

Q1 RESULTS 2018

SBAB Bank AB (publ)

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SBAB!

Q1 in brief

- Continued healthy trend for volume growth during the quarter
 - Total lending increased SEK 8.9 billion to SEK 344.0 billion
 - Total deposits increased SEK 3.4 billion to SEK 115.3 billion
- Net interest income increased to SEK 831 million. Continued strength for metrics such as profitability, credit losses, cost-efficiency and capitalisation. RoE at 13.0%
- Finansinspektionen (Swedish SFA) has proposed to change the method it uses to apply the 25% risk weight floor for Swedish mortgages currently captured through Pillar 2 by replacing it with a capital requirement within the framework of **Article 458 of CRR. While Swedish banks' capital ratios will reduce, the buffers they demonstrate to their overall capital requirements in SEKbn will remain unchanged**



	2018 Q1	2017 Q1	FY2017
Total lending, SEK bn	344.0	305.1	335.1
Total deposits, SEK bn	115.3	100.0	111.9
Net Interest Income, SEK mn	831	779	3,149
Loan losses, SEK mn	+10	+6	+24
RoE, %	13.0	12.6	12.5
C/I ratio, %	30.0	29.9	30.3
CET1 Capital Ratio, %	31.1	29.9	32.2

Rating	Moody's	S&P's
SBAB		
- Short term funding	P-1	A-1
- Long term funding	A1	A
SCBC		
- Long term funding	Aaa	

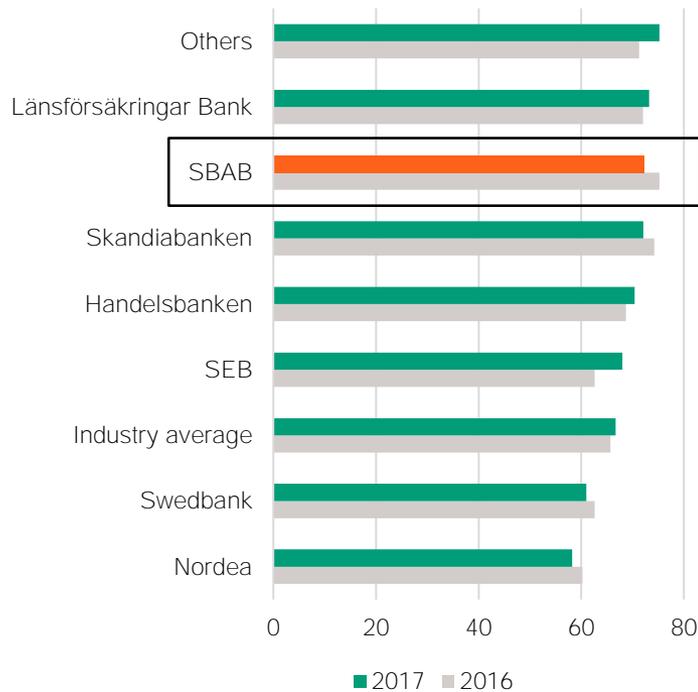
BUSINESS DEVELOPMENT.

No 3 in 2017, No 1 in 2016

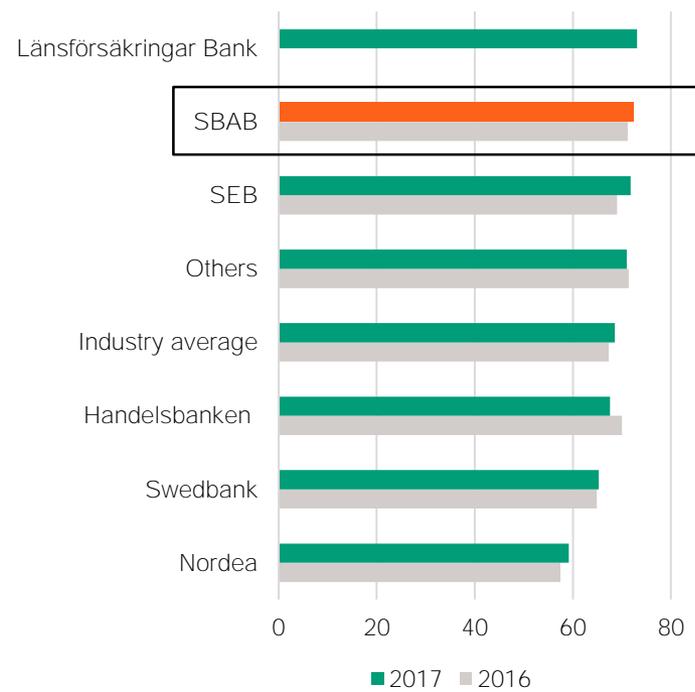
”Sweden’s most satisfied residential mortgage customers”



Retail (SBAB no 3 in 2017)
Customer satisfaction 2016 & 2017



Corporate (SBAB no 2 in 2017)
Customer satisfaction 2016 & 2017



Our value proposition



ACCESSIBILITY

Mortgages online and over the phone, seven days a week, covering all circumstances.

TRANSPARENCY

Fair prices and appropriate terms and conditions from the start.



CONSIDERATION

Housing specialists who care.

Transparent pricing model

Increased rebates for low LTV:s...

- Lower risk = better price
- No time limited discounts, no negotiation
- Transparency – small difference **between SBAB's average rates and list rates**

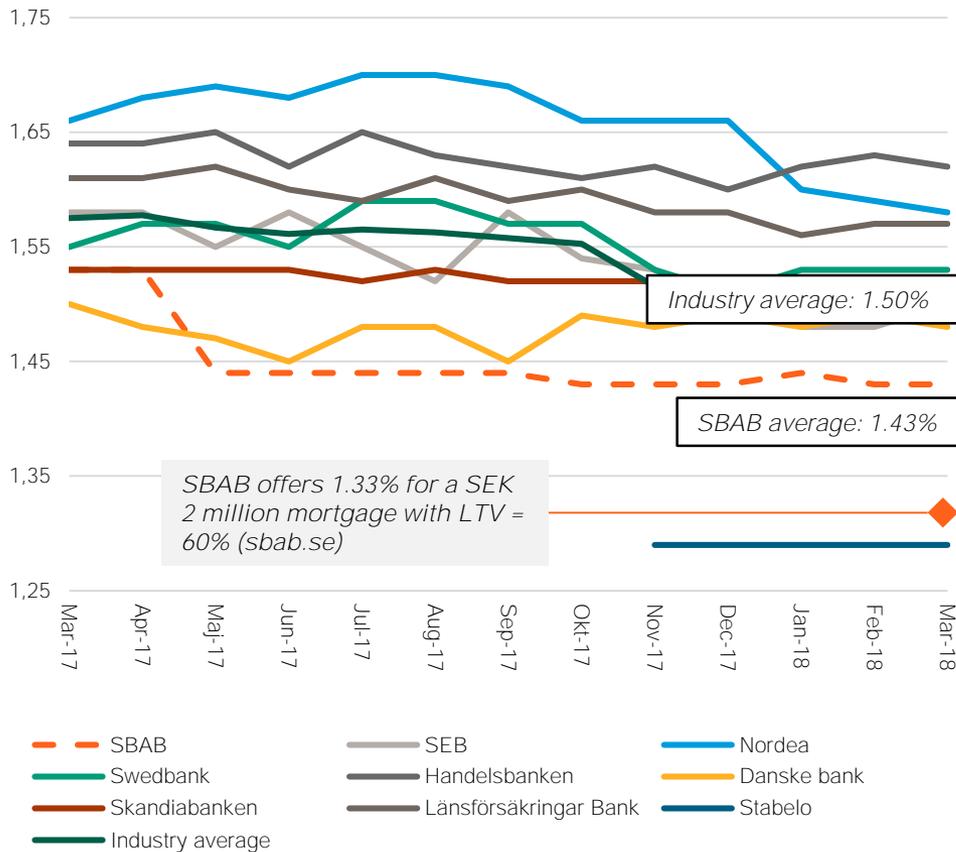
...used fully transparently in pricing

	Residential mortgages			
SBAB	3m	1y	2y	3y
List rate	1.59%	1.59%	1.74%	1.99%
Average rate	1.43%	1.47%	1.63%	1.88%
Difference	0.16%	0.12%	0.11%	0.11%
Larger banks (average)				
List rate	2.01%	2.04%	2.05%	2.06%
Average rate	1.56%	1.58%	1.59%	1.62%
Difference	0.45%	0.47%	0.45%	0.44%

* March 2018

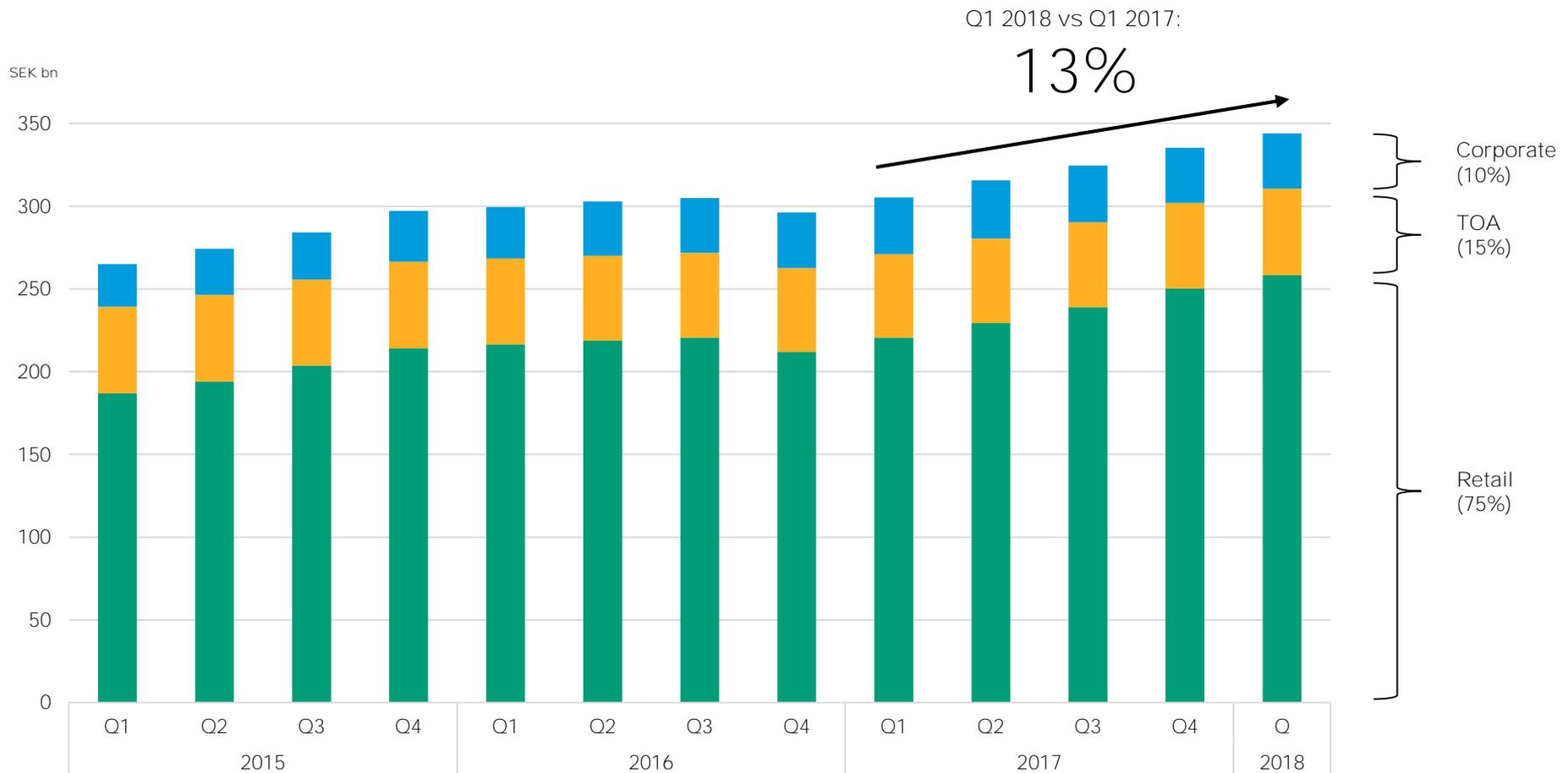
Average mortgage rates

3-month variable rate, actual monthly averages (residential mortgages)



