



**Press release, 31 October 2007**

**SBAB's net operating income for January- September amounted to SEK 285 million**

*SBAB's net operating income for the first nine months of 2007 amounted to SEK 285 million (SEK 667 million). The reduced net operating income is mainly due to the change in value of SBAB's liquidity portfolio. The net operating income, adjusted for the unrealised change in market value in the liquidity portfolio, is SEK 661 million, which is in line with the corresponding period last year.*

*"Like all other market participants who have a liquidity reserve in the form of bonds, we have seen a reduction in the market value during the third quarter. This is a result of the turbulence in the credit market during the period. Our holding is long-term and we make the assessment that the change in market value will be recovered over time", says Eva Cederbalk, CEO.*

#### **Results**

SBAB's net operating income for the first nine months of 2007 was SEK 285 million (SEK 667 million). The reduced net operating income is mainly attributable to the change in value of SBAB's liquidity portfolio. Net interest income was SEK 908 million (SEK 923 million). The stiff competition in the residential mortgage market is continuing and there is a clearly falling marginal trend. Net interest income has been positively affected by higher interest rates which have increased income on invested equity capital and payment flows. Net operating income adjusted for unrealised changes in market value in the liquidity portfolio amounts to SEK 661 million, which is in level with the corresponding period last year.

During the first nine months of the year, expenses amounted to SEK 382 million (SEK 436 million), a reduction of 12%. Compared with the corresponding period last year, SBAB's development and staff costs have decreased.

The SBAB group applies IFRS, International Financial Reporting Standards from 1 January 2007.

#### **The liquidity portfolio**

The purpose of SBAB's liquidity portfolio is to manage the liquidity risk. The portfolio amounted to SEK 31.6 billion as per 30 September. The negative change in market value amounted on the same date to SEK 376 million. The holding consists exclusively of AAA/Aaa rated bonds and the portfolio has no exposure to the US residential mortgage market. SBAB reports the assets at fair value and consequently the change in market value affects the net operating income. No losses have been realised. The holding is long-term and the assessment is made that the changes in market value will be recovered over time. Since the end of the period covered by the report, the market value of the portfolio has somewhat recovered.

*SBAB offers residential mortgages and savings products via the Internet and telephone and provides corporate loans. SBAB's mandate is to act to ensure diversity and competition in the Swedish residential mortgage market. More information is available at [www.sbab.se](http://www.sbab.se)*



### Loan portfolio and securitised loans

	Sep 2007	Sep 2007	Dec 2006	Dec 2006
SEK billion	Total	Of which securitised*	Total	Of which securitised*
Retail market	103.8		103.8	
Corporate market	65.5	-**	66.2	7.4
Total	169.3	-	170.0	7.4

\* Securitised loans

\*\* repurchased in May 2007

### Lending

During the first nine months of the year, new lending to the retail market was lower than the corresponding period last year. New lending to the retail market amounted to SEK 15,591 million (SEK 21,417 million). The retail market portfolio now totals SEK 103,773 million, SEK 103,806 million at the turn of the year. As before, SBAB's business partners are important distribution channels.

New lending in the corporate market increased to SEK 7,121 million (SEK 5,516 million). The corporate market portfolio totals SEK 65,546 million, SEK 66,207 at the turn of the year. This reduction is explained by lower lending to the municipal sector and tenant owner associations.

### Savings

SBAB now offers two savings products: A savings account (*Sparkonto*) for both new and existing customers with an interest rate of 3.65% as per 30 September 2007 and the SBAB account (*SBAB-konto*) for customers with residential mortgages of at least SEK 1 million with an interest rate of 4.40% as per 30 September 2007. Interest is accounted from the first krona regardless of the amount deposited and withdrawals are free of charge. An account can easily be opened through sbab.se or customer services. During the period we have seen a positive inflow of new customers. The amount deposited as per 30 September was SEK 433 million.

### Funding

During the quarter, SBAB has not experienced any difficulties in funding its activities. The company has a well diversified funding with presence in many different markets. SBAB has obtained both short- and long-term funding in the usual way and has had surplus liquidity since the beginning of July. The need for long-term borrowing for the next six months has been met at the time of reporting.

SBAB considers it very important to have a well-diversified funding portfolio. This requires an active presence in the market and a flexible range of products.

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As at 30 September 2007, the portfolio consisted of the following: Swedish Commercial Paper Programme SEK 23.5 billion (SEK18.2 billion), Swedish covered bonds SEK 57.9 billion (SEK 47.0 billion), European Commercial Paper Programme USD 1,958 million (USD 1,440 million), US Commercial Paper Programme USD 1,325 million (USD 1,813 million), Euro Medium Term Note Programme USD 7,772 million (USD 9,292 million), Euro Medium Term Covered Note Programme EUR 5,071 million (EUR 2,486 million).

The total value of outstanding securities issued was SEK 200.2 billion (SEK 182.3 billion). The issuance of covered bonds is done through SBAB's wholly-owned subsidiary The Swedish Covered Bond Corporation. The credit rating institutes Moody's and Standard & Poor's have set a credit rating of Aaa/AAA for the covered bonds issued.

**Further information is available from:**

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