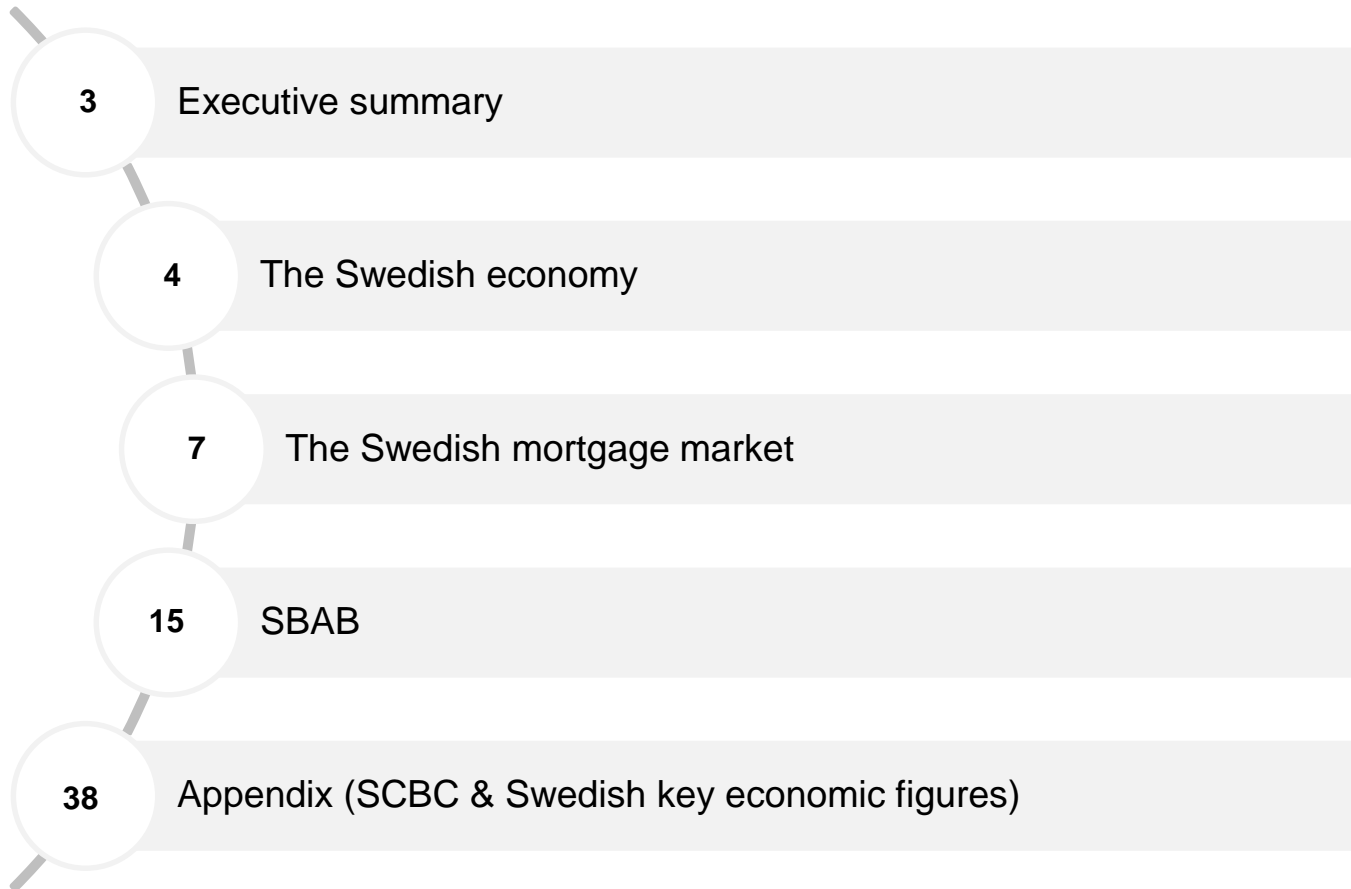


# Investor presentation

Q1 2017 | SBAB Bank AB (publ)

# SBAB

# Table of contents



3	Executive summary
4	The Swedish economy
7	The Swedish mortgage market
15	SBAB
38	Appendix (SCBC & Swedish key economic figures)

# Executive summary

- 100% owned by the Kingdom of Sweden
- Business targets:
  - Profitability: RoE > 10%
  - Capitalisation: CET1 Capital Ratio 1.5% above requirement from the Swedish FSA
- Swedish mortgage portfolio, predominantly residential mortgages
- Focus on core business, mortgages in the retail segment
- Total funding needs for full 2017, expected to be SEK 50/60 billion

	First quarter 2017	First quarter 2016
Net Interest Income, SEK mn	779	630
Loan losses, SEK mn	6 (pos)	1
Mortgage Portfolio, SEK bn	305.1	299.4
Cost/Income ratio, %	29.9	32.6
RoE, %	12.6	11.2
CET1 Capital Ratio (Basel III), %	29.9	27.6

Rating	Moody's	S&P's
<b>SBAB</b>		
- Short term funding	P-1	A-1
- Long term funding	A2 <sup>1)</sup>	A <sup>2)</sup>
<b>SCBC</b>		
- Long term funding	Aaa	

<sup>1)</sup> Positive outlook   <sup>2)</sup> Negative outlook



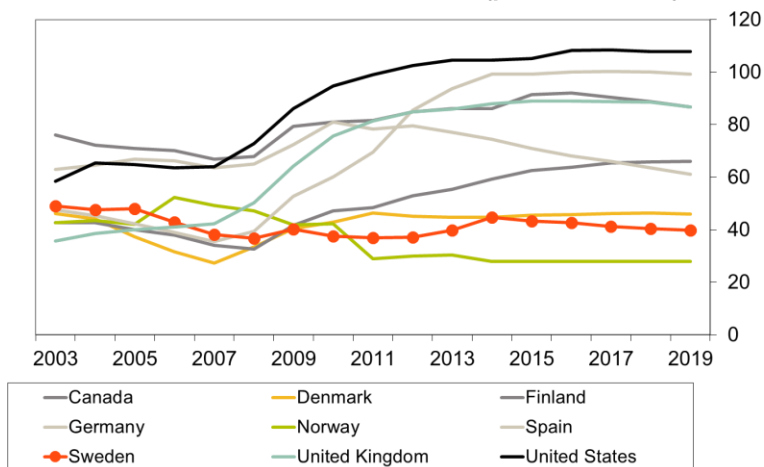
***THE SWEDISH  
ECONOMY***

# The Swedish economy

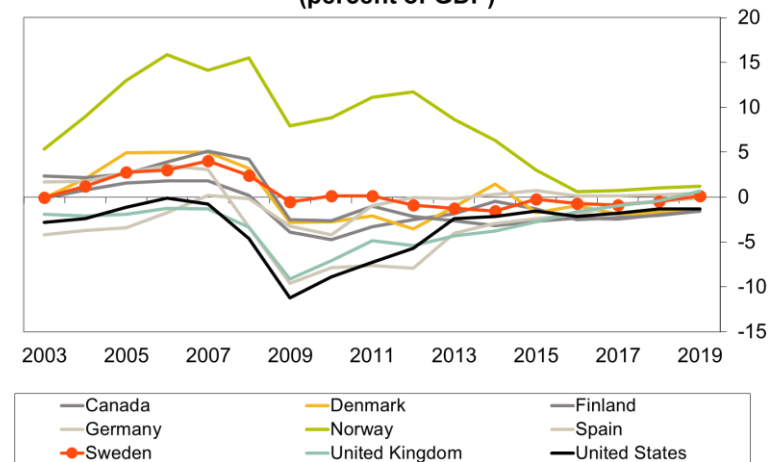
AAA / Aaa / AAA (stable)

- **Public finances are very strong in an international comparison**
- **Government debt is low and declining**
  - Public debt-to-GDP of 41% in 2016, 40% in 2017 and 2018 (IMF)
- **Budget currently very close to balance**
  - Average budget balance has been +0.5% of GDP over the past 15 years

General Government Gross Debt (percent of GDP)

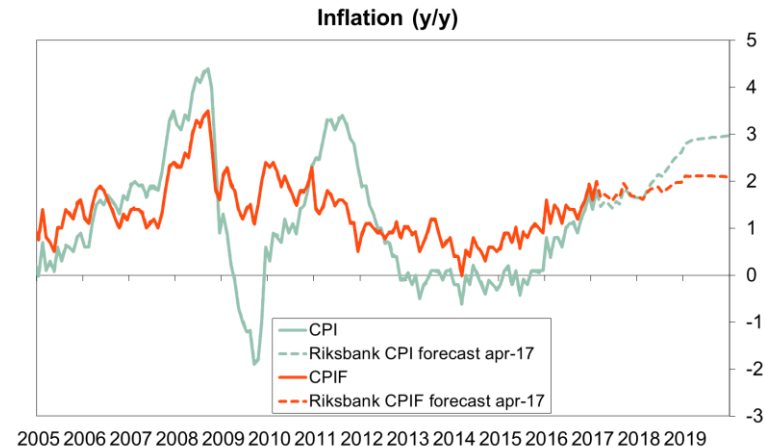
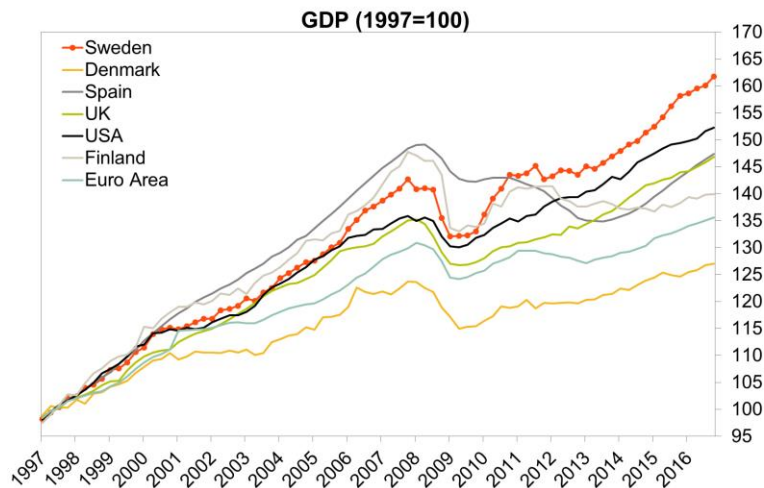


General Government Net Lending/Borrowing (percent of GDP)



# Growth and inflation

- The economy has been characterized by strong domestic demand, stable public finances, strong population growth, increasing employment, low inflation, decreasing interest rates and rising house prices over the past years. Export demand has been picking up over the latest quaters.
- Average annual GDP-growth has been 2.2% over the last 15 years vs 1.1% in the Euro area
  - GDP growth is expected to slow down from 3.1% in 2016 to 2.4% in 2017 and 2.3% in 2018 (Poll of Forecasters, March 2017)
- Average inflation has been 1.1% over the last 15 years, well below the target of 2%
  - Inflation was 1.0% in 2016 and is expected to be 1.6% in 2017 and 1.8% in 2018 (Poll of Forecasters, March 2017)





# ***THE SWEDISH MORTGAGE MARKET***



# Mortgage lending in Sweden

- A low risk business

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

Mortgage Deed System

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

Enforcement Authority

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



# Mortgage lending in Sweden

- A low risk business

“Originate and hold” model

No “originate to distribute” model, no subprime lending

No Buy-to-Let Market

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

Personal Liability

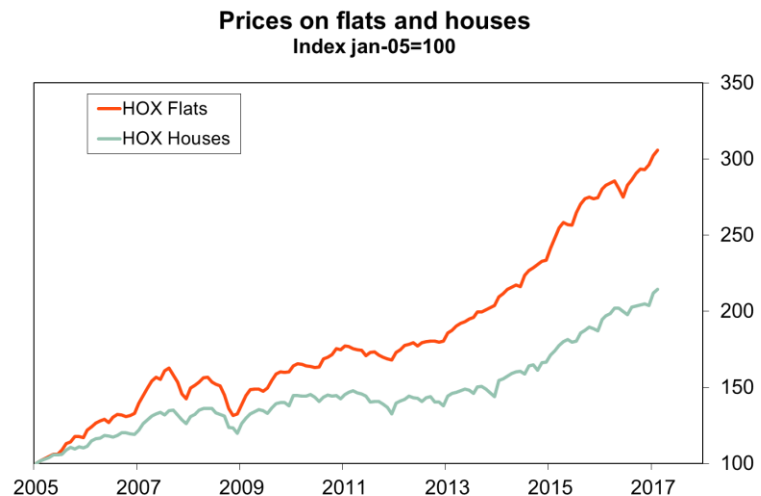
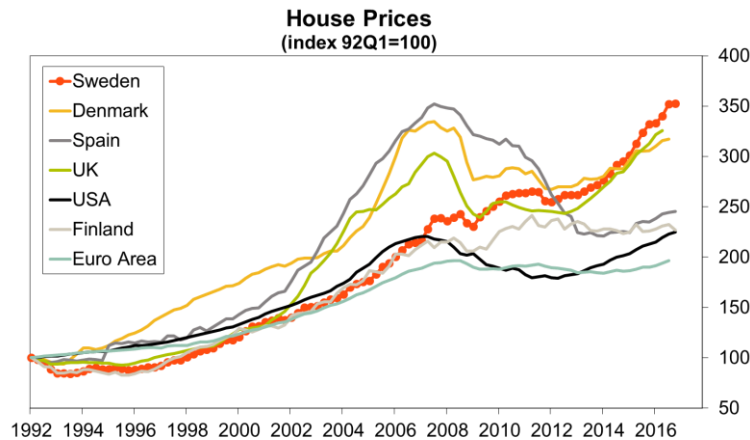
A borrower is personally liable even after a default and foreclosure procedure, i.e. full and personal recourse

Social Security

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

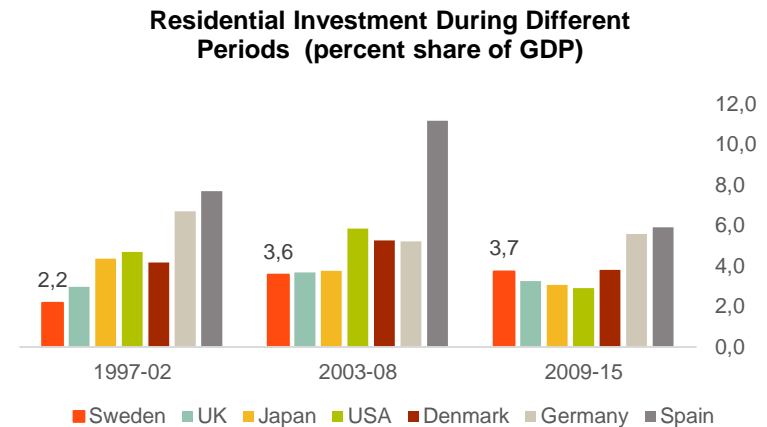
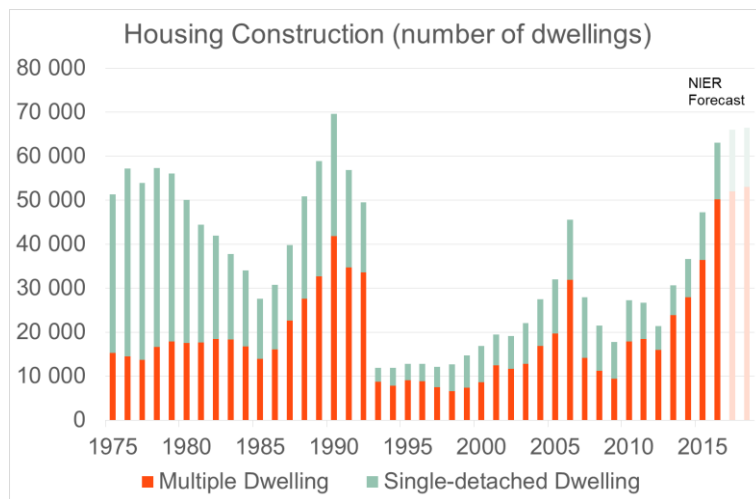
# House price performance

- **House prices have increased by an average of 6.4% over the last 15 years**
  - Increases have been higher in cities and growth regions than in the countryside. Prices on flats have risen more than prices on houses
  - On average prices on flats and houses increased by 9% during 2016
- **The Swedish housing market contrasts with the “bubble markets” in a number of ways**
  - Strict regulations on buy-to-let
  - No subprime mortgage market
  - No speculative building activity



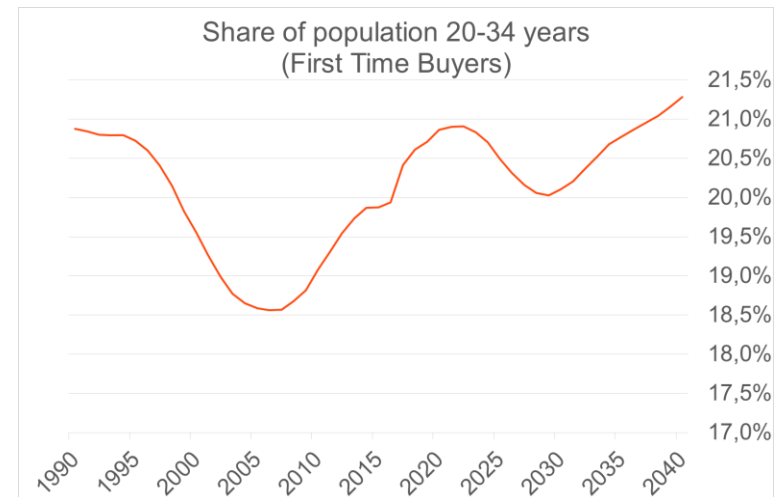
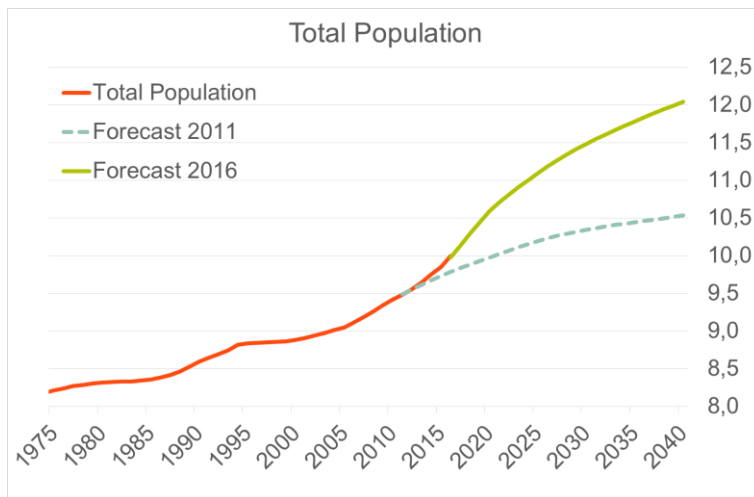
# Housing construction