- High margins on 3-month variable rate
- Lower margins on longer maturities
- SBAB lowered the 3-month variable rate in May 2017
- A significant share of customers at the larger banks on list rates (without discounts)
- The majority of customers choose shorter maturities
- Lowering the 3-month variable rate would significantly affect the NII of the larger banks

Lending growth



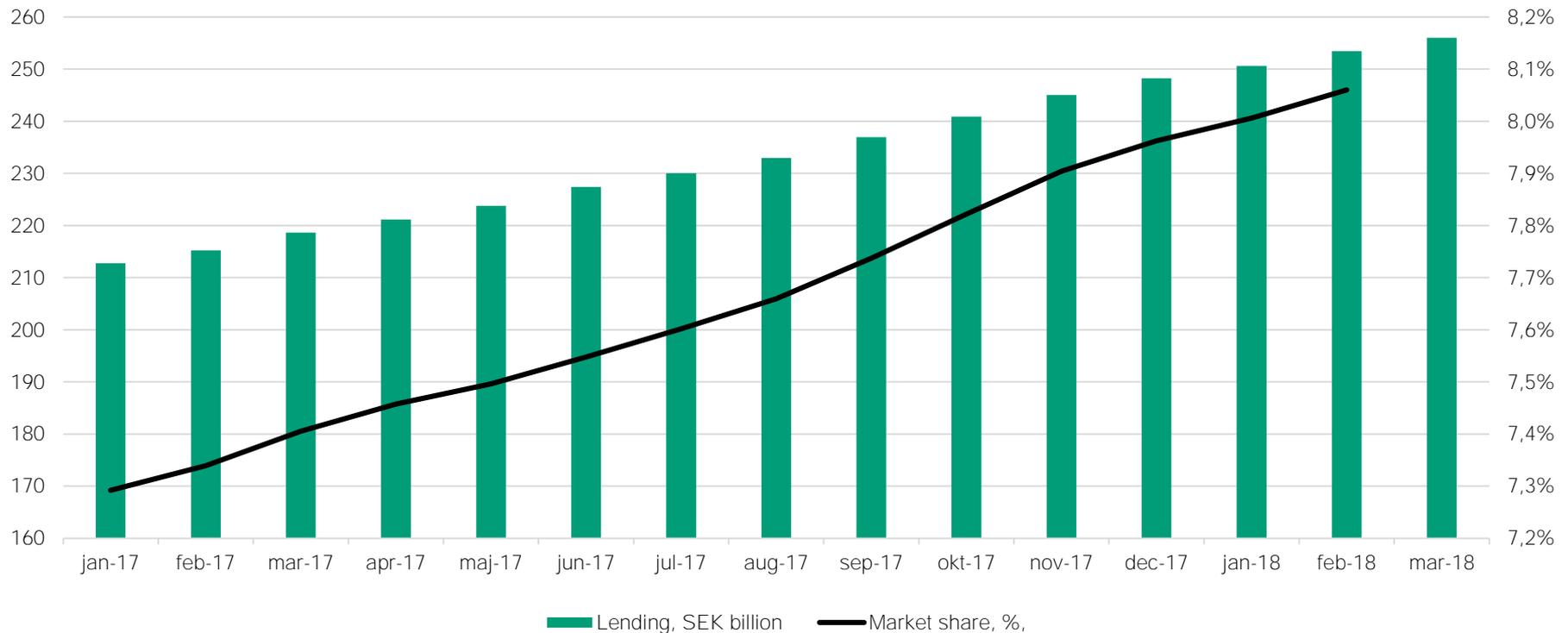
Approximately SEK 20.5bn of assets transferred from SBAB during 2016 due to option exercised by former partner Sparbanken Öresund (acquired by Swedbank)

Residential mortgages 2017/18

SEK 256.3_{bn}

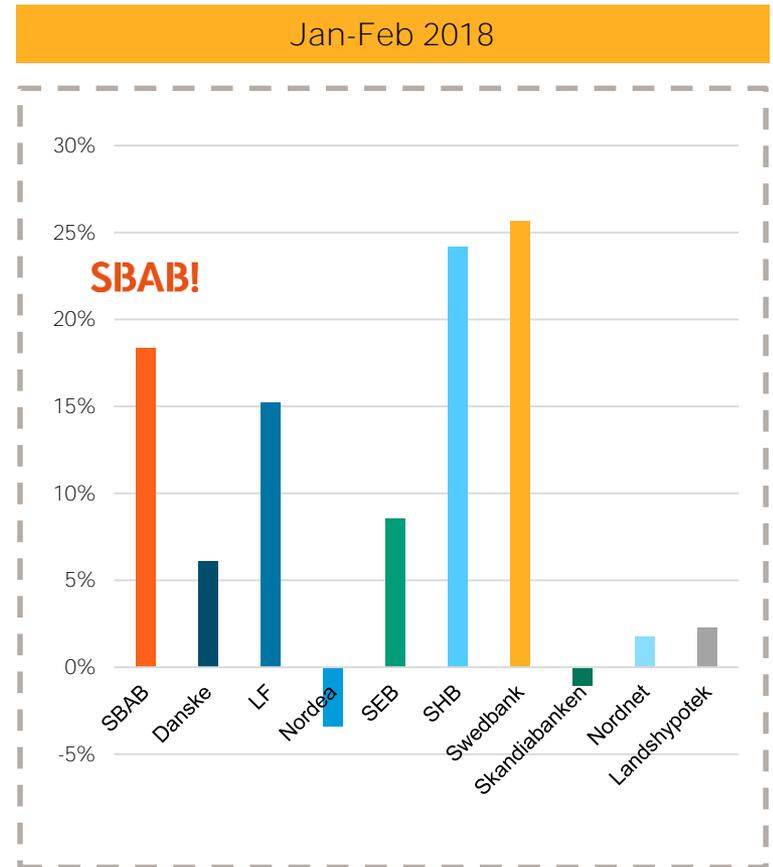
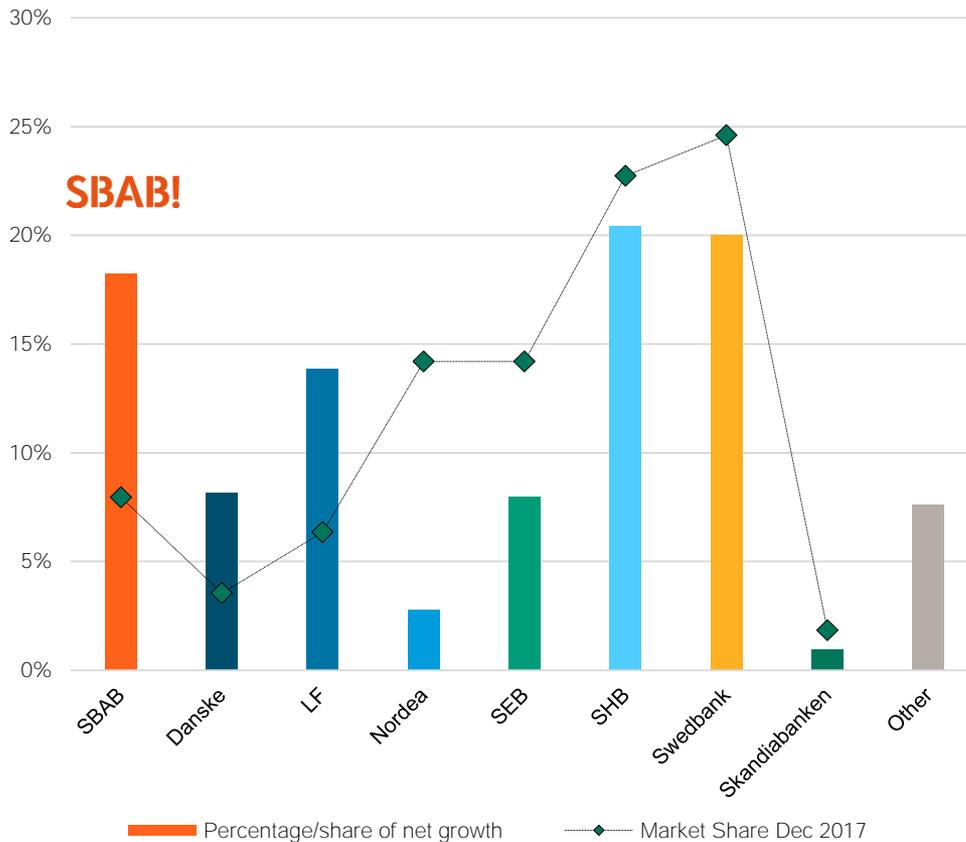
8.06%

Residential mortgages (lending & market share)

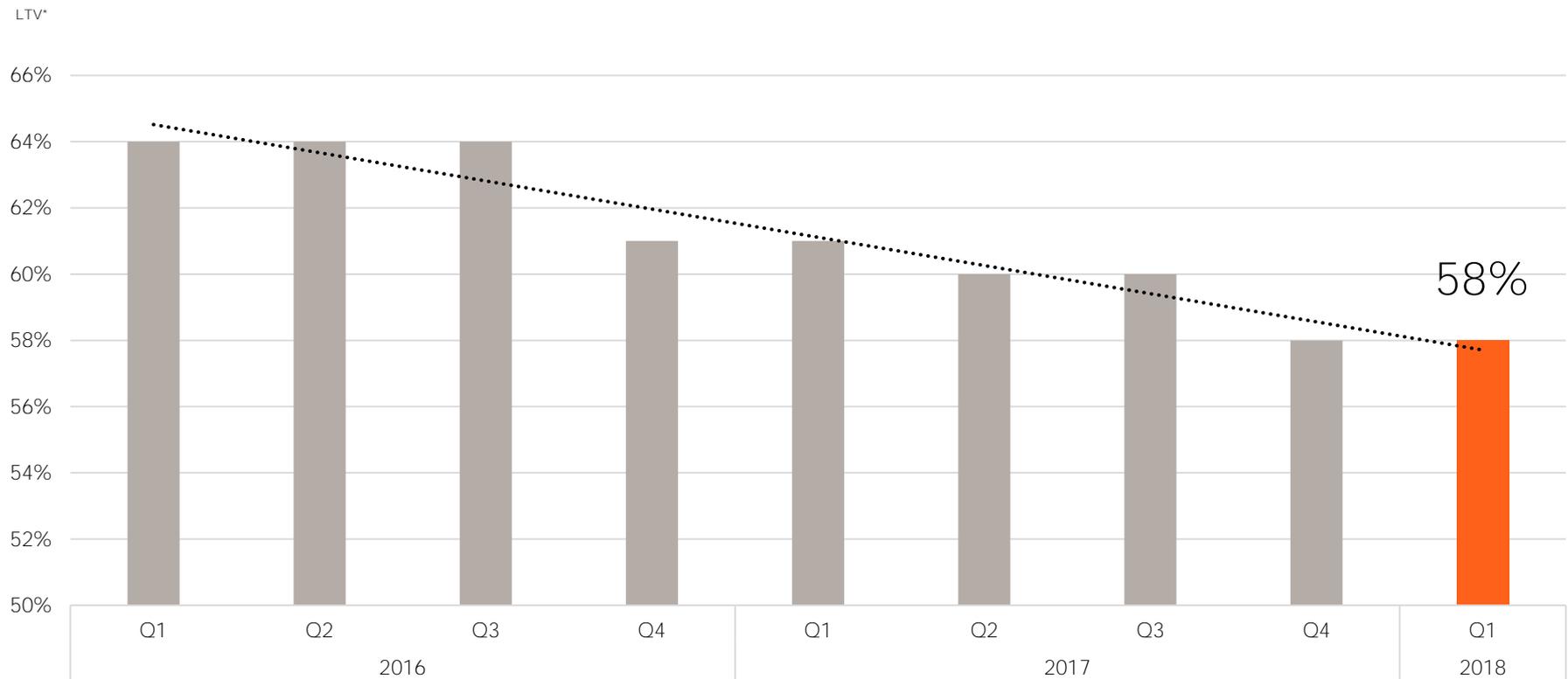


Residential mortgages

Percentage/share of net growth in the Swedish residential mortgage market for the period Jan-Dec 2017



