

# Contents

## 75TH YEAR OF OPERATIONS

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## NOT JUST FOR FUN



SHIP MODELS ARE beautiful to behold. They induce reverie, they awaken a longing for the sea and far-away places. The elegant lines, the finely crafted details, the splendid bird's-eye view we enjoy and the fascination of changing perspective and height make them highly valued as display objects.

Their ease of inspection also endows them with high, concentrated information value. Model ships have consequently been widely used and proved very useful in training both ship designers and crews. Models have been put to use in developing new shapes and structures since early times.

In 1752, state model chambers were established at the naval bases in Stockholm, Karlskrona and Gothenburg. The man appointed to be responsible in Karlskrona was the master shipbuilder and admiral Fredrik Henrik af Chapman. He is generally regarded as the most important figure in the history of Swedish shipbuilding. He was born at Nya Varvet (the New Shipyard) in Gothenburg in 1721 and died in Karlskrona in 1808. The centrepieces of the model chamber were models of his own ship designs, usually at 1:16 scale and built with great accuracy and wealth of detail, often more than practical benefit would have required.



But the collections also contained older models. The Cathedral Ship, from Stockholm Cathedral, dates back to the early 17th Century and is one of the world's oldest naval ship models. The immersed hull is reduced in scale, which suggests that it was intended to be viewed from below, suspended from the ceiling, and therefore to be admired rather than studied.



af Chapman also carried out experiments in water with various hull models. These experiments drew considerable attention and are likely to have contributed to his new and internationally renowned designs. But experiments could only be carried out as pure comparisons between different hulls at the same scale. It was not until the 1870s that the Englishman William Froude was able to make reliable conversions between model and completed ship at full scale.

Experiments with hull shapes, lengths and depths are still being carried out today. A player of international importance is SSPA Sweden AB at Chalmers. This company began operating in 1940, in association with the large shipyards in Gothenburg. Around 6,500 hull models have been tested to date.

The models we present on the following pages are merchant ships, built between 1907 and 1957, all of which have sailed under the Swedish flag.

# Key Figures

SWEDISH SHIPS' MORTGAGE BANK	2002	2001	2000	1999	1998
Operating income, MSEK	68.1	58.3	51.5	43.3	46.7
Balance sheet total, MSEK	5,849.3	5,417.2	3,944.4	3,469.7	2,537.2
Reserve fund, MSEK	1,011.4	943.3	885.0	833.5	790.2
Profit level, per cent	1.2	1.3	1.4	1.4	1.8
Return on equity, per cent	7.2	6.6	6.2	5.5	6.3
Solidity, per cent	17.3	17.4	22.4	24.0	31.1
Capital adequacy ratio, per cent	20.2	21.2	25.1	29.3	42.8
Number of employees	9	9	9	9	9

## Vesterland.

**BUILT IN SUNDERLAND, 1907,  
FOR ÅNGFARTYGS AB TIRFING, GÖTEBORG.**

**Length 106.7. Beam 15.2. Draught 7.9. Deadweight 4,018 tonnes.**

*The Vesterland was one of the first proper bulk ships, known as turret ships. She had several sister ships, all with the same peculiarity with regard to the hull. The peculiar design with a contracted midship section was due a tax rule which was based on ship's deck beam.*

*The Vesterland was commanded to sail Lerwick for inspection and checking of its cargo on 20 February 1917 by a British auxiliary cruiser. The cargo consisted of oilcake, bound for Gothenburg from Savannah. She was held until 17 May when, together with five other ships, she set sail in a convoy. On the evening of the same day, at 8.40 pm, a powerful explosion was heard, right in front of the starboard boiler, below the water line. She immediately began to sink, and three men who were trapped inside went down with her. The rest of the crew were rescued.*



# Swedish Ships' Mortgage Bank

## – PRESENTATION

THE SWEDISH SHIPS' MORTGAGE BANK (the Bank) was established in 1929, with the task of facilitating the financing of Swedish shipowners, and contributing to the rejuvenation of the Swedish merchant fleet.

Today, the Bank can also finance foreign-owned shipping operations if there is a significant Swedish interest or influence. The Bank does business on purely commercial terms, and in competition with other credit institutions.

Operations are governed by the Swedish Ships' Mortgage Bank Act (SFS 1980:1097). The most recent amendment came into force on 1 July 1998 (SFS 1998:310).

### THE BANK IS SUBJECT TO PUBLIC LAW

The Swedish State has provided guarantees for the Bank's operations. These amount to MSEK 350. The Bank's reserve fund (currently MSEK 1,011) and the Swedish State guarantee are to be used to cover any losses.

The Bank's registered office is in Gothenburg. The Board – which consists of 7 Members and 7 Deputy Members – is appointed by the government.

The term of loans may be up to 15 years. The Bank principally provides long-term loans against the security of Swedish or foreign ships.

Loans must be secured through balances with or guarantees from banks or the State or collateral in ships. The collateral must fall within 70 % of the value of the ship as estimated by the Bank (in special cases 80 %).

Loans are provided in foreign or Swedish currency and with floating or fixed interest rates at the option of the borrower. Interest rates are determined individually.

