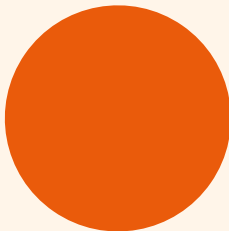
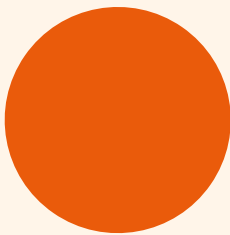
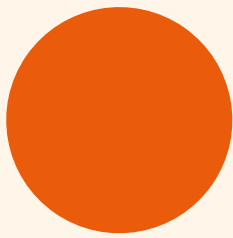


Interim report

January–September 2021



The period in brief

Q3 2021

(Q2 2021)

- Total lending increased 2.2% to SEK 451.3 billion (441.7)
→ [Read more on page 11](#)
- Net interest income fell to SEK 1,025 million (1,031), mainly driven by lower interest-rate margins on mortgage lending → [Read more on page 15](#)
- Operating profit was essentially unchanged compared with the previous quarter and amounted to SEK 662 million (663) since income and expenses were on a par with the previous quarter → [Read more on page 15](#)
- Net credit losses remained low and amounted to recoveries of SEK 5 million (loss: 4) → [Read more on page 15](#)
- The return on equity was 11.0% (11.3), the C/I ratio amounted to 34.8% (35.5) and the C/L ratio to 0.31% (0.33).
→ [Read more on page 14](#)

“Booli’s collected offering of homes for sale has doubled”

Klas Danielsson, CEO of SBAB

Total lending, SEK bn

451

Total deposits, SEK bn

141

11.0%

Return on equity

13.3%

CET1 capital ratio

0.00%

Credit loss ratio

0.31%

C/L ratio

34.8%

C/I ratio

Selected key metrics

	GROUP					
	2021	2021	Change	2021	2020	Change
	Q3	Q2		Jan-Sep	Jan-Sep	
Total lending, SEK bn	451.3	441.7	+2.2%	451.3	412.3	+9.5%
Total deposits, SEK bn	140.6	138.1	+1.8%	140.6	133.9	+5.0%
Net interest income, SEK million	1,025	1,031	-0.6%	3,097	2,737	+13.2%
Net result of financial transactions, SEK million	-32	-21	-11 mn	-68	-49	-19 mn
Expenses, SEK million	-351	-366	-4.1%	-1,040	-933	+11.5%
Credit losses, SEK million	5	-4	+9 mn	10	-34	+44 mn
Operating profit, SEK million	662	663	-0.2%	2,053	1,742	+17.9%
Return on equity, %	11.0	11.3	-0.3 pp	11.7	10.8	+0.87 pp
C/L ratio, %	0.31	0.33	-0.02 pp	0.32	0.31	+0.01 pp
C/I ratio, %	34.8	35.5	-0.7 pp	33.7	34.4	-0.07 pp
CET1 capital ratio, %	13.3	13.1	+0.2 pp	13.3	12.7	+0.6 pp

This is SBAB

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



Vision

To offer the best residential mortgages in Sweden



Mission

To contribute to better housing and household finances

Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, as well as housing search engine and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli, HittaMäklare and Boappa brands. We meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.47% on 31 August 2021, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se has Sweden's largest offering of homes for sale.

→ Read more on page 12

Corp. & ToA business area

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to companies and organisations. We finance multi-family dwellings, existing as well as new buildings. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to companies (residential properties) was 14.97% on 31 August 2021. At the same time, the market share for lending to tenant-owners' associations was 9.92%.

→ Read more on page 13

SBAB!

hittamäklare!

A service by SBAB

booli!

A service by SBAB

boappa!

A service by SBAB



SBAB assigns priority to four Sustainable Development Goals



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

Statement from the CEO



The market climate for housing finance and housing services remained generally healthy through the third quarter. However, stiff competition intensified in the residential mortgage market, which dampened our market share trend despite relatively good volume growth. Nonetheless we continued to gain market shares in property finance for multi-family dwellings.

Housing market activity was high in the third quarter, with above normal turnover and housing prices continued to rise. The coronavirus pandemic has led to increased demand for larger homes and consumers have prioritised their housing over other types of consumption. This has contributed to the significant increase of housing prices that we have seen during the pandemic. We expect the next few quarters to be less volatile, with lower housing turnover and essentially stable housing prices now that most of the social restrictions have been lifted. Mortgage amortisation relief ended as of 1 September. When granting new loans, despite the relief, banks have been including the amortisation requirement and we believe that the removal of the relief will have a negligible effect on the temperature of the housing market.



Financial performance remains strong

The third quarter operating profit of SEK 662 million was one of our best quarterly results to date and operating profit of SEK 2,053 million for the nine-month period January–September was our best ever. Overall, we posted strong lending growth in the nine-month period with new lending of SEK 75.8 billion and lending growth of SEK 28.4 billion. In September, our new lending for residential mortgages set a new single month record of SEK 6.7 billion.

On 31 August, our market shares were relatively unchanged compared with the year end with 8.47% for residential mortgages, property loans on multi-family dwellings rose from 14.29% to 14.94% and property loans to tenant-owners' associations decreased from 10.06% to 9.92%. We have strong customer offerings in residential mortgages and property loans that provide good preconditions

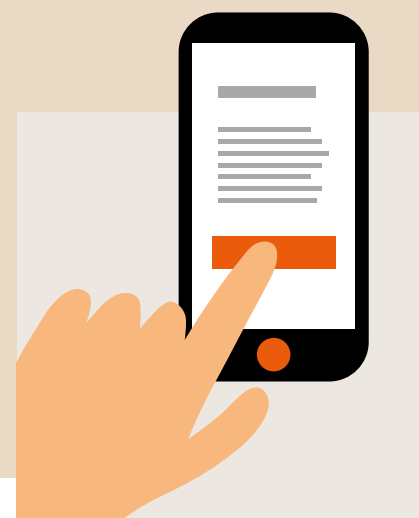
for continued growth and increasing market shares in the future.

Margins have developed positively, driven by a favourable funding market with low borrowing costs. Moving forward, increasing competition in the residential mortgage market and a funding market characterised by the Riksbank reducing its mortgage bond purchases may adversely impact our margins.

Our deposits continue to grow but have recently posted a lower growth rate relative to lending. Therefore, we will focus more on our deposit offering and on increasing deposit growth in the immediate future. Far too much money is being held in zero-interest savings accounts with the major banks, and we want to help change that.

Housing search market

We are continuing to develop our customer offering in the housing and household finances ecosystem, and we have noticed that our users and customers are using our users and customers using more of our services. One of our most important services in the ecosystem is the Booli housing



search. The number of unique visitors per month to www.booli.se averaged around 1.5 million in the third quarter.

Over the nine-month period, Booli's market position strengthened as it captured a larger share of the home search market traffic, due to its collected offering of homes for sale being almost double that of Hemnet's. The reason Booli has significantly more homes for sale depends on the structural changes over the past few years for housing listings – today, nearly half of all homes for sale are posted on estate agents' own websites under homes "coming soon". Booli reads and collects all these homes and displays them free of charge on booli.se.

booli!
A service by SBAB

User numbers for Booli's market-leading home valuation service continued to grow and reached more than 600,000 monthly subscribers at the end of the third quarter.

Digitalisation

Our technical infrastructure, which includes the banking systems, comprises a basic prerequisite for our digitalisation. Extensive efforts are ongoing with modernising and replacing large parts of our technical infrastructure within the framework of our current IT strategy. A significant part of the IT strategy has been implemented and work will continue over the next few years.

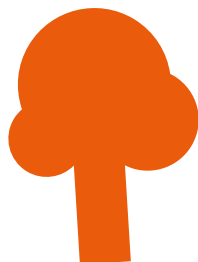
The expectations of our users and customers are evolving and changing in pace with the general increase in digitalisation. Simplicity and speed are self-evident. Our digital services and tools require continuous improvement and development. Housing transaction and mortgage cases are both complex, but this is no excuse and we always need to innovate, challenge and simplify. One good example is our Smart loan commitment. We've taken the standard loan commitment that is required for bidding on a home, and made it smart by enabling continuous and easy adjustment, adaptation and changes to be made by customers themselves, completely digitally.



Capital requirement

In September, we received the Swedish FSA's (Finansinspektionen) decision on the increased own funds requirement for SBAB. The Swedish FSA's decision was based on the result of the completed supervisory review and evaluation process (SREP). The total consolidated CET1 capital requirement was calculated as 9.2%, as compared with SBAB's CET1 capital ratio of 13.3% at the end of the third quarter 2021, which continues to provide us with a healthy margin in terms of external capital requirements and internal capital targets. Altogether, the risk-based CET1 capital requirement under Pillar 2 amounted to 2.19% and pertained to credit-related concentration risk, interest-rate risk in other operations, commercial properties and faults linked to internal models, of which the latter accounted for 1.21%.

We have previously identified faults with our internal models used to cover capital requirements for credit risk and have therefore voluntarily applied an Article 3 surcharge on capital adequacy and in our reporting, and we have also completed efforts to update our internal ratings-based models. An application has been submitted for approval of the models. Our assessment is that the implementation of the updated models, following approval from the Swedish FSA, should rectify the identified faults and therefore lead to a lowered Pillar 2 requirement.



A sustainable business

We are purpose-driven and sustainability permeates all of our operations as our operational goals are the same as our sustainability goals. In parallel, the demands and expectations of our operating environment are evolving and sustainability regulations are increasing in number and scope. We use a gap analysis to ensure we continuously manage and operate our business sustainably at the pace and in the direction required.

The gap analysis applies a stakeholder and materiality analysis based on what our operating environment and stakeholders consider material sustainability topics for SBAB. We conduct regular stakeholder and materiality analyses and update our gap analysis as well as set new targets.

The gap analysis was updated in the third quarter.

One of Europe's best workplaces

In September, we were named as one of Europe's best workplaces in the Large Organisations category by the global organisation Great Place to Work. We came in at 28. This was the third consecutive year that SBAB qualified for inclusion in the list of Europe's best workplaces. Fantastic! Our strong corporate culture in combination with our values-driven way of working are key to our success as well as growing and developing our business. Being ranked as one of Europe's best workplaces confirms that.

