

LÄGG OM  
DITT BOLÅN  
HOS MIG



**SBAB**

BOLÅN PÅ INTERNET OCH TELEFON

**BUSINESS CONCEPT** *SBAB should provide simple and reasonably priced housing finance. SBAB Property-company Market should offer competitive services to owners of multi-family housing situated in growth areas. SBAB Retail Market should make home ownership cheaper by offering home owners easy access to low pricing. SBAB Funding (funding, financial management) should take a leading position in the packaging and sale of housing risk to institutional investors in addition to improving business flows and balancing risk-taking.*

**OWNER** *SBAB is wholly owned by the Swedish State and has been mandated to contribute to competition in the housing mortgage market by conducting an efficient and profitable mortgage lending operation.*

**OPERATIONS** *SBAB's mission is to operate a low-risk, profitable and cost-efficient business and to achieve the rate of return set by the owner, while at the same time maintaining a high service level and ethically high standards.*

## CONTENTS

1	SBAB 2001
2	The Managing Director's review
6	Public value and Environment
	– Public value
	– Environment
10	ADMINISTRATION REPORT
10	Customer value
	– Property-company market
	– Retail market
	– Funding
	– Rating
16	Staff value
18	Structural value
	– Organisation
20	Financial capital
	– Lending and Portfolios
	– Problem loans and loan losses
	– Risk Management
26	Result
	– The SBAB Group
	– The Parent Company
	– The Subsidiaries
28	ANNUAL ACCOUNTS
28	Income Statement
29	Balance Sheet
30	Cash Flow Analysis
31	Capital Adequacy
32	Accounting Principles
33	Notes
46	Proposed Appropriation of Profit
47	Audit Report
48	Overview 2001–1997
49	Bond Issues
50	Board and Auditors
51	Company Management
52	Addresses

**SBAB's operating income** for 2001 increased by 15 per cent compared to last year and amounted to SEK 541 million, corresponding to a return on equity capital of 9.6 per cent.

**SBAB's new lending** amounted to SEK 23 638 million at the year-end. After redemptions, amortisations and securitisations, the loan portfolio totalled SEK 137 430 million.

**SBAB undertook** a third securitisation transaction during the year for SEK 9 600 million (SRM Investment No. 2). In total, SBAB's securitised loans amounted to SEK 18 522 million at 31 December 2001.

**SBAB's loan losses** for year 2001 at SEK 55 million continued to run at a low level. SBAB's problem loans, after provisions, decreased from SEK 542 million at 31 December 2000 to SEK 277 million at 31 December 2001.

**SBAB's primary capital** increased to 7.0 per cent at 31 December 2001.

**SBAB's two former government guarantees** have been replaced by a market-adjusted guarantee from the Swedish National Debt Office.

**During 2001 SBAB has resumed borrowing** in the US-capital market against certificates. At the same time the maximum outstanding nominal amount of the USCP programme was increased to USD 2.0 billion.

**SBAB's rating by Moody's** has changed to outlook stable from earlier negative.

**SBAB has entered into a co-operation agreement** with ICA Banken. The co-operation with Länsförsäkringar Bank, initiated in 1997, is successively being wound up with regard to the mediation of new loans.

**www.sbab.se** Some 60 per cent of all retail market loan applications received have come in over the Internet.

**SBAB has seen increased public awareness** of its name, particularly in the big city areas.

<b>Summary for the SBAB Group</b>	<b>2001</b>	<b>2000</b>
Net operating income, SEK million	541	469
Loan losses, SEK million	55	14
Capital ratio, %	9.5	9.7
Primary capital ratio, %	7.0	6.8
Equity ratio, %	2.9	2.7
Return on equity, %	9.6	8.9
Problem loans after provisions, SEK million	277	542
Income/expenditure ratio, excluding loan losses	2.3	2.2
Income/expenditure ratio, including loan losses	2.0	2.1
Rating, long-term debt		
Standard & Poor's	AA-	AA-
Moody's	A1	A1
Rating, short-term debt		
Standard & Poor's	A-1+	A-1+
Moody's	P-1	P-1
Lending, SEK million	137 430	139 734
Securitisation, SEK million	18 522	9 497
Average number of employees	368	365
of whom temporary employees	32	19



# THE MANAGING DIRECTOR'S REVIEW

With a lending operation continuously showing growth, another ground-breaking securitisation programme and resumed borrowing in the US-market, SBAB reports a successful year 2001.

SBAB's vision is to become the market leader in mortgage lending and thus be looked upon as the obvious choice when it comes to housing loans.

SBAB's mandate implies fulfilling a provocative role in the market. Over the last years this specialist and innovative role has become increasingly manifest in SBAB's operations. Customers in the multi-family housing market (property-company market) have increasingly come to value the broad competence of our specialist staff in that segment of the market. In the retail market, SBAB's clear and straightforward pricing philosophy and the development of procedures for the processing of mortgage loans via the Internet have been widely acclaimed.

A determining factor when it comes to SBAB's ability to compete is having the capacity to package and sell housing risk to domestic and international investors. In this connection the securitisation transactions undertaken during 2000 and 2001, aggregating SEK 19 097 million, should be particularly emphasised. Because of these, SBAB can utilise available capital more effectively, which is an important prerequisite for cheap housing loans.

SBAB's target is to divide its funding equally between the international and the domestic markets in order to broaden the investor base. During 2001 SBAB resumed borrowing in the US-market utilising a commercial paper program.

We have been successful in our efforts to increase public awareness of SBAB during 2001. The volume of new loans in the retail market

increased to SEK 15 266 million and our market share of new sales of housing loans this year was 10.2 per cent. Market awareness of SBAB is steadily increasing as it becomes more evident what the name implies. Fully 90 per cent of those customers whose loans were renewed during the year opted to stay with SBAB.

The confidence placed in SBAB's name is to a great extent based on a creative and successful funding operation. This special character emphasises the importance of having and retaining the good reputation our name enjoys, in supporting the full confidence needed in our customer relationships on the world's most important capital markets.

A steering model was established during year 2000 in order to create the prerequisites for a vision, value and goal-oriented company, incorporating the so called "Total Balance Sheet" comprising the following five areas: public value, customer value, staff value, structural value and financial capital. The content of the annual report falls under these headings.

## PUBLIC VALUE

SBAB has adopted a price-cutting role in the market and has developed a mortgage loan sales concept via Internet. SBAB has been an active participant in both the domestic and international capital markets, fulfilling somewhat of a pioneering role by, for example, mobilising the possibilities offered by the securitisation technique. SBAB's lending and funding operations should meet the highest standards as regards quality and efficiency and make their contribution in furthering development for customers and society alike.

## CUSTOMER VALUE

### Market

The total market for mortgage loans has increased by 5 per cent (November) during the year. The pattern is similar to earlier years. Lending by mortgage institutions in respect of multi-family housing has continued to decline whereas lending in respect of owner-occupied homes and apartments in collectively owned houses shows a relatively strong increase.



## Strategy

SBAB's strategy for growth is a continued strong concentration of effort on the retail market, a broadened customer base with closer business relations with the mid-sized property-owner company category of customer and strongly competitive funding. Critical factors for success are: accessibility, competence, confidence, service level and price. In the property-company market, SBAB has shifted marketing and selling focus away from companies with large property holdings and more towards companies with borrowing needs of up to SEK 100 million. A new price model has been developed for the property-company market which lays even greater emphasis on the risk profile in credit transactions.

## Internet

The possibility of applying for mortgage loans via Internet is now well established. Close to 60 per cent of own sales are today made via the net. SBAB's goal is to simplify for the customer the whole process of obtaining a housing loan and comparing the various competitive offers available. SBAB's open, clear and straightforward pricing is an important factor in this connection.

## Co-operations

Co-operation with other lending institutions supplements SBAB's own line of services to the retail market. During the year, a new co-operation agreement was initiated with ICA Banken, which will start to mediate SBAB loans in 2002.

The co-operation with Länsförsäkringar Bank, initiated in 1997 will successively draw to a close during 2002, at least where it applies to mediation of new loans.

## Competition

SBAB's operations have had the effect of considerably intensifying competitive pressures on the mortgage market during the last few years, in spite of the fact that the market is dominated by only a few participants. SBAB's aim is to maintain this pressure.

Internet increases accessibility and possibilities of comparing the offers available on the market, simplifies administration through new technical solutions and reduces costs. Fresh concepts and new operators in the market will further stiffen the competition.

## STAFF VALUE

A committed staff and a leadership able to communicate in an inspiring way, not only concerning such things as customer expectations, the world about and competitors but also in the performance of their appointed tasks, are decisive factors for continued growth, satisfied customers and profitability developing well.

The two-year development programme in which some 80 leaders and specialists participated has been completed. The next step will be to proceed with a development programme involving all employees with the purpose of further sharpening up the services SBAB has to offer.

Absence due to illness has been low compared to the national average but showed a slight increase during the year from 3.1 to 3.4 per cent. Naturally, the ambition for year 2002 is to further reduce such absence and particular attention will be devoted to the causes of stress related illness.

An experiment in trying out different keep-fit exercises has been embarked upon at the Karlstad office, with all of the 180 or so employees participating. With "the Healthy Company" as its theme, the experiment aims at contributing to better health and less absence due to illness and resulted in the award "the Year's Healthiest Company" in the category: companies with 150-300 employees.

## Bonus

Application of the improved result to the company's bonus system, applicable to all employees, has rendered a sum of SEK 36 200 per employee for the year. The amount disbursed, subject to a SEK 40 000 maximum in each case, is related to actual time worked by each person during the year but otherwise is the same for all.

### STRUCTURAL VALUE

During the year continued IT-investments have made it possible through a new technical platform to integrate Internet with the administrative loan systems. A new web platform has been developed, which will be taken into use during 2002. Preparatory work has been started on a new support system for the financial operations.

### FINANCIAL CAPITAL

The profit level has developed well during the year with a 15 per cent improvement in the result at SEK 541 million, corresponding to a return on equity of 9.6 per cent (8.9 per cent). The return on equity expressed as an average over the five-year-period 1997–2001 came to 10.4 per cent. The Government-imposed rate of return expected of SBAB means that its operations over a business cycle should yield a return on equity corresponding to the rate of interest

on five-year Government bonds plus five percentage points after tax, presently around 9.8 per cent.

Net interest income has successively improved during 2001, largely due to somewhat better lending margins, pricing adjustments to match risk, a shift in the portfolio of the property-company market from loans with municipal guarantees to loans secured by mortgages, expansion in the retail market lending and larger float profits. The operating result per employee (year average) was SEK 1.5 million (1.3 million).

### Primary capital ratio

SBAB's primary capital ratio was 7.0 per cent (6.8 per cent) at the end of the year, which accords with the long-term target level. The two securitisation transactions undertaken during 2000 and 2001, together corresponding to SEK 19 097 million, have had a positive effect on SBAB's balance sheet. This, together with the fact that Sparbanken Finn and Sparbanken Gripen, as part-owners in the jointly owned credit market company, FriSpar Bolån AB, contribute to the supply of capital to cover operations in that company, has created room for continued expansion in lending.





### The Swedish National Debt Office Credit Facility

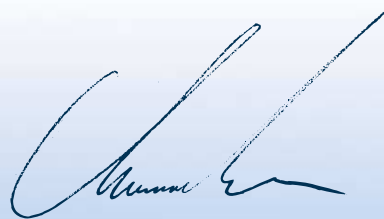
When in 1989 SBAB took over responsibility for housing loans earlier financed within the Budget the parent company received a guarantee as to general indebtedness for SEK 1 500 million issued by the Swedish National Debt Office. In connection with the restructuring 1994/1995, when the present group structure was created, the Swedish State issued a capital adequacy guarantee to the subsidiary SBAB, Statens Bostads-låneaktiebolag, with whom the government-approved loans were placed. The successful restructuring of the loan portfolio which has taken several years has led to these guarantees being cancelled and now replaced by a committed credit facility on market terms. The new ten-year committed credit facility is issued to the parent company and gives SBAB the right on any one occasion and within the initial amount of the committed credit facility of SEK 10 000 million, to take up loans at the Swedish National Debt Office. The committed credit facility, for which SBAB pays a fee, reduces by a tenth each year.

### Rating

SBAB's rating for long-term borrowing at Standard & Poor's is AA- and at Moody's A1. Moody's has adjusted its assessment of SBAB during the year from negative to stable outlook.

### PROSPECTS 2002

Continued growth in the housing mortgage market is expected for the immediate year, primarily in the retail market, but with a lower increase in volume compared to 2001. The operational aims and strategy for 2002 are the same as for 2001. A determined effort at increasing customer service in combination with the investment programme implemented will result in continued effectiveness during 2002 with an annual result which will be at least in line with the result for year 2001.



CHRISTER MALM  
*Managing Director*



# PUBLIC VALUE AND ENVIRONMENT

SBAB has a mandate from the Swedish State, its owner, to contribute to competition and diversity in the housing mortgage market. SBAB has adopted a price-cutting approach and has developed a mortgage loan sales concept via Internet. SBAB's own lending is supplemented by a number of co-operation partners, offering SBAB-loans in their respective local/regional home markets. SBAB has been an active participant in both the domestic and international capital markets, fulfilling somewhat of a pioneering role for example with regard to utilising the possibilities of the securitisation technique. During 2001 SBAB's third securitisation transaction was carried out and, for the first time, included loans relating to private tenant-owner apartments.

SBAB's lending and funding operations should meet the highest standards as to quality and efficiency and contribute to development, for customers and society alike.



Irma Rosenberg  
Chief Economist

## ECONOMIC TRENDS AND INTEREST RATES 2001

The downturn in economic activity throughout the world was pronounced in 2001. Long before the September 11 terror attacks in the USA, it was obvious that the weakening of the US economy and the effects on international growth on the whole were more profound than anticipated. For instance, in the Euro-area the downturn was more pronounced than expected, with domestic demand failing to compensate for the slackening in export demand.

In Sweden as well, growth in 2001 was considerably weaker than anticipated at the beginning of the year. The forecasts point to a growth rate of somewhere around 1 per cent; a modest figure compared to the impressive growth figures during the years 1998-2000 (3.6, 4.5 and 3.6 per cent respectively). As in the Euro-area weakening domestic demand coincided with subdued exports. Receding exports hit industrial production hard and capacity utilisation fell, resulting in less investment. Household spending had already moderated in 2000 and on the whole remained largely unchanged for the first three quarters of 2001 compared to the same period in year 2000.

The construction sector continued to show strength even after the weakening in manufacturing set in. In the summer of 2001, however, the stock of firm orders started to decline, indicating that a cooling down in building activities was imminent. A decrease in the volume of orders also hit residential construction, even if the effect was not as pronounced as in other parts of the construction sector.

In early autumn there were tentative signs suggesting that a recovery in the US economy could be in the offing. But after the events of September 11 the indicators turned sharply down. The first reaction proved to be exagger-

ated, however, and towards the end of 2001 there were indications again that the bottom of the downturn was in sight. When a true recovery will take place is still (February 2002) uncertain. This is emphasised by the fact that it is difficult to assess how US households will react to steadily rising unemployment (it increased from 4 to 5.8 per cent within the course of 2001). There are good possibilities, however, that a relaxed monetary and fiscal policy will generate an upswing in the US economy during spring/summer 2002. The European countries, including Sweden, can then follow close behind.

## Reduced price pressure in the housing market

The economic downturn led to a certain cooling down in the housing market. Prices of single-family houses increased by slightly more than 11 per cent during the first quarter of 2001 compared to the same period 2000. The rate of increase was then reduced successively but in the last quarter of the year prices were still around 5.5 per cent higher than in the same quarter in 2000. By following the course of events quarter by quarter during 2001 it shows that prices continued to increase during the first three quarters but were largely unchanged between the third and fourth quarters.

Statistics from Svensk Fastighetsförmedling (an association of property agents) show that prices on tenant-owner apartments nation wide fell back during the summer but recovered later. During the period October-December last year, prices were, broadly speaking, on the same level as in the corresponding period 2000. The figures show big variances between different local areas. For instance, the price increase in Gothenburg was 25 per cent while prices in the central parts of Stockholm decreased by 5 per cent (all measured as changes between the fourth quarter 2001 and the same period the previous year). When



comparing the fourth quarter 2001 with prices for the previous quarter there is a sharp price increase in Gothenburg while prices in the central parts of Stockholm and greater Stockholm decreased somewhat. On a national level prices increased by 7 per cent between the two measured periods.

### Easing in international monetary policy

The Federal Reserve, Fed, responded promptly to the abrupt economic downturn by dropping the interest rate in rapid stages. The first reduction took place just after the New Year 2001 and by the end of the year the federal funds rate was down at 1.75 per cent. Such a low official interest rate has not been seen since the beginning of the 1960's and such a quick change in events is without precedent during the post-war period.

The European Central Bank, ECB, was much more restrained and proceeded cautiously to lower the interest rate in late spring. The fact that inflation was above the Bank's limit of two per cent during most of the year had a restraining effect on its actions. The long lasting view that the economies in the Euro area would not be severely affected by the downturn in the USA also played its part. Two rate cuts followed the events in September, bringing the repo rate down to 3.25 per cent

### Inflation and the weak krona cause the Riksbank anxiety

During the spring the underlying inflation rate (which excludes the effects of indirect taxes and subsidies in addition to costs for owner occupied homes), which nowadays guides the Riksbank in its policy considerations, quickly approached the upper limit for the inflation target (3 per cent). In May the inflation broke through the barrier, remaining above the target almost continuously for the rest of the year. Several temporary factors (increased energy prices, increased food prices as an effect of BSE/foot and mouth disease) contributed, but there were also indications of price increases on a wider front.

