

# Investor Presentation

## Q4 2020



SBAB Bank AB (publ)

**SBAB!**

# Executive summary

## Update Q4 2020 (compared to Q3)

- Strong growth in total lending, which increased 2.5% to SEK 423bn (412). Total deposits increased 1.3% to SEK 136bn (134)
- Net interest income grew 6.9% to SEK 1,101m (945)
- Good underlying Operating Profit. However due to a 67m SEK one off write-down, costs increased with 30% in Q4 to 402m (310). Operating profit therefore decreased 2.7% to SEK 619m (636)
- Credit losses amounted to a recovery of SEK 2m (4). Increased provisions 2020 for possible credit losses linked to the effects of the coronavirus pandemic
- According to Swedish Quality Index (SKI) SBAB had the most satisfied customers in Sweden in 2020 in terms of residential mortgages to private individuals and property loans to corporates and tenant-owner associations
- The Board proposes no dividend for the 2020 financial year. The proposal strengthens SBAB's capitalization and promotes continued growth as well as strengthen its position in terms of increased capital requirements in the future. The CET1 increased to 13.4% (12.7%) in end 2020
- Total funding needs for 2021 expected to be around SEK 80 billion



Total lending, SEK bn

423



Total deposits, SEK bn

136



**SBAB!**

**booli!**

En tjänst från SBAB

**hittamäklare!**

En tjänst från SBAB

**11.1%**

Return on equity  
Q4 2020

**13.4%**

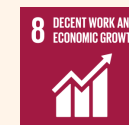
CET1 capital ratio  
Q4 2020

**0.00%**

Credit loss level  
Q4 2020

**39.5%**

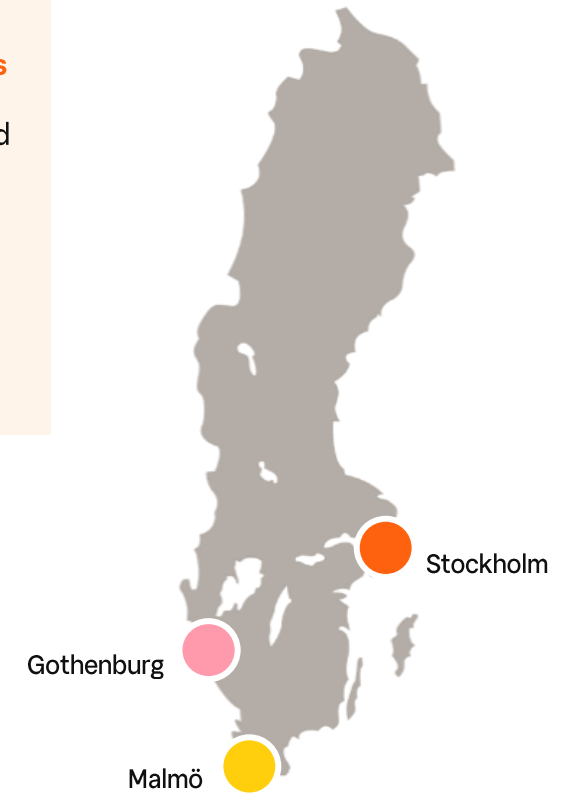
C/I ratio  
Q4 2020



# Business overview

- Founded in 1985 & 100% owned by the Kingdom of Sweden
- Mortgage bank with >98% collateralized lending (SEK 389 billion)
- Straightforward business model (mortgage lending & savings) & customer operations only in Sweden
- 760 employees in five offices
- Two business areas;
  - Retail business area
  - Corporate Clients & Tenant-owners' Associations business area

**SBAB's lending is geographically concentrated to the economic hubs in Sweden** (metropolitan areas including Stockholm, Gothenburg and Malmö as well as other university cities and growth regions). Lending is only offered in Sweden and in Swedish Kronor (SEK).





# Strategic objectives

- Grow market shares over the coming years
- Continue deposit growth in order to reduce reliance on wholesale funding
- Keep strong asset quality with low loan losses & problem loans
- Meet & exceed financial targets from owner;
  - Profitability (RoE > 10%)
  - Capitalisation (CET1 > 0.6% above regulatory requirement from the Swedish FSA)
  - Dividend (40% of profit after tax)
- Ecosystem; creating a platform with value adding services relating to housing and household finances
- Continued focus on sustainability



## SBAB assigns priority to four SDGs

**The business sector, including SBAB, has an important role to play** in achieving the SDGs within the 2030 Agenda. We have identified and chosen four of the 17 SDGs that we consider particularly important and relevant to our operations. The prioritised goals have been chosen based on extensive analysis in the form of internal workshops and ranking exercises within operations, the Executive Management and the Board, and today comprise an important and integrated part of our sustainable governance model.





## Sweden's most satisfied customers

**SBAB has Sweden's most satisfied** residential mortgage customers according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI), which each year measures customer satisfaction in the banking and finance sector. With a customer satisfaction score of 76.9 out of 100, SBAB ranks well above the sector average of 69.7. For the second consecutive year, SBAB also has Sweden's most satisfied customers in terms of property loans to corporates and tenant-owners' associations.



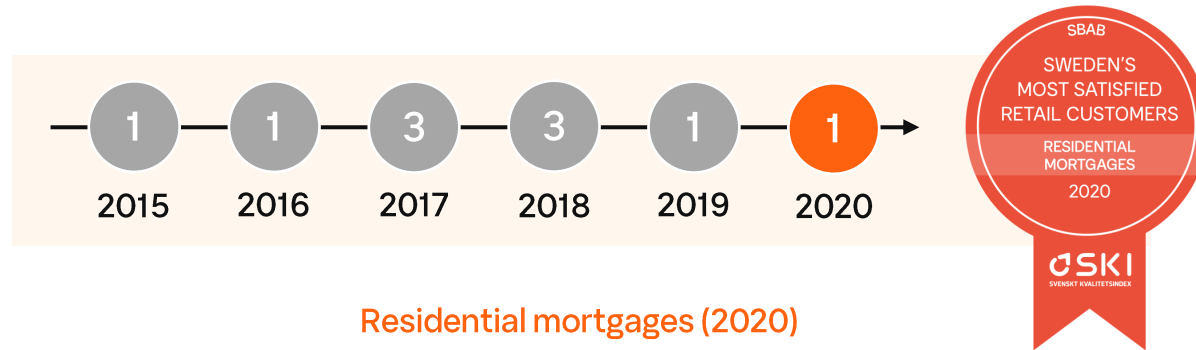
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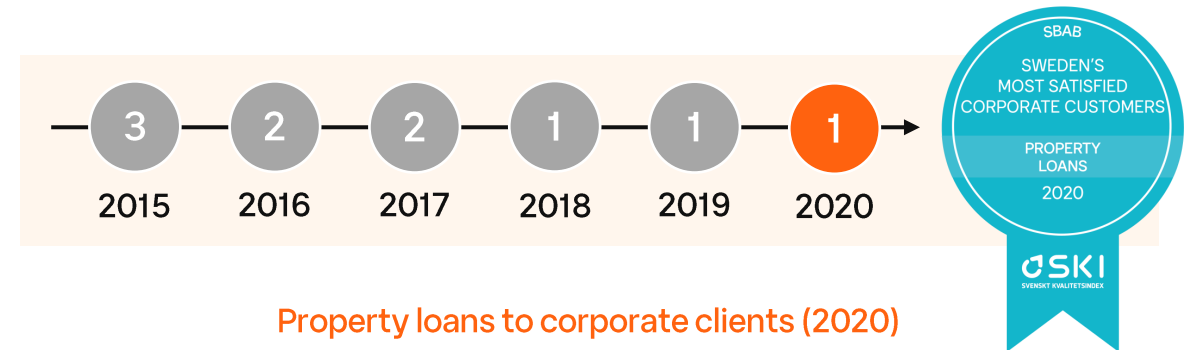
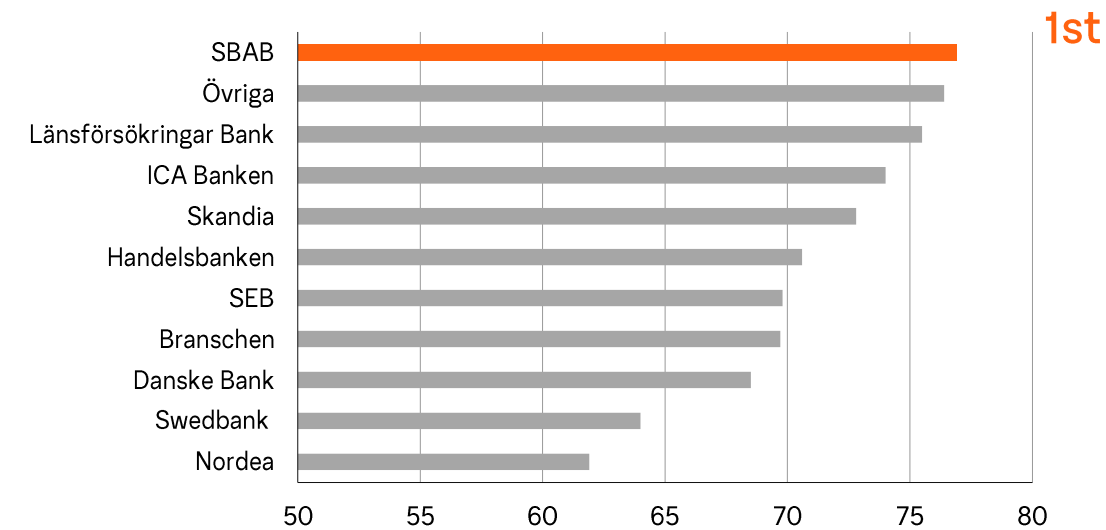


# Business Update

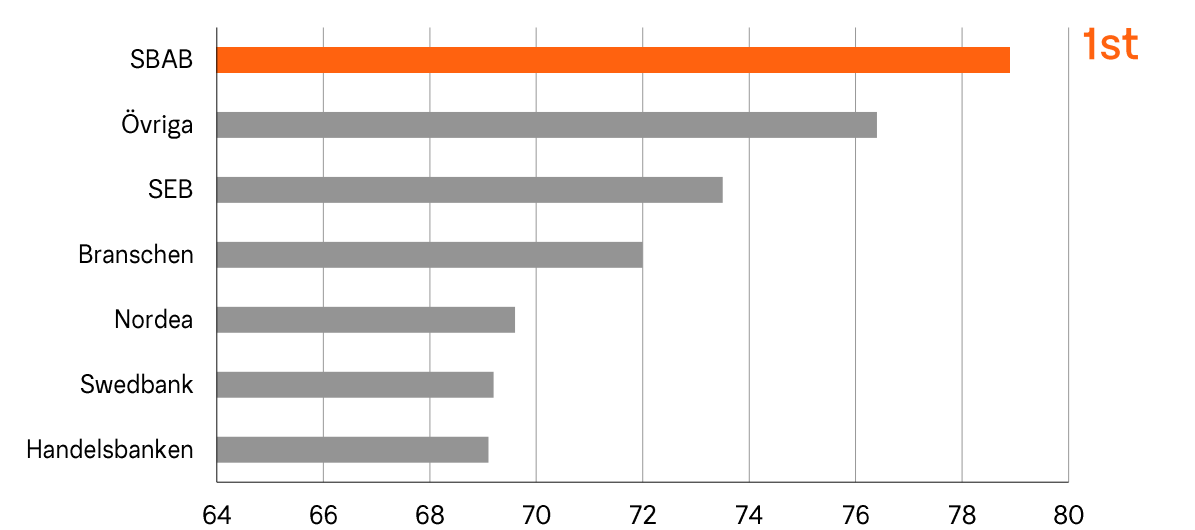
# Customer satisfaction



Residential mortgages (2020)



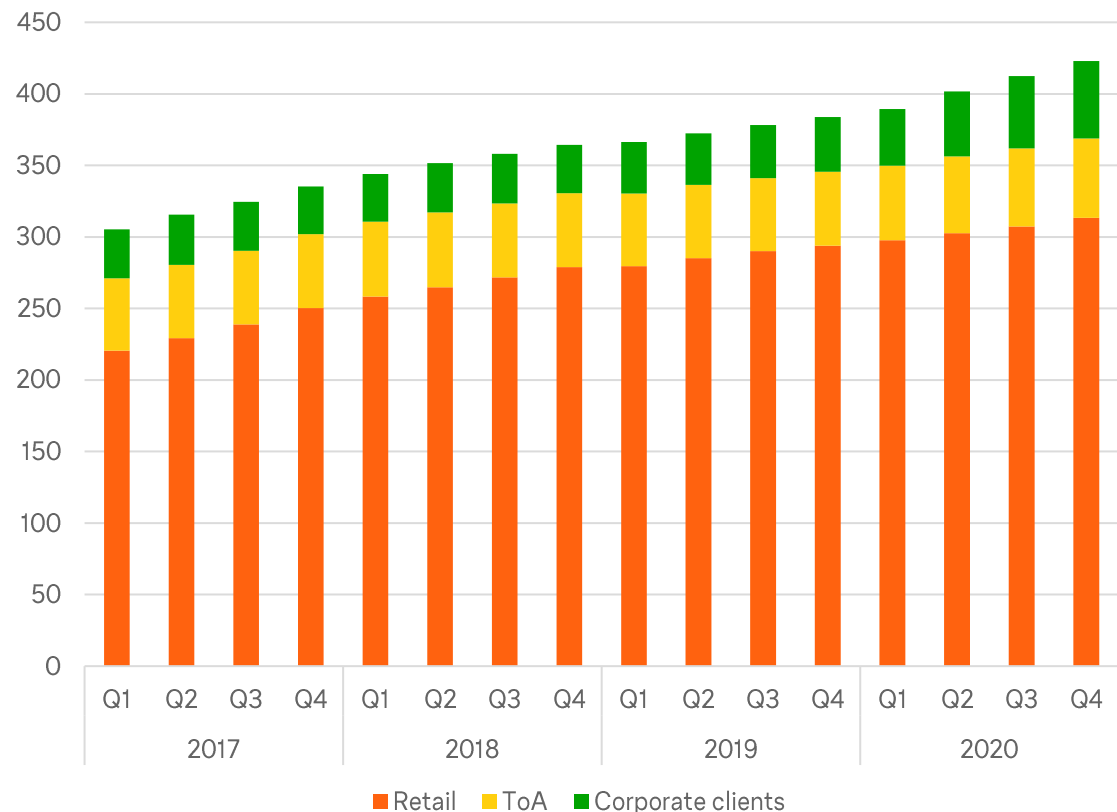
Property loans to corporate clients (2020)



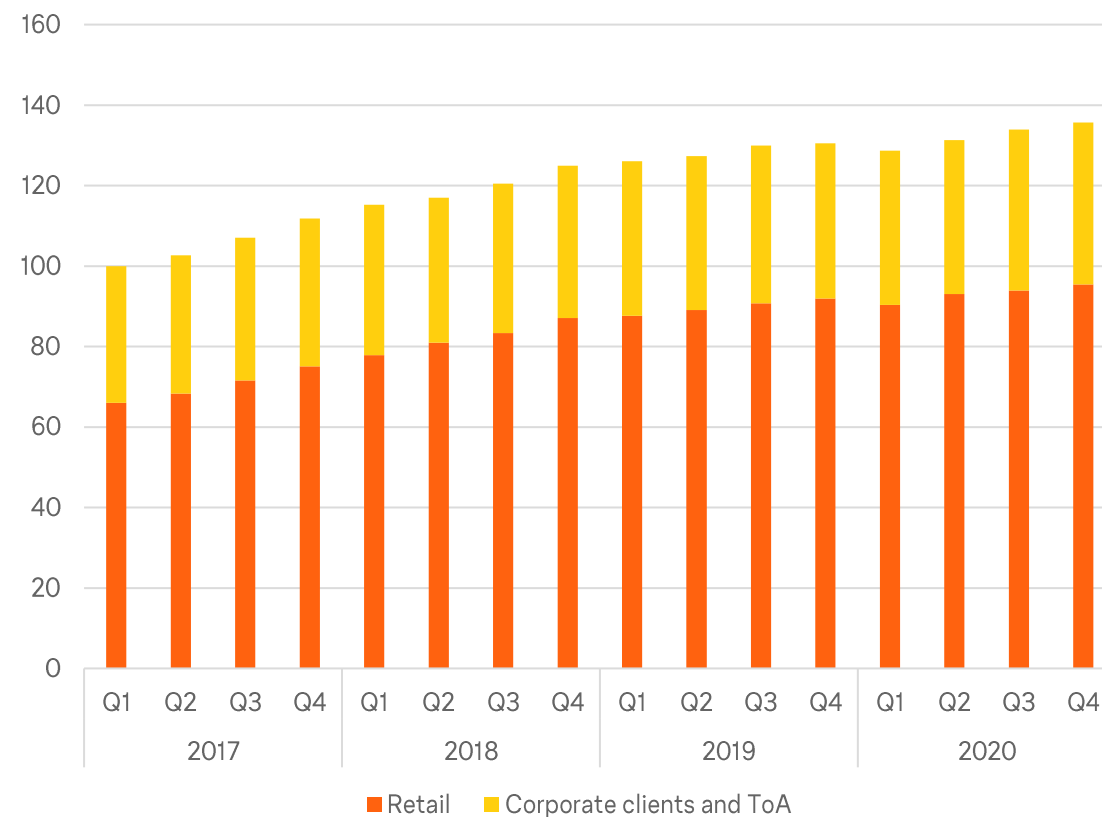


# Lending & deposits development

Lending (SEK bn)

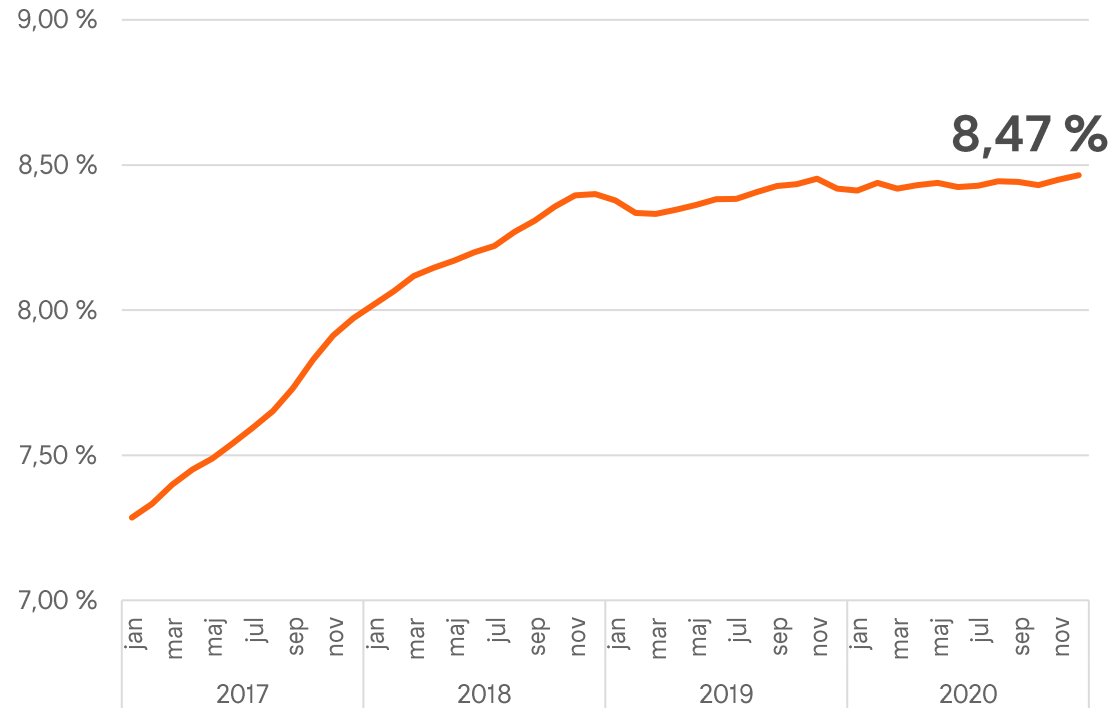


Deposits (SEK bn)

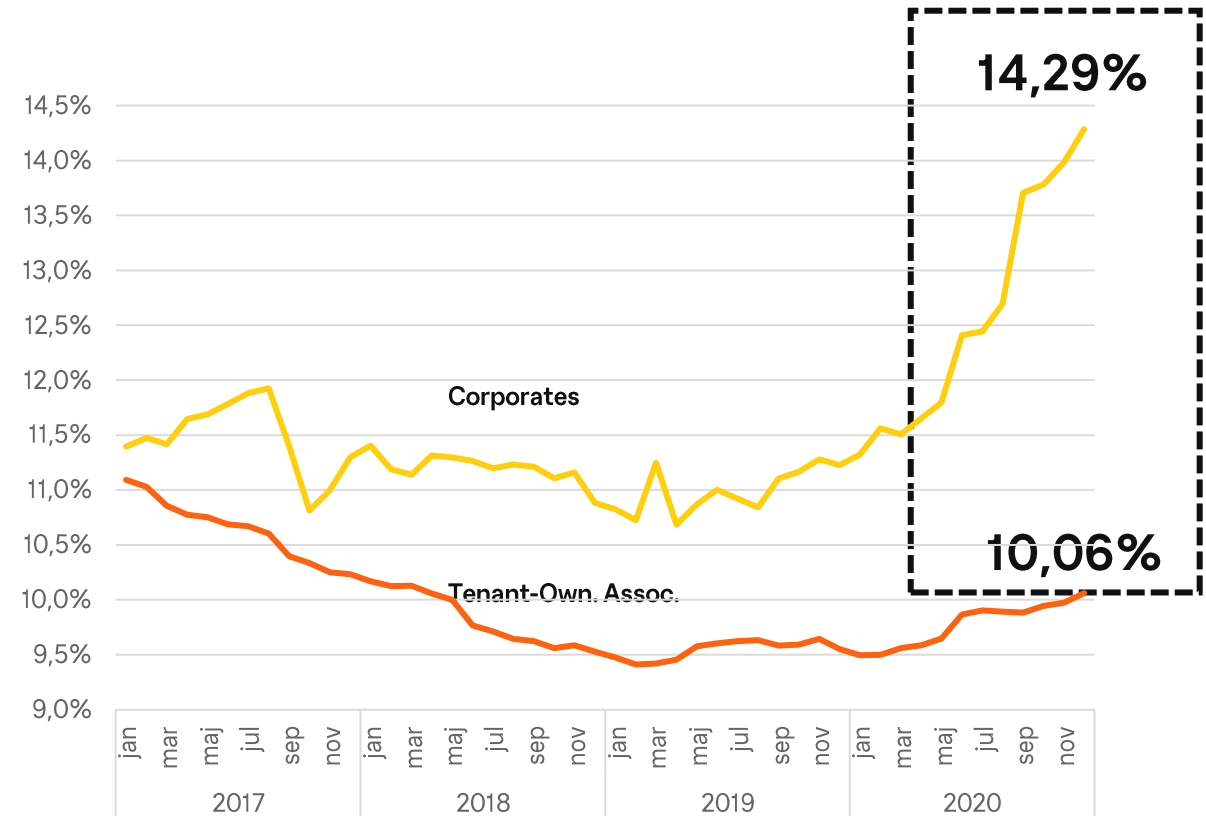


# Growing market shares

Market share, Residential mortgages (Dec 2020)

