

INVESTOR PRESENTATION

SBAB Bank AB (publ)
Jan-Dec 2019

SBAB!

Executive summary



A short introduction to SBAB

- 100% owned by the Kingdom of Sweden
- Swedish mortgage portfolio, predominantly residential mortgages. 5th largest residential mortgage provider in Sweden
- Savings accounts offered to retail customers, corporate clients and tenant-owners' associations
- Financial targets from owner covering profitability, capitalisation & dividend
- Ecosystem; creating a platform with value adding services relating to housing and household finances
- Total funding needs for 2020 expected to be around SEK 60 billion

Lending

SEK **384** bn

Deposits

SEK **131** bn

Moody's

A1

STANDARD & POOR'S
RATINGS SERVICES
MUBRAN HILL FINANCIAL

A

AAA

Key figures FY2019

STABLE PROFITABILITY

RoE: **11.7%**

HIGH COST EFFICIENCY

C/I ratio: **33.7%**

STRONG ASSET QUALITY

Loan loss ratio: **-0.01%**

SOLID CAPITALISATION

CET1 ratio: **12.5%**

THE SWEDISH RESIDENTIAL MORTGAGE MARKET 2019

MARKET SHARE
DEC 2019

8.47%

SHARE OF NET GROWTH
JAN-DEC 2019

9%

SBAB!

Table of contents

All figures in this presentation are as of 31 December 2019 unless otherwise stated



| |
|---|
| Our Business |
| Strategic Direction |
| SBAB's View on Sustainability |
| Financial Development |
| Capital, Liquidity & Funding |
| The Swedish Economy & Housing Market |
| Appendix |

OUR BUSINESS.



Business overview

Business overview

- 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
- 695 employees in five offices
- Two business areas; Retail business area and Corporate Clients & Tenant-owners' Associations business area

Retail business area

- Retail customers
- Residential mortgages (5th largest player in Sweden), savings accounts and consumer loans
- Cost efficient origination through internet (since 1998), call-centre and digital partnerships

77% of lending

Corporate Clients & Tenant-owners' Associations business area

- Property companies and tenant-owners' associations
- Financing of multi-family dwellings; existing buildings or new construction
- Personal service; three offices in Stockholm, Gothenburg and Malmö

23% of lending

Geographical distribution of lending

Lending concentrated to areas around Stockholm, Gothenburg, Malmö, and other university cities and growth regions



Retail

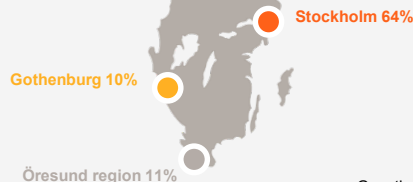
Summary

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

SBAB! booli HittaMäklare

Geography

Lending concentrated to areas around Stockholm, Gothenburg, Malmö, and other university cities and growth regions



Growth areas: 9%

Other regions: 6%

Key figures

Lending (SEK)

293.9_{bn}

Mortgage market share

8.47%

Mortgage customers

279,000

Deposits (SEK)

92.0_{bn}

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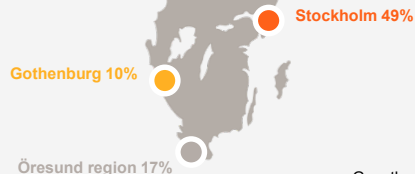
Corporate Clients & Tenant-Own. Assoc.

Summary

- Housing financing and savings products to **property companies** (“corporates”) and **tenant-owners’ associations**
- 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

Geography

Credit granting concentrated to growth regions surrounding our three offices in Stockholm, Gothenburg and Malmö



Key figures

Lending (SEK)

89.9_{bn}

Market share (Corporates)

11.23%

Market share (ToA)

9.55%

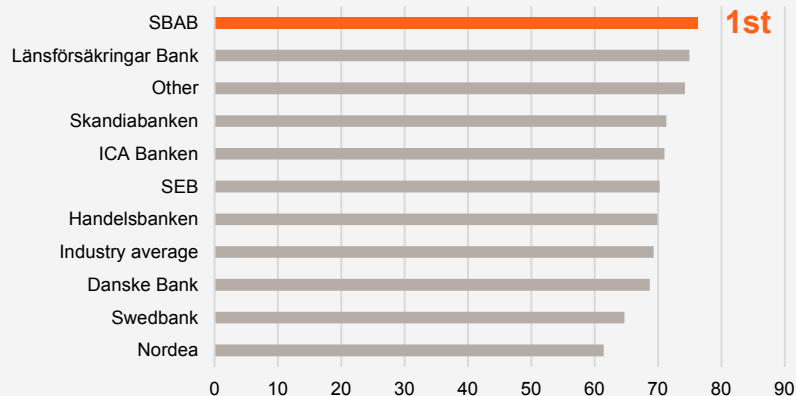
Deposits (SEK)

38.6_{bn}

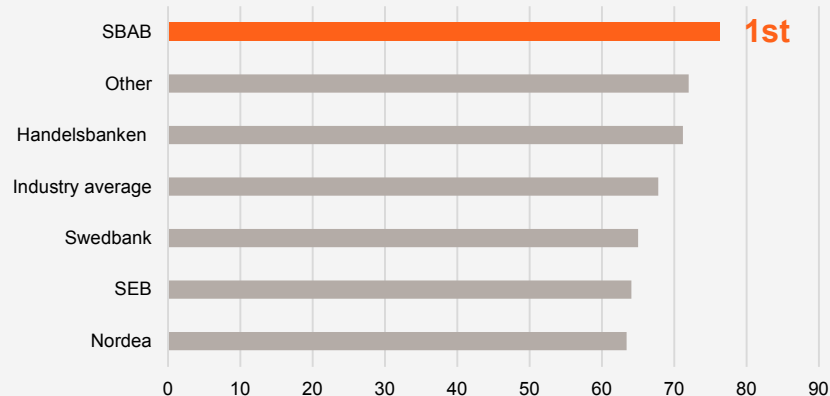
Customer satisfaction



Residential mortgages (2019)



Property loans to corporates (2019)



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.

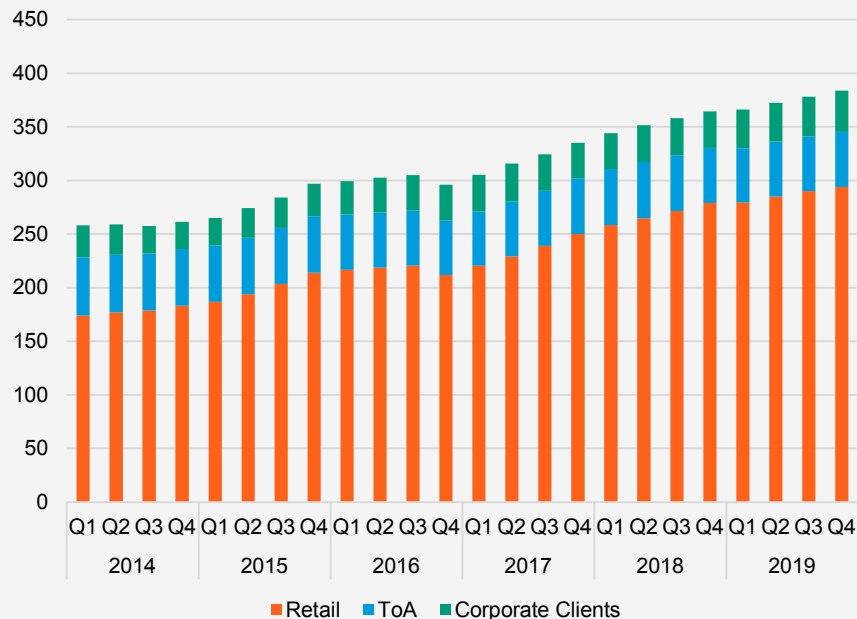


CONSIDERATION

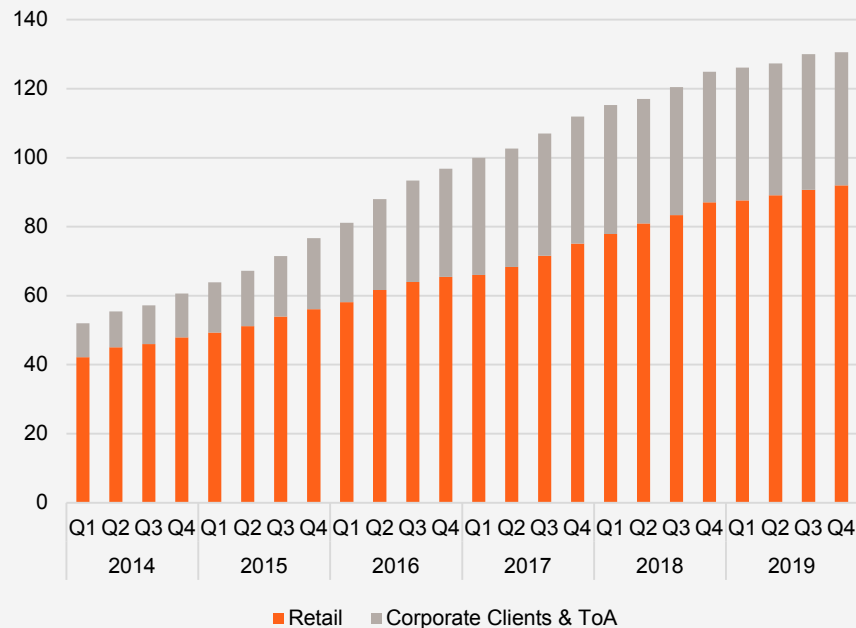
Housing specialists who care.

Sustainable & strong growth

Lending (SEK bn)

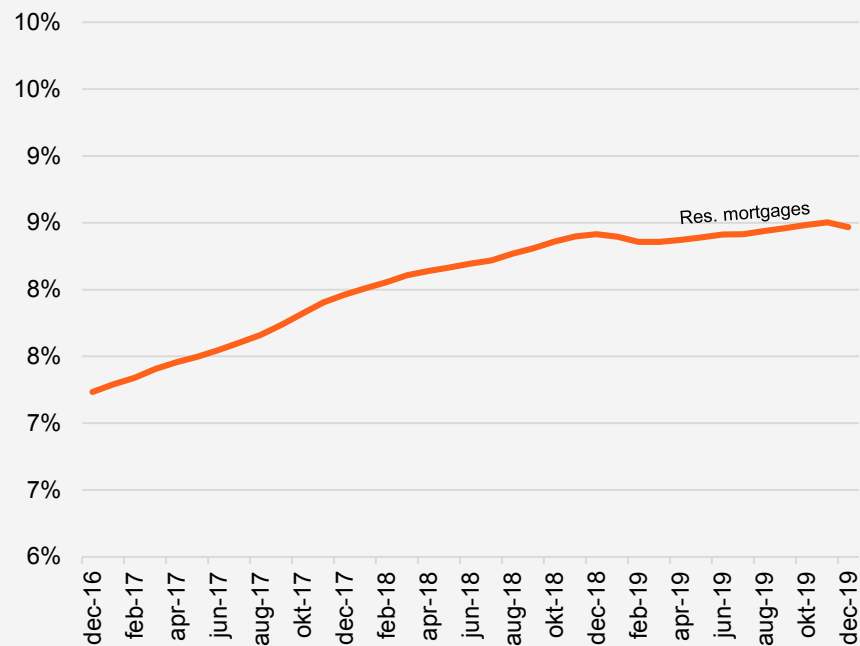


Deposits (SEK bn)

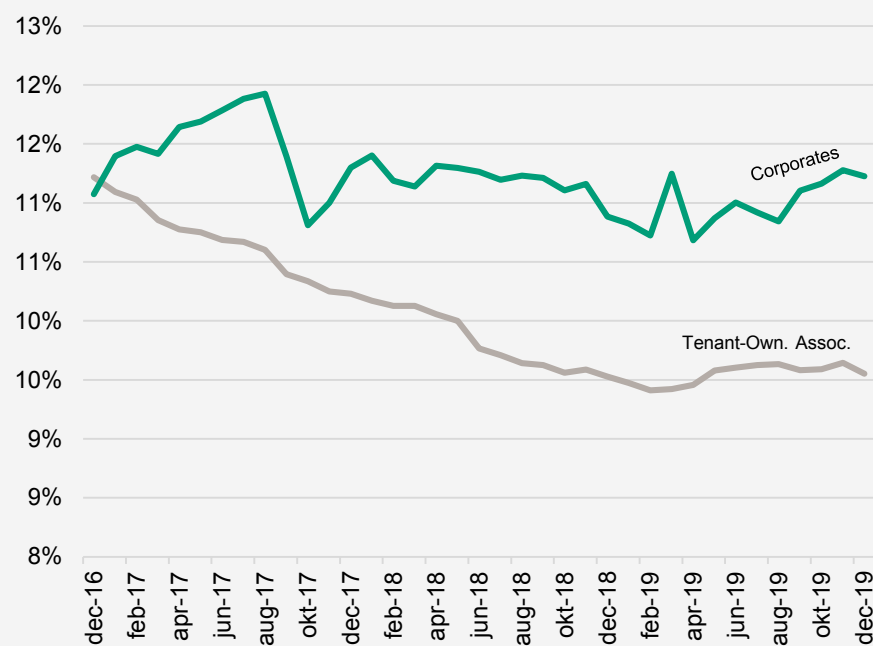


Market share development

Market share, Residential mortgages (Dec 2019)



Market shares, Corporates & ToA (Dec 2019)



Swedish mortgages – a low risk business (1/2)

– 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

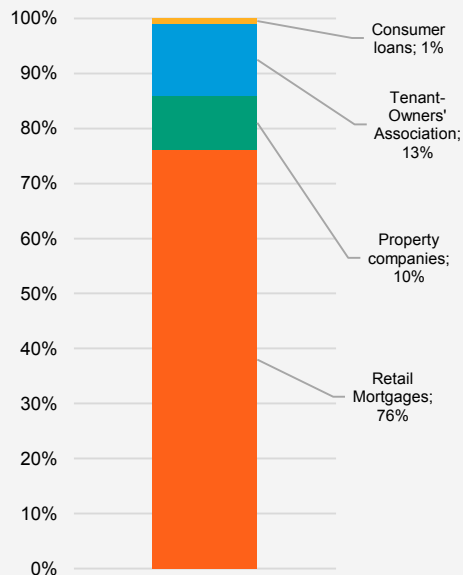
Social Security

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

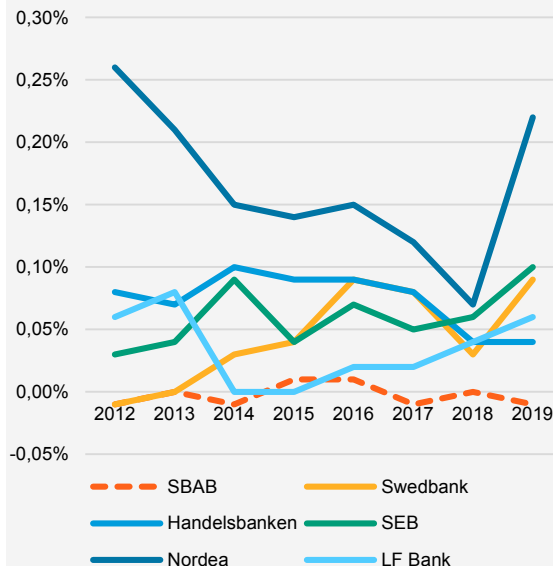
Swedish mortgages – a low risk business (2/2)

– Thorough credit evaluations and low risk assets consistently achieves low credit losses

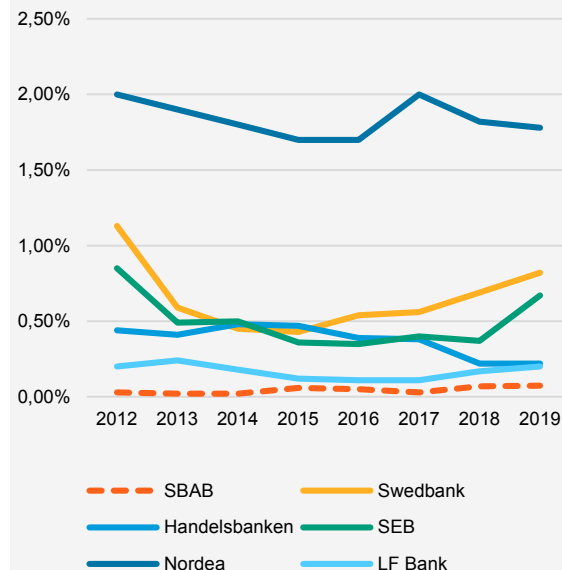
SBAB lending 31 Dec 2019 >98% collateralized



Net credit losses FY2019 vs. other banks



Impaired loans FY2019 vs. other banks



Financial targets from the owner

| | Target 2018 | Result Jan-Dec 2019 | Result 2018 |
|---|---------------------------------|------------------------|----------------|
| <u>Profitability:</u> Return on equity over a business cycle | ≥ 10% | 11.7% | 12.1% |
| <u>Dividend:</u> Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account | ≥ 40% | 40% (proposed) | 40% |
| <u>Capitalisation:</u> CET1 capital ratio and total capital ratio above regulatory requirement communicated by the Swedish FSA | CET1 capital ratio: ≥ 0.6%* | 1.8%** | 2.2%* |
| | Total capital ratio: ≥ 0.6%* | 4.6%** | 3.7%* |

* Adjusted for the Swedish FSA's new method for applying risk-weight floors for Swedish residential mortgages, which entered force 31 December 2018. Previous target = 1.5%

** In relation to expected (internally estimated) capital requirement from the Swedish FSA as of 31 Dec 2019 (CET1 capital ratio requirement: 10.7% & Total capital ratio requirement: 14.9% vs. CET1 capital ratio: 12.5% & Total capital ratio: 19.5%)

Overview of financial performance

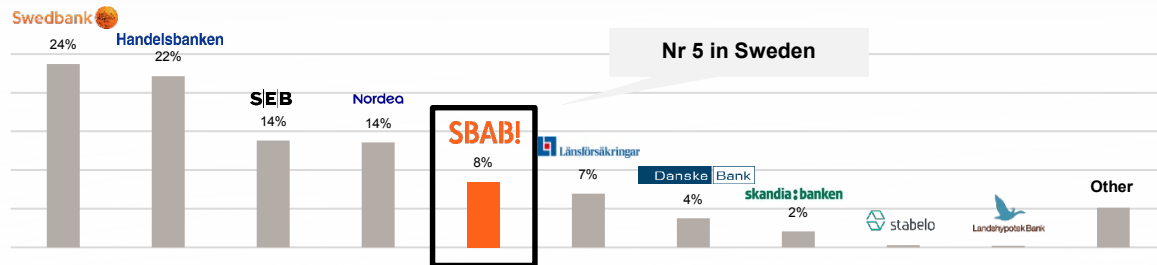
| SEK million | FY 2019 | FY 2018 | ▲ | Q4 2019 | Q3 2019 | ▲ |
|-----------------------|---------|---------|----------|---------|---------|----------|
| NII | 3,473 | 3,362 | +3.3% | 877 | 861 | +1.9% |
| Costs | -1,187 | -1,049 | +13.2% | -327 | -280 | +16.8% |
| Loan losses | -26 | 11 | +37 mn | -10 | 0 | +10 mn |
| Operating profit | 2,308 | 2,241 | +3.0% | 540 | 601 | -10.1% |
| Lending (SEK bn) | 383.8 | 364.2 | +5.4% | 383.8 | 378.2 | +1.5% |
| Deposits (SEK bn) | 130.5 | 124.9 | +4.5% | 130.5 | 130.0 | +0.4% |
| Deposit/lending, % | 34.0% | 34.3% | -0.3 pp | 34.0% | 34.4% | -0.4 pp |
| C/I ratio, % | 33.7% | 32.0% | +1.7 pp | 37.2% | 31.8% | +5.4 pp |
| RoE, % | 11.7% | 12.1% | -0.4 pp | 10.5% | 12.0% | -1.5 pp |
| Loan loss ratio, % | -0.01% | 0.00% | +0.01 pp | -0.01% | 0.00% | +0.01 pp |
| CET1 capital ratio, % | 12.5% | 12.5% | 0.0 pp | 12.5% | 12.2% | +0.3 pp |

STRATEGIC DIRECTION.

