

Q1 RESULTS 2018

SBAB Bank AB (publ)

Mikael Inglander

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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

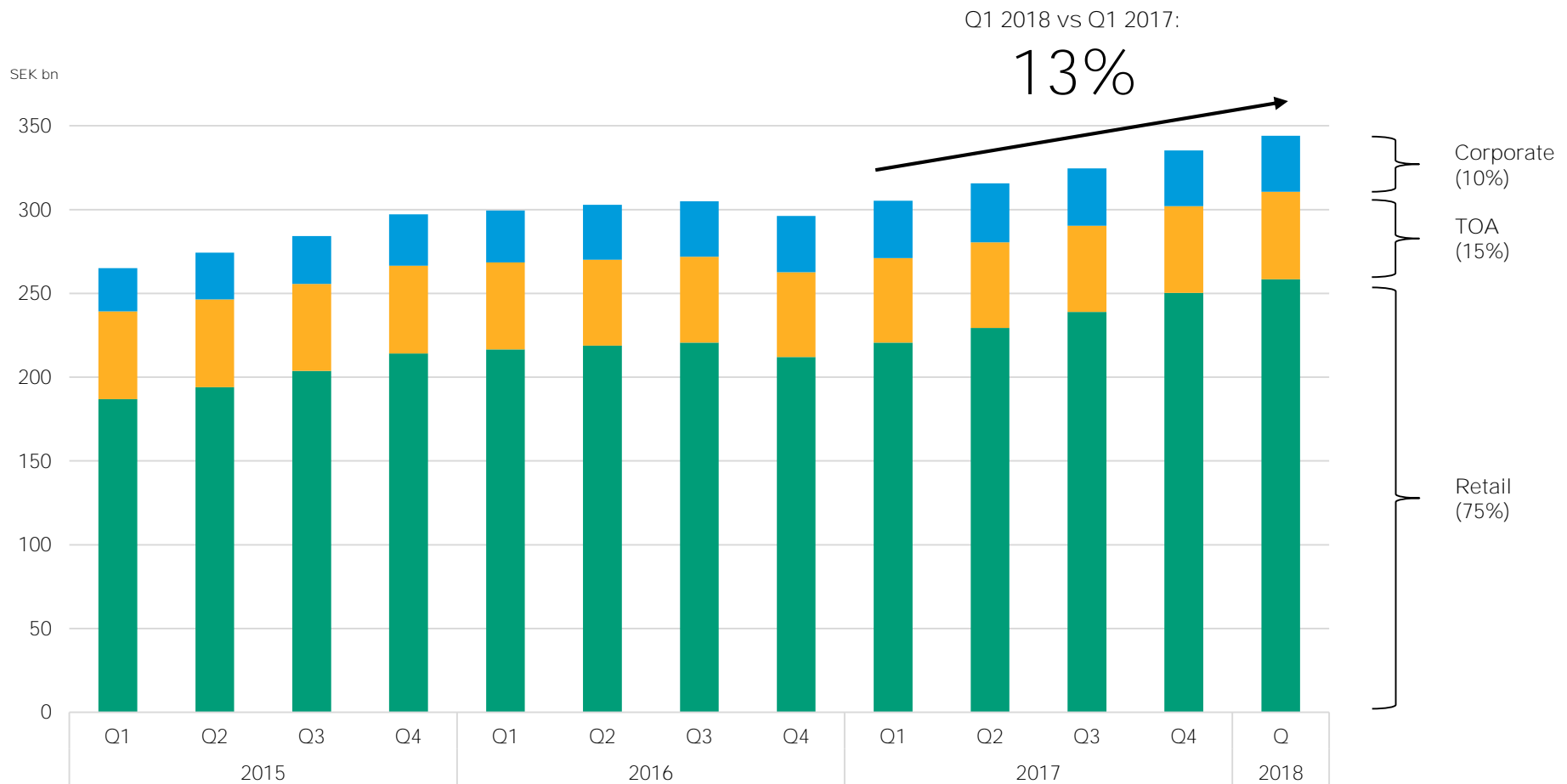


	2018 Q1	2017 Q1	FY2017
Total lending, SEK bn	344.0	305.1	335.1
Total deposits, SEK bn	115.3	100.0	111.9
Net Interest Income, SEK mn	831	779	3,149
Loan losses, SEK mn	+10	+6	+24
RoE, %	13.0	12.6	12.5
C/I ratio, %	30.0	29.9	30.3
CET1 Capital Ratio, %	31.1	29.9	32.2

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.

Lending growth



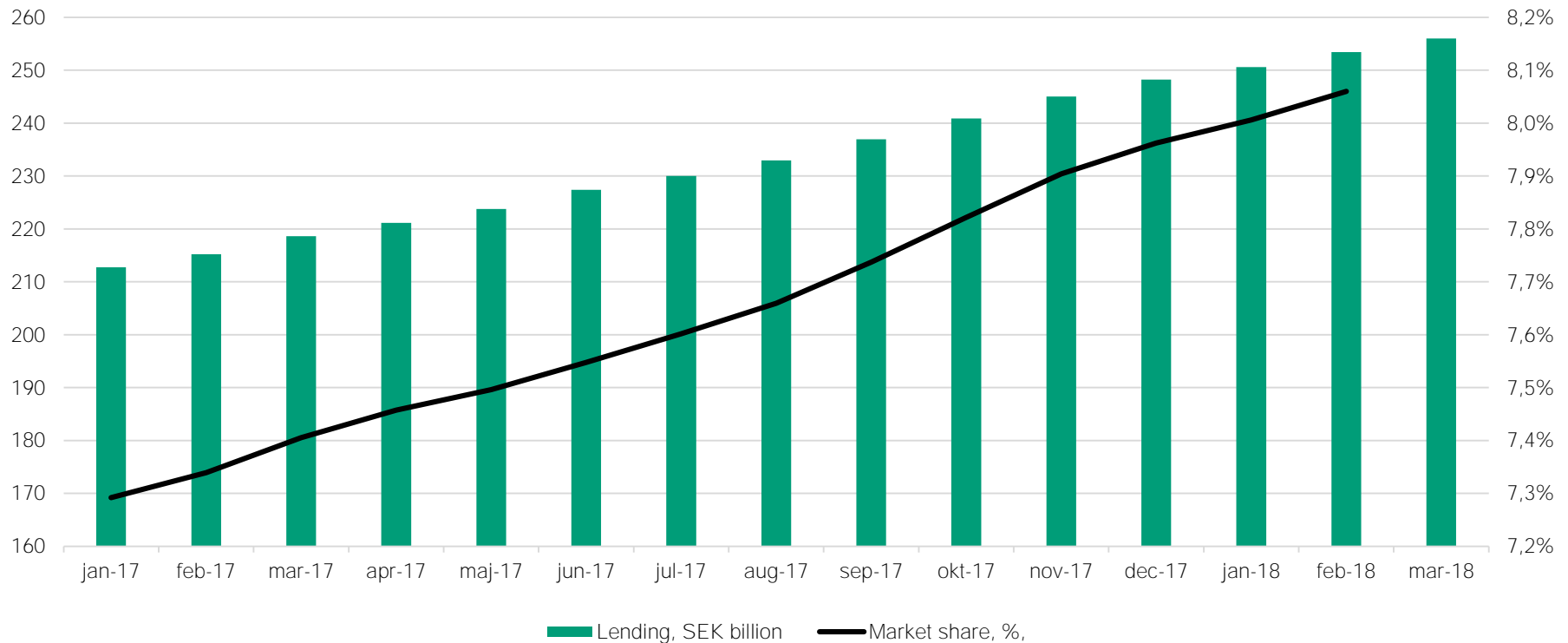
Approximately SEK 20.5bn of assets transferred from SBAB during 2016 due to option exercised by former partner Sparbanken Öresund (acquired by Swedbank)