LTV development (Retail)

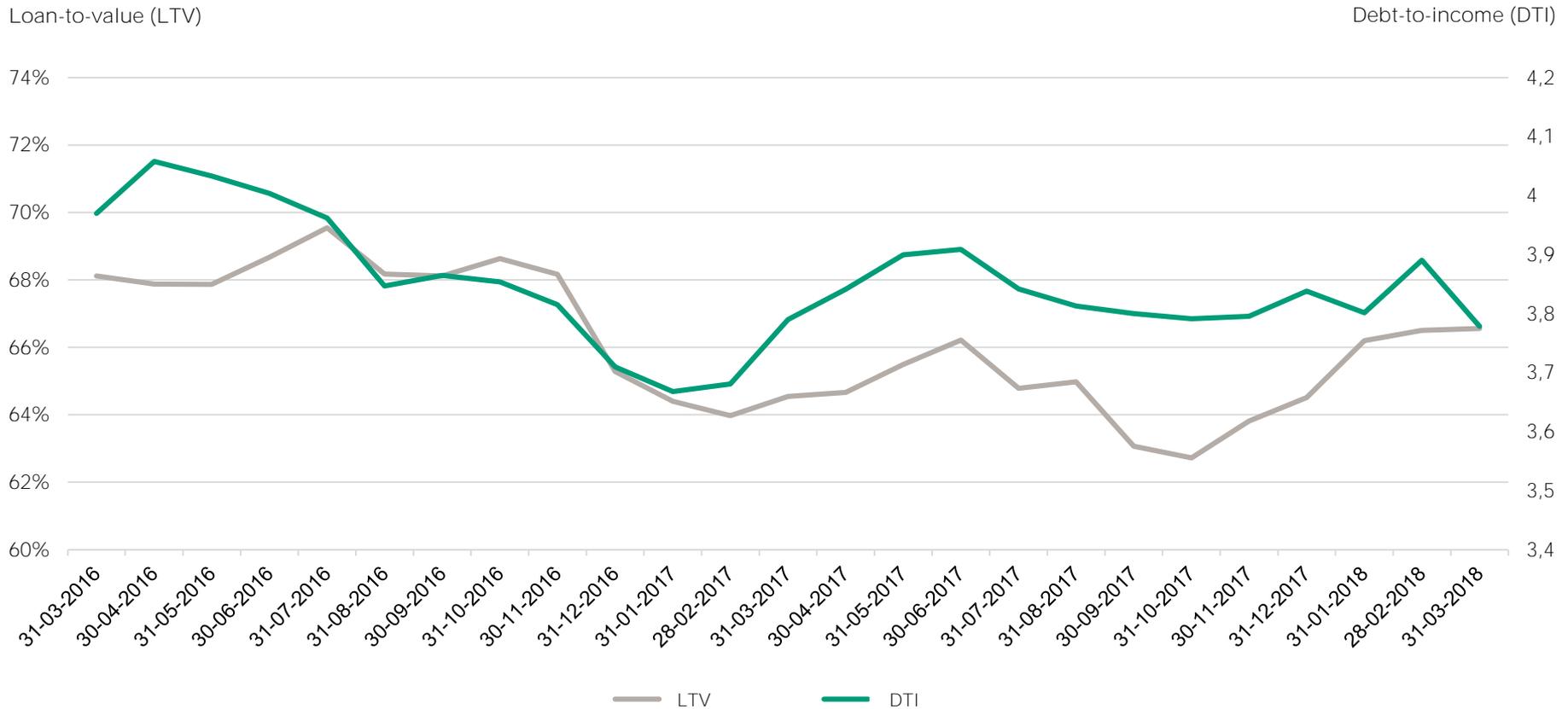


SBAB has gradually imposed stricter underwriting standards during recent years which has improved credit metrics in new lending

*The loan-to-value ratio is defined as the size of a loan in relation to the market value of pledged collateral. Where applicable, the calculation takes into consideration contributory factors such as guarantees and the collateral's lien priority.

New lending (Retail)

Stable metrics in new lending (residential mortgages)



Developing our brand...

”Boendekonomi är jättekul!”



Awards:



Nominations:



&



SBAB!

...2018: "The show must go on"

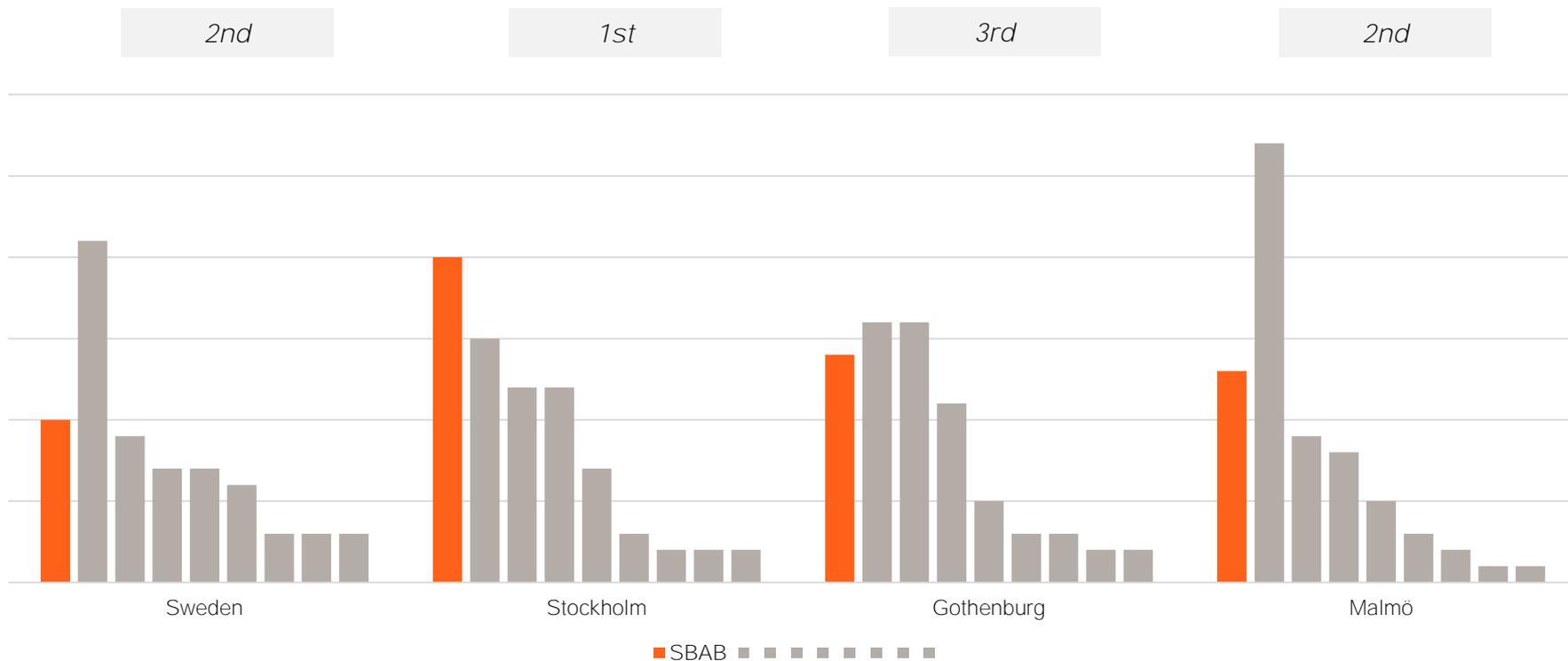
- But this time, everyone is invited. All 10 million people in Sweden



OVER 510,000 YOUTUBE VIEWS

Strong position & awareness

”Which companies offering mortgages do you know of?” (first mentioned)



SBAB is the 5th largest mortgage provider in Sweden, but the 2nd most recognised in Sweden and 1st - 3rd most recognised in the largest cities, supporting further growth

The market is changing

enkla.com HYPOTEKET

New competition

stabelo

Mortgages?

tink

AISPs
(Account Information
Service Providers)

New regulations (PSD2)

instantor®

Open Banking

The full-service bank is
disappearing

*More than 60% of retail customers have
more than one banking relationship
according to SKI*



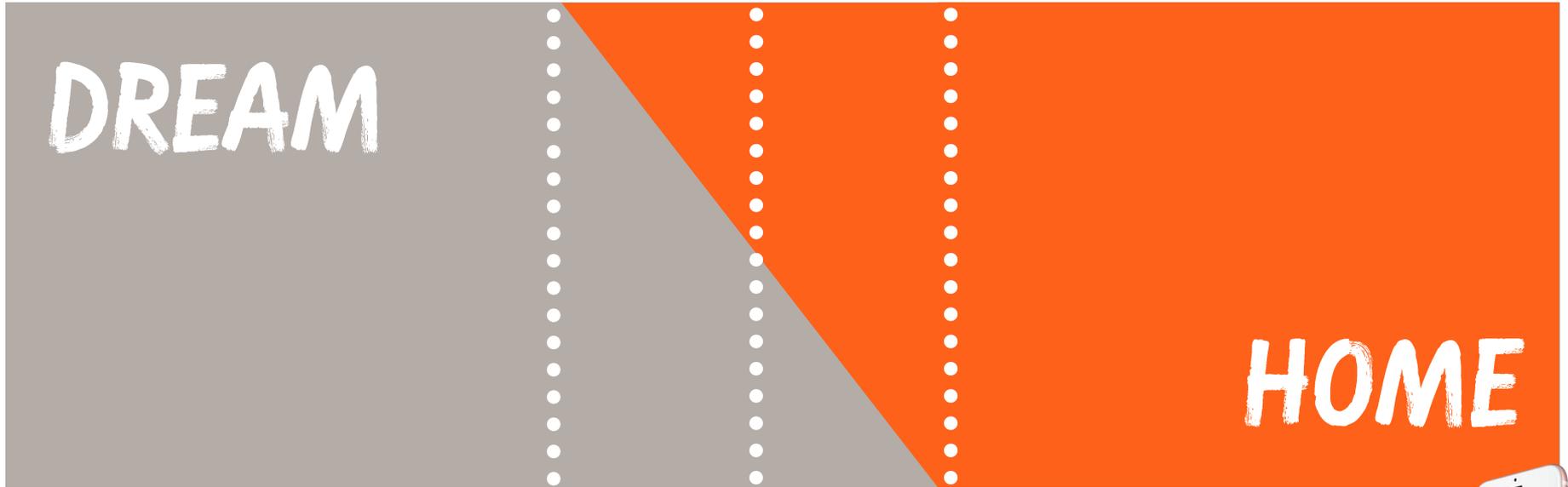
Digitalization – marginal cost
and price towards zero

The housing journey

- Content and services relating to housing and household finances

booli

SBAB!