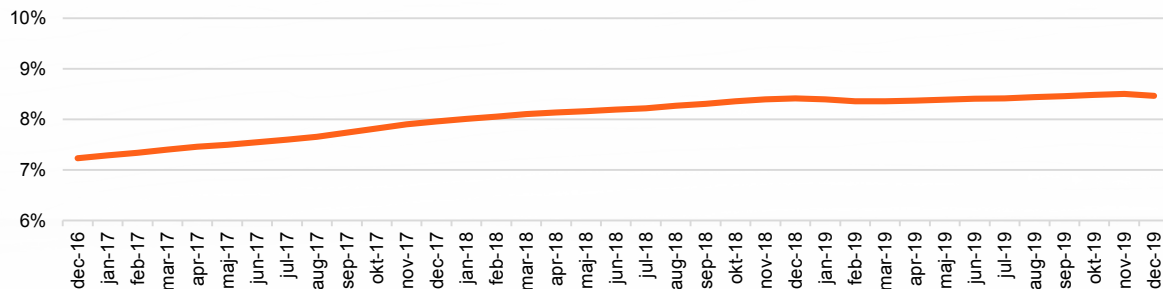


Overview residential mortgage market

Overview market shares on the Swedish residential mortgage market (Jun 19) (Total market SEK 3,455 bn)



Market share development

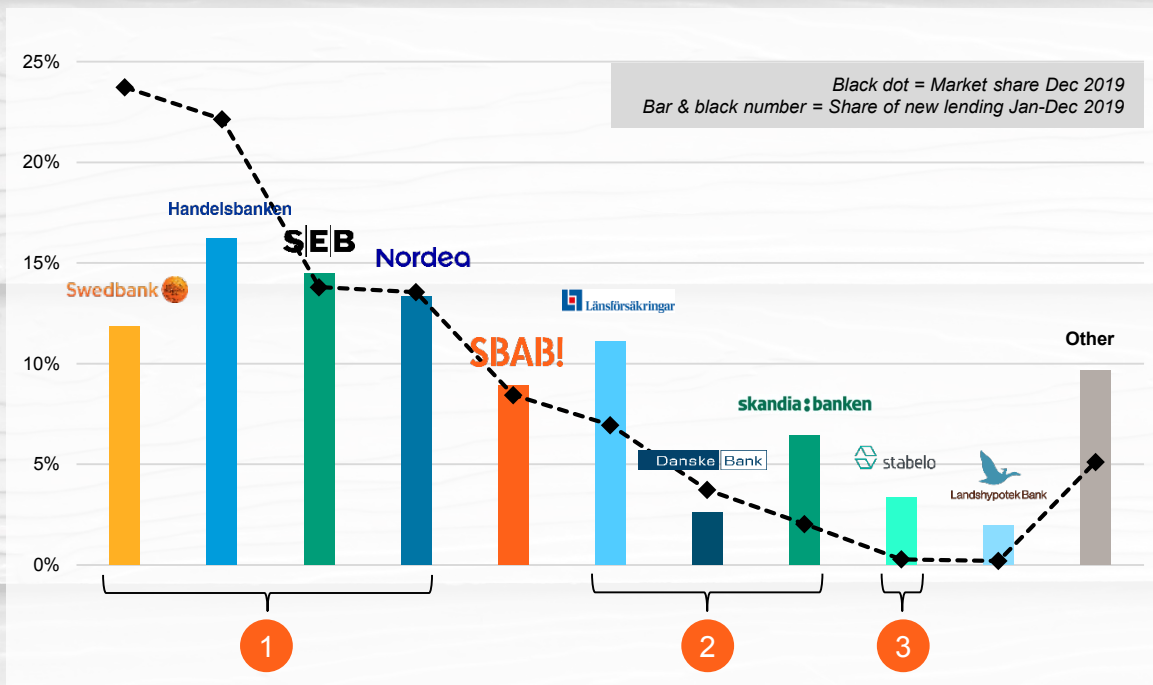


Comments

- The Swedish residential mortgage market consists of traditional banks and niche players (such as SBAB). SBAB is the fifth largest player
- The larger banks have almost 75 percent of the total market. The distance between the major banks and the niche banks in terms of market share has decreased in recent years, although the gap is still large.
- Pricing is a clear indicator of market share momentum – unsurprisingly. However, reputation and customer confidence also play a big role. Digital accessibility, user-friendliness, simplicity, transparency and sustainability, as well as the overall customer experience, are considered important for future competitiveness
- The yearly (YoY, %) credit growth on the Swedish residential mortgage market has slowed down. Currently at 4.9% (Dec 2019). According to SBAB's forecast, credit growth is expected to fall to 4.5 percent for the year 2020 and 4.6 percent for 2021, mainly as a result of lower housing production, more or less stagnant housing prices and lower housing turnover rate

Summary residential mortgage market 2019

Shares of net growth in the Swedish residential mortgage market Jan-Dec 2019



- 1 • More (and more aggressive) offers on fixed interest periods
• Campaigns aimed at big cities where SBAB has a strong position
• More banks highlighting mortgage offerings on home pages
- 2 • Länsförsäkringar continues to gain market share
• Skandia has a competitive offer for "bundled" services
- 3 • Mortgage funds (Stabelo & Hypoteket – targeting only low LTV's) began to gain market shares during the beginning of 2019, but lower growth during the rest of the year

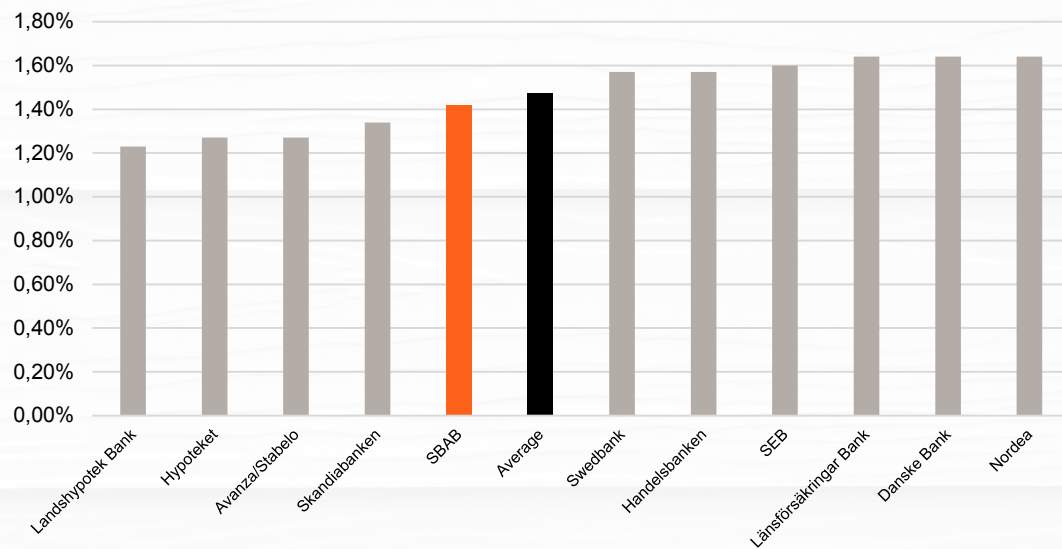
Competitive landscape

– Increased competition in the Swedish residential mortgage market

Comment

- 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
- Market growth has slowed down. Currently at 4.9% YoY

Average actual mortgage rates Dec 2019



Transparency key in customer offering

– Price important, but not the whole story

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.



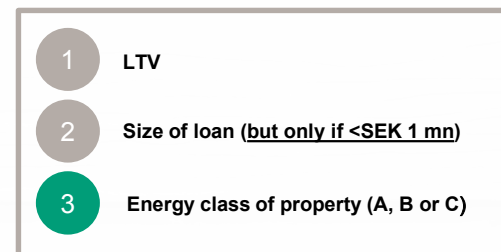
CONSIDERATION

Housing specialists who care.

Transparent & straightforward offering

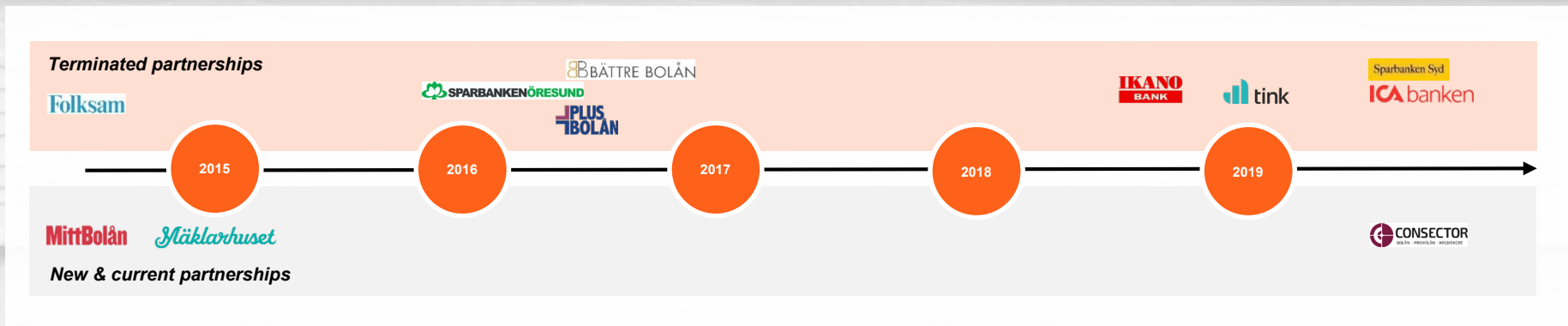
- Pricing of residential mortgages is based on current list rates for each maturity, as published on www.sbab.se
- The customer's specific interest rate is presented as a deviation from the list rate based on LTV (proportion of loans in relation to the market value of the property), size of loan (if <SEK1mn) and the energy classification of the property
- Lower risk = better price
- No time limited discounts, no negotiation
- Transparent offering – small difference between SBAB's list rates and average rates

Increased rebates for low LTV's & less focus on size of loan



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 deliver the greatest customer benefit 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

SBAB's ecosystem (1/2)

– Creating a platform for establishing long-term customer relationship

Challenges for mortgages

Differentiation

1,33%
1,37% 1,51%
1,44% 1,62%

Frequency of engagement



Ecosystem of services relating to housing and household finances

The Housing Journey



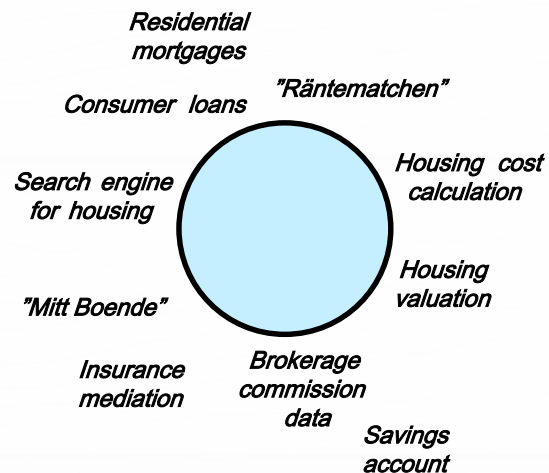
SBAB!
booli
HittaMäklare

- Strategy to strengthen customer relationship by adding valuable services throughout the housing journey

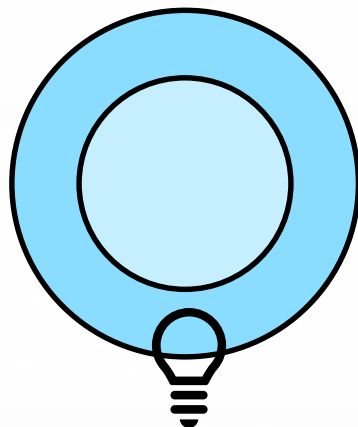
SBAB's ecosystem (2/2)

– Value adding services relating to housing and household finances

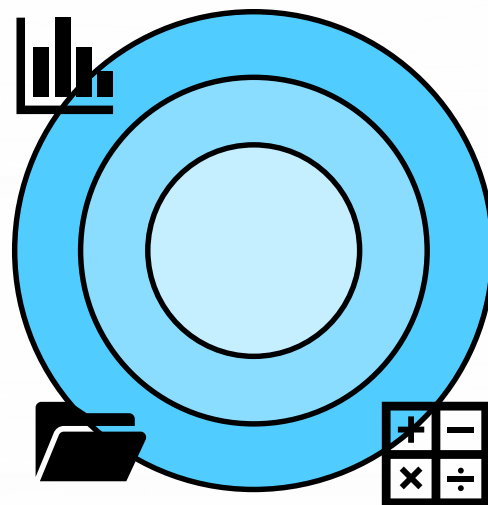
Current services



Adding other already established services



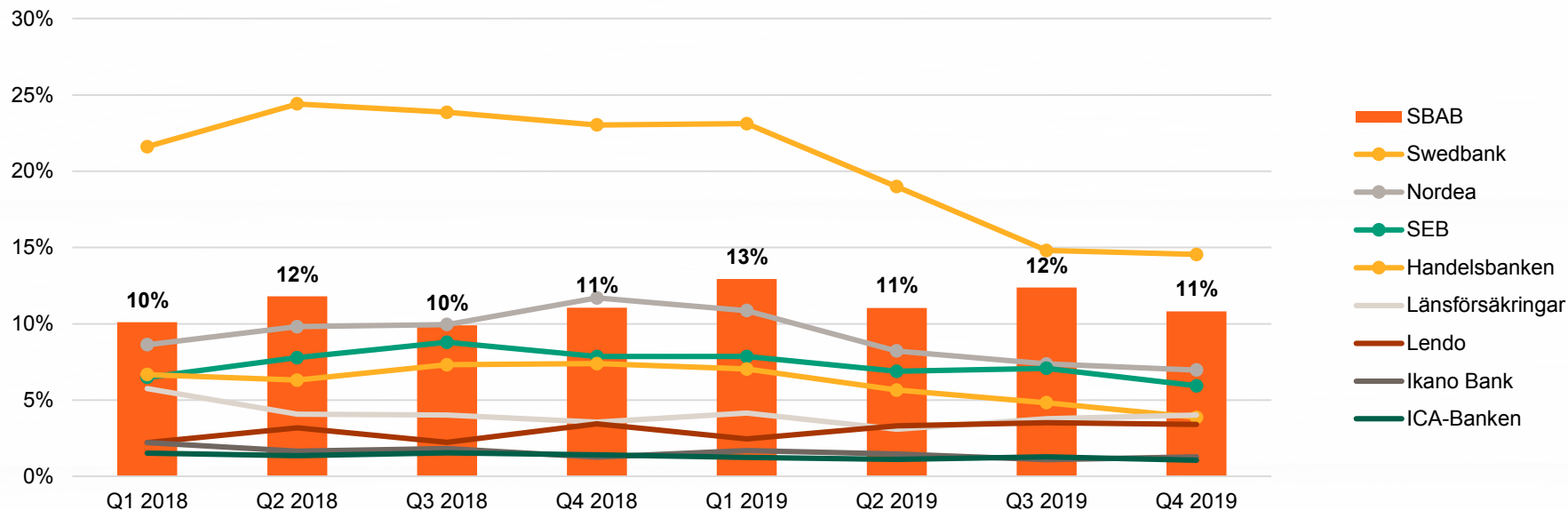
Developing the housing journey



Strong brand recognition

– Strong brand recognition supporting further growth

Top of Mind Q4 2019 – “Which companies offering mortgages do you know of?” (first mentioned)



SBAB's communication awarded



YouTube Works
I samarbete med

YouTube Ads Leaderboard:
Sweden 2018

Guldnyckeln

"Digitala & sociala kanaler 2019" **DIPLOMA**

Guldägget

"Audio 2019" **DIPLOMA**

"Årets Video 2019" **DIPLOMA**

SBAB!

Roygalan 2019

Bästa Musik i Reklamfilm
Årets roligaste reklamfilm

AM Roy



Swedish Content Awards

"Årets Video 2019" **GOLD**

"Årets Sociala media 2019" **GOLD**



Epica Awards

"PR & Promotions Events" - **NOMINATED**

100W

"Årets konsumentkampanj 2019" - **NOMINATED**



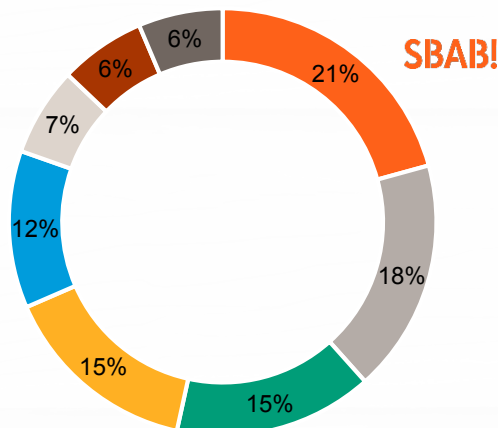
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Strong media presence and SOV

– Knowledge sharing to increase the transparency surrounding the residential mortgage market & the housing market

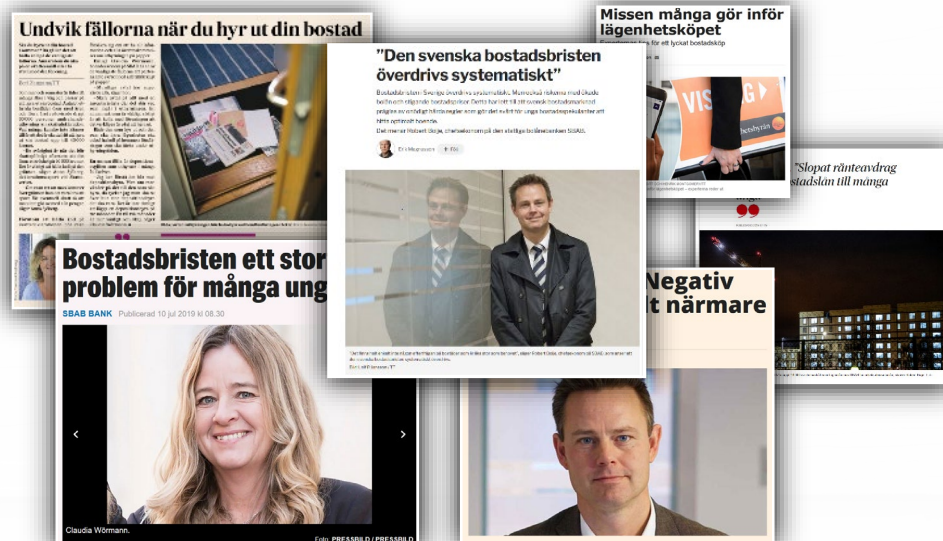
Strong media presence

Share of Voice Q3 2019 - “Bolån & boendeekonomi”



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Source: Retriever, Q3 2019



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Summary corporate lending

Comment

- Different market dynamics compared to the residential mortgage market. Personal service & relationships important
- 300 construction and property companies within 70-80 larger construction groups
- 1,800 tenant-owners' associations with approx. 150,000 apartments
- New construction: approx. 2,500 apartments/year

Tenant-owners' associations (lending & market share)

