



# INTERIM REPORT

## for The Swedish National Housing Finance Corporation,

### SBAB, 1 January – 30 September 2002

Summary for the SBAB-Group	Sept 2002	Sept 2001
Net operating income, SEK million <sup>1)</sup>	<b>509</b>	430
Loan losses, SEK million <sup>1)</sup>	<b>47</b>	30
Return on equity, %	<b>11,3</b>	10.3
Capital ratio, %	<b>9.7</b>	9.2
Primary capital ratio, %	<b>7.5</b>	6.5
Equity ratio, %	<b>3.2</b>	2.9
Problem loans after provisions, SEK million	<b>248</b>	388
Income/Expenditure ratio, excluding loan losses	<b>2.8</b>	2,2
Income/Expenditure ratio, including loan losses	<b>2,4</b>	2,1
Rating, long-term debt		
Standard & Poor's	<b>AA-</b>	AA-
Moody's	<b>A1</b>	A1
Rating, short-term debt		
Standard & Poor's	<b>A-1+</b>	A-1+
Moody's	<b>P-1</b>	P-1
Volume of international borrowing, SEK million	<b>65 873</b>	65 343
Lending, SEK million	<b>133 895</b>	142 964
Loans securitised, SEK million	<b>18 090</b>	9 259
Average number of employees	<b>386</b>	362
of whom temporary employees	<b>35</b>	31

1) January–September

#### NET OPERATING INCOME, NET INTEREST INCOME AND LOAN LOSSES

Net operating income for the first nine months of 2002 was SEK 509 million (430 million), an 18 per cent improvement compared to the corresponding period last year. The improvement can be attributed to increased lending in the retail customer segment (including loans securitised), a better price/risk matching in the property-company customer segment and to a shift in the portfolio towards the higher margin retail customer segment. This combination has resulted in higher net interest income at SEK 872 million (790 million).

Net interest income for the period, as compared to the same period 2001, has borne the costs for the committed credit facility, which has replaced the former capital adequacy guarantee for one of the subsidiaries and the guarantee as to general indebtedness for the parent company. Added to which were the costs for the securitisation transaction put through at the end of 2001.

Return on equity for the period increased to 11.3 per cent (10.3 per cent).

Loan losses remain at a low level, SEK 47 million (30 million). Problem loans after provisions at SEK 248 million (388 million) continue the downward trend. The problem loans constitute 0.19 per cent (0.27 per cent) of the loan portfolio.

**SBAB:s LENDING** In the property-company customer segment (multi-family housing) mortgage lending remains on the increase while lending against municipal guarantee continues to decrease. Where mortgages provide the only collateral, loans are normally restricted to 70 per cent of the market value of the property concerned. Loans falling due during the first nine months amounted to SEK 75 595 million, of which 89 per cent were renewed.

SBAB's new lending in the retail customer segment as at 30 September amounted to SEK 7 839 million (11 993

## INTEREST INCOME SEK MILLION

	GROUP				PARENT COMPANY	
	Jan–Sept 2002	Jan–Sept 2001	Jul–Sept 2002	Jul–Sept 2001	Jan–Sept 2002	Jan–Sept 2001
Interest income	5 828	6 153	2 003	2 015	4 994	5 769
Interest expenses	(4 956)	(5 363)	(1 717)	(1 727)	(4 934)	(5 717)
<b>Net interest income</b>	<b>872</b>	<b>790</b>	<b>286</b>	<b>288</b>	<b>60</b>	<b>52</b>
Dividends received	0	0	0	0	0	0
Commission income	32	24	10	8	–	–
Commission expenses	(42)	(36)	(15)	(12)	(11)	(14)
Other operating income	2	4	0	2	11	15
<b>Total operating income</b>	<b>864</b>	<b>782</b>	<b>281</b>	<b>286</b>	<b>60</b>	<b>53</b>
General administration expenses	(272)	(275)	(83)	(82)	(19)	(19)
Depreciation of tangible assets	(9)	(11)	(3)	(4)	(9)	(11)
Other operating expenses	(27)	(36)	(8)	(14)	(2)	(2)
<b>Total operating expenses</b>	<b>(308)</b>	<b>(322)</b>	<b>(94)</b>	<b>(100)</b>	<b>(30)</b>	<b>(32)</b>
<b>Operating income before loan losses</b>	<b>556</b>	<b>460</b>	<b>187</b>	<b>186</b>	<b>30</b>	<b>21</b>
Loan losses, net	NOTE 1 (47)	(30)	(13)	(11)	–	–
Change in value of repossessed property	–	–	–	–	–	–
<b>Net operating income</b>	<b>509</b>	<b>430</b>	<b>174</b>	<b>175</b>	<b>30</b>	<b>21</b>
Allocations	–	–	–	–	73	67
Minority share of the profit for the year	(1)	(1)	(0)	(1)	–	–
Deferred tax liability	(13)	(10)	(5)	(6)	–	–
Taxes	(130)	(111)	(45)	(43)	(29)	(25)
<b>Net profit for the period</b>	<b>365</b>	<b>308</b>	<b>124</b>	<b>125</b>	<b>74</b>	<b>63</b>

million). SBAB's banking co-operation partners generate around 30 per cent of new lending in the retail customer segment. The co-operation with Länsförsäkrings Bank AB has ceased to quite an extent and provides no further lending. The new co-operation with ICA Bank AB initiated last spring will not have any effect on volume development until next year. Around 54 per cent of own new lending was initiated by loan applications received via the internet.

