

# Investor Presentation

# SBAB!

Q4 2021

SBAB Bank AB (publ)



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  - II. SCBC Cover Pool*



# Business Update

# SBAB in brief

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



# Executive summary

## Update 2021 (compared to 2020)

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



Total lending, SEK bn

Total deposits, SEK bn

467

145

**SBAB!**  
**boappa!**

**booli!**

En tjänst från SBAB

**hittamäklare!**

En tjänst från SBAB

11.1%

Return on equity,  
2021

13.5%

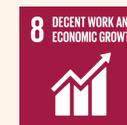
CET1 capital ratio,  
2021

0.00%

Credit loss level

36.2%

C/I ratio



# 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



## SBAB assigns priority to four SDGs

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

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

# SBAB's Sustainability Highlights & Targets

- Set a carbon emissions reduction target, 15% reduction of our measured emissions, in exclusion of IT equipment, by 2025
- Climate compensating (carbon offset) every year of 100% of our measured emissions from Scope 1, 2 and 3 upstream
- SBAB measures and reports on our lending's (scope 3 downstream) total carbon emission footprint using the PCAF methodology
- Increased focus on working research-based and on areas where we have the highest impact
- Our Principles for Responsible Banking impact analysis and report has been published and outlines our work with climate change mitigation (climate impact of our operations and portfolio) and decent work and anti corruption (Sustainable Construction Industry Project, a cooperation between banks to set requirements and monitor the construction industry)

Gold Standard



Climate compensation in 2020 was done through financing a wind power project in Aruba, an area that is currently largely dependent on coal energy. The project is certified Gold Standard, ensuring that the positive climate impact does not come at the expense of other sustainability aspects.



# SBAB's timeline on climate change mitigation

2008

## Co2 emissions (operations)

- Measure and report
- Publish our climate impact report and analysis

2016

## Green Bond

- First bank in Sweden to issue a Green Bond
- Publish Green Bond Impact Report

2020

## Reduction target and climate compensation (operations)

- 15% reduction by 2025
- Climate compensate for 100% of our emissions through Gold Standard projects

2021

## Co2 emissions (portfolio)

- Measure using PCAF method and report in our annual report
- Publish Principles for Responsible Banking report, with focus on Climate Change mitigation

Next Step

## Set a reduction target for emissions (portfolio)

- Science Based Targets/Net Zero
- Principles for Responsible Banking-SMART targets



GREENHOUSE GAS PROTOCOL

°CICERO

Center for International Climate Research

Gold Standard

PCAF Partnership for Carbon Accounting Financials



UNEP FINANCE INITIATIVE

PRINCIPLES FOR RESPONSIBLE BANKING

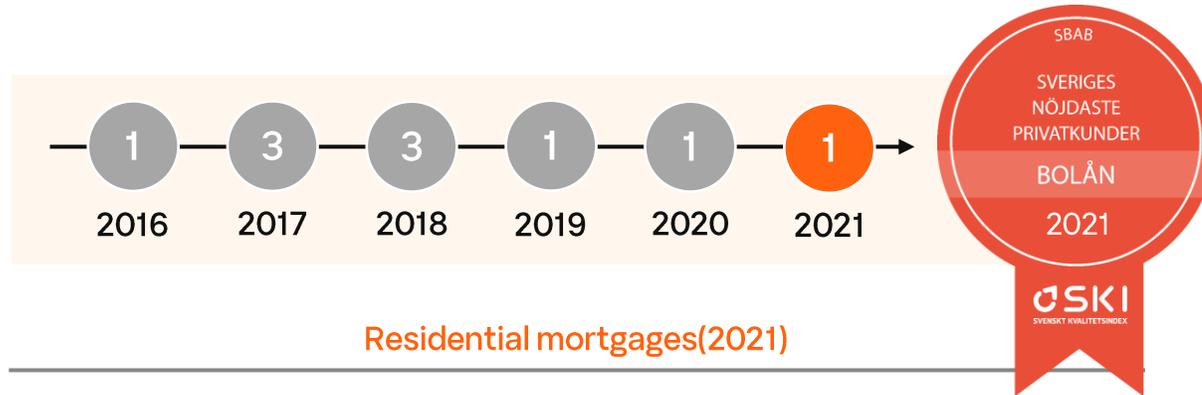


DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

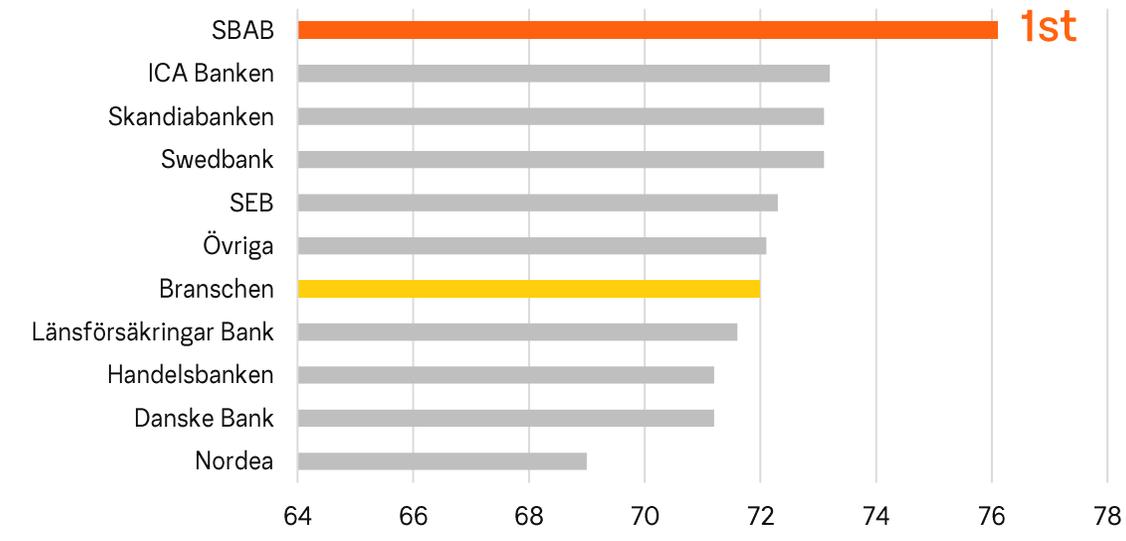
Net-Zero Banking Alliance

Industry-led, UN-convened

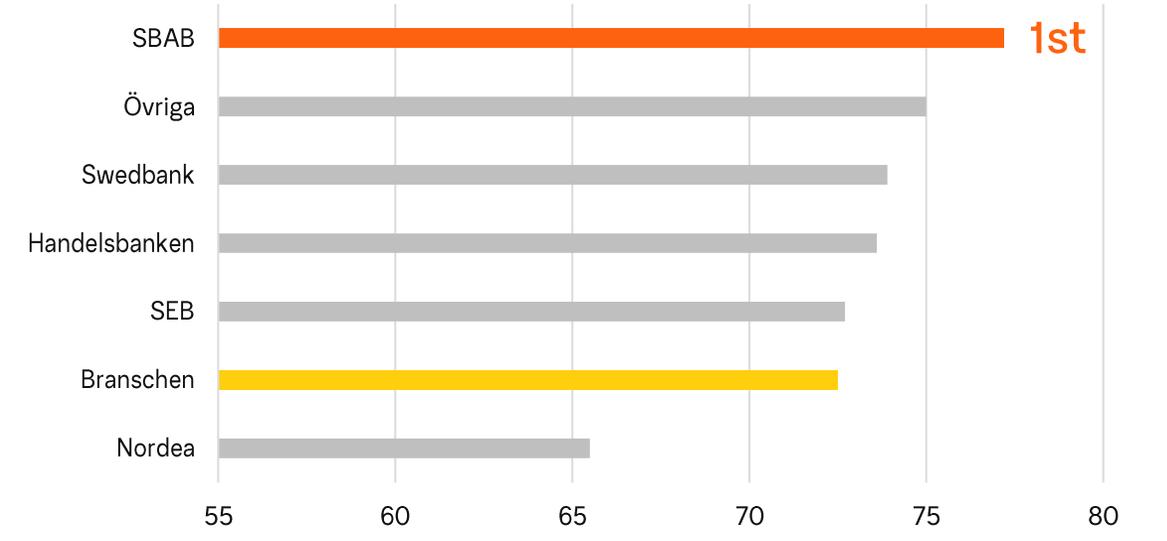
# Customer satisfaction



Residential mortgages(2021)

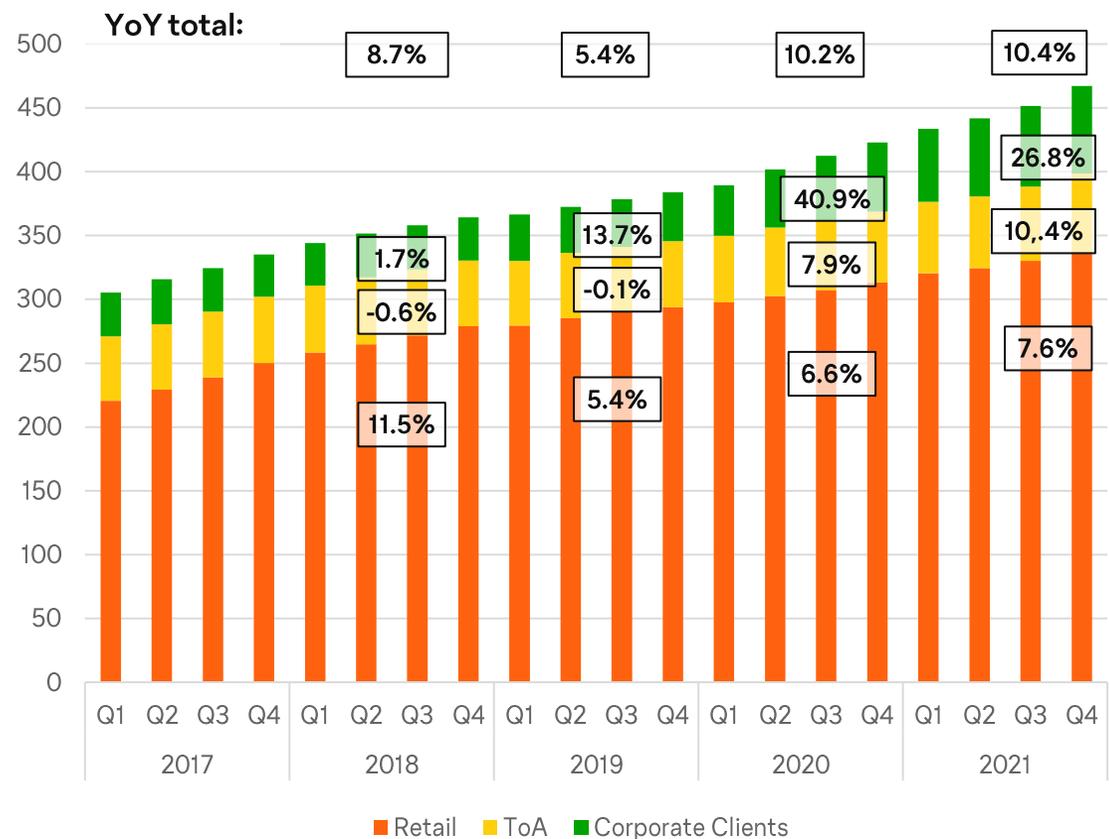


Property loans to corporate clients(2021)

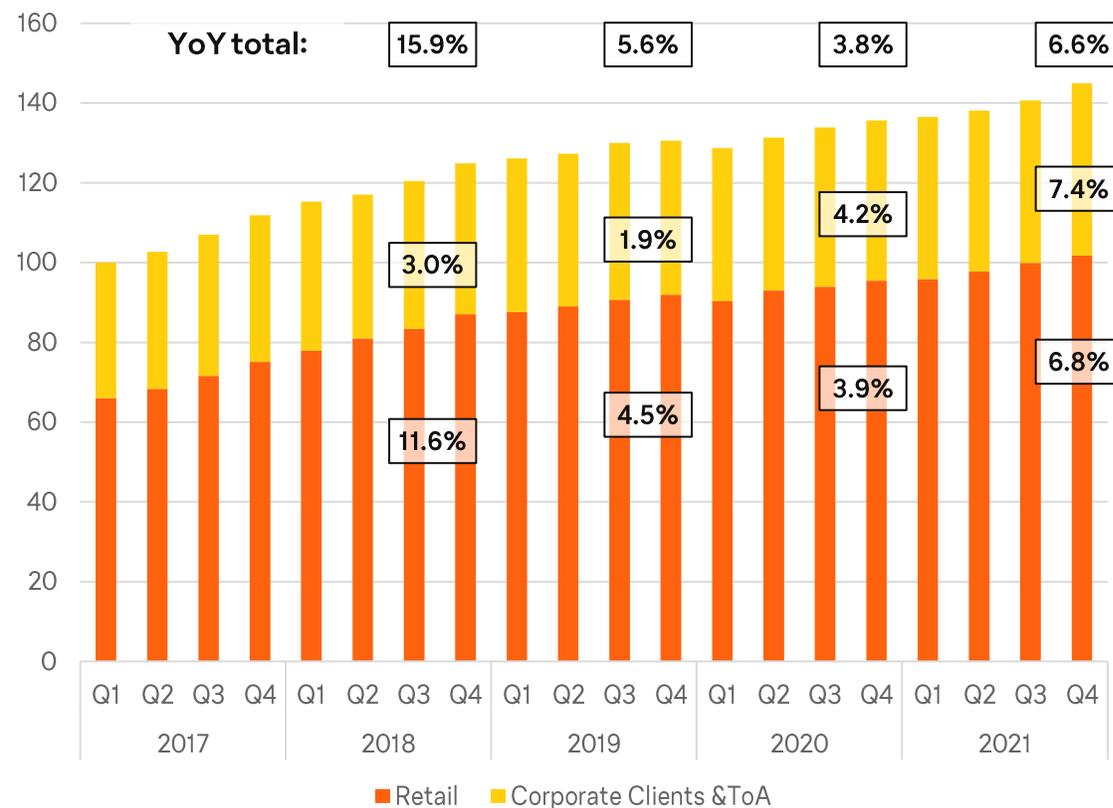


# Lending & deposits development

Lending (SEK bn)

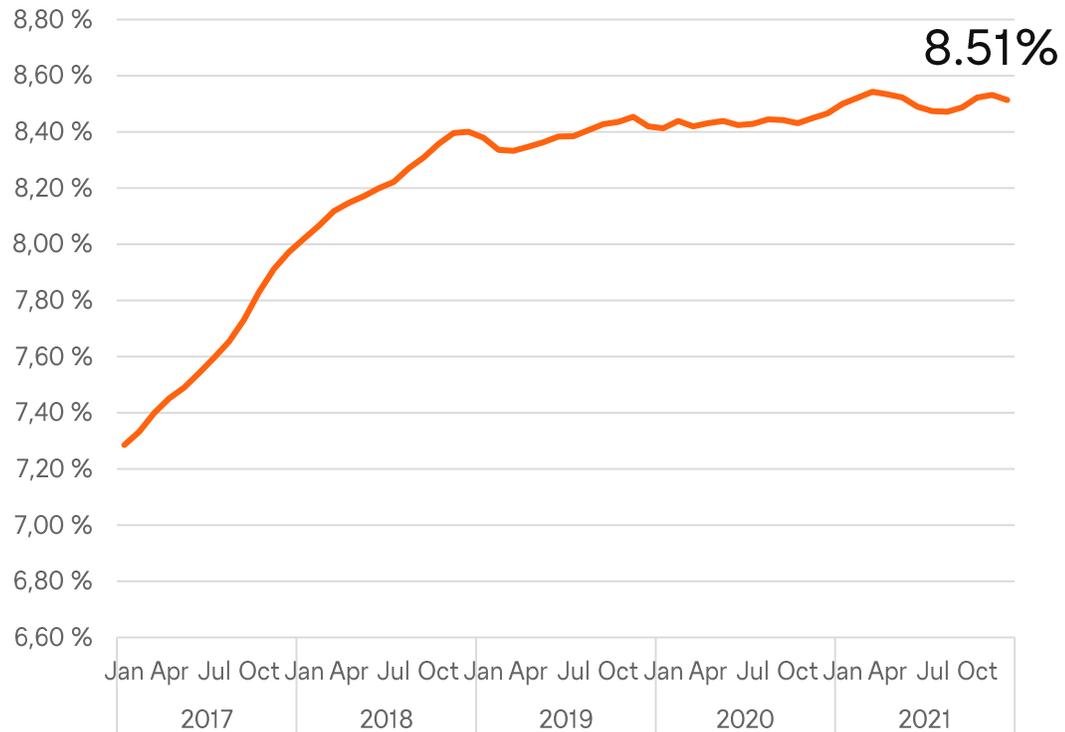


Deposits (SEK bn)

