

Results Presentation

Q3 2021

SBAB Bank AB (publ)
October 27, 2021

SBAB!

Summary Q3 2021



Total lending, SEK bn

Total deposits, SEK bn

451 (442)

141 (138)



SBAB!

11.0%
 Return on equity
 Q3 2021

13.3%
 CET1 capital ratio
 Q3 2021

booli!
 En tjänst från SBAB

0.00%
 Credit loss level
 Q3 2021

34.8%
 C/I ratio
 Q3 2021

hittamäklare!
 En tjänst från SBAB

0.05%
 Stage 3 loans
 Q3 2021

0.31%
 C/L ratio
 Q3 2021

boappa!



Chapter 1

Business update










Customer experience & ecosystem

- Residential mortgages & housing financing main focus and primary source of income
- Challenges for mortgages: differentiation (price) & frequency of engagement
- Strategy to strengthen customer relationship/loyalty by adding valuable services throughout the housing journey
- New brand profile launched in Q1 2020 in order to achieve a more unified and improved customer experience
- Acquisition of Boappa in Q2 2021 to strengthen the Ecosystem



Ecosystem of services relating to housing and household finances

| Housing phase | Service | Brand |
|----------------|---|--|
| Dream & search | <ul style="list-style-type: none"> • Housing ads • Housing market information • Savings account |  <small>En tjänst från SBAB</small>  |
| Buy | <ul style="list-style-type: none"> • Residential mortgages & housing financing • Home insurance (through partner) • Life insurance (through partner) • Legal advice (through partner) |  |
| Live | <ul style="list-style-type: none"> • Refinancing • Consumer loans • Housing cooperative management • Tenant communication |  <small>En tjänst från SBAB</small>  |
| Sell | <ul style="list-style-type: none"> • Real estate broker recommendations • Housing valuation • Housing adds • Tax declaration advice (through partner) |  <small>En tjänst från SBAB</small>  <small>En tjänst från SBAB</small> |



Acquisition of Boappa in Q2 2021

Strengthening the Ecosystem

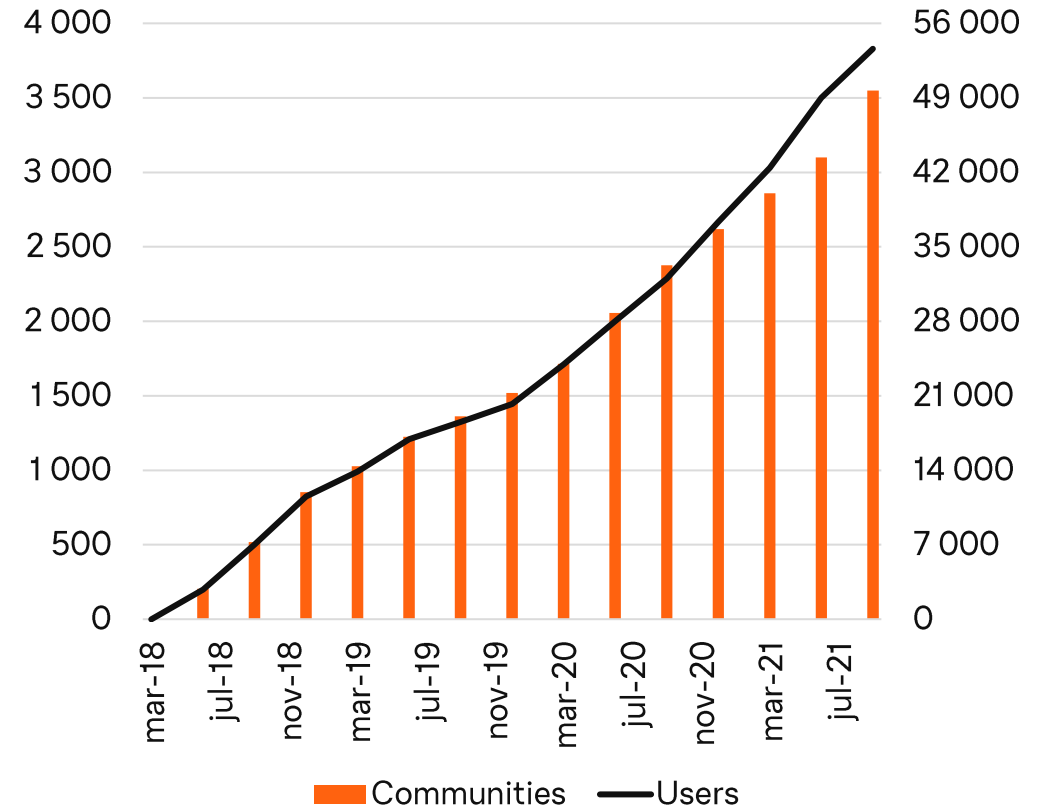
- Boappa is a Swedish startup targeting tenant owner's associations with services for the tenants and board members with services including;
 - Two-way communication between tenants, one-way communication from the board members
 - Administrative tools for the board, like file storage, booking of common spaces etc.
 - Tools for neighborly help, circular economy and sharing of services
- The acquisition further strengthens the Ecosystem, both as an offering to mortgage customers and tenant owner's associations



boappa!

En tjänst från SBAB

Focus on continued growth of communities and user activation



User trends & digital presence

hittamäklare!

En tjänst från SBAB

Hittamäklare increased coverage



Registered real estate agents in Sweden using HittaMäklare's services

92%

Q3 21

89%

Q3 20

booli!

En tjänst från SBAB

Booli increase in traffic and engagement



Unique visitors per month (Q3) to booli.se

1,530,000

Q3 21

1,480,000

Q3 20

Subscribers of Booli's monthly housing valuation email

610,000

Q3 21

473,000

Q3 20

SBAB!

- sbab.se prized in October 2021 as "best commercial website" by Sitevision
- Motivation: "simplicity, clear design and user interface, all in all easy for visitors to find what they need and to become customers."



SBAB launched "Smart Lånelöfte" in Q4 2020

50,000

Unique customers who used Smart Lånelöfte since launch

10,000

Customers updated their Smart Lånelöfte at least once

4.53

Customer rating average (scale 1-5) from customers using our Smart Lånelöfte

Self-service refinancing

96%

Q3 21

83%

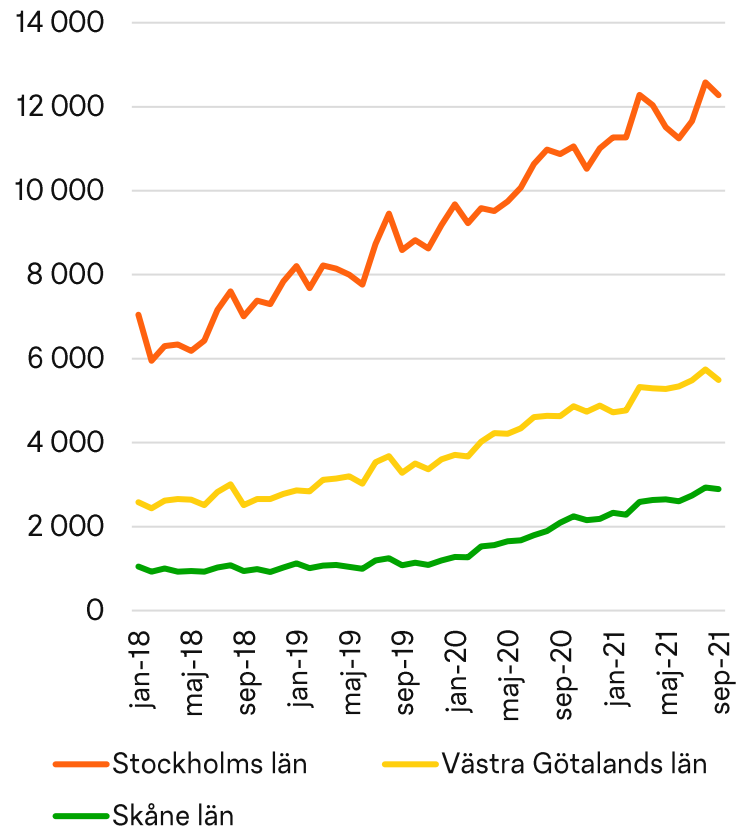
Q3 20

Share of all refinanced loans in Q3 that was performed in the app or internet bank through self-service

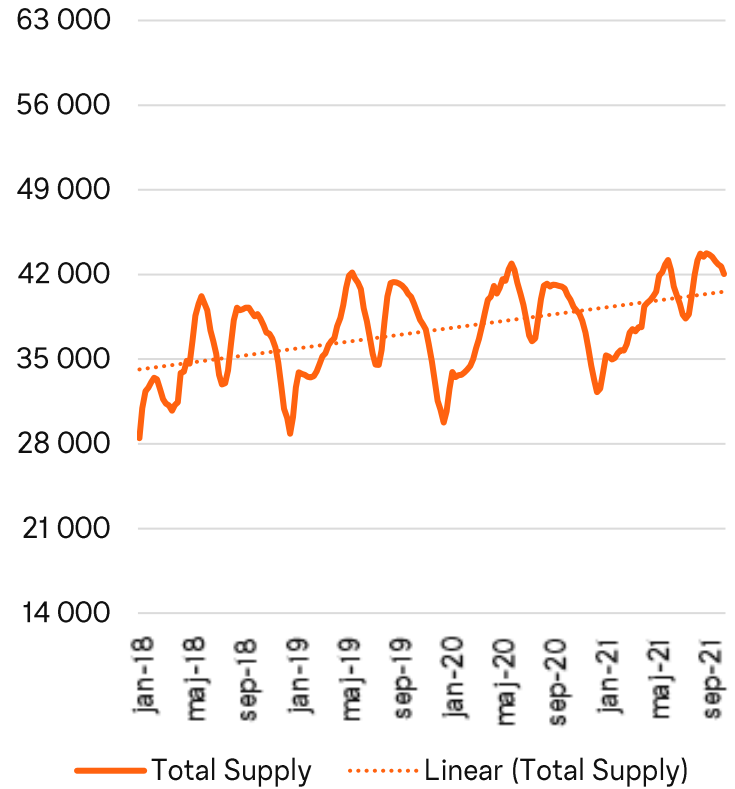


Booli housing supply coverage increasing

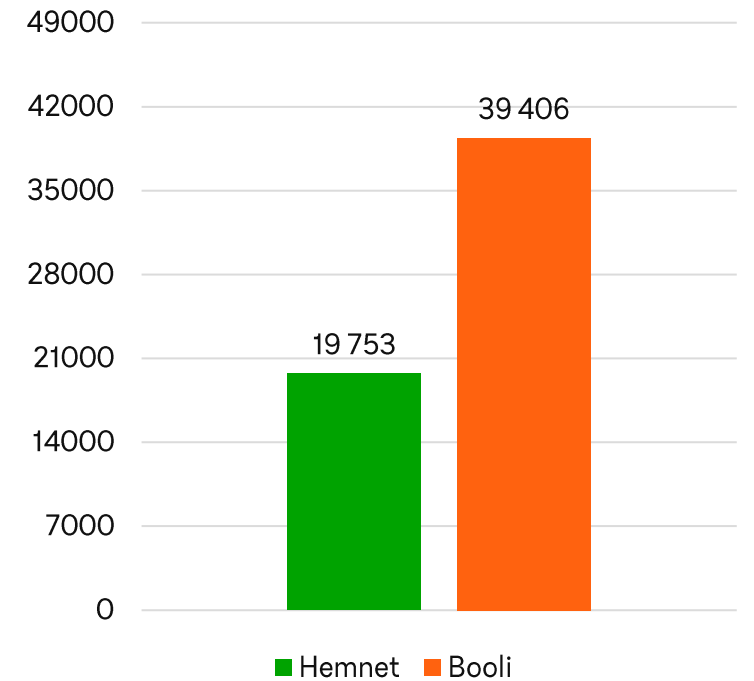
Housing supply "soon for sale" per geography



