

Interim report

January–June 2021



The period in brief

Q2 2021

(Q1 2021)

- Total lending increased 1.9% to SEK 441.7 billion (433.5).
→ [Read more on page 11](#)
- Net interest income declined 1.0% to SEK 1,031 million (1,041).
→ [Read more on page 15](#)
- Operating profit decreased 9.0% to SEK 663 million (728), primarily due to higher costs attributable to increased resources and projects pertaining to regulatory-driven development and digitalisation.
→ [Read more on pages 15 and 18](#)
- Net credit losses remained low and totalled SEK 4 million (recoveries: 9). → [Read more on page 15](#)
- The return on equity was 11.3% (12.7), the C/I ratio amounted to 35.5% (31.0) and the C/L ratio to 0.33% (0.30). → [Read more on page 14](#)
- EUR 500 million green bond issue. At the end of the quarter, the volume of green bonds outstanding amounted to some SEK 21 billion. → [Read more on page 17](#)
- Housing & household finances ecosystem strengthened by the acquisition of the Boappa housing app, a communication and administration service for tenant-owners' associations. → [Read more on pages 5 and 6](#)

“We also believe that in an increasingly digital world with more and easily accessible information, simplicity and transparency will be prerequisites for earning customers’ trust and for gaining any attention from customers.”

Klas Danielsson, CEO of SBAB

Total lending, SEK bn

442

Total deposits, SEK bn

138

11.3%

Return on equity

13.1%

CET1 capital ratio

0.00%

Credit loss ratio

0.33%

C/L ratio

35.5%

C/I ratio

Selected key metrics

	GROUP					
	2021	2021	Change	2021	2020	Change
	Q2	Q1		Jan-Jun	Jan-Jun	
Total lending, SEK bn	441.7	433.5	+1.9%	441.7	401.5	+10.0%
Total deposits, SEK bn	138.1	136.5	+1.2%	138.1	131.3	+5.2%
Net interest income, SEK million	1,031	1,041	-1.0%	2,072	1,792	+15.6%
Net result of financial transactions, SEK million	-21	-15	-6 mn	-36	-38	+2 mn
Expenses, SEK million	-366	-323	+13.3%	-689	-623	+10.6%
Credit losses, SEK million	-4	9	+13 mn	5	-38	-43 million
Operating profit, SEK million	663	728	-9.0%	1,391	1,106	+25.8%
Return on equity, %	11.3	12.7	-1.4 pp	12.0	10.4	+1.6 pp
C/L ratio, %	0.33	0.30	+0.03 pp	0.32	0.32	0 pp
C/I ratio, %	35.5	31.0	+4.5 pp	33.2	35.3	-2.1 pp
CET1 capital ratio, %	13.1	13.1	0 pp	13.1	12.7	-0.4 pp

This is SBAB

Our business idea is to be innovative and considerate in our offering of loans and savings products and other services for better housing and household finances to private individuals, tenant-owner associations and property companies in Sweden.



Vision

To offer the best residential mortgages in Sweden



Mission

To contribute to better housing and household finances

Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search engine and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli, HittaMäklare and Boappa brands. We meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.52% at 31 May 2021, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se has Sweden's largest offering of homes for sale.

→ Read more on page 12

Corp. & ToA business area

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to companies and organisations. We finance multi-family dwellings, existing as well as new construction. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to companies (residential properties) was 14.16% at 31 May 2021. At the same time, the market share for lending to tenant-owners' associations was 10.03%.

→ Read more on page 13

SBAB!

hittamäklare!
A service by SBAB

booli!
A service by SBAB

boappa!
A service by SBAB



SBAB assigns priority to four Sustainable Development Goals



Read more about our sustainability agenda in SBAB's Annual Report 2020

Statement from the CEO



Overall, we operate in a very favourable market for housing finance. This, in combination with our attractive customer offering, strong brand and satisfied customers, resulted in a continued healthy trend for operations in the second quarter. A favourable mortgage bond funding market contributes to stable margins and a healthy profit trend. The first half of 2021 is our strongest half-year result ever.

Market developments

The housing market for detached houses, holiday homes and tenant-owner apartments continued to develop strongly in the second quarter amid very high activity and rising housing prices. However, a deceleration was noted in the price trend in June. Our projection for the immediate future is for unchanged prices for private housing in pace with the price-driving effects of the coronavirus pandemic receding. Of late, the mortgage credit growth has risen to an annual growth rate of around 6%.

The market for multi-family dwellings has been very strong during the year, with high transaction volumes compared with earlier years. We have also noted an accelerating pace of new housing construction in Sweden and strong demand for new construction financing from our customers. Credit growth for property loans on multi-family dwellings to property companies and tenant-owners' associations has risen slightly to annual growth rates of 11.4% and 2.9%, respectively.¹⁾

A survey we conducted in early June found that a record high share of the public believed that prices for housing will continue to rise. We believe further sustained price rises to be unlikely, and instead believe that the pain threshold will soon have been reached. Moreover,

the effects of the coronavirus pandemic in terms of increased public focus on housing will fade as society reopens, thereby subduing housing market activity. This could also entail a slight slowdown in credit growth.



Growth and competition

Following an extremely strong first quarter with high growth in residential mortgages and substantial business volumes, which also posed challenges to our resources and capacity, in the second quarter we scaled back our growth

ambitions to focus on key components in the development and implementation of our new banking system. The second quarter also noted increased competition in the residential mortgage market. In Q1, our market share of new residential mortgage lending was 14.1%, compared with our total market share of 8.5% as of March. Market shares for the second quarter have yet to be finalised, but for the April–May period, our market share of new lending was 6.6%, compared with our total market share of 8.5% for May. Until the end of May, our market share of new lending for 2021 was 10.9%.

We believe that competition in the residential mortgage market will continue to intensify as more players start offering mortgages. For many years, the four major banks have been losing market

shares in the residential mortgage market to SBAB, to smaller players and to new players – but we are now noting raised ambitions and increasing price competition from the majors.

We believe in simplicity and transparency in the customer offering and in the customer experience. We also believe that in an increasingly digital world with more and easily accessible information, simplicity and transparency will be prerequisites for earning customers' trust and for gaining any attention from customers. Our transparent and fair mortgage rates, negating the need for negotiation, is one of the things our residential mortgage customers appreciate most.

Moreover, our customers also appreciate our focus on mortgages and housing. Our focus builds knowledge of the entire housing journey and enables us to help our customers with services at all stages of the housing journey.

Since the start of 2020 and throughout the coronavirus pandemic, our property finance lending to property companies has grown robustly from a market share of 10.3% to 14.2% as of 31 May 2021. Growth remained healthy over the past quarter. We retained our focus on housing throughout the coronavirus pandemic, which has created competitive advantages as we have been able to focus all our resources on nurturing, developing and strengthening our customer relationships with property companies and housing developers.

¹⁾ SCB may 2021.



However, the housing finance market for tenant-owners' associations was dominated by intense price competition and thus limited opportunities for profitable growth. Despite the above, we stabilised our market share some time back and have even increased it slightly. Growth was relatively weak in the last quarter and market share declined to 10.0% as of 31 May 2021.

We are a growth company and aim to grow and capture market shares in all our housing finance customer segments.

Our ecosystem is growing

Our ecosystem of services relating to housing and household finances is one of our foremost competitive advantages.

Through Booli, we help you dream of, and then search for, a home. Booli has Sweden's largest offering of homes for sale. In fact, Booli has almost twice as many homes for sale as Hemnet. That is why people are increasingly choosing to use Booli to find their next home. Booli is exclusive in its ability to show all homes that are "coming soon", and these "coming soon" homes have increased significantly and now number about the same as regular "for sale" homes. In the second quarter, visitor numbers to Booli was 1,600,000 visitors per month. Booli also has Sweden's largest home valuation service allowing you to value your home for free. In Sweden, more than 565,000 private individuals subscribe to Booli's free monthly valuation service to keep updated on their homes' values.

We help you when you're moving and need to sell your home. HittaMäklare is Sweden's largest estate agent search and recommendation service for finding the agent who can best help you sell your home. Some 92% of all estate agents in

Sweden use HittaMäklare to offer you their services.

Our latest service addition in the housing journey is the app Boappa. Boappa comprises a communication and administration service for tenant-owners' associations and their residents. During the second quarter, we acquired a majority holding in Boappa, with the option of acquiring all the remaining shares at a later stage. Boappa is currently being integrated into our customer offering and will provide a valuable service to further strengthen and enhance our customer offering throughout the housing journey's various stages. Boappa also comprises a

valuable service for housing developers in conjunction with new apartment listings. Together with our Booli Pro statistics- and analytics service,

Boappa strengthens our offering to housing developers and property companies.

Work approach and environment

The coronavirus pandemic has forced us to adapt and work much more remotely than before. The increase in remote working has meant that we have developed our capability to work digitally. The digital work environment with digital tools has evolved considerably during the pandemic and has, in some respects, replaced and enhanced office-based work environments and work approaches.

Our aim is to be one of Sweden's most attractive workplaces. For the third consecutive year, Great Place to Work named SBAB as Sweden's fourth-best place to work in the large organisation category on 25 March. Our ambition is to continuously develop our work approach and environment to become an even better place to work.

Our post-Covid work approach and environment will leverage the best of

the physical office-based and the digital approaches to working and meeting.

Our offices will remain the bases for our work and meetings post-Covid, but we will continue with more remote working than prior to Covid and we will continue to develop our digital approach to working and meeting. Those of us with tasks that are possible to complete remotely will work at least three days in the office on average. We foresee that our offices will continuously adapt to the changes we are implementing and the emerging needs, and we will continue to develop our digital tools. Following two years of refurbishment, we will move into our new office in Karlstad in July 2021. The name of the refurbishment project – KCK – signals the importance we attach to our work environment. KCK stands for Karlstad's Coolest Office (Sw. Kontor).

I would like to thank all my fantastic colleagues at SBAB and congratulations to all of us for our strongest half-year result ever. I look forward eagerly to us all being able to meet again post-Covid.

Have a great summer!

Klas Danielsson
CEO of SBAB

boappa!
A service by SBAB

Boappa – Sweden’s leading housing app

Boappa is growing and is Sweden’s largest communication platform for tenant-owners’ associations, communities and new production projects. The app simplifies daily life for tenant-owners’ association boards and members. Information is gathered through practical functions in one location – including communication with and between members and residents, booking systems for shared facilities such as laundry rooms and parking as well as an association website.

Boappa was founded in 2015 with a vision of helping neighbourhoods flourish. The majority of the shares in Boappa were acquired by SBAB in Q2 2021.

➔ [Read more about Boappa on page 51](#)

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Market overview

Swedish economy

The Swedish economy's recovery remained buoyant in the second quarter of 2021. The advanced vaccination programme and gradual easing of restrictions are expected to support continued strong economic growth in the autumn. However, various parts of the economy have developed differently and to different extents, with some sectors still under extreme stress and others constrained by shortages of input goods. These imbalances are notable, inter alia, in unemployment remaining high, particularly for people in labour-intensive sectors such as restaurants, hotels and tourism, or for individuals with weak connections in the labour market. To date, increased production has not led to any significant reduction in unemployment. One reason is that many of the hardest-hit sectors are labour-intensive and had yet to reopen in the second quarter. Another reason is that many companies have had free capacity and have been able to raise production without making new recruitments. According to our forecast, however, labour market growth will be significantly stronger in the second half of the year, when many countries will

have vaccinated most of their populations and many tourism-related restrictions will have been lifted.

Read more about the forecasts for Sweden's economy and the housing market in the latest edition of SBAB Bemarknadsnytt (in Swedish), available [here](#).

Fixed-income market

In the second quarter, market rates on mortgage bonds remained at extremely low levels, even if slightly longer maturities rose at the start of the year. The upswing was largely triggered by a rapid increase in interest rates on long government bonds in the USA, followed by a discussion of the effects of expansionary financial and monetary policies, such as dawning inflation. However, the high level of inflation noted in the beginning of 2021 can be attributed to temporary effects in the wake of the coronavirus pandemic, which resulted in changed consumption patterns, with energy prices initially falling before rising.

To date, during the coronavirus pandemic, the Riksbank has chosen to hold the repo rate at 0% and instead focus on other measures to support economic development, such as purchasing mort-

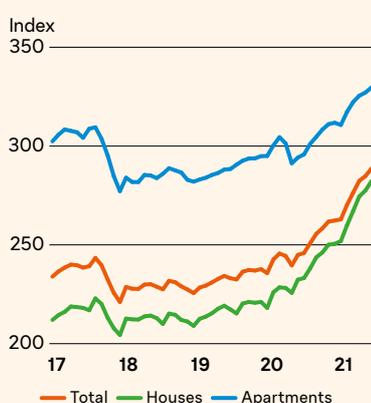
gage and corporate bonds in addition to government bonds. The aim has been to ensure well-functioning financial markets. The prevailing circumstances entail limited possibilities to affect inflation, while low interest rates are assessed as supporting economic activity.

In the second quarter, mortgage rates remained relatively low and largely unaffected by changed market interest rates. However, mortgage rates with slightly longer maturities posted an uptick during the end of the first quarter and the beginning of the second, but thereafter have remained essentially static. Our projection is that interest rates will remain relatively stable for at least the next year and onward, until the economy has recovered and the labour market has improved.

Mortgage rates could rise faster as a result of increasing inflation in the wake of an expansionary fiscal policy. Inflationary pressure could even arise as the result of increased protectionism and reduced global competition. A lowered repo rate, even if it seems like a remote possibility today, could actually lead to falling residential mortgage interest rates.

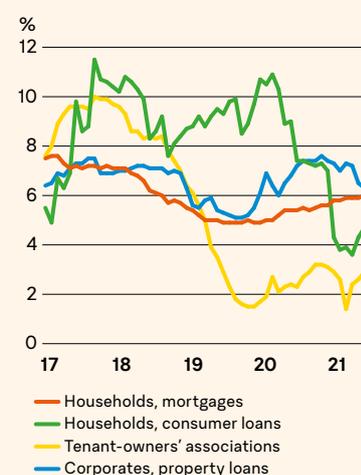
Housing price trend

(HOX index 2005=100)



Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



Source: Valueguard, Statistics Sweden (SCB), Macrobond. Data until and including 31 May 2021.

Housing prices

Prices for housing continued to rise during the second quarter of 2021. However, the trend slowed in June and prices fell back slightly. The fastest price trend has been for houses. To some extent, this growth can be explained by structural factors such as rising incomes and continued low residential mortgage interest rates. The temporary pause on amortisation requirements might also have contributed. Many indicators also point to the fact that during the coronavirus pandemic, households changed their consumption habits, whether voluntarily or out of necessity, and prioritised housing ahead of other goods and services. This could have also contributed to higher prices. Moving forward, it remains to be seen how the reintroduction of amortisation requirements and households returning to previous consumption patterns will impact development. We are not expecting any dramatic changes, but rather a trend that reflects changed incomes and mortgage rates. In the next few years, prices are expected to remain essentially still.