"booli.se"

SEARCH

BUY

Additional services to be launched in the future

"Mitt boende"



SBAB!

"Räntematchen"

– SBAB's new comparison service



15,452

No. of matches...

83%

...**no.** of matches won

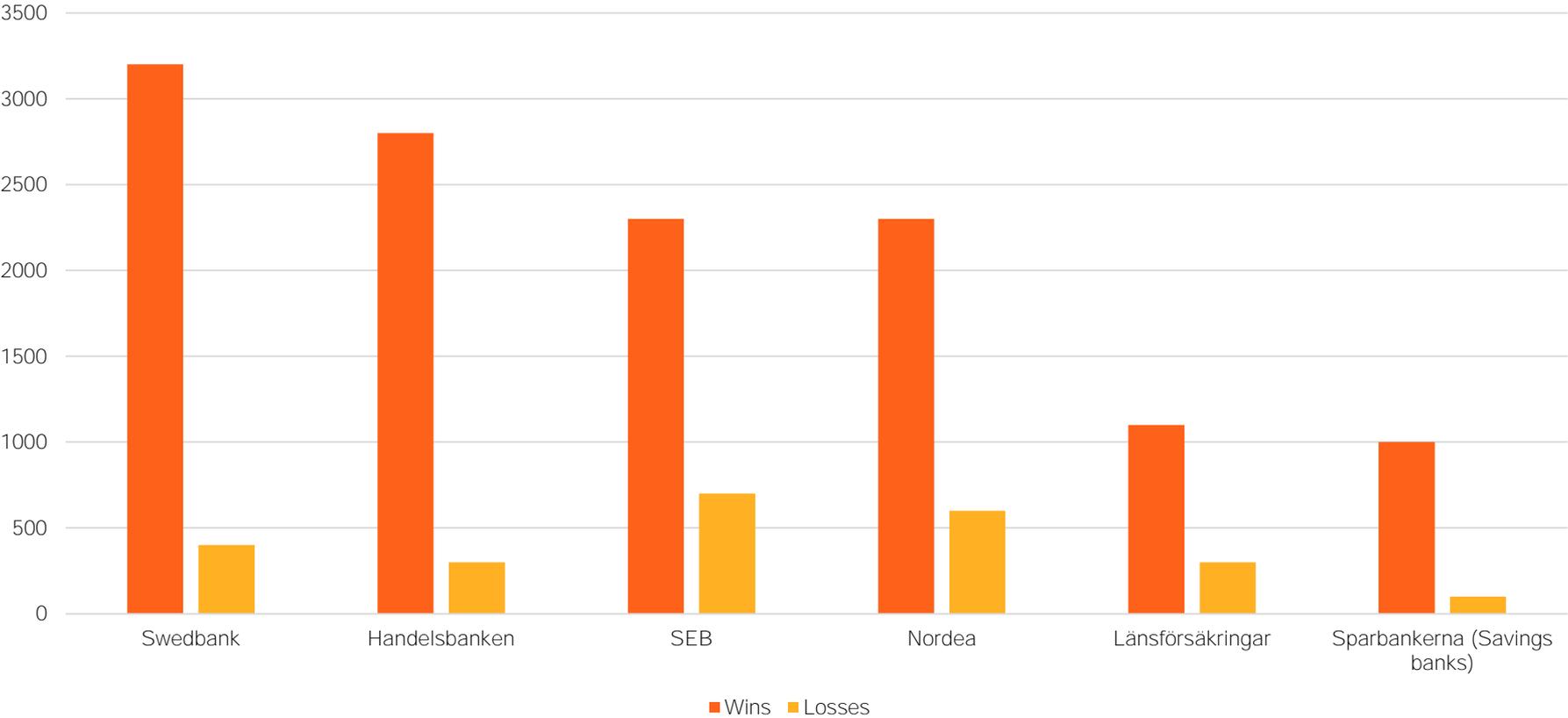
SEK 5,018 per year

...what customers on average save on moving to SBAB

Match results



Number of matches, wins and losses



Sweden's best workplace

- Inclusive leadership and self-driven employees
- Value-driven and agile working approach
- Tempo, courage, determination, trial & error, innovation

Great
Place
To
Work®

Sweden's Best
Workplaces

SWEDEN

2018

SBAB IN 8TH PLACE IN GREAT PLACE TO WORK'S TOP 10 LIST OF SWEDEN'S BEST WORKPLACES IN 2018 (LARGER COMPANIES)

SBAB's values

VI TAR
ANSVAR
- HELA VÄGEN

VI LYCKAS
TILLSAMMANS

VI JOBBAR
SMART
MED FART

VI ÄR
STOLTA
PROFFS

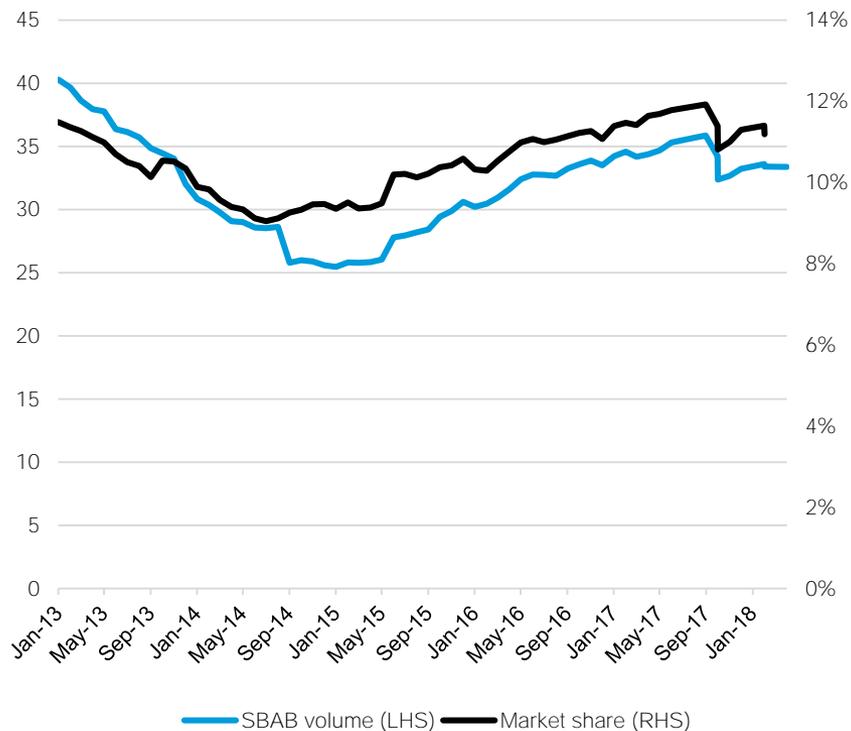


SBAB!

Corporates & TOA

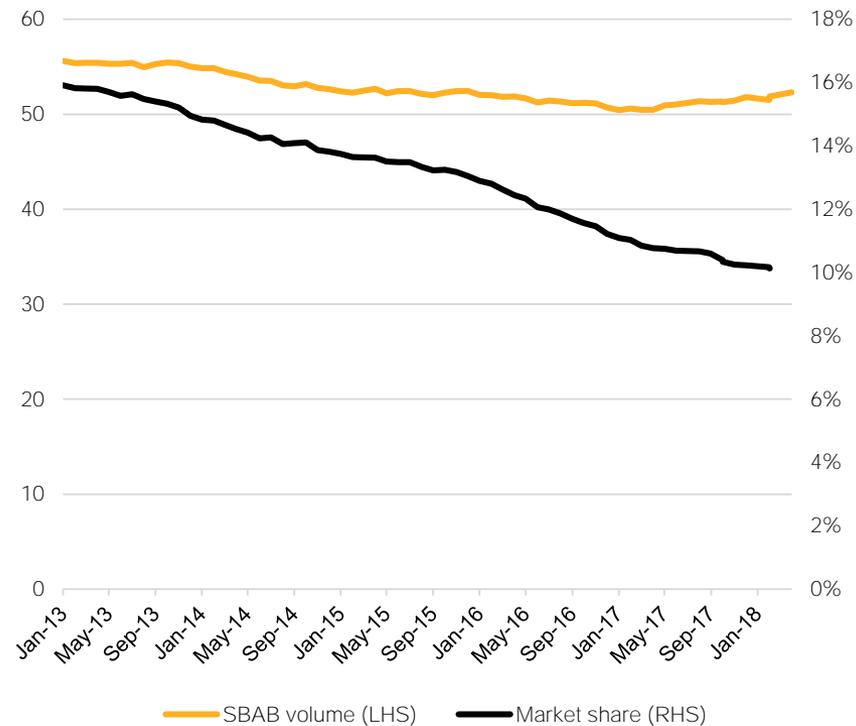
SEK 33.4 bn

Corporates (lending & market share)



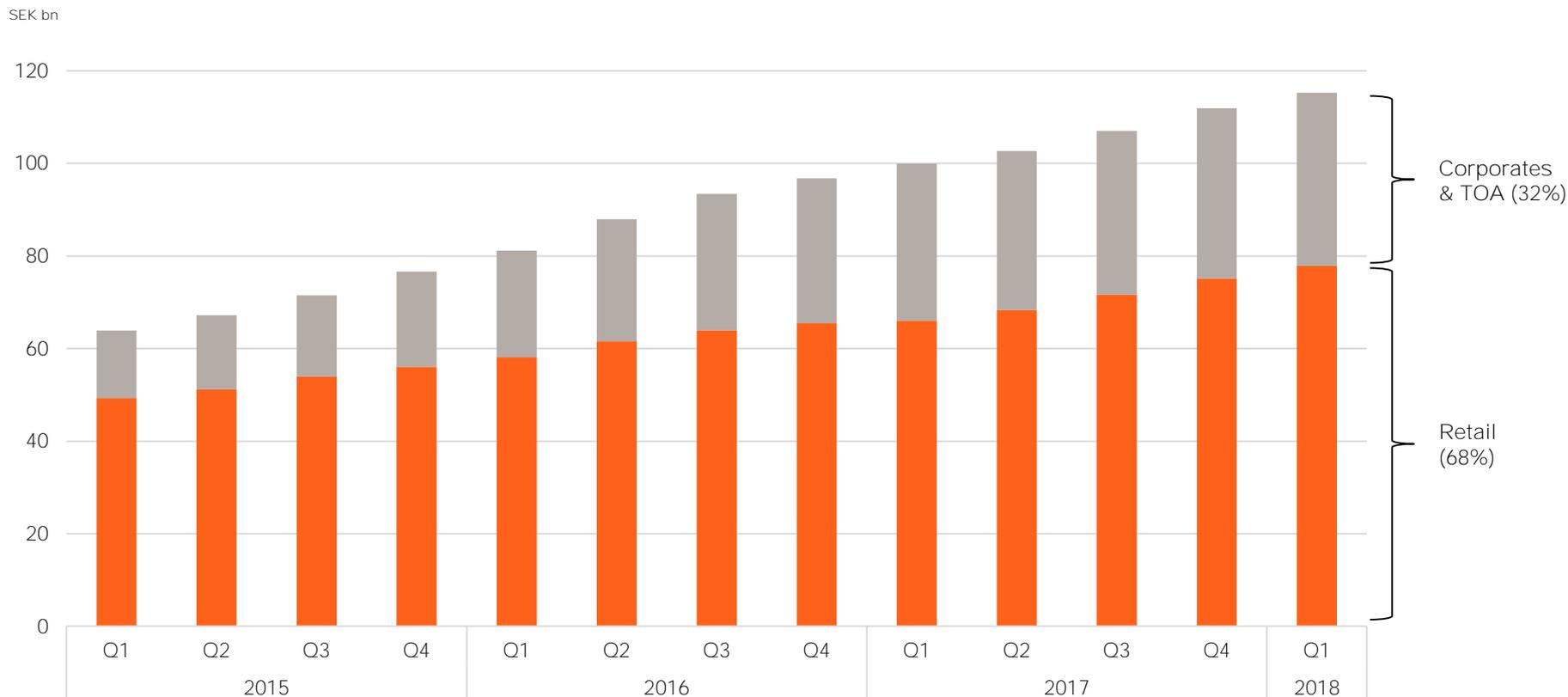
SEK 52.2 bn

Tenant-Owners' **Associations** (lending & market share)



Deposit growth

- Deposit-to-loan ratio of 33.5% at 31 March 2018



Deposits has grown significantly over past years leading to reduced reliance on capital markets funding and adding to earnings stability

FINANCIAL DEVELOPMENT.

