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- The residential mortgage market is characterised by very stiff competition and strong pressure on margins. Despite this, SBAB has succeeded in improving its result, says Eva Cederbalk, CEO.

Results

SBAB's net operating income for the first half of 2007 totalled SEK 418 million (SEK 376 million). The increase in net operating income is explained by lower expenses and lower positive net loan losses compared with the corresponding period last year. Net interest income totalled SEK 612 million (SEK 628 million). The residential mortgage market is characterised by very stiff competition and a clear downward marginal trend. Net interest income has been positively affected by higher interest rates, which have increased interest income on invested equity capital and payment flows. Operating income is in level with the corresponding period last year, SEK 685 million (SEK 689 million).

During the first half year, expenses totalled SEK 289 million (SEK 318 million), a decrease of 9 %. Compared with the corresponding period last year, SBAB's development costs and staff costs have decreased.

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

Loan portfolio and securitised loans

	Jun 2007	Jun 2007	Dec 2006	Dec 2006
SEK billion	Total	Of which securitised loans	Total	Of which securitised loans
Retail market	103.9		103.8	
Corporate market	65.8	0.0 ¹⁾	66.2	7.4
Total	169.7	0.0	170.0	7.4

1) Repurchased May 2007

Lending

During the first half of the year, new lending to the retail market was lower than the corresponding period last year. New lending to the retail market totalled SEK 10,673 million (SEK 15,314 million) in the first half of the year. The retail market portfolio now totals SEK 103,875 million, SEK 103,806 million at the turn of the year. SBAB's partners continue to be important distribution channels.

SBAB offers residential mortgages via the Internet and by telephone as well as providing corporate loans. SBAB's mission is to contribute, in a profitable way, to increased competition in the Swedish residential mortgage market. More information is available at www.sbab.se



New lending to the corporate market increased to SEK 5,294 million (SEK 3,122 million). The corporate market portfolio amounts to SEK 65,785 million, SEK 66,207 million at the turn of the year. This decrease is explained by lower lending to the municipalities and to tenant-owner associations.

Savings

In April, SBAB expanded its range of products to also include saving for private customers. Initially, two account products were offered: A savings account for both new and existing customers and the SBAB account with an especially favourable interest rate for customers with residential mortgages of SEK 1 million or more. Interest is paid from the first krona deposited regardless of the amount deposited and withdrawals are free of charge. An account can easily be opened through sbab.se or customer services.

Funding

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. As at 30 June, the portfolio consisted of the following: Swedish Commercial Paper Programme SEK 20.2 billion (SEK 18.2 billion), Swedish Covered Bonds SEK 51.9 billion (SEK 47.0 billion), European Commercial Paper Programme USD 1,910 million (USD 1,440 million), US Commercial Paper Programme USD 2,104 million (USD 1,813 million), Euro Medium Term Note Programme USD 7,782 million (USD 9,292 million), Euro Medium Term Covered Note Programme EUR 3,992 million (EUR 2,486 million). The total value of outstanding securities issued was SEK 189.8 billion (SEK 182.3 billion).

The issuance of covered bonds is done through SBAB's wholly-owned subsidiary The Swedish Covered Bonds 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:

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