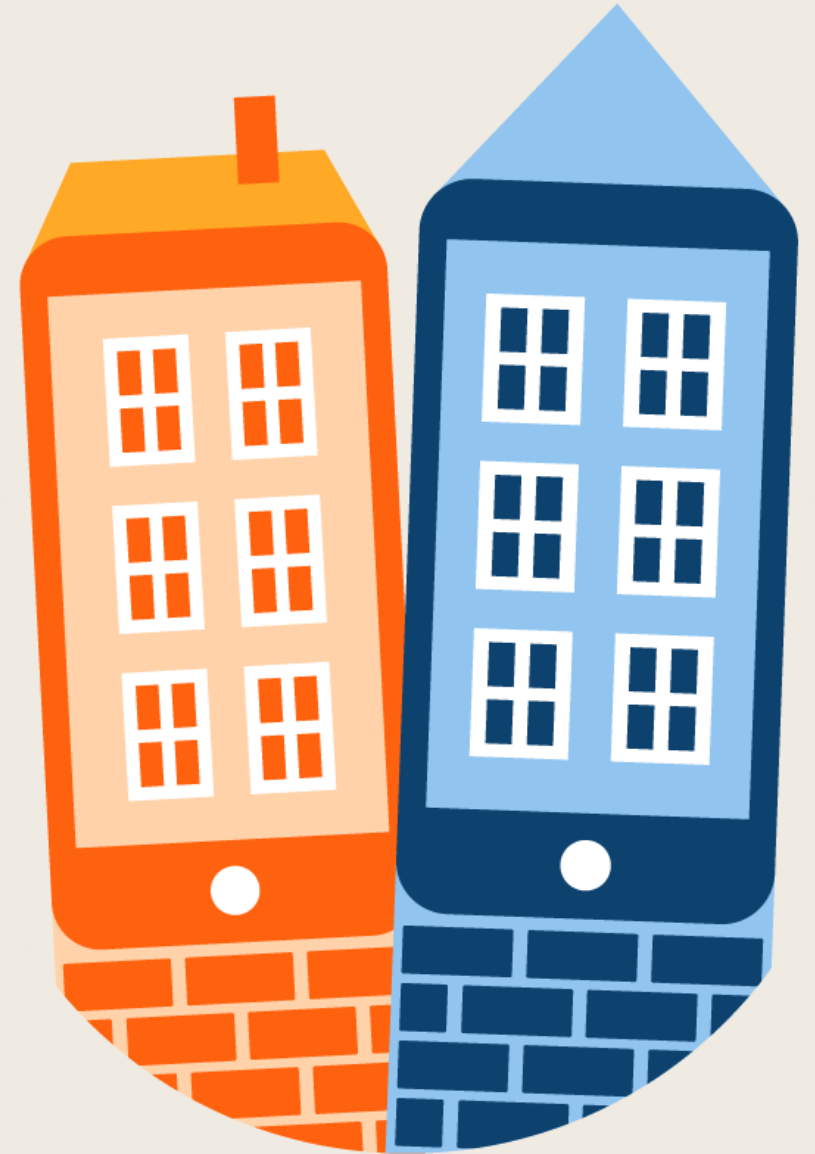


SBAB!

Presentation of Q1 results

SBAB Bank AB (publ)

28 April 2023



Executive summary

- Continued strong underlying result
- Decreased lending growth on the back of slower housing market
- Rate hikes from the Riksbank has fundamentally changed the operating environment & highlights importance of continued deposit growth for SBAB
- Household affordability and housing market affected by higher interest rates and increased inflation, but so far limited effect on credit quality
- Total long-term funding for 2022 expected to be approximately SEK 60-70 bn

Total lending (SEK bn)

513

Total deposits (SEK bn)

189

SBAB!

booli!

En tjänst från SBAB

hittamäklare!

En tjänst från SBAB

boappa!

En tjänst från SBAB

13.3%

Return on equity
Q1 2023

12.4%

CET1 capital ratio
Q1 2023

-0.03%

Credit loss level
Q1 2023

27.7%

C/I ratio
Q1 2023

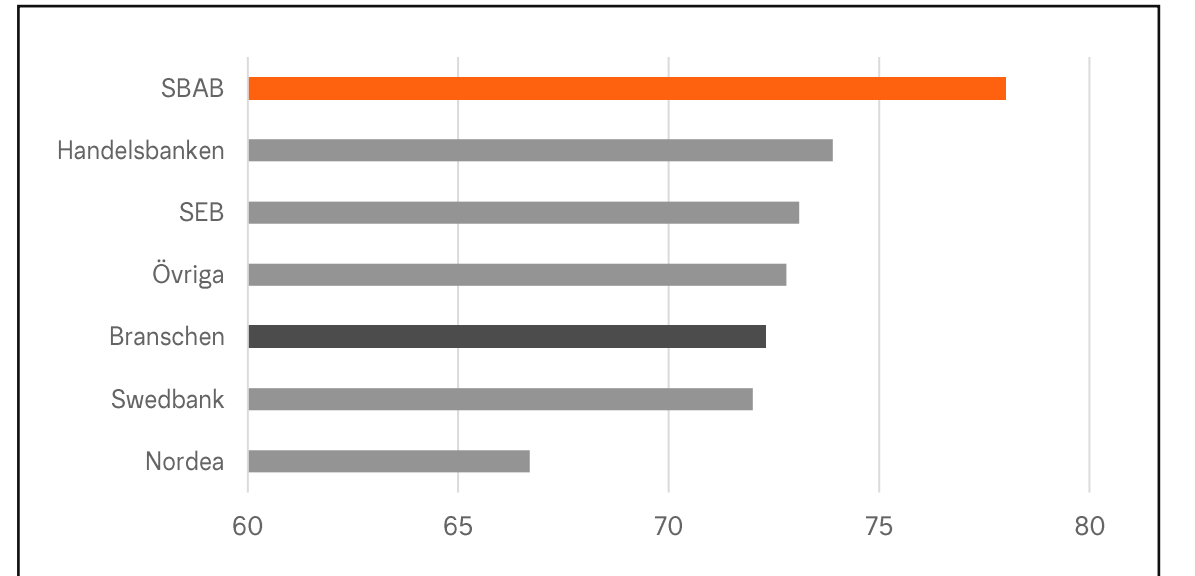
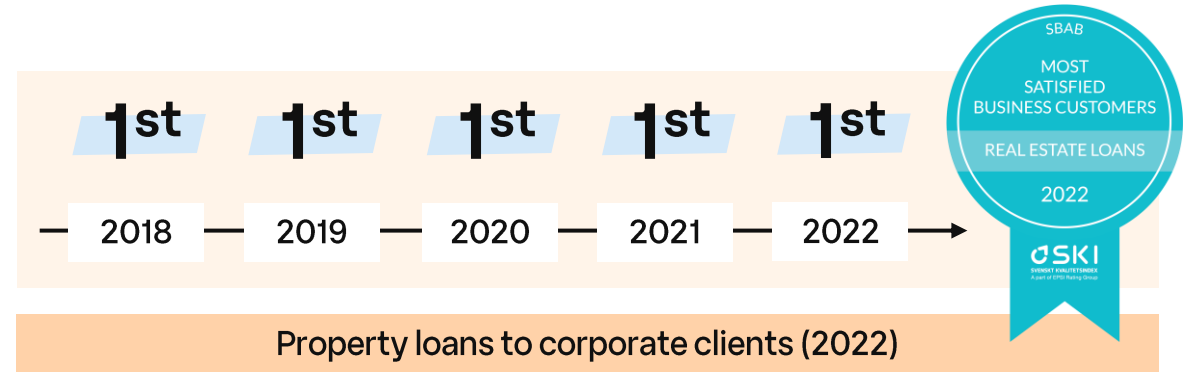
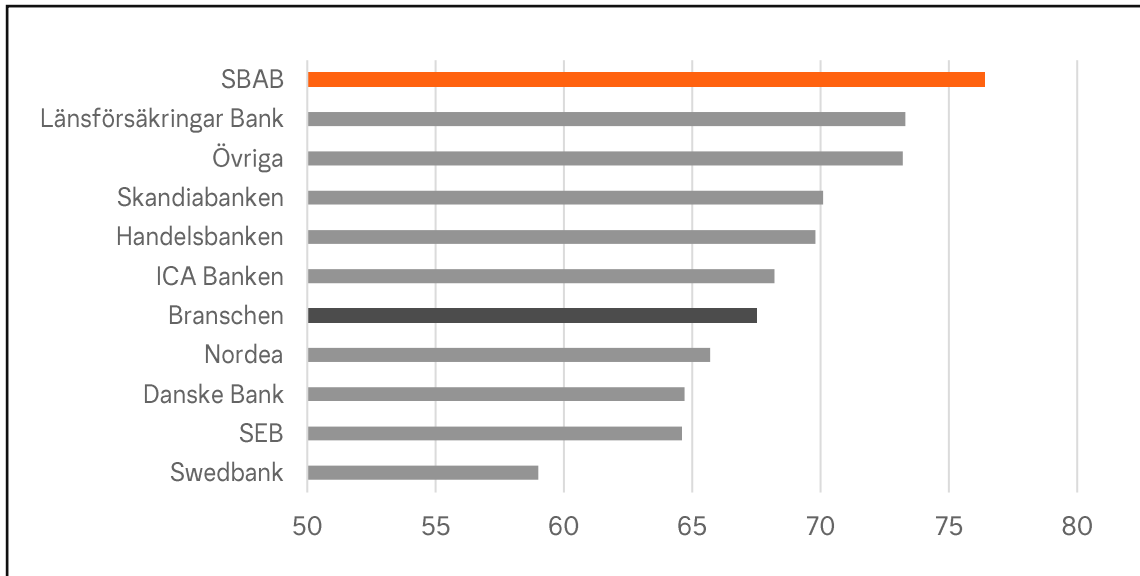
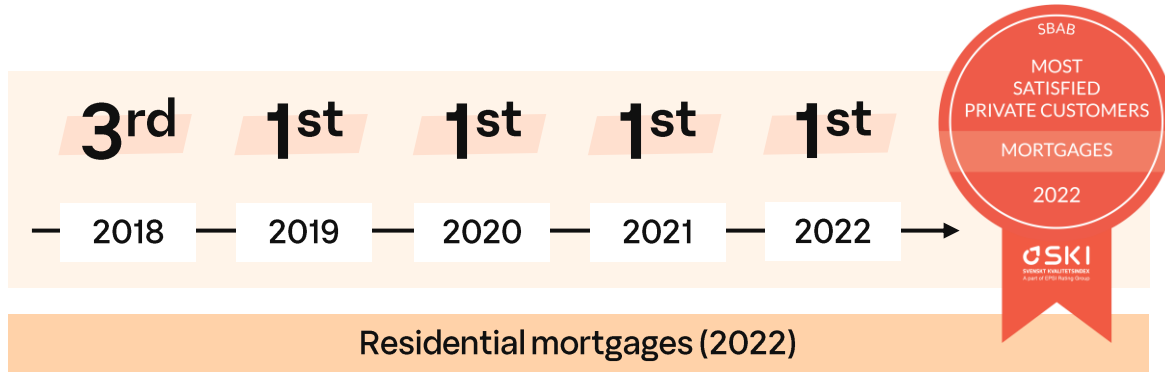


