

# Investor Presentation

## Q3 2020

# Executive summary



## About SBAB

- 100% owned by the Kingdom of Sweden. Swedish mortgage portfolio, predominantly residential mortgages (5<sup>th</sup> largest player in Sweden)
- Financial targets from owner covering profitability, capitalisation & dividend
- Strong balance sheet and high-quality assets (>98% collateralized lending)
- Total funding needs for 2020 expected to be around SEK 80 billion

## Update Q3 2020

- Continued uncertainty regarding socio-economic development in the wake of the coronavirus pandemic. However, the Swedish housing market has shown resilience with stable price trends and turnover
- Strong growth in total lending, which increased 2.7% to SEK 412.3bn (401.5). Total deposits increased 2.1% to SEK 133.9bn (131.3bn)
- Record highs set for operating profit and net interest income
- Credit losses amounted to a recovery of SEK 4 million (loss: 11) Increased provisions Q1-Q3 for possible credit losses linked to the effects of the coronavirus pandemic
- The average number of unique visitors per month on booli.se increased sharply and amounted to approximately 1.5 million during the quarter (1.3 million).

Total lending, SEK bn

412

Total deposits, SEK bn

134

**SBAB!**  
**booli!**  
En tjänst från SBAB

**hittamäklare!**  
En tjänst från SBAB

**11.5%**  
Return on equity  
Q3 2020

**0.00%**  
Credit loss level  
Q3 2020

**12.7%**  
CET1 capital ratio  
Q3 2020

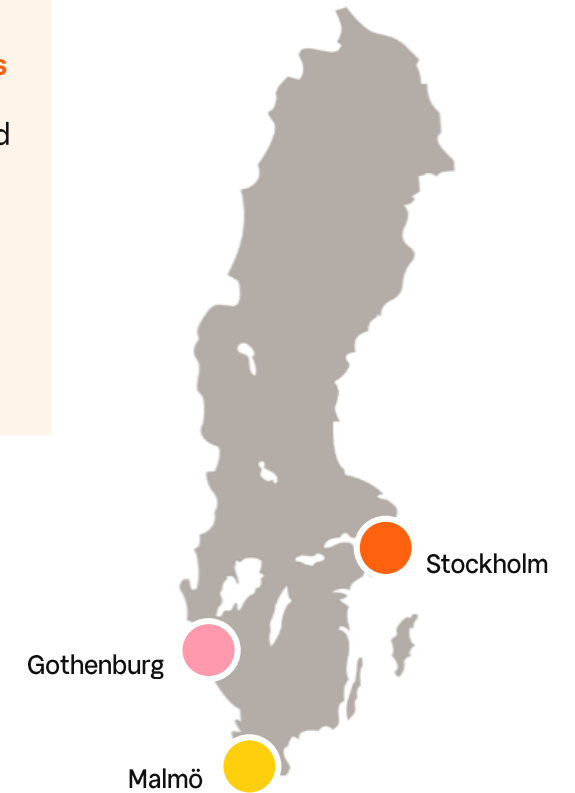
**32.9%**  
C/I ratio  
Q3 2020



# Business overview

- Founded in 1985 & 100% owned by the Kingdom of Sweden
- Mortgage bank with >98% collateralized lending (SEK 389 billion)
- Straightforward business model (mortgage lending & savings) & customer operations only in Sweden
- 748 employees in five offices
- Two business areas;
  - Retail business area
  - Corporate Clients & Tenant-owners' Associations business area

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



# Strategic objectives

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



## SBAB assigns priority to four SDGs

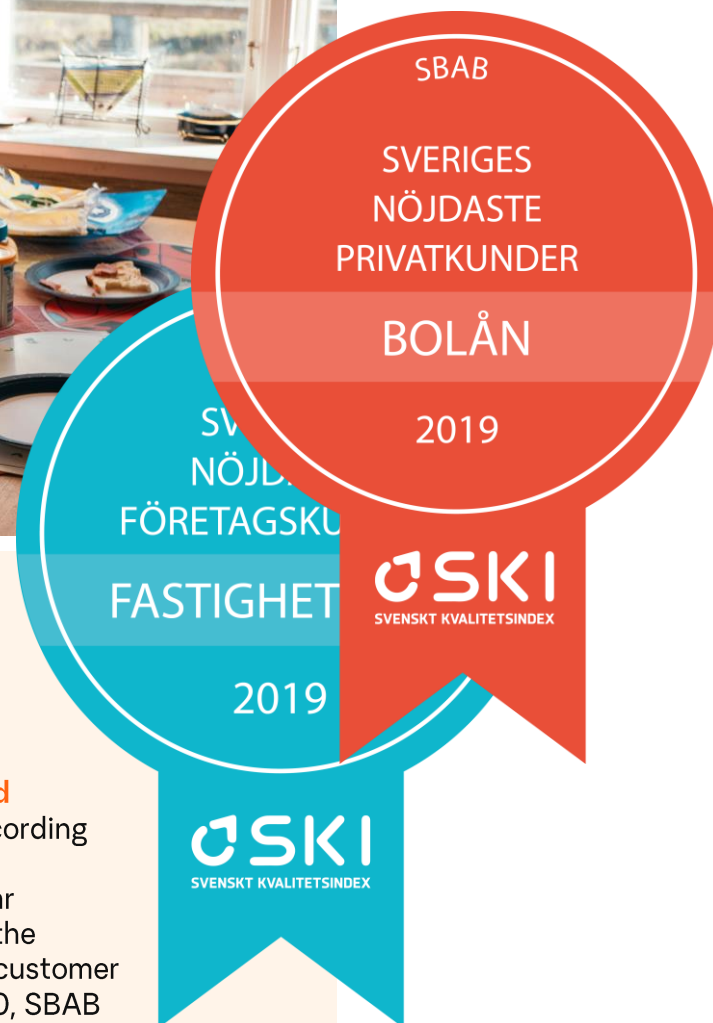
**The business sector, including SBAB, has an important role to play** in achieving the SDGs within the 2030 Agenda. We have identified and chosen four of the 17 SDGs that we consider particularly important and relevant to our operations. The prioritised goals have been chosen based on extensive analysis in the form of internal workshops and ranking exercises within operations, the Executive Management and the Board, and today comprise an important and integrated part of our sustainable governance model.





## Sweden's most satisfied customers

**SBAB has Sweden's most satisfied** residential mortgage customers according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI), which each year measures customer satisfaction in the banking and finance sector. With a customer satisfaction score of 76.3 out of 100, SBAB ranks well above the sector average of 69.3. For the second consecutive year, SBAB also has Sweden's most satisfied customers in terms of property loans to corporates and tenant-owners' associations.



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# Business Update

# The Swedish economy

## Forecast key figures Sweden, Q3 compared to Q2

	2019	2020	2021	2022
Real GDP, actual	1.2 (1.2)	-4.7 (-5.8)	3.2 (3.0)	2.4 (1.6)
Household consumption	1.2 (1.2)	-2.2 (-1.2)	3.0 (2.0)	3.2 (1.7)
Public consumption	0.3 (0.4)	0.5 (1.2)	1.5 (1.4)	1.1 (1.0)
Investments	-1.7 (-2.1)	-10.0 (-15.8)	5.0 (6.0)	3.0 (2.0)
Net export, GDP-contribution (pp)	1.0 (1.1)	-1.3 (-1.5)	0.3 (0.3)	-0.1 (0.0)
Employment	0.7 (0.7)	-2.5 (-2.4)	0.1 (-0.4)	1.4 (1.9)
Unemployment rate (%)	6.8 (6.8)	9.2 (9.3)	9.4 (9.9)	8.8 (9.0)
Inflation, CPIF growth	1.7 (1.7)	0.5 (0.5)	0.9 (0.9)	1.2 (1.2)
Policy rate, yearly average (%)	-0.25 (-0.25)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
KIX-index (-)	122.1 (122.1)	120.5 (123.3)	120.0 (121.0)	119.0 (118.5)

Note: Annual percentage growth unless indicated otherwise, light orange background indicates SBAB's September forecast

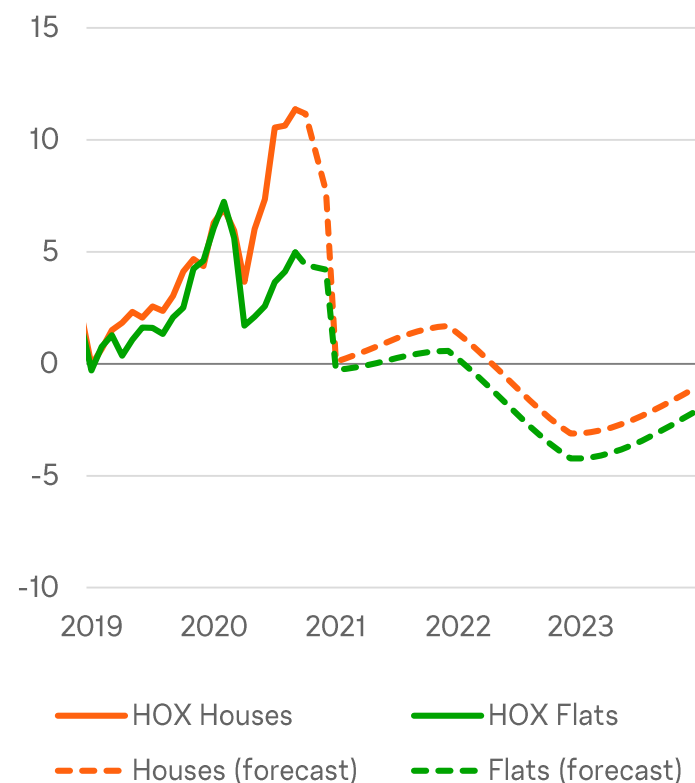
## Comments

- A deep recession in 2020 followed by an upturn in 2021
  - Economic forecast looks better than last quarter.
  - Over the past years the economy has been characterised by strong population growth, increasing employment, low inflation, low interest rates and rising house prices
- Swedish economy is well-equipped to face the corona pandemic, but is strongly influenced by the outside world
- Strong government finances make it possible to support vulnerable companies, keep household disposable income up, and to ensure financial stability



# Resilient housing market

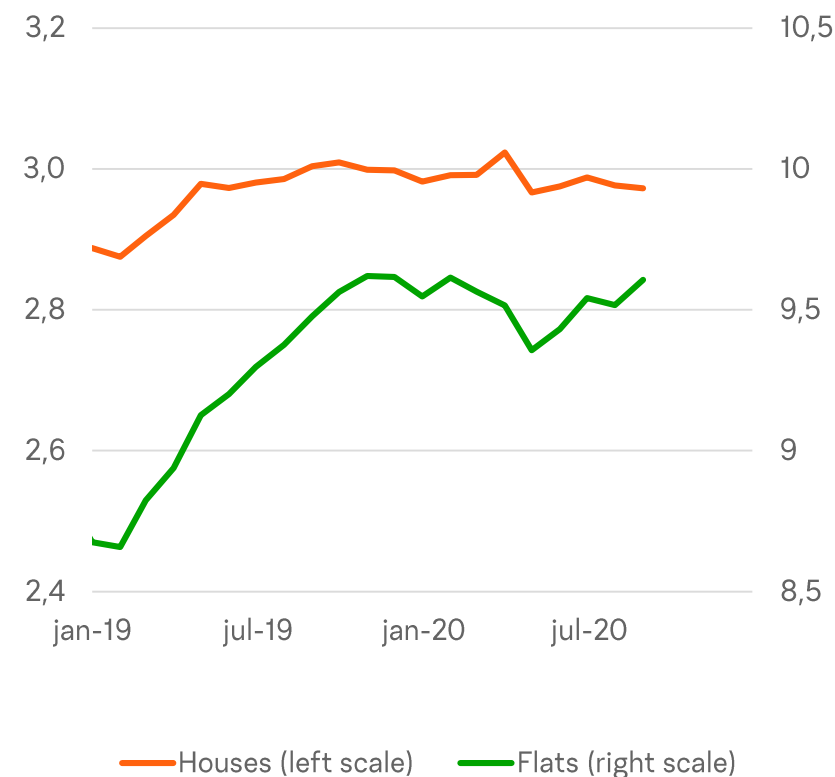
House price development (12-month change, %)



Housing price index (January 2005=100)

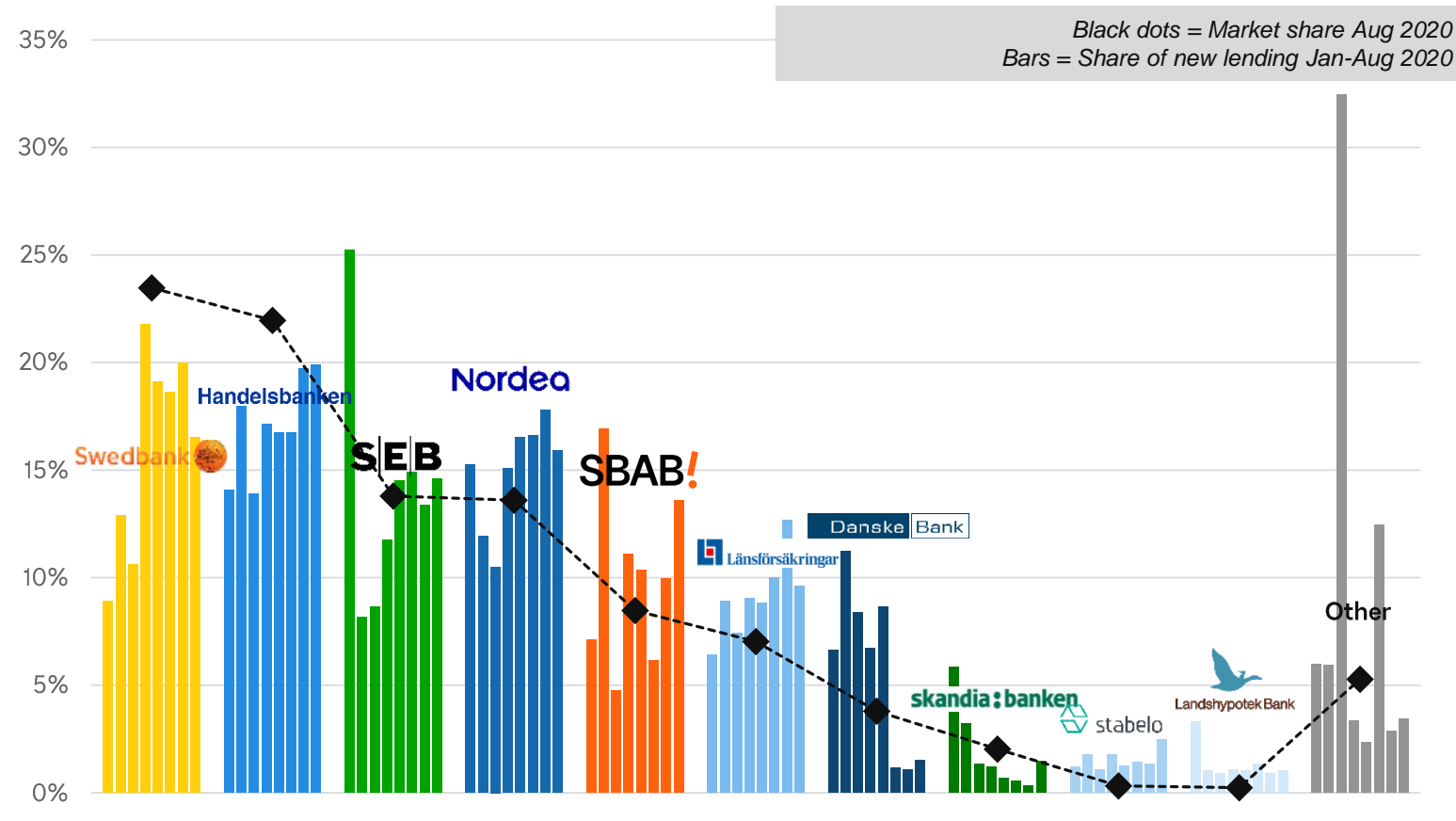
	Index Sep-20	Change since		
		1m	3m	12m
<b>Sweden (HOX)</b>	<b>258</b>	<b>+1.1%</b>	<b>+5.1%</b>	<b>+8.9%</b>
<b>Flats</b>	<b>308</b>	<b>+1.2%</b>	<b>+4.2%</b>	<b>+5.0%</b>
Stockholm	293	+1.3%	+4.4%	+5.2%
Gothenburg	345	+1.1%	+2.7%	+2.7%
Malmö	274	+2.0%	+5.5%	+6.7%
<b>Houses</b>	<b>246</b>	<b>+1.0%</b>	<b>+5.6%</b>	<b>+11.4%</b>
Stockholm	247	+3.5%	+7.5%	+13.0%
Gothenburg	245	+0.0%	+4.5%	+8.3%
Malmö	233	+3.1%	+6.8%	+13.5%

Housing turnover (%)



# Residential mortgage market 2020

Shares of net growth in the Swedish residential mortgage market Jan-Aug 2020



## Comments

- Increased competition in the Swedish residential mortgage market
- Many established players are working intensively to retain and defend their positions, and several new competitors have emerged as serious contenders for the residential mortgage customers
- The annual (YoY) percentage credit growth in the mortgage market in August 2020 was 5.4%. Growth rate expected to be 5.5% for the full year 2020 (SBAB forecast)
- Price important, but not the whole story

# Market players – three categories

– The larger banks (top 4) account for about 73% of the market. The market share has decreased but not at the same rate as before. Increased competition as new challengers have entered the market. In parallel, larger banks have increased their focus on mortgages

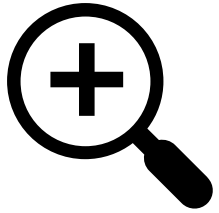


# SBAB's value proposition



## 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

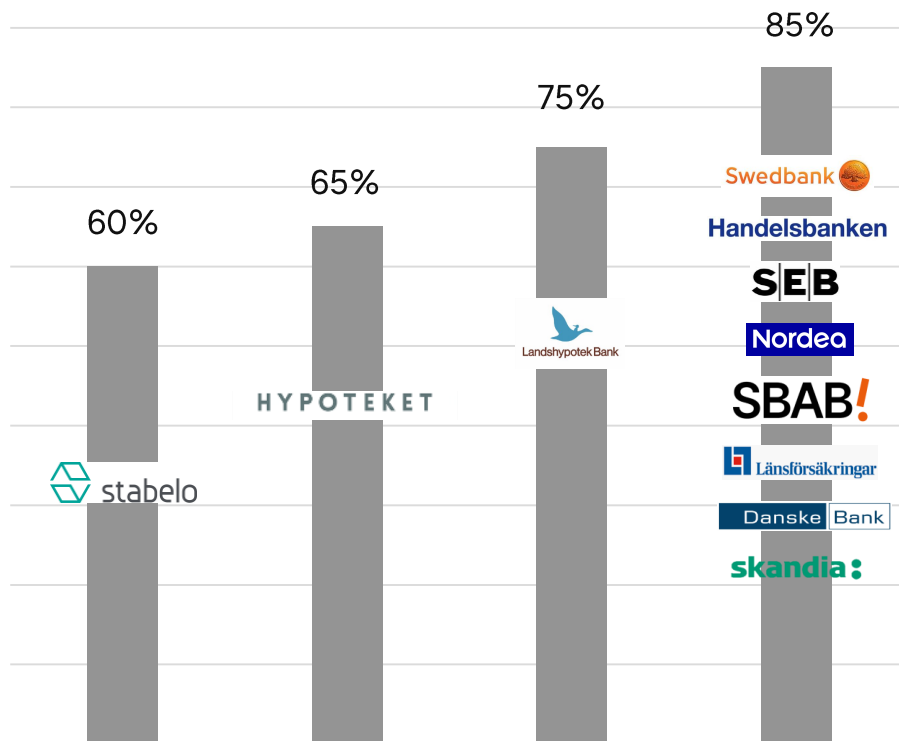
Housing specialists who care.



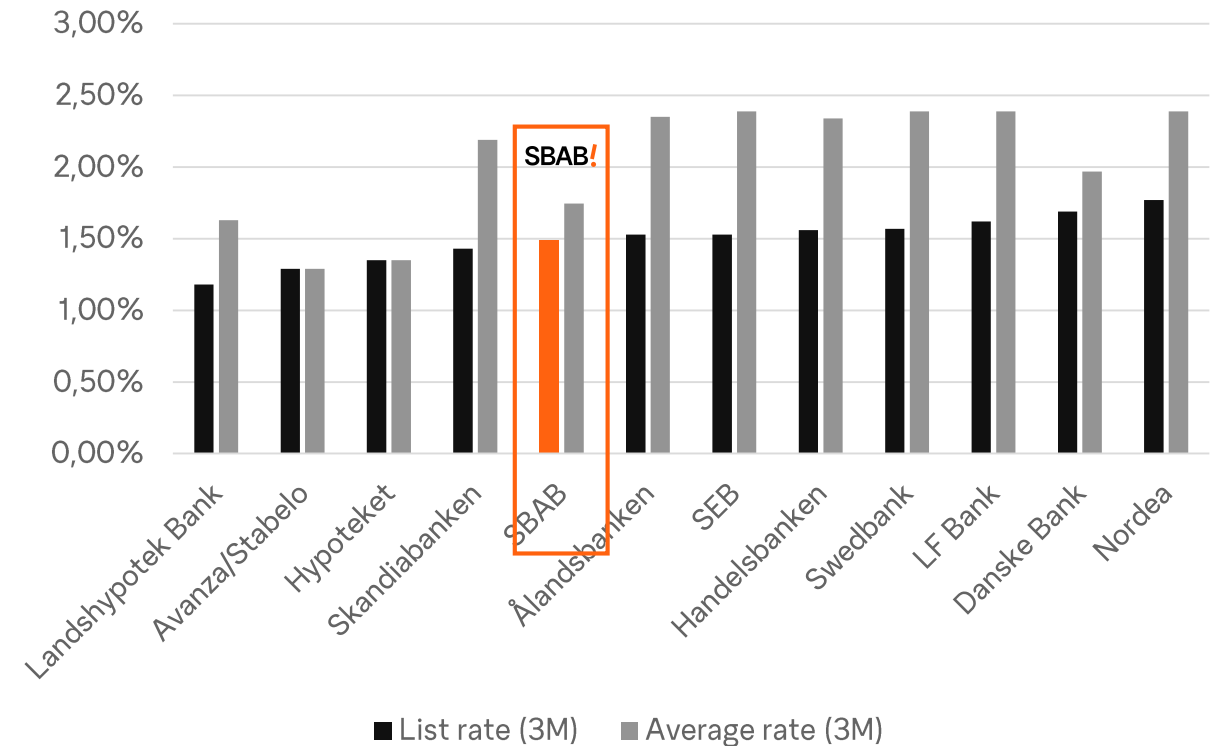
# Prices & terms on the market

– Differences in terms (maximum LTV) and funding models has allowed some players to keep their interest rates low and thus take a larger share of the growth. Mortgage rates have not kept pace with market rates during Q2-Q3 2020

Maximum allowed LTV



List rate vs. average rate (3M variable interest rate) (%) (Sep 2020)





# Additional price reductions in October

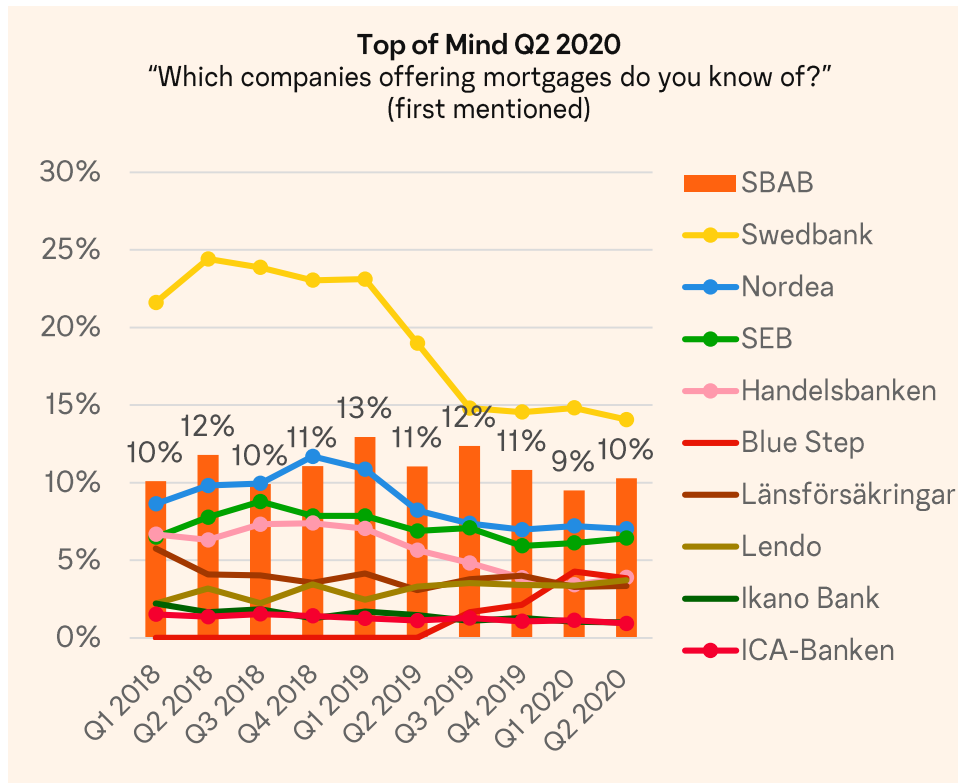
Maturity	Change 22 Oct 2020 (%)	List rate (%) 22 Oct 2020
3M	-0,05	1,69
1Y	-0,15	1,59
2Y	-0,15	1,54
3Y	-0,15	1,49
4Y	-0,10	1,59
5Y	-0,10	1,59
7Y	-0,15	1,79
10Y	-0,25	1,99



