

Investor Presentation

SEK Additional Tier 1 Issue
SBAB Bank AB (publ)
February 2021



SBAB Bank AB (publ)

SBAB!

Executive summary

About SBAB

- 100% owned by the Kingdom of Sweden. Swedish mortgage portfolio, predominantly residential mortgages (5th largest player in Sweden)
- Financial targets from owner covering profitability, capitalisation & dividend
- Strong balance sheet and high-quality assets (>98% collateralized lending)
- Total funding needs for 2021 expected to be around SEK 80 billion

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 thereof 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 lending, SEK bn

Total deposits, SEK bn

423

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



Transaction overview

Key Investment Highlights

Low-risk business model

Long, uninterrupted trend of low losses

Cost-efficient business model

Stable capital generation

Stable funding and liquidity metrics

100% owned by the Kingdom of Sweden

Transaction rationale

SBAB!

SEK Benchmark

Perpetual NC5.25Y Additional Tier 1

- Refinance upcoming first call date (AT1-transaction with a first call date in June-2021)
- Optimise and strengthen the capital position
- Strengthening the leverage ratio
- Assist capital metrics for the credit rating
- Enable future growth





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 76.3 out of 100, SBAB ranks well above the sector average of 69.3. 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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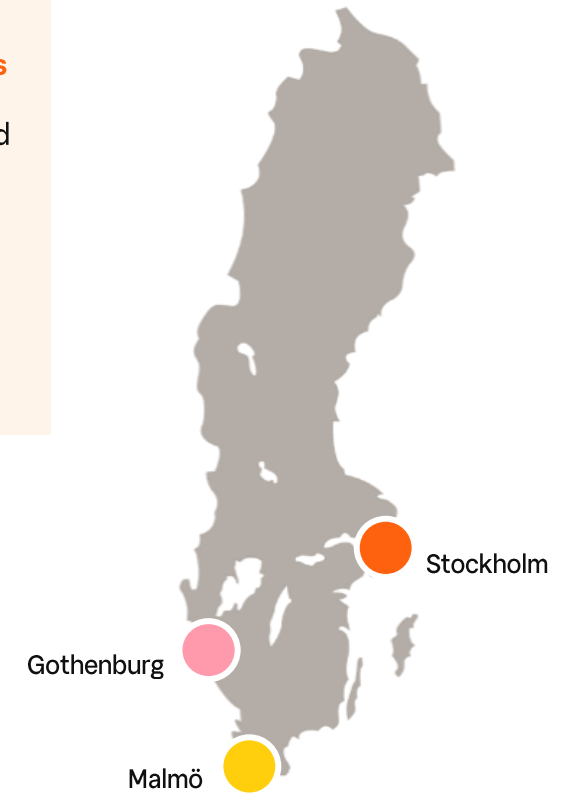


1. Business Update

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.

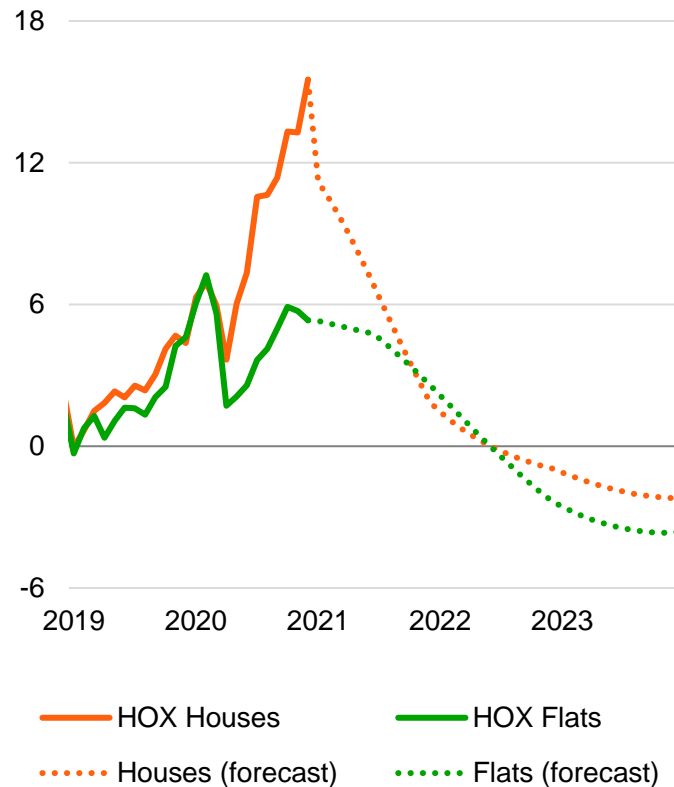
Overview of Q4 & FY 2020 results

SEK million	Q4 2020	Q3 2020	▲	Jan-Dec 2020	Jan-Dec 2019	▲
Lending (SEK bn)	422.8	412.3	+2.5%	422.8	383.8	+10.2%
Deposits (SEK bn)	135.7	133.9	+1.3%	135.7	130.5	+4.0%
Net interest income	1,019	945	+6.9%	3,747	3,473	+7.9%
Net commission	-12	-3	-9 mn	-24	-14	-10 mn
Net result financial transact.	11	-11	+22 mn	-38	26	-64 mn
Costs	-402	-310	+30%	-1,335	-1,187	+12.5%
Loan losses	2	4	+2 mn	-32	-26	+6 mn
Operating profit	619	636	-2.7%	2,361	2,308	+2.3%
C/I ratio, %	39.5%	32.9%	-0.4 pp	35.8%	33.7%	+2.1 pp
C/L ratio, %	0.39%	0.30%	+0.09 pp	0.33%	0.32%	+0.01 pp
RoE, %	11.1%	11.5%	-0.4 pp	10.8%	11.7%	-0.9 pp
Loan loss ratio, %	0.00%	0.00%	0.0 pp	-0.01%	-0.01%	0.00 pp
CET1 capital ratio, %	13.4%	12.7%	+0.7 pp	13.4%	13.1%	+0.3 pp



Resilient housing market

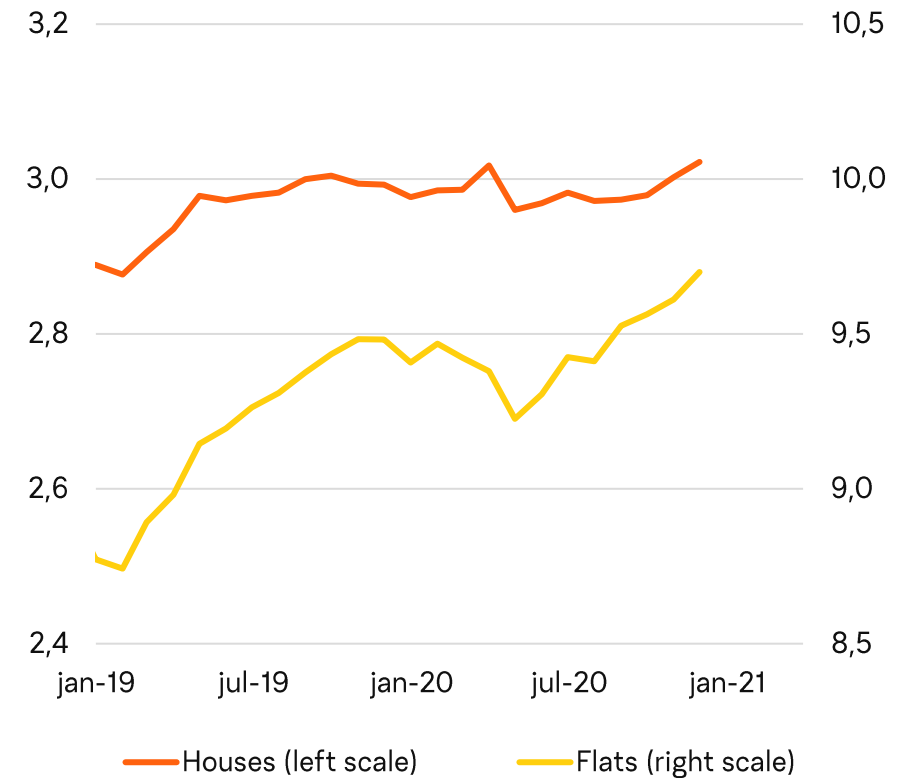
House price development, YoY (%)



Housing price index (January 2005=100)

	Index Dec-20	Change since		
		1m	3m	12m
Sweden (HOX)	263	+0.2%	+1.7%	+11.5%
Flats	311	+0.3%	+0.8%	+5.3%
Stockholm	294	-1.0%	+0.4%	+4.4%
Gothenburg	349	+0.6%	+1.4%	+4.3%
Malmö	281	+0.2%	+2.5%	+8.9%
Houses	252	+0.6%	+2.3%	+15.5%
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 (%)



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.

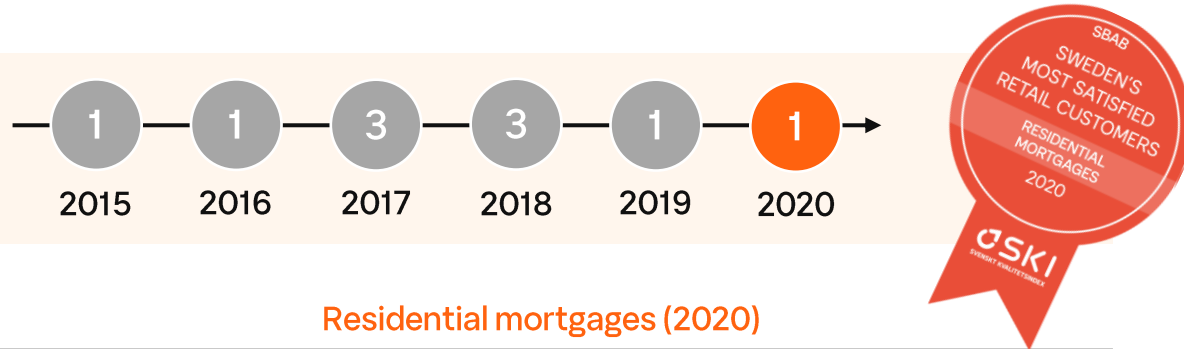


Consideration

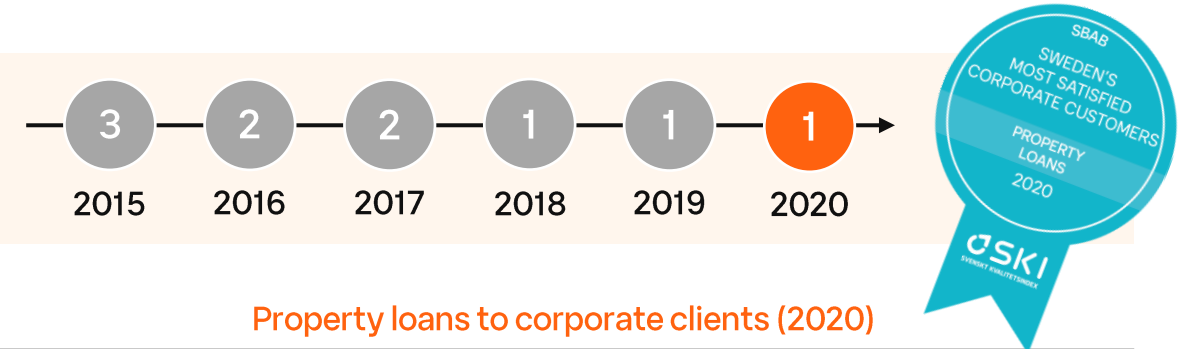
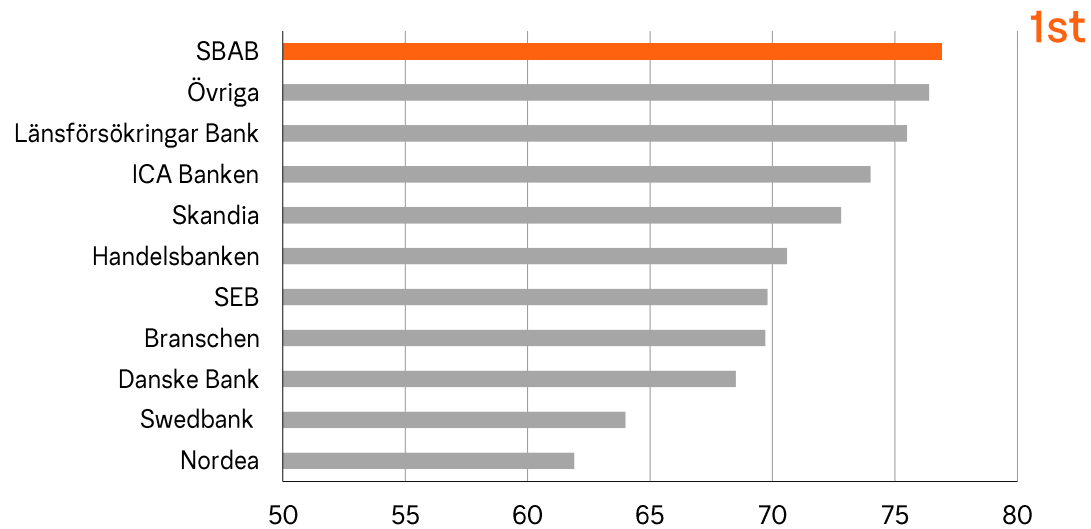
Housing specialists who care.