Residential mortgages 2017/18

SEK 256.3_{bn}

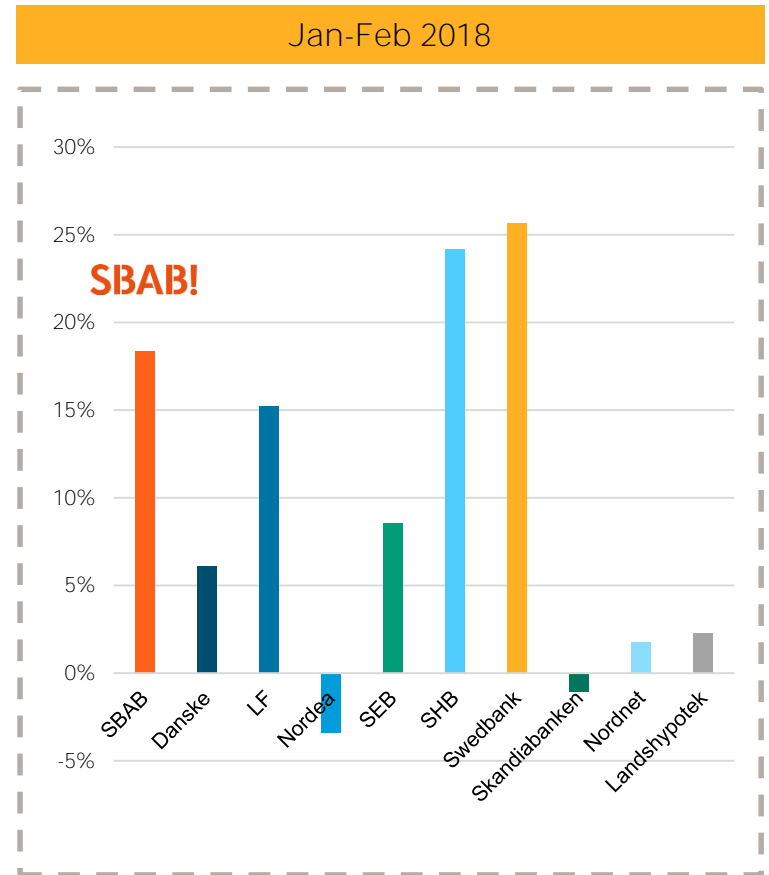
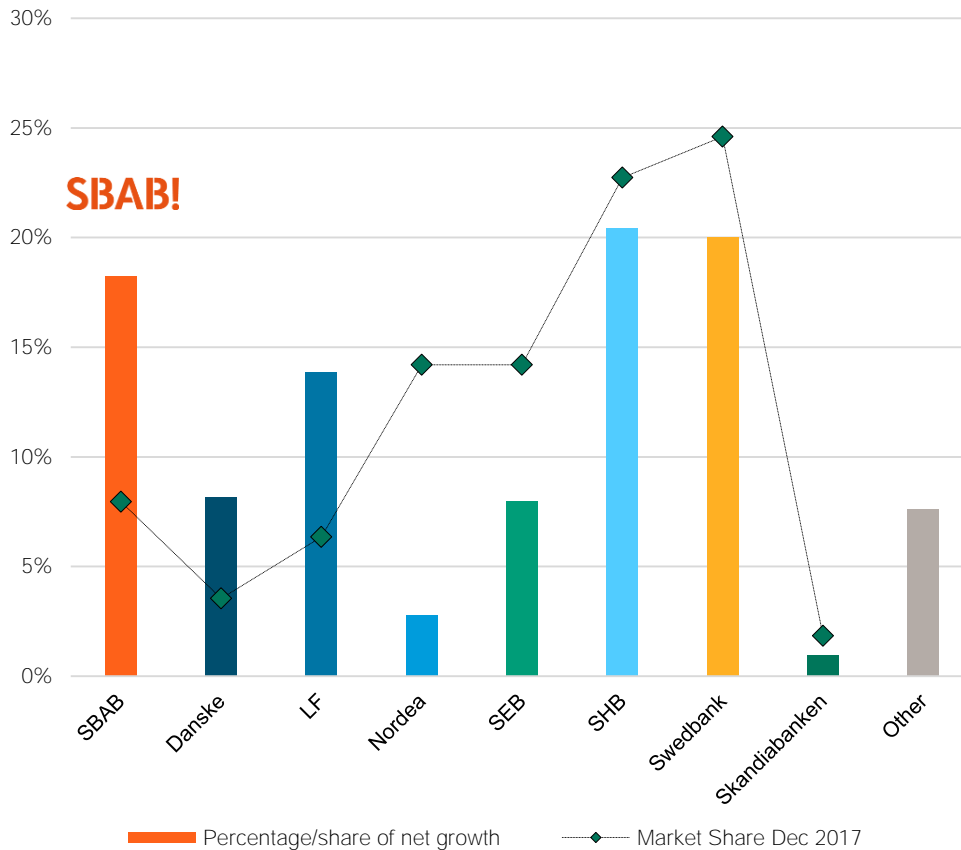
8.06%

Residential mortgages (lending & market share)



