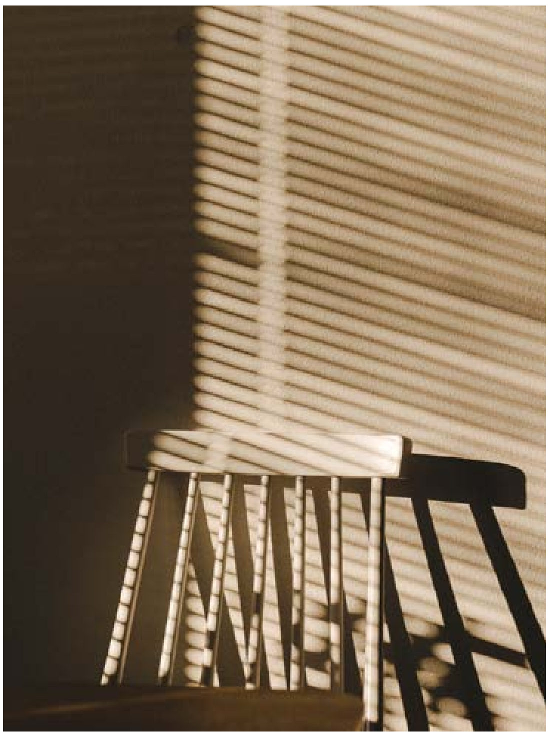
2020

Annual Report

SCBC!

Covered bonds of SBAB



Read our other reports!

The Sustainability Report for The Swedish Covered Bond Corporation (SCBC) is included in the 2020 Annual Report for the Parent Company, SBAB Bank AB (publ).

Financial calendar

Annual General Meeting	28 April 2021
Interim report Jan–Jun 2021	16 July 2021
Year-end report 2021	3 February 2022

The year in brief

Selected key metrics

SEK million	2020	2019
Income-statement items		
Net interest income, SEK million	3,154	2,835
Operating profit, SEK million	1,797	1,713
Profit after tax, SEK million	1,413	1,349
Balance-sheet items		
Lending to the public, SEK billion	398.0	358.9
Key metrics		
Credit loss ratio, %	-0.01	0.00
Capital adequacy		
CET1 capital ratio, %	16.3	17.0
Tier 1 capital ratio, %	16.3	17.0
Total capital ratio, %	16.3	17.0
Rating, long-term funding		
Moody's	Aaa	Aaa

Net interest income, SEK million

3,154	2,835
2020	2019

Operating profit, SEK million

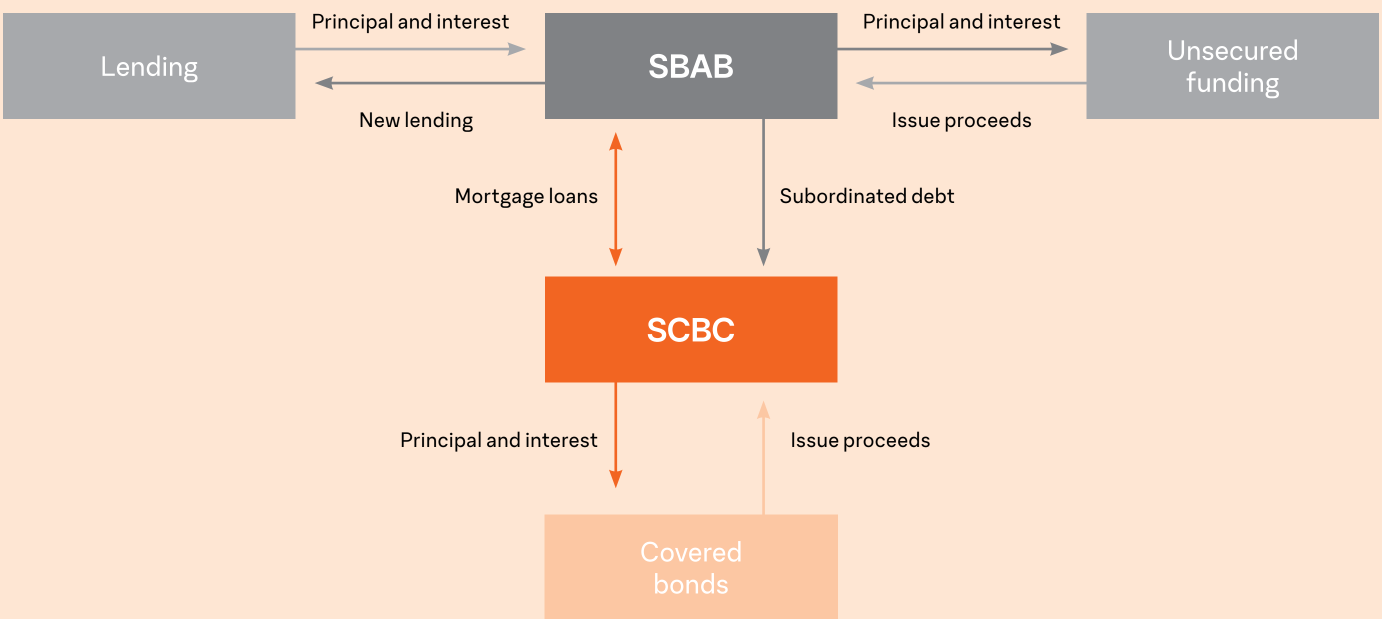
1,797	1,713
2020	2019

Operations

The primary operations of AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) comprise the issue of covered bonds to fund the lending of the SBAB Group. SBAB Bank AB (publ), (SBAB), is the Parent Company of the SBAB Group and is wholly owned by the Swedish state.

The Swedish Covered Bond Corporation (SCBC), Corp. Reg. No. 556645-9755, is a wholly-owned subsidiary of SBAB, Corp. Reg. No. 556253-7513. SCBC is a credit market company and is regulated by the Swedish Banking and Financing Business Act (2004:297) and subject to supervision by the Swedish FSA (Sweden's financial supervisory authority). The primary operations within SCBC comprise the issue of covered bonds in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223) and the Swedish FSA's regulation FFFS 2013:1. Issues are conducted in both Swedish and international capital markets. SCBC complies with and reports to the European Covered Bond Council's (ECBC) "Labelling Initiative," and reports on a monthly basis in line with "National templates" as published by the Association of Swedish Covered Bond issuers (ASCB). SCBC is domiciled in Solna and its operating activities are mainly outsourced to the Parent Company.

SCBC's role in the SBAB Group



Lending

SCBC does not conduct any new lending itself, but instead acquires loans from SBAB Bank on an ongoing basis. The aim of securing these loans is to include the loans, in part or in full, in the assets that comprise collateral for holders of SCBC's covered bonds and derivative counterparties.

Credit portfolio

At 31 December 2020, lending to the public amounted to SEK 398.0 billion (358.9). SCBC's portfolio mainly comprises loans for residential mortgages, with the retail market as the largest segment. The underlying collateral consists primarily of mortgage deeds in houses and multi-family dwellings, and of collateral in tenant-owners' rights. All provision of credit is conducted in the Swedish market and is geographically concentrated to the metropolitan areas, university cities and growth regions.

Cover pool

SCBC's total loan portfolio consists to around 94.4% (95.7) of assets that qualify for inclusion in the cover pool for the issuance of covered bonds. Of SCBC's credit portfolio, 90.2% (87.2) is included in the cover pool. Of the loans in the cover pool, approximately 99.9% (99.8) consist of loans against collateral in mortgage deeds or tenant-owners' rights. In calculating the loan-to-value (LTV) ratio for these loans, the upper limit of the loans' (or group of loans) LTV ratio in the collateral used – is known as the Max LTV.

Credit quality

The overall credit quality in SCBC's credit portfolio is assessed as good. SCBC only lends against pledged collateral and has no exposure to sectors that are particularly affected as a result of the coronavirus pandemic. In 2020, credit risk increased slightly in the portfolio, both due to the increased lending volume and due to updated coronavirus pandemic-related assumptions.

Key metrics, cover pool

	31 Dec 2020	31 Dec 2019
Total cover pool, SEK million	358,910	313,044
Credit portfolio, SEK million	398,029	358,936
Weighted average max LTV, %	54.1	55.4
Average loan amount, SEK thousand	803	766
Weighted average seasoning, years	6.3	6.0
Average remaining maturity, years [1]	1.3	1.2
Substitute collateral, SEK million	–	–

[1] Regarding maturity until the next date for changes in terms for all borrower categories.

LTV breakdown

	Credit volume			
	31 Dec 2020		31 Dec 2019	
LTV, %	SEK million	%	SEK million	%
-10	77,358	21.6	66,536	21.3
10–20	71,602	20.0	61,147	19.6
20–30	63,892	17.8	54,591	17.5
30–40	54,022	15.1	46,532	14.9
40–50	41,730	11.6	36,952	11.8
50–60	28,815	8.0	26,239	8.4
60–70	16,642	4.6	15,845	5.1
70–75	4,436	1.2	4,557	1.5
75–	0	0.0	0	0.0
Total	**358,497**	**100.0%**	**312,398**	**100.0%**

Financial performance

Operations continue to develop favourably. Operating profit for 2020 totalled SEK 1,797 million (1,713) and net interest income amounted to SEK 3,154 million (2,835).

Development of operations

SCBC's operating profit increased to SEK 1,797 million (1,713), primarily due to higher net interest income.

Net interest income

SCBC's net interest income grew to SEK 3,154 million (2,835), mainly due to higher lending volumes and a lower resolution fee. The resolution fee, which is recognised in net interest income, totalled SEK 122 million (175) for the period.

Net commission expense

The net commission expense was SEK 73 million (expense: 63). The change was mainly attributable to higher commission expenses arising from mark-to-market fees as a result of issuing benchmark bonds.

Net result of financial transactions

The net result of financial transactions decreased to an expense of SEK 73 million (income: 8), mainly as a result of hedge accounting and lower interest compensation from customers.

Expenses

SCBC's expenses rose to SEK 1,190 million (1,055), and mainly comprised fees to SBAB for administrative services in line with the applicable outsourcing agreements. At Group level, the increase in costs was mainly driven by an increased number of employees and thus higher personnel costs and an increase in IT expenses. The cost trend is progressing according to plan and tracks the operations' development and investment strategy for long-term competitiveness.

Credit losses

Net credit losses increased to SEK 21 million (loss: 12). The difference between the periods was mainly attributable to increased provisions for expected credit losses in conjunction with the revision of the forward-looking macroeconomic information applied in the impairment model as a result of the coronavirus pandemic. Confirmed credit losses totalled SEK 2 million (1). For more information on credit losses; please refer to Note IC 5.

Capital adequacy and liquidity risk

SCBC primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised approach. SCBC's total capital ratio and CET1 capital ratio amounted to 16.3% (17.0) at 31 December 2020. Net profit for the year is included in own funds. A Group contribution comprising SEK 719 million to the Parent Company SBAB Bank AB (publ) (SBAB) and SEK 30 million to fellow Group company Booli Search Technologies AB was distributed, which had a total impact after tax of SEK 589 million on retained earnings for SCBC. The internally assessed capital requirement amounted to SEK 11,508 million (12,839) at 31 December 2020.

For more information on capital adequacy; please refer to Note RC 8.

The management of liquidity risks for SCBC is integrated with SBAB. SCBC has a liquidity facility agreement with the Parent Company, SBAB, under which SCBC can borrow money for its operations from the Parent Company when necessary.

Dividend policy and appropriation of profits

SCBC has no established dividend policy. Dividends are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. All shares are owned by the Parent Company, SBAB. The full proposed appropriation of profits can be found on page 16.

Group contributions

During December 2020, a decision was taken to distribute a Group contribution of SEK 719 million from SCBC to the Parent Company SBAB, which corresponded to 40% of net profit for the year. At the same time, a decision was taken to distribute a Group contribution of SEK 30 million to Booli Search Technologies AB.

Updates pertaining to the MREL

No new MREL liability was taken up in SCBC during the year. At 31 December, total senior non-preferred debt amounted to SEK 6 billion (6).

Corporate Governance Report

SCBC's Corporate Governance Report is included in this Annual Report, see page 12. Information regarding the most important aspects of the company's system for internal governance and control can be found in the aforementioned report.

Events after the balance sheet date

Information about events after the balance sheet date is available in Note G 4.

Funding

During the past unusual year, SCBC has noted healthy demand from investors for the company's bonds. The Swedish covered bonds market was supported during the year by the Riksbank's bond purchase programme.

SCBC operates primarily in the Swedish and European covered bond markets. The issue of covered bonds through SCBC is one of the SBAB Group's key sources of funding. The annual funding requirement is influenced by both lending and deposit volumes. SCBC does not conduct any lending activities itself, but instead acquires loans from SBAB, with the aim that these are included wholly or in part in the cover pool that serves as collateral for SCBC's covered bonds.

Due to the uncertainty surrounding the development of the coronavirus pandemic and its effect on the Swedish and global economies, SCBC noted relatively high volatility in its funding costs during the year. In general, however, in the markets in which SCBC is active, investor demand for SCBC's bonds was healthy during the year. As part of mitigating the economic effects of the coronavirus pandemic, the Riksbank decided during the spring to expand and broaden its bond purchase programme to include Swedish covered bonds. The bond purchase programme has contributed to issue levels for covered bonds in SEK gradually falling back to generally historically low levels at the end of the year. In 2020, SCBC's bond financing was conducted exclusively in SEK.

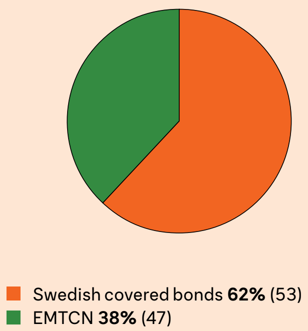
Funding programmes

SCBC's primary operations comprise the issue of covered bonds in the Swedish and international capital markets. To this end, the company makes use of funding programmes. A covered funding programme with no fixed limit is used in Sweden, while in the international market, a EUR 16 billion EMTCN programme (Euro Medium Term Covered Note Programme) is primarily used. At 31 December 2020, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 263.9 billion (246.8), distributed as follows: Swedish covered bonds SEK 162.3 billion (129.8) and the Euro Medium Term Covered Note Programme SEK 101.5 billion (117). During the period, securities amounting to SEK 62.9 billion (44.7) were issued. At the same time, securities amounting to SEK 20.2 billion (22.9) were repurchased, while securities amounting to SEK 22.3 billion (14.0) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities of SEK 17.1 billion (12.0) in the period.

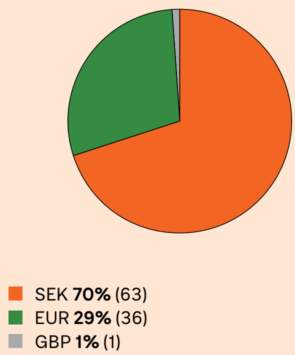
Rating

All of SCBC's funding programmes have received the highest possible credit rating of Aaa from the rating agency Moody's.

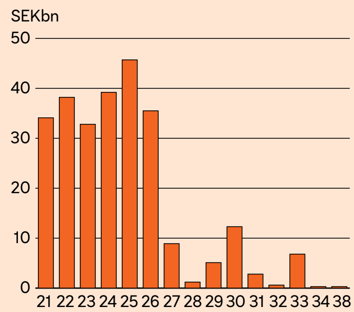
Funding – Debt outstanding, 31 December 2020: SEK 263.9 billion (246.8)



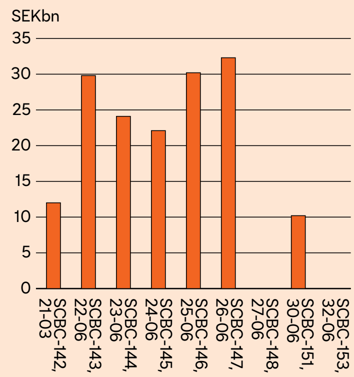
Funding — Currency breakdown, debt outstanding 31 December 2020: SEK 263.9 billion (246.8)



Total funding – maturity profile



Volume outstanding for SCBC's Swedish covered bonds



Information due to the coronavirus pandemic

The spread of Corona (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, Covid-19 has a broad global spread, which entails 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.

Support measures

Many governments around the world have allocated substantial resources to health care, but have also taken steps to reduce the risk of companies entering into bankruptcy as a result of the coronavirus. Moreover, 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. During the summer and autumn, the Swedish economy recovered around half of the decline and shrank around 3% during 2020 due to the coronavirus pandemic. Unemployment has also increased markedly. The housing market, however, has shown strong resilience in the face of the pandemic. For a short period, sales and prices declined, but for the full year overall sales resembled a typical year and a broad uptick was noted in prices in all parts of the country and for all forms of housing.

+ *For more information about the effects of the coronavirus pandemic on the SBAB Group, please refer to SBAB's annual report 2020.*

SCBC's financial position

SCBC's earnings trend and lending growth remained healthy in 2020. De- spite the prevailing circumstances due to the coronavirus pandemic, no note- worthy changes or risks have been noted with regard to SCBC's financial position. The company's balance sheet is strong, and the capital and liquidity buffers are assessed as robust. The functionality of the financial markets is assessed as good and funding operations continue to work satisfactorily. No material changes have been noted in terms of credit risk in the lending portfolio.

Amortisation relief

The Swedish FSA has announced that banks will have the possibility of offering all new and existing mortgagors an ex- emption from the amortisation require- ments due to the considerable downturn in Sweden's economy in the wake of the coronavirus. It is up to the banks to de- cide whether an individual household may be granted an amortisation exemption based on an assessment of its specific situation and payment ability. The ex- emption applies for amortisation pay- ments until 31 August 2021. SCBC's as- sessment is that the amortisation reliefs 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. Customers that applied for amortisation relief due to loss of income due to the coronavirus pandemic are managed by SBAB's insolvency depart- ment, who determine if the amortisation relief is

to be classified as a forbearance measure according to current accounting standards and the CRR. All customers granted amortisation relief according to the Swedish FSA's guidelines are still considered creditworthy.

Brexit

Since 1 January 2021, the United Kingdom is no longer part of the EU. The Withdrawal Agreement governs the UK's withdrawal from the EU. However, there are areas not governed by this Agreement, not least in the financial sector, such as the possibility for UK resident operators to provide financial services to EU operators. The SBAB Group's lending activities are only directed to Swedish customers and these loans are provided in SEK. The primary effect of Brexit on the SBAB Group pertains to borrowing activities and, in particular, those covered by existing agreements with UK resident financial counterparties or subject to agreements governed by English law. Accordingly, a number of adjustments have been made to such agreements within the SBAB Group to ensure the continuity of financial services. Further measures, inter alia, have been implemented pertaining to the Group's funding programme with the aim of ensuring the continued compliance of issued bonds and capital instruments with the regulatory requirements that arise as a consequence of the UK being considered a third country.

Risk management

SCBC's risk taking is low and is kept at a level commensurate with financial targets for return and the scope of own funds. SCBC's risks consist mainly of credit risk through its lending operations. For further information about SCBC's risk management and capital adequacy, refer to the notes or visit SBAB's website: www.sbab.se.

Risks in SCBC's operations

Risk is defined as a potentially negative impact that may arise due to ongoing or future internal or external events. The definition of risk includes the probability that an event occurs as well as the impact the event could have on SCBC's earnings, capital, liquidity or value.

Authority and responsibility

SCBC's Board of Directors bears the ultimate responsibility for the company's total risk exposure. It is the Board's responsibility to ensure that operations are conducted with good internal control to thereby ensure that SCBC's ability to meet its obligations is not compromised. As SCBC's operations are outsourced to the Parent Company SBAB Bank AB (publ), SBAB's CRO also acts as the CRO of SCBC.

The CEO is responsible for day-to-day administration in accordance with the strategies, guidelines and policies adopted by the Board of Directors. The CEO also ensures, on an ongoing basis, that each unit, including Risk, reports in accordance with the relevant instructions to the Board.

Risk is tasked with the identification, quantification, analysis and reporting of all risks. The CRO, who reports directly to SCBC's CEO and Board, is responsible for Risk.

