



# Interim report for The Swedish National Housing Finance Corporation, SBAB, 1 January – 30 June 2001

Summary for the SBAB Group	June 2001	June 2000
Net operating income, SEK million <sup>1)</sup>	<b>255</b>	195
Loan losses, SEK million <sup>1)</sup>	<b>19</b>	1
Return on equity, %	<b>9.2</b>	7.5
Capital ratio, %	<b>9.2</b>	9.4
Primary capital ratio, %	<b>6.5</b>	6.5
Equity ratio, %	<b>2.7</b>	2.6
Problem loans after provisions, SEK million	<b>495</b>	521
Income/Expenditure ratio, excluding loan losses	<b>2.2</b>	1.9
Income/Expenditure ratio, including loan losses	<b>2.1</b>	1.9
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>68 604</b>	51 737
Lending, SEK million	<b>141 890</b>	143 261
Loans securitised, SEK million	<b>9 174</b>	1 010
Average number of employees	<b>360</b>	367
of whom temporary employees	<b>28</b>	21

<sup>1)</sup> January– June

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

Net operating income for the first six months of 2001 was SEK 255 million, a 31 per cent improvement over the corresponding period last year. This reflected increased lending and a shift in the loan portfolio towards the higher yielding segments, bringing higher net interest income at SEK 502 million (407 million). Expenses increased by 5 per cent compared to the same period last year, in part due to continued IT-investments. Return on equity for the period was 9.2 per cent.

Loan losses have increased to SEK 19 million (1 million) but remain at a very low level; recoveries partly accounted for the low figure reported for the previous period. Problem loans, after provisions, at SEK 495 million (521 million) constitute 0.31 per cent (0.36 per cent) of the loan portfolio and continue to decrease.

## SBAB'S LENDING

In the property-company market (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. Some 87 per cent of the loans falling due for renewal this year, totalling SEK 39 804 million, have been renewed. A needed improvement in margins for lending to multi-family housing has largely been achieved.

SBAB's lending to the retail market continues to grow. New lending to the retail market for the first six

## INCOME STATEMENT, SEK MILLION

				GROUP	PARENT COMPANY	
	Jan-June 2001	Jan-June 2000	Apr-June 2001	Apr-June 2000	Jan-June 2001	Jan-June 2000
Interest income	4 138	4 332	2 099	2 112	3 651	3 966
Interest expenses	(3 636)	(3 925)	(1 837)	(1 896)	(3 617)	(3 920)
<b>Net interest income</b>	<b>502</b>	<b>407</b>	<b>262</b>	<b>216</b>	<b>34</b>	<b>46</b>
Dividends received	0	0	0	0	0	0
Commission income	16	12	8	6	-	-
Commission expenses	(23)	(14)	(12)	(7)	(8)	(5)
Other operating income	1	1	1	0	9	9
<b>Total operating income</b>	<b>496</b>	<b>406</b>	<b>259</b>	<b>215</b>	<b>35</b>	<b>50</b>
General administration expenses	(192)	(176)	(102)	(90)	(13)	(9)
Depreciation/writing down of tangible assets	(8)	(8)	(4)	(4)	(8)	(8)
Other operating expenses	(22)	(26)	(15)	(15)	(1)	(1)
<b>Total operating expenses</b>	<b>(222)</b>	<b>(210)</b>	<b>(121)</b>	<b>(109)</b>	<b>(22)</b>	<b>(18)</b>
Operating income before loan losses	274	196	138	106	13	32
Loan losses, net NOTE 1	(19)	(1)	(12)	(12)	-	-
Change in value of repossessed property	0	0	0	0	-	-
<b>Net operating income</b>	<b>255</b>	<b>195</b>	<b>126</b>	<b>94</b>	<b>13</b>	<b>32</b>
Allocations	-	-	-	0	45	21
Change in deferred tax liability	(4)	(3)	(2)	(2)	-	-
Taxes	(68)	(52)	(34)	(25)	(16)	(15)
<b>Net profit for the period</b>	<b>183</b>	<b>140</b>	<b>90</b>	<b>67</b>	<b>42</b>	<b>38</b>

months amounted to SEK 8 920 million (5 451 million), of which some 60 per cent of own lending originated from loan applications received via the internet. SBAB's co-operation partners generate around 40 per cent of the lending to the retail market.