Total housing for sale supply

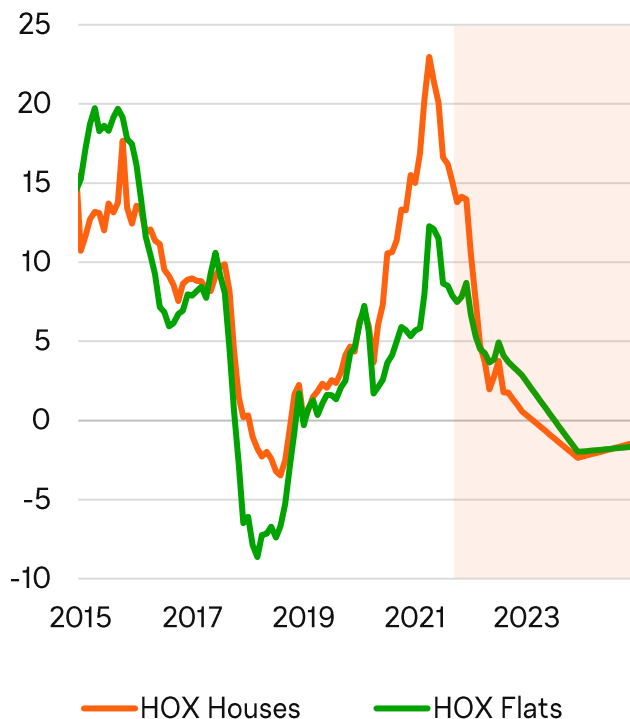


Total housing for sale supply, snapshot 22/10 2021



House prices - a slow down expected

House price development, YoY (%) and Housing price index (January 2005=100)



| | Index Sep-21 | Change since | | |
|---------------------|-----------------|--------------|--------------|---------------|
| | | 1m | 3m | 12m |
| Sweden (HOX) | 290 | +0.3% | +1.1% | +12.4% |
| Flats | 333 | +0.6% | +0.9% | +7.9% |
| Stockholm | 316 | +1.2% | +1.1% | +7.6% |
| Gothenburg | 364 | 0.2% | +0.4% | +5.6% |
| Malmö | 303 | -0.2% | -0.7% | +10.4% |
| Houses | 283 | +0.1% | +1.2% | +15.1% |
| Stockholm | 284 | +0.2% | +2.0% | +14.9% |
| Gothenburg | 283 | +1.2% | +0.4% | +15.7% |
| Malmö | 271 | +1.5% | +1.2% | +16.4% |

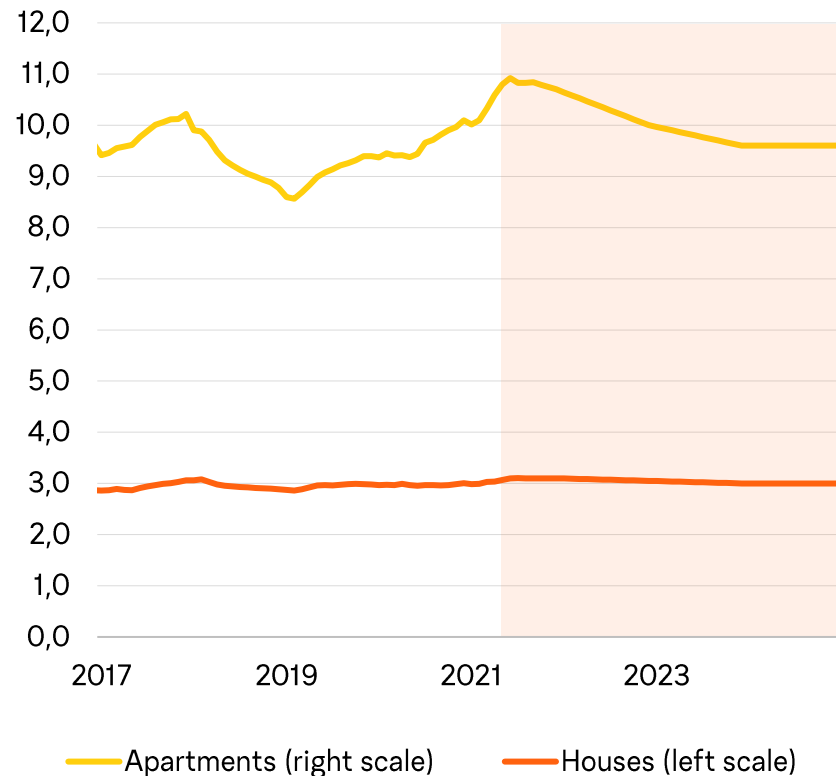
Stable prices in the coming years

- Housing prices have increased by an average of over 5% over the past ten years
 - There drop in 2017/18 has been followed by a strong development in 2020/21
- SBAB's forecast is that housing prices will level off in 2022, and then decline somewhat when interest rates begin to move upwards
 - The forecast is based on a structural model and deviations from this may occur in the short term, e.g. as a result of a mismatch between supply and demand or fluctuations in the business cycle and households' expectations on the future

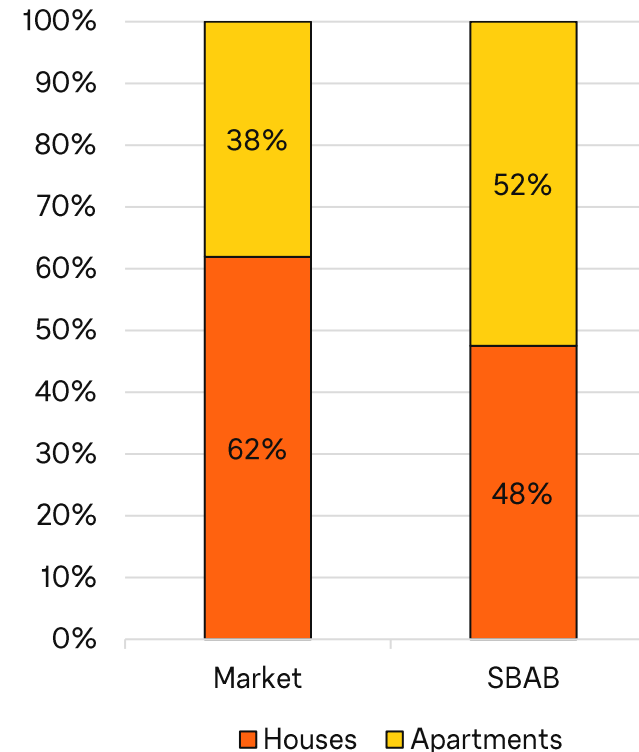


Housing turnover on 5-year high

Housing turnover (%)



Share of Houses and Apartments (objects)



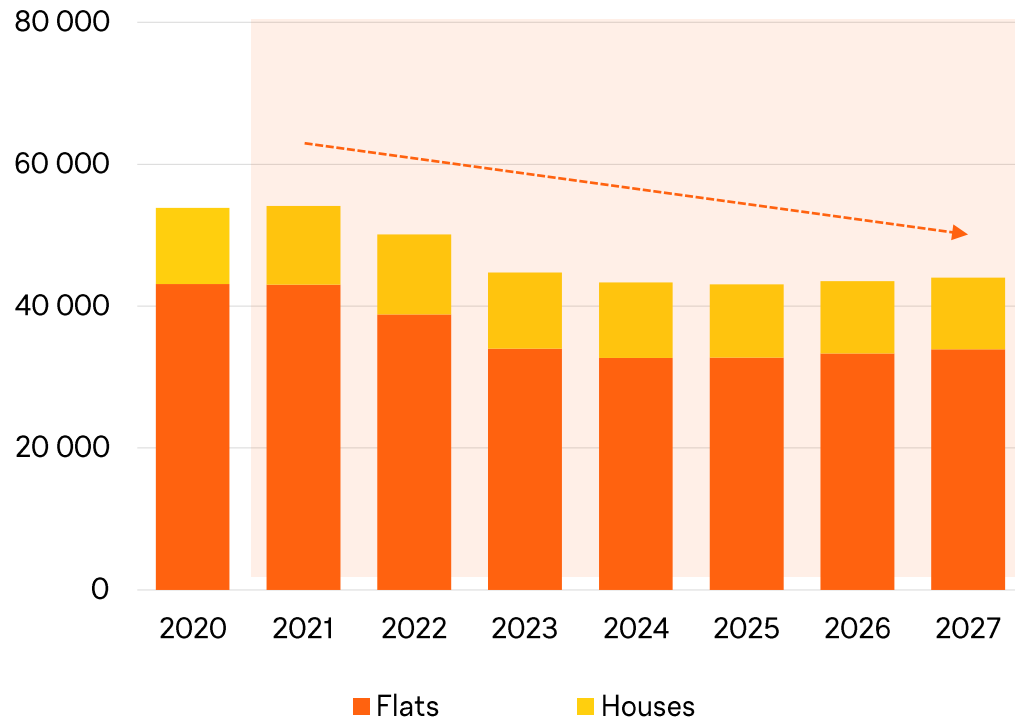
Turnover effect on SBAB

- Apartment turnover hit 5-year high in 2021, projected to go down towards 2022-2023
- SBAB has ~37% more apartments than market average
- In times of high turnover, like the end of 2020 and 2021, more resources is directed towards re-enrolling the current customer base when they move between apartments
- Turnover behavior is cyclic, looking beyond the turnover peak more resources can be directed towards new customers, resulting in higher growth



Housing construction

Housing construction (number of homes)



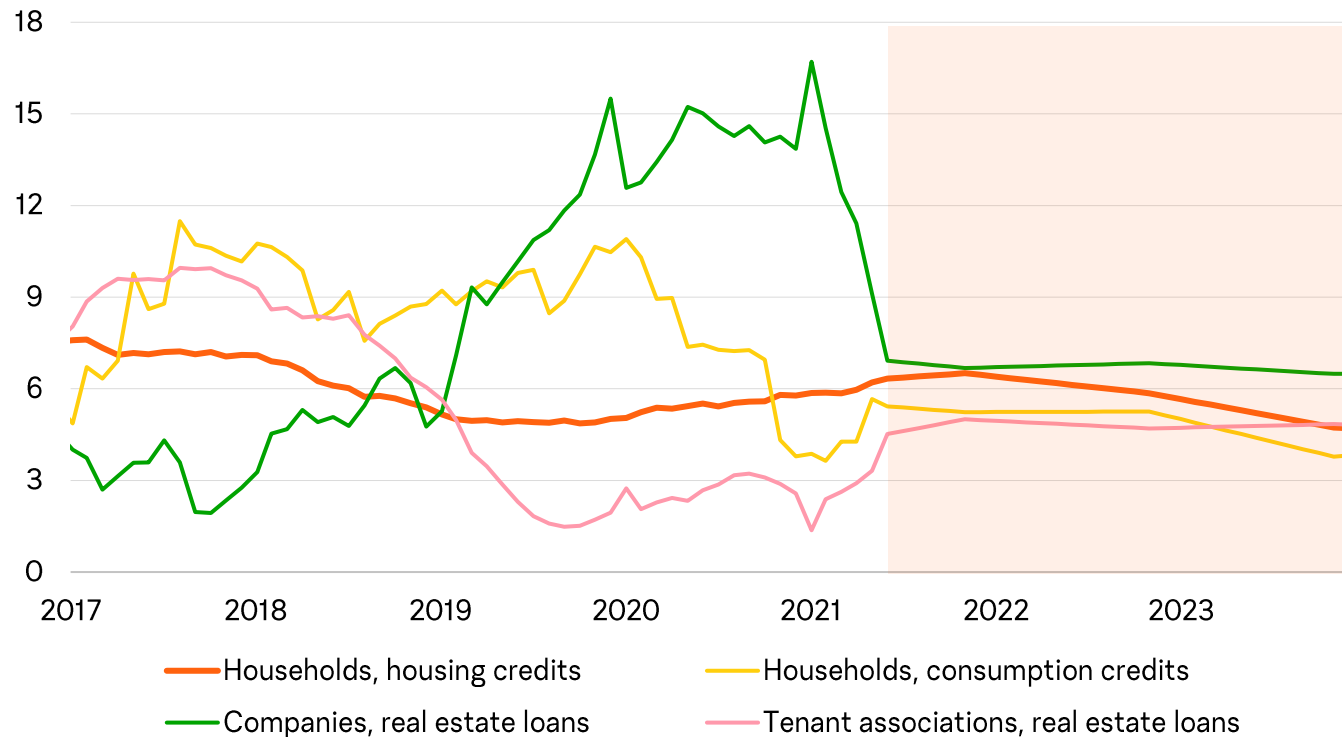
Still need for new housing

- Housing construction is expected to decline over the years from currently about 54,000 homes per year (excl. rebuilt housing to slightly less than 45,000 homes per year
- The prevailing housing shortage, good access to financing and low interest rates support the high rate of new construction
 - The housing shortage in Sweden is estimated to roughly 90,000 homes, despite the high rate of construction in recent years
 - Some concern about the affordability of new housing, the ability to pay / willingness to buy, and the future population growth
- The housing shortage is expected to have ceased around 2027 given this construction forecast and population projection
 - Still, around 30,000 homes per year need to be built to keep pace with population growth



Credit growth development

Credit growth, YoY growth rates (%)



