

# INVESTOR PRESENTATION

SBAB Bank AB (publ)  
Jan-Sep 2019

# SBAB!

# Executive summary

## A short introduction to SBAB

- 100% owned by the Kingdom of Sweden
- Swedish mortgage portfolio, predominantly residential mortgages. 5<sup>th</sup> largest residential mortgage provider in Sweden
- Savings accounts offered to retail customers, corporate clients and tenant-owners' associations
- Financial targets from owner covering profitability, capitalisation & dividend
- Total funding needs for 2019 expected to be around SEK 50-55 billion

## Key figures Jan-Sep 2019

### STABLE PROFITABILITY

RoE: **12.1%**

### HIGH COST EFFICIENCY

C/I ratio: **32.5%**

### STRONG ASSET QUALITY

Loan loss ratio: **-0.01%**

### SOLID CAPITALISATION

CET1 ratio: **12.2%**

## Lending

SEK **378** bn

## Deposits

SEK **130** bn

Moody's

A1

STANDARD & POOR'S  
RATINGS SERVICES  
McGRAW HILL FINANCIAL

A

## THE SWEDISH RESIDENTIAL MORTGAGE MARKET 2019

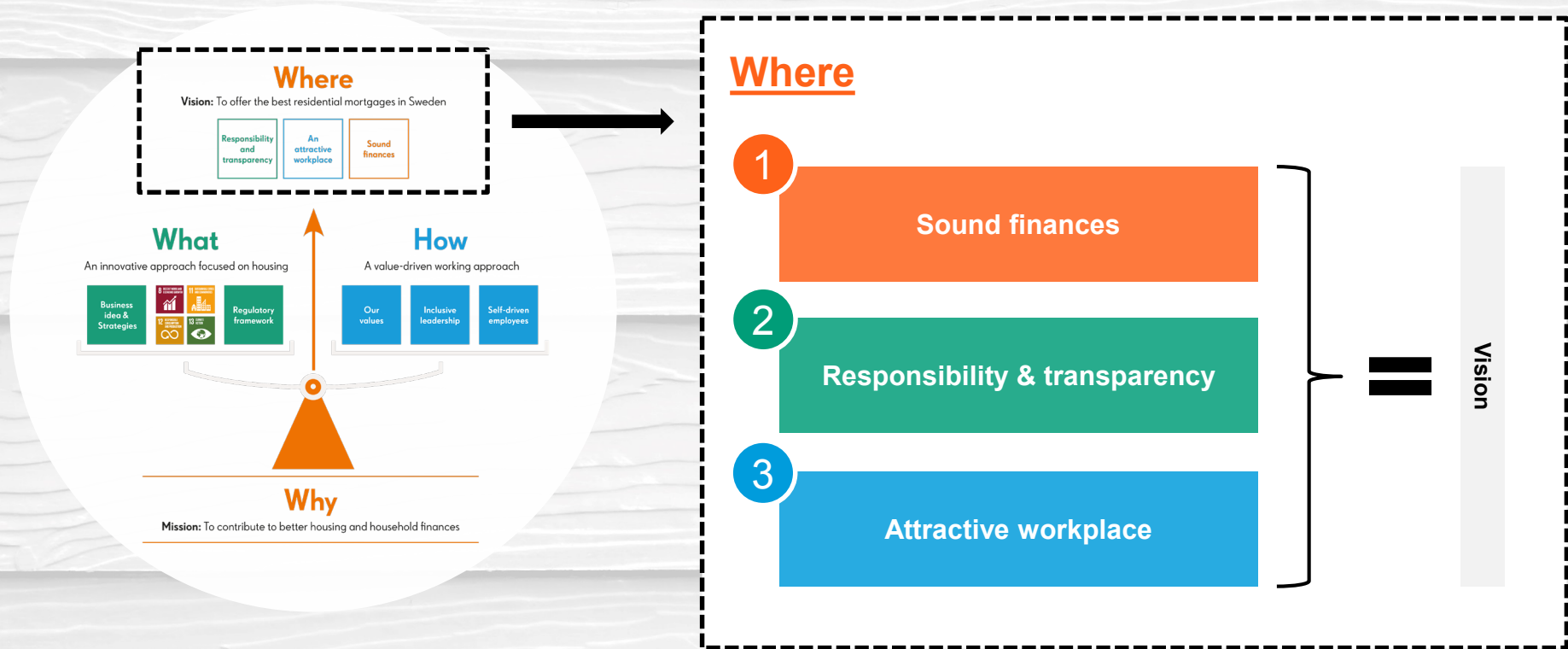
MARKET SHARE AUG 2019

**8.46%**

SHARE OF NET GROWTH JAN-AUG 2019

**9%**

# Sustainable governance model



# Table of contents

All figures in this presentation are as of 30 September 2019 unless otherwise stated

1 **Sound Finances**

2 **Responsibility & Transparency**

3 **The Swedish Economy & Housing Market**

4 **Funding, Capital & Liquidity**

5 **Attractive Workplace**

6 **Appendix**



**SOUND FINANCES.**

1

**SBAB!**

# Financial performance

SEK million	Jan-Sep 2019	Jan-Sep 2018	▲	Q3 2019	Q2 2019	▲	2018
NII	2,596	2,514	+3.3%	861	852	+1.1%	3,362
Costs	-860	-752	+14.4%	-280	-288	-2.8%	-1,049
Loan losses	-16	18	+34mn	0	-7	-7mn	11
Operating profit	1,768	1,655	+6.2%	601	577	+4.2%	2,241
Lending (SEK bn)	378.2	358.0	+5.7%	378.2	372.3	+1.6%	364.2
Deposits (SEK bn)	130.0	120.5	+7.9%	130.0	127.3	+2.1%	124.9
Deposit/lending, %	34.4%	33.7%	+0.7 pp	34.4%	34.2%	+0.2%	34.3%
C/I ratio, %	32.5%	31.4%	+1.1 pp	31.8%	33.0%	-1.2 pp	32.0%
RoE, %	12.1%	12.1%	0.0 pp	12.0%	11.9%	+0.1 pp	12.1%
Loan loss ratio, %	-0.01%	0.01%	+0.02 pp	0.00%	-0.01%	-0.01 pp	0.00%
CET1 capital ratio, %	12.2%	31.5%	-19.3 pp	12.2%	12.2%	0.0 pp	12.5%*

\* From 31 December 2018, the method for applying the risk-weight floor for Swedish mortgages has been amended.

# Financial targets from the owner

	Target 2018	Result Jan-Sep 2019	Result 2018	Result 2017
<b><u>Profitability:</u></b> Return on equity over a business cycle	≥ 10%	12.1%	12.1%	12.5%
<b><u>Dividend:</u></b> Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥ 40%	40% (expected)	40%	40%
<b><u>Capitalisation:</u></b> CET1 capital ratio and total capital ratio above regulatory requirement communicated by the Swedish FSA	CET1 capital ratio: ≥ 0.6%*	1.5%**	2.2%*	6.0%
	Total capital ratio: ≥ 0.6%*	4.4%**	3.7%*	10.7%

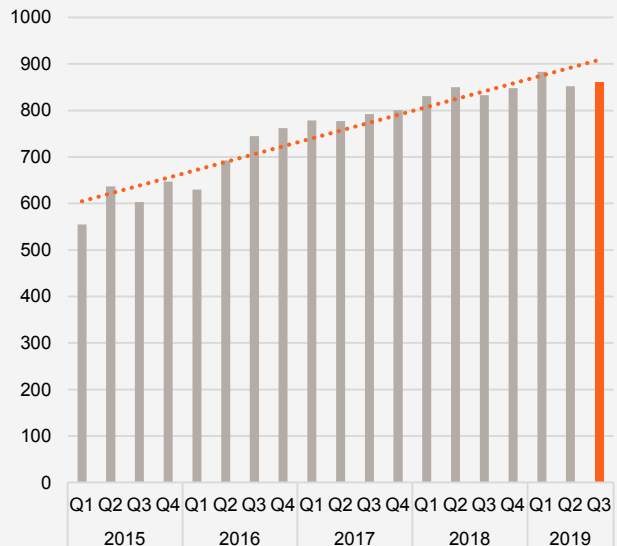
\* Adjusted for the Swedish FSA's new method for applying risk-weight floors for Swedish residential mortgages, which entered force 31 December 2018. Previous target = 1.5%

\*\* In relation to internally estimated capital requirement as of 30 Sep 2019 (CET1 capital ratio requirement: 10.7% & Total capital ratio requirement: 14.8% vs. CET1 capital ratio: 12.2% & Total capital ratio: 19.2%)

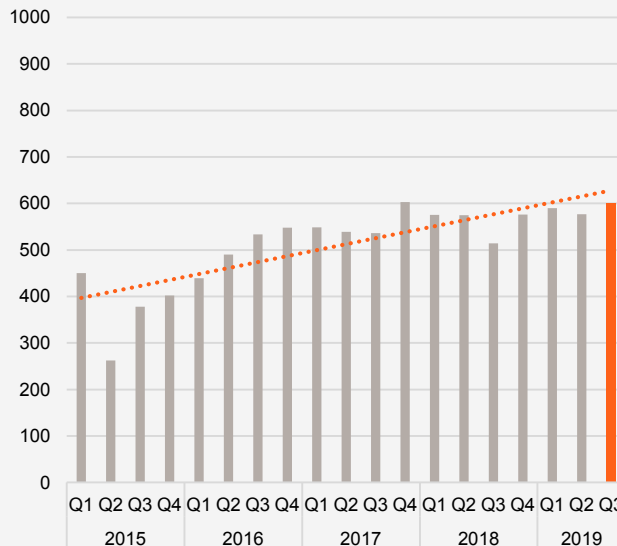
# Financial development QoQ

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

Net Interest Income (SEK mn)



Operating profit (SEK mn)



Comments

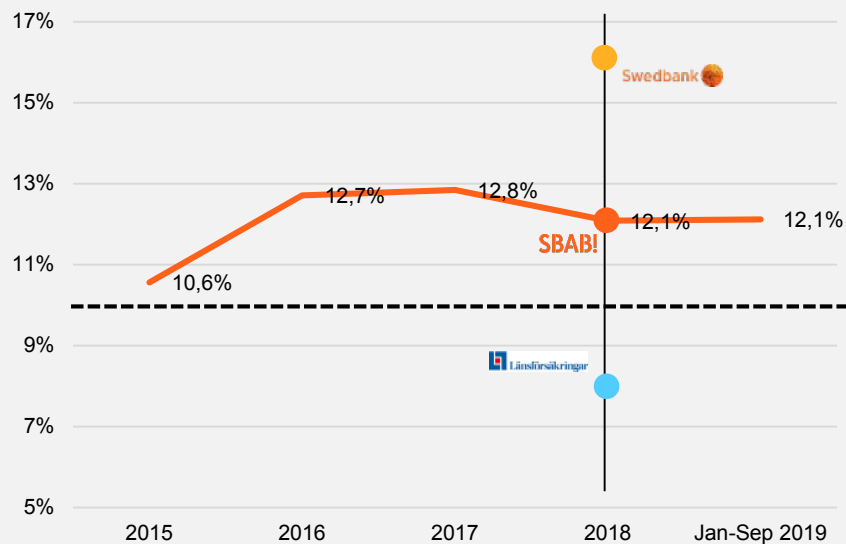
- An efficient business model which delivers solid returns
- Strong growth metrics demonstrated for a sustained period of time
- SBAB's business model is in its nature of a strong recurring character



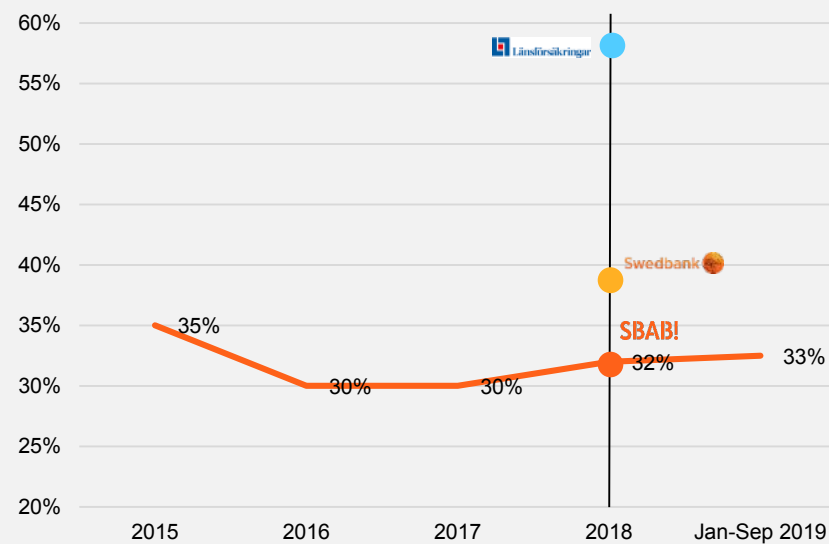
# Strong financial KPIs

– Competitive profitability given SBAB's low risk business & best in class cost efficiency

Return on equity\*\*, % \*

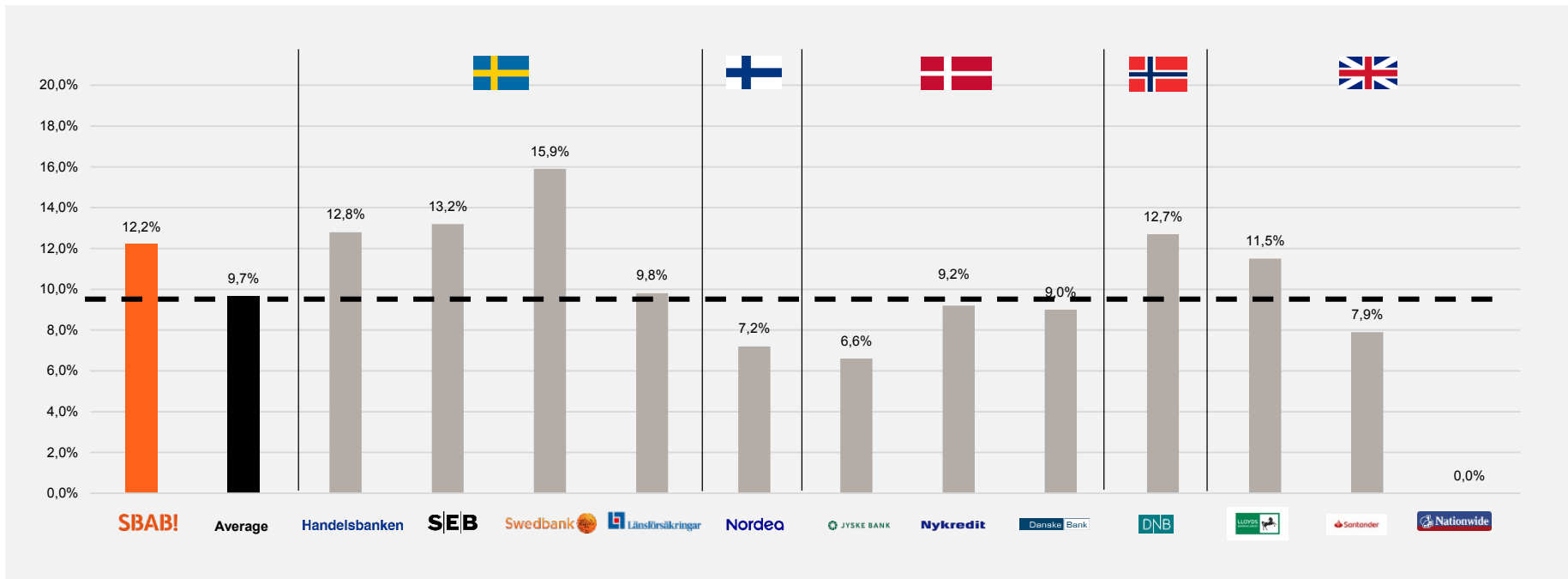


C/I-ratio, % \*



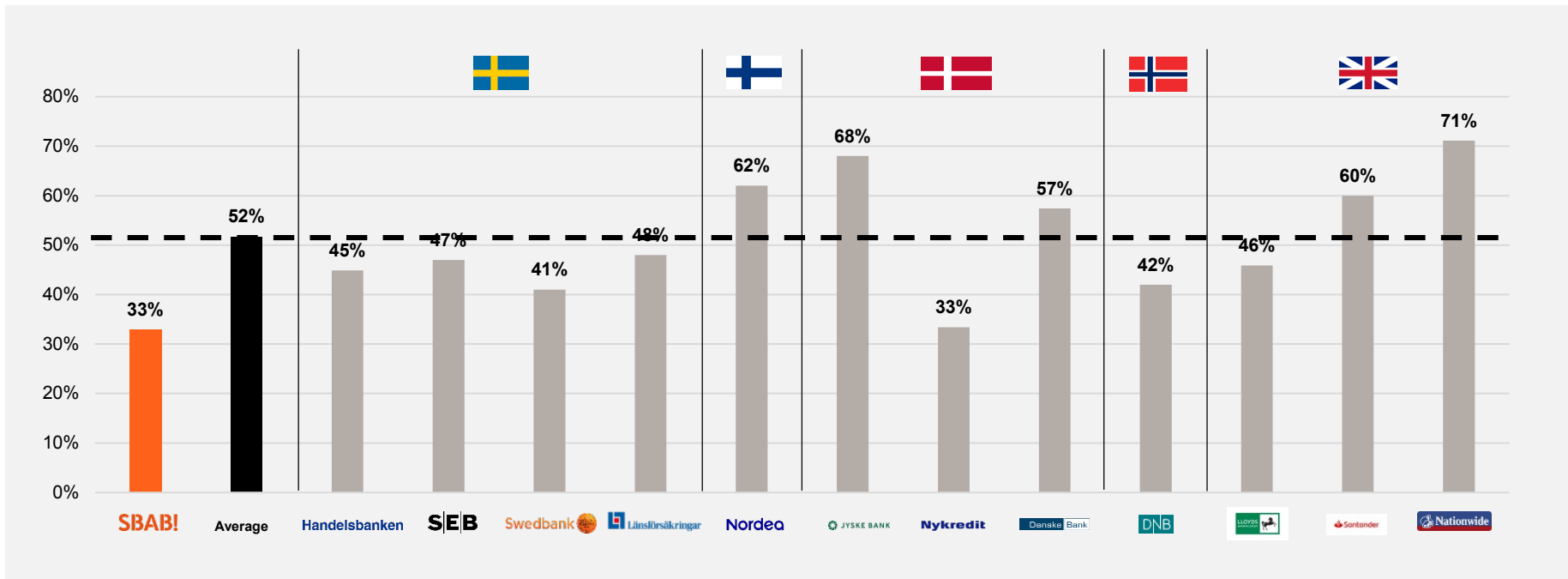
# RoE H1 2019 vs. European peers

Reported RoE (H1 2019)



# C/I ratio H1 2019 vs. European peers

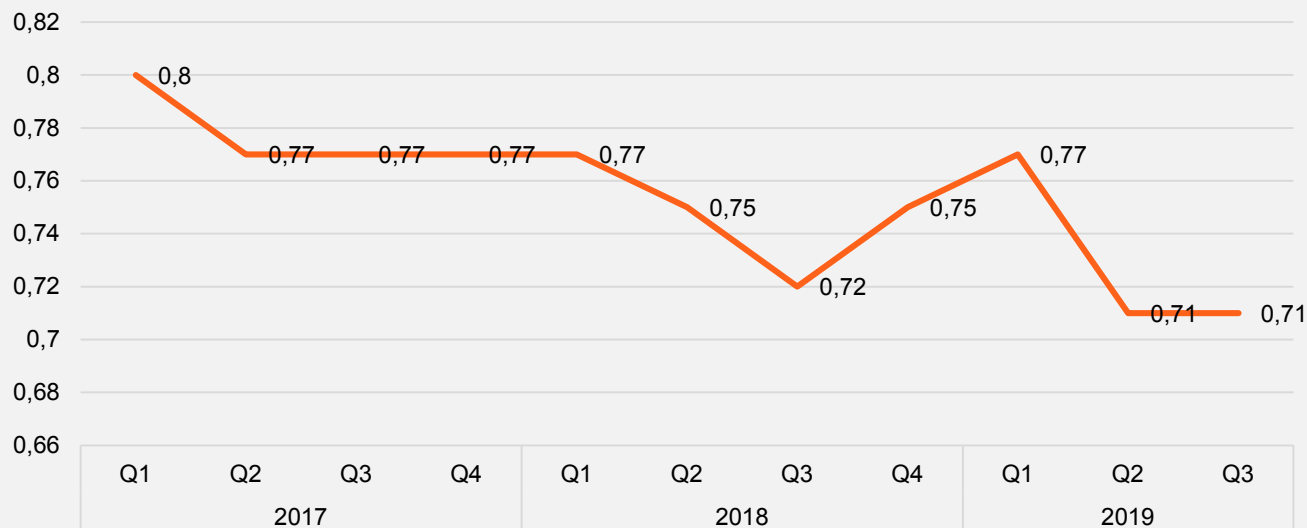
C/I ratio (H1 2019)



# NIM development

– Declining lending margins

Net interest margin (%), QoQ



Comments

- Increased competition in retail mortgage market. Lending margins are expected to come down further during the next 12 months
- Stable lending margins expected for corporate lending and lending to tenant-owners' associations