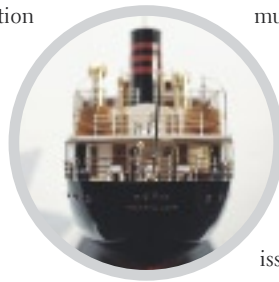
Operations are financed primarily through promissory note loans. Borrowing is in principle subject to the same terms as lending with regard to currencies and fixed interest terms.

### LOANS TO SMALLER SHIPPING COMPANIES

In certain cases, loans of up to 90 % of the vessel's value can be provided under the terms of a special ordinance. Preference will be given to smaller shipping companies.

### BOARD FOR SHIPPING SUPPORT

The government has instructed the Board for Shipping Support to administer approved subsidies to Swedish shipping. The Bank's personnel also run the day-to-day operations of the Board for Shipping Support.



## Ferm.

**BUILT AT AALBORGS MSK. & SKIBSBYGGERI, AALBORG, 1936,  
FOR ÅNGBÅTSAKTIEBOLAGET FERM, KRISTINEHAMN.**

**Length 62.87. Beam 10.11. Draught 3.92. Deadweight 1,275 tonnes. Engine 800 hp.**

*The Ferm sailed the Aberdeen-Dundee route. In 1963, the Ferm was sold to Turku in Finland, where she was renamed the Kannas. In April 1972, she was sold to Partrederi Gisela, whose name she received. The following year she was sold on, probably to Lebanon. The model shows the Ferm as she appeared under her first owner.*



# Comments BY THE CHAIRMAN AND THE MANAGING DIRECTOR

THE SWEDISH SHIPS' MORTGAGE BANK'S profit increased by 17 per cent in 2002, following a rise of 13 per cent in 2001.

We granted new loans amounting SEK 1,500 million and made disbursements of almost SEK 1,000 million. Outstanding loans to shipping companies amounted to SEK 4,857 million.

Return on equity rose from 6.6 per cent to 7.2 per cent and solidity was largely unchanged at a good level of 17.3 per cent. Capital adequacy ratio fell by one percentage point – entirely according to plan for continued

expansion – to 20.2 per cent.

The reserve fund, which consists of reserved surpluses, exceeded SEK 1,000 million for the first time.

We are continuing to expand with an unchanged number of nine employees. We consequently continue to have high productivity.

The bonus system is highly regarded, and personal development goals and their fulfilment drive continued efficiency and customer service.

We are continuing to increase our market shares.

The Board works efficiently and purpose-

fully and is continuing to focus on important credit matters through a credit committee and on reward programmes through a remuneration committee.

Our employees make a very solid effort, which is focused on first-class customer service and sound lending.

We did not have any credit losses or doubtful credits last year.

PEHR G GYLLENHAMMAR  
*Chairman*

BIRGITTA WICKENBERG KARLSSON  
*Managing Director*

## Market Review



*The Gripsholm, ordered by the Swedish America Line, was built in Genoa and made her maiden voyage, from Gothenburg to New York, on 2 April 1957.*

*Managing Director,*  
BIRGITTA WICKENBERG KARLSSON

THE AVERAGE ANNUAL growth in world grade in the 1990s of around seven per cent has been followed by a very weak start to the new century. Stagnation in 2001 was followed by some growth in 2002. The growth in the global economy and world trade is probably not sufficient to match the increase in capacity in the world merchant fleet without shipping markets being squeezed. This also applies to the tanker markets, although the phasing-out of single-hulled tankers has been speeded up since the Prestige disaster. This accident may, however, have more long-term effects on the tanker market than previous tanker wrecks have had.

These have always been followed by storms in the media and public opinion which have generally abated relatively quickly. This changed after the product tanker Erika sank in 1999, and political action has accelerated again following the Prestige disaster in September 2002. The basis of many regulations is now being questioned, in relation to everything from liability issues to freedom of the seas. The political handling of the security problems which exist in an open society following the terrorist attacks on 11 September 2001 will also have a very great impact on shipping. Taken together, these events may mean major structural

changes in the market and increased demands for quality, seriousness and openness.

In 2002, the world merchant fleet increased by 47.5 deadweight tonnes to around 760 million deadweight tonnes. Ships with a total deadweight of nearly 50 million tonnes were ordered at the world's shipyards, which is more than in the previous year but significantly below the level reached in the record year of 2000. It is interesting to note that Western European shipping companies continue to dominate, accounting for nearly half of new orders.

The situation is worrying for the European shipbuilding industry. Deliveries from these yards did increase slightly and accounted for nearly a fifth of deliveries of ships in excess of 30,000 deadweight tonnes. Of this fifth, Germany accounted for 25 per cent, Poland for nearly 20 per cent and Finland for just over 10 per cent. However, the European industry has lost considerable ground to its Asian competitors and last year took around 10 per cent of total world orders.

The Swedish-controlled order book is a good example of the change which has taken place. Around half of ship orders today are taken by China. The competitive situation particularly in relation to

South Korea, has prompted the European Commission to act, and after two years of negotiations the pricing of South Korean yards has been referred to the World Trade Organisation (WTO). At the same time, approval has been given for the possibility of Member States re-introducing shipyard subsidies of six per cent of the sum of orders, but with restrictions regarding the type of ship. The subsidies have not yet had any visible impact on the distribution of the global order book.

