

Investor Presentation

SEK Additional Tier 1 Issue
SBAB Bank AB (publ)
April 2022

SBAB Bank AB (publ)

SBAB!

Executive summary

Update 2021 (compared to 2020)

- Continued growth in total lending. Total lending increased 10.5% to SEK 467.0 billion (422.8)
- Net credit losses remained low and amounted to SEK 11 million (loss: 32)
- Return on Equity amounted to 11.1% (10.8) and C/I ratio was 36.2 (35.8)%
- For the third consecutive year, in 2021, SBAB had the most satisfied customers in Sweden according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI) in terms of residential mortgages to private individuals and property loans to corporates and tenant-owners' associations
- On 8 November 2021 Mikael Inglander, previously CFO, was appointed acting CEO for SBAB
- New supplementary capital target for CET1 on group level, start 28 February 2022. Over time, and under normal circumstances, SBAB will aim to maintain a buffer corresponding to 1-3 percentage points above regulatory requirements. The new target is a complement to the lower, already established limit, of 0.6 percentage points decided by the Board
- Total funding needs for 2022 expected to be around SEK 80 billion



Total lending, SEK bn

467

Total deposits, SEK bn

145

SBAB!
boappa!

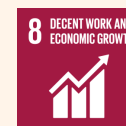
booli!
En tjänst från SBAB
hittamäklare!
En tjänst från SBAB

11.1%
Return on equity,
2021

0.00%
Credit loss level

13.5%
CET1 capital ratio,
2021

36.2%
C/I ratio



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 NC5yr Additional Tier 1

- Optimise and strengthen the capital position
- Strengthening the leverage ratio
- Enable future growth
- Assist capital metrics for the credit rating



Content

1. Business Update
2. Asset Quality
3. Funding & Liquidity
4. Capital Position
5. Proposed AT1 Transaction
6. Appendix



1. Business Update

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)

SBAB follows the state's ownership policy and guidelines for state-owned enterprises 2020 regarding Sustainability

- Ecosystem; creating a platform with value adding services relating to housing and household finances



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.

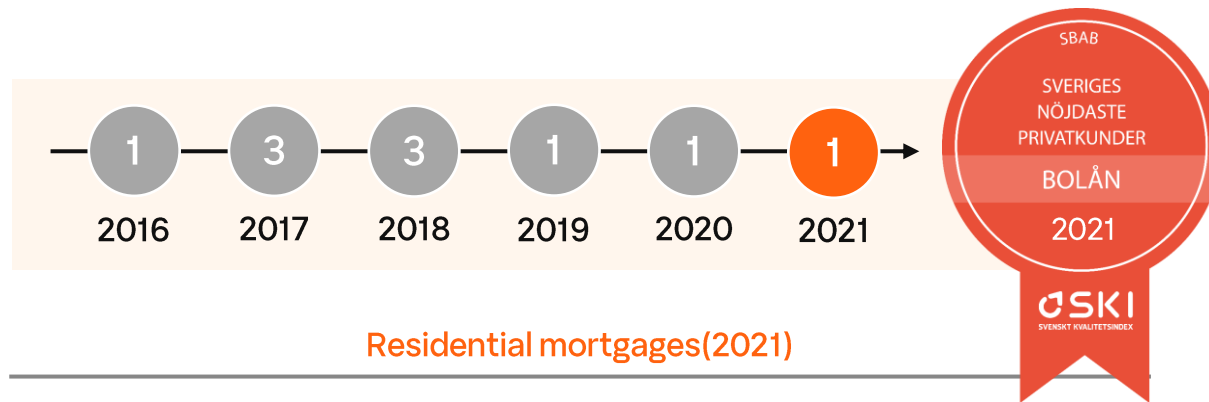
⁶ * In January, SBAB:s CEO decided to introduce a supplementary capital target for CET1 on group level. The target will apply from 28 February and means that over time, and under normal circumstances, SBAB will aim to maintain a buffer corresponding to 1-3 percentage points above regulatory requirements. The new target is a complement to the lower limit of 0.6 percentage points decided by the Board

Financial Highlights

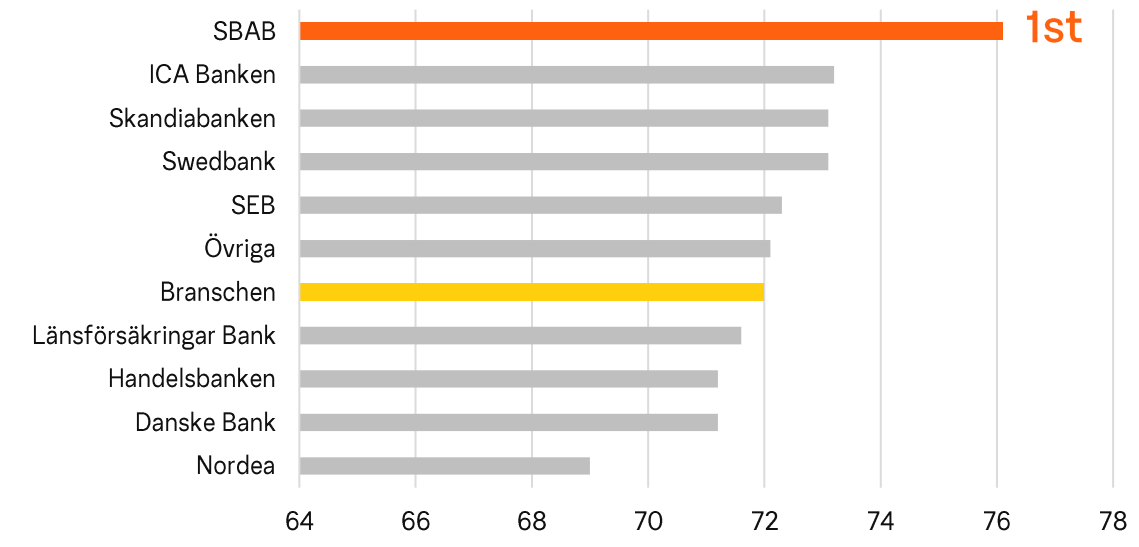
SEK million	2021 Q4	2021 Q3	▲	2021 Jan-Dec	2020 Jan-Dec	▲
Total Lending, SEK bn	467.0	451.3	+3.5 %	467.0	422.8	+10.5%
Total Deposits, SEK bn	145.0	140.6	+3.1 %	145.0	135.7	+6.9%
Net Interest Income	1,017	1,025	-0.8 %	4,114	3,747	+9.8%
Net Commission	13	2	+11 mnkr	29	-24	+53 mnkr
Net result of financial transactions	-3	-32	+29 mnkr	-71	-38	-33 mnkr
Expenses	-452	-351	+28,8 %	-1,492	-1,335	+11.8%
Net credit losses	1	5	-4 mnkr	11	-32	+43 mnkr
Operating profit	588	662	-11.2 %	2,641	2,361	+11.9 %
C/I-tal, %	43.5%	34.8%	+8.7 pe	36.2%	35.8%	+0.04 pe
Return on Equity, %	9.4%	11.1%	-1.7 pe	11.1 %	10.8 %	+0.3 pe
Credit loss ratio, %	0.00%	0.00%	0.0 pe	0.00 %	-0.01 %	+0.01 pe
CET 1 capital ratio, %	13.5%	13.3%	+0.2 pe	13.5%	13.4%	+0.1 pe



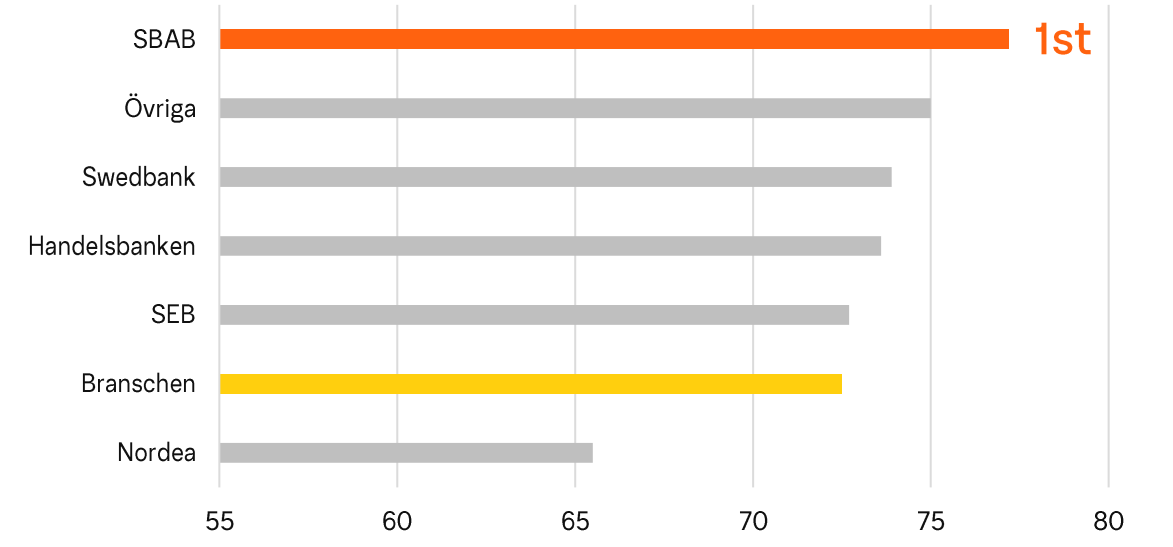
Customer satisfaction



Residential mortgages(2021)

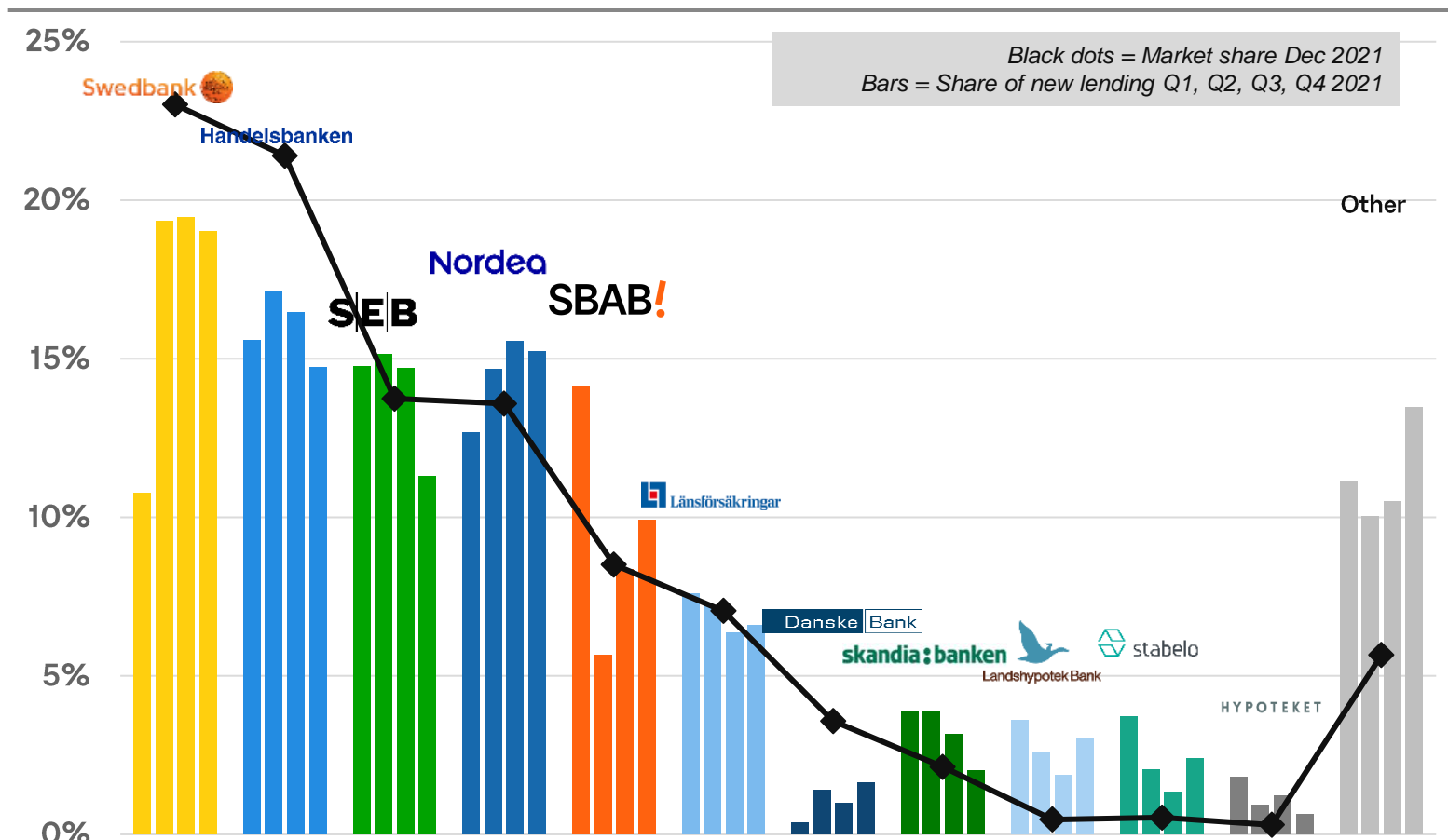


Property loans to corporate clients(2021)



