

2020

Annual Report

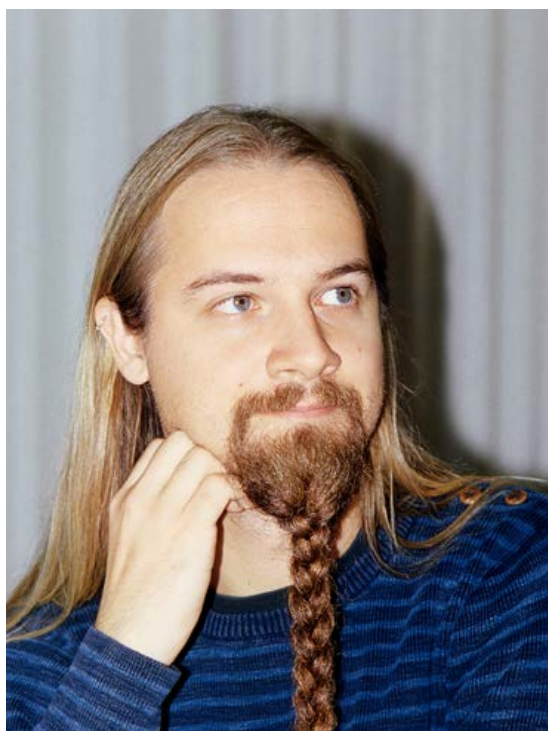
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To contribute to better housing and household finances.



SBAB provides an innovative and considerate offering of loans and savings products and other services for better housing and household finances to private individuals, tenant-owner associations and property companies in Sweden. We are passionate about creating opportunities and solving problems for our customers in every phase of home-owner life. Our services help our customers from their first thoughts about moving through to the purchase of a new home. SBAB

has considerable societal responsibility. SBAB finances about 10% of all housing in Sweden. Sustainable enterprise is fully integrated into our business and steering model for our operations. Our efforts also contribute to reaching the Sustainable Development Goals (SDGs) in the Agenda 2030 framework.

Together with other banks, we are part of Sweden's essential financial infrastructure. Private individuals need to be able to finance their homes. Companies

need access to the necessary credit and liquidity to conduct their operations, otherwise the national economy might slow down. During the coronavirus pandemic in 2020, SBAB's societal responsibility as a bank was clearer than ever. We focused on offering support and help to those who especially needed it.



(42) We guide people to the right decisions

A considerate friend for our customers

"SBAB's brand is positioned as a trustworthy and considerate friend, which is exactly the position that a bank offering residential mortgages and housing financing wants to have," says Malou Sjörin, Head of Sustainability, Marketing and Communication at SBAB.

(8, 22, 38) Sweden's best customer experience

Our ecosystem

The services in our housing and household finances ecosystem inform, guide and help our customers throughout the entire housing journey. Through our ecosystem, we have created Sweden's best customer experience through services from SBAB, Booli, HittaMäklare and our business partners.



(73) Green bonds

High demand for sustainable investments

"In the middle of 2020, SBAB issued its fifth green bond, this time in EUR," explains Anders Hult, Head of Funding at SBAB.



(61) An attractive workplace

Feedback – a precondition for a values-driven way of working

“At SBAB, we like feedback and we want to be better at it. Learning and growth are central for us, and feedback is an important tool in our value-driven way of working,” says Andras Valko, Chief Data Science.



(28–29) The Sustainable Development Goals

How SBAB supports reaching the Sustainable Development Goals

The 2030 Agenda and the SDGs are integrated into SBAB's operations and steering.



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The Annual and Sustainability Report has been prepared in accordance with the GRI Standards: Core option. It also constitutes SBAB's Communication on Progress (COP) to the UN Global Compact, a sustainability report in accordance with the Swedish Annual Accounts Act and information on how SBAB contributes to the 2030 Agenda for sustainable development. For additional information about the Report and the reporting principles, see page 189.

The pages that have been audited have been colour-coded in black in the table of contents. The remaining pages, excluding the Corporate Governance Report, have been subject to a limited assurance engagement. The Corporate Governance Report has been subject to a statutory review by the company's auditor.



The year in brief

Sweden's most satisfied customers

In 2020 SBAB had Sweden's most satisfied residential mortgage customers according to Swedish Quality Index (Swe: Svenskt Kvalitetsindex (SKI)), which measures customer satisfaction in the banking and finance sector each year. For the second consecutive year, we had the most satisfied mortgage customers with a customer satisfaction score of 76.9 out of 100, which is well above the industry average of 69.7. The driving factors behind these strong results are responsibility and transparency. We are clear, simple and transparent in our interaction with customers. At SBAB, customers don't need to negotiate their mortgage rate or buy extra services to obtain favourable terms. For the third consecutive year, we had the most satisfied property loan customers with a customer satisfaction score of 78.9 out of 100, which is also well above the industry average of 72.0. Our property loan customers, in the form of property companies, construction companies and tenant-owners' associations, appreciate our knowledge, skills and service as well as our sustainability agenda.

➔ Read more on page 34.



One of Sweden's best workplaces

We want to be an attractive workplace and employer. For us, it is important that everyone at SBAB thrives at the workplace, that we feel good, that we can be ourselves and that we feel that we can jointly contribute and develop, individually and together, every day. At SBAB, we are part of a larger context and our contribution to a better society and a better world is clear. It motivates us and means that every day we go the extra mile to do the little things that really make a difference.

We are convinced that motivated and committed employees are the key to our long-term success and competitiveness. That is why we dedicate as much energy and focus to our employees' experience as we do to the customer experience. We are a purpose- and values-driven company.

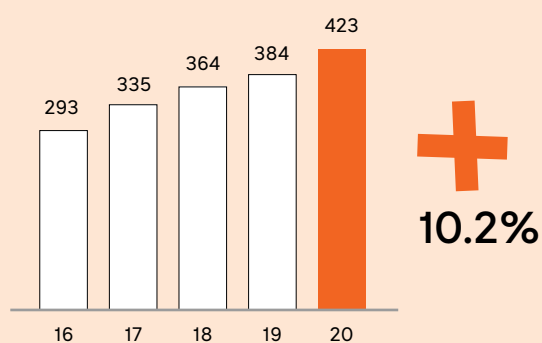
With a fourth place on Great Place To Work's list of Sweden's top workplaces for 2020. To be one of Sweden's best workplaces requires a determined, long-term and significant commitment from everyone at SBAB. This result is a clear sign that our value-driven way of working, with inclusive leadership and our self-driven employees at its core, is tomorrow's way of working.

➔ Read more on page 52.

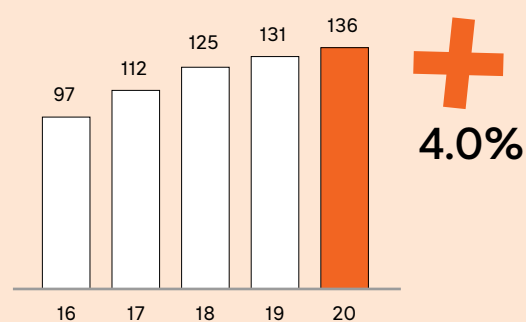


A year of strong results

Total lending, SEK bn



Total deposits, SEK bn



Net interest income, SEK million

3,747 **3,473**
2020 2019

Operating profit, SEK million

2,361 **2,308**
2020 2019

Selected key metrics

SEK million	GROUP	
	2020	2019
Net interest income	3,747	3,473
Net commissions	-24	-14
Net result of financial transactions	-38	26
Expenses	-1,335	-1,187
Credit losses/recoveries	-32	-26
Operating profit	2,361	2,308
Return on equity, %	10.8	11.7
C/I ratio, %	35.8	33.7
CET1 capital ratio, %	13.4	13.1

A strong year for SBAB



The corona virus pandemic dominated 2020 and made the year one of the strangest we have ever experienced, with major societal challenges, considerable human suffering and enormous financial support packages from the world's governments and central banks. At the same time, it was one of SBAB's most successful years. The housing market remained strong during the pandemic, with rising housing prices, demonstrating just how strange the year turned out. With strong earnings and growth, as well as Sweden's most satisfied customers and one of Sweden's best work places, we are in a strong position to handle a challenging 2021.

In summary, the year is another in a long line of successful years for SBAB. On the journey towards our vision, I can state that this year we achieved the majority of our annual goals in our three sustainable target areas –

Responsibility & transparency, Attractive workplace and Sound finances. We had Sweden's most satisfied customers within Responsibility & transparency, we were one of Sweden's best workplaces within Attractive workplace and we posted strong growth and achieved healthy profitability within Sound finances.

Sweden's most satisfied customers

According to the Swedish Quality Index (Swe: Svenskt Kvalitetsindex (SKI)), we once again have Sweden's most satisfied customers in terms of residential mortgages and property loans. Fantastic achievements. Satisfied customers are essential in the digital market we are active in, since it is increasingly easy for customers to change supplier. Our residential mortgage customers particularly value and appreciate our reliability, simplicity and value for money. Our pro-

"We see a clear connection between our customers' satisfaction and SBAB's strong brand position as the considerate friend within household finances"

erty loan customers, in the form of property companies and tenant-owners' associations, particularly value and appreciate our reliability and service. We see a clear connection between our customers' satisfaction and

SBAB's strong brand position as the considerate and friendly partner within household finances – with strong brand values like responsibility, sustainability, credibility, competence and consideration.

Strong growth

Competition in the residential mortgage market was intense in 2020. During the year, our net residential mortgage lending increased SEK 19.3 billion and our market share increased to 8.47% from

8.42%. We focused on strengthening our customer offering by prioritising our ecosystem of services within housing and household finances for the different phases of the housing journey. We integrated our services across Booli, HittaMäklare and SBAB for a better customer experience using a shared graphic profile and brand. The customer value of our ecosystem is clearly evident in the "smart loan commitment" service that we launched, where customers in search of new homes



are provided with a unique and dynamic method to easily adjust their loan needs to the housing market and current offerings.

The coronavirus pandemic showed that our focus on housing finance creates value for our corporate customers. During the societal uncertainty that characterised nearly all of the year, we focused 100% on being accessible, providing service and being an enabler for our commercial mortgage and tenant-owners' association customers. This was greatly appreciated and helped us increase our lending to corporate clients from SEK 38.4 billion to SEK 54.1 billion, capturing a new lending market share of 34%. Lending to tenant-owners' associations also had a strong year and new lending increased to a level above our market share. These numbers show clearly that during the coronavirus pandemic, we took responsibility as a bank for a well-functioning credit and housing market. Our market share increased from 11.23% to 14.29% regarding lending to property companies and from 9.55% to 10.06% regarding lending to tenant-owners' associations.

"Booli displays Sweden's largest offering of home for sale"

Strong profitability

After the coronavirus outbreak, expansive monetary policies from the Riksbank and other central banks not only stabilised the capital market but even strengthened it. Some central banks lowered their key interest rates during the year. Significant quantitative easing from central banks in the form of bond purchases resulted in high liquidity in the capital market and interest rates fell to record lows. For our part, the favorable funding terms this entailed allowed us to offer competitive mortgage rates and funding terms while retaining satisfactory margins. This, together with our strong lending growth and a predictable cost trend, resulted in our strongest net interest income and operating profit ever, as well as a return on equity well above our target. To enable continued growth and taking future uncertainty regarding capital requirements and capital adequacy into consideration, the Board proposes that no dividend is to be paid to the owners so that the entire net profit for the year can be used to strengthen own funds.

As for our cost trend during the year, it was according to plan, except for during the fourth quarter when impairment of tangible and intangible assets was made after customary impairment test. Since the strategic

decision on our sustainable steering model in August 2014, including the vision to offer the best residential mortgages in Sweden by helping to improve housing and household finances, we have transformed SBAB into the successful and profitable operation we are today. By "transform," I mean change, improve and develop to promote long-term profitability and competitiveness.

Our transformation has entailed investments in many areas of the operations. The market changes rapidly, which is why we are also investing in becoming more agile in our development capacity to improve efficiency and create an even better customer experience. Naturally, our speed is determined by our IT-systems and development capacity. As a bank, we are increasingly technology-driven and digitalisation is essential for our competitiveness. In 2021, we will be entering the final phase of our major system project of replacing the bank's core IT-systems and creating even better conditions for fast and innovative development and digitalisation.

A strong housing market

When it became clear during the first quarter of the year that we were facing a pandemic, most assessors thought that the housing market would weaken and that housing prices would fall. But soon demand for housing recovered thanks to the stabilising economic measures taken and the low residential mortgage interest rates.

Instead, housing prices began to increase and sales of homes picked up speed, also driven by the demand for larger homes to ensure a better work environment at home. During the year, house prices rose 13% and prices for tenant-owner apartments rose 7%. Demand for houses was especially high during the year, driven by an increased need for space for home offices to facilitate working from home.

Naturally, the housing market's resilience and strength was positive for SBAB. Record high new lending for residential mortgages in the last months of the year was a further indication of the housing market's strength.

"Our values are the foundation of our corporate culture."

#4



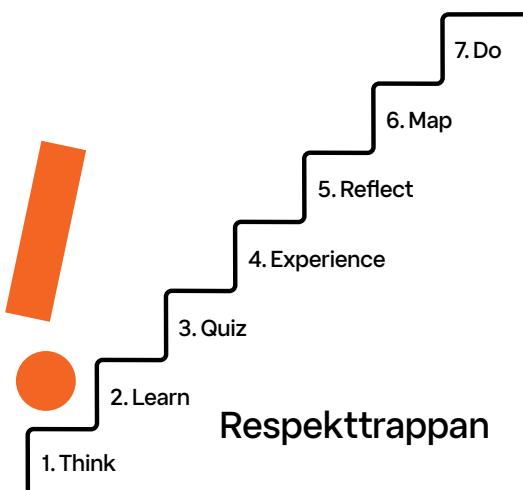
Booli.se displays Sweden's largest offering of homes for sale, which many housing customers are still unaware of. To that end, we carried out a marketing campaign for Booli for the first time. As a result, the knowledge of Booli and the number of users improved, and our ecosystem of services is being used by more and more of our customers and users.

One of Sweden's best workplaces

SBAB is a value-driven company. This is one of the main reasons for our strong operational performance since 2014. This is also one of the reasons for our success in managing SBAB and our customers so well over the past year during the pandemic. Our value-driven way of working is based on inclusion and we strive to maintain a fast pace. Inclusion creates preconditions for everyone to understand the bigger picture, take responsibility, make their own decisions, and drive and carry out initiatives. This creates speed. During the year, we took responsibility all the way, stepped up fantastically and met the challenges that needed to be solved. We kept up a fast pace and accomplished a lot despite the year's challenges, including a new way of working with more working from home.

Our values are the foundation of our corporate culture. A corporate culture that has made SBAB one of Sweden's best workplaces in the last few years. This year, we were ranked Sweden's fourth and Europe's fourteenth best workplace according to Great Place to Work.

Since the pandemic broke out, many of us at SBAB have been working from home. Those of us who have direct contact with our retail customers, primarily in customer service at our Karlstad office, need to work from the office. Banking secrecy and security are some of the practical issues that affect our work environment and way of working, including the possibility of working



→ Read more on page 62.

from home. To reduce the risk of corona virus spreading, we took several measures during the year to create the safest possible work environment, such as expanding our office space by renting two additional independent offices in Karlstad.

The debate concerning remote working is intense and many are wondering how future work life will be affected and how offices will develop. Working from home to better manage the work-life balance was starting to trend, in certain cases and jobs, even before the coronavirus pandemic took hold in society.

Digitalisation and new communication tools create new opportunities that will change and develop work environments and ways of working in new and positive ways. At the same time, I think that several material issues tend to be minimised or forgotten entirely in the debate, such as:

- The basic human need for affinity to provide meaning and the motivation that comes with being part of a team at work.
- The risk that, over the long term, the team might be split up and that new corporate cultures might take root.
- The negative effect that isolation and siloing have on our well-being, creativity and innovation, since we need spontaneous interaction and stimulation from colleagues.
- The need for instant feedback and shared visual and verbal experiences to govern, grow and strengthen corporate culture.
- The presence and continuity required to successfully onboard, motivate and engage new employees.

In the short term, these consequences can go unnoticed at the workplace and in the company. Conversely: in the short term, working from home can be a positive and efficient experience, since employees save commuting time and can possibly work uninterrupted on previously planned tasks. In the long term, I think the consequences of the increased scope of working from home might be troubling for many people and companies.

Sustainability is the future

SBAB is also a purpose-driven company. This is another reason for our strong operational performance. Our purpose and our mission – to contribute to better housing and household finances – motivates and drives us toward changing what we do for the better, for all our stakeholders. Our efforts also help change the world by contributing to reaching the Sustainable Development Goals (SDGs) in the 2030 Agenda framework, particularly goals 8, 11, 12 and 13.



"Sustainability will be essential for the customer experience and thereby our long-term competitiveness and profitability"

One of the strongest trends driving societal development for the better is sustainability, and I'm convinced that the sustainability trend will only gain in strength. Sustainability is increasingly guiding our consumption and where investments are made. Sustainability will be essential for the customer experience and thereby our long-term competitiveness and profitability. Sustainability is thus fully integrated in our steering model for SBAB.

By cooperating and collaborating with others, we can create major changes. I recommend reading about our Respekt-trappan initiative on pages 62–65 and about an industry initiative for a fair construction industry on page 52. We are very proud of these initiatives.

Really fun

During the year we continued our efforts to strengthen and develop the SBAB brand by making household finances really fun. Season three of our communication concept "Household finances are really fun" was launched, with humorous films that highlight the opportunities and challenges along the housing journey. Our communication also strengthens SBAB's position as one of the most well-known brands in the increasingly competitive residential mortgage market.

I would like to extend my deepest thanks to all my colleagues for your impressive performance during the year. Together, we turned the unique challenges of 2020 into another successful year for SBAB. I look forward to 2021, with the hope that it will be a different year compared to 2020 and at the same time a similar year business success wise, and most of all, a really fun year!

Best regards,

Klas Danielsson
CEO of SBAB

Trends and driving forces

The environment around us

The increasing rate of change in the environment around us affects customer behaviour and the customer experience, and thereby how we interact with our customers as well as our future competitiveness. We can summarise the changes SBAB is facing in the wider world in ten trends that affect customers. How we

change and develop our operations with respect to these trends is essential for our long-term competitiveness. In a quickly changing market, we never reach our goal. Instead, we need to constantly work to achieve our vision and ensure long-term competitiveness.

10 trends

Digital processes

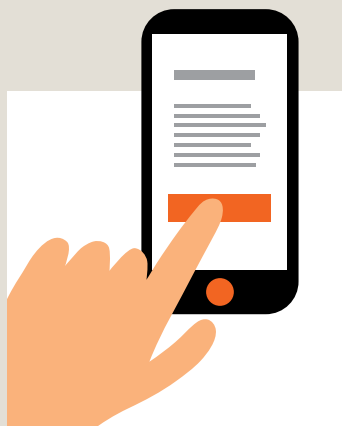
More and more of the value change are being digitalised. This is about speed and a heightened customer experience through digital customer flows and processes, about cost-efficiency in onboarding, managing and offboarding, and about cross-sales and service in all channels.

Efficiency

Efficiency in the form of low marginal costs on large business volumes and high satisfaction levels for customer contacts are both crucial to long-term profitability. As digitalisation simplifies, develops and improves customer and business processes, the future's marginal costs approach zero.

AI & data management

Thanks to predictive models, companies have more opportunities than ever to make their customer offering more relevant, both through what they offer the customer and when. To distinguish its customer offering from other players, a company needs to control the management of its own and external data and information, which in the long run can generate insights about what the customer needs before they inquire about it. Optimising marketing and offering a higher degree of self-service through efficient communication is becoming increasingly important.



Ecosystem

When the customer uses a service or product, there are often several other adjacent problems and opportunities that, ideally, are solved simultaneously. For example, purchasing a home also requires finding home insurance and an electricity supplier. Relevant services like these are referred to as an ecosystem. An offering that meets more of the customer's needs arising from the housing journey can attract new customers and strengthen loyalty among existing customers.



Sustainability

The world has a business plan – the SDGs in the 2030 Agenda for sustainable development. The world, society and customers are increasingly expecting and demanding sustainability. Companies need to ensure that their offering is sustainable from all perspectives that affect their stakeholders. The company is expected to take responsibility for the big picture and create results for all stakeholders that are affected by operations, and to contribute to reaching the SDGs in the 2030 Agenda by integrating them into operational governance.

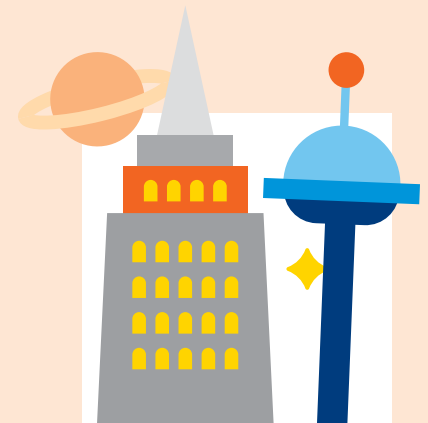


New financing

New financing includes sustainable bond financing in the form of green and social bonds. New financing in housing finance can also pertain to asset-backed securities and mortgage funds.

Omnichannel & 360

Digital development is creating new communication channels. Customers are setting increasingly high demands on new channels and on companies' ability to make the customer interface simple and relatively independent of the channel(s) the customer chooses for each occasion. Each channel needs to contribute clearly to the customer experience and relationship, and function together for a frictionless process and experience. Every channel needs to be connected to allow the best possible service.



Open banking

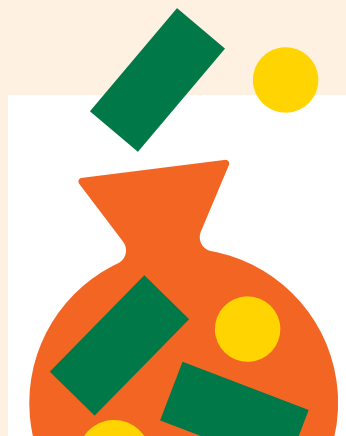
Digitalisation and regulations like the Revised Payment Service Directive (PSD2) increase transparency and open things up for managing transactions and customer information through other players instead of at the customer's bank. This openness of data will change the customer experience in banking. Collecting all of the customer's data from different banks and relevant sources helps provide the customer with an improved experience.

Personalisation

The personalisation trend is growing. Products, services, content and offerings are adapted and customised based on each consumer. Successful personalisation leads to an improved customer experience (increased relevance of solutions, at the right price and the right time), which leads to increased customer satisfaction, loyalty and profitability.

Speed

The rate of change in many sectors in society and business is increasing, not the least within banking and in our ecosystem of housing and household finances. Speed is therefore a key ability for corporate survival and long-term competitiveness in today's changing digital world. Digital services mean that customer patience is diminishing. Offered services need to change and improve with increasingly shorter lead times. The way of working at a company must be adaptable in order to make quick transitions and frequent shifts in priorities.



Digitalisation and driving forces



The digital age – also called the fourth industrial revolution – means major changes for many industries. Physical stores and bank branches now face competition, and sometimes replacement, from digital equivalents, websites and apps. Digitalisation creates opportunities by making bank services more accessible, while bank employees can focus their time on other kinds of value-creating activities. Digitalisation means that banks have needed to convert their business and service models, in addition to being present in the same channels as other services, such as music, books, games and news. It is no longer enough to be the best bank when a bank's customer experience is now being compared to the customer experience in other services.

Digitalisation also means a better foundation for partnerships within the ecosystem. Housing and household finances are a good example. You look for a house, contact an estate agent, obtain a loan commitment, move house and decide to design the kitchen in your new home. In an analogue world, companies that offer these various services are probably not linked. But in the digital world, companies that offer these different services can link up and create a customer experience that closely resembles a specially-tailored service.

Intense activity and development

There is intense digitalisation activity on the Swedish residential mortgage market, from new challengers and established players alike. Residential mortgages can, at a first glance, seem like a simple service but after purchasing your first home, you realize that they can still be quite complex. Banking is a trust industry and there are high standards set regarding regulatory compliance. Mortgage providers need to strive to help customers with different preconditions to understand the service and regulations as well as guide them in making wise decisions. This is happening digitally with increasing frequency, but also over telephone and, primarily at the major banks, even in physical meetings. Customers' expectations are increasing when it comes to the choice of channel, digitalisation and self-service. Digital signing for mortgage documents is under development and is an example of digitalisation that is creating a better, more efficient customer experience. Increased competition in the residential mortgage market means increased demands for digitalisation and efficiency, and creating a world-class customer experience.

Digitalisation at SBAB

At SBAB we divide our digitalisation initiatives into five different areas – Base System, Business Logic, Data & Analysis, Internal Support and Customer & Customer Experience.

Base System – The base system, or the core bank system as it is also called, is the heart of SBAB's system landscape. This is where customer and service data is stored and processed. Work is ongoing to replace the base system with modern technology so that the system better supports digital business for future competitiveness.

Business logic – Business logic is built on the base system through modular architecture, meaning that it is built through several parallel independent system components. Business logic for a specific service can then be updated without affecting services or requiring changes to the base system.

Data & Analysis – A new base system and refined business logic offers significant opportunities to collect and analyse data. To better understand our customers, SBAB connects data sources, structures data and improves analysis. Insights are applied through analyses that help us create better customer experiences and new services more efficiently.

Internal support – To focus our time where we can create the most value, we are digitalising internal support for our employees and improving internal information sharing and communication. Simple and repetitive tasks are being automated, sprawling system environments are being simplified and documents are being digitalised to eliminate paper processing.

Customer and Customer Experience – Based on all of these digitalisation initiatives, SBAB is developing a world-class customer experience to offer the best residential mortgages in Sweden. The customer interface is being digitalised to better meet our customers wherever they are. Self-service functions give the customer control and insight at the same time as they remove pressure from our customer responsible and enable them to better help our customers when and where help is most needed.



Digitalisation in the housing and household finances ecosystem

At SBAB, our ecosystem is fundamental for our digitalisation journey. To deliver more customer value and a stronger customer experience, we are creating an ecosystem of housing and household financial services with SBAB, Booli and HittaMäkare as well external business partners. Sweden's largest offering of homes for sale is on Booli. With information about all of the homes for sale, which agents are recommended in each neighbourhood, which new build projects are under way and much more, we have fantastic opportunities to offer valuable customer experiences.



Robert Boije, Chief Economist

A year in which the coronavirus pandemic dominated Sweden's economy – but the housing market stood strong

Robert Boije and Claudia Wörmann: 2020 was one of the worst years for the Swedish economy in modern history, both in terms of GDP and unemployment. While the coronavirus pandemic came to dominate the economy, the housing market coped the better. Despite a marked increase in unemployment, housing prices rose considerably during the year. Changed consumption patterns and a revaluation of

housing consumption could have been contributing factors, in addition to low, stable mortgage rates. The pandemic contributed to new housing market trends, such as an increased interest in larger homes in the countryside. While the housing market performed well during the pandemic, there were still problems. The housing shortage is one. Increased overcrowding is another.

One of the worst years ever for the global economy

The forecasts for 2020, made at the end of 2019, indicated that the global economy was facing a somewhat weaker year than 2019. With the emergence of the coronavirus pandemic in the beginning of 2020, development became significantly worse than anyone had predicted. In many countries, a massive first wave of the pandemic was followed by a calmer late summer, which later turned into an extensive second wave during the

autumn. Anti-contagion measures taken by governments and authorities in the form of lockdowns, other societal restrictions and closed borders as well as changes in behaviour to avoid infection put the global economy into free fall, with substantially reduced international trade and travel between countries. The fall in GDP during the second quarter was larger than any ever seen in a single quarter previously. Some industries were hit particularly hard, primarily tourism, hotels, cultural, events and parts of the retail sector.

Historic GDP drop in Sweden, increased unemployment and low inflation

The past year was one of the worst in modern history for the Swedish economy, both in terms of GDP and unemployment. A large downturn in corporate investment and household consumption led to the decrease in GDP. Exports also fell, though not as much. Sweden's economy performed somewhat better than those of many other countries, likely due to the milder societal restrictions. Still, unemployment rose to a level not seen in Sweden since the crisis during the 1990s. The weak use

of resources in the Swedish economy helped brought inflation, already low before the pandemic, even lower. For 2021, SBAB estimates that the GDP will grow 2,8% but that unemployment will continue to increase slightly in relation to 2020.

Support measures mitigated the negative economic implications of the crisis

Through resolute action from the government and responsible authorities, the detrimental effects of the pandemic on the economy were, to an extent, limited. Measures such as furlough support, lowered social security contributions, rent support and a raised ceiling in unemployment funds led to fewer bankruptcies and maintaining household incomes. Countercyclical buffer relief, the Riksbank's purchase of government, mortgage and corporate bonds, the introduction of a credit facility for banks' lending to companies and other measures helped ensure a well-functioning finance market. The temporary amortisation requirement relief helped ease the financial situation for households with mortgages.

Stable interest rates after initial turbulence

During the introductory stage of the pandemic, market interest rates rose significantly. The interest rate on five-year mortgage bonds increased more than half a percentage point while on two-year bonds it increased around 30 basis points. The inter-bank rate STIBOR also increased around 30 basis points. The fast, powerful interest rate increase reflected the rising risk premiums due to

the growing uncertainty entailed by the coronavirus pandemic. However, interest rates quickly fell back as uncertainty decreased, but also due to the Riksbank's bond purchases. During the last part of the year, STIBOR and interest rates on both three- and five-year mortgage bonds were lower than they had been ahead of the pandemic. Despite the initial turbulence in the fixed-income market, mortgage rates were at relatively stable levels for the entire year, with rates tending to fall towards the end of the year, primarily the slightly longer fixed rates.

"The pandemic contributed to new housing market trends, such as an increased interest in larger homes in the countryside"

The housing market not only withstood the pandemic but, surprisingly, thrived

When the pandemic broke out, many feared that it would negatively impact housing prices and housing investments. During the pandemic's most acute phase in April, when societal restrictions were implemented and many forecasts indicated that unemployment would hit two-digit figures, housing prices also fell in large parts of Sweden. However,

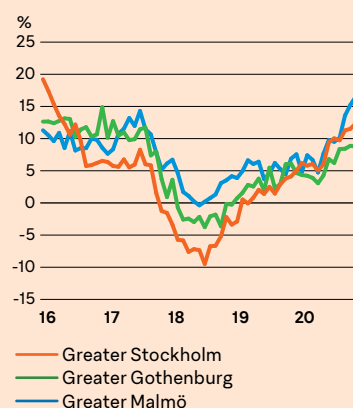
the drop in price was temporary. By May, housing prices were already on the rise. Towards the end of the year, housing prices recovered to all-time highs in all the regions that SBAB and Booli have data for. Housing construction fell to a level well below that of the peak year 2017, but the pandemic itself seems to have had a moderate effect on housing investments, unlike many other investments. Despite the economic turbulence, housing construction developed surprisingly well. More worrying for housing construction in the future is the drastic decrease during the year in the number of customers who have signed for new homes, even if the negative effect diminished somewhat during the second half of the year.

Average mortgage interest rates



House price trends

(Percentage, annualised)



Table, GDP growth and its components

Percentage change and percentage points	2020	2021	2022	2023
GDP growth	-3.0	2.8	3.2	2.3
Contribution				
Private consumption	-2.1	1.3	1.8	1.4
Public consumption	0.0	0.5	0.3	0.2
Investments	-0.9	1.0	1.0	0.6
Net exports	-0.0	-0.1	0.1	0.1

Source: SBAB, November 2020 forecast



A changing housing market with major challenges

Increased interest for fixed mortgage rates

The share of residential mortgages with fixed-interest periods increased consistently from 20% in the middle of the 1990s to 70% in the middle of the 2010s. Since then, the share has decreased, amounting to 45.6% in November 2020. Competition among residential mortgage customers has increased and is seen clearly in the lowered interest on fixed-rate loans from banks and mortgage providers. During the past year, there was a very favourable price for mortgage rates, with slightly longer maturities than historically. Despite this, a majority of mortgage customers up until July chose a floating interest rate (3 month) in line with what had been the case for many years. In August last year, however, there was a shift in trends where a majority of new loans were fixed-rate. This was the first time since 2011 that a majority chose fixed-interest rates for a longer period than three months. A likely explanation is that many banks lowered the longer fixed-interest rates quite substantially.

The housing shortage and overcrowding remain

While the housing market withstood the pandemic, there are still challenges. One of them is the housing shortage and overcrowding. In 2019, SBAB estimated that there was a shortage of around 160,000 homes. This shrank marginally in 2020.

According to SBAB's forecast, housing construction in the coming years will be marginally higher than the expected population growth calculated by Statistics Sweden. This means that the already serious shortage will not increase, but decrease very slowly. New estimates from the National Board of Housing, Building and Planning show that overcrowding in the last few years has increased markedly, primarily in major metropolitan areas, Stockholm County chief among them.

Household assessments indicate housing crisis

The housing shortage and increased overcrowding are also present in how households approach the situation. In SBAB's most recent Come Home Report (Swedish: Komma Hem-rapporten), 64% answered that Sweden is in a housing crisis. High prices for homes and too expensive new construction contribute to the perception that we are in a crisis. Somewhat surprisingly, there is relatively little difference between urban and rural areas. 60% of those who live in rural areas believe that we are in a crisis, compared with 65% of those who live in a large city. But the issue is complex. Housing costs, as a portion of household income, is at its lowest level since the 1980s. For those who are already in the

housing market, housing costs have decreased. However, the mortgage ceiling and amortisation requirement, in combination with the increase in housing prices, has raised the threshold for entering the housing market for several groups: primarily for households with limited income, such as young people and other first-time buyers, but also for those in the midst of a divorce.

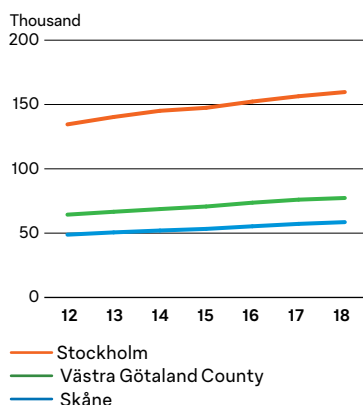
Major problems for several kinds of households

Every year, there are about 30,000 applications for divorce in Sweden. In March 2020, SBAB surveyed the opportunities for a couple in the middle of a separation, with children, to purchase a home in Sweden's 20 largest municipalities. Based on the average price and average income, it is possible to purchase a three-room apartment in eight of Sweden's 20 largest municipalities. Calculations using the same figures show that a single woman in the midst of a separation cannot afford a three-room apartment in any of these 20 municipalities. A previous study from SBAB shows that men aged 25–29 with an average income can purchase an average one-room apartment in only three of Sweden's 20 largest municipalities and that a woman in the same age group with an average income is unable to purchase one in any of these municipalities.

"A majority chose fixed-interest rates for a longer period than three months"

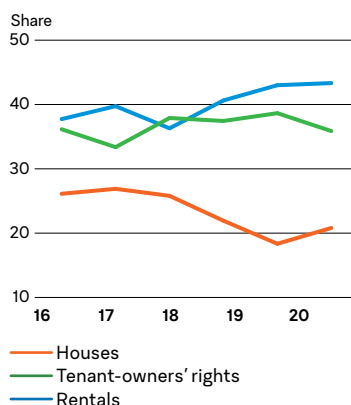
Overcrowding

(Number of households)

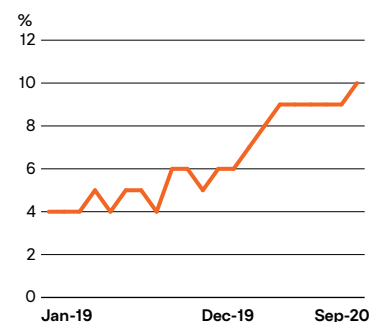


Finished homes

(Percentage of total)



Occurrence of "office" in housing advertisements



Rental apartments gaining ground in housing construction

In 2019 and 2020, rental apartments have gained ground in relation to tenant-owner apartments. The share of new rental apartments has increased relative to tenant-owner apartments. There are likely several explanations for this. One is that the offering of tenant-owner apartments increased significantly for a while, which led to a surplus of tenant-owner apartments in several municipalities. Many of these have been converted to rentals. Increased support for the construction of rental apartments and higher pre-negotiated rents for newly built rental apartments. Tightened credit rules such as amortisation requirements are another likely explanation. The tightened credit regulations in the last few years seem to have affected the construction of houses the most, though the mortgage ceiling introduced in 2010 could have also played a role. The property tax on houses was abolished in 2008 but the share of houses in new production has still decreased dramatically since then. Aside from the introduction of tightened credit regulations, municipal land planning is a likely explanation for the negative trend for houses. SBAB's forecast is that the share of rental apartments will continue to increase in new production in the coming years.

New trends in the housing market in the wake of the pandemic

The coronavirus pandemic could be the beginning of a trend shift when it comes to living in cities or in the countryside. During the pandemic, interest has increased significantly in houses and holiday homes. This is likely because many families vacationed in Sweden instead of abroad and because more were working from home. According to Booli's statistics, searches for "office" increased significantly during the year. The question is what happens when the pandemic is over. Already in early 2020, before the coronavirus pandemic struck again, there was an increased interest for living in houses, not least within Stockholm County. Many have wondered why remote working didn't take off earlier. Possibly, the pandemic can make this trend permanent.



Claudia Wörmann, Housing Economist

Primary reasons why Swedes believe that Sweden is in a housing crisis¹⁾

Homes being built are too expensive	64%
Housing prices are too high	62%
Too few rental apartments are being built	59%
It is difficult to enter the housing market	56%
Too few homes are being built	46%

¹⁾ Of those who answered "yes" to the question of whether Sweden is in a housing crisis

Impressive work during a challenging year



The corona virus pandemic has had broad and deep effects on our modern society.

For companies in the financial system, this has highlighted the importance of good corporate governance. Good regulatory compliance, risk management and internal governance and control were essential for SBAB during the year. These allowed us to focus and to be proactive and accessible for our customers during the pandemic.

SBAB has in this way been able to contribute to well-functioning housing and credit markets.

Despite the significant challenges of the year, we continued to deliver on our strategy and our vision. Several major successes characterised the year in areas where we reached our goals. Sweden's most satisfied customers, one of Sweden's best workplaces, strong growth and healthy profitability made this year one of our most successful.

Shortly after the pandemic broke out, the government, the Riksbank and Finansinspektionen (the Swedish FSA) took measures to counteract the negative socio-economic consequences of the pandemic. Several of these measures aimed at helping banks support their customers with credit and liquidity. SBAB focused entirely on being accessible and helpful for our customers:

Regarding lending for residential housing to property companies, we took a market share of 34% of new lending during the year and increased our market share a full 4 percentage points to just over 14%.

We granted amortisation exemptions to 19,200 households, the equivalent of SEK 43 billion in underlying mortgage volume.

Managing a crisis with new rules and processes while also conducting more transactions highlights the

importance of good corporate governance. Good regulatory compliance and risk management are central components of our sustainable steering model, which helps our operations move forward toward our vision. The past year demonstrated that our internal control and steering is good.

Sustainability is essential for competitiveness and profitability

Sustainability is fully integrated in our steering model. Our business goals have been the same as our sustainability goals for several years. We have also incorporated the UN SDGs in our steering model, where we prioritise goals 8, 11, 12 and 13 from the 2030 Agenda, as they are the goals where our business can most clearly contribute to change.

Conducting sustainable business also means being there when the customer needs you most. During the year, SBAB showed that we represent long-term relationships and consideration. Our brand value is, in the



eyes of our customers and the public, that of a considerate friend. As a bank and housing financier, we could not wish for a better position.

Responsible credit granting and green funding and lending are, naturally, central in our sustainability agenda. But sustainability is more than that, and includes:

Transparency and simplicity in pricing as well as in terms and information, are essential values for earning the customer's trust in the future.

Being an attractive workplace where everyone can be themselves, with respect and equality in focus is essential, and where our motivation and our commitment is driven by contributing and creating results for all of society's stakeholders.

Sound finances

Growth is essential for our long-term competitiveness and profitability. Growth demonstrates that our customer offering is competitive.

To achieve our vision of offering the best residential mortgages in Sweden we need to achieve the goals in our three sustainable target areas – Responsibility & transparency, Attractive workplace and Sound finances.

Growth and profitability are some of our goals within Sound finances. Our lending grew a full 10.2% to SEK 422.8 billion and earnings after tax were SEK 1,839 million, which yielded a return on equity of 10.8%, well above the target of 10.0%.

SBAB is well capitalised, at the same time as future capital requirements are being and assessed due to new capital adequacy rules and calculation models. To ena-

ble continued growth that takes the prevailing uncertainty stemming from future capital requirements and the effects of the pandemic into consideration, the Board has not proposed any dividend to the Annual General Meeting for this year's or last year's net profit. In that respect, SBAB is also following the Swedish FSA's guidance on exercising restraint in dividends.

It is primarily new technology and digitalisation that drives development for the customer interface and experience. At the same time, these are also the driving forces in our long-term cost efficiency. But not everything in our customer interface needs to be digital. Buying a home is a dream for many people, but it is also one of life's largest financial decisions. In many future housing purchases, I still think that customers will want help and support from our customer service professionals. Our considerate and knowledgeable customer service professionals are one of our main competitive advantages and create a strong customer experience.

"Customer service is one of our main competitive advantages"

Thank you

On behalf of the Board, I would like to thank the CEO, The Executive Management Team and all our engaged and skilled employees for impressive work under the very challenging circumstances during this challenging but for SBAB successful year 2020.

Jan Sinclair
Chairman of the Board

How we create value

Our innovation and consideration make it possible for over half a million people to own their homes and for companies to finance residential properties. Through responsible operations, we want to enable and facilitate life’s different housing phases and help increase knowledge and transparency in housing and household finances.

Our customers

Private individuals

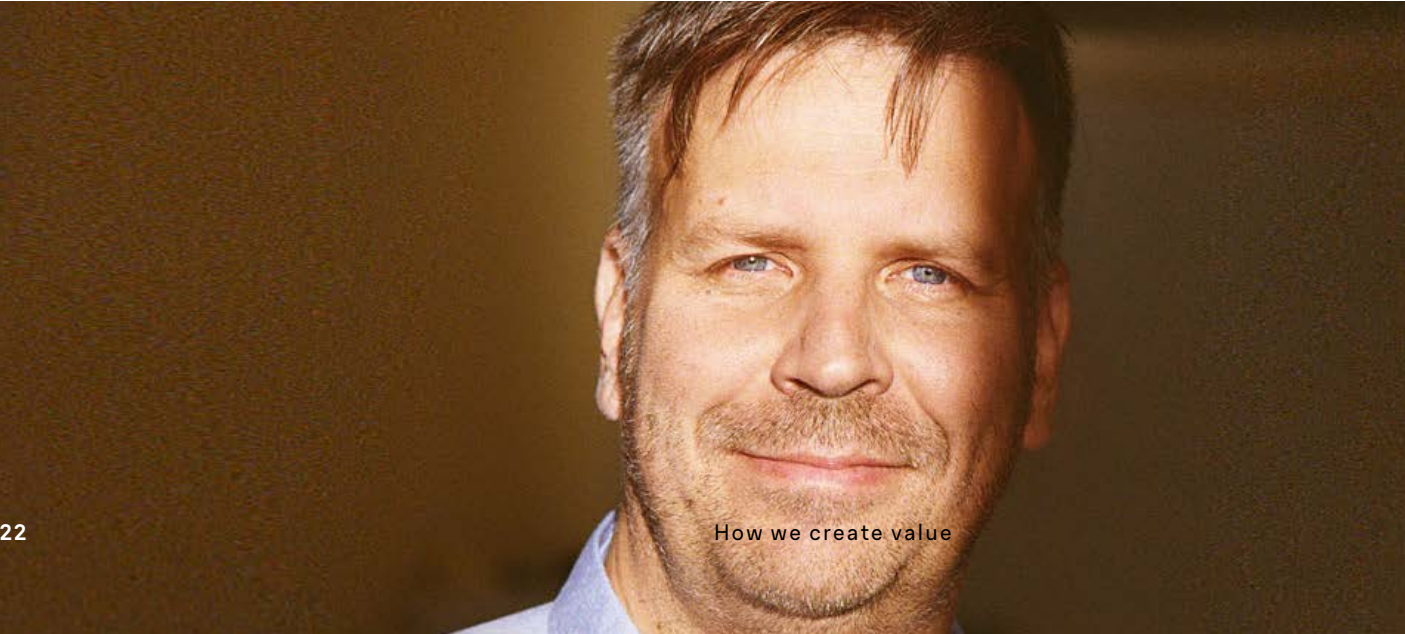
286,000	379,000
Residential mortgage customers	Savings customers

Within Retail we offer an ecosystem of services in housing and household finances, through our SBAB, Booli and HittaMäklare brands and through partnerships. These services include savings and loan products, insurance mediation, and housing search engine and estate-agent services. The core product is residential mortgages. SBAB does not have any offices for physical customer meetings – we meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.47% at year end, which makes us the fifth-largest residential mortgage bank in Sweden. Booli has Sweden’s largest offering of homes for sale and HittaMäklare is Sweden’s largest estate agent guide and comparison service.

Corporates and tenant-owners’ associations

2,331	12,500
Property loan customers	Savings customers

In Corporate Clients & Tenant-Owners’ Associations business area we offer savings and property financing solutions to property companies, housing developers and tenant-owners’ associations as well as savings to companies and organisations. We finance multi-family dwellings. These properties could be existing or in the process of being newly built. Our lending to this business area corresponds to around a quarter of SBAB’s total lending. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to companies was 14.29% at year end and the market share for lending to tenant-owners’ associations was 10.06%.



An ecosystem of services

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

Selling – our services

- Estate agent recommendations
- Housing valuations
- Housing advertisements
- Tax declaration help (business partner)

hittamäklare!
En tjänst från SBAB

booli!
En tjänst från SBAB

Dream & Search – our services

- Housing advertisements
- Housing market information
- Saving

booli!
En tjänst från SBAB

SBAB!

Buying – our services

- Refinancing
- Consumer loans

SBAB!

Buying – our services

- Residential mortgages & housing financing
- Home insurance (business partner)
- Life insurance (business partner)
- Legal advice (business partner)

SBAB!



Building blocks for our offering

Financial capital & lending

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

Data

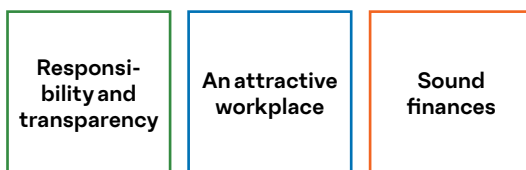
In our operations, we collect and process large amounts of information and data about housing and household finances, which we transparently and responsibly convert to knowledge and services that improve the customer offering and experience.

How we steer our business

We govern our business through our sustainable steering model. It clearly and simply describes what our purpose is, where we are going, what steps we will take to get there and how we will achieve it. Focus and prioritisation through the balance between what we will do and how we will do it is a prerequisite for realising our vision – to offer the best residential mortgages in Sweden.

Where

Vision: To offer the best residential mortgages in Sweden



What

An innovative approach focused on housing



How

A value-driven way of working



Why

Mission: To contribute to better housing and household finances

Why

Mission: To contribute to better housing and household finances

SBAB is a purpose-driven company. Our mission explains why we exist and what we contribute to as a company. Our mission makes us proud and committed. It is the reason why we are motivated to go to work each day – filled with energy to do good things for our customers, for SBAB and for society as a whole. By using the word “better” in our mission we take a position and explain that we conduct business responsibly and sustainably and that we play an important part in the national economy. Everything we do should be contained within our mission – it governs our behaviour and sets out the actions that will lead us to achieve our vision.



Where

Vision: To offer the best residential mortgages in Sweden

Our vision is our destination and what we want to offer our customers. Our vision encourages us to constantly improve. SBAB's focus and main product is residential mortgages. When we talk about our vision, residential mortgages mean residential mortgages to private individuals and housing financing for tenant-owners' associations and property companies. Offering the best residential mortgages in Sweden entails great demands for innovation and consideration. When we have achieved our goals within our three target areas – Responsibility & transparency, An attractive workplace and Sound finances – then we will have realised our vision. Then we will offer the best residential mortgages in Sweden.

Responsi-
bility and
transparency

→ Read more on
page 36.

An attractive
workplace

→ Read more on
page 54.

Sound
finances

→ Read more on
page 66.

Our sustainable steering model



What – An innovative approach focused on housing

Business idea

Our business idea is to be innovative and considerate in our offering of loans and savings products and other services for better housing and household finances to private individuals, tenant-owner associations and property companies in Sweden. Innovative means continuously developing and improving our customer offering. Consideration means consistently, responsibly and with transparency working on long-term relationships and putting our customers first, whatever the situation. Loans are residential mortgages, housing financing and consumer loans. Savings products are deposit services. Our lending to private individuals, tenant-owners' associations and property companies is concentrated in Stockholm, Gothenburg and Malmö as well as other university cities and growth

regions where demand is strongest. Housing and household financial services include searching for a home, estate agent recommendations, housing valuations and insurance services.

Strategies

The development of digital banking and financial services is gaining momentum. New players are driving developments and new regulations are redrawing the playing field. Simply offering a comparable banking service is not a winning strategy for the future. An ecosystem is a single entity with services that help customers solve their problems and fulfil their needs. Services relating to housing and household finances represent SBAB's ecosystem. Niche excellence within our ecosystem and driving develop-

ment in our niche with services that customers love, use and value is a recipe for future success. It is also exactly what SBAB's ecosystem is all about. We have a number of operational strategies that aim to illustrate the way to offer the best residential mortgages in Sweden and clarify our position within the ecosystem. These include strategies for the customer offering and distribution within each business area, along with IT, data science, innovation, risk, funding and HR.

Regulatory framework

Efficient risk management, regulatory compliance, internal governance and control are self-evidently basic conditions for a value-driven bank like SBAB. They also enable a fast pace in operations. Regulation of the banking and financial sector has increased considerably over the past few years and SBAB works continuously to ensure that we comply with applicable regulations. Our efforts to ensure good regulatory compliance include internal rules in the form of governance documents. We promote a corporate culture where every employee is expected to take responsibility all the way, to act ethically and to comply with the applicable external and internal regulations.



UN's Sustainable Development Goals

The business sector and SBAB have an important role to play in achieving the UN's SDGs. We have identified and prioritised four goals that we consider particularly important for our operations and guide us to making even more responsible and long-term sustainable decisions.

➔ Read more on page 28.

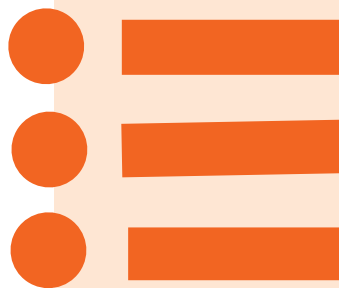
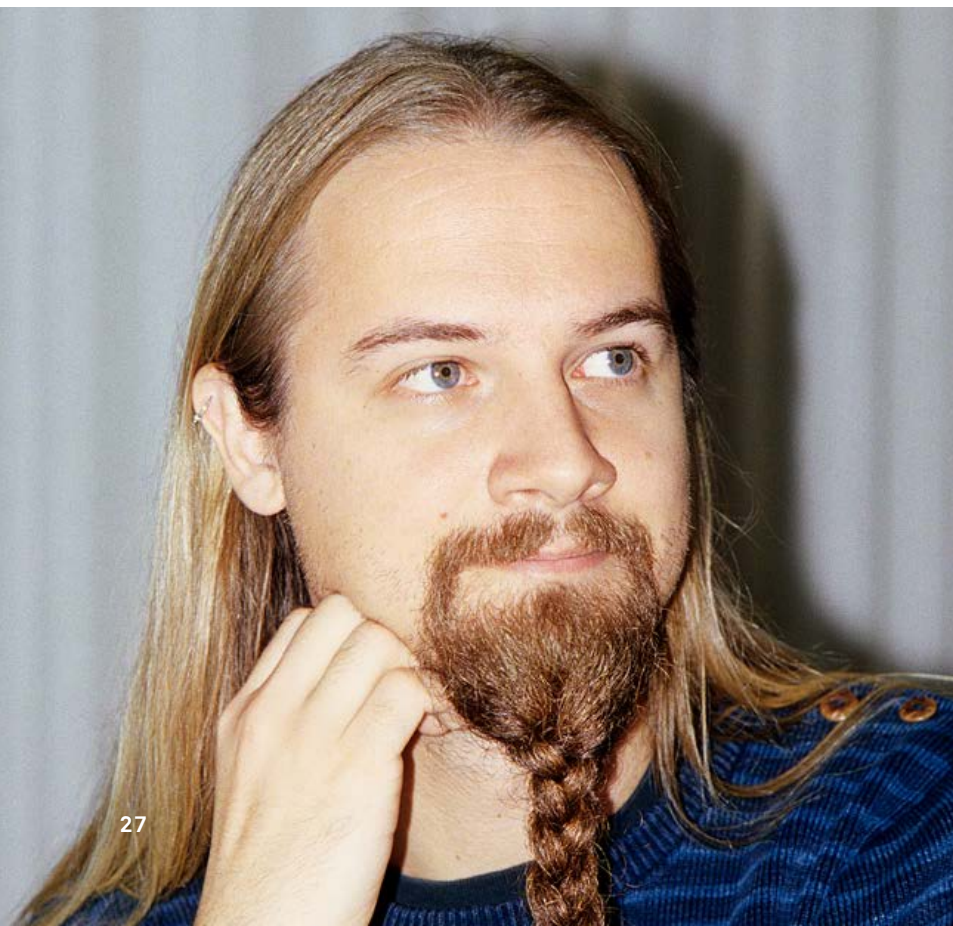
How – A value-driven way of working

SBAB is a value-driven company

Success in a competitive market in constant change requires a value-driven way of working. Our value-driven way of working involves inclusive leadership and self-driven employees making smart decisions in their daily work.

This creates the pace necessary for SBAB to be competitive. This approach is based on clarity, transparency and trust, which promote and create determination, courage, fresh ideas, everyday innovation and continual learning. The result of this is satisfied customers, growth, profitability and long-term competitiveness. We work actively to develop our values-driven way of working, with self-driven employees and inclusive leadership at its core. Our value-driven way of working coordinates our approach, ensuring that we work with our values as guidance. Just like a team, we train, talk, discuss, and provide feedback to become better. It involves always enabling everyone to take initiatives and make wise decisions. The value-driven way of working places major demands on having bold leaders with a holistic perspective. By serving as role models, they build the trust and commitment required to help everyone act in an independent and self-driven manner. Leaders serve as role models, are clear about expectations and demonstrate trust by refraining from micro-managing or delegating solutions.

→ Read more on page 52.



Our values

Our four values, with their explanatory sub-items, represent our shared attitude, our approach and the basis of our corporate culture.

→ We are proud professionals

- I am business minded and I deliver.
- We all take responsibility for our customers.
- We strive for long-term relationships.
- I am constantly developing my competence.
- We love doing business.

→ We work smart and fast

- I act immediately and own the issue.
- We learn by doing.
- I keep things clear and simple.
- I dare to challenge and to think outside the box.
- We collaborate and calibrate.

→ We take responsibility – all the way

- I think one step ahead.
- We make decisions where we can.
- I am money conscious.
- We act sustainably
- I make a difference and see to the whole picture.

→ We succeed together

- We set and meet our goals and celebrate achievements.
- I am straightforward and clear.
- My knowledge is your knowledge.
- I am humble and considerate.
- We are inclusive and thrive on diversity.

Guided by the Sustainable Development Goals



By signing up to the 2030 Agenda for Sustainable Development, world leaders have committed to achieving three things by 2030: ending all forms of poverty, fighting inequalities and tackling climate change. SBAB's role and responsibility when it comes to achieving the SDGs is based on the "Why" in our steering model, which is our mission – to contribute to better housing and household finances.

Improving, creating possibilities and solving problems linked to housing and household finances is an obvious part of our business and is clarified in our mission. Our mission drives us forward, each and every day. As a major player in the Swedish housing market, SBAB can do so much more than merely lend money. By looking outwards and working together with other players in the housing market, we are able to make it more sustainable from both a societal and environmental perspective.

To ensure that the full force of SBAB's business is exploited to contribute to better housing and house-

hold finances, we prioritise four of the UN's 17 SDGs within the 2030 Agenda for sustainable development; four SDGs that we consider particularly important and relevant for our operations. The prioritised goals are integrated into our steering model for sustainable development. They guide us in terms of making even more responsible and long-term sustainable business decisions and represent an important reference point for priorities within our operations. Naturally, we have a responsibility to contribute to the fulfilment of the other 13 goals too.



SDG 8: Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Together with targets:

- 8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.
- 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

What does the goal mean for SBAB?

We want our operations to contribute to growth and jobs in Sweden. We want to ensure that international guidelines and principles are followed and that inclusive, equal and diverse workplaces are promoted. We want to work alongside our customers and suppliers to ensure acceptable and fair working conditions, with active standpoints taken against undeclared wages, bribes and corruption. It is also a question of enhancing our accessibility – we want SBAB's services to be inclusive and accessible to all residents in Sweden.

Some examples of how we contribute to goal 8:

- Job opportunities that help strengthen Sweden's GDP.
- Ethical and labour requirements for our suppliers.
- Actively working for a more inclusive workplace through increased respect and equality, such as through the Respekttrappan.se tool.
- Proactively working to prevent non-objective salary differences and salary discrimination.
- Spreading and increasing knowledge about issues pertaining to housing quality and household finances to strengthen the position of consumers in the market.
- Working to ensure access to our customer offering for people with disabilities.



SDG 11: Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient and sustainable.

Together with targets:

- 11.1** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slum areas.
- 11.3** By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

What does the goal mean for SBAB?

By adding extra sustainability criteria to our credit processes, we want to contribute in different ways

to the creation of more sustainable and inclusive cities and societies. We engage in a recurrent dialogue about sustainability with our customers and offer customised products and services for this purpose. Other important aspects include working to ensure healthy competition in the market, counteracting unreported employment at construction sites and promoting the construction of safe housing. In addition, we want to promote by way of coordination and collaboration the possibility for all residents in Sweden to have their own home.

Some examples of how we contribute to goal 11:

- Financing the production of properties where they are needed.
- Cooperating with partners to reduce exclusion in the housing market.
- Conducting industry collaboration to counteract and reduce tax avoidance in the construction industry and to ensure acceptable and just labour conditions for those working on the new construction projects that SBAB is part of financing.
- Offering green loans and loans for green environmental and energy measures in homes and properties.
- Educating and motivating our customers to buy and invest in measures to increase energy efficiency.



SDG 12: Responsible consumption and production

Ensure sustainable consumption and production patterns.

Together with targets:

- 12.8** By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

What does the goal mean for SBAB?

We want to make the housing and residential mortgage markets more transparent and inclusive. To make well-informed and wise decisions, our customers need to understand the various issues pertaining to housing and household finances. For this reason, we want to spread and increase awareness within this area – something we want to achieve in as accessible and simple a way as possible.

Some examples of how we contribute to goal 12:

- Providing know-how and education to our customers and the public to enable everyone to take wise decisions about housing and the residential mortgage market.
- Offering tools, services and information that help and inform our consumers on issues regarding housing and household finances.



SDG 13: Climate action

Take urgent action to combat climate change and its impacts.

All of the targets are important

What does the goal mean for SBAB?

Our operations afford us many opportunities to influence our customers and the market through requirements, stimuli and dialogue with the aim of combating climate change. We want to promote sustainable societies with energy-friendly and climate-smart homes and properties, for example via green mortgages. By linking our funding with our lending, we want to offer investors the opportunity to get involved and have an influence. Of course, we also want to reduce the carbon footprint within our own operating activities.

Some examples of how we contribute to goal 13:

- Offering green loans and mortgages for green environmental and energy measures in homes and properties.
- Offering green bonds for financing in the capital market.
- Structured work to reduce our own carbon emissions from operations.
- Including sustainability criteria in the credit granting process property loans as part of the overall assessment.
- Offering consultations to property companies and tenant-owners' associations about how residential properties can be more energy-efficient.







Goals and outcome 2020



We do not make a distinction between business goals and sustainability goals – the basis of our entire business must be sustainable.

SBAB's target areas

We have three sustainable target areas for the business. We steer operations towards reaching our general goals in these target areas. Fulfilling all of the goals creates conditions for profitability in the short and long term and for contributing to a sustainable societal development and for contributing to reaching the SDGs.

Analysis as the basis for strategic direction and prioritisation

Operating environment analysis

An analysis of important operating environmental factors and relevant sustainability risks, our ten trends affecting customers, other trends in society and regulations and legislation lays the groundwork for identifying the areas where SBAB has the largest impact.

p. 193

Stakeholder dialogue

A dialogue with particularly important stakeholder groups that all affect and are affected by SBAB's operations.

p. 192



Materiality assessment

Through the operating environmental analysis and stakeholder dialogues, we develop a matrix that clarifies which sustainability topics we need to prioritise and focus on as well as report and disclose.

p. 192



Three target areas

Based on the stakeholder dialogue and materiality assessment, we have established three sustainable target areas for the operations, with the goals guiding us towards our vision.

Responsibility & transparency

p. 36

An attractive workplace

p. 54

Sound finances

p. 66



Calibration to integrate and update

2018

A gap analysis was conducted in 2018 to identify challenges and/or opportunities in our three sustainable target areas. The analysis is an important tool for governance, follow-up and prioritising in the daily operations. It guides and directs how we develop, integrate and carry out sustainability in operations.

→ Read more on pages 192-194.









2020

In 2020 we updated the materiality analysis based on changes in the operating environment. It is the foundation for determining our goals, focus and priorities in the future.

→ Read more on pages 192-194.

Fulfilment of goals

SBAB's vision is to offer the best residential mortgages in Sweden. We use our three sustainable target areas to explain our vision. Each target area contains a number of general goals. Reaching the general targets means we will have realised our vision.

Target areas		Goals for 2020		Results		
				2020	2019	2018
Responsibility & transparency	   	Target: The Sustainability index, rank in brand surveys	Top 3	2nd	8th	5th
		Transparency: Proportion of customers who believe that SBAB has an offering that is straightforward and easy to understand	90%	83%	83%	85%
		Customer satisfaction: Sweden's most satisfied customers according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI)				
		Mortgages	Top 3	1st	1st	3rd
		Property loans	Top 3	1st	1st	1st
An attractive workplace		Equality and diversity: Equality between women/men in management positions (within the range)	45–55%	49/51%	43/57%	44/56%
		Employee experience: Percentage of employees who consider SBAB to be an overall great place to work	≥90%	94%	91%	85%
		Committed employees: Total Trust Index in Great Place to Work's annual employee survey	≥85%	87%	86%	81%
Sound finances	  	Profitability: Return on equity over time	≥10%	10.8%	11.7%	12.1%
		Dividend: Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥40%	n/a	0%	40%
		Capitalisation: The CET1 capital ratio and total capital ratio exceed the regulatory requirement communicated by the Swedish FSA				
		CET1 capital ratio	≥0.6%	5.4%	2.4%	2.2%
		Total capital ratio	≥0.6%	5.4%	5.2%	3.7%

Explanation

We make no distinction between sustainability and business. A sustainable approach to our business and operations allows us to be competitive in the short and long term. Every quarter we monitor how customers and the general public view SBAB's responsibility in a survey that focuses on the perception of SBAB as a sustainable company. The quarterly assessment includes twelve of our competitors.

We strive to be as transparent, simple and clear as possible in our customer offering and in our communication. This helps our customers take wise and informed decisions.

Satisfied customers are a prerequisite for strong results and an important acknowledgement of our progress in achieving our vision. Transparency, responsibility, simplicity, accessibility and good service combined with digitalisation and a sustainable customer offering are all crucial to success.

**Read more on
pages 36–53**

Equality and diversity are two of the most important issues of our time. We also know that demographically diverse organisations perform better. For us, equality is an important dimension within diversity and equality. We have set a target that at least 45% of management positions should be held by the underrepresented gender.

A positive employee experience is a prerequisite for high performance and thereby realising our vision. We want an overwhelming majority of our employees to have a strongly positive experience of SBAB as a workplace.

Commitment drives performance. If we are engaged at work we perform at a high level and drive development and change. Committed employees affect and develop each other. Together they create a genuinely attractive workplace.

**Read more on
pages 54–65**

Strong profitability is the ultimate testament of an efficient business. Satisfied customers who drive growth along with underlying cost efficiency shape the conditions for long-term profitability. Our target is to achieve a return on equity exceeding 10% over time.

