29)
Allocation to/withdrawal from provision for loan losses	18	15
Net cost for the period of collectively valued homogeneous loan receivables	19	(11)
Net cost of loan losses for the period	24	47

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	30 Sept 2003		31 Dec 2002	
	Lending	Provision	Lending	Provision
Municipal housing companies	23 791	-	25 326	-
Tenant-owner co-operatives	28 743	(267)	38 480	(294)
Private rental housing	28 322	(74)	28 845	(90)
Single-family homes	36 535	(23)	31 606	(7)
Tenant-owner apartments	6 511	(2)	5 274	(0)
Commercial properties	4 057	-	4 700	-
Less reserve for probable losses	(366)		(391)	
Total	127 593	(366)	133 840	(391)

	30 Sept 2003	31 Dec 2002
<i>Doubtful loans and non-performing loans</i>		
a) Doubtful loans	404	673
b) Non-performing loans, which are included in doubtful loans	168	206
c) Non-performing loans on which interest is taken up as income and which thus are not included in doubtful loan receivables	244	294
d) Specific provisions for loan receivables assessed individually	186	294
e) Collective provisions for loan receivables assessed individually	155	90
f) Provisions for collectively assessed homogeneous groups of loan receivables	25	7
g) Provisions, total (d+e+f)	366	391
h) Doubtful loans after specific provisions for loan receivables assessed individually (a–d)	218	379
i) Provision ratio regarding specific provisions for loan receivables assessed individually (d/a)	46%	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

Group SEK million	30 Sept 2003		31 Dec 2002	
	Nominal value	Actual value	Nominal value	Actual value
<i>Derivatives with positive or zero values</i>				
<i>– not reported in the Balance Sheet</i>				
Interest linked swaps	67 768	2 225	31 863	861
Interest and currency linked swaps	10 042	988	24 795	1 515
Equity linked derivative contracts	27	2	125	10
Total	77 837	3 215	56 783	2 386
<i>Derivatives with negative values</i>				
<i>– not reported in the Balance Sheet</i>				
Interest linked swaps	76 170	3 563	77 522	2 543
Interest and currency linked swaps	54 017	4 095	46 270	3 375
Equity linked derivative contracts	665	75	657	65
Total	130 852	7 733	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, 18 November 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 & accounts legislation.

Stockholm, 18 November 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 year-end result for 2003 will be published on 27 February 2004.



Sveriges Bostadsfinansieringsaktiebolag, SBAB (publ)