Residential mortgage market 2021

Shares of net growth in the Swedish residential mortgage market Jan-Dec 2021



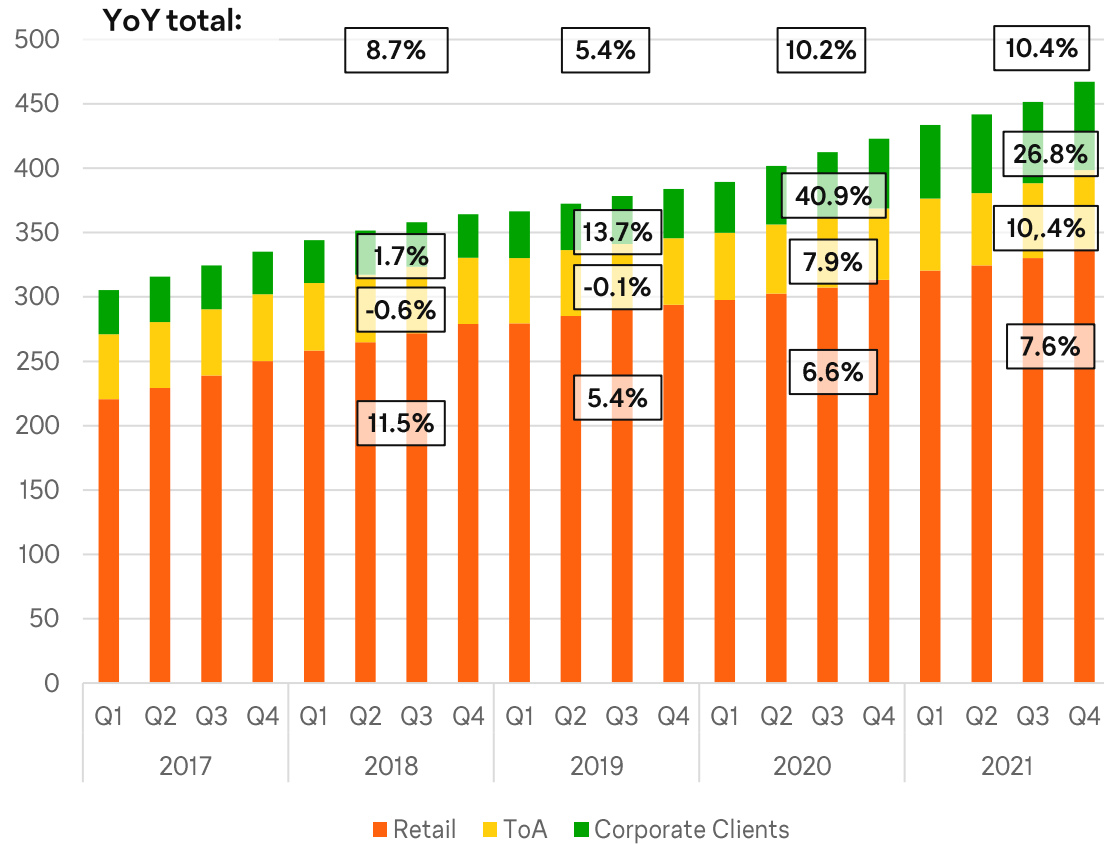
Comments

- 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
- Growth in household lending for housing rose gradually during the year. Initially, it was at an annualized rate of 5.8%, but climbed to 6.9% in December. In the next few year, lending growth is expected to remain at around 5% per year
- Price important, but not the whole story

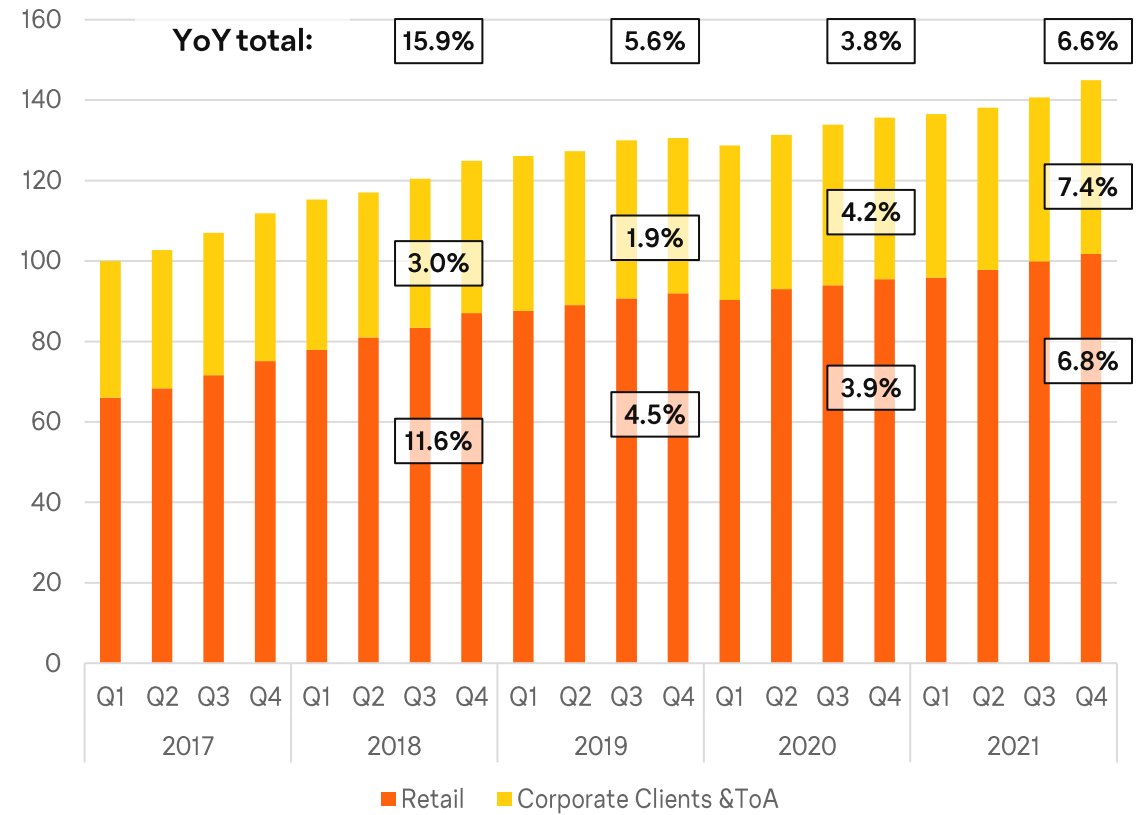


Lending & deposits development

Lending (SEK bn)

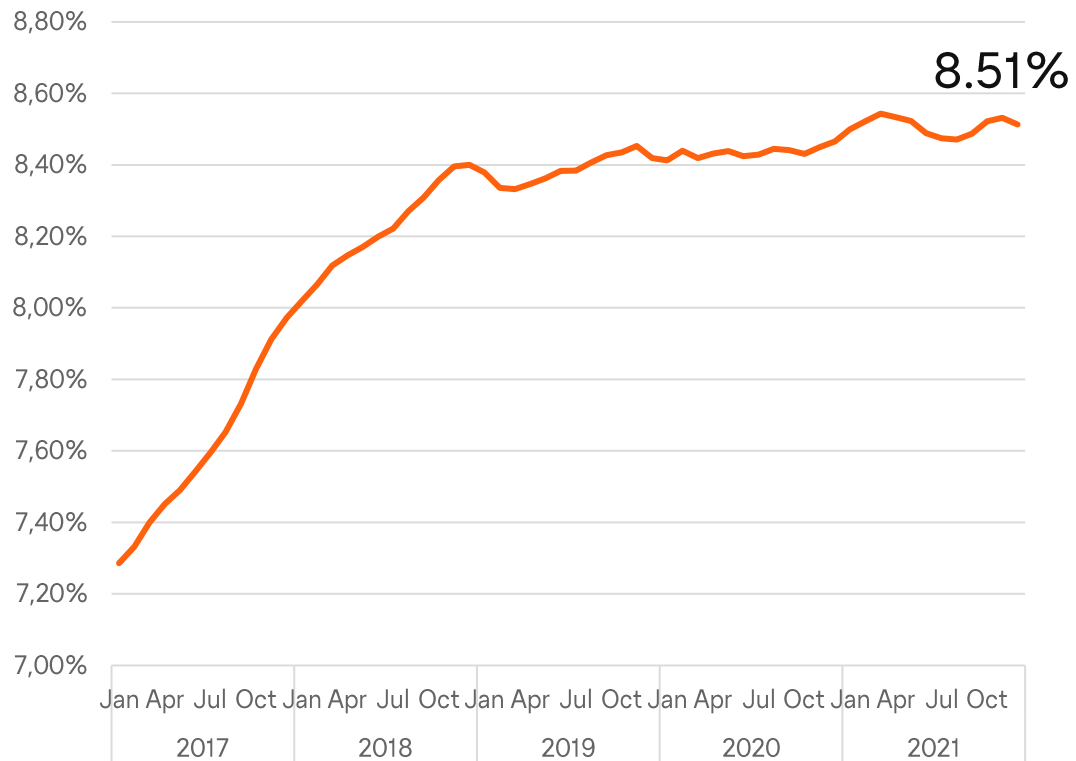


Deposits (SEK bn)