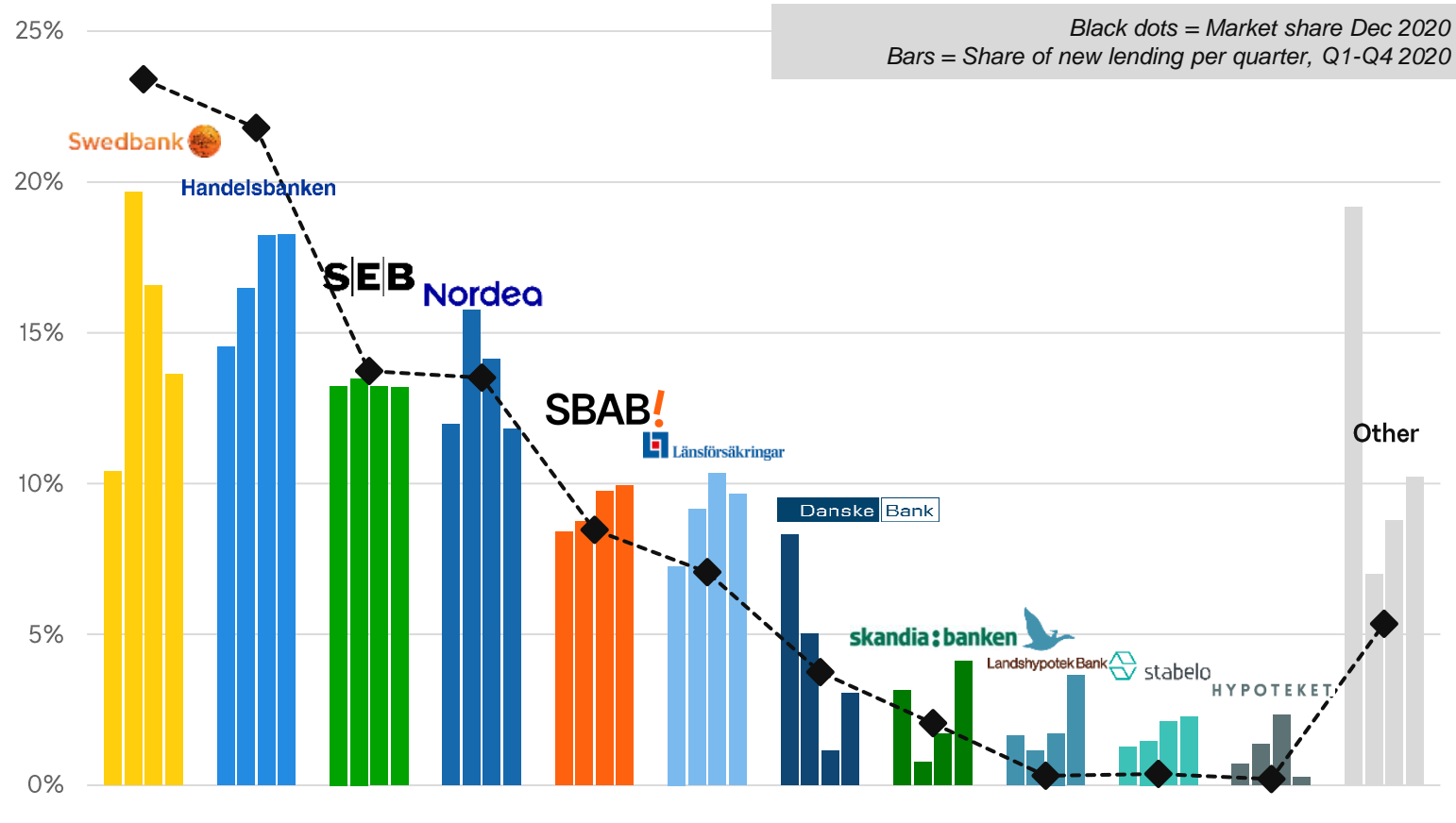


Market shares, Corporate clients & ToA (Dec 2020)



# Residential mortgage market 2020

Shares of net growth in the Swedish residential mortgage market 2020



## Comments

- Increased competition in the Swedish residential mortgage market
- Many established players are working intensively to retain and defend their positions, and several new competitors have emerged as serious contenders for the residential mortgage customers
- Credit growth in the mortgage market has increased since the end of 2019 and was strong in 2020 despite corona pandemic, the YoY growth rate was 5.8% in December
- According to SBAB's forecast, the growth rate of household housing credits is expected to be 5.4% for the full year 2021
- Price important, but not the whole story



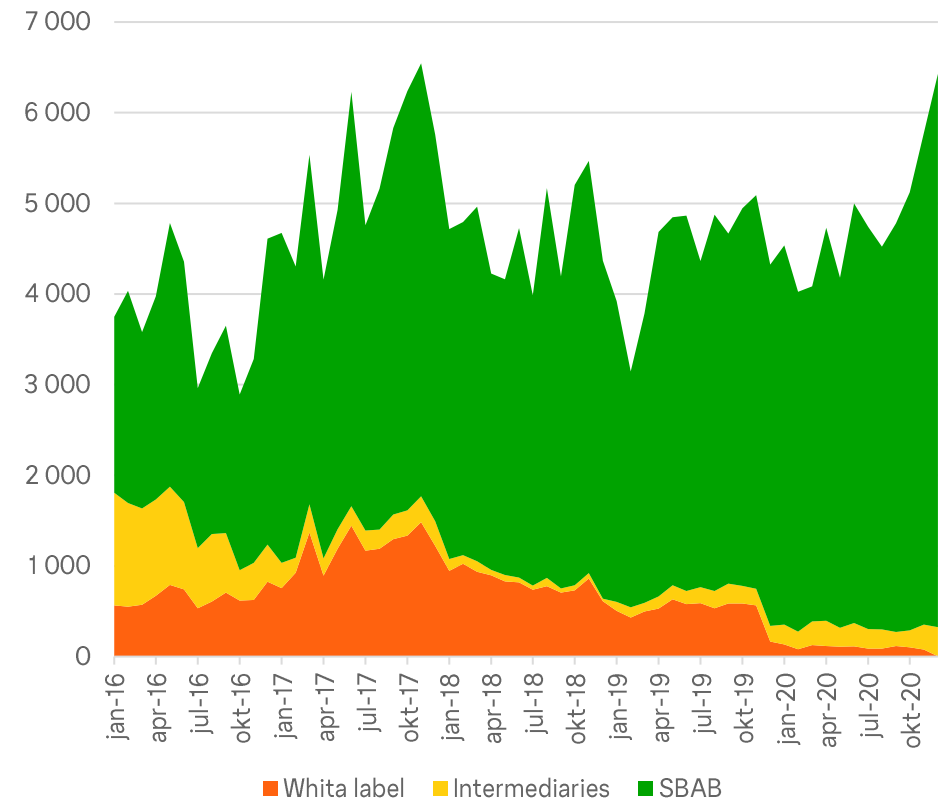


# Distribution strategy for mortgages

– Increased investments in own distribution capacity

- Since 2015, SBAB has prioritised new lending in its own brand (where SBAB is able to add most customer value and build the strongest customer relationships)
- As a result, all white label partnerships have been terminated. Future focus on partnerships with players (intermediaries) using digital business models
- In the fourth quarter of 2019, SBAB and Sparbanken Syd entered into an amended agreement relating to the parties' partnership agreement regarding the mediation of mortgage loans (SEK 9.2 billion per 31 December 2020). According to the amended agreement, Sparbanken Syd is entitled to acquire the entire loan portfolio mediated by Sparbanken Syd, or parts thereof, until 31 December 2023

New lending (SEK mn)



# SBAB's value proposition



## Accessibility

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



## Transparency

Fair prices and appropriate terms and conditions from the start.



## Consideration

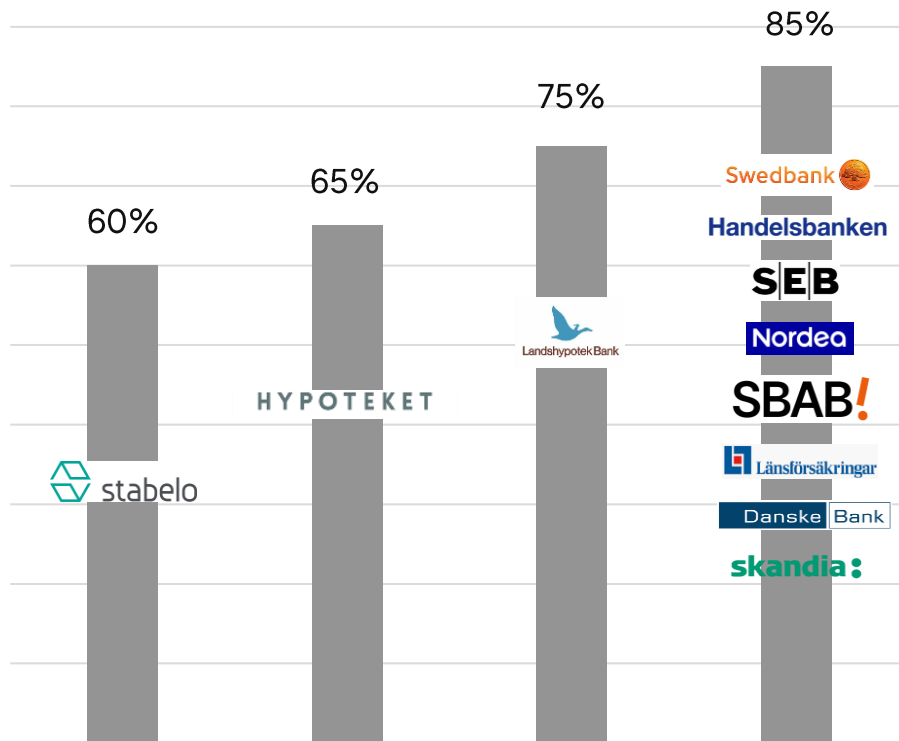
Housing specialists who care.



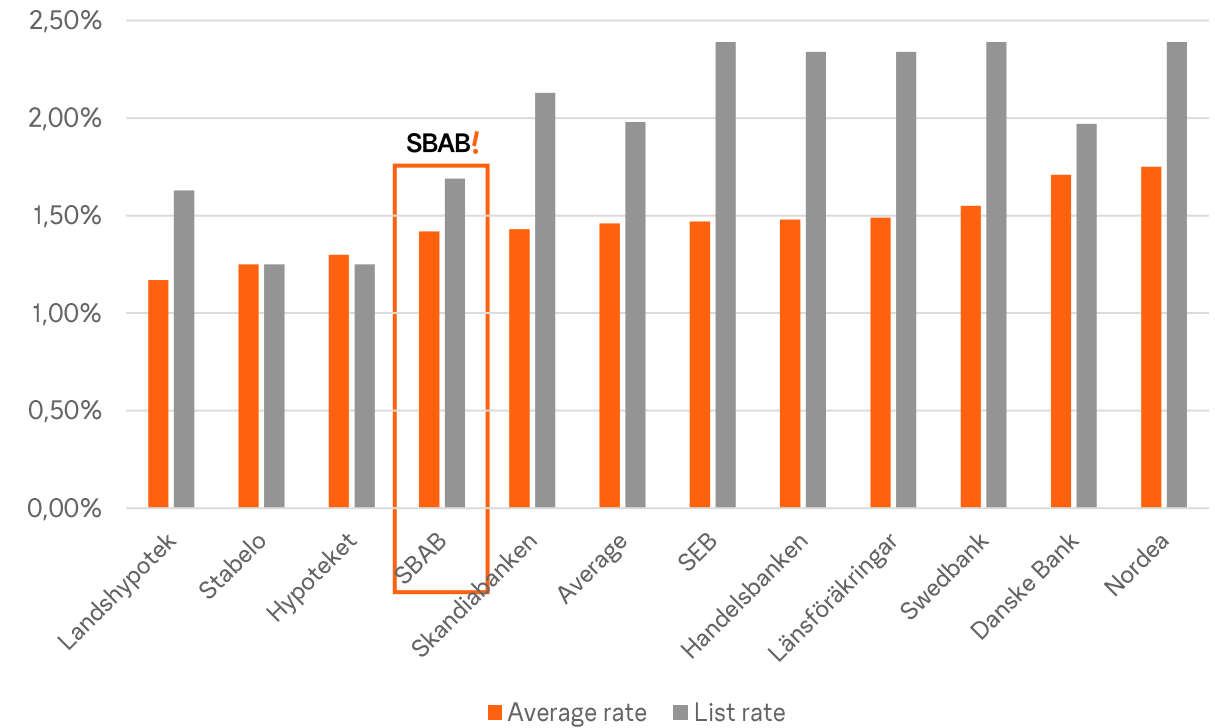
# Prices & terms on the market

- Differences in terms (maximum LTV) and funding models has allowed some players to keep their interest rates low and thus take a larger share of the growth.

Maximum allowed LTV



List rate vs. average rate (3M variable interest rate) (%) (Dec 2020)





# The Swedish economy

## Forecast key figures Sweden, Q4 compared to Q3 2020

	2020	2021	2022	2023
Real GDP, actual	-4.0 (-4.7)	3.4 (3.2)	2.4 (2.4)	2.1 (1.9)
Household consumption	-3.4 (-2.2)	3.5 (3.0)	3.0 (3.2)	2.0 (2.0)
Public consumption	0.0 (0.5)	2.0 (1.5)	1.1 (1.1)	1.0 (1.0)
Investments	-9.0 (-10.0)	5.0 (5.0)	3.0 (3.0)	2.5 (2.5)
Net export, GDP-contribution (pp)	-0.2 (-1.3)	0.0 (0.3)	0.0 (-0.1)	0.4 (0.1)
Employment	-2.0 (-2.5)	0.0 (0.1)	1.7 (1.4)	1.3 (1.5)
Unemployment rate (%)	8.8 (9.2)	9.1 (9.4)	8.2 (8.8)	7.6 (8.1)
Inflation, CPIF growth	0.5 (0.5)	0.9 (0.9)	1.2 (1.2)	1.5 (1.5)
Policy rate, yearly average (%)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
KIX-index (-)	119.0 (120.5)	118.2 (120.0)	117.7 (119.0)	117.1 (118.0)

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

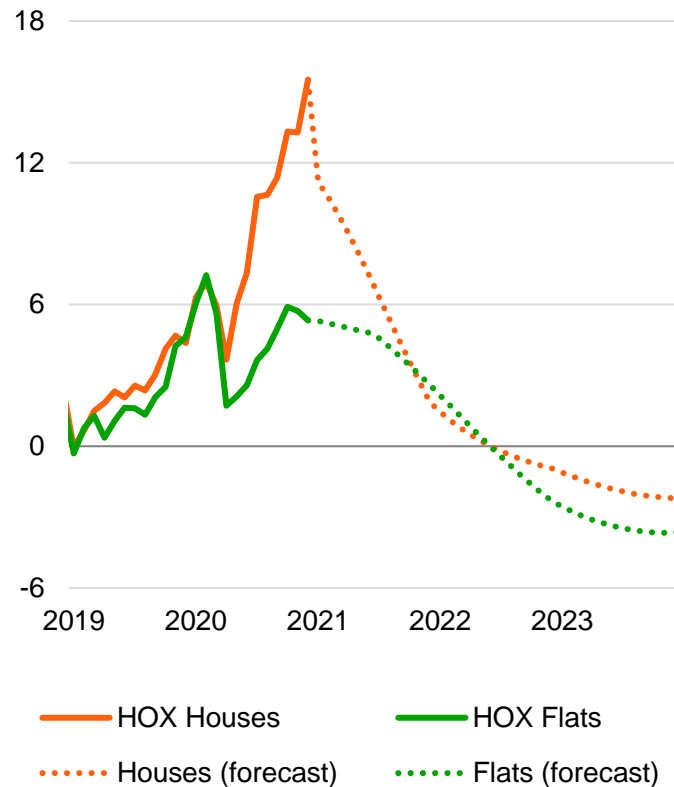
## Comments

- Unexpected rapid upturn in second half of 2020 but several remaining problems
  - The forecast outlook has gradually improved during the autumn, and the 4th quarter also looks set to exceed previous forecasts
  - Over the past years the economy has been characterised by strong population growth, low inflation and low interest rates
- Swedish economy was well-equipped to face the corona pandemic, but is generally strongly influenced by the outside world
- Strong public finances made it possible to support households and companies, as well as maintain financial stability



# Resilient housing market

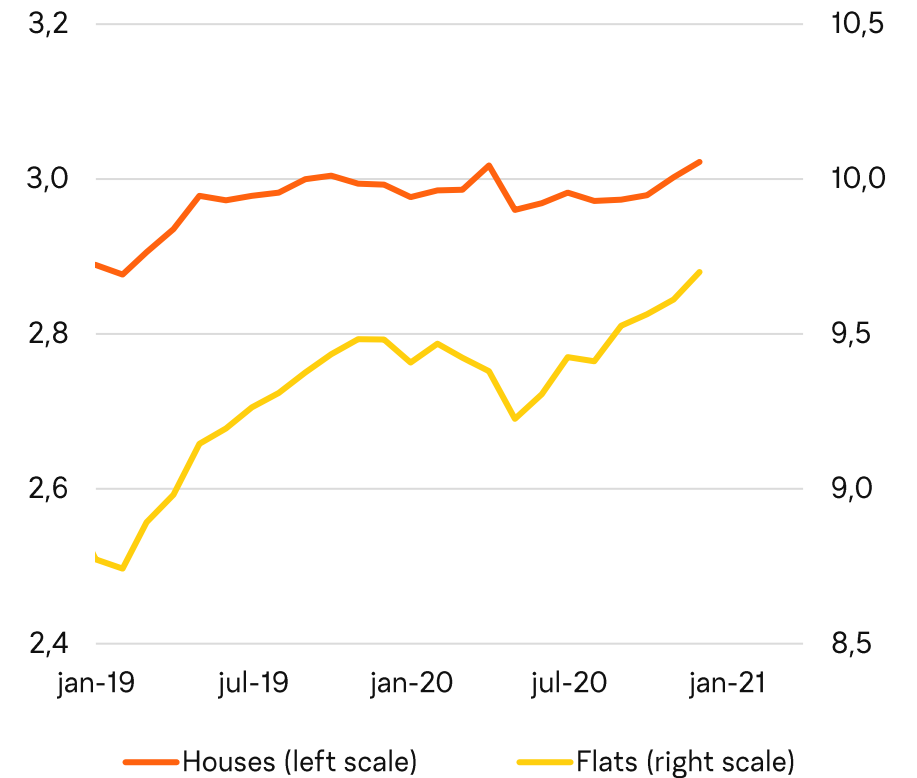
House price development, YoY (%)



Housing price index (January 2005=100)

	Index Dec-20	Change since		
		1m	3m	12m
<b>Sweden (HOX)</b>	<b>263</b>	<b>+0.2%</b>	<b>+1.7%</b>	<b>+11.5%</b>
<b>Flats</b>	<b>311</b>	<b>+0.3%</b>	<b>+0.8%</b>	<b>+5.3%</b>
Stockholm	294	-1.0%	+0.4%	+4.4%
Gothenburg	349	+0.6%	+1.4%	+4.3%
Malmö	281	+0.2%	+2.5%	+8.9%
<b>Houses</b>	<b>252</b>	<b>+0.6%</b>	<b>+2.3%</b>	<b>+15.5%</b>
Stockholm	256	+1.7%	+3.5%	+16.7%
Gothenburg	256	+1.7%	+4.5%	+13.5%
Malmö	234	-0.8%	+0.6%	+15.1%

Housing turnover (%)





# Temporary amortisation relief

Easily accessible information on SBAB's platforms

Extensive Q&A relating to the COVID-19 pandemic available on SBAB's website. SBAB has also developed a service (available online and in the app) which allows all customers to apply for amortisation relief.



Residential mortgage customers



### Stressed interest rate

During Q2, SBAB lowered the stressed interest rate applied in the housing cost calculation ("KALP"), used as a basis for granting residential mortgages, from 6.5% to 6.0% to better reflect the prevailing interest rate situation.