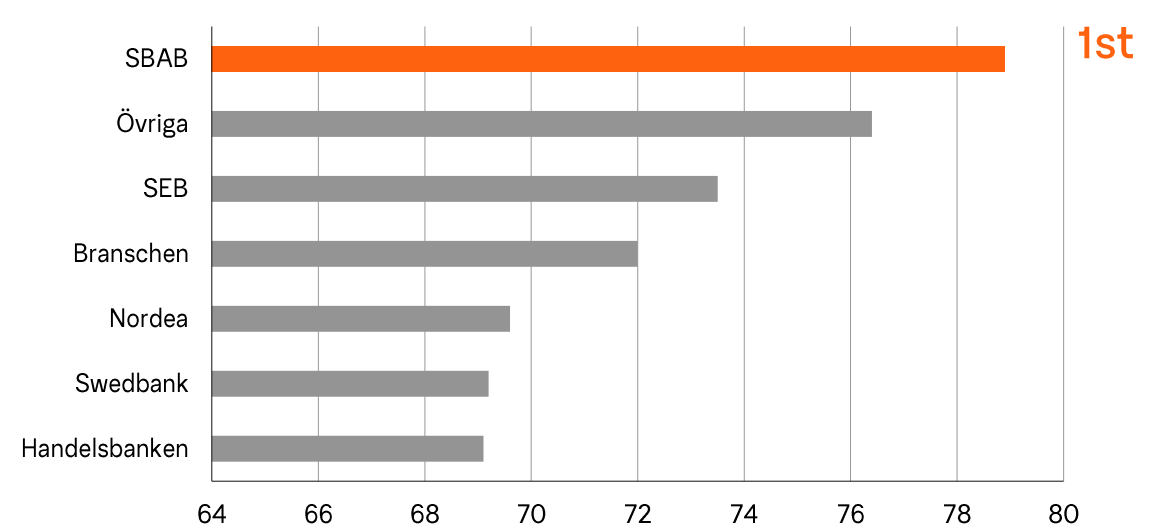
Customer satisfaction



Residential mortgages (2020)

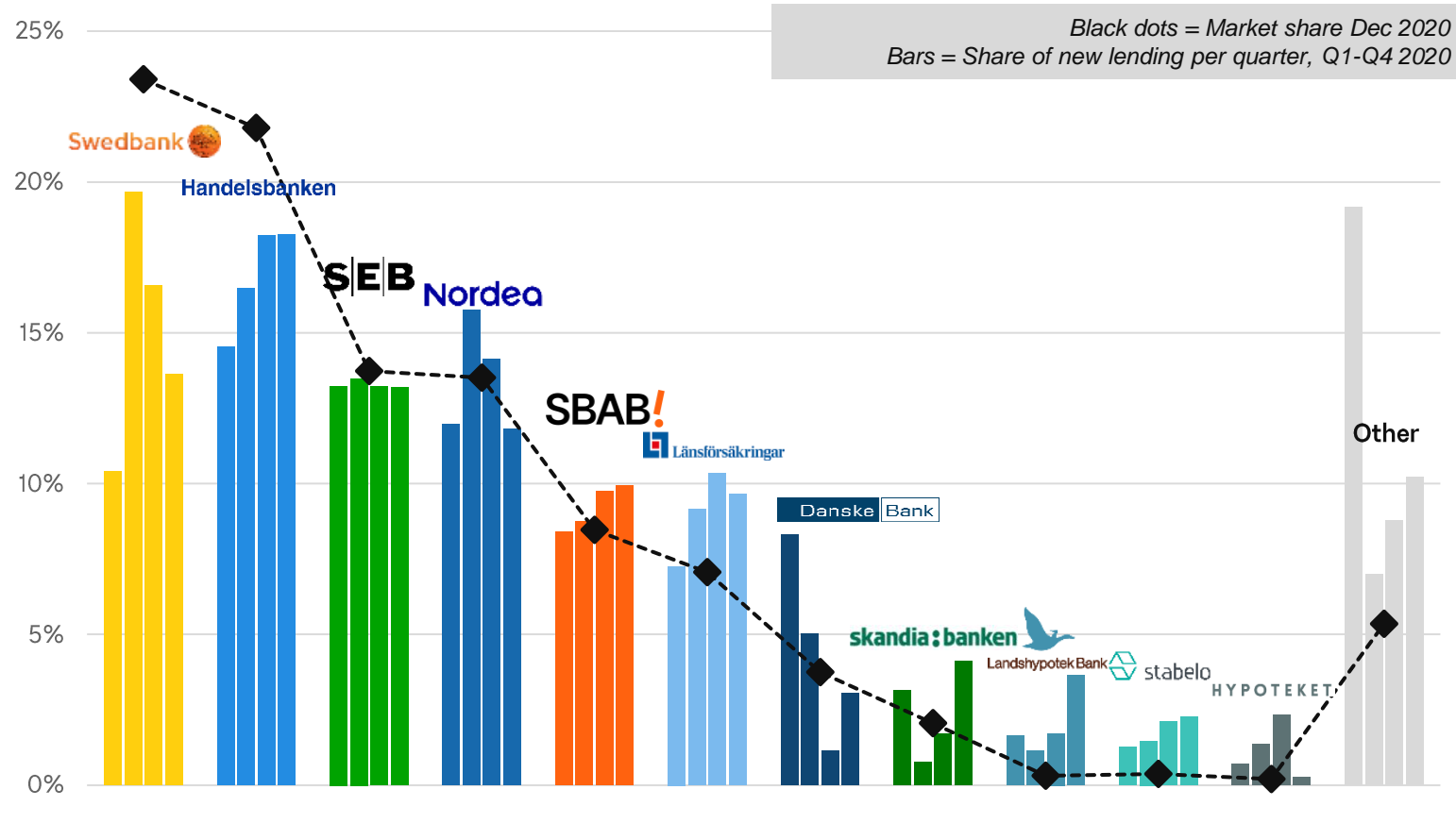


Property loans to corporate clients (2020)



Residential mortgage market 2020

Shares of net growth in the Swedish residential mortgage market 2020



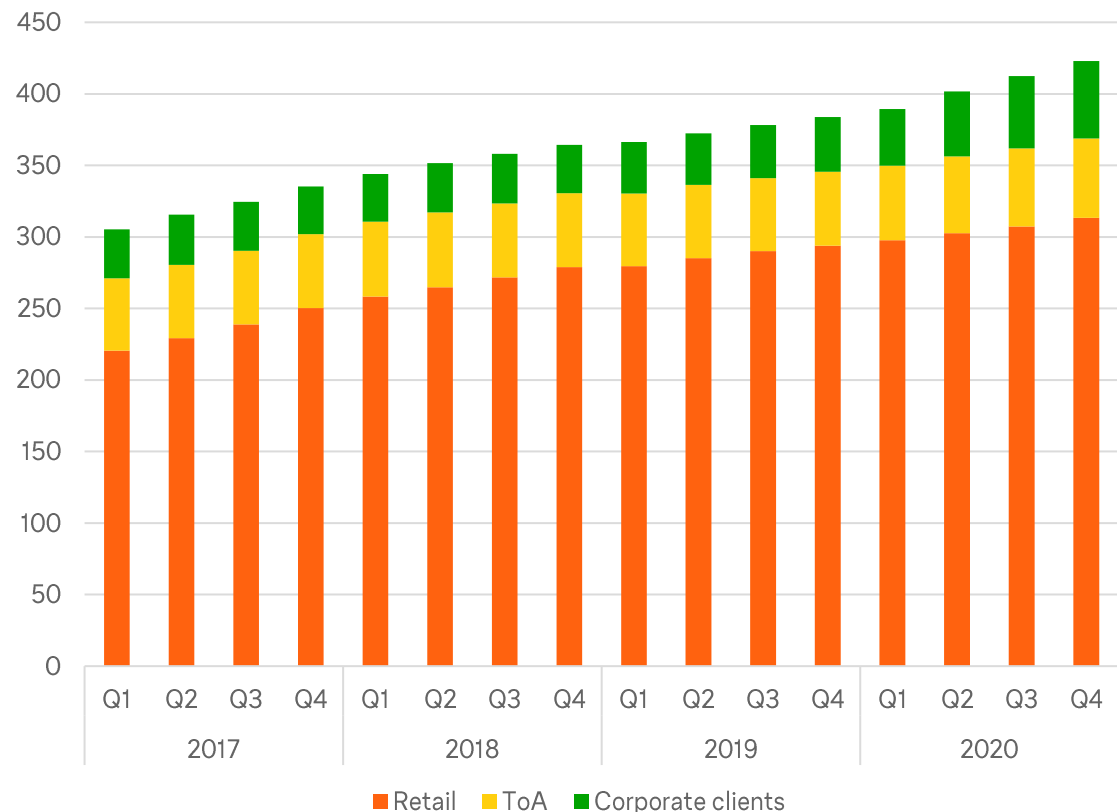
Comments

- 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

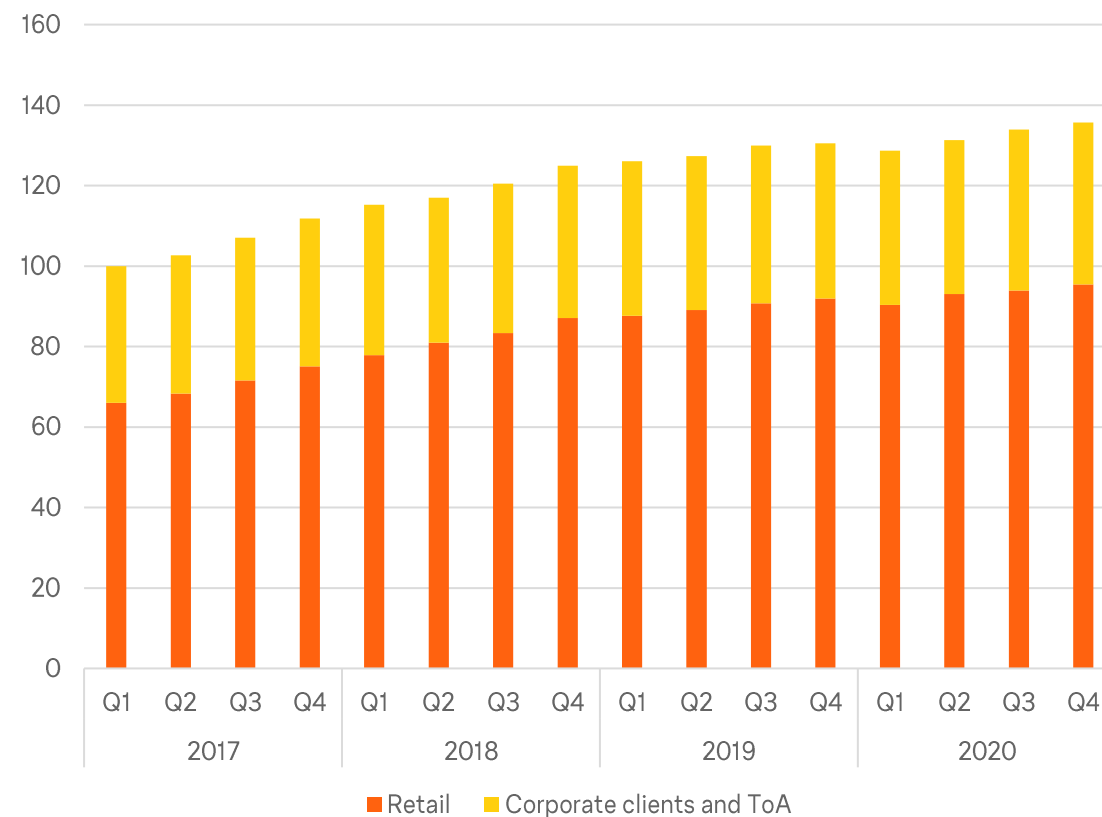


Lending & deposits development

Lending (SEK bn)

