

Authors: Melanie Kiene, CIAA // Dr Frederik Kunze

SBAB Bank AB (SBAB) was established in 1985 to finance government mortgages. SBAB is wholly owned by Sweden. Today, in the retail segment, SBAB offers savings products and personal loans in addition to its core business, mortgage loans, and brokers insurance. In the corporate segment, it provides savings and housing finance services to real estate companies and homeowners' associations. The business areas are divided into "Retail", "Corporate Clients & Tenant-Owners' Associations" and "Other". Swedish real estate financing, with a market share of 8.51% (FY21) in residential mortgage financing, continues to be the business focus. Approximately 71% (SEK 340bn) of total loans are in the residential mortgage sector. SBAB's cost-income ratio of 33.7% (Q1/2022) is attributable to business conducted almost exclusively via a direct sales force and distribution partnerships. SBAB's non-performing loan ratio was 0.04%. The institution most recently reported a CET1 ratio of 13.1%. The Swedish Financial Supervisory Authority's capital requirement was last reported at 9.2% (Q1/2022). The regulatory liquidity requirements were exceeded with an LCR of 191% and an NSFR of 129% (FY21). Covered bonds issued via SCBC are the most important source of funding at Group level (SEK 301bn).

Ratings

	Rating	Outlook
Fitch	-	-
Moody's*	A1	Stable
S&P	A	Stable

* LT deposit and senior unsecured debt rating

Homepage

www.sbab.se

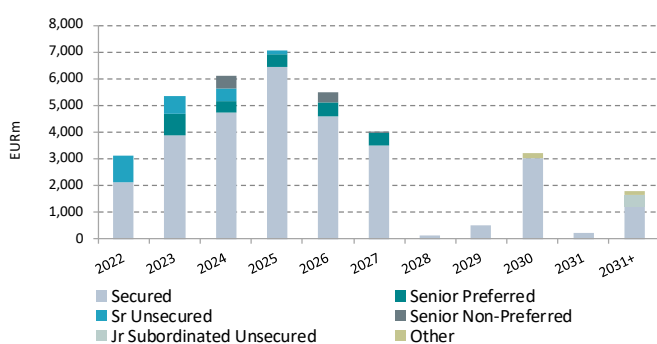
Balance Sheet

(EURm)	2019Y	2020Y	2021Y
Net Loans to Customers	36,610	42,089	45,417
Total Securities	8,062	7,974	7,698
Total Deposits	12,452	13,503	14,096
Tier 1 Common Capital	1,510	1,741	1,829
Total Assets	45,360	50,901	54,295
Total Risk-weighted Assets	11,501	12,967	13,505

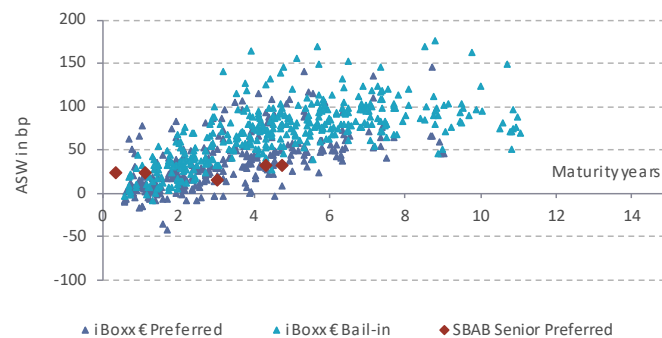
Income Statement

(EURm)	2019Y	2020Y	2021Y
Net Interest Income	328	357	406
Net Fee & Commission Inc.	-1	-2	3
Net Trading Income	2	-4	-7
Operating Expense	112	120	144
Credit Commit. Impairment	2	3	-1
Pre-tax Profit	218	225	260

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2019Y	2020Y	2021Y	2019Y	2020Y	2021Y	
Net Interest Margin	0.73	0.73	0.77	Liquidity Coverage Ratio	289.88	262.31	232.46
ROAE	8.99	8.03	8.34	IFRS Tier 1 Leverage Ratio	3.34	3.44	3.39
Cost-to-Income	33.71	33.88	35.47	NPL/Loans at Amortised Cost	0.07	0.06	0.05
Core Tier 1 Ratio	13.13	13.43	13.55	Reserves/Loans at Amort. Cost	0.03	0.04	0.03

