

Interim report

January–September 2020



The quarter in brief



“Activity has been very high in our operations in the third quarter, and during the first nine months of the year as a whole, partly due to the strength of the housing market but primarily due to our strong competitive position”.

Klas Danielsson, CEO of SBAB

Q3 2020

(Q2 2020)

- The housing market exhibited good resilience in terms of price trend and turnover despite continued uncertainty regarding socio-economic development in the wake of the coronavirus pandemic. [Read more on page 6](#)
- Continued strong growth in total lending, which increased 2.7% to SEK 412.3 billion (401.5), of which SEK 307.2 billion (302.5) comprised lending to retail customers and SEK 105.1 billion (99.1) lending to corporate clients and tenant-owners' associations. Total deposits increased 2.0% to SEK 133.9 billion (131.3). [Read more on page 10](#)
- Strong development for operating profit and net interest income. Operating profit grew 2.4% to SEK 636 million (621). Net interest income increased 4.2% to SEK 945 million (907). Credit losses resulted in a recovery of SEK 4 million (loss: 11). [Read more on page 14](#)
- The average number of unique visitors per month to www.booli.se rose substantially and amounted to around 1,480,000 (1,300,000) during the quarter. [Read more on page 12](#)
- For the second year in a row, SBAB was ranked among Europe's best workplaces according to Great Place to Work® (GPTW), with a 14th place in the Large Organisations category. [Read more on page 4](#)

Total lending, SEK bn

412

Total deposits, SEK bn

134

11.5%

Return on equity

12.7%

CET1 capital ratio

0.30%

C/L ratio

0.00%

Credit loss ratio

Selected key metrics

	GROUP					
	2020	2020	Change	2020	2019	Change
	Q3	Q2		Jan-Sep	Jan-Sep	
Total lending, SEK bn	412.3	401.5	+2.7%	412.3	378.2	+9.0%
Total deposits, SEK bn	133.9	131.3	+2.0%	133.9	130.0	+3.0%
Net interest income, SEK million	945	907	+4.2%	2,737	2,596	+5.4%
Net result of financial transactions, SEK million	-11	17	-28 mn	-49	32	-81 mn
Expenses, SEK million	-310	-312	-0.6%	-933	-860	+8.5%
Credit losses, SEK million	4	-11	-15 mn	-34	-16	+19 mn
Operating profit, SEK million	636	621	+2.4%	1,742	1,768	-1.5%
Return on equity, %	11.5	11.6	-0.1 pp	10.8	12.1	-1.3 pp
C/L ratio, %	0.30	0.32	-0.02 pp	0.31	0.31	0 pp
C/I ratio, %	32.9	33.1	-0.2 pp	34.4	32.5	+1.9 pp
CET1 capital ratio, %	12.7	12.7	0.0 pp	12.7	12.2	+0.5 pp

This is SBAB

Our business idea is to be innovative and considerate in our offering of loans and savings products 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 and HittaMäklare brands. We meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.50% at 31 August 2020, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se is Sweden's second-largest search engine for housing.

[Read more on page 12](#)

SBAB!

hittamäklare!
En tjänst från SBAB

booli!
En tjänst från SBAB

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 12.69% at 31 August 2020. At the same time, the market share for lending to tenant-owners' associations was 9.89%.

[Read more on page 13](#)



SBAB assigns priority to **four Sustainable Development Goals**



Read more about our sustainability agenda in SBAB's Annual Report 2019

Statement from the CEO

The housing market has exhibited remarkable resilience during the coronavirus pandemic. Prices climbed in the third quarter, with rising turnover for all types of housing across the country, which helped create favourable market conditions for financing housing. Our strong competitive position enabled us to capture market shares in our three key customer segments – residential mortgages to private individuals, property financing to property companies and property financing to tenant-owners' associations.

The robust steps being implemented by central banks and governments to counteract recession in the wake of the coronavirus pandemic entail a tidal wave of liquidity for the market. This liquidity must find a destination and has thus resulted in a substantial increase in demand for essentially all forms of assets, including housing. Extremely low interest rates mean that saving in cash or bonds is often not an option, and instead that liquidity is attracted to other assets. We have

a market where, in essence, everything is rising in value, despite being in the midst of a pandemic with rising unemployment and a negative economic trend.

I have worked in the financial industry for more than 30 years and lived through numerous bizarre market conditions, but I have never experienced a market that has so clearly received so much support from central banks and governments for such an extended period as this one. Central bank and government supports have

been in place since the 2008/09 financial crisis and now, during the coronavirus pandemic, these supports have been further strengthened and extended. Is there any other solution? Perhaps not. A new global economic system has been created which, when its foundations are shaken, seeks to stabilise using as yet untested monetary and fiscal policies.

The Riksbank has announced that extremely low interest rates will prevail for several more years. We believe that this creates public expectations that housing costs will remain very low for many years to come. We believe that the strong economic support measures, implemented by the Riksbank and the government, create security and give the perception that the risks are low. In general, we believe this has resulted in many people being in fear of being left behind and missing the chance to gain their first step on the housing ladder. Consequences of the above include expectations of rising house prices, increased demand for housing, rising housing prices and increased turnover.

High activity

Activity has been very high in our operations in the third quarter, and during the first nine months of the year as a whole, partly due to the strength of the housing market but primarily due to our strong competitive position. I would like to showcase a few examples. Over the year, our lending to property companies and housing developers to finance has





increased substantially and we have captured market shares due to our very good customer relations and strong brand. During the coronavirus pandemic, we have focussed strongly on availability and on working on long-term relationships, which is particularly appreciated by our customers in times of crisis. Another example is that our competitive terms, high level of availability, service, satisfied customers and strong brand mean we continue to capture market shares in the residential mortgage market. A third example is that the number of visitors to booli.se, our housing search service, has risen dramatically due to the fact that we have Sweden's largest range of homes for sale – many more than Hemnet.

In terms of performance, with an operating profit of SEK 636 million, the third quarter was a strong quarter for SBAB. The expansionary monetary policy and supports from the Riksbank create a highly favourable funding situation for SBAB, which in some respects, is better than it was prior to the coronavirus pandemic. This helps to support mortgage margins and maintain profitability at healthy level and has allowed us to lower mortgage rates. Competition remains intense in the residential mortgage market, which may lead to mortgage rates falling further.

Confirmed credit losses remain extremely low. To date, we have not noted any rise in late payments from our customers despite rising unemployment – clear evidence of the low risk inherent in

our lending. Naturally, the possibility of amortisation exemptions will provide relief for our customers, but we still do not believe that this is decisive for many.

"Boendekonomi är jättekull"

SBAB is a purpose- and values-driven growth company. We place considerable focus on being an inherently sustainable company with sustainability as a competitive advantage. We want to create good results for all our stakeholders. Succeeding in reaching our vision and our targets requires high levels of motivation and commitment among staff at SBAB, which in turn entails that SBAB must be an extremely attractive workplace. In the third quarter, we were ranked as Europe's 14th best workplace in the Large Organisations category by Great Place to Work. We view this as confirmation that we have made substantial progress in becoming a very attractive workplace.

It is highly gratifying that things continue to progress so well for SBAB. Household finances are indeed really fun. I would like to take this opportunity to inform you that it is soon time for the start of the third season of "Boendekonomi är jättekull" (Eng. *"Household finances are really fun"*) – our communication concept, where we, with the help of humour and knowledge, want to make everyone understand that household finances are really fun. We concluded the first season by filling the Globe arena with 10,000 people who watched a comic performance about household finances. The

second season concluded with a music video "Komma hem – låda låda," which was viewed more than 6,500,000 times on YouTube and Facebook, and played more than 350,000 times on Spotify. I am afraid I cannot reveal the highlights or how the third season will conclude, but keep your eyes peeled for the first episode and you'll find out more. Really exciting, don't you agree?

The motivation and commitment at SBAB is an important reason for why I believe it is so amazing to work here. Thank you very much, all my colleagues, for your fantastic work.

Look after each other.

Klas Danielsson
CEO OF SBAB

Information due to the coronavirus pandemic



The spread of the coronavirus (Covid-19) is creating great human suffering all around the world and its progression has substantially disrupted the economy.

The long-term economic consequences depend on the duration of the crisis. Unlike previous viruses, such as MERS and SARS, the coronavirus has a broad global spread, which is likely to have greater adverse socio-economic effects compared with previous virus outbreaks. The extent of the final impact depends on the measures taken by governments, central banks and other agencies, among other actions. You will find a few of the measures implemented to date below.

Measures by government agencies

Government measures

The government has allocated substantial resources to health care, but has also taken steps to reduce the risk of companies entering into bankruptcy as a result of the coronavirus. In addition to more health care resources, the government in Sweden has taken steps, including dropping the no-benefit day in case of illness and assuming employers' expenses for employees' sick pay during the first two weeks of illness, which also applies for SBAB. Moreover, the government has decided to temporarily lower social security contributions on a limited portion of companies' total payroll. The government has also allowed companies with temporary declines in sales revenue to defer certain payments of taxes and fees. SBAB has not utilised this measure. The government's most costly step pertains to the short-time work-allowance, whereby the employees of companies whose operations are severely affected by the crisis can reduce work hours but still retain most of their salary through the state compensating a large part of the company's expenses for personnel that reduce their working hours. SBAB continues to grow and to recruit, and has therefore not been affected by this

measure either. More information about measures taken by the government are available on its [website](#).

Measures from the Riksbank

The Riksbank, the ECB and central banks around the world have announced support measures to maintain the functionality of the markets and to mitigate the economic effects of the coronavirus pandemic. In Sweden, the Riksbank has taken separate measures to ensure banks can lend to companies suffering from temporary large declines in revenue, when demand for companies' products or services falls as a result of the coronavirus. These include a decision by the Riksbank to lend, through a credit facility, up to SEK 500 billion to companies via the banks with the aim of ensuring a functioning supply of credit. SBAB has participated in this credit facility with SEK 13 billion (see the section on funding on the next page). The Riksbank has also decided to purchase government, municipal, mortgage and corporate bonds and commercial paper, including SBAB's, for up to SEK 500 billion and, in parallel, has lowered the overnight rate for standing deposits with the Riksbank. Even if the Riksbank has announced that a cut in the repo rate is not on the cards, it has not ruled out the possibility of returning to a negative repo rate. Additional information is available on the Riksbank [website](#).

Measures from Finansinspektionen (the Swedish FSA)

The Swedish FSA has decided to lower the countercyclical capital buffer requirement for banks' Swedish exposures from 2.5% to 0%. The Swedish FSA has also announced that banks will have the possibility of offering all new and existing mortgagors an exemption from the amortisation requirements due to the considerable downturn in Sweden's economy in the wake of the coronavirus. It is up to the banks to decide whether an individual household may be granted an amortisation exemption based on an assessment of its specific situation and payment ability. The exemption applies for amortisation payments until 31 August 2021. Read more about SBAB's offer for exemption

from the amortisation requirements on the next page. More information about the Swedish FSA's measures are available on its [website](#).

Measures from the Swedish National Debt Office

The Swedish National Debt Office has decided to extend the phase-in period for banks to meet the MREL until 2024 (from 2022). The measures were implemented to facilitate support from banks in the supply of credit to companies and households. Read more on the Swedish National Debt Office's [website](#).

Effects on Sweden's economy

The ongoing coronavirus pandemic and the measures to limit contagion entail major consequences for the global economy, and therefore also Sweden's. The coronavirus pandemic has heavily impacted Sweden's economy and GDP growth. Unemployment has increased substantially. [Read more on page 8](#)

Effects on the housing market

The housing market remains buoyant despite the coronavirus pandemic. Housing prices rose on a broad front in the first three quarters of the year.

[Read more on page 8](#)

Initiatives to help SBAB's customers

As a banking and services supplier within housing and household finances, SBAB has an important role in the national economy. Even if the government, the Riksbank and other agencies implement major counteractions, unemployment and sick leave are likely to increase substantially in Sweden – at least for a period. And even if Sweden, unlike many other countries, has well-functioning welfare systems, people who fall ill or lose their employment will suffer personal financial harm.

In the third quarter, SBAB continued to focus on supporting all customer categories with credits, with the aim of contributing to a well-functioning housing market. New lending in the quarter totalled SEK 24.0 billion. New lending for the January–September 2020 period amounted to SEK 68.7 billion.

SBAB is offering its residential mortgage customers a temporary pause in

mortgage amortisation in accordance with the guidelines of the Swedish FSA. At 30 September 2020, around 19,800 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 43 billion. At the same date and as a result of the coronavirus pandemic, 35 consumer loan customers, and six corporate client and tenant-owners' association customers had been granted amortisation exemption, corresponding to a volume of about SEK 5 million and SEK 430 million, respectively. More information about amortisation relief is available on SBAB's [website](#).