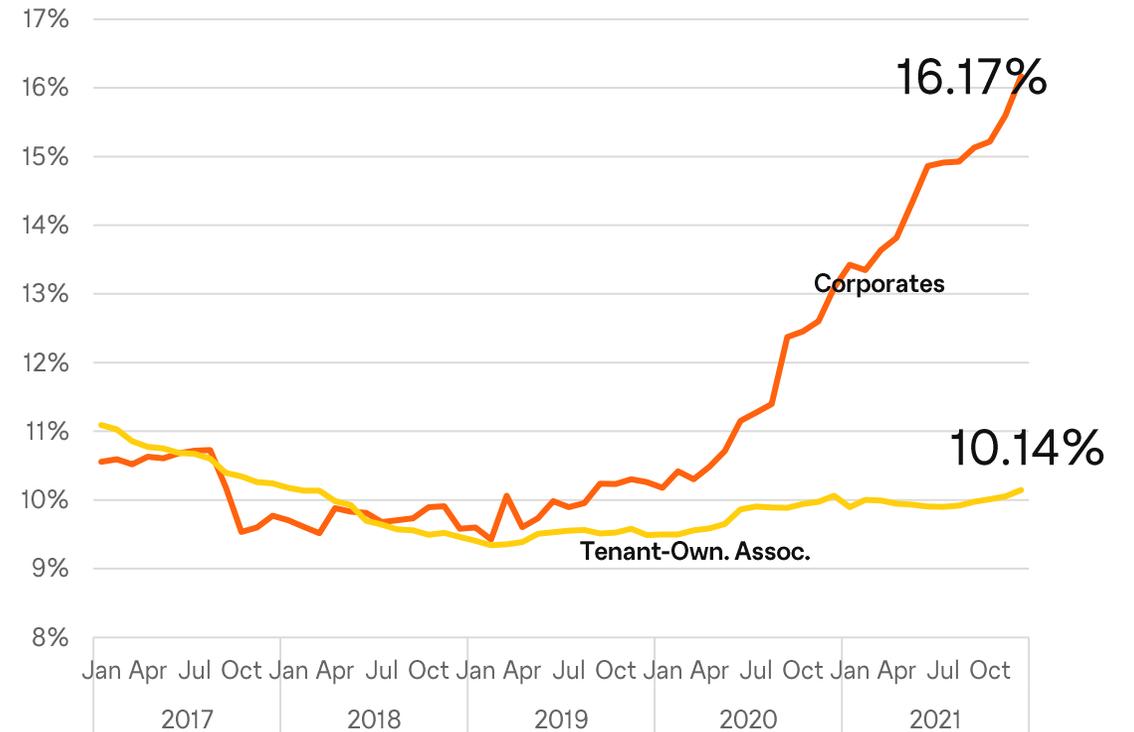


# Growing market shares

Market share, Residential mortgages

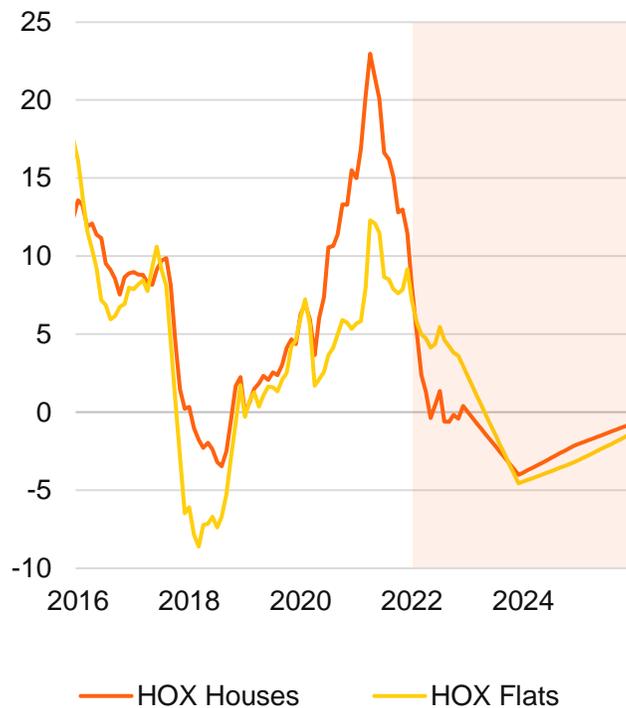


Market shares, Corporate clients & ToA



# House prices - a slow down expected

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



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

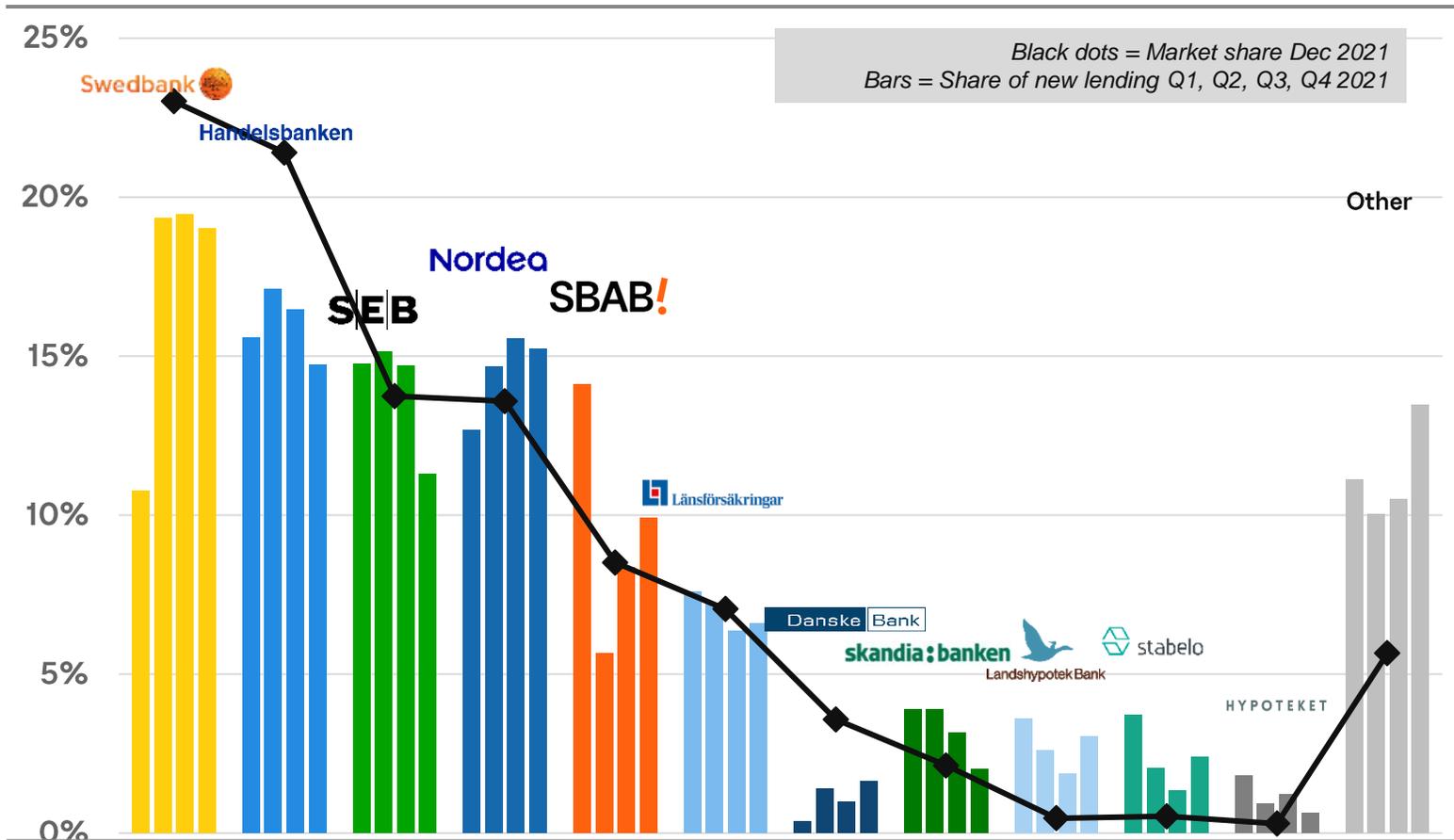
Stagnant prices in the coming years

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



# Residential mortgage market 2021

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



## Comments

- Increased competition in the Swedish residential mortgage market
- Many established players are working intensively to retain and defend their positions, and several new competitors have emerged as serious contenders for the residential mortgage customers
- Growth in household lending for housing rose gradually during the year. Initially, it was at an annualized rate of 5.8%, but climbed to 6.9% in December. In the next few year, lending growth is expected to remain at around 5% per year
- Price important, but not the whole story



# Financial Update

## Q4 2021 and

## Full-Year 2021

# Financial Highlights

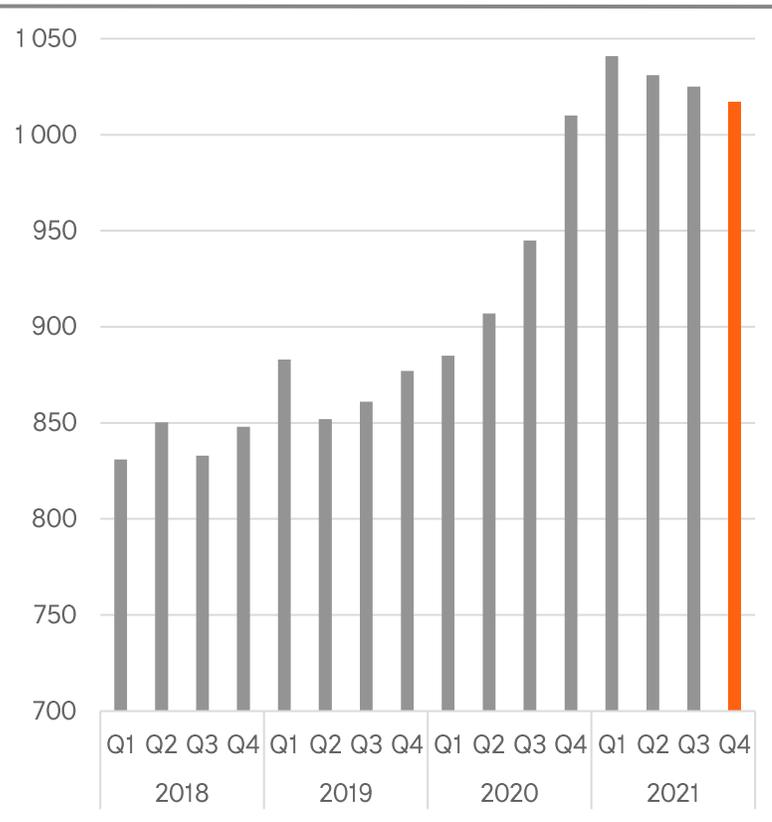
SEK million	2021 Q4	2021 Q3	▲	2021 Jan-Dec	2020 Jan-Dec	▲
Total Lending, SEK bn	467.0	451.3	+3.5 %	467.0	422.8	+10.5%
Total Deposits, SEK bn	145.0	140.6	+3.1 %	145.0	135.7	+6.9%
Net Interest Income	1,017	1,025	-0.8 %	4,114	3,747	+9.8%
Net Commission	13	2	+11 mnkr	29	-24	+53 mnkr
Net result of financial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



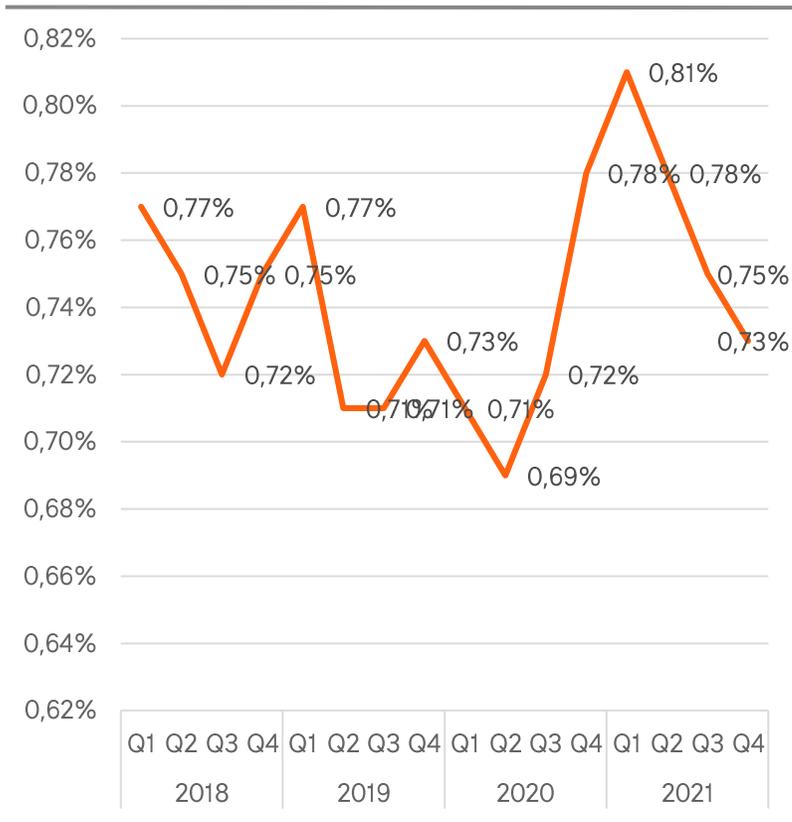
# NII development

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

Net interest income QoQ (%)



Net interest margin QoQ (%)



Comments

- NII was somewhat lower than the previous quarter, despite increased volumes, primary driven by lower margins on mortgage lending
- Operating profit decreased slightly during the quarter, primarily due to higher costs in the form of personnel costs and depreciation, amortisation and impairment
- Stable lending margins expected for corporate lending and lending to tenant-owners' associations

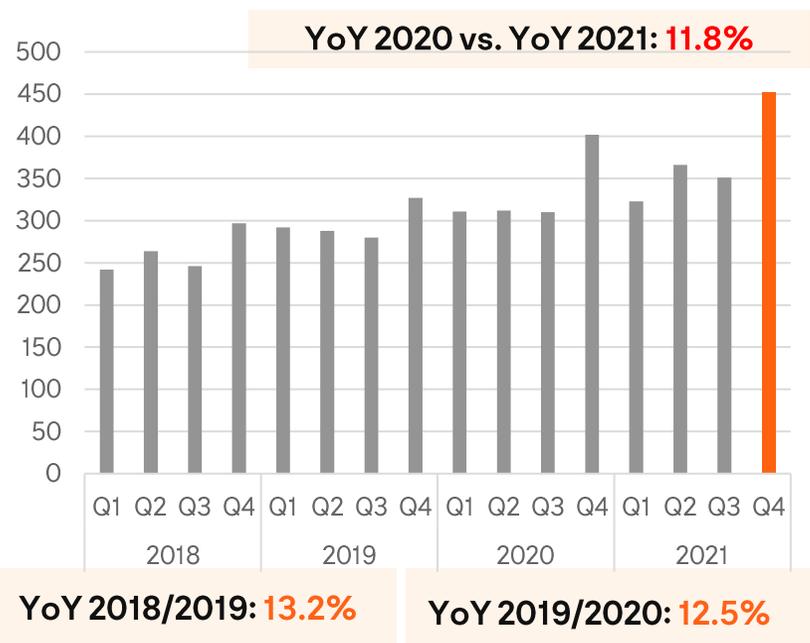
NIM calculated as net interest income in relation to total assets



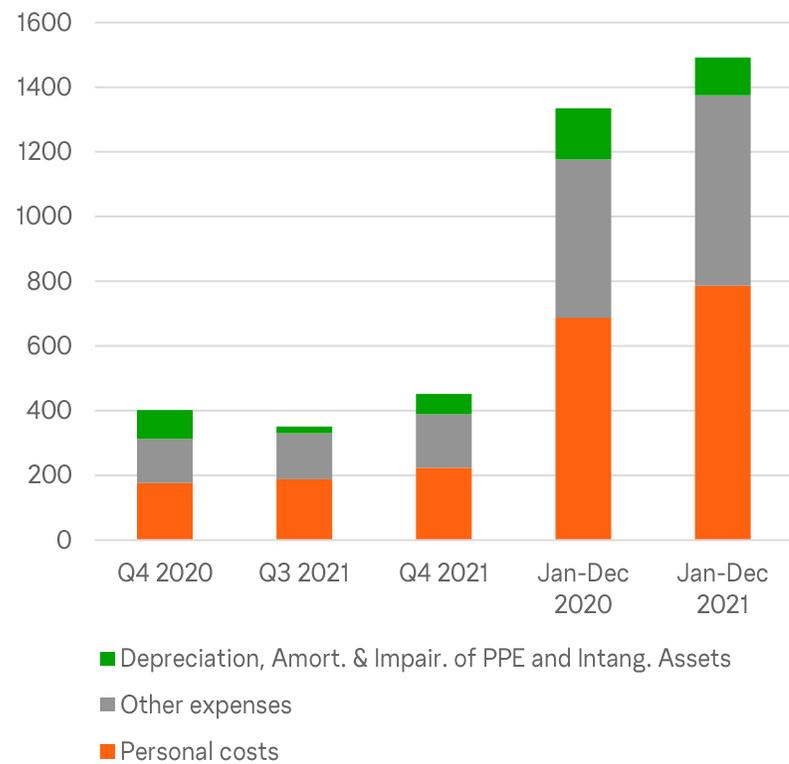
# Cost management

– Increased investments for future competitiveness

Cost development QoQ (SEK mn)



Total Expenses before credit losses



Comments

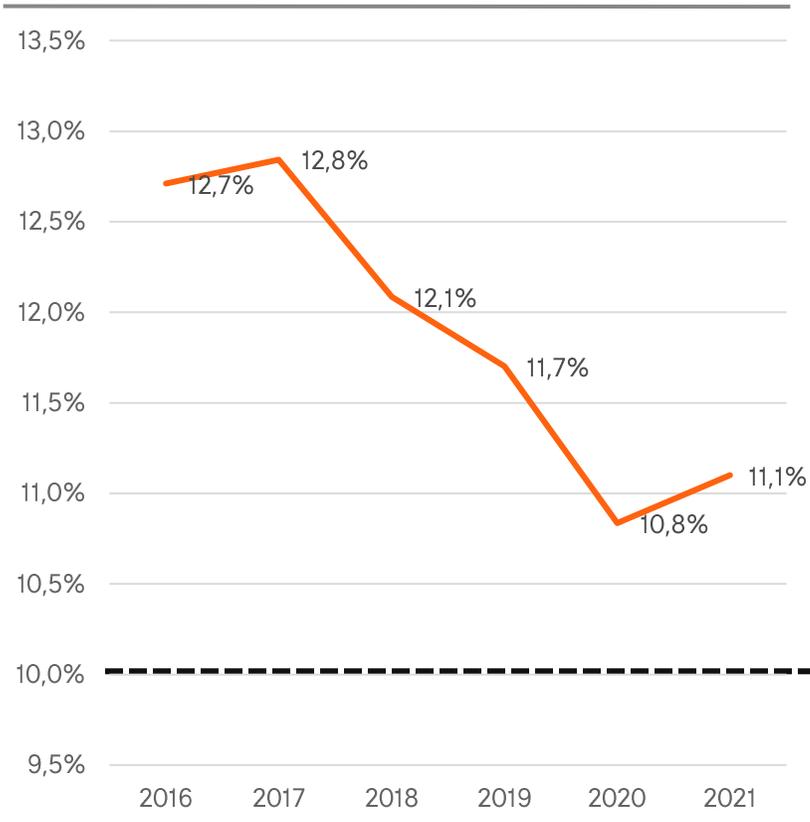
- Costs increased in Q4 2021 compared to Q3 2021, due to:
  - ✓ Higher personnel costs. Number of employees increased to 839 from 797 during the quarter, primarily within areas related to development and digitalization
  - ✓ Depreciation, amortisation and impairment also grew during the quarter



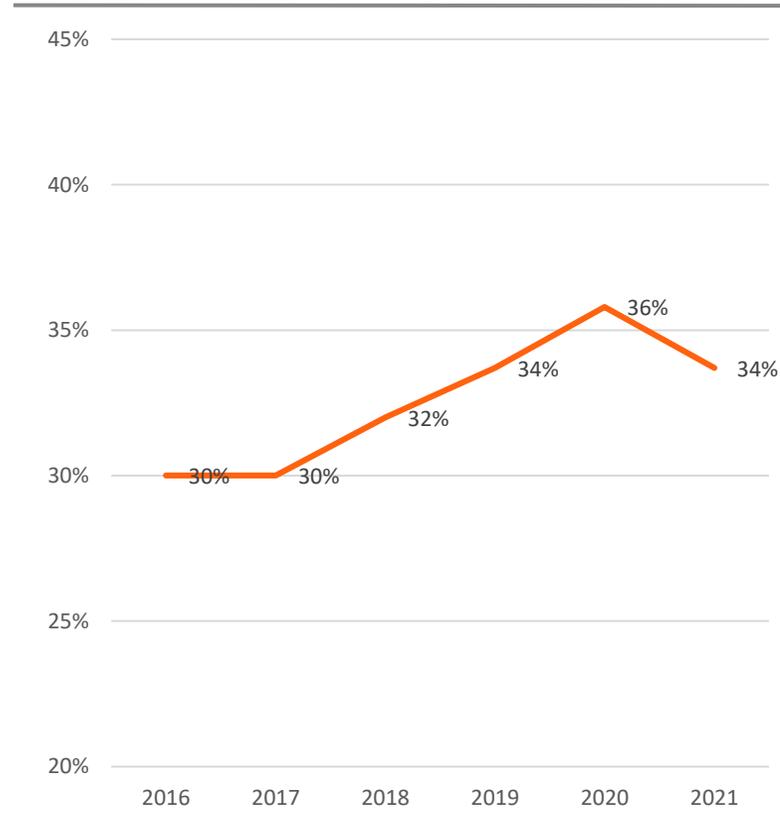
# Financial KPIs

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

Return on equity\*, %



C/I-ratio, %



Comments

- Strong underlying profitability (above profitability target of RoE>10% last 5 years). Increased equity due to retained earnings 2019 and 2020 have 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.