SEK **52** bn

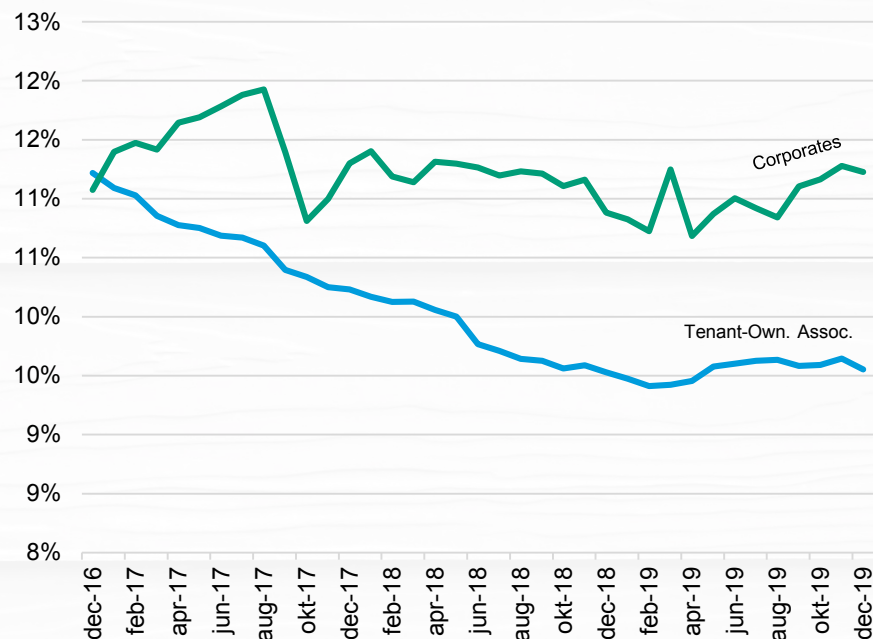
9.55%

Corporates (lending & market share)

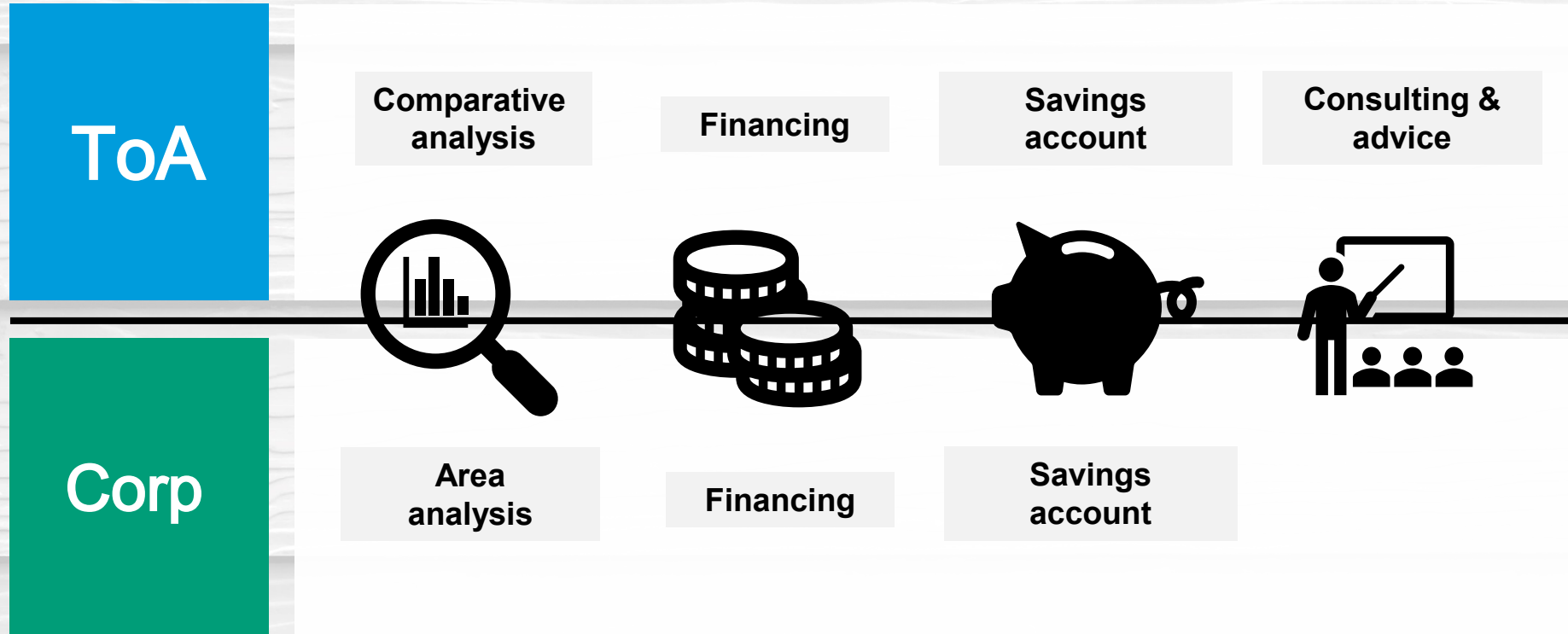
SEK **38** bn

11.23%

Market shares, Corporates & ToA (Dec 2019)



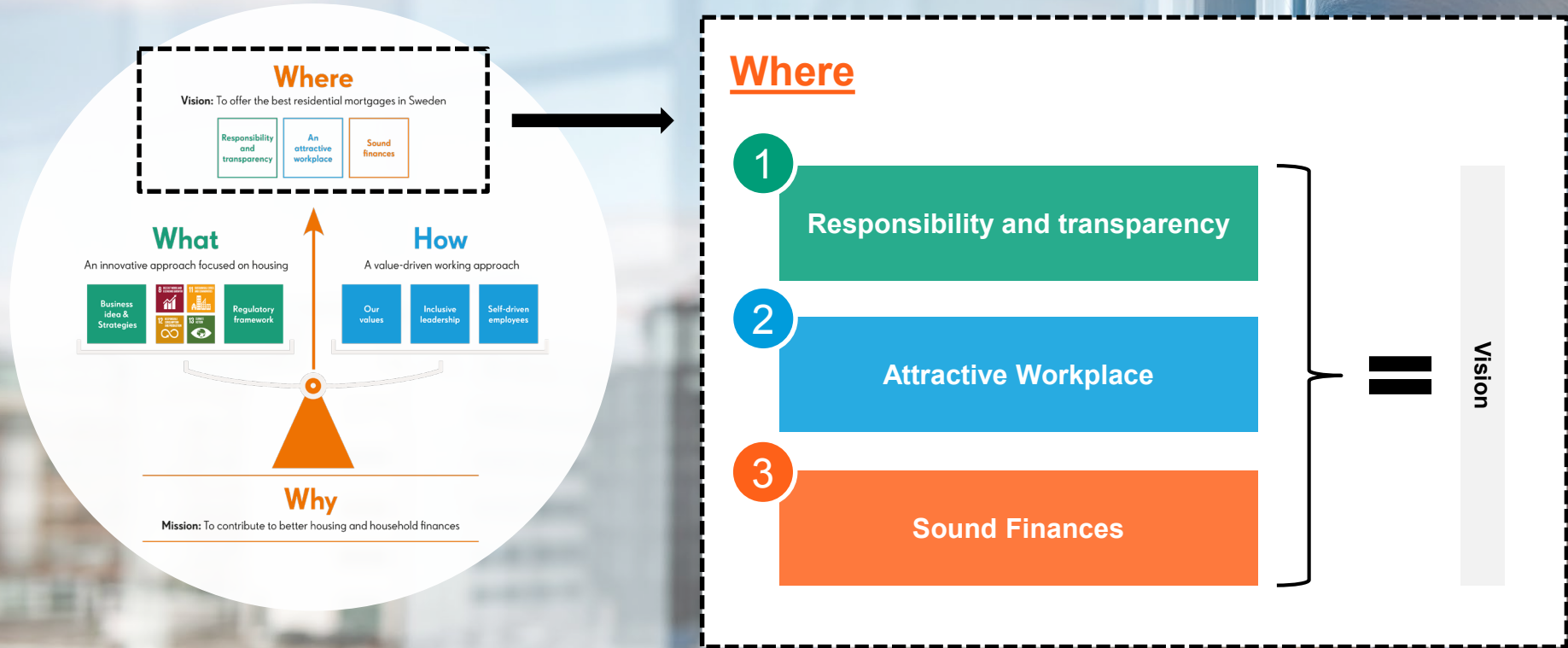
SBAB's offering to corporates



SBAB'S VIEW ON SUSTAINABILITY.



Sustainable governance model



SBAB's sustainability focus

A TRULY SUSTAINABLE STRATEGY

Three target areas that form the basis of a common approach of SBAB's contribution to sustainable global development

Responsibility
and transparency

Attractive
workplace

Sound
finances



**IN Q1 2019, SBAB
BECAME THE FIRST
PLAYER IN SWEDEN
TO ISSUE A GREEN
COVERED BOND
BACKED BY
MORTGAGES**

EXAMPLES OF SBAB'S SUSTAINABILITY EFFORTS

Rebated green mortgages

ENERGY CLASS **A: -10 bps**

ENERGY CLASS **B: -10 bps**

ENERGY CLASS **C: -5 bps**



Homelessness in society



Undeclared labour and
unacceptable working
conditions in the housing
construction market

Respect, diversity & equality in the workplace



Green lending & funding



Linking green lending to green funding

GREEN FUNDING
SEK **12.75** bn*



GREEN LENDING
SEK **24.0** bn*



| | | |
|---------------|----------------------|-------------|
| June, 2016 | Senior unsecured | SEK 2.0 bn |
| October, 2017 | Senior unsecured | SEK 1.75 bn |
| January, 2019 | Covered bond | SEK 6.0 bn |
| June, 2019 | Senior non-preferred | SEK 3.0 bn |

SEK 12.75 bn

| | |
|--------------------------------------|-------------|
| SBAB Group Green Bond Framework 2019 | SEK 19.3 bn |
| SBAB Green Bond Framework 2016 | SEK 4.7 bn |

SEK 24 bn

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

Climate risk analysis

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

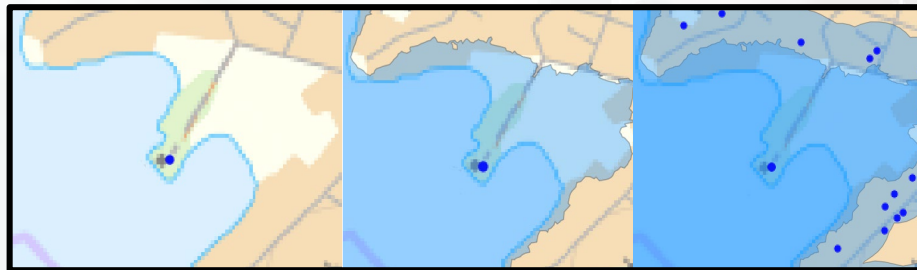


Climate risk analysis

- **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



Flight foto



Current

Stressed scenario

Stressed scenario + buffert

One of the best workplaces in Europe



**Great
Place
To
Work®**

Sweden's Best
Workplaces

SWEDEN

2019

TOTAL TRUST INDEX: **81% (74)**

CAMARADERIE
87% (82)

FAIRNESS
79% (74)

RESPECT
78% (71)

PRIDE
83% (74)

CREDIBILITY
79% (71)

**4TH PLACE IN GREAT PLACE TO
WORK'S LIST OF SWEDEN'S BEST
WORKPLACES 2019**

**20TH PLACE IN GREAT PLACE TO
WORK'S LIST OF EUROPE'S BEST
WORKPLACES 2019**

(LARGER COMPANIES)

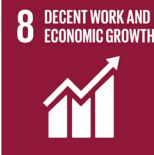
Increased number of FTE

Great
Place
To
Work.

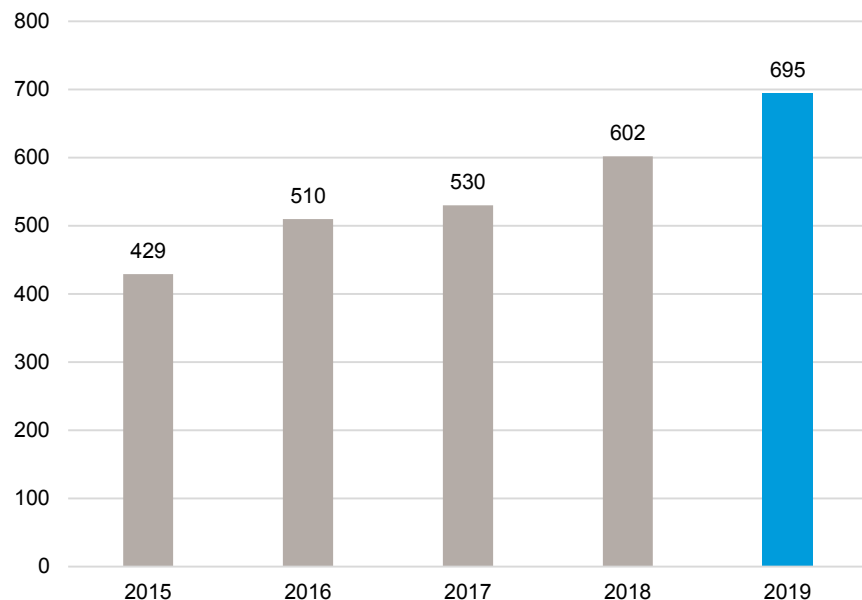
Sweden's Best
Workplaces

SWEDEN

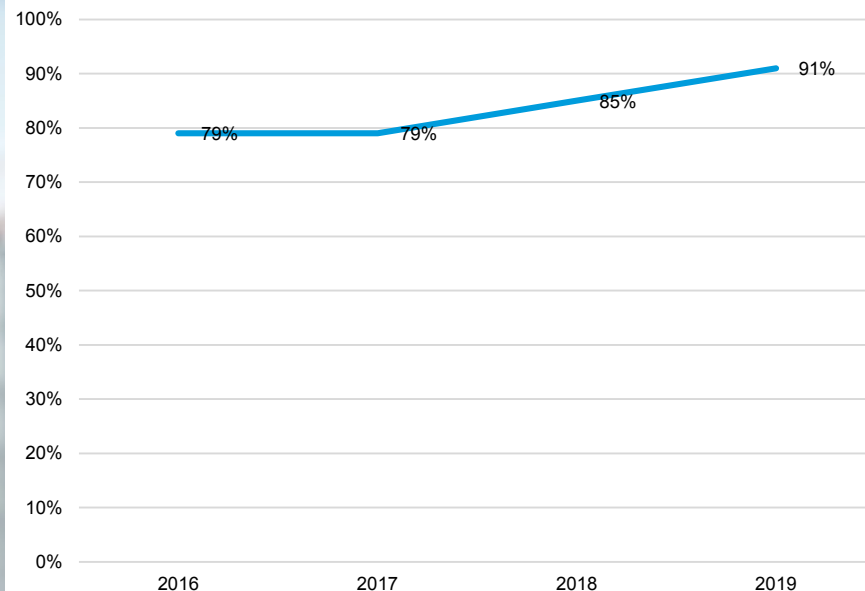
2019



FTE development



Employees who consider SBAB a very good place to work



FINANCIAL DEVELOPMENT.



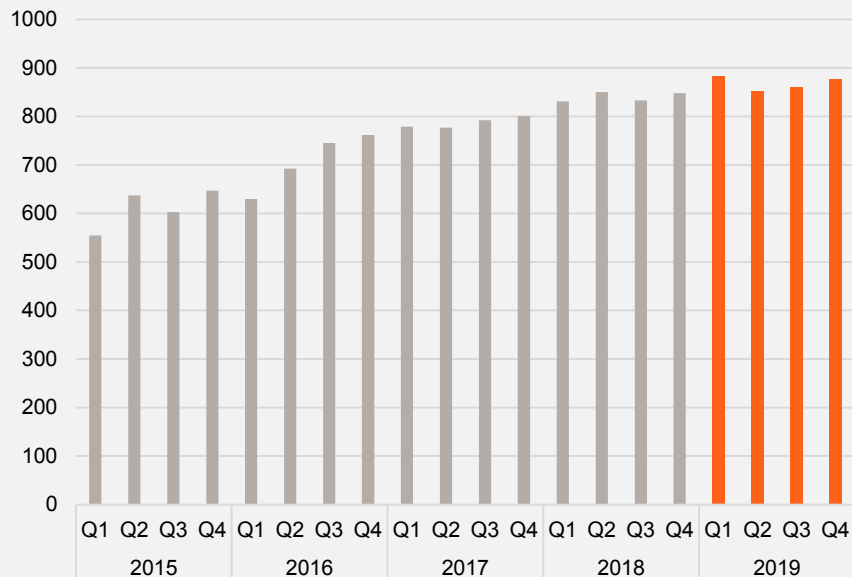
Overview of financial performance

| SEK million | FY 2019 | FY 2018 | ▲ | Q4 2019 | Q3 2019 | ▲ |
|-----------------------|---------|---------|----------|---------|---------|----------|
| NII | 3,473 | 3,362 | +3.3% | 877 | 861 | +1.9% |
| Costs | -1,187 | -1,049 | +13.2% | -327 | -280 | +16.8% |
| Loan losses | -26 | 11 | +37 mn | -10 | 0 | +10 mn |
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| Deposits (SEK bn) | 130.5 | 124.9 | +4.5% | 130.5 | 130.0 | +0.4% |
| Deposit/lending, % | 34.0% | 34.3% | -0.3 pp | 34.0% | 34.4% | -0.4 pp |
| C/I ratio, % | 33.7% | 32.0% | +1.7 pp | 37.2% | 31.8% | +5.4 pp |
| RoE, % | 11.7% | 12.1% | -0.4 pp | 10.5% | 12.0% | -1.5 pp |
| Loan loss ratio, % | -0.01% | 0.00% | +0.01 pp | -0.01% | 0.00% | +0.01 pp |
| CET1 capital ratio, % | 12.5% | 12.5% | 0.0 pp | 12.5% | 12.2% | +0.3 pp |

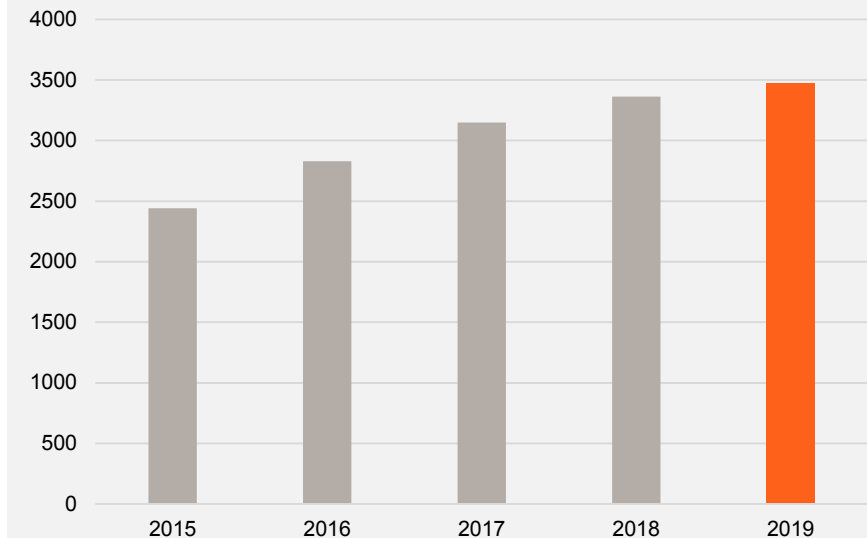
NII development

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

Net interest income QoQ (SEK mn)



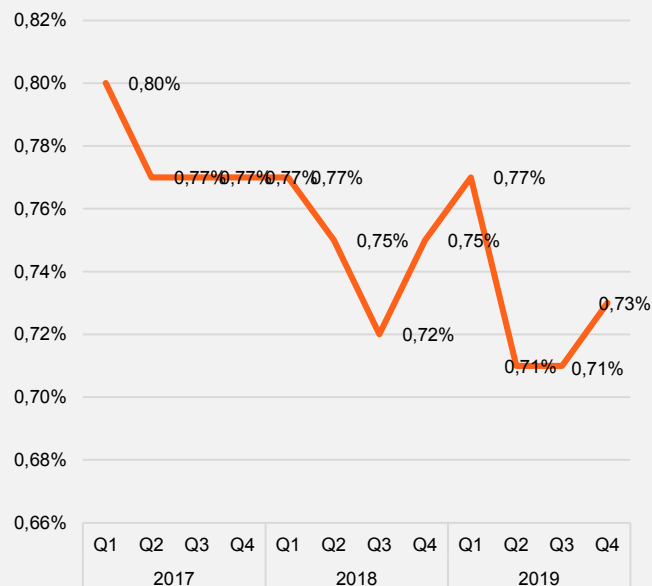
Net interest income YoY (SEK mn)