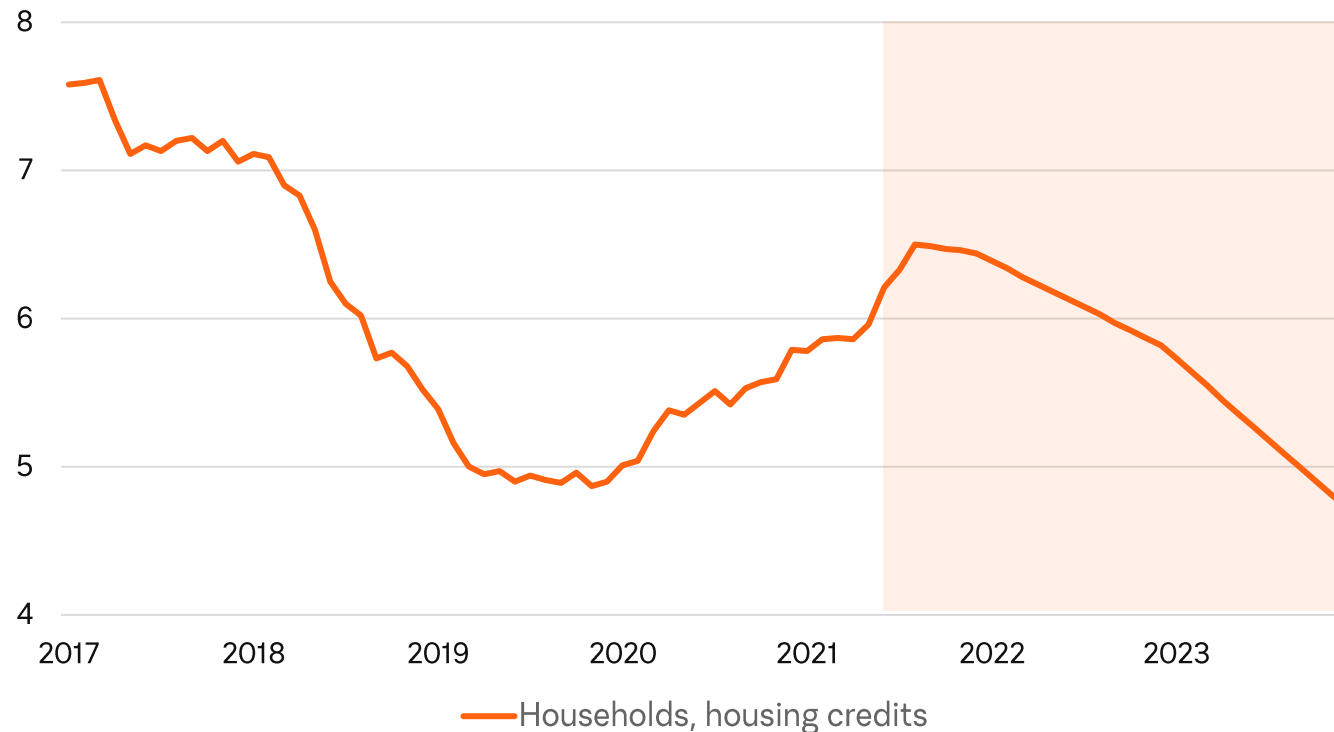
Comments

- Credit growth for Companies, real estate loans, soared during the pandemic and the market grew by 14.3% in 2020. The growth slowed down in 2021 which can primarily be explained by a decline in the growth rate of lending to rental property owners
- The growth rate in households' so-called consumer loans, i.e., unsecured loans (housing normally), increased in mid-2016 and were around 10% at an annual rate from mid-2017 until the outbreak of the corona pandemic. It then decreased rapidly and is now at 4-6% at an annual rate. The part of the consumer loans that is used to finance home purchases has primarily emerged in the wake of the introduction of the mortgage floor but may also have been affected by the amortization requirements



Housing credit growth development

Housing credit growth, YoY growth rates (%)



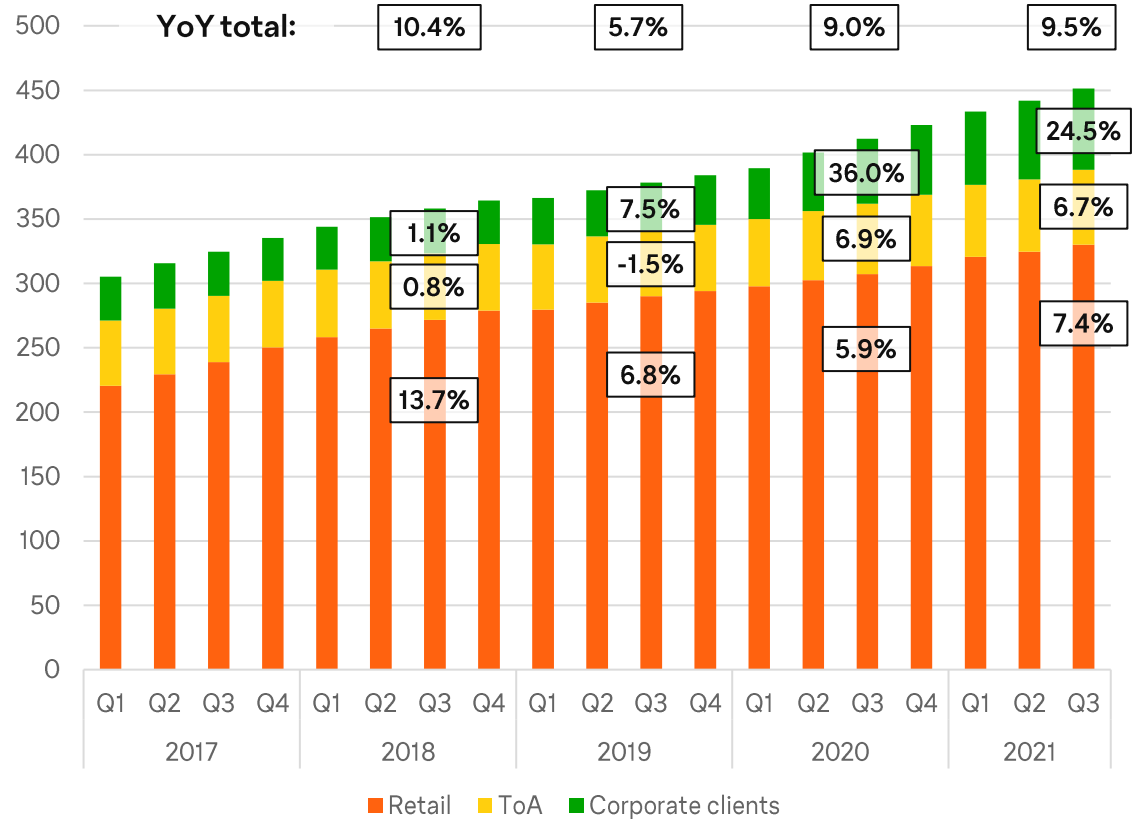
Comments

- Given that the housing credit market is around 3.5x bigger than the other credit markets combined, it is important to look at the credit growth of housing credits isolated
- Credit growth in the mortgage market (red line) has increased since the end of 2019 and was strong in 2020 despite corona pandemic, the YoY growth rate was 6.3% in July 2021
- According to SBAB's forecast, the growth rate of household housing credits is expected to be 6.5% for the full year 2021 but decline slightly in 2022
 - The forecast takes into account e.g., the developments of housing prices, mortgage rates, and household income and savings

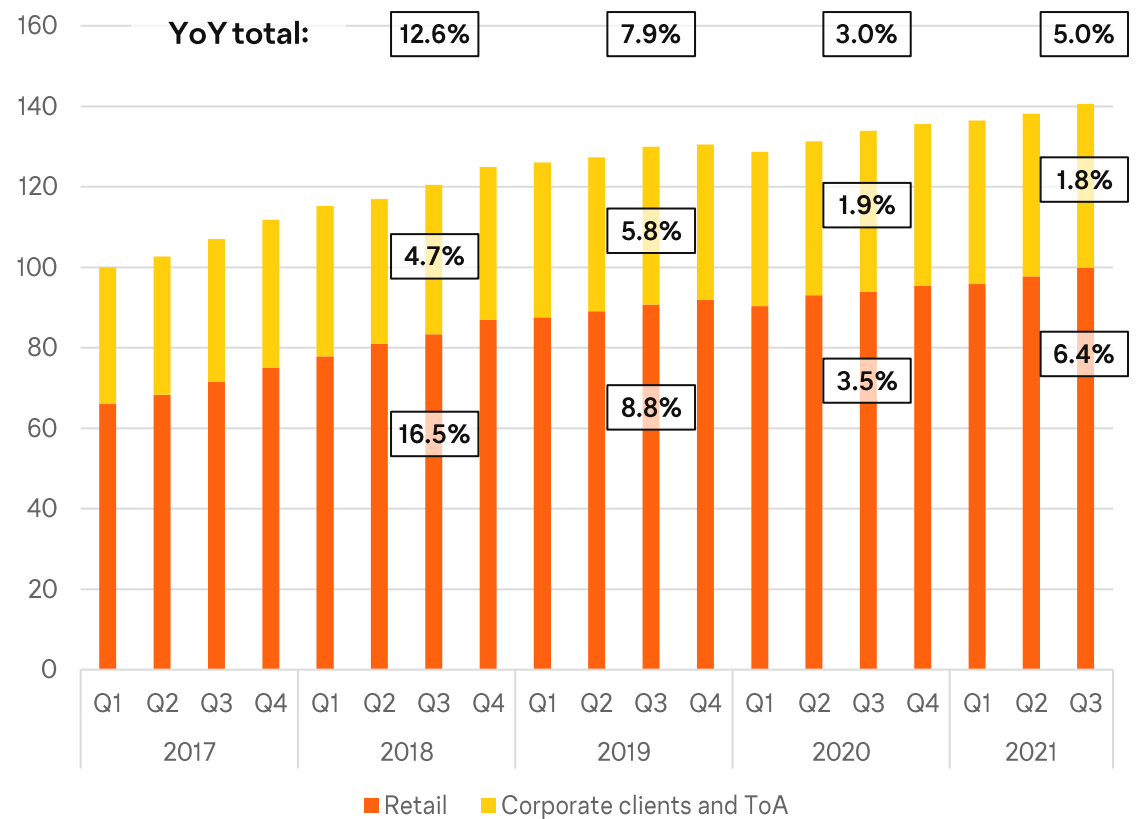


Lending & deposits development

Lending (SEK bn)

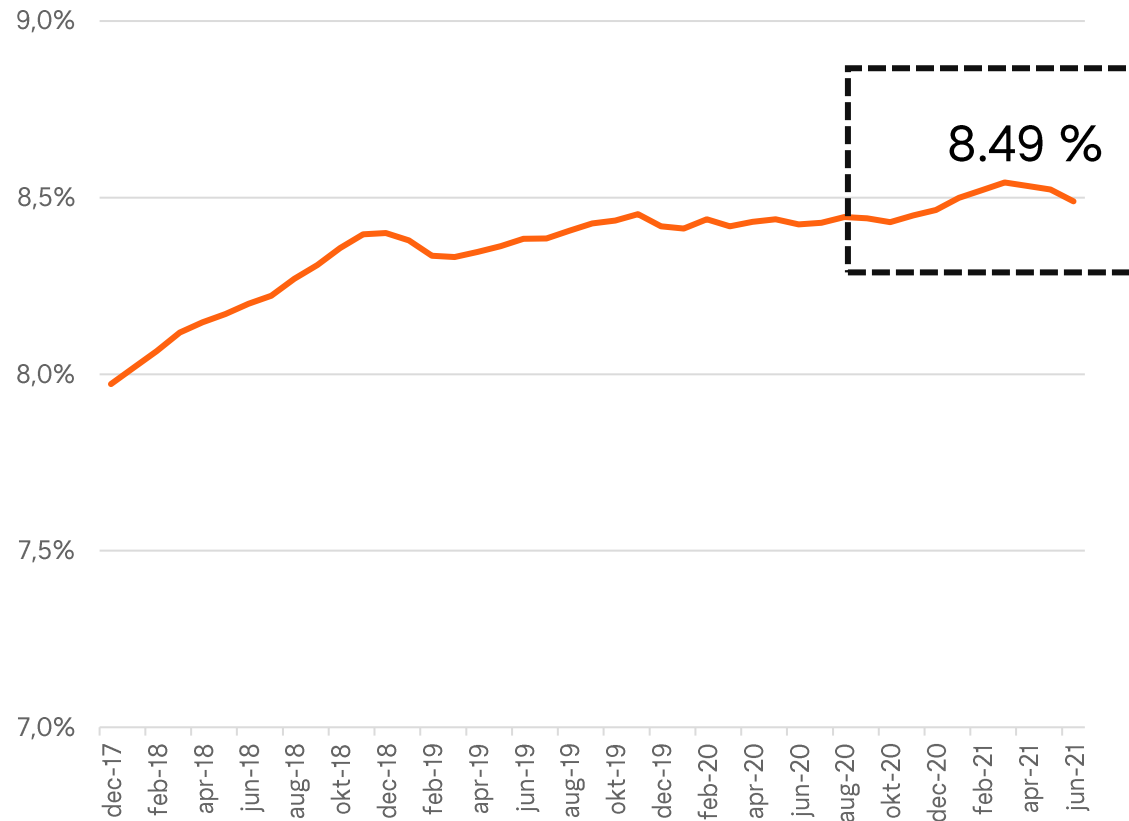


Deposits (SEK bn)

