

# Investor Presentation

# SBAB!

Q1 2022

SBAB Bank AB (publ)



# Executive summary



- 100% owned by the Kingdom of Sweden
- Swedish mortgage portfolio, predominantly residential mortgages (5<sup>th</sup> largest mortgage player in Sweden)
- Financial targets from owner covering profitability, capitalisation & dividend
- Total long-term funding for 2022 expected to be approximately SEK 85-90 bn

Total lending, SEK bn

479

Total deposits, SEK bn

147

**SBAB!**

**booli!**

En tjänst från SBAB

**hittamäklare!**

En tjänst från SBAB

**boappa!**

**9.5%**

Return on equity  
Q1 2022

**13.1%**

CET1 capital ratio  
Q1 2022

**-0.01%**

Credit loss level  
Q1 2022

**33.7%**

C/I ratio  
Q1 2022



# SBAB at a glance

1	Swedish mortgage bank operating in a supportive macro environment	→	AAA country with strong fiscal balances and low unemployment
2	Supportive ownership structure	→	SBAB was founded in 1985 & 100% owned by the Kingdom of Sweden. No specific social mandate from owner
3	Low risk & stable business model with superior asset quality	→	Mortgage bank with >98% collateralized lending & <1bps credit losses last 10 years
4	Focused strategy of mortgages & housing financing	→	Home owners, tenant-owners' associations and property companies prime focus. Limited exposure to commercial/SMEs
5	Cost efficient lending origination	→	No traditional retail bank branches, products and services offered online or by telephone. Personal service offered to corporate clients
6	Resilient funding model with a stable investor base	→	Mortgage lending primarily funded by covered bonds (SEK & EUR)
7	Proven track record of strong and capable management team	→	Delivering on financial targets from owner & business targets



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8	The Swedish economy and housing market



## Sweden's most satisfied customers

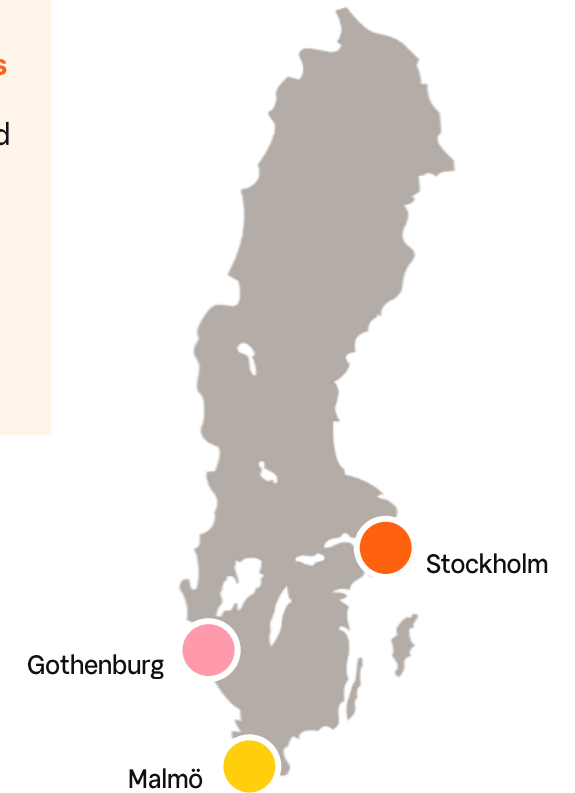
For the third consecutive year, **SBAB had Sweden's most satisfied** residential mortgage customers 2021 according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI), which each year measures customer satisfaction in the banking and finance sector. With a customer satisfaction score of 76.1 out of 100, SBAB ranks well above the sector average of 72.0. For the fourth consecutive year, SBAB also has Sweden's most satisfied customers in terms of property loans to corporates and tenant-owners' associations.



# Business overview

- Founded in 1985 & 100% owned by the Kingdom of Sweden
- Mortgage bank with >98% collateralized lending (SEK 478.7 billion)
- Straightforward business model (mortgage lending & savings) & customer operations only in Sweden
- 818 employees in five offices
- Two business areas;
  - Retail business area
  - Corporate Clients & Tenant-owners' Associations business area

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



# Retail business area

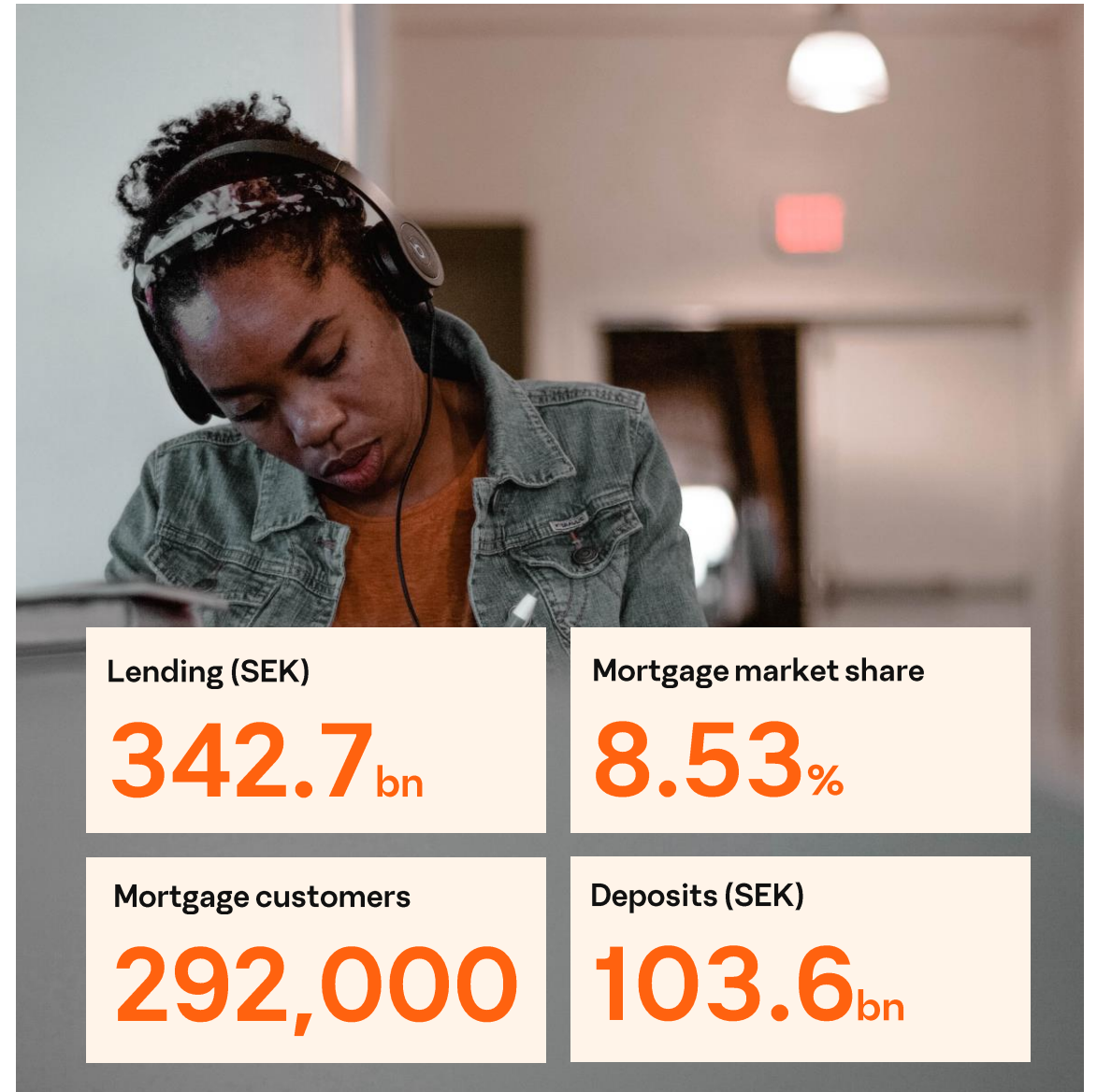
- Services within housing and household finances, such as savings and loan products, insurance mediation, housing search engine services and real estate-agent services. The core product is residential mortgages (5th largest player in Sweden)
- Activities are operated under the SBAB, Booli and HittaMäklare brands
- No traditional bank branches, products and services offered online or by telephone
- Customers primarily located in areas around Stockholm, Gothenburg, Malmö, and other university cities and growth regions

**SBAB!**

**booli!**  
En tjänst från SBAB

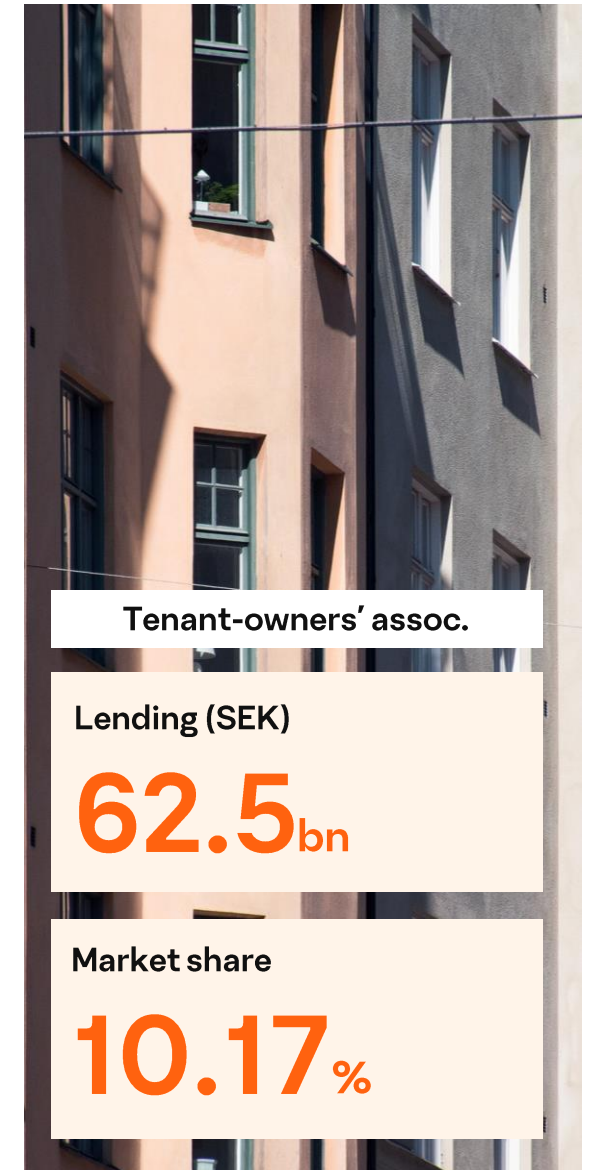
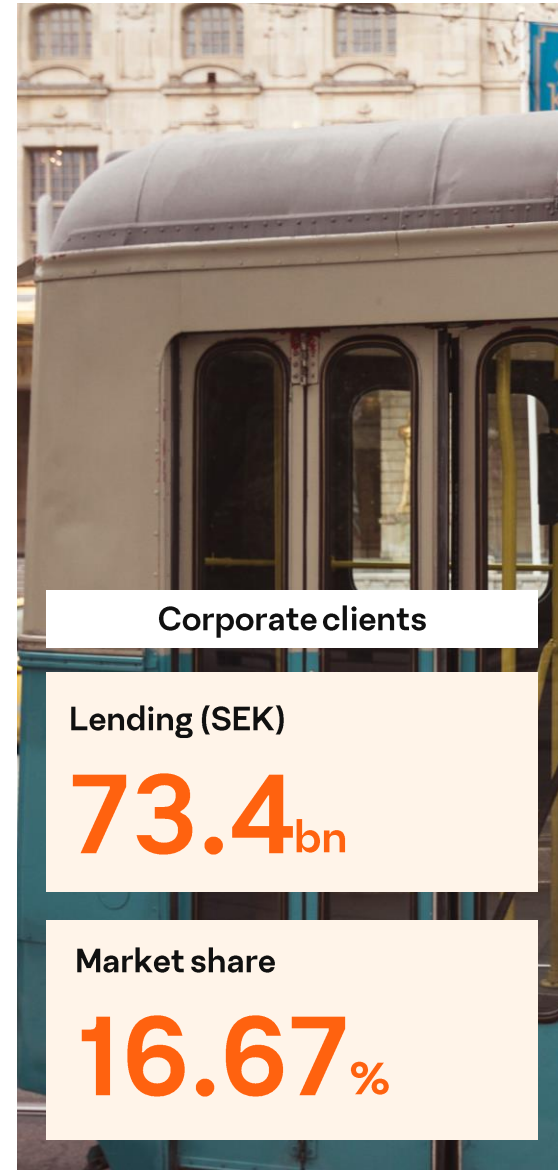
**hittamäklare!**  
En tjänst från SBAB

**boappa!**



# Corporate clients & ToA

- Housing financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to corporates and organisations
- Multi-family dwellings, both privately owned and owned by tenant-owners' associations
- Existing buildings or new construction
- Personal service from our three offices in Stockholm, Gothenburg and Malmö
- Primarily target major residential developers, property owners and tenant-owners' associations
- Credit granting concentrated to growth regions surrounding our three offices in Stockholm, Gothenburg and Malmö



# Strategic objectives

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

\* 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



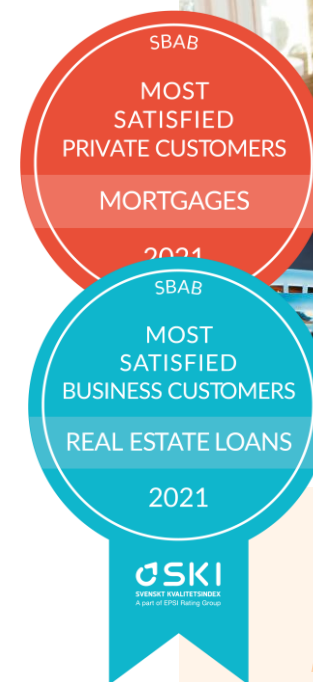
## SBAB assigns priority to four SDGs

**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.



# Contents

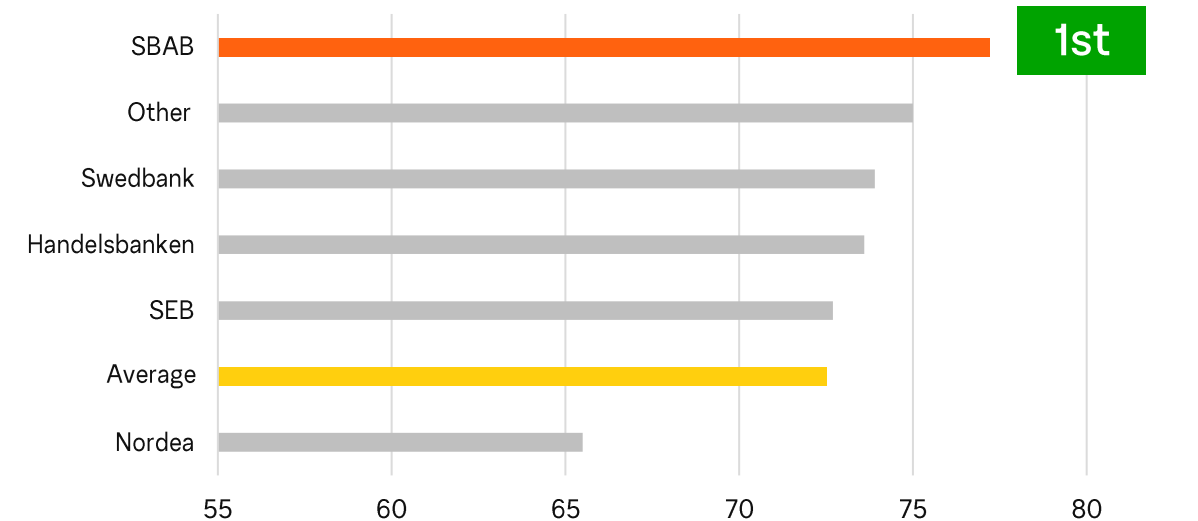
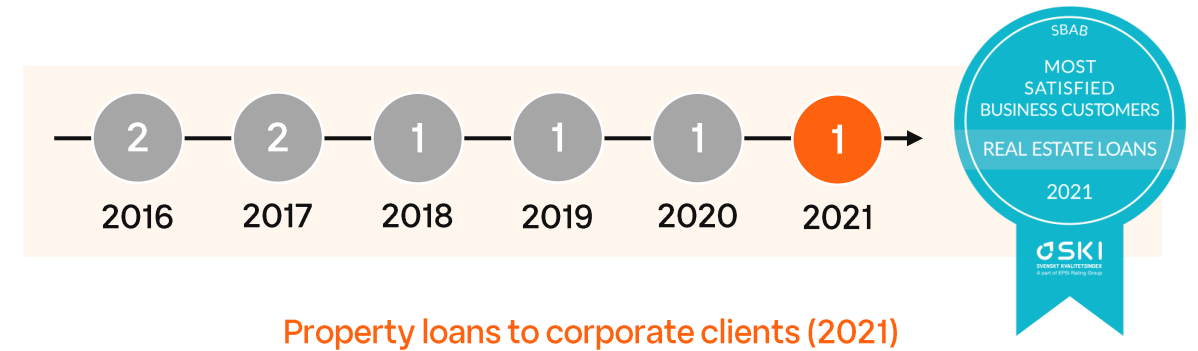
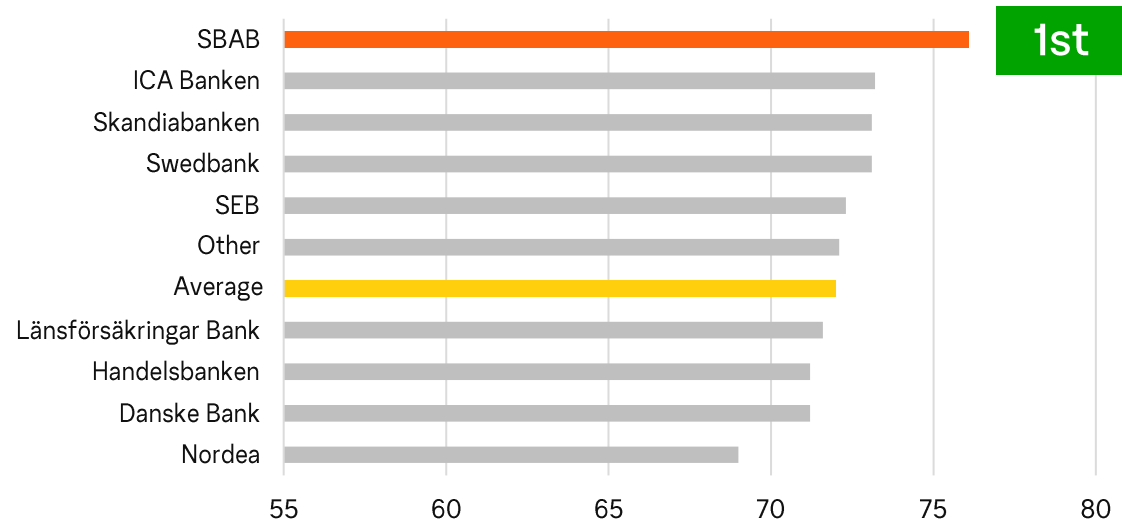
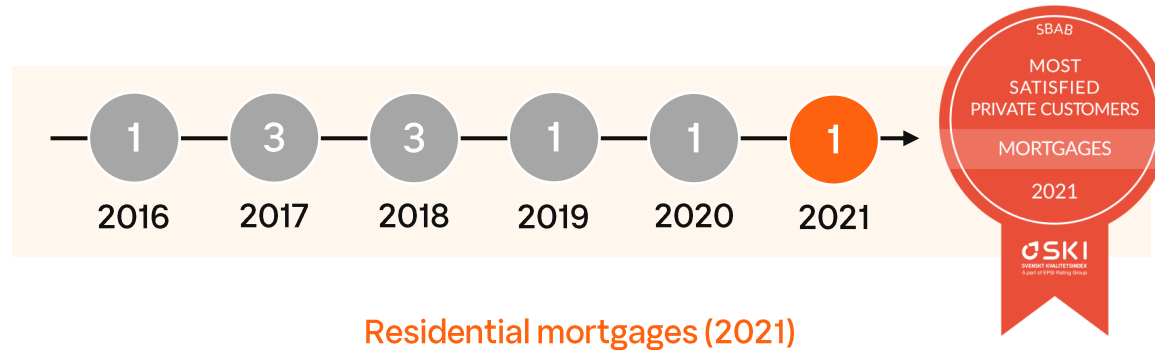
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## Sweden's most satisfied customers

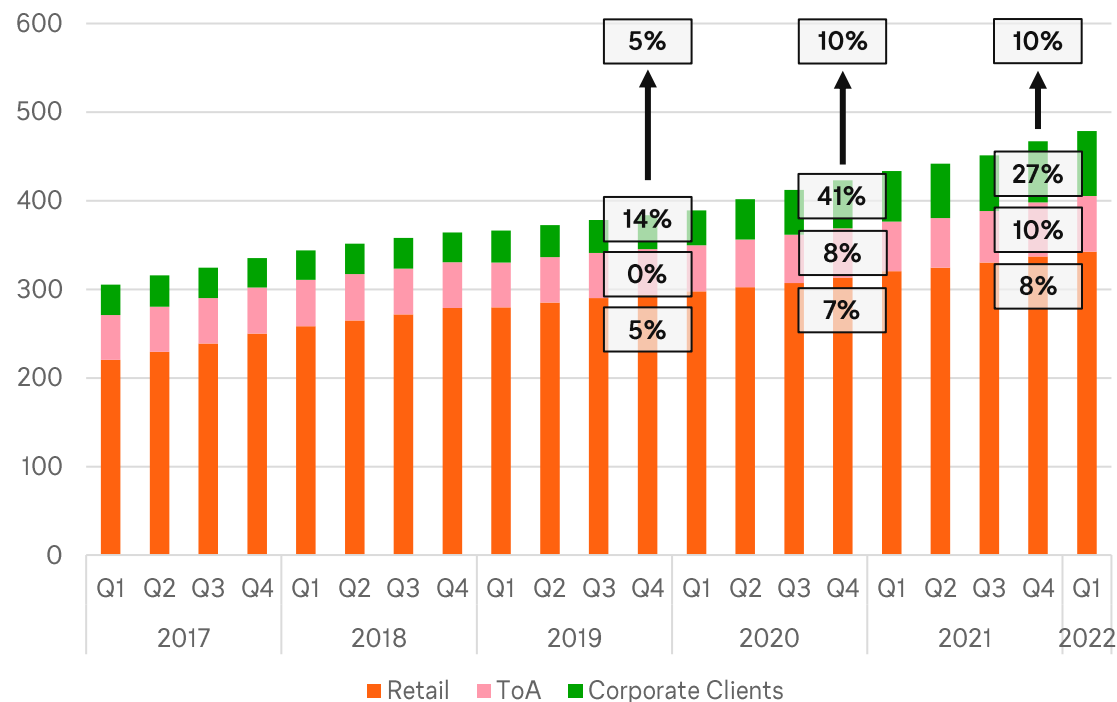
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# Customer satisfaction



# Lending & deposits development

Lending (SEK bn)



Lending (SEK bn)  
**478**

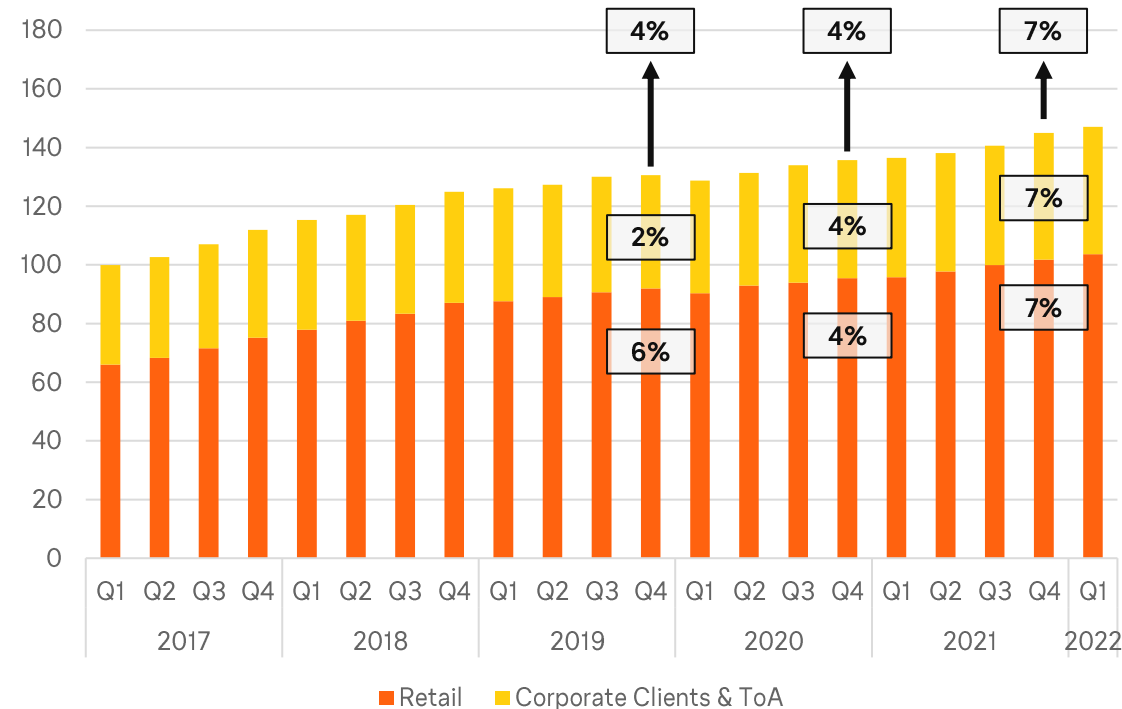
Retail (SEK bn)  
**343**

ToA (SEK bn)  
**62**

Corp. (SEK bn)  
**73**

Deposits (SEK bn)

X% = YoY growth



Deposits (SEK bn)  
**147**

Retail (SEK bn)  
**104**

ToA & Corp. (SEK bn)  
**43**

Deposits/lending  
**31%**



# Mortgage players – three categories

– Increased competition as new challengers have entered the market. In parallel, larger banks have increased their focus on mortgages

## Larger banks (top 4)

Market share >10%

Swedbank 

Handelsbanken



Nordea



## Small and medium-sized players

Market share 2-10%



SBAB!

Danske Bank

skandia:

Sparbankerna 



## New challengers / Niche players

Market share <1%



HYPOTEKET



Ekobanken



Bluestep.