In June, SBAB lowered the interest rate applied its housing cost calculation (KALP), used as a basis for granting residential mortgages, from 6.5% to 6.0% to better reflect the prevailing interest rate conditions. Interest rates are assessed as having established a lower long-term level, which allowed the stressed interest rate to be lowered without materially affecting customers' buffers and resilience to future rate increases. The decrease is expected to add around 5–8% additional scope for lending depending on the amortisation requirement. The measure is expected to improve the function of the housing market during a crisis and, moreover, to create increased possibilities for younger borrowers to enter the housing market.

SBAB's financial position

SBAB's earnings trend and lending growth remained healthy in the third quarter of 2020. The balance sheet is strong, and the capital and liquidity buffers are assessed as robust. SBAB is monitoring ongoing developments with the coronavirus pandemic and implementing measures in accordance with the applicable recommendations of the relevant government agencies.

Credit quality

SBAB's lending to the public increased 2.7% during the quarter to a total of SEK 412.3 billion, of which SEK 304.7 billion comprised residential mortgages, SEK 2.5 billion consumer loans, SEK 50.6 billion lending to property companies and SEK 54.5 billion lending to tenant-owners' associations. SBAB has no exposure to particularly vulnerable sectors and additionally has extremely limited exposure in terms of unsecured corporate lending and lending on commercial premises, such as offices and warehouses. The cred-

it quality in SBAB's loan portfolio is assessed as good. The Swedish FSA's annual mortgage market survey, with data from 2019, also found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages in a worse economic climate. The healthy level of resilience indicates limited risk for mortgages leading to extensive credit losses for the banks. In previous economic crises in Sweden, banks' credit losses linked to residential mortgages and housing finance have been limited. SBAB is carefully monitoring developments and making ongoing assessments and analyses of the credit risks in lending. As a result of the coronavirus pandemic and in accordance with the existing accounting standard (IFRS 9), in 2020, SBAB has revised the forward-looking information applied in the impairment model, resulting in increased credit loss allowances during the year. Net credit losses for the January–September 2020 period totalled SEK 34 million. Credit losses amounted to a recovery of SEK 4 million in Q3.

[Read more on pages 15 & 27–29](#)

Lending growth

As a significant credit provider, it is important in crisis situations that SBAB acts to facilitate and maintain the provision of credit in the market. SBAB's long-term strategy remains firm and the company's ambition is to continue to grow and capture market shares. Growth in the residential mortgage market remains relatively healthy (5.4% in August 2020). Continued high demand was noted during the quarter for corporate loans.

[Read more on page 10](#)

Funding (funding & deposits)

Through the third quarter, steps taken by governments and central banks to support the markets remained in place and credit spreads continued to decline at the same time as interest rates have remained stable to weakly falling. Leading stock market indices turned in a mixed performance over the period. Following first and second quarters with relatively high funding activity, SBAB held a lower issuance pace during the third quarter. In total, debt securities were issued corresponding to a volume of around SEK 16.2 billion. In the third quarter, funding took place at levels generally lower than those prevailing at the end of the second quarter.

[Read more on page 17](#)

SBAB has participated with SEK 13 billion in the Riksbank's SEK 500 billion programme for onward lending to companies via the banks. It is important to support use and create legitimacy for the measures implemented by the government agencies. This facility provides greater prerequisites for SBAB to maintain corporate lending at continued advantageous terms.

Deposits from the public increased 2.0% in the quarter to a total of SEK 133.9 billion. [Read more on page 10](#)

Liquidity

At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 91.0 billion, corresponding to more than 12 months' maturities for the capital markets. The primary purpose of SBAB's liquidity reserve is to meet regulatory requirements and to act as a provision for situations when the ability to obtain liquidity from other sources is limited or rendered materially more difficult. SBAB's liquidity and preparedness are assessed as good. SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon amounted to 263 days at 30 September 2020. At the same date, the LCR and NSFR amounted to 253% and 126%, respectively.

[Read more on page 18](#)

Capitalisation

SBAB is well capitalised and thus has excellent prerequisites to grow lending. The Annual General Meeting's decision not to distribute a dividend for the 2019 financial year has further strengthened SBAB's capitalisation. The margins to the Swedish FSA's capital requirements increased as a result of the Swedish FSA's decision to reduce the counter-cyclical capital buffer requirement. At the end of the third quarter of 2020, SBAB's CET1 capital ratio amounted to 12.7% and the total capital ratio was 16.9%. This can be compared with the Swedish FSA's capital requirements as per 30 September 2020, which were assessed as corresponding to a CET1 capital ratio of 8.2% and a total capital ratio of 12.2%. Increased uncertainty prevails surrounding future capital requirements due to the forthcoming regulatory changes. [Read more on page 18](#)

Market overview

Swedish economy

The Swedish economy is recovering following the sharp fall this spring. However, it will be a long time before the entire downturn has been recovered, and uncertainty remains about how the coronavirus pandemic will continue. Furthermore, questions remain regarding the existence of structural problems in the economy, which may come to light when the extensive support for vulnerable businesses is rolled back (the support is therefore not purely for cyclical reasons).

In the first half of the year, GDP contracted 8.3%. A stronger economic trend in the second half of the year means that the expected decrease for the full-year 2020 compared with 2019 is 4.7%.

Unemployment is expected to rise to over 9% this year. The economic downturn is primarily due to falling investments in business, lower net exports, more savings-oriented households and lower consumption. The projections contain considerable uncertainty. While positive signals are coming from industry that could indicate better than expected developments, there is also data on accelerating contagion that could lead to reintroducing shutdowns, which could indicate worse than expected developments.

The Swedish government and its agencies, together with the Riksbank, have taken a number of measures to support the economy. These steps are expected to keep the number of businesses entering bankruptcy down and to maintain household demand. The steps are not expected to prevent a substantial decline in GDP. This is because Sweden's economy is closely interwoven with the countries we trade with, since imports and exports correspond to around half of Sweden's GDP. The coronavirus pandemic and the recession are expected to lead to changed consumption patterns and structural changes, which will further drive unemployment next year and hold back GDP growth for the next few years.

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

Fixed-income market

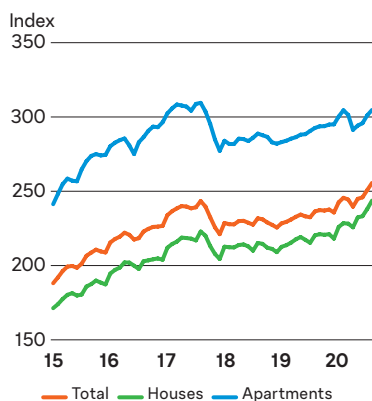
Since 8 January 2020, the Riksbank's key interest rate has been at 0% as a result of the decision in December 2019 to raise the previously negative repo rate. Accordingly, the year opened with slightly higher interest rates compared with earlier periods. However, the outbreak of the coronavirus pandemic caused many central banks to lower their key interest

rates, which temporarily also depressed Swedish market interest rates. In March, rates started to fluctuate wildly due to uncertainty and rising risk premiums. Thereafter, several steps were taken to stabilise the financial markets and, since the summer, interest rates have remained below those prevailing at the start of the year. Moreover, in September, many interest-rate instruments were trading at negative rates, including interbank rates and most government bonds. We expect interbank rates, and rates on government bonds and mortgage bonds to remain low for the next few years.

Normally in a recession, mortgage rates are low, which helps counter the fall in housing prices as a result of rising unemployment. If risk premiums were to rise in the financial markets, mortgage rates could increase quickly. A situation where mortgage rates and unemployment are concurrently rising could lead to considerable problems. In SBAB's most recent forecast, mortgage rates were expected to remain low for the extended future, even given a degree of financial turbulence. However, rising credit losses and cautious investors could lead to rising risk premiums and mortgage rates, despite possible support measures from the Riksbank. In the long term, mortgage rates could also rise as a result of increas-

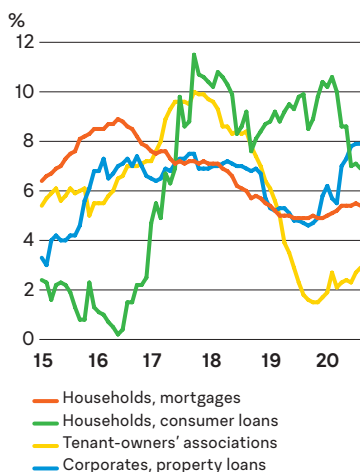
Housing price trend

(HOX index 2005=100)



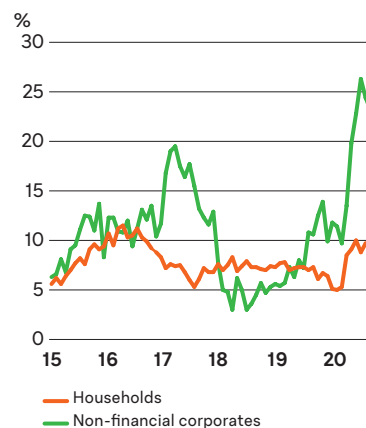
Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



Source: Valueguard, Statistics Sweden (SCB), Macrobond. Data until and including August 2020.



Information about the housing market

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 large and popular platform for housing ads, housing valuations and price trends for housing, among other things.

ing inflation in the wake of expansionary fiscal policies. On the reverse, a lowering of the repo rate in the future could lead to slightly lower mortgage rates.

Read more about forecasts of the mortgage rate trends in the latest edition of SBAB Bomarknadsnytt (in Swedish), available [here](#).

Housing prices

Housing prices rose on a broad front, despite the coronavirus pandemic, in the first three quarters of the year. Tenant-owner apartments noted price rises of around 4% and houses rose about 10%. The year started with short advertising periods and rising house prices, which transitioned into lower sales volumes and price drops of a few percent during the initial phase of the pandemic. By the summer, the trend switched to steadily rising housing prices.

Temporary relief from loan amortisation requirements, income support measures from the government and expectations of low interest rates in the future suggest stable housing prices in the short term. However, risks remain in the form of continued economic uncertainty and rising unemployment over the next few years. Overall, the structural factors behind long-term housing price trends, including income levels and interest rates, are not expected to diverge significantly from current levels over the forthcoming years.

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

At the start of the year, the market for the existing housing stock was marked by rising turnover, shortening advertising periods and a shrinking offering. The trend reversed in March and April, mainly for tenant-owner apartments in Stockholm. The trend toward fewer sold objects and longer advertising periods was however, broken in May, and since the start of the summer, there has been considerable interest for housing resulting in a shrinking offering in the autumn. Sales patterns are similar for all metropolitan areas, however the large number of homes sold in July makes Stockholm stand out.

Similar to the market for existing housing stock, the market for new housing production has fared well through the first three quarters of the year. For the last couple of years, the market has been characterised by a shrinking supply of housing. This trend has continued to date this year. However, there was a clear drop in the number of objects sold in the spring. Sales have picked up and advertising periods have started to decrease since the summer. For Sweden as a whole, the SBAB Booli Housing Market Index (HMI, [available here](#)) shows that demand corresponds to new housing production, even if in some local markets indications exist of a slight oversupply of

housing. Moreover, the economic downturn is expected to lead to a decrease in housing construction this year and next year, but the amount of new housing construction is expected to amount to just above 40,000 per year.

Market for deposits and lending

At the start of 2020, annualised lending growth to households for mortgage loans was 5.0%. This increased in the spring and has been at around 5.4% since May. Due to factors including a weak income trend, growth is expected to fall back over the next year and amount to slightly less than 5%. Based on historic experience, the housing credit trend is therefore not expected to follow the GDP trend, for example. However, growth is expected to slow, but to remain between 4% and 5% per year.

The sharp economic downturn resulted in a rapid rise in deposits. Growth in deposits is expected to remain high during the year despite the low interest conditions, and for the full-year 2020, to amount to 7% for households and 12% for non-financial corporates. The increased need for liquid buffers and deteriorated conditions for investments are some of the reasons behind the high level of savings. In pace with conditions for investment improving in 2021, however, growth in deposits from non-financial corporates is expected to decline rapidly.