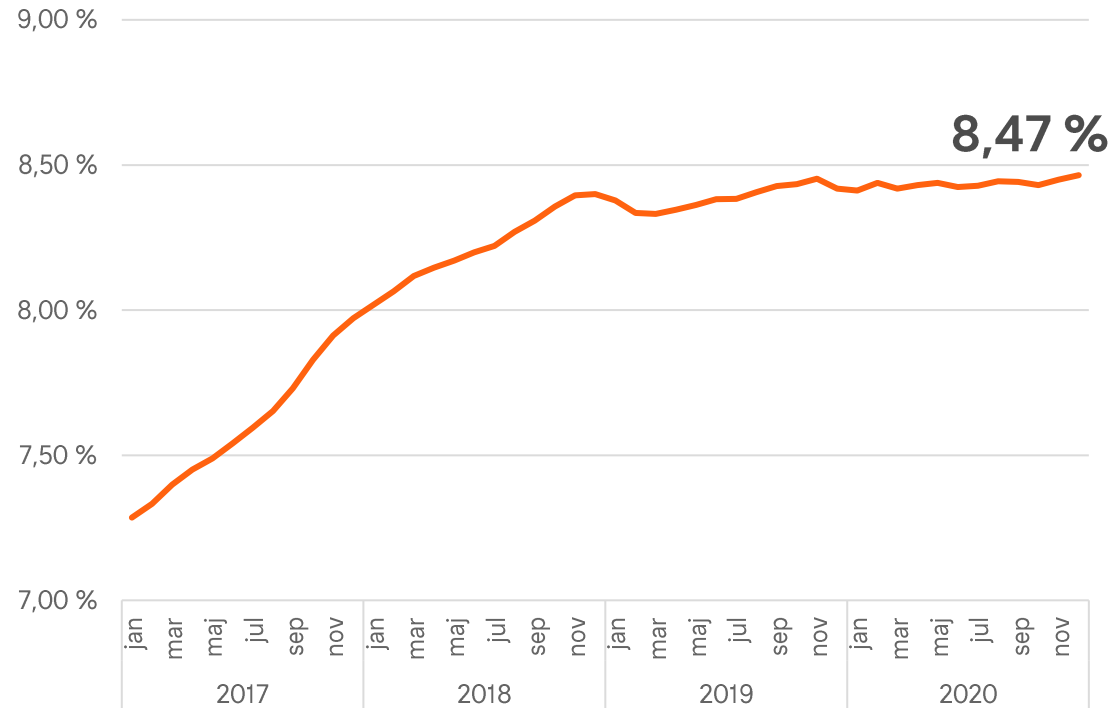


Deposits (SEK bn)

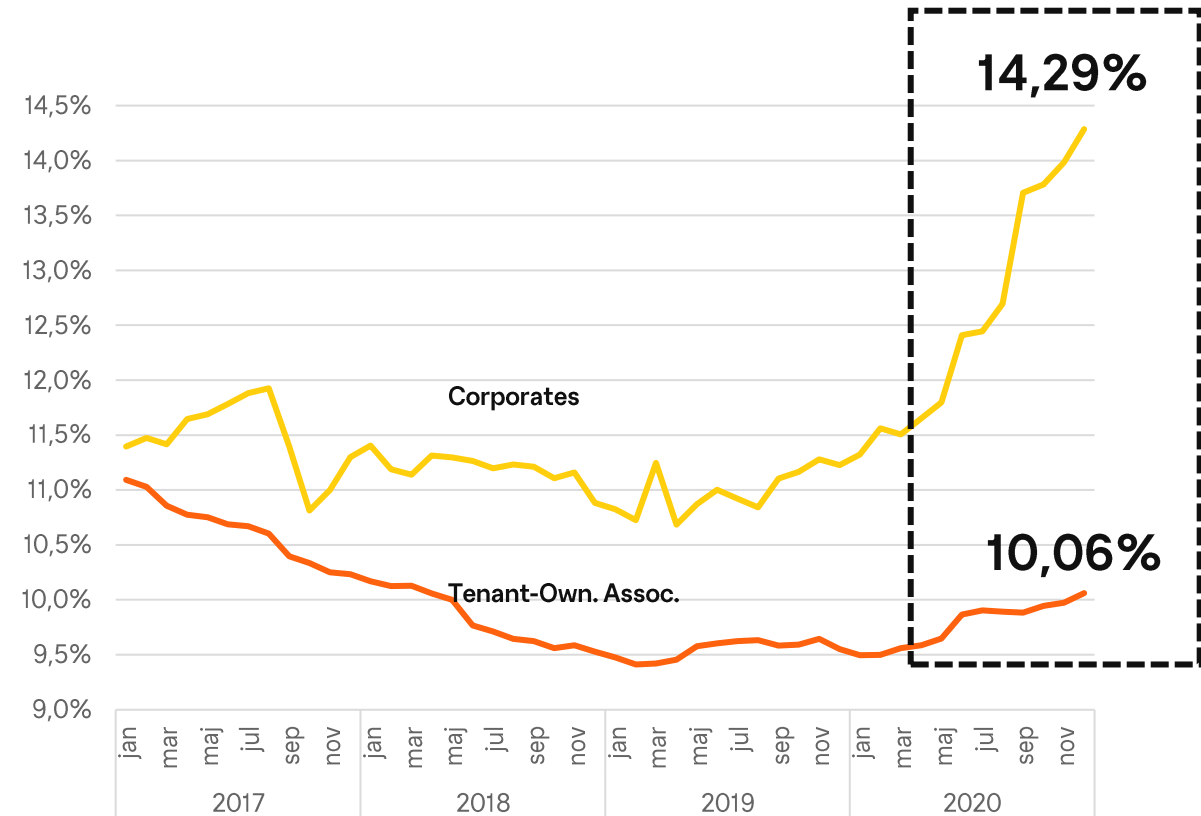


Growing market shares

Market share, Residential mortgages (Dec 2020)



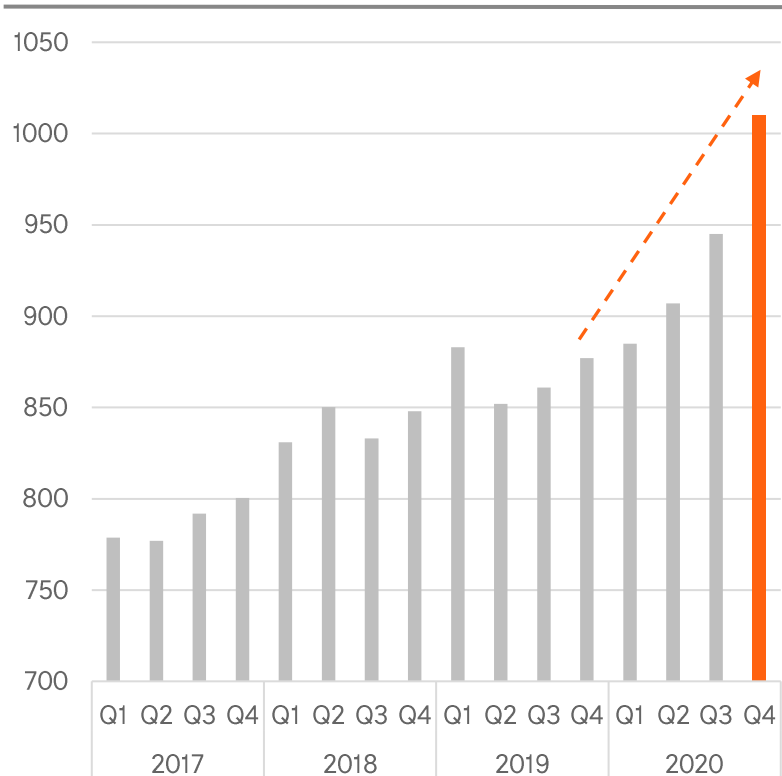
Market shares, Corporate clients & ToA (Dec 2020)



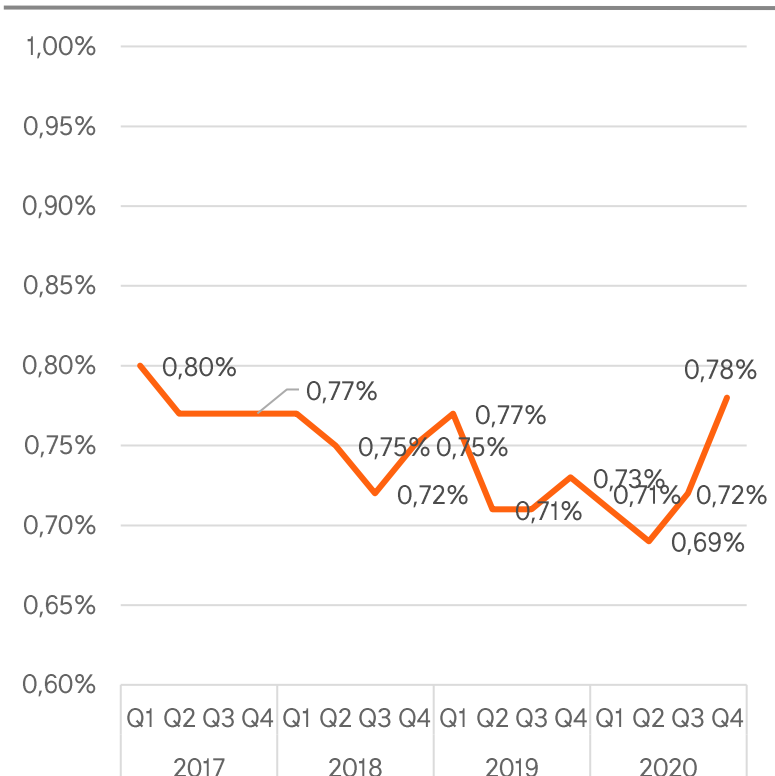
NII development

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

Net interest income QoQ (mn)



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

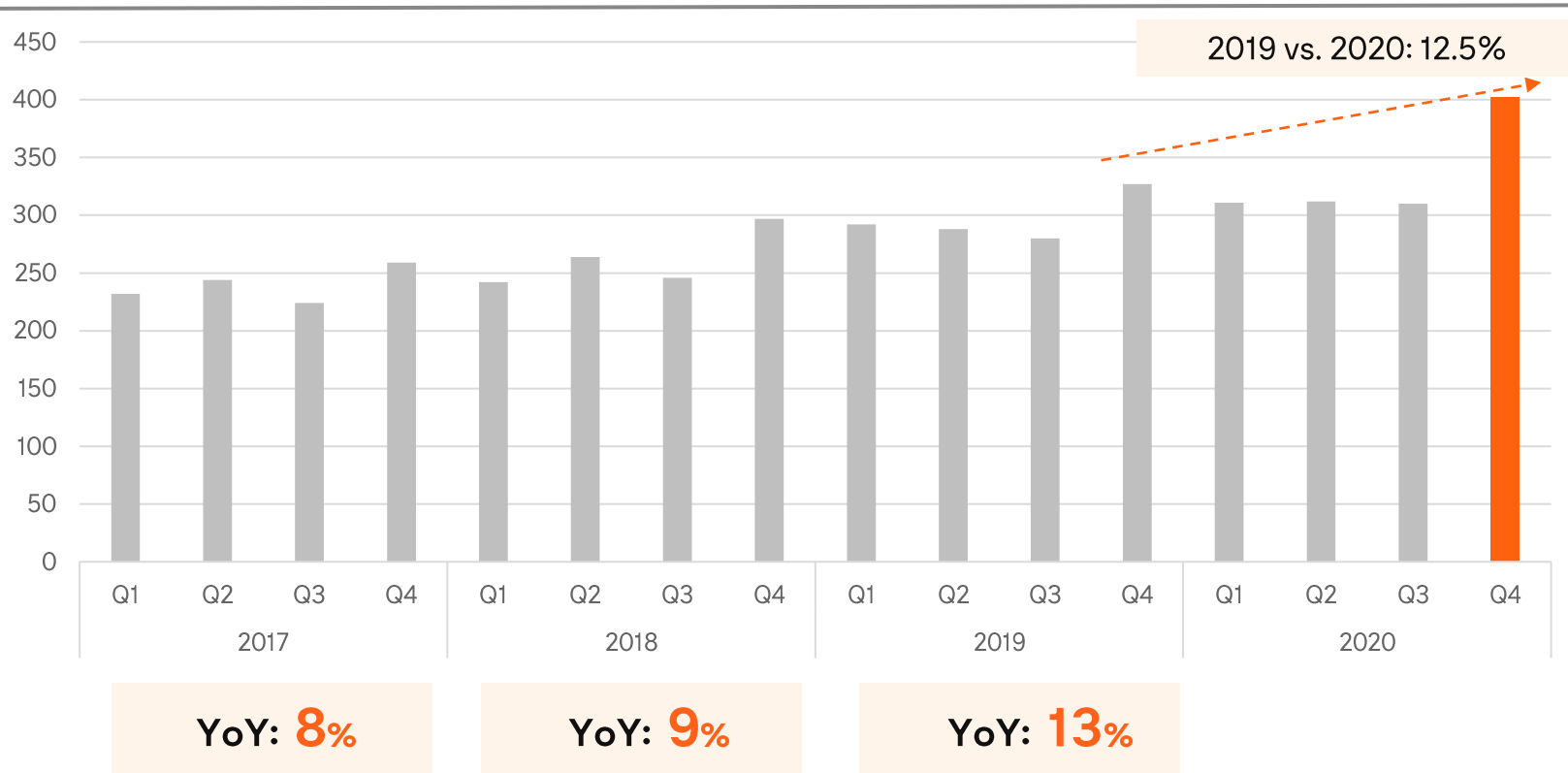
NIM calculated as net interest income in relation to total assets