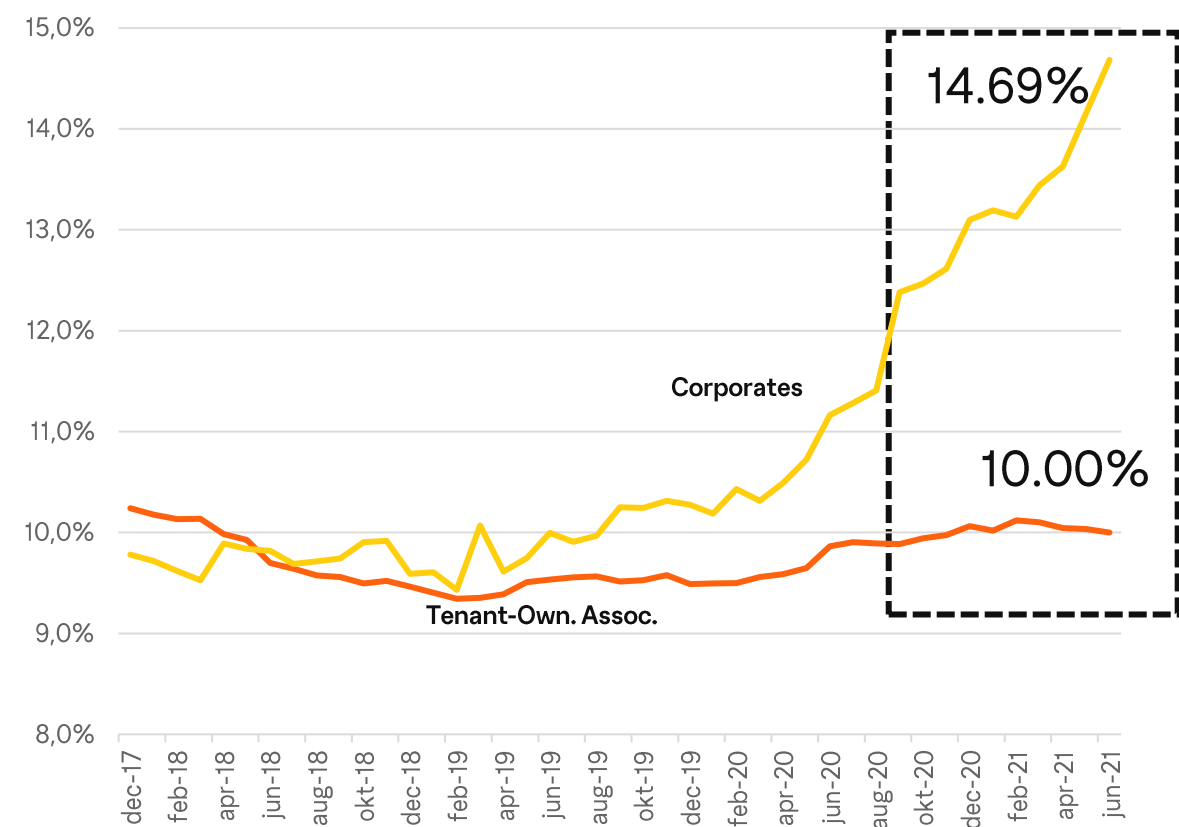


Growing market shares

Market share, Residential mortgages

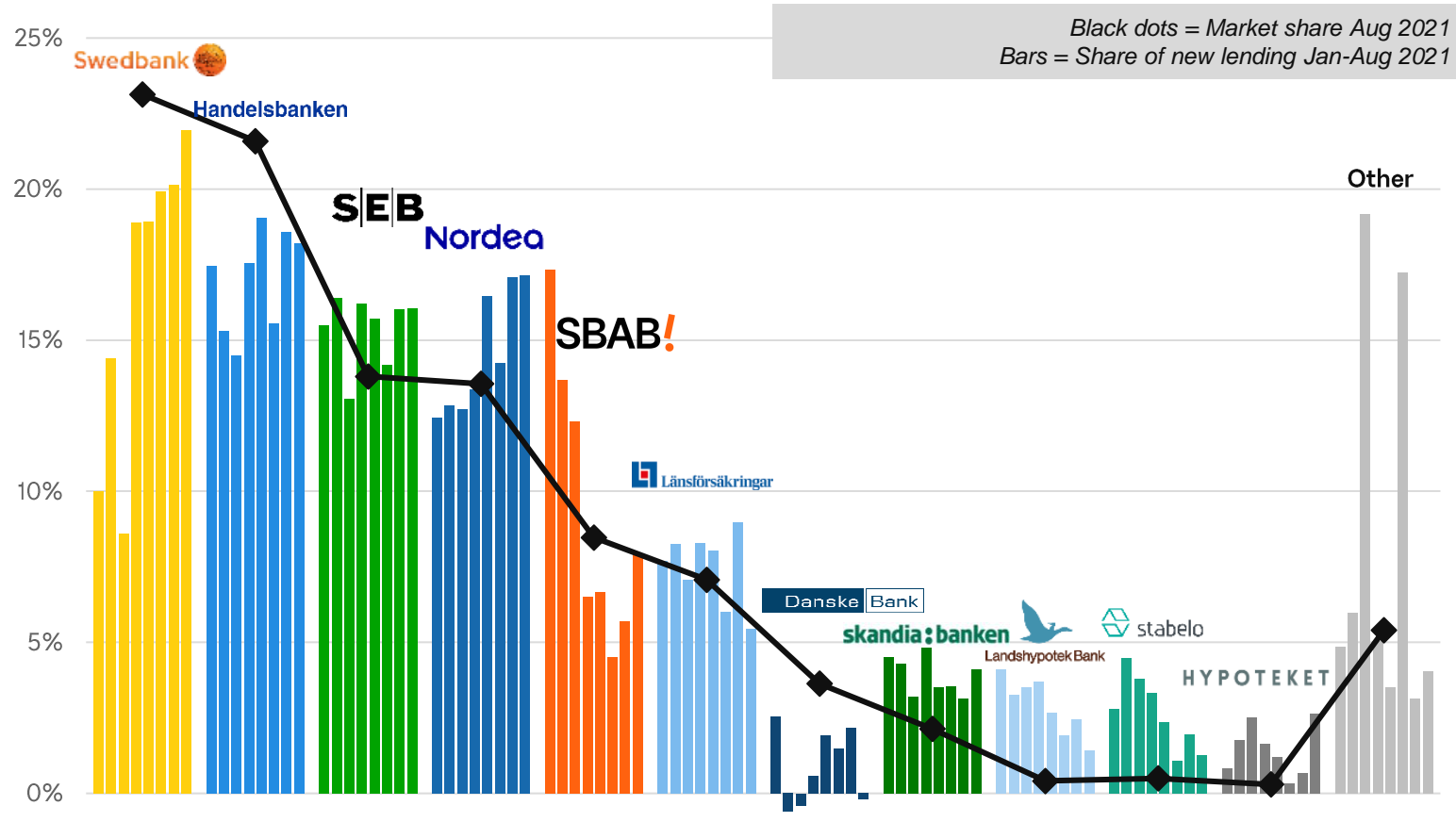


Market shares, Corporate clients & ToA



Residential mortgage market 2021

Shares of net growth in the Swedish residential mortgage market Jan-Aug 2021



Comments

- Increased competition in the Swedish residential mortgage market
- Many established players are working intensively to retain and defend their positions, and several new competitors have emerged as serious contenders for the residential mortgage customers
- The annual (YoY) percentage credit growth in the mortgage market in August 2021 was 6.8%. Growth rate expected to be 6.4% for the full year 2021 (SBAB forecast)
- Price important, but not the whole story