At the same time as the actual inflation rate exceeded the target, the weak krona started to cause more and more concern. The krona had depreciated more or less continuously since May 2000. Even if the effect on consumer prices (via higher import prices) was relatively limited the Riksbank felt that a continued weak krona posed a threat to the inflation target rate in the period ahead. These considerations guided the Riksbank in its decision in the middle of June to start interventions in an attempt to support the krona. Shortly afterwards it was announced that an increase in interest rates could be considered

if the interventions did not have the desired effect. Thus, in the middle of July the repo rate was raised from 4 to 4.25 per cent. The Riksbank's policy thus went contrary to the international trend and was carried through at the same time as the signs of weaknesses in the Swedish economy became more and more evident. It became obvious rather soon that there would be no further upward moves in the repo rate. When the Fed, to be closely followed by the ECB, cut interest rates on September 17 in the wake of the terrorist attacks, the Riksbank followed suit. The interest rate was reduced to 3.75 per cent, a level at which it was then kept.

The official interest rates both internationally and in Sweden are at low levels and the room for continued reductions is limited. In the current year, 2002, discussion will rather be focused on when a monetary tightening is to be expected.

### Volatility in long-term interest rates

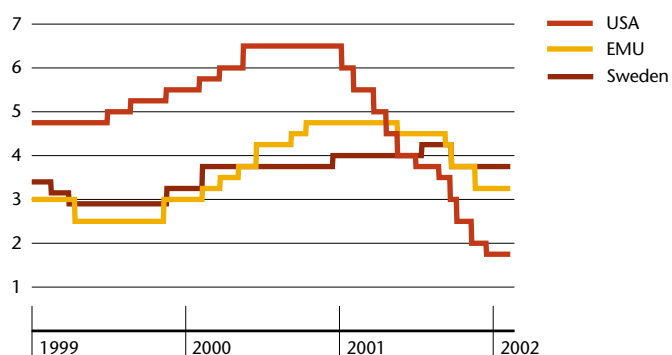
Short-term interest rates are governed by the respective central bank's official interest rates, which in their turn are adapted to the economic phase in which the country concerned finds itself. The long-term interest rates in the respective country are governed by more complicated mechanisms. As the capital markets are connected with each other through the free movements of capital, the movements in interest rates in different countries are also closely correlated. The differences in levels between the long-term interest rates in the various countries depend on factors such as dissimilar economic phases between countries and thereby expectations of interest rate policy measures, inflation expectations, exchange rate expectations, credibility of the financial and monetary policy, etc.

While most of the year 2000 was characterised by a distinct downward trend in the long-term interest rates, 2001 was a year with a much more varied pattern. When the uneasiness about the state of the US economy gained ground



Barbro Wickman-Parak  
Economist

### Key interest rates, USA, EMU and Sweden





in the autumn of 2000 it triggered a new fall in equity prices. Investors left equities for safer investments, such as government bonds (“flight to quality”) with falling interest rates as a result. These trends on financial markets continued during the first months of 2001.

During the spring inflation was the cause for growing concern. Up to early summer, it was mainly rising energy prices that contributed to the increasing inflation rate. In Europe the effects of increased food prices were added. Now followed a period when interest rates climbed higher while equity prices fluctuated without an evident trend. But it was not long before concern for the economic situation returned as a driving force; equity prices and interest rates were pulled down and that development had an extra boost from the terror attacks on September 11.

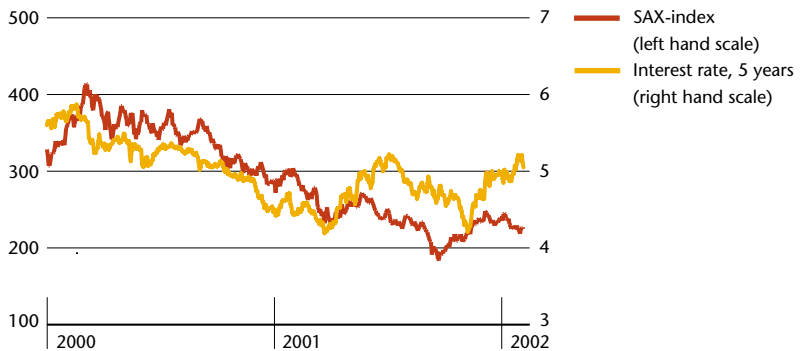
From September 21 equity prices made quite a quick recovery, to a large extent explained by the large supply of liquidity provided by the central banks in the wake of the terror attacks. At the end of October the long-term rates were pushed downwards when the economic indicators, both internationally and in Sweden, again pointed downwards. For instance, the National Institute of Economic Research’s quarterly business survey showed a marked impairment in economic sentiment; expectations built up of an impending lowering of interest rates by the Riksbank.

In the beginning of November the long-term rates started to steer upwards and that trend continued in December. The development in the Afghanistan war (Kabul was occupied) contributed, as well as expectations that the relaxed monetary policy in the United States would have desired effects. As far as Sweden was concerned the signs from the Riksbank indicated that there would probably be no further easing measures in connection with the December inflation report. The last month of the year was then characterised by both equity prices and interest rates fluctuating without any evident trend, a clear reflection of the genuine uncertainty about the future economic situation.

**Long-term mortgage rates fluctuated during the year**

Short-term mortgage rates are governed by the Riksbank’s repo rate and expectations about changes in that rate. As a result, short-term rates were unchanged for the first half of the year and then followed the repo rate up in July and down in September. For the rest of 2001 they remained more or less unchanged.

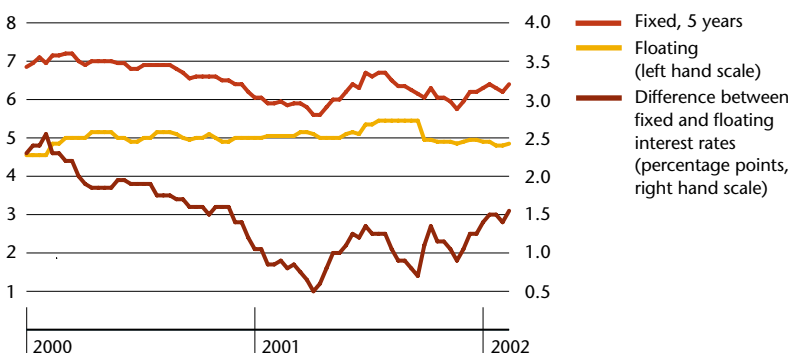
**Sweden. Long-term interest rate (government bond) and share index**



Fixed mortgage interest rates follow developments in long-term government bonds which were highly volatile during 2001. The difference between long-term and short-term mortgage rates narrowed continuously during year 2000 and that development continued into April 2001. At its lowest the difference was around half a percentage point. Increasing inflation fears then pushed the long-term interest rates upwards and the spread between long and short-term rates widened until July when the Riksbank increased the repo rate. The rate increase in combination with falling long-term rates reduced the spread, but after the Riksbank’s lowering of the interest rate in the wake of the terror attacks in September, the spread widened again. For the rest of the year, when the short-term rates remained on an unchanged level, the difference between long and short-term mortgage rates fluctuated in line with the movements in the long-term market rates.

Housing loans with fixed interest date provide a form of insurance (for the maturity period of the loan) against interest rate increases that might result from factors such as political instability, overheating and inflation, sudden disturbances on the commodity markets, etc. The difference between fixed and floating interest rates could be described as the risk premium the borrowers pay in order to avoid unexpected changes in their loan costs. That premium was higher at the end of the year than at the beginning but was still somewhat below the levels recorded during a large part of year 2000.

**SBAB’s floating and fixed housing loan interest rates**





# CUSTOMER VALUE

Under this heading is reported the new lending by market segment – property-company market (multi-family housing), retail market (owner-occupied homes and tenant-owner apartments) and SBAB's funding activities. The aim is to present a picture of how SBAB responded to the pattern of housing loan enquiries from customers during the year and how customer contacts developed.

Customer contact is central to funding activities as well. Great importance is attached to preserving the company's good name and further promoting it to investors. An open-minded approach should characterise the contact with the capital market.

## THE MARKET

The housing institutions' loans to multi-family housing continued to fall in 2001, despite certain increased new production. Lending decreased by around SEK 4 billion or 1 per cent during the year.

The gross figure for new lending in respect of single-family houses and tenant-owner apartments (including borrowers who have switched lender) was around SEK 159 billion during the year, an increase of almost 35 per cent compared to the previous year. Net lending (including securitised loans) increased by around SEK 63 billion, or 11 per cent, to around SEK 648 billion (November).



Lena Hedlund  
Head of Property Company  
Market

## LENDING TO THE PROPERTY-COMPANY MARKET – MULTI-FAMILY HOUSING

With loans (including securitised loans) to some 10 500 borrowers, totalling SEK 106 817 million, SBAB's market share in the multi-family housing loan market stands at around 21 per cent. New lending during the year totalled SEK 7 972 million.

The trend towards reduced lending to municipal housing companies first seen in 1997 also continued during 2001. The reduction is due in part to the fact that municipalities have for some time been selling property stock to private property owners, that certain municipal housing

companies with good liquidity have ceased borrowing and that certain municipalities have initiated their own bond programmes. Added to which competition has stiffened considerably with attendant low margins incompatible with SBAB's profitability requirement. Lending to owners of private rental apartment properties increased during the year.

SBAB's strategy is to extend the customer base and deepen the business relations by increasing commitments to medium-sized customers within the customer segment tenant-owner societies and private rental apartment building owners. SBAB's business concept is to finance housing in an uncomplicated and reasonably priced manner which, as far as the property-company market is concerned, translates into competitive services to owners of multi-family houses in growth areas.

SBAB's marketing within the property-company market mainly concentrates on the three metropolitan areas and the university centres. Lending to private property companies increased by SEK 1 billion while lending to municipal property companies decreased by SEK 4.9 billion. Lending in respect of commercial properties increased by SEK 201 million.

Close to three quarters of new sales and extended loans were taken with short maturities (i.e. 1–12 months). With so many borrowers opting for short-term loans, the average maturity in the loan portfolio has shortened. The volume of loans falling due during the year totalled SEK 58 billion, corresponding to 53 per cent of the portfolio, of which SEK 51 billion, or 88 per cent, remained with SBAB in the form of renewals. It was primarily the municipal housing companies that chose to close off their commitments with SBAB

### Loan portfolio, Property-Company Market, SEK million

31 December 2001	New lending	Loan portfolio	Change during 2001
Tenant-owner societies	2 896	40 249	-31
Private property companies	4 472	29 787	+ 987
Municipal housing companies	82	29 868	- 4 865
Commercial properties	522	5 903	+ 201
<b>TOTAL</b>	<b>7 972</b>	<b>105 807</b>	<b>- 3 708</b>

A securitised volume of SEK 1 010 million is not included in the table above.

## CONVERSION OF RENTAL APARTMENT BUILDINGS INTO TENANT OWNER APARTMENT BUILDINGS

During the year, there has been continued strong interest in the conversion of rental apartment buildings into tenant owner apartment buildings, particularly in and around the main city centres. SBAB has participated in financing 40 housing co-operatives making such conversions.

In cases where rental apartment buildings are converted from private ownership into the collective ownership of tenant-owner societies, otherwise referred to as housing co-operatives, SBAB offers an "all-inclusive financial package" designed to provide for the newly formed society's borrowing needs and also those of its individual members.

Such ownership conversions have been most numerous in the Stockholm region where an estimated 10 000 apartments have changed ownership status from rental apartment to tenant owner apartment. SBAB has been responsible for the financing of around one fifth of the properties concerned. So far these conversions have been strongly concentrated on inner city properties. SBAB has also participated in such conversion of centrally situated properties in both the Gothenburg and the Malmö regions. SBAB's lending in connection with such conversions during year 2001 amounted to SEK 2.3 billion in all, of which SEK 1.3 billion represented loans to some 2 300 new retail customers.

The chosen strategy, with a shift towards lending to private companies and tenant-owner societies against mortgages has contributed to improved profitability. Generally speaking pricing, after taking account of risk, and improved profitability take precedence over volume as far as operations are concerned.

### Internet

Additional Internet services have continued to be developed during the year. Customers should be offered increased possibilities to monitor their own borrowing arrangements via Internet in addition to applying for new loans and taking over existing loans. Increasing use of the Internet services has been noted during the year, even if starting from a modest level.

SBAB has participated as sponsor in three of the property world's larger events during 2001: "Business Arena Real Estate", a Nordic property exhibition, mainly aimed at decision makers in the Nordic property market, "Årets Byggen", an event aiming at giving attention to the building industry, and the European Housing Exhibition "Bo 01" in Malmö.

## LENDING TO THE RETAIL MARKET – OWNER-OCCUPIED HOMES AND TENANT-OWNER APARTMENTS

SBAB's new lending in the retail market was SEK 15 666 million in 2001, an increase of 36 per cent compared to last year; after redemptions and amortisations the portfolio increased by SEK 10.6 billion. Including the volume securitised, lending to the sector amounted to SEK 49 461 million, corresponding to a market share of slightly more than 7.5 per cent (6.6 per cent).

The new loans numbered 34 737 with an average loan amount of around SEK 467 000. Owner-occupied homes accounting for 74 per cent and tenant-owner apartments for 26 per cent. SBAB's new lending to these categories of borrowers should not exceed 70 per cent of the market value of the underlying property, any additional loans required being offered by co-operation partners.

### Portfolio development 2001, Retail Market, SEK million

	New lending	Loan portfolio	Change during 2001
Owner-occupied homes	11 572	28 229	3 037
Tenant-owner apartments	4 094	3 719	- 1 661
Total	15 666	31 948	1 376

In addition to loans appearing in SBAB's balance sheet, SBAB administers securitised retail loans amounting to SEK 17 512 million, of which SEK 12 896 million in regard to owner-occupied homes and SEK 4 616 million in regard to tenant-owner apartments.

SBAB's business idea for the retail market is to make home ownership cheaper by offering home owners easy access to low pricing. SBAB's aim is to achieve over a three year period a market share of 10 per cent of the housing loan market for owner-occupied homes and tenant-owner apartments. The year's increase in volume has been achieved at slightly increased margins while retaining a low risk profile. During the year, most borrowers in the retail market, around 62 per cent, opted for a floating interest rate, a somewhat lower figure than in 2000. At the year-end, floating interest rate loans accounted for 46 per cent.

Increasing margins in the retail market portfolio together with the greater volume has resulted in good profitability. Productivity has developed well during the year.

SBAB has conducted two larger brand name campaigns in the Stockholm area during the year. These have contributed to a good inflow



Peter Gertman  
Deputy Managing Director  
and Head of Retail Market



Gustav Hoorn  
Deputy Head of Retail Market

# CUSTOMER VALUE

of new customer on the important Stockholm market. Resulting from the campaigns, every fourth Stockholm inhabitant between the age of 20 and 40 having an existing mortgage loan now thinks in terms of choosing SBAB when taking a new loan or renewing an existing one. For year 2000 the corresponding figure was 10 per cent.

## A HIGH DEGREE OF CUSTOMER LOYALTY

The number of loans redeemed during the year has continued to be low. Totally, redemptions including amortisations amounted to SEK 5 200 million. When renewing their loans, 93 per cent of borrowers opted to remain customers of SBAB.

## DEVELOPMENT OF SALES CO-OPERATIONS

A substantial volume of SBAB's new lending, around 42 per cent, was mediated through SBAB's co-operation partners. At the end of the year a new co-operation agreement was entered into with ICA Banken, which will mediate SBAB-loans from 2002 onwards. The co-operations with Sparbanken Finn, Sparbanken Gripen, IKANO-bank and Salus Ansvar have developed well during the year. The co-operation with Länsförsäkringar Bank, initiated in 1997, is successively being wound down during 2002 with regard to mediation of new first mortgage loans. The insurance company Folksam has initiated a co-operation with IKANO-bank in which mediation of SBAB-loans forms part.

FriSpar Bolån AB, a credit market company jointly owned with Sparbanken Finn and Sparbanken Gripen, has developed well during the year and reported a loan portfolio amounting to SEK 4 486 million at the end of the year. The company is owned as to 51 per cent by SBAB. The aim of the company is to finance housing in the western part of Skåne. The two savings banks, together with SBAB, are responsible for providing the jointly owned company with the capital required for this lending.

## SATISFIED CUSTOMERS

Customer surveys are conducted regularly to guarantee the quality of SBAB's customer contacts via Internet and telephone. As many as 90 per cent of new customers say that they have been well or very well received by SBAB. In addition to the good service level on the part of the staff, SBAB's customers quote low interest rates as being among the most important quality fac-

tors looked for in the choice of housing loan provider. The same survey shows that as many as 99 per cent of the new customers say that they could consider recommending SBAB to friends and acquaintances.

## INTERNET THE MOST IMPORTANT DISTRIBUTION CHANNEL

Around 60 per cent of SBAB's own lending to the retail market is generated via the Internet. Visits to the web site during the year continued to increase and totalled around 840 000. The web-site contains information regarding interest rates on loans, loan calculations and loan application forms.

SBAB's web site continues in its development. A completely new concept for ([www.sbab.se](http://www.sbab.se)) was designed during the year. The new web site will be launched during the spring of 2002.

The improvements which have been inaugurated during the year give the customer the possibility to order information direct from "Upplysningscentralen" (a central credit information agency). Furthermore, the improvements will also give the possibility of booking a mortgage advisor and accessing chat sites and interest watch, for those wishing to keep track of interest rate movements. Free valuation on the Internet of the customer's property has been tried out during the year over a test period. It is mainly the underlying systems that have been integrated in order to increase efficiency and quality in loan administration.

## LARGE SECURITISATION TRANSACTION

SBAB's second transaction involving the securitisation of retail market loans was undertaken during the autumn. (See page 14). For the first time the capital market was offered a securitisation transaction where loans to tenant-owner apartments were included. Around 50 per cent of the transaction comprised loans with tenant-owners' apartments as collateral and this was very well received in the market. Procedures and systems have been extensively developed, particularly regarding reporting aspects which is an important prerequisite for securitisation transactions. SBAB continues to manage the administration of the loans in much the same way as before their securitisation.



## FUNDING MARKET

SBAB's funding operations aim at securing the company's supply of capital, both in a short-term and a long-term perspective in addition to managing the financial risks which occur in operations. The basic principle is that the financial risk should be small in comparison to the company's total business risk.

Ever since the foreign exchange regulations were abolished in 1989, the long-range strategy SBAB has been working towards has been to become well established in the global capital market. In this way the opportunities have increased for achieving the desired breadth in the investor base and in achieving the long-term goal which means that half of the assets should be financed in the foreign capital markets.