Each year, Great Place to Work surveys the workplace culture for 11.5 million employees in 90 countries. The ranking

is based on a cultural assessment of how the company actively works to create an engaging corporate culture as well as on the results of an employee survey measuring engagement drivers. The very best organisations are then ranked in national lists. Sweden's best workplaces were named in the spring and, for the third consecutive year, SBAB was ranked fourth among Large Organisations.

I would like to thank my amazingly competent and dedicated colleagues for another strong quarter. You make all the difference and you make SBAB a successful company. And it is wonderful to be able to welcome everyone back to our offices and to finally meet up again.

I would also like to give my heartfelt thanks to all new and existing customers. We are very grateful that you have chosen SBAB and we will do our utmost to be deserving of your trust.

Best regards,

Klas Danielsson
CEO of SBAB

Market overview

Swedish economy

The economy is strong and Swedish GDP continued to grow at a healthy pace into the third quarter, due to the good performance of industry and strong goods exports. Industry sentiment indicators have continued to rise over the year and are now at levels on a par with previous economic booms. The construction industry, which did not show the same strengthening at the start of the year, has also trended in the same direction since the spring. A rapid recovery in which different parts of the economy, both in Sweden and abroad, have opened up at different rates has led to various types of bottlenecks such as shortages of raw materials, inputs and transportation. These bottlenecks may explain August's slowdown in Swedish GDP growth.

In the first half of the year, GDP grew 1.7%. The continued favourable economic trend in the second half of the year means the full-year increase for 2021 is estimated at 4.4%.

Low infection rates, eased restrictions and extensive vaccination all indicate a lower increase in infection rates compared with last autumn, which means

that we expect sectors such as restaurants and tourism to contribute more significantly to GDP growth moving forward. Given that these industries are comparatively labour-intensive, eased restrictions will also lead to higher employment and lower unemployment. The current unemployment rate is just below 9%. A downturn in unemployment is already visible in this year's statistics, but we expect next year's reduction to be even more pronounced.

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

Fixed-income market

Despite last year's dramatic drop in GDP and rapid rise in unemployment, the Riksbank has kept the repo rate unchanged at 0% throughout the first three quarters of the year. We expect this to remain for the next few years, even though, due to temporary effects and bottlenecks, inflation currently exceeds the 2% inflation target. Even if interest rates are expected to rise in the future, primarily due to slightly longer maturities, we expect interbank

rates, and rates on government bonds and mortgage bonds to remain relatively low for the next few years.

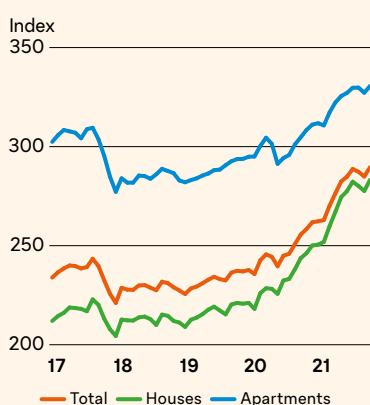
To ensure well-functioning financial markets and keep borrowing costs low, instead of lowering the repo rate, the Riksbank has used quantitative easing. This entailed buying assets in the form of government bonds and covered bonds, which has probably contributed to lower interest rates for slightly longer maturities. During the first three quarters of the year, the volume of the Riksbank's asset purchases remained relatively steady, and no scaling back is expected until next year at the earliest. Read more about forecasts of the mortgage rate trends in the latest edition of SBAB Bomarknadsnytt (in Swedish), available [here](#).

Housing prices

The upturn in housing prices continued in the third quarter, albeit at reduced pace compared with the previous two quarters. In the first three quarters of the year, tenant-owner apartment prices have posted a general increase of almost 7% and houses have risen around 12%. Advertising periods have continued to

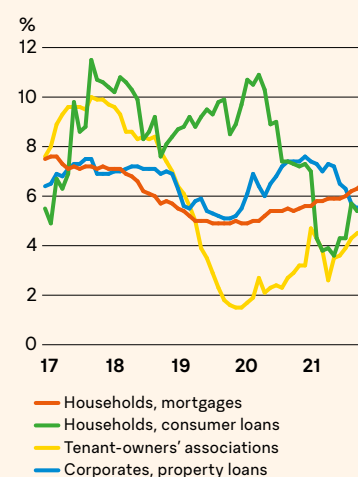
Housing price trend

(HOX index 2005=100)



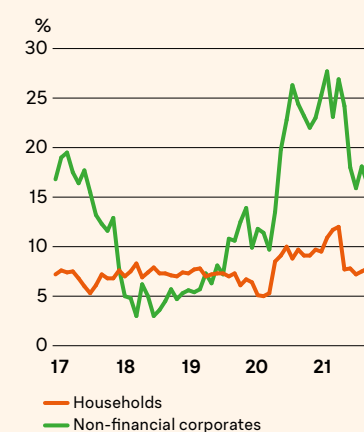
Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



shrink and are now less than two weeks. This is attributable to a hot housing market with multiple bidders per object and many completed housing transactions, but also to the fact that more and more homes have been advertised as “coming soon”.

The temporary exemption from the amortisation requirement ended on 1 September. The exemption possibility was introduced in the wake of the pandemic outbreak with reference to a very sharp downturn in the Swedish economy.

Given the temporary nature of the measure, no enduring effect on housing prices is expected, although it may have led to comparatively higher prices in the short term. Concurrent income support measures by the government and low mortgage interest rates may have helped prevent a fall in housing prices, but also supported the price trend during the pandemic. However, all these factors may contribute to future price trend uncertainty as the measures are phased out and interest rates start to rise. However, no significant changes over current levels are expected in the structural factors behind the long-term housing price trend, including income levels and interest rates, over the forthcoming years.

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

Housing market

The turnover of existing homes accelerated rapidly during the year, with 45,000 houses and 101,000 apartments sold in the first three quarters. This represents

a year-on-year increase of almost 6% for houses and 13% for apartments. Housing sales are high and in line with previous booms for apartments. However, turnover of houses is down slightly compared with a normal boom, due to the relatively high demand for larger homes. The pandemic has likely influenced the situation, with restrictions on travel and leisure, and the greater importance of the home in household consumption.

Otherwise, short advertising periods and low supply has characterised the housing market. Moreover, objects have had a high number of bidders and rapidly rising prices. However, since the summer, the increase rate has slowed down.

Similar to the market for existing housing stock, the market for new housing production has fared well through the first three quarters of the year. The trend over the last couple of years, with a shrinking supply of housing, has continued. Advertising periods have also continued to decrease and are now at almost the same low levels as five years ago. Moreover, housing construction has also continued to increase. According to preliminary data for the first six months of the year, new housing starts were up 16% year-on-year, amounting to 31,000. Taking into account the reporting lag, this is more likely to represent an increase in construction of around 25%.

For Sweden as a whole, the SBAB Booli Housing Market Index (HMI, available [here](#)) indicates balanced conditions for supply and demand for new housing in different ownership forms. HMI also indicates balanced conditions for supply and demand in our three major metropolitan areas in terms of the total amount of

new housing production in the respective areas. However, a clear shortage exists in terms of the new production of houses in, for example, Stockholm region.

Market for deposits and lending

Growth in household lending for housing continued to rise during the year. Initially, it was at an annualised rate of 5.8%, but climbed to 6.5% in August. This is expected to continue for the remainder of the year before falling back slightly next year, due in part to slower house price growth but also to lower turnover. Based on historic experience, the housing credit trend is therefore not expected to follow the GDP trend, for example. However, growth is expected to slow, but to remain between 4% and 5% per year.

The rapid improvement in the economy has resulted in the growth rate of household deposits falling to a relatively normal level. It is currently around 8%, which given the low level of interest rates could be considered high. The growth rate of deposits from non-financial corporates remains high at around 17%, due to investment not yet having taken off. In pace with conditions for investment improving in 2021, however, growth in deposits from non-financial corporates is expected to decline rapidly.



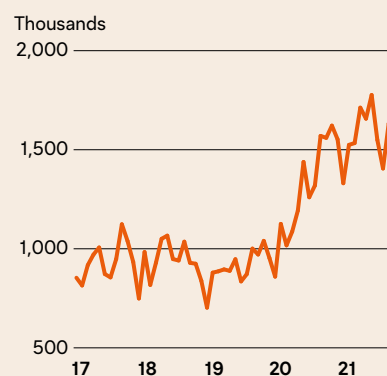
Booli has Sweden's largest offering of homes for sale

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

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

booli!
A service by SBAB

Number of unique visitors to Booli.se



An ecosystem of services

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

Selling – our services

- Estate agent recommendations
- Housing valuations
- Housing advertisements

Business partner services

- Tax declaration help

hittamäklare!

A service by SBAB

booli!

A service by SBAB

Buying – our services

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

Business partner services

- Construction advice
- Interior design

booli!
A service by SBAB

SBAB!

boappa!
A service by SBAB

Dream & Search – our services

- Housing advertisements
- Housing market information
- Saving

SBAB!

booli!

A service by SBAB

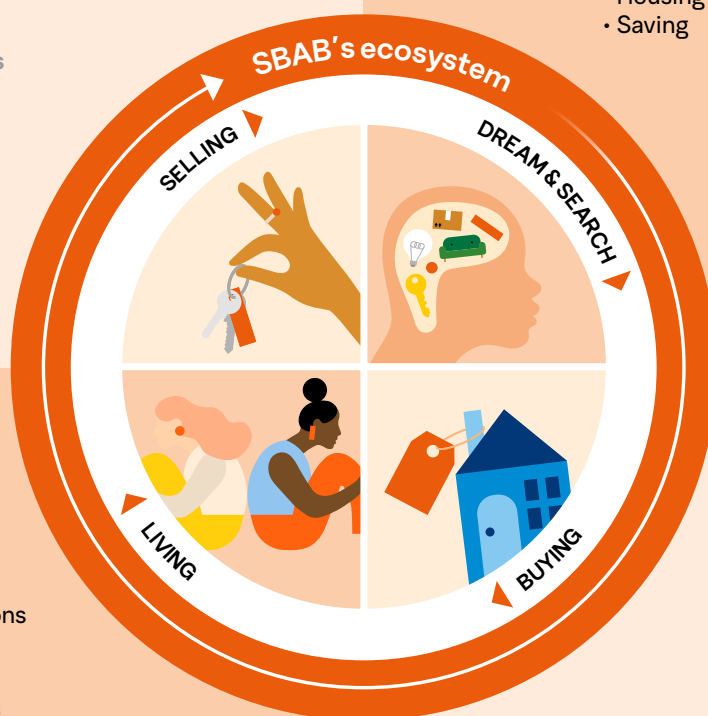
Buying – our services

- Residential mortgages & housing financing

Business partner services

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

SBAB!