Last year, new construction prices fell until the fourth quarter. The increase at the end of the year was not sufficient, however, to attain the same level as in the previous year, and prices ended the year five per cent down. Second-hand prices for bulk tonnage increased generally, while tanker prices fell sharply. There are, however, wide differences between different size segments and ship types. On the tanker side, the trend towards reduced orders overall continued. Most of the contracts signed relate to ships of Aframax and smaller sizes. The only sector to increase its order book last year was that of larger bulk vessels, while the number of deliveries fell in comparison with the record year of 2001.

An increasingly unsettled world scene affected all shipping markets during the year with a protracted recession, higher insurance costs and rising bunker prices. Bunker prices in Rotterdam were nearly 50 per cent lower at the end of 2002 than at the start of the year.

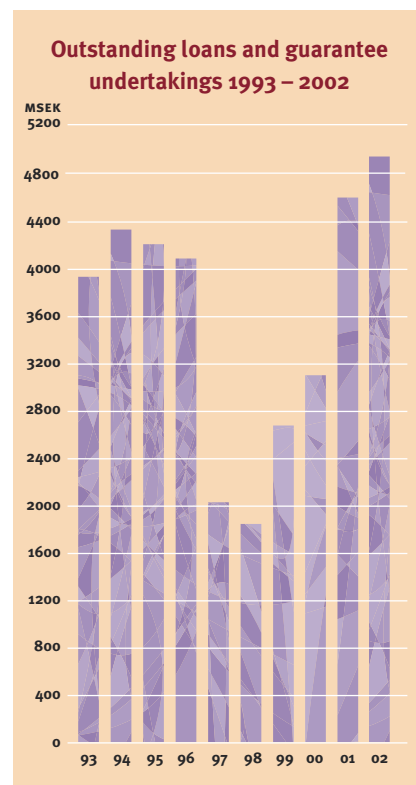
Freight rates in important markets for

Swedish shipping such as the product tanker and chemical tanker markets and the ro-ro markets were squeezed last year. The product tanker markets weakened substantially, and freight rates during the first quarter were the lowest since 1999. At the end of the year, demand increased again and freight rates rose, due firstly to an early winter and secondly to the strikes in Venezuela. The Prestige disaster also had an impact on market development.

Two large deals with a Swedish connection in ro-ro and car carrier markets were completed last year. Atlantic Container Line was de-listed from Oslo Børs after being taken over by Italy's Grimaldi Lines. Wallenius Wilhelmsen Lines took control of the South Korean Hyundai Merchant Marines car carrier division, which was transferred to a new company EUKOR Car Carriers, in which the Nordic shipping companies own 80 per cent of the shares. The new company has a fleet of around 75 ships.

The market for smaller bulk tonnage improved during the second six months, particularly in the Baltic. However, smaller bulk tonnage sailing under the Swedish flag continues to face difficulties. These ships are at a clear competitive disadvantage in a market defined by substandard tonnage sailing under other flags. The dry cargo fleet sailing under the Swedish flag is becoming increasingly older, and is now approaching an average age of 30 years.

The Swedish-controlled merchant fleet has been more than halved in terms of deadweight since 1997. The main reason



is that the large Stockholm-based tanker companies have moved out. For the merchant fleet sailing under the Swedish flag, however, 2002 brought a break in trend, and the fleet increased during the year. A contributory cause of this is Swedish shipping policy, with what is known as a 'net pay model', which, together with the TAP agreement, means that manning costs can be kept down to a competitive level in relation to other EU flags. The Swedish merchant fleet at the turn of the year altogether amounted to just over 500 ships with approximately 11 million deadweight tonnes. Of these, around 220 ships of 1.8 million dwt were sailing under the Swedish flag. Swedish shipping companies at present have just over 30 ships on order.

## Mindoro.

**BUILT AT GÖTAVERKEN, GOTHENBURG, 1941,  
FOR AB SVENSKA OSTASIATISKA KOMPANIET, GOTHENBURG.**

Length 140.78. Beam 19.57. Draught 8.57. Engine 9,700 hp.

*The Mindoro was delivered according to contract in 1941, but did not enter service until 1943. At the beginning of 1969, she was sold to Alpha Shipping in Limassol, Cyprus, and was renamed the Alpha. In March 1978, she made her last voyage, when she sailed to Hong Kong to be scrapped.*

*The model shows the Mindoro as she appeared during the years of war, 1943-45.*



# Summary

## OF INCOME STATEMENTS AND BALANCE SHEETS

	2002	2001	2000	1999	1998
<b>INCOME STATEMENT, SEK THOUSANDS</b>					
Net interest income	80,037	71,901	59,958	55,940	58,570
Other operating income	–	–	3,968	–	–
General administrative costs	–7,920	–7,972	–6,753	–6,922	–6,242
Guarantee fund fee paid to the state	–3,850	–5,330	–5,330	–5,330	–5,330
Inventory depreciation	–53	–142	–216	–214	–113
Other operating expenses	–135	–137	–136	–136	–141
Surplus for the year	68,079	58,320	51,491	43,338	46,744
<b>BALANCE SHEET, SEK THOUSANDS</b>					
<b>Assets</b>					
Liquid assets	2,857	3,747	3,450	2,486	3,294
Interest-bearing securities:					
short-term investments	205,817	169,578	208,979	312,945	229,064
long-term investments	700,336	650,791	542,978	382,332	408,817
Lending to shipping companies	4,895,887	4,539,655	3,123,799	2,709,542	1,842,174
Other assets	44,382	53,431	65,212	62,422	53,896
	5,849,279	5,417,202	3,944,418	3,469,727	2,537,245
<b>Liabilities and equity</b>					
Promissory note loans	4,821,559	4,450,592	3,025,146	2,606,894	1,726,138
Other liabilities	16,316	23,285	34,267	29,318	20,931
Reserve fund	1,011,404	943,325	885,005	833,515	790,176
	5,849,279	5,417,202	3,944,418	3,469,727	2,537,245

## Yngaren.

**BUILT BY W DOXFORD & SONS,  
SUNDERLAND, 1921.**

Length 128.82. Beam 16.42. Draught 7.57.  
Deadweight 9,000 tonnes. Engine 3,000 hp,  
2-stroke, 4-cylinder, single-acting Doxford diesel.