Read more projections of housing price trends in the latest issues of SBAB Boprisindikator (in Swedish), available [here](#), and SBAB Bomarknadsnytt (in Swedish), available [here](#).

Housing market

Existing housing turnover has not been negatively affected during the coronavirus pandemic despite the weak economy. Moreover, turnover increased in the second quarter of 2021, reaching a level indicative of a booming economy. Booli data shows that the offering of housing is

low and advertising periods are extremely short. Furthermore, each listing has many bidders as well as high bid premiums and actual selling prices. This is especially true for houses, particularly in major metropolitan areas.

The market for newly produced housing, like for existing housing, has been strong since the second half of 2020 and continuing in the second quarter of 2021. The low supply of existing homes is a possible explanation for stronger demand for new builds. Unlike the market for existing homes, there is no clear effect on prices, but the share of discounted homes has decreased. The offering remains limited, even if it has risen slightly in June. In addition, the SBAB Booli Housing Market Index, available [here](#), shows that there are fewer areas characterised by oversupply, despite the large number of new builds of late, with many of these being rental properties.

Market for deposits and lending

The growth rate for residential mortgages to households continued to rise during the second quarter of the year to 6% at an annualised rate. The primary increase has been in residential mortgages for houses, though the growth rate for loans for tenant-owner apartments is at a higher level. This trend can, to a large extent, be connected to last year's rapid increase in prices for homes, but also to the relatively high turnover of homes. The currently high rate of credit growth is expected to continue for the near future, but it will slow when the price trend for homes slows and when interest rates start to rise. However, growth is expected to remain above 4% at an annualised

rate. Lending to companies has slowed by around one percentage point over recent months and is now at an annualised rate of 6%. The lower growth rate is attributable to lower growth in lending on rental apartments. However, lending to tenant-owners' associations is rising slightly faster, which could indicate a resumption of tenant-owner apartment production of late.

Deposits from households and non-financial corporates, which increased dramatically in the wake of the coronavirus pandemic and continued to grow quickly during the first quarter of 2021, have slowed abruptly in the second quarter. The annualised growth rate is currently 8% for household deposits and 16% for non-financial corporates. However, the slowdown in deposits is expected to continue somewhat, as the economy strengthens and companies increase their investments. They are expected to amount to annualised rates of 6% and 5%, respectively, within a few years.



Booli has Sweden’s largest offering of homes for sale

Large quantities of data and knowledge are accumulated in our operations about how the housing and residential mortgage markets work. We use this data to improve the customer experience by refining existing services as well as developing new ones. Booli is a content-rich service with many users who search for homes, make housing valuations and follow housing price trends, among other things.

[→ Read more about Booli on page 12](#)

booli!
A service by SBAB

Number of unique visitors to Booli.se



An ecosystem of services

With our ecosystem housing and household finances, we have created Sweden's best customer experience through services from SBAB, Booli, HittaMäklare, Boappa and our business partners. Our services help our customers throughout the entire housing journey, making it easier and safer.

Selling – our services

- Estate agent recommendations
- Housing valuations
- Housing advertisements

Business partner services

- Tax declaration help

hittamäklare!
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booli!
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Buying – our services

- Refinancing
- Consumer loans
- Communication and administration service for tenant-owners' associations and their residents
- Board tools

Business partner services

- Construction advice
- Interior design

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Dream & Search – our services

- Housing advertisements
- Housing market information
- Saving

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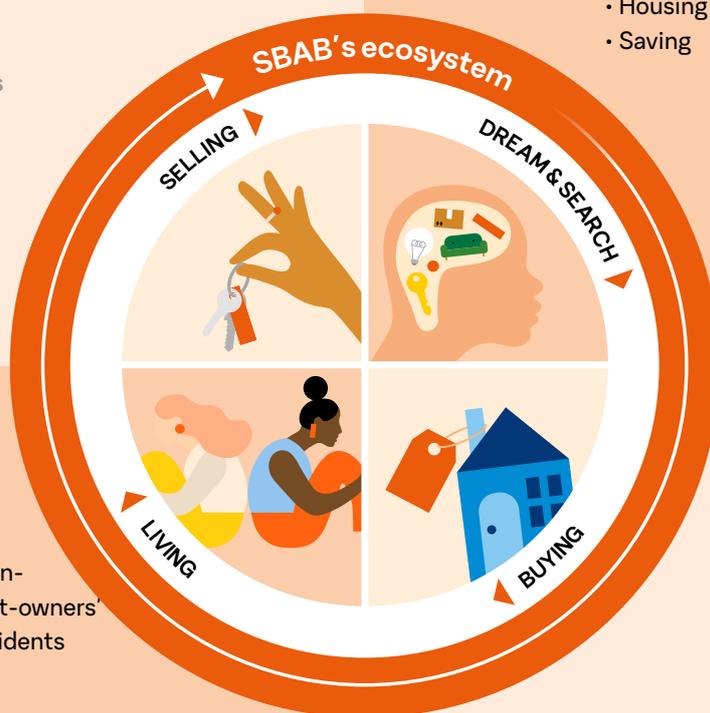
Buying – our services

- Residential mortgages & housing financing

Business partner services

- Home insurance
- Life insurance
- Legal advice
- Electricity agreements

SBAB!



Building blocks for our offering

Financial capital & lending

We receive our financial capital from three different sources: equity from owners, funding via the capital market and deposits from the public. In return, we pay interest. We convert this financial capital to different types of loans and financing for our customers.

Data

In our operations, we collect and process large amounts of information and data about housing and household finances, which we transparently and responsibly convert to knowledge and services that improve the customer offering and experience.

Business development



Volume trends

	GROUP				
	2021 Q2	2021 Q1	2020 Q2	2021 Jan-Jun	2020 Jan-Jun
New lending for the period, SEK bn	25.6	25.1	26.2	50.7	44.7
Net change in lending for the period, SEK bn	8.3	10.6	12.2	18.9	17.7
Total lending, SEK bn	441.7	433.5	401.5	441.7	401.5
No. of deposit accounts, thousand	450	444	418	450	418
Net change in deposits, SEK bn	1.6	0.8	2.6	2.5	0.8
Total deposits, SEK bn	138.1	136.5	131.3	138.1	131.3
Deposits/lending, %	31.3	31.5	32.7	31.3	32.7
Retail business area					
No. of mortgage customers, thousand	288	289	283	288	283
No. of mortgage objects financed, thousand	185	185	181	185	181
New lending, SEK bn	18.3	20.0	15.8	38.3	30.1
Net change in lending for the period, SEK bn	4.0	7.2	4.8	11.1	8.6
Total lending, Retail, SEK bn	324.4	320.5	302.5	324.4	302.5
Residential mortgages, SEK bn	322.0	318.0	300.1	322.0	300.1
Consumer loans, SEK bn	2.4	2.5	2.4	2.4	2.4
Market share, Residential mortgages, % ^{1) 2)}	8.52	8.54	8.42	8.52	8.42
Market share, Consumer loans, % ¹⁾	0.82	0.85	0.85	0.82	0.85
Total deposits, Retail, SEK bn	97.7	95.8	93.0	97.8	93.0
No. of retail customers with savings accounts, thousand	391	386	365	391	365
Market share deposits, Retail, % ¹⁾	4.30	4.34	4.37	4.30	4.37
Corporate Clients & Tenant-Owners' Associations business area					
No. of housing financing customers	2,410	2,363	2,267	2,410	2,267
New lending, SEK bn	7.3	5.1	10.3	12.4	14.6
Net change in lending for the period, SEK bn	4.3	3.5	7.4	7.8	9.2
Total lending, Corp. Clients & Tenant-Own. Asso., SEK bn	117.3	113.0	99.1	117.3	99.1
Lending, Corporate clients, SEK bn	61.2	57.1	45.3	61.2	45.3
Lending, Tenant-owners' associations, SEK bn	56.2	55.9	53.8	56.2	53.8
Market Share Corporate Clients (multi-family dwellings), % ¹⁾	14.16	13.44	11.16	14.16	11.16
Market share, Tenant-owners' associations, % ¹⁾	10.03	10.10	9.86	10.03	9.86
Total deposits, Corp. Clients & Orgs. SEK bn	40.4	40.7	38.3	40.4	38.3
No. of customers with savings accounts, Corp. clients and Orgs.	12,300	12,400	12,500	12,300	12,500
Market share deposits, Corp. clients and organisations, % ¹⁾	2.35	2.34	2.45	2.35	2.45

1) Source: Statistics Sweden. The figures in the columns for Q2 2021 and Jan-Jun 2021 correspond with the market shares as of 31 May 2021. The figures in the columns for Q2 2020 and Jan-Jun 2020 correspond with the market share as of 30 June 2020. The figures in the column for Q1 2021 correspond with the market share as of 31 March 2021.

2) From Q4 2020, an updated definition of the residential mortgage market was used that includes residential mortgage volumes from Mortgage Institutions (Bostadskreditinstitut, BKI) and Alternative investment funds (Alternativa Investeringsfonder, AIF), meaning that our market share looks marginally lower than previously. The table also includes historic figures restated according to the new definition.

Retail business area

Trend for Q2 2021 compared with Q1 2021

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search engine and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli, HittaMäklare and Boappa brands. We meet our customers and users digitally or by telephone.

Lending

Compared with the first quarter of the year in which we noted strong growth in mortgage transactions, the second quarter was somewhat quieter. Activity in the housing market and among our customers remained high, both for purchases and sales of housing as well as for mortgage loans for customers wishing to renovate. SBAB lowered its listed rate for mortgages with a two-year fixed-interest period, and at the end of the quarter this was the fixed-interest period with the lowest listed rate.

SBAB offers simple and straightforward terms and conditions, transparent mortgage rates, high availability through digital and telephone services, and mindful service. New lending in the quarter amounted to SEK 18.3 billion (20.0).

The number of customers who contacted SBAB with financial concerns has fallen since the start of the pandemic. SBAB is offering its residential mortgage customers a temporary pause in mort-

gage amortisation. As of 31 June 2021, around 20,000 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation relief, corresponding to a mortgage volume of about SEK 47 billion. The amortisation relief applies until 31 August.

Total retail lending increased to SEK 324.4 billion (320.4), of which SEK 322.0 billion (318.0) comprised residential mortgages and SEK 2.4 billion (2.5) consumer loans. The number of residential mortgage customers amounted to 288,000 (289,000) distributed over 185,000 (185,000) mortgage objects. As of 31 May 2021, the market share¹⁾ of residential mortgages was 8.52% (8.54). At the same date, the market share for consumer loans was 0.82% (0.85% at 31 March 2021). The majority of SBAB's residential mortgage customers choose the 3M fixed-interest period. The share of total lending with a 3M fixed-interest period amounted to 66.0% (66.5) at the end of the quarter.

Savings accounts (deposit)

SBAB's retail savings accounts are characterised by competitive savings rates and simple product terms and conditions. Retail deposits increased during the quarter to SEK 97.7 billion (95.8). At the end of the quarter, approximately 391,000 (386,000) retail customers held savings accounts with SBAB. On 31 May 2021, the market share of residential mortgages was 4.30% (4.34% at 31 March 2021).

User trends

Every month, many people visit SBAB's, Booli's, HittaMäklare's and Boappa's websites and apps to manage mortgages and savings or to find inspiration about housing and household finances. The number of unique visitors per month to www.sbab.se averaged around 505,000 (608,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 117,000 (125,000) for the same period. Booli is a popular platform for finding information about supply, demand and price trends for housing. Booli.se offers services including housing searches and valuations. The number of unique visitors per month to www.booli.se averaged around 1,600,000 (1,590,000) during the quarter. Booli's monthly property valuation email had more than 565,000 subscribers at the end of the first quarter of 2021. The real estate agent service HittaMäklare is part of Booli. HittaMäklare's service for locating estate agents has been used at some time by about 92% of the registered estate agents in Sweden.

At the end of the quarter, Boappa had 3,100 tenant-owners' associations and 49,000 users signed up.

1) From Q4 2020, an updated definition of the residential mortgage market was used that includes residential mortgage volumes from Mortgage Institutions (Bostadskreditinstitut, BKI) and Alternative investment funds (Alternativa Investeringsfonder, AIF), meaning that our market share looks marginally lower than previously.

Sweden's most satisfied residential mortgage customers

SBAB has Sweden's most satisfied residential mortgage and property loan customers according to Swedish Quality Index (Swe: Svenskt Kvalitetsindex (SKI)), which measures customer satisfaction in the banking and finance sector each year. In residential mortgages, SBAB's customer satisfaction score was 76.9 out of 100. We also continue to exceed the industry average of 69.7 by a healthy margin. The drivers behind this are responsibility and transparency. We are clear and simple in our interaction with customers. At SBAB, customers don't need to negotiate their mortgage rate or buy extra services to obtain favourable terms.



Corporate Clients & Tenant-Owners' Associations business area

Trend for Q2 2021 compared with Q1 2021

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to companies and organisations. We finance multi-family dwellings, existing as well as new construction. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. Activities are operated under the SBAB and Boappa brands.

Housing financing (lending)

Growth in corporate lending remained high in the second quarter.

However, the market for lending to tenant-owners' associations continued to be dominated by intense price competition. During the quarter, new lending to corporate clients and tenant-owners' associations increased to SEK 7.3 billion (5.1). Generally, little impact from the coronavirus pandemic has been noted

with SBAB's customers. SBAB focuses on residential properties and has an extremely low proportion of other commercial lending, such as for offices, where the effects and disruption caused by the coronavirus pandemic have been greatest to date. SBAB is ready to manage increased customer activity and remains firm on its ambition to support credit supply to the housing market during the pandemic. The total lending volume for property financing with pandemic-related amortisation relief was SEK 140 million at the end of the quarter. Total lending increased to SEK 117.3 billion (113.0 for first quarter 2021), of which SEK 61.2 billion (57.1) comprised lending to companies and SEK 56.2 billion (55.9) comprised lending to tenant-owners' associations.

The market share of corporate lending (multi-family dwellings) increased to 14.16% as of 31 May 2021 (13.44% on 31 March 2021). At the same date, the market share for lending to tenant-owners' associations was 10.03% (10.10% at 31 March 2021). The number of housing financing customers increased and was 2,410 (2,363) at the end of the quarter.

Savings accounts (deposit)

Deposits from corporate clients and organisations totalled SEK 40.4 billion (40.7). At the end of the quarter, approximately 12,300 (12,400) customers held savings accounts with SBAB. The market share of deposits from corporate clients and organisations increased marginally during the quarter and was 2.35% at the end of May (2.34% on 31 March 2021).

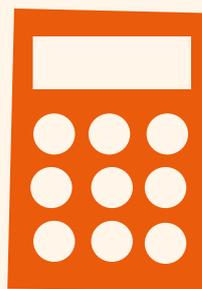
1) During the quarter we reviewed the basis for calculation and the market share has thus been adjusted historically.

