

INVESTOR PRESENTATION

SBAB Bank AB (publ)
Q2 2018

SBAB!

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Appendix (SCBC, Swedish economy & mortgage market)

Executive summary

- 100% owned by the Kingdom of Sweden
- Swedish mortgage portfolio, predominantly residential mortgages
- Focus on core business - mortgages in the retail segment
- Business targets:
 - Profitability: RoE \geq 10%
 - Capitalisation: CET1 Capital Ratio & Total Capital Ratio 1.5% above requirement from the Swedish FSA
 - Dividend: \geq 40% of profits after tax
- Total funding needs for full 2018 expected to be around SEK 60-70 billion

	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Total lending, SEK bn	351.5	315.6	335.1
Total deposits, SEK bn	117.0	102.7	111.9
Net Interest Income, SEK mn	1,639	1,556	3,149
Loan losses, SEK mn	+18	+5	+24
RoE, %	12.8	12.7	12.5
C/I ratio, %	30.8	30.6	30.3
CET1 Capital Ratio, %	30.3	31.4	32.2

Rating	Moody's	S&P's
SBAB		
- Short term funding	P-1	A-1
- Long term funding	A1	A
SCBC		
- Long term funding	Aaa	

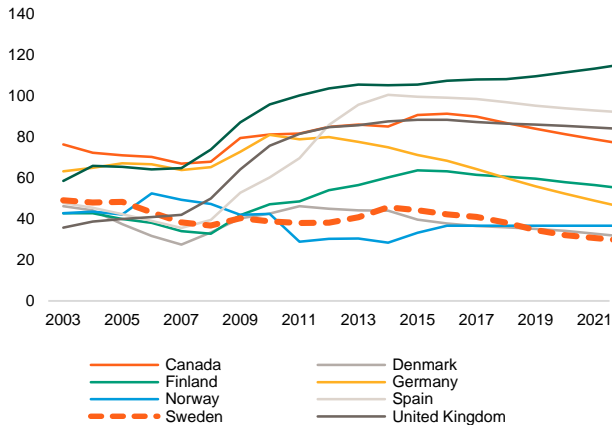
THE SWEDISH ECONOMY & MORTGAGE MARKET.

The Swedish economy

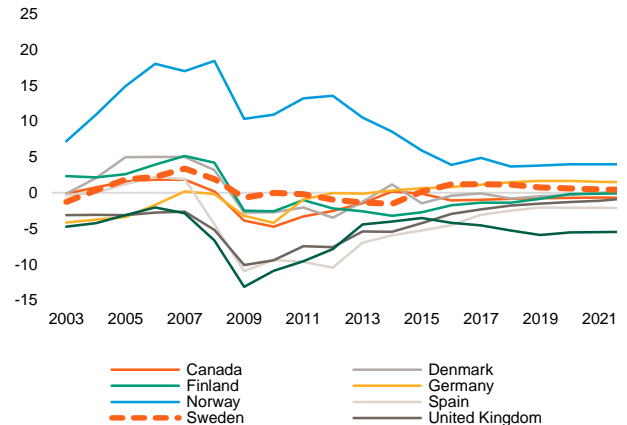
– AAA / Aaa / AAA (stable)

- **Public finances are very strong in an international comparison**
- **Government debt is low and declining**
 - Public debt-to-GDP of 40,9% in 2017, 38,0% in 2018 and 34,4% 2019 (IMF, July 2018)
- **Budget currently close to balance**
 - Average budget balance has been +0.4% of GDP over the past 15 years

General government gross debt (% of GDP)



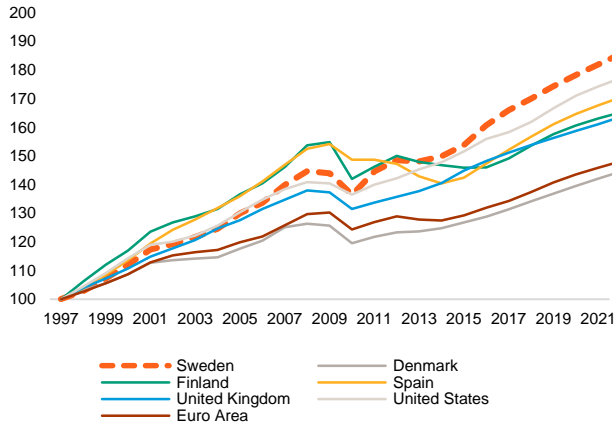
General government net lending/borrowing (% of GDP)



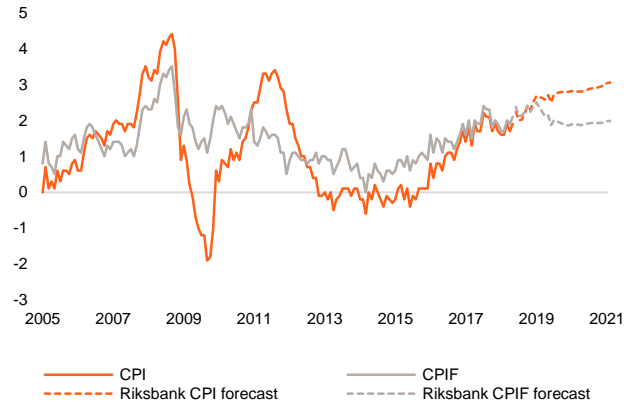
Growth and inflation

- 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 over the past years. Export demand has been picking up over the latest quarters
- **Average annual GDP-growth has been 2.3% over the last 15 years vs 1.1% in the Euro area**
 - GDP growth is expected to rise from 2.4% in 2017 to 2.6% in 2018 and then fall back to 2.2% in 2019 (IMF, July 2018)
- **Average inflation has been 1.1% over the last 15 years, well below the target of 2%**
 - CPI inflation of about 1.5% is expected in 2018 (IMF, September 2017)

GDP (1997=100)



Inflation (y/y)



Mortgage lending in Sweden

– A low risk business

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

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

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

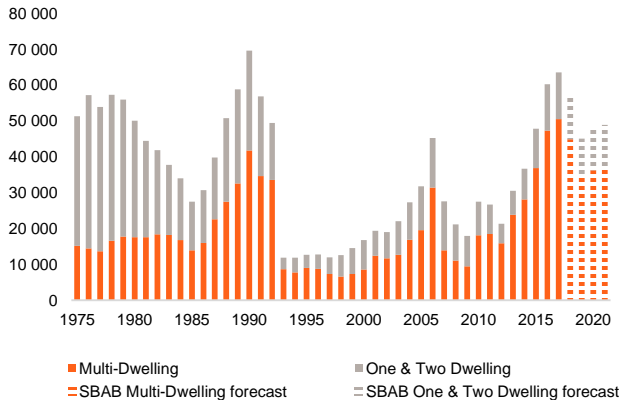
Social Security

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

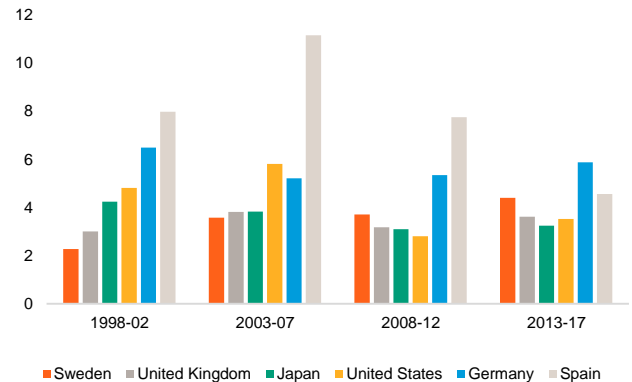
Housing construction

- **Low level of housing construction for a long time is peaking in 2017**
 - After the real estate crisis in the early 1990s, construction has been low in comparison to both history and other countries
 - Over the past 3-4 years housing construction has more than doubled
- **Strong housing demand, easy access to financing and low interest rates are stimulating construction**
 - Signs of overheating in the construction industry due to the acceleration in production
 - 50-60 000 new dwellings per year are needed just to keep the stock of dwellings growing at the same pace as the population in the coming ten years

Housing construction (number of dwellings)



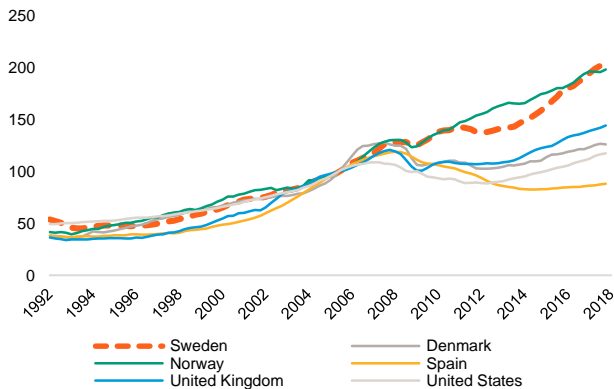
Residential investment (% of GDP)



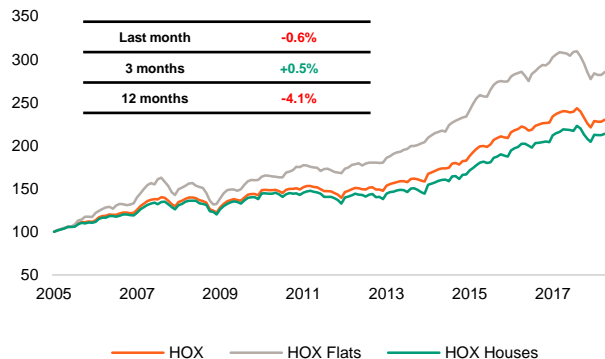
House price performance (1/2)

- **House prices have increased by an average of 6.4% over the last 15 years, turning point in 2017**
 - Increases have been higher in metropolitan areas than in the countryside. Prices on flats have risen more than on houses
 - On average, prices on flats and houses decreased by 2.5% in 2017, the majority during the final quarter
- **With the exception of a strictly regulated rental market, 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 building activity

House Prices (index 2005=100)



Prices on flats and houses (Index 2005=100)



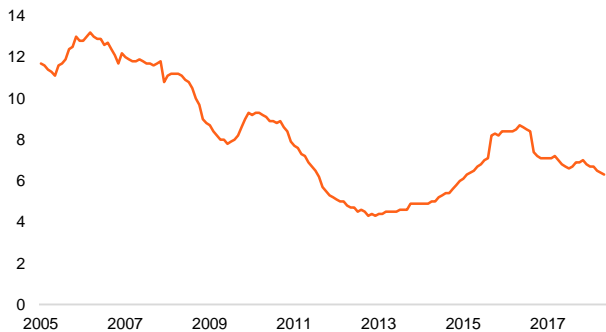
House price performance (2/2)

	Index (June 2018)	Change since		
		1m	3m	12m
Sweden (HOX)	229	-0.6%	+0.5%	-4.1%
Flats, Sweden	284	-0.4%	+0.7%	-6.7%
<i>Stockholm</i>	270	0.0%	+1.2%	-7.7%
<i>Gothenburg</i>	327	-1.1%	+1.6%	-4.8%
<i>Malmö</i>	243	-0.4%	+1.4%	-3.2%
Houses, Sweden	213	-0.6%	+0.3%	-2.4%
<i>Stockholm</i>	212	-0.5%	-1.7%	-7.3%
<i>Gothenburg</i>	220	+0.3%	+1.5%	-1.8%
<i>Malmö</i>	192	+1.0%	+1.7%	+1.4%

Strong lending growth

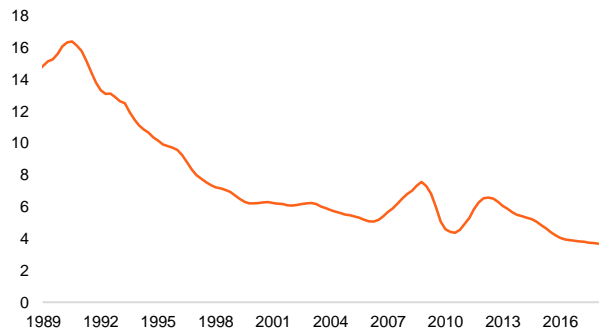
- **Household lending is currently increasing by an annual rate of 6.3%**
 - Lending increases faster than household income
 - Measures taken has probably not had any major effects on growth rate, but on the composition
- **Low debt service costs**
 - There are strong links between interest rates, house prices and lending to households
 - The interest expenditure to disposable income ratio is at historically low

Household lending growth (y/y)



— Total, changes in stock

Interest expenditure as % of disposable income

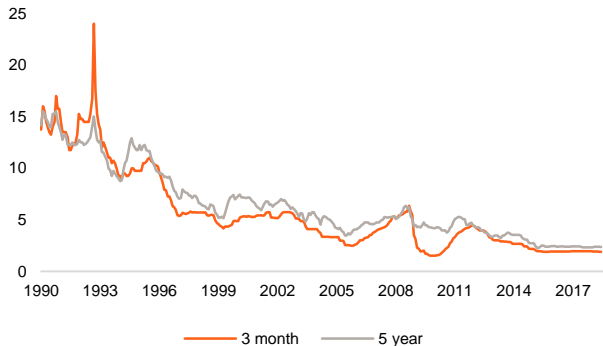


— Gross interest expenditures

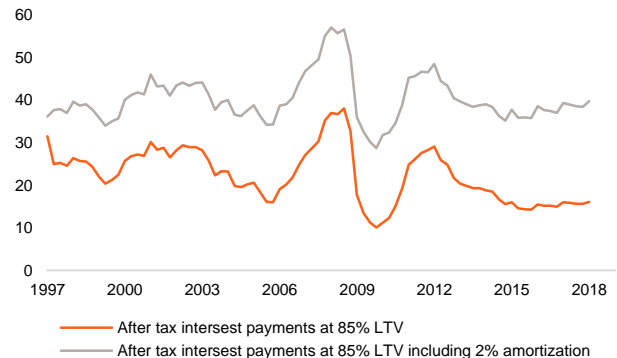
Low costs of owning a dwelling

- **Mortgage rates have been on a downward trend for almost 25 years**
 - Mortgage rates and house prices have been highly correlated
 - Interest cost is deductible to 30% (20% on amounts above 100,000 SEK)
- **No increase in debt service costs**
 - Interest cost of buying an average house has historically been around 22% of disposable income per capita over the past 21 years. Now it's at 16%
- **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%)