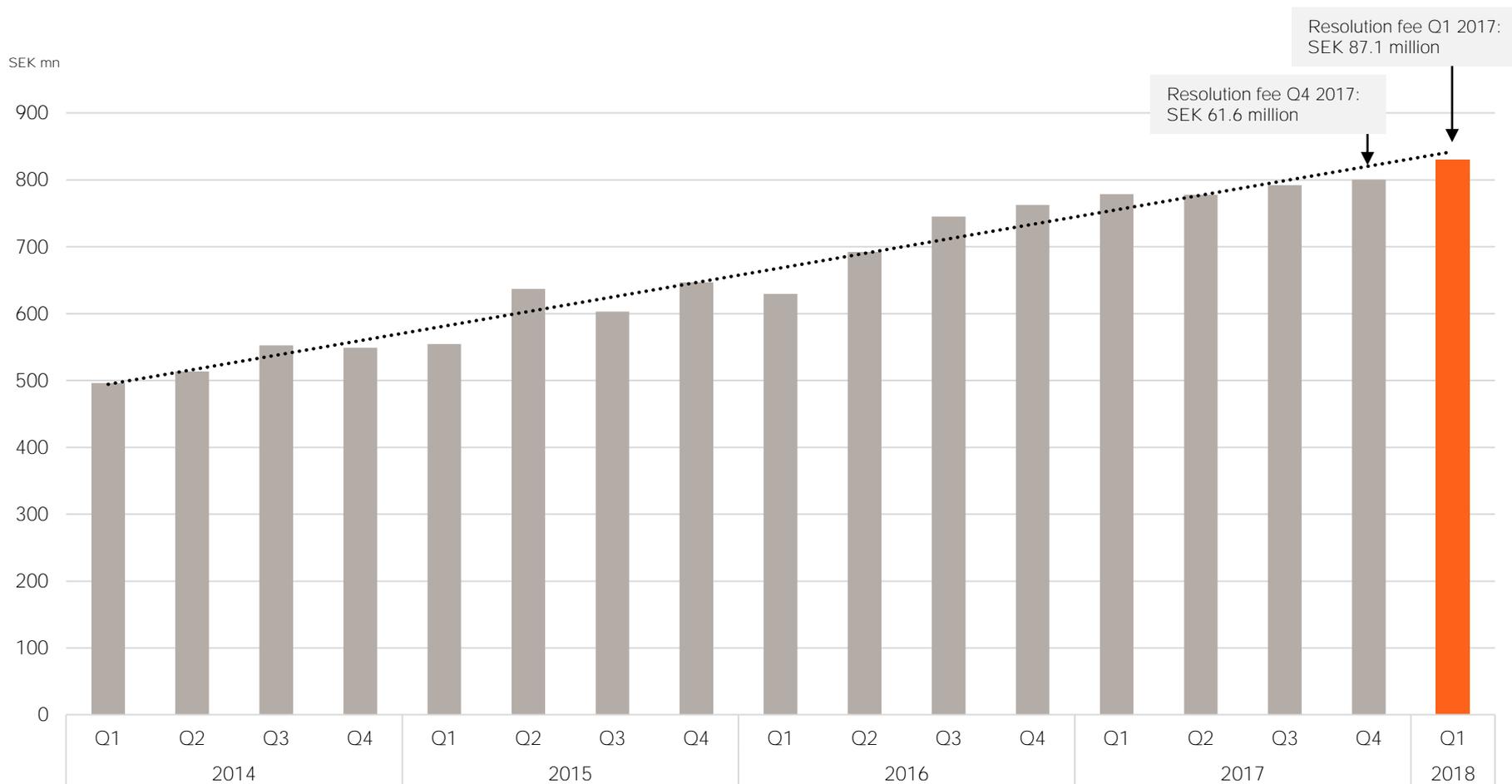
Continued strong development

(SEK mn)	2017	2016	▲	Q1 2018	Q1 2017	▲
NII	3,149	2,829	↑	831	779	↑
Costs	-959	-889	↑	-242	232	↑
Loan losses	24	-18	↓	10	6	↓
Operating profit	2,228	2,011	↑	576	549	↑
Deposits (SEK bn)	111.9	96.8	↑	115.3	100.0	↑
Lending (SEK bn)	335.1	296.0	↑	344.0	305.1	↑
Deposit/lending, %	33.4%	32.7%	↑	33.5%	32.8%	↑
C/I ratio, %	30.3%	30.5%	↓	30.0%*	29.9%	↑
RoE, %	12.5%	12.3%	↑	13.0%	12.6%	↑
CET1 capital ratio, %	32.2%	32.2%	→	31.1%	29.9%	↑

