

INVESTOR PRESENTATION

SBAB Bank AB (publ)
Q4 2018

SBAB!

FY 2018 **SBAB!** highlights

STABLE PROFITABILITY

RoE: **12.1%**

HIGH COST EFFICIENCY

C/I ratio: **32%**

STRONG ASSET QUALITY

Loan loss ratio: **0,00%**

THE SWEDISH RESIDENTIAL MORTGAGE MARKET

MARKET SHARE DEC 2018

8,4%

SHARE OF NET GROWTH FY 2018

17%

CONTINUED FOCUS ON SUSTAINABILITY

**Q1 2019: FIRST SWEDISH GREEN
COVERED BOND BACKED BY
RESIDENTIAL MORTGAGES**

8 DECENT WORK AND
ECONOMIC GROWTH



11 SUSTAINABLE CITIES
AND COMMUNITIES



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



13 CLIMATE
ACTION



Introducing SBAB!

- 100% owned by the Kingdom of Sweden
- Swedish mortgage portfolio, predominantly residential mortgages
- Savings accounts offered to retail customers, corporate clients and tenant-owners' associations
- Business targets:
 - Profitability: RoE \geq 10%
 - Capitalisation: CET1 Capital Ratio & Total Capital Ratio 0.6% above requirement from the Swedish FSA
 - Dividend: \geq 40% of profits after tax
- Total funding needs for 2019 expected to be around SEK 60 billion

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

Business idea

Our business idea is to be innovative and considerate in our offering of loan and savings products to consumers, tenant-owners' associations and property companies in Sweden

Vision

To offer the best residential mortgages in Sweden

Mission

To contribute to better housing and household finances

Lending

SEK **364.2** bn

Deposits

SEK **124.9** bn

Two business areas

Retail

Corporate Clients &
Tenant-Owners'
Associations

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THE SWEDISH ECONOMY & HOUSING MARKET.

The Swedish economy - highlights

Real economy

- Solid GDP growth of on average around 2% for the last 10 years. Slowdown expected in 2019-2020, mainly due to a decline in housing constructing
- Unemployment is expected to remain stable at a fairly low level
- Public finances are very strong in an international comparison

Demography

- Population grow due to strong birth excess and migration with a marked urbanization trend
- Demography supports demand for new dwellings

Real estate

- Strong house price increase with turning point in 2017. Stable development during 2018
- The decline in housing constructing lately is expected to continue in 2019

Interest rates

- Highly expansionary monetary policy with a Repo rate at -0.25 percent, an increase is to be expected in the autumn
- Low mortgage lending rates in the near future

Credit

- Debt-to-income ratio has risen for a number of years, but low debt service costs-to-income ratio and high net wealth
- High private debt mitigated by low and declining government debt
- Gradually declining lending growth is now at a level that could be considered sustainable

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

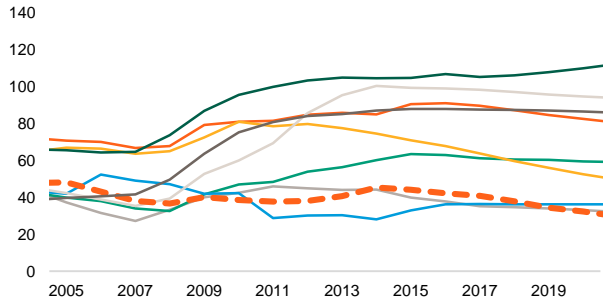
Well developed welfare system raising households’ ability to service debt even during times of unemployment

Public finances and fiscal policy

– AAA / Aaa / AAA (stable)

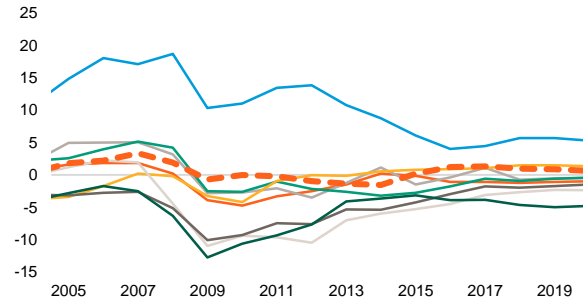
- **Public finances are very strong in an international comparison**
- **Government debt is low and declining**
 - Public debt-to-GDP of 37.9% in 2018, 34.5% in 2019 and 32.4% 2020 (IMF, February 2019)
- **Budget currently close to balance**
 - Average budget balance has been -0.1% of GDP over the past 10 years

General government gross debt (% of GDP)



Canada	Denmark	Finland
Germany	Norway	Spain
Sweden	United Kingdom	United States

General government net lending/borrowing (% of GDP)

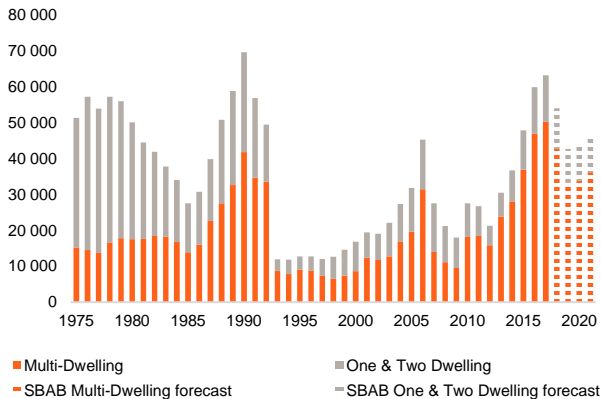


Canada	Denmark	Finland
Germany	Norway	Spain
Sweden	United Kingdom	United States

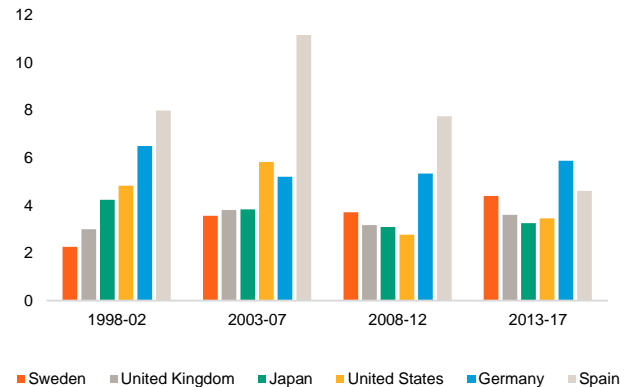
Housing construction

- **Low level of housing construction for a long time peaked 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 demographic growth, easy access to financing and low interest rates are stimulating construction**
 - Signs of overheating in the construction industry due to the acceleration in production
 - About 50 000 new dwellings per year are needed in the coming years just to keep the stock of dwellings growing at the same rate as the number of households

Housing construction (number of dwellings)



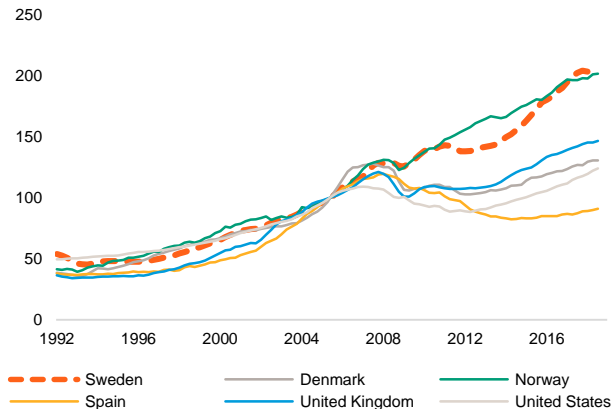
Residential investment (% of GDP)



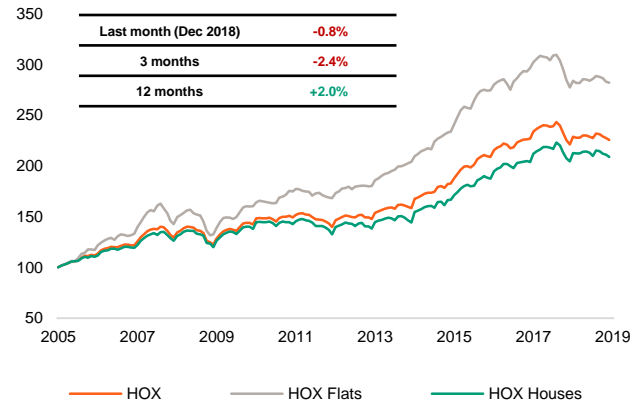
House price performance

- **House prices have increased by an average of 4.8% over the last 10 years, turning point in 2017**
 - Housing construction is clearly linked to house price development
- **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)



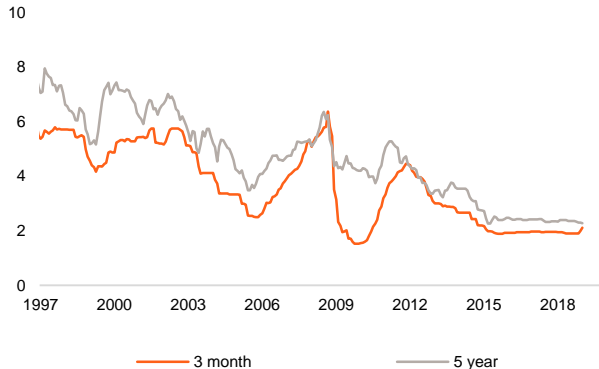
Prices on flats and houses (index 2005=100)



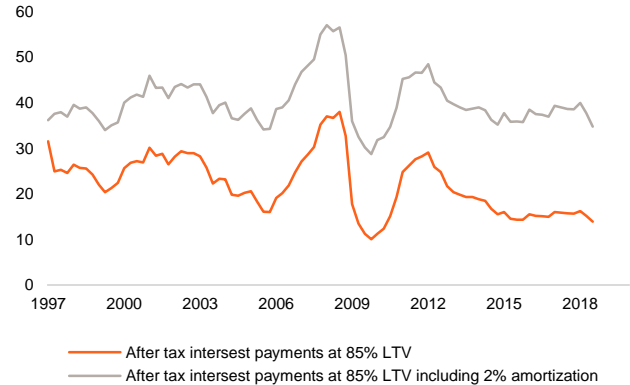
Low costs of owning a dwelling

- **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 18% of disposable income per capita over the past ten years, and is currently at 14%
- **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%) with the possibility to defer the tax at an interest cost

Mortgage lending rates (average of five banks)



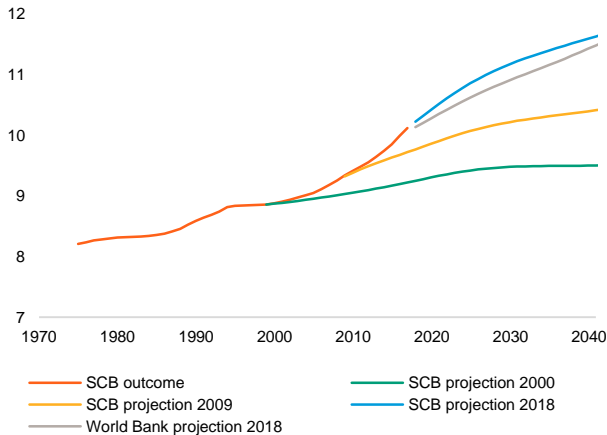
Cost of buying an average house (% of DI per capita)



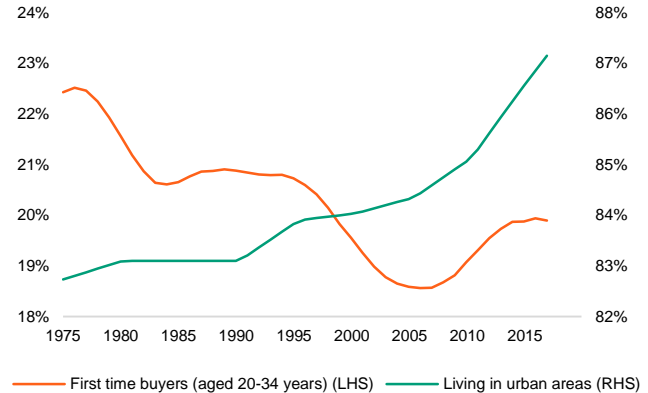
Demographics

- **Population growth is difficult to predict and has been unexpectedly high**
 - Population growth in 2017 was 1.3%, and the preliminary growth figure for 2018 is 1.1%
 - Both migration and birth excess are strong
- **The number of potential first time buyers has been rising in current years and the urbanisation trend is strong**
 - Puts further pressure on housing markets in larger cities and growth areas
 - Other important long term demographic factors such as ageing population and urbanization adds to the pressure

Total population (millions)



Population composition (% of population)

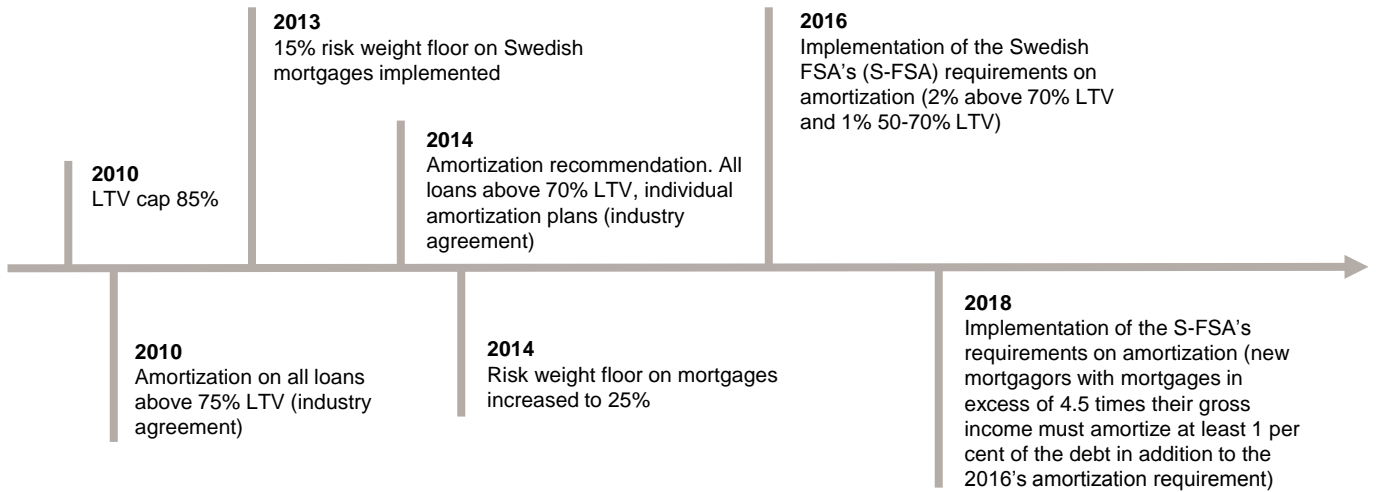


The Swedish mortgage market

– 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.