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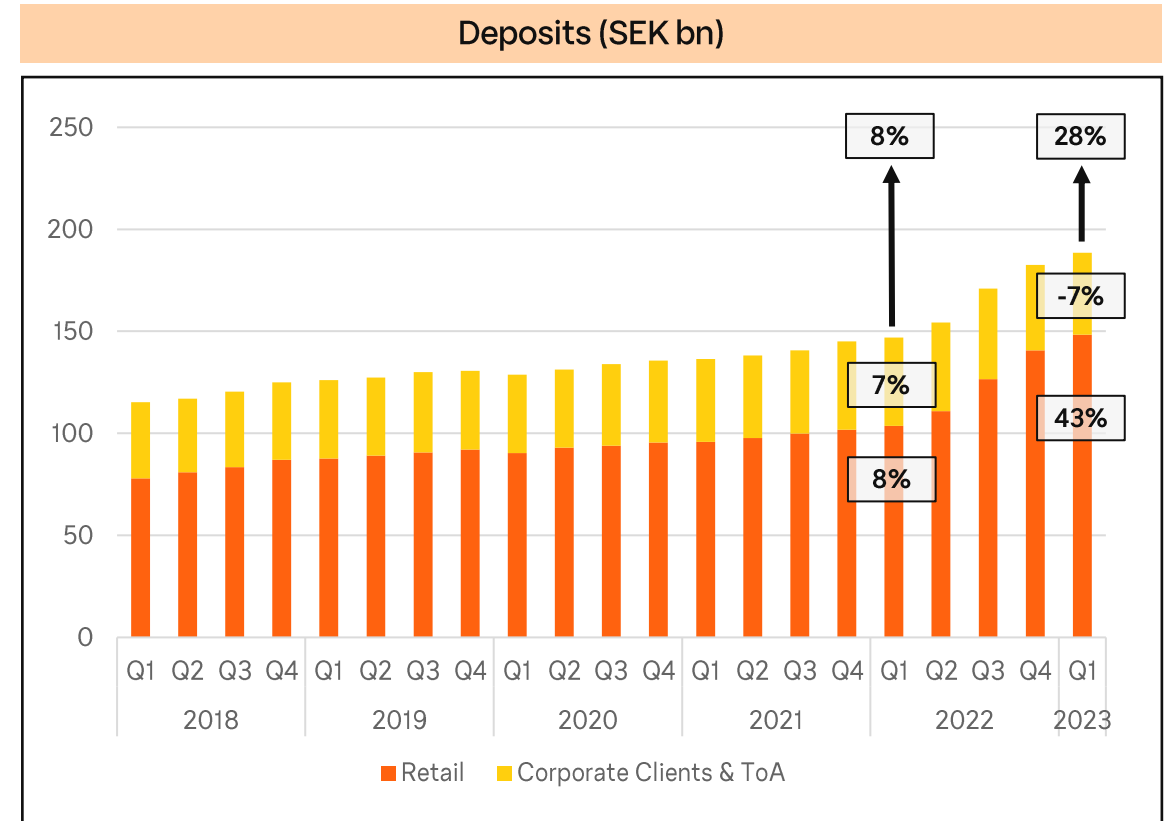
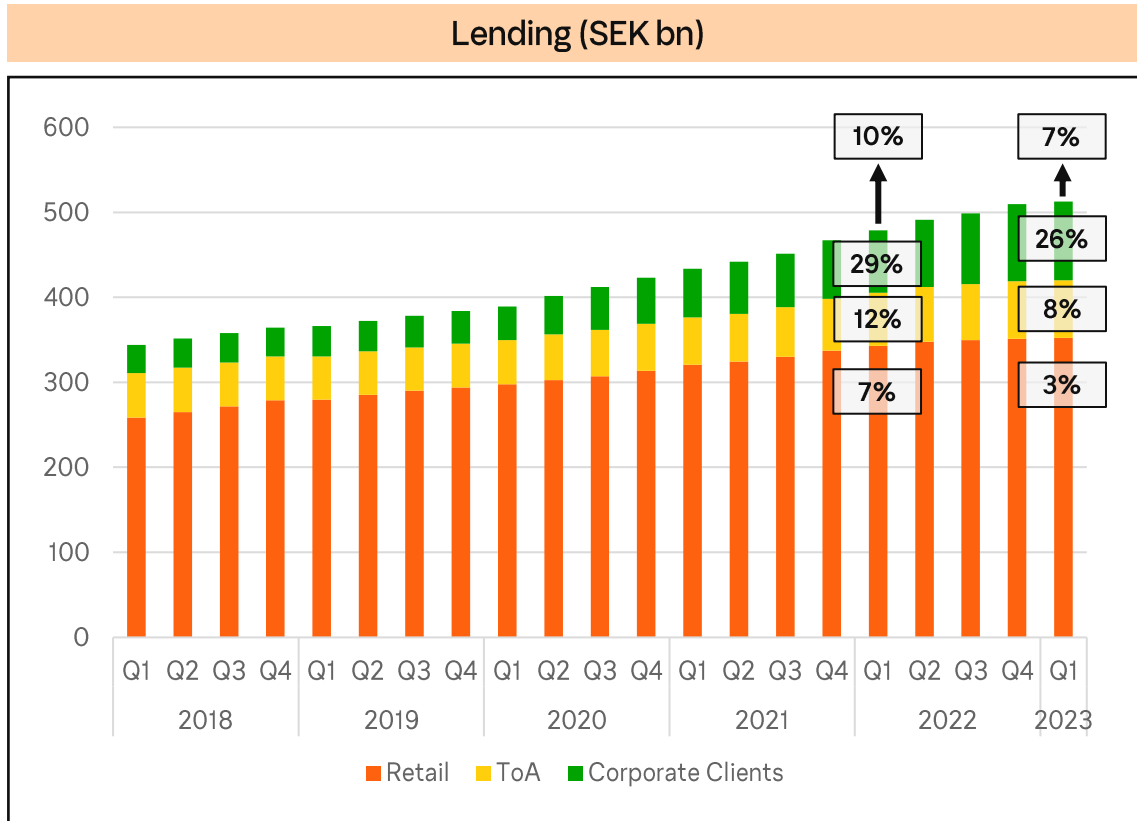


Most satisfied customers in Sweden



Lending & deposits development

X% = YoY growth



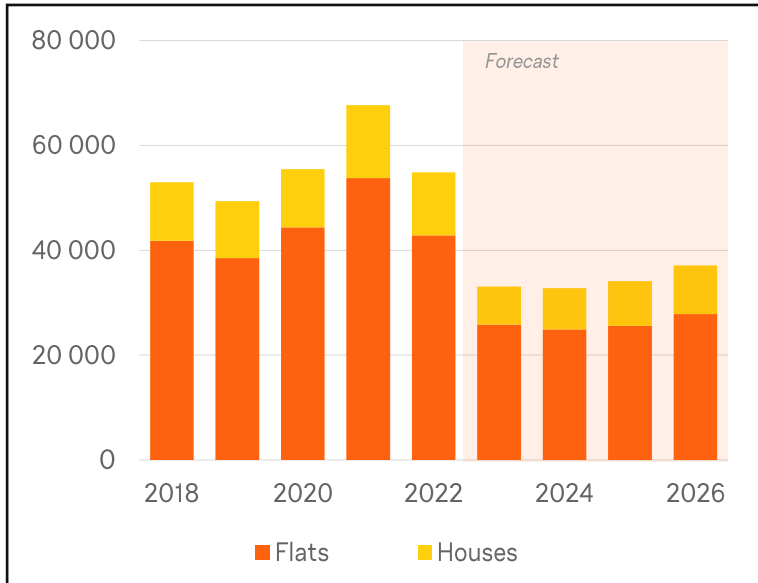
Lending (SEK bn)	Retail (SEK bn)	ToA (SEK bn)	Corp. (SEK bn)
512.5	352.2	67.8	92.5

Deposits (SEK bn)	Retail (SEK bn)	ToA & Corp. (SEK bn)	Deposits/lending
188.5	148.3	40.2	37%



Challenging housing market

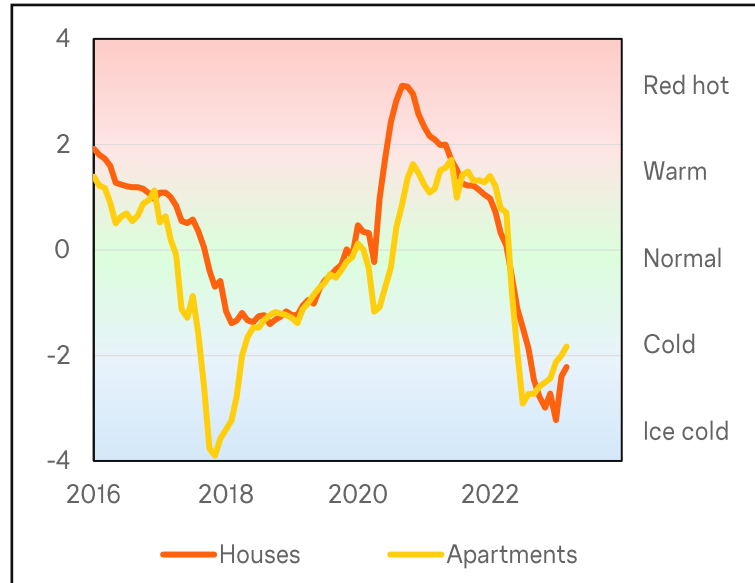
Declining housing construction



- Rapid decline (from about 68,000 homes in 2021 to 33,000 homes in 2023)
- Housing construction is expected to remain relatively low

Source: Macrobond, SCB and SBAB April 2023 forecast

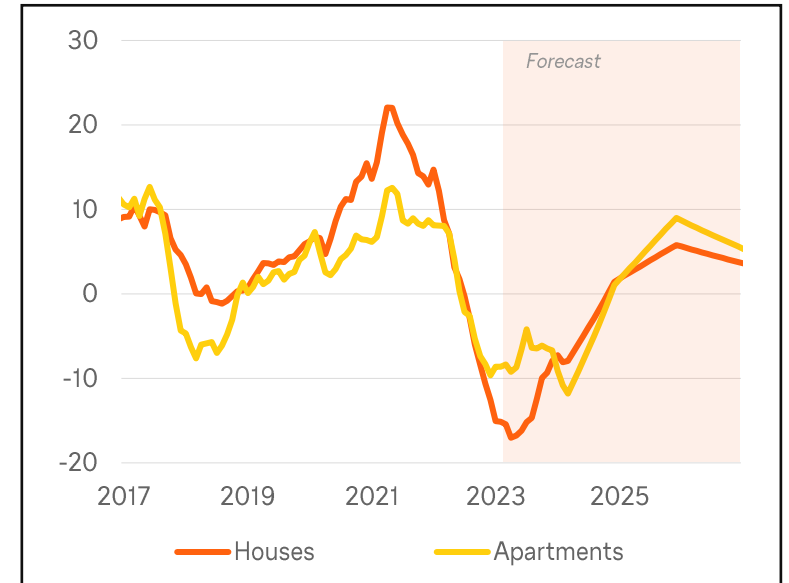
SBAB Booli Housing market temperature



- Since autumn 2022, the conditions for selling housing have changed dramatically, and can be described as freezing cold
- Slight improvements in recent months

Source: Booli and SBAB

Housing price development



- SBAB's forecast is that housing prices will continue to fall somewhat
- Price level at the end of 2023 is expected to be about 20% lower compared to that in March 2022

Source: SBAB & Booli HPI, and SBAB April 2023 forecast



Market conditions & focus for SBAB

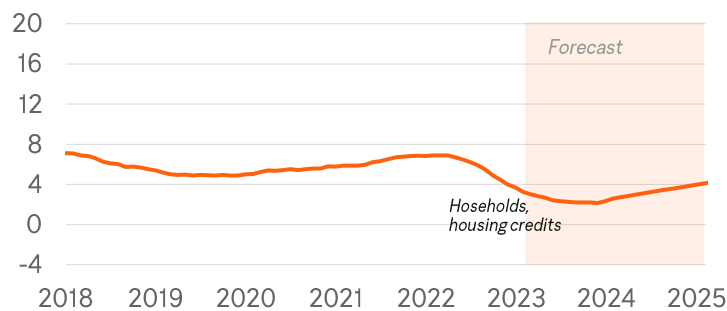
– Focus on retaining lending market shares on the back of a more challenging operating environment & continued focus on growing deposits

Residential mortgages

Mortgages



YoY growth rate (%)



- Historically low market growth
- Intense competition
- Focus on retaining market share

