

# SBAB Q4

*Introducing SCBC147*

*Stockholm/Copenhagen February 2017*

# SBAB

# 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 around SEK 40 to 50 billion

	Full year 2016	Full year 2015
Net Interest Income, SEK mn	2,829	2,442
Loan losses, SEK mn	18	40
Mortgage Portfolio, SEK bn	296.0	297.0
Cost/Income ratio, %	30	35
RoE, %	12.3	10.2
CET1 Capital Ratio (Basel III), %	32.2	28.6

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

A kitchen windowsill is decorated with various items. On the left, there is a potted basil plant in a terracotta pot. Next to it is a stack of two books; the top one is 'THE BREAD EXCHANGE' and the bottom one is 'Great Kitchen Trends'. Behind the books is a wooden box with 'Cirebro' written on it. In the center, a brass pitcher sits on a small white plate. To the right of the pitcher is a small potted plant in a glass container. Further right is a larger potted plant with white flowers in a terracotta pot. On the far right, a light green KitchenAid stand mixer is visible. The background shows a window with a view of green foliage and a brick building.

# STRATEGIC DIRECTION

**Our vision**

**”To provide the best residential mortgages in Sweden”**

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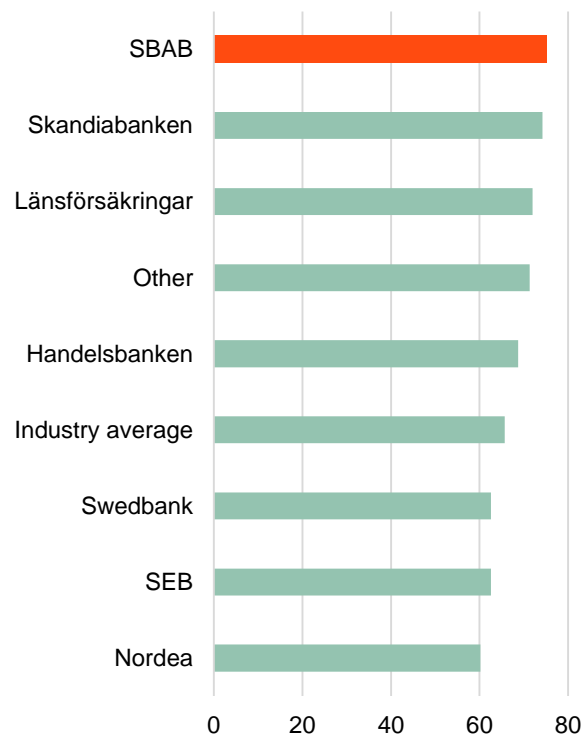
# No 1 in 2014, 2015 and 2016

”Sweden’s most satisfied residential mortgage customers”



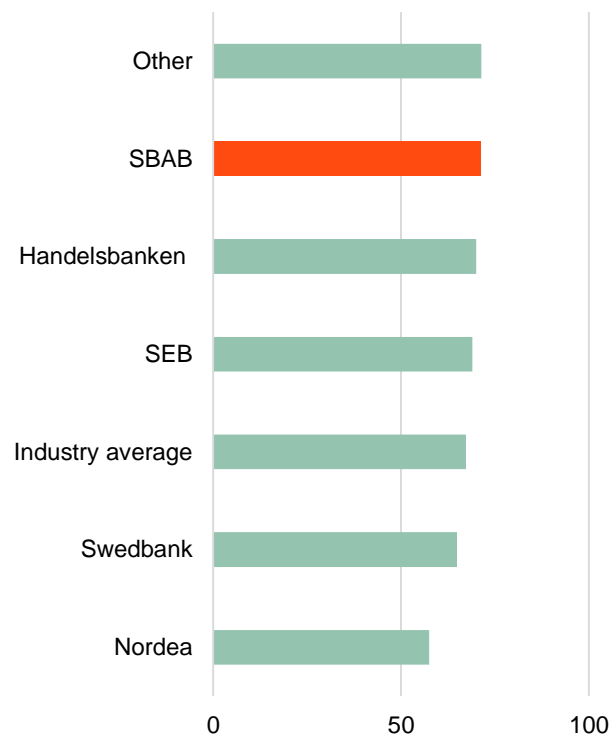
## Retail

Customer satisfaction 2016



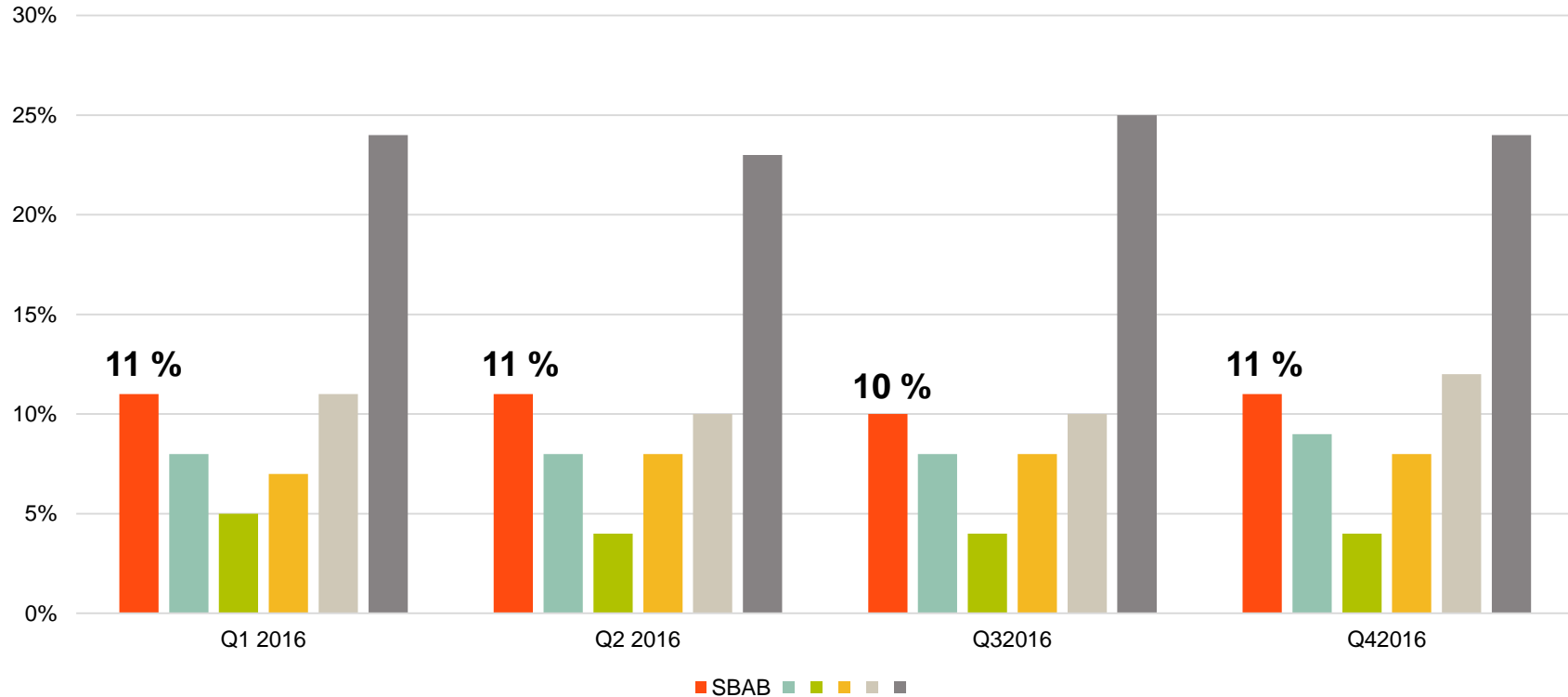
## Corporate

Customer satisfaction 2016



# Strong position & awareness

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



SBAB is the 5<sup>th</sup> largest mortgage provider in Sweden but the third most recognised provider, supporting further growth and market share

# Our value proposition

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## AVAILABILITY

Residential mortgages online and over the phone, every day and in all situations.

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## TRANSPARENCY

Competitive pricing and appropriate terms and conditions.

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## CONSIDERATION

Housing specialists who care.

**SBAB!**

A kitchen windowsill with various items including potted plants, a brass pitcher, a light green stand mixer, and books. The scene is brightly lit by natural light from the window. The text "FINANCIAL DEVELOPMENT" is overlaid in the center in a bold, black, brush-stroke font.