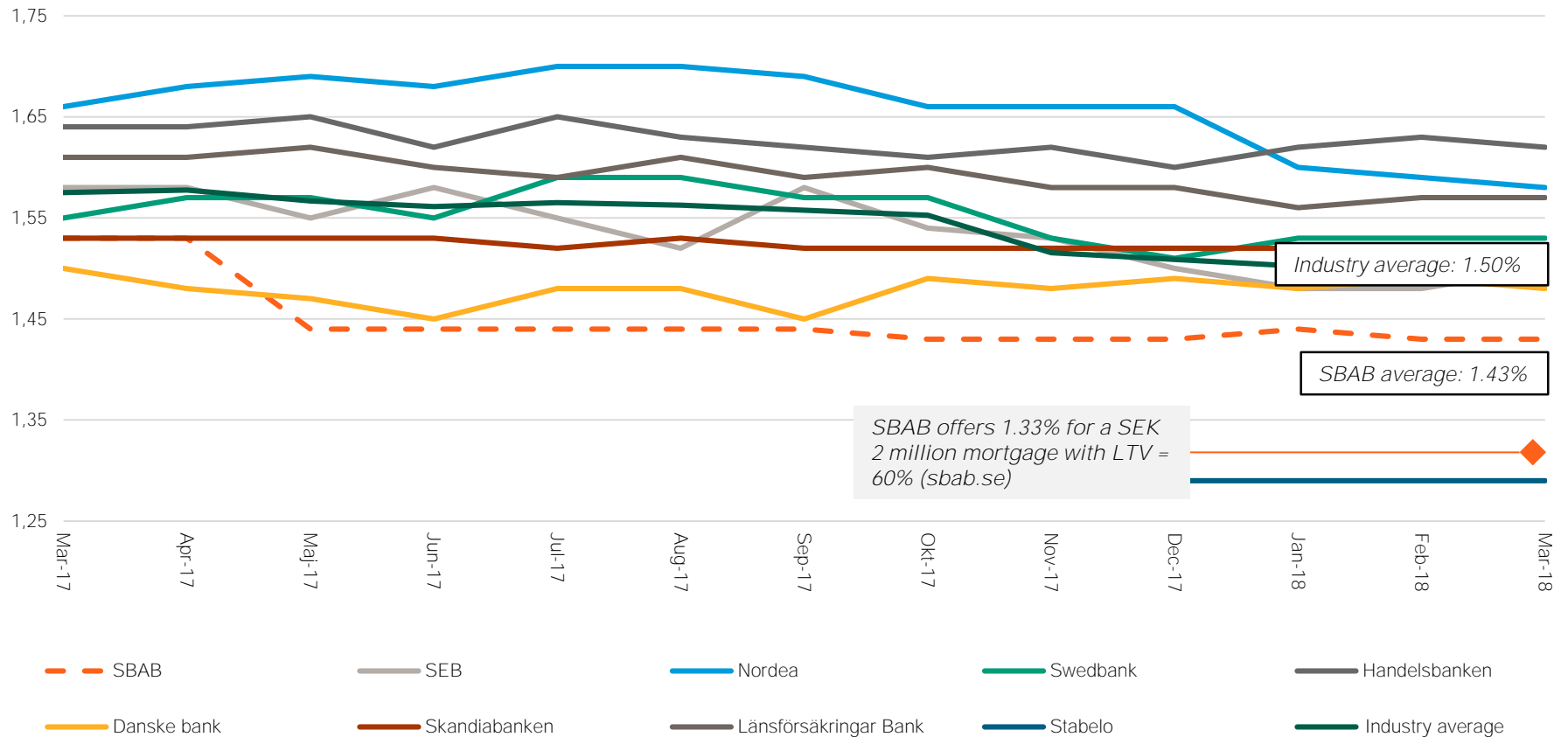
Residential mortgages

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

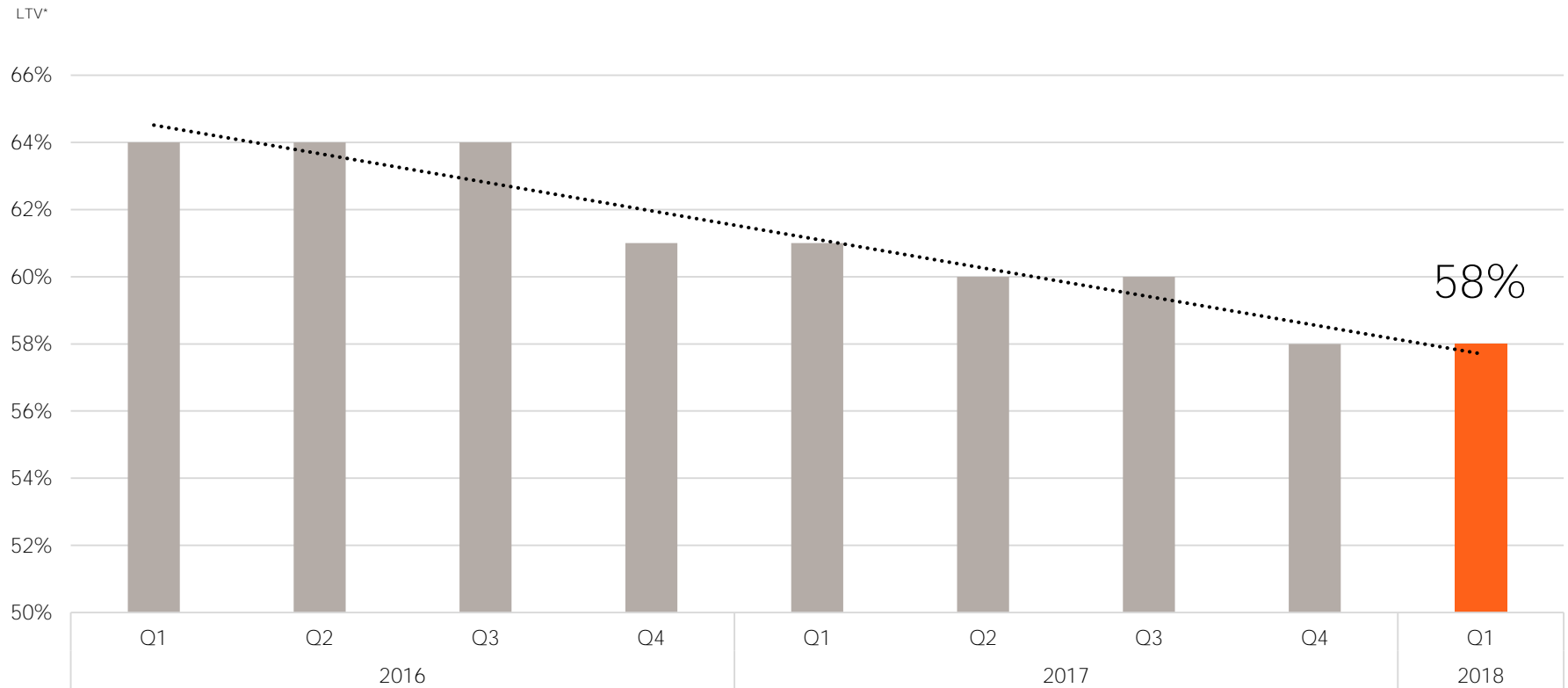


Average mortgage rates

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



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.

The market is changing

enkla.com HYPOTEKET

New competition

stabelo

Mortgages?

tink

AISPs
(Account Information
Service Providers)

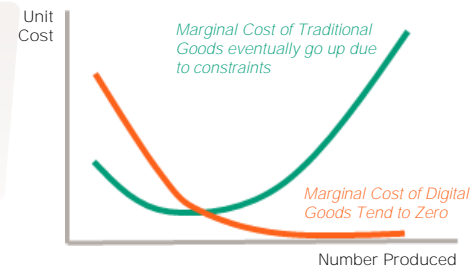
New regulations (PSD2)

instantor®

Open Banking

The full-service bank is
disappearing

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

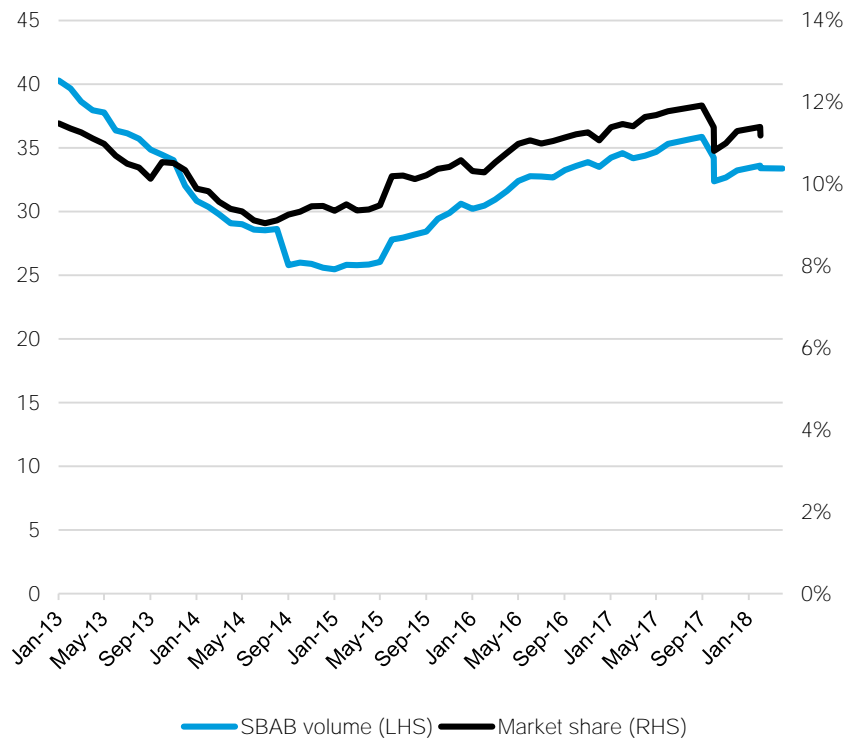


Digitalization – marginal cost
and price towards zero

Corporates & TOA

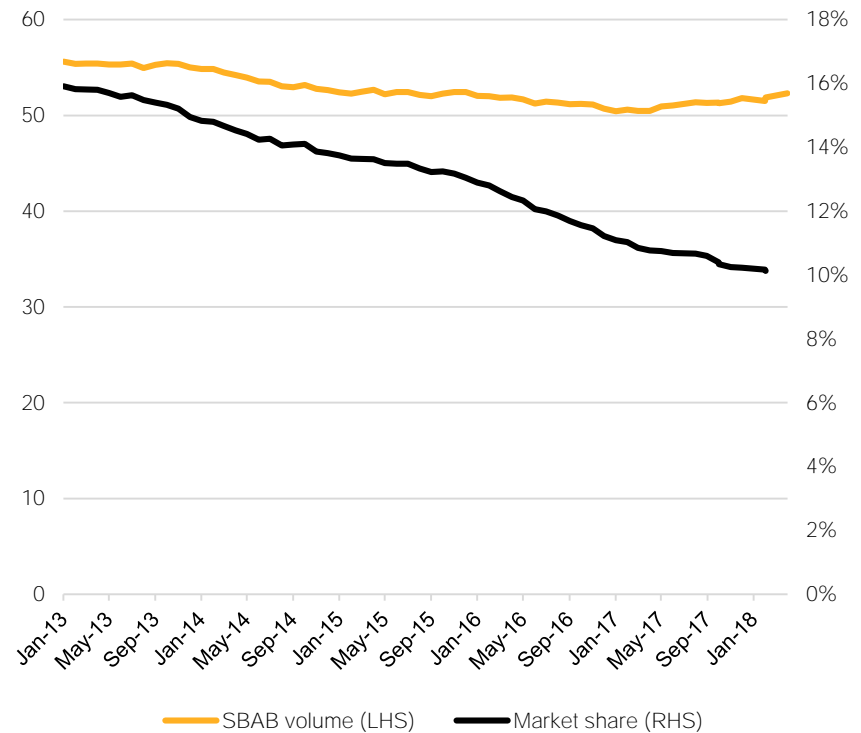
SEK **33.4** bn

Corporates (lending & market share)