Corporate & ToA

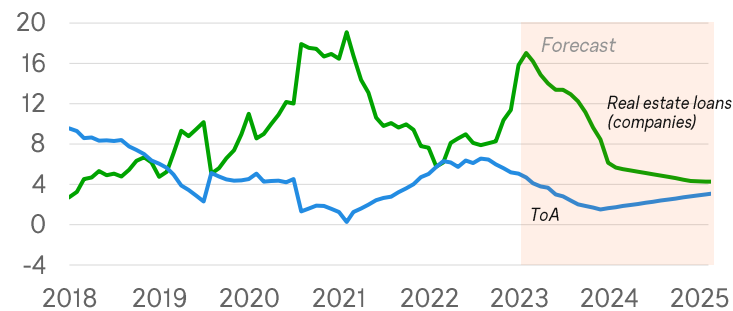
Corporates



ToA



YoY growth rate (%)



- Hesitant market for property companies & high competition for ToA
- Open for new business if right risk/profitability

Deposits

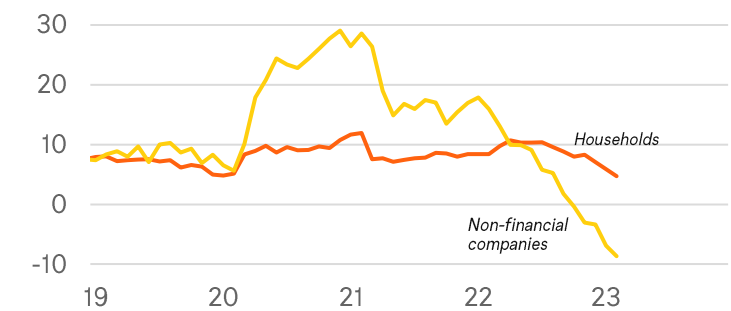
Retail



Corporate



YoY growth rate (%)

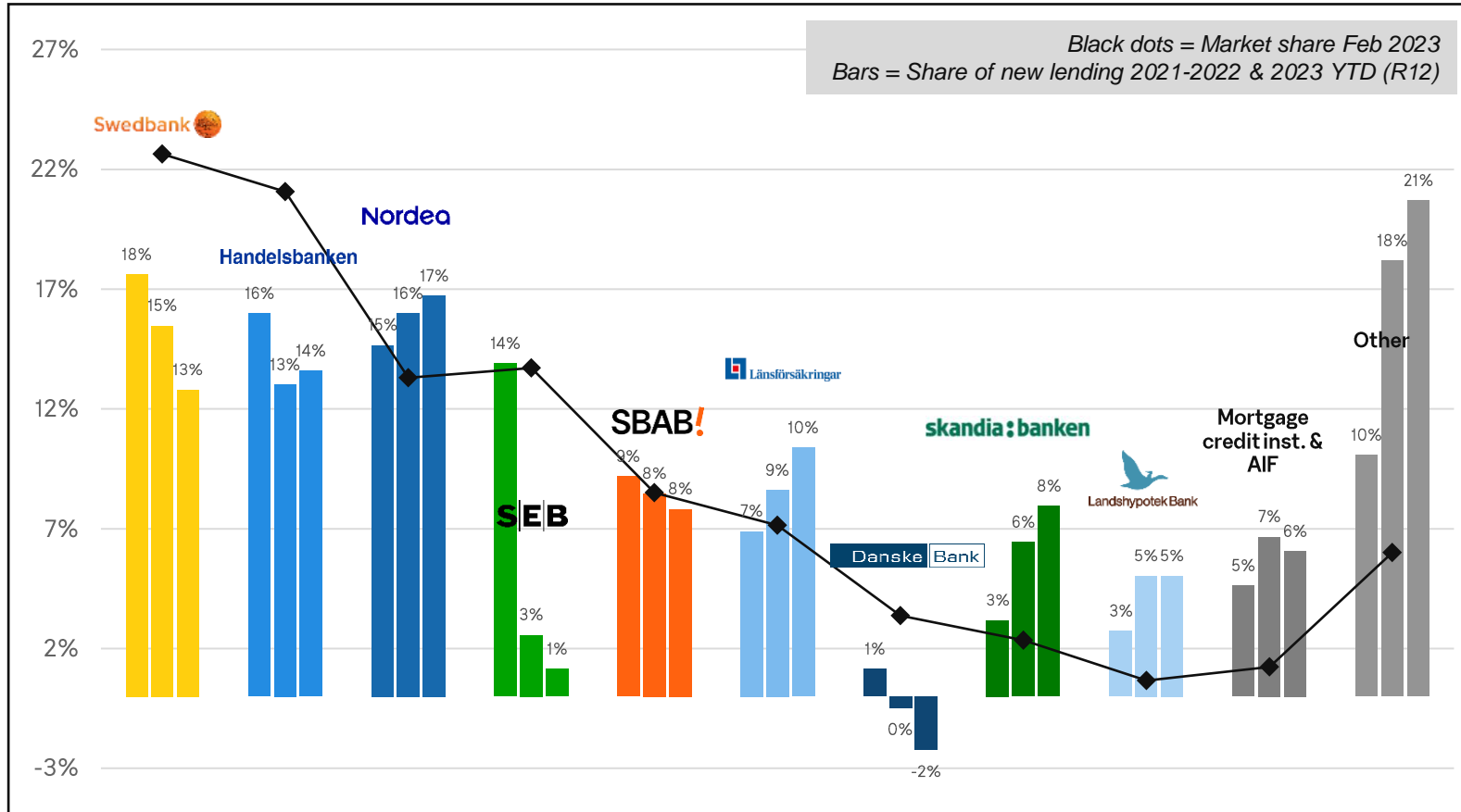


- Continued strong inflow (1/3 of market growth in 2023)
- Focus on continuing growing market shares

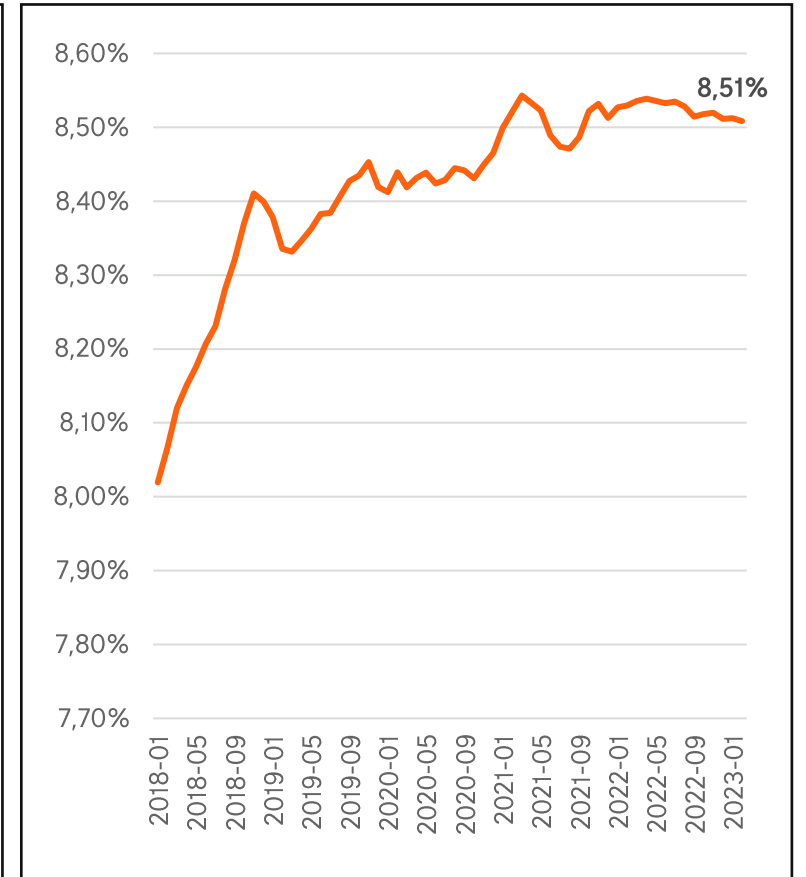


Competition in the mortgage market

Shares of net growth in the Swedish residential mortgage market FY2021–2022 & 2023 YTD (R12)



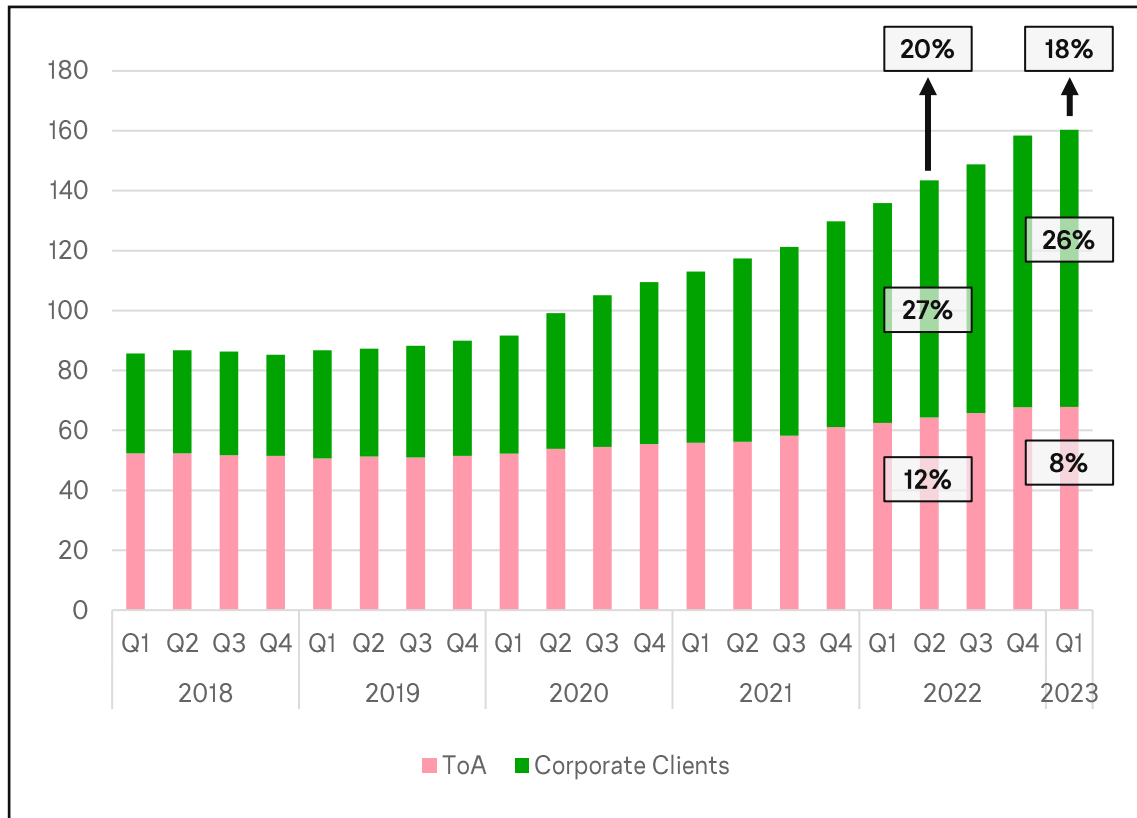
SBAB market share, mortgages (Feb 2023)



Corporates & Tenant-own. Assoc.