Cost management

– Increased investments for future competitiveness

Cost development QoQ (SEK mn)



Comments

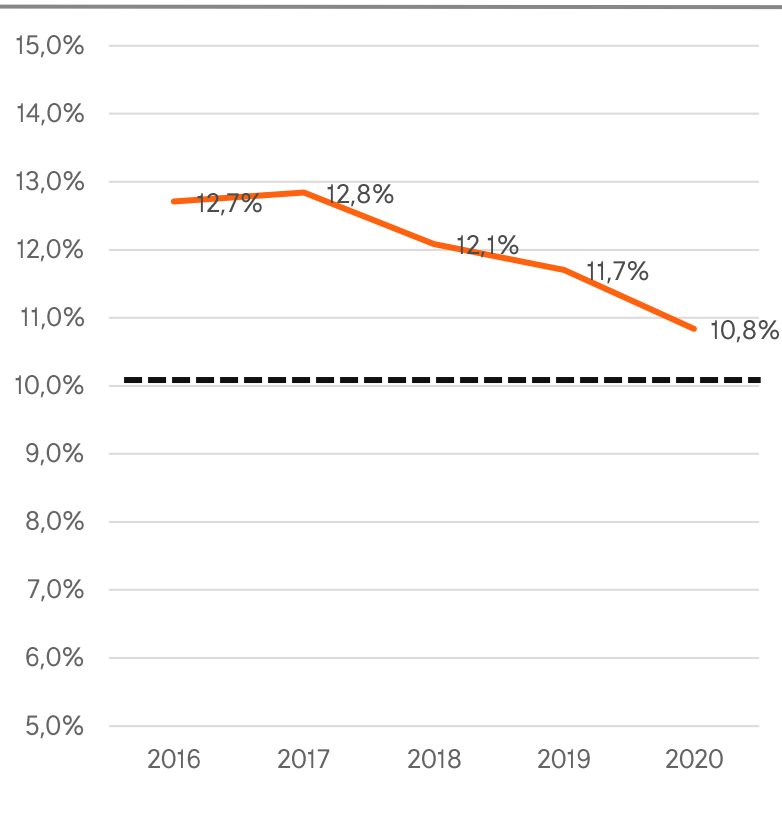
- Costs increased by 30% in Q4 compared to Q3, mainly due to a 67m one-off write-down in Q4
- Increased investments for future competitiveness:
 - Customer offering (incl. increased distribution power, customer service & customer experience)
 - Digitalisation
 - Replacement of IT-infrastructure (core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



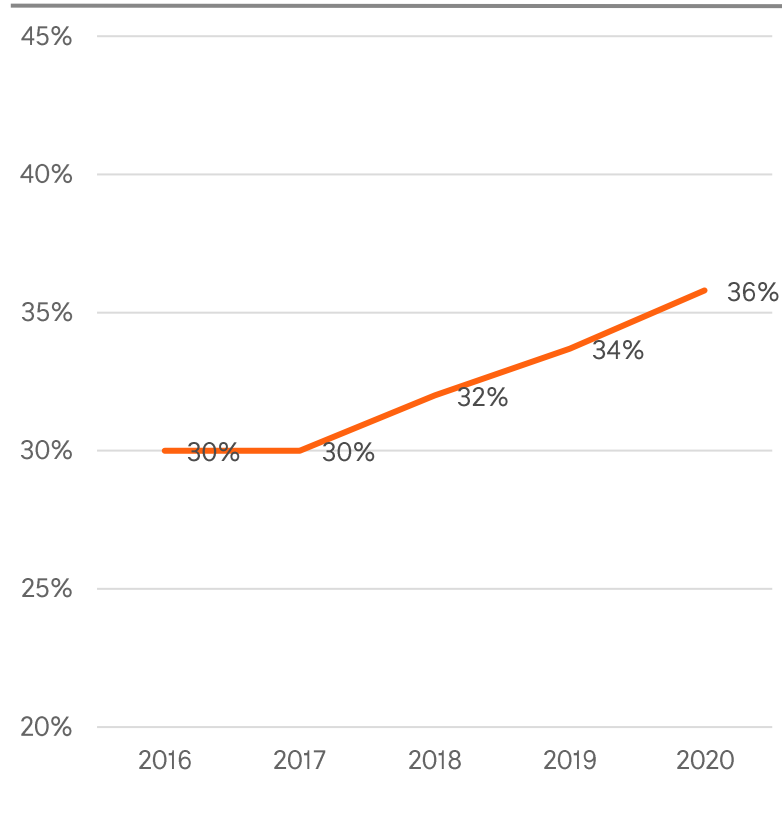
Financial KPIs

– 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.



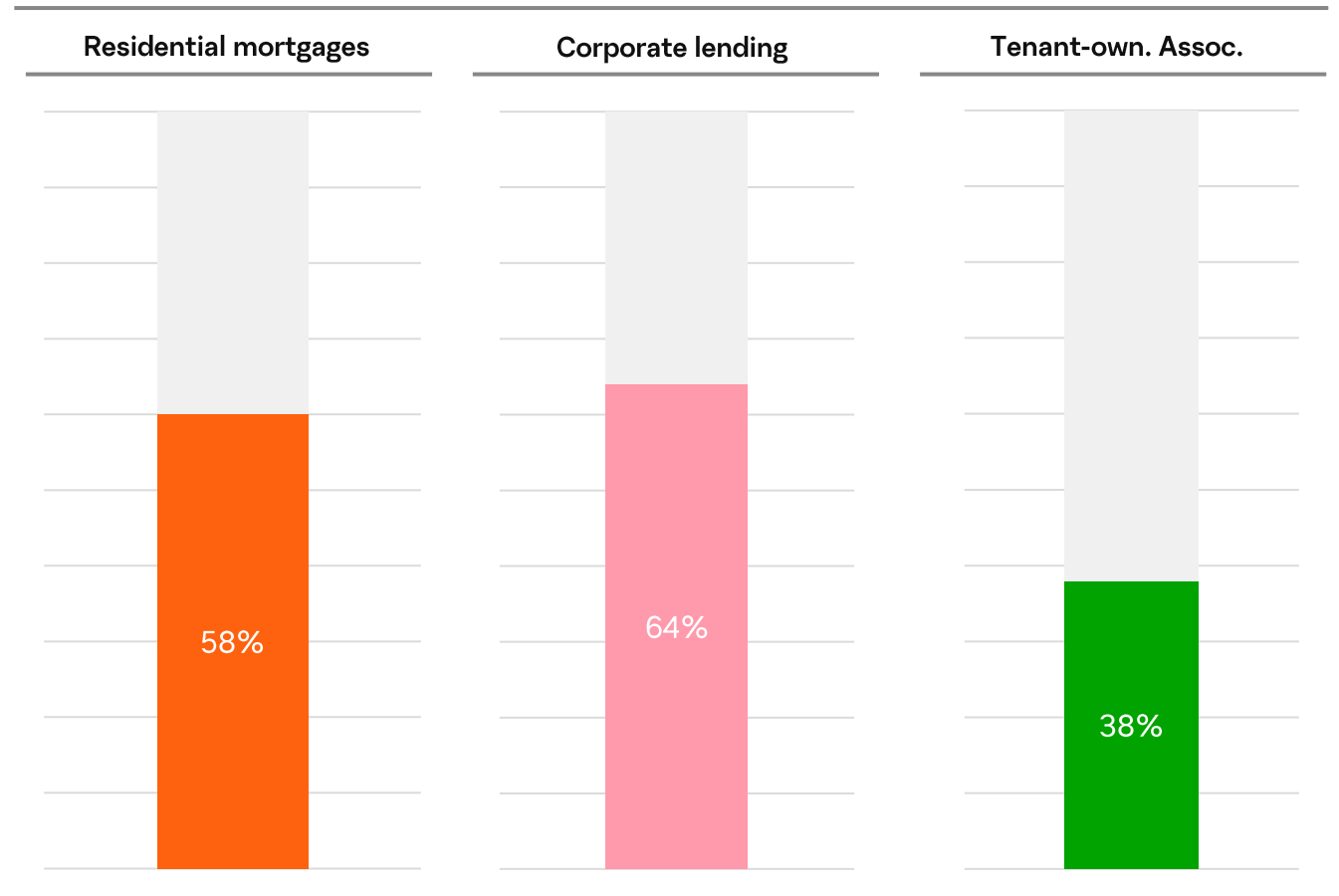
2. Asset Quality

Lending mix

SBAB!