Great emphasis is placed on furthering and marketing the brand name to investors. In contacts with the capital market, SBAB should be characterised as being open-minded and receptive to new opportunities, new products as well as to new markets and new counterparties. At the same time SBAB has the desire to nurture and further develop long-term relations with existing customer contacts. For instance, SBAB has very

successfully managed to build up good relations with both retail and institutional investors in Japan, which has resulted in SBAB nowadays being a well-established brand name in that market.

SBAB will have a high market presence in markets determined as strategic. By working closely with investors and market makers in these markets a more stable development in SBAB's credit spread can be achieved. Strategic currencies are: SEK, JPY, USD and EUR. SBAB should be a frequent borrower in these currencies. SBAB and its market makers in the capital market should ensure that SBAB's securities have good liquidity in the secondary market at all times.

Securitisation (Mortgage Backed Securities, MBS) has been a source of funding for SBAB during 2001. Internal procedures and competence have been built up around MBS as a funding method, creating good opportunities for SBAB to undertake MBS-transactions in the future. By using MBS as a funding method SBAB is increasing its financial product line, which in its turn makes it possible to reach a wider potential investor base.

### SBAB's FUNDING OBLIGATIONS 31 DECEMBER 2001

- Total outstanding debt SEK 139.9 billion (143.3 billion).
- Foreign funding totalled an amount corresponding to SEK 65.1 billion (48.2 billion), 46.6 per cent (33.7 per cent) of SBAB's total outstanding debt.
- Long-term funding was SEK 57.5 billion (70.7 billion), corresponding to 41.1 per cent (49.3 per cent).
- Foreign funded long-term debt was the equivalent of SEK 13.7 billion, 23.9 per cent of the total long-term funding.
- SBAB's outstanding debt in the Swedish commercial paper market was SEK 8.3 billion (14.5 billion). The maximum outstanding nominal amount of SBAB's Swedish commercial paper programme is SEK 25 billion.
- SBAB's outstanding debt on the ECP-market was USD 333 million (USD 572 million). The maximum outstanding nominal amount of SBAB's Euro Commercial Paper Programme is USD 1 000 million. SBAB's outstanding debt on the USCP-market was USD 1 525 million. The maximum outstanding nominal amount of the American commercial paper program is USD 2000 million.
- SBAB's outstanding debt in Swedish benchmark bonds amounted to SEK 60.6 billion (65.9 billion) at the end of the year.
- Outstanding debt under the EMTN-programme (Euro Medium-Term Note Programme) at the end of the year was USD 4.1 billion (USD 4.3 billion). The maximum outstanding nominal amount of the programme is USD 8.0 billion.
- The average remaining maturity of the total funding was 1.6 years (2.0 years) during 2001

# CUSTOMER VALUE

## SHORT-TERM FUNDING

The tendency for borrowers to opt for short-term instead of long-term maturities is a trend that has remained the same during 2001. This is reflected in a larger share of short-term funding to match the flows. Short-term funding over the year has mainly been achieved via SBAB's Swedish, European (ECP) and American (USCP) commercial paper programmes. All of SBAB's commercial paper programmes have the highest rating from Standard & Poor's and Moody's, A-1+ and P-1 respectively. SBAB is also active in the repo and deposit markets.

The commercial paper has been mediated in the Swedish market by five market makers during the year. During 2001 SBAB sold a volume corresponding to SEK 43.1 billion (63.7 billion) under the Swedish commercial paper programme. SBAB's commercial paper programme is listed, which improves the conditions for reaching out to a broad investor base.

The European commercial paper has been distributed by three market makers during the year in which SBAB sold the equivalent of SEK 29.9 billion (12.1 billion) in all under the ECP-programme. Most of the issues were denominated in USD, but a number were in EUR, CHF and GBP.

The need to diversify the short-term funding increases in step with the growth in short-term lending. Therefore, trading in commercial paper on the US market was resumed during 2001. SBAB issues commercial paper under a USCP-program with an approved limit of USD 2.0 billion. During the year SBAB issued commercial paper under the program for the equivalent of SEK 43.1 billion.

## LONG-TERM FUNDING

The Swedish mortgage bond market has performed well in 2001. The interest rate spread between mortgage bonds and government bonds has, in the five-year segment, successively reduced during the year despite the fact that interest rate spreads in the international capital markets have been volatile periodically. The Swedish National Debt Office's reduced long-term funding need has resulted in a heightened interest in mortgage bonds, which in its turn has furthered liquidity in these instruments.

SBAB sold SEK 16.9 billion in Swedish benchmark bonds in 2001 and repurchases amounted to SEK 5.7 billion. SBAB's benchmark loan No. 115 fell due on 15 June 2001.

SBAB raises about half of the short-term funding through FRN-loans (Floating Rate Notes). When the interest rate curves permitted, short-term funding needs have also been partly met through the sale of benchmark loans back-to-back with a swap-agreement with matching interest rate risk.

SBAB's long-term borrowing in the international market corresponded to SEK 23.0 billion. Remaining issues are documented under the EMTN-programme. SRM Investment No. 2 provided funding to the extent of SEK 9.6 billion.

The second area of most activity has been the Japanese market, where SBAB sold bonds for the equivalent of SEK 8.4 billion.

SBAB's presence in the Euro market resulted in a number of transactions, among which featured some ten FRN-loans for the equivalent of SEK 11.5 billion.

## FUNDING NEEDS 2002

Bond loans amounting to SEK 49.6 billion (40.8 billion) fall due in 2002, of which SEK 17.4 billion in loan 116. This was originally long-term funding. The average short-term funding need for 2002 is presently estimated at approximately SEK 35 billion.

## MORTGAGE BACKED SECURITY TRANSACTIONS DURING 2001

The MBS-market in Europe has expanded very much during the last years, several European countries, among them Sweden, having adjusted their legislation in order to accommodate the use of this financing technique.

SBAB established itself both in the Swedish and in the international MBS-market during 2000, something that makes continued expansion in lending possible in addition to the more efficient utilisation of capital. Tapping in to the MBS-market also increases the flexibility in SBAB's funding and makes for more effective pricing of credit risk.

Securitisation is an important source of financing for SBAB, since a larger product range increases the possibilities of further broadening the investor base. The long-term strategy is to include loans in the MBS-transactions in such a way that over time the total credit volume securitised is representative of a cross-section of SBAB's loan portfolio. SBAB intends to continue undertaking MBS-transactions. By continuously developing competence and routines, the ability is built up to take advantage of the possibilities this market offers.



Göran Laurén  
Chief Financial Officer

During 2001 SBAB undertook a further MBS-transaction, SRM Investment No. 2, which can be regarded as a follow-up to SRM Investment No. 1 undertaken during 2000. Like its forerunner, SRM No. 2 also contained retail market loans, the difference being that, in addition to loans in respect of owner-occupied homes, half of the loans were in respect of tenant-owner apartments. This is the first time that loans in respect of tenant-owner apartments have been securitised in Sweden, and in so doing SBAB has opened up new possibilities for housing finance.

The transaction with a date of issue of 9 November 2001, consisted of four so called tranches of which two, one USD and one Euro denominated and together making up 96.25 per cent of the bond, were accorded the highest possible rating AAA/Aaa by the rating institutions Standard & Poor's and Moody's. The two remaining tranches received the rating A/A2 and BBB/Baa2 respectively. The former MBS-transaction, SRM Investment No. 1, containing only loans in respect of owner-occupied homes, obtained the rating AAA/Aaa as to 97 per cent.

SRM Investment No. 1 was mainly sold to Japanese and European investors. Due to SBAB's long-term relationship with the Japanese capital market and the high quality of the SRM-portfolio SBAB could take an active part in the development of the Japanese MBS-market during 2000. SRM Investment No. 2, denominated in USD as to 60.7 per cent, was bought by both American and European investors. The remaining part of the transaction was denominated in EUR and was bought by European investors.

Internet has been used as a distribution channel to the European investors in the selling process for both SRM-transactions. The SRM-portfolios' development can be followed on SRM's home page [www.srminv.com](http://www.srminv.com).

## RATING

SBAB's rating by both Standard & Poor's and Moody's has remained unchanged since 1994/95. The long-term ratings are AA- and A1 respectively and the short-term ratings are the highest attainable, A-1+ and P-1. SBAB's rating by Moody's has changed to outlook stable from earlier negative.





# STAFF VALUE

Staff value is an essential part of a company's total value. For a company to be assessed from the outside, a picture must be conveyed of the company's culture, the staff competence, development and further training, etc. In addition to statistics showing the number of employees deployed in the different sections within the company and details concerning the training facilities available, healthcare and absence due to ill health, the bonus outcome is also shown.

**A customer oriented knowledge-based company craves continuous development of knowledge and competence**



Berit Sundbro  
Head of Personnel

Every staff member contributes through individual knowledge, competence and personality to the staff value and thereby to the company's total value. A company culture should ensure that the staff value is safeguarded and developed. SBAB's management philosophy has as its starting point the awareness that each employee should be encouraged towards dialogue and participation. The continuous development of knowledge and competence is indispensable for the development of a customer oriented knowledge-based company, likewise the good health of the staff, their wellbeing, creativity and personal development.

Within the framework of such an approach, where each staff member can be regarded as "his/her own company", each staff member formulates for the year to come an "offer", making a personal commitment to the task of developing his or her own department/section. Based on such offer, the staff member concerned enters into a dialogue with his/her superior regarding responsibilities and commitments. This process has replaced the traditional development discussion.

In addition to training in the offering process, a two-year management development programme has been concluded. Furthermore, all staff members with personnel responsibilities have attended courses concerning the working environment.

## MANAGEMENT DEVELOPMENT

The most important task for a manager is to awake a sense of engagement among employees and to lead and manage operations, starting out from the task delegated and formulated in the steering process based on the business plan.

Within SBAB great importance is given to creating and maintaining common values. The company culture should be recognised in all parts of the company. All managers undergo a training programme for leadership development in order to develop their roles and live up to what

is required of them by the company's management philosophy. In all, some 80 managers/specialists have participated in the development programme.

## EMPLOYEES

The number of employees had increased by 9 permanent staff and 10 temporary staff at 31 December. Increased volumes in the retail market, restructurings in lending in regard to multi-family housing, development work within IT, investments in marketing and web development have resulted in a number of new recruitments. With the aid of the new technology, the aim is to be able to handle larger loan volumes with unchanged or reduced numbers of staff. On the other hand the development work often demands additional resources in order to meet needs created by a new knowledge profile.

Last year's estimate that investments in new technology and a well-established Internet concept in the retail market would create room for increased lending volume without further increases in staff in the future still stands.

The average number of permanent employees in 2001 was 336 (346), of whom 199 were women. On 31 December 2001 the company had 347 (338) permanent employees, distributed as follows: supporting units in Stockholm and Karlstad 80 (72) and in the finance department 19 (16), in the retail market department in Karlstad 171 (181) and in property-company market offices 77 (69). The increase within supporting units is explained by the fact that two new sections, the web section and the market section have been established with personnel mainly from the retail office in Karlstad.

During 2001, the average number of temporary employees was 32 (19), of whom 21 (10) were women. The number of temporary employees on 31 December 2001 was 34 (24), consisting of 2 (1) in supporting units in Stockholm, 30 (22) in Karlstad and 2 (1) in the property-company market offices.

During the year, 60 per cent of the staff were women (permanent and temporary employees), women filling 40 per cent of the leading positions and 40 per cent of the executive management positions.

Employee turnover during the year was 12 per cent (16 per cent) The number of retirements in 2001 was 5.

Around one third of the staff have "post-gymnasium" education. Slightly more than half of the staff are in the age category 20–39 years.

Absence due to illness calculated on the average number of employees was 3.4 per cent during the year (3.1 per cent), which is low, compared to the general average. Absence due to long-term illness was 1.7 per cent (1.7 per cent).

Allowances for keep-fit activities were increased by SEK 500 to SEK 1 500 per employee in 2001.

The retail market office in Karlstad has conducted an extensive keep-fit project on a trial basis. In addition to training possibilities in paid working time, employees are offered a number of different activities with the aim of encouraging them to contribute to a "healthier company". Health education, stress and physical exercises have been some of the subjects as well as the offer of anti-smoking cures, free fruit, allowances for physical training in leisure time, health service, exercise premises at work and shower facilities, bicycle parking at the office, smoke-free working environment, exercise campaign and possibilities to take a break for motion. Within the limits for this project one hour a week has been set aside for group keep-fit activities. This trial project, resulting in the award "the healthiest company of the year" in the class "companies with 150–300 employees", will take in the whole of SBAB in 2002.

## TRAINING

The number of training days was 3.3 per employee during 2001. Most of the training efforts have been directed towards management development, practical leadership, working environment training/certification, training in personal commitment "offering" for all employees and competence development within the core activities.

Personal commitment "offering", half a day per person, has included all staff. A number of in-house coaches, around 20 persons, have acted as instructors.

A training programme for analysis and property evaluation has been initiated for employees in the property-company market, in co-operation with KTH, Royal Institute of Technology.

## BONUS

A bonus system covering all employees except the Managing Director was introduced on 1 January, 2000.

The bonus system for year 2001 has been simplified in such a way that all employees will receive an equal amount. A year's bonus may amount to a maximum of SEK 40 000 per employee depending on the outcome of the result (Note 5). The outcome is only related to the company's target result. Due to successful improvement in the result in 2001 the bonus amounted to SEK 36 200 for those employees who worked full time during the whole of 2001. The total amount for bonus including social costs was SEK 15.5 million.

## EQUAL OPPORTUNITY PLAN

SBAB has an equal opportunity plan endorsed by the Board, revised annually in co-operation with the staff organisations. In this connection guidelines for ethnical beliefs and cultures have also been established.

## PENSIONS

SBAB's ordinary pension commitments are covered by insurance. Agreements concerning salaries, severance payments, pensions, etc. for SBAB's management are described in Note 5.

The refund entitlement from SPP amounted to SEK 9.1 million (16.7 million). The whole amount refunded has been taken up as income. Cash payments of SEK 11.1 million (12.8 million) were paid out during the year.



Annelise Jansson  
Head of Communications

# STRUCTURAL VALUE

Under structural value, the company's technical developments, changes in organisation and newly established sections are described. An economic secretariat and a controller function were established during 2001. A common marketing section and a common web section have been established for the business areas.

A company's structural value includes processes, technology, methods, organisational and operational structures.

The new Internet technology has made it markedly easier for customers to plan and do their mortgage business outside of ordinary working hours. Evenings and holidays are the most frequent times loan applications are sent in via Internet. SBAB is trying to meet these new conditions in several ways, partly through flexible working hours, partly through continued strong development of web sites.

A new Internet site, [www.sbab.se](http://www.sbab.se), has been developed during the year which will have a number of new functions. For instance, from the spring of 2002, customers will be able to subscribe to and change their commitments themselves. Many of the functions are the same as SBAB uses internally at present but have been packaged differently to facilitate usage. A new system for access authorisation and security has also been introduced in this connection.

The new system design used in connection with these developments is more user-friendly and thus provides an improved base for increased productivity. During the year SBAB has developed a new technical platform integrating all basic systems. Components developed in that connection can be used for the development of both internal and external applications, making it possible, for instance, for all information needed in a particular case to be retrieved from the various systems at the one time.

The changed approach to availability calls for office hours, mainly within the retail market segment, to be changed to round-the-clock, seven days a week. The goal is to introduce with the aid of IT a 24-hour service all year round.

A high-speed network has been established between all SBAB offices, which has further improved the service level and increased the internal accessibility, aided by new media such as video conferences, picture transmissions, etc. Operational costs can be lowered and security increased as the high-speed network permits the servers to be located centrally. Operations become independent of geographical distances.

In order to obtain optimal management of all the administrative applications, a new administrative model has been developed, by means of

which further clarity, efficiency and increased output capacity should be obtained, contributing to increased competitiveness. The model is in the initial stages of implementation including three administrative projects. All administration applications should be included during 2002.

A uniform system has been established to improve the overview and accessibility of documents setting out policies and instructions. Most instructions and policy documents have been brought up to date and fit into a format facilitating future updates. This format will contribute to increased quality and make it easier to take a penetrative look at the operations.

Extensive work relating to a new business support system for the financial operations has been initiated.

## ORGANISATION

Some functions within SBAB are common to all three business areas but have lacked a central organisational point. In order to create synergistic effects and greater clarity as regards the brand name, two common sections for the business areas have been established. These are the marketing section, a central function for market activities and the web section, a joint function for all Internet related activities and projects.

In order to develop sales activities, strengthen focus on customers and obtain improved productivity within the corporate market, the management function has been strengthened. The corporate market offices, situated in Malmö, Växjö, Göteborg, Linköping, Stockholm and Umeå are responsible for all customer-oriented activities such as sales, property evaluation, analyses of companies and customer care.

The organisation has also been strengthened by process owners responsible for a uniform working method within the areas: sales, customer care and insolvency.

The quality of the loan portfolio is continuously under review, by examining customer ability to pay and by checking the correctness of mortgage values. An even more extensive and detailed review of the portfolio was carried out during 2001, contributing to more structured information of a higher quality.



