

Q3 results

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Klas Danielsson

SBAB

A kitchen windowsill is decorated with various items. On the left, there is a potted basil plant in a terracotta pot. Next to it is a stack of two books: the top one is 'THE BREAD EXCHANGE' and the bottom one is 'Great Kitchen Trends'. Behind the books is a wooden box with 'Cirebro' written on it. In the center, a brass pitcher sits on a small white plate. To the right of the pitcher is a light green KitchenAid stand mixer with a stainless steel bowl. In front of the mixer is a yellow tray containing several small glass containers. A potted plant with white flowers is also visible on the right side of the windowsill. The background shows a window with a view of green foliage and a brick building.

STRATEGIC DIRECTION

Our vision

”To provide the best residential mortgages in Sweden”

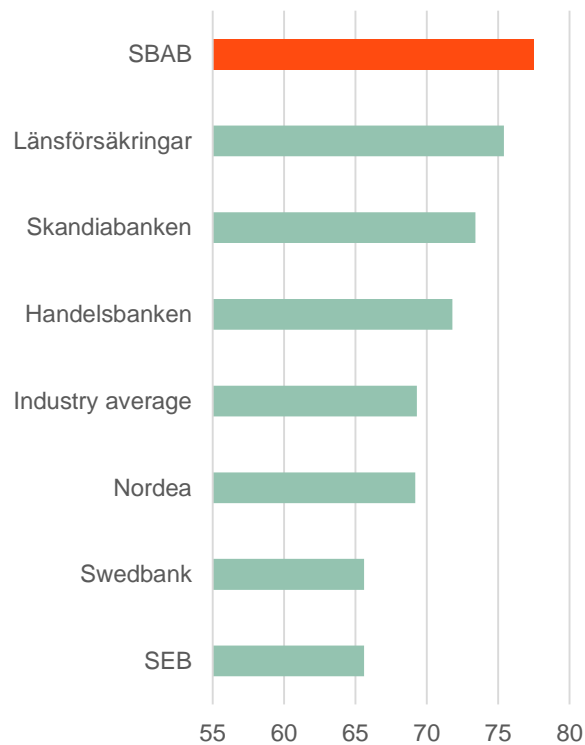
No 1 in 2014 and 2015

”Sweden’s most satisfied residential mortgage customers”



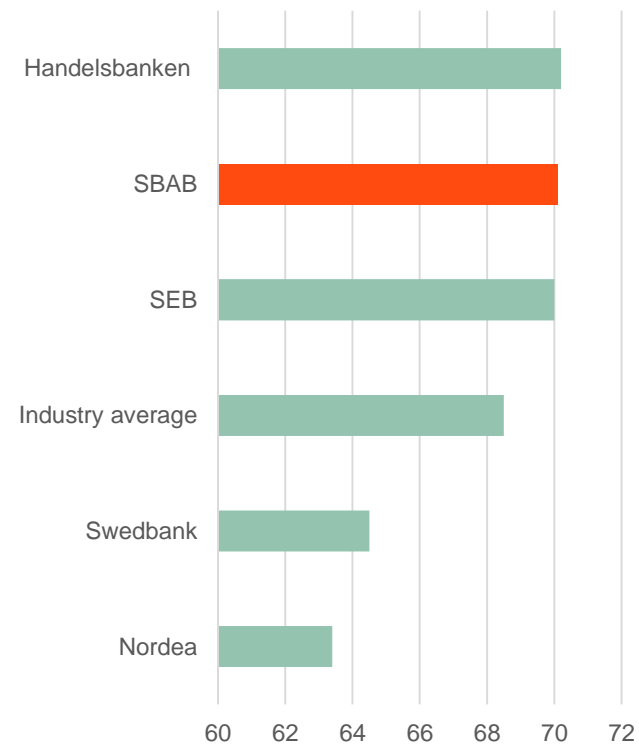
Retail

Customer satisfaction 2015



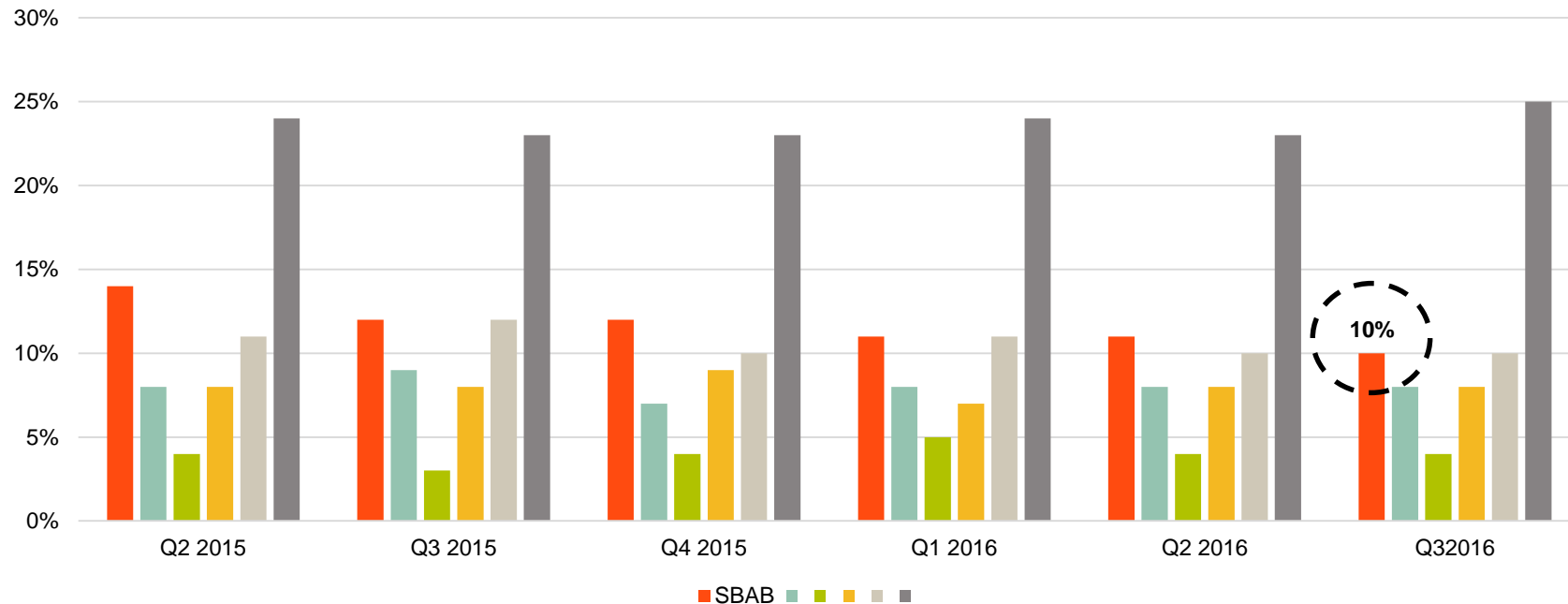
Corporate

Customer satisfaction 2015



Strong position & awareness

”Which companies offering mortgages do you know of?” (first mentioned)



SBAB is the 5th largest mortgage provider in Sweden but the second most recognised provider, supporting further growth and market share

Our value proposition

AVAILABILITY

Residential mortgages online and over the phone, every day and in all situations.

