

SBAB!

Results Presentation

Mikael Inglander, CEO

25 April 2024

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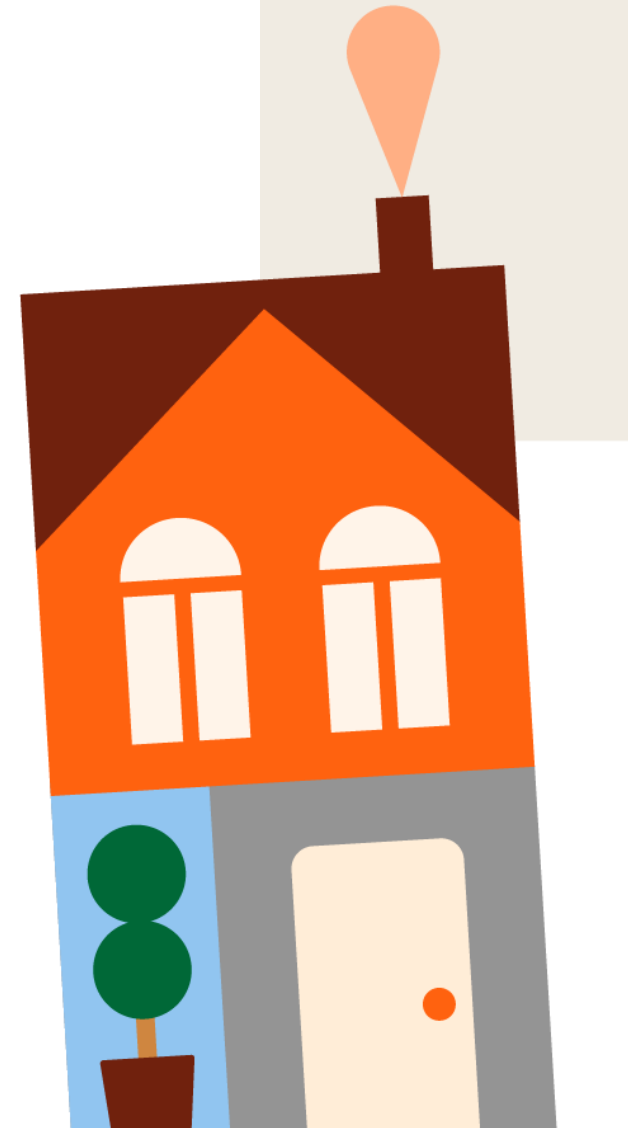
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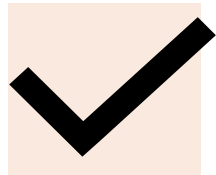
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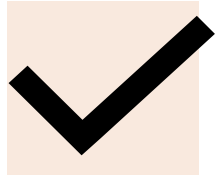
Highlights Q1 2024 results



Results and RoE boosted by strong NII development



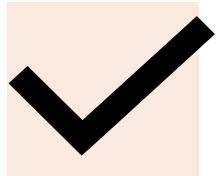
- Strong NII development attributable to increased share of deposits in funding mix & healthy deposit margins. Development partly offset by the low mortgage margins



Exceptionally strong deposit inflow



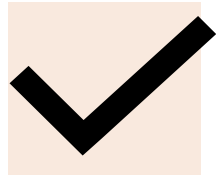
- Exceptional growth in deposit volumes (+22% YoY) attributable to competitive pricing and efficient marketing



Strong asset quality and low credit losses



- Strong resilience towards recent economic downturn (credit loss level of 2 bps and share of stage 3 loans at 16 bps)



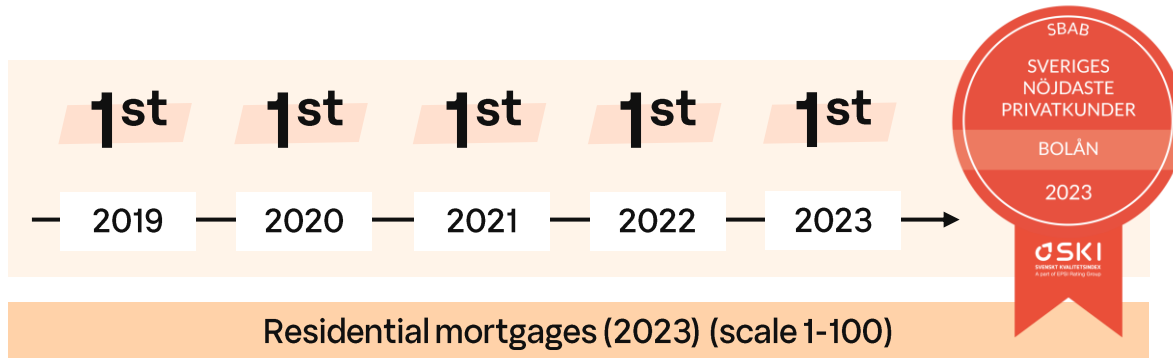
Continued focus on sustainability



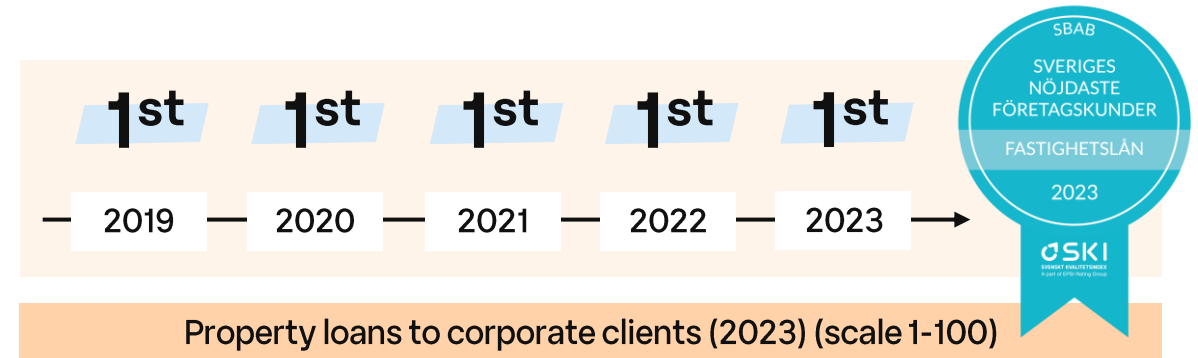
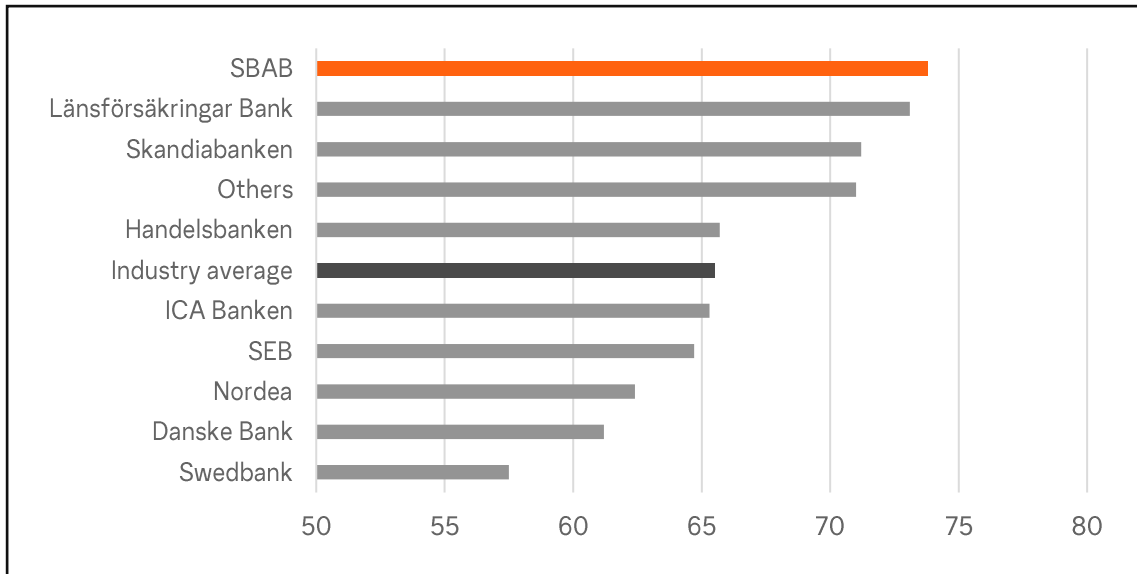
- Publishing of updated framework for issuance of green bonds ("SBAB Group Green Bond Framework 2024) & launch of new green retail product offering ("the Kilowatt loan")



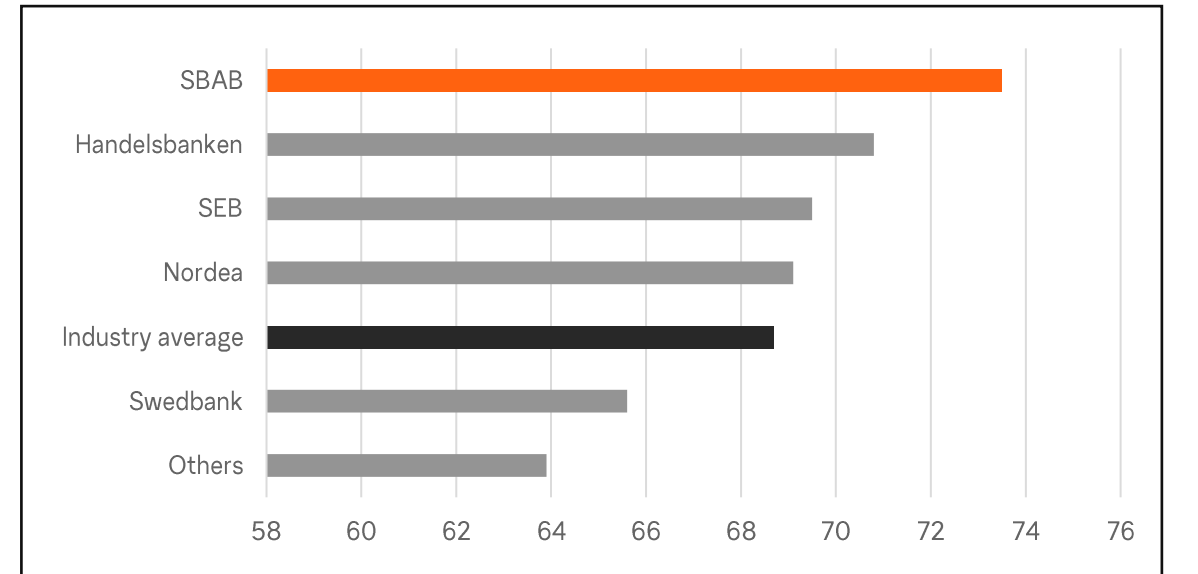
Most satisfied customers in Sweden



Residential mortgages (2023) (scale 1-100)



Property loans to corporate clients (2023) (scale 1-100)



Our targets

Financial targets from the owner

Profitability	≥10%
Return on equity over time	
Capitalisation	>0.6%
CET1 capital ratio and total capital ratio above regulatory requirement communicated by the Swedish FSA *	
Dividend	≥40%
Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	