Mortgage lending rates (average of 5 Swe banks, %)



Cost of buying an average house (% of DI per capita)



High savings ratio, high net wealth

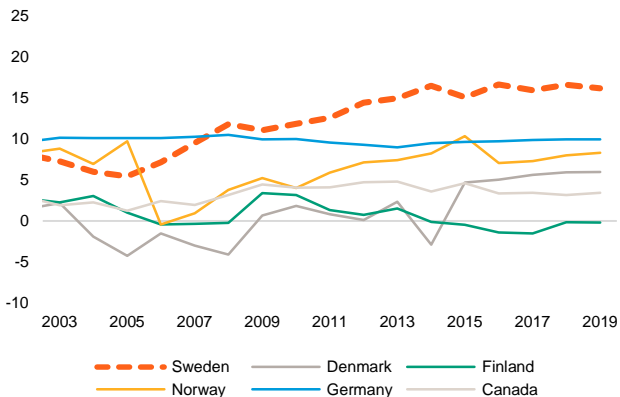
- **High savings ratio**

- Swedish households have a savings ratio at 16%, 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%

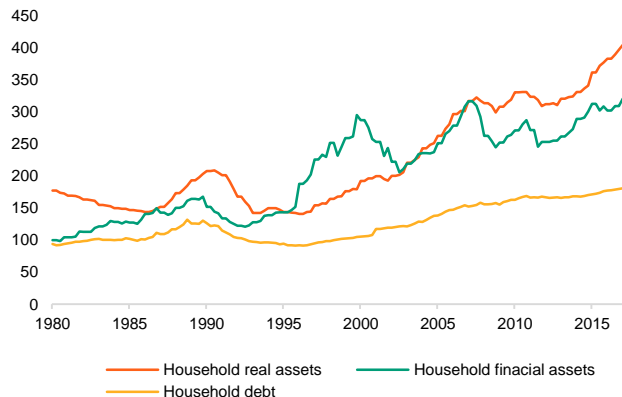
- **High net wealth**

- 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)

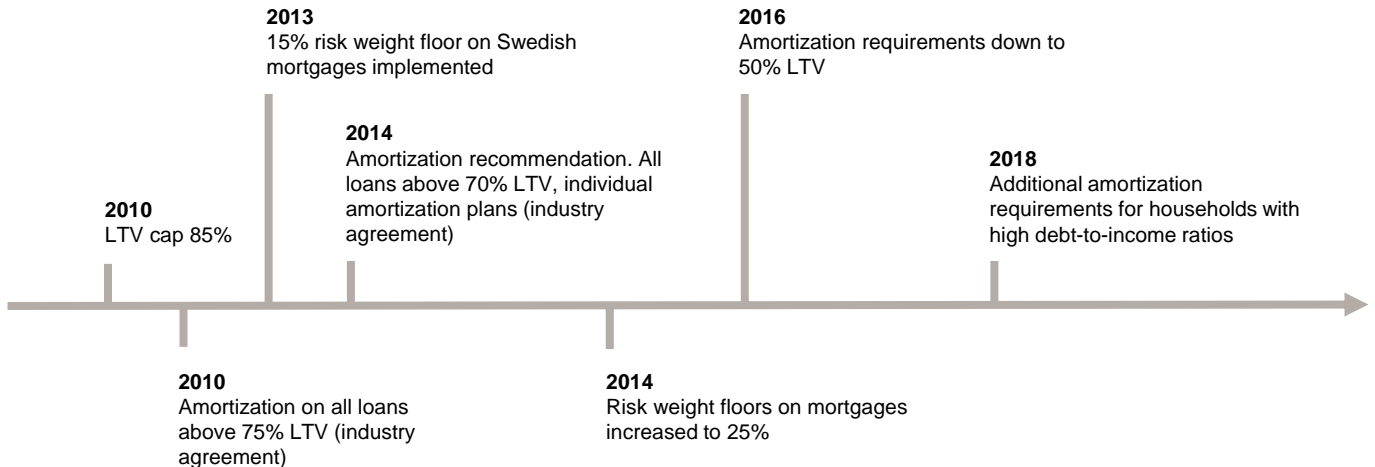


The Swedish mortgage market

– Measures introduced to slow down the market

Ongoing discussions

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



OUR BUSINESS.

Our vision & mission

Vision

To offer the best residential mortgages in Sweden

Mission

To help improve housing quality and household finances

Introducing SBAB

- 100% owned by the Kingdom of Sweden (founded in 1985)
 - Two product offerings:
 - **Lending:** Mortgages & housing financing offered to retail customers (75%), tenant-owners' associations (15%) and property companies (10%). **Total lending SEK 351 billion**
 - **Savings:** Savings accounts offered to retail customers (69%), corporate clients and tenant-owners' associations (31%). **Total deposits SEK 117 billion**
-



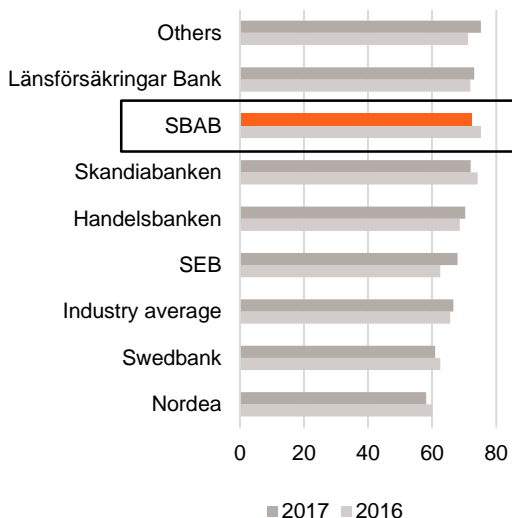
No 3 in 2017, No 1 in 2016

”Sweden’s most satisfied residential mortgage customers”



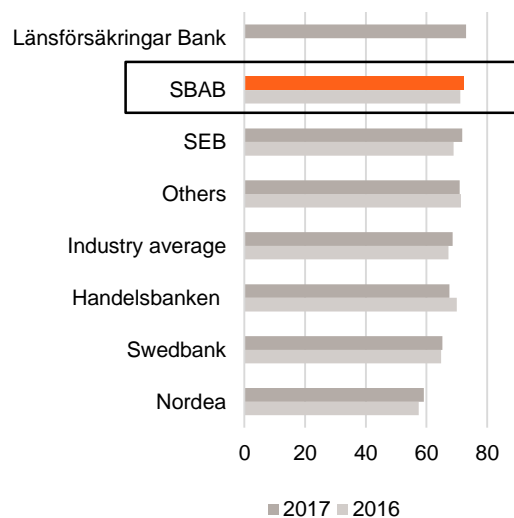
Retail (SBAB no 3 in 2017)

Customer satisfaction 2016 & 2017



Corporate (SBAB no 2 in 2017)

Customer satisfaction 2016 & 2017

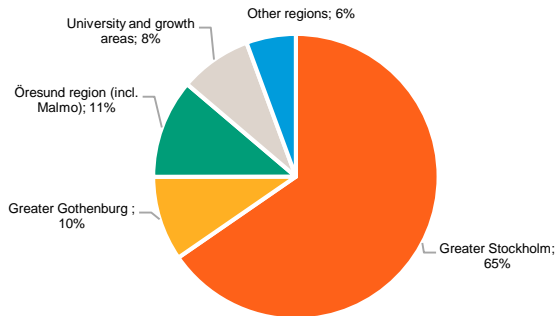


Retail lending

– Total lending SEK 265 billion (as of 30th June 2018)

- Cost efficient origination through internet (since 1998), call-centre and digital partnerships
- Lending is only offered in Sweden in Swedish Kronor
- SBAB's retail lending is concentrated to the economic hubs (greater Stockholm, Gothenburg and Malmö)

Geographic distribution of mortgage portfolio (year-end 2017)



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.

Transparent pricing model

Rebates for low LTV:s...

- Lower risk = better price
- No time limited discounts, no negotiation
- Transparency – small difference between SBAB's average rates and list rates *

* SBAB and other Swedish banks report their average mortgage rates for new loans and loans with amended terms and conditions, in line with the Swedish FSA's regulations. SBAB offers transparent terms and conditions, which is showcased by the difference between SBAB's average and list rates, which in June 2018 was 0.15% on a 3M variable mortgage, compared with an average of 0.51% for the four largest banks in Sweden

...used fully transparently in pricing

SBAB	Residential mortgages			
	3m	1y	2y	3y
List rate	1.49%	1.49%	1.69%	1.89%
Average rate	1.34%	1.36%	1.59%	1.89%
Difference	0.15%	0.13%	0.10%	0.00%

Average 4 largest banks

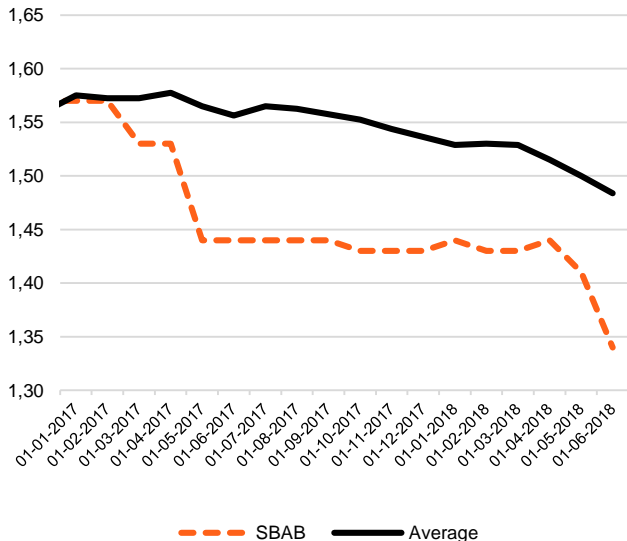
List rate	2.01%	2.04%	2.05%	2.01%
Average rate	1.50%	1.58%	1.58%	1.57%
Difference	0.51%	0.46%	0.47%	0.44%

Competitive terms and conditions

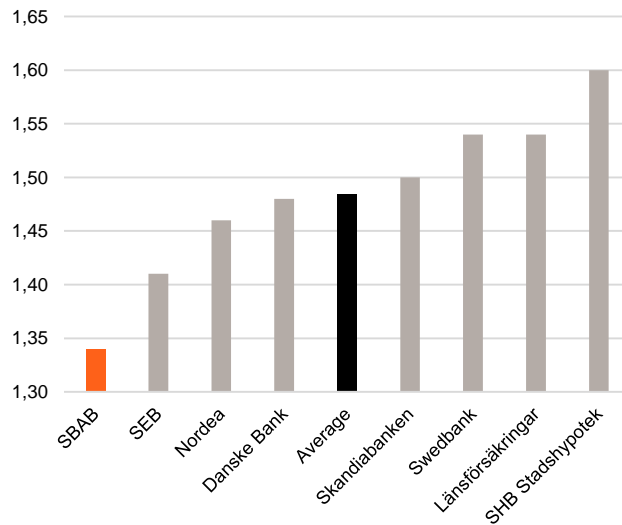
The share of total mortgage lending with a 3M variable mortgage rate amounted to 70.2% at the end of Q2 2018

Average mortgage rates (3M variable rate)

SBAB vs. industry average

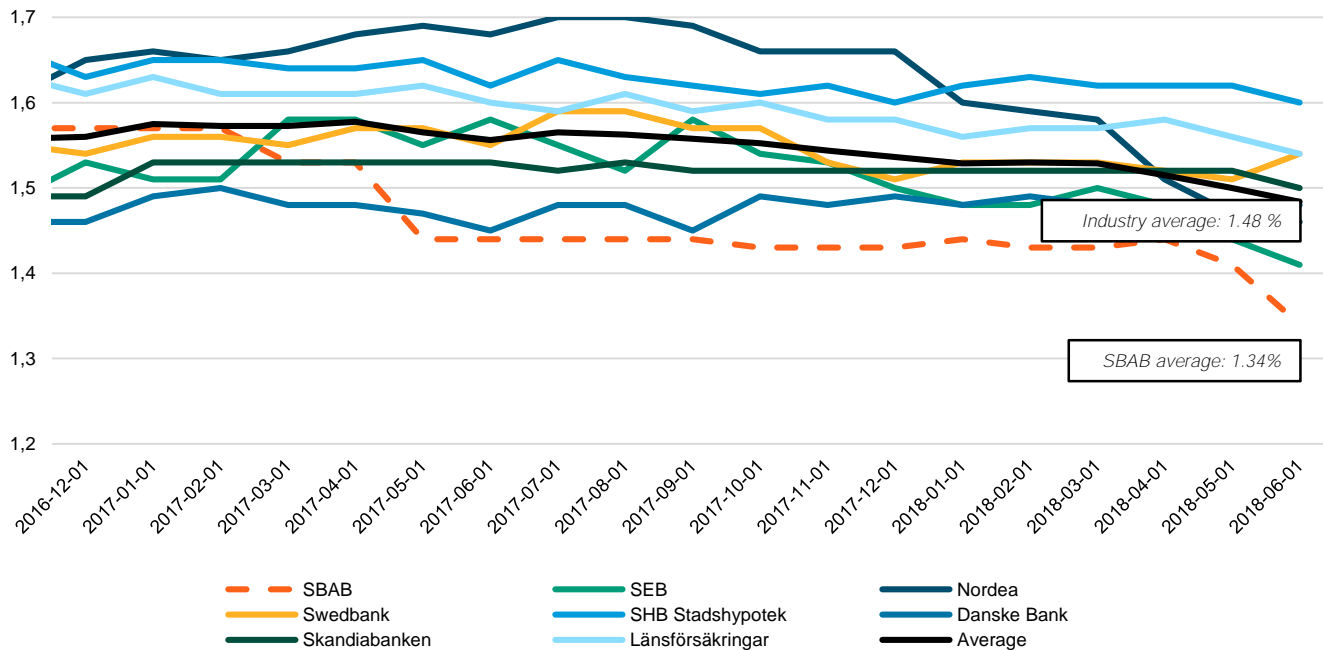


SBAB vs. peers (June 2018)