Sweden's most satisfied corporate customers

SBAB has Sweden's most satisfied corporate customers according to Swedish Quality Index (Swe: Svenskt Kvalitetsindex (SKI)), which measures customer satisfaction in the banking and finance sector each year. In property loans, SBAB's customer satisfaction score was 78.9 out of 100. The industry average is 72.0. SBAB's property loan customers appreciate our competence, treatment and service. This means that we, for the third consecutive year, have Sweden's most satisfied customers in terms of property loans to tenant-owners' associations and corporates.



Financial performance



Income statement overview

SEK million	GROUP						
	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2021 Jan-Jun	2020 Jan-Jun
Net interest income	1,031	1,041	1,010	945	907	2,072	1,792
Net commission	11	3	-12	-3	9	14	-9
Net result of financial transactions (Note 3)	-21	-15	11	-11	17	-36	-38
Other operating income	12	13	10	11	10	25	22
Total operating income	1,033	1,042	1,019	942	943	2,075	1,767
Expenses	-366	-323	-402	-310	-312	-689	-623
Profit before credit losses and impairments	667	719	617	632	631	1,386	1,144
Net credit losses (Note 4) 1)	-4	9	2	4	-10	5	-38
Operating profit	663	728	619	636	621	1,391	1,106
Tax	-140	-152	-133	-142	-137	-292	-247
Net profit for the period	523	576	486	494	484	1,099	859
Return on equity, % ¹	11.3	12.7	11.1	11.5	11.6	12.0	10.4
C/L ratio, %	0.33	0.30	0.39	0.30	0.32	0.32	0.32
C/I ratio, %	35.5	31.0	39.5	32.9	33.1	33.2	35.3
Credit loss ratio, %	0.00	0.01	0.00	0.00	-0.01	0.00	-0.02
Share of Stage 3 loans, gross, %	0.05	0.06	0.06	0.05	0.05	0.05	0.05
Net interest margin, %	0.78	0.81	0.78	0.72	0.69	0.79	0.71
Number of employees (FTEs)	811	777	760	748	743	811	743

1) Including impairment and reversals of impairment of financial assets

Trend for Q2 2021 compared with Q1 2021

Operating profit decreased to SEK 663 million (728) for the quarter, primarily due to higher costs attributable to increased resources and projects pertaining to regulatory driven development and digitalisation. The return on equity amounted to 11.3% (12.7) and the C/I ratio was 35.5% (31.0).

Net interest income

Net interest income fell to SEK 1,031 million (1,041), mainly driven by higher interest expenses as a result of rising market interest rates. Interest income increased slightly between the quarters, mainly due to higher income from interest-bearing securities in SBAB's liquidity portfolio and derivatives.

Net commission

Net commission income increased during the quarter to SEK 11 million (3), primarily due to higher commission income related to higher revenue from corporate business.

Net result of financial transactions

The net result of financial transactions was an expense of SEK 21 million (expense: 15). The difference was primarily due to the buyback of bonds. For more information, please refer to [Note 3](#).

Expenses

Expenses increased during the quarter and amounted to SEK 366 million (323).

The increase was mainly attributable to investments in development for new regulatory adaptations, digitalisation initiatives and an increased number of employees. During the quarter, the number of FTEs increased to 811 (777) due to investments made in customer service, customer experience and digitalisation.

Credit quality and credit losses

Total net credit losses amounted to SEK 4 million (recovery: 9). Confirmed credit losses totalled SEK 7 million (2) and recoveries for previous confirmed credit losses amounted to SEK 1 million (1). Provisions for credit stage 1 loans increased SEK 6 million (decrease: 3), while credit stage 2 loans decreased SEK 4 million (decrease: 3) due to an update of the forward-looking information, where the base scenario and the specific Covid-19 macroeconomic situation became milder, but where a re-weighting compensated the effects due to the continuing uncertainty prevailing in the Swedish economy. Provisions for credit stage 3 loans decreased SEK 2 million (decrease: 1) as a result of confirmed credit losses. Provisions for loan commitments and building credits decreased SEK 2 million (decrease: 3) due to raising building credits and fewer construction loans in credit stage 2. Guarantees that can be utilised remained unchanged in the period (decrease: 1). For more information on credit provisions and changes in the forward-looking information in the impairment model, please refer to [Note 4](#).

The credit quality of SBAB's lending is good and credit risk in the two business areas: Retail, and Corporate Clients & Tenant-Owners' Associations, remains low. The bank's granting of credit to consumers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments. Overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages even in a worse economic climate.

At the end of the quarter, the average LTV ratio in SBAB's mortgage portfolio was 59% (59). At the same date, the average residential mortgage to retail customers amounted to SEK 1.8 million (1.8). The average LTVs for property companies and tenant-owners' associations were 63% (63) and 37% (37), respectively. During the quarter, the LTV for new lending to retail customers was 71% (68) and the debt-to-income ratio was 4.0 (3.9). For more information on credit losses, amortisation relief and the effect on credit quality, please refer to [Note 4](#) and [Note 5](#).

Other comprehensive income

Other comprehensive income was an expense of SEK 340 million (expense: 483). The negative outcome pertained mainly to value changes in derivatives due to rising EUR interest rates, however the effect was lower in the second quarter. For more information, please refer to [page 22](#).

Trend for January–June 2021 compared with January–June 2020

Operating profit rose to SEK 1,391 million (1,106). The return on equity amounted to 12.3% (10.4) and the C/I ratio was 33.2% (35.3).

Net interest income grew to SEK 2,072 million (1,792), mainly due to higher lending volumes and lower funding costs. Total guarantee fees amounted to SEK 106 million (100) for the period, of which SEK 86 million (77) comprised the resolution fee and SEK 21 million (23) the fee payable to the national deposit guarantee.

The net commission income increased during the year to SEK 14 million (expense: 9). The increase was attributable to lower commission expenses due to lower market maker fees.

The net result of financial transactions was an expense of SEK 36 million (expense: 39). The difference was primarily

due to the revaluation of derivatives not covered by hedge accounting. For more information, please refer to [Note 3](#).

Other comprehensive income amounted to a loss of SEK 823 million (income: 654) for the period. The primarily negative impact on the difference was rising EUR interest rates. For more information, please refer to [page 22](#).

Expenses grew to SEK 689 million (623), driven by increased investments in terms of the number of employees, development of new regulatory adaptations and investments in digitalisation and IT systems. The replacement of SBAB's core bank platform is ongoing. The new bank platform is being implemented gradually in separate phases. The remaining phase will be implemented in the second half of 2021 and in 2022. Modern, flexible system support comprises a key component for strengthening SBAB's future com-

petitiveness, and its ability to develop digital services and enhance the digital customer interface. The number of FTEs increased to 811 (743) during the period.

Net credit losses were positive and amounted to a recovery of SEK 5 million (loss: 38). The change between the periods was mainly attributable to the increase in credit loss allowances in conjunction with the revision of the forward-looking information applied in the impairment model as a result of the coronavirus pandemic during the previous year. Last year the forward-looking information projected a reduced need for provisions, which led to the positive outcome. Confirmed credit losses totalled a recovery of SEK 9 million (recovery: 6) for the period. For more information on credit losses and credit quality, please refer to [Note 4](#) and [Note 5](#).

Balance sheet overview

SEK million	GROUP			
	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020
ASSETS				
Cash and balances at central banks	1,000	450	6,530	5,950
Chargeable treasury bills, etc.	26,529	10,232	10,894	43,212
Lending to credit institutions	930	762	945	716
Lending to the public (Note 5)	441,744	433,479	422,835	401,514
Bonds and other interest-bearing securities	58,034	60,215	58,180	60,218
Total other assets in the balance sheet	9,389	13,599	11,975	16,921
TOTAL ASSETS	537,626	518,737	511,359	528,531
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	17,511	20,277	20,184	21,694
Deposits from the public	138,145	136,500	135,658	131,333
Issued debt securities, etc. (funding)	350,362	327,944	323,704	326,571
Subordinated debt	1,996	1,996	1,995	4,445
Total other liabilities in the balance sheet	5,019	6,038	6,179	21,489
Total liabilities	513,033	492,755	487,720	505,532
Total equity	24,593	25,982	23,639	22,999
– of which reserves/fair value reserve	1,498	1,838	2,321	2,613
– of which, Tier 1 capital instruments	4,300	5,800	3,500	3,500
TOTAL LIABILITIES AND EQUITY	537,626	518,737	511,359	528,531
CET1 capital ratio, %	13.1	13.1	13.4	12.7
Tier 1 capital ratio, %	16.2	16.2	16.1	15.5
Total capital ratio, %	17.8	17.7	17.6	19.0
Leverage ratio, % ¹⁾	4.00	4.10	4.00	3.63
Liquidity coverage ratio (LCR), %	278	226	170	329
Net Stable Funding Ratio (NSFR), %	138	134	129	132

¹⁾ Calculated pursuant to Article 429 in Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

Trend for Q2 2021 compared with Q1 2021

Balance sheet comments

During the quarter, chargeable treasury bills increased to SEK 26.5 billion (10.2), primarily due to an increase in surplus liquidity deposited with the Riksbank via commercial paper. For the same reason, cash and balances at central banks increased to SEK 1.0 billion (0.5). Lending to credit institutions increased to SEK 0.9 billion (0.8), attributable to outflows of collateral connected to derivatives (CSA). The above changes were within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities declined to SEK 58.0 billion (60.2). The decrease was also within the scope of the normal management of the liquidity reserve.

Lending to the public increased to SEK 441.7 billion (433.5), of which SEK 322.0 billion comprised residential mortgages, SEK 2.4 billion consumer loans, SEK 61.1 billion lending to property companies and SEK 56.2 billion lending to tenant-owners' associations. For more information on lending to the public, please refer to [pages 12–13](#) and [Note 5](#). Other assets increased to SEK 279.0 million (105.9), which was attributable to an increase of SEK 171.5 million in tangible assets pertaining to the new office in Karlstad, refer to [pages 4–5](#).

Liabilities to credit institutions decreased in the quarter to SEK 17.5 billion (20.3), attributable to lower repo volumes and outflows of collateral connected to derivatives (CSAs). The changes were within the scope of the normal short-term liquidity management. Deposits from the public increased to SEK 138.1 billion (136.5), of which 82% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulations. For more information on deposits from the public, please refer to [pages 12–13](#). For information about issued debt securities, please refer to the "Funding" section. Subordinated debt totalled SEK 2.0 billion (2.0). The quarter saw no new issues, repurchases or maturities. Equity decreased to SEK 24.6 billion (26.0). During the quarter, the item was mainly affected by the issue of Tier 1 capital instruments (AT1) of SEK 1.5 billion.

Funding

Generally, the second quarter of 2021 was characterised by a healthy risk sen-

timent in the wake of positive economic indicators and high outcomes for global economic indices. During the quarter, Covid-19 restrictions eased generally, but continued to influence the global economy, central banks and policy makers.

For parts of the period, stock markets and interest rates were subject to some volatility as the US economy recorded higher inflation in May than it had for a very long time. However, the market was reassured by central banks referring to temporary base effects and by continuing to project retained stimulative monetary policies, characterised by continued bond purchases and low key interest rates.

The Riksbank continued its announced bond purchases under the buying programme for interest-bearing securities. During the quarter, the Swedish central bank purchased Swedish covered bonds for an amount equivalent to approximately SEK 60 billion, inter alia, which helped keep credit spreads and interest rates at historically low levels. However, spreads in the Swedish covered bond market widened in the latter part of the quarter. The increase was greatest for long maturities, leading to steeper credit curves.

Leading stock market indices in the USA, Europe and Sweden rose during the quarter, while European credit indices fell back slightly. Short interest rates showed marginal movement, while US and Swedish long interest rates declined slightly and German rates rose.

During the quarter, SBAB continued on an ongoing basis to mainly issue covered bonds in the Swedish market. In May and June, respectively, a five-year EUR 500 million green uncovered bond and an 8.75-year EUR 1 billion covered bond were issued in the European public market. The covered issue in EUR was the first from SBAB since 2019. During the quarter as a whole, issued debt securities totalled SEK 39.2 billion (35.5). In parallel, securities were repurchased for SEK 3.7 billion (4.3) and securities amounting to SEK 10.9 billion (27.3) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 22.4 billion to a total of SEK 350.4 billion (327.9). In total, the SBAB Group has issued bonds corresponding to SEK 74.8 billion in 2021 (of which SEK 55.7 billion comprised covered funding and SEK 19.1 billion unsecured funding), which can be compared with the total bonds maturing in 2021 of about SEK 38.3 billion.

At the end of the quarter, unsecured funding amounted to SEK 58.5 billion (60.7), of which SEK 6.0 billion (6.0) comprised senior non-preferred bonds, SEK 49.0 billion (49.5) other senior unsecured bonds and SEK 3.5 billion (5.1) commercial paper.

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Total secured debt outstanding totalled SEK 291.8 billion (267.3) at the end of the quarter, of which SEK 211.5 billion was in SEK and SEK 80.3 billion was in foreign currencies.

Liquidity

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings.¹⁾ At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 85.2 billion (69.9). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 82.1 billion (67.0).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 349 days (383), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, at 30 June 2021, the LCR was 278% (226) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 216% (179). The net stable funding ratio (NSFR) amounted to 138.3% (134.0) according to Regulation (EU) 2019/876 of the European Parliament and the Council.

For more information on SBAB's liquidity, please refer to [Note 10](#).

¹⁾ Also encompasses non-HQLA (high quality liquid assets) classified assets included in the Riksbank's or ECB's lists of assets eligible as collateral.

Capital position

At the end of the quarter, SBAB's CET1 capital amounted to SEK 18.0 billion (17.8). The increase was mainly attributable to earnings for the year¹⁾ after deduction of the expected dividend. The risk exposure amount (REA) increased during the second quarter to SEK 138.0 billion (136.1). The change was mainly driven by volume growth within corporates and the retail market. In addition, the requirement for CVA risk increased as a result of the new regulations for calculating counterparty risk, which also impact CVA. At 30 June 2021, SBAB's CET1 capital ratio amounted to 13.1% (13.1) and the total capital ratio was 17.6% (17.7). This provides a comfortable margin both to internal targets and external regulatory requirements.

According to internal estimates by SBAB as per 30 June 2021, the Swedish FSA's capital requirements are expected to correspond to a CET1 capital ratio of 7.9% and a total capital ratio of 12.1%. At the same date, SBAB's capital targets are therefore expected to correspond to a CET1 capital ratio of not less than 8.5% and a total capital ratio of not less than 12.7%.

The leverage ratio posted a marginal decline in the second quarter and amounted to SEK 4.0% (4.1) at 30 June 2021, primarily due to the increase in the mortgage portfolio and exposure to central banks.

For more information on SBAB's capital position, please refer to [Note 11](#) and [Note 12](#).

In January 2020, the Swedish FSA decided to introduce additional capital requirements for lending on commercial properties. The reason behind the

measure is that the banks' lending on commercial real estate has gradually increased to a level where there is an elevated risk to financial stability. The capital requirement will be implemented as an add-on within Pillar 2. The change is expected to have a minor impact on SBAB.

