

Q3 RESULTS

Stockholm
October 2017

SBAB!

Q3 in brief

- Strong lending growth & solid credit metrics in new lending. Total lending increased SEK 8.9 billion to SEK 324.4 billion
- Total deposits increased SEK 4.4 billion to SEK 107.0 billion
- Net interest income rose SEK 15 million and totalled SEK 792 million. Continued strength for metrics such as profitability, credit losses, cost-efficiency and capitalisation. RoE at 12.2%
- On 21st of August, Moody's upgraded SBAB's long-term rating from A2 (positive outlook) to A1 (stable outlook), stating reasons including SBAB's improved profitability and financing structure

	Q3 2017	Q2 2017
Net Interest Income, SEK mn	792	777
Loan losses, SEK mn	-1	-1
Total lending, SEK bn	324.4	315.6
Total deposits, SEK bn	107.0	102.7
C/I ratio, %	29.4%	31.2%
RoE, %	12.2%	12.4%
CET1 Capital Ratio, %	31.4%	31.4%

Rating	Moody's	S&P's
SBAB		
- Short term funding	P-1	A-1
- Long term funding	A1	A ¹⁾
SCBC		
- Long term funding	Aaa	
¹⁾ Negative Outlook		



STRATEGIC OVERVIEW

IBREAD EXCHANGE
Crisco Kitchen Tools

Introducing SBAB

- 100% owned by the Kingdom of Sweden (founded in 1985)
- Two main product offerings:
 - **Lending:** Mortgages & housing financing offered to retail (73%), tenant-owners' associations (16%) and property companies (11%). **Total lending SEK 324bn**
 - **Savings:** Savings accounts offered to retail (66%), corporate clients and tenant-owners' associations (34%). **Total deposits SEK 107bn**
- Lending operations purely Swedish. Successful & cost efficient origination through internet (since 1998), call-centre and cooperation partners
- Lending concentrated to the economic hubs (greater Stockholm, Gothenburg and Malmö)
- Business targets:
 - Profitability: RoE $\geq 10\%$
 - Capitalisation: CET1 Capital Ratio 1.5% above requirement from the Swedish FSA
 - Dividend: $\geq 40\%$ of profits after tax



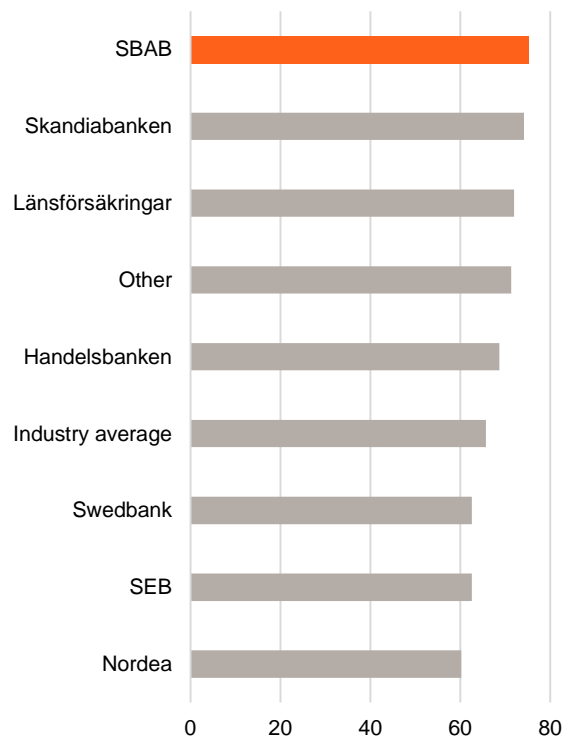
No 1 in 2014, 2015 and 2016

”Sweden’s most satisfied residential mortgage customers”



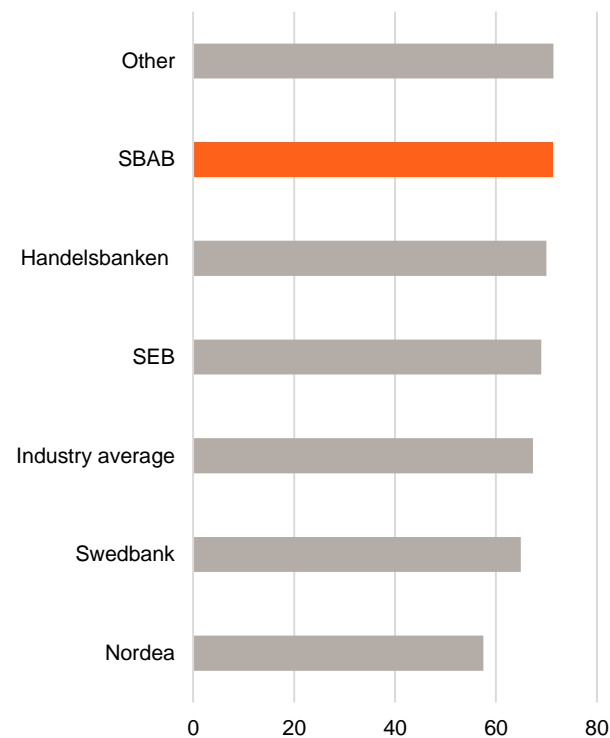
Retail

Customer satisfaction 2016



Corporate

Customer satisfaction 2016



Our value proposition



ACCESSIBILITY

Mortgages online and over the phone, seven days a week, covering all circumstances.

TRANSPARENCY

Fair prices and appropriate terms and conditions from the start.



CONSIDERATION

Housing specialists who care.

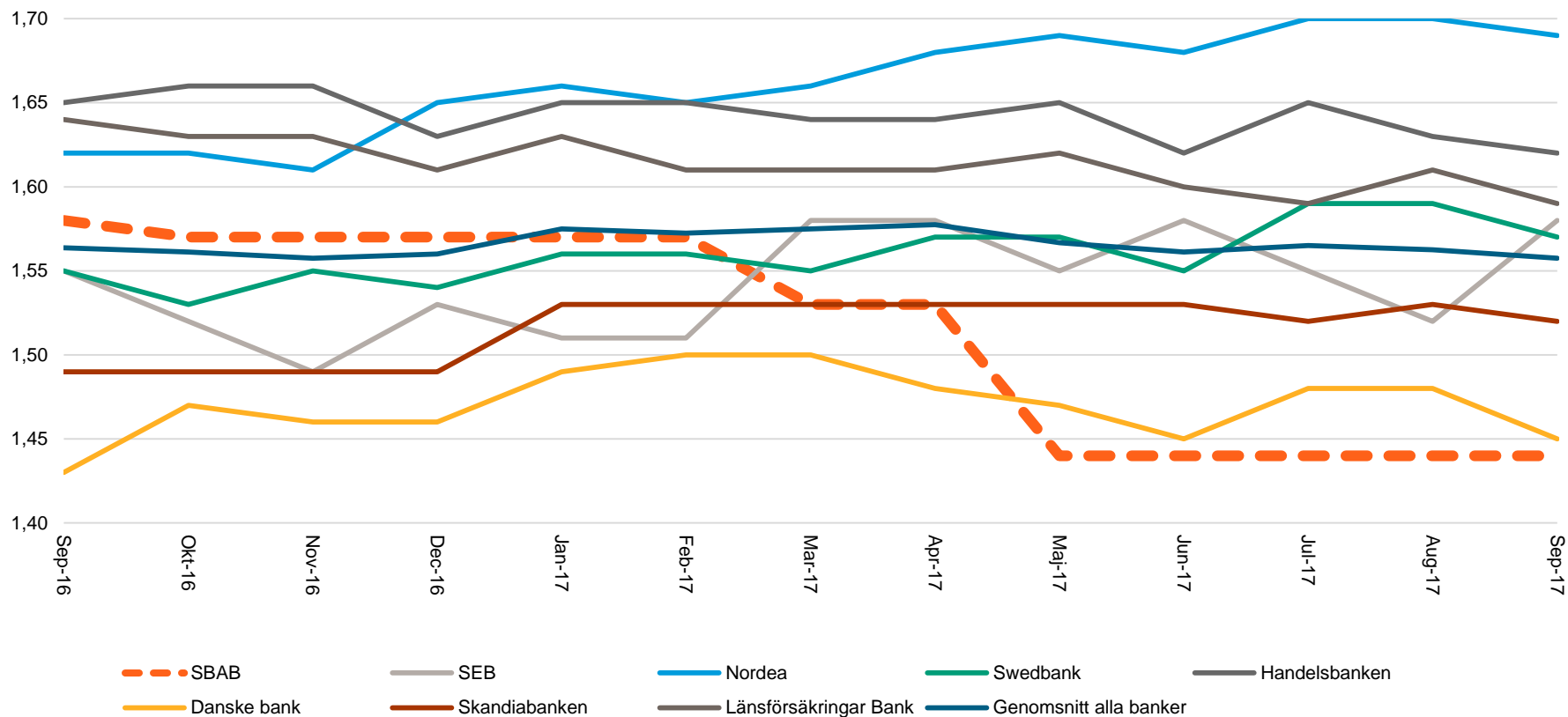
Average interest rates (Sep 2017)

Bank	3m	1y	2y	3y	4y	5y	7y	8y	10y
SBAB	1.44% (1.44%)	1.46% (1.45%)	1.56% (1.55%)	1.78% (1.75%)	1.95% (1.96%)	2.24% (2.25%)	2.65% (2.59%)	---	3.22% (3.30%)
SEB	1.58% (1.52%)	1.56% (1.49%)	1.53% (1.52%)	1.56% (1.54%)	---	1.84% (1.82%)	2.41% (2.32%)	---	3.00% (2.96%)
Nordea	1.69% (1.70%)	1.64% (1.67%)	1.65% (1.71%)	1.66% (1.70%)	2.00% (2.02%)	2.13% (2.14%)	---	3.12% (3.43%)	---
Swedbank *	1.57% (1.59%)	1.71% (1.70%)	1.68% (1.64%)	1.62% (1.62%)	1.87% (1.91%)	1.87% (1.89%)	2.47% (2.43%)	2.77% (2.66%)	2.84% (2.91%)
Handelsbanken *	1.62% (1.63%)	1.57% (1.62%)	1.58% (1.59%)	1.59% (1.61%)	---	1.93% (1.95%)	---	2.77% (2.78%)	3.08% (3.12%)
Danske Bank	1.45% (1.48%)	1.54% (1.76%)	1.49% (1.68%)	1.56% (1.58%)	---	1.99% (2.12%)	---	---	3.02% (---)
Skandiabanken	1.52% (1.53%)	1.57% (1.58%)	1.61% (1.59%)	1.59% (1.64%)	---	1.95% (2.04%)	---	---	---
Länsförsäkringar	1.59% (1.61%)	1.53% (1.57%)	1.56% (1.57%)	1.75% (1.72%)	1.92% (1.90%)	2.04% (1.99%)	2.55% (2.58%)	---	2.91% (2.83%)
Landshypotek	1.54% (---)	1.12% (---)	---	---	---	---	---	---	---
Industry average	1.56% (1.58%)	1.57% (1.61%)	1.58% (1.61%)	1.64% (1.65%)	1.94% (1.95%)	2.00% (2.03%)	2.52% (2.48%)	2.89% (2.96%)	3.01% (3.02%)
SBAB vs. average	-0.12% (-0.12%)	-0.11% (-0.16%)	-0.02% (-0.06%)	+0.14% (+0.10%)	+0.01% (+0.01%)	+0.24% (+0.22%)	+0.13% (+0.11%)	N/A (N/A)	+0.21% (+0.28%)

(Previous month)