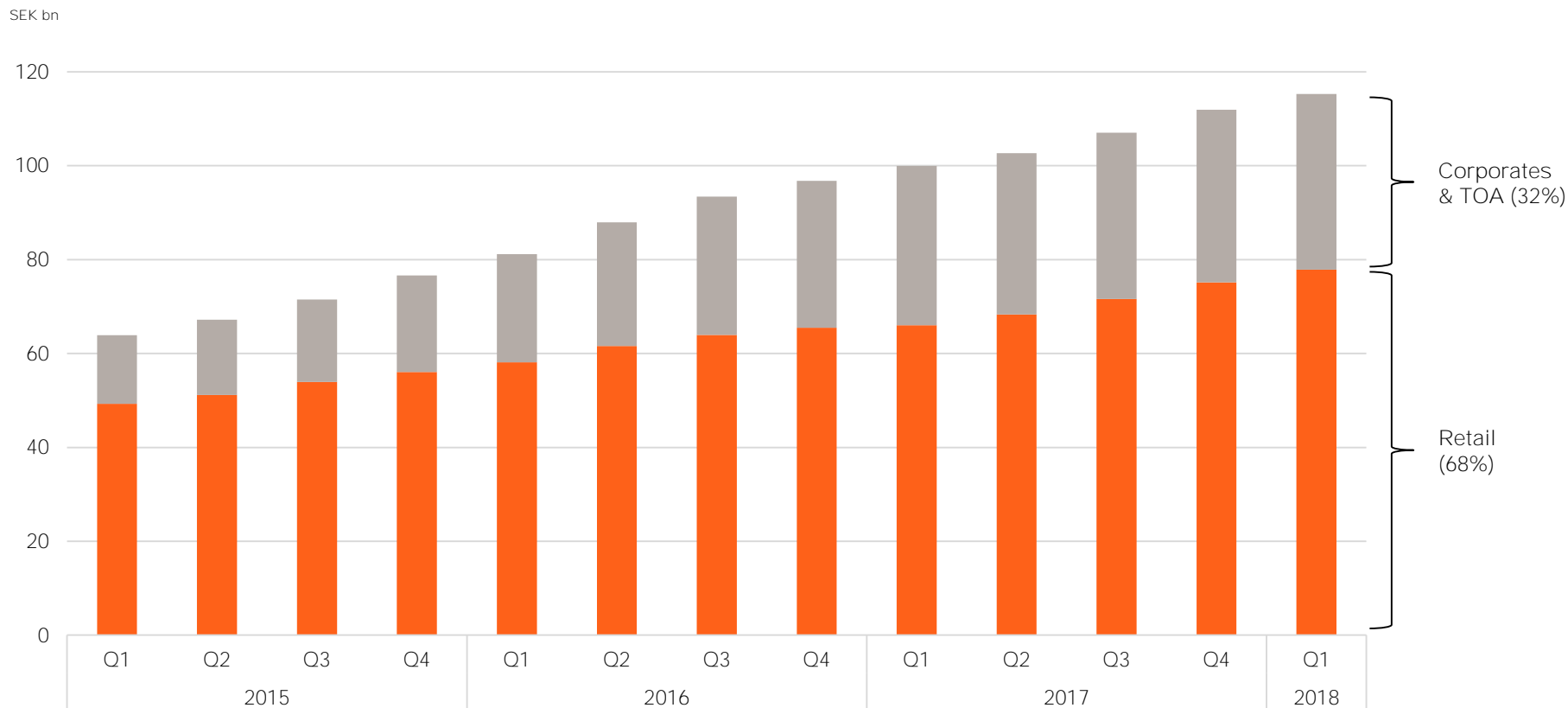
SEK **52.2** bn

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.