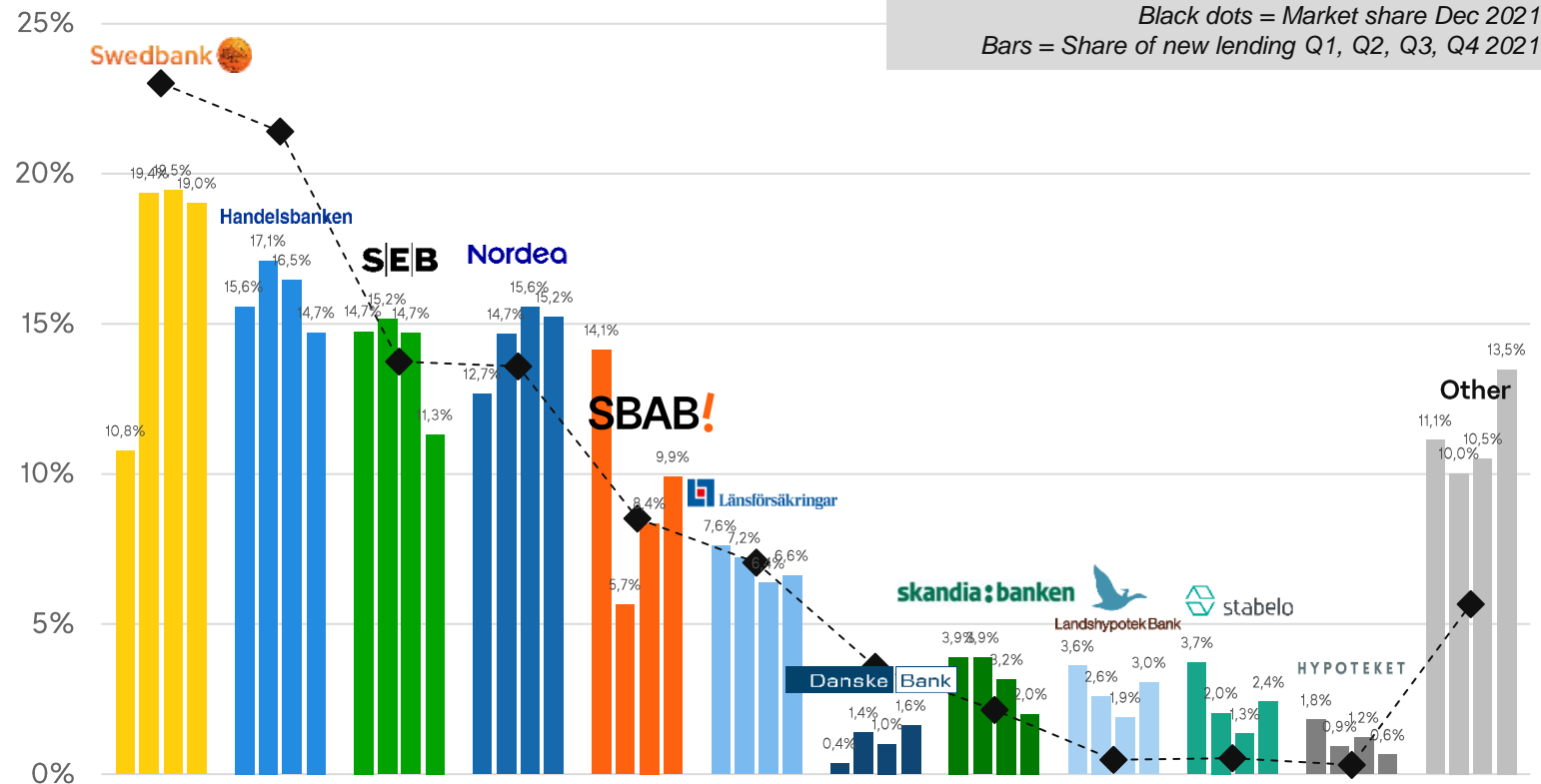
Nordax Bank





# Mortgage market development 2021

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



## Comments

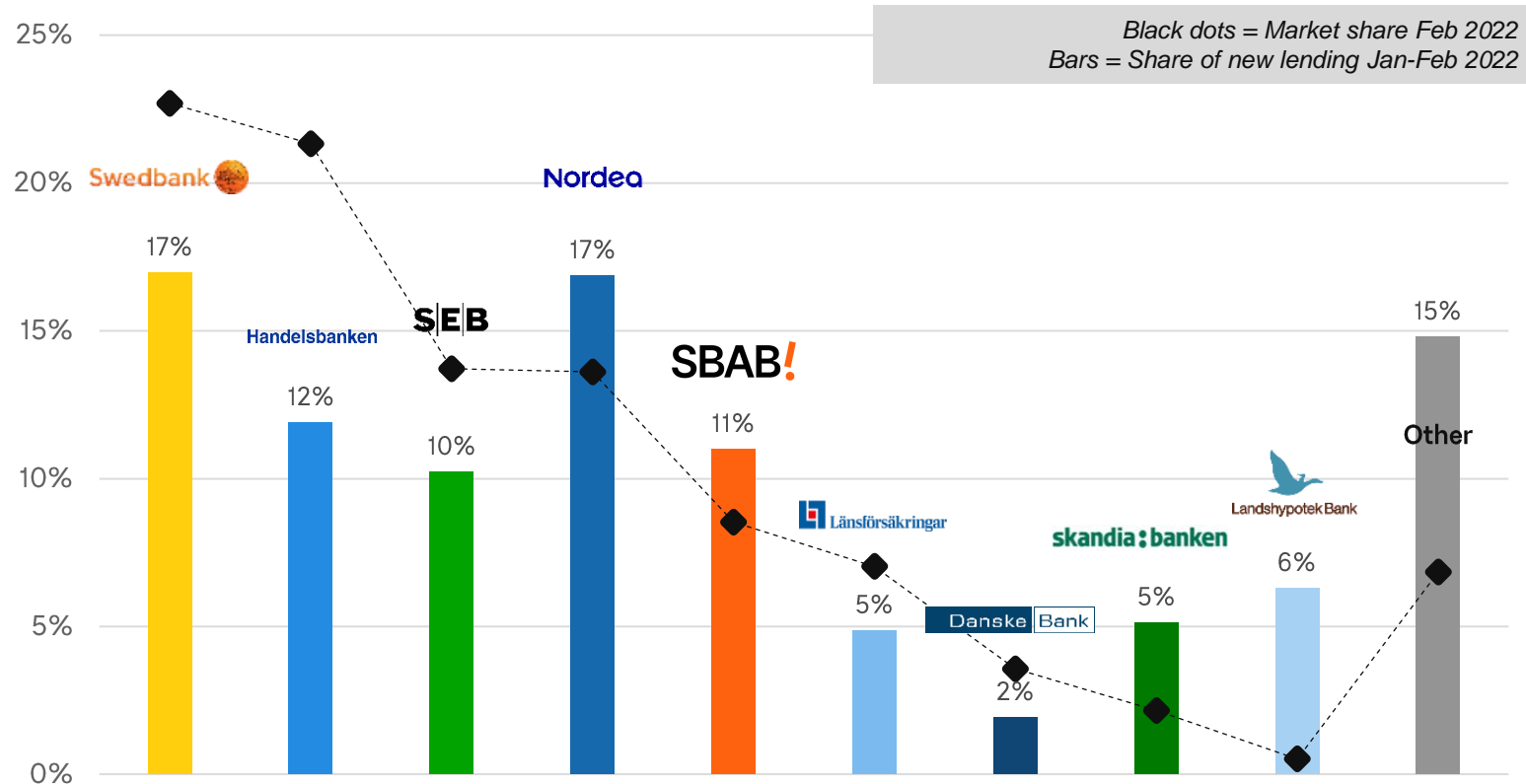
- Increased competition in the Swedish residential mortgage market
- Many established players are working intensively to retain and defend their positions, and several new competitors have emerged as serious contenders for the residential mortgage customers
- Price important, but not the whole story

Please note that SCB does not display data for Hypoteket or Stabelo individually, in this graph Hypoteket data is an approximation through triangulation. The figures for Stabelo have been retrieved from Avanza website

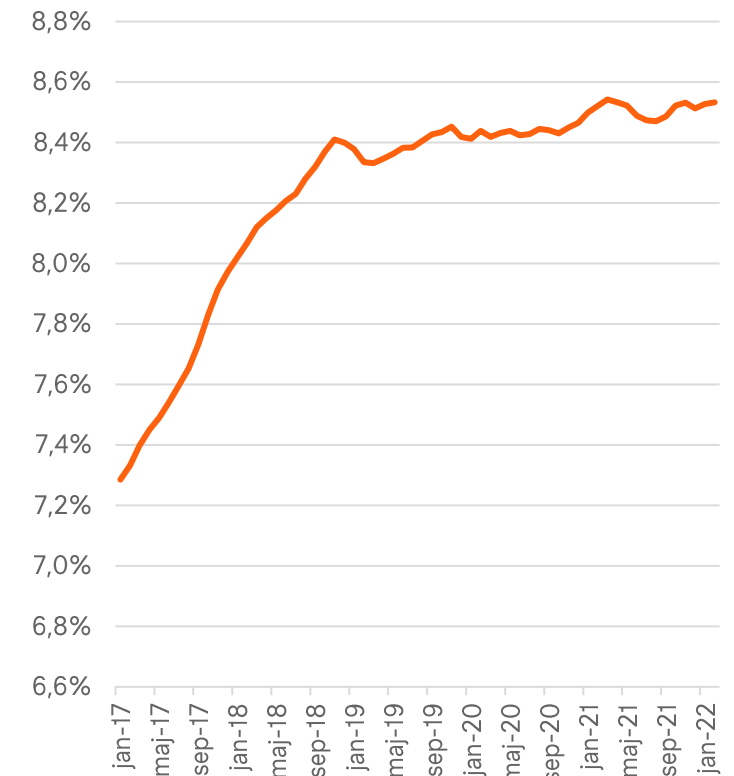


# Mortgage market development 2022

Shares of net growth in the Swedish residential mortgage market 2022



SBAB market share, mortgages (Feb 2022)



# SBAB's value proposition



## Accessibility

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



## Transparency

Fair prices and appropriate terms and conditions from the start.



## Consideration

Housing specialists who care.

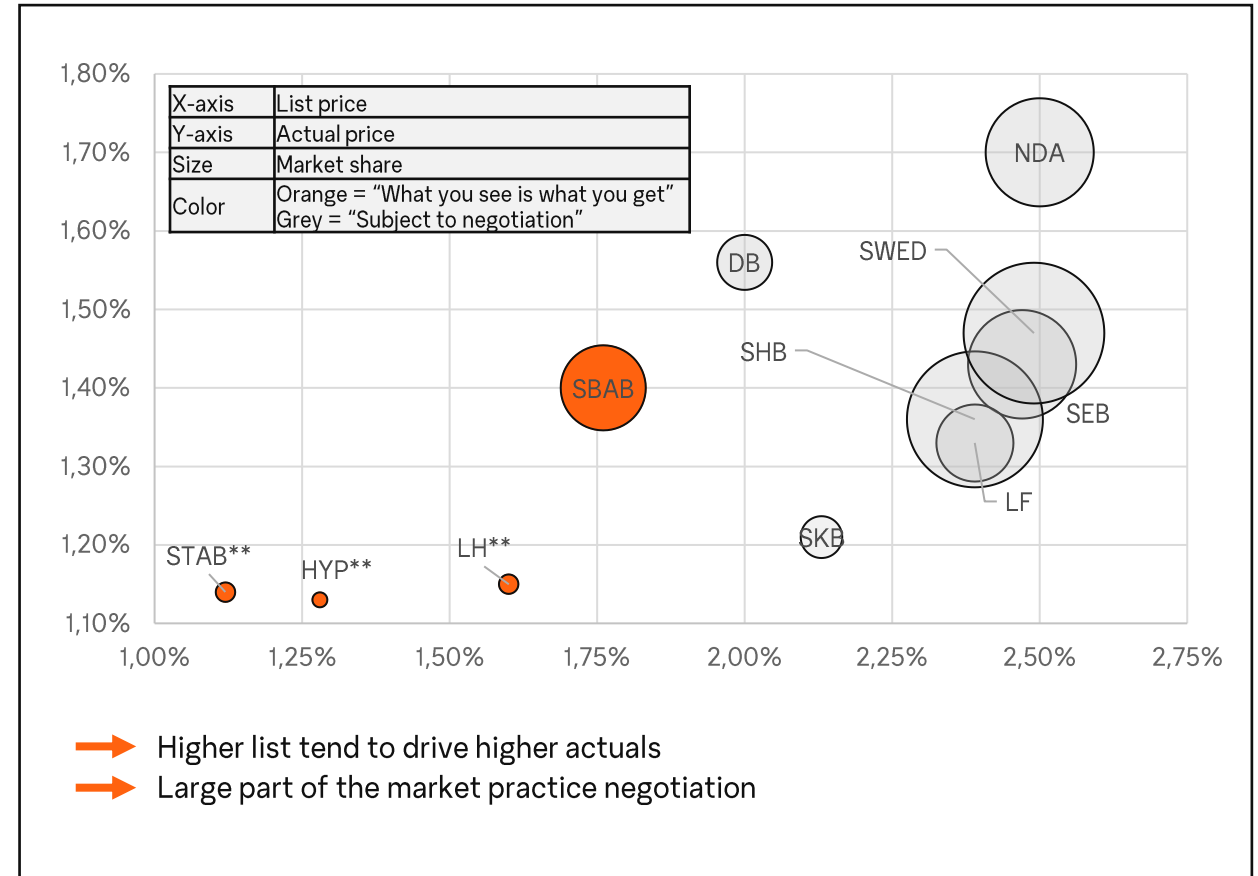


# SBAB's success factors



- The customer treats a mortgage as pretty much equivalent to any other regardless of who has originated it. For commodities, and thereby mortgages the **price should be viewed as a hygiene factor** and **the market should converge towards transparency**
- The trend since the aftermath of the financial crisis 2008 is however clear; the difference between listed interest rates and average interest rates is increasing. The difference has grown mainly in the shorter terms, carried primarily in the variable interest rate (3M term)
- The four largest banks are the main culprits, while SBAB, Danske Bank and new challengers like Stabelo and Hypoteket are sticking with a pricing strategy of transparency

List rate vs. average rate (3M variable interest rate)\* (%) (Apr 2022)

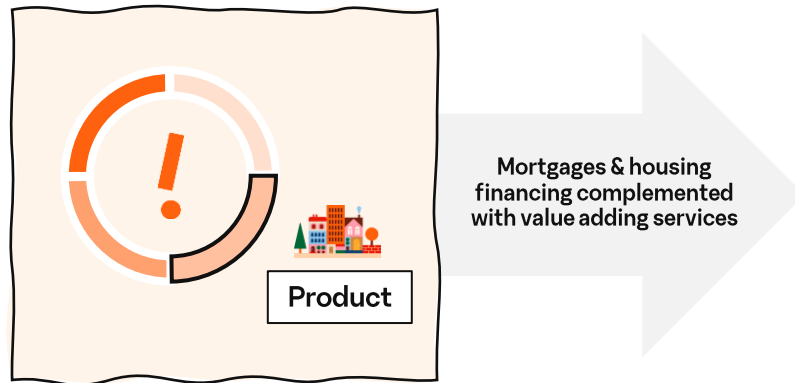


\*Source: Compriser (22 April 2022)

\*\* Maximum allowed LTV < 60-75% (other players LTV < 85%)







# SBAB's success factors



- Residential mortgages & housing financing main focus and primary source of income
- Challenges for mortgages: differentiation (price) & frequency of engagement
- Strategy to strengthen customer relationship/loyalty by adding valuable services throughout the housing journey

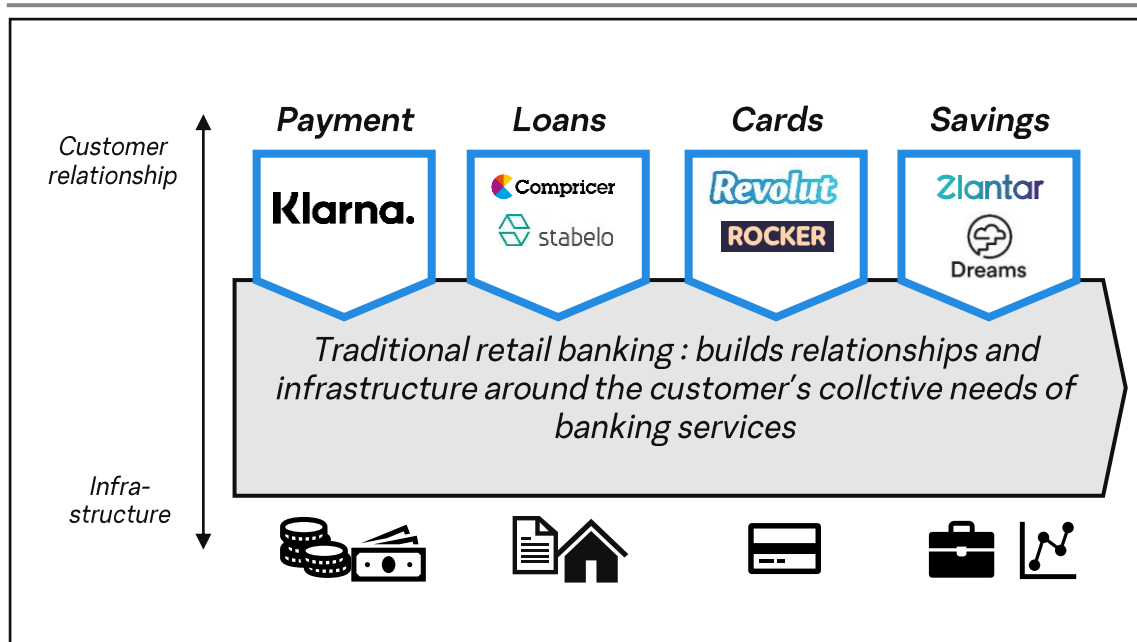
## Ecosystem of services relating to housing and household finances

Housing phase	Examples of service	Our brands
<b>Dream &amp; search</b> 	<ul style="list-style-type: none"> <li>• Housing ads</li> <li>• Housing market information</li> <li>• Savings account</li> </ul>	<b>booli!</b> <small>En tjänst från SBAB</small> <b>SBAB!</b>
<b>Buy</b> 	<ul style="list-style-type: none"> <li>• Residential mortgages &amp; housing financing</li> <li>• Home insurance (through partner)</li> <li>• Life insurance (through partner)</li> <li>• Legal advice (through partner)</li> </ul>	<b>SBAB!</b>
<b>Live</b> 	<ul style="list-style-type: none"> <li>• Refinancing</li> <li>• Consumer loans</li> <li>• Housing cooperative management</li> <li>• Tenant communication</li> </ul>	<b>SBAB!</b> <b>boappa!</b>
<b>Sell</b> 	<ul style="list-style-type: none"> <li>• Real estate broker recommendations</li> <li>• Housing valuation</li> <li>• Housing adds</li> <li>• Tax declaration advice (through partner)</li> </ul>	<b>hittamäklare!</b> <small>En tjänst från SBAB</small> <b>booli!</b> <small>En tjänst från SBAB</small>



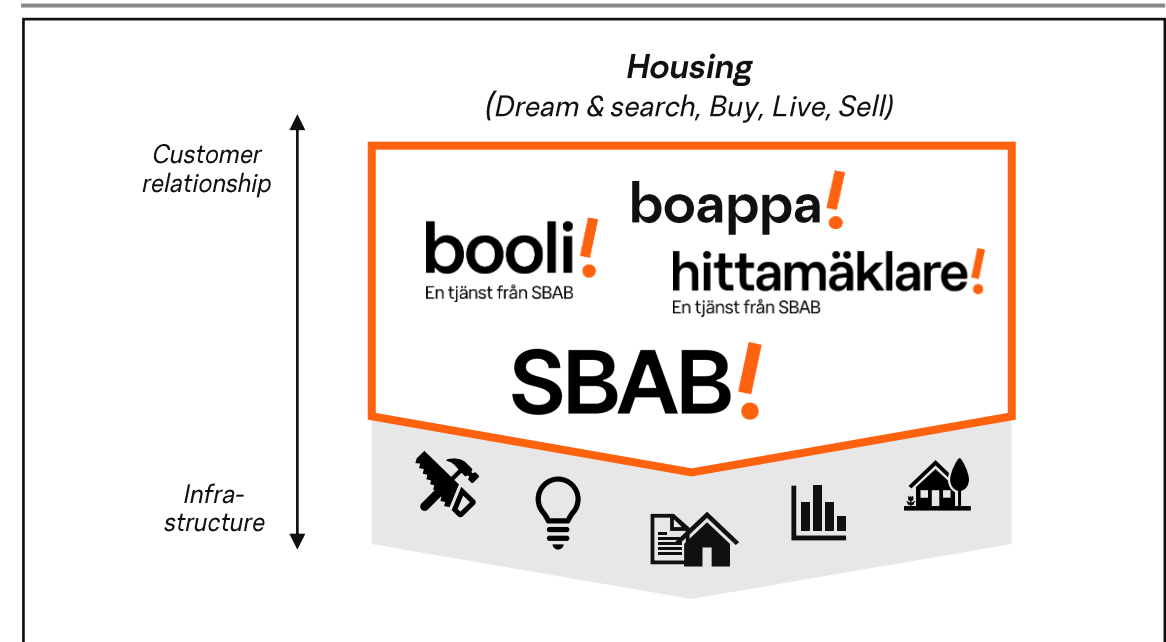
# Vertical strategy – our ecosystem

## Traditional retail banking is being challenged



**Open banking** with regulations like PSD2 makes it possible to use banks' infrastructure and **focus solely on the customer experience** in a specific service vertical

## SBAB takes control over the "Housing" vertical



**Our ecosystem** solves the customer's needs with a strong combination of **housing services and customer experience**

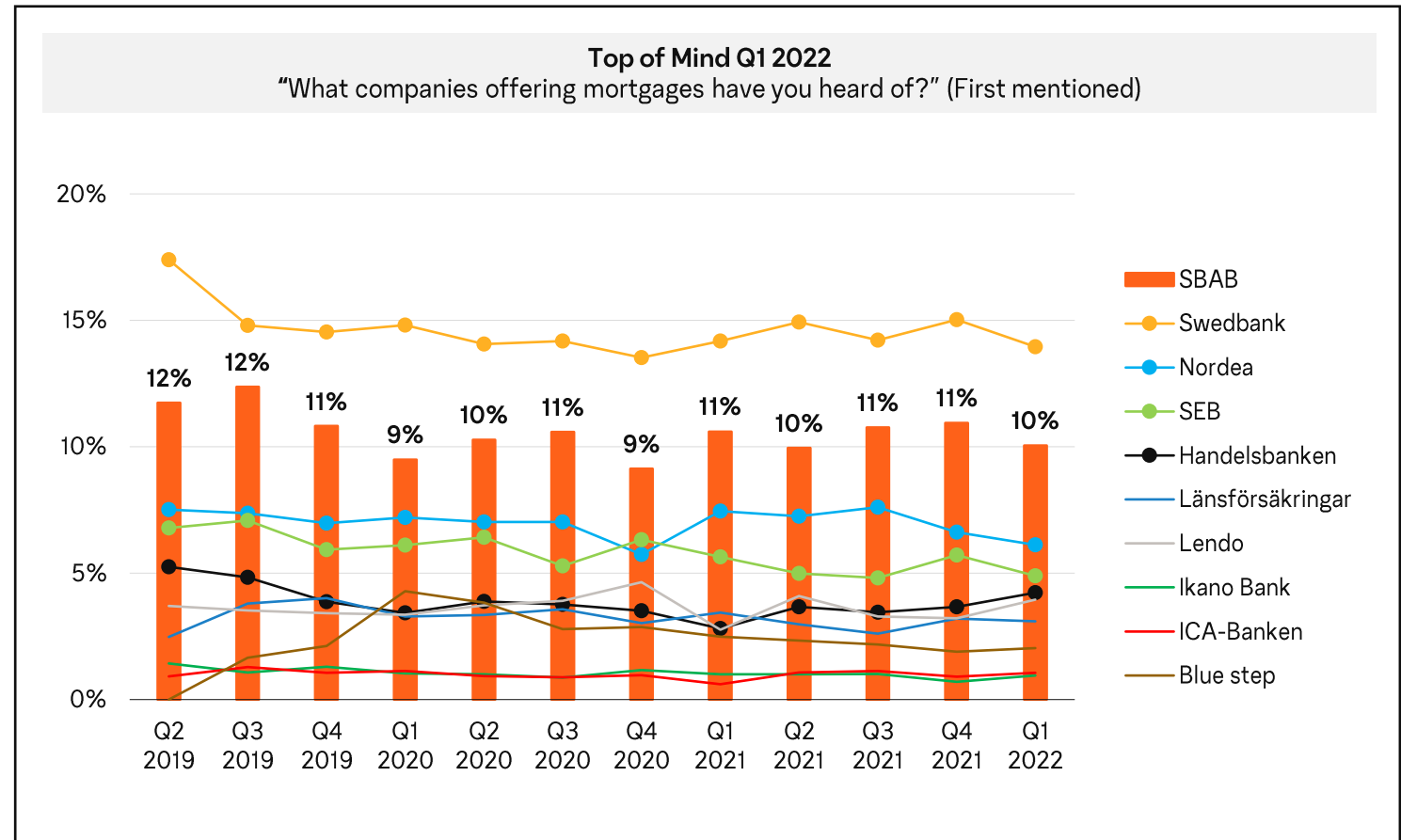


# SBAB's success factors

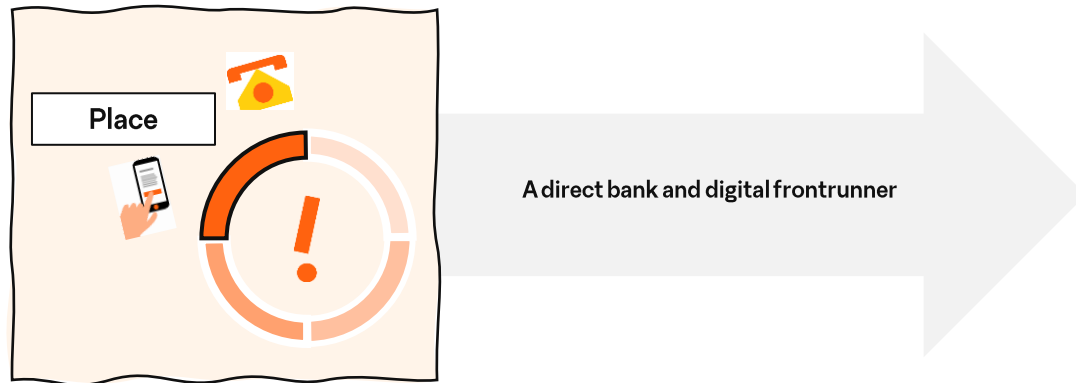


Optimal brand position  
("caring friend") & high  
brand awareness

- High brand awareness (5th largest player but 2nd most recognised brand (Top of Mind)) supporting future growth
- Strong media presence through chief economist and housing economist
- Award winning communications