Amortisation relief

19,200 households

SEK 43 billion

Data as of 31 Dec 2020



Tenant-owners' Associations and Corporate Clients



Amortisation relief

7 customers

SEK 300 million

Data as of 31 Dec 2020



# Quarterly Financial Update Q4 2020

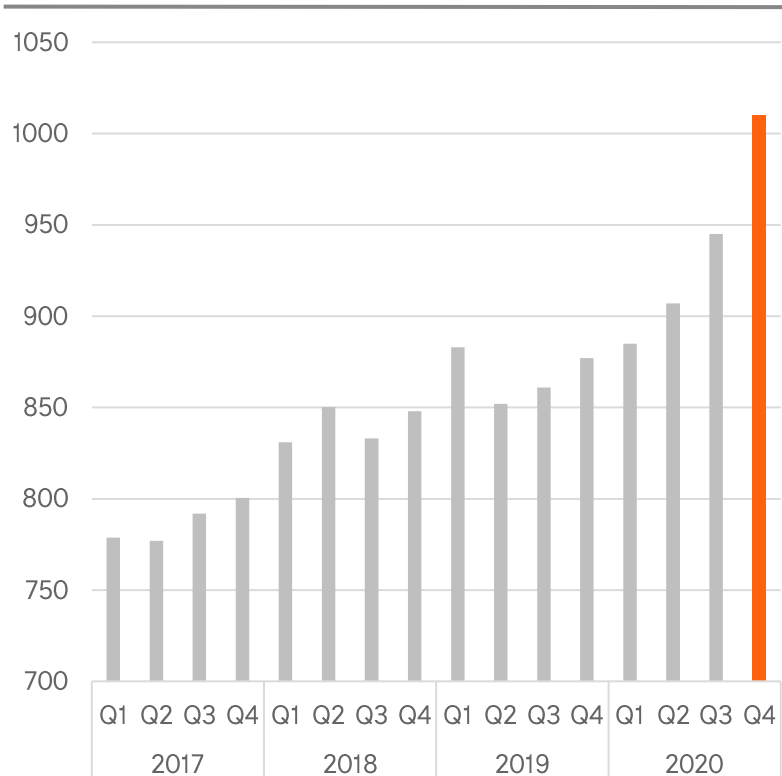
# Financial highlights Q4 2020

	Q4 2020	Q3 2020	QoQ ▲	Comment
1 Net interest income	1 010	945	+6.9%	→ Primary source of income. Development driven by larger lending volumes and lower interest rates as a result of lower market interest rates
2 Net result of fin. transactions	11	-11	22 mn	→ Revaluation of counterparty risks in SBAB's derivative exposures (CVA/DVA)
3 Costs	-402	-310	+30%	→ The increase is mainly due to a one-off write-down of SEK 67 million that was made during the last quarter of the year after an impairment test of all tangible and intangible assets. Personnel costs also increased during the fourth quarter due to an increase in the number of FTEs and higher costs for development consultants as the previous quarter fell during the summer months.
4 Credit losses	2	4	+2 mn	→ Very low credit losses over time as expected with SBAB's concentration on mortgages. Increased provisions 2020 for possible credit losses linked to the effects of the coronavirus pandemic
5 Operating profit	619	636	-2.7%	→ Strong underlying operating profit. However, the above mentioned 67 million write-down affected the operating profit negatively
6 ROE	11.1%	11.5%	-0.4 pp	→ Risk/return trade off – competitive profitability and returns given SBAB's low risk business. Well above target (>10%) last 5 years
7 C/I ratio	39.5%	32.9%	+6.6 pp	→ Competitive cost efficiency. Continued investments according to plan
8 CET1 capital ratio	13.4%	12.7%	0.7 pp	→ Continued comfortable margin to external and internal requirements

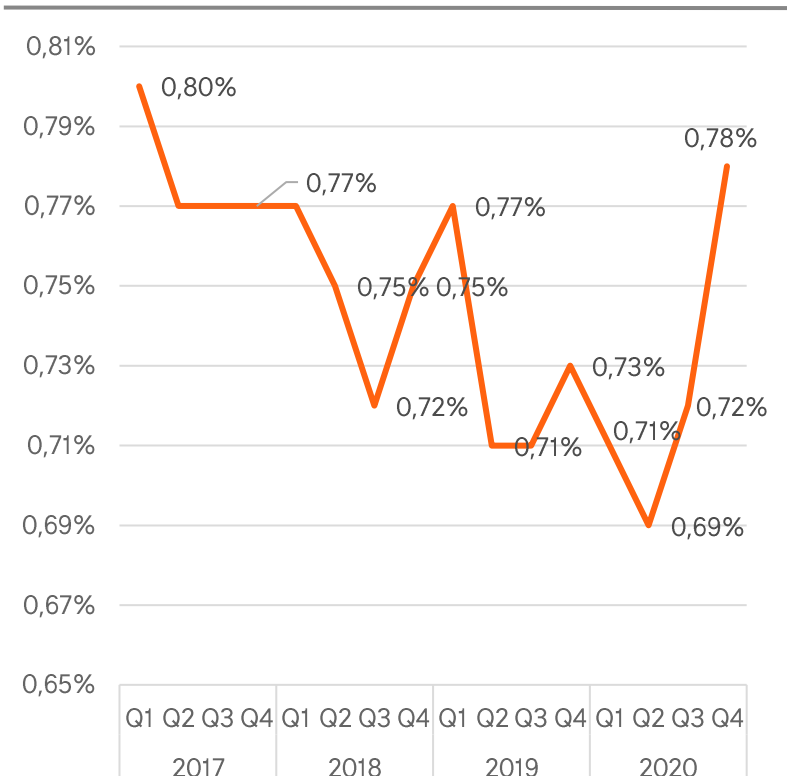
# NII development

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

Net interest income QoQ (%)



Net interest margin QoQ (%)



Comments

- Highest NII to date. NII increased 6.9% to SEK 1,010 million (945) over the quarter, mainly due to higher lending volumes and lower interest rates
- Increased margins during Q4 driven by lower interest expenses as a result of lower market interest rates. Some margin pressure expected ahead due to increased competition in the retail mortgage market
- Stable lending margins expected for corporate lending and lending to tenant-owners' associations

NIM calculated as net interest income in relation to total assets

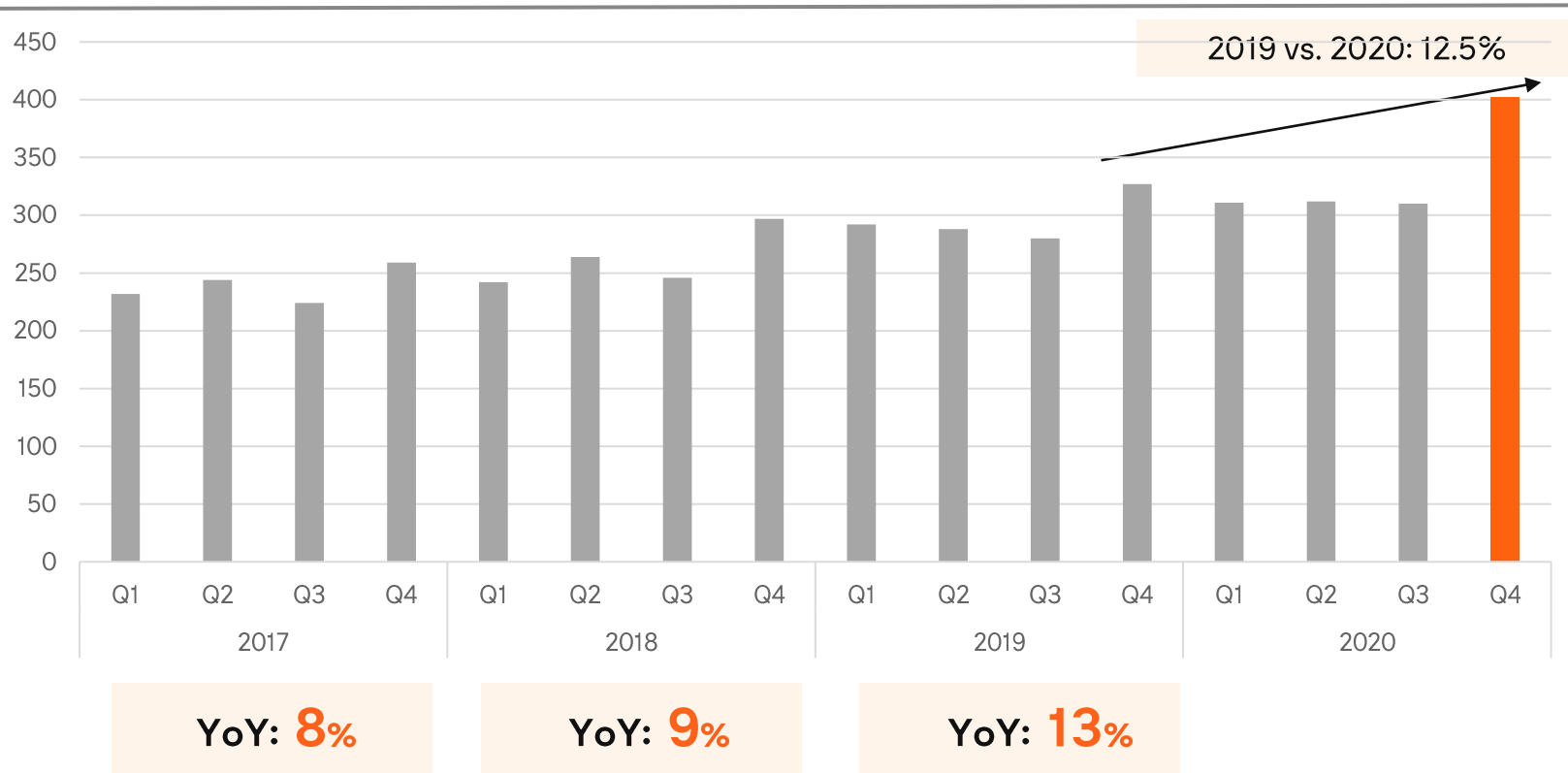




# Cost management

– Increased investments for future competitiveness

Cost development QoQ (SEK mn)



## Comments

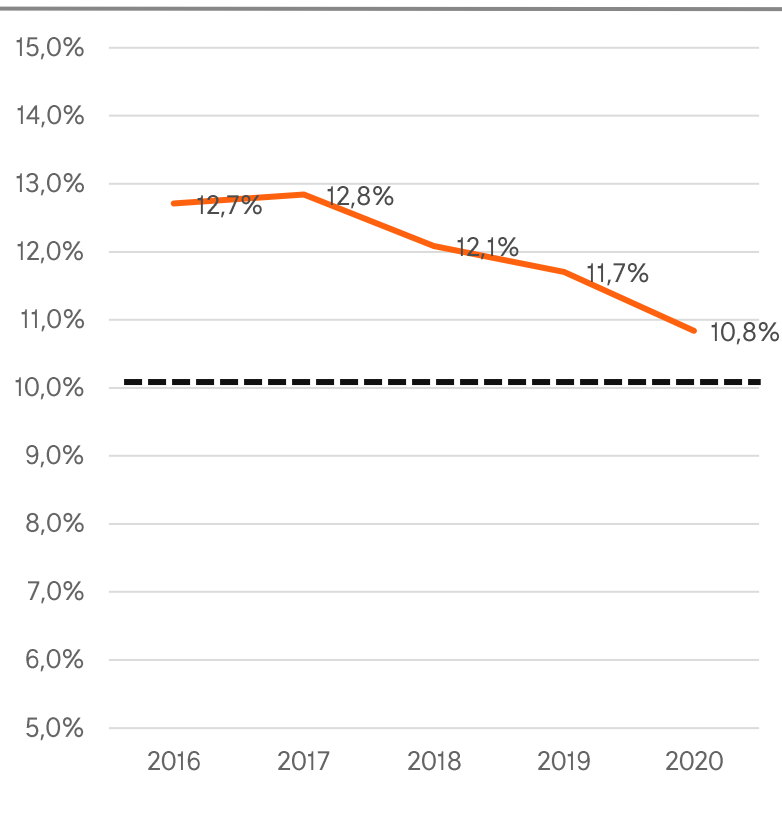
- Costs increased by 30% in Q4 compared to Q3, mainly due to a 67m one-off write-down in Q4
- Increased investments for future competitiveness:
  - Customer offering (incl. increased distribution power, customer service & customer experience)
  - Digitalisation
  - Replacement of IT-infrastructure (core banking platform)
  - Increased compliance & regulatory requirements



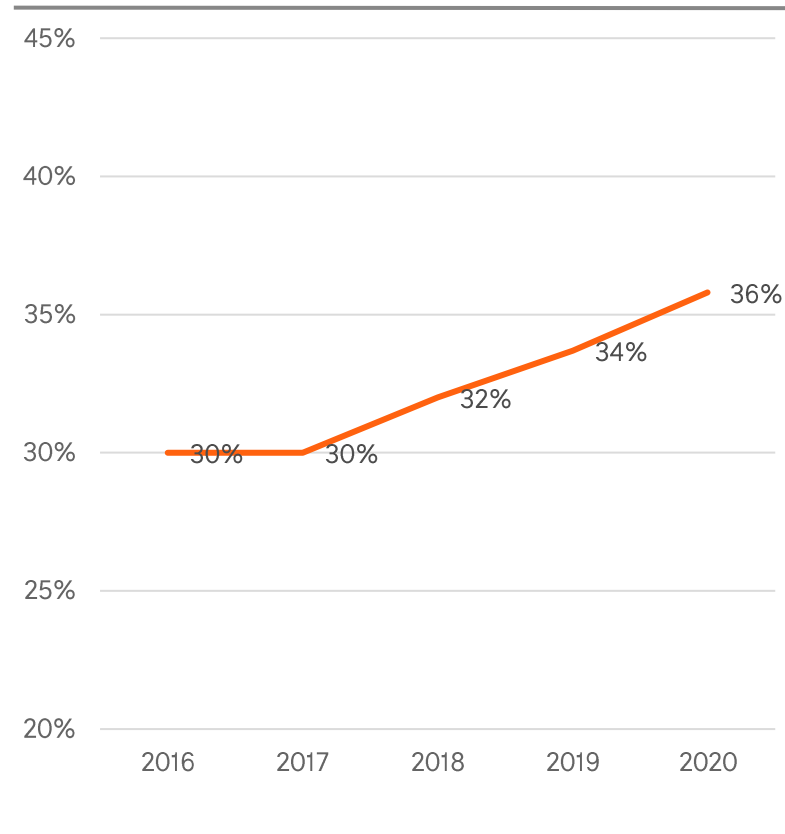
# Financial KPIs

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

Return on equity\*, %



C/I-ratio, %



Comments

- Strong underlying profitability (above profitability target of RoE > 10% last 5 years). Some pressure on ROE in 2020. Increased equity due to retained earnings 2019 and 2020 have also impacted RoE
- Highly competitive cost efficiency, although increased investments (according to plan) has impacted C/I ratio

\* From 31 March 2017, return on equity calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 securities, value changes in financial assets recognized in equity. Opening balances have been adjusted for distributed dividend the year before. Comparative figures before 2017 have been recalculated according to new calculation method.



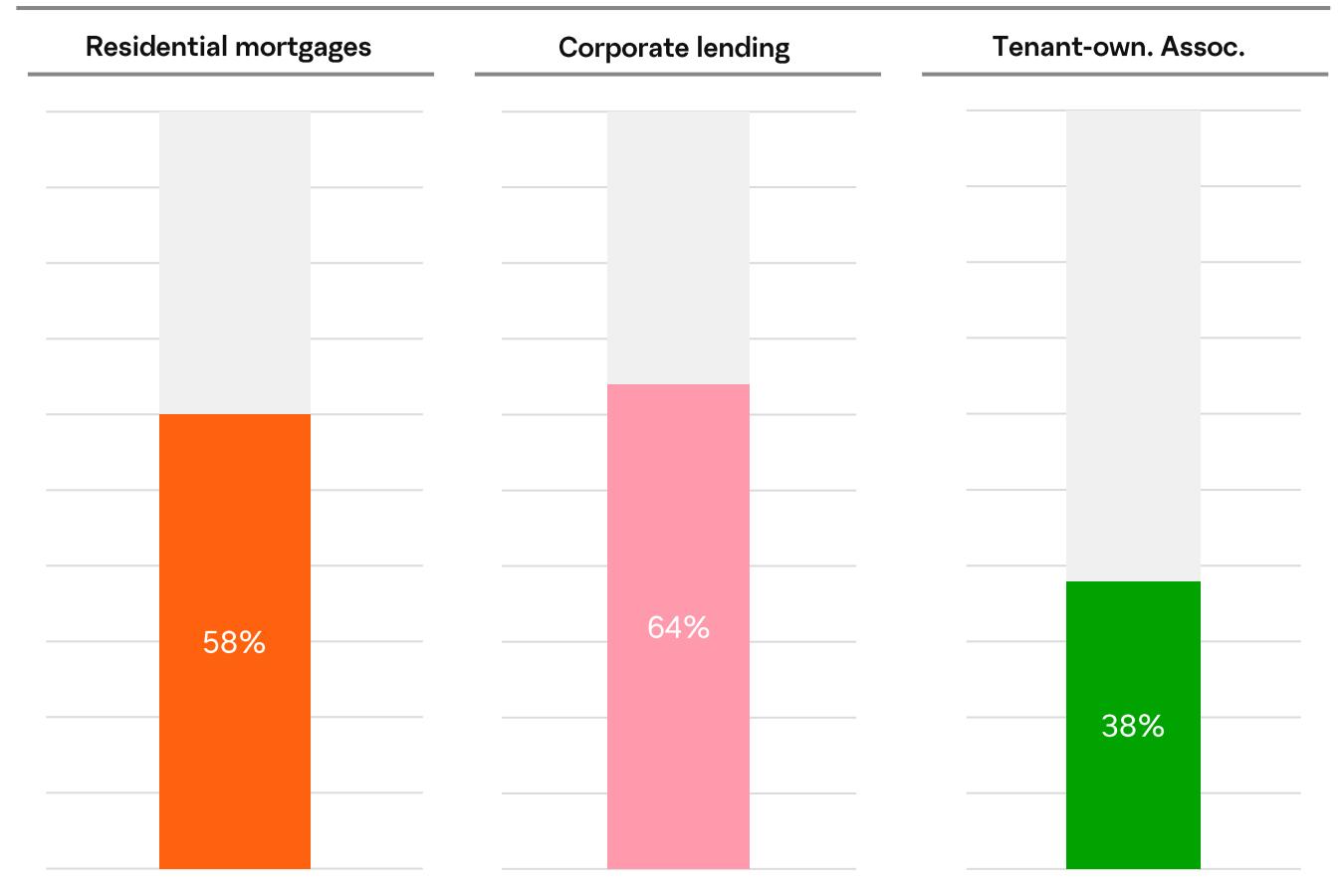
# Asset Quality

# Lending mix

# SBAB!

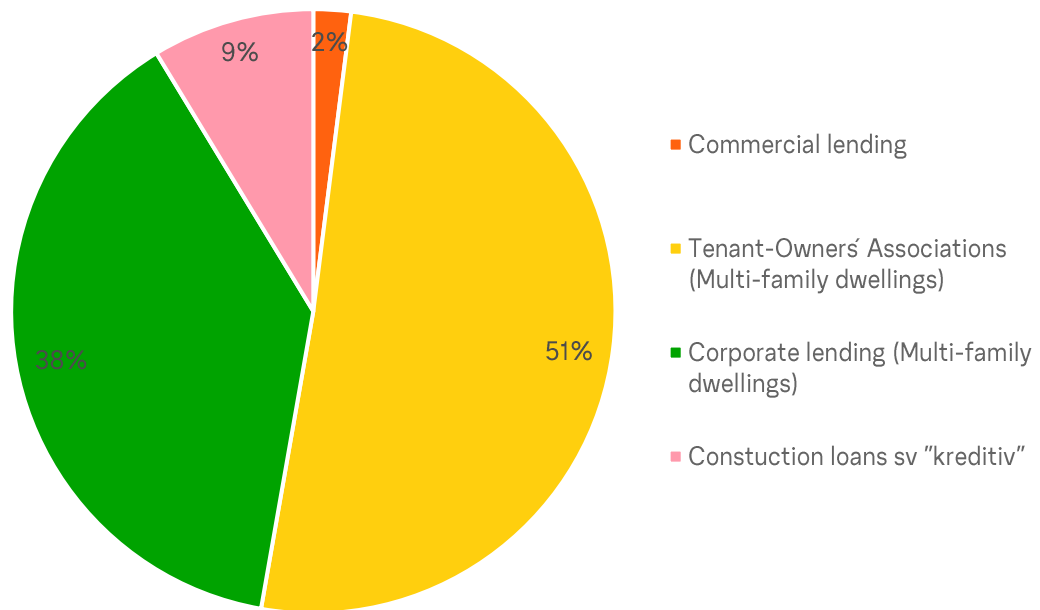
	SEK bn	%
Residential mortgages	310.8	73.5%
Consumer loans	2.5	0.6%
Corporate lending	54.2	12.8%
- Of which, commercial lending	2.2	0.5%
- Of which, construction loans ("kreditiv")	9.3	2.2%
Tenant-owners' associations	55.4	13.1%
<b>Total lending</b>	<b>422.8</b>	

## LTV ratios in loan book



# Overview of corporate lending

## Lending split Corporate Clients & Tenant-Owners' Associations



## Comments

- Focus on large and experienced property developers with strong balance sheet
- Constuction loans (Sw "kreditiv") capped at 6% of total lending (see next page)
- SBAB's exposure to pure commercial properties is limited. Commercial lending capped at 3% of total lending (currently 0.7%). Our primary focus is on financing multi-family dwellings



# Construction loans

– Focus on major residential developers and existing relationships with solid track records

## Comments

- Focus on major residential developers and existing relationships with solid track records
- 88 outstanding construction loans (85 number of properties) totaling SEK 15.18 billion (of which 65% disbursed). Construction loans capped at 6% of total lending (current level 3.2%)
- More prudent acceptance levels for smaller residential developers, e.g. higher levels of equity, number of sales agreements
- Most of the construction loans are to companies with diversified revenue streams (i.e. not only from real estate development, but from rental apartments, infrastructure projects and real estate management). Strong balance sheets and good levels of liquidity among SBAB:s customers with building credits