Business overview

- Founded in 1985
- 100% owned by the Kingdom of Sweden
- Two product offerings:
 - **Lending:** Mortgages & housing financing offered to retail customers (77%), tenant-owners' associations (14%) and property companies (9%). **Total lending SEK 364.2 billion**
 - **Savings:** Savings accounts offered to retail customers (70%), corporate clients and tenant-owners' associations (30%). **Total deposits SEK 124.9 billion**

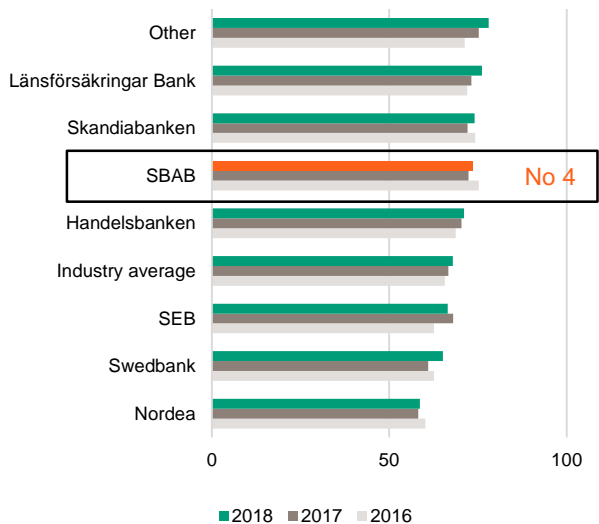


High customer satisfaction



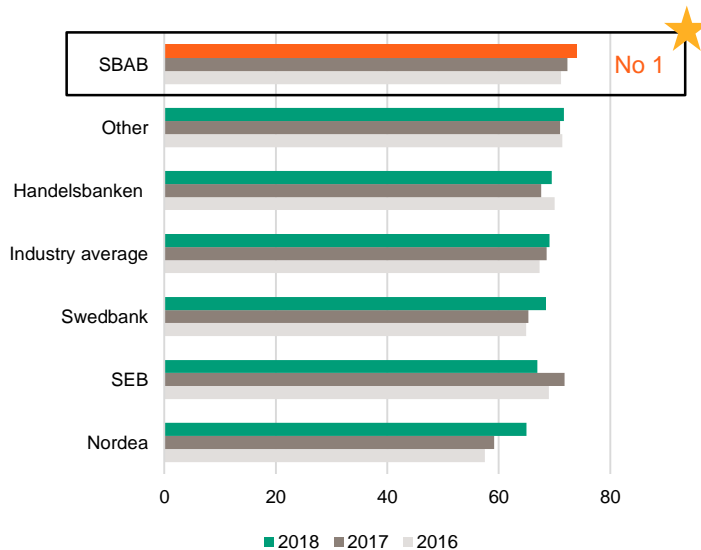
Retail (SBAB no 4 in 2018)

Customer satisfaction 2016, 2017 & 2018



Corporate (SBAB no 1 in 2018)

Customer satisfaction 2016, 2017 & 2018

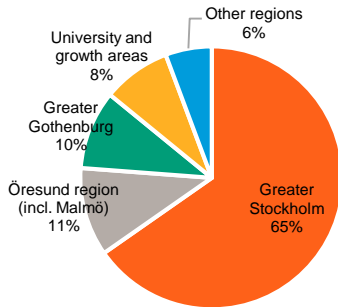


Retail lending

– Total lending SEK 278.9 billion

- The Retail business area offers services within housing quality and household finances, such as savings and loan products, insurance, and home locator and estate-agent services. Activities are operated under the **SBAB**, **Booli** and **HiitaMäklare** brands. The core product is residential mortgages. We have no traditional bank branches, which means that our products and services are offered online or by telephone
- 5th largest residential mortgage provider in Sweden
- Our retail customers are primarily located in areas around Stockholm, Gothenburg, Malmö, and other university cities and growth regions

Geographic distribution of mortgage portfolio



Mortgage 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

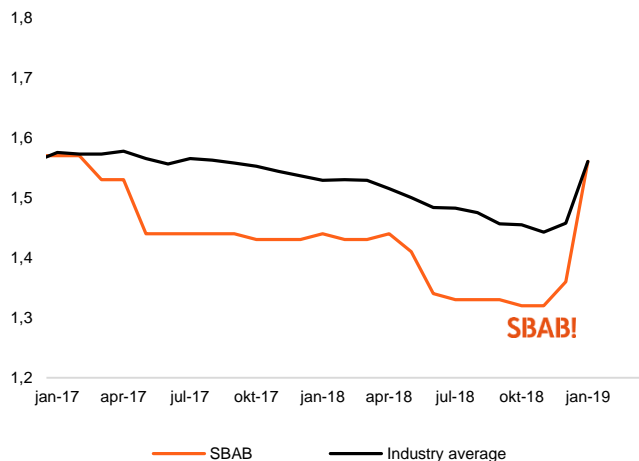
Housing specialists who care.

Competitive terms and conditions

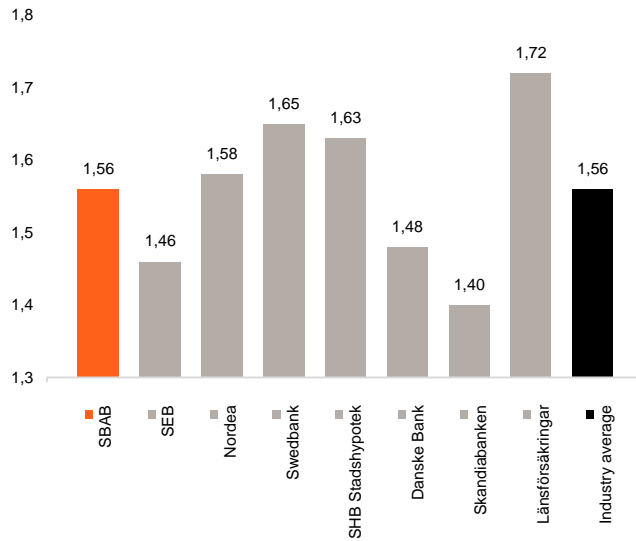
The share of total mortgage lending with a 3M variable mortgage rate amounted to 70.1% at year-end 2018

Average mortgage rates (3M variable rate)

SBAB vs. industry average

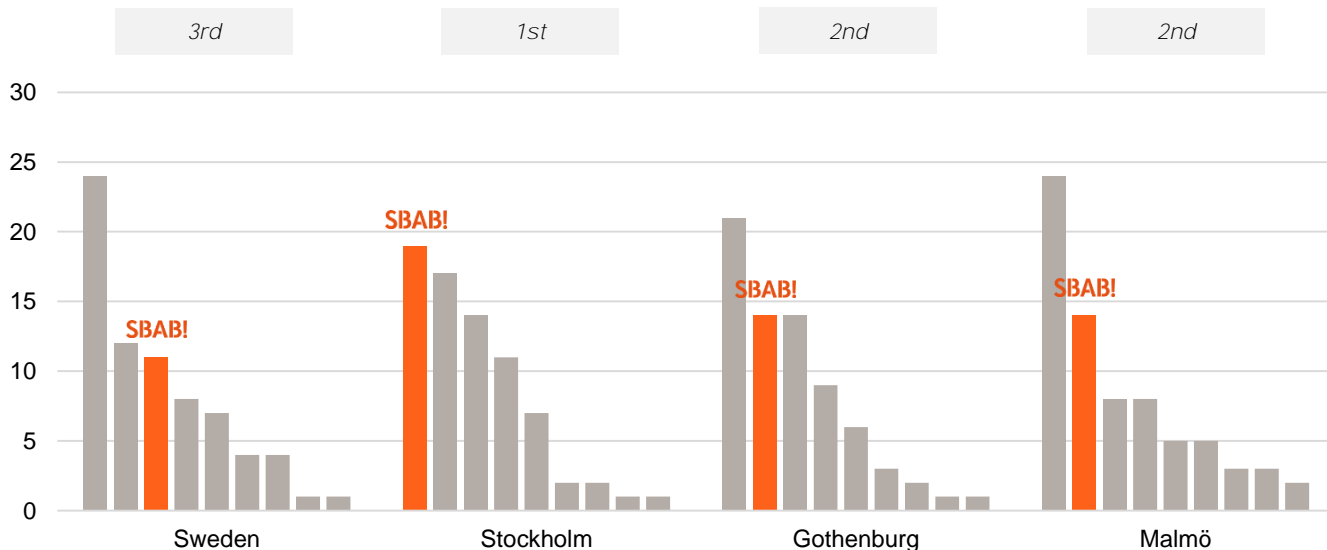


SBAB vs. peers (January 2019)



Strong position & awareness

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



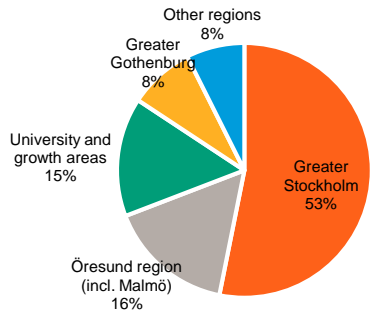
SBAB is the 5th largest mortgage provider in Sweden, but the 3rd most recognised in Sweden and 1st – 2nd most recognised in the largest cities, supporting further growth

Corporates & TOA

– Total lending SEK 85.3 billion

- Savings products and housing financing to property companies and tenant-owners' associations
- We finance multi-family dwellings, both privately owned and owned by tenant-owner associations. The properties may consist of existing buildings or new construction, where we mortgage the land and the construction, and offer final funding
- Credit granting concentrated to growth regions surrounding our three offices in Stockholm, Gothenburg and Malmö

Geographic distribution of loan portfolio



A sustainable business

Commercial and sustainable target areas

Together, our target areas form the basis of a common approach of SBAB's contribution to sustainable global development

Responsibility and transparency

Attractive workplace

Sound finances



Some examples of SBAB's sustainability work

Green Mortgages
2018



Green Bonds
(2016, 2017 & 2019)



Housing construction

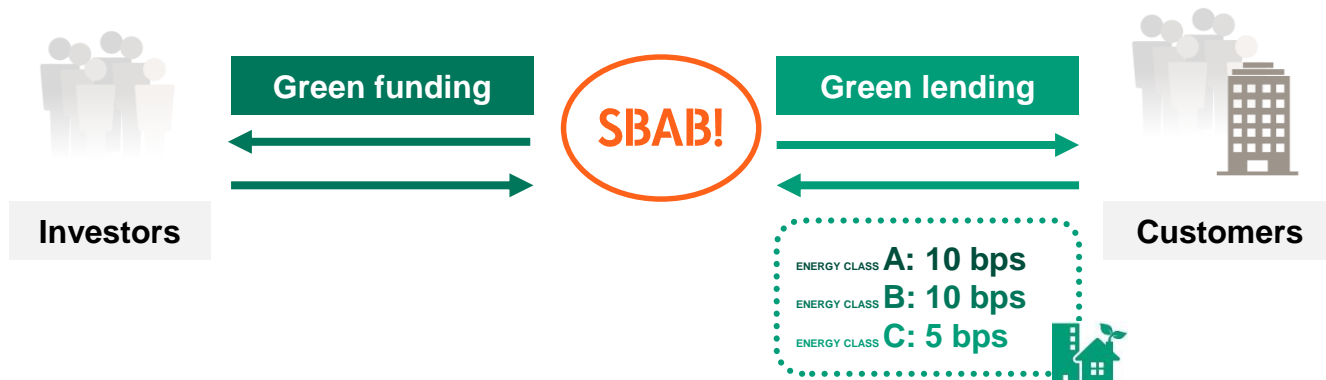


Respect, diversity & equality



SBAB's green ecosystem

- Green lending to 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
 - SBAB's most recent green lending product is a [Green Mortgage \(Sw. Grönt Bolån\)](#), which is a discounted residential mortgage available for all customers living in properties with an EPC evidencing an energy class equivalent to or better than the national building standards, i.e. energy class A, B or C.
 - Since 2015, SBAB offers discounted [Green Loans \(Sw. Gröna Lån\)](#) to corporate clients and tenant-owners' associations
 - Focus on financing new construction, as newly built properties more energy-efficient than the older housing stock
- Enable investors to invest their money in a responsible way as well as contributing to a sustainable transition of the Swedish housing and real estate market

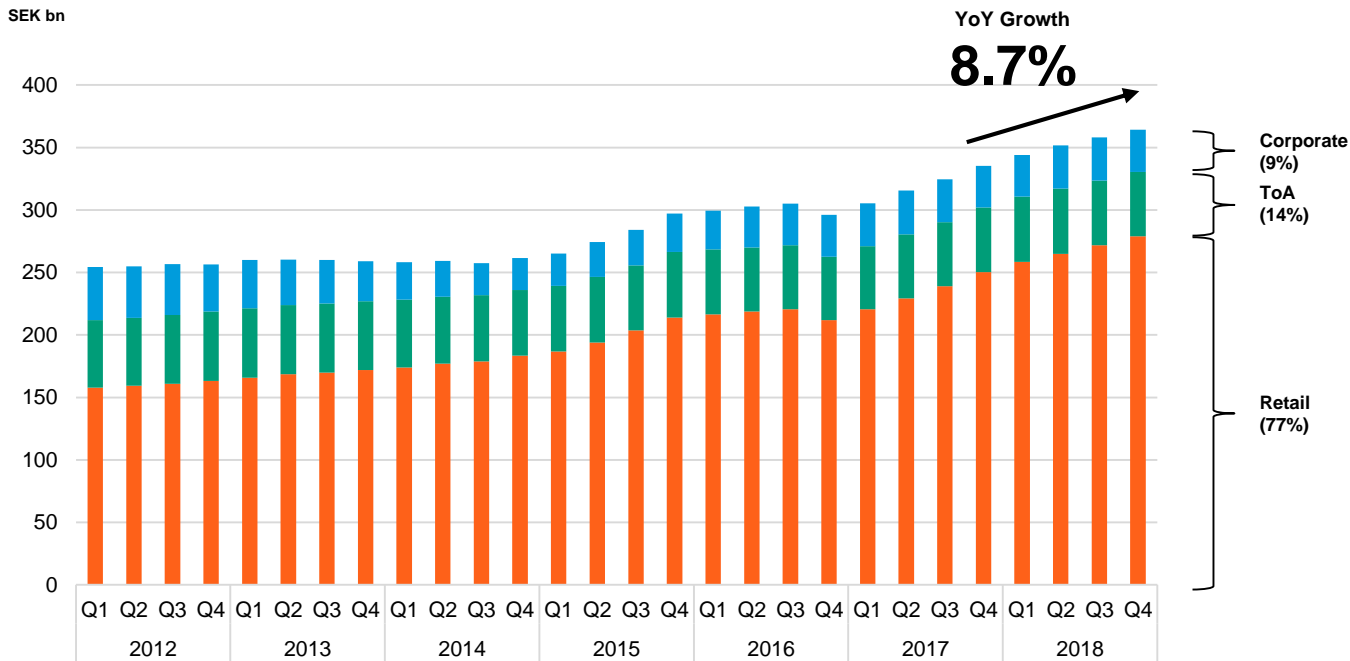


BUSINESS & FINANCIAL DEVELOPMENT.