The ship was ordered with traditional steam machinery, on 12 January 1917, by the shipowner Østervold in Bergen. In November of the same year, the contract was sold on to D. Steen in Kristiania, who then sold her to a shipping company in Tvedestrand. Later on she was sold to Transatlantic in Gothenburg. In 1920, the engine was replaced by the Doxford Yard's own completely new type of engine, an opposed-piston diesel. She then received her name, Yngaren. She made her maiden voyage in September 1921.



# Administration Report

THE BOARD OF DIRECTORS OF THE SWEDISH SHIPS' MORTGAGE BANK  
HEREBY SUBMITS ITS REPORT ON ITS ADMINISTRATION DURING 2002



DURING THE YEAR, the Bank disbursed loans amounting to SEK 976 million (preceding year SEK 1,673 million). Total outstanding loans receivable at the year-end amounted to SEK 4,857 million (SEK 5,364 million) at current exchange rates. Outstanding loans to shipping companies at current exchange rates have decreased as a result of the USD

exchange rate having fallen from SEK 10.67 at 31.12.2001 to SEK 8.83 at 31.12.2002.

Loans granted by the Board, but not yet disbursed, amounted to approximately SEK 1,500 million (SEK 1,500 million) at the end of the year. The loans will be disbursed during 2003 and 2004 when the vessels for which the loans have been granted are delivered.

The Bank's operations have generated a surplus of SEK 68 million (SEK 58 million). Profit in relation to the average balance sheet total amounted to 1.2 percent (1.3). No credit losses have been incurred. The Bank has no non-performing credits, doubtful credits or credits with interest remission, as per the balance sheet date.

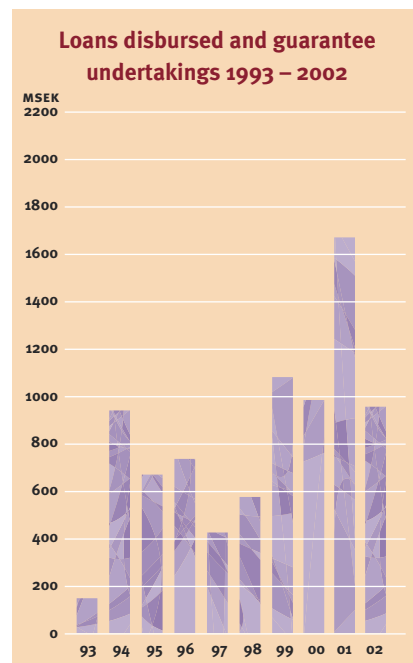
Return on equity was 7.2 percent (6.6) and the Bank's solidity was 17.3 per cent (17.4). Capital adequacy ratio was 20.2 percent (21.2).

The surplus for the year of SEK 68 million was allocated to the reserve fund, which subsequently amounts to SEK 1,011 million.

On 20 December 1994, the Swedish Parliament passed a new Act concerning capital adequacy ratios and major risk exposures of credit institutions and investment companies. Under this Act, the Bank is exempt from the provisions relating to the limitation of major exposures, but remains subject to the provisions on capital adequacy ratios. The Board naturally follows an internal policy relating to major exposures. Besides, the Board ensures that the Bank's loan portfolio is well distributed between different types of ships.

The personnel of the Bank consisted of the Managing Director and 8.0 (8.0) employees. On the instructions of the government, the Bank's personnel also handle the day-to-day operations of the Board for Shipping Support.

The result of the Bank's operations during the year and its position at year-end are shown in the following Income Statement and Balance Sheet.



*On 2 January 1942, the Yngaren set sail from Halifax, bound for England with 3,000 tonnes of manganese ore, taken on board in Bombay, and 5,000 tonnes of copper, taken on board in Macassar. On deck were two aircraft, a number of battle tanks and armoured cars, disassembled in large cases. The voyage was made in convoy, which was dispersed after a few days due to adverse weather.*

*On 12 January, just after four in the morning, the Yngaren was hit by two torpedoes from the German U-boat U-43. The vessel went down without there being time for any lifeboat to be launched. A gale was blowing and there was thick fog. Two men, lookouts who had just changed watch on the bridge, were able to reach a specially made rescue raft. They were discovered by an RAF plane on 10 February and were rescued by a trawler. The other 38 on board went down with the ship. The Yngare sank on 12 January, 21 years to the day after Transatlantic had taken over the contract.*