Part of our funding comes from our owner, the Swedish state, in the form of equity. In return for its contribution, the owner receives a return in the profit generated by operating activities. In accordance with the owner's dividend target, at least 40% of profit after tax is to be distributed, taking SBAB's capital structure into consideration. The Board meeting on 10 February 2021 decided to propose the distribution of no dividend for the 2020 financial year to the Annual General Meeting.

It is important for SBAB to be well capitalised, since this promotes confidence from our stakeholders, financial stability and the opportunity to grow. According to our capital targets, the CET1 capital ratio and the total capital ratio should, under normal conditions, be at least 0.6 percentage points higher than the requirement communicated by the Swedish FSA. The capital targets were adjusted on 31 December 2018, from 1.5 percentage points to 0.6 percentage points, as a result of the Swedish FSA's revised method for applying the risk-weight floor for Swedish residential mortgages.

**Read more on
pages 66–73**

Responsibility & transparency

As a bank and services supplier within housing and household finances, SBAB has an important role in the national economy. SBAB is part of the financial infrastructure. We help many people own their own homes by providing mortgages for private individuals and we provide financing to property companies and tenant-owners' associations for multi-family dwellings. Our operations affect the housing market, which entails a great responsibility.

2020 Highlights



Sweden's most satisfied customers

SBAB had Sweden's most satisfied residential mortgage customers according to Swedish Quality Index (Swe: Svenskt Kvalitetsindex (SKI)). In residential mortgages to private individuals, SBAB's customer satisfaction score was 76.9 out of 100 and in property loans to property companies and tenant-owners' associations, SBAB's customer satisfaction score was 78.9 out of 100. Responsibility and transparency recur as material and central themes in SKI's survey.

Green mortgages to energy-efficient customers

In 2018 we launched our green mortgages to customers who live in single-family homes or apartments in multi-family dwellings that hold an energy performance certificate (EPC) with energy rating A, B or C, that is, in line with or above the energy consumption requirements placed on new builds in Sweden. The better the energy class, the greater the reduction to the mortgage rate. At the end of 2020, 11,310 customers had a green mortgage with SBAB.



Bank initiative - for a healthier construction industry

In the beginning of 2020, a number of banks started an industry initiative. The initiative seeks to combat and reduce financial crime in the construction industry by taking into account new types of factors when granting credit. The initiative is to achieve increased control over who conducts work on construction sites across the entire supply chain.

Supporting the Sustainable Development Goals



We have extensive experience from housing financing. SBAB has been committed to home and housing issues since its start in 1985. In our daily work, we have considerable opportunities to contribute to positive development in all the areas impacted by our operations. We

endeavour to offer financial services and other services in housing and household finances that are sustainable for all of our stakeholders: employees, customers, investors, the public, owners and society.

Responsibility and transparency in four parts

Our responsible and transparent offering

Sound and responsible credit granting is the very foundation of our operations. For us, this involves being transparent and clear in respect of our terms, conditions and services, and that we responsibly conduct sales, marketing and credit approvals. We think it is important to spread information and share our expertise, insights and skills. Thanks to access to large amounts of data, we proactively engage in dialogues with our customers in order to increase knowledge of and transparency in the housing and credit markets. We offer the housing market's best services for making the right decision. After contact with us and using our services, we aim for our customers and users to come away a little wiser.

→ Read more on pages 38–41.

Our operations build on trust

We regularly manage substantial quantities of data, including personal information about our customers and users. It is crucial that we respect personal integrity, act ethically and ensure a high level of security if we are to win the confidence of our customers and the general public in SBAB and our brands.

→ Read more on page 45.

Together for the climate

The business sector has an important role to play in achieving the national and international climate and environmental goals. SBAB finances sustainable housing that results in less environmental impact. We also develop services that help our customers act more sustainably in everything that involves the home.

→ Read more on pages 46–47.

Our engagement creates a more inclusive housing market

Through dialogues and collaboration, we want to contribute to improved, healthier and more inclusive housing environments. We believe that it is important that communities and homes are built based on the preconditions and opportunities that apply today and for a sustainable future.

→ Read more on pages 50–51.

+ More information about the target area is in the sustainability notes on page 195.



Our responsible and transparent offering

Customers appreciate a competitive, transparent and simple pricing model for residential mortgages. For us, it is a self-evident part of a trustworthy customer relationship. This is also a reason that more and more customers are choosing SBAB for their residential mortgages, which means that we are growing and capturing market shares.

We strive for increased transparency in the residential mortgage market

The difference between listed rates and average rates for residential mortgages remains high with most major mortgage banks. Many banks start with high listed rates and apply occasional discounts or individual rate-setting after negotiations. Whether or not residential mortgage customers purchase other services by the bank is another factor. At SBAB, we strive to be straightforward, clear and transparent in our

offering. We want our customers to trust SBAB and feel secure in having us as their bank and creditor. One of our overall sustainable business goals is exactly about that: our offering should be transparent, straightforward and easy to understand, which was true for 85% (83) of our residential mortgage customers in our latest brand survey.

With us you never need to negotiate your mortgage rate

At SBAB, you never need to negotiate mortgage rates or buy extra services to obtain favourable and fair interest rates on your mortgage. We do not believe that the interest rate you get on your residential mortgage should depend on who you talk to at the bank, how you are dressed or how well-spoken you are. Our residential mortgage interest rates are based on the current listed rates for each maturity, as published on www.sbab.se. The customer's specific

mortgage rate is presented as a deviation from the listed rate. This deviation is based on the property's loan-to-value (LTV) ratio, which is the residential mortgage as a percentage of the market value of the property, the property's energy rating and the size of the residential mortgage. Our customers can work out for themselves the interest rate they would receive on www.sbab.se, which provides transparent guidance about what determines the individual borrower's mortgage rate in relation to the listed rate. Transparency is why the difference between our list rate and the average rate for mortgages is often much smaller than that of most other banks.

Responsibility and transparency leads to satisfied customers

The skills, professionalism and consideration shown by our employees on a daily basis are made visible, among other things, in surveys conducted by Swedish Quality Index. The Swedish Quality Index (SKI) measures customer satisfaction in the banking and finance sector each year.

SBAB's residential mortgage customer satisfaction score increased to 76.9 (76.3) out of 100 in 2020. Customer satisfaction for the industry as a whole increased to 69.7 (69.3). We received particularly good results in the survey in areas such as reliability, simplicity and value for money. For the second consecutive year, we have Sweden's most satisfied residential mortgage customers. SBAB's customer satisfaction score relating to property loans to tenant-owners' associations and property companies increased to 78.9 (76.3) out of 100, with the sector average at 72.0 (67.8). Our results were particularly strong within areas such as reliability and service. This means that we, for the third consecutive year, had Sweden's most satisfied customers in terms of property loans to tenant-owners' associations and property companies.



The perception of SBAB is significant because our reputation and trustworthiness with customers and the public are important factors in success and competitiveness.

We continuously monitor the perception and experience of SBAB with tools like a sustainability index that summarizes how we are perceived in different sustainability areas. The sustainability index is measured and followed up every quarter. In 2020 we were ranked second, which is even better than our goal of being in the top three of the banking industry.

➔ Read more in our sustainability index in the sustainability notes on page 194.

We enthusiastically share our expertise

One of the most important elements of our offering is explaining, informing and sharing our expertise. Simply being there when our customers need us. We want to make housing and household finances simple, fun and accessible. Things are often easier to absorb when they are fun. Better informed people are also able to make wiser decisions.

Smart, well-informed spokespersons

Our Head Economist Robert Boije and our Housing Economist Claudia Wörmann spread information and share their expertise with customers, investors, the public and the media. They contribute commentary, analyses and forecasts linked to the Swedish economy, interest rates and the housing market.

Our ecosystem helps our customers throughout the entire housing journey

The services in our ecosystem inform, guide and help our customers with issues regarding housing and household finances throughout the entire housing journey. One of the factors that makes a difference when selling a home is the choice of estate agent, which we help the customer with before the sale through HittaMäklare. Through Booli, we help customers find and evaluate housing for sale. Through SBAB we help people finance their homes. Other examples of popular services include "Räntemat-chen", "MittBoende" and "Bytabostadsguiden" as well as the apps "Bostadsflyttaren" and "Värdeguiden".

SBAB! **booli!**
hittamäklare!





Responsible credit granting

We want our credit granting and credit growth to be sustainable in the long term – for our customers, for SBAB and for society. We have a responsibility to determine whether our customers can make their interest and amortisation payments on their loans. This requires extensive knowledge and understanding of our customers and their circumstances.

How we grant loans to consumers

Granting of credit to consumers is based on a credit approval process that determines whether customers have the financial capacity required to meet their commitments. For SBAB's residential mortgages, collateral is provided in the form of a mortgage deed in immovable property or rights in a tenant-owners' association, and the loan cannot exceed 85% of the property's value.

We base our credit approval process on existing credit rules, information received from credit rating agencies, the Land Registry and other controls as well as information provided by the customers themselves. First and foremost, we assess the customer's repayment ability, but also the collateral provided for

the loan. Loans are not approved if the ability to make repayments cannot be guaranteed. The credit approval process centres around a calculation of household costs, which is based on the income of the customers and their mortgage and household expenses. We also use various costing parameters in the calculation of household costs to work out whether the calculation truly adds up, even if, for example, the interest rate or other costs should rise. If the calculation indicates a sufficient surplus, a loan is normally granted provided that the customer satisfies other formal requirements and credit regulations.

We endeavour to have a streamlined, digital and fast credit approval process for the vast majority of customers. However, this standardised process does not suit all customers' circumstances. We sometimes need to make individual considerations and adjustments in our process to better reflect today's society, including in terms of constellations of borrowers as well as forms of income and employment, and to enable more young adults to purchase their first home.

A special function is in place to handle cases of an infrequent nature, including those described above, but also other cases that require special credit assessment

skills and attention. This may include, for example, transfers in the event of a divorce or death, or cases where a customer is self-employed. We take care to manage all cases correctly, factually and transparently, and to avoid all forms of discrimination.

During the year, we lowered the calculation interest rate applied when calculating household costs from 6.5% to 6.0% to better reflect expected, current and future long-term lower interest rate levels. Interest rates are assessed as having established a lower long-term level, which allowed the stressed interest rate to be lowered without materially affecting customers' buffers and resilience to future rate increases. The measure is expected to improve the function of the housing market and, moreover, to create increased possibilities for mortgages that allow, for example, younger borrowers to enter the housing market.

➔ *Read more in the sustainability notes on page 195.*

Amortisation and debt-to-income ratio

At SBAB we believe that amortisation helps ensure sound household finances. We conduct individual dialogues about amortisation with

all of our customers in the event of a new mortgage.

We apply loan repayment rules in line with regulations issued by the Swedish FSA. These rules include a repayment rate of 2% per year for new residential mortgages with an LTV ratio of more than 70%, and 1% per year down to an LTV ratio of 50%. Additionally, new customers borrowing more than 4.5 times their gross income must amortise an additional one percent of the mortgage per year. For some time, we have used a mandatory debt-to-income ratio of 5.5 times gross income when granting credit, which means that it is not possible for a customer to borrow more than 5.5 times their income before tax.

How we grant loans to corporates and tenant-owners' associations

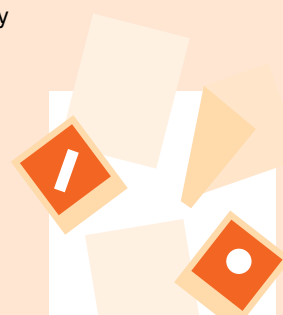
SBAB's credit approval of corporates and tenant-owners' associations is primarily based on our customers' financial situation and their future repayment capacity, but we also take qualitative factors into consideration. We do this to create a holistic model of the company, Group or tenant-owners' association. Customers are managed individually by a team consisting of an account manager, an analyst, a property valuer and a loan administrator. We meet our customers via individual meetings to share our expertise, gather necessary information and to create a close and trustworthy customer relationship.

If a customer has difficulty making payments

Our ambition is to initiate a dialogue as early as possible in cases where we discover customers are having or will have difficulty making interest or amortisation payments. Credit monitors in SBAB's insolvency team have extensive experience and work proactively to help and support these customers. We manage and carry out the entire insolvency process internally. This means that throughout the process it is SBAB that helps our customers, not another external insolvency administrator.

Important role in the national economy

As a banking and services supplier within housing and household finances, SBAB has an important role in the national economy. Even if the government, the Riksbank and other authorities have taken strong measures, and even though Sweden, unlike many other countries, has well-functioning welfare systems, people who fall ill from the coronavirus or lose their employment will suffer personal financial harm. During the year we have offered our residential mortgage customers amortisation relief in the form of a temporary pause in mortgage amortisation in accordance with the guidelines of the Swedish FSA. At the end of 2020, around 19,200 households had been granted amortisation relief, corresponding to an underlying mortgage volume of about SEK 43 billion. At the same date, 46 consumer loan customers had been granted amortisation relief, corresponding to an underlying consumer loan volume of about SEK 6 million.



Amortisation exemption

During the year we analysed our customer relationships and proactively contacted tenant-owners' association customers who could need to apply for amortisation exemption (primarily associations with a high share of revenue from rental premises in relation to total annual fees). By the end of the year, seven tenant-owners' associations had utilised this possibility, corresponding to a lending volume of around SEK 300 million. At the end of the year, SBAB had no corporate clients with amortisation exemptions.



A considerate friend for our customers

Our vision is to offer the best residential mortgages in Sweden, but we also offer an entire ecosystem of services connecting housing and household finances. Our mission – to contribute to better housing and household finances – is the driving force behind the development of our customer offering and brand.

Six years after SBAB decided to focus on housing and household finances, we can say with confidence that our given goal-oriented and focused efforts have yielded results. SBAB has a strong brand position in the residential mortgage market and its brand recognition is very high. SBAB is ranked second in Sweden within residential mortgages by Top of Mind, and first in the greater Stockholm area.

“We are positioned as a trustworthy and considerate friend, which is exactly the position that a bank offering mortgages and housing financing wants to have. SBAB wants to be – and is – the customer’s trustworthy friend throughout the entire housing journey,” says

Malou Sjörin, Head of Sustainability and Communication at SBAB.

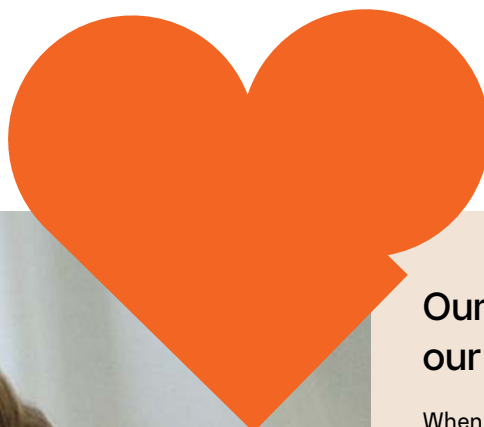
But why is this so important? Well, for a lot of people buying a home is the largest purchase of their lives.

“Moving isn’t always just a dream that comes to pass. It’s not uncommon for moving to be a stressful and bewildering period, where you face many small and large decisions that require a lot of knowledge, such as analysing the housing market, trying to predict interest rate levels, appraising a home, understanding the economics of a tenant-owners’ association or assessing the condition of a house,” says Malou.

The SBAB brand signals safety, friendliness and trustworthiness. This is what we want to achieve, not only as a brand but throughout the entire customer experience.

We create safety by guiding our customers to the right decision. We create consideration by being there and being generous with our knowledge. We create trust by being responsible and transparent. We all innovate by offering services that help our customers make wise decisions about their housing. This is how, through communication and the services we offer, we win the position of the considerate friend.

“It’s clear that our customers are looking for a trustworthy friend that they can rely on, and that’s exactly the position we have. Our customer experience is built on the customer’s needs, which drives customer satisfaction and loyalty. But a trustworthy friend can also be a little boring, which is why we use humour in our communication. It helps us stick out and shows our innovative nature,” concludes Malou.



Our new design ties our ecosystem together!

When we gave SBAB, Booli and HittaMäklare a new design in 2020, we wanted to create a clearer identity in today’s digital service society and a unified customer experience across all of our brands in the housing journey. An experience where the journey through our ecosystem looks consistent – from Booli to SBAB and then to HittaMäklare and other services. This way the customer understands that at SBAB, we are with them for the entire journey and that we can help them make wise decisions about their homes. The new design also clarifies our brand position and personality in the form of trustworthiness, innovation, competence and consideration. The new design won a silver medal from the Swedish Design Prize (Svenska Designpriset) in the graphic design category.

SBAB!

hittamäklare!

booli!

In 2020, season three of our successful and award-winning communication concept “Household finances are really fun” launched.

March 2017

A survey shows that just over two thirds of Swedes think that household finances are either boring or really boring, or are otherwise ambivalent about the topic. Only four percent answered that household finances are really fun. SBAB thinks this is VERY DEPRESSING and decides to change things. Together with comedian Erik Haag, they set out to prove that household finances are fun through a comedy show about household finances at the Globe in Stockholm. The journey to the comedy show is documented in the web series “Household finances are really fun”.

November 2017

It all goes down on 15 November! The show “Household finances are really fun!” plays to a full house at the Globe in Stockholm, with stars including Erik Haag, Björn Gustafsson, Mia Skäringer, Nour El Refai and Johan Rheborg. Season 1 of the “Household finances are really fun” web series wins several awards, including a “100 wattaren” in the category “Årets nytänk.”

April 2018

The second season of “Household finances are really fun!” launches in spring 2018. The goal this time is to reach even more people than a sold-out Globe – now all of Sweden will learn that household finances are really fun. In the series, viewers follow Erik Haag, Björn Gustafsson and the other characters towards the climax: a film about household finances that will reach 10 million viewers.

December 2018

Just before Christmas, the music video for the song “Komma Hem (låda låda låda)” is released, with Björn Gustafsson rapping and Julia Frej singing. The song’s lyrics, written by Alexander Kronlund, Björn Gustafsson and Max Grahn, describe many of the difficulties faced in the current housing market. The music video has over 6.5 million views on YouTube and Facebook, and more than 300,000 plays on Spotify. Season 2 of the “Household finances are really fun” wins several awards, including Youtube Works and The Roy Award.

April 2019

Before the summer, “Komma Hem (låda låda låda)” is followed up with an exclusive house remix.

November 2020

The third season of “Household finances are really fun!” launches in late autumn 2020. We follow Erik Haag, Björn Gustafsson, Nour El Refai and the other characters on Björn’s housing journey to find a new home where Björn can have a housewarming party. Björn’s housing journey will end in crescendo “World’s biggest digital housewarming” in autumn 2021. Don’t miss it!





The housing journey – everything about having a home

There is a lot to think about at the beginning of what we at SBAB call the housing journey. And that's where we come in. SBAB's ambition is to make the housing journey easier and less stressful for everyone through the services in our ecosystem. For a lot of people, the largest purchase of their lives is buying a home.

The housing journey is ongoing. Someone is living somewhere, with everything that entails: renovations, things needing repair and new projects. Or maybe someone is on their way to buying a new home because their life or dreams have changed. There's a lot to the housing journey: salary and finances, keeping an eye on the market, finding the right estate agent, selling and buying or just freshening and fixing things up. And above all, living and thriving in a home.

Someone in the middle of the housing journey often needs knowledge and information. At the same time, many feel that they receive inadequate help along the way – it's difficult to have an overview of all the information and it's easy to miss important things.

"Through our customer offering, which is an ecosystem of services relating to housing and household finances, we make the housing journey easier and less stressful. Through our services we wish to help our customers meet their needs and resolve the issues and thoughts that can occur along the way. Regardless of whether someone is at the beginning of the housing journey or in the middle of a move, they can turn to us for help with their decisions," says Robin Silfverhielm, CXO&CIO at SBAB.

For someone looking for a new home, through Booli we offer Sweden's largest collected offering of homes for sale, as well as actual selling prices and housing valuations. At Booli you can



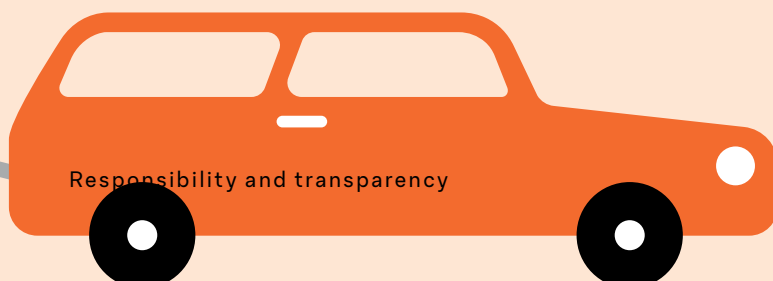
even calculate your household costs, view neighbourhood statistics and compare mortgage rates with your neighbours. Someone in the process of selling and looking for a real estate agent can use our HittaMäklare service, which is Sweden's largest service for locating and recommending estate agents. HittaMäklare tracks which estate agents previous sellers have been the most satisfied with.

At www.sbab.se, we have collected information for those who want to know more about mortgages and savings or want to find inspiration for housing and household finances. During the year we also launched the Bostadsflyttaren app, a guide with tips, guidance and a glossary that explains difficult words for those about to move.

"We're sharing our knowledge and offering the tools our customers need to be able to make the best choice possible for them, and to make wise decisions around one of the most important events in life," says Robin.

SBAB's approach is that the housing journey is constant and that it doesn't end after signing the contract. Our customers should feel supported throughout the entire journey. We offer two insurance services that are related to residential mortgages and housing in different ways: mortgage insurance and home insurance. Mortgage insurance insures customers against unemployment or sick leave, by compensating the monthly cost of the loan. Mortgage insurance also means that the borrower's residential mortgage may be wholly or partially written off in the event of death. Home insurances pay compensation to the homeowner in case of damage to the home or house.

"These insurance services protect our customers, but they also add value for SBAB, as good insurance protection reduces the risk of credit losses," concludes Robin.



Our operations build on trust

As a bank, SBAB wants to contribute to a well-functioning financial system. That is why we focus on security and regulation issues. A high level of trust from customers, employees, suppliers and society at large helps us successfully reach our vision of offering the best residential mortgages in Sweden.

How we manage cyber threats

Identity theft, spyware, trojans and other forms of cyber-based threats are major current societal problems. Companies, banks, authorities and legislators are working intensively to tackle the changes and challenges posed by digitalisation and the connected society. Data breaches can have major consequences for those affected. SBAB has a dedicated security group tasked with ensuring and maintaining a high level of cyber security in our operations. The Group works proactively on increasing risk and security awareness with our customers and our employees, as well as on constantly improving security in our systems. Each year, all of SBAB's employees take an obligatory course in this area and we work continuously to spread knowledge and inform our customers about what they should watch out for and what measures they should take to protect themselves and their computers. SBAB's security unit is also responsible for our Security Incident Response Team (SIRT), which is responsible for identifying, analysing and rectifying IT security incidents.

Our efforts to counteract financial crime and corruption

There has been more focus over the last few years on the banking sector's role in combating financial crime, particularly money laundering. It is extremely important that the banking sector as a whole takes active steps to counteract and to manage financial crime. By conducting operations in a manner that combats money laundering and financing of terrorism as well as other crimes, SBAB helps protect the financial system and our customers from being exploited. SBAB has a unit, Anti-Financial Crime, with particular responsibility for our work in these matters.

Money laundering and financing of terrorism

SBAB evaluates and updates our "General risk assessment" every year and as needed, where we assess how services can be used for money laundering and financing of terrorism as well as how substantial the risk is of this occurring. We have a policy for this issue that has been resolved by the Board. We have routines and guidelines that are adapted to the risks we see, our customers and the services they use. We follow develop-

ments carefully, as well as the patterns, methods and anything else relevant that prevents us from being used for money laundering or financing of terrorism. SBAB has independent review functions that ensure, through monitoring and controls, that SBAB meets the requirements for measures and routines set internally and in legislation. All employees undergo training in the topic at least once a year.

Corruption

Stable and legally compliant institutions are fundamental for society to function and for interpersonal trust. SBAB enjoys a special trust from the public, which means that it is very important for us to combat corruption and promote best practices. SBAB takes preventive anti-corruption measures and has internal rules for measures to prevent unlawful influence that follow The Swedish Anti-Corruption Institute's (Sw. Institutet Mot Mutor) anti-corruption code for business.

Code of Conduct

SBAB's Code of Conduct is decided by the CEO and provides guidance on how we should act and conduct ourselves in various situations and the inherent responsibilities of being a SBAB employee. Employees, consultants, members of the Executive Management and Board members are responsible for understanding and complying with our Code. We update the Code of Conduct annually to continually reflect our development as a company, for example regarding within sustainable enterprise.

Supplier Code

SBAB's Supplier Code is attached to all of our supplier agreements. It addresses SBAB's view and expectations of our suppliers' sustainability efforts and compliance with international guidelines.

During the year we updated the Supplier Code with more stringent standards for labour conditions.

 The code is published on www.sbab.se.

Whistleblower function

SBAB has an external whistleblower function, where employees are able to register serious improprieties committed by any of the bank's management or other key personnel at SBAB. A report that meets both of these criteria is called a qualified report (whistleblowing). Reports can be made anonymously. Instructions regarding this function are available for all employees on SBAB's intranet. There were no whistleblowing incidents in 2020.

Together for the climate

Homes account for a large proportion of the total energy consumption in Sweden and many of them do not meet prevailing energy consumption requirements. Building new homes also accounts for a large share of Sweden's direct greenhouse gas emissions. That is

why we work to make sure the credit we grant supports the environment. For example, we finance energy-efficient residential properties and new construction of sustainable residential neighbourhoods as well as we ensure that our residential mortgages are green

throughout the entire value chain. Our financing and credit granting enables us to influence the housing market through requirements, terms and dialogue with the aim of reducing energy consumption and our carbon footprint. We want to leverage this opportunity.



Green mortgages inspire our retail customers to make climate-smart choices.

It should feel good to be climate-smart – not just for your conscience, but also for your wallet. Since 2018 we have offered our Green Mortgages to customers who live in single-family homes or apartments in multi-family dwellings that have a valid energy performance certificate with energy class A, B or C, that is, in line with or above the energy consumption requirements placed on new builds in Sweden. The better the energy class, the greater the reduction to the mortgage rate. We see the green mortgage as an incentive for our custo-

mers to invest in more energy-efficient homes. At the end of 2020, 11,310 customers had a green mortgage with SBAB, the equivalent of a mortgage volume of SEK 26.5 billion or around 8.6% of SBAB's total residential mortgage stock.

SBAB is the first bank in Sweden to have a green mortgage that is green in the entire process, from funding to lending. This means that we have closed the cycle by borrowing money through "green covered bonds" that we earmark to finance our green mortgages.

"SBAB is the first bank in Sweden to have a green mortgage that is green in the entire process, from funding to lending"

We work determinedly with our corporate and tenant-owners' association clients to reduce carbon emissions

We want to help our customers do more for the climate. We actively promote increased energy efficiency in our customers' properties, reduce operating costs and build more climate-smart. We do this through a variety of initiatives, such as by providing information that helps our customers learn about their own energy consumption compared to other properties. Such a realisation could, for example, result in a reprioritisation of maintenance plans and investments in energy optimisation. The information is supplemented by a free consultation with SBAB's business partners in the technical equipment arena. We can also impact energy consumption through differing choices with our new lending, in which financing of

"This target is to reduce the average energy consumption from 135 kWh/sq.m. to 122 kWh/sq.m. per property by 2022"

new construction is a key component. We have had a target since 2016 regarding the average energy consumption in residential properties financed by SBAB. This target is to reduce the average energy consumption from 135 kWh/sq.m. to 122 kWh/sq.m. per property by 2022. The result for 2020 was 124 kWh/sq.m. per property (129).

We also offer green investment loans, aimed at tenant-owners' associations and property companies, which are loans with a particularly advantageous interest rate for customers intending to implement sustainable investments at their properties. To obtain a Green investment loan, the loan must be able to be approved in a normal credit approval process, the customer must have existing loans with SBAB and the loan must fulfil SBAB's criteria for environmental improvement or energy-



efficiency enhancements. These could include replacing windows or investing in a new, fossil-free heating source, for example. At the end of the year, 56 corporate and tenant-owners' association customers had a green investment loan with SBAB, corresponding to a credit volume of SEK 361 million (165).

→ Read more on page 73.





Awareness of the effect of climate change on homes is increasing

How climate changes will affect our homes is a subject that has recently started to attract increasing attention. SBAB's survey shows that a large percentage of people who live in Sweden are worried about how climate change will affect their homes, but also that a relatively large portion have started to act proactively to minimise the effects of a changed climate.

In Sweden, the effects of global warming will be unambiguously evident starting around 2050. But even today we're seeing concrete examples of the effects of climate change on our society and thereby our homes. Our survey shows that many have become aware that climate change might affect their home: one out of five (20%) are worried about climate change's impact on their home. Primarily, they think that this will mean increased costs

for electricity and heat, and nearly half think that this will be a result of climate change. Moreover, more than four out of ten think that we will experience water shortages, fires and floods, and nearly one out of four think we will see rising sea levels.

People living in Sweden believe that we'll see the following consequences of climate change*

47%	Increased costs for electricity and heat
45%	Water shortages
42%	Fires
41%	Floods
38%	Rising sea levels
30%	Increased indoor temperatures in homes
27%	Poorer indoor air quality in homes
25%	Collapses, landslides and erosion
18%	More frequent and heavier snowfalls
14%	Worse accessibility

**Multiple answers possible*



Awareness of climate risks is increasing, but many knowledge gaps remain

SBAB's Head of Sustainability, Axel Walin is positive that in Sweden we have become more aware of climate risks and how they will affect our homes, and that a relatively large portion have already started to take preventive actions. At the same time, he stresses that it is difficult for an individual property owner to predict where, how and when the risks will occur in the future. That is why Axel emphasizes the importance of municipalities in the issues, and how more municipalities need to develop action plans for climate adaptations and to analyse how previous extreme weather events have affected the municipality.

"A municipality that actively works with mapping climate risks can provide better support to its residents and

increase understanding of when and which measures need to be taken to adapt a home for climate change.

Society needs to be better at evaluating the financial impact of climate risks. Today there is a comprehensive transition where banks and financial sector bodies have started to map the financial impact of climate risks.

"Homeowners will also need this information in the future. For an individual property owner, for example, it can mean high-

her insurance premiums and therefore higher housing expenses. To help people take wise household finances decisions, climate change's practical and financial consequences need to be better highlighted, including by SBAB. We want to help our customers create a better home and better household finances," concludes Axel.



How to adapt our home for the climate:

➔ Before purchase:

Read – the inspection record doesn't take climate risks into consideration. That is why it can be a good idea to find out if the area where you want to move is in a risk area. The Swedish Meteorological and Hydrological Institute (SMHI), the Swedish Civil Contingencies Agency (MSB) and the Swedish Geotechnical Institute (SIG) have maps and information about this.

Ask the municipality – ask the municipality about plans in the form of measures being taken in the near future, which can affect your home both physically and financially, such as building shoreline protection.

➔ While you live somewhere:

Consider climate adaptations in connection with other measures – if you intend to renovate or otherwise take measures at your home, be sure to look at things from a climate adaptation perspective if it's relevant for your property.

Invest in simple maintenance initiatives that really pay off – there are many ways that maintenance can minimise the risk of future problems. Here are just a few examples of measures that don't take a lot of effort but that have a significant positive effect:

- Installing check valves to reduce the risk of water in the building
- Improving run-off from the building so that water doesn't collect beside the house, which can cause water damage
- Building a roof over cellar stairs and other openings
- Regularly flushing and maintaining drains
- Checking that roof tiles/coverings are securely fastened
- Planting trees on your property. The tree's root system protects the soil from erosion and the tree absorbs huge quantities of water!

➔ When you're selling:

Make sure you're well-read – research ahead of time to ensure that you can answer any questions about whether the residence is in a climate risk area and about any plans from the municipality.

Point out the climate adaptations you've made – if you've made climate adaptations, mention them in the housing advertisement

Our engagement creates a more inclusive housing market

At SBAB, we want everyone to live in homes they can afford, to take wise decisions for secure household finances and to be able to live sustainably. Both today and in the future. As a credit provider, we participate in and influence what is built as well as how it is built. Through dialogues and collaboration, we want to contribute to improved, healthier and more inclusive housing environments.

Major demand for new housing...

The overall pace of construction of new homes is expected to remain far below the actual need. We still aim to increase our financing of new builds, since we want to help reduce the structural deficit of housing in Sweden. Newly built properties are also more energy-efficient than older properties. In 2020, SBAB was involved in the financing of 3,678 new-build homes (2,584).

...that people can afford

There is thus a great need for new homes, but it's important to distinguish between need and demand. Demand can differ from need because it includes several factors such as the rent or price of a home, household income and different credit rules like amortisation requirements and mortgage ceilings. High prices in combination with mortgage ceilings and amortisation requirements exclude many households from the housing market, even though interest expenses as a portion of household income are historically low. In many municipalities, there are also many years' queue time for a rental due to regulated rents and allocation according to time in the queue. Many are therefore forced to jump between expensive sublets. In addition to political measures, collaboration between housing financiers and the construction industry is required to address this problem. This is where SBAB wants to have an active role.

Responsible property management

A close public dialogue is a success factor for property owners who are focused on long-term value creation. Many property owners make a lot of different investments for better societal development in their neighbourhoods, for example measures to increase safety, to increase community engagement and voter turnout and to improve school performances. We participate in different social projects together with our customers to help improve housing and household finances.

Partnerships for new forms of housing

Regulations created to slow price trends and reduce the debt pressure on Swedish households have led to many people having limited opportunities to buy a home. New housing and tenure forms have appeared and SBAB holds discussions with customers and other players about potential collaborations. One example is HSB Dela, a form of housing designed for young people, in which customers purchase half of the apartment, and jointly own the other half with HSB. They have the option to purchase the remaining portion after ten years. We also collaborate with BoKlok, a housing concept developed by Skanska and IKEA, which develops and builds sustainable housing with good design, function and quality at lower prices. We've also had a partnership for several years with Stockholms Stadsmission to address the issue of new forms of housing. During the year we started a foundational initiative to better understand the issues behind increased homelessness and discussed solutions within the existing housing policy framework.

Combating crime and promoting human rights during new construction

Alongside the rapid pace of building in Sweden during the 2010s, a worrying development has been observed concerning how homes and infrastructure are built. Several investigations have shown occurrences of tax avoidance, unreported employment and salary dumping, as well as a lack of respect for human rights along the supply chain at construction sites. Banks are an important part of the new construction ecosystem and as part of our shared responsibility, Danske Bank, Handelsbanken, Nordea, SBAB, SEB, Sparbankerna and Swedbank started an industry initiative. The initiative aims to counteract and reduce economic crime in the construction industry by considering a number of new types of factors in lending. The initiative is to achieve increased control over who conducts work on construction sites across the entire supply chain. Through the initiative banks want to work together to make a difference and create a more sustainable construction industry. The ambition is for the initiative to be implemented by all parties by the end of 2021."

→ [Read more on page 52.](#)

We listen and share our knowledge with property companies and tenant-owners' associations

SBAB regularly participates in housing and property trade shows and holds seminars that are primarily aimed at trustees and board representatives from tenant-owners' associations. Due to the coronavirus pandemic, communication has become more digital, for example with films where our Head Economist discusses the economy, interest rates and the housing market.

We coach young people in vulnerable neighbourhoods

For several years, SBAB has collaborated with the football club FC Rosengård, which runs the labour market project Boost in the Malmö region that aims to help long-term unemployed youths find work or begin studying. We have a collaboration with Changers Hub, a network for young people in the outskirts of Stockholm, whose members have demonstrated a need and a desire for quite some time to learn more about private finances.

Everyone has a right to a home and being socially secure

The right to a home is stipulated in both the UN Convention on Human Rights and in the Swedish constitution. At least 33,000 people are homeless in Sweden today. This is a failure on both a humanitarian and societal level. We have collaborated with Stockholms Stadsmission in different ways to support their work to find housing solutions for people living in homelessness and in vulnerable social circumstances. With the aim of helping create a better housing situation for homeless and socially vulnerable people, we also support Situation Stockholm and Faktum, societal and cultural magazines whose idea is to attract readers and thereby create work and a personal income for the magazine's sellers.



During 2020, we financed Bobyrån, an administrative unit within Stockholms Stadsmission that helps socially marginalised people find a more permanent housing solution. Results for 2020 show that SBAB's support for Bobyrån helped 287 (261) people find a long-term housing solution and that 103 (75) apartments were managed for people living in homelessness.





Bank initiative – for a healthier construction industry

In the beginning of 2020, a number of banks started an industry initiative. The initiative aims to counteract and reduce economic crime in the construction industry by considering a number of new types of factors in lending. The initiative is to achieve increased control over who conducts work on construction sites across the entire supply chain.

Carl Lindståhl, Sustainability Strategist at SBAB, has been working on the project since start. He explains:

“In autumn 2018, SBAB invited several construction and property companies to a project to discuss potential joint solutions to combat crime at construction sites. We discussed what would happen if banks set expanded requirements in their credit granting for new construction to combat financial crime at construction

sites. The construction and property companies responded well to this and encouraged all banks to help solve the problem at construction sites. This is the basis for implementation which is now underway among the banks.”

Which guidelines are included in the agreement?

“Simply put, they ensure that the construction companies that we lend money to for new construction have more control over who carries out the work. Naturally, construction companies work with this today, but for banks to formally include new factors when granting credit can help ensure healthier competition within the construction industry, because unprofessional construction companies will be crowded out and make room for more professional companies.”

Which banks are part of the initiative?

“Danske bank, Handelsbanken, Nordea, SBAB, SEB, Sparbankerna and Swedbank participates in the industry initiative. We also have close dialogues and partnerships with several construction industry organisations.”

What happens now?

“The project is working fully with focus on law, education and communication issues. The ambition is for the initiative to be implemented by all parties by the end of 2021.”

Digitization increases control

Thor Jonsson, Head of the Card Business Area at ID06, a digital system for time reporting that enables digital control and follow-up on construction sites.

What is ID06?

“ID06 is a system to support healthy competition and safe workplaces based on three underlying principles. Companies in the ID06 system need to meet the legal requirements for operations, individuals in the ID06 system have one and only one certified identity and the relationship between a company and an individual is assured. The most popular ID06 product is the ID06 card, where the three underlying principles are manifested in the company's name, its corporate registration number, and a name and photo of the individual.”

How can digitalisation improve control on construction sites?

“ID06 Company Registration is an example of having better digital control on construction sites. The registration includes all of the subcontractors connected to a project. Users can then have updated information about the contractor and see at a glance if a company has any deviations in terms of, for example paying taxes, fees or so on. The main contractor can share the information digitally in real time with the client who ordered the project, allowing the client to ascertain whether a company they hired to be at the workplace actually is at the workplace, and if any deviation were to arise they can take action.”

How can banks take advantage of the construction industry's digital controls?

“Banks have a great deal of influence and can, through the new construction pro-

jects they finance, require the borrower to take greater responsibility. To follow up their requirements, the bank can use digital reports from ID06 Company Registration and learn whether the company hired for the project meets the bank's requirements for granting credit. Banks can then follow how the money is used in a project and proactively help ensure the money lent isn't used in a way that would cause unfair competition in the construction industry.”



Thor Jonsson, Head of the Card Business Area at ID06

An attractive workplace

SBAB's employees are the company's most important asset by far. Motivated, committed and self-driven employees are a prerequisite for our long-term competitiveness and success.

2020 Highlights



A great place to work

In 2020 an entire 94% of us at SBAB agreed to the statement that "Overall, SBAB is a very good workplace." 92% of us did so in 2019.



One of Sweden's and Europe's best workplaces

SBAB finished in fourth place for the second consecutive year in Great Place to Work's list of Sweden's best workplaces in 2020, in the Large Companies category. We ranked 14th in the same category in all of Europe (2019: 20th).

Supporting the Sustainable Development Goals



Respekttrappan

In 2018, SBAB developed an internal tool called Respekttrappan to help create a more inclusive workplace. In 2019, we launched Respekttrappan.se for free in Swedish and English for every company to use. This is how we improve inclusion in workplaces and contribute to changing the world towards reaching the Sustainable Development Goals 5 (Gender Equality) and 10 (Reduced Inequalities). The number of Respekttrappan.se users is growing steadily. In 2020, we passed the 100-user milestone in registered companies and organisations.

To achieve our vision, we need everyone who works at SBAB to be engaged, motivated and to share our attitude and values. We dedicate as much focus to our employees' experience as we do to customer experience. SBAB strives for all employees to feel comfortable being themselves, to have balance in their lives and to feel like we are all contributing and growing as individuals as well as together as a team. We work actively to develop our value-driven way of working, with self-driven employees and inclusive leadership at its core. It is a matter of giving everyone at SBAB the preconditions they need to take initiatives, make wise decisions, implement things and learn by testing new ideas. When many individuals take

initiative, make decisions and get things done, this creates the speed necessary to build a competitive company in our rapidly changing market. SBAB emphasises the value of employees with different experiences. At our company, it is a given that everyone has the same rights, obligations and opportunities in every aspect related to the workplace. We want SBAB to be an equal workplace with a high level of integrity that encourages differences and diversity. We are convinced that a mixture of opinions, talents and backgrounds leads to the best solutions and enriches and strengthens our company and thereby our competitiveness.

➔ More details about the target area are in the sustainability notes on page 197.



Our people at SBAB

All of us at SBAB do so because we have a shared attitude. We define our attitude through our values, which form the foundation of our corporate culture. We want to take initiative and work together in a disciplined manner that creates tempo. This requires innovation and determination. The way we work together is essential for SBAB to remain a long-term competitive company. We are convinced that our value-driven way of working is the solution, with self-driven employees and inclusive leadership at its core. That is why in our recruitment, we look for a variety of self-driven people who share our attitude and who, with considerable commitment, want to find new ways to advance together with their colleagues. We want to increase

diversity at SBAB by challenging and developing how we attract new colleagues. The initial time at a new workplace is vital for an employee to feel welcome and secure in their career choice. It is important to understand the big picture, regardless of role. Boende- och boendekonomiresan (Eng. The housing and household finances journey) and Boost Camp, our one- and two-day introduction programmes, aim to introduce new employees in an energising, motivating and inclusive manner to SBAB's corporate culture and our value-driven way of working as well as to SBAB as a whole. In 2020, we completed nine Boende- och boendekonomiresan days for a total of 127 new employees and four Boost Camps for a total of 71 new employees.

"I'm proud to tell people where I work"
93%

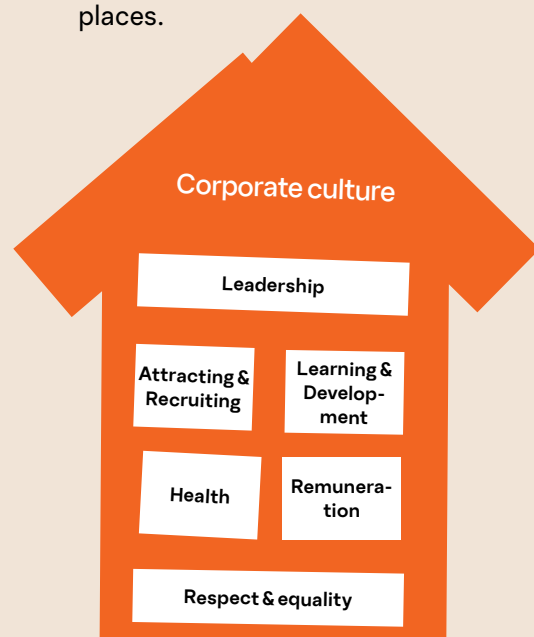
A value-driven way of working

SBAB is a values-driven company that enables employees to be self-driven and to make their own sensible decisions in the everyday work. The value-driven way of working involves ensuring we work with our values in mind – using them as a basis to consistently practise, discuss and give feedback. At SBAB, it



Our HR strategy

We have made long-term, focused efforts in our HR strategy. It includes seven focus areas: corporate culture, leadership, respect and equality, attracting and recruiting, learning and development, health and remuneration. By continuously and determinedly working in these areas, we will achieve our goal of being one of Sweden's best workplaces.



is not the Executive Management that decides how we reach our goals by delegating and issuing instructions. Instead, the focus is always on our employees. By serving as role models, our leaders build the trust and commitment required to help employees to be independent and self-driven. A self-driven organisation where everyone makes smart decisions in their daily work, gets a tempo that outperforms traditional, hierarchical and bureaucratic companies. Aided by agile working principles, we strive to further develop a working approach characterised by cooperation, continuous learning and full transparency. We strive to create autonomous teams that, aided by targets and frameworks,

decide themselves how to achieve goals. We need considerable competence and talent when it comes to leading and living with change. Our aim is to make sure that change management becomes a part of our values and our corporate culture. With full transparency regarding our sustainable governance model, we want to clarify how everyone's input contributes to our vision and our goals. Consequently, we enable everyone to understand how their specific duties contribute to the whole and why they specifically are important for SBAB's success.

Our value drivers

We want all of our employees to act with a clear focus on our vision: offering the best residential mortgages in Sweden.

We use the designation value-driver (Sw. Värderingsdrivare) to encourage those of us who are a role models for our value-driven way of working.

A value driver is a role model employee who incorporates our values into their life – a lighthouse.

Through their philosophy and behaviour, it is clear that they have worked hard to achieve our vision and create value for SBAB.

Since the first value drivers were appointed in December 2015, a total of 55 employees have received the award and a place on our digital "Wall of Fame". Five employees were appointed as value drivers in 2020.

5 TIMES THE LOVE

5 TIMES THE LOVE – 5x ❤️ is a sort of "value drivers' light" where everyone at SBAB can give feedback to a colleague, using our symbols to tie their feedback to how their colleague lives out our values. As all of the nominations are published on the intranet, it is an accessible way to highlight good performance and behaviour. 5x ❤️ is a task from one of the leadership programmes we held in 2019. It has become a very popular way to give feedback and in total 5x the love was sent 361 times during 2020. The name is inspired by our feedback model, "five times the love" – five pieces of positive feedback for every piece of constructive feedback.

Tools to help us apply a value-driven way of working

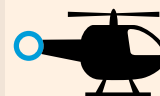
– Our symbols are practical tools in daily life – they symbolise how we are to act in our day-to-day work.



Trust – to be trusted and to trust others – is symbolized by a glass of water. The glass is filled by my everyday actions but can also be spilled. What do I do to fill up the glass?



Being a role model and a good example – is symbolized by the lighthouse that shows the way forward. Actions speak louder than words. What am I a role model for?



The whole picture – is symbolized by the helicopter. I fly up high to see the whole picture, and I land to take wise decisions every day. What do I do to understand the whole picture?



Courage – is symbolized by the door. I walk through the door and act despite the unknown, which can sometimes be a bit scary. When do I need courage? Do I act when needed?



Initiative and discipline – are symbolized by the ladder of initiative. The higher up the ladder, the more initiative. Where on the ladder am I most of the time?



Infinite responsibility – is symbolized by fried eggs. I am expected to take on responsibility beyond my role and my team, and see to the whole picture. In which situations do I take responsibility for the whole picture?

Inclusive leadership

Our value-driven way of working places major demands on having bold leaders with a holistic perspective. We work with inclusive leadership to create the preconditions for everyone to be self-driven and take wise decisions. Inclusive leadership is about trust, transparency, clarity and diversity. Self-driven employees increase the pace of operations, enhance daily innovation and strengthen our ability to put things into motion. All leaders are expected to act as role models and to make goals, frameworks and expectations clear. We train leaders regularly in inclusive leadership through several different initiatives. Every other week, for example, we have Leadership Pulse (Sw. Ledarskapspulsen), a digital meeting borne out of the need during the coronavirus pandemic to collect and support all of our leaders by sharing current information and airing recent questions. We have a quarterly Leades' Forum, which is a whole- or half-day competence forum where all of our managers meet to network and share inspiring expertise and information. We held four Leaders' Forums in 2020. Since 2015, all leaders at SBAB need to complete our leadership program "Value-driven leadership" in the form of three two-day internal courses plus a final exam. A few years after finishing the leadership programme, leaders participate in Leadership Boost (Sw. Ledarskapsboost) to build on their knowledge. In 2020, 30 people participated in the leadership programme and 19 people participated in Leadership Boost.

"Employees are encouraged to maintain a work-life balance" 86%

Sustainable employees

We want to enable everyone who works with us to have a sound balance in life. Life consists of many different phases and challenges both at work and outside. Our health-promoting agenda strives to support employees and provide equal terms and conditions regardless of anyone's situation in life. At SBAB, health means feeling well and finding your own balance in life through self-leadership. We believe in preventing ill health by offering a healthy work environment, a sustainable work load and actively preventing sick leave. Our managers are trained in health-promoting leadership and adapt the workplace, as much as possible, to each individual's needs and wishes.

At SBAB we offer several proactive health initiatives to support well-being and sustainable employees. This includes Vardagsstödet (Eng. The everyday support), where employees are offered professional counselling on a variety of personal issues in either their private or work lives, from relationship problems to legal questions. Through our digital health portal, employees can choose between several types of healthcare offerings in all of the locations where we operate. We offer subsidised health insurance and expanded parental pay. Additionally, we have several activities arranged by our wellness groups and our own cultural association.



Mortgage licencing

Under an EU directive, the EU Mortgage Credit Directive, the personnel at organisations that offer credit, credit brokering or advisory services in the field of mortgage credits to consumers are required to possess special knowledge and skills. The industry body SwedSec Licensing AB has developed a skills test for personnel who work with mortgages, which in turns leads to a licence to be able to work with mortgages. By year end, 568 employees had an active mortgage licence.

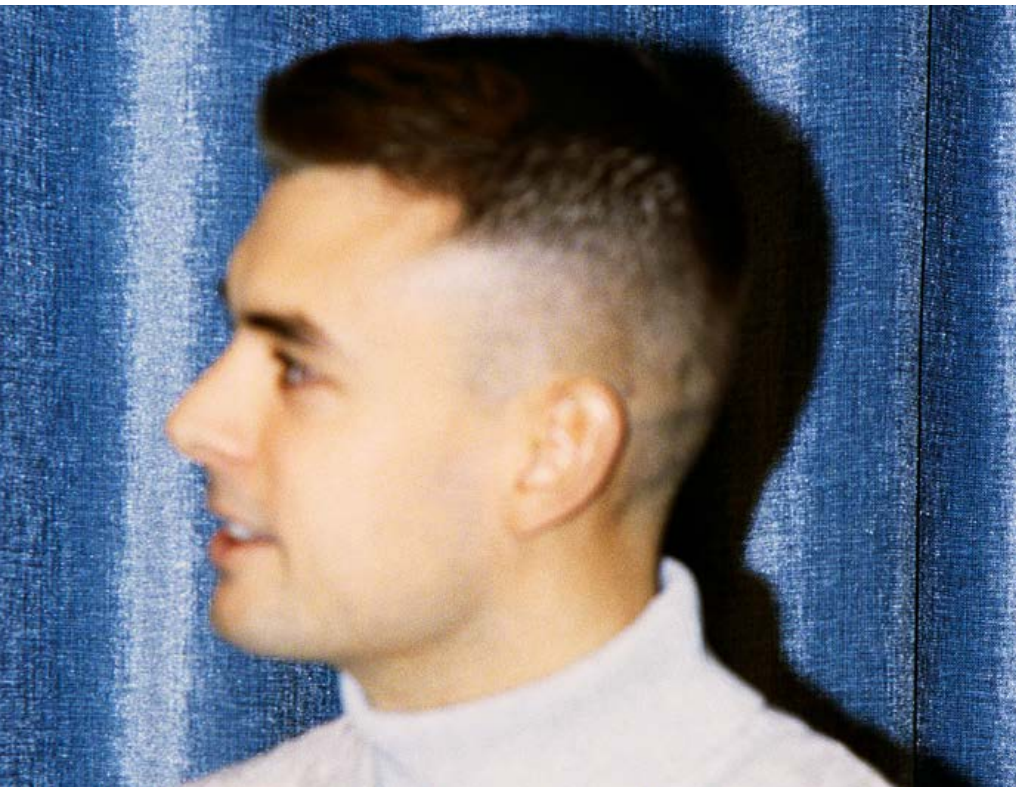
"It's fun to work here" 91%

Commitment and experience

Being a really attractive workplace requires persistence and a long-term, significant commitment from everyone at SBAB. This means a shared responsibility in daily routines, where trust, approachability,

knowledge sharing and cooperation are essential for everyone to feel energised and thrive together. We measure the progress we have made in our perception of our workplace through our annual employee survey in collaboration with the company Great Place to Work (GPTW) and through supplementary quarterly employee surveys. The aims of such surveys are to increase our understanding of our commitment and how we experience SBAB, based on the areas of trust, pride and camaraderie. In so doing, we want to create a

basis for analysis and dialogue at departmental and team level, as well as a clearer understanding of the activities we should be focusing on to improve and maintain our employees' experiences of SBAB. In the most recent employee survey, 94 percent (92) of employees consider SBAB an overall great place to work. The level of employee engagement, the Total Trust Index, in GPTW's annual survey increased to 87 percent (86).



Great Place to Work

Every year, Great Place to Work® conducts a world-wide workplace study that evaluates the quality of thousands of workplaces from two perspectives: employee and employer. In Sweden, several hundred organisations participate, and the best have the chance to win a seal of approval. SBAB finished in fourth place in this year's list of Sweden's top workplaces in the Large Organisations category. A ranking that also led to us being named the 14th best workplace in Europe in the same category.



Learning & Development

We believe in the self-driven employee's own strength, ability and will to grow. We know that motivation is intrinsic, which is why we invest so much in creating the conditions and the desire to learn. Learning and development are necessary for performing even better, attracting and retaining the best talent, creating employee commitment and remaining competitive. That is why we focus strongly on developing a learning organisation. A learning organisation, above all, works actively with creating a culture with good condi-

tions for learning. Our ambition is for active, deliberate learning to happen every day, through our guiding values of "I continually develop my skills" and "My knowledge is your knowledge." Routine activities are where we build skills and experience. Our development efforts are based on the "70-20-10-model." It helps us understand effective learning: 70% comes from everyday work, 20% from learning from others and 10% from traditional training. Reflection and feedback are prerequisites for learning and development. This is why

"We learn by doing" 90%

regular progress meetings between manager and employee form an obvious part of our ongoing work. Target-setting is important for defining and finalising the direction of future work. Work with individual goals and development is defined through an individual annual plan, which is continuously followed up and adjusted.



Regulations – part of our value-driven way of working.

The banking and finance sector is a regulated industry. Some see this as an obstacle, but we see it as an opportunity. Our relationship to laws and regulations is part of our sustainable governance model, where our responsible approach is the foundation for maintaining a high pace.

As a bank, we have many regulations to follow and some of them are described in our compulsory training.

"But we started to think about how we could tie the information from the compulsory training more clearly to what we face in our daily tasks, and to our values-driven way of working, says Therese Norborg, who works with learning and development and who is the one who coordinated the initiative.

There are six knowledge areas that have been refined through our sustainable governance model. The goal was to create a theme throughout the concepts and a common tone of voice that reflect our reality. Karolina Hedin, expert in Data Protection, describes the work:

"As a lawyer, I'm familiar with what the legislation says and I wear that hat when I work. In tandem with that, my colleagues in Learning and Development contributed their knowledge in pedagogy and the learning experience. Driven by values, we worked together to create training that suits us at SBAB. We're unique and I think that's evident in how the training is designed."

Filip Appelqvist is relatively new at SBAB and one of those who provided feedback on the script as well as the training prototypes. He provided important insights from a new employee's perspective.

"I was really happy to hear I'd been selected and it's been a lot of fun, being able to influence the training. It's such a welcoming way for our new colleagues to easily learn about the regulations!"

Therese explains that there were many people and a lot of work involved in the effort, and that the timeframes were tight.

"I'm convinced that we succeeded thanks to the power of our values-driven

way of working. That is, HOW we worked, how we tackled a problem, our relationship to each other and how we worked together to address the challenges we faced. This was a team effort characterised by tempo, helpfulness and humility. That means we managed to create an innovative concept for our compulsory training, both for our new employees and the annual continuing training for everyone."





Feedback

– a precondition for a values-driven way of working

At SBAB, we like feedback and we want to be better at it. Learning and growth are central for us and feedback is an important tool. Feedback increases our learning and helps us maintain our collective focus on our vision. Because feedback is so central to our way of working, we strive to make feedback a natural part of daily work. Easier said than done. Sometimes it's easy to provide and receive feedback, but other times it's difficult and uncomfortable.

That's why in 2020 we created the Feedback Guide (Sw. Feedbackguiden) to help all of us practice feedback. The Feedback Guide has information about how we want to work with feedback at SBAB and how to provide and receive positive and constructive feedback. It also has many different exercises, because we believe that we all need to practice to make feedback become a self-evident part of daily work.

Maria Wolmestam (Team Leader, BI) and Andras Valko (Chief Data Science Officer), who both work in Data Science, describe how the Feedback Guide is used and experienced, and the effect it has.

The first step in the Feedback Guide is about identifying the current situation. How does that look for you?

"Everyone in the group had different perceptions of how good we are at feedback, and how often we give and receive it. We concluded that we're good at giving each other the usual praise, but that we're not nearly as good at giving direct feedback, called 'instant feedback.' We had good discussions to calibrate ourselves. It's about being aware of how I use feedback as an individual and how we act as a group," says Andras.

Feedback is something many of us experience as difficult. How have discussions about it gone for you?

"Receiving feedback can be difficult, whether it's positive or constructive feedback. It's incredibly important to give feedback with goodwill – good intentions. We talked about how when it comes to constructive feedback, I should think what I'm hearing is helping me develop, and thereby helping SBAB develop. When I trust the person giving me feedback, I want to listen and I go in with the understanding that this is someone who wants the best for me," says Maria.

What effects have you seen so far from the exercises in the Feedback Guide?

"We're seeing that everyone has taken giving each other encouraging feedback to heart. But when it comes to constructive feedback, it's not as easy. It requires thorough preparation, thinking through what I want to say and how I want it to be received so that it lands well. We learn by doing," says Maria.



"The difference is that I think more about feedback. I've started giving more instant feedback since we started the work in the team, and I've received more feedback myself. Feedback is now a regular agenda item at our meetings. I try to think about giving feedback, if not during the meeting then immediately after. Being straightforward and clear is one of our values. For the Data Science unit as a whole, we need to work more with feedback, so the Feedback Guide is a good tool that helps us.

To make sure it happens in daily work, we all need to be like lighthouses and give and ask for feedback. All of the managers are now working more structurally with feedback and preparations before 1-on-1 meetings with each employee. We're already seeing the effect of working with feedback, but in my opinion the real gains will come in the long term," says Andras.

Any closing thoughts or tips?

"Remember to give feedback using the 'five times the love' model. I offer both criticism and encouragement often," says Andras.

"Just do it! Feedback is fun, helpful, and makes me happy," continues Maria. Receiving feedback often means more than you might think.

In 2020, 495 people at SBAB started working to increase their capacity for feedback using the Feedback Guide.



Respect and equality

For SBAB, it is a given that all employees have the same rights, obligations and opportunities in every aspect related to the workplace. We want to be an equal workplace with a high level of integrity that encourages difference. We are

"I can be myself here" 92%

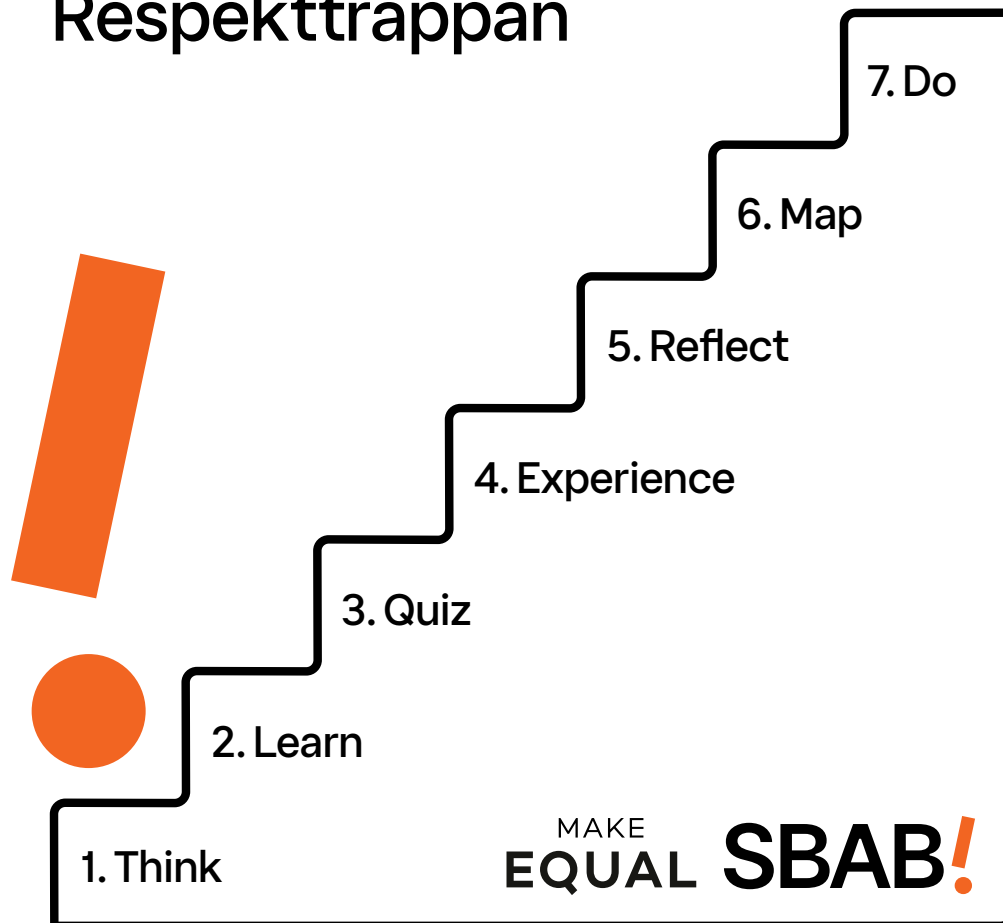
convinced that a mixture of opinions, perspectives and backgrounds enriches our company and drives change, growth and innovation. Our HR strategy helps us ensure that we are always focused on respect and equality. Inclusion is central to our values. SBAB also has a policy that emphasises the value of employees with different backgrounds and experiences. One of our overall targets concerns equality between men and women in management positions. At year end, 49% (43) were women and 51% (57) were men. Respect and equality are about much more than just gender. They include all the targets and

"We include each other's differences" 92%

activities implemented with the aim of promoting equal rights and opportunities at the workplace and thereby combat discrimination. They also include respecting and affirming differences. We want all of our employees to feel that they are seen, appreciated and respected for who they are.

“For example, during the year we provided support for working with Respekttrappan remotely when you can’t meet as usual with your team”

Respekttrappan



SBAB's value-driven way of working is based on our values. Inclusion with respect and equality is at the core of our values. Inclusion creates commitment and makes us an attractive employer, which makes us more efficient and stronger in our business. The #metoo movement in autumn 2017 clearly showcased the lack of respect and equality at workplaces. Together with the Make Equal foundation, in 2018 we created the Respekttrappan (Eng. Respect Ladder) tool, which is a practical tool with seven steps of exercises. Respekttrappan is a tool focused on a playful approach to create the preconditions that, from differing perspectives and in various ways, enable us to learn more

about, to reflect on and talk about respect and equality. Respekttrappan is based on a change perspective. Each step includes various exercises of differing character that address different subjects. Some exercises are individual, but most are group-based. These eye-opening exercises create trust within the group and can lead to strong emotional reactions and discussions. Everyone at SBAB completes the exercises on work time together with their groups. In 2019 we launched Respekttrappan externally at www.respekttrappan.se (in Swedish and English) for companies and organisations to use, free of charge, as part of their efforts to create more inclusive workplaces.



SBAB and Make Equal in a long-term partnership

In the wake of #metoo, SBAB and Make Equal decided to use their collective strength to promote increased respect and equality, for a more inclusive workplace and society. The journey has begun. The goal? Respekttrappan for all.

Carina Eriksson, CHRO at SBAB, what is the background for these efforts at SBAB regarding respect and equality?