Continued strong development

(SEK mn)	2018	2017		▲	Q4 2018	Q3 2018		▲
NII	3,362	3,149	↑	+6.8%	848	833	↑	+1.8%
Costs	-1,049	-959	↑	+9.4%	-297	-246	↑	+20.7%
Loan losses	11	24	↑	+13mn	-7	0	↑	+7mn
Operating profit	2,241	2,228	↑	+0.6%	576	514	↑	+12.1%
Lending (SEK bn)	364.2	335.1	↑	+8.7%	364.2	358.0	↑	+1.7%
Deposits (SEK bn)	124.9	111.9	↑	+11.6%	124.9	120.5	↑	+3.7%
Deposit/lending, %	34.3%	33.4%	↑	+0.9 pp	34.3%	33.7%	↑	+0.6 pp
C/I ratio, %	32.0%	30.3%	↑	+1.7 pp	33.7%	32.5%	↑	+1.2 pp
RoE, %	12.1%	12.5%	↓	-0.4 pp	11.9%	10.9%	↑	+1.0 pp
CET1 capital ratio, %	12.5%	32.2%	↓	-19.7 pp	12.5%	31.5%	↓	-19.0 pp

Lending growth

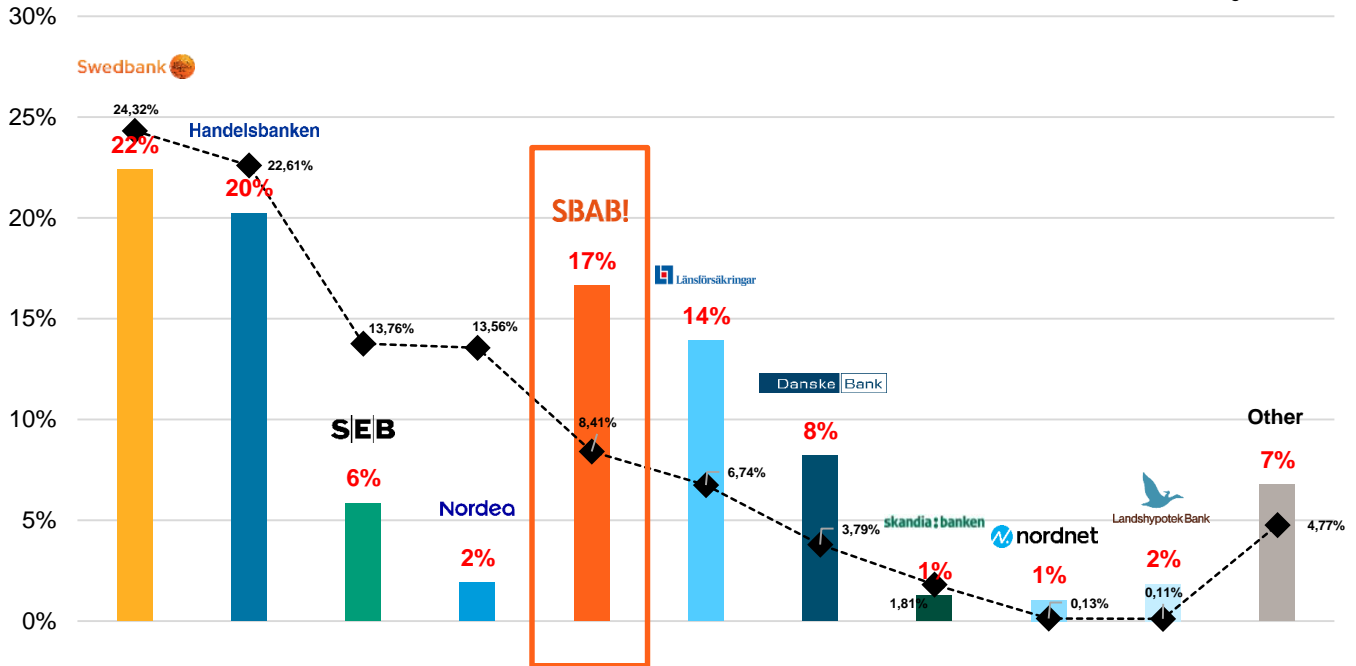


Approximately SEK 20.5bn of assets transferred from SBAB during 2016 due to option exercised by former partner Sparbanken Öresund (acquired by Swedbank)

Swedish residential mortgage market 2018

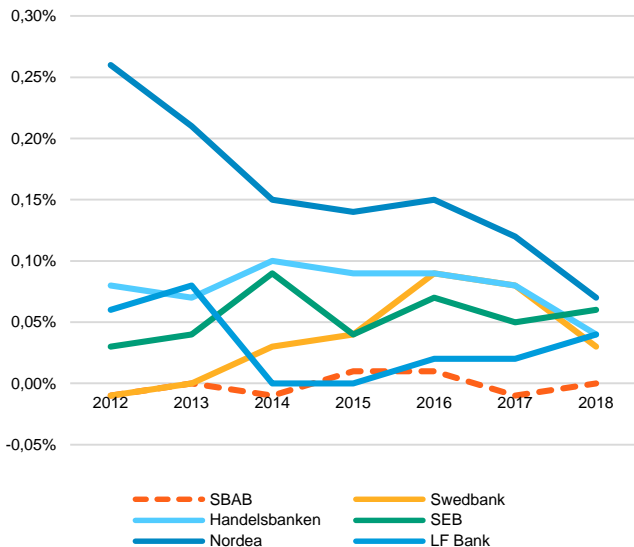
Share of net growth in the Swedish residential mortgage market for the period Jan-Dec 2018 vs. market share (Dec 2018)

Black dot = market share Dec 2018
Red number = share of new lending Jan-Dec 2018

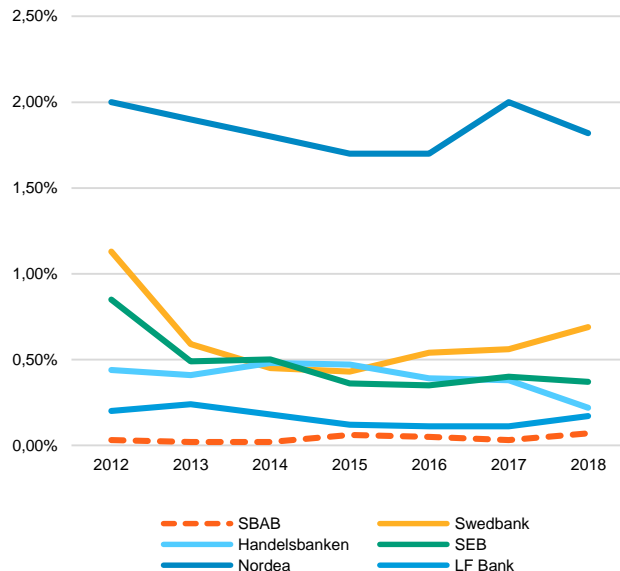


Credit losses vs. peers

Net credit losses 2018 vs. other banks



Impaired loans / Net loans 2018 vs. other banks

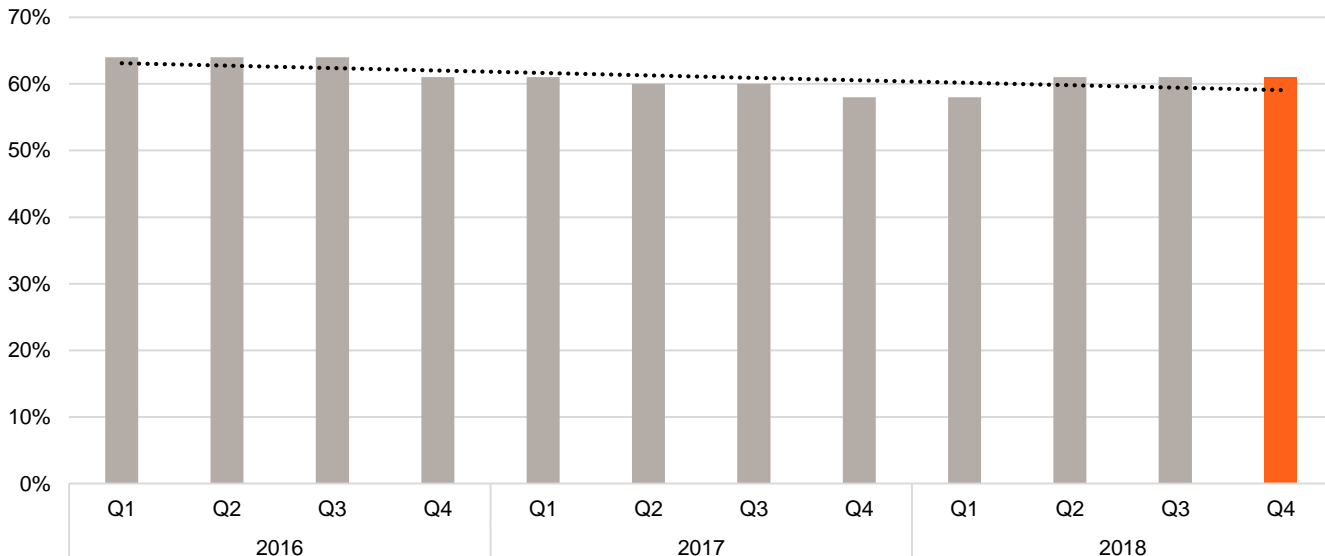


Thorough credit evaluations and low risk assets consistently achieves low credit losses

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

LTV development (residential mortgages)

Average LTV*

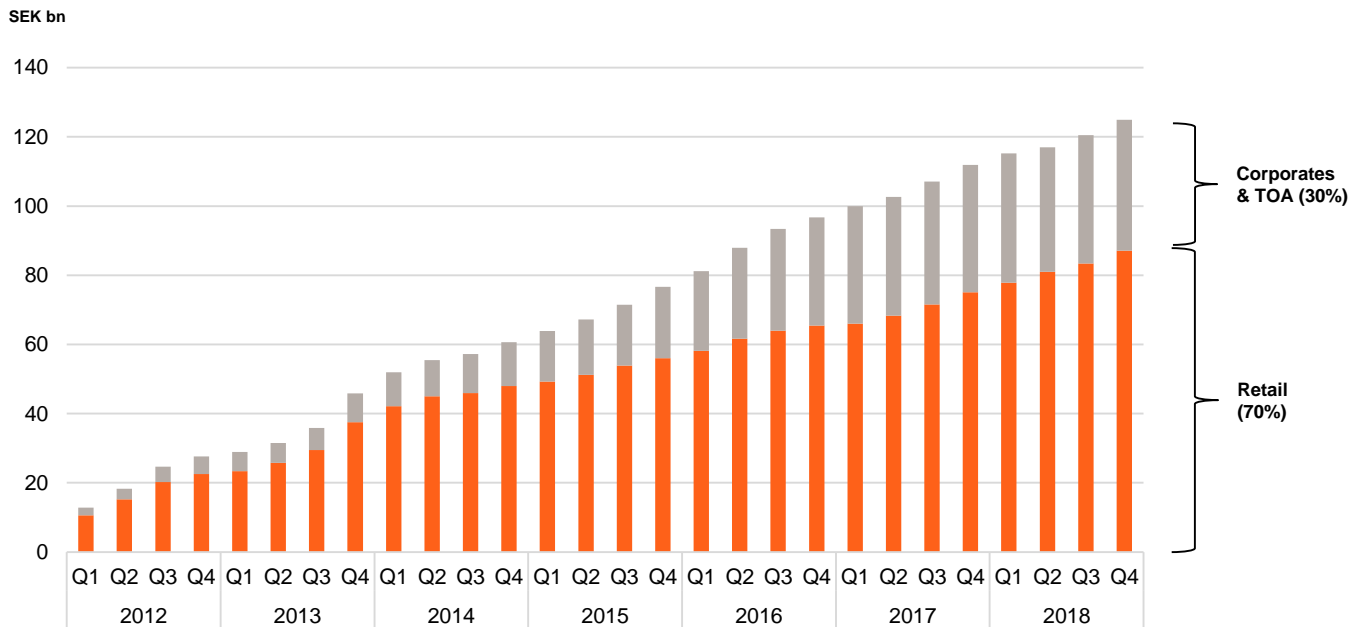


SBAB has gradually imposed stricter underwriting standards during recent years which has improved credit metrics in new lending

* 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

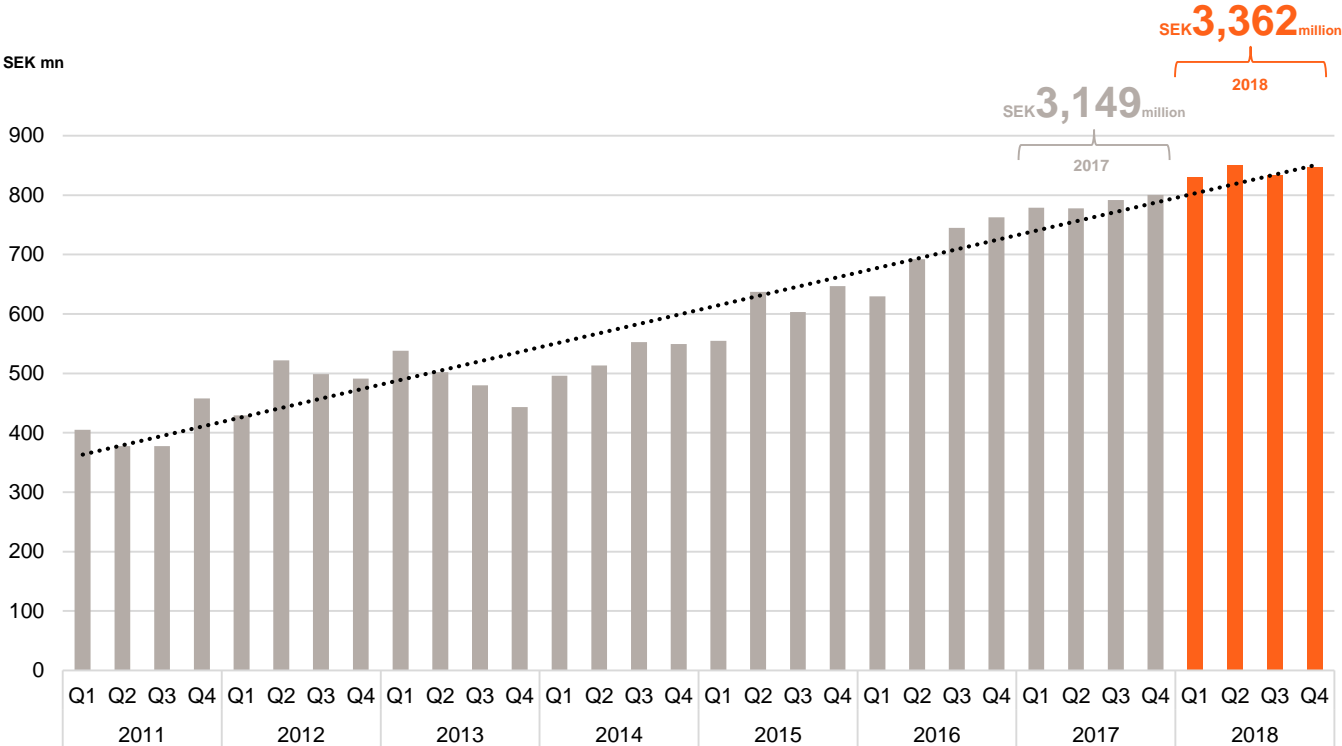
– Deposit-to-loan ratio of 34.3% at 31 Dec 2018