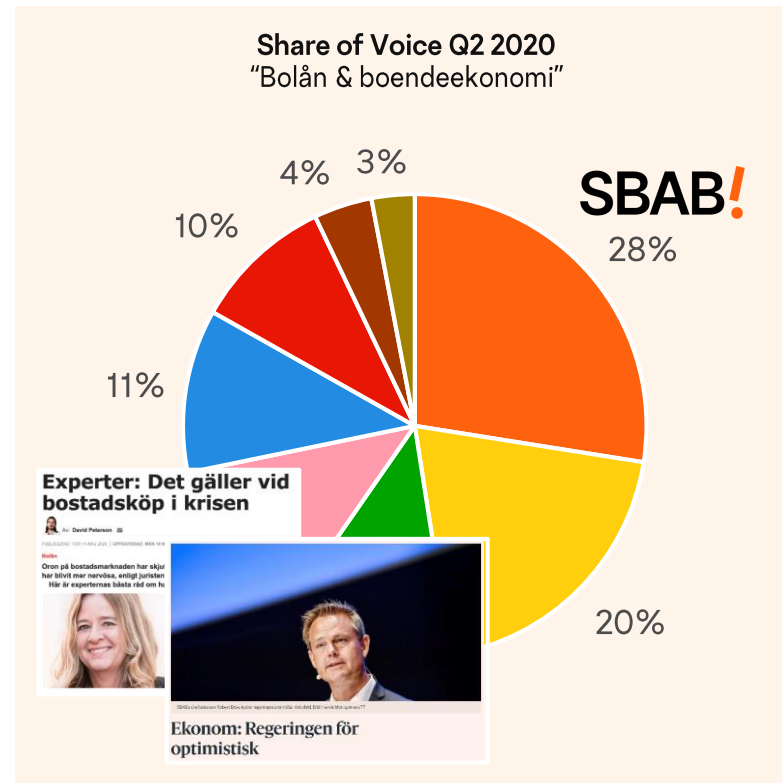
# Brand position

- Strong brand position supporting further growth & strengthened customer loyalty

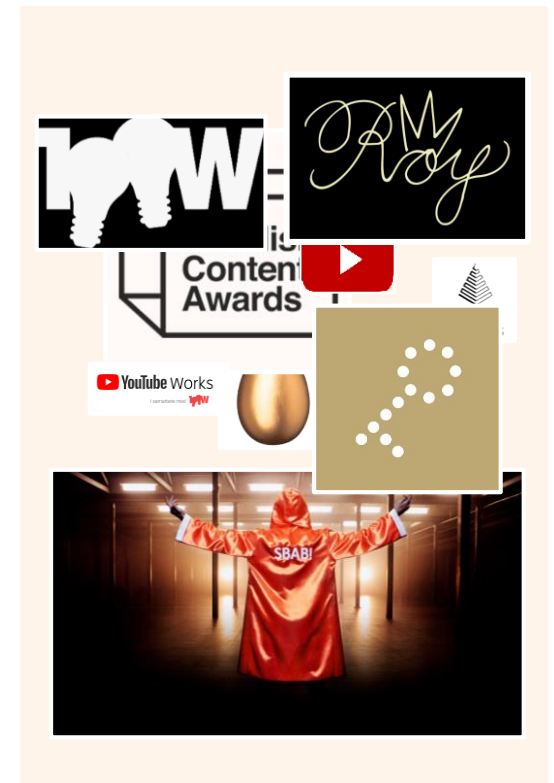
## Strong brand recognition



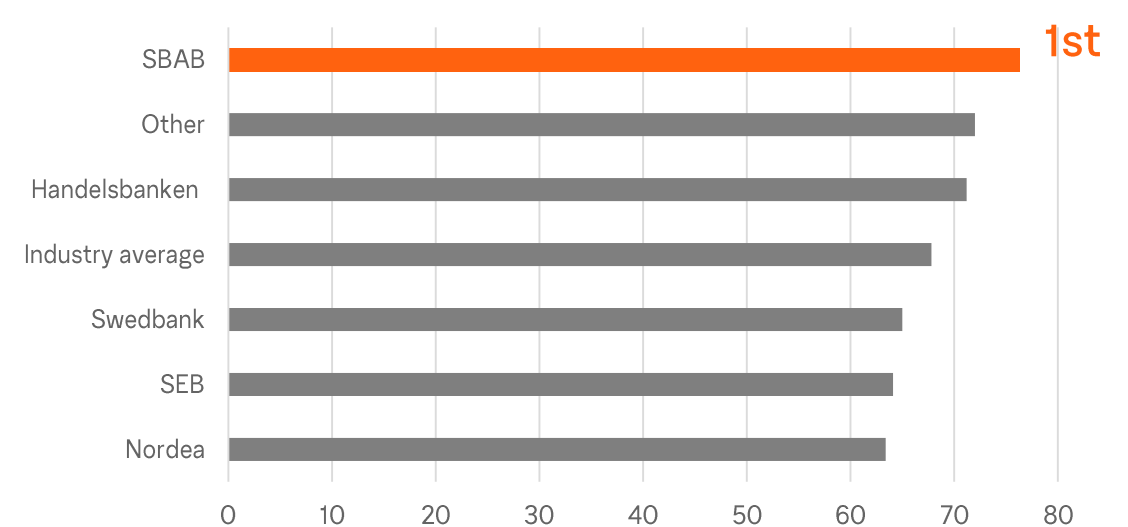
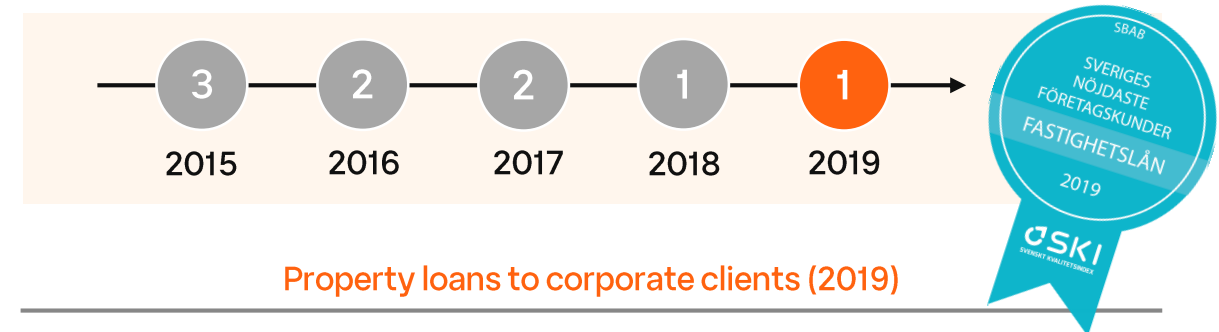
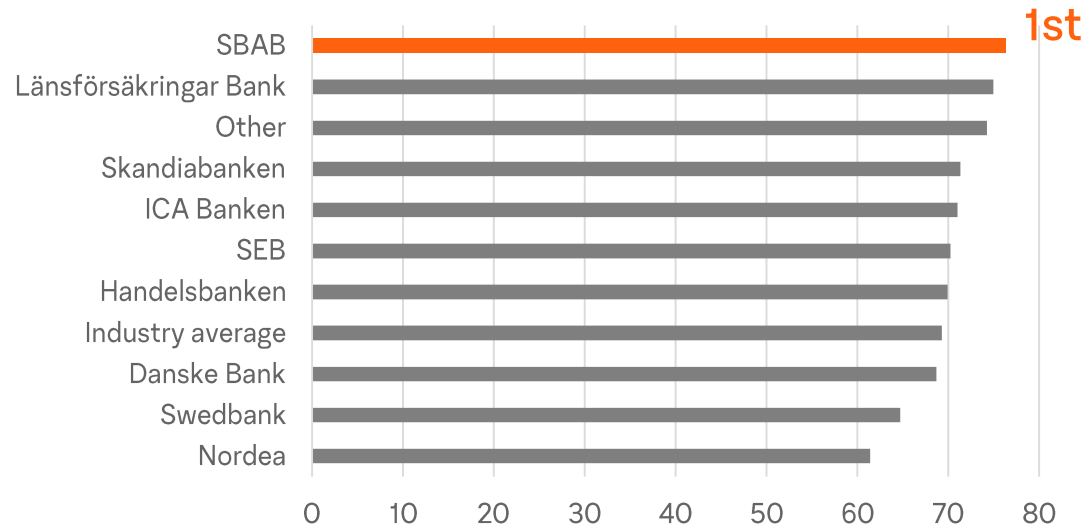
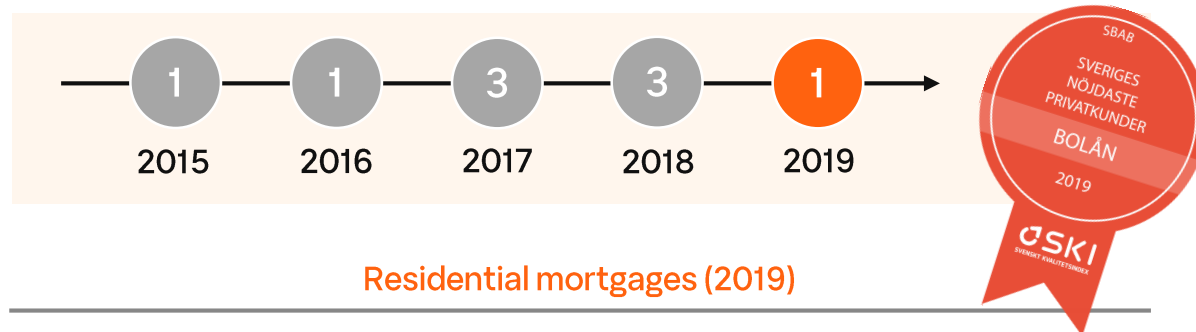
## Strong media presence



## Award winning communication



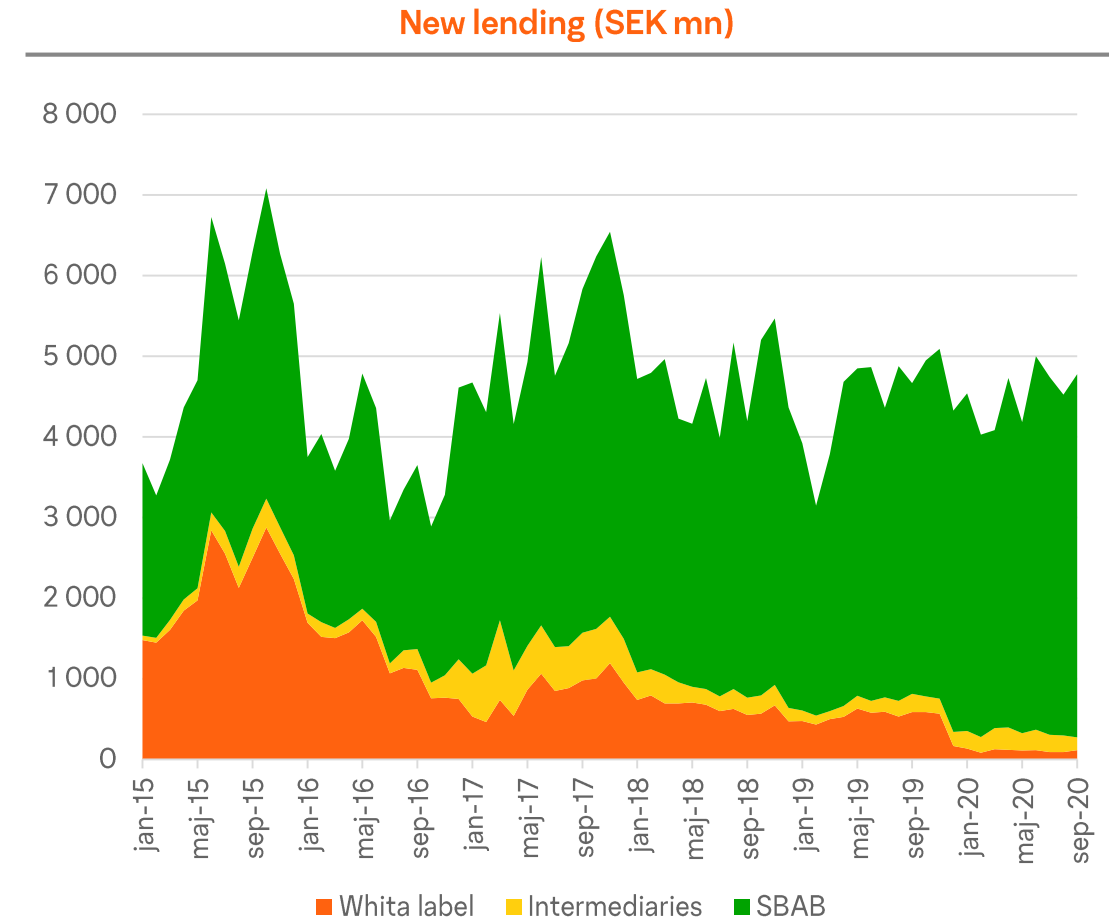
# Customer satisfaction



# Distribution strategy for mortgages

– Increased investments in own distribution capacity

- Since 2015, SBAB has prioritised new lending in its own brand (where SBAB is able to add most customer value and build the strongest customer relationships)
- As a result, all white label partnerships have been terminated. Future focus on partnerships with players (intermediaries) using digital business models
- In the fourth quarter of 2019, SBAB and Sparbanken Syd entered into an amended agreement relating to the parties' partnership agreement regarding the mediation of mortgage loans (SEK 9.6 billion at 30 September 2020). According to the amended agreement, Sparbanken Syd is entitled to mediate new mortgages on behalf of SBAB until 30 November 2020 at the latest and to acquire the entire loan portfolio mediated by Sparbanken Syd, or parts thereof, during the period from 1 July 2020 until 31 December 2023



# Customer experience & ecosystem

- Residential mortgages & housing financing main focus and primary source of income
- Strategy to strengthen customer relationship/loyalty by adding valuable services throughout the housing journey
- New brand profile launched in Q1 2020 in order to achieve a more unified and improved customer experience



## Ecosystem of services relating to housing and household finances

Housing phase	Service	Brand
Dream & search	<ul style="list-style-type: none"> <li>Housing adds</li> <li>Housing market information</li> <li>Savings account</li> </ul>	<b>booli!</b> <small>En tjänst från SBAB</small> <b>SBAB!</b>
Buy	<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>
Live	<ul style="list-style-type: none"> <li>Refinancing</li> <li>Consumer loans</li> </ul>	<b>SBAB!</b>
Sell	<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>



# User trends & online presence

**hittamäklare!**

En tjänst från SBAB

*Registered real estate agents in Sweden using HittaMäklare's services*

**89%**

84%



**booli!**

En tjänst från SBAB

*Unique visitors per month (Q3) to booli.se*

**1,480,000**

948,000



*Subscribers of Booli's monthly housing valuation email*

**473,000**

369,000

# SBAB!

*Unique visitors per month (Q3) to sbab.se*



**530,000**

425,000

*Unique users per month (Q3) of the SBAB app*



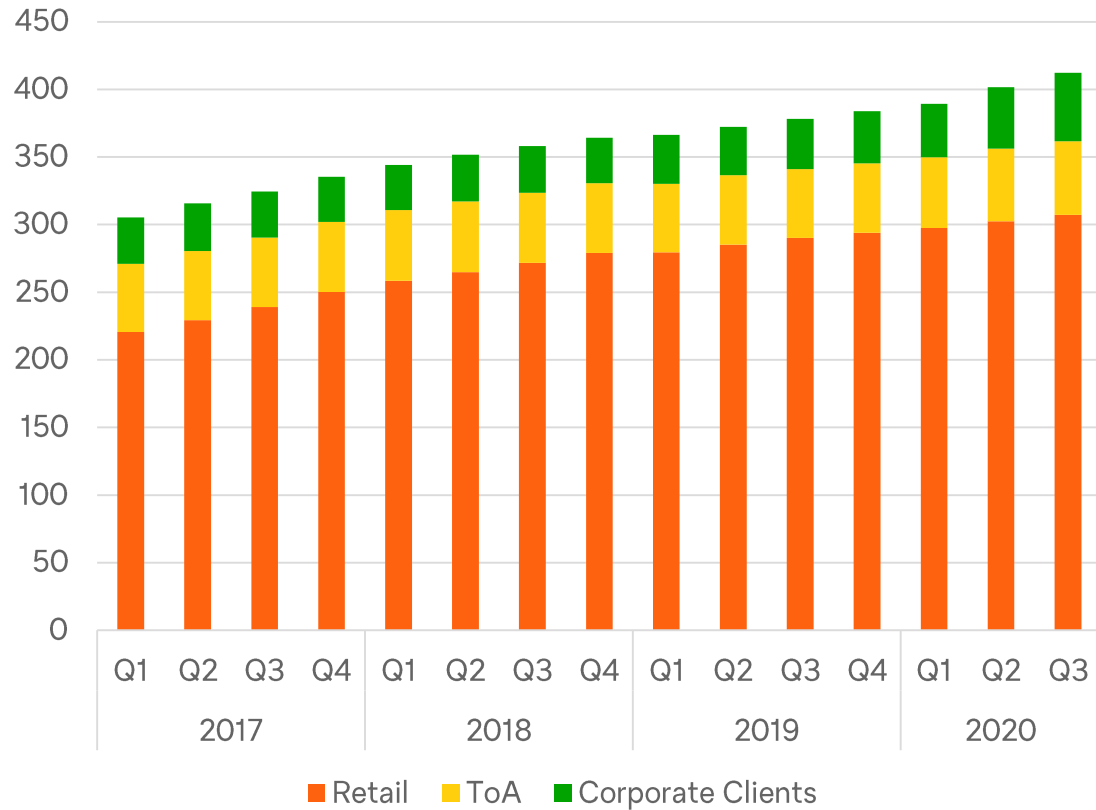
**106,000**

86,000

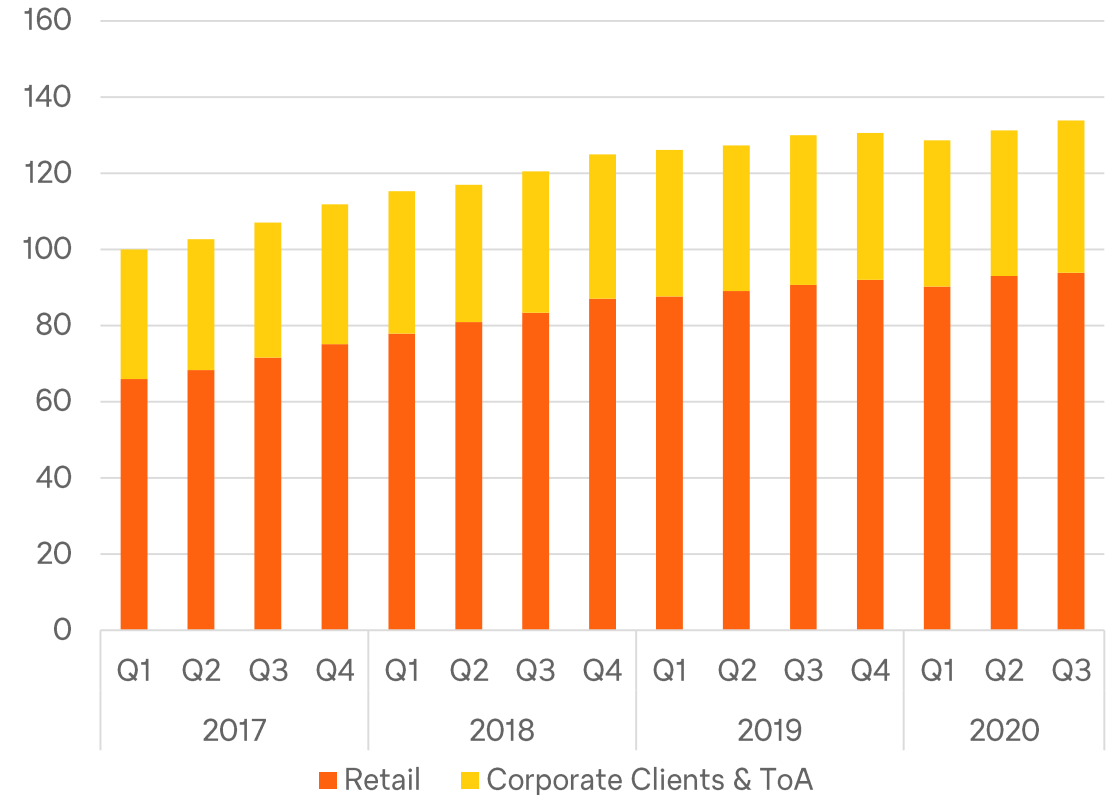


# Lending & deposits development

Lending (SEK bn)

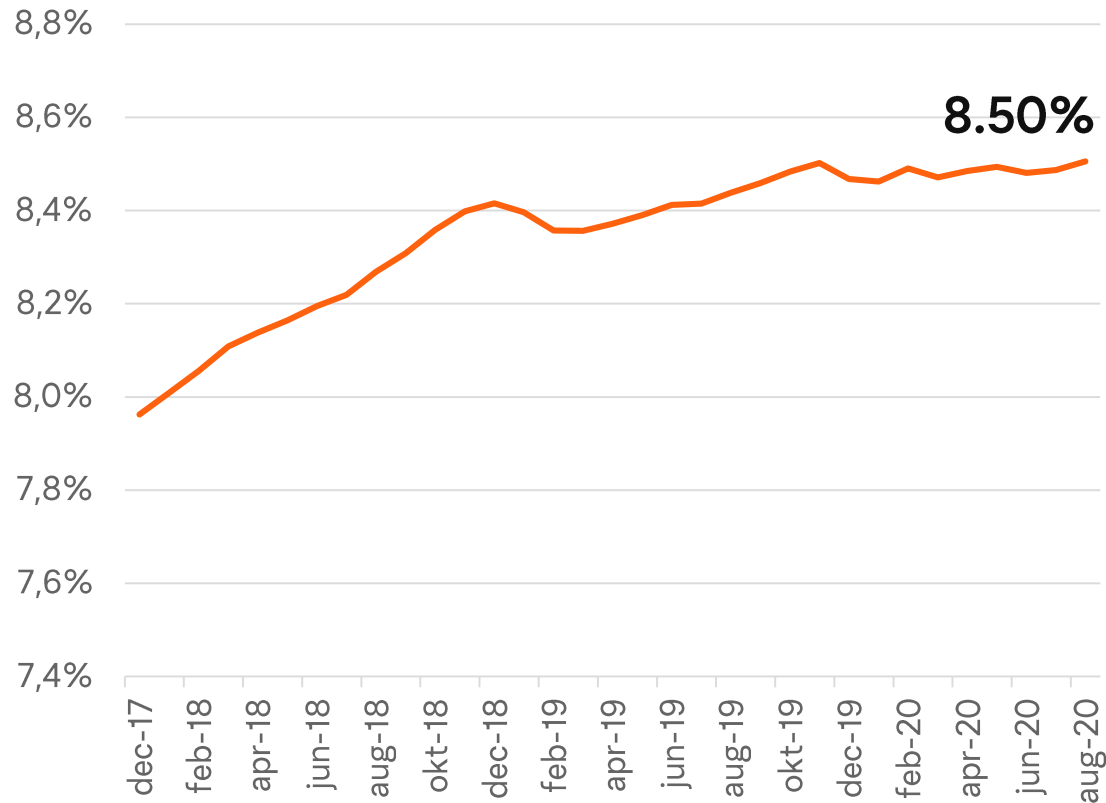


Deposits (SEK bn)