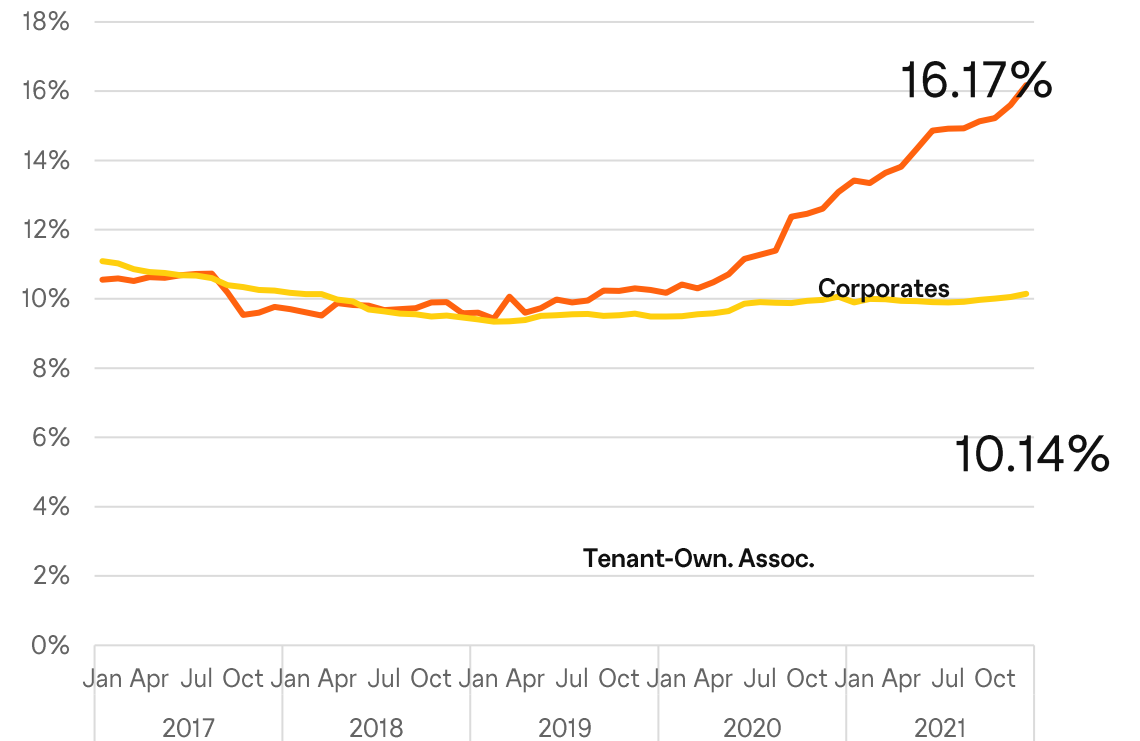


Growing market shares

Market share, Residential mortgages



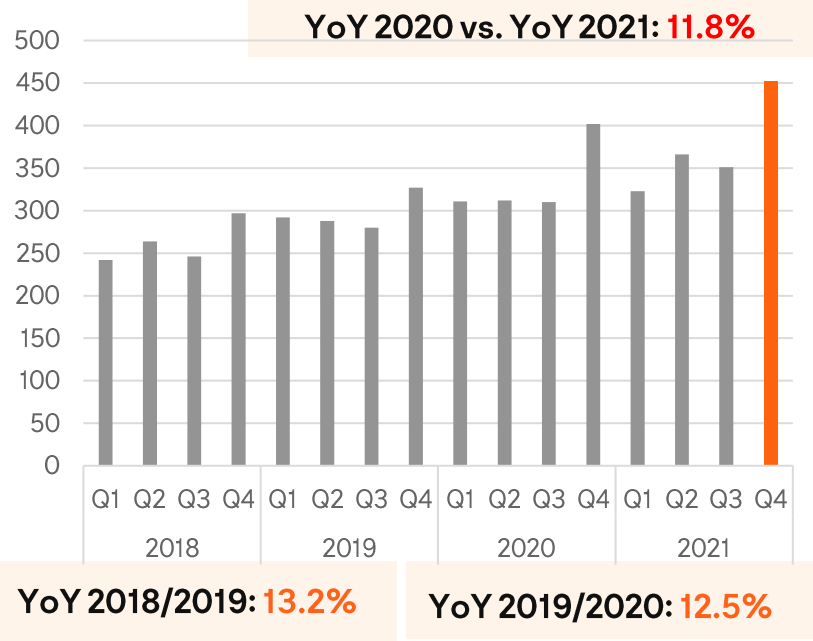
Market shares, Corporate clients & ToA



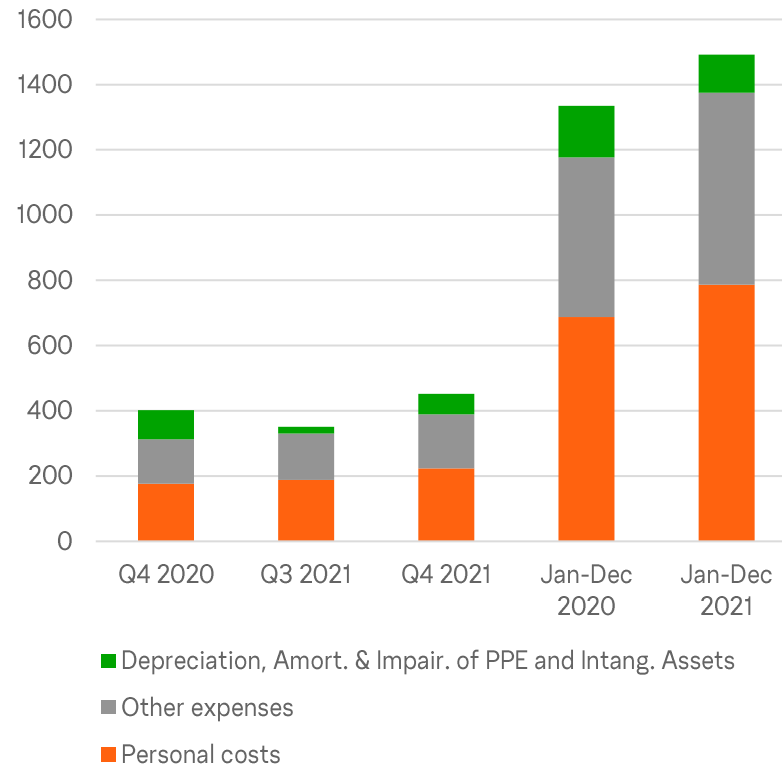
Cost management

– Increased investments for future competitiveness

Cost development QoQ (SEK mn)



Total Expenses before credit losses



Comments

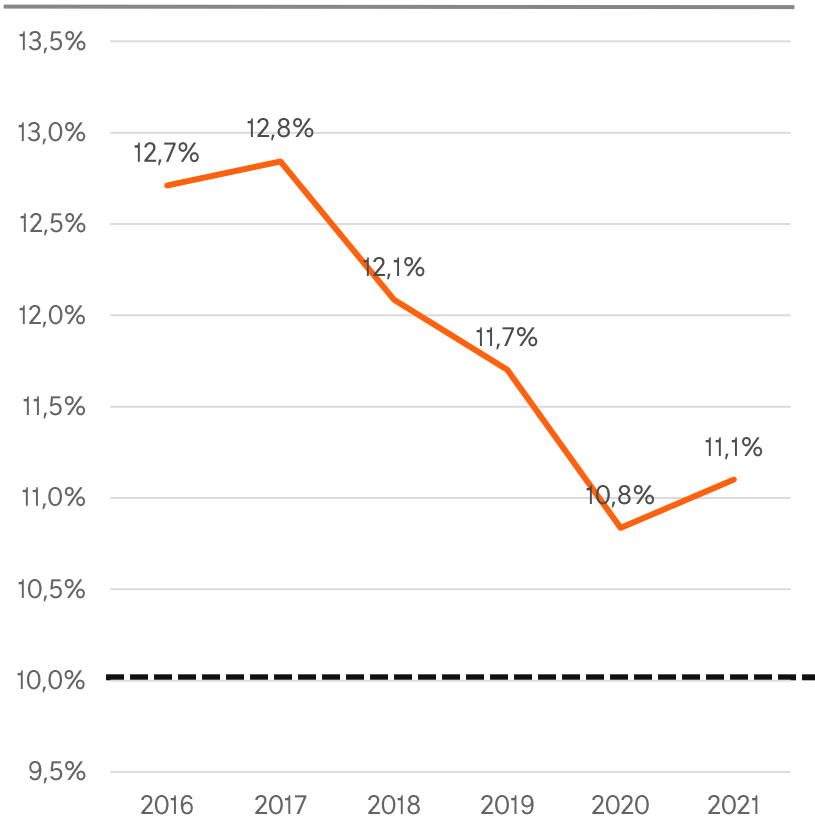
- Costs increased in Q4 2021 compared to Q3 2021, due to:
 - ✓ Higher personnel costs. Number of employees increased to 839 from 797 during the quarter, primarily within areas related to development and digitalization
 - ✓ Depreciation, amortisation and impairment increased during the quarter



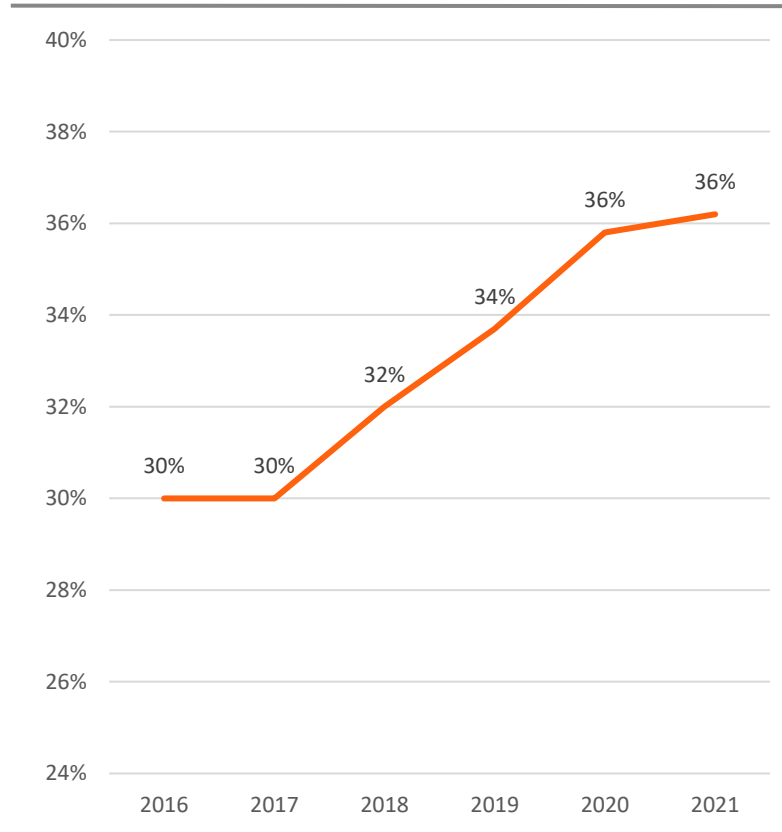
Financial KPIs

- 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)
- Competitive cost efficiency, although increased investments (according to plan) has impacted C/I ratio



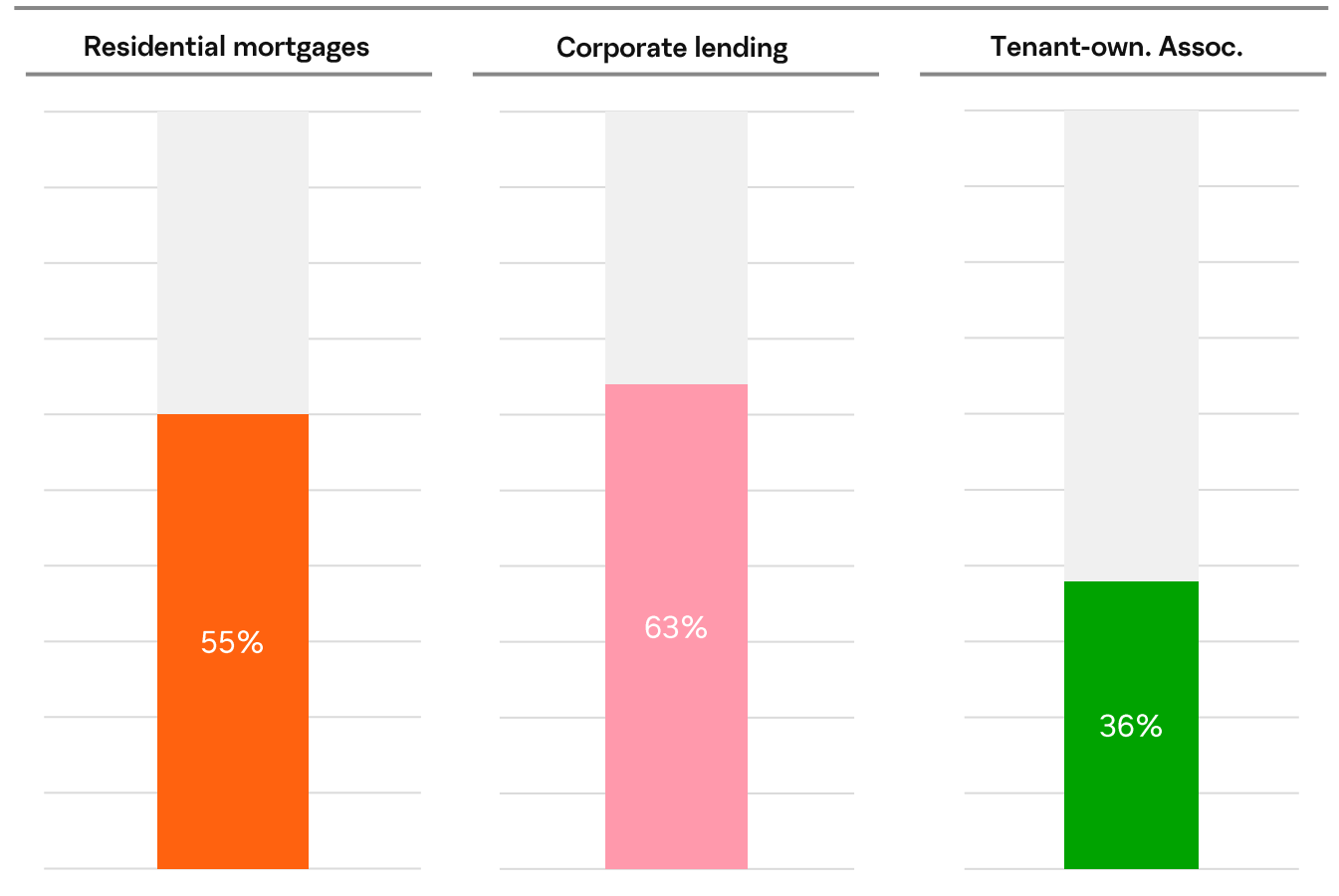
2. Asset Quality

Lending mix

SBAB!