*Return on equity "Q1 2018" adjusted for dividend 2017 of SEK 684 million

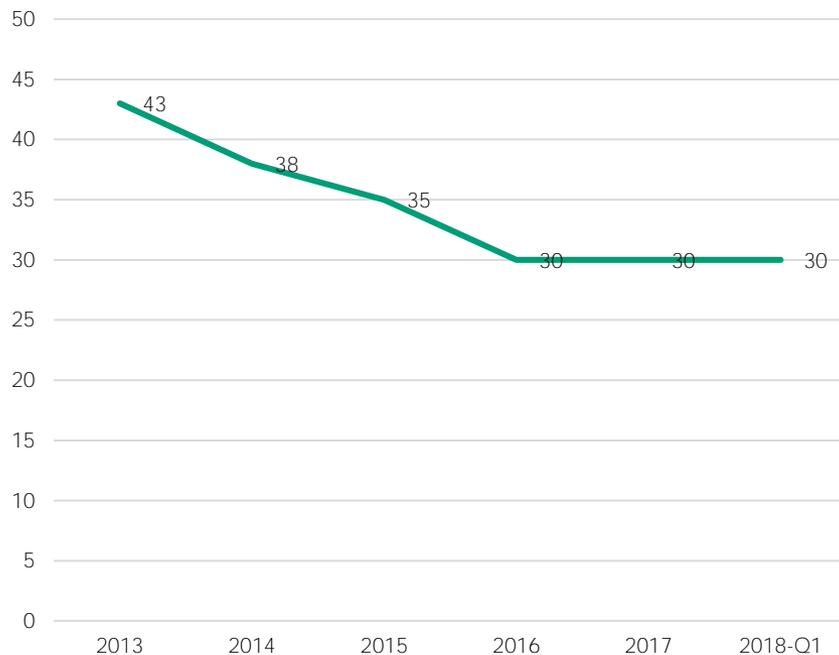
Net interest income QoQ

- Continued stability and growth

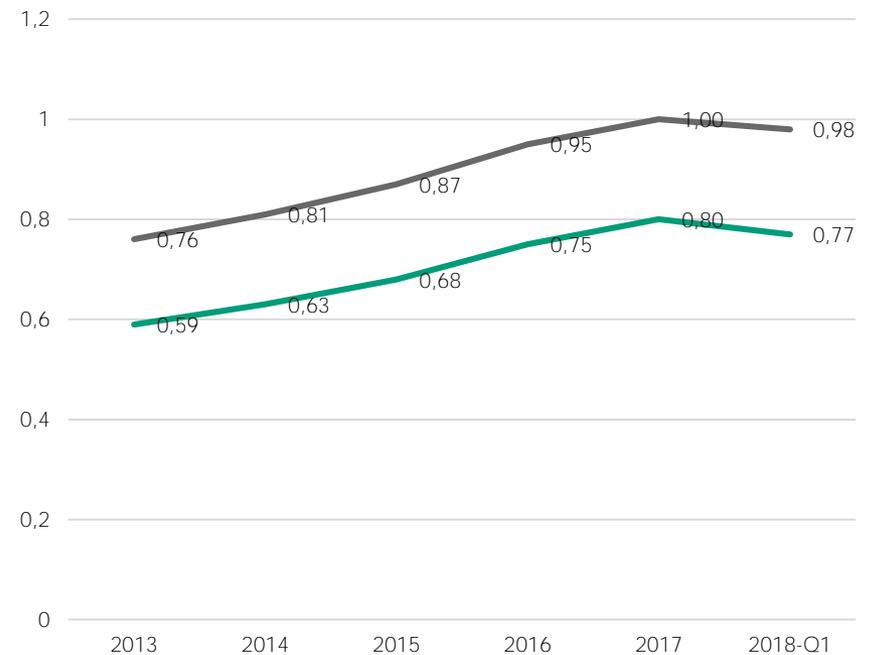


Competitive C/I ratio

C/I ratio, %



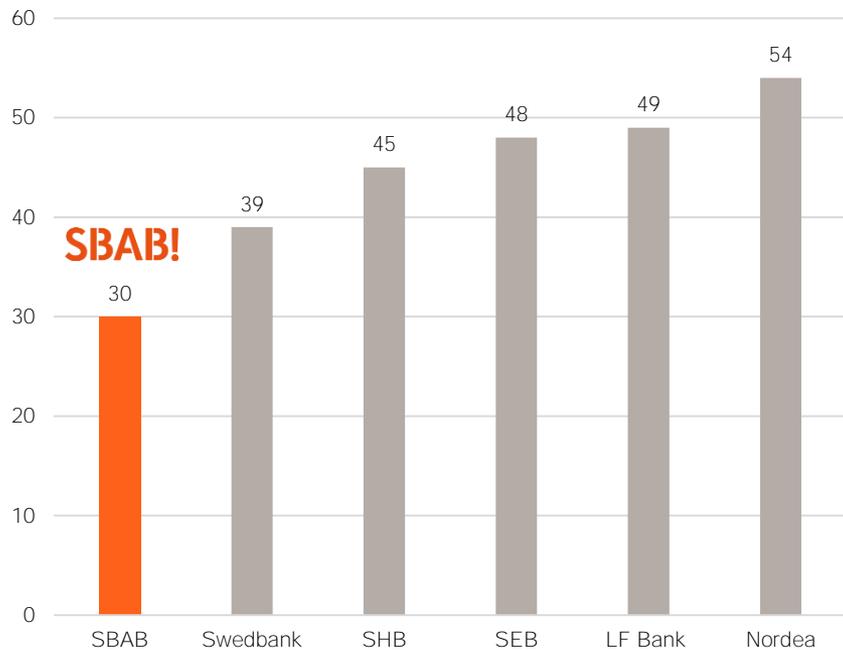
Net Interest Margin (NIM), %



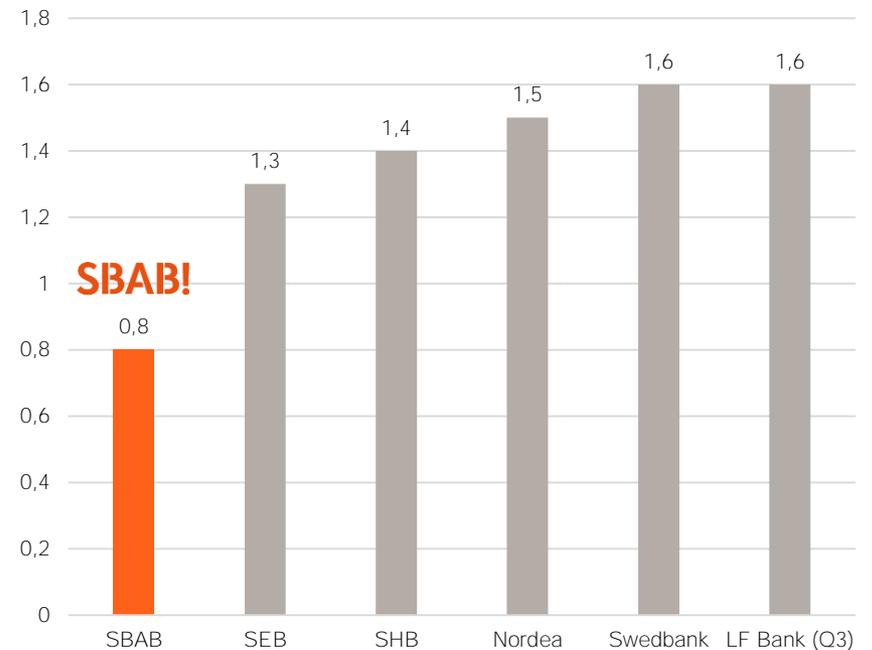
— Net Interest Margin (total assets), %
— Net Interest Margin (total lending), %