"We are a value-driven company where inclusivity is central. For SBAB, it is a given that everyone has the same rights, obligations and opportunities in every aspect related to the workplace. But for us, respect and equality are much more than that. This also means that behaviour we might not think about, norms and habits that we might not notice in our daily lives, should no longer be acceptable. In 2018, we began a partnership with Make Equal to address these issues because we want to be a part of change, both at our company as well as at others, and because we also want to change the

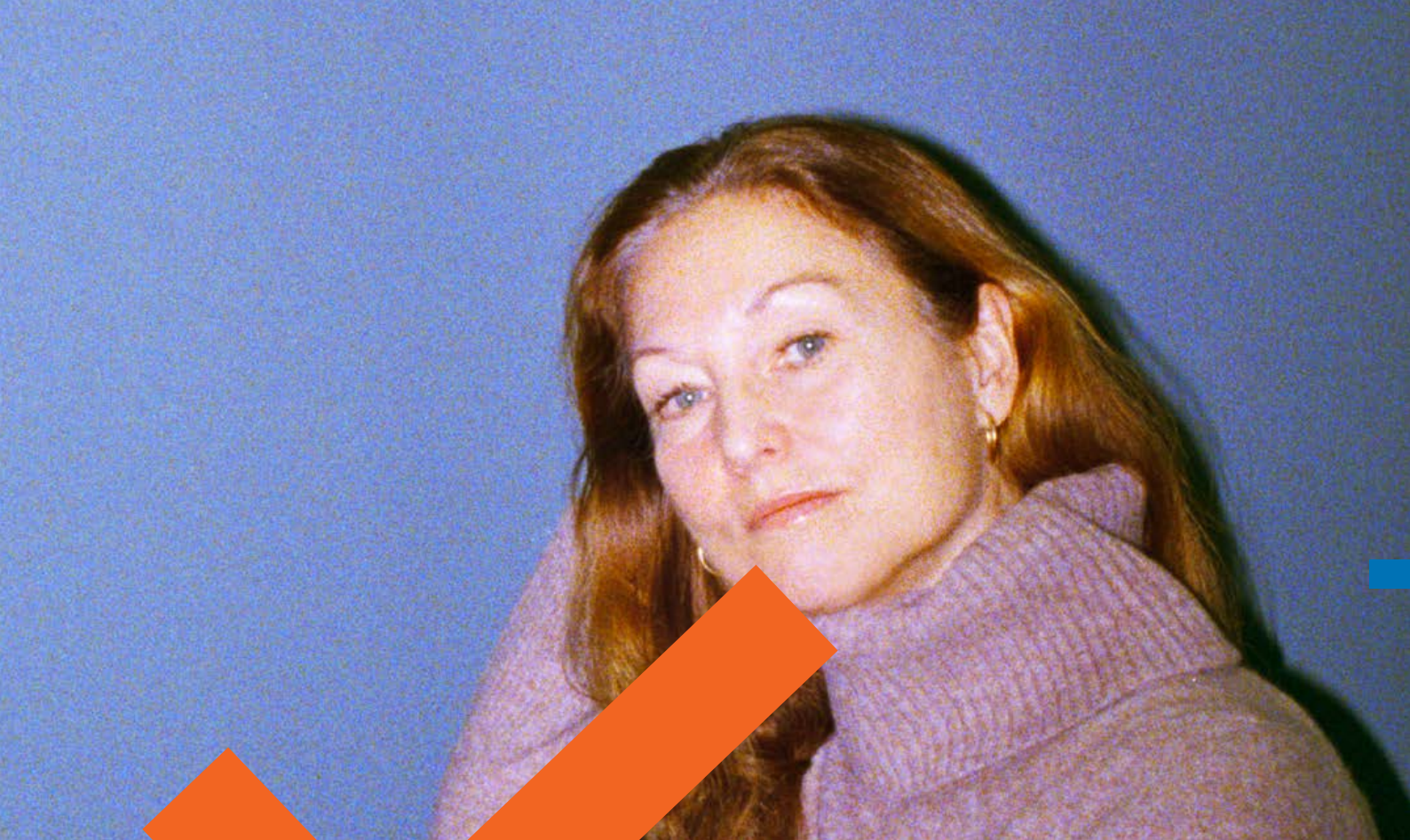
world, and to help meet the UN SDGs. Respekttrappan.se is a fantastic result of our partnership with Make Equal."

Frida Hasselblad, CEO of the Make Equal foundation, what makes you want to take this journey with SBAB?

"We're solutions-focused equality experts at Make Equal and we work with methods and tools for practical equality efforts. We work to shift the focus to how we can all be a part of the solution instead of the problem. When someone has understood that equality is important, we can help through how we can create change. This is what we see at SBAB: the will and the conviction to create change are already there. That's precisely what our goal is as well. SBAB's employees have invested a lot of work hours in the exercises in Respekttrappan and listening to all of the conversations and insights they've led to gives you a powerful feeling."

Why are you choosing to broaden the focus to more than harassment and abuse? Isn't that enough?

"This is a classic question and many companies today work very reactively. They handle the problem when it becomes visible, through registered complaints and so on. This doesn't create any change – it treats the symptoms, not the disease. Additionally, it's more efficient to work preventively and save money as well as human suffering. I usually talk about the violence pyramid as an example of how jargon, a culture of silence, objectification and traditional gender roles lay the foundation for and even enable more degrading violations. In other words, harassment and other serious violations don't occur in a vacuum, but are legitimised over time through, for example, sexist or racist jargon and an organisational culture that permits abuse. And vice versa. In organisations with clear values and an inclusive climate, there's no foundation for severe violations towards other persons," says Frida.



MAKE EQUAL

SBAB!

"I agree with Frida on this. We need to create real change if we're going to get anywhere, both as a company and as a society. Many of the problems brought up by #metoo and #BlackLivesMatter, for example, are based in norms and habits that most of us probably aren't even aware of. Everyday things that we're so used to that we don't react to them," continues Carina.

How is Respekttrappan a solution?

"Respekttrappan is a tool focused on an approach to create the preconditions that, from differing perspectives and in various ways, enable us to learn more about, to reflect on and talk about respect and equality. It begins with ourselves and we need to work from the inside out," says Carina, continuing: "Respekttrappan is based on a change perspective. Each step of Respekttrappan includes various exercises of differing character that address different subjects. By working with Respekttrappan, we create the conditions for every participant to become aware of what they weren't previously aware of, which is incredibly

important. We all need to understand that the world maybe doesn't look or work the same way for me as it does for others, and that depends on many different things," says Carina.

Frida adds:

"Just like in all times of crisis, unfortunately, this year the pandemic has put equality on the back burner. So the work we do is more important than ever now, and Respekttrappan is one of a kind because it's meant to be an eye-opener for what inequality means and what its consequences are."

You talk about real change, even at other companies. What do you mean by that?

"We want to do what we can to change the world. It's unprofessional to not be inclusive, and everyone wins in a more respectful and inclusive society. That is why in 2019, we decided to make the internal tool Respekttrappan externally available for every other organisation and company to use free of charge. Now we are working to continue spreading this

knowledge and support other companies who are brave enough to work with the tool. For example, during the year we provided support for working with Respekttrappan remotely when you can't meet as usual with your team," says Carina.

"During the year we had our hundredth registered organisation, which is exciting," adds Frida, continuing: "It's about investment. Many companies have shown interest and some have already started, but we need to do more. Both with getting everyone to understand the importance and advantages of working with this, but also with having the courage to start. And then the perseverance to keep going. Small but practical steps forward create a better and more inclusive workplace where more people can reach their full potential," concludes Frida.

Sound finances

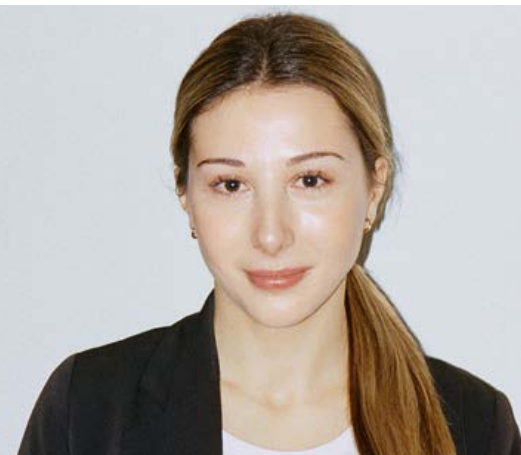
Sound finances are essential for our ability to maintain a sustainable business, create a long-term value for SBAB and our stakeholders. Our responsible and transparent loans and savings services, together with our ecosystem of services, contribute to better housing and household finances for our customers. We invest for long-term competitiveness and we are growing and capturing market shares. Growth and cost efficiency lead to profitability and sound finances.

2020 Highlights



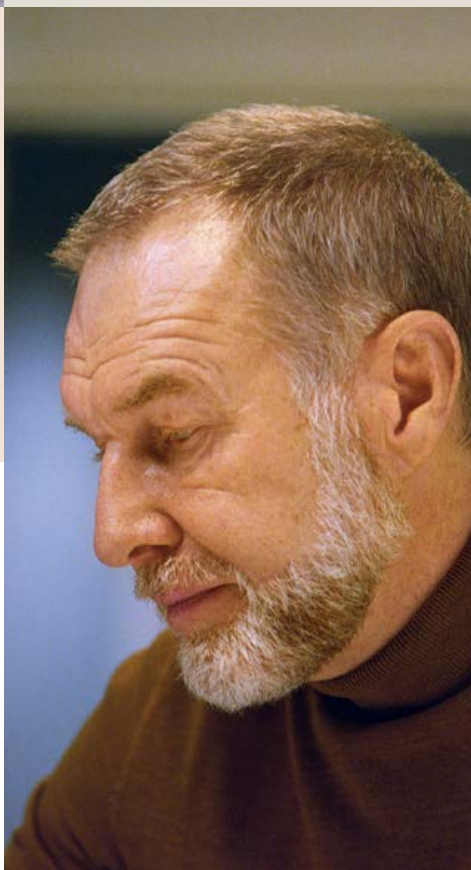
Growth in lending to corporate clients

Strong lending growth despite uncertainty regarding socio-economic development in the wake of the coronavirus pandemic. Lending to property companies to finance housing grew substantially during the year.



Green bonds issued

SBAB's first issue of green bonds in the Euro market. Total volume of green bonds outstanding at the end of 2020 amounted to SEK 18.05 billion.



A year of good growth

In 2020, SBAB's total lending grew 10.2% and amounted to SEK 422.8 billion at the end of the year, of which SEK 310.8 billion comprised residential mortgages, SEK 2.5 billion consumer loans, SEK 54.1 billion lending to property companies and SEK 55.4 billion lending to tenant-owners' associations. Deposits also grew at a good rate and increased 4% in 2020 to a total of SEK 135.7 billion.

Supporting the Sustainable Development Goals



As part of the housing market and financial system, SBAB has a responsibility to promote a national economy that is sustainable over the long term. Well-functioning banks contribute to growth, societal development and employment and constitute an important element of financial stability.

To ensure SBAB's long-term competitiveness, our operations need investments in a better customer offering and improved efficiency. Investments, in turn,

require growth and large business volumes. We want to grow responsibly, with good profitability and always at an acceptable risk.

➔ *More information about the target area is in the sustainability notes on page 198.*



Sound finances

Responsible growth

Growth is essential for companies in competitive markets. If they grow, it is proof that their customer offering is in demand. Responsible lending is a prerequisite for SBAB's responsible credit growth. SBAB's credit granting must be sustainable over the long term. We have a responsibility to finance homes for customers who are creditworthy – we do not want our customers to have problems paying interest and amortisations. We always need to develop our ability to assess creditworthiness to ensure that SBAB's risk taking is always reasonable and

that our customers borrow the right amount at the right price.

Responsible growth also involves ensuring that our growth is sustainable over the long term with respect to energy efficiency and climate. We want to help the housing and properties we finance to become more energy-efficient. We can achieve this through stimuli in the form of green lending products, technical consultations with our business partners and strategic choices in our lending. Different sustainability criteria will be given more importance in future credit granting decisions.

Expanded stress tests

In 2019, we conducted stress tests for climate-related risk to understand the impact on the residential mortgage portfolio. This was based on recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD). The stress tests evaluate how securities in SBAB's residential mortgage portfolio are affected by different scenarios, for example rising sea levels and hundred-year flooding events in Swedish watercourses. In 2020 we carried out an equivalent analysis of our property loan portfolio in the form of our loans to property companies and tenant-owners' associations.

Good credit quality is important, especially in a crisis

Good credit quality is important for SBAB's long-term profitability because it helps us avoid credit losses. We have a responsibility to ensure that our customers do not end up in difficult situations if, for example, interest rates increase. Good credit quality is also a condition for a high credit rating, which affects SBAB's access to advantageous funding in the bond market.

We work determinedly and continuously to ensure good credit quality in our lending portfolio. Important metrics include the customer's LTV ratio and debt-to-income ratio. We follow the quality of our customer inflows carefully and make adjustments in our credit rules if necessary. Such adjustments have meant adapting operations to new amortisation regulations and developing credit rules that we apply in our credit granting pro-

cesses. An important instrument for ensuring good credit quality is our rate-setting model for granting credit, which gives our customers incentive to reduce risk for themselves as well as for SBAB. We have also worked on distribution and customer communication customised for target groups.

The credit quality of SBAB's lending remains healthy and the risks entailed in lending are deemed low, despite the increased financial uncertainty in the wake of the coronavirus pandemic. SBAB has no exposure to particularly vulnerable sectors and has extremely limited exposure to corporate lending where the collateral does not consist of a residential property. In previous economic crises in Sweden, banks' credit losses linked to housing has been low. We are carefully monitoring developments and making

ongoing assessments and analyses of the credit risks in SBAB's lending. The Swedish FSA's most recent annual mortgage market survey, based on data from 2019, found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages in a deteriorated economic climate. The healthy level of resilience indicates limited risk for mortgages leading to extensive credit losses for the banks.

SBAB's net credit losses for the full-year 2020 were SEK 32 million (26), which corresponds to a credit loss ratio of -0.01% (-0.01). On several occasions in 2020, SBAB has revised the forward-looking information applied in impairment models for calculating future expected credit losses, not least because of the growing uncertainty about the economic situation following the coronavirus pandemic. These revisions have led to increased credit loss allowances of SEK 44 million in 2020. Confirmed credit losses totalled SEK 9 million (14) for the year.

The share of credit stage 3 loans was 0.06% (0.07) at the end of the year. At the end of the year, the average LTV ratio in SBAB's mortgage portfolio was 58% (60). At the same date, the average residential mortgage to retail customers amounted to SEK 1.7 million (1.7). The average LTV ratios for property companies and tenant-owners' associations were 64% (64) and 38% (39), respectively.





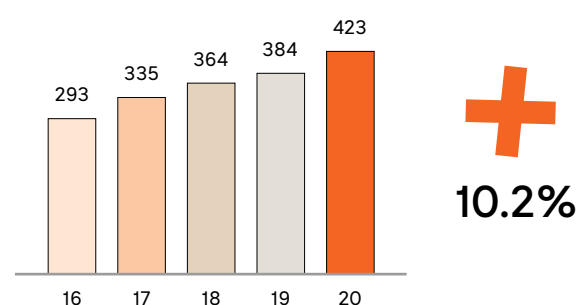
How we achieve our results

Our lending to private individuals, property companies and tenant-owners' associations totalled SEK 422.8 billion at year end. We receive interest as compensation for these loans. The difference between the interest expense on our funding and the total sum paid by our borrowers in the form of interest is referred to as net interest income. Put simply, our final earnings consist of the net interest income less expenses for running our operations and credit losses. Earnings for 2020 totalled SEK 1,839 million (1,788).

A year of good growth

In 2020, SBAB's total lending grew 10.2% (5.4) and amounted to SEK 422.8 billion (383.8) at the end of the year, of which SEK 310.8 billion (291.6) comprised residential mortgages, SEK 2.5 billion (2.3) consumer loans, SEK 54.1 billion (38.4) lending to property companies and SEK 55.4 billion (51.5) lending to tenant-owners' associations. Deposits also grew at a good rate and increased 4.0% (4.5) in 2020 to a total of SEK 135.7 billion (130.5). The fact that so many people choose to become customers of SBAB is clear confirmation that we have an attractive and esteemed customer offering.

Total lending, SEK bn



Selected key metrics

	GROUP	
	2020	2019
Balance-sheet items		
Total lending, SEK bn	422.8	383.8
Total deposits, SEK bn	135.7	130.5
Income-statement items		
Net interest income, SEK million	3,747	3,473
Net commission, SEK million	-24	-14
Net result of financial transactions, SEK million	-38	26
Expenses, SEK million	-1,335	-1,187
Credit losses, SEK million	-32	-26
Operating profit, SEK million	2,361	2,308
Key performance indicators		
Return on equity, %	10.8	11.7
C/I ratio, %	35.8	33.7
CET1 capital ratio, %	13.4	13.1
Dividend, %	0	0

...per segment

Residential mortgages to private individuals

The total volume of residential mortgages to private individuals increased 6.6% in 2020 to SEK 310.9 billion (291.6). New lending totalled SEK 57.9 billion (53.5).

+ 6.6%

Consumer loans to private individuals

The total volume of consumer loans to private individuals increased 8.7% in 2020 to SEK 2.5 billion (2.3). New lending totalled SEK 1.2 billion (1.0).

+ 8.7%

Housing financing for property companies

The total volume of housing financing for property companies increased 41.1% in 2020 to SEK 54.1 billion (38.4). New lending totalled SEK 19.4 billion (8.7).

+ 41.1%

Housing financing for tenant-owners' associations

The total volume of housing financing for tenant-owners' associations increased 7.6% in 2020 to SEK 55.4 billion (51.5). New lending totalled SEK 10.1 billion (6.8).

+ 7.6%

A record year for SBAB's lending to corporate clients

Over the year, SBAB's lending to property companies and housing developers to finance housing has increased substantially. Mikael Inglander, CFO and Head of the Corporate Clients & Tenant-Owners' Associations Business Area at SBAB, explains that the growth is a result of SBAB's strong position and brand, and the company's focus during the coronavirus pandemic on being accessible and proactively supporting customers.

SBAB's lending to property companies, construction companies and tenant-owners' associations during the year increased to a total of SEK 109.5 billion, a record high growth of 21.8%. Lending to companies, meaning property and construction companies, increased 41.1% to SEK 54.2 billion.

"Activity in terms of corporate business was very high in 2020. Limited access to the financial markets in the wake of the coronavirus pandemic continued to lead corporate clients to increasingly contact SBAB to refinance or replace capital market financing with bank financing. In addition, our strong focus on housing finance has resulted in SBAB being able to provide the attention demanded by customers, which has strengthened customer relationships and resulted in an increased number of trans-

actions," says Mikael Inglander, and continues:

"Overall, we have only noted marginal effects of the coronavirus pandemic among our corporate clients. Our focus is on residential properties, where the disruptions and effects were small. An area where the impact has been larger is, for example, office properties, which is a very small portion of our lending."

Mikael explains that in 2020, SBAB made a number of strategic choices, including an increased focus on corporate business. He also explains that the organisation has been strengthened to meet customer demand and drive growth.

"Activity in terms of corporate business was very high in 2020"

The importance of legitimising official measures

The Riksbank, the ECB and central banks around the world carried out monetary policy support measures during the year to maintain the functionality of the markets and to mitigate the economic effects of the coronavirus pandemic. In Sweden, the Riksbank took separate measures to ensure banks could lend to companies suf-

fering from temporary large declines in revenue, when demand for companies' products or services fell as a result of the coronavirus pandemic. These included a decision by the Riksbank to lend, through a credit facility, up to SEK 500 billion to companies via the banks with the aim of ensuring a functioning supply of credit. SBAB participated in this credit facility with a total of SEK 13 billion in 2020.

"We believe that it's important to support the use of the Riksbank's credit facility and create legitimacy for the measures implemented by the government agencies. The Riksbank's facility provided greater prerequisites for SBAB to maintain corporate lending at continued advantageous terms, which I think we succeeded very well with during the year."

Mikael concludes by explaining that SBAB intends to continue to grow through residential property lending to companies and tenant-owners' associations.

"We're ready to manage increased activity and SBAB remains firm on its ambition of helping and facilitating credit supply to the housing market during the challenging times of the coronavirus pandemic."





Cost efficiency

In recent years, banking operations have become increasingly complex and demanding due to increased digitalisation and changed customer needs as well as regulatory developments, which include issues pertaining to customer experience, accounting, reporting, capital, risk and liquidity. This increased complexity has led to an increased need for investments which in turn increase fixed expenses for conducting banking operations.

Digitalisation and new customer needs fundamentally change the value of the customer offering, how it is offered and what the customer pays for each product and service. Digitalisation makes it significantly easier to compare products and prices, which increases the competition for goods and services. The expenses for distributing services digitally, including financial services, are low. The marginal cost of offering one more digital service is very low and is often close to zero. One exception is the price on money borrowed – this is a finite resource. Borrowing money also entails a risk, which is why borrowed money always has a price.

We are primarily a digital bank, which means that we have no physical bank branches. Our customer experience takes place through digital channels and the telephone, except for our commercial mortgage and

tenant-owners' association customers with whom we normally have physical meetings.

Cost-efficiency is therefore very important. To ensure SBAB's long-term competitiveness, we invest in our operations. Not only to improve our customer offering, but also to make ourselves more efficient and make it possible for us to grow with the lowest possible marginal costs. We want the marginal costs for growing with more customers and larger volumes to be so low that we will always be able to offer competitive terms.

SBAB's expenses increased 12.5% (13.2%) during the year to SEK 1,335 million (1,187) primarily due to an impairment of non-tangible assets and increased investments in areas including customer experience and service, digitalisation and IT. One way of measuring total cost efficiency is the C/I ratio – costs in relation to income. This is a metric that describes how much each krona earned actually costs SBAB. We continue to be the most cost-efficient residential mortgage bank in Sweden with a C/I ratio of 35.8% (33.7). Another metric for cost efficiency, which is also an important part of our internal monitoring, is the C/L ratio, which describes costs in relation to lending. In 2020, our C/L ratio amounted to 0.33% (0.32).

Profitability

Profitability creates the prerequisites for growth and investments in our operations. It also provides SBAB with the preconditions for building stable own funds, which is crucial for confidence among our stakeholders such as customers, bond investors, ratings institutes and government authorities.

We achieve profitability through developing and working with both revenue and cost streams. The revenue factors with the largest impact are growth in the form of more customers, growth in lending and interest margins on lending. As regards costs, low marginal costs is the most important factor for achieving long-term cost efficiency, both for conducting operations and for growth. SBAB's profitability target specifies a return on equity of no less than 10% over a business cycle. Return on equity in 2020 amounted to 10.8% (11.7).

Dividend

Part of our funding comes from our owner, the Swedish state, in the form of equity. In return for its contribution, the owner receives a return through the profit generated by operating activities. In accordance with the owner's dividend target, at least 40% of profit after tax is to be distributed, taking SBAB's capital structure into consideration. The Board has decided to propose to the AGM the distribution of no dividend for the 2020 financial year. SBAB is well capitalised and has excellent prerequisites to grow lending. The Board's decision to propose the distribution of no dividend for the 2020 financial year further strengthens SBAB's capitalisation. SBAB expects capital requirements to increase

somewhat during 2021 after incorporating the European banking package into Swedish law and the Swedish FSA's regulations. In the coming years, there is also considerable uncertainty about how the capital requirements will develop. SBAB has taken responsibility for maintaining lending during 2020 and intends to continue to take responsibility for a well-functioning mortgage credit market in Sweden.

Capitalisation

It is important for SBAB to be well capitalised, since this promotes confidence from our stakeholders and financial stability. Healthy capitalisation is also important because it enables growth in lending and builds resiliency for difficult periods.

To a large extent, SBAB's capital requirements are governed by laws and regulations, supervised by the Swedish FSA. Through our capital targets we govern which safety margins we want in relation to the regulatory requirements. According to SBAB's capital targets, the CET1 capital ratio and the total capital ratio should under normal conditions be at least 0.6 percentage points higher than the requirement communicated by the Swedish FSA. In March 2020, the Swedish FSA lowered the countercyclical capital buffer requirement to 0 due to the growing uncertainty over the economic situation. The Swedish FSA's requirements corresponded at year end to a CET1 capital ratio of 8.0% and a total capital ratio of 12.2%. At the end of the year, the CET1 capital ratio amounted to 13.3% (13.1) and the total capital ratio to 17.6% (20.1). This provides a comfortable margin to internal targets and external regulatory requirements.

→ Read more about green bonds on page 92.

Replacing the bank's base system

In 2017 we began the replacement of SBAB's entire base system. The project is ongoing and requires considerable time and resources. Modern, flexible system support comprises a key component for strengthening SBAB's future competitiveness, and its ability to develop digital services and enhance the digital customer interface. The project is expected to be completed in 2021 and during the start of 2022.





High demand for sustainable investments

"In the middle of 2020, SBAB issued its fifth green bond, this time in EUR. This is a prime example of how SBAB is part of steering the housing market in a more sustainable direction together with our customers and investors," explains Anders Hult, Head of Funding at SBAB.

Considerable interest exists in building a sustainable society with energy-friendly and climate-smart housing. There is also considerable demand from investors to fund these developments through investments in green bonds.

"In mid-2016, SBAB became the first bank in Sweden to issue a green bond. Since then, we've issued green bonds of a total value of some SEK 18 billion. In 2020 we issued our fifth green bond, an unsecured green bond of EUR 500 million," says Anders.

Anders explains that this is the first time that SBAB has issued a green bond in the EUR market and that the transaction was a success both in terms of price and demand from investors. The order book was oversubscribed by over four times.

"We're very pleased with the transaction. The green format contributed to very high interest from traditional investors as well as those specialised in green or sustainable investments. We quickly had an order book exceeding EUR 2,000 million, with around 120 investors. This transaction is one of the strongest unsecured transactions that SBAB has carried out in the EUR market. It was obviously a team effort, where the low risk profile and transparency of SBAB's sustainable business model is much appreciated by investors. The success of the transaction is also a sign of the quality of SBAB's green bond framework and sustainability effort at large," says Anders, adding:

"Through consistent, long-term and conscious work to raise awareness about sustainability, both within the company as well as with our customers, all of us at SBAB work together to create the preconditions for green lending."



How SBAB's green bonds work

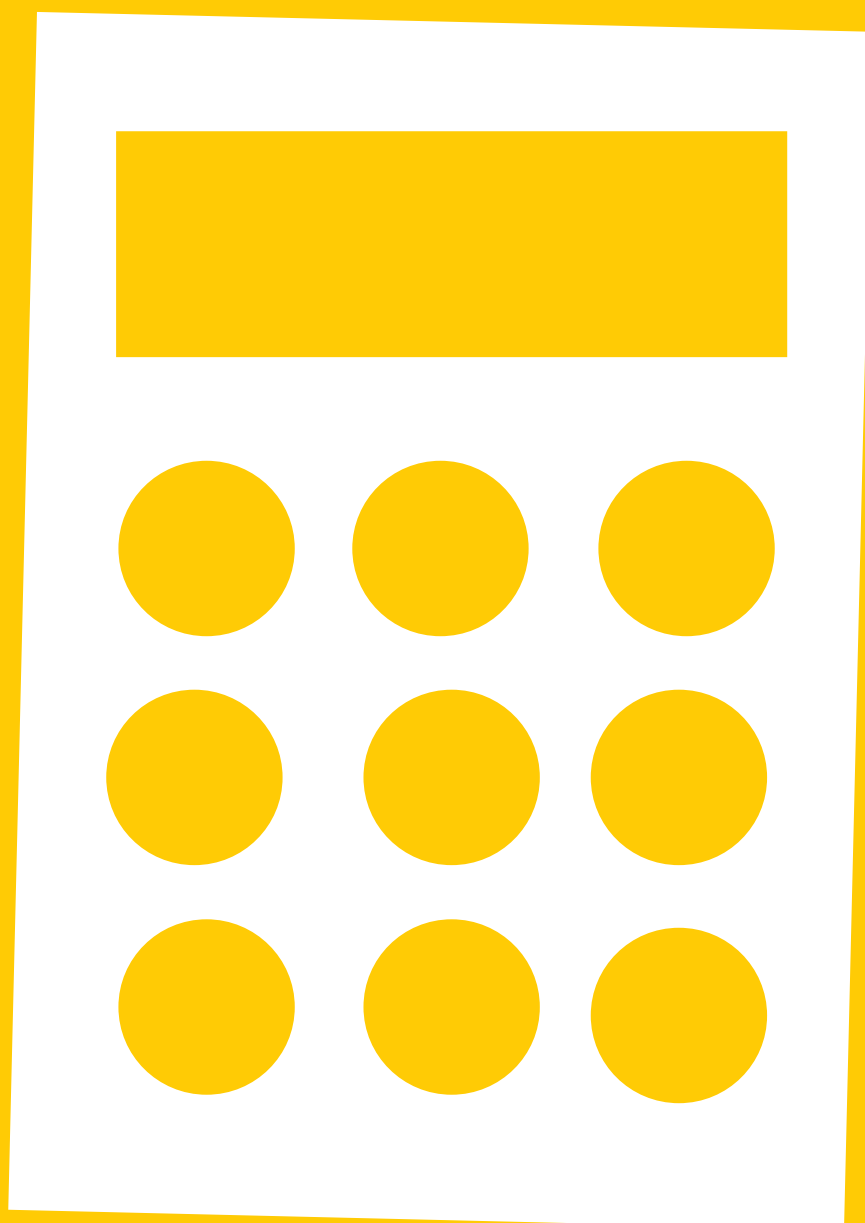
The funds SBAB raises through our green bond issues are used to finance or refinance residential properties that meet a number of energy-efficiency criteria or hold certain environmental certification. The terms for onward lending and the conditions for issuing our green bonds are described in more detail in SBAB's green bond frameworks ("SBAB Green Bond Framework 2016" and "SBAB Green Bond Framework 2019"), available on www.sbab.se. The independent climate and environmental research institute, Center for International Climate and Environmental Research – Oslo (CICERO) has reviewed SBAB's sustainability work and approved the investment categories chosen as green investments. SBAB's two green bond frameworks are classified as Medium Green. Green bonds outstanding at the end of the year totalled SEK 18.05 billion (12.8).

How SBAB's green bonds contribute

Every year, SBAB publishes a report ("Green Bonds Impact Report") that describe the effects the residential properties that SBAB finances with green bonds actually have on the environment in terms of savings in greenhouse gas emissions, expressed in carbon dioxide equivalents, CO₂e.

Eligible investment objects within SBAB's green bond frameworks amounted at year end to SEK 31.2 billion. According to SBAB's calculations, these objects are estimated to generate an annual avoidance in GHG emissions corresponding to 22,552 tonnes CO₂e. SBAB's share of the financing is expected to correspond to an annual avoidance of 11,604 tonnes of CO₂e.

➔ Read more in the sustainability notes on page 198 and in the Impact Report 2020.



2020 financial report

Condensed income statement

+ SBAB's income

SEK million	2020 (2019)
Net interest income SBAB's largest and most important revenue item is net interest income, which comprises the difference between interest income and interest expenses. Interest income is primarily from residential mortgages and housing loans, while interest expenses mainly comprise funding and deposit costs.	3,747 (3,473)
Net commission Net commission mainly comprises income from insurance broking and other credit-related fees and expenses related to funding and valuations.	-24 (-14)
Net result of financial transactions The net result of financial transactions arises through SBAB's application of financial instruments and as a result of accounting valuation effects.	38 (26)
Other operating income Other operating income primarily consists of income from housing and household financial services in the form of fees and advertising revenue.	43 (36)
Total income	3,728 (3,521)

- SBAB's EXPENSES

SEK million	2020 (2019)
Expenses SBAB's expenses mainly comprise personnel, premises and marketing costs and costs for IT and business development.	-1,335 (-1,187)
Credit losses Credit losses arise when SBAB's customers are unable to pay interest and make loan repayments. We work to minimise credit losses, based on our adopted risk tolerance levels. According to regulatory requirements, we also prepare for expected credit losses through provisions.	-32 (-26)
Tax Tax consists of income tax of 21.4% of net profit for the year with an addition for tax adjustments and any adjustments of tax for previous years.	-522 (-520)
Total expenses	-1,889 (-1,733)
= Net profit for the year	1,839 (1,788)

The net profit for the year comprises total income less total expenses. Net profit is returned to **equity**.

Condensed balance sheet

SBAB's ASSETS

SEK billion	2020 (2019)
Securities (liquidity reserve) In order to maintain high liquidity, SBAB has various forms of securities, mainly in the form of a liquidity portfolio. The liquidity portfolio was set up to ensure access to finance at times when SBAB's normal funding sources are not operating satisfactorily.	76 (77)
Lending to the public SBAB's largest asset item in the balance sheet was lending to the public. This item comprises residential mortgages and consumer loans to consumers as well as housing loans to businesses and tenant-owners' associations.	423 (384)
Lending to credit institutions For short-term liquidity management, SBAB utilises, inter alia, the repo market to invest or borrow money from other banks.	1 (0)
Derivatives SBAB utilises various forms of derivatives both on the asset and liability sides to protect the company against undesired changes in interest rates or exchange rates.	11 (13)
Total assets	511 (476)

SBAB's liabilities and equity

SEK billion	2020 (2019)
Deposits SBAB's lending is financed by, among other things, deposits from the public. Deposits refer to private individuals, corporates or tenant-owners' associations saving money in SBAB's savings accounts, in return for interest on their savings.	136 (131)
Liabilities to credit institutions See the comment under the post "Lending to credit institutions" above.	20 (11)
Issued debt securities (funding) The largest part of SBAB's lending is financed through capital market funding, which is referred to in the balance sheet as issued debt securities.	324 (304)
Derivatives See the comment under the item "Derivatives" above.	3 (1)
Subordinated debt SBAB utilises subordinated debt to strengthen its capital position. The fact that the debt is subordinated means in the event of a bankruptcy, the debt will be realised only when other liabilities have been paid.	2 (5)
Equity	24 (22)
Total liabilities and equity	511 (476)

Information due to the coronavirus pandemic

The spread of 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 is likely to have greater adverse socio-economic effects compared with previous virus outbreaks. The extent of the final impact depends on the measures taken by governments, central banks and other agencies, among other actions. You will find a few of the measures implemented below.

Government measures

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

+ More information about measures taken by the government is available on its website.

Measures from the Riksbank

The Riksbank, the ECB and central banks around the world have announced support measures to maintain the functionality of the markets and to mitigate the economic effects of the coronavirus pandemic. In Sweden, the Riksbank has taken measures to ensure banks can lend to companies suffering from temporary large declines in revenue, when demand for companies' products or services falls. These include a deci-

sion by the Riksbank to lend, through a credit facility, up to SEK 500 billion to companies via the banks with the aim of ensuring a functioning supply of credit. SBAB has participated in this credit facility with SEK 13 billion (see the section on funding on the next page). The Riksbank has also decided to purchase government, municipal, mortgage and corporate bonds and commercial paper, including SBAB's, for up to SEK 700 billion and, in parallel, has lowered the overnight rate for standing deposits with the Riksbank. Even if the Riksbank has announced that a cut in the repo rate is not on the cards, it has not ruled out the possibility of returning to a negative repo rate.

+ Additional information is available on the Riksbank website.

Measures from Finansinspektionen (the Swedish FSA)

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

+ More information about the Swedish FSA's measures is available on its website.

Measures from the Swedish National Debt Office

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

+ Read more on the Swedish National Debt Office's website.

Effects on Sweden's economy

The ongoing coronavirus pandemic and the measures to limit contagion entail major consequences for the global economy, and therefore also Sweden's. The coronavirus pandemic has heavily impacted Sweden's economy and GDP growth. Unemployment has increased substantially.

→ Read more on page 81.

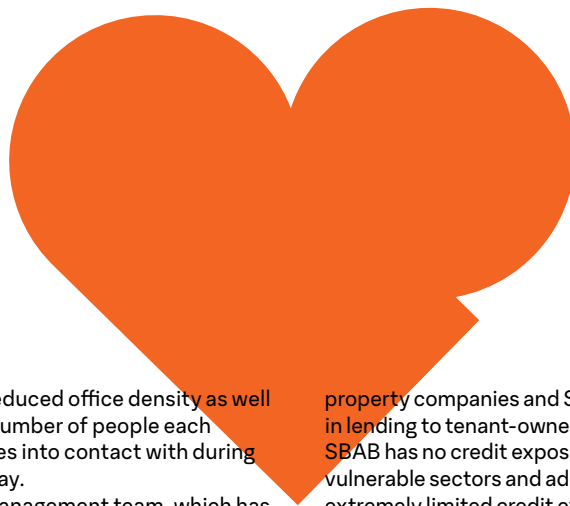
Effects on the housing market

The housing market has shown a high level of resiliency in the face of the pandemic. For a short time, sales and prices went down, but 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.

→ Read more on page 81.

Initiatives to help SBAB's customers

As a bank and services supplier within housing and household finances, SBAB has an important role in the national economy. Even though the government, the Riksbank and other agencies implemented major counteractions, unemployment and sick leave increased in Sweden. And even if Swe-



den, unlike many other countries, has well-functioning welfare systems, many have fallen ill or lost their employment and suffered personal financial harm.

During the year, SBAB continued to focus on supporting all of its customer categories with credits, with the aim of contributing to a well-functioning housing market. New lending for the January–December 2020 period increased 26% to SEK 95.1 billion (75.5).

SBAB is offering its residential mortgage customers a temporary pause in mortgage amortisation in accordance with the guidelines of the Swedish FSA. At 31 December 2020, around 19,200 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 43 billion. At the same date and as a result of the coronavirus pandemic, 46 consumer loan customers, and seven tenant-owners' association customers had been granted amortisation relief, corresponding to a volume of about SEK 6 million and SEK 300 million, respectively. SBAB's portfolio included no property companies receiving amortisation relief at year end.

Initiatives to ensure a good work environment and continuity

As an employer, SBAB has adopted a very serious approach to the coronavirus pandemic. Over and above compliance with government agencies' guidelines, the basic principles for crisis management have been to:

- reduce the risk of workplace contagion;
- reduce the risk of being unable to conduct bank operations classified as essential services;
- reduce the risk of our work environment deteriorating due to employee concerns; and
- help reduce the risk of contagion among the general public accelerating to a pace that overwhelms healthcare.

Some areas of operations have been possible to conduct partly or fully from home. This has not been possible for customer service due to service requirements, banking secrecy and system dependency. SBAB has managed the risks for customer service by renting additional premises to increase available office space, creating autonomous zones and by dividing the existing premises into zones with different entrances. We

have thereby reduced office density as well as limited the number of people each employee comes into contact with during their working day.

The crisis management team, which has held regular meetings several times a week, since the end of February, has prepared scenarios and mapped skills to be able to manage increased sick leave and/or cluster infections. SBAB avoided any significant spread of infection at its offices and, given the circumstances, experienced no significant increase in sick leave during the year.

New challenges have been presented by the new work methods introduced by the pandemic, whereby many people spend more time working from home and most meetings are by remote participation. As an employer, SBAB has made every effort to ensure a good working environment, both physically and socially, during the pandemic. Competence in remote working and leadership has been given a considerable boost.

At the end of May 2020, SBAB chose to conduct an extra employee survey focused on the workplace experience in light of the coronavirus pandemic. 80% of SBAB's employees chose to participate in the survey. Overall, the results indicated the success of efforts at SBAB as a workplace during the pandemic. In 11 out of 15 statements, the experience was predominantly positive for 85% or more of respondents. 96% felt trusted to do their work. 94% were of the opinion that SBAB's management was keeping them informed about the coronavirus crisis's impact on the organisation and 90% felt that SBAB was responsive to and understood their personal concerns.

SBAB's financial position

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

Credit quality

SBAB's lending to the public increased 10.2% during the year to SEK 422.8 billion. Of total lending, SEK 310.8 billion in mortgages, SEK 2.5 billion comprised consumer loans, SEK 54.1 billion comprised lending to

property companies and SEK 55.4 billion was in lending to tenant-owners' associations.

SBAB has no credit exposure to particularly vulnerable sectors and additionally has extremely limited credit exposure in terms of unsecured corporate lending and corporate lending with a different commercial focus than housing, such as offices and warehouses. At the end of the year, SBAB's credit exposure to corporate lending with a different commercial focus than housing of SEK 2.2 billion. The credit quality in SBAB's loan portfolio is assessed as good. The Swedish FSA's annual mortgage market survey, with data from 2019, found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages in a worse economic climate. The healthy level of resilience indicates limited risk for mortgages leading to extensive credit losses. In previous economic crises in Sweden, banks' credit losses linked to residential mortgages and housing finance have been very limited. SBAB is carefully monitoring developments and making ongoing assessments and analyses of the credit risks in lending. As a result of the coronavirus pandemic and in accordance with the existing accounting standard (IFRS 9), in 2020, SBAB has revised the forward-looking information applied in the impairment model, where primarily the unemployment figures have been adjusted up resulting in increased credit loss allowances. For more information about the revision of forward-looking information; please refer to Note **RC1**.

Net credit losses for the January–December 2020 period totalled SEK 32 million.

Lending growth

As a significant credit provider, it is important in crisis situations that SBAB acts to facilitate and maintain the provision of credit in the market. SBAB's long-term strategy remains firm and the company's ambition is to continue to grow and capture market shares. Growth in the residential mortgage market rose during the year (5.6% in November 2020). Extremely high demand was noted during the last three quarters of the year for corporate loans for housing finance.

Funding (funding & deposits)

After the WHO declared Covid-19 a pandemic in the beginning of March and conditions in the capital markets deteriorated

significantly, central banks and governments quickly rolled out a wide variety of measures and support programmes. The European Central Bank (ECB), the Federal Reserve (Fed) and other central banks launched a comprehensive monetary policy programme of quantitative easing that included, inter alia, interest rate cuts, new loan facilities and expanded bond purchases.

The Swedish central bank (Riksbank) initiated several measures to mitigate the economic effects of the pandemic and to support the Swedish economy. The Riksbank decided, inter alia, to offer banks access to unlimited amounts of liquidity against collateral and expanded and broadened its programme for bond purchases. The purchase of government bonds continued to increase at a heightened pace while the purchase programme also came to encompass, inter alia, municipal, mortgage and corporate bonds. The Riksbank's and other central banks' measures were effective and strong contributory factors to the recovery that marked the financial markets for large parts of the year's last three quarters.

In 2020, SBAB issued interest-bearing securities for a total of SEK 89.9 billion (67.6). In parallel, securities were repurchased for an amount corresponding to SEK 21.1 billion (26.1) at the same time as SEK 42.8 billion (33.0) matured.

➔ [Read more on page 88.](#)

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

Deposits from the public increased 4.0% in 2020 to a total of SEK 135.7 billion.

Liquidity

At the end of the year, the market value of the assets in the liquidity reserve amounted to SEK 70.9 billion, corresponding to more than 12 months' maturities for the capital markets. The primary purpose of SBAB's liquidity reserve is to meet regulatory requirements and to act as a provision for situations when the ability to obtain liquidity from other sources is limited or rendered materially more difficult. SBAB's liquidity and preparedness are assessed as good. SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon amounted to 266 days at 31 December 2020. At the same date, the LCR and NSFR amounted to 170% and 128.8%, respectively.

➔ [Read more on page 88.](#)

Capitalization

SBAB is well capitalised and thus has excellent prerequisites to grow lending. The Board has decided to propose to the AGM the distribution of no dividend for the 2020 financial year, thereby further strengthening SBAB's capitalisation. The margins to the Swedish FSA's capital requirements increased as a result of the Swedish FSA's decision to reduce the countercyclical capital buffer requirement. SBAB expects capital requirements to increase somewhat during 2021 after incorporating the European banking package into Swedish law and the Swedish FSA's regulations. In the coming years, there is also considerable uncertainty about how the capital requirements will develop. SBAB has taken responsibility for maintaining lending during 2020 and intends to continue to take responsibility for a well-functioning mortgage credit market in Sweden.

At the end of the fourth quarter of 2020, SBAB's CET1 capital ratio amounted to 13.4% and the total capital ratio was 17.6%. This can be compared with the Swedish FSA's capital requirements as per 31 December 2020, which were assessed as corresponding to a CET1 capital ratio of 8.0% and a total capital ratio of 12.2%. Increased uncertainty prevails surrounding future capital requirements due to the forthcoming regulatory changes.

➔ [Read more on page 92.](#)

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.

Group performance

General information

The Board of Directors have signed, and thereby submitted, the Annual and Sustainability Report in its entirety. The statutory annual report, including this administration report, has been audited and includes pages 74–95, 103 and 108–188. SBAB has prepared a statutory sustainability report pursuant to the requirements of the Annual Accounts Act. The statutory sustainability report is included in the sustainability report that has been prepared in accordance with the GRI Standards: Core option. SBAB's sustainability data is shown in cross reference to the Annual Accounts Act and the GRI on pages 199 and 202–203. The Sustainability Report has been subject to a limited assurance review. The Corporate Governance Report is subject to a statutory review, which is less comprehensive than an audit or auditor's review.

Organisation and operations

SBAB Bank AB (publ) has two business areas: Retail and Corporate Clients & Tenant-Owners' Associations. At 31 December 2020, SBAB had 760 (695) employees (Full Time Equivalents – FTEs) at five offices: 336 (288) in Solna, 38 (37) in Stockholm, 369 (354) in Karlstad, 8 (7) in Gothenburg and 9 (9) in Malmö. Our main IT unit and central functions are in Solna. Booli is located in Stockholm. Our Customer Centre and certain other functions are located in Karlstad. In Gothenburg and Malmö, there are local account managers and appurtenant services serving the Corporate Clients & Tenant-Owners' Associations Business Area.

Financial targets

Our owner, the Swedish government, has established the following overall financial targets for SBAB:

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

Business development

Lending to the public increased 10.2% during the year to SEK 423 billion (383.8). New lending totalled SEK 88 billion (75.4). Of total lending at year end, SEK 310.9 billion (291.6) comprised residential mortgages, SEK 2.5 billion (2.3) consumer loans, SEK 54.2 billion (38.4) lending to property companies and SEK 55.4 billion (51.5) lending to tenant-owners' associations.

Financial results

Operations continued to develop well in 2020. SBAB's operating profit was SEK 2,361 million (2,308). The return on equity was 10.8% (11.7).

Income

Net interest income grew to SEK 3,747 million (3,473), mainly due to higher lending volumes, of which the majority pertained to residential mortgages, and lower guarantee fees. Guarantee fees amounted to SEK 201 million (287) for 2020, of which SEK 154 million (244) comprised the resolution fee and SEK 47 million (43) the fee payable to the national deposit guarantee. The net commission expense decreased during the year to an expense of SEK 24 million (expense: 14). The decrease arose primarily from increased commission expenses stemming from increased fees related to funding operations and costs in connection with winding up a partnership with ICA Bank. The net result of financial transactions decreased to a loss of SEK 38 million (income: 26), mainly due to value changes in hedging instruments and hedged items.

Expenses

Expenses grew to SEK 1,335 million (1,187) due to increased operational investments in areas including customer experience and customer service, digitisation and IT. In the last quarter a customary review of all tangible and intangible assets was made and a need for impairment of SEK 67 million was identified, which affected expenses over the quarter and the year. The replacement of SBAB's base system has continued. Modern, flexible system support is a key component

for strengthening SBAB's future competitiveness, and its ability to develop digital services and enhance the customer interface and experience. The number of FTEs increased from 695 to 760 over the year. Personnel costs amounted to SEK 687 million (630). Other expenses exclusive of depreciation, amortisation and impairment amounted to SEK 490 million (486). Depreciation, amortisation and impairment of PPE and intangible assets amounted to SEK 158 million (71). The C/L ratio was 0.33% (0.32). The C/I ratio was 35.8% (33.7).

Credit losses

Credit losses totalled SEK 32 million (loss: 26). The change was mainly attributable to the increase in credit loss allowances in conjunction with the revision of the forward-looking information applied in the impairment model as a result of the coronavirus pandemic.

Dividends and appropriation of profits

The Board's proposal to the AGM entails no distribution of any dividend for 2020, that is a distribution of 0% (0). The detailed proposed appropriation of profits can be found later in this report. See Note [G 3](#).

Remuneration

There are no differences between the proposed guidelines for remuneration and other terms of employment for senior executives to be adopted at the next AGM compared to the guidelines that applied over the year. The most recently adopted guidelines are provided in Note IC 5.

Events after the balance-sheet date

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

Further information

Further comments on the Group's financial position can be found later in this report.

➔ [Read more on page 109](#)



High saving ratios and reduced interest in consumer loans

Like many other parts of the economy, the housing market was impacted by the coronavirus pandemic. Initial turbulence gave way to strong demand, normal turnover levels and rising house prices which characterised the year.

Developments in the Swedish housing market impact SBAB's lending and profitability. In turn, developments in the housing market are affected by the general state of the Swedish economy. Sweden is a small, heavily export-dependent economy that is highly influenced by international economic developments.

Low interest rates support housing market

The year began with rising market interest rates due to the Riksbank increasing the key interest rate from negative to 0% on 8 January 2020. However, the increase had no major impact on the deposit and lending rates for households and non-financial cor-

porates. These interest rates were also relatively unaffected by the outbreak of the coronavirus pandemic, which was attributable to the short-lived nature of the turbulence in the international fixed-income market and the Swedish interbank market as a result of, inter alia, strong countermeasures from governments and central banks around the world. As initial uncertainty declined, it became clear that the pandemic would cause a very deep economic downturn and low interest rates for a number of years in the future.

Mortgage rates are generally low during a recession, which, among other things, counteracts falling housing prices at a time when unemployment is rising and income growth is weak. However, financial turbulence can lead to rising risk premiums and, therefore, to rapidly rising mortgage rates. Rising credit losses and cautious investors can also lead to rising risk premiums and mortgage rates, despite possible support measures from the Riksbank. A situation with rising mortgage rates and falling incomes

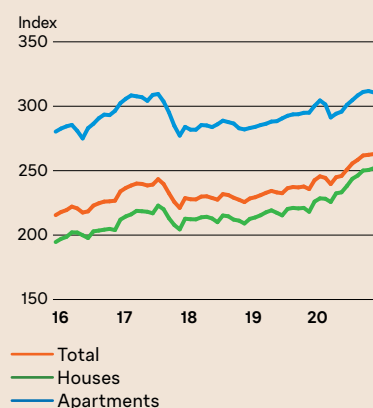
could lead to considerable problems for the housing market and national economy. Many indicators point to mortgage rates remaining low for the extended future, even given a degree of financial turbulence. In the long term, mortgage rates could also rise as a result of increasing inflation in the wake of expansionary fiscal policies.

A more stable housing market

The rising house price trend continued from mid-2019 through 2020, and overall, housing prices rose on a broad front over the year despite the coronavirus pandemic. Tenant-owner apartments noted price rises of around 5% and houses rose about 16%. The year started with short advertising periods and rising housing prices, which during the initial phase of the pandemic transitioned into lower sales volumes and price drops of a few percent. From the summer, this trend switched to broadly rising housing prices, which continued toward the end of the year.

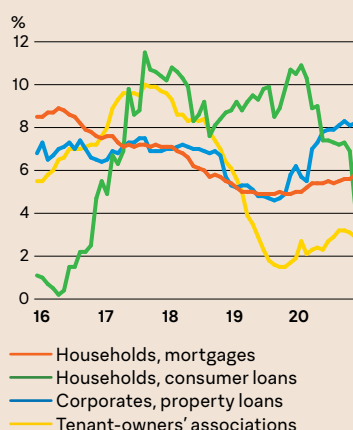
Housing price trend

(HOX index 2005=100)



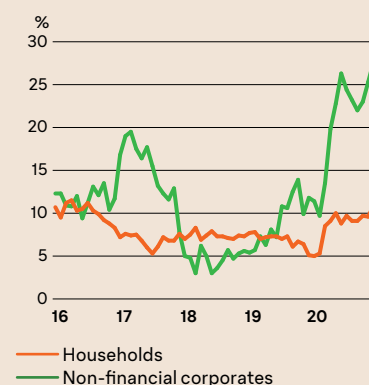
Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



Source: Valueguard, Statistics Sweden (SCB).

Temporary relief from loan amortisation requirements, income support measures from the government and expectations of low interest rates long into the future could explain the strong performance of housing prices. However, risks remain in the form of continued economic uncertainty and high unemployment. Overall however, the structural factors that could explain the long-term housing price trends, including income levels and interest rates, are not expected to diverge significantly from current levels over the next few years.

Changes in housing prices clearly impact production rates for new housing. A period of reduced production followed in the wake of the fall in prices a couple of years ago. The price rises we are currently noting have probably helped prevent production declining further and, together with the support for building rental units, could explain the high rate of production during the year. Nevertheless, the annual rate of construction has declined almost 30% since 2017. Annual production rates are projected to exceed 40,000 housing units moving forward, which essentially corresponds to demand from the growing population. However, it does not address the underlying housing shortage of 150,000 units.

Over the year, the offering of newly produced housing has declined as a result of lower production. Housing developers have largely adapted production volumes and the price of new homes to meet demand, which is confirmed by sources including the SBAB Booli Housing Market Index. Since August 2019, demand for housing has become the foremost hindrance for housing construction according to the National Institute of Economic Research's monthly Economic Tendency Survey.

Deposits grew significantly faster than lending

During the year, households' mortgages grew 5.8% (4.9) to SEK 3,644 billion (3,445). Loans to tenant-owners' associations grew 2.9% (1.7) to SEK 508 billion (494) and loans to property companies increased 8.2% (5.8) to SEK 872 billion (806). The higher growth rates were attributable to a strong price trend, continued good turnover of housing and only a slight drop in the number of completed tenant-owner apartments. Furthermore, real estate companies have increasingly financed their operations with bank credits rather than their own borrowings. In

line with historical experience, no close link has been revealed between housing credit growth and GDP development. The growth rate for households' consumer loans braked sharply to 4.3% (10.7) during the year, totaling SEK 260 billion (249).

The substantial economic downturn resulted in a rapid rise in deposits. During the year, household deposits increased 10.9% (5.1) and at the end of 2020, households' deposits amounted to SEK 2,225 billion (2,007). Changed consumption patterns and precautionary savings have contributed to the high rate of household savings. Households' deposits, which largely comprise bank accounts, therefore increased at a faster rate than their mortgages, despite the low interest rate. The market for deposits from non-financial corporates, including tenant-owners' associations, grew very quickly during the year by 27.7% (11.8) to SEK 1,507 billion (1,180).

Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search engine and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. SBAB does not have any offices for physical customer meetings – we meet our customers and users digitally or by telephone. Our residential mortgage market share amounted to 8.47%¹⁾ at year end, which makes us the fifth-largest residential mortgage bank in Sweden. Booli has Sweden's largest offering of homes for sale. Over the year, Booli averaged 1,339,504 unique visitors each month, with a peak of 1,621,720 unique visitors in October. Our strategy entails offering a differentiated, value-creating customer offering within the housing and household finances ecosystem with a clear focus on residential mortgages.

Residential mortgages

In many ways, 2020 turned out to be completely different to what we had planned due the outbreak of the coronavirus pandemic in the first quarter of the year. The housing market slowed temporarily in March/April before recovering quickly in

pace with the government and the Riksbank introducing measures and liquidity to the market. Since then, the strength of the housing trend has surprised us as well as other market operators. The high activity levels in the housing market despite the pandemic resulted in the residential mortgage market being essentially unaffected in terms of volume. Competition in the residential mortgage market was intense during the year and we expect it to remain so. The competition is driven, inter alia, by increased focus on mortgages from the major banks as well as digitalisation of the customer experience, growth and efficiency. During the year, SBAB's total volume of retail mortgages increased 6.6% (5.4) to a total of SEK 310.9 billion (291.6). New lending amounted to SEK 57.9 billion (59.1) in 2020. At year end, we had 286,000 residential mortgage customers (279,000) allocated over 183,000 mortgage objects financed (178,000). The residential mortgage market share was 8.47%¹⁾ (8.42) at year end, which puts SBAB in fifth place after the four major banks. Data from Statistics Sweden show that SBAB's share of net growth in the residential mortgage market totalled 9% (9) over the year. SBAB's lending is concentrated to the Stockholm, Öresund and Gothenburg regions, which together represent 83.8% of the residential

mortgage stock. The majority of SBAB's residential mortgage customers chose shorter maturities during the year. The share of total lending with a three-month fixed-interest period amounted to 70.3% (73.5) at year end. At the end of 2020, the average LTV ratio in SBAB's mortgage portfolio was 58% (60). At the same date, the average residential mortgage to retail customers amounted to SEK 1.7 million (1.7).

Partnerships

A smaller part of SBAB's lending to consumers is carried out through partnerships with other intermediaries. At year end, the total volume of mediated residential mortgages amounted to around SEK 19 billion (25), which is equivalent to 6.1% (8.5) of SBAB's total lending to retail customers. Approximately SEK 10 billion (15) of residential mortgages were mediated under SBAB's own brand. The remainder, about SEK 9 billion (10), were mediated residential mortgages using other brands, with SBAB as the underlying creditor.

In the fourth quarter of 2019, SBAB and Sparbanken Syd entered into an amended agreement relating to the parties' partnership agreement regarding the mediation of

¹⁾ From Q4 2020, an updated definition of the residential mortgage market was used that includes residential mortgage volumes from Mortgage Institutions (Bostadskreditinstitut, BKI) and Alternative investment funds (Alternativa Investeringsfonder, AIF), meaning that our market share looks marginally lower than previously. According to the previous definition our market share was 8.51% at 31 December 2020 and 8.47% at 31 December 2019.

Condensed income statement, Retail

SEK million	2020	2019	2018
Operating income	2,875	2,691	2,568
Expenses	-1,099	-957	-848
Net credit losses	-27	-16	-10
Operating profit	1,749	1,718	1,710
Return on equity, %	10.9	11.8	12.6

Composition of collateral in the loan portfolio, Retail

SEK billion	2020	2019	2018
Mortgage deeds	156.3	146.1	140.0
Tenant-owners' rights	153.9	145.1	136.6
Municipal guarantees and direct loans to municipalities	0.0	0.0	0.1
Government guarantees	0.0	0.0	0.0
Bank guarantees	0.0	0.0	0.0
Other collateral	0.0	0.0	0.0
Consumer loans ¹⁾	3.2	2.8	2.2
Total	313.4	294.0	278.9

¹⁾ Unsecured loans to retail customers.

Retail business area, Cont.

mortgage loans (SEK 9.2 billion of the residential mortgage stock at 31 December 2019). According to the amended agreement, Sparbanken Syd was entitled to mediate new mortgages on behalf of SBAB until 30 November 2020 at the latest and to acquire the entire loan portfolio, or parts thereof, during the period from 1 July 2020 until 31 December 2023. Sparbanken Syd ceased to mediate residential mortgages as per the agreement on 30 November 2020. SBAB will also continue to mediate residential mortgages under its own brand via selected partnerships. It is of material importance to achieving responsible growth that all distribution channels work sustainably. This means that business partners are to promote transparency in the customer offerings and act in such a manner that strengthens confidence in SBAB and the financial market in general. We prioritise business partners where we see growth potential through modern and digital distribution methods.

Consumer loans

A consumer loan is a loan without a requirement for collateral. Unlike residential mortgages, consumer loans are not connected to any specific purpose, although they are frequently used to supplement residential mortgages in relation to home finance. At the end of the year, the total consumer loan volume amounted to SEK 2.5 billion (2.3). At the same date, the market share was 0.87% (0.83). At 31 December 2020, about 35,000 (34,000) customers had consumer loans with SBAB.

Savings accounts

In comparison with the zero interest offered by the major banks, SBAB's attractive offering with straightforward and favourable terms has resulted in many customers choosing to save with us. Deposits are extremely important if we are to have a

competitive offering in terms of residential mortgages and housing financing, since it comprises a valuable share of our funding for lending. Our savings accounts offer competitive interest rates, are free of charge, have free withdrawals and are covered by the national deposit guarantee. Retail deposits during the year amounted to SEK 95.5 billion (92.0). At the same date, the market share was 4.38% (4.68). At year end, approximately 379,000 (350,000) retail customers held savings accounts with SBAB. The increase was due to a competitive savings rate, marketing initiatives and a continuing high level of deposits in savings accounts by households.

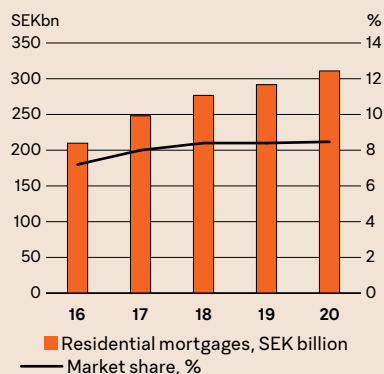
User trends and the ecosystem

Our customer offering is an ecosystem of services related to housing and household finances. Through the services we provide in Booli, HittaMäklare and SBAB, we wish to help our customers meet their needs and

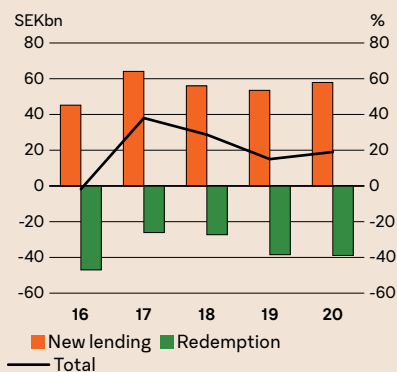
Increased market shares

During the year, the total volume of retail mortgages increased around 6.6% to a total of SEK 310.9 billion (291.6) driven by the continued strength of the customer offering, competitive rates and high levels of brand awareness. The residential mortgage market share increased to 8.47%¹⁾ (8.41)

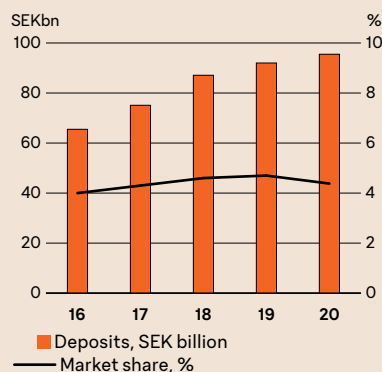
Volume and market share, residential mortgages



New lending and redemption, residential mortgages



Volume and market share, deposits, retail



¹⁾ From Q4 2020, an updated definition of the residential mortgage market was used that includes residential mortgage volumes from Mortgage Institutions (Bostadskreditinstitut, BKI) and Alternative investment funds (Alternativa Investeringsfonder, AIF), meaning that our market share looks marginally lower than previously. According to the previous definition our market share was 8.51% at 31 December 2020 and 8.47% at 31 December 2019.

solve issues over their entire housing journey. Every month, many people visit SBAB's website to manage mortgages and savings or to find inspiration about housing and household finances. The number of unique visitors per month to www.sbab.se averaged around 491,000 (443,000) over the year. During the past year, we surpassed 109,000 active monthly users for the SBAB app. Booli is a popular platform for finding information about supply, demand and price trends for housing. The average number of unique visitors per month to www.booli.se was around 1,340,000 (919,000) over the year. Booli's monthly home valuation email had approximately 500,000 subscribers at the end of 2020. HittaMäklare is Sweden's largest service for locating and recommending estate agents. About 89% of the registered estate agents in Sweden had used HittaMäklare's service in 2020.

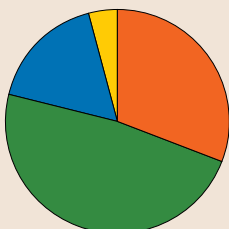
Insurance broking

We offer two insurance products that are related to residential mortgages and housing in different ways: mortgage insurance and home insurance. Mortgage income insurance insures customers against unemployment or sick leave, by compensating the monthly cost of the loan. Mortgage life insurance means that the borrower's residential mortgage may be wholly or partially written off in the event of death. Home insurances pay compensation to the homeowner in case of damage to the home or house. These products protect our customers, but they also add value for SBAB, as good insurance protection reduces the risk of credit losses.

Sound credit quality in the lending portfolio

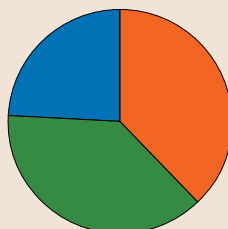
We work determinedly and continuously to ensure sound credit quality in our lending portfolio. This has meant adapting operations to new amortisation regulations, developing existing credit regulations and implementing more risk-based pricing. In addition, we are working on distribution and customer communication customised for target groups.