# FINANCIAL DEVELOPMENT

IBREAD EXCHANGE  
Great Kitchen Finds



# 2016 – historically strong figures

Lending

**296**<sub>bn</sub>

Deposits

**97**<sub>bn</sub>

C/I-ratio

**30%**

RoE

**12.3%**

NII

**2,829**<sub>mn</sub>

Operating profit

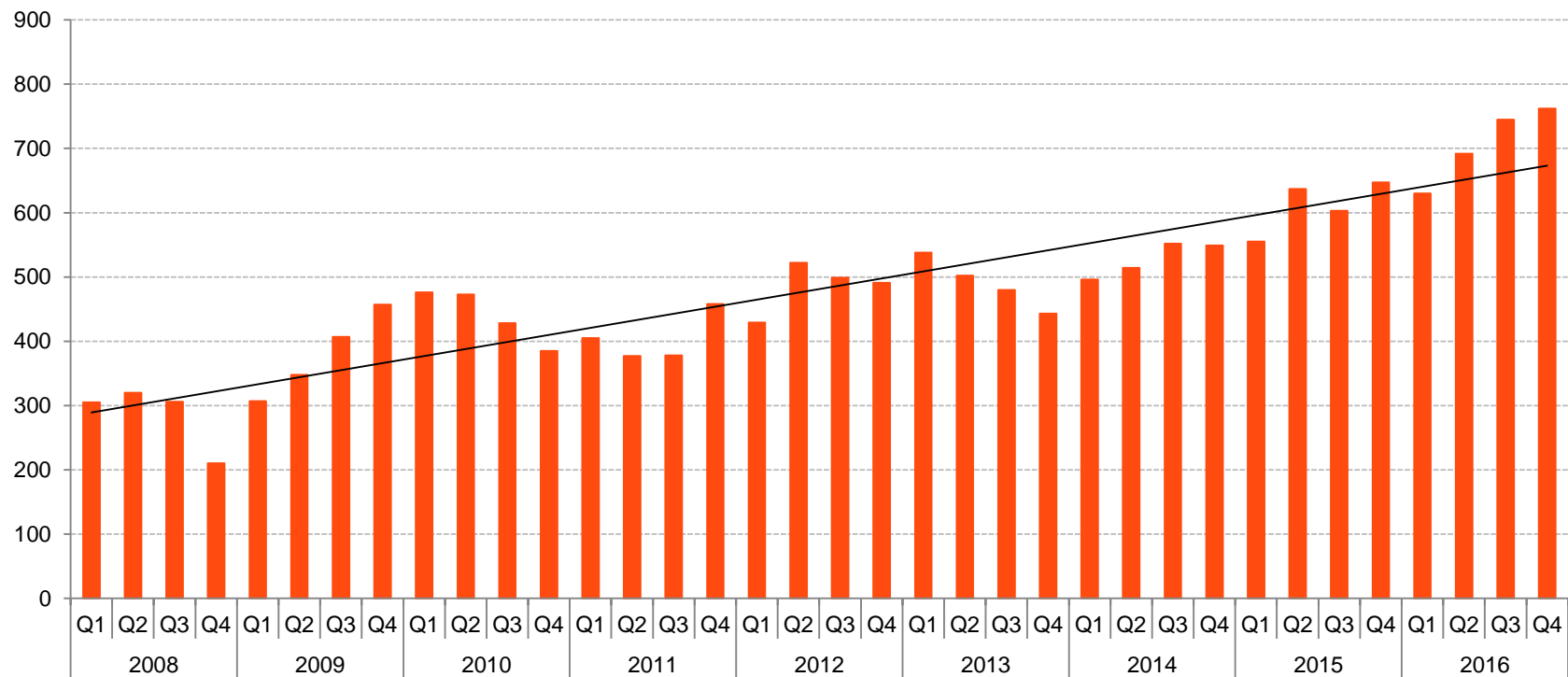
**2,011**<sub>mn</sub>

# Continued positive development

(SEK mn)	Q4 2016	Q3 2016	▲ QoQ	2016	2015	▲ YoY
NII	762	745	↑	2,829	2,442	↑
Costs	239	214	↑	889	809	↑
Loan losses, net	2 (pos)	20	↓	18	40	↓
Operating profit	548	534	↑	2,011	1,492	↑
Deposits (SEK bn)	96.8	93.4	↑	96.8	76.6	↑
Lending (SEK bn)	296.0	305.0	↓	296.0	297.0	↓
Deposit/lending	32.7%	30.6%	↑	32.7%	25.8%	↑
C/I-ratio	31%	28%	↑	30%	35%	↓
RoE	12.5%	12.0%	↑	12.3%	10.2%	↑
CET1 ratio	32.2%	28.5%	↑	32.2%	28.6%	↑