	SEK bn	%
Residential mortgages	334.9	71.7%
Consumer loans	2.3	0.5%
Corporate lending	68.7	14.7%
- Of which, commercial lending	1.9	0.4%
- Of which, construction loans ("kreditiv")	10.6	2.3%
Tenant-owners' associations	61.1	13.1%
Total lending	467	

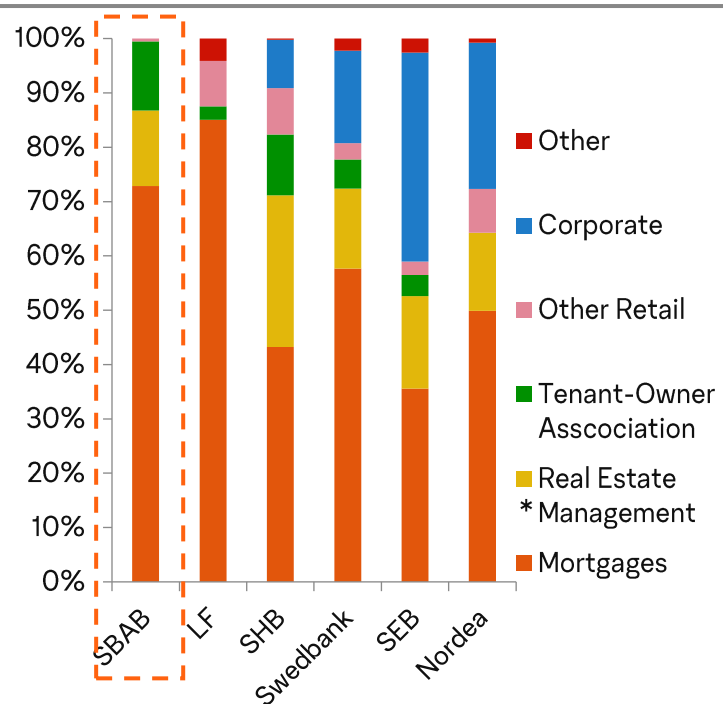
LTV ratios in loan book



Swedish mortgages—a low-risk business

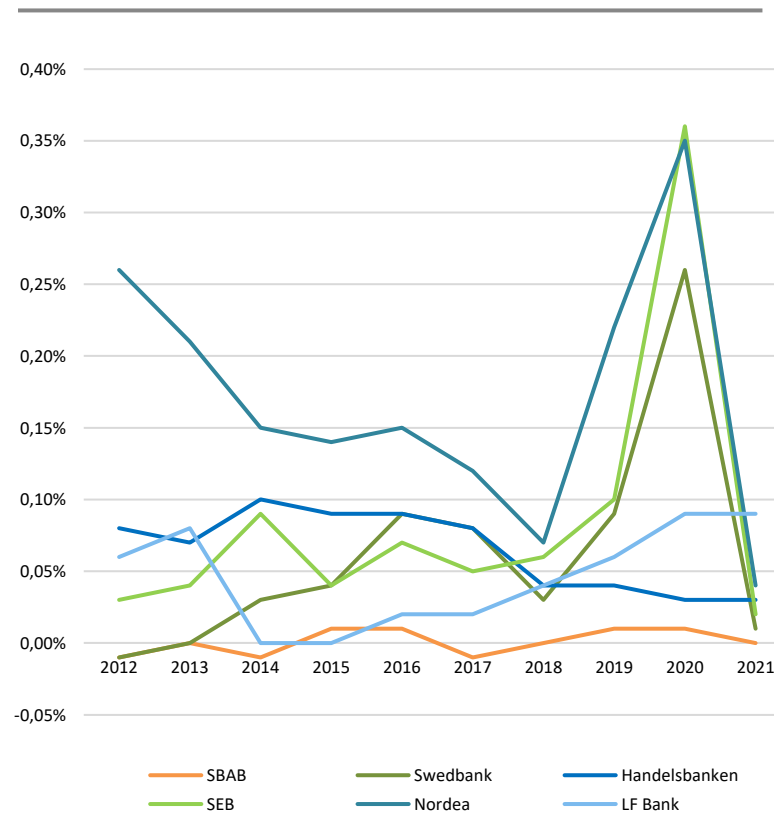
– High concentration on Swedish residential mortgages – very low loan losses/problem loans over time

Loan portfolio split

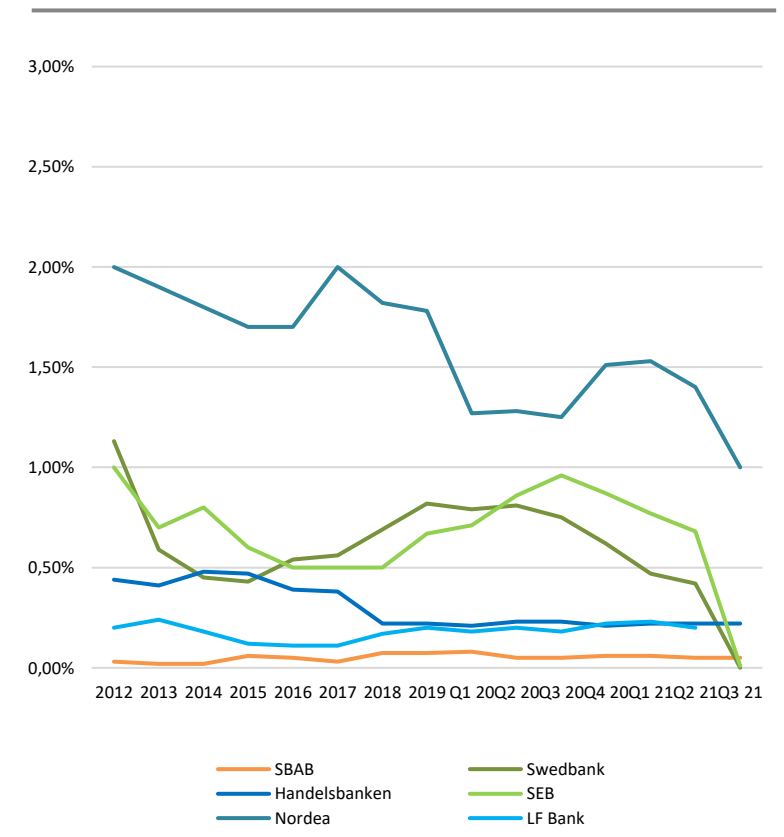


*Real Estate Management segment for SBAB is what we normally define as "corporate lending". However, corporates for the bigger banks includes other kind of lending as well. Therefore we have on this slide defined it as "Real Estate Management" instead

Credit losses



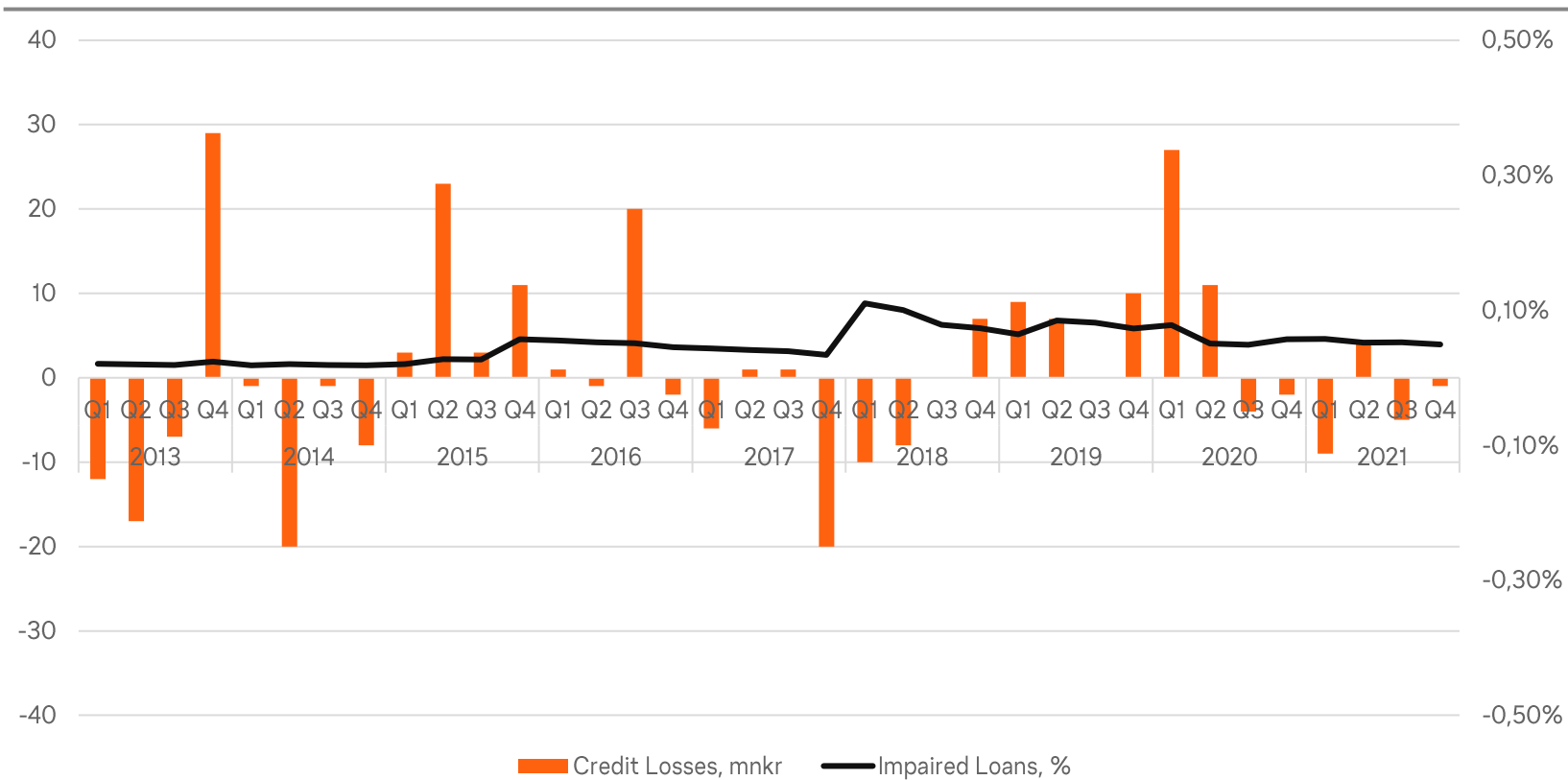
Impaired loans



Superior asset quality

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

Credit losses (LHS) & Impaired loans (RHS)