Loan-to-value (LTV) ratio in the mortgage portfolio



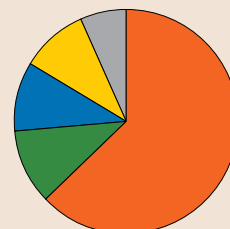
■ LTV 0-50% 31% (28)
 ■ LTV 50-75% 48% (48)
 ■ LTV 75-85% 17% (18)
 ■ LTV >85% 4% (7)

Average debt-to-income ratio in new lending in 2020



■ Debt ratio ≤3.5 38% (45)
 ■ Debt ratio <3.5 - ≤4.5 38% (38)
 ■ Debt ratio >4.5 24% (17)

Geographic distribution of the mortgage portfolio



■ Stockholm region 63.0% (63.6)
 ■ Öresund region 10.7% (11.0)
 ■ Gothenburg region 10.1% (9.9)
 ■ University and growth areas 9.6% (9.2)
 ■ Other regions 6.6% (6.3)

Corporate Clients & Tenant-Owners' Associations Business Area

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to companies and organisations. We finance multi-family dwellings, existing as well as new construction. Our lending to this segment corresponds to around a quarter of SBAB's total lending. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to companies increased 3.06% and was 14.29% at the end of 2020, and the market share for lending to tenant-owners' associations was 10.06%.

Property financing

SBAB finances multi-family dwellings, both privately owned and owned by tenant-owners' associations. The properties may consist of existing buildings or new construction, where we mortgage the land with development rights and the construction. In our credit process, we regularly monitor developments in the property market and

conduct reviews and risk evaluations of all customer relationships. SBAB's total lending to corporates and tenant-owners' associations increased 21.9% (5.4) over the year and, at 31 December 2020, amounted to SEK 109.6 billion (89.9), of which SEK 54.2 billion (38.4) comprised lending to corporate clients and SEK 55.4 billion (51.5) lending to tenant-owners' associations.

Property companies

Activity in terms of corporate business was very high during the year. During the coronavirus pandemic, SBAB's strong focus on housing finance resulted in us being able to provide the attention demanded by customers, which strengthened customer relationships and resulted in an increased number of transactions. New lending to property companies was very favourable and amounted to SEK 19.4 billion (8.7) in 2020. Total lending totalled SEK 54.2 billion (38.4) at the end of the year. The number of large property company customers amounted to 84 (72). SBAB's lending to commercial properties excluding residential properties is

Composition of collateral in the loan portfolio, Corporate Clients & Tenant-Owners' Associations

SEK billion	2020	2019	2018
Mortgage deeds	100.5	88.8	83.7
Tenant-owners' rights	0.0	0.0	0.0
Municipal guarantees and direct loans to municipalities	0.3	0.6	0.8
Government guarantees	0.0	0.0	0.1
Bank guarantees	0.0	0.0	0.0
Other collateral	8.8	0.5	0.8
Total	109.6	89.9	85.3

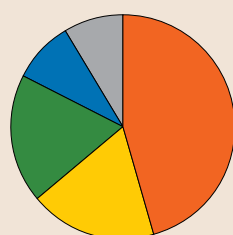
Condensed income statement, Corporate Clients & Tenant-Owners' Associations

SEK million	2020	2019	2018
Operating income	853	826	800
Expenses	-235	-224	-199
Credit losses/recoveries	-5	-11	21
Operating profit	613	592	622
Return on equity, %	10.6	11.6	11.7

Increased lending volumes for corporate business

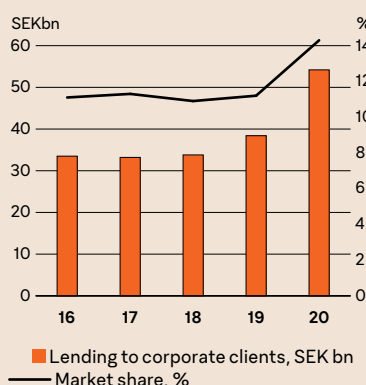
SBAB's lending to property companies during the year increased to a total of SEK 54.2 billion (38.4). At the same date, the market share was 14.29% (11.23).

Geographic distribution of the loan portfolio, Corporate Clients & Tenant-Owners' Associations

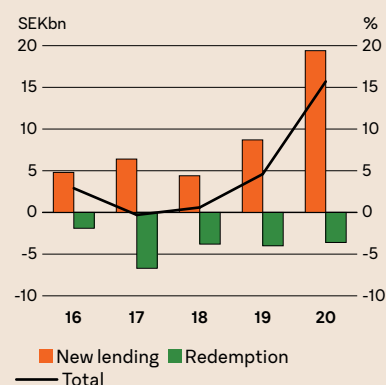


Stockholm region	45.6% (49.0)
University and growth areas	18.5% (16.1)
Öresund region	18.4% (16.7)
Gothenburg region	9.1% (9.9)
Other regions	8.4% (8.4)

Volume and market share, Corporate clients



New lending and redemption, Corporate clients



limited and amounted to SEK 2.2 billion (2.6) at 31 December 2020.

At year end, the market share for lending to property companies was 14.29% (11.23).

Construction loans

As a result of the changed market conditions for the new construction market, where demand for new apartments does not always match the offering of newly constructed apartments, we have applied a more restrained approach to our lending in this segment over the past few years. Primarily in Stockholm, though also in other growth areas, the pace of construction and price trends for new apartments has been particularly high. Sweden's housing market has a regional nature and the construction slowdown has been clearest in the Stockholm area, whereas the Malmö region continues to offer good business opportunities. We set pre-sales requirements on binding purchase agreements before the start of production and own investment by the cus-

tomers when lending for new build projects. Moreover, SBAB focuses lending on established customer relationships and large, experienced property developers.

Tenant-owners' associations

SBAB holds a strong market position and activity remained high in during the year. At the end of 2020, SBAB's total lending to tenant-owners' associations amounted to SEK 55.4 billion (51.5). New lending totalled SEK 10.1 billion (6.8). Despite the market for lending to tenant-owners' associations remaining dominated by intense price competition with low margins, not least in the major metropolitan areas, the market share of lending to tenant-owners' associations increased over the year to 10.06% (9.55). The number of tenant-owners' association customers increased and amounted to 1,899 (1,731) at the end of 2020.

Savings accounts

Deposits from corporate clients and tenant-owners' associations increased over the year and totalled SEK 40.2 billion (38.6), and the market share was 2.38% (2.94) at the end of 2020. At year end, 8,100 corporate clients (8,200) and 4,400 tenant-owners' associations (4,300) held savings accounts with SBAB.

Construction loans

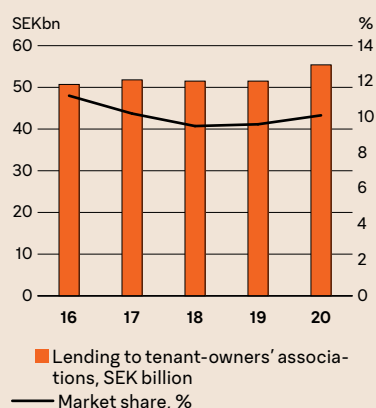
	2020	2019	2018
Approved construction loans, No.	78	70	62
Approved construction loans, SEK bn	15.0	14.0	14.0
Of which disbursed, %	65	64	69

At 31 December 2020, our lending to commercial properties amounted to SEK 2.2 billion (2.5).

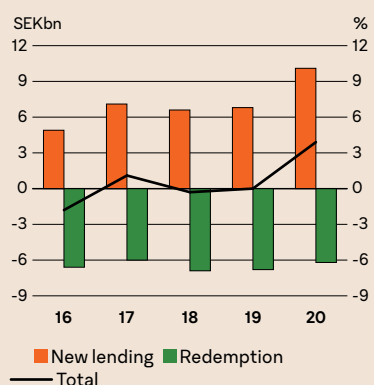
Strong position and high activity in terms of lending to tenant-owners' associations

Despite the market for lending to tenant-owners' associations continuing to be dominated by intense price competition with low margins, the market share of lending to tenant-owners' associations increased. At year end, the market share was 9.97% (9.55).

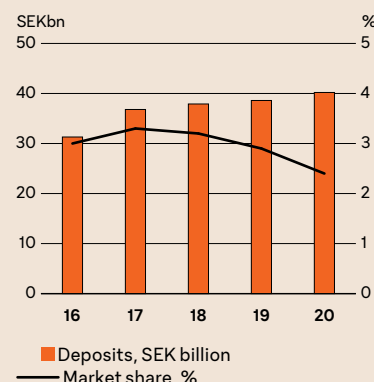
Volume and market share, Tenant-owners' associations



New lending and redemption, Tenant-owners' associations



Volume and market share, deposits, Corporate clients & Tenant-owners' associations



Funding and liquidity

Funding operations

SBAB's operations are primarily funded through the capital market, but for the last several years, also increasingly through deposits from the public. The SBAB Group is active in both the senior unsecured bond market through the Parent Company SBAB, as well as in the covered bond market through the wholly owned subsidiary SCBC.

Long-term funding sources

	Limit
Euro Medium Term Note Programme (EMTN), SBAB	EUR 13 billion
Euro Medium Term Covered Note Programme (EMTCN), SCBC	EUR 16 billion
Swedish covered bond programme, SCBC	[No fixed limit]

Short-term funding sources

	Limit
Swedish Commercial Paper Programme (SVCP)	SEK 25 billion
European Commercial Paper Programme (ECP)	EUR 3 billion

2020 in brief

After the favourable market conditions and healthy risk appetite in the beginning of the year, funding for the rest of 2020 was dominated by the coronavirus's effects on stock exchanges, interest rates and credit indices as well as by the mitigation measures taken by governments and central banks. After the WHO declared Covid-19 a pandemic in the beginning of March and conditions in the capital markets deteriorated significantly, central banks and governments quickly rolled out a wide variety of measures and support programmes. The European Central Bank (ECB), the Federal Reserve (Fed) and other central banks launched a comprehensive programme of quantitative easing that included, inter alia, new loan facilities and expanded bond purchases. The Fed and the Bank of England also chose to lower their key interest rates 150 and 65 basis points, respectively.

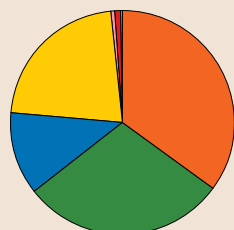
The Swedish central bank initiated several measures to mitigate the economic effects of the coronavirus pandemic and to support the Swedish economy. The Riksbank decided, inter alia, to offer banks access to unlimited amounts of liquidity against collateral and expanded and broadened its programme for bond purchases. The purchase of government bonds continued to increase at a heightened pace while the purchase programme also came to encompass, inter alia, municipal, mortgage

and corporate bonds. Measures taken by the Riksbank and other central banks were effective and the stock market and credit indices recovered during the second and third quarters, until the end of the year. Interest rates in most major currency areas during the year fell relatively drastically and, at the end of the year, were at historic lows.

SBAB maintained good liquidity throughout the year and issued bonds regularly, primarily in the Swedish but also in international capital markets. The Riksbank's purchase of Swedish covered bonds entailed that covered funding in Sweden for most of the year was at favourable levels compared with those in Europe. At year end, credit spreads for Swedish five-year covered bonds were at their lowest levels since prior to the 2008 financial crisis.

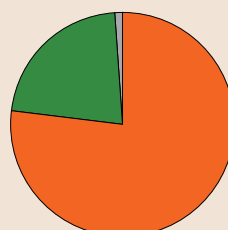
In 2020, the SBAB Group issued long-term bonds valued at SEK 74.9 billion (57.3). In January, a new five-year benchmark bond was issued in the Swedish covered bond market, along with a new ten-year bond. Other issues during the year included an EUR 500 million five-year green uncovered bond and a capital transaction (T2) of SEK 2.0 billion. The transactions were very well received by the market. Moreover, two previously issued T2 bonds were redeemed during the year for a total of SEK 3.5 billion on the first possible early redemption date. Issued debt securities outstanding (total funding) amounted to SEK 323.7 billion (303.6) at the end of the year, of which SEK 263.9 billion

Funding sources, Group



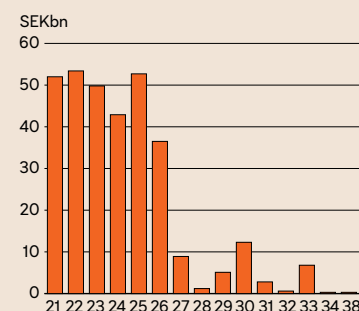
Swedish benchmark covered bonds	35.3% (29.6)
Deposits	29.3% (29.7)
EMTN programme SBAB	11.9% (12.6)
EMTCN programme SCBC	22.1% (26.6)
Subordinated loans	0.4% (1.1)
ECP	1.0% (0.4)
SVCP	0.1% (0.0)

Funding sources, distribution by currency, Group



SEK	77% (71)
EUR	22% (28)
Other currencies	1% (1)

Outstanding maturity profile, Group



(246.8) comprised covered funding and SEK 59.8 billion (56.8) unsecured funding.

Funding Strategy

Through access to stable and competitive funding, we ensure that SBAB can offer lending at attractive terms. We actively work to diversify our sources of funding through increased retail and corporate deposits. Growing deposit volumes have in recent years reduced our dependence on capital markets at the same time as these have provided us with a better and more balanced funding mix.

The cornerstones of our funding strategy are to promote diversified borrowing and to be a regular issuer in both the Swedish and European bond markets. Active liability management, in part through repurchasing bonds with short remaining maturities, as well as a balanced maturity profile are other key elements. We also attach great importance to regularly meeting and updating investors in the markets where we operate, primarily in Sweden and Europe.

Unsecured funding

Long-term funding

SBAB's business involves mortgage lending, which in turn requires stable long-term funding. Continued strong deposit inflows and healthy liquidity have contributed to a slight reduction in the need for long-term unsecured funding in the last few years.

At year end, long-term unsecured funding amounted to SEK 54.7 billion (55.1), of which SEK 6.0 billion (6.0) comprised senior non-preferred bonds and SEK 48.7 billion (49.1) other senior unsecured bonds.

Short-term funding

Short-term funding in the form of commercial paper continues to represent a limited part of SBAB's total funding and amounted to SEK 5.2 billion (1.7) at year end. We mainly use short-term funding to manage and balance liquidity between different periods.

Covered bond funding

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC). Total covered debt amounted to SEK 263.9 billion (246.8) at the end of the year, of which SEK 184.1 billion was in SEK and SEK 79.8 billion was in foreign currencies.

Liquidity¹⁾

The primary purpose of SBAB's liquidity reserve is to act as a provision for situations when the ability to obtain liquidity from other sources is limited or rendered materially more difficult. SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings. At the end of the year, the market value of the assets in the liquidity reserve amounted to SEK 70.9 billion (77.6). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 68 billion (74.5). Both external regulations and internal limits dictate the size and composition of the liquidity reserve. Securities holdings are limited by asset class and by country, respectively, and must have at least an AA rating on acquisition. In addition to these collective limits, limits for individual issuers may also be set. Investments are mainly in SEK, EUR and USD and we use derivatives to manage the portfolio's interest-rate and currency risks.

Green bonds in the liquidity reserve

At the end of 2020, our holdings in green bonds amounted to about SEK 5.4 billion (3.8). It is our aim to increase these holdings within the scope of the current investment policy.

Key figures for liquidity

	2020	2019
Survival horizon	266	290
LCR, % ¹⁾	170	271
NSFR, % ²⁾	129	134

¹⁾ According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements. For all currencies combined. The previously published LCR figures as of 31 December 2019 have been corrected as a result of a reclassification of the liquidity reserve figures. The LCR has been corrected from 271% to 265%. The bank does not believe this will have any material effect on liquidity risk.

²⁾ In line with forthcoming regulations, from 30 September 2019, SBAB calculates the net stable funding ratio (NSFR) in accordance with Regulation (EU) 2019/876 of the European Parliament and the Council.

Credit rating

Long- and short-term credit ratings from Moody's and Standard & Poor's were unchanged during the year.

Rating

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

SCBC in brief

SCBC's primary operations comprise the issue of covered bonds in the Swedish and international capital markets. The company's funding programmes have received the highest possible long-term rating of Aaa from the rating agency Moody's. 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. Information on SCBC's covered bonds and cover pool is published monthly on www.sbab.se.

¹⁾ The previously published liquidity reserve figures as of 31 December 2019 have been corrected as a result of a reclassification of the liquidity reserve figures.

Risk and capital management

Risk management involves ensuring that SBAB is resilient in different situations and that the company is capitalised to the effect that even unexpected risks can be managed.

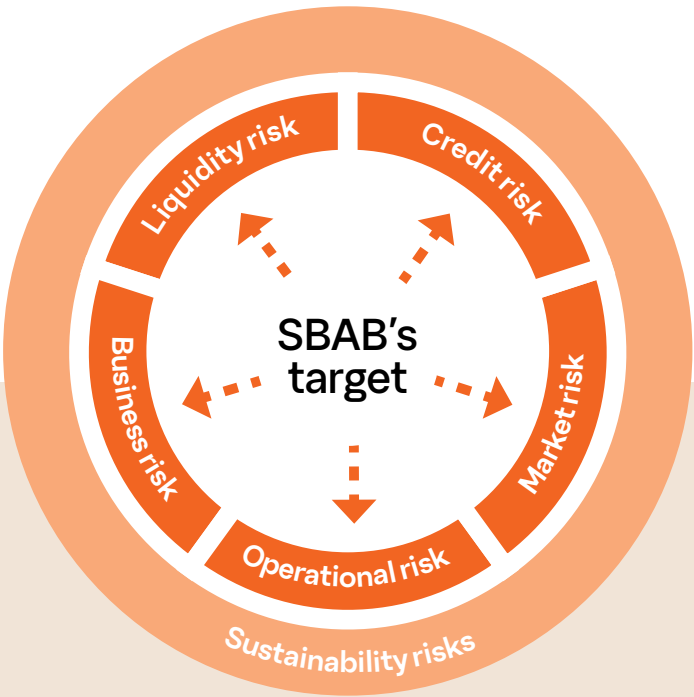
SBAB's independent risk control function identifies, analyses and develops methods to manage various types of risks in our operations. The main risk is credit risk arising from lending, primarily to retail customers, but also to tenant-owners' associations and multi-family dwellings. In addition, SBAB is exposed to credit risk in treasury operations, above all the counterparty risk for the derivatives and repo contracts SBAB enters into in order to manage financial risks. Other risks in SBAB's operations pertain to market risk, liquidity risk, business risk and operational risk. SBAB retains sufficient capital and liquidity to cover these risks, even in stressed situations. SBAB is well capitalised and has own funds that comfortably exceed both the internally estimated need of own funds and the capital requirement calculated by the Swedish FSA. Liquidity risk is managed beyond capital by maintaining a liquidity reserve and through diversified funding.

SBAB's risks and risk management

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 SBAB's profit, capital, liquidity or value. SBAB's risk management framework comprises a risk strategy, a risk policy, a capital policy and a risk appetite. The risk policy sets out SBAB's risk management objectives and defines the risks to which SBAB's operations are or could be

exposed. With the exceptions of business risk and sustainability risk, the limits specified in the risk appetite are used to keep exposures to the respective risk types in check. Sustainability risk is a general risk, elements of which can be found throughout the bank's operations, and which is inseparable from other risks. The following diagram illustrates SBAB's overriding goals and sets a framework for the objectives of risk management. Within the various risk classes, SBAB's risk appetite should be aligned with, and indirectly controlled by, the goals.

➔ Read more on pages 92-94.



SBAB's risk appetite

➔ Read more on page 92

The three lines of defence



Risk governance

All material risks are monitored and reported to the Board of Directors. The Board of Directors bears overarching responsibility for SBAB's total risk exposure. It is the Board's responsibility to ensure that operations are conducted with good internal controls. The CEO is responsible for ongoing operational management and monitors that each unit's, including the risk control units, reporting to the Board of Directors is conducted in accordance with the relevant instructions. Independent risk control units within Risk are responsible for the identification, quantification, analysis and reporting of all risks. The Chief Risk Officer ("CRO") is responsible for Risk and reports directly to the CEO and the Board of Directors of SBAB.

Risk strategy

The Board adopts the strategic direction and the overarching risk level that SBAB is willing to accept, based on operations and

how value is created for our customers. This means SBAB is to consciously expose itself only to risks that are directly connected to or are regarded as necessary for its operations. SBAB's profitability is dependent on its ability to assess, manage and price risks. It is also about maintaining sufficient liquidity and capital to meet unforeseen events. Knowledge and awareness of any risks that SBAB may be exposed to, together with the right expertise to estimate the size of existing and potential risks, is therefore absolutely necessary for our operations. All risks must be evaluated based on the risk appetite decided by the Board.

Risk taking

SBAB'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 SBAB's business model is that the risks to which SBAB is exposed are low and predictable. In reality, this does not mean that each individual credit exposure has very low risk, rather that

the total lending portfolio consists largely of low-risk loans and that every loan's internal risk effect is such that the total risk is limited. The basis for SBAB'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 SBAB'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. SBAB minimises undesired risks through appropriate functions, strategies, processes, procedures, internal rules, limits and controls.

Credit risk trends in 2020

The overall credit quality in SBAB's loan portfolio is assessed as good. In 2020, credit risk in SBAB's portfolio increased slightly in terms of risk-weighted assets due to the increased lending volume. However, the development of risk metrics that measure PD and loss given default has been positive, driven by improved the repayment capacity of customers and higher housing prices. Customers' debt-to-income ratios for loans disbursed in 2020 averaged 3.7, up slightly on last year. The loan-to-value ratio for loans disbursed during the year averaged 70%, up marginally on 2019. In terms of the total residential mortgage stock, volume-weighted LTV ratios declined over the year to 58% (60) at year end, due to reasons including a stronger housing market.

Despite the positive trend for relative credit risk in the portfolio, SBAB chose during the year to adjust credit loss allowances to prepare for possible future credit losses resulting from the consequences of the coronavirus pandemic. The increases in the credit

loss allowances implemented in the first three quarters of 2020 were attributable to adjustments to the forward-looking information applied in the impairment model. During the year, SBAB has offered customers amortisation relief in accordance with the guidelines of the supervisory authorities. Approximately 19,200 residential mortgages were subject to amortisation relief at the end of 2020, corresponding to a volume of around SEK 43 billion. The development of amortisation relief is regularly monitored both internally and by the Swedish FSA. During the year, SBAB has further analysed various indicators to enable early identification of payment difficulties with customers, without noting any material changes.

Risk and capital management, Cont.

Sustainability risks

SBAB's sustainable governance model permeates all operations, where it simplifies and clarifies the full picture. The basic principle of SBAB's work with sustainability risks is that they cannot be separated from other risks. There are elements of sustainability risks across SBAB's entire operations.

The risk department's work with sustainability risks is limited to a number of clearly defined areas, where the risk can be identified, measured and followed up. In this report, sustainability risks pertain to the risk of loss or reduced future income due to sustainability-related events. These include events in the following categories: personnel, societal conditions, human rights and climate as well as financial crime and corruption.

SBAB's aim is to manage sustainability risks with a risk-based approach integrated into daily operations. In the event of high risk, the aim is to conduct an in-depth sustainability review and, where necessary, set requirements to counteract the adverse impact. These efforts are inspired and guided by international legislation and guidelines. We also conduct an ongoing dialogue on sustainability risks across all operations. SBAB's proactive sustainability approach further contributes to sustainable risk management through, inter alia, gap analyses and defined objectives as well as their follow-up and reporting.

➔ Read more on page 91

Capital adequacy

SBAB's CET1 capital ratio amounted to 13.4% (13.1) at year end. At the same date, the total capital ratio was 17.6% (20.1). This can be compared with the Swedish FSA's capital requirements, which are expected to correspond to a CET1 capital ratio of 8.0% and a total capital ratio of 12.2%. SBAB's capital targets corresponded at year end to a CET1 capital ratio of not less than 8.6% and a total capital ratio of not less than 12.8%. Capital requirements have increased during the year as a result of the Swedish FSA's decision in the first quarter of 2020 to lower the countercyclical buffer value from 2.5% to 0.0%. On 24 November 2020, the Swedish FSA decided to retain the countercyclical buffer value for banks unchanged at 0%. Accordingly, the margins for the Swedish FSA's capital requirements increased on last year. CET1 capital increased SEK 1.7 billion to SEK 17.5 billion (15.8) during the year. Earnings had a positive impact on CET1 capital of SEK 1.9 billion. Total capital decreased SEK 1.3 billion during the year to SEK 23.0 billion (24.3), mainly due to the redemption of Tier 2 capital instruments (T2) and additional Tier 1 instruments (AT1). During the year, the risk exposure amount (REA) increased to SEK 130.3 billion (120.6), mainly driven by higher lending volumes (EAD) corresponding to SEK 10.5 billion, of which SEK 5.8 billion was attributable to the effect from the risk-weight floor. In addition, SBAB has introduced a REA surcharge of

SEK 0.8 billion. The REA surcharge of SEK 0.8 billion remains unchanged on last year. The surcharge pertains to corporate exposures and aims to compensate for the current pro-cyclical effect that exists in the existing models for credit risk, within which probability of default (PD) has declined in line with the favourable economic climate. Net profit for the year is included in the calculation of own funds and Tier 1 capital. The expected dividend pursuant to SBAB's dividend policy has not been deducted in accordance with the Board's decision to propose to the AGM the distribution of no dividend for the 2020 financial year. The leverage ratio amounted to 4.00% (4.30) at 31 December 2020. Further information on capital adequacy is provided in Note **RC 8**.

Components of the capital target

SEK million	2020				2019			
	Total capital	%	CET1 capital	%	Total capital	%	CET1 capital	%
Capital requirement from the Swedish FSA	15,944	12.2	10,469	8.0	17,912	14.9	12,942	10.7
– Of which, Pillar 1 minimum requirement	3,889	3.0	2,188	1.7	3,637	3.0	2,046	1.7
– Of which, Pillar 1 risk-weight floor, Swedish mortgages	6,532	5.0	3,674	2.8	6,009	5.0	3,380	2.8
– Of which, Pillar 2 core requirement	2,249	1.7	1,333	1.0	2,249	1.9	1,499	1.2
– Of which, Capital conservation buffer	3,257	2.5	3,257	2.5	3,014	2.5	3,014	2.5
– Of which, Countercyclical buffer	17	0.0	17	0.0	3,003	2.5	3,003	2.5
SBAB's capital target	16,726	12.8	11,250	8.6	18,635	15.5	13,665	11.3
SBAB's actual capital	22,992	17.6	17,492	13.4	24,282	20.1	15,830	13.1

Sustainability risks

Risk area	Risk description	Impact on SBAB	Risk mitigation measures
Personnel, social conditions and human rights The risk of SBAB's operations, business relationships and business undertakings having a negative impact on personnel, customers or external parties, social conditions or human rights.	<p>Internal: In its own operations, risk is primarily linked to SBAB as an employer and SBAB's corporate culture. Motivated and committed employees are a prerequisite for SBAB's success. SBAB's operations and corporate culture affect the work conditions of employees. Risks pertaining to personnel include health and safety at the workplace, the occurrence of discrimination, remuneration levels and workloads.</p> <p>External: SBAB is exposed to risks linked to social conditions and human rights in conjunction with lending to property companies, for example on lending for new production projects with several levels of subcontractors. The controls performed by the main contractor in areas such as working conditions are made more complex when production is outsourced. SBAB is also exposed to these risks in conjunction with the procurement of services and goods. The area also encompasses the risk that SBAB's services and products are not available to all members of society. Accessibility pertains to equality and non-discrimination, and is a crucial prerequisite for people with disabilities to be able to exercise their human rights and fundamental freedoms.</p>	Possible damage to reputation and negative impact on the Group's financial position.	<p>SBAB has determined a long-term, focused and extended HR strategy. SBAB has clear company-wide goals to support equality and diversity and to ensure a positive employee experience and high employee commitment. SBAB has an equality and diversity policy and an equality plan that emphasises the value of employees with different backgrounds. SBAB's Code of Conduct provides guidance on how employees should act and conduct themselves in various situations based on SBAB's values and the inherent responsibilities of being a SBAB employee.</p> <p>SBAB aims to manage risks linked to personnel, social conditions and human rights in lending through in-depth customer dialogues and industry collaboration. SBAB has a Supplier Code that addresses SBAB's view and expectations of our suppliers' sustainability efforts and compliance with international guidelines and principles. Accessibility comprises a key area for product and service development. SBAB conducts accessibility tests on an ongoing basis.</p> <p>➔ Read more on pages 40, 45, 50-51, 54-65 and 190-203.</p> <p>Examples of relevant policies within the area, in addition to those mentioned above, include the Remuneration Policy, Equality and Diversity Policy, Work Environment Instruction, Whistleblower Process Instruction, Ethics Policy and the Policy for Sustainable Enterprise.</p>
Climate This is divided into physical risks and transition risks. Physical risks encompass the direct effects of climate change that give rise to financial costs and risks, for example the physical impact on properties resulting from climate change. Transition risks encompass financial risks related to the transition to a less fossil-based economy.	<p>Internal: The physical climate risk linked to SBAB's operations primarily pertains to the risk of increased damage and value declines in assets and collateral as a result of climate change. SBAB's operations are exposed to transition risks in cases where SBAB does not succeed in adapting operations to the higher environmental and climate requirements set by tomorrow's sustainable economy. This also applies to demand for SBAB's products and services.</p> <p>External: SBAB is exposed to climate risks in conjunction with credit granting. Future climate changes could affect customers' capacity to pay and the value of assets and collateral. Physical climate risks encompass, inter alia, higher sea levels, extreme weather as well as collapses and landslides.</p>	Possible negative impact on the Group's financial position.	<p>Climate risk is mainly managed through a broadened customer dialogue, internal training, product development and customer communication. In our credit granting process for property companies and tenant-owners' associations, certain sustainability criteria are considered as a part of the overall assessment. In 2019, SBAB completed an initial analysis of how the future physical climate risks could impact the mortgage portfolio. The analysis indicates that rises in sea levels and the risk of flooding have limited impact on SBAB's portfolio.</p> <p>➔ Read more on pages 46-47, 48-49, 73 and 189-203.</p> <p>Examples of relevant policies within the area, in addition to those mentioned above, include the Policy for Sustainable Enterprise, Credit Policy, Risk Policy and the Credit Instruction.</p>
Financial crime and corruption Financial crime pertains to money laundering, financing of terrorism, fraud and other economic crime. In simple terms, corruption is often described as an act whereby people utilise their positions or act inappropriately to obtain unfair advantage for their own or other parties' benefit, for example by giving or accepting a bribe.	<p>Internal: The occurrence of corruption or financial crime could seriously affect the confidence of the public, the owner, customers and employees in SBAB and thereby the company's future competitiveness. The risk of corruption or financial crime is relevant to all parts of SBAB's operations.</p> <p>External: Corruption and financial crime undermine democracy, hinder economic growth and distort competition in society. The risk of corruption or financial crime is relevant at every stage where money is handled. This means that SBAB risks being used throughout the value chain, including deposits from the public, funding from capital markets or lending to the public (consumers, companies and tenant-owners' associations).</p>	Possible reputational risk and government agency notice with sanctions.	<p>SBAB has a separate unit, Anti-Financial Crime (AFC), which acts to strengthen SBAB's overall capacity to prevent financial crime. SBAB's efforts in this area encompass, inter alia, conducting risk assessments, obtaining a good level of KYC, monitoring activities and transactions, continuous training and ensuring adequate internal control through examination in the first, second and third lines in terms of daily operations, procedures and processes. SBAB has an internal framework regulating how operations should work to counteract bribes and other forms of corruption. The framework is designed to reflect the Code on Gifts, Rewards and other Benefits in Business published by the Swedish Anti-Corruption Institute. To that end, SBAB conducts ongoing courses in this area.</p> <p>➔ Read more on pages 45, 50-51 and 189-203.</p> <p>Examples of relevant policies in the area, aside from those mentioned above, include the Policy and Instruction for Counteracting Money Laundering and Financing of Terrorism, and Compliance with Financial Sanctions, the Ethics Policy, the Policy for Sustainable Enterprise, the Whistleblower Process Instruction, the Code of Conduct and the Supplier Code.</p>

Risks in SBAB's risk appetite

Risk type		Risk appetite	
		Classification	Level
	Credit risk in lending operations <p>The risk that the counterparty does not fulfil its payment obligations towards SBAB. Credit risk arises in conjunction with loans and loan commitments, as well as in connection with value changes in pledged assets entailing that these no longer cover the Group's receivables. The credit risk also includes concentration risk, which refers to the increase in credit risk that arises in large exposures to individual counterparties, or in the case of concentrations toward specific regions or industries.</p> <p>→ Read more in Note RC 1</p>	Wanted risk	Medium
	Credit risk in treasury operations <p>Defined as the total of investment risk and counterparty credit risk. Counterparty credit risk is defined as credit risk in financial derivatives that arises when the value of the instrument changes resulting from variations, for example, in interest rate levels and/or currency exchange rates, which means SBAB receives a claim against the counterparty. In addition, counterparty credit risk entails that SBAB's financial counterparties cannot meet their commitments under repo contracts. Investment risk is defined as credit risk in financial investments and entails the risk that a debtor does not fulfil its payment obligations, meaning either completes payments late or not at all. Financial investments are incorporated in liquidity management, which aims to reduce liquidity risk and utilise surplus capital to contribute to increased profitability.</p> <p>→ Read more in Note RC 2</p>	Necessary risk	Low
	Market risk <p>The risk of loss or reduced future income due to market fluctuations, which in SBAB's operations comprises interest rate risk, currency risk, credit spread risk, basis risk and pension risk. Interest rate risk is defined as the risk that variations in general interest rate levels result in losses or lower future income as assets and liabilities have different fixed interest periods and/or interest terms. Currency risk refers to the risk that changes in the exchange rate for SEK against other currencies result in losses or lower future income. Credit-spread risk refers to an exposure to changing conditions between an issuer's interest expense in comparison with a reference rate such as STIBOR. Basis risk refers to the risk associated with deposits and lending that are fixed to different interest rate bases. Pension risk pertains to the risk arising from value changes in the portfolio intended to cover the bank's pension commitments.</p> <p>→ Read more in Note RC 4</p>	Necessary risk	Low
	Operational risk <p>The risk of losses due to inadequate or failed internal processes, human error, faulty systems or from external events. The forms of operational risk relevant to SBAB are categorized into event types. Examples of relevant event types are internal and external fraud; employment practices and workplace safety; clients, products and business practice; damage to physical assets; business disruption and system failures; and execution, delivery and process management. Legal risk includes the risk that agreements or other legal transactions cannot be completed in accordance with specific terms and conditions or that judicial proceedings are started that could have a negative impact on SBAB's operations. Operational risk includes compliance risk. Regulatory compliance is essential in maintaining confidence in SBAB's operations. Even rules that are not legally binding, but that reflect a market practice or ethical guidelines, affect SBAB's approach to employees and customers.</p> <p>→ Read more in Note RC 5</p>	Necessary risk	Low
	Business risk <p>The risk of declining earnings due to harsher competition, inappropriate strategies or erroneous decisions. SBAB differentiates its business risk between strategic risk and the risk of weaker earnings. Strategic risk is defined as the risk of a loss arising due to unfavourable business decisions, erroneous implementation of strategic decisions or a lack of sensitivity to changes in the industry, the political environment or legal circumstances. The risk of weaker earnings encompasses the risk of, for example, reduced margins, which in turn may arise due to more expensive financing or more intense competition.</p> <p>→ Read more in Note RC 6</p>	Necessary risk	Low
	Liquidity risk <p>Liquidity risk is defined as the risk that SBAB will not be able to meet its payment obligations without the related cost of obtaining funds increasing significantly. Short-term liquidity risk measures the risk of being impacted in the short term by a lack of liquidity, while structural liquidity risk arises from the mismatch between assets and liabilities in terms of maturities, which can lead to a lack of liquidity in the longer term.</p> <p>→ Read more in Note RC 3</p>	Necessary risk	Low

Risk profile

Risk management

SBAB primarily offers housing mortgages to consumers, tenant-owners' associations and property companies where collateral comprises mortgage deeds in immovable property or rights-of-use. The majority of SBAB's customer base is concentrated to major metropolitan areas.

Credit risk is central to SBAB's business model and it is considered to be the dominant risk in operations. Credit granting in SBAB is characterised by responsible credit granting taking into account the customer's long-term repayment capacity and resilience as well as the value of posted collateral. Credit rules and credit management are continuously analysed, processed and improved. Corporate clients are processed individually while retail customers are analysed using a structured process in conjunction with the credit approval process. Concentration risk and major exposures are carefully monitored and followed up.

SBAB's counterparty risks and investment risks are low and are not considered dominant risks.

Counterparty-risk exposure is primarily covered through collateral agreements in which the counterparty provides collateral in an effort to reduce exposure. Investment risk is mitigated as SBAB only invests in interest-bearing bonds with high credit ratings.

SBAB's market risk is low and is not considered a dominant risk.

Interest-rate risk is to be mitigated through direct funding in matched currencies and tenors or the use of derivatives. Currency risks are mitigated as funding in international currency is hedged through currency swaps or matched against assets in the liquidity portfolio in the same currency.

Operational risk is a natural part of all business. SBAB aims to optimise the relationship between costs for reducing risk and any of its potential outcomes. SBAB considers operational risk to be a prerequisite for implementing the business concept efficiently and competitively, taking into account operations, strategy, risk appetite and the macro environment.

Within SBAB, operational risk is managed through uniform valuation and reporting. The analysis of risk levels in all operations is conducted on a regular basis and reported to the Board, the CEO and the Executive Management. Self-evaluation of processes that are considered significant is performed at least once per year. Within the framework of changes with potential effects on the bank's risk level, risks are identified in an early stage of the change process. Prior to implementation, the change process is quality assured by representatives from the second line of defence. Unexpected events that can negatively affect the bank are to be reported as incidents and managed according to pre-determined instructions.

SBAB's business risk is low and is not considered a dominant risk.

Risks related to strategy and earnings are evaluated on an ongoing basis over the year within the first line's strategy work. Strategically important decisions are managed within the framework for material changes. Furthermore, the Board receives an annual evaluation of the material risks that clearly addresses strategic business risk and the bank's overall earnings. Business risk is also included in the calculation of the Pillar 2 capital requirement as part of SBAB's stress tests, and where the effects of a scenario corresponding to a normal economic downturn are evaluated.

SBAB has a low liquidity risk and diversified funding. Securities that are part of the liquidity reserve have high credit ratings and are eligible as collateral with either the Riksbank or the European Central Bank, to guarantee liquidity.

SBAB's liquidity strategy includes proactive and continuous liquidity planning, active debt management and an adequate liquidity reserve. The funding strategy takes into consideration the expected maturity on the asset side. On this basis, SBAB limits its structural liquidity risk by maintaining diversified funding with sufficiently long maturities. SBAB has several liquidity metrics, for which limits apply, most of which are monitored and reported on a daily basis.

Corporate Governance Report

SBAB Bank AB (publ) (SBAB) is a Swedish public limited banking company that is wholly owned by the Swedish state. SBAB is domiciled in Solna. Owner governance of SBAB is exercised through general shareholder meetings, the Board of Directors and the CEO in accordance with the Companies Act, the Articles of Association, and the policies and instructions adopted by SBAB. Moreover, SBAB applies the State Ownership Policy and principles for state-owned enterprises, as adopted by the government on 27 February 2020 (the "Ownership Policy") which, inter alia, requires that SBAB apply the applicable parts of the Swedish Corporate Governance Code (the "Code"). This Corporate Governance Report has been prepared pursuant to the regulations covering corporate governance reports in the Code and the applicable annual accounts act pursuant to the Ownership Policy.

This Corporate Governance Report has been subject to a statutory review by the company's auditor.

The foundation of SBAB's corporate governance

Well-functioning corporate governance, risk management and internal governance are essential for SBAB to reach set targets and gain the confidence of its stakeholders. In addition to corporate governance in the traditional sense, which describes the system by which a company is governed and controlled, SBAB's vision, mission, business idea and values are important elements in SBAB's governance model, as is information transparency, corporate culture, leadership and the long-term sustainable conduct of operations. This, together with corporate governance, means that we can maintain a high level of confidence in SBAB's operations. Confidence forms the basis of all banking operations.

Application of the Code

Since SBAB is wholly owned by the state, SBAB applies the Code with the exception of those rules pertaining to the Nomination Committee and the rules covering the election of the Board and auditors. Moreover, SBAB does not apply those rules that are specifically aimed at companies with more than one owner. In cases where the rules for remuneration to senior executives in the Code differ from the principles from the government in the Ownership Policy, the latter apply. Based on the ownership structure and with observance of the Ownership Policy, the following deviations from the Code rules have occurred:

Code rule 1.1 – publication of information regarding the shareholders' right to propose business for the Annual General Meeting (AGM). The purpose of this rule is to give

shareholders the opportunity to prepare ahead of time for the AGM and have matters included in the agenda for the AGM. In companies entirely owned by the Swedish state, in accordance with the owner's guidelines, the public shall be invited to attend the AGM. As a notice is sent to the Central Bureau of the Swedish Riksdag (parliament), members of parliament also have the opportunity to attend.

Code rule 1.3 – proposal of a chair for the annual general meeting. In state-owned owned companies, the owner submits its proposed nominee for the chair at the general meeting.

Code rule 2 – the establishment of a nomination committee responsible for matters such as the appointment and remuneration of the Board of Directors and the auditor. The reason for the deviation is that nomination matters in state-owned companies are handled by the government in the manner described in the Ownership Policy.

Code rule 4.1 – strive for gender balance on the Board. More specific gender balance guidelines are given for state-owned companies as a result of the Swedish Ministry of Enterprise and Innovation's coordinated board nomination process.

Code rules 2.6, 4.4, 4.5, 4.6 and 10.2 – information to be provided concerning the independence of Board members in relation to major shareholders. No such information is provided since the primary objective of the Code rules in question is to protect minority shareholders in companies with dispersed ownership. Consequently, in accordance with the corporate governance principles for state-owned enterprises, there is no reason for such information concerning independence to be disclosed in entirely state-owned companies.

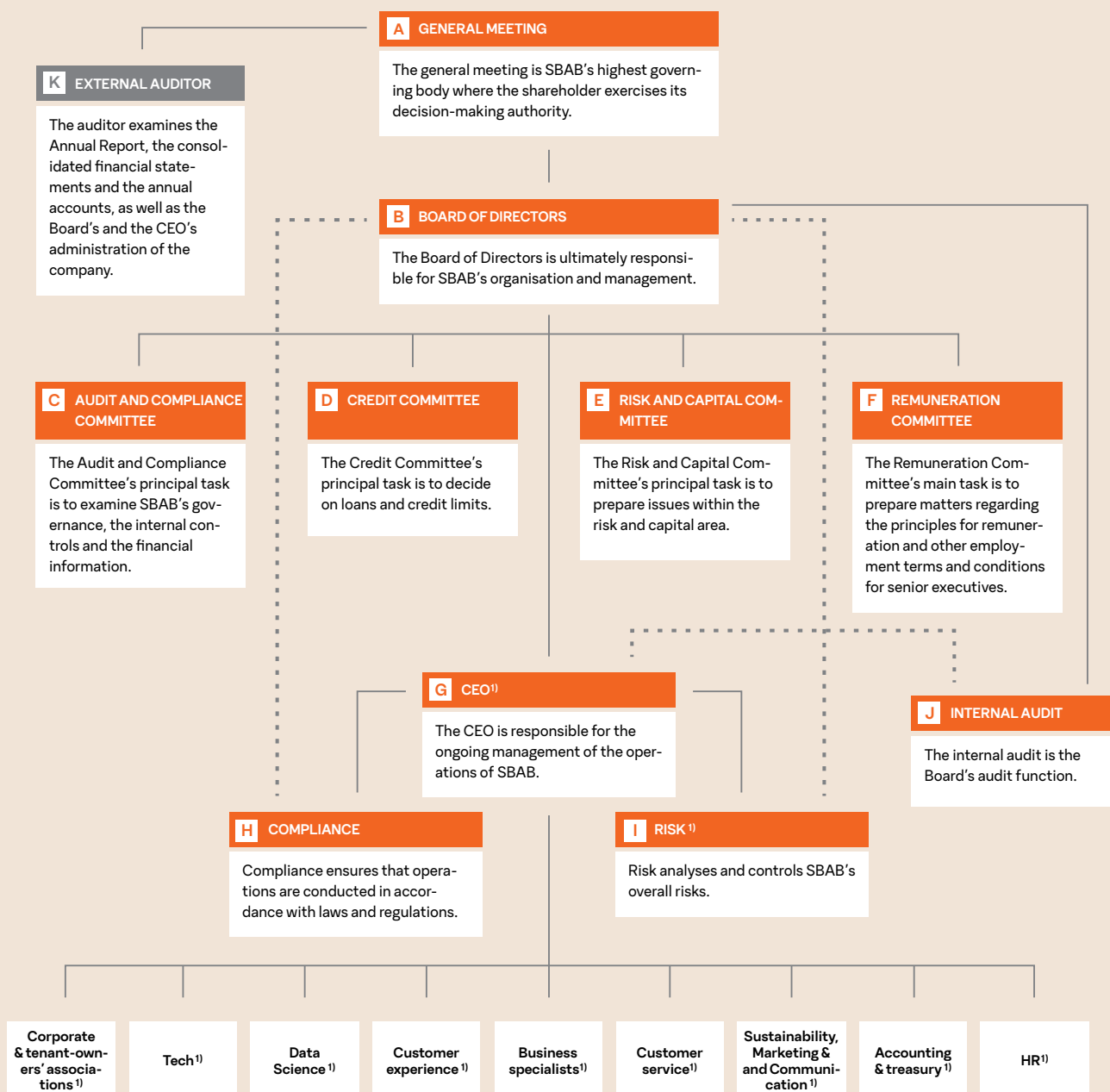
Articles of Association

SBAB's Articles of Association regulate matters such as the company's business objectives. The Articles of Association do not include any stipulations regulating the appointment or dismissal of Board members, with the exception of stipulations stating that the AGM is to appoint the Chairman of the Board and determine the minimum and maximum number of Board members. It is further stated that if the Chairman of the Board resigns from his or her office during the mandate period, the Board is to appoint one of the Board members as the new Chairman until the end of the AGM, when a new Chairman will be elected by the AGM. For amendments to be made to the Articles of Association, the notice of the extraordinary general meeting that will address amendments to the Articles of Association is to be issued not earlier than six weeks and not later than four weeks prior to the meeting.

A General meeting of shareholders

On 14 February 2020, SBAB held an Extraordinary General Meeting (EGM) at which the owner was represented by Linda Lausson, Swedish Ministry of Enterprise and Innovation. The EGM noted vacancies on the Board after Bo Magnusson and Karin Moberg notified their intent to step down in 2019 to the Swedish Companies Registration Office, whereupon Leif Pagrotsky and Johan Prom were elected to the Board.

SBAB's Annual General Meeting was held on 28 April 2020. The members of parliament were invited to attend the AGM, which was not open to the public due to the spread of the coronavirus. The owner was represented by Linda Lausson from the Swedish Ministry of Enterprise and Innovation. Most of SBAB's Board members, the CEO and SBAB's auditor also attended the AGM. Jan Sinclair, Chairman of the Board of SBAB,



¹⁾ Included in Executive Management.

served as the Chairman of the AGM. The AGM resolved to elect the following Board members: Jan Sinclair (Chairman), Lars Börjesson, Inga-Lill Carlberg, Daniel Kristiansson, Jane Lundgren Ericsson, Leif Pagrotsky, Johan Prom and Synnöve Trygg. At the time of the AGM, the local trade unions had appointed Anders Heder and Margareta Naumburg as employee representatives on the Board of Directors, with Kristina Ljung and David Larsson as their respective deputies. Kristina Ljung was subsequently replaced as deputy by Jenny Gustafsson, which was registered with the Swedish Companies Registration Office on 18 December 2020. The AGM 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. The meeting elected Deloitte AB, with Patrick Honeth as the auditor-in-charge, as SBAB's auditor until the close of the 2021 AGM. The meeting reviewed the guidelines for remuneration to senior executives adopted by the 2019 AGM, see Note **1c 5** for details of the guidelines, and adopted new guidelines for remuneration to senior executives. The meeting also decided on the fees to be paid to the members of the Board. No fees will be paid to Board members who are either employed by the Government Offices of

Sweden or are employee representatives. The CEO and Chairman reported on the operations of the bank and the work of the Board of Directors in 2019.

B The Board of Directors

Composition and nomination procedure

In state-owned companies, uniform and shared principles are applied to achieve a structured nomination process for the appointment of board members. The objective is to ensure an adequate supply of competence for the boards of directors of these companies. The Board nomination process at the Government Offices of Sweden is coordinated by the Swedish Ministry of Enterprise and Innovation. For each company, competence needs are analysed on the basis of the company's business, circumstances and future challenges, as well as the composition of the Board of Directors and the Board assessments that have been conducted. Recruitment requirements are then established and work commences. Members are selected from a broad recruitment base in order to draw on the expertise of both women and men, as well as individuals with different backgrounds and experience.

Diversity and eligibility policies

The Board has adopted a policy on diversity in the Board and an instruction for eligibility assessments for Board members, the CEO and senior executives. The diversity policy includes statements to the effect that the composition of the Board should be such that a balance is achieved with regard to background, areas of competence, experience and gender. 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.

Chairman of the Board

The Chairman of the Board is elected by the AGM. If the Chairman of the Board resigns during the mandate period, the Board is to appoint one of the Board members as the new Chairman until the end of the AGM, when a new Chairman will be elected by the AGM. The Chairman leads the Board's work, monitors to ensure that the Board is performing its duties, represents the Board in relation to the owner and maintains contact with the owner. The Chairman is also responsible for initiating and following up

Work of the Board of Directors in 2020

In 2020, the Board of Directors held eight scheduled and two additional board meetings.

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Notes on the newly elected Board members, the performance in 2019 and adoption of the year-end report, quarterly accounts and reporting from control functions and the auditor's review of the Q4 accounts, evaluation of the Board's work in 2019, resolution regarding the assumptions for the internal capital and liquidity adequacy assessment processes, training in capital and risk as well as follow-up of progress in IT strategy.			Statutory board meeting, resolutions regarding internal governance documents and statutory matters, resolution on remuneration to senior executives, Q1 2020 performance and adoption of the interim report, quarterly reporting from control functions and the auditor's review of the Q1 accounts, presentation of report on outsourced operations, progress in IT strategy and continued focus on continuity efforts and a review of amortisation relief.		
	Additional meeting to address the Board's proposal to propose to the AGM the distribution of no dividend for the 2019 financial year. Decisions on the Annual Report, Sustainability Report and Pillar 3 Report for 2019, matters prior to SBAB's AGM, and resolutions on SBAB's internal capital and liquidity adequacy assessment, focus on the spread of the coronavirus in society and continuity efforts at the bank.				Project and activity follow-up, goal fulfilment, strategies for the business areas, analysis of subsidiaries, trends and business intelligence, discussion of progress in IT strategy.

the annual evaluation of the Board's and the CEO's work. The Chairman of the Board ensures that the Board receives adequate information and decision data for its work and the training necessary for the Board to function efficiently.

Board governance and activities

At SBAB's AGM, eight members were elected by the AGM to SBAB's Board. At the end of the year, SBAB's Board comprised these eight members elected by the AGM and two members appointed by the employees' organisations, SACO and the Financial

Sector Union of Sweden. The CEO is not a member of the Board. None of the board members or the CEO hold shares or financial instruments issued by SBAB, since SBAB is wholly owned by the Swedish state. For information regarding lending to key personnel, please refer to Note A 2. The Board adopts business objectives and strategies

ATTENDANCE OF THE BOARD OF DIRECTORS IN 2020

The table presents the meeting attendance of the Board and its committees in 2020. Leif Pagrotsky (Board member), Johan Prom (Board member) and Jenny Gustafsson (Deputy, employee representative) joined the Board of Directors during the year and Kristina Ljung (Deputy, employee representative), stepped down from the Board during the year, which is why their attendance refers to part of the year.

Board members	Board of Directors	Credit Committee	Risk and Capital Committee	Audit and Compliance Committee	Remuneration Committee
Jan Sinclair (Chairman of the Board/Board member)	10/10	23/24	11/11	5/5	
Lars Börjesson (Board member)	10/10	21/24			5/6
Inga-Lill Carlberg (Board member)	9/10	11/24			6/6
Daniel Kristiansson (Board member)	10/10			3/5	6/6
Jane Lundgren Ericsson (Board member)	10/10	23/24	11/11	5/5	
Synnöve Trygg (Board member)	9.5/10		11/11	5/5	
Leif Pagrotsky (Board member)	10/10			3/5	
Johan Prom (Board member)	10/10		8/11		
Jenny Gustafsson (Deputy, employee representative)	0/10				
David Larsson (Deputy, employee representative)	0/10				
Anders Heder (Employee representative)	10/10				
Margareta Naumburg (Employee representative)	10/10				
Kristina Ljung (Deputy, employee representative)	0/10				

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Performance in the second quarter and adoption of the interim report, quarterly reports from control functions and the auditor's review of the second quarter accounts as well as AML follow-up.			Performance in the third quarter and adoption of the interim report. Quarterly reports from control functions and the auditor's review of the Q3 accounts. Follow-up on the coronavirus crisis and continuity efforts, resolution on the recovery plan and policies, analysis of risk and capital issues, training on cloud issues and the effects of the Schrems II ruling.		Decision on the forecast, budget and strategies for 2021 as well as annual plans for the control functions. Account of the materiality and stakeholder analysis in the area of sustainability. Decision on the adoption of the internal capital and liquidity adequacy assessment processes, and follow up and discussion of risk and capital issues as well as the progress of the IT strategy. Follow-up of the CEO's work in 2020.
	Training in AML, IT and cyber risks as well as the credit granting organisation. Review of the progress with the IT strategy, follow-up of sustainability work including analysis of internal work in relation to the Ownership Policy and follow-up of the new graphic profile.			Additional meeting for further analysis of risk and capital issues.	

The Board's committees

The Board has established the following committees to prepare matters ahead of the Board's decisions.

C Audit and Compliance Committee



Jane Lundgren Ericsson (*Chairman*)
Daniel Kristiansson (member)
Leif Pagrotsky (member)¹⁾
Jan Sinclair (member)
Synnöve Trygg (member)

The Audit and Compliance Committee comprises SBAB's audit committee tasked with monitoring financial reporting. The Committee is also responsible for evaluating external auditing work, informing the owner of the results of this work and assisting in the drafting of proposals for auditors. The Committee is also to review and monitor the external auditor's impartiality and independence. Furthermore, the main task of the Committee is to examine the SBAB Group's governance, internal controls and financial information and to prepare issues in these areas for decision by the Board. This is done at the request of the owner and on the basis of the applicable regulations. The Committee receives and processes reports from SBAB's external auditors, Internal Audit and Compliance. The Committee is also tasked with monitoring the efficiency of risk management and of the work carried out by Compliance and Internal Audit. Annual plans and reports from Internal Audit and Compliance are also addressed by the Committee in preparation for decision by the Board of Directors. The Audit and Compliance Committee comprises five Board members. The Audit and Compliance Committee held five meetings during the year.

¹⁾ Leif Pagrotsky was appointed a member at the statutory Board meeting on 28 April 2020)

D Credit Committee



Jane Lundgren Ericsson (*Chairman*)
Lars Börjesson (member)
Inga-Lill Carlberg (member)¹⁾
Jan Sinclair (member)

The principal task of the Credit Committee is to decide on loans and credit limits in SBAB's lending and funding operations. The Credit Committee also has the task of preparing matters involving changes in the credit policy and credit instructions for decision by the Board, the assessment of portfolio strategies, the transparency of the loan 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 Committee prepares all matters relating to credit risk and approves new IRB models and significant changes to existing models. The Credit Committee held 24 meetings during the year.

¹⁾ Inga-Lill Carlberg was appointed a member at the statutory Board meeting on 28 April 2020)

E Risk and Capital Committee



Synnöve Trygg (*Chairman*)
Jane Lundgren Ericsson (member)
Johan Prom (member)¹⁾
Jan Sinclair (member)

The Risk and Capital Committee prepares matters concerning SBAB's treasury operations, matters related to risk and capital and the use of new financial instruments. The Committee also prepares issues for resolution by the Board of Directors concerning objectives, strategies and control documents within the areas of risk and capital. The Committee approves changes in the forward-looking assumptions in the financial reporting used to estimate credit losses. The Committee consists of at least three members (currently four) appointed by the Board. The Risk and Capital Committee is the statutory Risk Committee of the SBAB Group. The Risk and Capital Committee held eleven meetings during the year.

¹⁾ Johan Prom was appointed a member at the statutory Board meeting on 28 April 2020)

F Remuneration Committee



Daniel Kristiansson (*Chairman*)
Lars Börjesson (member)
Inga-Lill Carlberg (member)

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 Committee also prepares matters pertaining to SBAB's remuneration system and eligibility assessments of Board members ahead of Board decisions. The Committee follows up remuneration structures and remuneration levels within SBAB. The Remuneration Committee held six meetings during the year.

for SBAB's operations. The Board ensures that an efficient system is in place for the follow-up and control of SBAB's operations. The Board is also tasked with appointing, evaluating and, if the need arises, dismissing the CEO. The work of the Board complies with the formal work plan adopted annually at the Board of Directors' statutory Board meeting immediately after the AGM. The formal work plan regulates decision-making within SBAB, the arrangements for Board meetings and the division of work among the Board, the Chairman of the Board and the Board committees. The work of the Board complies with an annual plan that satisfies, inter alia, the Board's need for information. SBAB's Board makes decisions on matters relating to SBAB's strategic direction, for example by means of a business plan, and makes decisions regarding larger investments, funding, capitalisation (including capital and liquidity adequacy assessments), significant organisational issues, policies and certain guidelines. The Board addresses and determines the company's interim reports. The Board also follows up SBAB's risks, compliance, and reports on the effectiveness of internal control within SBAB by means of reports provided by SBAB's independent Risk Control, Compliance and Internal Audit units. The Board also receives reports from SBAB's auditor regarding the reporting of completed audits, and financial reporting assessments and internal control. The CEO attends the meetings of the Board of Directors, and other SBAB officers may participate in a reporting role if necessary.

G CEO and Executive Management

The Board has formulated instructions for the CEO's work. The CEO is responsible for the ongoing management of the operations in accordance with guidelines, established policies and instructions issued by the Board. The CEO reports to the Board. Executive Management provides the CEO with support in exercising operational management of SBAB. The Executive Management comprises the following functions: Accounting & Treasury; Risk; Business Specialists; Data Science; HR; Customer Service; Customer Experience & Tech; and Sustainability, Marketing and Communication.

The CEO's councils and committees

The CEO has appointed a number of councils and committees within SBAB to support him in his work in the management of the operations. These are tasked with preparing issues for the CEO, either prior to his decisions or his recommendations on matters to be determined by the Board. These established councils and committees are the Price Council, ALCO (Asset and Liability Committee) and the Credit Council. The Price Council prepares matters related to the pricing of SBAB's products, ALCO prepares issues related to the Group's financial operations, balance-sheet risks and capital issues, and the Credit Council prepares and has a certain scope to make decisions on matters connected to SBAB's credit operations and limits for the financial operations.

Governance of sustainable enterprise

Within SBAB, the Board is ultimately responsible for ensuring that proactive, long-term efforts to achieve sustainable development are carried out within the company. The Board also adopts a strategy, objectives and a policy for sustainable enterprise. Furthermore, the Board monitors and assesses SBAB's sustainability efforts.

→ Read more on page 195

Remuneration of the Board of Directors and senior executives

Information regarding the remuneration of the Board, the CEO and Executive Management is presented in Note **IC** 5. Guidelines for remuneration to senior executives are adopted by the AGM. The Board's proposed guidelines are prepared by the Remuneration Committee before the Board adopts the proposal for decision by the owner. In addition to regulation by the Companies Act, the guidelines for the remuneration of senior executives follow the Guidelines for remuneration and other terms of employment for senior executives in state-owned enterprises.

Internal Governance and Control

Internal control is important for ensuring that SBAB's operations are conducted in accordance with prevailing regulations, as well as ensuring that SBAB identifies, measures and controls relevant risks and has an efficient organisation and operational management, and reliable financial reporting. The Board and the CEO are ultimately responsible for ensuring good internal control and governance. The Board and the CEO of SBAB are assisted in this work by several functions. Key control functions in this regard are the Compliance, Risk and Internal Audit functions, which are described in further detail below. Other functions, including Accounting, Credit and Legal, support the Board and the CEO with regard to good internal governance and control. All managers in each area of responsibility are responsible for the activities they oversee being conducted with good internal governance and control.

H Compliance

SBAB has a central Compliance function. The Compliance function's area of responsibility comprises rules on internal governance and control, customer protection and market conduct. Compliance is independent of the business operations and is directly subordinate to the CEO. Compliance provides advice and support to the operations on compliance matters, analyses compliance risks and monitors regulatory compliance in respect of operations requiring licences. Reporting occurs on an ongoing basis to the CEO and quarterly by means of a written report to the Board and the CEO. The scope and focus of the work of Compliance is established in an annual plan adopted by the CEO.

I Risk

The SBAB Group has a central Risk department with overall responsibility for developing and ensuring that risk-taking strategies are conducted in accordance with the Board's intention, and that policies and processes facilitate relevant follow-up. Risk is responsible for the identification, quantification, analysis and reporting of all risks. The CRO is responsible for Risk. The CRO is directly subordinate to the CEO and reports to the Board and CEO of SBAB. Risk is to

ensure that risk awareness and acceptance are sufficient to be able to manage risks on a daily basis. Risk also has a supportive role and works to ensure that the operations have the requisite procedures, systems and tools for daily management of risks, thereby ensuring that operations comply with the applicable laws and regulations in risk control's area of responsibility.

J Internal audit

SBAB's Internal Audit unit constitutes an internal independent audit function. Accordingly, the main function of the Internal Audit is to examine and evaluate governance and internal controls, to examine and evaluate that the company's organisation, control processes, IT systems, models and routines are appropriate and efficient, and to review and regularly assess the reliability

and quality of the work conducted in other control functions in SBAB. All reporting to the Board and its Audit and Compliance Committee is conducted in accordance with a reporting and meeting plan.

K External auditor

The General Meeting appoints the auditor. SBAB's Audit and Compliance Committee evaluates the contribution of the auditor and assists the owner in preparing motions for the auditor. Officials at the Government Offices of Sweden monitor all stages of the procurement process from tendering criteria to selection and evaluation. At the AGM, the owner appoints the auditor or the accounting firm that is commissioned to audit SBAB. Auditors must be authorised public accountants or an authorised accounting firm with an auditor-in-charge.

As of 2011, SBAB's auditor is appointed annually in accordance with the Companies Act and the Articles of Association. 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 and the fees and expenses paid to auditors is provided in Note **C 6**. The auditor examines the Annual Report, the consolidated financial statements and the accounting records, as well as the Board's and the CEO's administration of the company. In addition, the auditor reviews SBAB's half-year report and year-end reports and presents his findings to the Audit and Compliance Committee at regular meetings of the Committee, when the interim and year-end reports reviewed by the auditor are considered, and when the internal control review is reported to the Board. The auditor also reviews SBAB's Sustainability Report and the Communication on Progress (COP).

Internal control of financial reporting

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

The control environment

The internal control of financial reporting uses SBAB's values, organisational structure, codes of conduct, policies, instructions and directions for SBAB's operations as its starting point.

Risk assessment

Each unit within SBAB identifies, evaluates, manages and assesses its own risks. The analysis of risk levels in all operations, including financial reporting, is conducted on a regular basis and reported to the Executive Management, the CEO and the Board. Each year, a risk assessment is performed in the form of a self-evaluation of all business-support processes, including financial reporting, and is managed and reported using separate risk tools.

SBAB has an NPAP in place for the implementation of new or significantly altered products, services, markets, processes and IT systems as well as major operational and organisational changes at SBAB. 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.

Control activities

Business-support processes that provide data for the financial statements are charted and contain control activities in the form of descriptions of processes, reasonability assessments, reconciliations, attestations and performance analyses. An internal set of rules, including accounting policies, planning and reporting procedures, ensures the application of control activities.

SBAB's financial position and performance, target attainment and analysis of operations is reported on a monthly basis to both the Executive Management and the Board. The Board's Audit and Compliance Committee supervises the financial reporting as well as the management of internal control.

Information and communication

The Economy and Finance unit ensures that the instructions on accounting and financial reporting are updated, communicated and made available for the units that need them for their work. The instructions are also available on SBAB's intranet.

Follow-up

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

Proposed appropriation of profits

SBAB posted a net profit for the year after tax of SEK 972,855,070. According to SBAB's balance sheet, SEK 12,305,018,150 is at the disposal of the Annual General Meeting.