A large part of the lending for the period, around 68 per cent, has been undertaken at floating interest rates (three months' interest rate period).

SBAB's lending as at end September was SEK 133 895 million (142 964 million). The loan portfolios for the property-company and retail customer segments amounted to SEK 98 620 million (104 464 million) and SEK 35 275 million (38 500 million) respectively.

The managed loan portfolio including securitised loans amounted to SEK 151 985 million (152 223 million), of which SEK 99 630 million (105 474 million) referred to the property-company customer segment and SEK 52 355 million (46 749 million) to the retail customer segment. Lending in respect of tenant-owner apartments accounts for 17.9 per cent of the retail customer portfolio.

SBAB's total market share including securitised loans was around 13.2 per cent, the market share in the property-company segment being 20.9 per cent and the retail segment 7.6 per cent (June 2002).

The proportion of lending secured by government or municipal guarantees has fallen to 25 per cent (27 per cent) as a result of the shift in direction in the portfolio.

**FUNDING AND CAPITAL ADEQUACY** Long-term funding for the first nine months amounted to SEK 31 149 million (31 733 million), SEK 26 113 million (11 186 million) being raised in the international market and SEK 5 036 million (20 546 million) in the domestic bond market. The original short-term debt, i.e. debts which at the time of borrowing were already short-term, amounted to SEK 52 700 million (50 927 million).

The capital ratio and the primary capital ratio at the end of the period was 9.7 per cent (9.2 per cent) and 7.5 per cent (6.5 per cent) respectively and include the profit for the first nine months after deductions for tax estimated at the standard rate and dividend. SBAB's capital base amounted to SEK 5 781 million (5 918 million).

The parent company's capital ratio was 243.1 per cent (166.5 per cent), the primary capital ratio 152.8 per cent (99.3 per cent) and the capital base SEK 3 991 million (4 394 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 (2001:19). Accounting principles and methods of calculation have not been changed since the Annual Report for 2001. New recommendations from the Swedish Financial Accounting Standards Council have not affected the Group's financial statements.

*SBAB's Interim Reports will be issued as at 31 March, 30 June and 30 September. Reports will only be published at SBAB's web site [www.sbab.se](http://www.sbab.se); printed copies will be sent by mail by special arrangement only.*

**BALANCE SHEET** SEK MILLION

Assets	GROUP		PARENT COMPANY	
	30 Sept 2002	31 Dec 2001	30 Sept 2002	31 Dec 2001
Cash in hand and balances at central banks	0	0	0	0
Eligible Treasury bills, etc.	171	2 641	171	2 641
Lending to credit institutions	5 708	5 141	136 110	139 369
Lending to the public	NOTE 2 133 895	137 430	–	–
Bonds and other interest-bearing instruments	–	108	–	108
Shares and participations, etc.	0	0	0	0
Shares and participations in group companies	–	–	2 722	2 722
Tangible assets	26	28	26	28
Other assets	1 507	563	1 086	60
Pre-paid costs and accrued income	829	814	34	34
<b>Total assets</b>	<b>142 136</b>	<b>146 725</b>	<b>140 149</b>	<b>144 962</b>

**LIABILITIES AND EQUITY CAPITAL**

<b>LIABILITIES</b>				
Debt to credit institutions	6 553	4 942	6 532	4 929
Bonds issued, etc.	125 691	132 498	125 941	132 698
Other liabilities	189	263	91	55
Accrued costs and pre-paid income	2 614	2 086	2 624	2 070
Provision for deferred tax	212	199	–	–
Subordinated debt	2 288	2 418	2 288	2 418
<b>Total liabilities</b>	<b>137 547</b>	<b>142 406</b>	<b>137 476</b>	<b>142 170</b>
Untaxed reserves	–	–	190	263
Minority share holding	124	99	–	–
<b>EQUITY CAPITAL</b> NOTE 3				
<i>Tied equity capital</i>				
Share capital	1 958	1 958	1 958	1 958
Legal reserve	392	392	392	392
Share of untaxed reserves included in equity capital	545	511	–	–
<i>Unrestricted equity</i>				
Profit brought forward	1 205	971	59	95
Profit for the period	365	388	74	84
<b>Total equity capital</b>	<b>4 465</b>	<b>4 220</b>	<b>2 483</b>	<b>2 529</b>
<b>Total liabilities and equity capital</b>	<b>142 136</b>	<b>146 725</b>	<b>140 149</b>	<b>144 962</b>