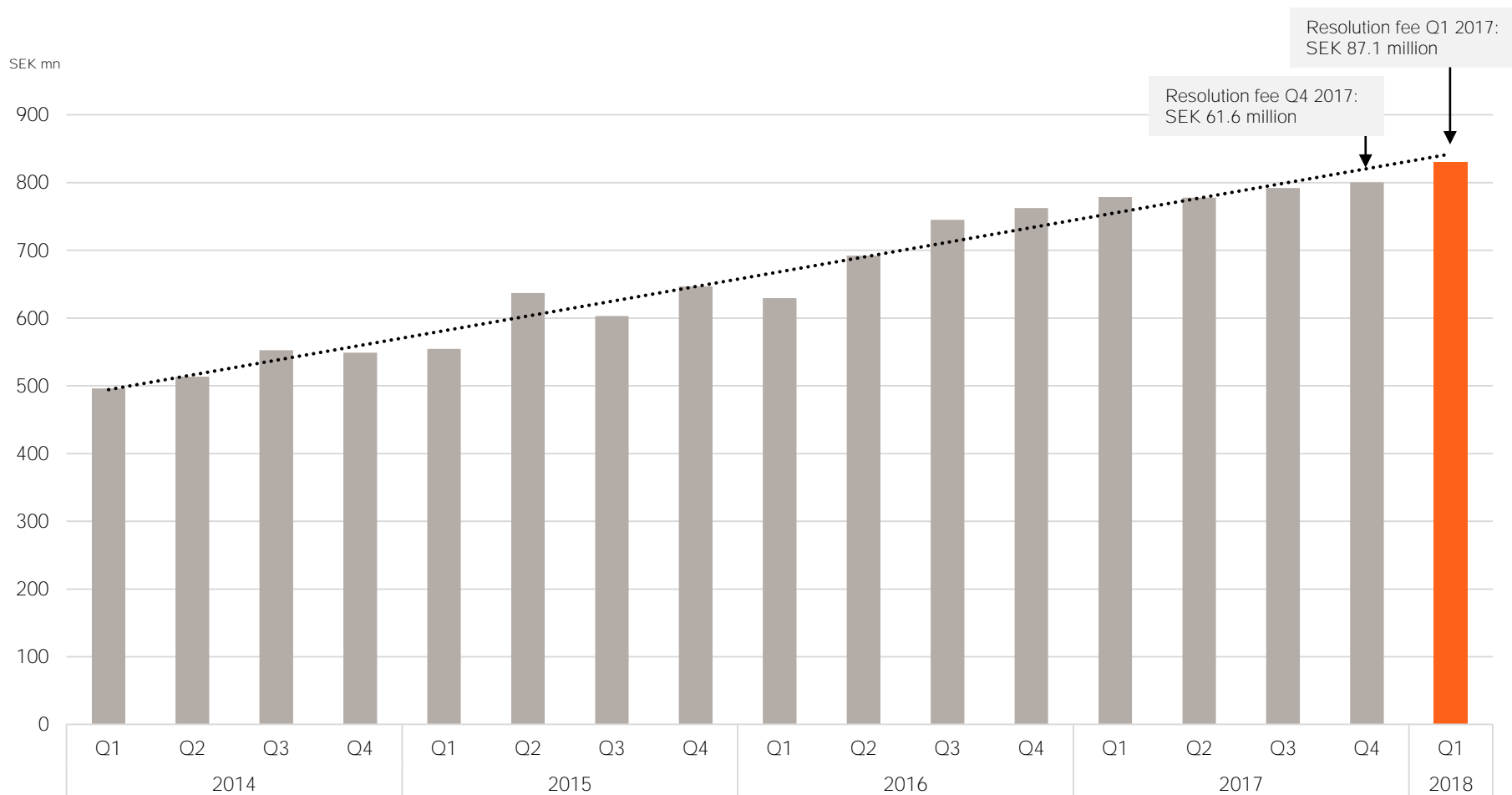
Continued strong development

(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

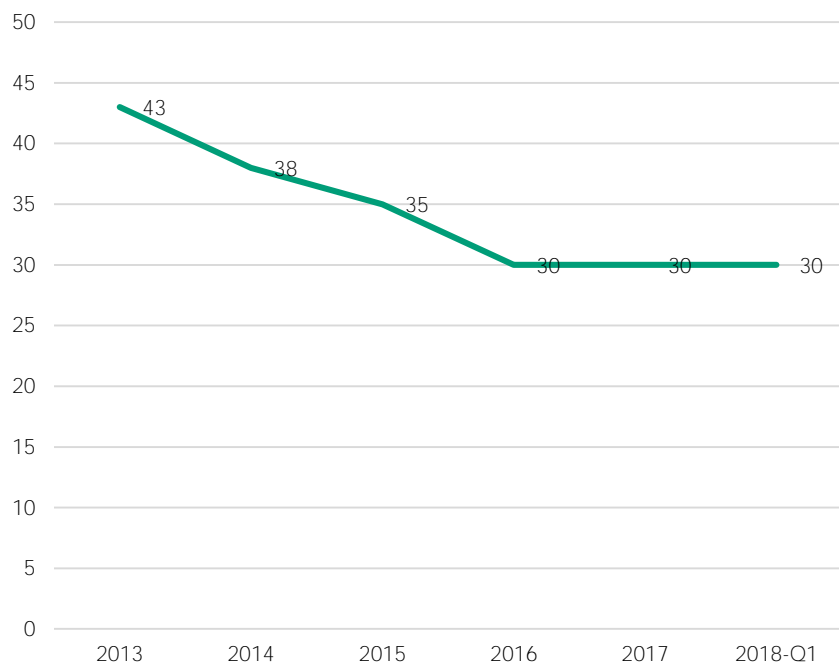
Net interest income QoQ

- Continued stability and growth

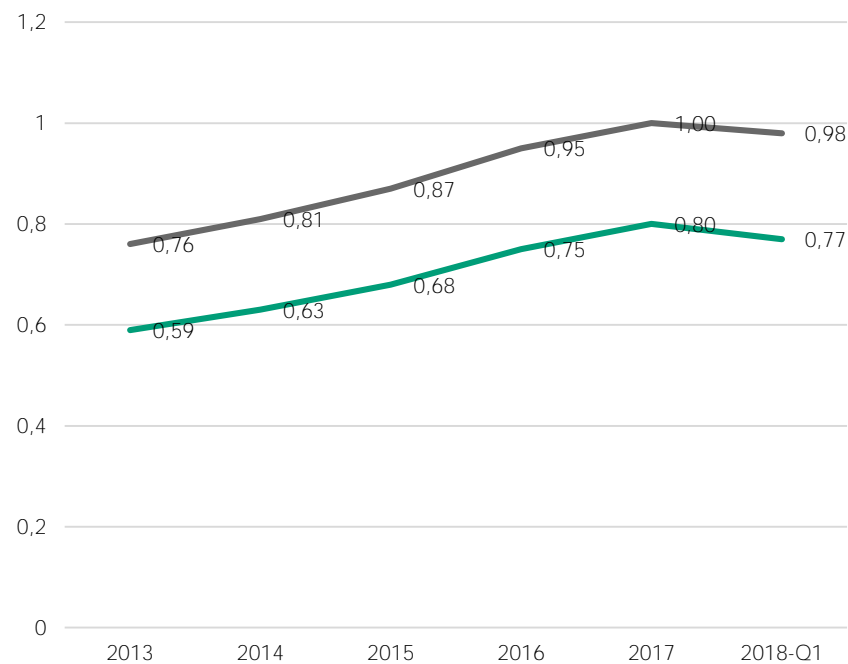


Competitive C/I ratio

C/I ratio, %



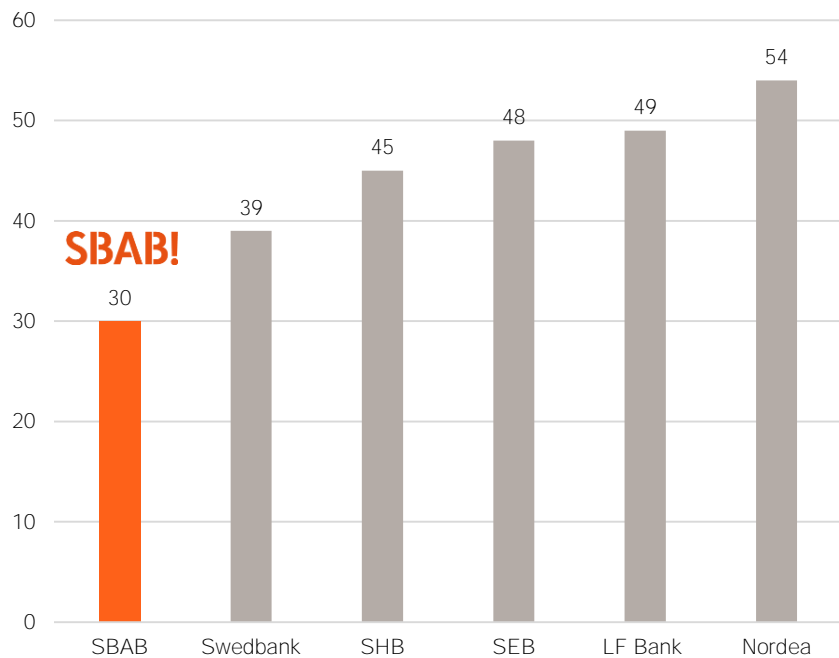
Net Interest Margin (NIM), %



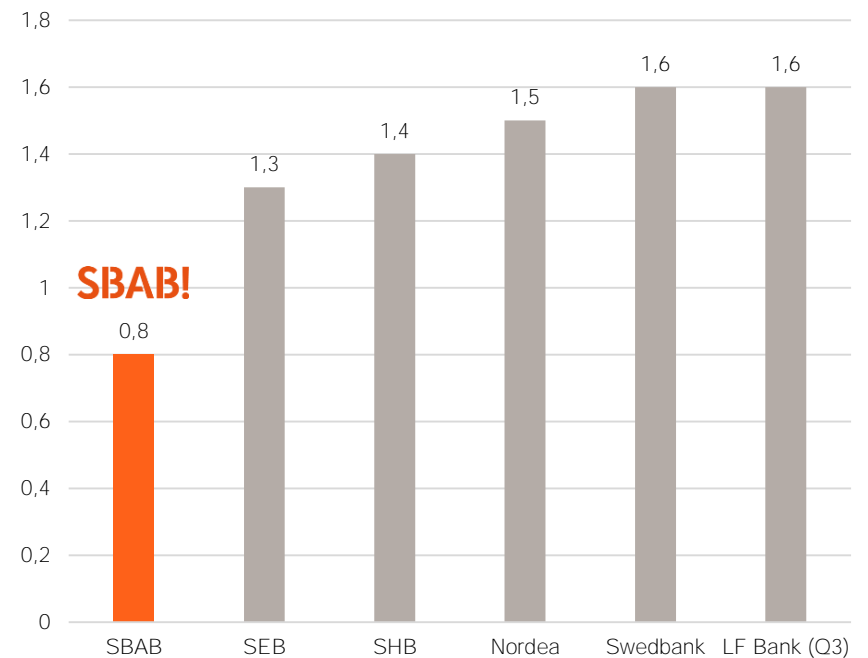
— Net Interest Margin (total assets), %
— Net Interest Margin (total lending), %