TRANSPARENCY

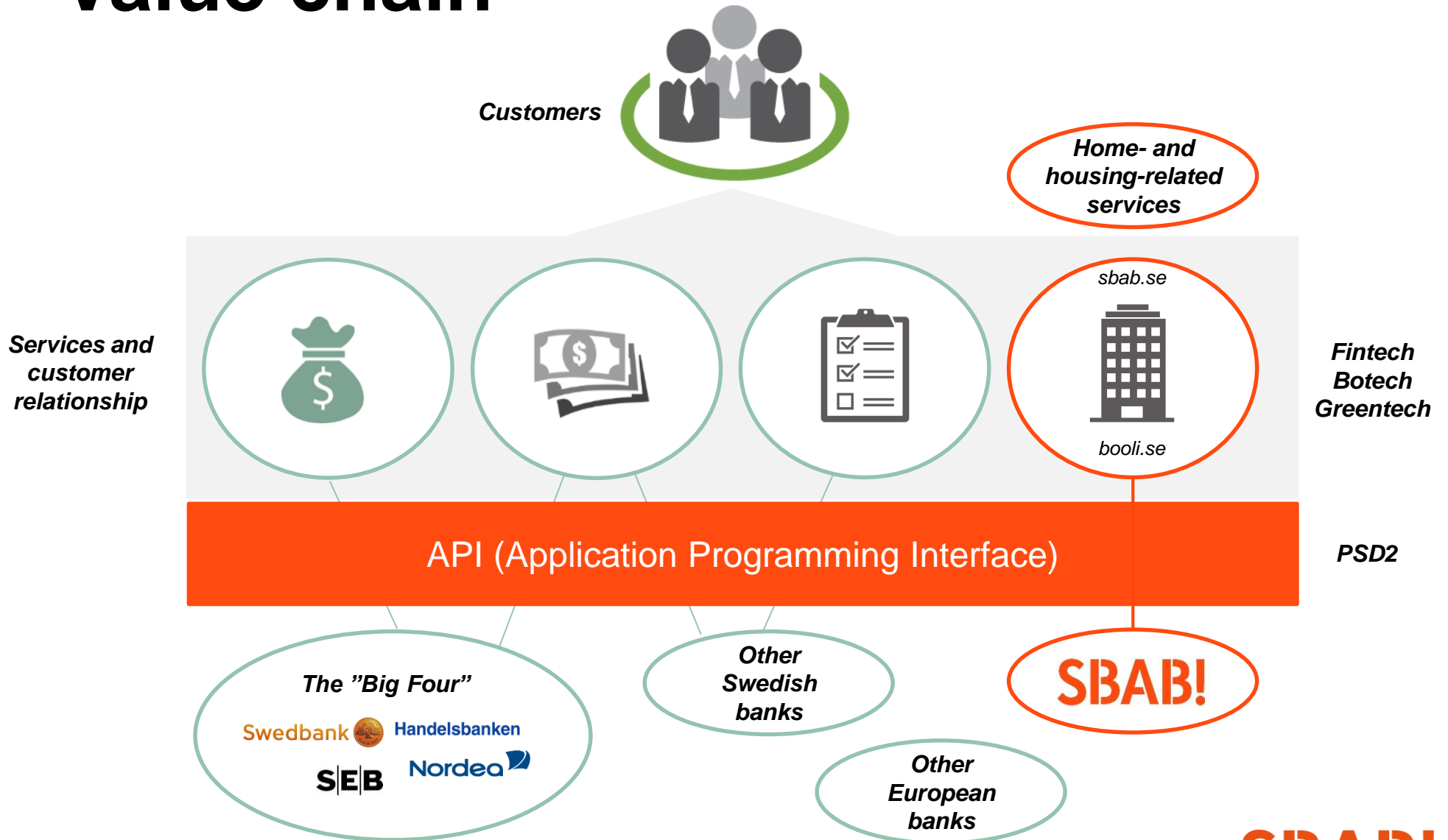
Competitive pricing and appropriate terms and conditions.

CONSIDERATION

Housing specialists who care.

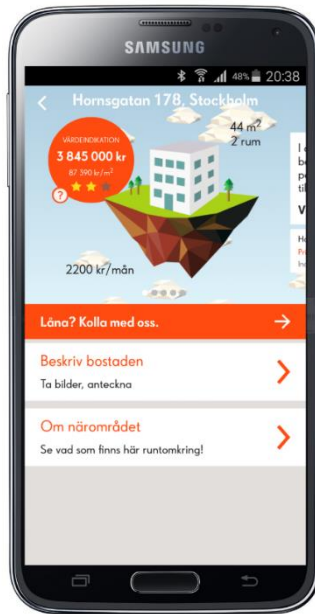
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Value chain

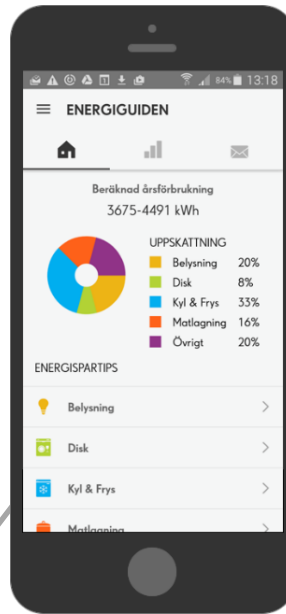


Services and customer relationship

Home- and housing-related services



*The Value Guide
("Värdeguiden")*



*The Energy Guide
("Energiguiden")*

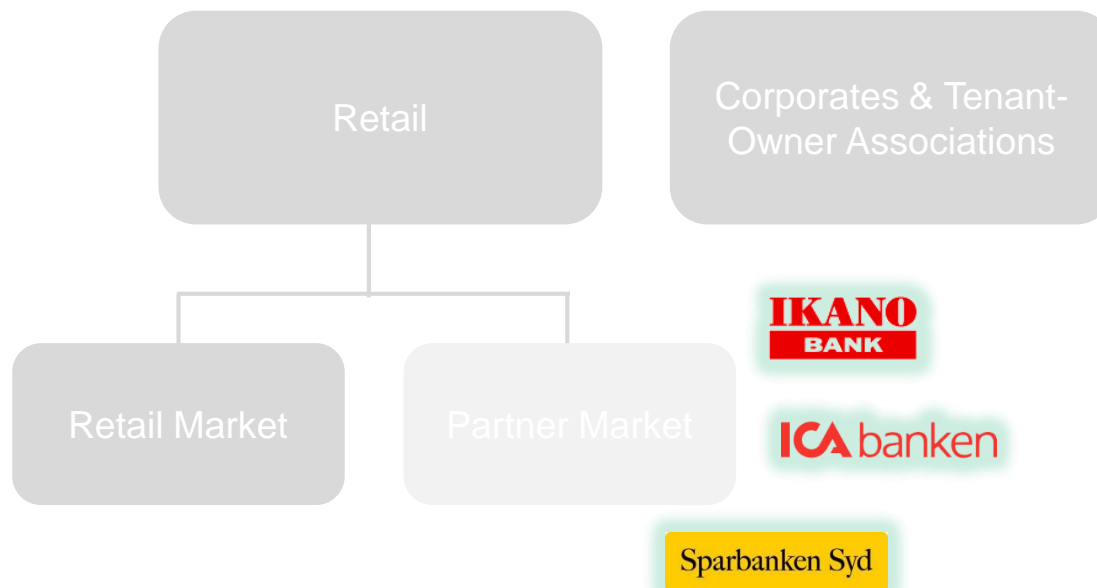


booli

Housing services and search engine for housing

Focus on own brand

- Focus on growth in services/lending where we can add the most customer value and achieve the strongest customer relationships, i.e. in SBAB's own brand. For this reason, we terminated some of our mortgage brokering partnerships in the end of 2015
- Organisational changes carried out in Q2 2016 to reflect new strategic direction - Partner Market no longer a separate profit centre



A kitchen windowsill scene featuring a variety of items. On the left, there's a potted basil plant in a terracotta pot. Next to it is a stack of two books; the top one is 'IBREAD EXCHANGE' and the bottom one is 'Great Kitchen Tools'. Behind the books is a wooden box with 'Cerebr' written on it. In the center, a brass pitcher sits on a white saucer. To the right, a light green KitchenAid stand mixer is visible, along with a potted plant with white flowers. A yellow box containing glassware is also present. The background shows a window with a view of greenery and a brick building.