Building blocks for our offering

Financial capital & lending

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

Data

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

Business development



Volume trends

	GROUP				
	2021	2021	2020	2021	2020
	Q3	Q2	Q3	Jan-Sep	Jan-Sep
New lending for the period, SEK bn	25.1	25.6	24.0	75.8	68.7
Net change in lending for the period, SEK bn	9.5	8.3	10.8	28.4	28.6
Total lending, SEK bn	451.3	441.9	412.3	451.3	412.3
No. of deposit accounts, thousand	458	450	427	458	427
Net change in deposits, SEK bn	2.5	1.6	2.6	5.0	3.4
Total deposits, SEK bn	140.6	138.1	133.9	140.6	133.9
Deposits/lending, %	31.2	31.3	32.5	31.2	32.5
Retail business area					
No. of mortgage customers, thousand	289	288	285	289	285
No. of mortgage objects financed, thousand	185	185	182	185	182
New lending, SEK bn	19.7	18.3	16.0	58.0	46.1
Net change in lending for the period, SEK bn	5.6	4.0	4.7	16.8	13.3
Total lending, Retail, SEK bn	330.1	324.4	307.2	330.1	307.2
Residential mortgages, SEK bn	327.7	322.1	304.7	327.8	304.7
Consumer loans, SEK bn	2.4	2.4	2.5	2.4	2.5
Market share, Residential mortgages, % ¹⁾	8.47	8.49	8.50	8.47	8.5
Market share, Consumer loans, % ¹⁾	0.81	0.82	0.87	0.81	0.87
Total deposits, Retail, SEK bn	99.9	97.7	93.9	99.9	93.9
No. of retail customers with savings accounts, thousand	397	391	373	397	373
Market share deposits, Retail, % ¹⁾	4.31	4.28	4.41	4.31	4.41
Corporate Clients & Tenant-Owners' Associations business area					
No. of housing financing customers	2,463	2,410	2,276	2,463	2,276
New lending, SEK bn	5.4	7.3	8.0	17.8	22.6
Net change in lending for the period, SEK bn	3.9	4.3	6.1	11.7	15.2
Total lending, Corp. Clients & Tenant-Own. Asso., SEK bn	121.2	117.3	105.1	121.2	105.1
Lending, Corporate clients, SEK bn	63.0	61.2	50.6	63.0	50.6
Lending, Tenant-owners' associations, SEK bn	58.2	56.2	54.5	58.2	54.5
Market Share Corporate Clients (multi-family dwellings), % ¹⁾	14.94	14.87	12.69	14.94	12.69
Market share, Tenant-owners' associations, % ¹⁾	9.92	9.90	9.89	9.92	9.89
Total deposits, Corp. Clients & Orgs. SEK bn	40.7	40.4	40.0	40.7	40.0
No. of customers with savings accounts, Corp. clients and Orgs.	12,300	12,300	12,500	12,300	12,500
Market share deposits, Corp. clients and organisations, % ¹⁾	2.24	2.20	2.54	2.24	2.54

¹⁾ Source: Statistics Sweden. The figures in the columns for Q3 2021 and Jan-Sep 2021 correspond with the market share as of 31 August 2021. The figures in the columns for Q3 2020 and Jan-Sep 2020 correspond with the market share as of 30 September 2020. The figures in the column for Q2 2021 correspond with the market share as of 30 June 2021.

Retail business area

Trend for Q3 2021 compared with Q2 2021

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

Lending

Lending growth in the third quarter increased slightly compared with the previous quarter. Activity in the housing market and among our customers remained high, both for purchases and for sales of housing as well as for mortgage loans for customers wishing to renovate. During the quarter, SBAB lowered the listed rates for all fixed-interest periods. At the end of the third quarter, the lowest listed rate was for two-year fixed-interest periods. SBAB offers simple and straightforward terms and conditions, transparent mortgage rates, high availability through digital and telephone services, and mindful service. New lending in the quarter amounted to SEK 19.7 billion (18.3). The right to pause amortisation due to the prevailing coronavirus pandemic expired at the end of August and, accordingly, customers are now amortising as they did prior to the pandemic. The reintroduction has gone well and relatively few customers have enquired about a continuation of amortisation

exemption. After contacting SBAB, some 160 customers have received extended amortisation relief after the end of August. These customers have been assessed and granted relief according to the normal rules.

Total retail lending increased to SEK 330.1 billion (324.4), of which SEK 327.7 billion (322.0) comprised residential mortgages and SEK 2.4 billion (2.4) consumer loans. The number of residential mortgage customers amounted to 289,000 (288,000) distributed over 185,000 (185,000) mortgage objects. At 31 August 2021, the market share of residential mortgages was 8.47% (8.49). At the same date, the market share for consumer loans was 0.81% (0.82). The majority of SBAB's residential mortgage customers choose the 3M fixed-interest period. The share of total lending with a 3M fixed-interest period amounted to 61.6% (66.0) at the end of the quarter. The decline was due to more new customers choosing fixed-rate loans and also to some existing customers choosing to swap from 3M fixed interest to longer fixed-interest periods since rates for one to three years have been favourable and below the 3M rate.

Savings accounts (deposit)

SBAB's retail savings accounts are characterised by competitive savings rates and simple product terms and conditions. Retail deposits increased during the quarter to SEK 99.9 billion (97.7). At the end of the quarter, approximately 397,000 (391,000) retail customers

held savings accounts with SBAB. At 31 August 2021, the market share of retail deposits was 4.31% (4.28).

User trends

Every month, many people visit SBAB's, Booli's, HittaMäklare's and Boappa's websites and apps to manage mortgages and savings or to find inspiration about housing and household finances. The number of unique visitors per month to www.sbab.se averaged around 453,000 (505,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 116,000 (117,000) for the same period. Booli is a popular platform for finding information about supply, demand and price trends for housing. Booli.se offers services including housing searches and valuations. The number of unique visitors per month to www.booli.se averaged around 1,532,000 (1,536,000) during the quarter. Booli's monthly property valuation email had more than 610,000 subscribers at the end of the third quarter of 2021. The real estate agent service HittaMäklare is part of Booli. HittaMäklare's service for locating estate agents has been used at some time by about 92% of the registered estate agents in Sweden. At the end of the third quarter, Boappa had 3 550 tenant-owners' associations and 54,000 users signed up.

Sweden's most satisfied residential mortgage customers

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



Corporate Clients & Tenant-Owners' Associations business area

Trend for Q3 2021 compared with Q2 2021

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

Housing financing (lending)

Quarter-on-quarter, the third quarter noted slightly lower lending growth but was higher than expected in all areas. New lending in the business area for the quarter amounted to SEK 5.4 billion (7.3). However, the market for new lending to tenant-owners' associations remains dominated by intense price competition.

Total lending increased to SEK 121.2 billion (117.3), of which SEK 63.0 billion (61.2) comprised lending to corporates

and SEK 58.2 billion (56.2) lending to tenant-owners' associations. To date, the coronavirus pandemic has had little impact on SBAB's customers. SBAB focuses on residential properties and has an extremely low proportion of other commercial lending, such as for offices, where the effects and disruption caused by the coronavirus pandemic have been greatest. The total lending volume for property financing with pandemic-related amortisation relief was SEK 28 million at the end of the quarter.

The market share of corporate lending (multi-family dwellings) was 14.94% at 31 August 2021 (14.87), up from 13.09% over the year. At the same date, the market share for lending to tenant-owners' associations was 9.92% (9.90). The number of housing financing customers continued to increase and was 2,463 (2,410) at the end of the quarter.

Savings accounts (deposit)

Deposits from corporate clients and organisations increased marginally, totalling SEK 40.7 billion (40.4). At the end of the quarter, approximately 12,300 (12,300)

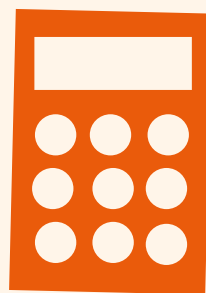
customers held savings accounts with SBAB. The market share of deposits from corporate clients and organisations increased during the quarter and was 2.24% at the end of August (2.20).

Sweden's most satisfied corporate customers

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



Financial performance



Income statement overview

SEK million	GROUP						
	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2021 Jan-Sep	2020 Jan-Sep
Net interest income	1,025	1,031	1,041	1,010	945	3,097	2,737
Net commission	2	11	3	-12	-3	16	-12
Net result of financial transactions (Note 3)	-32	-21	-15	11	-11	-68	-49
Other operating income	13	12	13	10	11	38	33
Total operating income	1,008	1,033	1,042	1,019	942	3,083	2,709
Expenses	-351	-366	-323	-402	-310	-1,040	-933
Profit before credit losses and impairments	657	667	719	617	632	2,043	1,776
Net credit losses (Note 4) 1)	5	-4	9	2	4	10	-34
Operating profit	662	663	728	619	636	2,053	1,742
Tax	-137	-140	-152	-133	-142	-429	-389
Net profit for the period	525	523	576	486	494	1,624	1,353
Return on equity, % ¹⁾	11.0	11.3	12.7	11.1	11.5	11.67	12.1
C/L ratio, %	0.31	0.33	0.30	0.39	0.30	0.32	0.31
C/I ratio, %	34.8	35.5	31.0	39.5	32.9	33.7	32.5
Credit loss ratio, %	0.00	0.00	0.01	0.00	0.00	0.00	-0.01
Share of Stage 3 loans, gross, %	0.05	0.05	0.06	0.06	0.05	0.05	0.05
Net interest margin, %	0.77	0.78	0.81	0.78	0.72	0.77	0.73
Number of employees (FTEs)	797	811	777	760	748	797	748

1) Including impairment and reversals of impairment of financial assets

Trend for Q3 2021 compared with Q2 2021

Operating profit was essentially unchanged compared with the previous quarter and amounted to SEK 662 million (663) since income and expenses were on a par with the previous quarter. The return on equity amounted to 11.0% (11.3) and the C/I ratio was 34.8% (35.5).

