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SBAB Year-end Report 2019

SBAB's Year-end Report 2019 is now available for download on www.sbab.se/IR.

Q4 2019 (Q3 2019)

- Net interest income increased 1.9% to SEK 877 million (861) during the quarter. Operating profit decreased 10.1% to SEK 540 million (601). Return on equity amounted to 10.5% (12.0).
- Credit losses for the quarter amounted to SEK 10 million (0). Expenses grew 16.8% to SEK 327 million (280). The C/I ratio was 37.2% (31.8).
- According to Swedish Quality Index (Svenskt Kvalitetsindex, SKI), SBAB had the most satisfied customers in Sweden in 2019 in terms of residential mortgages to private individuals and property loans to corporates and tenant-owners' associations.
- Total lending increased 1.5% to SEK 383.8 billion (378.2) during the quarter.
- Total deposits increased 0.4% in the quarter to SEK 130.5 billion (130.0).

January–December 2019 (January–December 2018)

- For the full-year 2019, SBAB posted its highest net interest income and operating profit to date. Net interest income grew 3.3% to SEK 3,473 million (3,362) and operating profit increased 3.0% to SEK 2,308 million (2,241).
- Credit losses for the year totalled SEK 26 million (recoveries: 11). Expenses grew 13.2% to SEK 1,187 million (1,049). The C/I ratio in 2019 amounted to 33.7% (32.0).
- The return on equity amounted to 11.7% (12.1) and the Common Equity Tier 1 capital ratio was 12.5% (12.5). The Board proposes a dividend of 40% (40) of net profit for the year, corresponding to SEK 715 million (690).
- Total lending increased 5.4% to SEK 383.8 billion (364.2) in 2019, of which SEK 291.6 billion (276.7) comprised residential mortgage lending and SEK 89.9 billion (85.3) lending to corporate clients and tenant-owners' associations.
- Total deposits increased 4.5% in 2019 to SEK 130.5 billion (124.9).

CEO statement from Klas Danielsson:

2019 was the strongest year to date in SBAB's 35-year history. Net profit of almost SEK 1,800 million, lending of SEK 384 billion, Sweden's most satisfied customers and one of Sweden's best workplaces mean we look to the future full of confidence. At the same time, we are not underestimating challenges posed by new customer needs and the rapidly changing market.

Sweden's most satisfied customers

The year started with more intense competition in the residential mortgage market than we had seen for several years. We suffered negative net flows in the first quarter, an unusual state of affairs for us as a growth company. We implemented a number of measures to strengthen our mortgage offering and competitiveness. All together, our measures resulted in customer inflows regaining speed, fewer customers leaving and a return to relatively healthy



growth that was maintained for most of the year. Our residential mortgage stock grew 5.4% in 2019 to a total of SEK 291.6 billion and our market share for residential mortgages at year end was 8.47%, compared with 8.41% at the start of the year. Our assessment is that next year, we are well placed to continue growing and capturing market shares, but respectful of the challenge of growing in a market with lower credit growth and increasingly intense competition.

Strong inflows of new customers meant we invested considerable resources over the year in meeting customers both in the form of enhanced digital services and through extra customer service staff for improved service. This bore fruit. In December, we were informed that we have Sweden's most satisfied residential mortgage customers according to Svenskt Kvalitetsindex (SKI), about which we are pleased and proud. We scored particularly highly in areas such as product quality, affordability and reliability.

And not just that. According to SKI, for the second consecutive year, we have Sweden's most satisfied customers for property loans to corporates and tenant-owners' associations. Jackpot. Our customers within this segment appreciate our availability, competence and service as well as our responsibility and sustainability efforts. Total lending to property companies and tenant-owners' associations developed well over the year and amounted to SEK 89.9 billion at the end of 2019, equivalent to growth of 5.4% in 2019.

Our brand continues to be one of the strongest in the industry and public confidence in SBAB is high. In our own quarterly surveys, and in most market surveys, SBAB holds top rankings in terms of brand awareness, reputation and sustainability. This is crucial for eligibility and for continued growth and profitability. A strong focus on risk and compliance is important for our reputation and for confidence.