## Key metrics

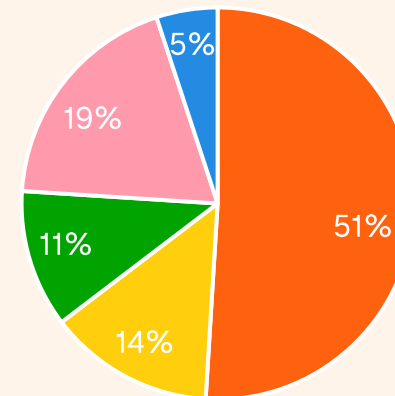
Granted credit amount

**15.18**<sub>bn</sub>

Disbursed share

**65%**

## Geographical distribution



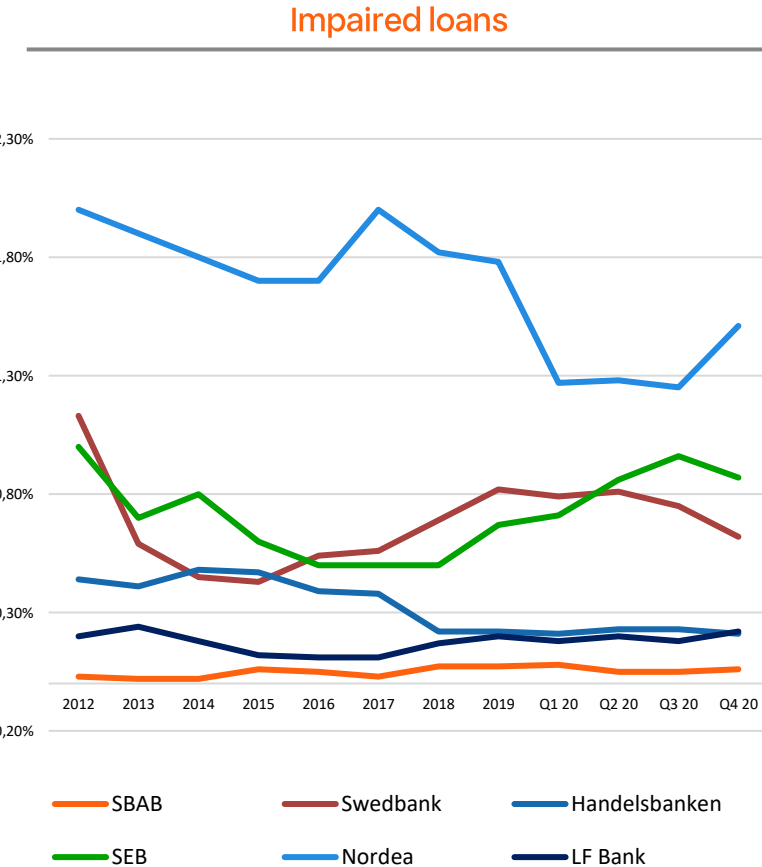
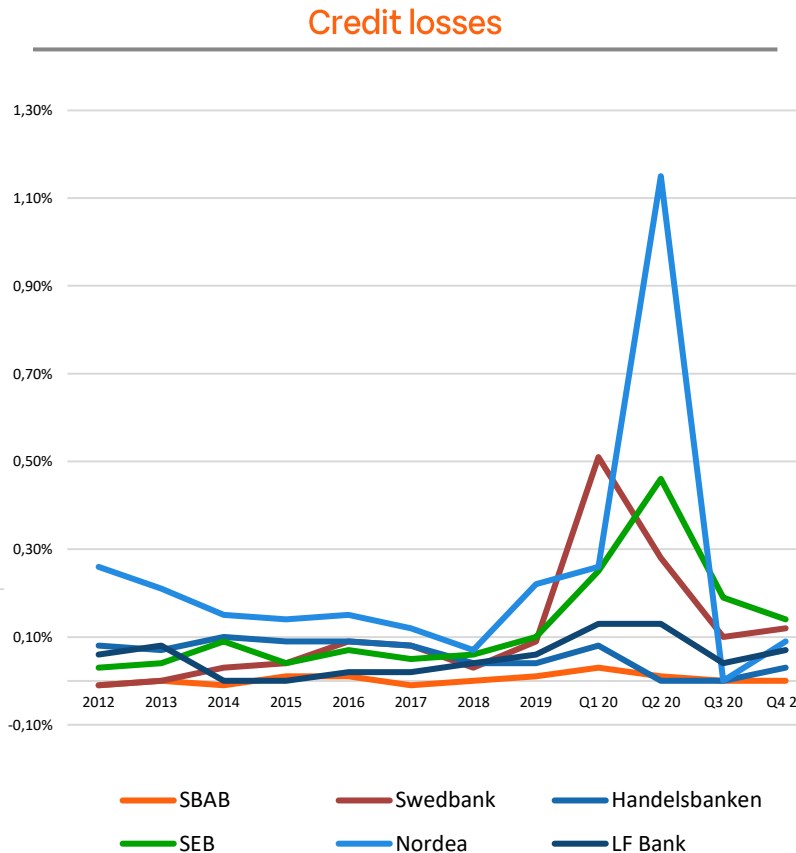
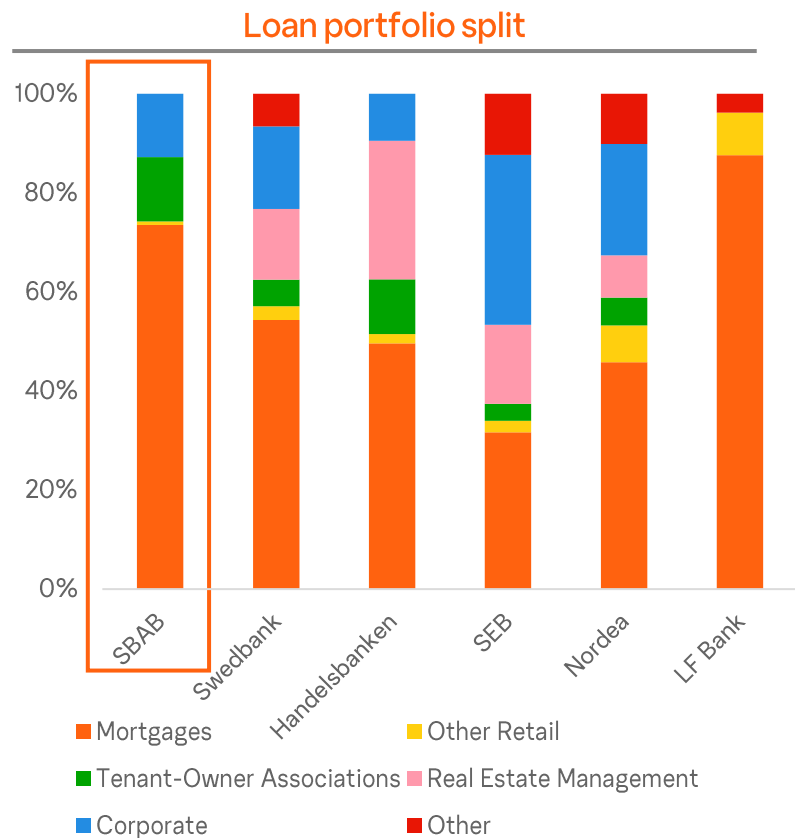
- Stockholm area
- Gothenburg area
- University cities and growth regions
- Öresund region (incl. Malmö)
- Other regions





# Swedish mortgages—a low-risk business

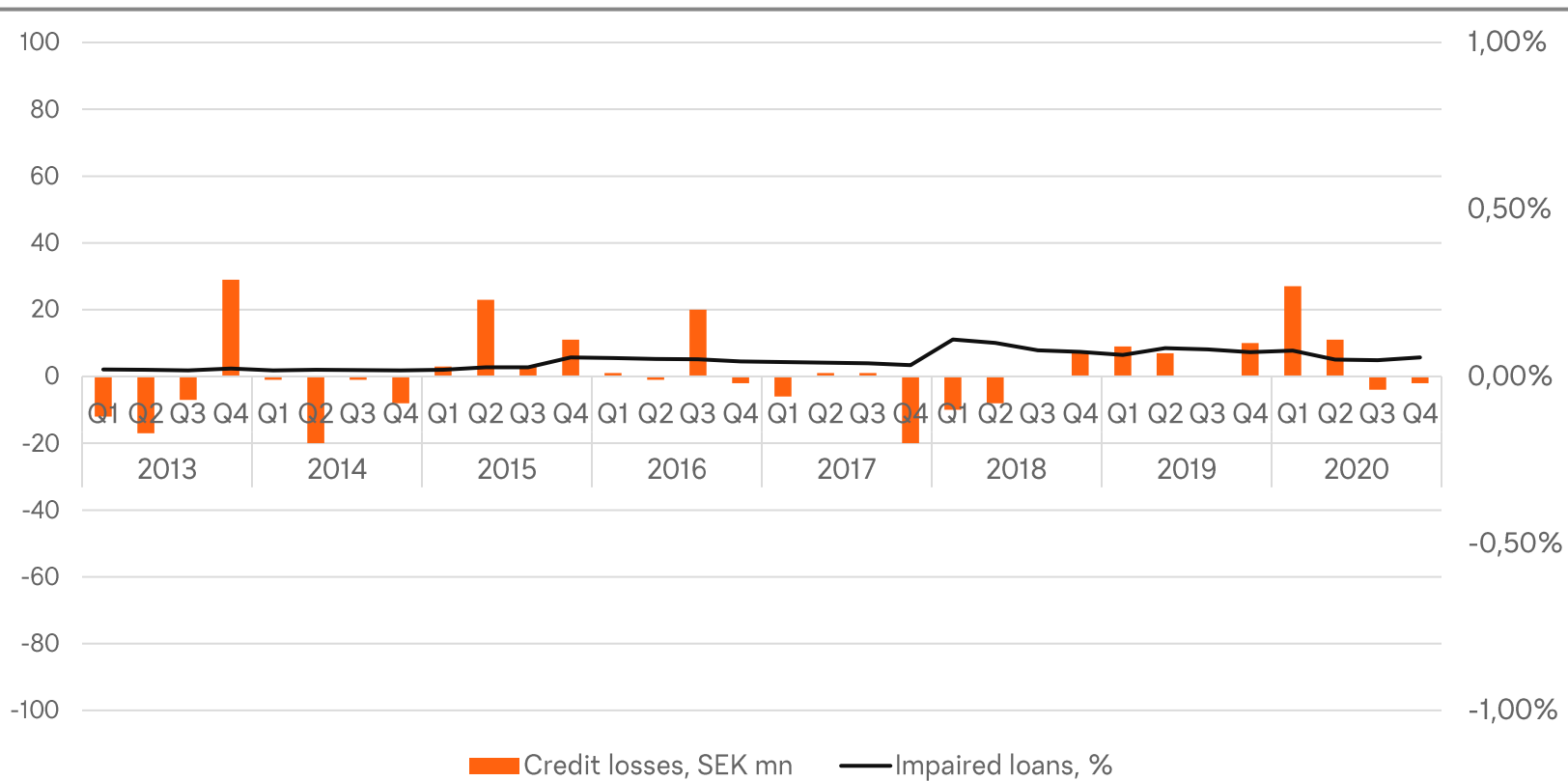
– High concentration on Swedish residential mortgages – very low loan losses/problem loans over time



# Superior asset quality

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

Credit losses (LHS) & Impaired loans (RHS)



Key metrics Q4 2020

Credit losses  
**+2 million**

Credit loss ratio  
**0.00%**

Share of Stage 3 loans, gross  
**0.06%**



# Swedish mortgages – a low risk business

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

## Affordability Assessment

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

## 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

## “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



# Funding, liquidity & capital

# Rating overview

## Senior Unsecured Rating

Moody's Stable Outlook **A1**

STANDARD & POOR'S RATINGS SERVICES McGRAW HILL FINANCIAL Stable Outlook **A**

Short-term rating: P-1 / A-1

MOODY'S

STANDARD & POOR'S RATINGS SERVICES  
McGRAW HILL FINANCIAL

Investment Grade

Aaa *Sov. rating*

AAA *Sov. rating*

Aa1

AA+

Aa2

AA

Aa3

AA-

A1 *Senior Preferred*

A+

A2

A *Senior Preferred*

A3

A- *SACP*

Baa1 *BCA*

BBB+ *SNP*

Baa2 *T2 / SNP*

BBB *T2*

Baa3

BBB-

Non Investment Grade

Ba1 *AT1*

BB+

Ba2

BB *AT1\**

[...]

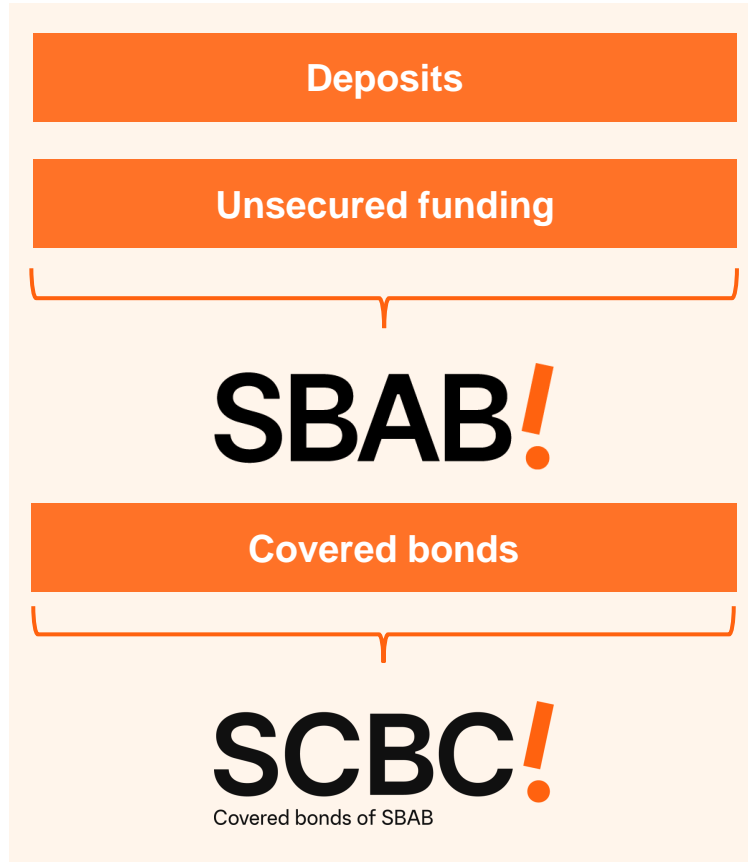
[...]

\* Revised 2019/22/05 from BB+

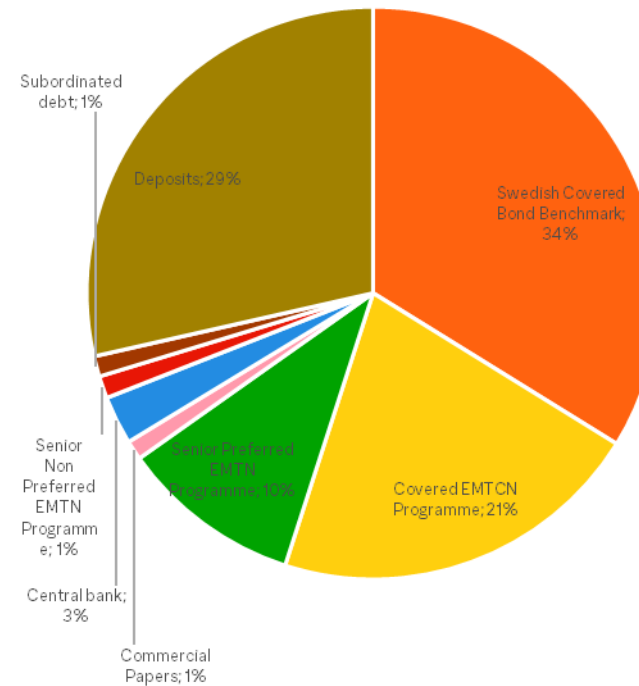


# Overview of funding

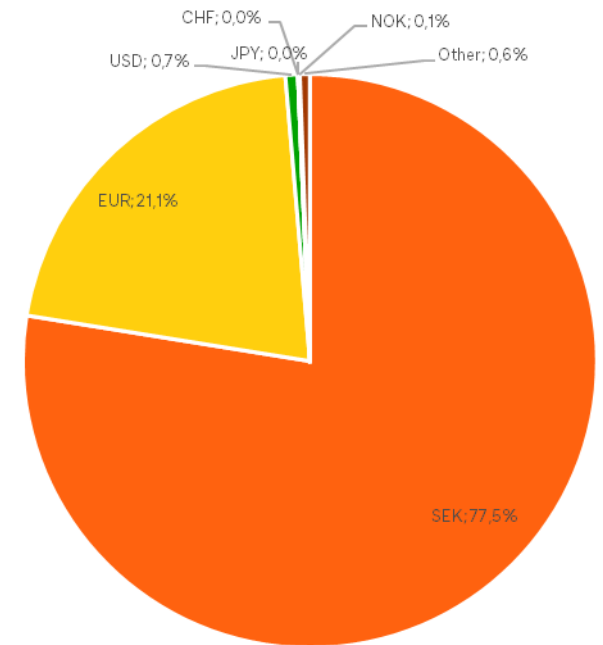
– Total funding portfolio SEK 475 billion (as of 31 Dec 2020)



Funding sources



Funding currencies



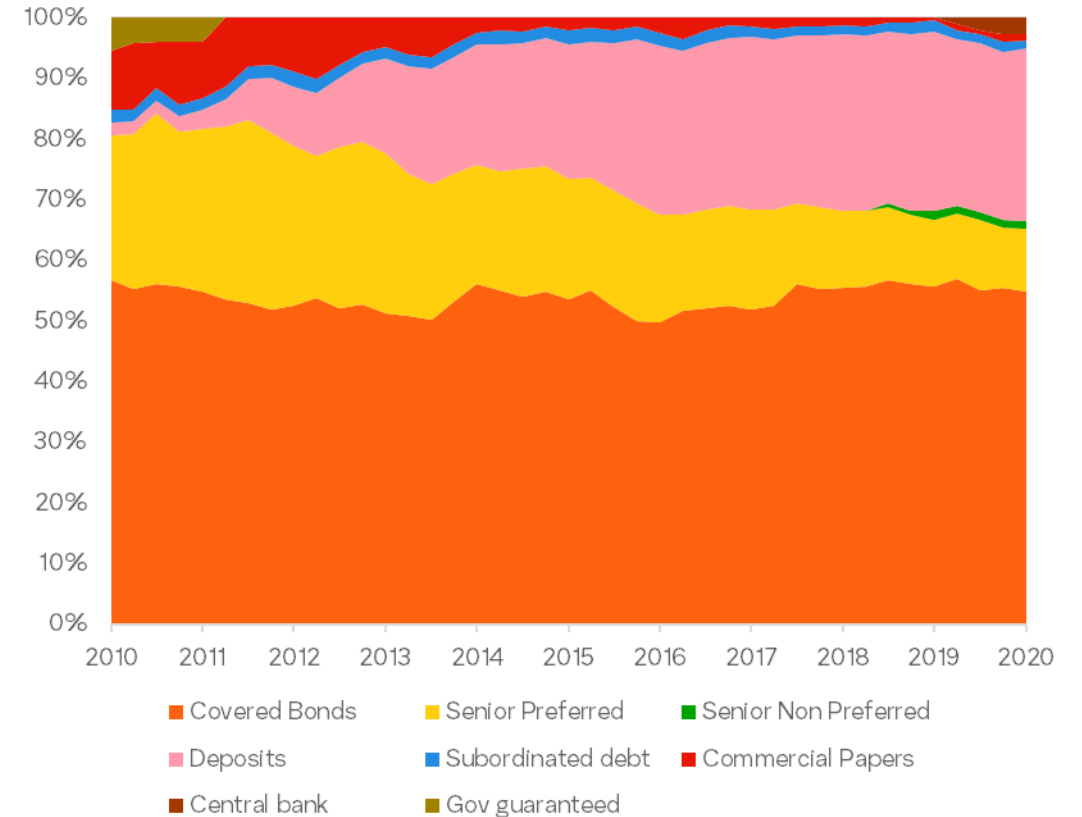


# Funding strategy & development

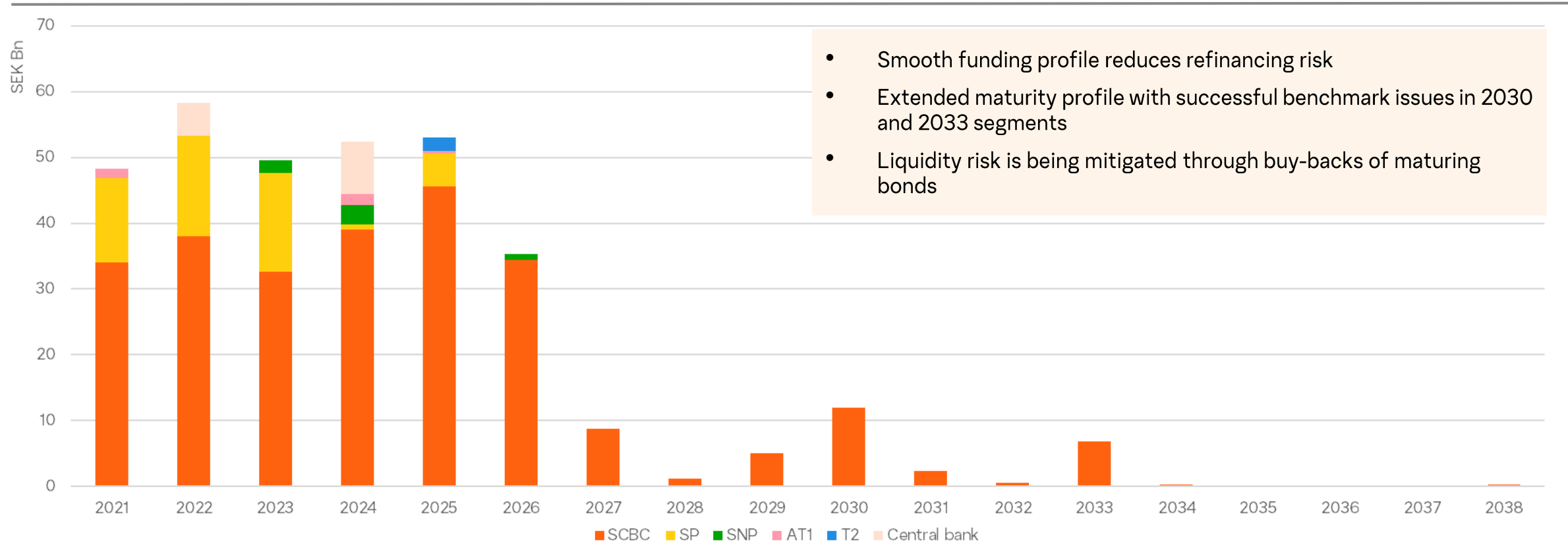
## Funding strategy

- Continuous and committed investor work in core markets and towards core investors to further increase name recognition and transparency
- Maintain access to core funding markets - SEK- and EUR-market
  - Regular benchmark issuance in Covered Bond format as and in Senior Unsecured format
  - Private placements as a complement
- Reduced wholesale funding reliance due to growing deposit volumes. Maintain a low reliance on foreign currency funding
- Efficient use of Covered Bond Funding ~ 55% of total funding. Utilising the depth and stability of the Swedish Covered Bond Market
- Limited use of short dated funding through CP-programs, interbank funding and central bank facilities
- Committed to green bond issuances subject to green lending volumes