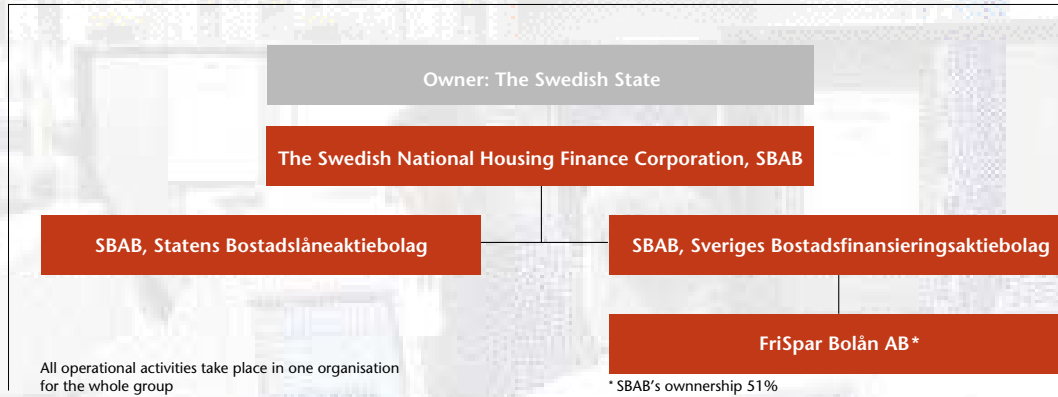
Ulf Tingström  
Head of Information



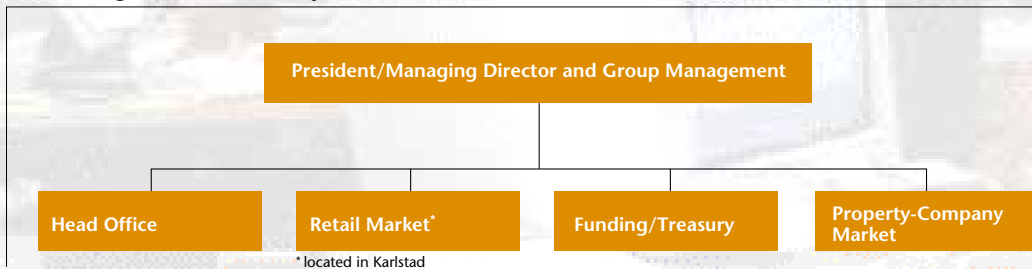
Christine Johansson  
Legal Counsel



## SBAB GROUP



## SBAB's organisation, January 2002



A common organisation has also been set up within the property-company market, to give service to customers with commitments of less than SEK 5 million. By specialising, the aim is to give these customers better service and to offer increased accessibility.

A controller function has been established to improve monitoring and management of the operations through the so called "Total balance sheet" approach – customer value, public value, staff value, structural value and financial capital.

On January 1, 2001 an economic secretariat was established, responsible for economic analyses and assessments of the financial markets. The secretariat's published articles make an important contribution to establishing SBAB's public image.

# FINANCIAL CAPITAL

Financial capital contains most of what traditionally belongs to the economic reporting in an annual report. In the earlier chapter "Customer value", new lending in the market and lending operations were in focus. Under financial capital, the report concentrates on the composition, risk level and risk management of the loan portfolio.

SBAB's loan losses continue to run at a low level and have affected the result negatively by SEK 55 million. Problem loans have been reduced from SEK 897 million to SEK 602 million. The provision ratio has increased from 40 per cent to 54 per cent.

## SBAB'S LENDING AND PORTFOLIOS

The subsidiary SBAB, Sveriges Bostadsfinansieringsaktiebolag grants loans in respect of residential property and, to a lesser extent, business and commercial properties. The subsidiary SBAB, Statens Bostadslåneaktiebolag administers a portfolio of loans approved by the former county housing authorities but funded by SBAB. To minimise risks in these loans, new loans may be granted if a better margin in the collateral is obtained, compared to the terms of the existing loans.

The guarantee covering SBAB, Statens Bostadslåneaktiebolag's capital adequacy will be replaced as of 2002 by a new market adjusted credit facility issued to the parent company, Statens Bostadsfinansieringsaktiebolag, SBAB. This facility also replaces the guarantee of SEK 1 500 million issued in 1989 by the Swedish National Debt Office to cover the company's general indebtedness. The new facility gives SBAB at any one time the right to take up loans at the Swedish National Debt Office within in a limit of SEK 10 000 million initially. The facility, for which SBAB pays a fee, will be reduced by a tenth a year. One of the reasons for this change is the reduced risk attaching to SBAB's earlier government-approved portfolio through the phasing out of high risk loans, a process spanning the period from SBAB's restructuring in 1995 up to the year-end 2001.

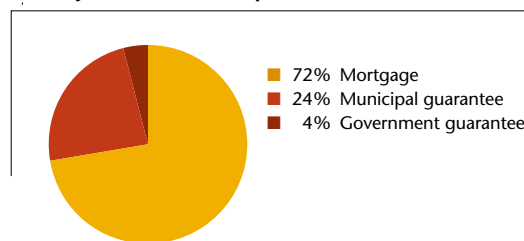


Bengt-Olof Nilsson  
Head of Lending

The prerequisites for the granting of a loan are that the collateral must be judged as satisfactory and that an analysis of capacity to pay, etc. should show that the borrower is able to fulfil the terms of the loan. When a mortgage provides the collateral, the collateral is regarded as satisfactory if the loan amount does not exceed 70 per cent of the market value of the underlying property as assessed by SBAB. Loans covered by municipal or government guarantees are granted up to the amount guaranteed.

SBAB's total loan portfolio has decreased by SEK 2 304 million compared with last year. The change can be mainly explained by the securitisation transaction undertaken during the year which totalled SEK 9 600 million.

## Security structure of loan portfolio



The average maturity in SBAB's portfolio has continued to shorten, from 2.0 years for 2000 to 1.8 years for 2001.

The percentage of loans covered by municipal or other guarantees has fallen from 31 per cent to 28 per cent during the year. Most new mortgage loans are for 70 per cent or less of the market value of the underlying property.

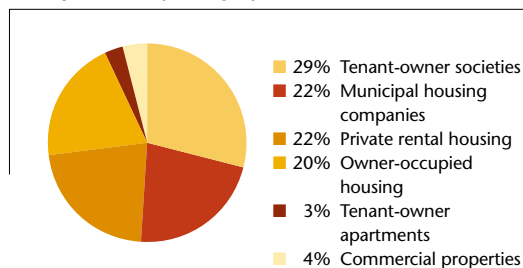
## Development of SBAB's loan portfolio

Excluding securitised loans

	2001	2000	1999	1998
Loan portfolio (SEK billion)	137	140	146	145
Average lending period (year)	1,8	2,0	2,4	2,5
Average interest rate (%)	5,50	5,74	6,08	7,63
Number of loans (thousand)	186	198	213	205
Loans with municipal or government guarantee (%)	28	31	34	42

The new lending is increasingly concentrated to larger cities and growth areas. To a large extent this is due to the demographic change. The population increases in the large city areas create increased demand for housing, which in its turn leads to high turnover in the property market with attendant borrowing needs.

**Loan portfolio by category of owner**



**PROBLEM LOANS AND LOAN LOSSES**

Problem loans, that is to say doubtful claims and loans with the interest rate reduced, have steadily decreased since 1997. At end 2000 they totalled SEK 897 million and by end 2001 they had decreased to SEK 602 million.

Loan losses for 2001 amounted to SEK 55 million (14 million). In spite of the relatively sharp increase compared to the previous year, loan losses are still at a historically low level. The increasing loan losses during the year could signal a return to what could be a long-term normalised level.

**Problem loans and provisions**  
31 December, SEK million

	2001	2000
Problem loans*	602	897
Provisions**	325	355
Problem loans after provisions	277	542
Problem loans where borrowers continue to meet their obligations (per cent)	57	69
Provision ratio (per cent)	54	40
Loan losses	55	14

\* Doubtful loans, loans with interest remissions  
\*\* Anticipated losses on doubtful loans

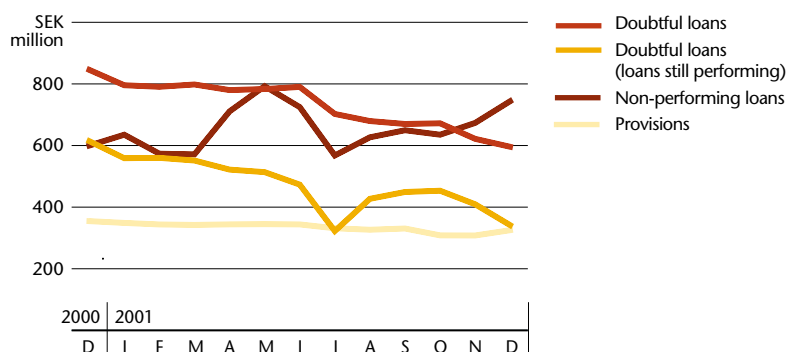
The main reason for the decreased number of problem loans is the lower interest rate level, which has contributed to a reduction in the number of borrowers having difficulty in meeting their loan obligations. Most of the problem loans, 80 per cent, are to tenant-owner societies.

Loan losses in the subsidiary company SBAB, Sveriges Bostadsfinansieringsaktiebolag

decreased from SEK 78 million to SEK 40 million between 2000 and end 2001. Problem loans decreased, after provisions, from SEK 407 million to SEK 195 million. Loan losses in the subsidiary company SBAB, Statens Bostadslåneaktiebolag amounted to SEK 15 million (-64 million). Problem loans decreased during the financial year from SEK 135 million to SEK 82 million, after provisions.

In general, problem loans continue to follow a positive trend in the way in which they are developing. There is reason, however, for taking a more cautious attitude in the assessment of their future development in the light of relatively uncertain developments in the economic situation. The dampening in economic activity, increased unemployment, falling prices and higher interest rates may in a longer perspective influence the development negatively, providing reason for an increased provision ratio in this year's accounts.

**Doubtful loans and provisions**



**OVERALL RISK MANAGEMENT**

The building-up of SBAB's overall company-wide risk management function has continued during the year. SBAB's risk management function should support business deals undertaken and the meeting of the company's rating goals and should conform with the authorities' requirements. Risk management support for business deals undertaken implies that there should be a system for allocating capital.

An ALCO-committee (Asset Liability Committee) has been established within the Board, where the company's overall risk management is examined.

Alongside the on-going work of measuring, controlling and managing the risks within the lending and funding operations, a project entitled "integrated risk management" has been started during the year. Within the project, a prioritisation of the development of SBAB's risk



# FINANCIAL CAPITAL

management has been undertaken, with precedence given to the Basle Committee's proposals regarding new regulations and principles for capital adequacy. These proposals aim at increasing stability in the financial system through the capital requirements reflecting the factual operations, and thereby the factual risk taking of the respective operator, at the same time as a more all-inclusive treatment of different types of risks is introduced. When proposing more refined methods for measuring the capital requirements covering credit risks, special capital requirements for an entity's operational risks are proposed concurrently.

A preliminary study has been embarked upon, based on the existing risk situation, encompassing SBAB's future management of operational risks, the development of an internal rating model and a method for risk-based allocation of capital, in addition to the development of a method for environmental analysis.

A pilot project is being undertaken as part of this study under the heading "Operational risks", aimed at working out a model for the monitoring, measuring and steering of operational risks and formulating proposals relating to the distribution of responsibilities, the organisation and reporting channels. The work is based on the ten principles laid down by the Basle Committee concerning the management of operational risk. When the work of the pilot project is complete, the model will be introduced throughout the whole organisation in stages during 2002.

## DEVELOPMENT OF INTERNAL RATING MODEL

The Basle Committee's new proposal for capital adequacy rules means an increased focusing on individual institution's risk management and capital allocation processes.

SBAB has strived for several years to improve the grounds for correct risk assessment so as to encompass detailed and reliable information regarding all the borrower's activities and the status of the mortgaged properties. These are also the grounds for differentiation in pricing depending on the risk concerned.

The Basle Committee has proposed that lenders should be able to use an internal rating model built on the company's own internal monitoring methods, as an alternative to a standard model, for calculating capital adequacy requirements, subject to the approval of the respective supervisory authorities. A developed internal rating model will make it possible to more correctly show the diminishing nature of the security risk inherent in a well collateralised good loan. The application of an internal rating model presupposes statistically confirmed historical information with regard to the probability of failure for different loans and the sizes of possible losses for different loan/collateral values for the mortgage.

Preparatory work is in progress in the development of a so called risk based capital allocation model, where all risks are taken into account. The goal is to bring about a clearer coupling between profitability demands and risk assessment. This, together with a correct cost/income distribution to the different business areas, will make it possible to calculate a risk adjusted yield for each business area.

Environmental factors, such as changes in the national economy and in customer behaviour and loan demand, have a large impact on the company's risk situation. A method is being developed for better illustrating the impact of environmental factors on the risk picture and mapping out situations which might lead to unexpected variations in the results and their development.



Krister Orrell  
Deputy Managing Director

## Rate adjustment periods December 31, 2001 for contracted flows related to financial assets and liabilities (SEK million)

Period	0-3 months	3-6 months	6-12 months	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	>5 yrs	Total
<b>ASSETS</b>									
Investments	7 365	525	0	0	0	0	0	0	7 890
Lending	52 634	5 856	16 906	26 593	7 110	8 105	9 253	10 973	137 430
<b>Total asset flows</b>	<b>59 999</b>	<b>6 381</b>	<b>16 906</b>	<b>26 593</b>	<b>7 110</b>	<b>8 105</b>	<b>9 253</b>	<b>10 973</b>	<b>145 320</b>
<b>LIABILITIES</b>									
Short-term borrowing	-4 942	0	0	0	0	0	0	0	-4 942
Issued securities	-57 283	-8 699	-17 711	-34 169	-1 520	-2 689	-6 441	-6 402	-134 914
<b>Total liability flows</b>	<b>-62 225</b>	<b>-8 699</b>	<b>-17 711</b>	<b>-34 169</b>	<b>-1 520</b>	<b>-2 689</b>	<b>-6 441</b>	<b>-6 402</b>	<b>-139 856</b>
<b>OFF-BALANCE SHEET</b>	<b>5 110</b>	<b>2 033</b>	<b>4 877</b>	<b>6 759</b>	<b>-5 901</b>	<b>-5 370</b>	<b>-2 560</b>	<b>-4 948</b>	<b>0</b>
<b>Total off-balance sheet</b>	<b>5 110</b>	<b>2 033</b>	<b>4 877</b>	<b>6 759</b>	<b>-5 901</b>	<b>-5 370</b>	<b>-2 560</b>	<b>-4 948</b>	<b>0</b>
<b>NET FLOWS</b>	<b>2 884</b>	<b>-285</b>	<b>4 072</b>	<b>-817</b>	<b>-311</b>	<b>46</b>	<b>252</b>	<b>-377</b>	<b>5 464</b>

## FINANCIAL RISKS

Different types of financial risks arise in the course of a housing mortgage institution's operations. Apart from the credit risks associated with lending, these are mainly interest, currency, option, liquidity, refinancing and counterpart risks.

It is a feature of SBAB's operations that risk-taking is kept at a low level. Limits are determined for the different risk categories and the manner in which risks should be identified, managed, measured, reported and independently monitored is laid down. Reporting of the company's financial risks is done on a monthly basis at which time the result generated by applying the stipulated risk limits is also reported.

SBAB has successively strengthened the organisation surrounding the continual management of the financial risks arising in the operations and the ability to independently monitor and report these risks. The support system for the systematic and profitable management of financial risks is therefore constantly being improved.

## INTEREST RATE RISKS

Interest rate risks arise when the interest rate adjustment periods related to financial assets and liabilities and off-balance sheet items do not coincide, thereby affecting the flows. These flows might have different sensitivity to changes in the interest rate level that could result in a decrease in the company's profitability if the interest rate risks are not continually adjusted.

Fundamental to SBAB's interest rate risk management is the concept of matching, by which is meant that interest rate adjustment periods on the funding side should coincide with loan maturities on the lending side. The interest rate risk<sup>1)</sup> is measured on a daily basis by a so-called GAP-analysis.

SBAB employs derivative instruments to manage interest rate risks that have arisen. Interest rate swaps and interest rate futures allow flexible handling of interest rate risks whereby a desired profile of the company's maturity structure can be achieved.

The operative interest rate risk reflects the company's exposure in connection with day-to-day funding and lending operations. The operative interest rate risk may not exceed 1 per cent of the equity capital at the start of the year, in other words SEK 39 million. At the end of the year, SEK 21.9 million of the limit was utilised.

The spread risk is the risk of a change over time in the relative spread between the interest rates

## Interest rate risk of a parallel shift in the yield curve of +1 percentage point taking into consideration all contracted flows at 31 December 2001

SEK million	0-3 months	3-6 months	6-12 months	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	>5 yrs	Total
Assets	-82	-29	-144	-466	-205	-281	-382	-515	-2 105
Liabilities	75	37	146	539	48	97	233	291	1 466
Off-Balance sheet	15	0	-36	-105	143	167	118	209	510
Total interest rate risk	8	7	-35	-32	-14	-18	-31	-15	-129

quoted by two issuers. Spread risk may occur in connection with bond maturities where pre-arranged funding, aiming at reducing liquidity risks, is temporarily invested in liquid interest-bearing securities until the redemption date of the bonds in question. The spread risk<sup>2)</sup> is limited to SEK 50 million. At the end of the year the limit was unutilised.

Reverse spread risk arises in those cases when interest rate cover is initially done through sales of government futures. The limit for the reverse spread risk<sup>2)</sup> is set at SEK 20 million. At the end of the year the limit was unutilised.

## EQUITY CAPITAL

SBAB's equity capital is employed in lending and investing in interest-bearing securities. The capitalised float arising from the operations is handled correspondingly. The exposure arising from the employment of the equity capital and the float constitutes SBAB's strategic interest rate risk.

It should be the aim that the average period for which the equity capital and the float are invested should correspond to the average period for lending, which was 1.8 years (2.0 years) at the end of the year. The strategic interest rate risk should not exceed 5 per cent of equity capital at the start of the year. This corresponded to SEK 197 million at year-end. A maximum of 25 per cent of this amount may be allocated to the nearest twelve month period. The strategic interest rate risk at the end of 2001 was SEK 106.7 million.

SBAB's total interest rate risk, which is the sum of the operative, strategic, spread and reverse spread risks may not exceed SEK 286 million. At the year-end, SEK 128.6 million of the amount available had been utilised.

1) The interest rate risk is calculated as the effect on the present value at a parallel shift in the yield curve of +/- one percentage point. For the operating risk the interest rate risk is calculated based on the market value and the strategic interest rate risk based on all contracted liquid flows.

2) The interest rate risk is calculated as the cost for a change in the spread of +/- 0.25 of a percentage point.

# FINANCIAL CAPITAL

## CURRENCY RISKS

Currency risks arise when assets and liabilities or the flows that these generate are not of equivalent size in one and the same currency.