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

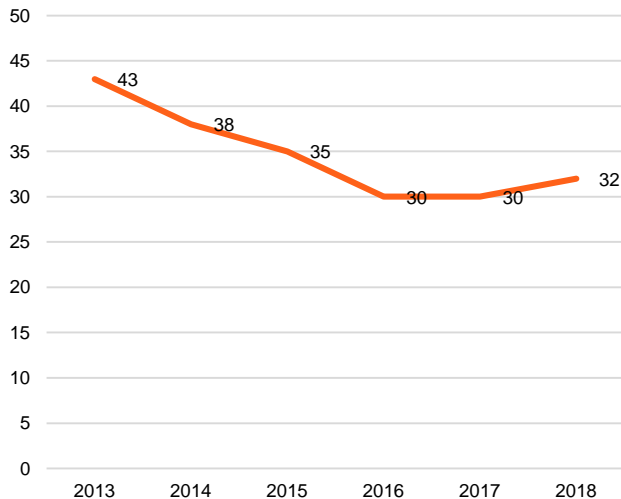
NII development

– Continued stability and growth

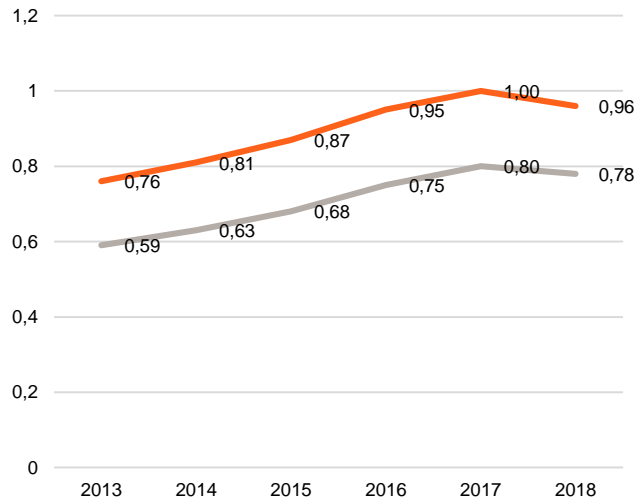


Competitive C/I ratio

C/I ratio, %



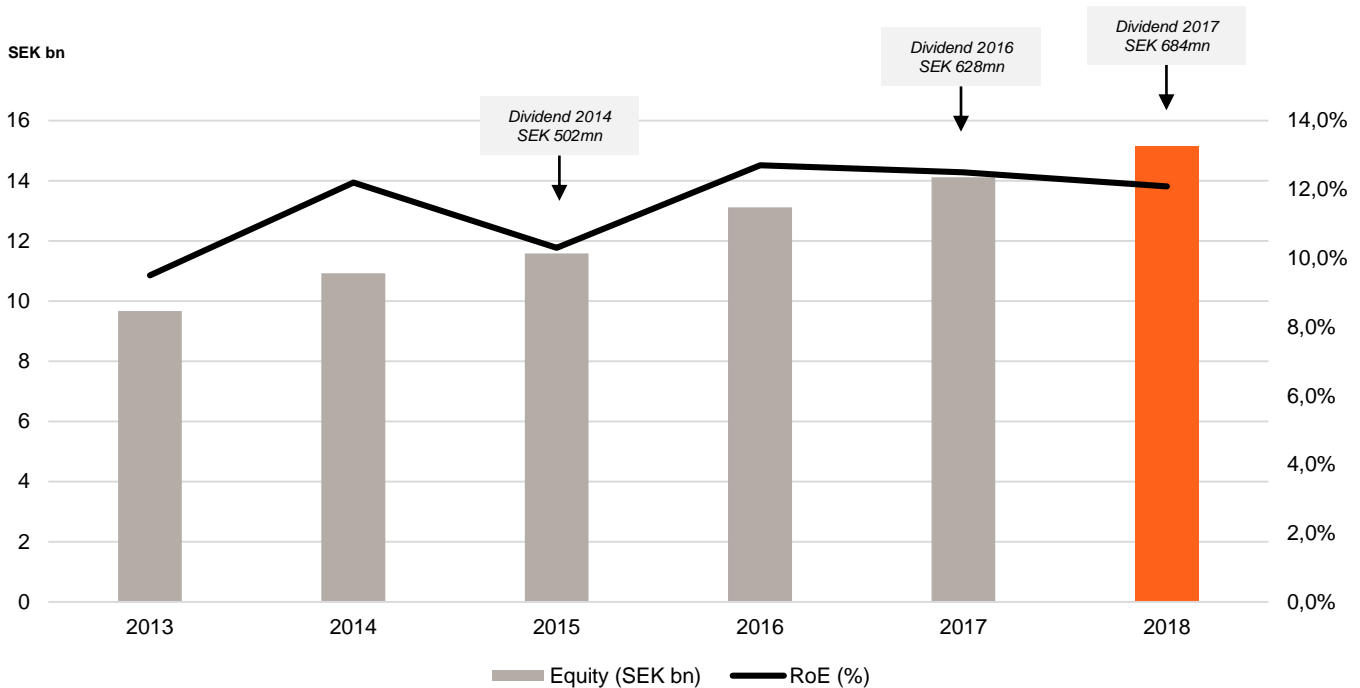
Net Interest Margin (NIM), %



— Net Interest Margin (total assets), %

— Net Interest Margin (total lending), %

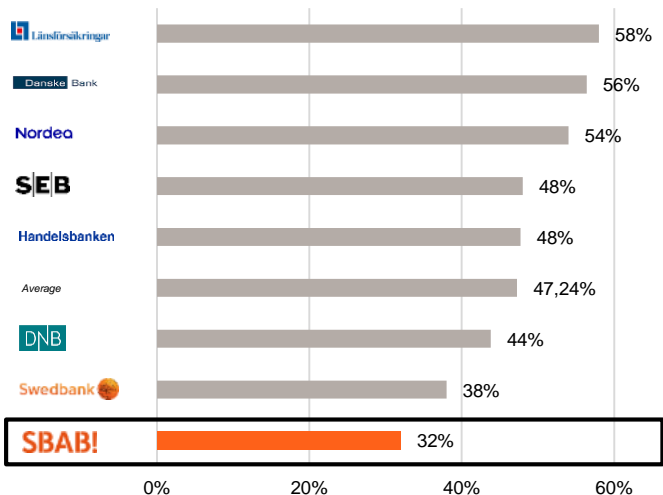
Equity and RoE



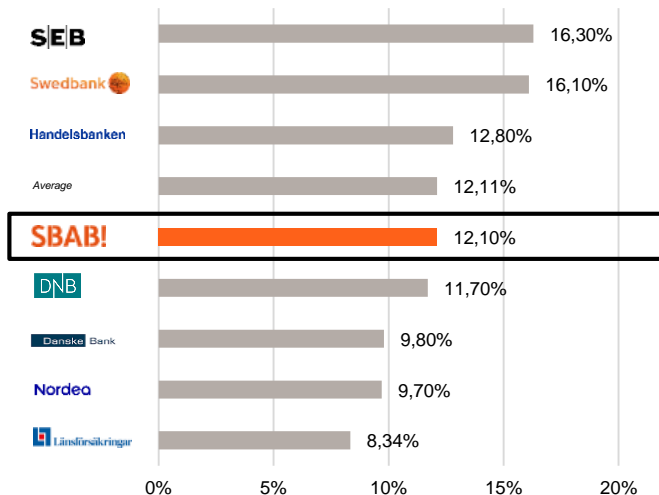
- *Equity adjusted for additional Tier 1 securities and value changes in financial assets recognised in equity*
- *Return on equity calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 securities and value changes in financial assets recognised in equity*
- *When calculating the return on equity for 2018, average equity has been adjusted for dividend of SEK 684 million for 2017*

C/I ratio and RoE FY 2018 vs. peers

Reported C/I ratio (%)

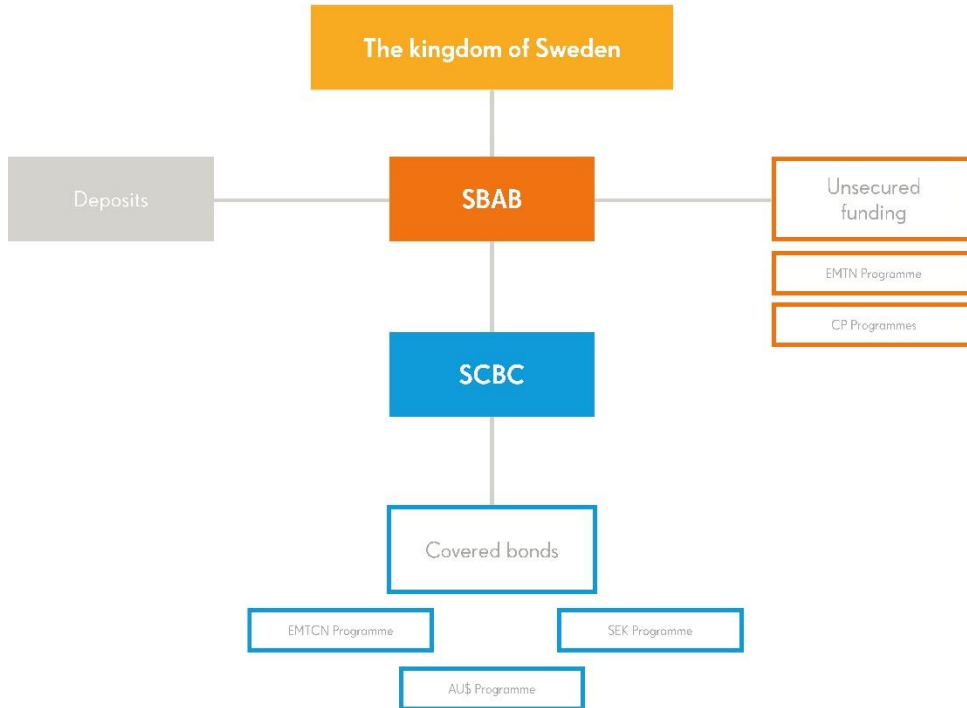


Reported RoE (%)



FUNDING, LIQUIDITY & CAPITAL.

Funding structure



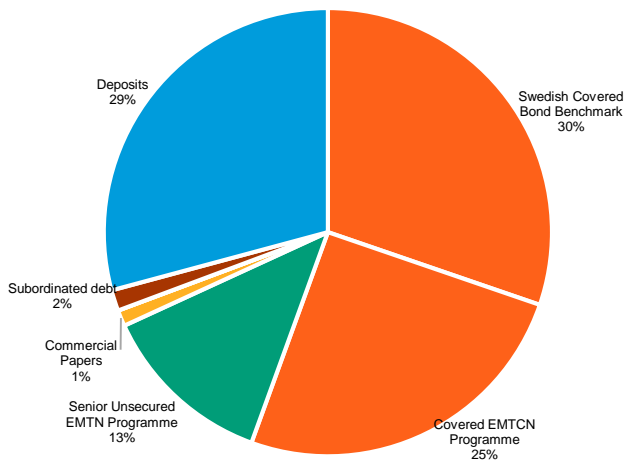
Overall funding strategy

- 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 and of interbank funding.
 - Intermediate (5y+) bond tenors to support funding duration
-

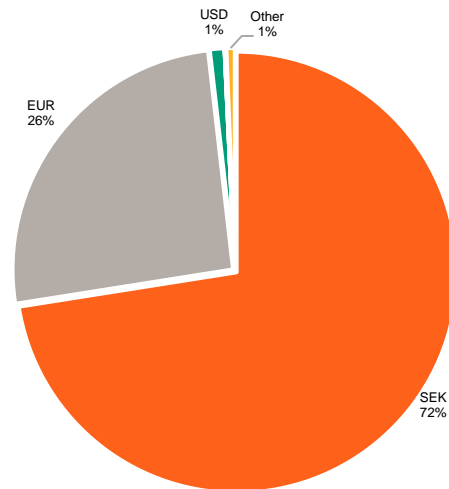
Funding sources

– Total funding portfolio SEK 421 billion (as of 31st December 2018)