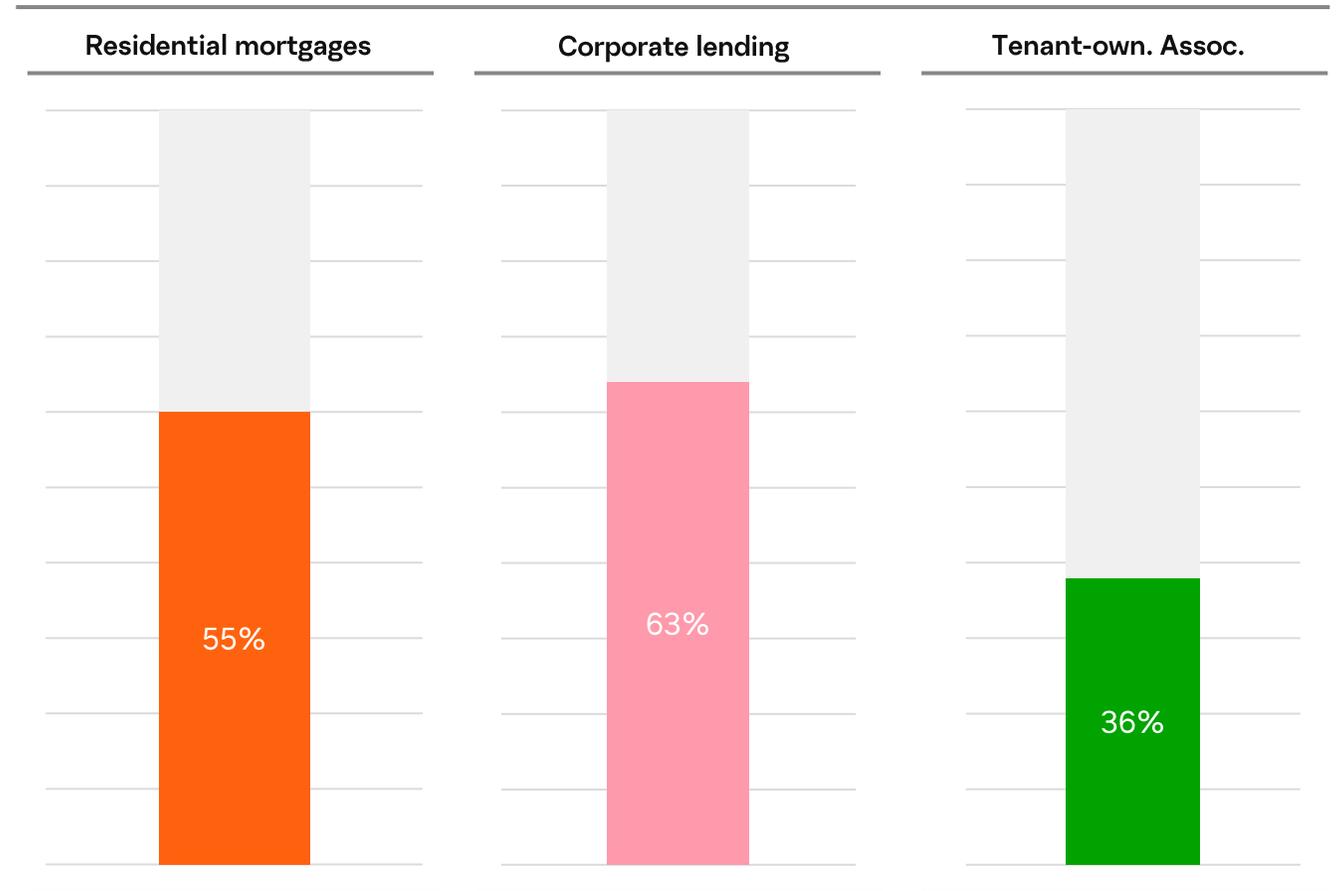
# Asset Quality

# Lending mix

# SBAB!

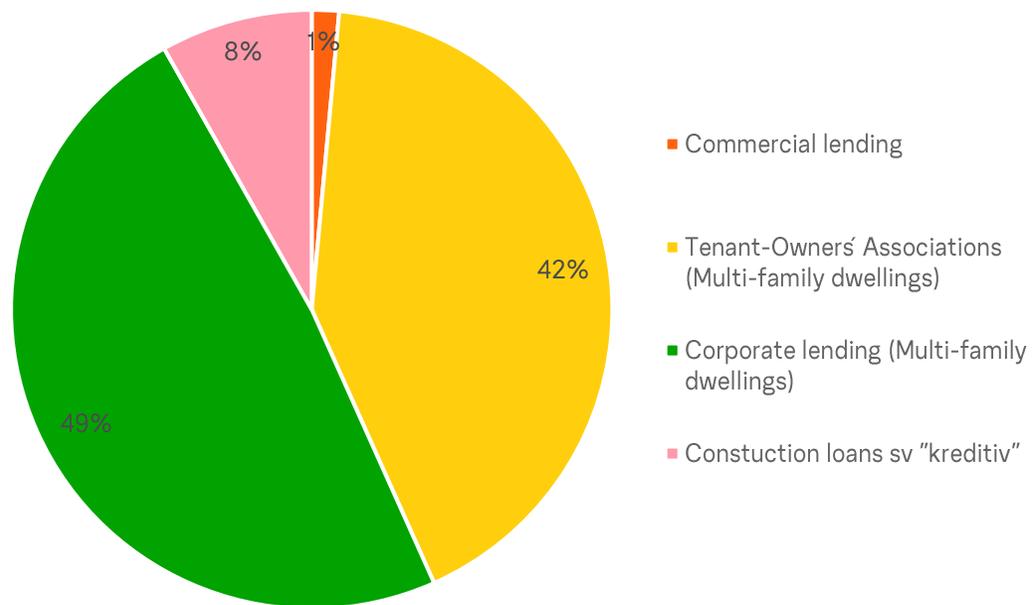
	SEK bn	%
Residential mortgages	334.9	71.7%
Consumer loans	2.3	0.5%
Corporate lending	68.7	14.7%
- Of which, commercial lending	1.9	0.4%
- Of which, construction loans ("kreditiv")	10.6	2.3%
Tenant-owners' associations	61.1	13.1%
<b>Total lending</b>	<b>467</b>	

## LTV ratios in loan book



# Overview of corporate lending

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



## Comments

- Focus on large and experienced property companies with strong balance sheet
- Constuction 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
- 91 outstanding construction loans (90 number of properties) totaling SEK 19.4 billion (of which 55% disbursed). Construction loans capped at 6% of total lending (current level 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

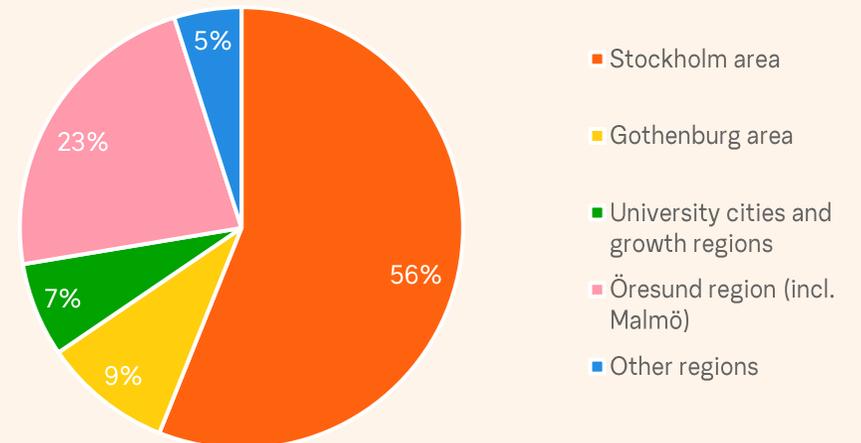
Granted credit amount

**19.4<sub>bn</sub>**

Disbursed share

**55%**

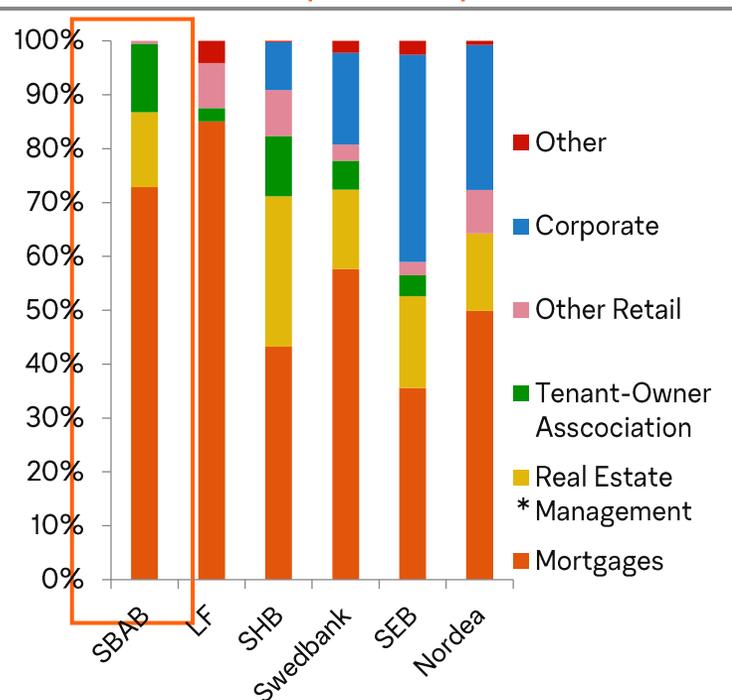
## Geographical distribution



# Swedish mortgages—a low-risk business

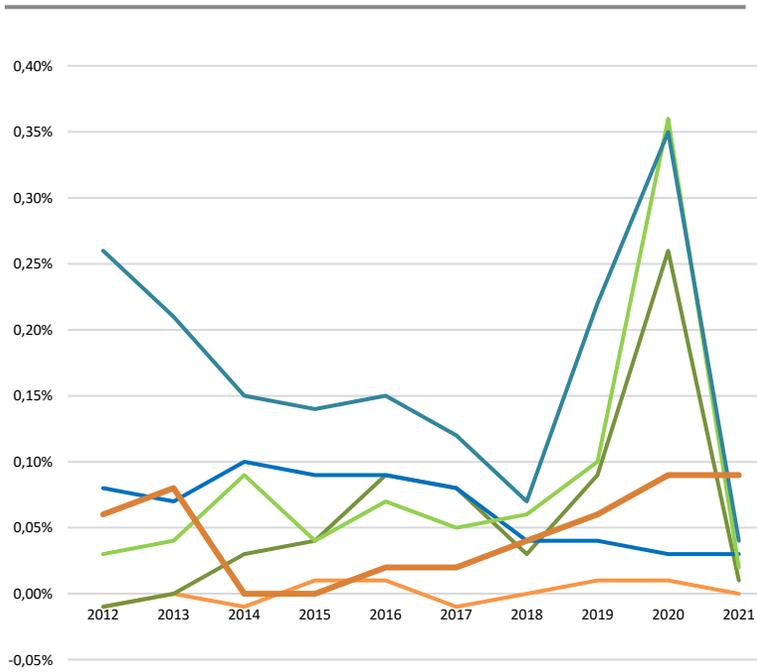
– High concentration on Swedish residential mortgages – very low loan losses/problem loans over time

Loan portfolio split



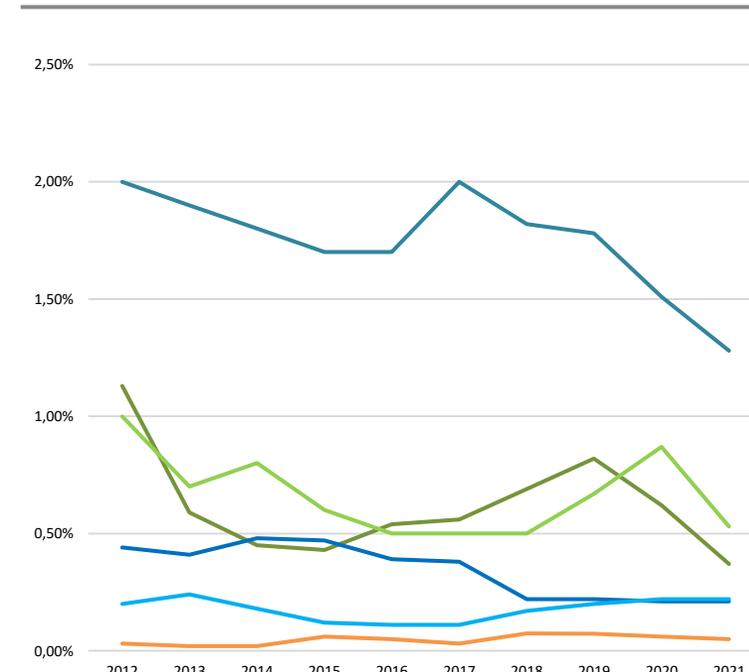
\*Real Estate Management segment for SBAB is what we normally define as "corporate lending". However, corporates for the bigger banks includes other kind of lending as well. Therefore we have on this slide defined it as "Real Estate Management" instead

Credit losses



SBAB Swedbank Handelsbanken  
SEB Nordea LF Bank

Impaired loans



SBAB Swedbank Handelsbanken  
SEB Nordea LF Bank



# Superior asset quality

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

Credit losses (LHS) & Impaired loans (RHS)



Key metrics Q4 2021

**Credit losses**  
**1 million SEK**

**Credit loss ratio**  
**0.00%**

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



# 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



# Capital

Chapter 4 (7)

**SBAB!**

# Update on capital

SBAB well above external and internal requirements

## Components of SBAB's capital target Q4 2021

SEK million	Total capital	%	CET1 capital	%
<b>Estimated capital requirements from the S-FSA</b>	<b>19 251</b>	<b>13.9</b>	<b>12 780</b>	<b>9.2</b>
– Of which, Pillar 1 minimum requirement	4 087	2.9	2 299	1.7
– Of which, Pillar 1 risk-weight floor, Swedish mortgages	7 023	5.1	3 951	2.8
– Of which, Pillar 2 core requirement	4 652	3.4	3 041	2.2
– Of which, Capital conservation buffer	3 472	2.5	3 472	2.5
– Of which, Countercyclical buffer	17	0.0	17	0.0
– Of which, Pillar 2 guidance (P2G)	-	-	-	-
<b>SBAB's capital target</b>	<b>20 085</b>	<b>14.5</b>	<b>13 613</b>	<b>9.8</b>
<b>Supplementary CET1-target range</b>				<b>10.2-13.2</b>
<b>SBAB's actual capital</b>	<b>25 106</b>	<b>18.1</b>	<b>18 811</b>	<b>13.5</b>