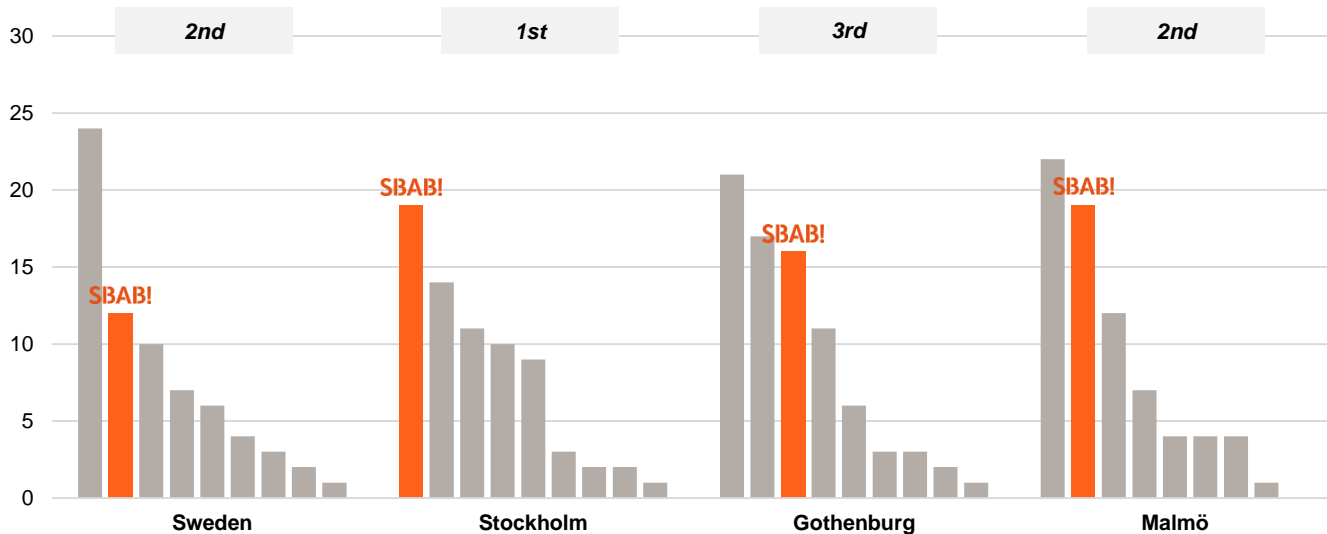
Mortgage rate development

Development of average mortgage rates (3M variable rate) as per June 2018



Strong position & awareness

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



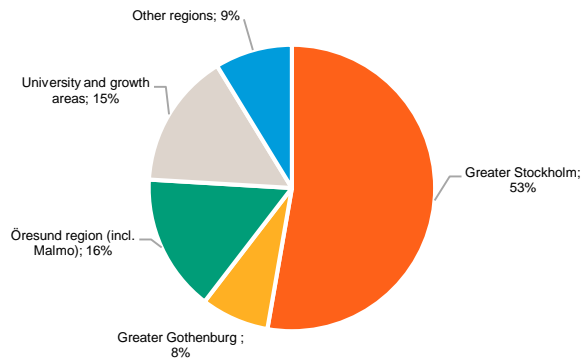
SBAB is the 5th largest mortgage provider in Sweden, but the 2nd most recognised in Sweden and 1st - 3rd most recognised in the largest cities, supporting further growth

Corporate & ToA lending

– Total lending SEK 87 billion (as of 30th June 2018)

- Housing financing to property companies and tenant-owners' associations
- Focus on customers located in middle and south parts of Sweden, with property holdings mainly concentrated in major cities and in growth regions

Geographic distribution of loan portfolio (year-end 2017)

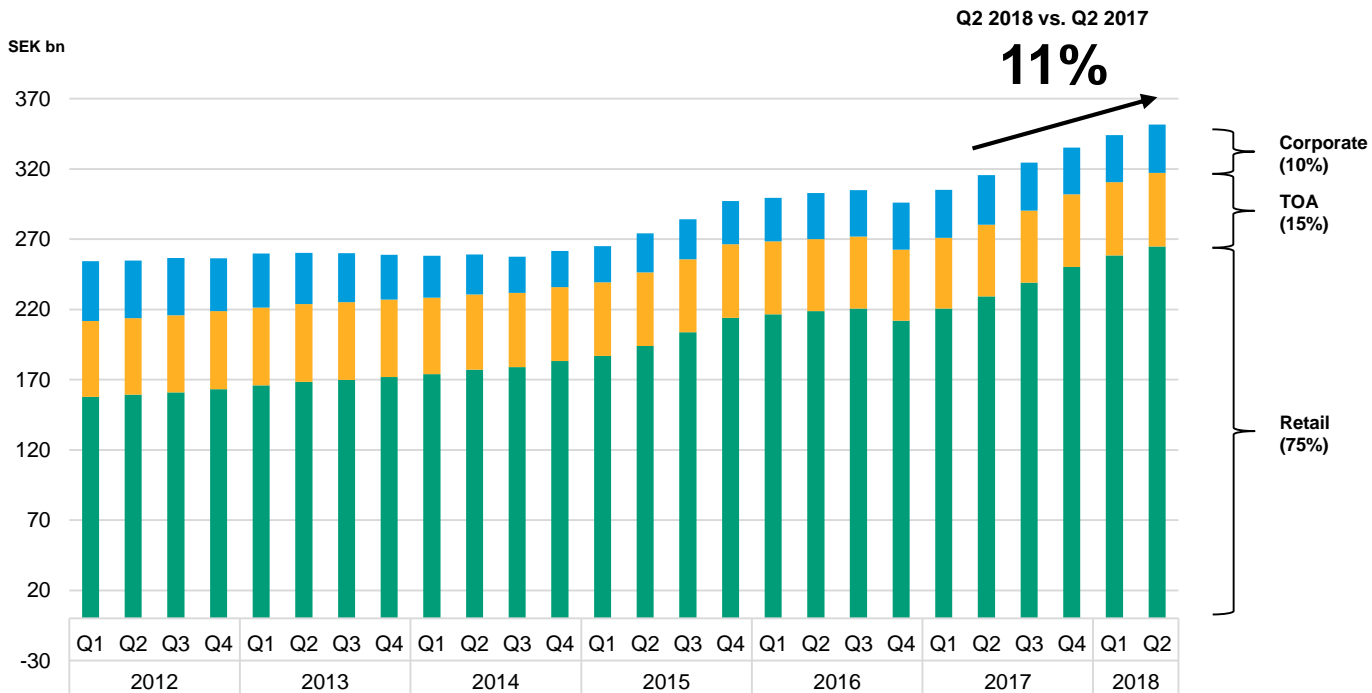


BUSINESS & FINANCIAL DEVELOPMENT.

Continued strong development

(SEK mn)	2017	2016		▲	Jan-Jun 2018	Jan-Jun 2017		▲
NII	3,149	2,829	▲	+13.2%	1,681	1,556	▲	+8.0%
Costs	-959	-889	▲	+7.9%	-506	-476	▲	+6.3%
Loan losses	24	-18	▼	+SEK 42 mn	18	5	▼	+SEK 13 mn
Operating profit	2,228	2,011	▲	+10.8%	1,151	1,088	▲	+5.8%
Lending (SEK bn)	335.1	296.0	▲	+13.2%	351.5	315.6	▲	+11.4%
Deposits (SEK bn)	111.9	96.8	▲	+15.6%	117.0	102.7	▲	+13.9%
Deposit/lending, %	33.4%	32.7%	▲	+70 bps	33.3%	32.5%	▼	-20 bps
C/I ratio, %	30.3%	30.5%	▼	-20 bps	30.8%	30.6%	▲	+20 bps
RoE, %	12.5%	12.3%	▲	+20 bps	12.8%	12.7%	▲	+10 bps
CET1 capital ratio, %	32.2%	32.2%	➡	0 bps	30.3%	31.4%	▼	-110 bps

Lending growth

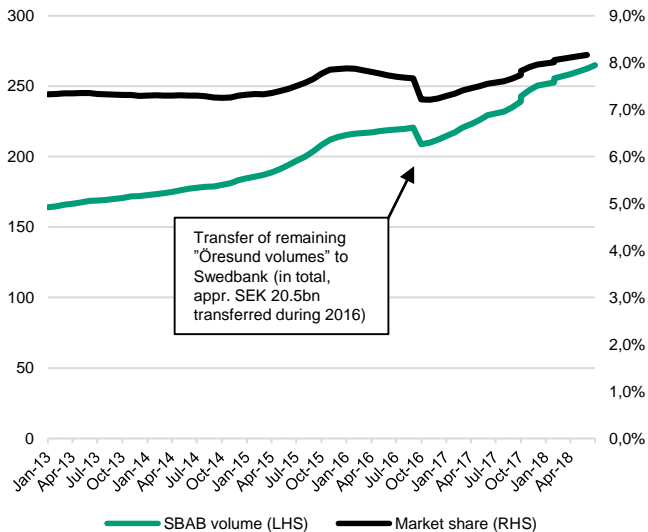


Approximately SEK 20.5bn of assets transferred from SBAB during 2016 due to option exercised by former partner Sparbanken Öresund (acquired by Swedbank)

Retail

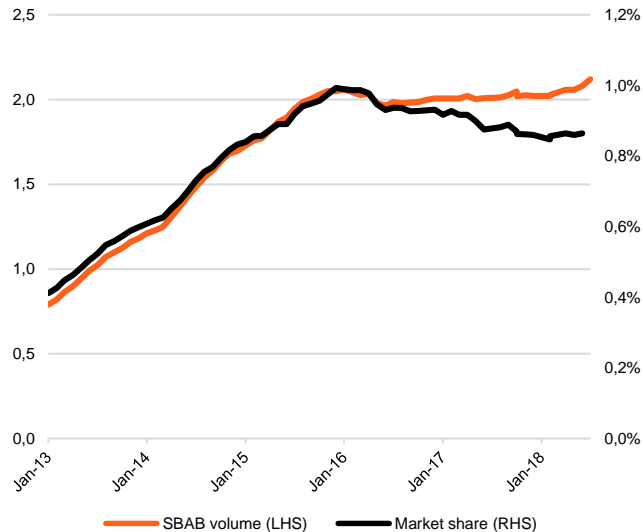
SEK **256.3** bn

Residential mortgages (lending & market share)



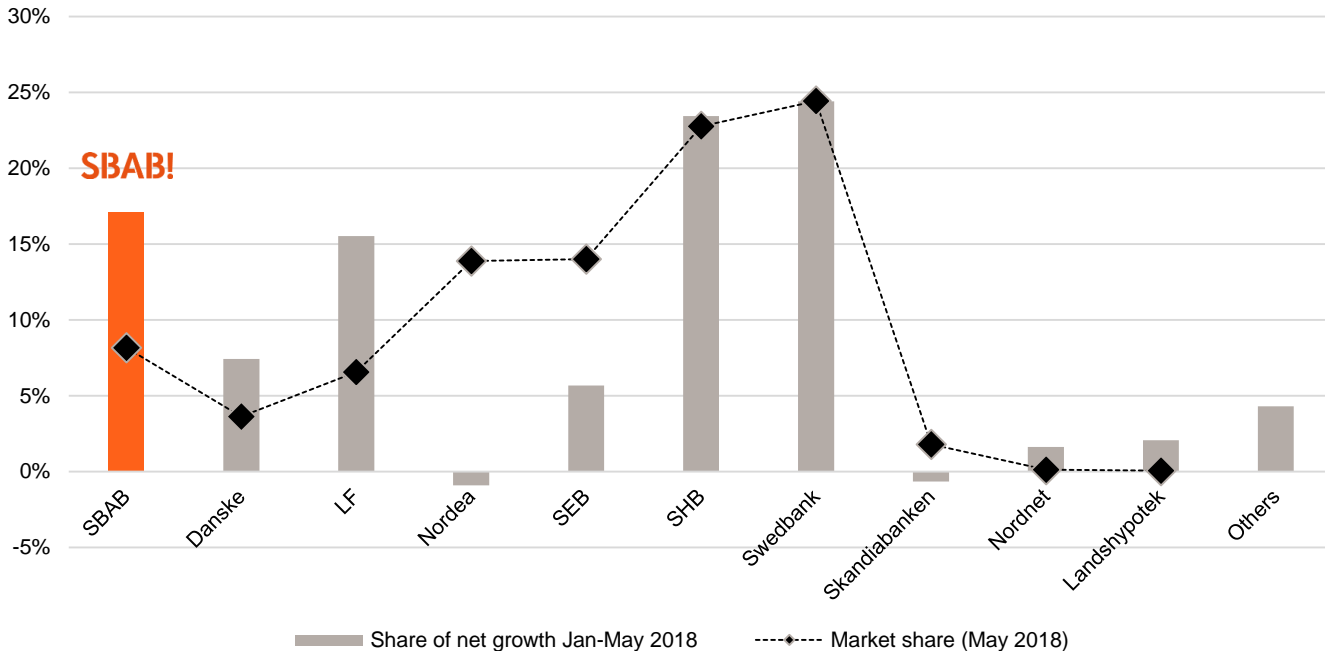
SEK **2.1** bn

Consumer loans (lending & market share)



