



Press Release 26 October 2018

SBAB Interim Report January–September 2018

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

THE QUARTER IN BRIEF

Q3 2018 (Q2 2018)

- Lending to the public increased 1.8% in the quarter to SEK 358.0 billion (351.5). Total deposits from the public increased 3.0% in the quarter to SEK 120.5 billion (117.0)
- Return on equity amounted to 10.9% (12.6) and the C/I ratio was 32.5% (31.6)
- A non-recurring commission expense to a mortgage broker was charged to Q3 operating profit in conjunction with the termination of the partnership
- On 23 August 2018, the Swedish FSA decided to change the method for applying the existing risk-weight floor for Swedish mortgages, which is currently applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Capital Requirements Regulation. The change enters force from 31 December 2018 and applies for two years. Given the above, SBAB's Board has decided to translate the buffer levels, expressed in percentage points, in the existing capital targets. After the adjustments, which enter force in parallel with the change on 31 December 2018, under normal conditions, SBAB's CET1 capital ratio and total capital ratio should be at least 0.6 percentage points above the requirement communicated by the Swedish FSA. In nominal terms, this corresponds to a buffer level of 1.5 percentage points before moving the risk-weight floor, in line with the existing capital targets.

THE QUARTER/PERIOD IN NUMBERS

Q3 2018 (Q2 2018)

- Lending totalled SEK 358.0 billion (351.5)
- Deposits totalled SEK 120.5 billion (117.0)
- Net interest income amounted to SEK 833 million (850)
- Expenses decreased to SEK 246 million (264)
- Loan losses amounted to SEK 0 million (recoveries: 8)
- Operating profit amounted to SEK 514 million (575)
- Return on equity was 10.9% (12.6)
- The C/I ratio was 32.5% (31.6)
- The CET1 capital ratio was 31.5% (30.3)

January–September 2018 (January–September 2017)

- Lending totalled SEK 358.0 billion (324.4)
- Deposits totalled SEK 120.5 billion (107.0)
- Net interest income rose to SEK 2,514 million (2,348)
- Expenses increased to SEK 752 million (700)
- Loan losses amounted to recoveries of SEK 18 million (recoveries: 4)
- Operating profit amounted to SEK 1,665 million (1,625)
- Return on equity was 12.1% (12.4)



- The C/I ratio was 31.4% (30.2)
- The CET1 capital ratio was 31.5% (31.4)

CEO statement from Klas Danielsson:

A major and highly significant development took place one year ago, in autumn 2017. A number of women stepped forward and spoke about the sexual harassment and abuses that they had endured at their workplaces. Their actions showcased the lack of respect and equality in our society. The #MeToo movement showed that disrespectful and inequitable norms and behaviour are all around us. To make a tangible impact in terms of respect and gender equality issues, we have worked together with the Make Equal foundation to create Respekttrappan.

Q3 2018 was yet another successful quarter in a long succession of successful quarters for SBAB over the last few years. Tangible proof of our success can be seen in the market shares we are capturing in our largest business area, Retail, in terms of both mortgages and deposits. To date this year, our market share of mortgage lending growth amounted to around 17%, which compares well with our total market share of slightly more than 8%. A fantastic growth rate that is also based on responsible credit granting and where, over the last few years, we have noted lower loan-to-value ratios, lower debt-to-income ratios and increased amortisation rates in our new lending. Our growth shows that our customers appreciate our strong offering within housing quality and household finances, with a focus on transparency, availability and extremely favourable terms. Despite an uncertain housing market, we see continued strong demand for our residential mortgage offering. I believe that we will continue to account for a substantial portion of new lending in the market and continue to gain market share. At the end of Q3, SBAB's total lending amounted to SEK 358.0 billion. Thus far in 2018, lending growth is just over 10%. Our deposits have increased by almost 13% to a total of SEK 120.5 billion in 2018.

Earnings continue to trend favourably. Growing with healthy profitability enables a high pace of investment in various areas, such as technical infrastructure, digitalisation, the customer offering within housing quality and household finances, as well as an attractive workplace. The market is undergoing major change and we are investing to strengthen our long-term competitiveness.