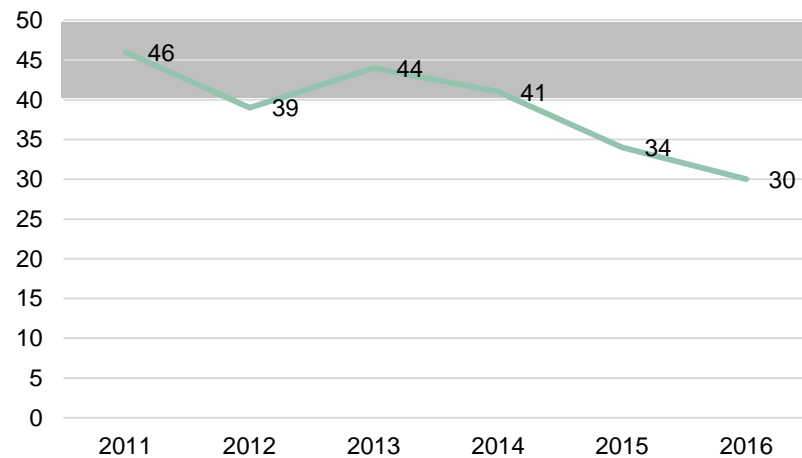
# SBAB's net interest income

- Continued stability and growth

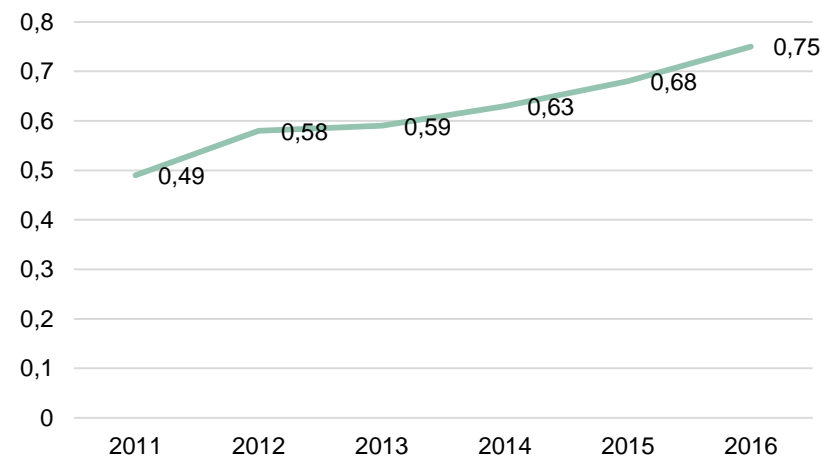


# Improved C/I-ratio and NIM

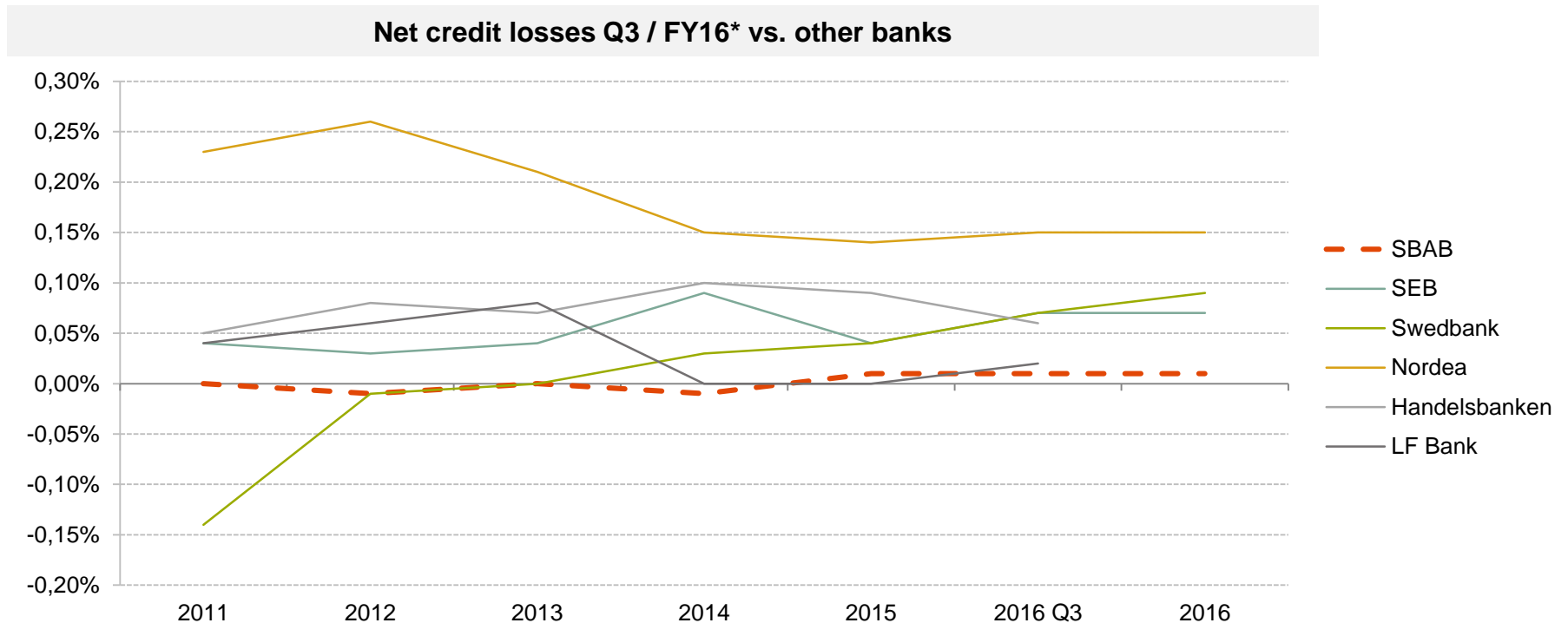
C/I-Ratio \*, %



Net Interest Margin, %



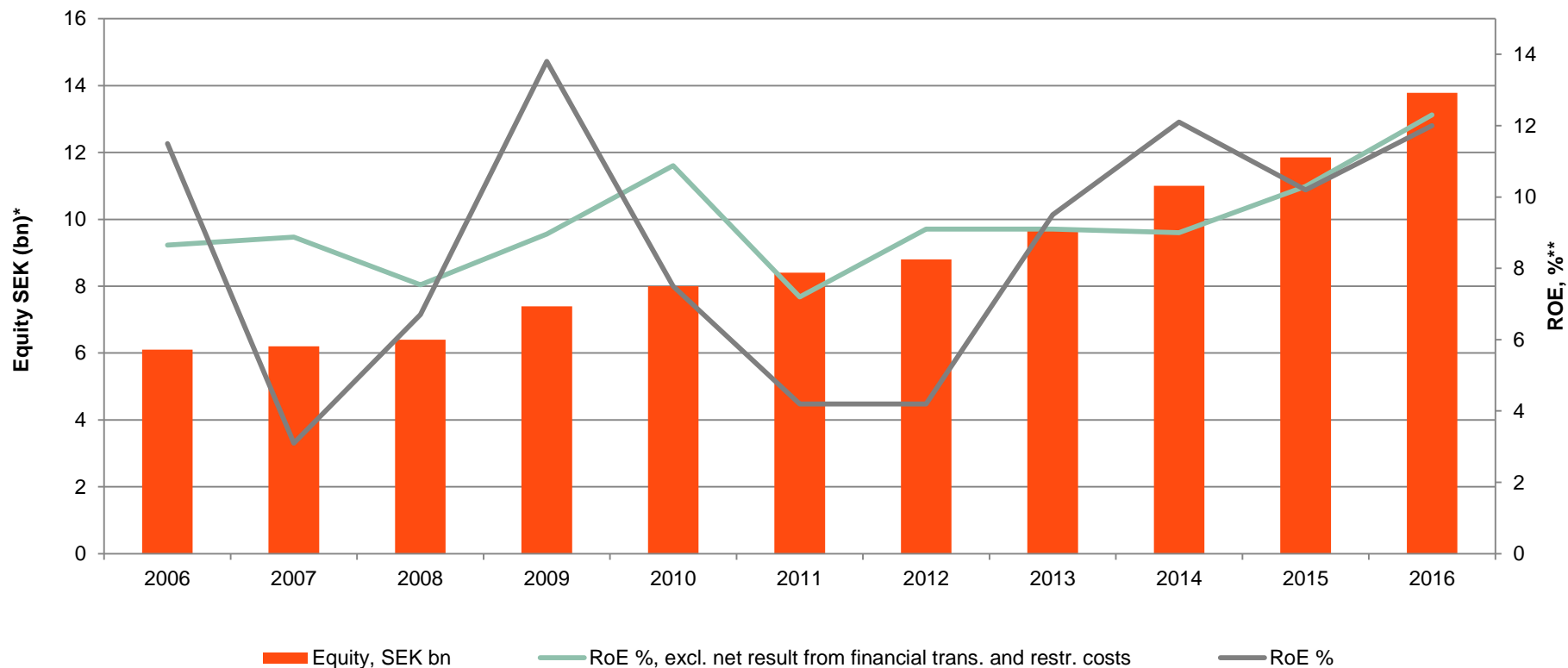
# Credit losses vs. peers (Q3)



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

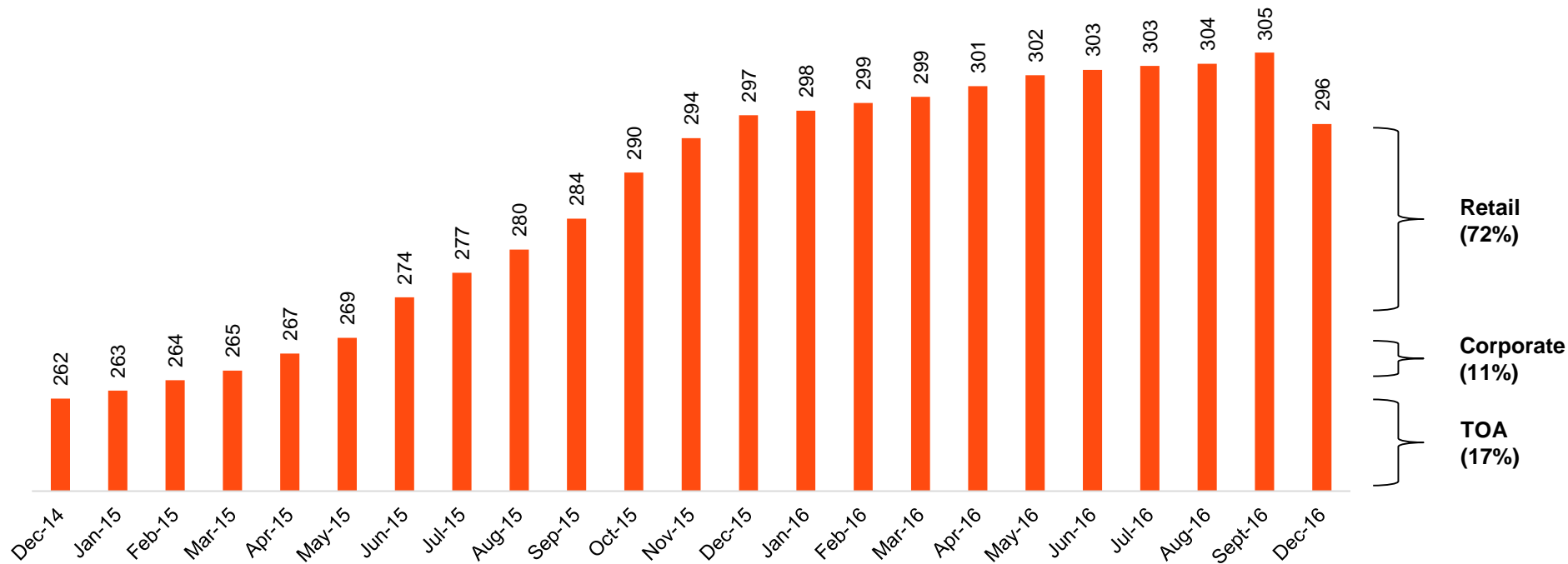
\* As reported by each bank, definition of credit losses/impairments may vary between banks

# Equity and RoE



# Lending growth

- Total SEK 296bn

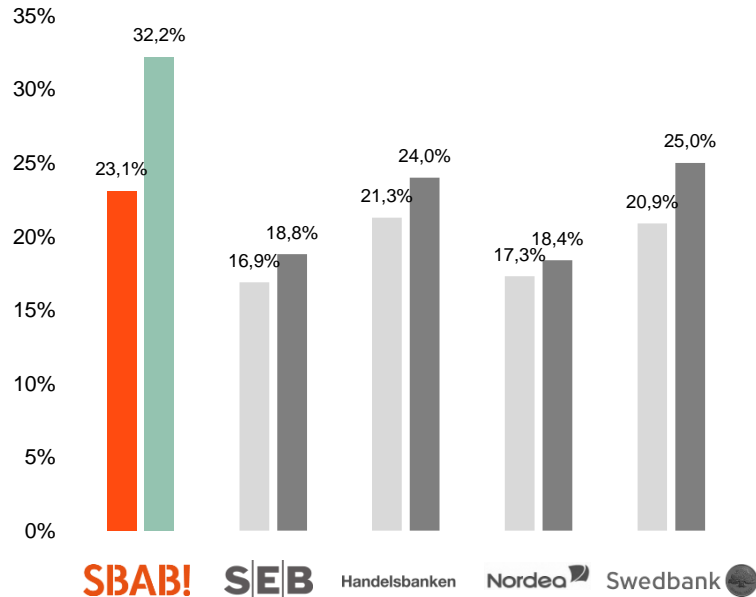


Decline in lending attributable to the transfer from SBAB of mortgages of around SEK 20.5 billion from the previous partnership with Sparbanken Öresund during 2016

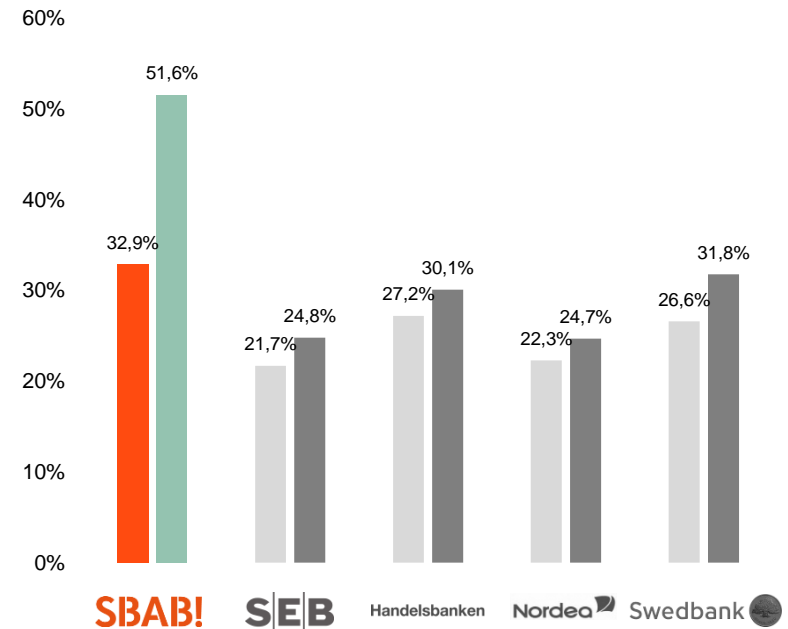
# Capital requirements (Q3)