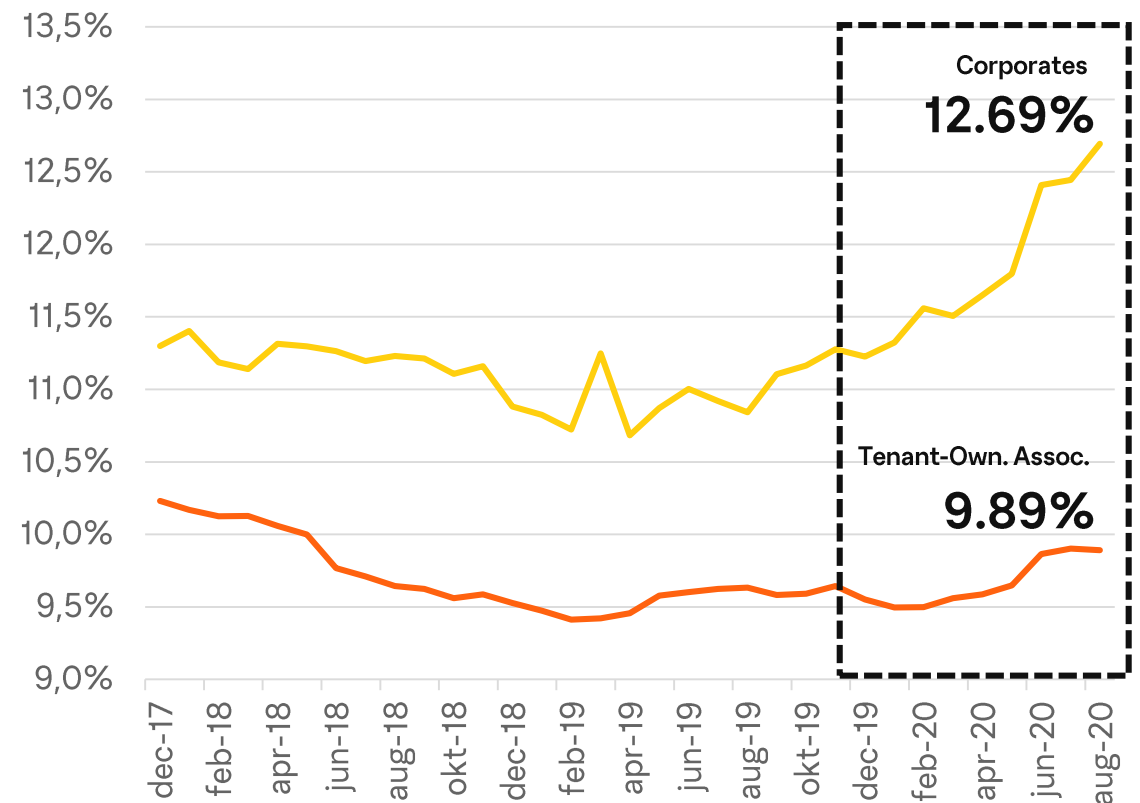


# Growing market shares

Market share, Residential mortgages (Aug 2020)



Market shares, Corporate clients & ToA (Aug 2020)





# Effects of COVID-19

1	Operations	→	<ul style="list-style-type: none"><li>• SBAB has strengthened technical preconditions for remote working</li><li>• Employees who can work from home are doing so</li><li>• Zone system at the office for staff/functions who are unable to work remotely</li><li>• Additional office in the Karlstad area staffed and operational</li></ul>
2	Growth	→	<ul style="list-style-type: none"><li>• Strong total lending growth during 2020, despite uncertainty regarding economic development in the wake of the coronavirus pandemic</li><li>• The Swedish housing market has so far shown resilience in terms of price trend and turnover, although the prevailing situation &amp; continued high level of competition constitutes challenges</li><li>• Growth in the corporate lending segment record high during 2020</li></ul>
3	Income & margins	→	<ul style="list-style-type: none"><li>• Increased margins during Q3 driven by lower market interest rates</li><li>• Stable operating profit and net interest income. Operating profit grew 2.4% to SEK 636 million in Q3 from SEK 621 million in Q2</li></ul>
4	Expenses	→	<ul style="list-style-type: none"><li>• Continued investments according to plan. Some initiatives delayed and/or postponed</li></ul>
5	Credit losses	→	<ul style="list-style-type: none"><li>• On three occasions in 2020, SBAB has revised the forward-looking information applied in the impairment model used to calculate credit loss allowances due to the prevailing coronavirus pandemic. The revisions gave rise to increased credit loss allowances totaling SEK 39 million in the first nine months of 2020, of which SEK 26 million in Q1, SEK 9 million in Q2 and SEK 6 million in Q3. Additional provisions might arise during the coming quarters subject to economic development. Confirmed credit losses remain low (SEK 7 million in the first nine months of 2020)</li></ul>
6	Funding & liquidity	→	<ul style="list-style-type: none"><li>• SBAB maintained a relatively high degree of funding activity</li><li>• Deposit from public increased 2.0% during the quarter to a total of SEK 133.9 billion</li><li>• Strong liquidity position</li></ul>
7	Capital	→	<ul style="list-style-type: none"><li>• Well above capital targets. Reduced CCB requirement from 2.5% to 0% has increased SBAB's margins to capital requirements</li><li>• 100% retained earnings positive impact on CET1 ratio at year-end 2019 (+0.6%)</li></ul>



# Temporary amortisation relief

**Easily accessible information on SBAB's platforms**

**Extensive Q&A relating to the COVID-19 pandemic available on SBAB's website.** SBAB has also developed a service (available online and in the app) which allows all customers to apply for amortisation relief.



**Residential mortgage customers**



Amortisation relief

**19,800** households

**SEK 43** billion

Data as of 30 Sep 2020

## Stressed interest rate

During Q2, SBAB lowered the stressed interest rate applied in the housing cost calculation ("KALP"), used as a basis for granting residential mortgages, from 6.5% to 6.0% to better reflect the prevailing interest rate situation.



**Tenant-owners' Associations and Corporate Clients**



Amortisation relief

**6** customers

**SEK 430** million

Data as of 30 Sep 2020



# Quarterly financial update Q3 2020

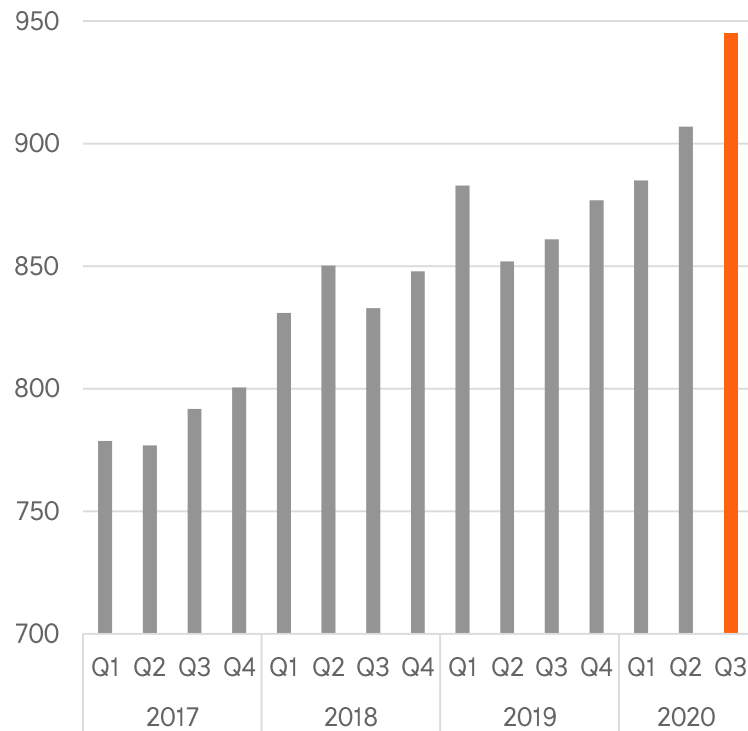
# Financial highlights Q3 2020

	Q3 2020	Q2 2020	QoQ ▲		Comment
1	Net interest income	945	907	+4.2%	→ Primary source of income. Development driven by larger lending volumes and lower interest rates as a result of lower market interest rates
2	Net result of fin. transactions	-11	17	-28 mn	→ Revaluation of counterparty risks in SBAB's derivative exposures (CVA/DVA)
3	Costs	-310	-312	+0.6%	→ Marginal change was primarily attributable to decreased consultant costs during the summer. Partly offset by an increase in marketing costs and personnel costs (FTE 748 in Q3 from 743 in Q2)
4	Credit losses	4	-11	-15 mn	→ Very low credit losses over time as expected with SBAB's concentration on mortgages. Increased provisions Q1-Q3 for possible credit losses linked to the effects of the coronavirus pandemic
5	Operating profit	636	621	+2.4%	→ Operating profit grew to a record SEK 636 million (621) during Q3, mainly driven by higher NII
6	ROE	11.5%	11.6%	-0.1 pp	→ Risk/return trade off – competitive profitability and returns given SBAB's low risk business. Well above target (>10%) last 5 years
7	C/I ratio	32.9%	33.1%	-0.2 pp	→ Competitive cost efficiency. Continued investments according to plan
8	CET1 capital ratio	12.7%	12.7%	0 pp	→ Continued comfortable margin to external and internal requirements

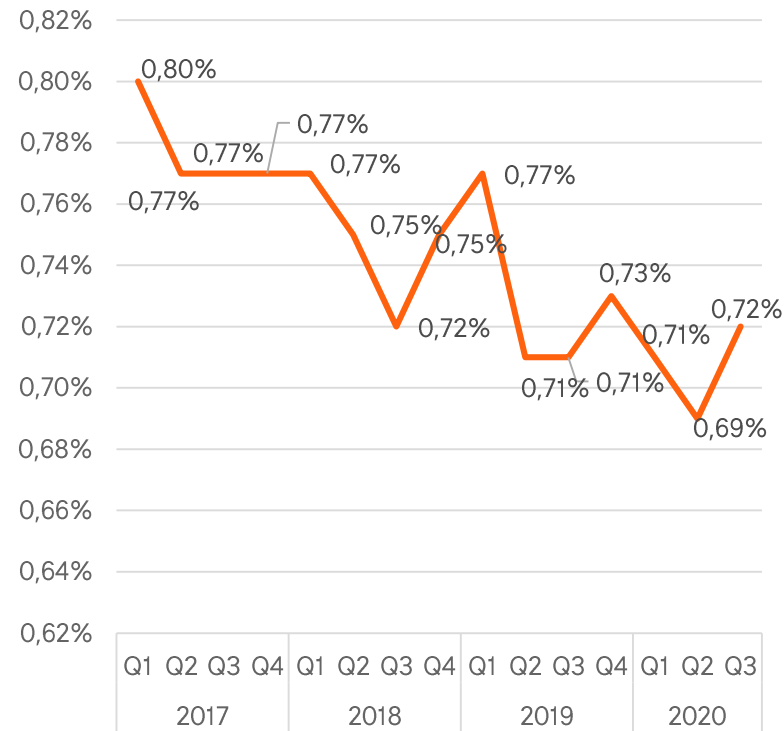
# NII development

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

Net interest income QoQ (%)



Net interest margin QoQ (%)



Comments

- Highest NII to date. NII increased 4.2% to SEK 945 million (907) over the quarter, mainly due to higher lending volumes and lower interest rates
- Increased margins during Q3 driven by lower interest expenses as a result of lower market interest rates. Some margin pressure expected ahead due to increased competition in the retail mortgage market
- Stable lending margins expected for corporate lending and lending to tenant-owners' associations

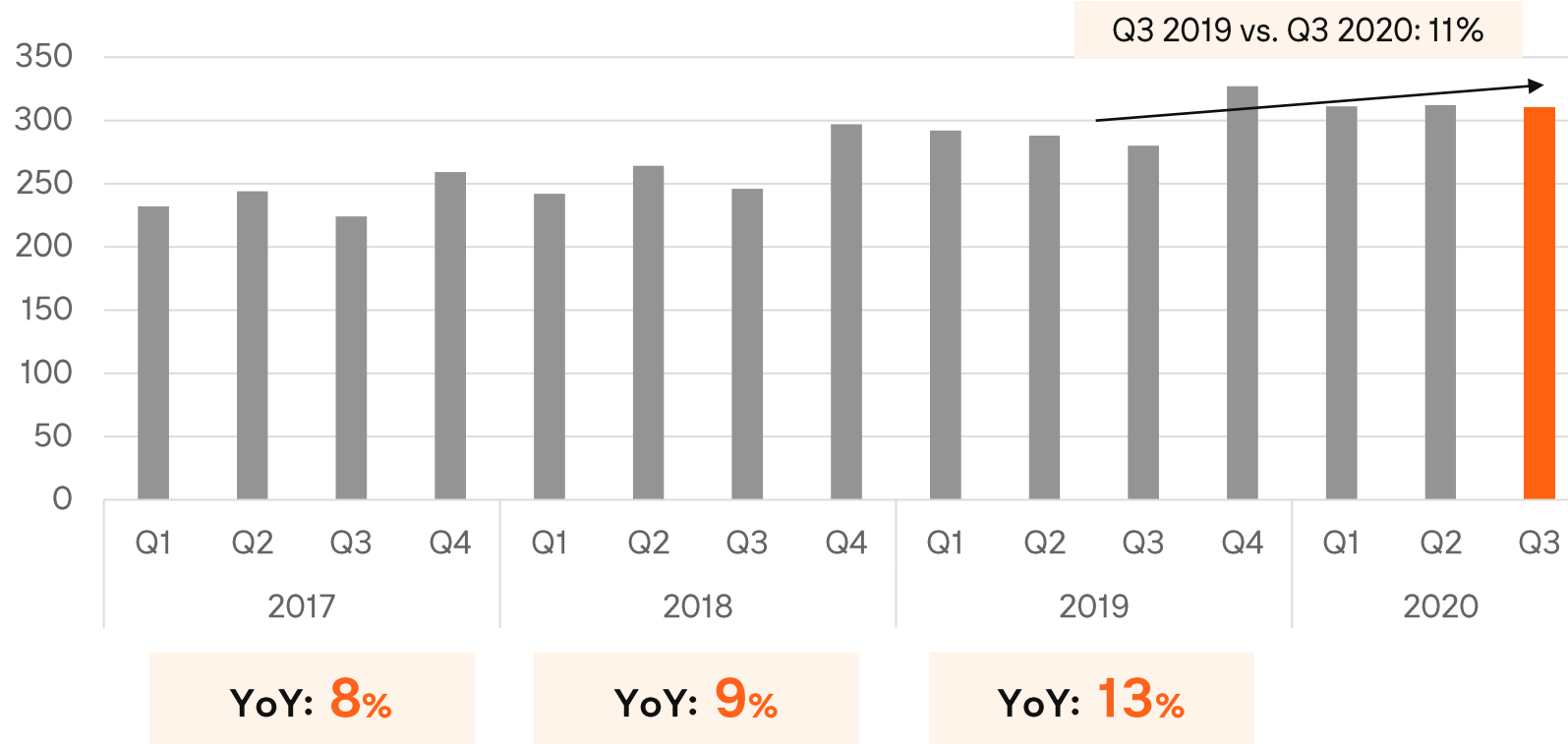
NIM calculated as net interest income in relation to total assets



# Cost management

– Increased investments for future competitiveness

Cost development QoQ (SEK mn)



## Comments

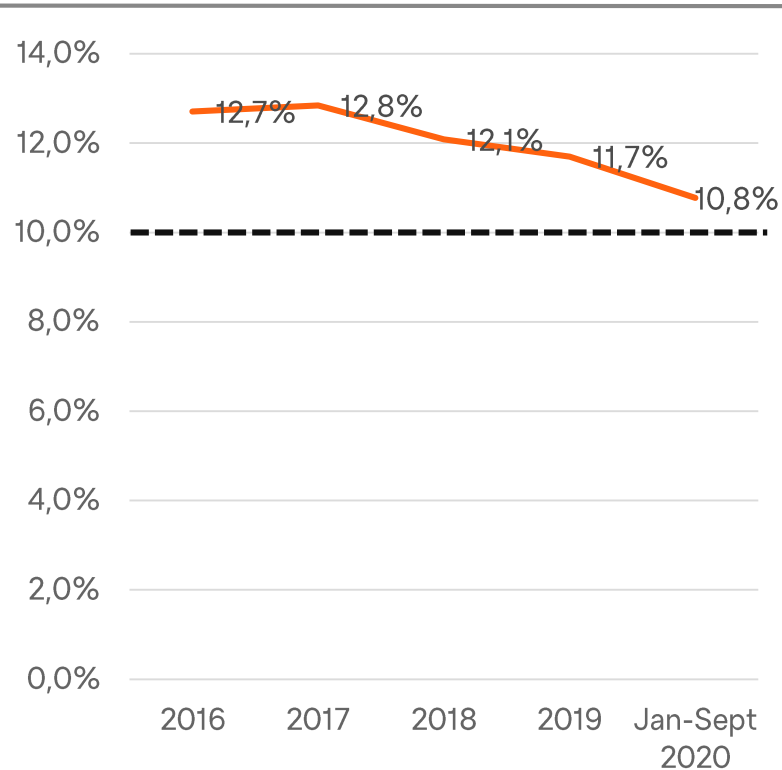
- Increased investments for future competitiveness:
  - Customer offering (incl. increased distribution power, customer service & customer experience)
  - Digitalisation
  - Replacement of IT-infrastructure (core banking platform)
  - Increased compliance & regulatory requirements



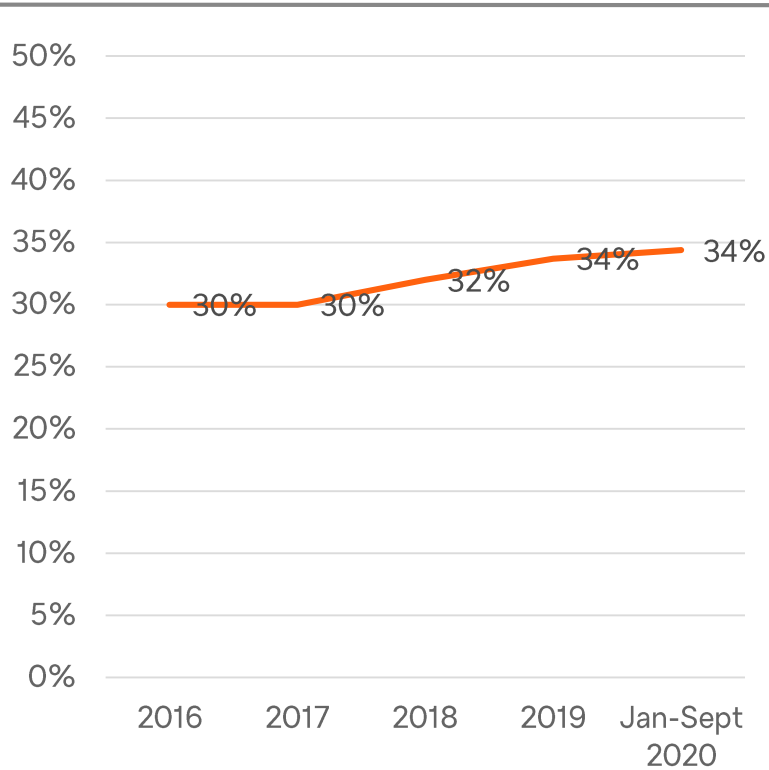
# Financial KPIs

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

Return on equity\*, %



C/I-ratio, %



Comments

- Strong underlying profitability (above profitability target of  $RoE > 10\%$  last 5 years). Some pressure on ROE in 2020. Increased equity due to retained earnings 2019 has also impacted RoE
- Highly competitive cost efficiency, although increased investments (according to plan) has impacted C/I ratio

\* From 31 March 2017, return on equity calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 securities, value changes in financial assets recognized in equity. Opening balances have been adjusted for distributed dividend the year before. Comparative figures before 2017 have been recalculated according to new calculation method.

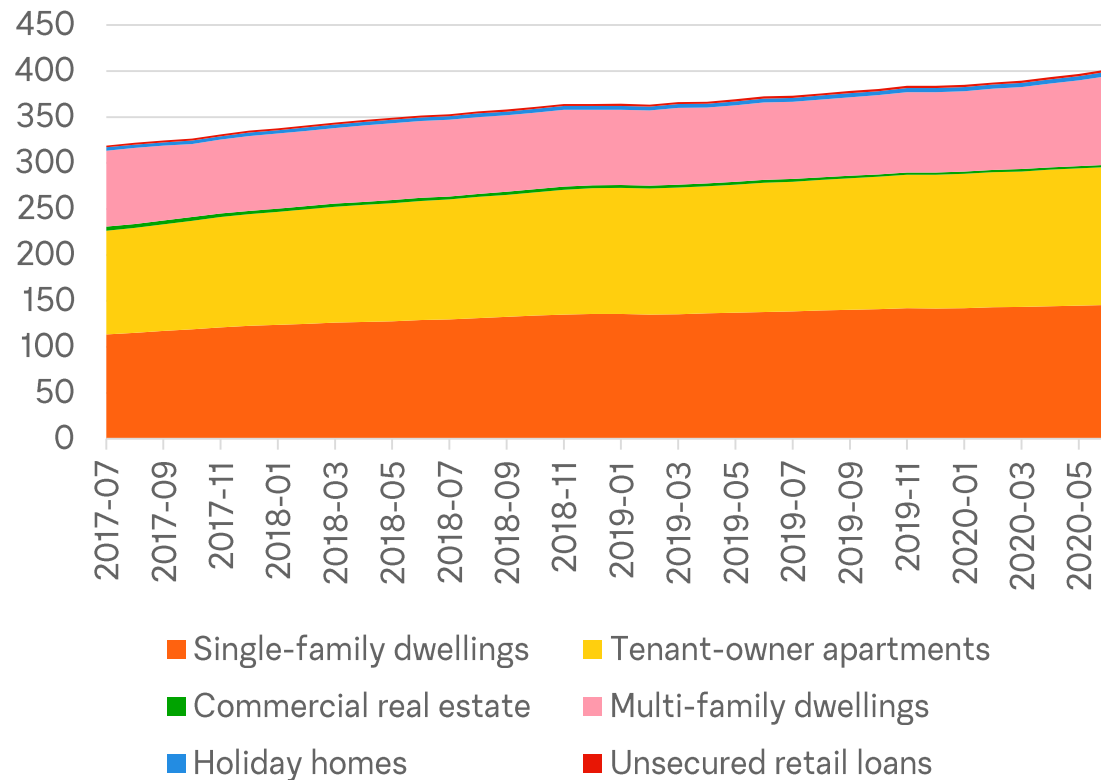


# Asset Quality

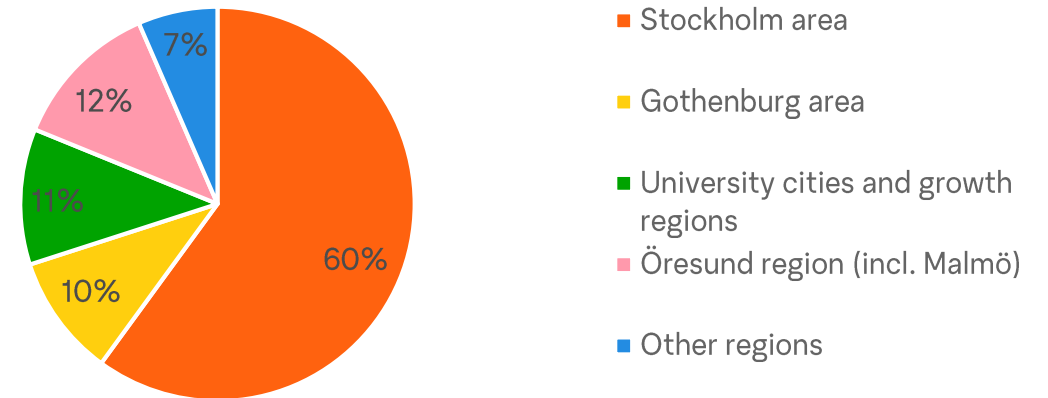


# SBAB's loan portfolio

Volume (SEK bn) – divided by collateral type



Geographic share of collateral



Policies on collateral assessment

Retail	• 3 methods; complete, statistical and purchase price
	• Control of purchase price and external appraisals by comparing to statistical estimate – deviations controlled by internal real estate appraisers.
	• Statistical estimates are adjusted downwards in case of high uncertainty.
Corporate and Tenant-owner associations	• All assessment is done manually by internal real estate appraisers
	• Revaluations are partially done by statistical estimation



# Lending mix

## SBAB!

	SEK bn	%
Residential mortgages	304.7	73.9%
Consumer loans	2.5	0.6%
Corporate lending	50.6	12.3%
- Of which, commercial lending	2.5	0.6%
- Of which, construction loans ("kreditiv")	8.9	2.2%
Tenant-owners' associations	54.5	13.2%
<b>Total lending</b>	<b>412.3</b>	