As of: 03.05.2022; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Asset quality
- Capitalisation
- Cost ratio

Risks / Weaknesses

- Dependency on capital market funding
- Credit concentration risks
- Leverage

Covered Bonds

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SCBC has nine outstanding EUR benchmarks

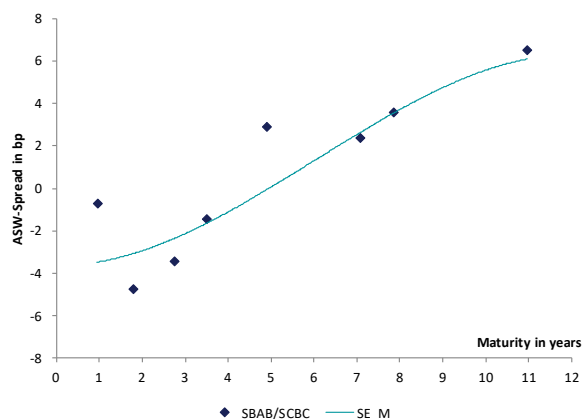
SCBC's (The Swedish Covered Bond Corporation) cover pool has a volume of SEK 424.8bn (approx. EUR 40.8bn) as of March 31, 2022. The cover pool is matched by covered bond issues totaling SEK 326bn (approx. EUR 31.3bn), resulting in a nominal overcollateralization ratio of 30.3%. On a statutory basis, a minimum ratio of 2% is currently required in Sweden. The Issuer has nine outstanding EUR benchmarks with a total volume of EUR 6.58bn.

Programme data

31 March 2022	Mortgage
Covered bonds outstanding	SEK 326,0 (EUR 31.3bn)
Cover pool volume	SEK 424.8bn (EUR 40.8bn)
Current OC (nominal / legal)	30.3% / 2.0%
Type	99.9% Residential
Main country	100% Sweden
Number of mortgage loans	479,2881
Number of properties	182,845
Average loan size	SEK 886,273 (EUR 85,219)
NPL	0.0%
Fixed interest (Cover Pool / CBs)	51.7% / 98.7%
WAL (Cover Pool / CBs)	20.0y / 3.8y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK; ≥1y) – Sweden



Cover pool composition

The cover pool consists of 99.9% residential cover assets. Of this, 38.8% (SEK 164.7bn) is attributable to the category of single-family homes. The tenant owner rights category, which is not unusual for the Swedish market, accounts for 36.3% (SEK 154.1bn), while cover assets amounting to SEK 55.6bn (13.1% of cover assets) are classified as multi-family. The average LTV (unindexed) as of the reporting date is 52.3%. The cover assets are concentrated in particular in Greater Stockholm (54.7%), followed by Eastern Sweden (10.3%), Western Sweden (9.3%) and Greater Gothenburg (8.7%). The pool contains financing from a total of 184,874 different borrowers. In terms of the granularity of the pool, the ten largest exposures are reported to account for a comparatively small share of the mortgage financings included in the cover pool, at 2.6%. Loans in arrears (>90 days) are not in the cover pool. While 51.7% of the cover assets have a fixed coupon, 98.7% of the issuer's outstanding issues have a fixed coupon. More than half of the loans in the cover pool (52.7%) have been running for more than three years, while the share of cover assets with a seasoning of up to twelve months is reported at 17.3%.

Benchmark issues as Level 1 assets

SCBC's covered bonds have a top rating of Aaa from Moody's rating agency. The SCBC program is CRR compliant, which allows the covered bonds to benefit from a preferred risk weight (10%). As the transparency disclosures under Article 129(7) CRR are also met, we classify the issuer's benchmark issues as LCR level 1 (haircut 7%). A purchase under the Eurosystem's CBPP3 program is not possible. However, the EUR benchmarks are among the assets eligible as collateral in the context of the ECB Collateral Framework.

Appendix

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