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

CET1 capital ratio



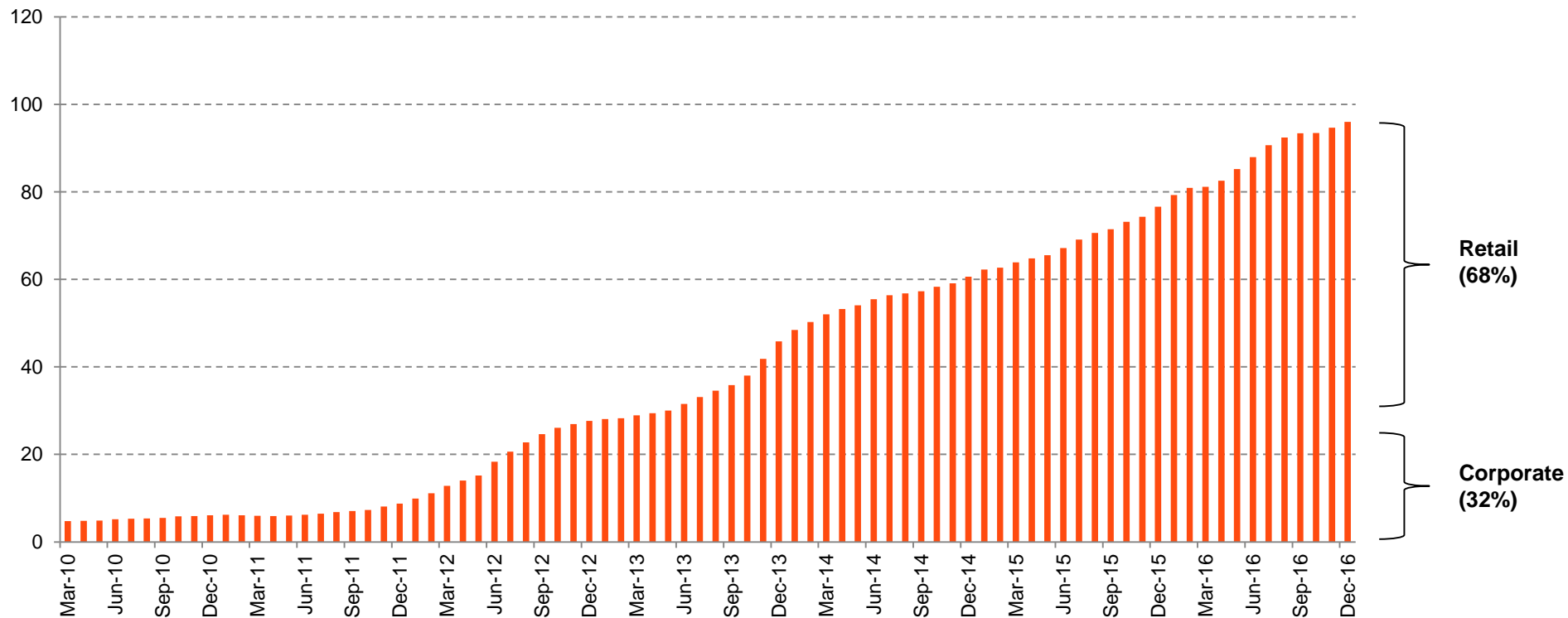
Total capital ratio





# Deposit growth

- Total SEK 97bn



# FUNDING

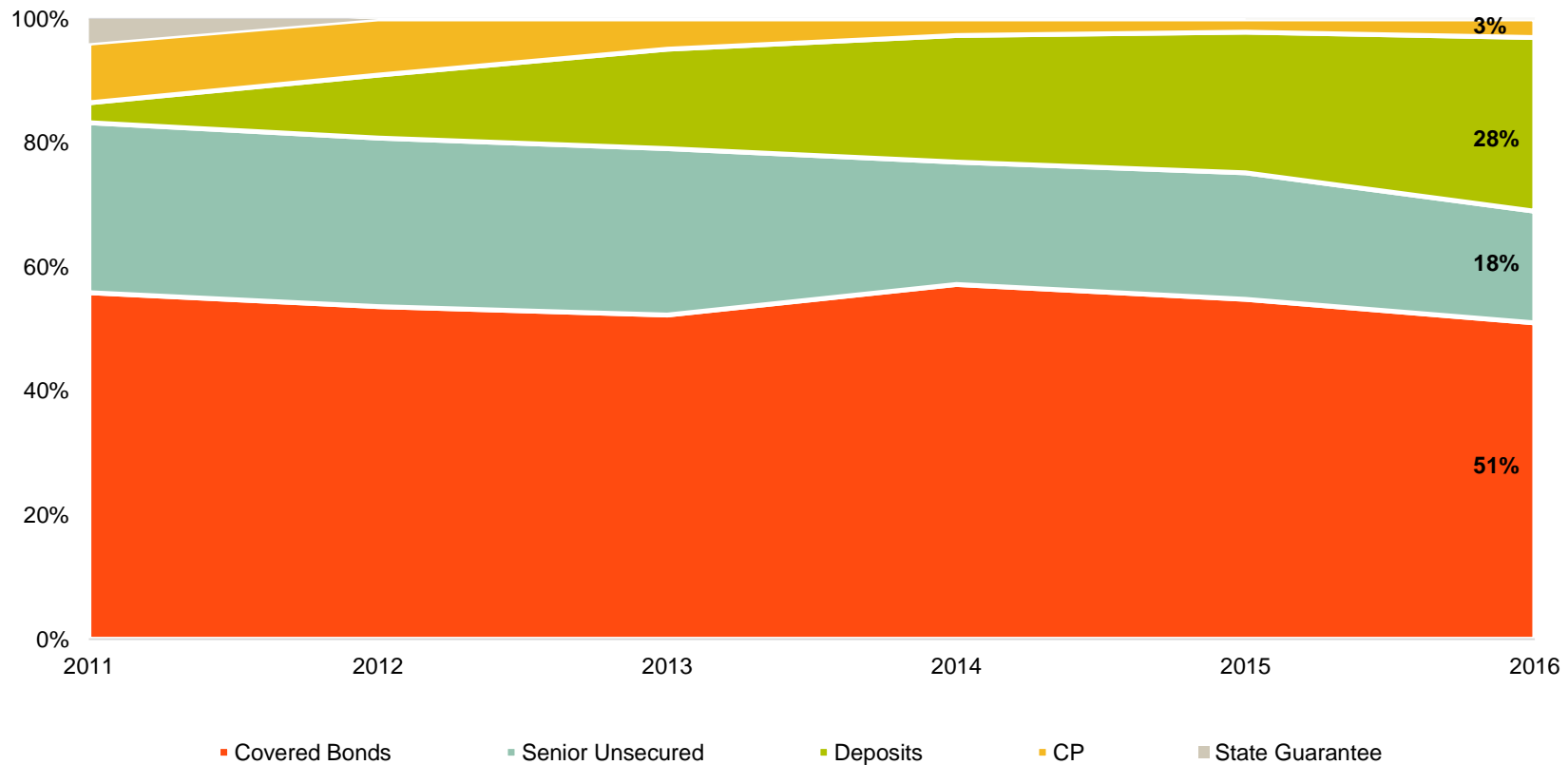


# Funding programme

- Total long term funding 2017 SEK 40/50bn
  - **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



# Development of funding sources

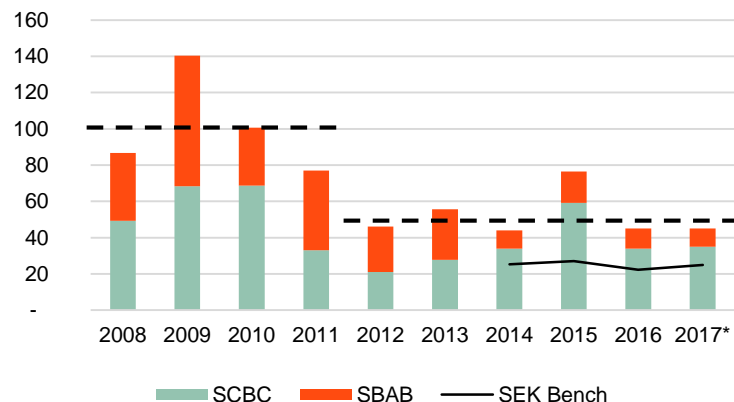


# SBAB Group funding

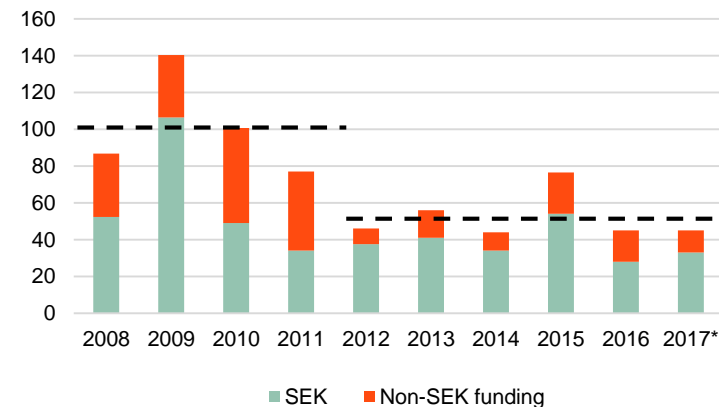
## - Moderate funding needs ahead

- 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 2016 around SEK 45bn and for 2017 estimated to around SEK 40 to 50bn, of which a majority in SEK
- Long term goal to extend maturity