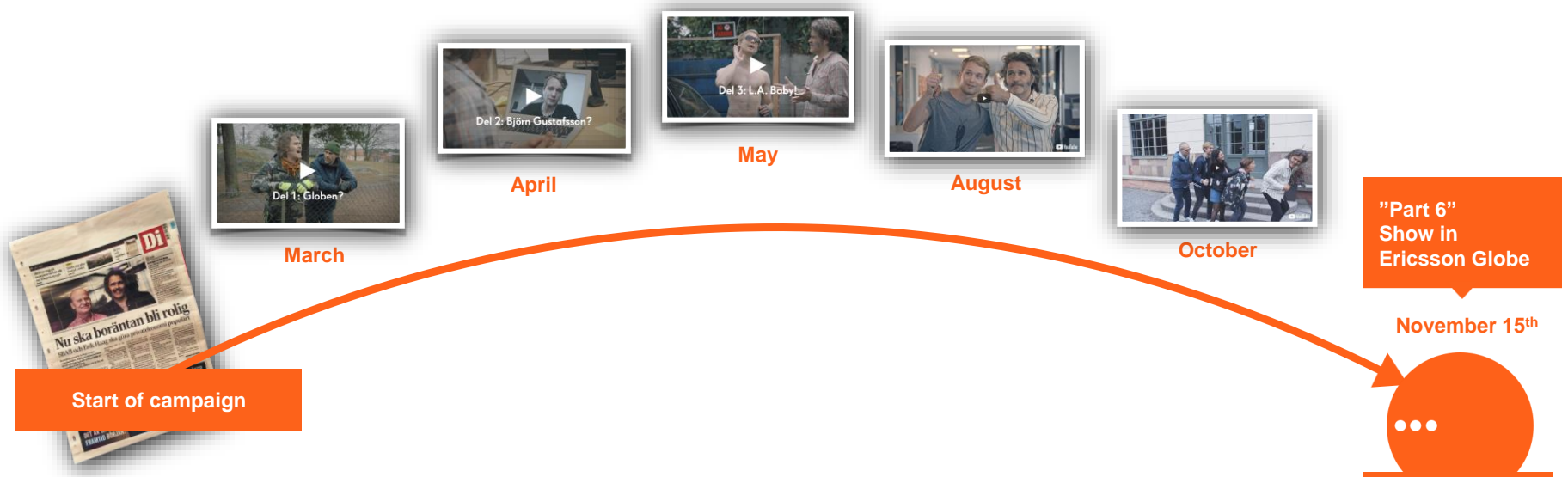
Average interest rates

3-month variable rates (actual monthly averages)



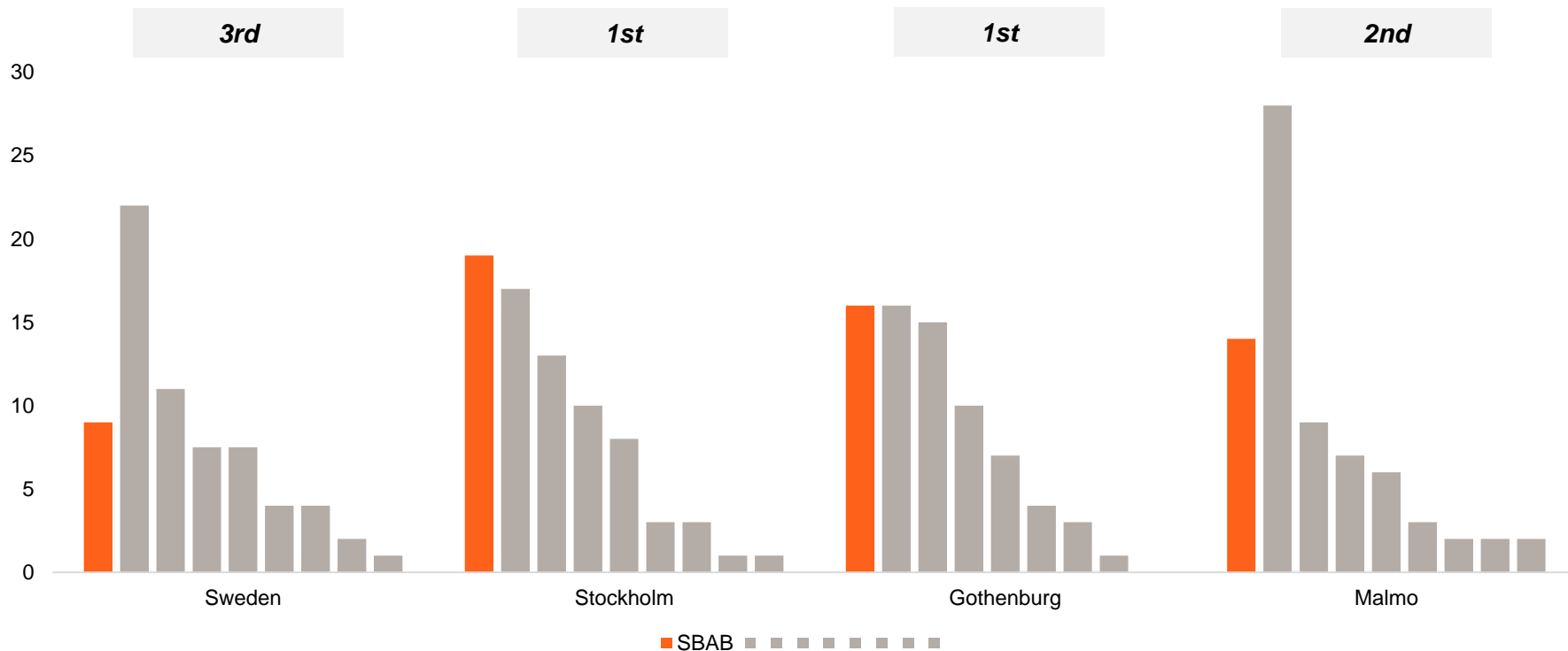
Marketing campaign

”Boendekonomi är jättekul!” (“Making household finances fun”)



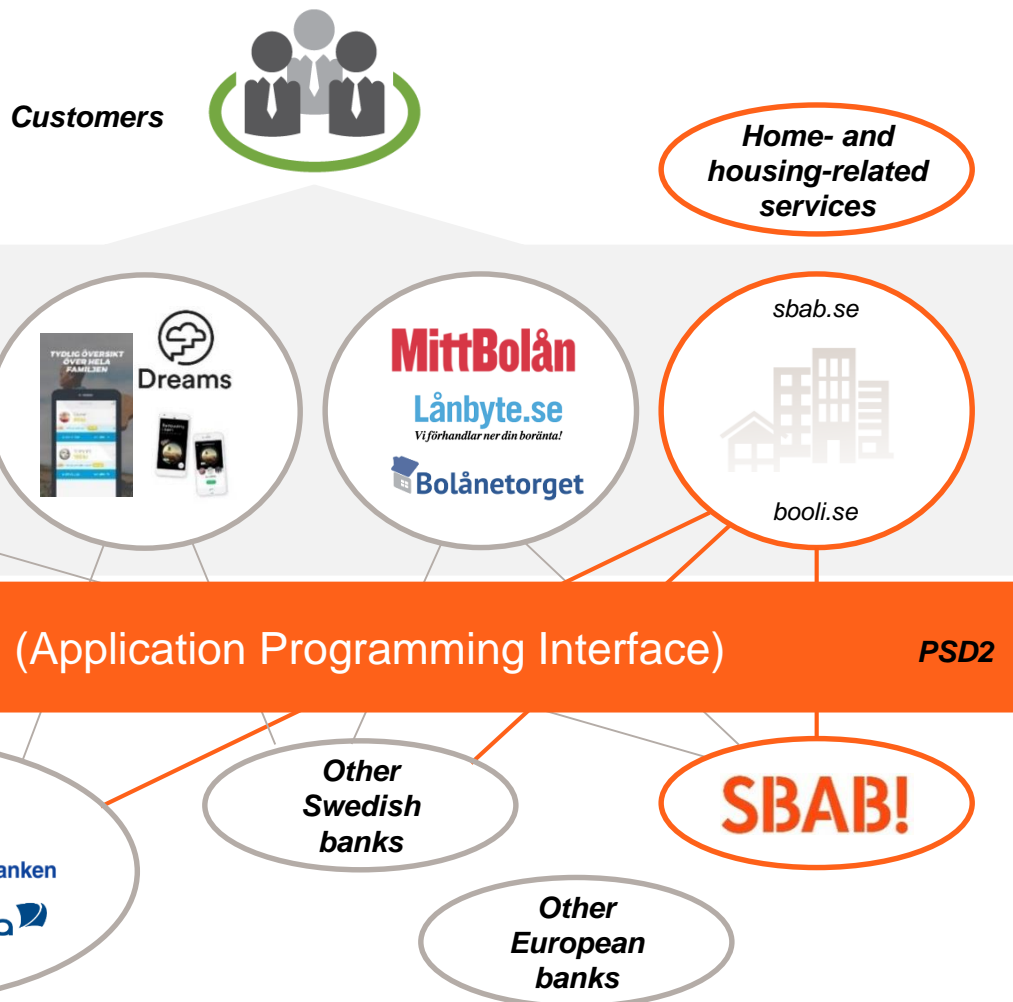
Strong position & awareness

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

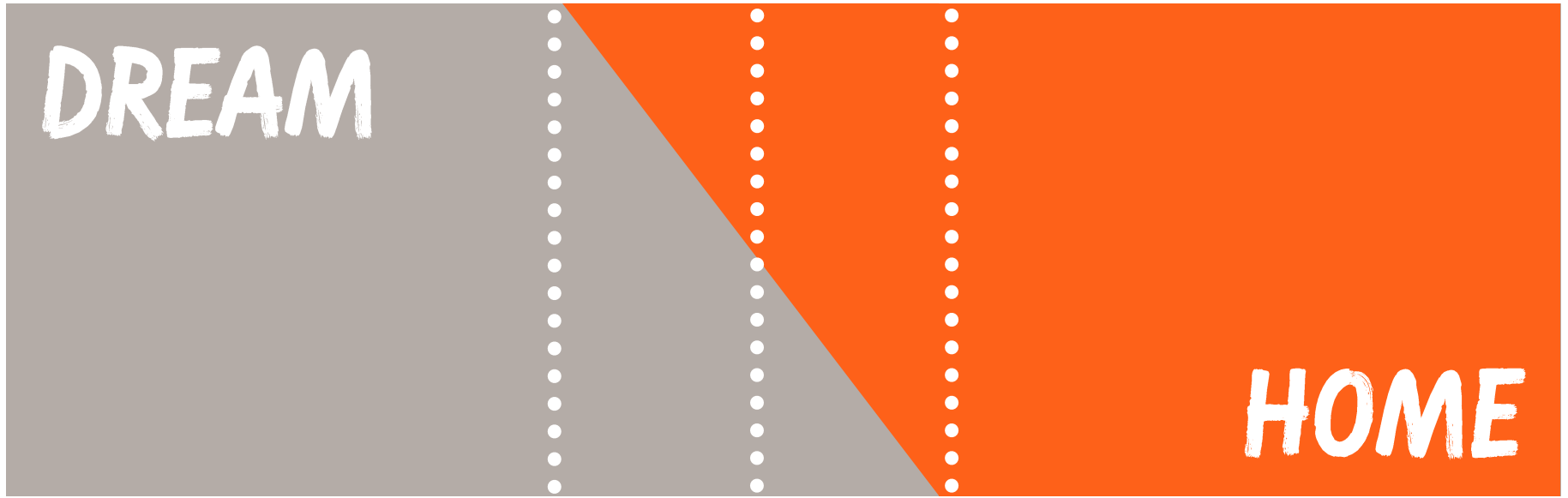


SBAB is the 5th largest mortgage provider in Sweden, but the 3rd most recognised in Sweden and 1st or 2nd most recognised in the largest cities, supporting further growth

Value chain



Update on booli



E.g. "Värdeguiden"
("The Valuation Guide")

SEARCH

BUY

*Additional services to be launched in
the future*

E.g. "Mitt Boende"
("My Home").
Beta launched in Q3 2017



Green funding & assets

– SBAB committed to Green Bonds

Nr. of Green Bonds issued: 2

SEK **3.75** bn



**1st Green Bond issued in mid-2016 (SEK 2bn)
currently funding 13 Green properties**

(Energy efficiency is the basis for the approval of all investments, which means that the properties are to be built with the aim of achieving energy class A or B) .