Net interest income

Net interest income posted a marginal decline to SEK 1,025 million (1,031), primarily driven by lower income from lending to the public as a result of certain pressure on margins but also due to lower income from interest-bearing securities and derivatives. Interest expenses decreased slightly between quarters to SEK 489 million (493), mainly due to lower costs for issued debt securities.

Net commission

Net commission income fell to SEK 2 million (11) over the quarter, primarily due to lower commission income linked to corporate lending. Commission expense was on a par with the previous quarter.

Net result of financial transactions

The net result of financial transactions was an expense of SEK 32 million (expense: 21). The difference was mainly due to value changes in hedging instruments and hedged items. For more information, please refer to [Note 3](#).

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

Operating profit rose to SEK 2,053 million (1,742). The return on equity amounted to 11.7% (10.8) and the C/I ratio was 33.7% (34.4).

Net interest income grew to SEK 3,097 million (2,737), mainly due to higher lending volumes and lower funding costs. Total guarantee fees amounted to SEK 160 million (150) for the period, of which SEK 129 million (115) comprised the resolution fee and SEK 31 million (35) the fee payable to the national deposit guarantee.

The net commission income increased during the year to SEK 16 million (expense: 12). The increase was attributable to a lower commission expense linked to market maker fees.

The net result of financial transactions was an expense of SEK 68 million (expense: 49). The difference was mainly due to value changes in hedging instruments

Expenses

Expenses decreased during the quarter and amounted to SEK 351 million (366). The decrease was mainly attributable to higher costs last quarter linked to investments in development for new regulatory adaptations. During the quarter, the number of FTEs decreased to 797 (811), which is a temporary decrease since more recruitments are on their way in over the next quarter.

Credit quality and credit losses

Total net credit losses amounted to a recovery of SEK 5 million (loss: 4). Confirmed credit losses totalled SEK 2 million (7) and recoveries for previous confirmed credit losses amounted to SEK 1 million (1). Provisions for credit stage 1 loans decreased SEK 3 million (increase: 6) during the quarter and credit stage 2 loans decreased SEK 8 million (decrease: 4), which was largely attributable to updated market valuations that captured the price increase noted in the property market this year. Provisions for credit stage 3 loans increased SEK 4 million (decrease: 2) due to individual provisions in the Retail business area. Provisions for loan commitments and building credits decreased SEK 1 million (decrease: 2) due to raising building credits and fewer construction loans in credit stage 2. Guarantees that can be utilised decreased SEK 1 million (0) over the period as a result of lower provisions. For more information on credit provisions and changes in the forward-looking information in the im-

pairment model, please refer to [Note 4](#). The credit quality of SBAB's lending is good and credit risk in the two business areas: Retail, and Corporate Clients & Tenant-Owners' Associations, remains low. The bank's granting of credit to consumers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments. Overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages even in a worse economic climate.

At the end of the quarter, the average LTV ratio in SBAB's mortgage portfolio was 56% (59). At the same date, the average residential mortgage to retail customers amounted to SEK 1.8 million (1.8). The average LTVs for property companies and tenant-owners' associations were 63% (63) and 36% (37), respectively. During the quarter, the LTV for new lending to retail customers was 69% (71) and the debt-to-income ratio was 4.0 (4.0). For more information on credit losses, amortisation relief and the effect on credit quality, please refer to [Note 4](#) and [Note 5](#).

Other comprehensive income

Other comprehensive income was an expense of SEK 164 million (expense: 340). The difference was mainly due to the accumulated result which was primarily positively impacted by changes in basis swap spreads. For more information, please refer to [page 22](#).

and hedged items. For more information, please refer to [Note 3](#).

Other comprehensive income amounted to a loss of SEK 987 million (income: 591) for the period. The primarily negative impact on the difference was rising EUR interest rates. For more information, please refer to [page 22](#).

Expenses grew to SEK 1,040 million (933), driven by increased investments in terms of the number of employees, development of new regulatory adaptations and investments in digitalisation and IT systems. The replacement of SBAB's core bank platform is ongoing. The new bank platform is being implemented gradually in separate phases. The remaining phases will be implemented in 2022 and in the beginning of 2023. Modern, flexible system support comprises a key component for strengthening SBAB's future competitiveness, and its ability to develop digital services and enhance the digital

customer interface. The number of FTEs increased to 797 (748) during the period.

Net credit losses were positive and amounted to a recovery of SEK 10 million (loss: 34). The change between the periods was mainly attributable to updated macroeconomic projections for the forward-looking information applied in the impairment model as a result of the coronavirus pandemic. In 2021, the revision of the forward-looking information gave rise to, in conjunction with the noted price increase in the housing market and the improvement in the risk scenario for building credits, a lower need for provisions, which explains the positive outcome. Confirmed credit losses totalled a recovery of SEK 11 million (recovery: 7) for the period. For more information on credit losses and credit quality, please refer to [Note 4](#) and [Note 5](#).

Balance sheet overview

SEK million	GROUP			
	30 Sep 2021	30 Jun 2021	31 Dec 2020	30 Sep 2020
ASSETS				
Cash and balances at central banks	1,300	1,000	6,530	1,300
Chargeable treasury bills, etc.	40,117	26,529	10,894	33,533
Lending to credit institutions	777	930	945	376
Lending to the public (Note 5)	451,267	441,744	422,835	412,336
Bonds and other interest-bearing securities	54,973	58,034	58,180	59,691
Total other assets in the balance sheet	9,394	9,389	11,975	17,540
TOTAL ASSETS	557,828	537,626	511,359	524,776
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	18,664	17,511	20,184	25,472
Deposits from the public	140,645	138,145	135,658	133,916
Issued debt securities, etc. (funding)	365,621	350,362	323,704	332,217
Subordinated debt	1,996	1,996	1,995	4,445
Total other liabilities in the balance sheet	5,974	5,019	6,179	5,321
Total liabilities	532,900	513,033	487,720	501,371
Total equity	24,928	24,593	23,639	23,405
– of which reserves/fair value reserve	1,334	1,498	2,321	2,550
– of which, Tier 1 capital instruments	4,300	4,300	3,500	3,500
TOTAL LIABILITIES AND EQUITY	557,828	537,626	511,359	524,776
CET1 capital ratio, %	13.3	13.1	13.4	12.7
Tier 1 capital ratio, %	16.4	16.2	16.1	15.4
Total capital ratio, %	17.9	17.8	17.6	16.9
Leverage ratio, % ¹⁾	3.89	4.00	4.00	3.71
Liquidity coverage ratio (LCR), %	221	278	170	253
Net Stable Funding Ratio (NSFR), %	134	134	129	126

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

Trend for Q3 2021 compared with Q2 2021

Balance sheet comments

During the quarter, chargeable treasury bills increased to SEK 40.1 billion (26.5), primarily due to an increase in surplus liquidity deposited with the Riksbank via commercial paper. For the same reason, cash and balances at central banks increased to SEK 1.3 billion (1.0). Lending to credit institutions decreased to SEK 0.8 billion (0.9), attributable to volume changes in terms of securities connected to derivatives (CSAs). The above changes were within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities declined to SEK 55.0 billion (58.0). The change was also primarily within the scope of the normal management of the liquidity reserve. Lending to the public increased to SEK 451.3 billion (441.7), of which SEK 327.7 billion comprised residential mortgages, SEK 2.4 billion consumer loans, SEK 63.0 billion lending to property companies and SEK 58.2 billion lending to tenant-owners' associations. For more information on lending to the public, please refer to [pages 12–13](#) and [Note 5](#).

Liabilities to credit institutions increased in the quarter to SEK 18.7 billion (17.5), attributable to higher repo volumes, which were offset slightly by outflows of securities connected to derivatives (CSAs). The changes were within the scope of the normal short-term liquidity management. Deposits from the public increased to SEK 140.6 billion (138.1), of which 82% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulations. For more information on deposits from the public, please refer to [pages 12–13](#).

Subordinated debt totalled SEK 2.0 billion (2.0). The quarter saw no new issues, repurchases or maturities. Equity increased to SEK 24.9 billion (24.6). During the quarter, the item was mainly affected by changes in net profit for the period.

Funding

Generally positive risk sentiment was noted at the beginning of the third quarter despite the spread of the Delta variant of the coronavirus. Coronavirus pandemic-related restrictions were fully or partially lifted in several countries, at the same time as central bank and fiscal policy support continued to support the market and economic expectations.

Growing concern came to dominate the latter part of the quarter, mainly with regard to more persistent inflation, but also some concern about the economic trend. Inflation rates, as they appeared at producer and consumer levels, remained high throughout the period. This was mainly attributed to rising commodity and energy prices. In parallel, economic activity showed some signs of problems arising from component shortages and global supply chain disruption, which led to production constraints for some manufacturers.

Overall, little movement was noted in interest rates during the quarter. Leading stock market indices posted a general decline and broader credit indices rose somewhat.

Focus centred on communication by central banks on tapering programmes for bond purchases during parts of the quarter, and market expectations are now that the first step in a less expansionary direction will be taken by the US central bank, the Federal Reserve, later in 2021. However, the major central banks and the Riksbank continued to purchase securities and expand their balance sheets during the third quarter. The Riksbank completed previously announced purchases and bought Swedish covered bonds corresponding to more than SEK 40 billion during the period. In the medium- and long-term segments of the Swedish covered bond market, credit spreads remained relatively unchanged, while spreads on shorter maturities fell and the curve steepened slightly.

During the quarter, SBAB continued on an ongoing basis to mainly issue covered bonds in the Swedish market. During the quarter as a whole, issued debt securities totalled SEK 23.2 billion (39.2). In parallel, securities were repurchased for SEK 3.6 billion (3.7) and securities amounting to SEK 4.0 billion (10.9) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 15.3 billion to a total of SEK 365.6 billion (350.4). In total, the SBAB Group has issued bonds corresponding to SEK 97.9 billion in 2021 (of which SEK 74.0 billion comprised covered funding and SEK 23.9 billion unsecured funding), which can be compared with the total bonds maturing in 2021 of about SEK 42.2 billion.