Risk strategy

SCBC is tasked with identifying, measuring, governing, reporting internally and maintaining control of the risks to which SCBC is or may become exposed. The Board adopts the strategic direction and the overarching risk level that SCBC's operations are willing to accept, based on the company's business and how value is created for our customers. This means SCBC is to consciously expose itself only to risks that are directly connected to or are regarded as necessary for its operations. It is also about maintaining sufficient liquidity and capital to meet unforeseen events. Knowledge and awareness of any risks that SCBC may be exposed to, together with the right expertise to estimate the size of existing and potential risks, is absolutely necessary for our operations.

Risk taking

SCBC's risk taking is kept at a level consistent with our short-term and long-term plans for strategy, capital and financial stability. An important part of SCBC's business model is that the risks to which SCBC is exposed are low and predictable. In reality, this does not mean that each individual credit exposure has very low risk; rather, SCBC's total lending portfolio consists lar-

Risk	Description
Credit risk	The counterparty is unable to fulfil its payment obligation.
Market risk	The risk of losses or reduced future income due to market fluctuations.
Operational risk	The risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events, including legal risks.
Capital targets	The levels adopted by the Board of Directors for capital.
Liquidity risk	The risk of being unable to meet payment obligations on due dates without the cost of raising funds for that purpose increasing significantly.
Compliance	That SCBC does not comply with legislation, rules, ethical guidelines, good market practices or other relevant regulations for operations requiring licences and therefore is affected by statements or sanctions by the Swedish FSA, negative publicity in the media and/or reduced confidence from customers and other stakeholders.

gely of low-risk loans and every loan's internal risk effect is such that the total risk is limited.

The basis for SCBC's appetite for risk is that it should fit within the company's risk-bearing capacity. Risk-bearing capacity refers to the capacity to cover expected and unexpected losses without breaching the established capital requirements.

The scope of acceptable risks is clearly linked to how important these are to SCBC's business model, in other words the positive effects anticipated to be achieved in the form of expected revenue, cost savings or the mitigation of other risks.

SCBC minimises undesired risks through appropriate functions, strategies, processes, procedures, internal rules, limits and controls.

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 SCBC's future earnings capacity, and the quality of our assets is mainly exposed to credit risk in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks.

Over the last few years, household demand for housing has posted a stable trend. Housing costs as a percentage of household income are generally low, which is attributable to healthy income levels and low interest rates, but also, to some extent, to housing shortages and overcrowding. Despite some turbulence in housing prices, a large offering of newly produced units and the societal strain arising from the coronavirus pandemic, demand for housing has been strong.

The combination of substantial historic price increases in the housing market and many highly indebted households means that the Swedish economy could be sensitive to rapidly rising interest rates and falling housing prices. Interest rates are expected to remain low for the next few years before rising slowly. Rising interest rates are expected to slow the price trend for housing to such an extent that prices will remain essentially unchanged for the next few years. Risks linked to the price trend for housing pertain to the degree to which it could lead to behaviour that triggers a larger price downturn, and how price uncertainty impacts possibilities for building and selling new housing units. However, in 2018 and 2019, new production has shown its capacity to adapt to a limited price downturn and a downshift in volume without giving rise to larger credit losses. Production has also continued at an essentially unaffected rate through 2020 despite the coronavirus pandemic. As always, a risk also exists that indebted households experience difficulty coping with ongoing loan payments as a result of rising interest rates, even if various analyses indicate that this risk is low.

The total effect of the extensive regulatory changes in the residential mortgage market comprises a further uncertainty factor. Moreover, political decisions, for example changed tax rules for banks and housing, could have major consequences on bank's mortgage margins, households' solvency and property values.

Corporate Governance Report

SCBC is domiciled in Solna. Owner governance of SCBC is exercised through general shareholder meetings, the Board of Directors and CEO in accordance with the Companies Act, the Articles of Association, and internal policies and instructions adopted by SCBC. SCBC was established with the aim of broadening the SBAB Group's funding opportunities and decreasing its funding costs following changes in Swedish legislation in 2004 that permitted the issuance of covered bonds.

SCBC's operations

SCBC's operations comprise the issuance of covered bonds and associated activities. In addition to the policies and instructions that have been developed especially for SCBC, the Board of SCBC annually adopts the appropriate parts of policies and instructions adopted by the Board of the Parent Company that also apply to SCBC.

This approach is suitable since SCBC's business operations are conducted by the Parent Company on assignment from SCBC and SCBC's operations serve as an instrument for the Group's funding. SCBC's targets and strategies form part of the Parent Company's funding strategy and are included in the Parent Company's business plan.

Articles of Association

SCBC's Articles of Association govern items such as SCBC's business objectives. The Articles of Association do not include any provisions regulating the appointment or removal of Board Members, with the exception of the provision on the minimum and maximum number of Board Members. The Articles of Association require that notification of an Extraordinary General Meeting convened to address amendments to the Articles of Association must be issued not earlier than six weeks and not later than four weeks prior to the meeting.

Annual General Meeting

SCBC's Annual General Meeting was held on 28 April 2020 in Solna. The Meeting re-elected Board members Jan Sinclair (who was also elected Chairman of the Board), Jane Lundgren Ericsson and Klas Danielsson. The Annual General Meeting passed resolutions regarding the discharge from liability for the Board of Directors and the CEO, the appropriation of profits and the adoption of the annual accounts for 2019, and fees to the Board Members who are not employees of the Group. The Annual General Meeting elected Deloitte AB, with Patrick Honeth as the auditor-in-charge, as SCBC's auditor until the close of the 2021 Annual General Meeting.

The General Meeting did not authorise the Board of Directors to issue new shares or buy back the company's shares.

The Board of Directors and the Board's work

The Articles of Association stipulate that the Board of Directors is to comprise not fewer than three and not more than seven members, with no more than six alternates.

The members are normally elected at the Annual General Meeting for the period until the next Annual General Meeting. The CEO of SCBC is not a member of the Board. SCBC's Board of Directors comprises the Parent Company's CEO and members of the Board of Directors of the Parent Company.

The Board of Directors bears ultimate responsibility for the company's organisation and administration. The Board is also responsible for continuously assessing SCBC's financial position and for ensuring that the organisation is structured in a manner that enables the accounting, asset management and the company's other financial circumstances to be controlled in a satisfactory manner.

The work of the Board complies with the formal work plan adopted annually at the Board's statutory meeting immediately after the Annual General Meeting. The working procedures address summonses, agendas and quorums for Board meetings, as well as the division of duties between the Board and the CEO.

SCBC's Board makes decisions on matters relating to SCBC's strategic direction, financing, policies, and certain instructions. The Board addresses the company's year-end report, Annual Report and six-month reports, and determines their adoption and publication. The Board's measures to follow up internal control of financial reporting include the Board's regular follow-up of SCBC's performance and key performance indicators, but also include the Board's review and follow-up of the auditor's review reports. At least once annually, the Board receives reports from the independent inspector appointed by the Swedish FSA, independent risk control, internal audit and compliance regarding observations from performed reviews and assessments, as well as assessments of how well control and regulatory compliance are upheld within the company.

The names, ages, main qualifications, work experience and other assignments of the Board members and their attendance at Board meetings and its committees are detailed on page 11. None of the Board members or the CEO hold shares or financial instruments issued by SCBC.

Diversity and eligibility policies

The Board has adopted a policy pertaining to Board diversity and an instruction for assessing the eligibility of Board members, the CEO and senior executives. The diversity policy includes a prohibition against discrimination based on gender, transgender identity or expression, ethnicity, religion or other beliefs, disabilities, sexual orientation or age. The eligibility instruction states that the eligibility assessment of the Board, the CEO and the senior executives should take into account the individual's skills, experience, reputation and judgement.

The Board's committees

Audit and Compliance Committee SCBC's Board has established an Audit and Compliance Committee. The Committee is SCBC's Audit Committee and its main task is, based on the assignment and the applicable regulations, to examine the company's governance, internal controls and financial information and to prepare issues in these areas for decision by the Board. The Audit and Compliance Committee is also responsible for monitoring financial statements and the efficiency of risk management and of the work carried out by internal audit and compliance. The Audit and Compliance Committee is also responsible for evaluating the external auditing work, informing the owner of the results of this work and assisting in the drafting of proposals for auditors. The Audit and Compliance Committee is also tasked with reviewing and monitoring the auditor's impartiality and independence. Annual plans and reports from internal audit and compliance respectively are also addressed by the Audit and Compliance Committee in preparation for decisions or for presentation to the Board. The Committee includes Board members from SCBC's Board of Directors.

Credit Committee, Risk and Capital Committee and Remuneration Committee

SCBC has not established an own Credit Committee, an own Risk and Capital Committee or an own Remuneration Committee. The Group's committees also address issues concerning SCBC as part of their work.

The principal task of the Credit Committee is to decide on credits and limits in the Group's lending and funding operations. The Credit Committee also has the task of preparing matters involving changes in the credit policy and credit instructions, the assessment of portfolio strategies, the transparency of the credit portfolio, the evaluation of existing or proposed portfolio strategies, the evaluation of existing or new delegation rights and the Board's annual review of regulatory frameworks, models for granting credits and outcomes in terms of retail credit granting. The Credit Committee is the Board entity for all matters relating to credit risk, including the approval of new IRB models or significant changes to existing models.

The Risk and Capital Committee prepares matters regarding the Group's treasury operations and matters involving risk and capital, including the use of new financial instruments. The Risk and Capital Committee also prepares issues concerning objectives, strategies and control documents within the areas of risk and capital.

The principal task of the Remuneration Committee is to prepare issues regarding principles for remuneration and other employment terms and conditions for senior executives for resolution by the Board.

The above committees include members of the Board of Directors of the Parent Company. Each committee has at least one member who is a Board member for SCBC. This member is responsible for ensuring that any issues regarding SCBC are addressed by the committee and reported back to SCBC's other Board members.

CEO

The Board has adopted an instruction governing the role and duties of the CEO. The CEO bears responsibility for the day-to-day administration of operations in accordance with the Board's issued guidelines, established policies and instructions and reports on an ongoing basis to the Board. The CEO is assisted by a number of senior executives and other employees in the operational management and governance of SCBC.

Remuneration of Board of Directors and senior executives

Information regarding the remuneration of the Board is presented in Note IC 4 in the Annual Report. No remuneration was paid to Board members employed by the Parent Company or to the CEO of SCBC. Issues regarding the remuneration of SCBC's senior executives are addressed by the SBAB Group's Remuneration Committee. The Board of Directors has established a remuneration policy, under which if the Board determines that salary or other remuneration is to be paid to employees within SCBC, the remuneration policy is to be updated in accordance with the directives issued by the Swedish FSA and general rules regarding remuneration structures in credit institutions, securities companies and fund management companies. With regard to issues pertaining to the remuneration and other terms of employment for senior executives, SCBC is to adhere to the government's guidelines for senior executives in state-owned companies as applicable at any given time.

Control functions

SCBC has three independent control functions: • a Risk Function;
• a Compliance Function (Compliance); and
• an Internal Audit Function.

The Risk and Internal Audit functions have been outsourced to the Parent Company in accordance with the outsourcing agreement. Compliance is executed by SCBC through one employee. The operations requiring licences to issue covered bonds under the Covered Bonds (Issuance) Act (2003:1223) are conducted by SCBC through its employees, mainly those in the Legal, Accounting and Treasury functions. Furthermore, SCBC has outsourced parts of its operations to the Parent Company in accordance with the outsourcing agreement; these parts include the administration of credits and collateral as well as IT services.

Risk

SCBC has engaged the Parent Company to discharge SCBC's Risk function and to conduct the requisite tasks for ensuring independent risk control in the company. Risk is responsible for maintaining SCBC's risk management framework and for monitoring and checking risk management. The function is also responsible for checking that the risk management framework is efficient and for identifying, measuring, checking, analysing and reporting all of SCBC's risks and risk developments. It is also responsible for identifying new risks that could arise as a result of changed circumstances. Risk reports directly to SCBC's CEO and Board.

Compliance

SCBC's Compliance function is executed through one employee. The function is independent of the business operations and is directly subordinate to the CEO. The Compliance function is tasked with, inter alia, identifying which risks exist that would prevent SCBC from discharging its duties in accordance with laws, regulations and other provisions that govern operations requiring licences, and checking that these risks are managed by the affected functions. Compliance is primarily active in the areas of internal governance and control, customer protection and market conduct. The function is also tasked with providing advice and support on compliance matters. Compliance reports on an ongoing basis to the CEO and through a quarterly written report to the CEO and Board. The scope and focus of compliance work are established in an annual plan after approval by the CEO and decision by the Board.

Internal Audit

The Parent Company conducts SCBC's Internal Audit function in accordance with the outsourcing agreement. The Internal Audit's main task is to review and evaluate governance and internal control, and to review and evaluate the appropriateness and effectiveness of the company's organisation, control processes, IT systems, models and procedures. The Internal Audit is also tasked with the review and evaluation of the reliability and quality of the work performed by the various other control functions at SCBC. The Internal Audit prepares an audit plan for each financial year. The audit plan must be approved by the Audit and Compliance Committee and is adopted by SCBC's Board. The plan specifies which areas or operations will be reviewed during the year. The scope and focus of the planned review are determined after taking into consideration the Internal Audit's assessment of the risks and how these should be managed. Internal Audit also submits quarterly reports directly to SCBC's Board.

Independent inspector

According to the Swedish Covered Bond Issuance Act, the Swedish FSA is to appoint an independent inspector for each issuing institution. The inspector's duties include overseeing that the register that issuing institutions are obliged to maintain listing the covered bonds, cover pool and derivatives contracts is properly maintained and in accordance with the provisions of the Act.

The Swedish FSA's regulation FFFS 2013:1 describes the independent inspector's role and tasks in greater detail. The independent inspector reports regularly to the Swedish FSA, and these reports are also addressed to SCBC's Board. The Swedish FSA has appointed Authorised Public Accountant Stefan Lundberg, who is an authorised public accountant at Lundberg & Source Consulting AB, as the independent inspector for SCBC.

Auditors

From the 2016 AGM, Deloitte AB has been appointed as auditor, with Patrick Honeth as the auditor-in-charge. A more detailed presentation of the auditor, the auditor-in-charge and the fees and expenses paid is provided in Note IC 4 of this Annual Report. The auditors are responsible for examining the Annual Report, consolidated financial statements and accounts and also the Board's and CEO's administration of the company. Moreover, the auditor reviews SCBC's six-month and year-end reports.

Internal control over financial reporting

Internal control over financial reporting at SCBC is primarily aimed at ensuring an effective and reliable process is in place for SCBC's financial reporting, and that both internal and external reporting are correct and accurate. Internal control over financial reporting primarily comprises the following internal control components.

Control environment

The starting point for internal control over financial reporting comprises SCBC's values, organisational structure, code of conduct, policies, instructions and guidelines for SCBC's operations.

Risk measurement

Each respective responsible function at SCBC identifies, measures, manages and assesses its own risks. An analysis of risk levels in all operations, including financial reporting, is conducted on a regular basis and reported to the Board, the CEO and the Executive Management. Risk measurement is carried out each year through a self-assessment of material business processes, including financial reporting, and is managed and reported using a separate risk tool.

Control activities

Business processes that deliver data to the financial reports must be charted and include control activities in terms of operating procedures, reasonableness assessments, reconciliations, authorisations and the analysis of results. Internal regulations are in place that include accounting policies, and planning and reporting procedures to ensure the application of control activities. SCBC's financial position and earnings, target attainment and analysis of operations are reported monthly to the company's management and Board. The company's Audit and Compliance Committee monitor the financial reporting and the management of internal control and audit.

Information and communication

The accounting and financial unit ensure that instructions pertaining to accounting financial reporting are updated, communicated and available to those units that need this data for their operations.

Follow-up

The Board's measures to follow up internal control of financial reporting include the Board's regular follow-up of SCBC's financial position and performance, but also include the Board's review and follow-up of the auditor's review reports.

Auditors

Patrick Honeth

Deloitte AB

Auditor in Charge at SCBC since 2016.

The Board of Directors and CEO

As per the publication date of this report

1. Jan Sinclair

Chairman of the Board
Master of Business Administration and Economics. Born in 1959. Elected in 2018.

Board assignments: Chairman of SBAB Bank AB (publ) and Fastighets Aktiebolaget Victorhuset. Board member of STS Alpresor AB, Almi företagspartner AB, Bipon AB, FCG Holding Sverige AB, FCG Group AB, FCG Management AB and Jan M.L. Sinclair AB.

Other assignments: German honorary consul, Industrial advisor (own business).

Previous assignments: CEO of SEB A.G, Group Treasurer as well as other senior positions within SEB.

Board attendance: 6 of 6.

2. Jane Lundgren Ericsson

Board Member
Master of laws, LLM (London). Born in 1965. Elected in 2017.

Board assignments: Board member of SBAB Bank AB (publ), Visma Finance AB, Copperstone Resources AB (publ) and Miskatonic Ventures Aktiebolag.

Other assignments: General Counsel Visma Finance AB and Chairman of the Board of Bagarmossen Kärrtorp Bollklubb.

Previous assignments: CEO SEK Securities and Executive Director & Head of Lending Svensk Exportkredit AB.

Board attendance: 6 of 6.

3. Klas Danielsson

Board Member
Bachelor of Social Sciences Business Administration. Born in 1963. Elected in 2014.

Board assignments: Board member of Spiderweb Consulting AB. Chairman of the Board of Booli Search Technologies AB. Deputy Member of the Board of the Swedish Bankers' Association.

Other assignments: CEO of SBAB Bank AB (publ).

Previous assignments: Founder and CEO of Nordnet AB (publ) and Nordnet Bank AB, Head of Trading at SBC Warburg AB, Chairman of SwedSec Licensiering AB, Board Member of Ikano Bank AB, East Capital AB, the Swedish Consumers' Banking and Finance Bureau, Alternativa Aktiemarknaden AB, the Swedish Securities Dealers Association, and others.

Board attendance: 6 of 6.

4. Mikael Inglander

CEO
Master of Business Administration and Economics. Born in 1963. Employed: 2014

Board assignments: Board Member of Booli Search Technologies AB.

Other assignments: CFO of SBAB Bank AB (publ).

Previous assignments: CEO of Lindorff Sverige AB, Executive Vice President and CFO of Swedbank AB, Regional Manager and Executive Vice President of FöreningsSparbanken AB, Board member of ICA Banken, OK-Q8 Bank AB, HansaBank Group AS, and others.

Proposed appropriation of profits

SCBC posted a net profit for the year after tax of SEK 1,412,681,262. Pursuant to approval by the AGM, Group contributions have been distributed of SEK 719,000,000 to the Parent Company SBAB and SEK 30,000,000 to fellow Group company Booli Search Technologies AB. According to the balance sheet, SEK 19,192,849,337 is at the disposal of the Annual General Meeting.

Shareholder contribution	9,550,000,000
Fair value reserve	2,217,455,009
Retained earnings	6,012,713,066
Net profit for the year	1,412,681,262
Total earnings according to the balance sheet as per 31 December 2020	**19,192,849,337**
The Board proposes that the earnings be appropriated as follows:	
Carried forward to next year	19,192,849,337
Total	**19,192,849,337**

The consolidated situation, SCBC and SBAB, must always comply with the applicable regulations for capital adequacy and major exposures. This means that sufficiently large own funds and acceptable capital must always be accessible in each legal entity. The Group's dividends are distributed by the Parent Company, while the overwhelming majority of earnings are within SCBC, which holds the majority of the assets and accordingly, is where interest income arises. The year's Group contribution of SEK 719,000,000 can therefore be considered a balance of the capitalisation between the legal entities. The assessment of the Board of Directors is that the financial position of the company does not give rise to any other assessment than that the company can be expected to meet its obligations in both the short and the long term.

Income statement

SEK million	Note	2020	2019
Interest income	IC 1	5,550	5,141
Interest expense	IC 1	–2,396	–2,306
Net interest income		**3,154**	**2,835**
Commission income	IC 2	20	16
Commission expense	IC 2	–93	–79
Net result of financial transactions	IC 3	–73	8
Other operating income		0	0
Total operating income		**3,008**	**2,780**
General administrative expenses	IC 4	–1,179	–1,045
Other operating expenses		–11	–10
Total expenses before credit losses		**–1,190**	**–1,055**
Profit before credit losses		**1,818**	**1,725**
Net credit losses	IC 5	–21	–12
Operating profit		**1,797**	**1,713**
Tax	TX 1	–384	–364
Net profit for the year		**1,413**	**1,349**

Interest income on financial assets measured at amortised cost calculated using the effective-interest method amounted to SEK 5,581 million (5,226).

