



Press release 05 February 2016

Year-end report 2015

“In December, we found out that we still have Sweden’s most satisfied residential mortgage customers according to Svenskt Kvalitetsindex (Swedish Quality Index, SKI). This makes us incredibly proud.”

SBAB’s CEO, Klas Danielsson, comments:

In 2015, we were highly successful in implementing our focus on residential mortgages and housing financing. Operations performed strongly with even more satisfied customers, increased volumes, strong margins and good profitability. We succeeded in this thanks to the incredible efforts over the year of my colleagues at SBAB. In 2016 and ahead, we will continue the process of making SBAB strong and competitive for the long term, focusing on contributing to better housing and improved housing finances.

Sweden’s most satisfied residential mortgage customers, for the second consecutive year

Our strong performance in the first three quarters of the year continued in the fourth quarter. Our market shares in retail grew, both within lending and deposits. New lending and net growth in residential mortgages to private individuals reached an all-time high in the fourth quarter. In December, we found that we still have Sweden’s most satisfied residential mortgage customers according to Svenskt Kvalitetsindex (Swedish Quality Index, SKI) thanks to good ratings on service, simplicity, transparency, price and products. We are also successful on the corporate side. We were ranked second, a mere 0.1 units from first place.

We contribute to better housing and improved housing finances

We are a company in constant change, with the desire and ambition to be innovative thinkers. Change is necessary to develop, further improve and increase satisfaction among our customers. We are continuing our strategic sustainability efforts, where innovative thinking is a central element, and we intend to offer our retail customers an energy app and a green direct loan in the first six months of 2016.

A good example of our innovative thinking is the acquisition of Booli, one of Sweden’s largest housing sites with home-related search services. Booli helps us differentiate our position in the housing and residential mortgage market, reinforcing our customer offering and contributing to better housing and improved housing finances for our customers.

A troubled housing market

The situation in the Swedish housing market is worrying with a major housing shortage and soaring housing prices. In light of the severe increase in housing prices and the rapid increase in household indebtedness, we have grown more restrictive in granting credit this year, and we have introduced stricter amortisation rules. Nevertheless, our new lending has performed very well.

There is a risk that falling housing prices, caused by potential overregulation intended to restrain lending to private individuals, combined with the increased capital requirements on banks that will enter into force in coming years, may reduce access to loans. We currently see a certain weakening in both the rise of housing prices and the demand for residential mortgages, although the very strong demand for additional housing persists and must be

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resolved. Flexibility in the housing market must be stimulated with changed taxation, and the construction of new homes must be accelerated and increased with the help of simplified regulations.

New regulations and increasing capital requirements

New regulations in the banking sector require resource-intensive adaptation efforts that affect our costs and growth prospects. We expect a number of new rules to be introduced in 2016–2019 that will entail increased capital requirements for lending. This means prioritising growth in that part of our lending where we can add most customer benefit and achieve the strongest customer relationships, which is under SBAB's own brand. For this reason, in the fourth quarter, we terminated some of our mortgage brokering partnerships that used other companies' brands.

2016

For SBAB, 2015 was an incredible, record-breaking year. With strengthened market shares, good profitability and Sweden's most satisfied residential mortgage customers under our belt, we will continue our journey in 2016 and do our utmost to further improve our customer offering and our conditions for long-term competitiveness and profitability.

Fourth quarter 2015 (Third quarter 2015)

- Lending increased to SEK 297.0 billion (284.0).
- Deposits increased to a total of SEK 76.6 billion (71.5).
- Operating profit increased to SEK 402 million (378). Excluding net income/expense from financial instruments and restructuring costs, it amounted to SEK 395 million (396).
- Net interest income increased to SEK 647 million (603).
- Expenses totalled SEK 235 million (176), of which restructuring costs accounted for SEK 17 million (0).
- Loan losses amounted to SEK 11 million (3).
- Return on equity was 10.7% (10.5), and 10.5% (11.1) excluding net income/expense from financial instruments and restructuring costs.
- The Common Equity Tier 1 capital ratio, without transitional regulations, amounted to 28.6% (25.6).

January–December 2015 (January–December 2014)

- Operating profit totalled SEK 1,492 million (1,644). Excluding net income/expense from financial instruments and restructuring costs, it amounted to SEK 1,511 million (1,202).
- Net interest income increased to SEK 2,442 million (2,111).
- Expenses fell to SEK 809 million (1,008), of which restructuring costs accounted for SEK 20 million (178).
- Loan losses amounted to SEK 40 million (gain: 30).
- Return on equity was 10.2% (12.1), and 10.3% (9.0) excluding net income/expense from financial instruments and restructuring costs.
- The Common Equity Tier 1 capital ratio, without transitional regulations, amounted to 28.6% (29.8).



Download the full report: www.sbab.se/investor

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