2nd Green Bond issued in October 2017 (SEK 1.75mn)



**Approximately SEK 7.4bn contracted eligible
projects within the Green Bond Framework,
supporting future issuance**

Nr. of Energy Loans: 90

SEK **8.1** mn

Retail customers (consumer loans)

Nr. of Green Loans: 33

SEK **85.6** mn

Corporates & TOA

Green Bonds in LP*

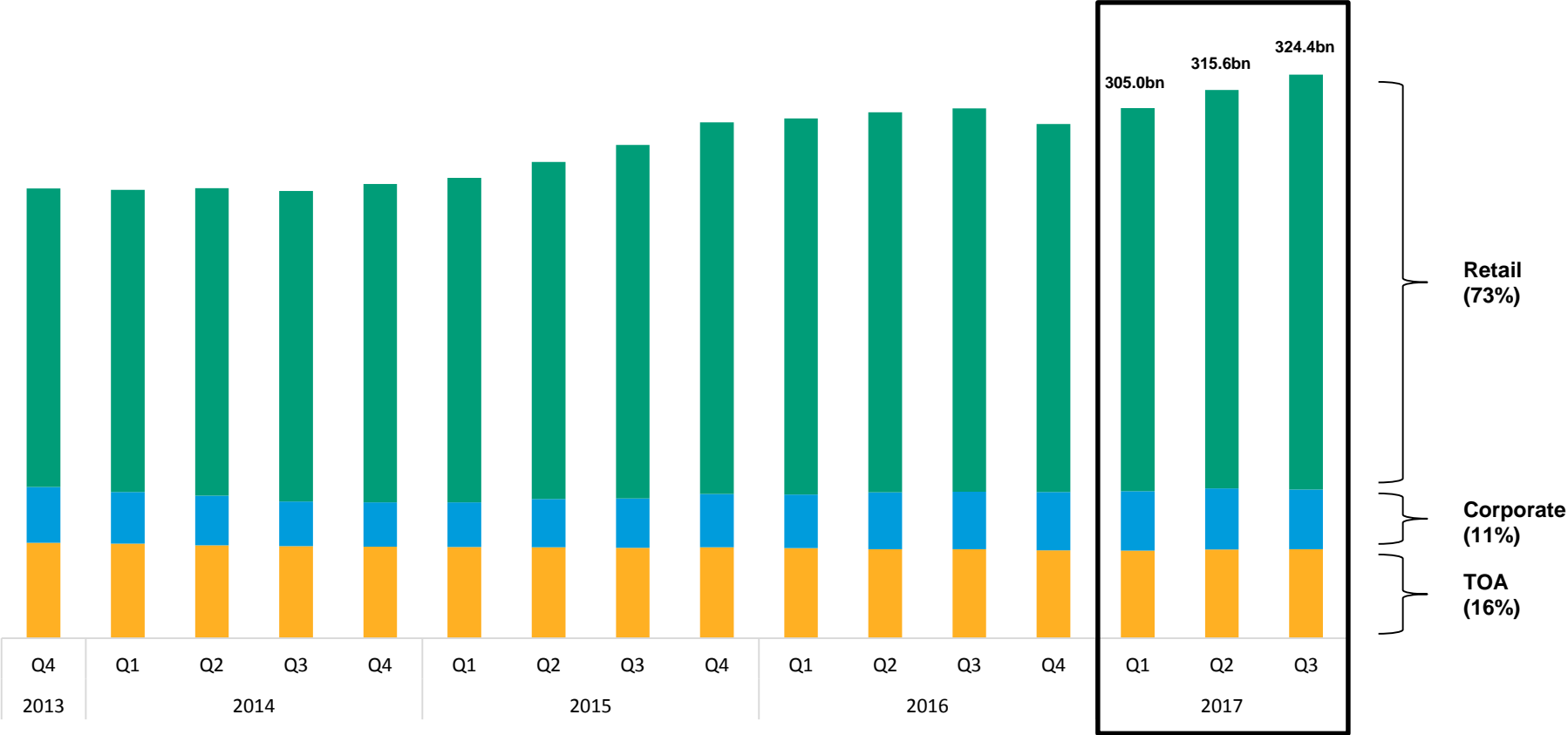
SEK **2.2** bn

*Liquidity portfolio

A bright window sill with various plants, books, and kitchen items. The scene is well-lit, suggesting a sunny day. On the left, there's a potted basil plant in a terracotta pot. Next to it is a book with 'Cerebro' written on the cover. In the center, there's a stack of books, one of which has 'DEAD EXO' visible. To the right, there's a potted plant with white flowers in a terracotta pot, and a white kitchen appliance, possibly a blender or food processor. The background shows a window with a view of greenery outside.

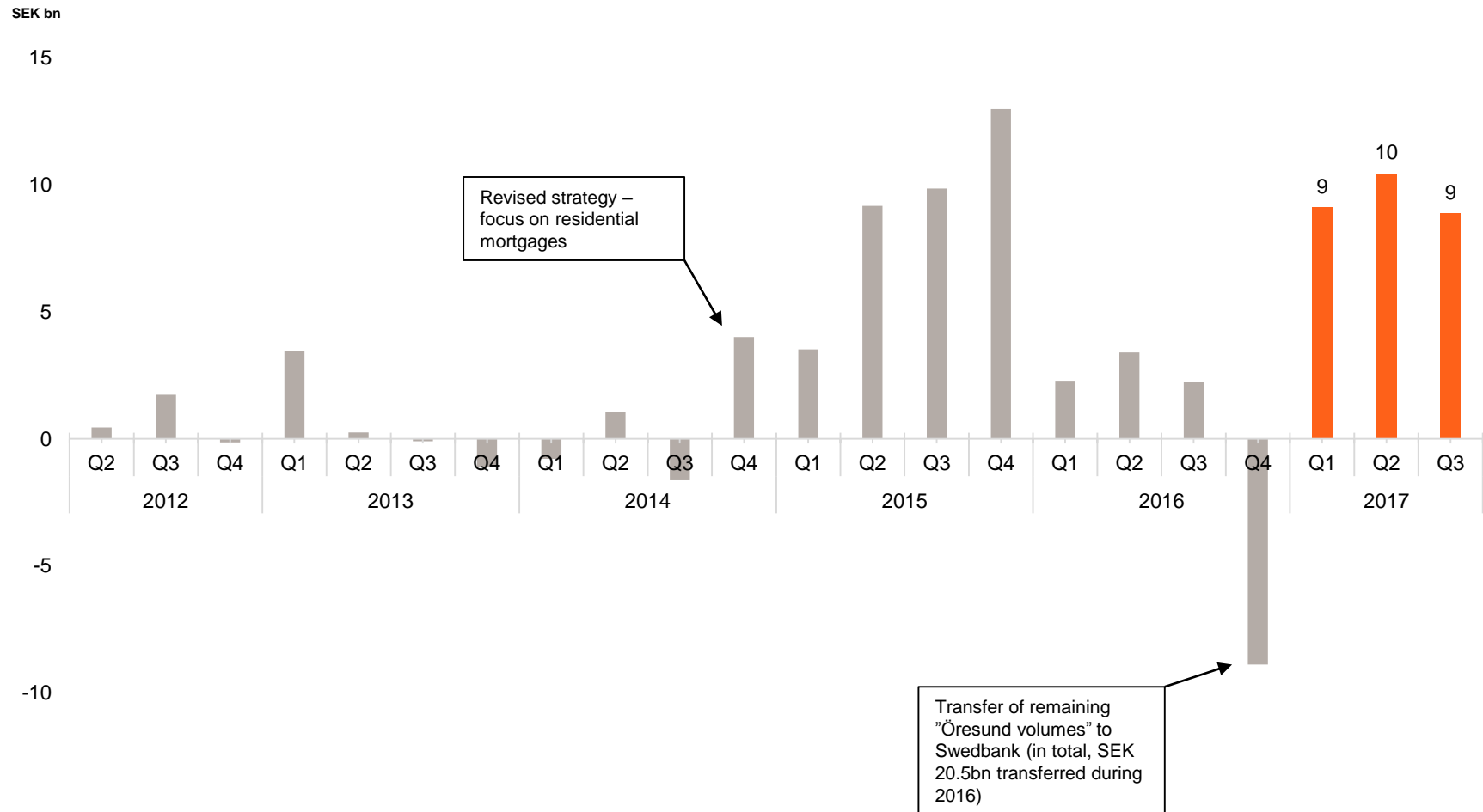
BUSINESS & FINANCIAL DEVELOPMENT

Lending growth



Approximately SEK 20.5bn of assets transferred from SBAB during 2016 due to option exercised by former partner Sparbanken Öresund (acquired by Swedbank)