Annual issuance, SEK (bn)



Currency split, SEK (bn)

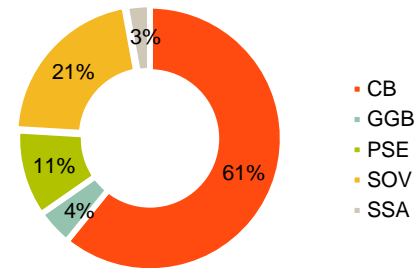


# Liquidity

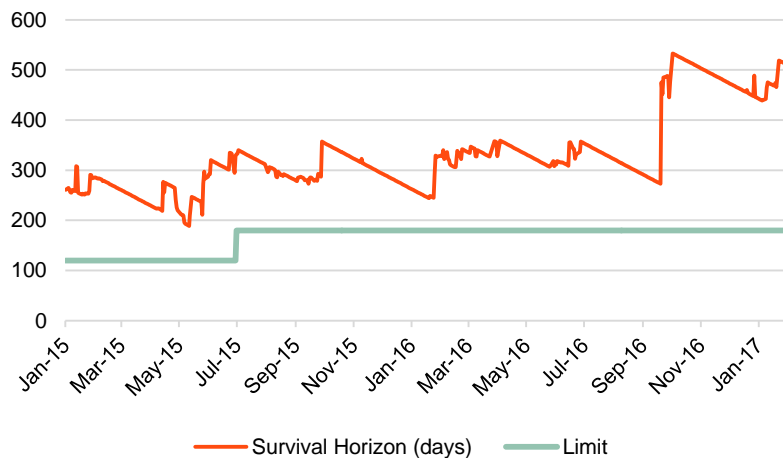
## - Securities portfolio - SEK 69,5bn, 100% AAA (from at least one agency)

- 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 444 days at YE16
- NSFR stood at 122% (31<sup>st</sup> Dec 2016)

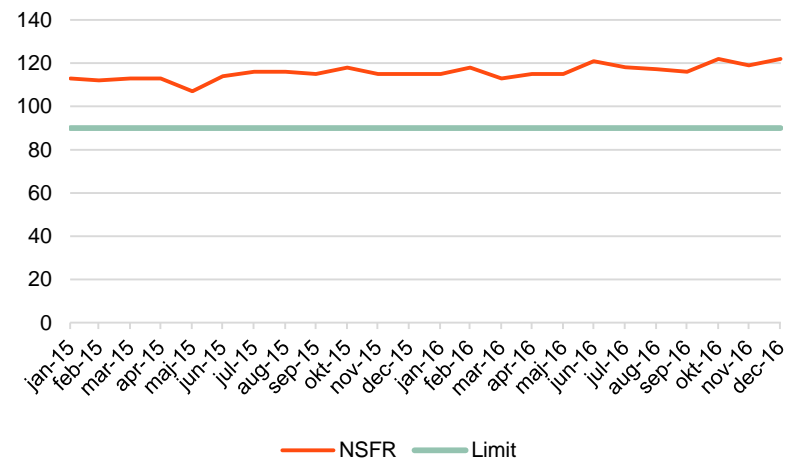
Securities type



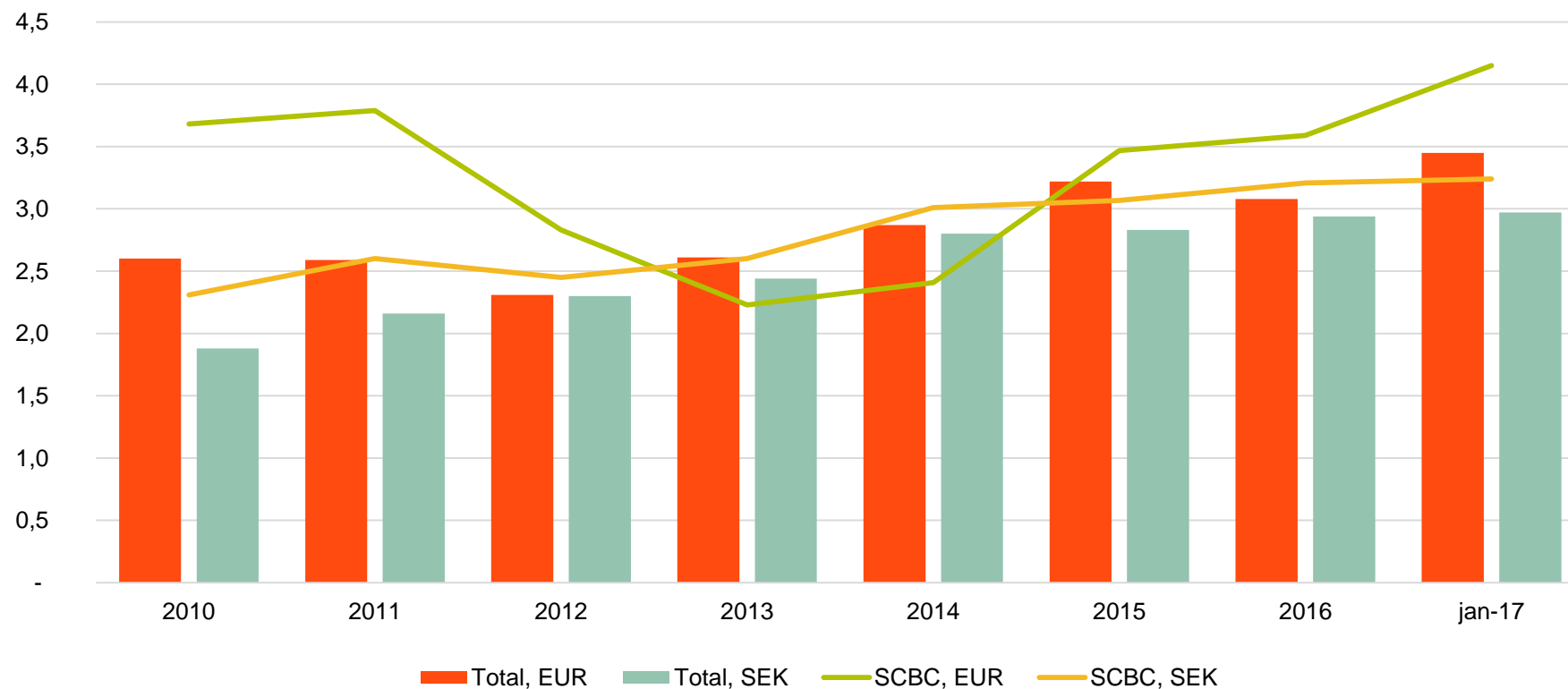
Survival horizon (days)



NSFR (%)

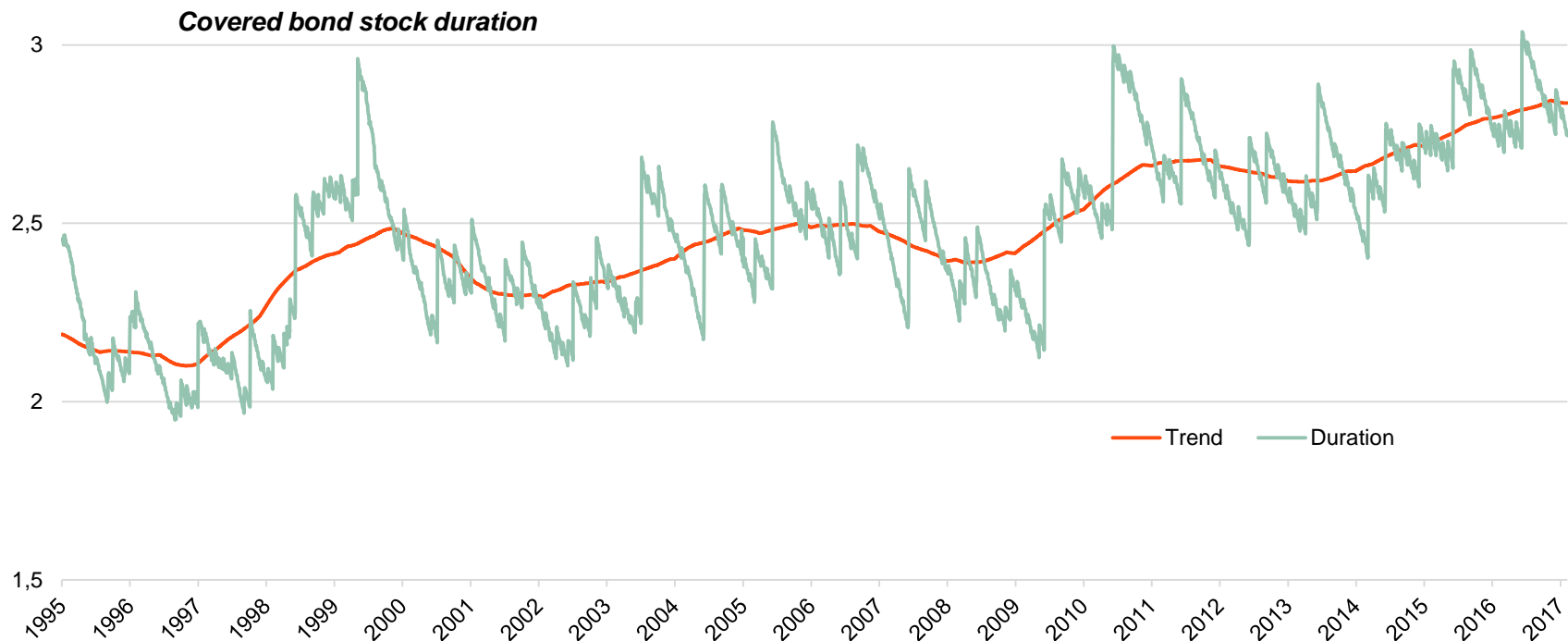


# Funding portfolio duration



# SEK Covered Bond market

- Trend for longer duration





# Thoughts behind SCBC147

- Improved ALM-profile
- Long investor interests
- SEK funding duration shorter than EUR
- Commitment to SEK - Increase outstanding under benchmark program
- SCBC147 will be a "Benchmark bond"
  - Market-maker agreement
  - Repo facility
  - Index eligible
  - Ongoing taps
  - Buy-back when approaching maturity
  - Increased liquidity compared with pp's
- Syndicated process at launch of bond