Business development



Volume trends

	GROUP				
	2020 Q3	2020 Q2	2019 Q3	2020 Jan-Sep	2019 Jan-Sep
New lending for the period, SEK bn	24.0	26.2	18.8	68.7	55.5
Net change in lending for the period, SEK bn	10.8	12.2	5.9	28.6	14.0
Total lending, SEK bn	412.3	401.5	378.2	412.3	378.2
No. of deposit accounts, thousand	427	418	395	427	395
Net change in deposits, SEK bn	2.6	2.6	2.7	3.4	5.1
Total deposits, SEK bn	133.9	131.3	130.0	133.9	130.0
Deposits/lending, %	32.5	32.7	34.4	32.5	34.4
Retail business area					
No. of mortgage customers, thousand	285	283	277	285	277
No. of mortgage objects financed, thousand	182	181	177	182	177
New lending, SEK bn	16.0	15.8	15.5	46.1	44
Net change in lending for the period, SEK bn	4.7	4.8	5.0	13.3	11.1
Total lending, Retail, SEK bn	307.2	302.5	290.1	307.2	290.1
Residential mortgages, SEK bn	304.7	300.1	287.8	304.7	287.8
Consumer loans, SEK bn	2.5	2.4	2.3	2.5	2.3
Market share, Residential mortgages, % ¹⁾	8.50	8.49	8.44	8.50	8.44
Market share, Consumer loans, % ¹⁾	0.87	0.84	0.85	0.87	0.86
Total deposits, Retail, SEK bn	93.9	93.0	90.7	93.9	90.7
No. of retail customers with savings accounts, thousand	373	365	346	373	346
Market share deposits, Retail, % ¹⁾	4.41	4.41	4.62	4.41	4.62
Corporate Clients & Tenant-Owners' Associations business area					
No. of housing financing customers	2,276	2,267	2,101	2,276	2,101
New lending, SEK bn	8.0	10.3	3.3	22.6	11.6
Net change in lending for the period, SEK bn	6.1	7.4	1.0	15.2	2.9
Total lending, Corp. Clients & Tenant-Own. Asso. SEK bn	105.1	99.1	88.2	105.1	88.2
Lending, Corporate clients, SEK bn	50.6	45.3	37.2	50.6	37.2
Lending, Tenant-owners' associations, SEK bn	54.5	53.8	51.0	54.5	51.0
Market Share, Corporate Clients (multi-family dwellings), % ¹⁾	12.69	11.80	10.88	12.69	10.88
Market share, Tenant-owners' associations, % ¹⁾	9.89	9.65	9.62	9.89	9.62
Total deposits, Corp. Clients and organisations SEK bn	40.0	38.3	39.3	40.0	39.3
No. of customers with savings accounts, Corporate clients and	12,500	12,500	12,900	12,500	12,900
Market share deposits, Corp. Clients and organisations % ¹⁾	2.54	2.54	3.05	2.54	3.05

¹⁾ Source: Statistics Sweden. The figures in the columns for Q3 2020 and Jan-Sep 2020 correspond with the market share as of 31 August 2020. The figures in the columns for Q2 2020 correspond with the market share as of 31 May 2020. The figures in the columns for Q3 2019 and Jan-Sep 2019 correspond with the market share as of 31 August 2019.

An ecosystem of services relating housing and household finances

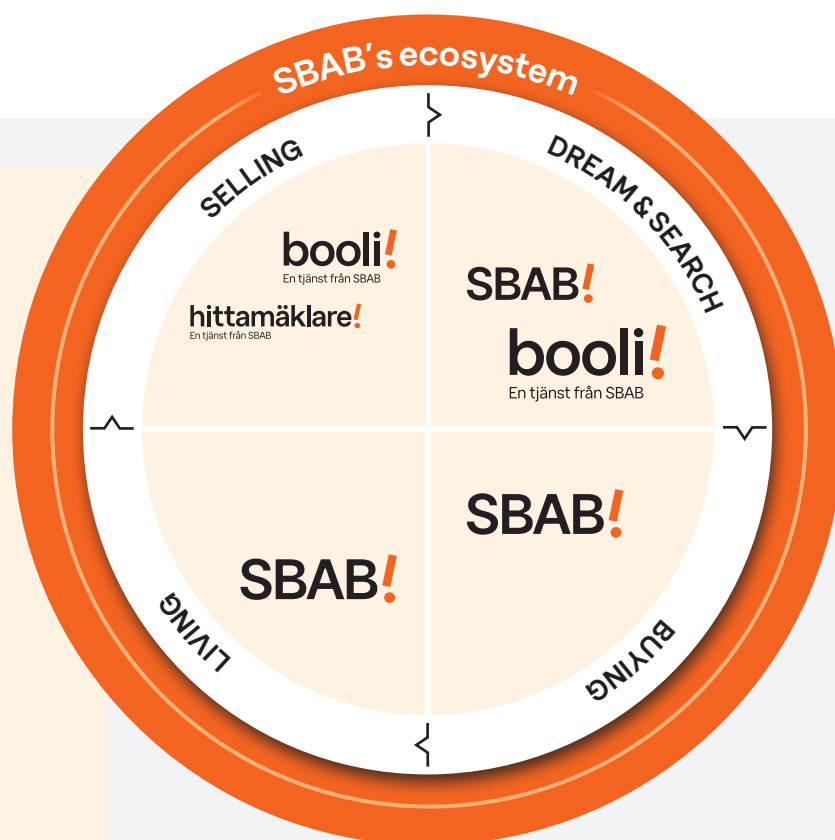
New Group profile

For an enhanced customer experience

At the start of 2020, we launched our new Group-wide graphic profile – our new look. We did this to simplify and clarify our offering, as well as to create an enhanced and more unified customer experience.

Residential mortgages and housing financing are our most important services and primary source of income. We also offer other services relating to housing and household finances: a housing search engine through Booli, help to find a real estate agent through HittaMäklare and insurance and legal advice through business partners.

We want to build strong, long-term relationships with our customers by offering value-adding services that enable and facilitate every phase of home-owner life – be it finding, buying, owning or selling a home.



Our ecosystem

Services relating to housing and household finances

Housing phase	Services	Brand
Dream & Search	<ul style="list-style-type: none"> Housing advertisement Housing market information Saving for an own home 	booli! <small>En tjänst från SBAB</small> SBAB!
Buying	<ul style="list-style-type: none"> Residential mortgages & housing financing Home insurance (business partner) Life insurance (business partner) Legal advice (business partner) 	SBAB!
Living	<ul style="list-style-type: none"> Refinancing Consumer loans 	SBAB!
Selling	<ul style="list-style-type: none"> Real estate agent recommendations Housing valuations Housing advertisement Tax declaration help (business partner) 	hittamäklare! <small>En tjänst från SBAB</small> booli! <small>En tjänst från SBAB</small>



Sweden's most satisfied residential mortgage customers

SBAB has Sweden's most satisfied residential mortgage customers according to Swedish Quality Index (Swe: Svenskt Kvalitetsindex (SKI)), which measures customer satisfaction in the banking and finance sector each year. With a customer satisfaction score of 76.3 out of 100, SBAB ranks well above the sector average of 69.3. The drivers behind this are responsibility and transparency. SBAB is clear and simple in its interaction with customers. At SBAB, customers don't need to negotiate their mortgage rate or buy extra services to obtain satisfactory conditions.

Retail business area

Trend for Q3 2020 compared with Q2 2020

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 and HittaMäklare brands. We meet our customers and users digitally or by telephone.

Lending

Despite the prevailing situation regarding the coronavirus pandemic, activity in the retail segment remained high in the third quarter. A strong housing market contributed to the trend. During the quarter, SBAB lowered the listed rates for longer fixed-interest periods as a result of lower funding costs and rising mortgage margins. SBAB offers simple and straightforward terms and conditions, transparent pricing, high availability through digital and telephone services, and mindful service. New lending in the quarter amounted to SEK 16.0 billion (15.8).

Customer service receives calls from worried customers with questions about housing and household finances. The coronavirus pandemic, with its resulting societal restrictions, means some households could find themselves under financial stress. SBAB is offering its residential mortgage customers a temporary pause in mortgage amortisation. At 30 September 2020, around 19,800

households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 43 billion. At the same date, 35 consumer loan customers had been granted amortisation exemption, corresponding to a volume of about SEK 5 million. In the second quarter, SBAB lowered the interest rate applied its housing cost calculation (KALP), used as a basis for granting residential mortgages, from 6.5% to 6.0% to better reflect the prevailing interest rate conditions.

Total retail lending increased to SEK 307.2 billion (302.5), of which SEK 304.7 billion (300.1) comprised residential mortgages and SEK 2.5 billion (2.4) consumer loans. The number of residential mortgage customers amounted to 285,000 (283,000) distributed over 182,000 (181,000) mortgage objects. At 31 August 2020, the market share of residential mortgages was 8.50% (8.49% at 31 May 2020). At the same date, the market share for consumer loans was 0.87% (0.84% at 31 May 2020). The majority of SBAB's residential mortgage customers choose the shortest maturity. The share of total lending with a 3M fixed-interest period amounted to 74.3% (74.1) at the end of the quarter.

For more information on credit losses and asset quality, please refer to page 15.

Savings accounts (deposit)

SBAB's retail savings accounts are characterised by competitive savings rates and simple product terms and condi-

tions. Retail deposits increased during the quarter to SEK 93.9 billion (93.0). At the end of the quarter, approximately 381,000 (365,000) retail customers held savings accounts with SBAB. At 31 August 2020, the market share of retail deposits was 4.41% (4.41% at 31 May 2020).

User trends

Every month, many people visit SBAB's website 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 530,000 (504,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 106,000 (103,000) for the same period.

Booli is a popular platform for finding information about housing offers, demand and price trends. Booli.se offers services including housing searches and valuations. The number of unique visitors per month to www.booli.se rose substantially and amounted to around 1,480,000 (1,300,000) during the quarter. Booli's monthly property valuation email had more than 473,000 subscribers at the end of the third quarter of 2020. 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 89% of the registered estate agents in Sweden.

Corp. & Tenant-Own. Assoc. business area

Trend for Q3 2020 compared with Q2 2020

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 corporate clients 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.

Housing financing (lending)

Activity in terms of corporate business remained very high through the third quarter. During the coronavirus pandemic, SBAB's strong focus on housing finance has resulted in SBAB being able to provide the attention demanded by customers, which has strengthened customer relationships and resulted in an increased number of transactions. Otherwise, very little impact from the coronavirus pandemic has been noted with SBAB's customers. Some customers have requested a limited increase on low-leveraged assets to strengthen their own liquidity should investment opportunities arise, at the same time as some customers are requesting longer fixed-interest periods than previously for their commitments. SBAB focuses on residential properties and therefore has an extremely low proportion of commercial lending, where the effects and disruption caused by the coronavirus pandemic have been

greatest to date. Disruptions to the new production of multi-family dwellings have been extremely limited and have, thus far, not led to any adverse effects for SBAB or SBAB's customers. Only one corporate client, with a commitment corresponding to about SEK 160 million, has in conjunction with extending a credit agreement been granted amortisation exemption for the purpose of supporting the company's liquidity under the prevailing circumstances. SBAB has participated in the Riksbank's programme for onward lending to companies via the banks. This facility provides greater prerequisites for SBAB to maintain corporate lending at continued advantageous terms. SBAB is ready to manage increased activity and remains firm on its ambition of helping and facilitating credit supply to the housing market.

The market for lending to tenant-owners' associations continues to be dominated by intense price competition, not least in the major metropolitan areas. SBAB holds a strong market position and activity remained high in the third quarter. In this segment, the effects of the coronavirus pandemic have also been extremely limited. SBAB has analysed the lending portfolio and proactively contacted tenant-owners' association customers who could need to apply for amortisation exemption (primarily associations with a high share of revenue from rental premises in relation to total annual fees). To date, five tenant-owners' associations have utilised this possibility, corresponding to a lending volume of around SEK 270 million. All of the associations

have low LTV ratios and already had the possibility to choose amortisation exemption at the next renewal date.

During the quarter, new lending to corporate clients and tenant-owners' associations remained very high and amounted to SEK 8.0 billion (10.3). Total lending increased to SEK 105.2 billion (99.1), of which SEK 50.6 billion (45.3) comprised lending to corporate clients and SEK 54.5 billion (53.8) lending to tenant-owners' associations. The market share of lending to property companies was 12.69% at 31 August 2020 (11.80% at 31 May 2020). At the same date, the market share for lending to tenant-owners' associations was 9.89% (9.65% at 31 May 2020). The number of housing financing customers was 2,276 (2,267) at the end of the quarter.

For more information on credit losses and asset quality, please refer to page 15.

Savings accounts (deposit)

Deposits from corporate clients and tenant-owners' associations rose during the quarter and totalled SEK 40 billion (38.3). At the end of the quarter, approximately 12,500 (12,500) customers held savings accounts with SBAB. At 31 August 2020, the market share of deposits from corporate clients and organisations was 2.54% (2.54% at 31 May 2020).



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. SBAB received a customer satisfaction score of 76.3 out of 100 in SKI's survey, in relation to the industry average of 67.8. This means that SBAB, for the second consecutive year, has Sweden's most satisfied customers in terms of property loans to corporates and tenant-owners' associations.