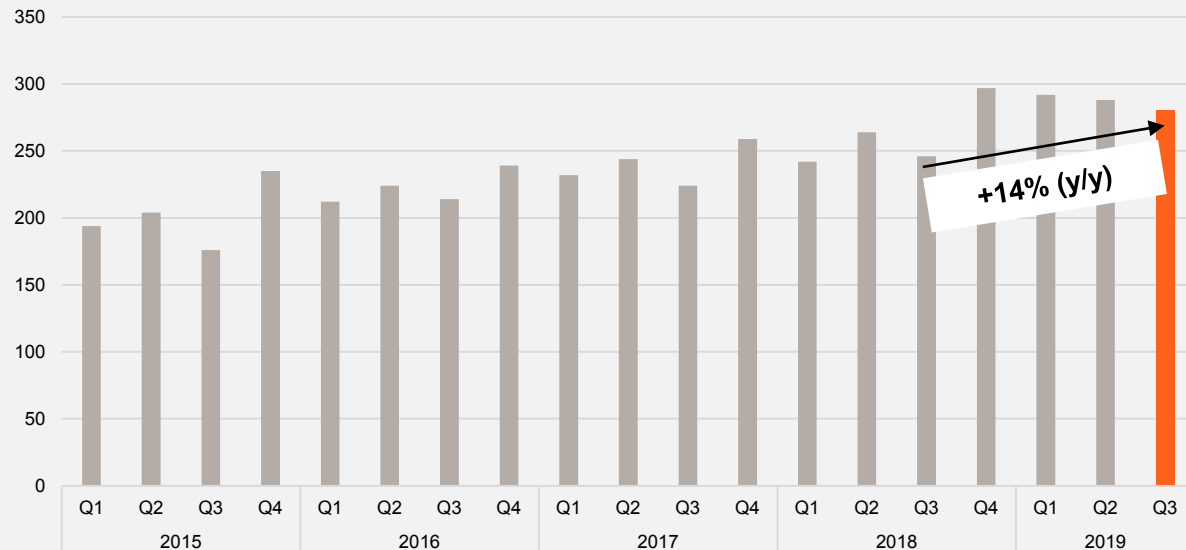
# Cost management & increased investments

– Increased investments for future competitiveness

## Comments

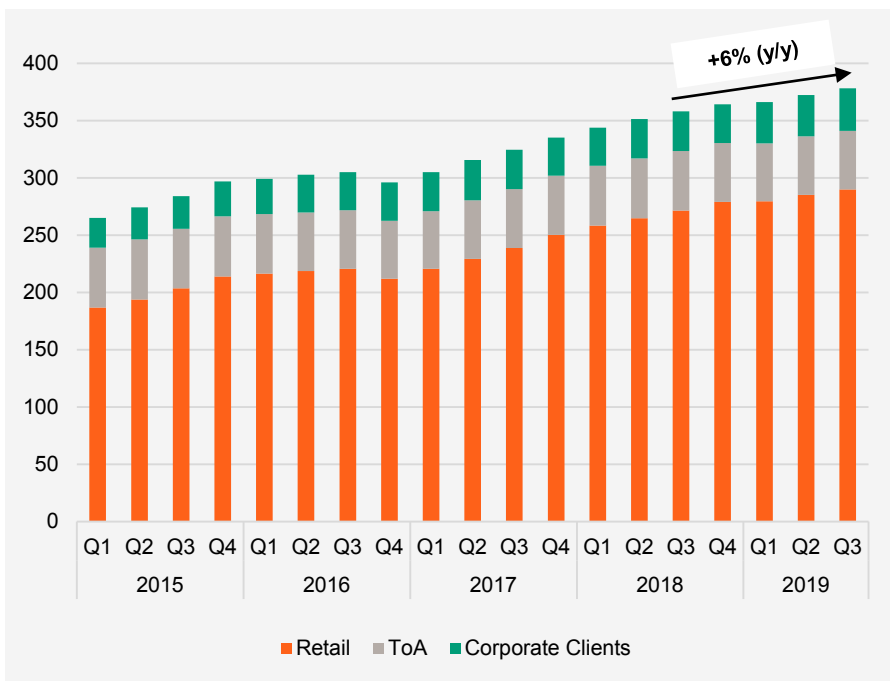
- Increased investments for future competitiveness:
  - Customer offering (incl. customer service & customer experience)
  - Digitalisation
  - Replacement of IT-infrastructure (core banking platform)
  - Compliance & increased regulatory requirements

## Cost development (SEK mn)

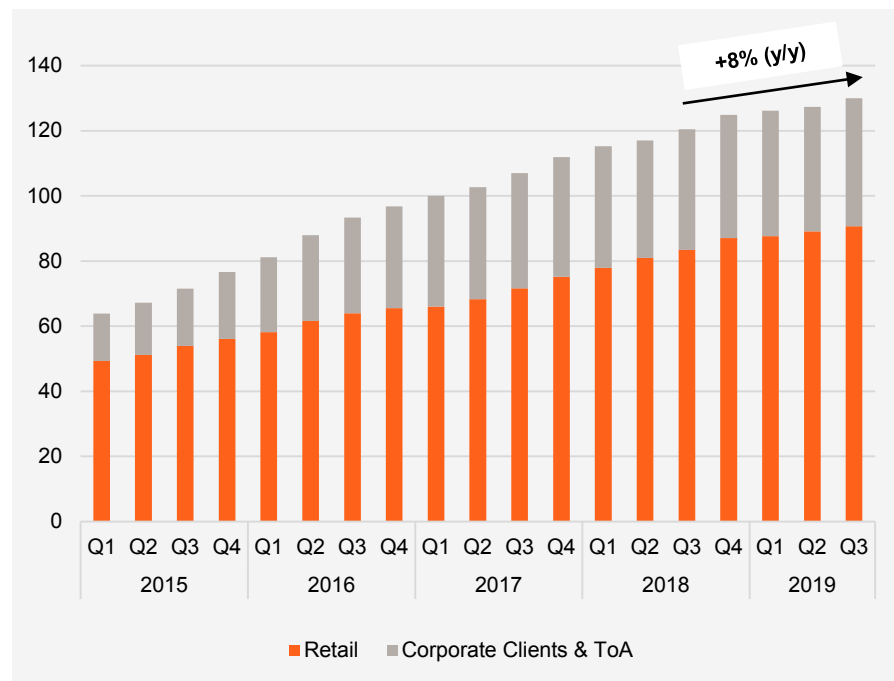


# Sustainable growth

Lending (SEK bn)

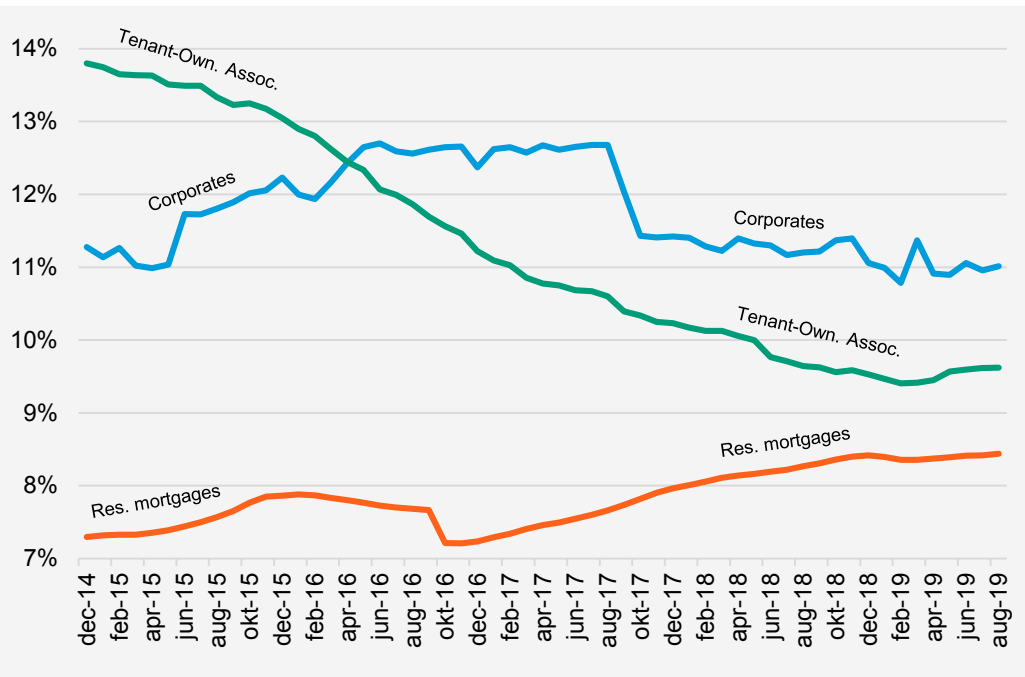


Deposits (SEK bn)



# Market share development

Market shares (Aug 2019)



Res. mortgages (lending & market share\*)

288<sub>bn</sub>

8.44%

Corporates (lending & market share\*)

37<sub>bn</sub>

10.88%

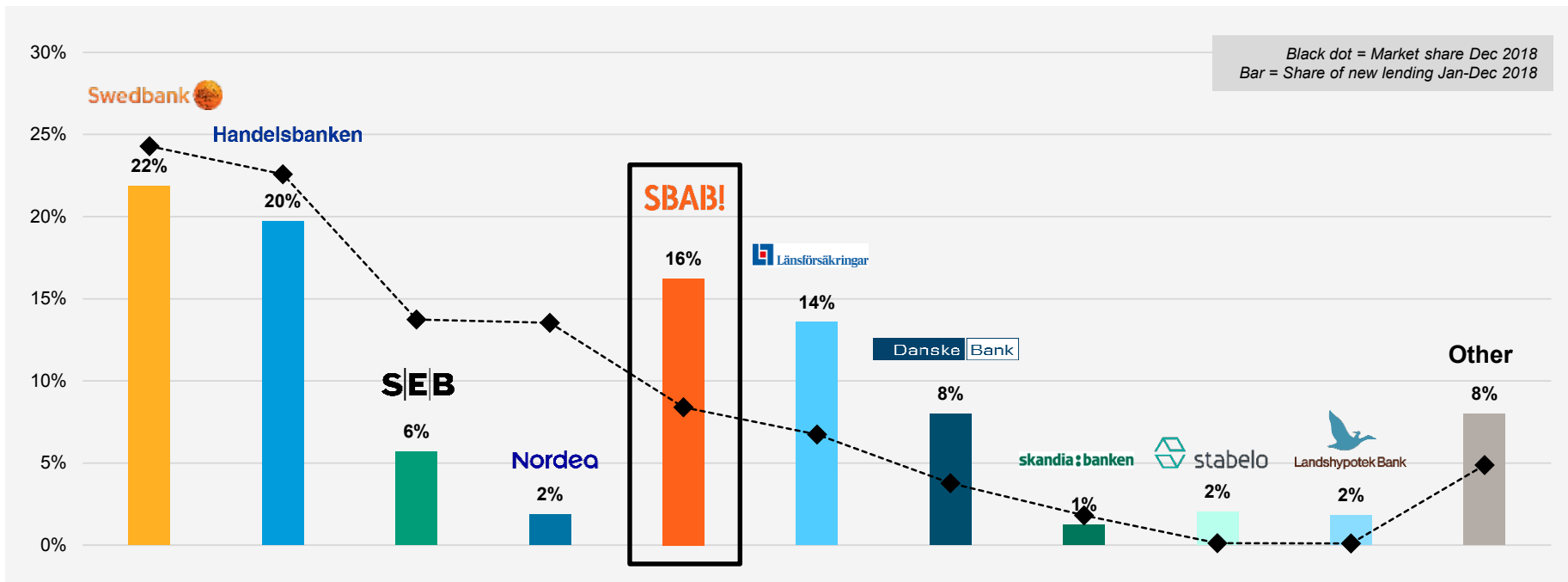
ToA (lending & market share\*)

51<sub>bn</sub>

9.62%

# Strong growth in 2018

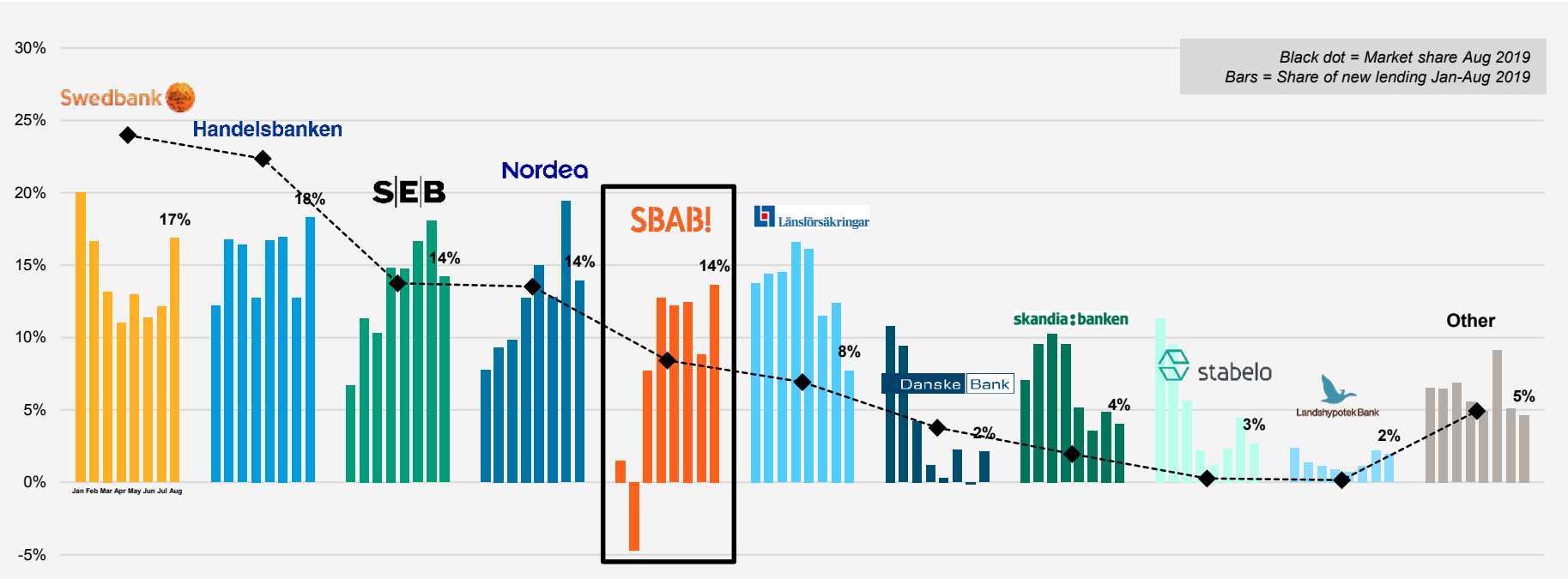
Share of net growth in the Swedish residential mortgage market Jan-Dec 2018





# Residential mortgage market 2019

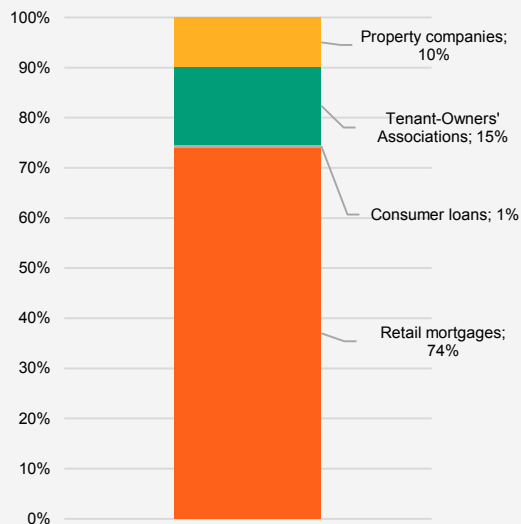
Monthly share of net growth in the Swedish residential mortgage market Jan-Aug 2019 vs. market share Aug 2019



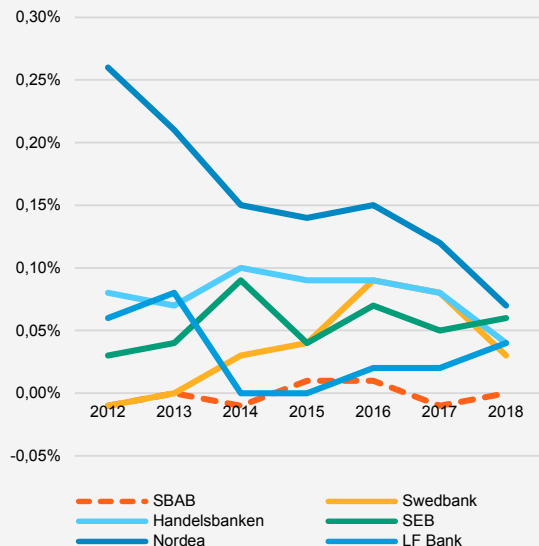
# Swedish mortgages – a low risk business

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

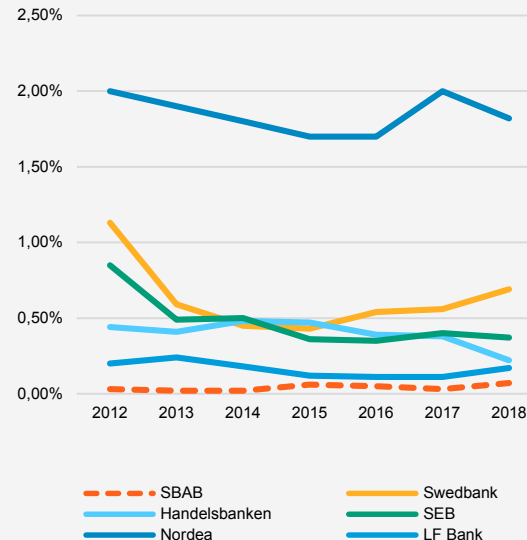
## SBAB lending 31 Dec 2018 >98% collateralized



## Net credit losses FY2018 vs. other banks



## Impaired loans FY2018 vs. other banks



# Mortgage lending in Sweden

– Mortgage lending in Sweden a low risk business for a number of structural reasons

## Affordability Assessment

Mortgage lending in Sweden is based on household affordability in the long term, i.e. funds left to live on after interest payments (including stressed interest rate), housing expenses and other general living expenses

## Mortgage Deed System

A Mortgage Deed for every house is registered and controlled by the Swedish mapping, cadastral and land registration authority (Lantmäteriet)

## Credit Information Agency

National computerized data base with information regarding civil status, income and changes in income, assets, debt, payment complaints and recent inquiries at the agency. Used in every credit process regarding loans

## Enforcement Authority

Lender can initiate an enforcement order with this office to enforce his claim, this process normally takes up to 90 days

## “Originate and hold” model

No “originate to distribute” model, no subprime lending

## Restricted Buy-to-Let Market

Restricted buy-to-let market due to regulated rental market and tenant owner subletting restrictions

## Personal Liability

A borrower is personally liable even after a default and foreclosure procedure, i.e. full and personal recourse

## Social Security

Well developed welfare system raising households' ability to service debt even during times of unemployment

A photograph of three people standing together against a grey background. On the left is a man with glasses and a beard, wearing a dark jacket. In the center is a woman with blonde hair and glasses, wearing a dark jacket over a light blue shirt. On the right is a man wearing a dark puffer jacket. They are all smiling.

# RESPONSIBILITY & TRANSPARENCY.



**SBAB!**

# Business overview

## Business overview

- Founded in 1985 & 100% owned by the Kingdom of Sweden
- Mortgage bank with >98% collateralized lending
- Straightforward business model (mortgage lending & savings) & customer operations only in Sweden
- >680 employees in five offices
- Two business areas; Retail business area and Corporate Clients & Tenant-owners' Associations business area

## Retail business area

- Retail customers
- Residential mortgages (5th largest player in Sweden), savings accounts and consumer loans
- Cost efficient origination through internet (since 1998), call-centre and digital partnerships

77% of lending

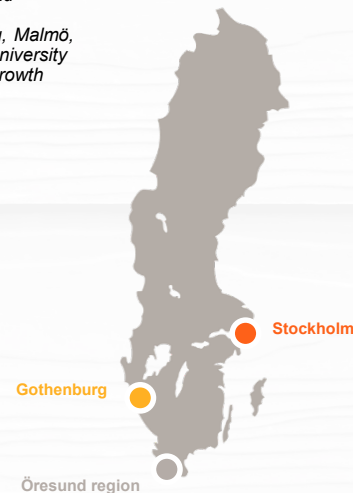
## Corporate Clients & Tenant-owners' Associations business area

- Property companies and tenant-owners' associations
- Financing of multi-family dwellings; existing buildings or new construction
- Personal service. Three offices in Stockholm, Gothenburg and Malmö

23% of lending

## Geographical distribution of lending

*Lending concentrated to areas around Stockholm, Gothenburg, Malmö, and other university cities and growth regions*



# Retail

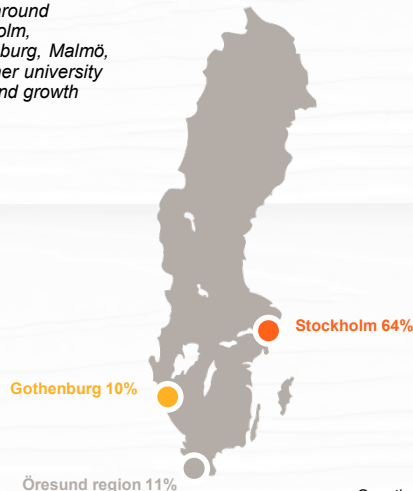
## Summary

- Core product residential mortgages (5<sup>th</sup> largest player in Sweden) supplemented with savings accounts and consumer loans
- No traditional bank branches, products and services offered online or by telephone
- Services within housing and household finances to add to customer value, e.g. insurance brokering, search engine for housing and real estate-agent services
- Customers primarily located in areas around Stockholm, Gothenburg, Malmö, and other university cities and growth regions

**SBAB!** **booli** HittaMäklare

## Geography

*Lending concentrated to areas around Stockholm, Gothenburg, Malmö, and other university cities and growth regions*



## Key figures

Lending (SEK)

**287.8<sub>bn</sub>**

Mortgage market share

**8.44%**

Mortgage customers

**277,000**

Deposits (SEK)

**90.7<sub>bn</sub>**

# Retail

## Value proposition



### ACCESSIBILITY

Residential 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

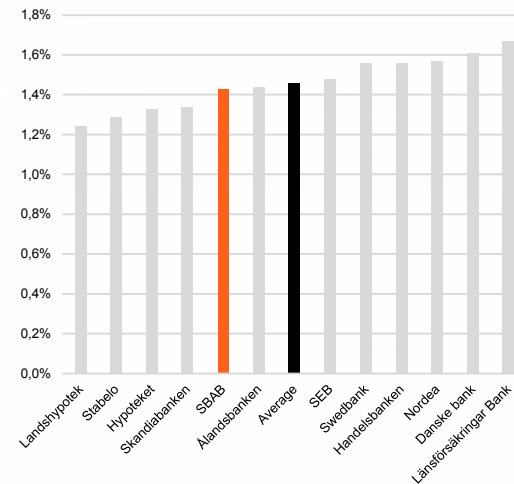
Housing specialists who care.