FINANCIAL DEVELOPMENT

Q3 – historically strong figures

Lending

305_{bn}

Deposits

93_{bn}

C/I-ratio*

28%

RoE*

12%

NII

745_{mn}

Operating profit*

517_{mn}

Continued positive development

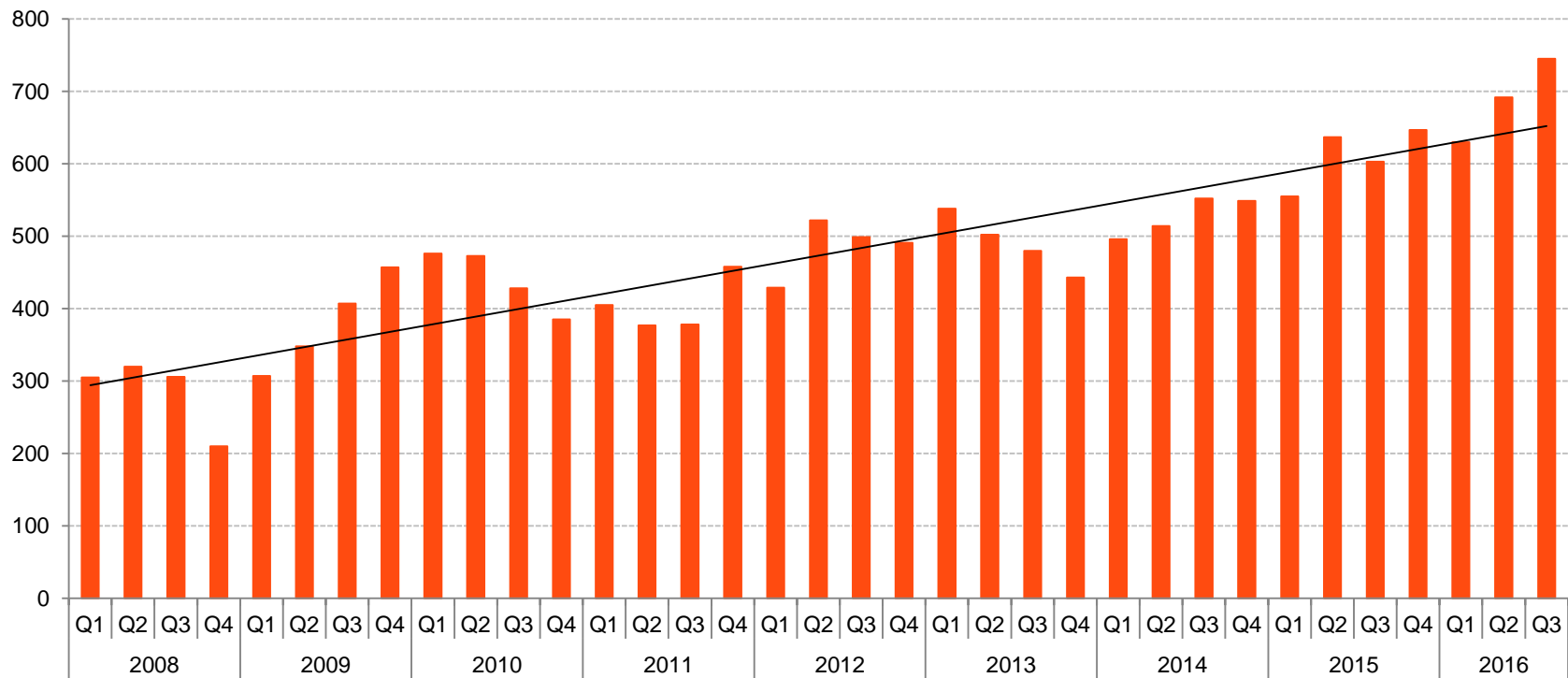
(SEK mn)	Q3 2016	Q2 2016	▲ QoQ	Jan-Sep 2016	Jan-Sep 2015	▲ YoY
NII	745	692	↑	2,067	1,795	↑
Costs	214	224	↓	650	574	↑
Loan losses, net	-20	+1	↓	-20	-29	↑
Operating profit*	517	486	↑	1,423	1,116	↑
Deposits (SEK bn)	93.4	88.0	↑	93.4	71.5	↑
Lending (SEK bn)	305.0	302.7	↑	305.0	284.0	↑
Deposit/lending	30.6%	29.0%	↑	30.6%	25.2%	↑
C/I-ratio*	28%	32%	↓	31%	33%	↓
RoE*	12.0%	11.7%	↑	11.5%	10.4%	↑
CET1 ratio	28.5%	28.4%	↑	28.5%	25.6%	↑

* Excluding net result from financial transactions and restructuring costs

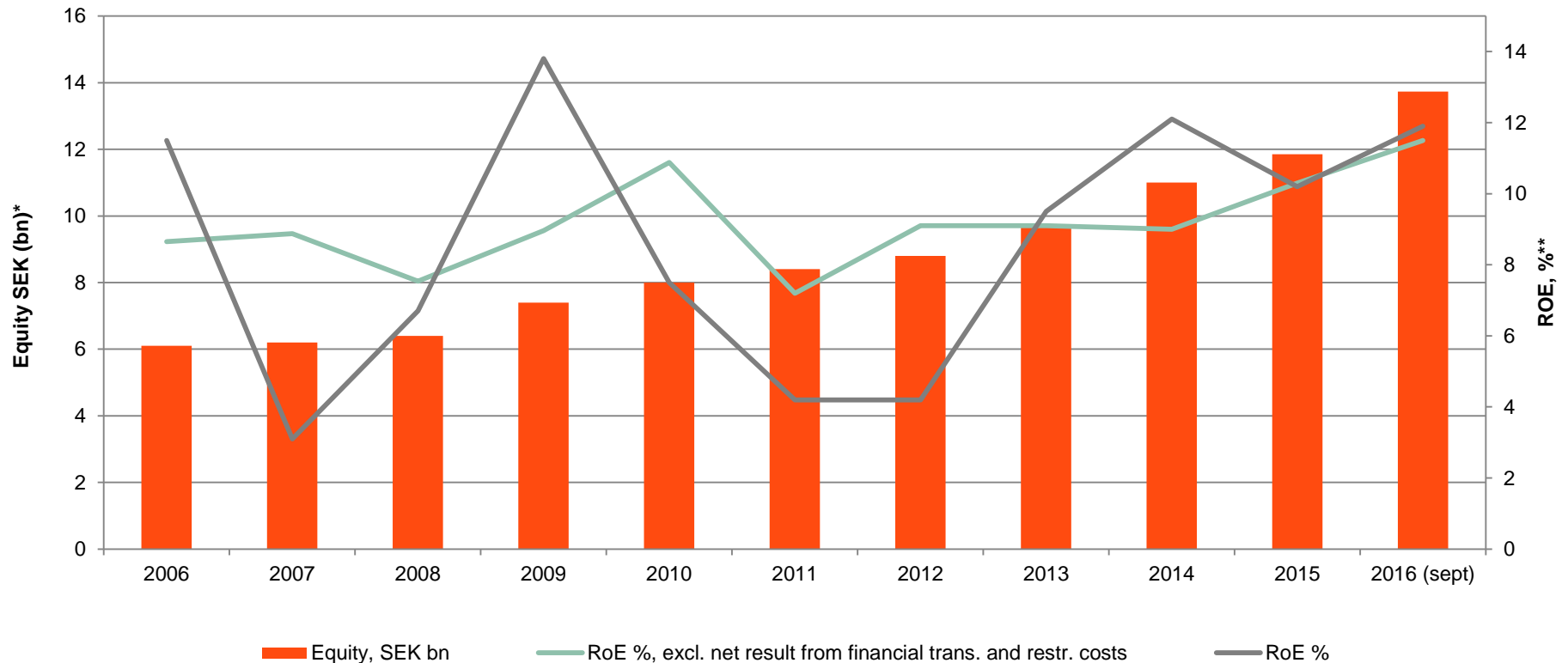
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SBAB's net interest income