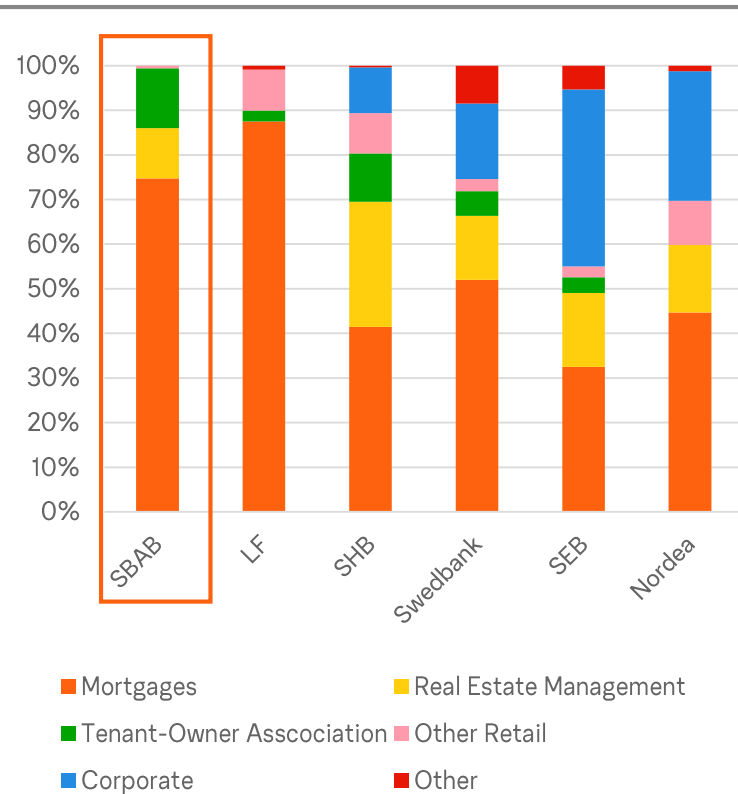
### LTV ratios in loan book



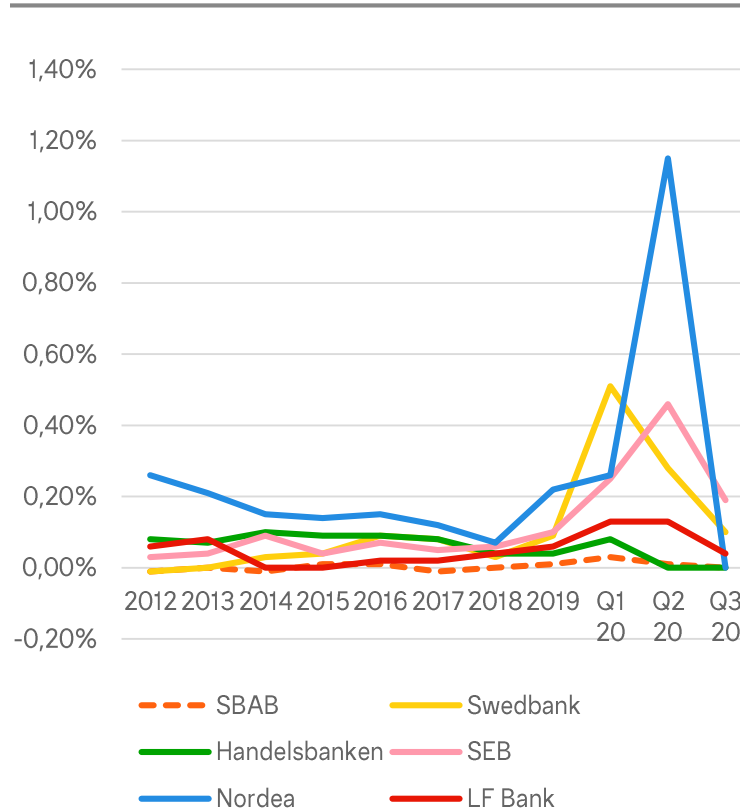
# Swedish mortgages—a low-risk business

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

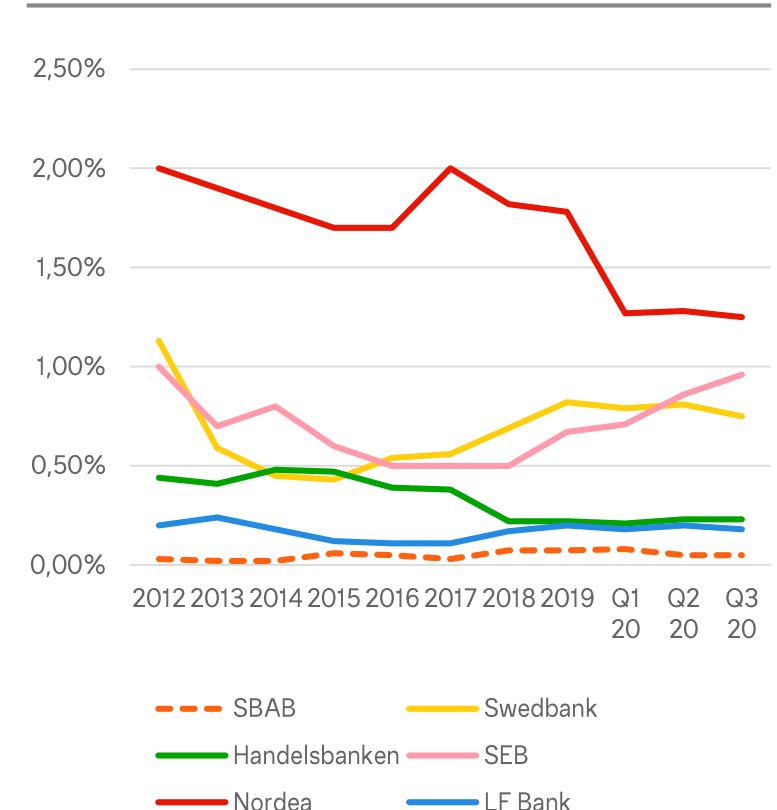
Loan portfolio split



Credit losses

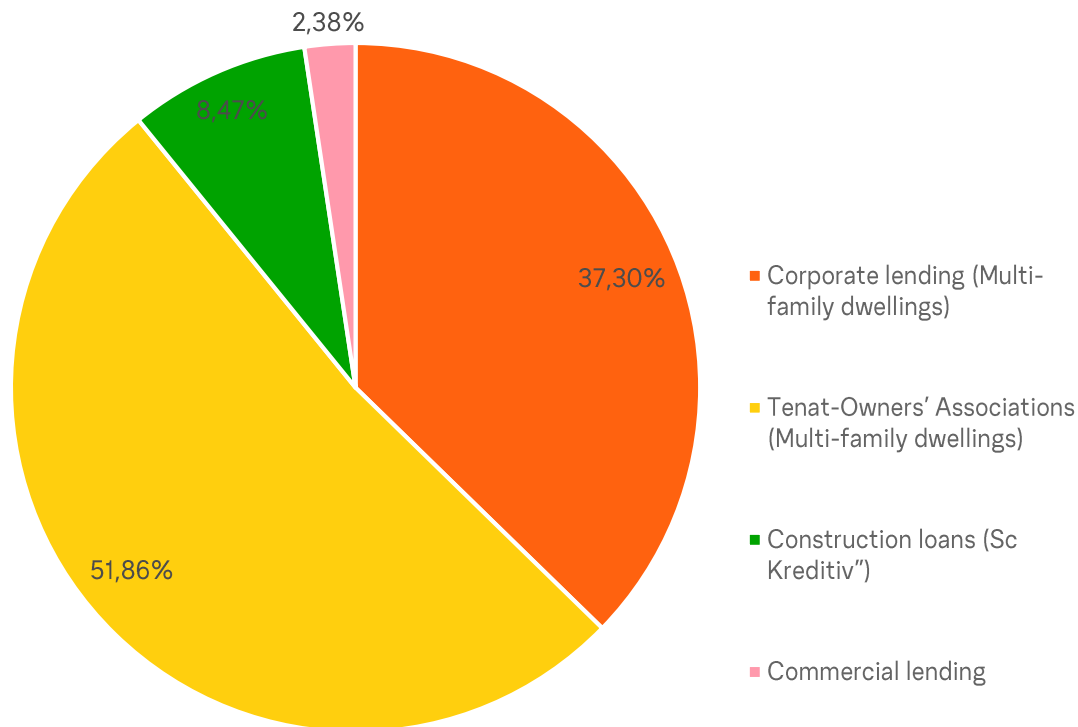


Impaired loans



# Overview of corporate lending

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



## Comments

- Focus on large and experienced property developers 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 0.7%). 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
- 85 outstanding construction loans (82 number of properties) totalling SEK 13.97 billion (of which 57% disbursed). Construction loans capped at 6% of total lending (current level 3.4%)
- 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

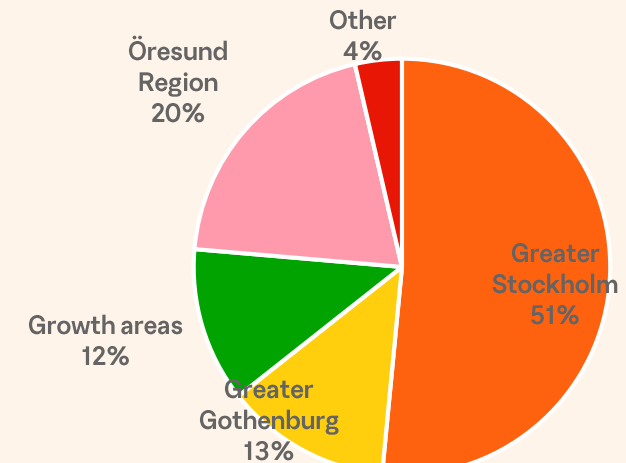
Granted credit amount

**13.97<sub>bn</sub>**

Disbursed share

**64%**

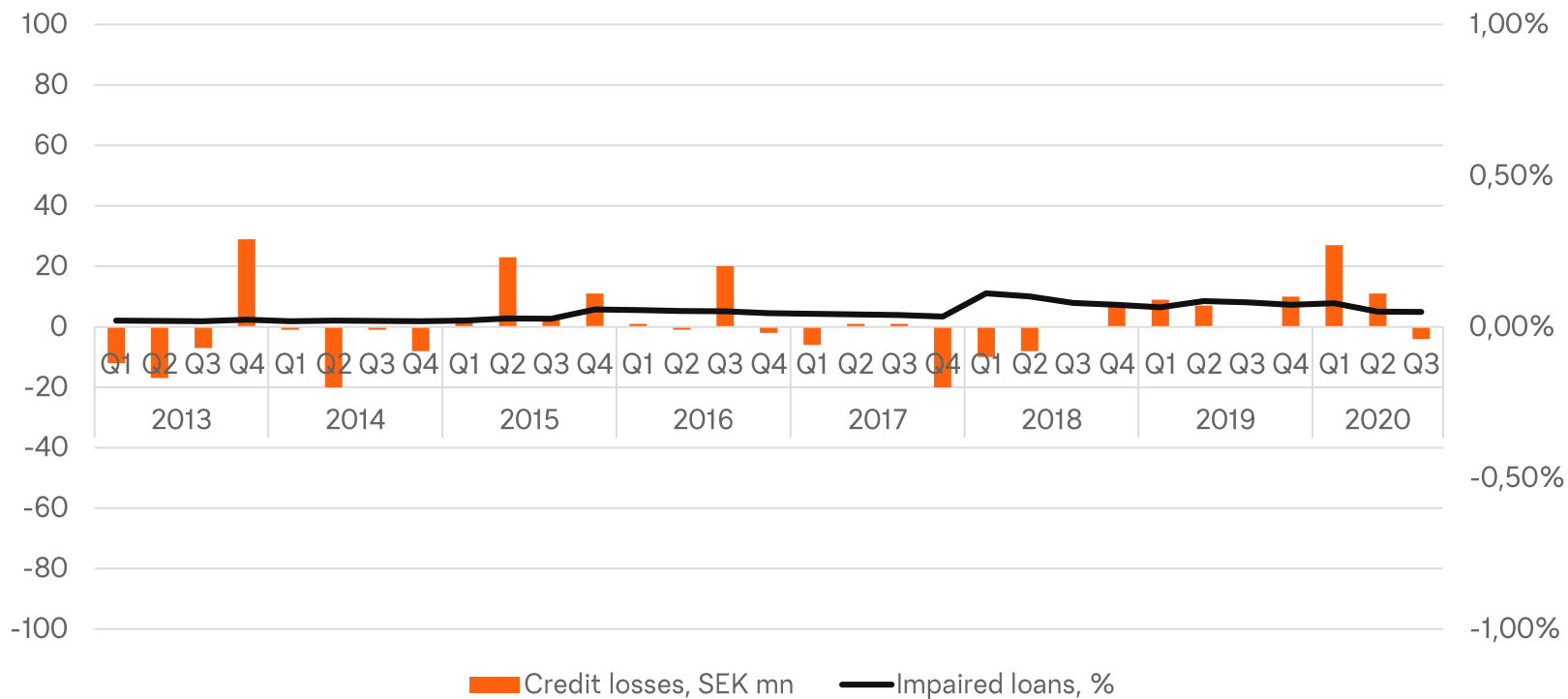
### Geographical distribution



# 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 Q3 2020

Credit losses  
**+4 million**

Credit loss ratio  
**0.00%**

Share of Stage 3 loans, gross  
**0.05%**



# Provisions & credit losses

## Lending to the public by credit stage

SEK million	30 Sept 2020	30 Jun 2020
<b>Credit stage 1</b>		
Gross lending	394,467	382,280
Provision	-52	-46
<b>Total</b>	<b>394,415</b>	<b>382,234</b>
<b>Credit stage 2</b>		
Gross lending	17,823	19,183
Provision	-73	-79
<b>Total</b>	<b>17,75</b>	<b>19,104</b>
<b>Credit stage 3</b>		
Gross lending	201	203
Provision	-30	-27
<b>Total</b>	<b>171</b>	<b>176</b>
<b>Total gross lending</b>	<b>412,491</b>	<b>401,666</b>
<b>Total provisions</b>	<b>-155</b>	<b>-152</b>
<b>Total</b>	<b>412,336</b>	<b>401,514</b>

## Net credit losses

SEK million	Q3 2020	Q2 2020	Jan-Dec 2019
<b>Lending to the public</b>			
Confirmed credit losses	-1	-4	-14
Recoveries of previously confirmed credit losses	2	1	3
Change in provision for the period – credit stage 1	-6	-5	-3
Change in provision for the period – credit stage 2	6	-2	-1
Change in provision for the period – credit stage 3	-3	3	3
Guarantees	-2	1	-8
<b>Net credit losses for the period – lending to the public</b>	<b>-4</b>	<b>-6</b>	<b>-20</b>
<b>Loan commitments</b>			
Change in provision for the period – credit stage 1	4	-3	3
Change in provision for the period – credit stage 2	4	-2	-9
Change in provision for the period – credit stage 3	0	0	0
<b>Net credit losses for the period – loan commitment</b>	<b>8</b>	<b>-5</b>	<b>-6</b>
<b>Total</b>	<b>4</b>	<b>-11</b>	<b>-26</b>

## Comment

On three occasions in 2020, once every quarter, SBAB has revised the forward-looking information applied in the impairment model used to calculate credit loss allowances due to the prevailing coronavirus pandemic. Moreover, at the start of the year, prior to the outbreak of the coronavirus pandemic, SBAB revised the forward-looking information given the more negative outlook for the housing market and the economy in Sweden. The revisions gave rise to increased credit loss allowances totalling SEK 39 million so far 2020, of which SEK 26 million in the first quarter, SEK 9 million in the second quarter and SEK 6 million in the third quarter.



# SBAB's impairment model

– SBAB applies four different scenarios in its ECL model

## Sensitivity analysis of forward-looking information

Factors	Scenario 1 (45%)			Scenario 2 (25%)			Scenario 3 (15%)			Scenario 4 (15%)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
GDP <sup>1)</sup>	-4.8%	+2.9%	+2.7%	-8.0%	-3.9%	+4.9%	-5.7%	-6%	+5.6%	-5.3%	-2.3%	-0.8%
Repo rate	0.1%	0.2%	0.2%	0.6%	0.6%	0.6%	0.4%	0.5%	0.5%	0.2%	1.2%	1.1%
Unemployment	8.6%	9.3%	8.7%	9.8%	13.0%	11.4%	8.8%	12.2%	11.5%	8.6%	10.1%	10.9%
House prices, Δ	+2.5%	+1.7%	-3.1%	-5.8%	-4.6%	-1.4%	-5.0%	-13.5%	-5.3%	-8.1%	-17.0%	-16.6%
Prices of tenant-owners' rights, Δ	-1.6%	+0.6%	-4.2%	-10.2%	-6.2%	-2.5%	-6.5%	-15.4%	-8.7%	-11.3%	-27.2%	-20.7%
Property prices, Δ	+2.4%	+0.5%	-0.4%	+1.2%	-11.8%	-0.6%	-9.8%	-13.3%	-5.8%	-15.0%	-26.5%	-10.7%
ECL	SEK 82 million			SEK 158 million			SEK 186 million			SEK 478 million		
Weighted ECL <sup>2)</sup>	SEK 176 million											

1) Not included in the ECL calculation

2) Of which, SEK 155 million was attributable to lending to the public and SEK 21 million to off-balance-sheet items linked to loan commitments and building credits.

## Comment

- SBAB applies four different scenarios in its impairment model;
  - Scenario 1: "Base" (45%)
  - Scenario 2: "Base Downside" (25%)
  - Scenario 3: "Very serious financial crisis (one in 25 years)" (15%)
  - Scenario 4: "Very severe financial crisis in combination with central government increased debt and troubled finances" (15%)
- Scenarios 1, 3 and 4 revised in Q3. Other scenarios, as well as the weighting between scenarios that applied in Q2, remain unchanged. The table shows the forward-looking information comprised of a weighting of four scenarios with projections of the macroeconomic factors applied in the impairment model
- SBAB has no "upside case" but instead several different variations of negative stress scenarios to reflect the uncertain future





# Swedish mortgages – a low risk business

– Mortgage lending in Sweden a low risk business for a number of 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

## Mortgage Deed System

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

## 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

## 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



# Funding, liquidity & capital

# 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

Baa2

T2 / SNP

Baa3

Non Investment  
Grade

Ba1

AT1

Ba2

[...]

AAA

Sov. rating

AA+

AA

AA-

A+

A Senior Preferred

A-

SACP

BBB+

SNP

BBB

T2

BBB-

BB+

BB

AT1\*

[...]

\* Revised 2019/22/05 from BB+



# 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>

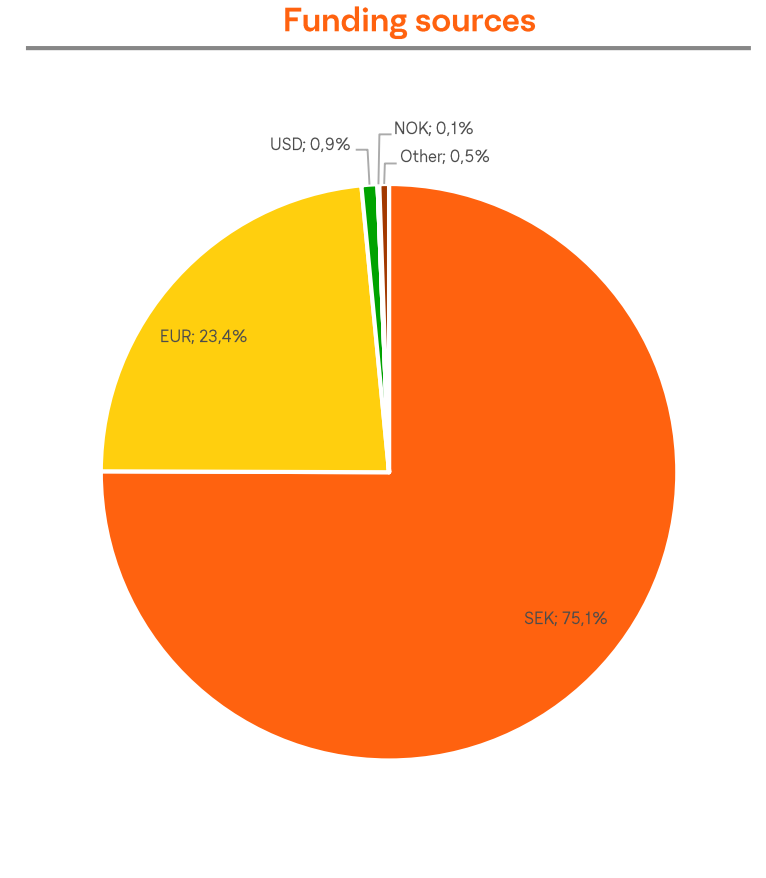
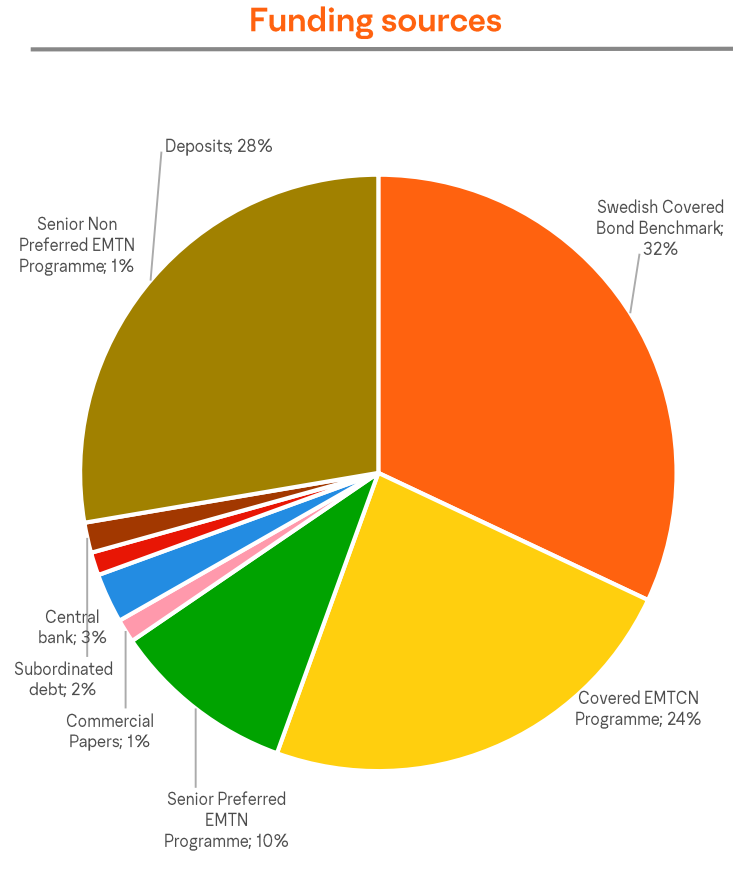
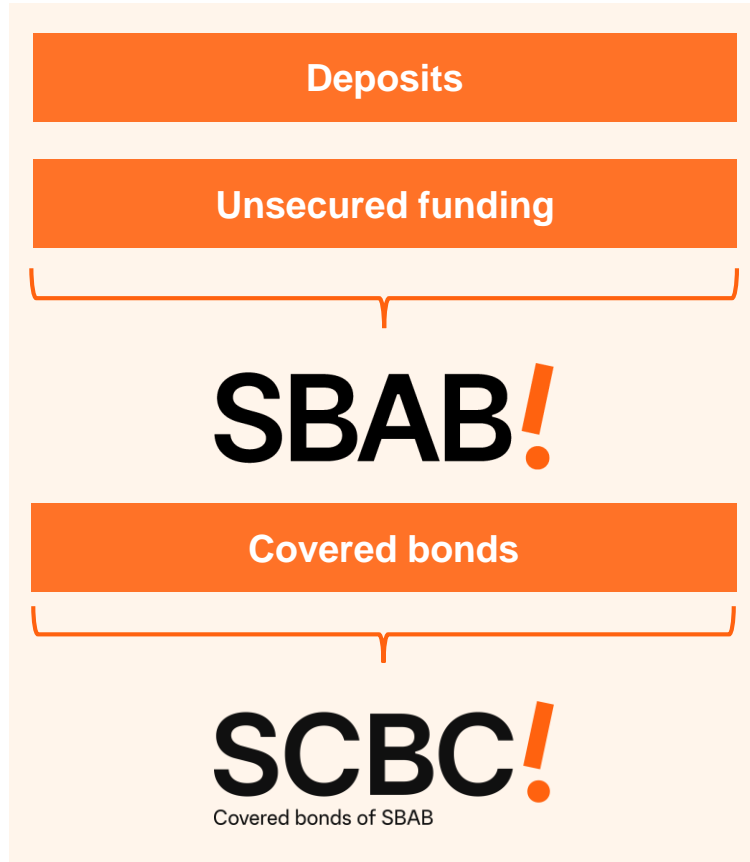
## Rating

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



# Overview of funding

– Total funding portfolio SEK 484 billion (as of 30 Sept 2020)