## Development of funding sources over time



# Maturity profile



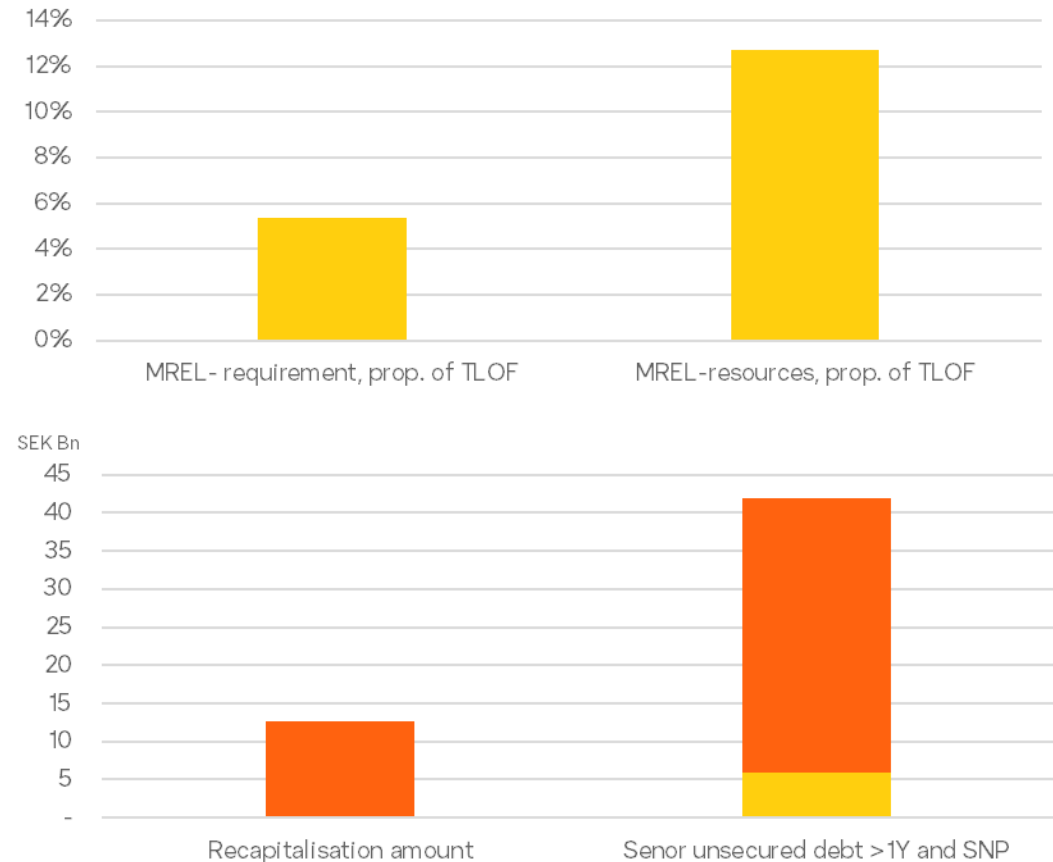
# MREL-requirement

- MREL-requirement

## Background

- In June 2018, SNDO (Riksgälden) made public that the principle of subordinated liabilities shall also apply to the six mid-sized institutions that are critical for the financial system
  - **To support the banking system in current corona pandemic environment, phase in period has been extended until end 2023**
- SBAB's total MREL-requirement is currently set at 5,35% of Total Liabilities and Own Funds (TLOF)
  - Total need for MREL debt around SEK 27 bn, where approximately SEK 13 bn is the recapitalisation amount (to be covered with senior non preferred debt)
  - Compliant with requirement with current outstanding senior unsecured debt
  - SBAB's estimated balance sheet growth and buffer will add to MREL requirement
- Need for eligible Senior non preferred debt (requirement and buffer) of approximately SEK 20 bn by end of 2023
- Gradual build up of eligible liabilities (senior non preferred) over coming years (subject to regulatory developments)
  - Upcoming implementation of EU banking package in Sweden indicates slightly higher SNP need

## MREL requirement and liability proportion principle, Q4 2020

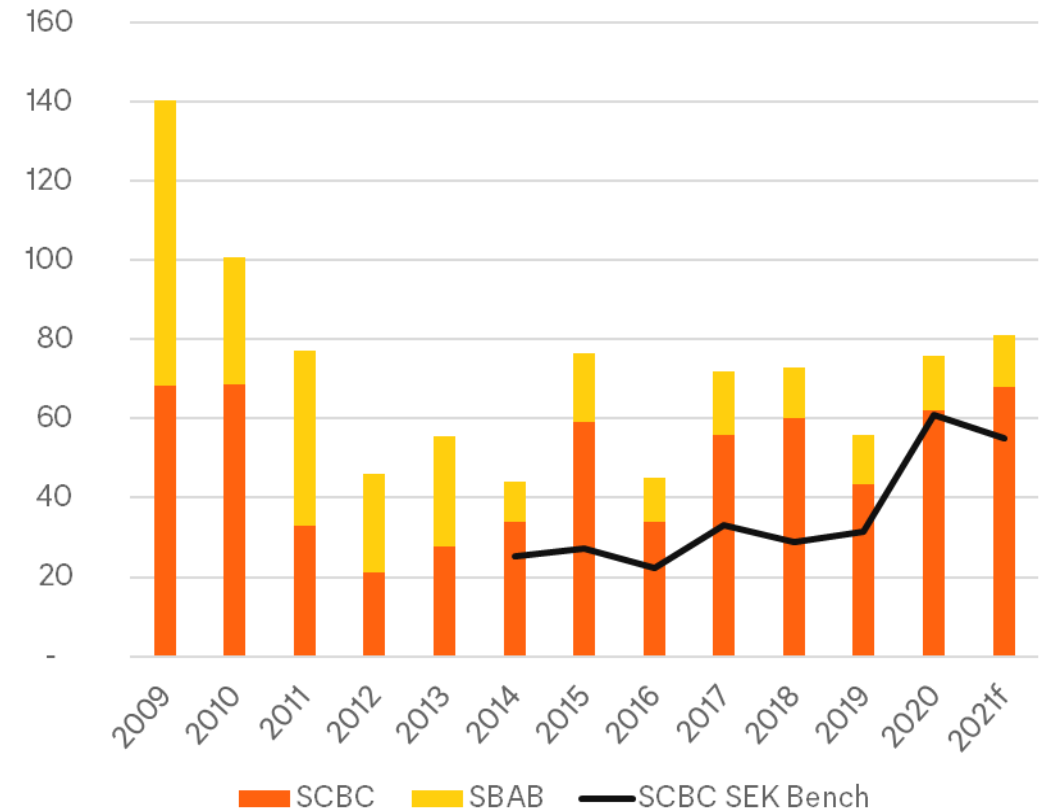


# Future issuance

## Future issuance

- Total long-term funding for 2021 expected to be approximately SEK 80 bn
- Overall strategy is to long term maintain presence and regularity in core funding markets (predominantly EUR and SEK)
  - New SEK covered bond benchmark/benchmarks per year
  - One to two public EUR transactions in international funding markets per year
  - Private placements in SEK and international funding markets
  - Senior non preferred issuances – SEK issuance, EUR and other currencies as a complement
- Capital issuances (AT1 & T2) predominately in SEK
- SBAB's focus is to use intermediate (5y+) tenors to support duration in covered bonds
- Regular future issuance: Dedicated to SEK and EUR markets in covered and senior format

## Annual issuance, SEK (bn)



# INSIGHT: Green lending & funding



## Linking green lending to green funding

## Rationale behind green efforts

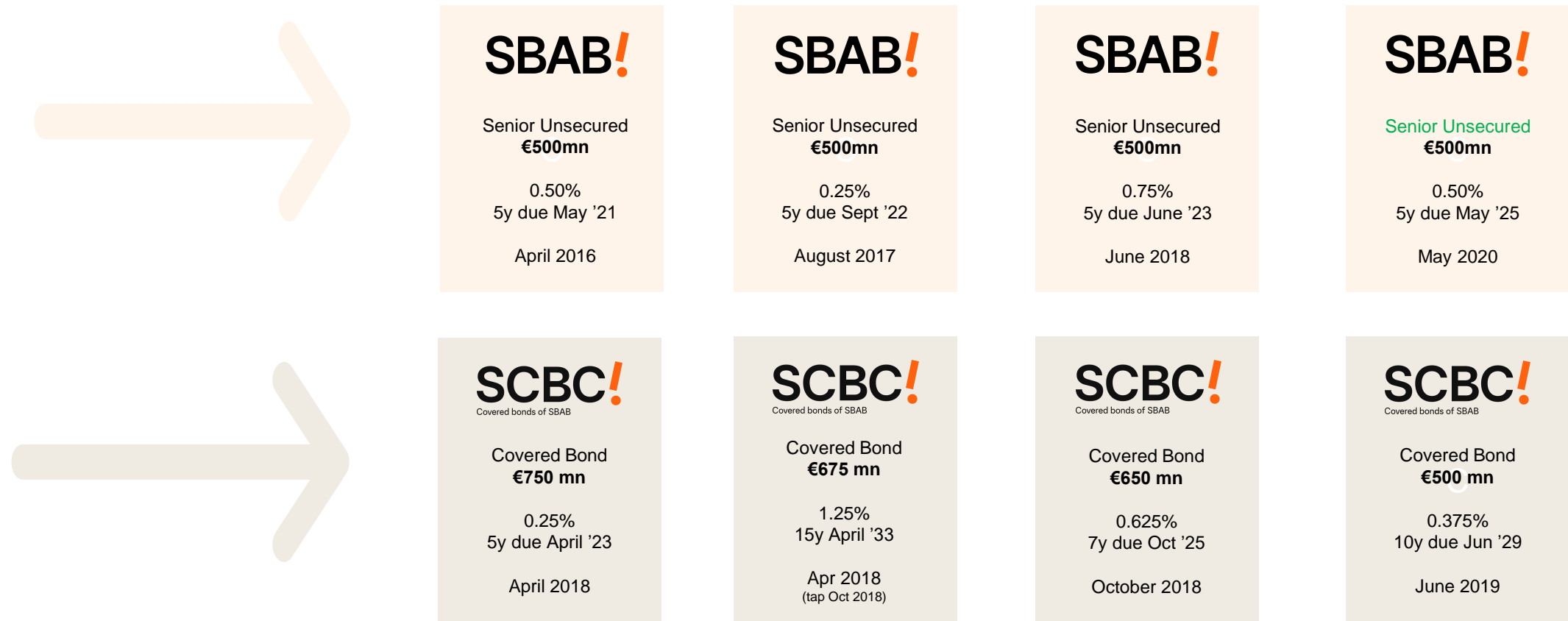


- **Green lending:** Stimulate demand for energy efficient housing as well as creating opportunities and incentives (e.g. by offering discounted loans) for customers to invest and implement energy improving measures in their homes and properties
- **Green funding:** Offer investors the opportunity to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

\*Estimate as of 31 December 2020



# Regular presence in EUR market

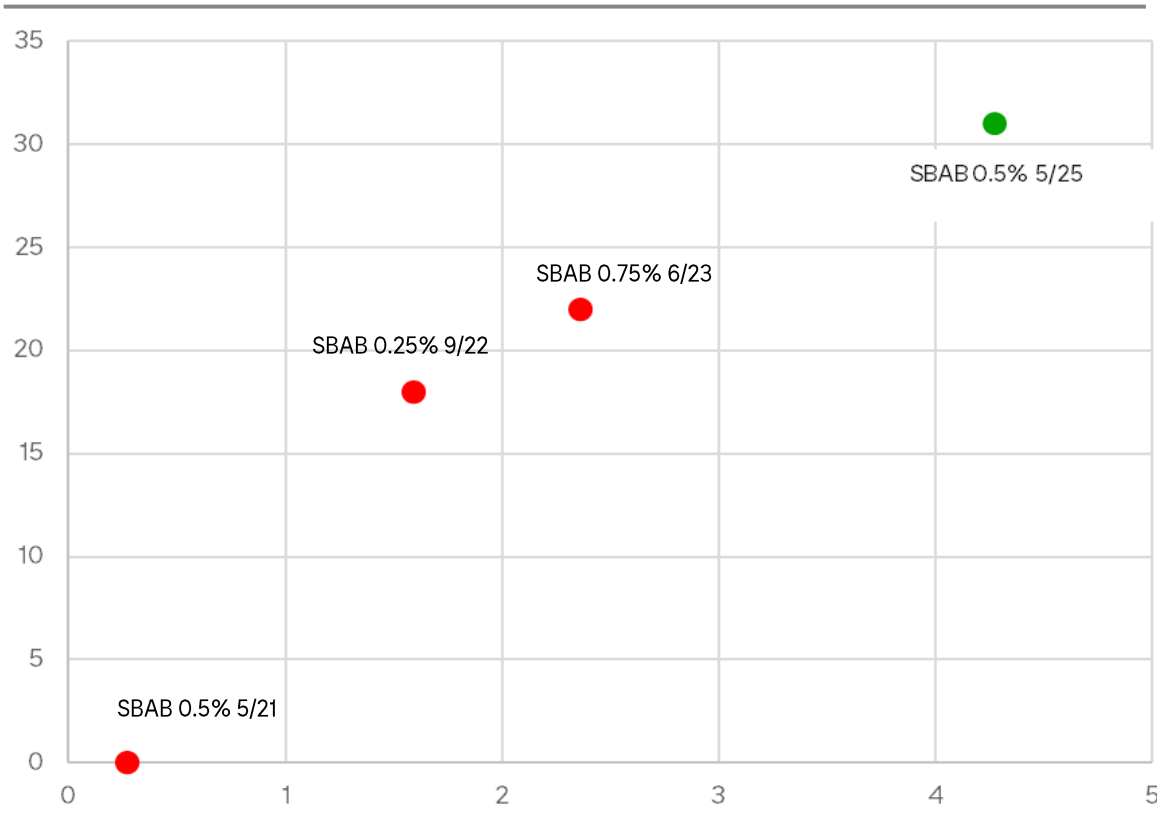




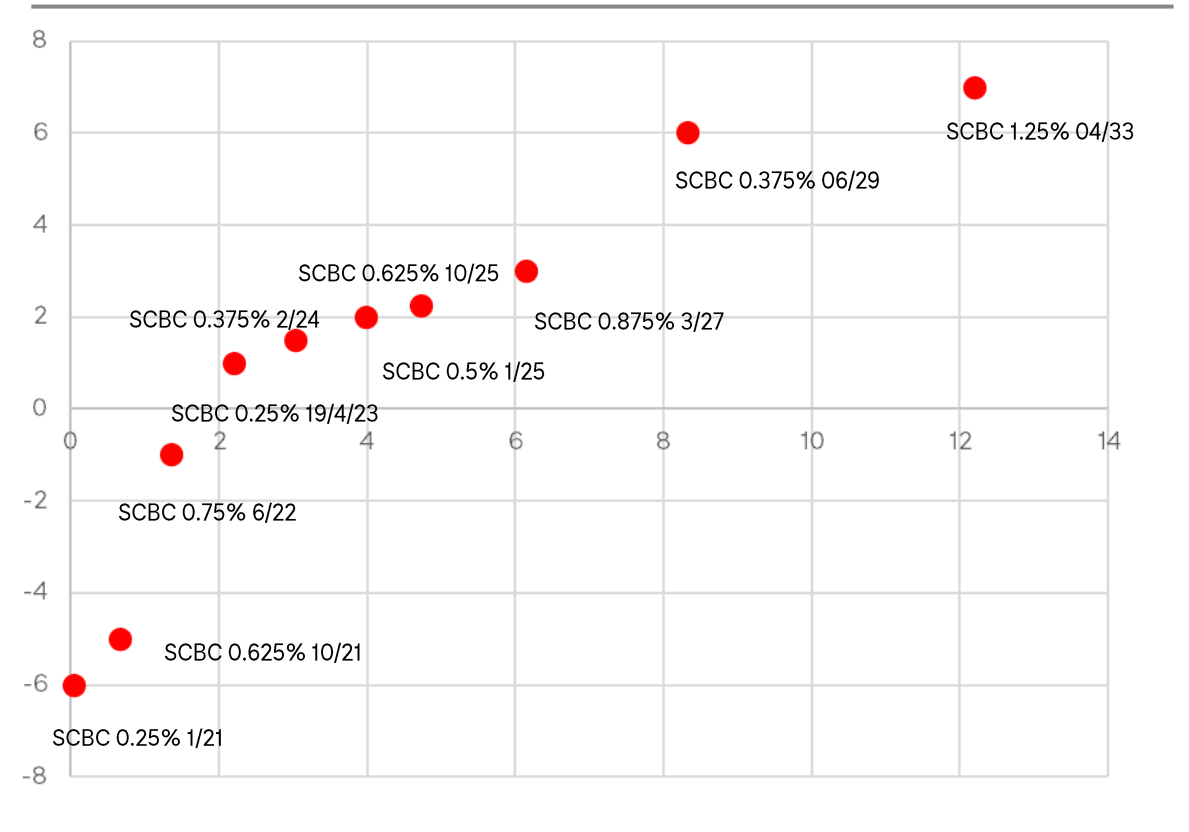
# Outstanding SP and CB (EUR)

- Spread vs MS, bps

## Senior Unsecured (SP)



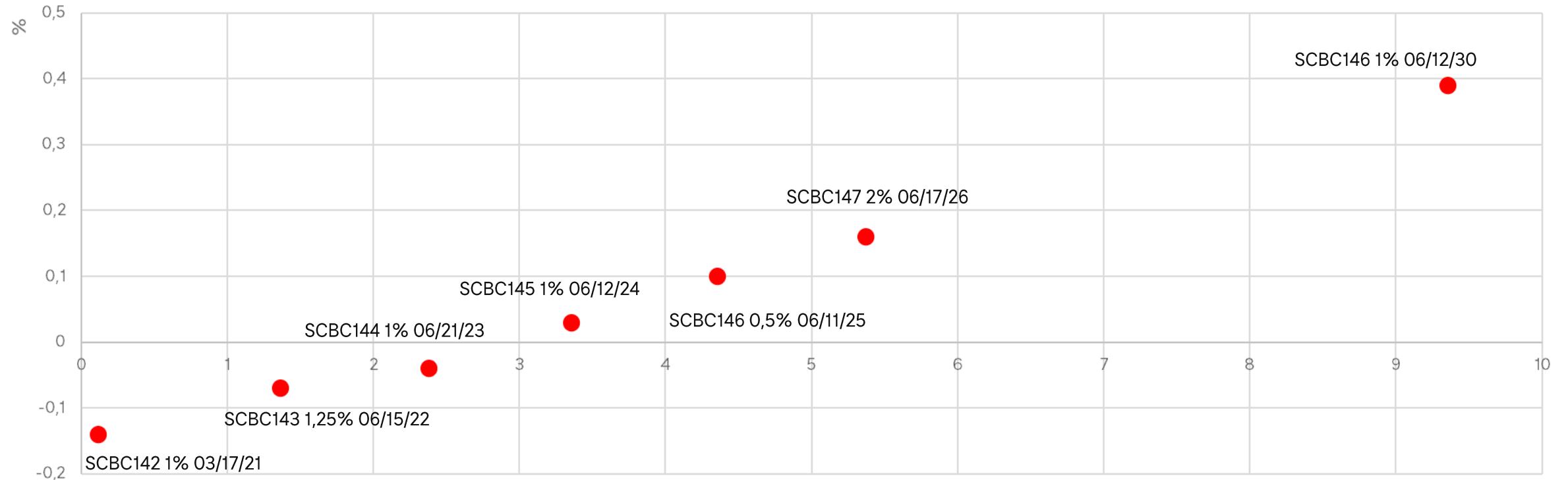
## Covered Bonds (CB)



# Outstanding CB (SEK)

- Yield to maturity

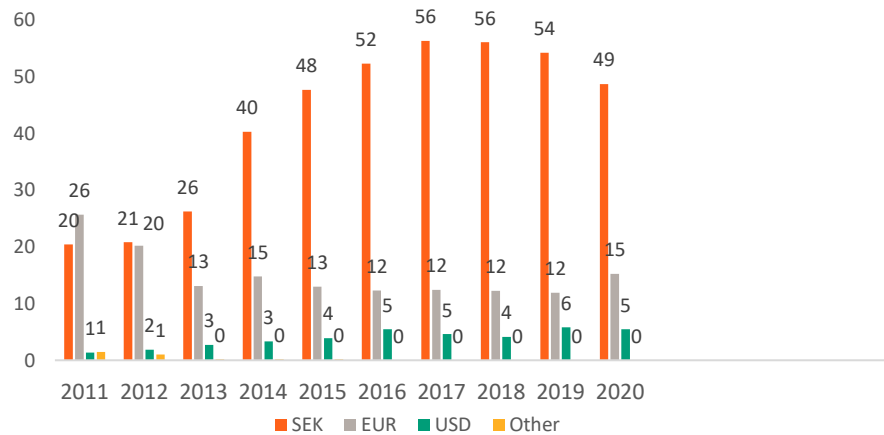
Liquid benchmark CB curve in SEK covering broad range of tenors



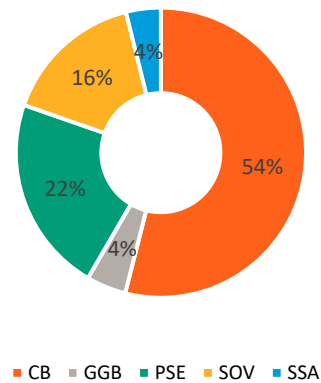
# Liquidity position

- Strong liquidity position with LCR and NSFR well above regulatory requirements
- Survival horizon implies liquidity need coverage for 266 days under stressed scenario (unchanged lending portfolio, severe deposit outflow and no new funding added)
- High quality and diversified liquidity reserve within relevant currencies with 95% AAA rated
- Liquidity reserve eligible at the Riksbank and/or ECB

## Liquidity portfolio (Currency distribution)



## Liquidity portfolio (Securities type)



## Key metrics

### Liquidity portfolio

**69<sub>bn</sub>**

### LCR

**170%**

### NSFR

**129%**

### Survival horizon

**266<sub>days</sub>**



# Update on capital

SBAB well above external and internal requirements

## Components of SBAB's capital target Q4 2020

SEK million	Total capital	%	CET1 capital	%
<b>Estimated capital requirements from the S-FSA</b>	<b>15,944</b>	<b>12.2</b>	<b>10,469</b>	<b>8.0</b>
– Of which, Pillar 1 minimum requirement	3,889	3.1	2,188	1.7
– Of which, Pillar 1 risk-weight floor, Swedish mortgages	6,532	4.9	3,674	2.8
– Of which, Pillar 2 core requirement	2,249	1.7	1,333	1.0
– Of which, Capital conservation buffer	3,257	2.5	3,257	2.5
– Of which, Countercyclical buffer	17	0.0	17	0.0
<b>SBAB's capital target</b>	<b>16,726</b>	<b>12.8</b>	<b>11,250</b>	<b>8.6</b>
<b>SBAB's actual capital</b>	<b>22,992</b>	<b>17.6</b>	<b>17,492</b>	<b>13.4</b>