Swedish residential mortgage market 2018

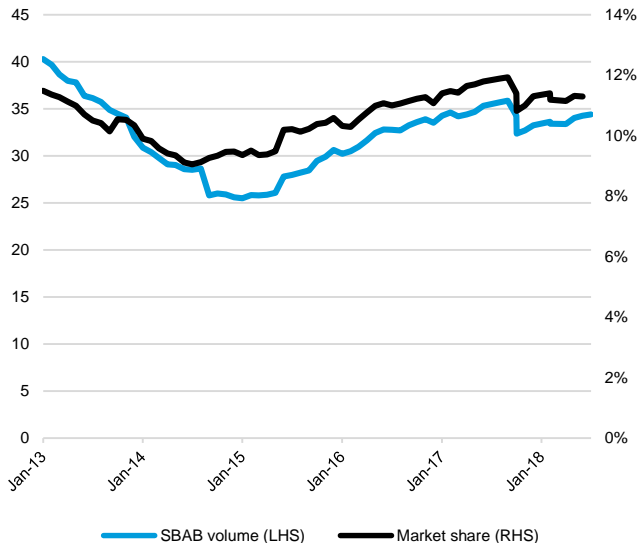
Share of net growth in the Swedish residential mortgage market for the period Jan-May 2018



Corporates & TOA

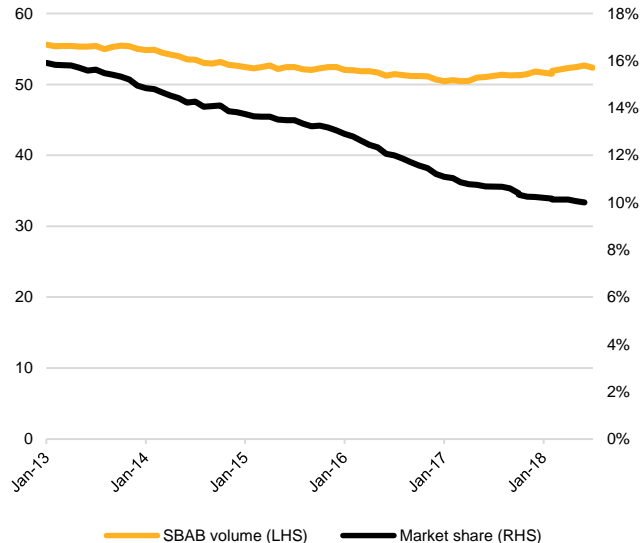
SEK **34.4**bn

Corporates (lending & market share)



SEK **52.3**bn

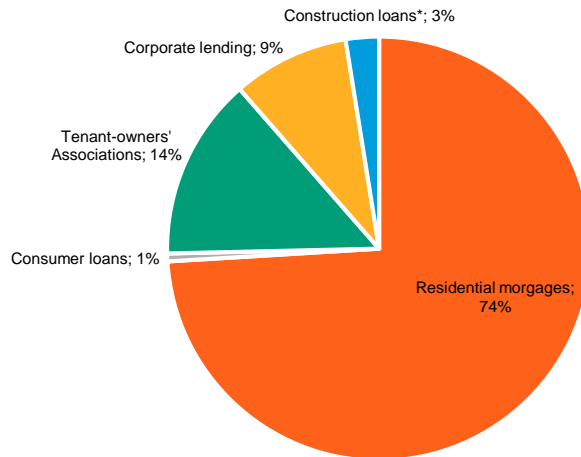
Tenant-Owners' Associations (lending & market share)



Loan split exposure (year-end 2017)

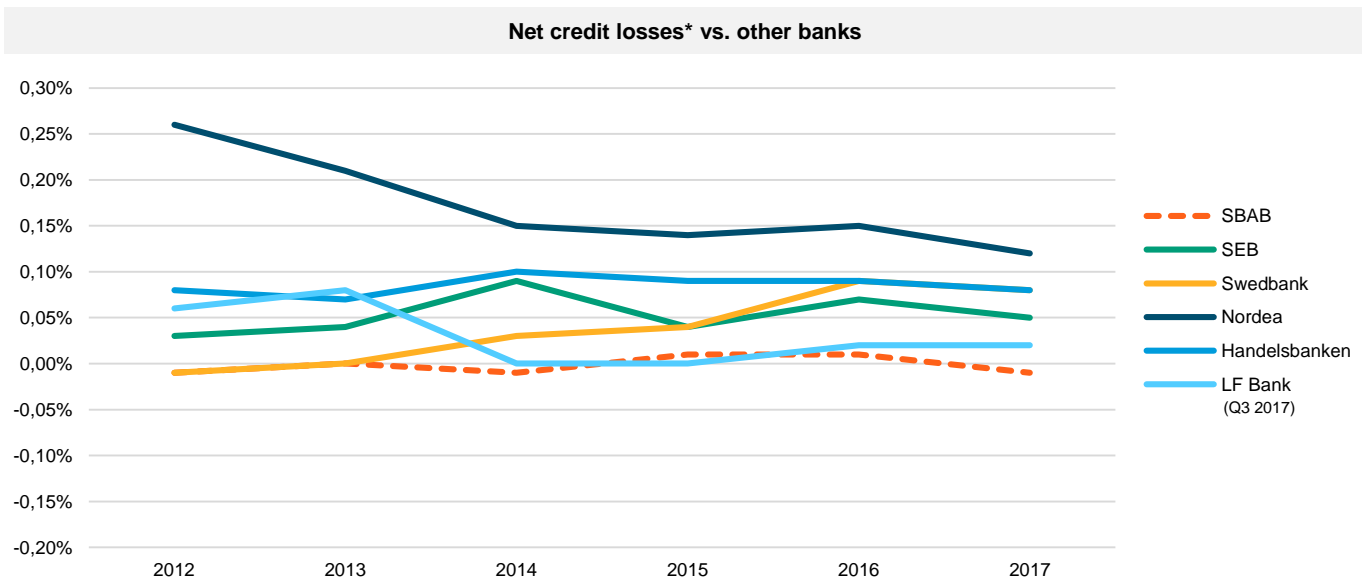
– Superior asset quality (>98% secured)

SBAB's loan split exposure (year-end 2017)



* Disbursed construction loans.

Credit losses vs. peers (2017)

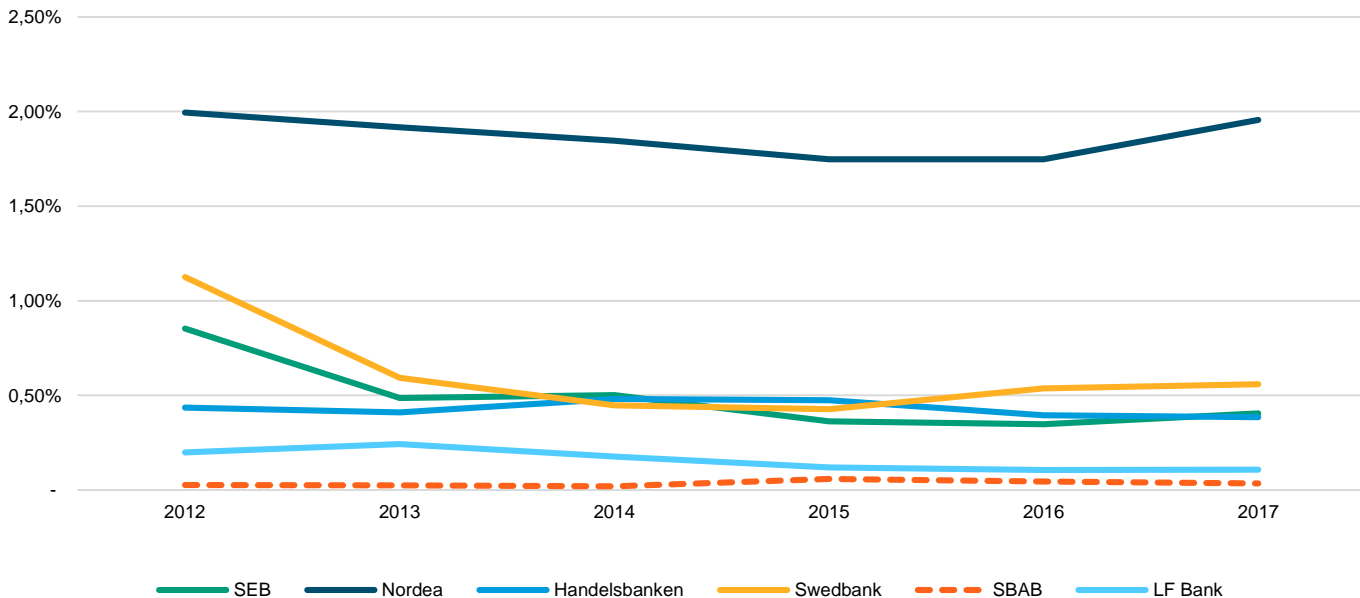


Thorough credit evaluations and low risk assets consistently achieves low credit losses

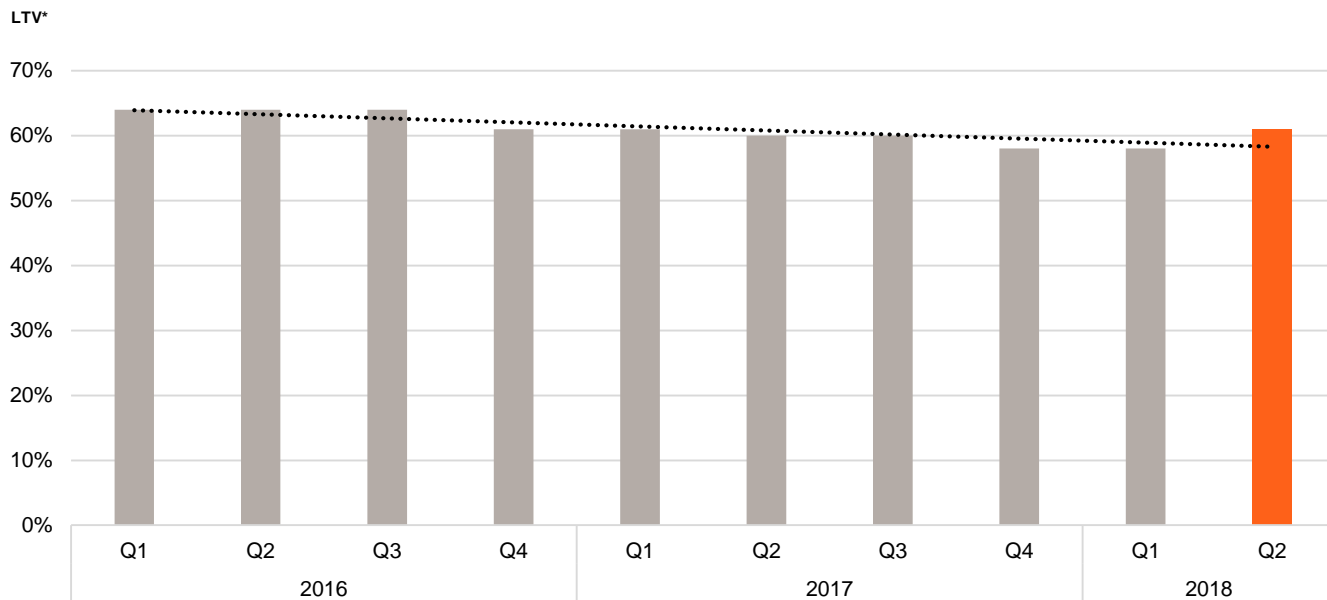
* As reported by each bank, definition of credit losses/impairments may vary between banks

Impaired loan development (2017)

Impaired loans / Net loans FY2017 vs. other banks



LTV development (Retail)

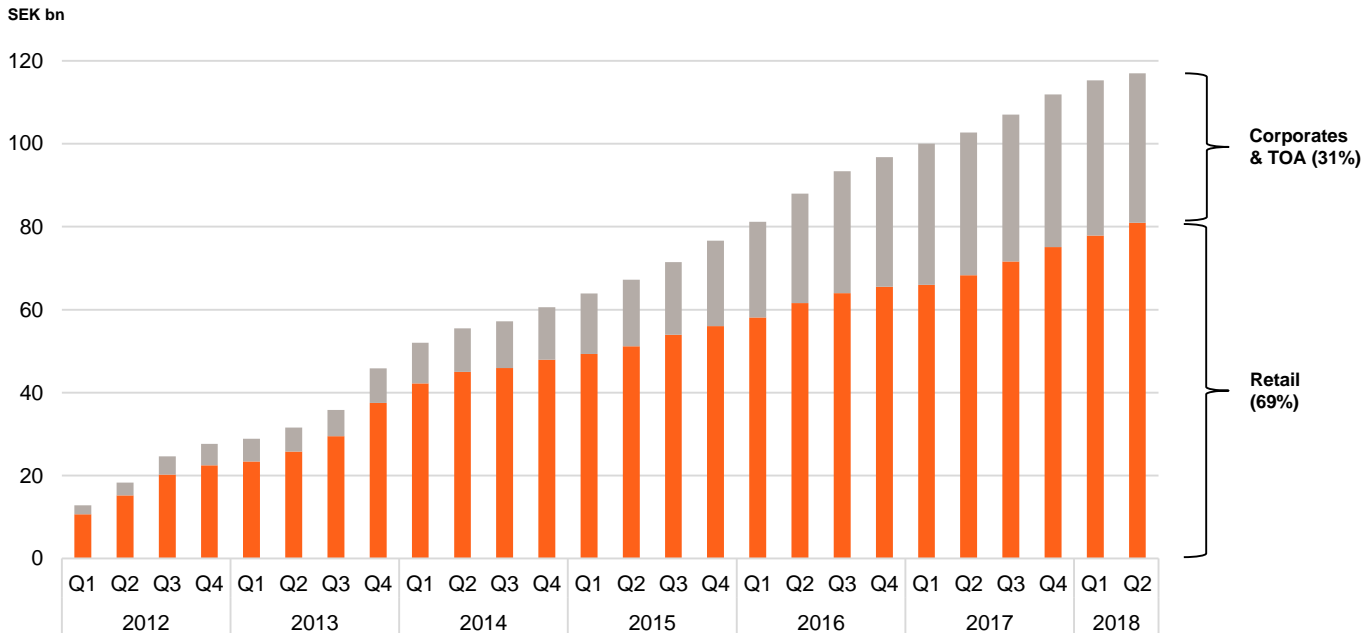


SBAB has gradually imposed stricter underwriting standards during recent years which has improved credit metrics in new lending

*The loan-to-value ratio is defined as the size of a loan in relation to the market value of pledged collateral. The reported average is the weighted average. Where applicable, the calculation takes into consideration contributory factors such as guarantees and the collateral's lien priority. SBAB verifies property values on a regular basis. For residential properties and tenant-owners' rights, the property value is verified at least every third year.