At the end of the quarter, unsecured funding amounted to SEK 60.4 billion (58.5), of which SEK 7.5 billion (6.0) com-

prised senior non-preferred bonds, SEK 49.2 billion (49.0) other senior unsecured bonds and SEK 3.7 billion (3.5) commercial paper.

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Total secured debt outstanding totalled SEK 305.2 billion (291.8) at the end of the quarter, of which SEK 224.5 billion was in SEK and SEK 80.7 billion was in foreign currencies.

Liquidity

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings.¹⁾ At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 96.0 billion (85.2). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 92.5 billion (82.1).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 341 days (349), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, at 30 September 2021, the LCR was 221% (278) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 183% (216). The net stable funding ratio (NSFR) amounted to 134.3% (133.5²⁾) according to Regulation (EU) 2019/876 of the European Parliament and the Council.

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

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

2) A technical calculation error resulted in the publication of an NSFR for the second quarter of 2021 that was too high. The published ratio was 138.3%, but the correct ratio should have been 133.5%. The bank does not believe this will have any material effect on liquidity risk.

Capital position

At the end of the quarter, SBAB's CET1 capital amounted to SEK 18.3 billion (18.0). The increase was mainly attributable to earnings for the year¹⁾ after deduction of the expected dividend. The risk exposure amount (REA) increased during the third quarter to SEK 137.7 billion (138.0). The change was mainly attributable to SBAB adjusting the calculation of applicable risk weights for shares in subsidiaries during the quarter. At 30 September 2021, SBAB's CET1 capital ratio amounted to 13.3% (13.1) and the total capital ratio was 17.9% (17.6). This provides a comfortable margin to internal targets and external regulatory requirements.

On 24 September 2021, SBAB received an SREP decision from the Swedish FSA which entails an increased own funds requirement. The CET1 capital ratio as per 30 September 2021 is calculated to correspond to 9.2% and the total capital ratio of 13.9% according to internal estimates by SBAB. At the same date, SBAB's capital targets are therefore expected to correspond to a CET1 capital ratio of not less than 9.8% and a total capital ratio of not less than 14.5%.

SBAB has previously identified faults with the internal models used to cover capital requirements for credit risk and SBAB has therefore, voluntarily applied an Article 3 surcharge on capital adequacy and in its reporting, and has also completed efforts to update the internal ratings-based models. SBAB's assessment is that the implementation of the updated models, following approval from

the Swedish FSA, should rectify the identified faults and therefore lead to a lowered Pillar 2 requirement.

The leverage ratio posted a marginal decline in the third quarter and amounted to SEK 3.9% (4.0) at 30 September 2021, primarily due to the increase in the mortgage portfolio and exposure to central banks. For more information on SBAB's capital position, please refer to [Note 11](#) and [Note 12](#).

The Basel Committee has decided to extend implementation of the outstanding elements of the Basel 3 reform. Standards to complement Basel 3 standards that were decided in 2017 (completion of Basel 3), the market risk framework decided in 2019 and implementation of Pillar 3 decided in 2018 have been postponed by one year and will now enter force on 1 January 2023.

In the current year, capital requirements have changed as a result of regulatory changes in the CRR and CRD. The Swedish FSA has decided on regulatory amendments and a change in the application of capital requirements for Swedish banks in order to adapt them to the EU's banking package. This pertains primarily to the introduction of a tightened leverage ratio requirement of 3%, 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 entered force on 28 June 2021. The Swedish FSA has also proposed a new method for assessing additional capital charges within Pillar 2 for market risks in other operations. This change in method will apply from 2021. The Swedish FSA has previously announced that it expects Swedish banks to analyse and update their current risk classification systems to be able to meet the new EBA guidelines. SBAB has therefore, over an extended period, worked on preparing new internal risk classification models, which are expected to be implemented in 2022. Overall, the above changes are expected to increase the future capital adequacy requirements for banks in Sweden, including SBAB. In September 2021, the Swedish FSA communicated one expected effect from the Pillar 2 guidance for SBAB: 0 percentage points on the risk-weighted capital requirement and about 0.3 percentage points on the leverage ratio.

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

Components of the capital target

SEK million	CONSOLIDATED SITUATION			
	30 Sep 2021			
	Total capital	%	CET1 capital	%
Internally assessed capital requirement from the Swedish FSA	19,085	13.9	12,669	9.2
– of which, Pillar 1 minimum requirement	4,072	3.0	2,291	1.7
– of which, Pillar 1 risk-weight floor, Swedish mortgages (Art. 458 CRR)	6,941	5.0	3,904	2.8
– of which, Pillar 2 requirement (P2R)	4,612	3.4	3,015	2.2
– of which, Capital conservation buffer	3,442	2.5	3,442	2.5
– of which, Countercyclical buffer	18	0.0	18	0.0
– of which, Pillar 2 guidance (P2G)	–	–	–	–
SBAB's capital target	19,911	14.5	13,495	9.8
SBAB's actual capital	24,613	17.9	18,318	13.3

Other information



SBAB's financial targets

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

Termination of partnerships

In the fourth quarter of 2019, SBAB and Sparbanken Syd entered into an amended agreement relating to the parties partnership agreement regarding the mediation of mortgage loans (SEK 7.4 billion at 30 September 2021). According to the amended agreement, Sparbanken Syd is entitled to acquire the entire residential mortgage stock mediated by Sparbanken Syd, or parts thereof, until 31 December 2023.

Board changes

During the period, Karin Neville took Anders Heder's place as a member (employee representative) of SBAB's Board of Directors and Anders Heder has taken over the role of Deputy Board member (employee representative).

Updated proposal on new risk tax (bank tax) 2022

On 2 September 2021, the Swedish government submitted the draft bill to the Council on Legislation regarding the proposal to introduce a risk tax for major banks and other credit institutions from 2022. On 21 September 2021, the Council on Legislation published its opinion and, although some criticism is directed at the proposal, the Council on Legislation does not reject the proposal. The government bill, which was expected to be submitted on 12 October 2021, has however failed to materialise and therefore the planned timetable for it to enter force is unclear. The tax aims to strengthen society's capacity to meet a crisis in the financial system.

According to the draft bill to the Council on Legislation, the risk tax is payable by credit institutions that, at the start of the fiscal year, have debt in excess of threshold of SEK 150 billion. For Swedish institutions, the debt threshold is calculated based on debt attributable to their operations in Sweden but also includes debt attributable to operations at branches abroad. For foreign credit institutions, the threshold is only calculated based on debt attributable to their operations at branches in Sweden.

SBAB is one of ten Swedish banks and credit institutions that is expected to be affected by the tax. The tax will be

levied at a rate of 0.05% of the credit institution's liabilities following certain adjustments in 2022, and at 0.06% from 2023. The tax is expected to raise around SEK 5 billion annually from 2022. The formulation is subject to approval from the European Commission. SBAB has in its own response and through the Swedish Bankers' Association expressed strong criticism for the proposed risk tax and advised against its introduction. The risk tax will, inter alia, materially distort competition in the Swedish financial market since only a few players will be subject to the tax.

Events after the end of the period

On 11 October, Carl Olsson joined the Executive Management as Head of Business Specialists. In parallel, Kristina Tänneryd has stepped down as acting Head of Business Specialists.

Auditors' review report

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

Risks and uncertainties

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity, and the quality of our assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. A housing market with soaring prices over an extended period, in parallel with rising household debt, has resulted in the Swedish economy becoming sensitive to rapid changes in interest rates and housing prices. The risks linked to these factors could be amplified if many households have high levels of debt in relation to their disposable incomes. For additional information on forecasts for economic development, interest rates and housing prices, refer to page 8. For information about the coronavirus and its effects on socio-economic development and SBAB, refer to SBAB's 2020 Annual Report.

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

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Condensed income statement

SEK million	GROUP					
	2021 Q3	2021 Q2	2020 Q3	2021 Jan-Sep	2020 Jan-Sep	2020 Jan-Dec
Interest income	1,514	1,524	1,593	4,539	4,787	6,316
Interest expense	-489	-493	-648	-1,442	-2,050	-2,569
Net interest income	1,025	1,031	945	3,097	2,737	3,747
Commission income	20	26	20	70	71	93
Commission expense	-18	-15	-23	-54	-83	-117
Net result of financial transactions (Note 3)	-32	-21	-11	-68	-49	-38
Other operating income	13	12	11	38	33	43
Total operating income	1,008	1,033	942	3,083	2,709	3,728
Personnel costs	-188	-190	-171	-563	-511	-687
Other expenses	-142	-159	-111	-423	-353	-490
Depreciation, amortisation and impairment of PPE and intangible assets	-21	-17	-28	-54	-69	-158
Total expenses before credit losses	-351	-366	-310	-1,040	-933	-1,335
Profit before credit losses	657	667	632	2,043	1,776	2,393
Net credit losses (Note 4) ¹⁾	5	-4	4	10	-34	-32
Operating profit	662	663	636	2,053	1,742	2,361
Tax	-137	-140	-142	-429	-389	-522
Net profit for the period	525	523	494	1,624	1,353	1,839

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

In Q3 2021, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 1,588 million (1,610) for the Group.