Fair value reserve	240,694,743
Additional Tier 1 instruments	3,500,000,000
Retained earnings	7,591,468,337
Net profit for the year	972,855,070
Total	12,305,018,150

The Board proposes that the earnings be appropriated as follows (SEK):

Carried forward to next year	12,305,018,150
Total	12,305,018,150

The Board has decided to propose to the AGM the distribution of no dividend for the 2020 financial year. SBAB is well capitalised and has excellent prerequisites to grow lending. The Board's decision to propose the distribution of no dividend for the 2020 financial year further strengthens SBAB's capitalisation. The margins to the Swedish FSA's capital requirements increased as a result of the Swedish FSA's decision to reduce the countercyclical capital buffer requirement. SBAB expects capital requirements to increase somewhat during 2021 after incorporating the European banking package into Swedish law and the Swedish FSA's regulations. In the coming years, there is also considerable uncertainty about how the capital requirements will develop. SBAB has taken responsibility for maintaining lending during 2020 and intends to continue to take responsibility for a well-functioning mortgage credit market in Sweden. At the end of the 2020 financial year, SBAB's CET1 capital ratio amounted to 13.4% and the total capital ratio was 17.6%. The Board proposes that the profits at the disposal of the AGM be carried forward.



Board of Directors

As per the publication date of this report

1. Jan Sinclair

Chairman of the Board

Master of Business Administration and Economics. Born 1959. Year of election 2018.

Board assignments: Chairman and Board member of the Swedish Covered Bond Corporation (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 SEB A.G. Group Treasurer as well as other senior positions within SEB.

2. Lars Börjesson

Board Member

Master of Engineering. Born 1964. Year of election 2014.

Board assignments: Chairman and Board member of KGH Customs Service AB, KGH Global Consulting AB, KGH Digital AB, Board member of KGH Customs AB, Chairman and Board member of Atlantic Continental Holding AB and Board member of Taggsvampen AB.

Other assignments: CEO and President of KGH Customs Service AB and CEO of KGH Digital AB, KGH Customs Service AB, Atlantic Continental Holding AB and Dovana AB as well as Chairman and Board member of Brf Viktoriahuset.

Previous assignments: CEO of Stena Technoworld, Director of Strategy and Business Development Stena Metall, Senior partner at Accenture, including Managing Director of Accenture Management Consulting Nordic.

3. Inga-Lill Carlberg

Board Member

MSc in Economics, Stockholm School of Economics. Born 1962. Year of election 2019.

Board assignments: Chairman and Board member of Trill Impact Microfinance AB and Board member of Trill Impact AB, Trill Impact Executive Holding AB, Trill Impact GP S.à.r.l. and Institute for Financial Research.

Other assignments: COO Trill Impact AB and CEO of Trill Impact Verwaltungs GmbH. Previous assignments: Several leading positions within Nordea, Board Member of Tredje AP Fonden, Nordea Investment Funds and Mistra Sustainable Investments.

4. Daniel Kristiansson

Board Member

MSc in Economics, Stockholm School of Economics. Born 1974. Year of election 2016.

Board assignments: Board member of Swedfund International AB and Stiftelsen Industrifonden.

Other assignments: Investment Director, Government Offices of Sweden

Previous assignments: Vice President Citigroup

5. Jane Lundgren Ericsson

Board Member

Master of laws, University of Stockholm, LL.M. London. Born 1965. Year of election 2013.

Board assignments: Board member of the Swedish Covered Bond Corporation (publ), Visma Finance AB, Copperstone Resources AB (publ) and deputy Board member of Miskatonic Ventures Aktiebolag.

Other assignments: Visma Finance AB (General Counsel), Bagarmossen Kärrtorp Bollklubb (Chairman).

Previous assignments: SEK Securities (CEO), Executive Director & Head of Lending at Svensk Exportkredit AB.

Deputies

Jenny Gustafsson

Deputy, employee representative the Financial Sector Union of Sweden

Born: 1986

Appointed: 2020

Education: High school diploma in Social Sciences and Journalism

Board assignments: –

Other assignments: Account Manager in Special 2, Retail Market, SBAB, Chairman in Finansförbundet local club.

Previous experience: –

David Larsson

Deputy, employee representative (SACO)

Born: 1976

Appointed: 2018

Education: Master's degree in Economics (University of Karlstad)

Board assignments: –

Other assignments: Account manager Corporate Clients & tenant-owner associations business area (Ftg&Brf) in SBAB, Vice Club President in SACO's local club.

Previous experience: –



6. Leif Pagrotsky

Board Member

Bachelor's Degree in Philosophy, Pol. Mag., Degree in Economics, University of Gothenburg. Born 1951. Year of election 2020.

Board assignments: Chairman and Board member of Beckmans Skola AB, Beckmans Akademi AB, Husvården L Larsson & Co AB, Vitartes Intea Holding AB, Smartilizer Scandinavia AB and Board member of Leif Pagrotsky AB.

Other assignments: Consulting assignments in Yrkesakademien AB.

Previous assignments: Various positions within parliament and the government, including State Secretary for Finance Market Affairs at the Ministry of Finance, Minister of Trade and Industry as well as Minister of Education and Culture. Moreover, as vice Chairman of the Council of the Swedish National Bank, Chairman of Business Sweden and Consul General in New York.

7. Johan Prom

Board Member

Master of Financial Economics (Stockholm School of Economics) Born 1972. Year of election 2020.

Board assignments: Board member of Fredrikshovs Slott AB, Johan Prom AB and Johan Prom Consulting and Investment AB.

Other assignments: Board member of Brf Marketenteriet 6, Industrial consultant in own business and Executive in Residence Stockholm School of Economics.

Previous assignments: CEO of Avanza, several senior executive positions within the ICA group, management consultant at McKinsey & company and Boston Consulting Group.

8. Synnöve Trygg

Board Member

Degree in Economics Stockholm University, Advanced Management Program Stockholm School of Economics. Born 1959. Year of election 2019.

Board assignments: Board member and deputy Chairman of Volvofinans Bank AB, Board member of Precise Biometrics AB, Synnöve Trygg Consulting AB and Valitor Hf.

Other assignments: CEO Synnöve Trygg Consulting AB.

Previous assignments: CEO of SEB Kort AB, Eurocard AB and Diners Club Nordic AB. Board Member of Nordax Bank AB, Trygg Hansa AB and Mastercard Europe Board among others.

9. Anders Heder

Board Member, Employee Representative (Financial Sector Union of Sweden)

Bachelor of Philosophy (major in business administration), University of Karlstad. Born 1962. Appointed: 2019.

Board assignments: –

Other assignments: Controller at SBAB (since 1999).

Previous assignments: Employee in Götabanken and Wermlandsbanken, i.a. with a focus on fund, notary and money investment. Employment as group manager for various departments within SBAB from 1992.

10. Margareta Naumburg

Board member, Employee representative (Confederation of Professional Associations)

MSc in Economics, University of Linköping Born 1964. Appointed: 2018 (appointed as deputy: 2017).

Board assignments: –

Other assignments: Compliance Officer at SBAB, Chairman of SACO's local club.

Previous assignments: Manager and specialist roles in internal audit, compliance, risk and finance in SBAB, Matteus Bank and Holmen AB. External auditor at Price Waterhouse.

Executive Management

As per the publication date of this report

1. Klas Danielsson

CEO

Bachelor of Social Sciences Business Administration Born 1963. Year of employment: 2014.

Board assignments: Board member the Swedish Covered Bond Corporation (publ) and Spiderweb Consulting AB. Chairman of the Board of Booli Search Technologies AB and deputy Member of the Board of the Swedish Bankers' Association.

Other assignments: –

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.

Acting Head of Business Specialists from 16 March 2021.

2. Sara Davidgård

Head of Business Specialists

Master of Business Administration and Economics. Born 1974.

Year of employment: 2017.

Board assignments: –

Previous assignments: Head of Risk Swedish Banking at Swedbank, Board member Sparia, Segment Manager at Swedbank, various management positions within Swedbank as well as other positions within Swedbank Robur.

Chief Risk Officer (CRO) from 16 March 2021.

3. Carina Eriksson

Chief Human Resources Officer (CHRO)

Master of Business Administration and Economics. Born 1965. Year of employment: 2015.

Board assignments: –

Previous assignments: Scandinavian HR Business Partner Lead for Trygg Hansa/Codan, Scandinavian HR Director for Personal Lines, Trygg Hansa/Codan, HR Director Microsoft Sweden, COO for Deutsche Bank Nordic Equities.

4. Kristina Frid

Head of Customer Service

Degree of Bachelor of Arts, Media and Communication Studies. Born 1976. Year of employment: 2017

Board assignments: –

Previous assignments: Head of Branch Region Nordea, Chairman Chamber of Commerce Karlstad Section. Various management positions in Nordea's retail operations and other positions within Nordea.

5. Mikael Ingländer

CFO & Head of Corporate Clients and Tenant-Owners' Associations

Master of Business Administration and Economics. Born 1963.

Year of employment: 2014.

Board assignments: Board member of Booli Search Technologies AB.

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

6. Robin Silfverhielm

Chief Experience Officer & Chief Information Officer (CXO & CIO)

Master of Engineering. Born 1973.

Year of employment: 2019.

Board assignments: Board member of Booli Search Technologies AB.

Previous assignments: CDO Skandia, Management Consultant Accenture, Project Manager OMX.

7. Malou Sjörin

Head of Sustainability, Marketing & Communication

Master of Business Administration and Economics. Born 1972. Year of employment: 2020.

Board assignments: –

Previous assignments: Senior Vice President Communication Trygg Hansa/Codan, Senior Vice President Communication, SJ AB, Management Consultant Cap Gemini Ernst & Young.

8. Andras Valko

Chief Data Science Officer (CDSO)

PhD Computer Science, MSc Engineering, BSc Economics. Born 1971. Year of employment: 2019.

Board assignments: –

Previous assignments: Various leadership roles at Ericsson in product management, business development, applied research, and software development, in the areas of big data analytics, data engineering, and data science.

9. Fredrik Stenbeck

Chief Risk Officer (CRO)

Master of Business Administration and Economics. Born 1982.

Year of employment: 2020.

Board assignments: –

Previous assignments: CRO and leading positions in risk management at Bambora, Hoist Finance and Pareto Securities. Several positions within the Öhman Group.

Left SBAB and his position as Chief Risk Officer (CRO) March 16, 2021.

Auditors

Patrick Honeth

Deloitte AB

Auditor-in-charge at SBAB since 2016.



Income statement

SEK million	Note	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
Interest income	IC 1	6,316	5,868	1,811	1,962
Interest expense	IC 1	-2,569	-2,395	-1,217	-1,322
Net interest income		3,747	3,473	594	640
Dividends received/Group contributions		-	-	719	3,539
Commission income	IC 2	93	84	95	89
Commission expense	IC 2	-117	-98	-39	-36
Net result of financial transactions	IC 3	-38	26	33	11
Other operating income	IC 4	43	36	1,181	1,043
Total operating income		3,728	3,521	2,583	5,286
Personnel costs	IC 5	-687	-630	-682	-620
Other expenses	IC 6	-490	-486	-585	-579
Depreciation, amortisation and impairment of PPE and intangible assets	IC 7	-158	-71	-43	-17
Total expenses before credit losses		-1,335	-1,187	-1,310	-1,216
Profit before credit losses		2,393	2,334	1,273	4,070
Net credit losses	IC 8	-32	-26	-11	-14
Impairment of financial assets		-10	-5	-10	-5
Reversals of impairment of financial assets		10	5	10	5
Operating profit		2,361	2,308	1,262	4,056
Tax	TX 1	-522	-520	-289	-254
Net profit for the year		1,839	1,788	973	3,802

Interest income on financial assets measured at amortised cost calculated using the effective-interest method amounted to SEK 6,361 million (5,881) for the Group and SEK 1,825 million (1,889) for the Parent Company.

Statement of comprehensive income

SEK million	Note	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
Net profit for the year		1,839	1,788	973	3,802
Other comprehensive income					
<i>Components that will be reclassified to profit or loss</i>	EQ 1				
Financial assets measured at FVTOCI		4	-56	4	-56
Changes related to cash-flow hedges, before tax		461	1,823	-2	75
Tax attributable to components that will be reclassified to profit or loss		-75	-378	2	-4
<i>Components that will not be reclassified to profit or loss</i>	EQ 1				
Revaluation effects of defined-benefit pension plans, before tax		-34	-50	-	-
Tax attributable to components that will not be reclassified to profit or loss		6	11	-	-
Other comprehensive income, net of tax		362	1,350	4	15
Total comprehensive income for the year		2,201	3,138	977	3,817

Comments to the consolidated income statement

Operating profit and key metrics

Operating profit rose to SEK 2,361 million (2,308). The return on equity amounted to 10.8% (11.7) and the C/I ratio was 35.8% (33.7).

Net interest income IC 1

Net interest income grew to SEK 3,747 million (3,473), mainly due to higher lending volumes, of which the majority pertained to residential mortgages, and lower guarantee fees. Guarantee fees amounted to SEK 201 million (287) for 2020, of which SEK 154 million (244) comprised the resolution fee and SEK 47 million (43) the fee payable to the national deposit guarantee.

Net commission income IC 2

The net commission expense decreased during the year to an expense of SEK 24 million (expense: 14). The decrease arose primarily from increased commission expenses stemming from increased fees related to funding operations and costs in connection with winding up a partnership with ICA Bank. The commission income also increased, which pertained mainly to increased arrangement fees linked to corporate lending.

Net result of financial transactions

IC 3

The net result of financial transactions was an expense of SEK 38 million (income: 26). The difference was mainly due to value changes in hedging instruments and hedged items.

Expenses IC 5 IC 6 IC 7

Expenses grew to SEK 1,335 million (1,187) due to increased operational investments in areas including customer meetings, experience and service as well as in digitisation and IT systems. These investments will lead to higher efficiency and lower expenses in the long term, increased customer benefit and loyalty, continued growth in customer numbers and users as well as larger market shares. Toward the end of the year, a customary review of all tangible and intangible assets was conducted and an impairment need totalling SEK 67 million was identified, which impacted expenses in 2020. Efforts to

replace SBAB's core bank platform are ongoing and require considerable time and resources. The project is expected to be completed in 2021 and during the start of 2022. Modern, flexible system support comprises a key component for strengthening SBAB's future competitiveness, and its ability to develop digital services and enhance the digital customer interface. The number of FTEs increased from 695 to 760 over the year, with most new FTEs recruited in the Tech, CX and customer service departments.

Credit losses IC 8

Credit losses increased during the year to a total SEK 32 million (loss: 26). The change was mainly attributable to the increase in loss allowances in conjunction with the revision of the forward-looking information applied in the impairment model as a result of the coronavirus pandemic. Confirmed credit losses for the year totalled SEK 9 million (loss: 14).

Taxes TX 1

Tax consists of income tax of 21.4% of net profit for the year with an addition for tax adjustments and any adjustments of tax for previous years. The tax expense amounted to SEK 522 million (520) for the year.

Other comprehensive income EQ 1

Other comprehensive income decreased to SEK 362 million (1,350) due to a smaller year-on-year decrease in EUR interest rates in 2020.¹⁾

¹⁾ The Group's financial position and development is reflected primarily in the income statement and balance sheet. Moreover, the applied accounting policies give certain revaluation effects, among other effects, that are recognised in other comprehensive income.

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

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

The item revaluation effects of defined-benefit pension plans includes actuarial gains and losses where changes in the discount rate is the assumption that has the strongest impact on the item.

Parent Company

Operating profit declined to SEK 1,262 million (4,056), primarily due to the retroactive dividend of SEK 3 billion from the subsidiary SCBC in the comparative period. Net interest income fell during the period to SEK 594 million (640), mainly driven by lower interest income from subordinated receivables from SCBC. Net commission income increased to SEK 56 million (53), as a result of increased commission income from insurance mediation and an increase in arrangement fees linked to corporate lending. The net result of financial transactions amounted to SEK 33 million (11), primarily due to the difference in the revaluation of credit risk in derivatives. Other operating income rose to SEK 1,181 million (1,043), and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses increased to SEK 1,310 million (1,216) mainly as a result of increased personnel costs. Credit losses totalled SEK 11 million (loss: 14).

AB Sveriges Sakerstallda Obligationer (publ), SCBC

SCBC is a wholly-owned subsidiary of SBAB whose primary operations comprise of the issuance of covered bonds to fund the lending of the SBAB Group. SCBC's operating profit for 2020 totalled SEK 1,797 million (1,713). Net interest income totalled SEK 3,154 million (2,835) and net commission amounted to an expense of SEK 73 million (expense: 63). The net result of financial transactions decreased to an expense of SEK 73 million (income: 8). SCBC's total expenses amounted to SEK 1,190 million (1,055) for 2020. The majority of the expenses were attributable to costs for operations outsourced to SBAB. Net credit losses increased to SEK 21 million (loss: 12). SCBC's 2020 Annual Report is available at www.sbab.se.

Balance sheet

		GROUP		PARENT COMPANY	
SEK million	Note	2020	2019	2020	2019
ASSETS					
Cash and balances at central banks		6,530	5,750	6,530	5,750
Chargeable treasury bills, etc.	A 1	10,894	15,886	10,894	15,886
Lending to credit institutions	A 2	945	417	121,069	102,596
Lending to the public	A 3	422,835	383,807	24,806	24,871
Value changes of interest-rate-risk hedged items in macro hedges		142	-181	-	-
Bonds and other interest-bearing securities	A 4	58,180	55,731	58,180	55,731
Derivatives	A 5	10,890	13,087	12,320	13,354
Shares and participations in Group companies	A 6	-	-	10,401	10,401
Intangible assets	A 7	330	311	14	24
Property, plant and equipment	A 8	112	139	34	39
Other assets	A 9	79	56	746	556
Prepaid expenses and accrued income	A 10	422	529	391	627
TOTAL ASSETS		511,359	475,532	245,385	229,835
LIABILITIES AND EQUITY					
Liabilities					
Liabilities to credit institutions	L 1	20,184	10,528	20,184	10,527
Deposits from the public	L 2	135,658	130,542	135,658	130,542
Issued debt securities, etc.	L 3	323,704	303,597	59,841	56,823
Derivatives	A 5	3,124	1,388	12,153	12,320
Other liabilities	L 4	416	376	512	432
Accrued expenses and deferred income	L 5	1,769	1,805	309	347
Deferred tax liabilities	TX 2	651	579	58	62
Provisions	L 6	219	188	20	13
Subordinated debt	L 7	1,995	4,948	1,995	4,948
Total liabilities		487,720	453,951	230,730	216,014
Equity					
Share capital	EQ 1	1,958	1,958	1,958	1,958
Statutory reserve		-	-	392	392
Reserves/Fair value reserve	EQ 1	2,321	1,959	241	237
Additional Tier 1 instruments	L 7	3,500	3,500	3,500	3,500
Retained earnings		14,021	12,376	7,591	3,932
Net profit for the year		1,839	1,788	973	3,802
Total equity		23,639	21,581	14,655	13,821
TOTAL LIABILITIES AND EQUITY		511,359	475,532	245,385	229,835

Comments to the consolidated balance sheet

ASSETS

Cash and balances at central banks

Cash and balances at central banks increased to SEK 6.5 billion (5.8), attributable to higher surplus liquidity deposited with the Riksbank.

Chargeable treasury bills

A 1

Chargeable treasury bills decreased to SEK 10.9 billion (15.9) during the year, primarily due to a decrease in surplus liquidity deposited with the Riksbank via commercial paper. Other changes were within the scope of the normal management of the liquidity reserve to maintain the desired duration and credit risk profile.

Lending to credit institutions

A 2

Lending to credit institutions increased to SEK 0.9 billion (0.4) within the scope of normal short-term liquidity management.

Lending to the public

A 3

Lending to the public increased 10.2% during the year to SEK 422.8 billion (383.8). New lending totalled SEK 95.1 billion (75.3). Of total lending at year end, SEK 310.8 billion (291.6) comprised residential mortgages, SEK 2.5 billion (2.3) consumer loans, SEK 54.1 billion (38.4) lending to property companies and SEK 55.4 billion (51.5) lending to tenant-owners' associations.

→ Read more on page 83

Bonds and other interest-bearing securities

A 4

Bonds and other interest-bearing securities amounted to SEK 58.2 billion (55.7). This change was also within the scope of the normal management of the liquidity reserve.

LIABILITIES AND EQUITY

Liabilities to credit institutions

L 1

Liabilities to credit institutions increased to SEK 20.2 billion (10.5) over the year and were mainly driven by SBAB's participation in the Riksbank's programme for onward lending to companies via the banks, where the total volume issued amounted to SEK 13 billion (0). In addition, there was a decrease in collateral (CSAs) received – which is within the scope of the normal short-term liquidity management.

Deposits from the public

L 2

Deposits from the public increased 4.0% in 2020 to a total of SEK 135.7 billion (130.5). Of total deposits at year end, SEK 95.5 billion (92.0) pertained to retail deposits and SEK 40.2 billion (38.6) deposits from corporate clients and tenant-owners' associations.

→ Read more on page 83

Debt securities issued, etc.

L 3

Issued debt securities outstanding increased SEK 20.1 billion over the year to a total of SEK 323.7 billion (303.6), of which SEK 263.9 billion (246.8) comprised covered funding and SEK 59.8 billion (56.8) unsecured funding.

→ Read more on page 88

Subordinated debt

L 7

Subordinated debt totalled SEK 2.0 billion (4.9). The change was attributable to the repurchase of additional Tier 1 capital of SEK 1.5 billion and Tier 2 capital instruments of SEK 3.4 billion as well as the issue of Tier 2 capital instruments of SEK 2.0 billion.

Equity

EQ 1 L 7

Equity increased to SEK 23.6 billion (21.6). Over the year, the item was mainly affected by changes in net profit for the period.

Parent Company

Lending to the public totalled SEK 24.8 billion (24.9). Deposits from the public totalled SEK 135.7 billion (130.5).

AB Sveriges Sakerstallda Obligationer (publ), SCBC

SCBC does not conduct any new lending itself but instead acquires loans from SBAB Bank, on an ongoing basis or as necessary. The aim of securing these loans is to include them, in part or in full, in the assets that comprise collateral for holders of SCBC's covered bonds. SCBC's lending portfolio comprises loans for residential mortgages, with lending to consumers the largest segment. At the end of the period, SCBC's lending amounted to SEK 398.0 billion (358.9). Information regarding SCBC's lending, the cover pool, is published monthly on the website www.sbab.se. SCBC's 2020 Annual Report is available at www.sbab.se.

Statement of changes in equity

GROUP						
SEK million	Note	Share capital	Reserves/Fair value reserve	Additional Tier 1 instruments	Retained earnings and net profit for the year ¹⁾	Total equity
Opening balance, 1 January 2020		1,958	1,959	3,500	14,164	21,581
Additional Tier 1 instruments, dividend		–	–	–	–143	–143
Other comprehensive income, net of tax	EQ 1	–	362	–	–	362
Net profit for the year		–	–	–	1,839	1,839
Comprehensive income for the year		–	362	–	1,839	2,201
Closing balance, 31 December 2020		1,958	2,321	3,500	15,860	23,639
Opening balance, 1 January 2019		1,958	609	1,500	13,169	17,236
Additional Tier 1 instruments		–	–	2,000	–	2,000
Additional Tier 1 instruments, dividend		–	–	–	–103	–103
Dividends paid		–	–	–	–690	–690
Other comprehensive income, net of tax	EQ 1	–	1,350	–	–	1,350
Net profit for the year		–	–	–	1,788	1,788
Comprehensive income for the year		–	1,350	–	1,788	3,138
Closing balance, 31 December 2019		1,958	1,959	3,500	14,164	21,581

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

PARENT COMPANY							
SEK million	Note	Restricted equity		Unrestricted equity			Total equity
		Share capital	Statutory reserve	Fair value reserve	Additional Tier 1 instruments	Retained earnings and net profit for the year	
Opening balance, 1 January 2020		1,958	392	237	3,500	7,734	13,821
Additional Tier 1 instruments, dividend		–	–	–	–	–143	–143
Other comprehensive income, net of tax	EQ 1	–	–	4	–	–	4
Net profit for the year		–	–	–	–	973	973
Comprehensive income for the year		–	–	4	–	973	977
Closing balance, 31 December 2020		1,958	392	241	3,500	8,564	14,655
Opening balance, 1 January 2019		1,958	392	222	1,500	4,725	8,797
Additional Tier 1 instruments		–	–	–	2,000	–	2,000
Additional Tier 1 instruments, dividend		–	–	–	–	–103	–103
Dividends paid		–	–	–	–	–690	–690
Other comprehensive income, net of tax	EQ 1	–	–	15	–	–	15
Net profit for the year		–	–	–	–	3,802	3,802
Comprehensive income for the year		–	–	15	–	3,802	3,817
Closing balance, 31 December 2019		1,958	392	237	3,500	7,734	13,821

Cash-flow statement

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Opening cash and cash equivalents	6,167	2,847	108,346	93,262
OPERATING ACTIVITIES				
Interest received	6,423	6,032	2,043	2,074
Commission received	87	92	95	89
Interest paid	-2,632	-2,402	-1,262	-1,294
Commission paid	-116	-101	-37	-38
Outflows to suppliers and employees	-1,177	-1,116	-1,267	-1,199
Taxes paid/refunded	-593	-566	-94	-79
Change in lending to the public	-39,061	-19,618	54	-40
Change in chargeable treasury bills, etc.	5,009	5,075	5,009	5,075
Change in bonds and other interest-bearing securities and fund units	-2,177	-4,877	-2,176	-4,876
Change in liabilities to credit institutions	9,657	3,921	9,657	3,920
Change in deposits from the public	5,116	5,616	5,116	5,616
Change in debt securities issued, etc.	19,023	12,401	3,055	961
Change in other assets and liabilities	4,873	-2,290	1,501	616
Cash flow from operating activities	4,432	2,167	21,694	10,825
INVESTING ACTIVITIES				
Sale of property plant and equipment	0	3	0	3
Investments in PPE	-28	-39	-28	-38
Investments in intangible assets	-113	-109	-	-4
Investments in subsidiaries	-	-	-	-12
Cash flow from investing activities	-141	-145	-28	-51
FINANCING ACTIVITIES				
Dividends paid	-	-690	-	-690
Dividends received	-	-	-	3,000
Group contributions received	-	-	539	-
Repayment of subordinated debentures	-2,952	-	-2,952	-
Change in additional Tier 1 instruments	-	2,000	-	2,000
Repayment of lease liabilities	-31	-12	-	-
Cash flow from financing activities	-2,983	1,298	-2,413	4,310
Increase/decrease in cash and cash equivalents	1,308	3,320	19,253	15,084
Closing cash and cash equivalents	7,475	6,167	127,599	108,346

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 cash and balances at central banks as well as lending to credit institutions. Subordinated receivables (receivables from Group companies) are included in cash and cash equivalents for the Parent Company, and are recognised in the balance sheet for the Parent Company under Lending to credit institutions.

Change in liabilities attributable to financing activities

GROUP										
SEK million	Opening balance, 1 Jan 2020	Cash flow	Non-cash items		Closing balance, 31 Dec 2020	Opening balance, 1 Jan 2019	Cash flow	Non-cash items		Closing balance, 31 Dec 2019
			Fair value	Other				Fair value	Other	
Subordinated debt	4,949	-2,952	-1	-1	1,995	4,946	-	-3	6	4,949
Additional Tier 1 instruments	3,500	-	-	-	3,500	1,500	2,000	-	-	3,500
Total	8,449	-2,952	-1	-1	5,495	6,446	2,000	-3	6	8,449

PARENT COMPANY										
SEK million	Opening balance, 1 Jan 2020	Cash flow	Non-cash items		Closing balance, 31 Dec 2020	Opening balance, 1 Jan 2019	Cash flow	Non-cash items		Closing balance, 31 Dec 2019
			Fair value	Other				Fair value	Other	
Subordinated debt	4,949	-2,952	-1	-1	1,995	4,949	-	-3	6	4,949
Additional Tier 1 instruments	3,500	-	-	-	3,500	1,500	2,000	-	-	3,500
Total	8,449	-2,952	-1	-1	5,495	6,446	2,000	-3	6	8,449

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G:1 Accounting policies

SBAB Bank AB (publ), "SBAB," and its subsidiaries mainly conduct lending to consumers, tenant-owners' associations and companies in the Swedish residential mortgage market. SBAB's offering also includes savings products. SBAB 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.

The Annual Report for SBAB has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition to these accounting standards, Finansinspektionen's (the Swedish FSA) regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups were taken into consideration.

The Annual Report has been prepared in accordance with the cost method, apart from the revaluation of derivatives, financial assets and liabilities measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI) and hedge-accounted items. On 23 March 2021, the Board of Directors approved the financial statements for publication and these await final adoption 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

Amendment to IFRS 16 due to Covid-19

The IASB's proposed amendment to IFRS 16 has been endorsed by the EU. The amendment permits voluntary and temporary Covid-19-related operational relief for lessees who have been granted deferral on their lease payments, without resulting in the companies' reported financial information becoming less relevant or useful. SBAB has not applied the IASB's relief rules. The amendment has no impact on SBAB's financial statements.

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

General accounting policies

Consolidated financial statements

The consolidated financial statements were prepared in accordance with the acquisition method and include the Parent Company SBAB and its subsidiaries. Entities qualify as subsidiaries if they are controlled by the Parent Company. A parent company is deemed to have control of a subsidiary when it not only controls the subsidiary and is exposed to, or is entitled to, variable returns from the subsidiary but when it can also affect the returns from the subsidiary by means of its influence. The companies are consolidated as of

the date when the Parent Company assumes control of the subsidiary, and the consolidation ends when the Parent Company no longer exercises controlling influence over the subsidiary. Intra-Group transactions and receivables, and liabilities between Group companies are eliminated.

The cost of an acquisition consists of the fair value of any assets provided by way of remuneration and any arisen or assumed liabilities. Any unsettled consideration for a put option is valued at the present value of the redemption amount. Identifiable acquired assets and assumed liabilities and contingent liabilities are valued at fair value on the acquisition date. Any consideration transferred for corporate acquisitions that exceeds the fair value of identifiable acquired net assets is recognised as goodwill. Goodwill is distributed over cash-generating units (CGUs) or groups of CGUs, which are expected to benefit from the acquisition through synergies. The CGUs to which goodwill is distributed correspond to the lowest level within the Group where goodwill is followed up in the internal governance.

Transaction costs, with the exception of transaction costs related to the issue of equity or debt instruments, that arise through the acquisition are recognised directly in net profit/loss for the year. For acquisitions where a put option has been issued, the anticipated-acquisition method is applied, which means that the put option for the remaining shares is considered as acquired at the time of acquisition. Consequently, no minority holdings are recognised. The debt regarding the present value of the redemption price for a put option will thereby be included in the fair value of the total consideration.

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 and acquired 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 asset expire and the Group 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 included in profit or loss using the effective-interest method via 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. Revenue from lending is primarily recognised when the service is provided, in other words at a specific date. Other commission income and Other operating income are mainly recognised when these services are rendered, in other words, in a straight line over time. 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 SBAB. This compensation is recognised as income directly under the heading "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 FVTOCI
- Financial assets measured at FVTPL
- Financial liabilities measured at FVTPL
- Financial liabilities measured at amortised cost

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, interest-bearing securities and other assets that meet the above terms.

Impairment losses are recognised in profit or loss under “Impairment of financial assets” for securities and under “Net credit losses” for other assets, 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 FVTOCI

Assets in this category are recognised on the acquisition date at fair value plus transaction costs, and thereafter at fair value in the balance sheet, with unrealised changes in value recognised as a component of other comprehensive income and accumulated in a separate reserve (the fair value reserve) in equity.

This category consists of assets that are held within the framework of a business model where the objective is to hold or sell these assets in order to collect contractual cash flows solely comprised of capital and interest. The category consists of interest-bearing securities.

The assets are subject to ongoing impairment testing. Refer also to the “Credit losses and impairment of financial assets” section. Impairments are recognised in profit or loss under “Net result of financial transactions” and as a change in the fair value reserve in equity via other comprehensive income.

Changes in fair value are transferred from other comprehensive income to the net result of financial transactions in profit or loss when the asset has been realised or an impairment is recognised. (Changes in value that are attributable to exchange rate changes are recognised in profit or loss).

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 expense from financial transactions,” while the effective interest rate is recognised as interest income.

The category encompasses interest-bearing securities that, on initial recognition, were identified as measured at FVTPL to eliminate inconsistencies in valuation and recognition, the so-called fair value option.

Furthermore, this category includes assets that do not meet the definitions for other valuation categories and, accordingly, are measured at FVTPL. (For example, assets classed as held for trading and assets with cash flows other than capital and interest on capital). At SBAB, 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 SBAB'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 debt securities, deposits from the public 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.

Liabilities to the owners of as yet unsettled shares and warrants in subsidiaries, for which put options have been issued, are classified as other financial liabilities and recognised under other liabilities. The amounts recognised are based on the amounts expected to be disbursed under the option agreements outstanding. The revaluation of the liability is recognised against retained earnings. For ownership details, refer to Note [A 6](#).

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 in 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).

Equity instruments

Issued debt securities with the financial nature of equity, as per the definitions in IAS 32, are recognised as additional Tier 1 capital under equity. Interest payments on these instruments are recognised as a deduction from equity at the time of payment.

Derivatives and hedge accounting

Derivatives are used primarily to manage interest-rate and currency risk in the Group's assets and liabilities, and 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, SBAB 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 hedging

In the case of fair-value hedging, 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 “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 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 hedging 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.
- For financial assets measured at FVTOCI, the loss allowance is recognised in equity.
- For exposures that are not recognised in the balance sheet (for example, loan commitments and building credits), the loss allowance is recognised as a provision on the liability side of the balance sheet.

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 ECL for the next 12-month period or the remaining expected lifetime. Assets can migrate between stages from one balance-sheet date to another. This is decided based on 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 to a 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, SBAB 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. SBAB assesses whether credit risk has increased significantly since initial recognition by measuring the deviations from an expected PD evolution 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. During 2020 due to the corona pandemic, the bank has introduced a qualitative indicator for assessing a significant increase in credit risk relating to amortisation exemptions for consumer loans. Amortisation exempted consumer loans are automatically migrated to stage 2. No further 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. SBAB 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 unlikelyness 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.

ECL for off-balance exposure

For off-balance exposures, initial recognition is defined as the moment the bank enters into the irrevocable undertaking. The loss allowance is calculated in the same manner as for loan receivables, but includes the application of a credit conversion factor (CCF). The CCF measures the proportion of the undertaking that is expected to be converted into an on-balance exposure. In common with other risk parameters, the CCF is also used in the IRB approach for capital adequacy. Furthermore, appropriate adjustments have been made to adapt the estimate for ECL purposes.

ECL in liquidity portfolio

Under IFRS 9, expected credit losses should also be recognised for financial assets in the liquidity portfolio. ECL are calculated for instruments measured at amortised cost and for assets measured at FVTOCI. The holdings in the liquidity portfolio solely comprise liquid, interest-bearing securities with high ratings, and where all of the securities are classified as investment grade. Since investment grade is applied as an approximation to allow use of the low-credit-risk exemption under IFRS 9, this entails that all securities are allocated to credit stage 1 as long as their ratings qualify as investment grade. SBAB conducts regular checks to ensure the securities are investment grade and has internal policies that require the liquidity portfolio to only include high quality assets. An ECL that could arise within 12 months is therefore calculated for the liquidity portfolio, and is performed for all positions at the balance-sheet date. Since SBAB uses external ratings, changes in ratings for the relevant securities are captured when calculating credit risk on the reporting date.

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 SBAB'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 SBAB 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 SBAB'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, SBAB assesses this as a good approximation.

Uncertainty in calculating ECL

The largest source of uncertainty in calculating the ECL is the forward-looking information. SBAB 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	89.0%	94.8%	97.9%
Credit stage 2	10.9%	5.2%	2.0%
Credit stage 3	0.1%	0.1%	0.1%
Δ ECL	+16.6%	–	–15.8%

Modification of financial assets

If the projected cash flows from a loan receivable are renegotiated or otherwise modified, SBAB 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 SBAB's 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 SBAB 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

Functional currency is the currency used in the primary economic environments in which the Group operates. The companies included in the Group are the Parent Company and subsidiaries. The Parent Company's functional currency and presentation currency is SEK. The Group's 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."

Leases

Existing leases relate to normal leases for SBAB's operations and mainly concern office premises and office equipment. Current property leases (with the exception of short-term and smaller leases) are recognised under PPE (right-of-use assets) with a corresponding liability (lease liability) in the balance sheet.

The property leases pertain to premises and extend for a term of two to seven years. Variable rental fees, such as electricity, water and heating are excepted from lease assets. Cash flows pertaining to property leases are classified as finance leases in accordance with IFRS 16. The lease payments are recognised in profit or loss as depreciation of the leased asset and as an interest expense on the lease liability. A lease liability and a right-of-use asset arise on entering into a lease contract.

The lease liability is initially recognised at the present value of remaining lease payments, discounted using the bank's incremental borrowing rate. The lease payments included in the measurement of the lease liability mainly comprise fixed payments and variable payments that depend on an index. On subsequent measurement of the lease liability, the carrying amount is increased with the interest expense and decreased by the lease payments

made. Furthermore, the lease liability increases or decreases when tested or in the case of lease modifications.

The right-of-use asset is initially recognised at cost, which corresponds to the initial valuation of the lease liability and any prepaid lease payments. For subsequent measurement, the right-of-use asset is measured at cost less accumulated depreciation and any accumulated impairment losses; moreover it is also adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated over the lease term. Right-of-use assets are included under the balance-sheet item Property, plant and equipment, and lease liabilities are included under the balance-sheet item Other liabilities. Short-term leases of less than 12 months, or leases of low-value assets (less than USD 5,000), are recognised as costs in a straight line over the lease term and, accordingly, are not included in lease liabilities or right-of-use assets.

Property, plant and equipment

Property, plant and equipment are recognised as assets in the balance sheet if it is probable that future financial benefits will flow to the entity and the cost of the item can be measured reliably. Property, plant and equipment are recognised at cost less any accumulated depreciation and impairment losses.

The present value of current property leases are measured pursuant to IFRS 16, where the lease cost, the lease duration and the discount rate form the most material parameters. SBAB uses the incremental borrowing rate as a discount rate, and it applies for the entire duration of the contract, including any indexing.

Depreciation of property, plant and equipment

The depreciable amount is calculated as the cost of the asset less its estimated residual value at the end of its useful life. The depreciable amount is allocated on a straight-line basis over the estimated useful life of the asset, and the depreciation charge for each period is recognised in profit or loss. This means that computer hardware is depreciated over four years and other equipment over five years. The residual value and useful life of an asset are assessed annually. At the start of the contract, the total present value of a property lease is depreciated over the period of the contract (straight-line depreciation).

Intangible assets

Investments in acquired computer software or software developed by SBAB are recognised at cost after accumulated amortisation and impairment losses have been deducted. Costs for the maintenance of software are expensed as they arise. Development expenditure that is directly attributable to the development and testing of identifiable and unique software products controlled by the Group is recognised as an intangible asset when the following criteria are fulfilled:

- It is technically possible to complete the software so that it can be used;
- The company intends to complete the software product and use it;
- It can be demonstrated how the software will generate probable future financial benefits; and that adequate technical, financial and other resources for completing the development and for using the software are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Other development expenditure that does not fulfil these criteria is expensed as it arises. Development expenditure that has previously been expensed may not be recognised as an asset in a later period.

Additional expenses for capitalised intangible assets are recognised as assets in the balance sheet only in cases where they increase the future financial benefits of the specific asset to which they are attributable. All other costs are expensed as they arise. Development expenditure is capitalised only in the consolidated financial statements.

On the acquisition of a subsidiary, its identifiable assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. The portion of the acquisition cost that exceeds the fair value of the net identifiable assets is recognised as goodwill. Goodwill is allocated to the CGUs and tested not less than once each year for impairment.

Amortisation of intangible fixed assets

Amortisation is allocated on a straight-line basis over the useful life of the asset. The assets are assessed as having useful lives of four or five years. The amortisation period and amortisation method for intangible fixed assets are reviewed at each financial year-end.

Impairment of non-financial assets

The recoverable amount of an asset is measured when there is any indication that an asset may be impaired. Development work not yet available for use is tested annually for impairment irrespective of whether there is any indication of impairment. An asset is impaired when its carrying amount exceeds its recoverable amount. The impairment loss for each period is charged against net profit/loss for the period.

Impairment of goodwill is recognised when a CGU (group of CGUs) carrying amount exceeds its recoverable amount. An impairment is recognised as an expense in net profit for the year. When a need for impairment is identified for a CGU (group of CGUs), the impairment amount is primarily allocated to goodwill. Thereafter, proportional impairment is applied to the other assets in the CGU (group of CGUs). Goodwill impairment is never reversed.

The impairment amount is the higher of fair value less costs to sell and value in use. When calculating the value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risks associated with the asset in question.

Tax

Total tax consists of current tax and deferred tax. Current tax consists of 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 cash and balances at central banks, and lending to credit institutions.

Pensions

The Group has both defined-contribution and defined-benefit pension plans. For the defined-contribution pension plans, fixed fees are paid to an independent unit, following which no additional obligations arise. Pension costs for defined-contribution plans are expensed on a continuous basis in pace with vesting by the individual employee.

The Group's net obligation with regard to defined-benefit plans is calculated separately for each plan by estimating the future benefit that employees have earned through their service in current and prior periods, with that benefit being discounted to its present value. The present value of the defined-benefit obligation is determined by discounting the estimated future cash flows applying the interest rate for mortgage bonds in SEK with maturities comparable to those of the pension obligation in question. Changes or reductions in a defined-benefit plan are recognised on the earliest of the following dates: a) when the change or reduction in the plan occurs or b) when the company reports related restructuring costs and severance benefits. The changes/reductions are recognised directly in net profit for the year. The defined-benefit pension obligation is calculated annually by independent actuaries using the "projected unit credit method."

The provision recognised in the balance sheet for defined-benefit pension plans represents the present value of the defined-benefit obligation at the close of the reporting period less the fair value of the plan assets. The provision includes special employer's contributions. All of the components included in the period's cost for a defined-benefit plan are recognised in operating profit. This includes the return on plan assets, calculated applying the same discount rate used to calculate the present value of the obligation. Revaluation effects consist of actuarial gains and losses, including the difference between the actual return on plan assets and the total included in operating profit. All revaluation effects are recognised under "Reserves" in equity.

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. At SBAB, the CEO is the function that is responsible for allocating resources and assessing the profit or loss of the operating segment.

Parent Company accounting policies

The Parent Company, SBAB Bank AB (publ), applies statutory IFRS, which means that this 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, the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish FSA's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25).

Differences compared with the Group

The main differences between the accounting policies of the Group and those of the Parent Company are shown below:

Presentation of the income statement and balance sheet

The Parent Company complies with the presentation standards for income statements and balance sheets stipulated in the Annual Accounts Act for Credit Institutions and Securities Companies, which entail a different presentation of equity. The Parent Company's statutory reserve is recognised in the Group as retained earnings, while the Parent Company's Fair value reserve is included in the Group's Reserves.

Intangible assets

Expenses attributable to proprietary software are recognised in the Parent Company as a cost in profit or loss.

Leases

Existing leases relate to normal leases for SBAB's operations and mainly concern office premises and office equipment. SBAB has chosen to apply IFRS 16 in the Group when there is no requirement to apply IFRS 16 to legal entities according to RFR 2.

Pensions

The Swedish Pension Obligations Vesting Act and regulations issued by the Swedish FSA contain rules requiring a different method of recognising defined-benefit pension plans compared with that stipulated in IAS 19. Application of the Swedish Pension Obligations Vesting Act is a prerequisite for tax deductibility of the pension payments. In view of this, RFR 2 states that the regulations of IAS 19 in terms of defined-benefit pension plans need not be applied by the legal entity.

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 to the subsidiary, SCBC. The transfers are conducted at fair value.

Subsidiaries

Participations in subsidiaries are recognised in the Parent Company in accordance with the cost method.

Dividend

Dividends received from subsidiaries are recognised in profit or loss. Anticipated dividends from subsidiaries are recognised in cases where formal decisions have been taken in the subsidiary or where the Parent Company otherwise has full control over the decision-making process before it publishes its financial statements.

Dividends paid are recognised as a reduction of unrestricted equity following the passing of a resolution on dividends at the Annual General Meeting.

Group contributions

Group contributions received from subsidiaries are recognised in profit or loss, while Group contributions paid to subsidiaries by the Parent Company are recognised as increased participations in Group companies.

Critical accounting estimates and judgements

Critical assumptions

Preparing the annual accounts in compliance with statutory IFRS requires 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.

Recognition of defined-benefit pensions

Measurement of the Group's defined-benefit pension obligations is based on a number of actuarial and financial assumptions that have a material impact on carrying amounts.

SBAB uses the yield on mortgage bonds for discounting pension obligations, since a functioning market for mortgage bonds exists in Sweden. The assumptions upon which the measurement is based, as well as a sensitivity analysis, are presented in Note [L 6](#).

Recognition of deferred tax assets

The recognition of deferred tax assets pertaining to deductible temporary differences or loss carry-forwards is based on management's assessment of the future likelihood of the company generating taxable profits corresponding to the basis for deferred tax assets.

Impairment testing of goodwill

The value of recognised goodwill is tested at least once a year with regard to a potential need for impairment. This testing requires an assessment of the value in use of the cash-generating unit to which the goodwill value is attributable. Furthermore, an assumption regarding expected future cash flows is required along with the establishment of a relevant discount rate for calculating the present cash flow value. The assessments conducted as of 31 December 2020 are described in Note [A 7](#).

G:2 Related party disclosures

SBAB Bank AB (publ) is a Swedish public limited company that is wholly owned by the Swedish state.

Group companies

The Swedish Covered Bond Corporation (SCBC) and Booli Technologies AB are to be regarded as subsidiaries and recognised in accordance with the acquisition method, which entails the elimination of internal transactions at Group level. Transactions with related parties have taken place at market terms.

Group SEK million	SBAB		SCBC		BOOLI	
	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	-	-	1	-
Total	121,850	102,852	9,078	10,933	1	-
Liabilities and equity						
Liabilities to credit institutions	-	10,933	120,127	102,180	-	-
Derivatives	9,078	-	1,641	472	-	-
Accrued expenses and deferred income	-	-	6	-	0	-
Other liabilities	1	-	76	200	-	-
Group contributions paid	-	-	749	564	-	-
Dividends paid	-	-	-	3,000	-	-
Total	9,079	10,933	122,599	106,416	0	-

Group SEK million	SBAB		SCBC		BOOLI	
	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 ¹⁾	21	21	-	-	-	-
Commission expense	0	-	-21	-21	-	-
Other operating income ^{2, 3)}	1,177	1,043	-	-	4	2
Other administrative expenses	-	-	-1,176	-1,042	-1	-1
Marketing ³⁾	-4	-2	-	-	-	-

¹⁾ The Parent Company is compensated by the subsidiary SCBC for allowing SCBC to utilise a liquidity facility at the Parent Company, refer to Note IC 4.

²⁾ The Parent Company receives fees from its subsidiaries SCBC and Booli for administrative services provided, refer to Note IC 4.

³⁾ Booli receives fees from its Parent Company for marketing and product development, refer to Note IC 6.

Loans to key personnel

SEK million	GROUP			
	2020		2019	
	Lending	Interest income	Lending	Interest income
CEO	-	-	-	-
Board of Directors	7	0	6	0
Other key senior executives	28	0	14	1
Total	35	0	20	1

The CEO and the Board of Directors refer to the Parent Company. Wherever relevant, the managing directors and boards of other Group companies are included under "Other key senior executives."

Deposits from key personnel

SEK million	GROUP			
	2020		2019	
	Deposits	Interest expense	Deposits	Interest expense
CEO and other key senior executives	5	0	7	0
Board of Directors	2	0	2	0
Total	7	0	9	0

Lending to Board Members of SBAB Bank AB (publ) or to employees holding key positions in the company may not occur 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 taxable. The interest rate received after the discount must not be less than 0.25%.

Further disclosures pertaining to Board members and the Group Management are available in Note **IC 5** Personnel costs

Other related parties

SBAB engages FCG Financial Compliance Group, where SBAB's Chairman Jan Sinclair is a Board member, to provide customary banking and accounting services.

Information on the Board and their board assignments is presented in the Corporate Governance Report, refer to page 96.

G:3 Proposed appropriation of profits

SBAB posted a net profit for the year after tax of SEK 972,855,070. According to SBAB's balance sheet, SEK 12,305,018,150 is at the disposal of the Annual General Meeting.

Fair value reserve	240,694,743
Additional Tier 1 instruments	3,500,000,000
Retained earnings	7,591,468,337
Net profit for the year	972,855,070
Total	12,305,018,150

The Board proposes that the earnings be appropriated as follows (SEK):

To be carried forward	12,305,018,150
Total	12,305,018,150

The Board has decided to propose to the AGM the distribution of no dividend for the 2020 financial year. SBAB is well capitalised and has excellent prerequisites to grow lending. The Board's decision to propose the distribution of no dividend for the 2020 financial year further strengthens SBAB's capitalisation. The margins to the Swedish FSA's capital requirements increased as a result of the Swedish FSA's decision to reduce the countercyclical capital buffer requirement. SBAB expects capital requirements to increase somewhat during 2021 after incorporating the European banking package into Swedish

law and the Swedish FSA's regulations. Moreover, considerable uncertainty prevails as to how capital requirements will develop in the forthcoming years. SBAB is responsible for maintaining credit granting in 2020 and intends to continue to take responsibility for a well-functioning mortgage credit market in Sweden. At the end of the 2020 financial year, SBAB's CET1 capital ratio amounted to 13.4% and the total capital ratio was 17.6%. The Board proposes that the profits at the disposal of the AGM be carried forward.

G:4 Events after the balance-sheet date

Changes in Executive Management

The 16th of March 2021 Sara Davidgård, former Head of Business Specialists at SBAB, was appointed as new Chief Risk Officer (CRO). Fredrik Stenbeck left SBAB and his position as Chief Risk Officer (CRO) the same date.

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. 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. Credit risk also arises in treasury operations, for more information please refer to Note RC 2.

The first step in managing credit risk in lending operations is through a credit-granting process wherein the ability of borrowers to meet their interest and capital repayments is analysed. Loan receivables are only granted to 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. SBAB applies a debt-to-income ratio ceiling¹⁾ for new retail loans of 5.5 with the aim of keeping down borrowers' debt levels. The internal credit risk framework is supplemented with a quantitative model for the measurement of credit risk when granting credit. The model assesses the probability of default (PD) and ranks borrowers according to credit risk. Loan receivables are only granted to borrowers having a low credit risk and therefore assigned one of the better rating grades (see below). In conjunction with the measurement of credit risk when lending to corporates and tenant-owners' associations systematic qualitative assessments are also conducted through a questionnaire that could potentially adjust the credit risk of the customer. As a result, the estimated PD will be a balanced mix of the two methods. In this way a more tailored credit risk assessment can be carried out since different corporates and tenant-owners' associations can differ significantly.

In the second step the credit risk is 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. SBAB 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, SBAB 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 exposures²⁾, of which the eighth grade com-

prises borrowers in default. Trends for exposures in worse rating grades are monitored thoroughly and managed actively, when necessary, by credit experts in SBAB's insolvency team.

The expected credit loss EL under IRB differs from the expected credit loss ECL in the accounts that constitute the loss allowance. The calculation of ECL according to the Pillar I under the Basel framework is regulated by the Capital Requirements Regulation³⁾ (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 SBAB's lending under the IRB approach amounted to SEK 199 million (190) at the end of 2020. Total ECL in accordance with IFRS 9, reduced for guarantees, amounted to SEK 154 million (131). 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-value⁴⁾ (LTV) of 75% generally applies. In addition to collateral in the form of mortgage deeds for real property or tenant-owners' rights, it is possible to grant loan receivables against, inter alia, collateral in the form of a government guarantee, municipal guarantee, securities, bank guarantees and deposits in a Swedish bank. A very limited part of total lending is made without any collateral being obtained, i.e. unsecured loans. For corporates, building credits are normally secured through notes of lien and guarantor commitments. SBAB also normally requires a set percentage of sales to end customers before any disbursement is made. Disbursements continue according to payment plans in line with the progress of the building. SBAB does not repossess any collateral to protect loan receivables.

Lending to the public accounts for 81% (79) of SBAB's total assets. The table below presents lending in relation to the market value of underlying collaterals. As the majority of SBAB's lending has an LTV below 70%, the portfolio is deemed to be well-covered and its credit quality as very high.

¹⁾ Gross income before tax in relation to loan receivable.

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 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.

⁴⁾ 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. SBAB verifies property values on a regular basis. For residential properties and tenant-owners' rights, the property value is verified at least every third year.

Loan amounts broken down by LTV interval

	GROUP					GROUP			
	2020					2019			
	Residen- tial mort- gages	Corporate Clients & Tenant- Owners' Asso- cia- tions	Loans without formal collate- ral	Total		Residen- tial mort- gages	Corporate Clients & Tenant- Owners' Asso- cia- tions	Loans without formal collate- ral	Total
SEK million					SEK million				
Lending to the public					Lending to the public				
LTV <50 %	96,355	47,766	-	144,121	LTV <50 %	80,978	40,599	-	121,577
LTV 50-69 %	115,340	35,027	-	150,367	LTV 50-69 %	104,551	27,744	-	132,295
LTV >69%	98,897	18,508	-	117,405	LTV >69%	106,200	21,572	-	127,772
Unsecured	346	8,263	2,484	11,093	Unsecured	-	-	2,295	2,295
Total	310,938	109,564	2,484	422,986	Total	291,729	89,915	2,295	383,939
Off-balance-sheet items ¹⁾	53,321	5,905	112	59,338	Off-balance-sheet items ¹⁾	43,628	5,034		48,662

¹⁾ Off-balance-sheet items include loan commitments and building credits.

ECL and forward-looking information

	Scenario 1 (45%)			Scenario 2 (25%)			Scenario 3 (15%)			Scenario 4 (15%)		
Factors	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
GDP ¹⁾	-4.8%	+2.9%	+2.7%	-8.0%	-3.9%	+4.9%	-5.7%	-6%	+5.6%	-5.3%	-2.3%	-0.8%
Repo rate	0.1%	0.2%	0.2%	0.6%	0.6%	0.6%	0.4%	0.5%	0.5%	0.2%	1.2%	1.1%
Unemployment	8.6%	9.3%	8.7%	9.8%	13.0%	11.4%	8.8%	12.2%	11.5%	8.6%	10.1%	10.9%
House prices, Δ	+2.5%	+1.7%	-3.1%	-5.8%	-4.6%	-1.4%	-5.0%	-13.5%	-5.3%	-8.1%	-17.0%	-16.6%
Prices of tenant-owners' rights, Δ	-1.6%	+0.6%	-4.2%	-10.2%	-6.2%	-2.5%	-6.5%	-15.4%	-8.7%	-11.3%	-27.2%	-20.7%
Property prices, Δ	+2.4%	+0.5%	-0.4%	+1.2%	-11.8%	-0.6%	-9.8%	-13.3%	-5.8%	-15.0%	-26.5%	-10.7%
ECL	SEK 83 million			SEK 154 million			SEK 181 million			SEK 453 million		
Weighted ECL ²⁾	SEK 171 million											

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

²⁾ Of which, SEK 151 million was attributable to lending to the public and SEK 20 million to off-balance-sheet items linked to loan commitments and building credits.

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 model 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.

SBAB 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, SBAB revised the forward-looking information given the more negative outlook for the housing market and the economy in Sweden. The revisions gave rise to increased loss allowances totalling SEK 44 million, of which SEK 26 million in the first quarter, SEK 12 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 SBAB considers the scenarios revised in the third quarter to still be applicable.

During the year, SBAB 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 ultimately the housing prices, SBAB 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 SBAB'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 process 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 SBAB's retail lending portfolio was 58% (60). The LTV for new lending was 68% (71) and the debt-to-income ratio was 3.8 (3.7).

The credit quality of SBAB'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 38% (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, SBAB 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. SBAB'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

SBAB 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, SBAB 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 SBAB's portfolio at the end of 2020.

SBAB'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 SBAB'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, SBAB 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 unlikelihood to pay. The materiality thresholds, which are decided by the Swedish FSA, comprise an absolute and a relative component as follows: (1) the sum of past due payments amount to SEK 1,000 for retail exposures and SEK 5,000 for corporate exposures, and (2) the outstanding 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 SBAB's ECL remains unchanged.

Lending to the public broken down by rating grade

As per 31 December 2020, SBAB's lending to the public amounted to SEK 423 billion (384). 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 receive a risk weight of 0%. Transaction costs of SEK 15 million (16), which were attributable to loans brokered by business partners, are distributed in the table on a pro rata basis.

Total	GROUP							
	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
SEK million								
R0/C0	–	–	–	–	–	–	–	–
R1/C1	209,345	–4	1	0	0	0	209,346	–4
R2/C2	117,167	–5	555	0	0	0	117,722	–5
R3/C3	51,436	–9	1,517	0	0	0	52,953	–9
R4/C4	21,304	–15	6,486	–7	0	0	27,790	–22
R5/C5	4,043	–10	7,477	–21	0	0	11,520	–31
R6/C6	221	–2	1,693	–13	0	0	1,914	–15
R7/C7	15	0	1,485	–32	20	–1	1,520	–33
R8/C8	0	0	0	0	221	–32	221	–32
Total	403,531	–45	19,214	–73	241	–33	422,986	–151
Guarantees ¹⁾	–	2	–	3	–	0	–	5
Total	403,531	–43	19,214	–70	241	–33	422,986	–146

Total	GROUP							
	2019							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
SEK million								
R0/C0	1	0	0	0	0	0	1	0
R1/C1	180,733	–2	0	0	0	0	180,733	–2
R2/C2	108,453	–4	395	0	0	0	108,848	–4
R3/C3	47,393	–4	2,085	–1	0	0	49,478	–5
R4/C4	21,505	–10	7,174	–6	0	0	28,679	–16
R5/C5	3,973	–6	8,204	–20	0	0	12,177	–26
R6/C6	238	–2	1,915	–13	0	0	2,153	–15
R7/C7	21	–1	1,568	–34	0	0	1,589	–35
R8/C8	0	0	0	0	281	–29	281	–29
Total	362,317	–29	21,341	–74	281	–29	383,939	–132
Guarantees ¹⁾	–	2	–	4	–	0	–	6
Total	362,317	–27	21,341	–70	281	–29	383,939	–132

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

GROUP									
2020									
RESIDENTIAL MORTGAGES	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	130,604	-2	0	0	0	0	130,604	-2	
R2	93,242	-3	92	0	0	0	93,334	-3	
R3	44,587	-8	897	0	0	0	45,484	-8	
R4	20,895	-14	6,215	-6	0	0	27,110	-20	
R5	3,943	-9	7,248	-20	0	0	11,191	-29	
R6	218	-2	1,668	-12	0	0	1,886	-14	
R7	15	0	1,104	-27	20	-1	1,139	-28	
R8	0	0	0	0	190	-18	190	-18	
Total	293,504	-38	17,224	-65	210	-19	310,938	-122	
Guarantees ¹⁾	-	1	-	3	-	0	-	4	
Total	293,504	-37	17,224	-62	210	-19	310,938	-118	

GROUP									
2019									
RESIDENTIAL MORTGAGES	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	116,638	-2	0	0	0	0	116,638	-2	
R2	87,892	-3	87	0	0	0	87,979	-3	
R3	42,595	-4	1,018	0	0	0	43,613	-4	
R4	21,145	-9	6,985	-5	0	0	28,130	-14	
R5	3,899	-6	7,949	-19	0	0	11,848	-25	
R6	215	-1	1,887	-12	0	0	2,102	-13	
R7	21	0	1,145	-28	0	0	1,166	-28	
R8	0	0	0	0	252	-17	252	-17	
Total	272,405	-25	19,071	-64	252	-17	291,728	-106	
Guarantees ¹⁾	-	1	-	4	-	0	-	5	
Total	272,405	-24	19,071	-60	252	-17	291,728	-101	

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

GROUP

2020

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS

SEK million	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
C0	-	-	-	-	-	-	-	-
C1	78,069	-1	0	0	0	0	78,069	-1
C2	23,218	-2	460	0	0	0	23,678	-2
C3	6,289	-1	596	0	0	0	6,885	-1
C4	187	0	192	0	0	0	379	0
C5	42	-1	132	0	0	0	174	-1
C6	0	0	0	0	0	0	0	0
C7	0	0	361	-4	0	0	361	-4
C8	0	0	0	0	18	-8	18	-8
Total	107,805	-5	1,741	-4	18	-8	109,564	-17
Guarantees ¹⁾	-	1	-	0	-	-	-	1
Total	107,805	-4	1,741	-4	18	-8	109,564	-16

GROUP

2019

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS

SEK million	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
C0	1	0	0	0	0	0	1	0
C1	63,630	-1	0	0	0	0	63,630	-1
C2	19,942	-1	305	0	0	0	20,247	-1
C3	4,136	0	1,051	0	0	0	5,187	0
C4	124	0	125	0	0	0	249	0
C5	9	0	159	0	0	0	168	0
C6	18	-1	0	0	0	0	18	-1
C7	0	0	397	-5	0	0	397	-5
C8	0	0	0	0	18	-9	18	-9
Total	87,860	-3	2,037	-5	18	-9	89,915	-17
Guarantees ¹⁾	-	1	-	0	-	0	-	1
Total	87,860	-2	2,037	-5	18	-9	89,915	-16

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

GROUP									
2020									
CONSUMER LOANS	Credit stage 1		Credit stage 2		Credit stage 3		Total		
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	
SEK million									
R1	672	0	1	0	0	0	673	0	
R2	707	0	3	0	0	0	710	0	
R3	560	0	25	0	0	0	585	0	
R4	222	-1	80	0	0	0	302	-1	
R5	58	-1	96	-1	0	0	154	-2	
R6	3	0	25	-1	0	0	28	-1	
R7	0	0	19	-2	0	0	19	-2	
R8	0	0	0	0	13	-6	13	-6	
Total	2,222	-2	249	-4	13	-6	2,484	-12	
Guarantees ¹⁾	-	-	-	-	-	-	-	-	
Total	2,222	-2	249	-4	13	-6	2,484	-12	

GROUP									
2019									
CONSUMER LOANS	Credit stage 1		Credit stage 2		Credit stage 3		Total		
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	
SEK million									
R1	464	0	0	0	0	0	464	0	
R2	619	0	3	0	0	0	622	0	
R3	662	0	19	0	0	0	681	0	
R4	237	0	64	0	0	0	301	0	
R5	65	0	95	-1	0	0	160	-1	
R6	5	-1	28	-1	0	0	33	-2	
R7	0	0	24	-2	0	0	24	-2	
R8	0	0	0	0	10	-4	10	-4	
Total	2,052	-1	233	-4	10	-4	2,295	-9	
Guarantees ¹⁾	-	-	-	-	-	-	-	-	
Total	2,052	-1	233	-4	10	-4	2,295	-9	

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

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 SBAB's lending

had no past-due amounts. Of SBAB's lending portfolio totalling SEK 423 billion (384), SEK 195 million (186) of the exposure is past-due.

GROUP								
2020					2019			
SEK million	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Consumer loans	Total	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Consumer loans	Total
Past due 5–30 days ¹⁾	3	15	1	19	16	0	0	16
Past-due 31–60 days	67	-	4	71	55	-	3	58
Past-due 61–90 days	16	0	1	17	24	-	1	25
Past-due 91–180 days	28	-	2	30	22	-	2	24
Past due >181 days	53	-	5	58	59	-	4	63
Total	167	15	13	195	176	0	10	186

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. 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.

- New lending, net – New loan receivables in the reporting period. A new loan receivables that becomes credit impaired during the reporting period will consequently be recognised under credit stage 3.
- 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.