All of SBAB's lending is denominated in Swedish kronor and funded correspondingly. This means that all funding raised internationally is converted into Swedish kronor before the funds are used for lending.

SBAB's currency exposure at any one time may not exceed an amount corresponding to SEK 10 million for all foreign currencies. The currency risk limit aims at creating some latitude in the management of flows in different currencies and at facilitating repurchases of prior issued bonds in foreign currencies where surpluses have arisen. The exposure as at 31 December 2001 was SEK 1.3 million.

## OPTION RISKS

What is meant by option risk is the risk of loss attaching to an open contract containing an element of option where the corresponding counter-availing contract is lacking. When necessary and at the borrower's request certain lending is conditioned by means of option structures. For example, for the cost of a premium, a borrower can guard against the interest rate exceeding a certain agreed level at the next interest rate adjustment. As a principal rule, however, a corresponding contract on the funding side will be entered into, thus eliminating the option risk so created. A limit of SEK 2.0 million aims at allowing a flexible handling of option-related lending. At the year-end, the limit had been utilised to the extent of SEK 0.1 million.

## LIQUIDITY AND REFINANCING RISKS

Liquidity risks arise if the company is not able to fulfil its obligations, for instance in the redemption of bonds when due or in meeting contracted payments to swap counterparties. Liquidity risks can arise when assets, liabilities and items not included in the balance sheet have different maturities.

Refinancing risk arises when assets mature later than the corresponding liabilities. Should this situation arise, the assets have to be refinanced once or perhaps several times to maturity. The risk then arises that the necessary new funding can only be obtained to a higher price than was earlier the case.

Different techniques are used in order to regulate and limit the appearance of these risks.

- In the main, a so-called matching principle is applied, which means that assets and liabilities are accorded the same fixed interest rate periods, governed by the date of maturity for the funding.

- SBAB regularly finances up to 50 per cent of the short-term lending with funding having a longer term. However, the respective interest rate adjustment dates for the assets and liabilities coincide, which means that the interest rate risk can be kept within given limits notwithstanding.

- Another possibility is to currently pre-arrange funding to meet future maturities. The funds so arranged are invested in interest-bearing securities with high liquidity, making them easier to sell when the need arises. The limit set at SEK 5 billion was unutilised over the year-end.

- The volume of funding with shorter fixed interest periods than the corresponding lending may not exceed SEK 6 billion, of which SEK 2.9 billion was utilised at the end of the year.

- SBAB also has the possibility of borrowing to invest in liquid interest-bearing securities up to an amount equivalent to 10 per cent of the balance sheet, which corresponded to SEK 14.7 billion at the year-end, at which time this portfolio amounted to SEK 2.7 billion.

- The sale of government futures may not exceed SEK 5 billion. This limit was unutilised at the year-end.

- In order to further strengthen access to liquid funds SBAB has entered into stand-by credit agreements. These credit facilities stood at SEK 5.6 billion at the year-end, at which time the facilities were unutilised.

- An essential prerequisite for SBAB, in ensuring that these kinds of risks are minimised, is that SBAB has access to the whole global capital market at all times. Liquidity and refinancing possibilities may then be secured, even if one or more of the markets periodically functions less well. Such an assurance is obtained by SBAB showing a high market presence, securing good investor relations and having the necessary programmes to distribute its securities easily.



## COUNTERPARTY RISKS

Counterparty risk is the risk of a counterparty to a derivative contract not being able to fulfil his payment obligations. If this should occur SBAB would be obliged to replace the contract with a corresponding new contract in the market. If the derivative contract should have a positive value, i.e. if SBAB has a claim on the counterparty, a loss might thus occur when the contract is replaced. Financial credit risk might also arise as a consequence of liquidity investments.

SBAB uses derivative instruments in the day-to-day operations as a means of eliminating risks that arise. SBAB is a frequent market participant, mainly in the swap market, primarily entering into currency and interest rate swaps but also swap contracts with equity and interest rate structures so as to neutralise the risk in the underlying financing. Another reason for the use of derivative instruments might be that borrowers in their turn ask for products with derivative features, structures which SBAB eliminates by entering into derivative contracts.

## CAPITAL ADEQUACY

Capital and primary capital ratios increased in 2001 as a result of the securitisation transaction undertaken during the year and the shareholder contribution made by Sparbanken Finn and Sparbanken Gripen to Frispar Bolån AB. The securitisation transaction affected the capital ratio by 0.9 percentage points and the primary capital ratio by 0.7 percentage points.

At year-end the capital and primary capital ratios were 9.5 per cent and 7.0 per cent respectively. The total effect of all securitisation transactions was 1.3 percentage points for the capital ratio and 1.1 percentage points for the primary capital ratio



# RESULT

## THE SBAB GROUP

The group reported a profit of SEK 541 million (469 million), an improvement of 15 per cent compared with the figure for 2000. The improvement is due to a sharp increase in net interest income.

## NET INTEREST INCOME

Net interest income amounted to SEK 1 069 million (898 million), an improvement of 19 per cent compared to previous year. The improvement can be attributed to increased lending volume and improved margins as a result of increased adjustment of pricing in relation to lending risk and a shift in the portfolio towards the retail market with higher profitability.

The investment margin – net interest income in relation to average balance sheet total – increased from 0.59 per cent in 2000 to 0.72 per cent in 2001.

## OTHER INCOME

Other income (total income excluding net interest income and less compensation to co-operation partners) amounted to SEK –11 million (–8 million), a decrease of SEK 3 million compared to last year. Both commission income and commission costs increased. Income increased by SEK 9 million as a result of increased income for the management of the securitised portfolios. Costs increased by SEK 14 million, mainly attributed to increased commissions to co-operation partners.

## LOAN LOSSES

The loan loss volume continued to be low in 2001 and amounted to SEK 55 million (12 million). Compared to the previous year this reflected an increase of SEK 43 million. The increase should be seen in the light of the loan loss situation being unusually favourable for a number of years and the underlying causes now achieving more normal proportions.

## OTHER EXPENSES

Other expenses (total costs excluding loan losses) amounted to SEK 462 million (409 million), an increase of SEK 53 million compared with the previous year. Most of the increase relates to IT-investments, including a new web site and a new technical environment which has made integration possible between Internet and the administrative loan systems.

## THE SWEDISH NATIONAL HOUSING FINANCE CORPORATION, SBAB (PARENT COMPANY)

The parent company reported an operating profit – result before tax and allocations – of SEK 26 million (54 million).

An allocation of SEK 39 million (24 million) has been made to a tax allocation reserve. Dissolution of tax equalisation reserve amounted to SEK 0 million (69 million) and of tax allocation reserve to SEK 129 million. There were no Group contributions during 2001 (0). Tax for the year is estimated at SEK 32 million (28 million).

Risk-bearing capital – the sum of subordinated debts, untaxed reserves and equity capital – amounted to SEK 5 210 million (5 078 million) at year-end. Subordinated debt has increased by SEK 197 million compared to the previous year. During 2001 SEK 103 million (89 million) was distributed to the owner.

The capital ratio was 229 per cent (200 per cent) at the year-end.

## THE SUBSIDIARIES

In 1995 the portfolio of government agency-approved loans was transferred to SBAB, Statens Bostadslåneaktiebolag and the portfolio of SBAB approved loans was transferred to SBAB, Sveriges Bostadsfinansieringsaktiebolag. All loans have been credit-appraised by SBAB since the end of 1995 and have also been placed under market conditions. Pursuant to a decision by Parliament all exercise of government authority in relation to SBAB's government agency-approved loans ceased on January 1, 1997. During 2001 a co-operation was initiated with the independent savings banks Finn and Gripen respectively in the jointly owned company FriSpar Bolån AB.

### **SBAB, STATENS BOSTADSLÅNEAKTIEBOLAG**

The company reported an operating profit before tax and allocations of SEK 106 million (200 million). An allocation of SEK 27 million (40 million) has been made to a tax allocation reserve. There have been no Group contributions during 2001 (0).

The company's loan portfolio totalled SEK 34 636 million (39 824 million) at the end of the year.

The capital ratio was 19.0 per cent (17.6 per cent) at the year-end.

### **SBAB, SVERIGES BOSTADSFINANSIERINGS AKTIEBOLAG**

The company reported an operating profit before tax and allocations of SEK 406 million (216 million). An allocation of SEK 102 million (44 million) has been made to a tax allocation reserve. There have been no Group contributions during 2001 (0).

The company's loan portfolio at the end of 2001 amounted to SEK 98 307 million (99 911 million).

At the end of the year the capital ratio was 9.1 per cent (9.0 per cent).

### **FRISPAR BOLÅN AB**

FriSpar Bolån AB is owned as to 51 per cent by SBAB. The operating profit before tax and allocations amounted to SEK 2 million. An allocation of SEK 1 million has been made to a tax allocation reserve.

The company's loan portfolio at the end of 2001 amounted to SEK 4 486 million and the capital ratio was 8.4 per cent.





# INCOME STATEMENT

SEK million	NOTE	GROUP		PARENT COMPANY	
		2001	2000	2001	2000
Interest income		8 078	8 398	7 044	7 563
Interest expenses		(7 009)	(7 500)	(6 975)	(7 481)
<b>Net interest income</b>	1	<b>1 069</b>	898	<b>69</b>	82
Dividends received		0	0	0	0
Commission income	2	33	24	–	–
Commission expenses	3	(48)	(34)	(16)	(11)
Financial transactions, net		–	–	–	–
Other operating income	4	4	2	18	18
<b>Total net interest income and operating income</b>		<b>1 058</b>	890	<b>71</b>	89
General administration expenses	5	(404)	(340)	(27)	(17)
Depreciation of tangible fixed assets	6	(15)	(16)	(15)	(16)
Other operating expenses	7	(43)	(53)	(3)	(2)
<b>Total operating expenses excluding loan losses</b>		<b>(462)</b>	(409)	<b>(45)</b>	(35)
<b>Operating income before loan losses</b>		<b>596</b>	481	<b>26</b>	54
Loan losses, net	8	(55)	(14)	–	–
Change in value of repossessed property	9	–	2	–	–
<b>Operating income</b>		<b>541</b>	469	<b>26</b>	54
Allocations	10	–	–	90	45
Minority share in the year's result		(1)	–	–	–
Tax on profit for the period	11	(152)	(132)	(32)	(28)
<b>Net profit for the year</b>		<b>388</b>	337	<b>84</b>	71

# BALANCE SHEET

SEK million	NOTE	GROUP		PARENT COMPANY	
		31 Dec 2001	31 Dec 2000	31 Dec 2001	31 Dec 2000
<b>ASSETS</b>					
Cash in hand and balance at central banks		0	0	0	0
Eligible Treasury Bills, etc.	12	2 641	8 607	2 641	8 607
Lending to credit institutions	13	5 141	1 214	139 369	137 967
Lending to the public	14	137 430	139 732	–	–
Bonds and other interest-bearing instruments	15	108	177	108	177
Shares		0	0	0	0
Shares and participations in group companies	16	–	–	2 722	2 722
Tangible assets	17	28	32	28	32
Other assets	18	563	416	60	75
Pre-paid costs and accrued income	19	814	915	34	57
<b>TOTAL ASSETS</b>		<b>146 725</b>	<b>151 093</b>	<b>144 962</b>	<b>149 637</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>					
<i>Liabilities</i>					
Debt to credit institutions	20	4 942	11 856	4 929	11 855
Borrowing from the public		–	–	–	–
Bonds issued, etc.	21	132 498	129 206	132 698	129 206
Other liabilities	22	263	875	55	734
Accrued costs and pre-paid income	23	2 086	2 739	2 070	2 720
Allocations	24	199	188	–	–
Subordinated debt	25	2 418	2 221	2 418	2 221
<b>Total liabilities</b>		<b>142 406</b>	<b>147 085</b>	<b>142 170</b>	<b>146 736</b>
<b>Untaxed reserves</b>	26	<b>–</b>	<b>–</b>	<b>263</b>	<b>353</b>
<b>Minority share holding</b>		<b>99</b>	<b>73</b>	<b>–</b>	<b>–</b>
<i>Equity capital</i>					
27					
<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		511	483	–	–
<i>Unrestricted equity</i>					
Profit brought forward		971	765	95	127
Net profit for the year		388	337	84	71
<b>Total equity capital</b>		<b>4 220</b>	<b>3 935</b>	<b>2 529</b>	<b>2 548</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>146 725</b>	<b>151 093</b>	<b>144 962</b>	<b>149 637</b>
<b>MEMORANDUM ITEMS</b>					
Security pledged for own debt	28				
Other security pledged	N/A				
Contingent liabilities	N/A				
Commitments	29				

# CASH FLOW ANALYSIS

SEK million	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
<b>Liquid funds at the beginning of the period</b>	<b>825</b>	<b>802</b>	<b>773</b>	<b>792</b>
<b>CURRENT OPERATIONS</b>				
Interest and commission received	8 280	8 489	7 112	7 629
Interest and commission paid	(8 035)	(9 613)	(7 967)	(9 526)
Dividends received on shares and similar securities	0	0	0	0
Receipts in respect of earlier written down loans	20	32	–	–
Payments to suppliers and employees	(452)	(390)	(35)	(21)
Paid income tax	(149)	(141)	(30)	(23)
Decrease in lending to the public	2 332	5 882	–	–
Increase/Decrease in bonds, current assets	1 752	(5 726)	1 750	(5 727)
Increase/Decrease in debt to credit institutions	(6 914)	9 740	(6 926)	9 739
Change in other assets and liabilities	(191)	(133)	2 612	6 027
<b>Cash flow from current operations</b>	<b>(3 357)</b>	<b>8 140</b>	<b>(3 484)</b>	<b>8 098</b>
<b>INVESTMENT OPERATIONS</b>				
Sales of tangible fixed assets	1	2	1	2
Acquisition of tangible fixed assets	(13)	(24)	(13)	(24)
<b>Cash flow from investment operations</b>	<b>(12)</b>	<b>(22)</b>	<b>(12)</b>	<b>(22)</b>
<b>FINANCING OPERATIONS</b>				
Interest bearing bonds issued	45 277	33 488	45 477	33 488
Repayment of interest bearing bonds	(49 967)	(44 754)	(49 967)	(44 754)
Increase in other borrowing, short-term	7 860	3 260	7 860	3 260
Dividend paid	(103)	(89)	(103)	(89)
Minority share holder's contribution received	25	–	–	–
<b>Cash flow from financing operations</b>	<b>3 092</b>	<b>(8 095)</b>	<b>3 267</b>	<b>(8 095)</b>
Increase/Decrease in liquid funds	(277)	23	(229)	(19)
<b>Liquid funds at the end of the period</b>	<b>548</b>	<b>825</b>	<b>544</b>	<b>773</b>

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

GROUP SEK million Risk group	Balance sheet items	Off-balance sheet items	Total investments	Risk-weighted amount 31 December 2001	Risk-weighted amount 31 December 2000
A = 0 per cent	40 982	91	41 073	0	0
B = 20 per cent	5 481	3 773	9 254	1 851	2 258
C = 50 per cent	86 839	1 544	88 383	44 191	43 353
D = 100 per cent	13 273	408	13 681	13 681	11 648
<b>Total risk weighted amount</b>				<b>59 723</b>	<b>57 259</b>

PARENT COMPANY SEK million Risk group	Balance sheet items	Off-balance sheet items	Total investments	Risk-weighted amount 31 December 2001	Risk-weighted amount 31 December 2000
A = 0 per cent	139 660 <sup>1)</sup>	–	139 660	0	0
B = 20 per cent	5 262	3 773	9 035	1 807	2 188
C = 50 per cent	–	–	–	–	–
D = 100 per cent	29	–	29	29	1
<b>Total risk weighted amount</b>				<b>1 836</b>	<b>2 189</b>

CAPITAL BASE SEK million	GROUP		PARENT COMPANY	
	31 December 2001	31 December 2000	31 December 2001	31 December 2000
Taxed capital	3 589	3 349	2 409	2 445
Untaxed reserves, adjusted for tax	511	483	189	254
Minority share holding	99	73	–	–
<b>Total primary capital</b>	<b>4 199<sup>2)</sup></b>	<b>3 905</b>	<b>2 598<sup>2)</sup></b>	<b>2 699</b>
Subordinated loans, fixed term	760	898	760	898
Perpetual subordinated loans	852	771	852	771
Other	(138)	–	–	–
<b>Total secondary capital</b>	<b>1 474</b>	<b>1 669</b>	<b>1 612</b>	<b>1 669</b>
<b>Total capital base</b>	<b>5 673</b>	<b>5 574</b>	<b>4 210</b>	<b>4 368</b>
Capital ratio, per cent	9.5	9.7	229.3	199.5
Primary capital ratio, per cent	7.0	6.8	141.5	123.3

1) The parent company raises all funds required by the group and only lends to subsidiaries against promissory notes supported by the subsidiaries' lending. Claims on or guaranteed by a company which is a member of the same group as the lending institution, the parent company, and which are covered by the consolidated capital requirement do not require any risk capital, i.e. the risk-weighting is 0 per cent.

2) Proposed dividend of SEK 120 million has not been included in the primary capital.



# ACCOUNTING PRINCIPLES

The Swedish National Housing Finance Corporation, SBAB's financial statements have been prepared in accordance with the Swedish Annual Report Act for credit market and securities companies and with the regulations issued by the Swedish Financial Supervisory Authority.

All figures are shown in million Swedish kronor (SEK million) unless otherwise stated.

## Consolidated group financial statements

The Group consists of the parent company and two subsidiaries, with the parent company owning 100 per cent of the shares in the subsidiaries. SBAB, Sveriges Bostadsfinansieringsaktiebolag owns in its turn 51 per cent in FriSpar Bolån AB, which is consolidated into the Group. The consolidated group financial statements have been prepared according to the recommendation of the Swedish Financial Accounting Standards Council (RR1:96), which means that the subsidiaries have been eliminated according to the purchase method.

## Loan losses

Reported loan losses, see note 8, consist of actual losses incurred during the year (directly written down), provisions for anticipated loan losses and reversals of interest payments, etc, reported in the financial statements for 2000.