- **Low level of housing construction**
  - After the real estate crisis in the early 1990s, construction has been low in comparison to both history and to other countries
- **Building activity has not kept up with demography**
- **Strong demand, easy access to financing and low interest rates are stimulating housebuilders and the number of new dwellings are increasing**
  - Appr. 60 000 new dwellings per year are needed to keep the stock of dwellings growing at the same pace as the population in the coming ten years



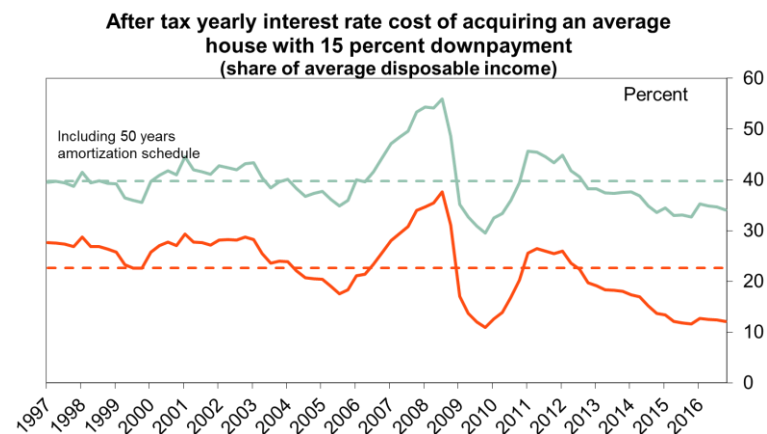
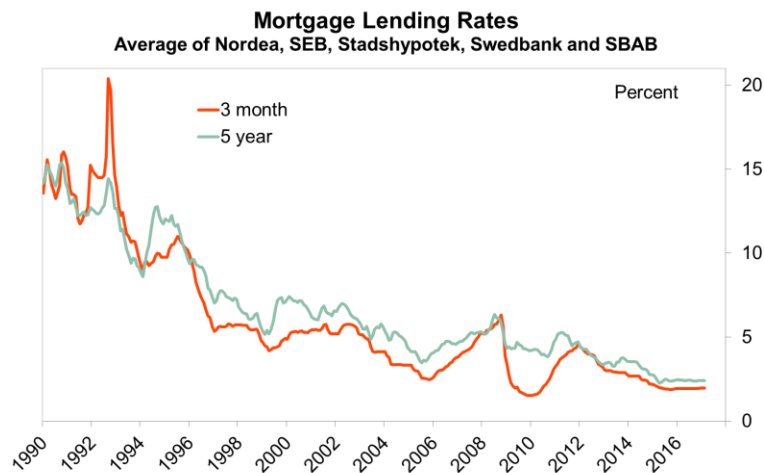
# Demographics

- **Population growth has been unexpectedly strong**
  - Population is currently growing by around 1,5% per year
  - Both migration and birth excess are strong
- **Rising number of potential First Time Buyers (20-34 year olds)**
  - Puts further pressure on housing markets
  - Other important demographic changes such as ageing population, urbanization adds to pressure



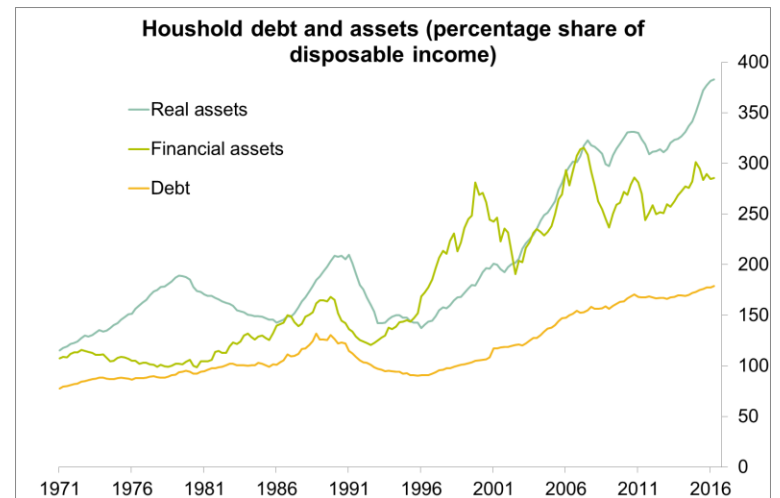
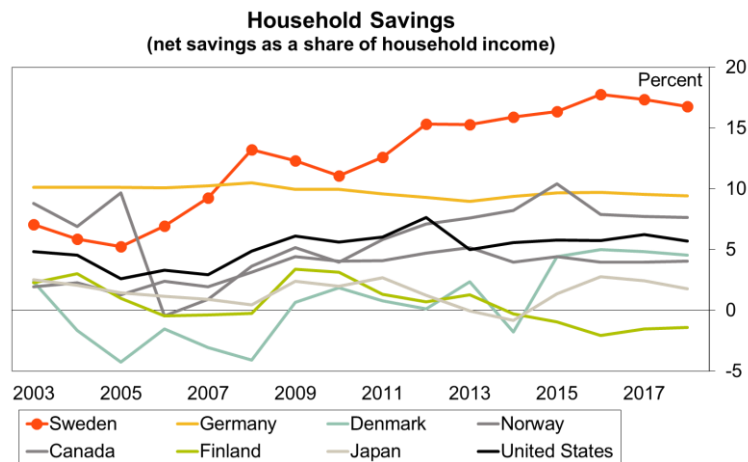
# Low costs of owning a dwelling

- **Mortgage rates have been on a downward trend for almost 25 years**
  - Mortgage rates and house prices have been highly correlated
  - Interest costs are deductible to 30% (20% on amounts above 100,000 SEK)
- **No increase in debt service costs**
  - Interest rate cost of acquiring an average house have historically been 23% of average disposable per capita income over the past 20 years. Now it's 12%
- **Relaxation of taxes connected to housing**
  - Inheritance & gift tax abolished in 2005, wealth tax abolished in 2007
  - Residential real estate tax lowered 2008
  - Capital gains taxation applies to dwellings (flat rate 22%)



# High savings ratio, high net wealth

- **High savings ratio**
  - Swedish households have a savings ratio above 15%, which is very high in comparison to other countries
  - Household deposits has risen from 40% of yearly disposable income in the beginning of the 2000s to almost 80% 2016
- **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



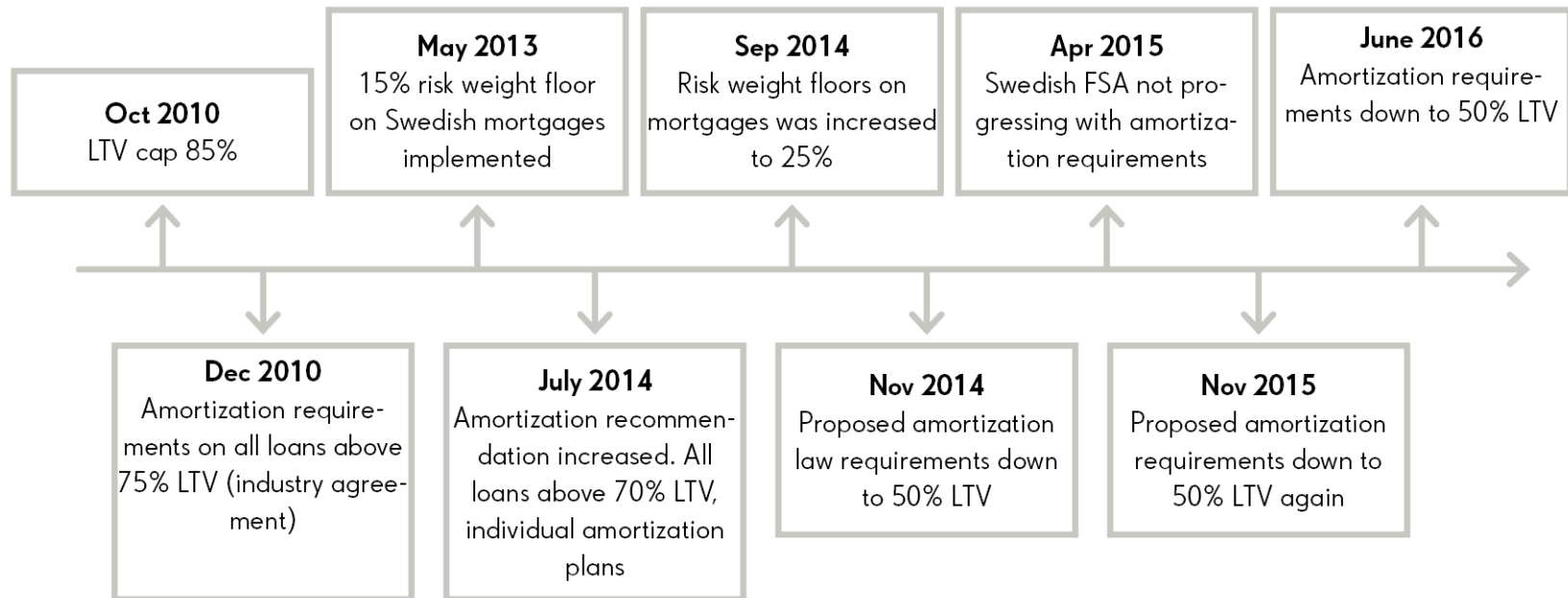


# The Swedish mortgage market

## - Measures introduced to slow down the market

### Ongoing discussions

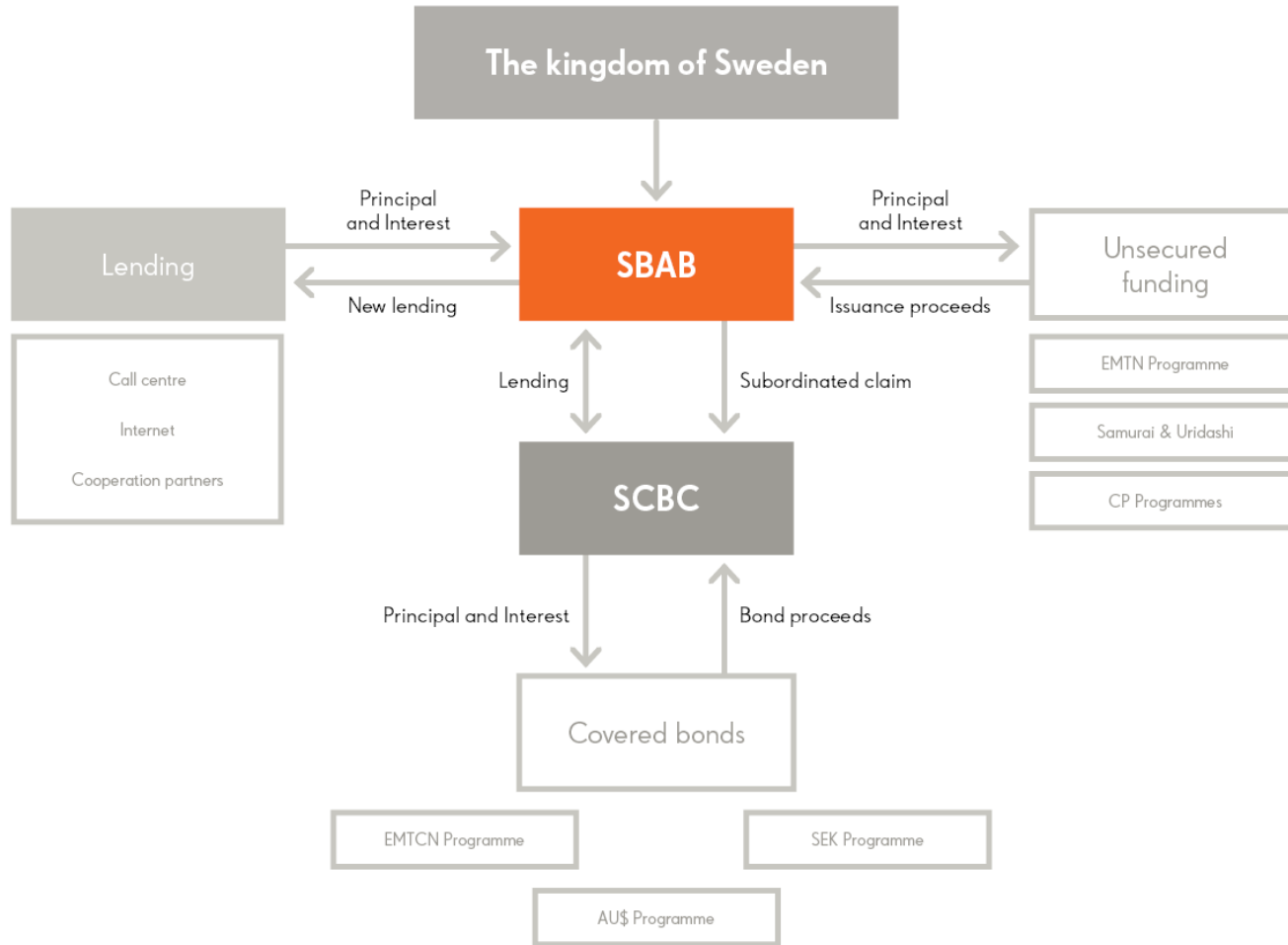
- Loan-To-Income cap
- Reduction of tax relief on interest expenditure
- Minimum levels in discretionary income calculations
- Reducing the use of variable interest rate



**SBAB**



# SBAB Group



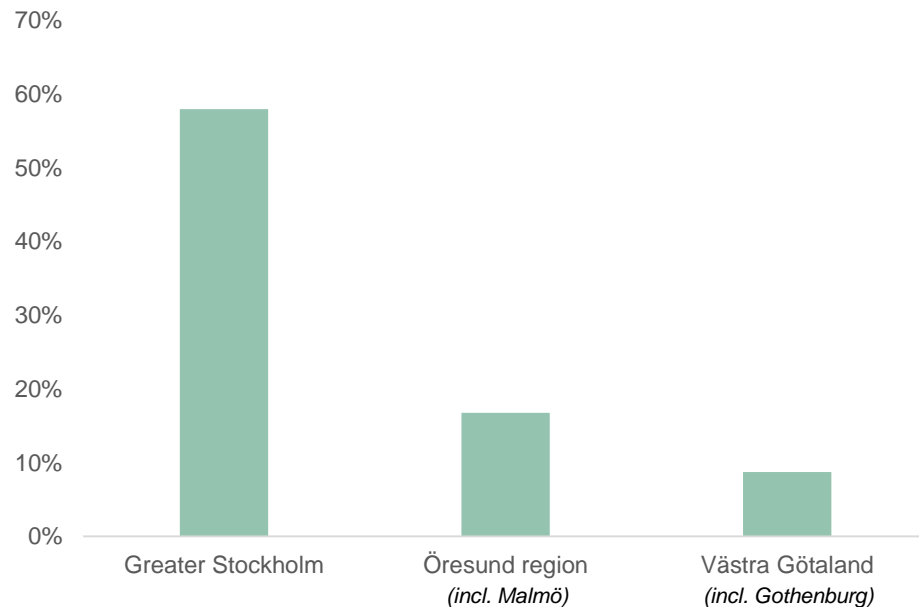
# SBAB Bank

- Set up in 1985 by the Kingdom of Sweden
- 100% owned by the Kingdom of Sweden
- Business operations purely in Sweden
- 511 employees (FTE) as of 31<sup>st</sup> March 2017
- Successful and cost efficient origination through:
  - Call centre
  - Internet platform (since 1998)
  - Co-operation partners
- Two main product offerings:
  - **Lending:** Mortgages are offered to retail, tenant owner associations and property companies. Total lending SEK 305bn
  - **Savings:** Savings accounts are offered to retail, corporate clients and tenant-owner association. Total deposits SEK 100bn



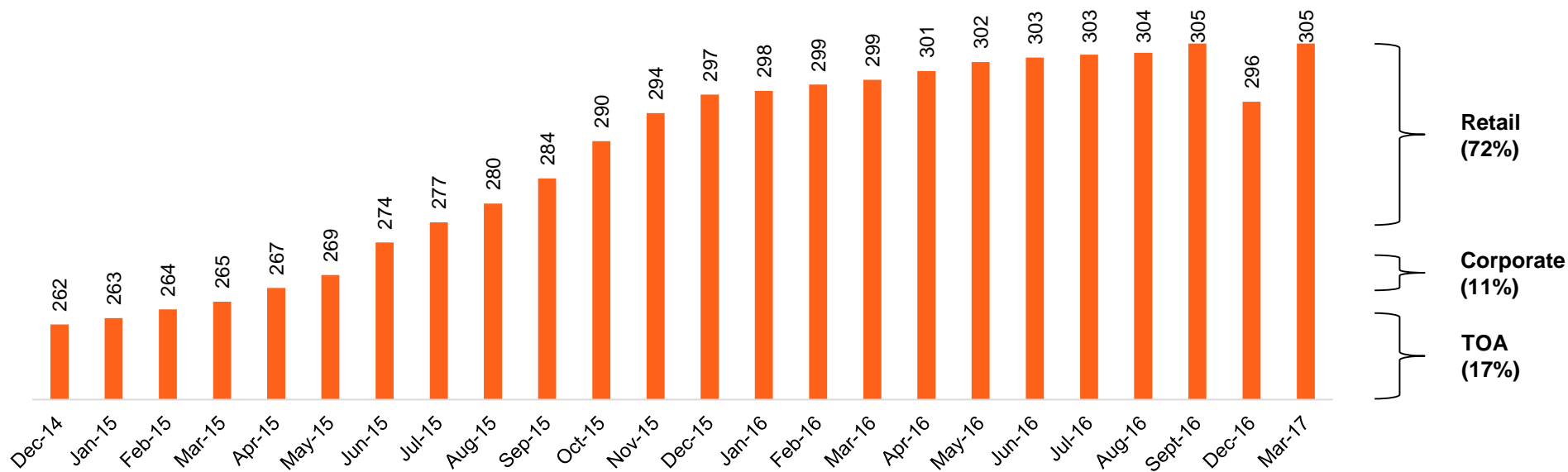
# Distribution of lending

- Lending is only offered in Sweden in Swedish Kronor
- SBAB's lending is concentrated to the economic hubs
- Lending operations are **purely Swedish**. Cost efficient origination through internet (since 1998), call-centre and cooperation partners



# Lending growth

- Total SEK 305.1bn



Decline in lending attributable to the transfer from SBAB, to Swedbank, of mortgages totalling around SEK 20.5 billion from the previous partnership with Sparbanken Öresund during 2016



# Our value proposition



## ACCESSIBILITY

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

## TRANSPARENCY

Fair prices and appropriate terms and conditions from the start.