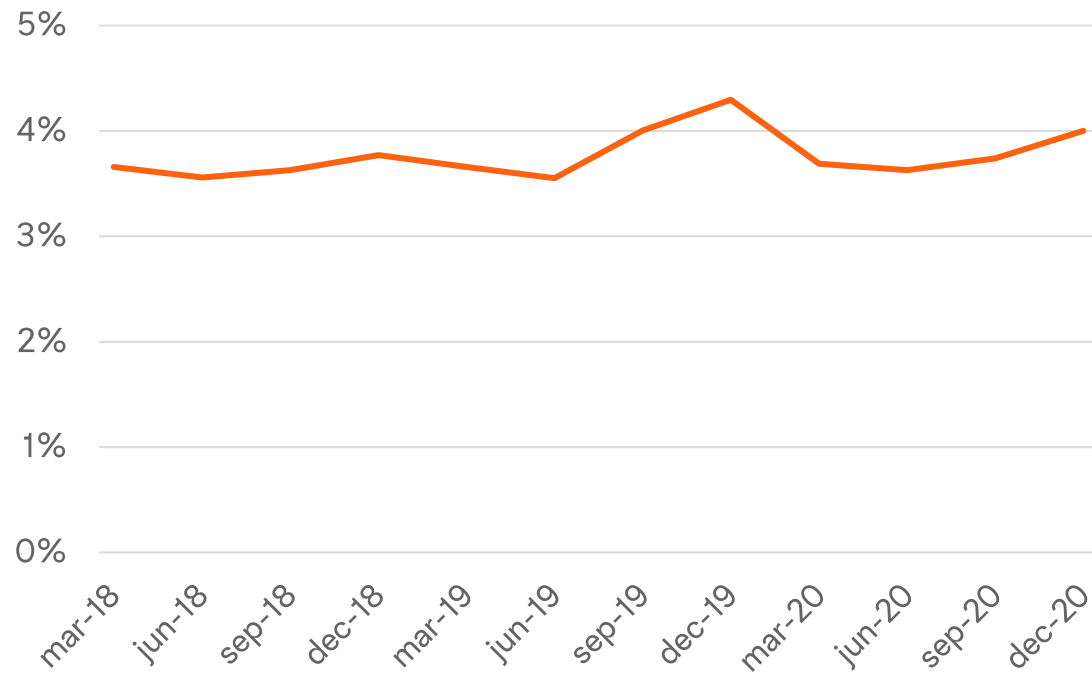
## Comments

- Capital target: CET1 and total capital ratio at least 0.6% above the requirement communicated by the S-FSA
- SBAB remains well above external and internal requirements in Q4 2020
- SBAB's board proposes to not pay dividend for the year 2020, which has increased the capital ratio.
- Leverage ratio of 4.0% as per 31 December 2020, up from 3.71% as per 30 September 2020

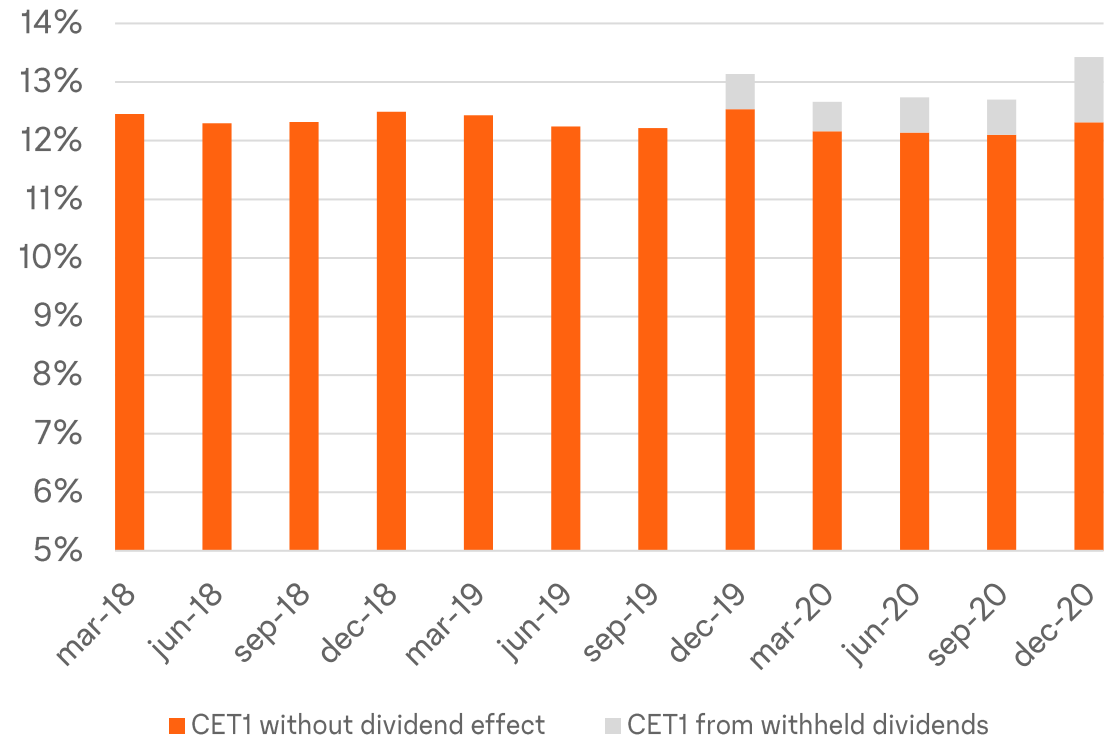


# History of stable capital ratios

Leverage Ratio



CET1 Ratio



# Capital – upcoming regulatory changes

## Banking package

- SFSA proposal currently out for consultation – including indicative levels for P2G<sup>1</sup>, but not bank-specific

- Impact from P2G – Higher CET1 requirements for small and medium sized banks. Lev ratio a “binding requirement” for some banks

## Revisions to internal models

- Revised models currently being developed by SBAB

- Risk weights expected to increase overall in the banking sector as a result of the revisions to IRB

## Revisions to Basel III (“Basel IV”) and output floor

- Output floor to be phased in from 2023

- Swedish 25% floor on mortgages makes Swedish banks already partially “Basel IV” compliant

1) SFSA estimates that the Pillar 2 guidance for most banks will be around 0.2-0.5 per cent of the exposure amount for the leverage ratio, and around 1-1.5 per cent of RWA for the risk-weighted requirement – but numbers will vary for different banks.



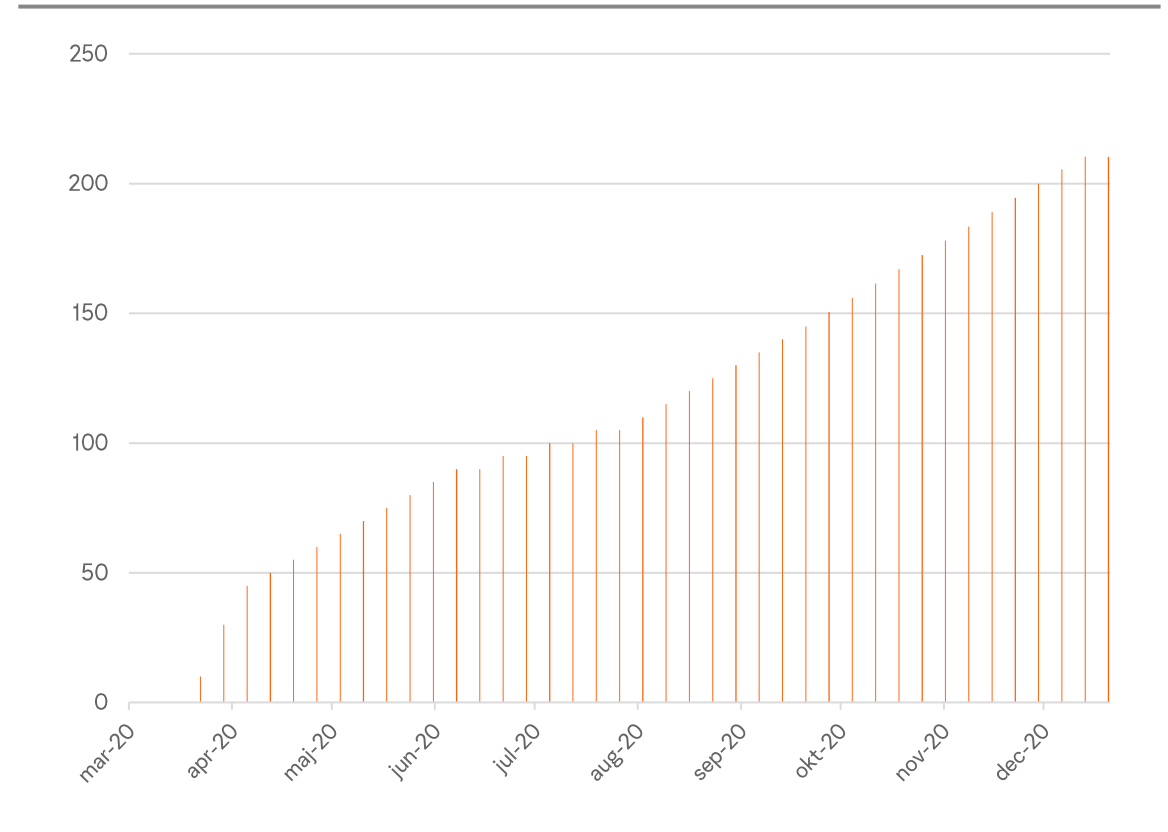
# Riksbank QE gives strong support

- Riksbank QE gives strong support to SEK covered bonds, and should continue to do so

CB spread SCBC 146, bps vs swap



Riksbank offers to buy a total of SEK 70 bn CB during Q1 2021



# Appendix

Chapter 5 (5)

**SBAB!**



# Swedish economy & housing market

Appendix I



# The Swedish economy & housing market



**booli!**  
En tjänst från SBAB

## Large quantities of data relating to the housing market

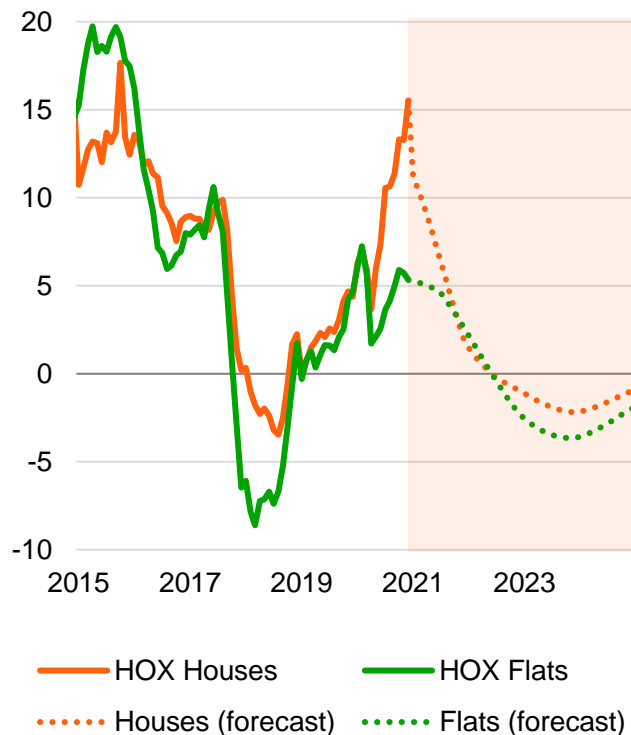
**Large quantities of data and knowledge** are accumulated in our operations, such as how the housing and residential mortgage markets work. We use this data transparently and responsibly to improve the customer experience by refining existing services and products as well as developing new ones. Booli.se is a popular platform for finding information about supply, demand and price trends for housing.

- Sweden's GDP fell sharply during the first half of 2020 but has since recovered large part of the fall and is expected to grow relatively fast in 2021. However, unemployment is expected to remain at a high level throughout the year, and the recovery for various parts of the economy is expected to take time
- Several factors support economic development:
  - Households have for a long time had a high saving rate, and currently large financial assets in addition to housing assets
  - The central government has a low debt and sound finances
  - Swedish authorities have for a long time worked to secure financial stability
- Housing prices, housing turnover, and housing construction have all resisted the ravages of the corona pandemic by 2020
  - Housing prices rose surprisingly by an average of 12%, which may have been partly due to a shrinking housing supply



# Future stabilization of housing prices

Housing price index (January 2005=100)



	Index Dec-20	Change since		
		1m	3m	12m
<b>Sweden (HOX)</b>	<b>263</b>	<b>+0.2%</b>	<b>+1.7%</b>	<b>+11.5%</b>
<b>Flats</b>	<b>311</b>	<b>+0.3%</b>	<b>+0.8%</b>	<b>+5.3%</b>
Stockholm	294	-1.0%	+0.4%	+4.4%
Gothenburg	349	+0.6%	+1.4%	+4.3%
Malmö	281	+0.2%	+2.5%	+8.9%
<b>Houses</b>	<b>252</b>	<b>+0.6%</b>	<b>+2.3%</b>	<b>+15.5%</b>
Stockholm	256	+1.7%	+3.5%	+16.7%
Gothenburg	256	+1.7%	+4.5%	+13.5%
Malmö	234	-0.8%	+0.6%	+15.1%

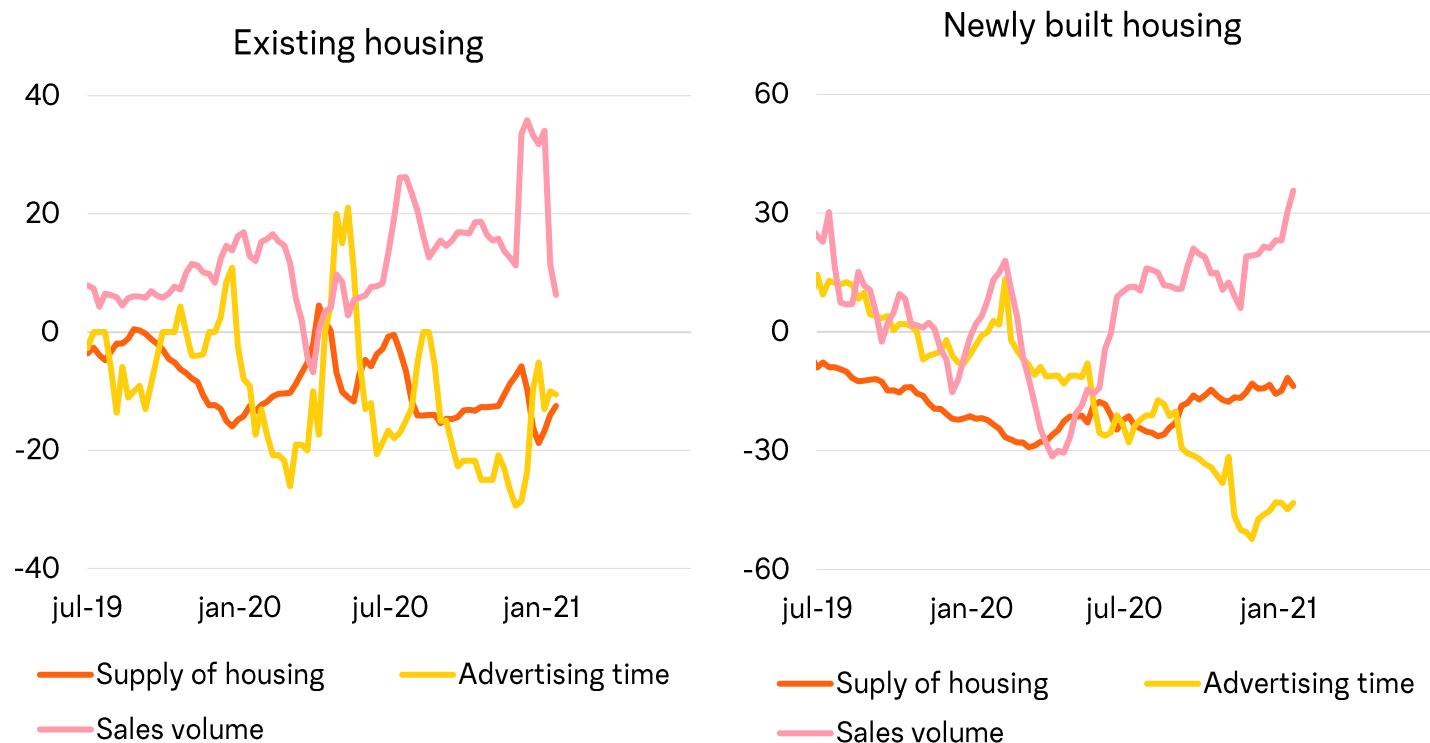
Stable prices in the coming years

- Housing prices have increased by an average of 5.6% over the past ten years, noticeable drop during the latter part of 2017
  - Construction of new housing is influenced by housing prices, and thus slowed down in the wake of the 2017 price drop
- SBAB's forecast is that housing prices for the country as a whole will basically stand still in 2021 and 2022. A slight decline is expected when interest rates begin to move upwards
  - The forecast is based on a structural model and deviations from this may occur in the short term, e.g. as a result of a mismatch between supply and demand or fluctuations in the business cycle and households' expectations on the future



# Growing sales volumes, shrinking supply

Housing market developments, YoY (%)



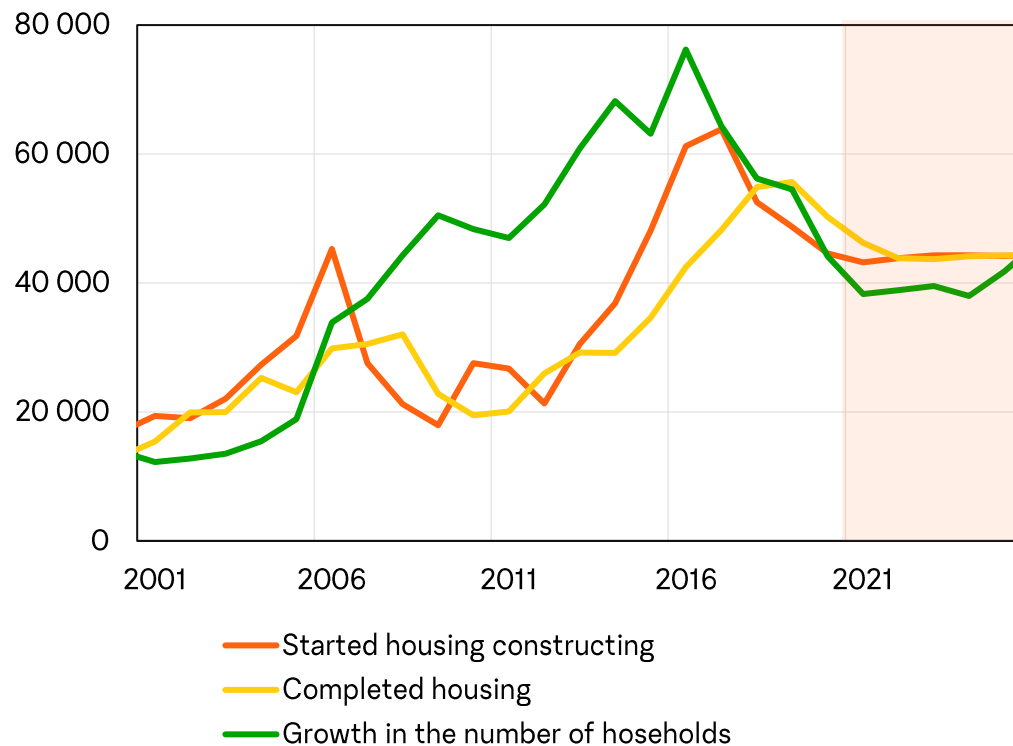
Yet no clear change

- The housing markets in Sweden have been quite staunch in recent years with a clear growing optimism since the summer of 2019
- As a consequence of the corona pandemic, the housing market slowed down for a short time in the spring 2020, but the sales volumes have accelerated since the early summer for both existing and newly built housing
- The supply of newly built housing has decreased for a few years as a consequence of rising sales volumes



# A slight decline in housing constructing

## Construction and population growth (# of homes and households)



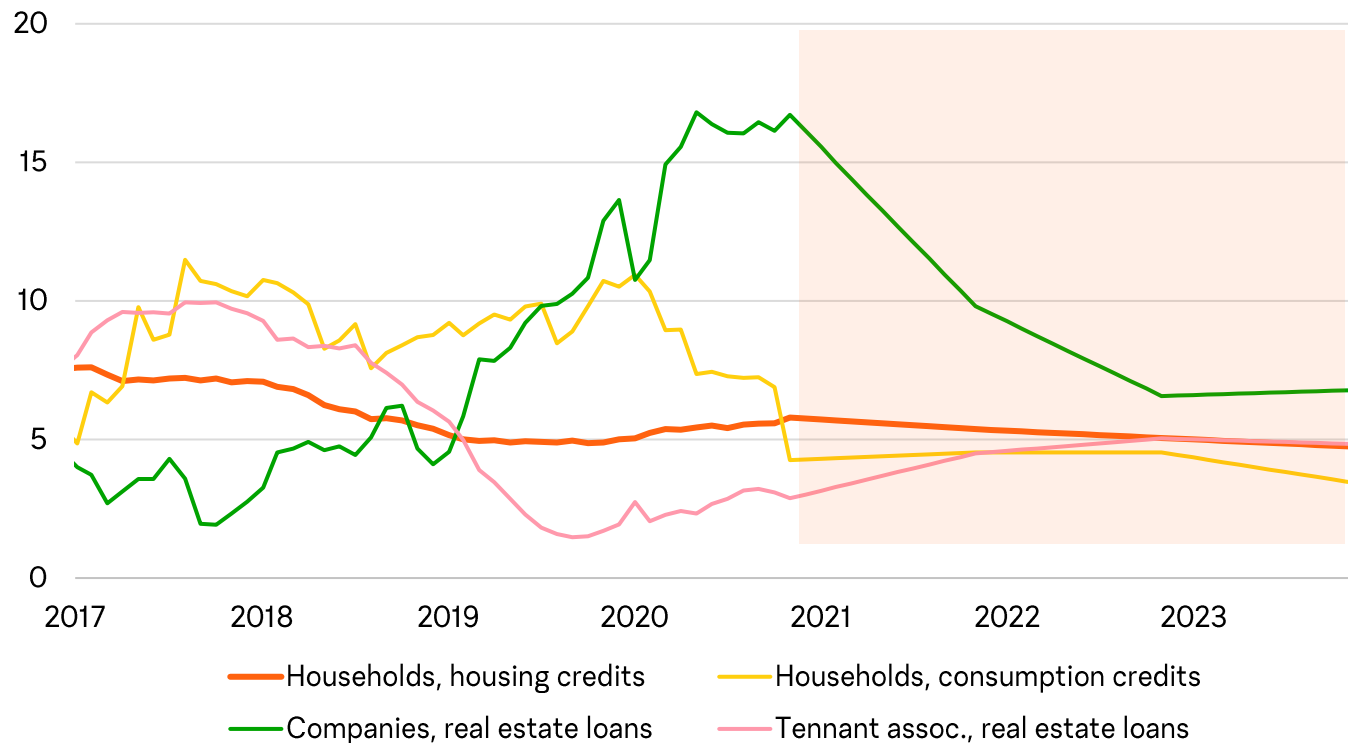
## Remaining need for new housing

- Housing construction is expected to decrease slightly to 43 000 homes in 2021
  - Relatively low level of housing constructing followed in the footsteps of the 1990s crises
  - Rapidly increasing construction from 2013, and quite fast decreasing in 2018 and 2019, housing construction is expected to have decreased by 30% by 2021 compared to 2017
  - A noticeable shift to rental apartments in recent years
- Strong demographic growth, good access to financing and low interest rates support the high rate of new construction
  - The housing shortage in Sweden is currently estimated to about 150 000 homes, despite the high rate of construction in recent years
  - Approximately 40 000 new homes are needed per year for the housing stock to grow at the same pace as the number of households
  - Some concern about the affordability of new housing and the ability to pay / willingness to buy