Statement of comprehensive income

SEK million	Note	2020	2019
Net profit for the year		**1,413**	**1,349**
Components that will be reclassified to profit or loss			
Changes related to cash-flow hedges, before tax	EQ 1	464	1,746
Tax attributable to components that will be reclassified to profit or loss		*–77*	*–374*
Other comprehensive income, net of tax		387	1,372
Total comprehensive income for the year		**1,800**	**2,721**

Balance sheet

SEK million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Lending to credit institutions	A 1	1	0
Lending to the public	A 2	398,029	358,936
Value changes of interest-rate-risk hedged items in macro hedges		143	-178
Derivatives	A 3	9,289	11,137
Other assets	A 4	248	218
Prepaid expenses and accrued income	A 5	113	106
TOTAL ASSETS		**407,823**	**370,219**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	L 1	10,615	3
Issued debt securities, etc.	L 2	263,863	246,774
Derivatives	A 3	1,690	472
Other liabilities	L 3	743	564
Accrued expenses and deferred income	L 4	1,568	1,680
Deferred tax liabilities	TX 2	586	514
Subordinated debt to the Parent Company	L 5	109,515	102,180
Total liabilities		**388,580**	**352,187**
Equity			
Share capital		50	50
Shareholder contribution		9,550	9,550
Fair value reserve	EQ 1	2,217	1,830
Retained earnings		6,013	5,253
Net profit for the year		1,413	1,349
Total equity	EQ 1	**19,243**	**18,032**
TOTAL LIABILITIES AND EQUITY		**407,823**	**370,219**

Statement of changes in equity

SEK million	Note	Restricted equity	Unrestricted equity				
		Share capital	Fair value reserve	Shareholder contribu-tion	Retained earnings	Net profit for the year	Total equity
Opening balance, 1 Jan 2020		**50**	**1,830**	**9,550**	**6,602**	**–**	**18,032**
Group contribution paid [1)]		–	–	–	-589	–	-589
Other comprehensive income, net of tax	EQ 1	–	387	–	–	–	387
Net profit for the year		–	–	–	–	1,413	1,413
Comprehensive income for the year		**–**	**387**	**–**	**–**	**1,413**	**1,800**
Closing balance, 31 Dec 2020		**50**	**2,217**	**9,550**	**6,013**	**1,413**	**19,243**
Opening balance, 1 Jan 2019		**50**	**458**	**9,550**	**8,696**	**–**	**18,754**
Dividends paid		–	–	–	-3,000	–	-3,000
Group contribution paid [1)]		–	–	–	-443	–	-443
Other comprehensive income, net of tax	EQ 1	–	1,372	–	–	–	1,372
Net profit for the year		–	–	–	–	1,349	1,349
Comprehensive income for the year		**–**	**1,372**	**–**	**–**	**1,349**	**2,721**
Closing balance, 31 Dec 2019		**50**	**1,830**	**9,550**	**5,253**	**1,349**	**18,032**

1) SCBC paid a Group contribution of SEK 719 million (539) to the Parent Company SBAB Bank and a Group contribution of SEK 30 million (25) to fellow Group company Booli Search Technologies AB. The shareholder contributions that were paid were conditional and the Parent Company, SBAB Bank AB (publ), is entitled to reimbursement for these contributions from the Swedish Covered Bond Corporation's distributable earnings, with the proviso that the Annual General Meeting grants approval thereof.

Cash-flow statement

SEK million	2020	2019
Opening cash and cash equivalents	**0**	**0**
OPERATING ACTIVITIES		
Interest received	5,546	5,132
Commission received	14	14
Interest paid	–2,535	–2,281
Commission paid	–93	–79
Outflows to suppliers	–1,190	–1,055
Income tax paid	–498	–486
Change in lending to the public	–39,114	–19,578
Change in liabilities to credit institutions	10,612	2
Change in issued debt securities, etc.	15,968	11,440
Change in other assets and liabilities	4,520	–1,876
Cash flow from operating activities	**–6,770**	**–8,767**
INVESTING ACTIVITIES		
Cash flow from investing activities	**–**	**–**
FINANCING ACTIVITIES		
Dividends paid	–	-3,000
Group contribution paid	–564	–
Subordinated debt issued	7,335	11,767
Cash flow from financing activities	**6,771**	**8,767**
Increase/decrease in cash and cash equivalents	**1**	**0**
Closing cash and cash equivalents	**1**	**0**

Comments to the cash-flow statement

The cash-flow statement is reported in accordance with IAS 7 and cash and cash equivalents are defined as lending to credit institutions.

Change in liabilities attributable to financing activities

			Non-cash items					Non-cash items		
SEK million	Opening balance, 1 Jan 2020	Cash flow	Fair value	Other	Closing balance, 31 Dec 2020	Opening balance, 1 Jan 2019	Cash flow	Fair value	Other	Closing balance, 31 Dec 2019
Subordinated debt	102,180	7,335	–	–	109,515	90,413	11,767	–	–	102,180
Total	**102,180**	**7,335**	**–**	**–**	**109,515**	**90,413**	**11,767**	**–**	**–**	**102,180**

Financial notes

G:1 Accounting policies

The Swedish Covered Bond Corporation (SCBC) (in Swedish: AB Sveriges Säkerställda Obligationer (publ)) is a wholly-owned subsidiary of SBAB Bank (publ) ("SBAB"). SCBC is a credit market company whose operations focus on the issuance of covered bonds.

Operations commenced in 2006, when the company was granted a licence by Finansinspektionen (the Swedish FSA) to issue covered bonds. The Parent Company, SBAB Bank, is a Swedish public limited banking company domiciled in Solna. The address of the Head Office is SBAB Bank AB (publ), Box 4209, SE-171 04 Solna, Sweden.

This Annual Report has been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. SCBC applies statutory IFRS, which means that the Annual 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 and Finansinspektionen's (the Swedish FSA) regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25).

The Annual Report has been prepared in accordance with the cost method, apart from derivatives, and financial assets and liabilities measured at fair value through profit or loss (FVTPL), and hedge-accounted items.

On 23 March 2021, the Board of Directors approved the financial statements for publication and these statements were adopted by the Annual General Meeting on 28 April 2021.

These financial statements have been prepared on a going concern basis. On 23 March 2021, the Board of Directors approved the financial statements for publication.

Introduction of new accounting standards 2020

Introduction of new and amended accounting standards after 2020

In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 pertaining to the changes in benchmark rates. The rules address the financial reporting of the modifications required in conjunction with the replacement of benchmark rates. The amendments also entail practical expedients for hedge accounting in conjunction with the replacement of benchmark rates that mean, inter alia, that modifications due to the replacement are permitted to hedging relationships and hedge documentation without requiring the hedging relationship to be terminated. The amendments are applicable from 1 January 2021, with early application permitted, but have yet to be endorsed by the EU. This amendment is not expected to have any material impact on the financial statements.

Other amendments

According to SCBC's preliminary assessment, other new or amended international accounting standards that have been published but not yet applied will have a limited effect on the company's accounting and financial reports.

Financial instruments

Recognition in and derecognition from the balance sheet

Financial instruments are recognised when the company is involved with the instrument's contractual terms. Issued securities, including all derivatives, are recognised on the trade date, meaning the date on which the significant risks and rights are transferred between the parties. Other financial instruments are recognised on the settlement date. A financial asset is derecognised from the balance sheet when the contractual rights to receive cash flows from the financial assets expire and the company has transferred essentially all of the risks and rewards of ownership of the asset. A financial liability is derecognised from the balance sheet when it is extinguished, meaning when the obligation specified in the contract is fulfilled, cancelled or has expired.

Offsetting

Financial assets and financial liabilities are to be offset and recognised at net amounts only where the recognised amounts may legally be offset and the intention is to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

Recognition of income and expense

Interest income and interest expense (including interest income from impaired receivables) are recognised using the effective-interest method. The calculation of the effective interest rate includes all fees paid or received between the parties to the contract, including transaction costs.

Since transaction costs in the form of remuneration to business partners or issue expenses attributable to the acquisition of loans constitute part of the acquisition cost of the loan, these costs are recognised in the balance sheet and recognised in profit or loss under net interest income over the expected tenor of the loan.

IFRS 15 – Revenue from Contracts with Customers is applied for various types of services that are mainly recognised in profit or loss as Commission income.

Commission income from lending is primarily recognised when the service is provided, in other words at a specific date. Commission expenses are included in profit or loss continuously in accordance with the contractual terms. In the event of premature redemption of loans, the customer pays interest compensation intended to cover the cost that arises for SCBC. This compensation is recognised as income directly under the "Net result of financial transactions." Other items under this heading are described in the "Classification" section.

Classification

All financial instruments covered by IFRS 9 are classified pursuant to this standard in the following categories:

- Financial assets measured at amortised cost
- Financial assets measured at FVTPL
- Financial liabilities measured at FVTPL
- Financial Liabilities measured at amortised cost

SCBC has no assets under the classifications "Investments measured at FVTOCI." The instruments in the respective categories are valued in the following reporting, and where applicable, together with the required adjustments under the hedge accounting rules.

Financial assets measured at amortised cost

Assets in this category are recognised at cost, defined as fair value plus transaction costs, on the acquisition date and thereafter at amortised cost after application of the effective-interest method. This category consists of assets that are held within the framework of a business model where the objective is to hold financial assets in order to collect contractual cash flows solely comprised of capital and interest. The assets in this category encompass lending and other assets that meet the above terms. Impairment losses are recognised in profit or loss under "Net credit losses," while the effective interest rate is recognised as interest income. Refer also to the "Credit losses and impairment of financial assets" section. Realised gains or losses from the sale of assets are recognised directly in profit or loss under "Net result of financial transactions."

Financial assets measured at FVTPL

On initial recognition, assets in this category are recognised at fair value, while related transaction costs are recognised in profit or loss. Changes in fair value and realised gains or losses for these assets are recognised directly in profit or loss under the heading "Net result of financial transactions," while the effective interest rate is recognised as interest income. This category includes assets that do not meet the definitions for other valuation categories and, accordingly, are measured at FVTPL. (For example, assets with cash flows other than capital and interest on capital). At SCBC, these assets consist exclusively of derivatives.

Financial liabilities measured at FVTPL

On initial recognition, liabilities in this category are recognised at fair value, while related transaction costs are recognised in profit or loss. The category is divided into financial liabilities held for trading and financial liabilities that Executive Management has designated as such upon initial recognition. All of the company's liabilities in this category consist of derivatives that are used to hedge financial risk and which have been defined as held for trading in the financial reporting. Changes in fair value and realised gains or losses for these liabilities are recognised in profit or loss under "Net result of financial transactions," while the effective interest rate is recognised as interest expense.

Financial liabilities measured at amortised cost

Financial liabilities that are not classified as "Financial liabilities measured at FVTPL" are initially recognised at fair value with an addition for transaction costs and are subsequently recognised at amortised cost using the effective-interest method. This category consists mainly of issued securities and liabilities to credit institutions. Realised gains or losses from the repurchase of own liabilities affects net profit for the year when incurred and are recognised under the heading "Net result of financial transactions," while the effective interest rate is recognised as interest expense.

Repos

Repos are agreements where the parties have reached agreement on the sale and repurchase of a particular security at a pre-determined price. Securities that have been provided or received under these repo agreements are not derecognised from or not recognised in the balance sheet, respectively. Payments received are recognised in the balance sheet as liabilities to credit institutions and payments made are recognised as lending to credit institutions. The impact on profit or loss is attributable to the difference between sale and repurchase prices and is recognised as interest income or interest expense, respectively.

Fair value measurement

Fair value is defined as the price that would be received on the valuation date on the sale of an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants. Fair value measurement of financial instruments measured at fair value and traded on an active market is based on quoted prices (Level 1). If the market for a financial instrument is not active, the fair value is established on the basis of generally accepted measurement methods (Level 2). As far as possible, calculations made in conjunction with measurement are based on observable market data. The main tools used are models based on discounted cash flows. In individual cases, the calculations may also be based on assumptions or estimates (Level 3).

Derivatives and hedge accounting

Derivatives are used primarily to manage interest-rate and currency risk in the company's assets and liabilities. The derivatives are recognised at fair value in the balance sheet. For economic hedges where the risk of a significant fluctuation in profit or loss is the greatest and that meet the formal hedge accounting criteria, SCBC has chosen to apply hedge accounting for the hedging of interest-rate and currency risk. There are also other economic hedges for which hedge accounting is not applied. For hedge accounting, the carve-out version of IAS 39 is applied, as adopted by the EU.

Fair value hedges

In the case of fair value hedges, the derivative hedging instrument is measured at fair value at the same time as the hedged asset or liability is measured with an addition for accumulated changes in fair value attributable to the hedged risk associated with the hedged item. Changes in fair value are recognised directly in profit or loss under the "Net result of financial transactions." The effective interest rate of the hedge is recognised in net interest income.

If hedging relationships are terminated, the cumulative gains or losses are accrued in profit or loss, after adjustment of the carrying amount of the hedged item. The accrual extends over the remaining maturity of the hedged item. Both the accrual and the realised gain or loss arising from premature closure of a hedging instrument are recognised in profit or loss under "Net result of financial transactions."

Macro hedges

In this type of hedging, derivatives are used at an aggregated level to hedge structured interest-rate risks. In the financial statements, derivatives designated as macro hedges are treated in the same way as other fair-value hedging instruments.

In fair value hedges of portfolios of assets, the gain or loss attributable to the hedged risk is recognised under "Value changes of interest-rate-risk hedged items in macro hedges" in the balance sheet. The hedged item is a portfolio of lending transactions based on the next contractual renewal date. The hedging instrument used is a portfolio of interest-rate swaps grouped in accordance with renewal intervals based on conditions in the fixed leg of the swap.

Cash-flow hedges

In the case of cash-flow hedges, the hedging instrument (the derivative) is valued at fair value. The effective part of the total change in value is reported as a component in other comprehensive income and accumulated in a separate reserve (hedge reserve) in equity. The accumulated amount is reversed in the income statement in periods where the hedged item affects the profit or loss. The ineffective part of the derivative's change in value is transferred to the income statement under "Net result of financial transactions," where the realised gain or loss arising at the end of the hedge relationship is recognised. The effective interest rate of the derivative is recognised in net interest income.

Credit losses and impairment of financial assets

Expected credit losses during the year, together with deductions for guarantees expected to be utilised or that have been utilised plus any recoveries, are recognised as credit losses. The term "confirmed credit losses" refers to losses where the amounts are definite or established with a high level of probability and have thus been derecognised from the balance sheet.

Impairment – Expected credit losses

Where the loss allowance is recognised in the balance-sheet depends on the classification of the exposure under IFRS 9 and the cash flow characteristics:

- For financial assets measured at amortised cost, the loss allowance is recognised as a deductible item together with the asset.

Expected credit losses for financial assets

Under IFRS 9, following initial recognition, financial assets in lending operations are divided into three stages according to their relative credit risk:

	Change in credit risk		
	Stage 1	Stage 2	Stage 3
Timing	From initial recognition	On a significant increase in credit risk following initial recognition	On default
Loss allowance	12-month ECL	Lifetime ECL	Lifetime ECL
Interest income	Based on gross carrying amount	Based on gross carrying amount	Based on net carrying amount

Depending on the credit stage, the loss allowance is determined by calculating the expected credit loss (ECL) over the next 12-month period or the remaining expected lifetime of the loan receivables. Assets can migrate between stages from one balance-sheet date to another. The migration depends on potential changes in credit risk compared with initial recognition. Interest income from assets in stage 3 are based on the net carrying amount after deduction of the loss allowance, while interest income for the other stages is based on the gross carrying amount.

Credit stage 1

Loan receivables will, at a minimum, have a loss allowance that corresponds toa 12-month expected credit loss (ECL). Three risk parameters are taken into consideration when measuring ECL; Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), where the product results in the ECL. To calculate the 12-month ECL, SCBC uses its portfolio models for internal risk classification (IRB) that are intended for capital adequacy, but where appropriate adjustments have been made to ensure an accurate and point-in-time value of the ECL that reflects both the prevailing and forward-looking economic conditions. The adjustments include the removal of margins of conservatism and the through-the-cycle calibration of the risk parameter estimates as stipulated in the Capital Requirements Regulation (CRR). This way, the ECL reflects the actual credit risk. Moreover, the effects of macroeconomic factors are applied to the risk parameter estimates to capture variations of possible future scenarios, so called forward-looking information. The same procedure for adjusting the risk parameters from IRB is also applied in the stage 2 and 3. For more information on IRB, please refer to Note RC 1.

Credit stage 2

For loan receivables where the credit risk has increased significantly since initial recognition, the loss allowance will correspond to a lifetime ECL. Assessments of whether a significant increase in credit risk has occurred is made on an individual and a collective basis for homogeneous credit risk groups, known as rating grades. Determination of the above is based on historical default rates for the respective rating grade and the forward-looking information in the form of projected macroeconomic factors that show correlation to internal default rates. SCBC assesses whether credit risk has increased significantly since initial recognition by measuring the deviations from an expected PD evolvement for the original rating grade. In addition to measurement of the change in PD, an assumption of a significant increase in credit risk in payments more than 30 days past due is also applied. No other qualitative indicators exist for the assessment of a significant increase in credit risk, instead, qualitative factors are taken into account when estimating PD.

Credit stage 3

Credit impaired loan receivables should also be assigned a loss allowance that corresponds to a lifetime ECL. The internal definition of default is applied to determine whether a loan receivable has suffered credit deterioration. SCBC deems a default to have occurred if any of the following criteria are met:

- The borrower has entered into liquidation, officially suspended payments or
- applied for a composition.
- The borrower has payments that are overdue by more than 90 days.
- The credit has been restructured and the borrower has been granted forbearance measures.
- The borrower is categorised as insolvent based on expert judgements for unlikeliness to pay.

In 2020, the internal definition of default was updated due to new regulatory requirements from the European Banking Authority (EBA). For more information on the new definitions of default and its impact on the ECL, please refer to Note RC 1.

Measuring significant increases in credit risk

To measure significant increases in credit risk, historical default rates have been analysed in terms of the PD trend over time given the rating grades at initial recognition. The thresholds representing a significant increase in credit risk are determined through analysis of relative deviations from expected PDs given the original rating grades. The thresholds encompass PD deviations that constitute the tenth percentile of yearly cohorts extending from the start of year 2000 and onwards. A significant increase in credit risk is considered to have taken place if the PD for a loan receivable in a given month exceeds the corresponding threshold. The loan receivable then migrates to stage 2 and remains there for as long as its PD is above the threshold. The thresholds are calibrated with a statistical test using correlation coefficients where the PD levels are based on the maximized identification of future credit losses for non-credit-impaired loan receivables, while the identified proportion that does not lead to a loss is minimised. Migration from stage 2 to stage 1 is controlled exclusively by the PD threshold together with the qualitative indicator for payments more than 30 days past due, as prescribed in IFRS 9. No probation period is applied for migrations back to stage 1. This has not been deemed necessary since PD is largely based on the borrower's payment history, which entails a certain time delay.