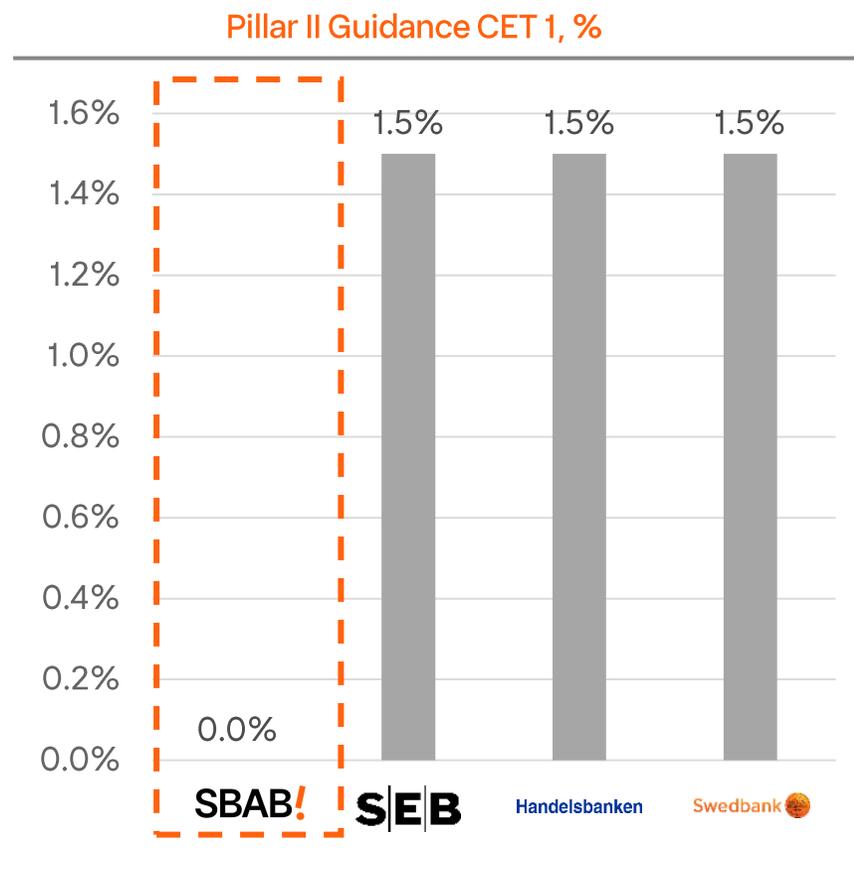
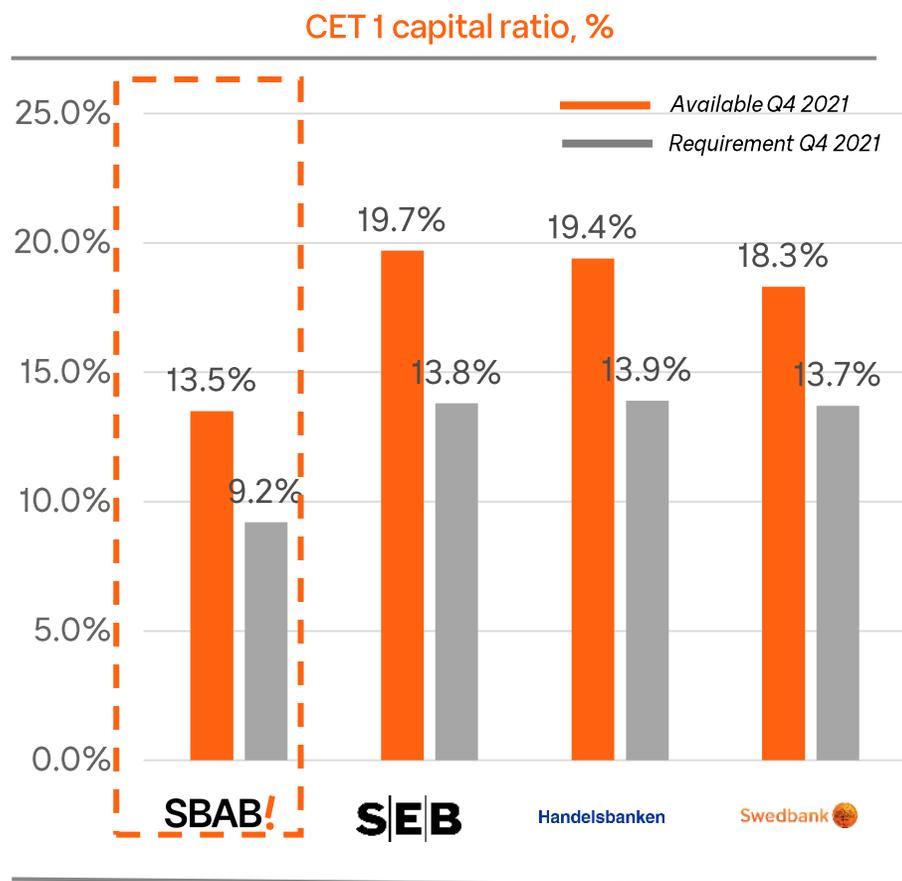
## Comments

- Capital target: CET1 and total capital ratio at least 0.6% above the requirement communicated by the S-FSA<sup>1</sup>
- SBAB remains well above external and internal requirements in Q4 2021
- Leverage ratio somewhat strengthened, to 4.0% as per 31 December 2021, from 3.9% as per 30 September 2021
- In January, SBAB:s CEO decided to introduce a supplementary capital target for CET1 on group level. The target will apply from 28 February and means that over time, and under normal circumstances, SBAB will aim to maintain a buffer corresponding to 1-3 percentage points above regulatory requirements. The new target is a complement to the lower limit of 0.6 percentage points decided by the Board.



# Capital buffers and P2G vs peers Q4 2021

- Continued strong capital buffers: SBAB well above external requirements



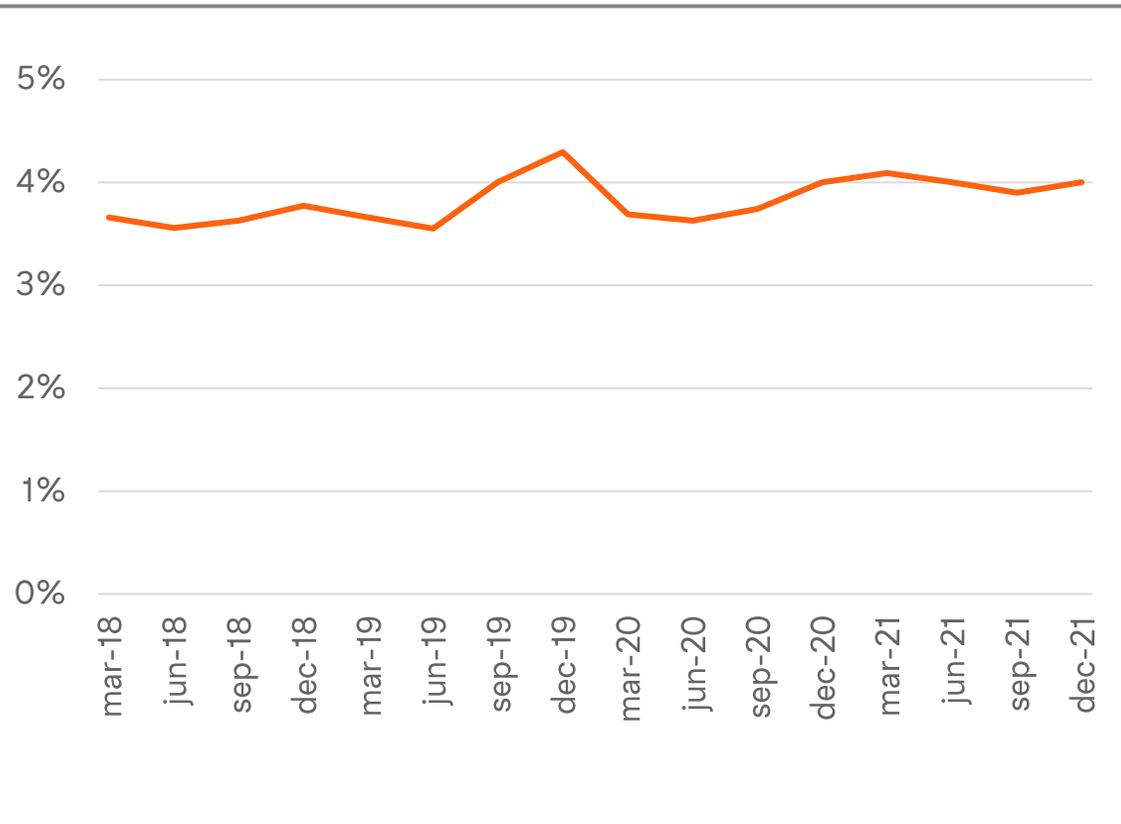
## Comments

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

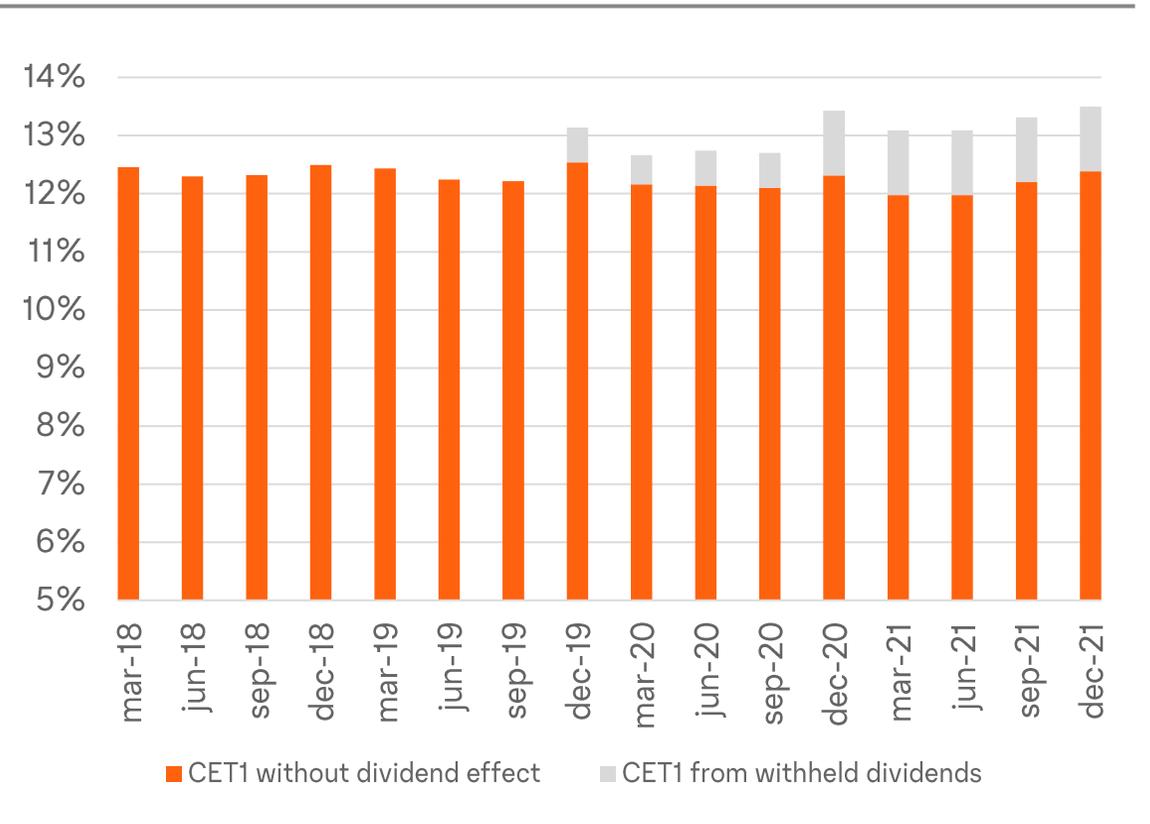


# History of stable capital ratios

Leverage Ratio



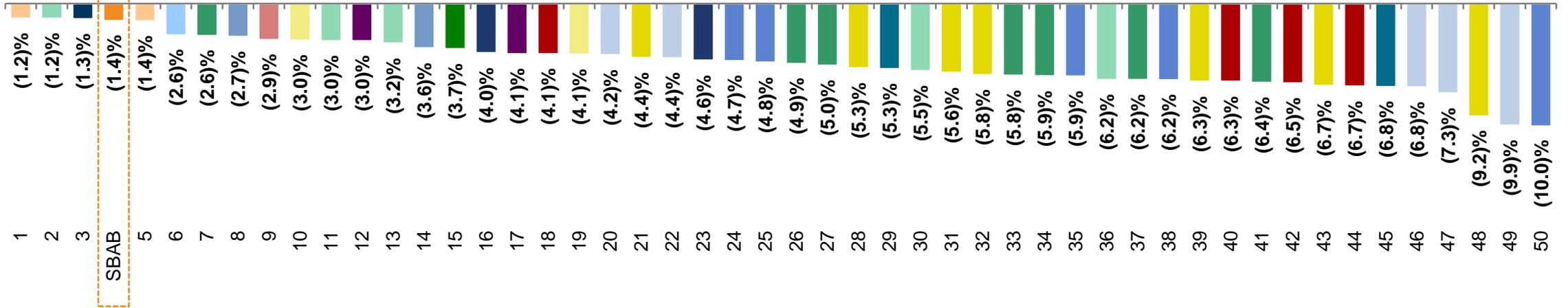
CET1 Ratio



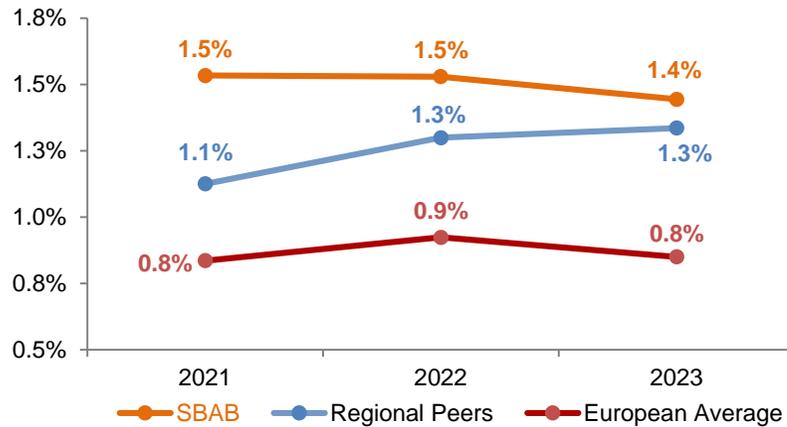
# EBA Stress Test Results Overview

Best in Class Capital Resilience Under Severe Macro Assumptions & Superior CET1 Generation in Baseline as well as Adverse Scenarios

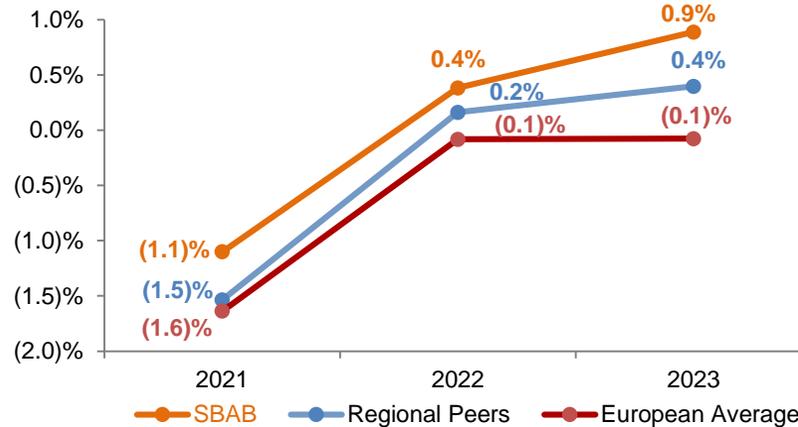
## Best in Class Capital Resilience in the Adverse Stress Test Scenario



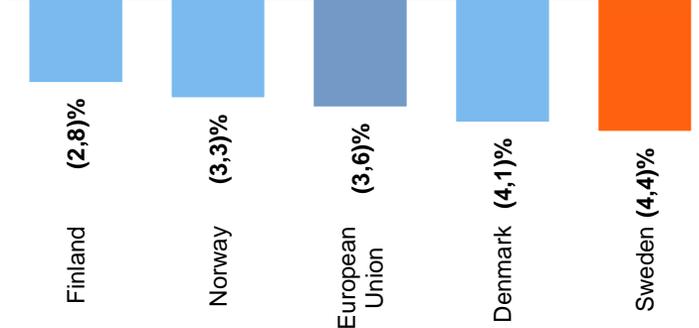
## Baseline CET1 Generation (Net profit/RWAs)



## Adverse CET1 Generation (Net Profit/RWAs)



## Cumulative GDP Change (Adverse Scenario)



# Funding & liquidity

# Rating overview

## Senior Unsecured Rating

Moody's Stable Outlook **A1**

STANDARD & POOR'S RATINGS SERVICES McGRAW HILL FINANCIAL Stable Outlook **A**

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

MOODY'S

STANDARD & POOR'S RATINGS SERVICES  
McGRAW HILL FINANCIAL

Investment Grade

Aaa *Sov. rating*

AAA *Sov. rating*

Aa1

AA+

Aa2

AA

Aa3

AA-

A1 *Senior Preferred*

A+

A2

A *Senior Preferred*

A3

A- *SACP*

Baa1 *BCA and SNP\**

BBB+ *SNP*

Baa2 *T2*

BBB *T2*

Baa3

BBB-

Non Investment Grade

Ba1 *AT1*

BB+

Ba2

BB *AT1*

[...]

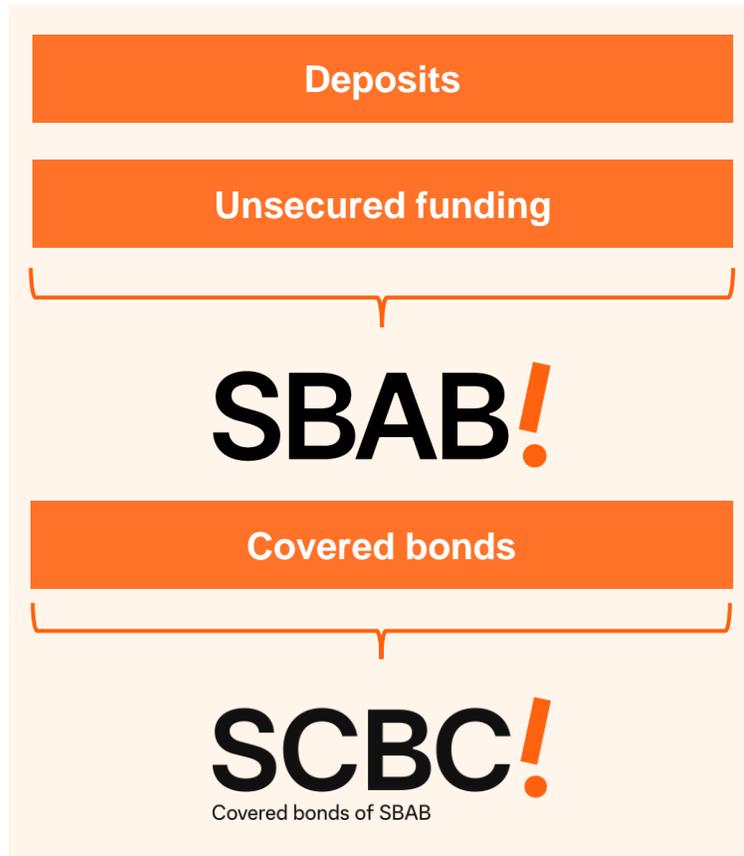
[...]