As a result of developments concerning the coronavirus pandemic, as of 24 June 2020, the EU has adopted Regulation (EU) 2020/873 amending Regulation (EU) No. 575/2013 (the CRR). Through this amendment, the EU is adapting regulations by the EU to maximise the banks' ability to recover from this crisis. Moreover, the Basel Committee has decided to extend implementation of the outstanding elements of the Basel 3 reform. Standards to complement Basel 3 standards that were decided in 2017 (Finalization of Basel 3), the market risk framework decided in 2019 and implementation of Pillar 3 decided in 2018 have been postponed by one year and will now enter into force on 1 January 2023. For information about the EU's reforms to the Capital Requirements Regulation that entered into force on 27 June 2020, refer to [Note 11](#).

In the coming year, capital requirements will change as a result of regulatory changes in the CRR and CRD. The Swedish FSA has decided on regulatory amendments and a change in the application of capital requirements for Swedish banks in order to adapt them to the EU's banking package. This pertains primarily changes in the application of Pillar 2 requirements as well as the Swedish FSA's position related to the implementation of Pillar 2 guidelines and the application of the capital buffers.

Legislative amendments linked to the Capital Requirements Directive entered into force on 29 December 2020. Binding leverage ratio requirements entered into force on 28 June 2021. The Swedish FSA has also proposed a new method for assessing additional capital charges within Pillar 2 for market risks in other operations. This change in method will apply from 2021. The Swedish FSA has previously announced that it expects Swedish banks to analyse and update their current risk classification systems to be able to meet the new EBA guidelines. SBAB has therefore, over an extended period, worked on developing new internal risk classification models, which are expected to be implemented in 2022. The final effects on capital of the changes in the risk classification system are not yet fully known, but overall, the above changes are expected to increase the future capital adequacy requirements for banks in Sweden, including SBAB. The Swedish FSA has communicated one expected effect from the Pillar 2 guidance for the bank sector: an increase of about 1 percentage point in the risk-weighted capital requirement and about 0.35 percentage points on the leverage ratio.

1) In a decision by Swedish FSA, subject to the company's auditors being able to confirm the surplus and that deductions for any dividends and foreseeable costs have been carried out pursuant to the Capital Requirements Regulation and that these calculations have been conducted in compliance with the Commission Delegated Regulation (EU) No 241/2014, SBAB received approval for using the full-year surplus in own-funds calculations. Deloitte AB conducted the above review for 30 June 2021. This means that net profit for the period has been included in own funds and that expected dividends have reduced own funds.

Components of the capital target

SEK million	CONSOLIDATED SITUATION			
	30 Jun 2021			
	Total capital	%	CET1 capital	%
Internally assessed capital requirement from the Swedish FSA	16,758	12.1	10,943	7.9
– of which, Pillar 1 minimum requirement	4,241	3.1	2,386	1.7
– of which, Pillar 1 risk-weight floor, Swedish mortgages	6,801	4.9	3,825	2.8
– of which, Pillar 2 core requirement	2,249	1.6	1,265	0.9
– of which, Capital conservation buffer	3,451	2.5	3,451	2.5
– of which, Countercyclical buffer	16	0.0	16	0.0
SBAB's capital target	17,585	12.7	11,772	8.5
SBAB's actual capital	24,334	17.6	18,039	13.1

Other information



SBAB's financial targets

- **Profitability:** A return on equity of no less than 10% over a business cycle.
- **Capitalisation:** The CET1 capital ratio and total capital ratio should be at least 0.6 percentage points higher than the requirements communicated by the Swedish FSA.
- **Dividend:** Ordinary dividend of at least 40% of profit for the year after tax, taking the Group's capital structure into account.

Termination of partnerships

In the fourth quarter of 2019, SBAB and Sparbanken Syd entered into an amended agreement relating to the parties partnership agreement regarding the mediation of mortgage loans (SEK 7.9 billion at 30 June 2021). According to the amended agreement, Sparbanken Syd is entitled to acquire the entire residential mortgage stock mediated by Sparbanken Syd, or parts thereof, until 31 December 2023.

Changes in Executive Management

At 30 June 2021, the Executive Management comprised the following people: Klas Danielsson (CEO), Sara Davidgård (CRO), Carina Eriksson (Head of HR), Kristina Frid (Head of Customer Service), Mikael Inglander (CFO and Head of Cor-

porate Clients and Tenant-Owners' Associations), Robin Silfverhielm (Customer Experience Officer (CXO) and Chief Information Officer (CIO)), Andras Valko (CDSO), Malou Sjörin (Head of Sustainability, Marketing & Communication) and Kristina Tånneryd (acting Head of Business Specialists).

Updated proposal on new risk tax (bank tax) 2022

On 24 May 2021, the Swedish Ministry of Finance published a memorandum containing a proposal regarding the implementation of a risk tax aimed at large banks and other credit institutions from 2022. The tax aims to strengthen society's capacity to meet a crisis in the financial system. According to the draft bill to the Council on Legislation, the risk tax is payable by credit institutions that, at the start of the fiscal year, have debt in excess of threshold of SEK 150 billion. For Swedish institutions, the debt threshold is calculated based on debt attributable to their operations in Sweden but also includes debt attributable to operations at branches abroad. For foreign credit institutions, the threshold is only calculated based on debt attributable to their operations at branches in Sweden.

SBAB is one of ten Swedish banks and credit institutions that is expected to be

affected by the tax. The tax will be levied at a rate of 0.05% of the credit institution's liabilities following certain adjustments in 2022, and at 0.06% from 2023.

The tax is expected to raise around SEK 5 billion annually from 2022. The formulation is subject to approval from the European Commission.

SBAB has in its own response and through the Swedish Bankers' Association expressed strong criticism for the proposed risk tax and advised against its introduction. The risk tax will, inter alia, materially distort competition in the Swedish financial market since only a few players will be subject to the tax.

Events after the end of the period

On 13 July, Moody's raised its rating for SBAB's senior non-preferred instruments from Baa2 to Baa1 with a stable outlook. The change was driven by an update of Moody's bank rating methodology. SBAB's bank rating remains unchanged with a credit rating of A1 with a stable outlook.

Auditors' review report

This report has been reviewed by the company's auditor in accordance with the International Standard on Review Engagements (ISRE) 2410.

The review report can be found at the end of this report.

Risks and uncertainties

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity, and the quality of our assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. A housing market with soaring prices over an extended period, in parallel with rising household debt, has resulted in the Swedish economy becoming sensitive to rapid changes in interest rates and house prices. The risks linked to these factors could be amplified if many households have high levels of debt in relation to their disposable incomes. For additional information on forecasts for economic development, interest rates and housing prices, refer to page 8. For information about the coronavirus and its effects on socio-economic development and SBAB, refer to [page 6](#).

The extensive regulatory changes in the residential mortgage market comprise a further uncertainty factor. Moreover, political decisions, for example changed tax rules, could have major consequences on households' solvency and property values. In time, increasing competition in the residential mortgage market could affect the market and mortgage margins. Increased competition arises, inter alia, from the Mortgage Business Act (2016:1024), which allows residential mortgages to be provided by companies other than banks and which are thus not encompassed by the same extensive regulations nor by the rules for capital requirements that apply to banks. Such regulatory differences risk not being understood by customers and therefore creating unfair competition in the market, a point that SBAB has conveyed to the Swedish FSA. For further information about risks and risk management, please refer to SBAB's 2020 Annual Report.

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Condensed income statement

SEK million	GROUP					
	2021 Q2	2021 Q1	2020 Q2	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Interest income	1,524	1,501	1,648	3,025	3,194	6,316
Interest expense	-493	-460	-741	-953	-1,402	-2,569
Net interest income	1,031	1,041	907	2,072	1,792	3,747
Commission income	26	24	35	50	51	93
Commission expense	-15	-21	-26	-36	-60	-117
Net result of financial transactions (Note 3)	-21	-15	17	-36	-38	-38
Other operating income	12	13	10	25	22	43
Total operating income	1,033	1,042	943	2,075	1,767	3,728
Personnel costs	-190	-185	-170	-375	-340	-687
Other expenses	-159	-122	-120	-281	-242	-490
Depreciation, amortisation and impairment of PPE and intangible assets	-17	-16	-22	-33	-41	-158
Total expenses before credit losses	-366	-323	-312	-689	-623	-1,335
Profit before credit losses	667	719	631	1,386	1,144	2,393
Net credit losses (Note 4) ¹⁾	-4	9	-10	5	-38	-32
Operating profit	663	728	621	1,391	1,106	2,361
Tax	-140	-152	-137	-292	-247	-522
Net profit for the period	523	576	484	1,099	859	1,839

1) Including impairment and reversals of impairment of financial assets.

In Q2 2021, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 1 592 million (1,590) for the Group.

Condensed statement of comprehensive income

SEK million	GROUP					
	2021 Q2	2021 Q1	2020 Q2	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Net profit for the period	523	576	484	1,099	859	1,839
Other comprehensive income						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	-26	-25	11	-51	-81	4
Changes related to cash-flow hedges, before tax	-403	-681	46	-1,084	960	461
Tax attributable to components that will be reclassified to profit or loss	89	145	-12	234	188	-75
<i>Components that will not be reclassified to profit or loss</i>						
Revaluation effects of defined-benefit pension plans, before tax	0	98	-27	98	-47	-34
Tax attributable to components that will not be reclassified to profit or loss	0	-20	6	-20	10	6
Other comprehensive income/loss, net of tax	-340	-483	24	-823	654	362
Total comprehensive income/loss for the period	183	93	508	276	1,513	2,201

The Group's financial position and development is reflected in the income statement and balance sheet. Moreover, the applied accounting policies give certain revaluation effects, among other effects, that are recognised in other comprehensive income.

Other comprehensive income includes changes in cash-flow hedges that consist of unrealised value changes from derivatives used for hedging cash flows in the Group's funding in foreign currencies. Underlying funding is measured at amortised cost, where value changes are not recognised while derivatives that hedge borrowing are marked to market. This means that changes in rates, primarily in euro, can lead to volatility during the term, even if the long-term result is zero. The line item is normally affected positively by a decline in interest rates and negatively by a rise in interest rates.

Financial assets measured at FVTOCI consist of unrealised value changes in securities (classified according to certain principles) in the liquidity reserve. The line item is primarily affected by changes in credit spreads in bond holdings.

The item revaluation effects of defined-benefit pension plans includes actuarial gains and losses where changes in the discount rate and inflation are the assumptions that have the strongest impact on the item.

For further information, refer to SBAB's 2020 Annual Report, [Note G 1](#).

Condensed balance sheet

SEK million	GROUP		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
ASSETS			
Cash and balances at central banks	1,000	6,530	5,950
Chargeable treasury bills, etc.	26,529	10,894	43,212
Lending to credit institutions	930	945	716
Lending to the public (Note 5)	441,744	422,835	401,514
Value changes of interest-rate-risk hedged items in macro hedges	-157	142	242
Bonds and other interest-bearing securities	58,034	58,180	60,218
Derivatives (Note 6)	7,763	10,890	15,062
Intangible assets	467	330	353
Property, plant and equipment	279	112	135
Other assets	463	79	465
Prepaid expenses and accrued income	574	422	664
TOTAL ASSETS	537,626	511,359	528,531
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	17,511	20,184	21,694
Deposits from the public	138,145	135,658	131,333
Issued debt securities, etc.	350,362	323,704	326,571
Derivatives (Note 6)	2,919	3,124	2,025
Other liabilities	535	416	17,247
Accrued expenses and deferred income	997	1,769	1,203
Deferred tax liabilities	453	651	766
Provisions	115	219	248
Subordinated debt	1,996	1,995	4,445
Total liabilities	513,033	487,720	505,532
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	1,498	2,321	2,613
Additional Tier 1 instruments	4,300	3,500	3,500
Retained earnings	15,738	14,021	14,069
Net profit for the period	1,099	1,839	859
Total equity	24,593	23,639	22,999
TOTAL LIABILITIES AND EQUITY	537,626	511,359	528,531

Condensed statement of changes in equity

SEK million	GROUP				
	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year ¹⁾	Total equity
Opening balance, 1 January 2021	1,958	2,321	3,500	15,860	23,639
Additional Tier 1 instruments	-	-	800	-	800
Additional Tier 1 instruments, dividend	-	-	-	-122	-122
Other comprehensive income, net of tax	-	-823	-	-	-823
Net profit for the period	-	-	-	1,099	1,099
Comprehensive income for the period	-	-823	-	1,099	276
Closing balance, 30 June 2021	1,958	1,498	4,300	16,837	24,593
Opening balance, 1 January 2020	1,958	1,959	3,500	14,164	21,581
Additional Tier 1 instruments, dividend	-	-	-	-95	-95
Other comprehensive income, net of tax	-	654	-	-	654
Net profit for the period	-	-	-	859	859
Comprehensive income for the period	-	654	-	859	1,513
Closing balance, 30 June 2020	1,958	2,613	3,500	14,928	22,999
Opening balance, 1 January 2020	1,958	1,959	3,500	14,164	21,581
Additional Tier 1 instruments, dividend	-	-	-	-143	-143
Other comprehensive income, net of tax	-	362	-	-	362
Net profit for the year	-	-	-	1,839	1,839
Comprehensive income for the year	-	362	-	1,839	2,201
Closing balance, 31 December 2020	1,958	2,321	3,500	15,860	23,639

1) Retained earnings includes the Parent Company's statutory reserve, which is not distributable.

Condensed cash-flow statement

SEK million	GROUP		
	2021	2020	2020
	Jan-Jun	Jan-Jun	Jan-Dec
Opening cash and cash equivalents	7,475	6,167	6,167
OPERATING ACTIVITIES			
Interest and commissions paid/received	864	1,104	3,762
Outflows to suppliers and employees	-656	-582	-1,177
Taxes paid/refunded	-385	-295	-593
Change in assets and liabilities of operating activities	-6,023	869	2,440
Cash flow from operating activities	-6,200	1,096	4,432
INVESTING ACTIVITIES			
Change in property, plant and equipment	-18	-20	-28
Change in intangible assets	-80	-58	-113
Acquisition of subsidiaries	-31	-	-
Cash flow from investing activities	-129	-78	-141
FINANCING ACTIVITIES			
Change in Tier 1 capital instrument	800	-	-
Change in subordinated loan	-	-505	-2,952
Repayment of lease liabilities	-16	-14	-31
Cash flow from financing activities	784	-519	-2,983
Increase/decrease in cash and cash equivalents	-5,546	499	1,308
Closing cash and cash equivalents	1,930	6,666	7,475

Cash and cash equivalents are defined as cash and lending to credit institutions.