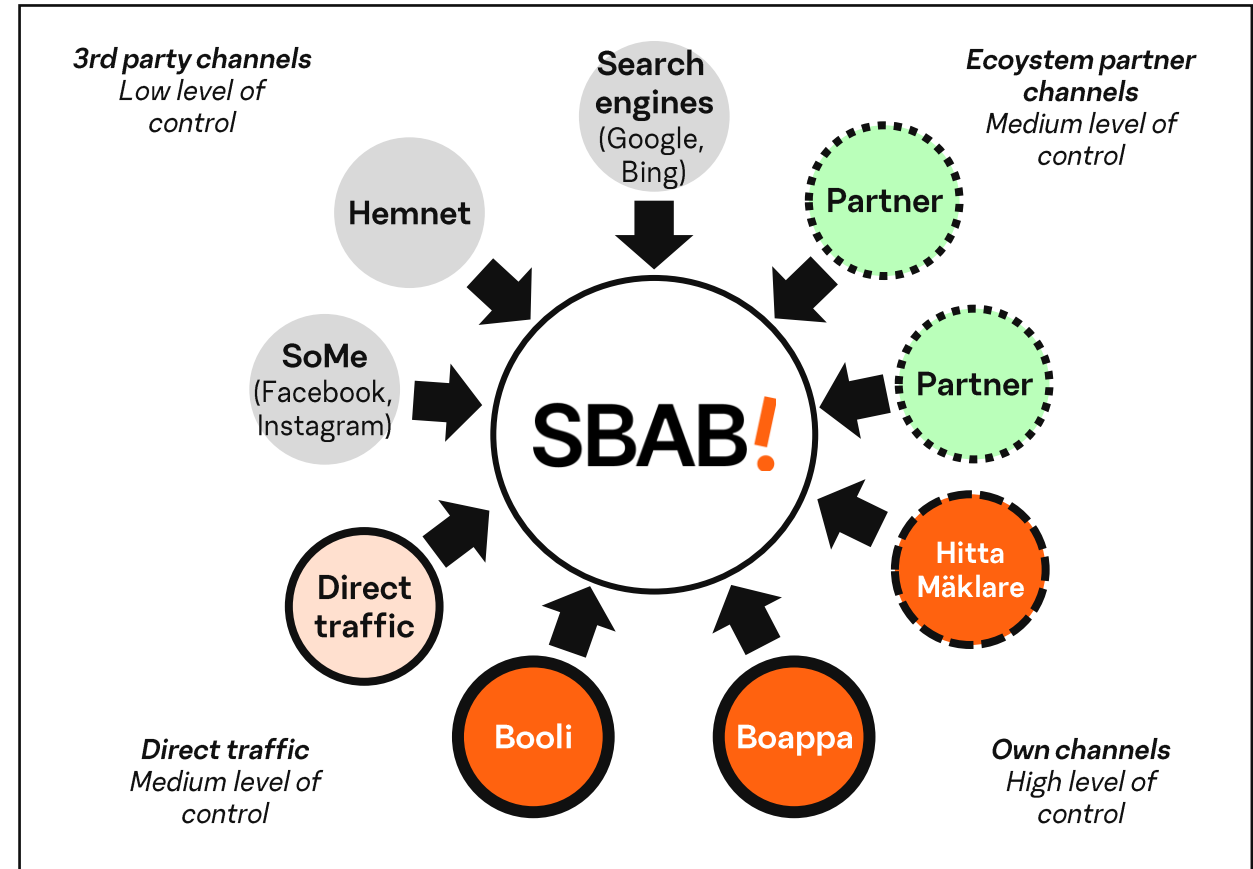


# SBAB's success factors



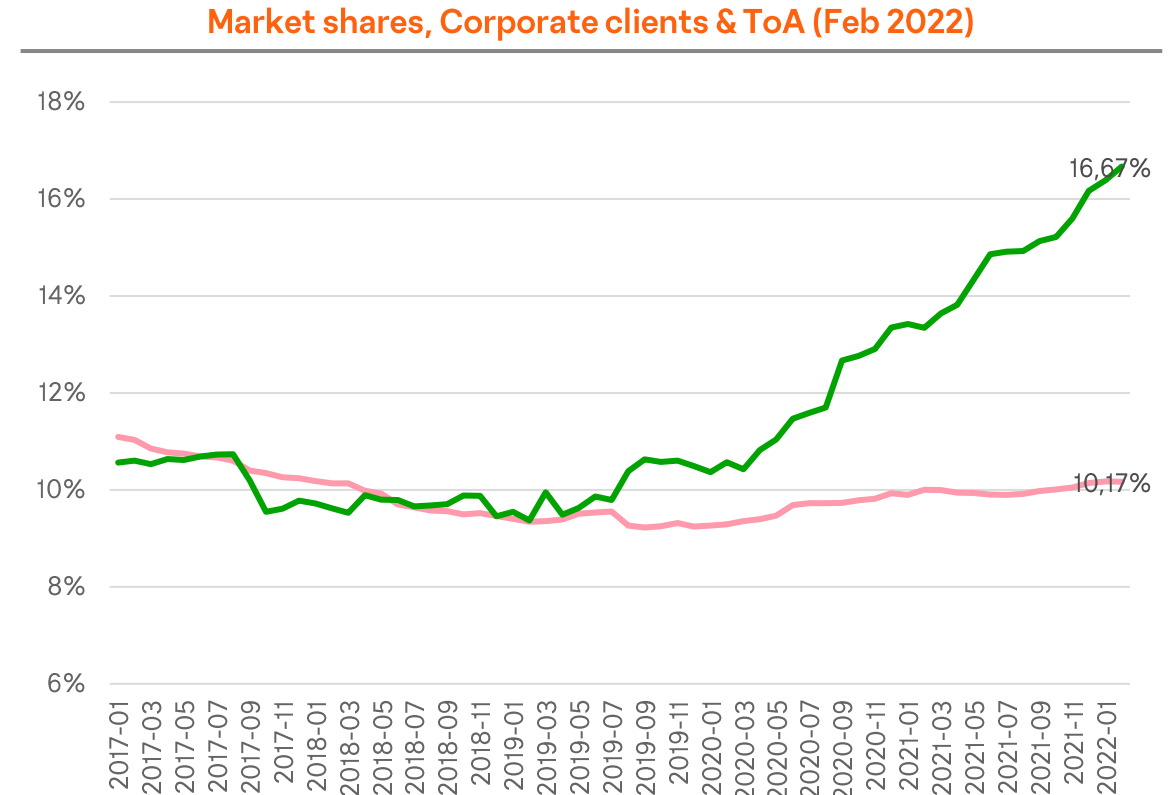
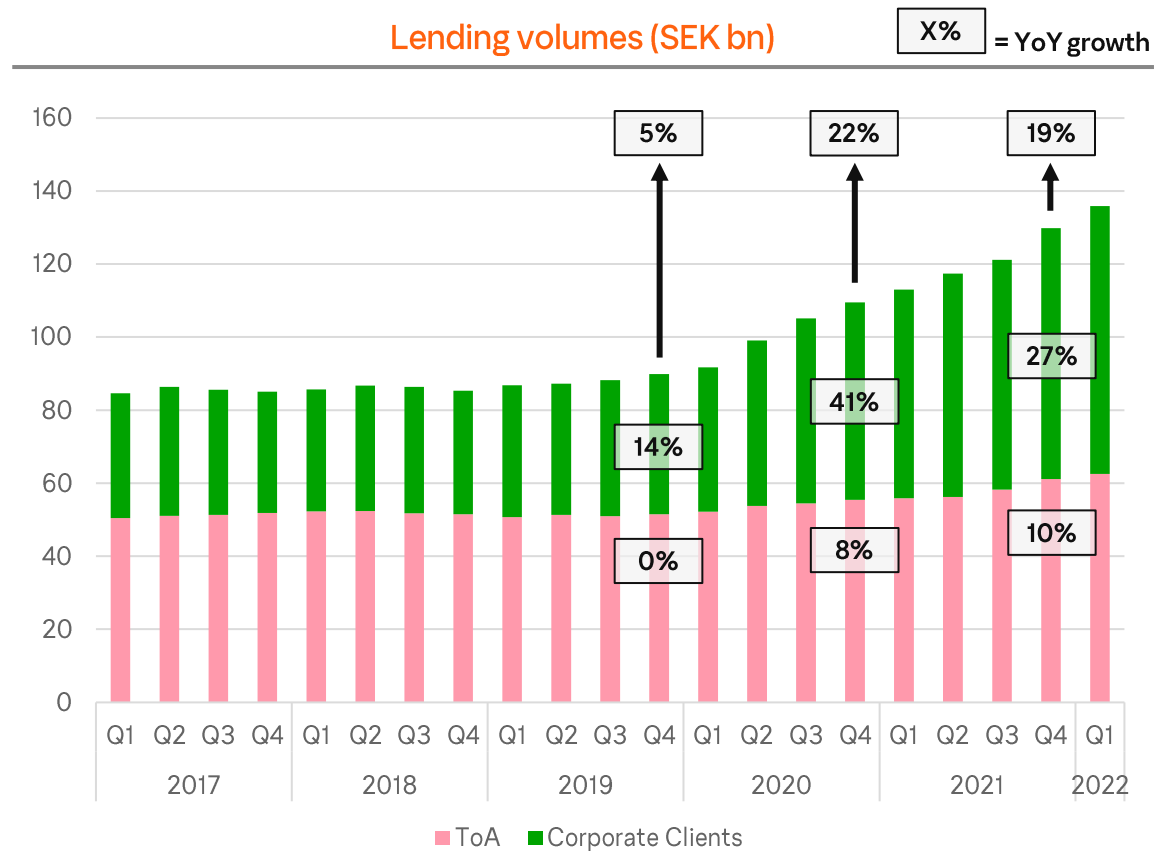
- **A direct bank:** SBAB is and has been a direct bank for retail clients since start
- **Digital channels:** We continuously develop and add on new channels with the intention of providing a leading customer experience and seamless interaction
- **Lending under own SBAB brand prioritized:** Increased investments in own distribution capacity (all white label partnerships terminated)
- **Not a bank – an ecosystem:** Our ecosystem of services is a life driven digital experience providing value, speed and simplicity of use for our users and customers

## Taking control over distribution channels



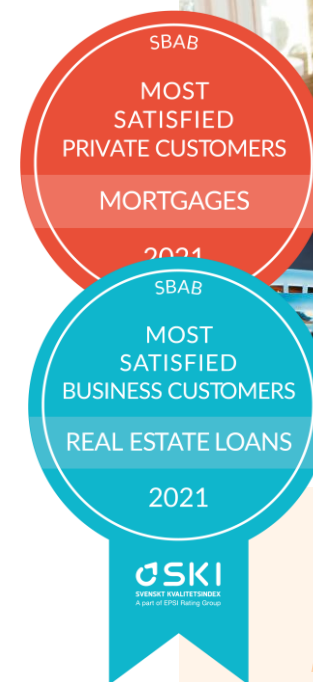


# Corporates & Tenant-own. Assoc.



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# Q1 2022 in brief

1	<b>Geopolitical tension</b>	→	<ul style="list-style-type: none"><li>• The quarter was largely dominated by geopolitical concerns arising from Russia's invasion of Ukraine</li><li>• Increased market volatility and adding to further cost pressure in the economy</li></ul>
2	<b>Continued strong lending growth</b>	→	<ul style="list-style-type: none"><li>• Total lending increased 2.5% to SEK 478.7 billion (467.0)</li><li>• Total deposits increased 1.4% to SEK 147.0 billion (145.0)</li></ul>
3	<b>New risk tax impacting financial result and KPI's</b>	→	<ul style="list-style-type: none"><li>• The risk tax was introduced during the quarter. For SBAB, the tax entails an additional cost (reported together with the resolution fee on a separate line in the income statement) of about SEK 261 million in the current year and thereafter around SEK 332 million in 2023</li></ul>
4	<b>Overall healthy financial development</b>	→	<ul style="list-style-type: none"><li>• Operating profit decreased 2.6% QoQ, primarily due to the introduction of the risk tax</li><li>• Cost development according to plan</li><li>• RoE amounted to 9.5% (10.5% excluding risk tax)</li></ul>
5	<b>Identified challenges going forward expected to put pressure on margins and profitability</b>	→	<ul style="list-style-type: none"><li>• Increased expectations of higher key interest rates as a result of rising inflation</li><li>• Increased competition from new and existing mortgage providers</li><li>• Introduction of the new risk tax</li></ul>



# Financial summary Q1 2022

	Q1 2022	Q4 2021	QoQ ▲	Comment
Net interest income	1,084	1,017	+6.6%	<ul style="list-style-type: none"> <li>Resolution fee moved from NII during Q1 2022 (SEK 48 million) to new row/item in income statement ("imposed fees")</li> <li>After adjustment for resolution fee, NII increased SEK 19 million (2%), attributable to increased lending volumes (although at lower margins) and lower costs for funding</li> </ul>
Net result financial transact.	-49	-3	-46 mn	<ul style="list-style-type: none"> <li>Difference mainly due to value changes in hedging instruments and hedged items</li> </ul>
Expenses	-358	-452	-20.8%	<ul style="list-style-type: none"> <li>Lower costs for regulatory adaptation/compliance, marketing and personnel compared with Q4 2021</li> <li>Continued investments for future competitiveness according to plan (mainly IT, digitalisation &amp; customer offering/experience/service)</li> </ul>
Loan losses	-17	1	+18 mn	<ul style="list-style-type: none"> <li>Increased provisions in Q1 2022 (revision in impairment model) as a result of the changed market conditions</li> <li>Confirmed credit losses remained low and totalled SEK 2 million (2)</li> </ul>
Imposed fees ( <a href="#">new Q1 2022</a> )	-113	-	-	<ul style="list-style-type: none"> <li>New line item added in the income statement (which includes new risk tax as well as the resolution fee)</li> <li>Risk tax amounted to SEK 65 million and resolution fee SEK 48 million for Q1 2022</li> </ul>
Operating profit	573	588	-2.6%	<ul style="list-style-type: none"> <li>Operating profit decreased 2.6%, primarily due to the introduction of the risk tax</li> </ul>



# Overview of Q1 results

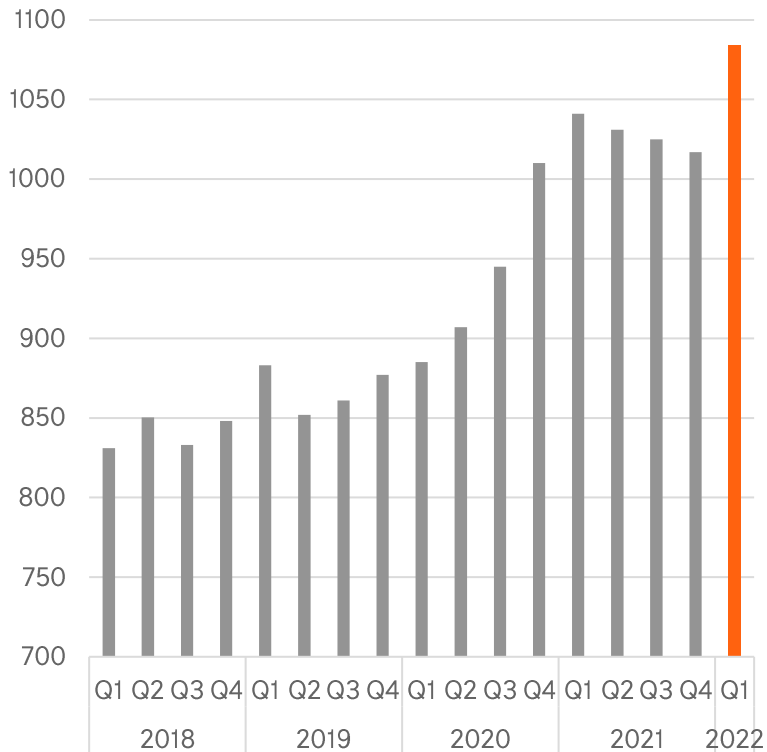
SEK million	Q1 2022	Q4 2021	▲	Q1 2022	Q1 2021	▲	2021 Jan-Dec	2020 Jan-Dec	▲
Lending (SEK bn)	478.7	467,0	+2.5%	478.7	433.5	+10.4%	467.0	422.8	+10.5%
Deposits (SEK bn)	147.0	145,0	+1.4%	147.0	136.5	+7.7%	145.0	135.7	+6.9%
Net interest income	1,084	1,017	+6.6%	1,084	1,041	+4.1%	4,114	3,747	+9.8%
Net commission	13	13	0 mn	13	3	+10 mn	29	-24	+53 mnkr
Net result financial transact.	-49	-3	-46 mn	-49	-15	-34 mn	-71	-38	-33 mnkr
Costs	-358	-452	-20.8%	-358	-323	+10.8%	-1,492	-1,335	+11.8%
Loan losses	-17	1	+18 mn	-17	9	+26 mn	11	-32	+43 mnkr
Imposed fees: Risk tax and res. fee	-113	-	-	-113	-	-	-	-	-
Operating profit	573	588	-2.6%	573	728	-21.3%	2,641	2,361	+11.9 %
C/I ratio, %	33.7%	43.5%	+9.8 pp	33.7%	31.0%	+2.7 pp	36.2%	35.8%	+0.04 pe
RoE, %	9.5%	9.4%	+0.1 pp	9.5%	12.7%	-3.2 pp	11.1 %	10.8 %	+0.3 pe
Loan loss ratio, %	-0.01%	0.00%	-0.01 pp	-0.01%	0,01%	-0.02 pp	0.00 %	-0.01 %	+0.01 pe
CET1 capital ratio, %	13.1%	13.5%	-0.4 pp	13.1%	13.1%	+0 pp	13.5%	13.4%	+0.1 pe



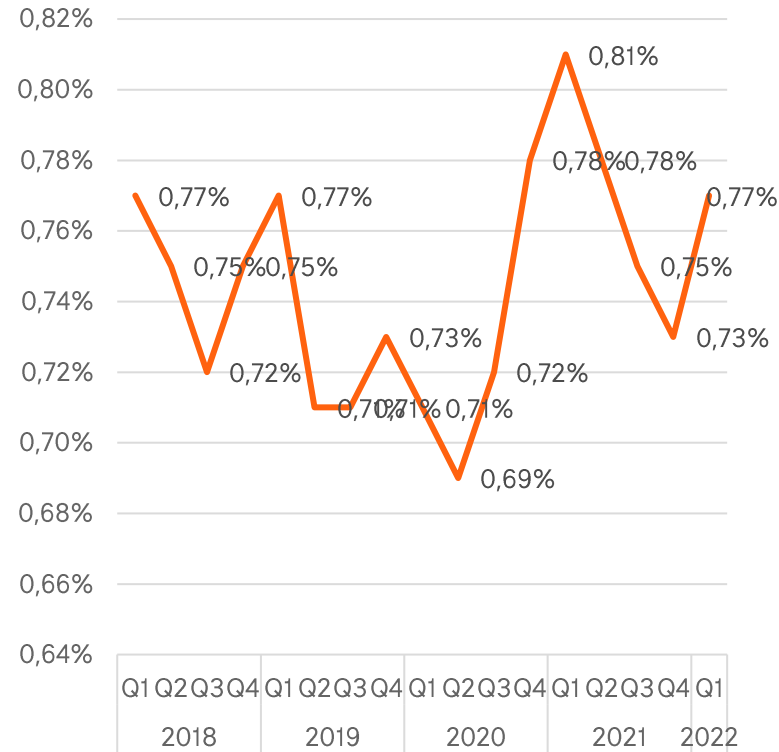
# NII development

– Recurring income dominates SBAB's revenue stream & continued growth and stability in NII over time although some margin pressure expected ahead

Net Interest Income (NII) QoQ (%)



Net Interest Margin (NIM) QoQ (%)



Comments

- NII and NIM affected by resolution fee of SEK 48 mn (moved to new row in income statement as per Q1 2022)
- Adjusted for resolution fee, NII slightly higher than Q4 2021 (SEK 19 mn), attributable to increased lending volumes (although at lower margins) and lower costs for funding
- Additional pressure on mortgage margins expected ahead due to increased competition
- Stable lending margins expected for corporate lending and lending to tenant-owners' associations

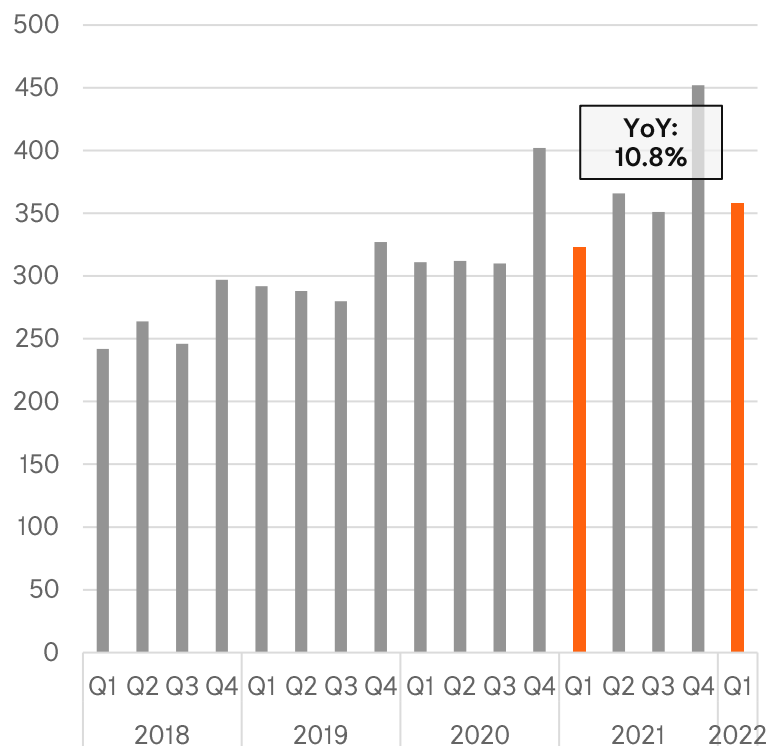
NIM calculated as net interest income in relation to total assets



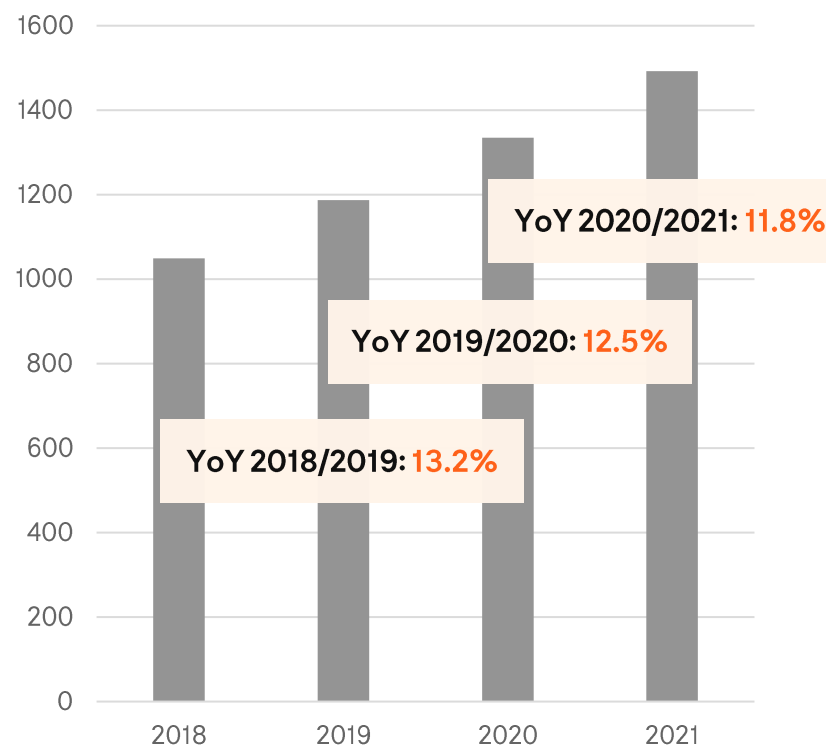
# Cost management

– Increased investments for future competitiveness

Cost development QoQ (SEK mn)



Cost development YoY (SEK mn)



Comments

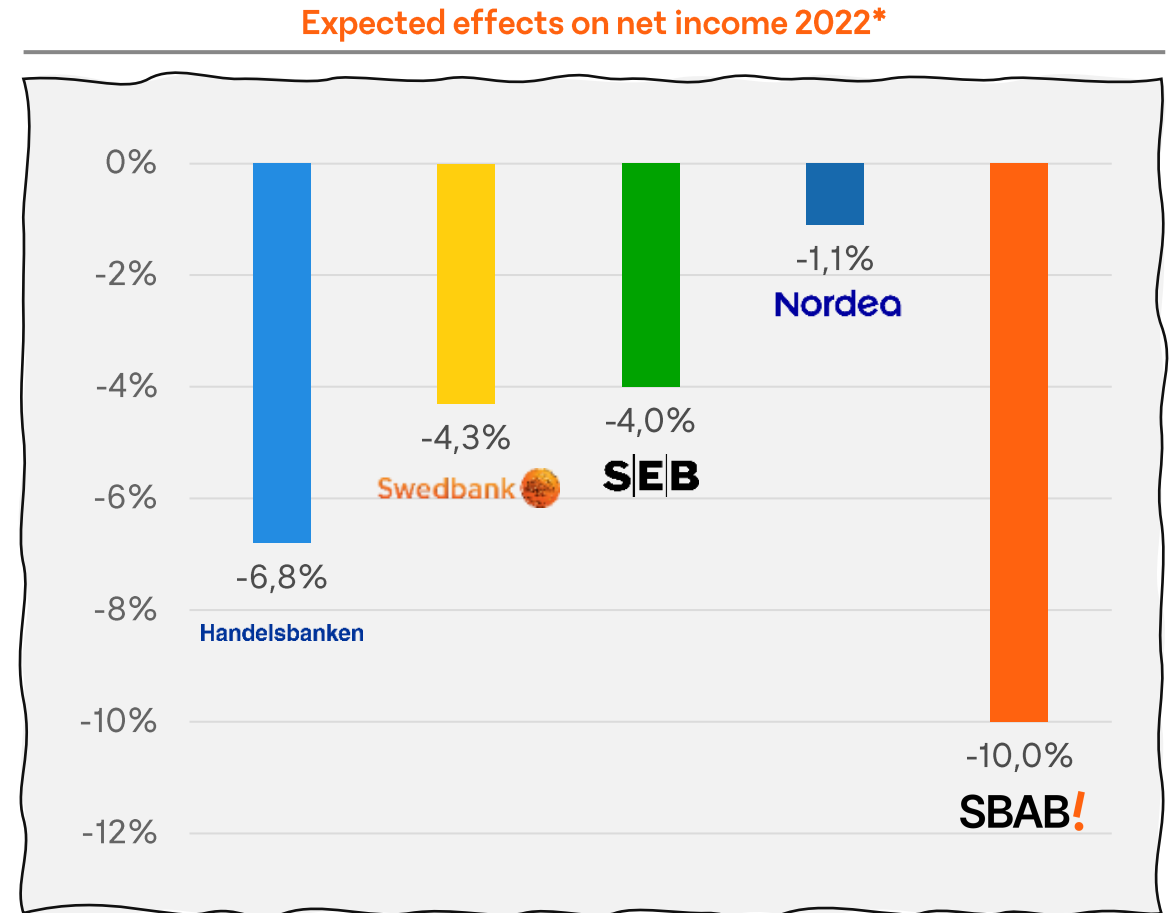
- Costs decreased in Q1 2022 compared to Q4 2021. However, the overall trend is increased costs mainly attributable to investments for future competitiveness:
  - Replacement of IT-infrastructure (core banking platform)
  - Regulatory compliance
  - Increased number of employees
  - Digitalisation & customer offering (incl. increased distribution power, customer service & customer experience)



# New "risk tax" from 2022

– Affects banks asymmetrically depending on business mix

- The new law for risk tax applies as of 1 January 2022 and will be applied for the fiscal year that starts after 31 December 2021. The tax applies to credit institutions whose liabilities reach a specified threshold at the beginning of the fiscal year. The threshold for 2022 is SEK 150 billion. SBAB is one of the Swedish banks and credit institutions that is affected by the tax. The tax will amount to 0.05% of the taxable amount for the 2022 fiscal year and 0.06% for the 2023 fiscal year
- New item ("imposed fees") placed after credit losses in income statement. Imposed fees will comprise both the new risk tax as well as the resolution fee previously reported in NII (this impacts the comparability of NII with previous years)
- The tax amounted to SEK 65 million for Q1 2022 (resolution fee for the same period amounted to SEK 48 million)
- The tax affects banks asymmetrically depending on business mix, and is estimated to have a larger impact on SBAB's results than the other larger banks (see chart to the right)