## Straightforward offering

- Pricing of residential mortgages is based on current list rates for each maturity, as published on [www.sbab.se](http://www.sbab.se)
- The customer's specific interest rate is presented as a deviation from the list rate based on LTV (proportion of loans in relation to the market value of the property), size of loan (if <SEK1mn) and the energy classification of the property
- Lower risk = better price
- No time limited discounts, no negotiation
- Transparent offering – small difference between SBAB's list rates and average rates

## Competitive pricing

### Average 3M variable interest rate (%)

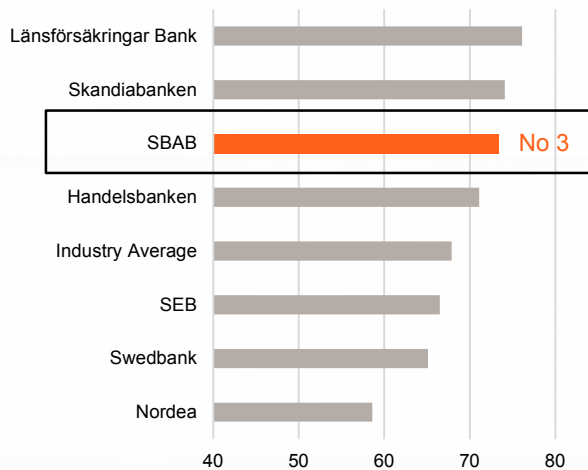


Source: Konsumenternas.se. and finansportalen.se Data as of 15 October 2019

# Retail

## Customer satisfaction

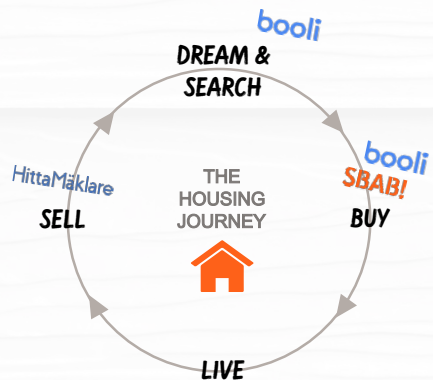
### Retail (SBAB no 3 in 2018) Customer satisfaction



Source: Swedish Quality Index (SKI)

## SBAB's ecosystem

Value adding content & services relating to housing and household finances



## Digital customer experience

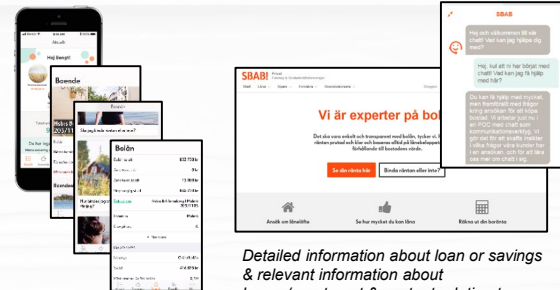
Data based services – key in ecosystem

booli



Booli.se is the second largest Swedish search engine for housing

SBAB! App & Webb



Detailed information about loan or savings & relevant information about house/apartment & content relating to housing and household finances.

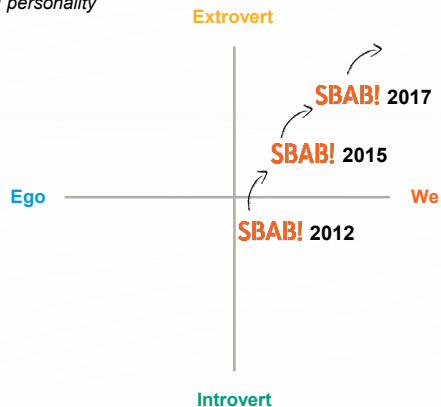


# Successful communication

– Successful communication develops and strengthens the brand

## Brand position

SBAB aims to be perceived as a "social" brand with a clear extrovert brand personality



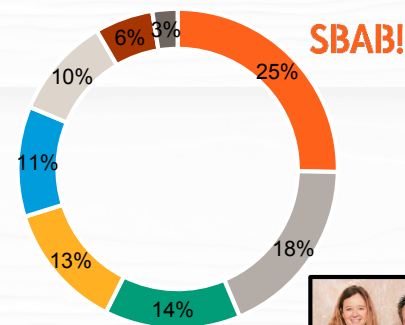
## "Boendekonomi är jättekul!" 2017-2019



## Strong media presence

### "Share of voice" (Q2 2019)

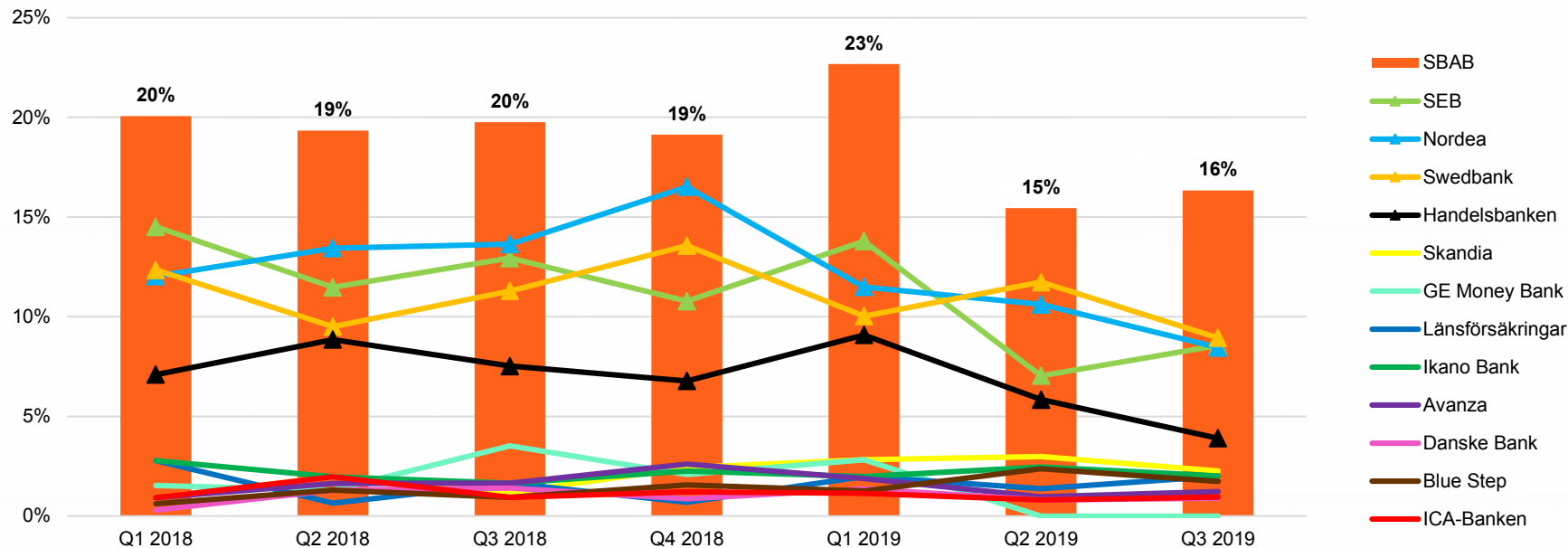
"Bolån & boendekonomi"



Source: Retriever, Q2 2019

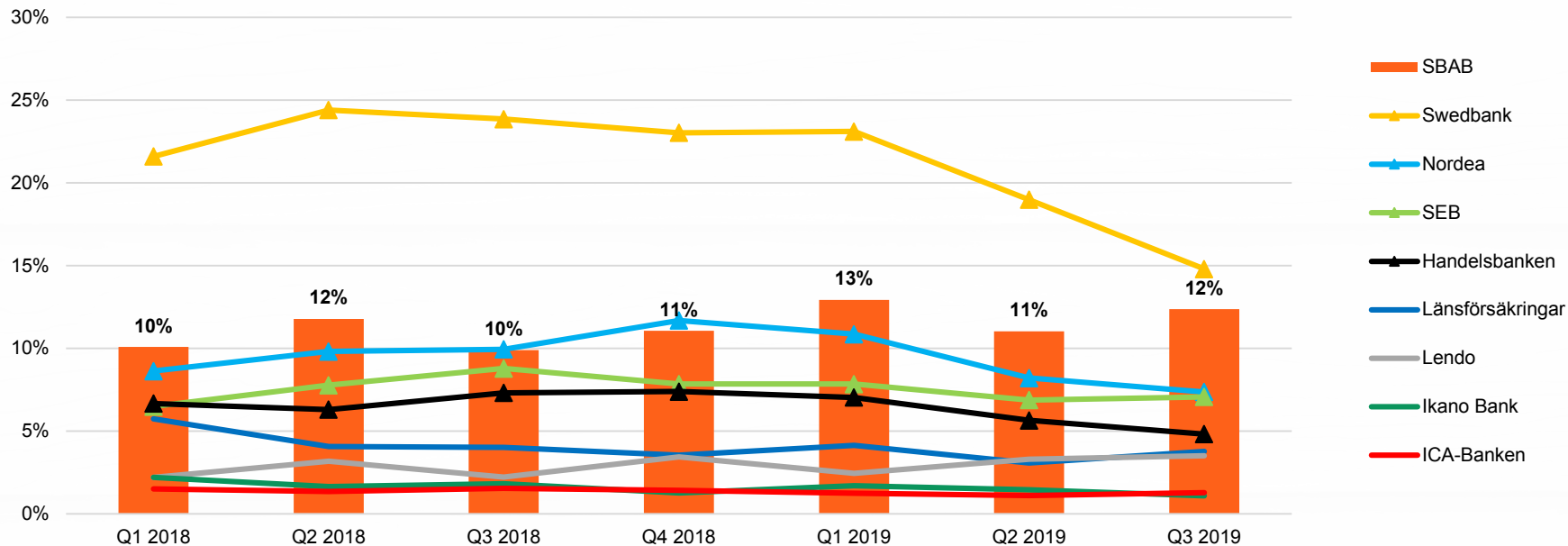
# Top of mind – Stockholm

Top of Mind Q3 2019 – “Which companies offering mortgages do you know of?” (first mentioned)



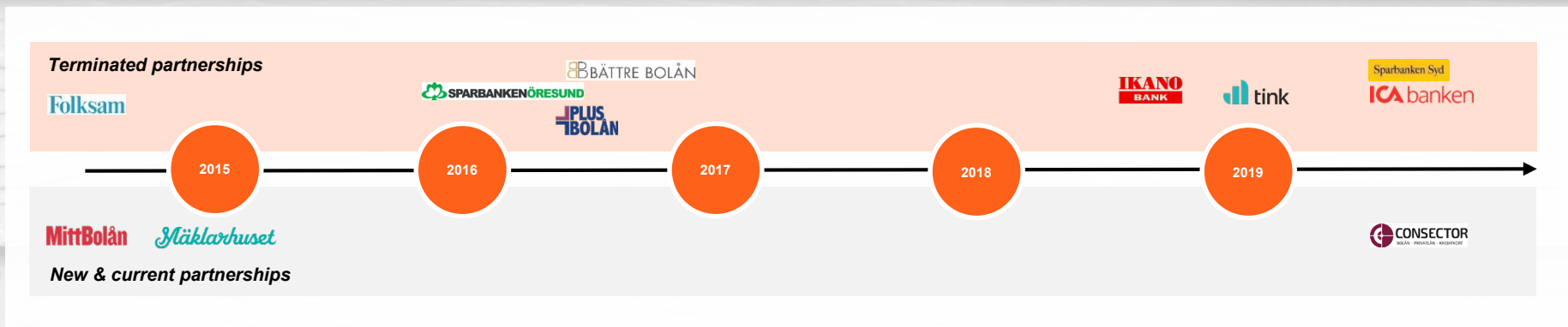
# Top of mind – Sweden

Top of Mind Q3 2019 – “Which companies offering mortgages do you know of?” (first mentioned)



# Distribution strategy for mortgages

– Increased investments in own distribution capacity



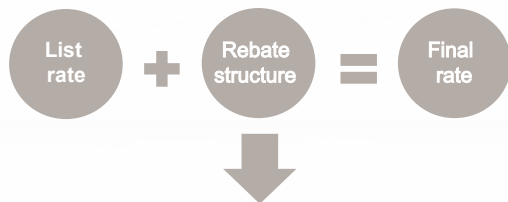
- Since 2015, SBAB has prioritised new lending in its own brand (where SBAB is able to deliver the greatest customer benefit and build the strongest customer relationships)
- As a result, all white label partnerships have been terminated
- Future focus on partnerships with players (intermediaries) using digital business models

# A transparent offering

– Risk based pricing based on LTV & energy class of property

## Adjusted pricing matrix in Feb 2019

Increased rebates for low LTV's & less focus on size of loan



- 1 LTV
- 2 Size of loan (but only if <SEK 1 mn)
- 3 Energy class of property (A, B or C)

## Example interest rates on residential mortgages after recent adjustment in October

Maturity	List rate
3M	1.64%
1Y	1.49%
2Y	1.44%
3Y	1.44%
5Y	1.54%

*Loan > SEK 1 million & LTV ≤ 60%*

Offered rate	Green Mortgage (EPC A or B)
1.29%	1.19%
1.14%	1.04%
1.09%	0.99%
1.09%	0.99%
1.19%	1.09%

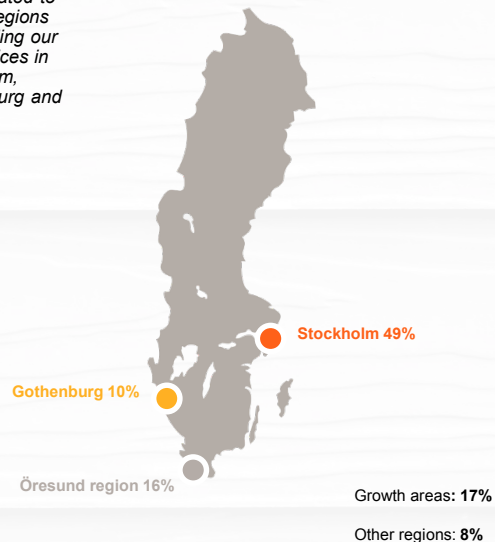
# Corporate Clients & Tenant-Own. Assoc.

## Summary

- Housing financing and savings products to **property companies** (“corporates”) and **tenant-owners’ associations**
- Multi-family dwellings, both privately owned and owned by tenant-owners’ associations
- Existing buildings or new construction
- Personal service. Three offices in Stockholm, Gothenburg and Malmö
- Primarily target major residential developers, property owners and tenant-owners’ associations
- Credit granting concentrated to growth regions surrounding our three offices in Stockholm, Gothenburg and Malmö

## Geography

*Credit granting concentrated to growth regions surrounding our three offices in Stockholm, Gothenburg and Malmö*



## Key figures

Lending (SEK)

88.2<sub>bn</sub>

Market share (Corporates)

10.88%

Market share (ToA)

9.62%

Deposits (SEK)

39.3<sub>bn</sub>

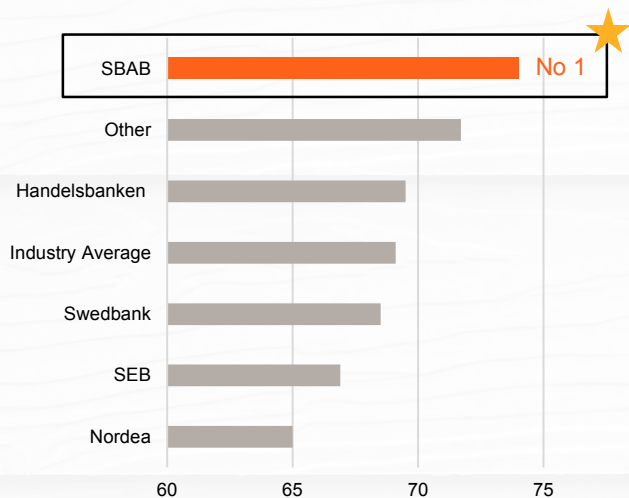
# Corporate Clients & Tenant-Own. Assoc.

## Customer satisfaction



### Corporate loans (SBAB no 1 in 2018)

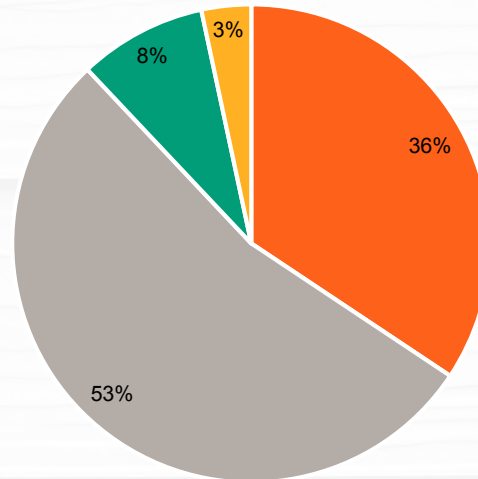
Customer satisfaction



Source: Swedish Quality Index (SKI)

## Lending split

Total lending: SEK 88.2billion



- Corporate lending (Multi-family dwellings)
- Tenant-Owners' Associations (Multi-family dwellings)
- Building credit exposures (Sv "Kreditiv")
- Commercial lending

# SBAB's sustainability focus

## A TRULY SUSTAINABLE STRATEGY

Three target areas that form the basis of a common approach of SBAB's contribution to sustainable global development

Responsibility  
and transparency

Attractive  
workplace

Sound  
finances



## EXAMPLES OF SBAB'S SUSTAINABILITY EFFORTS

### Rebated green mortgages

ENERGY CLASS **A**: -10 bps  
ENERGY CLASS **B**: -10 bps  
ENERGY CLASS **C**: -5 bps



### Homelessness in society

Undeclared labour and unacceptable working conditions in the housing construction market

### Respect, diversity & equality in the workplace



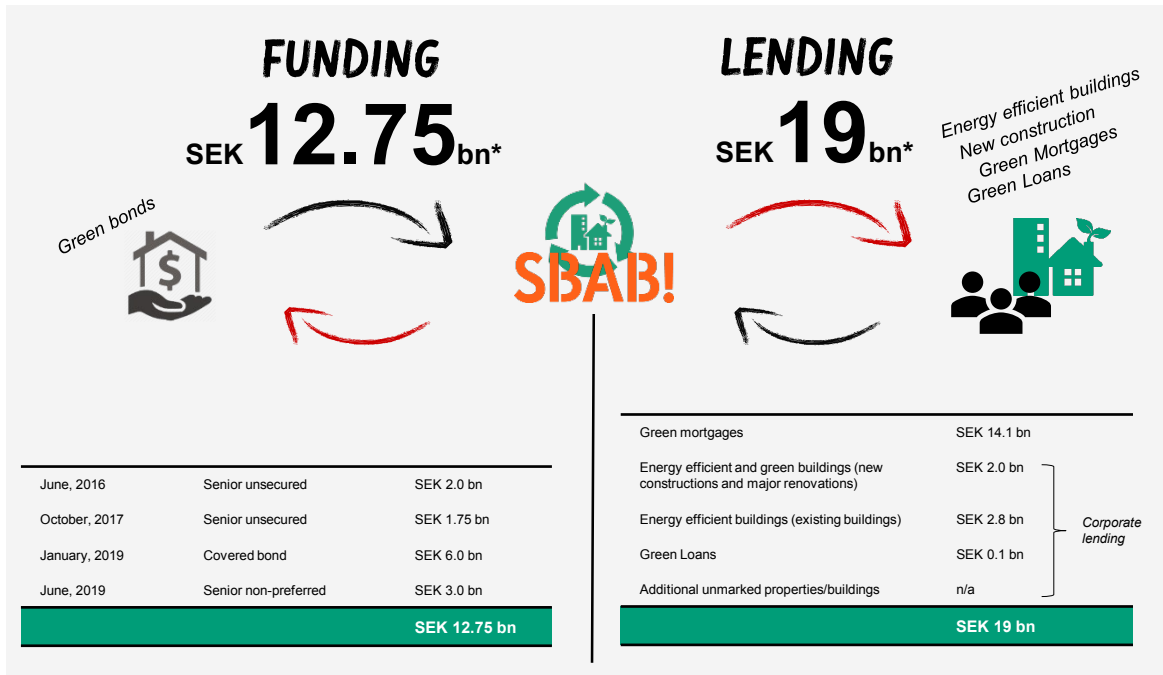
**IN Q1 2019, SBAB BECAME THE FIRST PLAYER IN SWEDEN TO ISSUE A GREEN COVERED BOND BACKED BY MORTGAGES**



# Green lending & funding



## Linking green lending to green funding



## Rationale behind green efforts

- **Green lending:** stimulate demand for energy efficient housing as well as creating opportunities and incentives (e.g. by offering discounted loans) for customers to invest and implement energy improving measures in their homes and properties
- **Green funding:** offer investors the opportunity to actively participate in the sustainable transition of the Swedish housing and real estate market