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

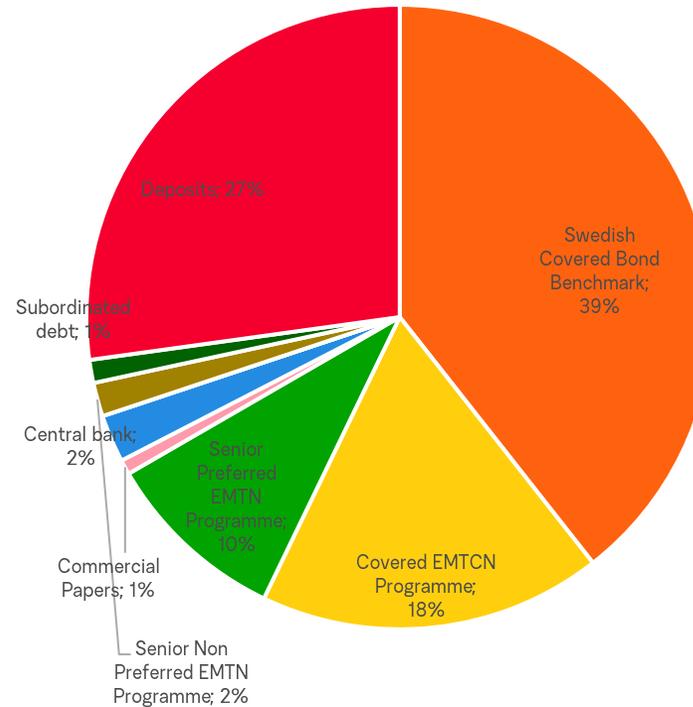


# Overview of funding

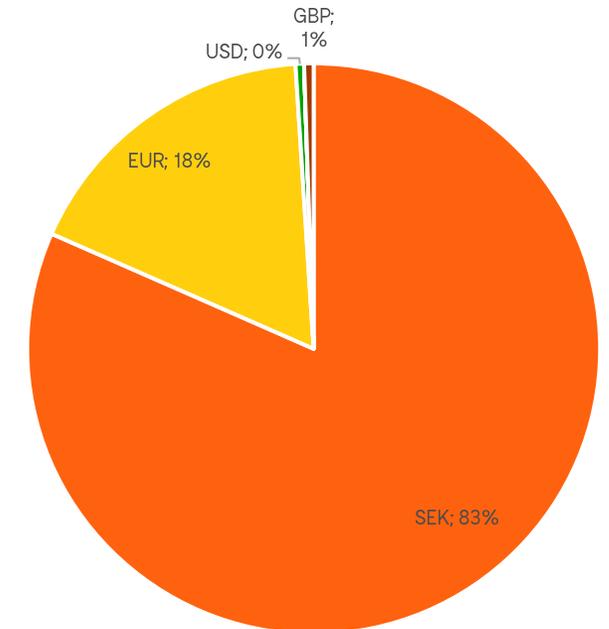
– Total funding portfolio SEK 528 billion (as of 31 Dec 2021)



Funding sources



Funding currencies

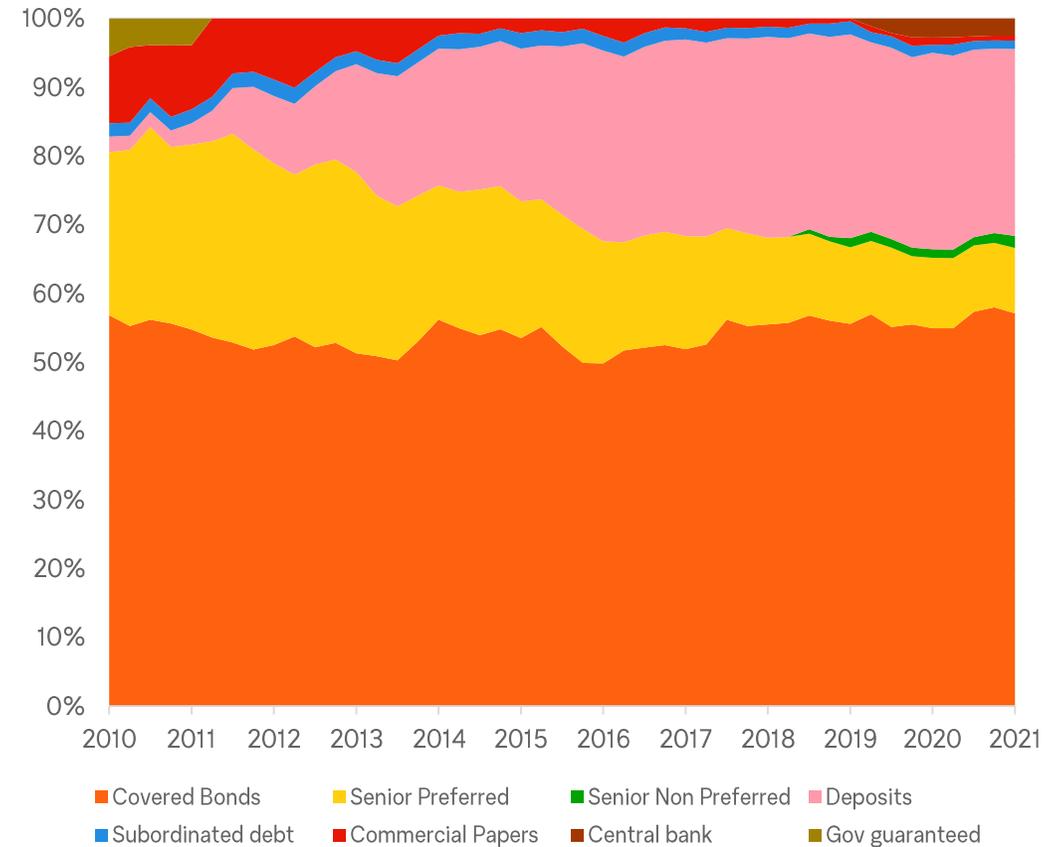


# Funding strategy & development

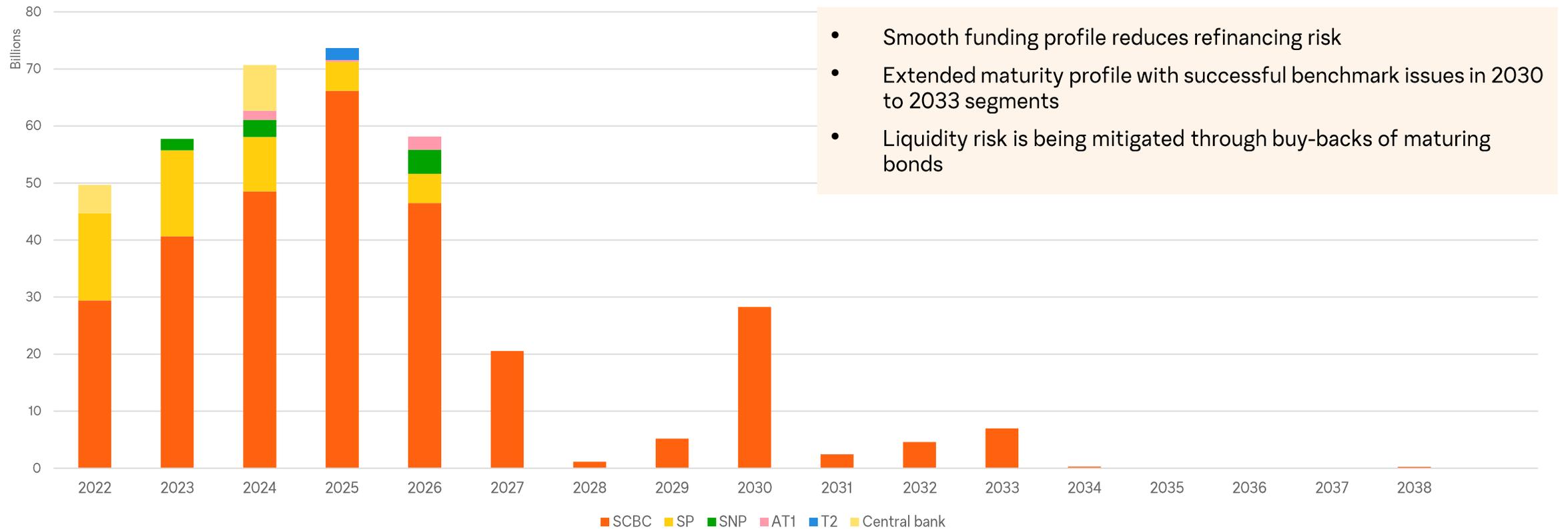
## Funding strategy

- 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



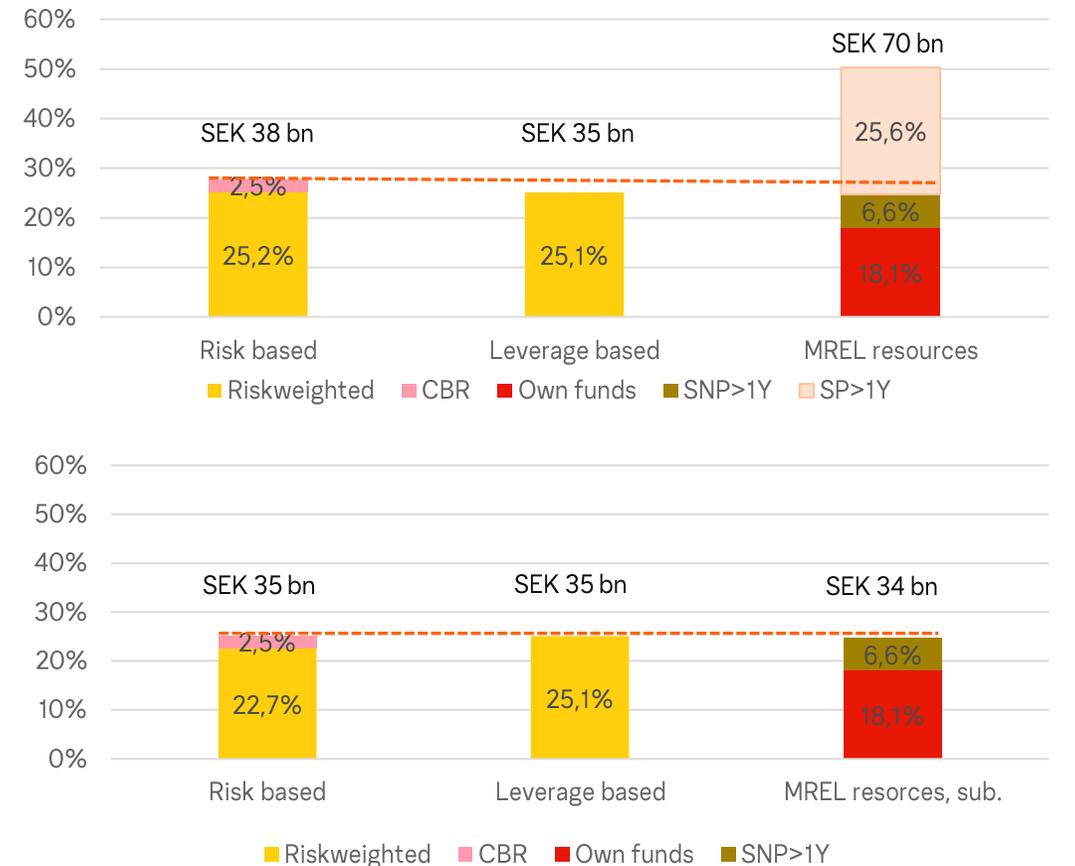
# MREL-requirement

– Regulatory change under BRRD2

## Background

- On 18<sup>th</sup> of October, the SNDO published new MREL policy under BRRD2
  - ✓ Requirements will be phased in with full compliance on 1 January 2024
- MREL requirement the higher of:
  - ✓ Risk based:  $2x(P1+P2)+MCC_{1,2}$
  - ✓ Leverage based:  $2x$ Leverage ratio
- Subordination requirement (part of the MREL requirement) the higher of:
  - ✓ Risk based:  $2x(P1+P2)_2$
  - ✓ Leverage based: 8% TLOF, capped at 6% leverage
- SBAB meets phase in requirement as of Jan 1<sup>st</sup> 2022
- SBAB's current need for SNP around SEK 10 bn (9 bn issued up until Q4 2021) on 1 January 2024
- Balance sheet growth, maturity profile and buffer will add to SNP need.
  - ✓ Estimated need for outstanding SNP by end 2023 around SEK 20 bn

## MREL and subordination requirement in January 2024 (assumptions done with Q4 2021 figures, % of TREA)



Funding, liquidity & capital

<sup>1</sup>MCC=Market Confidence Charge and consists of: CBR – CcyB + P2G. <sup>2</sup>For the riskbased approach capital used to meet CBR cannot be double counted.

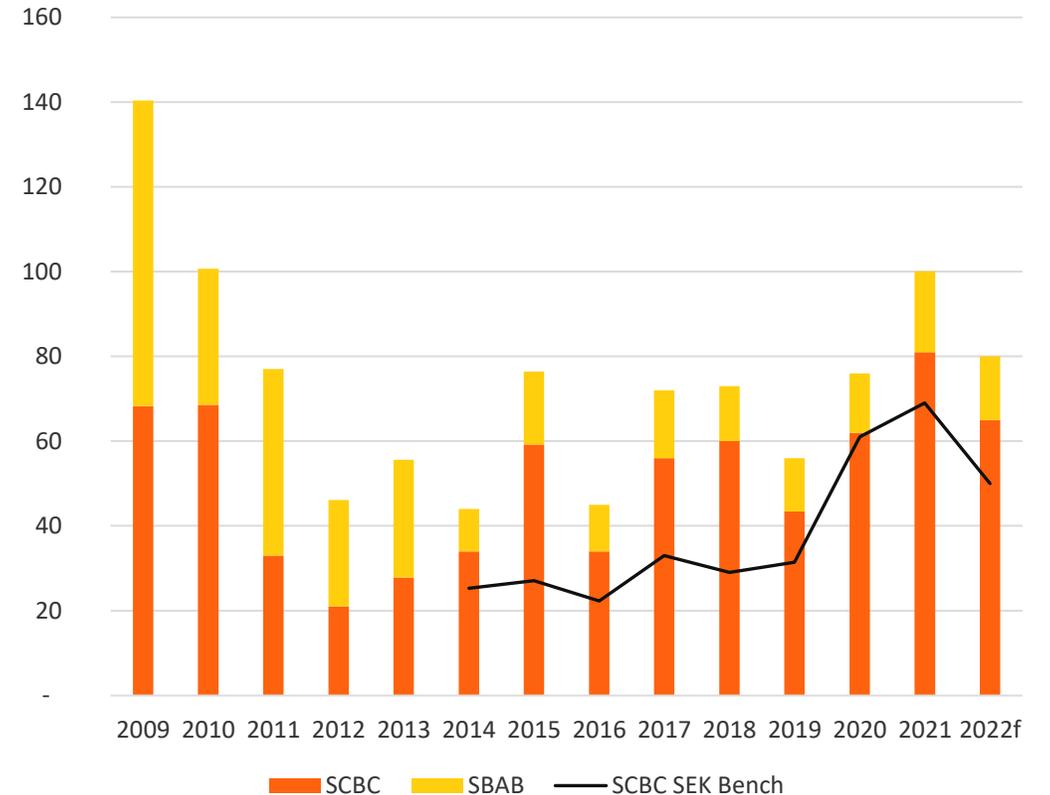


# Future issuance

## Future issuance

- Total long-term funding for 2022 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 to two public EUR transactions in international funding markets per year
  - ✓ Private placements in SEK and international funding markets
- Senior non preferred issuances predominantly 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
- Regular future issuance: Dedicated to SEK and EUR markets in covered and senior format

## Annual issuance, SEK (bn)



# Regular presence in EUR market



**SBAB!**

Senior Unsecured  
**€500mn**

0.25%  
5y due Sept '22

August 2017

**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



**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

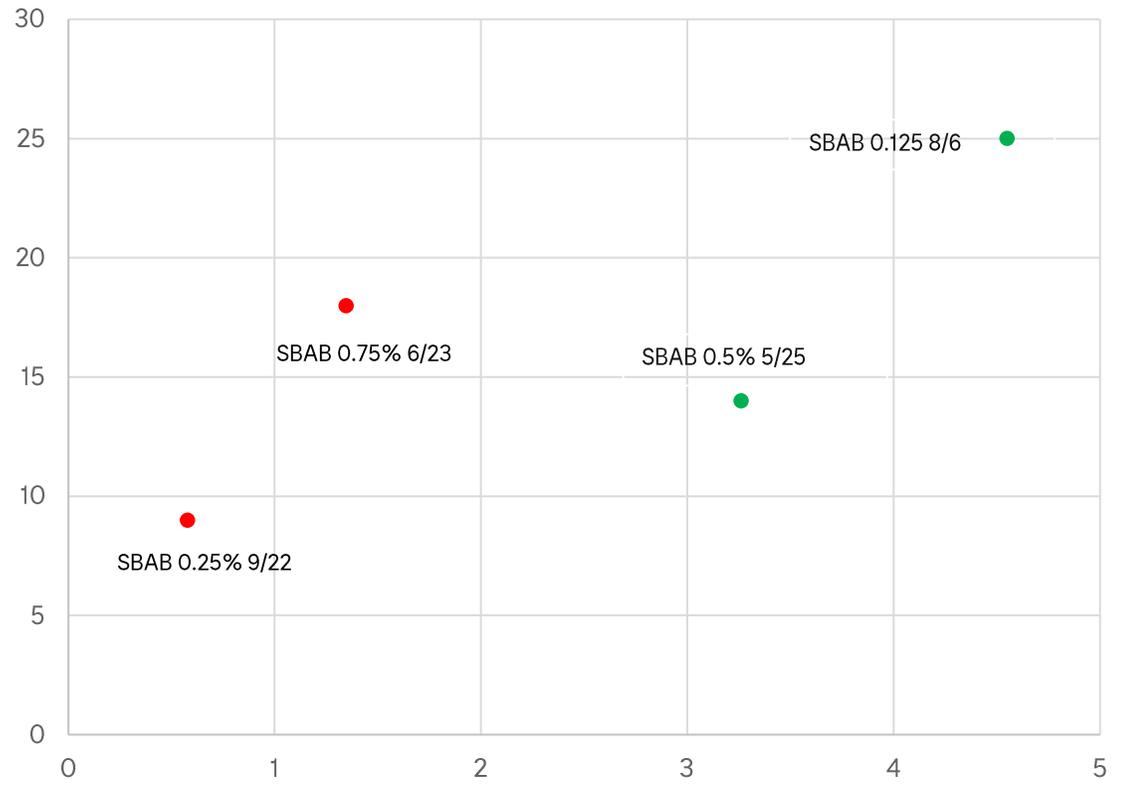
June 2021



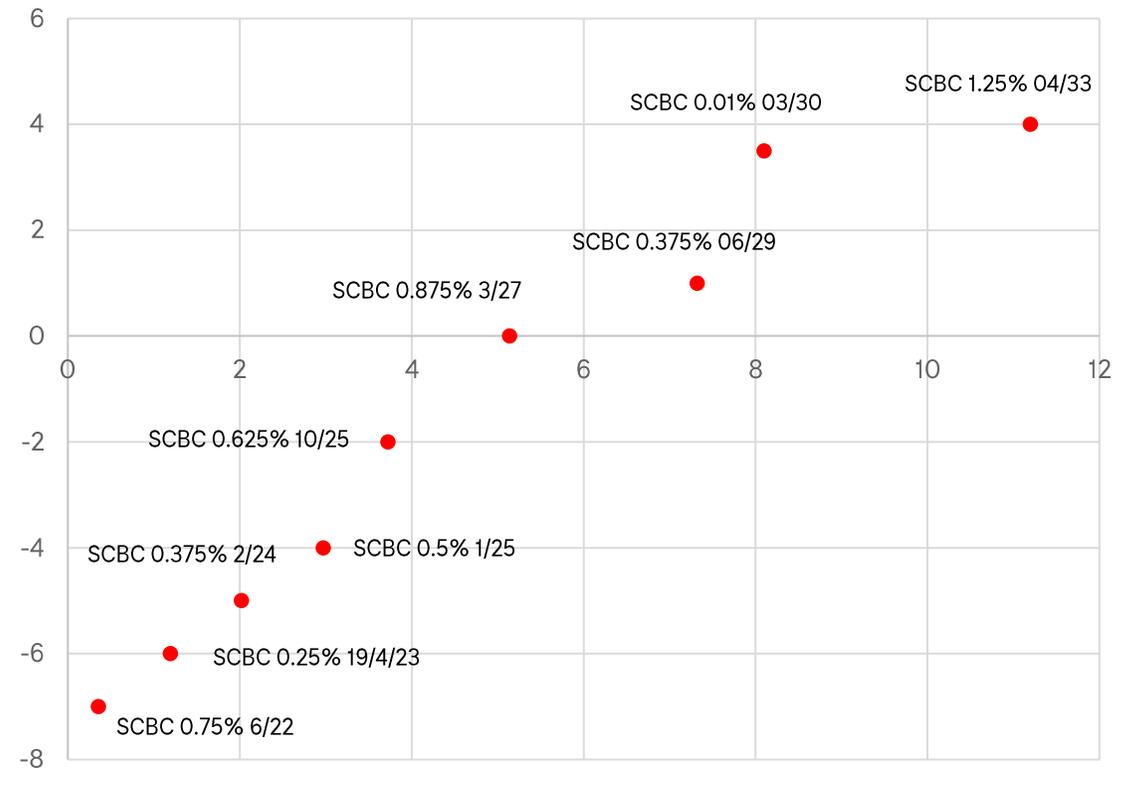
# Outstanding SP and CB (EUR)

