



Press release 15 February 2018

## SBAB Year-end Report 2017

SBAB's Year-end Report 2017 is now available for download on [www.sbab.se/IR](http://www.sbab.se/IR).

**"Overall, 2017 was the strongest ever for SBAB".**

– Klas Danielsson, CEO SBAB

### The year in figures: 2017 compared with 2016

- Total lending increased 13.2% during the year to SEK 335.1 billion (296.0)
- Total deposits increased 15.6% during the year to SEK 111.9 billion (96.8)
- Net interest income rose to SEK 3,149 million (2,829)
- Expenses grew to SEK 959 million (889)
- Net loan losses resulted in a recovery of SEK 24 million (loss: 18)
- Operating profit rose to SEK 2,228 million (2,011)
- Return on equity increased to 12.5% (12.3)
- The C/I ratio decreased to 30.3% (30.5)
- The Common Equity Tier 1 (CET1) capital ratio was 32.2% (32.2)

### Important events during the fourth quarter 2017

- Opportunities within Open Banking demonstrated. Customer offering strengthened with the comparative service "Räntematchen"
- Focus on new lending under own brand by cancelling remaining 'white label' partnerships with other banks
- Issue of a new Green Bond. The bond is unsecured, amounts to SEK 1.75 billion and has a maturity of five years
- Standard & Poor's raised the outlook for SBAB's long-term credit rating from negative to stable, due to revised view of the Swedish banking sector
- The Government approved the proposal from Finansinspektionen (the Swedish FSA) regarding increased repayment requirements for households with high debt-to-income ratios

### CEO statement from Klas Danielsson:

Household finances are really fun. Overall, 2017 was the strongest ever for SBAB. Satisfied customers as shown by Swedish Quality Index, a good workplace according to certification from Great Place to Work, high business volumes due to strong growth in lending and deposits as well as very strong results.

### Customers in focus

It's been a good year for SBAB. Our total lending amounted to SEK 335 billion at year end, compared with SEK 296 billion at the end of 2016. This corresponded to net growth of 13% in 2017. In Retail Mortgages, our share of net market growth during the year was a strong 18%, which resulted in our market share climbing to 7.96% (7.23). Deposits also grew strongly in 2017, up 16% to SEK 112 billion. It is extremely gratifying that so many people



are choosing to become customers of SBAB. This confirms that we have one of the market's most attractive customer offerings.

In 2014, 2015 and 2016, we had Sweden's most satisfied residential mortgage customers according to the Swedish Quality Index (SKI). A fact we are extremely proud of. In the 2017 survey, we were pipped at the finish line and ended up in third place. We took second place in terms of corporate customers in 2017, just as in 2016. Altogether, with third and second places, SKI 2017 shows that our customers are very satisfied, but naturally, we are not satisfied with anything other than first place and will be working hard to achieve this in 2018.

High growth sets demands on us as an organisation. As a result of the strong inflow of customers, we placed considerable focus on our customer centre to ensure efficient and good service. We achieved this partly by expanding the organisation and partly by strengthening and improving the customer process and our working methods. We are further developing our digital customer interface and customer offering on an ongoing basis and launched our new bank app in Q4.

We are introducing innovative services linked to housing and household finances to enhance the customer experience. One such example is the "Mitt boende" service, which provides our residential mortgage customers with an overview of their loans, their home and the housing market. Another example is the "Räntematchen" service, a comparison service that we are able to offer due to Open Banking. We use an automated process to collect your mortgage data from another bank and to match your terms and conditions against what SBAB can offer. We can offer around 60–80% of those who match their interest rate in the "Räntematchen" service a better mortgage rate.

On the corporate side, 2017 was an extremely active year, not least because of the considerable increase in housing construction. We participated in a wide range of customer events, including trade fairs, and customer and business meetings, with the aim of establishing and strengthening customer relationships and raising visibility for our offering and our commitment to housing-related sustainability issues.

### **Housing market**

High demand in the housing market with rising prices in the first half of 2017 turned into declining demand and a turbulent market in the last six months of the year. In the second half of the year, concerns in the housing market resulted increasingly in home buyers deciding to wait and the supply of homes for sale increased with falling prices as a result. At the start of 2018, we can see that home buyers have become more active and that housing prices have stabilised. After several years of rapidly rising housing prices a market correction was not altogether a surprise, the forthcoming new repayment requirement however probably contributed to increased uncertainty.