X% = YoY growth

Lending volumes (SEK bn)



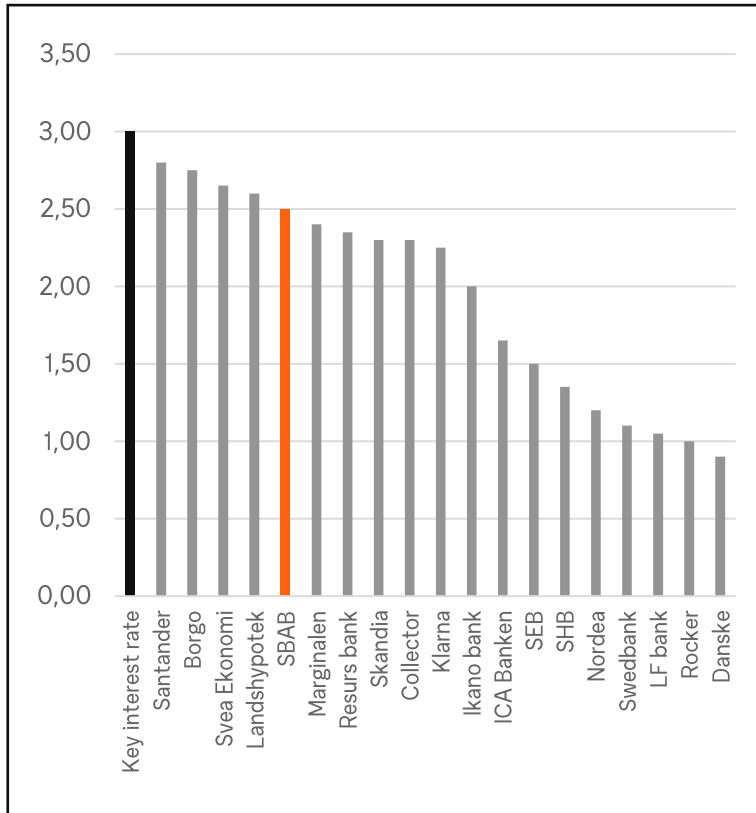
Market shares, Corporate clients & ToA (Feb 2022)



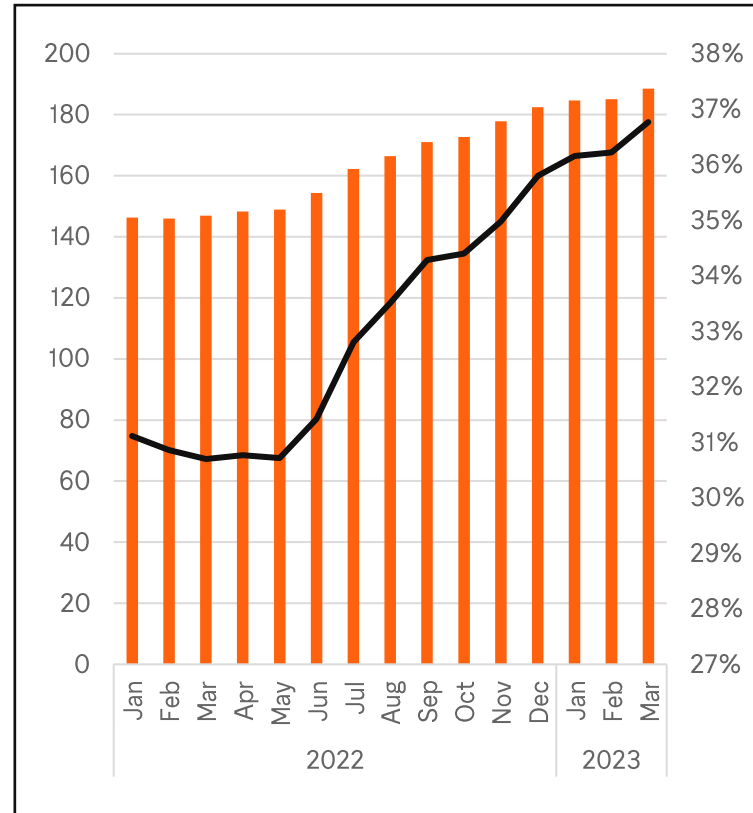
Increased focus on deposits

– Changed interest rate environment, competitive pricing & effective marketing has resulted in strong deposit inflow

Retail pricing



Deposit volume (SEK mn) (LHS) & DTLR (RHS)



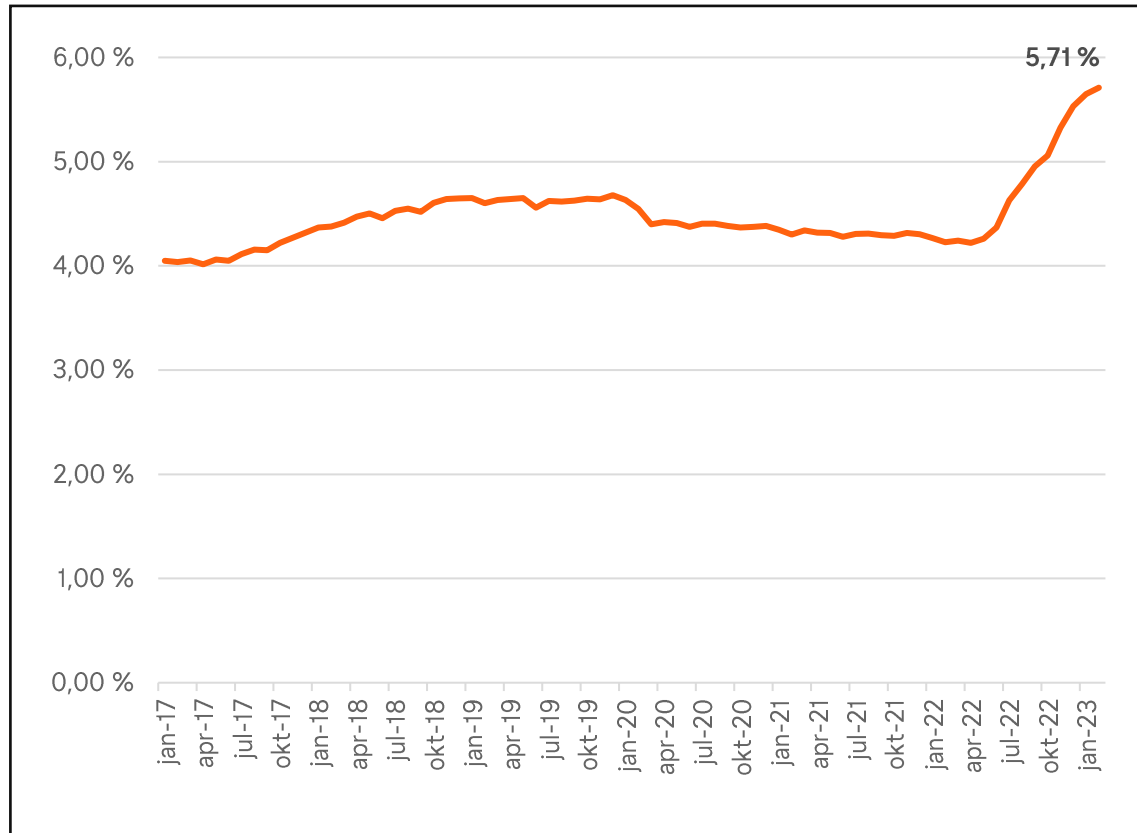
Comments

- SBAB offers a highly competitive interest rate on savings account (to both retail customers as well as corporates and tenant-owners' associations)
- Increased marketing and communications efforts, especially during the later part of the year
- Sharp increase in SBAB deposit growth from H2 2022, which consequently has led to an increase in deposit-to-loan ratio (DTLR) (36.8% at the end of Q1 2023 vs. 35.8% at the end of 2022 and 31.0% at the end of 2021)

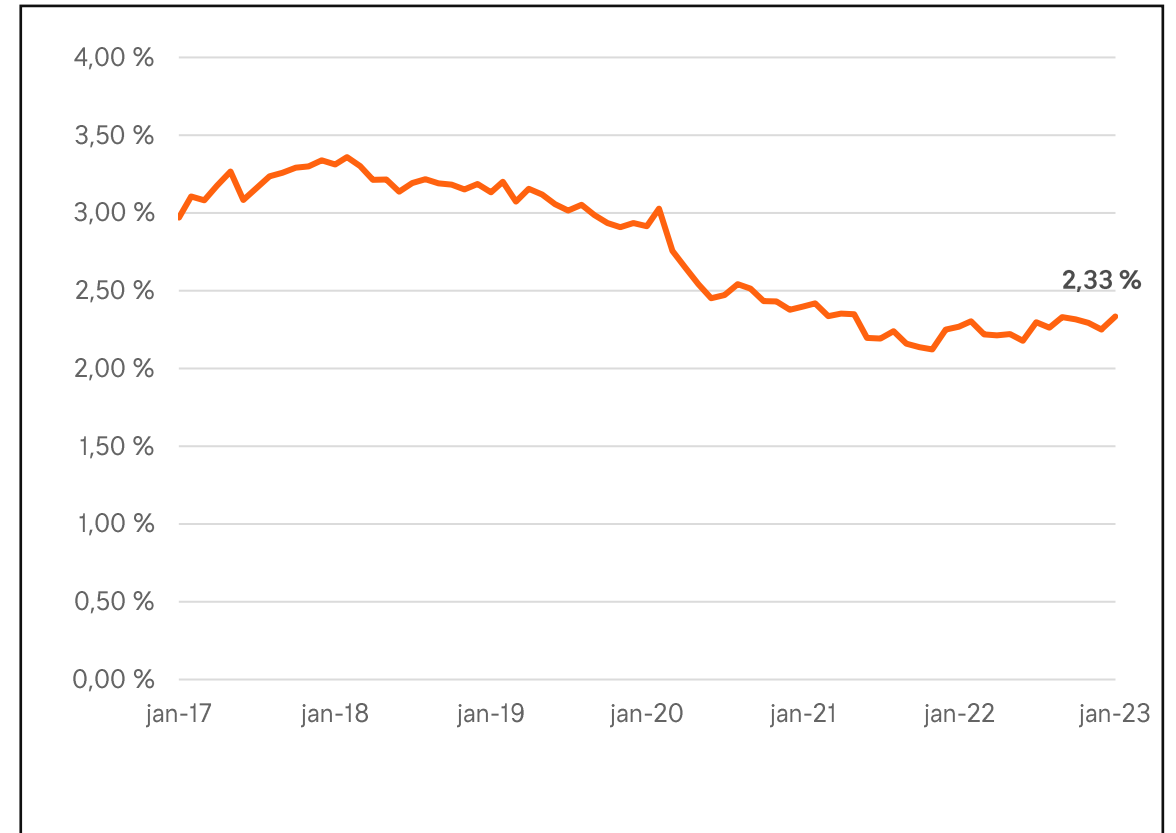


Market shares for deposits

Market share (Retail) (Feb 2022)



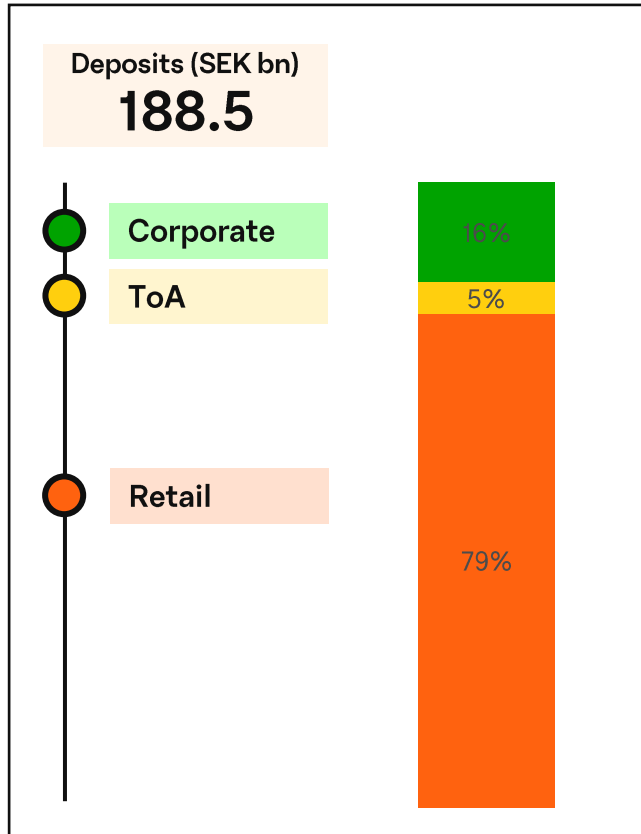
Market share (Corporate) (Feb 2022)