TOTAL	GROUP							
	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	362,317	-29	21,341	-74	281	-29	383,939	-132
Moved to credit stage 1	13,013	-29	-13,002	28	-11	1	0	0
Moved to credit stage 2	-9,573	2	9,658	-5	-85	3	0	0
Moved to credit stage 3	-68	0	-83	2	151	-2	0	0
Remeasurement of provision	4,304	55	573	-6	-4	-14	4,873	35
New lending, net ¹⁾	79,234	-20	5,894	-17	0	0	85,128	-37
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Loan repayments	-1,289	0	-58	0	-1	0	-1,348	0
Redemption	-44,406	6	-5,108	13	-82	3	-49,596	22
Write-offs due to confirmed credit losses	0	0	-1	0	-8	5	-9	5
Change in risk parameters during the period ²⁾	-	-30	-	-14	-	0	-	-44
Change in model/method	-	-	-	-	-	-	-	-
Other	-1	0	-1	0	0	0	-2	0
Closing balance	403,531	-45	19,214	-73	241	-33	422,986	-151

TOTAL	GROUP							
	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	341,390	-26	22,689	-73	267	-32	364,346	-131
Moved to credit stage 1	14,809	-29	-14,804	28	-5	1	0	0
Moved to credit stage 2	-9,764	2	9,821	-6	-57	4	0	0
Moved to credit stage 3	-62	0	-130	4	192	-4	0	0
Remeasurement of provision	4,045	33	125	-21	-4	-3	4,166	9
New lending, net ¹⁾	60,009	-10	7,194	-13	6	-1	67,209	-24
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Loan repayments	-745	0	-35	0	-1	0	-780	0
Redemption	-47,359	5	-3,516	12	-108	2	-50,982	19
Write-offs due to confirmed credit losses	0	0	-3	0	-10	5	-13	5
Change in risk parameters during the period	-	-4	-	-5	-	-1	-	-10
Change in model/method	-	-	-	-	-	-	-	-
Other	-7	0	0	0	0	0	-7	0
Closing balance	362,317	-29	21,341	-74	281	-29	383,939	-132

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.

GROUP								
2020								
RESIDENTIAL MORTGAGES	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	272,405	-25	19,071	-64	253	-17	291,729	-106
Moved to credit stage 1	11,638	-27	-11,627	27	-11	0	0	0
Moved to credit stage 2	-8,163	2	8,246	-5	-83	3	0	0
Moved to credit stage 3	-64	0	75	1	139	-1	0	0
Remeasurement of provision	-3,234	41	-164	-9	-2	-9	-3,400	23
New lending, net ¹⁾	51,397	-17	5,248	-15	0	0	56,645	-32
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Loan repayments	-373	0	-37	0	-1	0	-411	0
Redemption	-30,102	5	-3,437	10	-82	3	-33,621	18
Write-offs due to confirmed credit losses	0	0	0	0	-4	2	-4	2
Change in risk parameters during the period ²⁾	-	-17	-	-10	-	0	0	-27
Change in model/method	-	-	-	-	-	-	-	-
Other	0	0	-1	0	1	0	0	0
Closing balance	293,504	-38	17,224	-65	210	-19	310,938	-122

GROUP								
2019								
RESIDENTIAL MORTGAGES	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	257,602	-21	19,000	-65	237	-19	276,839	-105
Moved to credit stage 1	11,419	-26	-11,414	25	-5	1	0	0
Moved to credit stage 2	-8,619	2	8,674	-6	-55	4	0	0
Moved to credit stage 3	-59	0	-123	3	182	-3	0	0
Remeasurement of provision	-3,772	30	-219	-14	-2	-2	-3,993	14
New lending, net ¹⁾	46,105	-9	6,321	-13	6	-1	52,432	-23
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Loan repayments	-386	0	-30	0	-1	0	-416	0
Redemption	-29,879	4	-3,135	12	-107	3	-33,120	19
Write-offs due to confirmed credit losses	0	0	-3	0	-2	1	-5	1
Change in risk parameters during the period	-	-5	-	-6	-	-1	-	-12
Change in model/method	-	-	-	-	-	-	-	-
Other	-7	0	0	0	0	0	-7	0
Closing balance	272,405	-25	19,071	-64	253	-17	291,729	-106

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.

GROUP

2020

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS

SEK million	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	87,860	-3	2,037	-5	18	-9	89,915	-17
Moved to credit stage 1	1,238	0	-1,238	0	0	0	0	0
Moved to credit stage 2	-1,311	-1	1,311	1	0	0	0	0
Moved to credit stage 3	0	0	-1	0	1	0	0	0
Remeasurement of provision	7,903	7	773	-2	-1	0	8,675	5
New lending, net ¹⁾	26,868	-2	499	-1	0	0	27,367	-3
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Loan repayments	-851	0	-13	0	0	0	-864	0
Redemption	-13,903	0	-1,627	2	0	1	-15,530	3
Write-offs due to confirmed credit losses	-	-	-	-	-	-	-	-
Change in risk parameters during the period ²⁾	-	-6	-	1	-	0	-	-5
Change in model/method	-	-	-	-	-	-	-	-
Other	1	-	0	-	0	-	1	-
Closing balance	107,805	-5	1,741	-4	18	-8	109,564	-17

GROUP

2019

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS

SEK million	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	81,842	-4	3,440	-1	19	-9	85,301	-14
Moved to credit stage 1	3,241	-1	-3,241	1	0	0	0	0
Moved to credit stage 2	-1,049	0	1,049	0	0	0	0	0
Moved to credit stage 3	0	0	0	0	0	0	0	0
Remeasurement of provision	8,146	2	379	-6	-1	0	8,524	-4
New lending, net ¹⁾	13,121	-1	755	0	0	0	13,876	-1
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Loan repayments	-309	0	-1	0	0	0	-310	0
Redemption	-17,132	1	-344	0	0	0	-17,476	1
Write-offs due to confirmed credit losses	-	-	-	-	-	-	-	-
Change in risk parameters during the period	-	0	-	1	-	-	-	1
Change in model/method	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Closing balance	87,860	-3	2,037	-5	18	-9	89,915	-17

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.

GROUP								
2020								
CONSUMER LOANS	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	2,052	-1	233	-4	10	-4	2,295	-9
Moved to credit stage 1	137	-1	-136	1	-1	0	0	0
Moved to credit stage 2	-100	0	101	0	-1	0	0	0
Moved to credit stage 3	-4	0	-7	1	11	-1	0	0
Remeasurement of provision	-365	2	-37	0	-2	-4	-404	-2
New lending, net ¹⁾	969	-1	146	-1	0	0	1,115	-2
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Loan repayments	-65	0	-8	0	0	0	-73	0
Redemption	-401	0	-43	0	-1	1	-445	1
Write-offs due to confirmed credit losses	0	0	0	0	-4	2	-4	2
Change in risk parameters during the period ²⁾	-	-1	-	-1	-	0	-	-2
Change in model/method	-	-	-	-	-	-	-	-
Other	-1	0	0	0	1	0	0	0
Closing balance	2,222	-2	249	-4	13	-6	2,484	-12

GROUP								
2019								
CONSUMER LOANS	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	1,946	-1	249	-6	11	-5	2,206	-12
Moved to credit stage 1	149	-2	-149	2	0	0	0	0
Moved to credit stage 2	-96	0	98	0	-2	0	0	0
Moved to credit stage 3	-3	0	-7	1	10	-1	0	0
Remeasurement of provision	-329	2	-35	-2	-1	-1	-365	-1
New lending, net ¹⁾	783	0	118	0	0	0	901	0
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Loan repayments	-50	0	-4	0	0	0	-54	0
Redemption	-348	0	-37	0	0	-1	-385	-1
Write-offs due to confirmed credit losses	0	0	0	0	-8	4	-8	4
Change in risk parameters during the period	-	0	-	1	-	0	-	1
Change in model/method	-	-	-	-	-	-	-	-
Other	0	0	0	0	0	0	0	0
Closing balance	2,052	-1	233	-4	10	-4	2,295	-9

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.

GROUP

2020

LOAN COMMITMENTS AND PROVISIONS

SEK million	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Loan commitments	Provision	Loan commitments	Provision	Loan commitments	Provision	Loan commitments	Provision
Opening balance	48,273	4	389	9	0	0	48,662	13
Moved to credit stage 1	42	0	-42	0	0	0	0	0
Moved to credit stage 2	-170	0	170	0	0	0	0	0
Moved to credit stage 3	0	0	0	0	0	0	0	0
Remeasurement of provision	-1,640	5	-160	3	0	0	-1,800	8
New lending, net	58,189	8	686	11	0	0	58,875	19
Write-offs, redemption, etc.	-46,050	-2	-348	-9	0	0	-46,398	-11
Change in risk parameters during the period ¹⁾	-	-6	-	-3	-	0	0	-9
Change in model/method	-	-	-	-	-	-	-	-
Closing balance	58,644	9	695	11	0	0	59,339	20

GROUP

2019

LOAN COMMITMENTS AND PROVISIONS

SEK million	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Loan commitments	Provision	Loan commitments	Provision	Loan commitments	Provision	Loan commitments	Provision
Opening balance	37,482	7	53	0	0	0	37,535	7
Moved to credit stage 1	0	0	0	0	0	0	0	0
Moved to credit stage 2	-52	0	52	0	0	0	0	0
Moved to credit stage 3	0	0	0	0	0	0	0	0
Remeasurement of provision	-1,119	-2	337	8	0	0	-782	6
New lending, net	47,336	3	0	1	0	0	47,336	4
Write-offs, redemption, etc.	-35,374	-5	-53	0	0	0	-35,427	-5
Change in risk parameters during the period ¹⁾	-	1	-	0	-	-	-	1
Change in model/method	-	-	-	-	-	-	-	-
Closing balance	48,273	4	389	9	0	0	48,662	13

¹⁾ 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.

Modified assets, loans with renegotiated terms and conditions, modified assets in credit stages 2 and 3 (that have not led to derecognition)

SEK million	GROUP			
	2020			
	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Consumer loans	Total
Amortised cost prior to modification	831	0	4	835
Modification gain/loss, net	0	0	0	0
Amortised cost after modification	831	0	4	835
<i>Of which, carrying amount prior to provision for assets migrated from credit stage 2 or 3 to credit stage 1.</i>	<i>114</i>	<i>0</i>	<i>0</i>	<i>114</i>
SEK million	GROUP			
	2019			
	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Consumer loans	Total
Amortised cost prior to modification	294	13	62	369
Modification gain/loss, net	0	0	0	0
Amortised cost after modification	294	13	62	369
<i>Of which, carrying amount prior to provision for assets migrated from credit stage 2 or 3 to credit stage 1.</i>	<i>132</i>	<i>7</i>	<i>0</i>	<i>139</i>

RC:2 Credit risk in treasury operations

Credit risk in treasury operations arises when the counterparty is unable to fulfil its payment obligations. Credit risk arises, in part, in the form of counterparty risk for the derivative and repo contracts entered into by SBAB to manage financial risks and, in part, as a result of investments in the liquidity portfolio and of surplus liquidity.

The SBAB Group's counterparties are banks and credit institutions, and the underlying exposure in the table includes investments, derivatives and repos. The limits are set by the Board's Credit Committee within the confines of the framework adopted by the Board of Directors. The utilised limit is calculated as the market value of financial derivatives, repos and investments. For deri-

vatives and repos, the effect of collateral pledged or received under CSAs or GMRA's 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. Counterparty 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. All of SBAB's counterparties have a rating from either Moody's or Standard & Poor's.

Limit utilisation per rating category

SEK million	CONSOLIDATED SITUATION				PARENT COMPANY			
	2020		2019		2020		2019	
	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit
AAA	-	-	-	-	-	-	-	-
AA- to AA+	8,400	2,807	12,100	4,260	8,400	2,807	12,100	4,033
A- to A+	16,750	4,458	12,300	4,573	16,750	4,226	12,300	4,526
Lower than A-	2,400	55	3,800	192	2,400	55	3,800	192
Unrated	-	-	-	-	-	-	-	-
Total	27,550	7,320	28,200	9,025	27,550	7,088	28,200	8,751

The "Limit utilisation" table shows the limits and the utilised limits, respectively, for SBAB'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 are an aggregate of individual derivative counterparty's total exposure and the limits for the respective rating category.

Distribution of chargeable treasury bills, etc., bonds and other interest-bearing securities by rating category

The table below shows an analysis of lending to credit institutions, chargeable treasury bills, bonds and other interest-bearing securities distributed in accordance with the lowest rating as of 31 December 2020, based on Standard & Poor's rating or equivalent.

SEK million	CONSOLIDATED SITUATION				
	2020				
	Covered bonds	Government guaranteed securities	Sovereigns, supranationals and agencies	Non-governmental public sector entities	Total
AAA	36,630	13,515	2,232	11,680	64,057
AA- to AA+	638	438	456	3,486	5,018
A- to A+	-	-	-	-	-
Lower than A-	-	-	-	-	-
Total	37,268	13,953	2,688	15,166	69,075
Provisions for expected credit losses	-1	0	0	0	-1
Total after provisions	37,267	13,953	2,688	15,166	69,074

SEK million	CONSOLIDATED SITUATION				
	2019				
	Covered bonds	Government guaranteed securities	Sovereigns, supranationals and agencies	Non-governmental public sector entities	Total
AAA	36,061	17,461	1,900	12,050	67,472
AA- to AA+	454	932	-	2,758	4,144
A- to A+	-	-	-	-	-
Lower than A-	-	-	-	-	-
Total	36,515	18,393	1,900	14,808	71,616
Provisions for expected credit losses	-1	0	0	0	-1
Total after provisions	36,514	18,393	1,900	14,808	71,615

Geographical distribution of chargeable treasury bills, bonds and other interest-bearing securities

CONSOLIDATED SITUATION				
2020				
SEK million	Sweden	Other EU	Other	Total
Covered bonds	24,032	7,953	5,283	37,268
Government guaranteed securities	10,248	3,705	–	13,953
Sovereigns, supranationals and agencies	–	2,688	–	2,688
Non-governmental public sector entities	11,521	3,645	–	15,166
Total as per 31 December 2020	45,801	17,991	5,283	69,075
Total as per 31 December 2019	51,570	17,262	2,784	71,616

Counterparty credit risk

Counterparty credit risk is the risk that SBAB's financial counterparties cannot meet their commitments pursuant to the completed derivatives and repo contracts, and such risk consists primarily of exposures to well-reputed and established banks. This exposure is predominantly covered by collateral agreements, where the counterparty posts collateral to reduce net exposure. In accordance with SBAB's credit instruction, the credit-risk limits are established by SBAB's Credit Committee for all counterparties in treasury operations.

To limit the potential counterparty risk associated with derivative transactions involving non-standardised derivatives that are not cleared by qualified central counterparties approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement is to be entered into with the counterparty. In most cases, the framework agreement, an ISDA Master Agreement or similar agreements with terms for final settlement, have been supplemented with an associated collateral agreement, known as a Credit Support Annex (CSA). A CSA must always be established for counterparties entering into derivative contracts with SBAB and SCBC. The framework agreements entitle the parties to offset receivables against debt in the event of a payment default.

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

SBAB participates in the calculation of the STIBOR (Stockholm Interbank Offered Rate) reference rate for the Swedish market. STIBOR is a reference rate that shows an average of the interest rates at which a number of the banks active in the Swedish money market are prepared to lend to each other without collateral under different maturities.

In 2016, it became mandatory under the European Markets Infrastructure Regulation (EMIR) for SBAB to clear interest-rate derivatives via central counterparties, known as clearing houses. The aim is for clearing houses to act as counterparties for buyers and sellers, and to participate in ensuring payment obligations are discharged.

Maximum credit-risk exposure in treasury operations

CONSOLIDATED SITUATION				
SEK million	Without taking into account collateral received or other credit enhancements		Taking into account collateral received or other credit enhancements	
	2020	2019	2020	2019
Lending to credit institutions	945	417	945	417
Chargeable treasury bills, etc.	10,894	15,886	10,894	15,886
Bonds and other interest-bearing securities	58,180	55,731	58,180	55,731
Derivatives	10,890	13,087	7,322	5,268
Total	80,909	85,121	77,341	77,302

Collateral posted and received under collateral agreements, by company

CONSOLIDATED SITUATION				
SEK million	2020		2019	
	Collateral pledged	Collateral received	Collateral pledged	Collateral received
SBAB	896	3,568	310	7,818
SCBC	0	0	0	0

Lending to credit institutions, chargeable treasury bills, bonds and other interest-bearing securities

CONSOLIDATED SITUATION

2020

SEK million	Financial assets measured at amortised cost		Financial assets measured at FVTOCI		Financial assets measured at FVTPL		Total	
	Credit stage 1		Credit stage 1					
	Securities, gross	Provision	Securities, gross		Securities, gross	Provision		
Opening balance	37,946	-1	36,939		2,899		77,784	-1
Change in cash balances	-9,897	-	-		-		-9,897	-
Purchases	799,064	0	35,423		-		834,487	0
Sales	-481	0	-4,470		-		-4,951	0
Maturity	-785,806	0	-33,261		-1,100		-820,167	0
Write-offs, redemption, etc.	-	-	-		-		-	-
Change in risk parameters during the period	-	-	-		-		-	-
Change in model/method	-	-	-		-		-	-
Currency revaluation	-1,122	-	-353		-229		-1,704	-
Other ¹⁾	236	0	755		8		999	0
Closing balance	39,940	-1	35,033		1,578		76,551	-1

CONSOLIDATED SITUATION

2019

	Financial assets measured at amortised cost		Financial assets measured at FVTOCI		Financial assets measured at FVTPL			
	Credit stage 1		Credit stage 1				Total	
SEK million	Securities, gross	Provision	Securities, gross		Securities, gross		Securities, gross	Provision
Opening balance	26,021	-1	41,438		7,238		74,697	-1
Change in cash balances	5,775	-	0		-		5,775	-
Purchases	877,039	0	14,725		-		891,764	0
Sales	-343	0	-1,996		-		-2,339	0
Maturity	-870,687	0	-17,557		-3,816		-892,060	0
Write-offs, redemption, etc.	-	-	-		-		-	-
Change in risk parameters during the period	-	-	-		-		-	-
Change in model/method	-	-	-		-		-	-
Currency revaluation	63	-	20		-462		-379	-
Other ¹⁾	78	0	309		-61		326	0
Closing balance	37,946	-1	36,939		2,899		77,784	-1

¹⁾ Unrealised changes in fair value in addition to the exchange rate revaluation.

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. The SBAB Group has long identified the importance of well-functioning and proactive liquidity risk management. SBAB's liquidity risk management is described below.

Broad and diversified funding

Because the SBAB Group has maintained an active presence in the international capital market since 1989, its brand is well established. The SBAB Group has access to the covered bond market, both in Sweden and internationally, through SCBC. In addition to issuing bonds, SBAB is funded by retail deposits.

Liquidity reserve

SBAB has a liquidity portfolio in place to ensure liquidity in times when normal market funding does not function adequately or in the case of outflows of deposits. The portfolio acts as a buffer, as the securities in the portfolio can be sold to free up liquidity, either through repos or through the sales of parts of the portfolio. The liquidity portfolio also comprises a business advantage in

normal market conditions in the form of bridge financing for maturing debt and with ensuring intraday liquidity.

The portfolio holdings are long-term and mainly comprise liquid, interest-bearing securities with high ratings, where 100% of the portfolio's holdings can be used as collateral for repos with the Riksbank or the European Central Bank (ECB). The size of SBAB's holdings of individual securities as a percentage of the total volume outstanding is also limited with the aim of reducing concentration risk.

The liquidity reserve is defined as the reserve value of the securities in the liquidity portfolio and other liquid short-term investments. When calculating the reserve value of the securities included in the liquidity reserve, the SBAB Group applies the haircuts issued in accordance with the Riksbank's Guidelines for Collateral Management in the regulatory framework for RIX and monetary policy instruments as well as the ECB list of eligible marketable assets. Excluding pledged collateral, SBAB's liquidity reserve amounted to SEK 70.9 billion at 31 December 2020 (reserve value of SEK 68 billion at the Riksbank or the ECB) with an average tenor of 2.63 years (2.16). Moreover, unutilised issuance capacity for covered bonds comprises an additional reserve that is not included in the calculation of the above liquidity metrics.

Liquidity reserve

		CONSOLIDATED SITUATION									
		31 Dec 2020					31 Dec 2019 ¹⁾				
		Distribution by currency					Distribution by currency				
SEK bil-		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
lion											
	Level 1 Assets	67.8	47.6	14.7	5.5	-	72.3	55.1	11.4	5.8	-
	Cash and balances at central banks	7.7	7.7	-	-	-	7.0	7.0	-	-	-
	Securities issued or guaranteed by governments, central banks, multinational development banks and international organisations	13.9	6.6	4.8	2.5	-	19.6	13	4.1	2.5	-
	Securities issued by municipalities or PSEs	15.3	6.9	5.5	2.9	-	15	7.6	4.2	3.2	-
	Covered bonds with extremely high quality	30.9	26.4	4.4	0.1	-	30.7	27.5	3.1	0.1	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Level 2 Assets	3.1	2.6	0.5	-	-	3.8	3.3	0.5	-	-
	<i>Level 2A assets</i>	<i>3.1</i>	<i>2.6</i>	<i>0.5</i>	<i>-</i>	<i>-</i>	<i>3.8</i>	<i>3.3</i>	<i>0.5</i>	<i>-</i>	<i>-</i>
	Securities issued or guaranteed by governments, central banks, municipalities and PSEs	-	-	-	-	-	-	-	-	-	-
	Covered bonds with high quality	3.1	2.6	0.5	-	-	3.8	3.3	0.5	-	-
	Corporate bonds (minimum AA- rating)	-	-	-	-	-	-	-	-	-	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	<i>Level 2B assets</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
	Asset-backed securities (ABS)	-	-	-	-	-	-	-	-	-	-
	Covered bonds with high quality	-	-	-	-	-	-	-	-	-	-
	Corporate bonds (A+ to BBB rating)	-	-	-	-	-	-	-	-	-	-
	Equities	-	-	-	-	-	-	-	-	-	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Liquidity reserve	70.9	50.2	15.2	5.5	-	76.1	58.4	11.9	5.8	-

¹⁾ The previously published figures for the liquidity reserve as of December 31 2019 have been changed, from 77.6 bnSEK to 76.1 bnSEK, due to a reclassification concerning which securities should be included in the liquidity reserve. SBAB does not consider the adjustment to have any significant impact on liquidity risk.

Continuous monitoring of liquidity risk

Proactive and continuous liquidity planning in the relevant currencies, active debt management and the scope, content and management of the liquidity reserve are key factors in SBAB's liquidity risk management. By viewing funding activities as a natural part of both operational work and the strategic planning of liquidity risk, concentrations of excessively large funding maturities are avoided. Another important part of the ongoing liquidity risk management is the continuous monitoring and testing of the practical liquidity value of the liquidity reserve in the secondary market.

Liquidity risk measurements – short-term liquidity risk

At SBAB, the risk of being exposed to insufficient liquidity in the short term is known as short-term liquidity risk. SBAB regularly monitors a number of metrics for short-term liquidity risk. One of these is the liquidity coverage ratio as defined in the European Commission delegated regulation (EU) 2015/61. The liquidity coverage ratio is a metric of the degree to which the liquidity reserve covers a 30-day net cash outflow in a stressed scenario. Under the regulations, the metric must amount to not less than 100% for all currencies on a consolidated basis. At 31 December 2020, figures for 31 December 2019 in parenthesis, the metric was 170% (265)¹⁾ at the consolidated level, and 340% (946) and 1,300% (151), respectively, in EUR and USD. In 2020, the LCR never fell below 170% (247) at the consolidated level.

In addition to regulatory-controlled liquidity risk measurements, SBAB has a number of internal metrics. These include the measurement and stress testing of the liquidity risk by totalling the maximum conceivable need for liquidity for each coming day. This liquidity risk metric is referred to as the survival horizon. The calculations are based on a crisis scenario in which all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no funding is available. Retail deposits are treated with a conservative assumption, whereby withdrawals from the portfolio are distributed over time on the basis of historical changes. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. The survival horizon corresponds to the number of days for which the liquidity reserve covers the maximum outflow and it has been limited to a minimum of 180 days at the consolidated currency level at any given time.

At 31 December 2020, figures for 31 December 2019 in parenthesis, the survival horizon was 266 days (290) at the consolidated level, and 174 days (315) for SEK, 1,594 days (248) for EUR and 524 days (766) for USD. In 2020, the survival horizon was never less than 247 days (290) at the consolidated level.

In addition to the above metrics, limits are applied to short-term liquidity risk through further internal metrics, for which limits apply.

Liquidity risk measurements – structural liquidity risk

Structural liquidity risk is a measure of the differences in maturity structures between assets and liabilities in terms of loan-to-maturity, which risks leading to a lack of liquidity in the longer term. SBAB aims to have a diversified funding. The SBAB Group has adopted a conservative approach to the management of funding. A larger share of future maturities is being pre-financed and the share of total funding attributable to short-term funding is being maintained at a low level. SBAB works actively to ensure an even distribution of maturities, while at the same time extending the maturity of the liabilities. Monitoring of upcoming maturities, repurchases, replacements and pre-financing constitute key elements of the practical management aimed at reducing the risk.

SBAB limits its dependence on market funding by applying a limit on the ratio between retail deposits and lending to the public. At 31 December 2020, the ratio was 32% (33.9) compared with a limit of 28%.

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%

SBAB also measures its structural liquidity risk through a metric for maturity matching that measures the relationship between the maturities of assets and liabilities from a liquidity perspective at various points in the future. This can be viewed as SBAB's internal version of the net stable funding ratio (NSFR), in which the maturity, in terms of liquidity, on deposits and lending is estimated by means of SBAB's own statistical models, which are based on historical data of the behaviour of SBAB's customers. The metric is subject to a one-year floor limit of not less than 90% at a consolidated level, 60% for USD and currencies for which the liability exceeds 5% of total liabilities. At 31 December 2020, maturity matching was 127% (138) at the consolidated level, 126% (144) in SEK, 110% (97) in EUR and 127% (109) in USD.

The NSFR according to SBAB's interpretation of Regulation (EU) 2019/876 of the European Parliament and of the Council was 128.8% (134).

The tables "Maturities of hedged cash flows in cash-flow hedges" and "Maturities of financial assets and liabilities" show the status of SBAB's future cash flows at 31 December 2020 and 31 December 2019, respectively, from both a short-term and long-term perspective.

¹⁾ The previously published LCR figures as of December 31 2019 have been changed due to a reclassification concerning which securities should be included in the liquidity reserve. The LCR has been changed from 271% to 265%. SBAB does not consider the adjustment to have any significant impact on liquidity risk.

Maturities of financial assets and liabilities

(Amounts refer to contractual, undiscounted cash flows)

The maturity of the amortisation 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 2020. Future interest-rate cash flows with floating interest rates are estimated until the next fixing date using forward interest

rates based on the actual interest base, usually the three-month STIBOR. The Parent Company, SBAB, is the creditor for the subsidiary SCBC's subordinated debt. If the maturity is not specified, current debt is recognised as having no maturity and without estimated interest-rate cash flows.

The item "Loan commitments and other credit-related commitments" for the Group, which totals SEK 59,339 million (48,662), amounted to SEK 17,952 million (14,722) after application of the internal model for calculating the CCF. The reduction has not been included in the table.

	CONSOLIDATED SITUATION													
	2020							2019						
SEK million	No matu- rity	<3 months	3-6 months	6-12 months	1-5 years	>5 years	Total	No matu- rity	<3 months	3-6 months	6-12 months	1-5 years	>5 years	Total
Financial assets														
Cash and balances at central banks	6,530	-	-	-	-	-	6,530	5,750	-	-	-	-	-	5,750
Chargeable treasury bills, etc.	-	3,091	81	763	6,722	250	10,907	-	7,855	119	2,347	5,653	-	15,974
Lending to credit institutions	35	905	-	-	-	-	940	104	311	-	-	-	-	415
Lending to the public		3,010	2,304	5,497	36,376	375,563	422,751	-	2,070	1,794	5,564	35,262	338,985	383,675
Bonds and other interest-bearing securities	-	1,181	2,178	9,412	41,777	3,798	58,346	-	1,170	5,363	4,294	44,192	1,585	56,604
of which classified as loans and accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-	1049	1,135	1,068	4,831	1,880	9,963	-	228	480	970	7,188	2,014	10,880
Other assets	452	-	-	-	-	-	452	535	-	-	-	-	-	535
Total	7,017	9,236	5,698	16,740	89,706	381,491	509,889	6,389	11,634	7,756	13,175	92,295	342,584	473,833
Financial liabilities														
Liabilities to credit institutions	-	7,184	-	-	13,000	-	20,184	-	10,528	-	-	-	-	10,528
Deposits from the public	131,561	1,054	1,435	1,392	216	-	135,658	126,858	1,343	590	1,468	283	-	130,542
Issued debt securities, etc.	-	31,475	10,213	13,255	202,810	74,348	332,101	-	5,977	16,486	19,220	196,919	75,377	313,979
Derivatives	-	228	220	420	2,188	1,583	4,639	-	137	110	208	1,111	786	2,352
Other liabilities	2,200	-	-	-	-	-	2,200	2,188	-	-	-	-	-	2,188
Subordinated debt	-	44	1,584	44	4,391	-	6,063	-	1,568	1,080	2,533	3,463	415	9,059
Loan commitments and other credit-related commitments	-	39,598	14,073	474	5,194	-	59,339	-	32,432	10,809	564	4,857	-	48,662
Total	133,761	79,583	27,525	15,585	227,799	75,931	560,184	129,046	51,985	29,075	23,993	206,633	76,578	517,310

Maturities of hedged cash flows in cash-flow hedges

SEK million	CONSOLIDATED SITUATION						
	No maturity	<3 months	3-6 months	6-12 months	1-5 years	>5 years	Total
Interest-rate-hedged	-	168	233	138	1,352	974	2,865
Currency-hedged	-	-11,250	-5,017	-10,035	-49,645	-20,901	-96,848
Net, 31 Dec 2020	-	-11,082	-4,784	-9,897	-48,293	-19,927	-93,983
Net, 31 Dec 2019	-	182	248	-7,664	-62,159	-35,922	-105,315

Maturities of financial assets and liabilities

(Amounts refer to contractual, undiscounted cash flows)

SEK million	PARENT COMPANY													
	2020							2019						
	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
Financial assets														
Cash and balances at central banks	6,530	–	–	–	–	–	6,530	5,750	–	–	–	–	–	5,750
Chargeable treasury bills, etc.	–	3,091	81	763	6,722	250	10,907	–	7,855	119	2,347	5,653	–	15,974
Lending to credit institutions	103,814	4,439	4,675	2,346	6,100	–	121,374	96,597	322	18	28	6,208	–	103,173
Lending to the public	–	464	266	719	3,669	19,719	24,836	–	448	196	382	6,059	17,780	24,865
Bonds and other interest-bearing securities	–	1,181	2,178	9,412	41,777	3,798	58,346	–	1,170	5,363	4,294	44,192	1,585	56,060
<i>of which classified as loans and accounts receivable</i>	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Derivatives	–	1,159	1,217	1,203	6,117	3,112	12,808	–	285	508	1,001	7,674	2,558	12,026
Other assets	1,085	–	–	–	–	–	1,085	1,127	–	–	–	–	–	1,127
Total	111,429	10,334	8,417	14,443	64,385	26,879	235,886	103,474	10,080	6,204	8,052	69,786	21,923	219,519
Financial liabilities														
Liabilities to credit institutions	–	7,184	–	–	13,000	–	20,184	–	10,527	–	–	–	–	10,527
Deposits from the public	131,561	1,054	1,435	1,392	216	–	135,658	126,858	1,343	590	1,468	283	–	130,542
Issued debt securities, etc.	–	8,885	8,333	1,051	41,369	1,008	60,646	–	1,611	2,452	9,285	43,562	1,055	57,965
Derivatives	–	1,239	842	1,423	6,090	3,210	12,804	–	378	535	1,017	6,790	2,632	11,352
Other liabilities	820	–	–	–	–	–	820	778	–	–	–	–	–	778
Subordinated debt	–	44	1,584	44	4,391	–	6,063	–	1,568	1,080	2,533	3,463	415	9,059
Loan commitments and other credit-related commitments	–	39,598	14,073	474	5,194	–	59,339	–	32,432	10,809	564	4,857	–	48,662
Total	132,381	58,004	26,267	4,384	70,260	4,218	295,514	127,636	47,859	15,466	14,867	58,955	4,102	268,885

Maturities of hedged cash flows in cash-flow hedges

SEK million	PARENT COMPANY						
	No maturity	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total
Interest-rate-hedged	–	–	63	17	105	4	189
Currency-hedged	–	–1,215	–5,017	–	–10,034	–1,003	–17,269
Net, 31 Dec 2020	–	–1,215	–4,954	17	–9,929	–999	–17,080
Net, 31 Dec 2019	–	–	66	18	–16,768	–1,038	–17,722

Stress tests

SBAB performs regular stress tests of liquidity risk aimed at internal requirements for analytical and contingency management of liquidity risk. The stress tests have been designed in line with the Swedish FSA's regulations on liquidity management, which impose general requirements on stress tests (FFFS 2010:7). The models analyse SBAB's capacity to meet the need for cash and cash equivalents in various market scenarios and to assess the effect of protracted stress on SBAB's ability to finance its operations. The scenarios are designed on the basis of SBAB's specific risk profile and cover both company-specific and market-related scenarios that may render the financing of the operations difficult. The scenarios are divided into different stages that illustrate increasing levels of stress intensity to reflect how a crisis can continuously deteriorate. The scenarios simulated by the stress tests include:

- The 2008/2009 financial crisis – stress in the funding operations, with funding programmes closing at various stages

- Rating-related stress, with gradually lower ratings for SBAB and SCBC
- Falling property market prices – various levels of falling prices, which increase LTV ratios, thus lowering the share of funding that can be conducted via covered bonds
- Stress of liquidity in the liquidity reserve
- Sizeable fluctuations in interest and currency exchange rates, leading to larger amounts having to be secured through CSAs, which could thus impair liquidity.

The stress tests are under continuous development and the assumptions on which the various scenarios are based are assessed regularly. The stress tests are conducted and reported quarterly, with results assessed against SBAB's established risk appetite and used to adapt strategies and guidelines.

Developments in liquidity risk regulation

The area of liquidity risk is subject to constant regulatory development. The following regulatory changes are on the agenda for the immediate future:

New version of the Capital Requirements Regulation (CRR)

In May 2019, an amendment was made to Regulation (EU) 2019/876 of the European Parliament and of the Council ("CRR II"). The largest amendment pertaining to liquidity risk is the introduction of a mandatory requirement in terms of a 100% stable net funding ratio (NSFR) that enters force in June 2021. Since 2014, SBAB has regularly calculated NSFR based on the Basel Committee's standard, despite the lack of any statutory quantitative requirement. Following the announcement of the CRR II, SBAB revised the method for calculating the NSFR in September 2019 to align it with the coming regulatory requirements in the CRR II.

Other regulatory changes

Harmonised rules for covered bonds

In November 2019, Directive (EU) 2019/2162 of the European Parliament and of the Council on the issue of covered bonds was published. The Directive introduces harmonised rules for covered bonds within the EU. The most tangible change introduced by the rules being the requirement for issuers to hold sufficient highly liquid assets in the cover pool to cover net liquidity outflows from covered bonds for a period of 180 days. This requirement entails an overlapping of the existing liquidity reserve requirements in the LCR regulations.

Efforts are ongoing at EU level to change the LCR regulations to avoid institutions having to hold double liquidity reserves. A proposal came in 2020, which allows the liquidity requirement imposed for the first 30 of the total of 180 days to also be used as a liquidity buffer to meet the liquidity coverage requirement. A further amendment in the new regulatory framework entails raising the excess value or so-called over-collateralisation from the current 2% to 5%. This will require an increased cover pool to be able to issue covered bonds. However, the amended law has limited impact on SBAB, as excess values are normally maintained at not less than 20%. Through these amendments, the directive must be transposed into Swedish law no later than 8 July 2021 and enter force not more than one year thereafter. The coming provisions apply in full for covered bonds issued from 8 July 2022. Covered bonds issued prior to 8 July 2022 are subject to the provisions of the Covered Bonds Issuance Act (2003:1223) and, accordingly, are not subject to the 180-day liquidity coverage requirement. Given that SBAB does not normally issue covered bonds with maturities of less than 2 years, the covered bonds issued by SBAB after 8 July 2022 will not result in any real liquidity coverage requirement until 2024 at the earliest.

LCR relief

Since March 2020, the Swedish FSA has permitted banks to fall below the LCR in conjunction with the coronavirus pandemic. LCRs are temporarily permitted to fall below the requirement for individual currencies and total currencies. This measure aims to ensure that the liquidity coverage requirement create funding difficulties for banks, which in turn promote the functioning supply of credit in the economy. SBAB strives to continue to meet the liquidity coverage requirement despite the pandemic and the relief provided by the Swedish FSA. Internal LCR limit requirements, which are more stringent than external limit requirements, continue to apply for SBAB.

RC:4 Market risk

Market risk is the risk of loss or reduced future income due to market fluctuations. SBAB is characterised by low risk taking, with the Board determining the overall risk appetite and setting the limits for the risk metric Value at Risk (VaR). The Board has also decided on additional limits, over and above the overall VaR limits, to limit interest-rate risk in the banking book. In addition to the limits established by the Board, 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. Market risk is followed up on the Group level as well as broken down to lower levels.

The general principle governing SBAB'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. SBAB'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 swaps or matched against assets in the liquidity portfolio in the same currency. As per 31 December 2020, total assets and liabilities in foreign currency amounted to a net liability of SEK 92.2 billion (liability: 111.1) in nominal terms. The risk outstanding was reduced using derivatives where the nominal amount was equivalent to SEK 92.2 billion (113.6). 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. SBAB's 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.

Limits for the day-to-day follow up of VaR are set at two levels: SBAB's total market risk, and all market risks that Treasury is responsible for managing. The limit for SBAB's total market risk is based on the VaR metric that applies a probability level of 99% and a holding period of one year, while the other metric applies a probability level of 99% and a holding period of one day.

As per 31 December 2020, SBAB's total market risk exposure was SEK 363.5 million, compared with the limit of SEK 1,450 million. Exposure to market risks managed by Treasury was SEK 24.0 million and the limit was SEK 70 million.

Interest-rate risk in other operations

The Board has also decided on two limits, over and above the overall VaR limits, to limit interest-rate risk in other operations. One limit is expressed as an overall interest-rate risk metric, measured as the effect of a +100 bps parallel shift, and the second limit is expressed as a target value for the duration of equity.

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 negative SEK 51.4 million (negative: 80.1) for a 2 percentage-point parallel upward shift and a positive SEK 46.8 million (77.4) for a 2 percentage-point parallel downward shift. As own funds amounted to SEK 23.0 billion (24.3) at 31 December 2020, the effect of the stress tests amounted to negative 0.22% (negative: 0.33) and 0.20% (0.32) of own funds, respectively. SBAB 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 "short rate up," which would have resulted in a negative change in value of SEK 166 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 123 million (negative: 187).

Supplementary risk metrics

In addition to the limits determined by the Board, the CEO has set a number of supplementary risk metrics for different kinds of risks to which SBAB is 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). To limit interest-rate risk in the banking book, limits are set for duration of equity. Currency risk is controlled by measuring the effect on present value when currency exchange rates change compared to SEK, and in the liquidity portfolio by controlling the matching of the principal in each currency. There are also limits for basis risk and credit-spread risk.

In addition to the above-mentioned supplementary risk metrics, sensitivity analysis is performed with stressed interest rates, currency rates and credit spreads together with its effect on the company's CET1 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.

Interest-rate risk in other operations

SEK million	CONSOLIDATED SITUATION				PARENT COMPANY			
	2020		2019		2020		2019	
	ΔEVE	ΔNII	ΔEVE	ΔNII	ΔEVE	ΔNII	ΔEVE	ΔNII
Parallel up	-156	123	68	187	-376	-1,195	-279	-1,023
Parallel down	-11	-123	-30	-187	3	1,195	34	1,023
Short rate up	-166		17		-341		-272	
Short rate down	-6		-16		-1		30	
Long rate up	2		54		-45		-8	
Long rate down	-10		-3		3		43	
Worst outcome	-166	-123	-30	-187	-376	-1,195	-279	-1,023
Own funds	22,992		24,282		17,008		16,173	

Nominal amounts for assets, liabilities and derivatives in foreign currency

SEK million	CONSOLIDATED SITUATION		PARENT COMPANY	
	Assets and liabilities	Derivatives	Assets and liabilities	Derivatives
AUD	0	-	0	-
CHF	0	-	0	-
DKK	0	-	0	-
EUR	-91,119	91,109	-13,769	13,762
GBP	-2,678	2,678	-446	446
JPY	0	-	0	-
NOK	-479	479	0	-
USD	2,106	-2,106	2,106	-2,106
Total	-92,170	92,160	-12,109	12,102

Fixed-interest periods for financial assets and liabilities

SEK million	CONSOLIDATED SITUATION													
	2020							2019						
	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														
Cash and balances held at central banks	-	6,530	-	-	-	-	6,530	-	5,750	-	-	-	-	5,750
Chargeable treasury bills, etc.	-	3,068	-	742	6,833	251	10,894	-	7,822	106	2,311	5,647	-	15,886
Lending to credit institutions	-	939	-	-	-	-	939	-	415	-	-	-	-	415
Lending to the public	-	277,783	11,165	21,697	99,713	12,477	422,835	-	273,236	11,358	15,877	79,836	3,500	383,807
Change in fair value of interest-rate-hedged loan receivables	-	2	3	4	133	-	142	-	-1	-19	18	-191	12	-181
Bonds and other interest-bearing securities	-	7,612	1,868	8,702	36,217	3,781	58,180	-	6,984	4,880	2,847	39,468	1,552	55,731
Derivatives	-	2,727	41	101	2,132	5,889	10,890	-	3,827	77	220	2,359	6,604	13,087
Other assets	496	-	-	-	-	-	496	587	-	-	-	-	-	587
Total	496	298,661	13,077	31,246	145,028	22,398	510,906	587	298,033	16,402	21,273	127,119	11,668	475,082
LIABILITIES														
Liabilities to credit institutions	-	20,184	-	-	-	-	20,184	-	10,528	-	-	-	-	10,528
Deposits from the public	131,565	1,050	1,435	1,392	216	-	135,658	126,858	1,343	590	1,468	283	-	130,542
Issued debt securities, etc.	-	53,363	7,155	11,730	176,642	74,814	323,704	-	26,588	16,662	16,906	169,295	74,146	303,597
Derivatives	-	3,379	47	428	839	713	3,124	-	1,233	19	26	801	-691	1,388
Other liabilities	2,200	-	-	-	-	-	2,200	2,188	-	-	-	-	-	2,188
Subordinated debt	3,500	1,397	-	-	598	-	5,495	3,500	4,349	-	599	-	-	8,448
Total	137,265	79,373	8,637	12,694	178,295	74,101	490,365	132,546	44,041	17,271	18,999	170,379	73,455	456,691
Difference assets and liabilities	-136,769	219,288	4,440	18,552	-33,267	-51,703	20,541	-131,959	253,992	-869	2,274	-43,260	-61,787	18,391

PARENT COMPANY

SEK million	2020							2019						
	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														
Cash and balances held at central banks	-	6,530	-	-	-	-	6,530	-	5,750	-	-	-	-	5,750
Chargeable treasury bills, etc.	-	3,068	-	742	6,833	251	10,894	-	7,822	106	2,311	5,647	-	15,886
Lending to credit institutions	-	116,404	2,329	2,335	-	-	121,068	-	102,596	-	-	-	-	102,596
Lending to the public	-	19,072	529	685	4,031	489	24,806	-	21,317	323	426	2,604	201	24,871
Change in fair value of interest-rate-hedged loan receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds and other interest-bearing securities	-	7,612	1,868	8,702	36,217	3,781	58,180	-	6,984	4,880	2,847	39,468	1,552	55,731
Derivatives	-	4,225	59	113	2,366	5,557	12,320	-	4,947	80	229	1,833	6,265	13,354
Other assets	1,137	-	-	-	-	-	1,137	1,184	-	-	-	-	-	1,184
Total	1,137	156,911	4,785	12,577	49,447	10,078	234,935	1,184	149,416	5,389	5,813	49,552	8,018	219,372
LIABILITIES														
Liabilities to credit institutions	-	20,184	-	-	-	-	20,184	-	10,527	-	-	-	-	10,527
Deposits from the public	131,565	1,050	1,435	1,392	216	-	135,658	126,858	1,343	590	1,468	283	-	130,542
Issued debt securities, etc.	-	26,622	7,155	701	24,360	1,003	59,841	-	16,648	4,204	9,071	25,855	1,045	56,823
Derivatives	-	4,870	49	168	2,518	4,548	12,153	-	4,723	88	51	2,228	5,230	12,320
Other liabilities	820	-	-	-	-	-	820	778	-	-	-	-	-	778
Subordinated debt	3,500	1,397	-	-	598	-	5,495	3,500	4,349	-	599	-	-	8,448
Total	135,885	54,123	8,639	2,261	27,692	5,551	234,151	131,136	37,590	4,882	11,189	28,366	6,275	219,438
Difference assets and liabilities	-134,748	102,788	-3,854	10,316	21,755	4,527	784	-129,952	111,826	507	-5,376	21,186	1,743	-66

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 SBAB'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. As part of strengthening SBAB's risk culture, the bank implemented risk and compliance coordinators (RCCs) in the first line. The RCCs support the business managers with a focus on risk management, process mapping, internal controls, incident management and regulatory compliance.

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

SBAB has procedures and system support intended to facilitate the reporting and follow-up of incidents. The Risk department 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

SBAB'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 SBAB. 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

SBAB 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. The contingency organisation worked systematically during the year with risk management related to the coronavirus pandemic crisis.

Significant operational risks

SBAB has identified a number of risks that, were they to occur, are assessed as potentially having a larger impact on SBAB's operations than other risks. The development of these risk is monitored on an ongoing basis by the Executive Management and the Board, and is taken into consideration within the framework of SBAB's business planning. The significant operational risks are detailed below.

Cyber risk

The cyber threat to the Swedish financial sector is extensive and persistent. Breaches that can crash important systems together with any accompanying blackmail attempts or leaks of sensitive data can lead to SBAB's undertakings as a bank not being possible to fulfil. SBAB has a dedicated security team comprised of specialists tasked with attaining and maintaining a high level of cyber security for the bank. This is achieved through proactive efforts to ensure strong, digital perimeter protection and a high level of security within this protective shield. The team endeavours to increase risk and security awareness throughout SBAB with the aim of achieving the right level of security for our customers, systems and personnel.

Technical liability

Market advances in technology have been rapid in recent years, which has led to certain parts of SBAB's infrastructure becoming obsolete and outdated. An extensive project to replace the system platform began in 2017 and has continued at full intensity and with high priority since then. The project is expected to be completed in 2021 and during the start of 2022. SBAB has identified risks indicating that despite the above, the change is not proceeding fast enough, that there are too many development-related disturbances in daily operations and that the lifecycle management of other system support is lagging behind. Clearly defined objectives and priorities are in place for SBAB's IT

strategy to ensure that the identified risks are managed effectively. The Executive Management and the Board closely monitor the development and outcome related to time plans and expenses. The shorter target and lead times entailed by the agile working method as well as shorter intervals between production increase flexibility and enable more efficient working practices.

Competence

SBAB aims to be an attractive workplace with dedicated and motivated employees who, on their own initiative, generate ideas, collaborate and identify solutions. Like many other companies, SBAB faces the risk of not succeeding in attracting and retaining the right skills. SBAB uses a clearly defined and transparent HR strategy together with ambitious goals in this area to actively develop the value-driven work approach and to ensure inclusive leadership that can generate driven employees.

Regulatory risk

Regulatory risk is increasingly becoming a significant risk. New external regulations impacting SBAB will be implemented and training will be conducted to secure a high level of competence and thus high regulatory compliance in all parts of SBAB.

Capital requirements for operational risks

SBAB 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

SBAB differentiates its business risk between strategic risk and the risk of weaker earnings. Strategic risk is defined as the risk of a loss arising due to unfavourable business decisions, erroneous implementation of strategic decisions or a lack of sensitivity to changes in the industry, the political environment or legal circumstances. The risk of weaker earnings encompasses the risk of, for example, reduced margins, which in turn may arise due to more expensive financing or more intense competition.

New business is usually relatively similar to the business SBAB already has. Changes in the form of new products or new markets may only constitute a small part of SBAB's activities and must be implemented at such a pace that SBAB does not substantially jeopardise its earnings level and with great probability avoids pressure on its own funds.

Risks related to strategy and earnings are evaluated on an ongoing basis over the year within the first line's strategy work. Strategically important decisions are managed within the framework for managing material changes. Furthermore, the Board receives an annual evaluation of the material risks that clearly addresses strategic business risk and the bank's overall earnings. Business risk is included in the calculation of the Pillar 2 capital requirement as part of SBAB's stress tests, and where the effects of a scenario corresponding to a normal economic downturn are evaluated. For business risk within Pillar 2, refer to the Capital adequacy and risk management 2020 report.

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, SBAB's Board has established the concentration of risk based on the actual conditions for SBAB. 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.

SBAB is primarily considered to be exposed to credit-risk related concentration risk in its lending operations. The risk department continuously monitors and analyses concentration in the lending portfolio based on, inter alia, geographical area, collateral, segment and product type. Moreover, large exposures to single counterparties are monitored on an ongoing basis. Total

lending to the ten largest customer groups accounted for 6.3% of lent capital. For more information on the lending portfolio's geographical breakdown, please refer to pages 83 and 84.

SBAB 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.

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. SBAB 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 SBAB 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.

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

The Swedish National Debt Office has set an individual minimum requirement for own funds and eligible liabilities (MREL) for SBAB 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 SBAB for 2021 amounts to 5.01%. SBAB follows up outcomes on a monthly basis and met the requirement with a healthy margin.

In January 2020, the Swedish FSA decided to introduce additional capital requirements for lending on commercial properties. The reason behind the measure is that the banks' lending on commercial real estate has gradually increased to a level where there is an elevated risk to financial stability. The additional capital requirement will be implemented through raising the Pillar 2 requirement and feedback from the Swedish FSA on the capital requirement level is expected in 2021. The change is expected to have marginal impact on SBAB.

An amendment to the Commission Delegated Regulation (EU) No 241/2014 was published in December 2020 with regard to the prudential measurement of software assets. The key amendments in this regulation entail the replacement of deduction for the full amount of software assets from CET1 capital with a limited deduction based on the prudential amortisation of these assets calibrated over a period of not more than three years. The change is expected to have a marginal impact on SBAB's capital ratios.

A degree of uncertainty prevails surrounding future capital requirements due to the forthcoming regulatory changes. Among other actions, in autumn 2020, the Swedish FSA has published regulatory amendments and a change in the application of capital requirements for Swedish banks in order to adapt them to the EU's banking package. This pertains primarily to the introduction of leverage ratio requirements, changes in the application of Pillar 2 requirements as well as the Swedish FSA's position related to the implementation of Pillar 2 guidelines and the application of the capital buffers. Legislative amendments linked to the Capital Requirements Directive entered force on

29 December 2020. Binding leverage ratio requirements enter force on 28 June 2021. The Swedish FSA has also proposed a new method for assessing additional capital charges within Pillar 2 for market risks (expected to be applied during 2021). The Swedish FSA has previously announced that it expects Swedish banks to analyse and update their current risk classification systems to be able to meet the new EBA guidelines (which are expected to be implemented in 2021). Overall, the above changes are expected to increase the future capital adequacy requirements for banks in Sweden, including SBAB.

SBAB's capital

SBAB is well capitalised, and to retain a strong capital position, SBAB's Board of Directors adopted a new capital policy. According to SBAB's capital targets, under normal conditions, the Bank's CET1 capital ratio should be at least 0.6 percentage points higher than the CET1 capital requirement communicated by the Swedish FSA. In addition, under normal conditions, SBAB's total capital ratio should be at least 0.6 percentage points higher than the capital requirement communicated by the Swedish FSA. The bank is also tasked with meeting any other regulatory capital requirements. By means of a strong capital position and good risk management, SBAB meets the supervisory rules adopted by the EU.

SBAB primarily recognises credit risk in accordance with the internal ratings-based (IRB) approach, and other risk types in accordance with the standardised approach.

The SBAB Group has no securitised loans of its own and has not contributed to any other institution's securitisation.

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

Own funds

SBAB's own funds comprise equity as well as additional Tier 1 capital and Tier 2 capital consisting of own funds instruments. SBAB's own funds amounted to SEK 22,992 million (24,282) as per 31 December 2020. Over the year, the CET1 capital was affected by the fact that net profit/loss for the period was added. The surplus has been verified by the company's auditors, in accordance with Article 26, item 2, of the CRR. During the year, Tier 1 capital decreased from SEK 5,000 million to SEK 3,500 million as a result of the redemption of AT1 instruments.

According to Article 35 of the CRR, the institution shall, except in the case of the items referred to in Article 33, not make adjustments to remove from own funds unrealised gains or losses on assets or liabilities recognised at fair value. According to this Article, SEK 2,321 million (1,959) has been added to CET1 capital.

According to Article 33, item 1, of the CRR, part of the fair-value reserves related to gains or losses on cash-flow hedges of financial instruments that are not measured at fair value, including projected cash flows, is not to be included in own funds. The CET1 capital has been adjusted for a negative effect from cash-flow hedges of SEK 2,307 million (negative: 1,921).

Changes in fair value that depend on the institution's own credit standing and that are related to derivatives had a negative impact of SEK 24 million (negative: 19) on the CET1 capital, in accordance with Article 33, item 1b.

With reference to Articles 34 and 105 of the CRR, SEK 51 million (55) has been deducted due to the requirements for prudent valuation.

A deduction of SEK 204 million (188) for intangible assets and a deduction of SEK 51 million (64) for net provisions were made in accordance with Article 36. Positive net provisions amounted to SEK 5 million (5) in accordance with Article 62.

The consolidated situation

The table below lists the companies that are included in the consolidated situation within the SBAB Group. There are no ongoing or unforeseen material obstacles or legal barriers to a rapid transfer of funds from own funds other than what is stipulated in the terms and conditions governing own funds instruments (see Note L 7).

Companies included in the consolidated situation

Company	Corporate Registration Number	Ownership share	Consolidation method used in the accounts	Consolidation method used for capital adequacy	Company description
SBAB Bank AB (publ)	556253-7513	Parent Company	–	–	Institution
AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)	556645-9755	100%	Fully consolidated	Acquisition method	Institution

Companies not included in the consolidated situation

Company	Corporate Registration Number	Ownership share	Consolidation method used in the accounts	Consolidation method used for capital adequacy	Company description
Booli Search Technologies AB	556733-0567	100%	Fully consolidated	Not consolidated	IT company

Subordinated debt and own funds instruments

Subordinated debt may be included in the calculation of Tier 1 capital if certain conditions are present. SBAB includes four own funds instruments with a nominal value of SEK 3,500 million as Tier 1 capital in own funds. Tier 2 capital amounted to SEK 1,995 million and comprised two own funds instruments.

Own funds instruments are subordinate to the Parent Company's other liabilities, and own funds instruments that are included in Tier 1 capital are sub-

ordinate to other own funds instruments. Please refer to the link under "Capital adequacy and risk management" at www.sbab.se for a specification of own funds and the complete terms and conditions for own funds instruments in accordance with Commission Implementing Regulation (EU) No 1423/2013. The complete terms and conditions for each own funds instrument are specified in the same place. For further information on own funds instruments, also refer to Note [L 7](#).

Capital adequacy ¹⁾

SEK million	CONSOLIDATED SITUATION		PARENT COMPANY		SCBC	
	2020	2019	2020	2019	2020	2019
CET1 capital	17,492	15,830	10,917	9,530	17,003	16,168
Tier 1 capital	20,992	20,830	14,417	14,530	17,003	16,168
Total capital	22,992	24,282	16,412	17,977	17,008	16,173
Risk exposure amount	130,267	120,571	38,322	37,573	104,080	94,966
CET1 capital ratio, %	13.4	13.1	28.5	25.4	16.3	17.0
Excess ²⁾ of CET1 capital	11,630	10,404	9,192	7,839	12,319	11,894
Tier 1 capital ratio, %	16.1	17.3	37.6	38.7	16.3	17.0
Excess ²⁾ of Tier 1 capital	13,176	13,596	12,117	12,276	10,758	10,470
Total capital ratio, %	17.6	20.1	42.8	47.8	16.3	17.0
Excess ²⁾ of total capital	12,571	14,636	13,346	14,971	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 requirements (without buffer requirements)

Own funds

SEK million	CONSOLIDATED SITUATION	
	2020	2019
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	13,995	12,360
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2,321	1,959
Additional Tier 1 instruments	3,500	3,500
Independently verified net profit for the year net of any foreseeable charge or dividend ¹⁾	1,855	1,800
CET1 capital before regulatory adjustments	23,629	21,577
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-51	-55
Intangible assets (net of related tax liability) (negative amount)	-204	-188
Fair value reserves related to gains or losses on cash-flow hedges	-2,307	-1,921
Negative amounts resulting from the calculation of expected loss amounts	-51	-64
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-24	-19
Additional Tier 1 instruments in equity	-3,500	-3,500
Total regulatory adjustments to CET1 capital	-6,137	-5,747
CET1 capital	17,492	15,830
Additional Tier 1 capital: Instruments		
Capital instruments and the related share premium accounts	3,500	5,000
<i>of which, classified as equity under applicable accounting standards</i>	3,500	3,500
<i>of which, classified as liabilities under applicable accounting standards</i>	-	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-
Additional Tier 1 capital before regulatory adjustments	3,500	5,000
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	3,500	5,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	20,992	20,830
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	1,995	3,447
Credit risk adjustments	5	5
Tier 2 capital before regulatory adjustments	2,000	3,452
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	2,000	3,452
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	22,992	24,282
Total risk exposure amount	130,267	120,571

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

Cont. Own funds

SEK million	CONSOLIDATED SITUATION	
	2020	2019
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	13.4	13.1
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	16.1	17.3
Total capital (as a percentage of total risk-weighted exposure amount), %	17.6	20.1
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer]) expressed as a percentage of the risk-weighted exposure amount, %	7.0	9.5
<i>of which, CET1 capital, minimum requirement, %</i>	4.5	4.5
<i>of which, capital conservation buffer requirement, %</i>	2.5	2.5
<i>of which, countercyclical buffer requirement, %</i>	0.0	2.5
<i>of which, systemic risk buffer requirement, %</i>	–	–
<i>of which, G-SII buffer and O-SII buffer, %</i>	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts), %	8.9	8.6
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	–	–

At the start of 2019, SBAB's Board decided to apply Article 3 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council (CRR) for corporate exposures to small and medium-sized enterprises. The aim is to compensate for the current pro-cyclical effect that exists in the bank's inter-

nal models for credit risk, which has resulted in PD declining in line with the favourable economic climate. As a result, the bank has introduced a REA surcharge of SEK 792 million under Pillar 1 since 31 March 2019.

Risk exposure amounts and capital requirements

SEK million	CONSOLIDATED SITUATION			
	2020		2019	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	16,578	1,326	13,415	1,073
Retail exposures	12,181	975	12,021	962
<i>of which, exposures to SMEs</i>	913	73	834	67
<i>of which, retail exposures secured by immovable property</i>	11,268	902	11,187	895
Total exposures recognised with the IRB approach	28,759	2,301	25,436	2,035
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisations	0	0	–	–
Exposures to institutions ¹⁾	4,042	323	4,079	326
<i>of which, derivatives according to CRR, Appendix 2</i>	4,014	321	4,057	324
<i>of which, repos</i>	28	2	21	2
<i>of which other</i>	0	0	1	0
Retail exposures	2,613	209	2,253	180
Exposures in default	7	1	7	1
Exposures in the form of covered bonds	3,738	299	3,674	294
Exposures to institutions and corporates with a short-term credit rating	10	1	21	2
Equity exposures	1,266	101	1,266	101
Other items	327	26	218	18
Total exposures recognised with standardised approach	12,003	960	11,518	922
Market risk	348	28	462	37
<i>of which, position risk</i>	–	–	–	–
<i>of which, currency risk</i>	348	28	462	37
Operational risk	5,212	417	4,854	388
<i>of which, standardised approach</i>	5,212	417	4,854	388
Credit valuation adjustment risk	1,504	120	2,396	192
Additional requirements under Article 458 of the CRR	81,649	6,532	75,113	6,009
Additional requirements under Article 3 of the CRR	792	63	792	63
Total risk exposure amount and minimum capital requirements	130,267	10,421	120,571	9,646
Capital requirements for capital conservation buffer		3,257		3,014
Capital requirements for countercyclical buffer		17		3,003
Total capital requirements		13,695		15,663

¹⁾ The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,042 million (4,078).

Average risk weight for credit risk recognised using the IRB approach

SEK million	CONSOLIDATED SITUATION									
	2020					2019				
	Exposure before credit risk hedge	Exposure after CCF	Risk exposure amount	Capital requirement	Average risk weight, %	Exposure before credit risk hedge	Exposure after CCF	Risk exposure amount	Capital requirement	Average risk weight, %
Credit risk in lending portfolio recognised under the IRB approach										
Exposures to corporates	64,103	62,379	16,578	1,326	26.6	48,520	46,589	13,415	1,073	28.8
Retail exposures	413,709	375,321	12,182	975	3.2	380,344	348,534	12,021	962	3.4
<i>of which, single-family dwellings and holiday homes</i>	160,081	159,094	4,685	375	2.9	162,169	149,992	4,859	389	3.2
<i>of which, tenant-owners' rights</i>	159,732	158,372	6,334	507	4.0	170,564	151,511	6,328	506	4.2
<i>of which, tenant-owners' associations</i>	51,617	51,185	913	73	1.8	47,611	47,031	834	67	1.8
Total credit risk under the IRB approach	477,812	437,700	28,760	2,301	6.6	428,864	395,123	25,436	2,035	6.4

Own funds

SEK million	PARENT COMPANY	
	2020	2019
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	7,983	4,324
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	241	237
Additional Tier 1 instruments	3,500	3,500
Independently verified net profit for the year net of any foreseeable charge or dividend ¹⁾	973	3,263
CET1 capital before regulatory adjustments	14,655	13,282
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-71	-76
Intangible assets (net of related tax liability) (negative amount)	-14	-24
Fair value reserves related to gains or losses on cash-flow hedges	-89	-91
Negative amounts resulting from the calculation of expected loss amounts	-39	-42
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-25	-19
Additional Tier 1 instruments in equity	-3,500	-3,500
Total regulatory adjustments to CET1 capital	-3,738	-3,752
CET1 capital	10,917	9,530
Additional Tier 1 capital: Instruments		
Capital instruments and the related share premium accounts	3,500	5,000
<i>of which, classified as equity under applicable accounting standards</i>	<i>3,500</i>	<i>3,500</i>
<i>of which, classified as liabilities under applicable accounting standards</i>	<i>-</i>	<i>1,500</i>
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-
Additional Tier 1 capital before regulatory adjustments	3,500	5,000
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	3,500	5,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	14,417	14,530
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	1,995	3,447
Credit risk adjustments	-	-
Tier 2 capital before regulatory adjustments	1,995	3,447
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	1,995	3,447
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	16,412	17,977
Total risk exposure amount	38,322	37,573

Cont. Own funds

SEK million	PARENT COMPANY	
	2020	2019
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	28.5	25.4
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	37.6	38.7
Total capital (as a percentage of total risk-weighted exposure amount), %	42.8	47.8
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
<i>of which, CET1 capital, minimum requirement, %</i>	4.5	4.5
<i>of which, capital conservation buffer requirement, %</i>	2.5	2.5
<i>of which, countercyclical buffer requirement, %</i>	0.0	2.5
<i>of which, systemic risk buffer requirement, %</i>	–	–
<i>of which, G-SII buffer and O-SII buffer, %</i>	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	24.0	20.9
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

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

Risk exposure amounts and capital requirements

SEK million	PARENT COMPANY			
	2020		2019	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	7,740	619	7,475	598
Retail exposures	941	75	747	60
<i>of which, exposures to SMEs</i>	58	5	70	6
<i>of which, retail exposures secured by immovable property</i>	883	70	677	54
Total exposures recognised with the IRB approach	8,681	694	8,222	658
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisations	0	0	-	-
Exposures to institutions ¹⁾	3,934	315	4,034	323
<i>of which, derivatives according to CRR, Appendix 2</i>	3,899	312	3,993	319
<i>of which, repos</i>	19	2	-	-
<i>of which other</i>	16	1	41	3
Retail exposures	2,613	209	2,253	180
Exposures in default	7	1	6	0
Exposures in the form of covered bonds	3,738	299	3,674	294
Exposures to institutions and corporates with a short-term credit rating	11	1	21	2
Equity exposures	11,566	925	11,566	925
Other items	96	7	107	9
Total exposures recognised with standardised approach	21,965	1,757	21,661	1,733
Market risk	74	6	94	8
<i>of which, position risk</i>	-	-	-	-
<i>of which, currency risk</i>	74	6	94	8
Operational risk	2,148	172	1,813	145
<i>of which, standardised approach</i>	2,148	172	1,813	145
Credit valuation adjustment risk	1,286	103	2,230	178
Additional requirements under Article 458 of the CRR	3,992	320	3,377	270
Additional requirements under Article 3 of the CRR	176	14	176	14
Total risk exposure amount and minimum capital requirements	38,322	3,066	37,573	3,006
Capital requirements for capital conservation buffer		958		939
Capital requirements for countercyclical buffer		7		935
Total capital requirements		4,031		4,880

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,918 million (3,993).