Forward-looking information

To account for future cyclical fluctuations in the economy when calculating ECL and thus achieve an objective estimate that considers variations in the ECL, forward-looking information is used. The forward-looking information comprises forecasts of macroeconomic factors that are highly significant for the housing market and that strongly correlate with default rates and credit losses in SCBC's lending. The forward-looking information extends 36 months forward and is aligned with the forecast period applied in the Internal Capital and Liquidity Adequacy Assessment process (ICLAAP). Moreover, 36 months is considered to encompass the effective period of an economic downturn (or upturn). After 36 months, an assumption is made that the economy will swing back to the baseline as per the reporting date, which will thereafter apply for the remaining time until maturity for the loan receivables. The assumption has been assessed as reasonable since loan receivables have relatively short expected maturities – less than ten years – and the occurrence of several consecutive major economic fluctuations over the remaining maturity is deemed unlikely. The repo rate and unemployment rate are both factors with correlations to PD and default rates on the Swedish housing market. Changes in the repo rate will indirectly affect borrowers' interest expenses, while changes in unemployment rate will directly impact their capacity to pay. To measure the effects on PD, a linear regression has been used, where the changes in the two macroeconomic factors explain the changes in default rates and hence the PD. For LGD, housing prices have been used as macroeconomic factors to explain the changes in loss rates. As losses on secured lending are largely attributable to the loan-to-value (LTV) and indirectly to housing prices, a perfect correlation with the LGD exists here. Therefore, a simple scaling of the LGD is carried out to reflect the effect of this factor. The forward-looking information should be viewed as an adjustment to the two risk parameters, PD and LGD, which impact both the allocation to credit stages and the level of the ECL. In the identification of the macroeconomic factors, also the correlations between these factors were analysed to ensure reasonable scenarios. With regards to EAD, cash flows are projected by the payment plans according to the present amortisation information of the loan. An early redemption factor has also been applied to take into account the expected remaining duration of the loan receivable. The same macroeconomic factors and their effects are applied consistently for the entire lending portfolio. Currently, four scenarios are modelled, in which positive and negative forecasts for the above macroeconomic factors are evaluated. These scenarios are deemed to be sufficient to capture the range of possible ECL outcomes based on prevailing economic conditions. The final ECL are then weighted according to the likelihood that SCBC will experience credit losses of the scale envisaged in the respective scenarios. Internal data of experienced default and loss rates together with forward-looking information, that is analysed through macroeconomic factors in various scenarios, ensures that an objective and probability-weighted ECL pursuant to IFRS 9 is obtained.

Decisions on forward-looking information and management overlays

The Chief Risk Officer (CRO), supported by the Chief Economist and credit risk experts, submits proposals for updates in the forward-looking information. The proposals are presented to the Assets and Liabilities Committee (ALCO), which then takes decisions regarding the forecasts for macroeconomic factors and the weighting of the ECL for respective scenario. The decision from ALCO also needs to be approved by relevant board members in the Risk and the Capital Committee (RKK).

In the event of larger shocks to the housing or financial markets, manual adjustment in form of management overlays of the ECL may be necessary. As for the forward-looking information, proposals are submitted to ALCO, which thereafter takes a decision. Adjustments may involve add-ons to both PD and LGD and should be managed in the same way as the forward-looking information. Where adjustments must be made to geographical areas or certain product types that are particularly affected by the shocks, a manual allocation of ECL may be needed for loan receivables.

Time value of money

Under IFRS 9, ECL for loan receivables with variable interest rates are discounted with the effective interest rate. All receivables in SCBC's lending portfolio are deemed to have variable interest rates but with different maturities. The nominal interest rate of the loan pursuant to actual terms and conditions has been used as an approximation of the effective interest rate. Since no arrangement fees are charged and invoicing charges only arise to a limited extent, SCBC assesses this as a good approximation.

Uncertainty in calculating ECL

The largest source of uncertainty in calculating the ECL is the forward-looking information.

SCBC simulates ECL in several scenarios that are positive and negative in nature. The macroeconomic factors applied in the scenarios impact the risk parameters PD and LGD and has in turn a significant impact on the final ECL. Depending on the choice of weights assigned to the scenarios of the forward-looking information, the estimate of the ECL varies. For information about the forward-looking information and its scenarios and macroeconomic factors applied at the closing period, please refer to Note RC 1 - the scenario weighting and the variation in ECL demonstrate the sensitivity of the forward-looking information.

Another source of uncertainty is the thresholds for PD, which is assessed as representing a significant increase in credit risk and thus an allocation to stage 2. The thresholds decided for the original rating grades respectively have direct impact on the ECL. The following table presents how the lending portfolio is allocated over the credit stages for various PD thresholds and how large the percentage change in ECL will be based on the current threshold, which is determined to deviations in PD at the tenth percentile.

Sensitivity analysis of PD thresholds

Allocation of EAD over credit stage and change in ECL	Percentile		
	20	10	5
Credit stage 1	88.1%	94.3%	97.7%
Credit stage 2	11.9%	5.6%	2.2%
Credit stage 3	0.1%	0.1%	0.1%
Δ ECL	**20.1%**	**–**	**–18.2%**

Modification of financial assets

IIf the projected cash flows from a loan receivable are renegotiated or otherwise modified, SCBC assesses whether the change is significant to the extent that the modification will lead to derecognition or will result in a modification gain or loss. The change is deemed material when the renegotiated terms and conditions implies that the net present value of cash flows differ by more than 10% from the net present value under the original terms and conditions. The 10% threshold for materiality is decided based on a qualitative assessment of what is considered a reasonable level. Moreover, this level corresponds to the materiality threshold that applies for modification of debt instruments. A significant modification which leads to derecognition, will lead to the loan receivable receiving a new initial recognition and a new original rating grade accordingly.

Due to the corona pandemic in 2020, a large number of modifications have been observed due to amortisation exempted loans. Amortisation exemptions will be classified as modifications in the event they result in changes of the loans' terms and conditions. However, no modifications due to amortisation exemptions have led to any modification gains or losses during the year as they do not affect the net present value of the loan receivable.

Input data for calculating ECL

The majority of the input data used in the calculation of ECL with regard to PD and LGD comes from SCBC central base system that contains information about borrowers and their collateral. Since the lending operations focus on housing finance with a very similar product offering, all loan receivables are processed by SCBC in the same systems. In addition to the information in the base system, external data such as financial statements and external behavioral information is collected from credit rating agencies. Data from Statistics Sweden and the Riksbank is used to construct the macroeconomic factors to be applied in the forward-looking information.

Model changes for calculating ECL

During 2020, no changes in either methodology or estimates in the risk parameters of PD and LGD have been made in the model for ECL. The validation of the model carried out at the end of 2020 showed satisfactory results, although some areas for improvement were identified regarding the components that measure a significant increase in credit risk and PD over lifetime. The only changes in calculating ECL that have taken place in 2020 concern the forward-looking information that has been revised on several occasions, mainly in the light of the current corona pandemic. The forward-looking information is reviewed regularly, at least every quarter, and updated as necessary. For more information on the revision of the forward-looking information and the impact on the ECL during 2020, please refer to Note RC 1.

Other

Functional currency

The functional currency is the currency used in the primary economic environments in which SCBC operates. SCBC's functional currency and presentation currency is SEK.

Foreign currency translation of receivables and liabilities

Foreign currency transactions are recognised by applying the exchange rate on the transaction date, and foreign currency receivables and liabilities are translated using the closing-date rate. Foreign exchange gains or losses resulting from settlements of foreign currency transactions and from the translation of monetary assets and liabilities in foreign currency are recognised in profit or loss under "Net result of financial transactions."

Tax

Total tax consists of current tax and deferred tax. Current tax comprises tax that is to be paid or received for taxable earnings during the current year and adjustments of current tax for previous years. Accordingly, for items recognised in profit or loss, the related tax effects are also recognised in profit or loss. The tax effects of items recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity.

Deferred tax assets and tax liabilities are measured according to the balance sheet method on the basis of temporary differences that arise between the carrying amount and the tax base of an asset or liability. Deferred tax assets are recognised for unutilised tax losses to the extent that it is probable that the carry-forwards can be used to offset future taxable profit. Deferred tax is calculated in accordance with the tax rate applicable at the time of taxation.

Cash and cash equivalents

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

Segment reporting

An operating segment is a part of a business for which independent financial information is available, that conducts business operations from which income can be generated and expenses incurred and whose operating profits are regularly assessed by the company's chief operating decision maker as a basis for decisions regarding the allocation of resources to segments and an assessment of the segment's profit or loss. SCBC's operations consist primarily of investments in loan receivables with a risk level permitting the issue of covered bonds. Consequently, only a single segment is reported, SCBC as a whole.

Measurement in relation to the assumption of receivables

SBAB is the initial lender for all residential mortgages provided by the SBAB Group. Loan receivables, which meet the regulatory requirements for inclusion in the cover pool that provides security for the covered bonds issued by SCBC, are transferred on a daily basis from the Parent Company SBAB to the subsidiary, SCBC. The transfers are conducted at fair value.

Dividend

Dividends to the Parent Company are recognised in the balance sheet when the dividend has been approved by the Annual General Meeting.

Group contributions

Group contributions paid or received are recognised as a decrease or increase in unrestricted equity after adjustments for estimated tax, in accordance with the principal rule in RFR 2 IAS 27, p2.

Critical accounting estimates and judgements

Critical assumptions

To prepare the annual accounts in compliance with statutory IFRS, it is required that Executive Management use estimates and judgements based on historical experience and assumptions that are considered to be reasonable and fair. No critical assumptions have been made over and above those that entail estimates. These estimates have a material impact on the carrying amounts of assets, liabilities and off-balance sheet exposures, as well as income and expenses presented in the Annual Report. Subsequently, the actual outcome may differ to some extent from the estimates made.

Measurement of loan receivables

The transition to IFRS 9 entails basing the valuation of all loan receivables on the ECL. The ECL must either relate to a 12-month period or the remaining maturity of the receivable if a significant increase in credit risk has occurred. When estimating credit losses, previously observable data is used together with assumptions pertaining to macroeconomic trends. As with all estimates of future outcomes, ECL assessment is uncertain, not least in terms of loan receivables that show a significant increase in credit risk, which may lead to asset adjustments. Moreover, an individual expert assessment for credit impaired loan receivables is carried out where the risk of loss is imminent, which in itself gives rise to considerable uncertainty. Transfers of loan receivables within the Group are conducted at fair value.

For more information, see also the "Credit losses and impairment of financial assets" section.

Financial instruments measured at fair value

The valuation is made based on observable market data, in part through the direct application of market prices, and in part through generally accepted measurement methods. Critical estimates and judgements in conjunction with fair value measurement are made in the choice of which valuation technique and market data to use. In both cases, judgements are made with regard to how the valuation techniques and market data used comprise a good estimate of the fair value.

G:2 Related party disclosures

SCBC is a wholly-owned subsidiary of SBAB Bank AB (publ) with the Corp. Reg. No. 556253-7513. Booli Search Technologies AB with the Corp. Reg. No. 556733-0567 comprises a fellow Group company.
Related-party transactions are conducted at market terms.

Group	SBAB		SCBC		BOOLI	
SEK million	2020	2019	2020	2019	2020	2019
Assets						
Lending to credit institutions	120,127	102,180	–	–	–	–
Derivatives	1,641	472	9,078	10,933	–	–
Accrued income and prepaid expenses	76	–	–	–	–	–
Other assets	6	200	–	–	–	–
Total	**121,850**	**102,852**	**9,078**	**10,933**	**–**	**–**
Liabilities and equity						
Liabilities to credit institutions	–	–	120,127	102,180	–	–
Derivatives	9,078	10,933	1,641	472	–	–
Accrued expenses and deferred income	–	–	6	–	–	–
Other liabilities	–	–	76	200	–	–
Group contribution paid	–	–	749	564	–	–
Dividends paid	–	–	–	3,000	–	–
Total	**9,078**	**10,933**	**122,599**	**106,416**	**–**	**–**

Group	SBAB		SCBC		BOOLI	
SEK million	2020	2019	2020	2019	2020	2019
Income and expenses						
Interest income	1,075	1,377	678	1,098	–	–
Interest expense	–678	–1,098	–1,075	–1,377	–	–
Group contributions received	719	539	–	–	30	25
Dividends received	–	3,000	–	–	–	–
Commission income	21	21	–	–	–	–
Commission expense [1]	–	–	-21	-21	–	–
Other operating income	1,176	1,042	–	–	–	–
Other administrative expenses [2]	–	–	-1,176	-1,042	–	–

1) SCBC compensates the Parent Company, SBAB, for allowing SCBC to utilise a liquidity facility at the Parent Company, refer to Note IC:4.
2) SCBC pays a fee for administrative services provided by the Parent Company, SBAB, refer to Note IC:4.

Loans to key personnel

	2020		2019	
SEK million	Lending	Interest income	Lending	Interest income
CEO	–	–	–	–
Board of Directors	0	0	0	0
Other key senior executives	7	0	12	0
Total	**7**	**0**	**12**	**0**

Deposits from key personnel

SEK million	2020 Deposits	2020 Interest expense	2019 Deposits	2019 Interest expense
CEO and other key senior executives	0	0	0	0
Board of Directors	0	0	3	0
Total	**0**	**0**	**3**	**0**

The Parent Company has lending to key personnel at SCBC via SCBC. Lending to key personnel at SCBC is not permitted on terms that are not available to other personnel. The ceiling for total capital debt on preferential terms is SEK 2,000,000 per household on the condition that the loan is within 85% of the property's LTV. On preferential loans of up to SEK 2,000,000, a 2 percentage point discount is given against SBAB's current list rate.

The preferential loan is a taxable benefit. The interest rate received after the discount must not be less than 0.25%.

The Parent Company has deposits from key personnel at SCBC. Deposits from key personnel are made on the same terms and conditions as other deposits at SBAB.

G:3 Proposed appropriation of profits

SCBC posted a net profit for the year after tax of SEK 1,412,681,262. Pursuant to approval by the AGM, Group contributions have been distributed of SEK 719,000,000 to the Parent Company SBAB and SEK 30,000,000 to fellow Group company Booli Search Technologies AB. According to the balance sheet, SEK 19,192,849,337 is at the disposal of the Annual General Meeting.

Shareholder contribution	9,550,000,000
Fair value reserve	2,217,455,009
Retained earnings	6,012,713,066
Net profit for the year	1,412,681,262
Total earnings according to the balance sheet as per 31 December 2020	**19,192,849,337**

The Board proposes that the earnings be appropriated as follows:

Carried forward to next year	19,192,849,337
Total	**19,192,849,337**

The consolidated situation, SCBC and SBAB, must always comply with the applicable regulations for capital adequacy and major exposures. This means that sufficiently large Own funds and acceptable capital must always be accessible in each legal entity. The Group's dividends are distributed by the Parent Company, while overwhelming majority of earnings are within SCBC, which holds the majority of the assets and accordingly, is where interest income arises. The year's Group contribution of SEK 719,000,000 can therefore be considered a balance of the capitalisation between the legal entities.

The assessment of the Board of Directors is that the financial position of the company does not give rise to any other assessment than that the company can be expected to meet its obligations in both the short and the long term.

G:4 Events after the balance sheet date

There have been no significant events.

RC:1 Credit risk in lending operations

Credit risk in lending operations is defined as the risk that the counterparty is unable to fulfil its payment obligations. SCBC does not conduct its own lending operations – instead, all loans are acquired from the Parent Company SBAB. Credit risk is measured, in part, based on the borrower's repayment capacity and, in part, through value changes in pledged collateral relative to the loan receivable. The loan recievables acquired from the Parent Company have only been approved for counterparties who are assessed to be able to make repayments when interest rates comfortably exceed the interest rate that was current at the time of the credit decision. Moreover, the credit risk is restricted by credit limits adopted for various customers or customer groups.

The credit risk is primarily managed using an internal ratings-based approach (IRB). The IRB approach is used for capital adequacy as well as for the control and follow-up of the credit risk for new and existing customers in the lending portfolios. SCBC applies an advanced IRB approach for retail loans and loans to tenant-owners' associations. The foundation IRB approach (FIRB) is applied for loans to corporates as well as to larger tenant-owners' associations with a turnover more than EUR 50 million. The standardised approach is used for measuring credit risk from a capital adequacy perspective for unsecured loans.

The IRB approach has been used since 2007 for measuring credit risk where a mortgage deed or a tenant-owners' right is used as collateral. In 2015, SCBC also received permission to use the IRB approach for excess exposures that are not fully covered by mortgage deeds, property financing using other collateral than directly pledged mortgage deeds and building credits. The models under the IRB framework are validated annually and calibrated as needed. The model validations conducted in 2020 did not result in any changes to the models for rank ordering or the calibration of the risk parameter.

The models under the IRB framework deal with the following risk parameters:
- Probability of default by the borrower – PD (Probability of Default)
- Share of loss in the event of default – LGD (Loss Given Default)
- The part of the off-balance exposure that is expected to be converted
- into a loan receivable – CCF (Credit Conversion Factor)
- The expected exposure in the event of default – EAD (Exposure at Default)
- The expected credit loss – EL (Expected Loss), where EL is the product of PD multiplied by LGD and EAD.

Borrowers are classified according to credit risk based on these risk parameters, and expected and unexpected credit losses can be estimated - unexpected credit losses are relevant for the capital adequacy purposes. In order to assess the repayment capacity, the borrower is assigned one of eight rating grades for retail and corporate exposures[2], of which the eighth grade comprises borrowers in default. Trends for exposures in worse rating grades are monitored thoroughly and managed actively, when necessary, by credit experts in SCBC's insolvency team.

The expected credit loss EL according to IRB differs from the expected credit loss ECL in the accounts that constitute the loss allowance. The calculation of EL according to the Pillar I under the Basel framework is regulated by the Capital Requirements Regulation[1] (CRR). According to CRR, the measurement of credit risk should be based on historical default rates and credit losses over a longer period of time and must include economic downturn periods. For the calculation of ECL in accordance with IFRS 9, the measurement of credit risk must be based both on historical data but also on forward-looking information in order to predict the negative impact on future cash flows. For more information on impairment of financial assets, please refer to Note G 1. Total EL for SCBC's lending under the IRB approach amounted to SEK 132 million (124) at the end of 2020. Total ECL in accordance with IFRS 9, reduced for guarantees, amounted to SEK 126 million (107). A positive difference when EL exceeds ECL reduces the Common Equity Tier 1 (CET 1) capital by the corresponding amount.

For loan receivables granted by SBAB, adequate collateral must be provided. Adequate collateral primarily refers to mortgage deeds for real property or shares in tenant-owners' associations within a maximum of 75–85% of the market value. The level of 85% only applies if collateral can be obtained with a primary lien and the borrower is assigned a better rating grade. The better rating grades for retail loans comprise the levels R1–R4, while the better rating grades for loans to corporates and tenant-owners' associations comprise the levels C0–C3, and manually adjusted from C3 to C4. In other cases for lending to corporates and tenant-owners' associations, a loan-to-value[3] (LTV) of 75% generally applies. SCBC does not repossess any collateral to protect loan receivables.

Lending to the public accounts for 98% (99) of SCBC's total assets. The table below presents lending in relation to the market value of underlying collaterals. As the majority of SCBC's lending has an LTV below 70%, the portfolio is deemed to be well-covered and its credit quality as very high.

[1] CRR refers to Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

[2] Retail exposures refer to mortgages to private individuals with collateral consisting of loans to villas, holiday homes and tenant-owners' rights, as well as real estate loans to tenant owners' associations with a turnover of less than EUR 50 million. Corporate exposures refer to real estate loans to corporates, i.e. legal persons, as well as real estate loans to tenant owners' associations with a turnover of more than EUR 50 million.

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

LOAN AMOUNTS BROKEN DOWN BY LTV INTERVAL

	2020			2019		
SEK million	**Residential mortgages**	**Corporate Clients & Tenant-Owners' Associations**	**Total**	**Residential mortgages**	**Corporate Clients & Tenant-Owners' Associations**	**Total**
Lending to the public						
LTV <50%	94,923	45,067	139,990	79,812	37,574	117,386
LTV 50–69%	113,654	30,276	143,930	103,106	22,156	125,262
LTV >69%	97,885	16,355	114,240	104,802	11,599	116,401
Total	**306,462**	**91,698**	**398,160**	**287,720**	**71,329**	**359,049**

ECL and forward-looking information

Factors	Scenario 1 (45%) 2020	2021	2022	Scenario 2 (25%) 2020	2021	2022	Scenario 3 (15%) 2020	2021	2022	Scenario 4 (15%) 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 59 million**			**SEK 108 million**			**SEK 137 million**			**SEK 380 million**		
Weighted ECL[2]	**SEK 131 million**											

1) Not included in the calculation of ECL but has been included in the table to illustrate the structure of the macroeconomic scenarios

The table above presents the forward-looking information consisting of a weighting of the four scenarios with forecasts of the macroeconomic factors applied in the mode for calculating ECL at the end of 2020. The ECL for the different scenarios and their weights show the sensitivity of changes in the forward-looking information.