- Spread vs MS, bps

## Senior Unsecured (SP)



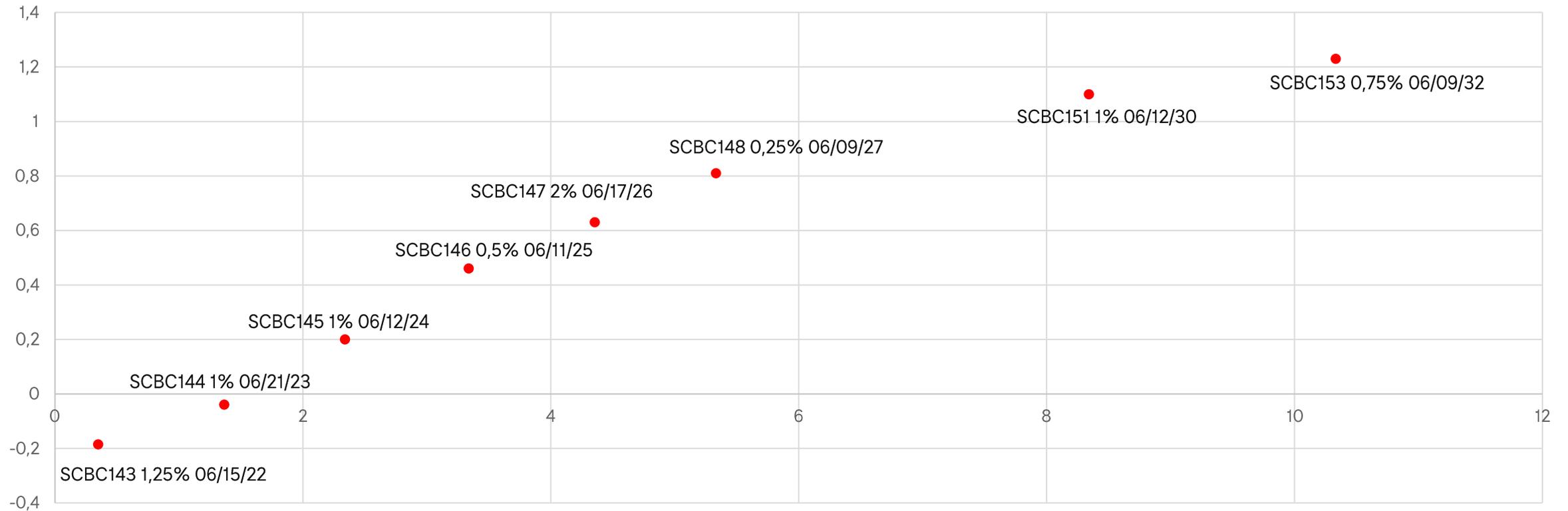
## Covered Bonds (CB)



# Outstanding CB (SEK)

– Yield to maturity, %

Liquid benchmark CB curve in SEK covering broad range of tenors



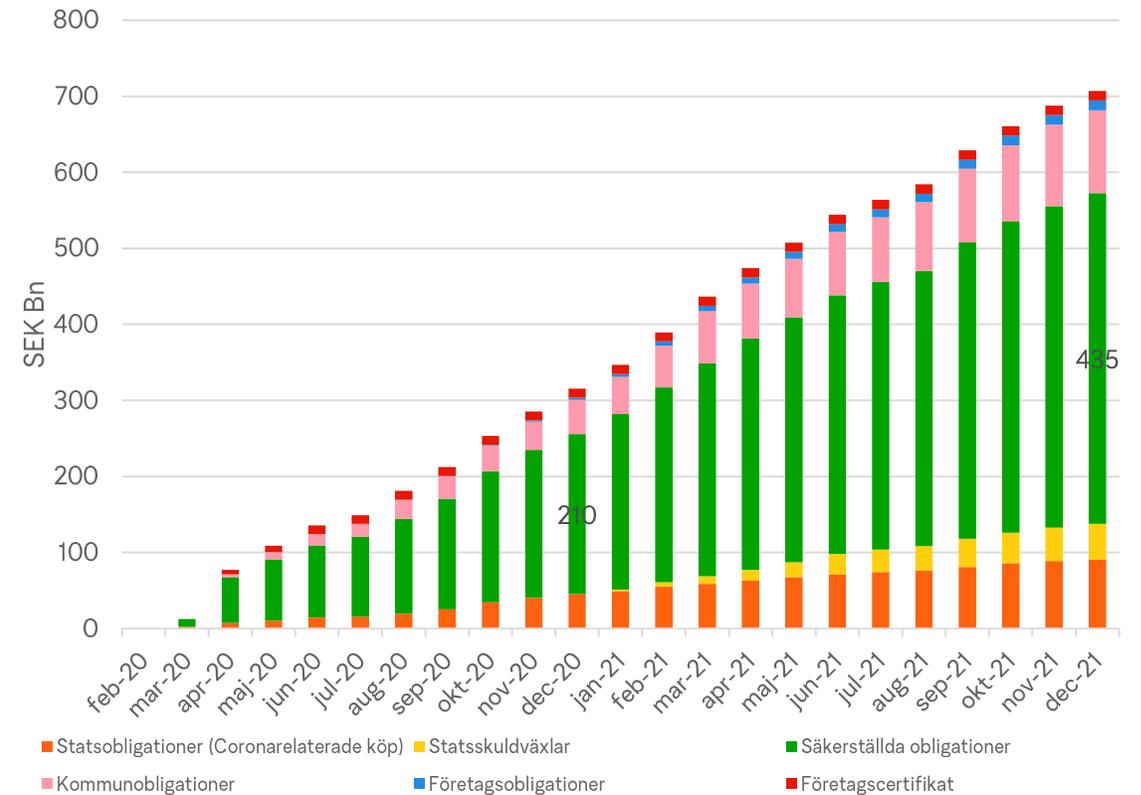
# Riksbank QE

- 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



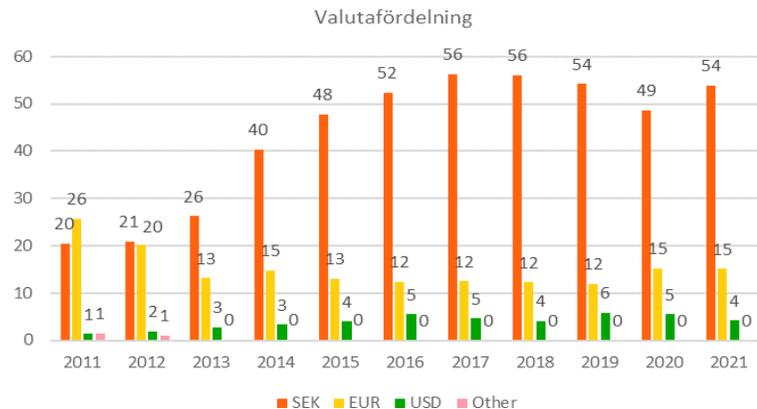
Riksbank offers to buy another 12 bn CB during Q1 2022



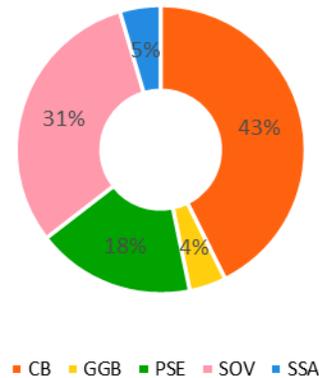
# Liquidity position

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

## Liquidity portfolio (Currency distribution)



## Liquidity portfolio (Securities type)



## Key metrics

### Liquidity portfolio

**73<sub>bn</sub>**

### LCR

**228%**

### NSFR

**129%**

### Survival horizon

**254<sub>days</sub>**



# Swedish economy & housing market



# The Swedish economy

## Forecast key figures Sweden, Q4 compared to Q3 2021

	2021	2022	2023	2024
Real GDP, actual	4.4 (4.4)	3.6 (3.4)	2.2 (2.0)	1.8 (1.9)
Household consumption	4.7 (4.2)	4.6 (4.5)	3.0 (3.0)	2.6 (2.6)
Public consumption	2.7 (2.5)	1.1 (1.1)	0.7 (0.7)	1.0 (1.0)
Investments	5.3 (4.1)	4.6 (4.0)	2.5 (2.5)	1.5 (2.0)
Net export, GDP-contribution (pp)	0.3 (0.9)	0.1 (0.2)	0.0 (-0.1)	0.0 (0.0)
Employment	0.5 (0.5)	1.2 (1.2)	1.1 (0.9)	0.8 (0.8)
Unemployment rate (%)	8.4 (8.4)	7.8 (7.8)	7.3 (7.3)	7.0 (7.0)
Inflation, CPIF growth	4.1 (1.9)	2.2 (1.7)	2.2 (2.2)	2.0 (2.0)
Policy rate, yearly average (%)	0.00 (0.00)	0.00 (0.00)	0.27 (0.04)	0.50 (0.25)
KIX-index (-)	116.6 (114.3)	114.4 (114.9)	114.4 (115.0)	114.4 (115.0)

Note: Annual percentage growth unless indicated otherwise. Inflation, policy rate and KIX-index are outcomes for 2021, light orange background indicates SBAB's November forecast

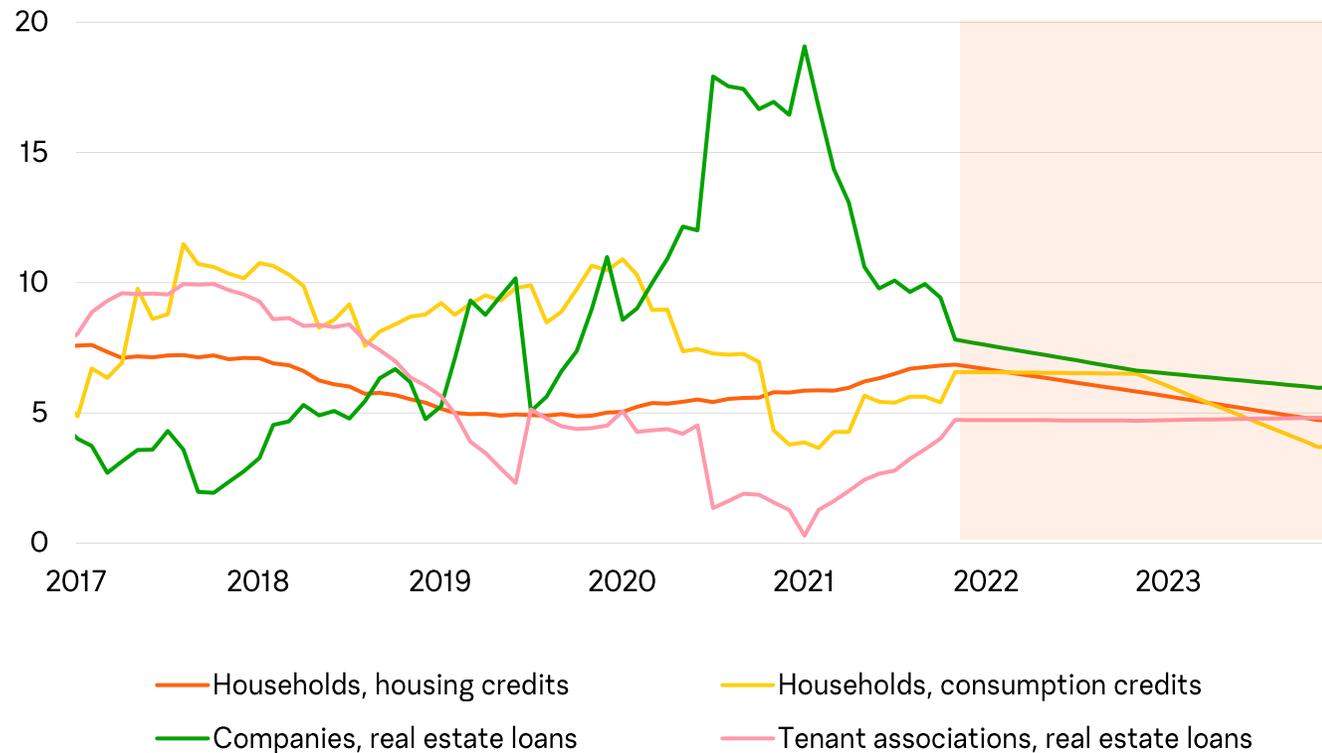
## Comments

- Strong growth in 2021 and 2022 due to the recovery phase
  - ✓ A large part of the growth came initially from manufacturing, but towards the end of 2021 household consumption became the most important driving factor. In 2022 restaurants and travel are expected to recover more rapidly
- Over the past years the economy has been characterized by strong population growth, low inflation and low interest rates
- Rapidly rising energy prices, notably for electricity, have contributed to significantly higher inflation. During the course of 2022, inflation is expected to decline and to gradually become more in line with the Riksbank's 2%-target
- Strong public finances made it possible to support the Swedish economy during the corona pandemic, and to maintain financial stability



# Credit growth development

Credit growth, YoY growth rates (%)



## Normalization in the wake of the corona pandemic

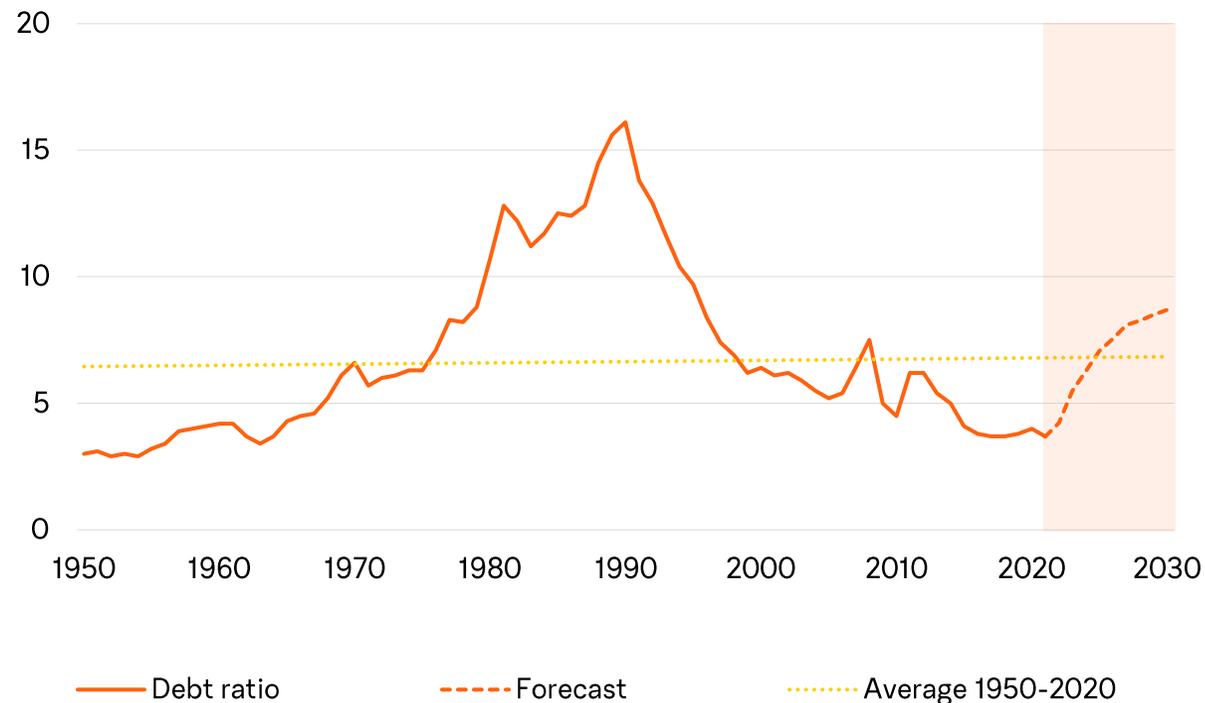
- Credit growth for Companies, real estate loans, soared during the pandemic. The growth rate slowed down rapidly in 2021 to 7.8% which is still slightly above the historical and expected future pace
- Credit growth in the mortgage market has increased since the end of 2019, was strong in 2020 despite the corona pandemic, and even stronger in 2021. The YoY growth rate was 6.9% in December 2021
- According to SBAB's forecast, the growth rate of household housing credits is expected to be 5.8% in 2022 and decline somewhat further in 2023
  - ✓ The forecast takes into account e.g., the developments of housing prices, mortgage rates, and housing turnover