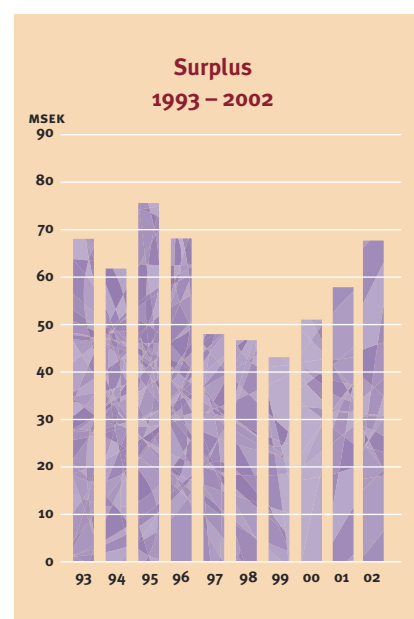


# Income Statement

SEK		2002	2001
<b>Interest income</b>			
Lending to shipping companies:			
Interest		200,131,010	251,116,209
Compensation for funding costs		2,219,169	2,642,690
Short-term investments:			
Swedish financial institutions		146,280	192,439
Interest-bearing securities		9,827,275	8,851,477
Long-term investments:			
Interest-bearing securities		36,220,097	32,938,745
Other interest income		525,255	208,751
<b>Interest costs</b>	(note 1)	-169,032,339	-224,049,049
<b>Net interest income</b>	(note 2)	80,036,747	71,901,262
General administrative costs	(note 3)	-7,919,782	-7,971,962
Guarantee fund fee paid to the state		-3,850,000	-5,330,000
Inventory depreciation		-53,091	-142,492
Other operating expenses		-135,000	-136,833
Surplus allocated to reserve fund		68,078,874	58,319,975



Rio de Janeiro,  
see page 12.





# Balance Sheet

SEK		2002-12-31	2001-12-31
<b>ASSETS</b>			
Cash		10,000	10,000
Lending to credit institutions	(note 4)	2,846,912	3,737,802
Bonds and other interest-bearing securities:	(note 5)		
short-term investments		205,816,616	169,578,229
long-term investments		700,336,524	650,790,546
Lending to shipping companies	(note 6)	4,895,886,642	4,539,654,898
Tangible assets	(note 7)	54,483	72,428
Other receivables	(note 8)	1,719,990	2,707,898
Accrued interest income		41,198,287	45,568,940
Prepaid expenses and other accrued income		1,409,101	5,081,722
<b>Total assets</b>		<b>5,849,278,555</b>	<b>5,417,202,463</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	(note 9)	4,821,558,570	4,344,890,882
Other borrowing	(note 10)	—	105,701,335
Other liabilities		3,059	8,059
Accrued interest expenses		14,989,489	22,023,973
Deferred income and other accrued expenses		1,323,316	1,252,967
<b>Equity</b>			
Reserve fund, whereof surplus for the year MSEK 68,1 (58,3)		1,011,404,121	943,325,247
<b>Total liabilities and equity</b>		<b>5,849,278,555</b>	<b>5,417,202,463</b>
<b>Guarantee fund</b>			
Swedish State guarantee		350,000,000	350,000,000
<b>Collateral pledged</b>			
		none	none
<b>Contingent liabilities</b>			
		none	none

GOTHENBURG 28 FEBRUARY 2003

*Pehr G Gyllenhammar*

*Anna-Lisa Engström  
Åsa Kastman Heuman  
Jan Källsson*

*Christer Berggren  
Folke Patriksson  
Tomas Abrahamsson  
/Birgitta Wickenberg Karlsson*

# Capital Adequacy Ratio

2002-12-31

CAPITAL BASE, SEK THOUSANDS		
Primary capital	= Reserve fund	1,011,404
Total capital base		1,011,404
CAPITAL REQUIREMENT, SEK THOUSANDS	Weighted average %	Weighted risk capital
Group A	0	0
Group B	20	185,537
Group D	100	4,833,561
Total weighted risk capital		5,019,098

$$\text{Capital adequacy ratio in \%} = \frac{\text{Total capital base} \times 100}{\text{Total weighted risk capital}} = 20.15 \%$$

## Cash Flow Analysis

	2002	2001
<b>DAY-TO-DAY OPERATIONS</b>		
Interest received and compensation for funding costs	209,504,221	264,761,664
Interest payments received on interest-bearing securities	43,518,605	40,997,408
Interest paid	-176,066,823	-235,514,839
	76,956,003	70,244,233
Administrative expenses paid	-6,761,991	-11,031,506
Cash flow from day-to-day operations	70,194,012	59,212,727
<b>INCREASE/DECREASE IN ASSETS AND LIABILITIES OF DAY-TO-DAY OPERATIONS</b>		
Increase/Decrease in lending to shipping companies	-356,231,744	-1,415,855,518
Increase/Decrease in borrowing	370,966,353	1,425,446,030
Investments in interest-bearing securities	-85,784,365	-68,412,264
	-71,049,756	-58,821,752
<b>INVESTMENT OPERATIONS</b>		
Investments in inventory	-35,146	-93,151
	-35,146	-93,151
Cash flow for the year	-890,890	297,824
Liquid assets at the start of the period	3,747,802	3,449,978
Liquid assets at the end of the period	2,856,912	3,747,802

Liquid assets consist of cash and loans to credit institutions.