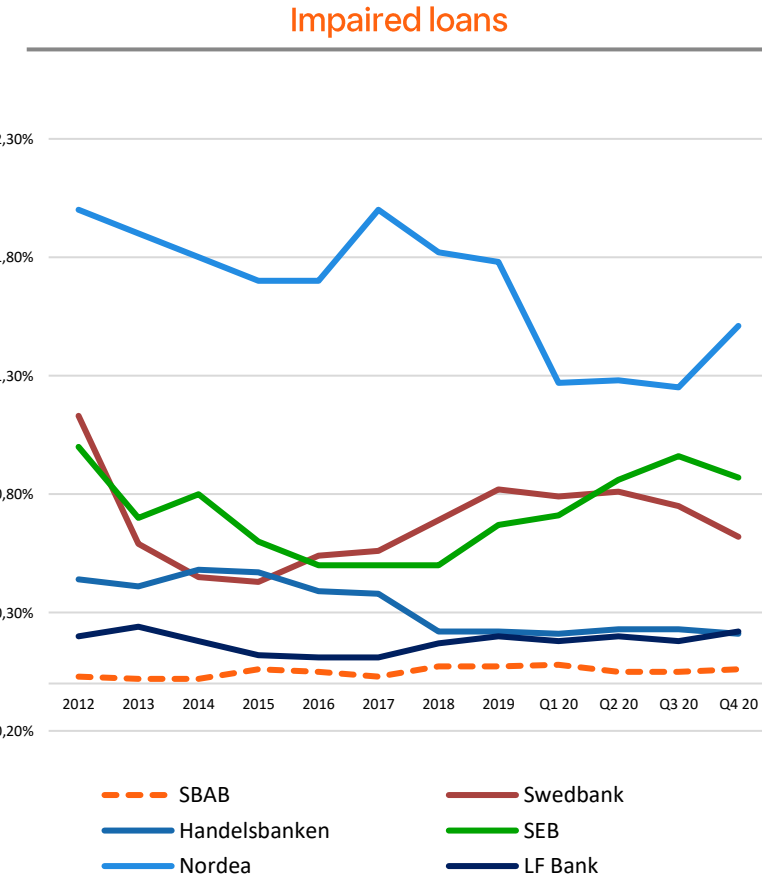
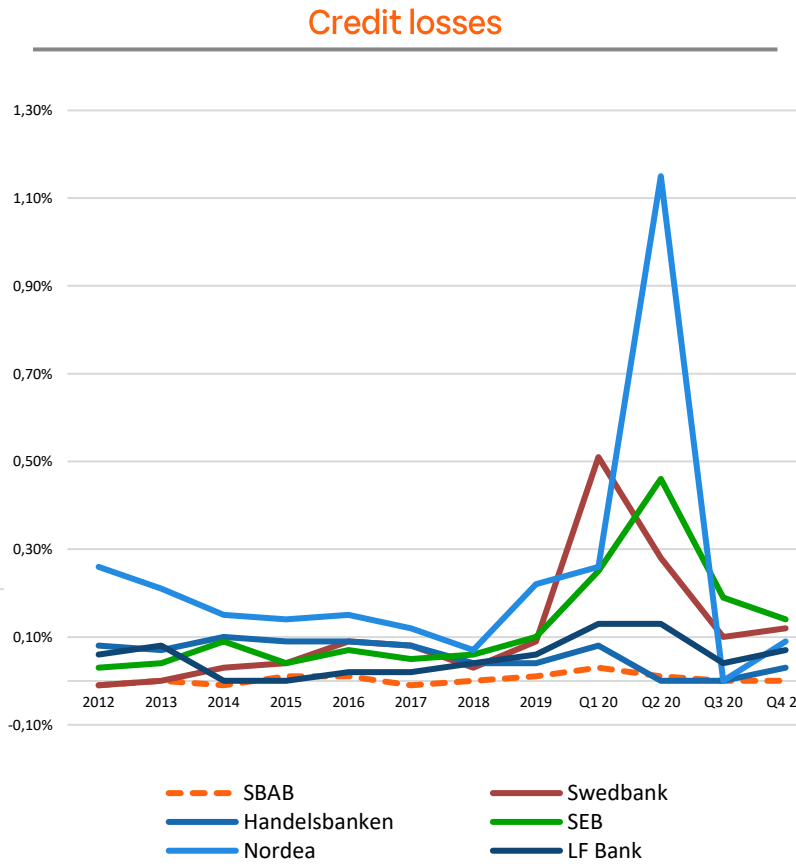
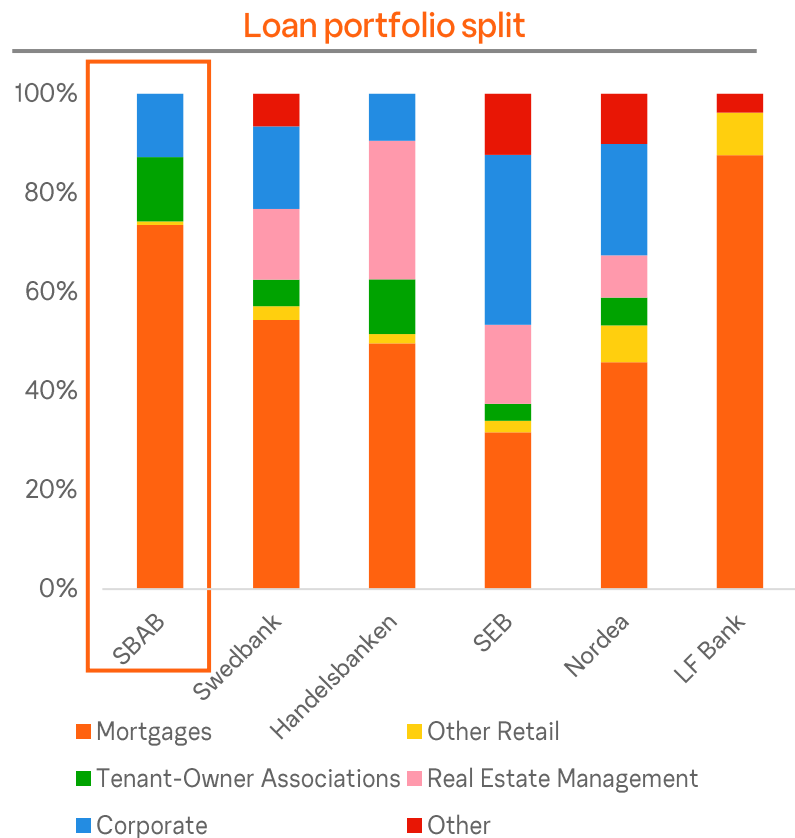
	SEK bn	%
Residential mortgages	310.8	73.5%
Consumer loans	2.5	0.6%
Corporate lending	54.2	12.8%
- Of which, commercial lending	2.2	0.5%
- Of which, construction loans ("kreditiv")	9.3	2.2%
Tenant-owners' associations	55.4	13.1%
Total lending	422.8	

LTV ratios in loan book



Swedish mortgages—a low-risk business

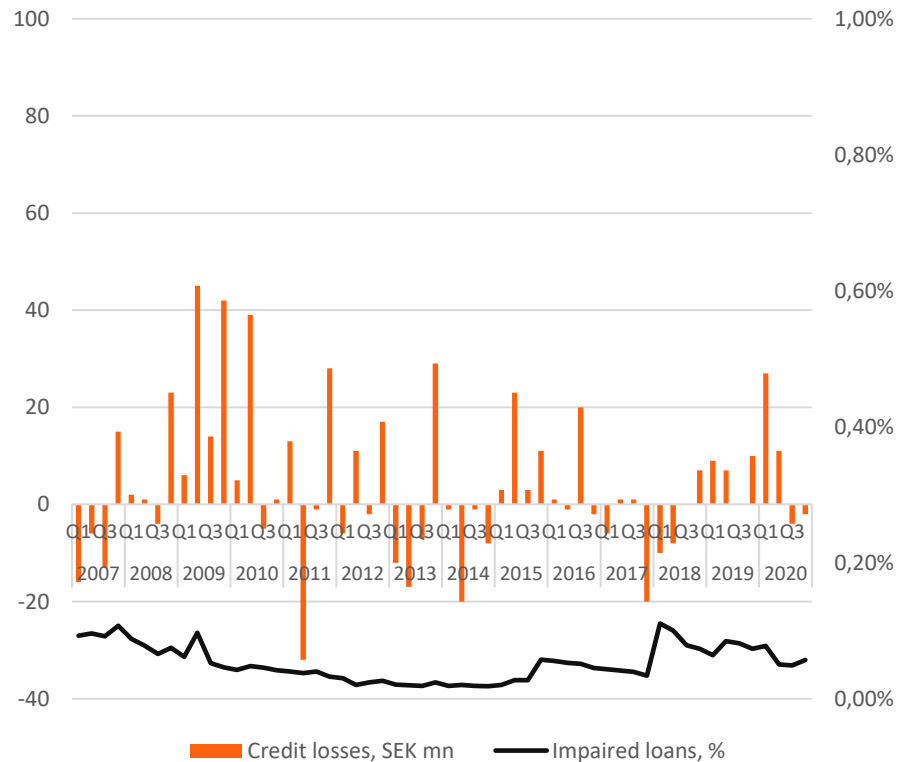
– High concentration on Swedish residential mortgages – very low loan losses/problem loans over time



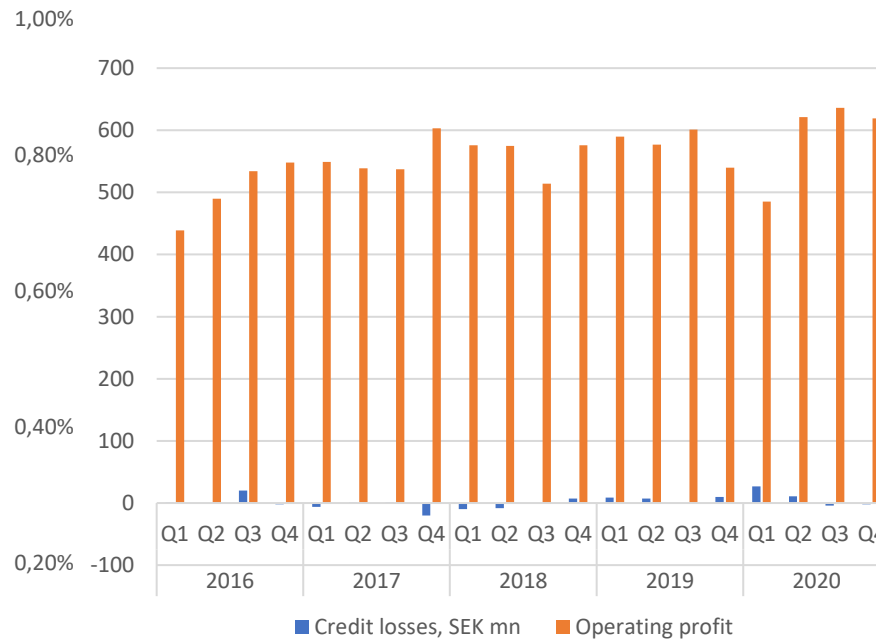
Superior asset quality

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

Credit losses (LHS) & Impaired loans (RHS)