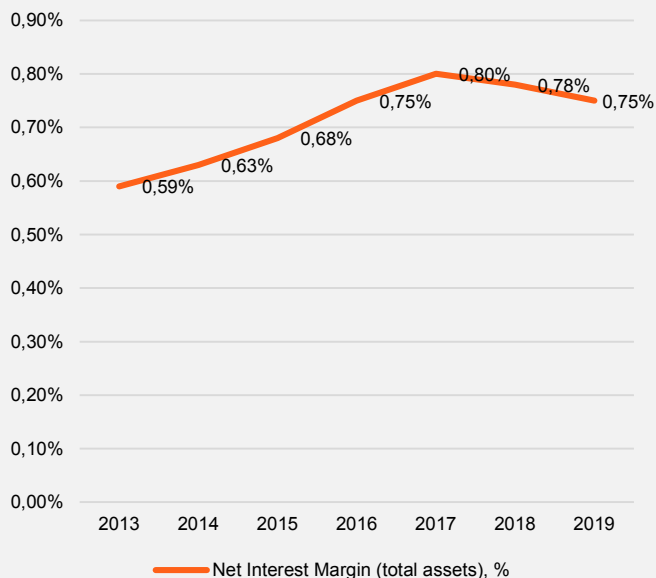
NIM development

– Declining lending margins

Net interest margin QoQ (%)



Net interest margin YoY (%)



Comments

- Increased competition in retail mortgage market. Lending margins are expected to come down further during the next 12 months
- Stable lending margins expected for corporate lending and lending to tenant-owners' associations

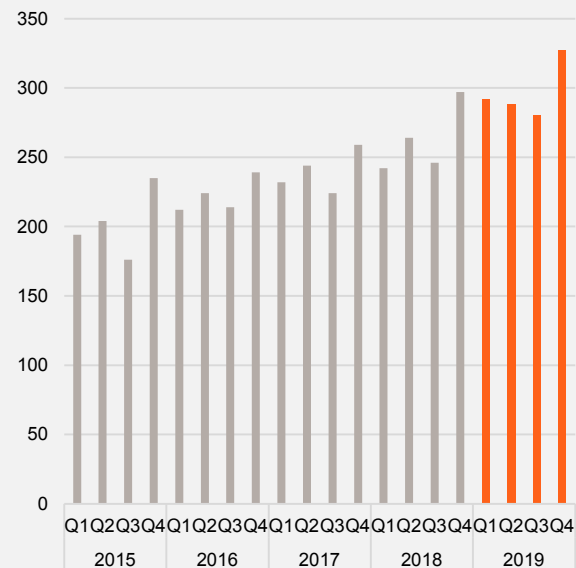
Cost management & increased investments

– Increased investments for future competitiveness

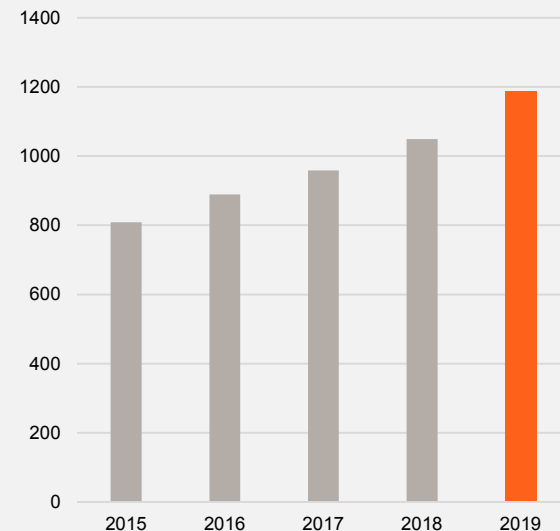
Comments

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

Cost development QoQ (SEK mn)



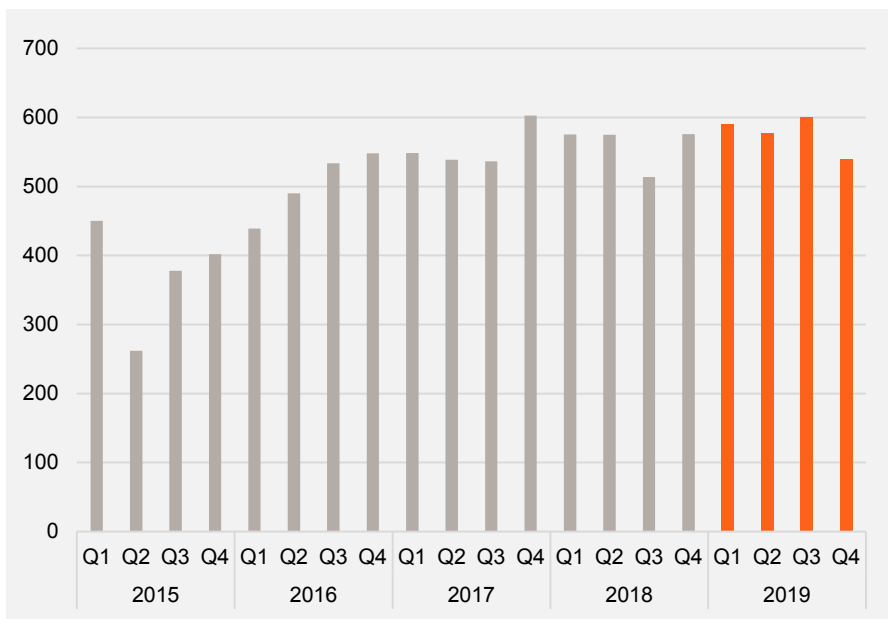
Cost development YoY (SEK mn)



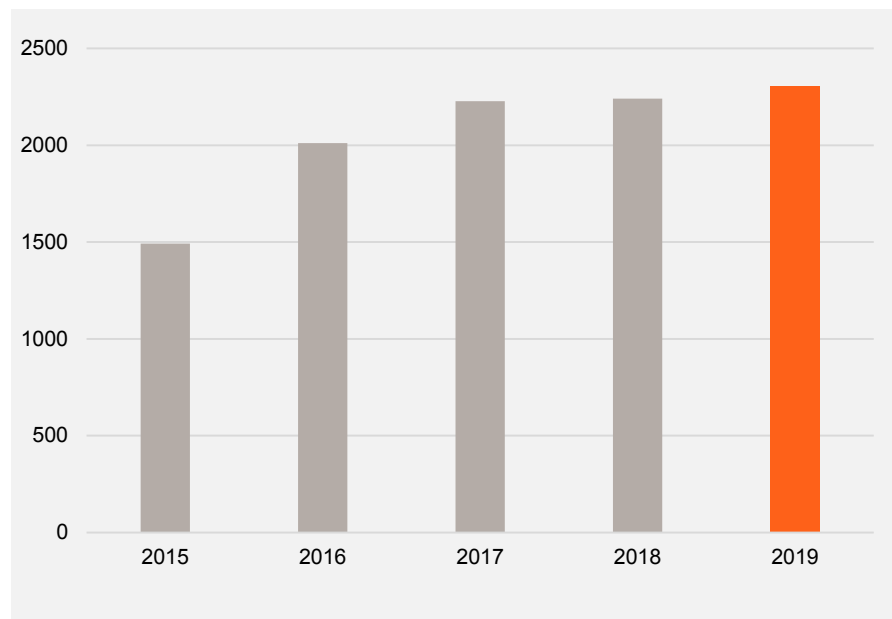
Operating profit development

– Continued growth and stability. However increasing cost in Q4 2019 from Q3 2019 has had negative impact on Operating profit for the last quarter

Operating profit QoQ (SEK mn)

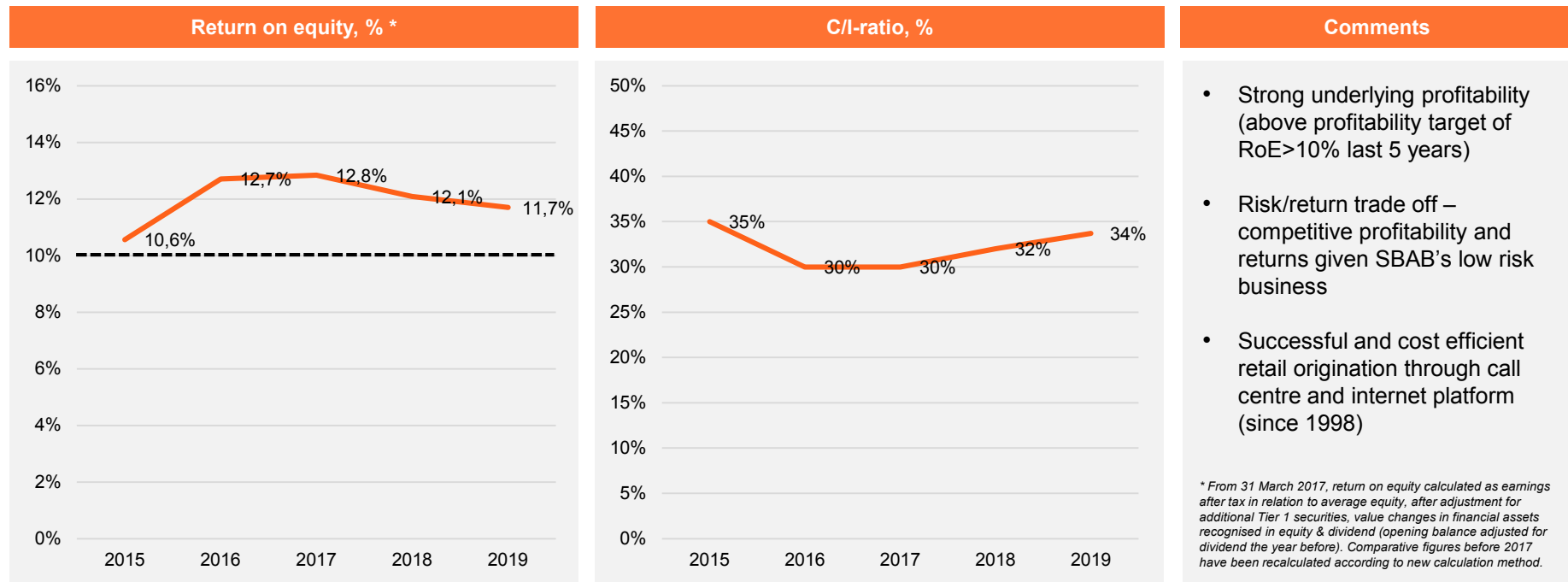


Operating profit YoY (SEK mn)



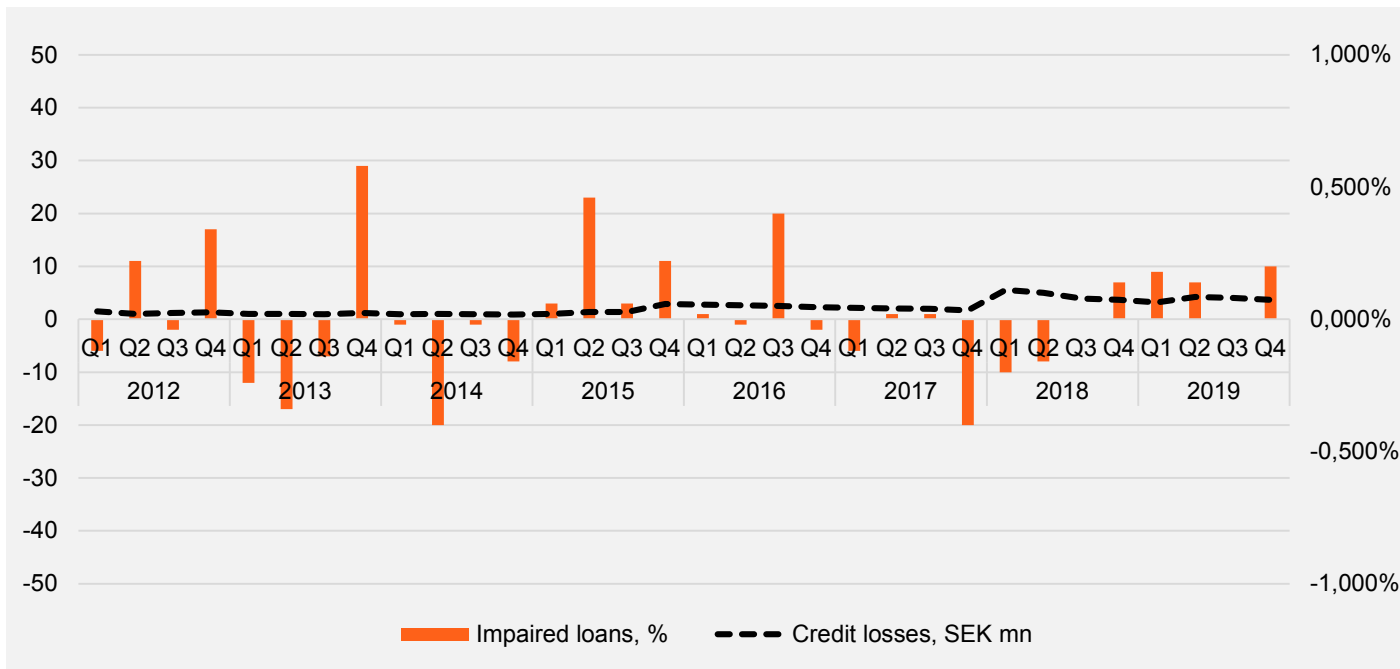
Strong financial KPIs

– Competitive profitability given SBAB's low risk business & best in class cost efficiency



Strong asset quality

Credit losses & Impaired loans QoQ 2012–2019



Key metrics

Credit losses FY 2019

-26 million

Credit loss level FY 2019

-0.01%

Average LTV (mortgage book)

60%

LTV in new lending during Q4

70%

SBAB!

CAPITAL, LIQUIDITY & FUNDING.



Overview of funding

– Total funding portfolio SEK 441 billion (as of 31 December 2019)

FUNDING OVERVIEW

Deposits

Unsecured funding

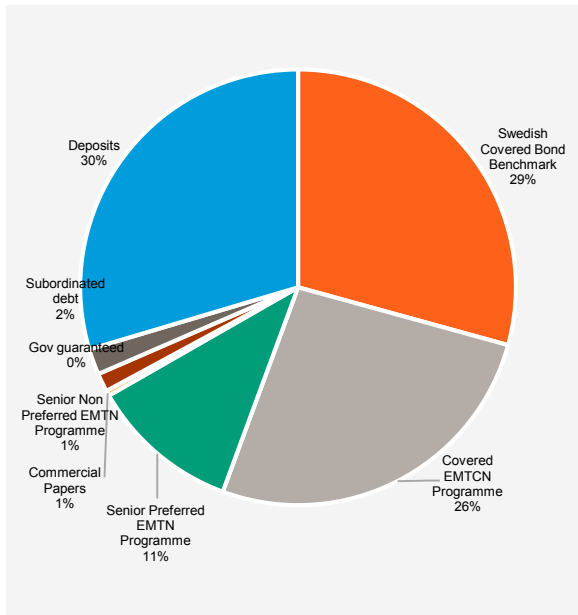
SBAB!

Covered bonds

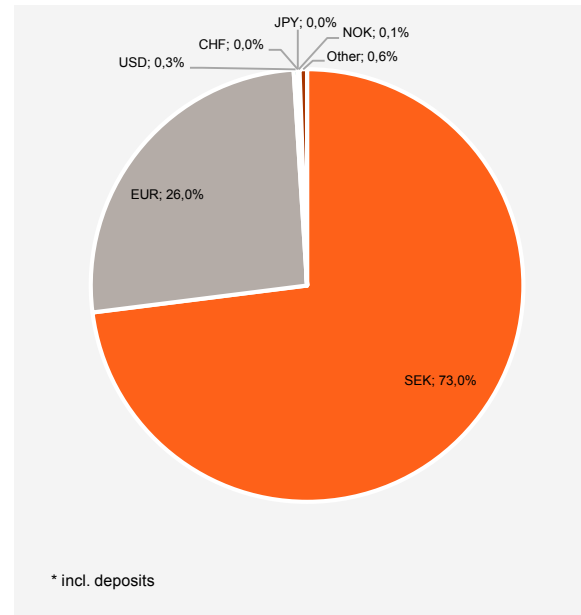
SCBC

— Covered Bonds of SBAB —

Funding sources



Currency split

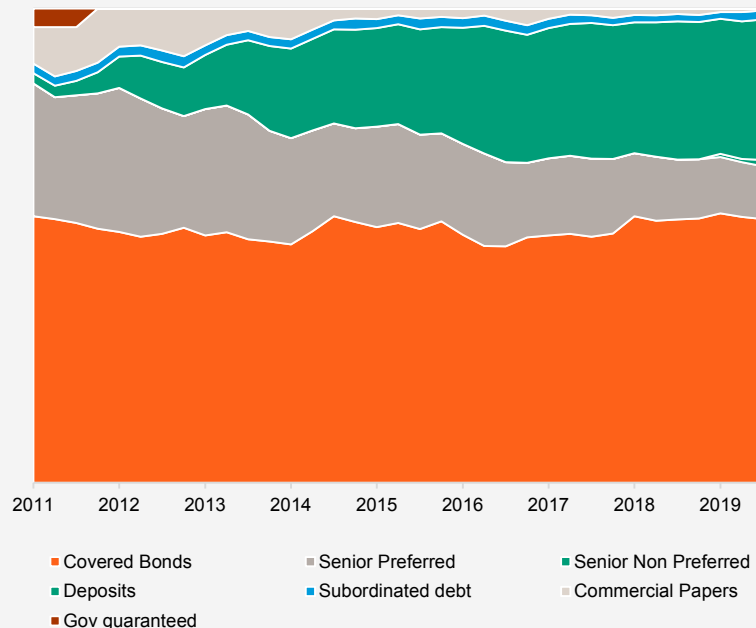


Funding strategy & development

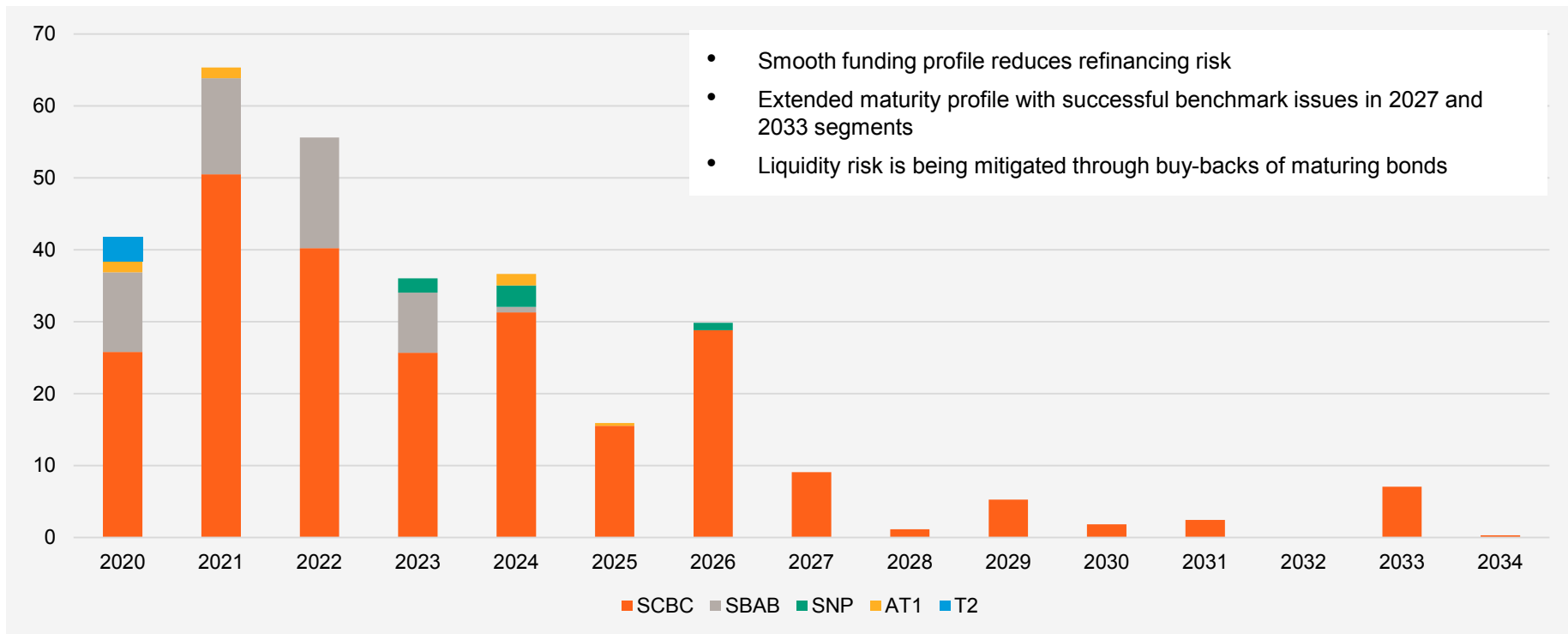
Funding strategy

- Maintain access to core funding markets - SEK- and EUR-market
 - Regular benchmark issuance in Covered Bond format as well as in Senior Unsecured format
 - Private placements in niche currencies
- Reduced wholesale funding reliance due to growing deposit volumes. Maintain a low reliance on foreign currency funding
- Continuous and committed investor work in core markets and towards core investors to further increase name recognition and transparency
- Efficient use of Covered Bond Funding ~ 50% of total funding. Utilising the depth and stability of the Swedish Covered Bond Market
- Limited use of short dated funding through CP-programs and of interbank funding
- Intermediate (5y+) bond tenors to support funding duration
- Committed to increase green bond issuances subject to green lending volumes