# Details on upcoming issue

<i>Issuer:</i>	The Swedish Covered Bond Corporation (SCBC)
<i>Format:</i>	Swedish Covered Bond
<i>Rating:</i>	Aaa (Moody's)
<i>Size:</i>	SEK Benchmark
<i>Maturity:</i>	17 <sup>th</sup> of June 2026
<i>Coupon:</i>	2%, fixed, annual, 360/360
<i>Issue price:</i>	To be determined by book building
<i>Amortization:</i>	None (hard bullet)
<i>Clearing:</i>	Euroclear Sweden AB (former VPC)
<i>Denominations:</i>	1.000.000 SEK or multiples thereof
<i>Listing:</i>	NASDAQ Stockholm AB
<i>Bookrunners:</i>	Danske Bank, Handelsbanken, Nordea, SEB and Swedbank
<i>ISIN:</i>	SE0009383664
<i>Reuters RIC code:</i>	SE26SC

# SCBC Cover Pool

## - Key characteristics as of 31st December 2016

Collateral	100% Swedish residential mortgages *
Over Collateralization	40.4%
Weighted average LTV	53.7%
Weighted average seasoning	6.2 years
Loans in arrears	Arrears below 0.01% (SBAB buys back loans in arrears > 30 days)
Number of loans	337 853
Average loan size	SEK 710 695
Geographical location	Spread throughout Sweden; concentrated in economic hubs
Pool type	Dynamic
Originator	SBAB Bank Group
Interest rate type	62% floating, 38% fixed / 49% amortising, 51% interest only

# SUMMARY



# 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**
- **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

*Opportunity to invest in a longer dated SEK bond offering in benchmark format*



**SBAB!**

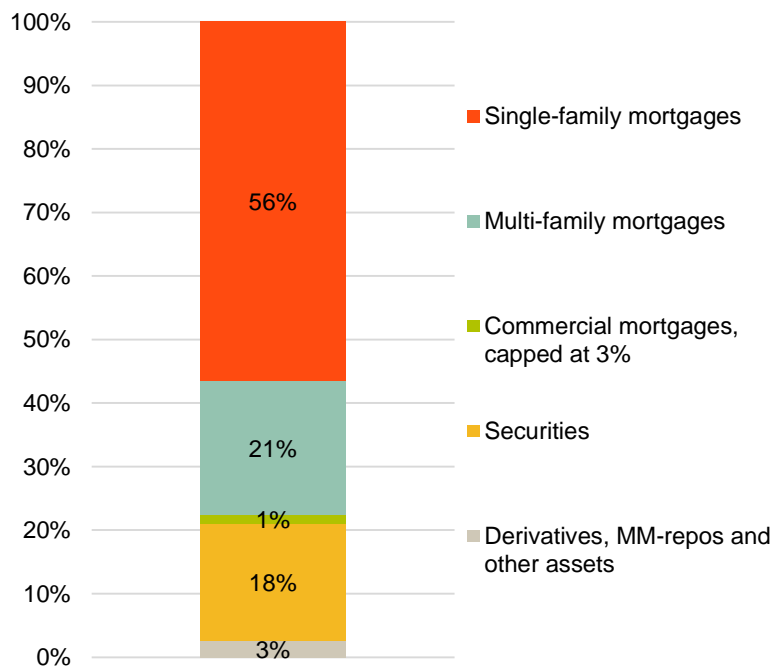
# APPENDIX



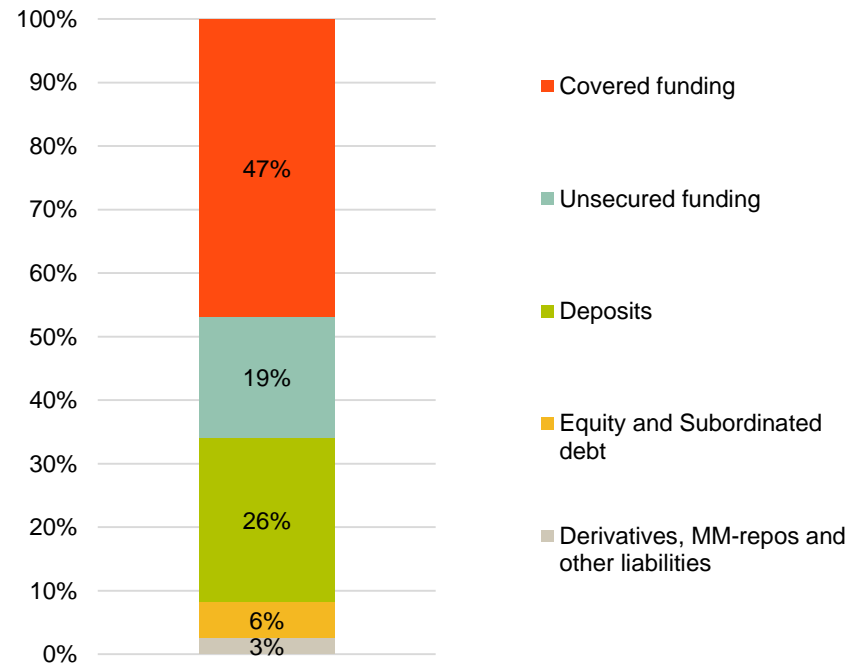
# SBAB Group balance sheet

- Total balance sheet SEK 375bn, as of 31<sup>st</sup> December 2016

## Assets



## Liabilities and Equity

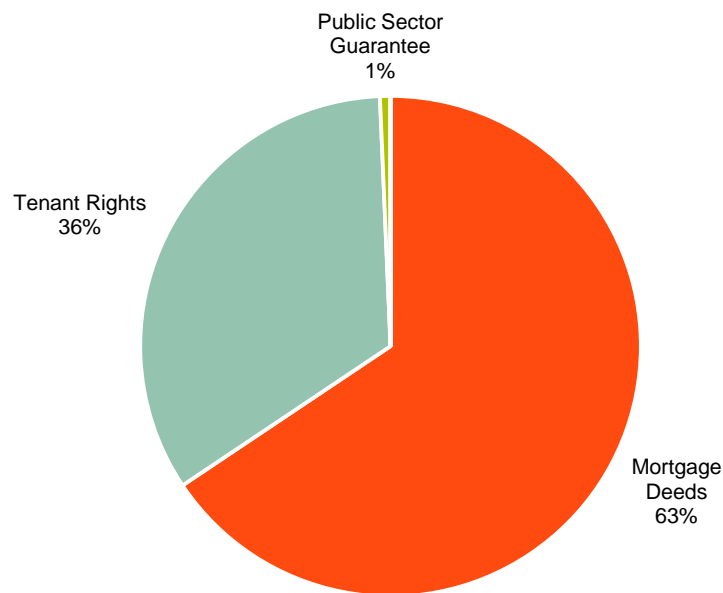


# SCBC Cover Pool

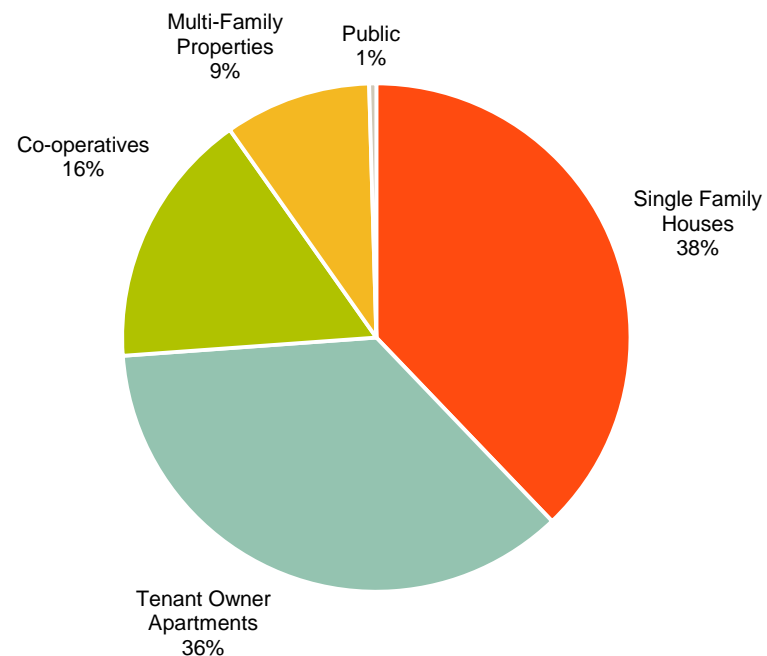
- Distribution by Collateral and Owner as of 31<sup>st</sup> December 2016