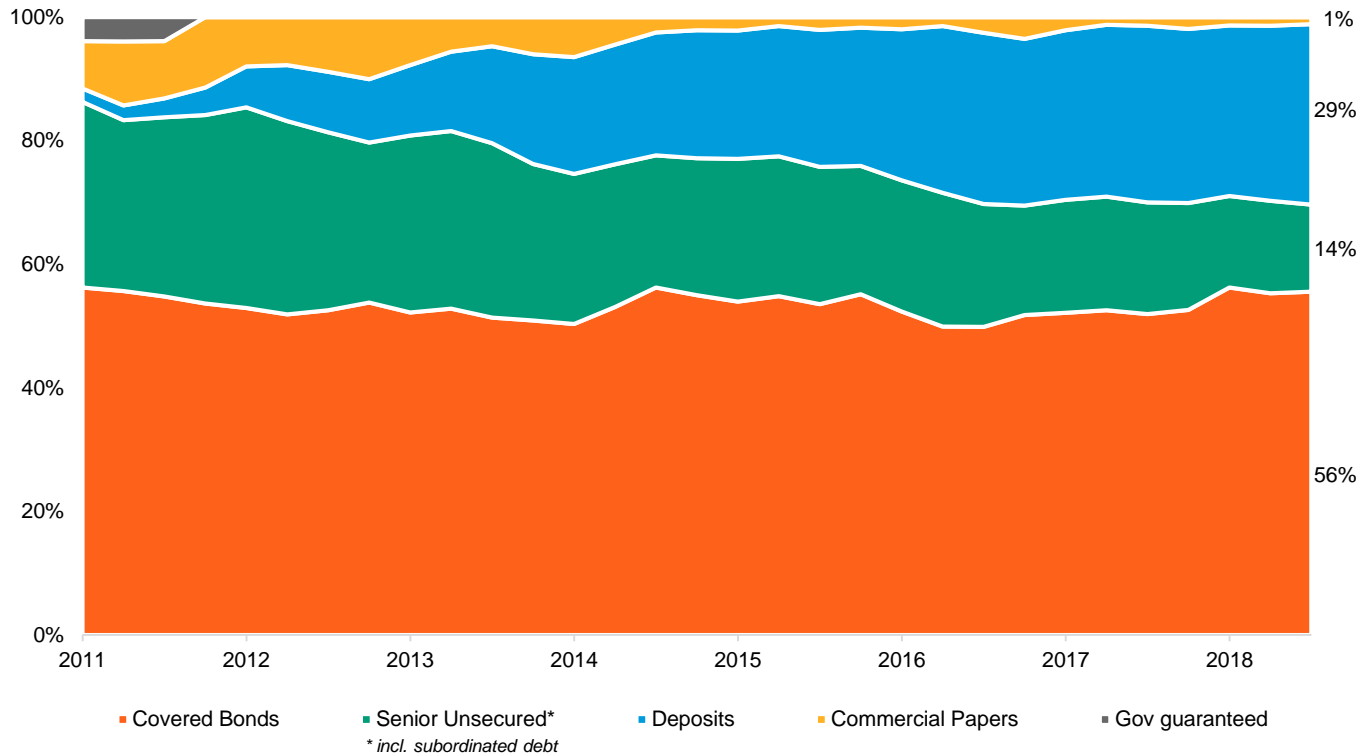
Funding sources



Currency profile



Development of funding sources



Update on MREL

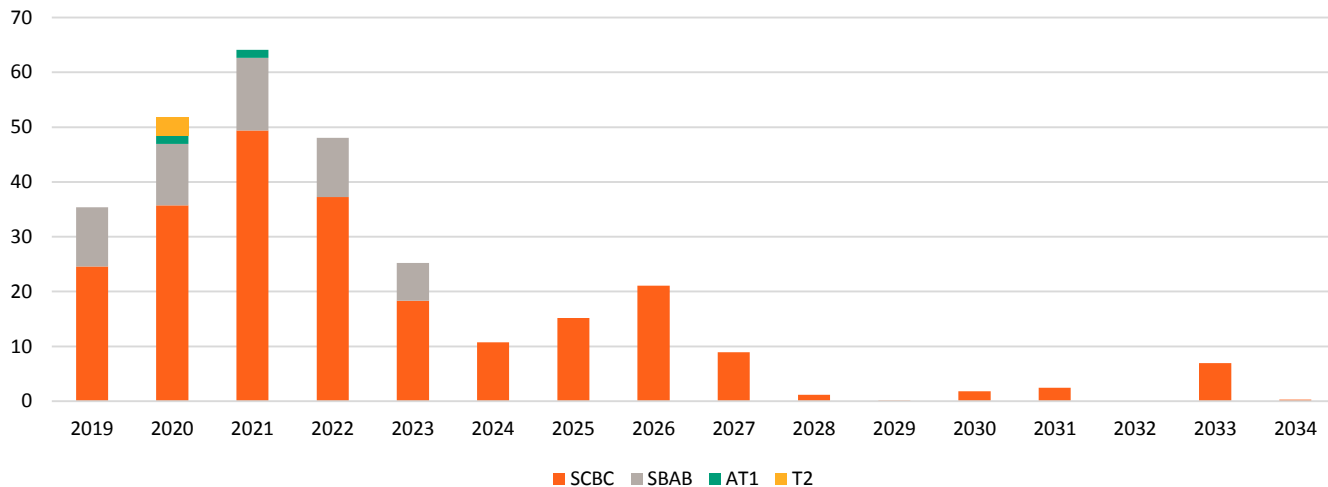
- In December 2017, the SNDO (Riksgälden) decided on plans for how banks and other institutions should be managed in a financial crisis. The SNDO's judgement was that Swedish institutions which have business activities that are critical to the financial system (systemically important) should be managed via resolution. These institutions are the major banks and the mid-sized institutions Landshypotek, Länsförsäkringar, **SBAB**, Skandiabanken, Sparbanken Skåne and The Swedish Export Credit Corporation
 - In June 2018, SNDO made public that the principle of subordinated liabilities shall also apply to the six mid-sized institutions that are critical for the financial system. Phase in period until end 2021
 - SBAB's total MREL-requirement is currently set at 5,1% of Total Liabilities and Own Funds (TLOF)*
 - Total need for MREL debt around SEK 23 bn, where approximately SEK 11 bn is the recapitalisation amount
 - Compliant with requirement with current outstanding senior unsecured debt
 - SBAB's estimated balance sheet growth and buffer will add to MREL requirement
 - Senior non preferred need (requirement and buffer) of approximately SEK 17-20 bn by end of 2021
 - Swedish legislation that enable Senior-non-preferred issuance passed in December 2018 with issuance starting during 2019
 - Gradual build up of subordinated liabilities (senior non preferred) over next three years (subject to regulatory developments)
-

*Source: https://www.riksghalden.se/contentassets/d8e4e8a07bf24347808d47e70de2b030/mrel_sabell-dec-2018.pdf

Maturity profile – long term debt

- Smooth funding profile reduces refinancing risk
- Extended maturity profile with successful benchmark issues in longer dated tenors
- Liquidity risk is being mitigated through buy-backs of maturing bonds

Maturity profile (SEK bn)

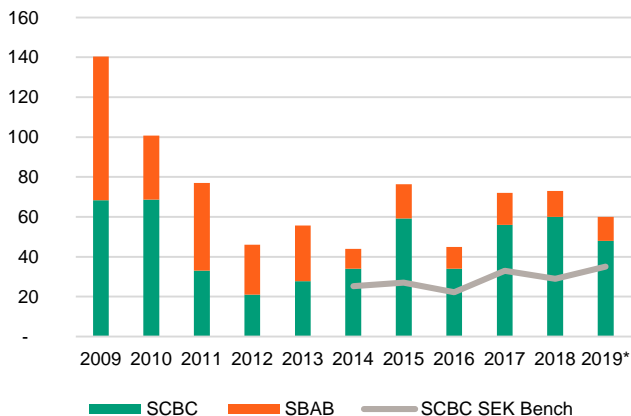


SBAB Group funding

– Moderate funding needs ahead

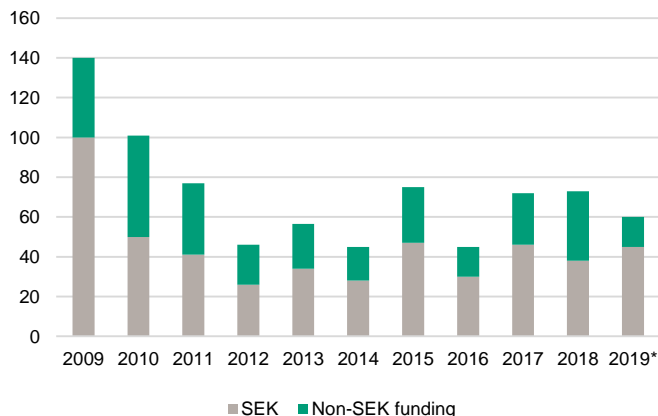
- SBAB Group operates in a number of funding markets. A broad and efficiently diversified investor base is an important part of the Group's funding strategy
- Long term funding volume for 2019 around SEK 60bn of which a majority in SEK
- Intermediate tenors to support duration and regulatory ratios

Annual issuance, SEK (bn)



* Expected Issuance

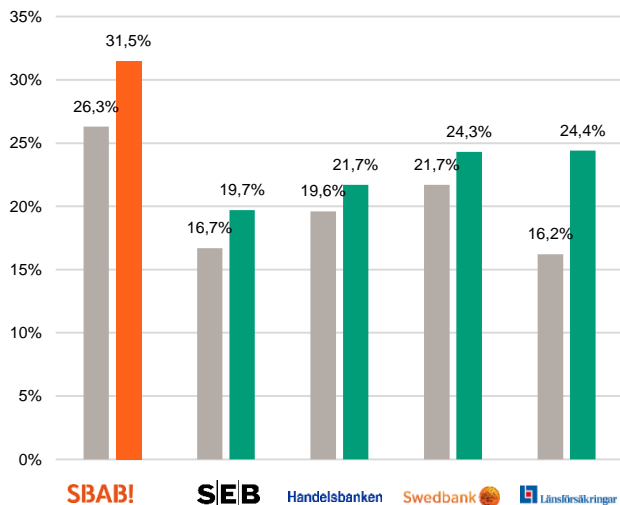
Currency split, SEK (bn)



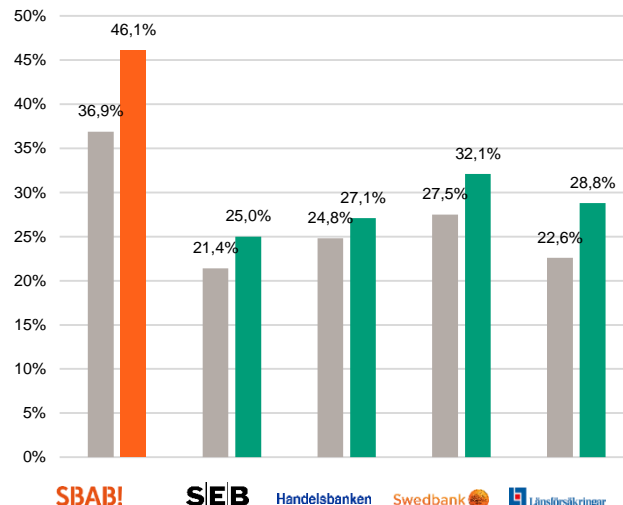
Capital buffers (Q3 2018)

– SBAB well above requirements

CET1 capital ratio



Total capital ratio



█ Available Q3 2018
 █ Requirement Q3 2018

Capital position: move of risk weight floor

– SBAB has decided to translate buffer levels in existing capital targets

- Finansinspektionen (“FI”) has decided 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 their demonstrate to their overall capital requirements in SEKbn will remain unchanged
 - Given the above, SBAB’s Board has decided to translate the buffer levels, expressed in percentage points, in the existing capital targets:
 - “Under normal conditions, SBAB’s CET1 capital ratio and total capital ratio should be at least 0.6 percentage points above the requirement communicated by the Swedish FSA”
 - In nominal terms, this corresponds to a buffer level of 1.5 percentage points before moving the risk-weight floor, in line with the previous capital targets
-

Pro forma calculation vs. peers

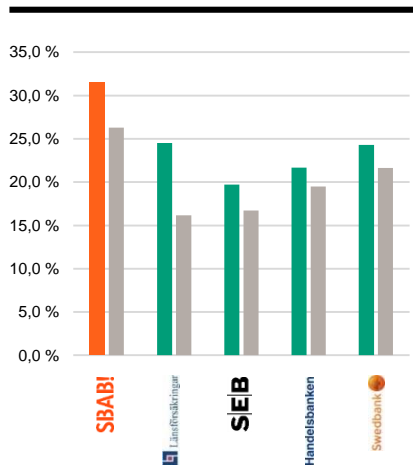
– As of Q3 2018

Impact on CET1 ratios

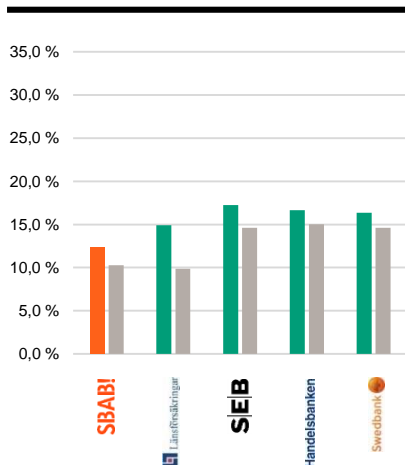
- Banks with the largest exposure to the Swedish mortgage market are the most impacted (although CET1 position in SEKbn stays unchanged)

Available Q3 2018 Requirement Q3 2018

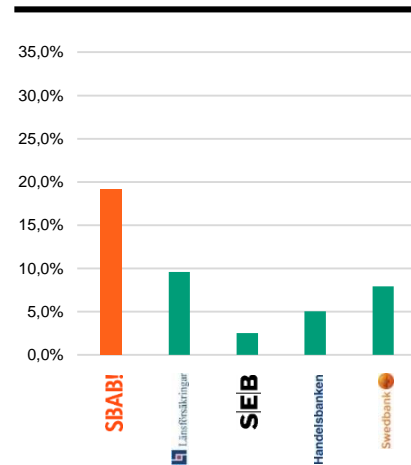
CET1 position Q3 2018



Pro forma CET1 position following the increase in RWAs

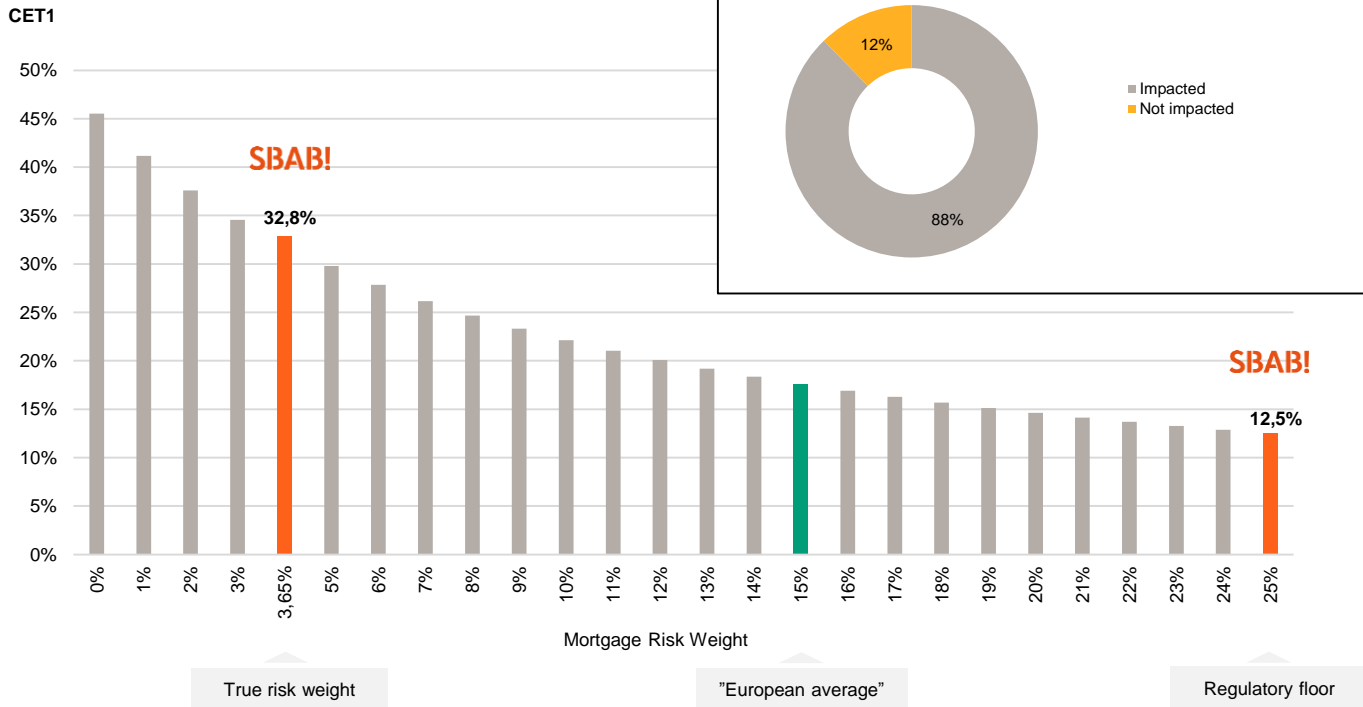


Implied reduction in the CET1 ratio



Capital position (Q4 2018)