Development of funding sources



Maturity profile



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. Phase in period until end 2021
- 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 25 bn, where approximately SEK 12 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 15-17 bn by end of 2021
- Gradual build up of eligible liabilities (senior non preferred) over coming years (subject to regulatory developments)
 - Outstanding amount SNP debt as of YE 2019 approximately SEK 6 bn

* Source: <https://www.riksgalden.se/contentassets/9549f4bc934a422f84493cca89b3ee49/mrel-tabell-sv.pdf>

MREL requirement Q3 2019, SEK (bn)

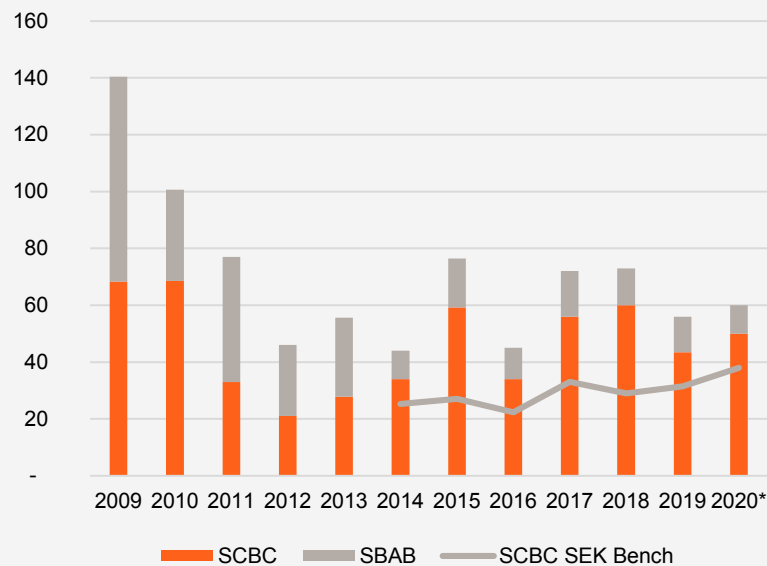


Future issuance

Future issuance

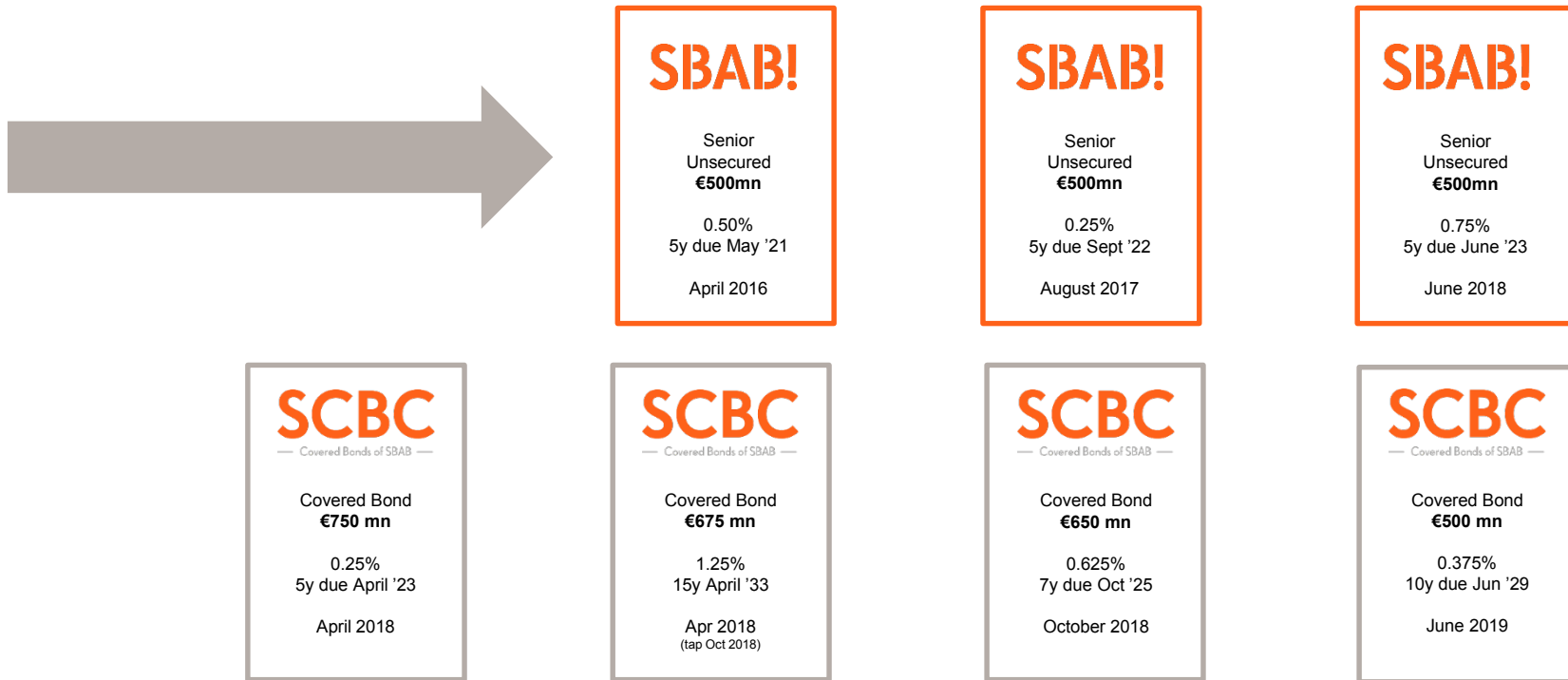
- Total long term funding for 2020 expected to approximately SEK 60 bn
- Overall strategy is to long term maintain presence and regularity in core funding markets (predominantly EUR and SEK)
 - New SEK covered bond benchmark/benchmarks per year
 - One EUR covered transaction in international funding 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)



* Expected Issuance

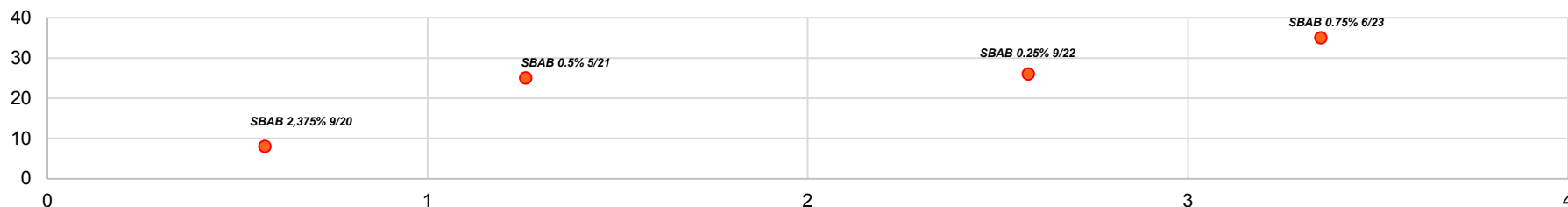
Regular presence in EUR market



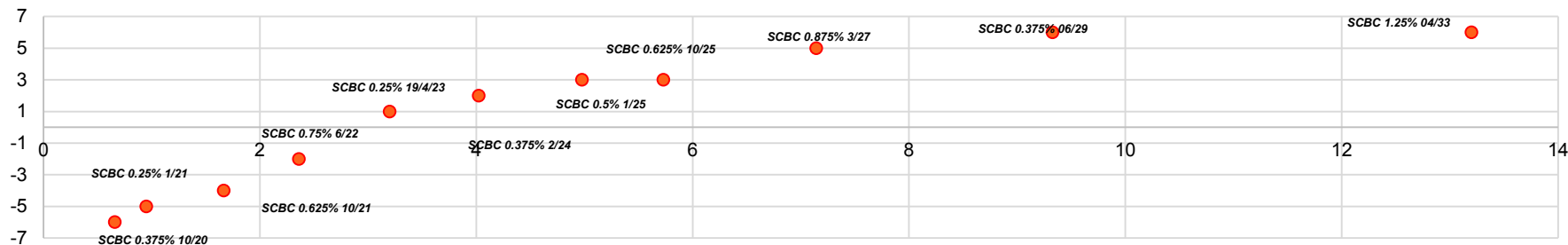
Outstanding senior unsecured and CB (EUR)

– Spread vs MS

Senior Unsecured (SP)



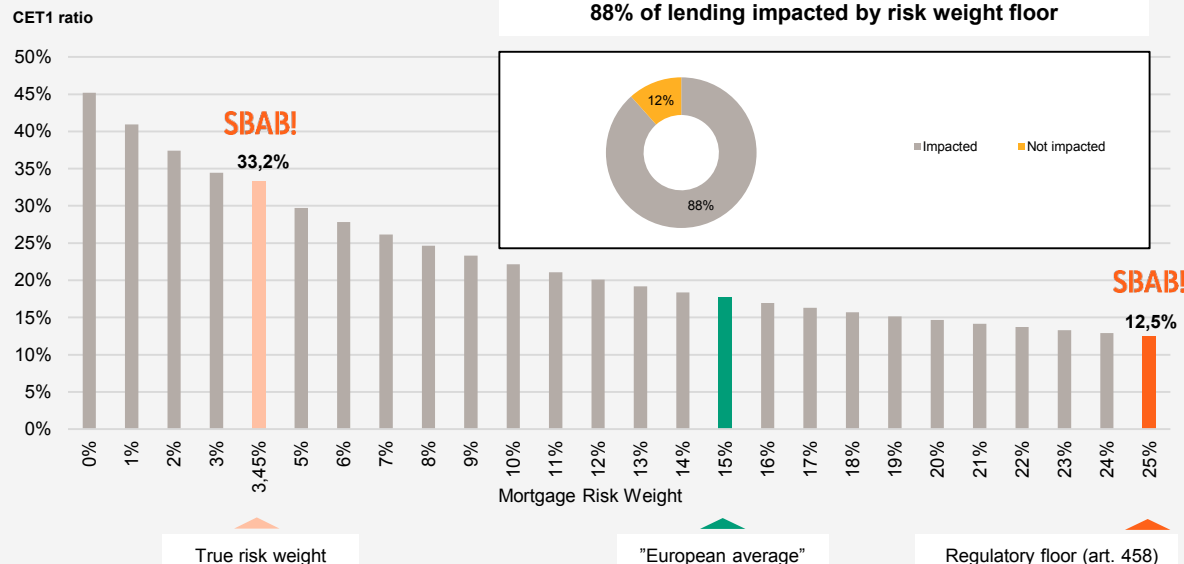
Covered



Capital position

– Solid capitalisation, SBAB well above external and internal requirements

Move of RW-floor (art. 458) & impact on SBAB's CET1 ratio



Comments

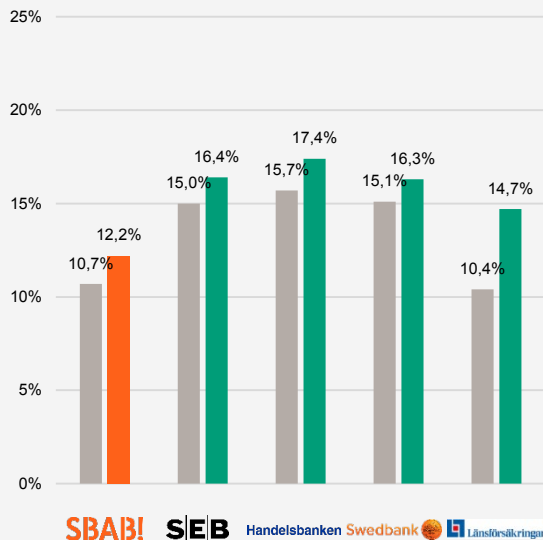
- Capital target: CET1 and total capital ratio at least 0.6% above the requirement communicated by the Swedish FSA *
- CET1 capital ratio of 12.5% well above external requirement and internal target

* Adjusted from 1.5% as per 31 Dec 2018 as a result of decision from the Swedish FSA to change the method it uses to apply the 25% risk weight floor for Swedish mortgages previously captured through Pillar 2 by replacing it with a capital requirement within the framework of Article 458 of CRR. In nominal terms, a buffer level of 0.6% corresponds to 1.5% before moving the risk-weight floor.

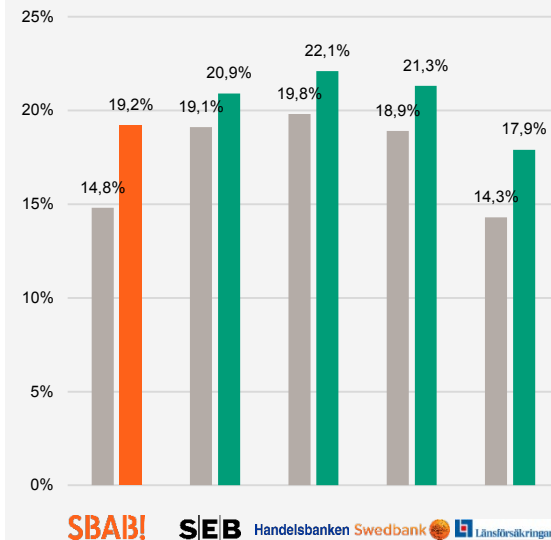
Capital buffers vs peers (Q3 2019)

– Continued strong capital buffers: SBAB well above external requirements

CET 1 capital ratio, %



Total capital ratio, %



Comments

- Capital target: CET1 and total capital ratio at least 0.6% above the requirement communicated by the Swedish FSA *
- SBAB well above external and internal requirements in Q3
- CCB increased in Q3 (+0.5% to 2.5%)

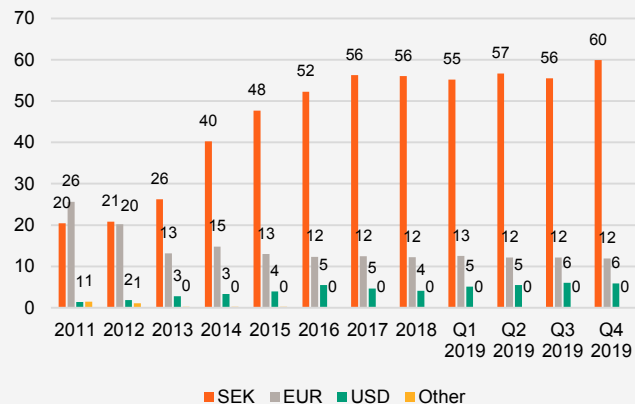
Available Q3 2019 Requirement Q3 2019

* Revised from 1.5% as per 31 Dec 2018 as a result of decision from the Swedish FSA to change the method it uses to apply the 25% risk weight floor for Swedish mortgages previously captured through Pillar 2 by replacing it with a capital requirement within the framework of Article 458 of CRR. In nominal terms, a buffer level of 0.6% corresponds to 1.5% before moving the risk-weight floor.

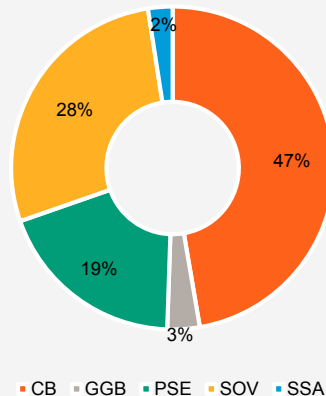
Liquidity position

- LCR compliant since 1st January 2013
- 97% AAA and 3% AA+
- Maximum 10y maturity
- Increased portfolio to extend survival horizon

Liquidity portfolio (Currency distribution)



Liquidity portfolio (Securities type)



KEY FIGURES

Liquidity reserve

78_{bn}

LCR

271%

NSFR

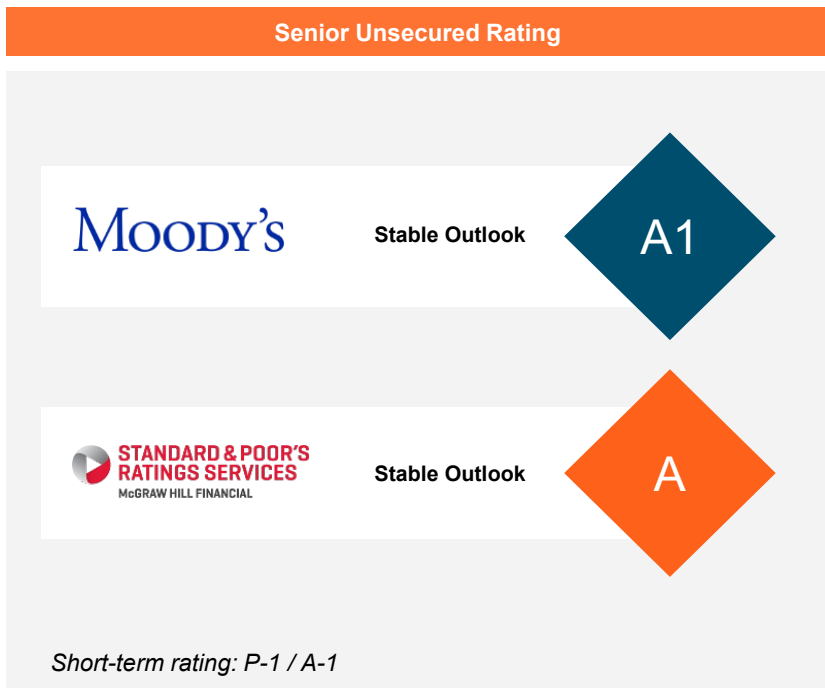
134%

Survival horizon

290_{days}

SBAB!

Rating overview



| | Moody's | STANDARD & POOR'S RATINGS SERVICES McGRAW HILL FINANCIAL |
|----------------------|---|---|
| Investment Grade | <p>Aaa <i>Sov. rating</i></p> <p>Aa1</p> <p>Aa2</p> <p>Aa3</p> <p>A1 <i>Senior Preferred</i></p> <p>A2</p> <p>A3</p> <p>Baa1 <i>BCA</i></p> <p>Baa2 <i>T2 / SNP</i></p> <p>Baa3</p> | <p>AAA <i>Sov. rating</i></p> <p>AA+</p> <p>AA</p> <p>AA-</p> <p>A+</p> <p>A <i>Senior Preferred</i></p> <p>A- <i>SACP</i></p> <p>BBB+ <i>SNP</i></p> <p>BBB <i>T2</i></p> <p>BBB-</p> |
| Non Investment Grade | <p>Ba1 <i>AT1</i></p> <p>Ba2</p> <p>[...]</p> | <p>BB+</p> <p>BB <i>AT1*</i></p> <p>[...]</p> |

* Revised 2019/22/05 from BB+

THE SWEDISH ECONOMY & HOUSING MARKET.