# 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 in coming years, but distributed among more homeowners compared to historical levels



# Appendix

Chapter 7 (7)

**SBAB!**

# Environment, social and governance framework

Appendix I



# Guidelines and obligations

## Guidelines & obligations

- **State's ownership policy**

- ✓ SBAB follows the state's ownership policy and guidelines for state-owned enterprises 2020, 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 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**

- **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**

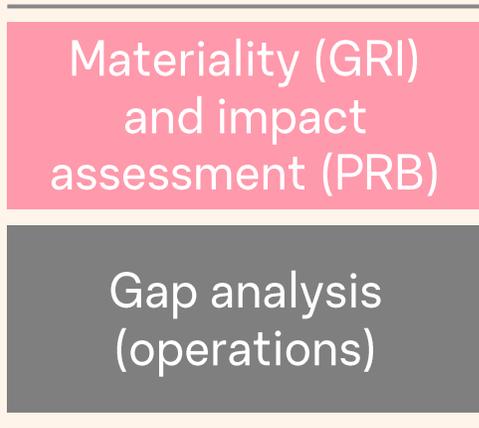
- **Signatory to Partnership for Carbon Accounting Financials (PCAF)**

- **Ongoing implementation of EU taxonomy to be reported starting Q2 2022**

- **EBA's ESG disclosures in Pillar III to be reported starting Q2 2022**

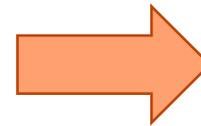


# Looking ahead and analysing impact is the basis for our strategic direction & prioritisation



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

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



# Materiality and Impact Assessments

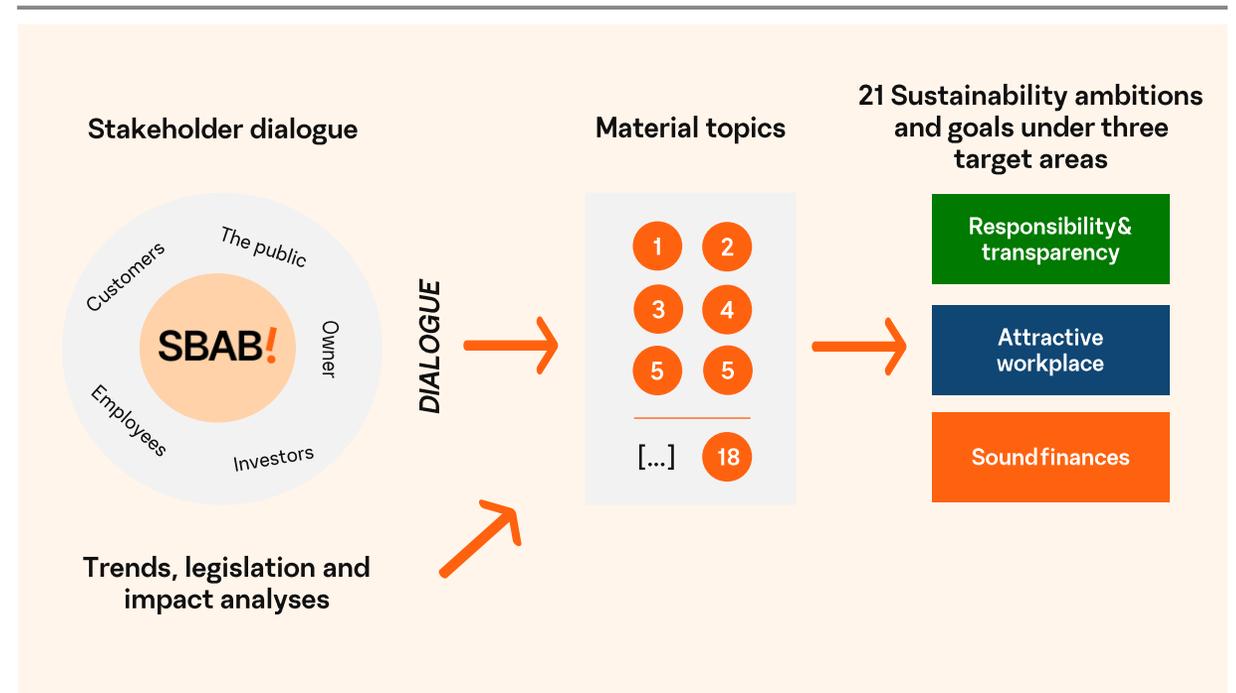
– Materiality and impact assessments are the basis for defining strategy, goals & target areas



## Materiality and impact analysis

- A new materiality assessment was conducted in line with GRI guidelines in 2020.
- This included a new stakeholder dialogue comprising interviews and surveys of key stakeholders such as Board members, Executive Management, business partners, investors, employees and customers.
- In addition, analysis on relevant sustainability risks, trends and legislation and an impact analysis (PRB) were used to identify the areas where SBAB has greatest impact in terms of scope and scale of impact.
- Based on the stakeholder dialog and analyses, the Executive Management and Board updated SBAB's material and high impact sustainability topics and kickstarted a new strategic prioritization of our sustainability work and goals.

## Overview of process for defining SBAB's target areas



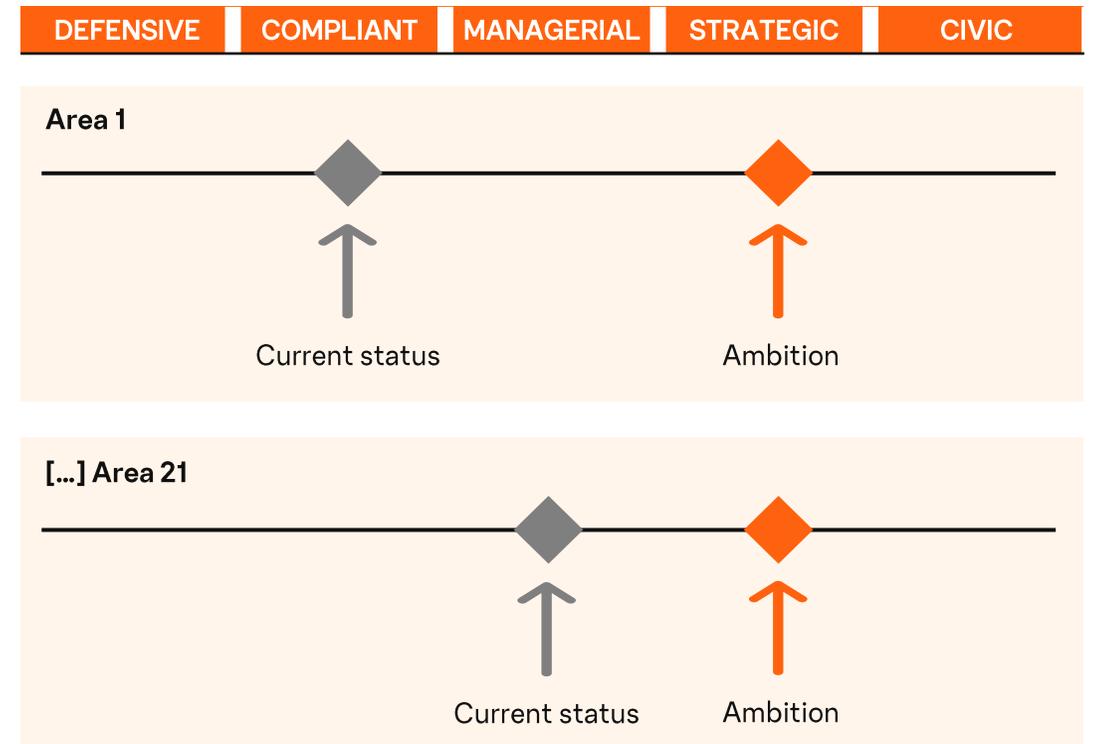
# Gap analysis (operations)

– Tool for addressing sustainability challenges and/or opportunities within SBAB’s target areas



## Gap analysis

- In 2018, an extensive sustainability analysis (“gap analysis”) was conducted with the aim of identifying challenges and/or possibilities within our three target areas. In 2021 we updated this “gap analysis” following our updated materiality analysis and impact analysis. 21 sustainability ambition areas were identified within which SBAB faces challenges and/or possibilities of varying scope
- The analysis includes the current status and ambition level for each identified sustainability area, detailed goals and KPIs and an assigned operational lead and representative from the Executive Management to drive the work forward
- The results of the gap analysis were discussed and developed by operational leads and the Executive Management, and presented for decision by the Board and constitutes an important tool for governance, follow-up & prioritization



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

# Partnership for Carbon Accounting Financials

- SBAB are signatories of PCAF, 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 will be published 25 March 2022



The calculation includes data on energy performance (energy use per m<sup>2</sup>, per year) (A), Atemp, (heated area, m<sup>2</sup>) (B), GHG emissions multiplier (C) and SBAB's share of financing (loan to value ratio) (D) and is based on PCAF's method (A\*B\*C\*D).

For more information on how our GHG multiplier was calculated please refer to our Green Bond Impact Report



# Impact reporting 2020

## Outstanding Green Bonds

Issuer	Issue date	Amount issued	Format	Maturity	Coupon	ISIN	Framework
SBAB	16 June, 2016	SEK 1.0bn	Senior	23 June, 2021	1.048%	XS1436518606	SBAB Green Bond Framework 2016
		SEK 1.0bn	Unsecured	23 June, 2021	3M Stibor +95 bps	XS1436728916	SBAB Green Bond Framework 2016
SBAB	4 October, 2017	SEK 1.0bn	Senior	11 October, 2022	0.98%	XS1697577556	SBAB Green Bond Framework 2016
		SEK 750mn	Unsecured	11 October, 2022	3M Stibor +75 bps	XS1697766951	SBAB Green Bond Framework 2016
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	06 June, 2024	3M Stibor +90 bps	XS2015229516	SBAB Group Green Bond Framework 2019
		SEK 0.75bn	Non-Preferred	06 June, 2024	1.0%	XS2015229862	SBAB Group Green Bond Framework 2019
SBAB	6 May, 2020	EUR 500 mn (equiv SEK 5.3 bn)	Senior Unsecured	13 May, 2025	0.50%	XS2173114542	SBAB Group Green Bond Framework 2019
<b>Total</b>		<b>SEK18.05 bn</b>					

### Green Bond Framework 2016

Eligible Green Loans

**SEK 4.35 billion**

Expected annual avoidance of GHG emissions

**624 tCO<sub>2</sub>e**

Expected annual avoidance of GHG emissions per committed/disbursed SEK 1 million

**0.14 tCO<sub>2</sub>e**

### Green Bond Framework 2019

Eligible Green Loans

**SEK 27.15 billion**

Expected annual avoidance of GHG emissions

**10 980 tCO<sub>2</sub>e**

Expected annual avoidance of GHG emissions per disbursed SEK 1 million

**0.40 tCO<sub>2</sub>e**

# Greening the future



**SBAB!**

SBAB Bank AB (publ)

**SCBC!**

Covered bonds of SBAB

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

Next Impact Report will be published March 25 2022.

# ESG 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 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



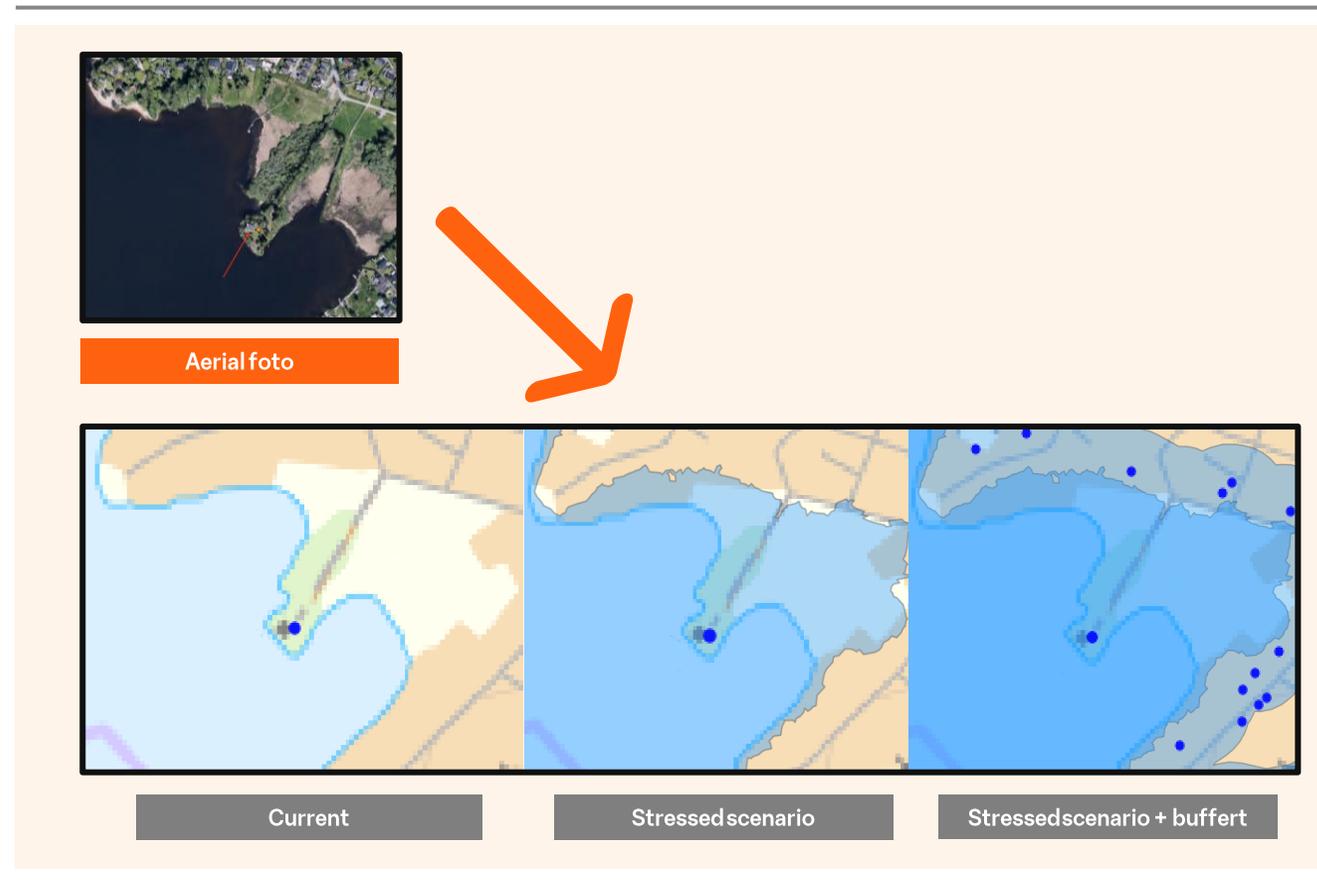
# Climate risk analysis



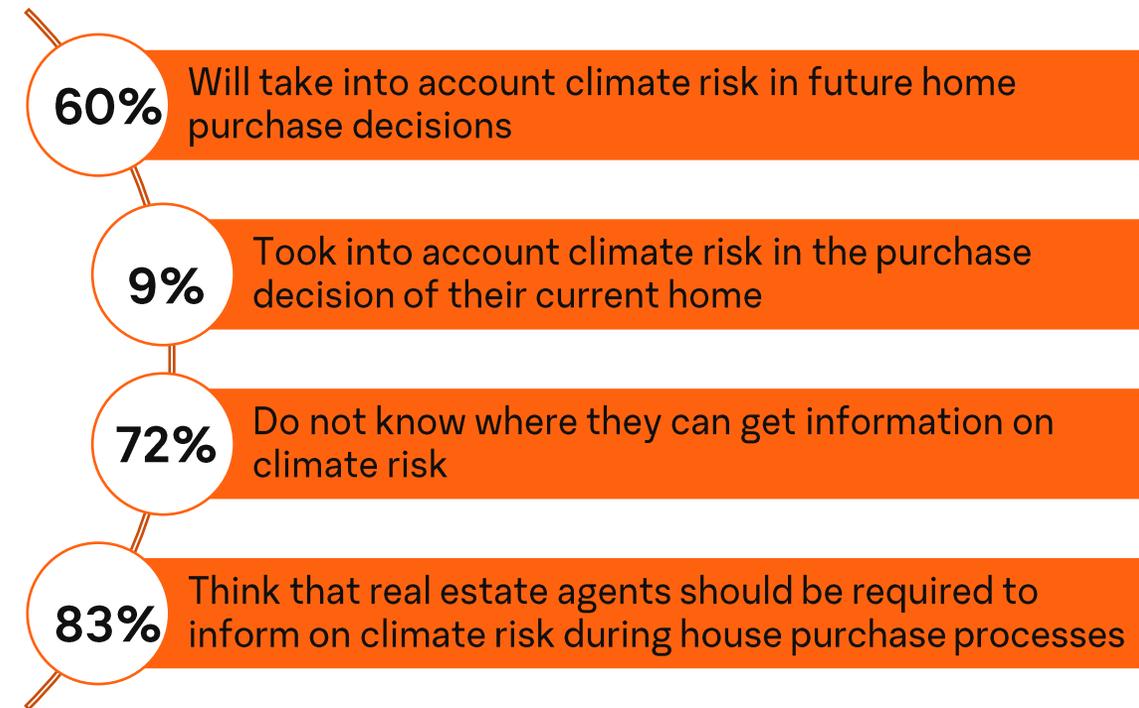
– Initial climate risk analysis of SBAB’s mortgage portfolio based on RCP8.5 (SMHI) & “100-årsflöden” (MSB)

## 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

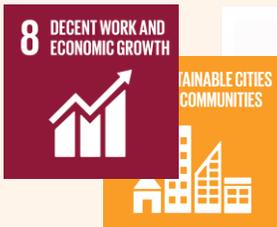


# Research on client perspectives on climate risk



- The research showed our clients lack information on climate risks
  - ✓ All our single-family home clients received an information packet on climate risk
  - ✓ Different types of climate risks in Sweden were defined (flooding, rising sea level, fires, erosion, skyfall and water shortages) and information on how clients can prepare in different stages of the housing journey (buying, living, selling) was shared