Deposit growth

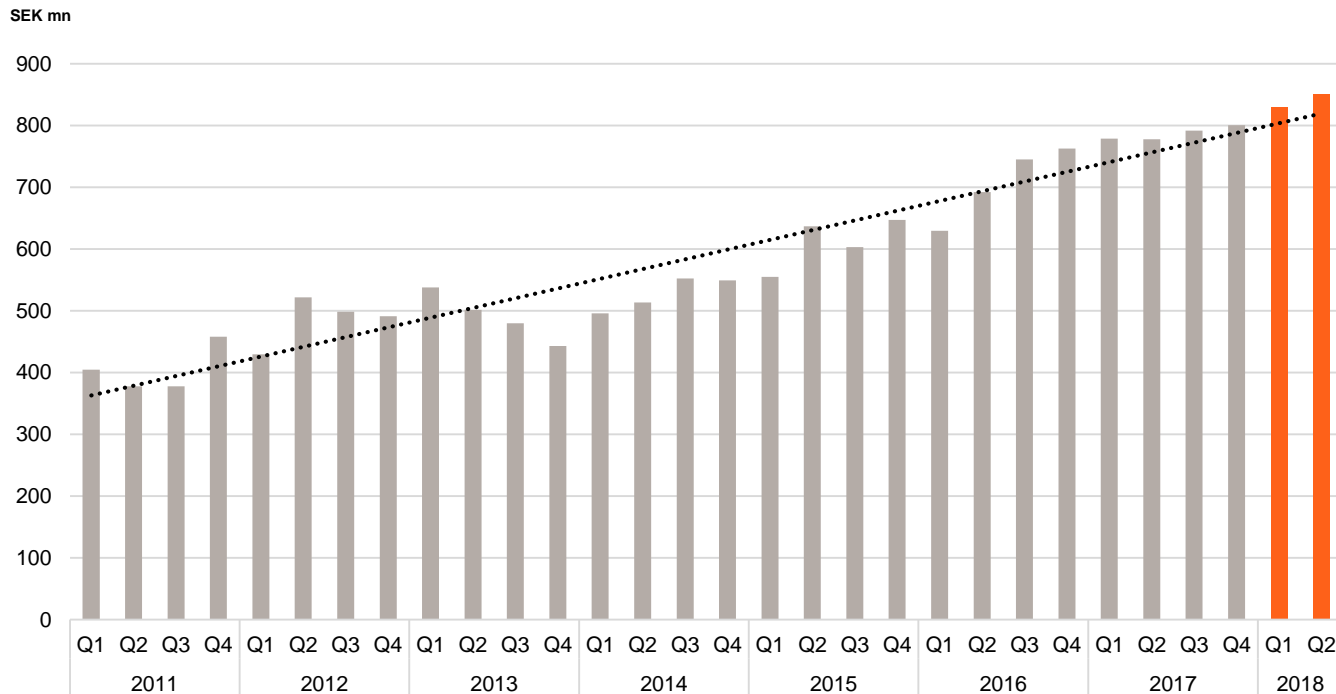
– Deposit-to-loan ratio of 33.3% at 30 June 2018



Deposits has grown significantly over past years leading to reduced reliance on capital markets funding and adding to earnings stability

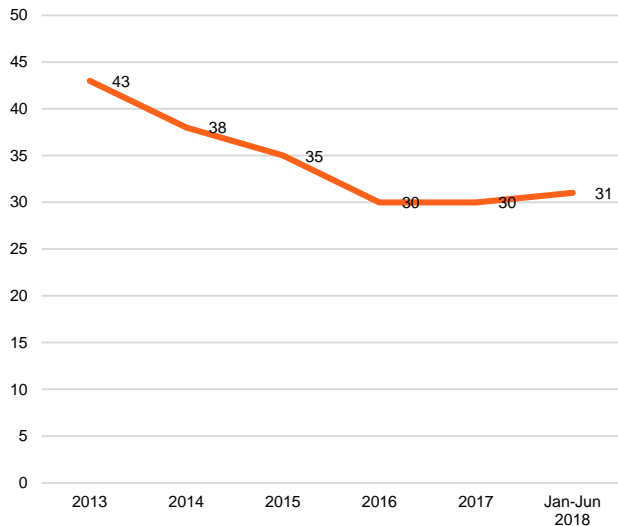
Net interest income QoQ

– Continued stability and growth

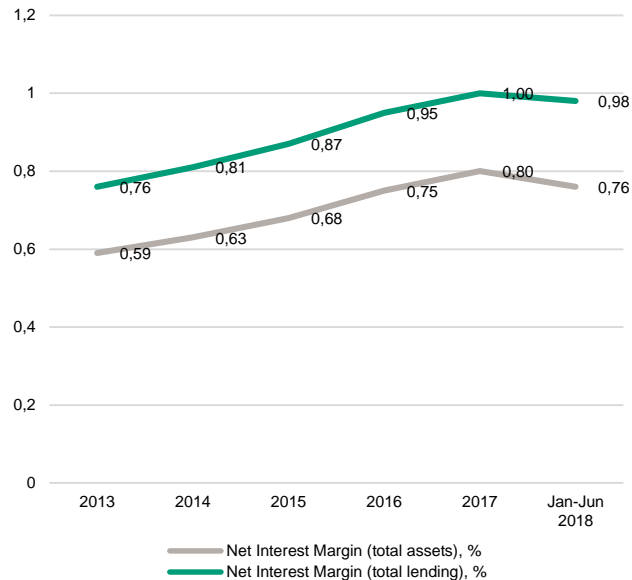


Competitive C/I ratio

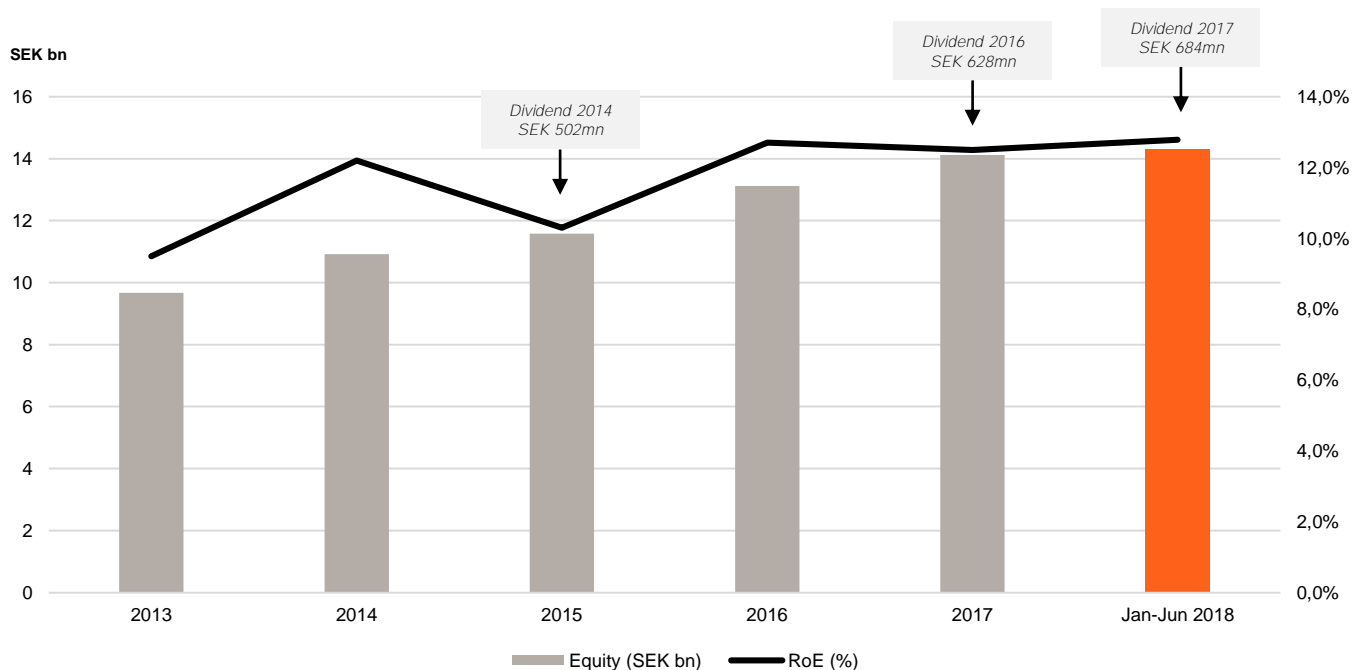
C/I ratio, %



Net Interest Margin (NIM), %



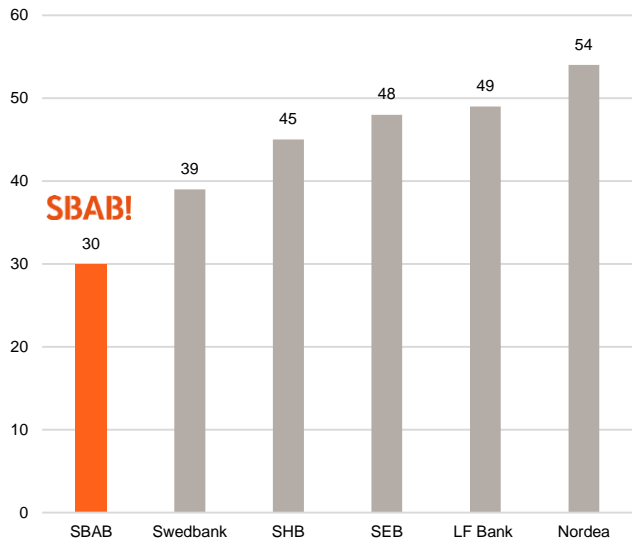
Equity and RoE



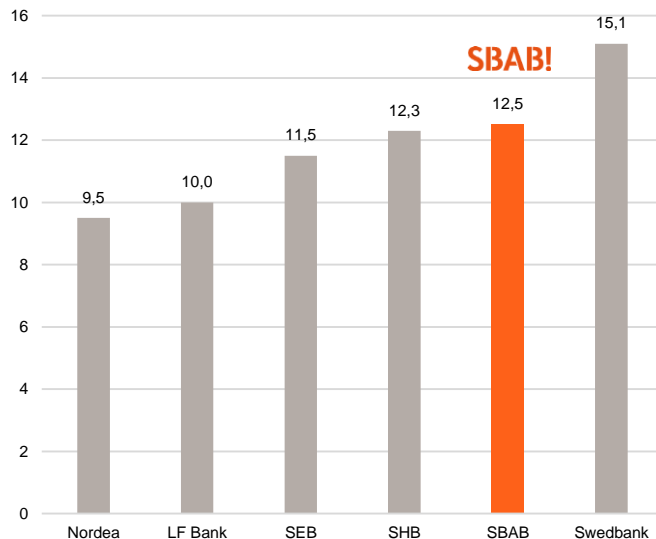
- *Equity adjusted for additional Tier 1 securities and value changes in financial assets recognised in equity*
- *Return on equity calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 securities and value changes in financial assets recognised in equity*
- *Return on equity "Jan-Jun 2018" adjusted for dividend 2017 (SEK 684 million)*

C/I ratio and RoE FY17 vs. peers

C/I ratio (%)

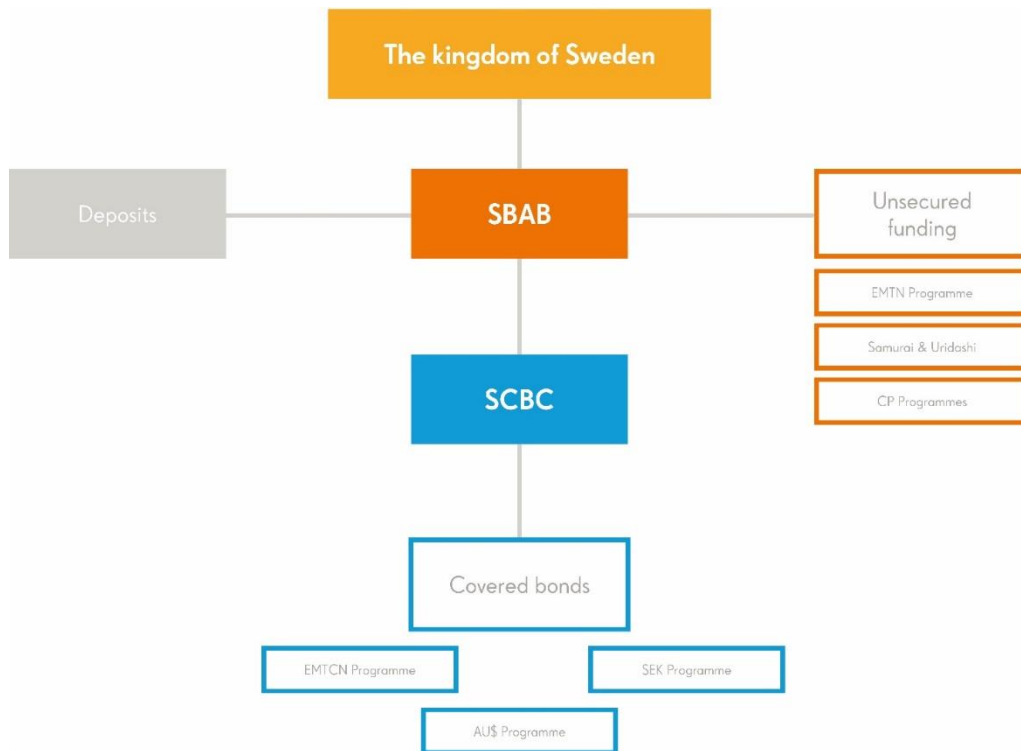


RoE (%)



FUNDING, LIQUIDITY & CAPITAL.