Actual losses are losses where the amounts involved have been finally established or are more than likely to occur.

Claims are assessed individually, except for owner-occupied homes, where a standardised provision of 5 per cent of doubtful claims is made in the case of SBAB, Sveriges Bostadsfinansieringsaktiebolag and 15 per cent in the case of SBAB, Statens Bostadslåneaktiebolag.

Claims for which an individual assessment has been made have been written down by the difference between the amount outstanding under the loan and the amount which the company can expect to recover. The reserve for anticipated loan losses has reduced the outstanding total of loans reported under the heading "Lending to the public" in the balance sheet.

## Problem loans

Information on problem loans is presented in note 14. These refer to lending where principal or interest payments are more than 60 days in arrears or where other circumstances lead to uncertainty about repayment of the loan. Furthermore, the value of collateral for these loans does not cover both outstanding principal and accrued interest by a safe margin. Problem loans also include loans that have been granted interest remissions.

In cases where there is a loss risk in connection with these loans, provision has been made for anticipated loan losses. Claims are reported net of this provision. At present, it is expected that the remaining amount outstanding will be recovered. Accrued interest payments on doubtful loans are not taken up as income.

## Premiums and discounts on bond loans and repurchases

Premiums and discounts at the time when bonds are issued are spread over the term of the bond to obtain an effective annual interest rate. The part attributable to the present year has affected net interest income. Accrued price differences affect the bond debt reported in the balance sheet, as for the accrued acquisition value. When repurchase of SBAB bonds should be regarded as a debt swap, the premium/discount is spread over the term of the repurchased bond. A debt swap occurs when the repurchased bond is replaced by a new issue with the same maturity date in principle as the repurchased bond. When repurchases are made to correct mismatching in the portfolio, which may be due to prepayment or actual loan losses, this price difference is also spread over the outstanding term of the repurchased bond. The result of futures transactions entered into to avoid interest rate risks in borrowing is spread over the period for which the interest rate on the borrowing protected in this manner is fixed.

Bond issues with connected repurchase agreements, so-called repos, are regarded as short-term borrowing, and the price difference constitutes the interest cost for the period.

Subordinated debt is treated similarly.

## Prepayment of loans

Borrowers who prepay loans pay interest rate differential compensation intended to cover the cost that may be incurred if the company cannot realise the same interest rate return on the prepaid amount as was earned on the prepaid loan. Interest rate differential compensation is spread over the average remaining term of the matching bonds.

## Property repossessed to protect claims

Property taken-over in order to protect claims is treated as a current asset and valued at the lower of acquisition cost and market value. The outcome of the property management is reported net of rental income and operating costs, maintenance and property tax under the heading "Other operating income" or under the heading "Other operating expenses".

## Equipment

Equipment is valued at acquisition cost less accumulated depreciation.

## Depreciation of equipment

Computer equipment is depreciated at the rate of 25 per cent of the acquisition cost; for other equipment depreciation is at 20 per cent.

## Reporting of financial instruments

The company's holdings of Swedish Treasury bills and Riksbank certificates and other interest-bearing instruments not hedging interest rate risks are recorded at the lower of acquisition cost and market price - principle of lowest value. Realised capital gains and losses on these instruments and unrealised changes in their

value are reported in the Income Statement under "Financial transactions, net".

By acquisition cost is meant the accrued acquisition cost, the value of which corresponds to the present value of future payments discounted by the effective interest rate at the time of the acquisition. This method takes account of acquisitions above and below par by spreading them over the remaining term of the instrument. Payments received plus the change in the accrued acquisition cost during the year are reported as interest income.

The company's holdings of Swedish Treasury bills and Riksbank certificates and other interest-bearing instruments acquired in order to cover interest rate risks in borrowing at fixed-interest rates are reported according to the hedging accounting principles. The unrealised positive values of these holdings have not been included in the calculation of the total market value of the portfolio; corresponding negative values exist in SBAB's long-term borrowing in SEK. The result of these transactions is distributed over the period for which interest rates on the instruments are fixed.

Spot and derivative transactions in the money, bond and currency markets are reported in the Balance Sheet per transaction date, i.e. at the point in time when the essential risks and rights were exchanged between the parties.

## Securitisation transactions

The securitisation transactions undertaken are of the type true-sale. This means that the transfer is definite and without recourse to SBAB. SBAB may, however, have certain remaining claims on the company to which SBAB has transferred loans. If it is a question of claims which could be considered as credit enhancement, a reduction in value of the credit enhancement will be deducted from the sum of the primary and secondary capital in the calculation of capital adequacy requirements.

## Valuation of assets and liabilities in foreign currencies

Bonds issued in foreign currencies have been protected from exchange rate variations through a combination of currency and interest rate swaps and equity-linked derivative contracts which act as hedges against the currency exposure. These bonds have been recorded at the exchange rate at the time of their currency hedge conversion. Subordinated debt is treated in the same way. Other assets and liabilities in foreign currencies are recorded at the prevailing rates on the balance sheet date.

## Pensions

The pensions of SBAB employees under the government social security pension plan are supplemented by an additional pension programme negotiated between the parties on the labour market. SBAB's commitments under this programme have been covered through insurance.

# NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

## 1 Net Interest Income

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
<i>Interest income:</i>				
Lending to credit institutions	86	55	6 833	7 455
Lending to the public	7 781	8 235	–	–
Interest-bearing securities	211	108	211	108
<b>Total</b>	<b>8 078</b>	<b>8 398</b>	<b>7 044</b>	<b>7 563</b>
<i>Interest expenses:</i>				
Debt to credit institutions	170	138	170	138
Borrowing from the public	1	3	1	3
Interest-bearing securities	6 569	7 130	6 567	7 141
Subordinated debt	231	193	231	193
Other	38	36	6	6
<b>Total</b>	<b>7 009</b>	<b>7 500</b>	<b>6 975</b>	<b>7 481</b>
<b>Net interest income</b>	<b>1 069</b>	<b>898</b>	<b>69</b>	<b>82</b>

The average interest rate on lending to the public during the year was 5.50 per cent (5.74 per cent 2000).

AVERAGE BALANCES FOR THE ITEMS ABOVE	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Lending to credit institutions	2 225	2 497	138 360	140 813
Lending to the public	141 446	143 560	–	–
Interest-bearing securities	5 066	2 399	5 066	2 399
Debt to credit institutions	4 208	3 581	4 208	3 581
Borrowing from the public	36	66	36	66
Interest-bearing securities	128 363	136 888	128 363	136 891

## 2 Commission income

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Commissions on lending	33	24	–	–
<b>Total</b>	<b>33</b>	<b>24</b>	<b>–</b>	<b>–</b>

## 3 Commission expenses

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Commissions on securities	16	11	16	11
Other commissions	32	23	–	–
<b>Total</b>	<b>48</b>	<b>34</b>	<b>16</b>	<b>11</b>

## 4 Other operating income

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Capital gains from sale of tangible assets	1	1	1	1
Other	3	1	17	17
<b>Total</b>	<b>4</b>	<b>2</b>	<b>18</b>	<b>18</b>

## 5 General administration expenses

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Staff costs				
– salaries and fees	125	116	9	6
– costs for pension premiums	15	17	1	1
– other social costs	50	48	3	2
IT costs	98	67	7	3
Rents and other costs for premises	23	26	1	1
Other administration expenses	93	66	6	4
<b>Total</b>	<b>404</b>	<b>340</b>	<b>27</b>	<b>17</b>

### The group

The average number of employees during 2001 was 368 (365), of whom 220 (212) were women and 148 (153) men. On 31 December 2001 there were 381 employees.

Salaries and other remuneration totalled SEK 125 million (116 million), of which SEK 5 million (4 million) in respect of the Board, the Managing Director and the Deputy Managing Directors.

Pension premiums and tax thereon amounted to SEK 21 million, of which SEK 8.5 million in respect of the Managing Director and the Deputy Managing Directors, out of which SEK 3.5 million was a lump sum to secure one of the Deputy Managing Director's pension at 60 years of age within the guidelines for the general pension agreement within the banking area.

The Board Chairman's remuneration was SEK 120 000 (110 000).

Salary and other remuneration paid to the Managing Director amounted to SEK 1 955 267 (1 734 400).

Car and benefits in kind amounted to SEK 0 (58 366).

Salary and other remuneration paid to the Managing Director of the subsidiary SBAB, Statens Bostadslåneaktiebolag amounted to SEK 1 092 710 (898 086).

Car and benefits in kind amounted to SEK 0 (61 232).

Salary and other remuneration paid to the Managing Director of the subsidiary SBAB, Sveriges Bostadsfinansieringsaktiebolag amounted to SEK 1 227 462 (1 058 442).

Car and benefits in kind amounted to SEK 56 833 (62 448).

Four Board Members who sit on the company's credit committee and advisory committees have been paid fees totalling SEK 162 000 (56 000) in addition to the fees decided by the Annual Meeting. From 1998 onwards, members of the Boards of the Group and the subsidiaries no longer receive interest rate benefits.

Fees and reimbursement of costs to KPMG's accountants amounted to SEK 2 429 000, of which SEK 834 000 related to the audit.

Fees and reimbursement of costs to Hans Lindén amounted to SEK 180 000, of which SEK 180 000 related to the audit.

### The parent company

Practically all staff in the SBAB group are employed by the parent company, the Swedish National Housing Finance Corporation, SBAB and by its subsidiaries, SBAB, Statens Bostadslåneaktiebolag and SBAB, Sveriges Bostadsfinansieringsaktiebolag under a joint responsibility, but with the parent company as their main employer. Seven persons are solely employed by the parent company, the Swedish National Housing Finance Corporation, SBAB. Staff costs are distributed between the companies in the group in relation to resources consumed in each company. For the parent company this share amounted to 6.8 per cent (5.0 per cent) of group costs.

### Refunds by SPP and negotiated pensions

Refunds referring to index-tied funds made by SPP Life Insurance amounted to SEK 9 080 372. The balance remaining from earlier amounts refunded was SEK 3 893 460. In addition SBAB has bought a refund payment entitlement from SPP from another company of SEK 7 172 139. Cash payments from SPP for SEK 11 065 599 have been made during the year. At the year-end, refund payments from SPP remaining amounted to SEK 9 080 372.

During the year premiums for negotiated pensions have been paid amounting to SEK 4 085 548. The payroll tax on the negotiated pensions amounted to SEK 991 154.

### Bonus scheme

In year 2001 a general bonus scheme covering all permanent employees with the exception of the Managing Director has been in place. Temporary employees who have been employed for a certain period and who are still employed at the end of the year are also covered by the scheme. The system is the same for all and bonus amounting to maximum SEK 40 000 is paid to the employee who has worked full time throughout the year. The bonus model is based on the improvement in the result in relation to the profitability goal set by the Board for the operating year. When the goal has been reached, everyone who fulfils the criteria mentioned above will receive an amount of SEK 20 000. The amount then increases linearly in relation to further improvement in the result up to a maximum amount of SEK 40 000. The bonus will be reduced in relation to time actually worked where a person works part-time or for only part of the year.

The profit level for 2001 means that the individual bonus was SEK 36 200. The total amount for the bonus was SEK 15 500 000 including social costs.

### Agreement on severance payments, pensions, etc. for SBAB's management

The Managing Director has an employment contract in accordance with the government's guidelines for persons in management fulfilling comparable roles in state-owned companies. The period of notice for termination of the contract by the company is twelve months. If the company terminates the contract and thereby severs him from his employment in the company, the company shall make a severance payment corresponding to one year's salary, in addition to salary during the period of notice.

An agreement has also been reached with the Managing Director on a mutual right to request retirement, at the earliest from the month after the Managing Director's sixtieth birthday. Pension commitment is covered by pension insurance based on a pension of 70 per cent of salary at retirement date up to age 65 and 70 per cent of salary from age 65 onwards up to the amount of 20 times the "basic amount" for social security purposes. A pension of 50 per cent is payable on that part of salary exceeding the 20 times "basic amount" figure.

An agreement has also been reached with the Deputy Managing Directors on a mutual right to request retirement at the age of 60. In one case pension amounting to 65 per cent and the other case to 60 per cent of the final salary is then payable up to the regular pension age. In the first case the pension commitment has been regulated within the framework for the general pension agreement by the once-and-for-all premium mentioned earlier in this note. In the other case it has been agreed that the commitment should be secured by an insurance in a company chosen by the Deputy Managing Director.

There are no other pension agreements which differ from collective agreements in the banking area. In those cases where individual agreements exist the guidelines for state-owned companies are followed. On termination of contract by the company compensation is payable for at most two years (including the period of notice). In case of new employment or income from another activity during the two-year period, the compensation will be reduced.

6 Depreciation of tangible fixed assets	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
<i>Depreciation according to plan</i>				
– equipment	15	16	15	16
of which: computer equipment	8	7	8	7
Total	15	16	15	16

7 Other operating expenses	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Marketing	35	43	2	2
Running costs of repossessed property, net	0	0	–	–
Other	8	10	1	0
Total	43	53	3	2

8 Loan losses, net	GROUP	
	2001	2000
<b>CLAIMS ASSESSED INDIVIDUALLY</b>		
Write-down of actual losses incurred for the year	105	116
Reversal of previous provisions for anticipated losses reported as actual losses in the financial statements for 2001	(91)	(93)
Anticipated loan losses for the year	101	146
Recovery of actual losses in previous years	(8)	(14)
Reversal of previous provisions for anticipated losses no longer required	(48)	(129)
Net cost for the year of claims assessed individually	59	26
<b>CLAIMS ASSESSED COLLECTIVELY</b>		
Provision for actual losses for the current year	7	11
Recovery of actual losses in previous years	(12)	(18)
Allocation to/withdrawal from provision for anticipated loan losses	1	(5)
Net cost for the year of claims assessed collectively	(4)	(12)
Net cost for the year of loan losses	55	14

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

9 Change in value of repossessed property	GROUP	
	2001	2000
Unrealised change in value	–	–
Realised change in value	–	2
Change in value of repossessed property	–	2

10 Allocations	PARENT COMPANY	
	2001	2000
Provision for allocation reserve	(39)	(24)
Reversal of allocation reserve	129	–
Change in tax equalisation reserve	–	69
Total	90	45



**11 Tax on the year's result**

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Result before tax	541	469	116	99
Non-deductible expenses	2	3	0	0
Non-taxable income	0	–	0	–
Taxable income	543	472	116	99
Current tax rate	28%	28%	28%	28%
Tax on the year's result	152	132	32	28
– of which current tax cost	141	121	32	28
– of which deferred tax cost related to change in untaxed reserves	11	11	–	–

**12 Eligible Treasury Bills, etc**

	GROUP						PARENT COMPANY					
	2001			2000			2001			2000		
	Acqu. value	Actual value	Book value	Acqu. value	Actual value	Book value	Acqu. value	Actual value	Book value	Acqu. value	Actual value	Book value
<i>Current assets:</i>												
Swedish Treasury Bills	2 549	2 548	2 549	8 515	8 512	8 515	2 549	2 548	2 549	8 515	8 512	8 515
Swedish Government bonds	92	99	92	92	90	92	92	99	92	92	90	92
<i>Fixed assets:</i>												
Swedish Government bonds	–	–	–	–	–	–	–	–	–	–	–	–
Total eligible Treasury Bills, etc	2 641	2 647	2 641	8 607	8 602	8 607	2 641	2 647	2 641	8 607	8 602	8 607
Positive difference between book value and nominal value (acquisition at a premium)												
Negative difference between book value and nominal value (acquisition at a discount)			(21)			(55)			(21)			(55)
<i>Holding of Eligible Treasury Bills, etc, distributed by remaining term, book value</i>												
Up to 1 year			2 549			8 515			2 549			8 515
More than 1 year but 5 years at most			92			92			92			92
More than 5 years but 10 years at most												
More than 10 years												
Total			2 641			8 607			2 641			8 607
Average remaining term, years			0.3			0.2			0.3			0.2
Average remaining fixed-interest term, years			0.2			0.2			0.2			0.2

The securities portfolio reported in this note and in notes 13 and 15 below contains instruments acquired in order to cover interest rate risks in fixed-interest borrowing as well as investments of liquid funds in short-term interest-bearing instruments.

The unrealised excess value of the instruments intended to cover interest-rate risks for matching borrowing in these holdings, which amounted to SEK 37 million (43 million) on 31 December 2001, has not therefore been included in the calculation of the actual value of the portfolio. A corresponding negative value exists in SBAB's long-term borrowing in Swedish kronor.

### 13 Lending to credit institutions

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
<i>Outstanding claims distributed by remaining term, net book value</i>				
Payable on demand	548	759	544	659
3 months at most	4 593	453	136 193	134 976
More than 3 months but 1 year at most	–	2	–	–
More than 1 year but 5 years at most	–	–	1 316	2 332
More than 5 years	–	–	1 316	2 332
<b>Total</b>	<b>5 141</b>	<b>1 214</b>	<b>139 369</b>	<b>137 967</b>
of which:				
Credit institutions	5 141	1 214	5 137	1 112
Group companies	–	–	134 232	136 855
Average remaining term, years*	0.0	0.0	0.3	0.3

\* Excluding perpetual subordinated loans to subsidiaries amounting to SEK 1 316 million (1 316 million).

Subordinated debenture loans issued by the subsidiaries, SBAB, Sveriges Bostadsfinansieringsaktiebolag and SBAB, Statens Bostadslåneaktiebolag to the parent company amounted to SEK 1 600 million and SEK 1 032 million respectively.

