



Press release 26 October 2017

Interim Report January–September 2017

SBAB's Interim Report January–September 2017 is now available for download on www.sbab.se/IR.

Q3 2017 (Q2 2017)

- Lending totalled SEK 324.4 billion (315.6)
- Deposits totalled SEK 107.0 billion (102.7)
- Net interest income rose to SEK 792 million (777)
- Expenses decreased to SEK 224 million (244)
- Net loan losses amounted to SEK 1 million (1)
- Operating profit amounted to SEK 537 million (539)
- Return on equity was 12.2% (12.4)
- The C/I ratio was 29.4% (31.2)
- The CET1 capital ratio was 31.4% (31.4)

January–September 2017 (January– September 2016)

- Lending totalled SEK 324.4 billion (305.0)
- Deposits totalled SEK 107.0 billion (93.4)
- Net interest income rose to SEK 2,348 million (2,067)
- Expenses increased to SEK 700 million (650)
- Net loan losses resulted in a recovery of SEK 4 million (loss: 20)
- Operating profit amounted to SEK 1,625 million (1,463)
- Return on equity was 12.4% (11.9)
- The C/I ratio was 30.2% (30.5)
- The CET1 capital ratio was 31.4% (28.5)

CEO statement from Klas Danielsson:

Our transparent offering to retail customers is winning ground in the residential mortgage market. Our strong growth continued through Q3 for both lending and deposits. To date, we have captured a fantastic percentage, 17%, of net growth in the residential mortgage market, which means that, as of August 2017, our market share grew to 7.68% during the year. On the corporate side in 2017, we have focused on promoting the construction of more housing and have thereby increased our new construction financing. Our deposits posted healthy growth for Retail and Corporates, and our deposit ratio increased to 33.0% during the year. We are growing with good profitability, which enables a continued high pace of investment in operations with a focus on sustainability, new IT systems, digitalisation, customer offering and maintaining SBAB as an attractive workplace. We are strengthening our long-term competitiveness.



No one-to-one negotiations are needed with us, instead all retail customers with the same prerequisites receive the same mortgage terms directly. We focus on housing and household finances, which means that we have customers who appreciate not having to keep all their custom with one bank and instead use different banks for the services they require. During the quarter, we launched the first version of the My home (Mitt boende) service to residential mortgage customers. The My home service provides our residential mortgage customers with transparently presented, collated housing information from internal and external sources. We envisage My home as a digital home where people will, in time, gather all public and private information pertaining to their home. We have realised our pay-off and our brand promise — From dream to home — in the form of From Booli to SBAB. With the Group's combined property services, we help our customers through the entire home buying process, from looking for a home to moving, selling and once again seeking a new home.

Responsible credit granting

Our growth must always be subordinate to responsible lending, quality and good risk management. Our growth must always be sustainable. We continuously review our credit granting processes for both retail and corporate customers. On the retail side, we have assigned particular importance during the year to customers' total debt and properties' loan-to-value (LTV) ratios. We have introduced a mandatory debt-to-income ratio of 5.5 times the customer's total debt, in other words including not just for the mortgage but also any other unsecured loans and mortgages on other properties such as holiday homes. We have adapted our terms and conditions to suit lower LTV ratios and thus attract fewer customers with higher LTV ratios and more customers with lower LTV ratios. On the corporate side, due to the increasing uncertainty in the property market, we have given particular priority to increased caution in terms of lending to smaller and less experienced property developers regarding new builds. Moreover, we have generally adopted a more cautious approach to the declining investment yields in the corporate market, which means we are raising our repayment requirements and otherwise acting with a degree of restraint.

Disturbing regulatory developments

At the time of writing, the Swedish FSA (Finansinspektionen) is working on a new mandatory repayment requirement for consumers linked to a debt-to-income ratio for the individual mortgage of 4.5 times gross income. Our own debt ratio ceiling of 5.5 times gross income is different from the Swedish FSA's, since we consider customers' entire debt situation, not just the mortgage as proposed by the Swedish FSA. However, the Swedish FSA aims to increase loan repayments by 1% for debt ratios exceeding a multiple of 4.5, which will increase the maximum mandatory loan repayment from 2% to 3% on a mortgage. A 3% repayment rate is beyond the reach of many customers, particularly young people and residents of Greater Stockholm, where housing prices are significantly higher than in the rest of the country. We are extremely negative to the Swedish FSA's proposal. We are starting to note clear effects in the housing market from the Swedish FSA's latest mandatory repayment requirement as well as following the debt ratio ceilings introduced by ourselves and other



banks. The new rules proposed by the Swedish FSA are extremely complex and will, thus create further lock-in effects for customers in the housing market resulting in worsened mobility and competition. The Swedish FSA needs to give customers more time to adapt to the recently introduced rules. Additional mandatory requirements for residential mortgage customers risk triggering a significantly worsening trend in the housing and property market. A trend where the customer will be hit hardest of all.

Rating and sustainable financing

SBAB's strong positive operational trend over the last few years resulted in Moody's upgrading our rating from A2 till A1 at the end of August. Accordingly, our long-term rating is A1 with a stable outlook. This is the first time since 2005 that SBAB has had its rating upgraded by one of the credit rating agencies. It is extremely pleasing. Moody's underlying reasons for the upgrade include the fact that we have strengthened our profitability and improved our funding mix with an increased proportion of deposits over an extended period.

Sustainable financing through green bonds is an extremely exciting area. SBAB's green bonds function just as standard bonds, but are subject to the condition that the funds raised will be used exclusively to finance or refinance residential properties that, under a specific framework, meet a number of energy-efficiency criteria or hold environmental certification. These will help change the world by financing a climate-smart and necessary transformation of both the economy and wider society. In mid-2016, we became the first bank in Sweden to issue a green bond and we issued our second green bond after the end of the quarter, at the start of October 2017.

Responsible and fun market communication

SBAB's brand stands for responsibility, safety and trust. We strive to further strengthen this position as well as to fill our brand with more attitude, feeling and energy. Household finances need to engage and bank transactions need to motivate. How else will competition in the banking market improve and more customers change bank? Dull and boring fails to engage us.

In 2017, our communication has focused around "Making household finances fun", which will culminate in a show with the same name at Globen in Stockholm on 15 November. It will be a star-studded comedy show starring Erik Haag, Mia Skäringer, Johan Rheborg, Nour El Refai and Björn Gustafsson. Follow the journey as the show evolves by watching our entertaining films on www.sbab.se.

Welcome to Globen on 15 November.

Klas Danielsson
CEO SBAB



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