Funding structure



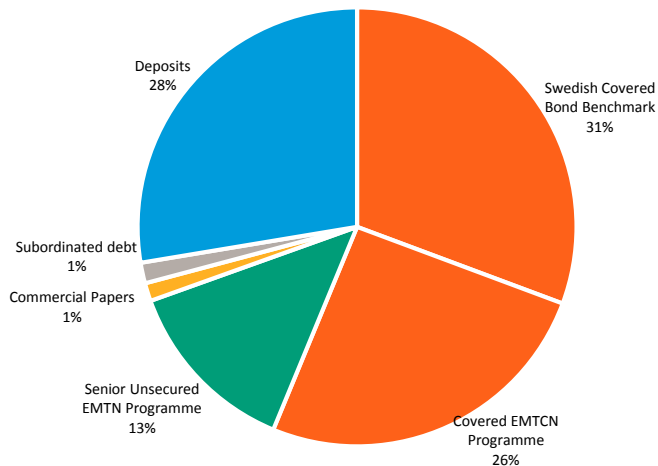
Overall funding strategy

- Continuous and committed investor work in core markets and towards core investors to further increase name recognition and transparency
 - Reduce wholesale funding reliance through growing deposit volumes. Maintain a low reliance on foreign currency funding
 - 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
 - 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
 - Intermediate (5y+) bond tenors to support funding duration
-

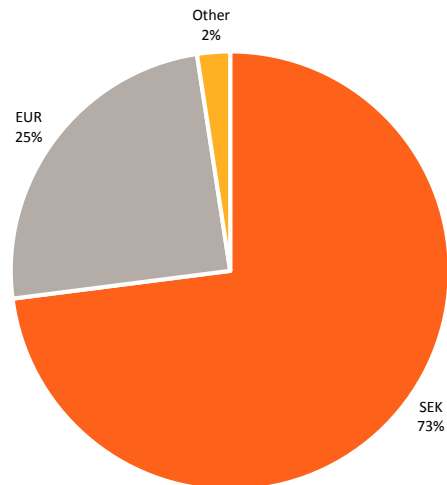
Funding sources

– Total funding portfolio SEK 424 billion (as of 30th June 2018)

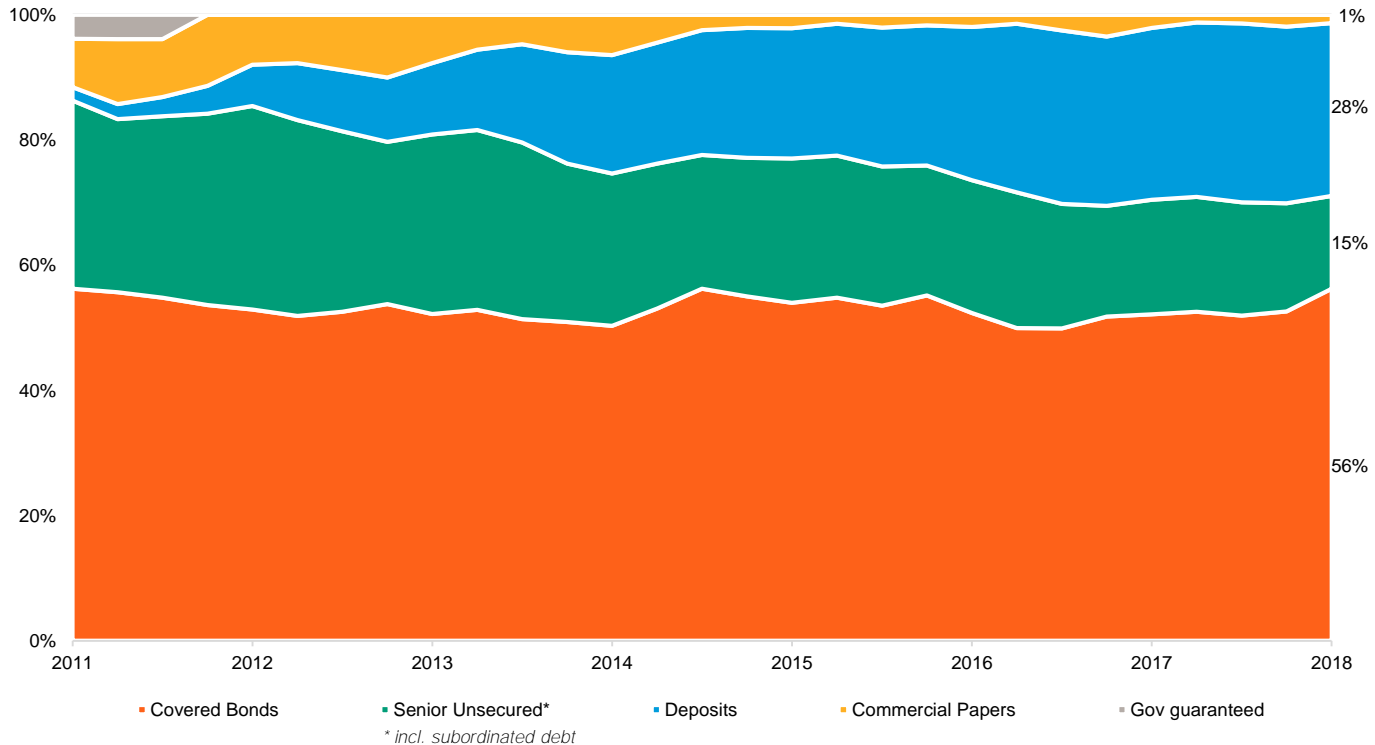
Funding sources



Currency profile*



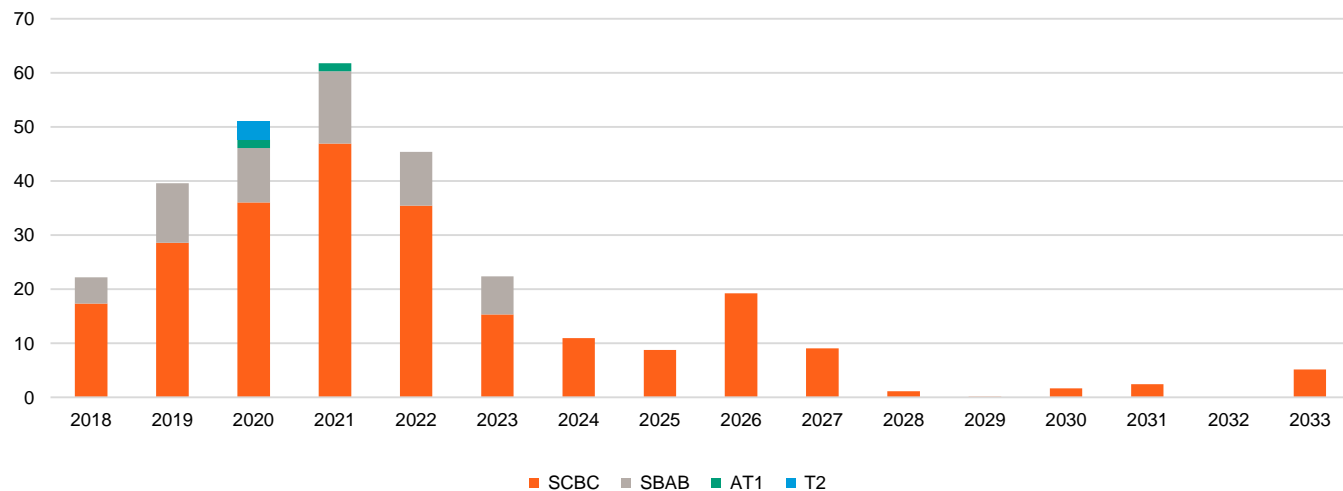
Development of funding sources



Maturity profile – long term debt

- Smooth funding profile reduces refinancing risk
- Extended maturity profile with successful benchmark issues in 2026 and 2027 segments
- Liquidity risk is being mitigated through buy-backs of maturing bonds

Maturity profile (SEK bn)

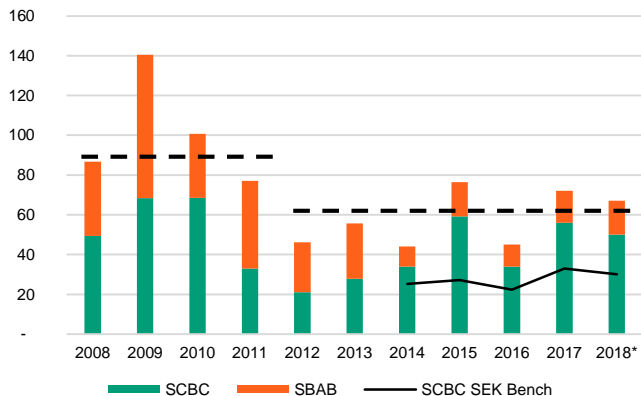


SBAB Group funding

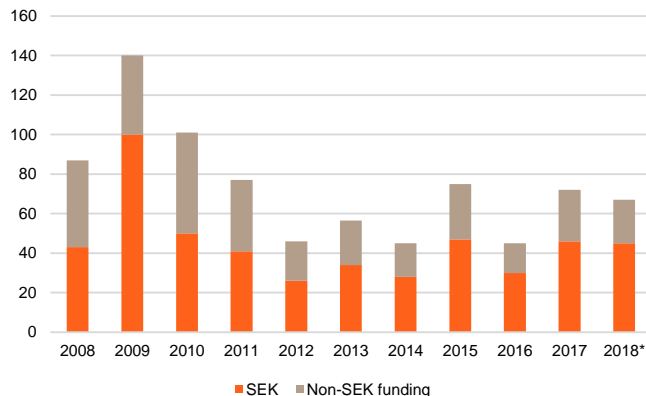
– Moderate funding needs ahead

- 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 2018 around SEK 60-70bn of which a majority in SEK
- Intermediate tenors to support duration

Annual issuance, SEK (bn)



Currency split, SEK (bn)

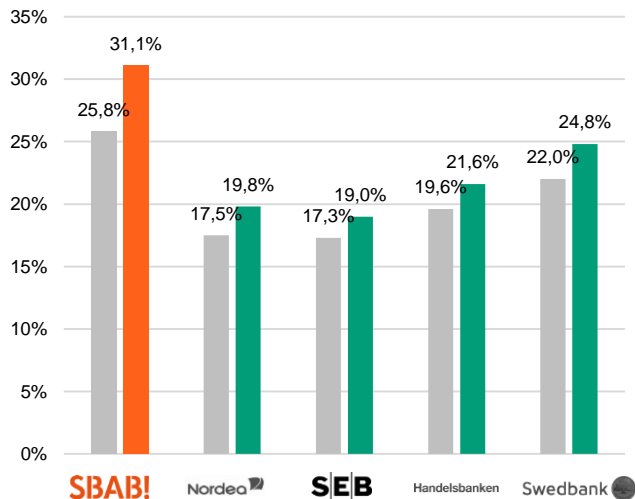


* Expected Issuance

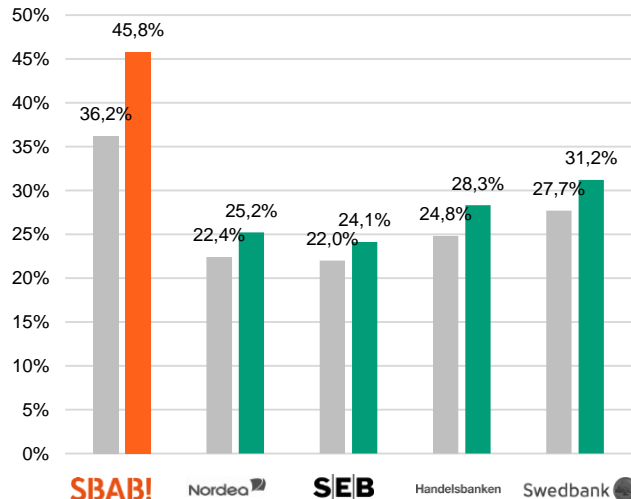
Strong capital buffers (Q1 2018)

– SBAB well above requirements

CET1 capital ratio



Total capital ratio



 Available Q1 2018  Requirement Q1 2018

Capital requirements (1/3)

– Proposed change from the Swedish FSA

- On 28-Mar-2018, Finansinspektionen (“FI”) proposed 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
 - 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
 - If implemented, SBAB will revise capitalisation targets in accordance with the proposed change
-

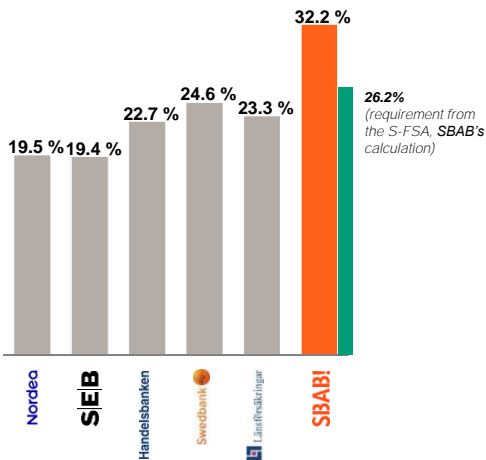
Capital requirements (2/3)