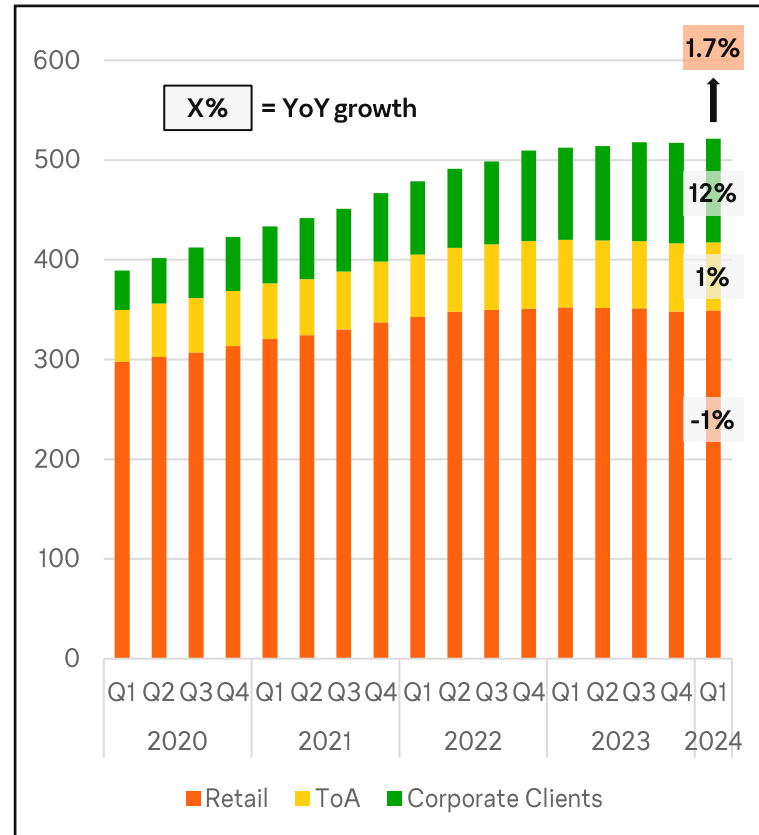
Long-term strategic targets

Target area	Target 2030
Long-term Value Creation	• Return on Equity: ≥10%
Sustainable Society	• Emission Reduction: -30% (-50% to 2038)
Customer Satisfaction	• Market Share Residential Mortgages: 10% • Market Share Corporates: 20% • Market Share Tenant-Owners' Associations: 15%
Efficient Operations	• Cost/Income Ratio: <30%
Attractive Workplace	• Commitment: ≥4 (on a scale of 1-5)

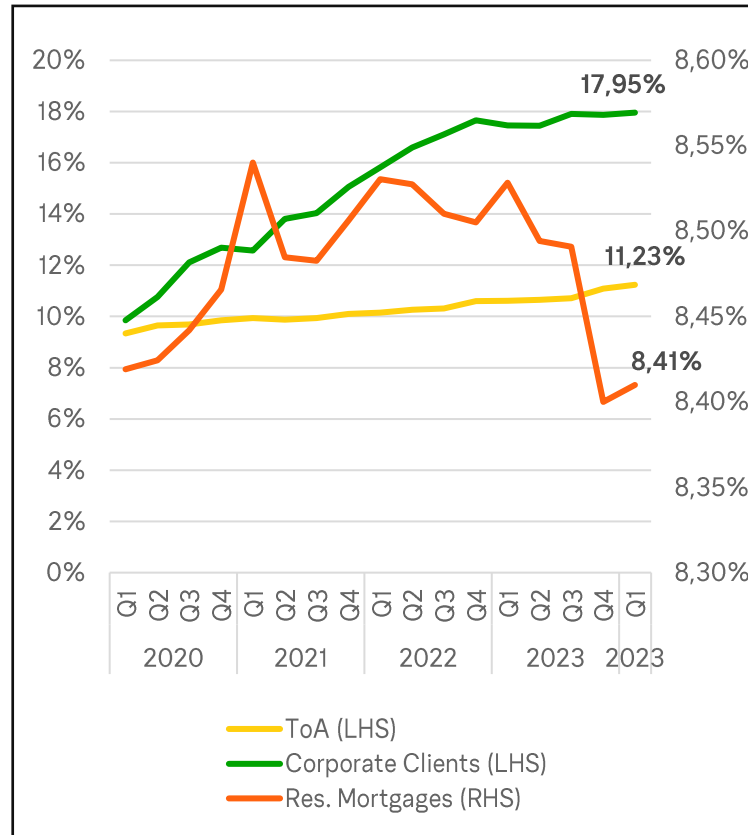


Overview lending development

Lending (SEK bn)



Market shares (%)



Comments

- Total lending stood at 521.3 bn at the end of Q1 2024, up 1.7% YoY
- Slow-down in housing market has resulted in a decrease in credit market growth for residential mortgages
- Bank financing is expected to partly replace maturing wholesale funding in the RRE segment going forward, supporting lending growth in the sector
- SBAB continues to do well despite challenging market conditions & gaining market share across all segments if excluding divestment of mortgage portfolio (SEK 5.2 bn) during Q2 2023 related to previous distribution partnership



Mortgage pricing

– Small differences in mortgage rates between market participants & continued pressure on margins

Risk-based and transparent pricing model

- Our mortgage rates are based on the current list interest rates for the respective fixed interest period, which are published on sbab.se. The customer's specific interest rate is presented as a deviation from the list rate. The deviation is based on the LTV ratio, i.e. the proportion of the mortgage in relation to the market value of the home, the home's energy class and the size of the mortgage
- Lower risk = better price
- No negotiation & no time-limited discounts
- Focus on transparent pricing with low differences between list rates and actual mortgage rates
- The share of SBAB's mortgage lending with a three-month fixed-interest period amounted to 78.7% at the end of Q1 2024

List rate



Discount

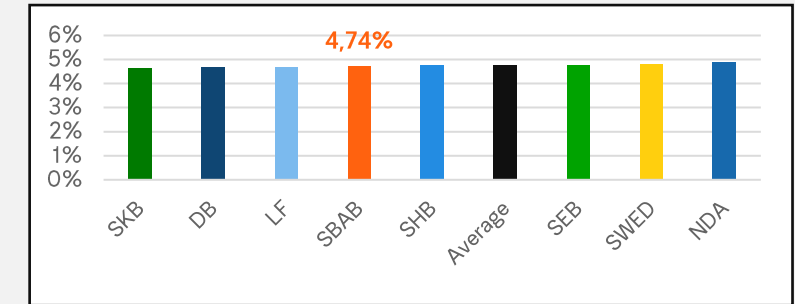
(LTV)

(Size of loan)
(Energy class)

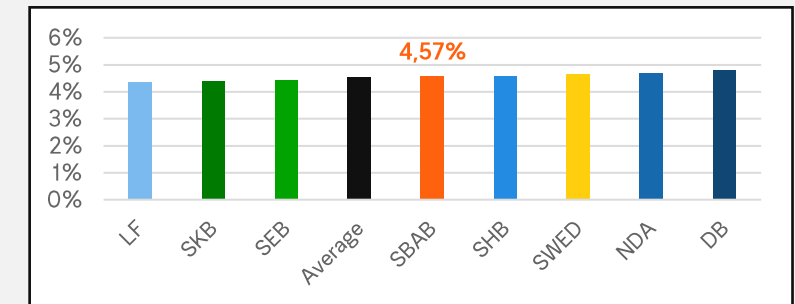


Actual rate

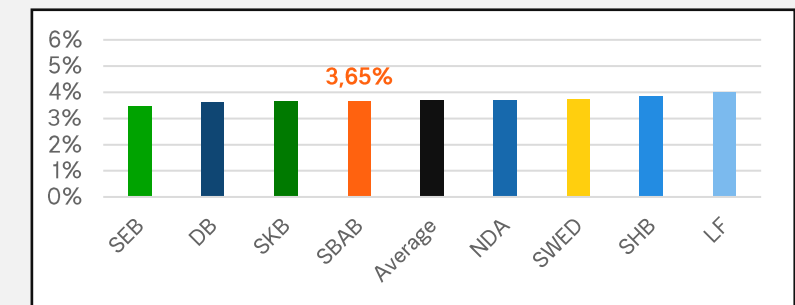
Average mortgage rates(variable 3M) (Mar 2024)



Average mortgage rates (1Y) (Mar 2024)

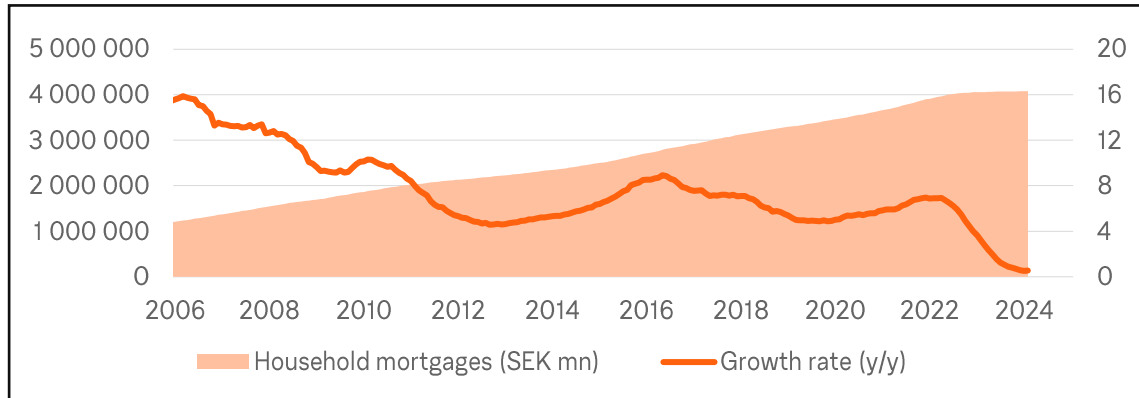


Average mortgage rates (5Y) (Mar 2024)