SCBC has on three occasions in 2020, once during the first quarter, once during the second quarter and once during the third quarter revised the forward-looking information applied in the model used to calculate ECL as a result of the prevailing coronavirus pandemic. Moreover, at the start of the year, prior to the outbreak of the coronavirus pandemic, SCBC 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 loss allowances totalling SEK 29 million, of which SEK 15 million in the first quarter, SEK 8 million in the second quarter and SEK 6 million in the third quarter. During the fourth quarter no additional changes in the forward-looking information has been deemed necessary since SCBC considers the scenarios revised in the third quarter to still be applicable.

During the year, SCBC has closely followed up the credit risk exposure in the lending portfolio due to development of the macroeconomic environment. The underlying credit risk models in the model for ECL are largely based on borrowers' repayment capacity and market values of collateral and, as yet, show no increase in realised credit risk. Since there still exists uncertainty regarding the duration of the coronavirus pandemic, its effects on the economy and utlimately the housing prices, SCBC has chosen to act based on the information available. Accordingly, the increase in loss allowances in 2020 was mainly driven by deteriorating forward-looking information in the model for ECL.

Overall credit quality

Despite the ongoing coronavirus pandemic, the credit quality of SCBC's lending remains high and the risks entailed in retail lending are low. SBAB's granting of loan receivables to borrowers is based on a sound credit approval pro cess that determines whether they have the financial capacity required to meet their commitments. The Swedish FSA's annual mortgage market survey, with data from 2019, shows overall that new residential mortgage borrowers continue to have well margins to cover repayment of their mortgages even in a worse economic climate. At the end of 2020, the average LTV in SCBC's retail lending portfolio was 58% (60).

The credit quality of SCBC's lending to corporates consisting of property companies and property developers, and tenant-owners' associations is also assessed to be high. The average LTV for corporates and tenant-owners' associations at the end of 2020 were 64% (64) and 37% (39), respectively. The granting of loan receivables to corporates and tenant-owners' associations is based on an assessment customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the pandemic, SCBC is working proactively to identify borrowers who are particularly exposed to the increased credit risk in the economy.

Since borrowers' underlying cash flows primarily stem from housing, they are expected to be less affected or affected at a later stage if the pandemic persists. As yet no impact has been noted. SCBC's assessment is that credit risks may be higher for property developers and property companies that are more dependent on capital markets with refinancing need in the near future. This could also be true for tenant-owners' associations with significant revenue from commercial premises. No individual loan loss provision or further manual adjustments of rating grades have deemed necessary during 2020.

Temporary amortisation exemptions

SCBC is offering its residential mortgage borrowers a temporary amortisation exemption in accordance with the guidelines of the Swedish FSA (FI Ref. 20-8061). According to the guidelines, borrowers can apply for amortisation exemption until 31 August 2021. At the end of 2020, of both SBAB and SCBC had granted around 19,200 private individuals amortisation exemption, corresponding to an exposure of about SEK 43 billion. At the same time 46 consumer loan borrowers, and seven tenant-owners' associations had been granted amortisation exemption, corresponding to an exposure of about SEK 6 million and SEK 300 million, respectively. No corporate clients with amortisation exemption was present in SCBC's portfolio at the end of 2020.

SCBC's assessment is that the amortisation exemptions granted to date will not affect credit risk in the near future and consequently not affect the need for additional loan loss provisions, but will instead mitigate the increased liquidity risk that has temporarily increased for the borrowers. Borrowers who declared that the application for amortisation exemption was a result of loss of income due to the coronavirus pandemic, are managed by SCBC's insolvency team for further assessment whether the amortisation exemptions are to be classified as forbearance measures in accordance with IFRS 9 and CRR. All borrowers granted amortisation exemptions in accordance with the Swedish FSA's guidelines were deemed creditworthy at the end of 2020.

Definition of default

In May 2020, SCBC started to apply a new definition of default according to new European regulatory requirements with the purpose to harmonising banks' own-funds calculations for credit risk. The definition of default implies that a default has occurred when a borrower has payments that are more than 90 consecutive days past due, after the materiality thresholds have been breached, or if there are indications of unlikeliness 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 past due payments amount to SEK 1,000 for retail exposures and SEK 5,000 for corporate exposures, and (2) the oustanding payments amount to 1% of the total debt. The previous definition of default applied 60 days past due and a materiality threshold that comprised only an absolute component of SEK 1,000. Since the internal definition is used to allocate loan receivables to stage 3 under IFRS 9, regardless of the materiality thresholds, the transition to a new definition of default led to a reduction of credit impaired exposures. However, the new definition of default is now more aligned to the allocation of loans to stage 3 in accordance with the accounting standard. The effect on the loss allowances were limited with a reduction of slightly more than SEK 1 million, which was compensated for with the expectation that SCBC's ECL remains unchanged.

Lending to the public broken down by rating grade

As per 31 December 2020, SCBC's lending to the public amounted to SEK 398 billion (359). Every borrower is assigned a rating grade. Borrowers in default are allocated to the rating grade C8 applicable to corporates and tenant-owners' associations or rating grade R8 for private individuals. The rating grade C0 consists of loans to Swedish municipalities which recieve a risk weight of 0%. Transaction costs of SEK 16 million (24), which were attributable to loans brokered by business partners, are distributed in the table on a pro rata basis.

Lending to the public	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R0/C0	–	–	–	–	–	–	–	–
R1/C1	198,347	–3	0	0	0	0	198,347	–3
R2/C2	108,791	–4	467	0	0	0	109,258	–4
R3/C3	48,213	–8	1,197	–1	0	0	49,410	–9
R4/C4	20,561	–15	6,253	–6	0	0	26,814	–21
R5/C5	3,890	–10	7,275	–19	0	0	11,165	–29
R6/C6	214	–2	1,632	–12	0	0	1,846	–14
R7/C7	15	0	1,087	–26	19	0	1,121	–26
R8/C8	0	0	0	0	199	–25	199	–25
Total	**380,031**	**–42**	**17,911**	**–64**	**218**	**–25**	**398,160**	**–131**
Guarantees [1)]	–	2	–	3	–	0	–	5
Total lending after provisions and guarantees	**380,031**	**–40**	**17,911**	**–61**	**218**	**–25**	**398,160**	**–126**

Lending to the public	2019							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R0/C0	1	0	0	0	0	0	1	0
R1/C1	168,570	–2	0	0	0	0	168,570	–2
R2/C2	101,198	–3	102	0	0	0	101,300	–3
R3/C3	44,590	–4	1,533	0	0	0	46,123	–4
R4/C4	20,842	–10	7,003	–6	0	0	27,845	–16
R5/C5	3,826	–6	7,912	–19	0	0	11,738	–25
R6/C6	217	–2	1,871	–12	0	0	2,088	–14
R7/C7	14	0	1,118	–27	0	0	1,132	–27
R8/C8	0	0	0	0	252	–22	252	–22
Total	**339,258**	**–27**	**19,539**	**–64**	**252**	**–22**	**359,049**	**–113**
Guarantees [1)]	–	2	–	3	–	0	–	5
Total lending after provisions and guarantees	**339,258**	**–25**	**19,539**	**–61**	**252**	**–22**	**359,049**	**–108**

RESIDENTIAL MORTGAGES	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1	129,259	–2	0	0	0	0	129,259	–2
R2	91,745	–3	80	0	0	0	91,825	–3
R3	43,776	–7	850	0	0	0	44,626	–7
R4	20,503	–15	6,109	–7	0	0	26,612	–22
R5	3,848	–9	7,144	–19	0	0	10,992	–28
R6	214	–2	1,632	–12	0	0	1,846	–14
R7	15	0	1,087	–26	19	–1	1,121	–27
R8	0	0	0	0	182	–16	182	–16
Total	**289,360**	**–38**	**16,902**	**–64**	**201**	**–17**	**306,463**	**–119**
Guarantees [1)]	–	1	–	3	–	0	–	4
Total lending after provisions and guarantees	**289,360**	**–37**	**16,902**	**–61**	**201**	**–17**	**306,463**	**–115**

RESIDENTIAL MORTGAGES	2019							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1	115,400	–2	0	0	0	0	115,400	–2
R2	86,667	–2	81	0	0	0	86,748	–2
R3	41,922	–4	981	0	0	0	42,903	–4
R4	20,742	–9	6,878	–6	0	0	27,620	–15
R5	3,816	–6	7,798	–19	0	0	11,614	–25
R6	199	–1	1,871	–12	0	0	2,070	–13
R7	14	0	1,118	–27	0	0	1,132	–27
R8	0	0	0	0	232	–13	232	–13
Total	**268,760**	**–24**	**18,727**	**–64**	**232**	**–13**	**287,719**	**–101**
Guarantees [1]	–	0	–	3	–	0	–	3
Total lending after provisions and guarantees	**268,760**	**–24**	**18,727**	**–61**	**232**	**–13**	**287,719**	**–98**

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
C0	–	–	–	–	–	–	–	–
C1	69,088	–1	0	0	0	0	69,088	–1
C2	17,046	–1	386	0	0	0	17,432	–1
C3	4,437	–1	347	0	0	0	4,784	–1
C4	58	0	145	0	0	0	203	0
C5	42	–1	130	0	0	0	172	–1
C6	0	0	0	0	0	0	0	0
C7	0	0	0	0	0	0	0	0
C8	0	0	0	0	18	–8	18	–8
Total	**90,671**	**–4**	**1,008**	**0**	**18**	**–8**	**91,697**	**–12**
Guarantees [1]	–	1	–	0	–	0	–	0
Total lending after provisions and guarantees	**90,671**	**–3**	**1,008**	**0**	**18**	**–8**	**91,697**	**–11**

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS	2019							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
C0	1	0	0	0	0	0	1	0
C1	53,170	–1	0	0	0	0	53,170	–1
C2	14,531	–1	21	0	0	0	14,552	–1
C3	2,668	0	552	0	0	0	3,220	0
C4	101	0	125	0	0	0	226	0
C5	9	0	114	0	0	0	123	0
C6	18	–1	0	0	0	0	18	–1
C7	0	0	0	0	0	0	0	0
C8	0	0	0	0	18	–9	18	–9
Total	**70,498**	**–3**	**812**	**0**	**18**	**–9**	**71,328**	**–12**
Guarantees [1]	–	2	–	0	–	0	–	2
Total lending after provisions and guarantees	**70,498**	**–1**	**812**	**0**	**18**	**–9**	**71,328**	**–10**

[1] Guarantees are included in the balance-sheet item "Prepaid expenses and accrued income."

Lending to the public by segment — loans with unpaid amounts more than five days past due [1)]

The table describes loan receivables with a past-due amount. All amounts are distributed by segment. At the end of 2020, 99.9% (99.9) of SCBC's lending had no past-due amounts. Of SCBC's lending portfolio totalling SEK 398 billion (359), SEK 170 million (163) of the exposure is past-due.

SEK million	2020 Residential mortgages	2020 Corporate Clients & Tenant-Owners' Associations	2020 Total	2019 Residential mortgages	2019 Corporate Clients & Tenant-Owners' Associations	2019 Total
Past due 5–30 days [1)]	2	15	17	14	0	14
Past-due 31–60 days	65	–	65	54	–	54
Past-due 61–90 days	16	–	16	22	–	22
Past-due 91–180 days	27	–	27	22	–	22
Past due >180 days	45	–	45	51	–	51
Total	**155**	**15**	**170**	**163**	**0**	**163**

1) For the first time interval, amounts past-due by five days or less are not taken into consideration to ensure that the analysis is not distorted by payments delayed because the payment date is a holiday.

Lending to the public

The following table presents changes in gross lending and the provisions during the period for the respective segment. For more information; please refer to Note A 2. A brief description of the reported items:

- Moved to credit stage – Movements between credit stages show opening balances for the period for migrated loan receivables.
- Remeasurement of provision – Net changes of provisions for each credit stage. This includes changes due to movements between credit stages.
- Repayment and redemption – Loan receivables that have been derecognised from the balance sheet during the period and which have not been written off, for example, confirmed credit losses.
- Write-offs due to confirmed credit losses – Confirmed credit losses during the reporting period.
- Other – Residual items.

2020

TOTAL SEK million	Credit stage 1 Gross lending	Credit stage 1 Provision	Credit stage 2 Gross lending	Credit stage 2 Provision	Credit stage 3 Gross lending	Credit stage 3 Provision	Total Gross lending	Total Provision
Opening balance	**339,258**	**–27**	**19,539**	**–64**	**252**	**–22**	**359,049**	**–113**
Migrated to credit stage 1	12,205	–27	–12,195	27	–10	0	0	0
Migrated to credit stage 2	–8,285	2	8,366	–5	–81	3	0	0
Migrated to credit stage 3	–63	0	–71	1	134	–1	0	0
Remeasurement of provision	3,120	45	202	–9	–3	–7	3,319	29
Transferred to/from Group companies, net [1)]	71,577	–18	5,581	–15	0	0	77,158	–33
Repayment of borrowings	–713	0	–42	0	–1	0	–756	0
Redemption	–37,067	5	–3,469	10	–71	3	–40,607	18
Write-offs due to confirmed credit losses	0	0	0	0	–2	0	–2	0
Change in risk parameters during the period [2)]		–22		–9		–1		–32
Other	–1	0	0	0	0	0	–1	0
Closing balance	**380,031**	**–42**	**17,911**	**–64**	**218**	**–25**	**398,160**	**–131**

2019

TOTAL SEK million	Credit stage 1 Gross lending	Credit stage 1 Provision	Credit stage 2 Gross lending	Credit stage 2 Provision	Credit stage 3 Gross lending	Credit stage 3 Provision	Total Gross lending	Total Provision
Opening balance	**319,834**	**–24**	**19,425**	**–64**	**220**	**–21**	**339,479**	**–109**
Migrated to credit stage 1	11,855	–25	–11,850	25	–5	0	0	0
Migrated to credit stage 2	–8,817	1	8,866	–3	–49	2	0	0
Migrated to credit stage 3	–54	0	–122	3	176	–3	0	0
Remeasurement of provision	2,153	30	–140	–14	–3	–2	2,010	14
Transferred to/from Group companies, net [1)]	50,983	–9	6,441	–13	7	0	57,431	–22
Repayment of borrowings	–462	0	–29	0	–1	0	–492	0
Redemption	–36,226	4	–3,051	8	–93	3	–39,371	15
Write-offs due to confirmed credit losses	0	0	0	0	0	0	0	0
Change in risk parameters during the period [2)]	–	–4	–	–6	–	–1	–	–11
Other	–7	0	–1	0	0	0	0	0
Closing balance	**339,258**	**–27**	**19,539**	**–64**	**252**	**–22**	**359,049**	**–113**

1) Net amount is the loan's total amount less any internal transfers from other loans.
2) The change in risk parameters during the period also includes changes in forward-looking information.

RESIDENTIAL MORTGAGES	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**268,760**	**–24**	**18,727**	**–64**	**232**	**–14**	**287,719**	**–102**
Migrated to credit stage 1	11,407	–27	–11,397	26	–10	1	0	0
Migrated to credit stage 2	–7,989	2	8,070	–5	–81	3	0	0
Migrated to credit stage 3	–62	0	–71	1	133	–1	0	0
Remeasurement of provision	–3,177	40	–150	–8	–1	–7	–3,328	25
Transferred to/from Group companies, net [1)]	49,529	–17	5,020	–14	1	0	54,550	–31
Repayment of borrowings	–350	0	–33	0	–1	0	–384	0
Redemption	–28,757	5	–3,264	10	–70	3	–32,091	18
Write-offs due to confirmed credit losses	0	0	0	0	–2	0	–2	0
Change in risk parameters during the period [2)]	–	–17	–	–10	–	–2	–	–29
Other	–1	0	–	0	0	0	–1	0
Closing balance	**289,360**	**–38**	**16,902**	**–64**	**201**	**–17**	**306,463**	**–119**

RESIDENTIAL MORTGAGES	2019							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**253,745**	**–20**	**18,693**	**–64**	**201**	**–12**	**272,639**	**–96**
Migrated to credit stage 1	11,227	–25	–11,222	25	–5	0	0	0
Migrated to credit stage 2	–8,377	1	8,426	–3	–49	2	0	0
Migrated to credit stage 3	–54	0	–122	3	176	–3	0	0
Remeasurement of provision	–3,712	30	–211	–14	–2	–2	–3,925	14
Transferred to/from Group companies, net [1)]	44,690	–9	6,187	–13	6	0	50,883	–22
Repayment of borrowings	–360	0	–28	0	–1	0	–388	0
Redemption	–28,392	4	–2,995	8	–93	3	–31,480	15
Write-offs due to confirmed credit losses	0	0	0	0	–1	–1	–1	–1
Change in risk parameters during the period [2)]	–	–5	–	–6	–	–1	–	–12
Other	–7	0	–1	0	0	0	–8	0
Closing balance	**268,760**	**–24**	**18,727**	**–64**	**232**	**–14**	**287,719**	**–102**

1) Net amount is the loan's total amount less any internal transfers from other loans.
2) The change in risk parameters during the period also includes changes in forward-looking information.

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**70,499**	**–3**	**812**	**0**	**18**	**–8**	**71,329**	**–11**
Migrated to credit stage 1	798	0	–798	0	0	0	0	0
Migrated to credit stage 2	–296	0	296	0	0	0	0	0
Migrated to credit stage 3	0	0	0	0	0	0	0	0
Remeasurement of provision	6,297	6	353	0	–1	0	6,649	6
Transferred to/from Group companies, net [1)]	22,045	–2	559	0	1	0	22,605	–2
Repayment of borrowings	–362	0	–9	0	0	0	–371	0
Redemption	–8,310	1	–205	0	0	0	–8,515	1
Write-offs due to confirmed credit losses	0	0	0	0	0	0	0	0
Change in risk parameters during the period [2)]		–6		0		0	0	–6
Other	0	0	0	0	0	0	0	0
Closing balance	**90,671**	**–4**	**1,008**	**0**	**18**	**–8**	**91,697**	**–12**

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS	2019							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**66,089**	**–4**	**732**	**0**	**19**	**–9**	**66,840**	**–13**
Migrated to credit stage 1	628	0	–628	0	0	0	0	0
Migrated to credit stage 2	–440	0	440	0	0	0	0	0
Migrated to credit stage 3	0	0	0	0	0	0	0	0
Remeasurement of provision	5,865	1	71	0	–1	1	5,935	2
Transferred to/from Group companies, net [1)]	6,294	0	254	0	0	0	6,548	0
Repayment of borrowings	–103	0	–1	0	0	0	–104	0
Redemption	–7,834	0	–56	0	0	0	–7,890	0
Write-offs due to confirmed credit losses	–	–	–	–	–	–	–	–
Change in risk parameters during the period [2)]	–	0	–	0	–	0	–	0
Other	–	–	–	–	–	–	–	–
Closing balance	**70,499**	**–3**	**812**	**0**	**18**	**–8**	**71,329**	**–11**

[1)] Net amount is the loan's total amount less any internal transfers from other loans.
[2)] The change in risk parameters during the period also includes changes in forward-looking information.

Modified assets, loans with renegotiated terms and conditions

Such loan receivables are specifically monitored and are referred to as modified financial assets in accordance with IFRS 9. In 2020, many loan receivables were modified due to the granting of amortisation exemptions because of the corona virus pandemic. However, no modifications have led to a derecognition of financial assets and consequently no initial recognitions of new loan receivables.

Lending to the public, modified assets in credit stages 2 and 3 (that have not led to derecognition)

	2020			2019		
SEK million	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total
Amortised cost prior to modification	828	0	**828**	287	13	**300**
Modification gain/loss, net	0	0	**0**	–32	0	**0**
Amortised cost after modification	828	0	**828**	287	13	**300**
Of which, carrying amount prior to provision for assets migrated from credit stage 2 or 3 to credit stage 1.	*114*	*0*	*114*	*129*	*7*	*136*

RC:2 Credit risk in treasury operations

Credit risk in treasury operations arises when the counterparty is unable to fulfil its payment obligations. In treasury operations, credit risk arises in the form of counterparty risk for the derivative and repo contracts entered into by SCBC to manage its financial risks.