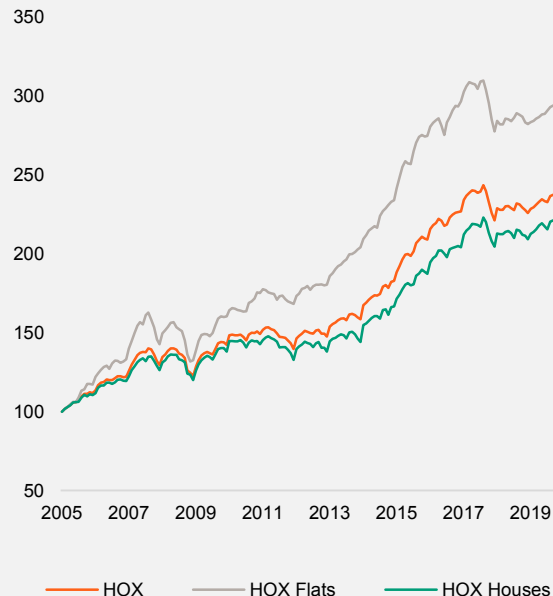


Housing market: Slightly increasing housing prices

Stable prices in the coming years

- **Housing prices have increased by an average of 5.2 percent over the past ten years, turning point in 2017**
 - Construction of new housing is clearly influenced by the development of housing prices
- **SBAB's forecast is that housing prices for the country as a whole will increase by a few percentage points in 2020, and then fall back with about the same in the following year**
 - The house price forecast depends largely on SBAB's forecasts on household disposable income and mortgage interest rates

Housing price index (index January 2005=100)



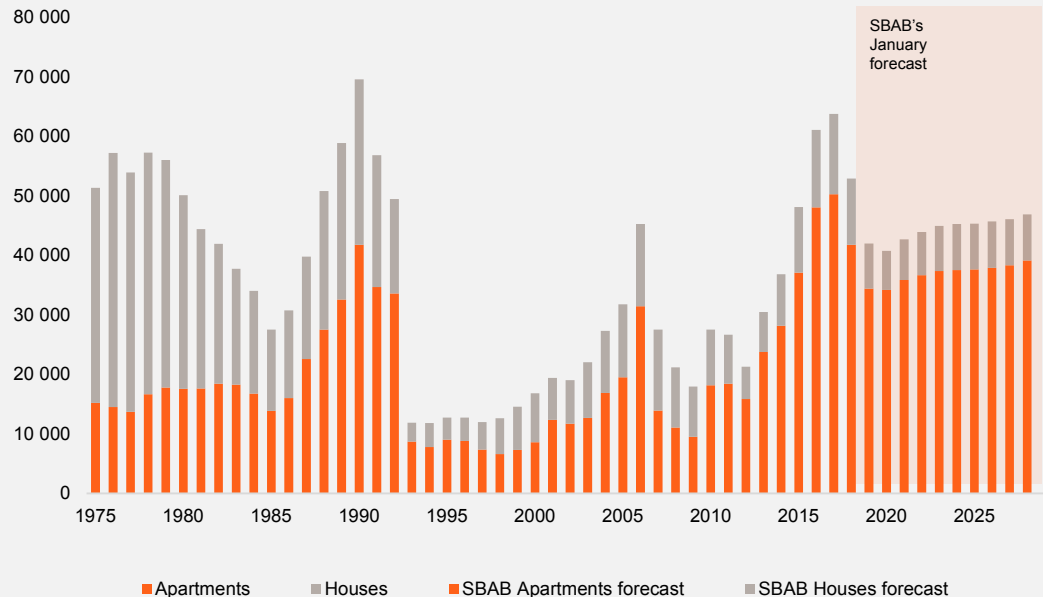
| | Index Dec-19 | Change since | | |
|---------------------|-----------------|--------------|--------------|--------------|
| | | 1m | 3m | 12m |
| Sweden (HOX) | 236 | -0.8% | -0.7% | +4.5% |
| Flats | 295 | 0.0% | +0.4% | +4.6% |
| Stockholm | 282 | -0.1% | +1.1% | +5.2% |
| Gothenburg | 335 | +0.1% | -0.2% | +4.4% |
| Malmö | 258 | +0.1% | +0.5% | +6.4% |
| Houses | 218 | -1.4% | -1.4% | +4.4% |
| Stockholm | 219 | +0.2% | +0.2% | +4.2% |
| Gothenburg | 226 | -1.8% | -0.2% | +6.3% |
| Malmö | 204 | -0.6% | -0.8% | +5.4% |

Housing market: Reduced housing constructing

Remaining need for new housing

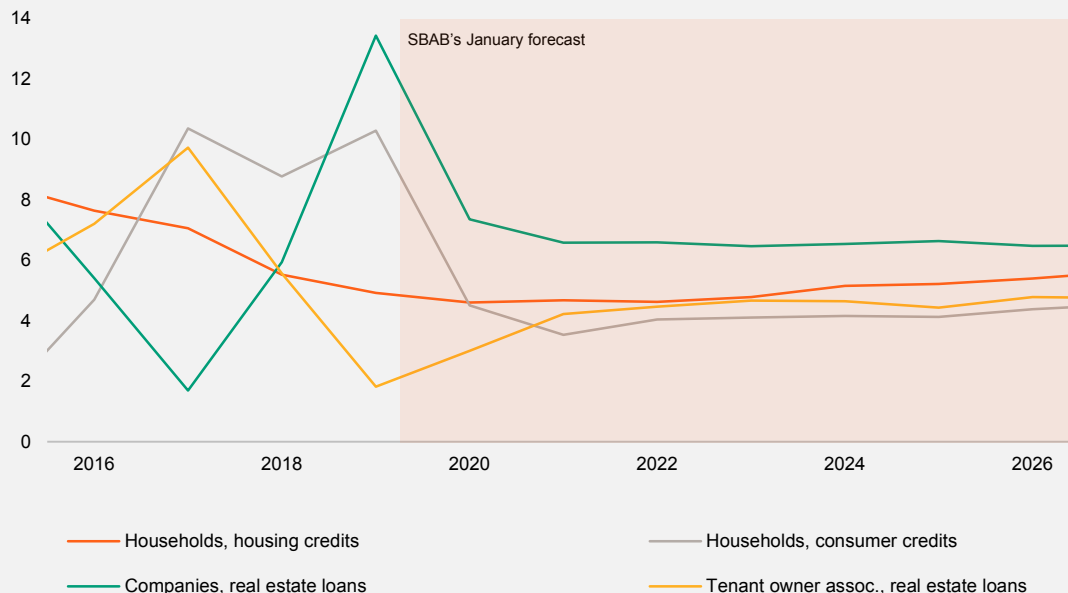
- **Housing construction peaked in 2017**
 - Relatively low level of housing constructing since the crisis of the 1990s
 - Rapid rise in 2015
 - The housing shortage in Sweden is currently estimated to amount to around 1600 00 homes, despite the high rate of construction in recent years
 - Housing construction is expected to decrease by 33 percent by 2020 compared to 2017
- **Strong demographic growth, good access to financing and low interest rates support the high rate of new construction**
 - Some concern about the affordability of new housing and the ability to pay / willingness to buy
 - Approximately 40 000 new homes are needed per year in the coming years in order for the housing stock to grow at the same rate as the number of households.

Housing construction (number of homes)



Housing market: Slowdown in credit growth

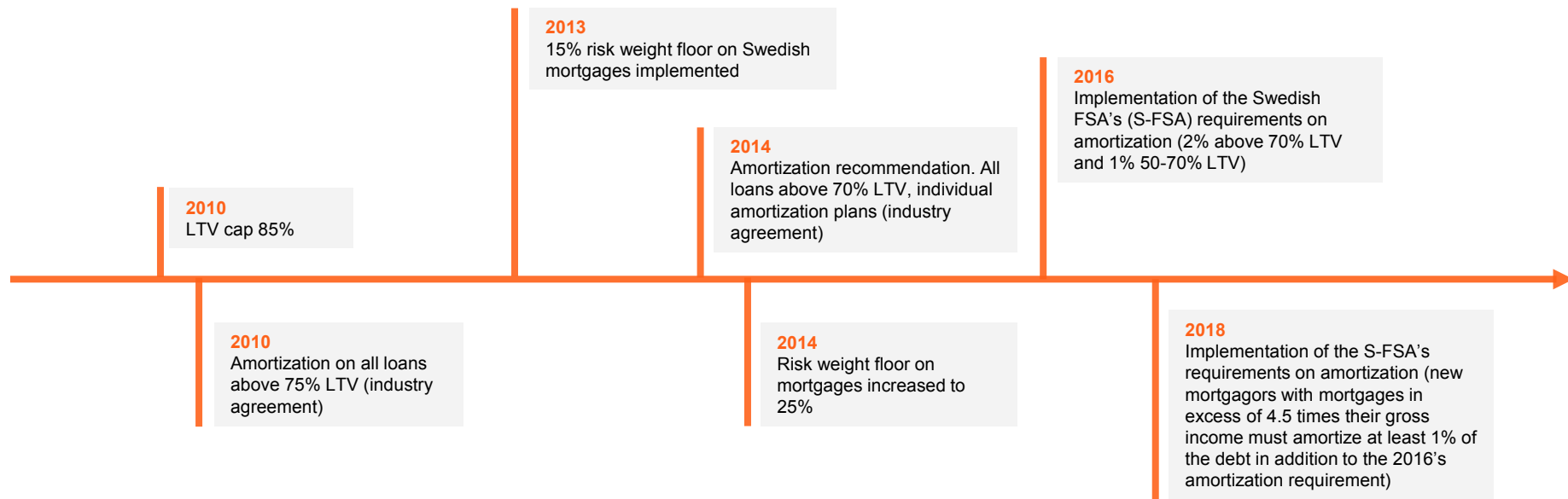
Credit growth, annual growth rates (%)



- Credit growth in the mortgage market (red line) has slowed down since 2015
- The annual (YoY) percentage credit growth in the mortgage market in December 2019 was 4.9 percent.
- According to SBAB's forecast, growth is expected to fall to 4.5 percent for the year 2020 and 4.6 percent for 2021, mainly as a result of lower housing production, more or less stagnant housing prices and lower housing turnover rate

The Swedish mortgage market

– Measures introduced to slow down the market

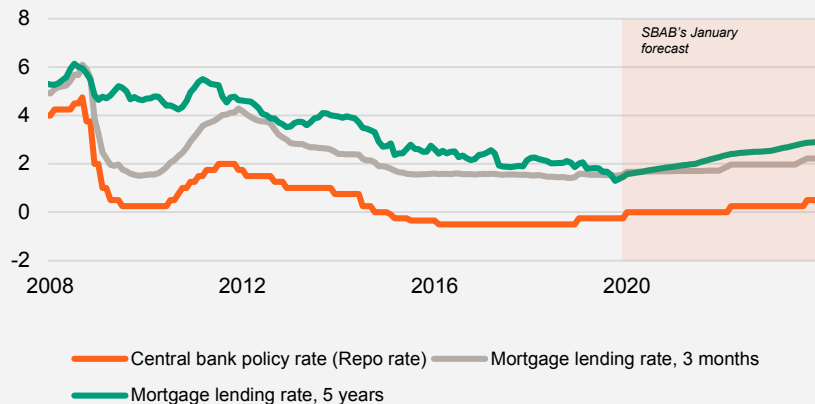


SBAB's forecast



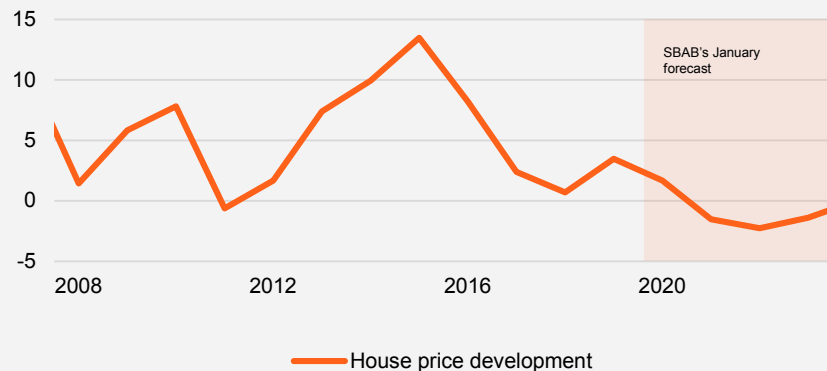
Interest rate development (percent)

Given the market's expectations of interest rate developments, and an assumption of continued historically low real interest rates, we have made a forecast for mortgage lending rates with interest periods from 3 months to 5 years. We expect a moderate and slow rise in mortgage rates over the next years for all periods. In January 2023, the 3-month interest rate is expected to be 2.0% and the 5-year interest rate 2.4%.



House price development (percent)

According to our house price model, where we take into account, among other things, the forecasted development of disposable income and mortgage rates, housing prices for the country as a whole are expected to rise about 2% 2020, and then fall roughly the same in the following year. Overall, in three years' time housing prices are expected to fall slightly.



APPENDIX.

SBAB's rating composition for senior debt

MOODY'S

Moody's

Stand-alone
rating

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

Notching

| | | |
|--------------------------|--|-----------|
| Loss Given Failure (LGF) | | +2 |
| Government Support | | +1 |
| Total notching | | +3 |

Rating

| | | |
|---------|--|--------|
| Rating | | A1 |
| Outlook | | STABLE |



Standard & Poor's

Stand-alone
rating

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

Notching

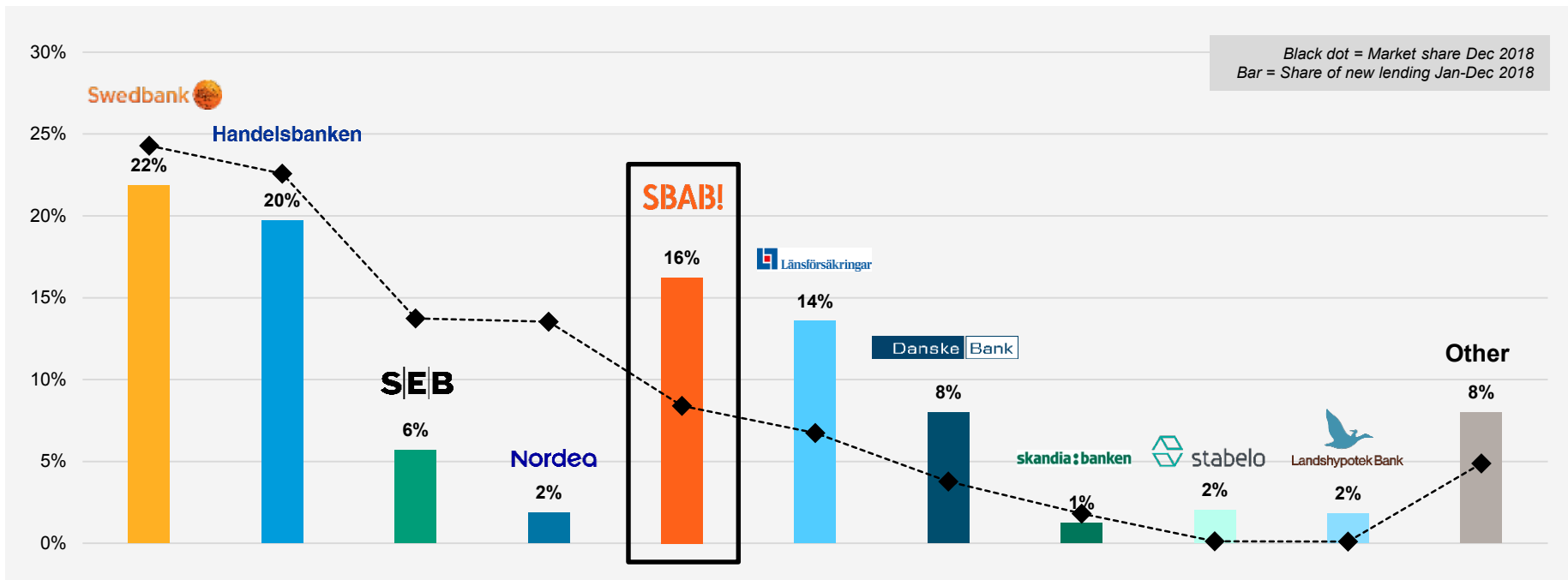
| | | |
|-----------------------|--|-----------|
| ALAC Support | | 0 |
| GRE Support | | +1 |
| Group Support | | 0 |
| Sovereign Support | | 0 |
| Total notching | | +1 |

Rating

| | | |
|---------|--|--------|
| Rating | | A |
| Outlook | | STABLE |

Strong growth in 2018

Share of net growth in the Swedish residential mortgage market Jan-Dec 2018



APPENDIX

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

READ MORE: APPENDIX

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

| Houseprice change | Eligible assets in cover pool (SEK bn) | WA LTV (%) | OC* (%) |
|-------------------|--|------------|---------|
| 0% | 312.4 | 55.4 | 30.4 |
| -5% | 309.2 | 57.3 | 29.0 |
| -10% | 304.7 | 59.1 | 27.2 |
| -15% | 299.0 | 60.7 | 24.8 |
| -20% | 291.6 | 62.3 | 21.7 |
| -25% | 282.3 | 63.7 | 17.8 |
| -30% | 270.1 | 65.0 | 12.8 |

* OC calculated in accordance with requirements from the Swedish FSA

Cover pool

Cover Pool (SEK)

312.4_{bn}

No. of loans

409,336

OC

30.4%

WA LTV

55.4%

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”)

| | |
|----------------------------|--|
| Collateral | 100% Swedish residential mortgages * |
| Over Collateralization | 28.6% |
| Weighted average LTV | 55.4% |
| Weighted average seasoning | 5 years |
| Loans in arrears | 0.07%. Arrears below 0.01% (loans in arrears > 30 days are excluded from the Cover Pool) |
| Number of loans | 408,428 |
| Average loan size | SEK 766,397 |
| Geographical location | Spread throughout Sweden; concentrated to economic hubs |
| Pool type | Dynamic |
| Originator | SBAB Bank Group |
| Interest rate type | 66,2% floating, 33,8% fixed / 53,5% amortising, 46,5% interest only |

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

The SCBC product

— Covered Bonds of SBAB —

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

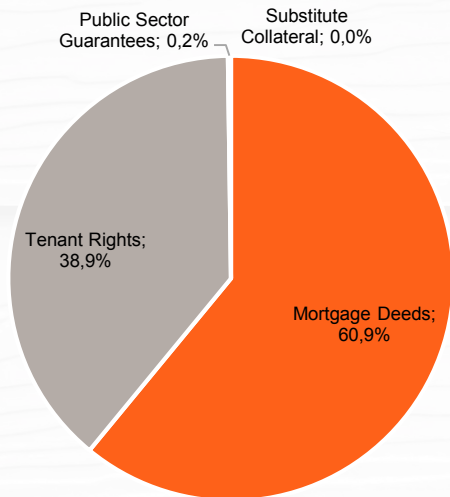
- Loans 30 days in arrears are normally removed from the cover pool in SCBC

Other features

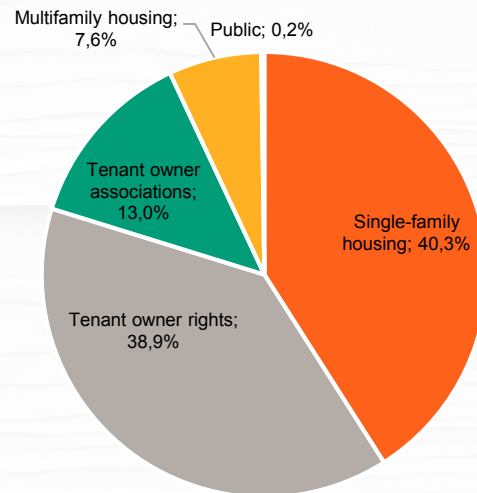
- Dynamic OC in compliance with Aaa requirements
- UCITS Compliant
- Swedish covered bonds are eligible for repo at Riksbank
- ECBC Harmonised Transparency Template, HTT
- National Template, NTT