Condensed statement of comprehensive income

SEK million	GROUP					
	2021 Q3	2021 Q2	2020 Q3	2021 Jan-Sep	2020 Jan-Sep	2020 Jan-Dec
Net profit for the period	525	523	494	1,624	1,353	1,839
Other comprehensive income						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	6	-26	37	-45	-44	4
Changes related to cash-flow hedges, before tax	-208	-403	-90	-1,292	870	461
Tax attributable to components that will be reclassified to profit or loss	41	89	11	275	-177	-75
<i>Components that will not be reclassified to profit or loss</i>						
Revaluation effects of defined-benefit pension plans, before tax	-4	0	-28	94	-75	-34
Tax attributable to components that will not be reclassified to profit or loss	1	0	7	-19	17	6
Other comprehensive income/loss, net of tax	-164	-340	-63	-987	591	362
Total comprehensive income/loss for the period	361	183	431	637	1,944	2,201

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

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

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

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

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

Condensed balance sheet

SEK million	GROUP		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
ASSETS			
Cash and balances at central banks	1,300	6,530	1,300
Chargeable treasury bills, etc.	40,117	10,894	33,533
Lending to credit institutions	777	945	376
Lending to the public (Note 5)	451,267	422,835	412,336
Value changes of interest-rate-risk hedged items in macro hedges	-249	142	268
Bonds and other interest-bearing securities	54,973	58,180	59,691
Derivatives (Note 6)	7,781	10,890	15,951
Intangible assets	490	330	360
Property, plant and equipment	284	112	130
Other assets	615	79	298
Prepaid expenses and accrued income	473	422	533
TOTAL ASSETS	557,828	511,359	524,776
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	18,664	20,184	25,472
Deposits from the public	140,645	135,658	133,916
Issued debt securities, etc.	365,621	323,704	332,217
Derivatives (Note 6)	2,926	3,124	1,948
Other liabilities	506	416	476
Accrued expenses and deferred income	1,865	1,769	1,880
Deferred tax liabilities	562	651	749
Provisions	115	219	268
Subordinated debt	1,996	1,995	4,445
Total liabilities	532,900	487,720	501,371
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	1,334	2,321	2,550
Additional Tier 1 instruments	4,300	3,500	3,500
Retained earnings	15,712	14,021	14,044
Net profit for the period	1,624	1,839	1,353
Total equity	24,928	23,639	23,405
TOTAL LIABILITIES AND EQUITY	557,828	511,359	524,776

Condensed statement of changes in equity

SEK million	GROUP				
	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year ¹⁾	Total equity
Opening balance, 1 January 2021	1,958	2,321	3,500	15,860	23,639
Additional Tier 1 instruments	-	-	800	-	800
Additional Tier 1 instruments, dividend	-	-	-	-148	-148
Other comprehensive income, net of tax	-	-987	-	-	-987
Net profit for the period	-	-	-	1,624	1,624
Comprehensive income for the period	-	-987	-	1,624	637
Closing balance, 30 September 2021	1,958	1,334	4,300	17,336	24,928
Opening balance, 1 January 2020	1,958	1,959	3,500	14,164	21,581
Additional Tier 1 instruments, dividend	-	-	-	-120	-120
Other comprehensive income, net of tax	-	591	-	-	591
Net profit for the period	-	-	-	1,353	1,353
Comprehensive income for the period	-	591	-	1,353	1,944
Closing balance, 30 September 2020	1,958	2,550	3,500	15,397	23,405
Opening balance, 1 January 2020	1,958	1,959	3,500	14,164	21,581
Additional Tier 1 instruments, dividend	-	-	-	-143	-143
Other comprehensive income, net of tax	-	362	-	-	362
Net profit for the year	-	-	-	1,839	1,839
Comprehensive income for the year	-	362	-	1,839	2,201
Closing balance, 31 December 2020	1,958	2,321	3,500	15,860	23,639

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

Condensed cash-flow statement

SEK million	GROUP		
	2021	2020	2020
	Jan-Sep	Jan-Sep	Jan-Dec
Opening cash and cash equivalents	7,475	6,167	6,167
OPERATING ACTIVITIES			
Interest and commissions paid/received	1,892	2,773	3,762
Outflows to suppliers and employees	-986	-864	-1,177
Taxes paid/refunded	-584	-444	-593
Change in assets and liabilities of operating activities	-6,321	-5,327	2,440
Cash flow from operating activities	-5,999	-3,862	4,432
INVESTING ACTIVITIES			
Change in property, plant and equipment	-32	-21	-28
Change in intangible assets	-110	-80	-113
Acquisition of subsidiaries	-31	-	-
Cash flow from investing activities	-173	-101	-141
FINANCING ACTIVITIES			
Change in Tier 1 capital instrument	800	-	-
Change in subordinated loan	-	-505	-2,952
Repayment of lease liabilities	-26	-23	-31
Cash flow from financing activities	774	-528	-2,983
Increase/decrease in cash and cash equivalents	-5,398	-4,491	1,308
Closing cash and cash equivalents	2,077	1,676	7,475

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

Change in liabilities attributable to financing activities

SEK million	GROUP											
	Opening balance 1 Jan 2021	Cash flow	Non-cash items			Closing balance 30 Sep 2021	Opening balance 1 Jan 2020	Cash flow	Non-cash items			Closing balance 30 Sep 2020
			Fair value	Other					Fair value	Other		
Subordinated debt	1,995	-	0	1	1,996	4,949	-505	-1	2		4,445	
Lease liabilities	69	-26	-	174	217	91	-23	-	9		77	
Additional Tier 1 instruments	3,500	800	-	-	4,300	3,500	-	-	-		3,500	
Total	5,564	774	0	175	6,513	8,540	-528	-1	11		8,022	

Note 1 Accounting policies

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

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

Introduction of new and changed accounting standards 2021

Accounting principles and calculation methods are unchanged compared with the annual report for 2020. The financial statements in summary are produced on the basis of an assumption about the company's survival. The financial reports in summary was approved by the board for publication on 26 October 2021.

Note 2 Changes in risks

Credit risk in lending operations

No increase in realised credit risk was noted in lending operations during the first three quarters of 2021. Despite the prevailing circumstances with the coronavirus pandemic, neither an increased tendency of delayed payments nor turbulence in the real estate market leading to falling housing prices have been observed. The forward-looking information in the impairment model have been revised twice during the year due to a more positive outlook on the economic development in Sweden compared to previous forecasts resulting in a decrease of credit loss provisions. Since the pandemic outbreak SBAB has, until 31 of August, granted applications for temporary amortisation exemptions, in accordance with Swedish FSA's guidelines. These amortisation exemptions were assessed to solely manage the temporary increase in liquidity risk that has arisen for customers. Since the fourth quarter 2020, customers are obliged to state the reason behind the application for amortisation exemption. Customers who report loss of income are managed by SBAB's insolvency team for further assessment regarding increase in credit risk and a potential movement to credit stage 2 or stage 3 in accordance with the accounting standard. No deviations have been noted in terms of loan-to-value (LTV) or debt-to-income ratios for new lending. For more information regarding credit losses, credit risk and credit loss allowances, please see [Note 4](#).

Counterparty credit risk in treasury operations

At 28 June 2021 a new method to calculate counterparty credit risk (SA-CCR, Standardised Approach for Counterparty Credit Risk) was introduced in accordance with CRR II. Limit utilisation for SBAB's derivative counterparties has fallen to SEK 5,504 million at 30 September 2021, compared to SEK 7,321 million at 31 December 2020 where the decrease is partly due to the change of method.

Liquidity risk

SBAB's liquidity positions remained strong. LCR increased by the end of September in comparison with the turn of the year. The survival horizon increased in comparison with the turn of the year as a result of passed bond maturities. The over collateralization level (OC-level) has decreased in comparison with the turn of the year. The decrease arised as a result of new issues of covered bonds, however OC-level is expected to rise in the begin of October because of maturing debt. The deposit-to-loan ratio has decreased during 2021 as the loan growth rate exceeded the deposit growth rate. See [Note 10](#) for more information regarding liquidity risk.

Market risk

SBAB uses Value at Risk (VaR) to quantify market risk. VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. SBAB's model is a historical model and applies percentiles in historical market data from the past two years. At 30 September 2021, SBAB's VaR amounted to SEK 218 million, compared to SEK 364 million at 31 December 2020. The limit for VaR is changed to SEK 1,200 million from the previous SEK 1,450 million. The reason for the reduction was that the margin to the limit has historically been large and is forecast to remain so in the coming years.

Operational risk

The overall risk related to the corona pandemic is assessed to a low level for SBAB. The change of SBAB's core IKT-system is ongoing and complex. Therefore, the project is still a source to exposure for operational risks.

Business risk

Looking at the state of financial markets, and for SBAB, the overall risk related to the corona pandemic is estimated to have decreased since the fourth quarter of 2020 to currently low levels. Contagion has decreased noticeably in Sweden and financial markets have stabilized. The impact on SBAB's financial position has also been very moderate during the first three quarters of 2021. Business risk is therefore considered to be at a low level. No material changes in the competitive landscape were observed during the quarter. Moreover, SBAB has not entered, or exited, any new markets or segments.

Concentration risk

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

Note 3 Net result of financial transactions

SEK million	GROUP					
	2021	2021	2020	2021	2020	2020
	Q3	Q2	Q3	Jan-Sep	Jan-Sep	Jan-Dec
Gains/losses on interest-bearing financial instruments						
- Change in value of hedged items in hedge accounting	480	60	58	1,353	-660	-429
- Derivatives in hedge accounting	-489	-53	-69	-1,378	655	427
- Other derivatives	-5	2	-3	14	3	45
- Interest-bearing securities, Fair Value Option	-5	-12	-8	-29	-29	-44
- Interest-bearing securities at fair value through other comprehensive income	0	0	4	6	13	17
- Interest-bearing securities at amortised cost	0	0	0	0	0	0
- Realised gain/loss from financial liabilities at amortised cost	-23	-25	-11	-57	-77	-113
- Loan receivables at amortised cost	10	7	19	23	45	57
Currency translation effects	0	0	-1	0	1	2
Total	-32	-21	-11	-68	-49	-38

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

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

Note 4 Net credit losses

SEK million	GROUP					
	2021	2021	2020	2021	2020	2020
	Q3	Q2	Q3	Jan-Sep	Jan-Sep	Jan-Dec
Lending to the public						
Confirmed credit losses	-2	-7	-1	-11	-7	-9
Recoveries of previously confirmed credit losses	1	1	2	3	3	4
Change in provision for the period – credit stage 1	4	-6	-6	1	-23	-16
Change in provision for the period – credit stage 2	6	4	6	14	1	1
Change in provision for the period – credit stage 3	-4	2	-3	-1	-1	-4
Guarantees ¹⁾	-1	0	-2	-2	0	-1
Net credit losses for the period – lending to the public	4	-6	-4	4	-27	-25
Loan commitments²⁾						
Change in provision for the period – credit stage 1	0	-4	4	-4	-6	-5
Change in provision for the period – credit stage 2	1	6	4	10	-1	-2
Change in provision for the period – credit stage 3	0	0	0	0	0	0
Net credit losses for the period – loan commitments	1	2	8	6	-7	-7
Other financial instruments						
Change in provision for the period – credit stage 1	0	0	0	0	0	0
Net credit losses for the period – other financial instruments	0	0	0	0	0	0
Total	5	-4	4	10	-34	-32

1) The item includes guarantees for loan commitments.