Mortgage brands Swedish market

Short to mid term



ÅLANDSBANKEN



HYPOTEKET



Handelsbanken

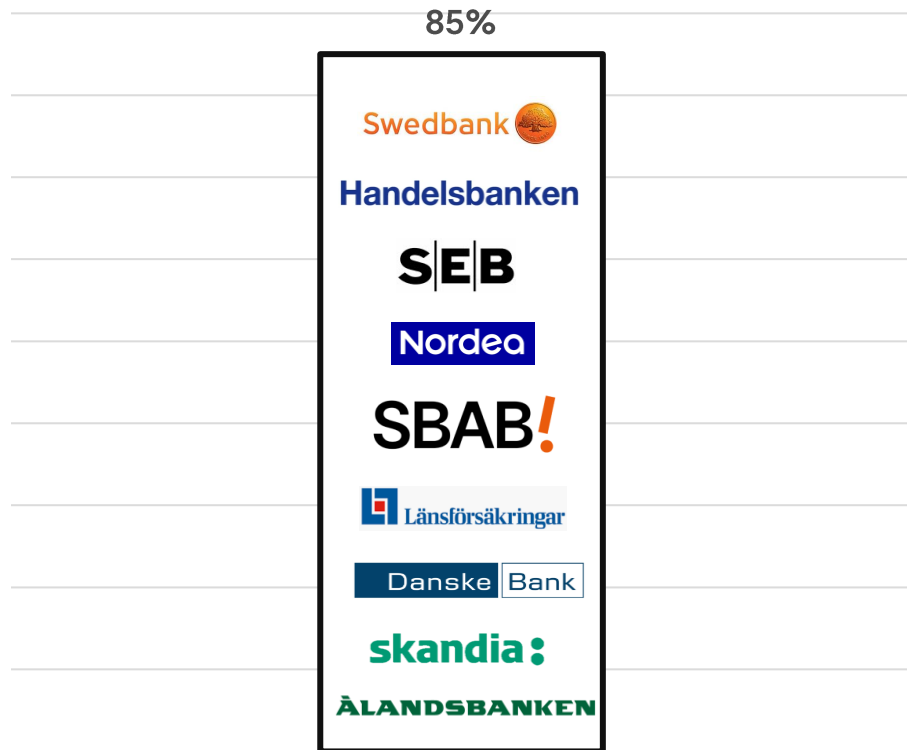


Mid to long term

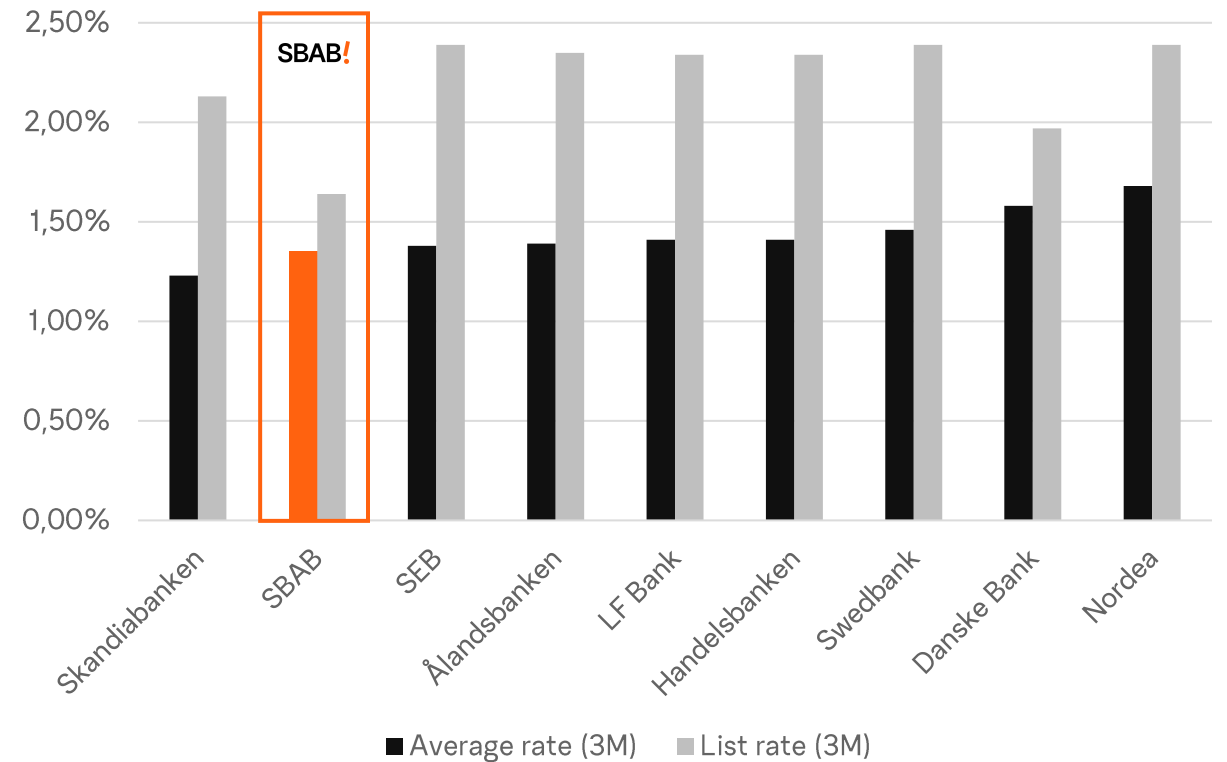


Mortgage rates main market

Maximum allowed LTV

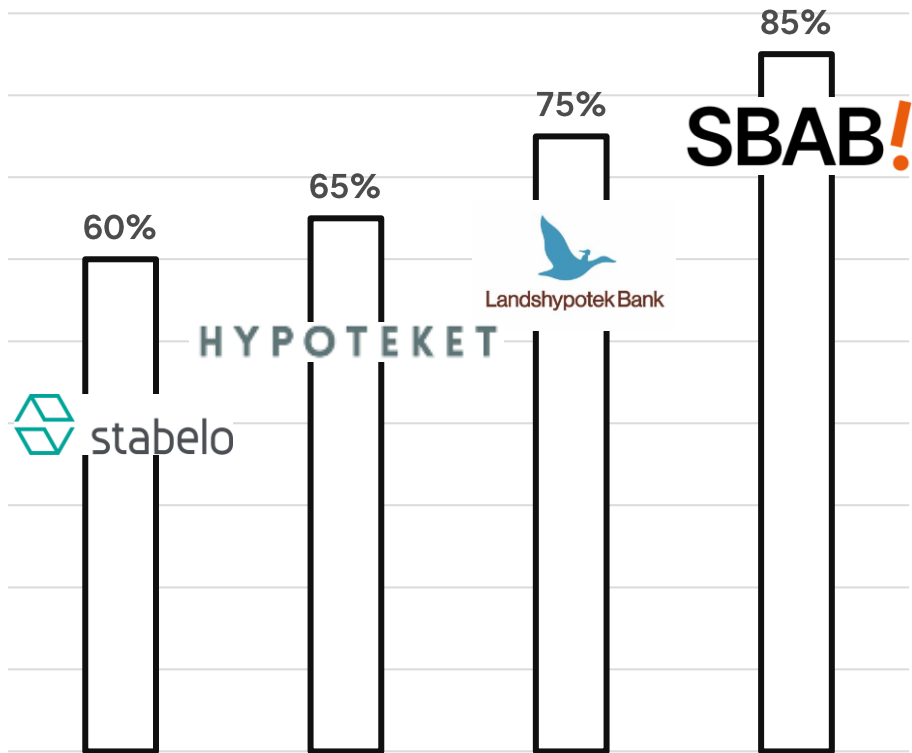


List rate vs. average rate (3M variable interest rate) (%) (Sept 2021)

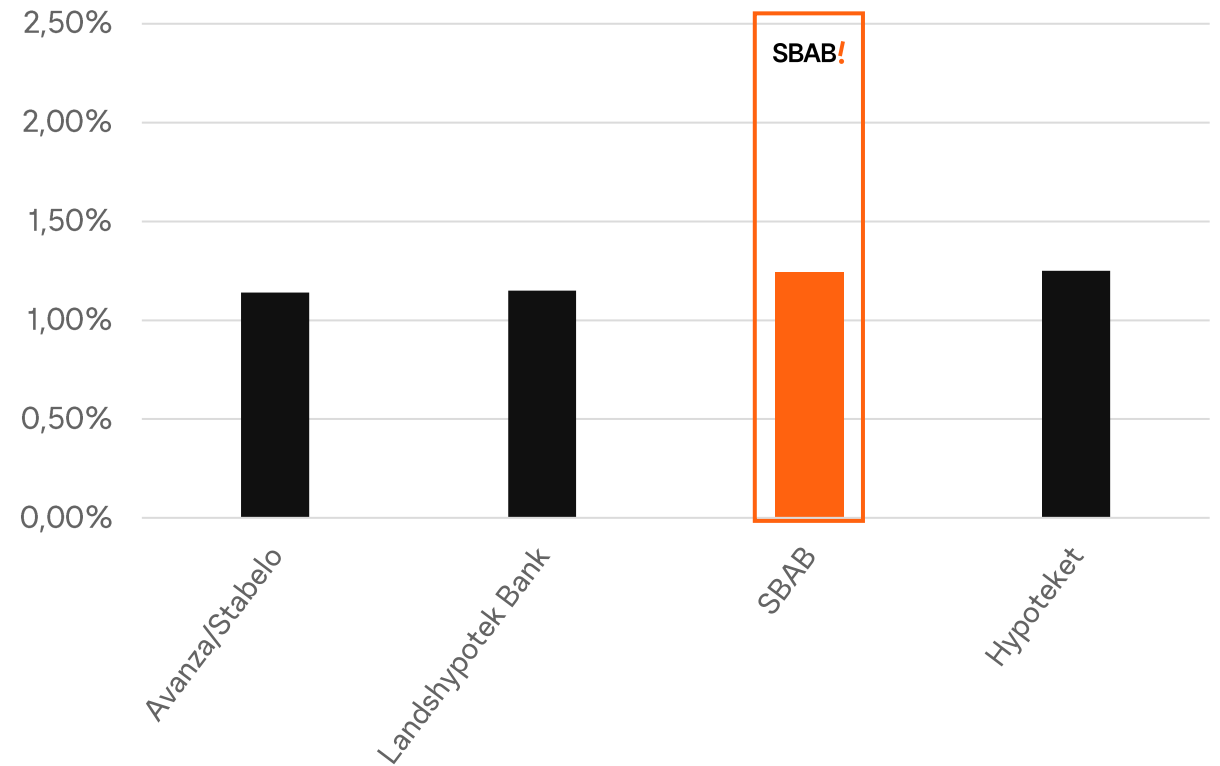


Mortgage rates certain segments

Maximum allowed LTV

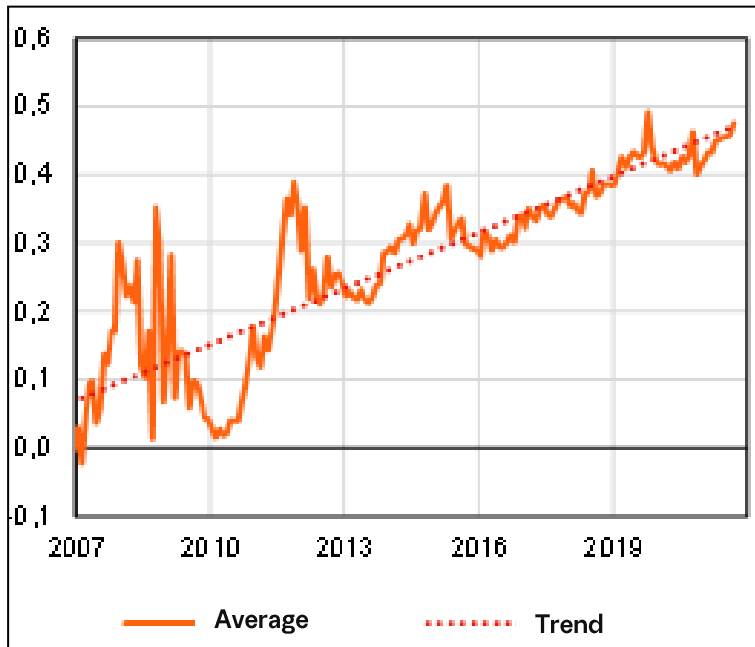


List rate for 60% LTV, 2 MSEK loan, (3M variable interest rate) (%) (Sept 2021)

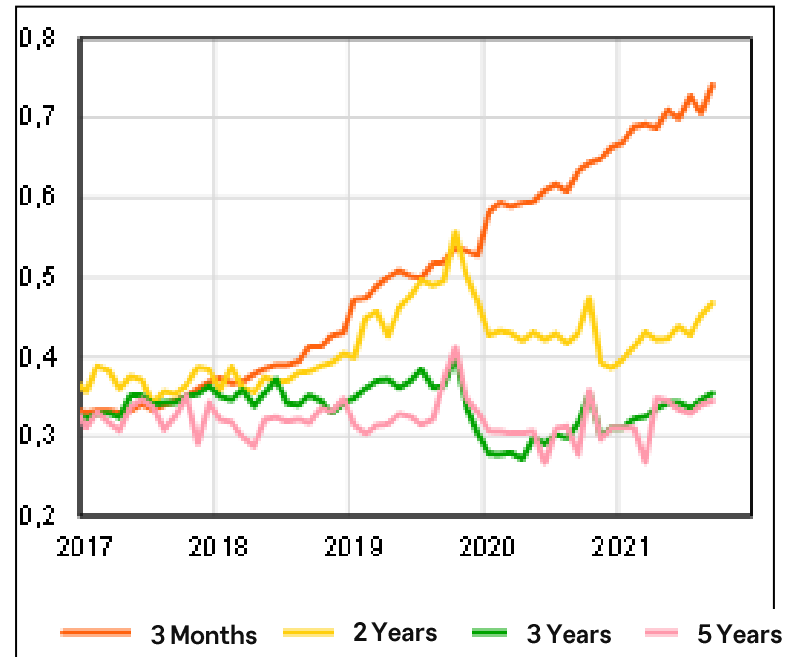


Price transparency – a market crossroad

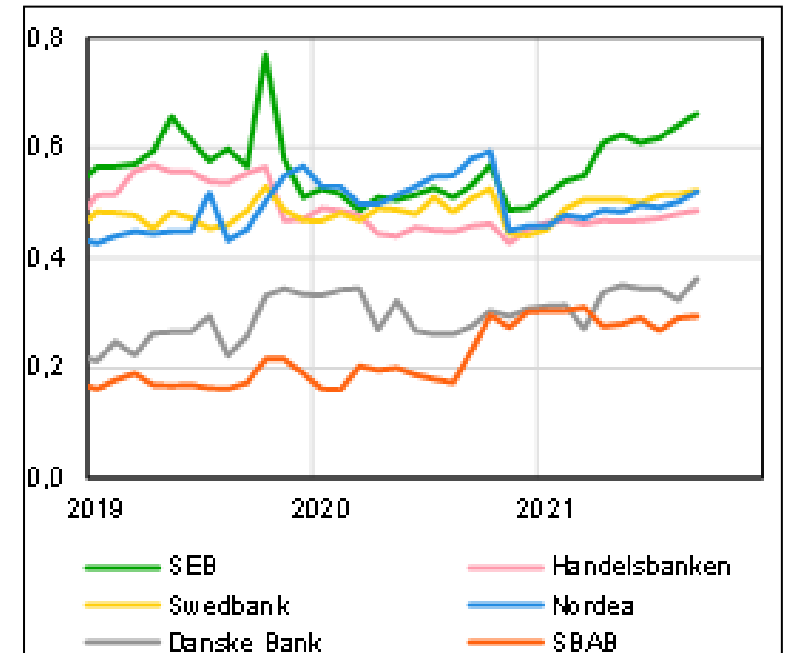
Difference between listed and average interest rates*



Difference between listed and average interest rates*



Difference between rates, per bank



- The trend since the aftermath of the financial crisis 2008 is clear; the difference between listed interest rates and average interest rates is increasing