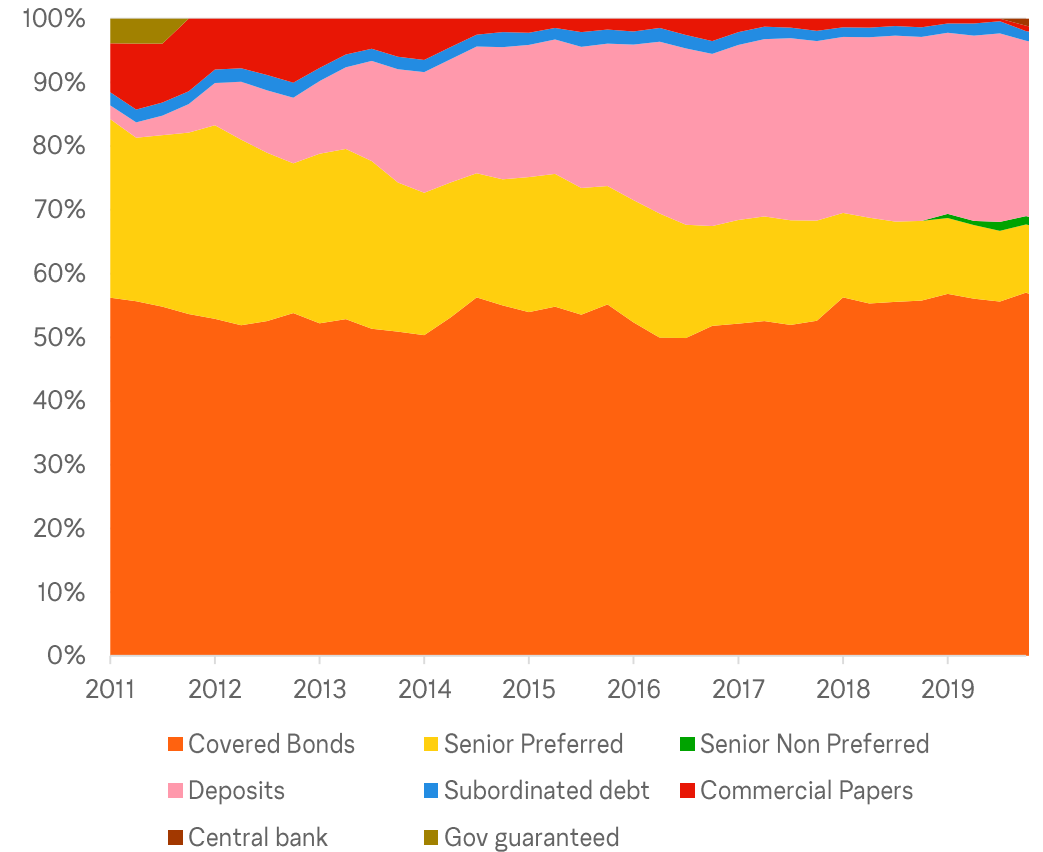


# Funding strategy & development

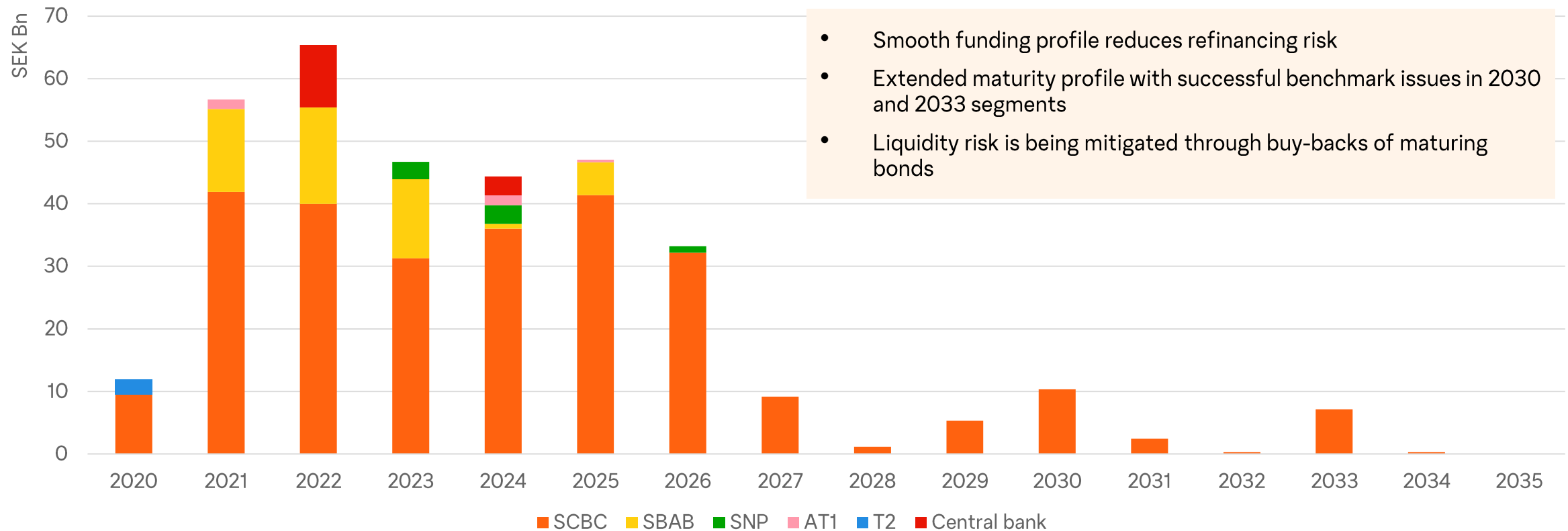
## Funding strategy

- 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. Utilising 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



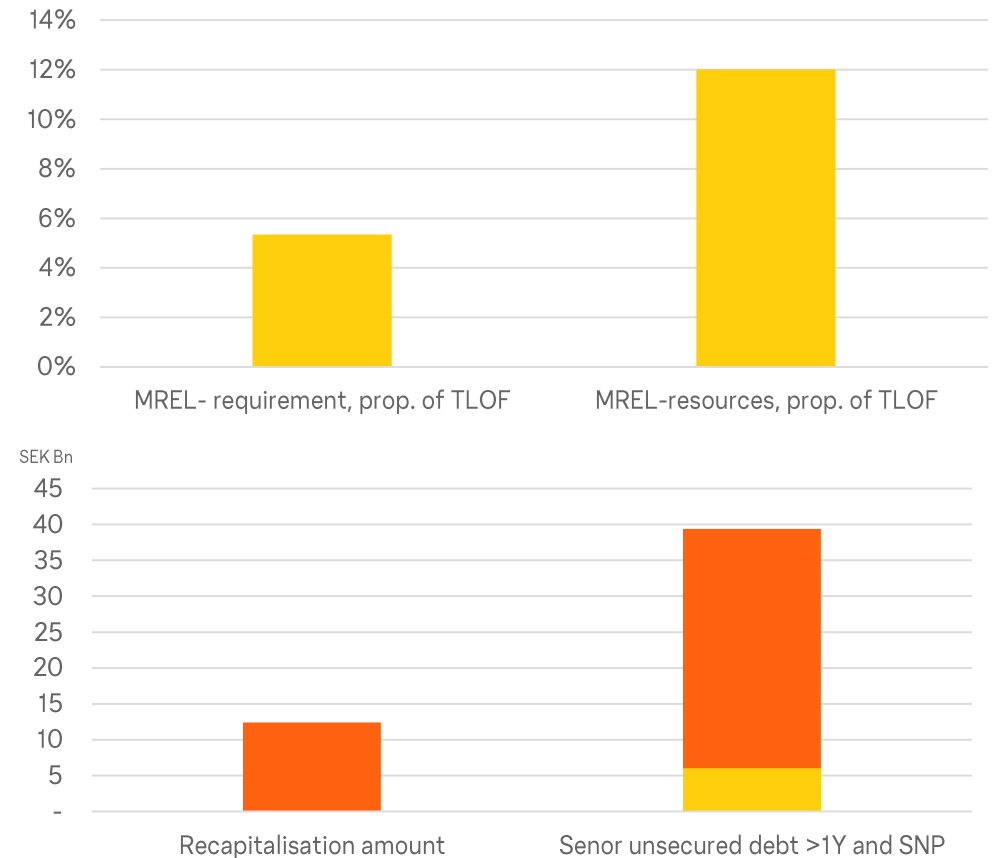
# MREL-requirement

## – MREL-requirement

### Background

- In June 2018, SNDO (Riksgälden) made public that the principle of subordinated liabilities shall also apply to the six mid-sized institutions that are critical for the financial system
  - **To support the banking system in current corona pandemic environment, phase in period has been extended until end 2023**
- SBAB's total MREL-requirement is currently set at 5,35% of Total Liabilities and Own Funds (TLOF)
  - Total need for MREL debt around SEK 28 bn, where approximately SEK 12-13 bn is the recapitalisation amount (to be covered with senior non preferred debt)
  - Compliant with requirement with current outstanding senior unsecured debt
  - SBAB's estimated balance sheet growth and buffer will add to MREL requirement
- Senior non preferred need (requirement and buffer) of approximately SEK 20 bn by end of 2023
- Gradual build up of eligible liabilities (senior non preferred) over coming years (subject to regulatory developments)

### MREL requirement and liability proportion principle, Q2 2020



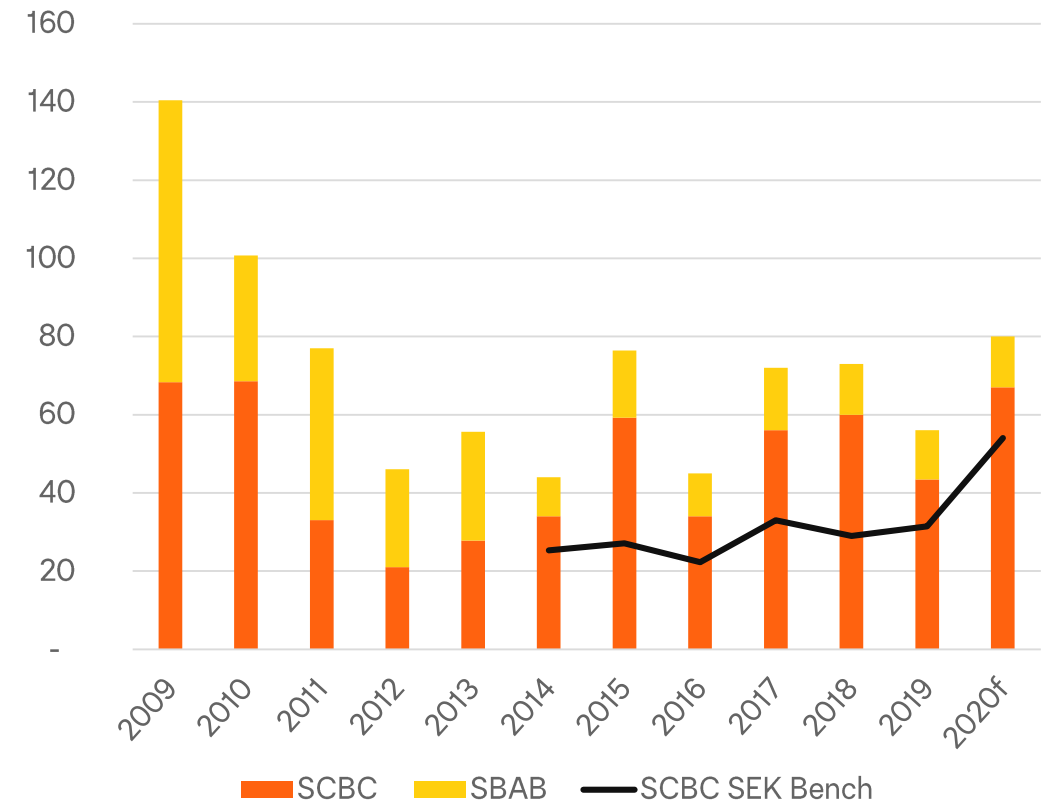


# Future issuance

## Future issuance

- Total long-term funding for 2020 expected to be approximately SEK 80 bn
- Overall strategy is to long term maintain presence and regularity in core funding markets (predominantly EUR and SEK)
  - New SEK covered bond benchmark/benchmarks per year
  - One EUR covered transaction in international funding markets per year & one EUR public senior preferred in international funding markets per year
  - Private placements in SEK and international funding markets
  - Senior non preferred issuances – SEK issuance, EUR and other currencies as a complement
- Capital issuances (AT1 & T2) predominately in SEK
- SBAB's focus is to use intermediate (5y+) tenors to support duration
- Regular future issuance: Dedicated to SEK and expected to return to EUR senior and covered bond market once a year going forward

## Annual issuance, SEK (bn)



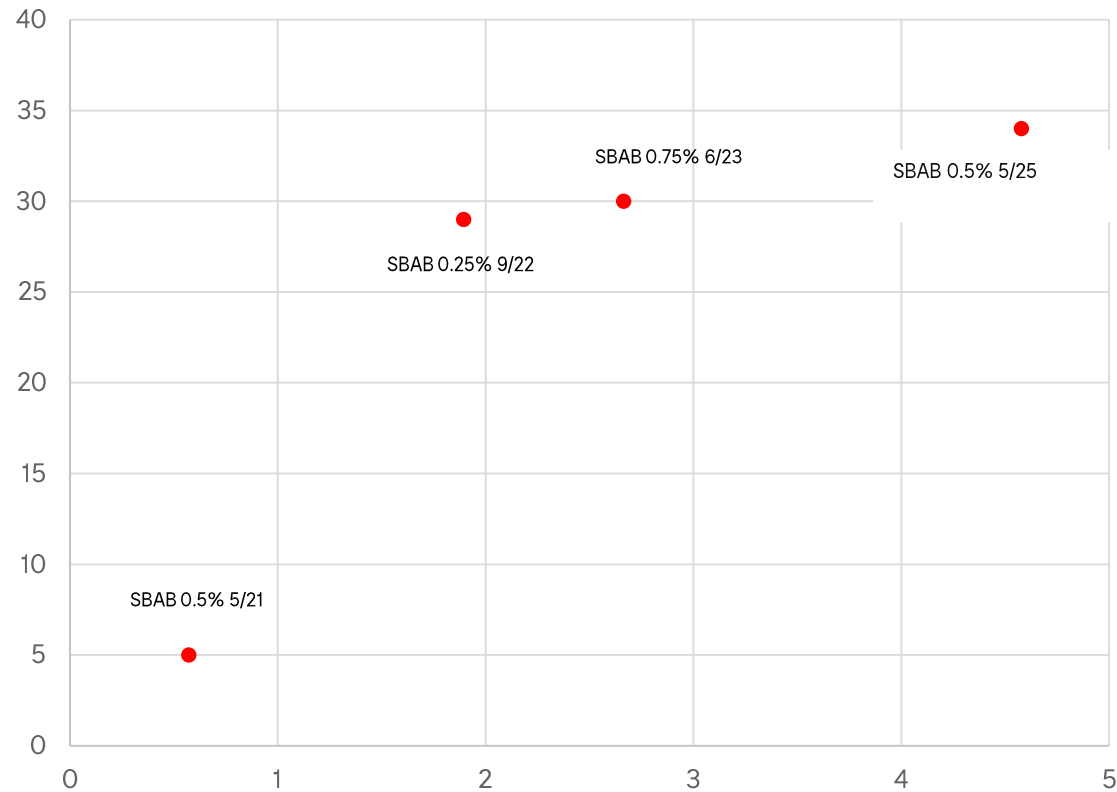
# Regular presence in EUR market



# Outstanding SP and CB (EUR)

– Spread vs MS

Senior Unsecured (SP)



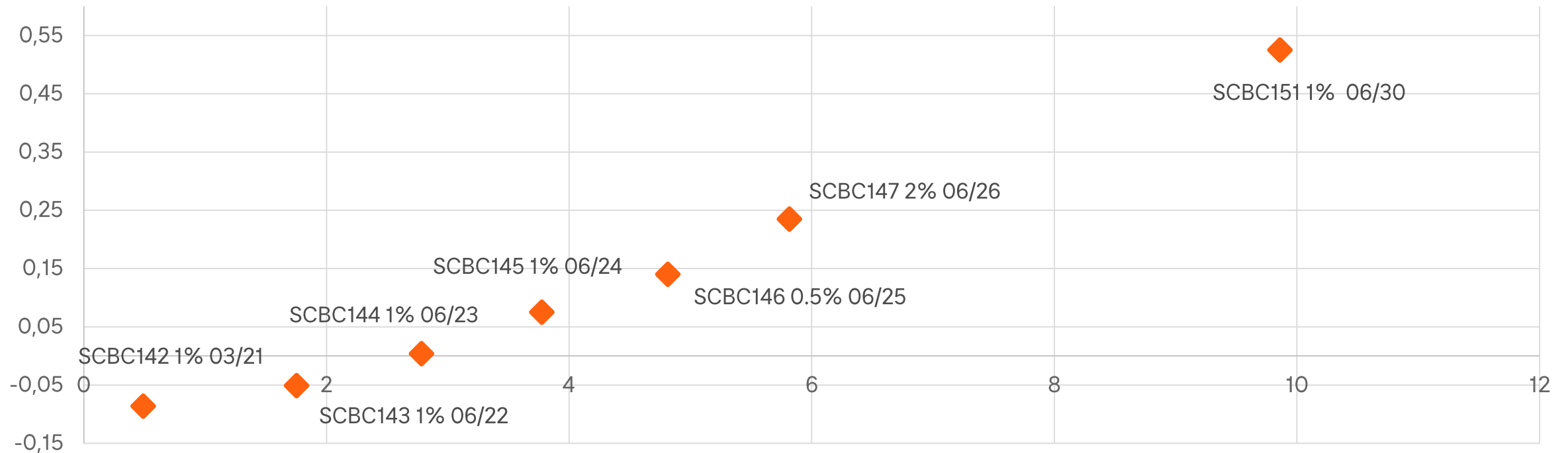
Covered Bonds (CB)



# Outstanding CB (SEK)

– Yield to maturity

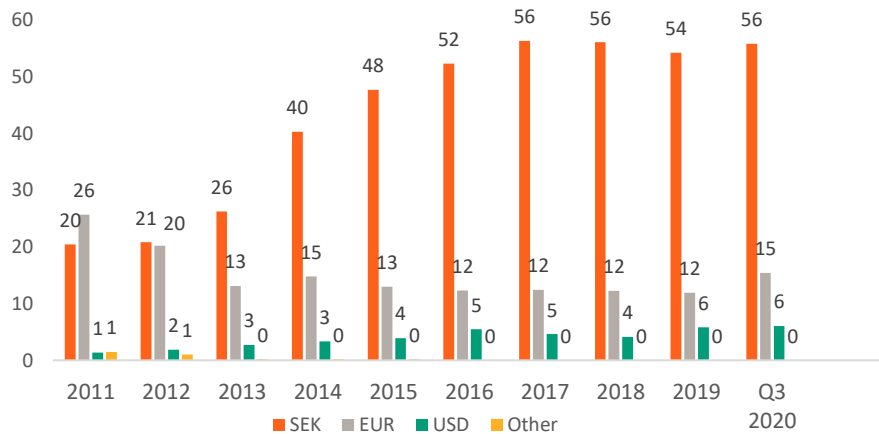
Liquid benchmark CB curve in SEK covering broad range of tenors



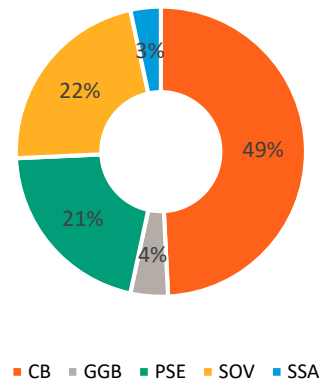
# Liquidity position

- Strong liquidity position with LCR and NSFR well above regulatory requirements
- Survival horizon implies liquidity need coverage for 263 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

77<sub>bn</sub>

### LCR

253%

### NSFR

126%

### Survival horizon

263<sub>days</sub>



# Update on capital

SBAB well above external and internal requirements

## Components of SBAB's capital target Q3 2020

SEK million	Total capital	%	CET1 capital	%
<b>Estimated capital requirements from the S-FSA</b>	<b>15,857</b>	<b>12.2</b>	<b>10,577</b>	<b>8.2</b>
– Of which, Pillar 1 minimum requirement	3,942	3.1	2,217	1.7
– Of which, Pillar 1 risk-weight floor, Swedish mortgages	6,412	4.9	3,607	2.8
– Of which, Pillar 2 core requirement	2,249	1.7	1,499	1.2
– Of which, Capital conservation buffer	3,236	2.5	3,236	2.5
– Of which, Countercyclical buffer	18	0.0	18	0.0
<b>SBAB's capital target</b>	<b>16,634</b>	<b>12.8</b>	<b>11,353</b>	<b>8.8</b>
<b>SBAB's actual capital</b>	<b>21,919</b>	<b>16.9</b>	<b>16,419</b>	<b>12.7</b>

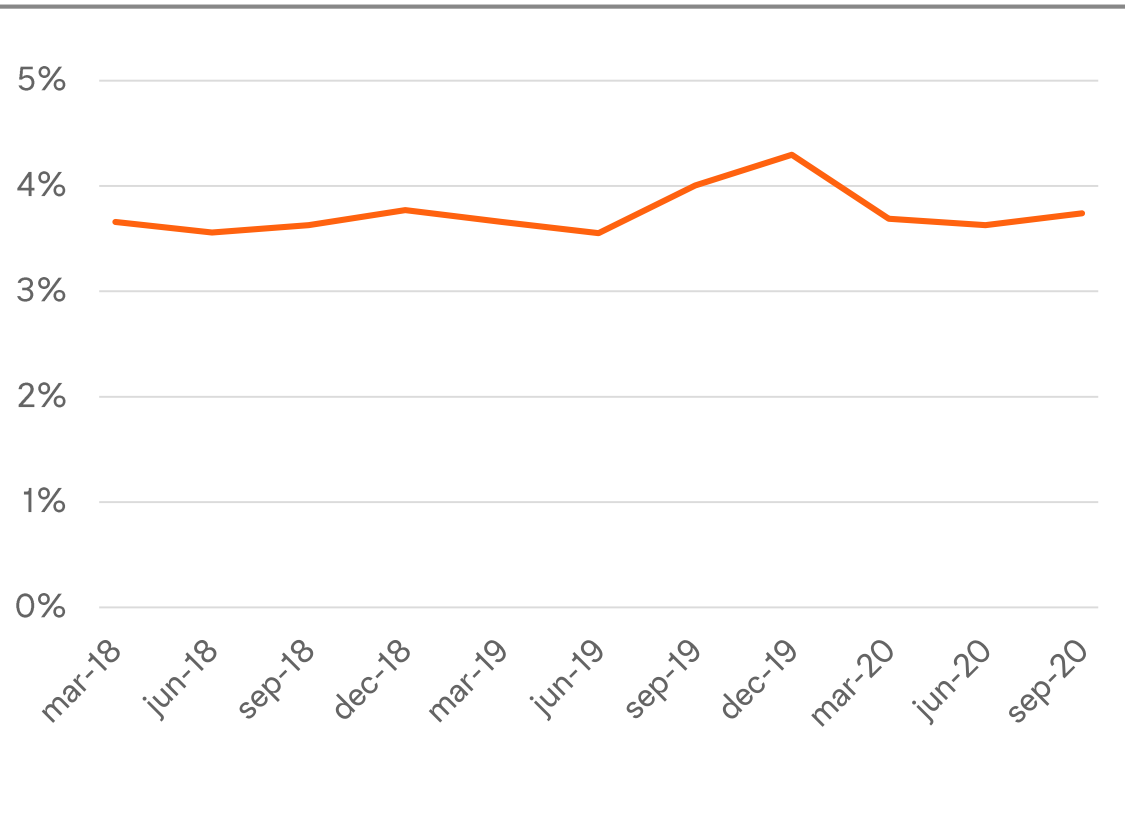
## Comments

- Capital target: CET1 and total capital ratio at least 0.6% above the requirement communicated by the S-FSA
- SBAB remains well above external and internal requirements in Q3 2020
- Early redemption of SEK 2,5 bn in Tier 2 capital with a call date in November 2020 has decreased the total capital ratio
- Leverage ratio of 3.71% as per 30 September 2020, up from 3.63% as per 30 June 2020

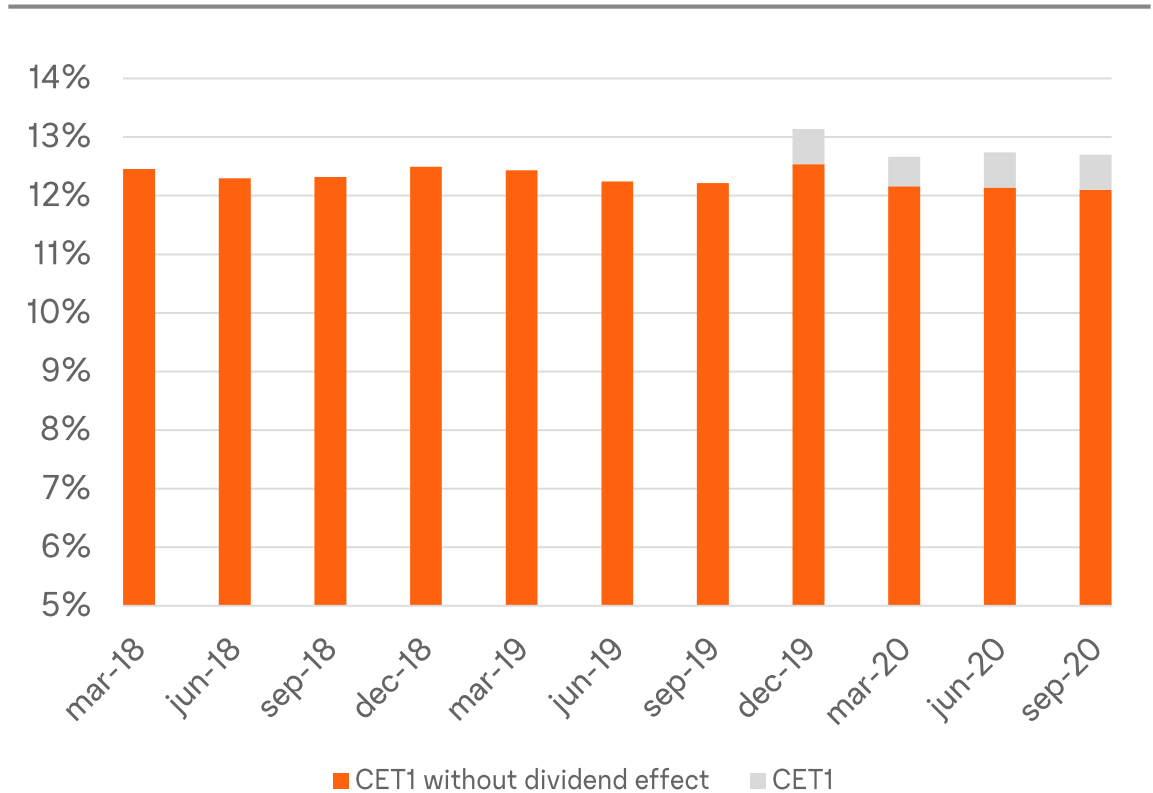


# History of stable capital ratios

Leverage Ratio



CET1 Ratio



# Capital – upcoming regulatory changes

## Banking package

- SFSA proposal currently out for consultation – including indicative levels for P2G<sup>1</sup>, but not bank-specific

- Impact from P2G – Higher CET1 requirements for small and medium sized banks. Lev ratio a “binding requirement” for some banks

## Revisions to internal models

- Revised models currently being developed by SBAB

- Risk weights expected to increase overall in the banking sector as a result of the revisions to IRB

## Revisions to Basel III (“Basel IV”) and output floor

- Output floor to be phased in from 2023

- Swedish 25% floor on mortgages makes Swedish banks already partially “Basel IV” compliant

1) SFSA estimates that the Pillar 2 guidance for most banks will be around 0.2-0.5 per cent of the exposure amount for the leverage ratio, and around 1-1.5 per cent of RWA for the risk-weighted requirement – but numbers will vary for different banks.