### 14 Lending to the public

	GROUP	
	2001	2000
Opening balance	140 087	145 969
Lending for the year	23 638	21 930
Securitisation	(9 600)	(9 497)
Amortisation, writing down, redemption	(16 370)	(18 315)
Closing balance	137 755	140 087
Reserve for anticipated loan losses	(325)	(355)
Closing balance	137 430	139 732
of which:		
Subordinated assets	–	–
<i>Claims outstanding distributed by remaining term, net book value</i>		
Payable on demand	–	–
3 months at most	20 429	16 216
More than 3 months but 1 year at most	53 100	52 130
More than 1 year but 5 years at most	52 923	54 835
More than 5 years	10 978	16 551
<b>Total</b>	<b>137 430</b>	<b>139 732</b>
Average remaining term, years	1.8	2.0

NON-PERFORMING LOANS AND PROBLEM LOANS	GROUP	
	2001	2000
a) Non-performing loans, not categorised as problem loans, on which interest is taken up as income	502	373
b) Doubtful loans on which interest will not be taken up before payment	276	492
c) Loans for which the interest rate has been reduced below the prevailing market interest rates	1	50
d) Total problem loans (b+c)	277	542
e) Reserve for anticipated loan losses on doubtful loans	325	355
f) Estimated value of problem loans before write-downs for anticipated loan losses	602	897
g) Income during the accounting period on problem loans under point d	23	27
h) Income during the accounting period as a percentage of the average book value of problem loans under point d	5.3%	4.7%
i) Annual percentage return on loans that are not problem loans	5.5%	5.8%

GROUP DISTRIBUTION OF LENDING BY CATEGORY OF BORROWER	2001				2000			
	FriSpar Bolån AB	SBAB, Statens Bostadslåne- aktiebolag	SBAB, Sveriges Bostads- finansierings- aktiebolag	Total	SBAB, Statens Bostadslåne- aktiebolag	SBAB, Sveriges Bostads- finansierings- aktiebolag	Total	
Municipal housing companies	–	4 631	25 237	29 868	5 952	28 781	34 733	
Housing co-operatives	–	14 960	25 289	40 249	16 403	23 877	40 280	
Private rental housing	–	7 458	22 329	29 787	8 566	20 234	28 800	
Owner-occupied homes	4 486	7 728	19 734	31 948	9 054	21 518	30 572	
Commercial properties	–	1	5 902	5 903	1	5 701	5 702	
Reserve for anticipated losses	–	(142)	(183)	(325)	(155)	(200)	(355)	
<b>Total</b>	<b>4 486</b>	<b>34 636</b>	<b>98 308</b>	<b>137 430</b>	<b>39 821</b>	<b>99 911</b>	<b>139 732</b>	
Proportion of lending covered by government or municipal guarantees, per cent	0	22	31	28	24	34	31	

Loans held by SBAB, Statens Bostadslåneaktiebolag have an average fixed-interest term of 1.8 years (1.9 years).

Loans held by SBAB, Sveriges Bostadsfinansieringsaktiebolag have an average fixed-interest term of 1.6 years (1.8 years).

Loans held by FriSpar Boån AB have an average fixed interest term of 1.4 years (1.8 years).

If prepayment takes place between the dates for interest rate adjustment, SBAB has the right to receive compensation for the interest rate difference. The size of the compensation in the case of owner-occupied homes is based on the interest rate on the loan compared with the interest rate on government bonds/treasury bills with a comparable remaining term up to the interest adjustment date + 1 %.

For other loans the reinvestment interest rate for comparable government certificates is the applicable interest rate.

In addition to mortgage security in pledged property, SBAB has received a municipal or government guarantee as collateral for the borrower's commitments in certain cases. The proportion of loans covered by this type of guarantee is shown in the table above.

Loans granted but not yet advanced amounted to SEK 4 085 million (2 496 million).

At the end of the year the group's loans to Board Members amounted to SEK 2.6 million and to leading officials to SEK 1.6 million. These loans are covered by bank-standard security.

## 15 Bonds and other interest-bearing securities

	GROUP						PARENT COMPANY						
	2001		2000		Book value	Acqu. value	2001		2000		Book value	Acqu. value	
Acqu. value	Actual value	Acqu. value	Actual value	Acqu. value			Actual value	Acqu. value	Actual value				
<i>Current assets:</i>													
Swedish housing mortgage institutions	108	139	108	108	126	108	108	139	108	108	126	108	108
Other financial institutions	–	–	–	69	100	69	–	–	–	69	100	69	69
<b>Total bonds and other interest bearing securities</b>	<b>108</b>	<b>139</b>	<b>108</b>	<b>177</b>	<b>226</b>	<b>177</b>	<b>108</b>	<b>139</b>	<b>108</b>	<b>177</b>	<b>226</b>	<b>177</b>	<b>177</b>
of which:													
Securities listed on stock exchange	108	139	108	177	226	177	108	139	108	177	226	177	177
Positive difference between book value and nominal value (acquisition at a premium)	–	–	3	–	–	4	–	–	3	–	–	4	4

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
<i>Holdings of interest-bearing securities distributed by remaining term, book value</i>				
Up to 1 year	108	69	108	69
More than 1 year but 5 years at most	–	108	–	108
More than 5 years but 10 years at most	–	–	–	–
More than 10 years	–	–	–	–
<b>Total</b>	<b>108</b>	<b>177</b>	<b>108</b>	<b>177</b>
Average remaining term, years	0.4	0.9	0.4	0.9
Average remaining fixed-interest term, years	0.2	0.5	0.2	0.5

## 16 Shares and shares in group companies

				PARENT COMPANY		
				2001	2000	
Group companies, credit institutions, unlisted				2 722	2 722	
Other, listed				0	0	
Total				2 722	2 722	
GROUP COMPANIES		Result	Equity Capital	Capital Share %	Number	Book value
SBAB, Sveriges						
Bostadsfinansieringsaktiebolag	2000	123	2 079	100%	45 850	1 600
556430-2767 Stockholm	2001	219	2 298	100%	45 850	1 600
SBAB, Statens						
Bostadslåneaktiebolag	2000	115	1 546	100%	86 000	1 122
556478-9641 Stockholm	2001	57	1 603	100%	86 000	1 122
Total 2000		3 625				2 722
Total 2001		3 901				2 722
SBAB, SVERIGES BOSTADS-FINANSIERINGSAKTIEBOLAG		Result	Equity Capital	Capital Share %	Number	Book value
FriSpar Bolån AB	2000	0	150	51%	6 120	77
556248-3338, Stockholm	2001	1	201	51%	6 120	102

The parent company also holds 14 586 shares in the OM-Group with a nominal value of SEK 2.00 per share.

## 17 Tangible assets

EQUIPMENT AND OTHER INVENTORY	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Acquisition value at the beginning of the year	112	104	112	104
– Purchases during the year	13	24	13	24
– Sales and disposals during the year	(7)	(16)	(7)	(16)
Acquisition value at the end of the year	118	112	118	112
Depreciation at the beginning of the year	(80)	(67)	(80)	(67)
– Depreciation for the year according to plan	(15)	(16)	(15)	(16)
– Sales and disposals during the year	5	3	5	3
– Accumulated depreciation according to plan	(90)	(80)	(90)	(80)
Net book value	28	32	28	32
PROPERTY BOUGHT TO PROTECT CLAIMS				
Opening balance	0	1	–	–
Bought property	–	–	–	–
Sold property	–	(1)	–	–
Closing balance	0	0	–	–
Total tangible assets	28	32	28	32
SPECIFICATION OF PROPERTIES BOUGHT-IN TO PROTECT CLAIMS				
	2001	2000		
Number of properties	1	1		
– of which multi-family buildings	–	–		
Book value	0	0		
Actual value	0	0		

## 18 Other assets

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Clearing reserve	51	70	51	70
Past-due interest	192	229	–	–
Tax receivable	37	15	–	–
Receivable-securitisation company	273	95	–	–
Other receivable	10	7	9	5
Total	563	416	60	75



**19 Pre-paid costs and accrued income**

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Pre-paid costs	22	28	22	27
Accrued interest income	774	871	12	30
Other accrued income	18	16	–	–
<b>Total</b>	<b>814</b>	<b>915</b>	<b>34</b>	<b>57</b>

**20 Debt to credit institutions**

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
<i>Outstanding debts distributed by remaining term, book value</i>				
Payable on demand	–	1	–	–
3 months at most	4 942	11 855	4 929	11 855
More than 3 months but 1 year at most	–	–	–	–
More than 1 year but 5 years at most	–	–	–	–
More than 5 years	–	–	–	–
<b>Total</b>	<b>4 942</b>	<b>11 856</b>	<b>4 929</b>	<b>11 855</b>
of which:				
Credit institutions	4 942	11 856	4 929	11 855
Average remaining term, years	0.0	0.0	0.0	0.0

**21 Bonds issued, etc.**

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Swedish certificates	8 259	14 439	8 259	14 439
Foreign certificates	19 622	5 567	19 622	5 567
<b>Total amount utilised</b>	<b>27 881</b>	<b>20 006</b>	<b>27 881</b>	<b>20 006</b>
Swedish bonds	60 983	67 830	61 183	67 830
Accrued premiums and discounts on issue of Swedish bonds	561	926	561	926
<b>Total</b>	<b>61 544</b>	<b>68 756</b>	<b>61 744</b>	<b>68 756</b>
Foreign bonds	43 064	40 447	43 064	40 447
Accrued premiums and discounts on issue of foreign bonds	9	(3)	9	(3)
<b>Total</b>	<b>43 073</b>	<b>40 444</b>	<b>43 073</b>	<b>40 444</b>
<b>Total bonds issued, etc.</b>	<b>132 498</b>	<b>129 206</b>	<b>132 698</b>	<b>129 206</b>
of which:				
Group companies	–	–	200	–
<i>Bonds issued, etc distributed by remaining term, book value</i>				
Up to 1 year	76 650	60 758	76 650	60 758
More than 1 year but 5 years at most	47 167	52 577	47 367	52 577
More than 5 years but 10 years at most	7 625	13 669	7 625	13 669
More than 10 years	1 056	2 202	1 056	2 202
<b>Total</b>	<b>132 498</b>	<b>129 206</b>	<b>132 698</b>	<b>129 206</b>
Average remaining term, years	1.6	2.0	1.6	2.0
Average remaining fixed-interest term, years	1.7	2.0	1.7	2.0

**22 Other liabilities**

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Creditors	26	25	26	25
Clearing reserve	–	674	–	674
Employees' income tax	4	4	0	0
SBAB's tax liabilities	29	7	5	7
Liabilities to borrowers	174	137	–	–
Other	30	28	24	28
<b>Total</b>	<b>263</b>	<b>875</b>	<b>55</b>	<b>734</b>

**23 Accrued costs and pre-paid income**

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Accrued interest costs	2 026	2 673	2 028	2 673
Other accrued costs	60	66	42	47
Pre-paid income	–	0	–	–
<b>Total</b>	<b>2 086</b>	<b>2 739</b>	<b>2 070</b>	<b>2 720</b>

**24 Allocations**

	GROUP	
	2001	2000
Provisions for deferred tax in the group – Tax allocation reserve	199	188
<b>Total</b>	<b>199</b>	<b>188</b>

**25 Subordinated debt**

LOAN CODE	Nominal amount 31 Dec 01	Own holdings in custody 31 Dec 01	Outstanding nominal amount 31 Dec 01	Entitle- ment to redeem for SBAB	Interest rate 31 Dec 01	Due date	Book Value		
							2001	2000	
<i>Subordinated debenture loan</i>									
USD 1	100 000 000	11 000 000	89 000 000		5.25	7-10-02	806	690	
JPY 2	10 000 000 000		10 000 000 000		6.00	16-11-15	761	760	
NLG 1	16 000 000		16 000 000	2002	9.12	Perpetual	51	52	
JPY 1	10 000 000 000		10 000 000 000	2008	6.20	Perpetual	722	641	
USD 3	10 000 000		10 000 000	2002	4,35	Perpetual	78	78	
<b>Total</b>							<b>2 418</b>	<b>2 221</b>	
Year's share of discounts and premiums on issue of own subordinated debt								–	–
<b>Total</b>							<b>2 418</b>	<b>2 221</b>	
of which:									
Group companies								–	–

All funding for the group is raised by the parent company. Subordinated debenture loans are subordinate to the company's other debts, which means that they carry an entitlement to payment only when other creditors have received payment. All subordinated debenture loans have been taken on conditions approved by the Swedish Financial Supervisory Authority. Permission has been obtained to include these in the company's capital base for the purpose of calculating the company's capital cover.

**Subordinated debt**

1. The following three loans each account for 10 per cent of all subordinated debt.

## A) USD 1

Term: 7 October 1992–7 October 2002. Interest rate: Floating rate of interest payable semi-annually, based on six months USD-LIBOR minus 0.125%. However, the interest rate shall be not less than 5.25% and not more than 10%.

## B) JPY 1

The loan is undated. Interest rate: For the period 30 September 1992 to 29 March 2008, 6.20%. For the period 30 March 2008 to 29 March 2013 the higher of 8.20% and the long-term prime rate for JPY plus a margin of 2%. For the period 30 March 2013 and thereafter the higher of the interest rate fixed for the period 30 March 2008 to 29 March 2013 and the long-term prime rate for JPY for the period plus a margin of 3%.

## C) JPY 2

Term: 16 November 1995–16 November 2015. Interest rate: SBAB can choose to pay interest in DEM, AUD or USD with an interest rate of 6.00, 6.10 and 6.80% respectively.

## 1.2 Circumstances which can lead to early redemption

## 1.2.1 USD 1, JPY 1 and JPY 2

SBAB may call these loans for early redemption if SBAB is required to withhold tax on interest payment as a result of amendments to tax legislation. SBAB also has the right to call JPY 1 for early redemption as of 30 March 2008 and thereafter every fifth year on the interest payment date that falls in March.

The loans can be called for early redemption by the lenders as a result of events of default such as non-payment of interest due to the commencement of bankruptcy or debt readjustment proceedings in respect

of SBAB. Undated subordinated debenture loans or subordinated debenture loans with fixed maturity issued after 1 January 1996 (at other date than when the issuer has the right to early redemption) may only be repaid with the permission of the Swedish Financial Supervisory Authority. The Swedish Financial Supervisory Authority should be notified for early redemption of subordinated debenture loans with fixed maturity issued before 1 January 1996.

### 1.3 Conditions concerning subordination.

In the event of the company going into bankruptcy or liquidation, lenders holding subordinated notes have the right to payment from the company's assets after other creditors. Lenders holding subordinated notes of fixed maturity have right to payment before holders of undated subordinated loans but have equal right to other holders of fixed maturity subordinated notes. Holders of undated subordinated loans have equal right to receive payment. Subordinated loans which are undated can be converted to equity capital. This may be done to meet losses in order to avoid bankruptcy or liquidation.

## 26 Untaxed reserves

		PARENT COMPANY	
		2001	2000
Tax allocation reserve year of taxation	– 1996	–	129
	– 1997	143	143
	– 1998	17	17
	– 1999	15	15
	– 2000	25	25
	– 2001	24	24
	– 2002	39	–
<b>Total</b>		<b>263</b>	<b>353</b>

## 27 Equity capital

The share capital amounts to SEK 1 958 300 thousand divided into 19 583 shares each with a nominal value of SEK 100 000. All of the shares are owned by the Swedish State

GROUP	Share capital	Legal reserve	Share of untaxed reserves in equity capital	Profits brought forward	Result for the year	Total equity capital
Opening balance	1 958	392	483	765	337	3 935
Profit from 2000 brought forward	–	–	–	337	(337)	0
Change in share of untaxed reserves in equity capital	–	–	28	(28)	–	0
Dividend	–	–	–	(103)	–	(103)
Profit for the year	–	–	–	–	388	388
<b>Closing balance</b>	<b>1 958</b>	<b>392</b>	<b>511</b>	<b>971</b>	<b>388</b>	<b>4 220</b>

PARENT COMPANY	Share capital	Legal reserve	Share of untaxed reserves in equity capital	Profits brought forward	Result for the year	Total equity capital
Opening balance	1 958	392	–	127	71	2 548
Profit from 2000 brought forward	–	–	–	71	(71)	0
Dividend	–	–	–	(103)	–	(103)
Profit for the year	–	–	–	–	84	84
<b>Closing balance</b>	<b>1 958</b>	<b>392</b>	<b>–</b>	<b>95</b>	<b>84</b>	<b>2 529</b>

## 28 Assets pledged for own liabilities

	GROUP				PARENT COMPANY			
	2001		2000		2001		2000	
	Nominal amount	Book amount	Nominal amount	Book amount	Nominal amount	Book amount	Nominal amount	Book amount
Mortgages	–	–	–	–	–	–	–	–
Securities	70	69	226	229	70	69	226	229
Other collateral	–	–	–	–	–	–	–	–
<b>Total</b>	<b>70</b>	<b>69</b>	<b>226</b>	<b>229</b>	<b>70</b>	<b>69</b>	<b>226</b>	<b>229</b>

### 29 Off-balance sheet commitments

	GROUP		PARENT COMPANY	
	2001 Nominal amount	2000 Nominal amount	2001 Nominal amount	2000 Nominal amount
<i>Future commitments</i>				
– Agreements on the purchase and sale of forward securities contracts	–	–	–	–
– Other commitments to future payments	–	–	–	–
<i>Interest rate- and currency-related contracts</i>				
– Interest rate futures	–	–	–	–
– Currency futures	23 610	11 508	23 610	11 508
– Interest and currency swaps	180 750	142 653	180 750	142 653
<i>Other commitments</i>				
– Loan commitments	4 085	2 496	–	–
– Unutilised credit facility	–	–	–	–
– Other commitments	–	–	–	–
<b>Total</b>	<b>208 445</b>	<b>156 657</b>	<b>204 360</b>	<b>154 161</b>

### 30 Book values and actual values of items both on and off the Balance Sheet

	GROUP				PARENT COMPANY			
	Current assets		Fixed assets		Current assets		Fixed assets	
	Book value	Actual value	Book value	Actual value	Book value	Actual value	Book value	Actual value
<b>ASSETS</b>								
Cash in hand and balance in central banks	0	0	–	–	0	0	–	–
Eligible Treasury Bills, etc.	2 641	2 647	–	–	2 641	2 647	–	–
Lending to credit institutions	5 141	5 141	–	–	5 137	5 137	134 232	135 386
Lending to the public	–	–	137 430	138 611	–	–	–	–
Bonds and other interest-bearing instruments	108	139	–	–	108	139	–	–
Shares and participations, etc.	0	0	–	–	0	0	–	–
Shares and participations in group companies	–	–	–	–	–	–	2 722	2 722
Tangible assets	–	–	28	28	–	–	28	28
Other assets	563	563	–	–	60	60	–	–
Pre-paid costs and accrued income	814	814	–	–	34	34	–	–
<b>Total assets</b>	<b>9 267</b>	<b>9 304</b>	<b>137 458</b>	<b>138 639</b>	<b>7 980</b>	<b>8 017</b>	<b>136 982</b>	<b>138 136</b>
<b>LIABILITIES</b>								
Liabilities to credit institutions	4 942	4 942	–	–	4 929	4 929	–	–
Borrowing from the public	–	–	–	–	–	–	–	–
Bonds issued, etc.	132 498	133 017	–	–	132 698	133 218	–	–
Other liabilities	263	263	–	–	55	55	–	–
Accrued costs and pre-paid income	2 086	2 086	–	–	2 070	2 070	–	–
Allocations	199	199	–	–	–	–	–	–
Subordinated debt	2 418	2 386	–	–	2 418	2 386	–	–
<b>Total liabilities</b>	<b>142 406</b>	<b>142 893</b>	<b>–</b>	<b>–</b>	<b>142 170</b>	<b>142 658</b>	<b>–</b>	<b>–</b>
<b>POSITIONS NOT REPORTED ON THE BALANCE SHEET</b>								
Positive positions	–	1 186	–	–	–	1 186	–	–
Negative positions	–	2 260	–	–	–	2 260	–	–
<b>DURATION</b>								
Assets	–	1.7	–	–	–	1.7	–	–
Liabilities	–	1.6	–	–	–	1.6	–	–

In order to arrive at the actual value of borrowing and lending at fixed interest rates, the future cash flows from the year-end up to first interest rate adjustment date have been discounted to give a present value. In arriving at the present value of SBAB's lending, the interest rates on SBAB's borrowing at year-end have been used as the discount rate, adding a margin for administration costs. To calculate the present value of SBAB's borrowing, interest rates on SBAB's borrowing at year-end have been used as the discount rate. It should be noted that reported information of actual value does not constitute an evaluation of SBAB as a company.