LIMIT UTILISATION PER RATING CATEGORY

	2020		2019	
SEK million	Limit	Utilised limit	Limit	Utilised limit
AAA	–	–	–	–
AA- to AA+	8,400	–	12,100	227
A- to A+	16,570	232	12,300	47
Lower than A-	2,400	–	3,800	0
Total	**27,550**	**232**	**28,200**	**274**

The "Limit utilisation per rating category" table shows the limits and the utilised limits, respectively, for SCBC's derivative counterparties. The limits for each derivative counterparty are proposed by SBAB's Treasury and adopted by the Board's Credit Committee within the confines of the framework adopted by the Board of Directors. The values in the table comprise an aggregate of individual derivative counterparty's total exposure and the limits for the respective rating category. The exposure in the summary includes external derivative and repo contracts entered into by SCBC and which are outstanding as of 31 December 2020. At Group level, limits for each counterparty are set for all investments, and derivative and repo contracts. The above table shows the limits for the SBAB Group.

As per the credit instruction, the limits are set by SBAB's Credit Committee within the confines of the framework adopted by the Parent Company's Board of Directors. The utilised limit is calculated as the market value of financial derivatives, repos and investments. For derivatives and repos, the effect of collateral pledged or received under CSAs or GMRAs is included in the total limit. Moreover, for derivatives, an add-on amount is also calculated for future risk-related changes. The limit is coordinated with the credit limit for counterparties who also are loan customers. Limits may be established for a period of not longer than one year, after which a new assessment must be conducted. The decisions of the Credit Committee are reported to the Board at the following Board meeting.

Counterparty risk

Counterparty risk at SCBC comprises exposures to well-reputed, major banks as well as the Parent Company SBAB as counterparties, which is hedged entirely through unilateral collateral agreements in which the counterparty pledges collateral by transferring funds or securities with the aim of reducing net exposure – known as a Credit Support Annex (CSA). Wherever applicable, the collateral received takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations.

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivatives that are not cleared by clearing organisations approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement is to be entered into with the counterparty. Where appropriate, the framework agreement, an ISDA Master Agreement or equivalent agreement, has been supplemented with an associated collateral agreement, CSA. A CSA must always be established for counterparties entering into derivative contracts with SCBC. The framework agreements entitle the parties to offset receivables against debt in the event of a payment default.

Counterparty risk is reconciled on a daily basis for all counterparties. When entered into, CSAs are reconciled on a daily basis or on a weekly basis. Derivative contracts entered into with external counterparties are mostly entered into with the Parent Company as the counterparty. The effects of posted and received collateral are shown in greater detail in Note FI 3.

Credit-risk limits are established by SBAB's Credit Committee for all counterparties in treasury operations. In the table "Maximum credit-risk exposure in treasury operations," the maximum credit-risk exposure is shown with and without taking collateral received or other credit enhancements into account.

Maximum credit-risk exposure in treasury operations

	Without taking into account collateral received or other credit enhancements		Taking into account collateral received or other credit enhancements	
SEK million	**2020**	**2019**	**2020**	**2019**
Lending to credit institutions	1	0	1	0
Chargeable treasury bills, etc.	–	–	–	–
Bonds and other interest-bearing securities	–	–	–	–
Derivatives	9,289	11,137	9,289	11,137
Total	**9,290**	**11,137**	**9,290**	**11,137**

Collateral posted and received under collateral agreements, 31 December 2020

SEK million, Company	**Collateral pledged**	**Collateral received**
SCBC	0	0

Lending to credit institutions

	2020		2019	
	Financial assets measured at amortised cost		Financial assets measured at amortised cost	
	Credit stage 1		Credit stage 1	
SEK million	**Securities, gross**	**Provision**	**Securities, gross**	**Provision**
Opening balance	**0**	–	**0**	**–**
Change in cash balances	0	–	0	–
Purchases	1,682	–	8,594	–
Sales	–	–	–	–
Maturity	–1,682	–	–8,594	–
Write-offs, redemption, etc.	–	–	–	–
Change in risk parameters during the period	–	–	–	–
Change in model/method	–	–	–	–
Currency revaluation	–	–	–	–
Other	–	–	–	–
Closing balance	**1**	–	**0**	**–**

RC:3 Liquidity risk

Liquidity risk is defined as the risk that the company will not be able to meet its payment obligations on the date of maturity without the related cost increasing significantly. Liquidity risk management for SCBC is performed as an integral part of the Group's overarching management. Moreover, access to funding from covered bonds is secured by monitoring that the over-collateralisation (OC level) in the cover pool at each point in time, including in stressed circumstances, exceeds Moody's requirements for Aaa ratings. At 31 December 2020, the OC level was 33.1% SCBC has an agreement regarding a liquidity facility with the Parent Company, SBAB. The aim of the agreement is to allow SCBC to borrow funds from the Parent Company in the event that SCBC is unable to pay bond holders when SCBC's bonds mature. For more information; please refer to Note RC 3 in the SBAB Group's Annual Report.

Maturities of financial assets and liabilities (amounts refer to contractual, undiscounted cash flows)

	2020							2019						
SEK million	No maturity	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total	No maturity	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total
ASSETS														
Lending to credit institutions	–	1	–	–	–	–	1	–	–	–	–	–	–	–
Lending to the public	–	2,546	2,039	4,778	32,707	355,844	397,915	–	1,623	1,598	5,182	29,203	321,205	358,811
Derivatives	–	1,009	620	1,077	3,991	1,729	8,426	–	239	422	868	5,764	1,938	9,231
Other assets	361	–	–	–	–	–	361	322	–	–	–	–	–	322
Total financial assets	**361**	**3,556**	**2,659**	**5,855**	**36,698**	**357,573**	**406,703**	**322**	**1,862**	**2,020**	**6,050**	**34,967**	**323,143**	**368,364**
LIABILITIES														
Liabilities to credit institutions	–	3,525	4,663	2,323	–	–	10,511	2	1	–	–	–	–	3
Issued debt securities, etc.	–	22,590	1,880	12,204	161,440	73,341	271,455	–	4,366	14,034	9,935	153,356	74,323	256,014
Derivatives	–	108	80	209	1374	1,334	3,105	–	55	24	90	570	635	1,374
Other liabilities	2,312	–	–	–	–	–	2,312	2,244	–	–	–	–	–	2,244
Subordinated debt	103,776	10	12	22	6,100	–	109,920	96,491	12	18	28	6,208	–	102,757
Total financial liabilities	**106,088**	**26,233**	**6,635**	**14,758**	**168,914**	**74,675**	**397,303**	**98,737**	**4,434**	**14,076**	**10,053**	**160,134**	**74,958**	**362,392**

The fixed-interest periods for the capital repayments for amortised receivables and liabilities has been calculated as the period up to the date of maturity of the respective amortisation. Foreign currency cash flows have been converted using the closing rate at 31 December 2019. Future interest-rate cash flows with floating interest rates are estimated using forward interest rates based on the actual interest base, usually the three-month STIBOR.

Maturities of hedged cash flows in cash-flow hedges

SEK million	No maturity	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total
Interest-rate-hedged	–	168	170	121	1,247	970	2,676
Currency-hedged	–	–10,035	–	–10,035	–39,611	–19,898	–79,579
Net, 31 Dec 2020	–	–9,867	170	**–9,914**	–38,364	–18,928	–76,903
Net, 31 Dec 2019	–	182	182	**–7,682**	–45,391	–34,884	–87,593

RC:4 Market risk

Market risk is the risk of loss or reduced future income due to market fluctuations. SCBC is characterised by low risk taking that is managed within the framework of the SBAB Group's overall risk appetite and limits for Value at Risk (VaR), which are determined by the Board. In addition to the overall VaR limits, a number of supplementary risk-based metrics set by the CEO of SBAB are also subject to limitation. Through daily reports, Risk Control checks compliance with current risk levels and limits.

The management of SCBC's risks is outsourced to the Parent Company, SBAB, where they are followed up and managed at company and Group levels.

The basic objective for SBAB's management of SCBC's market risk is to minimise risk in the cover pool, with the overriding aim of meeting the requirements for matching rules as expressed in the Covered Bonds Issuance Act (2003:1223).

The general principle governing SCBC's exposure to market risk is that the level of risk taking should be low. As a general principle, interest-rate risk is to be mitigated through direct funding or the use of derivatives. SCBC's interest-rate structure as of 31 December 2020 is shown in the table "Fixed-interest periods for financial assets and liabilities." Currency risks are mitigated as funding in international currency is hedged through currency swap contracts. As per 31 December 2020, total assets and liabilities in foreign currency amounted to a net liability of SEK 80.1 billion (liability: 92.1) in nominal terms. The risk outstanding was reduced using derivatives where the nominal amount was equivalent to SEK 80.1 billion (92.1). The total effect per currency is reported in the table "Nominal amounts for assets, liabilities and derivatives in foreign currency."

Value at Risk

VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. The model is a historical model and applies percentiles in historical market data from the past two years. Since the model is based on historical data there is a degree of inherent inertia and the model could underestimate the risk in a rapidly changing market. Due to the above and that the model is based on several assumptions, the model is validated daily using back testing analysis, in other words a check of VaR against actual outcomes.

The limit for SCBC's market risk is based on a probability level of 99% and a holding period of one year. As per 31 December 2020, SCBC's market risk exposure was SEK 133.3 million, compared with the limit of SEK 700 million.

Interest-rate risk in other operations

Interest-rate risk in other operations is measured and reported to the Swedish FSA in accordance with FFFS 2007:4. As per 31 December 2020, the effect on the present value was SEK 304.5 million (248.4) for a 2 percentage-point parallel upward shift and negative SEK 314.8 million (negative: 253.3) for a 2 percentage-point parallel downward shift. As SCBC's own funds amounted to SEK 16.4 billion (16.2) at 31 December 2020, the effect of the stress tests amounted to 1.86% (1.54) and negative 1.92% (negative: 1.57) of own funds, respectively.

SCBC covers interest-rate risk in the banking book pursuant to the Swedish FSA's methodology as described in FI Ref. 14-14414. This showed that at 31 December 2020, the scenario with the greatest impact on the banking book was "a parallel downward shift in interest rates," where a 200 bps downtick would have resulted in a negative change in value of SEK 14 million and a 200 bps uptick would have resulted in a positive change in value of SEK 220 million. In 2021, FI Ref. 14-14414 will be replaced by a new methodology FI Ref. 19-44-34.

The net interest income effect is measured to capture the impact of changes in interest rates on profit or loss. The metric reflects the differences in volume and fixed-interest periods between assets, liabilities and derivatives in other operations. The net interest income effect is calculated pursuant to the instructions stated in EBA/GL/2018/02 and is based on an instantaneous parallel shift of one percentage point up and down over a 12-month time horizon.

At the end of the year, the net interest income effect was negative SEK 1,319 million (negative: 1,210).

Supplementary risk metrics

In addition to the overall VaR limits determined by the Board, the CEO has set a number of supplementary risk metrics for different kinds of risks to which the SBAB Group and SCBC are exposed. For interest-rate risk, there are limits for parallel shifts, where the effect on the present value of a one percentage point shift in the yield curve is measured, and curve risk where the effect on the present value is measured in different scenarios, in which the short end of the yield curve is adjusted down (up) and the long end is adjusted up (down). Currency risk is controlled by measuring the effect on present value when currency exchange rates change compared to SEK.

In addition to the above-mentioned supplementary risk metrics, a number of sensitivity analyses are performed using stressed interest rates, currency rates and credit spreads together with their effect on the company's Tier 1 capital requirement.

Interest Rate Benchmark Reform

The ongoing Interest Rate Benchmark Reform will replace existing benchmark interbank offered rates (IBORs) with alternative risk-free rates. There is currently uncertainty as to the timing and the methods of transition for the different IBORs and whether some existing benchmarks will continue to be supported in some way. As a result of these developments, accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the interest rate risk due to changes in IBORs continue to qualify for hedge accounting.

Nominal amounts for assets, liabilities and derivatives in foreign currency

SEK million	Assets and liabilities	Derivatives
EUR	–77,349	77,346
GBP	–2,232	2,232
NOK	–480	479
USD	0	–
Total	**–80,061**	**80,057**

Interest-rate risk in other operations

	2020		2019	
SEK million	ΔEVE	ΔNII	ΔEVE	ΔNII
Parallel up	220	1,319	347	1,210
Parallel down	–14	–1,319	–65	–1,210
Short rate up	175		289	
Short rate down	–5		–47	
Long rate up	47		63	
Long rate down	–13		–46	
Worst outcome	**–14**	**–1,319**	**–65**	**1,210**
Own funds	**16,412**		**16,173**	

Fixed-interest periods for financial assets and liabilities, carrying amounts

	2020							2019						
SEK million	Without interest period	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total	Without interest period	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total
ASSETS														
Lending to credit institutions	–	1	–	–	–	–	1	–	0	–	–	–	–	0
Lending to the public	–	258,712	10,635	21,012	95,681	11,989	398,029	–	251,920	11,035	15,451	77,231	3,299	358,936
Change in fair value of interest-rate-hedged loan receivables	–	2	3	5	133	–	143	–	–1	–19	–1	–172	15	–178
Derivatives	–	1,906	1	98	1,680	5,604	9,289	–	2,774	70	25	1,983	6,285	11,137
Other assets	361	–	–	–	–	–	361	324	–	–	–	–	–	324
Total financial assets	**361**	**260,621**	**10,639**	**21,115**	**97,494**	**17,593**	**407,823**	**324**	**254,693**	**11,086**	**15,475**	**79,042**	**9,599**	**370,219**
LIABILITIES														
Liabilities to credit institutions	–	5,950	2,329	2,336	–	–	10,615	–	3	–	–	–	–	3
Issued debt securities, etc.	–	26,740	–	11,030	152,282	73,811	263,863	–	9,941	12,459	7,834	143,439	73,101	246,774
Derivatives	–	1,912	18	486	235	11	1,690	–	407	2	8	30	25	472
Other liabilities	2,312	–	–	–	–	–	2,312	2,244	–	–	–	–	–	2,244
Subordinated debt	–	109,515	–	–	–	–	109,515	–	102,180	–	–	–	–	102,180
Total financial liabilities	**2,312**	**144,117**	**2,347**	**12,880**	**152,517**	**73,822**	**387,995**	**2,244**	**112,531**	**12,461**	**7,842**	**143,469**	**73,126**	**351,673**
Difference assets and liabilities	**–1,951**	**116,504**	**8,292**	**8,235**	**–55,023**	**–56,229**	**19,828**	**–1,920**	**142,162**	**–1,375**	**7,633**	**–64,427**	**–63,527**	**18,546**

RC:5 Operational risk

Operational risk means the risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events, including legal risks.

Risk management

The process for managing operational risk is based on the continuous identification, analysis and assessment of risks as well as their management and follow-up. An analysis of risk levels is reported to the Board, the CEO and the Executive Management. The Risk department has overall responsibility for the methods and procedures used in the management of operational risk. The work with managing operational risk is conducted based on SCBC's risk appetite and the significant processes for the business. This entails constant efforts to develop employees' risk awareness and the bank's risk culture, to improve processes and procedures as well as to provide tools to efficiently and proactively manage day-to-day operational risk.

Self-evaluation

The self-evaluation process encompasses the identification and evaluation of operational risks in all significant processes. Self-evaluation is carried out using a shared method and documented in the shared system support. The result of the self-evaluation is reported annually to the Board, the CEO and the Executive Management.

Incident management

SCBC has procedures and system support intended to facilitate the reporting and follow-up of incidents. The Operational Risk function supports the operations with the analysis of reported incidents to ensure that root causes are identified and suitable measures are implemented. Even incidents that have not caused direct damage or financial loss are reported, to promote proactive risk management.

Management of material changes

SCBC's process for the management of material changes is applied for new or significantly altered products, services, markets, processes and IT systems as well as in the event of major operational and organisational changes at SCBC. The aim of the process is to evaluate any potential risks related to the change and to draw attention to any impact the change may have on capital position.

Continuity management

SCBC works in a pre-emptive manner to prevent events that may affect the company's ability to conduct operations. A contingency organisation has been established that is responsible for crisis and catastrophe management, and communication in case of serious incidents, crises or disasters. This organisation is tested regularly in collaboration with external crisis management experts.

Capital requirements for operational risks

SCBC uses the standardised approach to calculate capital requirements for operational risk within the Pillar 1 framework. The capital requirements for operational risk are presented in the Risk exposure amounts and capital requirements table (Note RC 8).

RC:6 Business risk

Business risk means the risk of declining earnings due to harsher competition, inappropriate strategies or erroneous decisions. Business risk includes strategic risk, reputational risk and margin risk, which arise when the interest margins on lending and funding have different maturities.

Business risk is included in the calculation of the capital requirement as part of SBAB's stress tests, where the effects of a stressed scenario corresponding to a normal economic downturn are evaluated.

RC:7 Concentration risk

Concentration risk arises when exposures are concentrated to certain counterparties, regions or types of businesses/industries. Through a direction decision as part of the business planning, SCBC's Board has established the concentration of risk based on the actual conditions for SCBC. The Board's risk appetite sets the framework for concentration risk, which is calculated based on the size of the exposures, industry and geographical concentration.

SCBC is primarily considered to be exposed to credit-risk related concentration risk in its lending operations. SCBC's lending operations are concentrated to Sweden and primarily to major metropolitan areas. SCBC's business model has proven attractive to customers in the major cities. Given the conditions in Sweden, this entails a concentration of lending to the Stockholm area. SCBC measures and actively follows the geographical concentration risk in terms of volume and profile.

SCBC also evaluates the ongoing capital requirement for concentration risk and quantifies the economic capital risk for credit-risk exposures, see Note RC 9.

For concentration risk in liquidity, please refer to Note RC 3.

RC:8 Capital adequacy analysis

Regulatory framework

Uniform prudential requirements for credit institutions were adopted by the EU on 7 June 2019 through amendments of the Capital Requirements Regulation, the Capital Requirements Directive and the Bank Recovery & Resolution Directive (the banking package). The purpose of the rules is in part to make institutions more resilient to new crises, and in part to raise confidence in the institutions' ability to manage new crises. The regulations include capital requirements, requirements on capital quality, a non-risk-based metric (leverage ratio) and quantitative liquidity requirements. The majority of the amendments to the CRR will start to apply from 28 June 2021. Legislative amendments linked to the Capital Requirements Directive entered force on 29 December 2020. SCBC has taken this into account in its capital planning.

Due to the coronavirus pandemic, the EU made targeted regulatory amendments to the CRR through a revised banking package with effect from 27 June 2020. SCBC was primarily affected by an earlier introduction of a small reduction of the capital requirement for loans to small and medium-sized enterprises (SME factor). For SCBC the changes resulted in a marginal reduction of the capital requirement.

During the first quarter of 2020, the Swedish FSA reduced the countercyclical capital buffer requirement from 2.5% to 0%, due to the current coronavirus pandemic. On 24 November 2020, the Swedish FSA decided to retain the countercyclical buffer value for banks unchanged at 0%.

From 31 December 2018, a risk-weight floor of 25% for residential mortgages to Swedish households within Pillar 1 is included following a decision by the Swedish FSA. The decision applied for two years. The Swedish FSA advised the Council, the European Commission and the European Banking Authority of its plans to continue to apply the risk-weight floor for mortgages another year, according to Article 458 of the CRR. The European Commission approved the Swedish FSA's proposed measures in November 2020 and the Swedish FSA then resolved to apply the floor in Pillar 1 until 30 December 2021. The credit institutions encompassed by the measure are those authorised to use the IRB approach and which have exposures to Swedish residential mortgages. The branches of foreign credit institutions in Sweden that are exposed to Swedish residential mortgages and which apply the IRB approach for these may also be affected. Refer to the "Risk exposure amounts and capital requirements" table for the outcomes.

Banks that are considered systemic will be subject to additional capital requirements. SCBC is not subject to these requirements.