Operating Profit & Credit losses SEK mn



Key metrics Q4 2020

Credit losses
+2 million

Credit loss ratio
0.00%

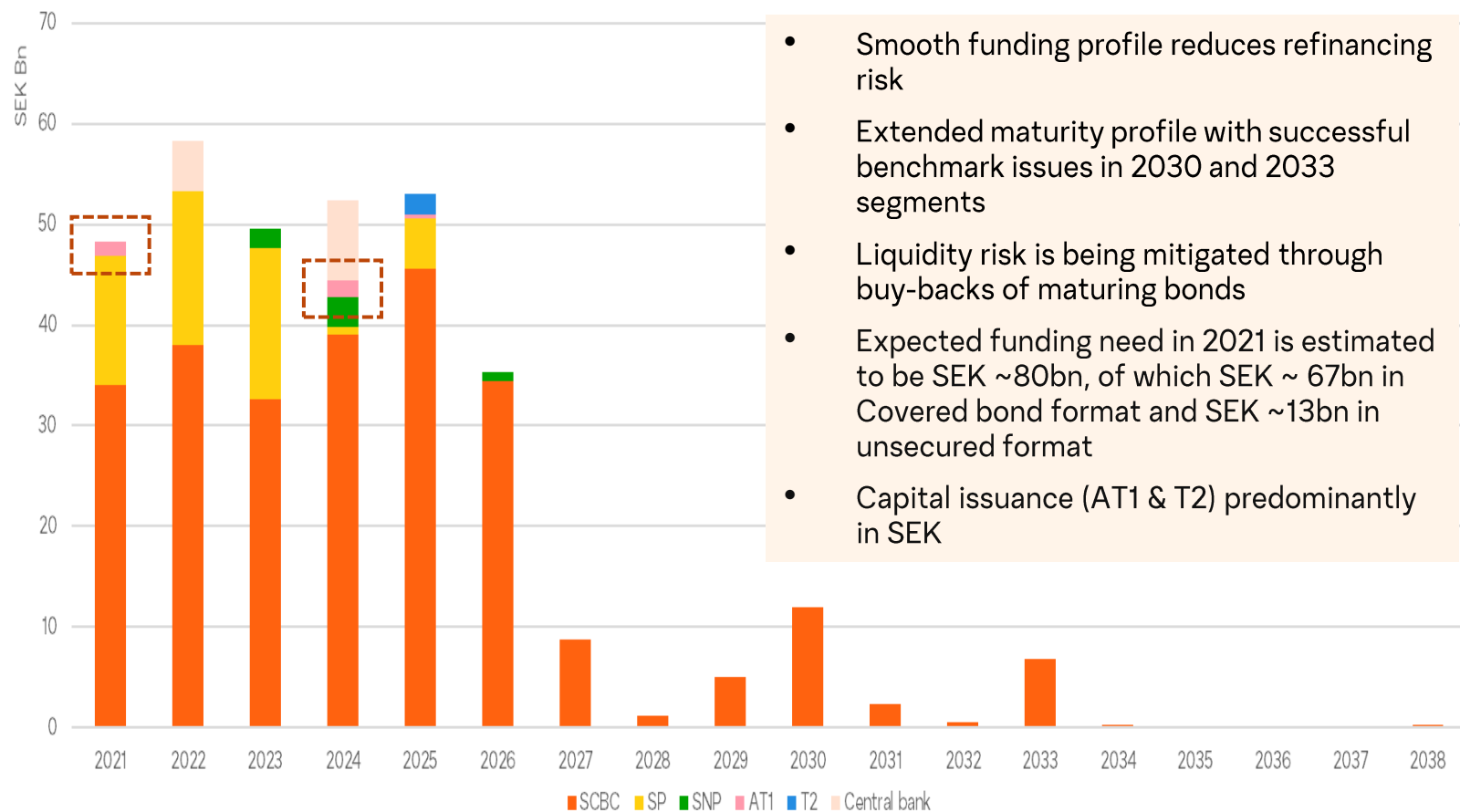
Share of Stage 3 loans, gross
0.06%



3. Funding Update

Smooth maturity profile and strong metrics

Maturity profile



Key metrics

Liquidity portfolio

69_{bn}

LCR

170%

NSFR

129%

Survival horizon

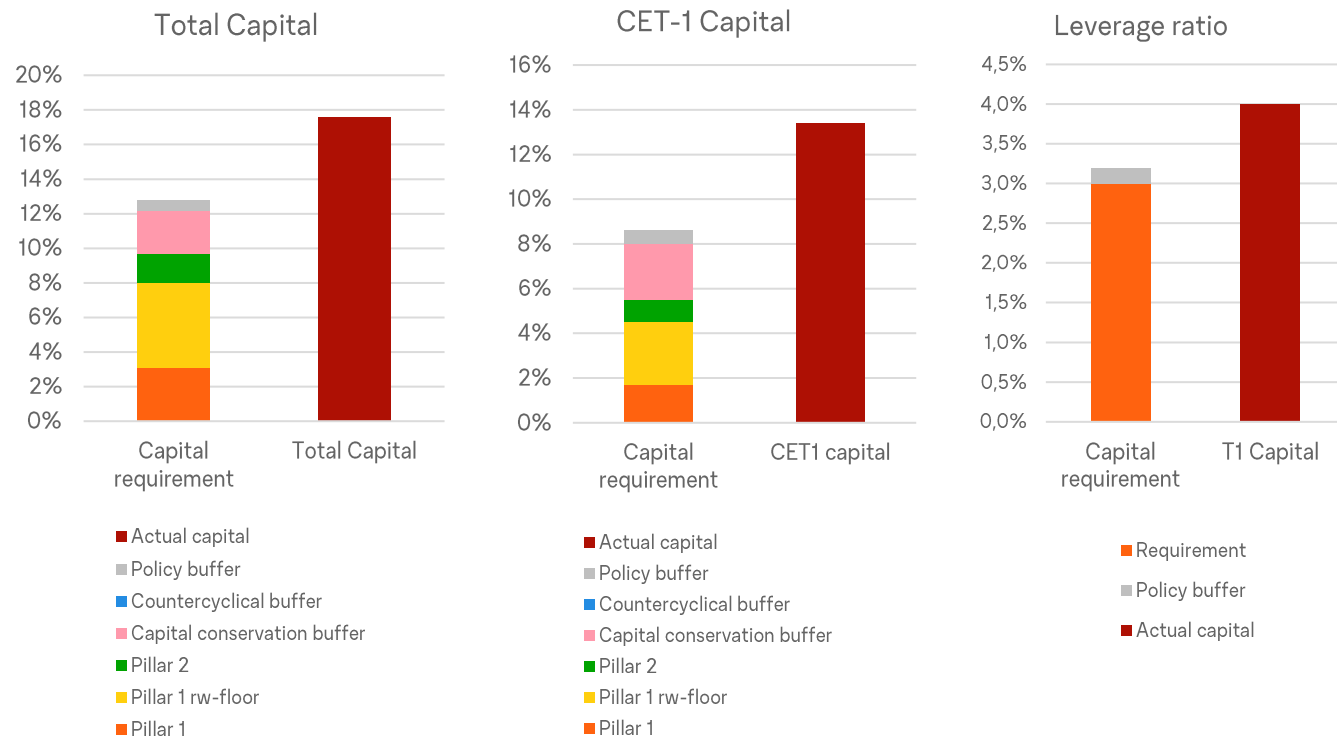
266_{days}



4. Capital Position

Capital position well above requirements

Components of SBAB's capital target Q4 2020



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 has decided not to pay dividend for the year 2020 and dividend amount which was previously deducted during the year has been added back in December 2020 to actual capital, 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



Upcoming regulatory changes

Banking package¹

- SFSA has published indicative figures for Pillar 2 Guidance but no bank-specific levels have been communicated so far
- Remaining changes are known and similar across the sector

- Higher CET1 requirements for small and medium sized banks due to Pillar 2 Guidance
- Leverage ratio to become a constraining capital metric 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
- **~87%** of SBAB:s portfolio under mortgage floor²

1) See next page for an overview of the changes due to the implementation in Sweden

2) Retail mortgages and loans to tenant-owners’ associations; as per Q4 2020

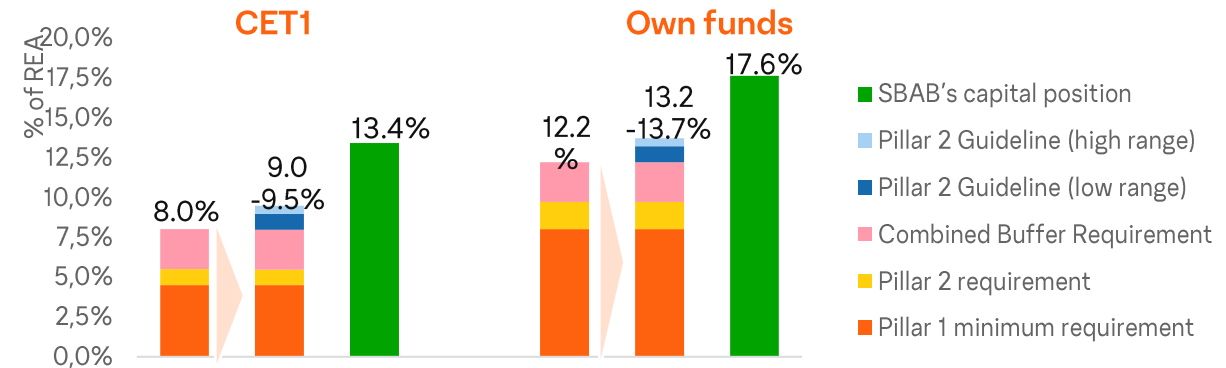


SBAB's capital requirements are impacted by the implementation of EU's Banking Package

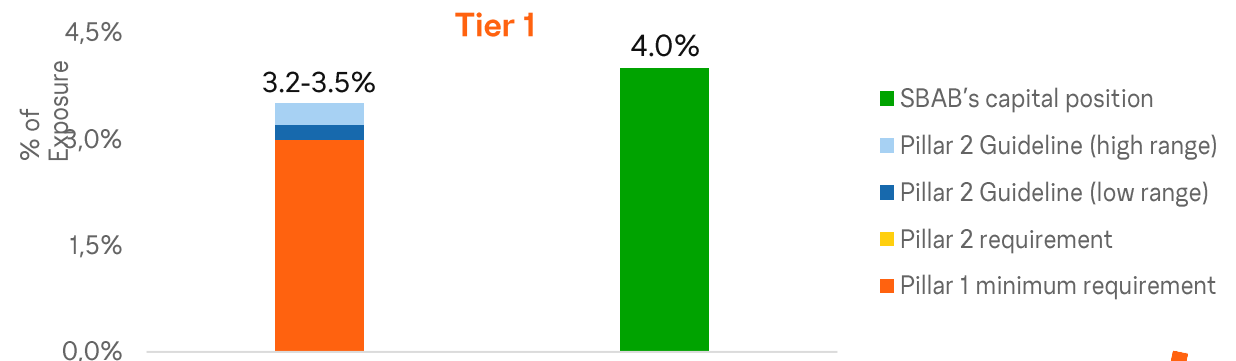
As part of the national implementation of EU's Banking Package, the Swedish banks' capital requirements are amended. On a high level, the following changes applies:

- A minimum leverage ratio of 3% will become binding as per Jun-21 and is a parallel requirement to the risk-based requirement
- Pillar 2 is split in a Requirement (P2R) and a Guidance (P2G), with P2R implemented as a strict requirement impacting MDA levels
- P2R is allowed to be covered with a higher share of hybrid capital instruments compared to previously
- SFSA has indicated that P2G should be covered by CET1 capital and that it will be set at 1-1.5% REA and 0.2-0.5% Leverage exposure
- Systemic risk components in Pillar 2 are removed. Instead, the systemic risk buffer (SRB) is now additive to the G-SII/O-SII buffer under the Combined Buffer Requirement (CBR)

The introduction of Pillar 2 Guideline implies increased capital requirements



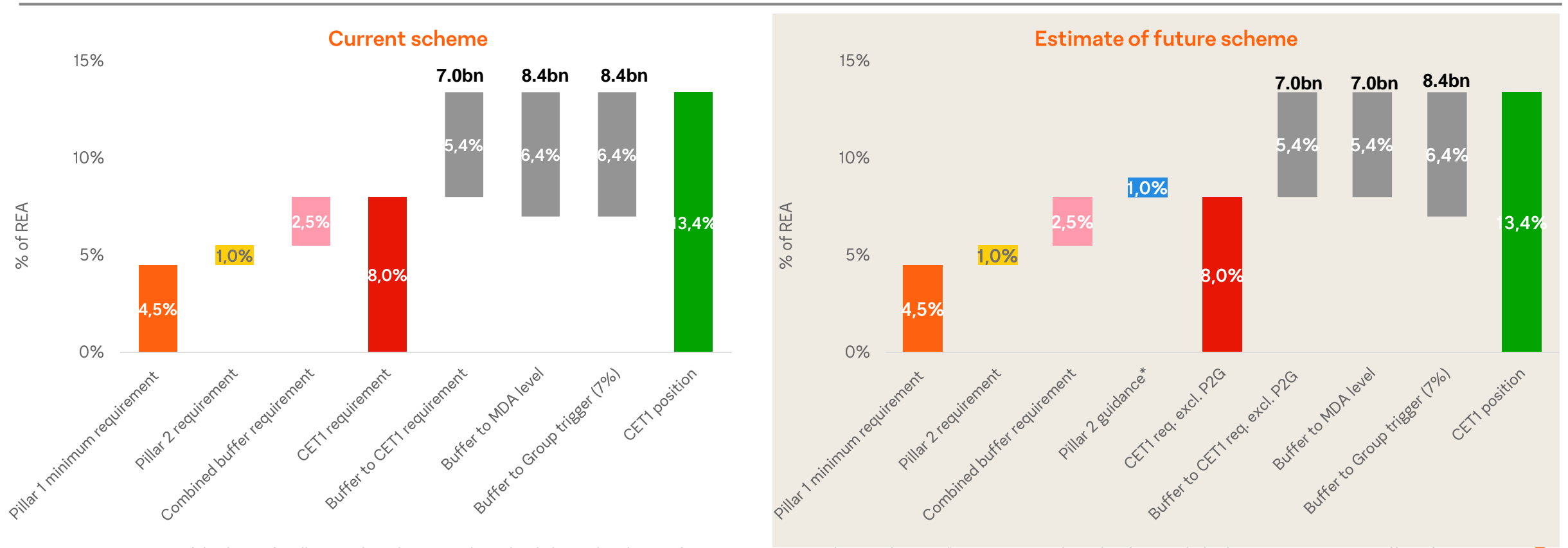
Due to SBAB's low risk business, the leverage requirement will be the restricting



Solid capital position above MDA and Trigger levels

-CET1

Comfortable distance to Trigger level and MDA restrictions under both the new and current scheme

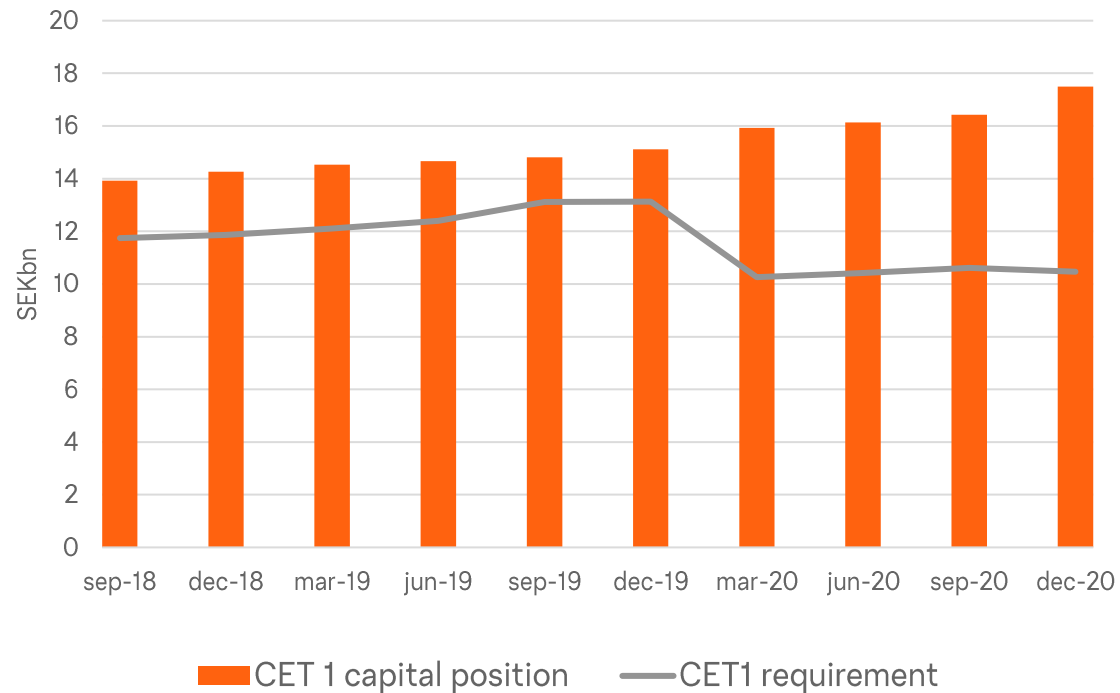


Note. SBAB's bank specific Pillar 2 Guidance has not yet been decided. Based on the SFSA's communication around P2G in the reoirt "Promemoria: Nya kapitalrav för Svenska banker, SBAB expects a net effect of c. +1%-point on the required level of CET1 capital.