Key metrics Q4 2021

Credit losses
1 million SEK

Credit loss ratio
0.00%

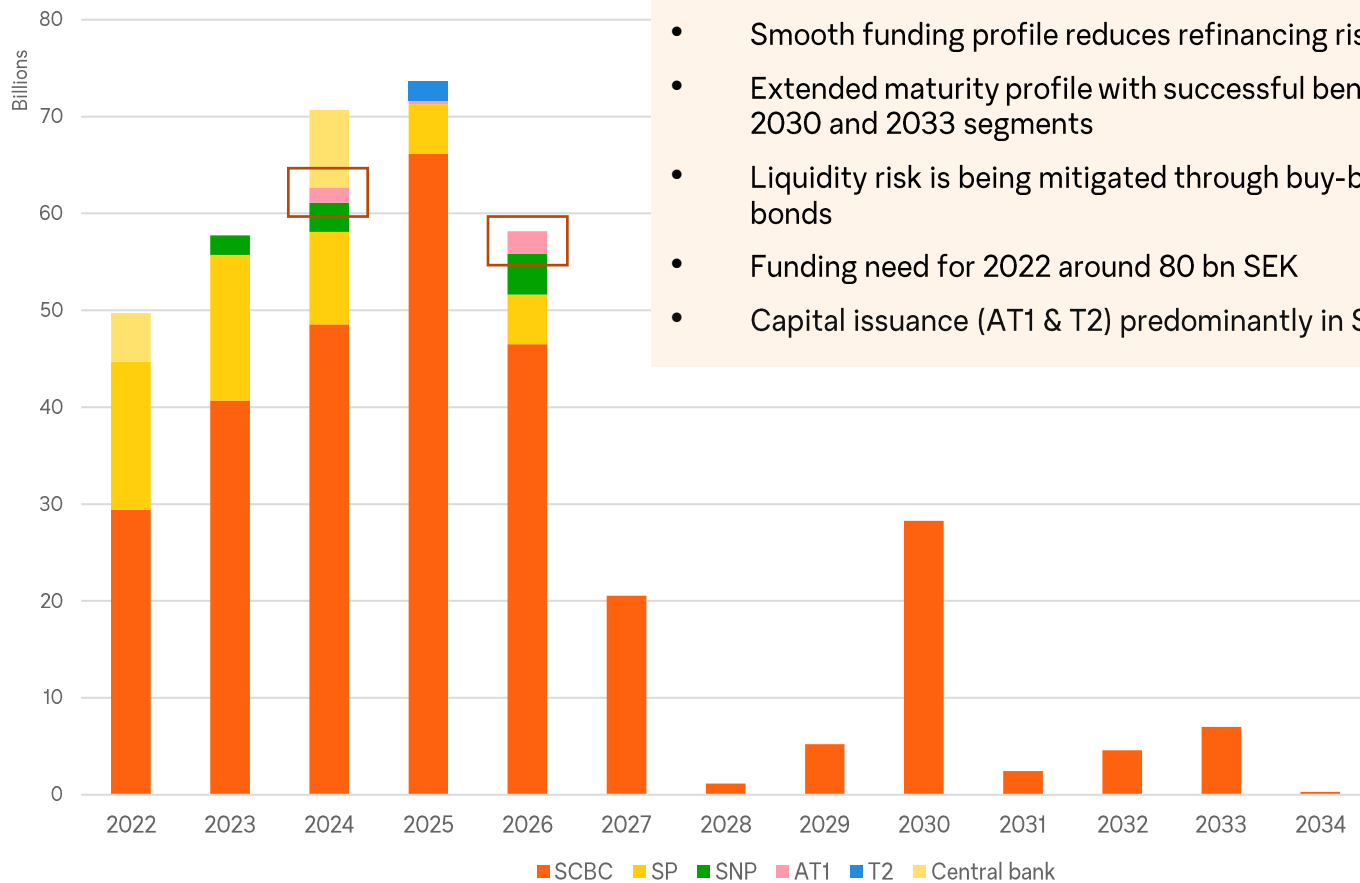
Share of Stage 3 loans, gross
0.05%



3. Funding & Liquidity

Smooth maturity profile and strong metrics

Maturity profile



- Smooth funding profile reduces refinancing risk
- Extended maturity profile with successful benchmark issues in 2030 and 2033 segments
- Liquidity risk is being mitigated through buy-backs of maturing bonds
- Funding need for 2022 around 80 bn SEK
- Capital issuance (AT1 & T2) predominantly in SEK

Key metrics

Liquidity portfolio

73_{bn}

LCR

228%

NSFR

129%

Survival horizon

254_{days}

Graph data as of 2022-03-23

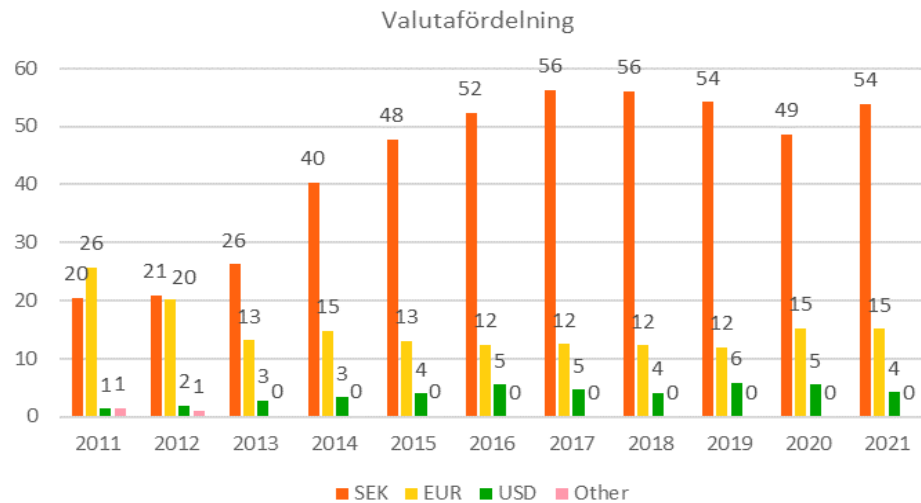
Funding Update



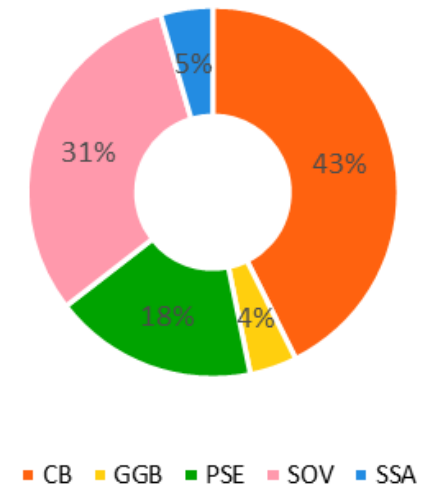
Liquidity position

- Strong liquidity position with LCR and NSFR well above regulatory requirements
- Survival horizon implies liquidity need coverage for 254 days under stressed scenario (unchanged lending portfolio, severe deposit outflow and no new funding added)
- High quality and diversified liquidity reserve within relevant currencies with 95% AAA rated
- Liquidity reserve eligible at the Riksbank and/or ECB

Liquidity portfolio (Currency distribution)



Liquidity portfolio (Securities type)



4. Capital Position

Update on capital

SBAB well above external and internal requirements

Components of SBAB's capital target Q4 2021

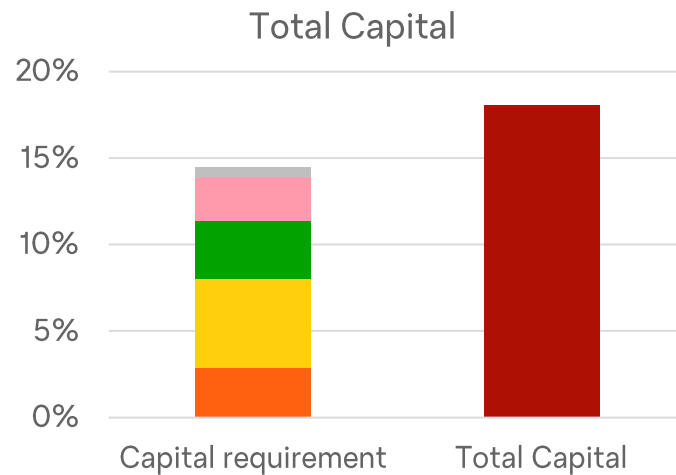
SEK million	Total capital	%	CET1 capital	%
Estimated capital requirements from the S-FSA	19 251	13.9	12 780	9.2
– Of which, Pillar 1 minimum requirement	4 087	2.9	2 299	1.7
– Of which, Pillar 1 risk-weight floor, Swedish mortgages	7 023	5.1	3 951	2.8
– Of which, Pillar 2 core requirement	4 652	3.4	3 041	2.2
– Of which, Capital conservation buffer	3 472	2.5	3 472	2.5
– Of which, Countercyclical buffer	17	0.0	17	0.0
– Of which, Pillar 2 guidance (P2G)	-	-	-	-
SBAB's capital target	20 085	>14.5	13 613	>9.8
				<i>(supplementary capital target 10.2-12.2)</i>
SBAB's actual capital	25 106	18.1	18 811	13.5

Comments

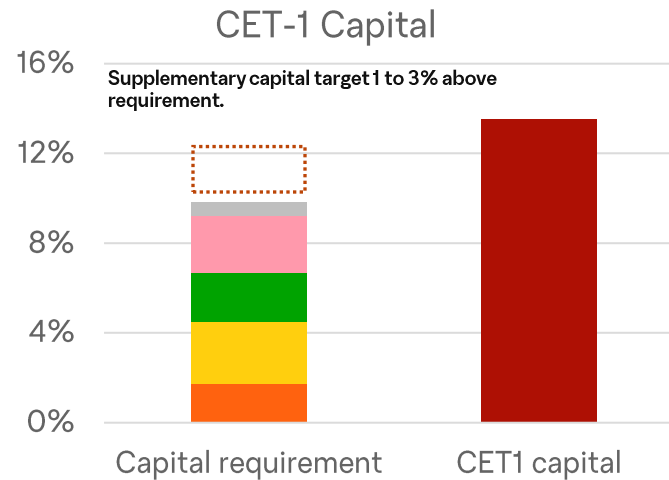
- Capital target per Q4 2021: CET1 and total capital ratio at least 0.6 percentage point above the requirement communicated by the S-FSA
- SBAB remains well above external and internal requirements in Q4 2021
- SBAB's board has proposed to the annual general meeting to pay dividend for the year 2021 and dividend of at least 40% of profit for the year after tax, this taking the Group capital structure into account.
- Leverage ratio somewhat strengthened, to 4.0% as per 31 December 2021, from 3.9% as per 30 September 2021
- In January, SBAB:s CEO decided to introduce a supplementary capital target for CET1 on group level. The target will apply from 28 February and means that over time, and under normal circumstances, SBAB will aim to maintain a buffer corresponding to 1-3 percentage points above regulatory requirements. The new target is a complement to the lower limit of 0.6 percentage points decided by the Board.