\*Source: SEB Equity Research

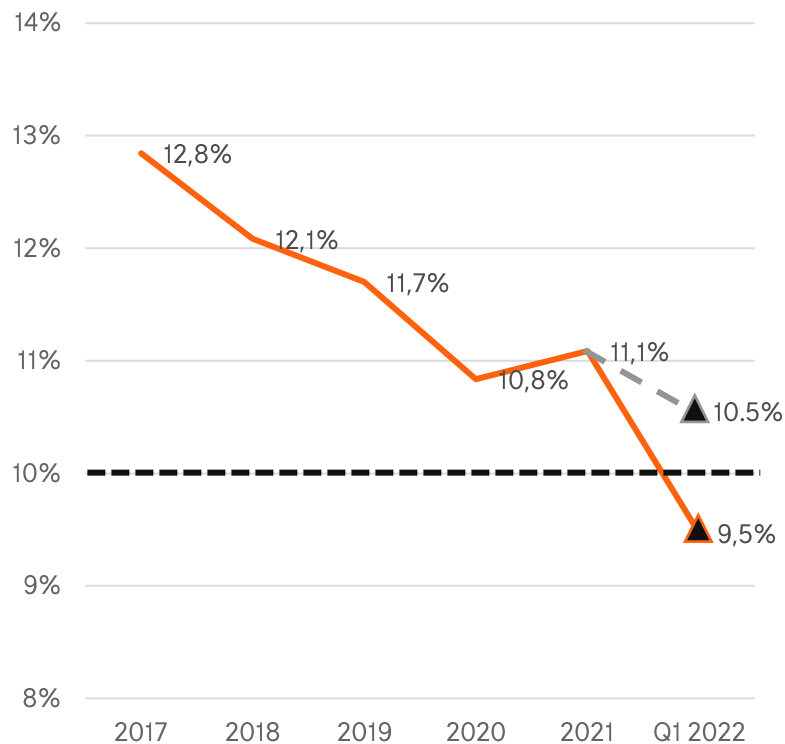




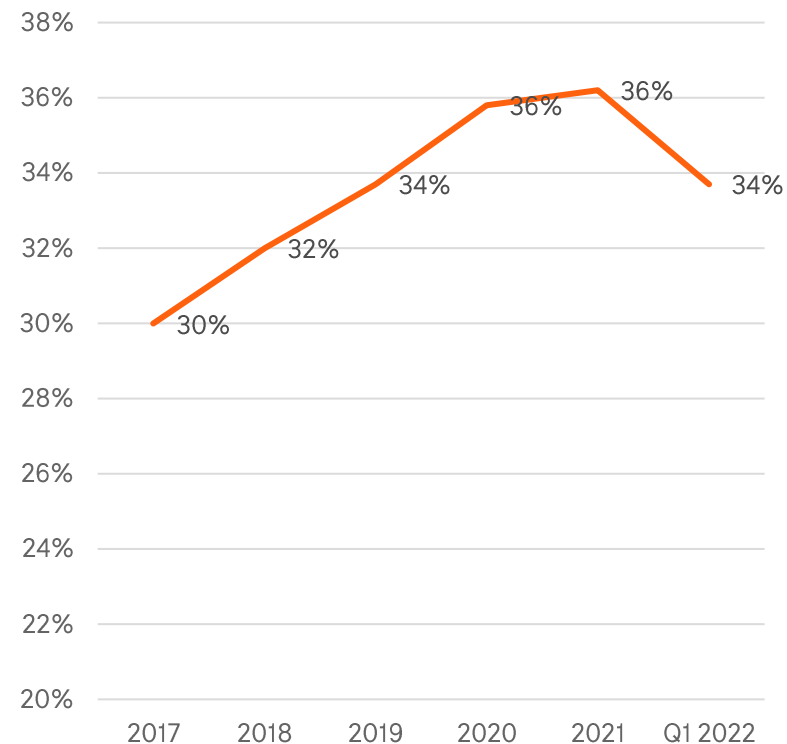
# Financial KPIs

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

Return on equity, %



C/I-ratio, %



Comments

- Competitive profitability and returns given SBAB's low risk business. Well above RoE target (>10%) last 5 years
- Continued strong underlying profitability during Q1 2022. Newly implemented risk tax however impacted RoE with approx. 1% (RoE excl. new tax was 10.5% (please view grey dotted line in left chart))
- Highly competitive cost efficiency, although increased investment rate has impacted C/I ratio during recent years (according to plan)
- C/I ratio Q1 2022 affected by move of resolution fee (SEK 48 mn) to new row in income statement



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## Sweden's most satisfied customers

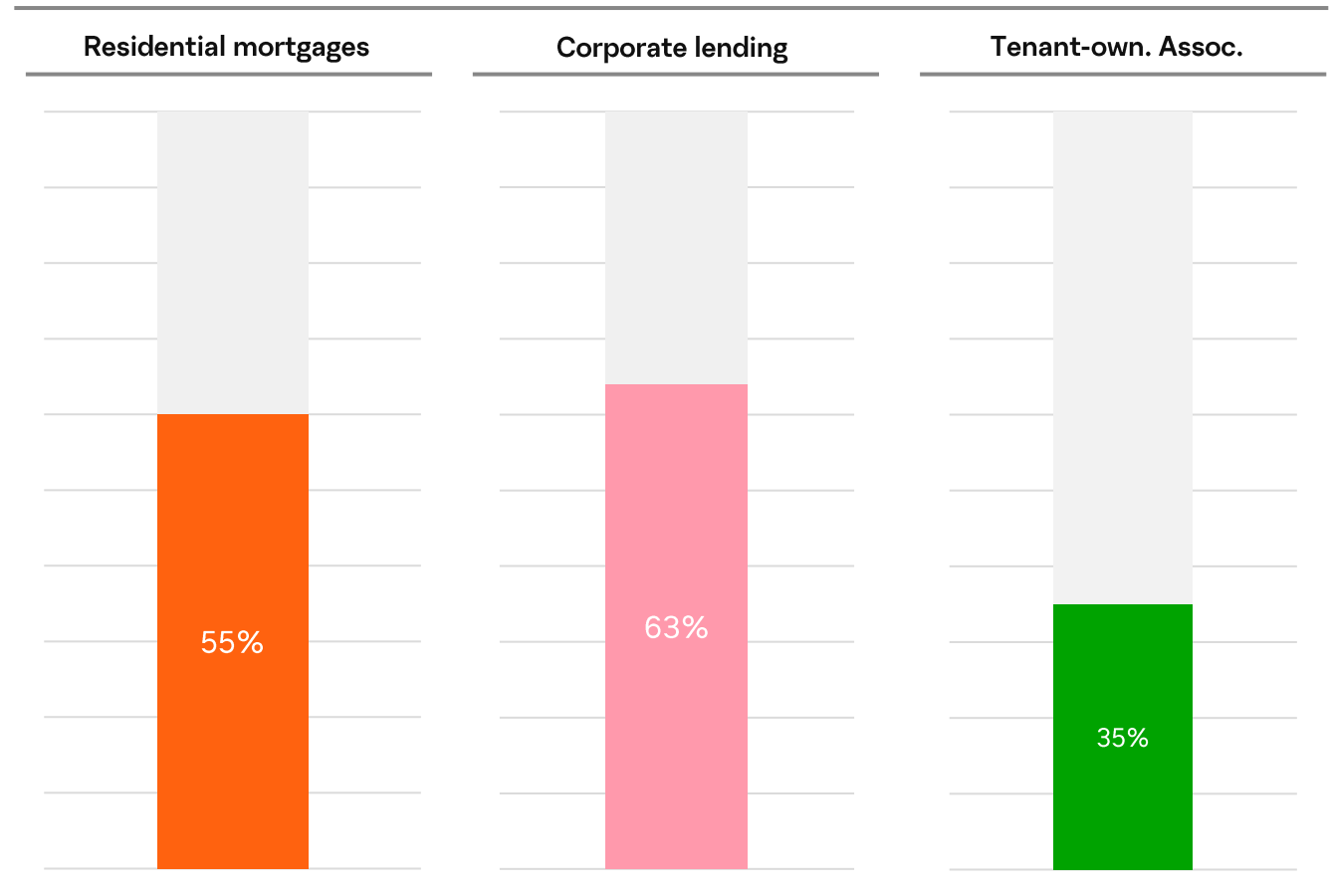
For the third consecutive year, **SBAB had Sweden's most satisfied** residential mortgage customers 2021 according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI), which each year measures customer satisfaction in the banking and finance sector. With a customer satisfaction score of 76.1 out of 100, SBAB ranks well above the sector average of 72.0. For the fourth consecutive year, SBAB also has Sweden's most satisfied customers in terms of property loans to corporates and tenant-owners' associations.

# Lending mix

# SBAB!

	SEK bn	%
Residential mortgages	340.4	71.1%
Consumer loans	2.3	0.5%
Corporate lending	73.4	15.3%
- (Of which, commercial lending)	(1.7)	(0.4%)
- (Of which, construction loans ("kreditiv"))	(11.1)	(2.3%)
Tenant-owners' associations	62.5	13.1%
<b>Total lending</b>	<b>478,6</b>	<b>100%</b>

## LTV ratios in loan book



# Swedish mortgages – a low risk business

– Mortgage lending in Sweden, a low-risk business for several structural reasons

## Affordability Assessment

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

## Credit Information Agency

National computerized data base with information regarding civil status, income and changes in income, assets, debt, payment complaints and recent inquiries at the agency. Used in every credit process regarding loans

## Mortgage Deed System

A Mortgage Deed for every house is registered and controlled by the Swedish mapping, cadastral and land registration authority (Lantmäteriet)

## Enforcement Authority

Lender can initiate an enforcement order with this office to enforce his claim, this process normally takes up to 90 days

## “Originate and hold” model

No “originate to distribute” model, no subprime lending

## Restricted Buy-to-Let Market

Restricted buy-to-let market due to regulated rental market and tenant owner subletting restrictions

## Personal Liability

A borrower is personally liable even after a default and foreclosure procedure, i.e., full and personal recourse

## Social Security

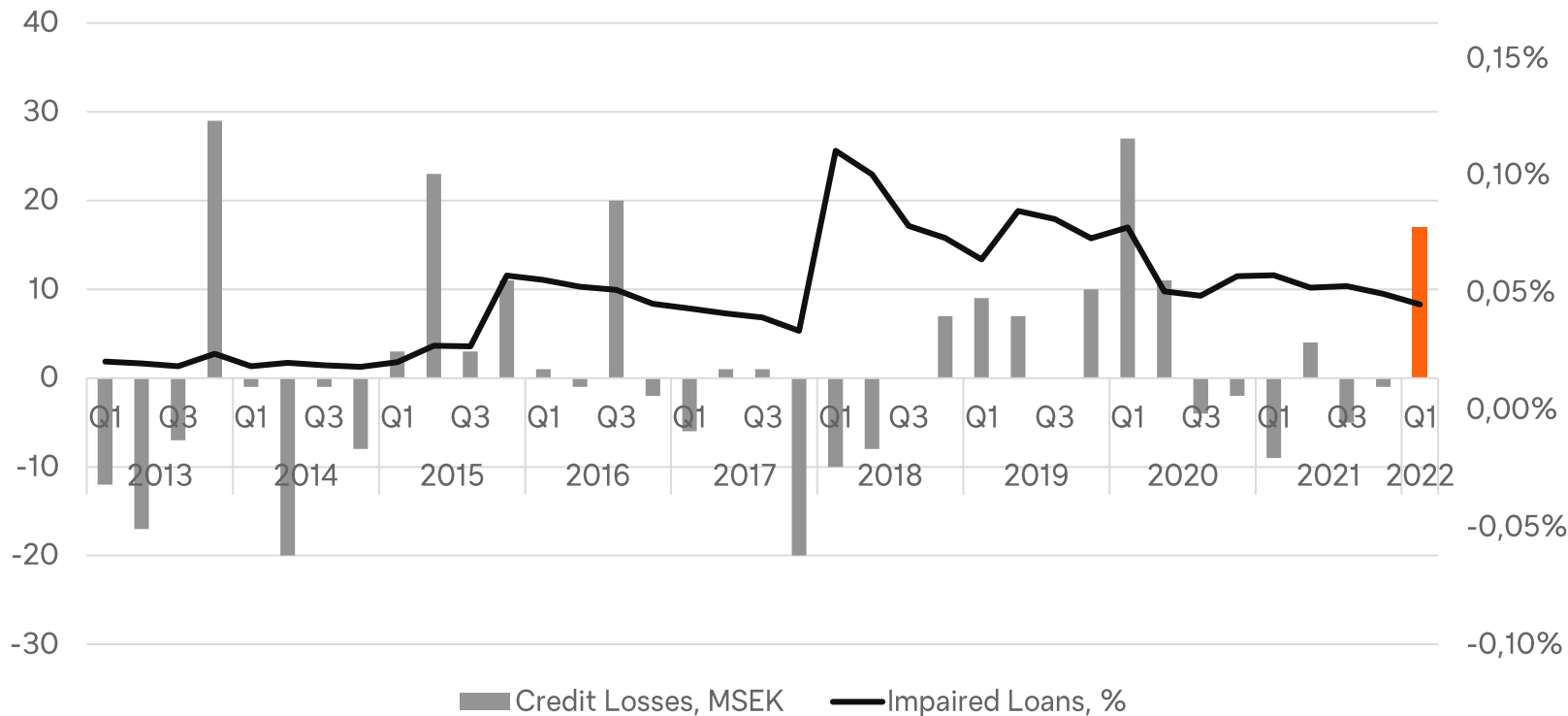
Well developed welfare system raising households’ ability to service debt even during times of unemployment



# Superior asset quality over time...

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

Credit losses (LHS) & Impaired loans (RHS)



Key metrics Q1 2022

Credit losses

**17** MSEK

Credit loss ratio

**-0.01%**

Share of Stage 3 loans, gross

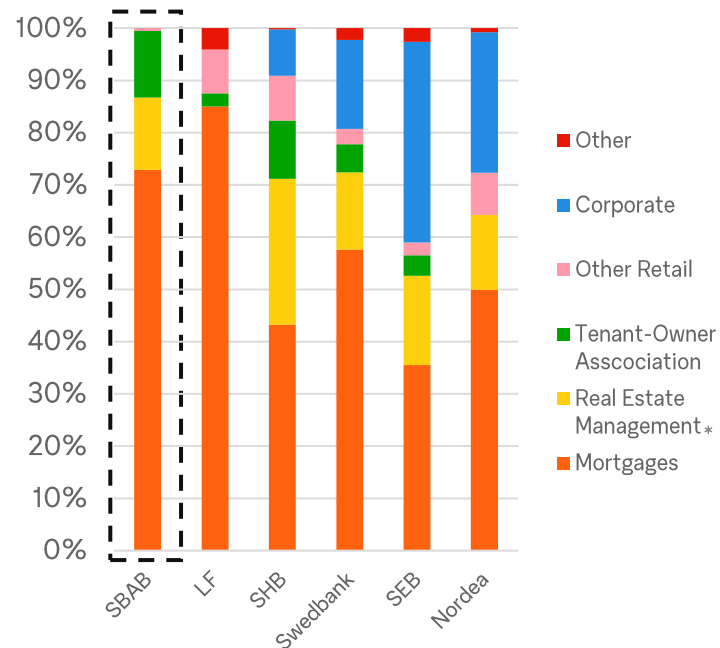
**0.04%**



# ... and compared to peers

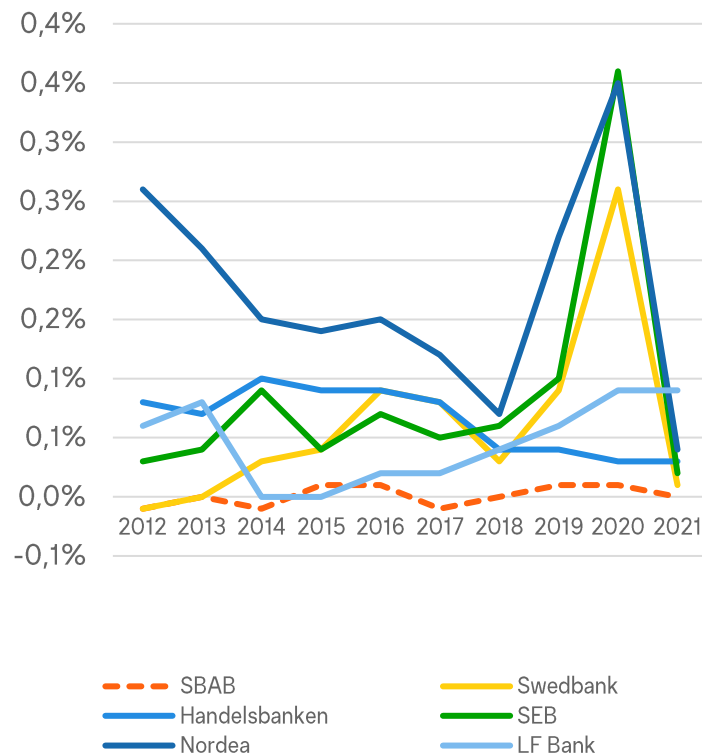
– High concentration on Swedish residential mortgages – very low loan losses/problem loans over time

## Loan portfolio split

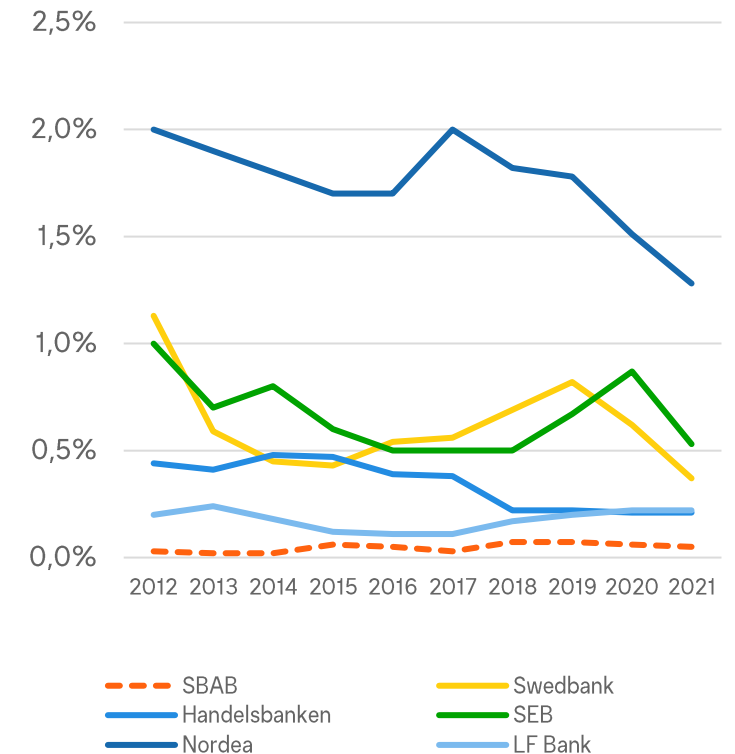


\*Real Estate Management segment for SBAB is what we normally define as "corporate lending". However, corporates for the bigger banks includes other kind of lending as well. Therefore we have on this slide defined it as "Real Estate Management" instead

## Credit losses

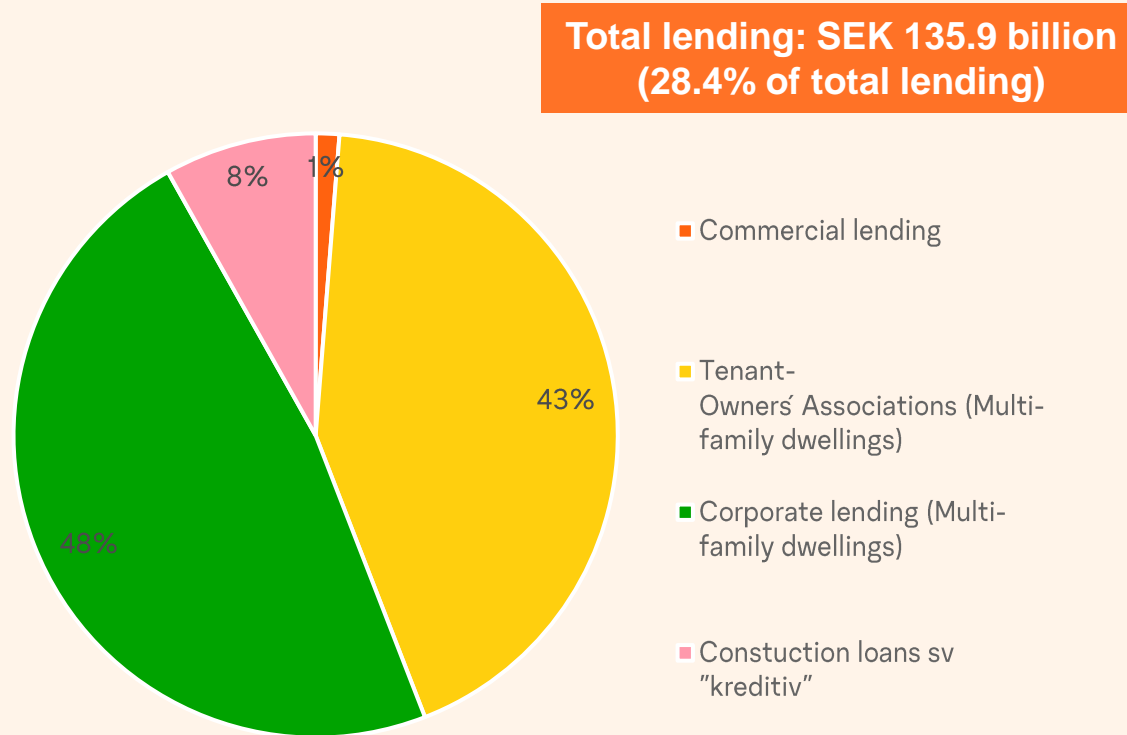


## Impaired loans



# Overview of corporate lending

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



## Comments

- Focus on large and experienced property companies with strong balance sheet
- Construction loans (Sw "kreditiv") capped at 6% of total lending (see next page)
- SBAB's exposure to pure commercial properties is limited. Commercial lending capped at 3% of total lending (currently 0.4%). Our primary focus is on financing multi-family dwellings



# Construction loans

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

## Comments

- Focus on major residential developers and existing relationships with solid track records
- 88 outstanding construction loans (87 number of properties) totaling SEK 20.0 billion (of which 56% disbursed). Construction loans capped at 6% of total lending (current level 4,2%)
- More prudent acceptance levels for smaller residential developers, e.g., higher levels of equity, number of sales agreements
- Most of the construction loans are to companies with diversified revenue streams (i.e., not only from real estate development, but from rental apartments, infrastructure projects and real estate management). Strong balance sheets and good levels of liquidity among SBAB:s customers with building credits

## Key metrics

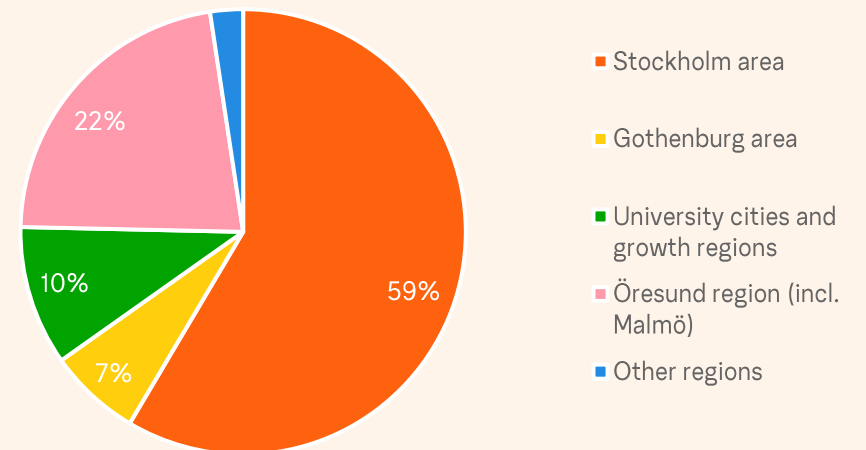
Granted credit amount

**20.0** bn

Disbursed share

**56%**

### Geographical distribution





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## Sweden's most satisfied customers

For the third consecutive year, **SBAB had Sweden's most satisfied** residential mortgage customers 2021 according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI), which each year measures customer satisfaction in the banking and finance sector. With a customer satisfaction score of 76.1 out of 100, SBAB ranks well above the sector average of 72.0. For the fourth consecutive year, SBAB also has Sweden's most satisfied customers in terms of property loans to corporates and tenant-owners' associations.

# SBAB's commitment to sustainability

- Comprehensive business transformation since autumn 2014 in connection with the strategy change from full-service bank to focus on housing and household finances (Sw. "Boende och boendekonomi")
- At SBAB, we do not distinguish between business objectives and sustainability objectives. Sustainability fully integrated in SBAB's business plan/governance structure since 2017
- Three overall (commercial & sustainable) target areas for our operations. Together, they form the basis of a common approach to SBAB's contribution to sustainable societal development:
  - **Responsibility & transparency**
  - **Attractive workplace**
  - **Sound 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 SDGs 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.



Materiality (GRI) and  
impact assessment (PRB)

Gap analysis  
(operations)

Looking ahead and analysing  
impact is the basis for our strategic  
direction & prioritisation

SBAB’s target areas are set based on regularly  
conducted materiality assessments, stakeholder dialogue,  
impact analysis and research on trends and the regulatory  
environment.

To address sustainability challenges and opportunities  
and the demands identified from our operating  
environment, SBAB has established three overall business  
and sustainable target areas for the operations:  
Responsibility and transparency; Attractive workplace;  
and Sound finances.