C/I ratio and NIM FY17 vs. peers

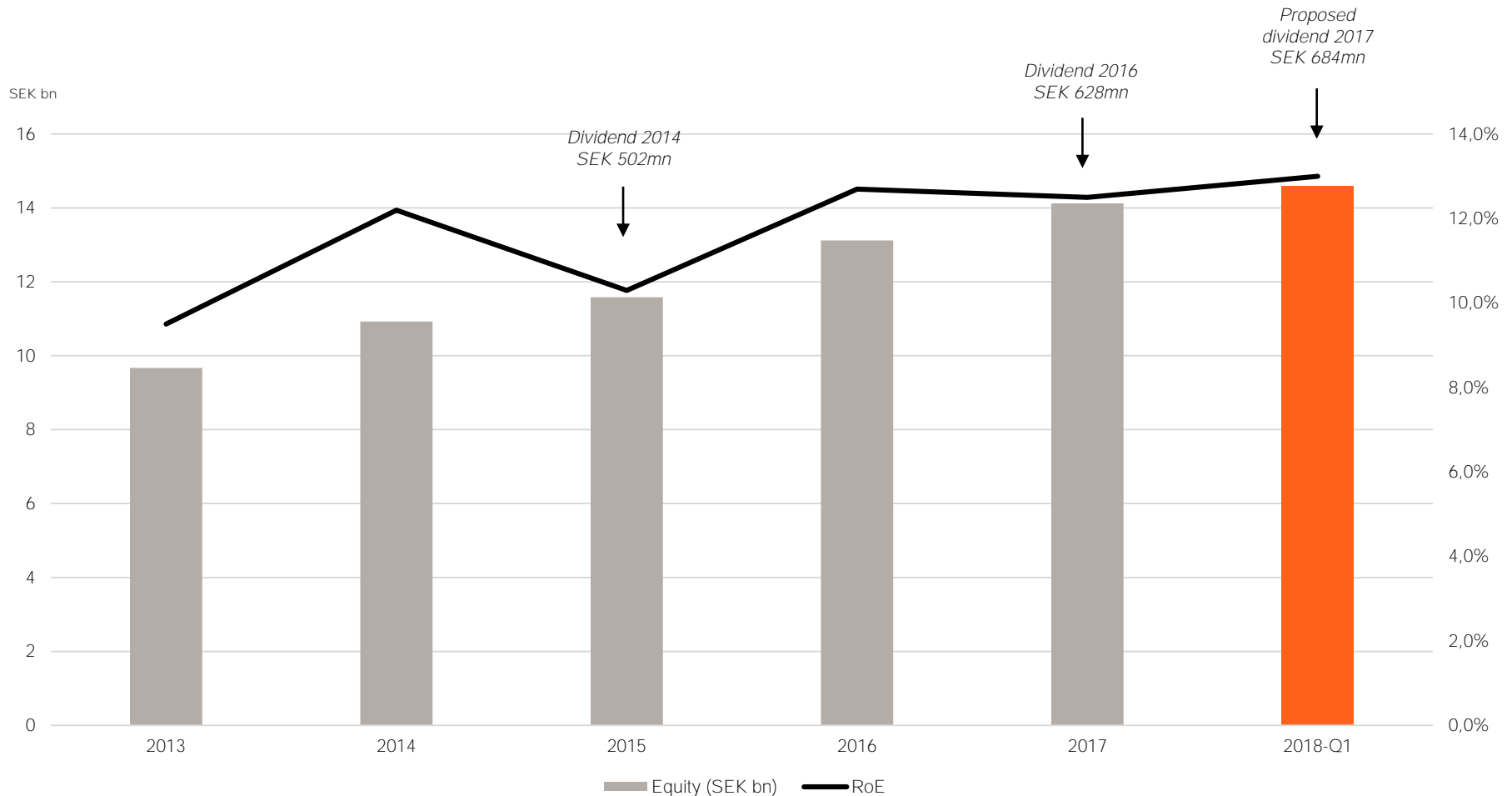
C/I ratio, %



Net Interest Margin (NIM), %

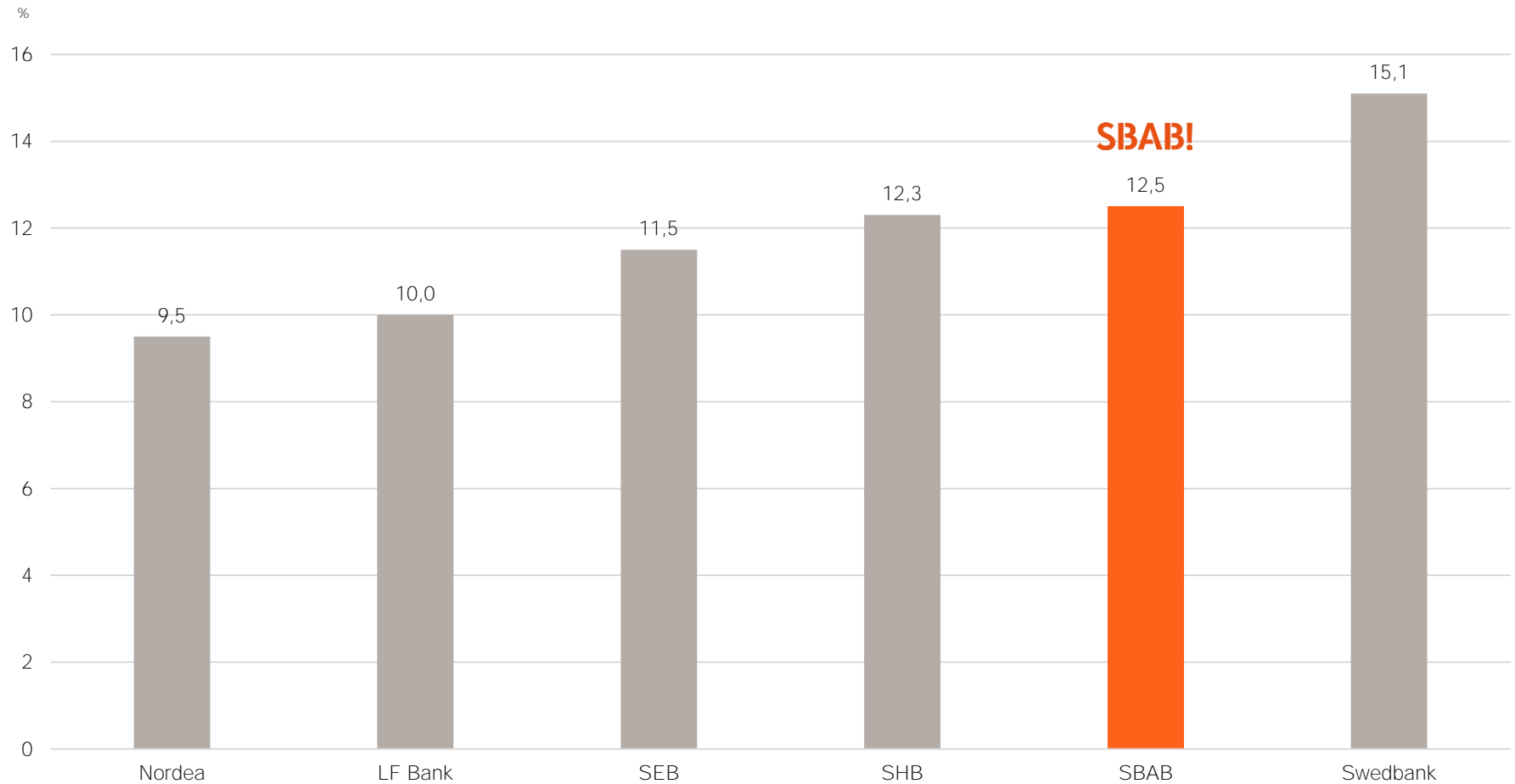


Equity and RoE

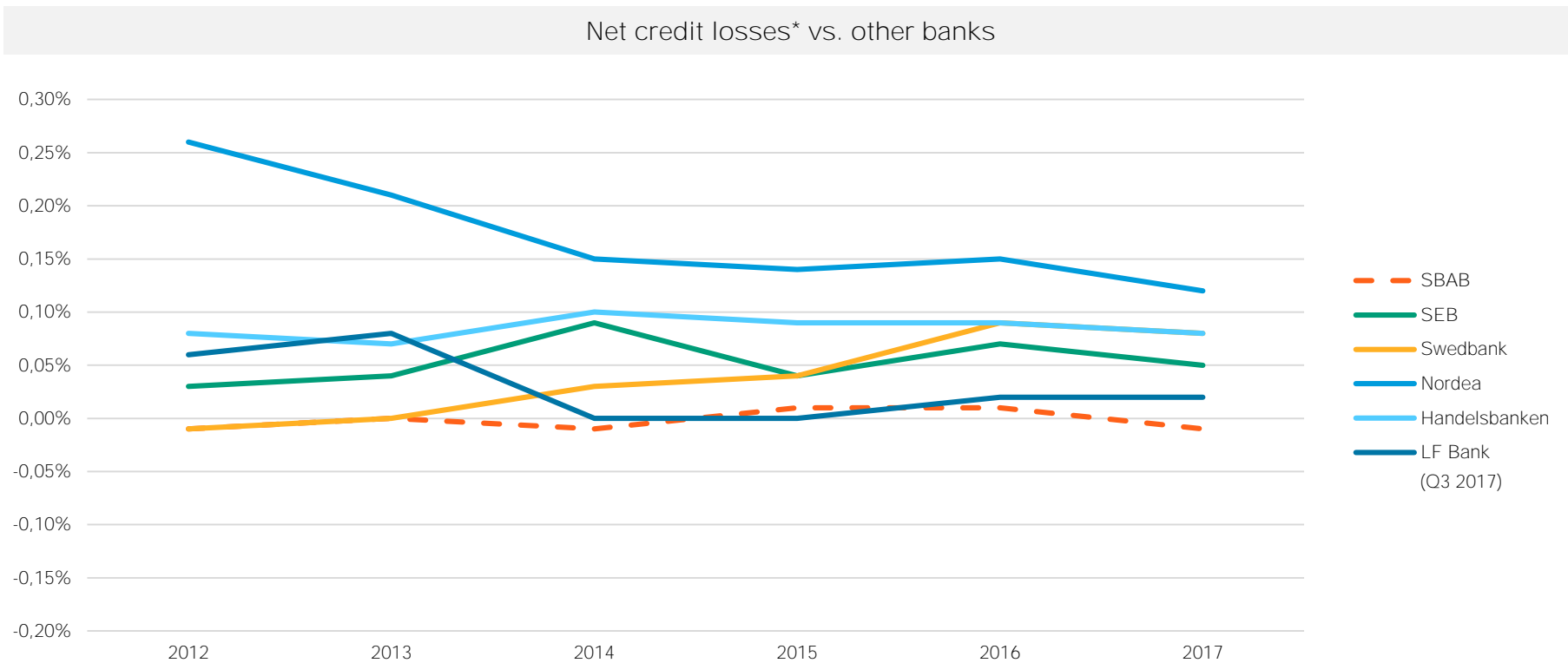


- Equity adjusted for additional Tier 1 securities and value changes in financial assets recognised in equity.
- Return on equity calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 securities and value changes in financial assets recognised in equity.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