# Environment, social and governance framework

# 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.

# Growing responsibility

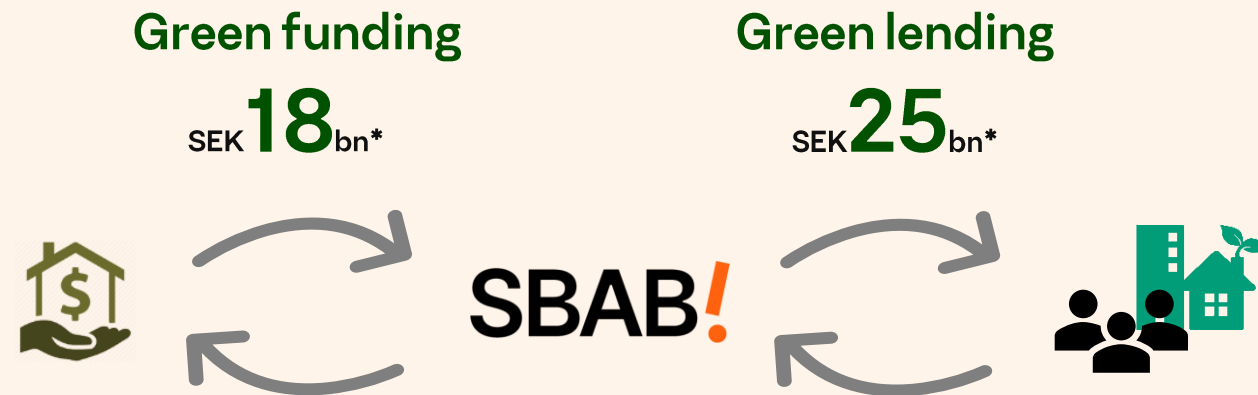
- Interest in ESG issues from all our key stakeholders is growing, and we expect it to continue to do so in the future
- Some examples include:
  - Owner: the State Ownership policy requires increased focus on monitoring and working with climate risks
  - Swedish Regulatory Body: the Financial Inspection Authority is developing how the financial sector reports on climate risks and effects
  - International Regulatory Body : the EU Taxonomy is including sharper requirements on what investments can be classified as green
  - Our investors: increased vetting, requirements and information requested
  - Employees: working with ESG is key to employee engagement and retention
  - Media: audits and widely communicates on ESG scandals in the financial sector



# INSIGHT: Green lending & funding



## Linking green lending to green funding



### SBAB GROUP GREEN BOND FRAMEWORK 2019



CICERO  
Medium Green

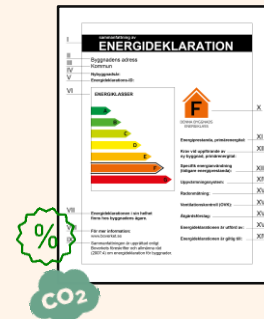
### SBAB GREEN BOND FRAMEWORK 2016



CICERO  
Medium Green

### GREEN LENDING

- Green Residential Mortgages
- Green Investment Loans
- Energy efficient buildings
- New construction



## Rationale behind green efforts

- **Green lending:** Stimulate demand for energy efficient housing as well as creating opportunities and incentives (e.g. by offering discounted loans) for customers to invest and implement energy improving measures in their homes and properties
- **Green funding:** Offer investors the opportunity to actively participate in the sustainable transition of the Swedish housing and real estate market

\*Estimate as of 30 June 2020



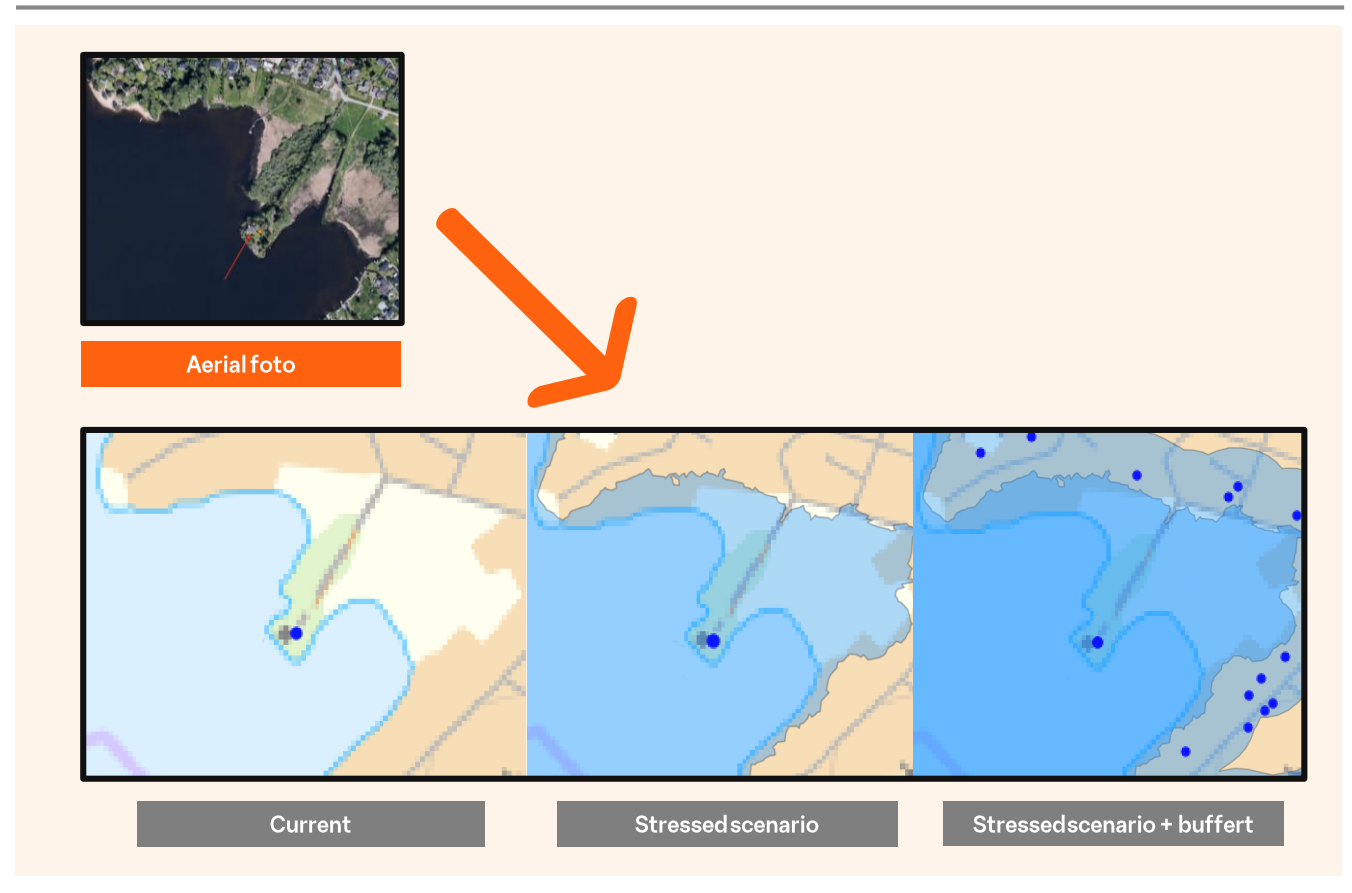
# INSIGHT: Climate risk analysis



– Initial climate risk analysis of SBAB's mortgage portfolio based on RCP8.5 (SMHI) & "100-årsflöden" (MSB)

## Comments

- In 2019, SBAB completed an initial analysis of how the future climate could impact the mortgage portfolio based on RCP8.5 (SMHI) & "100-årsflöden" (MSB). The analysis indicates that rises in sea levels and the risk of flooding have limited impact on SBAB's portfolio
- **Scenario 1:** Stressed scenario of collateral affected by increased seawater level (RCP8.5) and / or "100-year flows" (*Sw. 100-årsflöden*) in Swedish watercourses
- **Scenario 2:** Stressed scenario described above +100 meters buffer
- **Result:** Small proportion of SBAB's portfolio in risk zones





# INSIGHT: Impact reporting 2019

Green Bonds Impact Report 2019

## GREENING THE FUTURE

Issuer	Issue date	Amount issued	Format	Maturity	Coupon	ISIN	Framework
SBAB	16 June, 2016	SEK 1.0bn	Senior unsecured	23 June, 2021	1.048%	XS1436518606	SBAB Green Bond Framework 2016
		SEK 1.0bn		23 June, 2021	3M Stibor +95 bps	XS1436728916	
SBAB	4 October, 2017	SEK 1.0bn	Senior unsecured	11 October, 2022	0.98%	XS1697577556	SBAB Green Bond Framework 2016
		SEK 750mn		11 October, 2022	3M Stibor +75 bps	XS1697766951	
SCBC	23 January, 2019	SEK 6.0bn	Covered bond	28 March, 2024	0.75%	XS1943443769	SBAB Group Green Bond Framework 2019
SBAB	13 June, 2019	SEK 2.25bn	Senior Non-Preferred	06 June, 2024	3M Stibor +90 bps	XS2015229516	SBAB Group Green Bond Framework 2019
		SEK 750mn		06 June, 2024	1.0%	XS2015229862	
TOTAL		SEK 12.75bn					



### SBAB Green Bond Framework 2016

SEK 4.7bn → 589 tCO<sub>2</sub>e

Eligible Green Loans  
& Estimated annual avoidance of GHG emissions

### SBAB Group Green Bond Framework 2019

SEK 19.8bn → 6,970 tCO<sub>2</sub>e

Eligible Green Loans  
& Estimated annual avoidance of GHG emissions



SBAB Bank AB (publ)

AB Sveriges S kerst llda Obligationer (publ)  
(Swedish Covered Bond Corporation – SCBC)



Sweden's Best  
Workplaces™

Great  
Place  
To  
Work®

SWEDEN  
2020

## One of Sweden's best workplaces

Percentage of employees who consider  
SBAB, all in all, a very good workplace:

**93%**

# INSIGHT: Attractive workplace

- 4<sup>th</sup> place in Great Place to Work's list of Sweden's best workplaces both 2019 & 2020 (larger companies)
- 20<sup>th</sup> place in Great Place to Work's list of Europe's best workplaces 2019 (larger companies)



SBAB rewarded for its work with respect and equality



Jämställdhetsindex JÄMIX®



# Sustainability ratings

## ISS-Oekom

### Prime C

ISS-Oekom Research AG has issued a sustainability rating of C (on a scale of A+ to D-) to SBAB. With this rating, SBAB classifies as 'Prime'.

*(Latest update in April 2018)*



## 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)*

## Sustainalytics

### Low Risk

According to the ESG report from Sustainalytics, SBAB is at low risk (19/100) of experiencing material financial impacts from ESG factors.

*"The company is at low risk of experiencing material financial impacts from ESG factors, due to its low exposure and average management of material ESG issues. The company is not publicly held, which reduces its corporate governance risk compared to its peers. Its management has not resulted in significant controversies for the company and ultimately the company's favorable risk assessment is due to its low exposure to ESG issues."*

*(Latest update in May 2020)*

# SBAB!



# Swedish economy & housing market



**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.

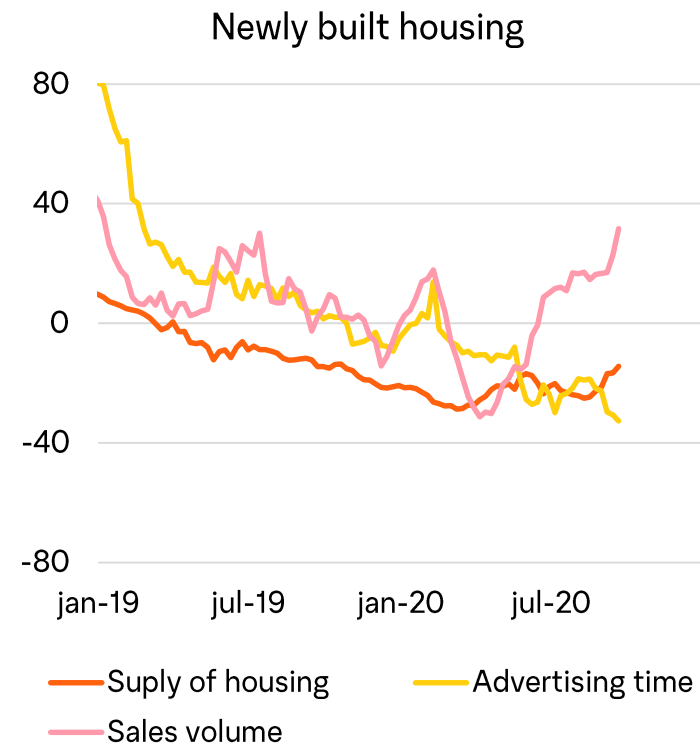
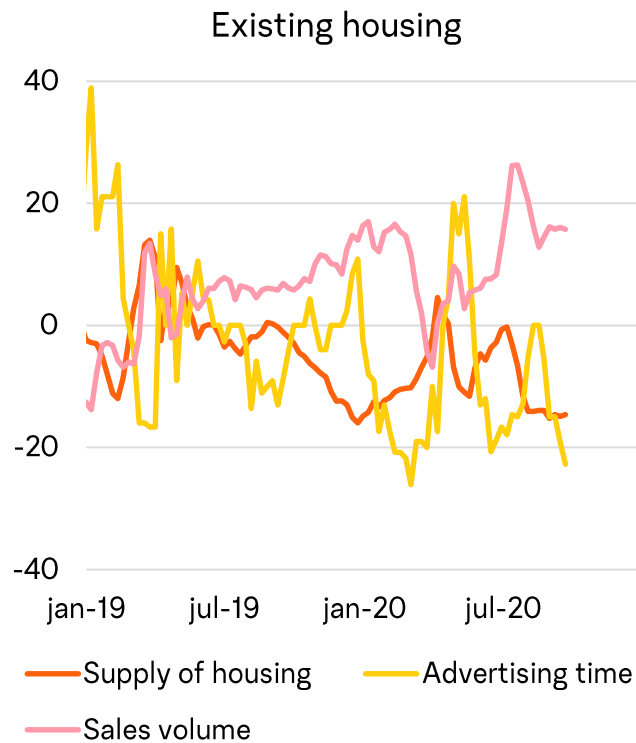
# The Swedish economy & housing market

- We expect Sweden's GDP to develop negatively this year and that unemployment will rise in the coming quarters. Some parts of the economy will be subject to great pressure during 2020, and the recovery is not expected to be rapid
- Simultaneously, we believe there are many factors supporting the economy:
  - 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 fall in housing prices in 2017 and the fall in housing construction in 2018 and 2019 have reduced the risk of declines in house prices in 2020
  - So far this year, housing prices have risen by an average of 8%, significantly more for houses than apartments



# Stable housing market

Housing market developments, YoY (%)



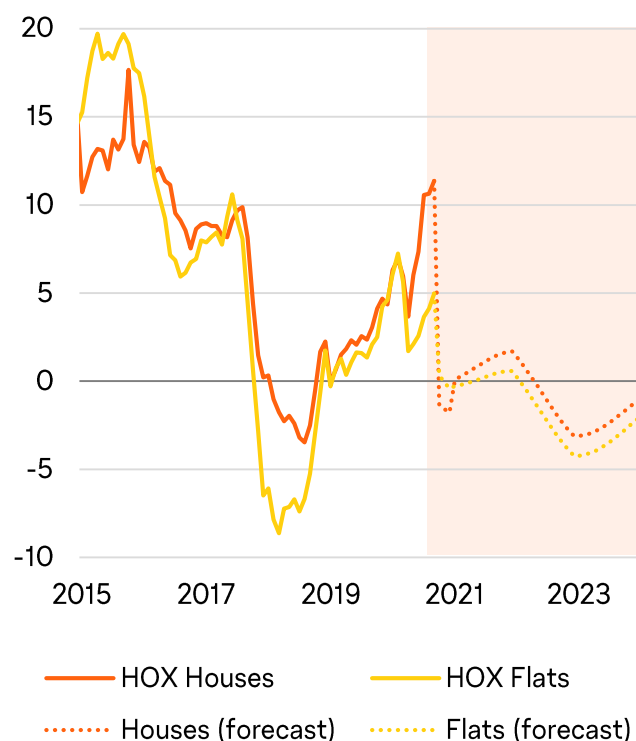
Yet no clear change

- The housing markets in Sweden have been stable over the past year with a clear growing optimism since the summer of 2019
- As a consequence of the corona pandemic, the housing market slowed down in the spring, but the sales volumes have accelerated since the early summer for both existing and newly built housing
- The supply of newly built housing has decreased in line with rising sales volumes



# Future stabilisation of housing prices

Housing price index (January 2005=100)



	Index Sep-20	Change since		
		1m	3m	12m
<b>Sweden (HOX)</b>	<b>258</b>	<b>+1.1%</b>	<b>+5.1%</b>	<b>+8.9%</b>
<b>Flats</b>	<b>308</b>	<b>+1.2%</b>	<b>+4.2%</b>	<b>+5.0%</b>
Stockholm	293	+1.3%	+4.4%	+5.2%
Gothenburg	345	+1.1%	+2.7%	+2.7%
Malmö	274	+2.0%	+5.5%	+6.7%
<b>Houses</b>	<b>246</b>	<b>+1.0%</b>	<b>+5.6%</b>	<b>+11.4%</b>
Stockholm	247	+3.5%	+7.5%	+13.0%
Gothenburg	245	+0.0%	+4.5%	+8.3%
Malmö	233	+3.1%	+6.8%	+13.5%

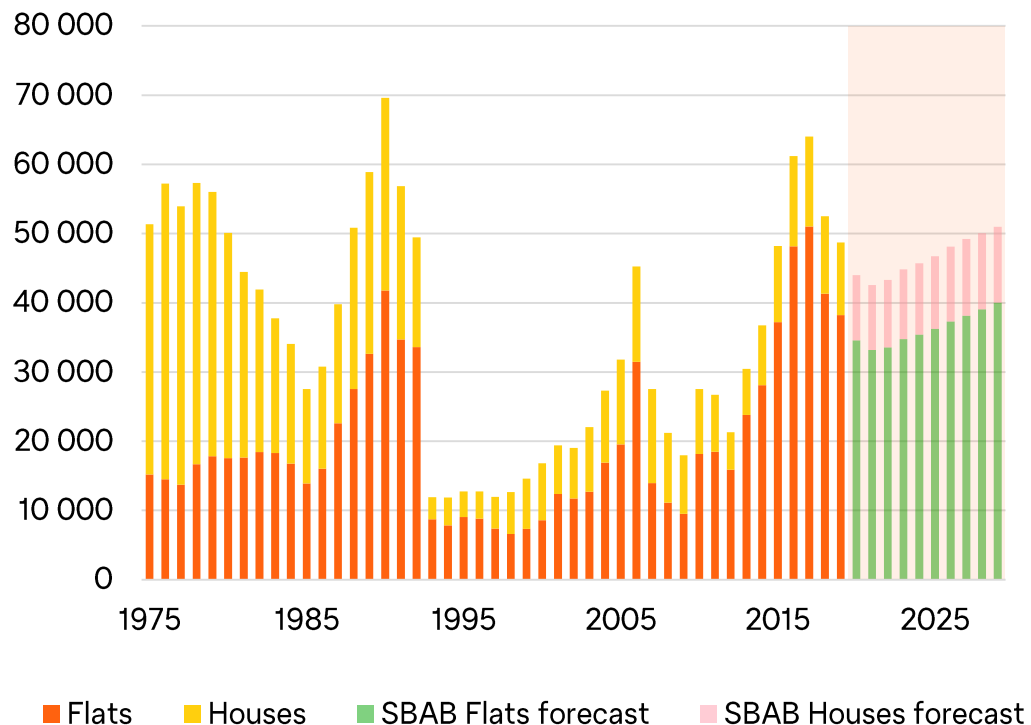
Stable prices in the coming years

- Housing prices have increased by an average of 5.6% over the past ten years, noticeable drop during the latter part of 2017
  - Construction of new housing is influenced by housing prices, and thus slowed down in the wake of the 2017 decline
- SBAB's forecast is that housing prices for the country as a whole will basically stand still in 2021 and 2022. A slight decline is expected 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



# Reduced housing constructing

Housing construction (number of homes)



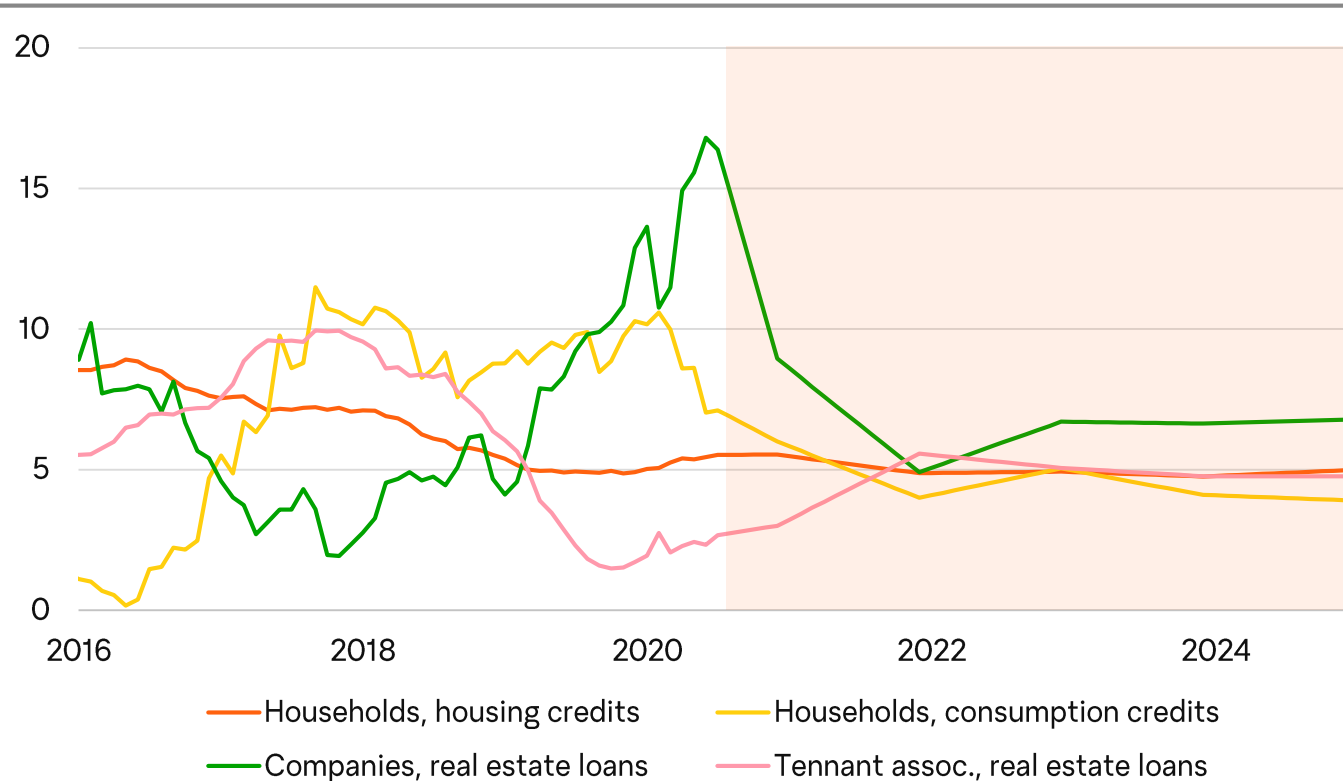
Remaining need for new housing

- Housing construction slows down to 44 000 homes in 2020
  - Relatively low level of housing constructing followed in the footsteps of the 1990s crises
  - Rapidly increasing construction from 2013, and almost as fast decreasing from 2017, housing construction is expected to decrease by 30% by 2020 compared to 2017
  - A noticeable shift to rental apartments in recent years
- Strong demographic growth, good access to financing and low interest rates support the high rate of new construction
  - The housing shortage in Sweden is currently estimated to about 150 000 homes, despite the high rate of construction in recent years
  - Approximately 40 000 new homes are needed per year in order for the housing stock to grow at the same pace as the number of households
  - Some concern about the affordability of new housing and the ability to pay / willingness to buy