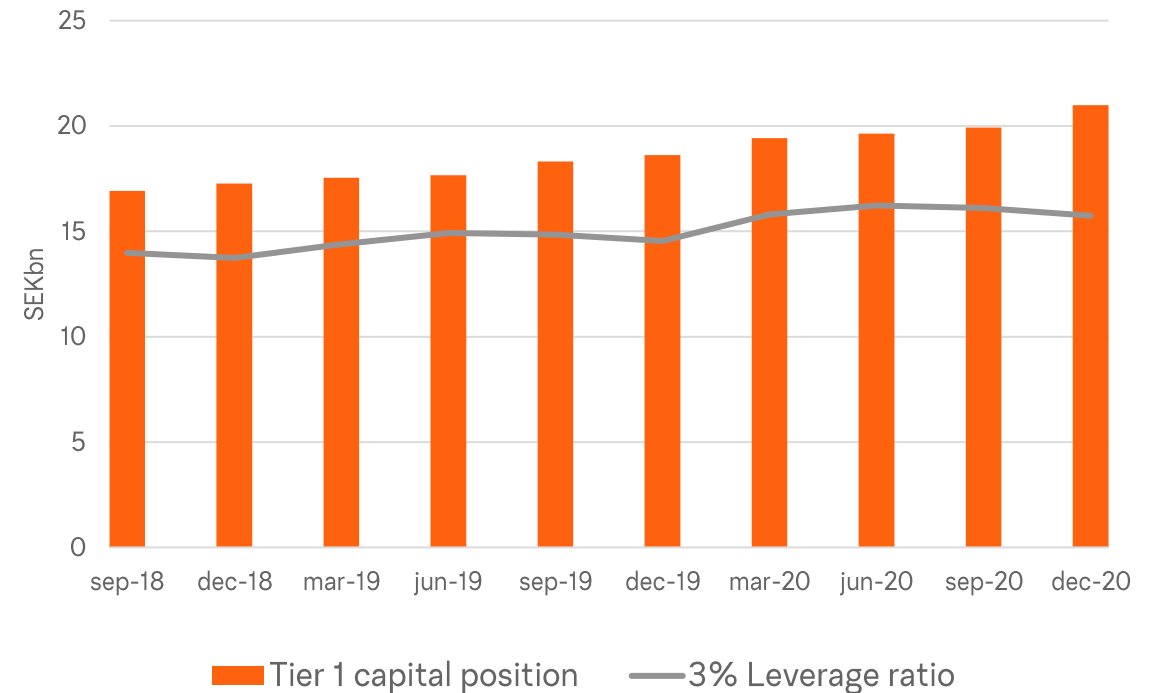


Comfortable capital position over time

CET1 buffer increased to SEK 7bn 2020, with SEK 3bn due to lowered CCyB

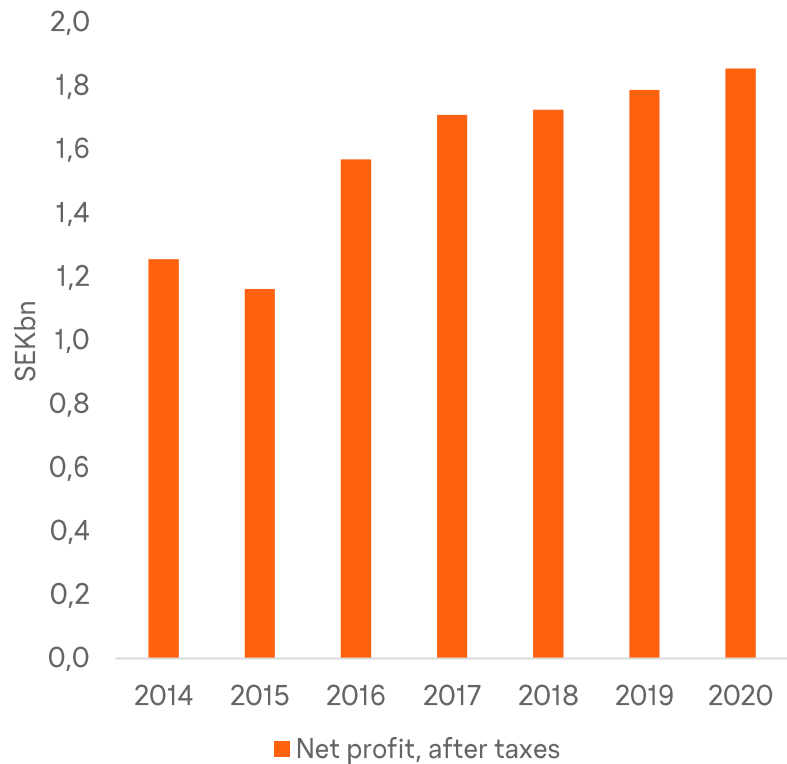


The leverage buffer has increased to SEK 5bn

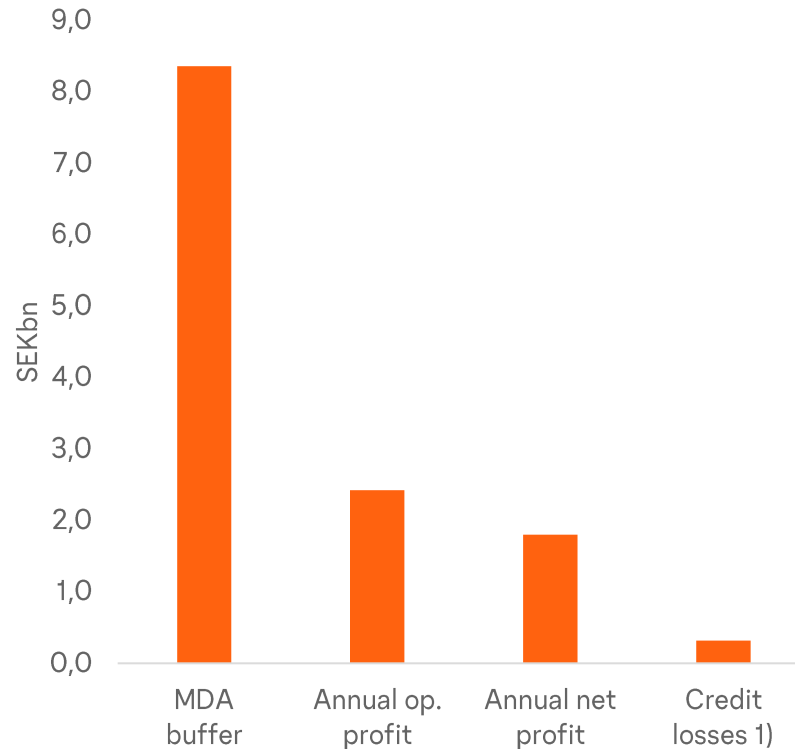


Stable earnings generation

Proven strong earnings generation capacity



MDA buffer 25 times 14 years' accumulated losses



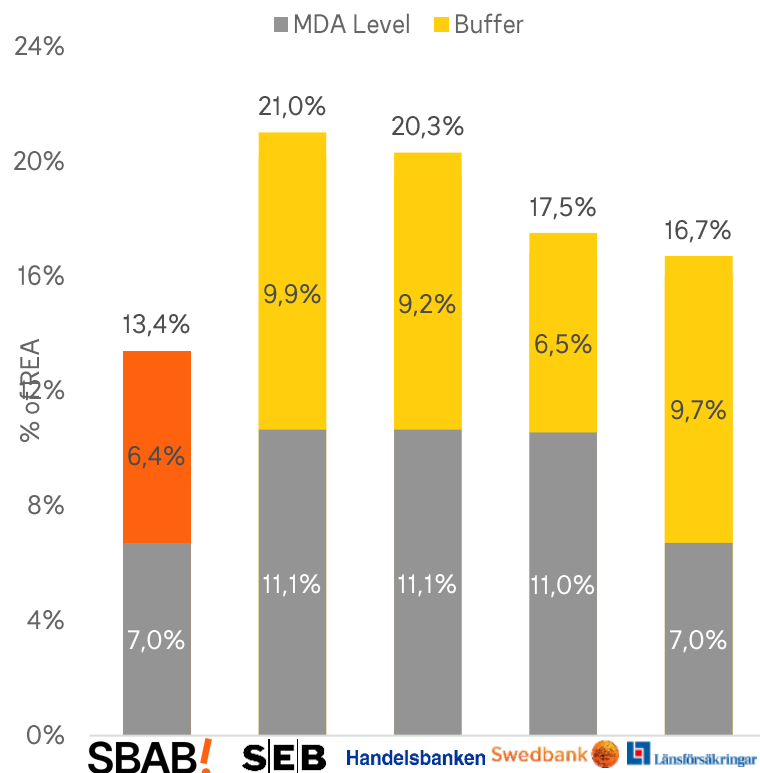
- Proven track record of a stable capital generation ability through organic profit generation with high cost efficiency and low credit losses
- Long, uninterrupted trend of low losses of which these last 14 years of accumulated credit losses corresponds to 4% of the current MDA buffer (SEK 8.4 bn)

1) Accumulated total net credit losses, 2007-2020

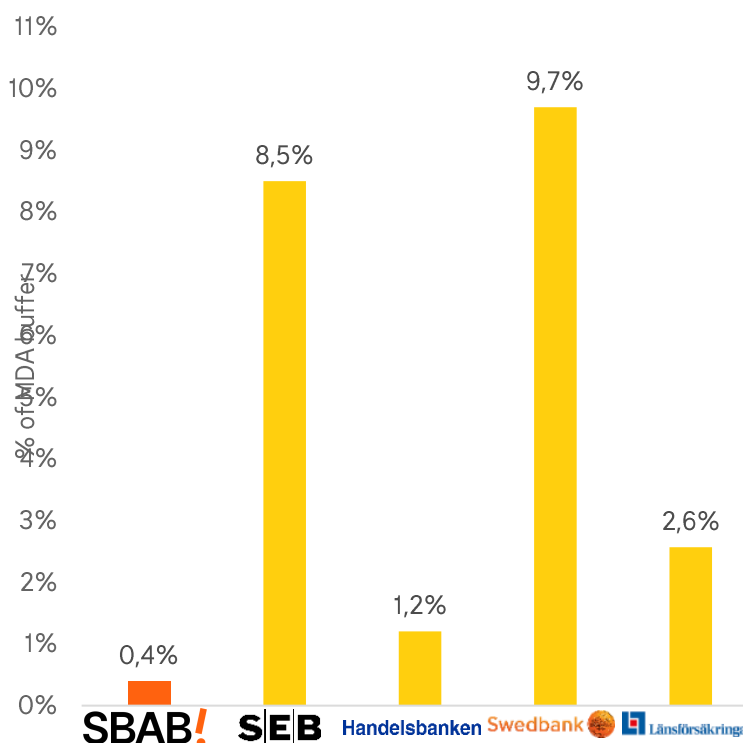


Solid MDA-buffer compared to peers

Strong CET1 buffer vs. MDA level



FY 2020 net credit losses / MDA buffer as of Q4-2020



- The CET1 ratio is well above the MDA level with a buffer of 6.4% corresponding to **SEK 8.4bn**
- Compared with peers the net credit losses in relation to the MDA buffer is low, highlighting the high asset quality and comfortable ability to make coupon payments

Source: SBAB's estimate based on company reports Q4-2020. Data per Q4 2020




SBAB rating overview

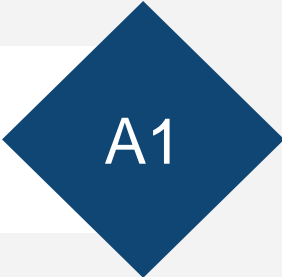
MOODY'S

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL


Senior Unsecured Rating




Stable Outlook



A1



Stable Outlook



A

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

Investment Grade

Aaa *Sov. rating*

Aa1

Aa2

Aa3

A1 *Senior Preferred*

A2

A3

Baa1 *BCA*

Baa2 *T2 / SNP*

Baa3

Non Investment Grade

Ba1 *AT1*

Ba2

[...]