- Continued stability and growth

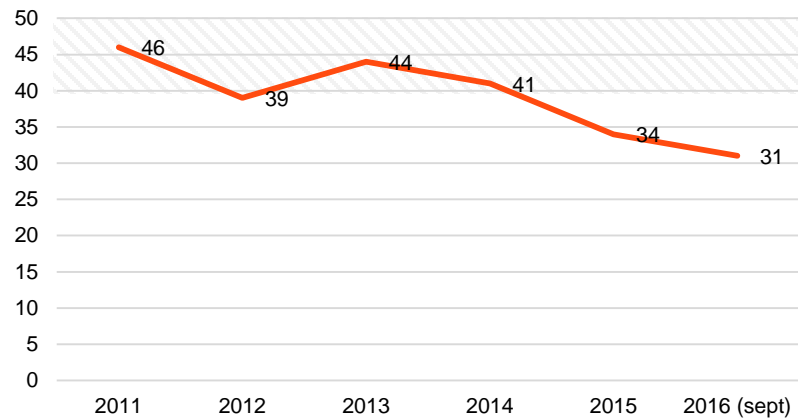


Equity and RoE

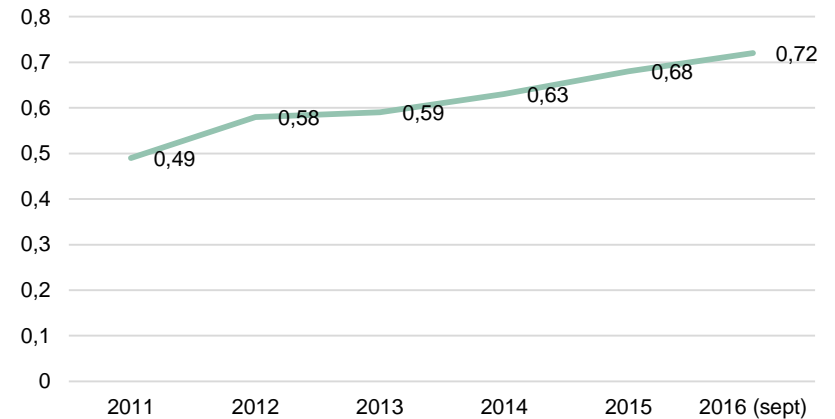


Improved C/I-ratio and NIM

C/I-Ratio *, %

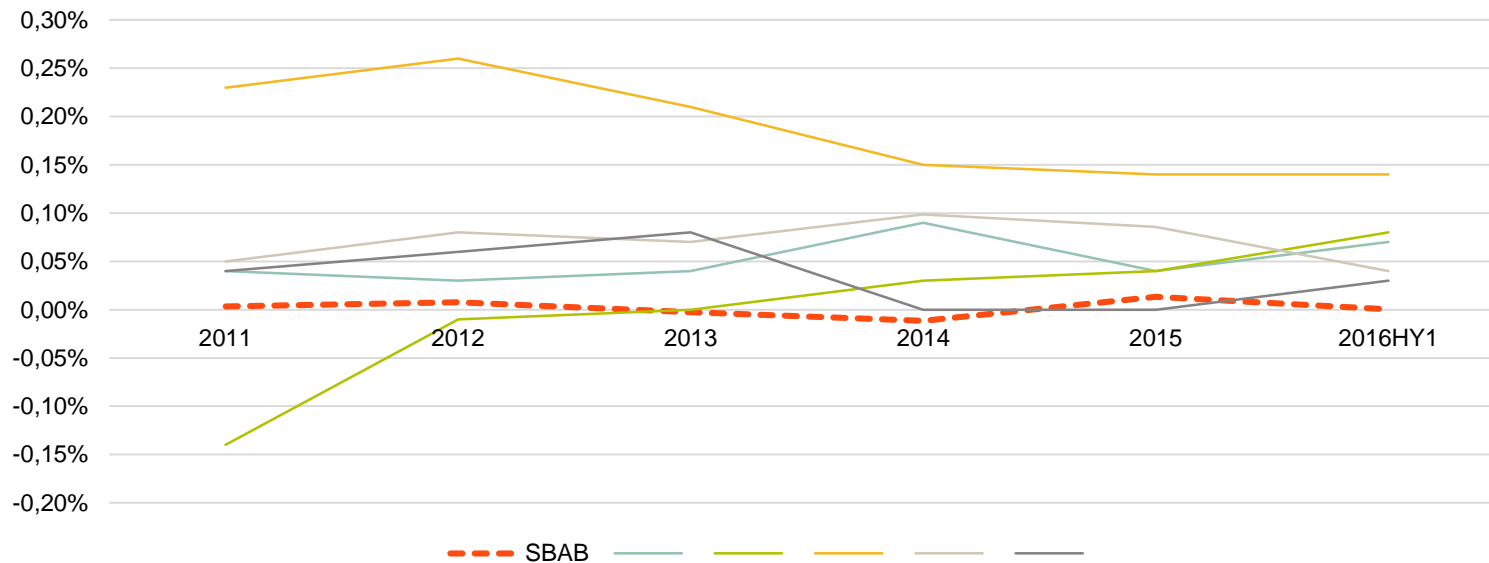


Net Interest Margin, %



Credit losses vs. peers (Q2)

Net credit losses Q2* vs. other banks



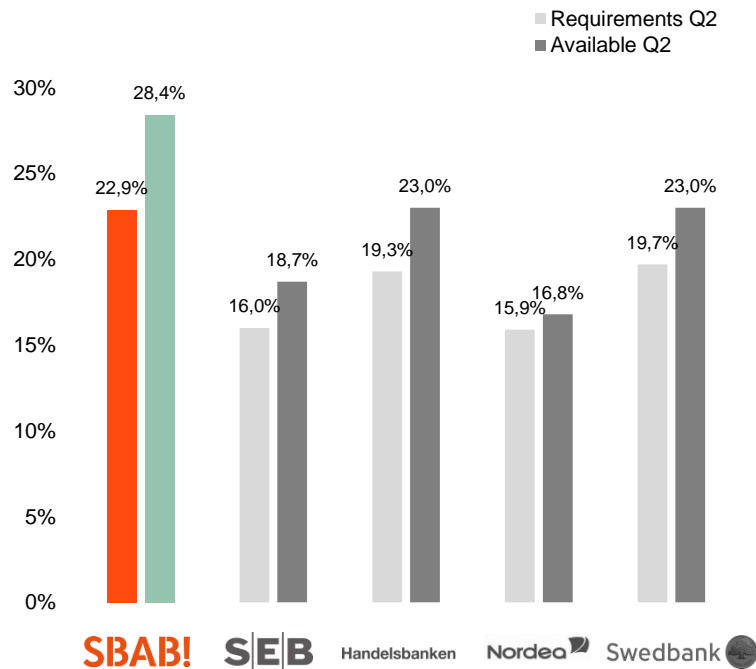
Thorough credit evaluations and low risk assets consistently achieves low credit losses

* As reported by each bank, definition of credit losses/impairments may vary between banks

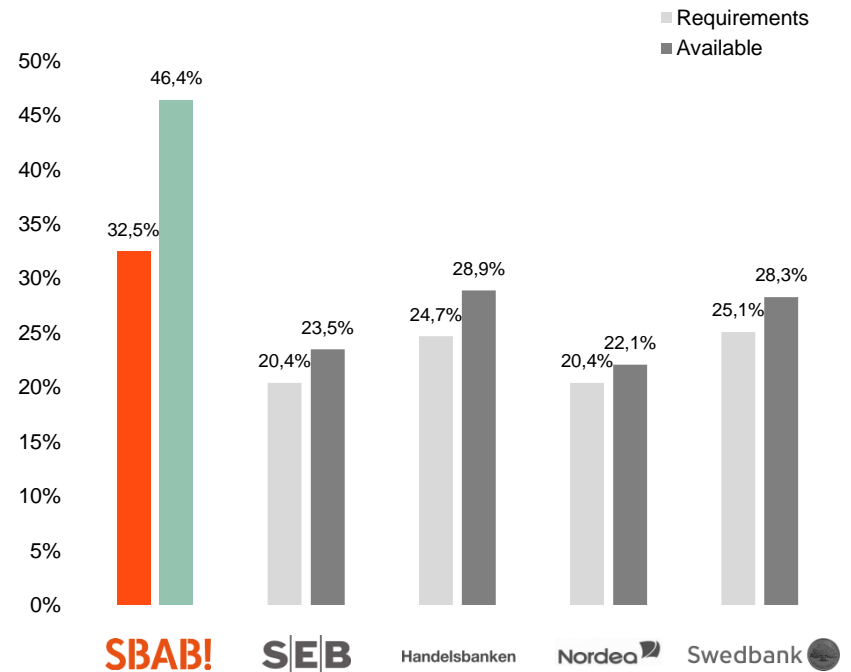
Capital requirements (Q2)