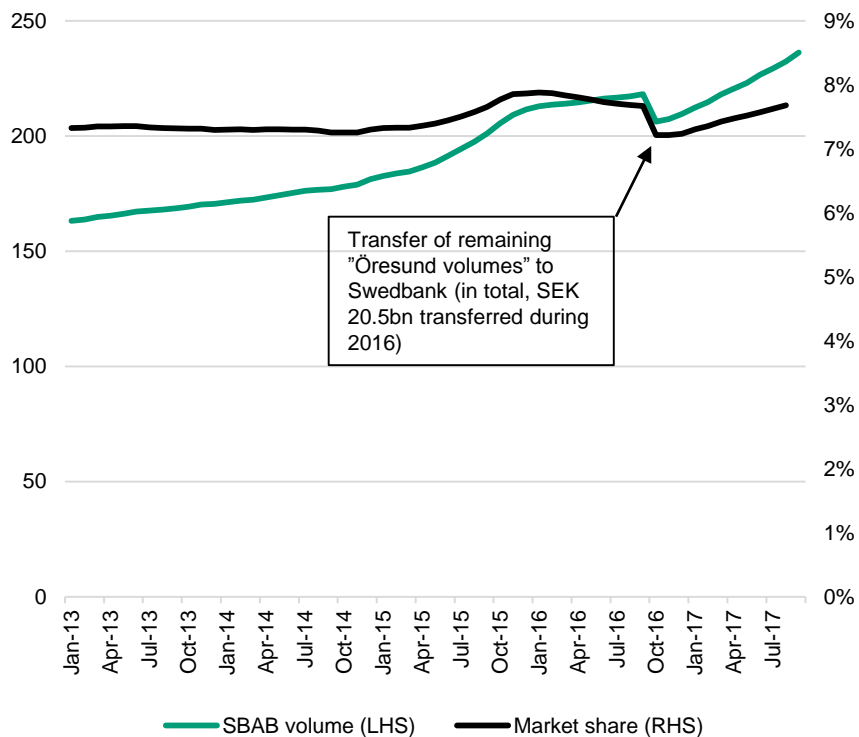
Net lending QoQ



Retail

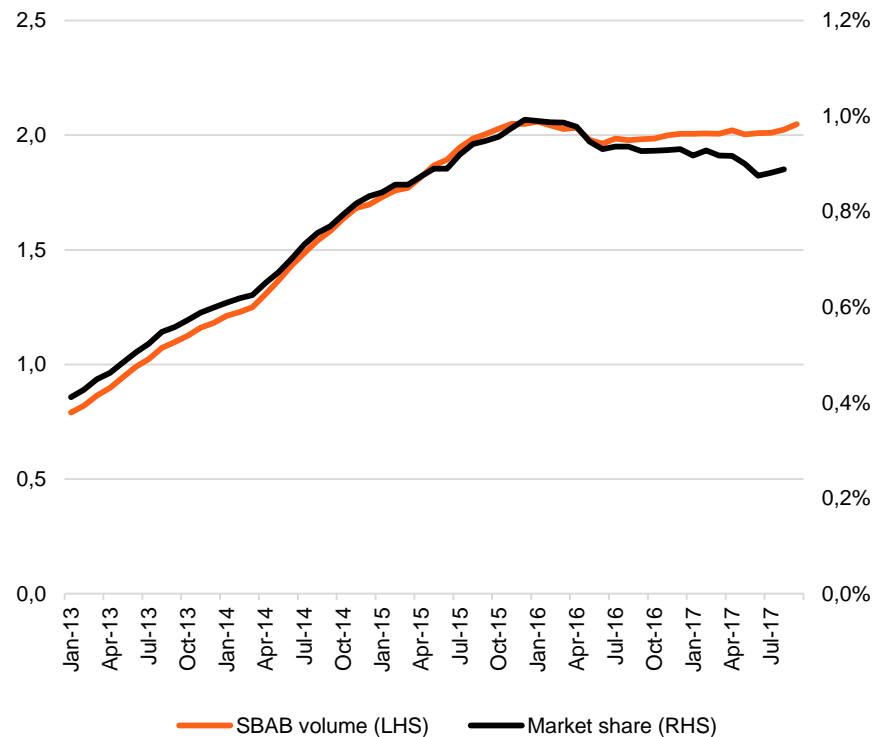
SEK **236.9** bn

Residential mortgages (lending & market share)



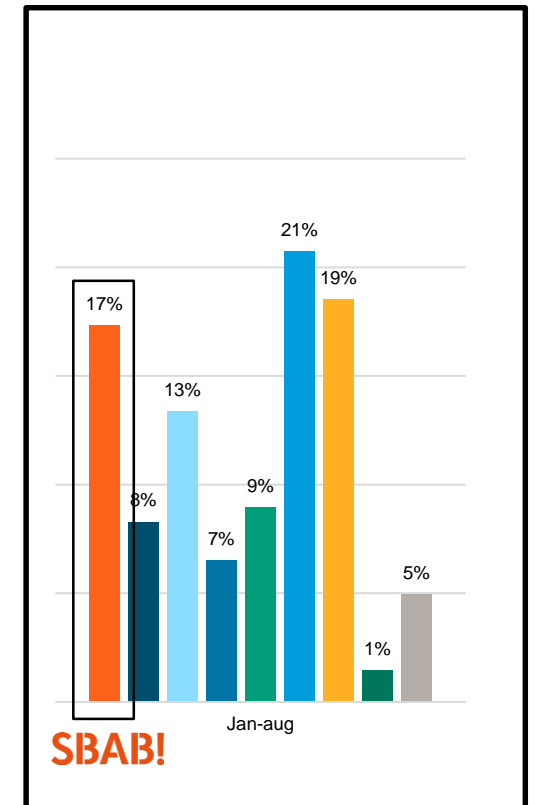
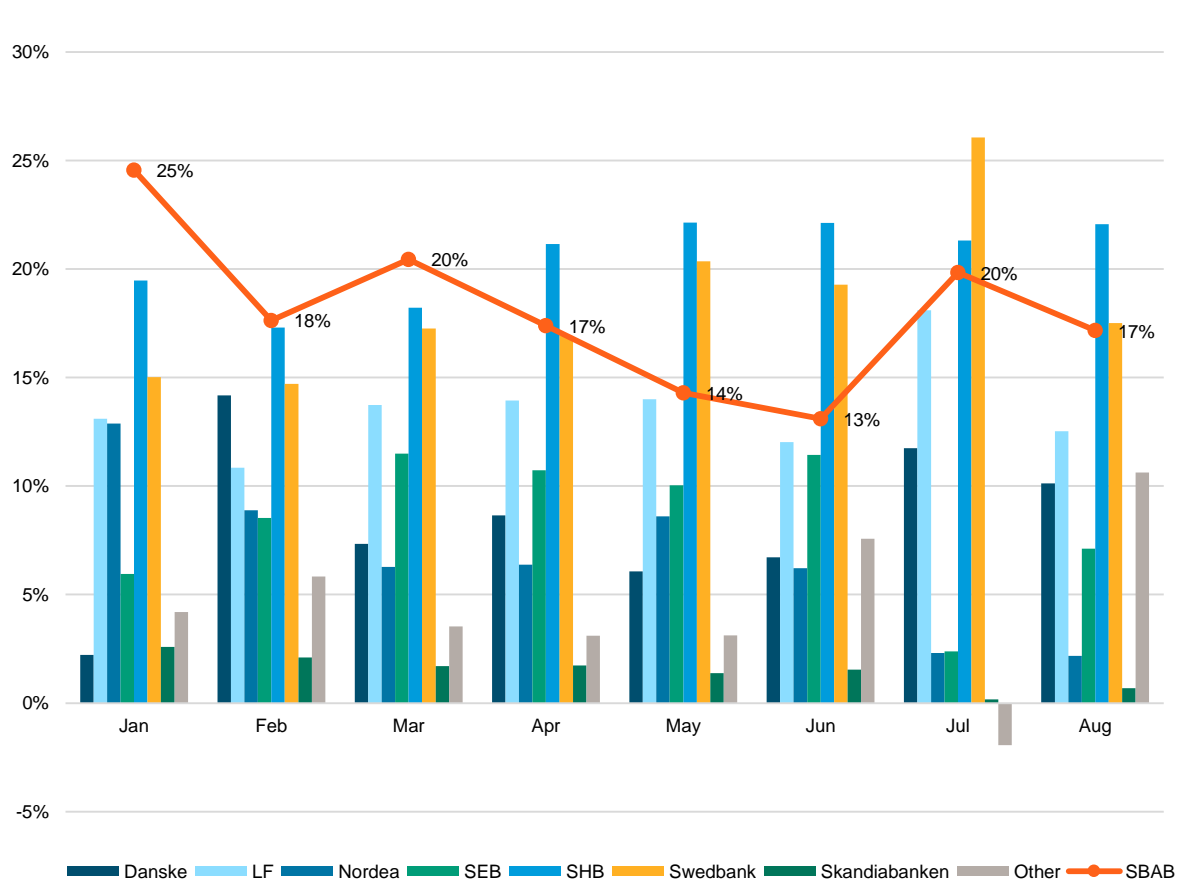
SEK **2.0** bn

Consumer loans (lending & market share)



Retail mortgages

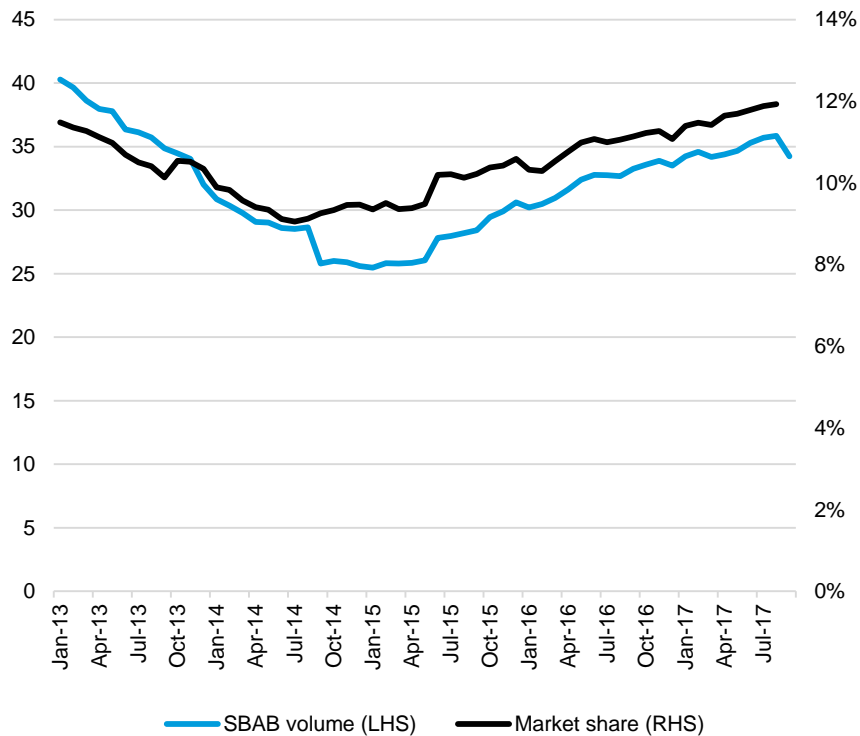
Percentage/share of net growth in the Swedish retail mortgage market for the period Jan-Aug 2017



Corporates & TOA

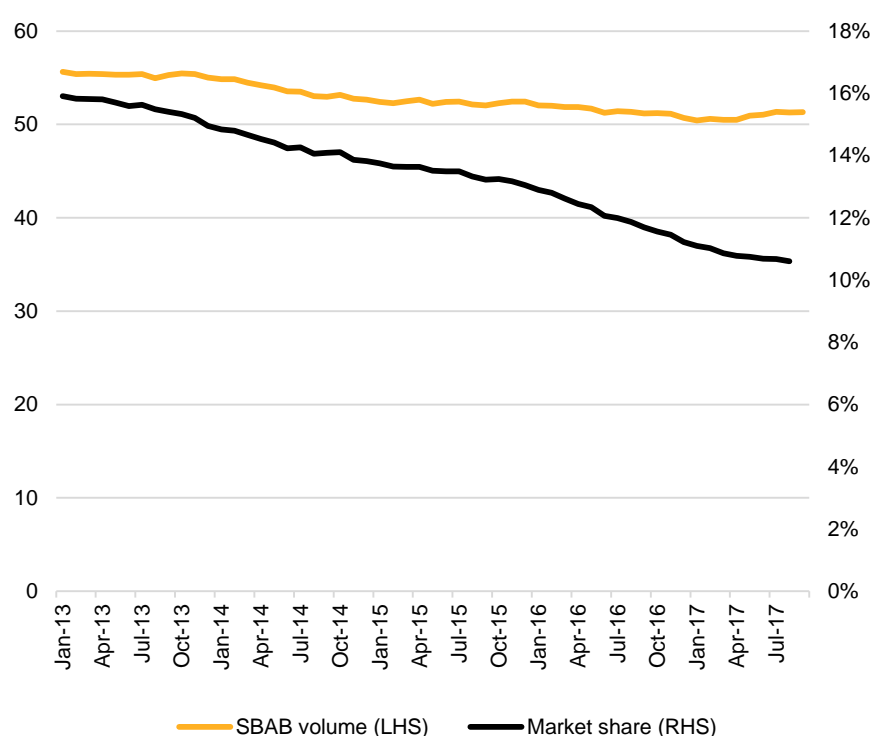
SEK **34.2** bn

Corporates (lending & market share)