Capital position well above requirements

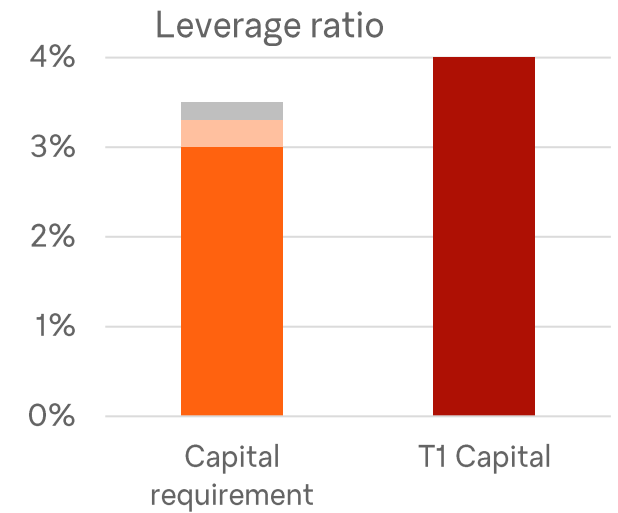
Components of SBAB's capital target Q4 2021



- Actual capital
- Policy buffer
- Countercyclical buffer
- Capital conservation buffer
- Pillar 2
- Pillar 1 rw-floor
- Pillar 1



- Actual capital
- Policy buffer
- Countercyclical buffer
- Capital conservation buffer
- Pillar 2
- Pillar 1 rw-floor
- Pillar 1

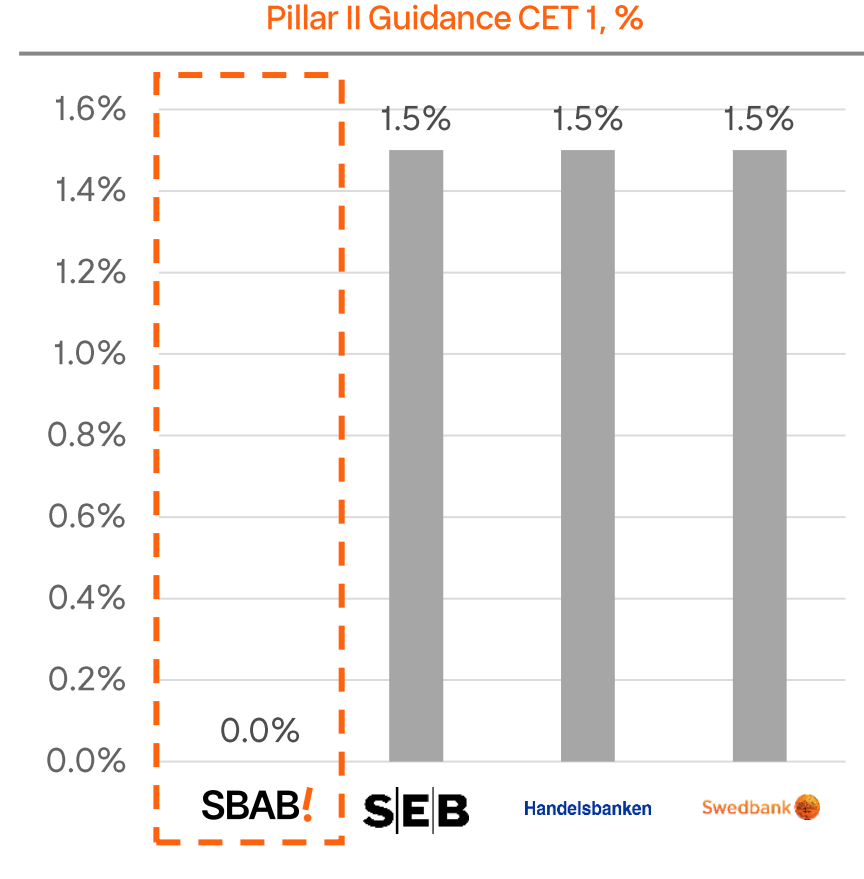
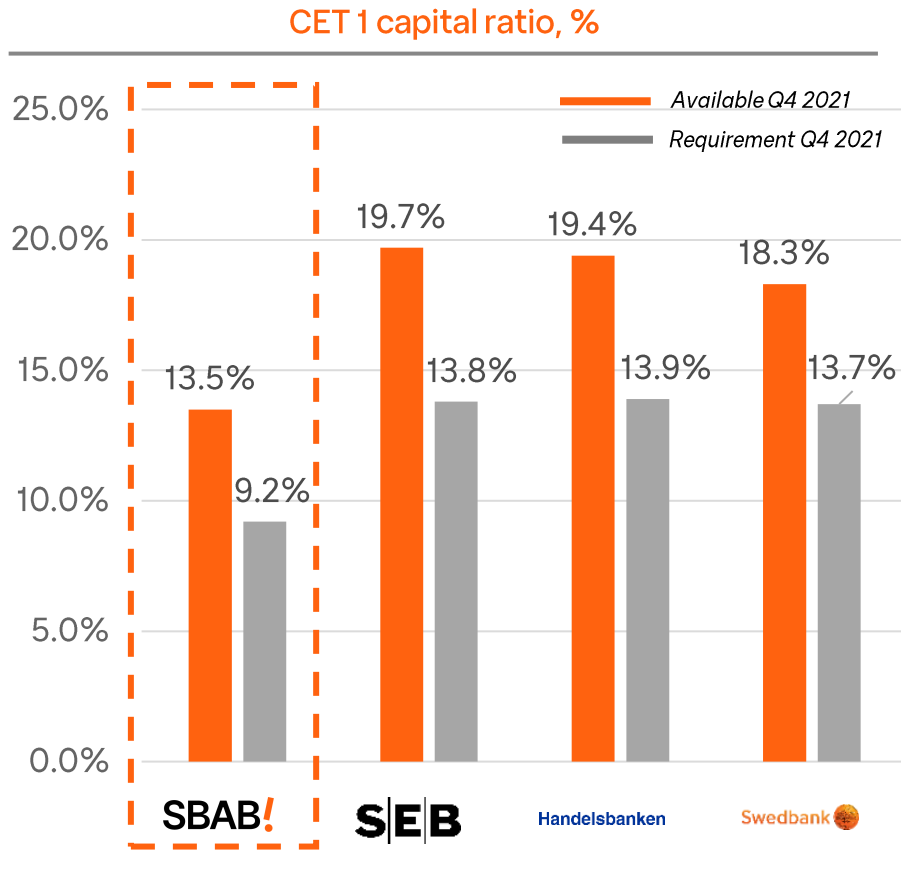


- Requirement
- P2G
- Policy buffer



Capital buffers and P2G vs peers Q4 2021

- Continued strong capital buffers: SBAB well above external requirements



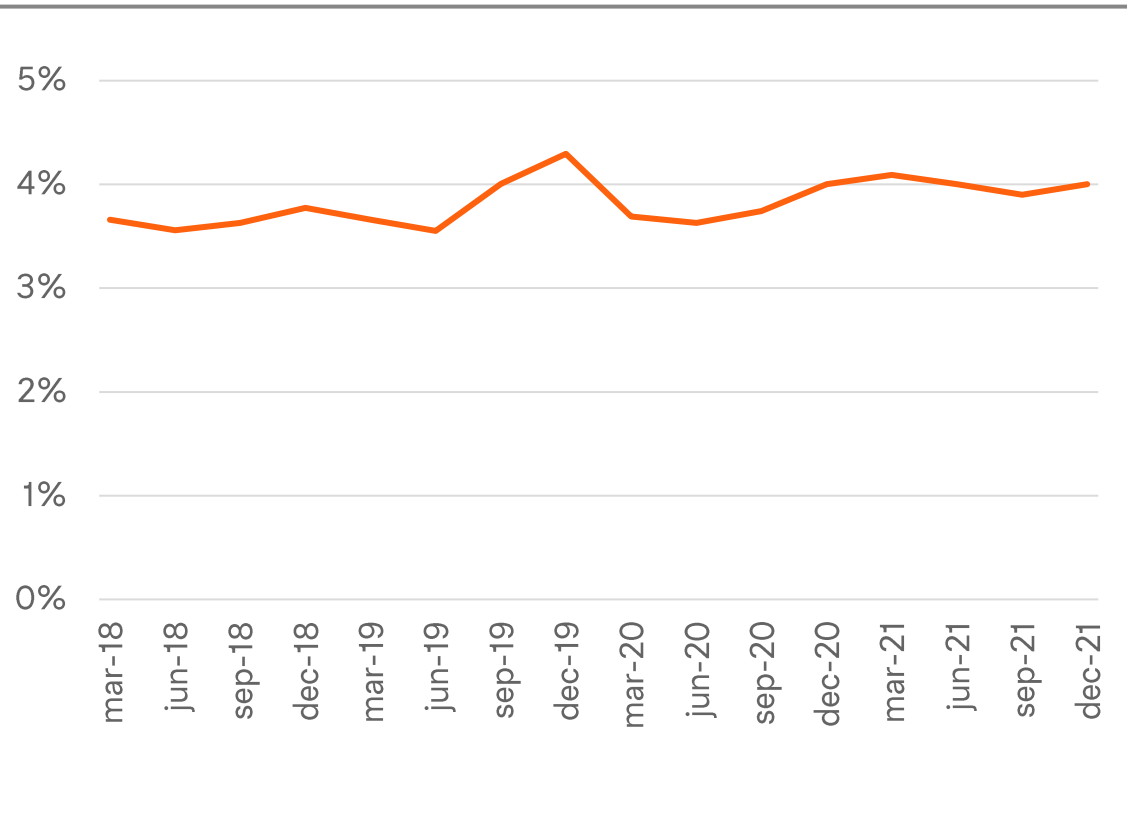
Comments

- SBAB:s margin to CET 1 requirement is in line with peers
- Risk weighted Pillar 2 guidance for SBAB is 0%, significantly below larger peers
- SFSA stress test results in line with SBAB:s own view – our business model is stable and sustainable also in tough market conditions