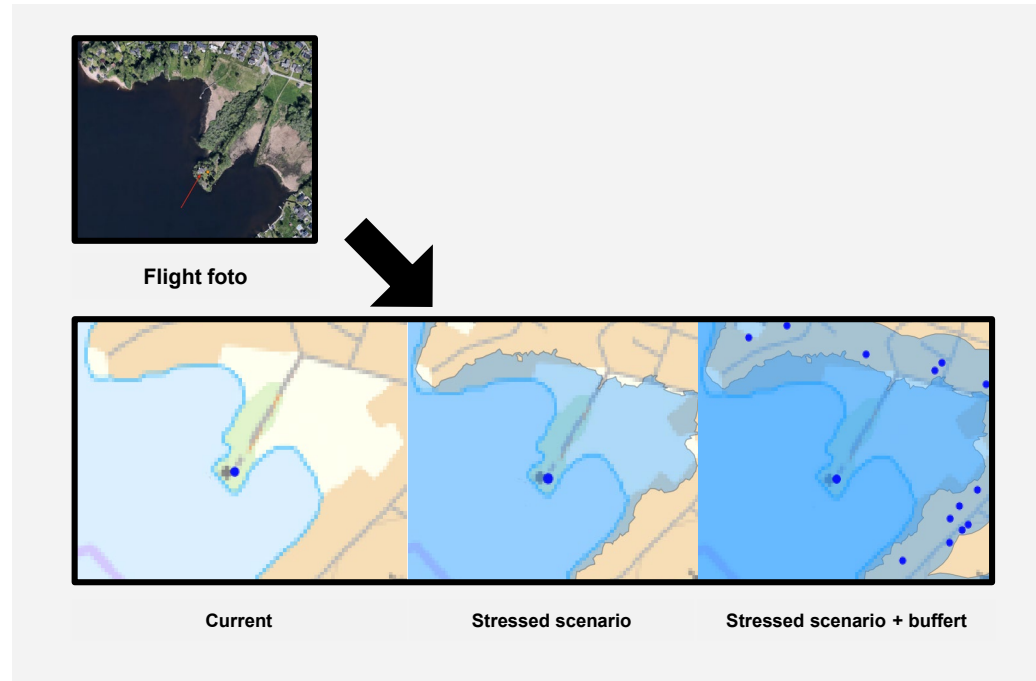
\* Outstanding Green Bonds & estimated Eligible volumes within SBAB Group Green Bond Framework 2019 as of 24 Oct 2019

# Climate risk analysis

– Initial climate risk analysis of SBAB's mortgage portfolio based on RCP8.5 (SMHI) & "100-årsflöden" (MSB)

## Climate risk analysis

- **Scenario 1:** Stressed scenario of collateral affected by increased seawater level (RCP8.5) and / or "100-year flows" (Sw. 100-årsflöden) in Swedish watercourses
- **Scenario 2:** Stressed scenario described above +100 meters buffer
- **Result:** Small proportion of SBAB's portfolio in risk zones

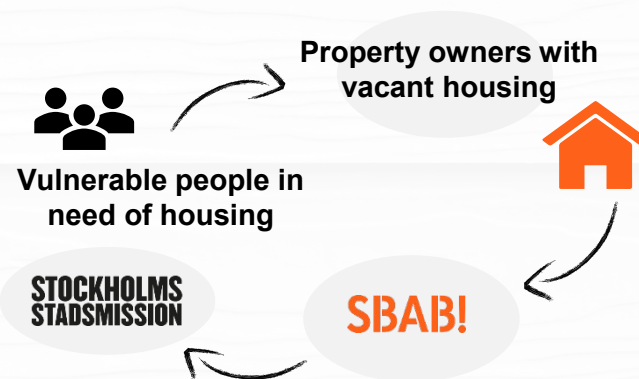


# An inclusive housing market

– Everyone has a right to a home and social security

## Part of the solution to a serious and important societal problem

- At least 33,000 people are homeless in Sweden today. This is a failure on both a humanitarian and societal level
- With the aim of helping create a better housing situation for homeless and socially vulnerable people, SBAB supports Stockholms Stadsmission, Situation Sthlm and Faktum
- SBAB supports Stockholms Stadsmission in its aim to reduce homelessness in the City of Stockholm, e.g through the “Särskildnyttan” project. The project aims to enable property owners to contribute housing or finance housing support for those who are most cut off from the housing market



# THE SWEDISH ECONOMY & HOUSING MARKET.

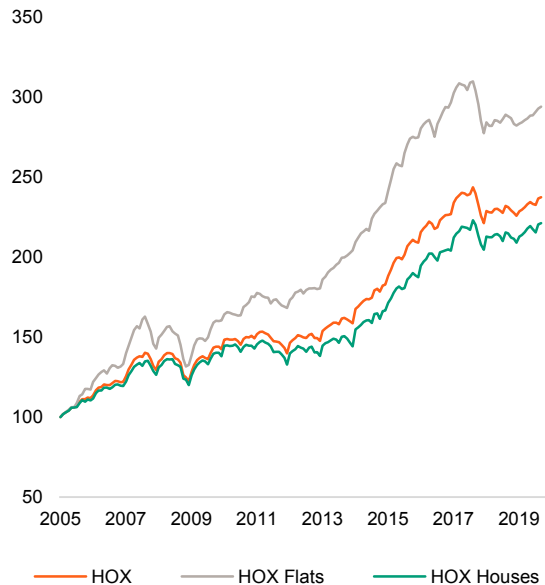


# Housing market: Stabilized and slightly increasing prices

## Stable prices in the coming years

- **Housing prices have increased by an average of 4.3 percent over the past ten years, turning point in 2017**
  - Construction of new housing is clearly influenced by the development of housing prices
- **SBAB's forecast is that housing prices for the state as a whole will increase by 6 percent in 2019, and then remain relatively stable in the following years**
  - The hose price forecast depends largely on SBAB's interest rate forecast

## Housing price index (index January 2005=100)



	Index Sep-19	Change since		
		1m	3m	12m
<b>Sweden (HOX)</b>	<b>237</b>	<b>-0.4%</b>	<b>+1.8%</b>	<b>+2.7%</b>
<b>Flats</b>	<b>294</b>	<b>+0.4%</b>	<b>+1.8%</b>	<b>+2.1%</b>
Stockholm	279	+0.4%	+1.7%	+1.7%
Gothenburg	336	+0.7%	+2.3%	+1.2%
Malmö	257	+0.4%	+1.9%	+5.3%
<b>Houses</b>	<b>221</b>	<b>+0.4%</b>	<b>+1.8%</b>	<b>+3.0%</b>
Stockholm	219	+0.4%	-2.6%	+2.1%
Gothenburg	226	-0.4%	+2.5%	+2.9%
Malmö	205	+0.0%	+2.7%	+6.2%

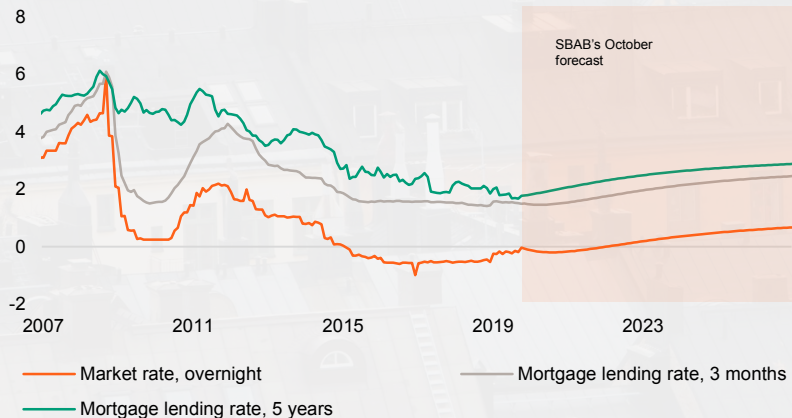
# SBAB's forecast

Róbert Bojje  
Chief Economist, SBAB



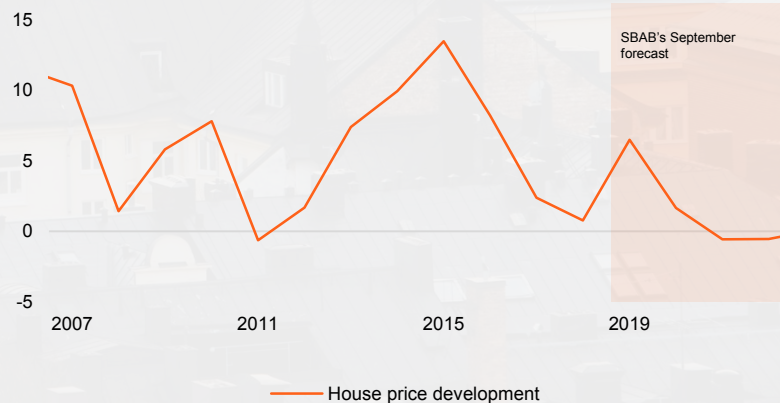
## Interest rate development (percent)

Given the market's expectations of interest rate developments, and an assumption of continued historically low real interest rates, we have made a forecast for mortgage lending rates with interest periods from 3 months to 5 years. We expect a moderate and slow rise in mortgage rates over the next years for all periods. In January 2023, the 3-month interest rate is expected to be 2.0% and the 5-year interest rate 2.4%.



## House price development (percent)

According to our house price model, where we take into account, among other things, the forecasted development of disposable income and mortgage rates, housing prices for the country as a whole are expected to rise by about 6% 2019, and then remain fairly stable in the coming years. Overall, in three years' time housing prices are expected to rise by on average 8%.

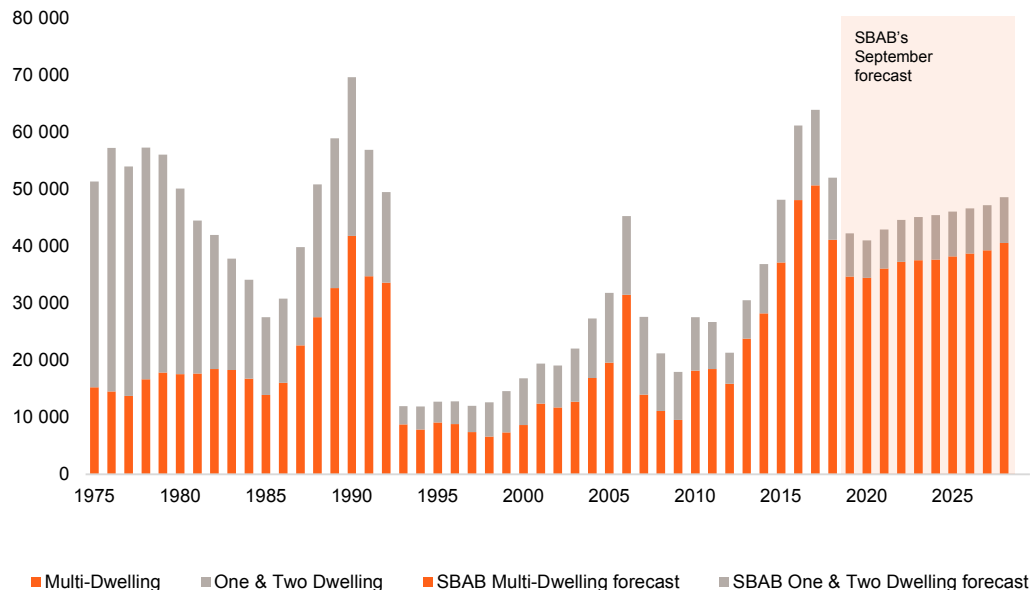


# Housing market: Reduced housing constructing

## Remaining need for new housing

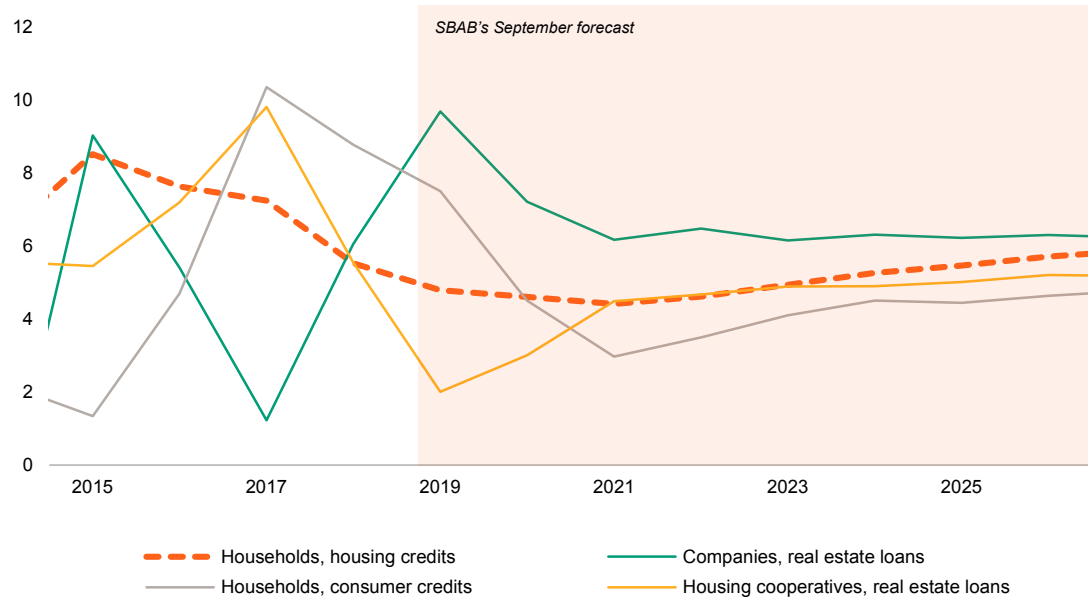
- **Housing construction peaked in 2017**
  - Relatively low level of housing constructing since the crisis of the 1990s
  - Rapid rise in 2015
  - The housing shortage in Sweden is currently estimated to amount to around 1600 00 homes, despite the high rate of construction in recent years
  - Housing construction is expected to decrease by 35 percent by 2020 compared to 2017
- **Strong demographic growth, good access to financing and low interest rates support the high rate of new construction**
  - Some concern about affordable housing and the ability to pay / willing to buy
  - Approximately 40 000 new homes are needed per year in the coming years in order for the housing stock to grow at the same rate as the number of households.

## Housing construction (number of homes)



# Housing market: Slowdown in credit growth

Credit growth, annual growth rates (%)



- Credit growth in the mortgage market (red line) has slowed down since 2015
- The annual (YoY) percentage credit growth in the mortgage market in September 2019 was 4.9 percent.
- According to SBAB's forecast, it is expected to fall to 4.8 percent for the full year 2019, 4.6 percent for 2020 and 4.4 percent for 2021, mainly as a result of lower housing production, more or less stagnant housing prices and lower housing turnover rate



# The Swedish mortgage market

– Measures introduced to slow down the market

**2010**  
LTV cap 85%

**2013**  
15% risk weight floor on Swedish mortgages implemented

**2014**  
Amortization recommendation. All loans above 70% LTV, individual amortization plans (industry agreement)

**2016**  
Implementation of the Swedish FSA's (S-FSA) requirements on amortization (2% above 70% LTV and 1% 50-70% LTV)

**2010**  
Amortization on all loans above 75% LTV (industry agreement)

**2014**  
Risk weight floor on mortgages increased to 25%

**2018**  
Implementation of the S-FSA's requirements on amortization (new mortgagors with mortgages in excess of 4.5 times their gross income must amortize at least 1 per cent of the debt in addition to the 2016's amortization requirement)

# FUNDING, CAPITAL & LIQUIDITY.



# Overview of funding

– Total funding portfolio SEK 438 billion (as of 30 September 2019)

## FUNDING OVERVIEW

Deposits

Unsecured funding

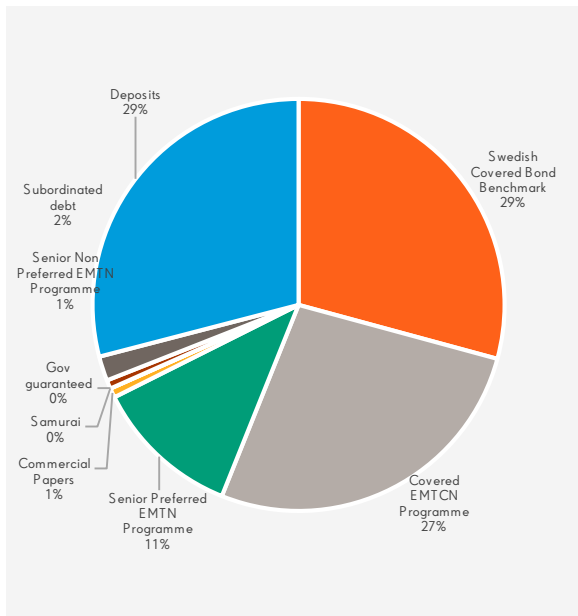
**SBAB!**

Covered bonds

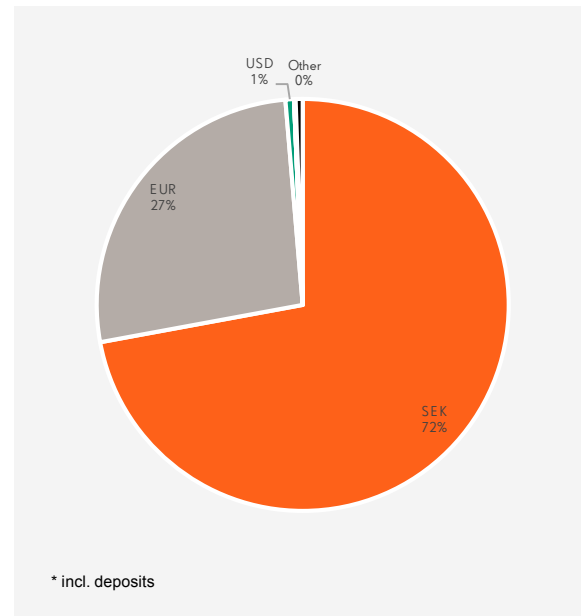
**SCBC**

— Covered Bonds of SBAB —

### Funding sources



### Currency split

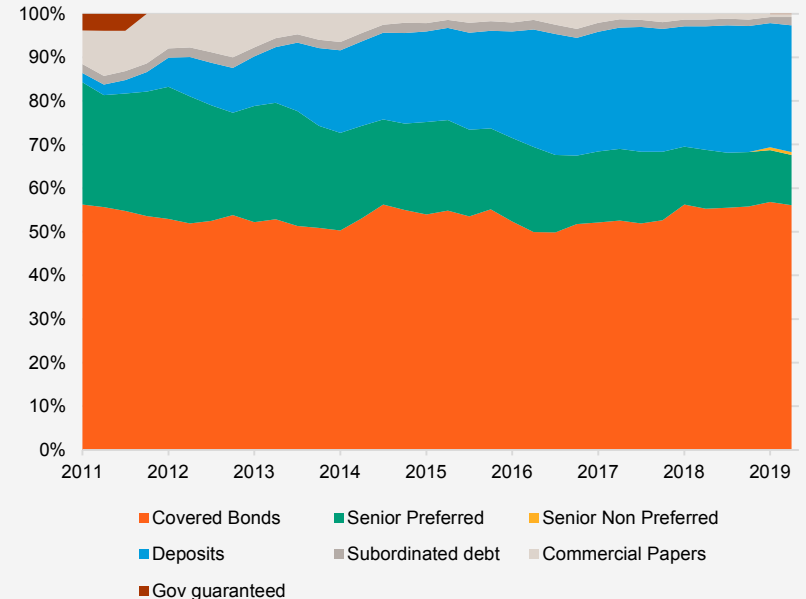


# Funding strategy & development

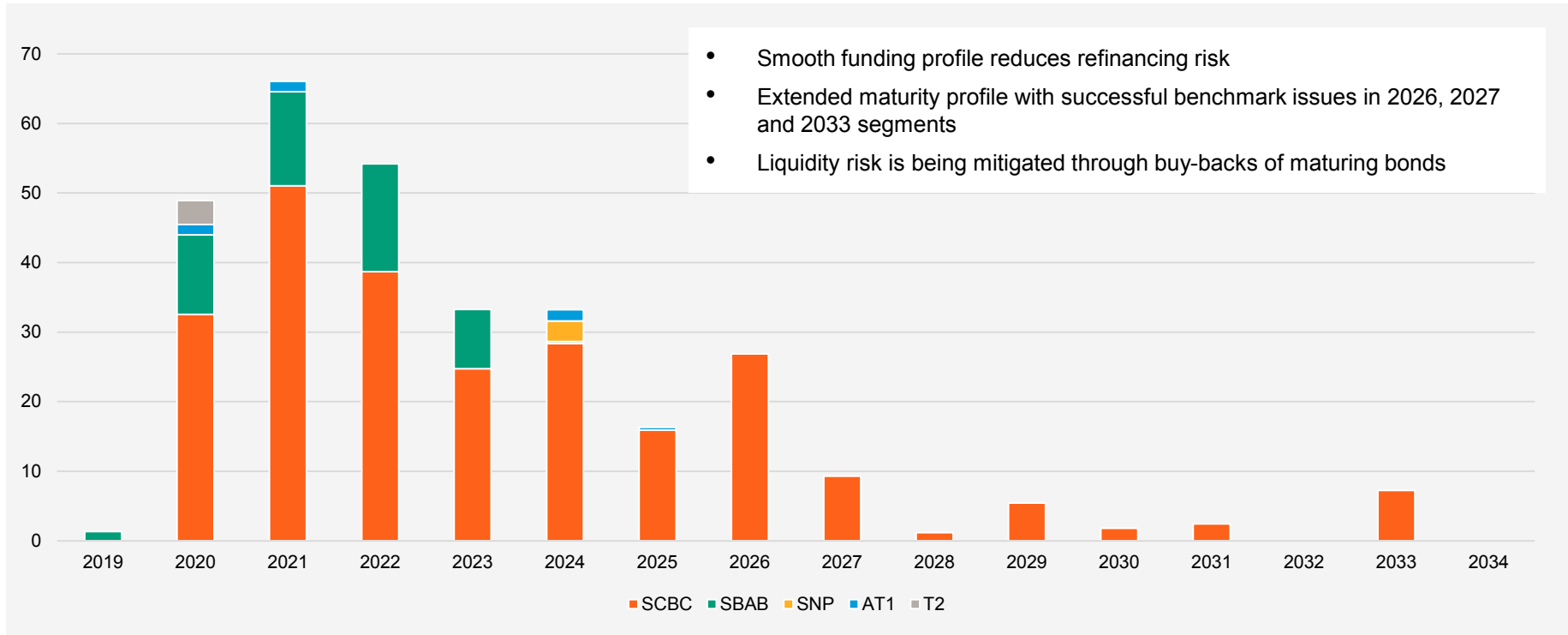
## Funding strategy

- Maintain 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
- Reduced wholesale funding reliance due to growing deposit volumes. Maintain a low reliance on foreign currency funding
- Continuous and committed investor work in core markets and towards core investors to further increase name recognition and transparency
- 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 and of interbank funding
- Intermediate (5y+) bond tenors to support funding duration
- Committed to increase green bond issuances subject to green lending volumes