Change in liabilities attributable to financing activities

SEK million	GROUP											
	Opening balance 1 Jan 2021	Cash flow	Non-cash items			Closing balance 30 Jun 2021	Opening balance 1 Jan 2020	Cash flow	Non-cash items			Closing balance 30 Jun 2020
			Fair value	Other					Fair value	Other		
Subordinated debt	1,995	-	-	1	1,996	4,949	-505	0	1		4,445	
Lease liabilities	69	-16	-	169	222	91	-16	-	2		77	
Additional Tier 1 instruments	3,500	800	-	-	4,300	3,500	-	-	-		3,500	
Total	5,564	784	0	170	6,518	8,540	-521	0	3		8,022	

Note 1 Accounting policies

The SBAB Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition to these accounting standards, Finansinspektionen's (the Swedish FSA) regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups were taken into consideration. The Group's interim report fulfils the requirements stipulated under IAS 34, Interim Financial Reporting.

Statutory IFRS is applied for the Parent Company, which means that this interim report has been prepared in compliance with IFRS subject to the additions and exceptions that ensue from the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, the Swedish FSA's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25) and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Introduction of new and changed accounting standards 2021

Accounting principles and calculation methods are unchanged compared with the annual report for 2020. The financial statements in summary are produced on the basis of an assumption about the company's survival. The financial reports in summary was approved by the board for publication on 16 July 2021.

Note 2 Changes in risks

Credit risk in lending operations

No increase in realised credit risk was noted in lending operations during the first half-year of 2021. Despite the prevailing circumstances with the coronavirus pandemic, neither an increase tendency of delayed payments nor turbulence in the housing market leading to falling housing prices has been observed. The forward-looking information in the impairment model have been revised twice during the period due to a more positive outlook on the economic development in Sweden compared to previous forecasts resulting in a decrease of credit loss allowances. Since the pandemic outbreak SBAB has granted applications for temporary amortisation exemptions, in accordance with Swedish FSA's guidelines, which thus far are assessed to solely manage the temporary increase in liquidity risk that has arisen for customers. Since the fourth quarter 2020, customers are obliged to state the reason behind the application for amortisation exemption. Customers who report loss of income are managed by SBAB's insolvency team for further assessment regarding increase in credit risk and a potential movement to credit stage 2 or stage 3 in accordance with the accounting standard. No deviations have been noted in terms of loan-to-value (LTV) or debt-to-income ratios for new lending. For more information regarding credit losses, credit risk and credit loss allowances, please see [Note 4](#).

Counterparty credit risk in treasury operations

At 28 June 2021 a new method to calculate counterparty credit risk (SA-CCR, Standardised Approach for Counterparty Credit Risk) was introduced in accordance with CRR II. Limit utilisation for SBAB's derivative counterparties has fallen to SEK 6,204 million at 30 June 2021, compared to SEK 7,321 million at 31 December 2020 where the decrease is partly due to the change of method.

Liquidity risk

SBAB's liquidity positions remained strong during the first six months of 2021. LCR increased by the end of June in comparison with the turn of the year but volatility remained due to fluctuations in outflows related to maturing bonds. The survival horizon increased in comparison with the turn of the year as a result of passed bond maturities at the same time as the liquidity reserve increased. The over collateralization level (OC-level) has decreased in comparison with the turn of the year. The decrease arised as a result of new issues of covered bonds. Despite the decrease, the OC-level is by a good margin above the decided limits. The deposit-to-loan ratio decreased during the first six-month of 2021 as the loan growth rate exceeded the deposit growth rate. The NSFR will be reported in accordance with the EBA reporting framework 3.0 from June 2021. See note 10 for more information regarding liquidity risk.

Market risk

SBAB uses Value at Risk (VaR) to quantify market risk. VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. SBAB's model is a historical model and applies percentiles in historical market data from the past two years. At 31 March 2021, SBAB's VaR amounted to SEK 274 million, compared to SEK 364 million at 31 December 2020. The limit for VaR is changed to SEK 1,200 million from the previous SEK 1,450 million. The reason for the reduction was that the margin to the limit has historically been large and is forecast to remain so in the coming years.

Operational risk

The Covid-19 pandemic has resulted in a general increase in operational risk across the bank in connection with, inter alia, absenteeism and continuity for critical deliveries. Though the Corona threat has declined since the beginning of the year. It should be noted that the bank's business contingency plans were generally applicable during the Covid-19 period, which has reduced continuity risks. Two of SBAB's strategic projects are complex and have tight deadlines. Therefore they are exposed of operational risks.

Business risk

The corona pandemic has continued to impact SBAB's business risk during the half of 2021. In Sweden, as in other countries, a large number of measures have been taken since the start of the pandemic to control the contagion and to mitigate the effects on the real economy and financial markets. In addition, vaccinations are ongoing both in Sweden and abroad. Looking at the state of financial markets, the situation has currently stabilised. To date, the impact of the pandemic on SBAB's financial position has been very moderate. The long-term consequences are however still unknown. The longer the crisis lasts, the more it is likely to impact the economy. SBAB continues to be well positioned to manage a more prolonged financial crisis, in terms of both capital and liquidity. The overall business risk is therefore considered to be moderate. No material changes in the competitive landscape were observed during the quarter. Moreover, SBAB has not entered, or exited, any new markets or segments.

Concentration risk

In the first half-year of 2021, the lending to the ten largest customer groups accounted for 6 percent of total lending volume, a slightly larger share compared to 31 December 2020. For more information on the geographical distribution of the lending portfolio, please see [Note 5](#). SBAB also evaluates the capital requirement for concentration risk on a regular basis and quantifies the risk with economic capital for credit risk exposures. For more information please see [Note 12](#).

Note 3 Net result of financial transactions

SEK million	GROUP					
	2021 Q2	2021 Q1	2020 Q2	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Gains/losses on interest-bearing financial instruments						
- Change in value of hedged items in hedge accounting	60	813	-225	873	-718	-429
- Derivatives in hedge accounting	-53	-836	222	-889	724	427
- Other derivatives	2	17	63	19	6	45
- Interest-bearing securities, Fair Value Option	-12	-12	-13	-24	-21	-44
- Interest-bearing securities at fair value through other comprehensive income	0	6	1	6	9	17
- Interest-bearing securities at amortised cost	0	0	-	0	0	0
- Realised gain/loss from financial liabilities at amortised cost	-25	-9	-49	-34	-66	-113
- Loan receivables at amortised cost	7	6	19	13	26	57
Currency translation effects	0	0	-1	0	2	2
Total	-21	-15	17	-36	-38	-38

SBAB uses derivatives to manage interest-rate and currency risk in the Group's assets and liabilities. Derivatives are recognised at fair value in the balance sheet. SBAB's risk management and hedge accounting strategies entail that profit variations between periods may arise for individual items in the table above, as

a result of changes in market interest rates, but that they are in general offset by profit variations in other items. Profit variations not neutralised through risk management and hedge accounting are commented on in the administration report.

Note 4 Net credit losses

SEK million	GROUP					
	2021 Q2	2021 Q1	2020 Q2	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Lending to the public						
Confirmed credit losses	-7	-2	-4	-9	-6	-9
Recoveries of previously confirmed credit losses	1	1	1	2	1	4
Change in provision for the period – credit stage 1	-6	3	-5	-3	-17	-16
Change in provision for the period – credit stage 2	5	3	-2	8	-5	1
Change in provision for the period – credit stage 3	2	1	3	3	2	-4
Guarantees ¹⁾	-1	0	1	-1	2	-1
Net credit losses for the period – lending to the public	-6	6	-6	0	-23	-25
Loan commitments²⁾						
Change in provision for the period – credit stage 1	-4	0	-3	-4	-10	-5
Change in provision for the period – credit stage 2	6	3	-2	9	-5	-2
Change in provision for the period – credit stage 3	0	0	0	0	0	0
Net credit losses for the period – loan commitments	2	3	-5	5	-15	-7
Other financial instruments						
Change in provision for the period – credit stage 1	0	0	1	0	0	0
Net credit losses for the period – other financial instruments	0	0	1	0	0	0
Total	-4	9	-10	5	-38	-32

1) The item includes guarantees for loan commitments.

2) Credit provisions for loan commitments are included in the "Provisions" item in the balance sheet

Note 4 Net credit losses, Cont.

Sensitivity analysis of forward-looking information

Lending to the public and loan commitments

Factors	Scenario 1 (45%)			Scenario 2 (20%)			Scenario 3 (20%)			Scenario 4 (15%)		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
GDP ¹⁾	3.3%	3.2%	2.3%	3.5%	4.8%	3.5%	-6.2%	3.1%	3.8%	-2.1%	-1.9%	1.3%
Repo rate	0.1%	0.1%	0.4%	0.1%	0.2%	0.6%	0.3%	0.5%	0.4%	1.1%	1.2%	1.2%
Unemployment	8.8%	8.0%	7.5%	8.7%	7.4%	6.3%	11.2%	11.1%	9.8%	9.4%	10.0%	10.3%
House prices, Δ	+16.3%	-0.8%	-3.2%	+16.9%	-0.8%	-3.0%	-10.4%	-12.2%	-3.4%	-15.4%	-15.3%	-16.0%
Prices of tenant-owners' rights, Δ	+9.6%	+0.4%	-3.1%	+10.0%	+0.2%	-2.9%	-11.8%	-14.8%	-6.2%	-20.0%	-28.6%	-15.4%
Property prices, Δ	+2.4%	+4.8%	+4.2%	+2.8%	+4.5%	+4.4%	-6.4%	-11.1%	-4.8%	-11.3%	-23.6%	-17.2%
ECL	SEK 63 million			SEK 65 million			SEK 156 million			SEK 564 million		
Weighted ECL²⁾	SEK 159 million											

1) Not included in the ECL calculation

2) Of which, SEK 143 million was attributable to lending to the public and SEK 16 million to off-balance-sheet items linked to loan commitments and building credits.

Impairment model and credit loss provisions

During the second quarter SBAB, based on updated macroeconomic forecasts, revised the forward-looking information applied in the impairment model used to calculate expected credit losses (ECL). The macroeconomic factors were updated for scenario 1 (base scenario) and scenario 2. Additionally, an update of the weights for scenario 2 och scenario 3 was also made, where a heavier weight was assigned scenario 3. The updates in the forward-looking information resulted in a decrease in credit loss provisions of SEK 2 million. The revision in the macroeconomic forecasts is based on a more positive outlook on the housing market and the economy in Sweden compared to previous forecasts applied during the pandemic, in light of the increased real estate prices observed in 2021. The revision of the weighting between scenario 2 and scenario 3, which reflect the probabilities to experience credit losses of respective magnitudes, was performed to account for the remaining uncertainty of the Swedish housing market and the economy in general. Thus, the revision aims to temporarily limit the positive effect of updated macroeconomic factors.

The above table shows the forward-looking information comprised of a weighting of four applied scenarios with projections of the relevant macroeconomic factors used to calculate ECL. During the first and second quarter SBAB has closely followed the credit risk exposure in the portfolio due to the development in the economy. The underlying credit risk models in the impairment model are largely based on customers' payment behaviour and market values of collateral and, as yet, show no increase in realised credit risk during the corona-pandemic.

SBAB is comfortable with the size of the credit loss provisions, totalling SEK 159 (161) million as per 30 June 2021.

Overall credit quality

Despite the prevailing coronavirus pandemic, the credit quality of SBAB's lending remains good and the risks entailed in retail lending are low. SBAB's granting of credit to customers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments. The Swedish FSA's annual mortgage market survey, with data from 2020, found that overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages even in a worse economic climate. At the end of the quarter, the average loan-to-value (LTV) ratio³⁾ in SBAB's mortgage portfolio was 59 percent (59). At the same date, the average residential mortgage to retail customers amounted to

SEK 1.8 million (1.8). During the quarter, the LTV for new lending was 71 percent (68) and the debt-to-income ratio was 4.0 (3.9).

The credit quality of SBAB's lending to property companies, property developers and tenant-owners' associations is also assessed as good. The average LTV for property companies and tenant-owners' associations at the end of the quarter was 63 percent (63) and 37 percent (37), respectively. In this business area, the granting of credit is based on an assessment customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the pandemic, the bank is working proactively to identify customers who are or could become particularly financially affected. Since customers' underlying cash flows primarily derive from housing units, they are expected to be less affected, or affected at a later stage, if the pandemic persists. Therefore, SBAB's assessment is that risks may be higher for construction and project development companies, and property companies that are more dependent on capital markets with refinancing needed in the near future. The same applies for tenant-owners' associations with significant revenue from rental premises. There is only a limited portion of the exposures in SBAB's lending subject to this potentially higher credit risk. No individual loss provision or further manual adjustment of counterparties' rating grades in the business area have proved necessary during the second quarter.

Temporary amortisation exemptions

SBAB is offering its residential mortgage customers a temporary pause their mortgage amortisation in accordance with the guidelines of the Swedish FSA (FI Ref. 20-8061). According to the guidelines, SBAB's customers can apply for amortisation exemption until 31 August 2021. At 30 June 2021, around 20,000 households (19,500) encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 47 billion (44). At the same date 61 consumer loan customers (55), and 8 tenant-owners' association customers (8) had been granted amortisation exemption, corresponding to a volume of about SEK 9 million (8) and SEK 316 million (316), respectively. No corporate clients with amortisation exemption have been present in the lending portfolio during the pandemic. SBAB's assessment is that the amortisation exemptions granted to date will not affect credit risk in the near future and, in consequence not affect the need for additional loan loss provisions, but will instead mitigate the increased liquidity risk that has temporarily arisen for the customers. Customers who declared that the application for amortisation exemption was a result of loss

3) The loan-to-value (LTV) ratio is defined as the size of a loan in relation to the market value of pledged collateral. The reported average is the weighted average. Where applicable, the calculation takes into consideration contributory factors such as guarantees and the collateral's lien priority. SBAB verifies property values on a regular basis. For residential properties and tenant-owners' rights, the property value is verified at least every third year.

Note 4 Net credit losses, Cont.

of income due to the coronavirus pandemic are managed by SBAB's insolvency team to further assess if a significant increase in credit risk has occurred and a potential movement of the relevant loans to credit stage 2 is needed, or if the amortisation exemption is to be classified as forbearance measure triggering an identification of default and a movement to credit stage 3, in accordance with the current accounting standard and capital requirements regulations. All customers granted amortisation exemptions in accordance with the Swedish FSA's guidelines were still deemed creditworthy. However, amortisation exemptions on consumer loans are always regarded as an indication of increased credit risk.

Due to the coronavirus pandemic, a large amount of modifications of loans has been identified due to the amortisation exemptions. Granted amortisation exemptions will be classified as modifications in the event they result in changes of loans' terms and conditions. No amortisation exemptions have led to any significant modifications and consequently no write offs.

Note 5 Lending to the public

SEK million	GROUP		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Opening balance, per year	422,835	383,807	383,807
New lending for the period	50,689	95,138	44,721
Amortisation, repayments	-31,779	-56,082	-26,988
Confirmed credit losses	-9	-9	-6
Change in provision for expected credit losses ¹⁾	8	-19	-20
Closing balance, per year/period	441,744	422,835	401,514

1) For further information, refer to Note 4 ("Change in provision for the period – credit stages 1, 2 and 3").