RoE FY17 vs. peers



Credit losses vs. peers (2017)



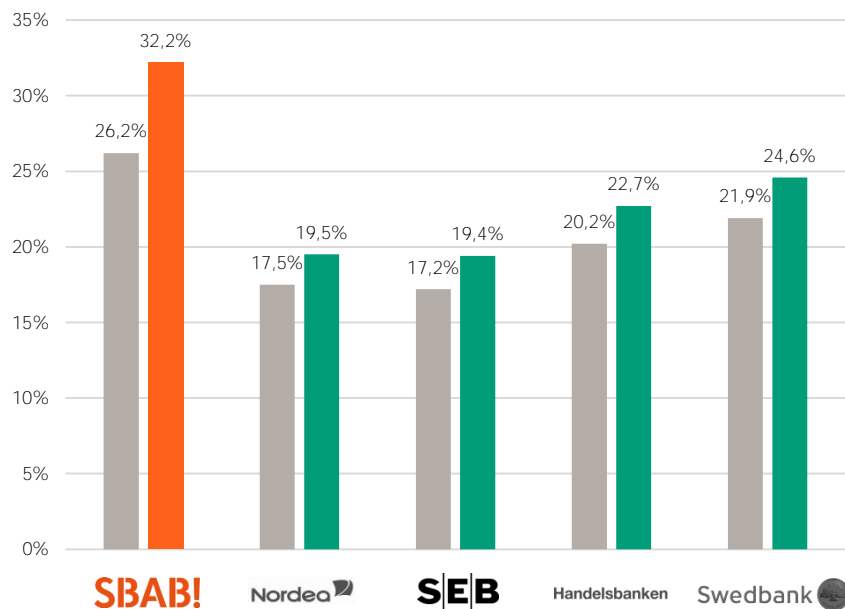
Thorough credit evaluations and low risk assets consistently achieves low credit losses

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

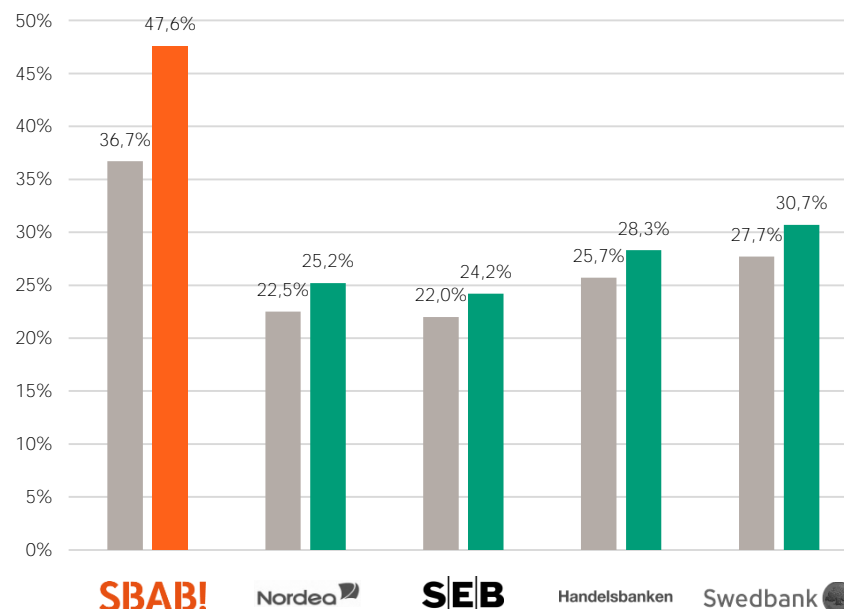
Strong capital buffers

- 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 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

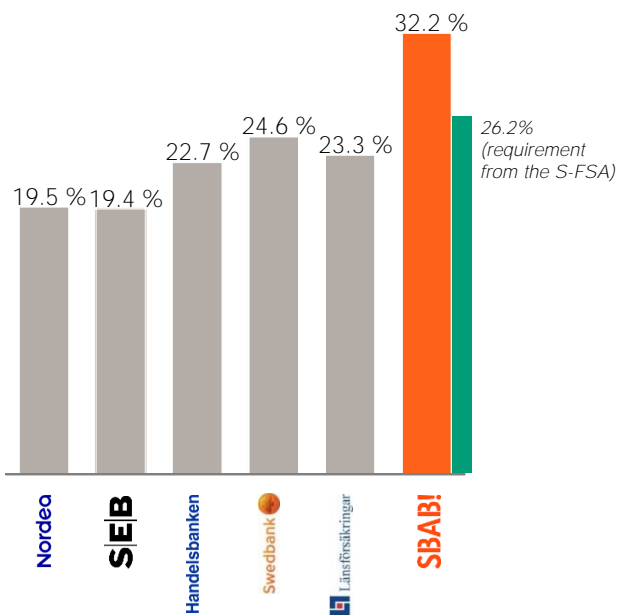
Capital requirements (2/2)