– Move of RW-floor & impact on SBAB



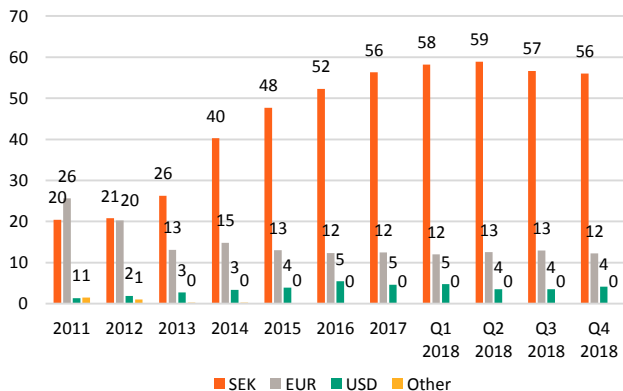
Liquidity portfolio

– SEK 72.4bn (as of 31st December 2018)

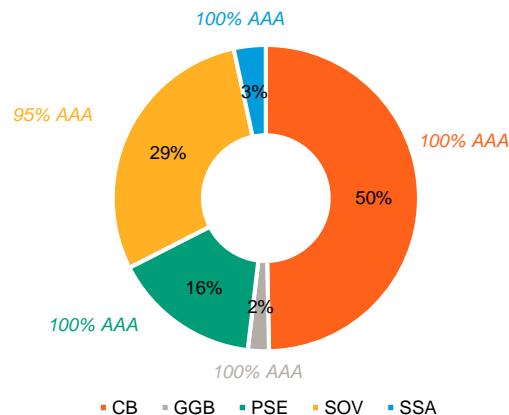
- LCR compliant since 1st January 2013
 - at the end of Q4 2018, LCR* stood at 283% for all currencies combined
- 98% AAA and 2% AA+
- Maximum 10y maturity
- We have increased our portfolio to extend survival horizon
- NSFRR at 122%

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

Currency distribution



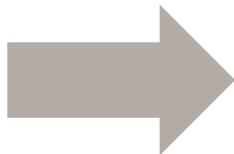
Securities type



Funding programme

- Total long term funding for 2019 expected to approximately SEK 60 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 EUR covered transaction in international funding markets per year**
 - **One EUR public senior preferred 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
 - **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 June '23

June 2018

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 April '23

April 2018

SCBC

— Covered Bonds of SBAB —

Covered Bond
€675 mn

1.25%
15y April '33

Apr 2018
(tap Oct 2018)

SCBC

— Covered Bonds of SBAB —

Covered Bond
€650 mn

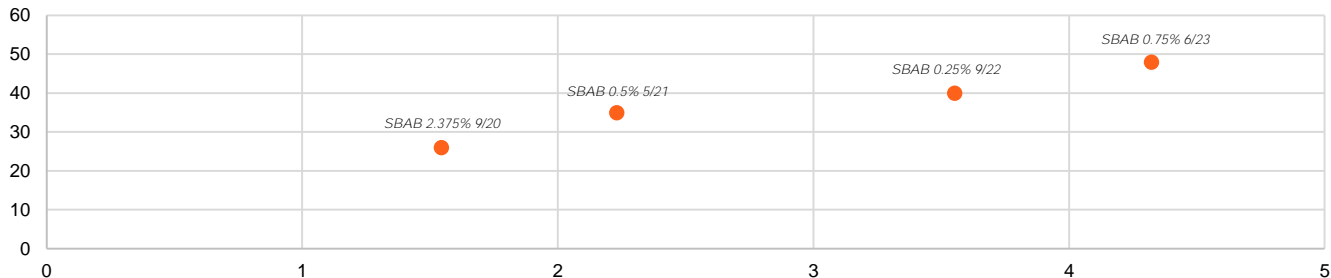
0.625%
7y due Oct '25

October 2018

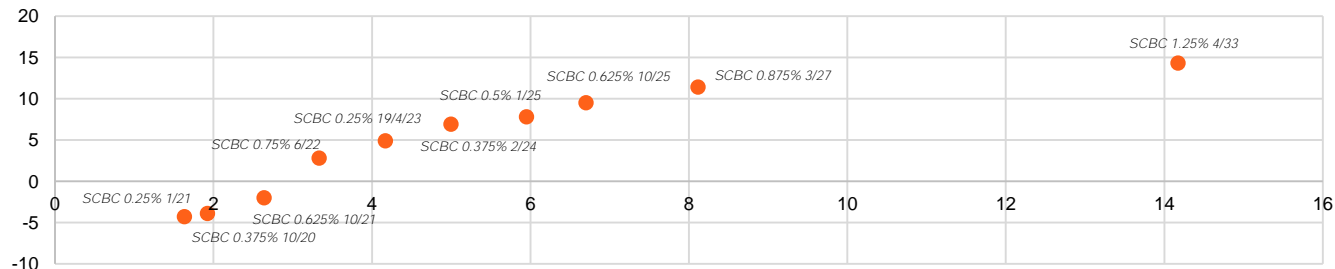
Outstanding senior unsecured and CB (EUR)

– Spread vs MS

Senior Unsecured (SP)



Covered



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

SCBC Cover Pool

– Key characteristics as of 31 Dec 2018 from National Template

Collateral	100% Swedish residential mortgages *
Over Collateralization	30.2%
Weighted average LTV	55.5%
Weighted average seasoning	6.8 years
Loans in arrears	Arrears below 0.01% (loans in arrears > 30 days are excluded from the Cover Pool)
Number of loans	408,990
Average loan size	SEK 738,500
Geographical location	Spread throughout Sweden; concentrated in economic hubs
Pool type	Dynamic
Originator	SBAB Bank Group
Interest rate type	67% floating, 33% fixed / 52% amortising, 48% 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)

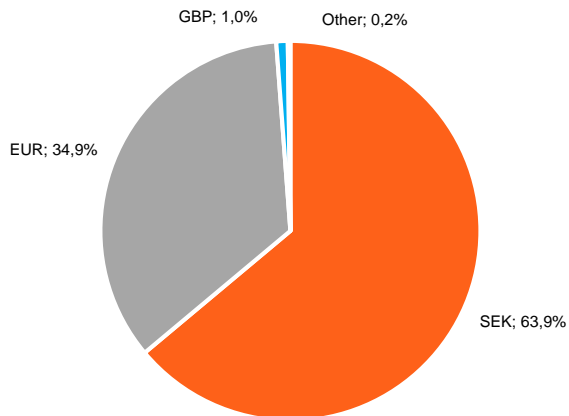
SBAB BANK		Balance sheet 31/03/2023 (100 %)		No.	
Owner	SBAB				
Controlling authority	SBAB				
Reporting period	1st Half	Month's	First	Reporting date	31/03/2023
Account type	Ann				
Owner	8	80			
Capital paid					
Subscribed amount	1 000 000	Capital paid in full	1 000 000		
Unpaid amount	0	Unpaid amount	0		
Total	1 000 000	Total	1 000 000		
Assets					
Intangible assets	0	Goodwill	0		
Property, plant and equipment	0	Property, plant and equipment	0		
Financial assets	1 000 000	Financial assets	1 000 000		
Total	1 000 000	Total	1 000 000		
Liabilities					
Equity	1 000 000	Equity	1 000 000		
Reserves	1 000 000	Reserves	1 000 000		
Total	1 000 000	Total	1 000 000		

SBAB BANK		Income statement 31/03/2023 (100 %)		No.	
Owner	SBAB				
Controlling authority	SBAB				
Reporting period	1st Half	Month's	First	Reporting date	31/03/2023
Account type	Ann				
Owner	8	80			
Income statement					
Revenue	1 000 000	Revenue	1 000 000		
Expenses	0	Expenses	0		
Total	1 000 000	Total	1 000 000		

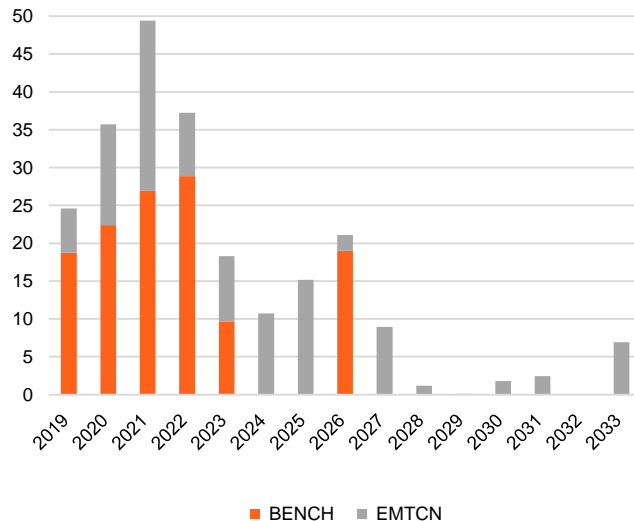
SCBC funding

– Total covered bonds outstanding SEK 234bn (as of 31st December 2018)

Currency profile



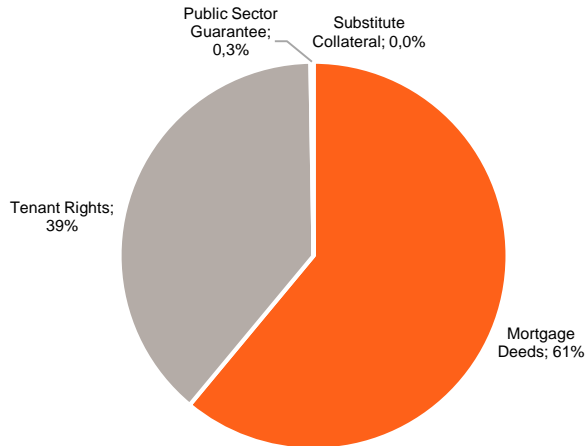
Maturity profile



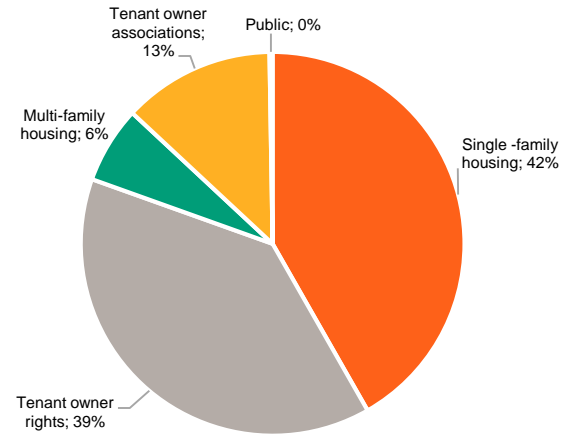
SCBC Cover Pool

– Distribution by Collateral and Owner (as of 31st December 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 31 December 2018

Houseprice change	Eligible assets in cover pool (SEK bn)	WA LTV (%)	OC* (%)
0%	301.0	55.5	30.9
-5%	297.8	57.3	29.5
-10%	293.4	59.1	27.6
-15%	287.7	60.7	25.1
-20%	280.3	62.3	21.9
-25%	271.1	63.7	17.9
-30%	258.7	64.9	12.5

* 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
-

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

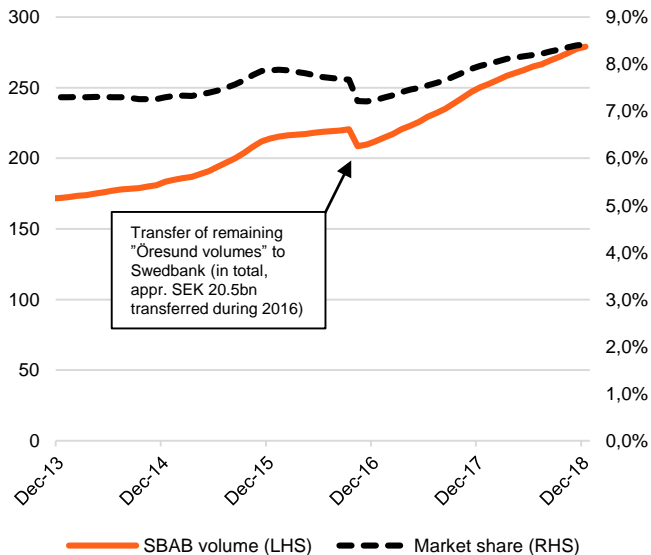
APPENDIX I.

SBAB

Retail

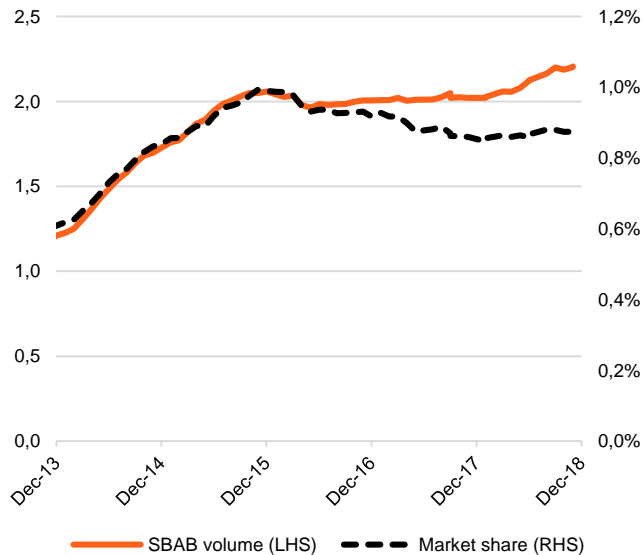
SEK **276.7** bn

Residential mortgages (lending & market share)



SEK **2.2** bn

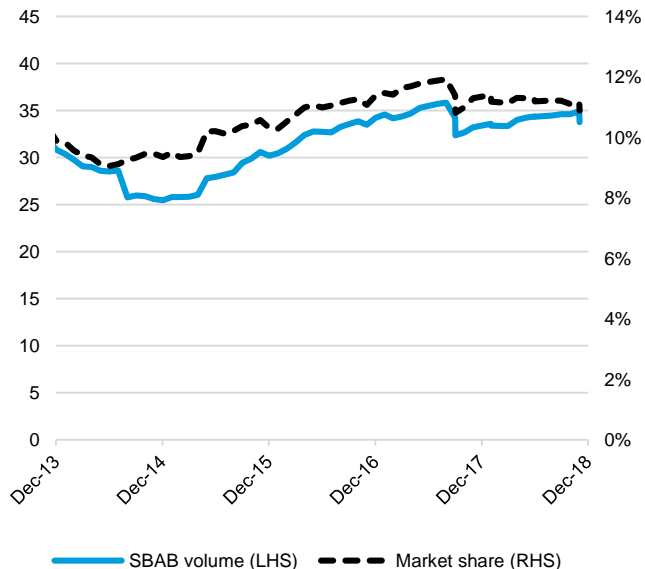
Consumer loans (lending & market share)



Corporates & TOA

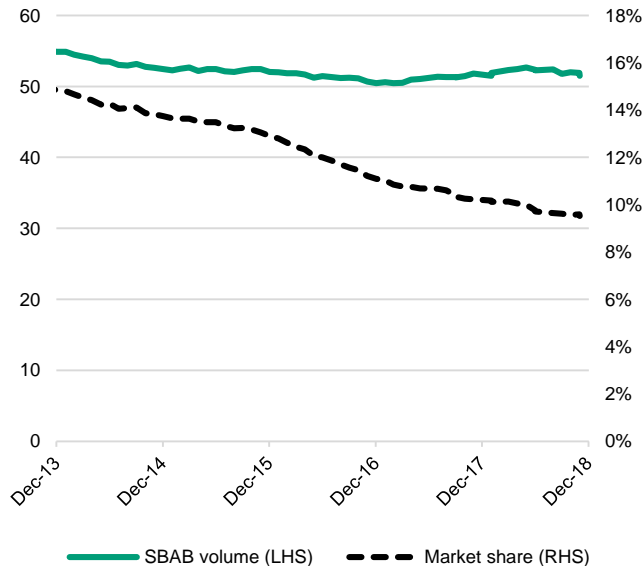
SEK **33.8**bn

Corporates (lending & market share)