# Slowdown in credit growth

Credit growth, annual growth rates (%)



Comments

- Credit growth in the mortgage market (red line) has slowed down since 2016, was at its lowest in 2019 but is now rising slightly
- The annual (YoY) percentage credit growth in the mortgage market in August 2020 was 5.4%
- According to SBAB's forecast, the growth rate is expected to be 5.5% for the full year 2020
  - The forecast takes into account stagnant housing prices, low mortgage rates, a weak development of household income and a high household savings ratio
  - Housing credits from others than MFI:s has a market share of 0.7%



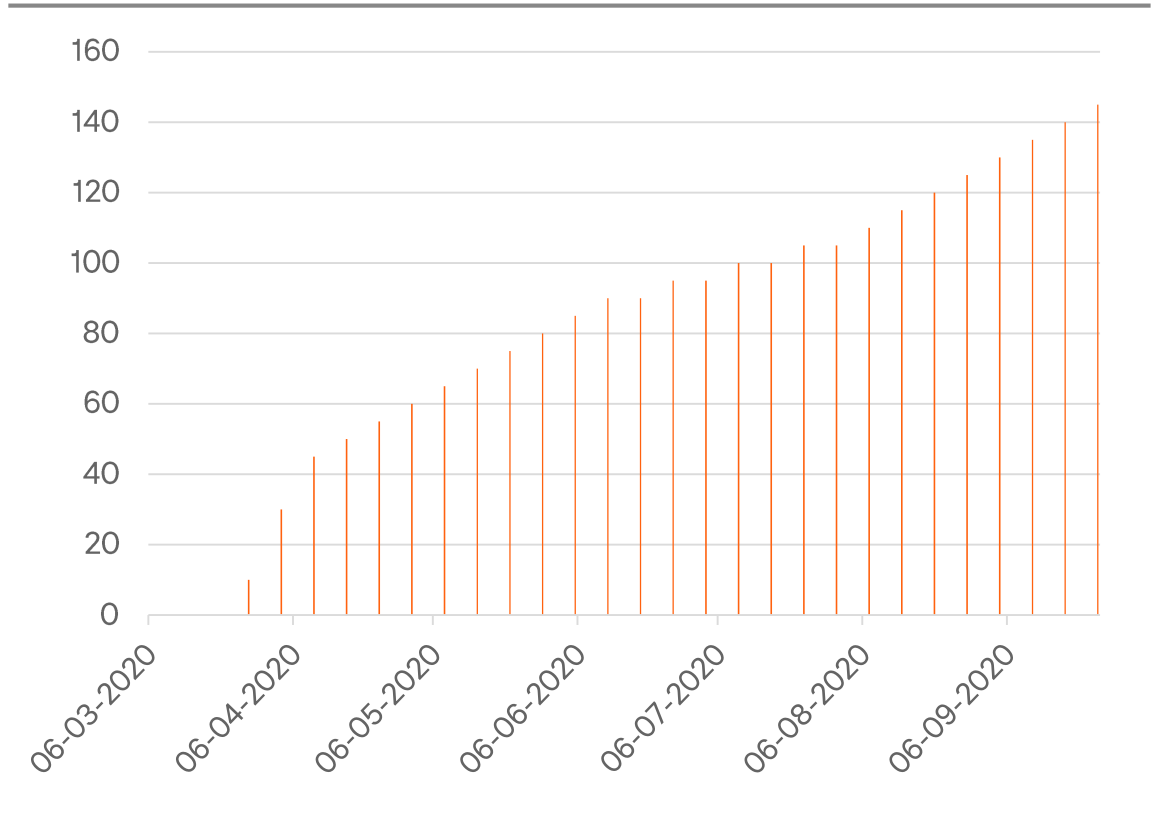
# Riksbank QE gives strong support

- Riksbank QE gives strong support to SEK covered bonds, and should continue to do so

CB spread SCBC 146, bps vs swap



Riksbank offers to buy a total of SEK 210 bn CB during 2020



# Appendix

Chapter 7 (7)

**SBAB!**



# SCBC!

Covered bonds of SBAB

## Appendix I: SCBC



# 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 (%)	OC* (%)
0%	333.5	54.8	22.3
-5%	330.4	56.8	21.1
-10%	326.1	58.6	19.6
-15%	320.3	60.4	17.5
-20%	312.8	61.9	14.7
-25%	303.4	63.4	11.3
-30%	291.4	64.7	6.9

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

## Key metrics

Cover Pool (SEK)

**334<sub>bn</sub>**

No. of loans

**423,920**

OC

**22.3%**

WALTV

**54.8%**



# 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 on a daily basis in small to medium sizes
- Market is supported by market makers with separate market making agreements and repo functionality providing issuers with enhanced liability management options
- Typically issuers start reducing their outstanding debt about 6-9 months before maturity via successive buy-backs and switches

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>	22.3%
<b>Weighted average LTV</b>	54.8%
<b>Weighted average seasoning</b>	5.2 years
<b>Loans in arrears</b>	0.00%. Arrears below 0.01% (loans in arrears > 30 days are excluded from the Cover Pool)
<b>Number of loans</b>	423,920
<b>Average loan size</b>	SEK 787,750
<b>Geographical location</b>	Spread throughout Sweden; concentrated to economic hubs
<b>Pool type</b>	Dynamic
<b>Originator</b>	SBAB Bank Group
<b>Interest rate type</b>	65.1% floating, 34.9% fixed / 46.2% amortising, 53.8% interest only

\* 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:
  - Non-eligible assets
  - Regulatory capital held by SCBC

## Subordination of SBAB interests

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

## Loans in arrears

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

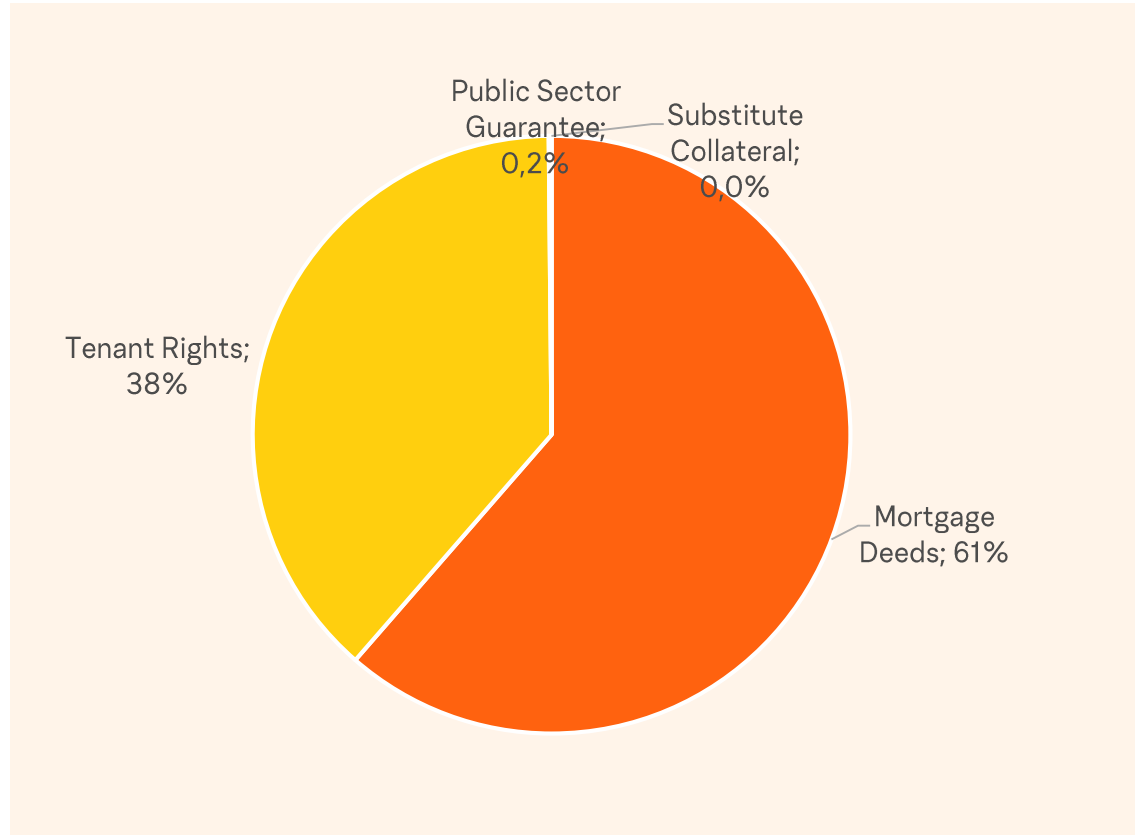
## Other features

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

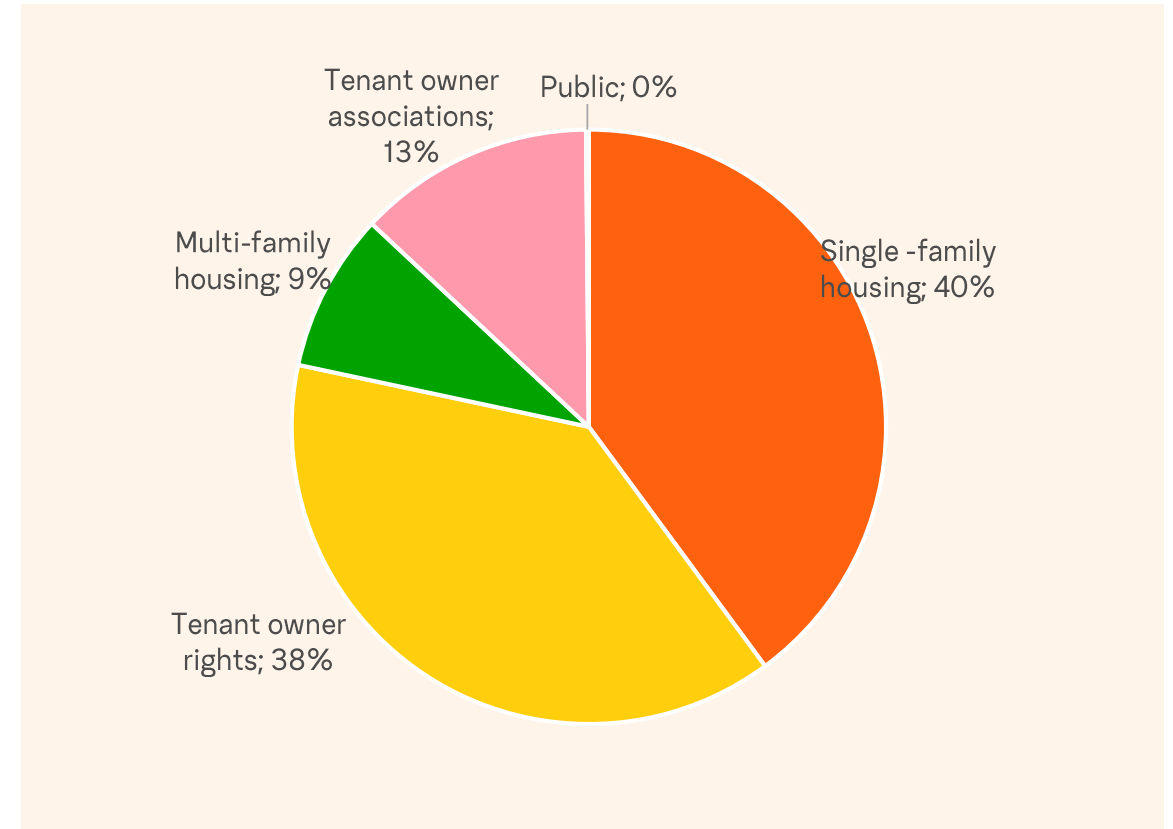


# Cover pool characteristics (1/2)

Breakdown by collateral

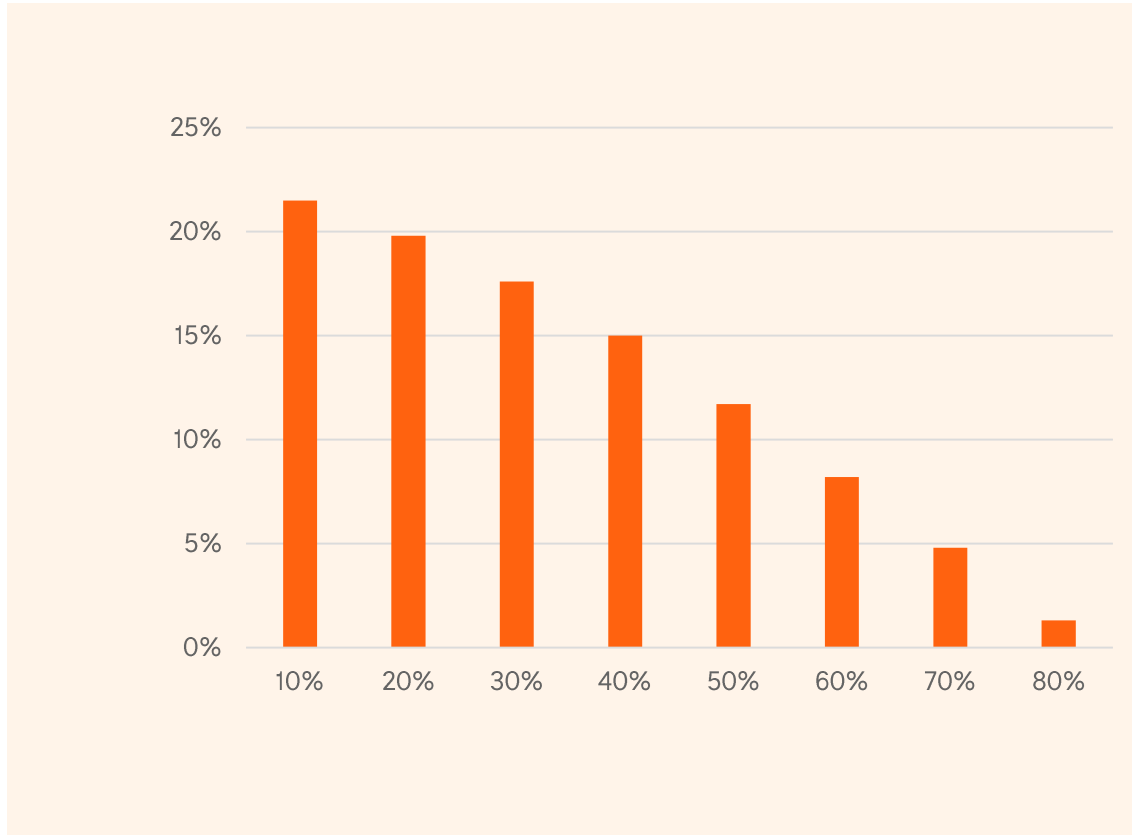


Breakdown by owner

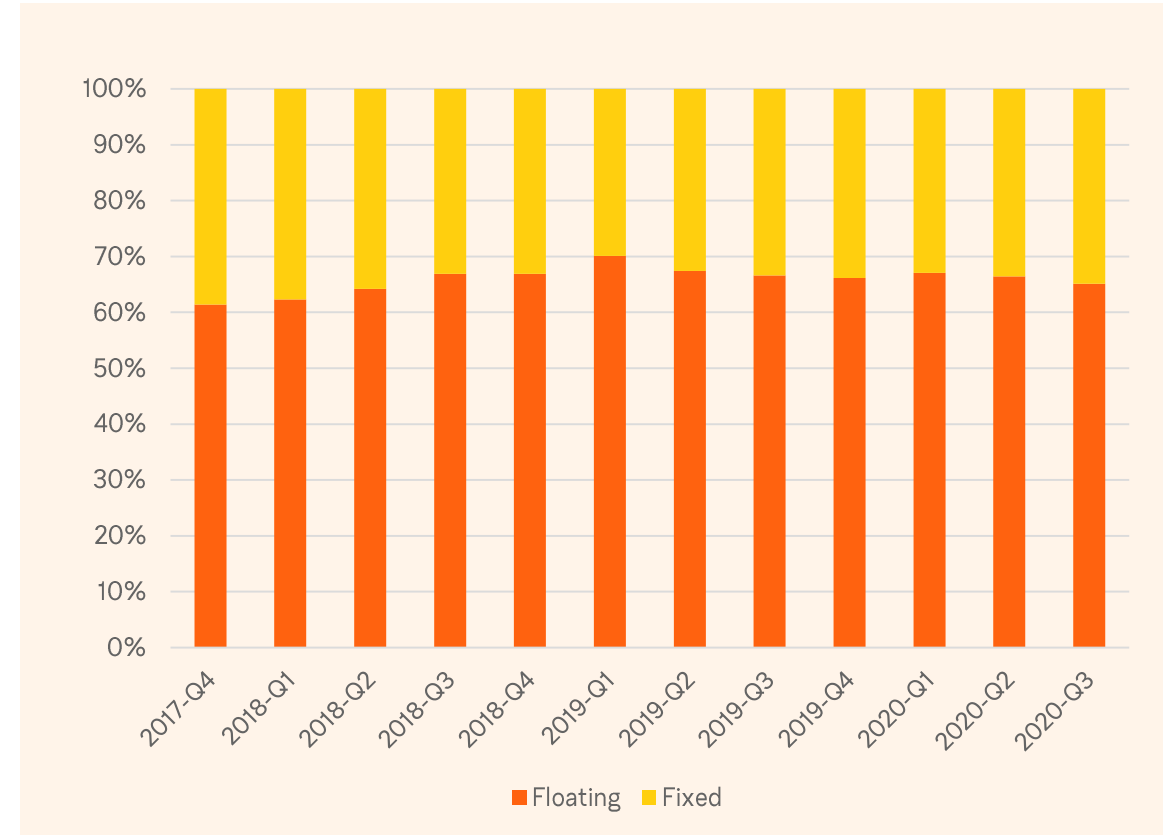


# Cover pool characteristics (2/2)

Loan to value (LTV) distribution



Rate type



## Appendix II: Other



# 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  |





# Financial targets from the owner

	Target	Result Jan-Sept 2020	Result 2019
<b><u>Profitability:</u></b> Return on equity over a business cycle	≥ 10%	10.8%	11.7%
<b><u>Dividend:</u></b> Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥ 40%	40% (expected)	0% (revised)
<b><u>Capitalisation:</u></b> CET1 capital ratio and total capital ratio above regulatory requirement communicated by the Swedish FSA	CET1 capital ratio: ≥ 0.6%	4.5%*	2.4%
	Total capital ratio: ≥ 0.6%	4.7%*	5.2%

\* In relation to expected (internally estimated) capital requirement from the Swedish FSA as of 30 September 2020 (CET1 capital ratio requirement: 8.2% & Total capital ratio requirement: 12.2% vs. Actual CET1 capital ratio: 12.7% & Actual total capital ratio: 16.9%)



# Overview of Q3 & Jan-Sep 2020 results

SEK million	Q3 2020	Q2 2020	▲	Jan-Sep 2020	Jan-Sep 2019	▲
Lending (SEK bn)	412.3	401.5	+2.7%	412.3	378.2	+9.0%
Deposits (SEK bn)	133.9	131.3	+2.0%	133.9	130.0	+3.0%
Net interest income	945	907	+4.2%	2,737	2,596	+5.4%
Net commission	-3	9	-12 mn	-12	-12	0 mn
Net result financial transact.	-11	17	-28 mn	-49	32	-81 mn
Costs	-310	-312	-0.6%	-933	-860	+8.5%
Loan losses	4	-11	-15 mn	-38	-16	+22 mn
Operating profit	636	621	+2.4%	1,742	1,768	-1.5%
C/I ratio, %	32.9%	33.1%	-0.2 pp	34.4%	32.5%	+1.9 pp
C/L ratio, %	0.30%	0.32%	-0.02 pp	0.31%	0.31%	0.0 pp
RoE, %	11.5%	11.6%	-0.1 pp	10.8%	12.1%	-1.3 pp
Loan loss ratio, %	0.00%	-0.01%	-0.01 pp	-0.01%	-0.01%	0.00 pp
CET1 capital ratio, %	12.7%	12.7%	0.0 pp	12.7%	12.2%	+0.5 pp



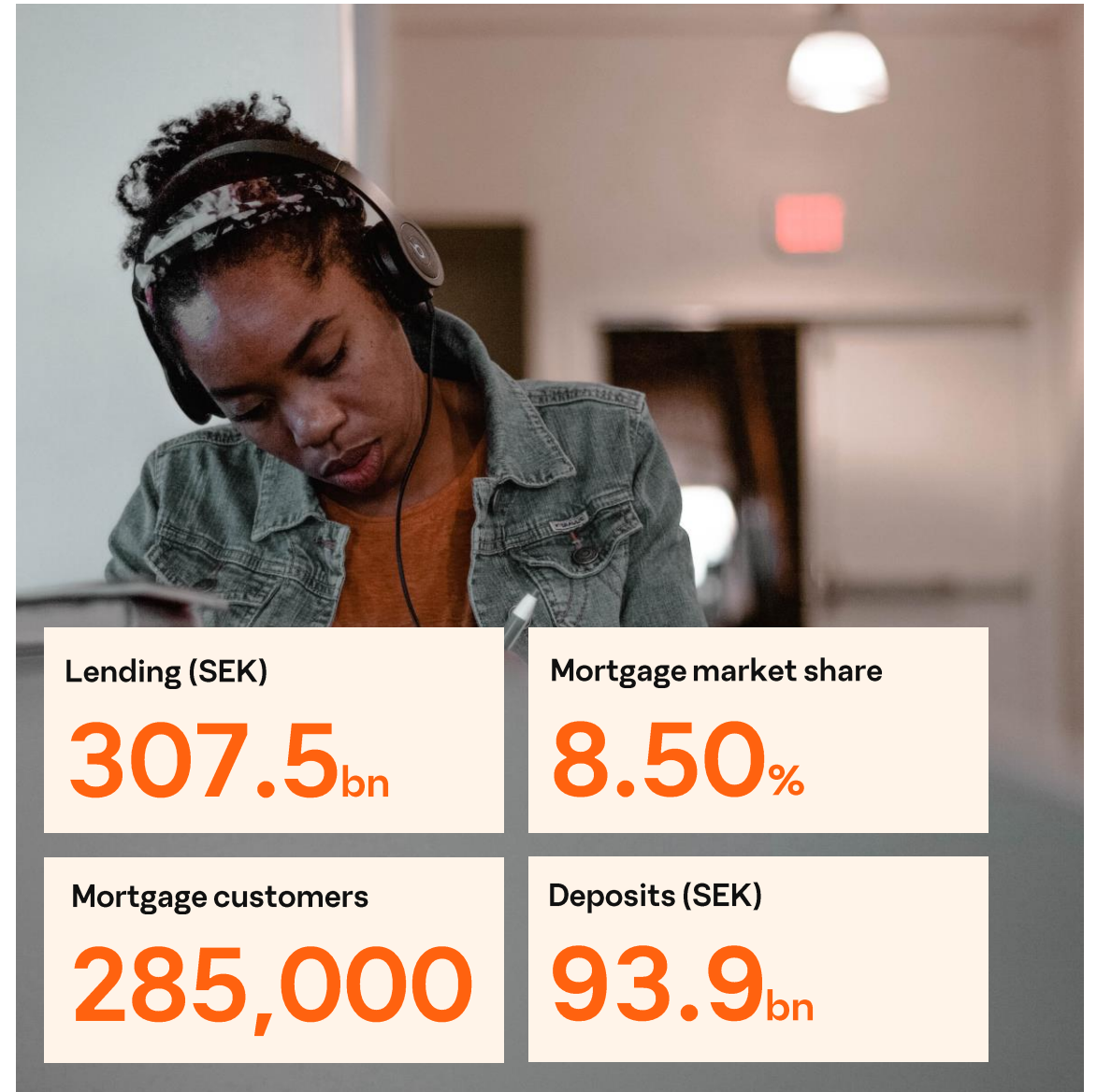
# Retail business area

- 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 (5<sup>th</sup> 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