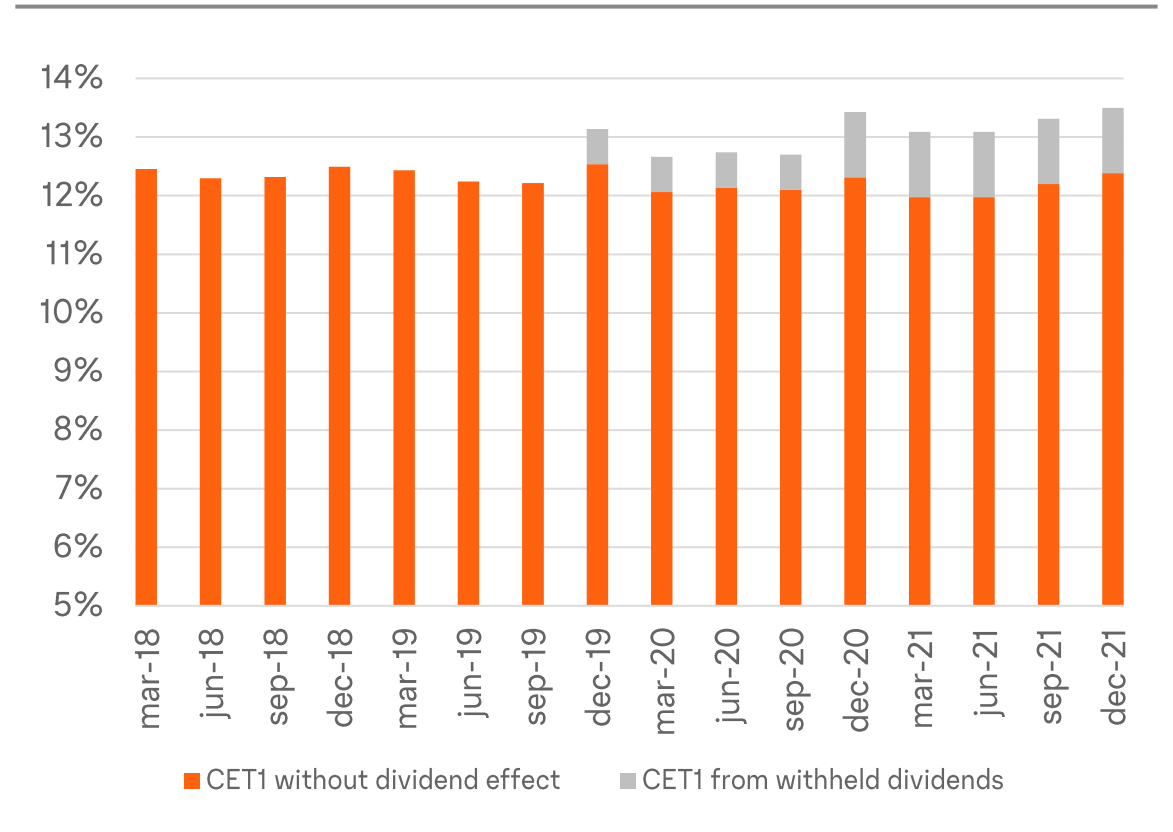


History of stable capital ratios

Leverage Ratio



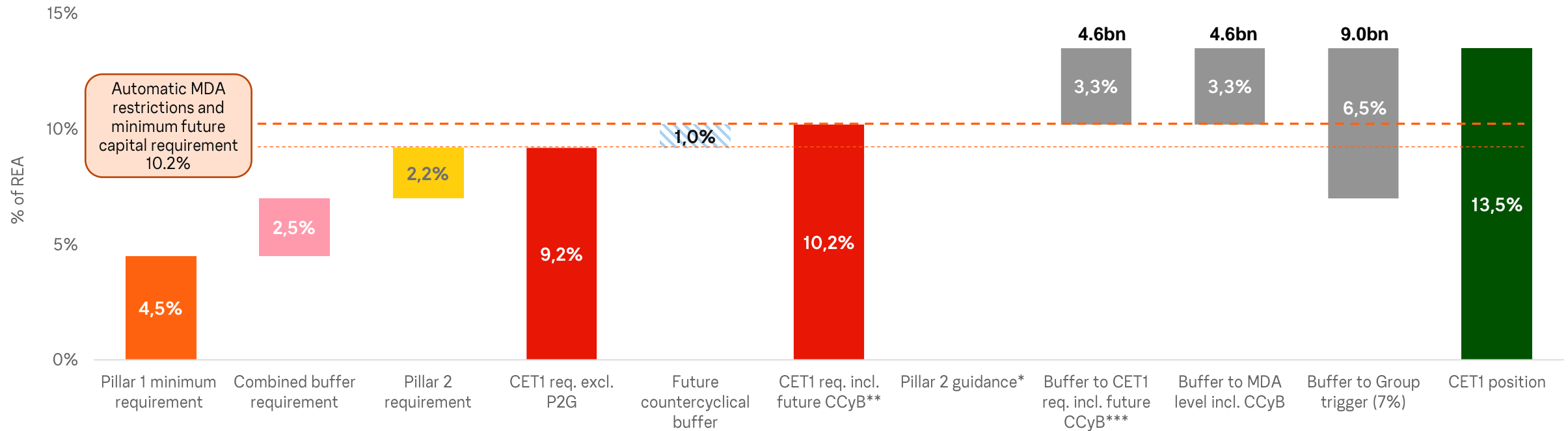
CET1 Ratio



Solid capital position above MDA and Trigger levels

- CET1

Comfortable distance to Trigger level and MDA restrictions



Note.

* S-FSA has communicated a Pillar 2 Guidance of 0%

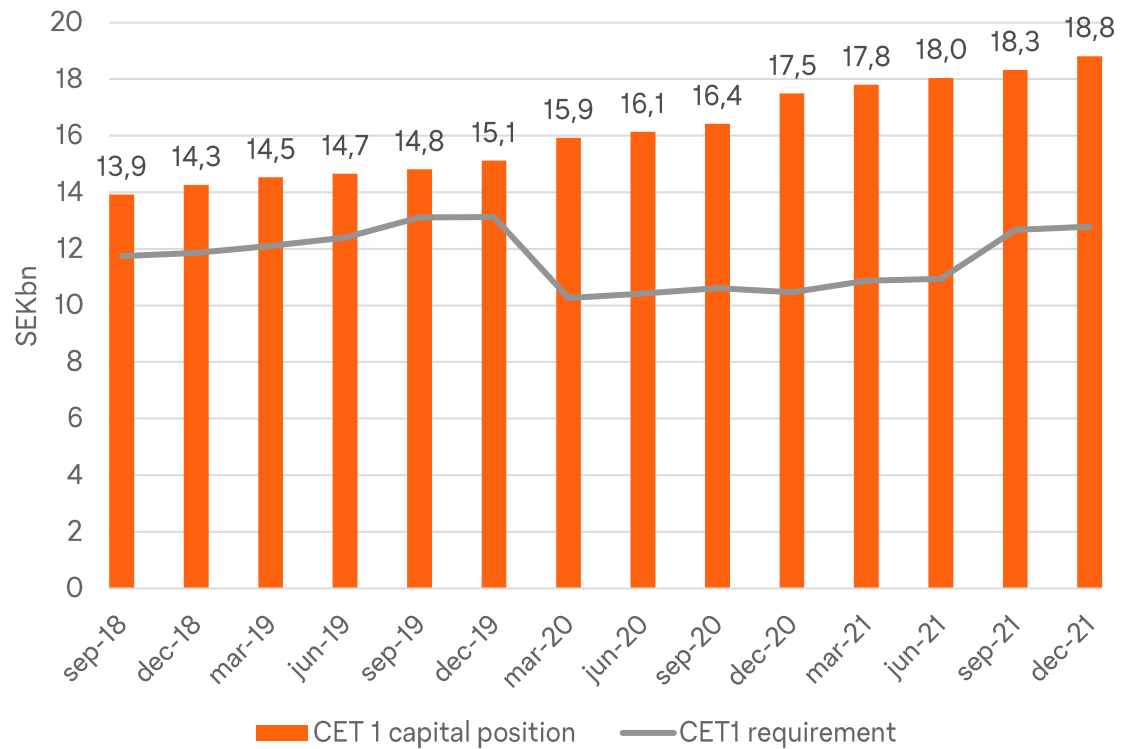
** Additional future countercyclical buffer, effective from sep-22