Kraftsamling för en  
sund kreditgivning till  
en sund byggbransch

“Tax avoidance, money  
laundering and unhealthy  
competition in the  
construction industry”



# Responsible credit granting

- Several investigations have shown that building practices often involve unreported employment and salary dumping, tax evasion as well as a lack of respect for human rights along the supply chain
- During 2018, SBAB initiated a project together with representatives from property developers, workers' and employers' organisations and professional bodies to produce changes with the aim of tackling these issues
- The result of the project is a declaration of intent signed by the previously mentioned groups, requesting banks to take increased responsibility in their credit granting (e.g. by more stringent requirements)
- SBAB has initiated a dialogue with other banks in Sweden involved in financing new construction with the aim of them supporting the declaration of intent. By mid 2022, all major banks will implement mandatory requirements on their clients in the Construction Industry to improve screening and monitoring of subcontractors. This project is called the Sustainable Construction Industry Project

# 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.

*"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."*

*(Latest update in October 2021)*

## 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.

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

*(Latest update in January, 2021)*

## 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)*

# SCBC!

Covered bonds of SBAB

Appendix II



# 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%	384.0	52.6	20.5
-5%	381.5	54.7	19.7
-10%	377.7	56.7	18.5
-15%	372.3	58.6	16.8
-20%	364.9	60.4	14.5
-25%	355.5	62.0	11.6
-30%	244.1	63.5	8.0

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

## Key metrics

Cover Pool (SEK)

**384<sub>bn</sub>**

No. of loans

**448,472**

OC

**21.0%**

WALTV

**52.6%**



# 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>	<i>21.0%</i>
<b>Weighted average LTV</b>	<i>52.6%</i>
<b>Weighted average seasoning</b>	<i>5.0 years</i>
<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>	<i>448,472</i>
<b>Average loan size</b>	<i>SEK 857,230</i>
<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>54.7% floating, 45.3% fixed / 54.8% amortising, 45.2% 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:
  - ✓ 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

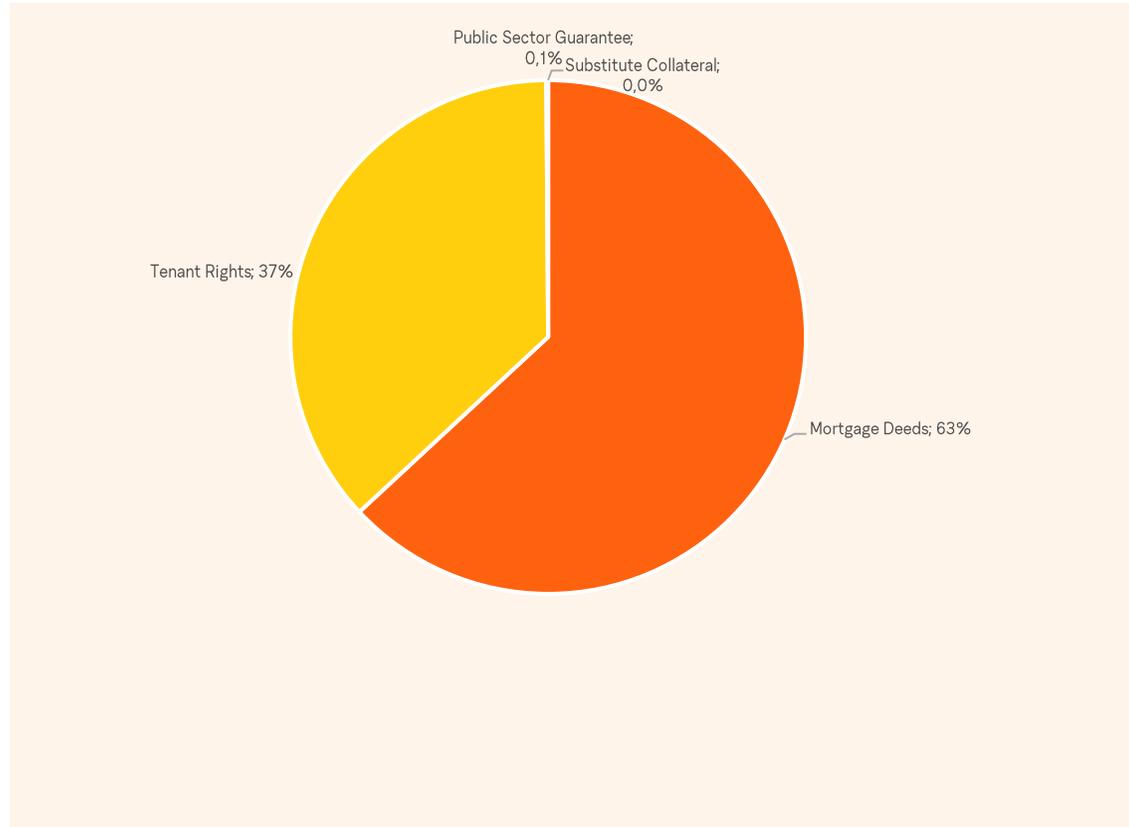
## Other features

- 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

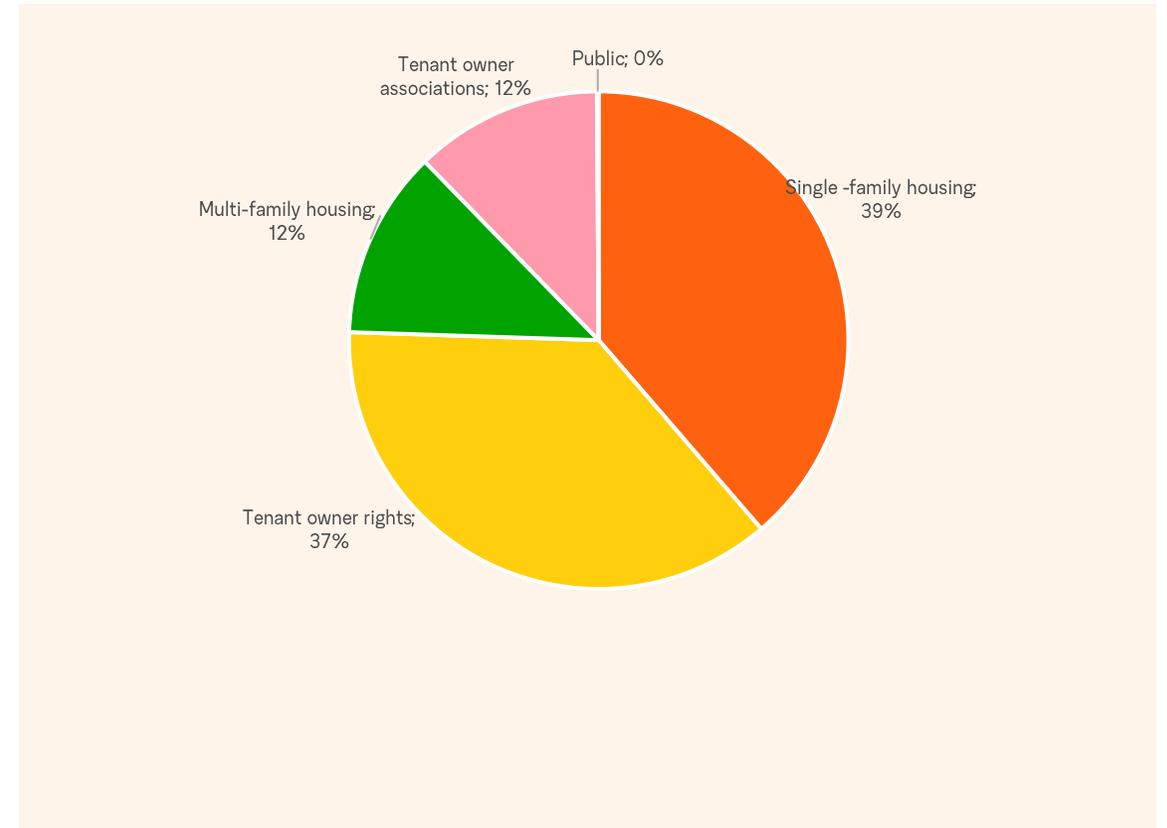


# Cover pool characteristics (1/2)

Breakdown by collateral

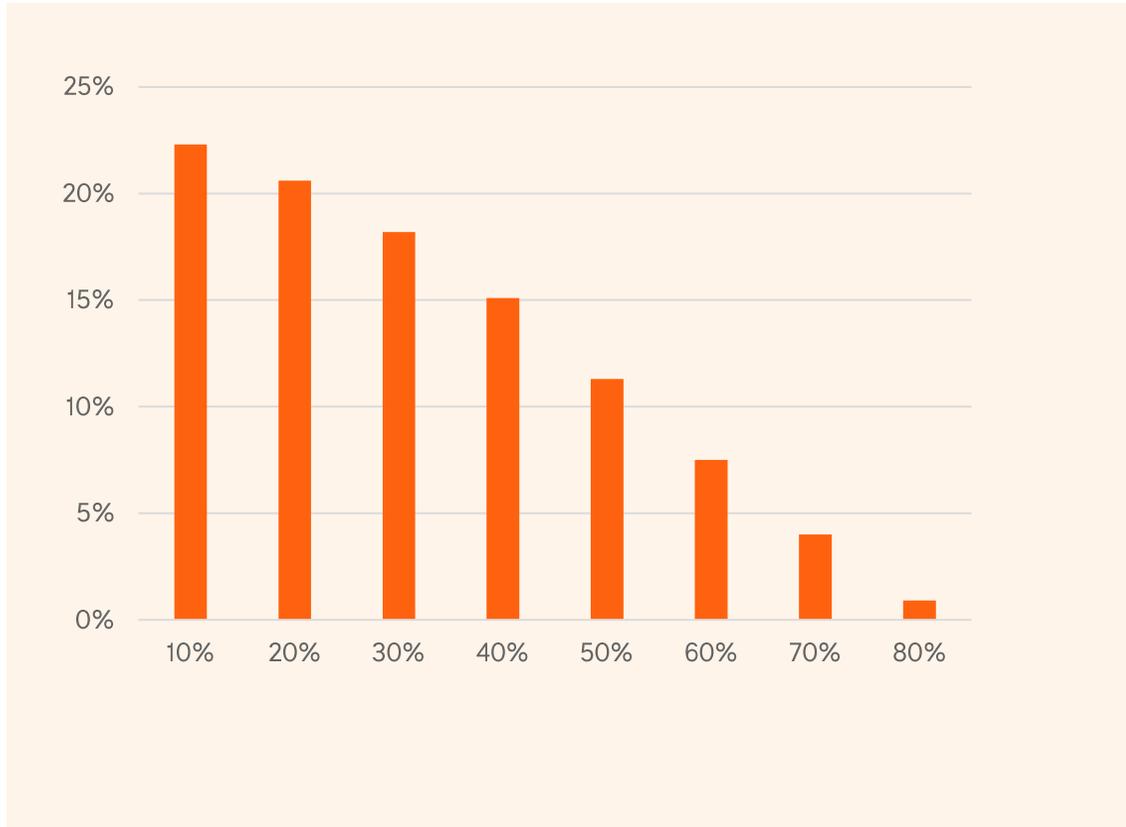


Breakdown by owner

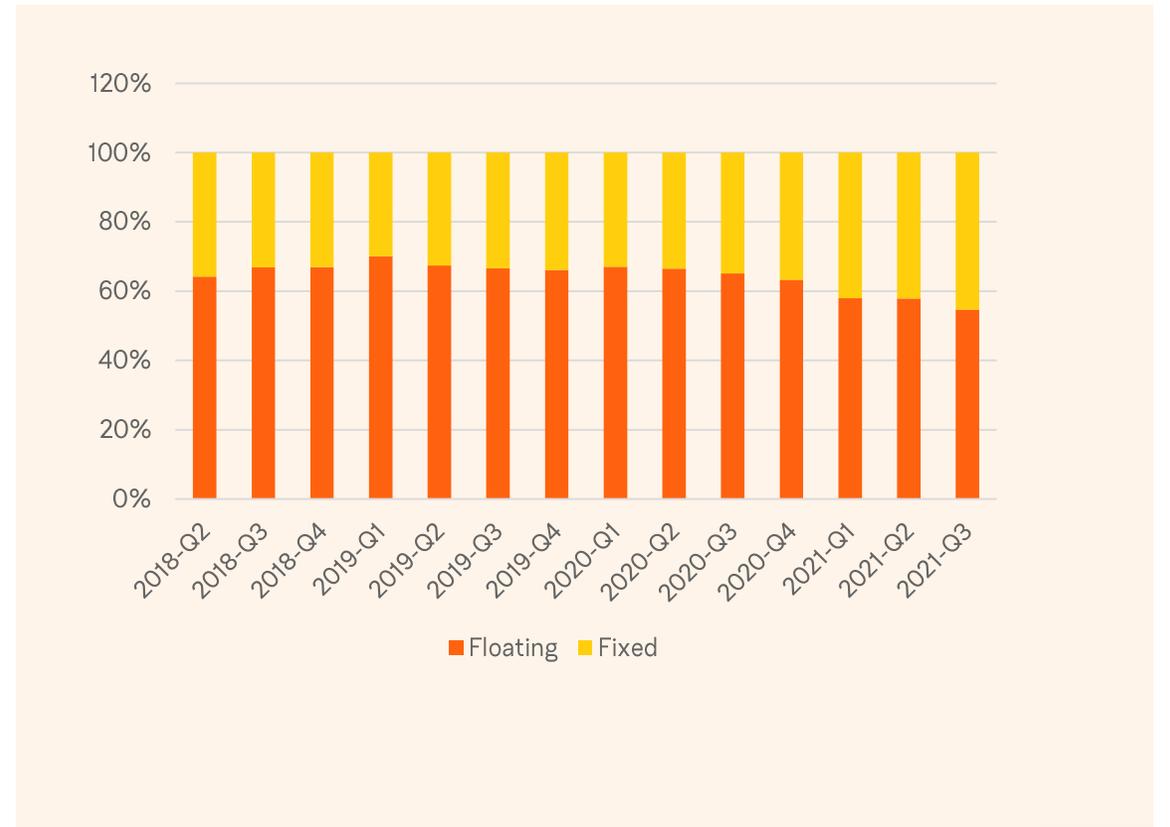


# Cover pool characteristics (2/2)

Loan to value (LTV) distribution



Rate type



## Appendix III: Other



# Financial targets from the owner

	Target	Result Jan – Dec 2021	Result 2020
<b>Profitability:</b> Return on equity over a business cycle	≥ 10%	11.1%	10.8%
<b>Dividend:</b> Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥ 40%	40% (expected)	0%
<b>Capitalisation:</b> CET1 capital ratio and total capital ratio above regulatory requirement communicated by the Swedish FSA	CET1 capital ratio: ≥ 0.6% <sup>1</sup>	4.3%	5.4%
	Total capital ratio: ≥ 0.6%	4.2%	5.4%

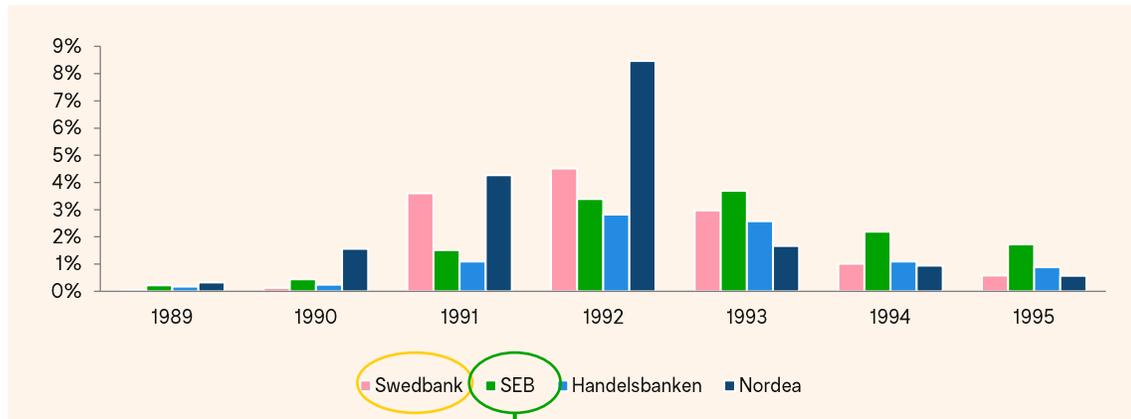
1) In January, SBAB's CEO decided to introduce a supplementary capital target for CET1 on group level. The target will apply from 28 February and means that over time, and under normal circumstances, SBAB will aim to maintain a buffer corresponding to 1-3 percentage points above regulatory requirements.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



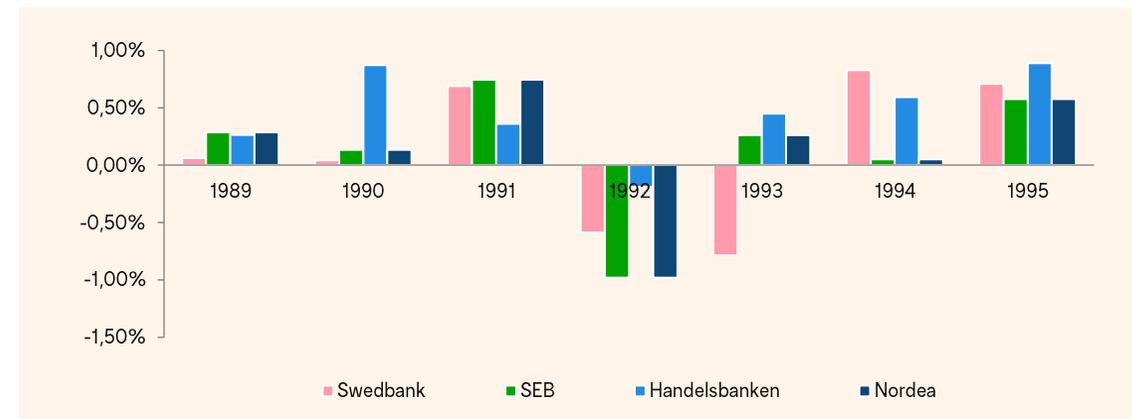
# Loan losses during 1990's crisis

- 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 %



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## Financial calendar

Annual Report and Impact Report 2021	25 March 2022
Q1 Interim Report	28 April 2022
Q3 Interim Report	18 July 2022
Q3 Interim Report	27 October 2022
Year-end Report 2022	7 February 2023



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