# A truly sustainable strategy

Responsibility and transparency	<ul style="list-style-type: none"><li>• Responsible &amp; transparent offering</li><li>• Our business is based on trust</li></ul>	<ul style="list-style-type: none"><li>• Together for the climate</li><li>• Inclusive housing market</li></ul>
Attractive workplace	<ul style="list-style-type: none"><li>• Corporate culture</li><li>• Leadership</li><li>• Respect &amp; equality</li><li>• Attracting &amp; Recruiting</li></ul>	<ul style="list-style-type: none"><li>• Learning &amp; development</li><li>• Health</li><li>• Remuneration</li></ul>
Sound finances	<ul style="list-style-type: none"><li>• Sustainable growth</li><li>• Sustainable funding</li><li>• Cost efficiency</li><li>• Capitalisation</li></ul>	<ul style="list-style-type: none"><li>• Dividend</li><li>• Profitability</li><li>• Climate risk</li></ul>

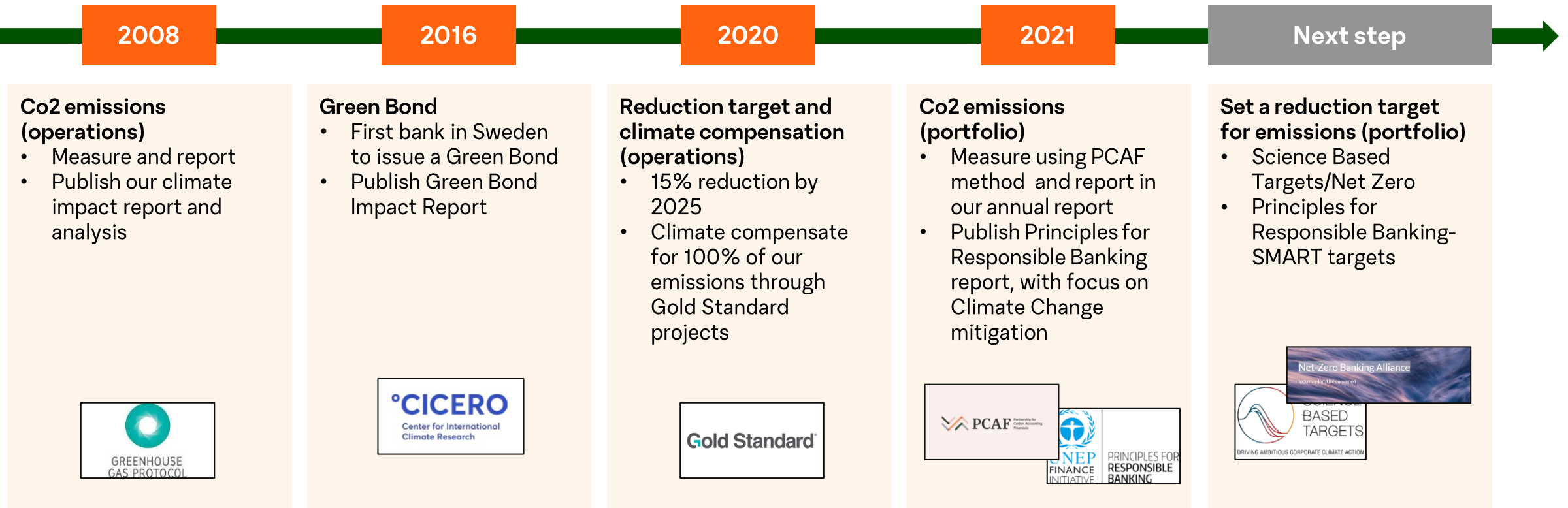


# SBAB's business/sustainability goals

		Goal 2021	Results 2021
<b>Responsibility &amp; transparency</b>  	<b>Responsibility:</b> The Sustainability index, rank in brand surveys	Top 3	2nd
	<b>Transparency:</b> Proportion of customers who believe that SBAB has an offering that is straightforward and easy to understand	90%	79%
	<b>Customer satisfaction:</b> Sweden's most satisfied customers according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI)	Top 3	1st
	Residential mortgages Property loans	Top 3	1st
<b>Attractive workplace</b>  	<b>Equality &amp; diversity:</b> Equality between women/men in management positions (within the range)	45-55%	48/52%
	<b>Employee experience:</b> Percentage of employees who consider SBAB a great place to work	≥90%	91%
	<b>Committed employees:</b> Total Trust Index in Great Place to Work's annual employee survey	≥ 85%	86%
<b>Sound finances</b>  	<b>Profitability:</b> Return on equity over time	≥10%	11.1%
	<b>Dividend:</b> Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥40%	40%
	<b>Capitalisation:</b> CET1 capital ratio & total capital ratio above regulatory requirement	≥0.6%	4.3%
	CET1 capital ratio Total capital ratio	≥0.6%	4.2%



# SBAB's timeline on climate change mitigation





# INSIGHT: Impact reporting

## Green Bond Impact Report 2021

Issuer	Issue date	Amount issued	Format	Maturity	Coupon	ISIN	Framework
SBAB	4 October, 2017	SEK 1.0 bn	Senior unsecured	11 October, 2022	0.98%	XS1697577556	SBAB Green Bond Framework 2016
		SEK 750 mn		11 October, 2022	3M Stibor +75 bps	XS1697766951	
SCBC	23 January, 2019	SEK 6.0 bn	Covered bond	28 March, 2024	0.75%	XS1943443769	SBAB Group Green Bond Framework 2019
SBAB	13 June, 2019	SEK 2.25 bn	Senior Non-Preferred	06 June, 2024	3M Stibor +90 bps	XS2015229516	SBAB Group Green Bond Framework 2019
		SEK 750 mn		06 June, 2024	1.0%	XS2015229862	
SBAB	6 May, 2020	EUR 500 mn (equiv SEK 5.1 bn)	Senior Unsecured	13 May, 2025	0.50%	XS2173114542	SBAB Group Green Bond Framework 2019
SBAB	20 May 2021	EUR 500 mn (equiv SEK 5.1 bn)	Senior Unsecured	27 August, 2026	0.125%	XS2346986990	SBAB Group Green Bond Framework 2019
TOTAL		SEK 21.15bn					



### SBAB Green Bond Framework 2016

SEK 2.3bn → 208 tCO<sub>2</sub>e

Eligible Green Loans  
& Estimated annual avoidance of GHG emissions

### SBAB Group Green Bond Framework 2019

SEK 40.9bn → 11,405 tCO<sub>2</sub>e

Eligible Green Loans  
& Estimated annual avoidance of GHG emissions

**SBAB!**

SBAB Bank AB (publ)

**SCBC!**  
Covered bonds of SBAB

AB Sveriges Säkertallida Obligationer (publ)  
(Swedish Covered Bond Corporation – SCBC)

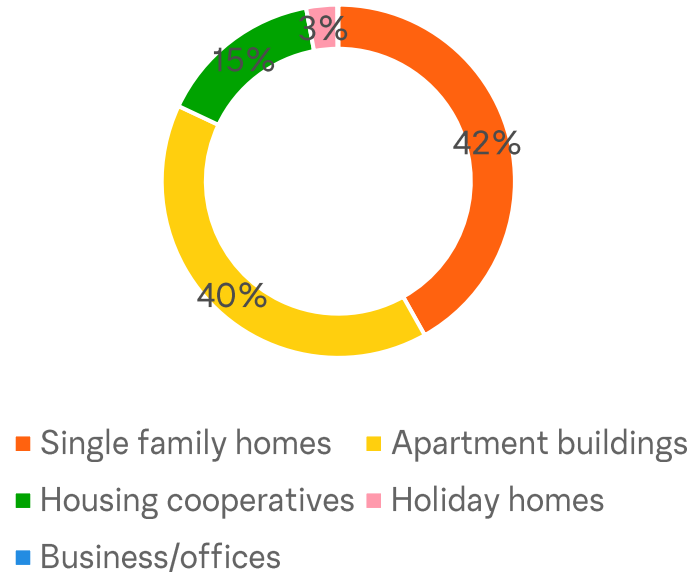
# INSIGHT: Co2 emissions from credit portfolio

## PCAF

- SBAB are signatories of PCAF (Partnership for Carbon Accounting Financials), a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments
- Applying PCAF's method, we calculated emissions from our portfolio with support and checks from PCAF
- The results was published in March 2022

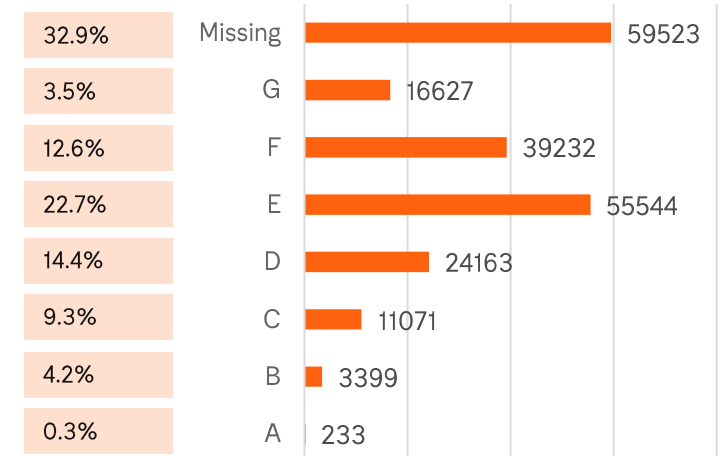


Emissions by object type



Emissions by energy classification

% of lending



**Total Co2 emissions**  
209,790 tonnes Co2



# Sustainability ratings

## Sustainalytics

### Low Risk & Strong ESG Management

According to Sustainalytics, SBAB is at low risk of experiencing material financial impacts from ESG factors. Our current risk rating decreased, and our ESG Management score significantly improved to strong compared to last year's rating. Only 3 % of rated institutions score better.

*(Latest update in October 2021)*

*"The company's ESG reporting is very strong and follows recognized best practices. It also has assigned responsibility for overseeing ESG issues at the board level. Additionally, its environmental policy is strong. Furthermore, it has established adequate standards on social supply chain issues. Moreover, its whistleblower programme is assessed as very strong. The company's overall management of material ESG issues is strong."*

## MSCI

### AA

MSCI has issued a rating of AA (on a scale of CCC to AAA) to SBAB. SBAB scores significantly higher than industry averages for governance, consumer financial protection, privacy & data security and financing environmental impact.

As of January 2021, SBAB has been upgraded from A to AA, where only 2% of MSCI constituents have a rating of AAA.

*(Latest update in January 2021)*

*"SBAB Bank has established strong programs for protecting the rights and interests of its customers."*

## Imug

### Positive BB

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

*(Latest update in March 2020)*





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# Update on capital

– SBAB well above external and internal requirements

## Components of SBAB's capital target Q1 2022

SEK million	CET1 capital	%
<b>Estimated capital requirements from the S-FSA</b>	<b>13,270</b>	<b>9.2%</b>
– Of which, Pillar 1 minimum requirement	2,429	1.7%
– Of which, Pillar 1 risk-weight floor, Swedish mortgages	4,061	2.8%
– Of which, Pillar 2 core requirement	3,158	2.2%
– Of which, Capital conservation buffer	3,605	2.5%
– Of which, Countercyclical buffer	16	0.0%
– Of which, Pillar 2 guidance (P2G)	-	-
<b>SBAB's capital target</b>	<b>14,712</b>	<b>10.2-12.2%</b>
<b>SBAB's actual capital</b>	<b>18,920</b>	<b>13.1%</b>

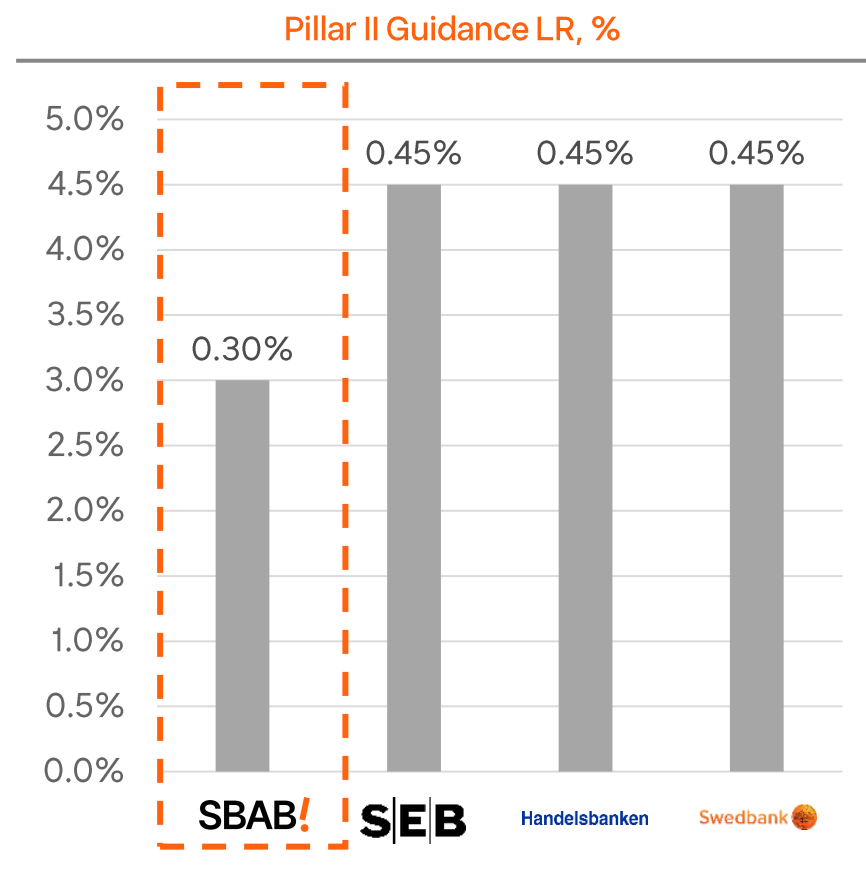
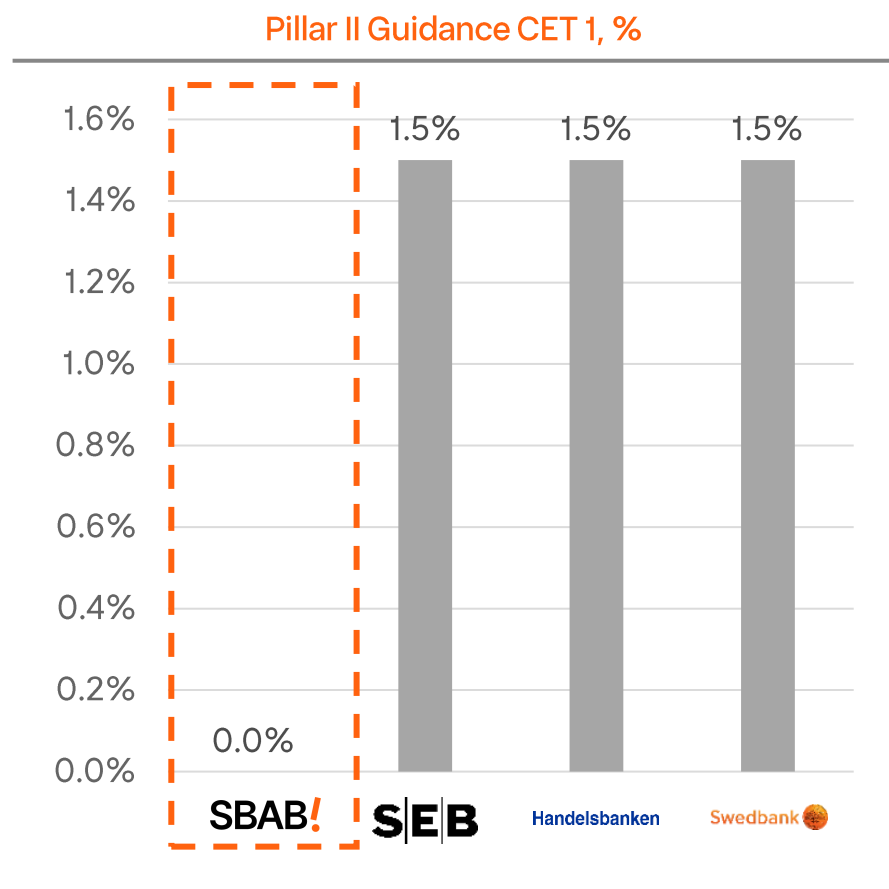
## Comments

- In January, the CEO of SBAB 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
- SBAB remains well above external and internal requirements in Q1 2022
- Leverage ratio stable at 4.0% as per 31 March 2022 (vs 4.0% as per 31 December 2021) – total requirement incl. P2G of 3.3%



# Pillar 2 Guidance vs peers

– S-FSA stress tests in line with SBAB:s own view – stable and solid business model



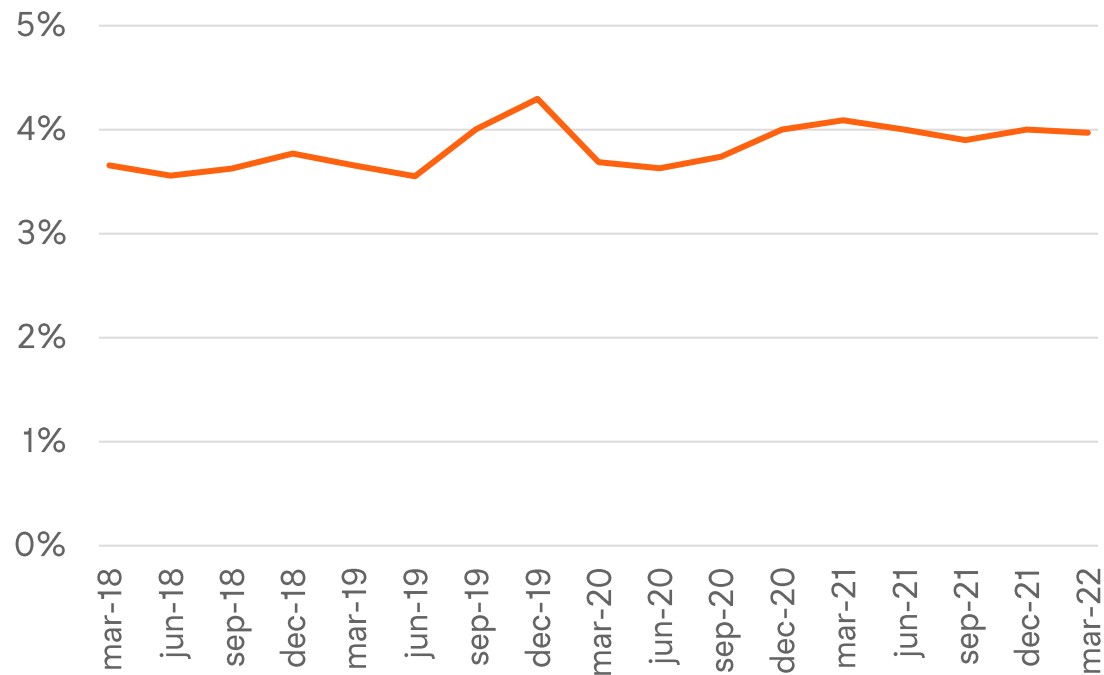
## Comments

- Risk weighted Pillar 2 guidance for SBAB is 0, significantly below peers
- Leverage Ratio Pillar 2 guidance for SBAB is at 0,30% also below peers' levels
- SFSA stress test results in line with SBAB:s own view – our business model is stable and sustainable also in tough market conditions

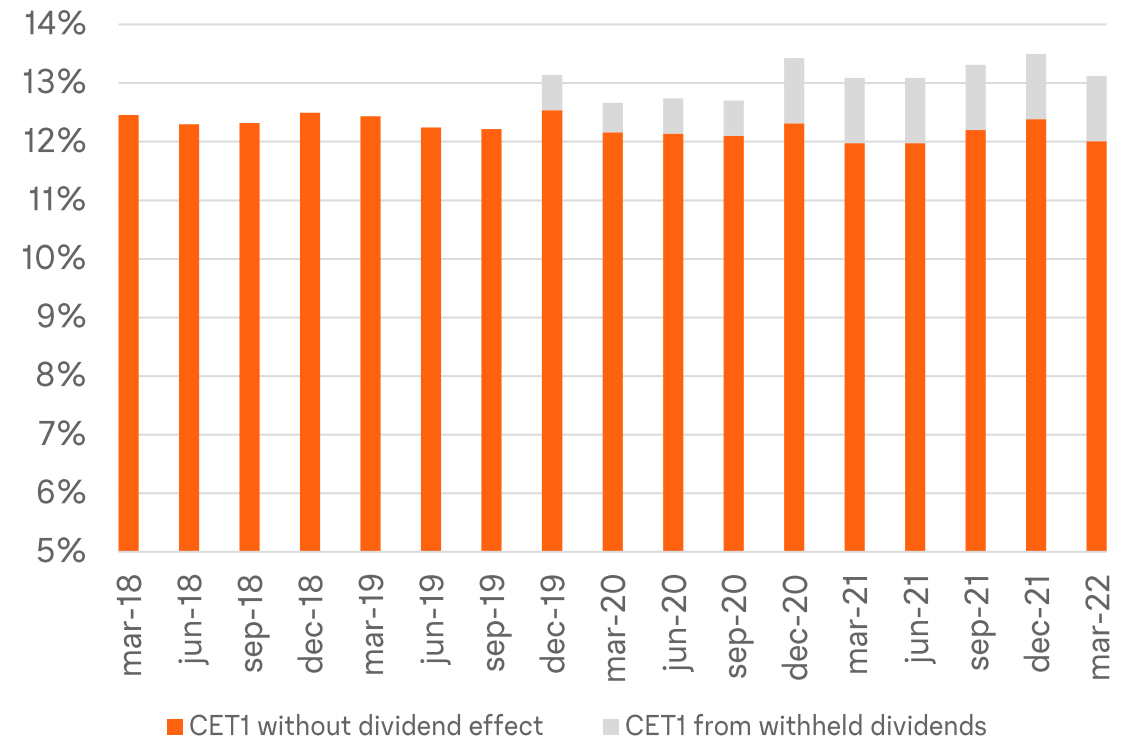


# History of stable capital ratios

Leverage Ratio



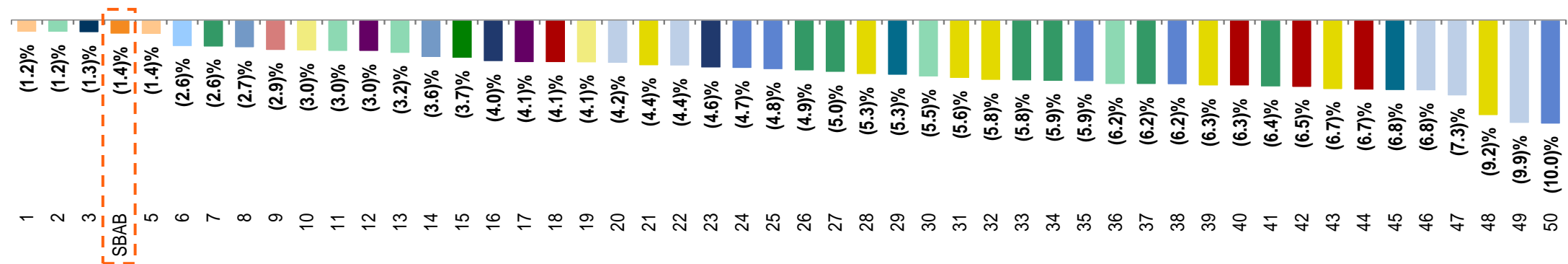
CET1 Ratio



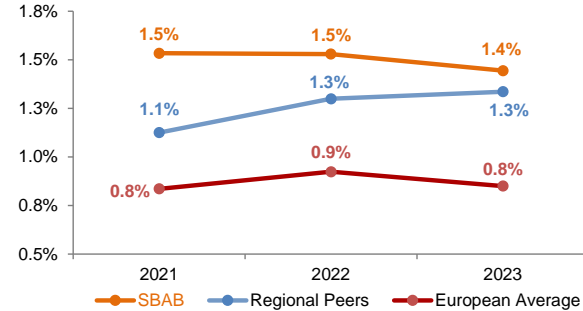
# EBA stress test results overview

– Best in class capital resilience under severe macro assumptions & superior CET1 generation in Baseline as well as Adverse scenarios

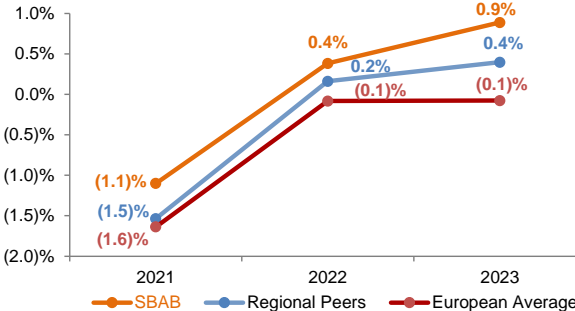
Best in Class Capital Resilience in the Adverse Stress Test Scenario



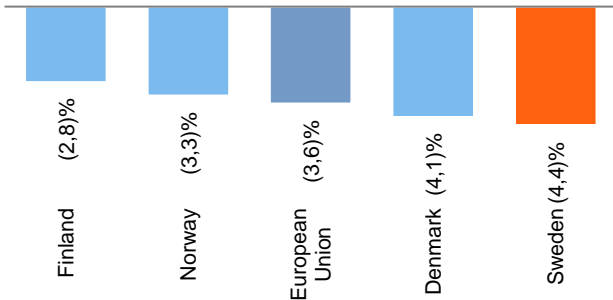
Baseline CET1 Generation (Net profit/RWAs)



Adverse CET1 Generation (Net Profit/RWAs)



Cumulative GDP Change (Adverse Scenario)



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# Rating overview

## Senior Unsecured Rating

MOODY'S

Stable Outlook

A1



Stable Outlook

A

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

MOODY'S



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+

A Senior Preferred

A-

SACP

BBB+

SNP

BBB

T2

BBB-

BB+

BB

AT1

[...]