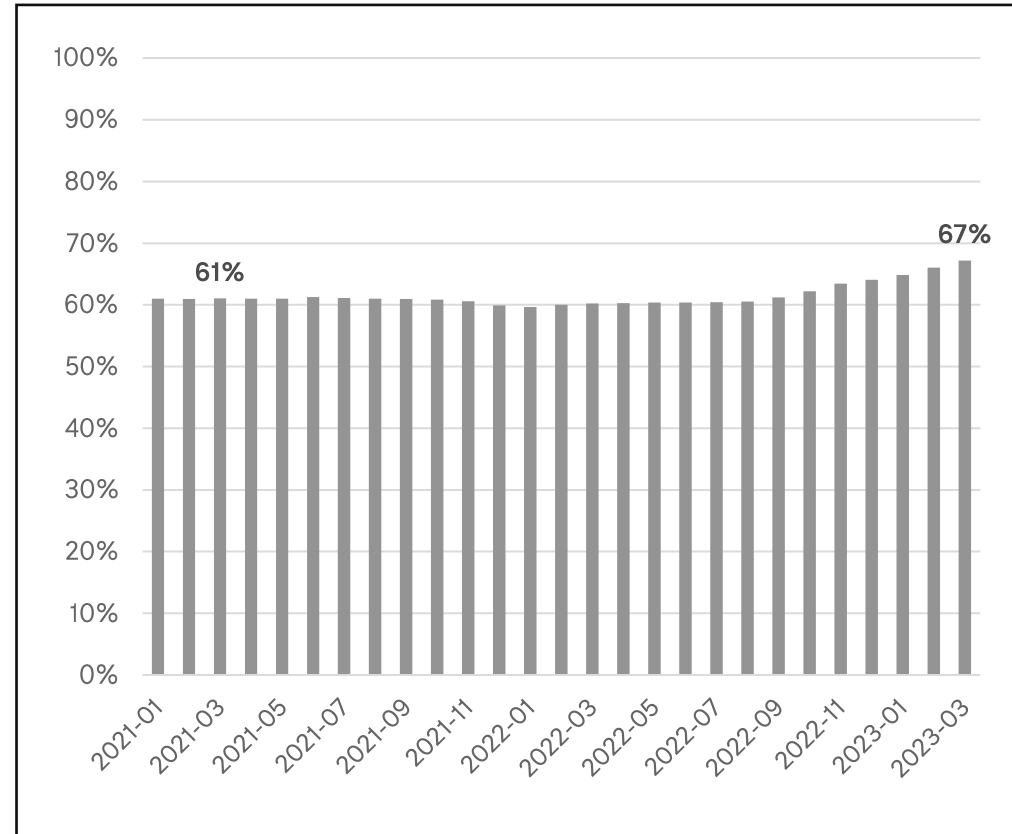
Deposit base composition

– Well diversified, granular and stable deposit base

Deposits per segment



Development of guaranteed deposits



67%

Guaranteed deposits
Total

18%

Guaranteed deposits
Corporate clients

37%

Guaranteed deposits
Tenant-owners' Assoc.

79%

Guaranteed deposits
Retail



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Overview of Q1 2023 results

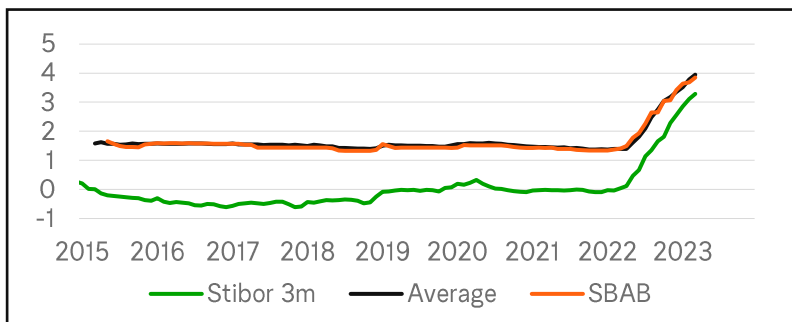
– Continued strong financial development supported by strong deposit inflow

SEK million	Q1 2023	Q4 2022	▲	Jan-Mar 2023	Jan-Mar 2022	▲	Jan-Dec 2022
Lending (SEK bn)	512.5	509.5	+0.6%	512.5	478.7	+7.1%	509.5
Deposits (SEK bn)	188.5	182.4	+3.3%	188.5	147.0	+28.3%	182.4
Net interest income	1,413	1,328	+6.4%	1,413	1,084	+30.4%	4,655
Net commission	-7	-7	0 mn	-7	13	-20 mn	12
Net result financial transact.	2	-79	+81 mn	2	-49	+51 mn	-35
Costs	-394	-437	-9.8%	-394	-358	+10.1%	-1,529
Loan losses	-33	-19	+14 mn	-33	-17	+16 mn	-68
Imposed fees: Risk tax and res. fee (new row 2022)	-141	-112	+29 mn	-141	-113	+28 mn	-445
Operating profit	853	686	+24.3%	853	573	+48.9%	2,639
C/I ratio (%)	27.7%	34.8%	-7.1 pp	27.7%	33.7%	-6.0 pp	32.7%
Return on equity (%)	13.3%	10.5%	+2.8 pp	13.3%	9.5%	+3.8 pp	10.5%
Loan loss ratio (%)	-0.03%	-0.01%	-0.02 pp	-0.03%	-0.01%	-0.02 pp	-0.01%
CET1 capital ratio (%)	12.4%	12.8%	-0.4 pp	12.4%	13.1%	-0.7 pp	12.8%

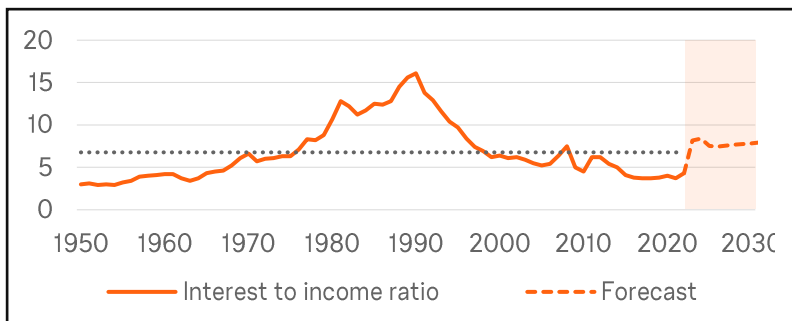


Household affordability affected, but so far limited effects

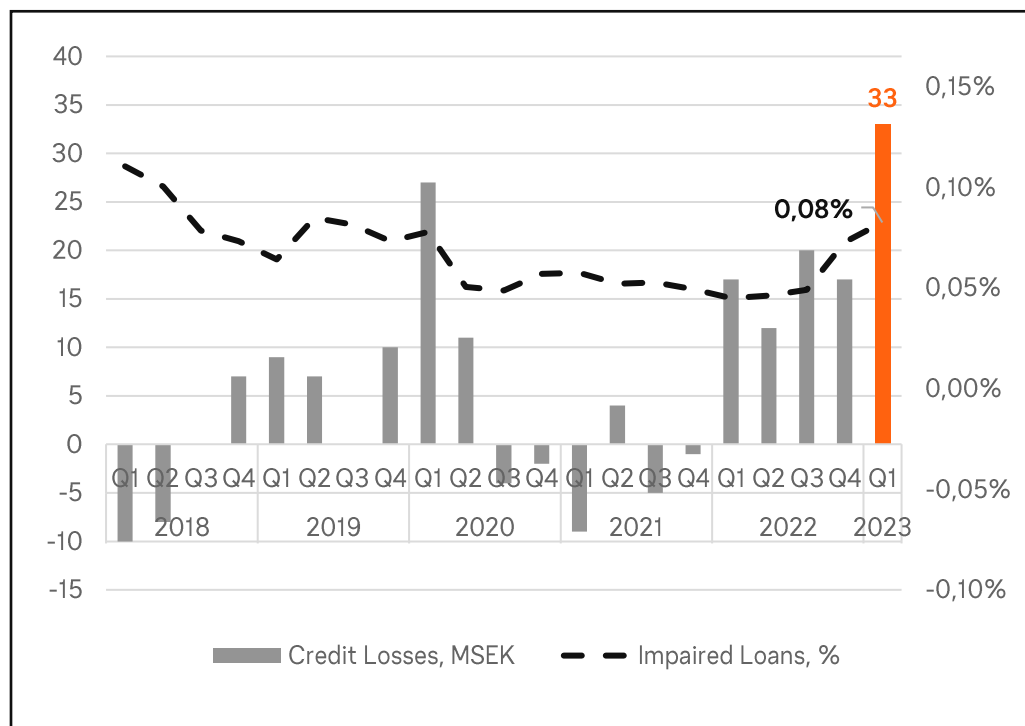
Development of actual 3M mortgage rate



Gross interest expenditure (% of disposable income)



Credit losses (SEK mn, LHS) & Share of stage 3 loans (% , RHS)



Key metrics

-33 MSEK

Credit losses
Q1 2023

-0.03%

Credit loss ratio
Q1 2023

0.08%

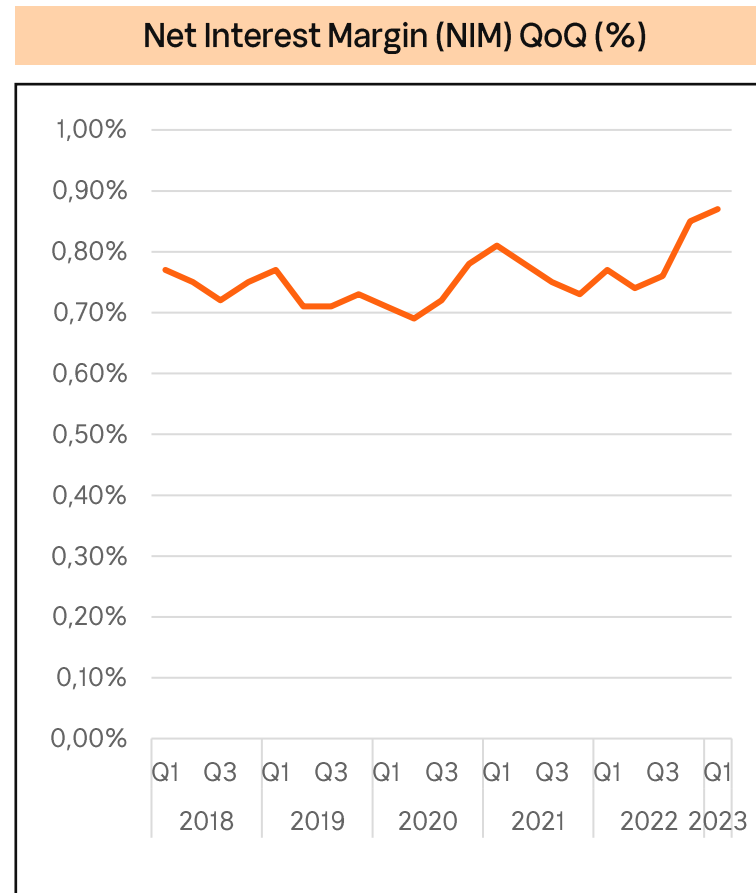
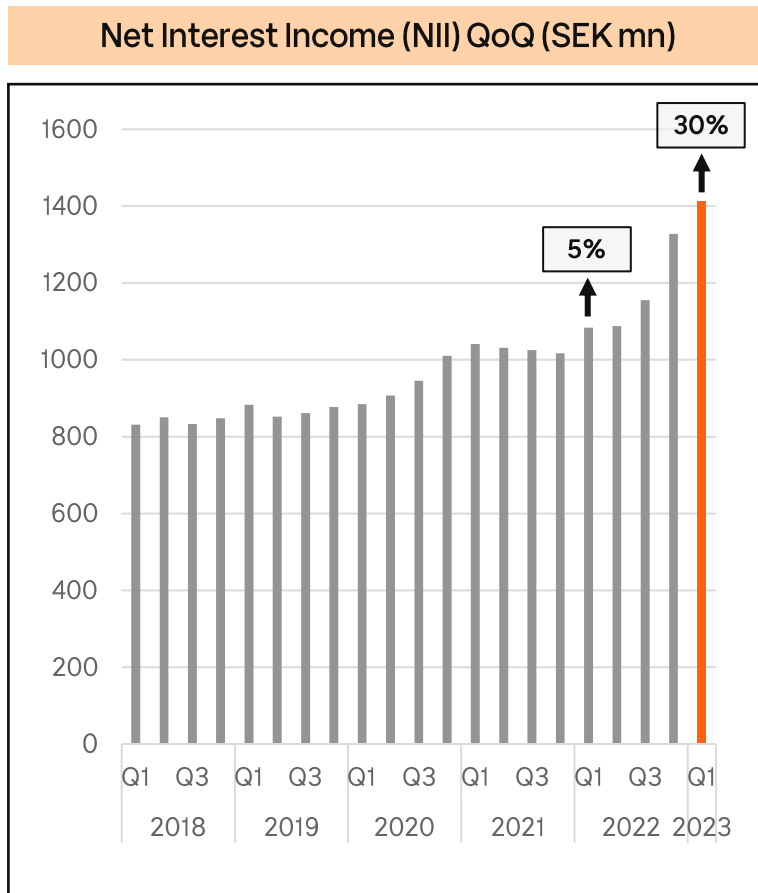
Share of stage 3 loans
Q1 2023