# Slowdown in credit growth

Credit growth, YoY growth rates (%)



## Comments

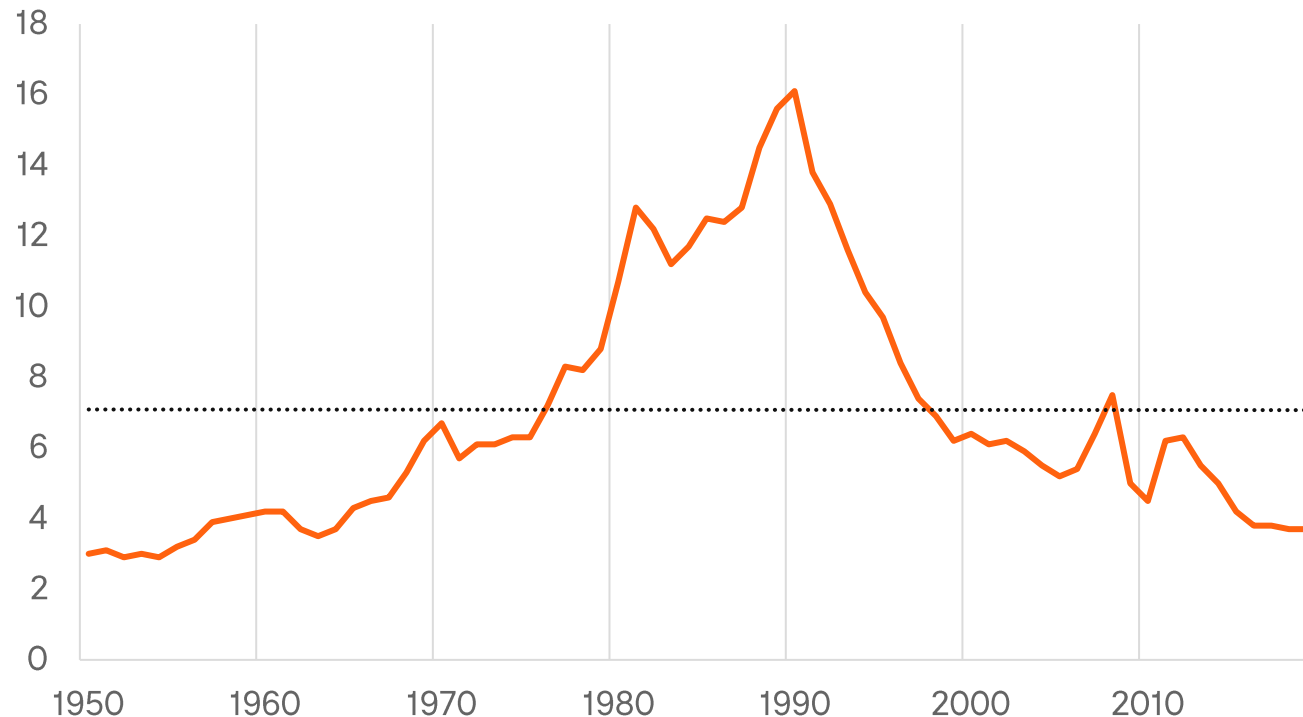
- Credit growth in the mortgage market (red line) has increased since the end of 2019 and was strong in 2020 despite corona pandemic, the YoY growth rate was 5.8% in December
- According to SBAB's forecast, the growth rate of household housing credits is expected to be 5.4% for the full year 2021
  - The forecast takes into account slowly rising housing prices, low mortgage rates, a weak development of household income and a high household savings ratio
  - Housing credits from others than MFI:s is expected to have a market share of about 0.7%



# Interest expenses at low levels (2/2)

– Households' interest expenses (in relation to income) at very low levels from a historical perspective

Interest expenditure (% of disposable income)



Comment

- High debt-to-income ratio but low interest costs
- Interest expenses in relation to disposable income (interest ratio) at a very low level from a historical perspective
- The interest ratio is expected to increase somewhat in coming years (the effect will be amplified in the short run by extensive use of floating rate mortgages)



# Environment, social and governance framework

Appendix II





# SBAB's commitment to sustainability

- In 2014, SBAB underwent a comprehensive business transformation following a strategy change from full-service bank to a focus on housing and household finances (Sw. "Boende och boendekonomi")
- In 2012, sustainability was fully integrated in SBAB's business plan & governance structure. Since then, we do not distinguish between business objectives and sustainability objectives.
- There are three overall (business & sustainability) target areas for our operations. Together, they form SBAB's common approach to sustainable societal development:
  - **Responsibility & transparency**
  - **Attractive workplace**
  - **Sound finances**



## SBAB assigns priority to four SDGs

The private sector, including SBAB, has an important role to play in achieving the SDGs within the 2030 Agenda. We identified four of the 17 SDGs that we consider particularly important and relevant to our operations. The prioritised SDGs were chosen based on extensive analysis through internal workshops and ranking exercises conducted by operations, the Executive Management and the Board. Today, these prioritised SDGs are integrated into our sustainable governance model.

# Growing responsibility

- Interest and requirements on ESG issues from all our key stakeholders are increasing, and we expect it to continue to do so in the future.
  - Owner: the State Ownership policy requires among other aspects increased focus on monitoring and working with climate risks and our requirements on our suppliers
  - Swedish Regulatory Body: the Financial Inspection Authority is developing how the financial sector reports on climate risks and effects
  - International Regulatory Body : the EU Taxonomy is including more stringent requirements on what investments can be classified as green
  - Investors: our investors are increasing vetting, requirements and information requested
  - Employees: working with ESG is key to employee engagement and retention
  - Media: the media is auditing and widely communicating on ESG scandals in the financial sector



# INSIGHT: Climate risk analysis



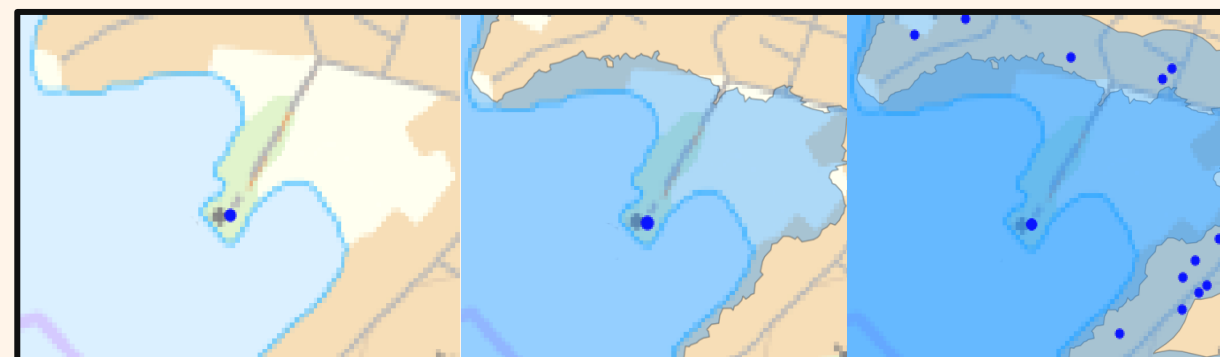
– Initial climate risk analysis of SBAB’s mortgage portfolio based on RCP8.5 (SMHI) & “100-årsflöden” (MSB)

## Comments

- In 2019, SBAB completed an initial analysis of how the future climate could impact the mortgage portfolio based on RCP8.5 (SMHI) & “100-årsflöden” (MSB). The analysis indicates that rises in sea levels and the risk of flooding have limited impact on SBAB’s portfolio
- **Scenario 1:** Stressed scenario of collateral affected by increased seawater level (RCP8.5) and / or “100-year flows” (Sw. 100-årsflöden”) in Swedish watercourses
- **Scenario 2:** Stressed scenario described above +100 meters buffer
- **Result:** Small proportion of SBAB’s portfolio in risk zones



Aerial foto



Current

Stressed scenario

Stressed scenario + buffert



# INSIGHT: Impact reporting 2019\*

Green Bonds Impact Report 2019

## GREENING THE FUTURE

Issuer	Issue date	Amount issued	Format	Maturity	Coupon	ISIN	Framework
SBAB	16 June, 2016	SEK 1.0bn	Senior unsecured	23 June, 2021	1.048%	XS1436518606	SBAB Green Bond Framework 2016
		SEK 1.0bn		23 June, 2021	3M Stibor +95 bps	XS1436728916	
SBAB	4 October, 2017	SEK 1.0bn	Senior unsecured	11 October, 2022	0.98%	XS1697577556	SBAB Green Bond Framework 2016
		SEK 750mn		11 October, 2022	3M Stibor +75 bps	XS1697766951	
SCBC	23 January, 2019	SEK 6.0bn	Covered bond	28 March, 2024	0.75%	XS1943443769	SBAB Group Green Bond Framework 2019
SBAB	13 June, 2019	SEK 2.25bn	Senior Non-Preferred	06 June, 2024	3M Stibor +90 bps	XS2015229516	SBAB Group Green Bond Framework 2019
		SEK 750mn		06 June, 2024	1.0%	XS2015229862	
<b>TOTAL</b>		<b>SEK 12.75bn</b>					

13 CLIMATE ACTION



11 SUSTAINABLE CITIES AND COMMUNITIES



### SBAB Green Bond Framework 2016

SEK 4.7bn → 589 tCO<sub>2</sub>e

Eligible Green Loans  
& Estimated annual avoidance of GHG emissions

### SBAB Group Green Bond Framework 2019

SEK 19.8bn → 6,970 tCO<sub>2</sub>e

Eligible Green Loans  
& Estimated annual avoidance of GHG emissions

\*SBAB's Impact Report 2020 is expected to come out by the 26st March 2020

# Sustainability ratings

## ISS-Oekom

### Prime C

ISS-Oekom Research AG has issued a sustainability rating of C (on a scale of A+ to D-) to SBAB. With this rating, SBAB classifies as 'Prime'.

*(Latest update in April 2018)*



## Imug

### Positive BB

Imug Beratungsgesellschaft has issued a sustainability rating of positive BB (on a scale of AAA to DDD) to SBAB. SBAB ranks number 5 of 41 in its peer group (banks) and 22 of 121 in the region.

*(Latest update in March 2020)*

## Sustainalytics

### Low Risk

According to the ESG report from Sustainalytics, SBAB is at low risk of experiencing material financial impacts from ESG factors. SBAB ranks as having the 4<sup>th</sup> lowest risk out of 418 regional banks.

*"The company is at low risk of experiencing material financial impacts from ESG factors, due to its low exposure and average management of material ESG issues. The company is not publicly held, which reduces its corporate governance risk compared to its peers. Its management has not resulted in significant controversies for the company and ultimately the company's favorable risk assessment is due to its low exposure to ESG issues."*

*(Latest update in September 2020)*

# SBAB!



# SCBC!

Covered bonds of SBAB

Appendix III



# About SCBC

## SCBC overview

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

## Eligible cover pool assets

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

### Simulation of decline in house prices

Housepricechange	Eligible assets in cover pool (SEK bn)	WALTV (%)	OC* (%)
0%	333.5	54.8	22.3
-5%	330.4	56.8	21.1
-10%	326.1	58.6	19.6
-15%	320.3	60.4	17.5
-20%	312.8	61.9	14.7
-25%	303.4	63.4	11.3
-30%	291.4	64.7	6.9

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

## Key metrics

Cover Pool (SEK)

**334<sub>bn</sub>**

No. of loans

**423,920**

OC

**22.3%**

WALTV

**54.8%**



# Overview SCBC

## The Swedish covered bond market

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

Source: ASCB, Association of Swedish Covered Bond Issuers

## SCBC Cover pool characteristics (from "National Template")

<b>Collateral</b>	<i>100% Swedish residential mortgages *</i>
<b>Over Collateralization</b>	22.3%
<b>Weighted average LTV</b>	54.8%
<b>Weighted average seasoning</b>	5.2 years
<b>Loans in arrears</b>	0.00%. Arrears below 0.01% (loans in arrears > 30 days are excluded from the Cover Pool)
<b>Number of loans</b>	423,920
<b>Average loan size</b>	SEK 787,750
<b>Geographical location</b>	Spread throughout Sweden; concentrated to economic hubs
<b>Pool type</b>	Dynamic
<b>Originator</b>	SBAB Bank Group
<b>Interest rate type</b>	65.1% floating, 34.9% fixed / 46.2% amortising, 53.8% interest only