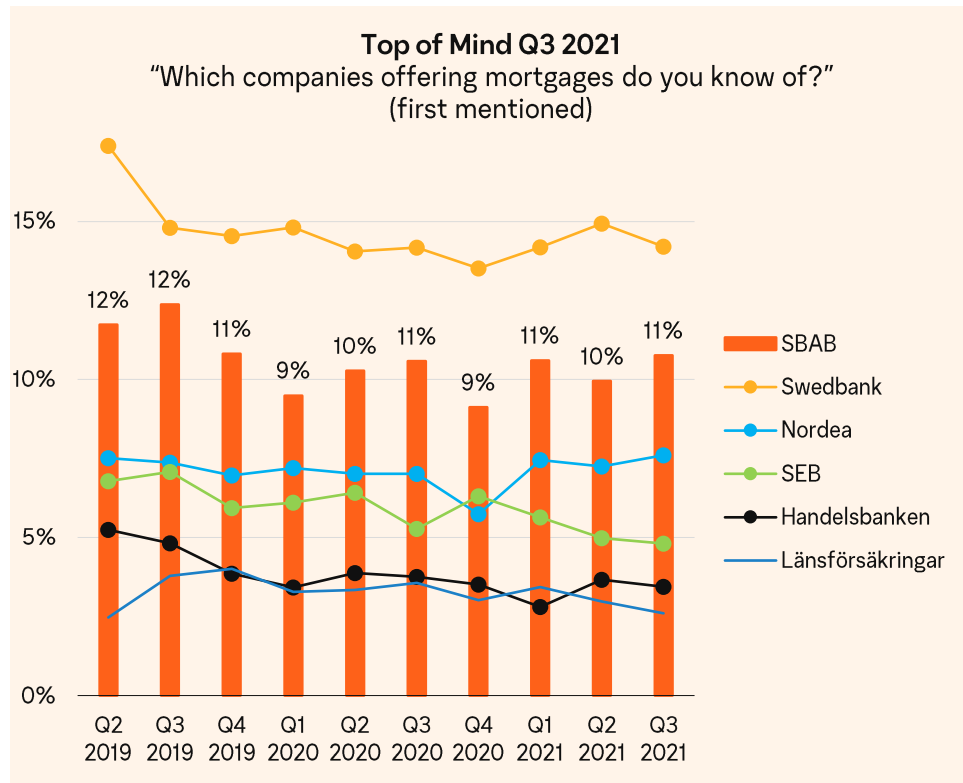
- The difference has grown mainly in the shorter terms, carried primarily in the variable interest rate (3M term)

- The four largest banks are the main culprits, while SBAB, Danske and new challengers like Stabelo, Hypoteket are sticking with a pricing strategy of transparency

Strong brand recognition

- Strong brand recognition (2nd in Sweden) supporting further growth

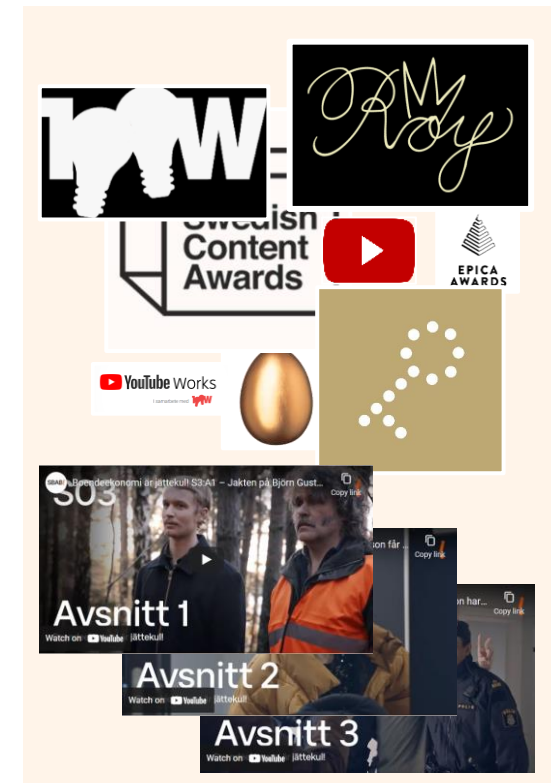
Strong brand recognition



Strong media presence



Award winning communication



Chapter 2

Financial performance



Financial Highlights

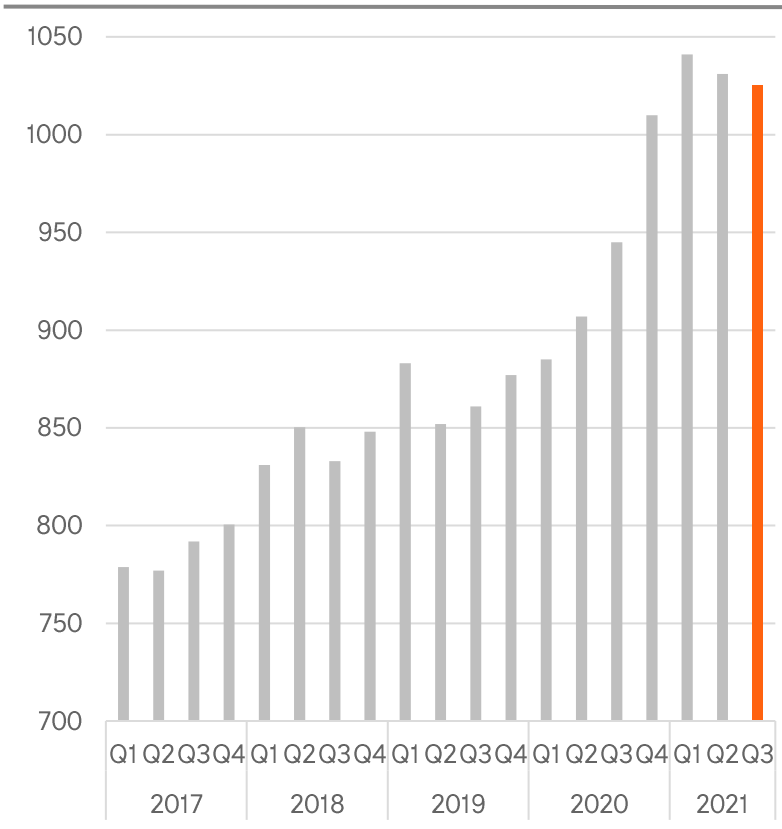
| SEK million | 2021 Q3 | 2021 Q2 | ▲ | 2021 Jan-Sep | 2020 Jan-Sep | ▲ |
|--------------------------------------|---------|---------|----------|--------------|--------------|----------|
| Total Lending, SEK bn | 451.3 | 441.7 | +2.2 % | 451.3 | 412.3 | +9.5 % |
| Total Deposits, SEK bn | 140.6 | 138.1 | +1.8 % | 140.6 | 133.9 | +5.0 % |
| Net Interest Income | 1,025 | 1,031 | -0.6 % | 3,097 | 2,737 | +13.2 % |
| Net Commission | 2 | 11 | -9 mnkr | 16 | -12 | +28 mnkr |
| Net result of financial transactions | -32 | -21 | -11 mnkr | -68 | -49 | -19 mnkr |
| Expenses | -351 | -366 | -4.1 % | -1,040 | -933 | +11.5 % |
| Net credit losses | 5 | -4 | +9 mnkr | 10 | -34 | +44 mnkr |
| Operating profit | 662 | 663 | -0.2 % | 2,053 | 1,742 | +17.9 % |
| C/I-tal, % | 34.8% | 35.5% | -0.7 pe | 33.7 % | 34.4 % | -0.07 pe |
| Return on Equity, % | 11.0% | 11.3% | -0.3 pe | 11.7 % | 10.8 % | +0.9 pe |
| Credit loss ratio, % | 0.00% | 0.00% | 0.0 pe | 0.00 % | -0.01 % | +0.01 pe |
| CET 1 capital ratio, % | 13.3% | 13.1% | +0.2 pe | 13.3 % | 12.7 % | +0.6 pe |



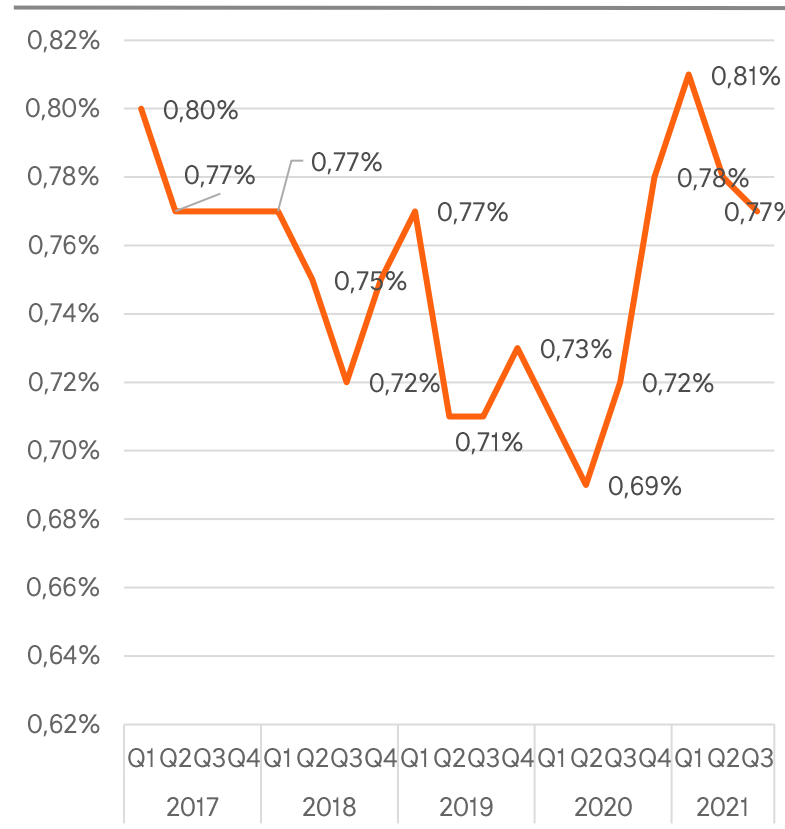
NII development

– Continued growth and stability. Recurring income dominates SBAB’s revenue stream

Net interest income QoQ (%)



Net interest margin QoQ (%)



Comments

- NII decreased primary driven by lower margins on mortgage lending
- Stable lending margins expected for corporate lending and lending to tenant-owners’ associations

NIM calculated as net interest income in relation to total assets

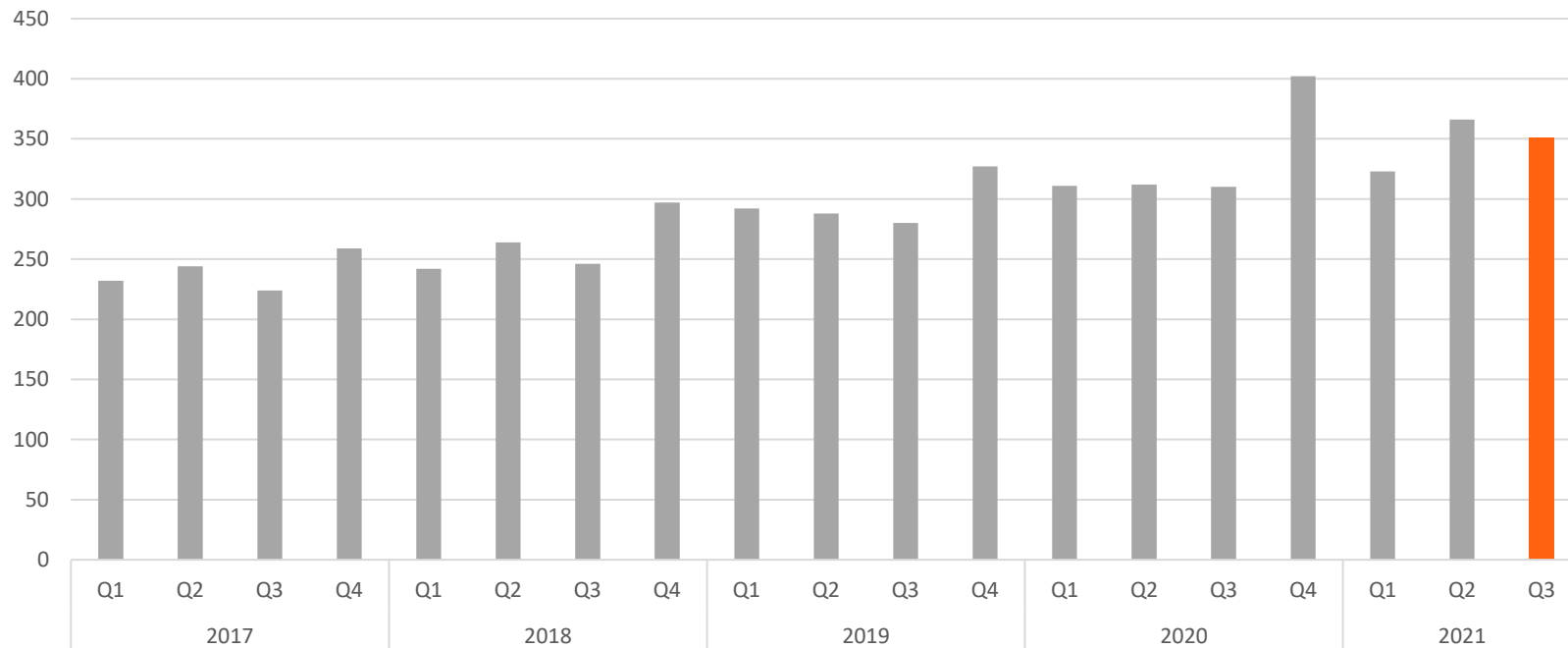


Cost management

– Increased investments for future competitiveness

Jan-Sep 2020 vs. Jan-Sep 2021:
+ 11.5%

Cost development QoQ (SEK mn)