# Notes

<b>NOTE 1</b>	<b>INTEREST COSTS</b>	<b>2002</b>	<b>2001</b>
	Liabilities to credit institutions	157,990,322	210,835,174
	Other borrowing	11,042,017	13,213,875
		<u>169,032,339</u>	<u>224,049,049</u>
<b>NOTE 2</b>	<b>NET INTEREST INCOME</b>	<b>2002</b>	<b>2001</b>
	Average interest rate during the year for		
	– lending to shipping companies	4.13	6.73
	– promissory note loans	3.51	6.09
<b>NOTE 3</b>	<b>REPAYMENT OF SPP FUNDS</b>		
	<b>2002</b>	<b>2001</b>	
	Of the remaining allocated company-related funds of SEK 3,256,975, a total of SEK 1,513,163 was received during the year. It is estimated that the remaining sum of SEK 1,743,812 will be received during 2003.	Of the remaining allocated company-related funds of SEK 3,765,877, a total of SEK 508,902 was received during the year for payment of premiums. The remaining sum of SEK 3,256,975 has been calculated at present value and is estimated to be utilisable over the next 7 years.	
	<b>General administrative costs</b>	<b>2002</b>	<b>2001</b>
	Personnel costs:		
	Fees and salaries to the Board and Managing Director including:	1,718,491	1,351,842
	Chairman of the Board 100,000		
	Managing Director 1,262,241		
	Salaries to other employees	2,464,524	2,344,685
	Allocation to bonus scheme	389,607	376,000
	Pension costs in excess of the general pension plan	–	–
	Other pension costs	721,361	641,084
	Social contributions	1,529,318	1,357,564
	Other personnel costs	502,101	553,014
	Rent and other costs for premises	886,977	756,815
	Other administrative costs	1,757,788	1,905,471
		<u>9,970,167</u>	<u>9,286,475</u>
	Administrative compensation	<u>-2,050,385</u>	<u>-1,314,513</u>
		<u>7,919,782</u>	<u>7,971,962</u>
	Bonus relating to 2001 paid in 2002		
	Managing Director	180,400	
	Others	215,207	
		<u>395,607</u>	
	<b>Audit fee</b>		
	KPMG AB	80,745	86,125
	Other auditors appointed by the government	37,500	32,500
		<u>118,245</u>	<u>118,625</u>

The position of Managing Director of the Bank is subject to a mutual period of notice of 2 years.

The Managing Director is entitled to draw a pension, equivalent to 70% of salary, on retirement at 62 years of age.

# Notes

NOTE 4	LENDING TO CREDIT INSTITUTIONS	2002-12-31	2001-12-31
	Payable on demand	2,846,912	3,737,802

NOTE 5	BONDS AND OTHER INTEREST-BEARING SECURITIES	PURCHASE VALUE	MARKET VALUE	NOMINAL VALUE
	Short-term investments			
	Mortgage institutions	206,023,067	207,928,220	205,800,000
	Accumulated amount in value adjustment account	-206,451		
	Book value	205,816,616		
	Long-term investments ( <i>bonds</i> )			
	Mortgage institutions	695,772,808	711,699,316	693,300,000
	The Swedish State	2,919,660	2,960,970	3,000,000
	Accumulated amount in value adjustment account	698,692,468	714,660,286	696,300,000
	Book value	700,336,524		

	2002-12-31	2001-12-31
Remaining duration		
Maximum three months	29,351,821	0
Longer than three months but maximum one year	176,464,795	169,578,229
Longer than one year but maximum five years	700,336,524	650,790,546
Remaining fixed interest term		
Maximum three months	29,351,821	0
Longer than three months but maximum one year	176,464,795	169,578,229
Longer than one year but maximum five years	700,336,524	650,790,546

Average remaining duration 1.6 years (2.0 years). Average effective interest rate in per cent of the purchase value 5.31% (5.35%).

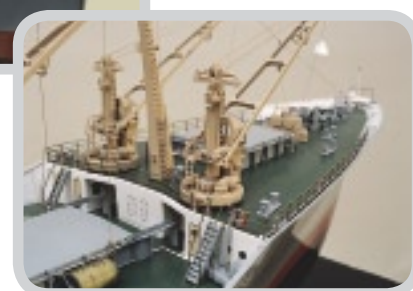
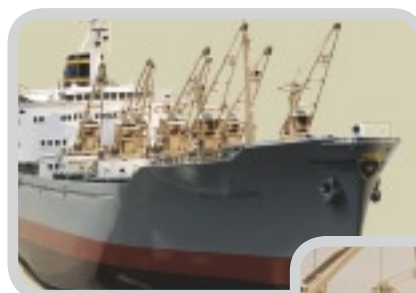
## Rio de Janeiro.

**BUILT AT LINDHOLMEN, GOTHENBURG, 1957,  
FOR REDERI AB NORDSTJERNAN, STOCKHOLM.**

Length 142. Beam 19. Draught 8. Deadweight 8,980 tonnes.

The Rio de Janeiro is the first ship in a class of seven. The Rio class attracted considerable attention with its attractive and harmonious lines. It was built for the Johnson Line's La Plata route, but the ships also sailed several other routes.

The Rio de Janeiro sailed the Brazil-Uruguay-Argentina route. In 1969 she was lengthened, and her deadweight increased by 33 per cent. In 1980, she was sold to Firma Skrot- & Avfallsprodukter, received a black-painted funnel, was renamed the Ris 8 and had her machinery removed. She was soon sold again, this time as a barge to Spain. On 2 December 1980, she left Gothenburg under tow for Barcelona, where she was to be broken up. The model shows the Rio de Janeiro before she was lengthened.



