



Press release, 23 April 2015

Interim report 1 January – 31 March 2015

Continued good volume growth and profit trend

SBAB's CEO, Klas Danielsson, comments:

The excellent inflow of new customers and expanding volumes within residential mortgages continued during the first quarter, resulting in growing market shares in the residential segment. On the corporate client side, we are encountering favourable demand and expect volumes to increase further during the year. Our deposit operations also experienced continued favourable inflow of new customers and increasing volumes, both on the retail and corporate client sides.

During the third quarter last year, we adopted a new strategic direction involving focusing on residential mortgages and housing financing. As a result of this strategic decision, the fund offering has now been wound up and the development of additional banking services has been discontinued. All resources are now being directed towards achieving our vision – to offer the best residential mortgages in Sweden.

We have reinforced our position on the residential mortgage market. According to Swedish Quality Index (Svenskt Kvalitetsindex, SKI), we have the most satisfied residential mortgage customers in Sweden, and in our latest survey, we were ranked number two in brand awareness among the general public. To set us apart in the residential mortgage market, reinforce our position further in the long term and achieve our vision – to offer the best residential mortgages in Sweden – we are working to develop and strengthen our customer offering. These efforts are exemplified by the launch in the fourth quarter of the Värdeguiden app (the value guide), the web service Bytabostadsguiden (a guide to changing homes) and Gröna lånet (the green loan) to tenant-owner associations.

The trend of declining interest-rates has continued during the first quarter, partially through the Riksbank's cut of the repo rate to the all-time low of -0.25%. The low interest-rate level, combined with favourable demand for our bonds from investors, has reduced our cost of funding. We have transferred the lower cost of funding to our customers by cutting interest-rates on residential mortgages. Our 3-month standard interest-rate of 1.79% is currently the lowest rate in the market.

Our profit trend is strong, thanks to our cost-efficiency enhancement programme and the fact that our residential mortgage margins were stable in the quarter. However, our costs will be adversely impacted; both in the short term, due to the increased resources required for handling the strong inflow of new customers, and in the long term, due to regulatory developments. We are currently striving to adapt to regulations that will be introduced later this year, such as transparency requirements for residential mortgage interest-rates and the new amortisation requirement. We still believe that we will meet our cost target for the full financial year 2015.



The EU Mortgage Credit Directive recently presented the residential mortgage inquiry. It will result in and require a relatively extensive development and adaptation of our operations in several areas. The Basel Committee has submitted proposals on new standard regulations and risk weights for credit risks that may affect Swedish residential mortgage providers in a particularly negative way and may, unfortunately, result in higher interest-rates for our customers.

Developments in the financial and property markets are raising concerns. There is a risk that the extremely low interest-rate level could cause share, bond and property price bubbles instead of the desired economic growth and inflation. The price per square metre for tenant-owner rights is skyrocketing in certain parts of Sweden. Responsible lending is our principal focus, and we are currently reviewing our credit approval process to assess whether there is a need to limit lending where the loan to value ratio is at its highest and the trend in housing prices is the strongest.

Trends in the world around us, combined with our high ambitions of developing our operations, will most likely make 2015 a highly eventful year.

First quarter of 2015 compared with the fourth quarter of 2014

- New lending amounted to SEK 13.3 billion (15.7). Total lending increased to SEK 265.0 billion (261.4).
- The number of residential mortgage customers increased to SEK 160,708 households (160,034).
- Total deposits increased to SEK 63.9 billion (60.6) distributed over 276,047 active deposit accounts (267,712).
- Operating profit increased to SEK 450 million (441) and to SEK 336 million (318) excluding net income/expense from financial instruments and restructuring costs.
- Net interest income increased to SEK 555 million (549).
- Expenses fell to SEK 194 million (223), of which restructuring costs accounted for SEK 1 million (3).
- The net effect of loan losses increased to a negative SEK 3 million (positive: 8).
- Return on equity was 12.5% (12.8), and 9.4% (9.3) excluding net income/expense from financial instruments and restructuring costs.
- The Common Equity Tier 1 capital ratio, without transitional regulations, amounted to 27.5% (29.8).

SBAB's interim report is available for download from: www.sbab.se/investor

For further information, please contact:

Klas Danielsson, CEO SBAB

Telephone: +46 8-614 43 01, klas.danielsson@sbab.se

Mikael Ingländer, CFO SBAB

Telephone: +46 8-614 43 28, mikael.inglander@sbab.se