## CONSIDERATION

Housing specialists who care.

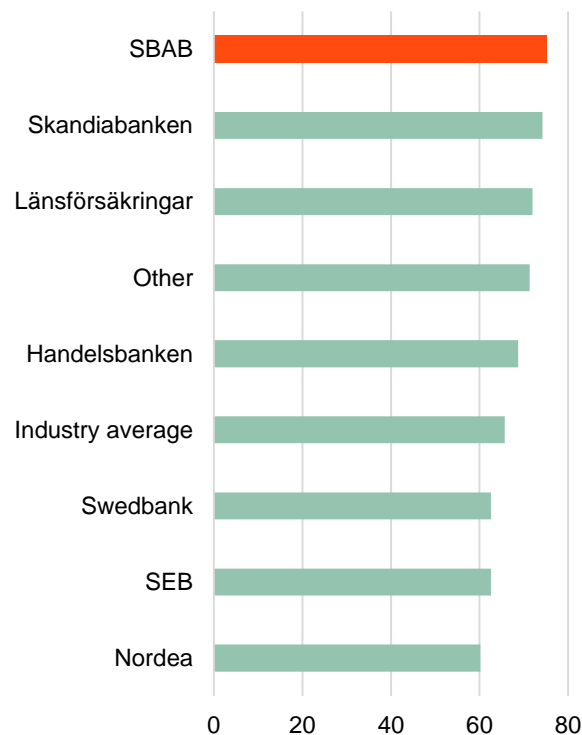
# No 1 in 2014, 2015 and 2016

”Sweden’s most satisfied residential mortgage customers”



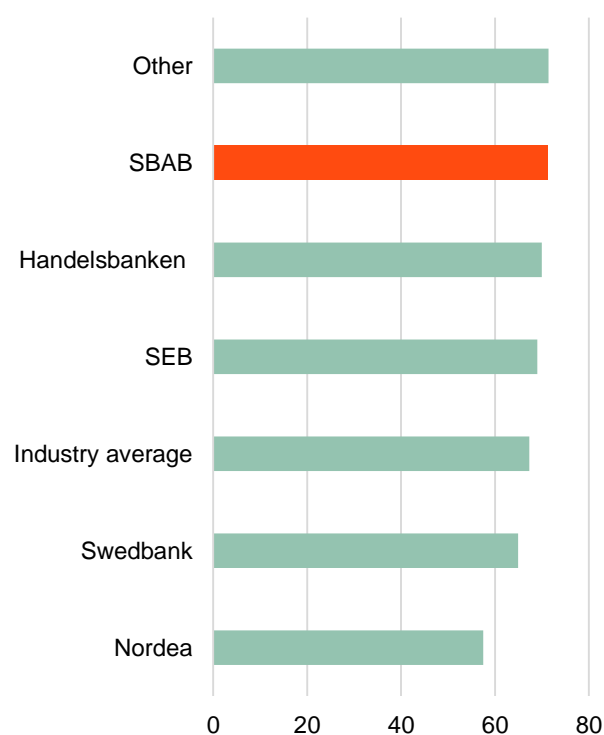
## Retail

Customer satisfaction 2016



## Corporate

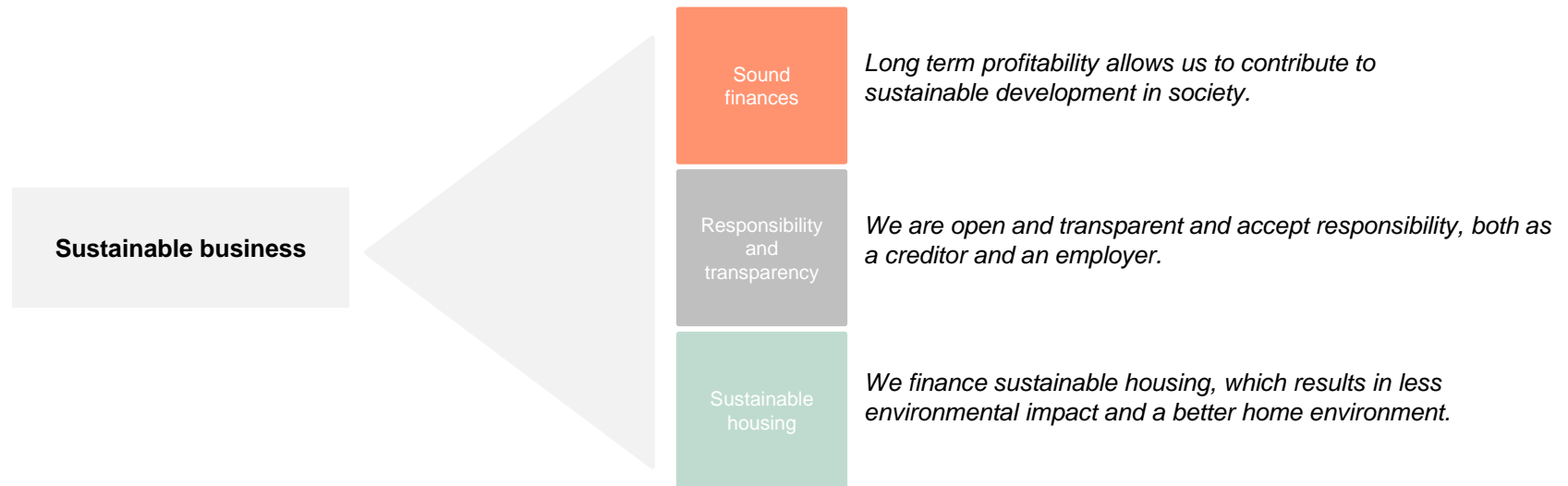
Customer satisfaction 2016



# Sustainable business at SBAB

**Our mission: To contribute to better housing and improved housing finances**

- Sustainable lending (Green loans)
- Sustainable funding (Green bonds)
- Social responsibility (Cooperation with NGOs such as Stockholms Stadsmission)



# Way forward

Our vision: To provide the best mortgages in Sweden

## What to achieve

- Grow market share in coming years
- Continued deposit growth
- Keep strong loan quality with low loan losses
- Sustain underlying profitability (RoE > 10%)

## How to achieve

- Develop our customer offering
  - Strategic transition towards housing- and housing-related services
  - Focus on new lending in SBAB's own brand
  - Improve and strengthen brand recognition
  - Unique customer-oriented and efficient lending origination
  - Increase digitalisation further
  - Transparent product terms & competitive offerings



# Q1 in short

Lending

**305**<sub>bn</sub>

Deposits

**100**<sub>bn</sub>

C/I-ratio

**29.9**%

RoE

**12.6**%

NII

**779**<sub>mn</sub>

Operating profit

**549**<sub>mn</sub>

# Continued positive development

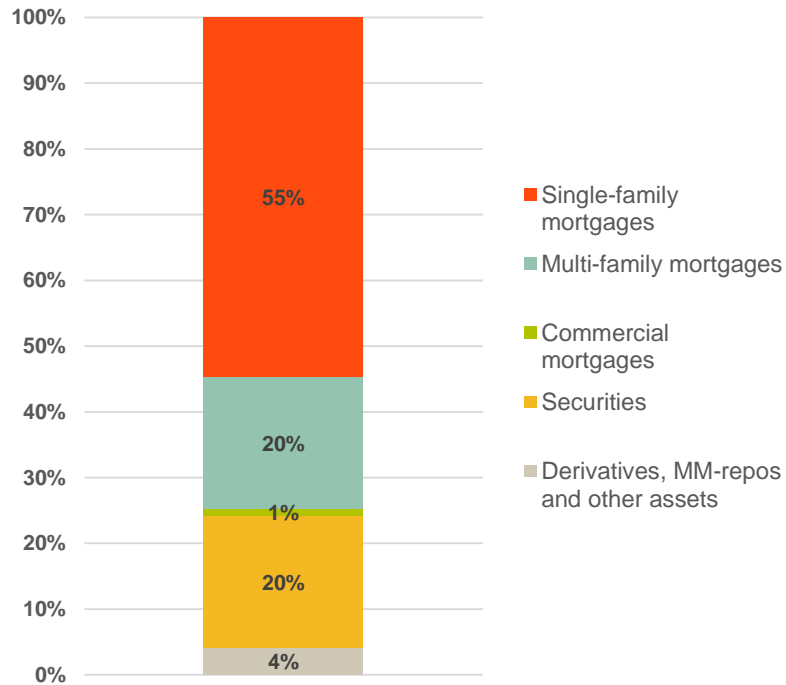
(SEK mn)	Q1 2017	Q4 2016	▲ QoQ	2016	2015	▲ YoY
NII	779	762	↑	2,829	2,442	↑
Costs	232	239	↑	889	809	↑
Loan losses, net	6 (pos)	2 (pos)	↓	18	40	↓
Operating profit	549	548	↑	2,011	1,492	↑
Deposits (SEK bn)	100.0	96.8	↑	96.8	76.6	↑
Lending (SEK bn)	305.1	296.0	↑	296.0	297.0	↓
Deposit/lending	32.8%	32.7%	↑	32.7%	25.8%	↑
C/I-ratio	30%	31%	↓	30%	35%	↓
RoE	12.6%	12.5%	↑	12.3%	10.2%	↑
CET1 ratio	29.9%	32.2%	↓	32.2%	28.6%	↑