\* SNP rating revised 2021/13/07 from Baa2 to Baa1



# SBAB's rating composition for senior debt

MOODY'S

## Stand-alone rating

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

## Notching

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

## Rating

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

STANDARD & POOR'S  
RATINGS SERVICES  
McGRAW HILL FINANCIAL

## Stand-alone rating

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

## Notching

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

## Rating

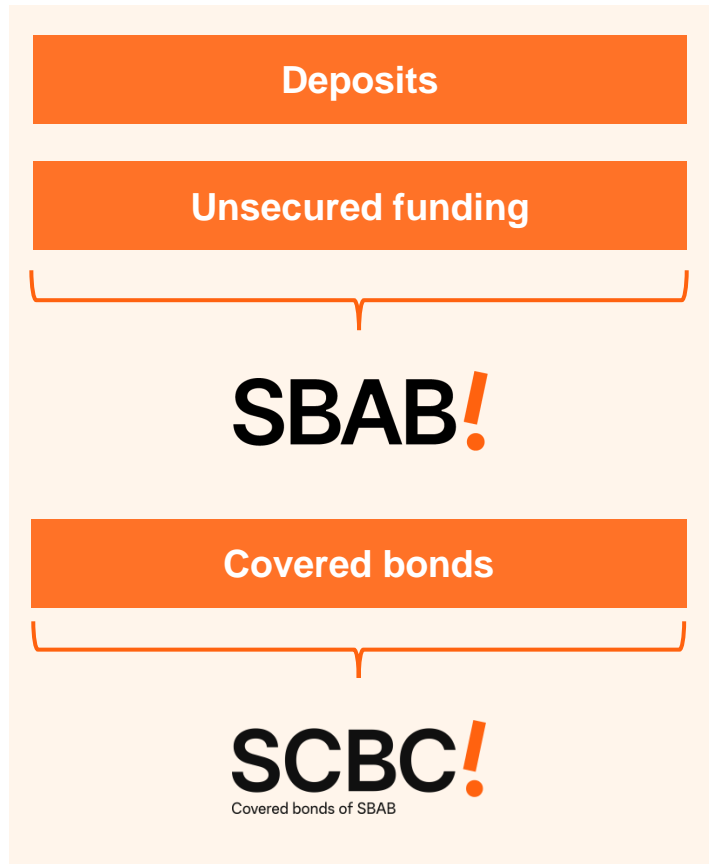
<b>Rating</b>	<b>A</b>
<b>Outlook</b>	<b>STABLE</b>



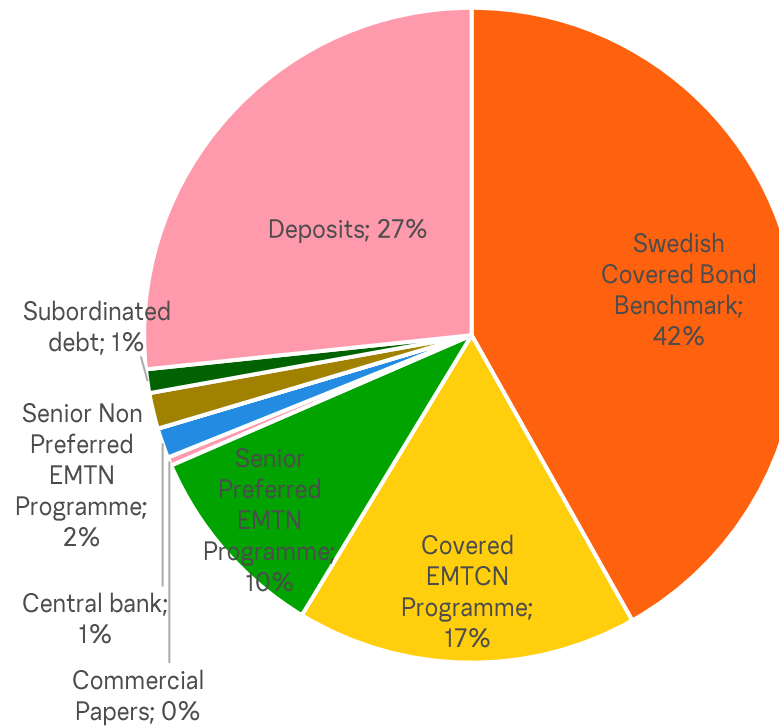


# Overview of funding

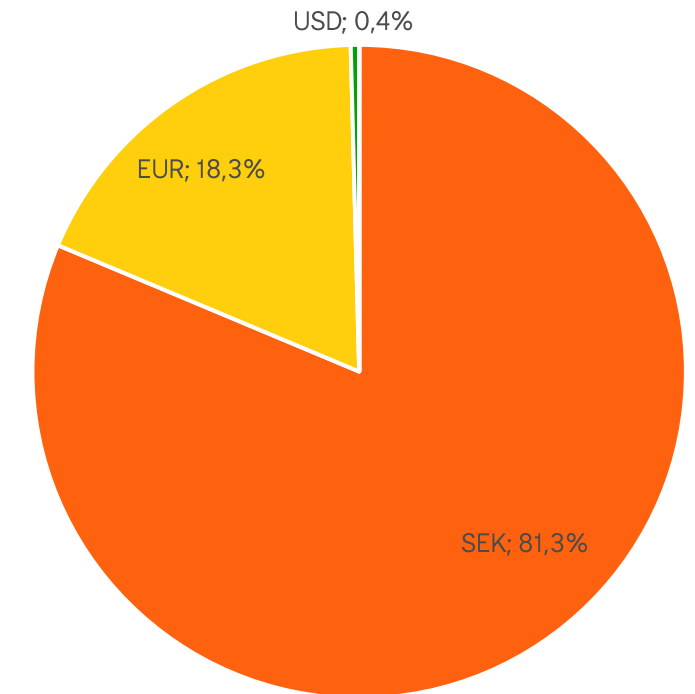
– Total funding portfolio SEK 542 billion (as of 31 March 2022)



Funding sources



Funding currencies

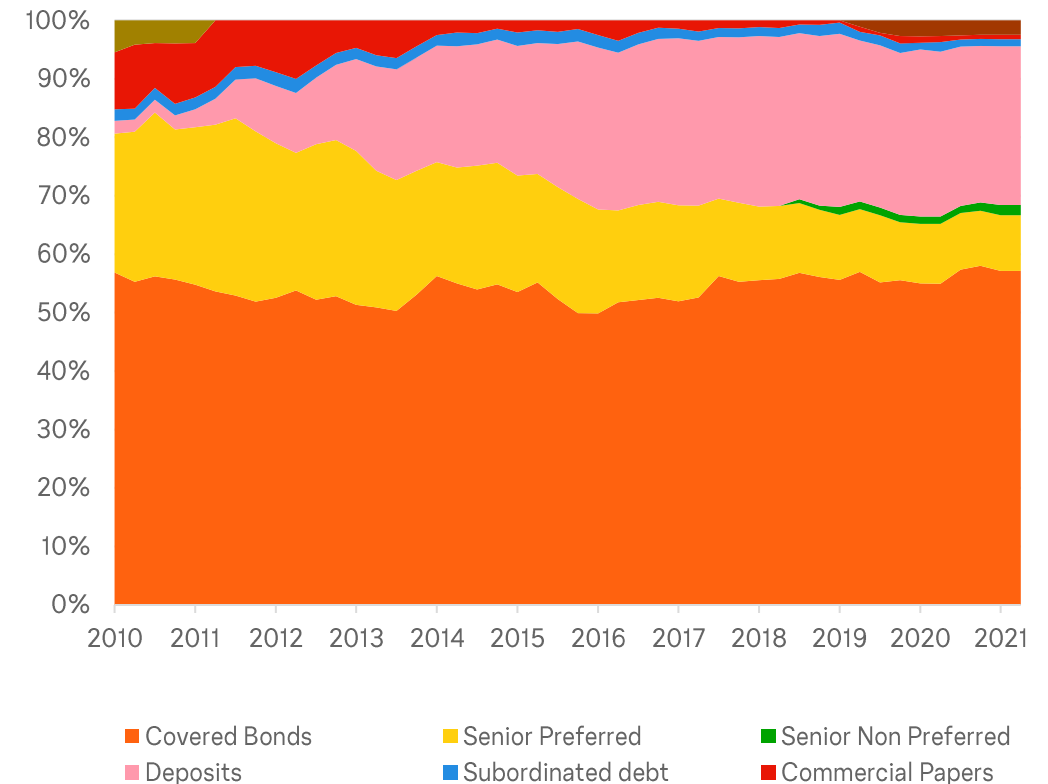


# Funding strategy & development

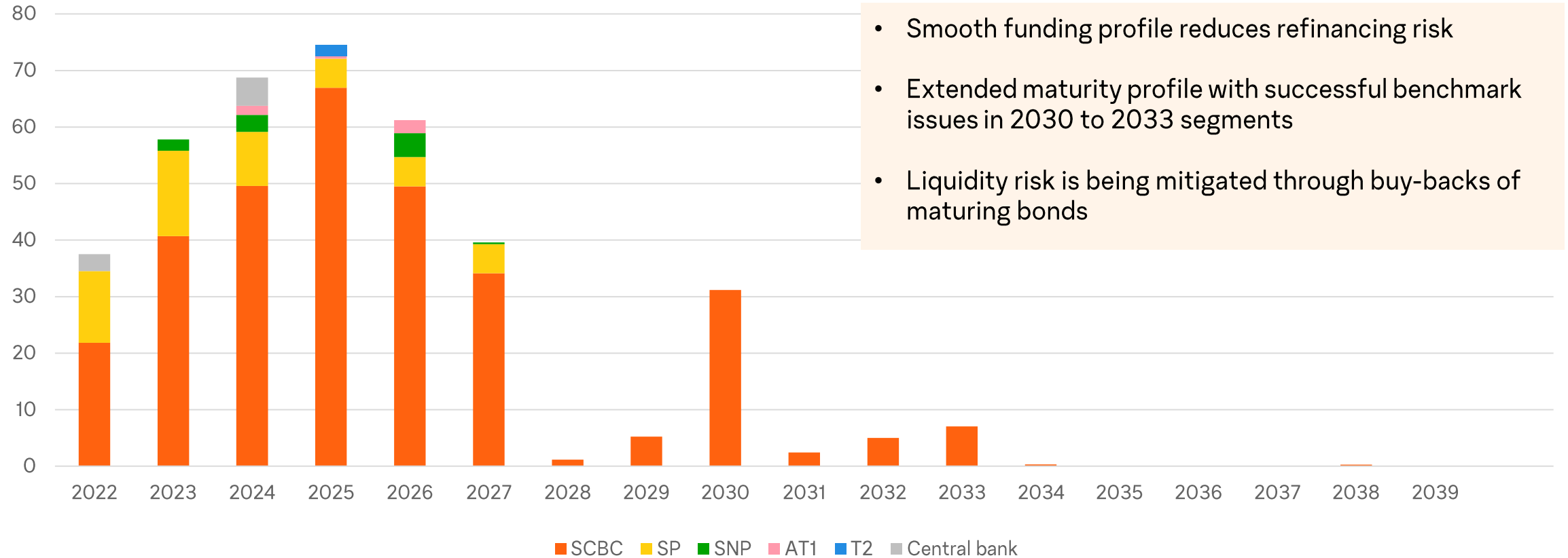
## Funding strategy

- Continuous and committed investor work in core markets and towards core investors to further increase name recognition and transparency
- Maintain access to core funding markets; SEK- and EUR-market
  - Regular benchmark issuance in Covered Bond format as and in Senior Unsecured format
  - Private placements as a complement
- Reduced wholesale funding reliance due to growing deposit volumes. Maintain a low reliance on foreign currency funding
- Efficient use of Covered Bond Funding ~ 55% of total funding. 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



# Maturity profile



# MREL requirement

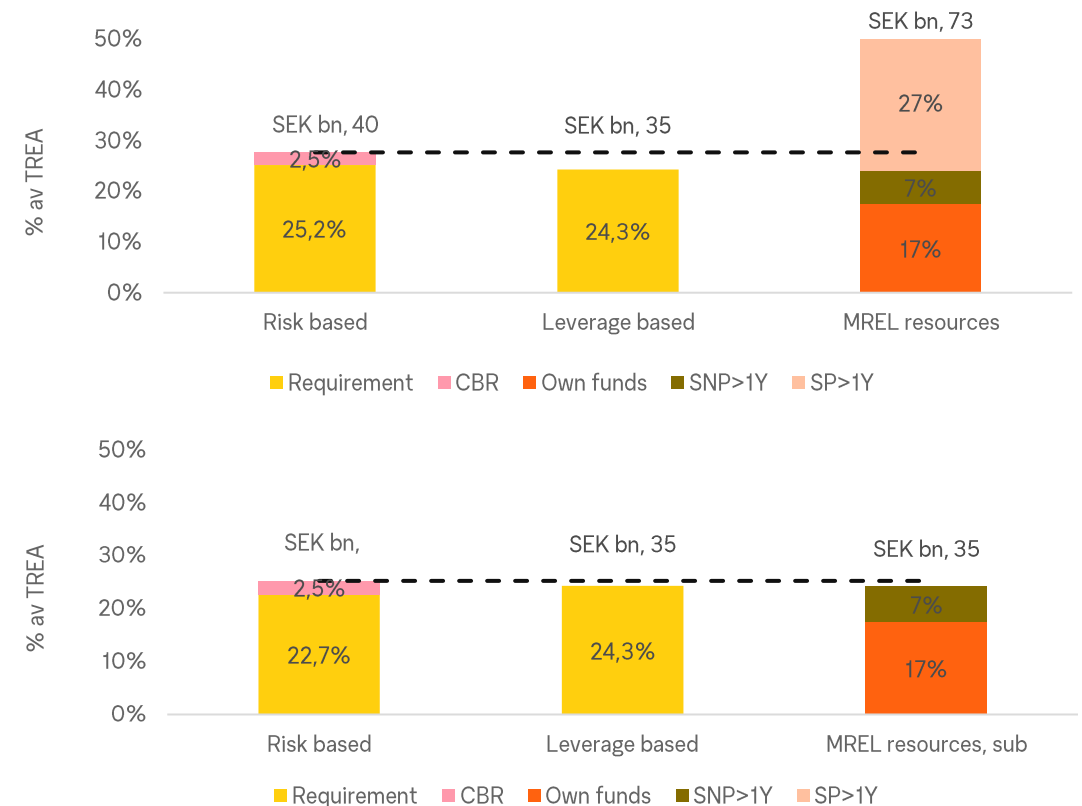
– Regulatory change under BRRD2

## 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 bn (9.5 bn issued up until Q1 2022) 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 2022 and 2023

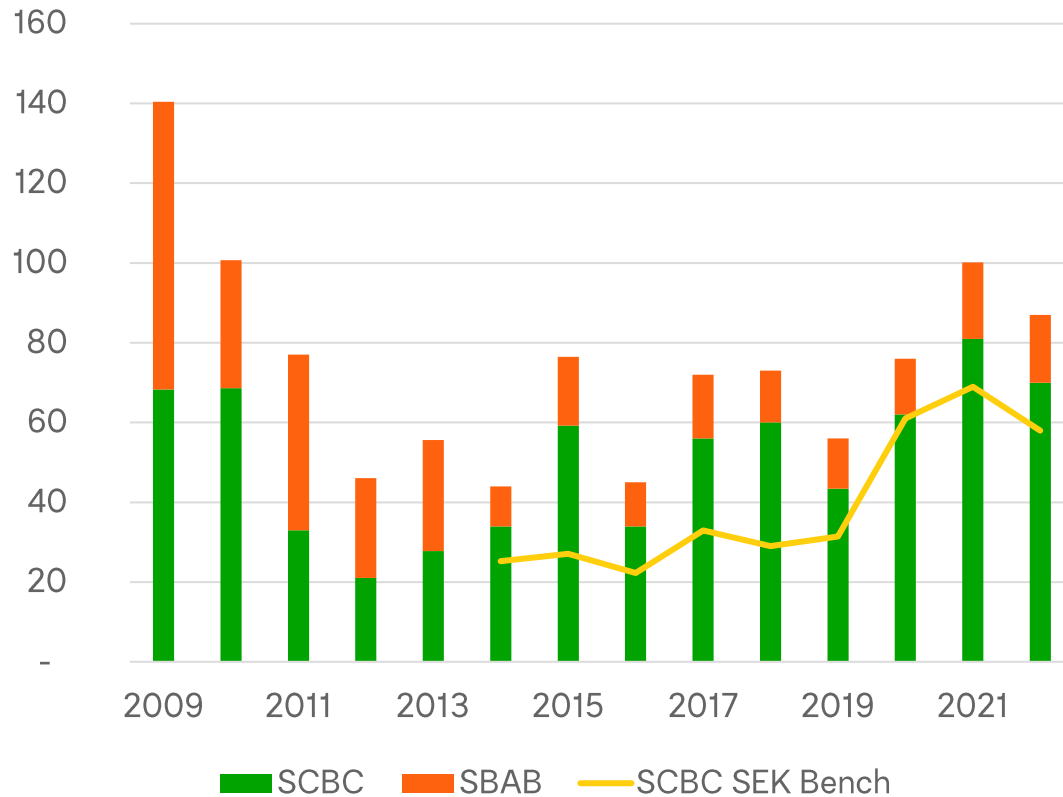
MCC=Market Confidence Charge and consists of: CBR – CcyB + P2G. For the riskbased approach capital used to meet CBR cannot be double counted.

## MREL and subordination requirement in January 2024 (assumptions done with Q1 2022 figures, % of TREA)



# Future issuance

Annual issuance, SEK (bn)



## Future issuance

- Total long-term funding for 2022 expected to be approximately SEK 85-90 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



# Regular presence in EUR market



**SBAB!**

Senior Unsecured  
€500mn

0.75%  
5y due June '23

June 2018

**SBAB!**

Senior Unsecured  
€500mn

0.50%  
5y due May '25

May 2020

**SBAB!**

Senior Unsecured  
€500mn

0.125%  
5,25y due Aug '26

May 2021

**SBAB!**

Senior Unsecured  
€500mn

0.5%  
5y due Feb '27

Jan 2021



**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

**SCBC!**  
Covered bonds of SBAB

Covered Bond  
€500 mn

0.375%  
10y due Jun '29

June 2019

**SCBC!**  
Covered bonds of SBAB

Covered Bond  
€1000 mn

0.01%  
8,75y due March '30

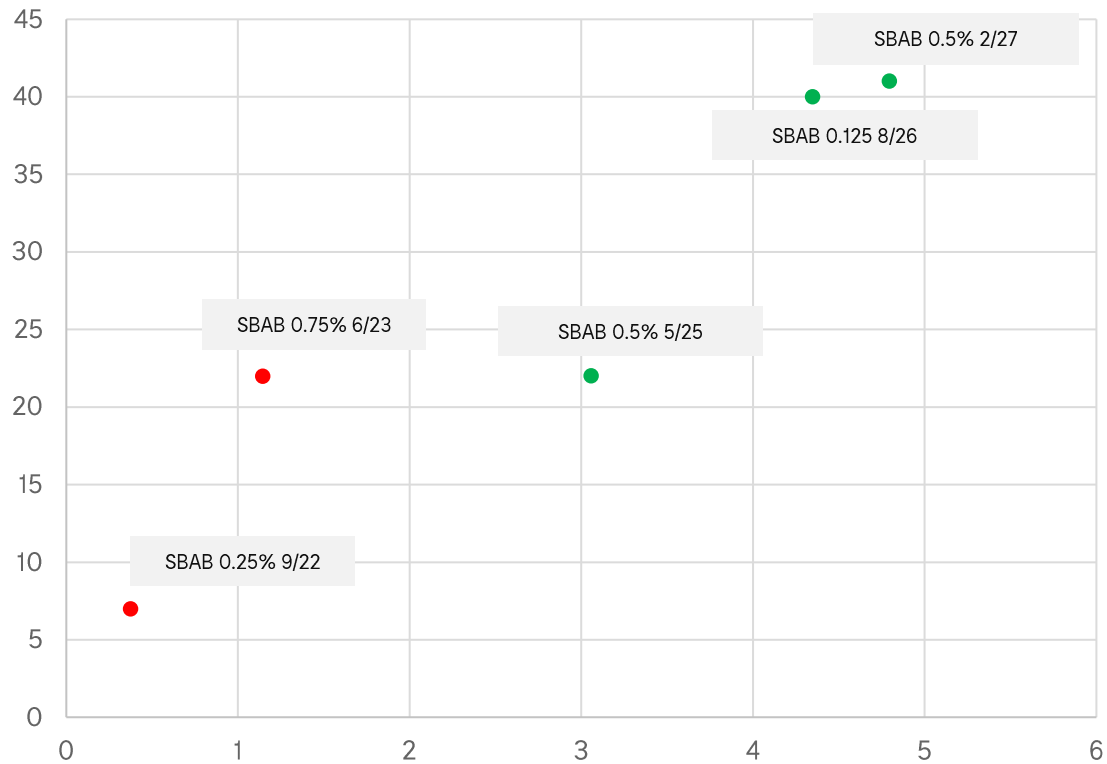
June 2021



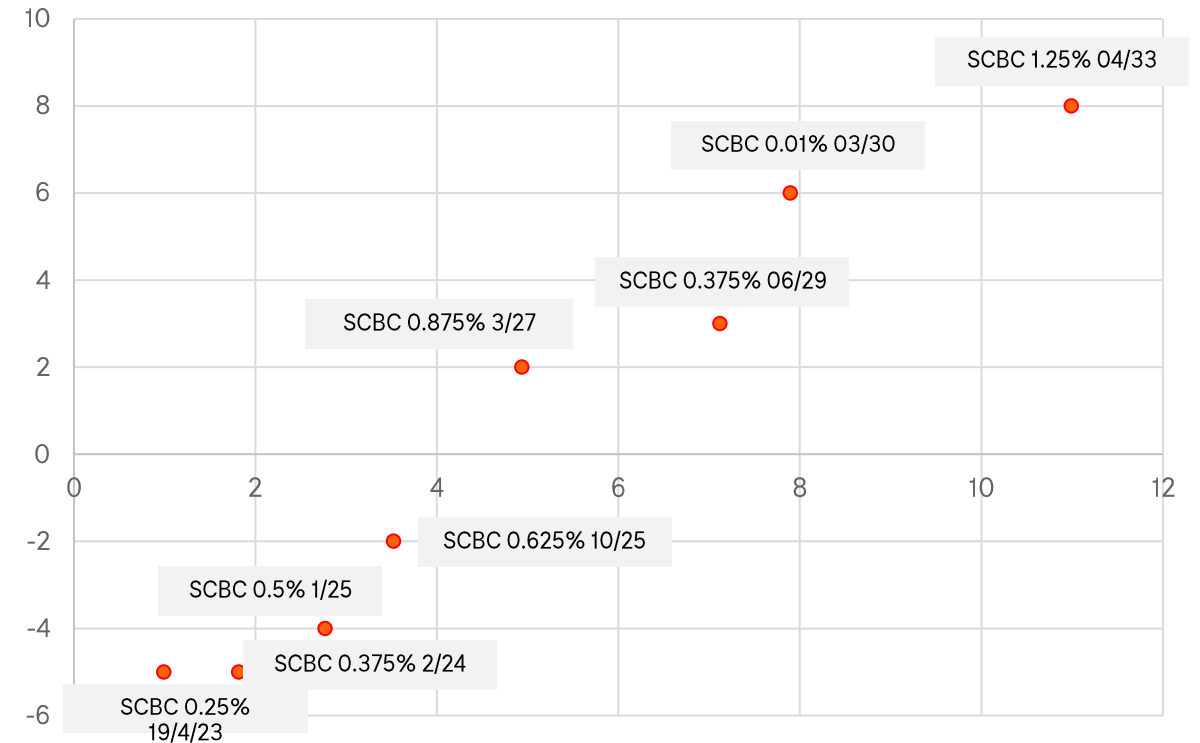
# Outstanding SP and CB (EUR)

– Spread vs MS, bps

Senior Unsecured (SP)



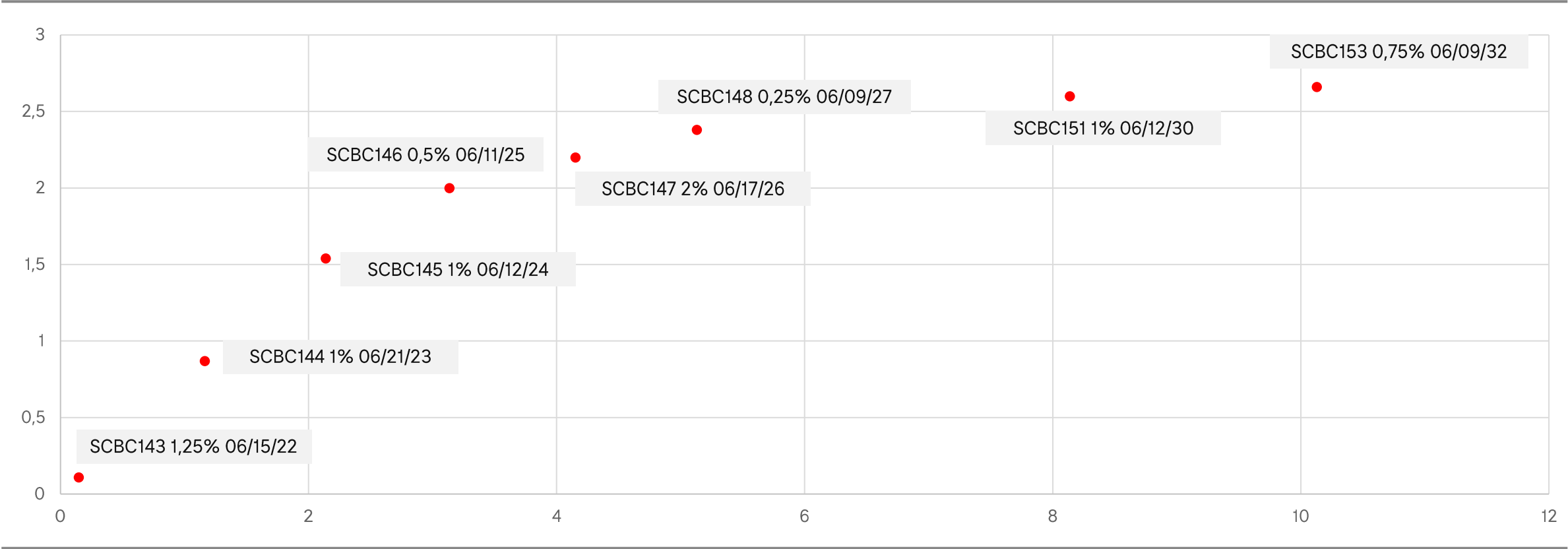
Covered Bonds (CB)



# Outstanding CB (SEK)

– Yield to maturity, %

Liquid benchmark CB curve in SEK covering broad range of tenors

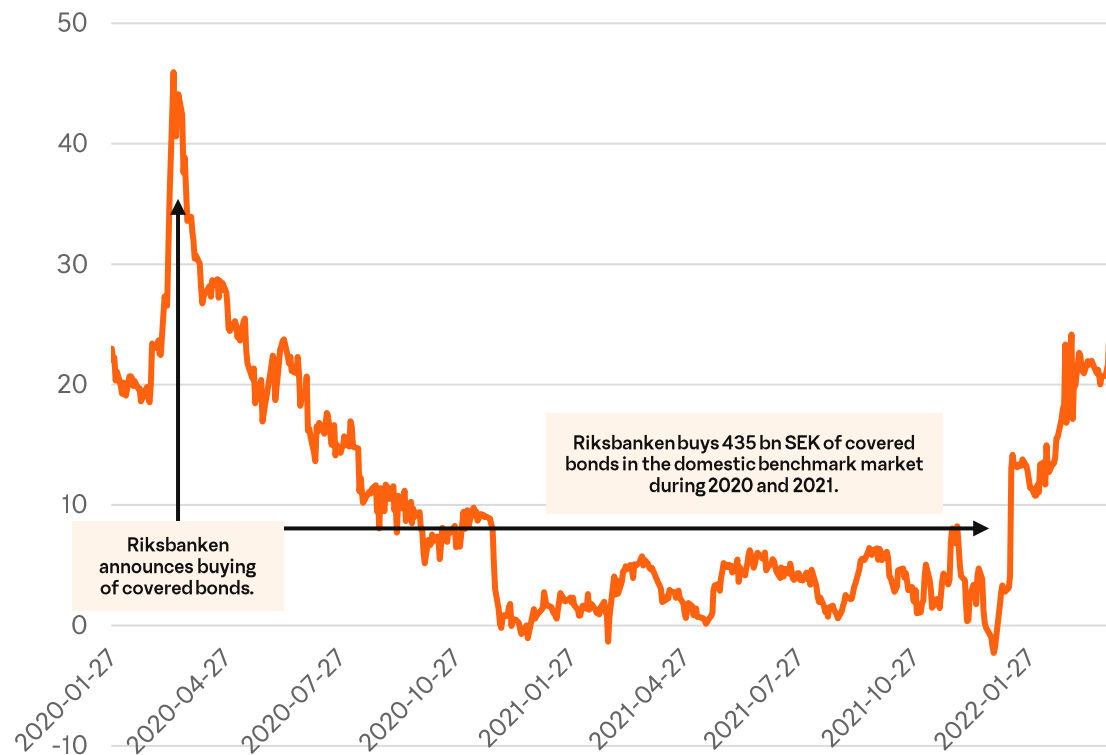




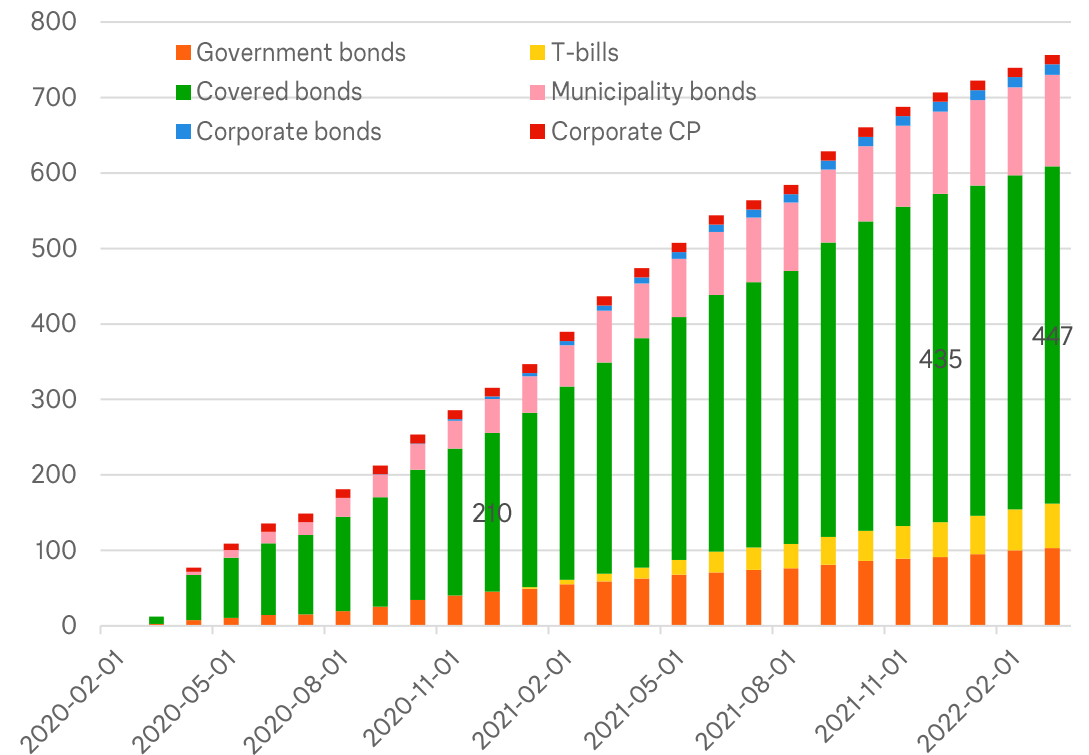
# Riksbank QE

– Riksbank QE has given strong support during 2020 and 2021, but much less so expected for 2022

CB spread SCBC ~5Y SEK, bps vs swap



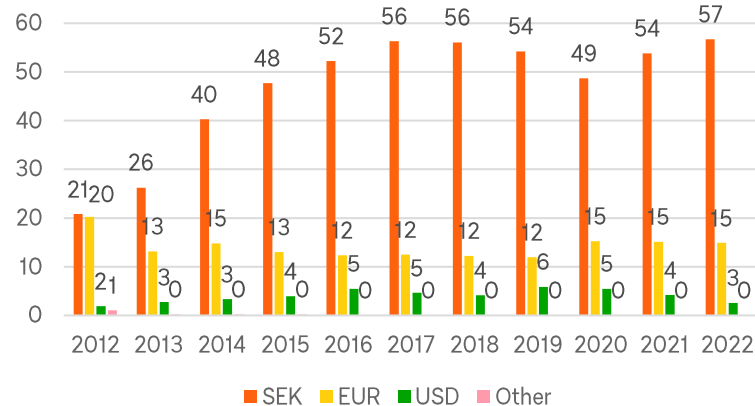
Riksbank bought another 12 bn CB during Q1 2022



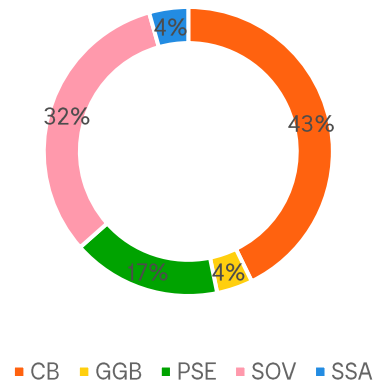
# Liquidity position

- Strong liquidity position with LCR and NSFR well above regulatory requirements
- Survival horizon implies liquidity need coverage for 383 days under stressed scenario (unchanged lending portfolio, severe deposit outflow and no new funding added)
- High quality and diversified liquidity reserve within relevant currencies with 95% AAA rated
- Liquidity reserve eligible at the Riksbank and/or ECB

Liquidity portfolio (Currency distribution)



Liquidity portfolio (Securities type)



## Key metrics

### Liquidity portfolio

**74** bn

### LCR

**191%**

### NSFR

**129%**

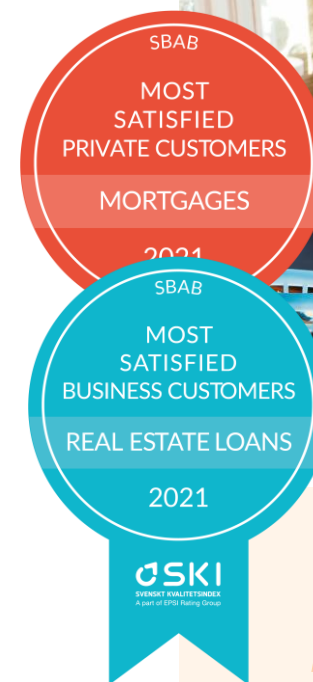
### Survival horizon

**383** days



# Contents

- 1 SBAB in brief
- 2 Business performance
- 3 Financial performance
- 4 Credit portfolio and asset quality
- 5 Our commitment to sustainability
- 6 Capital
- 7 Funding & liquidity
- 8 The Swedish economy and housing market



## Sweden's most satisfied customers

For the third consecutive year, **SBAB had Sweden's most satisfied** residential mortgage customers 2021 according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI), which each year measures customer satisfaction in the banking and finance sector. With a customer satisfaction score of 76.1 out of 100, SBAB ranks well above the sector average of 72.0. For the fourth consecutive year, SBAB also has Sweden's most satisfied customers in terms of property loans to corporates and tenant-owners' associations.