SBAB's total lending at the end of the first six months stood at SEK 141 890 million (143 261 million). This figure does not include securitised loans totalling SEK 9 174 million (1 010 million). The loan portfolio in the property-company market amounted to SEK 105 175 million (109 047 million) and in the retail market SEK 36 715 million (34 214 million). A large part of the lending for the period, around 63 per cent, has been undertaken at floating interest rates.

SBAB's lending, including loans securitised, increased from SEK 144 271 million to SEK 151 064 million, i.e. by 4 per cent since 30 June 2000. SBAB's total market share was about 14 per cent, the market share in the property-company housing market being 23 per cent and in the retail market 7.5 per cent. A trade mark campaign conducted during the spring attracted much attention and contributed to increased new lending in the retail market.

The proportion of lending secured by government or municipal guarantees has fallen to 28 per cent (32 per cent) as a result of the shift in the loan portfolio mentioned above.

### FUNDING AND CAPITAL ADEQUACY

Long-term funding for the first six months amounted to SEK 30 734 million (10 761 million), SEK 11 046 million (746 million) being raised in the international market and SEK 19 688 million (10 015 million) in the domestic bond market.

Short-term debt amounted to SEK 54 070 million (44 373 million).

A new US commercial paper program for USD 2000 million replaced SBAB's existing USD 500 million program in April.

The capital ratio of 9.2 per cent (9.4 per cent) and the primary capital ratio of 6.5 per cent (6.5 per cent) include the six months' profit after deductions for tax estimated at the standard rate and dividend. SBAB's capital base totalled SEK 5 725 million (5 394 million).

The parent company's capital ratio was 155.6 per cent (175.0 per cent), the primary capital ratio 95.6 per cent (108.0 per cent) and the capital base SEK 4 321 million (4 443 million).

*SBAB's Interim Reports will be published for the periods ending 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 available by mail by special arrangement.*

**BALANCE SHEET, SEK MILLION**

	GROUP		PARENT COMPANY	
	30 June 2001	31 Dec 2000	30 June 2001	31 Dec 2000
<b>ASSETS</b>				
Cash in hand and balances at central banks	0	0	0	0
Eligible Treasury bills, etc.	6 023	8 607	6 023	8 607
Lending to credit institutions	1 559	1 214	140 631	137 967
Lending to the public NOTE 2	141 890	139 732	–	–
Bonds and other interest-bearing instruments	108	177	108	177
Shares and participations, etc.	0	0	0	0
Shares and participations in group companies	–	–	2 722	2 722
Tangible assets NOTE 3	31	32	31	32
Other assets	1 860	416	1 264	75
Pre-paid costs and accrued income	895	915	73	57
<b>Total assets</b>	<b>152 366</b>	<b>151 093</b>	<b>150 852</b>	<b>149 637</b>

**LIABILITIES AND EQUITY CAPITAL**

<b>LIABILITIES</b>				
Debt to credit institutions	6 489	11 856	6 479	11 855
Bonds issued, etc.	136 407	129 206	136 557	129 206
Other liabilities	243	875	99	734
Accrued costs and pre-paid income	2 701	2 739	2 701	2 720
Provision for deferred tax	192	188	–	–
Subordinated debt	2 221	2 221	2 221	2 221
<b>Total liabilities</b>	<b>148 253</b>	<b>147 085</b>	<b>148 057</b>	<b>146 736</b>
Untaxed reserves	–	–	308	353
Minority share holding	98	73	–	–
<b>EQUITY CAPITAL</b> NOTE 4				
Tied equity capital				
Share capital	1 958	1 958	1 958	1 958
Legal reserve	392	392	392	392
Share of untaxed reserves included in equity capital	495	483	–	–
<i>Unrestricted equity</i>				
Profit brought forward	987	765	95	127
Profit for the period	183	337	42	71
<b>Total equity capital</b>	<b>4 015</b>	<b>3 935</b>	<b>2 487</b>	<b>2 548</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>152 366</b>	<b>151 093</b>	<b>150 852</b>	<b>149 637</b>

Accounting principles applied are the same as in the Annual Report 2000.