Distribution of lending, including provisions

SEK million	GROUP		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Lending, Residential mortgages	322,029	310,816	300,100
Lending, Corporate Clients & Tenant-Owners' Associations	117,306	109,547	99,063
Lending, Consumer loans	2,409	2,472	2,351
Total	441,744	422,835	401,514

Geographical composition

	GROUP			
	Lending, Residential mortgages %		Lending, Corporate Clients & Tenant-Owners' Associations %	
	2021	2020	2021	2020
	Kv 2	Kv 2	Kv 2	Kv 2
Stockholm area	63.3%	63.4%	46.4%	46.4%
Öresund region	10.4%	10.9%	18.2%	16.5%
University cities and growth regions	10.5%	10.2%	18.1%	15.9%
Gothenburg area	9.9%	9.5%	8.9%	9.7%
Other regions	5.9%	6.0%	8.4%	8.6%

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	GROUP		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Credit stage 1			
Gross lending	423,988	403,531	382,280
Provision	-48	-45	-46
Total	423,940	403,486	382,234
Credit stage 2			
Gross lending	17,669	19,214	19,183
Provision	-65	-73	-79
Total	17,604	19,141	19,104
Credit stage 3			
Gross lending	230	241	203
Provision	-30	-33	-27
Total	200	208	176
Total gross lending	441,887	422,986	401,666
Total provisions	-143	-151	-152
Total	441,744	422,835	401,514

Note 6 Derivatives

SEK million	GROUP					
	30 Jun 2021			31 Dec 2020		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal value	Assets measured at fair value	Liabilities measured at fair value	Total nominal value
Interest-rate-related	4,802	1,597	457,339	7,198	1,569	442,941
Currency-related	2,961	1,322	91,969	3,692	1,555	101,119
Total	7,763	2,919	549,307	10,890	3,124	544,060

Cross-currency interest-rate swaps are classified as currency-related derivatives.

Note 7 Operating segments

SEK million	GROUP					
	Jan-Jun 2021					
	Follow-up of operations			Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing ¹⁾	Statutory profit
Net interest income	1,609	463	2,072	-	-	2,072
Commission income	24	26	50	-	-	50
Commission expense	-30	-6	-37	-	-	-36
Net result of financial transactions	-30	-6	-36	-	-	-36
Other operating income	25	0	25	-	-	25
Total operating income	1,598	477	2,075	-	-	2,075
Salaries and remuneration	-190	-47	-237	-	-	-237
Other personnel costs	-115	-31	-146	8	-	-138
Other expenses	-238	-49	-287	-8	14	-281
Depreciation, amortisation and impairment of PPE and intangible assets	-12	-7	-19	-	-14	-33
Net credit losses	-2	7	5	-	-	5
Operating profit	1,041	350	1,391	0	0	1,391
Tax	-218	-74	-292	-	-	-292
Profit after standardised tax	823	276	1,099	0	0	1,099
Return on equity, %	12,2	11,4	12,0	-	-	12,0

1) Depreciation charge for right-of-use assets of office premises.

Note 7 Operating segments, Cont.

SEK million	GROUP					
	Jan–Jun 2020					
	Follow-up of operations			Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing ¹⁾	Statutory profit
Net interest income	1,383	409	1,792	–	–	1,792
Commission income	28	23	51	–	–	51
Commission expense	–47	–13	–60	–	–	–60
Net result of financial transactions	–40	2	–38	–	–	–38
Other operating income	22	0	22	–	–	22
Total operating income	1,346	421	1,767	–	–	1,767
Salaries and remuneration	–172	–38	–210	–	–	–210
Other personnel costs	–110	–27	–137	7	–	–130
Other expenses	–209	–41	–250	–7	15	–242
Depreciation, amortisation and impairment of PPE and intangible assets	–22	–4	–26	–	–15	–41
Net credit losses	–26	–12	–38	–	–	–38
Operating profit	807	299	1,106	0	0	1,106
Tax	–180	–67	–247	–	–	–247
Profit after standardised tax	627	232	859	0	0	859
Return on equity, %	10.3	10.6	10.4	–	–	10.4

1) Depreciation charge for right-of-use assets of office premises.

In May 2021, SBAB acquired the company Boappa. All expenses and revenues are fully allocated to the segments Retail and Corporate Clients & Tenant-Owners' Associations. In relation to the statutory income statement, an expense of SEK 8 million (7) was transferred between the rows "Other expenses" and "Other personnel costs." The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring. IFRS 16 is not

taken into account in the follow-up of operations. All expenses identified in IFRS 16, with the exception of the interest component, are to be considered as costs for premises. The effect of IFRS 16 on the Group is recognised in the reconciliation against the statutory income statement. For more information on IFRS 16, please refer to [Note 1](#) in SBAB's 2020 Annual Report.

Note 8 Classification of financial instruments

Financial assets

GROUP							
30 Jun 2021							
SEK million	Financial assets measured at FVTPL			Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification				
Cash and balances at central banks	-	-	-	-	1,000	1,000	1,000
Chargeable treasury bills, etc.	642	-	-	3,594	22,293	26,529	26,525
Lending to credit institutions	-	-	-	-	930	930	930
Lending to the public	-	-	-	-	441,744	441,744	441,884
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	-157	-157	-
Bonds and other interest-bearing securities	417	-	-	31,865	25,752	58,034	58,133
Derivatives	-	7,306	457	-	-	7,763	7,763
Other assets	-	-	-	-	109	109	109
Prepaid expenses and accrued income	13	-	-	194	216	423	423
Total financial assets	1,072	7,306	457	35,653	491,887	536,375	536,767

Financial liabilities

GROUP					
30 Jun 2021					
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	-	-	17,511	17,511	17,511
Deposits from the public	-	-	138,145	138,145	138,145
Issued debt securities, etc.	-	-	350,362	350,362	353,892
Derivatives	2,662	257	-	2,919	2,919
Other liabilities	-	-	518	518	518
Accrued expenses and deferred income	-	-	947	947	947
Subordinated debt	-	-	1,996	1,996	1,993
Total financial liabilities	2,662	257	509,479	512,398	515,925

Note 8 Classification of financial instruments, Cont.

Financial assets

GROUP							
31 Dec 2020							
SEK million	Financial assets measured at FVTPL			Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification				
Cash and balances at central banks	-	-	-	-	6,530	6,530	6,530
Chargeable treasury bills, etc.	646	-	-	3,612	6,636	10,894	10,889
Lending to credit institutions	-	-	-	-	945	945	945
Lending to the public	-	-	-	-	422,835	422,835	423,363
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	142	142	-
Bonds and other interest-bearing securities	931	-	-	31,421	25,828	58,180	58,282
Derivatives	-	10,247	643	-	-	10,890	10,890
Other assets	-	-	-	-	43	43	43
Prepaid expenses and accrued income	20	-	-	146	210	376	376
Total financial assets	1,597	10,247	643	35,179	474,838	510,835	511,318

Financial liabilities

GROUP					
31 Dec 2020					
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	-	-	20,184	20,184	20,184
Deposits from the public	-	-	135,658	135,658	135,658
Issued debt securities, etc.	-	-	323,704	323,704	328,360
Derivatives	2,701	423	-	3,124	3,124
Other liabilities	-	-	398	398	398
Accrued expenses and deferred income	-	-	1,727	1,727	1,727
Subordinated debt	-	-	1,995	1,995	1,997
Total financial liabilities	2,701	423	483,666	486,790	491,448

Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2020 Annual Report. In the "total fair value" column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet.

The carrying amounts for current receivables and liabilities have been assessed as equal to their fair values. Investments at amortised cost were measured at quoted prices, Level 1.

For Lending to the public, Issued debt securities and Subordinated debt, fair value is established based on generally accepted valuation techniques. As far as possible, calculations made in conjunction with measurement are based on observable market data. Mainly, the models used are based on discounted cash flows.

Issued debt securities and subordinated debt are measured at the Group's current borrowing rate, Level 2. For lending to the public, where no observable credit margin data is available at the time of measurement, the credit margin on the most recent stipulated date of expiry is applied to set the discount rate, Level 3.

Note 9 Fair value disclosures

SEK million	GROUP							
	30 Jun 2021				31 Dec 2020			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	4,236	-	-	4,236	4,258	-	-	4,258
Bonds and other interest-bearing securities	32,282	-	-	32,282	32,352	-	-	32,352
Derivatives	-	7,763	-	7,763	-	10,890	-	10,890
Prepaid expenses and accrued income	207	-	-	207	166	-	-	166
Total	36,725	7,763	-	44,488	36,776	10,890	-	47,666
Liabilities								
Derivatives	-	2,919	-	2,919	-	3,124	-	3,124
Total	-	2,919	-	2,919	-	3,124	-	3,124

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2020 Annual Report. In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement levels used below. No transfers were made between levels in 2020 or 2021.

Quoted market prices (Level 1)

Measurement at quoted prices in an active market for identical assets and liabilities. A market is deemed to be active if the price data is easily accessible and corresponds to actual regularly occurring transactions. The measurement method is used for holdings of quoted interest-bearing securities and for publicly quoted derivatives, primarily interest-rate futures.

Measurement based on observable market data (Level 2)

Measurement aided by external market information other than quoted prices included in Level 1, such as quoted interest rates or prices for closely related instruments. The main tools used are models based on discounted cash flows. This group includes all non-quoted derivatives.

Measurement based in part on unobservable data (Level 3)

Measurement whereby a material component of the model is based on estimates or assumptions that do not originate directly from the market. This method is currently not used on any asset or liability.

Note 10 Liquidity reserve and liquidity risk

The assets in SBAB's liquidity reserve comprises liquid, interest-bearing securities with high ratings and form an integrated part of the Group's liquidity risk management. Securities holdings are limited by asset class and by country, respectively, and must have at least an AA-rating (as stated by Moody's Investors Service's ratings system) on acquisition. In addition to these collective limits, limits for individual issuers may also be set. The following table is reported according to the Swedish Bankers' Association's template for liquidity reserve disclosures and is based on the European Commission's Delegated Regulation EU (2015/61) with regard to liquidity coverage requirements.

Calculation of survival horizon

SBAB measures and stress tests liquidity risk by calculating the survival horizon, which is an internal metric used to identify how long SBAB will be able to meet its payment obligations without access to capital market funding, and includes outflows from deposits under a stressed scenario. The survival horizon has been limited to a minimum of 180 days at the consolidated level at any given time.

The survival horizon is calculated by totalling the maximum need of liquidity for each coming day and comparing this to the size of the liquidity portfolio after applicable haircuts. The calculations are based on a crisis scenario in which

all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no funding is available and deposits decline. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. SBAB's survival horizon amounted to 349 days at 30 June 2021 (383 days at 31 March 2021).

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. At 30 June 2021, the LCR was 278% (226% as of 31 March 2021) in all currencies at the consolidated level, and 3 170% (437) and 1 122% (824), respectively, in EUR and USD. Measured in SEK, the LCR was 216% (179). The net stable funding ratio (NSFR), amounted to 138.3% (134.0) according to of Regulation (EU)2019/876 of the European Parliament and the Council.

SEK billion		CONSOLIDATED SITUATION									
		30 Jun 2021					31 Dec 2020				
		Total	Distribution by currency				Total	Distribution by currency			
SEK	EUR		USD	Other	SEK	EUR		USD	Other		
	Level 1 assets	82.3	61.7	15.3	5.3	-	67.8	47.6	14.7	5.5	-
	Cash and balances with central banks ¹⁾	2.4	2.4	-	-	-	7.7	7.7	-	-	-
Level 1	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	32.3	24.0	5.7	2.6	-	13.9	6.6	4.8	2.5	-
	Securities issued by municipalities and public sector entities	14.5	6.1	5.8	2.6	-	15.3	6.9	5.5	2.9	-
	Extremely high quality covered bonds	33.1	29.2	3.8	0.1	-	30.9	26.4	4.4	0.1	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Level 2 assets	2.9	2.6	0.3	-	-	3.1	2.6	0.5	-	-
	Level 2A assets	2.9	2.6	0.3	-	-	3.1	2.6	0.5	-	-
	Securities issued or guaranteed by sovereigns, central banks, municipalities and public sector entities	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	2.9	2.6	0.3	-	-	3.1	2.6	0.5	-	-
Level 2	Corporate debt securities (lowest rating AA-)	-	-	-	-	-	-	-	-	-	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Level 2B assets	-	-	-	-	-	-	-	-	-	-
	Asset-backed securities	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	-	-	-	-	-	-	-	-	-	-
	Corporate debt securities (rated A+ to BBB-)	-	-	-	-	-	-	-	-	-	-
	Shares (major stock index)	-	-	-	-	-	-	-	-	-	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Liquidity reserve	85.2	64.3	15.6	5.3	-	70.9	50.2	15.2	5.5	-

1) Includes central bank facilities.

Note 11 Capital adequacy, own funds and capital requirements

Amendments to the Banking Package

The EU Official Journal has on 7 June 2019 published amendments to the Capital Requirements Regulation, the Capital Requirements Directive and the Bank Recovery & Resolution Directive (the 'Banking Package') which entered into force on 27 June 2019. The Banking Package includes changes to capital requirements and changes in the loss-absorbing and recapitalisation capacity of credit institutions. Most of the changes in the Capital Requirements Regulation entered into force from 28 June 2021. Amendments in Swedish law due to the Capital Adequacy Directive entered into force on 29 December 2020.

Due to the corona pandemic, the EU made amendments to the CRR with effect from 27 June 2020. SBAB was affected by an earlier introduction of a reduction of the capital requirement for loans to small and medium-sized enterprises (SME factor). For SBAB the changes has a limited effect on the capital requirement. In addition, adjustments to amortization of intangible assets in the CET1-capital have been implemented by amending the delegated act (EU) 241/2014. The changes have a limited effect on the CET1-capital.

Buffer requirements

During the first quarter 2020, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5 percent to 0 percent, due to the current corona pandemic. On 22 March 2021, the Swedish FSA decided to keep the countercyclical capital buffer requirement for banks unchanged at 0 percent. Furthermore, decisions will not be made quarterly but only in the event of a change.

Capital adequacy

SEK million	CONSOLIDATED SITUATION 30 Jun 2021
Available own funds (amounts)	
Common Equity Tier 1 (CET1) capital	18,039
Tier 1 capital	22,339
Total capital	24,334
Risk-weighted exposure amounts	
Total risk exposure amount	138,024
Capital ratios (as a percentage of risk-weighted exposure amount)	
Common Equity Tier 1 ratio (%)	13.1
Tier 1 ratio (%)	16.2
Total capital ratio (%)	17.6
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)	
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.6
of which: to be made up of CET1 capital (percentage points)	0.9
of which: to be made up of Tier 1 capital (percentage points)	1.2
Total SREP own funds requirements (%)	9.6
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)	
Capital conservation buffer (%)	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-
Institution specific countercyclical capital buffer (%)	0.0
Systemic risk buffer (%)	-
Global Systemically Important Institution buffer (%)	-
Other Systemically Important Institution buffer (%)	-
Combined buffer requirement (%)	2.5
Overall capital requirements (%)	12.1
CET1 available after meeting the total SREP own funds requirements (%)	7.7

Note 11 Capital adequacy, own funds and capital requirements, Cont.