# Notes

<b>NOTE 6</b>	<b>LENDING TO SHIPPING COMPANIES</b>	<b>2002-12-31</b>	<b>2001-12-31</b>
	Loans in SEK	97,859,601	117,106,334
	Loans in foreign currency	4,615,495,945	4,253,557,503
	Interest-subsidised lending	83,525,345	103,661,061
	Loans to smaller shipping companies in accordance with SFS 1988:103	99,005,751	65,330,000
		<u>4,895,886,642</u>	<u>4,539,654,898</u>

Remaining duration		
Maximum three months	1,500,000	—
Longer than three months but maximum one year	94,004,726	—
Longer than one year but maximum five years	174,982,541	251,528,295
Longer than five years	4,625,399,375	4,288,126,603

*Average remaining duration 11.8 years (12.1 years).*

Remaining fixed interest term		
Maximum three months	2,334,629,116	2,660,686,583
Longer than three months but maximum one year	2,455,486,094	1,419,347,383
Longer than one year but maximum five years	105,771,432	233,298,682
Longer than five years	—	226,322,250

*Under ordinances SFS 1980:561 and SFS 1981:413, an interest subsidy system was introduced for Swedish buyers of ships from Swedish yards. This system has now been terminated, but it is estimated that interest subsidies on remaining loans will continue until 2003.*

*A special fund, administered by the Bank (by Government decree of 1987) may be used to cover losses in connection with new loans to smaller shipping companies. The capital balance of the fund on 31 December 2002 was MSEK 102.9 (MSEK 98.3).*

<b>NOTE 7</b>	<b>TANGIBLE ASSETS</b>		
	Equipment		
	Acquisition value brought forward	1,242,087	
	Acquisition value for the year	35,146	
		<u>1,277,233</u>	
	Total acquisition value		1,277,233
	Accumulated depreciation brought forward	1,169,659	
	Depreciation for the year	53,091	
		<u>1,222,750</u>	
	Total accumulated depreciation		-1,222,750
	Book value		54,483

*Equipment acquired prior to 31 December 1996 has been written off in full.*

*Equipment acquired as of 1 January 1997 has been activated with a depreciation period of 3 years.*

<b>NOTE 8</b>	<b>OTHER RECEIVABLES</b>	<b>2002-12-31</b>	<b>2001-12-31</b>
	Relating to SPP funds, of which current portion:	1,719,990	500,509
	long-term portion:	—	2,207,389
		<u>1,719,990</u>	<u>2,707,898</u>

# Notes

<b>NOTE 10</b>	<b>LIABILITIES TO CREDIT INSTITUTIONS</b>	<b>2002-12-31</b>	<b>2001-12-31</b>
	Swedish banks	3,781,185,497	3,504,707,689
	Swedish financial companies	1,040,373,073	840,183,193
		<u>4,821,558,570</u>	<u>4,344,890,882</u>
	Remaining duration		
	Maximum three months	—	—
	Longer than three months but maximum one year	89,096,188	—
	Longer than one year but maximum five years	158,662,495	120,667,214
	Längre än fem år	4,573,799,887	4,224,223,668
	<i>Average remaining duration 11.8 years (12.4 years).</i>		
	Remaining fixed interest term		
	Maximum three months	2,313,989,095	2,632,080,345
	Longer than three months but maximum one year	2,406,798,043	1,371,940,665
	Longer than one year but maximum five years	100,771,432	114,547,622
	Longer than five years	—	226,322,250
<b>NOTE 10</b>	<b>OTHER BORROWING</b>	<b>2002-12-31</b>	<b>2001-12-31</b>
	Other borrowing	—	105,701,335
	Remaining duration		
	Maximum three months	—	—
	Longer than three months but maximum one year	—	—
	Longer than one year but maximum five years	—	105,701,335
	Longer than five years	—	—
	<i>Average remaining duration 0 years (1.8 years).</i>		
	Remaining fixed interest term		
	Maximum three months	—	—
	Longer than three months but maximum one year	—	—
	Longer than one year but maximum five years	—	105,701,335
	Longer than five years	—	—

## Accounting and Valuation Principles

THIS ANNUAL REPORT has been prepared in accordance with the Swedish Act concerning Annual Reports for Credit Institutions and Investment Companies (1995:1559). The directions of the Swedish Financial Supervisory Authority have been observed.

The short-term investments referred to under interest-bearing securities have, in all essentials, been valued at the lower of cost or market value, as per the balance sheet date. Interest-bearing securities which refer to long-term investments have been valued at cost value, with appropriate premium and discount adjustments shown as interest. Accrual accounting is applied during the remaining term.

The valuation of outstanding loans, from the point of view of the credit risk, has been made in accordance with the Financial Supervisory Authority's directions.

Loans in foreign currencies to shipping companies have been valued at the historical exchange rate, in view of the fact that the equivalent borrowing in the same currency has likewise been valued at the historical exchange rate. No currency risk is therefore involved.

The interest risk is limited, due to the fact that the interest terms for the Bank's long-term borrowing correspond to investments in outstanding loans.