## Breakdown by collateral

- Predominantly residential mortgages



## Breakdown by owner





# OC

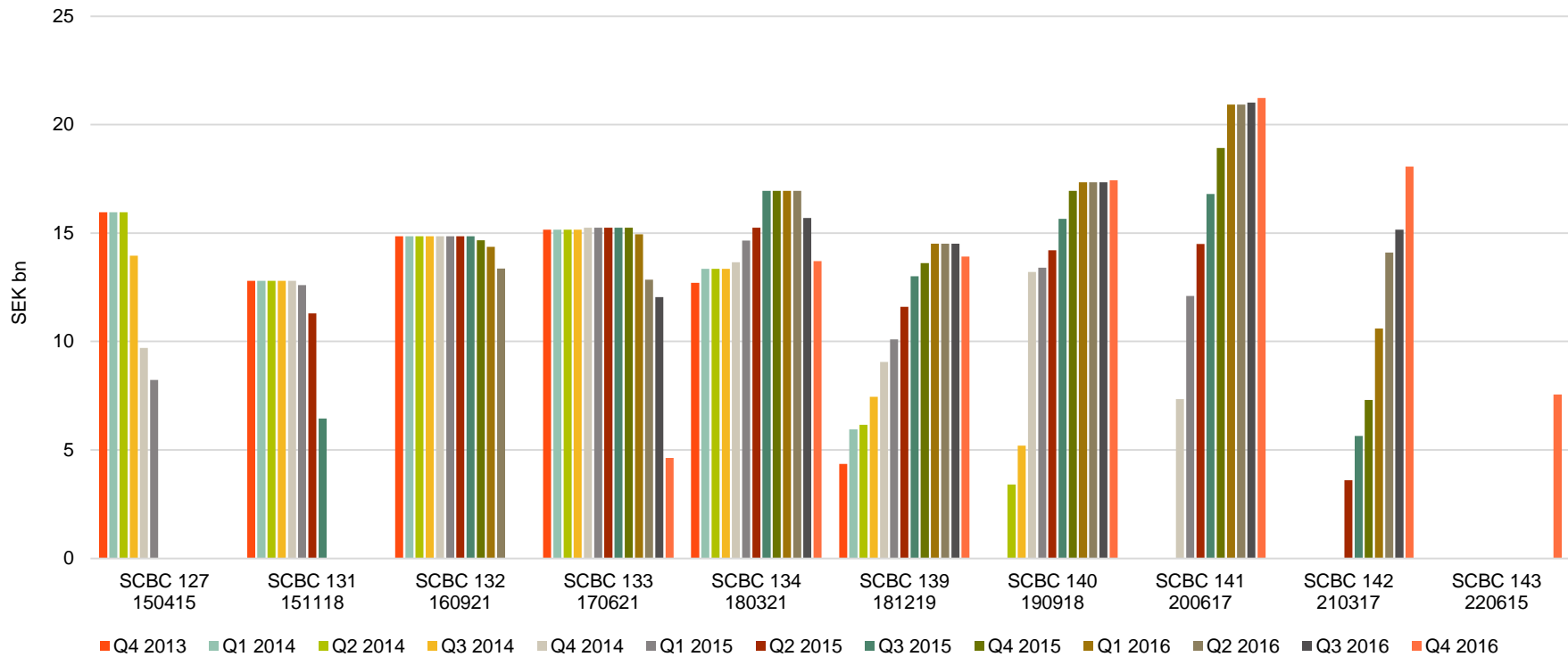
## - OC changes with houseprice valuations

- 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 Dec 2016

Houseprice change	Eligible assets in cover pool (SEK bn)	WA LTV (%)	OC* (%)
0%	238.9	55.2	37.44
-5%	236.5	57.1	36.0
-10%	233.2	58.9	34.1
-15%	228.8	60.6	31.6
-20%	223.0	62.1	28.3
-25%	215.7	63.5	24.1
-30%	206.4	64.7	18.8