## Development of funding sources



# Maturity profile



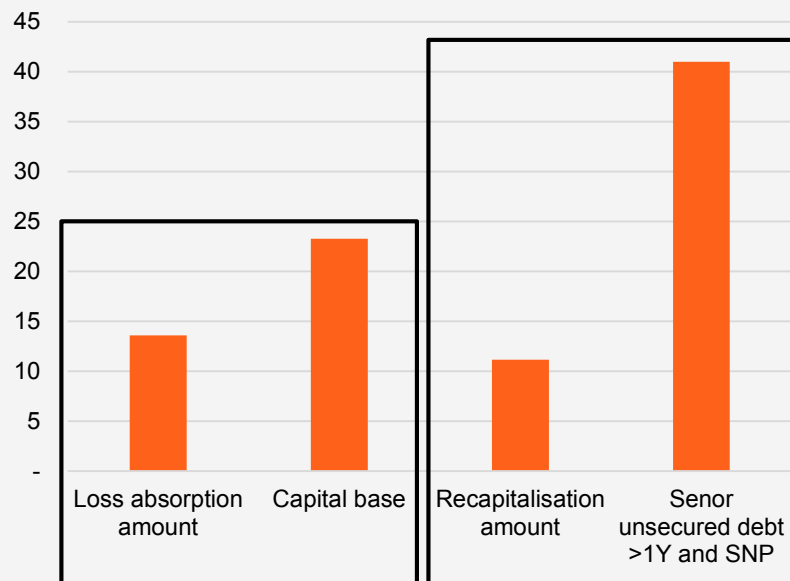
# MREL-requirement 2019

## Background

- In June 2018, SNDO (Riksgälden) made public that the principle of subordinated liabilities shall also apply to the six mid-sized institutions that are critical for the financial system. Phase in period until end 2021
- SBAB's total MREL-requirement is currently set at 5,1% of Total Liabilities and Own Funds (TLOF)\*
  - Total need for MREL debt around SEK 24-25 bn, where approximately SEK 11-12 bn is the recapitalisation amount (to be covered with senior non preferred debt)
  - Compliant with requirement with current outstanding senior unsecured debt
  - SBAB's estimated balance sheet growth and buffer will add to MREL requirement
- Senior non preferred need (requirement and buffer) of approximately SEK 15-17 bn by end of 2021
- Gradual build up of eligible liabilities (senior non preferred) over next three years (subject to regulatory developments)
  - Inaugural SNP issuance from SBAB in June 2019 – 3 bn SEK 5Y (green format)

\* Source: <https://www.riksgalden.se/contentassets/d8e4e8a07bf24347808d47e70de2b030/mrel-tabell-dec-2018.pdf>

## MREL requirement Q2 2019, SEK (bn)

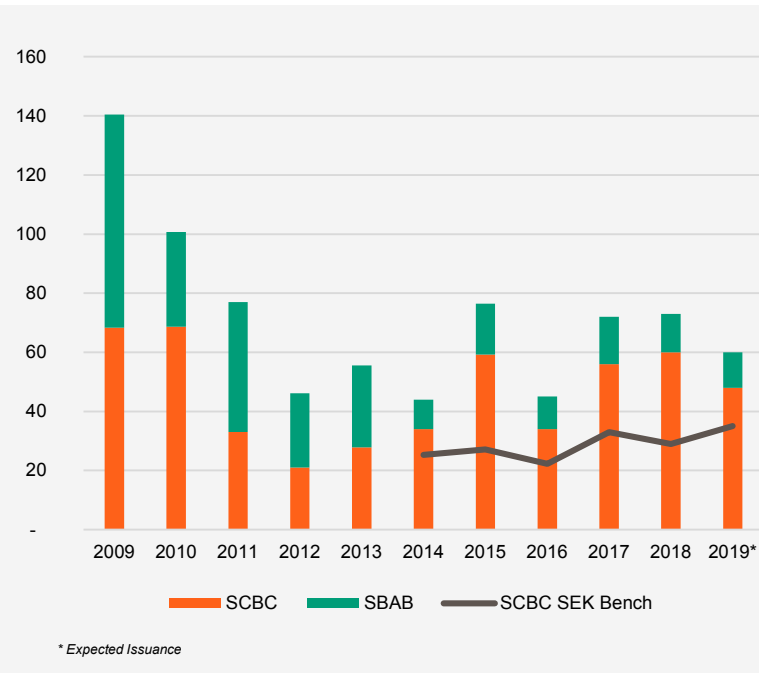


# Future issuance

## Future issuance

- Total long term funding for 2019 expected to approximately SEK 60 bn
- Overall strategy is to long term maintain presence and regularity in core funding markets (predominantly EUR and SEK)
- New SEK covered bond benchmark/benchmarks per year
  - One EUR covered transaction in international funding markets per year
  - One EUR public senior preferred in international funding markets per year
  - Private placements in SEK and international funding markets
  - Senior non preferred issuances – SEK issuance, 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
- Regular future issuance: Dedicated to SEK and expected to return to EUR senior and covered bond market once a year going forward

## Annual issuance, SEK (bn)



# Regular presence in EUR market



**SBAB!**

Senior  
Unsecured  
**€500mn**

0.50%  
5y due May '21

April 2016

**SBAB!**

Senior  
Unsecured  
**€500mn**

0.25%  
5y due Sept '22

August 2017

**SBAB!**

Senior  
Unsecured  
**€500mn**

0.75%  
5y due June '23

June 2018

**SCBC**  
— Covered Bonds of SBAB —

Covered Bond  
**€750 mn**

0.25%  
5y due April '23

April 2018

**SCBC**  
— Covered Bonds of SBAB —

Covered Bond  
**€675 mn**

1.25%  
15y April '33

Apr 2018  
(tap Oct 2018)

**SCBC**  
— Covered Bonds of SBAB —

Covered Bond  
**€650 mn**

0.625%  
7y due Oct '25

October 2018

**SCBC**  
— Covered Bonds of SBAB —

Covered Bond  
**€500 mn**

0.375%  
10y due Jun '29

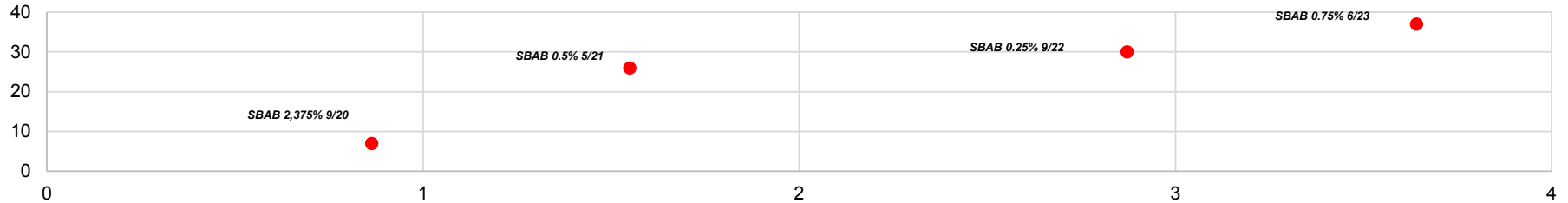
June 2019



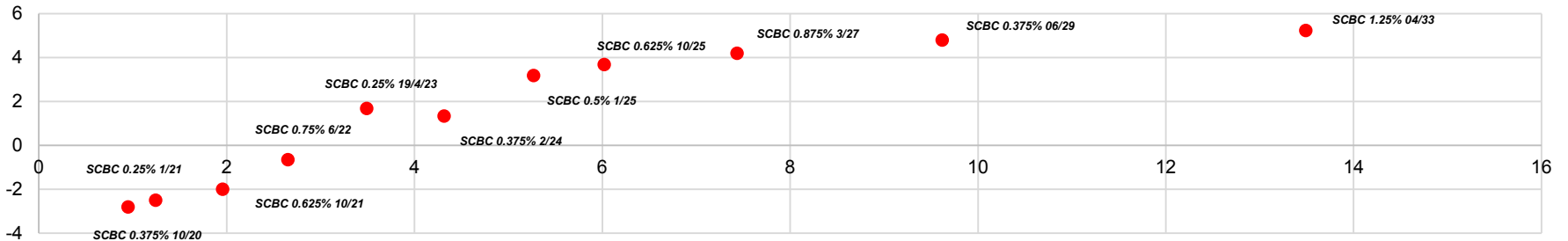
# Outstanding senior unsecured and CB (EUR)

– Spread vs MS

## Senior Unsecured (SP)



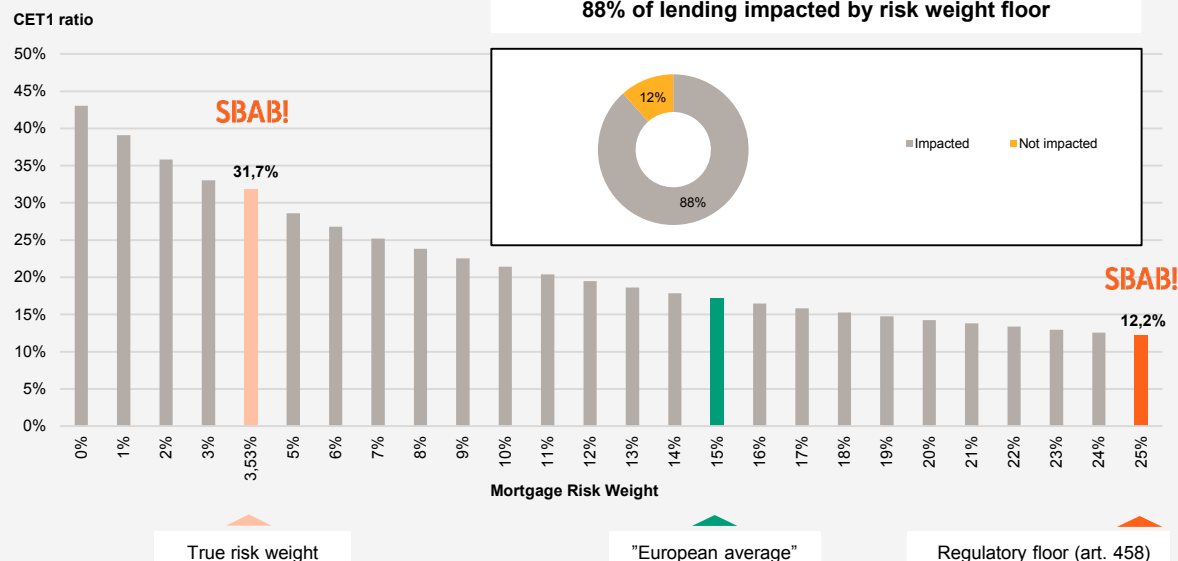
## Covered



# Capital position

– Solid capitalisation, SBAB well above external and internal requirements

## Move of RW-floor (art. 458) & impact on SBAB's CET1 ratio



## Comments

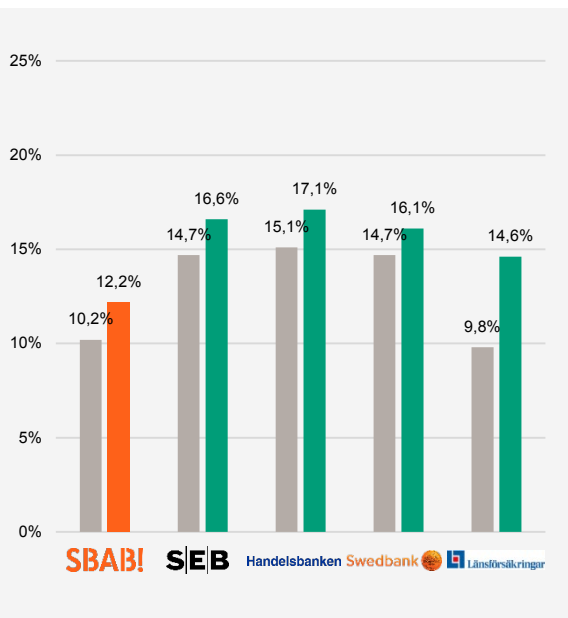
- Capital target: CET1 and total capital ratio at least 0.6% above the requirement communicated by the Swedish FSA \*
- CET1 capital ratio of 12.2% well above external requirement and internal target
- CCB increase (+0.5% to 2.5%) in Q3

\* Adjusted from 1.5% as per 31 Dec 2018 as a result of decision from the Swedish FSA to change the method it uses to apply the 25% risk weight floor for Swedish mortgages previously captured through Pillar 2 by replacing it with a capital requirement within the framework of Article 458 of CRR. In nominal terms, a buffer level of 0.6% corresponds to 1.5% before moving the risk-weight floor.

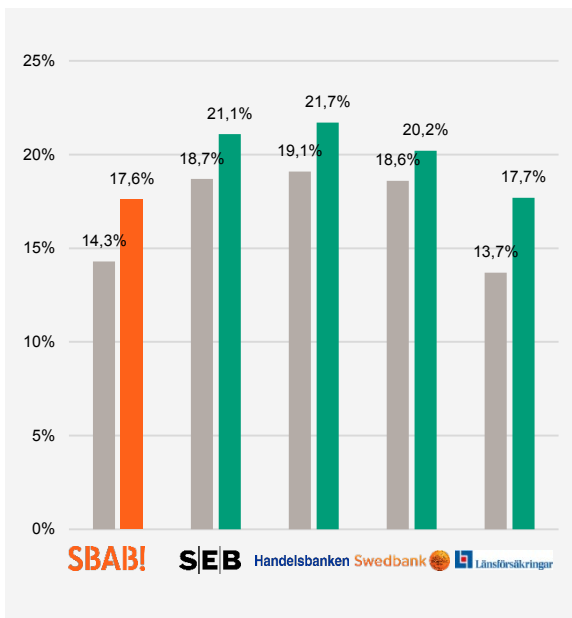
# Capital buffers vs peers

– Continued strong capital buffers: SBAB well above external requirements

CET 1 capital ratio, %



Total capital ratio, %



Comments

- Capital target: CET1 and total capital ratio at least 0.6% above the requirement communicated by the Swedish FSA \*
- SBAB well above external requirement and internal target
- CCB increase (+0.5% to 2.5%) in Q3

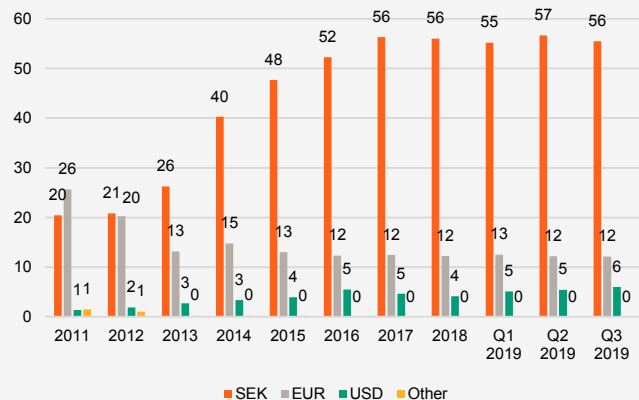
Available Q2 2019 Requirement Q2 2019

\* Revised from 1.5% as per 31 Dec 2018 as a result of decision from the Swedish FSA to change the method it uses to apply the 25% risk weight floor for Swedish mortgages previously captured through Pillar 2 by replacing it with a capital requirement within the framework of Article 458 of CRR. In nominal terms, a buffer level of 0.6% corresponds to 1.5% before moving the risk-weight floor.

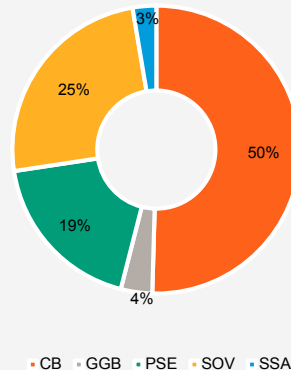
# Liquidity position

- LCR compliant since 1st January 2013
- 98% AAA and 2% AA+
- Maximum 10y maturity
- Increased portfolio to extend survival horizon

## Liquidity portfolio (Currency distribution)



## Liquidity portfolio (Securities type)



## KEY FIGURES

Liquidity portfolio

**74<sub>bn</sub>**

LCR

**298%**

NSFR

**138%**

Survival horizon

**339<sub>days</sub>**

A woman with long dark hair, wearing a light-colored long-sleeved top, is leaning forward and smiling broadly. She is looking towards a man on the right. The man has short brown hair and a beard, wearing a light blue button-down shirt. He is also smiling and looking towards the woman. They appear to be in a modern office or meeting space with blurred background elements like a railing and lights.

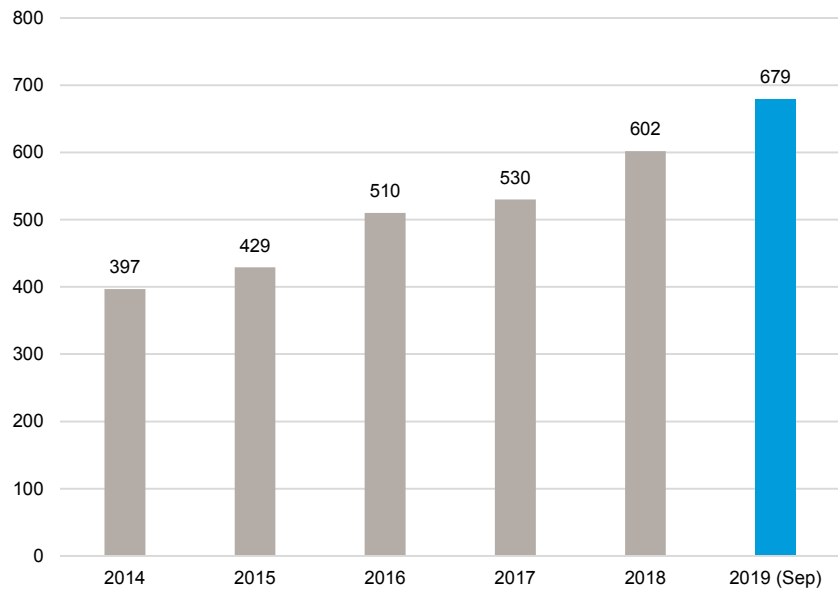
**ATTRACTIVE WORKPLACE.**



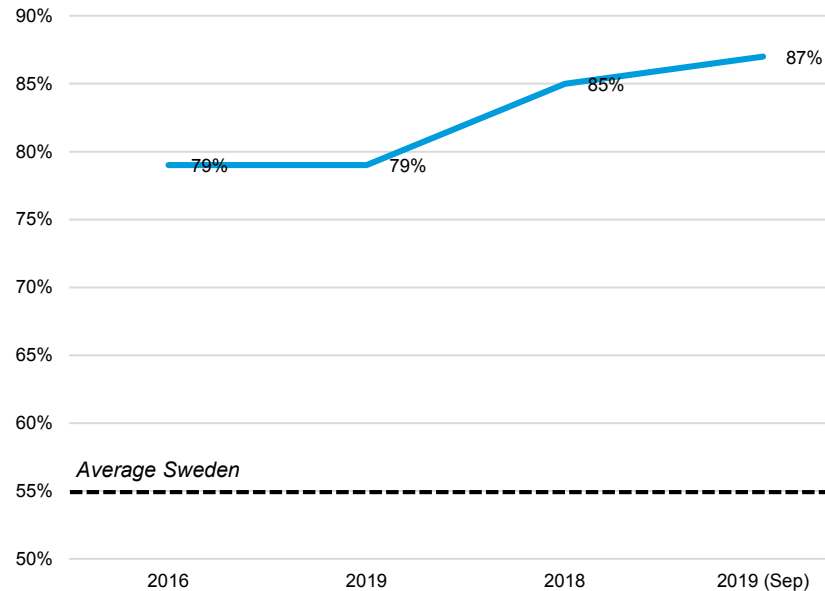
**SBAB!**

# Increased number of FTE

FTE development



Employees who consider SBAB an extremely good place to work



# One of the best workplaces in Europe

**Great  
Place  
To  
Work<sup>®</sup>**

Sweden's Best  
Workplaces

SWEDEN

2019

TOTAL TRUST INDEX: **81% (74)**

CAMARADERIE  
**87% (82)**

FAIRNESS  
**79% (74)**

RESPECT  
**78% (71)**

PRIDE  
**83% (74)**

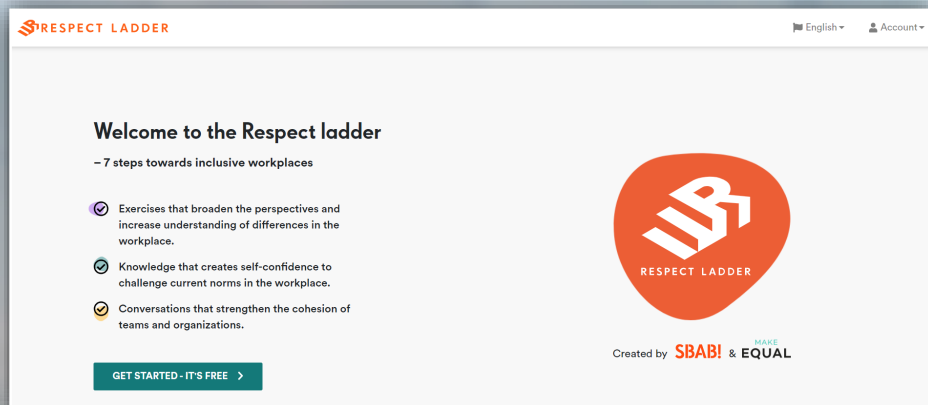
CREDIBILITY  
**79% (71)**

**4<sup>TH</sup> PLACE IN GREAT PLACE TO  
WORK'S LIST OF SWEDEN'S BEST  
WORKPLACES 2019**

**20<sup>TH</sup> PLACE IN GREAT PLACE TO  
WORK'S LIST OF EUROPE'S BEST  
WORKPLACES 2019**

**(LARGER COMPANIES)**

# Respect & equality



The screenshot shows the 'RESPECT LADDER' website. At the top left is the logo 'RESPECT LADDER' with a red icon. At the top right are links for 'English' and 'Account'. The main heading is 'Welcome to the Respect ladder' followed by the subtitle '- 7 steps towards inclusive workplaces'. Below this are three bullet points, each with a checkmark icon: 'Exercises that broaden the perspectives and increase understanding of differences in the workplace.', 'Knowledge that creates self-confidence to challenge current norms in the workplace.', and 'Conversations that strengthen the cohesion of teams and organizations.' To the right of the text is a large red circular logo with a white 'R' and 'L' and the text 'RESPECT LADDER'. Below the logo is the text 'Created by SBAB! & EQUAL'. At the bottom left is a green button that says 'GET STARTED - IT'S FREE >'.