# Auditors' Report

WE HAVE EXAMINED the annual report, the accounts and the administration of the Swedish Ships' Mortgage Bank by the Board of Directors and Managing Director for the year 2001. The Board and Managing Director are responsible for the record of accounts. Our responsibility lies in commenting on the annual report and accounts, on the basis of our audit.

Our examination was carried out in accordance with generally accepted auditing standards. This means that we have planned and carried out the audit in order to ensure, as much as is reasonable, that the annual report does not contain any essential errors. An audit entails the scrutiny of a selected number of supporting documents for the amounts and other information contained in the accounts.



An audit also entails checking the accounting principles and the application of same by the Board and the Managing Director, as well as analysing and assessing the information in the annual report, as a whole.

We have scrutinised the important decisions, actions and conditions of the Bank in order to assess whether any member of the Board or the Managing Director has a liability towards the Bank, or has in any other way acted contrary to the Law on Annual Reports or the regulations governing the operations of the Bank that are included in the Law pertaining to the Swedish Ships' Mortgage Bank. We consider that our audit gives us reasonable grounds for the following statement.

The Annual Report has been prepared in accordance with the Law on Annual

Reports, and we therefore recommend that the Income Statement and Balance Sheet be adopted.

The Board of Directors and the Managing Director have not taken any action or been guilty of negligence, which, in our opinion, could lead to financial liability towards the Bank.

We therefore recommend that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

GOTHENBURG, 3 MARCH 2003

*Lars Johan Cederlund*

*Lena Möllerström*

AUTHORISED PUBLIC ACCOUNTANT

AUDITORS APPOINTED BY THE GOVERNMENT

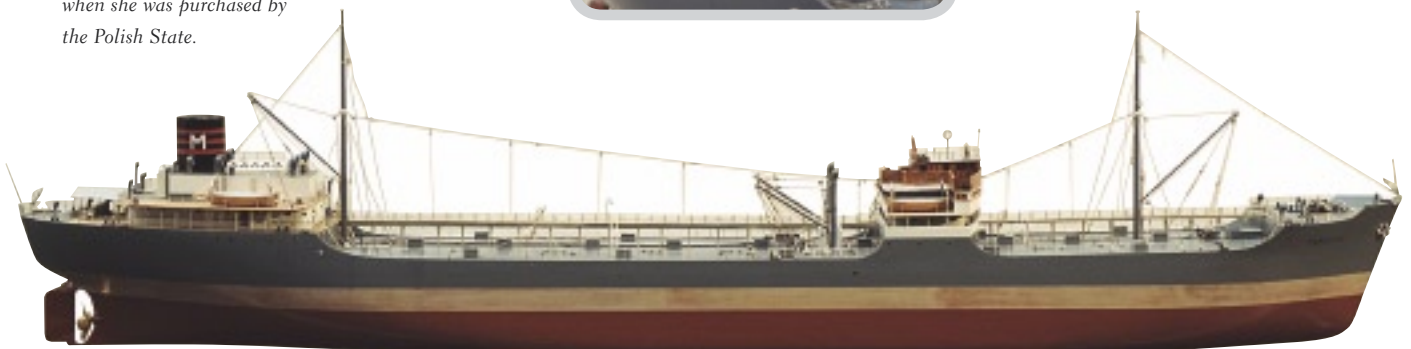
## Tankland.

**BUILT AT ERIKSBERG, GOTHENBURG, 1941,  
FOR REDERI AB MOTORTANK, GÖTEBORG.**

Length 147. Beam 19. Draught 8.

Deadweight 12,835 tonnes.

*The Tankland was completed in 1941, but did not enter service until 1945. She served the shipping company which had ordered her until 1957, when she was purchased by the Polish State.*



# Board of Directors

## MEMBERS

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### CHAIRMAN

PEHR G GYLLENHAMMAR  
M.D.HC; D.TECH.HC;  
London

CHRISTER BERGGREN  
Deputy Director, Ministry of Industry,  
Employment and Communications,  
Stockholm

ÅSA KASTMAN HEUMAN  
Director-General for Administrative  
and Legal Affairs, Ministry of Industry,  
Employment and Communications, Stockholm

JAN KÄLLSSON  
Managing Director,  
Erik Thun AB, Lidköping

### DEPUTY CHAIRMAN

ANNA-LISA ENGSTRÖM  
Managing Director,  
Dag Engström Rederi AB, Lysekil

TOMAS ABRAHAMSSON  
Deputy Chairman,  
SEKO, Stockholm

FOLKE PATRIKSSON  
Managing Director,  
B&N Nordsjöfrakt AB, Skärhamn

## DEPUTY MEMBERS

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TURE AXELSSON  
Shipowner,  
Charterfrakt AB, Skärhamn

SIV AXELSSON  
Member of the Board,  
SEKO-Department Seamens' Union  
Helsingborg

LARS HÖGLUND  
Shipowner,  
Furetank Rederi AB, Donsö

ANDERS LINDSTRÖM  
Director General  
National Mediation Office, Stockholm

MORGAN JOHANSSON (1/1–20/10 2002)  
Member of Parliament  
Lund

AGNETA RODOSI  
Treasurer,  
Statliga Akademiska Hus AB, Gothenburg

BO SEVERED  
Managing Director,  
Stena Line AB, Gothenburg

## MANAGING DIRECTOR

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BIRGITTA WICKENBERG KARLSSON



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