Deposits increased 4.5% in 2019 and amounted to SEK 130.5 billion at year end. It is highly gratifying that so many customers choose to entrust their savings with SBAB. In addition to deposits comprising a very important part of our customer offering, deposits also represent an important and growing share of our funding. Our savings rates are a clear step above those offered by other mortgage banks, which together with our low mortgage rates makes our overall customer offering, in terms and conditions, market leading for the mortgage banks.

Bank and service supplier within housing and household finances

The development of digital banking and financial services is gaining momentum. Customer needs and customer behaviour is changing, new players are driving developments and new regulations are redrawing the playing field. Solely offering traditional bank services no longer meets customers' needs and is therefore not a strategy moving forward. Customer needs comprise numerous issues that need solving. Mortgages are just one of many issues that need to be solved in connection with customers' needs pertaining to housing.



We are therefore broadening our offering in order to build strong and long-term relationships with our customers by offering value-adding services that enable and facilitate every phase of home-owner life – be it finding and dreaming, buying, owning or selling a home. We call services relating to housing and household finances our ecosystem. In 2020, we will develop our ecosystem and create a more unified and stronger customer experience of our housing and household financial services within SBAB, Booli and HittaMäklare, while also integrating services from partners.

Our strong development enables continued investment in operations

Financially, 2019 was SBAB's strongest year to date. Net interest income increased and totalled SEK 3,437 million, up 3.3% compared with 2018. Operating profit grew 3.0% to SEK 2,308 million. Our financial KPIs are stable and we continue to post healthy margins to our financial targets. Return on equity for the year amounted to 11.7% and the CET1 capital ratio to 12.5%. The Board of Directors proposes a dividend of 40%, corresponding to SEK 715 million.

We run cost-efficient operations. Our C/I ratio of 33.7% is the lowest in the industry. The C/I ratio increased over the year in line with our continued investments in operations to secure our long-term competitiveness and due to the decline in mortgage margins which has affected revenue growth. We are focusing particularly on investment in areas including customer meeting and customer service, digitalisation and IT systems – investments that will lead to higher efficiency and lower expenses in the long term, increased customer value and loyalty, continued growth in customer numbers and users as well as larger market shares. As a result, we have recruited more employees to SBAB, primarily in Tech, CX (Customer Experience) and Customer Service over the year. The replacement of our core banking platform is continuing as planned and is expected to be ready in the first half of 2021.

Committed employees the key to success

We are a purpose- and values-driven company. We work consistently and consciously with our corporate culture, which has resulted in an extremely motivated and committed work ethic at SBAB. This is visible in our employee surveys, where the scores are high enough for SBAB to be ranked as Sweden's fourth best workplace and Europe's 20th best workplace in the larger company category according to Great Place to Work.

We are growing and continuously recruiting new values-driven colleagues. From our recruitment efforts, we can see that we have become more attractive as an employer and that more people are applying to SBAB. This is pleasing, as highly committed employees are critical to making a difference and being a step ahead of the competition. Our latest employee survey showed that 91% of us considered SBAB an extremely good place to work.

We are particularly proud of our respect and equality efforts to promote a more inclusive workplace. Over the year, we launched our own tool to promote a more inclusive workplace, Respekttrappan, externally at www.respekttrappan.se at no cost to enable all companies and



organisations to work with these issues. Making our work available to others is one example of how we help change the world together with others to reach the SDGs within the 2030 Agenda.

2019 feels like a game changer year, since it became increasingly clear that business is about responsibility and sustainability. The industry as a collective, along with individual businesses, have stepped forward and clarified that running a business entails a broader responsibility for many stakeholders. As customers and consumers, we drive this development since we increasingly demand goods and services that we consider sustainable. At SBAB, sustainability is fully integrated in our operations, where our sustainability goals and business goals correspond, and where the owner, society, customers and employees are all part of the objective. In both the short and the long term, we see sustainability and professionalism as one and the same.

To all my fantastic colleagues: Thank you!

What a year it has been. I would like to thank everyone who contributed to 2019 being a record year – in other words, my fantastic colleagues at SBAB – for their outstanding and impressive efforts during the year. Thank you for working together to build a responsible, sustainable, inclusive, customer friendly, profitable and successful company.

Klas Danielsson
CEO of SBAB

For further information, please contact:

Klas Danielsson, CEO SBAB
Telephone: +46 8-614 43 01, email: klas.danielsson@sbab.se

Mikael Inglander, CFO SBAB
Telephone: +46 8-614 43 28, email: mikael.inglander@sbab.se