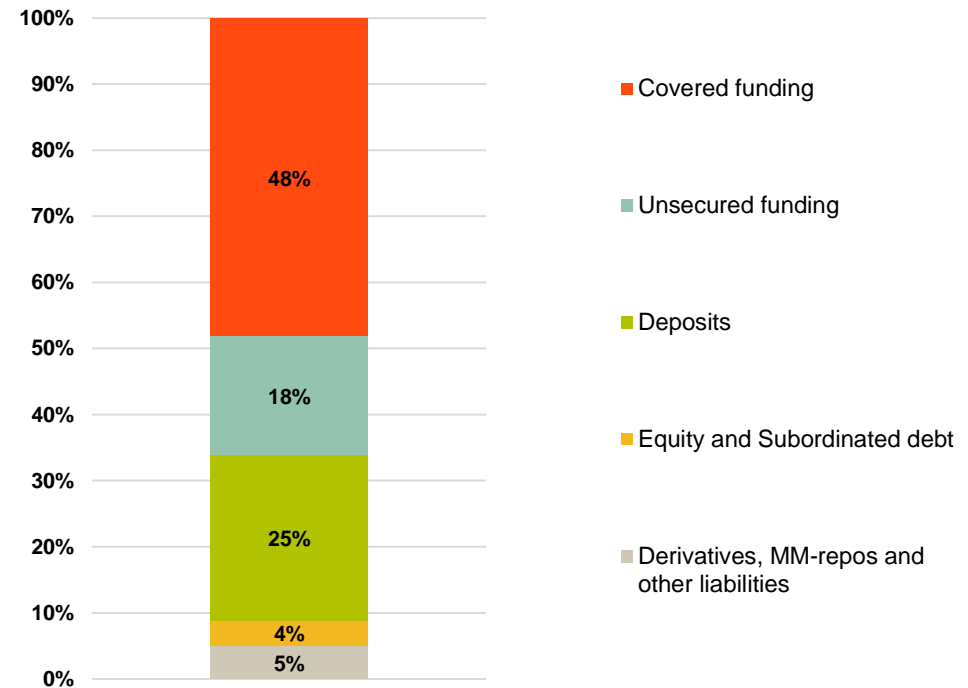
# SBAB Group balance sheet

- Total balance sheet SEK 402bn, as of 31<sup>st</sup> March 2017

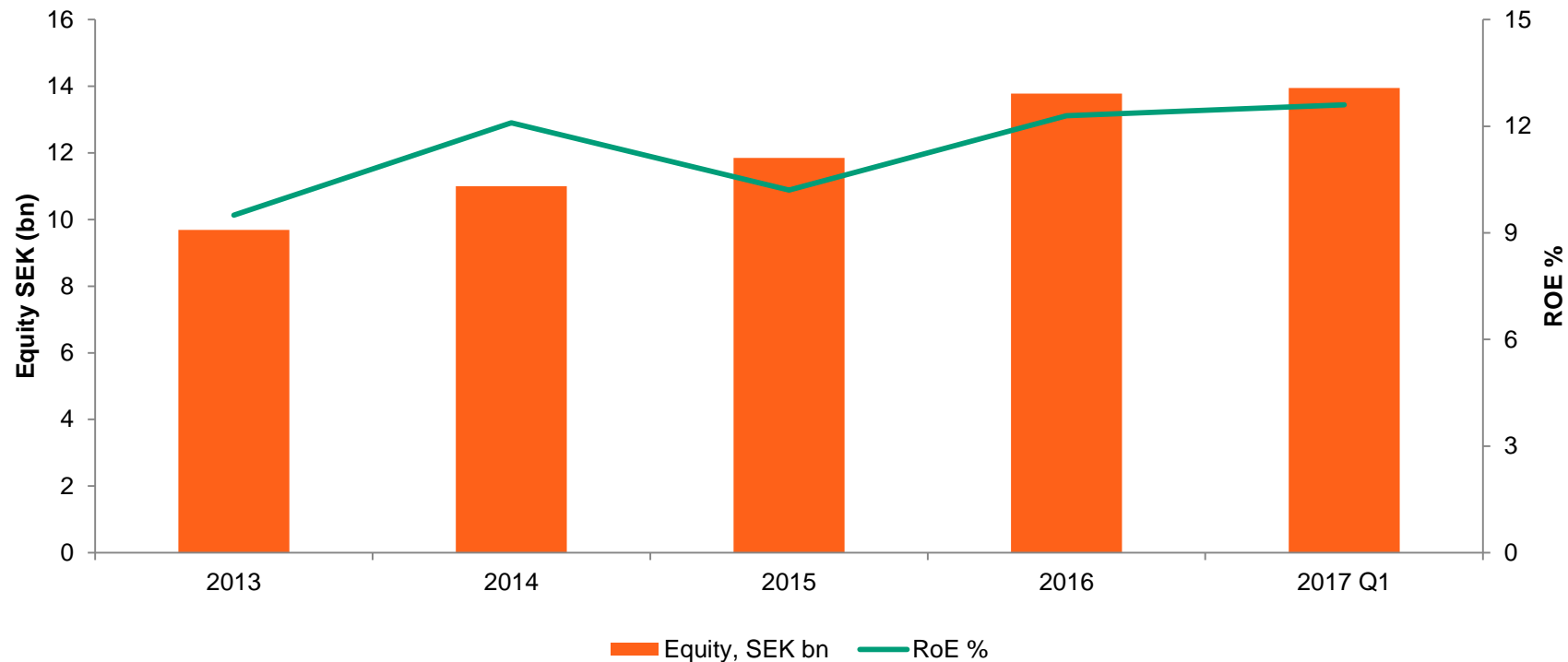
## Assets



## Liabilities and Equity

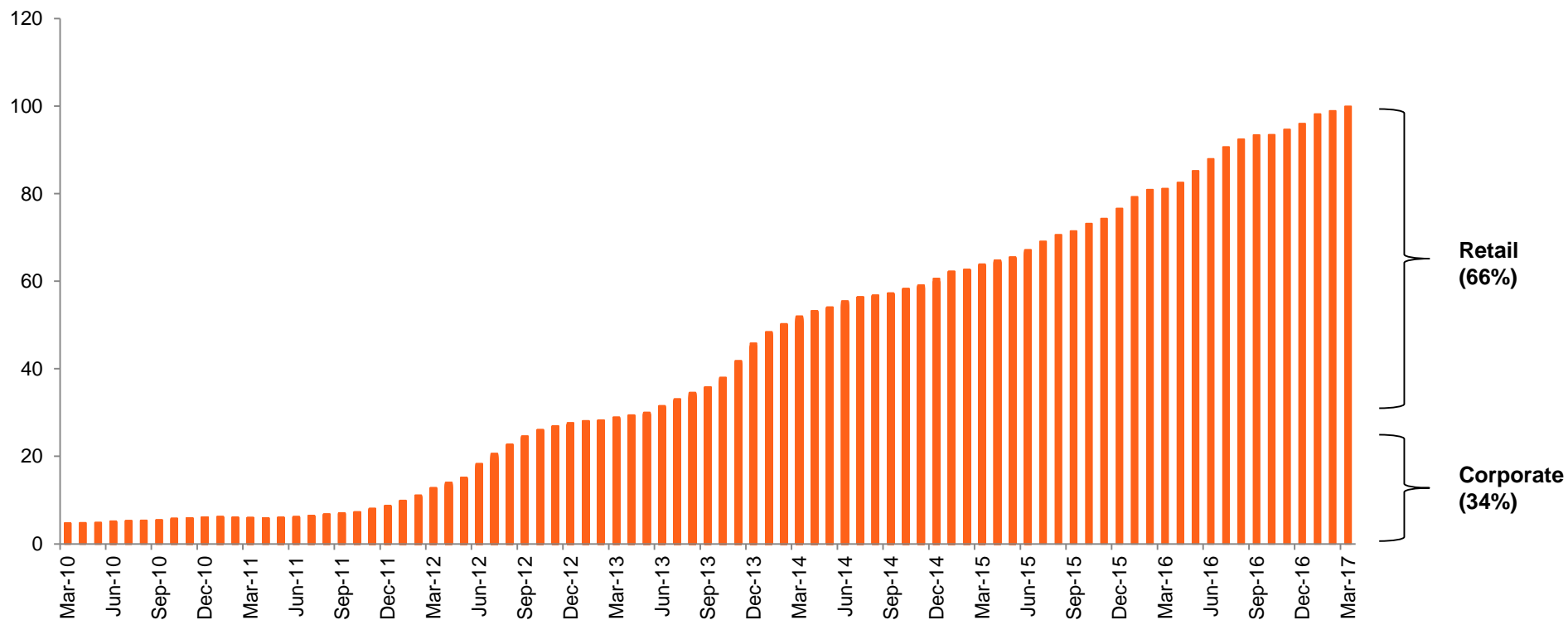


# Equity and RoE



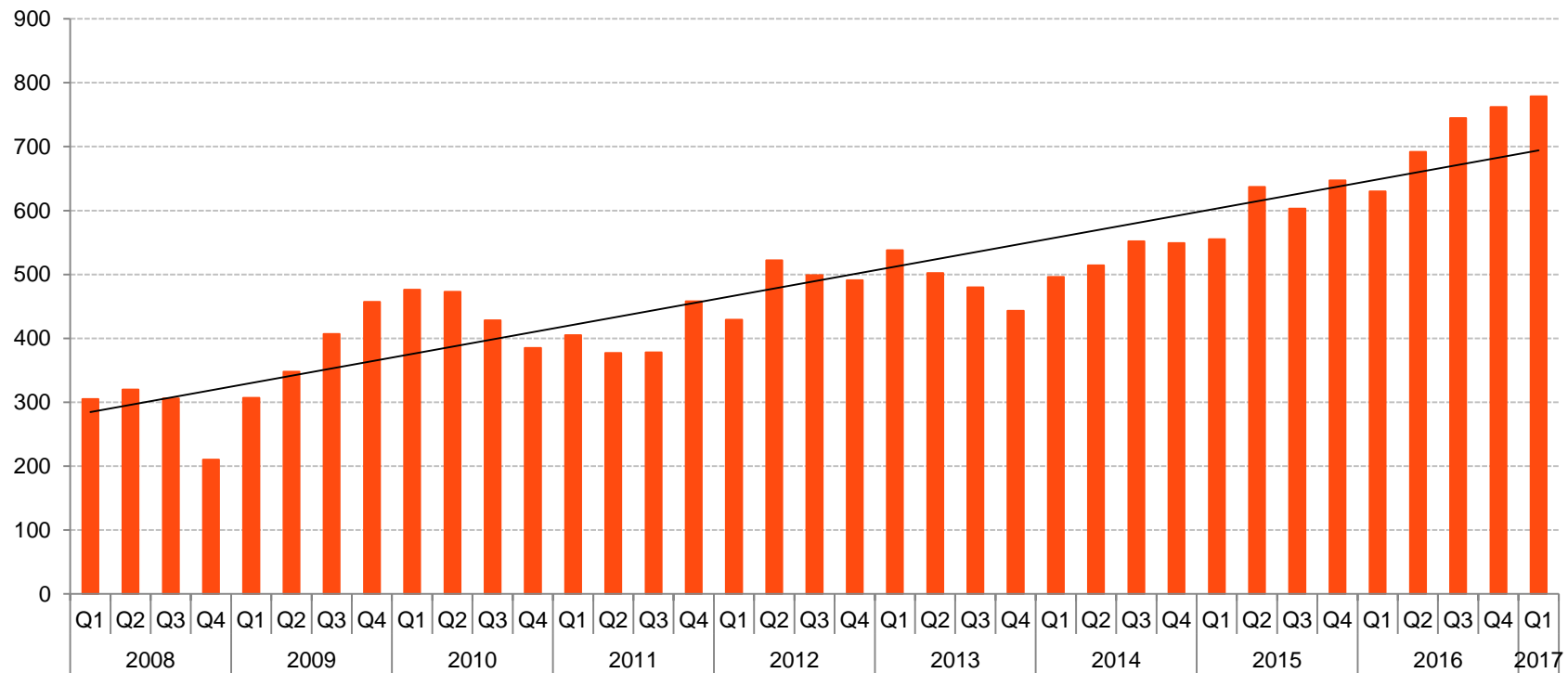
# Deposit growth

- Total SEK 100.0 bn



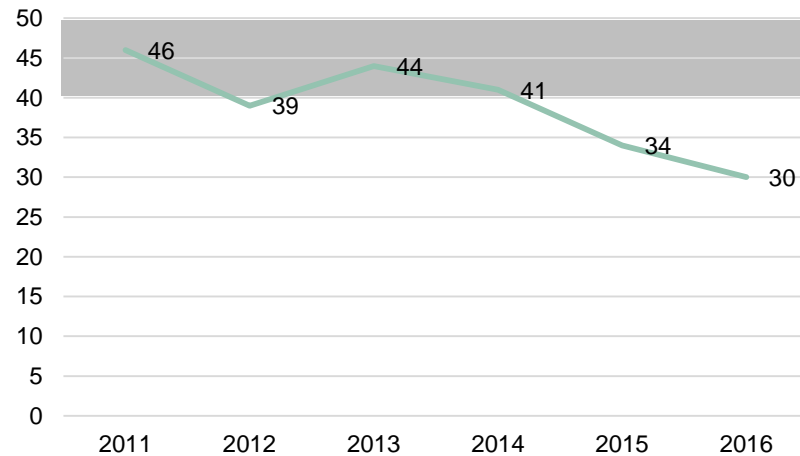
# SBAB's net interest income

- Continued stability and growth

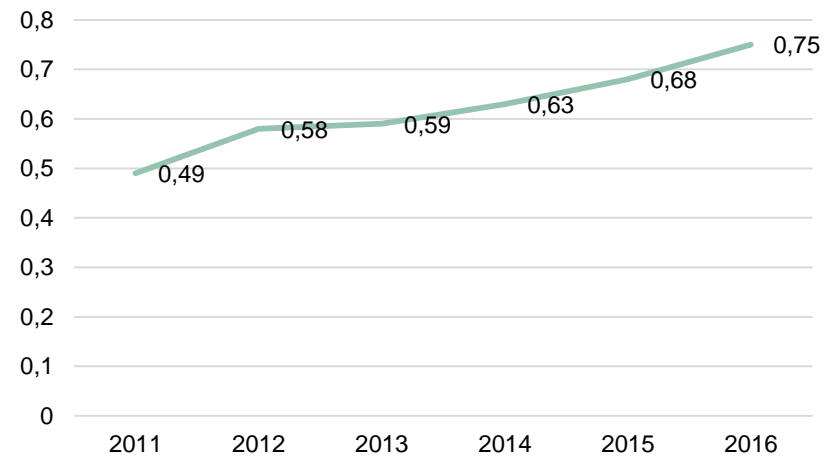


# Improved C/I-ratio and NIM

C/I-Ratio \*, %



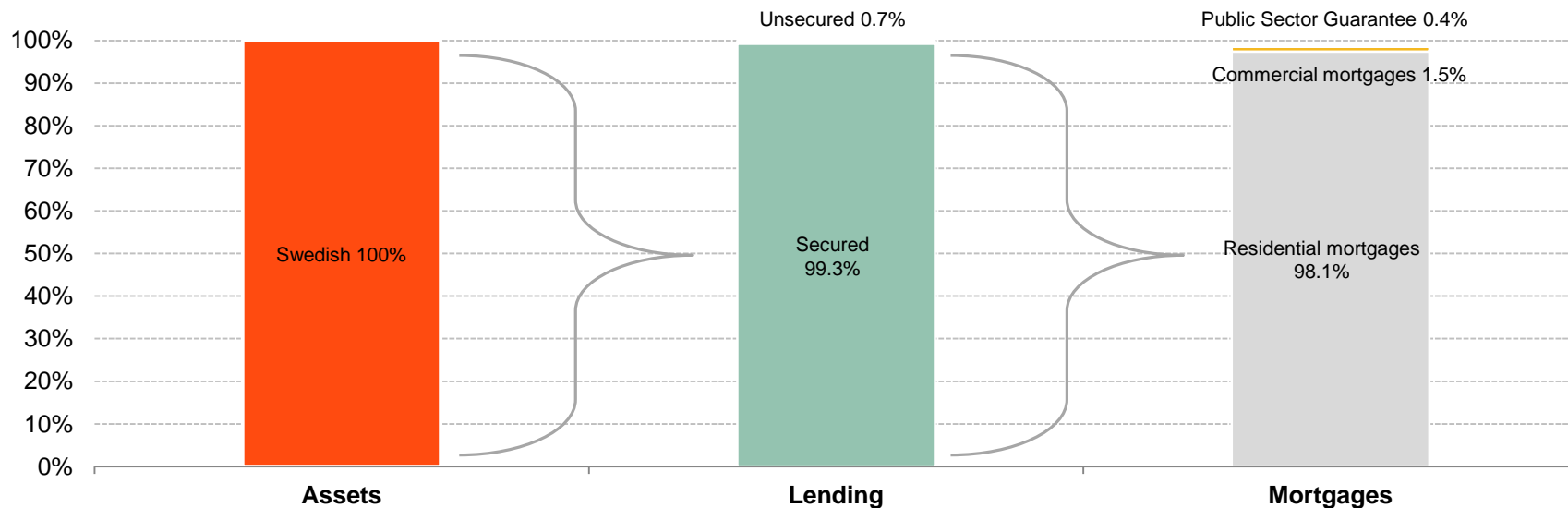
Net Interest Margin, %



# Asset quality

"We believe that asset quality, particularly for residential retail mortgage portfolios, should continue to be supported by the central bank's low interest rate policy"

- S&Ps RatingDirect issued Dec 14<sup>th</sup> 2015

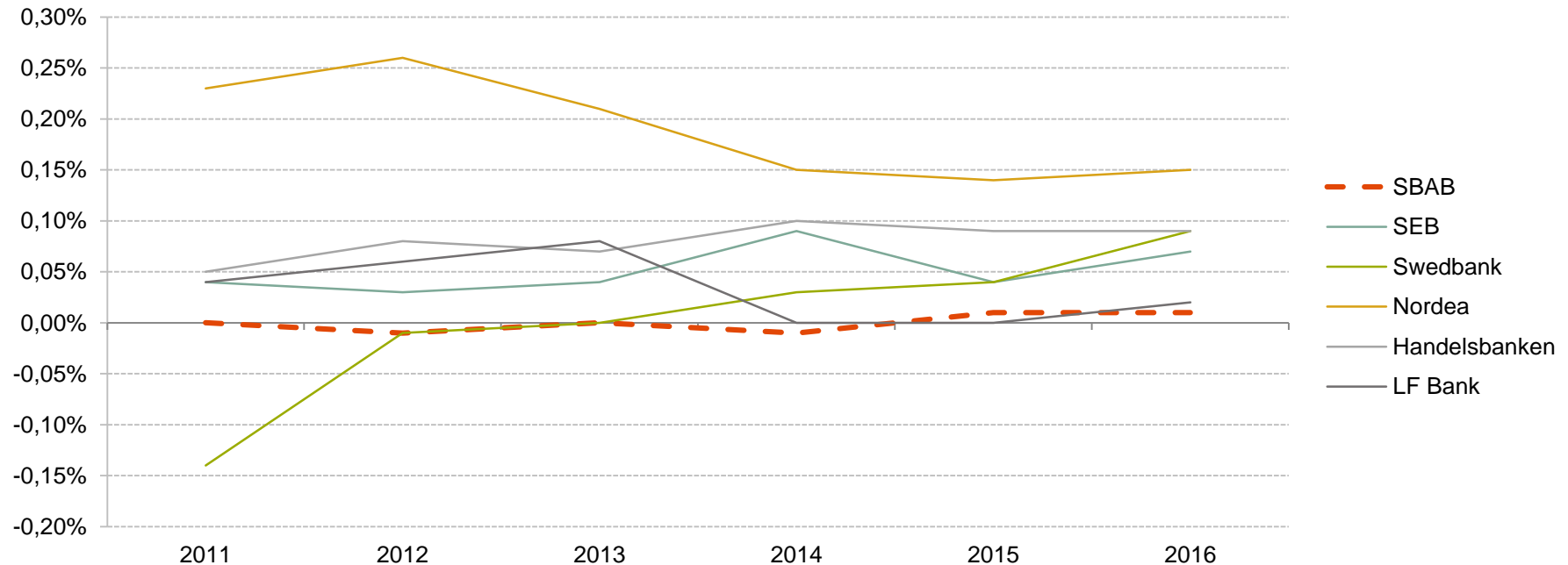




# Credit losses vs. peers

- In Sweden, there is a strong culture of timely payment of debt, especially, payment of mortgages
- Yearly average credit loss of less than 1 bp for the past 10 years is the lowest of the Swedish banks

Net credit losses FY16\* vs. other banks

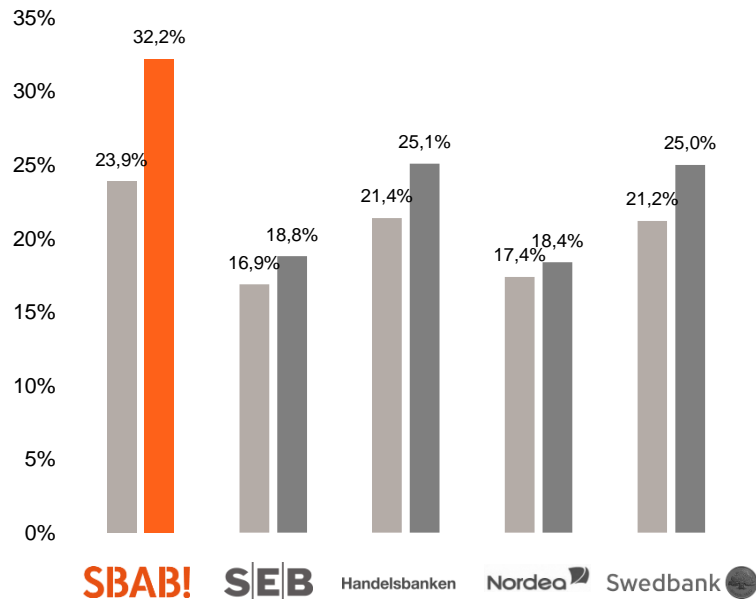


\* As reported by each bank, definition of credit losses/impairments may vary between banks

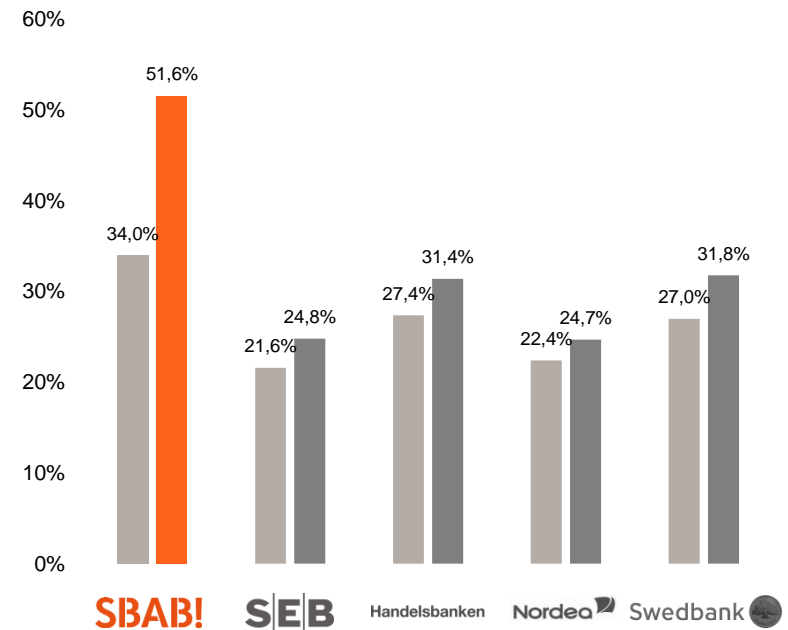
# Strong capital buffer

- SBAB's total CET1 available is well above requirements (fully loaded Basel III)