Financial performance



Income statement overview

SEK million	GROUP						
	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2020 Jan-Sep	2019 Jan-Sep
Net interest income	945	907	885	877	861	2,737	2,596
Net commission	-3	9	-18	-2	5	-12	-12
Net result of financial transactions (Note 3)	-11	17	-55	-6	4	-49	32
Other operating income	11	10	12	8	11	33	28
Total operating income	942	943	824	877	881	2,709	2,644
Expenses	-310	-312	-311	-327	-280	-933	-860
Profit before credit losses and impairments	632	631	513	550	601	1,776	1,784
Net credit losses (Note 4)	4	-11	-27	-10	0	-34	-16
Impairment of financial assets	-3	-2	-2	-2	-1	-7	-3
Reversals of impairment of financial assets	3	3	1	2	1	7	3
Operating profit	636	621	485	540	601	1,742	1,768
Tax	-142	-137	-110	-122	-136	-389	-398
Net profit for the period	494	484	375	418	465	1,353	1,370
Return on equity, % ¹⁾	11.5	11.6	9.2	10.5	12.0	10.8	12.1
C/L ratio, %	0.30	0.32	0.32	0.34	0.30	0.31	0.31
C/I ratio, %	32.9	33.1	37.7	37.2	31.8	34.4	32.5
Credit loss ratio, %	0.00	-0.01	-0.03	-0.01	0.00	-0.01	-0.01
Share of Stage 3 loans, gross, %	0.05	0.05	0.08	0.07	0.08	0.05	0.08
Net interest margin, %	0.72	0.69	0.71	0.73	0.71	0.73	0.74
Number of employees (FTEs)	748	743	707	695	679	748	679

¹⁾ When calculating the return on equity for Jan-Sep 2019, average equity has been adjusted for the dividend of SEK 690 million. For more information about the calculation of alternative performance measures, please refer to page 48.

Trend for Q3 2020 compared with Q2 2020

Operating profit grew to SEK 636 million (621) in the quarter. The return on equity amounted to 11.5% (11.6) and the C/I ratio was 32.9% (33.1).

Net interest income

Net interest income grew to SEK 945 million (907), mainly driven by lower interest expenses as a result of lower market interest rates. Higher volumes of capital instruments and increased deposits, and higher interest expenses as a result, negatively affected net interest income. Total guarantee fees for the quarter amounted to SEK 50 million (49), of which SEK 38 million (37) comprised the resolution fee and SEK 12 million (12) pertained to the national deposit guarantee fee.

Net commission

Net commission income fell over the quarter to an expense of SEK 3 million (income: 9), primarily due to lower commission income from arrangement fees linked to corporate lending and lower income from insurance mediation.

Net result of financial transactions

The net result of financial transactions decreased to an expense of SEK 11 million (income: 17). The remeasurement of credit risk in derivatives (CVA/DVA) was the factor with the largest earnings impact in the period. For more information, please refer to [Note 3](#).

Expenses

Expenses were essentially unchanged and amounted to SEK 310 million (312) for the quarter. The marginal decrease was mainly due to lower expenses for development consultants over the summer. The trend was partially offset by increased marketing costs and slightly higher personnel costs as a result of an increase in the number of FTEs. During the quarter, the number of FTEs increased to 748 (743).

Credit quality and credit losses

Net credit losses amounted to a recovery of SEK 4 million (loss: 11). Confirmed credit losses totalled SEK 1 million (4). Provisions for credit stage 1 loans increased SEK 6 million (5) during the quarter and were attributable to a revision of the forward-looking information applied in the impairment model. Provisions for credit stage 2 loans decreased SEK 6 million (increase: 2) as a result of lower credit risk in the lending portfolio and, therefore, migrations to credit stage 1. Provisions for credit stage 3 loans increased SEK 3 million (decrease: 3), primarily driven by one individual provision. Provisions for loan commitments and building credits decreased SEK 8 million (increase: 5) and were due to lower credit risk and lower exposure to building credits. Guarantees that can be utilised decreased SEK 2 million (increase: 1) over the period as a result of lower provisions. 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. SBAB'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 commitment. The Swedish FSA's annual mortgage market survey, with data from 2019, 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 LTV ratio in SBAB's mortgage portfolio was 60% (60). At the same date, the average residential mortgage to retail customers amounted to SEK 1.7 million (1.7). During the quarter, the LTV for new lending was 71% (71) and the debt-to-income ratio was 3.7 (3.7). The average LTVs for property companies and tenant-owners' associations were 64% (63) and 38% (38), respectively.

For more information on credit losses and credit quality, please refer to [Note 4](#) and [Note 5](#).

Other comprehensive income

Other comprehensive income decreased to negative SEK 63 million (positive: 24), mainly due to the rise in long EUR interest rates in the third quarter (decrease in the second quarter), which negatively impacted the item. For more information, please refer to page 22.

Trend for Jan–Sep 2020 compared with Jan–Sep 2019

Operating profit decreased to SEK 1,742 million (1,768). The return on equity amounted to 10.8% (12.1) and the C/I ratio was 34.4% (32.5). Net interest income grew to SEK 2,737 million (2,596), mainly due to higher lending volumes and lower guarantee fees. Guarantee fees amounted to SEK 150 million (215) for the period, of which SEK 115 million (183) comprised the resolution fee and SEK 35 million (32) the fee payable to the national deposit guarantee. Rising market interest rates during the period and therefore higher interest expenses for funding in the capital markets negatively affected net interest income.

The net commission expense was SEK 12 million (expense: 12). Both commission income and commission expense increased during the period. The increase in commission income pertained mainly to increased arrangement

fees linked to corporate lending. The increase in commission expense was primarily due to increased fees linked to funding operations.

The net result of financial transactions decreased to an expense of SEK 49 million (income: 32), mainly due to differences in value changes in hedging instruments and hedged items. For more information, please refer to [Note 3](#).

Other comprehensive income for the period decreased to SEK 591 million (2,584), primarily attributable to a relatively lower decline in long EUR interest rates compared with the corresponding period last year, which negatively impacted the item. For more information, please refer to page 22.

Expenses grew to SEK 933 million (860), mainly driven by increased investments in terms of the number of employees in areas including customer experience and customer service, digi-

talisation and IT systems. The replacement of SBAB's core bank platform is ongoing and is expected, to all extents and purposes, to be ready in 2021. Modern, flexible system support comprises a key component for strengthening SBAB's future competitiveness, and its ability to develop digital services and enhance the digital customer interface. The number of FTEs increased to 748 (679) during the period, primarily in Customer Service and Tech. Net credit losses totalled SEK 34 million (loss: 16). 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. Confirmed credit losses totalled SEK 7 million (12) 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 Sep 2020	30 Jun 2020	31 Dec 2019	30 Sep 2019
ASSETS				
Cash and balances at central banks	1,300	5,950	5,750	0
Chargeable treasury bills, etc.	33,533	43,212	15,886	27,615
Lending to credit institutions	376	716	417	3,616
Lending to the public (Note 5)	412,336	401,514	383,807	378,223
Bonds and other interest-bearing securities	59,691	60,218	55,731	55,311
Total other assets in the balance sheet	17,540	16,921	13,941	20,097
TOTAL ASSETS	524,776	528,531	475,532	484,862
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	25,472	21,694	10,528	15,622
Deposits from the public	133,916	131,333	130,542	129,986
Debt securities issued, etc. (funding)	332,217	326,571	303,597	306,294
Subordinated debt	4,445	4,445	4,948	4,949
Total other liabilities in the balance sheet	5,321	21,489	4,336	5,594
Total liabilities	501,371	505,532	453,951	462,445
Total equity	23,405	22,999	21,581	22,417
– of which reserves/fair value reserve	2,550	2,613	1,959	3,193
– of which, Tier 1 capital instruments	3,500	3,500	3,500	3,500
TOTAL LIABILITIES AND EQUITY	524,776	528,531	475,532	484,862
CET1 capital ratio, %	12.7	12.7	13.1 ⁴⁾	12.2
Tier 1 capital ratio, %	15.4	15.5	17.3 ⁴⁾	16.3
Total capital ratio, %	16.9	19.0	20.1 ⁴⁾	19.2
Leverage ratio, % ¹⁾	3.71	3.63	4.30 ⁴⁾	4.01
Liquidity coverage ratio (LCR), % ²⁾	253	329	271	298
Net Stable Funding Ratio (NSFR), % ³⁾	126	132	134	138

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

2) According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements. For all currencies combined.

3) In line with forthcoming regulations, from 30 September 2019, SBAB calculates the net stable funding ratio (NSFR) in accordance with Regulation (EU) 2019/876 of the European Parliament and the Council. Previously, the NSFR has been calculated pursuant to the Basel regulations. The comparative figures have not been restated according to the new calculation method.

4) Figures restated in relation to SBAB's Year-end report 2019 in accordance with the Board's decision to propose to the AGM the distribution of no dividend for the 2019 financial year.

Trend for Q3 2020 compared with Q2 2020

Balance sheet comments

During the quarter, chargeable treasury bills decreased to SEK 33.5 billion (43.2), primarily due to a decrease in surplus liquidity deposited with the Riksbank. For the same reason, cash and balances at central banks decreased to SEK 1.3 billion (6.0). Lending to credit institutions decreased to SEK 0.4 billion (0.7), attributable to lower repo volumes. The above changes were within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities declined to SEK 59.7 billion (60.2). This change was also within the scope of the normal management of the liquidity reserve. Lending to the public amounted to SEK 412.3 billion (401.5), of which SEK 304.7 billion (300.1) comprised residential mortgages, SEK 2.5 billion (2.4) consumer loans, SEK 50.6 billion (45.3) lending property companies and SEK 54.5 billion (53.8) lending to tenant-owners' associations. For more information on Lending to the public, please refer to pages 10–13 and [Note 5](#).

Liabilities to credit institutions increased to SEK 25.5 billion (21.7) during the quarter and were mainly driven by an increase in the collateral (CSAs) received within the scope of the normal short-term liquidity management as well as by SBAB's participation in the Riksbank's programme for onward lending to companies via the banks, where the total volume at the end of the quarter amounted to SEK 13 billion (10). Deposits from the public increased to SEK 133.9 billion (131.3), of which 81% 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 10–13. For information about issued debt securities, please refer to the "Funding" section. Subordinated debt totalled SEK 4.4 billion (4.4). No issues or buy-backs were conducted during the quarter and, accordingly, the item was unchanged. Equity increased to SEK 23.4 billion (23.0), mainly driven by net profit for the period.

Funding

Stimulative measures implemented through government and central bank fiscal and monetary policies continued to support the financial markets in the third quarter of the year. Credit spreads have continued to fall and interest rates have generally remained stable to weakly falling.

The EU countries reached an agreement during the quarter that included the financing of the EU support fund established in conjunction with the coronavirus pandemic. The agreement contributed to falling Italian and Spanish interest rates compared with German rates and to a strengthening of the euro against, among other currencies, the USD. The continued progression of the coronavirus and the need for continued restriction remains uncertain, and accordingly, future macroeconomic developments remain unsure and fraught with risks. Leading stock market indices turned in a mixed performance over the period.

Following first and second quarters with relatively high funding activity, SBAB held a lower issuance pace during the third quarter. Bond issues were conducted exclusively in SEK and the borrowing cost on the Swedish covered bond market continued to fall in the wake of the Riksbank's buying programme for interest-bearing securities. Regarding medium to longer maturities for secured debt, borrowing costs in Sweden compared favourably with those in Europe (converted to SEK for corresponding maturities).

During the quarter as a whole, securities were issued for a total of SEK 16.2 billion (25.5). In parallel, securities were repurchased for SEK 1.8 billion (6.6) and securities amounting to SEK 8.0 billion (15.5) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 5.6 billion to a total of SEK 332.2 billion (326.6). In total, the SBAB Group has issued bonds corresponding to SEK 69.0 billion in 2020 (of which, SEK 48.3 billion comprised covered funding and SEK 20.7 billion unsecured funding).

At the end of the quarter, unsecured funding amounted to SEK 60.4 billion

(62.8), of which SEK 6.0 billion (6.0) comprised senior non-preferred bonds, SEK 48.2 billion (54.6) other senior unsecured bonds and SEK 6.2 billion (2.1) commercial paper.

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, AB Sveriges Säkerställda Obligationer (publ) (SCBC). Total secured debt outstanding totalled SEK 271.8 billion (263.8) at the end of the quarter, of which SEK 179.5 billion was in SEK and SEK 92.3 billion was in foreign currencies.