## “Respekttrappan”

- During 2018, SBAB’s working group for equality and diversity, with representatives from different parts of the operations, worked together with the Make Equal foundation to create “Respekttrappan”
- At the Almedalen week 2019, Respekttrappan was launched externally at for companies and organisations to use, free of charge, as part of their efforts to promote increased respect and equality at work ([respekttrappan.se](https://respekttrappan.se))

Jämställdhetsindex JÄMIX®





# Samhall's "Visa Vägen" reward

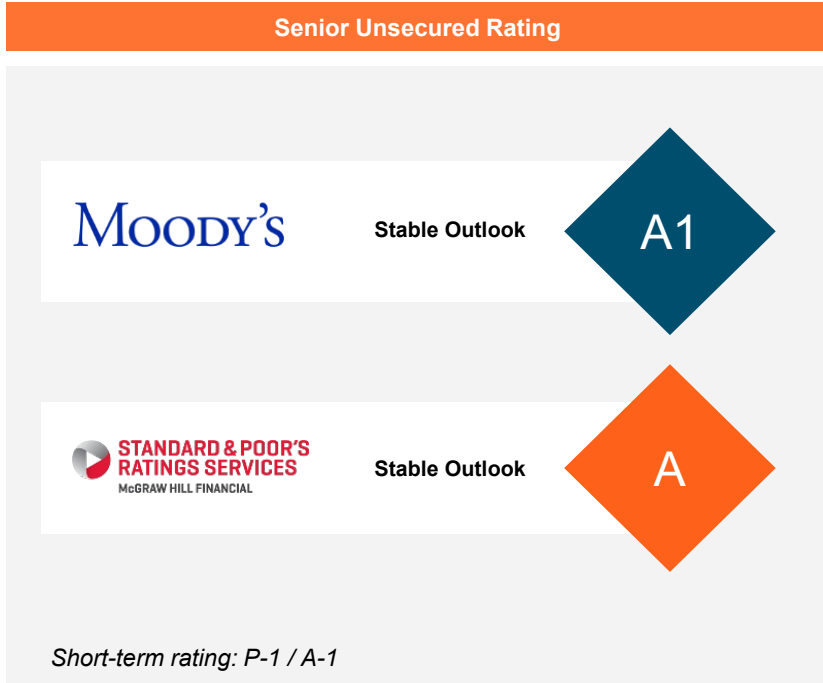


- Respect, equality and inclusion are at the core of SBAB's corporate culture
- In September SBAB accepted Samhall's Visa Vägen reward for the best employer in the Värmland/Örebro/ Dalarna/Dalsland regions based on our approach to inclusion

# APPENDIX.



# Rating overview



MOODY'S

STANDARD & POOR'S  
RATINGS SERVICES  
McGRAW HILL FINANCIAL

Investment Grade	Moody's	S&P
	<b>Aaa</b> <i>Sov. rating</i>	<b>AAA</b> <i>Sov. rating</i>
	Aa1	AA+
	Aa2	AA
	Aa3	AA-
	<b>A1</b> <i>Senior Preferred</i>	A+
	A2	<b>A</b> <i>Senior Preferred</i>
	A3	<b>A-</b> <i>SACP</i>
	<b>Baa1</b> <i>BCA</i>	<b>BBB+</b> <i>SNP</i>
	<b>Baa2</b> <i>T2 / SNP</i>	<b>BBB</b> <i>T2</i>
	Baa3	BBB-
Non Investment Grade	<b>Ba1</b> <i>AT1</i>	<b>BB+</b>
	Ba2	<b>BB</b> <i>AT1*</i>
	[...]	[...]

\* Revised 2019/22/05 from BB+

# SBAB's rating composition for senior debt

MOODY'S

Moody's		
Stand-alone rating	<b>Baseline Credit Assessment (BCA)</b>	<b>baa1</b>
	Macro profile	Strong+
	Financial profile	a3
	Qualitative	-1
	- <i>Opacity and complexity / Corporate Behavior</i>	0
	- <i>Diversification</i>	-1
Notching	Loss Given Failure (LGF)	+2
	Government Support	+1
	<b>Total notching</b>	<b>+3</b>
Rating	Rating	A1
	Outlook	STABLE

STANDARD & POOR'S  
RATINGS SERVICES  
McGraw Hill Financial

Standard & Poor's		
Stand-alone rating	<b>Stand-Alone Credit Profile (SACP)</b>	<b>a-</b>
	Anchor	a-
	Business Position	-1
	Capital and Earnings	+1
	Risk Position	0
	Funding & liquidity	0
	Notching	ALAC Support
GRE Support		+1
Group Support		0
Sovereign Support		0
	<b>Total notching</b>	<b>+1</b>
Rating	Rating	A
	Outlook	STABLE

# Competition intensifies

– New entrants, challenger banks and established banks are working to establish, retain and defend their positions

## Increased competition

- Increased competition in the residential mortgage market, both from new entrants and established banks
- Improved offerings (e.g. list rates) from majority of competitors
- Increased number of campaigns on fixed maturities
- Pricing is a clear indicator of market share momentum – unsurprisingly. However, reputation and customer confidence also play a major role. Digital accessibility, user-friendliness, simplicity, transparency and sustainability, as well as the overall customer experience, are considered important for future competitiveness

	3M	1Y	2Y	3Y	4Y	5Y	7Y	8Y	10Y
SBAB	1.43% (1.64%)	1.48% (1.49%)	1.40% (1.44%)	1.40% (1.44%)	1.48% (1.49%)	1.53% (1.54%)	1.77% (1.69%)	-	2.26% (1.99%)
SEB	1.48% (2.25%)	1.57% (2.20%)	1.47% (1.94%)	1.45% (1.95%)	-	1.49% (1.95%)	1.91% (2.70%)	-	2.60% (2.99%)
Nordea	1.57% (2.09%)	1.86% (2.09%)	1.62% (2.09%)	1.41% (1.89%)	1.58% (1.89%)	1.68% (1.99%)	-	2.32% (2.29%)	-
Swedbank	1.56% (2.25%)	1.72% (2.09%)	1.59% (1.99%)	1.65% (1.75%)	1.70% (1.80%)	1.72% (1.80%)	2.20% (2.55%)	2.58% (2.60%)	2.52% (2.75%)
Handelsbanken	1.56% (2.25%)	1.50% (2.25%)	1.48% (2.20%)	1.48% (1.78%)	-	1.57% (1.88%)	-	2.25% (2.89%)	2.30% (2.99%)
Danske Bank	1.61% (1.80%)	1.24% (1.58%)	1.26% (1.58%)	1.29% (1.58%)	-(1.74%)	1.48% (1.76%)	-	-	2.51% (2.45%)
Skandiabanken	1.34% (2.00%)	1.29% (2.00%)	1.23% (2.00%)	1.22% (2.00%)	-	1.16% (2.00%)	-	-	-
Länsförsäkringar	1.67% (2.23%)	1.42% (2.09%)	1.41% (1.91%)	1.53% (1.75%)	1.63% (1.83%)	1.66% (1.85%)	1.71% (2.43%)	-	2.25% (2.85%)
Landshypotek	1.24% (1.66%)	-(1.65%)	-(1.75%)	1.09% (1.75%)	-(1.75%)	1.18% (1.75%)	-	-(2.19%)	-(2.34%)
Stabelo	1.29% (1.29%)	1.24% (1.24%)	1.25% (1.25%)	1.26% (1.27%)	-	1.49% (1.49%)	-	-	-(2.20%)
Hypoteket	1.33% (1.33%)	1.24% (1.24%)	-	1.35% (1.34%)	-	1.49% (1.49%)	-	-	-
<b>SBAB rank</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>1</b>	<b>7</b>	<b>2</b>		<b>3</b>

Average mortgage rate (September 2019)  
List rate (15 October)

APPENDIX

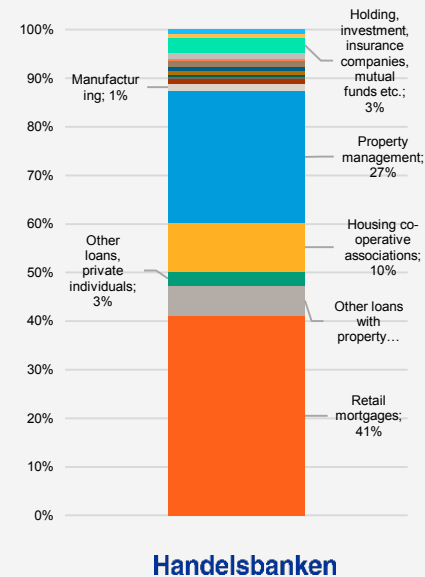
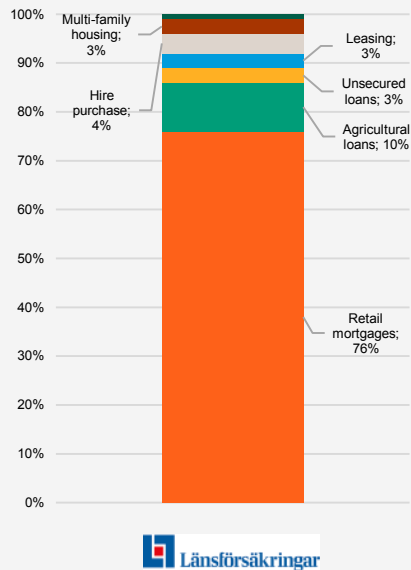
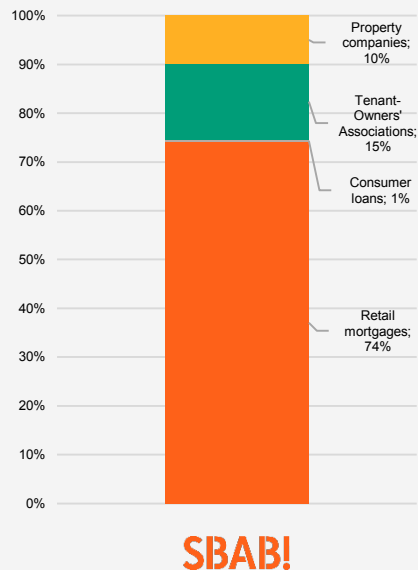
# ASSET QUALITY.



# Overview of SBAB collateral (Q4 2018)

– A "simple" balance sheet with low risk

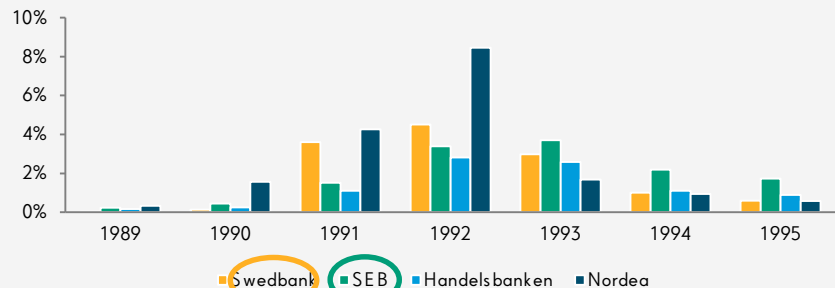
## Lending to the public (Q4 2018) – divided by collateral type



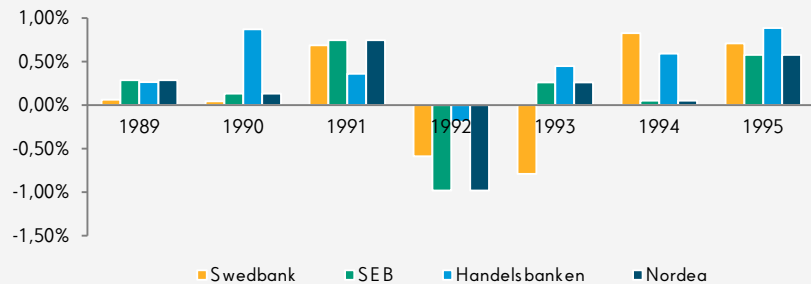
# Mortgages: a low risk business

– SBAB's business areas are focused on the market segment that has showed the most resilient performance, even in the most severe crisis seen in Sweden in modern times

### Loan Losses / Customer Loans



### Net Income / Total Assets



Swedbank

SEB

#### Ranked by 1993 Loan Losses

	1992	1993
Construction operations	0.7 %	14.9 %
Real Estate Management	19.9 %	13.3 %
Wholesale & Retail	1.7 %	11.6 %
Transport	7.1 %	8.9 %
Manufacturing industry	3.3 %	7.5 %
Other	19.4 %	5.9 %
Multi-family homes in Spintab	0.9 %	0.7 %
Households	0.6 %	0.6 %

#### Ranked by 1993 Loan Losses

	1992	1993
Other service sectors	39.0 %	21.1 %
Wholesale & Retail, hotels and restaurants	3.9 %	8.6 %
Transportation	(0.2) %	8.2 %
Finance & Insurance	15.4 %	6.3 %
Construction	6.8 %	5.6 %
Property Management	4.6 %	4.4 %
Manufacturing	1.2 %	1.8 %
Other sectors	0.4 %	1.4 %
Households	1.1 %	0.9 %



APPENDIX

CAPITAL.



# Move of risk weight floor (1/2)

- Finansinspektionen (“FI”) has decided to change the method it uses to apply the 25% risk weight floor for Swedish mortgages currently captured through Pillar 2 by replacing it with a capital requirement within the framework of Article 458 of CRR. This moves the Swedish mortgage floor requirement currently captured in Pillar 2 to Pillar 1 through an increase in RWAs. The change entered force from 31 December 2018
- Banks with the largest exposure to the Swedish residential mortgage market are the most impacted by the change
- This increase in banks’ RWAs, will be concomitant with a decrease of Swedish banks capital requirements (in percentage term) leaving their overall capital requirements (in SEKbn) unchanged
- This means that while Swedish banks’ capital ratios will reduce, the buffers they demonstrate to their overall capital requirements in SEKbn will remain unchanged
- Given the above, SBAB’s Board has decided to translate the buffer levels, expressed in percentage points, in the previous capital targets. The revised target entered force from 31 December 2018
  - Under normal conditions, SBAB’s CET1 capital ratio and total capital ratio should be at least 0.6 percentage points above the requirement communicated by the Swedish FSA
  - In nominal terms, this corresponds to a buffer level of 1.5 percentage points before moving the risk-weight floor, in line with the previous capital targets

# Move of risk weight floor Jun 2019 (2/2)

– Move of RW-floor → capital requirement still the same in SEK

30 Jun 2019, SEK mn	Floor in P2	Floor in P1
<b>REA</b>	<b><u>46,415</u></b>	<b><u>119,728</u></b>
<b>Capital policy – internally estimated requirement*</b>		
CET1 requirement	11,900	11,900
Total capital requirement	16,658	16,658
<b>Ratios</b>		
CET1	31.6%	12.2%
Total capital	45.5%	17.6%
<b>Ratios – internally estimated requirement*</b>		
CET1	25.6%	9.9%
Total capital	35.9%	13.9%
<b>Ratios – management buffer</b>		
CET1	27.1%	10.5%
Total capital	37.4%	14.5%
<b>Margin to internally estimated requirement*</b>		
CET1	6.0%	2.3%
Total capital	9.6%	3.7%

\* Internally estimated capital requirement as per 17 Jul 2019. Actual requirement from the Swedish FSA published on 23 Aug 2019

APPENDIX

SCBC.



## SCBC overview

- 100% owned subsidiary of SBAB Bank AB (publ)
- Long-term loans to Swedish households, property companies and tenant-owners' associations
- Licensed by the S-FSA to issue covered bonds (Säkerställda Obligationer) according to the Swedish Covered Bond Act
- Covered bonds rated Aaa by Moody's
- Details about the covered pool ("National Template") published monthly on sbab.se

READ MORE: APPENDIX

## Eligible cover pool assets

- SCBC does not conduct any new lending itself. Lending is originated by SBAB and assets are transferred to SCBC via a true sale on a continuous basis
- Large buffer in Cover Pool to a significant fall in house prices. Eligible assets in SCBC can be moved to cover pool to increase OC

### Simulation of decline in house prices

Houseprice change	Eligible assets in cover pool (SEK bn)	WA LTV (%)	OC* (%)
0%	312.3	55.8	31.3
-5%	308.8	57.7	29.9
-10%	304.2	59.4	27.9
-15%	298.2	61.1	25.4
-20%	290.6	62.6	22.2
-25%	281.2	64.0	18.3
-30%	269.0	65.2	13.1

\* OC calculated in accordance with requirements from the Swedish FSA

## Cover pool

Cover Pool (SEK)

**313.0<sub>bn</sub>**

No. of loans

**409,336**

OC

**28.2%**

WA LTV

**55.8%**

## The Swedish covered bond market

- One of the best functioning bond markets in the world
- The bond market has been open and well functioning throughout the crisis, providing reliability and liquidity
- Key distinction of the market is the tap issuance format via contracted market makers. Tap issuances can be made on a daily basis in small to medium sizes
- Market is supported by market makers with separate market making agreements and repo functionality providing issuers with enhanced liability management options
- Typically issuers start reducing their outstanding debt about 6-9 months before maturity via successive buy-backs and switches

Source: ASCB, Association of Swedish Covered Bond Issuers

## SCBC Cover pool characteristics (from “National Template”)

Collateral	100% Swedish residential mortgages *
Over Collateralization	28.2%
Weighted average LTV	55.9%
Weighted average seasoning	4.9 years
Loans in arrears	0.00%. Arrears below 0.01% (loans in arrears > 30 days are excluded from the Cover Pool)
Number of loans	409,366
Average loan size	SEK 764,534
Geographical location	Spread throughout Sweden; concentrated to economic hubs
Pool type	Dynamic
Originator	SBAB Bank Group
Interest rate type	66.6% floating, 33.4% fixed / 53.7% amortising, 46.3% interest only

\* Occasionally, minor volumes of substitute collateral consisting of AAA rated securities, can be included in the cover pool

# The **SCBC** product

— Covered Bonds of SBAB —

The limited activities of SCBC provide additional benefits to investors

## **Robust structure**

- Strength of a regulated entity combined with a restricted activity vehicle reduces number of other potential creditors
- As a result, in addition to the eligible assets, investors also benefit from over-collateralisation provided by:
  - Non-eligible assets
  - Regulatory capital held by SCBC

## **Subordination of SBAB interests**

- Fees for services provided by SBAB are subordinated to SCBC's senior creditors
- Where a mortgage certificate serves as collateral for 2 different mortgage loans, SBAB has subordinated its interest to SCBC

## **Loans in arrears**

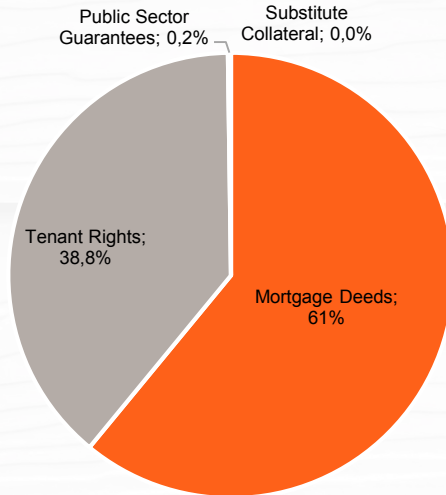
- Loans 30 days in arrears are normally removed from the cover pool in SCBC