- SBAB actual requirements vs. Swedish peers (model requirements)

CET1 capital ratio requirement across the major Swedish banks

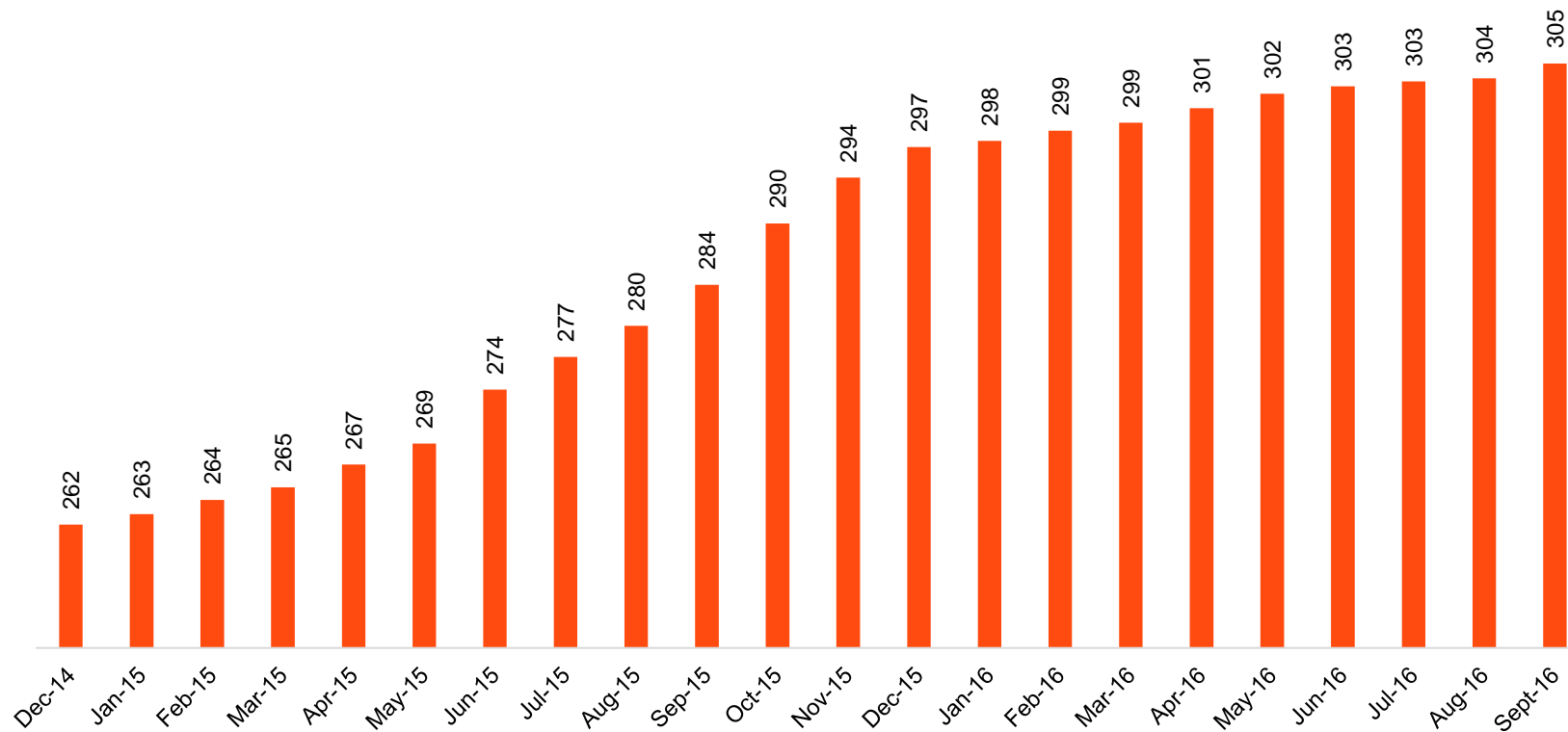


Total capital ratio requirement across the major Swedish banks



Lending...