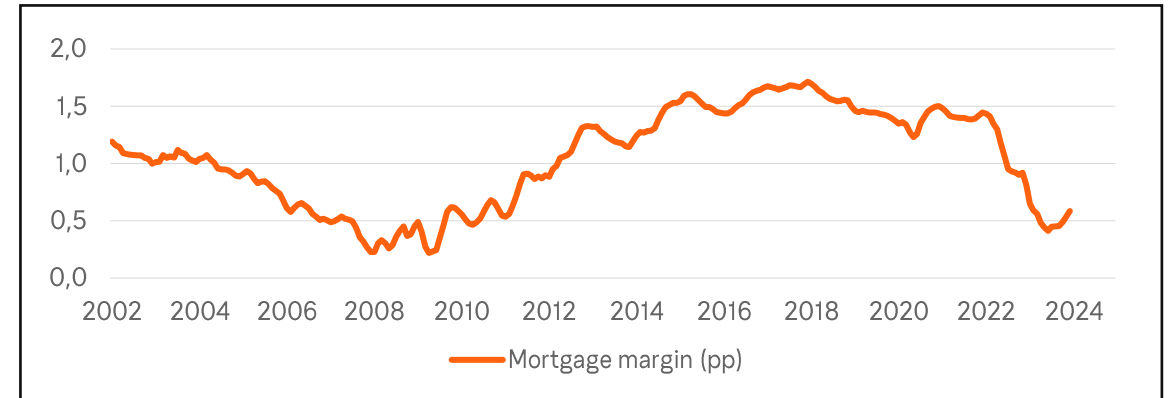


Mortgage market dynamics

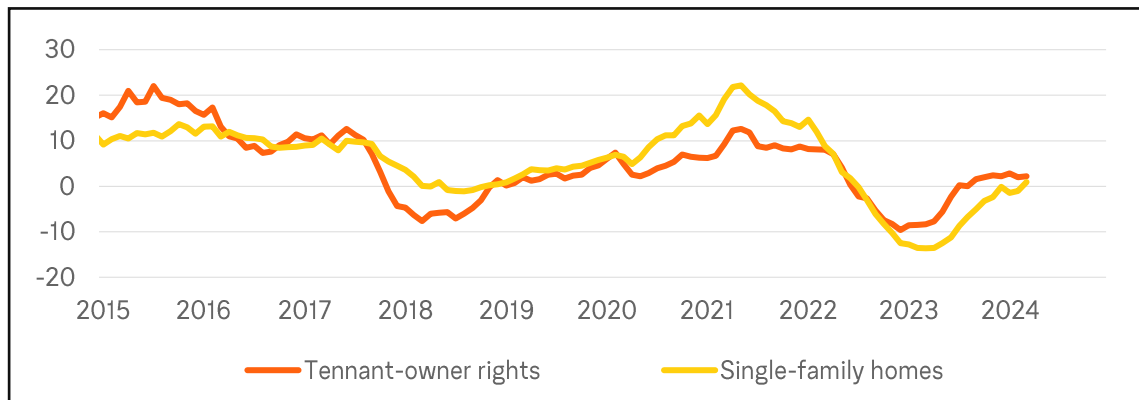
Swedish household lending (MFI) (Feb 2024)



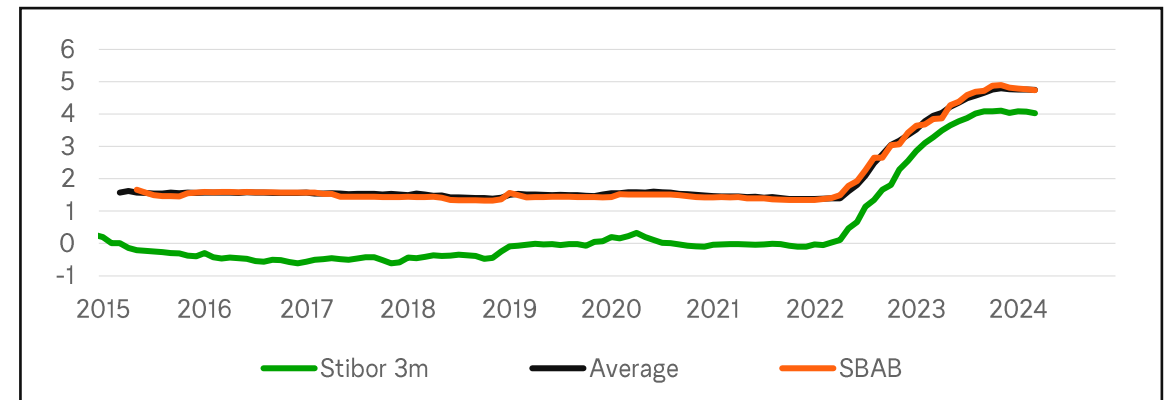
Gross margins on Swedish household mortgages (S-FSA) (Q4 2023)



Swedish housing price growth rate (y/y) (Mar 2024)

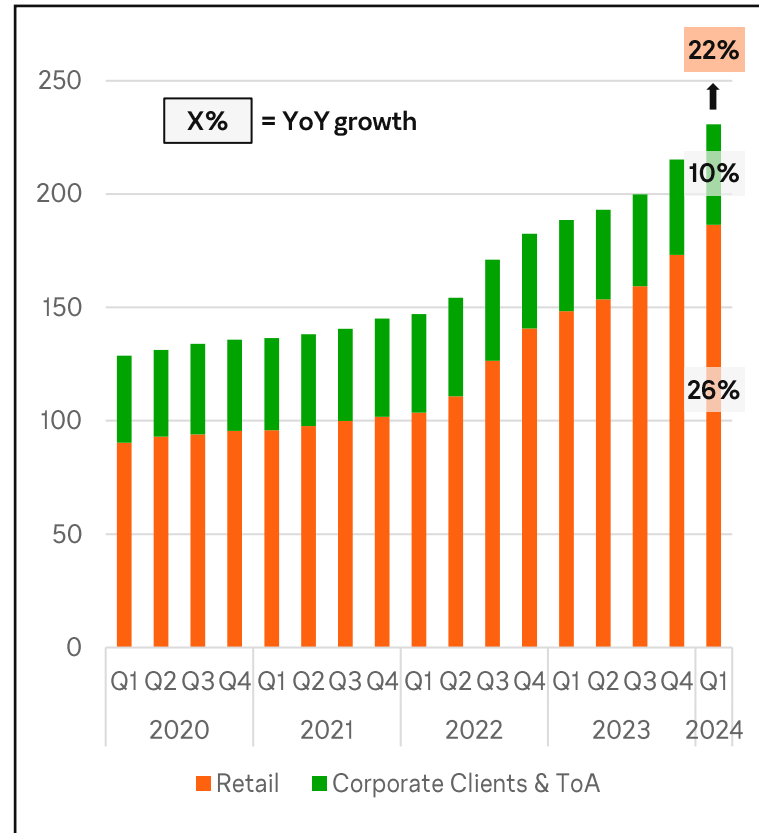


Development of actual 3M mortgage rate (Mar 2024)

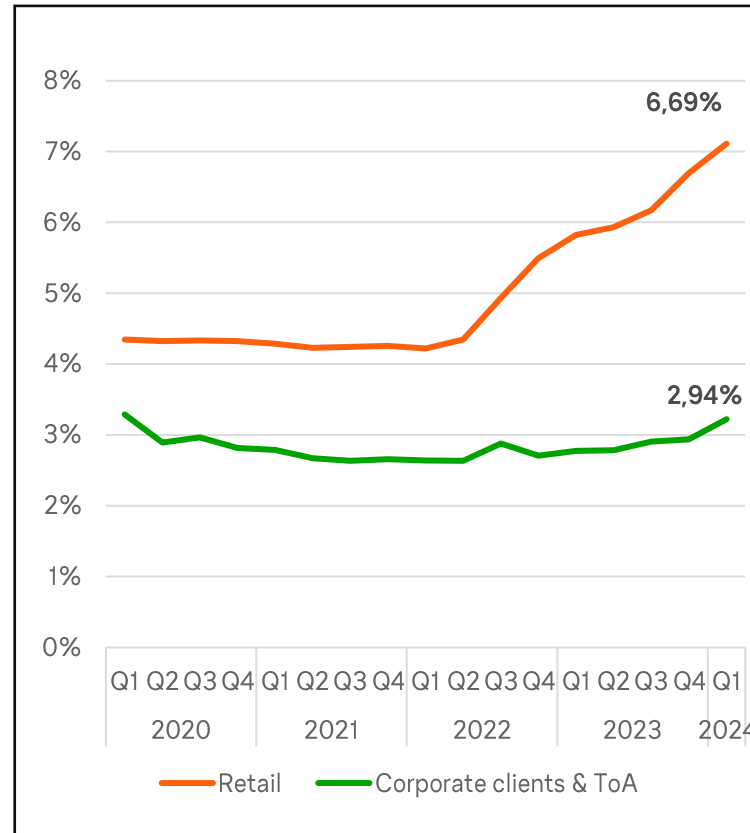


Overview deposit development

Deposits (SEK bn)



Market shares (%)



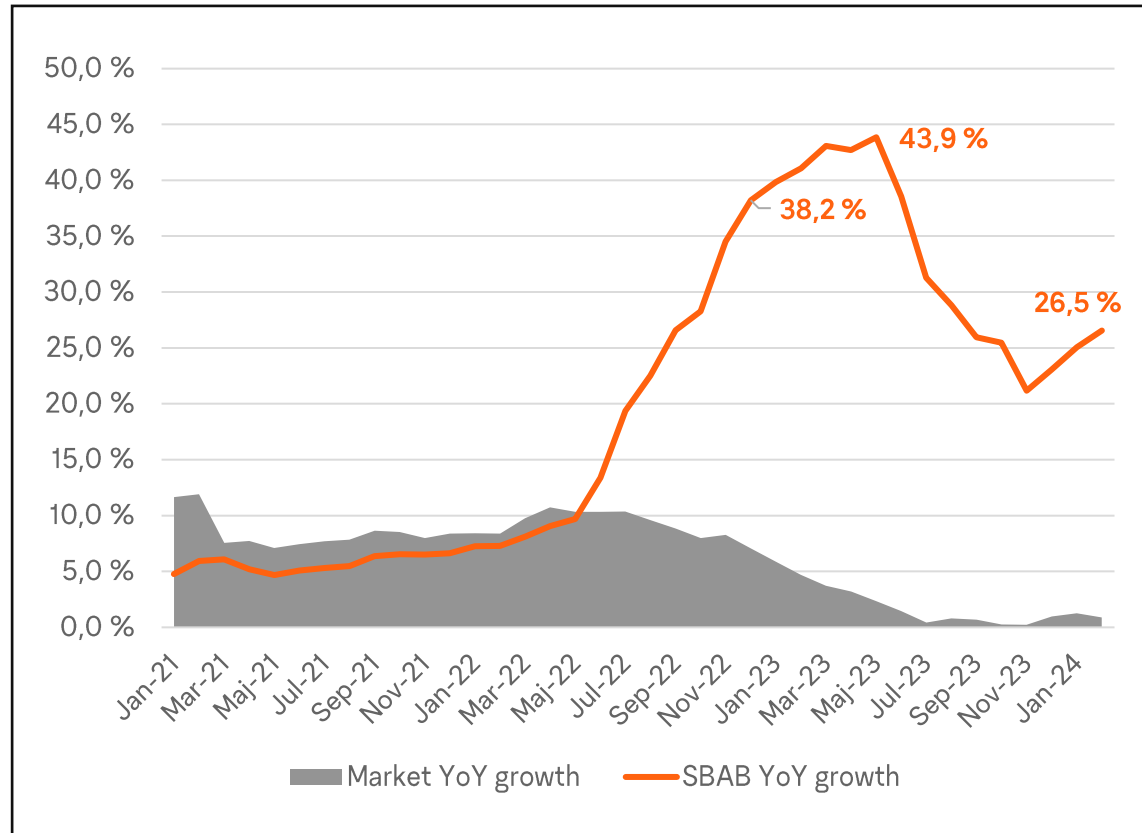
Comments

- Strong growth in 2022, 2023 and Q1 2024 following regained strategic focus on growing share of deposits in funding mix. Total deposits stood at SEK 230.7 bn at Q1 2024, up 22.0% YoY
- Success attributable to competitive pricing, simple terms and conditions and efficient marketing
- Product development – fixed-term deposits launched for Retail customers in Q4 2023
- Deposit-to-loan ratio has increased to 44.3% at Q1 2024 vs. 36.8% at Q1 2023
- ~70% of total deposits under Swedish deposit guarantee scheme

