



Press release 25 April 2018

Interim Report January–March 2018

SBAB's Interim Report January–March 2018 is now available for download on www.sbab.se/IR.

Q1 2018 (Q4 2017)

- Lending totalled SEK 344.0 billion (335.1)
- Deposits totalled SEK 115.3 billion (111.9)
- Net interest income rose to SEK 831 million (801)
- Expenses decreased to SEK 242 million (259)
- Loan losses amounted to recoveries of SEK 10 million (recoveries: 20)
- Operating profit amounted to SEK 576 million (603)
- Return on equity was 13.0% (13.3)
- The C/I ratio was 30.0% (30.7)
- The CET1 capital ratio was 31.1% (32.2)

January–March 2018 (January– March 2017)

- Lending totalled SEK 344.0 billion (305.1)
- Deposits totalled SEK 115.3 billion (100.0)
- Net interest income rose to SEK 831 million (779)
- Expenses amounted to SEK 242 million (232)
- Loan losses amounted to recoveries of SEK 10 million (recoveries: 6)
- Operating profit amounted to SEK 576 million (549)
- Return on equity was 13.0% (12.6)
- The C/I ratio was 30.0% (29.9)
- The CET1 capital ratio was 31.1% (29.9)

SBAB held its Annual General Meeting on 24 April 2018. The AGM resolved to distribute a dividend of 40% of profit for the year after tax, corresponding to SEK 684 million, for 2017. The details regarding the proposed appropriation of earnings is available in SBAB's Annual Report 2017, on page 76.

CEO statement from Klas Danielsson:

SBAB's positive operational trend continued through the first quarter of 2018. The volume and earnings trends were robust and we gained valuable confirmation in terms of our brand initiatives and our efforts to make SBAB an extremely attractive workplace. In the first quarter, we received one gold and one silver key in the Guldnyckeln communication competition for our 2017 communication campaign — "Boendeekonomi är jättekul," and we ranked in the top ten in Great Place to Work's list of Sweden's best workplaces among larger companies. Fantastic results. At the same time, the first quarter of the year points to an even more challenging and exciting future with new regulations and new players in the residential mortgage market.



Continued robust volume and earnings trend

Demand for residential mortgages remained strong but levelled off toward the end of the quarter. SBAB continued to capture market shares in residential mortgages from the major banks. Our share of net growth in the residential mortgage market was around 18% for the first two months of the year, which should be seen in relation to our market share of about 8% at the start of the year. Going forward, our growth could be negatively impacted by the regulatory developments we have experienced, which have made changing bank more complex and created lock-in effects for customers, thereby weakening competition. The latest example is the expanded repayment requirement for mortgage holders borrowing more than 4.5 times their gross income, which entered force on 1 March.

Our lending to property companies and tenant-owners' associations was essentially unchanged. Growth is limited partly due to larger property companies increasing their degree of market financing, partly due to a slight slowdown in demand for financing for new builds in combination with more restrictive credit granting from our side and partly due to intense competition for granting credit to tenant-owners' associations, an area where we choose to focus on profitability.

Retail and corporate deposits posted relatively strong growth during the period. The ratio between deposits and lending increased slightly to 33.5% at the end of the period.

The underlying earnings trend for the quarter was good. Operating profit amounted to SEK 576 million. Profitability was strong for the quarter and the return on equity was 13%. Our assessment is that mortgage margins have peaked and could fall slightly over the remainder of the year due to increased price pressure from new and existing residential mortgage providers. Lower mortgage margins will negatively impact profitability.

SBAB is well-placed to meet new competition

The residential mortgage market is stirring. Recently, new competitors have started to offer residential mortgages or announced their intent to do so. Increased competition is positive and highlights for us the importance of always striving to provide a stronger customer offering. Increased competition in the residential mortgage market arises, inter alia, from the Mortgage Business Act (2016:1024), which allows residential mortgages to be provided by organisations other than banks thus negating, among other things, the need to comply with the rules for capital requirements that apply to banks. This regulatory difference risks creating inequitable competitive conditions on the one hand and risks that would be difficult for customers to assess on the other. I find this concerning.

In time, increasing competition in the residential mortgage market can affect the market and mortgage margins. Over the last few years, we have prepared well for increased competition. For several years, we have been the sector leader in terms of customer satisfaction and we have captured market shares. We invest in new technology to enhance our customer offering and are becoming increasingly efficient in our operations. Regulatory developments in the



form of PSD2 and Open banking affect competition at the same time as they create new opportunities for us to strengthen our customer offering. Transparency and competitive terms are central to our customer offering and the mortgage rates we offer for the most in-demand tenors are often market leading — a situation we aim to maintain.

“The show must go on”

Our communication is innovative and has an impact. In 2017, we began a major communication and brand initiative in the form of the film series and comedy show "Boendeekonomi är jättekul!". It was a hit. The initiative won both gold and silver in the Guldnickeln communication competition: gold in the Financial and Insurance category and silver in the Digital and Social Media Channels category. We have also been nominated for the Guldägget and Gyllene hjulet communication awards.

We will continue to make household finances fun in 2018. There are still far too many people in Sweden who don't think so. "The show must go on." This year everyone is coming. All 10 million people in Sweden. How? Don't miss following this exciting journey on social media and on www.sbab.se.

Solna, April 2018

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