SEK **51.5**bn

Tenant-Owners' Associations (lending & market share)



Capital requirements

– Move of RW-floor & impact on SBAB

31 Dec 2018	Floor in P2	Floor in P1
REA	<u>43,422</u>	<u>114,141</u>
Capital policy – internal requirement		
CET1 requirement	11,456	11,456
Total capital requirement	16,051	16,051
Ratios		
CET1	32.8%	12.5%
Total capital	47.7%	18.1%
Ratios – internally estimated S-FSA requirement		
CET1	26.4%	10.0%
Total capital	37.0%	14.1%
Ratios – management buffer		
CET1	27.9%	10.6%
Total capital	38.5%	14.7%
Margin to estimated S-FSA requirement		
CET1	6.4%	2.5%
Total capital	10.7%	4.0%

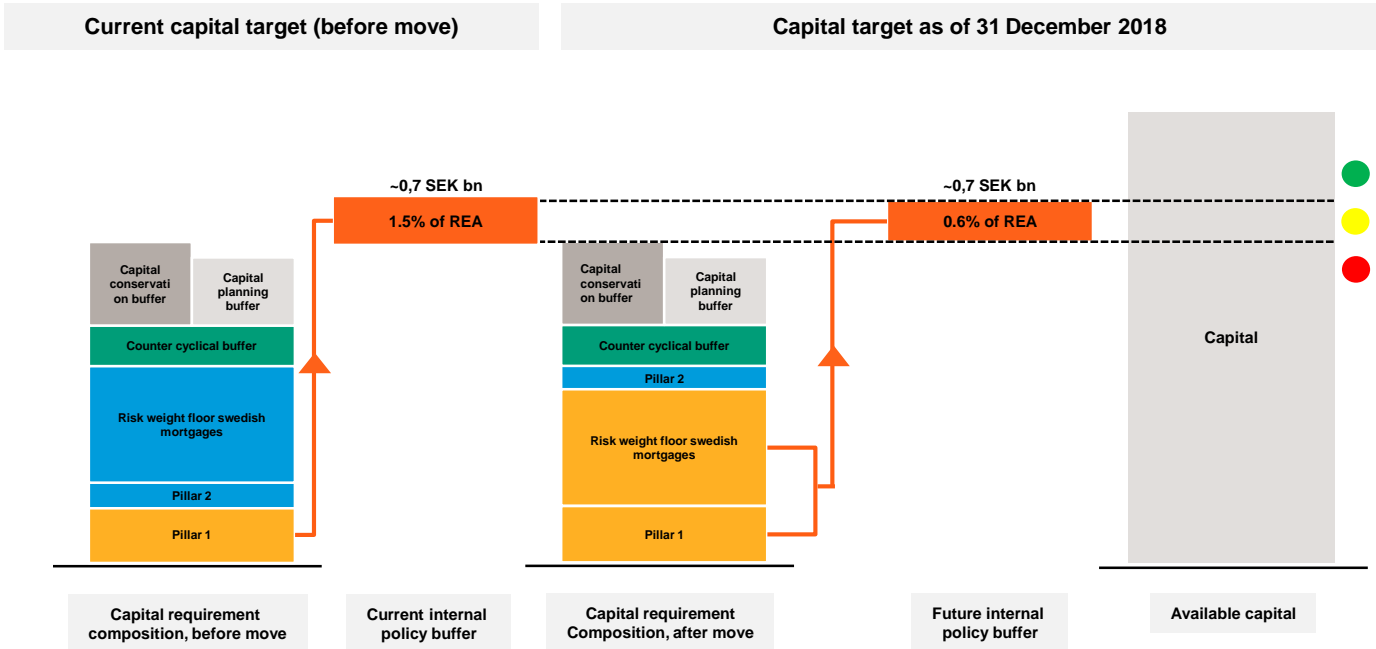
Capital requirements

– Move of risk weight floor → total capital requirement still the same in SEK

SEK mn	Before move (REA = SEK 43,422 mn)				After move (REA = SEK 114,141 mn)			
	Total capital	%	CET1 capital	%	Total capital	%	CET1 capital	%
Pillar 1 minimum requirement	3,474	8.0	1,954	4.5	3,474	3.0	1,954	1.7
Pillar 1 risk-weight floor, Swedish mortgages	–	–	–	–	5,658	5.0	3,183	2.8
Pillar 2 core requirement	1,800	4.1	1,200	2.7	1,800	1.6	1,200	1.0
Pillar 2 risk-weight floor, Swedish mortgages	8,840	20.4	6,365	14.7	–	–	–	–
Capital conservation buffer	1,086	2.5	1,086	2.5	2,854	2.5	2,854	2.5
Countercyclical buffer	861	2.0	861	2.0	2,266	2.0	2,266	2.0
Internally assessed capital requirement	16,061	37.0	11,466	26.4	16,052	14.1	11,457	10.0
SBAB's capital target	16,712	38.5	11,726	27.9	16,737	14.7	12,142	10.6
SBAB's actual capital	20,713	47.7	14,263	32.8	20,713	18.1	14,263	12.5

Translation of capital targets

– Unchanged nominal CET1 buffer with regards to regulatory changes



Translation of capital targets

– Unchanged nominal CET1 buffer with regards to regulatory changes

→ **Unchanged nominal CET1 buffer with regards to regulatory changes, i.e. translation of buffer levels in current capital targets: from 1.5% to 0.6% of REA** (the adjustments enter force in conjunction with the change on 31 December 2018)

- The purpose of the buffer is not to act against fundamental changes in capital requirements. Instead, it will protect against increased risk levels as well as temporary unplanned and rapid growth (i.e. at a higher rate than planned organic growth)
- **The buffer rate of 0.6% of risk exposure amounts (REA) can be justified as follows:**
 - 1. Buffer to increase risk or rapid growth:**
 - 0.6% of REA will amount to approximately SEK 0.7 billion.
 - With the current requirement level, SEK 0.7 billion amounts to:
 - » 6% of internally assessed capital requirement, incl. floor and buffer requirements
 - » 21% of the capital requirement from risks in Pillar 1 and 2 excluding floor add-on and buffer requirements.
 - Therefore, if volumes would increase with rapid growth above the planned volumes, the buffer corresponds to growth of approximately SEK 20bn in mortgages
 - 2. Previous level still applies:**
 - 1.5% of REA (excluding floor) corresponds to approximately 0.6% of REA (including floor) if the buffer size is to be kept constant in nominal terms
 - Risk migration will not affect the buffer in the future (highly unlikely, as the entire portfolio needs to migrate 4 steps or more in risk)
 - The buffer can instead be affected by changes in other exposures and risk levels as well as volume changes
 - 3. Forward looking business planning:**
 - Strategic business planning has been performed based on previous 1.5% of REA (excluding RW floor)
 - The risks have not risen, nor have the capital requirements (which are limiting factors). Therefore, raising the internal buffer in nominal terms should instead be based only on increased risk, which is not the case

APPENDIX II.

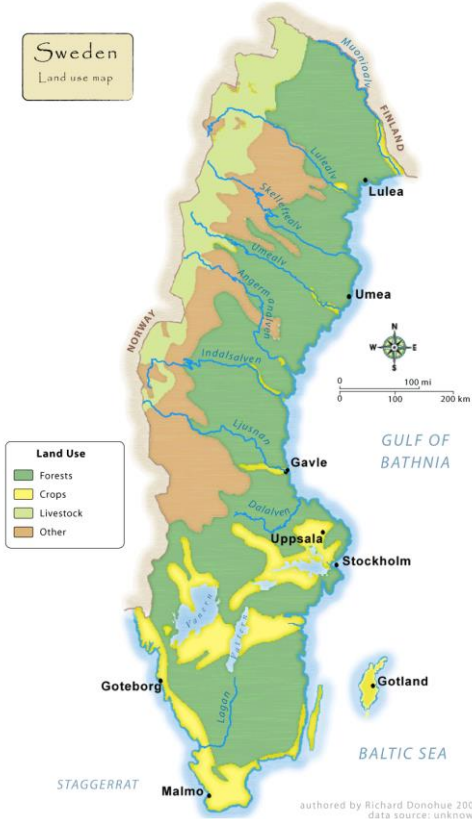
**SWEDISH ECONOMY &
HOUSING MARKET**

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

The Swedish economy

- **Slowdown in economic growth expected in 2019 and 2020**

- Over the past ten years 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
- The decline in GDP growth in 2019 can to a large extent be explained by an expected fall in housing production and thereby investment
- Unemployment is low and is also expected to be quite low in the coming years

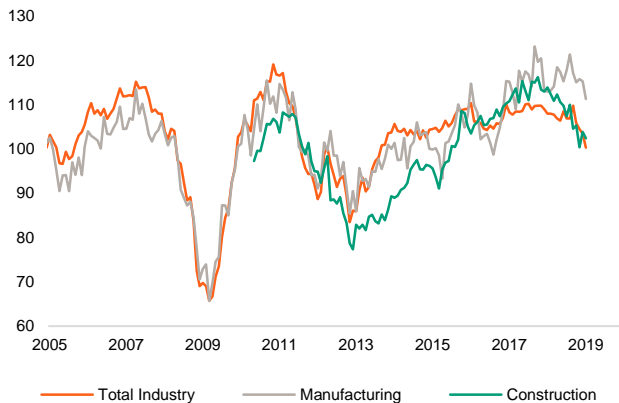
	2017	2018	2019	2020	2021
Real GDP, actual	2.1	2.2	1.3	1.5	1.8
Household consumption	2.2	1.5	2.3	2.1	1.9
Public consumption	0.0	0.7	0.3	1.5	1.5
Investments	6.2	5.1	-1.8	0.1	1.2
Net export, GDP-contribution (pp)	-0.5	0.1	0.7	0.2	0.2
Employment	2.3	1.8	0.9	0.4	0.3
Unemployment rate (%)	6.7	6.3	6.4	6.5	6.7
Inflation, CPIF growth	2.0	2.1	1.9	1.7	1.9
Policy rate, yearly average (%)	-0.50	-0.50	-0.11	0.17	0.54
KIX-index (-)	112.9	117.7	117.5	116.2	114.2

Note: Annual percentage growth unless indicated otherwise, light grey background indicates partly preliminary figures and grey SBAB February forecast

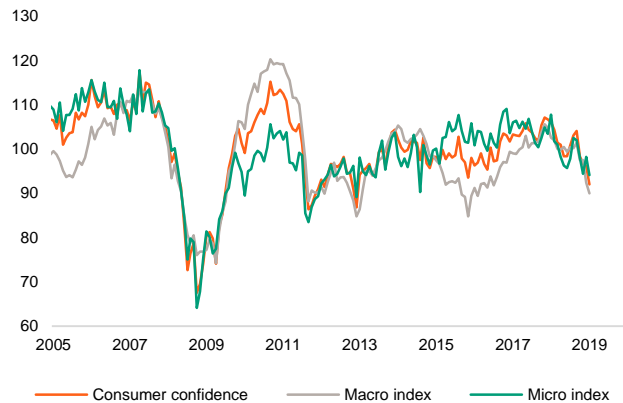
Industry and household indicators

- **The expectations in the industry has clearly passed the peak**
 - Confidence in manufacturing industry is still high, partly thanks to the weak Krona
 - The trend in the construction industry has been steadily declining since the end of 2017
- **Household confidence neutral, but declining**
 - Expectations on the own own economy and the national economy are close to each other

Business Confidence Indicators (BCI)



Consumer confidence Indicators (CCI)



High savings ratio, high net wealth

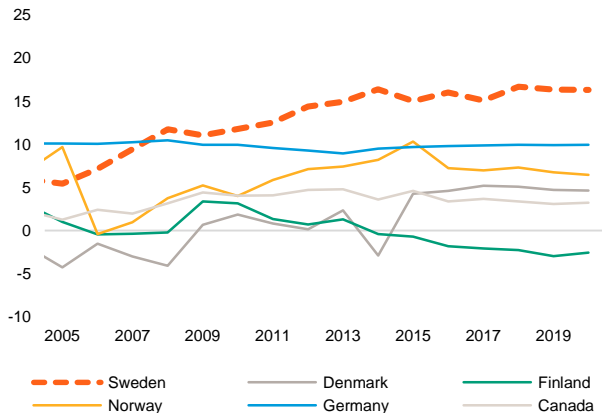
- **High savings ratio**

- Swedish households have a savings ratio over 16%, which is very high in comparison to other countries
- Household deposits has risen from about 50% of yearly disposable income in the beginning of the 2000s to about 80%

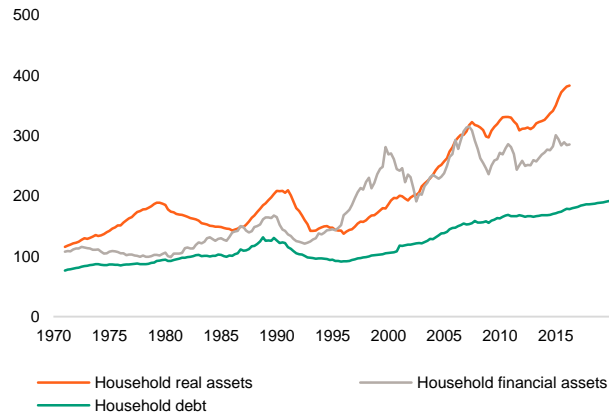
- **High net wealth**

- 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)



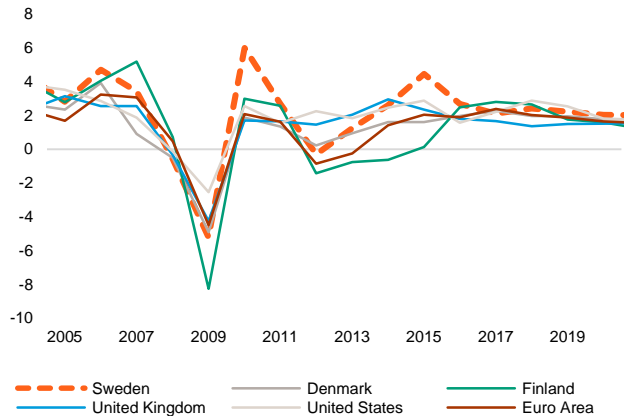
Household debt and assets (% of disposable income)