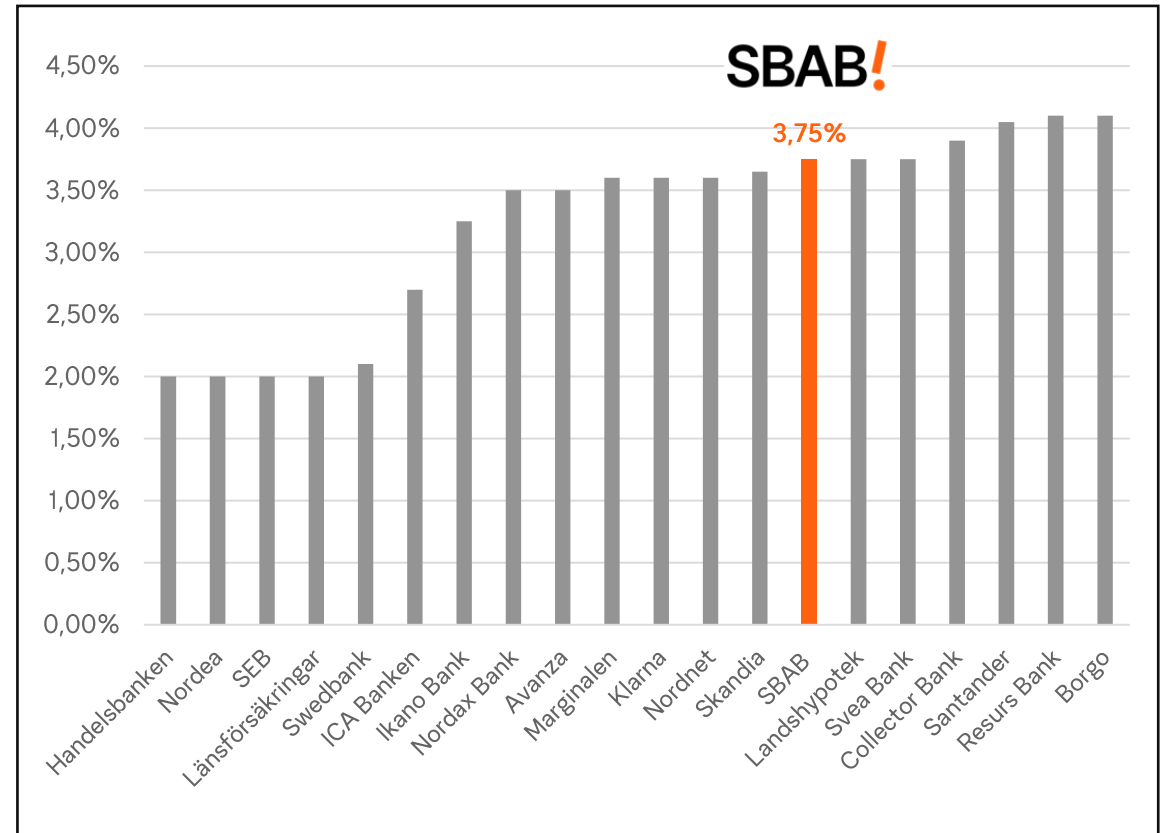


The deposit landscape

SBAB growth vs. market (Retail)



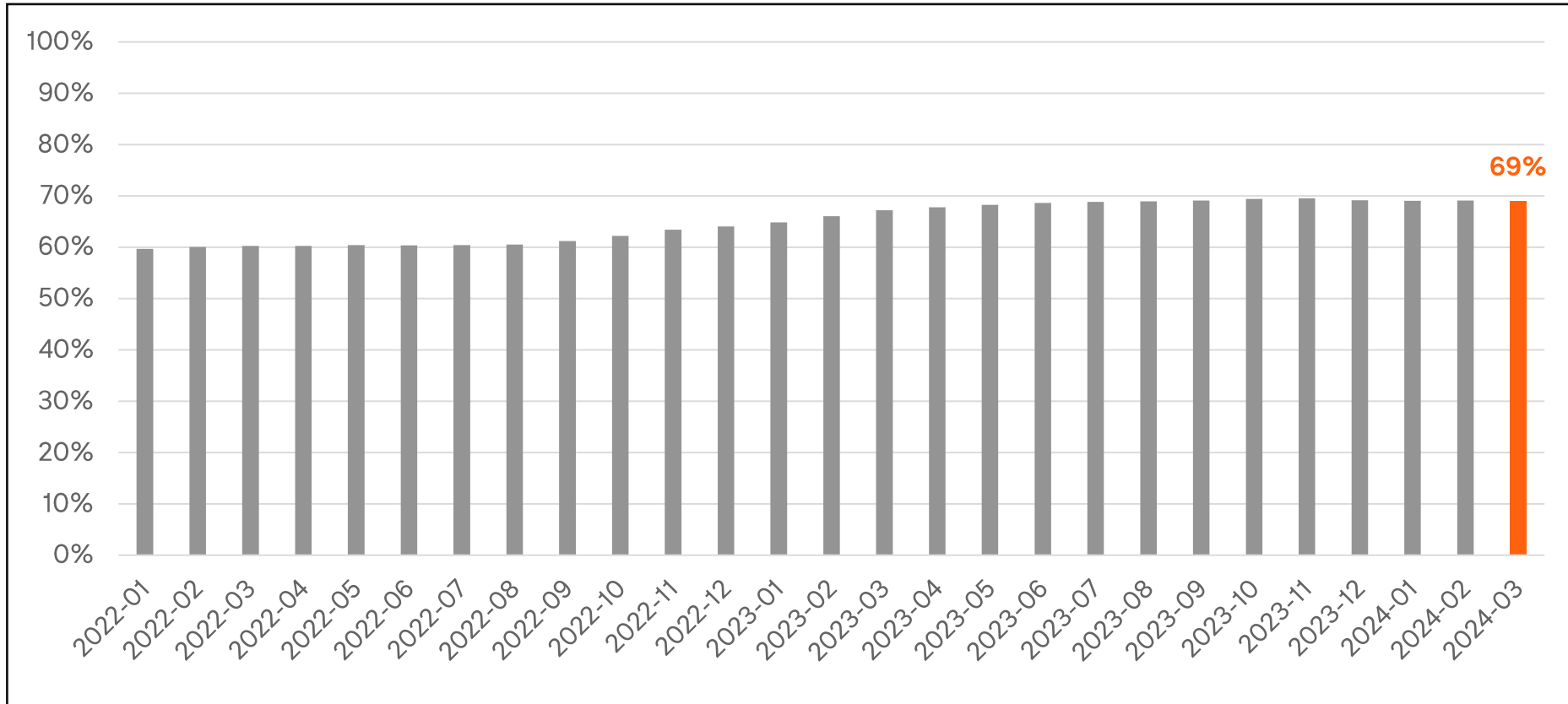
Retail pricing (Mar 2024)



Deposit base composition

– Well diversified, granular and stable deposit base

Development of guaranteed deposits (Mar 2024)



69%

Guaranteed deposits
Total

24%

Guaranteed deposits
Tenant-owners' Assoc.

80%

Guaranteed deposits
Retail






Overview of sustainability

Ambitious (science-based) long-term climate target

Target towards 2038 to reduce emission intensity (kg CO_{2e})

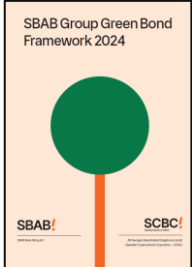
-50%

Signatory to Principles for Responsible Banking	
Signatory to Partnership for Carbon Accounting Financials (PCAF)	
Signatory to UN Global Compact, Communication on Progress (COP)	

Recurrent Green Bond issuer

Green bonds (YE 2023)






SEK ~42 bn




Launch of new framework in April 2024

(SBAB Group Green Bond Framework 2024)


Green lending products

<div style="display: flex; align-items: center; margin-bottom: 10px;">  <div style="margin-left: 10px;"> <p>Green residential mortgages (SEK ~44.1bn)</p> </div> </div>	<div style="display: flex; align-items: center; margin-bottom: 10px;">  <div style="margin-left: 10px;"> <p>Green investment loans to ToA and corporates (SEK ~148 mn)</p> </div> </div>
<div style="display: flex; align-items: center; margin-bottom: 10px;">  <div style="margin-left: 10px;"> <p>The Kilowatt Loan (Sw "Kilowattlånet")</p> </div> </div>	<div style="display: flex; align-items: center; margin-bottom: 10px;">  <div style="margin-left: 10px;"> <p>Sustainability-linked loans to corporate clients</p> </div> </div>
<div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>The Energy Loan (Sw "Energilånet")</p> </div> </div>	

Strong sustainability ratings



Negligible (0-10)	Low (10-20)	Medium (20-30)	High (30-40)	Severe (40+)
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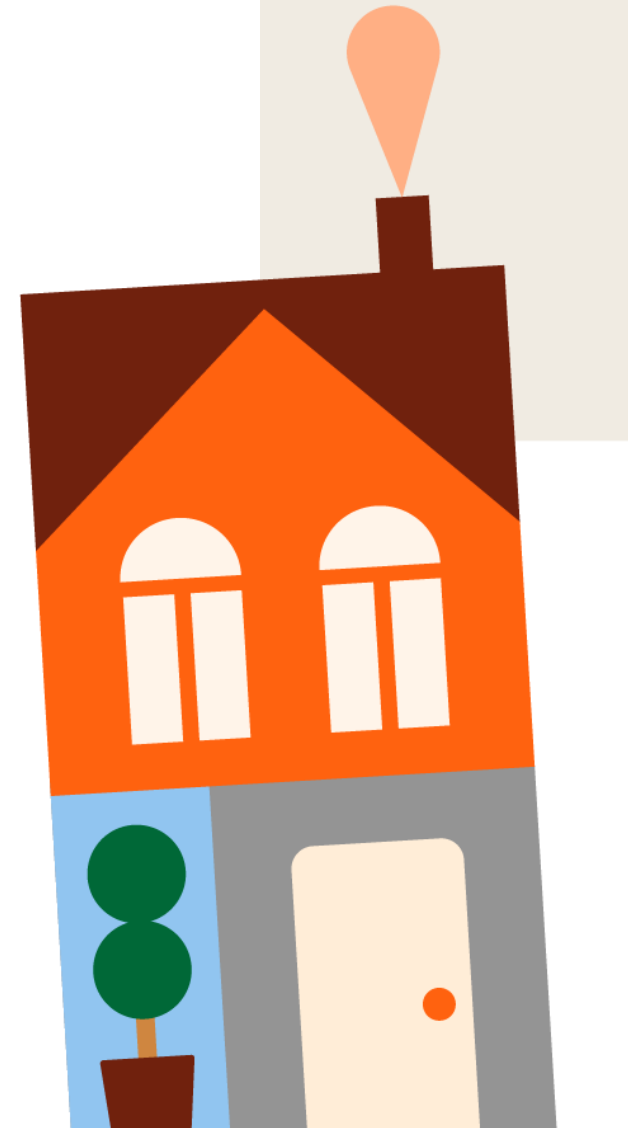