Average risk weight for credit risk recognised using the IRB approach

SEK million	PARENT COMPANY									
	2020					2019				
	Exposure before credit risk hedge	Exposure after CCF	Risk exposure amount	Capital requirement	Average risk weight, %	Exposure before credit risk hedge	Exposure after CCF	Risk exposure amount	Capital requirement	Average risk weight, %
Credit risk in lending portfolio recognised under the IRB approach										
Exposures to corporates	21,705	20,045	7,740	619	38.6	21,955	20,103	7,475	598	37.2
Retail exposures	57,727	19,734	941	75	4.8	47,764	16,494	747	60	4.5
<i>of which, single-family dwellings and holiday homes</i>	5,631	4,646	244	20	5.3	17,644	5,470	247	20	4.5
<i>of which, tenant-owners' rights</i>	7,692	6,332	390	31	6.2	27,366	8,312	430	34	5.2
<i>of which, tenant-owners' associations</i>	2,125	2,087	58	5	2.8	2,754	2,712	70	6	2.6
Total credit risk under the IRB approach	79,432	39,779	8,681	694	21.8	69,719	36,597	8,222	658	22.5

RC:9 Internally assessed capital requirement

Within the framework of Pillar 2, the Basel regulations impose the requirement that banks' management and assessment of risks must be satisfactory to ensure that the banks can fulfil their obligations. To meet this requirement, the banks must have methods that enable them to continuously evaluate and uphold capital in an amount, type and distribution sufficient to cover the risks to which they are or will become exposed. This is known as the company's internal capital adequacy assessment process, which is part of SBAB's internal capital and liquidity adequacy assessment process (ICLAAP). At present, liquidity risk does not give rise to any actual capital requirement for SBAB. Refer to Note RC:3 for more information about liquidity risk.

The ICAAP aims to identify, evaluate and manage the risks to which SBAB is exposed and ensure that the consolidated situation has sufficient own funds for its selected risk profile. The ICAAP is revised annually to identify changes in the operating environment and changed regulations and supervisory practices that continuously affect the bank's performance. The amount of own funds required to manage the combined risk in the operations is based primarily on the calculation of SBAB's economic capital. Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period.

However, if the economic capital for risks included in Pillar 1 is less than the capital requirements under Pillar 1 for a given type of risk, the capital requirements under Pillar 1 are applied. The internally assessed capital requirement for the Group amounted to SEK 15,206³⁾ million (SEK 16,970 million at 31 December 2019). The internal capital requirement is assessed with the help of SBAB's internal models for economic capital and is not fully compatible with the capital requirements published by the Swedish FSA. According to the Swedish FSA's report "Capital requirements of Swedish banks as of Q4 2020", SBAB's total capital requirement amounted to SEK 15,944 million.

Finally, consideration is given to the risk associated with deteriorating macro-economic conditions, which is illustrated in conjunction with stress tests. Taken together, the above comprise the capital that, in accordance with Basel 3, is required to meet all risks in the operations. 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. For the Parent Company, the internally assessed capital requirement amounted to SEK 5,503³⁾ million (6,286).

		CONSOLIDATED SITUATION			
		31 Dec 2020		31 Dec 2019	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %
Pillar 1	Credit risk & CVA risk	3,381	2.6	3,149	2.6
	Market risk	28	0.0	37	0.0
	Operational risk	417	0.3	388	0.3
	Risk-weight floor ¹⁾	6,532	5.0	6,009	5.0
	Surcharge, corporate exposures ²⁾	63	0.1	63	0.1
	Total Pillar 1	10,421	8.0	9,646	8.0
Pillar 2	Credit risk	–	–	–	–
	Market risk	387 ³⁾	0.3 ³⁾	280	0.2
	Operational risk	–	–	–	–
	Concentration risk	1,046	0.8	951	0.8
	Sovereign risk	78	0.1	65	0.1
	Pension risk	–	–	11	0.0
	Total Pillar 2	1,511³⁾	1.2³⁾	1,307	1.1
Buffers	Capital conservation buffer	3,257	2.5	3,014	2.5
	Capital planning buffer	–	–	–	–
	Countercyclical buffer	17	0.0	3,003	2.5
	Total Buffers	3,274	2.5	6,017	5.0
Total		15,206³⁾	11.7³⁾	16,970	14.1
Total own funds		22,992		24,282	–

¹⁾ On 23 August 2018, the Swedish FSA decided to amend the method for applying the risk-weight floor for Swedish mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms (CRR). The change means the capital requirement is set as a requirement in Pillar 1. The amendment entered force from 31 December 2018 and applied for two years. The Swedish FSA advised the European Parliament, the Council of the European Union, the European Commission, the European Systemic Risk Board (ESRB) and the European Banking Authority (EBA) of its plans to extend application of the risk-weight floor of 25% for Swedish mortgages a further year. The European Commission approved the Swedish FSA's proposed measures in November 2020 and the Swedish FSA then resolved to apply the risk-weight floor in Pillar 1 until 30 December 2021.

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

³⁾ The amount has been adjusted in compared to the amount in the table published in the year end report.

IC Income and expenses

pp.161–167

IC:1 Net interest income

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Interest income				
Lending to credit institutions	50	38	1,095	1,274
Lending to the public ¹⁾	6,149	5,758	568	531
Interest-bearing securities	432	440	432	440
Derivatives	-315	-368	-284	-283
Total interest income	6,316	5,868	1,811	1,962
<i>of which, interest income from financial assets that is not measured at FVTPL</i>	<i>6,589</i>	<i>6,177</i>	<i>2,053</i>	<i>2,185</i>
Interest expense				
Liabilities to credit institutions	-6	-1	-6	-1
Deposits from the public	-582	-648	-582	-648
Issued debt securities	-2,454	-2,543	-504	-557
Subordinated debt	-90	-116	-90	-117
Derivatives	765	1,202	44	113
Other ²⁾	-48	-45	-47	-43
Resolution fee	-154	-244	-32	-69
Total interest expense	-2,569	-2,395	-1,217	-1,322
<i>of which, interest expense from financial liabilities that is not measured at FVTPL</i>	<i>-3,334</i>	<i>-3,597</i>	<i>-1,261</i>	<i>-1,436</i>
Net interest income	3,747	3,473	594	640

¹⁾ Includes interest income from doubtful receivables of SEK 2 million (2).

²⁾ The item other includes interest expense for lease liabilities pertaining to property leases of SEK 1 million (1)

IC:2 Commission

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Commission income				
Commission on lending ¹⁾	54	39	34	23
Other commissions ²⁾	39	45	61	66
Total	93	84	95	89
Commission expense				
Commission on securities	-80	-68	-29	-28
Other commissions	-37	-30	-10	-8
Total	-117	-98	-39	-36
Net commission	-24	-14	56	53

¹⁾ Commission on lending is primarily recognised when the service is provided, in other words at a specific date.

²⁾ Other commissions are mainly recognised when these services are rendered, in other words, in a straight line over time.

IC:3 Net result of financial transactions

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Gains/losses on interest-bearing financial instruments				
Change in value of hedged items in hedge accounting	-429	-590	370	249
Derivatives in hedge accounting	427	615	-373	-188
Other derivatives	45	111	56	1
Interest-bearing securities, Fair Value Option	-44	-65	-44	-65
Interest-bearing securities at FVTOCI	17	16	17	16
Interest-bearing securities at amortised cost	0	0	0	0
Realised gain/loss from financial liabilities at amortised cost	-113	-132	-12	-3
Loan receivables at amortised cost	57	70	17	1
Currency translation effects	2	1	2	0
Total	-38	26	33	11

SBAB uses derivatives to manage interest-rate and currency risk in the Group's assets and liabilities. Derivatives are recognised at fair value in the balance sheet. SBAB's 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 Other operating income

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Administrative services on behalf of subsidiary	-	-	-1,177	1,043
Other operating income ¹⁾	-43	36	-4	0
Total	-43	36	-1,181	1,043

¹⁾ Other operating income primarily includes revenue from Booli.

IC:5 Personnel costs

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Salaries and other remuneration	-435	-382	-425	-372
Pension costs	-62	-64	-70	-68
Social security expenses	-155	-138	-154	-136
Other personnel costs ¹⁾	-35	-46	-33	-44
Total	-687	-630	-682	-620

¹⁾ SBAB has received SEK 1.9 million in compensation from the Swedish Social Insurance Agency for sick pay during the coronavirus pandemic.

Salaries and other remuneration

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
CEO	-6	-6	-6	-6
Senior executives who report directly to the CEO	-21	-20	-21	-20
Other employees	-408	-356	-398	-346
Total salaries and other remuneration	-435	-382	-425	-372

Salaries and other remuneration for employees of the subsidiary Booli Search Technologies AB are included in the Group's expenses in the Other employees item. Board Members who are employed by the Parent Company receive remuneration and pension benefits as a result of their employment. No additional remuneration or pension benefits are paid for Board assignments. No remuneration was paid to the CEO of the subsidiary Swedish Covered Bond Corporation (SCBC). The number of senior executives who reported directly to the CEO as per the end of the year was 10 (9).

Average number of employees

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Women	391	342	376	329
Men	342	314	320	293
Average number of employees	733	656	696	622

Sickness absence, %

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Total sickness absence	3.5	3.1	3.8	3.1
Women	2.4	1.9	2.6	2.0
Men	1.1	1.2	1.2	1.1
29 or younger	3.6	2.6	3.7	2.6
30-49	3.4	3.2	3.5	3.3
50 or older	4.1	3.3	4.1	3.3
Proportion of long-term sickness absence compared to total sickness (absence that exceeded 60 days)	36.7	25.1	37.5	25.5

Gender distribution among senior executives

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Board of Directors				
Women	6	6	4	4
Men	15	13	6	4
Total	21	19	10	8
Executive Management				
Women	4	3	4	3
Men	5	6	5	5
Total	9	9	9	8

The Group includes the Board Members of the subsidiaries: Swedish Covered Bond Corporation (SCBC) and Booli Search Technologies AB.

Form of employment

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Total number of employees at year end	760	695	723	658
<i>of whom, women, %</i>	<i>53.0</i>	<i>52.3</i>	<i>53.5</i>	<i>53.1</i>
<i>of whom, managers, %</i>	<i>13.3</i>	<i>11.9</i>	<i>12.7</i>	<i>12.0</i>
<i>of managers, women, %</i>	<i>48.5</i>	<i>43.2</i>	<i>48.9</i>	<i>42.9</i>
<i>of whom, temporary employees, %</i>	<i>6.4</i>	<i>5.0</i>	<i>6.8</i>	<i>5.0</i>
<i>of whom, part-time employees, %</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>

Personnel turnover

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Number of permanent employees who terminated employment during the year	64	78	58	76
<i>of whom, women, %</i>	<i>43.8</i>	<i>53.0</i>	<i>43.1</i>	<i>53.0</i>
<i>of whom, 29 or younger, %</i>	<i>18.8</i>	<i>19.2</i>	<i>15.5</i>	<i>18.4</i>
<i>of whom, 30-49, %</i>	<i>65.6</i>	<i>62.8</i>	<i>67.2</i>	<i>63.2</i>
<i>of whom, 50 or older, %</i>	<i>15.6</i>	<i>18.0</i>	<i>17.2</i>	<i>18.4</i>

Salary, remuneration and pension costs for the CEO

No company car or non-cash benefits were provided to the CEO. The company pays for a defined-contribution pension insurance plan corresponding to 30% of the CEO's pensionable salary, although not longer than until age 65.

Salaries and other remuneration

Fringe benefits (subsidised interest rate, company car and sickness benefit) to senior executives who report directly to the CEO amounted to SEK 0.1 million (0.1). Refer to the table on pages 163-164 for details of the salary and other remuneration paid to senior executives.

Changes and reorganisations

In October 2020, SBAB implemented an organisational change that included changes in the Executive Management. The roles of CIO and CXO have been combined into one role in the Executive Management and the new role CTO (Chief Technology Officer) was added, reporting directly to the CIO.

Salaries and other remuneration and pensions to the CEO and other senior executives who report directly to the CEO¹⁾

SEK million	PARENT COMPANY			
	2020			
	Period ¹	Salary and other remuneration	Pension cost	Severance pay
Klas Danielsson, CEO	1 January–31 December 2020	5.7	1.7	–
Sara Davidgård, Head of Business Specialists	1 January–31 December 2020	2.3	0.6	–
Mikael Inglander, CFO and Head of Corporate Clients & Tenant-Owners' Associations	1 January–31 December 2020	3.1	0.7	–
Carina Eriksson, Head of HR	1 January–31 December 2020	2.0	0.6	–
Klas Ljungkvist, CIO	1 January–30 September 2020	1.8	0.4	–
Malou Sjörin, Head of Sustainability, Marketing & Communication	7 January–31 December 2020	1.8	0.6	–
Fredrik Stenbeck, CRO	1 January–31 December 2020	1.9	0.6	–
Andras Valko, CDSO	1 January–31 December 2020	1.6	0.5	–
Kristina Frid, Head of Customer Service	1 January–31 December 2020	1.7	0.6	–
Robin Silfverhielm, CXO and CIO	1 January–31 December 2020	2.1	0.6	–
Sofia Blomgren, Chief Compliance Officer	1 January–31 December 2020	1.2	0.3	–
Sari Zander, Head of Internal Audit	1 January–31 December 2020	1.7	0.4	–
Total remuneration to members of Group management in 2020		26.9	7.6	–

SEK million	PARENT COMPANY			
	2019			
	Period ¹	Salary and other remuneration	Pension cost	Severance pay
Klas Danielsson, CEO	1 January–31 December 2019	5.5	1.6	–
Sara Davidgård, Head of Business Specialists and acting Head of Corporate Clients & Tenant-Owners' Associations	1 January–31 December 2019	2.2	0.6	–
Mikael Inglander, CFO and acting Head of Corporate Clients & Tenant-Owners' Associations	1 January–31 December 2019	2.9	0.7	–
Peter Svensén, CRO	1 January–27 October 2019	1.8	0.5	–
Carina Eriksson, Head of HR	1 January–31 December 2019	1.9	0.6	–
Klas Ljungkvist, CIO and acting CDSO	1 January–31 December 2019	2.4	0.7	–
Malin Pellborn, Head of Sustainability, Marketing & Communication	1 January–18 September 2019	1.5	0.6	3.4
Andras Valko, CDSO	14 January–31 December 2019	1.5	0.4	–
Kristina Frid, Head of Customer Service	1 January–31 December 2019	1.8	0.5	–
Robin Silfverhielm, CXO and acting Head of Sustainability, Marketing & Communication	14 January–31 December 2019	1.9	0.6	–
Sofia Blomgren, Chief Compliance Officer	1 January–31 December 2019	1.2	0.3	–
Sari Zander, Head of Internal Audit	16 May–31 December 2019	1.0	0.2	–
Total remuneration to members of Group management in 2019		25.6	7.3	3.4

Each year, the Board decides on SBAB's remuneration policy and the identification of employees with risk profiles, in accordance with the Swedish FSA's regulations regarding remuneration structures in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management (FFFS 2011:1). Risk analyses for SBAB's remuneration system and remuneration policy are published on www.sbab.se. The composition and mandates of the Remuneration Committee are described in the Corporate Governance Report on pages 99–100.

Identifying employees with a risk profile is based on the EBA's technical standards. Salaries and other remuneration to employees whose duties materially impact SBAB's risk profile, 68 employees (61), excluding senior executives who report directly to the CEO, amounted to SEK 54.8 million (44.4).

Remuneration to the Board

PARENT COMPANY						
2020						
SEK thousand	Period	Board of Directors	Credit Committee	Risk and Capital Committee	Audit and Compliance Committee	Remuneration committee
Jan Sinclair, Chairman of the Board ¹⁾	1 January–31 December 2020	475	35	35	44	–
Leif Pagrotsky, Board member	14 February–31 December 2020	202	–	–	30	–
Johan Prom, Board member	14 February–31 December 2020	202	–	24	–	–
Jane Lundgren-Ericsson, Board Member ²⁾	1 January–31 December 2020	230	50	35	55	–
Lars Börjesson, Board Member	1 January–31 December 2020	230	35	–	–	25
Inga-Lill Carlberg, Board Member	1 January–31 December 2020	230	24	–	–	25
Synnöve Trygg, Board Member	1 January–31 December 2020	230	–	40	44	–
Daniel Kristiansson, Board Member ³⁾	1 January–31 December 2020	–	–	–	–	–
Anders Heder, Employee representative ³⁾	1 January–31 December 2020	–	–	–	–	–
Margareta Naumberg, Employee Representative ³⁾	1 January–31 December 2020	–	–	–	–	–
Total Fees & Remuneration 2020		1,799	144	134	173	50

PARENT COMPANY						
2019						
SEK thousand	Period	Board of Directors	Credit Committee	Risk and Capital Committee	Audit and Compliance Committee	Remuneration committee
Bo Magnusson, Chairman of the Board	1 January–17 May 2019	176	–	–	15	11
Jan Sinclair, Board Member	1 January–16 May 2019	83	15	14	–	–
Jan Sinclair, Chairman of the Board	17 May–31 December 2019	296	23	22	13	–
Carl-Henrik Borg, Board Member	1 January–30 April 2019	73	–	–	–	–
Eva Gidlöf, Board Member	1 January–30 April 2019	73	–	11	–	–
Jane Lundgren-Ericsson, Board Member	1 January–31 December 2019	226	44	34	30	–
Karin Moberg, Board Member	1 January–4 September 2019	152	–	–	36	–
Lars Börjesson, Board Member	1 January–31 December 2019	226	34	–	–	16
Inga-Lill Carlberg, Board Member	29 April–31 December 2019	155	–	–	–	17
Synnöve Trygg, Board Member	29 April–31 December 2019	155	–	26	13	–
Daniel Kristiansson, Board Member	1 January–31 December 2019	–	–	–	–	–
Kristina Ljung, Employee Representative	1 January–5 May 2019	–	–	–	–	–
Anders Heder, Employee Representative	6 May–31 December 2019	–	–	–	–	–
Margareta Naumberg, Employee Representative	1 January–31 December 2019	–	–	–	–	–
Total Fees & Remuneration 2019		1,615	116	107	107	44

¹⁾ Jan Sinclair also received Board fees from SCBC of SEK 180 thousand (112)

²⁾ Jane Lundgren-Ericsson also received Board fees from SCBC of SEK 130 thousand (130)

³⁾ 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.

Pensions

Employees recruited to SBAB from 1 February 2013 are covered by the new collective pension plan BTP1, which is a defined-contribution plan. The plan encompasses disability and survivors' pensions, as well as provisions for retirement pensions. In BTP1, employees have a high degree of self-determination in how premiums are invested.

Employees recruited to SBAB before 1 February 2013 are covered by the BTP2 collective pension plan, which is a defined-benefit plan. BTP2 entails that the employee is guaranteed a lifelong pension corresponding to a specified percentage of the employee's final salary and mainly comprises retirement pension, disability pension, survivors' pension, supplementary pension (BTPK) and, where applicable, family pension. The levels of remuneration vary for salaries within different income base amounts. For salaries over 30 income base amounts, no pension is payable under BTP2. Employees who earn more than ten income base amounts are provided the possibility of selecting an alternative investment for part of the premium.

BTP2 is a collective defined-benefit employer plan secured through insurance with the insurance company SPP and comprise several employers. SPP is responsible for investing the pension capital of the BTP2 plan. The aim of the investment strategy is to obtain a high and consistent return while ensuring the investors' guaranteed increase in value.

SBAB's costs for its defined-benefit pensions amounted to SEK 12.9 million (9.3), excluding payroll tax. SBAB's costs for its defined-contribution pensions amounted to SEK 36.8 million (35.4), excluding payroll tax. In 2021, pension contributions for defined-benefit plans are expected to total SEK 13.0 million. Further information is provided in Note **L 6**.

Guidelines adopted by the AGM for remuneration and other employment terms and conditions for senior executives

The AGM's principles for remuneration and other employment terms and conditions for senior executives, which were adopted by the 2020 AGM, state that remuneration and terms and conditions are to be reasonable and well-considered. With regard to remuneration and other terms and conditions of employment, SBAB will continue to apply the principles set out in the "State Ownership Policy and principles for state-owned enterprises 2020," and in particular with the principles for remuneration and other terms of employment for senior officers in state-owned enterprises.

This remuneration should be competitive, with a set ceiling and appropriate for its purpose, as well as contributing to high ethical standards and a good corporate culture. Remuneration should not correspond to a leading salary level in relation to comparable companies but be characterised by moderation. This is also to provide guidance for the total amount of remuneration to other employees. Variable salary is not paid to senior executives. These guidelines were not amended following the resolution of the AGM in 2020. The guidelines are published in full at www.sbab.se.

Other terms and conditions for the CEO and senior executives

As regards pension conditions, notice periods and severance pay for senior executives, SBAB observes the principles stated in the State Ownership Policy and principles for state-owned enterprises 2020.

The company pays for a defined-contribution pension insurance corresponding to 30% of the CEO's pensionable salary, although not longer than until age 65.

For other managers who report directly to the CEO, the company pays a defined-contribution pension premium corresponding to 30% of pensionable salary.

There are no other pension agreements that deviate from the general rules of collective agreements in the banking area.

Agreements on severance pay

The CEO and SBAB are subject to a mutual notice period of six months. If the company gives notice, the company must, in addition to salary and pension during the notice period, pay severance pay corresponding to 18 months' salary. Deductions will be made from the remuneration should new employment or income from another activity be received during the two-year period.

For other members of Executive Management, agreements have been concluded regarding severance pay in case of termination by the company. In addition to salary and pension during the notice period, the company will pay severance pay corresponding to 12 months' salary. Deductions will be made from the remuneration should new employment or income from another activity be received during the 12-month period.

Loans to senior executives

Loans to senior executives are presented in Note **G 2**.

Incentive programme

SBAB has no incentive programme.

IC:6 Other expenses

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
IT expenses	-264	-266	-353	-353
Rent ¹⁾	-14	-13	-40	-36
Other costs for premises	-10	-7	-10	-7
Other administrative expenses	-100	-105	-95	-100
Marketing	-71	-66	-67	-65
Other operating expenses	-31	-29	-20	-18
Total	-490	-486	-585	-579

¹⁾ IFRS 16 has been applied from 1 January 2019.

Development expenditure amounted to SEK 280 million (263), of which SEK 113 million (104) pertained to internally produced intangible Group assets. Most of the development work is pursued in project form and includes the budgets of entire projects, including such expenses as planning, analysis, specification of requirements, programming, implementation and quality testing, etc.

Fees and expenses to the elected auditors

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Audit assignment	-4.0	-3.4	-2.3	-2.0
Audit activities other than audit assignment	-2.1	-1.9	-1.5	-1.3
Total	-6.1	-5.3	-3.8	-3.3

The AGM on 28 April 2020 appointed Deloitte as SBAB'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.

IC:7 Depreciation, amortisation and impairment of PPE and intangible assets

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Property, plant and equipment				
Depreciation, computer hardware	-6	-5	-6	-5
Depreciation, leases	-30	-28	-	-
Depreciation, other equipment	-15	-7	-14	-7
Impairment, other equipment	-13	-	-13	1
Disposals/divestments	0	1	0	1
Intangible assets				
Amortisation, acquired software	-6	-6	-6	-6
Amortisation, internally developed part of software	-29	-25	-	-
Amortisation of trademarks	0	-1	-	-
Impairment, acquired software	-4	-	-4	-
Impairment, internally developed part of software	-55	-	-	-
Total	-158	-71	-43	-17

At the end of the year, a customary review of all tangible and intangible assets was conducted and an impairment need was identified, which impacted expenses in 2020.

IC:8 Net credit losses

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Lending to the public				
Confirmed credit losses	-9	-14	-7	-13
Recoveries of previously confirmed credit losses	4	3	4	3
Change in provision for the year – credit stage 1	-16	-3	-1	0
Change in provision for the year – credit stage 2	1	-1	2	-2
Change in provision for the year – credit stage 3	-4	3	-1	4
Guarantees ¹⁾	-1	-8	-1	0
Total	-25	-20	-4	-8
Loan commitments ²⁾				
Change in provision for the year – credit stage 1	-5	3	-5	3
Change in provision for the year – credit stage 2	-2	-9	-2	-9
Change in provision for the year – credit stage 3	0	0	0	0
Total	-7	-6	-7	-6
Total	-32	-26	-11	-14

¹⁾ The item includes guarantees for loan commitments.

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

IC:9 Operating segments

Operating segments are reported in accordance with IFRS 8 Operating Segments, which means that the segment information is presented in a manner that corresponds to that applied internally for monitoring and control purposes. The Group has identified the CEO as the chief operating decision maker and the internal reporting used by the CEO to monitor and make decisions regarding the allocation of resources as the basis for the information to be

presented. The Retail Market includes lending for single-family homes, holiday homes and tenant-owned apartments, as well as all retail deposits. Corporate Clients & Tenant-Owners' Associations mainly include lending to multifamily dwellings as well as commercial properties. The expenses are allocated to the business areas using distribution quotas.

Income statement by segment

	GROUP													
	2020						2019							
	Follow-up of operations			Reconciliation against the statutory income statement			Follow-up of operations				Reconciliation against the statutory income statement			
		Corporate Clients & Tenant-Owners' Associations		Adminis trative consul- tants	IFRS 16 Leases	Statu- tory profit		Corporate Clients & Tenant-Owners' Associations				Adminis trative consul- tants	IFRS 16 Leases	Statu- tory profit
SEK million	Retail		Total				Retail		Other	Total				
Net interest income	2,921	826	3,747	–	–	3,747	2,677	796	–	3,473	–	–	–	3,473
Commission income	48	45	93	–	–	93	56	28	–	84	–	–	–	84
Commission expense	–94	–23	–117	–	–	–117	–78	–20	–	–98	–	–	–	–98
Net result of financial transactions	–43	5	–38	–	–	–38	0	23	3	26	–	–	–	26
Other operating income	43	0	43	–	–	43	36	0	0	36	–	–	–	36
Total operating income	2,875	853	3,728	–	–	3,728	2,691	827	3	3,521	–	–	–	3,521
Salaries and remuneration	–354	–80	–434	–	–	–434	–308	–74	–	–382	–	–	–	–382
Other personnel costs	–216	–54	–270	17	–	–253	–213	–56	0	–269	21	–	–	–248
Other expenses	–424	–80	–504	–17	31	–490	–403	–88	–1	–492	–21	27	–	–485
Depreciation, amortisation and impairment of PPE and intangible assets	–106	–21	–127	–	–31	–158	–33	–6	–5	–44	–	–27	–	–71
Net credit losses	–27	–5	–32	–	–	–32	–16	–10	–	–26	–	–	–	–26
Impairment of financial assets, net	0	0	0	–	–	0	0	0	–	0	–	–	–	0
Operating profit/loss	1,748	613	2,361	0	0	2,361	1,718	593	–3	2,308	0	0	–	2,308
Tax	–387	–135	–522	–	–	–522	–388	–133	1	–520	–	–	–	–520
Profit/loss after standardised tax	1,361	478	1,839	0	0	1,839	1,330	460	–2	1,788	0	0	–	1,788
Return on equity, %	10.9	10.6	10.8	–	–	10.8	11.8	11.6	–	11.7	–	–	–	11.7

From Q1 2020, the "Other" segment has been removed, since all costs and income in this segment have been allocated in full to the Retail and Corporate Clients & Tenant-Owners' Associations segments. In relation to the statutory income statement, an expense of SEK 17 million (expense: 21) was transferred between the rows "Other personnel costs" and "Other expenses." The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring.

The return on equity is calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 instruments and value changes in financial assets recognised in equity.

The Group has no single customer that accounts for more than 10% of its total income.

TX Tax

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TX:1 Tax

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Current tax	-519	-502	-291	-258
Deferred tax on changes in temporary differences	-3	-18	2	4
Total	-522	-520	-289	-254
<i>The effective tax rate differs from the nominal tax rate in Sweden as below</i>				
Profit before tax	2,361	2,308	1,262	4,056
Nominal tax rate in Sweden 21.4%	-505	-494	-270	-868
Recalculation of deferred tax regarding changed tax rate	2	-	0	-
Tax-free dividends from subsidiaries	-	-	-	642
Tax pertaining to non-taxable income and non-deductible costs	-19	-26	-19	-26
Tax for prior years and other	0	-	-	-2
Total tax	-522	-520	-289	-254
Effective tax rate, %	22.1	22.5	22.9	6.3

TX:2 Deferred tax

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<i>Deferred tax assets (+)/tax liabilities (-) for temporary differences in:</i>				
Stock of financial instruments	-48	-55	-39	-40
Hedging instruments	-599	-523	-23	-25
Intangible assets	-49	-45	-	-
Pension provision	41	37	-	-
Loss carry-forwards	-	0	-	-
Other	4	7	4	3
Total	-651	-579	-58	-62
<i>Change in deferred tax</i>				
Deferred tax in the income statement	-3	-18	2	4
Deferred tax attributable to items recognised directly against other comprehensive income	-69	-367	2	-4
Total	-72	-385	4	0
<i>Deferred tax distributed by expected maturity date, carrying amount</i>				
More than 1 year	-651	-579	-58	-62
Total	-651	-579	-58	-62

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

A Assets

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A:1 Chargeable treasury bills, etc.

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Swedish state	10,248	14,627	10,248	14,627
Foreign states	646	1,259	646	1,259
Total	10,894	15,886	10,894	15,886

A:2 Lending to credit institutions

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Lending in SEK	42	92	120,163	102,270
Lending in foreign currency	903	325	906	326
Total	945	417	121,069	102,596
<i>of which, repos</i>	<i>8</i>	<i>0</i>	<i>10,620</i>	<i>-</i>

Of the Parent Company's lending to credit institutions, SEK 109,515 million (102,180) relates to receivables from the wholly owned subsidiary, AB Sveriges Sakerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC). These receivables are subordinated, which means that payment is received only after other creditors of the subsidiary have been paid.

Of the total receivables, SEK 6,000 million (6,000) comprises an internal Group debt instrument (senior non-preferred notes) that was acquired by the Parent Company SBAB Bank AB (publ) in December 2019 from the subsidiary SCBC for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office in SCBC.

Interest-bearing securities that SBAB 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 SBAB. In the event that the counterparty is unable to meet its repurchase obligation, SBAB is entitled to keep the security. The fair value of collateral received in the Group was SEK 8 million (0), of which no collateral (-) was pledged or sold. The fair value of collateral received in the Parent Company was SEK 10,555 million (-), of which SEK 10,555 million (-) has been pledged or sold.

A:3 Lending to the public

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Opening balance	383,807	364,215	24,871	24,845
New lending for the year	95,138	75,514	95,138	75,514
Transferred to/from Group companies	–	–	–79,286	–60,702
Loan repayments	–1,479	–971	–699	–453
Redemption	–54,603	–54,936	–15,210	–14,323
Confirmed losses	–9	–14	–7	–13
Change in provision for expected credit losses ¹⁾	–19	–1	–1	2
Closing balance	422,835	383,807	24,806	24,871

¹⁾ For more information, please refer to Note **C 8**.

Distribution of lending, including provisions

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Lending, Residential mortgages	310,816	291,622	4,472	4,003
Lending, Corporate Clients & Tenant-Owners' Associations	109,547	89,898	17,862	18,581
Lending, Consumer loans	2,472	2,287	2,472	2,287
Total	422,835	383,807	24,806	24,871

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

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Credit stage 1				
Gross lending	403,531	362,317	23,500	23,059
Provision	–45	–29	–4	–2
Total	403,486	362,288	23,496	23,057
Credit stage 2				
Gross lending	19,214	21,341	1,303	1,801
Provision	–73	–74	–8	–10
Total	19,141	21,267	1,295	1,791
Credit stage 3				
Gross lending	241	281	23	30
Provision	–33	–29	–8	–7
Total	208	251	1,295	23
Total gross lending	422,986	383,939	24,826	24,890
Total provisions	–151	–132	–20	–19
Total	422,835	383,807	24,806	24,871

A:4 Bonds and other interest-bearing securities

Distribution of holdings by issuer, etc.

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Listed securities				
<i>Issued by public bodies</i>				
Sovereigns, supranationals and agencies	2,688	1,900	2,688	1,900
Other public issuers	15,166	14,808	15,166	14,808
<i>Issued by other borrowers</i>				
Swedish mortgage institutions	30,637	32,629	30,637	32,629
Other foreign issuers	6,631	3,887	6,631	3,887
Other foreign issuers (with government guarantee)	3,058	2,507	3,058	2,507
Total listed securities	58,180	55,731	58,180	55,731

A:5 Derivatives and hedge accounting

SEK million	GROUP							
	2020				2019			
	Assets measured at fair value	Liabilities measured at fair value	Nominal value	Year's value change on hedge ineffectiveness	Assets measured at fair value	Liabilities measured at fair value	Nominal value	Year's value change on hedge ineffectiveness
Derivatives in fair-value hedging								
Interest-rate-related	3,275	1,153	314,636	435	2,622	792	285,575	632
Currency-related	–	49	547	–8	11	–	547	17
Total	3,275	1,202	315,183	427	2,633	792	286,122	615
Derivatives in cash-flow hedges								
Interest-rate-related	3,598	–	92,569	557	2,925	–	104,318	1,861
Currency-related	3,374	1,499	94,194	–96	7,157	227	101,300	–38
Total	6,972	1,499	186,763	461	10,082	227	205,618	1,823
Other derivatives								
Interest-rate-related	325	416	35,735	–	243	363	23,915	–
Currency-related	318	7	6,379	–	129	6	8,257	–
Total	643	423	42,114	–	372	369	32,172	–

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

Derivatives allocated by remaining maturity, carrying amounts

SEK million	GROUP			
	2020		2019	
	Fair value	Nominal value	Fair value	Nominal value
Maximum 3 months	796	47,948	–4	16,591
3–12 months	1,154	92,144	1,042	72,094
1–5 years	2,080	302,664	6,277	322,044
Longer than five years	3,736	101,304	4,384	113,183
Total	7,766	544,060	11,699	523,912

Hedged items in fair value hedges:

SEK million	GROUP				
	2020				
	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
Assets					
Chargeable treasury bills, etc.	7,180	32	93	–	–
Lending to the public	99,772	–	–	–	–
Value changes of interest-rate-risk hedged items in macro hedges	142	322	144	1	–2
Bonds and other interest-bearing securities	50,520	300	480	–	–
Total assets	157,614	654	717	1	–2
Liabilities					
Issued debt securities, etc.	162,944	1,084	2,689	–	–
Subordinated debt	–	–1	–	–	–
Total liabilities	162,944	1,083	2,689	–	–
Total assets - liabilities	–5,330	–429	–1,972	1	–2
<i>Hedging instruments</i>		427			
Ineffectiveness		–2			

GROUP					
2019					
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
Assets					
Chargeable treasury bills, etc.	7,211	85	61	-	-
Lending to the public	86,552	-	-	-	-
Value changes of interest-rate-risk hedged items in macro hedges	-181	-273	-181	-8	-3
Bonds and other interest-bearing securities	47,662	2	180	-	-
Total assets	141,243	-186	60	-8	-3
Liabilities					
Issued debt securities, etc.	147,744	400	1,605	-	-
Subordinated debt	602	-3	1	-	-
Total liabilities	148,345	397	1,606	-	-
Total assets - liabilities	-7,102	-590	-1,546	-8	-
<i>Hedging instruments</i>		615			
Ineffectiveness		25			

Hedged items in cash-flow hedges:

GROUP				
2020				
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
Hedged items in cash-flow hedges:				
Hedged items/Hypothetical derivatives	-461	-2,906	-	-
Total	-461	-2,906	-	-
<i>Hedging instruments</i>	0			
Ineffectiveness	-461			
Hedge reserve	461	2,906		

GROUP				
2019				
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
Hedged items in cash-flow hedges:				
Hedged items/Hypothetical derivatives	-1,823	-2,445	-	-
Total	-1,823	-2,445	-	-
<i>Hedging instruments</i>	1,823			
Ineffectiveness	0			
Hedge reserve	1,823	2,445		

Hedge ineffectiveness recognised in profit or loss:

SEK million	GROUP	
	2020	2019
	Gains and losses on hedging instruments	Gains and losses on hedging instruments
Fair value hedges	-2	25
Cash-flow hedges	-	-
Total	-2	25

SEK million	PARENT COMPANY							
	2020				2019			
	Assets measured at fair value	Liabilities measured at fair value	Nominal value	Year's value change on hedge ineffectiveness	Assets measured at fair value	Liabilities measured at fair value	Nominal value	Year's value change on hedge ineffectiveness
Derivatives in fair-value hedging								
Interest-rate-related	122	802	72,393	-373	309	492	73,950	-188
Currency-related	-	-	-	-	-	-	-	-
Total	122	802	72,393	-373	309	492	73,950	-188
Derivatives in cash-flow hedges								
Interest-rate-related	185	-	15,554	-19	183	-	16,210	95
Currency-related	676	236	16,762	17	1,216	64	16,763	-20
Total	861	236	32,316	-2	1,399	64	32,973	75
Other derivatives								
Interest-rate-related	7,058	7,146	702,343	-	5,422	5,578	638,471	-
Currency-related	4,279	3,969	161,242	-	6,224	6,186	177,684	-
Total	11,337	11,115	863,585	-	11,646	11,764	816,155	-

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

Derivatives allocated by remaining maturity, carrying amounts

SEK million	PARENT COMPANY			
	2020		2019	
	Fair value	Nominal value	Fair value	Nominal value
Maximum 3 months	40	87,908	-1	16,591
3-12 months	317	160,187	133	71,999
1-5 years	-39	528,634	997	321,497
Longer than five years	-151	191,565	-95	112,182
Total	167	968,294	1,034	522,269

Hedged items in fair value hedges:

PARENT COMPANY					
2020					
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
Assets					
Chargeable treasury bills, etc.	7,180	32	93	-	-
Bonds and other interest-bearing securities	50,520	300	480	-	-
Total assets	57,700	332	573	-	-
Liabilities					
Issued debt securities, etc.	14,744	-37	59	-	-
Subordinated debt	-	-1	-	-	-
Total liabilities	14,744	-38	59	-	-
Total assets - liabilities	42,956	370	514	-	-
<i>Hedging instruments</i>		-373			
Ineffectiveness		-3			

PARENT COMPANY					
2019					
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
Assets					
Chargeable treasury bills, etc.	7,211	85	61	-	-
Bonds and other interest-bearing securities	47,662	2	180	-	-
Total assets	54,873	87	241	-	-
Liabilities					
Issued debt securities, etc.	18,923	-159	96	-	-
Subordinated debt	602	-3	1	-	-
Total liabilities	19,525	-162	97	-	-
Total assets - liabilities	35,348	249	144	-	-
<i>Hedging instruments</i>		-188			
Ineffectiveness		61			

Hedged items in cash-flow hedges:

PARENT COMPANY				
2020				
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
Hedged items in cash-flow hedges:				
Hedged items/Hypothetical derivatives	2	-113	-	-
Total	2	-113	-	-
<i>Hedging instruments</i>	-2			
Ineffectiveness	0			
Hedge reserve	-2	113		

PARENT COMPANY				
2019				
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
Hedged items in cash-flow hedges:				
Hedged items/Hypothetical derivatives	-75	-115	-	-
Total	-75	-115	-	-
<i>Hedging instruments</i>	75			
Ineffectiveness	0			
Hedge reserve	75	115		

Hedge ineffectiveness recognised in profit or loss:

PARENT COMPANY		
2020		2019
SEK million	Hedging gains and losses recognised in "Net result of financial transactions."	Hedging gains and losses recognised in "Net result of financial transactions."
Fair value hedges	-3	61
Cash-flow hedges	-	-
Total	-3	61

The accounting policies for hedge accounting are described in Note [G 1](#). The Group's liquidity and market risks is described in Notes [RC 3](#) and [RC 4](#).

A:6 Shares and participations in Group companies

PARENT COMPANY						
2020						
SEK million	Corporate Registration Number	Cost	Shareholder's contributions paid	Number of shares	Share of equity, %	Carrying amount
Swedish credit institutions						
AB Sveriges Säkerställda Obligationer (publ), Solna	556645-9755	10,300	–	500,000	100	10,300
Other companies						
Booli SearchTechnologies AB, Stockholm	556733-0567	101	–	329,540	100	101
2019						
SEK million	Corporate Registration Number	Cost	Shareholder's contributions paid	Number of shares	Share of equity, %	Carrying amount
Swedish credit institutions						
AB Sveriges Säkerställda Obligationer (publ), Solna	556645-9755	10,300	–	500,000	100	10,300
Other companies						
Booli SearchTechnologies AB, Stockholm	556733-0567	89	12	329,540	100	101

A:7 Intangible assets

GROUP								
2020								
SEK million	Goodwill	Trademarks	Software	Total	Goodwill	Trademarks	Software	Total
Opening balance, cost	75	3	364	442	75	3	255	333
Acquisitions during the year	–	–	113	113	–	–	109	109
Closing balance, cost	75	3	477	555	75	3	364	442
Opening balance, amortisation	–	–3	–125	–128	–	–2	–94	–96
Amortisation for the year according to plan	–	0	–35	–35	–	–1	–31	–32
Closing balance, accumulated amortisation	–	–3	–160	–163	–	–3	–125	–128
Opening balance, impairment	–	–	–3	–3	–	–	–3	–3
Impairment for the year	–	–	–59	–59	–	–	–	–
Closing balance, accumulated impairment	–	–	–62	–62	–	–	–3	–3
Net carrying amount	–	0	255	330	75	0	236	311

SEK million	PARENT COMPANY							
	2020				2019			
	Goodwill	Trademarks	Software	Total	Goodwill	Trademarks	Software	Total
Opening balance, cost	–	–	62	62	–	–	58	58
Acquisitions during the year	–	–	–	–	–	–	4	4
Closing balance, cost	–	–	62	62	–	–	62	62
Opening balance, amortisation	–	–	–38	–38	–	–	–32	–32
Amortisation for the year according to plan	–	–	–6	–6	–	–	–6	–6
Closing balance, accumulated amortisation	–	–	–44	–44	–	–	–38	–38
Opening balance, impairment	–	–	–	–	–	–	–	–
Impairment for the year	–	–	–4	–4	–	–	–	–
Closing balance, accumulated impairment	–	–	–4	–4	–	–	–	–
Net carrying amount	–	–	14	14	–	–	24	24

At the end of the year, a customary review of all intangible assets was conducted and an impairment need was identified, which impacted expenses in 2020. Goodwill, trademarks and software from the acquisition of the subsidiary Booli Search Technologies AB. Other software pertains to internally produced intangible assets, which are reported in the consolidated financial statements. Intangible assets are subject to impairment testing on an annual basis. When impairment testing, the value in use is calculated by discounting estimated future cash flows with a discounting factor that takes into account risk-free interest and the risks associated with the specific asset.

The year's impairment testing of goodwill is based on expected future synergies in the form of increased lending volumes and cost savings as well as a discount rate of 12% (12) after tax, corresponding to a rate of 14% (14)

before tax. The first five years for estimated future cash flows are based on forecasts of increased volumes and cost savings. Thereafter, the assumption is zero growth or cost savings. In the year's impairment testing, there was a comfortable margin between the value in use and the carrying amount for goodwill. The most significant variables for the calculation comprised the assumption of increased future lending volumes as well as the discount rate. No reasonable change in these assumptions would impact the carrying amount for goodwill.

A:8 Property, plant and equipment

SEK million	GROUP						PARENT COMPANY			
	31 Dec 2020			31 Dec 2019			31 Dec 2020		31 Dec 2019	
	Equipment	Leases	Total	Equipment	Leases	Total	Equipment	Total	Equipment	Total
Opening balance, cost	92	126	218	57	104	161	90	90	56	56
Acquisitions during the year	28	9	37	39	22	61	28	28	38	38
Divestments during the year	–1	–	–1	–4	–	–4	–	–	–4	–4
Closing balance, cost	119	135	254	92	126	218	118	118	90	90
Opening balance, depreciation	–51	–28	–79	–41	–	–41	–51	–51	–41	–41
Depreciation for the year according to plan	–21	–30	–51	–11	–28	–39	–20	–20	–11	–11
Divestments during the year	1	–	1	1	–	1	0	0	1	1
Accumulated depreciation according to plan	–71	–58	–129	51	–28	–79	–71	–71	–51	–51
Opening balance, impairment	–	–	–	–	–	–	–	–	–	–
Impairment for the year	–13	–	–13	–	–	–	–13	–13	–	–
Closing balance, accumulated impairment	–13	–	–13	–	–	–	–13	–13	–	–
Net carrying amount	35	77	112	41	98	139	34	34	39	39

At the end of the year, a customary review of all tangible assets was conducted and an impairment need was identified, which impacted expenses in 2020.

A:9 Other assets

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Tax assets	37	15	–	–
Interest receivables	24	30	9	8
Group contributions received	–	–	719	539
Other	18	11	18	9
Total	79	56	746	556
<i>Other assets distributed by remaining maturity, carrying amount</i>				
Maximum 1 year	79	56	746	556
Total	79	56	746	556

A:10 Prepaid expenses and accrued income

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Prepaid expenses	50	57	52	57
Accrued interest income	345	451	332	564
Accrued guarantees	5	6	0	6
Other accrued income	22	195	7	113
Total	422	529	391	627
<i>Prepaid expenses and accrued income distributed by remaining maturity, carrying amount, carrying amounts</i>				
Maximum 1 year	419	525	391	623
More than 1 year	3	4	0	4
Total	422	529	391	627

L

Liabilities

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L:1 Liabilities to credit institutions

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Liabilities in SEK	14,023	1,144	14,023	1,143
Liabilities in foreign currencies	6,161	9,384	6,161	9,384
Total	20,184	10,528	20,184	10,527
<i>of which, repos</i>	–	1	–	–

The bond loan conditions in SBAB's long-term funding programme include a possibility for the bondholder to demand premature redemption of the holder's bonds issued in such loan programmes if the Swedish state ceases to own the majority of the shares in SBAB and the Swedish state, before such change in ownership, has not taken steps to guarantee SBAB's commitments ensuing from the bond loan or the bondholders have accepted this in such a way as is described in the current terms and conditions. However, subordinated loans and additional Tier 1 capital issued under the long-term funding programme do not include the aforesaid conditions. Total funding under these programmes with the right to demand redemption amounted to SEK 55.0 billion (55.0) at 31 December 2020.

L:2 Deposits from the public

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Consumers	95,457	91,967	95,457	91,967
Tenant-owners' associations	8,883	8,386	8,883	8,386
Corporates	31,318	30,189	31,318	30,189
Total	135,658	130,542	135,658	130,452

L:3 Issued debt securities, etc.

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Commercial paper				
Commercial paper in SEK				
– at amortised cost	450	160	450	160
Commercial paper in foreign currency				
– at amortised cost	4,740	1,554	4,740	1,554
Total	5,190	1,714	5,190	1,714
Bond loans				
Bond loans in SEK				
– at amortised cost	59,066	44,966	22,662	18,126
– in fair value hedges	157,437	139,366	9,734	11,101
Bonds loans in foreign currency				
– at amortised cost	96,504	109,171	17,245	18,057
– in fair value hedges	5,507	8,380	5,010	7,825
Total	318,514	301,883	54,651	55,109
Total issued debt securities, etc.	323,704	303,597	59,841	56,823
– of which, covered bonds	263,863	246,774	–	–
– of which senior non-preferred bonds	5,996	6,026	5,996	6,026
– of which, other unsecured bonds and commercial paper	53,845	50,797	53,845	50,797

L:4 Other liabilities

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Trade payables	17	32	17	29
Employee withholding taxes	14	12	13	12
Liabilities to the public	165	123	155	135
Lease liabilities	69	91	–	–
Other	151	118	327	256
Total	416	376	512	432
<i>Other liabilities distributed by remaining maturity, carrying amount</i>				
Within one year	374	314	512	432
1–5 years	42	62	–	–
Total	416	376	512	432

SEK million	GROUP	
	2020	2019
Remaining lease liabilities		
Lease liabilities	69	91
Total	69	91
Lease liability distributed by remaining maturity		
Within one year	27	29
1–5 years	42	55
6–10 years	–	7
Total	69	91

L:5

Accrued expenses and deferred income

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Accrued interest expense	1,557	1,619	157	202
Other accrued expenses	212	186	152	145
Total	1,769	1,805	309	347
<i>Accrued expenses and deferred income distributed by remaining maturity, carrying amount</i>				
Maximum 1 year	1,769	1,805	309	347
Total	1,769	1,805	309	347

L:6

Provisions

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Pension provisions	160	140	–	–
Provision for special employer's contribution on pensions	39	35	–	–
Provision for expected credit losses, loan commitments	20	13	20	13
Total	219	188	20	13

Pension provisions excl. special employer's contributions

Summary of defined-benefit pension plan

SEK million	GROUP	
	2020	2019
Present value of the obligation, closing balance	583	537
Fair value of plan assets	–423	–397
Total	160	140

Reconciliation of change in present value of obligation

SEK million	GROUP	
	2020	2019
Present value of the obligation, opening balance	537	473
Service costs during the current year	10	9
Interest expense	10	11
Gain/loss arising from changed financial assumptions	45	59
Experience-based gains/losses	–9	–6
Pension disbursements from plan	–10	–9
Gain/loss due to demographic assumptions	–	–
Present value of the obligation, closing balance	583	537

The weighted average maturity of the defined-benefit obligation is 20.98 years (20.77).

Reconciliation of change in plan assets

SEK million	GROUP	
	2020	2019
Opening balance	397	367
Interest income	7	9
Return on plan assets, excluding amounts included in interest expense/interest income	8	14
Premiums paid by employer	21	16
Pension disbursements from plan	–10	–9
Closing balance	423	397

Distribution of plan assets

%	GROUP	
	2020	2019
Swedish shares	2	2
Foreign shares	12	9
Government bonds	21	25
Mortgage bonds	9	12
Corporate bonds	27	26
Properties	12	12
Other	17	14
Total	100	100

The defined-benefit pension plan is secured through insurance with SPP Pension och Forsakring AB. Through investments in shares, interest-bearing instruments and property, the insurance capital will track the performance of the financial markets. The aim of the management is to achieve a high and consistent return while ensuring a guaranteed increase in value.

Financial and demographic assumptions

%	GROUP	
	2020	2019
<i>Financial assumptions</i>		
Discount rate	1.15	1.75
Annual salary increase	3.40	3.00
Annual inflation	1.70	2.00
Annual increase in income base amount	3.00	3.00
Annual increase in pension disbursements	1.70	2.00
<i>Demographic assumptions</i>		
Personnel turnover	5.00	5.00
Mortality table	DUS14	DUS14

Sensitivity analysis of discount rate

	GROUP
SEK million	2020
Assumption, %	1.65
Present value of the obligation	524
Service costs during the current period	10
Interest expense	9
Assumption, %	0.65
Present value of the obligation	652
Service costs during the current period	13
Interest expense	4

Sensitivity analysis, inflation

	GROUP
SEK million	2020
Assumption, %	2.20
Present value of the obligation	647
Service costs during the current period	13
Interest expense	7
Assumption, %	1.20
Present value of the obligation	527
Service costs during the current period	10
Interest expense	6

The sensitivity analysis above is based on a change in one assumption while all other assumptions are kept constant. In the calculation of sensitivity in the defined-benefit obligation, the same method is applied as in the calculation of the reported pension provision.

For further information on pensions, see Note [G 1](#) and Note [IC 5](#).

L:7 Subordinated debt and capital instruments

PARENT COMPANY AND GROUP								
Loan designation	Cur- rency	Nominal amount	Nominal amount outstanding	First possible redemption right for SBAB	Interest rate, % 31 December 2020	Maturity date	Carrying amount, SEK million	
							2020	2019
SUBORDINATED DEBT								
Subordinated loan 1 ¹⁾	SEK	400,000,000	–	2020	3.825	Perpetual	–	400
Subordinated loan 2	SEK	1,100,000,000	–	2020	3M STIBOR +3.250	Perpetual	–	1,099
Subordinated loan 3	SEK	1,000,000,000	–	2020	3M STIBOR +1.300	11 Jun 2025	–	1,000
Subordinated loan 4 ²⁾	SEK	600,000,000	–	2020	2.250	10 Nov 2025	–	599
Subordinated loan 5	SEK	1,850,000,000	–	2020	3M STIBOR +1.900	10 Nov 2025	–	1,850
Subordinated loan 6	SEK	1,400,000,000	1,400,000,000	2025	3M STIBOR +2.100	3 June 2030	1,397	–
Subordinated loan 7 ³⁾	SEK	600,000,000	600,000,000	2025	2.268	3 June 2030	598	–
TOTAL							1,995	4,948
ADDITIONAL TIER 1 CAPITAL (equity)								
Subordinated loan 8	SEK	725,000,000	725,000,000	2021	3M STIBOR +4.750	Perpetual	725	725
Subordinated loan 9 ⁴⁾	SEK	775,000,000	775,000,000	2021	5.052	Perpetual	775	775
Subordinated loan 10	SEK	1,600,000,000	1,600,000,000	2024	3M STIBOR +3.650	Perpetual	1,600	1,600
Subordinated loan 11 ⁵⁾	SEK	400,000,000	400,000,000	2025	3.670	Perpetual	400	400
TOTAL							3,500	3,500

¹⁾ Interest rate: For the period 16 March 2015 to 16 March 2020: 3.825%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 3.250%.

²⁾ Interest rate: For the period 10 November 2015 to 10 November 2020: 2.250%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 1.900%.

³⁾ Interest rate: For the period 3 June 2020 to 3 June 2025: 2.268%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 2.100%.

⁴⁾ Interest rate: For the period 17 May 2016 to 17 June 2021: 5.052%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 4.750%.

⁵⁾ Interest rate: For the period 5 September 2019 to 5 March 2025: 3.670%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 3.800%.

Subordinated loans are subordinate to the Parent Company's other liabilities, which means that they carry entitlement to payment only after other unsubordinated creditors have received payment. Subordinated loans comprise issued capital instruments, which solely comprise Additional Tier 1 capital (AT1) or Tier 2 capital instruments. The subordinated loans numbered 3, 4, 5, 6 and 7 comprise Tier 2 capital instruments. The subordinated loans 1, 2, 8, 9, 10 and 11, which are subordinate to other subordinated loans, comprise additional Tier 1 capital. The capital instruments issued in accordance with the more recent regulatory framework and which are included in own funds as additio-

nal Tier 1 capital comprised subordinated loans 1 and 2 (recognised as subordinated debt), and subordinated loans 8, 9, 10 and 11 (recognised as equity). The crucial difference between subordinated loans recognised respectively as subordinated debt or equity, is the financial nature of equity, as per the definitions in IAS 32. Subordinated loans (capital instruments) that have not been redeemed are included in own funds when calculating the capital adequacy of the Parent Company and the Group. For further information on the terms and conditions of SBAB's subordinated loans, see www.sbab.se and Note [RC 8](#).

EQ:1 Equity

The share capital amounted to SEK 1,958,300,000. At 31 December 2020, the number of shares was 19,583 (19,583), each with a quotient value of SEK 100,000. All shares are owned by the Swedish state. Dividends are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. The Board has decided to propose to the AGM the distribution of no dividend for the 2020 financial year, refer to Note [G 3](#). Further information on equity is provided in the "Statement of Changes in Equity" on page 112.

Statement of changes in reserves

SEK million	GROUP	
	2020	2019
Financial assets measured at FVTOCI/Available-for-sale financial assets, opening balance	146	190
Unrealised change in value over the year	17	-45
Reclassified to profit or loss during the year	-13	-11
Tax attributable to the change	1	12
Financial assets measured at FVTOCI/Financial assets available-for-sale, closing balance	151	146
Cash-flow hedges, opening balance	1,922	489
Unrealised change in value over the year	-3,667	4,363
Reclassified to profit or loss during the year	4,128	-2,540
Tax attributable to the change	-76	-390
Cash-flow hedges, closing balance	2,307	1,922
Defined-benefit pension plans, opening balance	-109	-70
Revaluation effects of defined-benefit pension plans	-34	-50
Tax attributable to the change	6	11
Defined-benefit pension plans, closing balance	-137	-109
Total	2,321	1,959

Specification of changes in the fair value reserve

SEK million	PARENT COMPANY	
	2020	2019
Financial assets measured at FVTOCI/Available-for-sale financial assets, opening balance	146	190
Unrealised change in value over the year	17	-45
Reclassified to profit or loss during the year	-13	-11
Tax attributable to the change	1	12
Financial assets measured at FVTOCI/Available-for-sale financial assets, closing balance	151	146
Cash-flow hedges, opening balance	91	32
Unrealised change in value over the year	-774	433
Realised change in value, reclassified to profit or loss	772	-358
Tax attributable to the change	1	-16
Cash-flow hedges, closing balance	90	91
Total	241	237

Further information on Reserves and the Fair value reserve is provided in Note [G 1](#) Accounting policies, in the sections "Financial assets measured at FVTOCI," "Cash-flow hedges" and "Pensions."

AC:1 Assets pledged for own liabilities

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Loan receivables	358,910	313,044	-	-
Other receivables	-	-	10,555	-
Securities	6,207	2,794	6,207	2,794
Total	365,117	315,838	16,762	2,794

Of the assets pledged, SEK 358.9 billion (313.0) comprise the cover pool for covered bonds totalling 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.

AC:2 Contingent liabilities

SEK million	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Contingent liabilities concerning future payments & Other contingent liabilities				
Loan commitments and other credit-related contingent liabilities	59,339	48,662	59,339	48,662
Other contingent liabilities	-	-	36,520	25,936
Total	59,339	48,662	95,859	74,598
<i>Contingent liabilities distributed by remaining maturity</i>				
Within one year	54,145	43,805	90,665	69,741
1-5 years	5,194	4,857	5,194	4,857
Total	59,339	48,662	95,859	74,598

Excluding building credits of SEK 5,279 million (5,034), loan commitments and other credit-related contingent liabilities in the Group totalling SEK 54,060 million (43,628) were reduced to SEK 14,451 million (10,947) after taking into account the credit conversion factor, meaning the statistically calculated probability that the exposure will lead to disbursement of the loan.

Excluding building credits of SEK 5,279 million (5,034), the corresponding figures for the Parent Company were SEK 54,060 million (43,628) and SEK 14,451 million (10,947), respectively. The Parent Company's other commitments include an agreement concerning a liquidity facility with the subsidiary, SCBC, through which SCBC may borrow funds from the Parent Company for its operations if the need arises.

FI Financial instruments

pp.183–188

FI:1 Classification of financial instruments

Financial assets

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

Financial liabilities

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

Financial assets

SEK million	GROUP						
	31 Dec 2019						
	Financial assets measured at FVTPL				Financial assets measured at amortised cost	Total	Total fair value
	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification	Financial assets measured at FVTOCI			
Cash and balances at central banks	-	-	-	-	5,750	5,750	5,750
Chargeable treasury bills, etc.	1,108	-	-	2,564	12,214	15,886	15,879
Lending to credit institutions	-	-	-	-	417	417	417
Lending to the public	-	-	-	-	383,807	383,807	384,417
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	-181	-181	-
Bonds and other interest-bearing securities	1,791	-	-	34,376	19,564	55,731	55,762
Derivatives	-	12,715	372	-	-	13,087	13,087
Other assets	-	-	-	-	44	44	44
Prepaid expenses and accrued income	44	-	-	223	210	477	477
Total financial assets	2,943	12,715	372	37,163	421,825	475,018	475,833

Financial liabilities

SEK million	GROUP				
	31 Dec 2019				
	Financial liabilities measured at FVTPL			Financial liabilities measured at amortised cost	Total
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	-	-		10,528	10,528
Deposits from the public	-	-		130,542	130,542
Issued debt securities, etc.	-	-		303,597	307,492
Derivatives	1,019	369		-	1,388
Other liabilities	-	-		205	205
Accrued expenses and deferred income	-	-		1,769	1,769
Subordinated debt	-	-		4,948	4,953
Total financial liabilities	1,019	369		451,589	452,977

Financial assets

SEK million	PARENT COMPANY						
	31 Dec 2020						
	Financial assets measured at FVTPL				Financial assets measured at amortised cost	Total	Total fair value
	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification	Financial assets measured at FVTOCI			
Cash and balances at central banks	-	-	-	-	6,530	6,530	6,530
Chargeable treasury bills, etc.	646	-	-	3,612	6,636	10,894	10,889
Lending to credit institutions	-	-	-	-	121,069	121,069	121,069
Lending to the public	-	-	-	-	24,806	24,806	24,871
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	0	0	0
Bonds and other interest-bearing securities	931	-	-	31,421	25,828	58,180	58,282
Derivatives	-	983	11,337	-	-	12,320	12,320
Other assets	-	-	-	-	742	742	742
Prepaid expenses and accrued income	20	-	-	146	173	339	339
Total financial assets	1,597	983	11,337	35,179	185,784	234,880	235,042

Financial liabilities

PARENT COMPANY					
31 Dec 2020					
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	–	–	20,184	20,184	20,184
Deposits from the public	–	–	135,658	135,658	135,658
Issued debt securities, etc.	–	–	59,841	59,841	60,058
Derivatives	1,038	11,115	–	12,153	12,153
Other liabilities	–	–	303	303	303
Accrued expenses and deferred income	–	–	270	270	270
Subordinated debt	–	–	1,995	1,995	1,997
Total financial liabilities	1,038	11,115	218,251	230,404	230,623

Financial assets

PARENT COMPANY						
31 Dec 2019						
SEK million	Financial assets measured at FVTPL			Financial assets measured at amortised cost	Total	Total fair value
	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification			
Cash and balances at central banks	–	–	–	–	5,750	5,750
Chargeable treasury bills, etc.	1,108	–	–	2,564	12,214	15,879
Lending to credit institutions	–	–	–	–	102,596	102,596
Lending to the public	–	–	–	–	24,871	24,871
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	0	0
Bonds and other interest-bearing securities	1,791	–	–	34,376	19,564	55,731
Derivatives	–	1,708	11,646	–	–	13,354
Other assets	–	–	–	–	556	556
Prepaid expenses and accrued income	44	–	–	223	303	570
Total financial assets	2,943	1,708	11,646	37,163	165,854	219,314

Financial liabilities

PARENT COMPANY					
31 Dec 2019					
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	–	–	10,527	10,527	10,527
Deposits from the public	–	–	130,542	130,542	130,542
Issued debt securities, etc.	–	–	56,823	56,823	57,076
Derivatives	556	11,764	–	12,320	12,320
Other liabilities	–	–	86	86	86
Accrued expenses and deferred income	–	–	313	313	313
Subordinated debt	–	–	4,948	4,948	4,953
Total financial liabilities	556	11,764	203,239	215,559	215,817

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 have been assessed as equal to their fair values. Securities recognised at amortised cost were measured at quoted prices, Level 1.

For Lending to the public, Issued debt securities and Subordinated debt, fair value is established based on generally accepted valuation techniques. 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 debt securities and subordinated debt are measured at the Group’s current borrowing rate, Level 2.

For lending to the public, where no observable credit margin data is available at the time of measurement, the credit margin on the most recent stipulated date of expiry is applied to set the discount rate, Level 3.

FI:2 Fair value disclosures

SEK million	GROUP							
	2020				2019			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	4,258	–	–	4,258	3,672	–	–	3,672
Bonds and other interest-bearing securities	32,352	–	–	32,352	36,166	–	–	36,166
Derivatives	–	10,890	–	10,890	–	13,087	–	13,087
Prepaid expenses and accrued income	166	–	–	166	267	–	–	267
Total	36,776	10,890	–	47,666	40,105	13,087	–	53,192
Liabilities								
Derivatives	–	3,124	–	3,124	–	1,388	–	1,388
Total	–	3,124	–	3,124	–	1,388	–	1,388

SEK million	PARENT COMPANY							
	2020				2019			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	4,258	–	–	4,258	3,672	–	–	3,672
Bonds and other interest-bearing securities	32,352	–	–	32,352	36,166	–	–	36,166
Derivatives	–	12,320	–	12,320	–	13,354	–	13,354
Prepaid expenses and accrued income	166	–	–	166	267	–	–	267
Total	36,776	12,320	–	49,096	40,105	13,354	–	53,459
Liabilities								
Derivatives	–	12,153	–	12,153	–	12,320	–	12,320
Total	–	12,153	–	12,153	–	12,320	–	12,320

Parent Company and Group

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 or 2020.