CET1 capital ratio



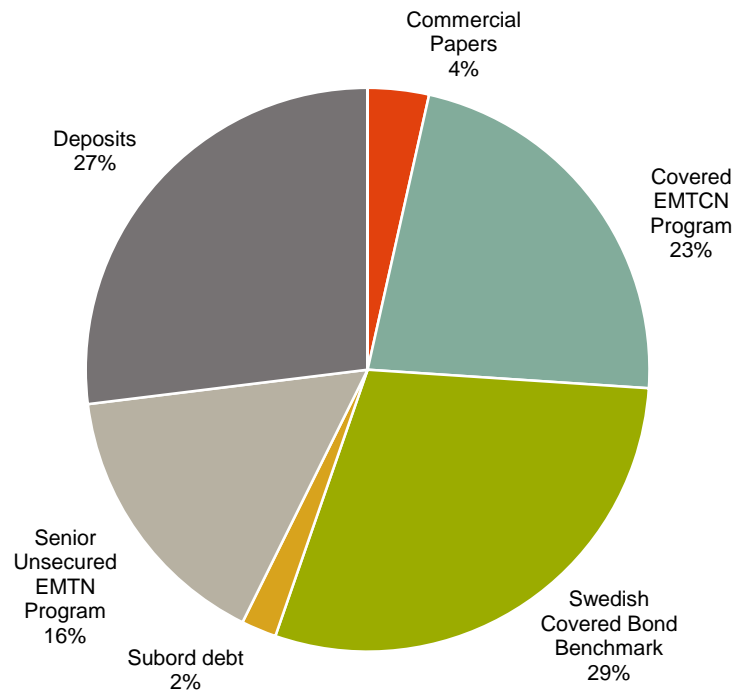
Total capital ratio



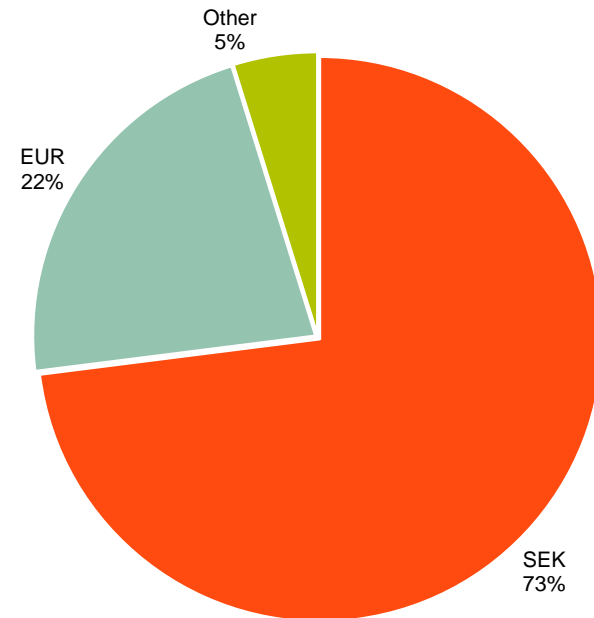
# Funding sources

- Total funding portfolio SEK 370bn, as of 31<sup>st</sup> March 2017

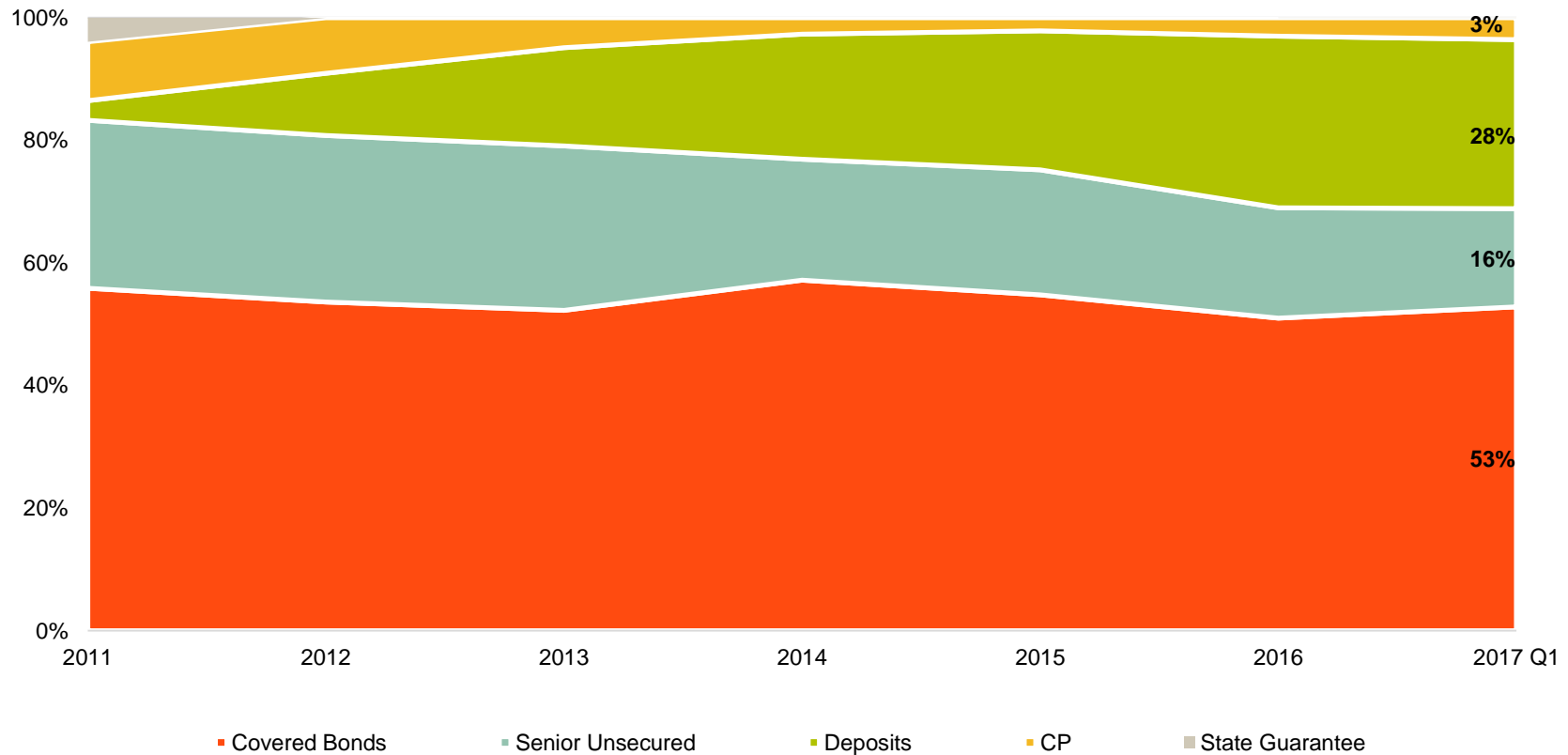
## Funding sources



## Currency profile



# Development of funding sources

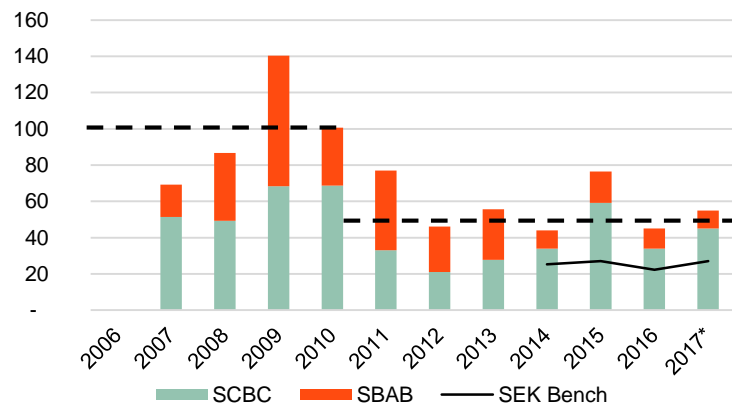


# SBAB Group funding

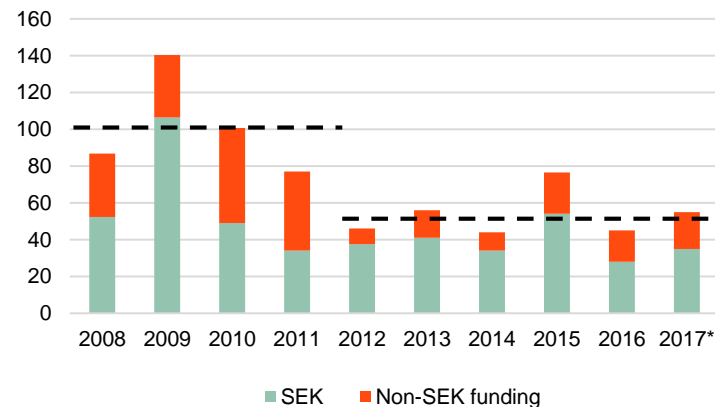
## - Moderate funding needs ahead

- SBAB Group operates in a number of funding markets. A broad and efficiently diversified investor base is an important part of the Group's funding strategy
- Long term funding volume for 2017 estimated to around SEK 50 to 60bn, of which a majority in SEK
- Long term goal to extend maturity

Annual issuance, SEK (bn)



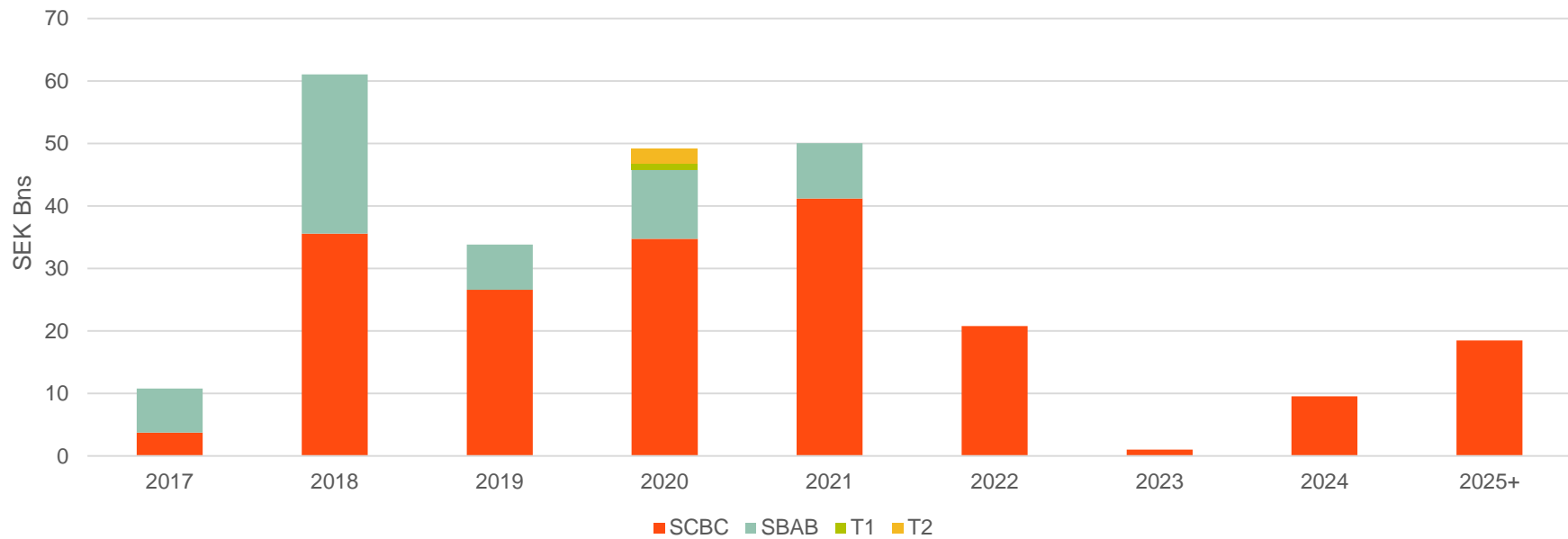
Currency split, SEK (bn)



# Maturity profile

- Smooth funding profile reduces refinancing risk
- Liquidity risk is being mitigated through buy-backs of maturing bonds

Maturity profile, SEK (bn)



As of 31st March 2017

# Funding programme

- Total long term funding 2017 SEK 50/60bn
  - **1-2 public transactions in international funding markets**
  - **1-2 new SEK covered bond benchmarks** per year
  - Private placements in SEK
  - Private placements in international funding markets
- Overall funding strategy is to maintain presence and regularity in core funding markets (predominantly EUR and SEK)
- SBAB's focus is to further extend its maturity profile
- **Regular future issuance:** Dedicated to SEK and expected to return to EUR covered bond market at least once a year going forward



# Regular presence in EUR market

**SBAB!**

Senior Unsecured  
**€750mn**

1.375%  
5y due May '18

Apr 2013

**SBAB!**

Senior Unsecured  
**€750mn**

2.375%  
7y due Sep '20

Aug 2013

**SBAB!**

Senior Unsecured  
**€750 mn**

FRN  
3y due Jun '18

May 2015

**SBAB!**

Senior Unsecured  
**€500mn**

0.5%  
5y due May '21

April 2016

**SCBC**

— Covered Bonds of SBAB —

Covered Bond  
**€750 mn**

0.375%  
5y due Sep '20

Sep 2015

**SCBC**

— Covered Bonds of SBAB —

Covered Bond  
**€1bn**

0.25%  
5y due Jan '21

Jan 2016

**SCBC**

— Covered Bonds of SBAB —

Covered Bond  
**€1bn**

0.375%  
7y due Feb '24

Jan 2017

**SCBC**

— Covered Bonds of SBAB —

Covered Bond  
**€750 mn**

0.875%  
10y due March '27

March 2017



# Key highlights

- **100%** owned by the Kingdom of Sweden
- Extremely **low risk business** - purely Swedish mortgage portfolio, predominantly residential mortgages; **extremely low loan losses**
- Sustainable **profitability**
- **Competitive cost income ratio**
- **Strong liquidity position**
- **Solid capitalization**
- **Deposit growth**
- **Stable funding mix** with good access to both domestic and international capital markets
- International funding **diversification** strategically important
- **Regular** future issuance



A woman with long brown hair, wearing a green and grey plaid blanket, is sitting on the ground and holding a white mug. She is looking out over a misty, green landscape with tall evergreen trees in the background. The scene is serene and atmospheric.

# APPENDIX I

SCBC

# The SCBC product

- 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 (maintain 8% capital adequacy ratio)

## 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 30 days in arrears are normally repurchased by SBAB

## Loans in Arrears

- Loans 30 days in arrears are normally repurchased by SBAB

## Other Features

- Loans 30 days in arrears are normally repurchased by SBAB
- Dynamic O C in compliance with Aaa requirements
- UCITS Compliant
- Swedish covered bonds are eligible for repo at Riksbank
- Following the ECBC's labelling initiative

# SCBC Cover Pool

## - Key characteristics as of 31st March 2017

Collateral	100% Swedish residential mortgages *
Over Collateralization	27.6%
Weighted average LTV	55.2%
Weighted average seasoning	6.4 years
Loans in arrears	Arrears below 0.01% (SBAB buys back loans in arrears > 30 days)
Number of loans	335 108
Average loan size	SEK 716 528
Geographical location	Spread throughout Sweden; concentrated in economic hubs
Pool type	Dynamic
Originator	SBAB Bank Group
Interest rate type	57% floating, 43% fixed / 49% amortising, 51% interest only

# National Template

Details published monthly on: [www.sbab.com](http://www.sbab.com) (both in PDF and Excel-format)

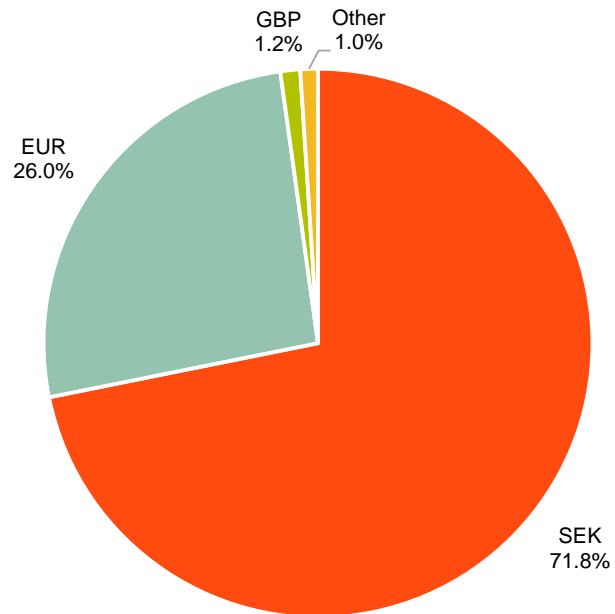
SCBC SBAB BANK			
Issuer			
Issuer:	SCBC	Complies with CRR art. 129.7	
Owner:	SBAB		
Controlling authority:	SSA		
Long Rating	S&P	Moody's	Fitch
Covered bond	-	Aaa	-
Owner	A	A2	-
Report date	31/01/2016		
Cover pool			
Included assets			
Loan	300 205		
Supplemental assets	0		
Other	-		
Total	300 205		
Cover pool items			
Number of loans	367 190		
Number of clients	153 996		
Number of properties	153 063		
Average loan size	654 172		
Regional distribution			
Greater Stockholm	127 980	53%	
Greater Gothenburg	19 286	9%	
Greater Malmo	18 300	9%	
South Sweden	30 915	13%	
West Sweden	19 904	9%	
Norrt Sweden	4 960	2%	
East Sweden	20 000	9%	
Outside Sweden	-	-	
Sum	300 205	100%	
Loan volume, average loan			
loan volume, MSEK	loan volume, %	average loan size, SEK	
Single family housing	99 259	41%	461 300
Tenant owner %Hs	80 971	34%	549 500
Multi family housing	17 544	7%	31 553 659
Tenant owner associations	41 903	17%	6 711 090
Forest & agricultural	-	-	-
Public	1 600	1%	303 039
Commercial	-	-	-
Sum	300 205	100%	
Interest rate type			
loan volume, MSEK	loan volume, %		
Floating	149 140	62%	
Fixed	93 065	38%	
Sum	300 205	100%	
Average life, years			
7.3			
LTV Level			
loan volume, MSEK	loan volume, %		
10-20%	10-20%	20-30%	30-40%
40-50%	50-60%	60-70%	70-75%
75%-	Sum		
50 364	46 047	40 708	34 612
27 899	20 778	13 008	3 950
0	237 897		
21%	19%	17%	15%
12%	9%	5%	2%
0%	0%	0%	100%
Maturity			
2016	2017	2018	2019
2020	2021	2022	2023
2024	2025	2026-2030	2031-
Sum			
175 825	23 952	14 793	14 489
7 424	859	1 434	360
1 164	240 265		
1.69%	2.64%	2.52%	2.25%
2.34%	3.04%	2.64%	3.56%
2.50%	1.90%		
Maturity is the time remaining to the next change of interest rate in the contractual terms			
Seasoning			
loan volume, MSEK	loan volume, %		
0-12 M	12-24 M	24-36 M	36-60 M
60 M -	Sum		
57 382	25 779	19 006	22 916
94 223	200 895		
24%	12%	9%	14%
39%	100%		
Credit quality			
loan volume, MSEK	loan volume, %		
1-30 d	31-60 d	61-90 d	>90 d
Sum			
26	-	-	26
0%	-	-	0%
Impaired loans, %			
0%			
Key ratios			
OC, annual	24.5%		
LTV, as defined by ASCB	55.3%		