YoY 2017/2018: **9%**

YoY 2018/2019: **13%**

YoY 2019/2020: **12%**

Comments

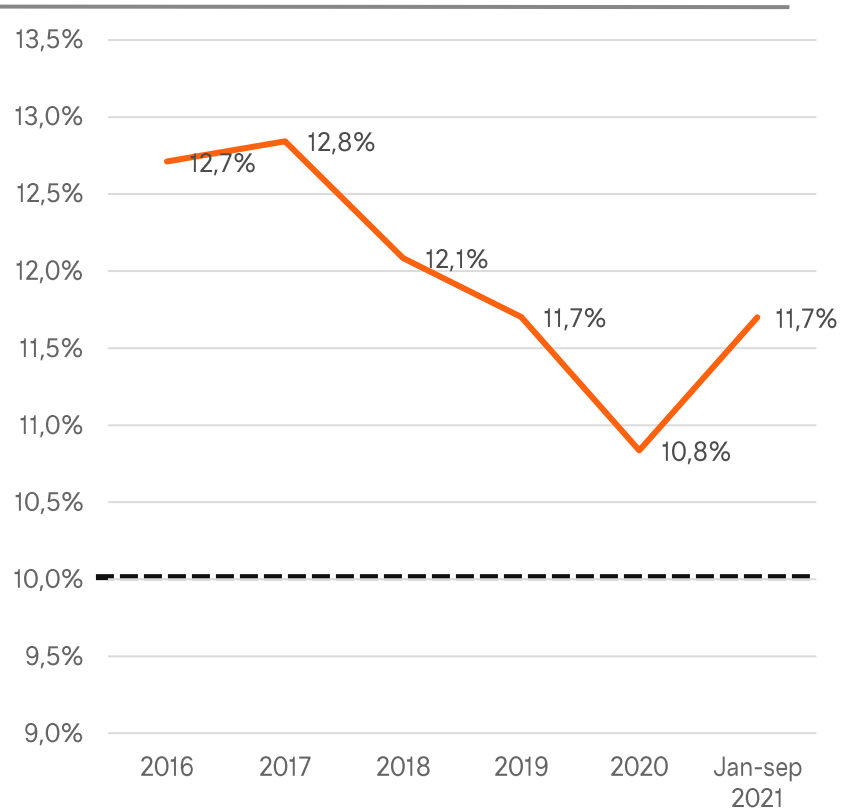
- Costs decreased in Q3 2021 compared to Q2 2020. However, the overall trend is increased costs mainly attributable to investments for future competitiveness:
 - Increased regulatory requirements
 - Replacement of IT-infrastructure (core banking platform)
 - Increased number of employees
Customer offering (incl. increased distribution power, customer service & customer experience)
 - Digitalisation



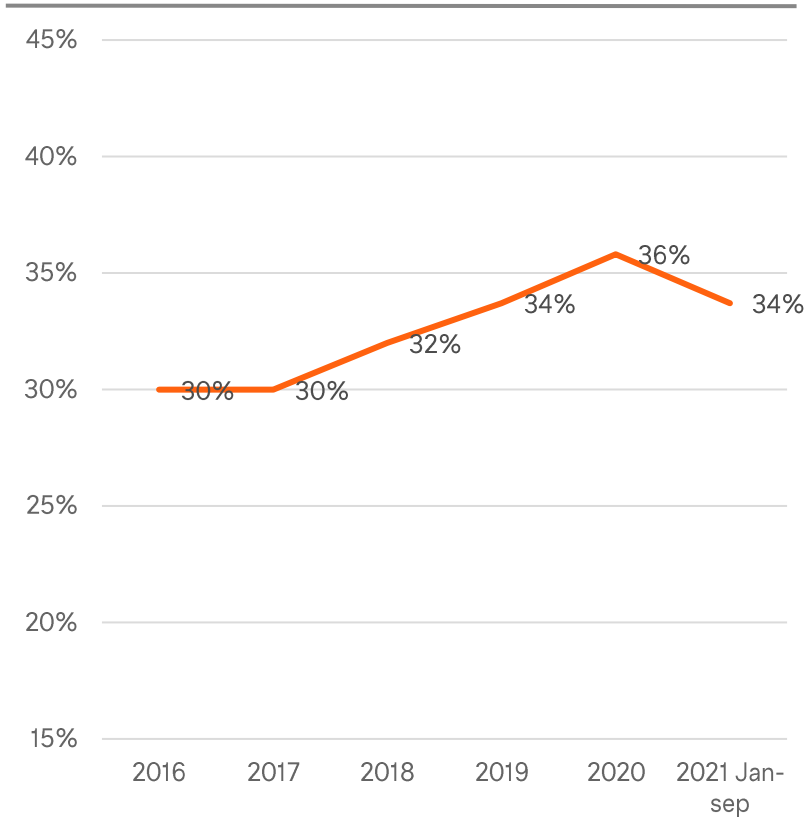
Financial KPIs

- Continued high-cost efficiency & competitive returns given SBAB's low risk business

Return on equity*, %



C/I-ratio, %



Comments

- Strong underlying profitability (above profitability target of RoE > 10% last 5 years). Increased equity due to retained earnings 2019 and 2020 have also impacted RoE
- Highly competitive cost efficiency, although increased investments (according to plan) has impacted C/I ratio

* From 31 March 2017, return on equity calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 securities, value changes in financial assets recognized in equity. Opening balances have been adjusted for distributed dividend the year before. Comparative figures before 2017 have been recalculated according to new calculation method.



Lending mix

SBAB!

| | SEK bn | % |
|---|--------------|-------|
| Residential mortgages | 327.7 | 72.6% |
| Consumer loans | 2.4 | 0.5% |
| Corporate lending | 63.0 | 14.0% |
| - Of which, commercial lending | 2.2 | 0.5% |
| - Of which, construction loans ("kreditiv") | 9.6 | 2.1% |
| Tenant-owners' associations | 58.2 | 12.9% |
| Total lending | 451.3 | |

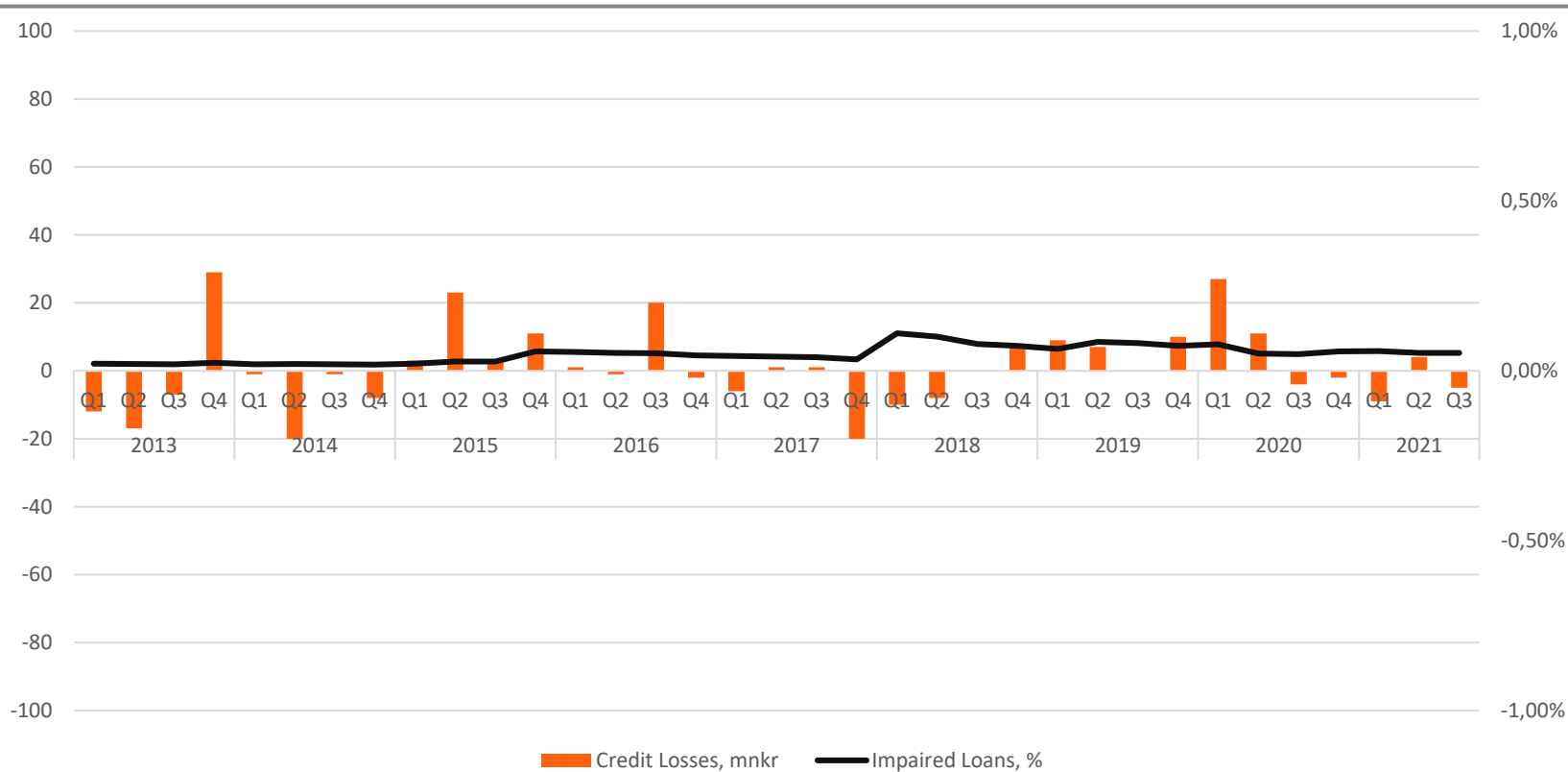
LTV ratios in loan book



Superior asset quality

- High concentration on Swedish residential mortgages - very low loan losses/problem loans over time

Credit losses (LHS) & Impaired loans (RHS)