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

Note 4 Net credit losses, Cont.

Sensitivity analysis of forward-looking information

Lending to the public and loan commitments

Factors	Scenario 1 (45%)			Scenario 2 (20%)			Scenario 3 (20%)			Scenario 4 (15%)		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
GDP ¹⁾	3.3%	3.2%	2.3%	3.5%	4.8%	3.5%	-6.2%	3.1%	3.8%	-2.1%	-1.9%	1.3%
Repo rate	0.1%	0.1%	0.4%	0.1%	0.2%	0.6%	0.3%	0.5%	0.4%	1.1%	1.2%	1.2%
Unemployment	8.8%	8.0%	7.5%	8.7%	7.4%	6.3%	11.2%	11.1%	9.8%	9.4%	10.0%	10.3%
House prices, Δ	+16.3%	-0.8%	-3.2%	+16.9%	-0.8%	-3.0%	-10.4%	-12.2%	-3.4%	-15.4%	-15.3%	-16.0%
Prices of tenant-owners' rights, Δ	+9.6%	+0.4%	-3.1%	+10.0%	+0.2%	-2.9%	-11.8%	-14.8%	-6.2%	-20.0%	-28.6%	-15.4%
Property prices, Δ	+2.4%	+4.8%	+4.2%	+2.8%	+4.5%	+4.4%	-6.4%	-11.1%	-4.8%	-11.3%	-23.6%	-17.2%
ECL	SEK 65 million			SEK 67 million			SEK 145 million			SEK 529 million		
Weighted ECL²⁾	SEK 151 million											

1) Not included in the ECL calculation

2) Of which, SEK 137 million was attributable to lending to the public and SEK 14 million to off-balance-sheet items linked to loan commitments and building credits.

Impairment model and credit loss provisions

During the year SBAB has revised the forward-looking information twice, in March and June respectively, due to updated macroeconomic forecasts. The forward-looking information is applied in the impairment model and thus used to calculate expected credit losses (ECL). Both updates are based on a somewhat more positive economic outlook in light of the coronavirus pandemic. Furthermore, a large price increase in the Swedish housing market has been observed during 2021. Despite the anticipated strong recovery, the bank still considers there to remain some uncertainty in the Swedish real estate market and economy in general, which lead to a revision in the weights of the scenarios in the forward-looking information. These weights reflect the probabilities to experience credit losses of respective magnitudes. Thus, the revision aims to temporarily limit the positive effect of updated macroeconomic factors. During the third quarter no further revisions of the forward-looking information was deemed necessary and the decrease in credit loss provisions of SEK 8 million was primarily driven by updated market valuations for residential properties and tenant-owners' rights in the lending portfolio.

The above table shows the forward-looking information comprised of a weighting of four applied scenarios with projections of the relevant macroeconomic factors used to calculate ECL. During the first three quarters of 2021 SBAB has closely followed the credit risk exposure in the portfolio due to the development in the economy. The underlying credit risk models in the impairment model are largely based on customers' payment behaviour and market values of collateral and, as yet, show no increase in realised credit risk during the coronavirus pandemic.

SBAB is comfortable with the size of the credit loss provisions, totalling SEK 151 (159) million as per 30 September 2021.

Overall credit quality

Despite the prevailing coronavirus pandemic, the credit quality of SBAB's lending portfolio remains good and the risks entailed in retail lending are low. SBAB's granting of credit to customers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments. The Swedish FSA's annual mortgage market survey, with data from 2020, found that, overall, new residential mortgage

customers continue to have healthy margins to cover repayment of their mortgages even in a worse economic climate. At the end of the quarter, the average loan-to-value (LTV) ratio³⁾ in the mortgage portfolio was 56 percent (59). At the same date, the average residential mortgage to retail customers amounted to SEK 1.8 million (1.8). During the quarter, the LTV for new lending was 69 percent (71) and the debt-to-income ratio was 4.0 (4.0).

The credit quality of SBAB's lending to property companies, property developers and tenant-owners' associations is also assessed as good. The average LTV for property companies and tenant-owners' associations at the end of the quarter was 63 percent (63) and 36 percent (37), respectively. In this business area, the granting of credit is based on an assessment customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the pandemic, the bank is working proactively to identify customers who are or could become particularly financially affected. Since customers' underlying cash flows primarily derive from housing units, they are expected to be less affected, or affected at a later stage, if the pandemic persists. Therefore, SBAB's assessment is that risks may be higher for construction and project development companies, and property companies that are more dependent on capital markets with refinancing needed in the near future. The same applies for tenant-owners' associations with significant revenue from rental premises. There is only a limited portion of the exposures in SBAB's lending portfolio is subject to this potentially higher credit risk. No individual loss provisions or further manual adjustments of counterparties' rating grades in the business area have proved necessary during the third quarter.

Temporary amortisation exemptions

SBAB has up until 31 of August 2021 offered its residential mortgage customers a temporary amortisation exemption in accordance with the Swedish FSA's guidelines (FI Ref. 20-8061) due to the coronavirus pandemic. No additional credit loss provisions have proved necessary since SBAB made the assessment that amortisation exceptions did not affect the credit risk. Instead, the amortisation exemptions have mitigated the increased liquidity risk that has temporarily arisen for the customers.

Customers who declared that the application for amortisation exemption was a result of loss of income due to the coronavirus pandemic are managed by

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

Note 4 Net credit losses, Cont.

SBAB's insolvency team to further assess if a significant increase in credit risk has occurred and a potential movement of the relevant loans to credit stage 2 is needed, or if the amortisation exemption is to be classified as forbearance measure triggering an identification of default and a movement to credit stage 3. This in accordance with the current accounting standard and capital requirements regulations. However, if customers applied for amortisation exemptions for their consumer loans, this should always be regarded as an indication of increased credit risk and a movement to credit stage 2 for the relevant loans.

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

Note 5 Lending to the public

SEK million	GROUP		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
Opening balance, per year	422,835	383,807	383,807
New lending for the period	75,779	95,138	68,720
Amortisation, repayments	-47,350	-56,082	-40,161
Confirmed credit losses	-11	-9	-7
Change in provision for expected credit losses ¹⁾	14	-19	-23
Closing balance, per year/period	451,267	422,835	412,336

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

Distribution of lending, including provisions

SEK million	GROUP		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
Lending, Residential mortgages	327,676	310,816	304,741
Lending, Corporate Clients & Tenant-Owners' Associations	121,203	109,547	105,139
Lending, Consumer loans	2,388	2,472	2,456
Total	451,267	422,835	412,336

Geographical composition

	GROUP			
	Lending, Residential mortgages %		Lending, Corporate Clients & Tenant-Owners' Associations %	
	2021	2020	2021	2020
	Kv 3	Kv 3	Kv 3	Kv 3
Stockholm area	63.1	63.2	46.4	46.6
Öresund region	10.3	10.9	18.4	17.8
University cities and growth regions	10.1	10.3	17.7	17.8
Gothenburg area	10.6	9.6	9.3	9.4
Other regions	6.0	6.1	8.2	8.4

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	GROUP		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
Credit stage 1			
Gross lending	434,360	403,531	394,467
Provision	-45	-45	-52
Total	434,315	403,486	394,415
Credit stage 2			
Gross lending	16,806	19,214	17,823
Provision	-59	-73	-73
Total	16,747	19,141	17,750
Credit stage 3			
Gross lending	238	241	201
Provision	-33	-33	-30
Total	205	208	171
Total gross lending	451,404	422,986	412,491
Total provisions	-137	-151	-155
Total	451,267	422,835	412,336

Note 6 Derivatives

SEK million	GROUP					
	30 Sep 2021			31 Dec 2020		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal value	Assets measured at fair value	Liabilities measured at fair value	Total nominal value
Interest-rate-related	4,551	1,802	474,138	7,198	1,569	442,941
Currency-related	3,230	1,124	92,902	3,692	1,555	101,119
Total	7,781	2,926	567,040	10,890	3,124	544,060

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

Note 7 Operating segments

SEK million	GROUP					
	Jan-Sep 2021					
	Follow-up of operations			Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing ¹⁾	Statutory profit
Net interest income	2,398	699	3,097	-	-	3,097
Commission income	35	35	70	-	-	70
Commission expense	-44	-10	-54	-	-	-54
Net result of financial transactions	-58	-10	-68	-	-	-68
Other operating income	38	0	38	-	-	38
Total operating income	2,369	714	3,083	-	-	3,083
Salaries and remuneration	-286	-71	-357	-	-	-357
Other personnel costs	-174	-47	-221	15	-	-206
Other expenses	-358	-75	-433	-15	25	-423
Depreciation, amortisation and impairment of PPE and intangible assets	-19	-10	-29	-	-25	-54
Net credit losses	3	7	10	-	-	10
Operating profit	1,535	518	2,053	0	0	2,053
Tax	-321	-108	-429	-	-	-429
Profit after standardised tax	1,214	410	1,624	0	0	1,624
Return on equity, %	11.9	11.1	11.7			11.7

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

Note 7 Operating segments, Cont.