Bonds									
Domestic benchmark bond									
ISIN	Amount, MSEK	Opening date	Coupon	Interest rate type	Maturity type	Scheduled maturity	Legal maturity		
SE0003172519	14 270	23/03/2011	4.00%	Fixed	Hard bullet	11/09/2016	21/09/2016		
SE0003172527	15 250	30/03/2012	4.00%	Fixed	Hard bullet	21/06/2017	21/06/2017		
SE0003172535	16 500	07/02/2013	4.00%	Fixed	Hard bullet	21/03/2019	21/03/2019		
SE0003480822	13 915	19/12/2012	4.00%	Fixed	Hard bullet	19/12/2018	19/12/2018		
SE0005469030	17 141	18/09/2013	4.00%	Fixed	Hard bullet	18/09/2019	18/09/2019		
SE0006452900	20 522	24/11/2014	2.00%	Fixed	Hard bullet	17/06/2020	17/06/2020		
SE0006758561	7 900	01/04/2015	1.00%	Fixed	Hard bullet	17/03/2021	17/03/2021		
Other benchmark									
ISIN	Amount, MSEK	Currency	Issue date	Coupon	Interest rate type	Maturity type	Scheduled maturity	Legal maturity	
XS135548362	9 209	EUR	02/02/2016	0.25%	Fixed	Soft bullet	20/01/2021	20/01/2022	
XS1173454812	9 209	EUR	07/09/2014	0.63%	Fixed	Soft bullet	07/09/2021	07/09/2022	
XS061621624	9 209	EUR	20/04/2011	3.28%	Fixed	Hard bullet	20/04/2016	20/04/2016	
XS0498136255	9 209	EUR	30/03/2010	3.25%	Fixed	Hard bullet	30/03/2017	30/03/2017	
XS069524908	7 000	SEK	10/09/2013	0.01%	Floating	Hard bullet	10/09/2018	10/09/2018	
XS1200812077	6 997	EUR	05/10/2015	0.38%	Fixed	Soft bullet	05/10/2020	05/10/2021	
XS0383838923	5 500	SEK	02/07/2014	0.26%	Floating	Hard bullet	02/07/2019	02/07/2019	
XS1248349711	4 664	EUR	17/06/2015	0.25%	Fixed	Soft bullet	17/06/2022	17/06/2023	
Amount, M SEK									
Domestic benchmarks in SEK	105 948								
Other benchmarks	61 477								
Other bonds	24 832								
Total of outstanding bonds of which swaps	192 257								
Maturity, expressed in SEK									
2016	2017	2018	2019	2020	2021-2025	2026-2030	2031-	Sum	
31 021	26 941	42 214	23 041	21 203	24 216	1 100	1 308	192 257	
16%	14%	22%	12%	17%	18%	1%	1%	100%	
Interest rate type									
Amount, MSEK	Amount, %								
Fixed	147 137	87%							
Floating	25 120	13%							
Sum	192 257	100%							
Hedging and risk									
Currency risk, MSEK									
	Pool assets	Covered bonds							
SEK	300 205	133 198							
EUR	-	51 989							
USD	-	341							
Other	-	6 735							
Sum	300 205	192 257							
All currency risk are hedged at the time of the issue and matches the foreign currency liability in terms of coupon payments and interest and final exchange. All foreign currency liabilities are transferred into Swedish krona (SEK) since all assets in the cover pool are in Swedish krona. All currency risk is therefore minimal.									
Interest rate risk, MSEK									
	Pool assets	Covered bonds							
Fixed	92 065	167 127							
Floating	249 140	25 120							
Capped floating	0	0							
Sum	300 205	192 257							
All interest rate risk from the liabilities are to be match with the assets in the cover pool. Fixed rate liabilities are matched with fixed rate liabilities to the extent possible, otherwise interest rate swaps are used to transfer fixed rate payments to floating rate payments.									

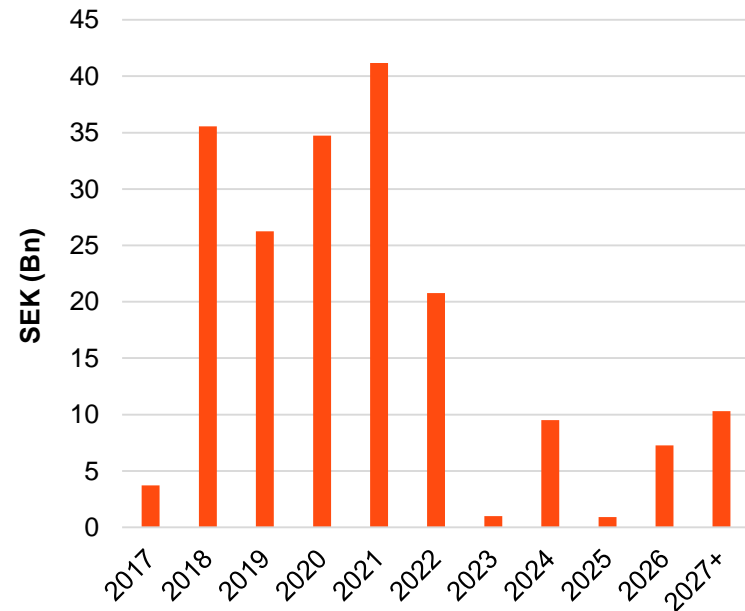
# SCBC funding

- Total covered bonds outstanding: SEK 191bn as of 31<sup>st</sup> March 2017

Currency profile



Maturity profile

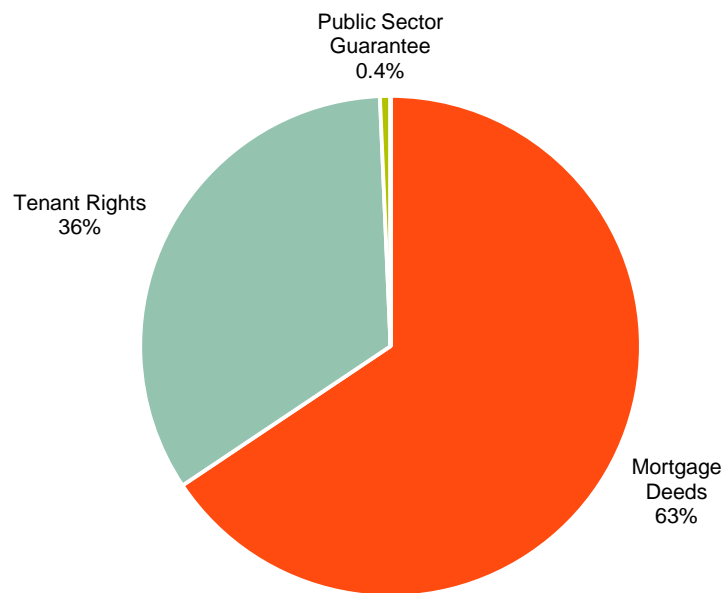


# SCBC Cover Pool

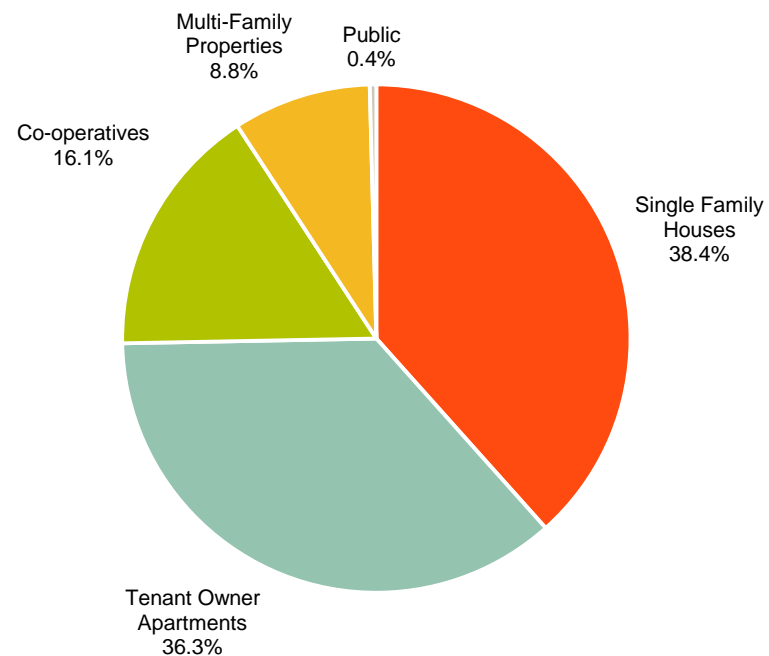
- Distribution by Collateral and Owner as of 31<sup>st</sup> March 2017

## Breakdown by collateral

- Predominantly residential mortgages



## Breakdown by owner



# OC

## - OC changes with houseprice valuations

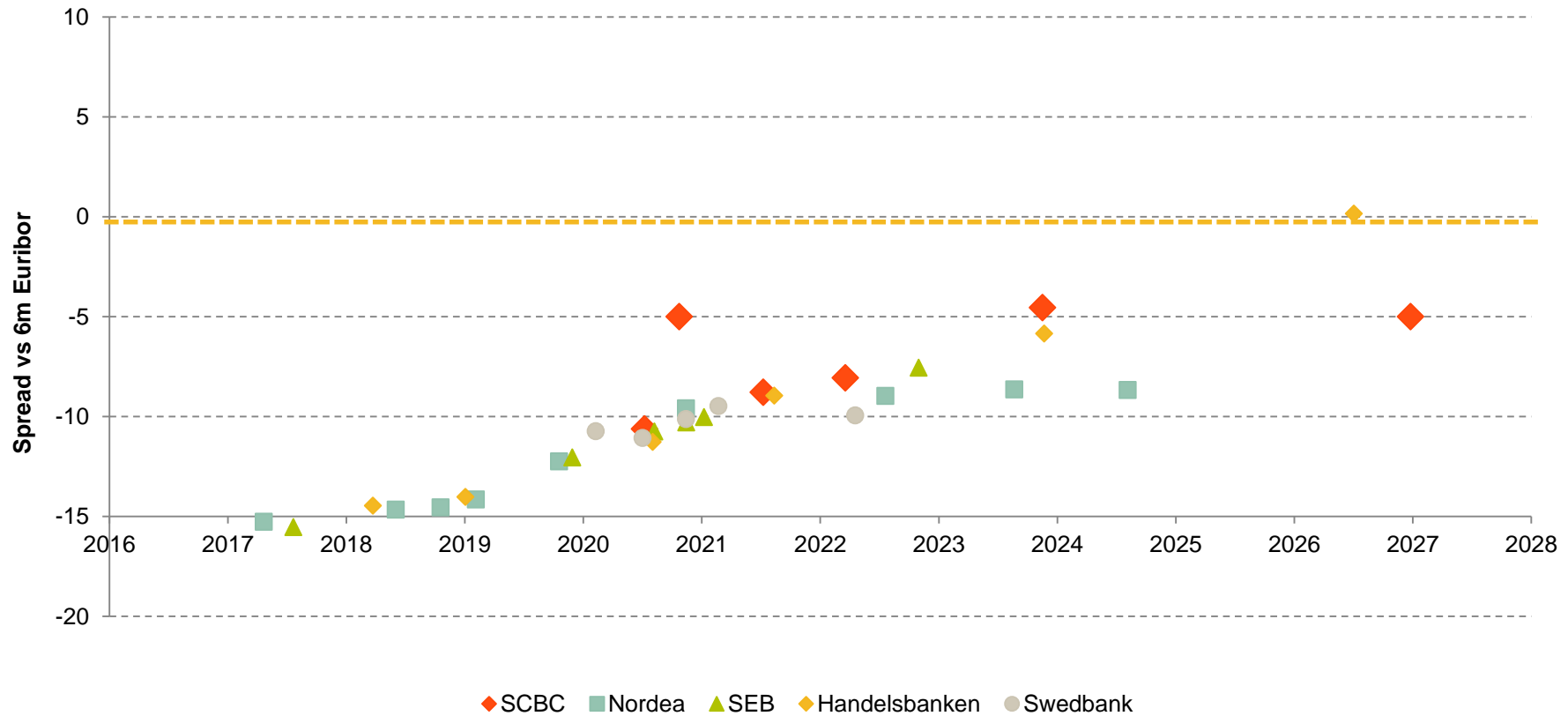
- Lending is originated from SBAB and assets are transferred to the cover pool via true sale- typically once a year or when needed according to funding plan
- Large buffer to a significant fall in house prices- Simulation of decline in house prices and the corresponding effect on eligible assets, LTV and OC is shown in the table below as of 31st Mar 2017

Houseprice change	Eligible assets in cover pool (SEK bn)	WA LTV (%)	OC* (%)
0%	239.0	55.0	25.1
-5%	236.7	57.0	23.9
-10%	233.5	58.8	22.2
-15%	229.3	60.5	20.0
-20%	223.7	62.1	17.1
-25%	216.6	63.5	13.4
-30%	207.7	64.7	8.8



# Trading levels of outstanding bonds

- EUR Covered Bonds

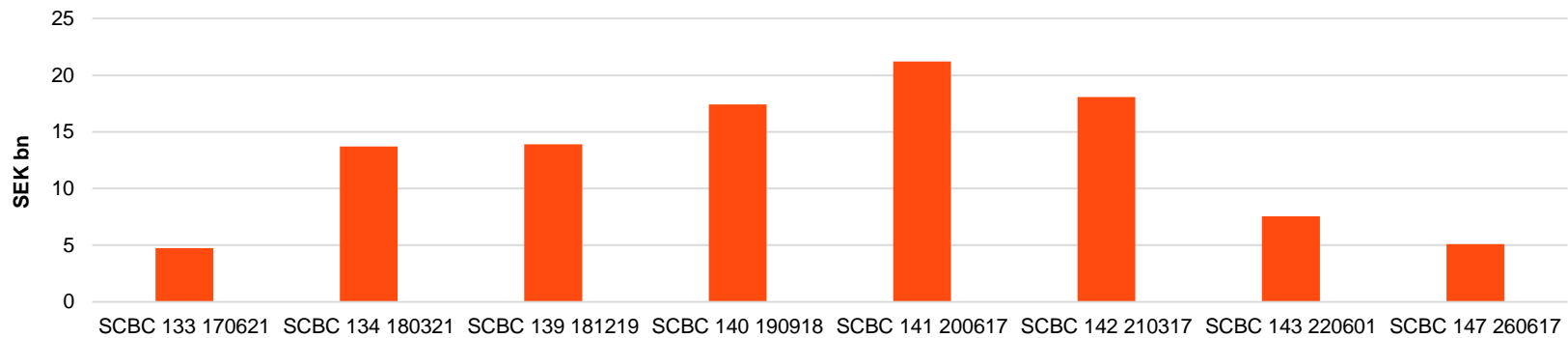
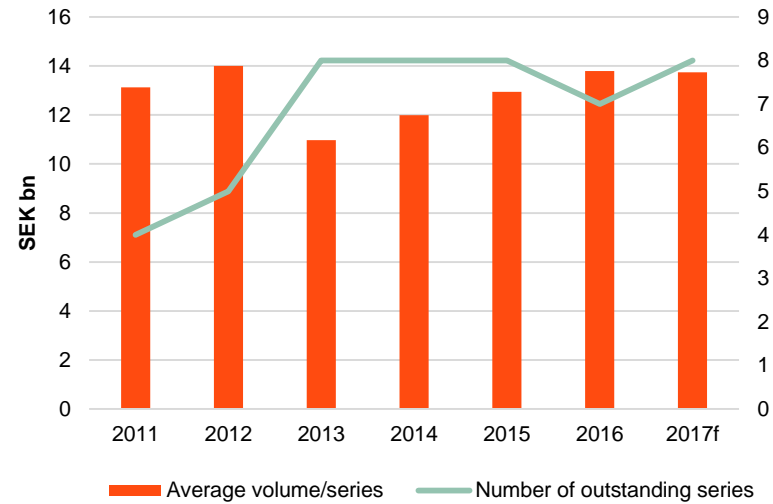
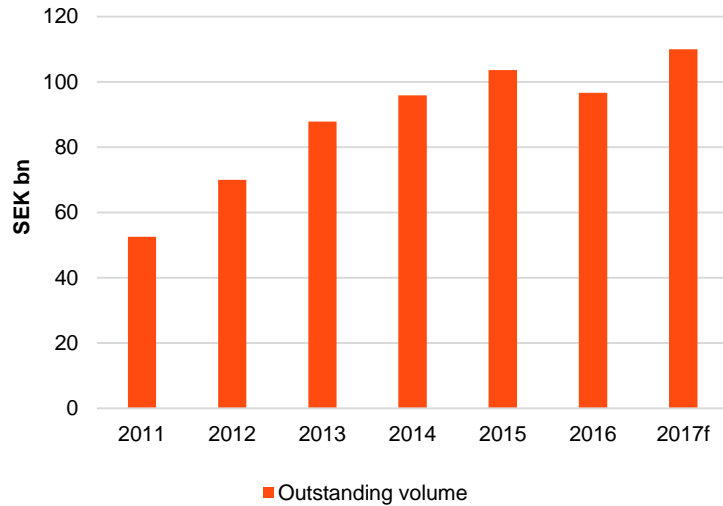