Liquidity

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings. At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 91.0 billion (88.8). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 87.1 billion (85.2).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 263 days (276), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, at 30 September 2020, the LCR was 253% (329) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 193% (207). The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 126% (132) according to SBAB's interpretation of 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 16.4 billion (16.1). The increase was mainly attributable to earnings for the interim period. Total capital decreased to SEK 21.9 billion (24.1) as a result of the redemption of issued Tier 2 capital instruments for a total of SEK 2.4 billion. The risk exposure amount (REA) increased during the third quarter to SEK 129.4 billion (127.1). This was mainly driven by higher lending volumes to corporates and the effect from the risk-weight floor for mortgages.

At 30 September 2020, SBAB's CET1 capital ratio amounted to 12.7% (12.7) and the total capital ratio was 16.9% (19.0). This provides a comfortable margin to internal targets and external regulatory requirements.

According to internal estimates by SBAB as per 30 September 2020, the Swedish FSA's capital requirements are expected to correspond to a CET1 capital ratio of 8.2% and a total capital ratio of 12.2%. At the same date, SBAB's capital targets¹⁾ are therefore expected to correspond to a CET1 capital ratio of not less than 8.8% and a total capital ratio of not less than 12.8%.

The margins to the Swedish FSA's capital requirements have increased since the end of the year as a result of the Swedish FSA's decision to reduce the countercyclical capital buffer requirement from 2.5% to 0%. Net profit for the period was included in own funds, while the expected dividend has reduced own funds.²⁾

The leverage ratio increased and amounted to SEK 3.71% (3.63) at 30 September 2020, primarily due to a reduction in the total leverage ratio exposure as a result of lower volumes to governments and 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 additional capital requirement will be implemented through raising the Pillar 2 requirement and is expected to be introduced in the fourth quarter of 2020. The change is expected to have marginal 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). The amendment entails an adaptation of the regulations by the EU to maximise the banks' ability to recover from the 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 (Basel 4), 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 force on 1 January 2023.

For information about the EU's reforms to the Capital Requirements Regulation that entered force on 27 June 2020, refer to [Note 11](#).

A degree of uncertainty prevails surrounding future capital requirements due to the forthcoming regulatory changes. Among other actions, in autumn 2020, the Swedish FSA has proposed 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 to the introduction of leverage ratio requirements, 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. The majority of the legislative amendments linked to the Capital Requirements Directive are expected to enter force on 29 December 2020. Binding leverage ratio requirements enter 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 (expected to apply from the end of 2020). 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 (which are expected to be implemented in 2021). Overall, the above changes are expected to increase the future capital adequacy requirements for banks in Sweden, including SBAB.

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. Given the above amendment, SBAB's Board has decided to translate the buffer levels, expressed in percentage points, in SBAB's capital targets. After the adjustments, which entered force in parallel with the change on 31 December 2018, SBAB's CET1 capital ratio and total capital ratio must, under normal conditions, amount to not less than 0.6 percentage points above the requirement communicated by the Swedish FSA, which is published in the Swedish FSA's quarterly report on Swedish banks' capital requirements. In nominal terms, this corresponds to a buffer level of 1.5 percentage points before moving the risk-weight floor and is in line with the previous capital targets. For more information, please refer to [Note 11](#).

2) 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 September 2020. 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	GROUP			
	30 Sep 2020			
	Total capital	%	CET1 capital	%
Internally assessed capital requirement from the Swedish FSA	15,857	12.2	10,577	8.2
– of which, Pillar 1 minimum requirement	3,942	3.1	2,217	1.7
– of which, Pillar 1 risk-weight floor, Swedish mortgages	6,412	4.9	3,607	2.8
– of which, Pillar 2 core requirement	2,249	1.7	1,499	1.2
– of which, Capital conservation buffer	3,236	2.5	3,236	2.5
– of which, Countercyclical buffer	18	0.0	18	0.0
SBAB's capital target	16,634	12.8	11,353	8.8
SBAB's actual capital	21,919	16.9	16,419	12.7

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 9.6 billion at 30 September 2020). According to the amended agreement, is entitled to mediate new mortgages on behalf of SBAB until 30 November 2020 at the latest and to acquire the entire loan portfolio mediated by Sparbanken Syd, or parts thereof, during the period from 1 July 2020 until 31 December 2023. Further information will be submitted in the case of any acquisition by Sparbanken Syd.

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 2019 Annual Report.

Changes in Executive Management

On 1 October, Klas Ljungkvist stepped down from his role as CIO (Chief Information Officer) and member of the Executive Management to focus fully on managing operations within Tech. In conjunction with the change in roles, he took on the role of CTO (Chief Technology Officer). In conjunction with the above, Robin Silfverhielm took over the role as CIO, alongside his existing role as Chief Experience Officer (CXO) at SBAB.

At 30 September 2020, the Executive Management comprised the following people: Klas Danielsson (CEO), Sara Davidgård (Head of Business Specialists),

Carina Eriksson (Head of HR), Kristina Frid (Head of Customer Service), Mikael Inglander (CFO and Head of Corporate Clients and Tenant-Owners' Associations), Robin Silfverhielm (CXO and CIO), Andras Valko (CDSO), Malou Sjörin (Head of Sustainability, Marketing & Communication) and Fredrik Stenbeck (CRO).

Proposed risk tax for large credit institutions circulated for comment

On 17 September 2020, 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.

Under the proposal, the risk tax is payable by credit institutions that, at the start of the fiscal year, have a total debt in excess of SEK 150 billion attributable to the company's operations in Sweden. The debt threshold is subject to annual adjustment in line with the general development of the country's economy. The tax will be levied at a rate of 0.06% of the credit institutions liabilities following certain adjustments in 2022, and at 0.07% from 2023. The proposal affects Swedish credit institutions and foreign credit institutions with operations in Sweden.

The proposal was announced in conjunction with the budget proposal for 2020 and is proposed to enter force on 1 January 2022.

Events after the end of the period

No significant events occurred after the end of the period.

Auditors' review report

This report has not been subject to review by the Group's auditors.

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Condensed income statement

SEK million	GROUP					
	2020 Q3	2020 Q2	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Interest income	1,593	1,648	1,493	4,787	4,377	5,868
Interest expense	-648	-741	-632	-2,050	-1,781	-2,395
Net interest income	945	907	861	2,737	2,596	3,473
Commission income	20	35	23	71	60	84
Commission expense	-23	-26	-18	-83	-72	-98
Net result of financial transactions (Note 3)	-11	17	4	-49	32	26
Other operating income	11	10	11	33	28	36
Total operating income	942	943	881	2,709	2,644	3,521
Personnel costs	-171	-170	-159	-511	-467	-630
Other expenses	-111	-120	-102	-353	-341	-486
Depreciation, amortisation and impairment of PPE and intangible assets	-28	-22	-19	-69	-52	-71
Total expenses before credit losses	-310	-312	-280	-933	-860	-1,187
Profit before credit losses	632	631	601	1,776	1,784	2,334
Net credit losses (Note 4)	4	-11	0	-34	-16	-26
Impairment of financial assets	-3	-2	-1	-7	-3	-5
Reversals of impairment of financial assets	3	3	1	7	3	5
Operating profit	636	621	601	1,742	1,768	2,308
Tax	-142	-137	-136	-389	-398	-520
Net profit for the period	494	484	465	1,353	1,370	1,788

In Q3 2020, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 1,610 million (1,609) for the Group.

Condensed statement of comprehensive income

SEK million	GROUP					
	2020 Q3	2020 Q2	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Net profit for the period	494	484	465	1,353	1,370	1,788
Other comprehensive income						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	37	11	-66	-44	-42	-56
Changes related to cash-flow hedges, before tax	-90	46	1,079	870	3,509	1,823
Tax attributable to components that will be reclassified to profit or loss	11	-12	-217	-177	-742	-378
<i>Components that will not be reclassified to profit or loss</i>						
Revaluation effects of defined-benefit pension plans, before tax	-28	-27	-67	-75	-179	-50
Tax attributable to components that will not be reclassified to profit or loss	7	6	14	17	38	11
Other comprehensive income/loss, net of tax	-63	24	743	591	2,584	1,350
Total comprehensive income/loss for the period	431	508	1,208	1,944	3,954	3,138

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 is the assumption that has the strongest impact on the item.

For further information, refer to SBAB's 2019 Annual Report, Note [G 1](#).

Condensed balance sheet

SEK million	GROUP		
	30 Sep 2020	31 Dec 2019	30 Sep 2019
ASSETS			
Cash and balances at central banks	1,300	5,750	0
Chargeable treasury bills, etc.	33,533	15,886	27,615
Lending to credit institutions	376	417	3,616
Lending to the public (Note 5)	412,336	383,807	378,223
Value changes of interest-rate-risk hedged items in macro hedges	268	-181	238
Bonds and other interest-bearing securities	59,691	55,731	55,311
Derivatives (Note 6)	15,951	13,087	18,728
Intangible assets	360	311	283
Property, plant and equipment	130	139	129
Other assets	298	56	63
Prepaid expenses and accrued income	533	529	656
TOTAL ASSETS	524,776	475,532	484,862
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	25,472	10,528	15,622
Deposits from the public	133,916	130,542	129,986
Issued debt securities, etc.	332,217	303,597	306,294
Derivatives (Note 6)	1,948	1,388	1,825
Other liabilities	476	376	644
Accrued expenses and deferred income	1,880	1,805	1,895
Deferred tax liabilities	749	579	910
Provisions	268	188	320
Subordinated debt	4,445	4,948	4,949
Total liabilities	501,371	453,951	462,445
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	2,550	1,959	3,193
Additional Tier 1 instruments	3,500	3,500	3,500
Retained earnings	14,044	12,376	12,396
Net profit for the period	1,353	1,788	1,370
Total equity	23,405	21,581	22,417
TOTAL LIABILITIES AND EQUITY	524,776	475,532	484,862

Condensed statement of changes in equity

SEK million	GROUP				Total equity
	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year ¹⁾	
Opening balance, 1 January 2020	1,958	1,959	3,500	14,164	21,581
Additional Tier 1 instruments	–	–	–	–	–
Additional Tier 1 instruments, dividend	–	–	–	–120	–120
Other comprehensive income, net of tax	–	591	–	–	591
Net profit for the period	–	–	–	1,353	1,353
Comprehensive income for the period	–	591	–	1,353	1,944
Closing balance, 30 June 2020	1,958	2,550	3,500	15,397	23,405
Opening balance, 1 January 2019	1,958	609	1,500	13,169	17,236
Additional Tier 1 instruments	–	–	2,000	–	2,000
Additional Tier 1 instruments, dividend	–	–	–	–83	–83
Dividends paid	–	–	–	–690	–690
Other comprehensive income, net of tax	–	2,584	–	–	2,584
Net profit for the period	–	–	–	1,370	1,370
Comprehensive income for the period	–	2,584	–	1,370	3,954
Closing balance, 30 Sep 2019	1,958	3,193	3,500	13,766	22,417
Opening balance, 1 January 2019	1,958	609	1,500	13,169	17,236
Additional Tier 1 instruments	–	–	2,000	–	2,000
Additional Tier 1 instruments, dividend	–	–	–	–103	–103
Dividends paid	–	–	–	–690	–690
Other comprehensive income, net of tax	–	1,350	–	–	1,350
Net profit for the period	–	–	–	1,788	1,788
Comprehensive income for the year	–	1,350	–	1,788	3,138
Closing balance, 31 December 2019	1,958	1,959	3,500	14,164	21,581

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

Condensed cash-flow statement

SEK million	GROUP		
	2020	2019	2019
	Jan-Sep	Jan-Sep	Jan-Dec
Opening cash and cash equivalents	6,167	2,847	2,847
OPERATING ACTIVITIES			
Interest and commissions paid/received	2,773	2,791	3,621
Outflows to suppliers and employees	-864	-808	-1,116
Taxes paid/refunded	-444	-429	-566
Change in assets and liabilities of operating activities	-5,327	-1,972	228
Cash flow from operating activities	-3,862	-418	2,167
INVESTING ACTIVITIES			
Change in property, plant and equipment	-21	-30	-36
Change in intangible assets	-80	-73	-109
Cash flow from investing activities	-101	-103	-145
FINANCING ACTIVITIES			
Dividends paid	-	-690	-690
Change in Tier 1 capital instrument	-	2,000	2,000
Change in subordinated loan	-505	-	-
Repayment of lease liabilities	-23	-20	-12
Cash flow from financing activities	-528	1,290	1,298
Increase/decrease in cash and cash equivalents	-4,491	769	3,320
Closing cash and cash equivalents	1,676	3,616	6,167

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

Change in liabilities attributable to financing activities

SEK million	GROUP									
	Non-cash items					Non-cash items				
	Opening balance 1 Jan 2020	Cash flow	Fair value	Other	Closing balance 30 Sep 2020	Opening balance 1 Jan 2019	Cash flow	Fair value	Other	Closing balance 30 Sep 2019
Subordinated debt	4,949	-505	-1	2	4,445	4,496	-	-1	4	4,949
Additional Tier 1 instruments	3,500	-	-	-	3,500	1,500	2,000	-	-	3,500
Total	8,449	-505	-1	2	7,945	6,446	2,000	-1	4	8,449

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 2020

Amendments in IFRS 9, IAS 39 and IFRS 7

In January 2020, the EU adopted amendments in IFRS 9, IAS 39 and IFRS 7. The amendments entail certain reliefs in hedge accounting in conjunction with the change in reference interest rates and SBAB has chosen early application of these amendments in the 2019 Annual Report. This change is not expected to have any impact on the financial statements

Other

All other accounting policies and calculation methods are unchanged in comparison with the 2019 Annual Report. These consolidated condensed financial statements have been prepared on a going concern basis. On 22 October 2020, the Board of Directors approved the consolidated condensed financial statements for publication.