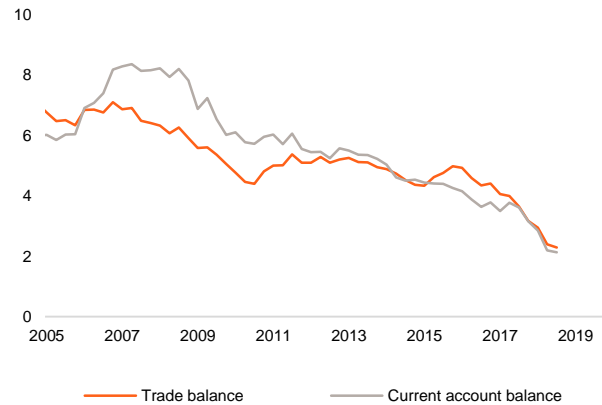
Growth and the global economy

- **Average annual GDP growth has been 1.9% over the last 10 years vs 0.8% in the Euro area**
 - GDP growth is expected to rise from 2.1% in 2017 to 2.2% in 2018 and then fall to 1.3% in 2019 (SBAB, February 2019)
- **Still strong current account**
 - Exports amount to equivalent to 45% of GDP. Foreign trade balance has been positive since the mid-1990s
- **The Krona, which is highly correlated with the Euro, has been floating since 1992**
 - The Krona is weaker than its historical average if compared to a trade weighted basket and thus support the export dependent industry

GDP growth (y/y)



Trade balance (% of GDP)



Strong domestic economy

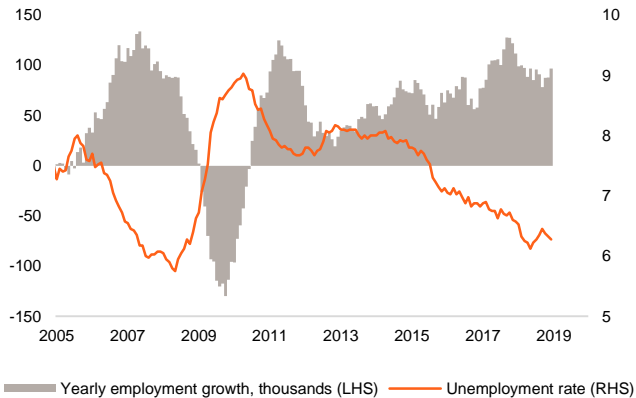
- **The labor market has strengthened**

- Employment has increased by on average 1.2% per year and hours worked by 1.0% per year over the past ten years. The activity rate (16-64y) has increased from under 75% at the end of 2008 to over 79% at the end of 2018

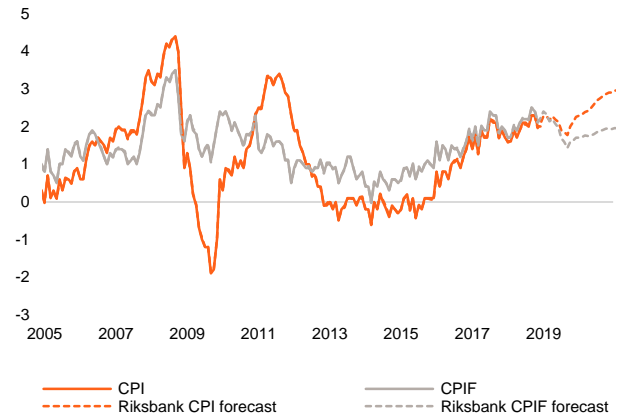
- **Average inflation has been 0.9% over the last 10 years, well below the target of 2%**

- The rising cost pressure in both Sweden and the rest of the world mean that there are good conditions for inflation to be close to the target in the coming years
- CPI inflation of about 2.0% is expected in 2019 (SBAB, February 2019)

Unemployment rate and employment growth



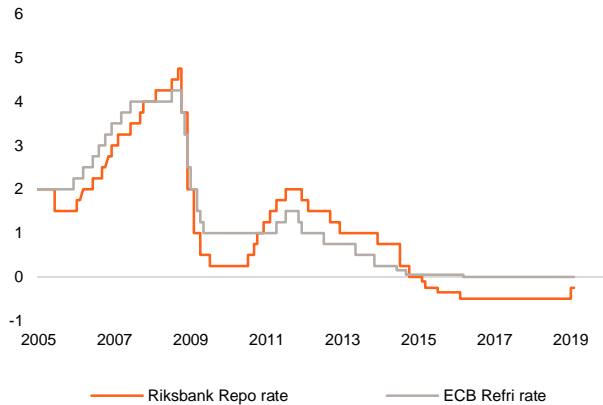
Inflation (y/y)



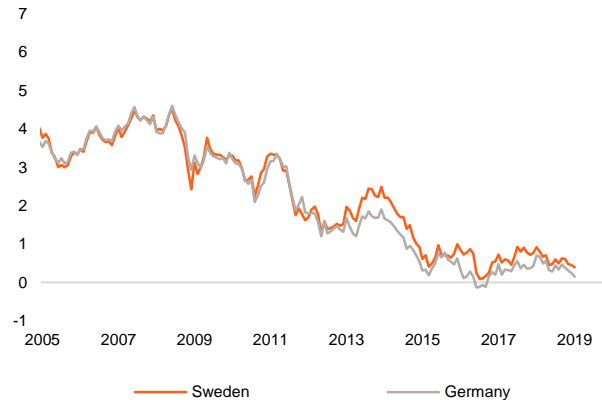
Monetary policy and interest rates

- **Very expansionary monetary policy**
 - The Riksbank announced on February 13th to keep the policy rate at -0.25%
- **Long and short interest rates have a high correlation with European (i.e. German) rates**
 - The spread against 10y German bond has on average been +22bp, over the last 10 years, correlation has been 0.98
- **Sweden has gained something of a safe haven status over the last 10-15 years**
 - Strong public finances, a stable financial system, low inflation and international flight to quality have been holding down long term interest rates

Policy rates



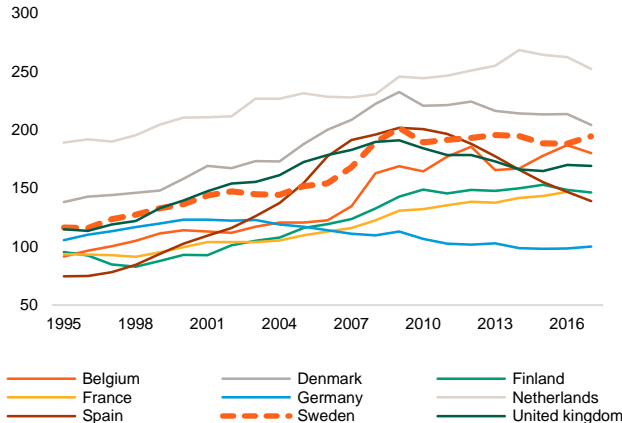
10y government bond rates



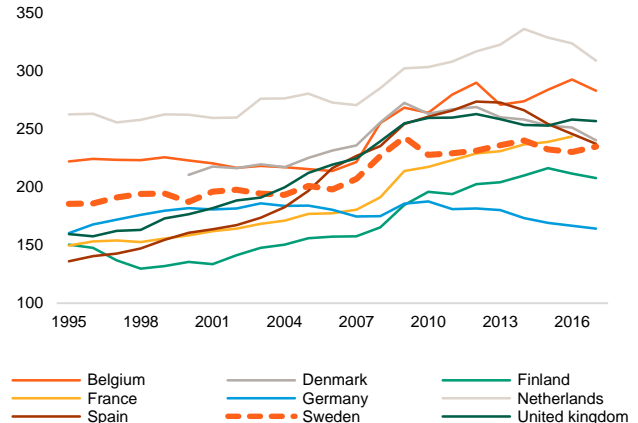
Debt compared to other countries

- **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 (% of GDP)



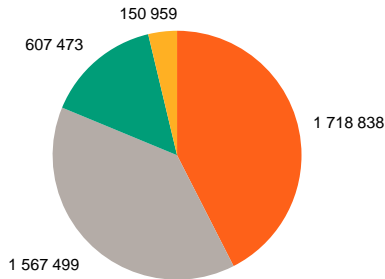
Private and public debt (% of GDP)



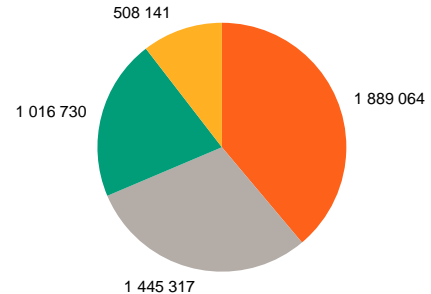
The Swedish housing market

- **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



Number of dwellings 2017



■ One & Two dwelling buildings
■ Rented apartments
■ Tenant owned apartments
■ Other

■ One & Two dwelling buildings
■ Rented apartments
■ Tenant owned apartments
■ Other

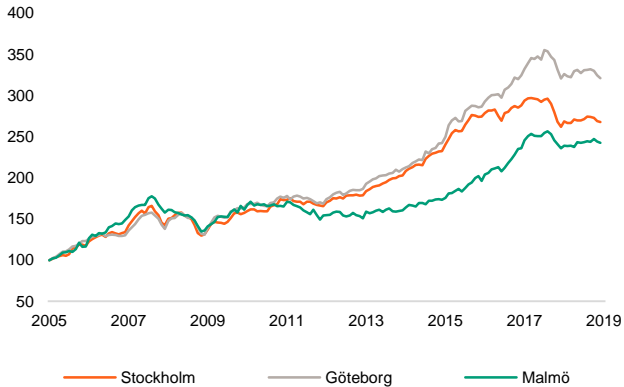
■ One & Two dwelling buildings
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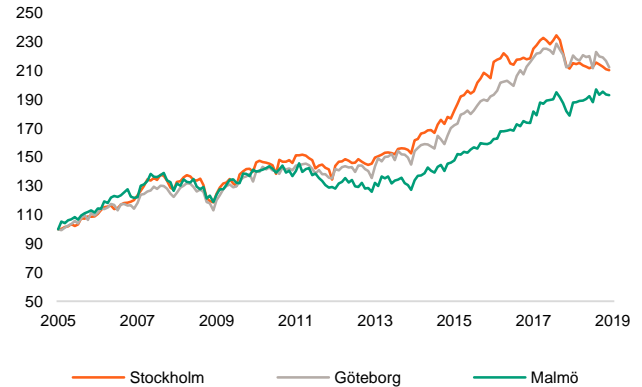
Regional residential price development

- **Prices on flats have risen more than on houses**
- **The residential price increases have been higher in metropolitan areas than in the countryside**
 - Prices on flats have increased most in Gothenburg, notably after 2016, but there has also been a strong development in Malmö in recent years
 - Prices on houses have increased less than on flats, but the house price development in Stockholm indicates a limited supply of houses in comparison with flats

Prices on flats (index 2005=100)



Prices on houses (index 2005=100)



House price performance

	Index (December 2018)	Change since		
		1m	3m	12m
Sweden (HOX)	226	-0.8%	-2.4%	+2.0%
Flats, Sweden	282	-0.3%	-2.0%	+1.7%
<i>Stockholm</i>	268	-0.4%	-2.3%	+2.3%
<i>Gothenburg</i>	321	-1.1%	-3.3%	+0.1%
<i>Malmö</i>	243	-0.7%	-0.5%	+2.8%
Houses, Sweden	209	-1.1%	-2.6%	+2.2%
<i>Stockholm</i>	211	-0.3%	+1.8%	-0.5%
<i>Gothenburg</i>	212	-2.1%	-3.4%	-0.7%
<i>Malmö</i>	193	-0.2%	-0.1%	+8.0%

Household debt has increased

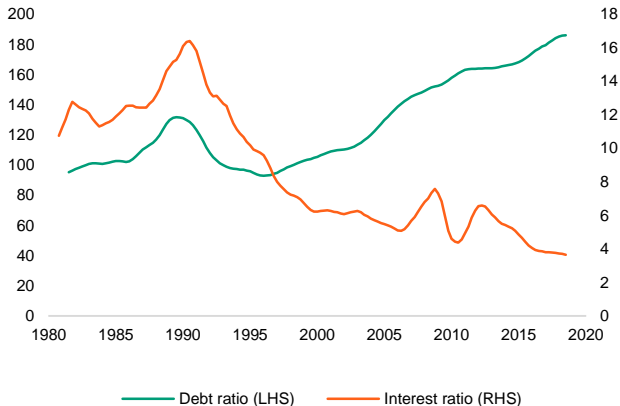
- **High debt to income ratio but low interest costs**

- The household debt to income ratio has increased since the mid-1990s to currently 186%. The rise in the debt ratio is strongly connected to the decline in interest rates and rising share of homeownership

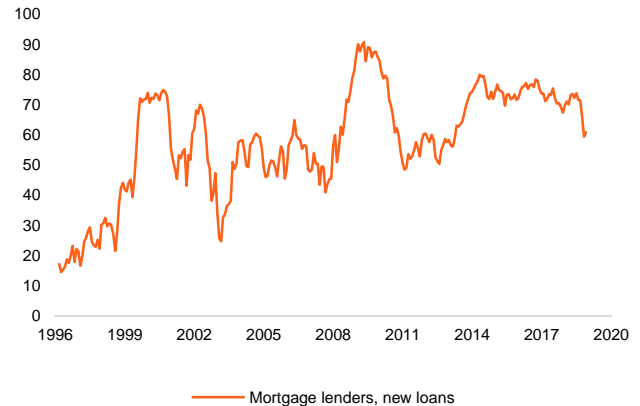
- **Average household exposed to interest rate risk**

- 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



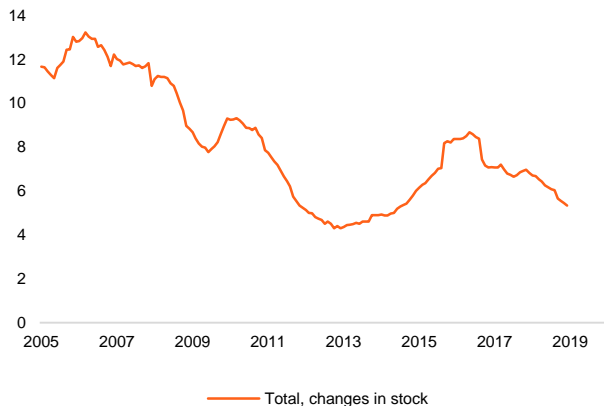
Share of mortgage loans with floating interest rates



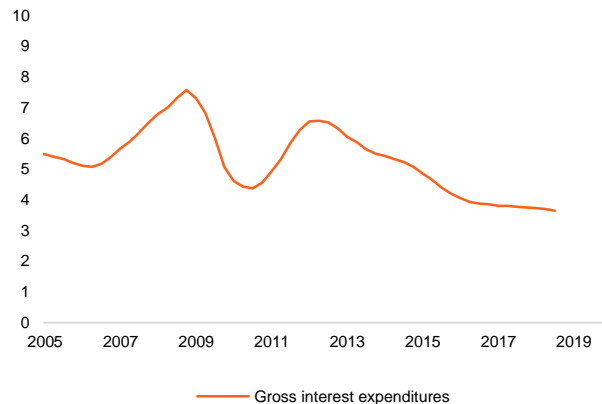
Strong lending growth

- **Household lending is currently increasing by an annual rate of 5.3%**
 - 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)



Interest expenditure (% of disposable income)



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