NII development

– Continued growth in NII supported by strong deposit margins. Mortgage margins continues to be compressed

X% = YoY growth



Calculated as NII in relation to total assets in balance sheet

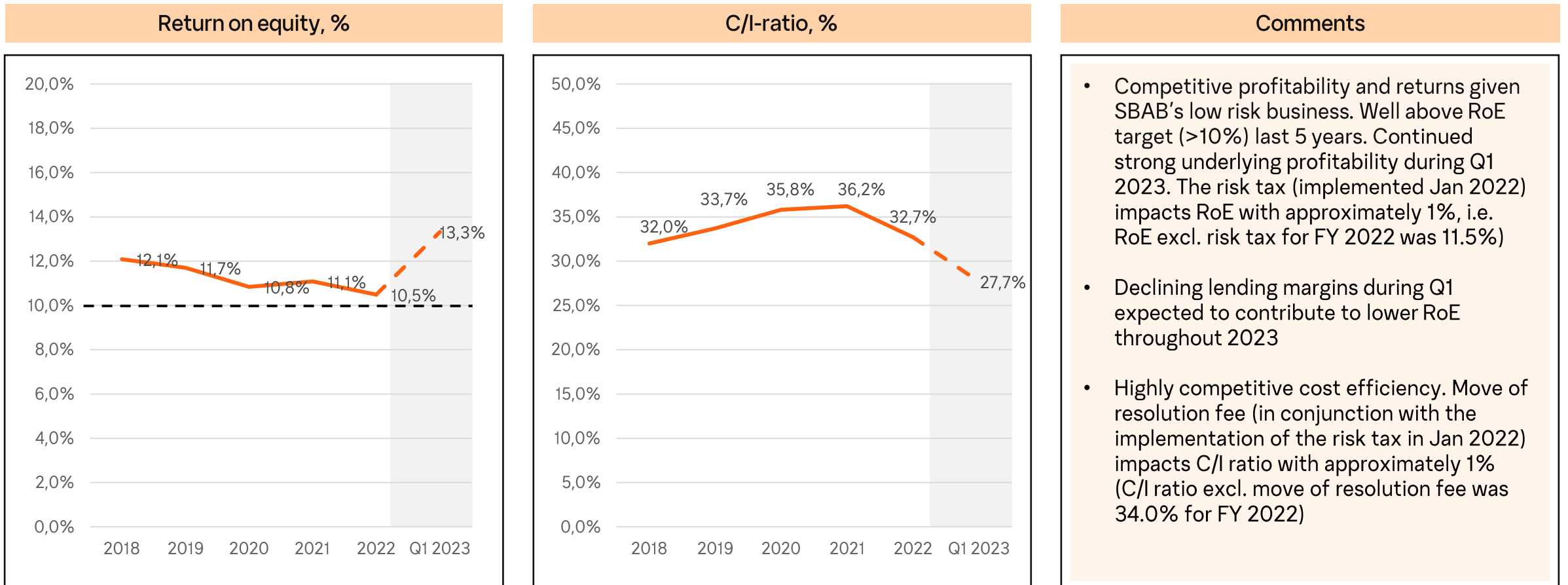
Comments

- Increased NII QoQ attributable to increased share of deposits in funding mix and improved deposit margins. Development partly offset by lower mortgage lending margins
- NII and NIM positively affected by resolution fee (moved to new row in income statement as per Q1 2022)
- Additional pressure on mortgage margins expected ahead due to increased competition
- Stable lending margins expected for corporate lending & high competition for lending to tenant-owners' associations



Strong development for key financial KPIs

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

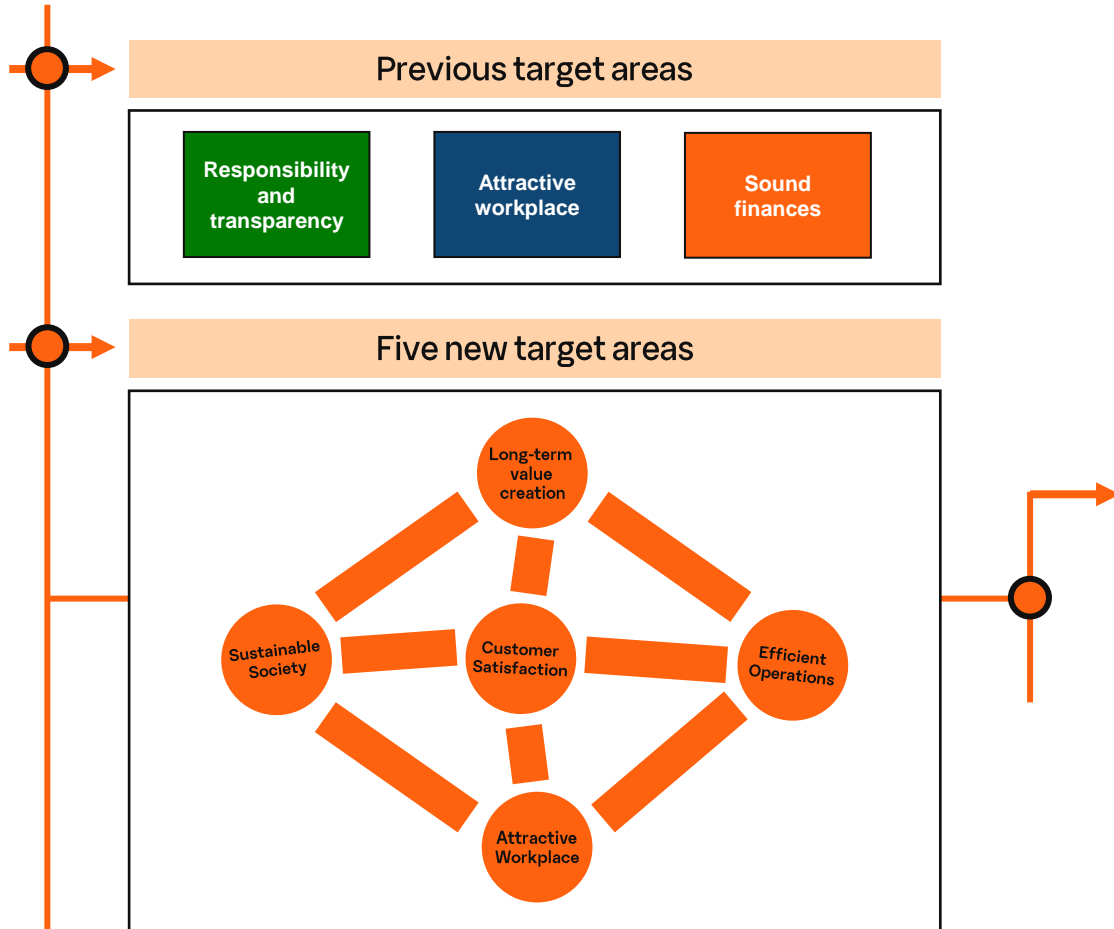


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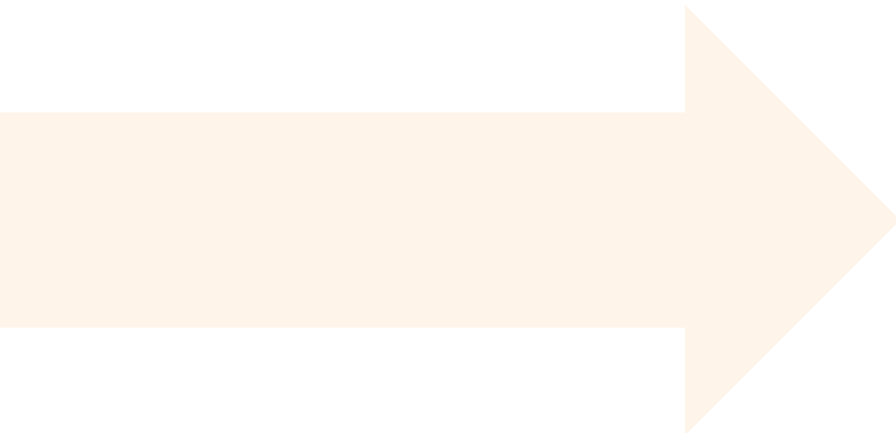
New target areas and long-term targets



Target area	Target 2030
Long-term Value Creation	<ul style="list-style-type: none"> Return on Equity: ≥10%
Sustainable Society	<ul style="list-style-type: none"> Emission Reduction: -50% (to 2038)
Customer Satisfaction	<ul style="list-style-type: none"> Market Share Residential Mortgages: 10% Market Share Corporates: 20% Market Share Tenant-Owners' Associations: 15%
Efficient Operations	<ul style="list-style-type: none"> Cost/Income Ratio: <30%
Attractive Workplace	<ul style="list-style-type: none"> Commitment: ≥4 (on a scale of 1-5)



The financial targets from the owner remains



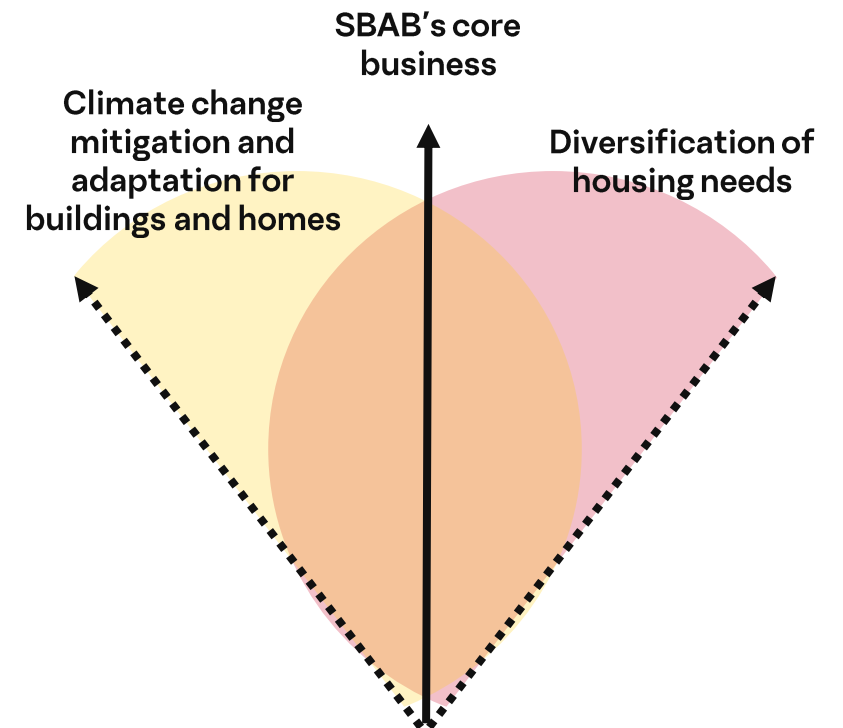
	Target	Results 2022
Profitability: Return on equity over time	≥10%	10.5%
Dividend: Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥40%	40%
Capitalisation: CET1 capital ratio and total capital ratio above regulatory requirement communicated by the Swedish FSA *	CET1 capital ratio: >0.6%	2.6%
	Total capital ratio: >0.6%	3.0%



Refined strategy towards 2030

- We have a firm belief in our core business, and we aim to continue to grow all business segments
- Close to our core business, in addition to lending and deposits, we see two clusters of external trends that we want to address more clearly; Climate change & increased diversification of housing needs
- Therefore, we are adding two new focus areas into our business strategies;
 - Climate change mitigation and adaptation for buildings and homes
 - Diversification of housing needs
- We aim to work with business development in all three directions in order to;
 - Take advantage of opportunities in the form of added customer value for existing business as well as new revenue streams & increased preparedness for threats from nearby competitors and business models