Note 2 Changes in risks

Credit risk in lending operations

No increase in realised credit risk was noted in lending operations in the first three quarters of 2020. Despite the prevailing circumstances with the corona pandemic, neither an increased tendency to mismanage repayments nor turbulence in the housing market leading to falling housing prices has been observed. However, SBAB has noted an increase in applications for temporary amortisation relief, which thus far are assessed as solely managing the temporary increase in liquidity risk that has arisen for customers. No deviations have been noted in terms of LTV ratios and debt-to-income ratios for new lending. For more information on credit losses in the quarter, please refer to

[Note 4.](#)

Counterparty credit risk in treasury operations

Counterparty credit risk is more or less unchanged since year end 2019. Limit utilisation for SBAB's derivative counterparties has fallen to SEK 8,761 million at 30 September 2020, compared to SEK 9,025 million at 31 December 2019.

Liquidity risk

SBAB's liquidity positions remains strong. However OC level have decreased due to issuance of covered bonds. During the first quarter a slight decrease in deposits was noted but volumes have increased again during the second and third quarter. In total deposits have increased by around SEK 2 billion during the third quarter.

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 30 September 2020, SBAB's VaR amounted to SEK 236 million, compared to SEK 255 million at 31 December 2019. The limit for VaR is set at SEK 1,450 million.

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. It should be noted that the bank's business contingency plans were generally applicable during the Covid-19 period, which has reduced continuity risks. In terms of technical debt, the risk picture has reduced slightly due to a deployment of a new vital IT-system.

Business risk

The corona pandemic has impacted SBAB's business risk during the first three quarters of 2020. In Sweden, as in other countries, a large number of measures have been taken in the past few months to control the contagion and to mitigate the effects on the real economy and financial markets. 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 larger 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 first three quarters. Moreover, SBAB has not entered, or exited, any new markets or segments.

Concentration risk

Concentration risks for lending against collateral in houses and tenant-owners' rights, and for lending in the Stockholm region was unchanged compared with the end of 2019. In the third quarter of 2020, the lending to the ten largest customer groups accounted for a slightly larger share compared to 31 December 2019.

Note 3 Net result of financial transactions

SEK million	GROUP					
	2020 Q3	2020 Q2	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Gains/losses on interest-bearing financial instruments						
– Interest-bearing securities	–4	–12	0	–16	–15	–49
– Change in value of hedged items in hedge accounting	58	–225	–485	–660	–1,768	–590
– Realised gain/loss from financial liabilities	–11	–49	–23	–77	–96	–132
– Derivatives in hedge accounting	–69	222	491	655	1,796	615
– Other derivatives	–3	63	14	3	51	111
– Loan receivables	19	19	6	45	62	70
Currency translation effects	–1	–1	1	1	2	1
Total	–11	17	4	–49	32	26

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					
	2020 Q3	2020 Q2	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Lending to the public						
Confirmed credit losses	–1	–4	–6	–7	–12	–14
Recoveries of previously confirmed credit losses	2	1	2	3	3	3
Change in provision for the period – credit stage 1	–6	–5	0	–23	–5	–3
Change in provision for the period – credit stage 2	6	–2	1	1	3	–1
Change in provision for the period – credit stage 3	–3	3	4	–1	2	3
Guarantees ¹⁾	–2	1	–1	0	–1	–8
Net credit losses for the period – lending to the public	–4	–6	0	–27	–10	–20
Loan commitments²⁾						
Change in provision for the period – credit stage 1	4	–3	–1	–6	3	3
Change in provision for the period – credit stage 2	4	–2	1	–1	–9	–9
Change in provision for the period – credit stage 3	0	0	0	0	0	0
Net credit losses for the period – loan commitments^a	8	–5	0	–7	–6	–6
Total	4	–11	0	–34	–16	–26

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

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

1) Not included in the ECL calculation

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

Impairment model and credit loss allowances

On three occasions in 2020, once every quarter, SBAB has revised the forward-looking information applied in the impairment model used to calculate credit loss allowances due to the prevailing coronavirus pandemic. Moreover, at the start of the year, prior to the outbreak of the coronavirus pandemic, SBAB revised the forward-looking information given the more negative outlook for the housing market and the economy in Sweden. The revisions gave rise to increased credit loss allowances totalling SEK 39 million so far 2020, of which SEK 26 million in the first quarter, SEK 9 million in the second quarter and SEK 6 million in the third quarter. Scenarios 1, 3 and 4 were revised in the third quarter. Other scenarios, as well as the weighting between scenarios that applied in the second quarter, remain unchanged. The above table shows the forward-looking information comprised of a weighting of four scenarios with projections of the macroeconomic factors applied in the impairment model.

During the year, SBAB has closely followed the credit-risk exposure in the portfolio due to macroeconomic developments. The underlying credit risk models in the impairment model are largely based on customers' payment histories and market values of collateral and, as yet, show no increase in credit risk. Since considerable uncertainty exists regarding the duration of the coronavirus pandemic, its effects on the economy, impact on customers' ability to pay and, by extension, housing prices, SBAB has chosen to act based on the information available in the form of the deterioration in the market outlook for the economy. Accordingly, the increase in credit loss allowances in 2020 was driven solely by changed macroeconomic projections (forward-looking information in the impairment model).

At 30 September 2020, SBAB is comfortable with the scope of the loss allowances, totalling SEK 176 million, but would like to reiterate that all macroeconomic assumptions are subject to considerable uncertainty.

Overall credit quality

Despite the prevailing conditions, the credit quality of SBAB's lending remains good and the risks entailed in retail lending are low. SBAB'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 commitment. The Swedish FSA's annual mortgage market survey, with data from 2019, 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 LTV ratio¹⁾ in SBAB's mortgage portfolio was 60% (60). At the same date, the average residential mortgage to retail customers amounted to SEK 1.7 million (1.7). During the quarter, the LTV for new lending was 71% (69) and the debt-to-income ratio was 3.7 (3.7).

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 second quarter of 2020 were 64% (63) and 38% (38), respectively. In this business area, the granting of credit to consumers is based on an assessment

customers' ability to generate stable cash flows over time and on whether adequate collateral can be pledged. Due to the coronavirus pandemic, the bank is working proactively to identify customers who are, or who could become, particularly financially exposed. 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 coronavirus pandemic persists. As yet no impact has been noted. 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. No individual provision or further manual adjustment of counterparty risk classes in the business area has proved necessary during the three first quarters in 2020.

Temporary amortisation relief

SBAB is offering its residential mortgage customers a temporary pause in mortgage amortisation in accordance with the guidelines of the Swedish FSA (FI Ref. 20-8061). At 30 September 2020, around 19,800 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 43 billion. At the same date and as a result of the coronavirus pandemic, 35 consumer loan customers, and six corporate client and tenant-owners' association customers had been granted amortisation exemption, corresponding to a volume of about SEK 5 million and SEK 430 million, respectively. 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 provisions, but will instead mitigate the increased credit risk that has temporarily arisen for the customers.

Definition of default

In May 2020, SBAB started to apply a new definition for default due to the new European regulatory requirements aimed at harmonising banks' own-funds calculations for credit risk. The definition of default entails that default has occurred when a borrower has payments that are more than 90 consecutive days past due in the event of breaching the materiality thresholds or if there are indications of unlikelihood to pay. The materiality thresholds, which are decided by the Swedish FSA, comprise an absolute and a relative component as follows: (1) the sum of late payments amount to SEK 1,000 for retail exposures and SEK 5,000 for corporate exposures; and (2) the of late payments amount to 1% of the total amount due. The previous definition of default (DoD) applied 60 days and a materiality threshold that comprised an absolute limit of SEK 1,000. Since the internal DoD is used to allocate credits to credit stage 3, the transition to a new and more stringent definition entails a reduction in the share of credit stage 3. However, the effect on the provisions was limited with a reduction of slightly more than SEK 1 million, which was compensated for with the motivation that the bank's expected credit losses remain unchanged.

Note 5 Lending to the public

SEK million	GROUP		
	30 Sep 2020	31 Dec 2019	30 Sep 2019
Opening balance	383,807	364,215	364,215
New lending for the year	68,720	75,514	55,479
Amortisation, repayments	-40,161	-55,907	-41,459
Confirmed credit losses	-7	-14	-12
Change in provision for expected credit losses ¹⁾	-23	-1	0
Closing balance	412,336	383,807	378,223

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 Sep 2020	31 Dec 2019	30 Sep 2019
Lending, Residential mortgages	304,741	291,622	287,754
Lending, Corporate Clients & Tenant-Owners' Associations	105,139	89,898	88,212
Lending, Consumer loans	2,456	2,287	2,257
Total	412,336	383,807	378,223

Lending to the public by credit stage

SEK million	GROUP		
	30 Sep 2020	31 Dec 2019	30 Sep 2019
Credit stage 1			
Gross lending	394,467	362,317	360,184
Provision	-52	-29	-31
Total	394,415	362,288	360,153
Credit stage 2			
Gross lending	17,823	21,341	17,862
Provision	-73	-74	-70
Total	17,750	21,267	17,792
Credit stage 3			
Gross lending	201	281	308
Provision	-30	-29	-30
Total	171	251	278
Total gross lending	412,491	383,939	378,354
Total provisions	-155	-132	-131
Total	412,336	383,807	378,223

Note 6 Derivatives

SEK million	GROUP					
	30 Sep 2020			31 Dec 2019		
	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	7,841	1,767	411,445	5,790	1,155	413,808
Currency-related	8,110	181	106,368	7,297	233	110,104
Total	15,951	1,948	517,813	13,087	1,388	523,912

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

Note 7 Operating segments

SEK million	GROUP					
	Jan-Sep 2020					
	Follow-up of operations			Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing	Statutory profit
Net interest income	2,125	612	2,737	-	-	2,737
Commission income	36	35	71	-	-	71
Commission expense	-66	-17	-83	-	-	-83
Net result of financial transactions	-49	0	-49	-	-	-49
Other operating income	33	0	33	-	-	33
Total operating income	2,079	630	2,709	-	-	2,709
Salaries and remuneration	-261	-58	-319	-	-	-319
Other personnel costs	-164	-41	-205	13	-	-192
Other expenses	-305	-58	-363	-13	23	-353
Depreciation, amortisation and impairment of PPE and intangible assets	-38	-8	-46	-	-23	-69
Net credit losses	-25	-9	-34	-	-	-34
Impairment of financial assets, net	0	0	0	-	-	0
Operating profit	1,286	456	1,742	0	0	1,742
Tax	-287	-102	-389	-	-	-389
Profit after standardised tax	999	354	1,353	0	0	1,353
Return on equity, %	10,8	10,6	10,8			10,8

Note 7 Operating segments, Cont.

SEK million	GROUP						
	Jan-Sep 2019						
	Follow-up of operations				Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Other	Total	Administrative consultants	IFRS 16 Leasing	Statutory profit
Net interest income	2,000	596	0	2,596	–	–	2,596
Commission income	41	19	–	60	–	–	60
Commission expense	–57	–15	–	–72	–	–	–72
Net result of financial transactions	0	20	12	32	–	–	32
Other operating income	28	0	0	28	–	–	28
Total operating income	2,012	620	12	2,644	–	–	2,644
Salaries and remuneration	–228	–55	–	–283	–	–	–283
Other personnel costs	–157	–41	–	–198	14	–	–184
Other expenses	–285	–61	–1	–348	–14	21	–362
Depreciation, amortisation and impairment of PPE and intangible assets	–25	–4	–2	–31	–	–21	–52
Net credit losses	–7	–9	–	–16	–	–	–16
Impairment of financial assets, net	0	0	0	0	–	–	0
Operating profit	1,310	450	9	1,768	0	0	1,768
Tax	–294	–102	–2	–398	–	–	–398
Profit after standardised tax	1,016	348	6	1,370	0	0	1,370
Return on equity, %	12,1	11,9	–	12,1	–	–	12,1

From Q1 2020, the segment "Other" has been removed as expenses and revenues are now fully allocated to the segments Retail and Corporate Clients & Tenant-Owners' Associations. In relation to the statutory income statement, an expense of SEK 13 million (14) 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 G 1 in SBAB's 2019 Annual Report.