SCBC primarily recognises credit risk in accordance with the internal ratings-based (IRB) approach, and operational and market risk in accordance with the standardised approaches. SCBC's own funds consist solely of CET1 capital. Net profit/loss for the period is included in the calculation of own funds. The surplus has been verified by the company's auditors, in accordance with Article 26, item 2, of the CRR. The deduction that forms the basis of "Additional value adjustments" in the "Own funds" table emanate from the rules on a prudent valuation of assets.

Note RC 9 contains a summary of the method used to assess the internal capital requirement.

The Swedish National Debt Office has set an individual minimum requirement for own funds and eligible liabilities (MREL) for SCBC as a complement to the capital requirements. The MREL metric measures the relationship between eligible liabilities and total liabilities and own funds. The aim of eligible liabilities is to ensure that the company can be recapitalised in the event of default. The MREL set by the Swedish National Debt Office for SCBC for 2021 amounts to 4.74%. SCBC follows up outcomes on a monthly basis and met the requirement with a healthy margin.

There are no on-going or unforeseen material obstacles or legal barriers to a rapid transfer of funds from own funds other than what is generally stipulated by the Companies Act.

Capital adequacy [1]

SEK million	2020	2019
CET1 capital	17,003	16,168
Tier 1 capital	17,003	16,168
Total capital	17,008	16,173
Risk exposure amount	104,080	94,966
CET1 capital ratio, %	16.3	17.0
Excess [2] of Tier 1 capital	12,319	11,894
Tier 1 capital ratio, %	16.3	17.0
Excess [2] of Tier 1 capital	10,758	10,470
Total capital ratio, %	16.3	17.0
Excess total capital	8,681	8,575

[1] The risk exposure amount, the excess and capital ratios have been impacted by the risk-weight floor for residential mortgages.

[2] Excess capital has been calculated based on minimum capital requirements (without buffer requirements).

Risk exposure amounts and capital requirements

	2020		2019	
SEK million	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	8,838	707	5,940	475
Retail exposures	11,240	899	11,274	902
of which, exposures to SMEs	*856*	*68*	*764*	*61*
of which, retail exposures secured by immovable property	*10,384*	*831*	*10,510*	*841*
Total exposures recognised with IRB approach	**20,078**	**1,606**	**17,214**	**1,377**
Credit risk recognised with the standardised approach				
Exposure to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to institutions [1]	123	10	85	7
of which, derivatives according to CRR, Appendix 2	*114*	*9*	*64*	*5*
of which, repos	*9*	*1*	*21*	*2*
of which, other	–	–	*0*	*0*
Exposures to institutions and corporates with a short-term credit rating	0	0	0	0
Other items	169	14	32	4
Total exposures recognised with standardised approach	**292**	**24**	**117**	**11**
Market risk	**556**	**44**	**729**	**58**
Of which, currency risk	*556*	*44*	*729*	*58*
Operational risk	**4,441**	**355**	**4,186**	**335**
Credit valuation adjustment risk	**441**	**35**	**368**	**29**
Additional requirements under Article 458 of the CRR	**77,656**	**6,213**	**71,736**	**5,739**
Additional requirements under Article 3 of the CRR	**616**	**49**	**616**	**49**
Total risk exposure amount and minimum capital requirements	**104,080**	**8,326**	**94,966**	**7,598**
Capital requirements for capital conservation buffer		**2,602**		**2,374**
Capital requirements for countercyclical buffer		**0**		**2,374**
Total capital requirement		**10,928**		**12,346**

[1] The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 123 million (85).

Own funds

SEK million	2020	2019
CET1 capital: Instruments and reserves		
Capital instruments and the related share premium accounts	9,600	9,600
Retained earnings	6,013	5,253
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2,217	1,830
Independently verified net profit for the year net of any foreseeable charge or dividend [1]	1,413	1,349
CET1 capital before regulatory adjustments	**19,243**	**18,032**
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	–11	–12
Fair value reserves related to gains or losses on cash-flow hedges	–2,217	–1,830
Negative amounts resulting from the calculation of expected loss amounts	–12	–22
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0
Total regulatory adjustments to CET1 capital	**–2,240**	**–1,864**
CET1 capital	**17,003**	**16,168**
Additional Tier 1 capital: Instruments		
Additional Tier 1 capital before regulatory adjustments	–	–
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	–	–
Additional Tier 1 capital	–	–
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	**17,003**	**16,168**
Tier 2 capital: Instruments and provisions		
Credit risk adjustments	5	5
Tier 2 capital before regulatory adjustments	**5**	**5**
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	–	–
Tier 2 capital	**5**	**5**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**17,008**	**16,173**
Total risk-weighted exposure amount	**140,080**	**94,966**
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	16.3	17.0
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	16.3	17.0
Total capital (as a percentage of total risk-weighted exposure amount), %	16.3	17.0
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
of which, CET1 capital, minimum requirement	*4.5*	*4.5*
of which, capital conservation buffer requirement, %	*2.5*	*2.5*
of which, countercyclical buffer requirement, %	*0.0*	*2.5*
of which, systemic risk buffer requirement, %	–	–
of which, Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffers, %	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts), %	8.3	9.0
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

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

Average risk weight for credit risk recognised using the IRB approach

SEK million	2020 Exposure before credit risk hedge	2020 Exposure after CCF	2020 Risk exposure amount	2020 Capital require-ment	2020 Average risk weight, %	2019 Exposure before credit risk hedge	2019 Exposure after CCF	2019 Risk exposure amount	2019 Capital require-ment	2019 Average risk weight, %
Credit risk in lending portfolio recognised under the IRB approach										
Exposures to corporates	42,397	42,334	8,838	707	20.9	26,565	26,486	5,940	475	22.4
Retail exposures	355,983	355,586	11,240	899	3.2	332,580	332,040	11,274	902	3.4
of which, single-family dwellings and holiday homes	*154,451*	*154,448*	*4,441*	*355*	*2.9*	*144,524*	*144,522*	*4,612*	*369*	*3.2*
of which, tenant-owners' rights	*152,040*	*152,040*	*5,943*	*476*	*3.9*	*143,199*	*143,199*	*5,898*	*472*	*4.1*
of which, tenant-owners' associations	*49,492*	*49,098*	*856*	*68*	*1.7*	*44,857*	*44,319*	*764*	*61*	*1.7*
Total credit risk under the IRB approach	**398,380**	**397,920**	**20,078**	**1,606**	**5.0**	**359,145**	**358,526**	**17,214**	**1,377**	**4.8**

RC:9 Internally assessed capital requirement

From October 2019, the Swedish FSA imposes the requirement, within the framework of Pillar 2, that SCBC's management and assessment of risks must be satisfactory to ensure that SCBC can fulfil its obligations. To meet this requirement, SCBC must have methods that enables it to continuously evaluate and uphold capital in an amount, type and distribution sufficient to cover the risks to which it is or will become exposed. This is known as the company's internal capital adequacy assessment process (ICAAP), which is part of SCBC's internal capital and liquidity adequacy assessment process. At present, liquidity risk does not give rise to any actual capital requirement for SCBC. Refer to Note RC 3 for more information about liquidity risk.

The ICAAP aims to ensure that SCBC has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for SCBC amounted to SEK 11,462 [3] million (SEK 12,839 million) at 31 December 2020. The internal capital requirement is assessed with the help of SCBC's internal models for economic capital and is not fully compatible with the capital requirements published by the Swedish FSA. Additional information on the internal capital requirement can be found in the document "Capital Adequacy and Risk Management 2020," which is published on www.sbab.se.

SEK million		31 Dec 2020 Internally assessed capital requirement: Incl. risk-weight floor, SEK million	31 Dec 2020 Internally assessed capital requirement: Incl. risk-weight floor, %	31 Dec 2019 Internally assessed capital requirement: Incl. risk-weight floor, SEK million	31 Dec 2019 Internally assessed capital requirement: Incl. risk-weight floor, %
Pillar 1	Credit risk & CVA risk	1,665	1.6	1,417	1.5
	Market risk	44	0.0	58	0.1
	Operational risk	355	0.4	335	0.4
	Risk-weight floor[1]	6,213	6.0	5,739	6.0
	Surcharge, corporate exposures [2]	49	0.0	49	0.0
	Total Pillar 1	**8,326**	**8.0**	**7,598**	**8.0**
Pillar 2	Credit risk	–	–	–	–
	Market risk	14 [3]	0.0 [3]	65	0.1
	Operational risk	–	–	–	–
	Concentration risk	520	0.5	428	0.4
	Sovereign risk	–	–	–	–
	Pension risk	–	–	–	–
	Total Pillar 2	**534** [3]	**0.5** [3]	**493**	**0.5**
Buffers	Capital conservation buffer	2,602	2.5	2,374	2.5
	Capital planning buffer	–	–	–	–
	Countercyclical buffer	0	0.0	2,374	2.5
	Total Buffers	**2,602**	**2.5**	**4,748**	**5.0**
Total		**11,462** [3]	**11.0** [3]	**12,839**	**13.5**
Total own funds		**17,008**		**16,173**	**–**

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) The amount has been adjusted in compared to the amount in the table published in the year end report.

IC Income and expenses

p.45–46

IC:1 Net interest income

SEK million	2020	2019
Interest income		
Lending to credit institutions	0	–0
Lending to the public	5,580	5,226
Derivatives	–30	–85
Total	**5,550**	**5,141**
of which, interest income from financial assets that is not measured at FVTPL	*5,580*	*5,226*
Interest expense		
Liabilities to credit institutions	0	0
Issued debt securities	–1,949	–1,986
Subordinated debt[1)]	–1,045	–1,235
Derivatives	720	1,089
Resolution fee	–122	–174
Total	**–2,396**	**–2,306**
of which, interest expense from financial liabilities that is not measured at FVTPL	*–3,116*	*–3,395*
Net interest income	**3,154**	**2,835**

1) The subordinated debt is issued by the Parent Company.

IC:2 Commission

SEK million	2020	2019
Commission income		
Commission on lending	20	16
Total	**20**	**16**
Commission expense		
Commission on securities	–73	–59
Other commissions	–20	–20
Total	**–93**	**–79**
Net commission	**–73**	**–63**

IC:3 Net result of financial transactions

SEK million	2020	2019
Gains/losses on interest-bearing financial instruments		
Change in value of hedged items in hedge accounting	–799	–847
Derivatives in hedge accounting	801	865
Other derivatives	–1	50
Realised gain/loss from financial liabilities at mortised cost	–113	–129
Loan receivables at amortised cost	39	69
Currency translation effects	0	0
Total	**–73**	**8**

SCBC mainly uses derivatives to manage interest-rate and currency risk in the company's assets and liabilities. The derivatives are recognised at fair value in the balance sheet.

SCBC's policies for risk management and hedge accounting entail variations in results as a consequence of changed market interest rates, which can arise between periods for individual items in the above presentation. These are generally offset by variations in the results in other items. Variations in results that are not neutralised through risk management and hedge accounting are commented in the administration report.

IC:4 General administrative expenses

SEK million	2020	2019
Outsourcing expenses [1)]	–1,176	–1,042
Other administrative expenses [2)]	–3	–3
Total	**–1,179**	**–1,045**

1) SCBC employs a CEO and 35 employees (32) who handle the ongoing administration in consultation with the management of the Parent Company. No salary or other remuneration is paid by the company to the CEO or the employees, since the Parent Company is responsible for the ongoing administrative services in accordance with the outsourcing agreement signed between SBAB and SCBC.

2) Fees and remuneration to the Board have been paid by SBAB and the expense then invoiced for to SCBC. The Board of Directors consists of three Board members. For remuneration to Board members, refer to page 44.

Fees and expenses to the elected auditors

SEK million	2020	2019
Audit assignment	1.6	1.2
Audit tasks in addition to audit assignment	0.6	0.7
Total	**2.2**	**1.9**

The AGM on 28 April 2020 appointed Deloitte as SCBC's auditors. The audit assignment includes examination of the annual report, the accounting records and the administration by the Board and CEO. The audit assignment also includes other assistance resulting from such examination.

Audit tasks in addition to the audit assignment pertain to the examination of interim reports/year-end report and such other duties that may only be performed by the signing-off auditor, such as the preparation of various types of certificates.

Remuneration to the Board

SEK thousand	Period	Board of Directors	Audit and Compliance Committee
	2020		
Jan Sinclair, Chairman of the Board [1]	1 January–31 December 2020	180	–
Jane Lundgren-Ericsson, Board Member [2]	1 January–31 December 2020	130	–
Klas Danielsson, Board Member	1 January–31 December 2020	–	–
Total Fees & Remuneration 2020		**310**	**–**

SEK thousand	Period	Board of Directors	Audit and Compliance Committee
	2019		
Bo Magnusson, Chairman of the Board	1 January–16 May 2019	68	–
Jan Sinclair, Chairman of the Board [1]	17 May–31 December 2019	112	–
Jane Lundgren-Ericsson, Board Member [2]	1 January–31 December 2019	130	–
Klas Danielsson, Board Member	1 January–31 December 2019	–	–
Total Fees & Remuneration 2019		**310**	**–**

[1] Jan Sinclair also receives Board fees and fees for work on committees from SBAB of SEK 475 thousand (379) and SEK 114 thousand (87) respectively.
[2] Jane Lundgren-Ericsson also receives Board fees and fees for work on committees from SBAB of SEK 230 thousand (226) and SEK 140 thousand (111) respectively.

No Board fees are payable to Board members employed at the Government Offices of Sweden or who are employee representatives. No Board fees are payable to the Board members of SBAB's subsidiary Booli.

IC:5 Net credit losses

SEK million	2020	2019
Lending to the public		
Confirmed credit losses	–2	0
Recoveries of previously confirmed credit losses	0	0
Preceding year's provision under IAS39	0	–
Change in provision for the year – credit stage 1	–15	–3
Change in provision for the year – credit stage 2	0	0
Change in provision for the year – credit stage 3	–3	–1
Guarantees	–1	–8
Total	**–21**	**–12**

TX Tax

p.47–47

TX:1 Tax

SEK million	2020	2019
Current tax	–389	-359
Deferred tax on changes in temporary differences	5	–5
Total	**–384**	**–364**
The effective tax rate differs from the nominal tax rate in Sweden as below		
Profit before tax	1,797	1,713
Nominal tax rate in Sweden 21.4%	–385	–367
Recalculation of deferred tax regarding changed tax rate	1	0
Tax for prior years and other	–	3
Total tax	**–384**	**–364**
Effective tax rate, %	21.2	21.2

TX:2 Deferred tax

SEK million	2020	2019
Deferred tax assets (+)/tax liabilities (-) for temporary differences in:		
Stock of financial instruments	–11	–16
Hedging instruments	–575	–498
Total	**–586**	**–514**
Change in deferred tax		
Deferred tax in the income statement	5	–5
Deferred tax attributable to items recognised directly against other comprehensive income	–77	–374
Total	**–72**	**–379**
Deferred tax distributed by expected maturity date, carrying amount		
More than 1 year	–586	–514
Total	**–586**	**–514**

Temporary differences are expected to be reported in taxation within the coming year, where the decided tax rate is 20.6%

A Assets

p.47–50

A:1 Lending to credit institutions

SEK million	2020	2019
Lending in SEK	1	–
Lending in foreign currency	0	0
Total	**1**	**0**
of which, repos	*1*	*0*

Interest-bearing securities that SCBC purchases with an obligation to sell at a predetermined price are not recognised in the balance sheet, while the purchase price paid is recognised in the balance sheet under Lending to credit institutions. The securities are regarded as collateral received and can be pledged or sold by SCBC. In the event that the counterparty is unable to meet its repurchase obligation, SCBC is entitled to keep the security. The fair value of collateral received was SEK 1 million (0), of which – (–) was pledged or sold.

A:2 Lending to the public

SEK million	2020	2019
Opening balance	**358,936**	**339,370**
Transferred to/from Group companies	79,286	60,702
Repayment of borrowings	–780	–518
Redemption	-39,393	-40,615
Confirmed losses	–2	0
Change in provision for expected credit losses [1]	–18	–3
Closing balance	**398,029**	**358,936**

[1] For more information, please refer to Note IC 5.

Distribution of lending, including provisions, SEK million	2020	2019
Lending, Residential mortgages	306,344	287,618
Lending, Corporate Clients & Tenant-Owners' Associations	91,685	71,318
Total	**398,029**	**358,936**

Lending to the public by credit stage – compared with opening balance

SEK million	31 Dec 2020	1 Jan 2019
Credit stage 1		
Gross lending	380,031	339,258
Provision	–42	–27
Total	**379,989**	**339,232**
Credit stage 2		
Gross lending	17,911	19,539
Provision	–64	–64
Total	**17,847**	**19,475**
Credit stage 3		
Gross lending	218	252
Provision	–25	–22
Total	**193**	**230**
Total gross lending	**398,160**	**359,049**
Total provisions	**–131**	**–113**
Total	**398,029**	**358,936**

A:3 Derivatives and hedge accounting

SEK million	2020 Assets measured at fair value	2020 Liabilities measured at fair value	2020 Nominal amount	2020 Year's value change on hedge ineffec-tiveness	2019 Assets measured at fair value	2019 Liabilities measured at fair value	2019 Nominal amount	2019 Year's value change on hedge ineffec-tiveness
Derivatives in fair value hedges								
Interest-rate-related	3,153	351	242,243	809	2,314	301	211,625	882
Currency-related	0	49	547	–8	11	–	547	–17
Total	**3,153**	**400**	**242,790**	**801**	**2,325**	**301**	**212,172**	**865**
Derivatives in cash-flow hedges								
Interest-rate-related	3,413	–	77,016	576	2,741	–	88,108	1,765
Currency-related	2,698	1,263	77,432	–112	5,942	163	84,538	–18
Total	**6,111**	**1,263**	**154,448**	**464**	**8,683**	**163**	**172,646**	**1,747**
Other derivatives								
Interest-rate-related	25	27	29,090		45	8	17,090	
Currency-related	–	–	–		84	–	542	
Total	**25**	**27**	**29,090**		**129**	**8**	**17,632**	

Currency interest-rate swaps are classified as currency-related.

Derivatives allocated by remaining maturity, carrying amounts

SEK million	2020 Fair value	2020 Nominal amount	2019 Fair value	2019 Nominal amount
Maximum 3 months	756	39,959	–3	9,550
3–12 months	836	69,138	909	51,492
1–5 years	2,119	224,971	5,280	234,488
Longer than five years	3,888	92,260	4,479	106,920
Total	**7,599**	**426,328**	**10,665**	**402,450**

Hedged items in fair value hedges:

SEK million	Carrying amount	Revaluation for the period of hedged items in fair value hedges	Accrued value adjustment from fair value hedges	Gain/loss on terminated hedges	Remaining accrued value adjustment on terminated hedges
	2020				
Assets					
Lending to the public	99,772	–	–	–	–
Value changes of interest-rate-risk hedged items in macro hedges	142	322	144	1	-2
Total assets	**99,914**	**322**	**144**	**1**	**-2**
Liabilities					
Issued debt securities, etc.	148,201	1,121	2,630	–	–
Total liabilities	**148,201**	**1,121**	**2,630**	**–**	**–**
Total assets - liabilities	**–48,287**	**–799**	**–2,466**	**1**	**-2**
Hedging instruments		801			
Ineffectiveness		2			

SEK million	Carrying amount	Revaluation for the period of hedged items in fair value hedges	Accrued value adjustment from fair value hedges	Gain/loss on terminated hedges	Remaining accrued value adjustment on terminated hedges
	2019				
Assets					
Lending to the public	86,552	–	–	–	–
Value changes of interest-rate-risk hedged items in macro hedges	–178	–272	–178	–15	0
Total assets	**86,374**	**–272**	**–178**	**–15**	**0**
Liabilities					
Issued debt securities, etc.	128,820	559	1,509	–	–
Total liabilities	**128,820**	**559**	**1,509**	**–**	**–**
Total assets - liabilities					
Hedging instruments		865			
Ineffectiveness		34			

Hedged items in cash-flow hedges

SEK million	Revaluation for the period of hedged items in cash-flow hedges	Accrued value adjustment from cash-flow hedges	Gain/loss on terminated hedges reclassified to Net result of financial transactions	Remaining accrued value adjustment on terminated hedges
	2020			
Hedged items in cash-flow hedges:				
Hedged items/Hypothetical derivatives	–464	–2,793	–	–
Total	**–464**	**–2,793**	**–**	**–**
Hedging instruments	464			
Ineffectiveness	0			
Hedge reserve	**464**	**2,793**		

SEK million	2019 Revaluation for the period of hedged items in cash-flow hedges	Accrued value adjustment from cash-flow hedges	Gain/loss on terminated hedges reclassified to Net result of financial transactions	Remaining accrued value adjustment on terminated hedges
Hedged items in cash-flow hedges:				
Hedged items/Hypothetical derivatives	–1,747	–2,329	–	–
Total	**–1,747**	**–2,329**	**–**	**–**
Hedging instruments	1,747			
Ineffectiveness	0			
Hedge reserve	1,747	2,329		

Hedge ineffectiveness recognised in profit or loss:

SEK million	2020 Hedging gains and losses recognised in "Net result of financial transactions"	2019 Hedging gains and losses recognised in "Net result of financial transactions"
Fair value hedges	2	34
Cash-flow hedges	–	–
Total	**2**	**34**

The accounting policies for hedge accounting are described in Note G 1.
The Company´s liquidity and market risks are described in Notes RC 3 and RC 4.