SEK million	CONSOLIDATED SITUATION 30 Jun 2021
Leverage ratio	
Total exposure measure	558,051
Leverage ratio (%)	4.0
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)	
Additional own funds requirements to address the risk of excessive leverage (%)	–
of which: to be made up of CET1 capital (percentage points)	–
Total SREP leverage ratio requirements (%)	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)	
Leverage ratio buffer requirement (%)	–
Overall leverage ratio requirement (%)	3.0
Liquidity Coverage Ratio	
Total high-quality liquid assets (HQLA) (Weighted value -average)	76,879
Cash outflows - Total weighted value	42,464
Cash inflows - Total weighted value	8,777
Total net cash outflows (adjusted value)	33,688
Liquidity coverage ratio (%)	228
Net Stable Funding Ratio	
Total available stable funding	485,638
Total required stable funding	351,207
NSFR ratio (%)	138.3

Note 11 Capital adequacy, own funds and capital requirements, Cont.

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 637/2021, Annex VII.

Own funds

SEK million	CONSOLIDATED SITUATION		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Common Equity Tier 1 (CET1) capital : Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	15,726	13,995	14,066
Accumulated other comprehensive income (and other reserves)	1,498	2,321	2,614
Additional Tier 1 instruments	4,300	3,500	3,500
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	669	1,855	521
Common Equity Tier 1 (CET1) capital before regulatory adjustments	24,151	23,629	22,659
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	-48	-51	-55
Intangible assets (net of related tax liability) (negative amount)	-243	-204	-221
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	-1,446	-2,307	-2,676
Negative amounts resulting from the calculation of expected loss amounts	-35	-51	-45
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-40	-24	-24
Additional Tier 1 instruments in equity	-4,300	-3,500	-3,500
Other regulatory adjustments ²⁾	-	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-6,112	-6,137	-6,521
Common Equity Tier 1 (CET1) capital	18,039	17,492	16,138
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	4,300	3,500	3,500
– of which, classified as equity under applicable accounting standards	4,300	3,500	3,500
– of which, classified as liabilities under applicable accounting standards	-	-	-
Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	-	-	-
Additional Tier 1 (AT1) capital before regulatory adjustments	4,300	3,500	3,500
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-	-
Additional Tier 1 capital (AT1) capital	4,300	3,500	3,500
Tier 1 capital (T1=CET1+AT1)	22,339	20,992	19,638
Tier 2 (T2) capital : instruments			
Capital instruments and the related share premium accounts	1,995	1,995	4,442
Credit risk adjustments	0	5	6
Tier 2 (T2) capital before regulatory adjustments	1,995	2,000	4,448
Tier 2 capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	-	-	-
Tier 2 (T2) capital	1,995	2,000	4,448
Total capital (TC=T1+T2)	24,334	22,992	24,086
Total risk-exposure amount	138,024	130,267	127,074

Note 11 Capital adequacy, own funds and capital requirements, Cont.

SEK million	CONSOLIDATED SITUATION		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Capital ratios and requirements including buffers %			
Common Equity Tier 1 capital	13.1	13.4	12.7
Tier 1 capital	16.2	16.1	15.5
Total capital	17.6	17.6	19.0
Institution-CET1 overall capital requirements	7.0	7.0	7.0
– of which, capital conservation buffer requirement	2,5	2,5	2,5
– of which, countercyclical buffer requirement	0,0	0,0	0,0
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage	–	–	–
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	8.6	8.9	8.2
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

1) The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

2) There are not results that generates deduction of NPL backstop since entry into force.

Note 11 Capital adequacy, own funds and capital requirements, Cont.

At the start of 2019, SBAB's Board decided to apply Article 3 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) for corporate exposures to small and medium-sized enterprises. The aim is to compensate for the current pro-cyclical effect that exists in the bank's internal models for credit risk, which has resulted in PD declining in line with the favourable economic climate. As a result, the bank has introduced a REA surcharge under Pillar

1, which amounted to SEK 1,290 million per 2021-06-30. In May 2020, SBAB started to apply a new definition of default according to guidelines submitted by European banking authority (EBA) aimed to harmonize calculations for credit risk between banks. At the transition to the new definition of default in May 2020 the share of defaulted exposures was reduced and the impact on REA was very limited which was in line with the bank's expectations.

Risk exposure amounts and capital requirements

SEK million	CONSOLIDATED SITUATION					
	30 Jun 2021		31 Dec 2020		30 Jun 2020	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	17,969	1,438	16,578	1,326	14,793	1,183
Retail exposures	12,501	1,000	12,181	975	12,461	997
– of which, exposures to SMEs	930	74	913	73	895	72
– of which, retail exposures secured by immovable property	11,571	926	11,268	902	11,566	925
Total exposures recognised with the IRB approach	30,470	2,438	28,759	2,301	27,254	2,180
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0
Exposures to institutions ¹⁾	4,022	322	4,042	323	4,544	364
– of which, derivatives according to CRR, Appendix 2	3,940	315	4,014	321	4,503	361
– of which, repos	82	7	28	2	40	3
– of which, other	0	0	0	0	1	0
Retail exposures	2,842	227	2,613	209	2,454	196
Exposures in default	6	0	7	1	7	1
Exposures in the form of covered bonds	3,709	297	3,738	299	3,822	306
Exposures to institutions and corporates with a short-term credit rating	57	5	10	1	118	9
Equity exposures	2,131	170	1,266	101	1,266	101
Other items	460	37	327	26	533	43
Total exposures recognised with standardised approach	13,227	1,058	12,003	960	12,744	1,020
Market risk	352	28	348	28	794	64
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	352	28	348	28	794	64
Operational risk	5,547	444	5,212	417	5,212	417
– of which, standardised approach	5,547	444	5,212	417	5,212	417
Credit valuation adjustment risk (CVA risk)	2,130	170	1,504	120	1,976	158
Additional requirements under Article 458 of the CRR	85,008	6,801	81,649	6,532	78,302	6,264
Additional requirements under Article 3 of the CRR	1,290	103	792	63	792	63
Total risk exposure amount and minimum capital requirements	138,024	11,042	130,267	10,421	127,074	10,166
Capital requirements for capital conservation buffer	3,709	3,451		3,257		3,177
Capital requirements for countercyclical buffer		16		17		12
Total capital requirements		14,509		13,695		13,355

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,022 million (4,042).

Note 12 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for the Group amounted to SEK 16,042 million (SEK 15,206 million at 31 December 2020). The internal capital requirement is assessed using SBAB's internal models for economic capital and is not fully comparable to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumptions and methodologies. SBAB estimates that the Swedish FSA's expected total capital requirement as of 31

June 2021 amounted to SEK 16,758 million, of which SEK 2,249 million comprised capital requirement in Pillar 2. SBAB quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period. The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

SEK million		CONSOLIDATED SITUATION			
		30 Jun 2021		31 Dec 2020	
		Internally assessed capital requirement		Internally assessed capital requirement	
	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	
Pillar 1	Credit risk & CVA risk	3,666	2.7	3,381	2.6
	Market risk	28	0.0	28	0.0
	Operational risk	444	0.3	417	0.3
	Risk-weight floor ¹⁾	6,801	4.9	6,532	5.0
	Surcharge, corporate exposures ²⁾	103	0.1	63	0.1
	Total Pillar 1	11,042	8.0	10,421	8.0
Pillar 2	Credit risk	-	-	-	-
	Market risk	378	0.3	387 ³⁾	0.3 ³⁾
	Operational risk	-	-	-	-
	Concentration risk	1,068	0.7	1,046	0.8
	Sovereign risk	87	0.1	78	0.1
	Pension risk	-	-	-	-
Total Pillar 2	1,533	1.1	1,511³⁾	1.2³⁾	
Buffers	Capital conservation buffer	3,451	2.5	3,257	2.5
	Capital planning buffer	-	-	-	-
	Countercyclical buffer	16	0.0	17	0.0
	Total Buffers	3,467	2.5	3,274	2.5
Total	16,042	11.6	15,206³⁾	11.7³⁾	
Total own funds	24,334		22,992		

1) On 23 August 2018, the Swedish FSA decided to amend the method for applying the risk-weight floor for Swedish mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The change means the capital requirement is set as a requirement in Pillar 1. The amendment entered force from 31 December 2018 and applies for two years. Finansinspektionen has notified the Council, the European Commission and the EBA of its plans to continue to apply the risk weight floor for mortgages for another year, in accordance with Article 458 of the CRR. The European Commission approved FI's proposed measure in November 2020 and FI subsequently decided to extend the application of the floor within Pillar 1 until 30 December 2021.

2) Surcharge after decision by the Board pursuant to Article 3 of the CRR.

3) The amount has been adjusted compared to the amount in the table published in the December 2020 report.

Parent Company

Trend for January–June 2021 compared with January–June 2020

Profit before credit losses increased to SEK 288 million (266), primarily due to increase Net interest income. Net interest income increased during the period to SEK 347 million (292), mainly driven by higher interest income from subordinated receivable from SCBC. Net commission income decreased to SEK 35 million (37), primarily due to decreased commission cost. The net result of financial transactions amounted to an income of SEK 21 million (26) mainly due to differences in revaluation of credit risk in derivative instruments. Other operating income

increased to SEK 612 million (550), which was mainly driven by comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses grew to SEK 727 million (639), mainly due to higher personnel costs, development in adaption to new regulations and investments in digitisation. Credit losses amounted to SEK 2 million (expense: 21). Lending to the public totalled SEK 24,6 billion (25,0). Deposits from the public totalled SEK 138,1 billion (131,3). The CET1 capital ratio amounted to 26.7 percent (28.5) and the total capital ratio was 42.6 percent (42.8). The internally assessed capital requirement was SEK 5,656 million (5,503).

Consolidated income statement

SEK million	PARENT COMPANY					
	2021 Q2	2021 Q1	2020 Q2	2021 Jan–Jun	2020 Jan–Jun	2020 Jan–Dec
Interest income	410	436	464	846	929	1,811
Interest expense	-248	-251	-312	-499	-637	-1,217
Net interest income	162	185	152	347	292	594
Dividends received	-	-	-	-	-	719
Commission income	26	26	34	52	51	95
Commission expense	-6	-11	-9	-17	-14	-39
Net result of financial transactions	20	1	68	21	26	33
Other operating income	325	287	274	612	550	1,181
Total operating income	527	488	519	1,015	905	2,583
Personnel costs	-188	-183	-167	-371	-333	-682
Other expenses	-179	-169	-144	-348	-294	-585
Depreciation, amortisation and impairment of PPE and intangible assets	-4	-4	-7	-8	-12	-43
Total expenses before credit losses	-371	-356	-318	-727	-639	-1,310
Profit/loss before credit losses	156	132	201	288	266	1,273
Net credit losses	2	0	-8	2	-21	-11
Operating profit	158	132	193	290	245	1,262
Tax	-35	-30	-46	-65	-63	-289
Net profit for the period	123	102	147	225	182	973

Consolidated statement of comprehensive income

SEK million	PARENT COMPANY					
	2021 Q2	2021 Q1	2020 Q2	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Net profit/loss for the period	123	102	147	225	182	973
Other comprehensive income						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	-25	-25	12	-50	-81	4
Changes related to cash-flow hedges	-31	-18	-24	-49	34	-2
Tax attributable to components that will be reclassified to profit or loss	11	9	2	20	10	2
Other comprehensive income/loss, net of tax	-45	-34	-10	-79	-37	4
Total comprehensive income for the period	78	68	137	146	145	977

Consolidated balance sheet

SEK million	PARENT COMPANY		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
ASSETS			
Cash and balances at central banks	1,000	6,530	5,590
Chargeable treasury bills, etc.	26,529	10,894	43,212
Lending to credit institutions (Note 13)	111,343	121,069	105,560
Lending to the public	24,578	24,806	24,985
Bonds and other interest-bearing securities	58,034	58,180	60,218
Derivatives	9,437	12,320	15,347
Shares and participations in Group companies	10,470	10,401	10,401
Intangible assets	11	14	21
Property, plant and equipment	47	34	49
Other assets	120	746	201
Prepaid expenses and accrued income	371	391	530
TOTAL ASSETS	241,940	245,385	266,474
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	17,419	20,184	21,423
Deposits from the public	138,145	135,658	131,333
Issued debt securities, etc.	58,535	59,841	62,812
Derivatives	9,513	12,153	14,726
Other liabilities	264	512	17,106
Accrued expenses and deferred income	535	309	676
Deferred tax liabilities	38	58	53
Provisions	16	20	28
Subordinated debt	1,996	1,995	4,445
Total liabilities	226,461	230,730	252,602
Equity			
Restricted equity			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
Total restricted equity	2,350	2,350	2,350
Unrestricted equity			
Fair value reserve	162	241	200
Additional Tier 1 instruments	4,300	3,500	3,500
Retained earnings	8,442	7,591	7,640
Net profit for the period	225	973	182
Total unrestricted equity	13,129	12,305	11,522
Total equity	15,479	14,655	13,872
TOTAL LIABILITIES AND EQUITY	241,940	245,385	266,474

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 30 June 2021, SEK 95,357 million relates to a receivable from the wholly owned subsidiary AB Sveriges S akerst allda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 109,515 million at the end of 2020. This receivable is subordinated in the event of receivership or liquidation, which means that payment is received only after other creditors of the subsidiary have been

paid. Of the total receivable, SEK 6,000 million (6,000) comprises an internal Group debt instrument (senior non-preferred notes), issued by the subsidiary SCBC for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office.

Note 14 Capital adequacy, own funds and capital requirements – Parent Company

Amendments to the Banking Package

The EU Official Journal has on 7 June 2019 published amendments to the Capital Requirements Regulation, the Capital Requirements Directive and the Bank Recovery & Resolution Directive (the 'Banking Package') which entered into force on 27 June 2019. The Banking Package includes changes to capital requirements and changes in the loss-absorbing and recapitalisation capacity of credit institutions. Most of the changes in the Capital Requirements Regulation entered into force in 28 June 2021. Amendments in Swedish law due to the Capital Adequacy Directive entered into force on 29 December 2020.

Due to the corona pandemic, the EU made amendments to the CRR with effect from 27 June 2020. SBAB was affected by an earlier introduction of a reduction of the capital requirement for loans to small and medium-sized enterprises (SME factor). For SBAB the changes has a limited effect on the capital

requirement. In addition, adjustments to amortization of intangible assets in the CET1-capital have been implemented by amending the delegated act (EU) 241/2014. The changes have a limited effect on the CET1-capital.

Buffer requirements

During the first quarter 2020, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5 percent to 0 percent, due to the current corona pandemic. On 22 March 2021, the Swedish FSA decided to keep the countercyclical capital buffer requirement for banks unchanged at 0 percent. Furthermore, decisions will not be made quarterly but only in the event of a change.