## **Other features**

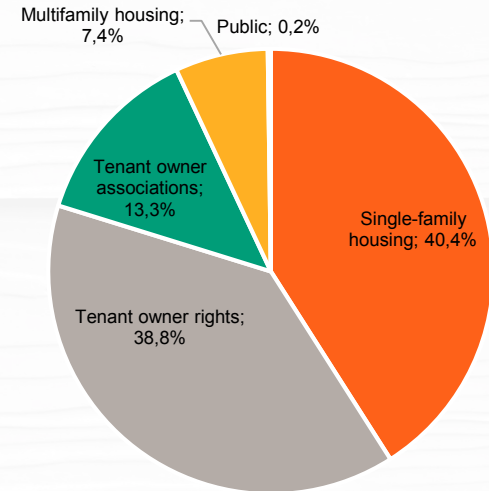
- Dynamic OC in compliance with Aaa requirements
- UCITS Compliant
- Swedish covered bonds are eligible for repo at Riksbank
- ECBC Harmonised Transparency Template, HTT
- National Template, NTT

# Cover pool characteristics

Breakdown by collateral



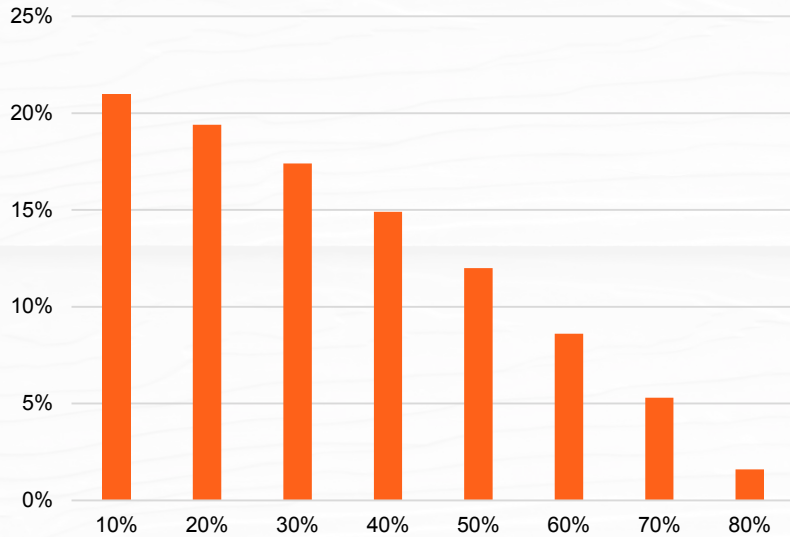
Breakdown by owner



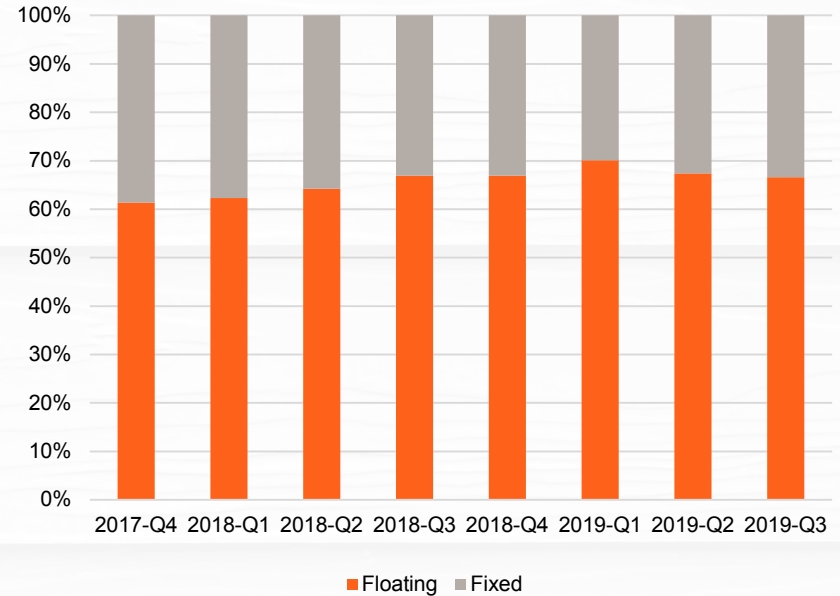


# Cover pool characteristics

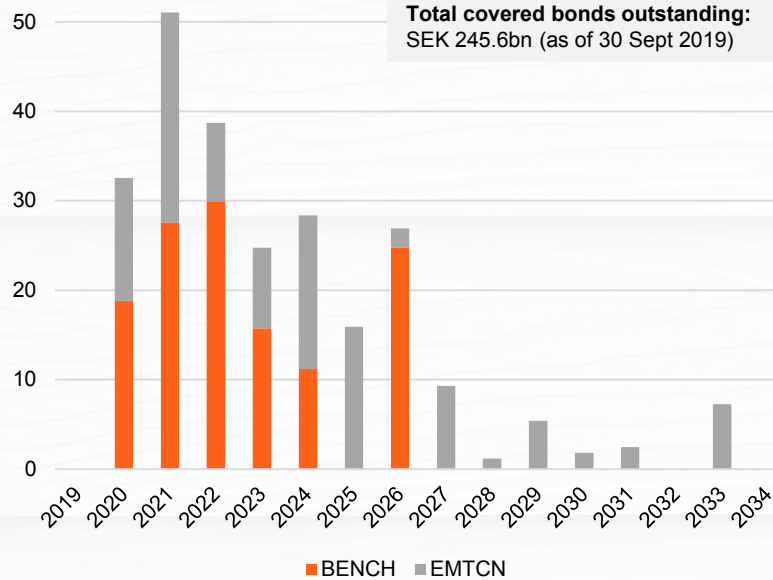
### Loan to value (LTV) distribution (Q1 2019)



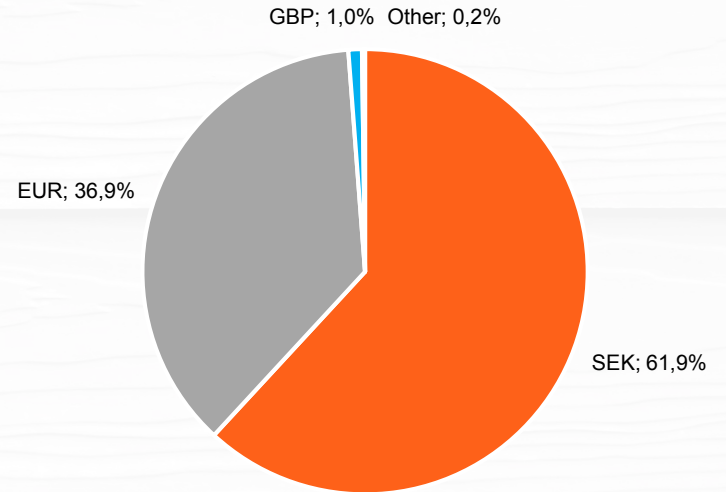
### Rate type



## Maturity profile



## Currency profile



APPENDIX

# THE SWEDISH ECONOMY & HOUSING MARKET.



# Summary



Sweden

AAA / Aaa / AAA (stable)

READ MORE: APPENDIX

## Real economy

- Solid GDP growth of on average around 2% for the last 10 years. Slowdown expected in 2019-2020, mainly due to a decline in housing constructing
- Unemployment is expected to remain at a fairly low level but somewhat increasing
- Public finances are very strong in an international comparison

## Credit

- Debt-to-income ratio has risen for a number of years, but low debt service costs-to-income ratio and high net wealth
- High private debt mitigated by low and declining government debt
- Gradually declining lending growth is now at a level that could be considered sustainable

## Real estate

- Strong house price increase with turning point in 2017. Stable development during 2018 and 2019
- The decline in housing constructing since 2018 is expected to continue in 2019

## Demography

- Population grow due to strong birth excess and migration with a marked urbanization trend
- Demography supports demand for new dwellings

## Interest rates

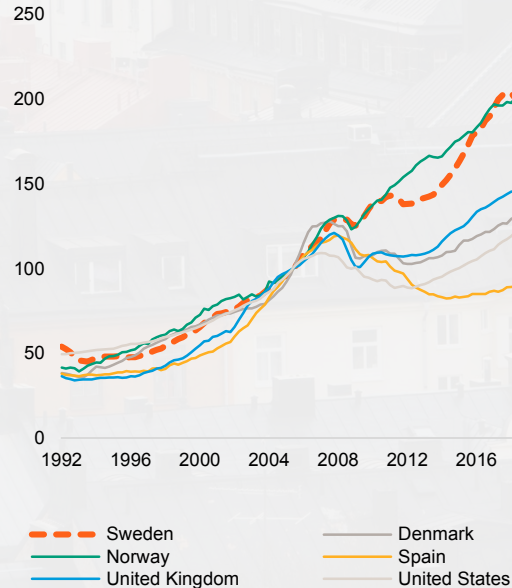
- Highly expansionary monetary policy with a Repo rate at -0.25 percent, an upturn is not expected until late 2021 or early 2022
- Low mortgage lending rates in the near future

# House price development

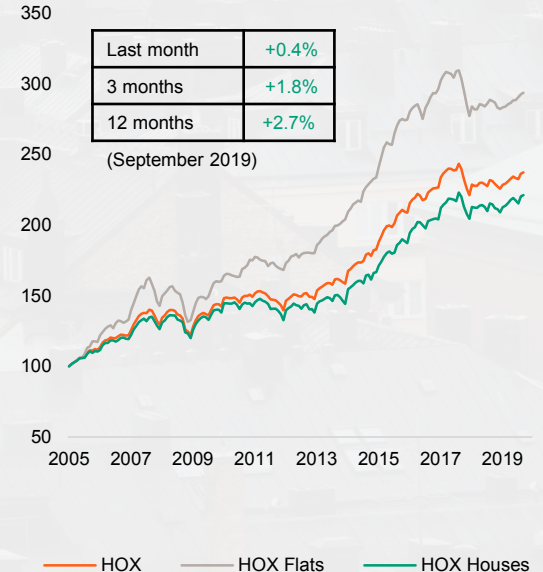
## House price development

- **House prices have increased by an average of 5.0% over the last 10 years, turning point in 2017**
  - Housing construction is clearly linked to house price development
- **With the exception of the regulated market for rental apartments, the Swedish housing market contrasts with textbook examples of bubble markets in a number of ways**
  - Strict regulations on buy-to-let
  - No subprime mortgage market
  - Limited speculative elements in housing construction

## House prices (index 2005=100)



## Prices on flats and houses (index 2005=100)

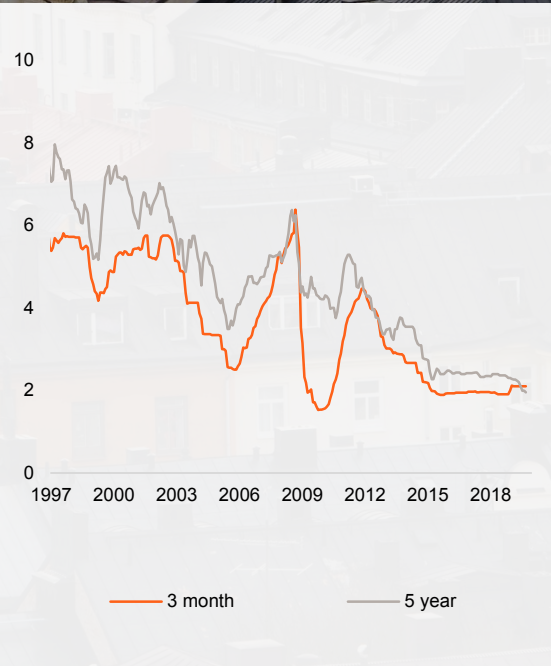


# Low costs of owning a dwelling

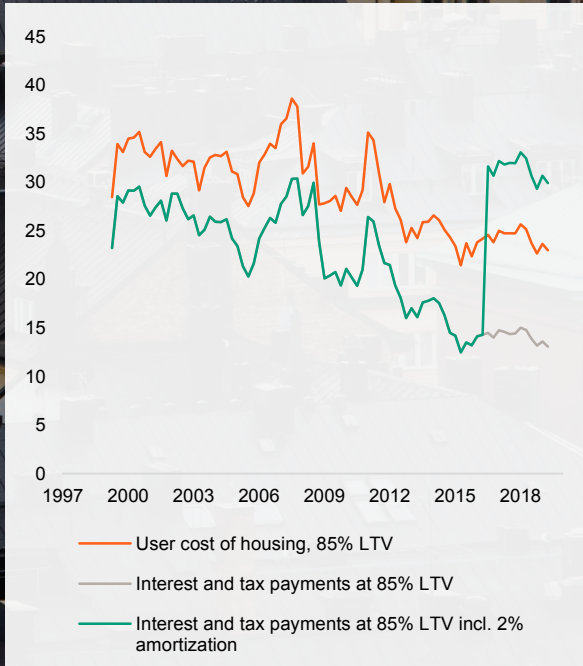
## Low costs of owning a dwelling

- **Mortgage lending rates have been on a downward trend for almost 25 years**
  - Mortgage rates and house prices have been highly correlated
  - Interest cost is deductible to 30% (20% on amounts above 100,000 SEK)
- **No increase in interest expenses and current tax payments**
  - Interest expenses and tax payments of buying an average house has historically been around 17% of an average salary after tax over the past ten years, and is currently at 13%
- **Relaxation of taxes connected to housing**
  - Inheritance & gift tax abolished in 2005, wealth tax abolished in 2007, residential real estate tax lowered in 2008
  - Capital gains taxation applies to dwellings (flat rate 22%) with the possibility to defer the tax at an interest cost

## Mortgage lending rates (average of five banks)



## Cost of buying a house (% of DI per capita)



# The Swedish economy

## Comment

- **Slowdown in economic growth expected in 2019 followed by a slow economic upturn**
  - Over the past ten years the economy has been characterized by strong domestic demand, stable public finances, strong population growth, increasing employment, low inflation, low interest rates and rising house prices
  - The decline in GDP growth in 2019 can to a large extent be explained by an expected fall in housing production and thereby investment
  - Unemployment is low but is expected to rise somewhat in the coming years

	2018	2019	2020	2021	2022
Real GDP, actual	2.4	1.3	1.1	1.5	1.7
Household consumption	1.2	0.8	1.2	1.8	2.0
Public consumption	0.9	0.5	0.9	1.1	1.1
Investments	5.2	-2.2	-0.6	0.9	1.5
Net export, GDP-contribution (pp)	0.2	1.4	0.5	0.2	0.2
Employment	1.8	0.6	0.4	0.2	0.3
Unemployment rate (%)	6.3	6.4	6.6	6.9	7.1
Inflation, CPI-F growth	2.1	1.6	1.6	1.7	1.9
Policy rate, yearly average (%)	-0.50	-0.25	-0.25	-0.25	-0.10
KIX-index (-)	117.6	122.2	122.2	120.7	118.6

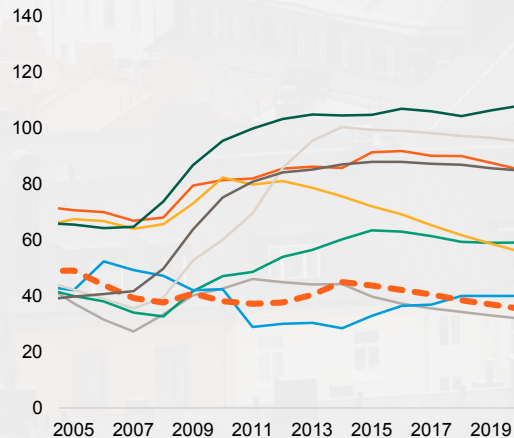
Note: Annual percentage growth unless indicated otherwise, light orange background indicates SBAB's September forecast

# Public finances and fiscal policy

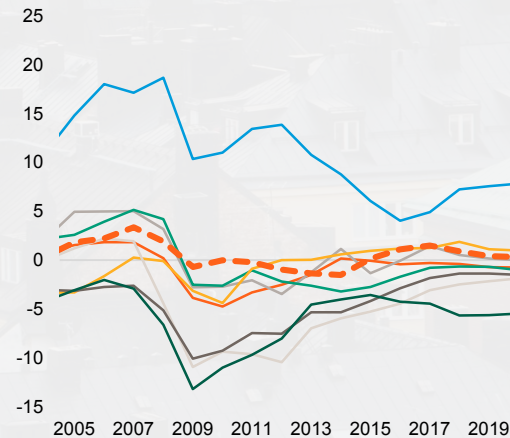
## Comment

- **Sweden: AAA / Aaa / AAA (stable)**
- **Public finances are very strong in an international comparison**
- **Government debt is low and declining**
  - Debt-to-GDP of 38.5% in 2018, 36.9% in 2019 and 35.4% in 2020 (IMF, October 2019)
- **Budget currently close to balance**
  - Net lending/borrowing at 0.4% of GDP in 2019 (IMF, Oktober 2019)
  - Average budget balance over the past 10 years has been -0.1% of GDP

## General government gross debt (% of GDP)



## General government net lending (% of GDP)



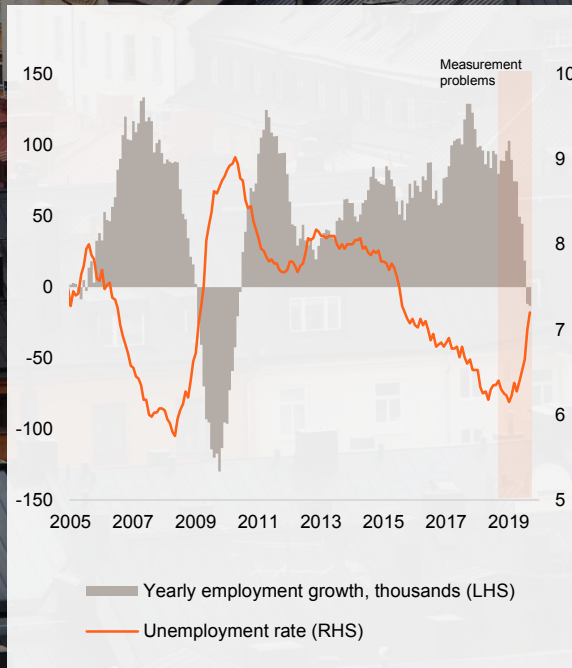


# Strong domestic economy

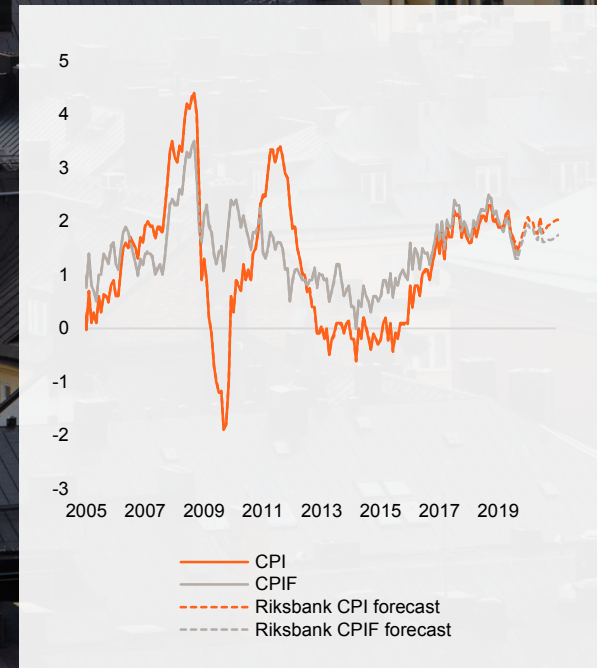
## Comment

- **The labor market is still strong**
  - The activity rate (16-64y) has increased from under 75% at the end of 2008 to over 79% at the end of 2018
  - The labor market is expected to weaken slightly in the next few years in line with a recession, but measurement problems make it difficult to read the exact development at the moment
- **Average inflation has been 1.0% over the last 10 years, well below the target of 2%**
  - A moderate cost pressure mean that the inflation will have difficulty reaching all the way up to the target in coming years
  - CPI inflation of about 1.7% is expected in 2019 (SBAB, September 2019)

## Employment growth and unemployment rate



## Inflation (y/y)

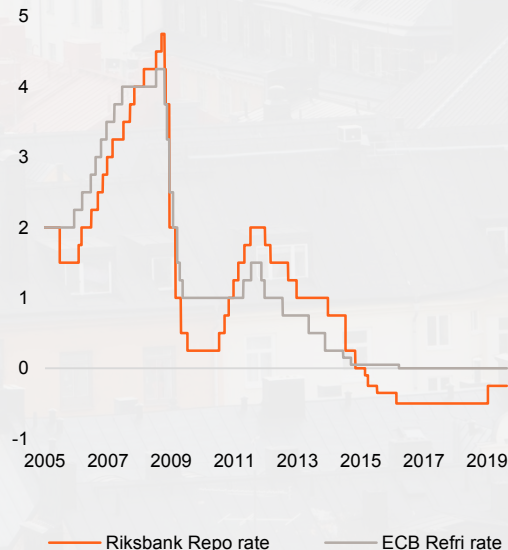


# Monetary policy and interest rates

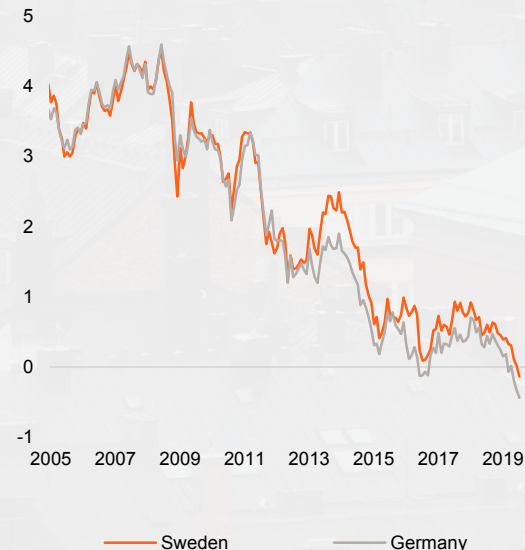
## Comment

- **Very expansionary monetary policy**
  - The Riksbank announced on September 5th to keep the policy rate at -0.25%
- **Long and short interest rates have a high correlation with i.e. German rates**
  - The spread against 10y German bond has on average been +16bp, over the last 10 years, correlation has been 0.98
- **Sweden has gained something of a safe haven status over the last 10-15 years**
  - Strong public finances and a stable financial system have been holding down long term interest rates
  - Exchange rate uncertainty may have had a negative impact