# Swedish legislation in comparison

- A secure framework

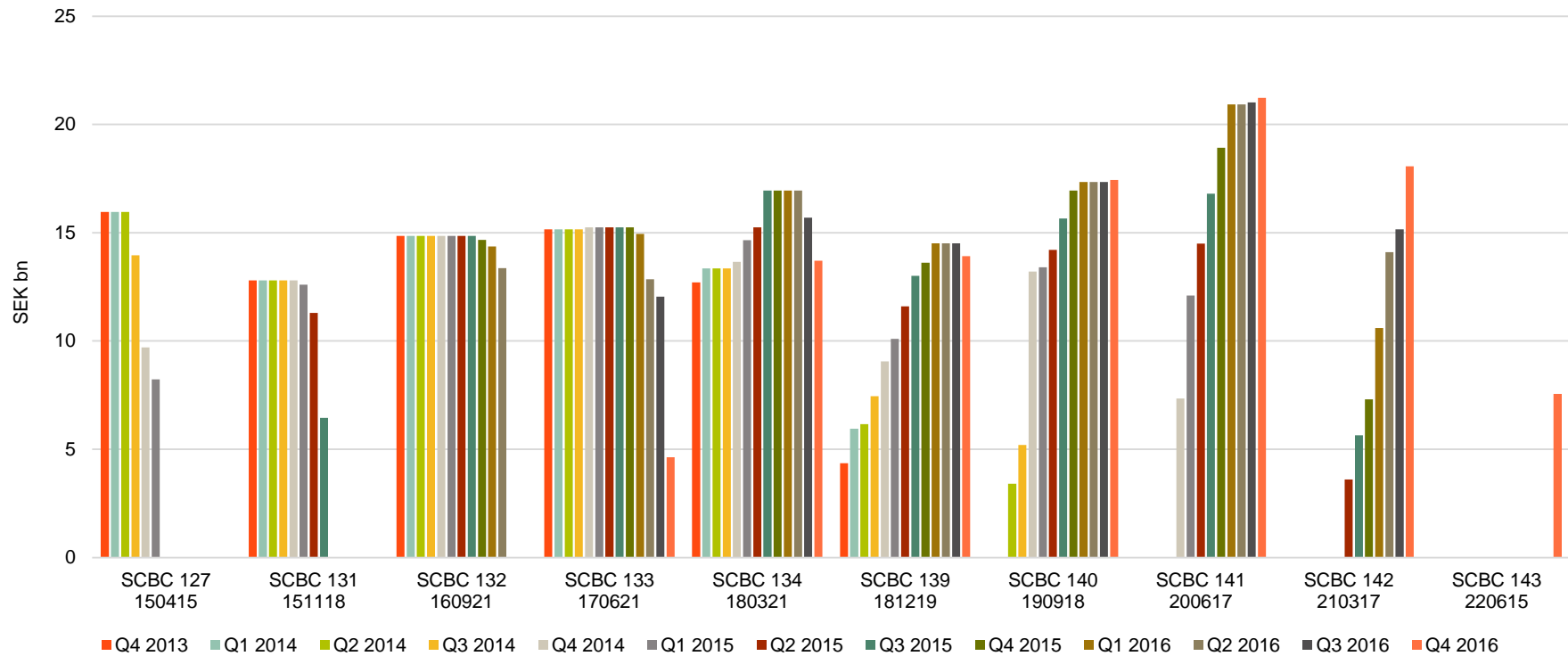
	Sweden	Germany	France	Ireland	Finland
<b>Market structure</b>	On balance sheet issuance	On balance sheet issuance	Special bank	Special bank	Special bank
<b>Max LTV *</b>	75%	60%	80%	75%	60%
<b>Min. overcollateralisation</b>	2%	2%	Not defined	Not defined	Not defined
<b>Max. substitute collateral</b>	20%	20%	20%	20%	20%
<b>Cover register</b>	Yes	Yes	No	Yes	Yes
<b>Independent monitor</b>	Yes	Yes	Yes	Yes	No
<b>BIS Risk weighting</b>	10%	10%	10%	10%	10%
<b>Derivatives as collateral</b>	Yes	Yes	Yes	Yes	Yes
<b>Matching requirements</b>	NPV, nominal value, currency, interest	NPV, nominal value, currency, interest	Nominal value	Nominal value, currency, interest, duration	Nominal value, currency, interest, duration

# SEK Benchmark Program



# SEK Benchmark Program

- Build up and buy backs



# The Swedish covered bond market

- One of the best functioning bond markets in the world

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The bond market has been open and well functioning throughout the crisis, providing reliability and liquidity.

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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

---

The total value of the Swedish covered bond market was EUR 222 billion as of Q4 2015

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A woman with long brown hair is sitting on a gravel path, wrapped in a thick green knitted blanket. She is holding a white mug and looking out over a misty forest. The background is a dense forest of tall evergreen trees, with a small building visible in the distance. The overall atmosphere is calm and serene.

# **APPENDIX II**

## **SWEDISH KEY ECONOMIC FIGURES**

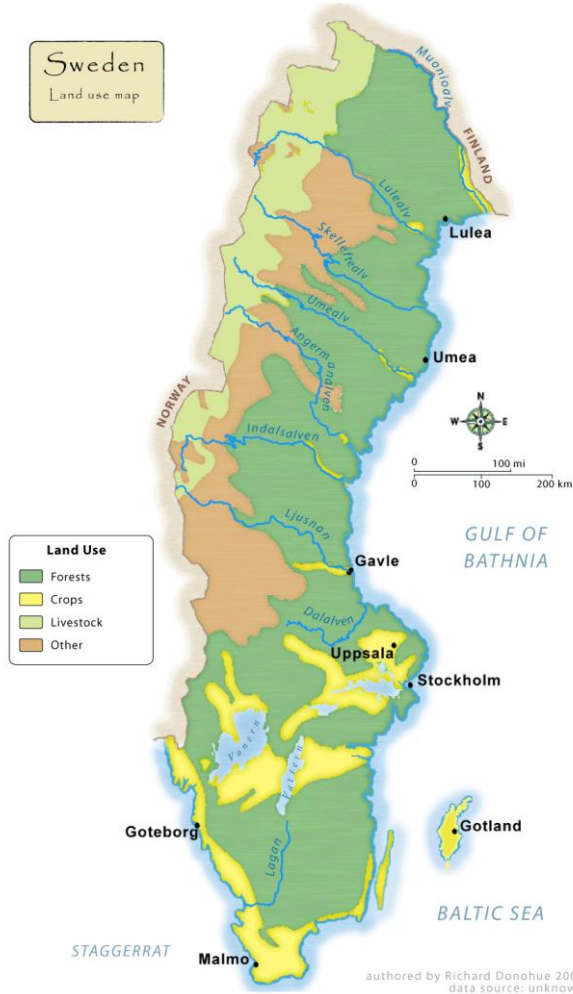
# Kingdom of Sweden



- Area : 450 295 sq km
- Population : 10 032 859 (Mar 2017)
- Urban population: 85% of total population
- 21 Counties, 290 Municipalities
- Capital : Stockholm
- Constitutional monarchy
- Unicameral Parliament (Riksdag) with 349 seats
- Elections: last held on 14 September 2014 (next to be held on 9 September 2018)
- Government : Coalition of Social Democrats and Greens
- 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)



# Kingdom of Sweden

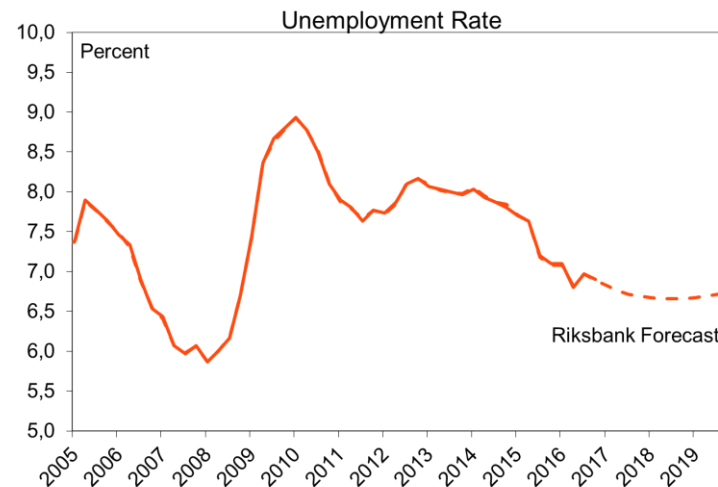
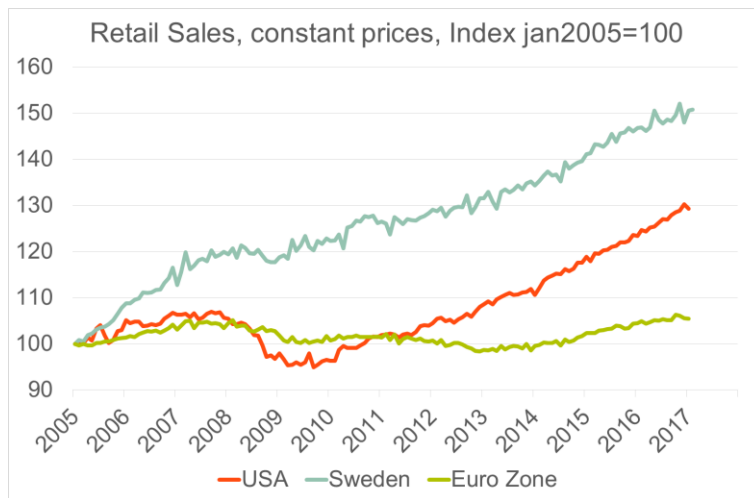


- Approx. 45% of GDP is exported. Largest goods trading partners are the Scandinavian countries, Germany, Netherlands and UK
- Sweden joined the EU in 1995, but the euro was rejected in a public referendum 2003
- The currency, the krona, has been floating since 1992 when the fixed exchange rate regime was abandoned
- The Centralbank, Sveriges Riksbank, operates monetary policy under an inflation target of 2%, +/- 1%
- Sweden ranks third in The Economist's Democracy Index 2016, fourteenth in the United Nations' Human Development Index 2016, sixth in the World Economic Forum Global Competitiveness Index 2016/17 and second in the Global Innovation Index 2016



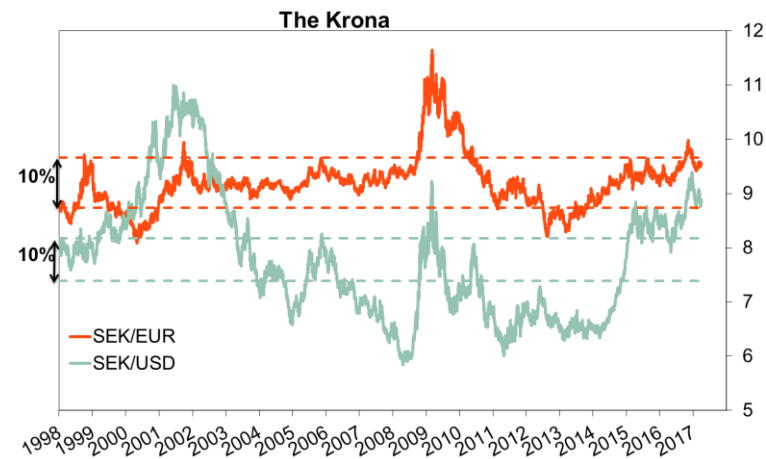
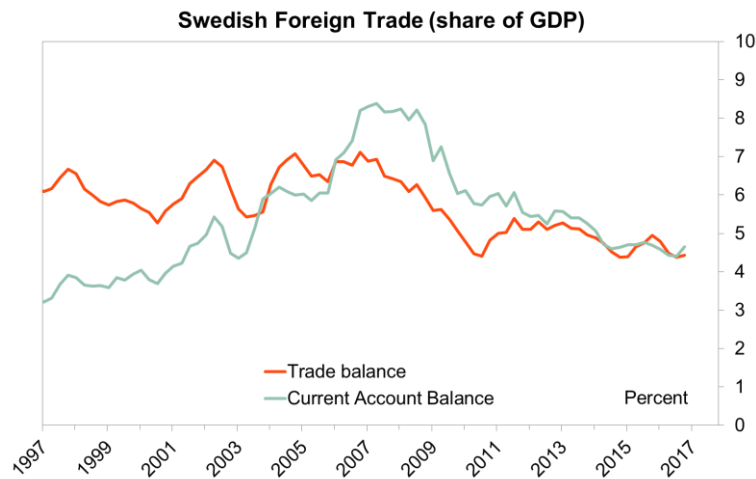
# Strong domestic economy

- **Stable public finances, low inflation, low interest rates and rising house prices has stimulated the domestic economy over the past years**
  - Retail sales has risen by 50% since 2005
- **The labour market has strengthened**
  - Employment has increased by 1.0% on average and hours worked by 1.2% per year over the past ten years. The activity rate (16-64y) has gone from below 80% in 2009 to above 83%



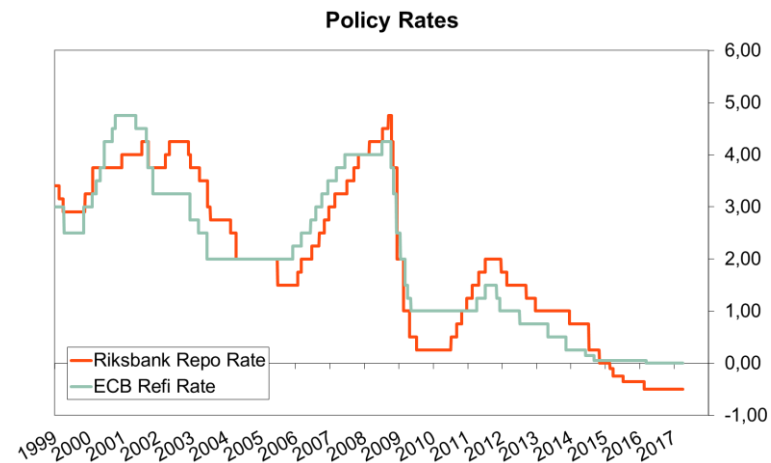
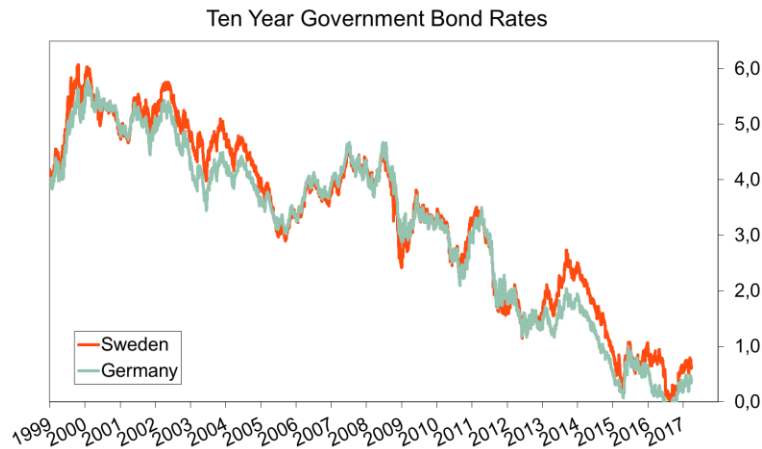
# Foreign trade and the Krona

- **Very strong current account**
  - Exports make up about 45% of GDP. Foreign trade has shown a surplus since the mid-1990s
- **The Krona has been floating since 1992**
  - As a fairly small currency it is rather sensitive to changes in international risk appetite and business flows. It has however historically been highly correlated with the Euro
- **The Krona is weaker than its historical average...**
  - ..if compared to a trade weighted basket. Factors contributing to a strong krona are a strong current account, high relative growth, solid public finances while low interest rates and weaker export flows are dampening



# Interest rates

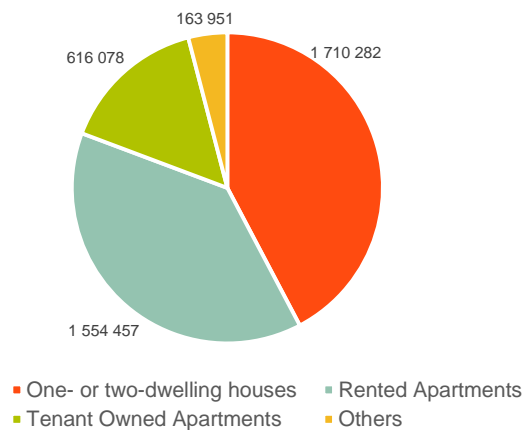
- **Long and short interest rates have a high correlation with European (i.e. German) rates**
  - The ten year spread against Germany has on average been +18bp, over the last 15 years, correlation has been 0.98
- **Sweden has gained something of a safe haven status over the last 10-15 years**
  - Strong public finances, a stable financial system, low inflation and international flight to quality have been holding down long term interest rates



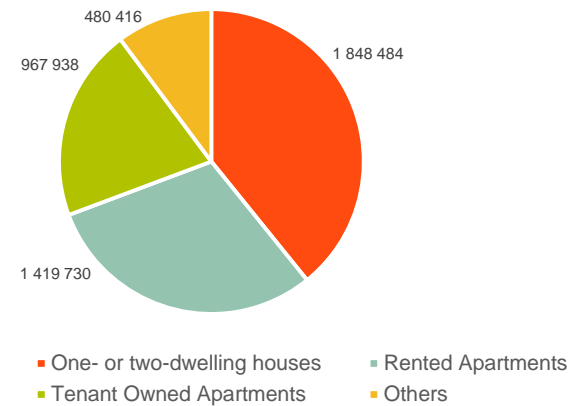
# The Swedish housing market

- **Most Swedes own their dwelling**
  - 65 % of the dwelling stock is owner occupied and 35 % is rented
- **The rental market is highly regulated**
  - Rent controls are 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**
  - Price increases have made it highly profitable for private (and public) landlords to sell their properties to tenant-owner associations

Number of Dwellings (1990)

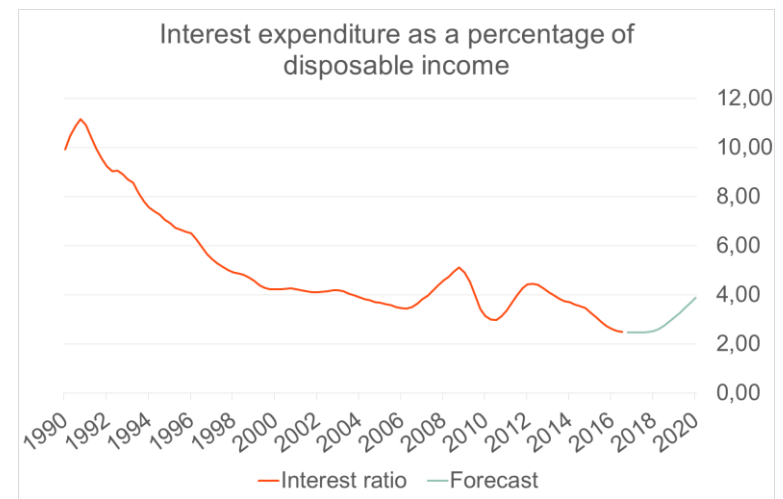
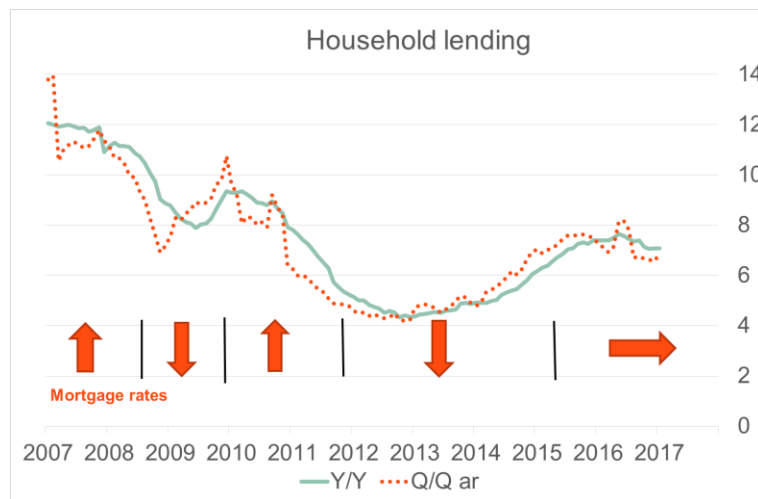