- Proposed change from the Swedish FSA

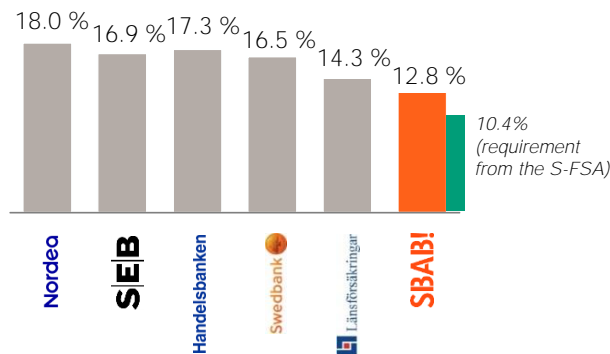
Impact on CET1 ratios

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

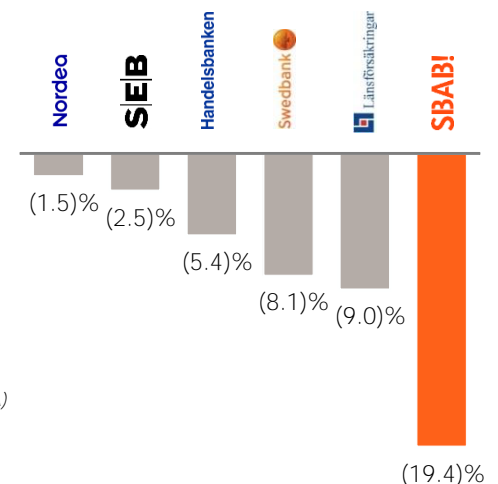
CET1 position 31 Dec 2017



Pro forma CET1 position following the increase in RWAs



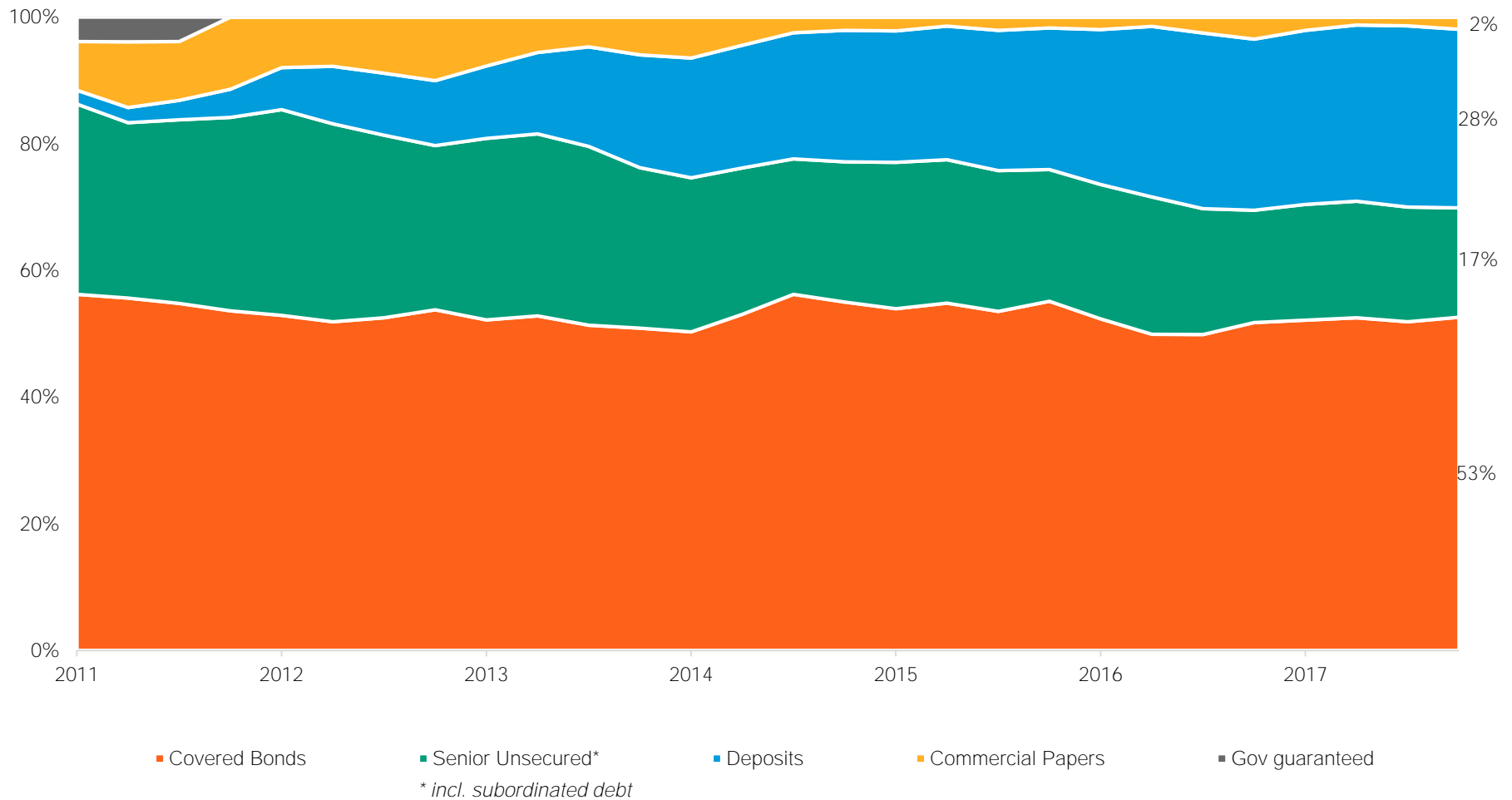
Implied reduction in the CET1 ratio



Q&A

SBAB!

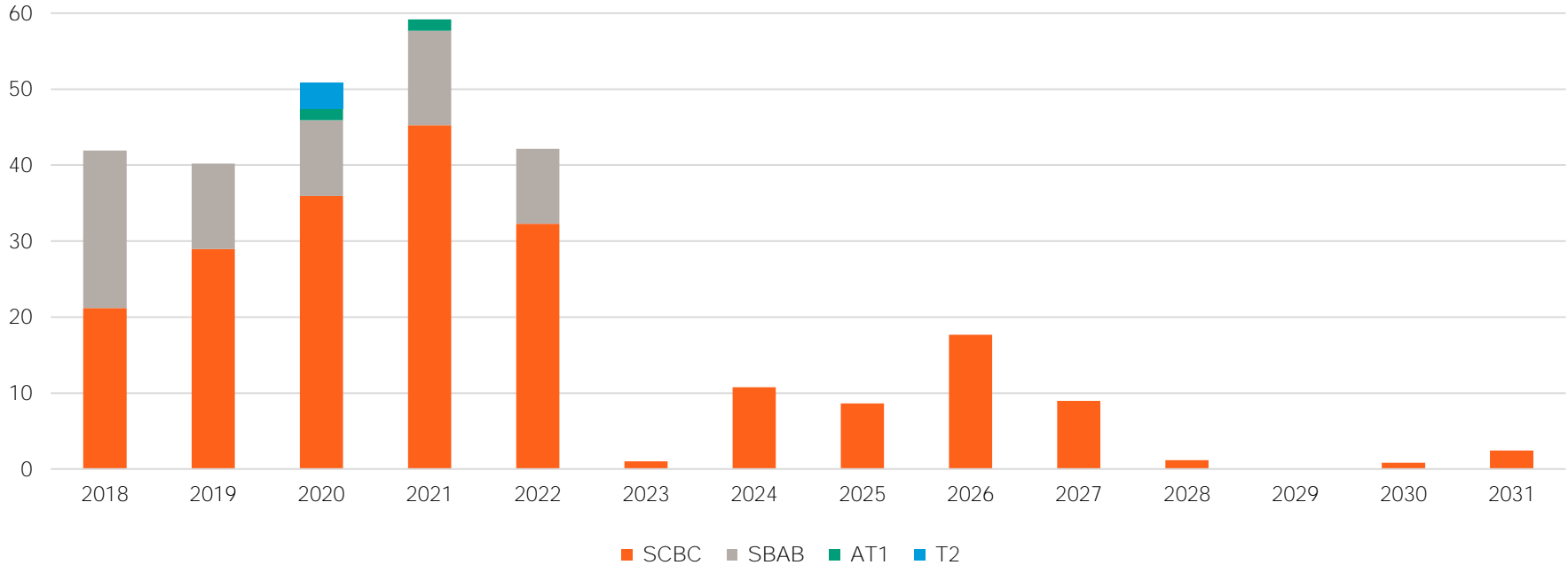
Development of funding sources



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)

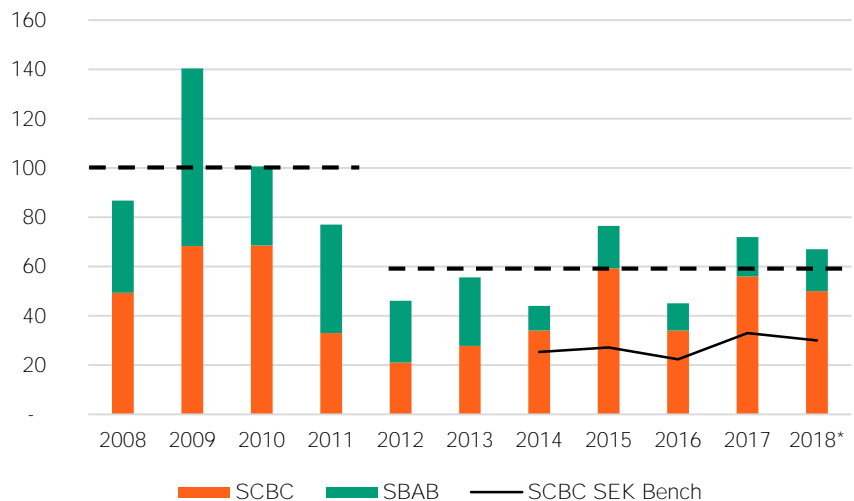


SBAB Group funding

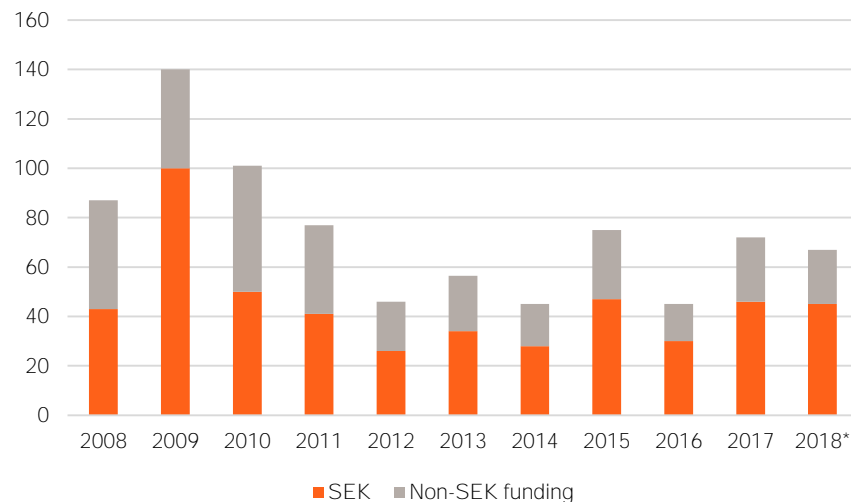
- Moderate funding needs ahead

- 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

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