**CASH FLOW ANALYSIS** SEK MILLION

	GROUP		PARENT COMPANY	
	30 Sept 2002	30 Sept 2001	30 Sept 2002	30 sept 2001
Liquid funds at the beginning of the period	548	825	544	773
Cash flow from current operations	7 793	(5 361)	7 763	(5 511)
Cash flow from investment operations	(8)	(7)	(8)	(7)
Cash flow from financing operations	(7 730)	5 102	(7 704)	5 302
Increase/Decrease in liquid funds	55	(266)	51	(216)
Liquid funds at the end of the period	603	559	595	557

Liquid funds are defined as cash in hand and balances at banks at call.

**NOTE 1 LOAN LOSSES, NET, SEK MILLION**

	GROUP	
	JAN-SEPT 2002	JAN-SEPT 2001
<i>Claims assessed individually</i>		
Write-downs of actual losses incurred for the period	39	70
Reversal of previous provisions for anticipated losses reported as actual losses in the accounts for the period under review	(41)	(52)
Provision for anticipated loan losses for the period*	84	46
Recovery of actual loan losses in previous years	(4)	(5)
Reversal of previous provisions for anticipated losses no longer required	(20)	(25)
Net cost for the period of claims assessed individually	58	34
<i>Claims assessed collectively</i>		
Provision for actual losses for the period	3	4
Recovery of actual loan losses in previous years **	(29)	(9)
Allocation to/Withdrawal from provision for anticipated loan losses*	16	1
Net cost for the period of claims assessed collectively	(11)	(4)
Total net cost of loan losses for the period	47	30
* of which general reserve	80	5

\*\* Refers in the main to the sale of a portfolio of claims, previously fully written down as actual losses.

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

**NOTE 2 LENDING TO THE PUBLIC, SEK MILLION**

	GROUP			
	30 SEPT 2002		31 DEC 2001	
	LENDING	PROVISIONS	LENDING	PROVISIONS
Municipal housing companies	25 933	-	29 868	-
Housing co-operatives	38 987	(259)	40 249	(249)
Private rental housing	29 196	(91)	29 787	(68)
Owner-occupied homes	35 299	(24)	31 948	(8)
Commercial properties	4 854	-	5 903	-
Less provisions for anticipated loan losses	(374)		(325)	
Total	133 895	(374)	137 430	(325)

30 SEPT 2002 31 DEC 2001

*Non-performing loans and problem loans*

a) Non-performing loans, not categorised as problem loans, on which interest is reported as income	260	502
b) Doubtful loans on which interest will not be taken up before payment	247	276
c) Loans for which the interest rate has been reduced in relation to prevailing market interest rates	1	1
d) Total problem loans (b+c)	248	277
e) Reserve for anticipated loan losses on doubtful loans	374	325
f) Estimated value of problem loans before write-downs for anticipated loan losses	622	602

Lending in the parent company consists of promissory note loans advanced to the subsidiaries - SBAB, Statens Bostadslåneaktiebolag and SBAB, Sveriges Bostadsfinansieringsaktiebolag. The security held by the parent company for these loans comprises the collateral held by the subsidiaries for their lending.

**NOTE 3 EQUITY CAPITAL, SEK MILLION**

	GROUP		PARENT COMPANY	
	30 SEPT 2002	30 SEPT 2001	30 SEPT 2002	30 SEPT 2001
	TOTAL EQUITY CAPITAL	TOTAL EQUITY CAPITAL	TOTAL EQUITY CAPITAL	TOTAL EQUITY CAPITAL
Equity capital brought forward	4 220	3 935	2 529	2 548
Dividend	(120)	(103)	(120)	(103)
Net profit for the year	365	308	74	63
Equity capital to be carried forward	4 465	4 140	2 483	2 508

**NOTE 4 ACTUAL AND NOMINAL VALUES OF DERIVATIVES, SEK MILLION**

	GROUP			
	30 SEPT 2002		31 DEC 2001	
	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	33 534	1 510	49 911	1 141
Interest and currency linked swaps	26 463	1 916	56 684	4 186
Equity linked derivative contracts	312	14	298	55
Total	60 309	3 440	106 893	5 382
<i>Derivatives with negative values</i>				
<i>- not reported in the Balance Sheet</i>				
Interest linked swaps	70 578	2 782	71 176	2 195
Interest and currency linked swaps	49 220	2 579	25 676	1 842
Forward rate agreements	1 000	0	-	-
Equity linked derivative contracts	697	64	614	70
Total	121 495	5 425	97 466	4 107

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 6 November 2002

CHRISTER MALM  
Managing Director/President

**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 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 6 November 2002

KPMG  
PER BERGMAN  
Authorised Public Accountant

HANS LINDÉN  
Authorised Public Accountant  
Appointed by the Swedish Financial Supervisory Authority



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