Cover pool characteristics

Breakdown by collateral



Breakdown by owner

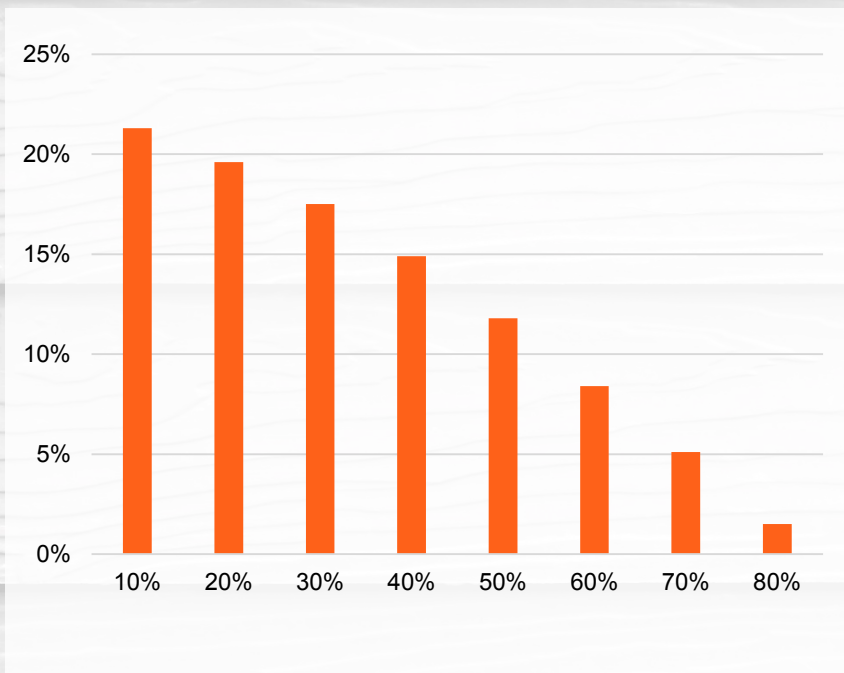


Cover pool characteristics

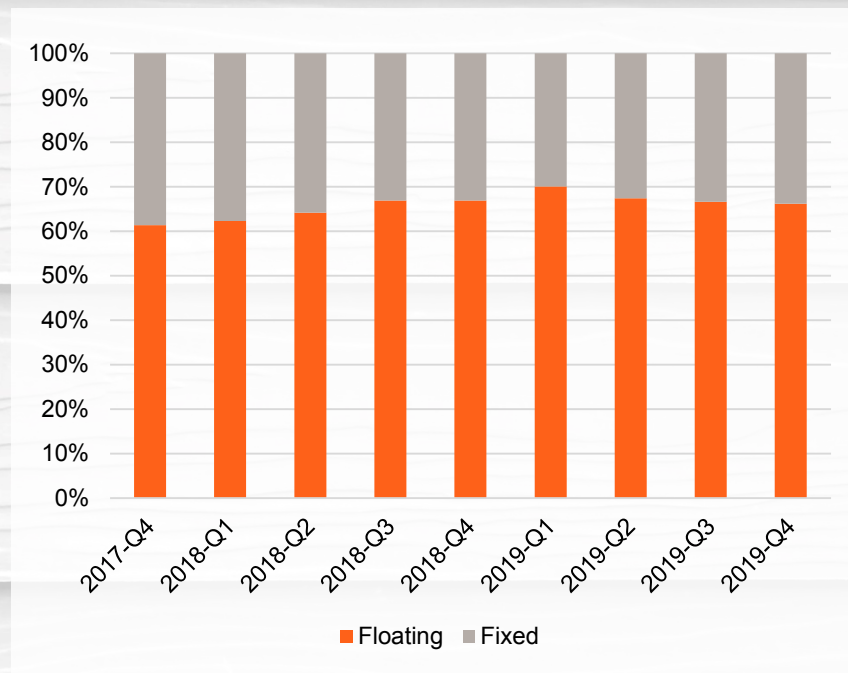
SCBC

— Covered Bonds of SBAB —

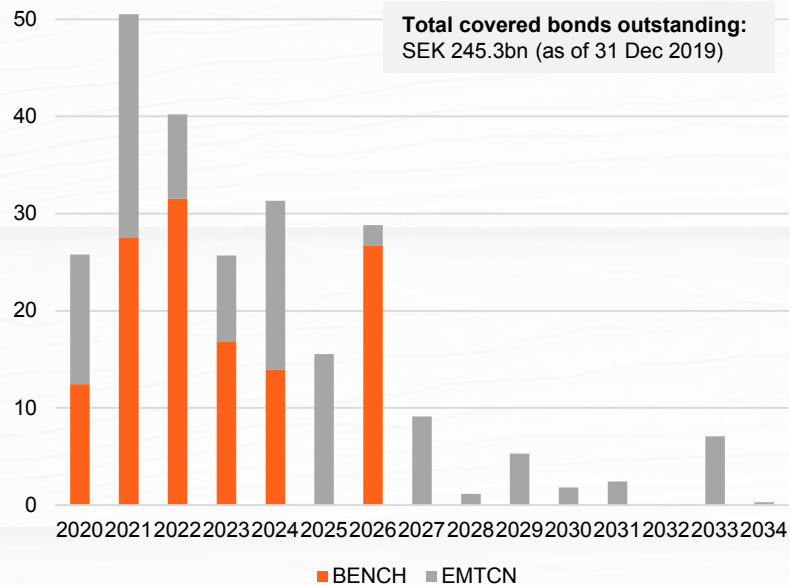
Loan to value (LTV) distribution (Q1 2019)



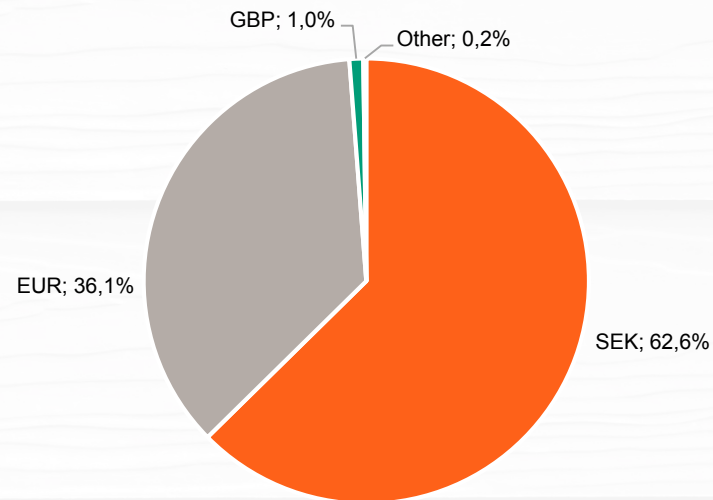
Rate type



Maturity profile

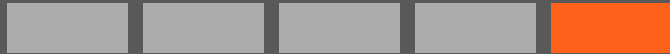


Currency profile



APPENDIX

THE SWEDISH ECONOMY & HOUSING MARKET.



Summary



Sweden
AAA / Aaa / AAA (stable)

READ MORE: APPENDIX

Real economy

- Solid GDP growth of on average around 2% for the last 10 years. Slowdown in 2019 due to a decline in constructing, and in 2020 due to a weak demand
- Unemployment is expected to remain at a fairly low level but somewhat increasing
- Public finances are very strong in an international comparison

Credit

- Debt-to-income ratio has risen for a number of years, but low debt service costs-to-income ratio and high net wealth
- High private debt mitigated by low and declining government debt
- Gradually declining lending growth is now at a level that could be considered sustainable

Real estate

- Strong house price increase with turning point in 2017. Slow but steady recovery in 2018 and 2019
- The decline in housing constructing in 2018 and 2019 is expected to turn up slightly in 2020

Demography

- Population grow due to strong birth excess and migration with a marked urbanization trend
- Demographic aspects indicate strong demand for new housing

Interest rates

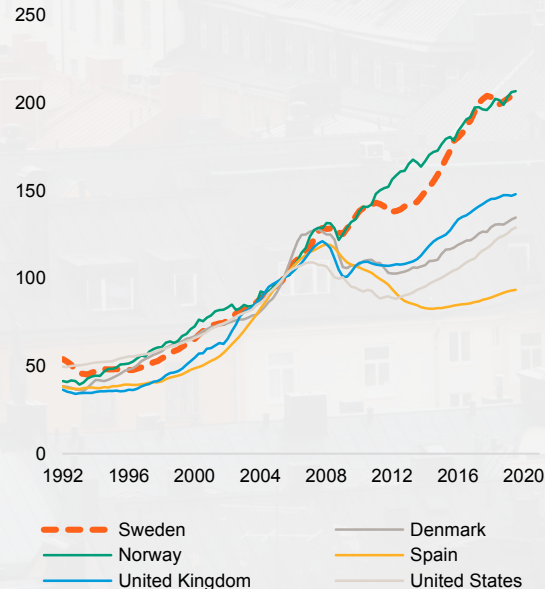
- Expansionary monetary policy with a Repo rate at currently 0 percent, an upturn is not expected until early 2022
- Still low mortgage lending rates in the near future

House price development

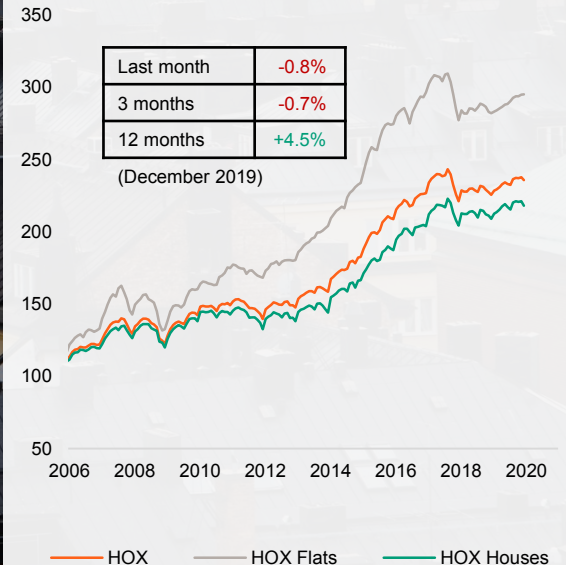
House price development

- **House prices have increased by an average of 5.2% over the last 10 years, turning point in 2017**
 - Housing construction is clearly linked to house price development
- **With the exception of the regulated market for rental apartments, the Swedish housing market contrasts with textbook examples of bubble markets in a number of ways**
 - Strict regulations on buy-to-let
 - No subprime mortgage market
 - Limited speculative elements in housing construction

House prices (index 2005=100)



Prices on flats and houses (index 2005=100)

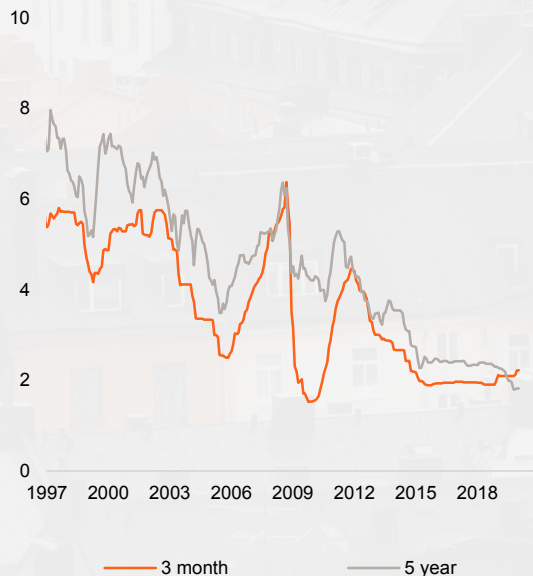


Low costs of owning a dwelling

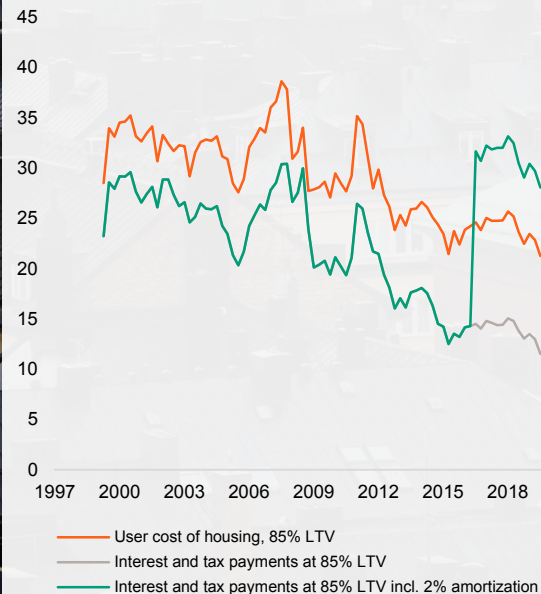
Low costs of owning a dwelling

- **Mortgage lending rates have been on a downward trend for 25 years**
 - Mortgage rates and house prices have been highly correlated
 - Interest cost is deductible to 30% (20% on amounts above 100,000 SEK)
- **No increase in interest expenses and current tax payments**
 - Interest expenses and tax payments of buying an average house has historically been around 17% of an average salary after tax over the past ten years, and is currently at 12%
- **Relaxation of taxes connected to housing**
 - Inheritance & gift tax abolished in 2005, wealth tax abolished in 2007, residential real estate tax lowered in 2008
 - Capital gains taxation applies to dwellings (flat rate 22%) with the possibility to defer the tax at an interest cost

Mortgage lending rates (average of five banks)



Cost of buying a house (% of DI per capita)



The Swedish economy

Comment

- **Further slowdown in economic growth expected in 2020 followed by an upturn in 2021**
 - Over the past ten years the economy has been characterized by strong population growth, increasing employment, stable public finances, low inflation, low interest rates and rising house prices
 - The decline in GDP growth in 2019 can to a large extent be explained by an expected fall in housing production and thereby investment, and the decline in 2020 by a weak external demand
 - Unemployment is low but is expected to rise somewhat in the coming years

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------------------|-------|-------|-------|-------|-------|
| Real GDP, actual | 2.2 | 1.2 | 0.8 | 1.6 | 1.7 |
| Household consumption | 1.7 | 0.9 | 1.4 | 1.8 | 2.0 |
| Public consumption | 0.4 | 0.7 | 0.7 | 1.1 | 1.3 |
| Investments | 5.2 | -2.2 | -0.6 | 1.0 | 1.7 |
| Net export, GDP-contribution (pp) | -0.1 | 1.2 | 0.1 | 0.2 | 0.1 |
| Employment | 1.5 | 0.6 | 0.4 | 0.4 | 0.8 |
| Unemployment rate (%) | 6.3 | 6.8 | 7.2 | 7.4 | 7.2 |
| Inflation, CPIF growth | 2.1 | 1.7 | 1.6 | 1.5 | 1.7 |
| Policy rate, yearly average (%) | -0.50 | -0.25 | 0.00 | 0.00 | 0.21 |
| KIX-index (-) | 117.6 | 122.1 | 120.4 | 119.1 | 117.5 |

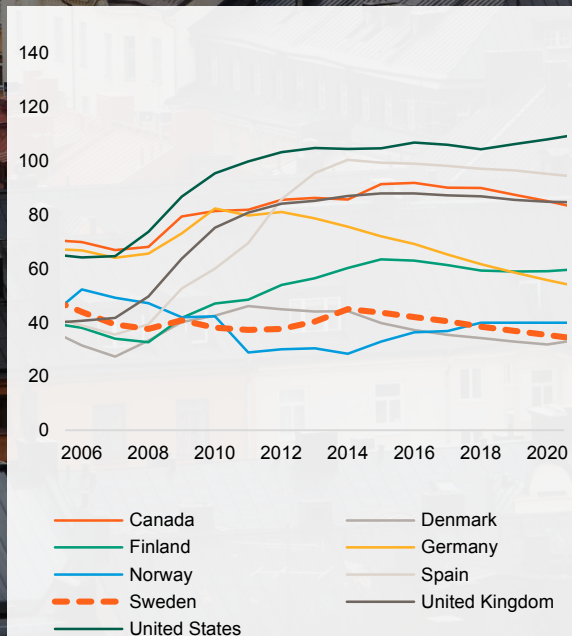
Note: Annual percentage growth unless indicated otherwise, light orange background indicates SBAB's January forecast

Public finances and fiscal policy

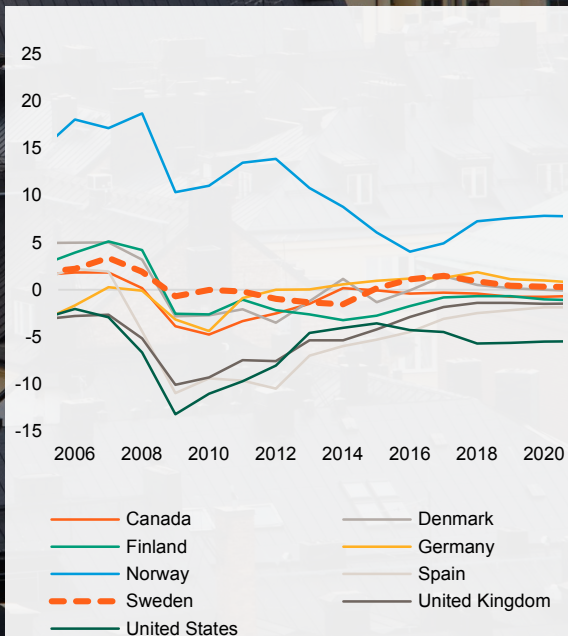
Comment

- **Sweden: AAA / Aaa / AAA (stable)**
- **Public finances are very strong in an international comparison**
- **Government debt is low and declining**
 - Debt-to-GDP of 38.5% in 2018, 36.9% in 2019 and 35.4% in 2020 (IMF, October 2019)
- **Budget currently close to balance**
 - Net lending/borrowing at 0.4% of GDP in 2019 (IMF, October 2019)
 - Average budget balance over the past 10 years has been 0.0% of GDP

General government gross debt (% of GDP)



General government net lending (% of GDP)

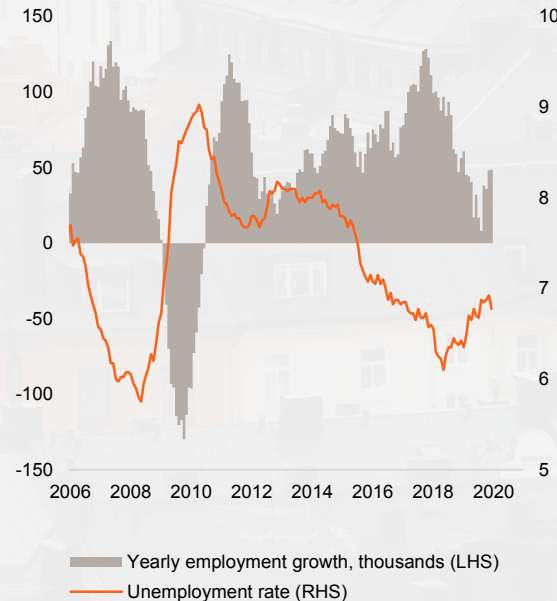


Strong domestic economy

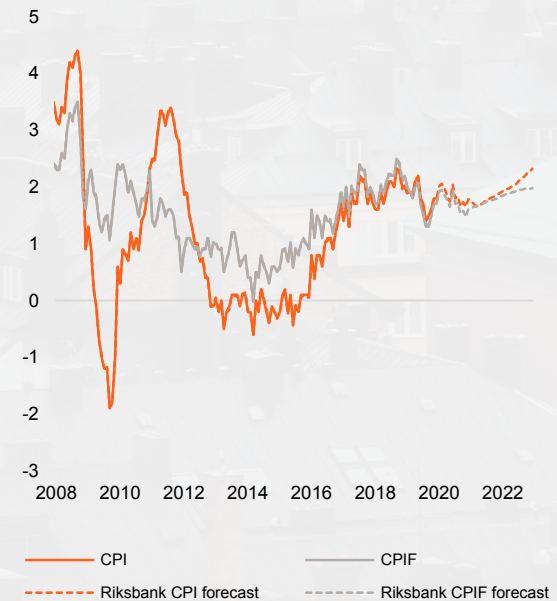
Comment

- **The labor market is still strong**
 - The activity rate (16-64y) has increased from under 73% at the end of 2009 to over 78% at the end of 2019
 - The labor market is expected to weaken slightly this year and next year in line with a slowdown of the economy
- **Average inflation has been 1.1% over the last 10 years, well below the target of 2%**
 - A moderate cost pressure mean that the inflation will have difficulty reaching all the way up to the target in coming years
 - CPI inflation of about 1.7% is expected in 2020 (SBAB, January 2019)