CCC	B	BB	BBB	A	AA	AAA
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Lending mix

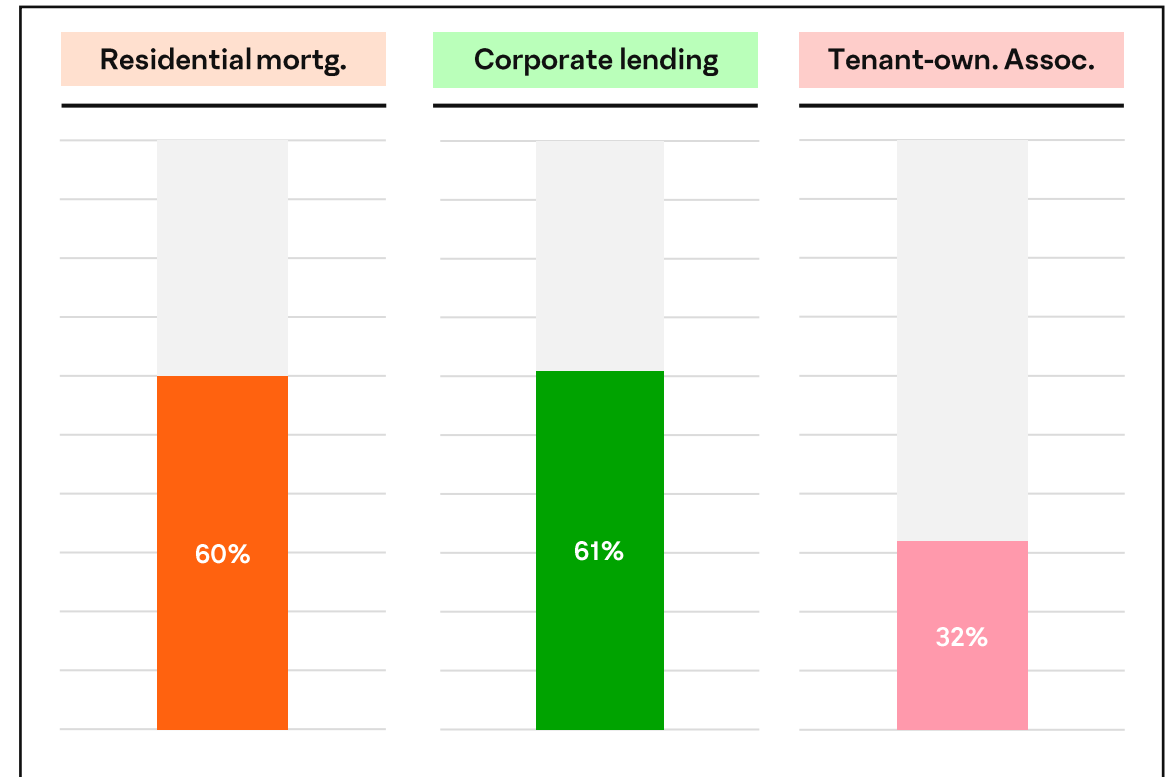
Lending composition

	SEK billion	% of lending	Average LTV
Residential mortgages	347.5	66.7%	60%
Consumer loans	1.7	0.3%	
Property companies	103.7	19.9%	61%
– (Of which, commercial lending)	(12.0)	(2.3% ¹⁾)	
– (Of which, construction loans)	(11.2)	(2.1%)	
Tenant-Owners' Associations	68.4	13.1%	32%
Total lending	521.3	100%	

>99% related to residential property

1) Revised internal definition of commercial lending during Q3 2022 (the corresponding figure for Q2 2022 was 0.3%)

LTV ratios in loan book

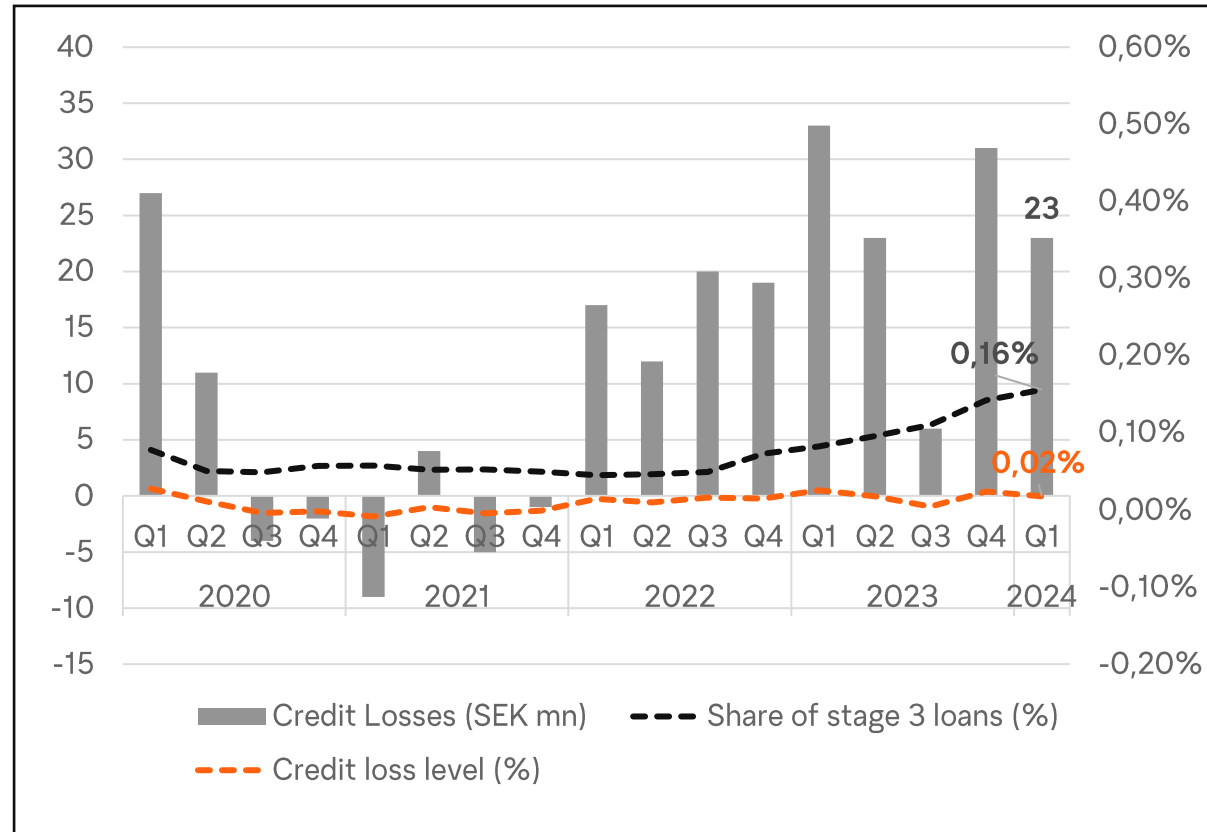


Very strong asset quality over time...

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

Credit losses & Share of stage 3 loans and Credit loss level (% , RHS)

- Low-risk loan portfolio focused on collateralised residential lending in Sweden
- Prudent underwriting criteria
- Proven track record over time & strong resilience towards recent economic downturn