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





# 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

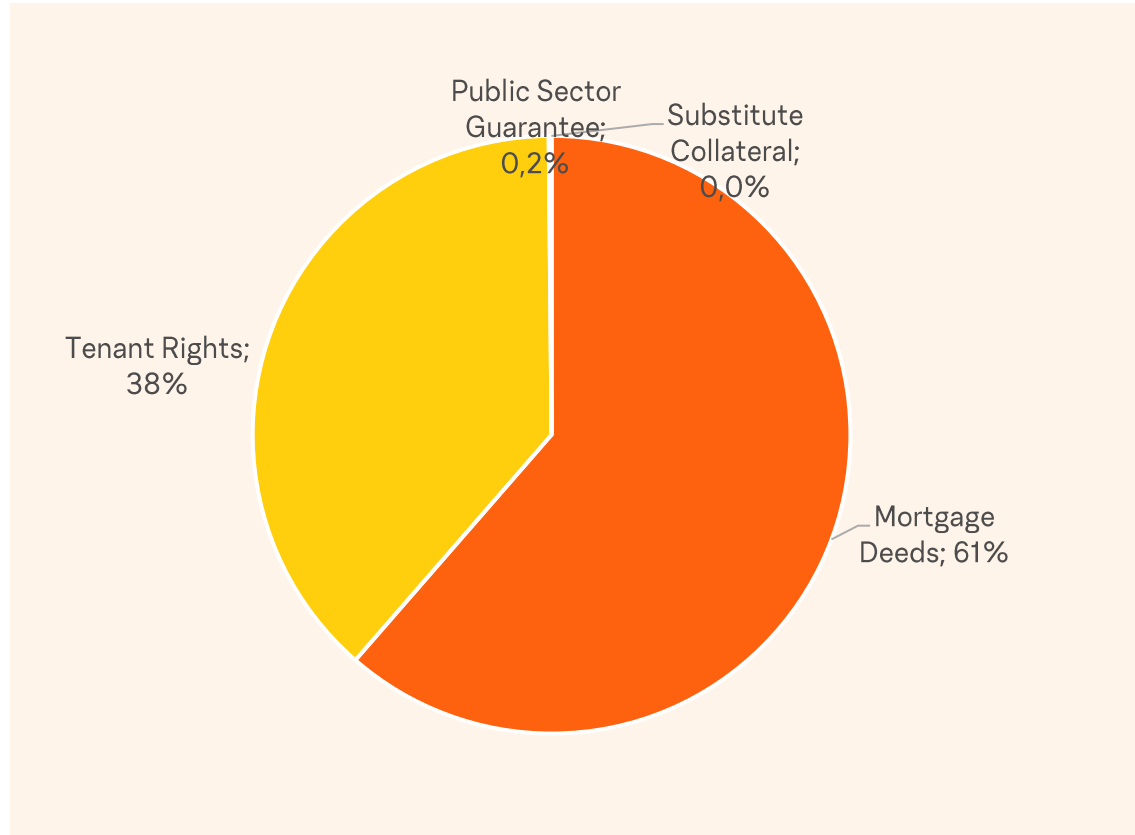
## Other features

- 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

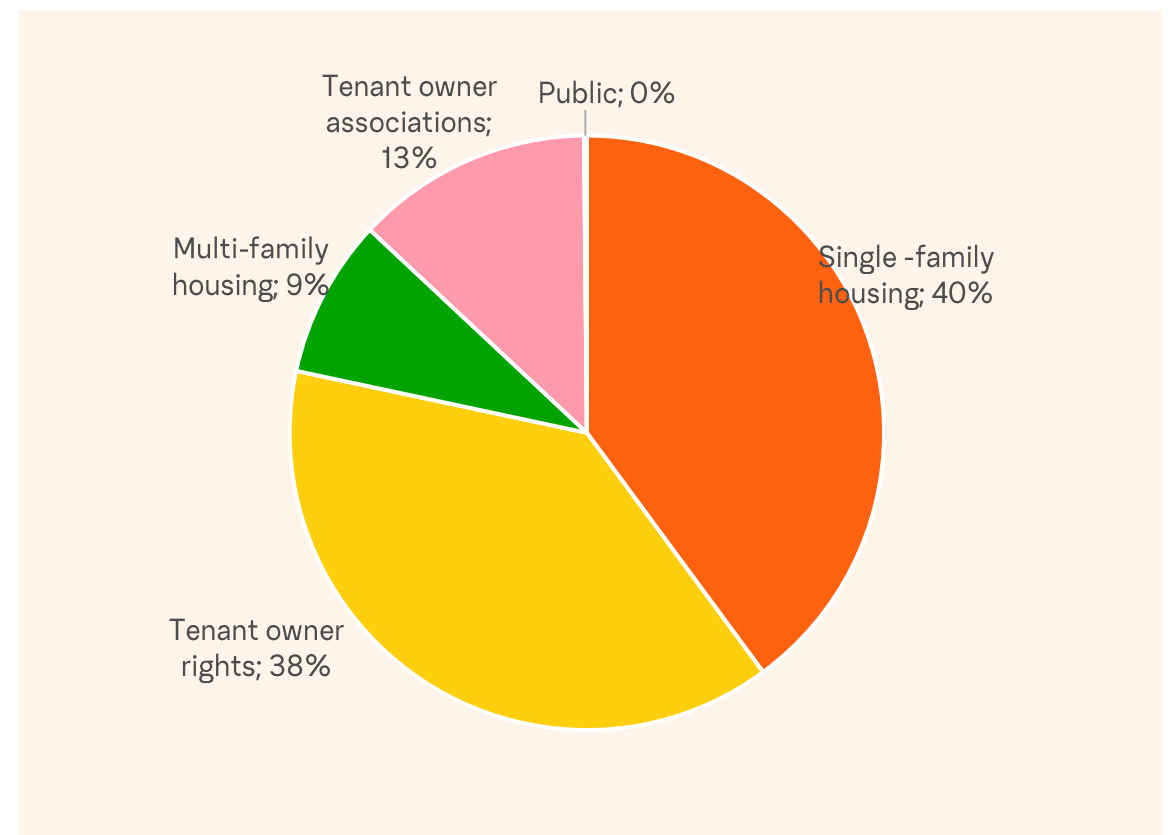


# Cover pool characteristics (1/2)

Breakdown by collateral

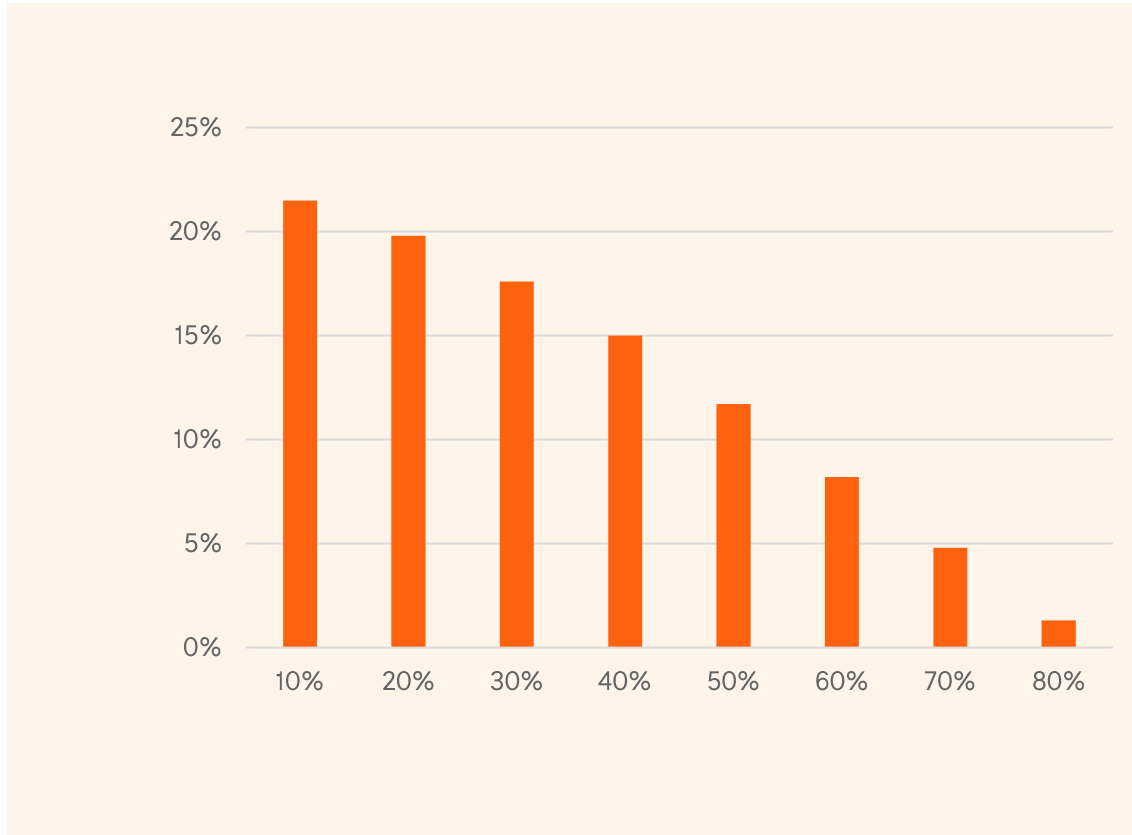


Breakdown by owner

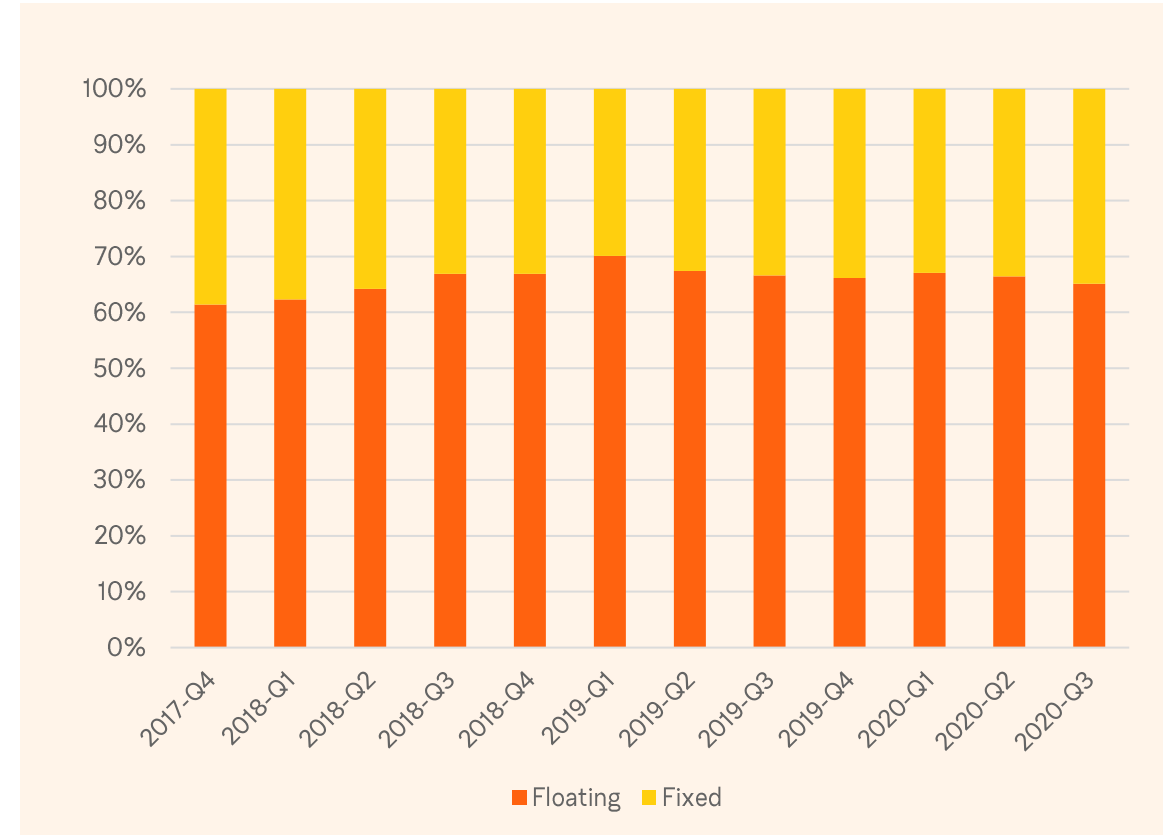


# Cover pool characteristics (2/2)

Loan to value (LTV) distribution



Rate type



## Appendix III: Other



# SBAB's impairment model

– SBAB applies four different scenarios in its ECL model

## Sensitivity analysis of forward-looking information

### Sensitivity analysis of forward-looking information

Factors	Scenario 1 (45%)			Scenario 2 (25%)			Scenario 3 (15%)			Scenario 4 (15%)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
GDP <sup>1)</sup>	-4.8%	+2.9%	+2.7%	-8.0%	-3.9%	+4.9%	-5.7%	-6%	+5.6%	-5.3%	-2.3%	-0.8%
Repo rate	0.1%	0.2%	0.2%	0.6%	0.6%	0.6%	0.4%	0.5%	0.5%	0.2%	1.2%	1.1%
Unemployment	8.6%	9.3%	8.7%	9.8%	13.0%	11.4%	8.8%	12.2%	11.5%	8.6%	10.1%	10.9%
House prices, Δ	+2.5%	+1.7%	-3.1%	-5.8%	-4.6%	-1.4%	-5.0%	-13.5%	-5.3%	-8.1%	-17.0%	-16.6%
Prices of tenant-owners' rights, Δ	-1.6%	+0.6%	-4.2%	-10.2%	-6.2%	-2.5%	-6.5%	-15.4%	-8.7%	-11.3%	-27.2%	-20.7%
Property prices, Δ	+2.4%	+0.5%	-0.4%	+1.2%	-11.8%	-0.6%	-9.8%	-13.3%	-5.8%	-15.0%	-26.5%	-10.7%
<b>ECL</b>	<b>SEK 83 million</b>			<b>SEK 154 million</b>			<b>SEK 181 million</b>			<b>SEK 453 million</b>		
<b>Weighted ECL<sup>2)</sup></b>	<b>SEK 171 million</b>											

1) Not included in the ECL calculation

2) Of which, SEK 151 million was attributable to lending to the public and SEK 20 million to off-balance-sheet items linked to loan commitments and building credits.

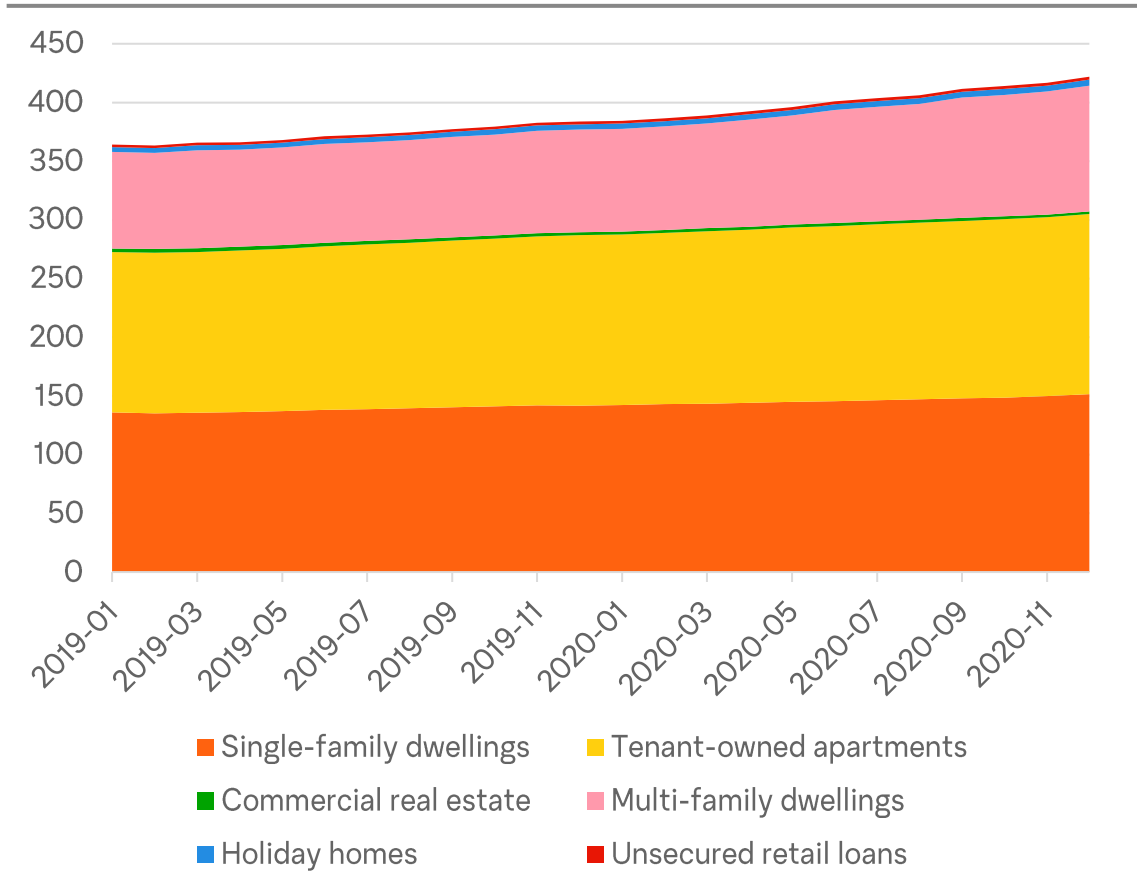
## Comment

- SBAB applies four different scenarios in its impairment model;
  - Scenario 1: "Base" (45%)
  - Scenario 2: "Base Downside" (25%)
  - Scenario 3: "Very serious financial crisis (one in 25 years)" (15%)
  - Scenario 4: "Very severe financial crisis in combination with central government increased debt and troubled finances" (15%)
- Scenarios 1, 3 and 4 revised in Q3. Other scenarios, as well as the weighting between scenarios that applied in Q2, remain unchanged. The table shows the forward-looking information comprised of a weighting of four scenarios with projections of the macroeconomic factors applied in the impairment model
- SBAB has no "upside case" but instead several different variations of negative stress scenarios to reflect the uncertain future

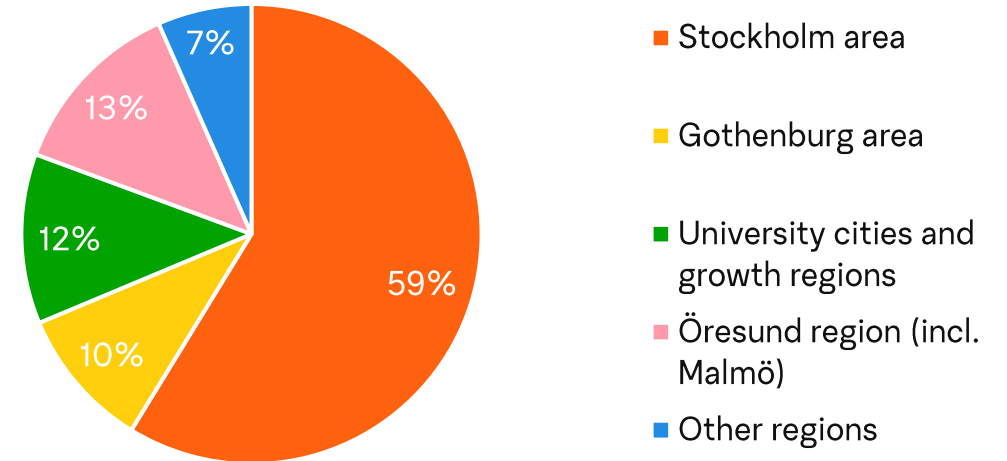


# SBAB's loan portfolio

Volume (SEK bn) – divided by collateral type



Geographic share of collateral



## Policies on collateral assessment

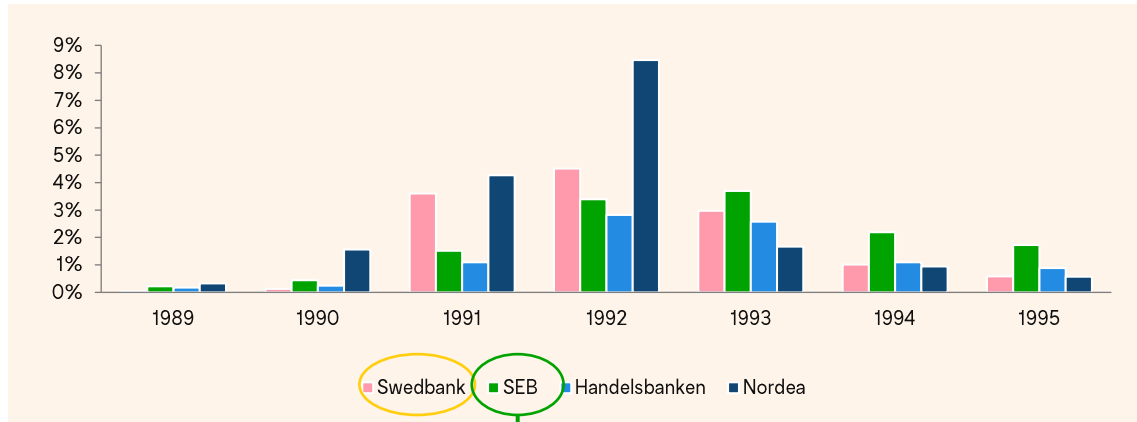
- |  |  |
|--|--|
| <b>Retail</b>                                  | <ul style="list-style-type: none"> <li>• 3 methods; complete, statistical and purchase price</li> <li>• Control of purchase price and external appraisals by comparing to statistical estimate – deviations controlled by internal real estate appraisers.</li> <li>• Statistical estimates are adjusted downwards in case of high uncertainty.</li> </ul> |
| <b>Corporate and Tenant-owner associations</b> | <ul style="list-style-type: none"> <li>• All assessment is done manually by internal real estate appraisers</li> <li>• Revaluations are partially done by statistical estimation</li> </ul>  |



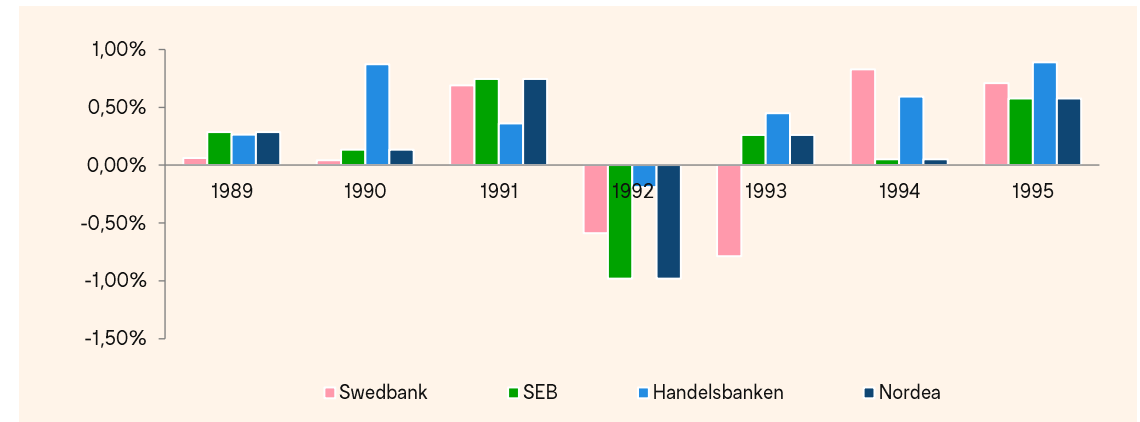
# Loan losses during 1990's crisis

- Losses during the 90's crisis in Sweden shows the resilience of mortgages contrary to other asset classes

### Loan Losses / Customer Loans



### Net Income / Total Assets



#### Ranked by 1993 Loan Losses

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

#### Ranked by 1993 Loan Losses

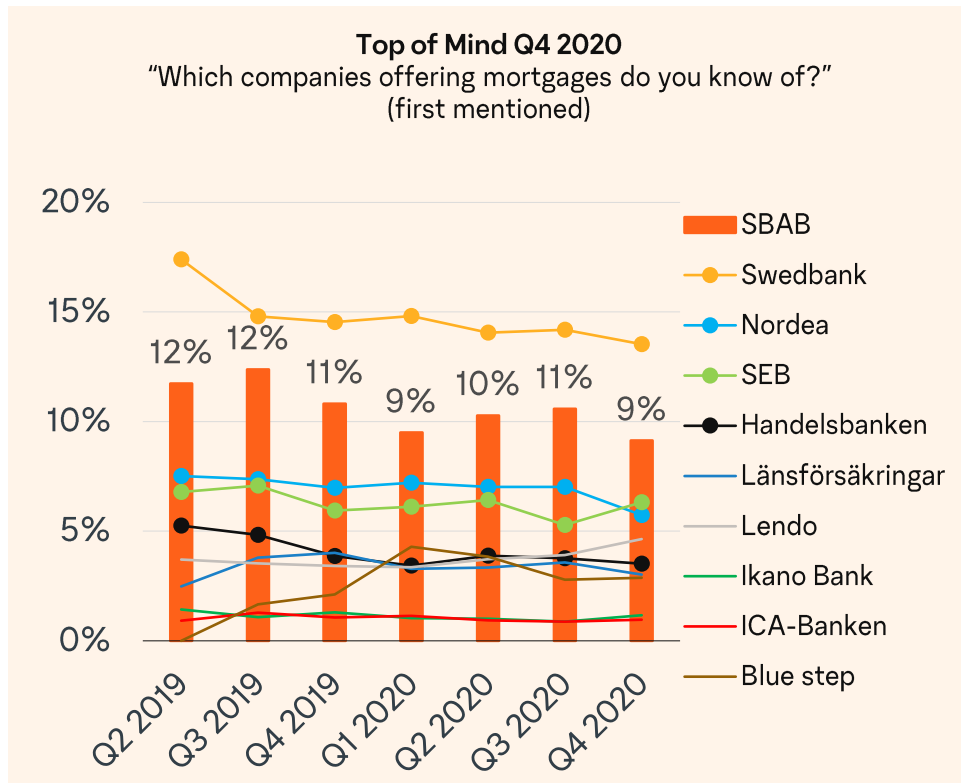
	1992	1993
Other service sectors	39.0 %	21.1 %
Wholesale & Retail, hotels and restaurants	3.9 %	8.6 %
Transportation	(0.2)%	8.2 %
Finance & Insurance	15.4 %	6.3 %
Construction	6.8 %	5.6 %
Property Management	4.6 %	4.4 %
Manufacturing	1.2 %	1.8 %
Other sectors	0.4 %	1.4 %
Households	1.1 %	0.9 %



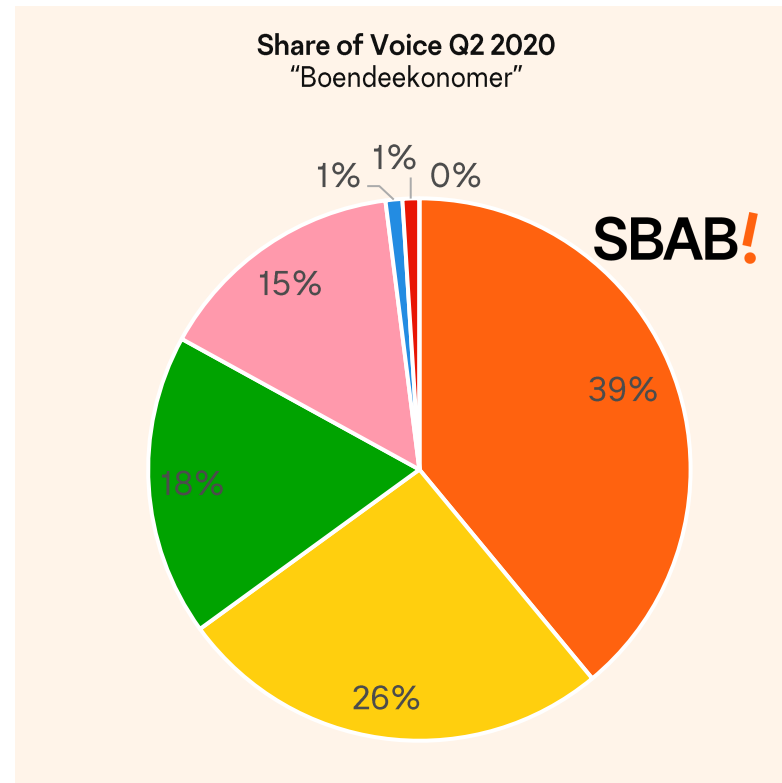
# Brand position

- Strong brand position supporting further growth & strengthened customer loyalty

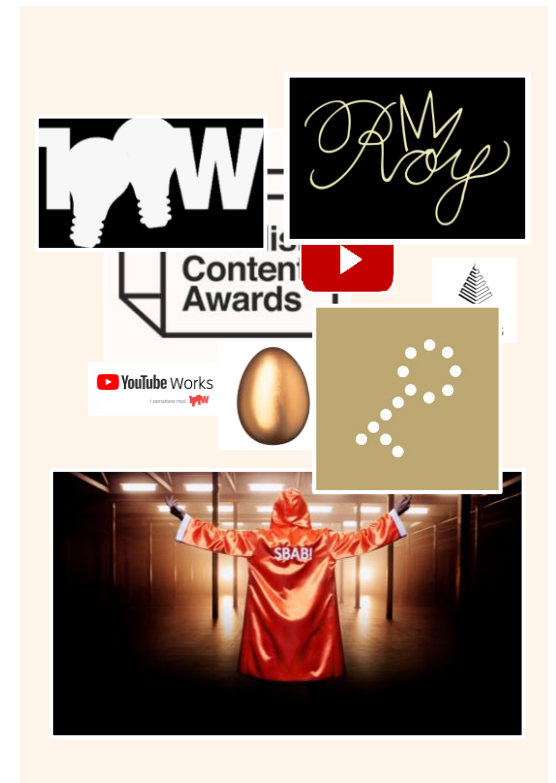
## Strong brand recognition



## Strong media presence



## Award winning communication





# Financial targets from the owner

	Target	Result Jan-Dec 2020	Result 2019
<b>Profitability:</b> Return on equity over a business cycle	≥ 10%	10.8%	11.7%
<b>Dividend:</b> Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥ 40%	0% (revised)	0% (revised)
<b>Capitalisation:</b> CET1 capital ratio and total capital ratio above regulatory requirement communicated by the Swedish FSA	CET1 capital ratio: ≥ 0.6%	5.4%*	2.4%
	Total capital ratio: ≥ 0.6%	5.4%*	5.2%

\* In relation to expected (internally estimated) capital requirement from the Swedish FSA as of 31 December 2020 (CET1 capital ratio requirement: 8.0% & Total capital ratio requirement: 12.2% vs. Actual CET1 capital ratio: 13.4% & Actual total capital ratio: 17.6%)



# SBAB's rating composition for senior debt

MOODY'S

STANDARD & POOR'S  
RATINGS SERVICES  
McGRAW HILL FINANCIAL

## Stand-alone rating

Macro profile	Strong+
Financial profile	a3
Qualitative	-1
- <i>Opacity and complexity / Corporate Beh.</i>	0
- <i>Diversification</i>	-1
<b>Baseline Credit Assessment (BCA)</b>	<b>baa1</b>

## Stand-alone rating

Anchor	a-
Business Position	-1
Capital and Earnings	+1
Risk Position	0
Funding & liquidity	0
<b>Stand-Alone Credit Profile (SACP)</b>	<b>a-</b>

## Notching

Loss Given Failure (LGF)	+2
Government Support	+1
<b>Total notching</b>	<b>+3</b>

## Notching

ALAC Support	+1
GRE Support	0
Group Support	0
Sovereign Support	0
<b>Total notching</b>	<b>+1</b>

## Rating

<b>Rating</b>	<b>A1</b>
<b>Outlook</b>	<b>STABLE</b>

## Rating

<b>Rating</b>	<b>A</b>
<b>Outlook</b>	<b>STABLE</b>



A warm, cozy scene featuring a fireplace with a bright fire burning. A pair of brown leather boots sits on the mantel. In the foreground, a person's feet wearing grey socks are positioned near the fire for warmth. The overall atmosphere is warm and inviting.

# Thank you!

2020-02-20

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## Financial calendar

Annual Report 2020	26 March 2021
Impact Report 2020	26 March 2021
Interim Report Jan-Mar 2021	28 April 2021
Interim Report Jan-Jun 2021	16 July 2021
Interim Report Jan-Sep 2021	26 October 2021
Year-end Report 2021	3 February 2022

*The Annual General Meeting will be held 28 April in Solna*



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The logo for SBAB! features the letters 'SBAB' in a large, bold, black sans-serif font. To the right of the letters is a large orange exclamation mark. The exclamation mark consists of a vertical bar and a circular dot, both in a vibrant orange color.