Capital adequacy

SEK million	MODERBOLAGET 30 Jun 2021
Available own funds (amounts)	
Common Equity Tier 1 (CET1) capital	10,579
Tier 1 capital	14,879
Total capital	16,874
Risk-weighted exposure amounts	
Total risk exposure amount	39,630
Capital ratios (as a percentage of risk-weighted exposure amount)	
Common Equity Tier 1 ratio (%)	26.7
Tier 1 ratio (%)	37.5
Total capital ratio (%)	42.6
Additional own funds requirement to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)	
Additional own funds requirement to address risks other than the risk of excessive leverage (%)	2.7
of which: to be made up of CET1 capital (percentage points)	1.5
of which: to be made up of Tier 1 capital (percentage points)	2.0
Total SREP own funds requirement (%)	10.7

Note 14 Capital adequacy, own funds and capital requirements – Parent Company, Cont.

SEK million	MODERBOLAGET 30 Jun 2021
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)	
Capital conservation buffer (%)	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-
Institution specific countercyclical capital buffer (%)	0.0
Systemic risk buffer (%)	-
Global Systemically Important Institution buffer (%)	-
Other Systemically Important Institution buffer (%)	-
Combined buffer requirement (%)	2.5
Overall capital requirements (%)	13.2
CET1 available after meeting the total SREP own funds requirements (%)	20.7
Leverage ratio	
Total exposure measure	147,709
Leverage ratio (%)	10.1
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)	
Additional own funds requirements to address the risk of excessive leverage (%)	-
of which: to be made up of CET1 capital (percentage points)	-
Total SREP leverage ratio requirements (%)	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)	
Leverage ratio buffer requirement (%)	-
Overall leverage ratio requirement (%)	3.0
Liquidity Coverage Ratio	
Total high-quality liquid assets (HQLA) (Weighted value -average)	76,879
Cash outflows - Total weighted value	52,656
Cash inflows - Total weighted value	9,003
Total net cash outflows (adjusted value)	43,653
Liquidity coverage ratio (%)	176.1
Net Stable Funding Ratio	
Total available stable funding	200,905
Total required stable funding	140,935
NSFR ratio (%)	142.6

Note 14 Capital adequacy, own funds and capital requirements – Parent Company, Cont.

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 637/2021, Annex VII.

Own funds

SEK million	PARENT COMPANY		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Common Equity Tier 1 (CET1) capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	8,833	7,983	8,032
Accumulated other comprehensive income (and other reserves)	162	241	200
Additional Tier 1 instruments	4,300	3,500	3,500
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	-214	973	-161
Common Equity Tier 1 (CET1) capital before regulatory adjustments	15,039	14,655	13,529
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	-66	-71	-78
Intangible assets (net of related tax liability) (negative amount)	-3	-14	-21
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	-51	-89	-117
Negative amounts resulting from the calculation of expected loss amounts	-18	-39	-35
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-22	-25	-25
Additional Tier 1 instruments in equity	-4,300	-3,500	-3,500
Other regulatory adjustments ²⁾	0	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-4,460	-3,738	-3,776
Common Equity Tier 1 (CET1) capital	10,579	10,917	9,753
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	4,300	3,500	3,500
– of which, classified as equity under applicable accounting standards	4,300	3,500	3,500
– of which, classified as liabilities under applicable accounting standards	-	-	-
Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	-	-	-
Additional Tier 1 capital before regulatory adjustments	4,300	3,500	3,500
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-	-
Additional Tier 1 (AT1) capital	4,300	3,500	3,500
Tier 1 capital (T1= CET1+AT1)	14,879	14,417	13,253
Tier 2 (T2) capital: Instruments			
Capital instruments and the related share premium accounts	1,995	1,995	4,442
Credit risk adjustments	-	-	-
Tier 2 (T2) capital before regulatory adjustments	1,995	1,995	4,442
Tier 2 (T2) capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	-	-	-
Tier 2 (T2) capital	1,995	1,995	4,442
Total capital (TC= T1+T2)	16,874	16,412	17,695
Total risk-exposure amount	39,630	38,322	39,897

Note 14 Capital adequacy, own funds and capital requirements – Parent Company, Cont.

SEK million	PARENT COMPANY		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Capital ratio and requirements including buffers, %			
Common Equity Tier 1 capital	27.6	28.5	24.4
Tier 1 capital	37.5	37.6	33.2
Total capital	42.6	42.8	44.4
Institution CET1 overall capital requirements	7.0	7.0	7.0
– of which, capital conservation buffer requirement	2.5	2.5	2.5
– of which, countercyclical buffer requirement	0.0	0.0	0.0
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage	–	–	–
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	22.2	24.0	19.9
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

1) The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

2) There are no results that generate a deduction of NPL backstop since entry into force.

Note 14 Capital adequacy, own funds and capital requirements – Parent Company, Cont.

Risk exposure amounts and capital requirements

SEK million	PARENT COMPANY					
	30 Jun 2021		31 Dec 2020		30 Jun 2020	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	7,641	612	7,740	619	8,003	640
Retail exposures	1,105	88	941	75	1,028	82
– of which, exposures to SMEs	81	6	58	5	88	7
– of which, retail exposures secured by immovable property	1,024	82	883	70	940	75
Total exposures recognised with the IRB approach	8,746	700	8,681	694	9,031	722
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0
Exposures to institutions ¹⁾	3,361	269	3,934	315	4,406	352
– of which, derivatives according to CRR, Appendix 2	3,324	266	3,899	312	4,367	349
– of which, repos	37	3	19	2	29	2
– of which, other	0	0	16	1	10	1
Retail exposures	2,842	227	2,613	209	2,455	196
Exposures in default	6	0	7	1	7	1
Exposures in the form of covered bonds	3,709	297	3,738	299	3,822	306
Exposures to institutions and corporates with a short-term credit rating	34	4	11	1	118	9
Equity exposures	12,431	994	11,566	925	11,566	925
Other items	143	11	96	7	131	11
Total exposures recognised with standardised approach	22,526	1,802	21,965	1,757	22,505	1,800
Market risk	111	9	74	6	116	9
– of which, position risk	-	-	-	-	-	-
– of which, currency risk	111	9	74	6	116	9
Operational risk	2,567	205	2,148	172	2,148	172
– of which, standardised approach	2,567	205	2,148	172	2,148	172
Credit valuation adjustment risk (CVA risk)	680	54	1,286	103	1,714	137
Additional requirements under Article 458 of the CRR	4,816	385	3,992	320	4,207	338
Additional requirements under Article 3 of the CRR	184	15	176	14	176	14
Total risk exposure amount and minimum capital requirements	39,630	3,170	38,322	3,066	39,897	3,192
Capital requirements for capital conservation buffer		991		958		997
Capital requirements for countercyclical buffer		7		7		5
Total capital requirements		4,168		4,031		4,194

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,361 million (3,934).

Note 15 Business acquisitions

Acquisition 2021

On May 3, 2021, SBAB acquired 58% of the shares in Boappa AB with an acquisition date on May 3, when a controlling influence was obtained. For the remaining shares, both put and call options are issued. The liability regarding the remaining shares is calculated at the present value of the expected exercise price based on the option clauses in the agreement and, as a consequence, no holding without a controlling influence is reported in the acquisition of Boappa on the acquisition date.

Boappa is an app that makes everyday life easier for both boards and members of tenant-owner associations, communities and new production projects. In Boappa, all information and practical functionality is gathered in one place: communication with members, booking systems for common facilities and tools that facilitate board work. Boappa started in 2015 and today consists of three employees in Sweden (CEO, sales manager and COO) and a development team of three people. The number of affiliated tenant-owner associations is growing and amounts to 3,100 with 49,000 users at the end of the second quarter.

Acquired net assets at the time of acquisition:

SEK million	Fair value determined at acquisition
Tangible fixed assets	-
Intangible assets	70
Software	20
Trademark	5
Non-compete clause	1
Customer relations	5
Goodwill (non-deductible)	39
Accounts receivable and other receivables	0
Cash and cash equivalents	0
Accounts payable and other liabilities	-2
Deferred tax	-4
Net assets also purchase price	64

The purchase price consists of:

Cash	31
Debt to owners of remaining shares	33

In connection with the acquisition, intangible assets have been identified which mainly consist of brand, software, customer relationships and a non-compete clause. In addition, a goodwill item arose that is attributable to synergy effects.

Transaction costs related to the acquisition have been reported as a in the income statement under Other costs (SEK 1,4 million). The acquisition has not impacted the Group's earnings significantly.

Impact of the acquisition on the Group's cash flow:

SEK million	Fair value determined at acquisition
Purchase price	31
Departs:	
Cash (acquired)	0
Net cash outflow	31

Alternative performance measures

Alternative performance measures (APMs) are financial metrics of historical or future performance, financial position or cash flows that are not defined in the applicable rules for financial reporting (such as IFRS and the Swedish Annual Accounts Act) or in the EU's Capital Requirements Directive (CRD IV)/Capital Requirements Regulation (CRR).

SBAB uses APMs when these are relevant for the presentation and follow-up of the Group's financial position and when these metrics are deemed to provide additional valuable information to readers of the financial reports. SBAB has also chosen to present the APMs as they are in common use within the industry. APMs can be calculated with various approaches and, accordingly, SBAB's metrics are not directly comparable with similar metrics presented by other companies.

Deposits/lending

Definition: Ratio of total deposits to total lending (closing balances).

The APM aims to provide the reader with further information regarding the relative ratio of deposits to lending.

SEK million	GROUP		
	30 Jun 2021	30 Jun 2020	31 Dec 2020
Deposits from the public	138,145	131,333	135,658
Lending to the public	441,744	401,514	422,835
Deposits/lending, %	31.3	32.7	32.1

C/I ratio

Definition: Total expenses before credit losses for the period in relation to total operating income for the period.

The APM aims to provide the reader with further information regarding the Group's cost-efficiency.

SEK million	GROUP		
	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Expenses	-689	-623	-1,335
Operating income	2,075	1,767	3,728
C/I ratio, %	33.2	35.3	35.8

C/L ratio

Definition: Expenses for the period (annualised) before credit losses in relation to lending to the public (calculated using the opening and closing balances for the period).

The APM aims to provide the reader with further information regarding the Group's cost-efficiency.

SEK million	GROUP		
	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Expenses	-689	-623	-1,335
- Expenses (annualised)	1,379	-1,246	-1,335
Aver. lending to the public	432,290	395,416	403,321
C/L ratio, %	0.32	0.32	0.33

Return on equity

Definition: Profit after tax for the period (annualised) in relation to average equity (calculated using the opening and closing balances for the reporting period), after adjustment for additional Tier 1 instruments and value changes in financial assets recognised in equity.

The APM aims to provide the reader with further information regarding the Group's profitability in relation to unrestricted equity.

SEK million	GROUP		
	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Operating profit after tax	1,099	859	1,839
- Op. profit after tax (annualised)	2,199	1,718	1,839
Average equity	18,306	16,504	16,965
Return on equity, %	12.0	10.4	10.8

Net interest margin

Definition: Net interest income for the period (annualised) in relation to average (calculated using the opening and closing balances for the reporting period) total balance sheet.

The APM aims to provide the reader with further information regarding the Group's profitability.

SEK million	GROUP		
	2021	2020	2020
	Jan-Jun	Jan-Jun	Jan-Dec
Net interest income	2,072	1,792	3,747
- Net interest inc. (annualised)	4,143	3,584	3,747
Average balance sheet total	524,492	502,032	493,446
Net interest margin, %	0.79	0.71	0.76

Credit loss ratio

Definition: Credit losses for the period (annualised) in relation to total lending (closing balance).

The APM aims to provide the reader with further information regarding the relative ratio of credit losses to total lending.

SEK million	GROUP		
	2021	2020	2020
	Jan-Jun	Jan-Jun	Jan-Dec
Credit losses	5	-38	-32
- Credit losses (annualised)	10	-76	-32
Lending to the public	441,744	401,514	422,835
Credit loss ratio, %	0.00	-0.02	-0.01

Share of Stage 3 loans, gross, %

Definition: Gross lending in credit stage 3 (closing balance) in relation to total lending to the public (closing balance).

The APM aims to provide the reader with further information regarding the proportion of non-performing loans pursuant to accepted accounting standards relative to the total loan portfolio.

SEK million	GROUP		
	30 Jun 2021	30 Jun 2020	31 Dec 2020
Gross lending credit stage 3	230	203	241
Lending to the public	441,744	401,514	422,835
Share of Stage 3 loans, %	0.05	0.05	0.06

New lending

Definition: Gross lending for the period.

The APM aims to provide the reader with an image of the inflow of new business during the reporting period.

Definitions of other key performance indicators

Number of employees (FTEs)	Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence
CET1 capital ratio	CET1 capital in relation to risk-weighted assets
Total capital ratio	Own funds in relation to risk-weighted assets
Tier 1 capital ratio	Tier 1 capital in relation to risk-weighted assets
Leverage ratio	Tier 1 capital in relation to total assets and off-balance sheet exposures restated with the application of credit conversion factors
Liquidity coverage ratio, LCR	Liquid assets in relation to net cash outflows over a 30-day stress scenario in accordance with the European Commission's Delegated Regulation EU (2015/61) with regard to liquidity coverage requirements
Survival horizon	The number of days that the need for liquidity can be met in a stress scenario before new liquidity is needed
Net stable funding ratio, NSFR	A liquidity risk metric of a structural nature that demonstrates the stability of the Group's funding in relation to its assets. From 30 September 2019, NSFR is calculated pursuant to Regulation (EU) 2019/876 of the European Parliament and the Council

Auditors' review report

Introduction

We have reviewed the interim report for SBAB Bank AB (publ) for the period 1 January – 30 June 2021. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410 Review of Interim Financial Information performed by the company's auditors. A review consists of making inquiries, primarily with persons

responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report for the Group is not prepared, in all material aspects, in

accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm July 16, 2021

Deloitte AB

Signature on Swedish original

Patrick Honeth
Auktoriserad revisor

The Board of Directors and the CEO affirms that this interim report provides an accurate overview of the operations, financial position and performance of the Parent Company and the Group, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Solna, 16 July 2021

Jan Sinclair,
Chairman

Leif Pagrotsky
Board Member

Inga-Lill Carlberg
Board Member

Lars Börjesson
Board Member

Daniel Kristiansson
Board Member

Johan Prom
Board Member

Jane Lundgren-Ericsson
Board Member

Synnöve Trygg
Board Member

Margareta Naumburg
Employee representative

Anders Heder
Employee representative

Klas Danielsson
CEO

Financial calendar

Interim Report Jan–Sep 2021
Year-end Report 2021

27 October 2021
4 February 2022

Credit ratings

	Moody's	Standard & Poor's
Long-term funding, SBAB	A1	A
Long-term funding, SCBC	Aaa	–
Short-term funding, SBAB	P-1	A-1



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This information was submitted
for publication on 16 July 2021
at 12:00 (CET).

While every care has been taken in the translation of this report, readers are reminded that the original report, signed by the Board of Directors and the CEO, is in Swedish.