**booli!**  
En tjänst från SBAB

## Large quantities of data relating to the housing market

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

# The Swedish economy & housing market

- We expect Sweden's GDP growth rate to fall back to about 3% in 2022 which in the current circumstances is good. The good development also includes rising employment and falling unemployment
- Simultaneously with the good real economic development, inflation has picked up speed, especially on energy and food, which has eroded households' purchasing power and contributed to rising interest rates that will put pressure on households with mortgages, and on housing price development
- The economic starting point is good
  - Households have for a long time had a high saving rate, and currently large financial assets in addition to housing assets
  - The central government has a low debt and sound finances
  - Swedish authorities have for a long time worked to secure financial stability



# The Swedish economy

## Forecast key figures Sweden

	2021	2022	2023	2024
Real GDP, actual	4.8 (4.8)	3.0 (3.3)	2.3 (2.3)	2.1 (1.7)
Household consumption	5.8 (5.2)	3.7 (4.0)	2.3 (3.0)	2.6 (2.6)
Public consumption	2.8 (3.5)	2.0 (1.2)	1.0 (0.7)	1.0 (1.0)
Investments	7.9 (7.5)	3.0 (5.0)	2.5 (2.5)	1.8 (1.5)
Net export, GDP-contribution (pp)	-0.4 (0.1)	0.1 (0.0)	0.3 (0.2)	0.2 (-0.1)
Employment	1.1 (0.5)	2.4 (1.6)	1.3 (1.3)	0.7 (0.6)
Unemployment rate (%)	8.8 (8.3)	7.3 (7.5)	6.7 (6.8)	6.9 (6.7)
Inflation, CPI-F growth	4.1 (4.1)	4.6 (2.7)	2.9 (2.2)	2.3 (2.1)
Policy rate, yearly average (%)	0.00 (0.00)	0.21 (0.00)	0.77 (0.27)	1.23 (0.50)
KIX-index (-)	114.3 (114.3)	118.2 (115.8)	117.3 (115.1)	116.4 (114.3)

Note: Annual percentage growth unless indicated otherwise. Light orange background indicates SBAB Q2 forecast published in April 2022. Figures in brackets = Q1 forecast published in February 2022.

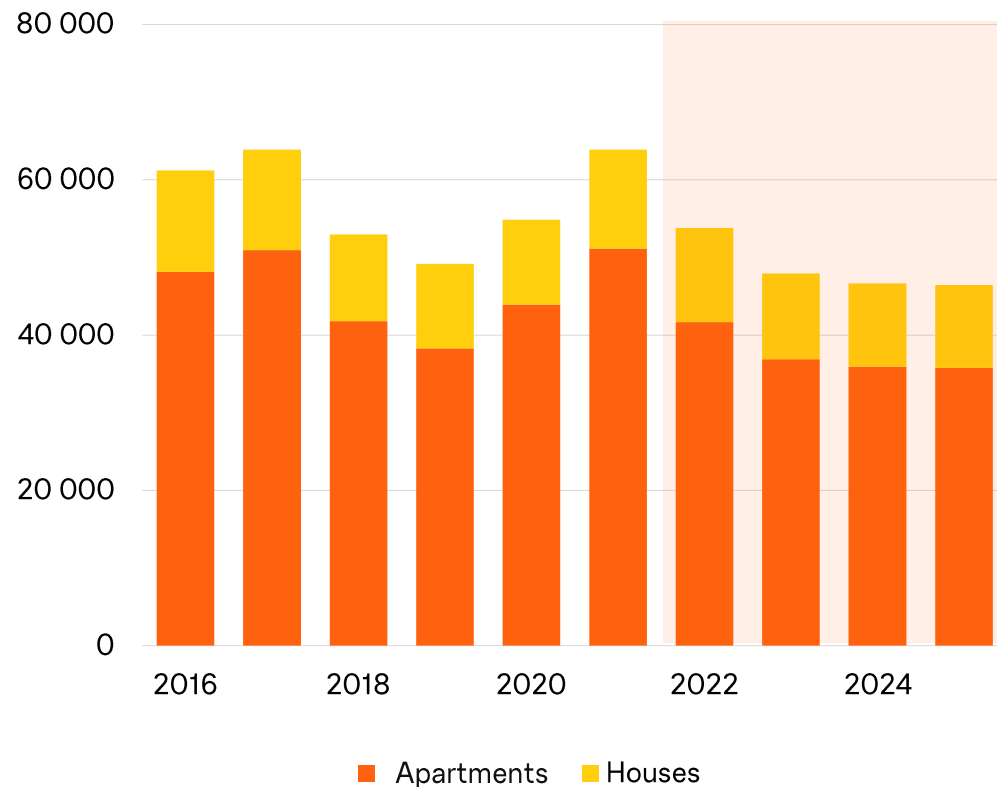
## Comments

- Another good year for GDP growth in 2022 where the recovery from corona pandemic continues to more parts of the economy
  - Initially a large part of the growth came from trade and manufacturing, then from household consumption. In 2022 the contribution from tourism and the entertainment industry is expected to become more prominent
- Some characteristics of the Swedish economy are rapid population growth, many households with large mortgages but also with high savings
- Public finances are sound and central government debt is low
- For several years, the Swedish economy has been characterized by low inflation and low interest rates, but inflation picked up in the second half of 2021 and interest rates in early 2022



# Housing construction

Housing construction (number of homes)



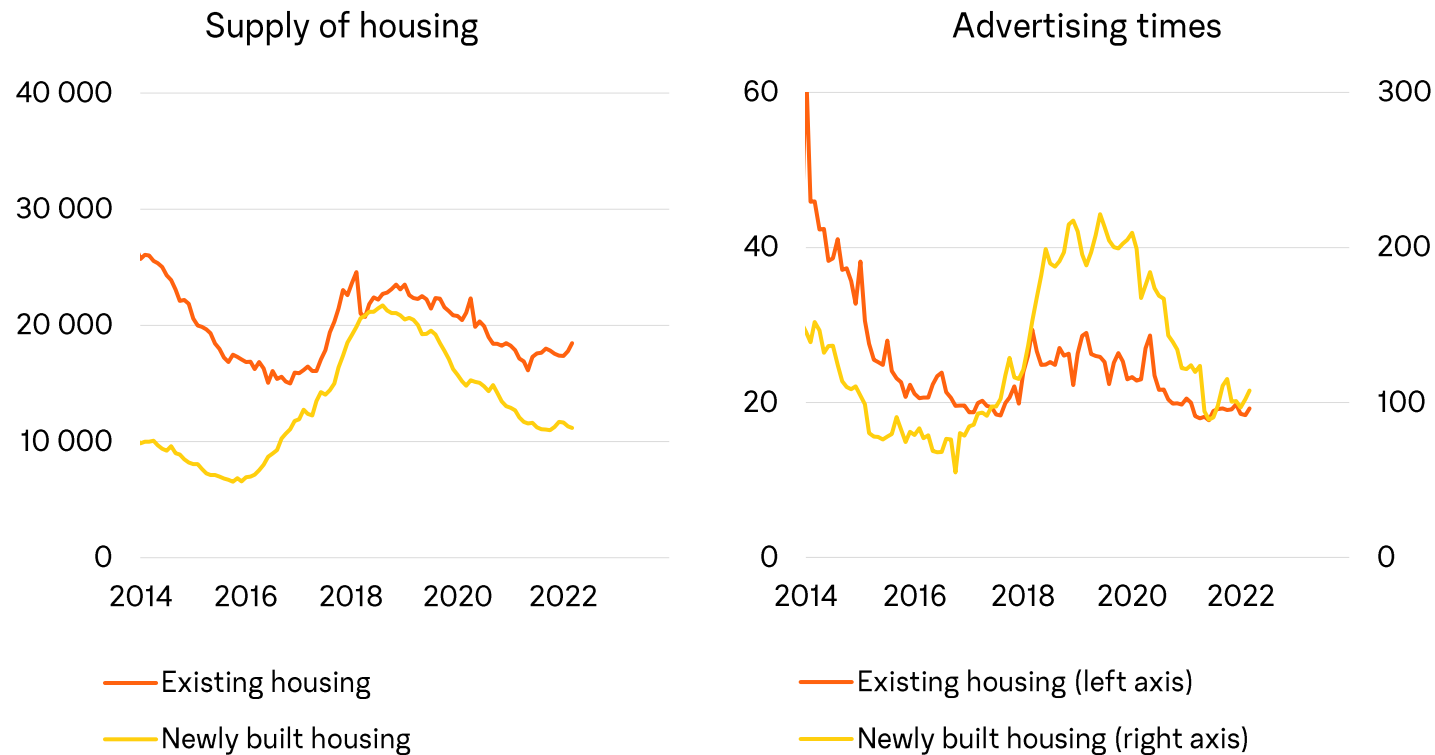
Still need for new housing

- Housing construction is expected to decline quite rapidly in the coming years from about 64,000 homes in 2021 (excluding rebuilt housing) to less than 48,000 homes per year from 2024 onwards
  - Housing construction is currently under pressure from the availability of materials and equipment, and rapidly rising prices for many inputs
  - Soon it may also come under pressure from falling prices on the secondary housing market
- There is a housing shortage estimated to roughly 100,000 homes, despite high rate of construction in recent years, which justifies a high construction rate
  - The shortage is expected to worsen somewhat this year due to the influx of refugees from Ukraine
  - The shortage is expected to be mitigated in the longer term because only 35,000 homes per year need to be built to keep pace with population growth



# Intense but stable housing market

Housing supply (homes per week) and advertising time (days)



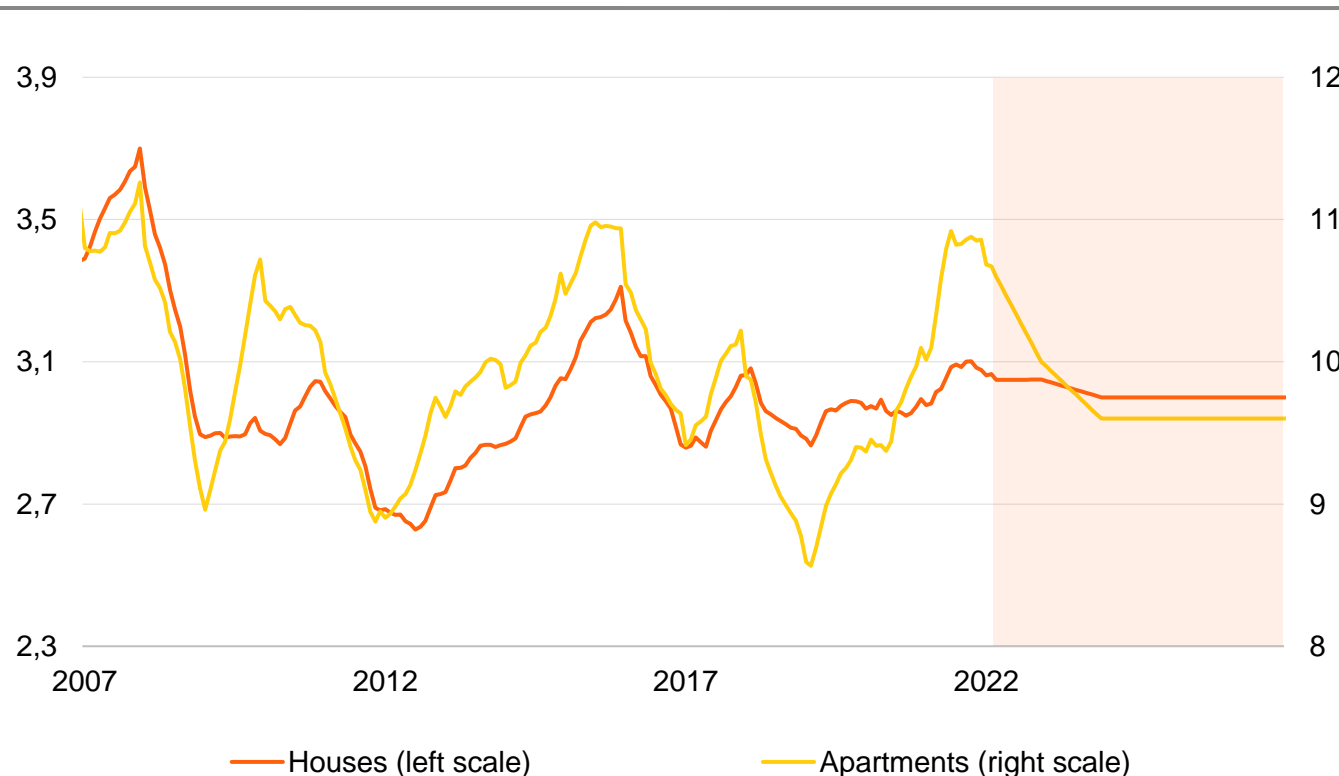
Yet no major changes in trends

- The trends in the housing markets in Sweden have been stable over the past year with quite small changes in development since the summer of 2021
- A low supply of housing has contributed to short advertising times
- For existing homes, the trend may have turned since mid-2021 towards a higher supply and sales volumes
- For newly built homes, there is still a low supply and short advertising times
- Rising mortgage interest rates are expected to cool the housing market somewhat and lead to a higher supply and longer advertising times



# Housing turnover about to normalize

Housing turnover rate, Share per year of each stock (%)



Normalization as the economy is slowing down

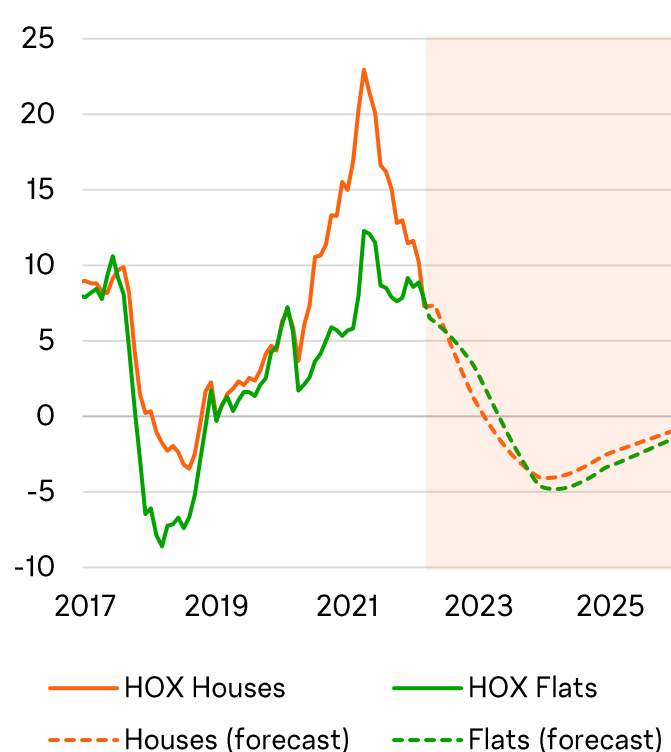
- The housing turnover is expected to come down to an average level, which is at about 3 per cent per year for houses and just under 10 per cent per year for apartments
- There is a clear historical pattern with high turnover during booms and low sales during recessions. But also signs that sales are affected by credit market conditions such as mortgage ceilings (LTV)





# Declining housing price development

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



	Index Mar-22	Change since		
		1m	3m	12m
<b>Sweden (HOX)</b>	<b>303</b>	<b>0.0%</b>	<b>+4.4%</b>	<b>+7.5%</b>
<b>Flats</b>	<b>351</b>	<b>0.0%</b>	<b>+3.4%</b>	<b>+7.7%</b>
Stockholm	338	0.0%	+4.1%	+9.3%
Gothenburg	374	+0.4%	+2.7%	+4.1%
Malmö	319	-0.3%	+4.4%	+7.7%
<b>Houses</b>	<b>295</b>	<b>+0.1%</b>	<b>+5.0%</b>	<b>+7.3%</b>
Stockholm	298	+0.2%	+3.0%	+7.6%
Gothenburg	292	-0.5%	+4.9%	+6.9%
Malmö	278	+2.0%	+6.2%	+6.1%

## Downward prices when interest rates rise

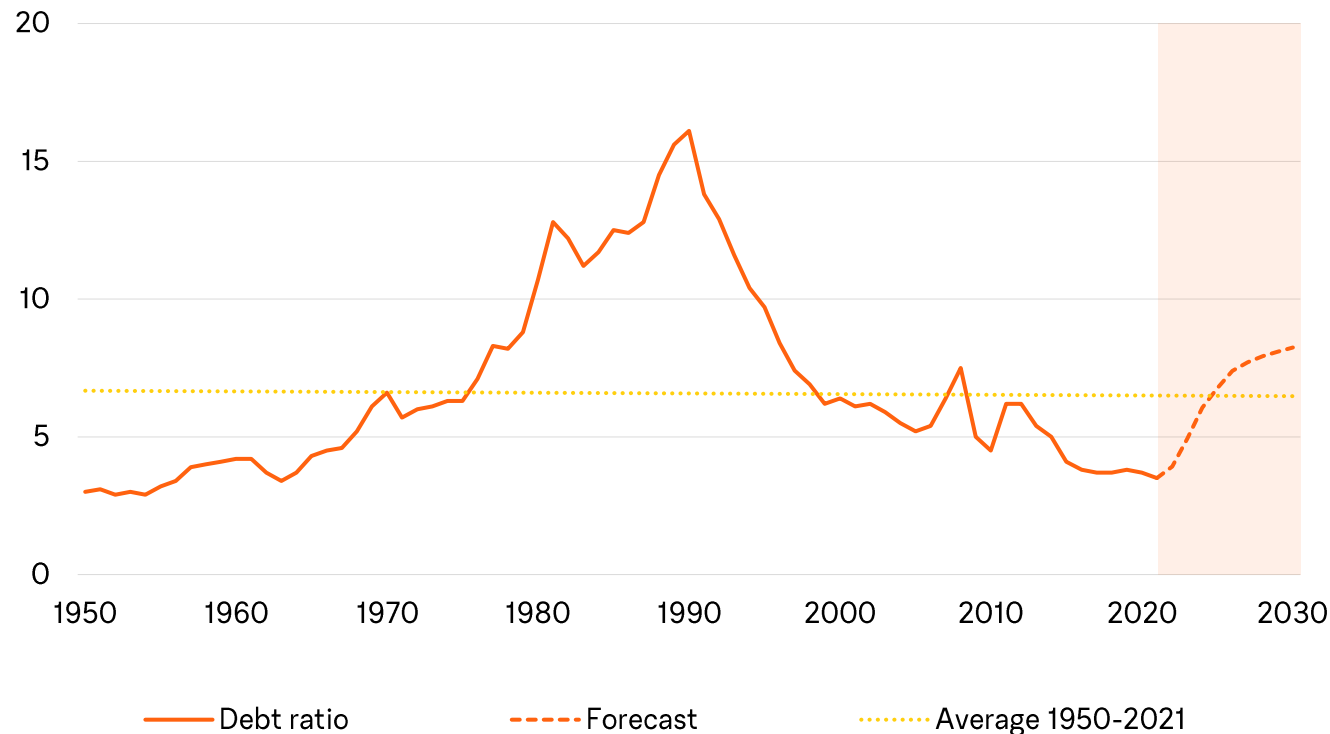
- Housing prices have increased by an average of over 7% over the past ten years
  - History shows that peak years with housing prices rising more than 15%, and bottom years with falls below -5% are common
- SBAB's forecast is that housing prices will roughly level out at year-end 2022 and then turn downwards in the following years, as a result of rising interest rates
  - The forecast is based on a user cost of housing model, deviations from this may occur in the short term, e.g. as a result of a mismatch between supply and demand or changes of households' expectations on the future



# Interest expenses at low levels

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

Interest expenditure (% of disposable income)



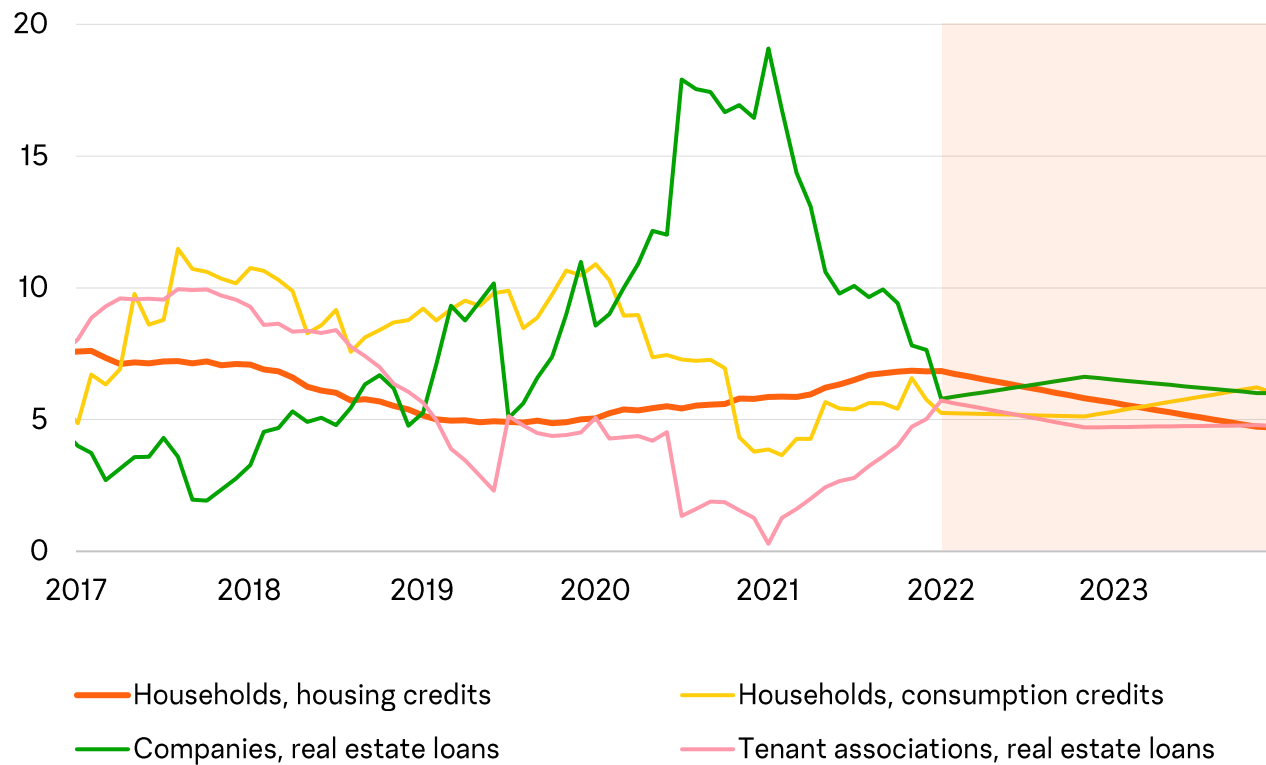
Comment

- High debt-to-income ratio but low interest costs
- Interest expenses in relation to disposable income (interest ratio) at a very low level from a historical perspective
  - At 3.7% in 2021 before tax deductions
- The interest ratio is expected to increase in coming years
  - Interest expenses are distributed among more households, partly because more households own their homes
  - Interest expenses share of income differs between younger and older homeowners, and between households in metropolitan areas and in sparsely populated areas



# Credit growth development

Credit growth, YoY growth rates (%)