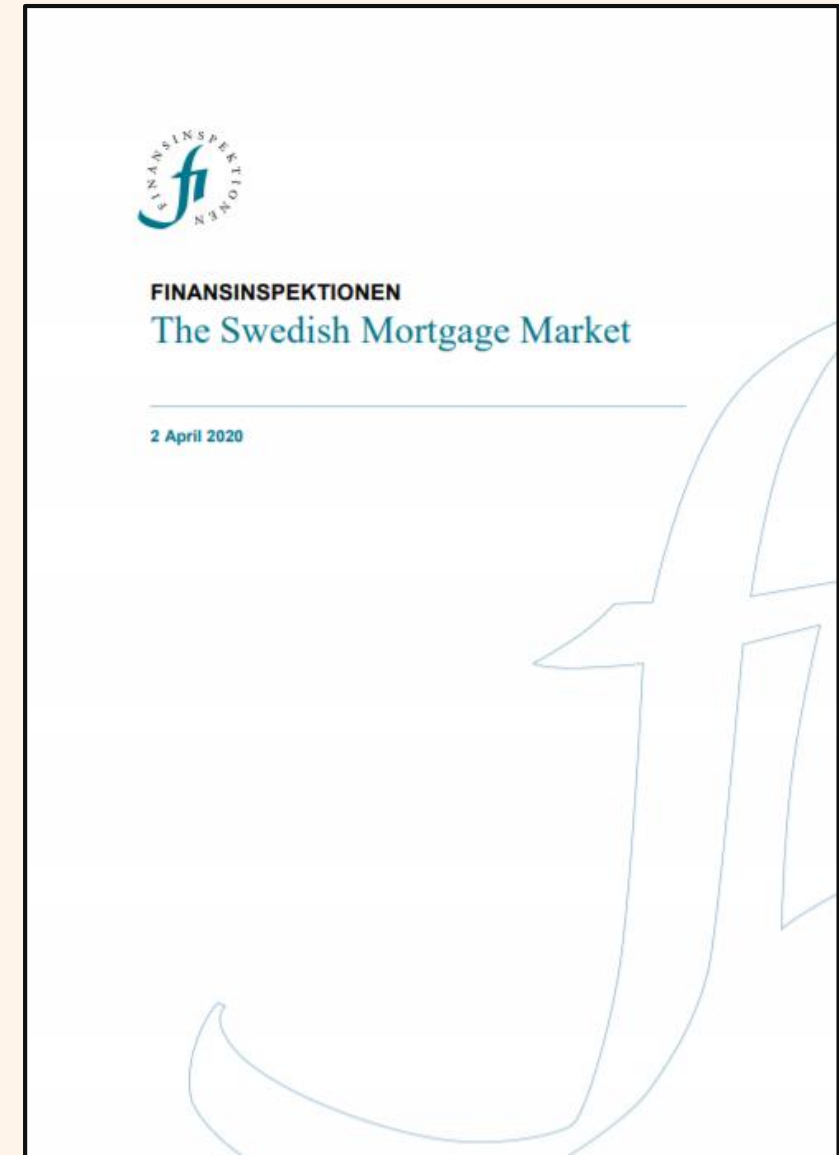
# Corporate clients & ToA

- 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. 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



# S-FSA Mortgage Survey 2019

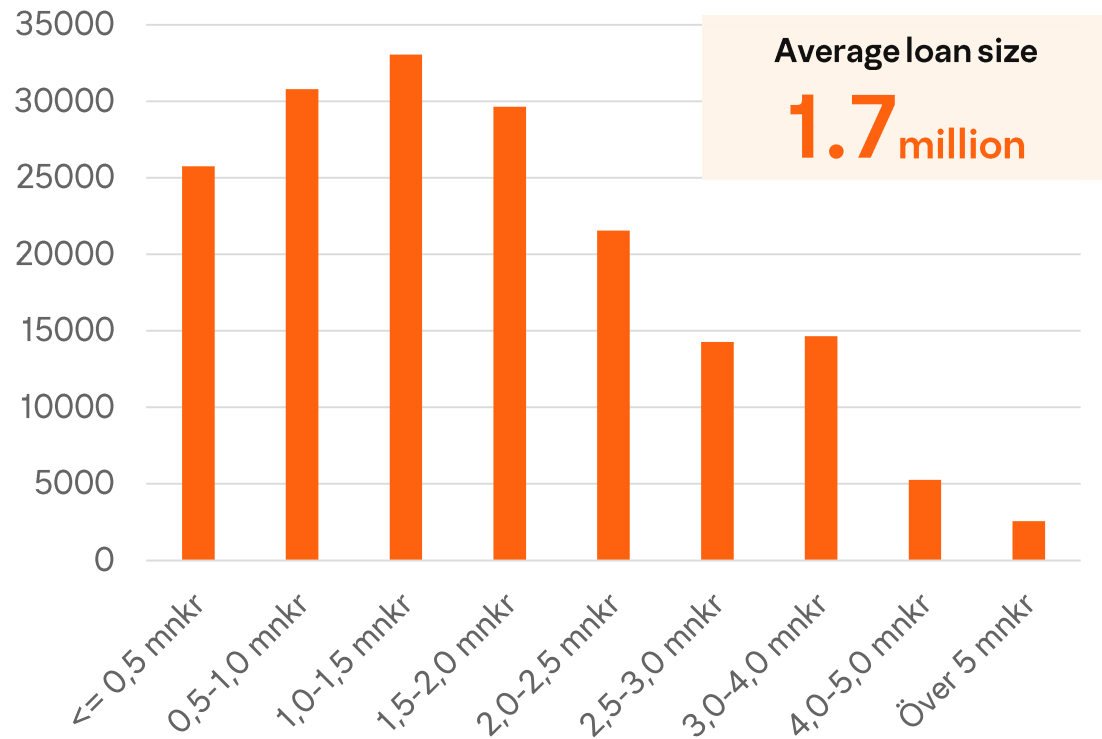
- The percentage of new mortgagors with a high level of debt in relation to either their income or the value of the home continues to be high. New mortgagors in 2019 increased their average loan-to-income ratio. The average loan-to-value ratio also increased in 2019 among new mortgagors, thus breaking the trend of falling loan-to-value ratios since 2013
- In general, new mortgagors still have good margins for servicing their loans under weaker economic conditions. More households than before could handle higher interest rates without experiencing a deficit in their cash flow. However, there was a slight increase in 2019 in households that experienced a monthly deficit following a loss of income compared to 2018. The increase refers primarily to single-person households
- Good resilience indicates that there is a **limited risk that mortgages would cause extensive credit losses for banks**. This should also mitigate the reduction in household consumption, for example, if the economy were to sharply decline as a result of the spread of the coronavirus and the measures being taken in response thereto



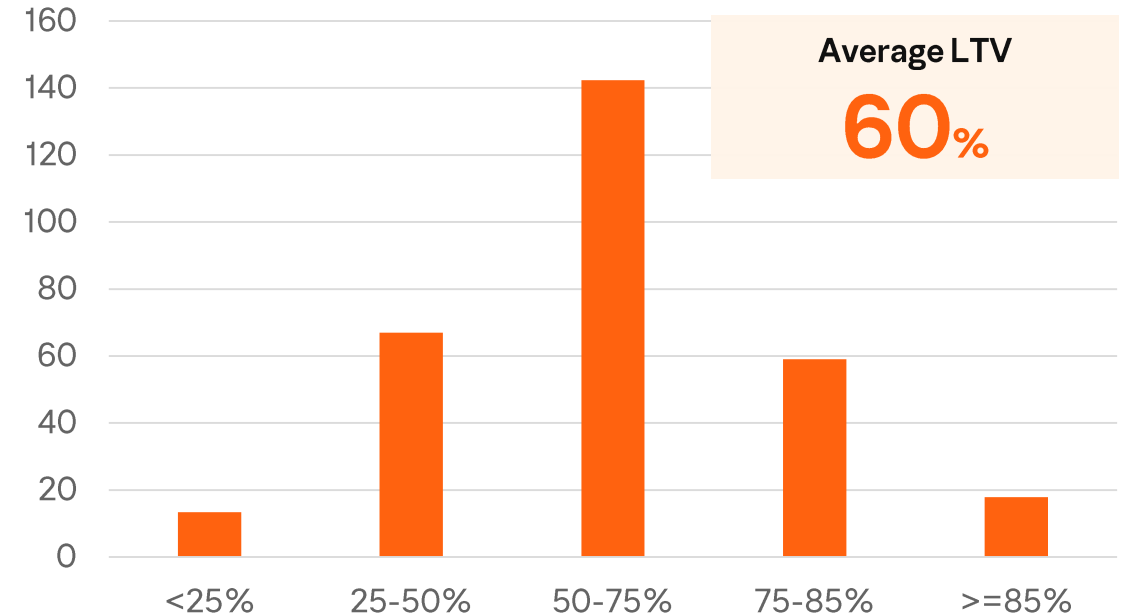
# Granular & diversified portfolio

- Lending book spread over a large number of customers with relatively small exposures

Loan size distribution in mortgage book, Q2 2020 (no. of households)



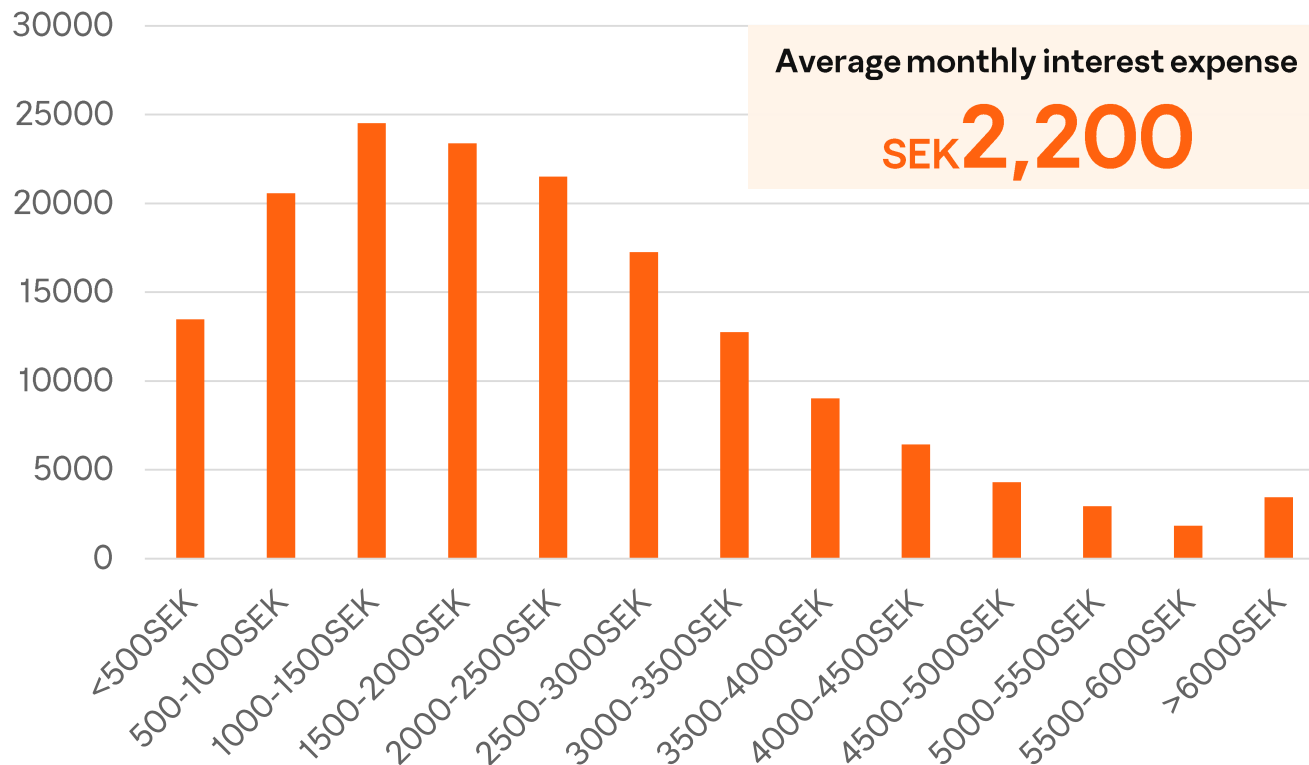
LTV split in mortgage book, Q2 2020 (SEK billion)



# Interest expenses at low levels (1/2)

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

Monthly interest expenses, June 2020 (no. of households)



Comment

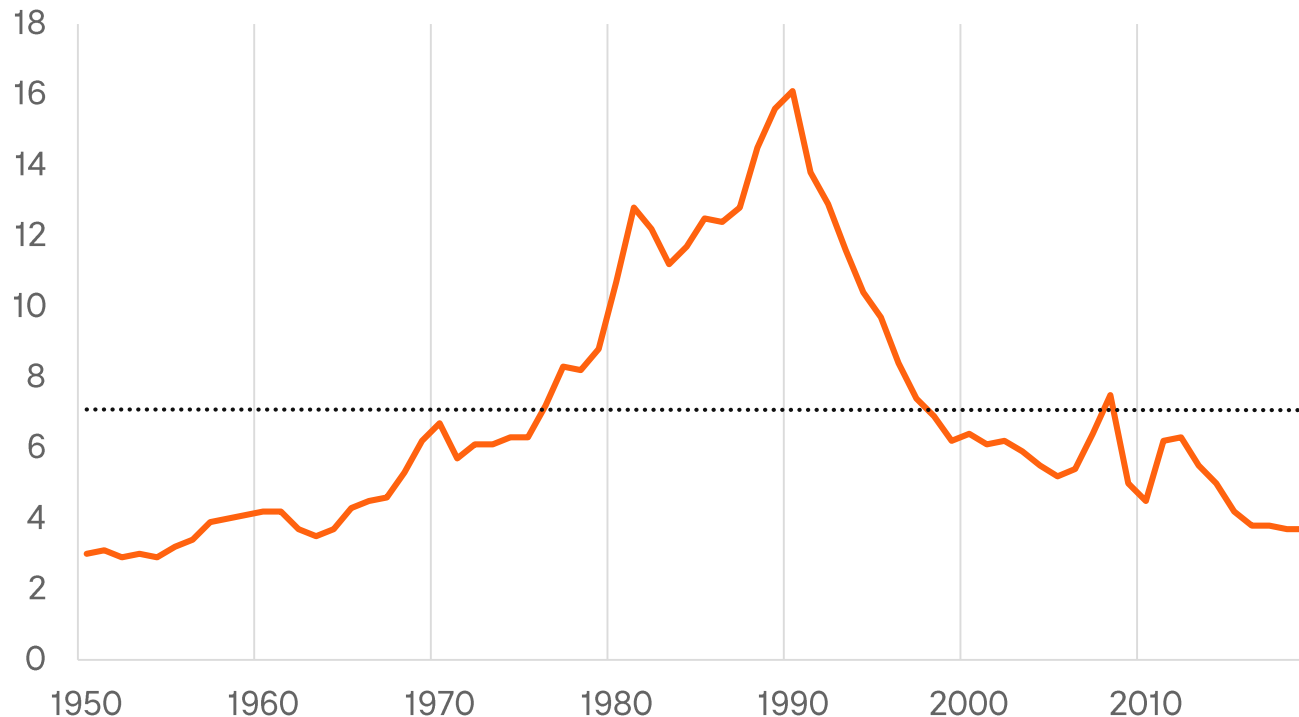
- SBAB's average residential mortgage customer has a mortgage of SEK 1.7 million and pays an average of SEK 2,200 per month in interest before tax (excluding amortization)



# Interest expenses at low levels (2/2)

– 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
- The interest ratio is expected to increase somewhat in coming years (the effect will be amplified in the short run by extensive use of floating rate mortgages)

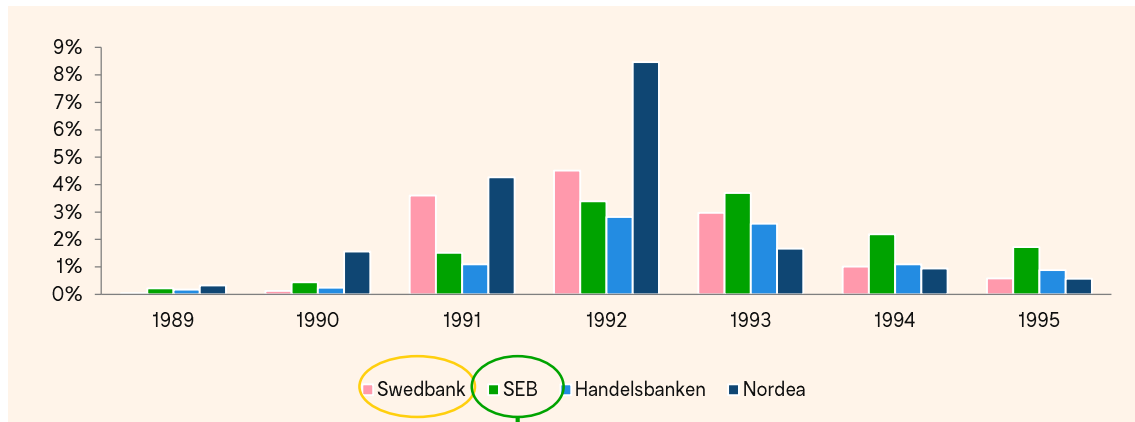




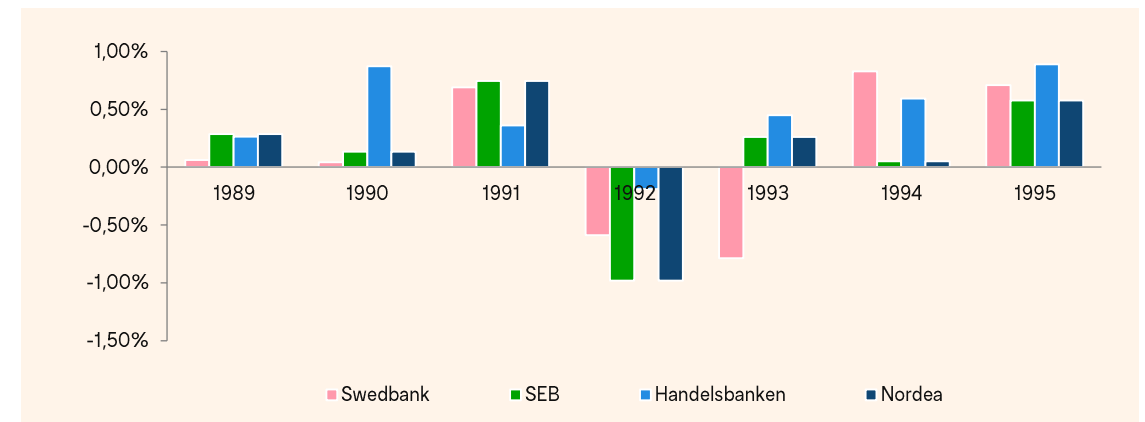
# Loan losses during 1990's crisis

– 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 %



# Measures by Government agencies

## The Government (selection of measures)

- Dropping the no-benefit day in case of illness and assuming employers' expenses for employees' sick pay during the first two weeks of illness
- The government has allowed companies with temporary declines in sales revenue to defer certain tax and social security contribution payments.
- A new system for short-term layoffs. The employees of companies whose operations are severely affected by the crises can reduce work hours but still retain most of their salary. The state is compensating for a large part of the company's expenses for personnel that reduce their working hours
- Municipalities and regions to receive compensation for extraordinary measures and extra costs in health and medical care. Additional funding for relevant government agencies
- Airline companies are given state credit guarantees
- The credit guarantee framework for the Export Credit Board is extended

## The S-FSA (selection of measures)

- Bank's cyclical buffers have been lowered to 0% from 2.5%. FI does not expect to change the new buffer rate for at least the next twelve months. This means that any subsequent increases will not be expected to go into effect earlier than March 2022
- Banks allowed to offer all new and existing mortgagors an exemption from the mandatory amortisation requirements. It is up to the banks themselves to decide whether an individual household may be granted an amortisation exemption based on an assessment of its specific situation and payment ability

## The Riksbank (selection of measures)

- The Riksbank has increased its bond purchases by SEK 500 billion in 2020, including government, corporate, covered and municipal bonds
- The Riksbank lends up to SEK 500 billion to corporates through banks
- Liquidity support: Reduce the lending rate for overnight loans to banks from 0.75 to 0.20 percentage points above the repo rate. Introduction of a weekly, unlimited 3M repo transactions at 0.2% and relaxed rules for collaterals
- The Riksbank enables loans in US dollars against collateral. The framework amount is USD 60 billion
- The repo rate remains at 0%





Materiality  
assessment

Gap analysis

## Analyses basis for strategic direction & prioritisation

**Based on demands from our operating environment,** materiality assessment and continuously ongoing stakeholder dialogues, SBAB as established three (commercial & sustainable) target areas that form the basis of a common approach to SBAB’s contribution to sustainable societal development. In 2018, an extensive sustainability analysis (“gap analysis”) was conducted with the aim of identifying challenges and/or possibilities within our three target areas. The analysis constitutes an important tool for governance, follow-up & prioritisation in daily operations

# 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>• Attract &amp; recruit</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 &amp; funding</li><li>• Cost efficiency</li><li>• Capitalisation</li></ul>	<ul style="list-style-type: none"><li>• Dividend</li><li>• Profitability</li></ul>

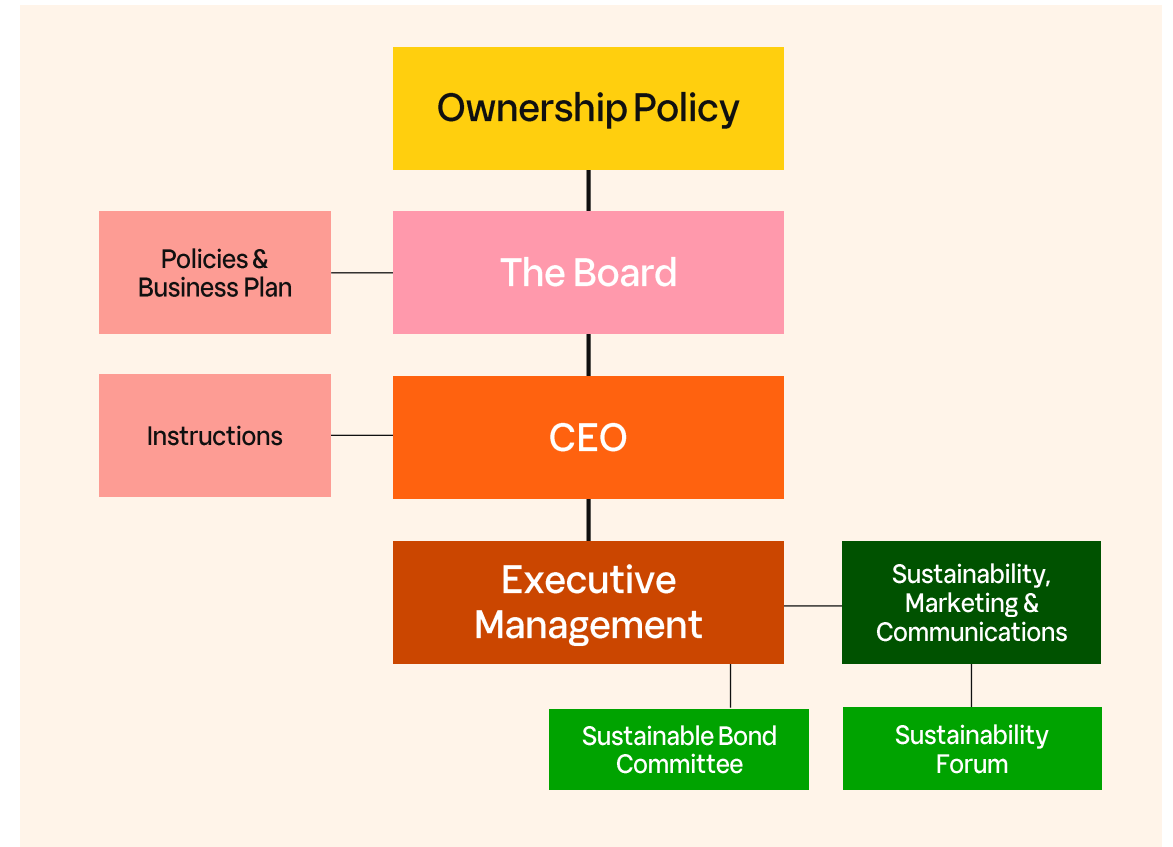


# Governance structure

## SBAB's sustainable governance model



## Governance structure



# Sustainability: Guidelines and obligations

## Sustainability: Guidelines & obligations

- **State's ownership policy**
    - SBAB follows the state's ownership policy and guidelines for state-owned enterprises 2017, which also encompasses the Guidelines for external reporting in state-owned enterprises and Guidelines for remuneration and other terms of employment for senior executives in state-owned enterprises
  - **SBAB's policies, instructions and directions**
    - Each year, SBAB's Board of Directors adopts a number of policies and instructions at the statutory Board meeting. These are an important part of the internal governance and help the company to promote sustainable business and to create a consensus on company-wide issues and areas
  - **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**
  - **SBAB has started to review the possibility of joining the reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD)**
  - **Member of UNEP FI and signatory to Principles for Responsible Banking**



# Thank you!



**SBAB!**

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## Financial calendar

Year-end Report 2020	11 February 2021
Interim Report Jan-Mar 2021	28 April 2021
Interim Report Jan-Jun 2021	16 July 2021
Interim Report Jan-Sep 2021	26 October 2021
Year-end Report 2020	3 February 2022

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*The Annual General Meeting will be hold 28 April in Solna*



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The logo for SBAB! features the letters "SBAB" in a large, bold, black sans-serif font. To the right of the letters is a large, bright orange exclamation mark, also in a bold sans-serif style.