-23 MSEK

Credit losses
Q1 2024

-2 MSEK

Confirmed credit losses
Q1 2024

0.02%

Credit loss ratio
Q1 2024

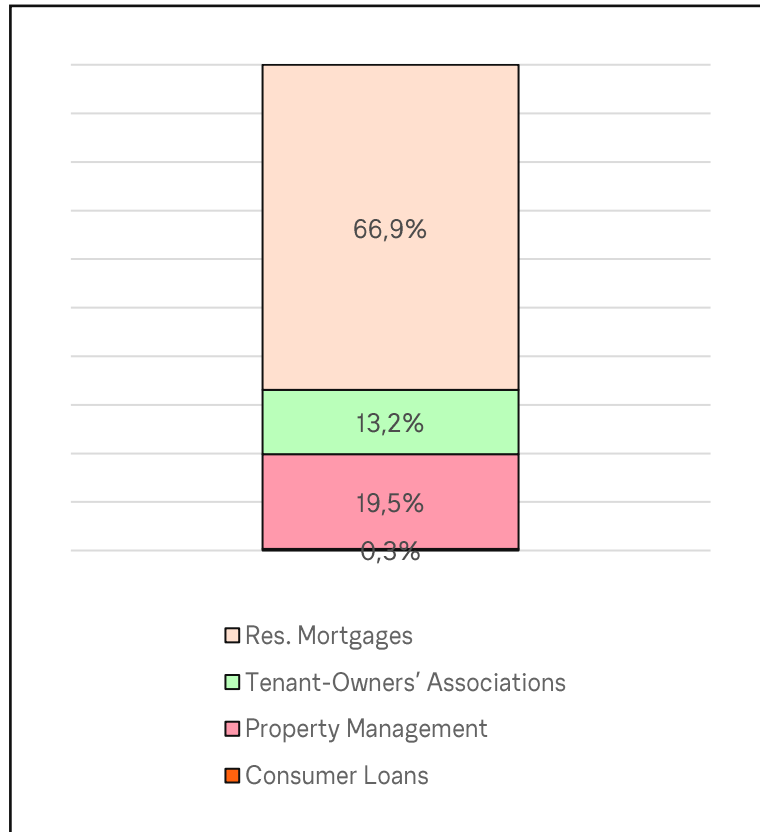
0.16%

Share of stage 3 loans
31 Mar 2024

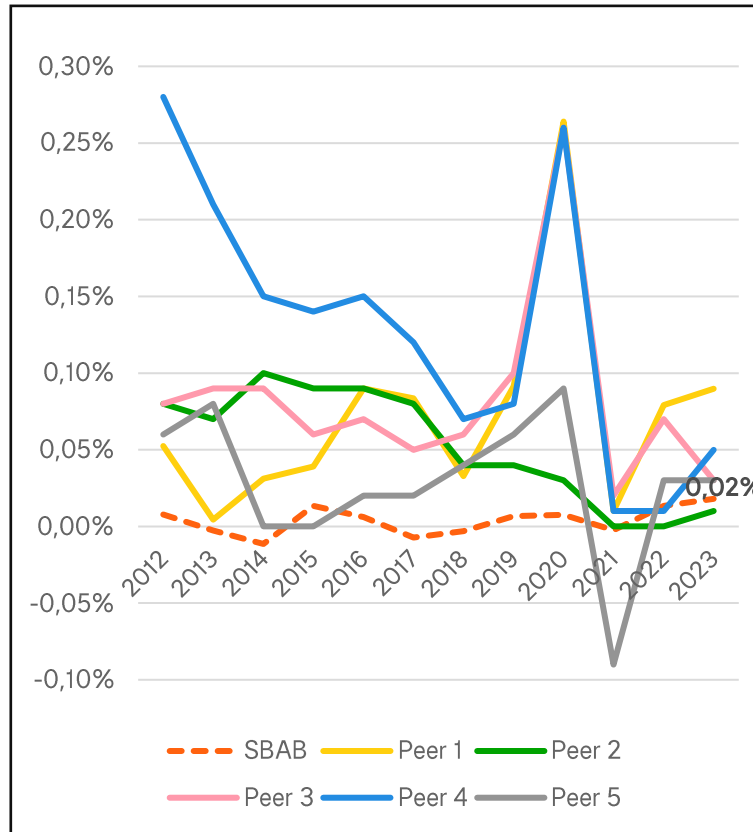


...also when comparing with peers

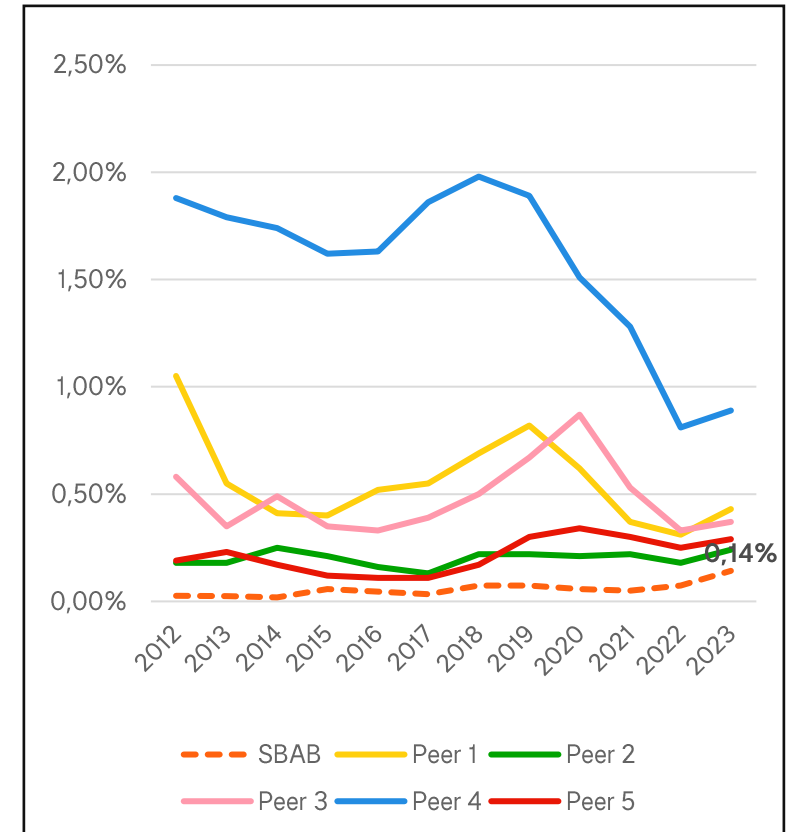
Loan portfolio split YE 2023



Credit losses 2012-2023



Impaired loans 2012-2023



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Overview of Q1 results

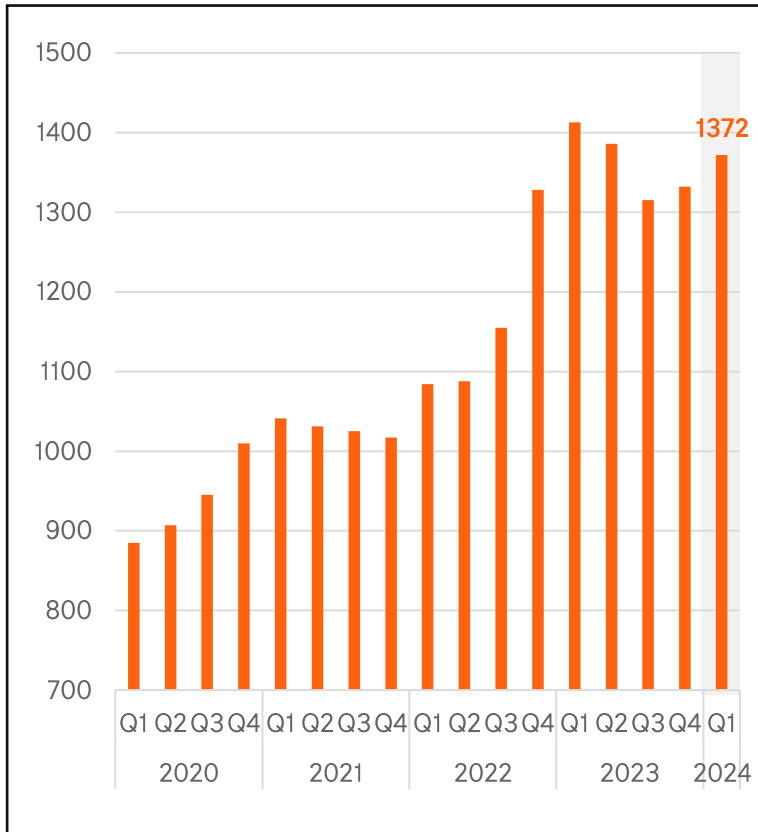
SEK million	Q1 2024	Q4 2023	▲	Jan-Mar 2024	Jan-Mar 2023	▲
Lending (SEK bn)	521.3	517.4	+0.8%	521.3	512.5	+1.7%
Deposits (SEK bn)	230.7	215.2	+7.2%	230.7	188.5	+22.4%
Net interest income	1,372	1,332	+3.0%	1,372	1,413	-2.9%
Net commission	-17	-10	-7 mn	-17	-7	-10 mn
Net result financial transact.	40	-80	+120 mn	40	2	+38 mn
Costs	-439	-448	-2.0%	-439	-394	+11.4%
Loan losses	-23	-31	-8 mn	-23	-33	-10 mn
Imposed fees: Risk tax and res. fee (new row 2022)	-142	-139	-3 mn	-142	-141	-1 mn
Operating profit	805	635	+26.8%	805	853	-5.6%
C/I ratio (%)	31.2%	35.8%	-4.6 pp	31.2%	27.7%	+3.5 pp
Return on equity (%)	11.9%	8.9%	+3.0 pp	11.9%	13.3%	-1.4 pp
Loan loss ratio (%)	-0.02%	-0.02%	-	-0.02%	-0.01%	-0.01 pp
CET1 capital ratio (%)	12.1%	12.3%	-0.2 pp	12.1%	12.4%	-0.3 pp



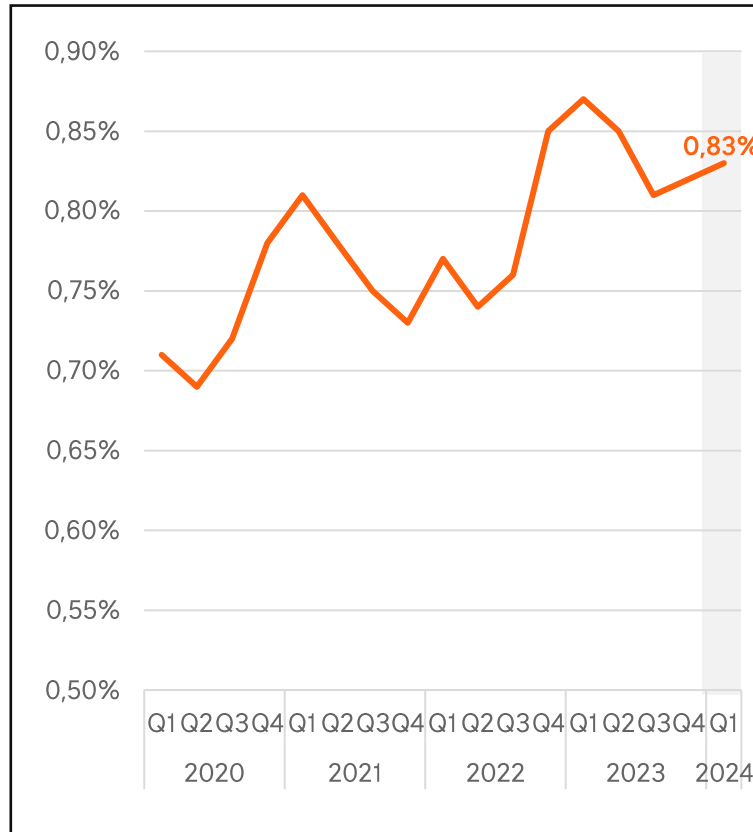
NII & NIM development

– Recurring income dominates SBAB’s revenue stream & long-term growth and stability in NII supported by strong deposit inflows

Net Interest Income (NII) QoQ (SEK mn)



Net Interest Margin (NIM) QoQ (%)



Calculated as NII in relation to total assets in balance sheet

Comments

- Strong NII development attributable to increased share of deposits in funding mix & healthy deposit margins. Development partly offset by historically low mortgage margins
- Continued pressure on mortgage margins expected ahead due to intense competition, although recent data from the Swedish FSA indicating that mortgage margins are bottoming out
- Stable lending margins expected for corporate lending & high competition for lending to tenant-owners’ associations

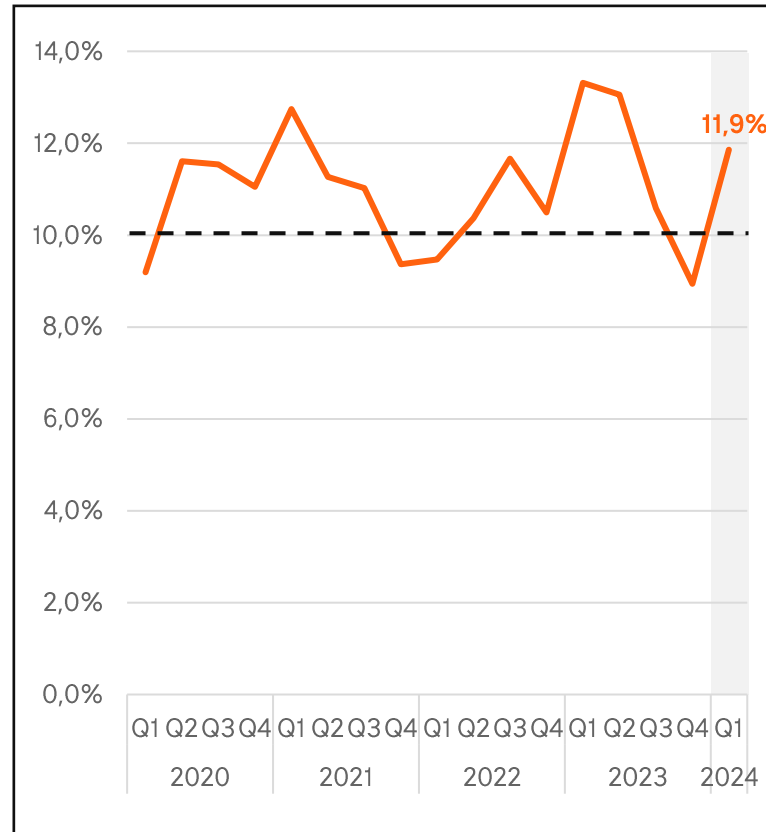
NII and NIM positively affected by move of resolution fee (moved from “Net Interest Income” to new row “Imposed fees” in income statement as per Q1 2022)