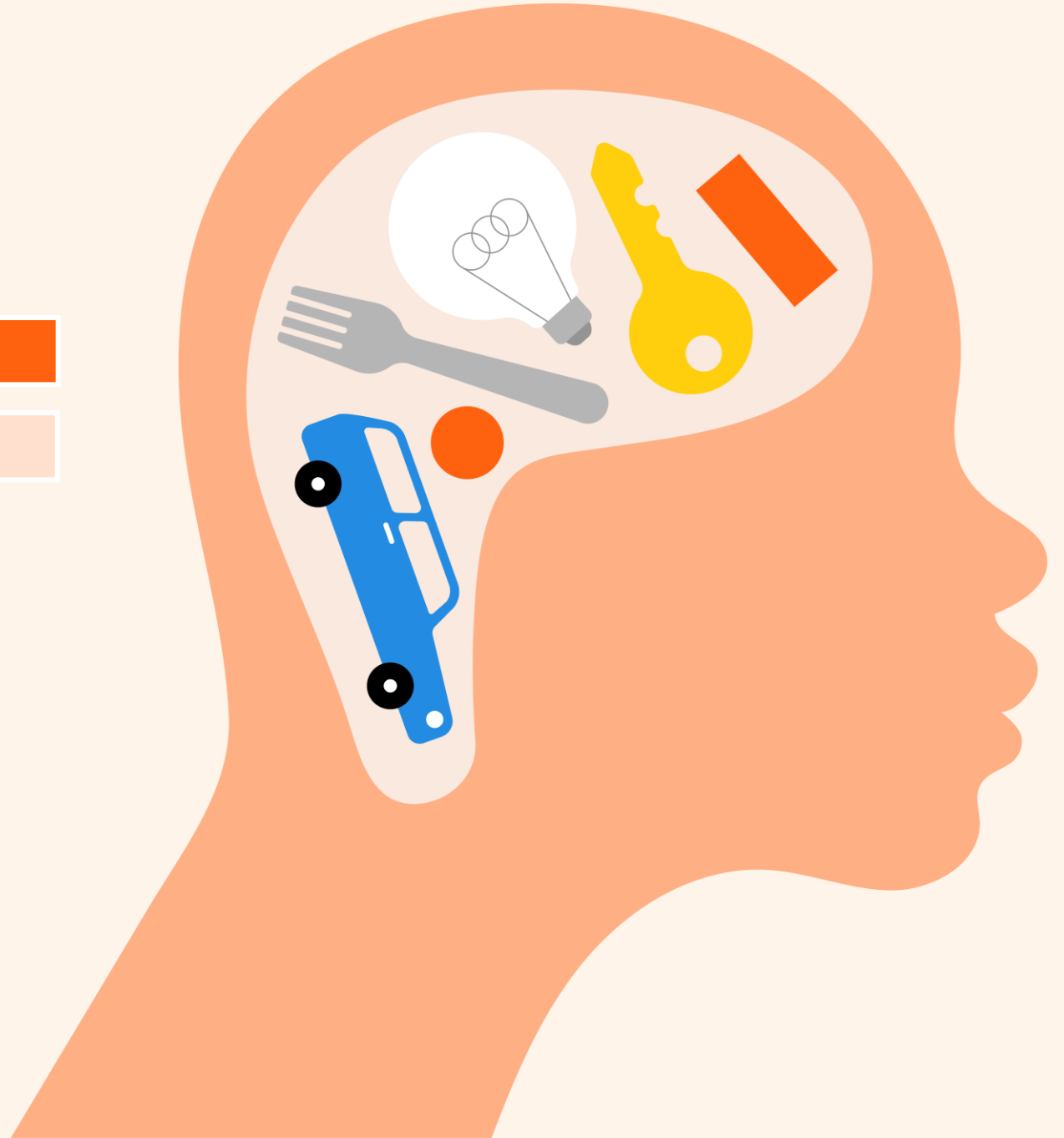
Normalization in the wake of the corona pandemic

- Credit growth for non-financial companies' real estate loans, soared during the pandemic. The growth rate slowed down in 2021 and is currently at 5,8% which is on par with the historical average and expected future pace
- The growth rate of household mortgages has increased gradually over a two-year period and was 6.9% at the end of 2021
- According to SBAB's forecast, the growth rate of household housing credits is expected to decrease by some percentage point this year, and to around 5% in the next few years
  - The forecast considers e.g. the developments of housing prices, mortgage rates, and housing turnover



# Appendix

1	SCBC
2	Other



# About SCBC

## SCBC overview

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

## Eligible cover pool assets

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

### Simulation of decline in house prices

Housepricechange	Eligible assets in cover pool (SEK bn)	WALTV (%),0	OC* (%)
0%	424.4	52.3	30.1
-5%	421.4	54.4	29.2
-10%	417.1	56.4	27.9
-15%	411.0	58.3	26.0
-20%	402.8	60.1	23.5
-25%	392.6	61.7	20.4
-30%	380.0	63.3	16.5

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

## Key metrics

### Cover Pool (SEK)

**425<sub>bn</sub>**

### No. of loans

**479,288**

### OC

**30.3%**

### WALTV

**52.3%**

# Overview SCBC

## The Swedish covered bond market

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

Source: ASCB, Association of Swedish Covered Bond Issuers

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

<b>Collateral</b>	<i>100% Swedish residential mortgages *</i>
<b>Over Collateralization</b>	30.3%
<b>Weighted average LTV</b>	52.3%
<b>Weighted average seasoning</b>	4.9 years
<b>Loans in arrears</b>	<i>0.00%. Arrears below 0.01% (loans in arrears &gt; 30 days are excluded from the Cover Pool)</i>
<b>Number of loans</b>	479,288
<b>Average loan size</b>	SEK 886,273
<b>Geographical location</b>	<i>Spread throughout Sweden; concentrated to economic hubs</i>
<b>Pool type</b>	<i>Dynamic</i>
<b>Originator</b>	<i>SBAB Bank Group</i>
<b>Interest rate type</b>	<i>48.4% floating, 15.6% fixed / 54.5% amortising, 45.5% interest only</i>

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



# The SCBC product

## The limited activities of SCBC provide additional benefits to investors

### Robust structure

- Strength of a regulated entity combined with a restricted activity vehicle reduces number of other potential creditors
- As a result, in addition to the eligible assets, investors also benefit from over-collateralisation provided by: (1) Non-eligible assets and (2) Regulatory capital held by SCBC

### Subordination of SBAB interests

- Fees for services provided by SBAB are subordinated to SCBC's senior creditors
- Where a mortgage certificate serves as collateral for 2 different mortgage loans, SBAB has subordinated its interest to SCBC

### Loans in arrears

- Loans 30 days in arrears are normally removed from the cover pool in SCBC

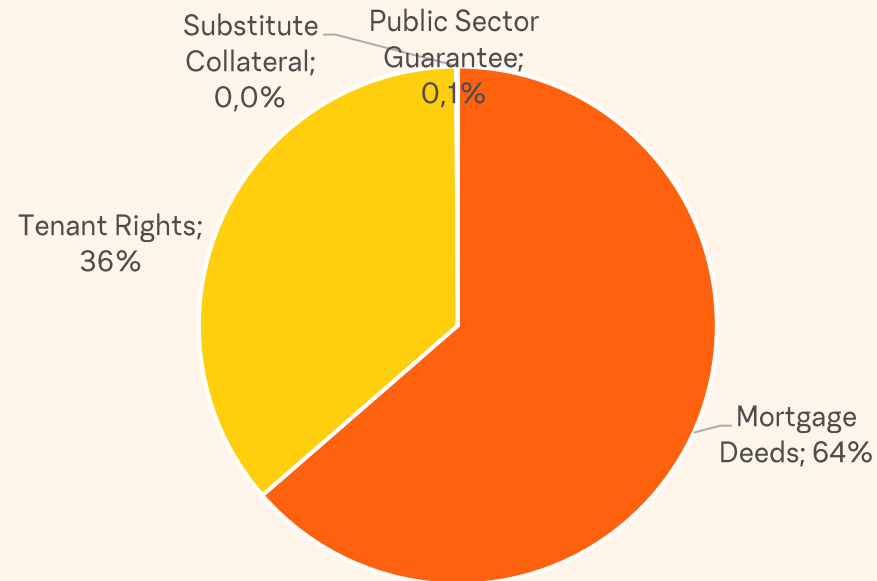
### Other features

- Dynamic OC in compliance with Aaa requirements
- UCITS Compliant
- Swedish covered bonds are eligible for repo at Riksbank
- ECBC Harmonised Transparency Template, HTT
- National Template, NTT

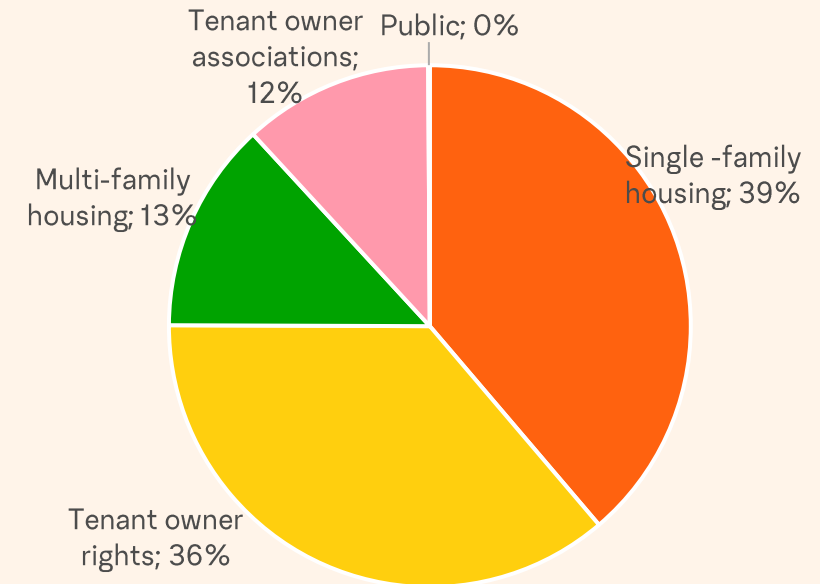


# Cover pool characteristics (1/2)

Breakdown by collateral



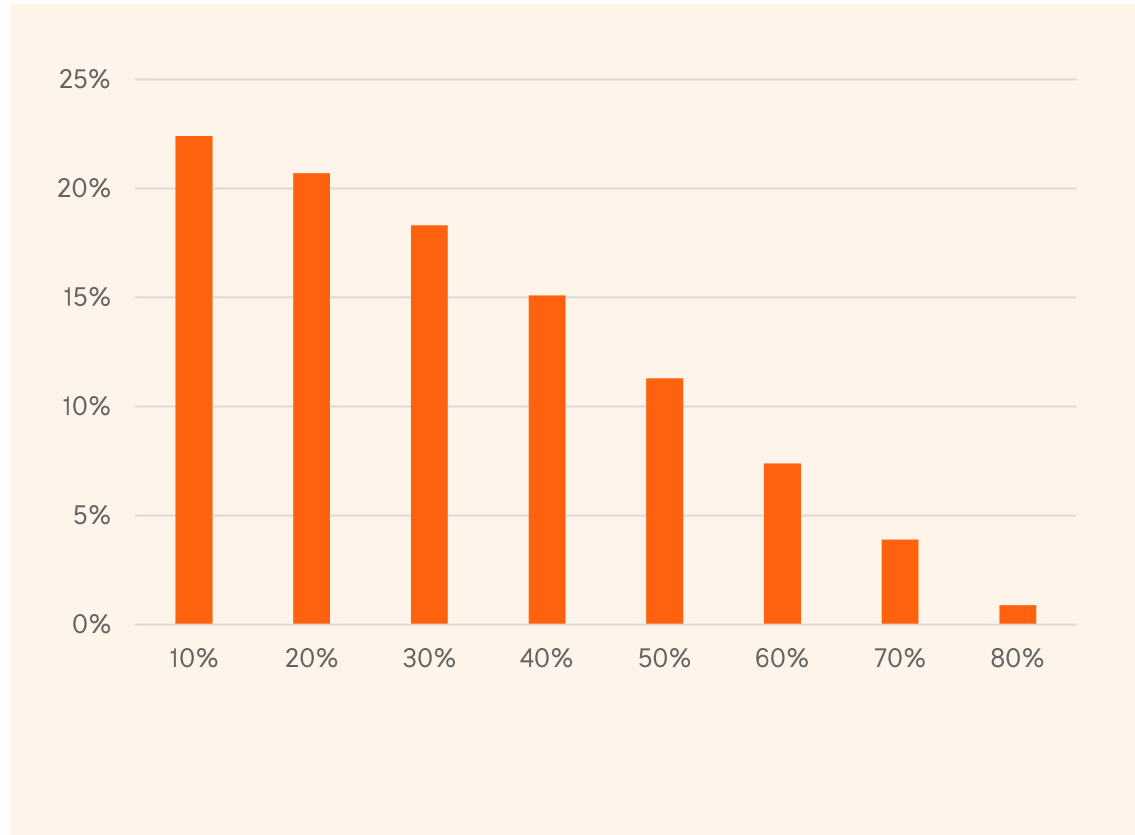
Breakdown by owner



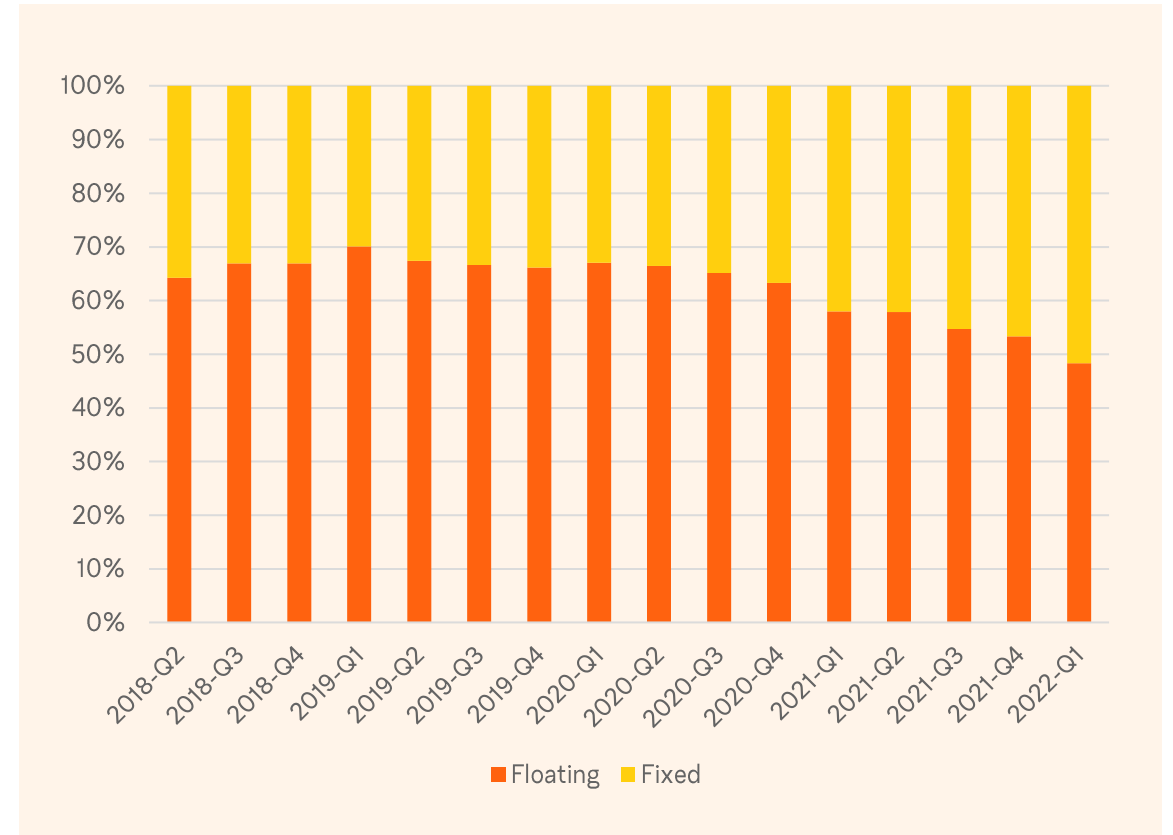


# Cover pool characteristics (2/2)

Loan to value (LTV) distribution

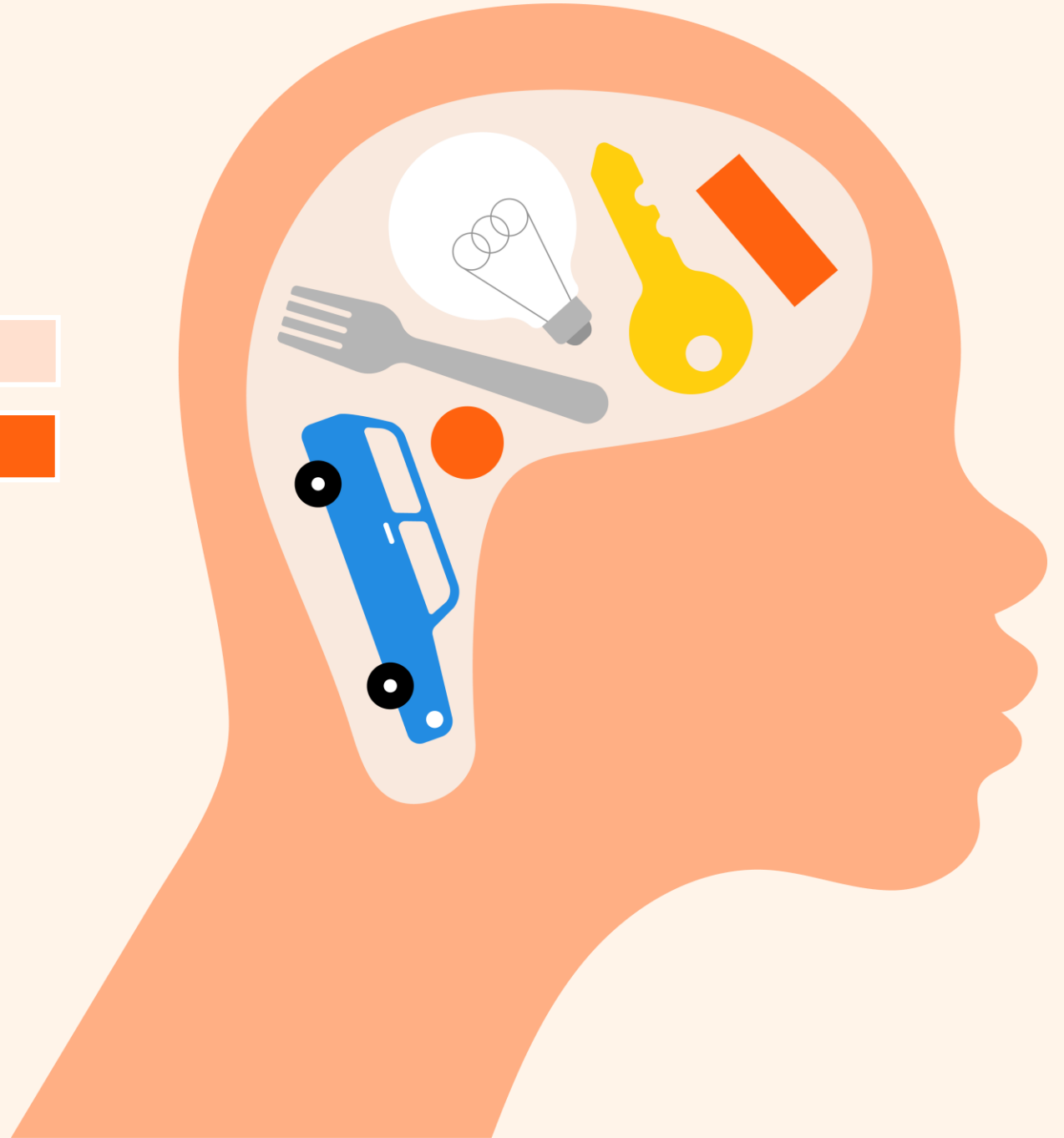


Rate type



# Appendix

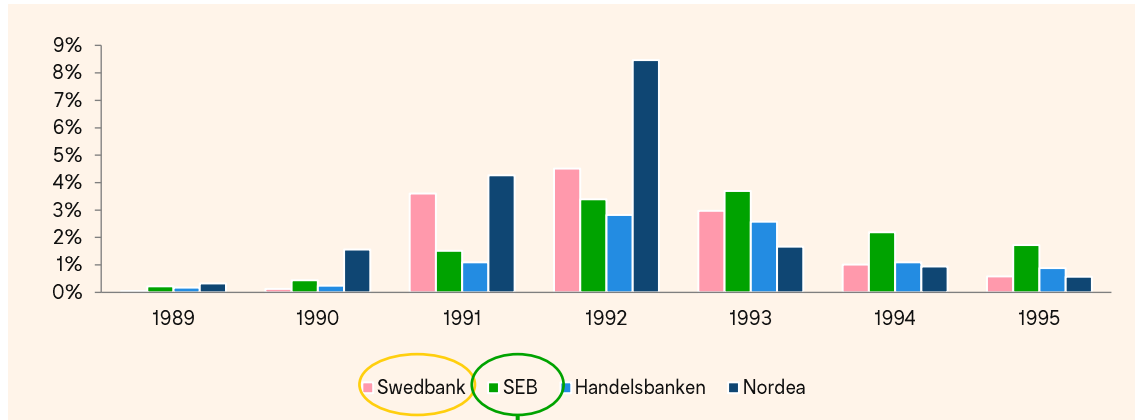
1	SCBC
2	Other



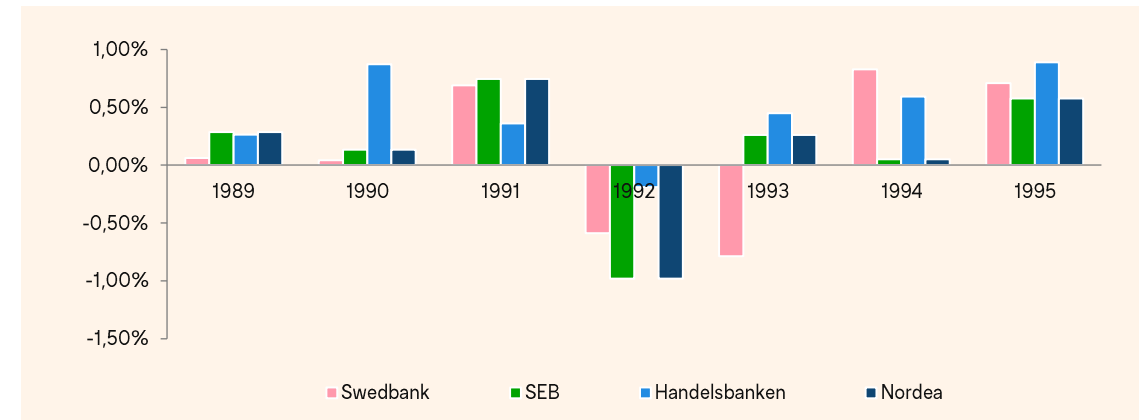
# Loan losses during 1990's crisis

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

Loan Losses / Customer Loans



Net Income / Total Assets



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

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

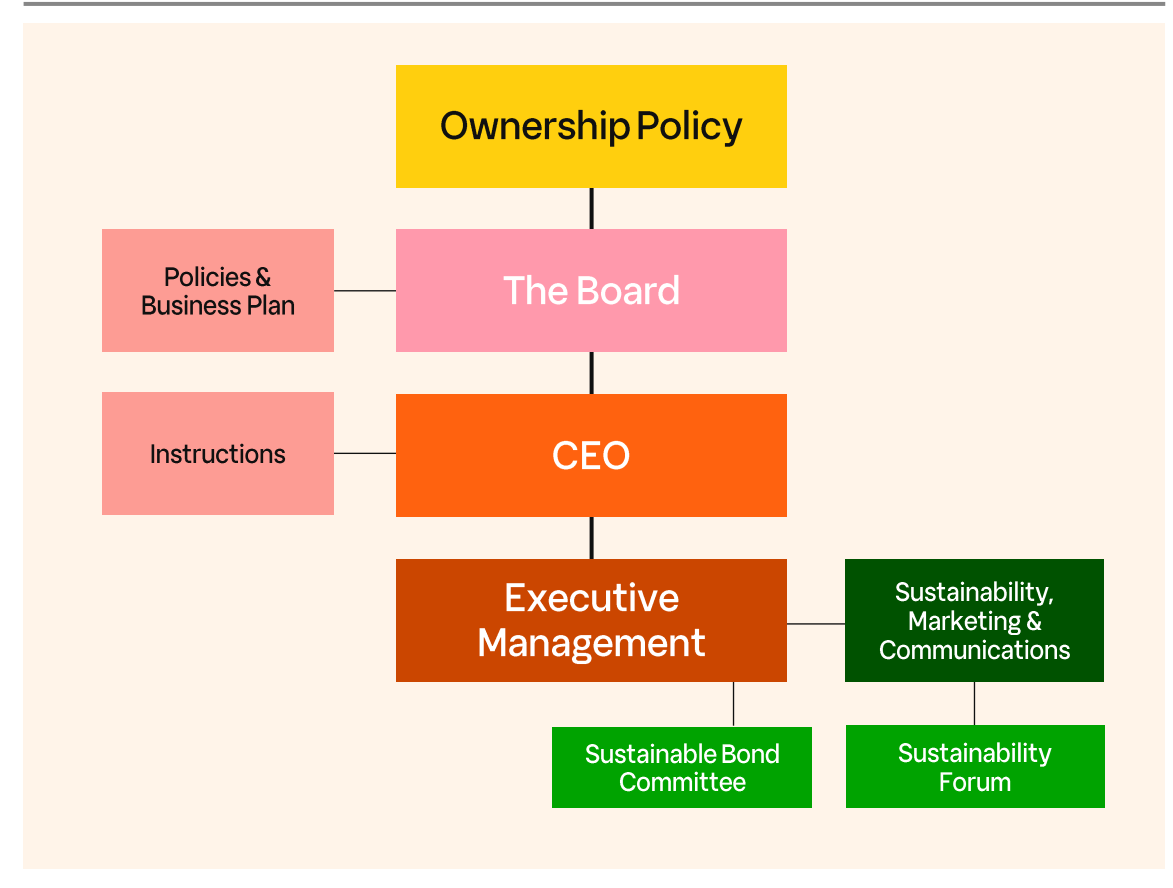


# ESG governance structure

## SBAB's sustainable governance model



## Governance structure



# ESG risk mngmnt & govern.



## Risk management

- ESG-risk management is integrated in SBAB's risk framework. Risk appetite, reporting and standard risk metrics are used in the same order as other risks. Environmental risks are primarily monitored in the credit risk framework. Social and governance risks are monitored in the operational risk framework
- An annual ESG risk workshop is used to integrate the latest research on climate risk and identify and assess relevant physical and transitional risks
- To address high-risk elements identified for our portfolio, SBAB has introduced a new key environmental risk indicator (KRI)
  - The KRI is at portfolio level, measuring share of mortgage portfolio for single-family homes located in geographical areas assessed as being high risk
  - The KRI is reported as a traffic light where limits match up with other concentration risk limits. Preliminary analyses indicate SBAB's portfolio to be well within the green light. First reporting date for the new KRI was 30 September 2021

## Guidelines & obligations

- State's ownership policy
- SBAB's policies, instructions and directions
- SBAB's Code of Conduct
- UN Global Compact, Communication on Progress (COP)
- UN 2030 Agenda and Sustainable Development Goals (SDGs)
- Sweden's environmental objectives
- The Paris agreement and the EU action plan for financing sustainable growth
- Reporting according to the framework of the Task Force on Climate-related Financial Disclosures (TCFD)
- Member of UNEP FI and signatory to Principles for Responsible Banking. First report published in Q4 2021
- Signatory to Partnership for Carbon Accounting Financials (PCAF)
- Ongoing implementation of EU taxonomy to be reported starting Q2 2022
- EBA's ESG disclosures in Pillar III to be reported starting Q2 2022



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## Financial calendar

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

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