**CASH FLOW ANALYSIS** SEK MILLION

	GROUP		PARENT COMPANY	
	30 June 2001	30 June 2000	30 June 2001	30 June 2000
Liquid funds at the beginning of the period	825	802	773	792
Cash flow from current operations	(4 803)	(5 350)	(4 902)	(5 348)
Cash flow from investment operations	(5)	(19)	(5)	(19)
Cash flow from financing operations	5 541	(2 683)	5 691	(2 683)
Increase/Decrease in liquid funds	733	2 648	784	2 646
Liquid funds at the end of the period	1 559	3 450	1 557	3 439

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

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

	GROUP	
	JAN-JUNE 2001	JAN-JUNE 2000
<i>Claims assessed individually</i>		
Write-downs of actual losses incurred for the period	38	57
Reversal of previous provisions for anticipated losses reported as actual losses in the accounts for the period under review	(28)	(49)
Provision for anticipated loan losses for the period *	40	37
Recovery of actual loan losses in previous years	(3)	(10)
Reversal of previous provisions for anticipated losses no longer required	(25)	(31)
Net cost for the period of claims assessed individually	22	4
<i>Claims assessed collectively</i>		
Provision for actual losses for the period	4	6
Recovery of actual loan losses in previous years	(5)	(6)
Allocation to/Withdrawal from provision for anticipated loan losses	(2)	(3)
Net cost for the period of claims assessed collectively	(3)	(3)
Total net cost of loan losses for the period	19	1

\*of which general reserve

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 JUNE 2001	30 JUNE 2000
Municipal housing companies	31 279	37 258
Housing co-operatives	39 617	39 263
Private rental housing	29 229	27 534
Owner-occupied homes	36 721	34 223
Commercial properties	5 388	5 365
Less reserve for anticipated loan losses	(344)	(384)
Total	141 890	143 259
<i>Non-performing loans and problem loans</i>		
a) Non-performing loans, not categorised as problem loans, on which interest is reported as income	473	422
b) Doubtful loans on which interest will not be taken up before payment	447	499
c) Loans for which the interest rate has been reduced in relation to prevailing market interest rates	48	22
d) Total problem loans (b+c)	495	521
e) Reserve for anticipated loan losses on doubtful loans	344	384
f) Estimated value of problem loans before write-downs for anticipated loan losses	839	905

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 REPOSSESSED PROPERTY, SEK MILLION**

	GROUP	
	30 JUNE 2001	30 JUNE 2000
Buildings and land	0	1
Total	0	1

**NOTE 4 EQUITY CAPITAL, SEK MILLION**

	GROUP		PARENT COMPANY	
	2001	30 JUNE 2000	2001	30 JUNE 2000
	TOTAL EQUITY CAPITAL	TOTAL EQUITY CAPITAL	TOTAL EQUITY CAPITAL	TOTAL EQUITY CAPITAL
Equity capital brought forward	3 935	3 687	2 548	2 567
Dividend	( 103)	–	( 103)	–
Net profit for the year	183	140	42	38
Equity capital to be carried forward	4 015	3 827	2 487	2 605

**NOTE 5 ACTUAL AND NOMINAL VALUES OF DERIVATIVES, SEK MILLION**

	30 JUNE 2001		30 JUNE 2000	
	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	54 388	1 812	40 665	1 554
Interest and currency linked swaps	62 065	7 356	43 560	4 246
Equity linked derivative contracts	569	74	663	460
Total	117 022	9 242	84 888	6 260
<i>Derivatives with negative values – not reported in the Balance Sheet</i>				
Interest linked swaps	46 379	1 347	39 368	1 153
Interest and currency linked swaps	21 705	1 397	25 037	1 798
Equity linked derivative contracts	90	15	149	19
Total	68 174	2 759	64 554	2 970

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 30 August 2001

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 the Swedish Institute of Authorised Public Accountants. 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 Stock Exchange Act and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 30 August 2001

KPMG  
PER BERGMAN  
Authorised Public Accountant

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



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