"SBAB's strategic playing field"



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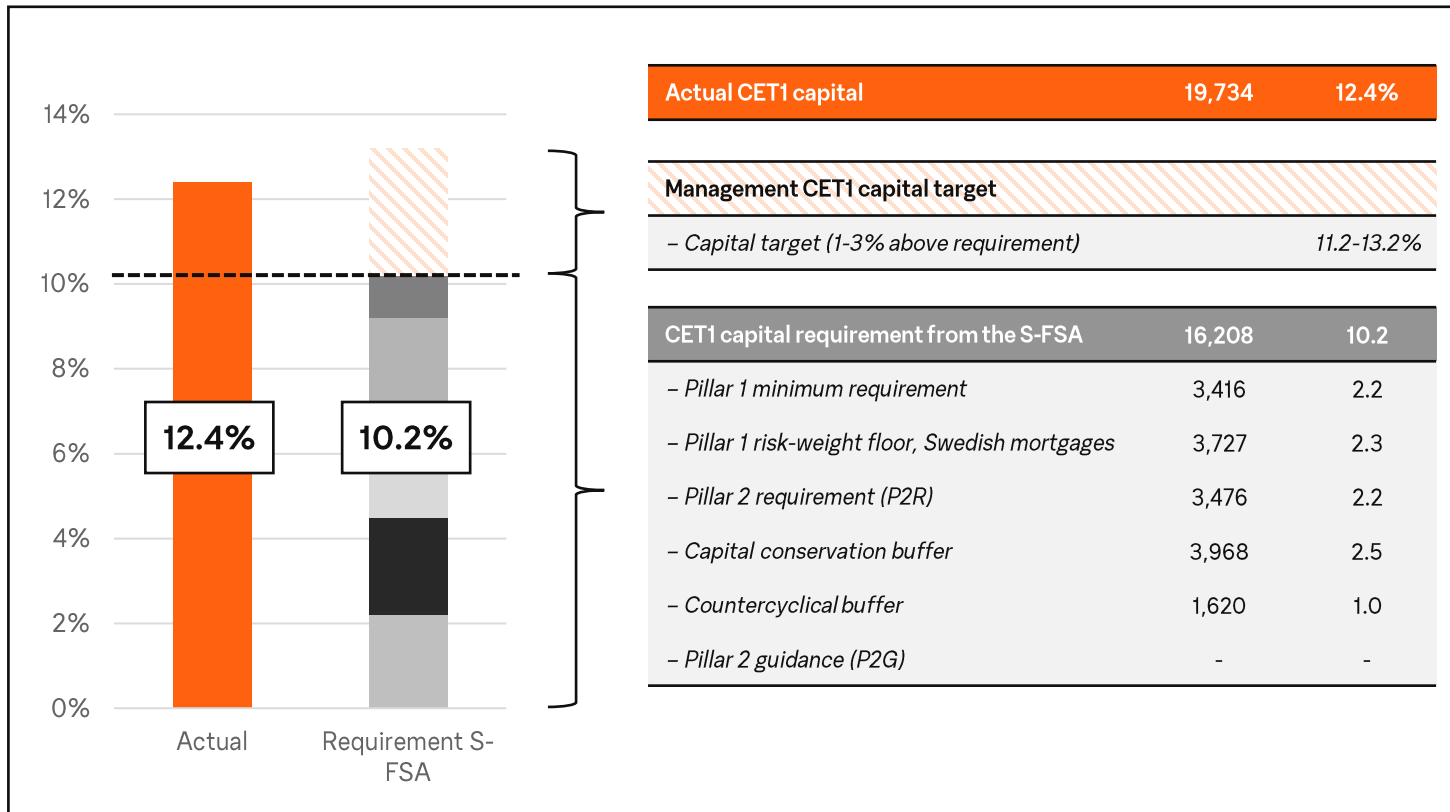
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Capital position

– Continued strong capital buffers: SBAB well above internal and external requirements

Components of SBAB's CET1 capital target Q1 2023



Comments

- Management CET1 capital target: 1-3 percentage points above regulatory requirement (implemented in February 2022)
- SBAB remains well above external and internal requirements in Q1 2023
- Countercyclical buffer (CCyB) from 0% to 1% in September 2022 for Swedish exposures. The CCyB is to be raised to 2% in June 2023
- Leverage ratio rests well above external requirements at 3.95% as per 31 Mar 2023 (vs 4.12% as per 31 Dec 2022) – total requirement incl. P2G of 3.3%
- Total balance sheet as of Q1 2023 of SEK 661.2 billion & risk exposure amount (REA) SEK 158.7 billion

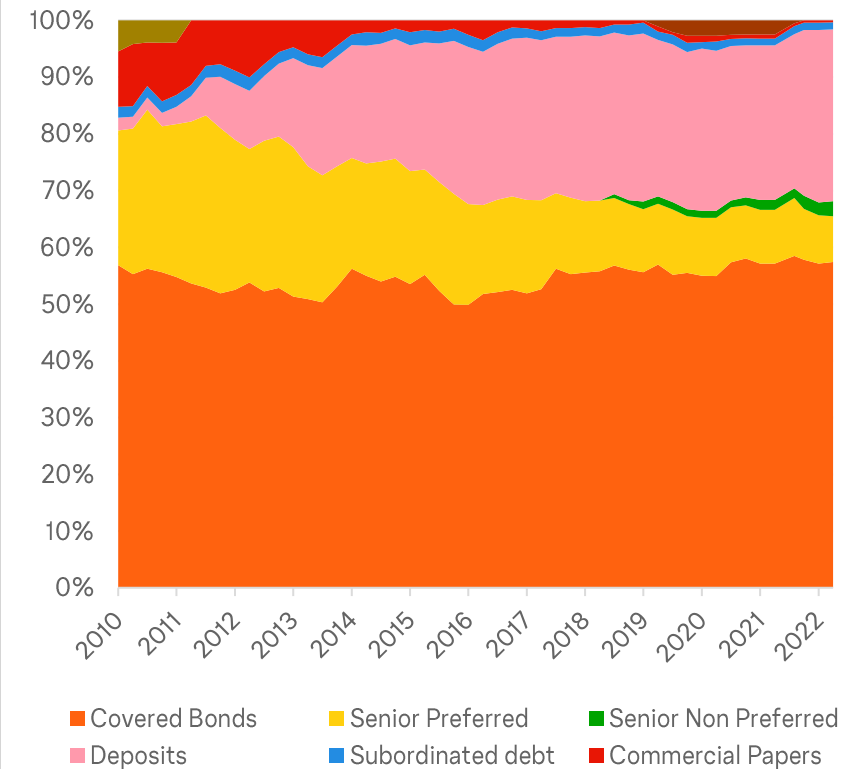


Funding strategy & development

Funding strategy

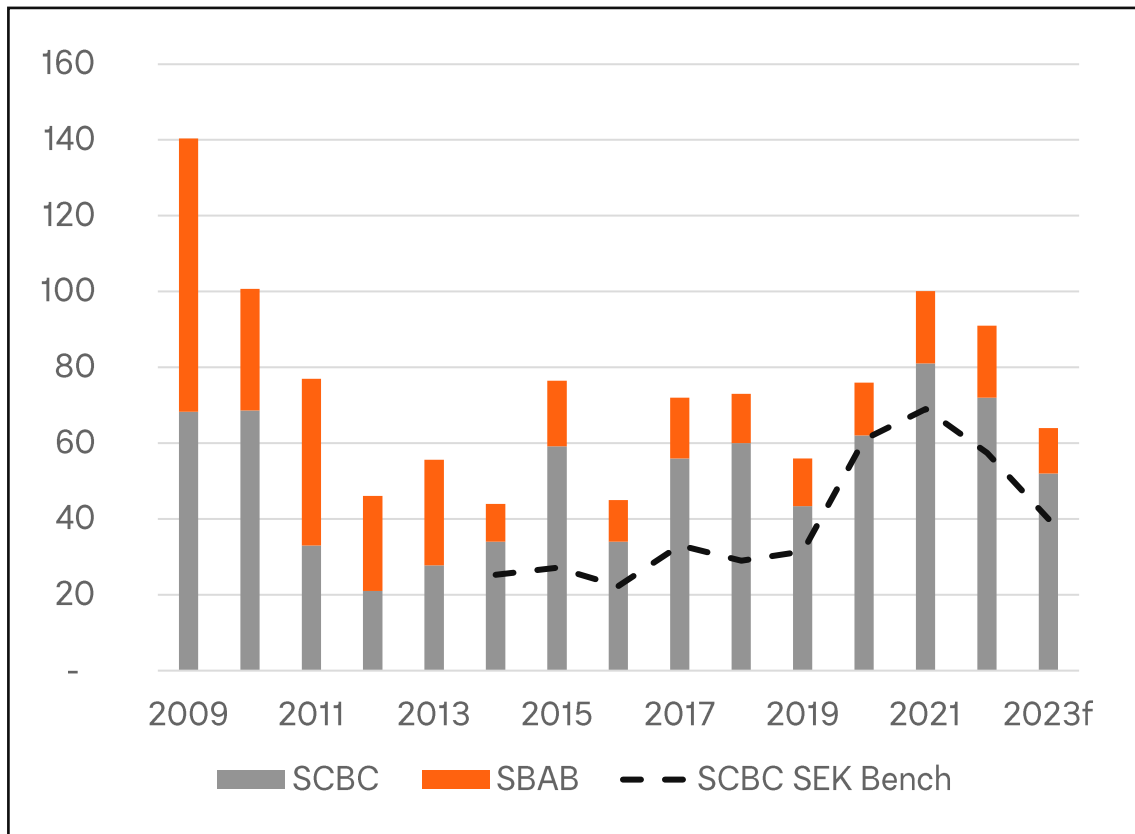
- Continuous and committed investor work in core markets and towards core investors to further increase name recognition and transparency
- Maintain access to core funding markets; SEK- and EUR-market
 - Regular benchmark issuance in Covered Bond format as and in Senior Unsecured format
 - Private placements 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. Utilizing 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



Future issuance

Annual issuance, SEK (bn)



Future issuance


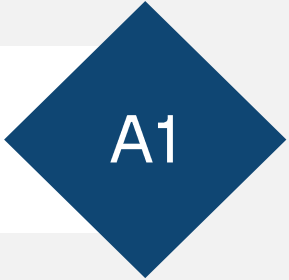


- Total long-term funding for 2023 expected to be approximately SEK 60-70 bn
- Overall strategy is to long term maintain presence and regularity in core funding markets (predominantly EUR and SEK)
 - New SEK covered bond benchmark/benchmarks per year
 - One to two public EUR transactions in international funding markets per year
 - Private placements in SEK and international funding markets
- Senior non preferred issuances preferably in SEK
 - 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 and mainly short to intermediate (3 to 5y) in senior unsecured
- Regular future issuance: Dedicated to SEK and EUR markets in covered and senior format



Rating overview

- SBAB upgraded to A+ by S&P in February 2023

Senior Unsecured Rating

	Stable Outlook	
	Stable Outlook	

MOODY'S

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

Investment Grade

Aaa *Sov. rating*

Aa1

Aa2

Aa3

A1 *Senior Preferred*

A2

A3

Baa1 *BCA and SNP*

Baa2 *T2*

Baa3

Non Investment Grade

Ba1 *AT1*

Ba2

[...]

AAA *Sov. rating*

AA+

AA

AA-

A+ *Senior Preferred*

A

A- *SACP*

BBB+ *SNP*

BBB *T2*

BBB-

BB+

BB *AT1*

[...]



Update on MREL

– Regulatory change under BRRD2

Background

- MREL requirements based on policy published by SNDO will be phased in with full compliance on 1st of January 2024
- With current balance sheet SBAB's calculated need for SNP amounts to SEK 11-12 bn (16.4 bn issued up until Q1 2023) with full implementation
- Balance sheet growth, maturity profile and buffer will add to SNP need
 - Estimated need for outstanding SNP by end 2023 around SEK 18-20 bn
 - Gradual build up during 2023

MCC = Market Confidence Charge and consists of: CBR – CcyB + P2G. For the riskbased approach capital used to meet CBR cannot be double counted.