In a housing market with rising prices and high demand for housing finance, risks increase and, naturally, responsible credit granting has a key role to play. Accordingly, during the year, we adopted a more cautious approach to credit granting to consumers by, inter alia, lowering our mandatory debt ratio ceiling to 5.5 times gross income. We also completed a change in our interest rate discount structure for residential mortgages, whereby we increased the discount at lower loan-to-value ratios. Altogether, over the last few years and in 2017, we have consistently strengthened credit quality with lower LTV ratios and lower debt ratios in our new lending to consumers. On the corporate side, demand for financing for new builds was particularly strong during the year. We aim to increase our financing of new builds, since we want to help solve the housing shortage and because new residential properties are normally more energy-efficient than older housing stock. We adopted a more cautious approach during the year by focusing on credit granting to established customers and larger, experienced property developers.

In November, the Government approved the proposal from Finansinspektionen (the Swedish FSA) regarding increased repayment requirements for households with debt-to-income ratios. The increased repayment requirement of one percent on top of the existing repayment requirement for mortgage holders borrowing more than 4.5 times their gross income enters force on 1 March 2018. We believe that mortgage repayment is a healthy habit, but that the additional mandatory repayment requirement is being introduced prematurely and is spawning a too extensive and complex range of regulations. SBAB and other banks have already introduced limits for debt-to-income ratios and mandatory repayment requirements were introduced in 2016. The new and expanded repayment requirement risks significantly impairing conditions for customers through a fall in housing prices, increased lock-in effects with existing housing with a reduction in market mobility, and increased lock-in effects with existing banks resulting in a significant deterioration in competition in the banking market.

### **A sustainable strategy**

During the year, we completed work aimed at fully integrating our sustainability strategy in our business strategy. This work resulted in the full integration of business and sustainability goals from 2018 in three overriding target areas: Responsibility and transparency; An attractive workplace; and Sound finances. We have also selected four of the 17 Sustainable Development Goals in the 2030 Agenda, which are now integrated in our operations. We identified that our housing financing operations mean we can clearly impact and contribute to changing the world by pursuing the following four Sustainable Development Goals:

- Goal 8 – Decent work and economic growth
- Goal 11 – Sustainable cities and communities
- Goal 12 – Responsible consumption and production
- Goal 13 – Climate action

We assume responsibility for and create long-term values that are good for our customers, for society, for our employees and for our investors. One example is our green funding cycle.



Considerable interest exists in building a sustainable society and climate-smart housing. Similarly, there is considerable demand from investors for green bonds to fund these developments. It is therefore particularly gratifying to have enabled this in the fourth quarter of the year, when we issued our second green bond to fund energy-friendly climate-smart housing.

### **Certified as a great place to work**

SBAB's employees make the company successful and sustainable. Our market and our operating environment is changing ever faster and we therefore need to change and develop our operations with more innovation and at a faster pace to strengthen our competitiveness. Only highly motivated and committed, value-driven employees can do this. Therefore, SBAB has to be a great place to work, where we can develop and attract fantastic new employees, in a labour market where competition for the top talents is intense.

In the fourth quarter we received a certification from Great Place to Work. This was a result of our excellent results in their employee survey and partly due to our ambitious work with values. The certification is awarded to the organisations that meet Great Place to Work's international requirements for employees' experience as well as culture creating activities and work.

### **Household finances are really fun**

The SBAB brand stands for responsibility, safety and trust, all strong and important values that we nurture. We are developing the brand experience to include more attitude and feelings. We are an innovative company with the inclination and the attitude to make changes and to improve, which we want to be encapsulated in our brand. To achieve this, and to catalyse more people to change bank to SBAB, we want to make household finances and banking and mortgage transactions more fun. We therefore decided to make household finances fun by putting on a comedy show at Globen in Stockholm. Not an easy objective – we know. But we succeeded.

Over the year, our customers and the general public could follow the road to Globen through a number of films on [www.sbab.se](http://www.sbab.se) and on social media. We also published educational films aimed at showcasing key questions about household finances in an amusing, simple and accessible manner. On 15 November, the "Household finances are really fun" show opened for 10,000 spectators at Globen with some of the Swedish comic elite on stage. It was a hit. The results of the year's activities were increased brand awareness, the desired brand movement, increased traffic to [www.sbab.se](http://www.sbab.se) and strong customer growth.

### **New year and new opportunities**

We are entering 2018 stronger than ever and full of confidence. The turbulence in the housing market over the last few months does not change our confidence in the future. We envisage major opportunities for continued growth and for capturing market shares from our



competitors in both lending and deposits. We will achieve this by continuing to develop our customer offering with a focus on innovation, digitalisation and sustainability.

I would like to thank all my fantastic colleagues for exceptional performances in 2017, which resulted in it becoming our most successful year ever. With our will to change and future insight, I am convinced that together we will take SBAB to new heights.

Solna, February 2018

Klas Danielsson

CEO SBAB

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