Note 8 Classification of financial instruments

Financial assets

GROUP							
30 Sep 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	–	–	–	–	1,300	1,300	1,300
Chargeable treasury bills, etc.	683	–	–	2,617	30,233	33,533	33,524
Lending to credit institutions	–	–	–	–	376	376	376
Lending to the public	–	–	–	–	412,336	412,336	412,574
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	268	268	–
Bonds and other interest-bearing securities	988	–	–	31,715	26,988	59,691	59,757
Derivatives	–	15,395	556	–	–	15,951	15,951
Other assets	–	–	–	–	44	44	44
Prepaid expenses and accrued income	11	–	–	200	243	454	454
Total financial assets	1,682	15,395	556	34,532	471,788	523,953	523,980

Financial liabilities

GROUP					
30 Sep 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	–	–	25,472	25,472	25,472
Deposits from the public	–	–	133,916	133,916	133,916
Issued debt securities, etc.	–	–	332,217	332,217	337,526
Derivatives	1,511	437	–	1,948	1,948
Other liabilities	–	–	461	461	461
Accrued expenses and deferred income	–	–	1,845	1,845	1,845
Subordinated debt	–	–	4,445	4,445	4,445
Total financial liabilities	1,511	437	498,356	500,304	505,613

Note 8 Classification of financial instruments, Cont.

Financial assets

SEK million	GROUP						
	31 Dec 2019						
	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	–	–	–	–	5,750	5,750	5,750
Chargeable treasury bills, etc.	1,108	–	–	2,564	12,214	15,886	15,879
Lending to credit institutions	–	–	–	–	417	417	417
Lending to the public	–	–	–	–	383,807	383,807	384,417
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	–181	–181	–
Bonds and other interest-bearing securities	1,791	–	–	34,376	19,564	55,731	55,762
Derivatives	–	12,715	372	–	–	13,087	13,087
Other assets	–	–	–	–	44	44	44
Prepaid expenses and accrued income	44	–	–	223	210	477	477
Total financial assets	2,943	12,715	372	37,163	421,825	475,018	475,833

Financial liabilities

SEK million	GROUP				
	31 Dec 2019				
	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	–	–	10,528	10,528	10,528
Deposits from the public	–	–	130,542	130,542	130,542
Issued debt securities, etc.	–	–	303,597	303,597	307,492
Derivatives	1,019	369	–	1,388	1,388
Other liabilities	–	–	205	205	205
Accrued expenses and deferred income	–	–	1,769	1,769	1,769
Subordinated debt	–	–	4,948	4,948	4,953
Total financial liabilities	1,019	369	451,589	452,977	456,877

Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note 9 (Accounting Policies) in SBAB's 2019 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 Sep 2020				31 Dec 2019			
	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.	3,300	–	–	3,300	3,672	–	–	3,672
Bonds and other interest-bearing securities	32,703	–	–	32,703	36,166	–	–	36,166
Derivatives	–	15,951	–	15,951	–	13,087	–	13,087
Prepaid expenses and accrued income	211	–	–	211	267	–	–	267
Total	36,214	15,951	–	52,165	40,105	13,087	–	53,192
Liabilities								
Derivatives	–	1,948	–	1,948	–	1,388	–	1,388
Total	–	1,948	–	1,948	–	1,388	–	1,388

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 2018 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 2019 or 2020.

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 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.

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 263 days at 30 September 2020 (276 days at 30 June 2020).

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 September 2020, the LCR was 253% (329) in all currencies at the consolidated level, and 742% (116,860) and 479% (291), respectively, in EUR and USD. Measured in SEK, the LCR was 193% (207). For further information regarding the LCR, please refer to SBAB's report "Disclosure of capital, liquidity and leverage ratio, September 2020".

		CONSOLIDATED SITUATION									
		30 Sep 2020					31 Dec 2019				
		Distribution by currency					Distribution by currency				
SEK billion		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
	Level 1 assets	91.1	70.1	15.0	6.0	-	73.8	56.6	11.4	5.8	-
	Cash and balances with central banks ¹⁾	5.5	5.5	-	-	-	7.0	7.0	-	-	-
	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	36.6	29.4	4.5	2.7	-	19.6	13.0	4.1	2.5	-
	Securities issued by municipalities and PSEs	16.3	7.3	5.8	3.2	-	15.0	7.6	4.2	3.2	-
	Extremely high quality covered bonds	32.7	27.9	4.7	0.1	-	32.2	29.0	3.1	0.1	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Level 2 assets	3.8	3.3	0.5	-	-	3.8	3.3	0.5	-	-
	Level 2A assets	3.8	3.3	0.5	-	-	3.8	3.3	0.5	-	-
	Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	3.8	3.3	0.5	-	-	3.8	3.3	0.5	-	-
	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 ¹⁾	-	-	-	-	-	-	-	-	-	-
	Liquidity reserve	94.9	73.4	15.5	6.0	-	77.6	59.9	11.9	5.8	-

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 June 7, 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 June 27, 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 will apply from June 28, 2021. Amendments in Swedish law due to the Capital Adequacy Directive will enter into force on 29 December 2020.

Due to the corona pandemic, the EU made amendments to the CRR with effect from June 27, 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.

Buffer requirements

During the first quarter, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5 percent to 0 percent, due to the current corona pandemic. On September 9, 2020, the Swedish FSA decided to keep the countercyclical capital buffer requirement for banks unchanged at 0 percent.

Restated comparative figures

Figures for 31 Dec 2019 have been restated in relation to figures presented in the Year-end report 2019 in accordance with the Board's decision to propose to the AGM the distribution of no dividend for the 2019 financial year.

Capital adequacy

SEK million	CONSOLIDATED SITUATION		
	30 Sep 2020	31 Dec 2019	30 Sep 2019
CET1 capital	16,419	15,830	14,812
Tier 1 capital	19,919	20,830	19,812
Total capital	21,919	24,282	23,262
Risk exposure amount	129,424	120,571	121,241
CET1 capital ratio, %	12.7	13.1	12.2
Excess ¹⁾ of CET1 capital	10,595	10,404	9,356
Tier 1 capital ratio, %	15.4	17.3	16.3
Excess ¹⁾ of Tier 1 capital	12,153	13,596	12,537
Total capital ratio, %	16.9	20.1	19.2
Excess ¹⁾ of total capital	11,565	14,636	13,563

1) Excess capital has been calculated based on minimum requirements (without buffer requirements).

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

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 1423/2013, Annex IV.

Own funds

SEK million	CONSOLIDATED SITUATION		
	30 Sep 2020	31 Dec 2019	30 Sep 2019
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	14,041	12,360	12,400
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2,550	1,959	3,193
Additional Tier 1 instruments	3,500	3,500	3,500
Independently verified interim profits net of any foreseeable charge or dividend ¹⁾	821	1,800	831
CET1 capital before regulatory adjustments	22,870	21,577	21,882
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-54	-55	-62
Intangible assets (net of related tax liability) (negative amount)	-226	-188	-165
Fair value reserves related to gains or losses on cash-flow hedges	-2,605	-1,921	-3,246
Negative amounts resulting from the calculation of expected loss amounts	-45	-64	-81
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-21	-19	-16
Additional Tier 1 instruments in equity	-3,500	-3,500	-3,500
Total regulatory adjustments to CET1 capital	-6,451	-5,747	-7,070
CET1 capital	16,419	15,830	14,812
Additional Tier 1 capital: Instrument			
Capital instruments and the related share premium accounts	3,500	5,000	5,000
– of which, classified as equity under applicable accounting standards	3,500	3,500	3,500
– of which, classified as liabilities under applicable accounting standards	–	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–	–
Additional Tier 1 capital before regulatory adjustments	3,500	5,000	5,000
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	–	–	–
Additional Tier 1 capital	3,500	5,000	5,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	19,919	20,830	19,812
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	1,995	3,447	3,447
Credit risk adjustments	5	5	3
Tier 2 capital before regulatory adjustments	2,000	3,452	3,450
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	2,000	3,452	3,450
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	21,919	24,282	23,262
Total risk-weighted assets	129,424	120,571	121,241

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

SEK million	CONSOLIDATED SITUATION		
	30 Sep 2020	31 Dec 2019	30 Sep 2019
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	12.7	13.1	12.2
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	15.4	17.3	16.3
Total capital (as a percentage of total risk-weighted exposure amount), %	16.9	20.1	19.2
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	7.0	9.5	9.5
– of which, CET1 capital, minimum requirement, %	4.5	4.5	4.5
– of which, capital conservation buffer requirement, %	2.5	2.5	2.5
– of which, countercyclical buffer requirement, %	0.0	2.5	2.5
– of which, systemic risk buffer requirement, %	–	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	8.2	8.6	7.7
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) Net profit for the interim period was reduced by the expected dividend of SEK 541 million based on Q3 2020. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

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 of

SEK 792 million under Pillar 1, since 31 March 2019. 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 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 Sep 2020		31 Dec 2019		30 Sep 2019	
	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	15,462	1,237	13,415	1,073	12,736	1,019
Retail exposures	12,447	996	12,021	962	12,267	981
– of which, exposures to SMEs	926	74	834	67	825	66
– of which, retail exposures secured by immovable property	11,521	922	11,187	895	11,442	915
Total exposures recognised with the IRB approach	27,909	2,233	25,436	2,035	25,003	2,000
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	–	–	–	–
Exposures to institutions ¹⁾	4,488	359	4,079	326	4,386	351
– of which, derivatives according to CRR, Appendix 2	4,461	357	4,057	324	4,326	346
– of which, repos	27	2	21	2	59	5
– of which, other	0	0	1	0	1	0
Retail exposures	2,520	202	2,253	180	2,284	183
Exposures in default	7	1	7	1	8	1
Exposures in the form of covered bonds	3,796	304	3,674	294	3,711	297
Exposures to institutions and corporates with a short-term credit rating	28	2	21	2	30	2
Equity exposures	1,266	101	1,266	101	1,266	101
Other items	502	40	218	18	508	41
Total exposures recognised with standardised approach	12,607	1,009	11,518	922	12,193	976
Market risk	759	61	462	37	985	79
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	759	61	462	37	985	79
Operational risk	5,212	417	4,854	388	4,854	388
– of which, standardised approach	5,212	417	4,854	388	4,854	388
Credit valuation adjustment risk (CVA risk)	1,989	159	2,396	192	2,842	227
Additional requirements under Article 458 of the CRR	80,156	6,412	75,113	6,009	74,572	5,966
Additional requirements under Article 3 of the CRR	792	63	792	63	792	63
Total risk exposure amount and minimum capital requirements	129,424	10,354	120,571	9,646	121,241	9,699
Capital requirements for capital conservation buffer		3,236		3,014		3,031
Capital requirements for countercyclical buffer		18		3,003		3,014
Total capital requirements		13,608		15,663		15,744

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,488 million (4,078).

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 15,909 million (SEK 16,970 million at 31 December 2019). 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

30 September 2020 amounted to SEK 15,857 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.

CONSOLIDATED SITUATION					
		30 Sep 2020		31 Dec 2019	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		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	3,401	2.6	3,149	2.6
	Market risk	61	0.1	37	0.0
	Operational risk	417	0.3	388	0.3
	Risk-weight floor ¹⁾	6,412	4.9	6,009	5.0
	Surcharge, corporate exposures ²⁾	63	0.1	63	0.1
	Total Pillar 1	10,354	8.0	9,646	8.0
Pillar 2	Credit risk	–	–	–	–
	Market risk	1,150	0.9	280	0.2
	Operational risk	–	–	–	–
	Concentration risk	1,062	0.8	951	0.8
	Sovereign risk	78	0.1	65	0.1
	Pension risk	11	0.0	11	0.0
	Total Pillar 2	2,301	1.8	1,307	1.1
Buffers	Capital conservation buffer	3,236	2.5	3,014	2.5
	Capital planning buffer	–	–	–	–
	Countercyclical buffer	18	0.0	3,003	2.5
	Total Buffers	3,254	2.5	6,017	5.0
Total		15,909	12.3	16,970	14.1
Total own funds		21,919		24,282³⁾	

1) Pillar 1 risk-weight floor under Article 458 of the CRR.