**31 Booked, actual and nominal values of derivatives**

GROUP DERIVATIVES WITH POSITIVE OR ZERO VALUES	2001		2000	
	Nominal value	Actual value	Nominal value	Actual value
<i>– not reported in the Balance Sheet</i>				
< 1 year interest swaps	15 580	466	9 514	697
> 1 year interest swaps	34 331	675	34 053	1 013
< 1 year interest and currency swaps	46 244	1 811	16 542	2 098
> 1 year interest and currency swaps	10 440	2 375	17 300	2 868
< 1 year equity-linked derivative contracts	17	2	–	–
> 1 year equity-linked derivative contracts	281	53	370	88
<b>Total</b>	<b>106 893</b>	<b>5 382</b>	<b>77 779</b>	<b>6 764</b>

GROUP DERIVATIVES WITH NEGATIVE VALUES	2001		2000	
	Nominal value	Actual value	Nominal value	Actual value
<i>– not reported in the Balance Sheet</i>				
< 1 year interest swaps	16 864	574	4 309	193
> 1 year interest swaps	54 312	1 621	43 426	1 669
< 1 year interest and currency swaps	16 662	727	15 154	1 151
> 1 year interest and currency swaps	9 014	1 115	13 316	636
< 1 year equity-linked derivative contracts	48	2	–	–
> 1 year equity-linked derivative contracts	566	68	177	28
<b>Total</b>	<b>97 466</b>	<b>4 107</b>	<b>76 382</b>	<b>3 677</b>

Derivatives for hedging accounting – see Accounting principles – “Reporting of financial instruments”.

**32 Fixed-interest terms for financial assets and liabilities**

	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
<i>Assets</i>						
Cash in hand and balance in central banks	0	–	–	–	–	0
Eligible Treasury Bills	2 146	495	–	–	–	2 641
Lending to credit institutions	5 141	–	–	–	–	5 141
Lending to the public	52 634	5 856	16 906	51 061	10 973	137 430
Bonds and other interest-bearing instruments	78	30	–	–	–	108
Other assets	1 323	49	33	–	–	1 405
<b>Total financial assets</b>	<b>61 322</b>	<b>6 430</b>	<b>16 939</b>	<b>51 061</b>	<b>10 973</b>	<b>146 725</b>
<i>Liabilities</i>						
Liabilities to credit institutions	4 942	–	–	–	–	4 942
Bonds issued, etc.	54 866	8 699	17 711	44 820	6 402	132 498
Other liabilities	1 585	295	668	–	–	2 548
Subordinated debt	2 418	–	–	–	–	2 418
<b>Total financial liabilities</b>	<b>63 811</b>	<b>8 994</b>	<b>18 379</b>	<b>44 820</b>	<b>6 402</b>	<b>142 406</b>
<i>Positions not reported on the Balance Sheet</i>						
Long positions	57 392	2 793	14 622	25 751	3 207	103 765
Short positions	(52 282)	(760)	(9 745)	(32 823)	(8 155)	(103 765)
Difference between assets and liabilities including positions off the Balance Sheet	2 621	(531)	3 437	(831)	(377)	4 319
Cumulative interest rate sensitivity	2 621	2 090	5 527	4 696	4 319	

The interest period for assets and liabilities which are amortised is calculated as the period up to the date the respective amortisation is due.

### 33 Credit exposure gross and net

The term credit refers to claims and other investments in securities, but not shares, in the Balance Sheet and credit commitments off the Balance Sheet, e.g. derivatives and guarantee commitments.

	A	B	C	D	E	F	G
	Credit exposure in the Balance Sheet (booked value)	Credit exposure off the Balance Sheet (actual value)	Total credit exposure (A+B)	Value of security for items in the Balance Sheet	Value of security for items off the Balance Sheet	Total value of securities (D+E)	Total credit risk exposure excluding securities (C-F)
Investments	2 752		2 752	2 752		2 752	0
Derivative contracts		3 773	3 773		3 018	3 018	755
Credit institutions	5 259		5 259	4 207		4 207	1 052
<i>Other companies</i>							
– Housing co-operatives	40 280	155	40 435	22 191	117	22 308	18 127
– Private rented housing	29 932	316	30 248	15 855	236	16 091	14 157
– Office properties	5 946	425	6 371	99	213	312	6 059
– Other companies	179		179	0		0	179
<i>Households</i>							
– Owner-occupied homes	32 145	3 008	35 153	15 565	2 158	17 723	17 430
<i>Public sector</i>							
– Municipal housing companies	30 082	181	30 263	28 118	181	28 299	1 964
<b>Total</b>	<b>146 575</b>	<b>7 858</b>	<b>154 433</b>	<b>88 787</b>	<b>5 923</b>	<b>94 710</b>	<b>59 723</b>

DISTRIBUTION OF SECURITY	Municipal guarantees	Municipal responsibility for losses	Government credit guarantee	Government guarantee	Bank guarantee	Mortgage	Other	Total
Investments				2 752				2 752
Derivative contracts					3 773			3 773
Credit institutions					5 259			5 259
<i>Other companies</i>								
– Housing co-operatives	2 841	90	3 317			34 187		40 435
– Private rented housing	1 058	47	1 629		214	27 300		30 248
– Office properties	99					6 272		6 371
– Other companies							179	179
<i>Households</i>								
– Owner-occupied homes	10	2 350	595			32 198		35 153
<i>Public sector</i>								
– Municipal housing companies	26 372	1	10			3 880		30 263
<b>Total</b>	<b>30 380</b>	<b>2 488</b>	<b>5 551</b>	<b>2 752</b>	<b>9 246</b>	<b>103 837</b>	<b>179</b>	<b>154 433</b>

### 34 Genuine repurchase transactions

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Amount borrowed by the sale of securities with the subsequent repurchase of corresponding assets included in the following items in the Balance Sheet				
– Debt to credit institutions	4 929	11 855	4 929	11 855
– Borrowing from the public	–	–	–	–
Amount lent by the purchase of securities with the subsequent sale of corresponding assets included in the following items in the Balance Sheet				
– Lending to credit institutions	4 593	339	4 593	339
– Lending to the public	–	–	–	–

# PROPOSED APPROPRIATION OF PROFIT

In accordance with the Balance Sheet of the parent company the following funds are at the disposal of the Annual General Meeting

Brought forward from previous years	SEK 95 million
Net profit for the year	SEK 84 million
	SEK 179 million

The Board of Directors and the Managing Director propose that the Annual General Meeting makes the following appropriation of funds.

Dividend to shareholder	SEK 120 million
Allocation to reserves	SEK 59 million
	SEK 179 million

*Stockholm 22 February 2002*

INGEMAR ELIASSON

SÖREN RUNG

JAN BERG

PER ERIK GRANSTRÖM

LARS LINDER-ARONSON

BO MARKING

CHRISTINA RAGSTEN PETTERSSON

CHRISTER MALM  
Managing Director

To the General Meeting of the Shareholders of the  
Swedish National Housing Finance Corporation, SBAB (publ)  
Organisation number 556253-7513

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of the Swedish National Housing Finance Corporation, SBAB (publ) for the year 2001. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Managing Director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the Managing Director. We also examined whether any Board Member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Financial Operations Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted principles in Sweden.

We recommend to the General Meeting of Shareholders that the income statements and balance sheets of the Parent company and the Group be adopted, that the profit for the Parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

*Stockholm, 25 February 2002*

KPMG  
PER BERGMAN  
Authorised Public Accountant

HANS LINDÉN  
Authorised Public Accountant  
Appointed by the Financial Supervisory Authority

# OVERVIEW 2001–1997

SEK million	2001	2000	1999	1998	1997
Interest income	8 078	8 398	8 807	10 801	11 417
Interest expenses	7 009	7 500	8 023	9 958	10 473
<b>Net interest income</b>	<b>1 069</b>	<b>898</b>	<b>784</b>	<b>843</b>	<b>944</b>
Other operating income	(11)	(8)	(2)	9	9
<b>Total operating income</b>	<b>1 058</b>	<b>890</b>	<b>782</b>	<b>852</b>	<b>953</b>
Depreciation of tangible assets	15	16	15	18	15
Other operating expenses	447	393	382	337	259
<b>Total operating expenses before loan losses</b>	<b>462</b>	<b>409</b>	<b>397</b>	<b>355</b>	<b>274</b>
<b>Operating income before loan losses</b>	<b>596</b>	<b>481</b>	<b>385</b>	<b>497</b>	<b>679</b>
Loan losses including change in value of repossessed property	55	12	(12)	1	203
<b>Net operating income</b>	<b>541</b>	<b>469</b>	<b>397</b>	<b>496</b>	<b>476</b>
Loan portfolio	137 430	139 734	145 543	144 660	136 346
Other assets	9 295	11 359	5 439	10 644	4 678
<b>Total assets</b>	<b>146 725</b>	<b>151 093</b>	<b>150 982</b>	<b>155 304</b>	<b>141 024</b>
Bonds issued, etc.	132 498	129 206	138 552	138 854	119 154
Other liabilities	7 291	15 470	6 453	10 670	16 303
Provision for deferred tax	199	188	177	170	144
Subordinated debt	2 418	2 221	2 114	2 113	2 132
Equity capital incl. minority shareholding	4 319	4 008	3 686	3 497	3 291
<b>Total liabilities and equity capital</b>	<b>146 725</b>	<b>151 093</b>	<b>150 982</b>	<b>155 304</b>	<b>141 024</b>
Number of employees (annual average)	368	365	374	312	261
New lending (SEK million)	22 717	20 894	21 679	22 003	16 354
Loan losses (per cent of lending)	0.04%	0.01%	-0.01%	0.00%	0.15%
Problem loans, after provisions (SEK million)	277	542	668	863	1 134
Equity ratio (unadjusted)	3.1%	2.8%	2.6%	2.4%	2.4%
Equity ratio	2.9%	2.7%	2.4%	2.3%	2.3%
Capital ratio	9.5%	9.7%	9.5%	10.6%	12.7%
Primary capital ratio	7.0%	6.8%	6.5%	6.9%	7.8%
Return on equity capital	9.6%	8.9%	8.0%	10.5%	10.2%
I/E ratio, excluding loan losses	2.3	2.2	2.0	2.4	3.5
I/E ratio, including loan losses	2.0	2.1	2.0	2.4	2.0
Investment margin	0.72%	0.59%	0.51%	0.57%	0.66%

## DEFINITIONS OF KEY RATIOS

**Number of employees** = Permanent and temporary employees (annual average)

**New lending** = Gross long-term loans and net change in building credits

**Loan losses as a percentage of lending** = Loan losses in relation to lending at the year-end

**Problem loans after provisions** = Doubtful claims and claims on which the interest rate has been reduced in relation to the market interest rate

**Equity ratio (unadjusted)** = Equity capital, minority share holding and deferred tax liability in relation to total assets at year-end

**Equity ratio** = Equity capital incl. minority share holding in relation to total assets at year-end

**Capital ratio** = Capital base/risk-weighted assets

**Primary capital ratio** = Primary capital/risk-weighted assets

**Rate of return on equity capital** = Operating income after tax at the standard rate in relation to average equity capital

**I/E ratio excl. loan losses** = Total income/(total operating expenses – loan losses)

**I/E ratio incl. loan losses** = Total income/total operating expenses

**Investment margin** = Net interest income in relation to average assets



# OUTSTANDING BOND ISSUES

## OUTSTANDING BOND ISSUES 31 DECEMBER 2001

Bond No.	Interest rate %	Issue date		Original amount SEK million	Interest payment dates	Repayment period	Next interest adjustment year	Outstanding-bond debt 31 Dec. 2001 SEK million
		Year	Day					
<i>Bond loans</i>								
116	6.5	1996	18/9	27 712	18/9	2002	–	17 432
117	5.5	1997	15/10	39 271	15/10	2003	–	32 069
118	5.5	1997	17/12	8 665	17/12	2008	–	5 288
119	5.5	1998	15/3	8 569	15/3	2006	–	5 809
<b>Bond loans total</b>				84 217				60 598
Other loans						2002–2003		385
<b>Other loans, total</b>								385
<b>TOTAL domestic loans</b>								60 983

## INTERNATIONAL BOND ISSUES 31 DECEMBER 2001

Bond No.	Interest rate %	Issue date		Original amount	Interest payment dates	Maturity	
		Year	Day				
Samurai bond 11, Tokyo	0.4336	1999	10/12	80 000	20/3, 20/9	2002	
DKK bond 1–6	4.0000	1997	2/7	900	31/10	2003	
Private placement, Yen				11 200		2003–2004	
EMTN USD, London							
Limit				8 000			
Outstanding				4 136			
<b>TOTAL, SEK million</b>							43 063

All debt in foreign currencies has been swapped into SEK without any currency or interest rate risk for SBAB

INGEMAR ELIASSON



SÖREN RUNG



JAN BERG



PER ERIK GRANSTRÖM



LARS LINDER-ARONSON



CHRISTER MALM



BO MARKING



CHRISTINA RAGSTEN PETTERSSON



# BOARD OF DIRECTORS, AUDITORS AND COMPANY MANAGEMENT

## BOARD OF DIRECTORS

*Ingemar Eliasson* (1939).  
Chairman,  
County Governor, County  
Administrative Board, Värmland.

*Sören Rung* (1932).  
Deputy Chairman,  
Bank Director.

*Jan Berg* (1953)  
Master of Science and Engineering

*Per Erik Granström* (1942).  
Member of Parliament.

*Lars Linder-Aronson* (1953).  
Managing Director, Ventshare  
Management AB

*Christer Malm* (1943).  
Managing Director, SBAB

*Bo Marking* (1937).  
Financial Consultant.

*Christina Ragsten Pettersson* (1958).  
Under-Secretary, Ministry of Finance.

## EXECUTIVE MANAGEMENT

*Christer Malm*, Managing Director and  
Chief Executive Officer

*Peter Gertman*, Deputy Managing  
Director and Head of Retail Market

*Lena Hedlund*, Head of Property  
Company Market

*Annelise Jansson*, Head of  
Communications

*Christine Johansson*, Legal Counsel

*Göran Laurén*, Chief Financial Officer

*Bengt-Olof Nilsson*, Head of Lending

*Krister Orrell*, Deputy Managing Director

*Berit Sundbro*, Head of Personnel

*Ulf Tingström*, Head of Information

## AUDITORS

*Per Bergman* (1946).  
Authorised Public Accountant,  
KPMG

*Hans Lindén* (1948).  
Authorised Public Accountant,  
Öhrlings PriceWaterhouseCoopers,  
appointed by the Financial Supervisory  
Authority.

## BOARDS OF SUBSIDIARIES

### **SBAB, Statens Bostadslåneaktiebolag**

*Peter Gertman*

*Lena Hedlund*

*Göran Laurén*

*Christer Malm*, Chairman

*Bengt-Olof Nilsson*

*Krister Orrell*, Managing Director

### **SBAB, Sveriges Bostadsfinansieringsaktiebolag**

*Peter Gertman*, Managing Director

*Lena Hedlund*

*Göran Laurén*

*Christer Malm*, Chairman

*Bengt-Olof Nilsson*

*Krister Orrell*

### **FriSpar Bolån AB**

*Bengt Blonér*, Chairman

*Thomas Bredgard*

*Peter Gertman*

*Samuel Hermelin*

*Bengt Johansson*

*Christer Malm*

*Krister Orrell*

*Lars-Olof Svensson*

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*In the Autumn of 2001, SBAB carried out a successful name promotion campaign in the Stockholm area. A number of advertising pillars were specially adapted to act as "housing loan kiosks" for a week. The campaign was conducted by the TBWA advertising bureau in Stockholm.*

*Outdoor views feature buildings from BO 01, West Harbour, Malmö.*

*Indoor pictures taken in SBAB's office in Karlstad.*





**STATENS BOSTADSFINANIERINGSAKTIEBOLAG, SBAB**

THE SWEDISH NATIONAL HOUSING FINANCE CORPORATION, SBAB

[www.sbab.se](http://www.sbab.se)