A:4 Other assets

SEK million	2020	2019
Tax assets	–	–
Interest receivables	248	218
Total	**248**	**218**
Other assets distributed by remaining maturity, carrying amount		
Maximum 1 year	248	218
Total	**248**	**218**

A:5 Prepaid expenses and accrued income

SEK million	2020	2019
Accrued interest income	90	85
Other accrued income	23	21
Total	**113**	**106**
Prepaid expenses and accrued income distributed by remaining maturity, carrying amount		
Maximum 1 year	110	102
More than 1 year	3	4
Total	**113**	**106**

L Liabilities

L:1 Liabilities to credit institutions

SEK million	2020	2019
Liabilities in SEK	10,612	1
Liabilities in foreign currencies	3	2
Total	**10,615**	**3**
of which, repos	*10,612*	*1*

L:2 Issued debt securities, etc.

SEK million	2020	2019
Bond loans		
Bond loans in SEK		
– at amortised cost	*36,404*	*26,840*
– in fair value hedges	*147,704*	*128,265*
Bonds loans in foreign currency		
– at amortised cost	*79,258*	*91,114*
– in fair value hedges	*497*	*555*
Total issued debt securities	**263,863**	**246,774**
of which, covered bonds	*263,863*	*246,774*

See also the Funding section, page 7.

L:3 Other liabilities

SEK million	2020	2019
Liabilities to employees	10	12
Group contribution paid[1]	719	539
Other	14	13
Total	**743**	**564**
Other liabilities distributed by remaining maturity, carrying amounts		
Maximum 1 year	743	564
Total	**743**	**564**

[1] SCBC paid a Group contribution of SEK 719 million (539) to the Parent Company SBAB and a Group contribution of SEK 30 million (25) to fellow Group company Booli Search Technologies AB.

L:4 Accrued expenses and deferred income

SEK million	2020	2019
Accrued interest expense	1,477	1,615
Other accrued expenses	91	65
Total	**1,568**	**1,680**
Accrued expenses and deferred income distributed by remaining maturity, carrying amounts		
Maximum 1 year	1,568	1,680
Total	**1,568**	**1,680**

L:5 Subordinated debt to the Parent Company

SEK million	2020	2019
Subordinated debt to the Parent Company	109,515	102,180
– Of which, internal Group MREL instruments	*6,000*	*6,000*
Total	**109,515**	**102,180**

Terms and conditions governing subordination

The subordinated debt is issued by the Parent Company. The subordinated debt is subordinate to the company's other liabilities in the event of receivership or liquidation, which means that it carries an entitlement to payment only after other claimants have received payment.

Internal Group MREL instruments

Of the subordinated debt to the Parent Company SBAB Bank AB (publ), which amounts to SEK 109,515 million, SEK 6,000 million comprises an internal Group debt instrument (senior non-preferred notes) that was issued by SCBC to the Parent Company in December 2019 for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office in SCBC. The internal Group MREL instrument is subordinate to other subordinated debt to the Parent Company.

EQ Equity

p.52–52

EQ:1 Equity

The share capital amounted to SEK 50,000,000. At 31 December 2020, the number of shares was 500,000 (500,000), each with a quotient value of SEK 100. All shares are held by the Parent Company, SBAB Bank AB (publ), Corp. Reg. No. 556253-7513. Unrestricted equity in SCBC amounts to SEK 19,193 million (17,982).

Group contributions are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting, refer to Note G 3.

Further information on changes in equity is provided on page 18.

Specification of changes in the fair value reserve

SEK million	2020	2019
Cash-flow hedges, opening balance	**1,830**	**458**
Unrealised change in value over the year	–2,892	3,928
Reclassified to profit or loss during the year	3,356	–2,182
Tax attributable to the change	–77	–374
Cash-flow hedges, closing balance	**2,217**	**1,830**
Total	**2,217**	**1,830**

AC Assets pledged for own liabilities

s.52–52

AC:1 Assets pledged for own liabilities

SEK million	2020	2019
Loan receivables	358,910	313,044
Total	**358,910**	**313,044**

Of the total lending portfolio, see Note A 1 and Noe A 2 “Lending to credit institutions,” the values reported above represent the carrying amount for the cover pool for covered bonds, which amounted to SEK 263.8 billion (246.8).

Loan receivables pledged as collateral mainly consist of the registered cover pool benefiting holders of covered bonds issued by SCBC and SCBC’s covered derivative counterparties. In the event that the company becomes insolvent, the holders of the covered bonds and the covered derivatives counterparties have priority rights to the pledged assets under the Covered Bonds Issuance Act and the Rights of Priority Act.

Further information on loan receivables and repos is given in Note G 1.

FI Financial instruments

p.53–55

FI:1 Classification of financial instruments

Financial assets

SEK million	Financial assets measured at FVTPL: Derivatives in hedge accounting	Financial assets measured at FVTPL: Other (Obligatory) classification	Financial assets measured at amortised cost	Total	Total fair value
	31 Dec 2020				
Lending to credit institutions	–	–	1	1	1
Lending to the public	–	–	398,029	398,029	398,029
Value changes of interest-rate-risk hedged items in macro hedges	–	–	143	143	–
Derivatives	9,264	25	–	9,289	9,289
Other assets	–	–	16	16	16
Prepaid expenses and accrued income	–	–	13	113	113
Total	**9,264**	**25**	**398,302**	**407,591**	**407,911**

Financial liabilities

SEK million	Financial liabilities measured at FVTPL: Derivatives in hedge accounting	Financial liabilities measured at FVTPL: Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value
	31 Dec 2020				
Liabilities to credit institutions	–	–	10,615	10,615	10,615
Issued debt securities, etc.	–	–	263,863	263,863	268,302
Derivatives	1,663	27		1,690	1,690
Other liabilities	–	–	744	744	744
Accrued expenses and deferred income	–	–	1,568	1,568	1,568
Subordinated debt to the Parent Company	–	–	109,515	109,515	109,515
Total	**1,663**	**27**	**386,305**	**387,995**	**392,434**

Financial assets

SEK million	Financial assets measured at FVTPL: Derivatives in hedge accounting	Financial assets measured at FVTPL: Other (Obligatory) classification	Financial assets measured at amortised cost	Total	Total fair value
	31 Dec 2019				
Lending to credit institutions	–	–	0	0	0
Lending to the public	–	–	358,936	358,936	359,478
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–178	–178	–
Derivatives	11,008	129	–	11,137	11,137
Other assets	–	–	22	22	22
Prepaid expenses and accrued income	–	–	104	104	104
Total	**11,008**	**129**	**358,884**	**370,021**	**370,741**

Financial liabilities

SEK million	31 Dec 2019 Financial liabilities measured at FVTPL: Derivatives in hedge accounting	Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value
Liabilities to credit institutions	–	–	3	3	3
Issued debt securities, etc.	–	–	246,774	246,774	250,416
Derivatives	464	8	–	472	472
Other liabilities	–	–	565	565	565
Accrued expenses and deferred income	–	–	1,680	1,680	1,680
Subordinated debt to the Parent Company	–	–	102,180	102,180	102,180
Total	**464**	**8**	**351,202**	**351,674**	**355,316**

Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1. 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, including subordinated debt to the Parent Company, have been assessed as equal to their fair values. For Lending to the public, the fair value of issued debt securities is established based on generally accepted valuation techniques. Calculations made in conjunction with measurement are based on observable market data with the exception of the credit margin when valuing lending to the public. The models are based on discounted cash flows. Issued securities are measured at the current borrowing interest 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.

FI:2 Fair value disclosures

SEK million	2020 Quoted market prices (Level 1)	2020 Other observable market data (Level 2)	2020 Unobservable market data (Level 3)	2020 Total	2019 Quoted market prices (Level 1)	2019 Other observable market data (Level 2)	2019 Unobservable market data (Level 3)	2019 Total
Assets								
Derivatives	–	9,289	–	9,289	–	11,137	–	11,137
Total	**–**	**9,289**	**–**	**9,289**	**–**	**11,137**	**–**	**11,137**
Liabilities								
Derivatives	–	1,690	–	1,690	–	472	–	472
Total	**–**	**1,690**	**–**	**1,690**	**–**	**472**	**–**	**472**

In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement methods used.
No transfers were made between levels in 2019 and 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. This measurement method is currently not used on any asset or liability.

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 market data (Level 3)

Measurement whereby a material input in 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.

FI:3 Offsetting disclosures

Offsetting of financial instruments

2020

SEK million	Amounts reported in the balance sheet		Related amounts not offset in the balance sheet				
	Amounts subject to offsetting	Amounts not offset in the balance sheet	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	Net amount
Assets							
Derivatives	9,289	–	9,289	–1,641	–	–	7,648
Repos	296	–296	1	–	1	–	1
Liabilities							
Derivatives	–1,690	–	–1,690	1,641	–	–	-49
Repos	–10,907	296	–10,612	–	10,555	–	–56
Total	**–3,012**	**0**	**–3,012**	**0**	**0**	**–**	**7,544**

2019

SEK million	Amounts reported in the balance sheet		Related amounts not offset in the balance sheet				
	Amounts subject to offsetting	Amounts not offset in the balance sheet	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	Net amount
Assets							
Derivatives	11,137	–	11,137	–472	–	–	10,665
Repos	1,486	–1,486	0	–	0	–	0
Liabilities							
Derivatives	-472	–	–472	472	–	–	0
Repos	–1,487	1,486	-1	–	0	–	–1
Total	**10,664**	**0**	**10,664**	**0**	**0**	**–**	**10,664**

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivatives that are not cleared by clearing organisations approved by the Swedish FSA (in accordance with FFFS 2007:1), a framework agreement is to be entered into with the counterparty. Where appropriate, such framework agreements, which are known as ISDA Master Agreements or similar agreements, have been supplemented with associated collateral agreements, known as a Credit Support Annex (CSA). A CSA must always be established for counterparties entering into derivative contracts with SCBC.

Counterparty risk is reconciled on a daily basis for all counterparties. Reconciliation is performed on a daily basis or on a weekly basis if a CSA has been entered into. When CSAs are in place, collateral is pledged to reduce net exposures. Wherever applicable, the posted and received collateral takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations. Repos are recognised in the balance sheet under the headings Lending and Liabilities to credit institutions, respectively.

For further information on offsetting, see Note RC 2, in the section on Counterparty risk.

The Board of Directors’ signatures

The Board and the CEO certify that the annual accounts were prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and in accordance with generally accepted accounting practices for credit market companies, and provide a true and fair view of the company’s position and earnings. In accordance with Chapter 6, Section 2, Item 2 of the Annual Accounts Act for Credit Institutions and Securities Companies, the Board considers the company’s equity to be sufficient in relation to the scope and risks of the operations.

The administration report provides an accurate overview of the operations, financial position and performance of the company, and describes the significant risks and uncertainties faced by the company.

Solna, 23 March 2021

Jan Sinclair
Chairman of the Board

Jane Lundgren-Ericsson
Board Member

Klas Danielsson
Board Member

Mikael Inglander
CEO

Our audit report was submitted on 23 March 2021

Deloitte AB
Patrick Honeth
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Swedish Covered Bond Corporation (publ) (SCBC) corporate identity number 556645-9755

Report on the annual accounts

Opinions

We have audited the annual accounts of Swedish Covered Bond Corporation (publ) (SCBC) for the year 2020 except for the corporate governance statement on pages 12-15. The annual accounts of the company are included on pages 2-11 and 16-56 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 12-15. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the company.

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IFRS 9 is a complex area with significant impact on SCBC's business and financial reporting. IFRS 9 is a new and complex accounting standard which requires significant judgment to determine the loan loss provision.

Key areas of judgment include:

- The interpretation of the requirements to determine loan loss provisions under application of IFRS 9, which is reflected in the Bank's expected credit loss model.
- The identification of exposures with a significant deterioration in credit quality.
- Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. unemployment rates, interest rates, gross domestic product growth, property prices).
- The impact from Covid-19 on the above key areas of judgment.

At December 31, 2020, loans to the public amounted to 398 029 million, with loan loss provisions of 131 million. Given the significance of loans to the public (representing 98% of total assets), the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, as well as the extensive disclosures required under IFRS 9, we consider this to be a key audit matter for our audit.

Refer to critical judgments and estimates in note G 1 in the financial statements and related disclosures of credit risk in note RC 1.

Our audit procedures included, but were not limited to:

- We evaluated relevant controls within the loan loss provision process to verify if they are appropriately designed and implemented during the year. We also obtained an understanding of the process for key decisions from management and committee meetings that form part of the approval process for loan loss provisions.
- We obtained an understanding of system-based and manual controls over the recognition and measurement of loan loss provisions and for key controls designed tests to verify if the controls were implemented during the year.
- We assessed, supported by our credit risk modelling specialists, the modelling techniques and model methodologies against the requirements of IFRS 9. We assessed the sufficiency of a selection of the underlying models developed for loan loss provisions.
- As part of the above audit procedures, we have considered the impact of Covid-19.
- Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

IT-systems that support complete and accurate financial reporting

SCBC is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of SCBC's internal controls over financial reporting are depending upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

We categorises key IT-risk and control domains relating to financial reporting in the following sections:

- Changes to the IT-environment
- Operations and monitoring of the IT-environment
- Information security

Changes to the IT-environment

Inappropriate changes to the IT-environment may result in systems that do not function as expected and result in unreliable data processing with impact on financial reporting. Hence SCBC has implemented processes and controls to support that changes to the IT-environment are appropriately implemented and function consistently with management's intentions.

Our audit procedures included, but were not limited to:

- We assessed management principles and processes for change management in the IT-environment.
- We assessed management monitoring of changes in the IT-environment.
- We evaluated segregations of duties.

Operations and monitoring of the IT-environment

Inappropriate operation and monitoring of the IT-environment may result in the inability to prevent or detect incorrect data processing. Hence SCBC has implemented processes and controls to support that IT-environment is monitored continuously and that incorrect data processing is identified and corrected.

Our audit procedures included, but were not limited to:

- We evaluated the appropriateness of IT-System job scheduling and alarm configuration capabilities.
- We evaluated the process for monitoring IT-System.

Information security

If logical security tools and controls are not configured, implemented and appropriately, key control activities may be ineffective, desired segregation of duties may not be maintained, and information may be modified inappropriately, become unavailable or disclosed inappropriately. This is of particular importance considering the current cyber threat level. Hence SCBC has implemented processes and controls to support that information is safeguarded through access controls and that known vulnerabilities are managed timely.

Our audit procedures included, but were not limited to:

- We evaluated the process for identity and access management, including access granting, change and removal.
- We evaluated the process and tools that management use for the purpose of ensuring availability of data as per user request and business requirements.
- We evaluated the appropriateness of controls for security governance to protect systems and data from unauthorised use.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Swedish Covered Bond Corporation (publ) for the financial year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 12-15 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte AB was appointed auditor of Swedish Covered Bond Corporation (publ) by the general meeting of the shareholders on the 28th of April 2020 and has been the company's auditor since 28th of April 2016.

Stockholm March 23, 2021
Deloitte AB

Signature on Swedish original

Patrick Honeth
Authorised Public Accountant

Five-year overview

Income-statement items

SEK million	2020	2019	2018	2017	2016
Interest income	5,550	5,141	4,495	3,684	3,825
Interest expense	–2,396	–2,306	–1,426	–829	–1,322
Net interest income	**3,154**	**2,835**	**3,069**	**2,855**	**2,503**
Other operating income[1]	–146	–55	–162	–124	–211
Total operating income	**3,008**	**2,780**	**2,907**	**2,731**	**2,292**
Operating expenses	–1,190	–1,055	–902	–761	–720
Total operating expenses	**–1,190**	**–1,055**	**–902**	**–761**	**–720**
Profit before credit losses	1,818	1,725	2,005	1,970	1,572
Net credit losses	–21	–12	–26	12	–9
Operating profit/loss	**1,797**	**1,713**	**1,979**	**1,982**	**1,563**

Balance-sheet items

SEK million	2020	2019	2018	2017	2016
Lending portfolio	398,029	358,936	339,370	312,199	244,445
Deferred tax assets	0	0	0	0	–
Other assets	9,794	11,283	7,017	4,385	5,516
Total assets	**407,823**	**370,219**	**346,387**	**316,584**	**249,961**
Issued debt securities, etc.	263,863	246,774	234,774	204,153	175,933
Other liabilities	14,616	2,719	2,309	3,014	2,994
Deferred tax liabilities	586	514	136	39	190
Subordinated debt to the Parent Company	109,515	102,180	90,414	92,593	55,123
Equity	19,243	18,032	18,754	16,785	15,721
Total liabilities and equity	**407,823**	**370,219**	**346,387**	**316,584**	**249,961**

Key metrics

%	2020	2019	2018	2017	2016
Net interest margin	0.81	0.79	0.93	1.01	1.06
Credit loss ratio	–0.01	0.00	–0.01	0.00	0.00
C/I ratio	40	38	31	28	31
Return on assets	0.4	0.4	0.5	0.5	0.5
Return on equity	8.5	7.8	8.8	9.7	8.2
CET1 capital ratio without transitional rules	16.3	17.0	17.1	78.0	82.4
Tier 1 capital ratio without transitional rules	16.3	17.0	17.1	78.0	82.4
Total capital ratio without transitional rules	16.3	17.0	17.1	78.0	82.4
Total capital ratio with transitional rules	16.3	17.0	17.1	9.7	11.4
Equity ratio	4.7	4.9	5.4	5.3	6.3
Consolidation ratio	4.9	5.0	5.5	5.3	6.4
Number of employees	36	33	38	26	9

[1] The item includes net commission, the net result of financial transactions and other operating income.

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 (for example, IFRS and the Swedish Annual Accounts Act) or in the EU's Capital Requirements Directive (CRD IV)/ Capital Requirements Regulation (CRR).

SCBC 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. SCBC 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, SCBC's metrics are not directly comparable with similar metrics presented by other companies.

Credit loss ratio

Definition: Credit losses in relation to total lending (closing balances).

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

SEK million	2020	2019
Credit losses	-21	-12
Lending to the public	398,029	358,936
Credit loss ratio, %	**–0.01**	**0.00**

Return on equity

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

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

SEK million	2020	2019
Profit after tax	1,413	1,349
Average equity	16,613	17,249
Return on equity, %	**8.5**	**7.8**

Net interest margin

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

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

SEK million	2020	2019
Net interest income	3,154	2,835
Average total assets	389,021	358,303
Net interest margin, %	**0.81**	**0.79**

C/I ratio

Definition: Total operating expenses, before credit losses, in relation to total operating income.

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

SEK million	2020	2019
Total operating expenses, excluding credit losses, SEK million	–1,190	–1,055
Total operating income	3,008	2,780
C/I ratio, %	**40**	**38**

Definitions of other key performance indicators

Number of employees	Number of employees
Return on assets	Net profit for the period after tax in relation to average total assets
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
Equity ratio	Equity in relation to total assets at year end
Consolidation ratio	Equity and deferred tax in relation to total assets at year end

SCBC!

Covered bonds of SBAB