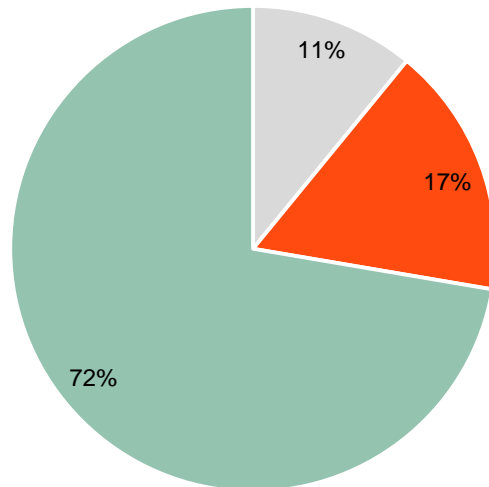
- Total SEK 305bn, Q3 2016



...distributed per segment

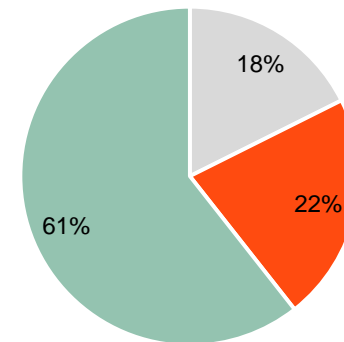
- Total SEK 305bn, Q3 2016

2016 Q3

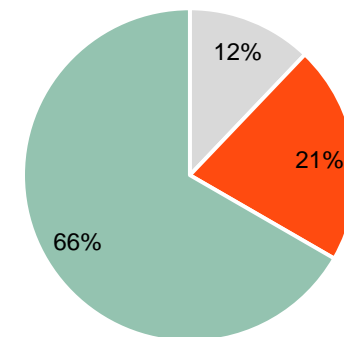


■ Corporates ■ Tenant-Owner Associations ■ Retail

2010



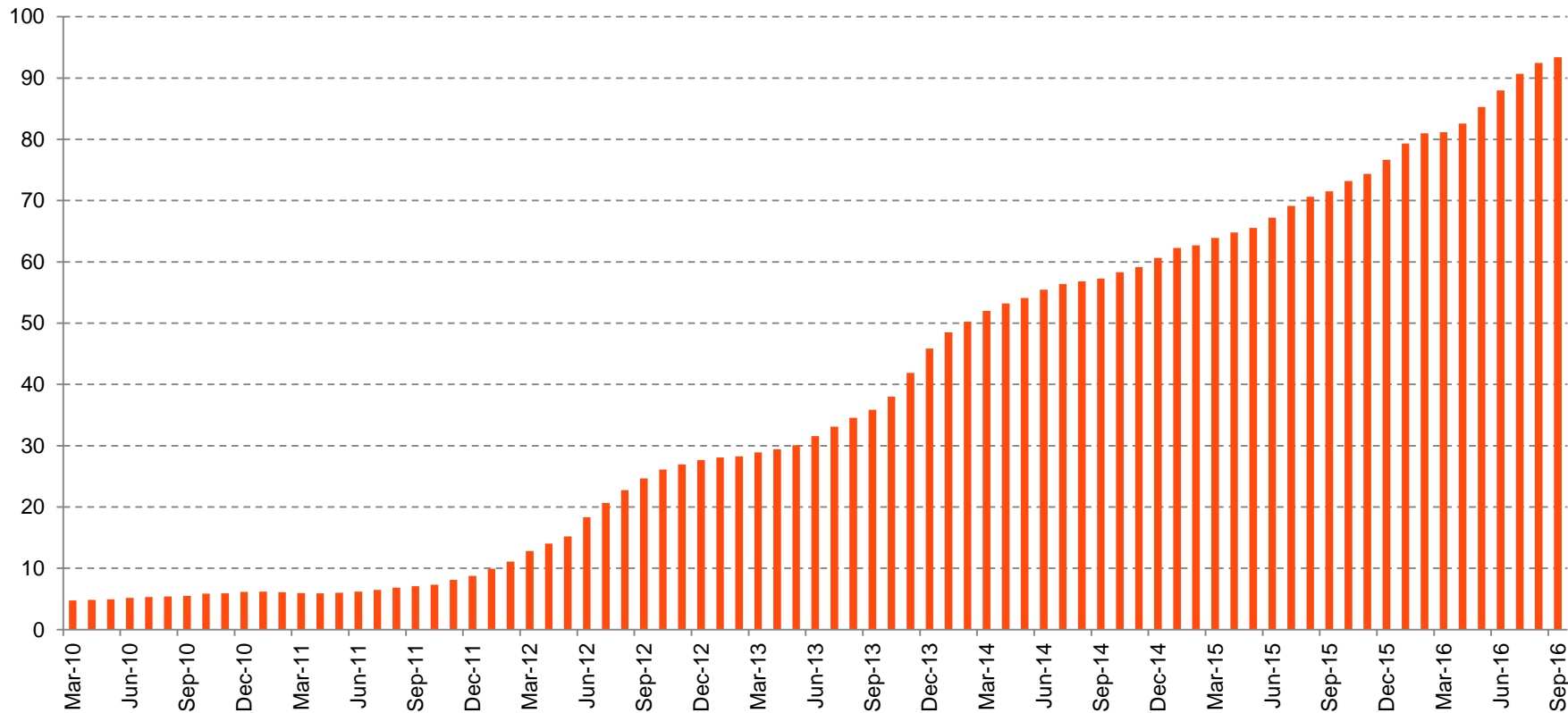
2013



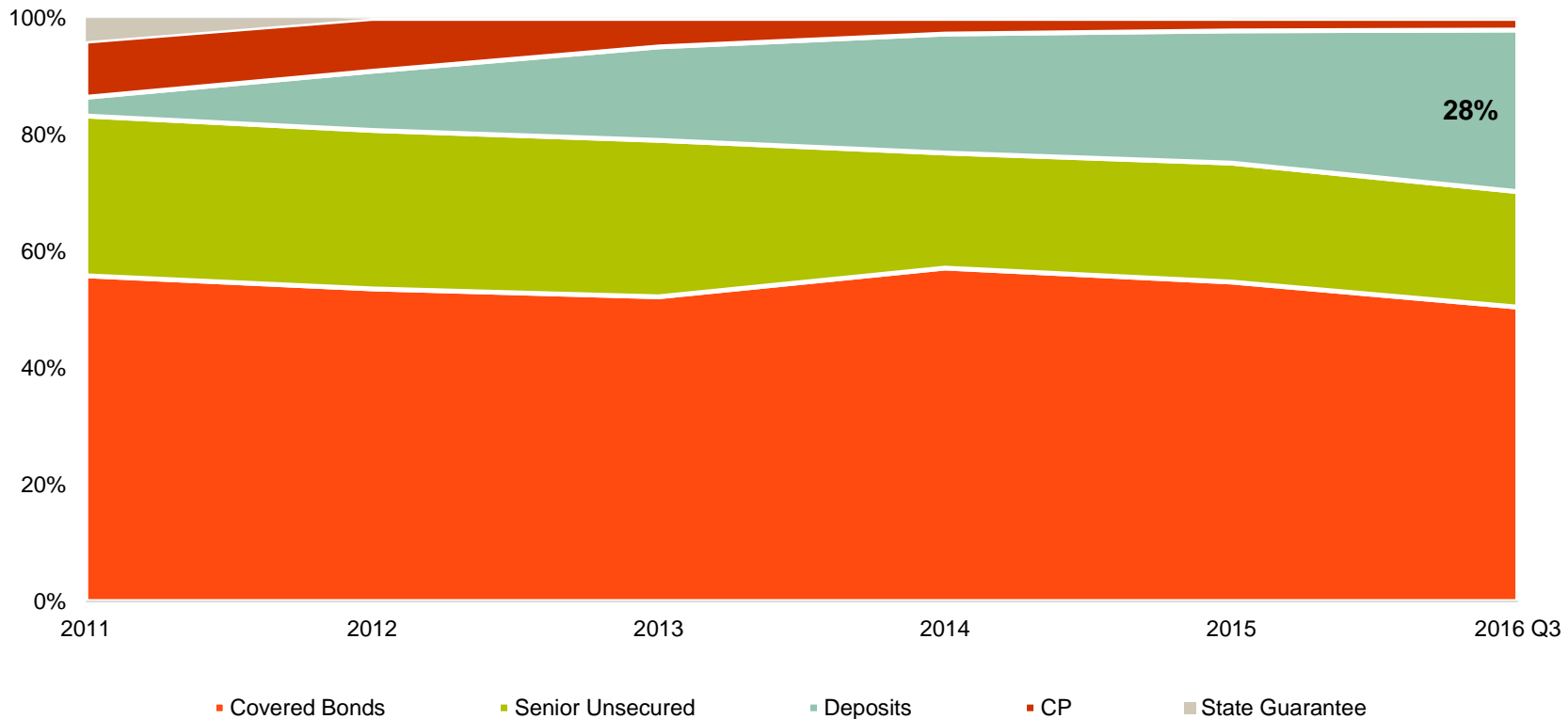
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Deposit growth

- Strong growth



Development of funding sources

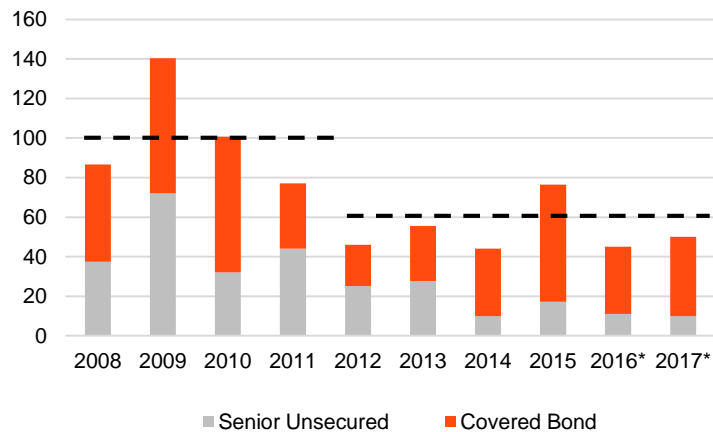


SBAB Group funding

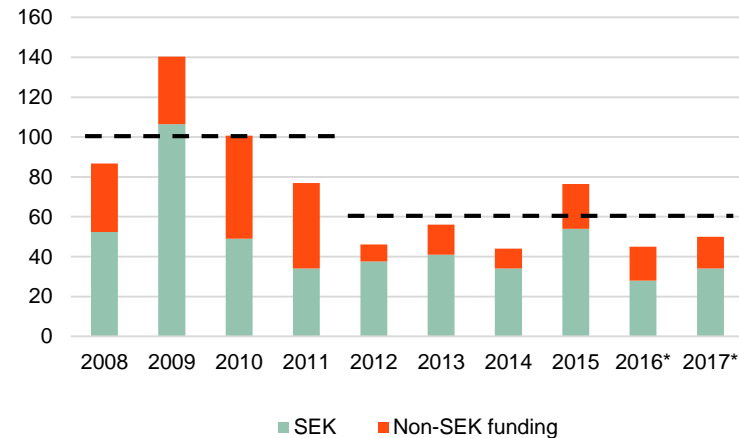
- Moderate funding needs ahead

- SBAB Group operates in a number of funding markets. A broad and efficiently diversified investor base is an important part of the Group's funding strategy
- Long term funding estimate for 2016 around SEK 40/45bn and for 2017 around SEK 50bn, of which a majority in SEK
- Extension of maturity

Annual issuance, SEK (bn)



Currency split, SEK (bn)