Key metrics Q3 2021

Credit losses

5 million

Credit loss ratio

0.00%

Share of Stage 3 loans, gross

0.05%



Chapter 3

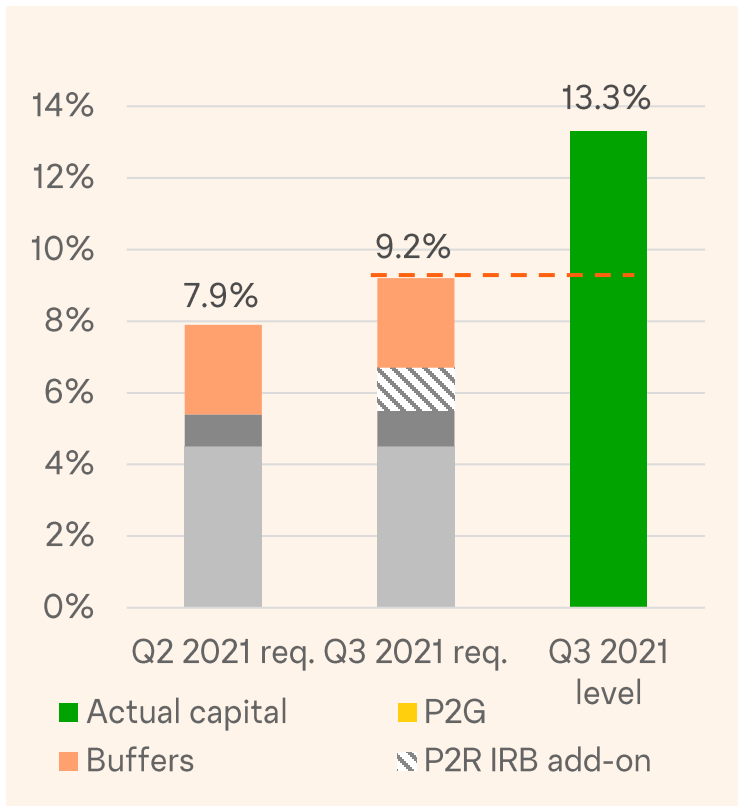
Capital & funding



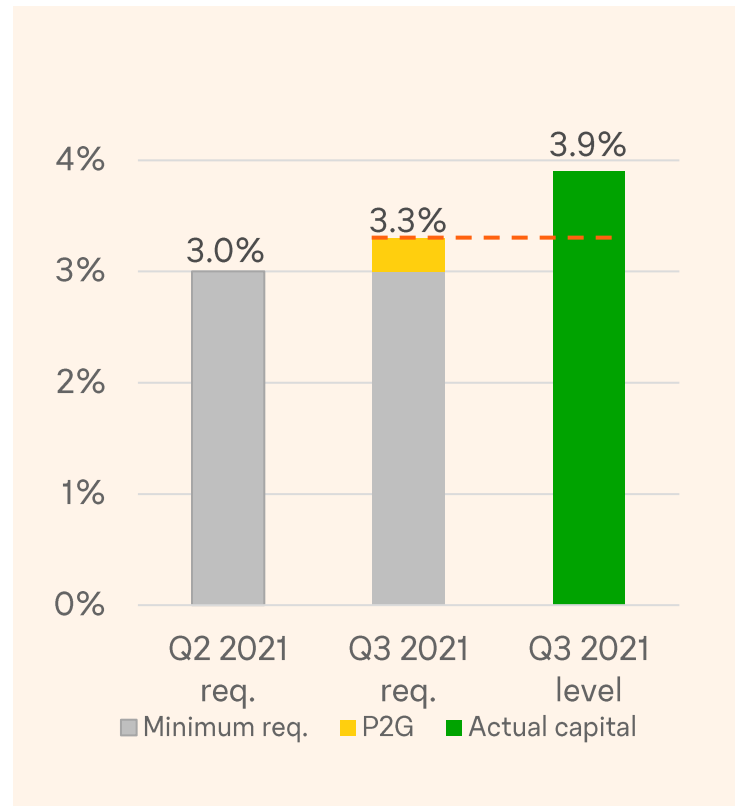
SFSA SREP 2021

- Continued strong capital buffers: SBAB well above external requirements

CET 1 capital ratio, %



Leverage ratio (LR), %



Comments

- Based on this year's SREP, the total CET1 requirement amounts to 9.2%, providing a continued satisfactory margin in relation to the external capital requirement (13.3%) and internal capital target (13.9%)
- The risk-based capital requirement under Pillar 2 includes a capital requirement for deficiencies within internal models – SBAB:s updated IRB models, following approval from the SFSA, is expected to address the identified deficiencies and lead to a decreased Pillar 2 requirement
- Pillar 2 guidance for SBAB has been set at 0% (risk-weighted) and 0.30% (LR), and once again underscore SBAB's stable business model and the low underlying risk within its operations



SBAB Group funding

– High funding activity compared to forecast

Funding summary Jan – Sept 2021

- **High funding activity YTD with around SEK 90 bn being raised**
- **Total long-term funding forecast revised upward from around 80 to SEK 95 bn**
 - Lending growth surpassing deposit inflow
- **Funding activities in line with plan and current strategy**
 - ✓ Utilization of domestic covered bond market with two new bonds being introduced (6.5 & 11.5Y)
 - ✓ Successful Issuance of AT1 capital of SEK 2.3 in SEK market
 - Called AT1 transaction of SEK 1.5 bn in June
 - ✓ Covered bond transaction of EUR 1 bn (8.75Y)
 - ✓ **Green** senior preferred transaction of EUR 500M (5.25Y)
 - ✓ Tap issues, including PP:s, amounting to over 200 individual transactions

Key metrics

Liquidity portfolio

75_{bn}

LCR

221%

NSFR

134%

Survival horizon

341_{days}



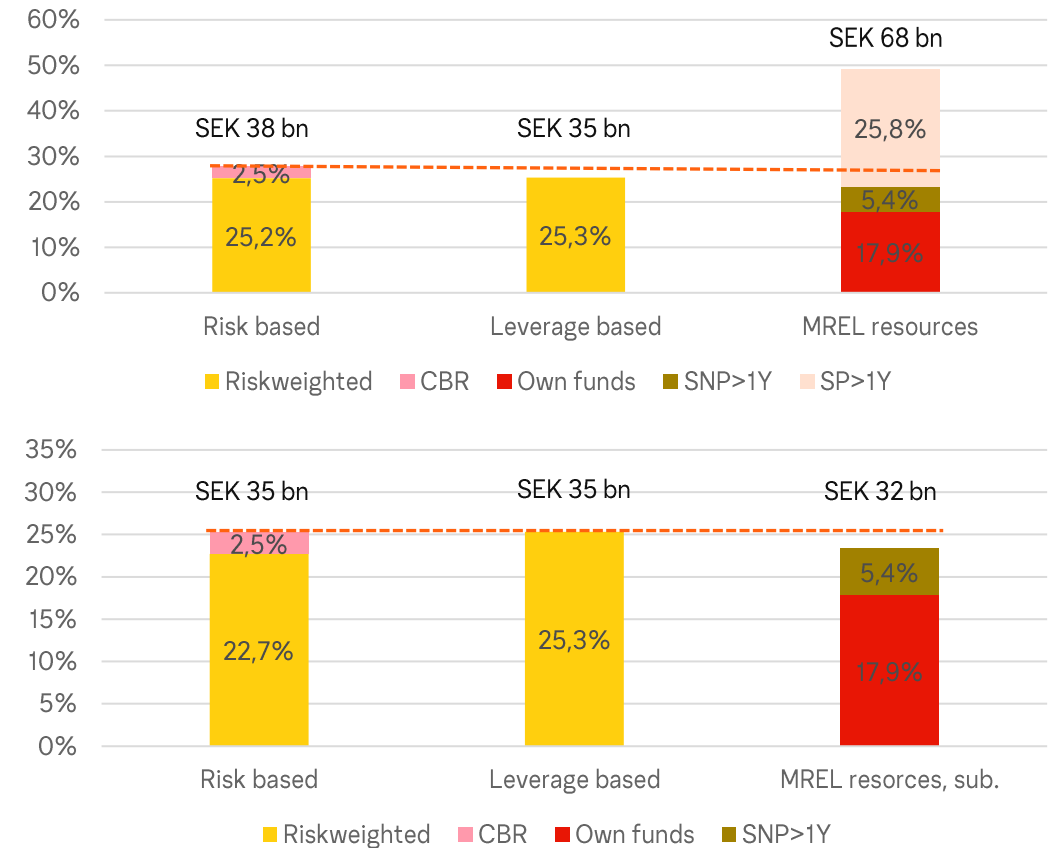
MREL-requirement

– Regulatory change under BRRD2

Background

- MREL requirements based on policy published by SNDO will be phased in with full compliance on 1st of January 2024
- SBAB's current need for SNP around SEK 10 bn (7.5 bn issued up until Q3 2021) with full implementation
- Balance sheet growth, maturity profile and buffer will add to SNP need
 - Estimated need for outstanding SNP by end 2023 around SEK 18-20 bn
 - Gradual build up during 2022 and 2023

MREL and subordination requirement in January 2024 (assumptions done with Q3 2021 figures, % of TREA)



Funding, liquidity & capital

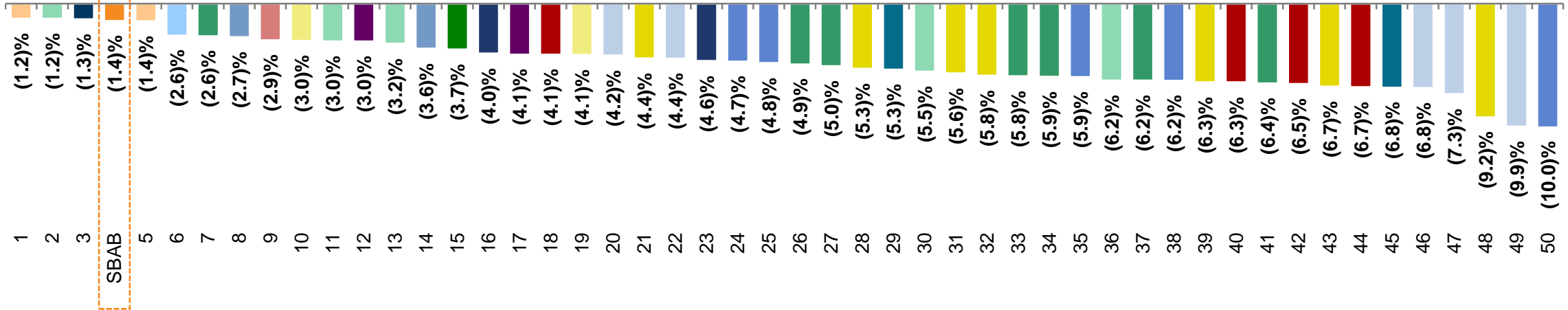
¹MCC=Market Confidence Charge and consists of: CBR – CcyB + P2G. For the riskbased approach capital used to meet CBR cannot be double counted.



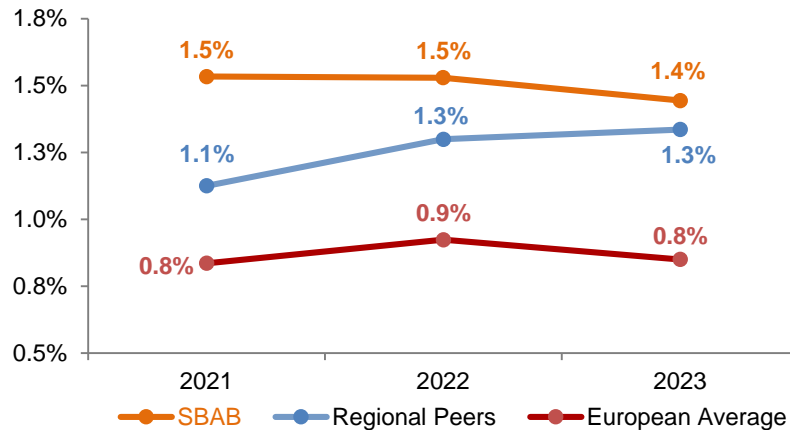
EBA Stress Test Results Overview

Best in Class Capital Resilience Under Severe Macro Assumptions & Superior CET1 Generation in Baseline as well as Adverse Scenarios

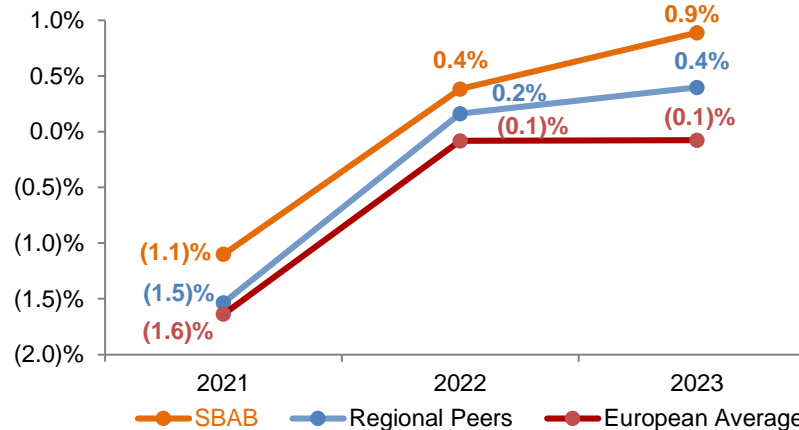
Best in Class Capital Resilience in the Adverse Stress Test Scenario



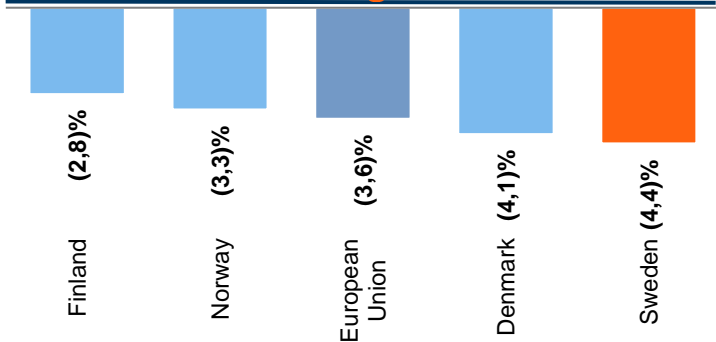
Baseline CET1 Generation



Adverse CET1 Generation



Cumulative GDP Change (Adverse Scenario)



Thank you!



SBAB!

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