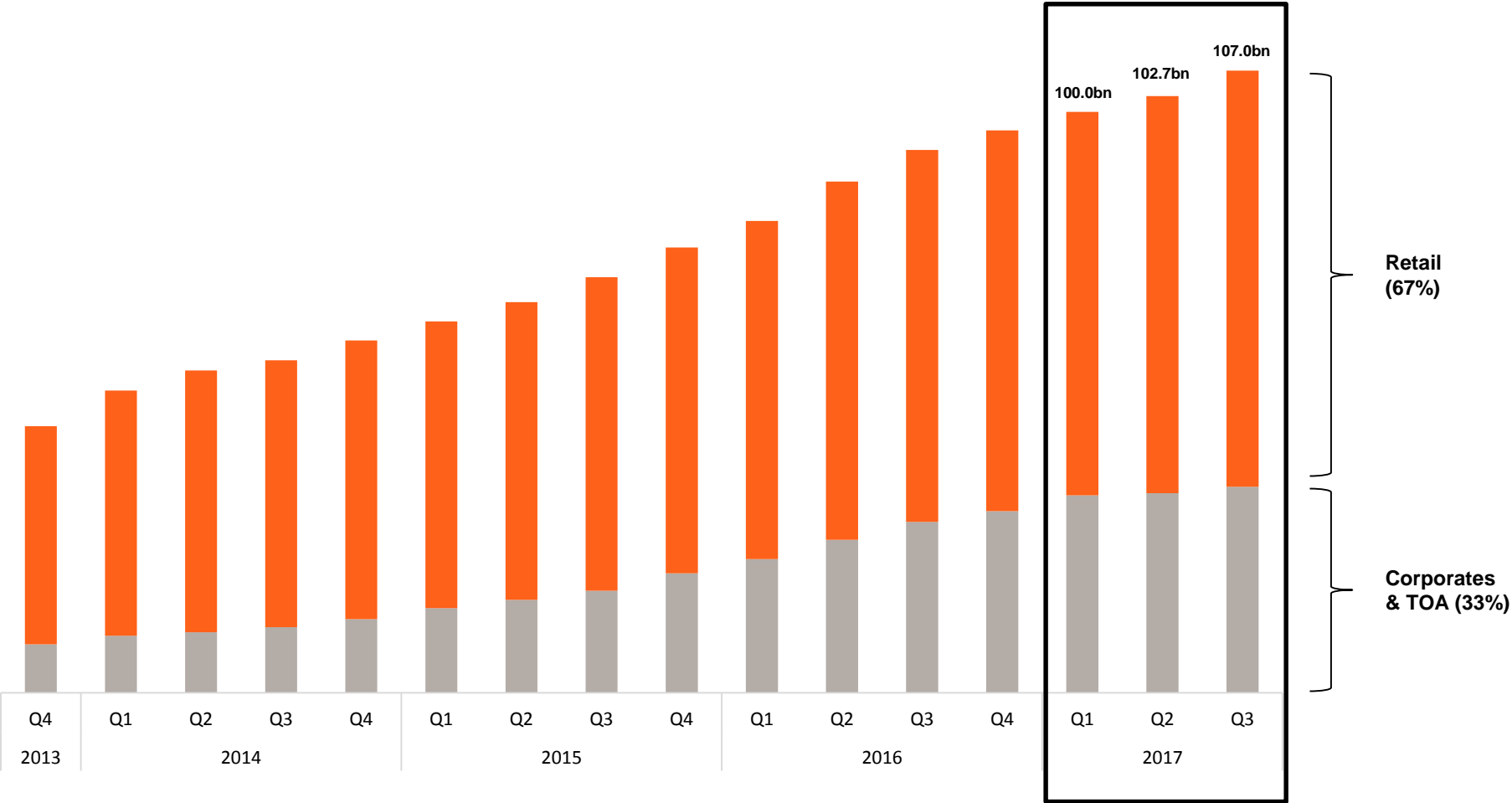
SEK **51.3** bn

Tenant-owners' associations (lending & market share)



Deposit growth

- Deposit-to-loan ratio of 33.0% Q3 2017

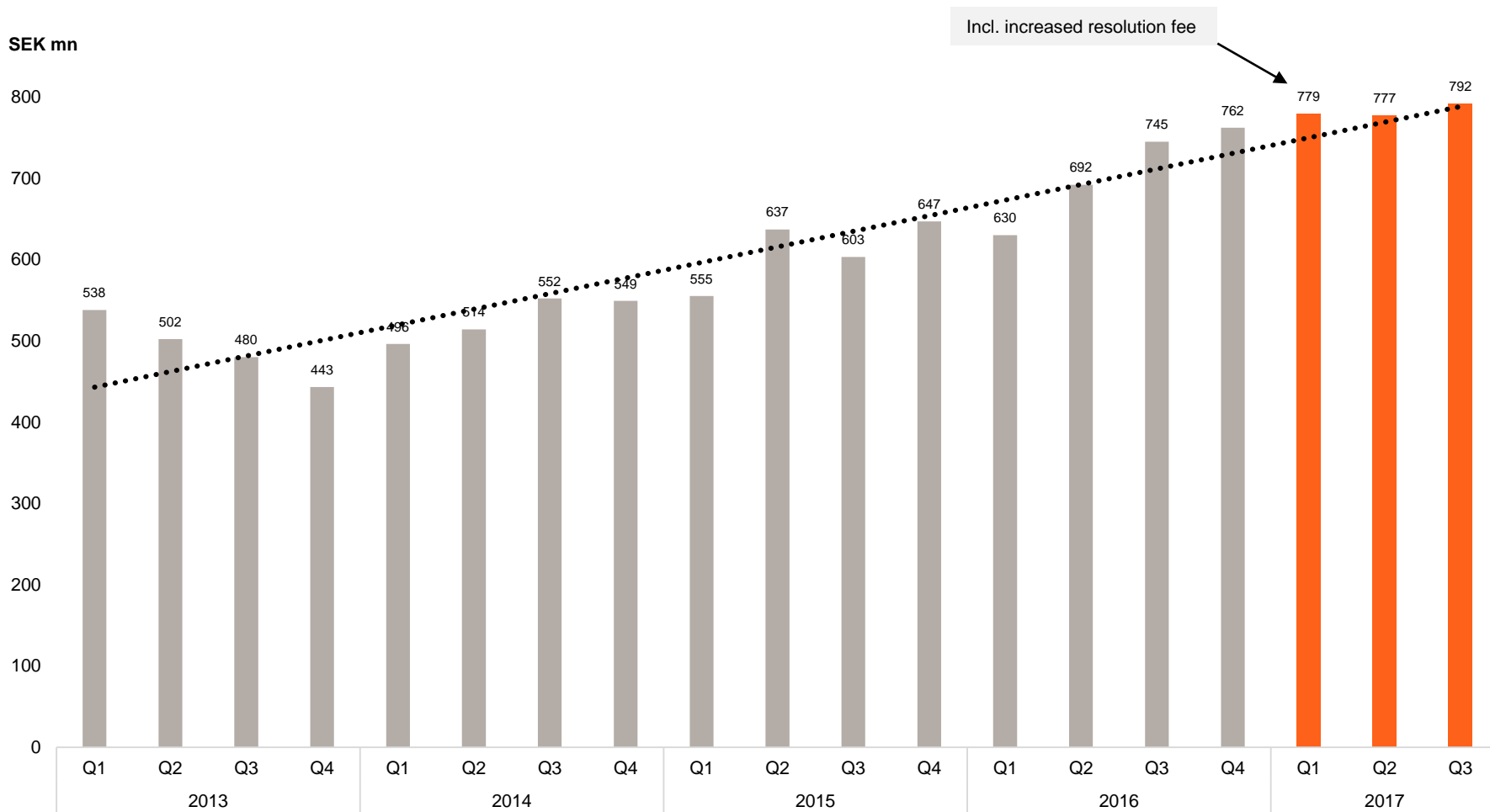


Continued strong development

(SEK mn)	Q3 2017	Q2 2017	▲ QoQ	Jan-Sep 2017	Jan-Sep 2016	▲ YoY
NII	792	777	↑	2,348	2,067	↑
Costs	-224	-244	↓	-700	-650	↑
Loan losses, net	-1	-1	→	4	-20	↓
Operating profit	537	539	↓	1,625	1,463	↑
Deposits (SEK bn)	107.0	102.7	↑	107.0	93.4	↑
Lending (SEK bn)	324.4	315.6	↑	324.4	305.0	↑
Deposit/lending	33.0%	32.5%	↑	33.0%	30.6%	↑
C/l ratio	29.4%	31.2%	↓	30.2%	30.5%	↓
RoE	12.2%	12.4%	↓	12.4%	11.9%	↑
CET1 capital ratio	31.4%	31.4%	→	31.4%	28.5%	↑