## Policy rates



## 10y government bond rates

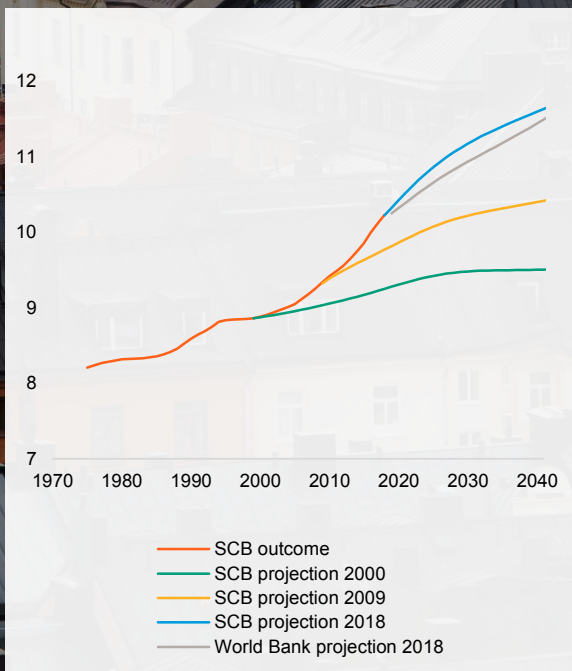


# Demographics

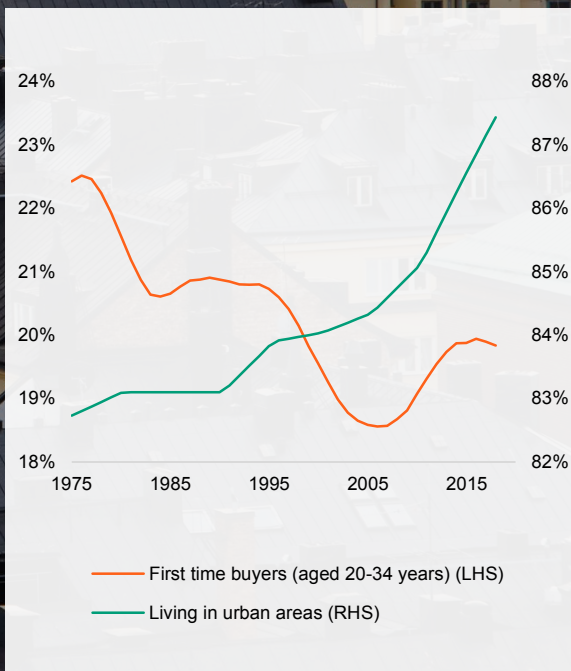
## Comment

- **Population growth is difficult to predict and has been unexpectedly high**
  - Population growth in 2018 was 1.1%
  - Both migration and birth excess are strong
- **The urbanization trend is strong, and the share of potential first time buyers has been rising in recent years**
  - Puts a strong pressure on housing markets in larger cities and growth areas
  - Other important long term demographic factors such as ageing population adds to the pressure

## Total population (millions)



## Population composition (% of population)

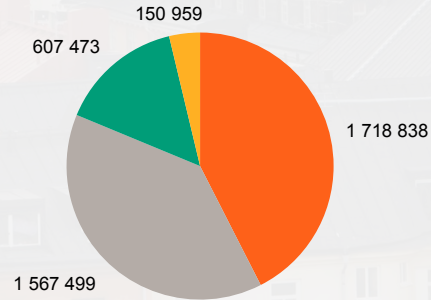


# The Swedish housing market

## Comment

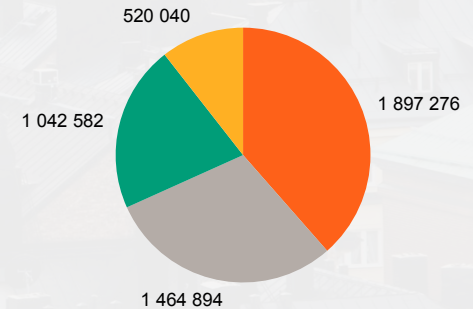
- **Most Swedes own their dwelling**
  - 67% of the dwelling stock (excluding other dwellings) is owner occupied and 33% is rented
- **The rental market is highly regulated**
  - Rent control is strong and a large part is owned by property companies controlled by municipalities
  - The share of rented apartments has been declining due to rent regulations making it unprofitable to build new units where demand is high (large cities)
- **The number of tenant owned apartments has risen**
  - Rent control in combination with increasing prices on tenant owned apartments have made it highly profitable for private (and public) landlords to sell their properties to tenant-owner associations

## Number of dwellings 1990



■ One & Two dwelling buildings ■ Rented apartments  
■ Tennant owned apartments ■ Other

## Number of dwellings 2018



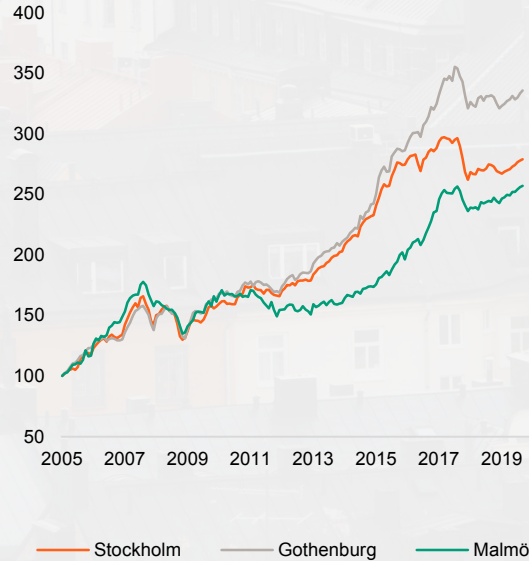
■ One & Two dwelling buildings ■ Rented apartments  
■ Tennant owned apartments ■ Other

# Regional residential price development

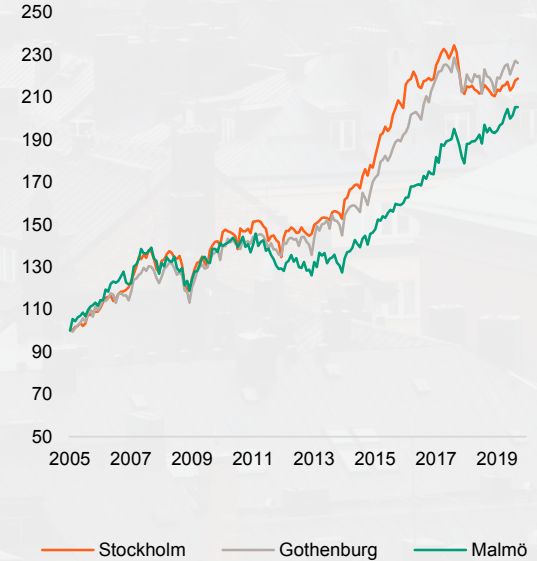
## Comment

- **Prices on flats have risen more than on houses**
  - The slightly different developments in Stockholm may be a sign of a limited supply of houses in comparison with flats
- **The residential prices are higher in metropolitan areas but have risen similarly in the country as a whole**
  - Prices on flats have increased most in Gothenburg, notably after 2016, but there has also been a rapid rise in Malmö in recent years

## Prices on flats (index 2005=100)



## Prices on houses (index 2005=100)

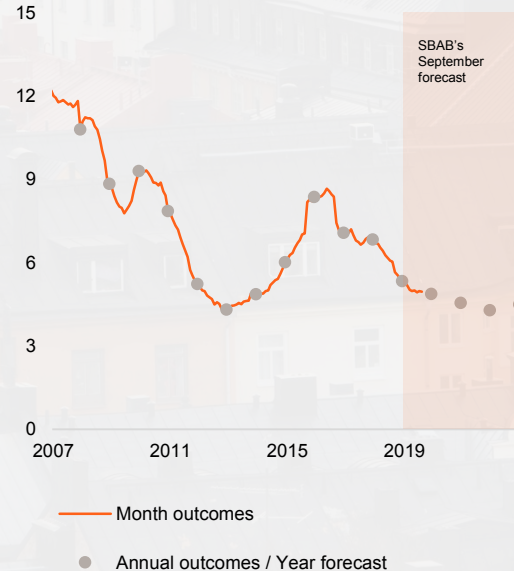


# Strong lending growth

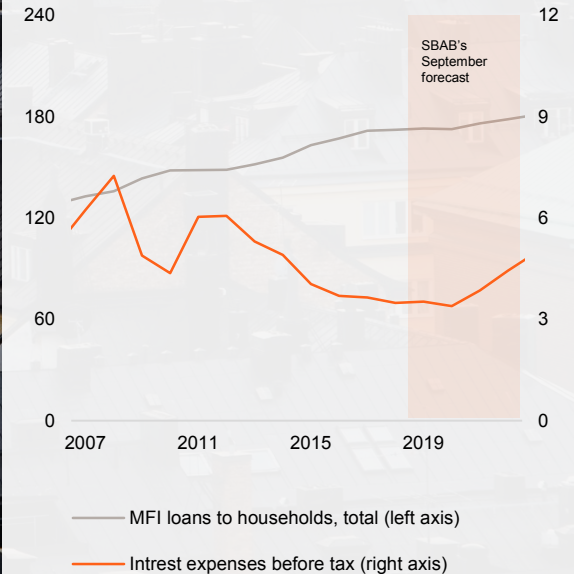
## Comment

- **Lending to households is currently increasing by an annual rate of 5.0%**
  - Lending increases faster than household income, which has been historically normal (49 out of 64 years)
  - Measures taken has probably not had any major effects on growth rate, but on the composition
- **Low debt service costs**
  - There are strong links between interest rates, house prices and lending to households
  - The interest expenses to disposable income ratio is at a historically low level

## Household lending growth (y/y)



## Interest expenditure (% of disposable income)

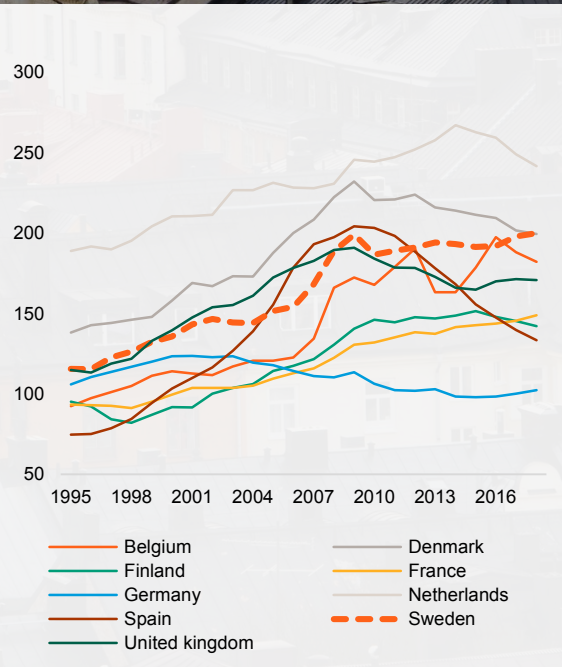


# Debt compared to other countries

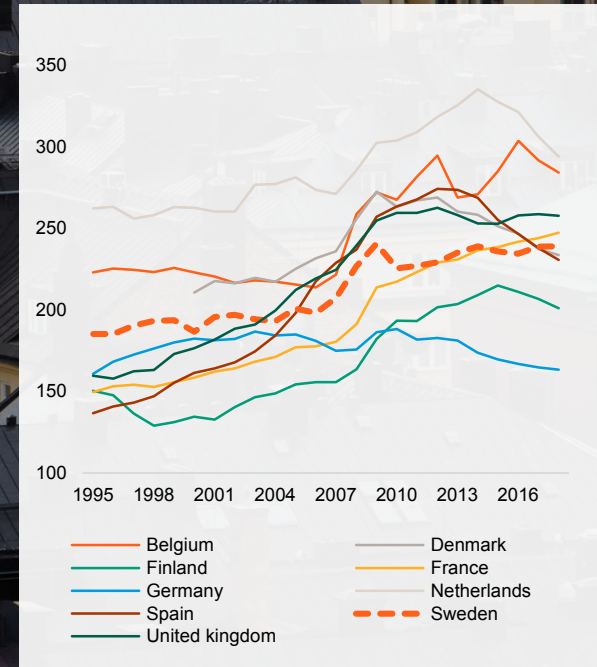
## Comment

- **Household debt to income is rather high compared to some other countries**
  - The overall conclusion from Swedish authorities is that household debt is currently not a threat to financial stability but future growth should be contained
- **Total debt (household, company (non-financial and financial) and public) around average in an international comparison**
  - Strong public finances puts Sweden in a favorable position

## Private debt (% of GDP)



## Private and public debt (% of GDP)

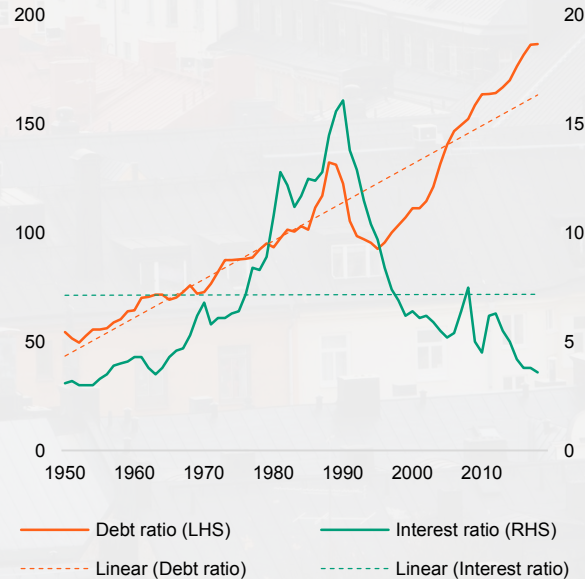


# Household debt has increased

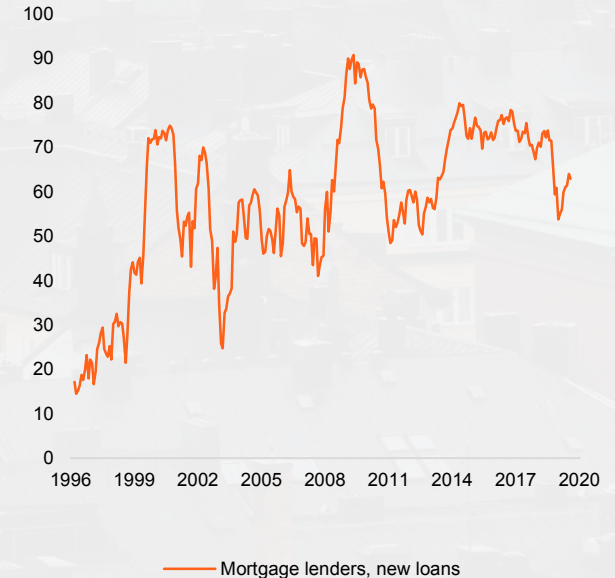
## Comment

- **High debt to income ratio but low interest costs**
  - The household debt to income ratio has increased rapidly since the mid-1990s to currently 187%
  - The rise in the debt ratio is related to the development of the financial economy, but also to the decline in interest rates, rise in house prices, and rising share of homeownership
- **Households are exposed to interest rate risk**
  - Currently very low interest ratio
  - Rising interest rates will eventually push up the interest ratio in the coming years, and the effect will be amplified in the short run by extensive use of floating rate mortgages

## Household debt and interest cost share of income



## Share of mortgage loans with floating interest rates



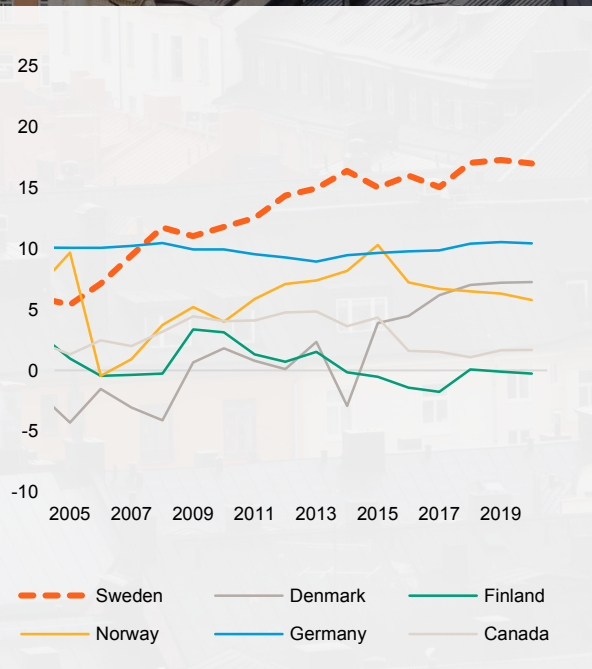


# High savings ratio, high net wealth

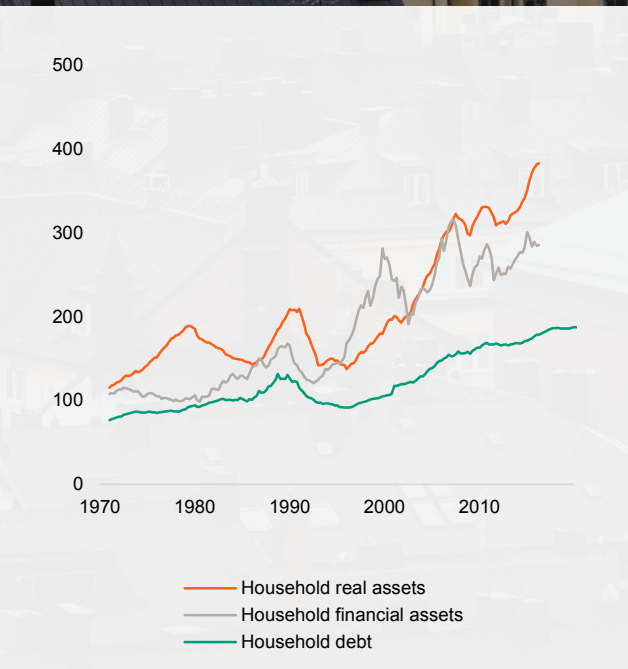
## Comment

- **High savings ratio**
  - Swedish households have a savings ratio at about 17%, which is very high in comparison to other countries
  - Household deposits has risen from about 50% of yearly disposable income in the beginning of the 2000s to over 80%
- **High net wealth**
  - Both financial assets and housing assets have been rising faster than debt
  - Average net wealth stands at almost 5 times yearly disposable income

## Household net savings (% of disposable income)



## Household debt and assets (% of disposable income)



# Kingdom of Sweden

## Kingdom of Sweden

- Area: 450 295 sq km
- Population: 10 302 984 (August 2019)
- Urban population: 85% of total population
- 21 Counties, 290 Municipalities
- Capital: Stockholm
- Constitutional monarchy
- Unicameral Parliament (Riksdag) with 349 seats
- General elections: Last held on 9 September 2018 (next to be held on 11 September 2022)
- Government: Social Democrats (S) and Green Party (MP) with the support from Centre Party (C) and Liberals (L)
- The Swedish economy rests on a capitalist system mixed with public-private partnership, centralized wage negotiations and substantial welfare elements
- Sweden has one of the world's highest per capita income (IMF)



## DISCLAIMER

This presentation does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of SBAB Bank AB (publ) or its affiliates in any jurisdiction, including the United States, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision as it is provided for information purposes only and does not contain all of the information material to an investor.

Certain statements made in this presentation are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, express or implied, by the forward looking statements. Factors that might cause forward looking statements to differ materially from actual results include, among other things, regulatory and economic factors. Neither SBAB Bank AB (publ) nor its affiliates assumes any responsibility to update any of the forward looking statements contained herein.

Certain data in this presentation was obtained from various external data sources and neither SBAB Bank AB (publ) nor its affiliates has verified such data with independent sources. Accordingly, neither SBAB Bank AB (publ) nor its affiliates makes any representations as to the accuracy or completeness of that data. No representation or warranty, express or implied, is made or given by or on behalf of SBAB Bank AB (publ) or its affiliates or their directors or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this presentation. Neither SBAB Bank AB (publ) nor its affiliates or any of their directors or employees nor any other person accepts any liability whatsoever for any loss arising from any use of this presentation or its contents or otherwise arising in connection therewith.

# SBAB!

# Contact information

**For further information, please contact:**

Fredrik Jönsson, Head of Treasury  
[fredrik.jonsson@sbab.se](mailto:fredrik.jonsson@sbab.se)

+46 8 614 3822

Anders Hult, Head of Funding  
[anders.hult@sbab.se](mailto:anders.hult@sbab.se)

+46 8 614 3864

Emma Holmberg, Head of Investor Relations  
[Emma.holmberg@sbab.se](mailto:Emma.holmberg@sbab.se)

+46 702 556 266

Pontus Nilehn, Manager Financial Communications  
[pontus.nilehn@sbab.se](mailto:pontus.nilehn@sbab.se)

+46 706 912 444

**Information on the Internet:**

[www.sbab.com](http://www.sbab.com)  
[www.scbc.se](http://www.scbc.se)  
[www.ascb.se](http://www.ascb.se) - Association of Swedish Covered Bond issuers

**Bloomberg codes:**

**SBAB Corp** - joint code both for SBAB and SCBC