– Pro forma calculation vs. peers (per 31st December 2017)

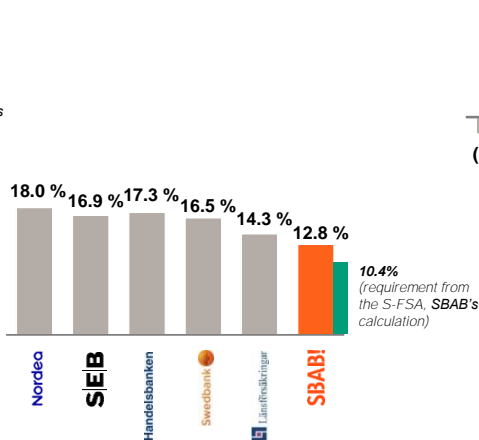
Impact on CET1 ratios

- Banks with the largest exposure to the Swedish mortgage market are the most impacted (although CET1 position in SEKbn stays unchanged)

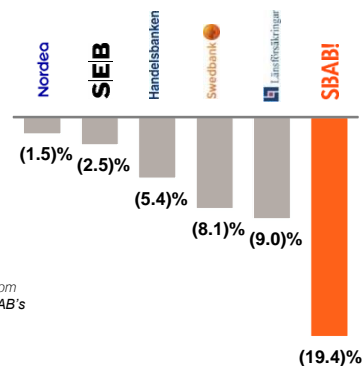
CET1 position 31 Dec 2017



Pro forma CET1 position following the increase in RWAs



Implied reduction in the CET1 ratio



Capital requirements (3/3)

– Impact on SBAB (per 31st March 2018)

31 Mar 2018	Floor in P2	Floor in P1
Risk Exposure Amount	<u>43,939</u>	<u>109,670</u>
Capital policy – internal requirement		
CET1 requirement	11,235	11,235
Total capital requirement	15,760	15,760
Ratios		
CET1	31.1%	12.5%
Total capital	45.8%	18.3%
Ratios – internally estimated S-FSA requirement		
CET1	25.6%	10.2%
Total capital	35.9%	14.4%
Ratios – management buffer		
CET1	27.1%	TBD
Total capital	37.4%	TBD
Margin to estimated S-FSA requirement		
CET1	5.5%	2.2%
Total capital	9.9%	4.0%

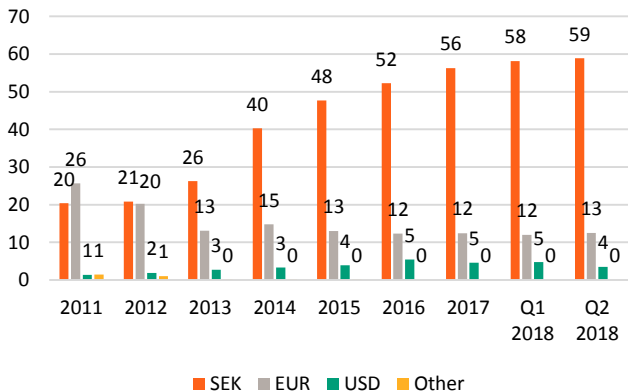
Liquidity portfolio

– SEK 74.9bn (as of 30th June 2018)

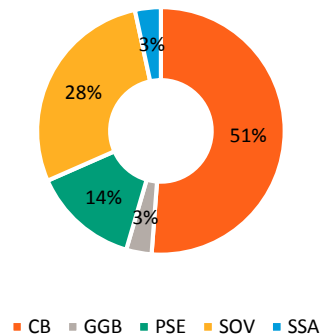
- LCR compliant since 1st January 2013
 - at the end of Q2 2018, LCR* stood at 301% for all currencies combined
- New investment only AAA
- Maximum 10y maturity
- We have increased our portfolio to extend survival horizon
- NSFR at 122%

* According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements

Currency distribution



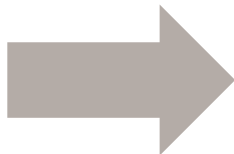
Securities type



Funding programme

- Total long term funding for 2018 expected to approximately SEK 60-70bn
 - Overall funding strategy is to 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 in international funding markets per year**
 - Private placements in SEK and international funding markets
 - 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
-

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 Sept '23

June 2018

SCBC

— Covered Bonds of SBAB —

Covered Bond
€750 mn

0.875%
10y due Mar '27

March 2017

SCBC

— Covered Bonds of SBAB —

Covered Bond
€750 mn

0.50%
7y due Jan '25

Jan 2018

SCBC

— Covered Bonds of SBAB —

Covered Bond
€750 mn

0.25%
5y due Mar '23

April 2018

SCBC

— Covered Bonds of SBAB —

Covered Bond
€500 mn

1.25%
15y due Jan '27

Apr 2018

Key highlights SBAB

- **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
-

Contact information

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Information on the Internet:

www.sbab.com
www.scbc.se
www.ascb.se - Association of Swedish Covered Bond issuers

Bloomberg codes:

SBAB Corp - joint code both for SBAB and SCBC

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

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

SCBC Cover Pool

– Key characteristics as of 30 June 2018

Collateral	100% Swedish residential mortgages *
Over Collateralization	21.4%
Weighted average LTV	54.9%
Weighted average seasoning	4.7 years
Loans in arrears	Arrears below 0.01% (loans in arrears > 30 days are excluded from the Cover Pool)
Number of loans	382 742
Average loan size	SEK 736 949
Geographical location	Spread throughout Sweden; concentrated in economic hubs
Pool type	Dynamic
Originator	SBAB Bank Group
Interest rate type	64% floating, 36% fixed / 51% amortising, 49% interest only

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

National Template

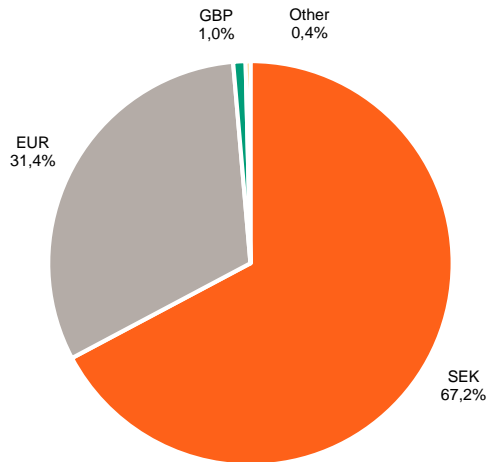
Details published monthly on: www.sbab.com (both in PDF and Excel-format)

SBAB BANK		Completion with ERM (2017)		No	
Owner	SBAB				
Controlling authority	SBAB				
SBAB Holding	SBAB	Member's	Part		
Account type	Act			14/01/2017	
Owner	8	82			
Capital paid					
Subscribed amount	1 000 000	Capital paid in full	1 000 000		
Unpaid amount	0	Unpaid amount	0		
Total	1 000 000	Total	1 000 000		
Assets					
Intangible assets	0	Intangible assets	0		
Goodwill	0	Goodwill	0		
Financial assets	1 000 000	Financial assets	1 000 000		
Total	1 000 000	Total	1 000 000		
Liabilities					
Intangible liabilities	0	Intangible liabilities	0		
Financial liabilities	1 000 000	Financial liabilities	1 000 000		
Total	1 000 000	Total	1 000 000		
Profit and loss					
Profit before tax	0	Profit before tax	0		
Profit after tax	0	Profit after tax	0		
Total	0	Total	0		
Financial ratios					
Capital ratio	100%	Capital ratio	100%		
Equity ratio	100%	Equity ratio	100%		
Debt ratio	0%	Debt ratio	0%		
Current ratio	100%	Current ratio	100%		
Interest ratio	0%	Interest ratio	0%		
Financial ratios by year					
Year	2017	2018	2019	2020	2021
Capital ratio	100%	100%	100%	100%	100%
Equity ratio	100%	100%	100%	100%	100%
Debt ratio	0%	0%	0%	0%	0%
Current ratio	100%	100%	100%	100%	100%
Interest ratio	0%	0%	0%	0%	0%
Financial ratios by month					
Month	2017-01	2017-02	2017-03	2017-04	2017-05
Capital ratio	100%	100%	100%	100%	100%
Equity ratio	100%	100%	100%	100%	100%
Debt ratio	0%	0%	0%	0%	0%
Current ratio	100%	100%	100%	100%	100%
Interest ratio	0%	0%	0%	0%	0%

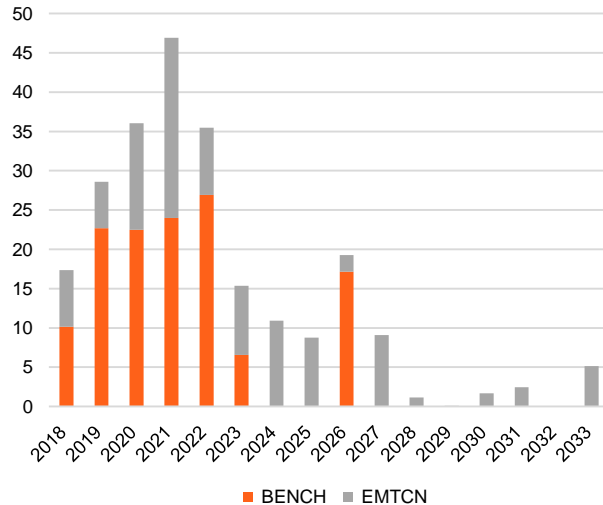
SCBC funding

– Total covered bonds outstanding SEK 238bn (as of 30th June 2018)

Currency profile



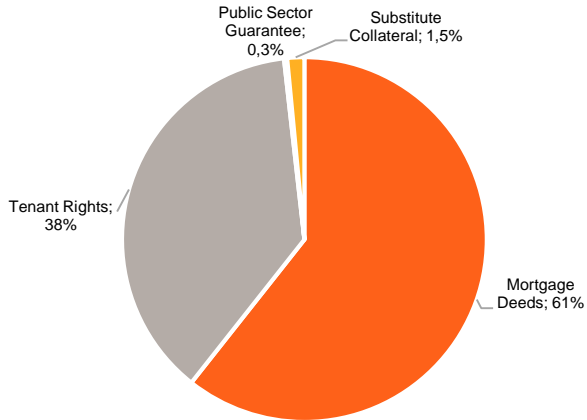
Maturity profile



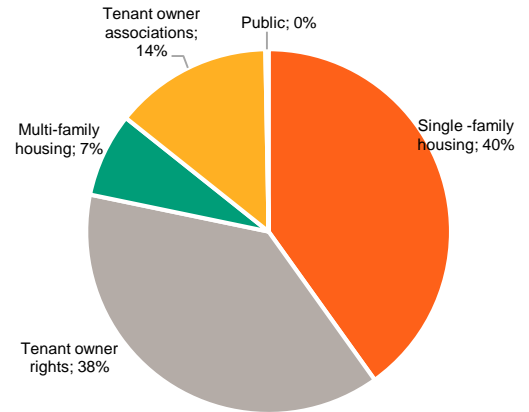
SCBC Cover Pool

– Distribution by Collateral and Owner (as of 30th June 2018)

Breakdown by collateral



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 30th June 2018

Houseprice change	Eligible assets in cover pool (SEK bn)	WA LTV (%)	OC* (%)
0%	280,9	54,9	22,8
-5%	278,2	56,8	21,6
-10%	274,5	58,6	20,0
-15%	269,5	60,3	17,9
-20%	262,9	61,9	15,1
-25%	254,3	63,3	11,4
-30%	242,3	64,5	6,2

* OC calculated in accordance with requirements from the Swedish FSA

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
-

APPENDIX II.

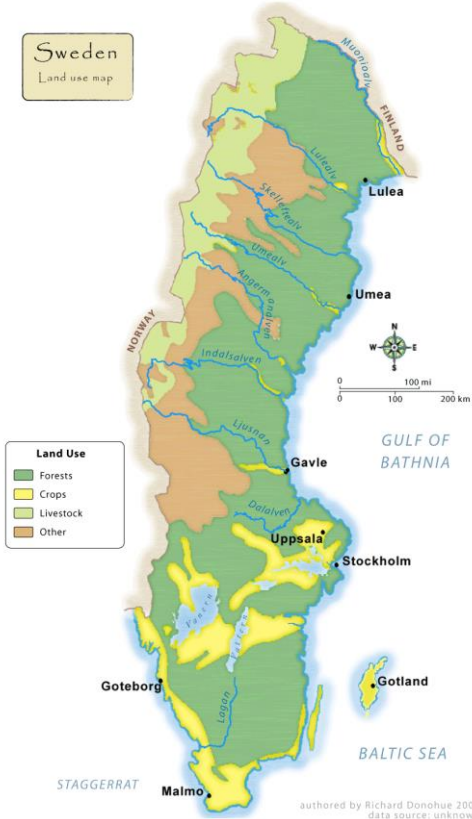
SWEDISH KEY ECONOMIC FIGURES

Kingdom of Sweden



- Area: 450 295 sq km
- Population: 10 151 588 (April 2018)
- 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: Social Democrats (S), Left Party (V) and the Green Party (MP)
- 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

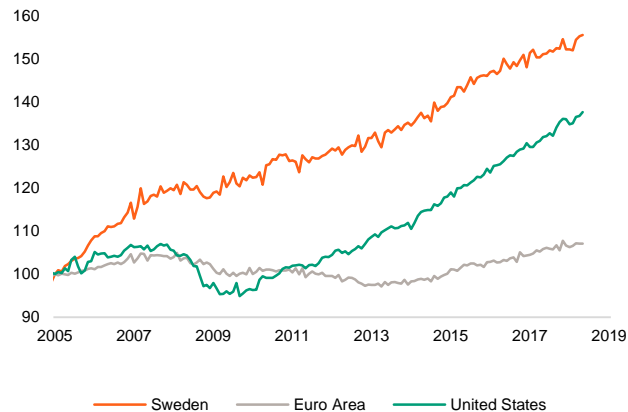


- Approx. 45% of GDP is exported. Largest goods trading partners are the Scandinavian countries, Germany, Netherlands and the UK
- Sweden joined the EU in 1995, but the euro was rejected in a public referendum 2003
- The currency, the krona, has been floating since 1992 when the fixed exchange rate regime was abandoned
- The central bank, 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