MREL and subordination requirement

(assumptions done with Q1 2023 figures)

Own funds & eligible liabilities

	SEK bn
CET1	19.7
AT1	5.8
T2	2.0
SNP	16.4
Senior bonds	26.8
Total	70.8

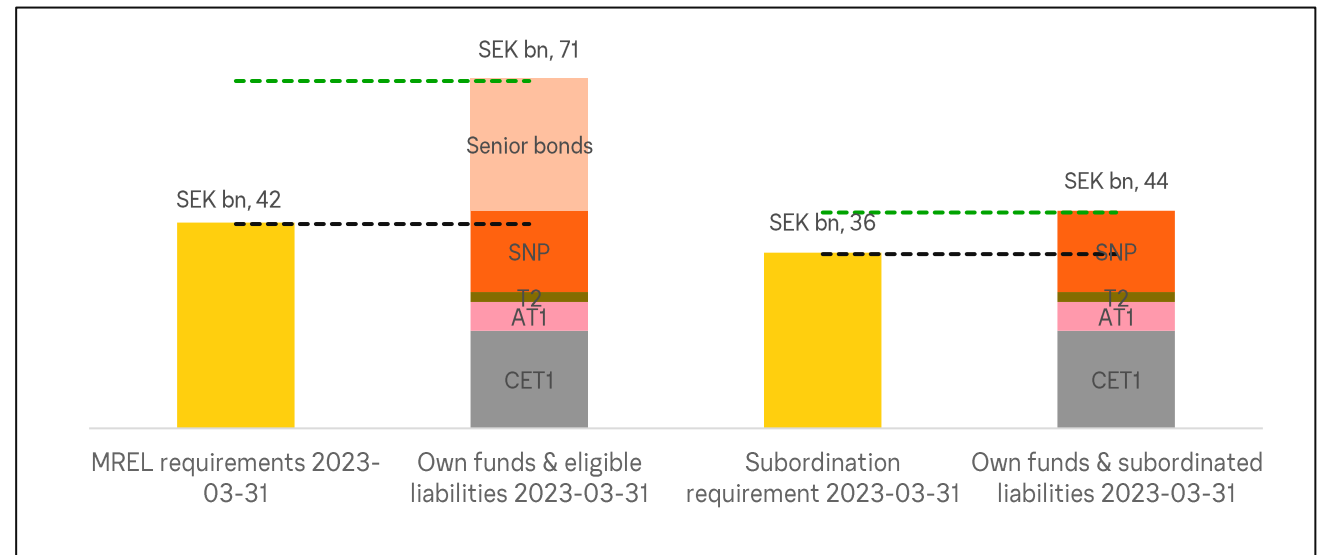
44.0

MREL requirement

	Requirement Q1 2023	Requirement Jan 2024
	% SEK bn	% SEK bn
REA	26.2%	29.7%
LRE	5.5%	6%
Buffer	29.2	38.8

Subordination requirement

	Requirement Q1 2023	Requirement Jan 2024
	% SEK bn	% SEK bn
REA	16.0%	27.2%
LRE	5.5%	6%
Buffer	8,4	43.2



Liquidity position (1/2)

- High quality and diversified liquidity reserve within relevant currencies with 95% AAA rated. Liquidity reserve amounting to 109 billion, of which liquidity portfolio (LP) SEK 81 billion
- LCR and NSFR well above regulatory requirements. Survival horizon implies liquidity need coverage for 362 days under stressed scenario (unchanged lending portfolio, severe deposit outflow and no new funding added)
- Liquidity reserve eligible at the Riksbank and/or ECB. Temporary excess liquidity resulting from prefunding activity and inflow of collateral, placed separate from liquidity portfolio

Key metrics Q1 2023

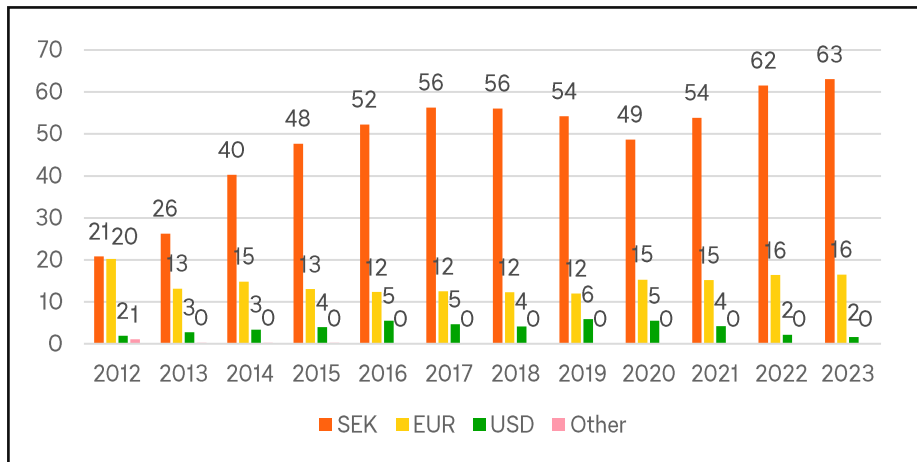
109 bn
Liquidity reserve

243 %
LCR

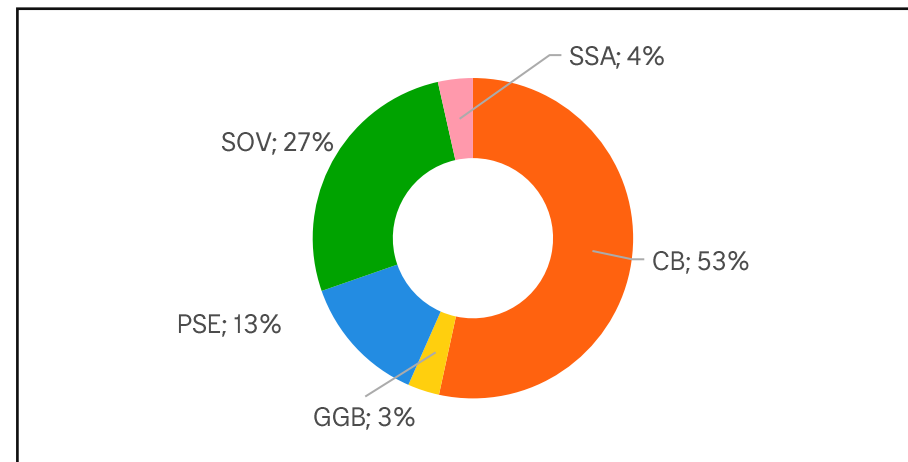
132 %
NSFR

362 days
Survival horizon

Liquidity portfolio (currency distribution)



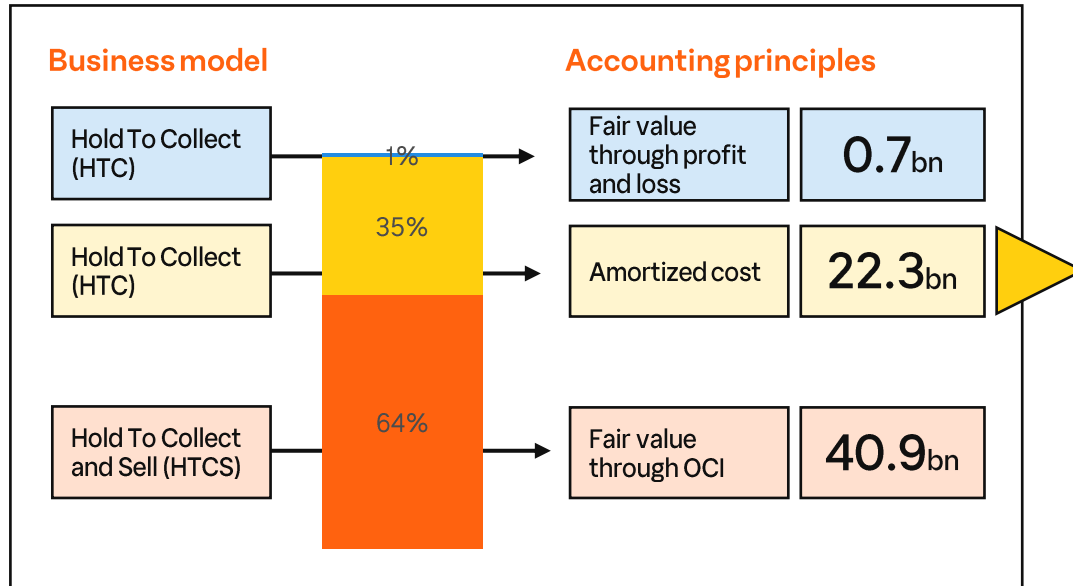
Liquidity portfolio (securities type)



Liquidity position (2/2)

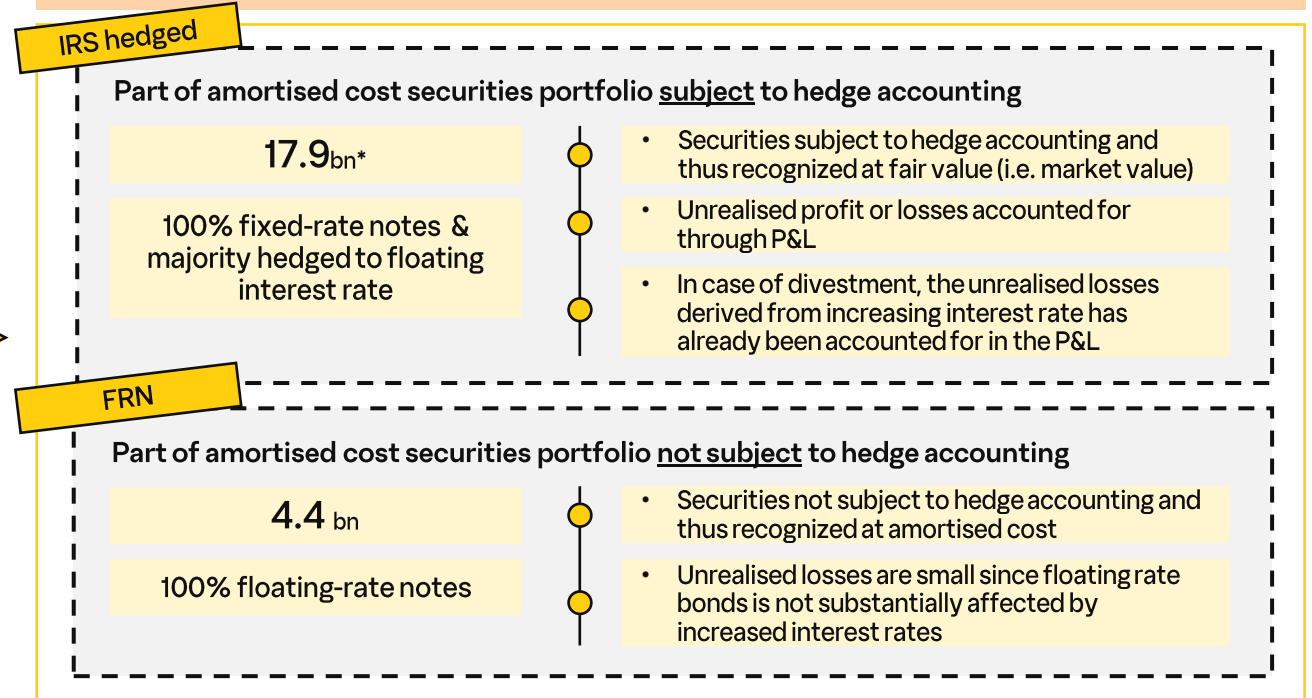
– Business model, accounting principles & unrealized losses in bond portfolio

Business model and accounting classification for bonds in securities portfolio



- Conservative risk management (hedging strategies applied to mitigate interest and currency risks) with limited unrealized losses in securities portfolio, including hedge instruments (i.e. interest rate derivatives)

Break-down of amortised cost securities portfolio



- Full divestment of the HTC-portfolio **not subject** to hedge accounting would result in a limited P&L impact



Thank you!



SBAB!

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