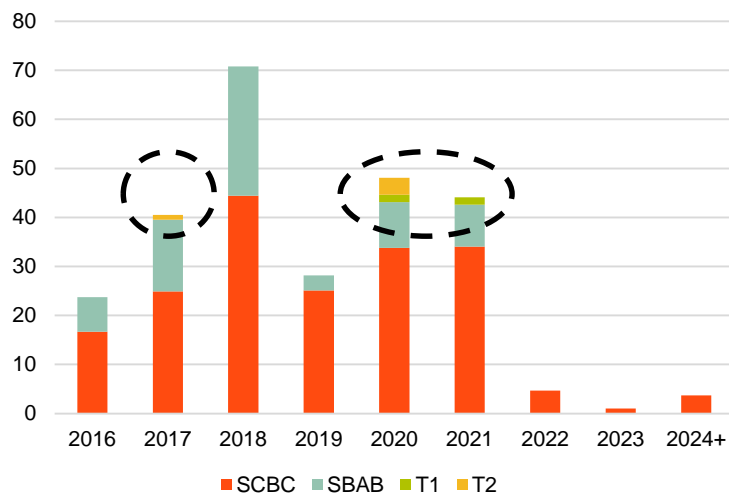


Maturity profile

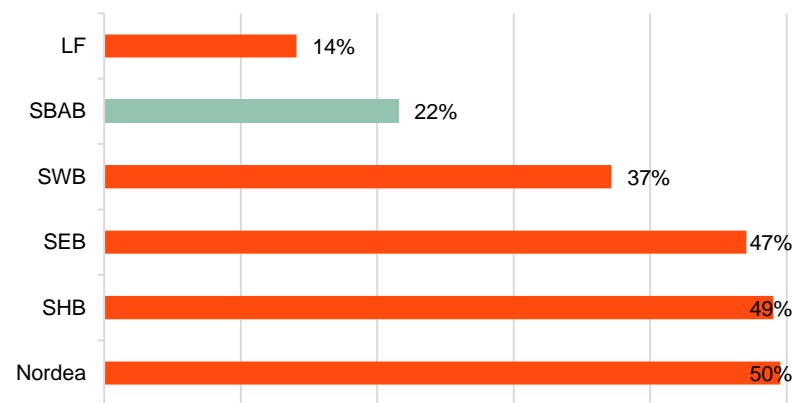
- Smooth funding profile reduces refinancing risk
- Liquidity risk is being mitigated through buy-backs of maturing bonds
- Low share of debt maturing within 12 months compared to peers

Maturity profile, SEK (bn)

As of June 30th 2016



Maturing debt within 12 months*



* As share of total wholesale funding

Improved ratings outlook

- 21st October 2016

- On 21st October 2016, Moody's affirmed SBAB:s A2 long term deposit and debt ratings and raised the outlook to positive (from stable)
- Improvement in both underlying profitability and quality of earnings (less volatile)
- Expectation that SBAB:s funding profile will continue to improve
- Moody's acknowledges SBAB:s strong credit quality over time, with very low level of problem loans
- Moody's recognises SBAB's high capital ratio

The screenshot shows the Moody's Investors Service website. The main headline reads: "Rating Action: Moody's affirms SBAB Bank's A2 long-term deposit and debt ratings; outlook changed to positive". The release is dated "Global Credit Research - 21 Oct 2016". The text of the release states: "London, 21 October 2016 – Moody's Investors Service, ("Moody's") has today affirmed SBAB Bank AB (publ)'s (SBAB) A2 long-term debt and deposit rating, following the affirmation of the bank's baa2 Baseline Credit Assessment (BCA). The ratings outlook was changed to positive from stable." It further explains that the change to positive reflects expectations of stable earnings and improved funding profile. The "RATINGS RATIONALE" section notes that the positive outlook is due to SBAB's ability to maintain its current profitability level and reduce reliance on market funding through diversification into deposits. A sidebar on the right contains "Related Issuers" (SBAB Bank AB (publ)), "Related Research" (Credit Opinion, Company Profile, and two announcements), and social media links.

Summary

- Strategic direction remains - *” to provide the best residential mortgages in Sweden”*
 - Increased focus on lending in SBAB’s own brand
- Another strong set of quarterly numbers - record high NII and Jan-Sep ROE at 11.5%
- Investment in new IT-infrastructure during H2 2016-2019
- Continued strong asset quality and low loan losses (Jan-Sep at 0.01%)
- Strong capitalisation - CET1 ratio at 28.5%
- Improved funding composition
- SBAB assigned a positive outlook from Moody’s