Number of Dwellings (2015)



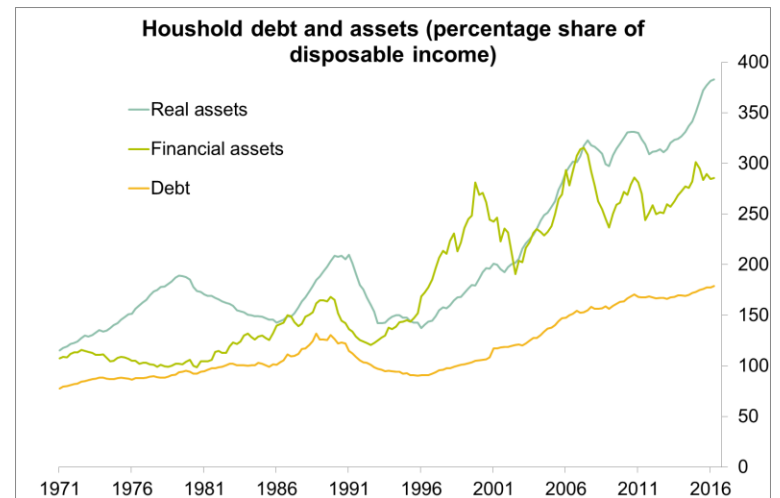
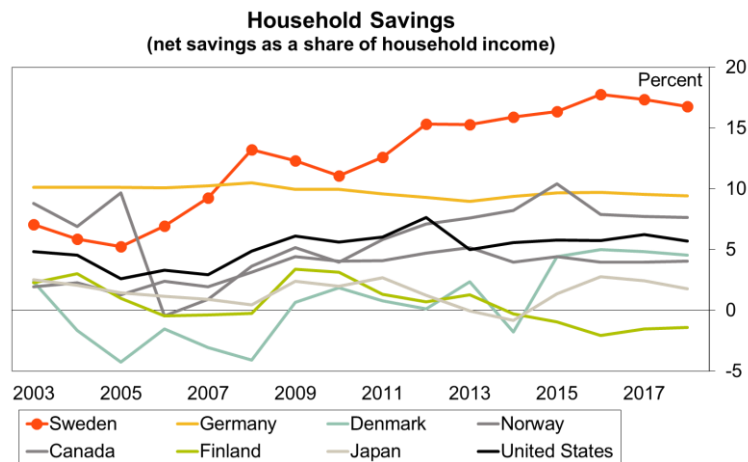
# Strong lending growth

- **Household lending is increasing by an annual rate of 7 percent**
  - Lending still increases faster than household income
  - Measures taken has probably not had any major effects on growth rate, but on the composition
- **No increase in debt service costs**
  - There are strong links between interest rates, house prices and lending
  - The interest ratio is at historically lows



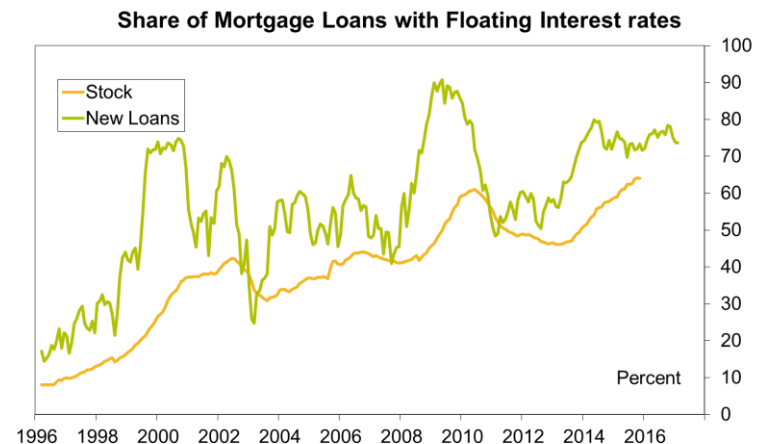
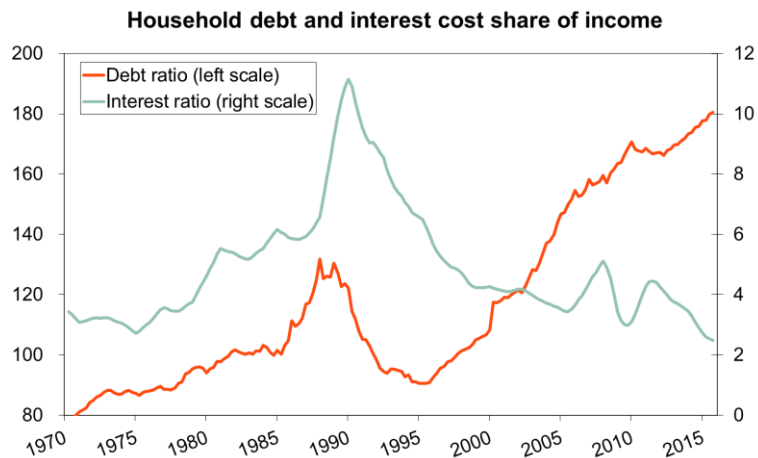
# High savings ratio, high net wealth

- **High savings ratio**
  - Swedish households have a savings ratio above 15%, which is very high in comparison to other countries
  - Household deposits has risen from 40% of yearly disposable income in the beginning of the 2000s to almost 80% 2016
- **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



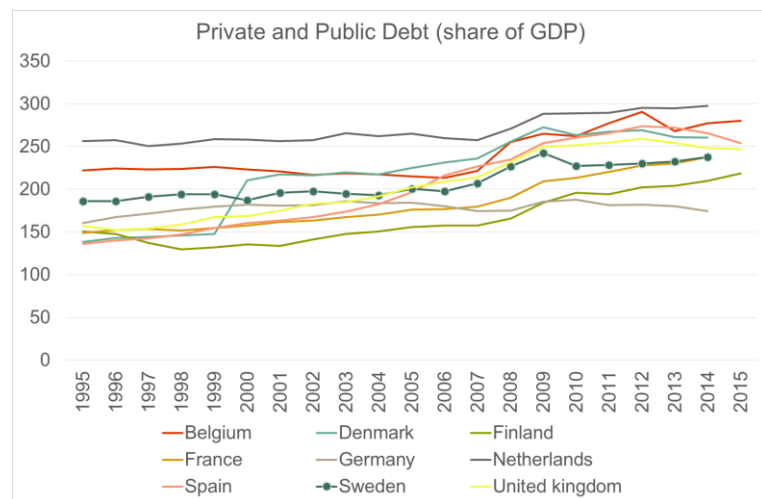
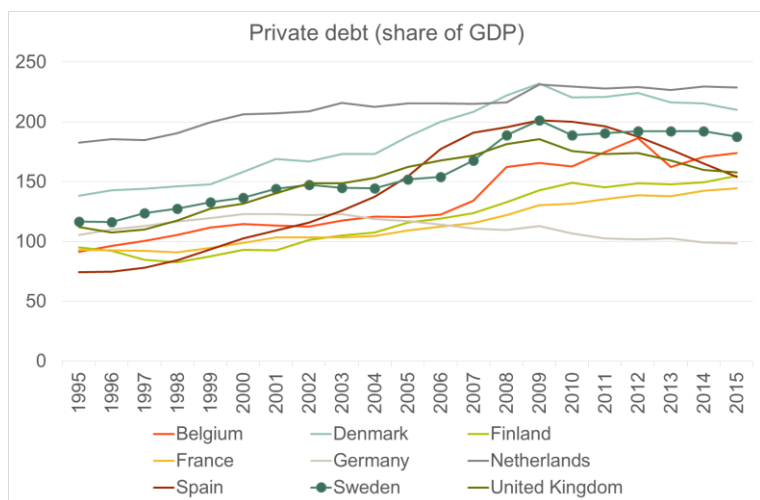
# Household debt has increased

- **High debt to income ratio but low interest costs**
  - The household debt to income ratio has increased from around 90% in 1995 to 180%. The rise in the debt ratio is strongly connected to the decline in interest rates and rising homeownership
- **Average household exposed to interest rate risk**
  - The interest ratio is almost down to 2%. Rising interest rate levels will eventually push up the interest ratio in the coming years. This effect will be reinforced by the increased use of floating interest rates



# Debt compared to other countries

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

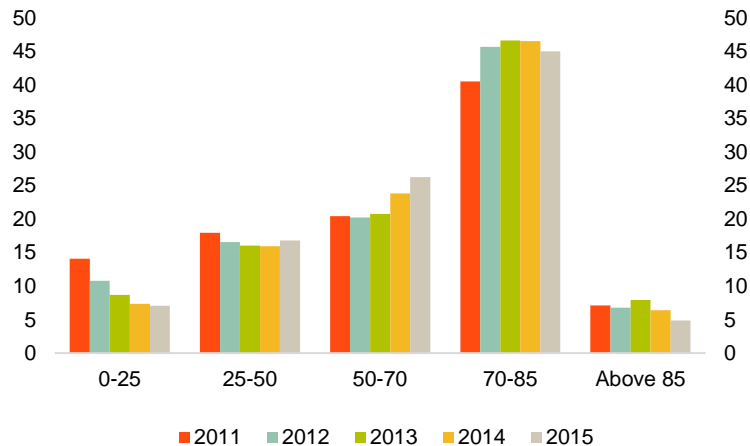




# Measures are working

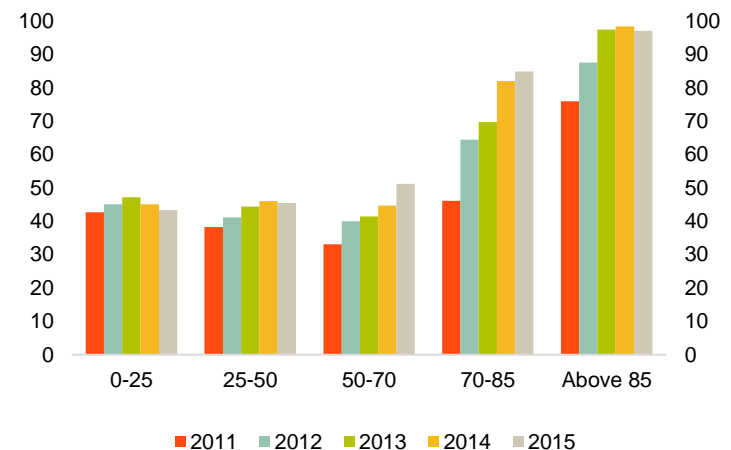
- **Mortgage LTV cap and amortization requirements have had effects**
  - The share of high LTVs has decreased
  - The share of amortising households has gone from 44% to 67%

Share of Households with Different Loan-to-value Ratios, New Loans



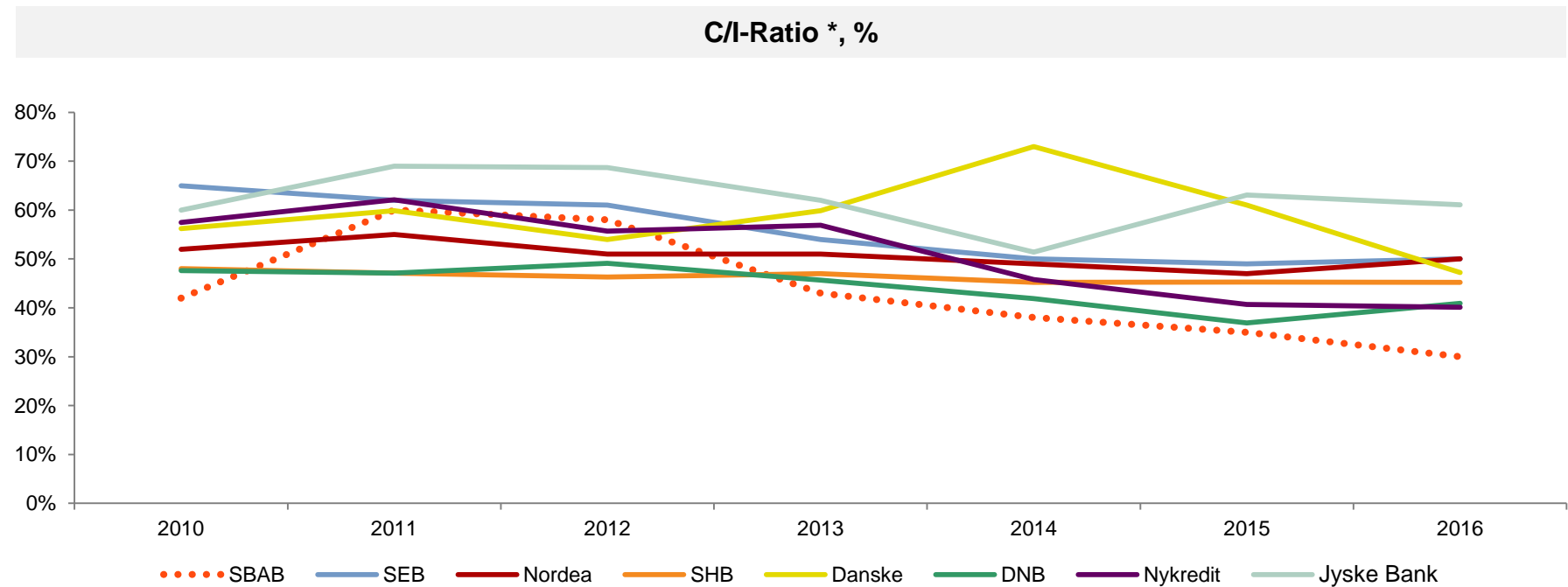
Note. Shows the share of households for different loan-to value ratios.

Share of Households Amortising for Different Loan-to-value Ratios, New Loans



Note. Amortisation according to loan agreement.

# C/I-ratio vs. peers

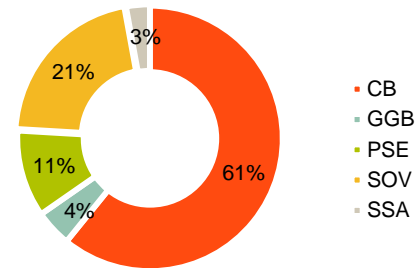


# Liquidity

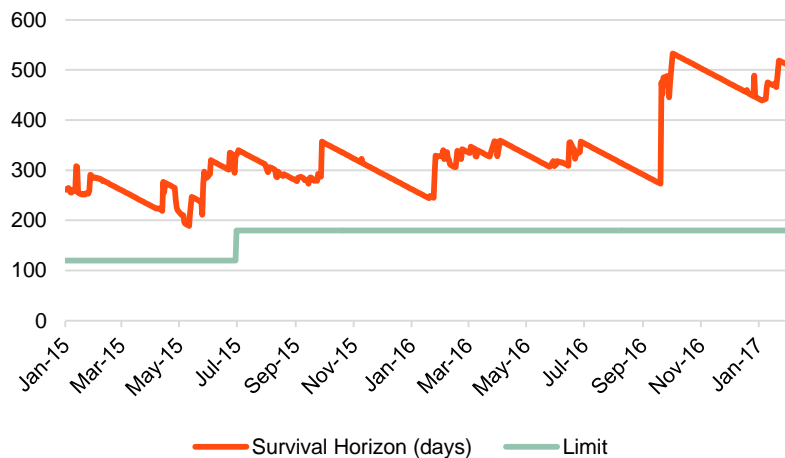
- Securities portfolio - SEK 79.8bn, 100% AAA (from at least one agency)

- LCR compliant since 1<sup>st</sup> January 2013
  - at the end of Q4 2016, LCR stood at 243% for all currencies combined
- New investment only AAA
- Maximum 10y maturity
- We have increased our portfolio to extend survival horizon, survival horizon stood at 534 days at Q1-17
- NSFR stood at 122% (31<sup>st</sup> Mar 2017)

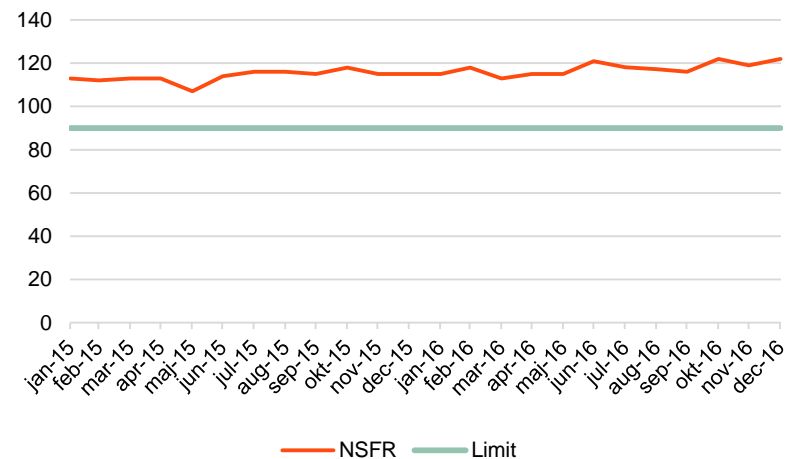
Securities type



Survival horizon (days)



NSFR (%)



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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

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