Employment growth and unemployment rate



Inflation (y/y)

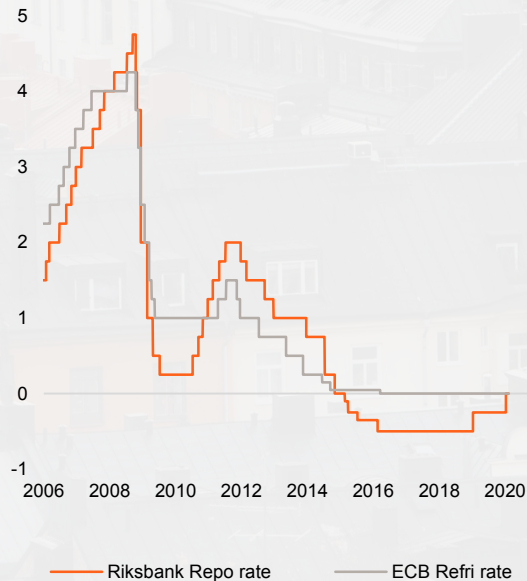


Monetary policy and interest rates

Comment

- **Very expansionary monetary policy**
 - The Riksbank announced on December 19 2019 to raise the policy rate from -0.25% to 0% on January 8 2020
- **Long and short interest rates have a high correlation with i.e. German rates**
 - The spread against 10y German bond has on average been +18bp, over the last 10 years, correlation has been 0.97
- **Sweden has gained something of a safe haven status over the last 10-15 years**
 - Strong public finances and a stable financial system have been holding down long term interest rates
 - Exchange rate uncertainty may have had a negative impact

Policy rates



10y government bond rates

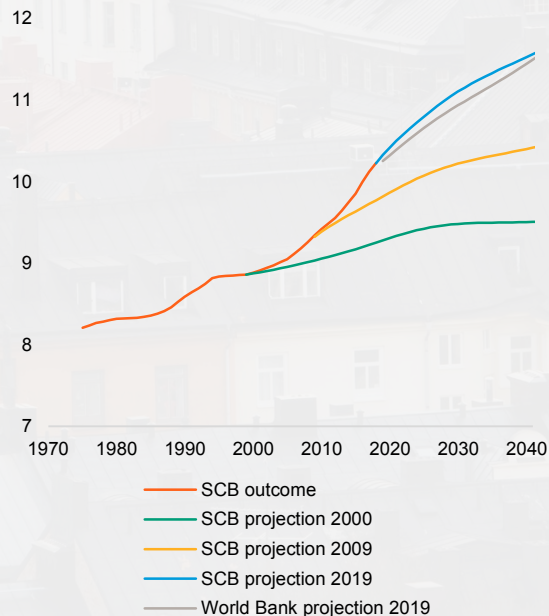


Demographics

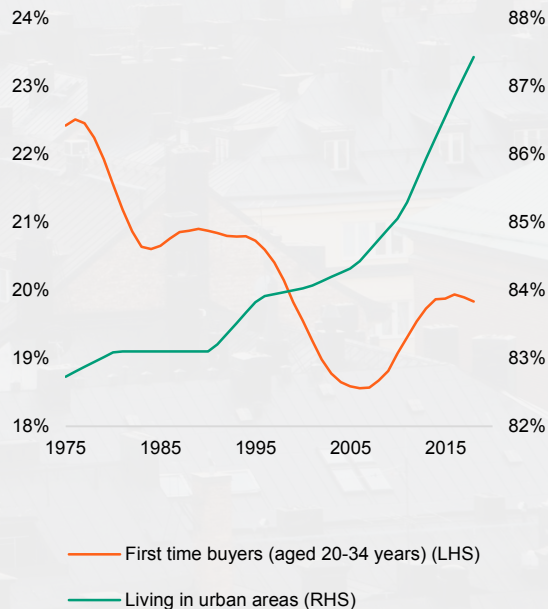
Comment

- **Population growth is difficult to predict and has been unexpectedly high**
 - Population growth in 2018 was 1.1%
 - Both migration and birth excess are strong
- **The urbanization trend is strong, and the share of potential first time buyers has been rising in recent years**
 - Puts a strong pressure on housing markets in larger cities and growth areas
 - Other important long term demographic factors such as ageing population adds to the pressure

Total population (millions)



Population composition (% of population)

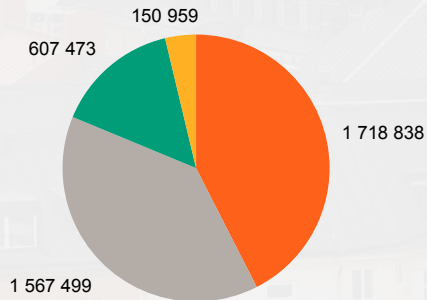


The Swedish housing market

Comment

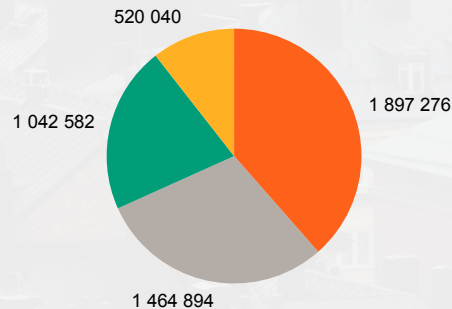
- **Most Swedes own their dwelling**
 - 67% of the dwelling stock (excluding other dwellings) is owner occupied and 33% is rented
- **The rental market is highly regulated**
 - Rent control is strong and a large part is owned by property companies controlled by municipalities
 - The share of rented apartments has been declining due to rent regulations making it unprofitable to build new units where demand is high (large cities)
- **The number of tenant owned apartments has risen**
 - Rental market regulation in combination with increasing prices on tenant owned apartments have made it highly profitable for private (and public) landlords to sell their properties to tenant-owner associations

Number of dwellings 1990



One & Two dwelling buildings Rented apartments
Tennant owned apartments Other

Number of dwellings 2018



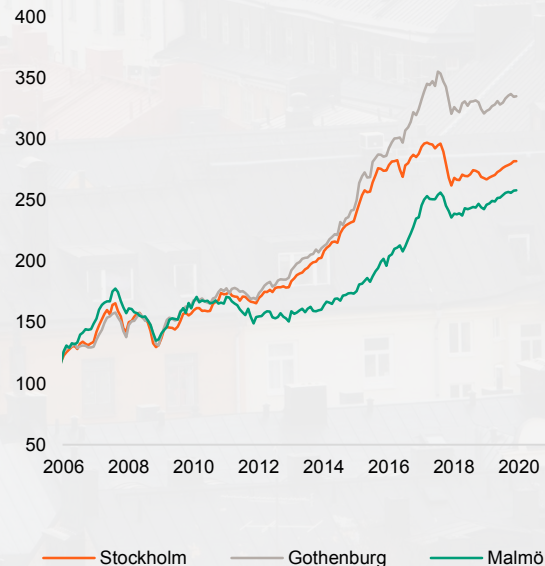
One & Two dwelling buildings Rented apartments
Tennant owned apartments Other

Regional residential price development

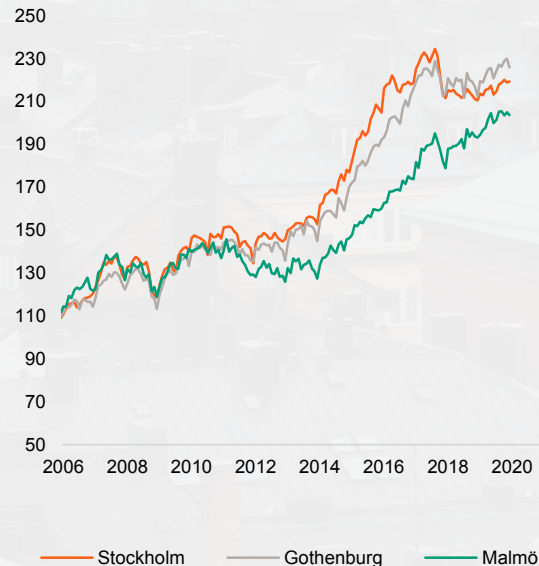
Comment

- **Prices on flats have risen more than on houses**
 - The slightly different developments in Stockholm may be a sign of a limited supply of houses in comparison with flats
- **The residential prices are higher in metropolitan areas but have risen similarly in the country as a whole**
 - Prices on flats have increased most in Gothenburg, notably after 2016, but there has also been a rapid rise in Malmö in recent years

Prices on flats (index 2005=100)



Prices on houses (index 2005=100)

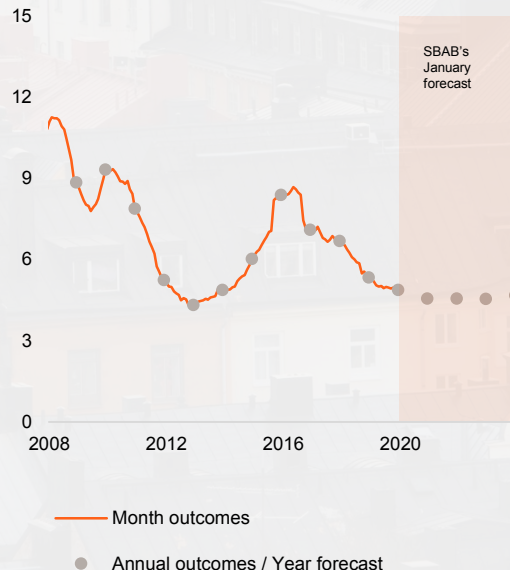


Strong lending growth

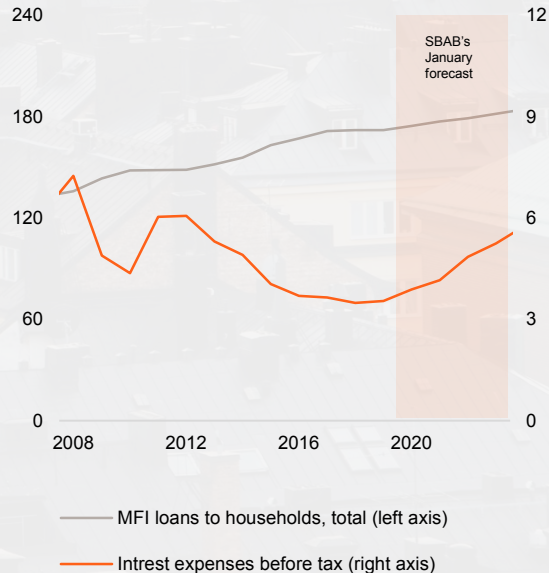
Comment

- **Lending to households is currently increasing by an annual rate of 5.0%**
 - Lending increases faster than household income, which has been historically normal (49 out of 64 years)
 - Measures taken has probably not had any major effects on growth rate, but on the composition
- **Low debt service costs**
 - There are strong links between interest rates, house prices and lending to households
 - The interest expenses to disposable income ratio is at a low level, but is expected to increase somewhat in coming years

Household lending growth (y/y)



Interest expenditure (% of disposable income)

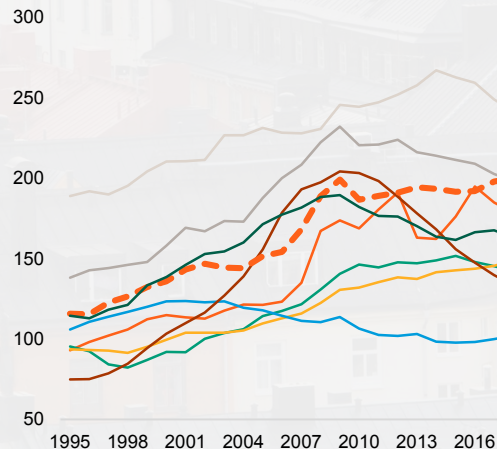


Debt compared to other countries

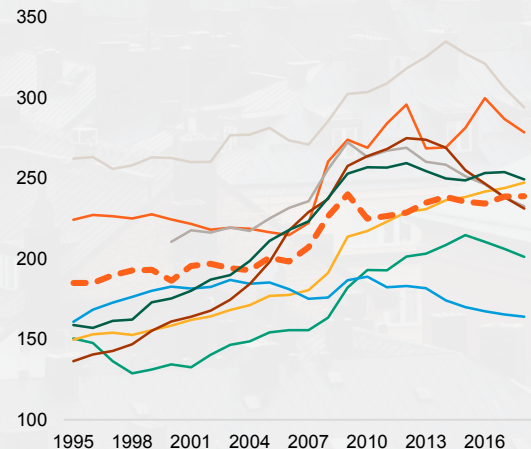
Comment

- **Household debt to income is rather high compared to some other countries**
 - The overall conclusion from Swedish authorities is that household debt is currently not a threat to financial stability but future growth should be contained
- **Total debt (household, company (non-financial and financial) and public) around average in an international comparison**
 - Strong public finances puts Sweden in a favorable position

Private debt (% of GDP)



Private and public debt (% of GDP)

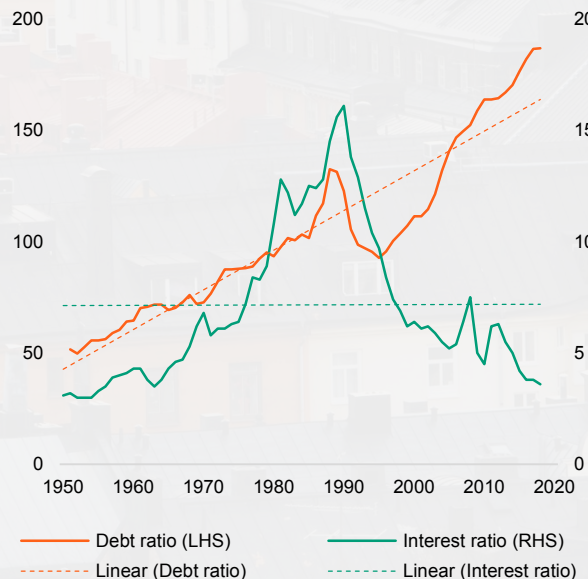


Household debt has increased

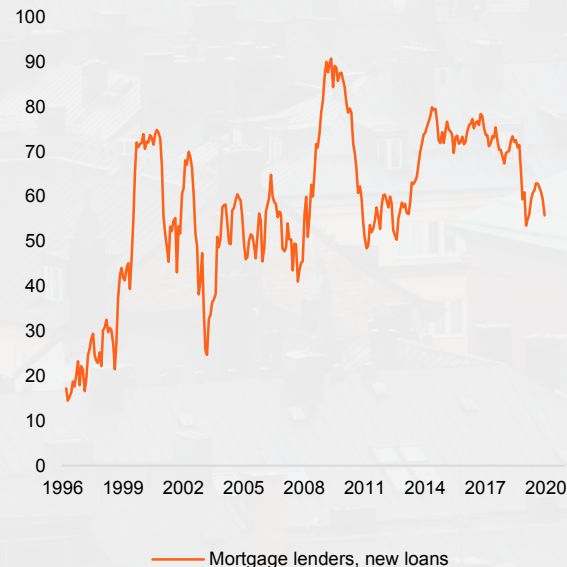
Comment

- **High debt to income ratio but low interest costs**
 - The household debt to income ratio has increased rapidly since the mid-1990s to currently 187%
 - The rise in the debt ratio is related to the development of the financial economy, but also to the decline in interest rates, rise in house prices, and rising share of homeownership
- **Households are exposed to interest rate risk**
 - Currently very low interest ratio
 - Rising interest rates will eventually push up the interest ratio in the coming years, and the effect will be amplified in the short run by extensive use of floating rate mortgages

Household debt and interest cost share of income



Share of mortgage loans with floating interest rates



High savings ratio, high net wealth

Comment

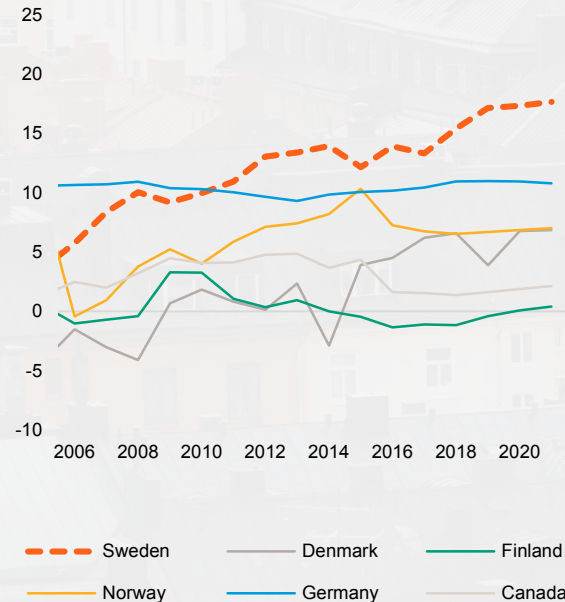
• High savings ratio

- Swedish households have a savings ratio at about 17%, which is very high in comparison to other countries
- Household deposits has risen from about 50% of yearly disposable income in the beginning of the 2000s to above 85% in 2019

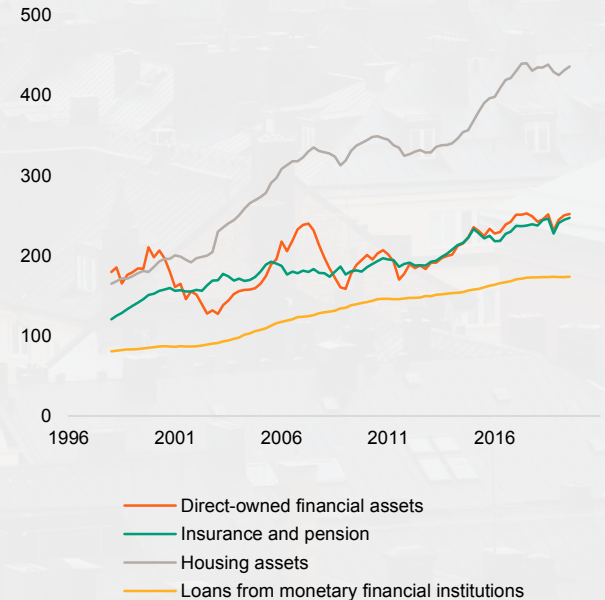
• High net wealth

- Both financial assets and housing assets have been rising faster than debt
- Average net wealth, excluding insurance and pension assets, stands at almost 5 times yearly disposable income

Household net savings (% of disposable income)



Household debt and assets (% of disposable income)



Kingdom of Sweden

Kingdom of Sweden

- Area: 450 295 sq km
- Population: 10 323 857 (November 2019)
- Urban population: 85% of total population
- 21 Counties, 290 Municipalities
- Capital: Stockholm
- Constitutional monarchy
- Unicameral Parliament (Riksdag) with 349 seats
- General elections: Last held on 9 September 2018 (next to be held on 11 September 2022)
- Government: Social Democrats (S) and Green Party (MP) with the support from Centre Party (C) and Liberals (L)
- The Swedish economy rests on a capitalist system mixed with public-private partnership, centralized wage negotiations and substantial welfare elements
- Sweden has one of the world's highest per capita income (IMF)



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Contact information

**For further
information,
please contact:**

Fredrik Jönsson, Head of Treasury
fredrik.jonsson@sbab.se

+46 8 614 3822

Anders Hult, Head of Funding
anders.hult@sbab.se

+46 8 614 3864

Emma Holmberg, Head of Investor Relations
Emma.holmberg@sbab.se

+46 702 556 266

Pontus Nilehn, Manager Financial Communications
pontus.nilehn@sbab.se

+46 706 912 444

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