AAA *Sov. rating*

AA+

AA

AA-

A+

A *Senior Preferred*

A- *SACP*

BBB+ *SNP*

BBB *T2*

BBB-

BB+

BB *AT1**

[...]

* Revised 2019/22/05 from BB+



5. Proposed AT1 Transaction

Indicative Term Sheet

Issuer	<ul style="list-style-type: none"> • SBAB Bank AB (publ)
Expected issue rating	<ul style="list-style-type: none"> • BB and Ba1 (hyb) by S&P/Moody's
Currency & Principal Amount	<ul style="list-style-type: none"> • SEK Benchmark
Maturity	<ul style="list-style-type: none"> • Perpetual
First Call Date	<ul style="list-style-type: none"> • [] 2026
Call Period	<ul style="list-style-type: none"> • First Call Date + 3m
Optional Redemption Dates	<ul style="list-style-type: none"> • The Issuer may redeem all (but not some only) outstanding Notes (i) any time within the Initial Call Period or (ii) any Interest Payment Date falling after the Initial Call Period, at their principal amount, together with accrued interest (if any), subject to regulatory approval
Special Event Redemption	<ul style="list-style-type: none"> • The Issuer may redeem all (but not some only) of the Notes at par at any time in case of a Capital Event or a Tax Event, subject to the Swedish FSA approval
Status	<ul style="list-style-type: none"> • Deeply subordinated, • Senior only to share capital and other obligations of the Issuer ranking, or expressed to rank junior to the Notes
Loss Absorption Mechanism – Write-down	<ul style="list-style-type: none"> • Temporary write-down upon breach of 7% CET1 at the SBAB Consolidated Situation or 5.125% at the Issuer level • Discretionary reinstatement and write-up to a maximum of the initial principal amount of the Notes • Subject to Statutory PONV
Coupon Structure / Interest	<ul style="list-style-type: none"> • Fixed-to-Floating Rate Notes: Fixed (annually) until after the Initial Call Period, floating (quarterly) thereafter • Floating Rate Notes: Floating (quarterly) • Fully discretionary, non-cumulative, subject to sufficient distributable items and MDA
Substitution and Variation	<ul style="list-style-type: none"> • Upon the occurrence of a Tax Event or a Capital Event, the Issuer may, without any requirement for the consent or approval of the Noteholders, either substitute all or vary the terms of the Notes so that they remain qualifying Additional Tier 1 securities
Admission to trading	<ul style="list-style-type: none"> • Stockholm
Governing Law	<ul style="list-style-type: none"> • Swedish law
Target Market	<ul style="list-style-type: none"> • Eligible counterparties and professional clients only
Denomination	<ul style="list-style-type: none"> • SEK 2,000,000
Documentation	<ul style="list-style-type: none"> • Standalone – Investors should read the preliminary Risk Factors dated 11 February 2021



6. Appendix

Capital position well above requirements

Components of SBAB's capital target Q4 2020

SEK million	Total capital	%	CET1 capital	%	Tier 1 capital	%
Estimated capital requirements from the S-FSA	15,944	12.2	10,469	8.0	-	-
– 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	-	-
Minimum Leverage ratio requirement	-	-	-	-	15,735	3.0
SBAB's capital target	16,726	12.8	11,250	8.6	16,784	3.2
SBAB's actual capital	22,992	17.6	17,492	13.4	20,992	4.0

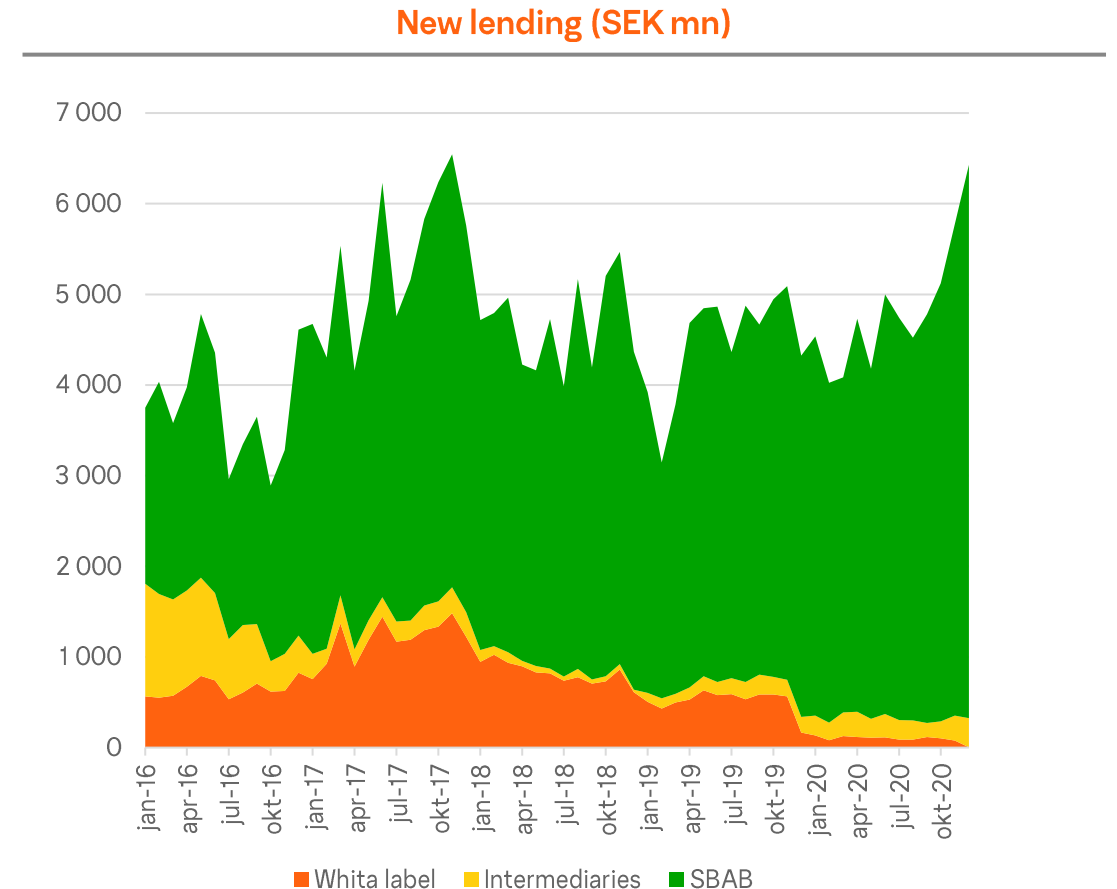
Comments

- 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 has decided not to pay dividend for the year 2020 and dividend amount which was previously deducted during the year has been added back in December 2020 to actual capital, 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

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



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 ¹⁾	-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%
ECL	SEK 83 million			SEK 154 million			SEK 181 million			SEK 453 million		
Weighted ECL²⁾	SEK 171 million											

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.

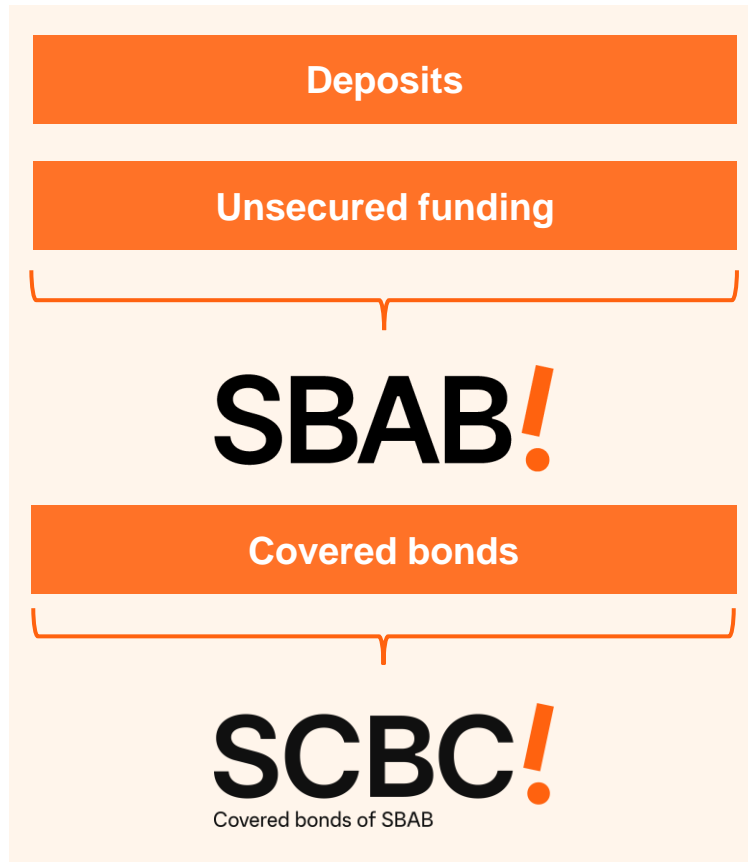
Comment

- 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

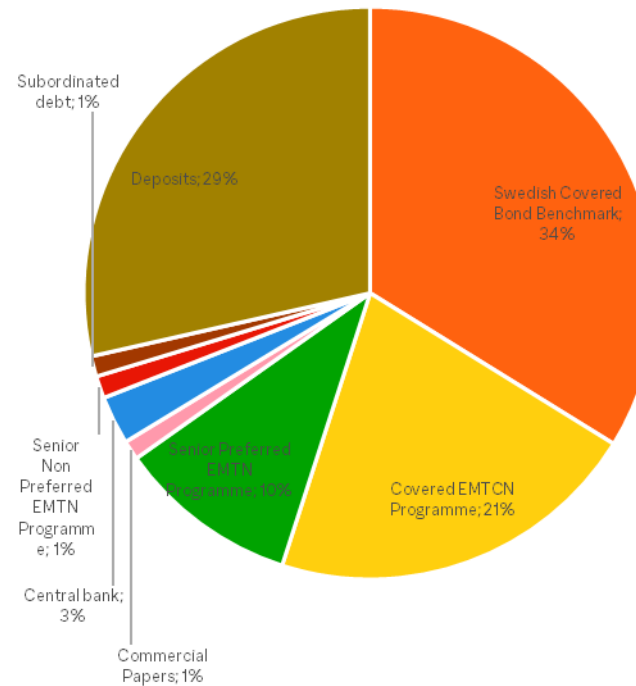


Overview of funding

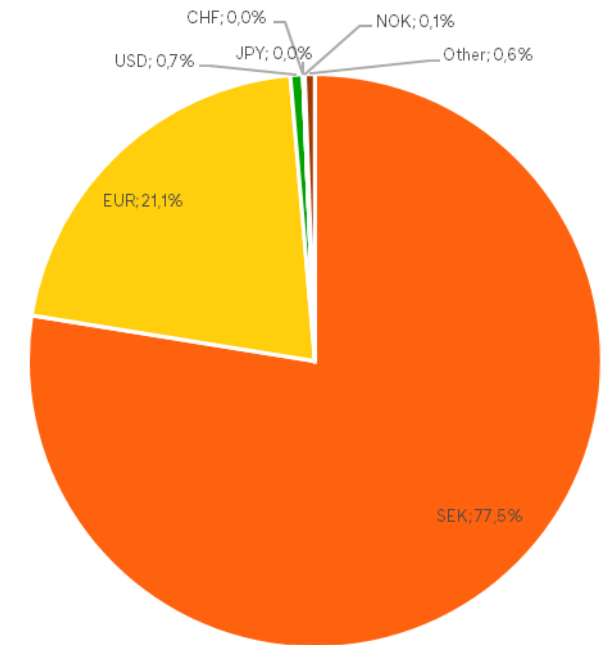
– Total funding portfolio SEK 475 billion (as of 31 Dec 2020)



Funding sources



Funding currencies



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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



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!

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SBAB!