An uncertain housing market

Where are we heading? On an ongoing basis, SBAB publishes two reports under this headline — Boräntenytt and Bomarknadsnytt. Our assessment is that the Riksbank will start raising the repo rate after the end of the year. A higher repo rate primarily impacts shorter fixed-interest periods for mortgages. We believe that higher mortgage rates will negatively impact house prices over the forthcoming years. In the assessment of our Head Economist, Robert Boije, housing prices will fall just under 9% leading up to 2022.

Uncertainty in the housing market, not least in terms of new construction, is so significant that it is very difficult to provide forecasts for housing price trends. The housing shortage remains

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large. Many new homes have been built in Sweden in recent years; unfortunately, these homes have been too expensive.

However, the market for new construction differs according to its location in Sweden. We don't have one housing market in Sweden, we have several. As things stand today, the supply of newly produced apartments for sale in some parts of Sweden greatly exceeds the number of resale apartments for sale, yet the asking prices for the newly produced are higher than those for resale units. However, market statistics from Booli indicate that prices for new construction are falling and approaching alignment with resales.

Overall in Sweden, we believe new construction will decrease considerably over the coming years due to oversupply and excessively high prices. The market needs to correct these factors before new construction can accelerate again.

How does an unstable housing market impact SBAB? Naturally, we exercise caution to ensure we don't finance new construction with inadequate preconditions for selling the homes. We want to help solve Sweden's housing shortage, and that requires the construction of housing that those in need can afford and for which they can obtain mortgages. In the new construction projects financed by SBAB, we do not envisage any significant credit risks for SBAB in terms of late completion, low sales rates for apartments or apartment buyers pulling out.

Slower growth in the housing market leads to lower credit growth. These two are interrelated. However, we have not identified any signs that housing market uncertainty will materially affect our credit growth. We have a stronger customer offering, which means we are capturing market shares.

Respect and equality — Respekttrappan

We are a value-driven company. This means that all of us at SBAB need to possess the same core attitude. We define our attitude through our values, which form the foundation of our corporate culture. Inclusion suffuses our values. By inclusion, we mean transparency, knowledge sharing, approachability, trust, diversity, respect and equality. Our value-driven working approach generates courage, pace and a willingness to change, and has made us one of Sweden's best workplaces according to Great Place to Work.

A major and highly significant development took place one year ago, in autumn 2017. A number of women stepped forward and spoke about the sexual harassment and abuses that they had endured at their workplaces. Their actions showcased the lack of respect and equality in our society. The #MeToo movement showed that disrespectful and inequitable norms and behaviour are all around us. This is completely unacceptable.

For SBAB, respect and equality mean that harassment and abuse are completely unacceptable. For us, respect and equality also include unacceptable behaviour that we might

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not think about, and that we might not notice in our daily lives as this behaviour has become a norm and a habit.

We do not want to treat each other in ways that could be perceived as master suppression techniques, we do not want anyone's work attire to affect that person's influence on the meeting, we do not want a younger, newly recruited woman's voice to be given less attention than the loud confident voice of a young man and we do not want to refer to women as girls if we refer to boys as men. It is unprofessional to not be inclusive. We want to address all these issues we perhaps neither think about nor see, and we want to address them tangibly — now. For these reasons, we have worked together with the Make Equal foundation to create Respekttrappan.

Respekttrappan is a tool focused on a playful approach to create the preconditions that, from differing perspectives and in various ways, enable us to learn more about, to reflect on and talk about respect and equality.

Respekttrappan is based on a change perspective. Each step includes various exercises of differing character that address different subjects. Some exercises are individual, but most are group-based. These eye-opening exercises create trust within the group and can lead to strong emotional reactions and discussions.

We want to do what we can to change the world. In 2019, we intend to take the next step with Respekttrappan, together with Make Equal, and to make it available to other companies and organisations.

Finally, I would like to remind you that household finances are really fun. I hope you haven't missed season two of "Household Finances are Really Fun." See this year's films on [youtube.com](https://www.youtube.com). Our challenge in 2018 is to make a film that is viewed by the entire country — with a goal of 10 million views.

Best regards,

Klas Danielsson
CEO SBAB



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