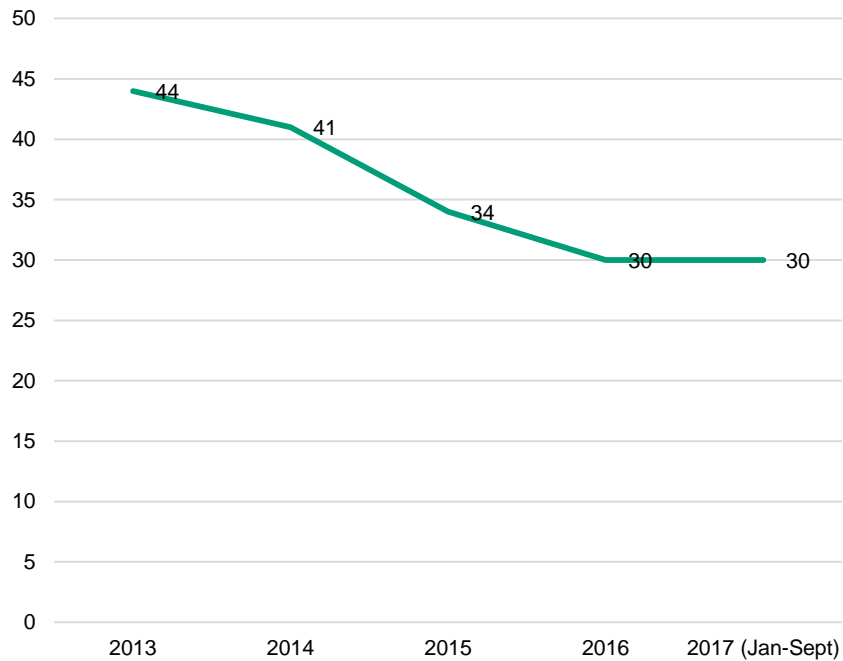
Net interest income QoQ

– Continued stability and growth

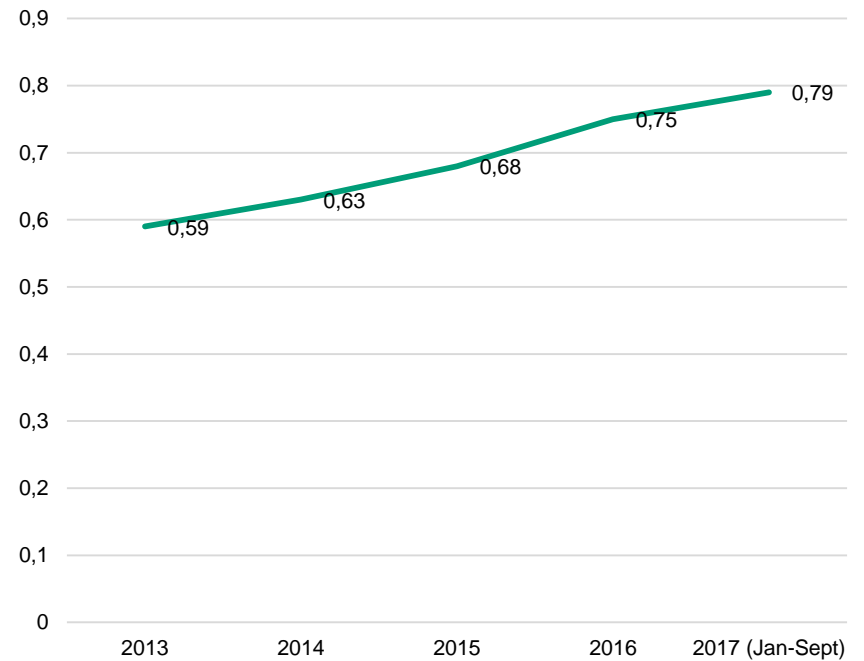


Competitive C/I-ratio and NIM

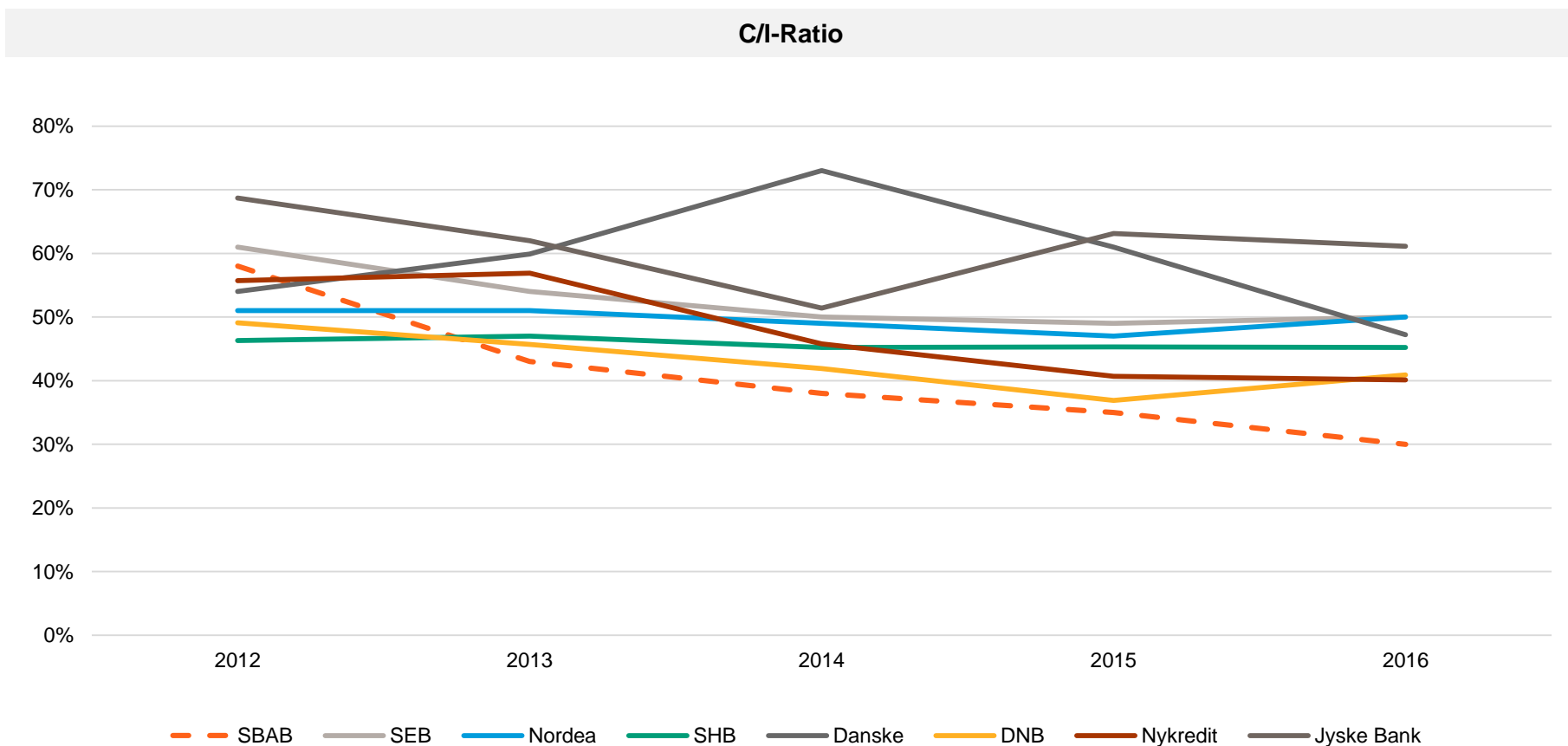
C/I-ratio, %



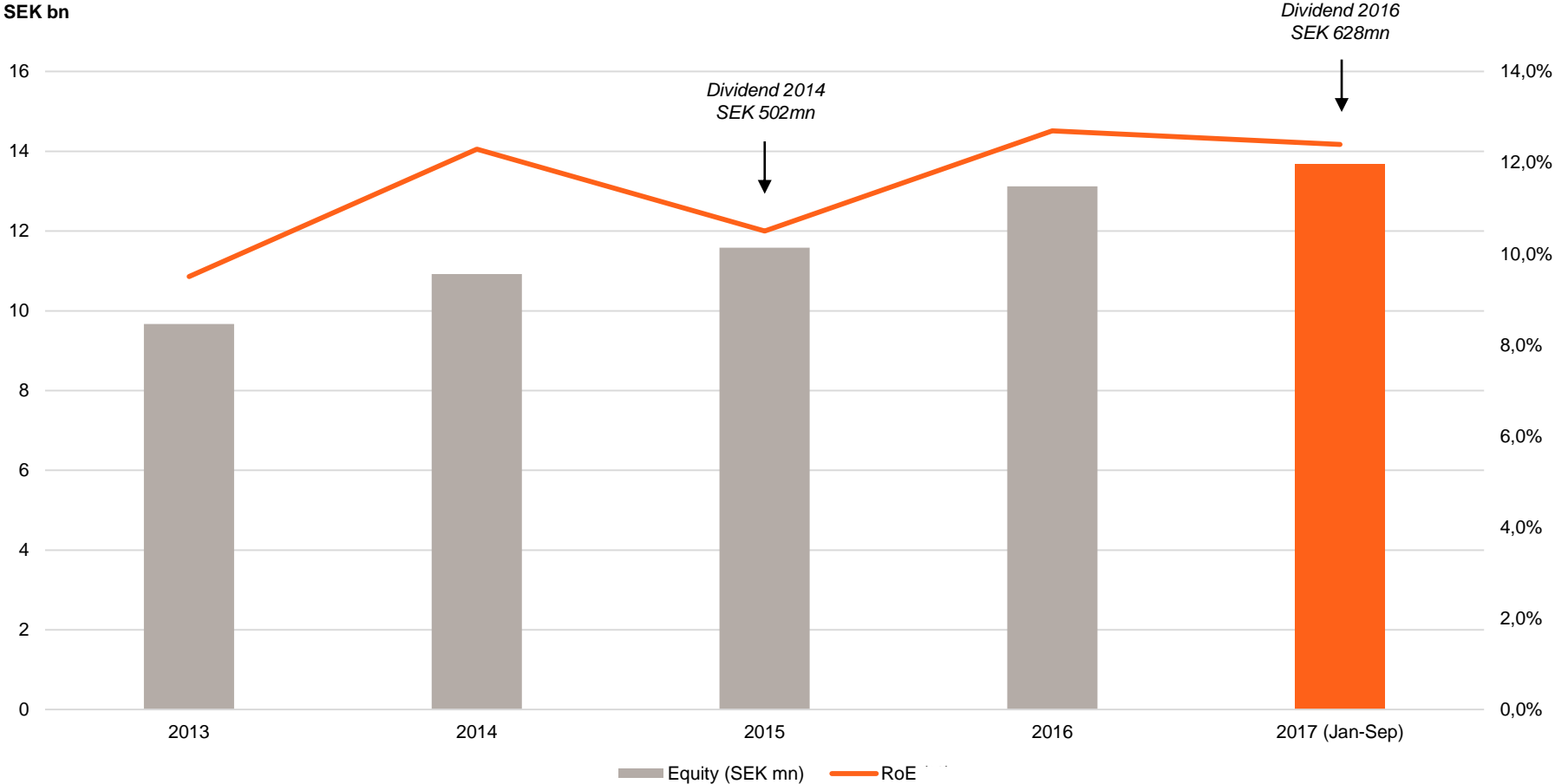
NIM, %



C/I-ratio vs. Nordic peers



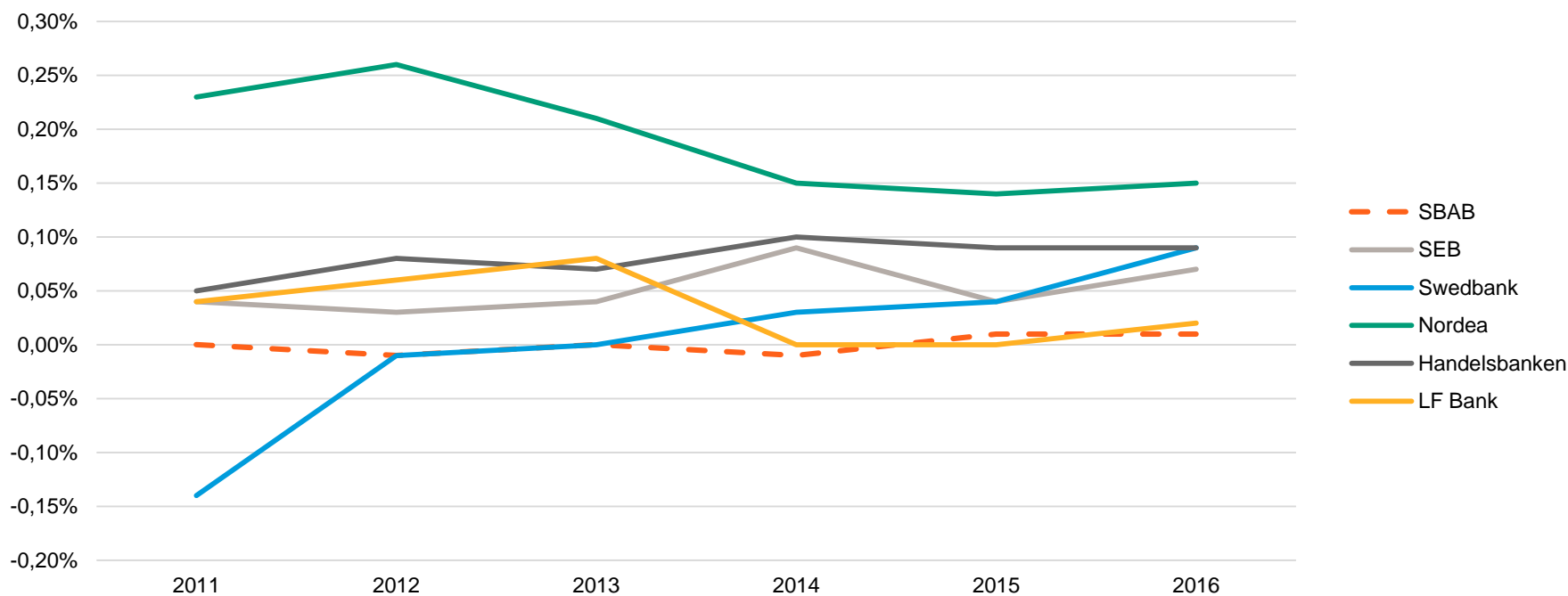
Equity and RoE



Equity E2017 adjusted for additional Tier 1 securities and value changes in financial assets recognised in equity. From Q1 2017, SBAB uses a new definition to calculate the return on equity. The return on equity is calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 securities and value changes in financial assets recognised in equity..