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

3) Figure restated in relation to the latest published interim report (Year-end report 2019) in accordance with the Board's decision to propose to the AGM the distribution of no dividend for the 2019 financial year.

Parent Company

Trend for January–September 2020 compared with January–September 2019

Operating profit decreased to SEK 358 million (3,370), primarily due to the retroactive dividend of SEK 3 billion from the subsidiary SCBC during the comparative period. Net interest income decreased during the period to SEK 428 million (455), mainly driven by lower interest income from subordinated receivable from SCBC. Lower interest expenses relating to deposits to the public had a positive effect on the item. Net commission income increased to SEK 49 million (39), primarily due to increased commission income from insurance mediation and increased formation expenses linked to corporate lending. The net result of financial transactions amounted to

an income of SEK 17 million (income: 8) mainly due to differences in value changes in hedging instruments and hedged items. Other operating income rose to SEK 823 million (757), and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses grew to SEK 948 million (878), mainly due to higher personnel costs. Credit losses amounted to SEK 11 million (11). Lending to the public totalled SEK 25.9 billion (22.5). Deposits from the public totalled SEK 133.9 billion (130.0). The CET1 capital ratio amounted to 24.1% (23.3) and the total capital ratio was 37.8% (45.1). The internally assessed capital requirement was SEK 5,899 million (6,220).

Consolidated income statement

SEK million	PARENT COMPANY					
	2020 Q3	2019 Q1	2019 Q3	2020 Jan–Sep	2019 Jan–Sep	2019 Jan–Dec
Interest income	446	464	495	1,375	1,443	1,962
Interest expense	–310	–312	–337	–947	–988	–1,322
Net interest income	136	152	158	428	455	640
Dividends received	–	0	–	–	3,000	3,539
Commission income	20	34	23	71	64	89
Commission expense	–8	–9	–7	–22	–25	–36
Net result of financial transactions	–9	68	6	17	8	11
Other operating income	273	274	247	823	757	1,043
Total operating income	412	519	427	1,317	4,259	5,286
Personnel costs	–168	–167	–155	–501	–458	–620
Other expenses	–130	–144	–122	–424	–408	–579
Depreciation, amortisation and impairment of PPE and intangible assets	–11	–7	–6	–23	–12	–17
Total expenses before credit losses	–309	–318	–283	–948	–878	–1,216
Profit/loss before credit losses	103	201	144	369	3,381	4,070
Net credit losses	9	–8	–1	–11	–11	–14
Impairment of financial assets	–2	–3	–1	–7	–3	–5
Reversals of impairment of financial assets	3	3	1	7	3	5
Operating profit	113	193	143	358	3,370	4,056
Tax	–30	–46	–38	–93	–101	–254
Net profit for the period	83	147	105	265	3,269	3,802

Consolidated statement of comprehensive income

SEK million	PARENT COMPANY					
	2020 Q3	2019 Q1	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Net profit/loss for the period	83	147	105	265	3,269	3,802
Other comprehensive income						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	37	12	-66	-44	-42	-56
Changes related to cash-flow hedges	-4	-24	36	30	211	75
Tax attributable to components that will be reclassified to profit or loss	-7	2	7	3	-36	-4
Other comprehensive income/loss, net of tax	26	-10	-23	-11	133	15
Total comprehensive income for the period	109	137	82	254	3,402	3,817

Consolidated balance sheet

SEK million	PARENT COMPANY		
	30 Sep 2020	31 Dec 2019	30 Sep 2019
ASSETS			
Cash and balances at central banks	1,300	5,750	0
Chargeable treasury bills, etc.	33,533	15,886	27,615
Lending to credit institutions (Note 13)	107,318	102,596	104,653
Lending to the public	25,856	24,871	22,521
Bonds and other interest-bearing securities	59,691	55,731	55,311
Derivatives	16,259	13,354	18,800
Shares and participations in Group companies	10,401	10,401	10,401
Intangible assets	15	24	23
Property, plant and equipment	45	39	38
Other assets	24	556	34
Prepaid expenses and accrued income	463	627	660
TOTAL ASSETS	254,905	229,835	240,056
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	25,472	10,527	15,567
Deposits from the public	133,916	130,542	129,986
Issued debt securities, etc.	60,432	56,823	57,004
Derivatives	15,486	12,320	17,727
Other liabilities	385	432	556
Accrued expenses and deferred income	732	347	732
Deferred tax liabilities	60	62	97
Provisions	21	13	13
Subordinated debt	4,445	4,948	4,949
Total liabilities	240,949	216,014	226,631
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	226	237	354
Additional Tier 1 instruments	3,500	3,500	3,500
Retained earnings	7,615	3,932	3,952
Net profit for the period	265	3,802	3,269
Total unrestricted equity	11,606	11,471	11,075
Total equity	13,956	13,821	13,425
TOTAL LIABILITIES AND EQUITY	254,905	229,835	240,056

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 30 September 2020, SEK 96 340 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkertställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 102,180 million at the end of 2019. 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 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

Restated comparative figures

Figures for 31 Dec 2019 have been restated in relation to figures presented in the Year-end report 2019 in accordance with the Board's decision to propose to the AGM the distribution of no dividend for the 2019 financial year.

Capital adequacy

SEK million	PARENT COMPANY		
	30 Sep 2020	31 Dec 2019	30 Sep 2019
CET1 capital	9,646	9,530	9,003
Tier 1 capital	13,146	14,530	14,003
Total capital	15,141	17,977	17,451
Risk exposure amount	40,059	37,573	38,696
CET1 capital ratio, %	24.1	25.4	23.3
Excess ¹⁾ of CET1 capital	7,843	7,839	7,262
Tier 1 capital ratio, %	32.8	38.7	36.2
Excess ¹⁾ of Tier 1 capital	10,742	12,276	11,682
Total capital ratio, %	37.8	47.8	45.1
Excess ¹⁾ of total capital	11,936	14,971	14,355

1) Excess capital has been calculated based on minimum requirements (without buffer requirements).

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

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 1423/2013, Annex IV.

Own funds

SEK million	PARENT COMPANY		
	30 Sep 2020	31 Dec 2019	30 Sep 2019
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	8,006	4,324	4,344
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	226	237	354
Additional Tier 1 instruments	3,500	3,500	3,500
Independently verified interim profits net of any foreseeable charge or dividend ¹⁾	-276	3,263	2,721
CET1 capital before regulatory adjustments	13,414	13,282	12,877
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-78	-76	-88
Intangible assets (net of related tax liability) (negative amount)	-15	-24	-23
Fair value reserves related to gains or losses on cash-flow hedges	-114	-91	-197
Negative amounts resulting from the calculation of expected loss amounts	-40	-42	-50
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-21	-19	-16
Additional Tier 1 instruments in equity	-3,500	-3,500	-3,500
Total regulatory adjustments to CET1 capital	-3,768	-3,752	-3,874
CET1 capital	9,646	9,530	9,003
Additional Tier 1 capital: Instrument			
Capital instruments and the related share premium accounts	3,500	5,000	5,000
– of which, classified as equity under applicable accounting standards	3,500	3,500	3,500
– of which, classified as liabilities under applicable accounting standards	–	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–	–
Additional Tier 1 capital before regulatory adjustments	3,500	5,000	5,000
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	–	–	–
Additional Tier 1 capital	3,500	5,000	5,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	13,146	14,530	14,003
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	1,995	3,447	3,447
Credit risk adjustments	–	–	1
Tier 2 capital before regulatory adjustments	1,995	3,447	3,448
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	1,995	3,447	3,448
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	15,141	17,977	17,451
Total risk-weighted assets	40,059	37,573	38,696

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

SEK million	PARENT COMPANY		
	30 Sep 2020	31 Dec 2019	30 Sep 2019
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	24.1	25.4	23.3
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	32.8	38.7	36.2
Total capital (as a percentage of total risk-weighted exposure amount), %	37.8	47.8	45.1
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	7.0	9.5	9.5
– of which, CET1 capital, minimum requirement, %	4.5	4.5	4.5
– of which, capital conservation buffer requirement, %	2.5	2.5	2.5
– of which, countercyclical buffer requirement, %	0.0	2.5	2.5
– of which, systemic risk buffer requirement, %	–	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	19.6	20.9	18.8
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) Net profit for the interim period was reduced by the expected dividend of SEK 541 million based on Q3 2020. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

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

Risk exposure amounts and capital requirements

SEK million	PARENT COMPANY					
	30 Sep 2020		31 Dec 2019		30 Sep 2019	
	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	7,730	618	7,475	598	6,930	555
Retail exposures	1,044	84	747	60	902	72
– of which, exposures to SMEs	111	9	70	6	81	6
– of which, retail exposures secured by immovable property	933	75	677	54	821	66
Total exposures recognised with the IRB approach	8,774	702	8,222	658	7,832	627
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	–	–		
Exposures to institutions ¹⁾	4,348	348	4,034	323	4,278	342
– of which, derivatives according to CRR, Appendix 2	4,324	346	3,993	319	4,228	338
– of which, repos	12	1	–	–	13	1
– of which, other	12	1	41	3	36	3
Retail exposures	2,520	202	2,253	180	2,284	183
Exposures in default	7	1	6	0	8	1
Exposures in the form of covered bonds	3,796	304	3,674	294	3,711	297
Exposures to institutions and corporates with a short-term credit rating	29	2	21	2	30	2
Equity exposures	11,566	925	11,566	925	11,566	925
Other items	108	10	107	9	115	9
Total exposures recognised with standardised approach	22,374	1,792	21,661	1,733	21,992	1,759
Market risk	81	6	94	8	101	8
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	81	6	94	8	101	8
Operational risk	2,148	172	1,813	145	1,813	145
– of which, standardised approach	2,148	172	1,813	145	1,813	145
Credit valuation adjustment risk (CVA risk)	1,728	138	2,230	178	2,591	207
Additional requirements under Article 458 of the CRR	4,778	382	3,377	270	4,191	336
Additional requirements under Article 3 of the CRR	176	14	176	14	176	14
Total risk exposure amount and minimum capital requirements	40,059	3,206	37,573	3,006	38,696	3,096
Capital requirements for capital conservation buffer		1,001		939		967
Capital requirements for countercyclical buffer		7		935		960
Total capital requirements		4,214		4,880		5,023

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,336 million (3,993).

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 Sep 2020	30 Sep 2019	31 Dec 2019
Deposits from the public	133,916	129,986	130,542
Lending to the public	412,336	378,223	383,807
Deposits/lending, %	32.5	34.4	34.0

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		
	2020	2019	2019
	Jan-Sep	Jan-Sep	Jan-Dec
Expenses	-933	-860	-1,187
Operating income	2,709	2,644	3,521
C/I ratio, %	34.4	32.5	33.7

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		
	2020	2019	2019
	Jan-Sep	Jan-Sep	Jan-Dec
Expenses	-933	-860	-1,187
- Expenses (annualised)	-1,244	-1,147	-1,187
Aver. lending to the public	398,072	371,219	374,011
C/L ratio, %	0.31	0.31	0.32

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		
	2020	2019	2019
	Jan-Sep	Jan-Sep	Jan-Dec
Operating profit after tax	1,353	1,370	1,788
- Op. profit after tax (annualised)	1,804	1,827	1,788
Average equity	16,739	15,080 ¹⁾	15,280 ¹⁾
Return on equity, %	10.8	12.1	11.7

¹⁾ Average equity has been adjusted for the dividend of SEK 690 million.

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.

	GROUP		
	2020	2019	2019
SEK million	Jan-Sep	Jan-Sep	Jan-Dec
Net interest income	2,737	2,596	3,473
– Net interest inc. (annualised)	3,649	3,461	3,473
Average balance sheet total	500,154	466,609	461,944
Net interest margin, %	0.73	0.74	0.75

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.

	GROUP		
	2020	2019	2019
SEK million	Jan-Sep	Jan-Sep	Jan-Dec
Credit losses	–34	–16	–27
– Credit losses (annualised)	–45	–21	–27
Lending to the public	412,336	378,223	383,807
Credit loss ratio, %	–0.01	–0.01	–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.

	KONCERNEN		
	30 Sep 2020	30 Sep 2019	31 Dec 2019
SEK million			
Gross lending credit stage 3	201	308	281
Lending to the public	412,336	378,223	383,807
Share of Stage 3 loans, %	0.05	0.08	0.07

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
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
Survival horizon	The number of days that the need for liquidity can be met in a stress scenario before new liquidity is
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

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, 22 October 2020

Klas Danielsson
CEO

Financial calender

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

The Annual General Meeting will be held 28 April 2021 in Solna.

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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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.