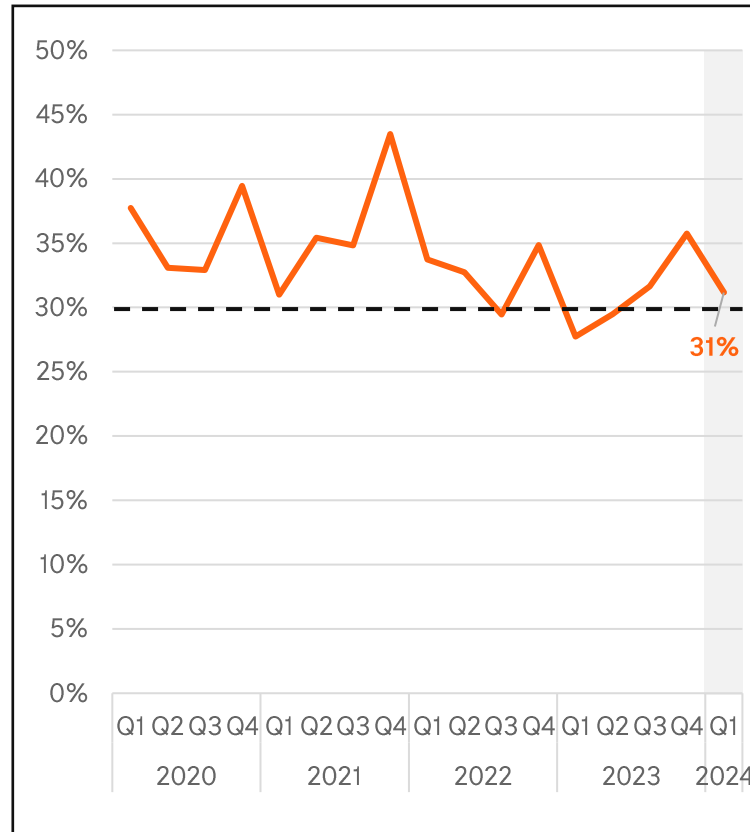
Financial KPIs

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

Return on equity, %



C/I-ratio, %



Comments

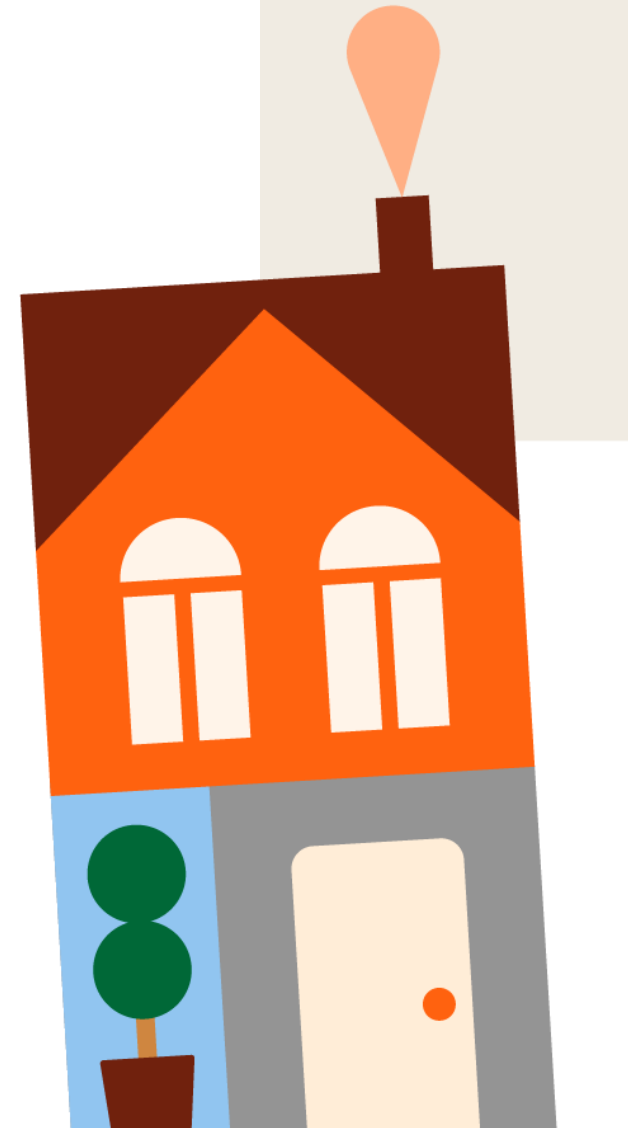
- Competitive profitability and returns given SBAB’s low risk business. Well above RoE target (>10%) last 5 years. Continued strong underlying profitability during Q1 2024
- Highly competitive cost efficiency in line with long-term target of C/I-ratio of <30%

The as per 2022 implemented risk tax negatively impacts RoE with approximately 1% (RoE excl. risk tax for FY 2023 was 12.7% vs. published figure of 11.5%). Move of resolution fee from NII to new row in the income statement ("Imposed fees") in conjunction with the implementation of the risk tax in Jan 2022 positively impacts C/I ratio with approximately 1% (C/I ratio excl. move of resolution fee was 32.1% for FY 2022 vs. published figure of 31.0%)



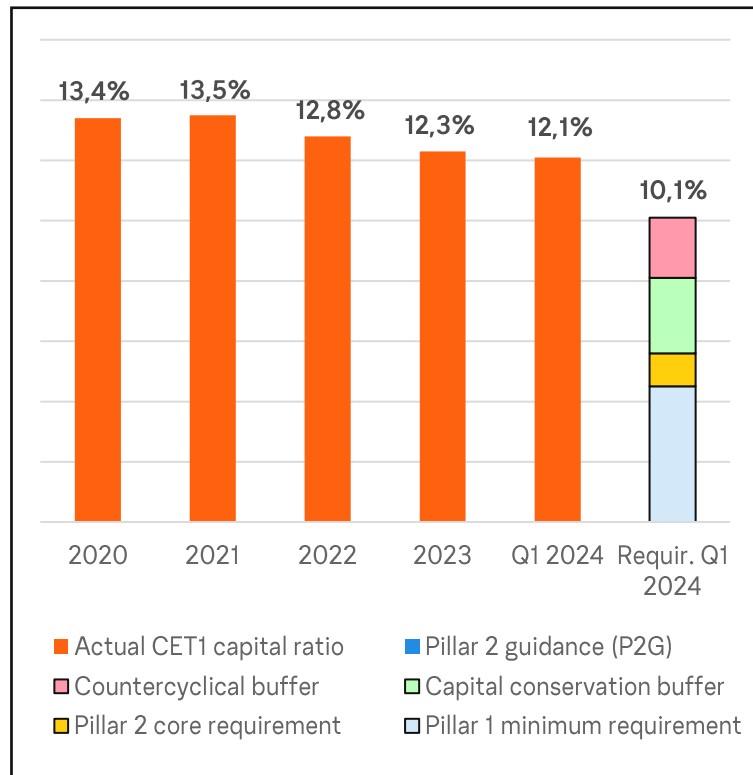
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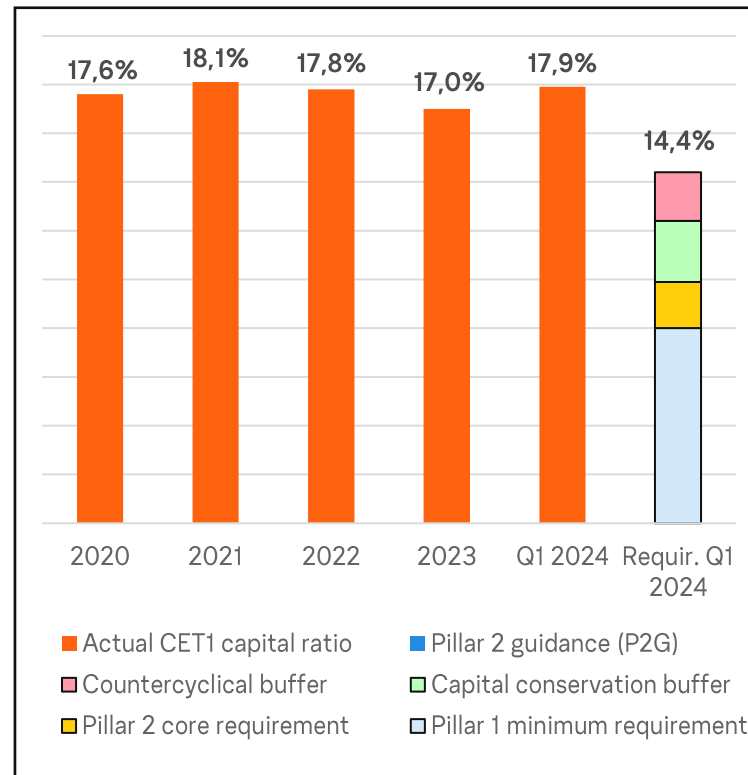