Credit losses vs. peers (2016)

Net credit losses FY16* 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

A window sill with various items including potted plants, books, and a mixer. The scene is brightly lit, suggesting a sunny day. The text is overlaid in a large, bold, black, brush-stroke font.

CAPITAL, LIQUIDITY AND FUNDING

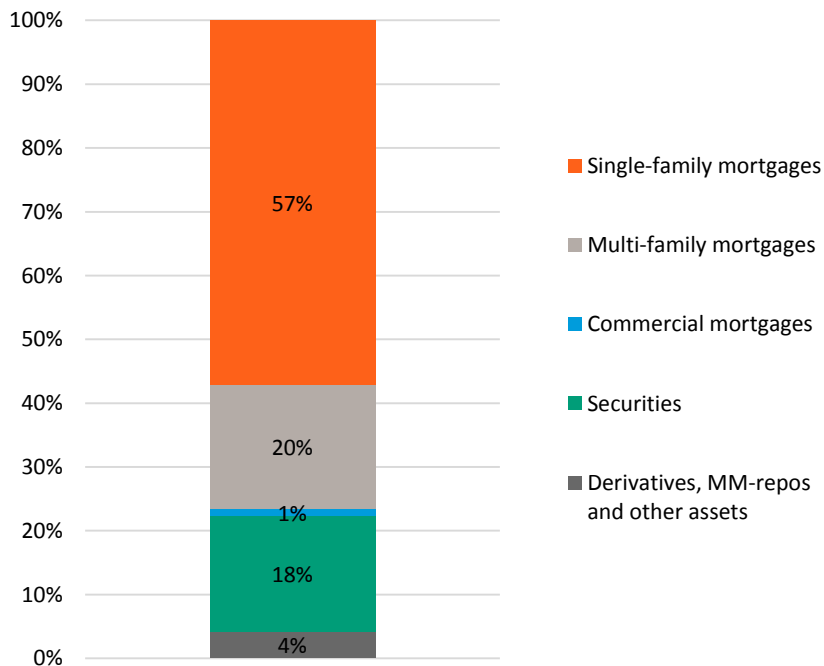
Overall funding strategy

- Continuous and committed investor work in core markets and towards core investors to further increase name recognition and transparency
 - Reduce wholesale funding reliance through growing deposit volumes. Maintain a low reliance on foreign currency funding
 - Access to core funding markets - SEK- and EUR-market
 - Regular benchmark issuance in Covered Bond format as well as in Senior Unsecured format
 - Private placements in niche currencies
 - Efficient use of Covered Bond Funding ~ 50% of total funding. Utilising the depth and stability of the Swedish Covered Bond Market
 - Limited use of short dated funding through CP-programs
 - Intermediate bond tenors to support funding duration
-

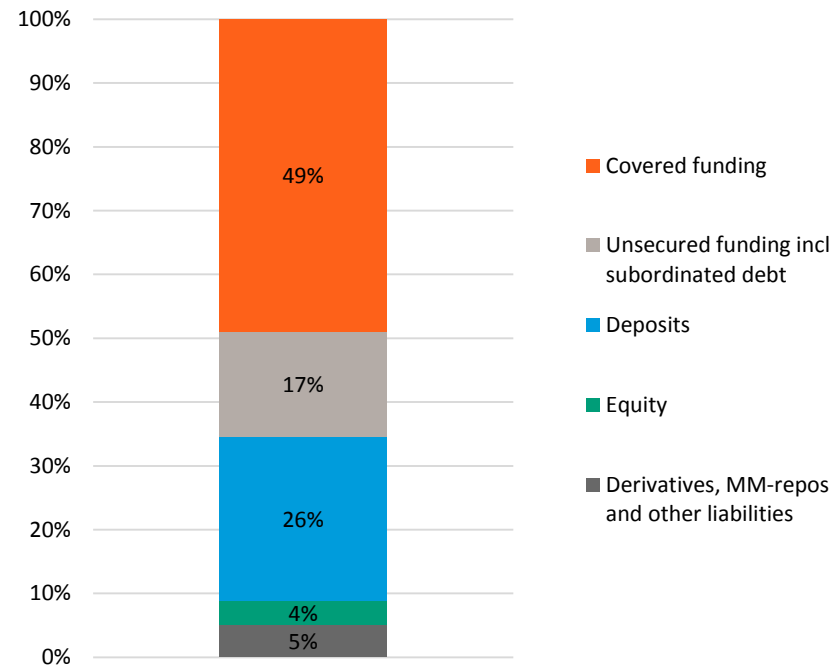
SBAB Group balance sheet

– Total balance sheet SEK 415bn, as of 30th Sep 2017

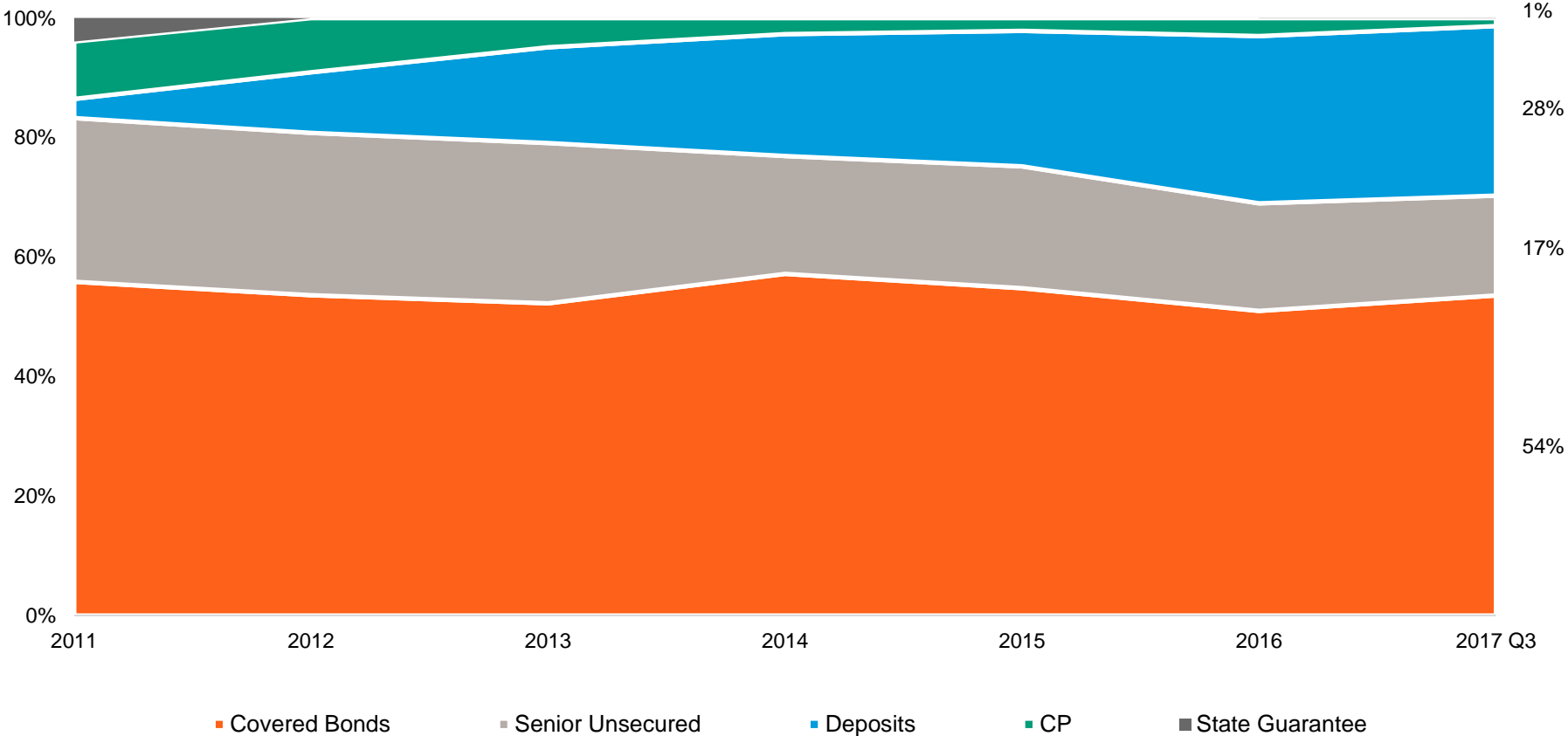
Assets



Liabilities and Equity

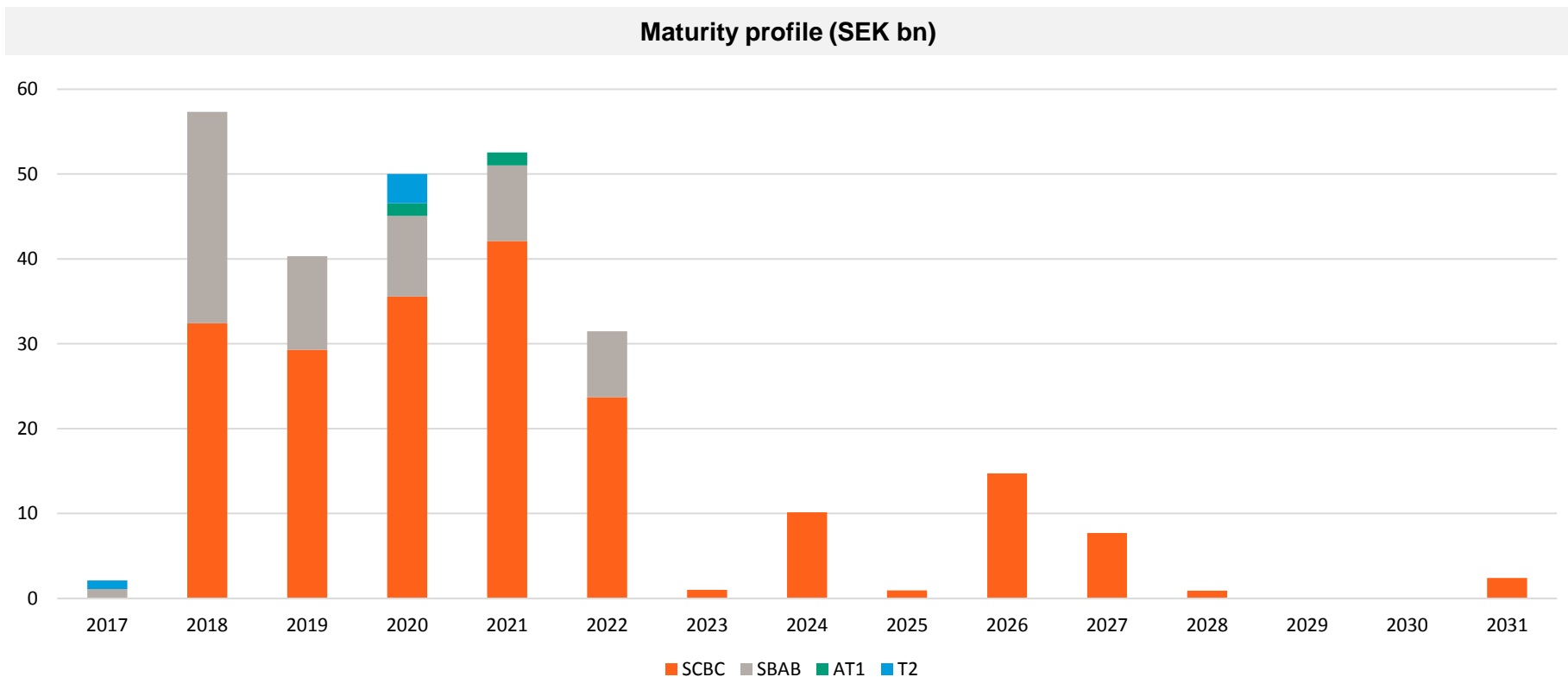


Development of funding sources



Maturity profile

- Smooth funding profile reduces refinancing risk
- Extended maturity profile with successful benchmark issues in 2026 and 2027 segments
- Liquidity risk is being mitigated through buy-backs of maturing bonds