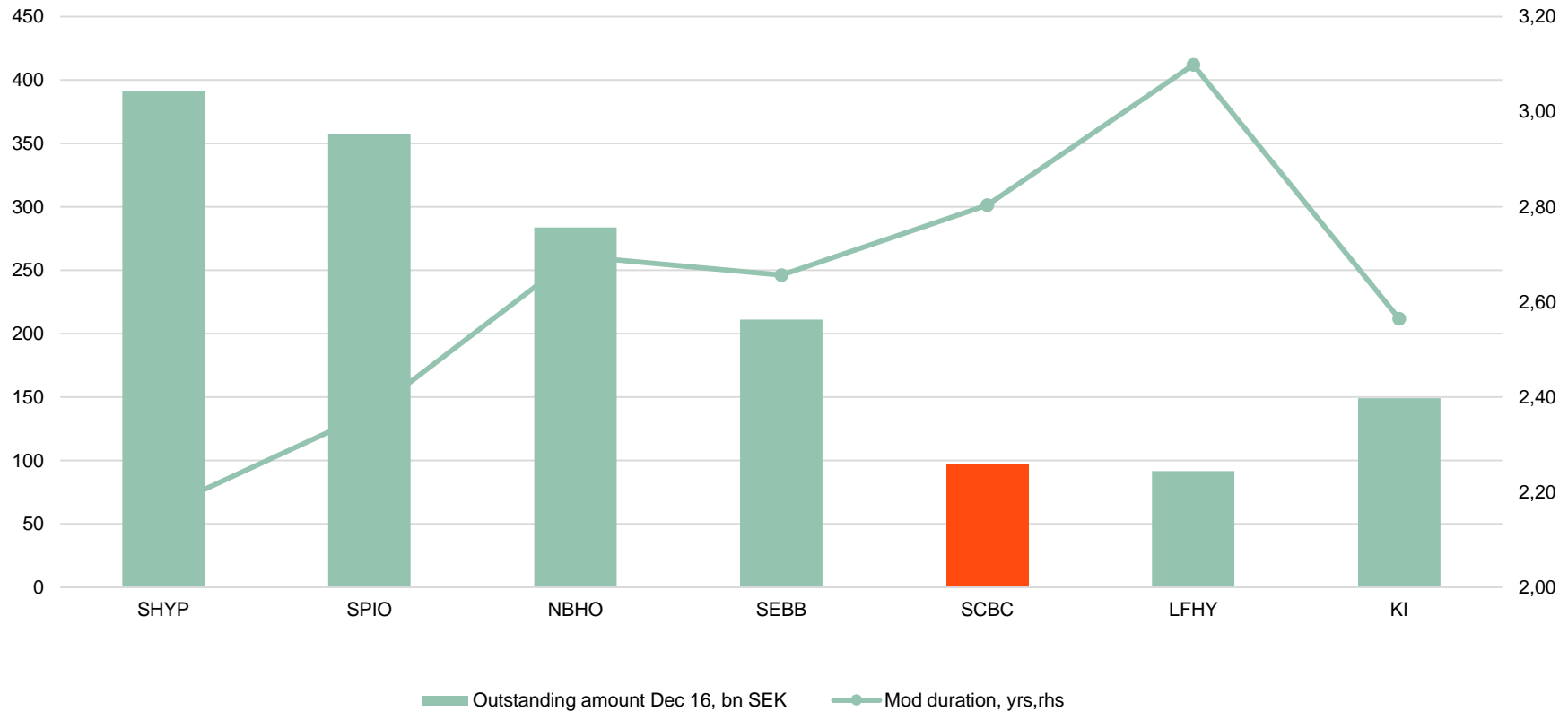
# SEK Benchmark Program

- Build up and buy backs



# Duration

- Largest issuers have the shortest duration



# Improved ratings outlook

- 21<sup>st</sup> October 2016

MOODY'S

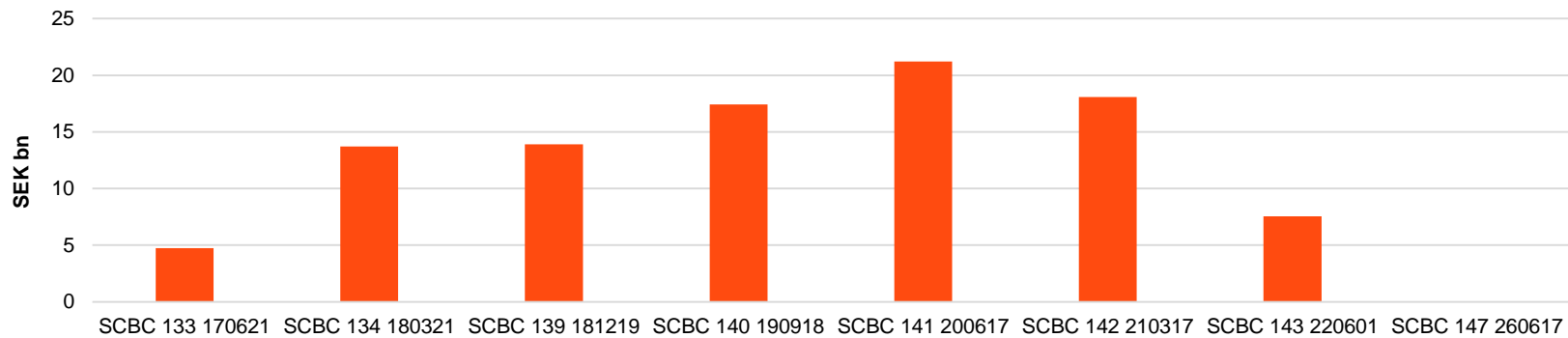
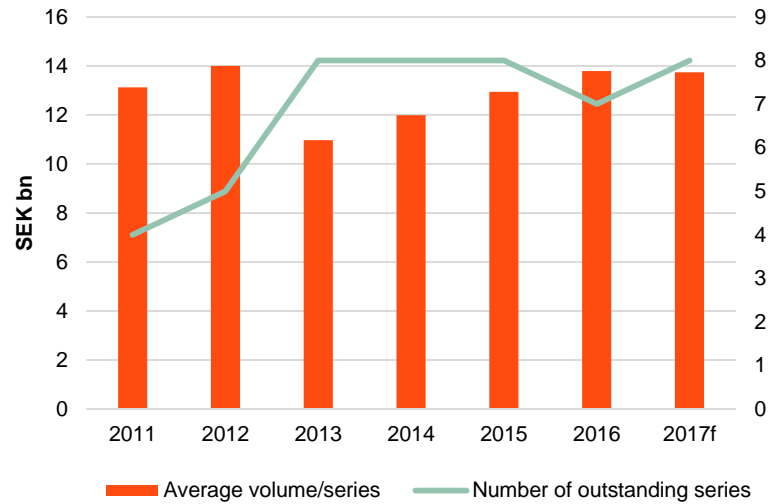
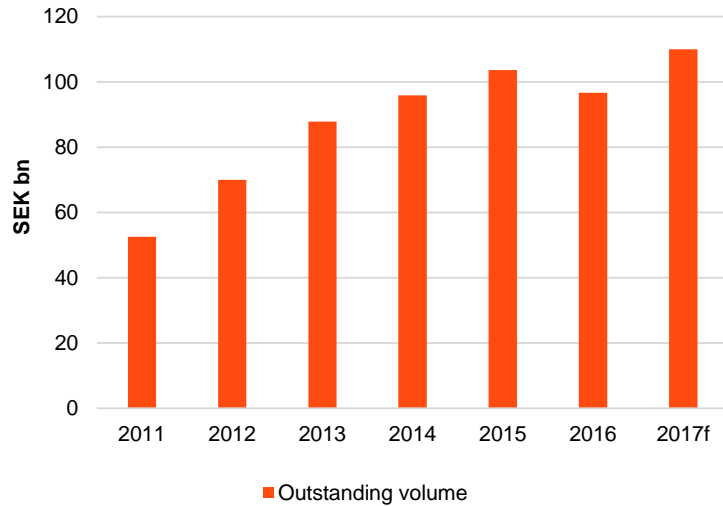
- On 21st October 2016, Moody's affirmed SBAB:s A2 long term deposit and debt ratings and raised the outlook to positive (from stable)
- Improvement in both underlying profitability and quality of earnings (less volatile)
- Expectation that SBAB:s funding profile will continue to improve
- Moody's acknowledges SBAB:s strong credit quality over time, with very low level of problem loans
- Moody's recognises SBAB's high capital ratio

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

# SEK benchmark program



**Issuer**

Issuer:	SCBC
Owner:	SBAB
Controlling authority:	SFSA

Compliant with CRR art. 129.7

Yes

Long Rating	S&P	Moody's	Fitch
Covered bond	-	Aaa	-
Issuer			
Owner	A	A2	-

Report date: 31/12/2016

**Cover pool**

Included assets	Loan volume, MSEK
Loans	240 110
Supplemental assets	0
Other	-
<b>Total</b>	<b>240 110</b>

Cover pool items	Loan volume, MSEK
Number of loans	337 853
Number of clients	139 718
Number of properties	137 839
Average loan size	710 695

Type of collateral	Loan volume, MSEK	Loan volume, %	Average loan size, SEK
Single-family housing	90 879	37,83%	495 733
Tenant owner rights	86 480	36,0%	582 382
Multi-family housing	22 391	9,3%	42 729 975
Tenant owner associations	39 290	16,4%	7 084 467
Forest & agricultural	-	-	-
Public	1 090	0,5%	6 335 775
Commercial	-	-	-
<b>Sum</b>	<b>240 110</b>	<b>100%</b>	

Regional distribution	Loan volume, MSEK	Loan volume, %
Greater Stockholm	136 430	57%
Greater Gothenburg	20 057	8%
Greater Malmö	16 082	7%
South Sweden	19 557	8%
West Sweden	20 121	8%
North Sweden	5 215	2%
East Sweden	22 847	9%
Outside Sweden	-	-
<b>Sum</b>	<b>240 109</b>	<b>100%</b>

Interest rate type	Loan volume, MSEK	Loan volume, %
Floating	148 746	62%
Fixed	91 364	38%
<b>Sum</b>	<b>240 110</b>	<b>100%</b>

Repayments	Loan volume, MSEK	Loan volume, %
Amortizing	117 556	49%
Interest only	122 554	51%
<b>Sum</b>	<b>240 110</b>	<b>100%</b>

Average life, years

6,2

LTV Level	-10%	10-20%	20-30%	30-40%	40-50%	50-60%	60-70%	70-75%	75%-	Sum
Loan volume, MSEK	52 700	47 533	41 756	35 152	27 808	19 826	11 206	3 039	0	<b>239 021</b>
Loan volume, %	22%	20%	17%	15%	12%	8%	5%	1%	0%	<b>100%</b>
<b>Maturity*</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025-</b>	<b>Sum</b>
Normal amount	175 608	23 364	22 333	8 737	6 149	1 902	586	461	970	<b>240 110</b>
Interest rate	1,60%	2,06%	1,95%	2,11%	1,96%	2,56%	2,79%	2,62%	2,47%	<b>1,72%</b>

\*Maturity is the time remaining to the next change of interest rate in the contractual terms

Seasoning	0-12 M	12-24 M	24-36 M	36-60 M	60 M -	Sum
Loan volume, MSEK	41 638	53 907	28 818	29 781	85 916	<b>240 110</b>
Loan volume, %	17%	22%	12%	12%	36%	<b>100%</b>

\*Seasoning is calculated on a loan-by-loan basis from the time of origination.

Credit quality	1-30 d	31-60 d	61-90 d	>90 d	Sum
Past due	12	-	-	-	<b>12</b>
Loan volume, MSEK					
Share of loan volume, %	0,01%	-	-	-	<b>0%</b>

Impaired loans, %

0%

Key ratios	OC, nominal	LTV, as defined by ASCB
	40,4%	53,7%

## Bonds

Domestic Benchmark Bond		Amount, MSEK	Opening date	Coupon	Interest rate type	Maturity type	Scheduled maturity	Legal maturity
ISIN	SE0003172527	4 635	30/03/2012	4,00%	Fixed	Hard bullet	21/06/2017	21/06/2017
	SE0003172535	13 700	07/02/2013	4,00%	Fixed	Hard bullet	21/03/2018	21/03/2018
	SE0005468022	13 915	19/12/2012	4,00%	Fixed	Hard bullet	19/12/2018	19/12/2018
	SE0005468030	17 432	18/09/2013	4,00%	Fixed	Hard bullet	18/09/2019	18/09/2019
	SE0006452900	21 222	26/11/2014	2,00%	Fixed	Hard bullet	17/06/2020	17/06/2020
	SE0006758561	18 070	01/04/2015	1,00%	Fixed	Hard bullet	17/03/2021	17/03/2021
	SE0008586655	7 552	30/06/2016	1,25%	Fixed	Hard bullet	15/06/2022	15/06/2022

### Other benchmark

ISIN	Amount, MSEK	Currency	Issue date	Coupon	Interest rate type	Maturity type	Scheduled maturity	Legal maturity
X5155483162	9 578	EUR	02/02/2016	0,25%	Fixed	Sdft bullet	20/01/2021	20/01/2022
X51117942412	9 578	EUR	07/10/2014	0,63%	Fixed	Sdft bullet	07/10/2021	07/10/2022
X50498316255	9 578	EUR	30/03/2010	3,25%	Fixed	Hard bullet	30/03/2017	30/03/2017
X51300812077	7 184	EUR	05/10/2015	0,38%	Fixed	Sdft bullet	05/10/2020	05/10/2021
X50989524908	6 792	SEK	10/09/2013	0,40%	Floating	Hard bullet	10/09/2018	30/09/2018
X51083839503	5 500	SEK	02/07/2014	0,66%	Floating	Hard bullet	02/07/2019	02/07/2019
X51248348721	4 789	EUR	17/06/2015	0,75%	Fixed	Sdft bullet	17/06/2022	17/06/2023
X51204610957	3 400	SEK	18/03/2015	0,50%	Floating	Hard bullet	18/03/2020	28/03/2020

### Amount, M

SEK

Domestic benchmarks in SEK	96 526
Other benchmarks	56 399
Other bonds	18 075
Total of outstanding bonds	171 000
of which repos	390

Maturity, expressed in SEK	2017	2018	2019	2020	2021	2022-2026	2027-2031	2032-	Sum
Total	16 871	38 572	23 532	34 055	39 304	16 050	2 616	0	171 000
Total, %	10%	23%	14%	20%	23%	9%	2%	0%	100%

Interest rate type	Amount, MSEK	Amount, %
Fixed	14 7 995	87%
Floating	23 005	13%
Sum	171 000	100%

## Hedging and risk

Currency risk, MSEK	Pool assets	Covered bonds
SEK	240 110	124 763
EUR		42 892
USD		363
Other	2 982	
Sum	240 110	171 000

All currency risk are hedged at the time of the issue and matches the foreign currency liability in terms of coupon payments and initial 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 eliminated.

Interest rate risk, MSEK	Pool assets	Covered bonds
Fixed	91 364	147 995
Floating	148 746	23 005
Capped floating	0	0
Sum	240 110	171 000

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.