*** Buffer to CET1 without future ccyb – SEK 6bn

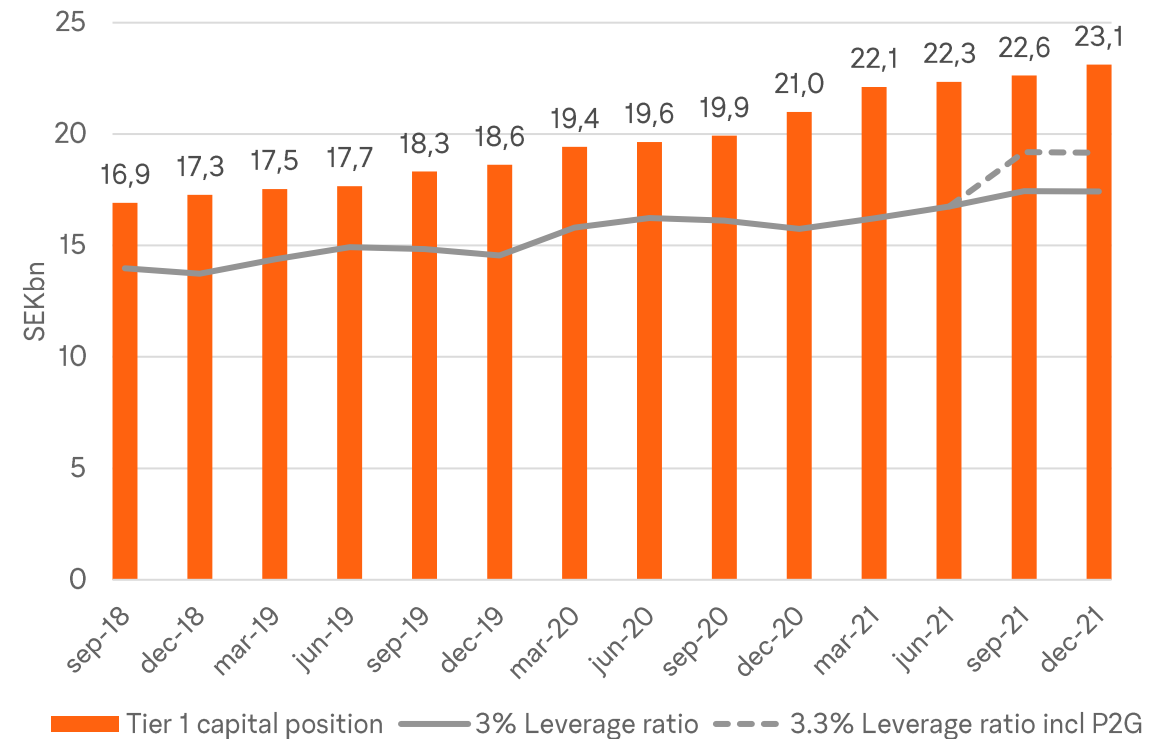


Comfortable capital position over time

CET1 buffer SEK 6bn 2021, with SEK 2bn higher CET1 requirement from sep-21

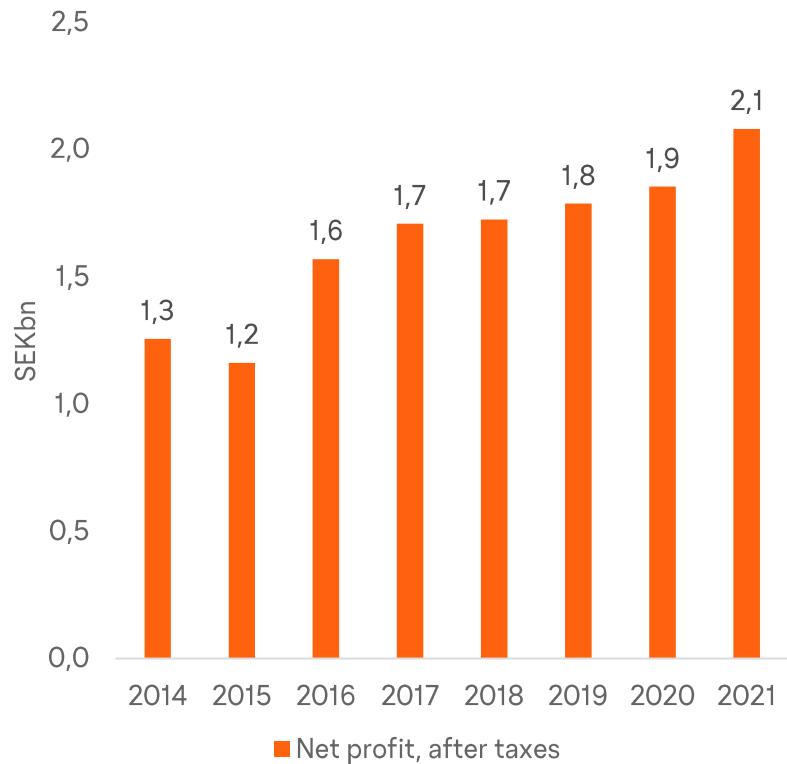


The leverage buffer stood at around 4 bn as per dec-21

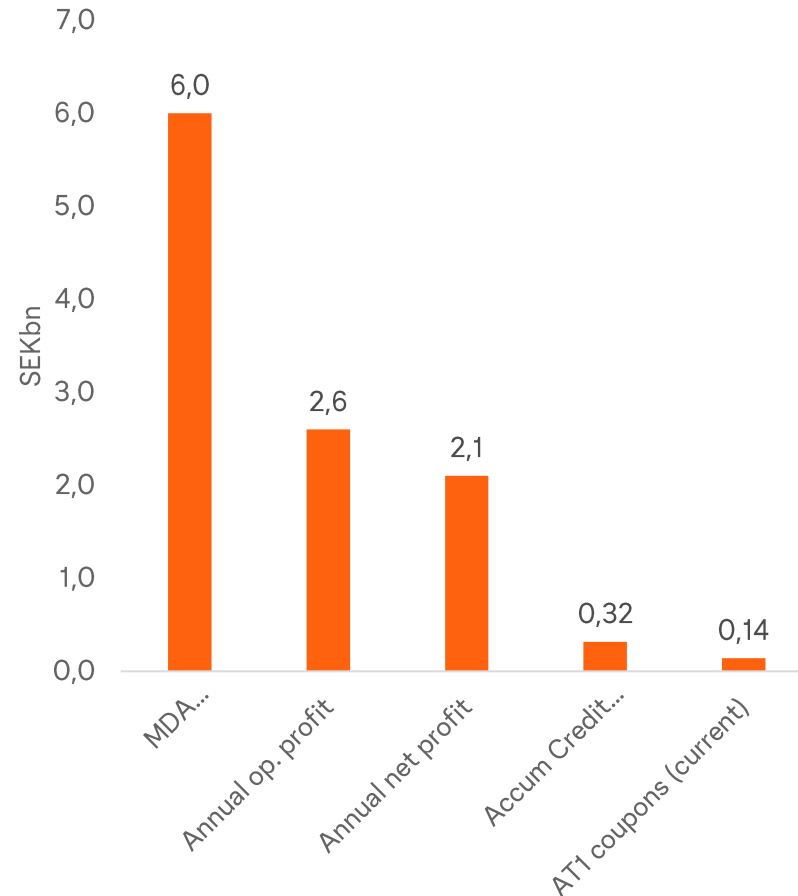


Stable earnings generation

Proven strong earnings generation capacity



MDA buffer 25 times 14 years' accumulated losses

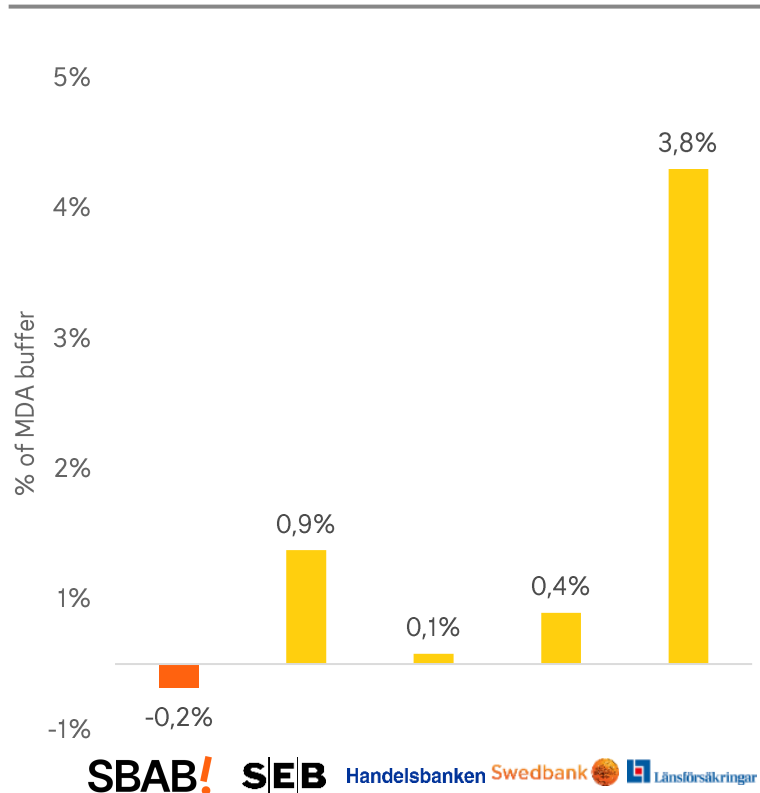


- Proven track record of a stable capital generation ability through organic profit generation with high cost efficiency and low credit losses
- Long, uninterrupted trend of low losses of which these last 15 years of accumulated credit losses corresponds to 5% of the current MDA buffer (SEK 6 bn)
- Current AT1 coupons is 2,3% of MDA buffer

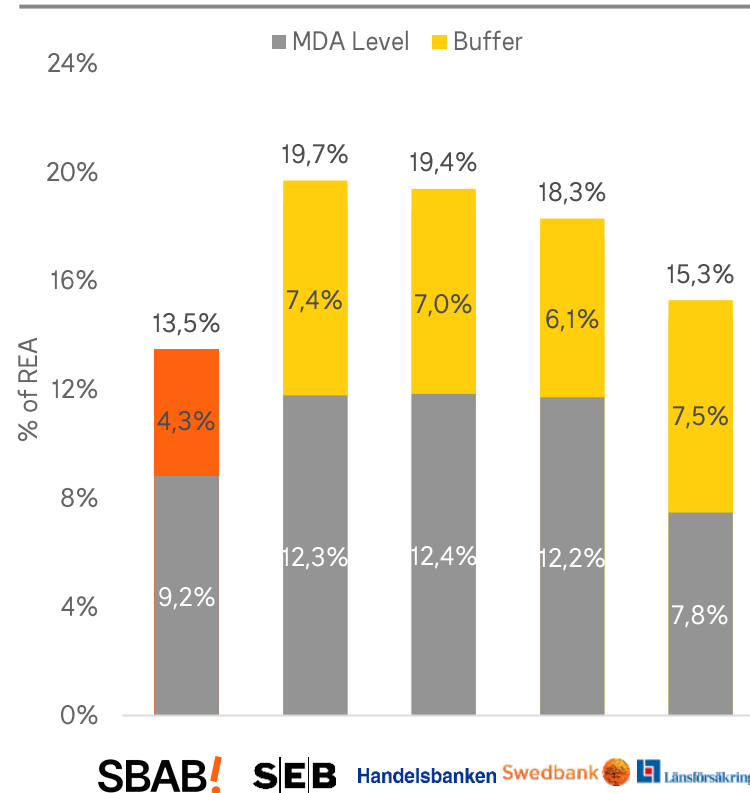


MDA-buffer compared to peers

FY 2021 net credit losses / MDA buffer as of Q4-2021



CET1 buffer vs. MDA level



- The CET1 ratio is well above the MDA level with a buffer of 4.3% corresponding to **SEK 6.0bn** as of end 2021
- 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 Q4-2021. Data per Q4 2021



5. Proposed AT1 Transaction

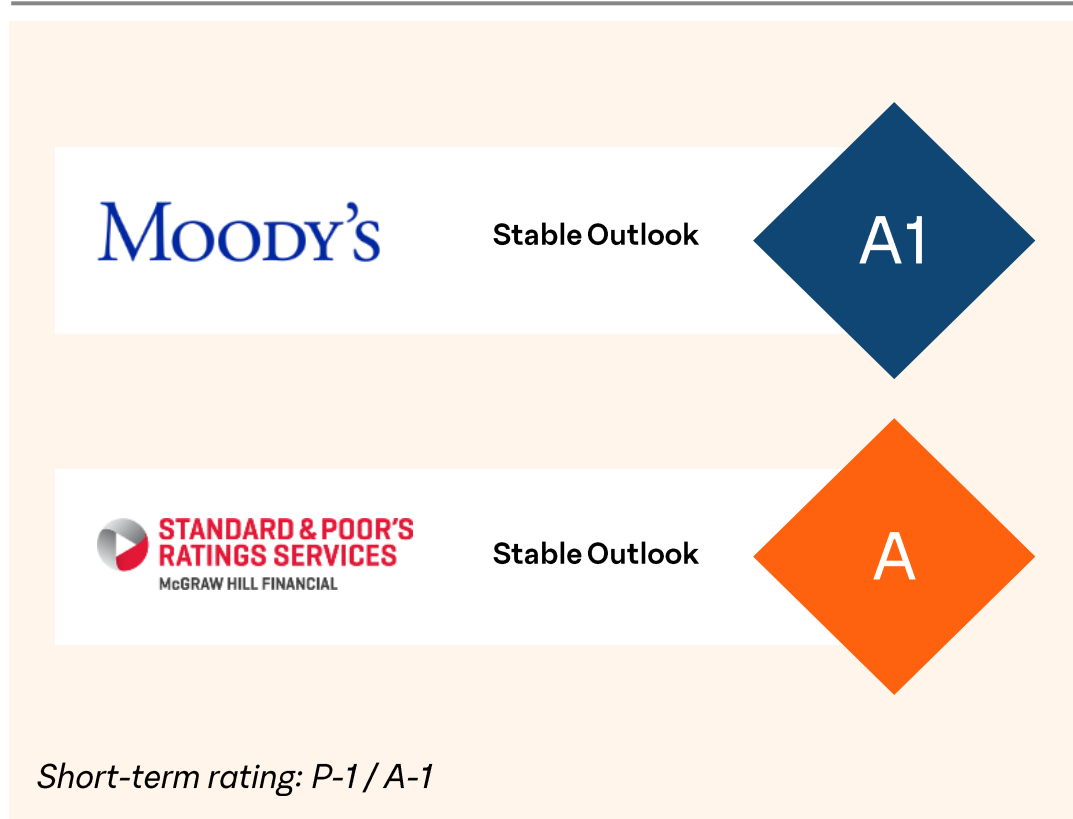
Indicative Term Sheet

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"> • April 2027
IPT	<ul style="list-style-type: none"> • 3m Stibor / MS + 350 bps area
Initial 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 on any Interest Payment Date 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 the earlier of (i) the last day of the Initial Call Period and (ii) the Redemption Date, floating (quarterly) thereafter • Floating Rate Notes: Floating (quarterly) • Interest 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 risk factors set out in the Preliminary Prospectus dated 5 april 2022.



Rating overview

Senior Unsecured Rating



MOODY'S

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

Investment Grade

Aaa *Sov. rating*

AAA *Sov. rating*

Aa1

AA+

Aa2

AA

Aa3

AA-

A1 *Senior Preferred*

A+

A2

A *Senior Preferred*

A3

A- *SACP*

Baa1 *BCA and SNP**

BBB+ *SNP*

Baa2 *T2*

BBB *T2*

Baa3

BBB-

Non Investment Grade

Ba1 *AT1*

BB+

Ba2

BB *AT1*

[...]

[...]

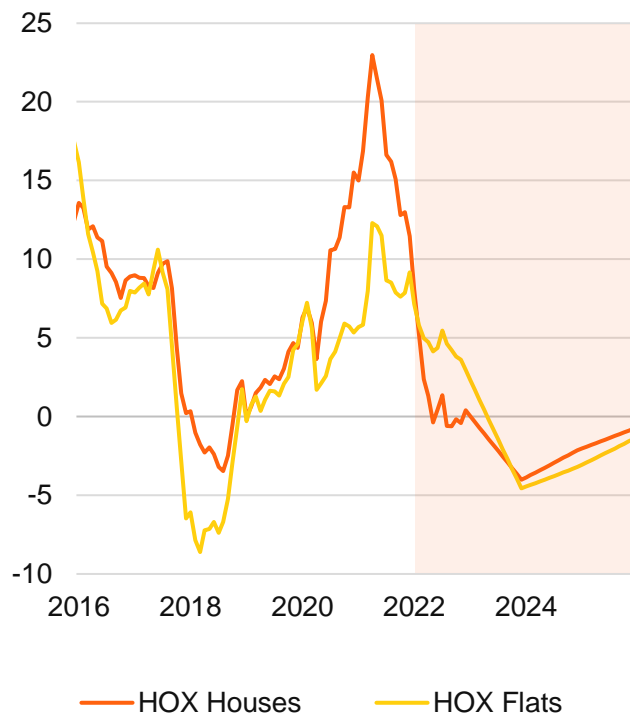
* SNP rating revised 2021/13/07 from Baa2 till Baa1



6. Appendix

House prices - a slow down expected

House price development, YoY (%) and Housing price index (January 2005=100)



	Index Dec-21	Change since		
		1m	3m	12m
Sweden (HOX)	291	-0.2%	+0.1%	+10.5%
Flats	339	+0.9%	+2.0%	+9.1%
Stockholm	325	+0.9%	+3.0%	+10.5%
Gothenburg	364	-0.2%	+0.1%	+4.3%
Malmö	305	-0.6%	+0.9%	+8.6%
Houses	281	-0.8%	-0.9%	+11.4%
Stockholm	290	+1.3%	+2.0%	+13.2%
Gothenburg	279	-1.4%	-1.7%	+8.7%
Malmö	261	-1.7%	-3.7%	+11.5%

Stagnant prices in the coming years

- Housing prices have increased by an average of over 7% over the past ten years
 - ✓ The drop in 2017/18 has been followed by a strong development in 2020/21
- SBAB's forecast is that housing prices will level off in 2022, and then decline somewhat when interest rates begin to move upwards
 - ✓ The forecast is based on a structural model and deviations from this may occur in the short term, e.g. as a result of a mismatch between supply and demand or fluctuations in the business cycle and households' expectations on the future



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Financial calendar

Q1 Interim Report	28 April 2022
Q2 Interim Report	18 July 2022
Q3 Interim Report	27 October 2022
Year-end Report 2022	7 February 2023



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