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– SBAB's core result is an improvement on last year. Taking into consideration the tough market conditions with stiff competition together with turbulence in the credit market, we are content with the result, says Eva Cederbalk, CEO.

Net operating income

SBAB's net operating income for 2007 was SEK 258 million (SEK 840 million). The decrease in income compared with the corresponding period last year is primarily attributable to the change in value of SBAB's liquidity portfolio. The change in market value of the liquidity portfolio has entailed a charge on income of SEK 616 million. Net interest income amounted to SEK 1,177 million (SEK 1,217 million). During the year, the residential mortgage market has been characterised by very tough competition and a clear downward marginal trend. Operating income adjusted for the unrealised change in market value in the liquidity portfolio is SEK 874 million, which is slightly higher than the corresponding period last year.

Expenses amounted to SEK 517 million (SEK 595 million) in 2007, a decrease of 13%. Compared with previous years, both SBAB's administrative expenses and staff costs have decreased.

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

The liquidity portfolio

SBAB's liquidity portfolio is a liquidity reserve intended to manage liquidity and refinancing risk. SBAB has liquidity reserves that correspond to liquidity requirements for 30 days or more. The liquidity portfolio has no exposure to the US residential mortgage market or to sub-prime loans in any other market. The portfolio amounted to SEK 31.0 billion as per 31 December 2007. The bonds in the portfolio can be pledged at the Riksbank or the European Central Bank. SBAB values each security individually at market value and reports the change in value in the income statement. Consequently, the unrealised change in market value affects the net operating income. The change in market value as per 31 December 2007 amounted to SEK -616 million and is a result of the financial turbulence that affected the credit market during the second half of 2007.

SBAB offers residential mortgages and savings via Internet and telephone and provides corporate loans. SBAB's contributes efficiently and profitably to competition and choice in the Swedish residential mortgage market. More information can be obtained at www.sbab.se



Lending

New lending to the retail market amounted to SEK 21,825 million (SEK 27,728 million). The retail market portfolio amounted to SEK 104,125 million (SEK 103,806 million). SBAB's business partners continue to be important distribution channels. New lending to the corporate market increased to SEK 10,814 million (SEK 10,280 million). The corporate market portfolio amounted to SEK 63,856 million (SEK 66,207 million). This reduction is explained by lower lending to municipalities and to 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 4.10% as per 31 December 2007 and the SBAB account (*SBAB-konto*) for customers with residential mortgages of at least SEK 1 million with an interest rate of 4.85% as per 31 December 2007. Interest is paid from the first krona regardless of the amount deposited and withdrawals are free of charge. During the period, we have seen a positive inflow of customers and the amount deposited as per 31 December 2007 is SEK 759 million.

Funding

SBAB considers it very important to have well-diversified funding sources. This requires an active presence in the market and a flexible range of products. The total value of outstanding securities issued was SEK 191.8 billion (SEK 182.3 billion). The issuance of covered bonds takes place in SBAB's wholly-owned subsidiary The Swedish Covered Bond Corporation (*AB Sveriges Säkerställda Obligationer (publ)*). The credit rating institutes Moody's and Standard & Poor's have set a credit rating of Aaa/AAA for the covered bonds issued.

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