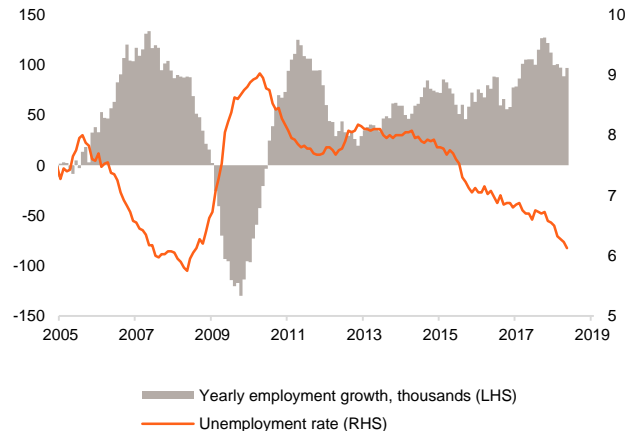
Strong domestic economy

- **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 more than 50% since 2005
- **The labor market has strengthened**
 - Employment has increased by on average 1.0% per year and hours worked by the same over the past ten years. The activity rate (16-64y) has increased from 76% in 2007 to 79% in the beginning of 2018

Retail Sales, constant prices (index 2005=100)



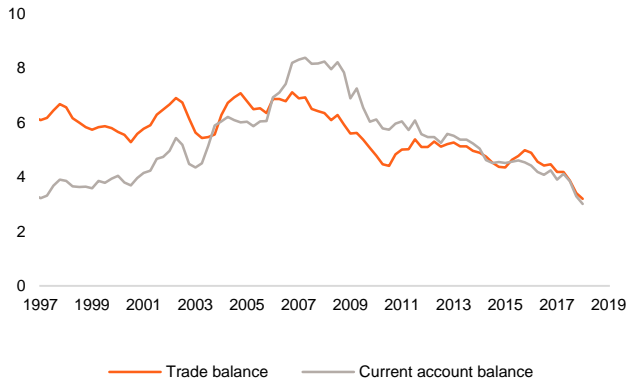
Unemployment Rate and Employment Growth



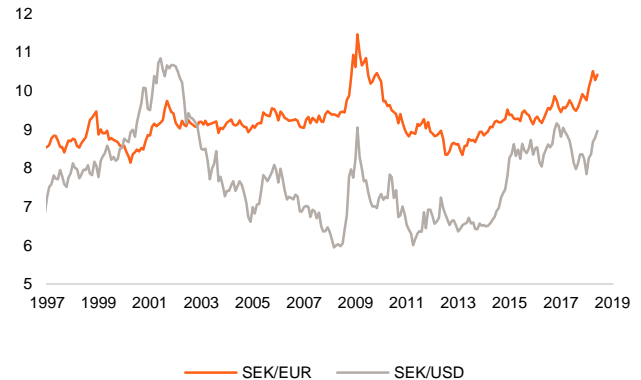
Foreign trade and the Krona

- **Very strong current account**
 - Exports amount to equivalent to 45% of GDP. Foreign trade balance has been positive 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 are dampening the krona

Trade balance (share of GDP)



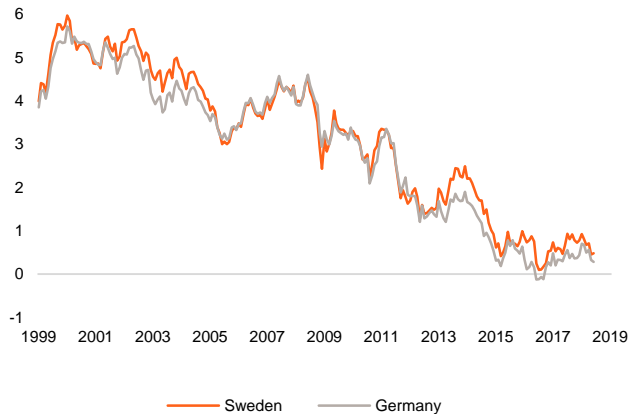
The Krona



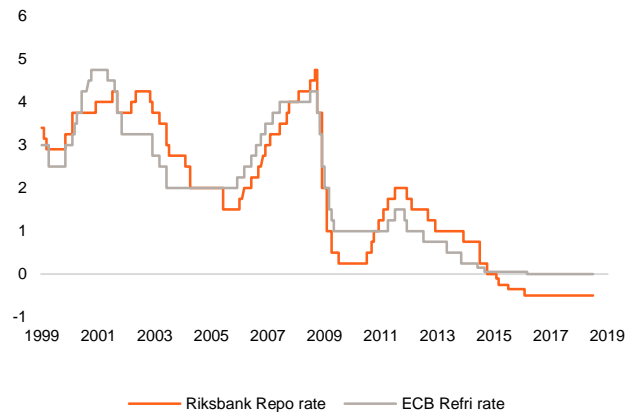
Interest rates

- **Long and short interest rates have a high correlation with European (i.e. German) rates**
 - The spread against 10 y German bond has on average been +18bp, over the last 15 years, correlation has been 0.99
- **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

10y government bond rates



Policy rates



Swedish election outcome is not certain

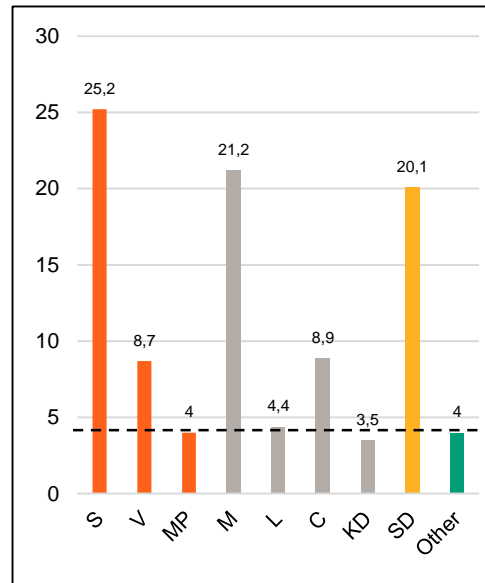
Swedish election outcome is not certain

- Parliamentary elections will be held in Sweden on 9 September 2018
- Polls (average) taken over the last month suggest a dead heat between the government (Social Democrats (S), Left Party (V) and the Green Party (MP)) and the Alliance (Moderates (M), Liberals (L), Centre Party (C) and the Christian Democrats (KD)). The right wing Sweden Democrats continue to poll well above its last election result and is likely to be a deciding factor in who gets to form the next government
- Current polls make it very difficult to predict what will happen post elections as neither the current government (Social Democrats) nor the alliance will have a majority (albeit this is not unusual in Sweden)

Different political views on SBAB

- Current government has dismissed a sale of SBAB
- Recent commentary from the two largest parties in the Alliance (M and C) suggesting a potential privatisation of SBAB should there be a change in government after the September 2018 election

Average of polls published in May 2018



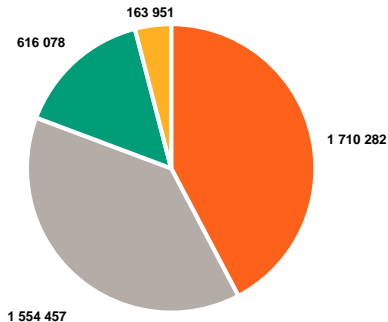
APPENDIX III.

SWEDISH MORTGAGE MARKET

The Swedish housing market

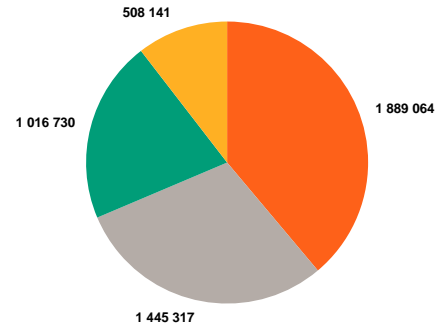
- **Most Swedes own their dwelling**
 - 67% of the dwelling stock (excluding other dwellings) is owner occupied and 33% is rented
- **The rental market is highly regulated**
 - Rent controls are strong and a large part is owned by property companies controlled by municipalities. The share of rented apartments 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



• One- or two-dwelling houses • Rented Apartments
• Tenant Owned Apartments • Others

Number of dwellings 2016



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

Household debt has increased

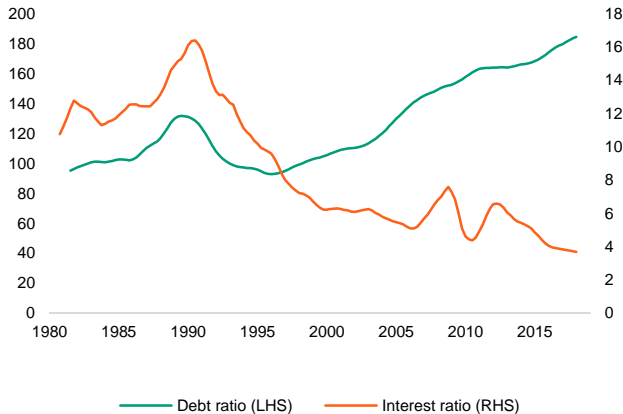
- **High debt to income ratio but low interest costs**

- The household debt to income ratio has increased from around 94% in 1995 to above 184%. 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 historically low. 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

Household debt and interest cost share of income



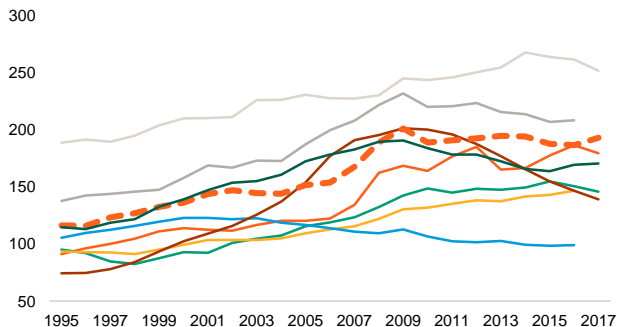
Share of mortgage loans with floating interest rates



Debt compared to other countries

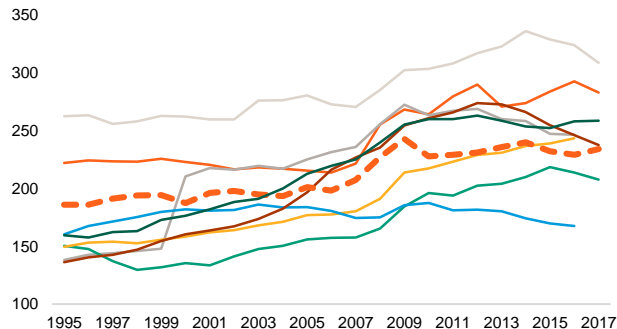
- **Household debt to income is rather high compared to some other countries**
 - The general conclusion from Swedish authorities is that household debt is currently not a threat to financial stability but future growth should be contained
- **Total debt (household, company (non-financial and financial)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

Private debt (share of GDP)



Belgium
 Finland
 Germany
 Spain
 United Kingdom
 Denmark
 France
 Netherlands
 Sweden

Private and Public Debt (share of GDP)

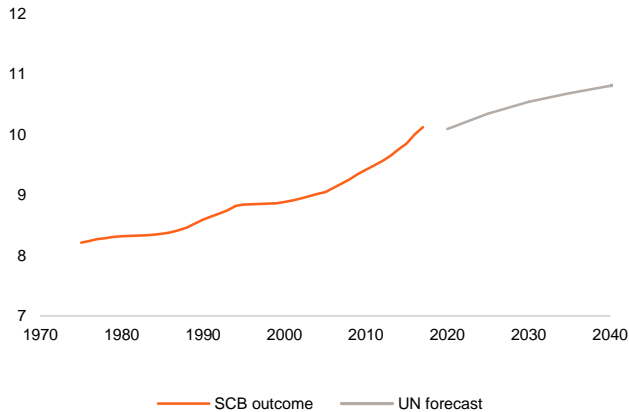


Belgium
 Finland
 Germany
 Spain
 United Kingdom
 Denmark
 France
 Netherlands
 Sweden

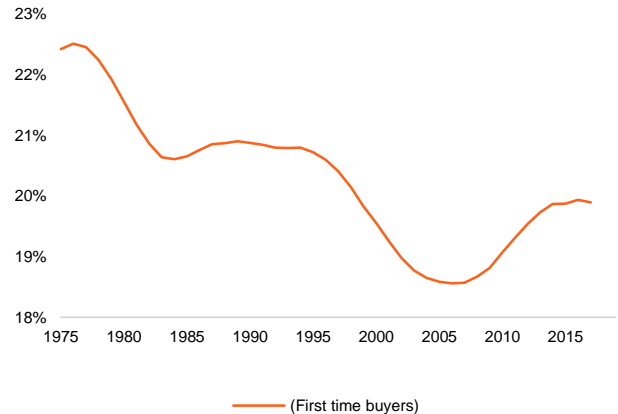
Demographics

- **Population growth has been unexpectedly strong**
 - Population is currently growing by 1.3% per year
 - Both migration and birth excess are strong
- **Rising number of potential First Time Buyers (20-34 years old)**
 - Puts further pressure on housing market
 - Other important long term demographic factors such as ageing population and urbanization adds to the pressure

Total population



Share of population 20-34 years (first time buyers)



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