C/I ratio and NIM FY17 vs. peers

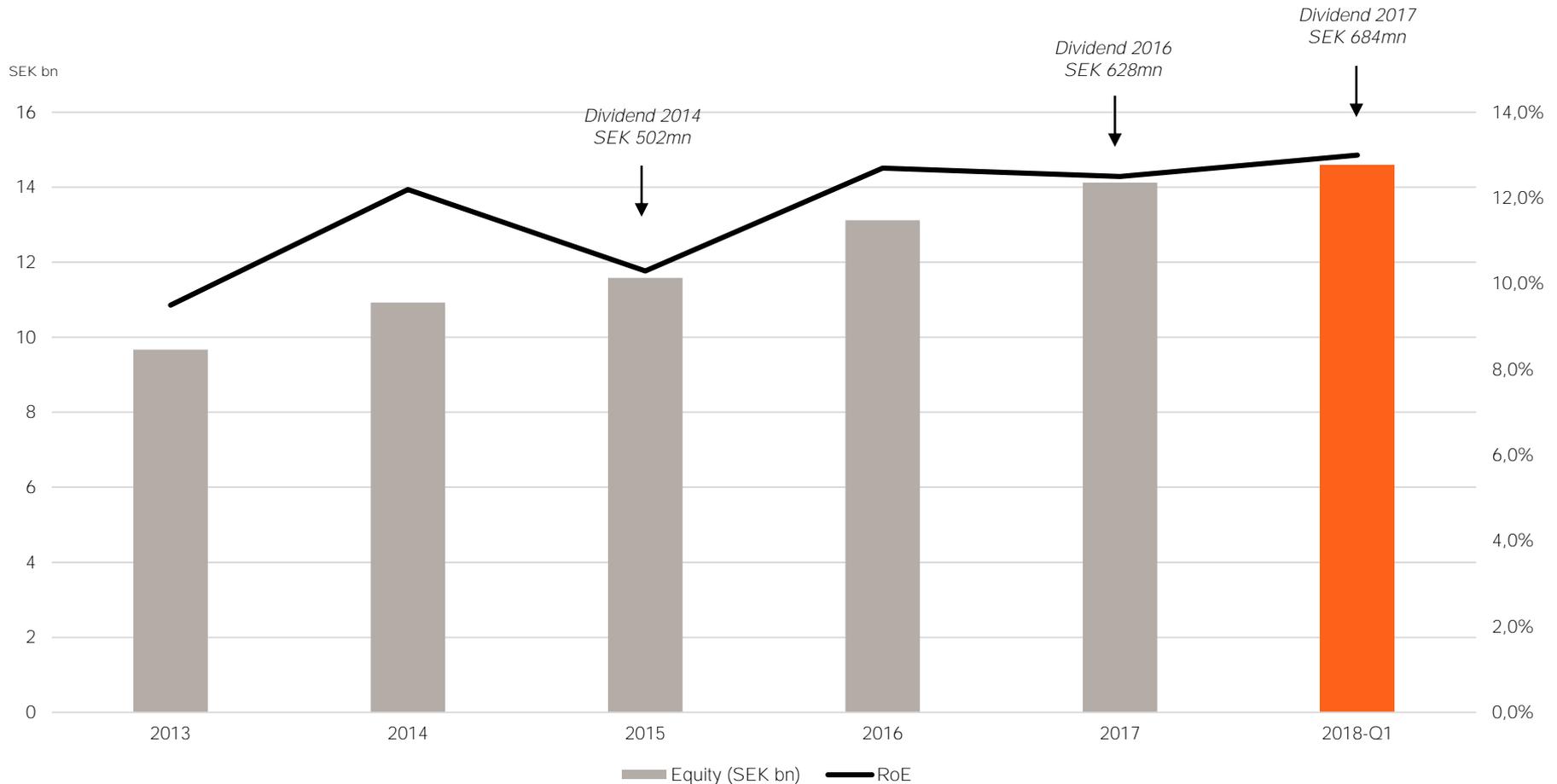
C/I ratio, %



Net Interest Margin (NIM), %

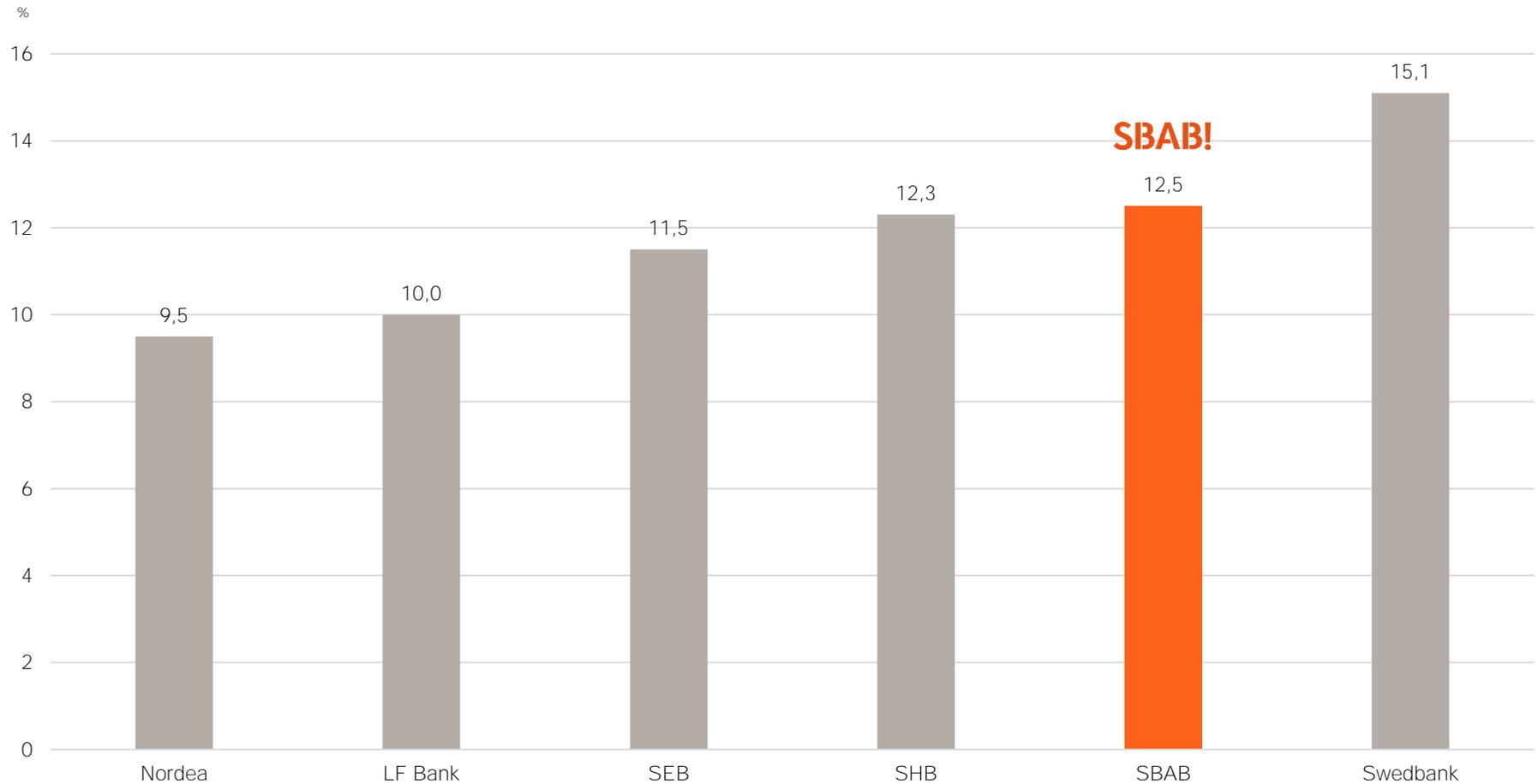


Equity and RoE

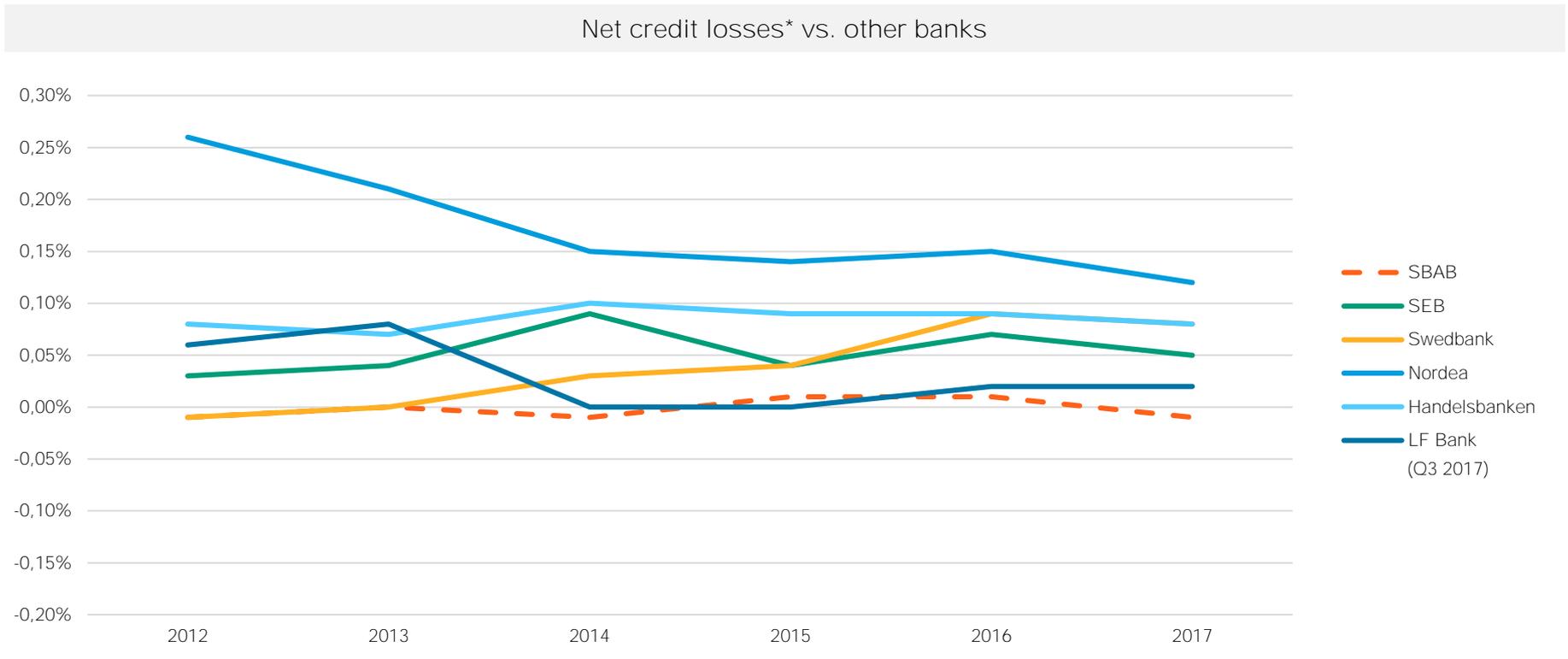


- Equity adjusted for additional Tier 1 securities and value changes in financial assets recognised in equity.
- Return on equity calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 securities and value changes in financial assets recognised in equity.
- Return on equity 2018-Q1 adjusted for dividend 2017 of SEK 684 million.

RoE FY17 vs. peers



Credit losses vs. peers (2017)



Thorough credit evaluations and low risk assets consistently achieves low credit losses

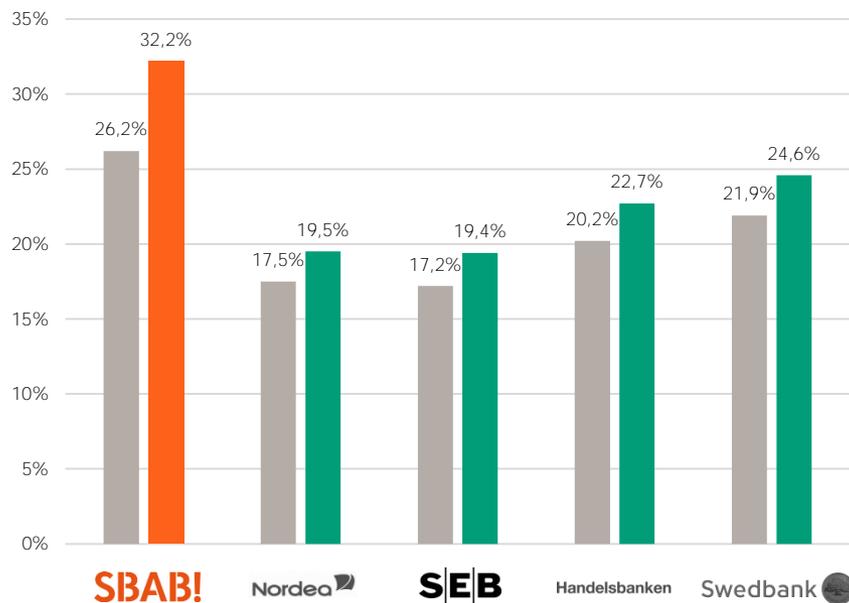
* As reported by each bank, definition of credit losses/impairments may vary between banks



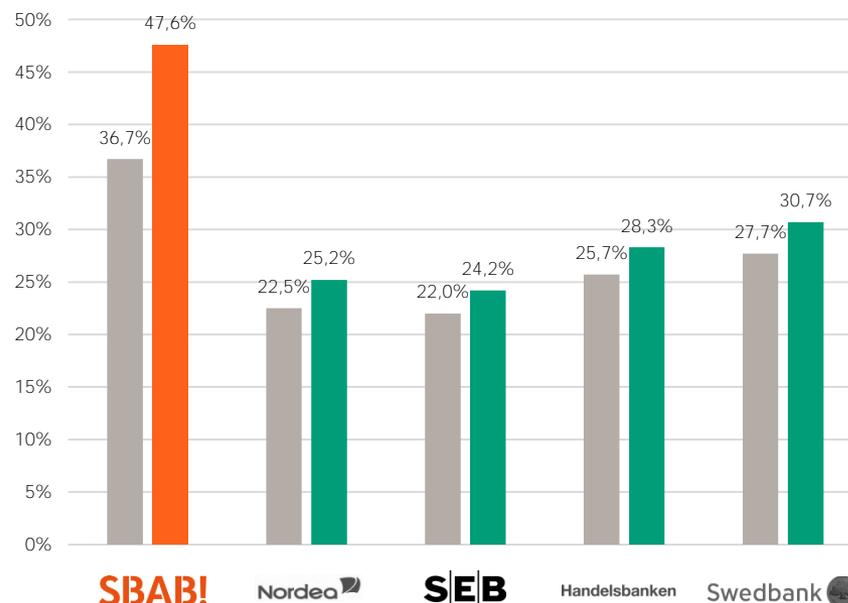
Strong capital buffers

- SBAB well above requirements

CET1 capital ratio



Total capital ratio



Available Q4 2017 Requirement Q4 2017

Capital requirements (1/2)

– Proposed change from the Swedish FSA

- On 28-Mar-2018, Finansinspektionen (“FI”) **proposed to change the method it uses to apply the 25% risk weight floor for Swedish mortgages currently captured through Pillar 2 by replacing it with a capital requirement within the framework of Article 458 of CRR**
 - This moves the Swedish mortgage floor requirement currently captured in Pillar 2 to Pillar 1 through an increase in RWAs
- Banks with the largest exposure to the Swedish residential mortgage market are the most impacted by the change
- **This increase in banks’ RWAs, will be concomitant with a decrease of Swedish banks capital requirements (in percentage term) leaving their overall capital requirements (in SEKbn) unchanged**
- This means that while Swedish banks’ capital ratios will reduce, the buffers they demonstrate to their overall capital requirements in SEKbn will remain unchanged
- If implemented, SBAB will revise capitalisation targets in accordance with the proposed change

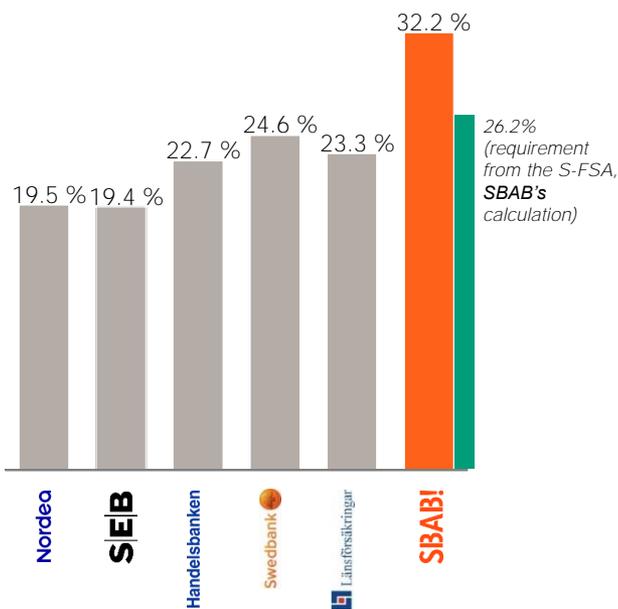
Capital requirements (2/2)

- Proposed change from the Swedish FSA

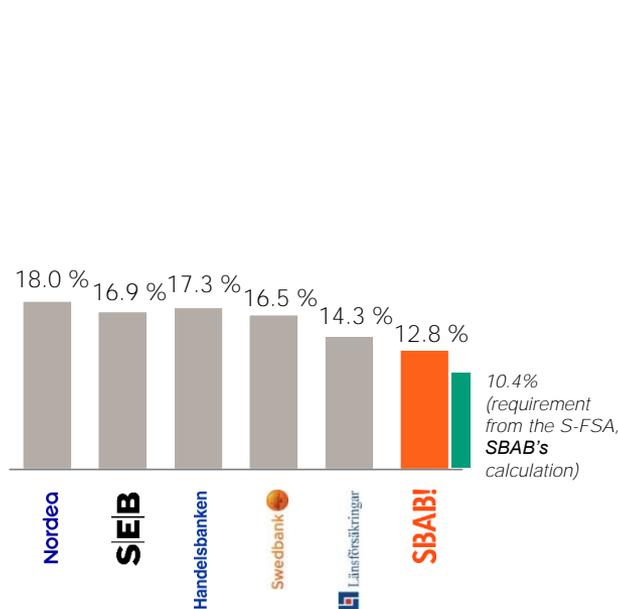
Impact on CET1 ratios

- Banks with the largest exposure to the Swedish mortgage market are the most impacted (although CET1 position in SEKbn stays unchanged)