Overview current capital position

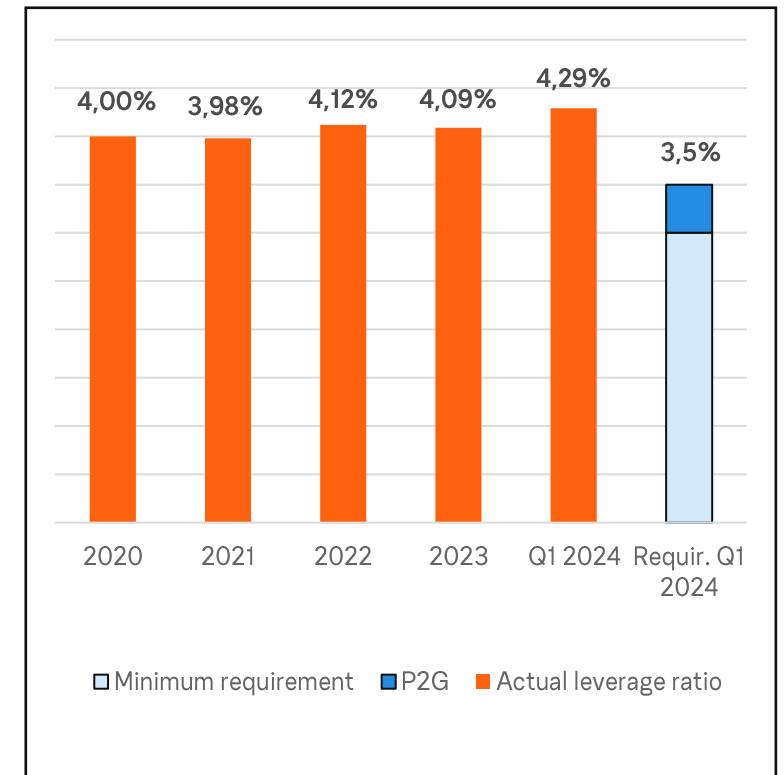
CET1 capital ratio vs. requirement



Total capital ratio vs. requirement



Leverage ratio vs. requirement

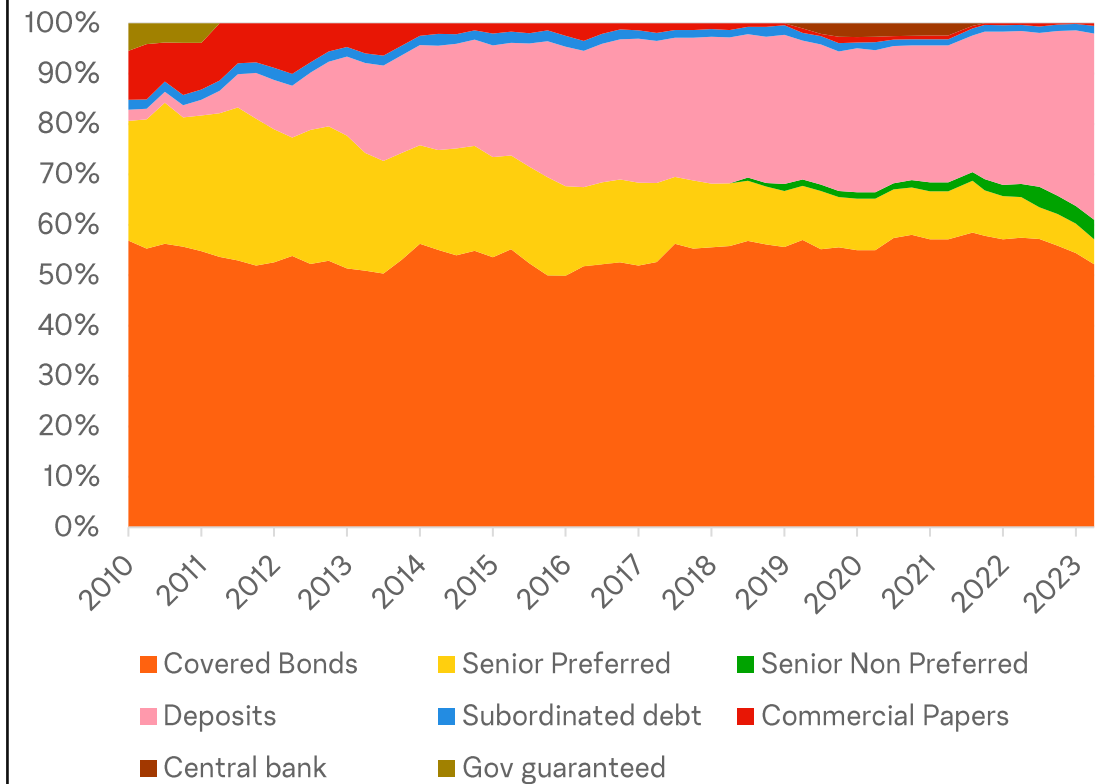


Funding strategy & development

Funding strategy

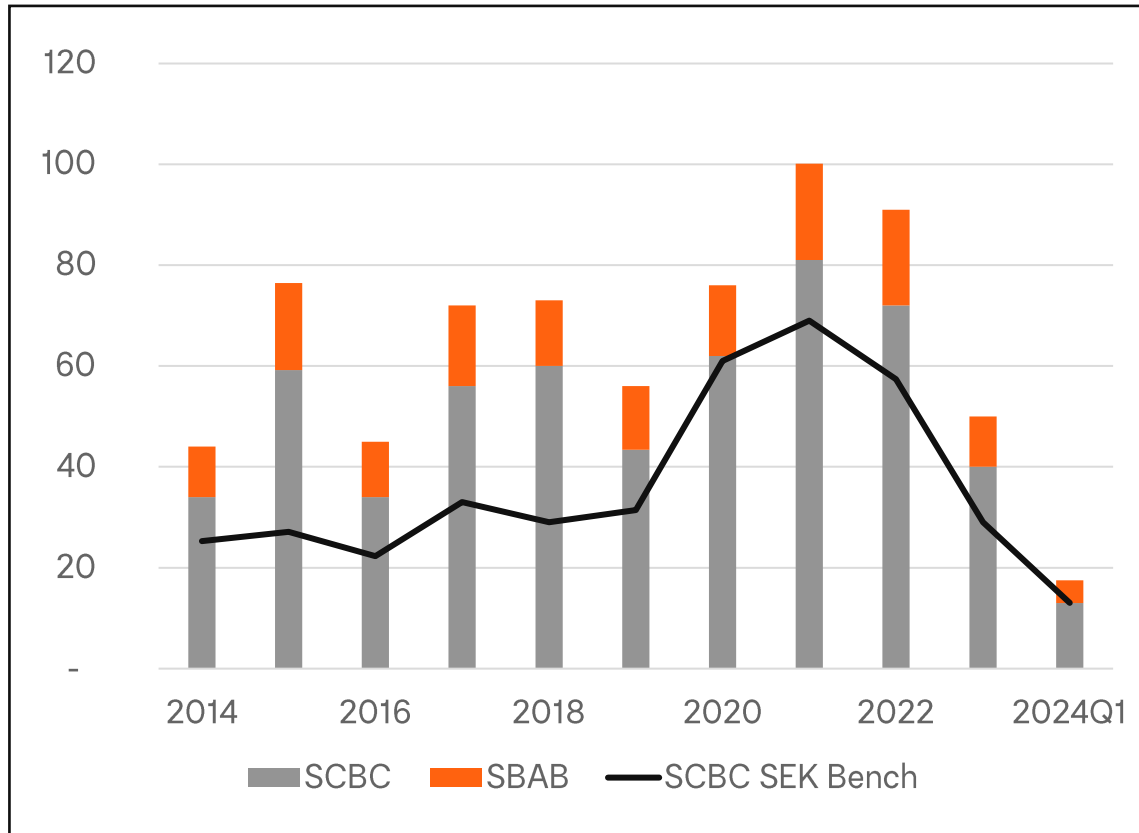
- Maintain access to core funding markets; SEK- and EUR-market
- Regular benchmark issuance in both covered and unsecured format. Private placements as a complement.
- Reduced wholesale funding reliance due to growing deposit volumes
- Efficient use of CB funding (~55% of total funding). Utilizing the depth and stability of the Swedish CB market
- Limited use of short dated funding through CP-programs, interbank funding and central bank facilities
- Dedicated green bond issuance subject to green lending volumes
- Committed to capital issuance in SEK

Development of funding sources over time



Future issuance

Annual issuance, SEK bn



Future issuance

- Total long-term funding for 2024 expected to be approximately SEK 40 bn
- Overall strategy is to in the long-term maintain presence and regularity in core funding markets (predominantly EUR and SEK)
 - New SEK covered bond benchmark/benchmarks per year
 - One to two public EUR transactions in international funding markets per year
 - Private placements in SEK and international funding markets
- Senior non preferred issuances preferably in SEK
 - EUR and other currencies as a complement
- Capital issuances (AT1 & T2) predominately in SEK
- SBAB's focus is to use intermediate (5y+) tenors to support duration in covered bonds and mainly short to intermediate (3 to 5y) in senior unsecured
- Regular future issuance: Dedicated to SEK and EUR markets in covered and senior format



Update on MREL

- On 1 January 2024, the final MREL entered force. As of this date, the total requirement for SBAB amounted to 26.75% of REA (incl. the ban on double counting), corresponding to SEK 44.5 billion. On the same date, the subordinated requirement amounted to 24.2% of REA, corresponding to SEK 40.2 billion
- Three SNP transactions during 2023; (1) SEK 3 bn in Jan; (2) EUR 500 mn in Jun; (3) SEK 1.5 bn in October. One transaction in the domestic market in Jan 2024 of SEK 2.5 bn
- SBAB's calculated need for outstanding (eligible) SNP by end 2024 is estimated to around SEK 18-20 bn factoring in balance sheet growth, maturity profile and internal buffers

MREL requirement (Jan 2024)

	%	SEK bn
REA	26.8%	45.4
LRE	6%	39.7
Buffer		31.5

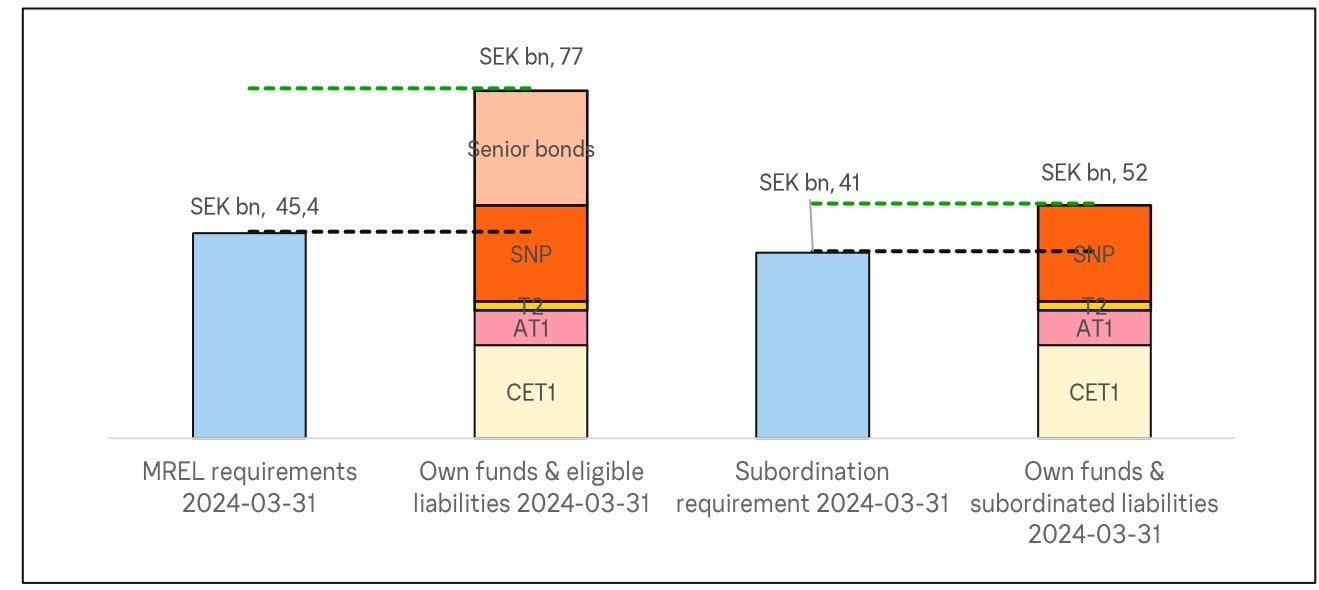
Subordination requirement (Jan 2024)

	%	SEK bn
REA	24.2%	41.2
LRE	6%	39.7
Buffer		10.4

Own funds & eligible liabilities (Mar 2023)

	SEK bn
CET1	20.6
AT1	7,7
T2	2.0
SNP	21.2
Senior bonds	25.3
Total	76.8

51.5



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