APPENDIX



SBAB in short



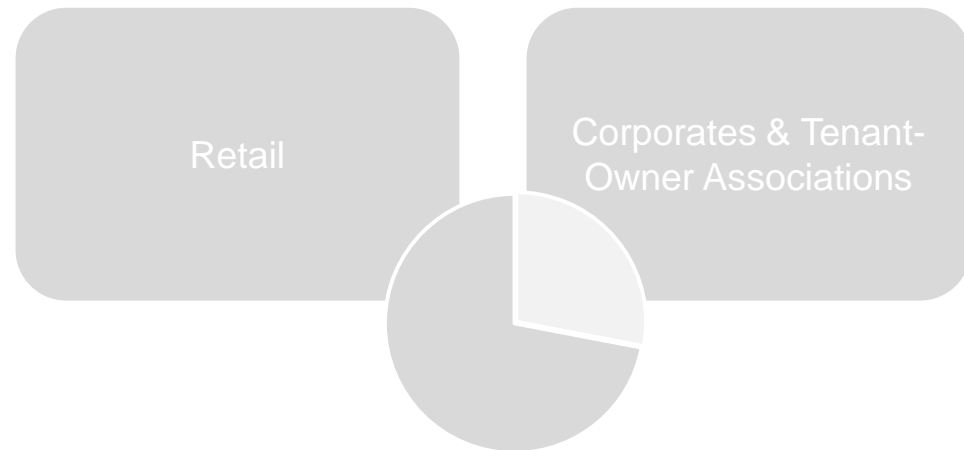
Lending

SEK **305** bn

Deposits

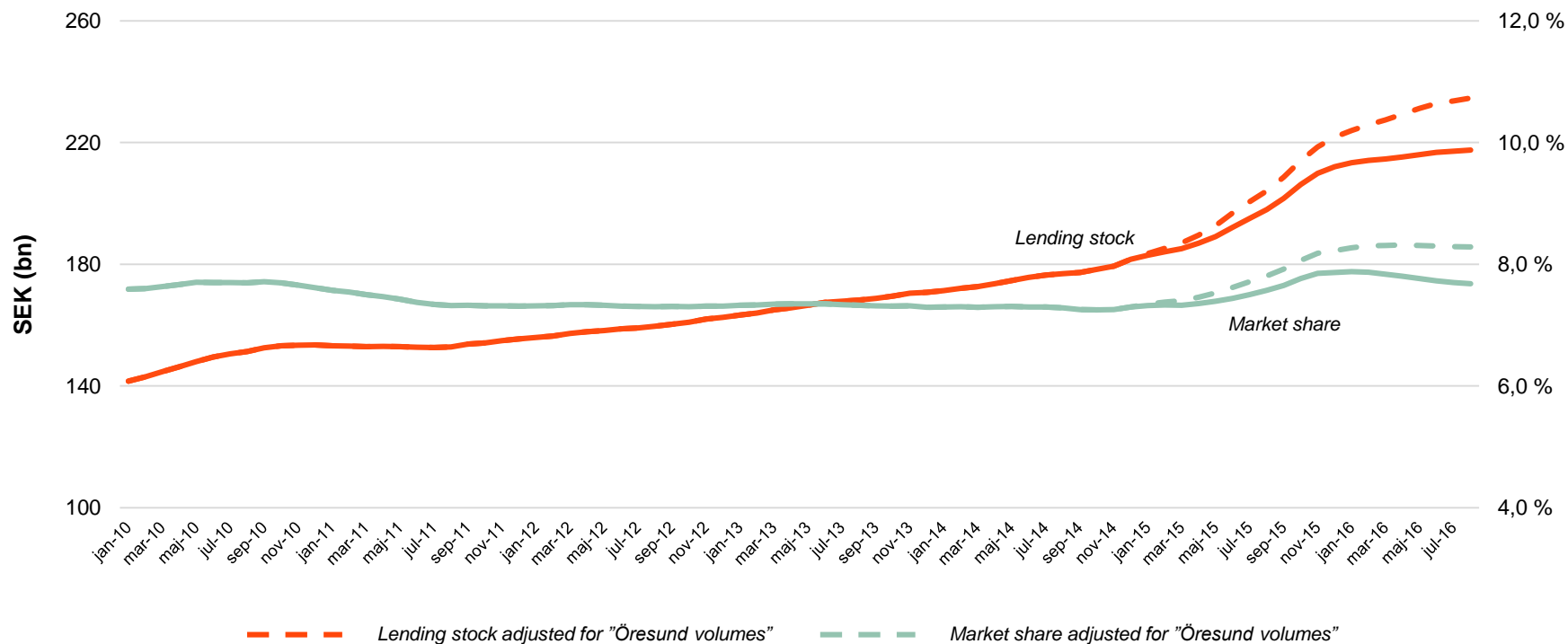
SEK **93** bn

Two business areas



Retail mortgage market

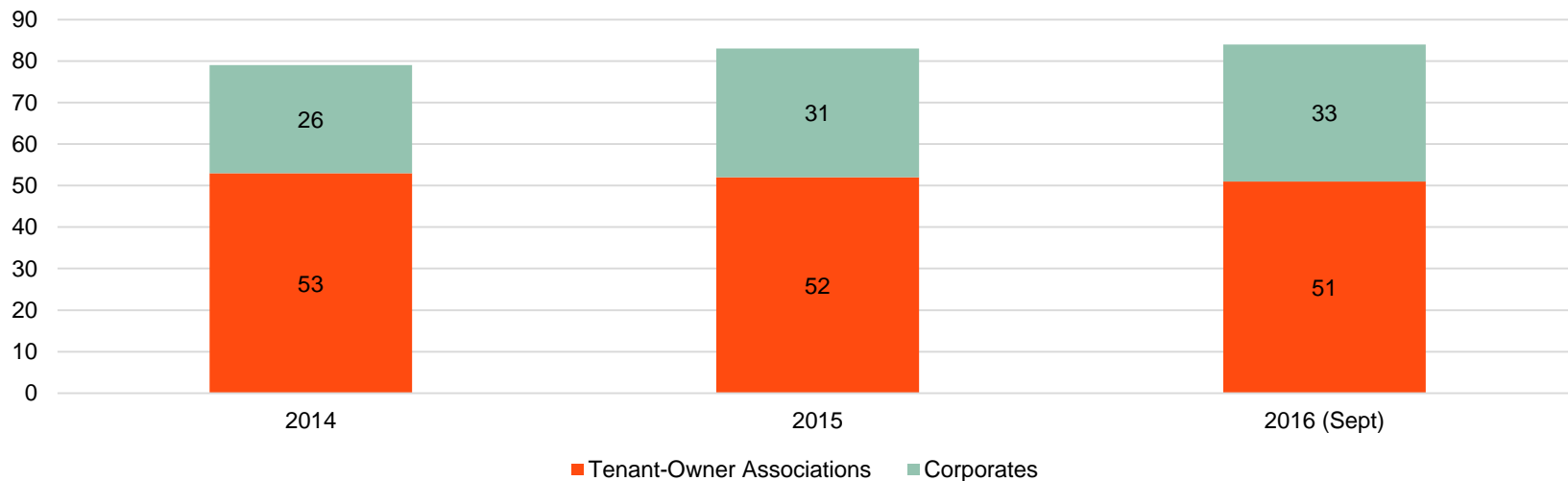
- Stable growth adjusted for "Öresund effect"



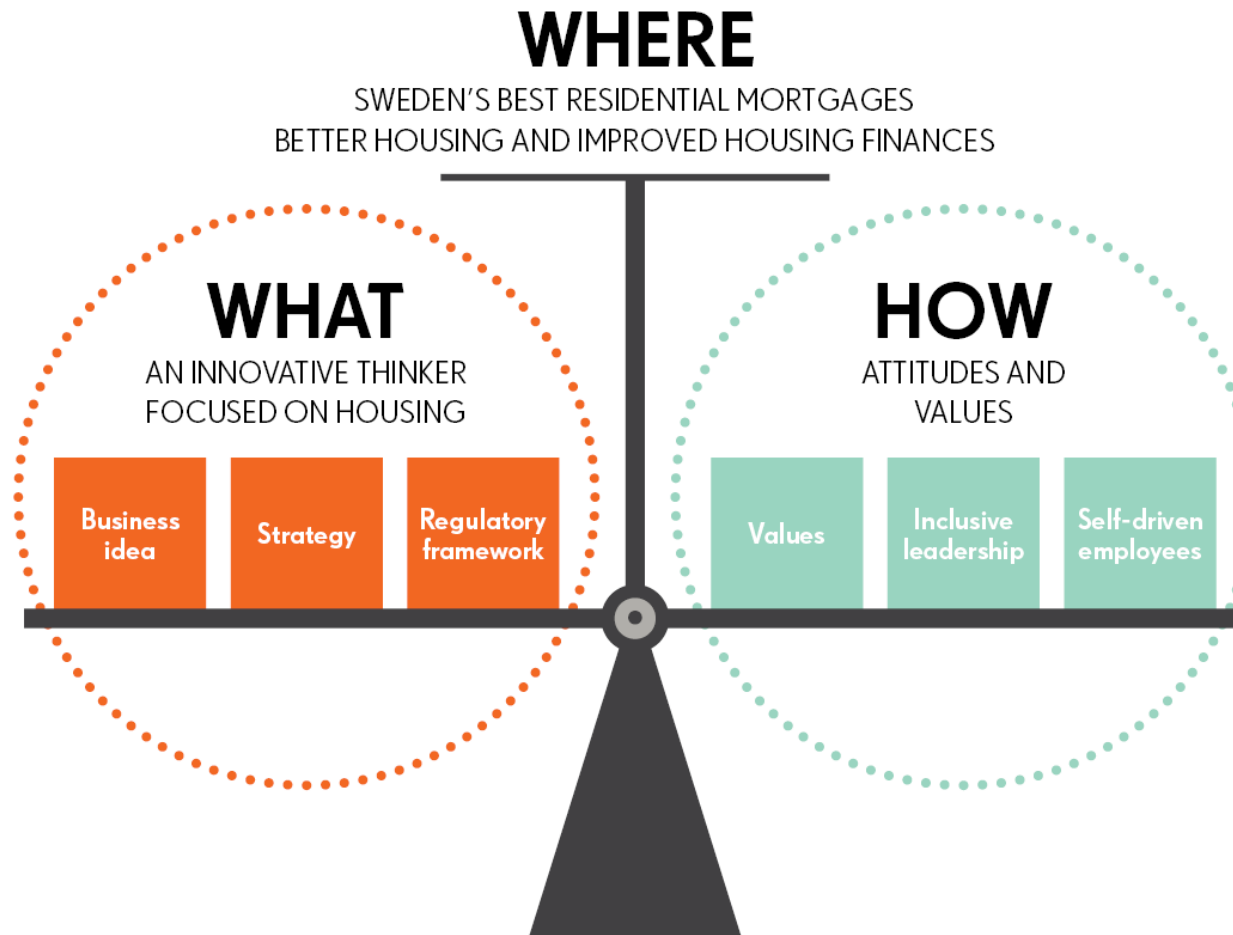
The remainder of the former "Öresund portfolio" (SEK 12.7bn) was acquired by Swedbank on 7th of October 2016

Corporates & ToA

- Focus on mid- and large size:
 - Real Estate Companies
 - Tenant-Owner Associations (ToA)
- Stable lending volumes & increasing margins on the corporate side
- Repricing on new construction, increased activity
- Slightly decreasing volumes on the Tenant-Owner Associations side, still high competitive pressure, margins unchanged at low level



Strategic direction and steering



A sustainable bank

Mission: To contribute to better housing and improved housing finances

- Sustainable lending (Green loans)
- Sustainable funding (Green bonds)
- Sustainable services (Energy efficiency)
- Social responsibility (Homelessness – housing for everyone)