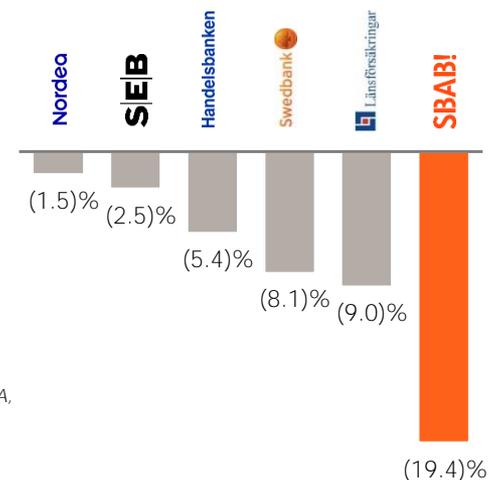
CET1 position 31 Dec 2017



Pro forma CET1 position following the increase in RWAs



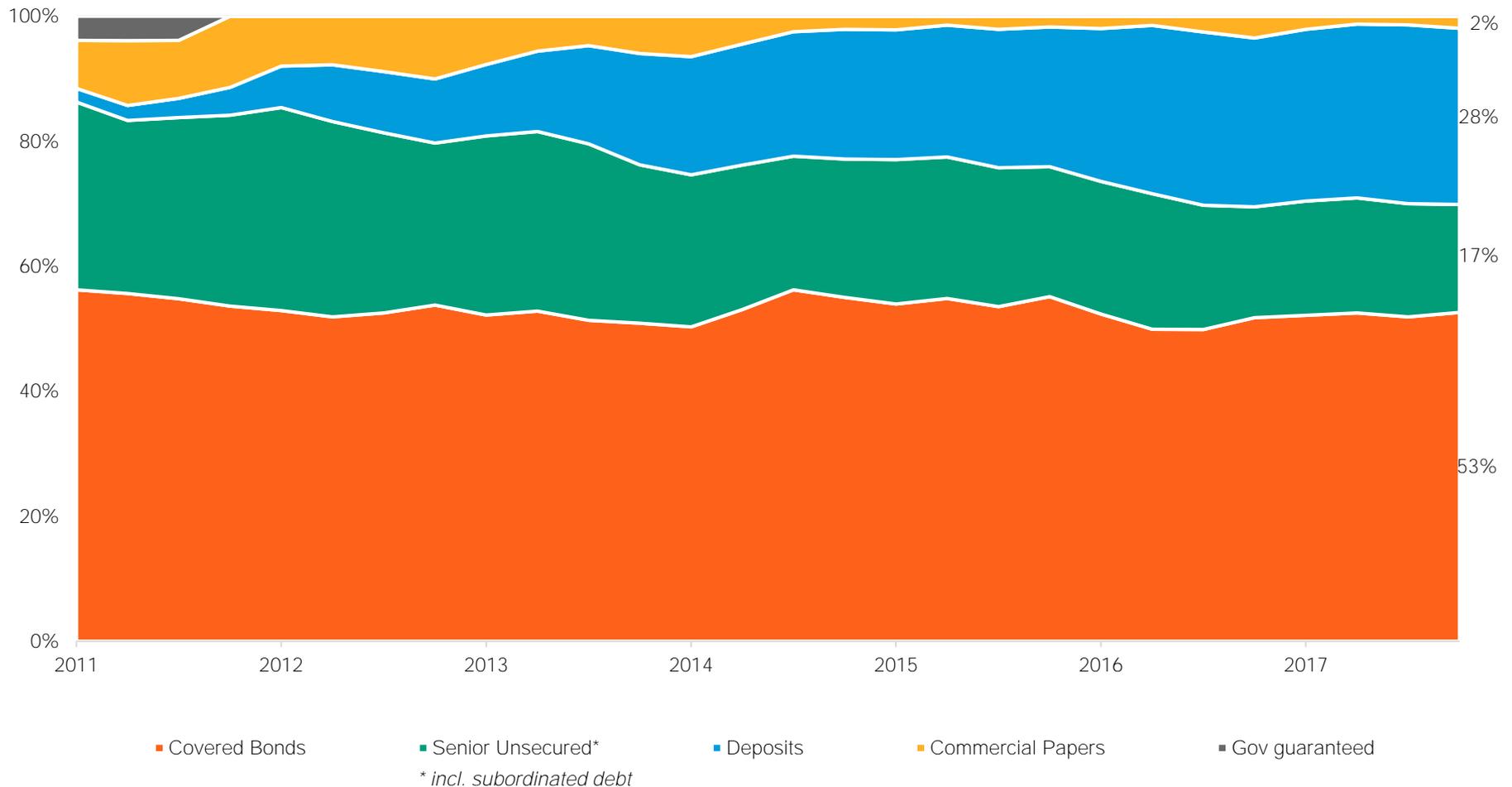
Implied reduction in the CET1 ratio



Q&A

SBAB!

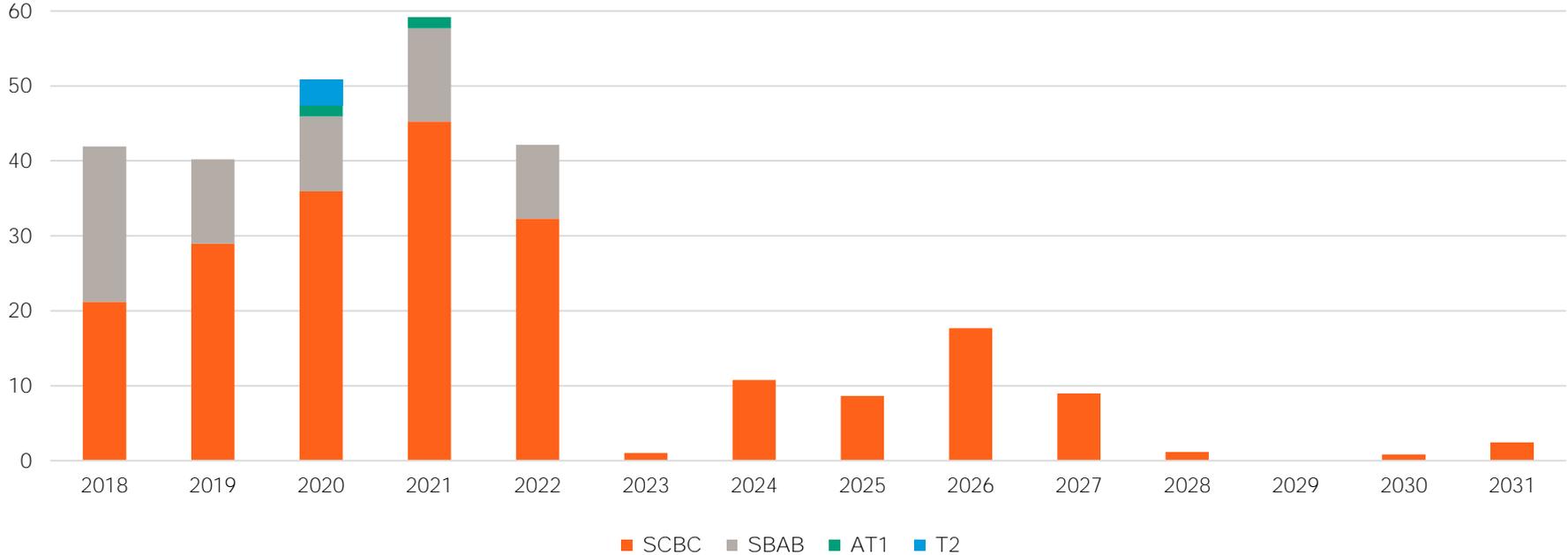
Development of funding sources



Maturity profile

- Smooth funding profile reduces refinancing risk
- Extended maturity profile with successful benchmark issues in 2026 and 2027 segments
- Liquidity risk is being mitigated through buy-backs of maturing bonds

Maturity profile (SEK bn)

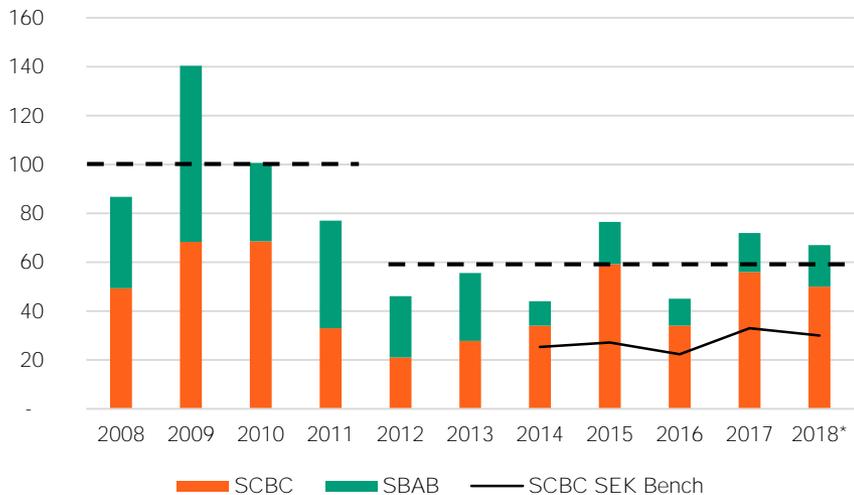


SBAB Group funding

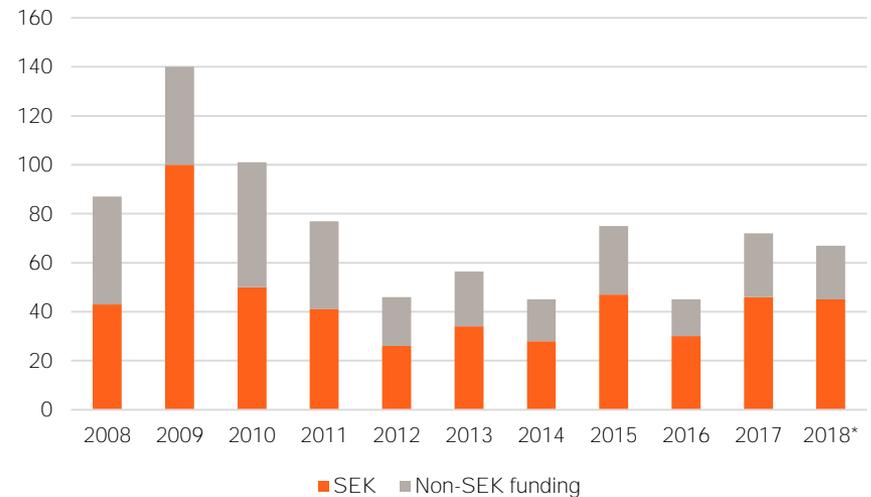
- Moderate funding needs ahead

- SBAB Group operates in a number of funding markets. A broad and efficiently diversified investor base is an **important part of the Group's funding strategy**
- Long term funding volume for 2017 around SEK 70bn and for 2018 to SEK 60-70bn, of which a majority in SEK
- Intermediate tenors to support duration

Annual issuance, SEK (bn)



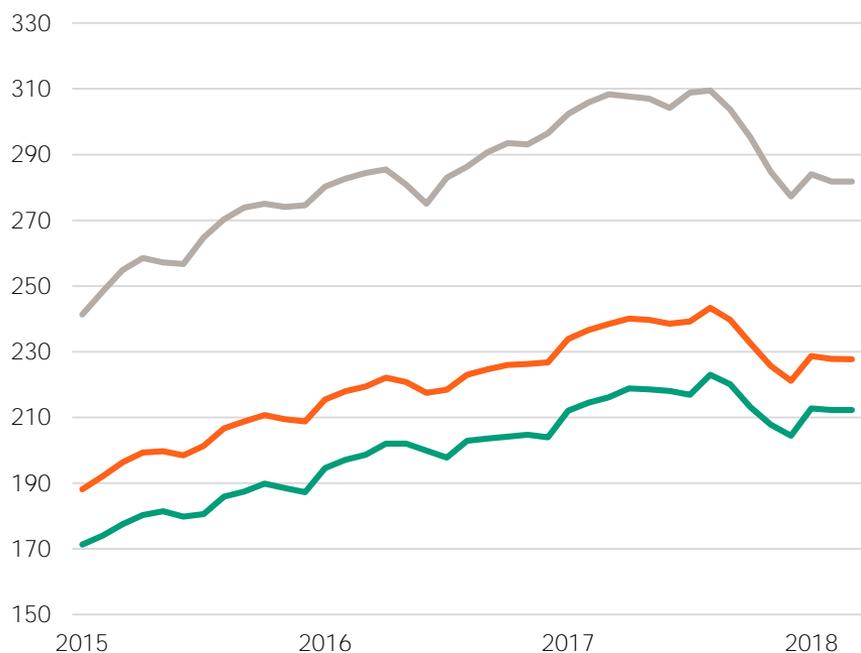
Currency split, SEK (bn)



* Expected Issuance

House price performance

HOX index, 2005=100



HOXSWE HOXFLATSWE HOXHOUSESWE

	Index (Mar 2018)	Change since		
		1m	3m	12m
Sweden (HOX)	228	0,0%	+3,0%	-4,5%
Flats, Sweden	282	0,0%	+1,7%	-8,6%
<i>Stockholm</i>	266	-0,1%	+1,7%	-10,3%
<i>Gothenburg</i>	322	-0,4%	+0,4%	-6,8%
<i>Malmö</i>	239	+0,3%	+1,4%	-5,6%
Houses, Sweden	212	0,0%	+3,8%	-1,8%
<i>Stockholm</i>	216	+0,4%	+1,9%	-6,7%
<i>Gothenburg</i>	217	-0,6%	+1,5%	-2,4%
<i>Malmö</i>	189	+0,5%	+5,8%	+0,7%

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