Quoted market prices (Level 1)

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

Measurement based on observable market data (Level 2)

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

Measurement based in part on unobservable market data (Level 3)

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

FI:3 Offsetting disclosures

Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the balance sheet.

Offsetting of financial instruments

GROUP							
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	10,890	–	10,890	–2,166	–	–7,040	1,685
Repos	2,455	–2,447	8	–	5	0	13
Liabilities							
Derivatives	–3,124	–	–3,124	2,166	–	889	–70
Repos	–2,447	2,447	0	–	0	0	0
Total	7,774	0	7,774	0	5	–6,151	1,628

GROUP							
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	13,087	–	13,087	–1,100	–	–10,411	1,576
Repos	1,486	–1,486	0	–	–1	–	–1
Liabilities							
Derivatives	–1,388	–	–1,388	1,100	–	289	1
Repos	–1,487	1,487	–1	–	0	–	–1
Total	11,698	0	11,698	0	–1	–10,122	1,575

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.

Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the balance sheet.

Offsetting of financial instruments

PARENT COMPANY							
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	12,320	–	12,320	–3,806	–	–7,040	1,474
Repos	12,771	–2,151	10,620	–	10,560	0	21,179
Liabilities							
Derivatives	–12,153	–	–12,153	3,806	–	889	–7,458
Repos	–2,151	2,151	0	–	0	0	0
Total	10,787	0	10,787	0	10,560	–6,151	15,195

PARENT COMPANY							
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	13,354	–	13,354	–1,571	–	–10,411	1,372
Repos	–	–	–	–	–	–	–
Liabilities							
Derivatives	–12,320	–	–12,320	1,571	–	289	–10,460
Repos	–	–	–	–	–	–	–
Total	1,034	–	1,034	0	–	–10,122	–9,088



S: Sustainability notes

S:1 General information

SBAB's Annual and Sustainability Report has been prepared in accordance with the GRI Standards: Core option. It also constitutes SBAB's Communication on Progress (COP) to the UN Global Compact, a sustainability report in accordance with the Swedish Annual Accounts Act and information on how SBAB contributes to the 2030 Agenda for sustainable development.

Report defined by the Board of Directors

The Board of Directors have signed, and thereby submitted, the Annual and Sustainability Report in its entirety.

Sustainability reporting under the Global Reporting Initiative (GRI)

SBAB's Annual and Sustainability Report pertains to the 2020 calendar year and has been prepared in accordance with the GRI Standards: Core option. The separate GRI and COP index sets out the location of the different GRI and COP disclosures in the report.

→ Read more on page 202

UN Global Compact & the 2030 Agenda for Sustainable Development

The state's ownership policy stipulates that state-owned enterprises should serve as role models in the area of sustainable enterprise and otherwise act in a manner that generates public confidence. Acting as a role model includes working strategically and transparently with a focus on collaboration. These efforts are inspired and guided by international guidelines including the ten principles of the UN Global Compact as well as the SDGs of the 2030 Agenda for Sustainable Development.

→ Read more on pages 200 and 202.

Sustainability reporting in accordance with the Swedish Annual Accounts Act

This report comprises SBAB's statutory sustainability report pursuant to the requirements of the Swedish Annual Accounts Act. It also encompasses initial reporting based on the EU's guidelines on climate reporting, where SBAB has started to analyse the reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD).

→ Read more on page 199

The report's scope and boundaries

The Annual Report encompasses the Parent Company, SBAB Bank AB (publ). The subsidiaries AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) and Booli Search Technologies AB issue their own annual reports. The Sustainability Report encompasses the Parent Company, SBAB Bank AB (publ), AB Sveriges Säkerställda Obligationer (publ) and, unless otherwise stated, Booli Search Technologies AB. SBAB's material impact occurs within the organisation and in connection with SBAB's lending.

Audit and limited assurance report

The formal Annual Report is to be found in specially marked sections, and has been audited. The Sustainability Report has been subject to a limited assurance review. The Corporate Governance Report is subject to a statutory review, which is less comprehensive than an audit or auditor's review. Deloitte submits an audit report for the Annual Report and the Corporate Governance Report, and a separate limited assurance report for the Sustainability Report.

→ Read more on pages 205 and 208.

S:2.1 Guidelines

State's ownership policy

SBAB follows the State Ownership Policy and principles for state-owned enterprises 2020, which also encompasses the Guidelines for external reporting in state-owned enterprises and Guidelines for remuneration and other terms of employment for senior executives in state-owned enterprises.

Policies, instructions and directions

Each year, SBAB's Board of Directors adopts a number of policies and instructions at the statutory Board meeting. These are an important part of the internal governance and help the company to promote sustainable enterprise and to create a consensus on company-wide issues and areas.

For example, the Board of SBAB has adopted policies and instructions covering Sustainable Enterprise, Ethics, Equality and Diversity, Remuneration, Complaints Handling, Risk, Credit, Capital, Compliance, Independent Risk Control, Internal Audit, Measures to Preventing Money Laundering and the Financing of Terrorism, as well as Compliance with Financial Sanctions and Recovery Plans.

In addition to policies and instructions decided by the Board, there are a number of instructions decided by the CEO or by persons with authority delegated by the CEO. Examples of such instructions include Policies, Outsourcing, Authorisation Instruction, Communication, Working Environment, Against Bribes and other Corruption, Banking Secrecy, Whistleblower Process, IT Governance and Security.

Code of Conduct

We let our values and Code of Conduct act as a moral compass in terms of defining our behaviour and what we stand for as a company. Our Code of Conduct is decided by the Board of Directors and is available for all employees on our intranet. It provides guidance on how we should act and conduct ourselves in various situations and the inherent responsibilities of being a SBAB employee. Employees, managers, consultants, members of the Executive Management and Board members are responsible for understanding and complying with our Code of Conduct.

Supplier Code

SBAB's Supplier Code addresses SBAB's view and expectations of our suppliers' sustainability efforts and compliance with international guidelines and principles.

S:2.2 Obligations

The state's ownership policy stipulates that state-owned enterprises should serve as role models in the area of sustainable enterprise and otherwise act in a manner that generates public confidence. Acting as a role model includes working strategically and transparently with a focus on collaboration. These efforts are inspired and guided by international guidelines including the ten principles of the UN Global Compact and the SDGs of the 2030 Agenda for Sustainable Development.

UN Global Compact, Communication on Progress (COP)

SBAB joined the UN Global Compact in 2009. SBAB's commitment to the Global Compact means that SBAB reports its work on implementing the Ten Principles of the Global Compact in the areas of human rights, labour, environment and anti-corruption in an annual Communication on Progress (COP). The separate GRI/COP index states which parts of the report constitute SBAB's Communication on Progress, which is based on the BASIC GUIDE Communication on Progress, GC Active Level, developed by the Global Compact. The UN Global Compact includes a precaution principle. SBAB is implementing a number of precautionary measures in operating activities, including employee training. We have also started efforts to identify, manage and integrate sustainability risks in all central processes.

UN 2030 Agenda for sustainable development and the SDGs

The state's ownership policy states that, within the framework of their operations, state-owned enterprises must analyse the SDGs contained in the 2030 Agenda for Sustainable Development to identify which goals the company can influence and contribute to through its activities. Companies are also expected to identify business opportunities that contribute to achieving the goals. SBAB has identified and chosen four of the 17 SDGs that we consider particularly important and relevant for our operations. The goals have been chosen based on extensive analysis in the form of internal workshops and ranking exercises within operations, the Executive Management and the Board, and thus comprise an integrated part of SBAB's governance model and daily operations. SBAB's contribution to the respective goals is presented in a separate table and in the freestanding GRI/COP index.

→ Read more on pages 200 and 202.

Sweden's environmental objectives

The environmental objective system contains one generation goal, 16 environmental quality goals and 17 intermediate goals in the areas of waste, biodiversity, hazardous substances and climate. Sweden's environmental objectives are the national implementation of the ecological dimension of the SDGs. SBAB supports these objectives and actively contributes to the overall objective for environmental policy, the generation goal, which is to be able to hand over a society to the next generation in which the major environmental problems have been solved, without causing more environmental and health problems beyond Sweden's borders. One of the environmental quality goals, goal 15, refers to a healthy built-up environment and has synergies with two of SBAB's four prioritised SDGs, namely 11 and 12. SBAB is a leading player in the housing financing sector and has a responsibility to drive development in this area.

The Paris agreement and the EU action plan for financing sustainable growth

SBAB works to promote realising the goals of the Paris agreement and the EU action plan for financing sustainable growth. SBAB has started to structure its climate risk reporting in line with the reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD).

→ Read more on page 201

Principles for Responsible Banking (PRB)

In 2020, SBAB signed the UN Principles for Responsible Banking, which aim to provide a framework for a sustainable banking system that drives the global economy in a sustainable direction. Through signing the principles, SBAB undertakes to report its negative and positive impact in material sustainability areas and to clearly state which science-based sustainability goals SBAB is working to achieve. Moreover, SBAB undertakes, in partnership with other banks, to promote shared sustainability goals whereby work approaches are synchronised and become comparable.

Other memberships of associations

SBAB is a member of the Swedish Financial Coalition against child pornography, through which it collaborates with some 20 financial sector bodies, technology companies, the police and ECPAT Sweden. The aim of the Financial Coalition is to prevent and stop financial transactions being misused for the purchase of documented cases of sexual abuse of children, defined in law as child pornography.

SBAB's Annual and Sustainability Report has been prepared pursuant to the GRI's principles for defining report content and quality. Stakeholder dialogues and materiality assessments form the basis for SBAB's prioritised sustainability topics.

S:3.1 Stakeholder dialogue

SBAB has identified a number of particularly important stakeholder groups that all affect and are affected by our operations in various ways. From a business perspective, the most important stakeholders in the short, medium and

long-term are the customers, the employees, the owner and investors. This priority has grown out of a recurring internal dialogue regarding the bank's business logic in the Board of Directors, the Executive Management and in operations. We maintain ongoing communication, primarily with the most important stakeholders, to set the right priorities in our business development and sustainability work. Communication is conducted through means including customer surveys and meetings, dialogue with owner representatives, question forums on www.sbab.se, physical meetings in various formats, dialogues regarding accounting, and other formats for stakeholder engagement.

FORMATS FOR STAKEHOLDER ENGAGEMENT

Customers	Employees	Owner & investors	The public
The confidence our customers have in SBAB determines our ability to develop in many respects, and therefore also our ability to take on a greater role in societal development. The knowledge, skills, professionalism and consideration shown by our employees on a daily basis are apparent in surveys conducted by Svenskt Kvalitetsindex (Swedish Quality Index, SKI).	SBAB's employees are its most important asset. Motivated and committed employees are a prerequisite for our success and one of the most important resources in terms of achieving our vision. Our employees' motivation to create value through stakeholder relations depends on a number of factors, including leadership, skills development, development opportunities and our corporate culture.	Owner: SBAB is wholly owned by the Swedish state. The Swedish government's ambition for Swedish state-owned companies – to set good examples and serve as role models for sustainable enterprise – has inspired us to clarify our role in the sustainable development of society. Investors: Investor confidence in SBAB is based on investors' interaction with our employees as well as on a belief in our business model and our ability to support positive and sustainable economic developments.	Confidence from the general public and other stakeholders such as non-profit organisations, business partners, media, suppliers and interest organisations affects our opportunities to develop the operations in the desired direction. Confidence from the public is a prerequisite for attracting new customers, establishing long-term relationships and growing.
In dialogues through:	In dialogues through:	In dialogues through:	In dialogues through:
The internet (www.sbab.se), telephone, customer surveys (SKI, brand surveys, customer panels, focus groups, etc.), social media, customer and support forum, blogs, personal meetings, customer meetings, seminars and conferences, the AGM, marketing communication, etc.	Performance evaluations, meetings, employee surveys, workplace dialogues with trade unions, monthly and departmental meetings, the intranet, AGMs, CEO blogs, etc.	Owner: Ownership policy, owner instructions, continuous ministerial contacts, board representation, AGMs, network meetings, etc. Investors: Personal meetings, group presentations, financial statements, www.sbab.se , etc.	Personal meetings, network meetings, seminars and conferences, media, blogs, social media, AGMs, marketing communication, etc.

S:3.2 Material topics

In 2020, a new materiality assessment was conducted in line with the GRI guidelines. This included a new stakeholder dialogue comprising 24 interviews of key stakeholders such as Board members, Executive Management, corporate customers, the owner, collaboration partners, business partners, investors and trade organisations. Moreover, surveys were conducted with 482 of SBAB's employees, 384 retail customers and 23 tenant-owners' association customers. The stakeholder dialogue captured the stakeholders' perspectives as to which sustainability topics are most relevant for SBAB. In addition to input from the stakeholder dialogue, a new analysis was carried out of the operating environment, including key factors and relevant sustainability risks, trends and legislation to form the basis for identifying the areas where SBAB has the greatest impact.

By utilising input from the stakeholder dialogue and the operating environment analysis as a foundation, an internal exercise was carried out, with representatives from operations, Executive Management and the Board, in order to agree on SBAB's material sustainability topics. These efforts identified and calibrated a total of 14 sustainability topics, which are presented below.

Materiality assessment

Key sustainability topics

Responsibility and transparency

- Business ethics and transparency
- Secure IT systems and integrity
- Product development and innovation
- Climate impact – products and services
- Set requirements for suppliers and partners
- Community engagement
- Accessibility and a socially inclusive offering
- Financial offers with societal impact
- Identify and manage climate-related risks
- Climate impact – own operations

Attractive workplace

- Respect and equality – own operations
- Develop and retain employees
- Attract competent employees

Sound finances

- Financial stability

Three target areas

Based on the materiality assessment, SBAB has prepared and established three overall commercial and sustainable development target areas for the operations: Responsibility and transparency; Attractive workplace; and Sound finances.

→ Read more on page 32-33

How the material sustainability topics have been reported

For each target area, we have adopted fixed strategies and activities, overall targets and metrics, and determined how the results should be reported. Activities, targets and metrics are reviewed each year in conjunction with the business planning process. Since 2017, SBAB's business plan has been fully integrated, which means that SBAB does not differentiate between business targets and sustainability targets. SBAB's targets are presented earlier in this report.

→ Read more on page 34

All of the sustainability topics identified through stakeholder and materiality assessments are reported as material in SBAB's sustainability report. These are reported in our three target areas as follows:

Responsibility and transparency

- Business ethics and transparency
- Secure IT systems and integrity
- Product development and innovation
- Climate impact – products and services
- Set requirements for suppliers and partners
- Community engagement
- Accessibility and a socially inclusive offering
- Financial offers with societal impact
- Identify and manage climate-related risks
- Climate impact – own operations

Attractive workplace

- Respect and equality – own operations
- Develop and retain employees
- Attract competent employees

Sound finances

- Financial stability

The above responsibility issues have been delimited in the report to include SBAB's direct efforts and are reported using at least one GRI disclosure per material aspect.

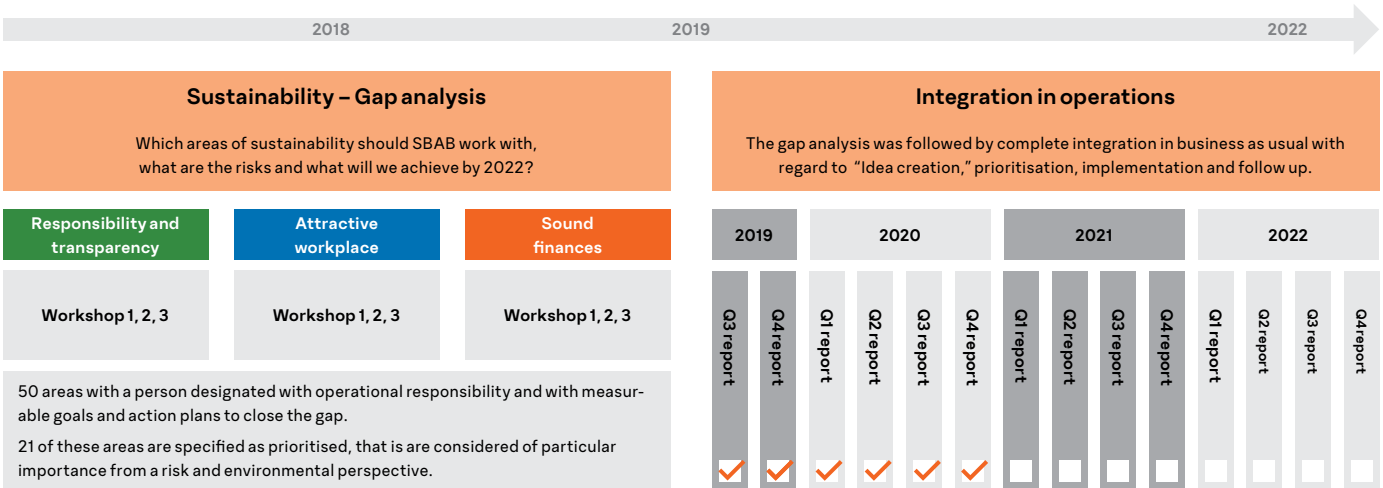
→ Read more on page 202

SBAB's material impact occurs within the organisation and in connection with our lending.

Sustainability analysis to identify risks and opportunities

The extensive sustainability analysis of SBAB's operations was conducted from a sustainability perspective, known as a gap analysis. The analysis was conducted in five parts linked to SBAB's three target areas. The analysis identified the current status and the ambition level. The analysis identified 50 areas within which SBAB faced challenges or possibilities of varying scope.

The current status and objectives were established based on SBAB's materiality analysis, business plan, model for governance and follow-up, prioritised SDGs and other guidelines such as the UN Global Compact. The internal basis was complemented with an analysis of factors in the operating environment and industry practice in the area of sustainability. This functioned as the basis for a number of workshops, where representatives from the entire operations participated with the aim of calibrating the current status and the objectives. A total of nine workshops were conducted with around 50 participants. All of the workshops resulted in a full gap analysis including the current status, objective and ambition level for the respective area, together with an action plan. The action plans include activities aimed at reaching the objective. The results of the gap analyses were discussed and prepared by the Executive Management for decision by the Board.



S:4.1 Overarching governance

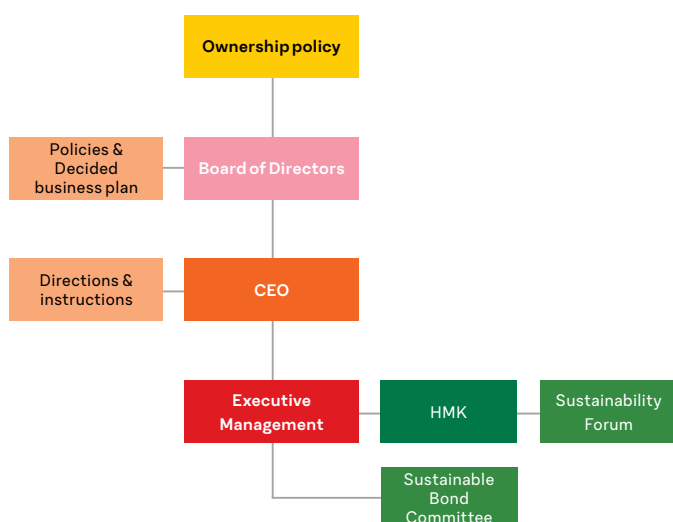
SBAB has a number of functions for the governance and follow-up of sustainability efforts.

Within SBAB, the Board is ultimately responsible for ensuring that active, long-term efforts to achieve sustainable development are carried out within the bank. The Board also adopts a strategy, objectives and a policy for sustainable enterprise. Furthermore, the Board monitors and assesses SBAB's sustainability efforts.

The Executive Management presents the bank's strategic business plan, including its aims, direction and objectives for sustainability efforts, in conjunction with deciding the business plan and budget. SBAB's sustainability efforts are fully integrated in SBAB's business plan. The Executive Management are to control and take decisions on priorities and strategic direction for sustainability in accordance with the decided business strategy. The Sustainability Marketing and Communication department (HMK) is led by the Head of HMK, who is a member of the Executive Management and reports to the CEO. HMK includes the Sustainability unit, which is led by the Head of Sustainability who reports to the Head of HMK and the CEO. The Sustainability unit is tasked with coordinating sustainability efforts at SBAB at an overall and total level, as well as in relation to the overriding target areas and their measurable goals, together with the individuals with operational responsibility in the business. The Head of Sustainability together with the Head of HMK are tasked with driving SBAB's strategic sustainability efforts with the CEO and the Board, and are responsible for internal and external communication issues pertaining to sustainability efforts. The Head of Sustainability also participates in and represents SBAB with regard to sustainability topics in contact with the owner and in other external contexts. Within the Sustainability unit there are two sustainability strategists who, together with the Head of Sustainability, work full-time with sustainability topics and who assist with coordinating and leading sustainability efforts in the operations.

SBAB has a Sustainability Forum with representatives from different parts of the operation who meet around two times per year. The representatives are well versed in SBAB's sustainability efforts and are also responsible for managing these issues in their parts of the organisation. The Sustainability Forum is seen as a complement to the business planning, whereby sustainability is integrated into the business goals. The aim of the Sustainability Forum is to inspire, raise awareness and enable us to learn from one another. The Forum is led by the Head of Sustainability together with the sustainability strategists.

SBAB has a Sustainable Bond Committee (SBC) that regularly meets four times a year, or more often if needed. The aim of the SBC is to secure the process whereby green and sustainable bonds can be issued, managed and discontinued. The SBC is comprised of seven individuals from different parts of the operations. The Chairman of the SBC is SBAB's CFO, who is also SCBC's CEO.



S:4.2 Follow-up

SBAB has decided on a number of overriding, measurable and quantifiable goals for the respective target areas. These are presented earlier in this report. A number of specific metrics (KPIs) exist for the respective target areas, which are measured and reported to the CEO and Board each month. In addition to the overriding business plan and its contents, operational goals and activities are in place at a departmental and functional level.

Reporting of the Gap analysis

Some 50 areas were identified in the sustainability analysis. Responsibility has been allocated to a representative of Executive Management and to an individual with operational responsibility for each area. Moreover, each area has been allocated a sustainability strategist from the Sustainability unit. Each quarter, progress in the various areas is reported to the Executive Management as part of following up efforts and ensuring integration of sustainability. A progress summary is reported twice each year to the Board, with special focus on 21 prioritised areas, which are considered of particular importance from a risk and environmental perspective.

Responsibility and transparency

The ongoing governance and follow-up of goals linked to this area are allocated between Accounting & Treasury, Business Specialists, Customer Experience, Data Science, Customer Service, Corporate Clients & Tenant-Owners' Associations, HMK, Tech and Risk.

Attractive workplace

SBAB's HR department is responsible for the ongoing governance and follow-up of the goals linked to this area.

Sound finances

The ongoing governance and follow-up of the goals linked to this area are mainly the responsibility of SBAB's Accounting & Treasury department, and SBAB's Tech department, for which sustainable technical development comprises a key element. The goals in Sound finances include the financial goals set by SBAB's owner, the Swedish state.

S:4.3 Goals for 2021

SBAB has adopted the following goals for 2022:

Sustainability	Ranking in the Sustainability index ¹⁾	Top 3
	Transparency: Proportion of customers who believe that SBAB has an offering that is straightforward and easy to understand	90%
	Customer satisfaction: Sweden's most satisfied customers according to the Swedish Quality Index	Mortgages: Top 3 Property loans: Top 3
	Equality & diversity: Equality between women/men in management positions (within the range)	45–55%
Employee experience	Employee experience: Percentage of employees who consider SBAB an overall great place to work	≥90%
	Committed employees: Total Trust Index in Great Place to Work's annual employee survey	≥85%
	Profitability: A return on equity over time	≥10.0%
	Dividend: Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥40%
Capitalisation	The CET1 capital ratio and total capital ratio exceed the regulatory requirement communicated by the Swedish FSA	CET1 capital ratio: ≥0.6%
		Total capital ratio: ≥0.6%

¹⁾ SBAB's own quarterly sustainability index, which is prepared in collaboration with a third party.

S:5.1 Responsibility and transparency

Responsible and transparent offering

How we grant loans to consumers

When we consider granting a loan, we first test whether the customer has the necessary repayment capacity. Central to the credit approval process is establishing how secure and reliable a customer's income is, as well as whether the housing cost calculation is within the customer's capabilities. All of the above is to ensure customers have the long-term financial prerequisites to pay interest and amortisation. In the housing cost calculation we use various parameters such as housing and living costs as well as parameters that ensure customers can manage interest rate hikes over time. We call this parameter the calculation interest rate. Over the year, we lowered the calculation interest rate since our interest rate projections indicated low interest rates. If the calculation indicates a sufficient surplus, a loan is granted, provided that the customer satisfies other credit rules.

If a customer applies for a mortgage for a tenant-owner apartment, we also assess the customer's calculation in relation to any risk of the monthly fee to the tenant-owners' association being raised. This is carried out by analysing the tenant-owners' association's financial prerequisites, including the debt for tenant-owners' association per square metre.

We base our credit approval process on information received from the customer, our credit rules and information received from credit rating agencies and the Land Registry, for example.

For SBAB's mortgages, collateral is provided in the form of a mortgage deed in immovable property or rights in a tenant-owners' association. The loan is permitted to correspond to a maximum of 85% of the value of the property.

Our mortgage specialists and their knowledge, expertise and professionalism comprise key elements of the credit granting process and we also work continuously to improve and streamline our processes to identify automation and digitalisation possibilities for our customers and for SBAB.

To support them in their work, our mortgage specialists have a large number of automated controls of customers' prerequisites in relation to our credit rules. We carry out continuous random follow-ups along with other reviews to ensure that all of our credit approvals are conducted with high quality standards that comply with our credit rules, and apply a sound and sustainable approach.

Housing cost calculation

+	Borrower's income ¹⁾
–	Housing expenses ²⁾
–	Living expenses ³⁾
=	Surplus (or deficit)

¹⁾ The stated income is checked using the credit information service UC, among others.

²⁾ Repayments, running costs, monthly fees and stressed interest rates.

³⁾ In accordance with the Swedish Consumer Agency's guidelines, taking the number of minors and adults in the household into account.

Amortisation and debt-to-income ratio

At SBAB we believe that amortisation helps ensure sound personal finances. We conduct individual amortisation dialogues with all our customers and follow the Swedish FSA's regulations pertaining to amortisation requirements. These rules include a repayment rate of not less than 2% per year for new residential mortgages with an LTV ratio of more than 70%, and thereafter not less than 1% per year down to an LTV ratio of 50%. In 2018, we introduced the increased amortisation requirement for households with high debt ratios, which entails that all customers borrowing more than 4.5 times their gross income (their pre-tax income) must amortise an additional one percent per year. The debt-to-income ratio gives us a good indication of how sensitive our customers' repayment capacity is to changes in interest rate or income levels, for example. We already apply a mandatory debt-to-income ratio of 5.5 times gross income in our lending, where we also consider any other loans in addition to the mortgage, such as consumer loans.

Changes in the credit granting process

We have made adjustments to our credit process over the last few years to better reflect society, including in terms of constellations of borrowers and forms of employment (permanent, temporary and project), but also with the aim of enabling young adults to buy their first home.

Customer Service has a special function to handle credit cases of a more complex or infrequent nature. Cases that require special skills, understanding and experience. This function enables customers to meet mortgage specialists who understand their situation and who have expertise in their specific areas. This may include, for example, sole traders who are applying for a mortgage, customers who wish to take over a mortgage in the event of a divorce and customers who are approaching retirement with regard to understanding how income may be affected in the future.

In light of the coronavirus pandemic, we have helped many of our customers during the year to get temporary amortisation relief in face of fears of loss of income or because customers wanted to create a buffer.

Key elements of our work moving forward with the credit granting process primarily comprise further efficiency enhancement, automation and digitalisation of the credit granting process and better management of any climate risks.

Preventative insolvency management

It is important for us to work on preventative insolvency management. This entails early contact by SBAB in cases where we find that our customers could have difficulties in making their interest and amortisation payments. Sickness, unemployment, divorce and split-ups are the most common causes of payment difficulties for our customers. Normally, the process starts with a dialogue and asking the customer to create a household budget to then progress to a discussion on how we will proceed. We manage the entire insolvency management process in-house at SBAB. Considerate, close and clear dialogue with customers often leads to a favourable outcome for our customers and for us.

How we grant loans to corporates and tenant-owners' associations

Our credit approval of property companies and tenant-owners' associations is primarily based on their repayment capacity. In addition to repayment capacity, which we assess, inter alia, by analysing income and cash-flow statements as well as sensitivity analyses, we also assess more qualitative parameters such as the organisation, management and governance. We analyse and assess the collateral for customers' loans. When we lend for construction of new properties, we conduct an analysis of the project and make a forecast of the final production costs. The value of the customers' properties is appraised by SBAB's valuation department. As part of this valuation, we also assess future maintenance requirements and the customer's ability to finance such requirements. We also follow up all our property companies and tenant-owners' associations at least once each year.

Sustainability criteria in the credit granting process for corporates and tenant-owners' associations

We promote sound environmental risk management and sustainability in issued loans. This means any negative impact on the climate or environment should be avoided wherever possible, or at least minimised, mitigated or compensated for. In our credit granting process for property companies and tenant-owners' associations, we consider ethical requirements, the work environment, sound finances and environmental criteria as a part of the overall assessment. When viewing and valuing properties, in addition to factors such as the property's location, condition and standard, special attention is paid to any occurrence of environmentally disturbing factors, such as polluted land, substandard ventilation and harmful building materials.

SBAB's products and services should be accessible to all

Since 2018, a cross-functional working group has worked to ensure that our channels are accessible for people with disabilities. The group works closely with the organisation Axess Lab, who specialise in accessibility. During the year, we updated our instructions so that we can handle calls from customers who use one of the Post and Telecom Agency's help tools including text telephony or videophony) so we can offer equal service to all customers regardless of need. We work with learning and development in order to make our services more accessible across a greater number of needs.

Our operations build on trust

Banking security

We work proactively with compliance and security issues to ensure that we comply with the regulations and requirements that apply to operations. Banking security is a key point of departure for our security efforts. Living up to the expectations and requirements placed on us as a company is of vital importance to the confidence that our customers, owner, employees and other stakeholders have in SBAB. Our security measures involve both prevention and control. We take actions to detect and counteract threats in advance and we regularly check that our protective measures are effective. Security and compliance are natural and extremely important components of our operations.

Marketing communication

SBAB's Communication instruction regulates SBAB's external and internal communication and information disclosure. This instruction also aims to ensure that SBAB's information disclosure to the market is correct, relevant and adheres to the applicable communication rules. We have three underlying instructions: Instruction for strategic communication; Instruction for financial communication; and Instruction for marketing. We also have a Direction for the marketing process, which describes SBAB's work procedures for marketing activities. It is a tool aimed at ensuring compliance with applicable regulations. SBAB had no incidents of non-compliance with regulations and voluntary codes concerning marketing communication during the year.

Integrity and protection of personal data

In 2017 and 2018, we completed a systematic and exhaustive initiative to adapt operations to the new requirements of the GDPR, which entered force on 25 May 2018. SBAB has a separate function, Privacy Office, where our data protection officer and data security specialists work. The team ensures our compliance with the applicable data protection legislation and proactively spreads know-how among our staff about data protection security.

Complaints handling

At times, customers who are dissatisfied with SBAB's handling of a case contact SBAB with a complaint. It is critical that we take the time needed to address these matters in a professional manner. The primary aims of our complaints procedure is to ensure continued customer satisfaction and gain input on how we can enhance the customer journey, which can also pre-empt any future complaints. SBAB has policies in place to govern the conduct of our complaint handling. Our Instruction for complaint handling is decided by the Board. The instruction is complemented by the Customer complaints guidelines, which explain how employees should manage complaints. Our policies are adapted to external requirements that we must address, such as the Swedish FSA's General guidelines regarding complaints management concerning financial services for consumers (FFFS 2002:23), Regulations for insurance distribution (FFFS 2018:10) and the Payment Services Act (2010:751). SBAB's complaints officer, or customer ombudsman, is registered with the Swedish FSA, and information guiding customers in how to make a complaint is available at www.sbab.se

Responsible sourcing and the Supplier Code

SBAB's supply chain includes suppliers of various services and materials. The four largest supplier categories (consulting and staffing services; communication and event; property and office services; and software and IT services) comprise around 80% of SBAB's total costs within procurement. In 2019, a risk analysis was carried out for these categories together with an initiative to raise competence levels for the agreement owners. The aim was to create awareness and to manage sustainability risks in the supply chain in a structured and preventative manner. No material risks were identified in the supplier analysis. In 2020, a working group was established to update the code with, inter alia, more stringent requirements for working conditions. A pilot analysis

was carried out with the aim of developing the examination of our suppliers' compliance with the Supplier Code. The self-assessment forms were used to review four suppliers' compliance with the Supplier Code. The self-assessment form included questions on human rights, working conditions, business ethics and the environment. The working group will continue to develop and expand efforts to monitor compliance with the Supplier Code among our suppliers and partners.

Tax

SBAB is wholly owned by the Swedish government. We only conduct operations in Sweden, which means that we only pay tax in Sweden. Since SBAB employs 760 people, we are a relatively small employer. The employers' contributions we pay on behalf of our employees help to strengthen security in society. SBAB Group pays bank fees in the form of a resolution fee and deposit guarantee fee, which contribute to society's financial stability. Guarantee fees declined to SEK 201 million in 2020. Our tax expense amounted to SEK 522 million.

Together for the climate

SBAB's own climate impact

We are a digital bank. We have no branch offices and are mainly reached by our digital channels and over the telephone. This enables us to avoid unnecessary transportation and the operation of a number of branch offices around the country, which contributes to the relatively small size of our direct environmental impact. But we still want to reduce the impact we have.

We work actively to limit postal mailings to customers, to thereby reduce SBAB's impact on the climate and the environment. The above is achieved by distributing loan documents digitally and through collaboration with KIVRA, where we are able to show substantial improvements and a drastic reduction in postal mailings over our 3-year collaboration. Today, payment notifications, terms and conditions, and annual statements to our retail customers as well as to send our employees' pay slips are sent with Kivra.

As employees, we contribute to the company's ambitions by taking personal responsibility and, for example, utilise the office's waste sorting facilities, turn off lights and computers when we leave, use paper and printing frugally, and travel by rail instead of air whenever possible. As a company, we create the prerequisites for our employees to note, drive and develop resource and energy-saving work methods that contribute to reducing environmental impact. In recent years, we have implemented a series of measures and activities to reduce our environmental impact. We buy green electricity from renewable energy sources to all of our offices. The property we rent in Solna is BREEAM certified as Good.

In 2020, the working group prepared reduction targets and an action plan aimed at reducing the environmental impact of our operations. The working group was broadened to include Tech in its efforts – to improve our dialogue with server halls on areas including the purchase of renewable electricity and preparing measures for the purchase and recycling of our IT equipment. The reduction target will be decided in 2021.

Climate report for 2020

The table data shows greenhouse gas emissions expressed in tonnes of carbon dioxide equivalents, CO₂e. SBAB's climate report for 2020 was conducted in collaboration with the company U&We and using the Our Impacts tool. The climate report and analysis, along with information on calculation principles and overall emission factors, is available in full at www.sbab.se.

Emissions divided by scope ¹⁾

CO ₂ e emissions, tonnes	2020	2019	2018	2017	2016
Scope 1	1.4	12.3	12.4	17.0	16.9
Scope 2	54.1	39.6	22.9	22.9	26.1
Scope 3	546.4	481.8	157.2	144.2	142.0
Total	601.8	533.7	192.5	184.1	185.0

Emissions divided by source ¹⁾

CO ₂ e emissions, tonnes	2020	2019	2018	2017	2016
Scope 1					
Vehicles (SBAB owned)	1.4	12.3	12.4	17.0	16.9
Scope 2					
District heating	13.7	23.2	21.4	21.5	22.4
District cooling	0.2	0.1	0.2	0.1	0.1
Electricity	40.2	16.3	1.3	1.3	3.6
Scope 3					
Water consumption ^{3) 5)}	0.3	0.3	0.3	–	–
Waste for incineration ⁵⁾	0.1	0.4	0.1	0.4	2.5
Vehicles	22.8	14.9	8.7	11.7	14.4
Air travel	35.8	131.6	130.3	115.9	108
Rail travel	0.1	0.4	0.4	0.4	1.5
Copying paper ^{3) 5)}	0.8	0.7	0.4	–	–
Server halls ⁴⁾	24.8	88.6	–	–	–
IT procurement ⁴⁾	439.3	209.0	–	–	–
Hotel nights ⁴⁾	6.8	19.6	–	–	–
Taxis ^{2) 5)}	1.1	3.3	3.6	3.7	2.4
District heating (upstream)	2	2.8	2.7	2.7	2.6
Electricity (upstream)	12.4	10.2	10.7	9.4	10.5
Total	601.8	533.7	192.5	184.1	185

¹⁾ The figures prior to 2019 comprise data excluding the subsidiary Booli Search Technologies AB.

²⁾ New values for 2016.

³⁾ New values for 2018.

⁴⁾ New value for 2019.

⁵⁾ Data excluding the subsidiary Booli Search Technologies AB.

S:5.2 Attractive workplace

Remuneration

Our remuneration policy encompasses all SBAB employees, regardless of position. In accordance with the relevant policy, SBAB's remuneration is to be competitive, capped and appropriate, moderate, reasonable, well considered and not salary-leading. It should also contribute to high ethical standards and a good corporate culture. The same applies to the benefits we offer – available to all employees, regardless of position. Since 2012, there have been no incentive programmes and no variable remuneration within the Group. The total level of remuneration is determined based on responsibility, complexity and results within the respective employee's area, and on how well the employee lives our values.

SBAB applies individual salary-setting in accordance with our collective bargaining agreement, which means that remuneration and salary growth is individual and differentiated. All Group employees are covered by collective agreements. Salary reviews take place annually by way of individual salary interviews, whereby performance in the role and applicable salary criteria are taken into consideration. Employees also receive training each year in SBAB's remuneration model. SBAB conducts annual salary surveys to ensure the success of work to prevent non-objective salary differences and salary discrimination.

Initiative to promote skills development and diversity

SBAB believes in the self-driven employee's own ability and will to grow. We promote a learning organisation where employees have space to develop. Continuously developing their skills means possessing relevant knowledge and learning new things to be able to best contribute to SBAB's and their own development.

We work continuously to increase learning through a values-driven way of working including, for example, retrospectives, agile coaching, competence forums and feedback. Moreover, classroom training is provided in the form of induction days and leadership programs. In addition, we conduct e-learning covering everything from banking knowledge, goal management, respect and equality, work environment, the mortgage process, and feedback to regulatory training. 75% of all employees at SBAB have a mortgage license from Swedsec. Learning at SBAB should include and not discriminate. For these reasons, a checklist is used for all learning activities to ensure inclusion and representation.

Respekttrappan

Together with the Make Equal foundation, we have created the Respekttrappan (Respect Ladder) tool, which aims to promote respect and equality. Everyone at SBAB works with the exercises in Respekttrappan to increase their insight and ability in terms of a more inclusive approach. A central initiative to promote diversity, Respekttrappan comprises seven steps, where each step has different exercises for the participants to choose between. See www.respekttrappan.se.

Volunteering

Since spring 2016, SBAB employees have had an opportunity to undertake two days of voluntary work per year at organisations that contribute to any of the 17 SDGs. The volunteer work is performed during ordinary working hours, following which the volunteers share their experiences by relating them on the intranet, in an article in social media, in a brief presentation for their work team or at a monthly meeting to which the entire organisation is invited. With this initiative, SBAB wants to enable our employees to become involved and to contribute to sustainable development. In 2020, volunteer work declined due to the coronavirus pandemic crisis.

Volunteer days

	2020	2019
Whole days	9	73
Half days	10	18
Number of hours	105	624

Age distribution women/men

Age distribution at 31 December 2020	Percentage distribution (%)		
	Women	Men	Total
20–29	9	10	19
30–39	18	18	36
40–49	13	10	23
50–59	11	7	19
60–69	2	1	3
Total	54	46	100

Length of employment women/men

Length of employment at 31 December 2020	Percentage distribution (%)		
	Women	Men	Total
<3 years	27	26	54
4–6 years	9	9	18
7–9 years	4	2	6
10–12 years	3	2	5
13–15 years	1	2	3
>16 years	10	5	15
Total	54	46	100

Key employee figures¹⁾

Key performance indicators	2020	2019	2018	2017	2016
Total number of employees at the end of the year ²⁾	760	695	574	506	485
of whom, women ²⁾ , %	54	52	52	54	53
Temporary employees ³⁾ , %	6	5.0	1.0	1.6	1.6
Part-time employees ³⁾ , %	0.3	0.3	0.9	1.4	2.5
Average age, years	39	39	41	41	41
People who left the company over the year	64	78	61	74	62
People who joined the company over the year	123	158	133	100	113
Personnel turnover ⁴⁾ , %	8.3	12	10	14	12
Equality					
Share of women on the Board of Directors, %	42	50	50	44	36
Share of women in the Executive Management, %	44	38	56	40	33
Share of female managers, %	49	43	44	45	45
Proportion of male employees, receiving parental leave allowance, %	44	38	37	47	41
Sick leave and wellness					
Short-term sick leave, %	2.3	2.3	2.2	2.0	2.1
Long-term sick leave, %	1.3	0.8	1.3	1.7	1.7
Total sick leave, %	3.6	3.1	3.5	3.7	3.8
Use of health-promotion contribution by all employees, %	78	78	79	79	74

¹⁾ The figures prior to 2019 comprise data excluding the subsidiary Booli Search Technologies AB.

²⁾ Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence.

³⁾ Total number of employees at the end of the year.

⁴⁾ Pertains only to the Parent Company SBAB Bank AB (publ).

S:5.3 Sound finances

Summary of green bonds impact reporting

Green bonds impact reporting

Eligible investment objects within SBAB's green bond frameworks ("SBAB Green Bond Framework 2016" and "SBAB Green Bond Framework 2019") totalled SEK 31,5 billion at 31 December 2020. According to SBAB's calculations, these objects are estimated to generate an annual avoidance in GHG emissions corresponding to 22 552 tonnes CO₂e. SBAB's share of the financing is expected to correspond to an annual avoidance of 11 604 tonnes of CO₂e.

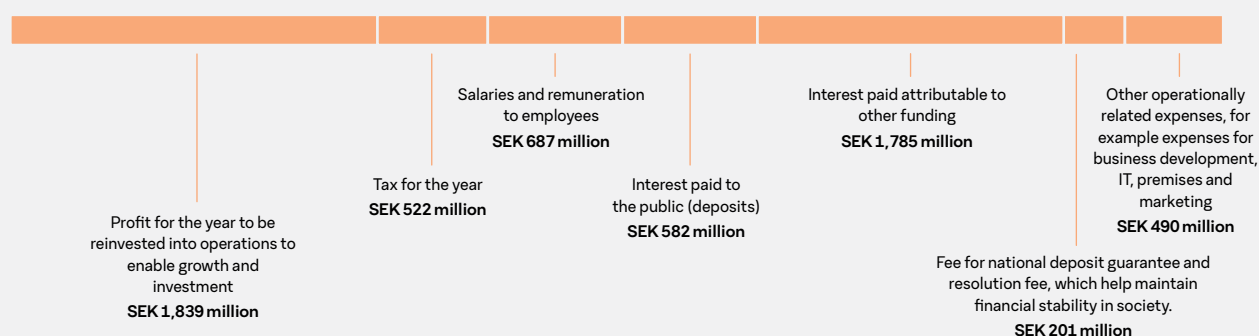
The expected avoidance of GHG emissions has been calculated based on how much less energy the respective eligible investment object's actual or expected energy consumption is compared with the various baselines decided by SBAB. Thereafter, savings in CO₂e emissions have been estimated for the respective objects based on the average emissions per kWh.

Further information is available in the SBAB Group Green Bonds Impact Report 2020, which is published on SBAB's website.

	2020
Eligible investment objects within SBAB's green bond frameworks, SEK bn	31.5
of which, SBAB Green Bond Framework 2016	4.35
of which, SBAB Green Bond Framework 2019	27.15
Expected avoidance of GHG emissions, tonnes CO₂e/year	22,552
of which, SBAB Green Bond Framework 2016	999
of which, SBAB Green Bond Framework 2019	21,553
SBAB's share of the financing: Expected avoidance of GHG emissions, tonnes CO₂e/year	11,604
of which, SBAB Green Bond Framework 2016	624
of which, SBAB Green Bond Framework 2019	10,980

Financial value creation 2020

SBAB reports how financial value is created by breaking down created value for different stakeholders.



From financial years starting after 31 December 2016, large undertakings must report sustainability in line with the rules in the Swedish Annual Accounts Act pertaining to sustainability reporting. The provisions are based on an amendment to the EU Accounting Rules Directive (Directive 2014/95/EU of the European Parliament and the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups). Under the new rules, a sustainability report is a report containing the requisite sustainability information to enable gaining

an understanding of the company's development, position and performance as well as the consequences for the operations. This information should encompass questions pertaining to the environment, social conditions, personnel, respect for human rights and anti-corruption efforts. The following table, with references to the relevant pages of the report, to clarify how SBAB meets the rules in the Swedish Annual Accounts Act pertaining to sustainability reporting.

	Climate and the environment	Societal conditions & respect for human rights	Anti-Corruption efforts and other action against financial crime
Business model	→ Pages 22–29	→ Pages 22–29	→ Pages 22–29
Policies and governance documents	<ul style="list-style-type: none"> • Policy for Sustainable Enterprise • Credit Policy • Sustainable Bond Committee Instruction 	<ul style="list-style-type: none"> • Policy for Sustainable Enterprise • Equality and Diversity Policy • Policy to Promote Board Diversity • Ethics Policy • Remuneration Policy • Work Environment Instruction • Whistleblower Process Instruction • Code of Conduct • Supplier Code • Sustainable Bond Committee Instruction 	<ul style="list-style-type: none"> • Policy for Sustainable Enterprise • Policy and Instruction for Counteracting Money Laundering and Financing of Terrorism, and Compliance with Financial Sanctions • Instruction to Combat Bribes and Other Forms of Corruption • Whistleblower Process Instruction • Code of Conduct • Supplier Code
Results and reference to the GRI	Results: → Pages 46–47, 196–197, 198 GRI reference: <ul style="list-style-type: none"> • 305: Emissions • G4-FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose 	Results: → Pages 45, 54–65, 197–198 GRI reference: <ul style="list-style-type: none"> • 205: Anti-corruption • 403: Occupational Health and Safety • 404: Training and education • 405: Diversity and Equal Opportunity • 406: Non-Discrimination • 413: Local Communities 	Results: → Page 45 GRI reference: <ul style="list-style-type: none"> • 205: Anti-corruption
Risk management	→ Pages 92–93	→ Pages 92–93	→ Pages 92–93

UN's Sustainable Development Goals	UN's associated targets	Examples of SBAB's activities and initiatives	Page reference
 SDG 8: Decent work and economic growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all	Contribute to GDP growth and jobs in Sweden Promote transparency to strengthen the position of consumers in the housing and residential mortgage market Equality plan (including diversity) and goals Tools, Respekttrappan, to promote respect and equality in the workplace Annual salary surveys to prevent non-objective salary differences and salary discrimination Efforts to ensure that our channels are accessible for people with disabilities Volunteering opportunities for all employees Collaboration with Boost by FC Rosengård to increase employment among young people Industry collaboration to reduce tax avoidance in the construction industry and to ensure acceptable and just labour conditions for those working on the new construction projects that SBAB is part of financing Set ethical and labour requirements for suppliers through the Supplier Code	75, 198 38–41 62 63–65 197 195 197 51 52–53 196
 SDG 11: Sustainable cities and communities Make cities and human settlements inclusive, safe, resilient and sustainable.	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries	Green investment loans to property companies and tenant-owners' associations for green environmental and energy measures in properties Green consumer loans (Energy loan) for sustainable investments in homes Green mortgages for energy-efficient housing Educate and motivate our customers to buy and invest in measures to increase energy efficiency Financing new housing production to increase access to housing in Sweden Green bonds to finance energy-friendly and climate-smart housing Climate stress testing of the mortgage portfolio Industry collaboration to reduce tax avoidance in the construction industry (see above) Collaboration with Stockholms Stadsmission, Faktum and Situation Stockholm to reduce homelessness and exclusion	46–47 46–47 46–47 50–51 46–47, 198 48 50–51 51
 SDG 12: Responsible consumption and production Ensure sustainable consumption and production patterns	12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	To provide know-how and education to our customers and the public to enable everyone to take informed decisions about housing and the residential mortgage market Tools, services and information pages that help and inform our consumers on issues regarding housing and household finances Collaboration with Boost by FC Rosengård and Changers Hub to increase financial awareness among young people	36–41 36–41 51

**SDG 13: Climate
action**

Take urgent action to combat
climate change and its impacts.

Green investment loans (see above)	46–47
Green consumer loans (see above)	46–47
Green residential mortgages (see above)	46–47
Monitoring the environmental impact of our own operations	196–197
Consultations (together with SBAB's business partners) for corporate clients and tenant-owners' associations regarding how to improve property energy-efficiency	46–47
Financing new housing production that is more energy-efficient than the older housing stock	46–47
Green bonds (See above)	46–47, 198
Taking certain sustainability criteria into consideration in the credit granting process for corporates and tenant-owners' associations as part of the overall assessment	195
Climate stress testing of the mortgage portfolio	46–47
Green bonds in the liquidity portfolio	89

S:8**Reporting inspired by the Task Force on Climate-Related Financial Disclosures (TCFD)**

Governance	Strategy	Risk management	Indicators & Goals
The Board's oversight of climate-related risks and opportunities.	Climate-related risks and opportunities identified by the organisation.	The organisation's processes for managing climate-related risks.	The organisation's metrics for evaluating climate-related risks and opportunities.
→ Pages 98–99, 194	→ Sid 48–49, 92–93, 193, 195–197	→ Page 92–93	→ Pages 46–47, 196–197, 203
Management's role in assessing and managing climate-related risks and opportunities.	The impact from risks and opportunities on the organisation's operations, strategy and financial planning.	Integration of the above processes in the organisation's general risk management.	Scope 1, 2 and 3 emissions pursuant to the Greenhouse Gas Protocol.
→ Page 194	→ Pages 92–93, 193–194	→ Pages 92–93, 193–194	→ Pages 196–197
	The resilience of the organisation's strategy, taking into consideration different climate-related scenarios.		Targets used to manage climate-related risks and opportunities
	→ Pages 92–93, 193–194		→ Pages 46–47, 193–194, 196–197

We have begun to adapt our climate-related risk reporting structure and work in accordance with the TCFD's recommendations. Further work will be done in the future to develop this reporting.

The publication year for all GRI disclosures is 2016, in exception of GRI 403 where the publication year is 2018.

General disclosures (Core option)

GRI Standard	Description	Page reference	Comment/Omission	UNGC principle	SDG
Organisational profile					
102-1	Name of the organisation		SBAB Bank AB (publ)		
102-2	Activities, brands, products and services	22-23, 83-87			
102-3	Location of headquarters		Solna, Sweden		
102-4	Location of operations		SBAB only has operations in Sweden		
102-5	Ownership and legal form		Limited company. SBAB is wholly owned by the Swedish government.		
102-6	Markets served	22-23, 79, 83-87			
102-7	Scale of the organisation	22-23, 79			
102-8	Information on employees and other workers	54-65, 161-165, 197-198			8
102-9	Supply chain	45, 196		4, 5	
102-10	Significant changes to the organisation and its supply chain		No significant changes during the reporting period		
102-11	Precautionary principle or approach	191			
102-12	External initiatives	52-53, 63-65, 197			
102-13	Memberships of associations	191			
Strategy					
102-14	Statement from senior decision-maker	8-11, 20-21	Statements from the CEO and the Chairman		
Ethics and integrity					
102-16	Values, principles, standards, and norms of behaviour	27, 45, 54-57, 190-191		10	
Governance					
102-18	Governance structure	194			
Stakeholder engagement					
102-40	List of stakeholder groups	192			
102-41	Collective bargaining agreements	197		3	
102-42	Identifying and selecting stakeholders	32, 192		3	
102-43	Approach to stakeholder engagement	32-33, 192-193			
102-44	Key topics and concerns raised	192-193			
Reporting practice					
102-45	Entities included in the consolidated financial statements	79			
102-46	Defining report content and topic Boundaries	32-33, 192-193			
102-47	List of material topics	192-193			
102-48	Restatements of information		No material changes		
102-49	Changes in reporting		No material changes		
102-50	Reporting period		1 January-31 December 2020		
102-51	Date of most recent report		26 March 2020		
102-52	Reporting cycle		Updated annually as at 31 December		
102-53	Contact point for questions regarding the report	211			
102-54	Claims of reporting in accordance with the GRI Standards	190			
102-55	GRI content index	202			
102-56	External assurance	208			

Topic-specific disclosures

GRI Standard	Description	Page reference	Comment/ Omission	UNGC principle	SDG	Sustainability topic in SBAB's materiality assessment
Economic Performance						
201: Economic performance – boundaries: within SBAB						
103-1-103-3	Management approach	194				Financial stability Identify and manage climate-related risks
201-1	Direct economic value generated and distributed	198			8	
201-2	Financial implications and other risks and opportunities due to climate change	92-93	Identify and manage climate-related risks		13	
205: Anti-corruption – boundaries: within SBAB						

GRI Standard	Description	Page reference	Comment/Omission	UNGC principle	SDG	Sustainability topic in SBAB's materiality assessment
103-1-103-3	Management approach	194				
205-2	Communication and training about anti-corruption policies and procedures	45		10		Business ethics and transparency
205-3	Confirmed incidents of corruption and actions taken		No incidents of corruption were reported during the year	10		
ENVIRONMENTAL						
305: Emissions – boundaries: within SBAB						
103-1-103-3	Management approach	194				
305-1	Direct (Scope 1) GHG emissions	196–197		7, 8	12, 13	Climate impact – own operations
305-2	Indirect (Scope 2) GHG emissions	196–197		7, 8	12, 13	
305-3	Other indirect (Scope 3) GHG emissions	196–197		7, 8	12, 13	
308: Supplier environmental assessment – boundaries: within SBAB						
103-1-103-3	Management approach	194				Set requirements for suppliers
308-1	New suppliers that were screened using environmental criteria	196			12	
SOCIAL						
401: Employment						
103-1-103-3	Management approach	194				Attract employees
401-1	New employee hires and employee turnover	199			8	
403: Occupational health and safety – boundaries: within SBAB						
103-1-103-3	Management approach	194				Develop and retain employees
403-9	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	198	It is only relevant for SBAB to report sick leave. Divergencies: statistics not broken down by gender or region		8	
404: Training and education – boundaries: within SBAB						
103-1-103-3	Management approach	194				Develop and retain employees
404-3	Percentage of employees receiving regular performance and career development reviews		2020, 89% completed "My Plan" Divergencies: statistics not broken down by gender or employment category		8	
405: Diversity and equal opportunity – boundaries: within SBAB						
103-1-103-3	Management approach	194				Respect and equality – own operations
405-1	Diversity of governance bodies and employees	198	Divergencies: statistics not broken down by minority group membership	6	8	
406: Non-discrimination – boundaries: within SBAB						
103-1-103-3	Management approach	194		1, 2		Respect and equality – own operations
406-1	Incidents of discrimination and corrective actions taken		No significant cases were reported during the year	6	8	
413: Local communities – boundaries: within SBAB						
103-1-103-3	Management approach	194				Community engagement
413-1	Operations with local community engagement, impact assessments, and development programs	50-51, 197				
414: Supplier social assessment						
103-1-103-3	Management approach	194				Set requirements for suppliers
413-1	New suppliers that were screened using social criteria	196			12	
418: Customer privacy – boundaries: within SBAB						
103-1-103-3	Management approach	194				Secure IT systems
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		No significant cases were reported during the year			
419: Socioeconomic compliance – boundaries: within SBAB						
103-1-103-3	Management approach	194				Business ethics and transparency
419-1	Non-compliance with laws and regulations in the social and economic area		Significant fines or sanctions imposed on the organisation for non-compliance with laws and regulations			
FINANCIAL SERVICES SECTOR DISCLOSURES (GRI G4)						
Product Portfolio						
G4-DMA	Management approach	194		1–10		Product development and innovation
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G4-FS14	Measures to increase accessibility	195			8	Accessibility and a socially inclusive offering

The Board of Directors' signatures

The Board of Directors of SBAB hereby submit SBAB's Annual Report, which includes both the Annual Report and the Sustainability Report. The formal Annual Report is to be found in specially marked sections, which are also apparent from the table of contents. The Sustainability Report has been prepared in accordance with the Global Reporting Initiative's (GRI) guidelines; GRI Standards: Core option. It also constitutes SBAB's Communication on Progress (COP) to the UN Global Compact, a sustainability report in accordance with the Swedish Annual Accounts Act and information on how SBAB contributes to the 2030 Agenda for sustainable development.

The Board and the CEO certify that the sections pertaining to the formal annual accounts and the consolidated financial statements were prepared in accordance with the international accounting standards (IFRS) as adopted by the EU and provide a true and fair view of the Group's position and earnings. The formal annual accounts were otherwise prepared in accordance with generally accepted accounting policies and provide a true and fair view of the Parent Company's position and earnings. The Administration Report, which is provided on pages that have been marked specially, provides a true and fair view of the development of the operations, position and earnings, and

describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

In accordance with Chapter 6, Section 2, Item 2 of the Annual Accounts Act for Credit Institutions and Securities Companies, the Board considers the Group's equity to be sufficiently large in relation to the scope and risks of the operations.

The information provided gives a true and fair view of the circumstances of the company and nothing of material significance has been omitted which might affect the view of the company created by the Annual Report.

Solna, 23 March 2021

Jan Sinclair,
Chairman

Leif Pagrotsky
Board Member

Inga-Lill Carlberg
Board Member

Lars Börjesson
Board Member

Daniel Kristiansson
Board Member

Johan Prom
Board Member

Jane Lundgren-Ericsson
Board Member

Synnöve Trygg
Board Member

Margareta Naumburg
Employee representative

Anders Heder
Employee representative

Klas Danielsson
CEO

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 SBAB Bank AB (publ) corporate identity number 556253-7513

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of SBAB Bank AB (publ) for the year 2020 except for the corporate governance statement on pages 96-102. The annual accounts and consolidated accounts of the company are included on pages 74-95, 103-188 and 204 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 parent 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. The consolidated 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 group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 96-102. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee 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 parent company and the group 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 and consolidated 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 and consolidated 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 SBAB'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 422 835 million, with loan loss provisions of 151 million. Given the significance of loans to the public (representing 83% 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 **6** 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

SBAB 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 SBAB's internal controls over financial reporting are dependent 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 SBAB 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 SBAB 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 SBAB 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.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-73 and 189-203. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. 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 and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group'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.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated 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 and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated 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 and consolidated 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 and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of SBAB Bank AB (publ) for the 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 parent company and the group 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 and the group's type of operations, size and risks place on the size of the parent company's and the group'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

and the group'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 and consolidated 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 96-102 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 consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte was appointed auditor of SBAB Bank AB 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

Auditor's Limited Assurance Report on SBAB Bank ABs (publ) Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.

To SBAB Bank AB (publ), corporate identity number 556253-7513

Introduction

We have been engaged by the Board of Directors of SBAB Bank AB (publ) to under-take a limited assurance engagement of the SBAB Bank AB (publ) Sustainability Report for the year 2020. The Company has defined the scope of the Sustainability Report on page 1–73 and 189–203 and the Statutory Sustainability Report on page 199.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 199 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to

historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 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.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of SBAB Bank AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm 23 March 2021

Deloitte AB

Patrick Honeth
Authorized Public Accountant

Five-year Summary

Income-statement items

SEK million	GROUP				
	2020	2019	2018	2017	2016
Interest income	6,316	5,868	4,924	4,572	4,601
Interest expense	-2,569	-2,395	-1,562	-1,423	-1,772
Net interest income	3,747	3,473	3,362	3,149	2,829
Other operating income ¹⁾	-19	48	-82	14	89
Total operating income	3,728	3,521	3,280	3,163	2,918
Depreciation, amortisation and impairment of PPE and intangible assets	-158	-71	-32	-31	-27
Other operating expenses	-1,177	-1,116	-1,017	-928	-862
Total operating expenses	-1,335	-1,187	-1,049	-959	-889
Profit before credit losses	2,393	2,334	2,231	2,204	2,029
Credit losses/recoveries	-32	-26	11	24	-18
Impairment of financial assets, net	0	0	-1	-	-
Operating profit	2,361	2,308	2,241	2,228	2,011

Balance-sheet items

SEK million	2020	2019	2018	2017	2016
Lending portfolio	422,835	383,807	364,215	335,111	296,022
Other assets	88,524	91,725	84,140	81,676	79,134
Total assets	511,359	475,532	448,355	416,787	375,156
Deposits	135,658	130,542	124,926	111,895	96,769
Issued debt securities, etc.	323,704	303,597	290,795	274,517	247,407
Other liabilities	25,712	14,285	10,258	9,540	9,552
Deferred tax liabilities	651	579	194	83	207
Subordinated debt	1,995	4,948	4,946	4,942	5,939
Equity	23,639	21,581	17,236	15,810	15,282
Total liabilities and equity	511,359	475,532	448,345	416,787	375,156

Key performance indicators

%	2020	2019	2018	2017	2016
New lending, SEK million	95,138	75,514	74,264	82,282	59,648
Net interest margin	0.76	0.75	0.78	0.80	0.75
Credit loss ratio	-0.01	-0.01	0.00	0.01	-0.01
C/I ratio	36	34	32	30	30
Return on equity ²⁾	10.8	11.7	12.1	12.5	12.3
Return on assets	0.4	0.4	0.4	0.4	0.4
Number of employees at year-end, FTEs ³⁾	760	695	602	530	510
CET1 capital ratio	13.4	13.1	12.5	32.2	32.2
Tier 1 capital ratio	16.1	17.3	15.1	39.3	40.1
Total capital ratio	17.6	20.1	18.1	47.6	51.6

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

²⁾ From 2017, SBAB has used a new definition to calculate the return on equity. The comparative figures for previous years have not been restated.

³⁾ Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence.

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).

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

New lending

Definition: Gross lending for the period.

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

Credit loss ratio

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

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

SEK million	GROUP	
	2020	2019
Credit losses/recoveries	-32	-27
Lending to the public	422,835	383,807
Credit loss ratio, %	-0.01	-0.01

Return on equity

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

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

SEK million	GROUP	
	2020	2019
Profit after tax	1,839	1,788
Average equity	16,965	15,280 ¹⁾
Return on equity, %	10.8	11.7

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

Net interest margin

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

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

SEK million	GROUP	
	2020	2019
Net interest income	3,747	3,473
Average total assets	493,446	461,944
Net interest margin, %	0.76	0.75

C/I ratio

Definition: Expenses for the period before credit losses in relation to operating income for the period.

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

SEK million	GROUP	
	2020	2019
Total operating expenses	-1,335	-1,187
Total operating income	3,728	3,521
C/I ratio, %	35.8	33.7

C/L ratio

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

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

SEK million	GROUP	
	2020	2019
Total operating expenses	-1,335	-1,187
Average lending to the public	403,321	374,011
C/L ratio, %	0.33	0.32

Definitions of other key performance indicators

Number of employees (FTEs)	Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence
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
Leverage ratio	Tier 1 capital in relation to total assets and off-balance sheet exposures restated with the application of credit conversion factors
Liquidity coverage ratio, LCR	Liquid assets in relation to net cash outflows over a 30-day stress scenario in accordance with the European Commission's Delegated Regulation EU (2015/61) with regard to liquidity coverage requirements
Survival horizon	The number of days that the need for liquidity can be met in a stress scenario before new liquidity is needed
Net stable funding ratio, NSFR	A liquidity risk metric of a structural nature that demonstrates the stability of the Group's funding in relation to its assets. The NSFR was calculated pursuant to Regulation (EU) 2019/876 of the European Parliament and the Council at 31 December 2020

Financial calendar

Credit rating

			Moody's	Standard & Poor's
Interim Report Jan–Mar 2021	28 April 2021	Long-term funding, SBAB	A1	A
Interim report Jan–Jun 2021	16 July 2021	Long-term funding, SCBC	Aaa	–
Interim report Jan–Sep 2021	26 October 2021	Short-term funding, SBAB	P-1	A-1
Year-end report 2021	3 February 2022			

SBAB's Annual General Meeting will be held on 28 April 2021 in Solna.

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