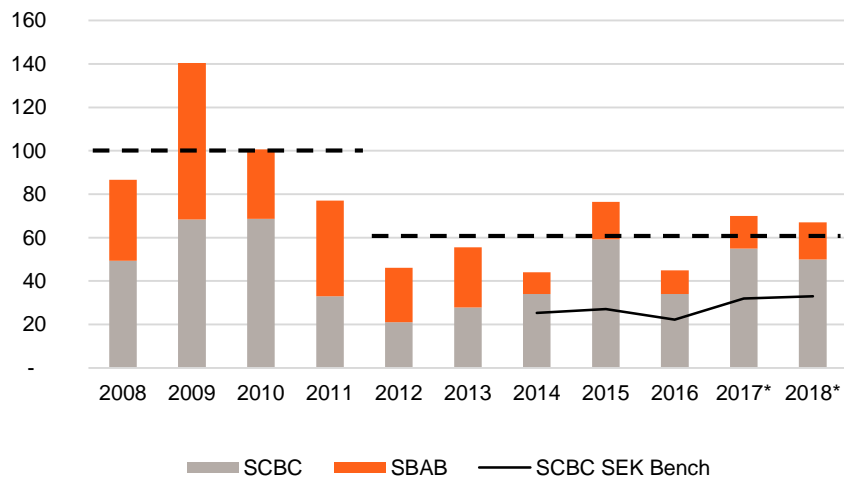


SBAB Group funding

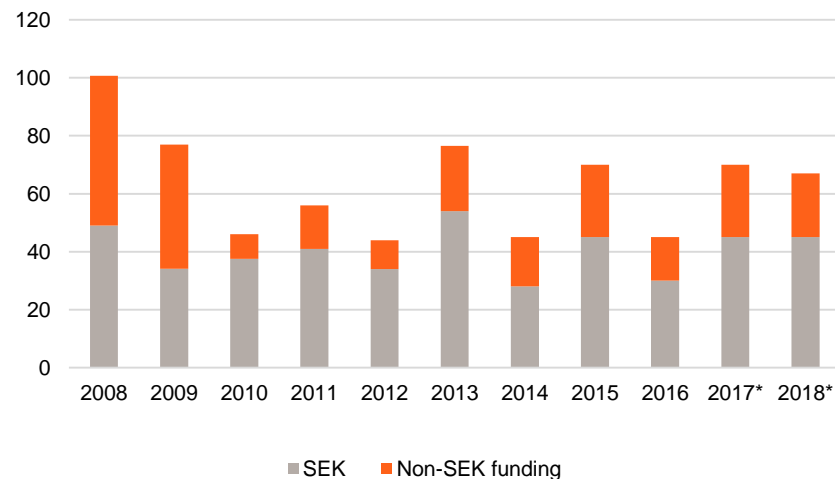
– Moderate funding needs ahead

- 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 volume for 2017 estimated to around SEK 70bn and for 2018 to SEK 60-70bn, of which a majority in SEK
- Intermediate tenors to support duration

Annual issuance, SEK (bn)



Currency split, SEK (bn)

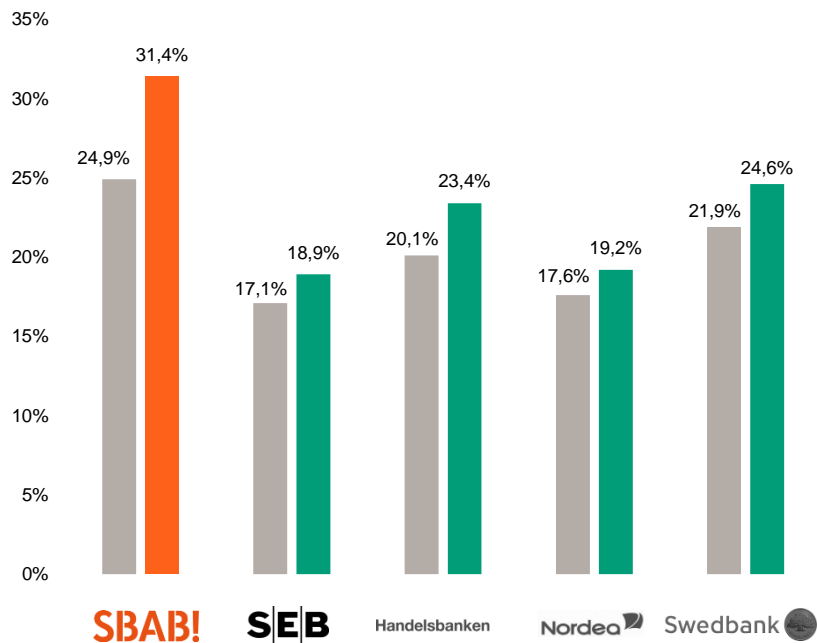


* Expected Issuance

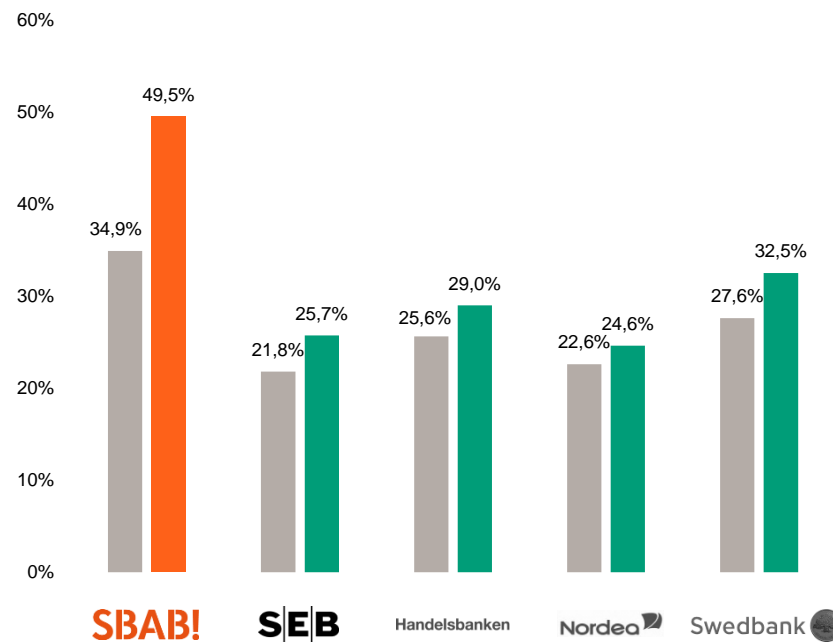
Strong capital buffer (Q2)

– SBAB well above requirements

CET1 capital ratio



Total capital ratio



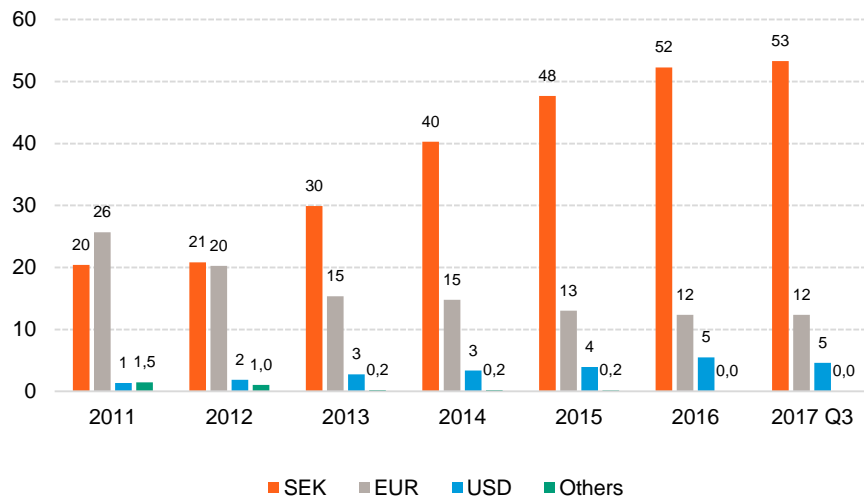
Available Q2 2017 Requirement Q2 2017

Liquidity portfolio

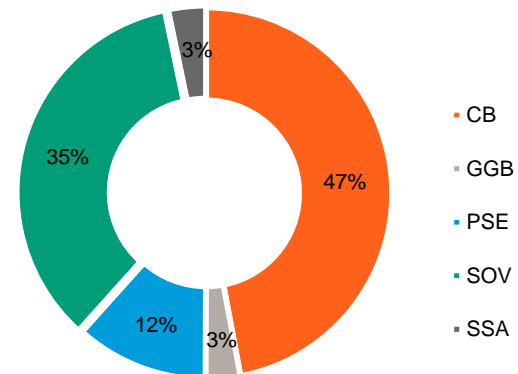
– SEK 70.3bn as of 30th September 2017

- LCR compliant since 1st January 2013
 - at the end of Q3 2017, LCR stood at 263% for all currencies combined
- New investment only AAA (95.9% currently AAA)
- Maximum 10y maturity
- We have increased our portfolio to extend survival horizon
- NSFR at 122%

Currency distribution



Securities type

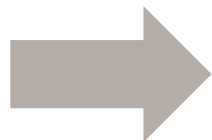


Change of control clause

– Change of control clause in the EMTN programme

In conjunction with the annual update of the EMTN programme planned for 1 November 2017, SBAB intends to amend the terms and conditions for the purpose of introducing the possibility of issuing new senior unsecured debt free from the change of control clause*. **The aim is to issue new bonds that are not subject to the change of control clause, which means that the amendment will only affect the terms and conditions governing the issue of new bonds.**

**The clause in question, known as the change of control clause, is a clause that confers a right on the holders of any such unsecured debt to demand repayment should the Swedish state's ownership of SBAB change to the effect that the state's entitlement to exercise voting rights in the company's affairs should decrease to a level below 51%.*



- The business, balance sheet and capital situation of SBAB stronger today than in the past
- Lower needs for senior unsecured funding
- Very limited pricing advantage vs peers
- Odd feature – removal make SBAB more like peers

Funding programme

- Total long term funding 2017 around SEK 70bn and for 2018 approximately SEK 60-70bn
 - **New SEK covered bond benchmark/benchmarks per year**
 - **One EUR covered transaction in international funding markets per year**
 - **One EUR public senior in international funding markets per year**
 - Private placements in SEK
 - Private placements in international funding markets
 - Overall funding strategy is to maintain presence and regularity in core funding markets (predominantly EUR and SEK)
 - SBAB's focus is to use intermediate tenors to support duration
 - **Regular future issuance:** Dedicated to SEK and expected to return to EUR senior and covered bond market once a year going forward
-

SBAB!

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