SEK million	GROUP					
	Jan-Sep 2020					
	Follow-up of operations			Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing ¹⁾	Statutory profit
Net interest income	2,125	612	2,737	-	-	2,737
Commission income	36	35	71	-	-	71
Commission expense	-66	-17	-83	-	-	-83
Net result of financial transactions	-49	0	-49	-	-	-49
Other operating income	33	0	33	-	-	33
Total operating income	2,079	630	2,709	-	-	2,709
Salaries and remuneration	-261	-58	-319	-	-	-319
Other personnel costs	-164	-41	-205	13	-	-192
Other expenses	-305	-58	-363	-13	23	-353
Depreciation, amortisation and impairment of PPE and intangible assets	-38	-8	-46	-	-23	-69
Net credit losses	-25	-9	-34	-	-	-34
Operating profit	1,286	456	1,742	0	0	1,742
Tax	-287	-102	-389	-	-	-389
Profit after standardised tax	999	354	1,353	0	0	1,353
Return on equity, %	10.8	10.6	10.8	-	-	10.8

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

In May 2021, SBAB acquired the company Boappa. All expenses and revenues are fully allocated to the segments Retail and Corporate Clients & Tenant-Owners' Associations. In relation to the statutory income statement, an expense of SEK 15 million (13) was transferred between the rows "Other expenses" and "Other personnel costs." The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring. IFRS 16 is not

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

Note 8 Classification of financial instruments

Financial assets

SEK million	GROUP						
	30 Sep 2021						
	Financial assets measured at FVTPL			Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification					
Cash and balances at central banks	-	-	-	-	1,300	1,300	1,300
Chargeable treasury bills, etc.	641	-	-	15,808	23,668	40,117	40,115
Lending to credit institutions	-	-	-	-	777	777	777
Lending to the public	-	-	-	-	451,267	451,267	451,328
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	-249	-249	-
Bonds and other interest-bearing securities	214	-	-	29,350	25,409	54,973	55,080
Derivatives	-	7,379	402	-	-	7,781	7,781
Other assets	-	-	-	-	161	161	161
Prepaid expenses and accrued income	5	-	-	161	216	382	382
Total financial assets	860	7,379	402	45,319	502,549	556,509	556,924

Financial liabilities

SEK million	GROUP				
	30 Sep 2021				
	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	-	-	18,664	18,664	18,664
Deposits from the public	-	-	140,645	140,645	140,645
Issued debt securities, etc.	-	-	365,621	365,621	368,514
Derivatives	2,697	229	-	2,926	2,926
Other liabilities	-	-	596	596	596
Accrued expenses and deferred income	-	-	1,815	1,815	1,815
Subordinated debt	-	-	1,996	1,996	1,992
Total financial liabilities	2,697	229	529,337	532,263	535,152

Note 8 Classification of financial instruments, Cont.

Financial assets

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

Financial liabilities

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

Fair value measurement of financial instruments

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

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

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

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

Note 9 Fair value disclosures

SEK million	GROUP							
	30 Sep 2021				31 Dec 2020			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	3,449	13,000	-	16,449	4,258	-	-	4,258
Bonds and other interest-bearing securities	29,564	-	-	29,564	32,352	-	-	32,352
Derivatives	-	7,781	-	7,781	-	10,890	-	10,890
Prepaid expenses and accrued income	166	-	-	166	166	-	-	166
Total	33,179	20,781	-	53,960	36,776	10,890	-	47,666
Liabilities								
Derivatives	-	2,926	-	2,926	-	3,124	-	3,124
Total	-	2,926	-	2,926	-	3,124	-	3,124

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

Quoted market prices (Level 1)

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

Measurement based on observable market data (Level 2)

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

Measurement based in part on unobservable data (Level 3)

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

Note 10 Liquidity reserve and liquidity risk

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

Calculation of survival horizon

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

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

all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no funding is available and deposits decline. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. SBAB's survival horizon amounted to 341 days at 30 September 2021 (349 days at 30 June 2021).

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. At 30 September 2021, the LCR was 221% (278% as of 30 June 2021) in all currencies at the consolidated level, and 565% (3170) and 1805% (1122), respectively, in EUR and USD. Measured in SEK, the LCR was 183% (216). The net stable funding ratio (NSFR), amounted to 134.3% (133.5²) according to of Regulation (EU)2019/876 of the European Parliament and the Council.

SEK billion		CONSOLIDATED SITUATION									
		30 Sep 2021					31 Dec 2020				
		Total	Distribution by currency				Total	Distribution by currency			
	SEK	EUR	USD	Other		SEK	EUR	USD	Other		
Level 1 assets	93.3	73.6	15.1	4.6	-	67.8	47.6	14.7	5.5	-	
Cash and balances with central banks ¹⁾	2.7	2.7	-	-	-	7.7	7.7	-	-	-	
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	45.7	38.4	5.5	1.8	-	13.9	6.6	4.8	2.5	-	
Securities issued by municipalities and public sector entities	13.3	4.8	5.8	2.7	-	15.3	6.9	5.5	2.9	-	
Extremely high quality covered bonds	31.6	27.7	3.8	0.1	-	30.9	26.4	4.4	0.1	-	
Other assets	-	-	-	-	-	-	-	-	-	-	
Level 2 assets	2.7	2.4	0.3	-	-	3.1	2.6	0.5	-	-	
Level 2A assets	2.7	2.4	0.3	-	-	3.1	2.6	0.5	-	-	
Securities issued or guaranteed by sovereigns, central banks, municipalities and public sector entities	-	-	-	-	-	-	-	-	-	-	
High quality covered bonds	2.7	2.4	0.3	-	-	3.1	2.6	0.5	-	-	
Corporate debt securities (lowest rating AA-)	-	-	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	-	-	-	-	
Level 2B assets	-	-	-	-	-	-	-	-	-	-	
Asset-backed securities	-	-	-	-	-	-	-	-	-	-	
High quality covered bonds	-	-	-	-	-	-	-	-	-	-	
Corporate debt securities (rated A+ to BBB-)	-	-	-	-	-	-	-	-	-	-	
Shares (major stock index)	-	-	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	-	-	-	-	
Liquidity reserve	96.0	76.0	15.4	4.6	-	70.9	50.2	15.2	5.5	-	

1) Includes central bank facilities.

2) A technical calculation error resulted in the publication of an NSFR for the second quarter of 2021 that was too high. The published ratio was 138.3%, but the correct ratio should have been 133.5%. The bank does not believe this will have any material effect on liquidity risk.

Note 11 Capital adequacy, own funds and capital requirements

Amendments to the Banking Package

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

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

Buffer requirements

During the first quarter 2020, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5 percent to 0 percent, due to the corona pandemic. The Swedish FSA announced on 29 September 2021 an increase in the countercyclical capital buffer requirement to 1 percent with application from 29 September 2022.

Capital adequacy

SEK million	CONSOLIDATED SITUATION	
	30 Sep 2021	30 Jun 2021
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	18,318	18,039
Tier 1 capital	22,618	22,339
Total capital	24,613	24,334
Risk-weighted exposure amounts		
Total risk exposure amount	137,666	138,024
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	13.3	13.1
Tier 1 ratio (%)	16.4	16.2
Total capital ratio (%)	17.9	17.6
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.4	1.6
of which: to be made up of CET1 capital (percentage points)	2.2	0.9
of which: to be made up of Tier 1 capital (percentage points)	2.5	1.2
Total SREP own funds requirements (%)	11.4	9.6
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	–	–
Institution specific countercyclical capital buffer (%)	0.0	0.0
Systemic risk buffer (%)	–	–
Global Systemically Important Institution buffer (%)	–	–
Other Systemically Important Institution buffer (%)	–	–
Combined buffer requirement (%)	2.5	2.5
Overall capital requirements (%)	13.9	12.1
CET1 available after meeting the total SREP own funds requirements (%)	6.6	7.7

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

SEK million	CONSOLIDATED SITUATION	
	30 Sep 2021	30 Jun 2021
Leverage ratio		
Total exposure measure	581,249	558,051
Leverage ratio (%)	3.9	4.0
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
Additional own funds requirements to address the risk of excessive leverage (%)	–	–
of which: to be made up of CET1 capital (percentage points)	–	–
Total SREP leverage ratio requirements (%)	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
Leverage ratio buffer requirement (%)	–	–
Overall leverage ratio requirement (%)	3.0	3.0
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value - average)	77,236	76,879
Cash outflows - Total weighted value	42,713	42,464
Cash inflows - Total weighted value	8,722	8,777
Total net cash outflows (adjusted value)	33,991	33,687
Liquidity coverage ratio (%)	227,2	228,2
Net Stable Funding Ratio¹⁾		
Total available stable funding	483,891	469,032
Total required stable funding	360,419	351,207
NSFR ratio (%)	134.3	133.5

1) A technical calculation error resulted in the publication of an NSFR for the second quarter of 2021 that was too high. The published ratio was 138.3%, but the correct ratio should have been 133.5%. The bank does not believe this will have any material effect on liquidity risk.

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

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

Own funds

SEK million	CONSOLIDATED SITUATION		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
Common Equity Tier 1 (CET1) capital : Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	15,701	13,995	14,041
Accumulated other comprehensive income (and other reserves)	1,335	2,321	2,550
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	989	1,855	821
Common Equity Tier 1 (CET1) capital before regulatory adjustments	19,983	20,129	19,370
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	-57	-51	-54
Intangible assets (net of related tax liability) (negative amount)	-262	-204	-226
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	-1,281	-2,307	-2,605
Negative amounts resulting from the calculation of expected loss amounts	-42	-51	-45
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-23	-24	-21
Other regulatory adjustments ²⁾	-	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1,665	-2,637	-2,951
Common Equity Tier 1 (CET1) capital	18,318	17,492	16,419
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	4,300	3,500	3,500
– of which, classified as equity under applicable accounting standards	4,300	3,500	3,500
– of which, classified as liabilities under applicable accounting standards	-	-	-
Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	-	-	-
Additional Tier 1 (AT1) capital before regulatory adjustments	4,300	3,500	3,500
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-	-
Additional Tier 1 capital (AT1) capital	4,300	3,500	3,500
Tier 1 capital (T1=CET1+AT1)	22,618	20,992	19,919
Tier 2 (T2) capital: instruments			
Capital instruments and the related share premium accounts	1,995	1,995	1,995
Credit risk adjustments	0	5	5
Tier 2 (T2) capital before regulatory adjustments	1,995	2,000	2,000
Tier 2 capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	-	-	-
Tier 2 (T2) capital	1,995	2,000	2,000
Total capital (TC=T1+T2)	24,613	22,992	21,919
Total risk-exposure amount	137,666	130,267	129,424

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

SEK million	CONSOLIDATED SITUATION		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
Capital ratios and requirements including buffers %			
Common Equity Tier 1 capital	13.3	13.4	12.7
Tier 1 capital	16.4	16.1	15.4
Total capital	17.9	17.6	16.9
Institution-CET1 overall capital requirements	9.2	7.0	7.0
– of which, capital conservation buffer requirement	2.5	2.5	2.5
– of which, countercyclical buffer requirement	0.0	0.0	0.0
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage	2.2	–	–
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	6.6	8.9	8.2
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

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

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

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

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

1, which amounted to SEK 1,905 million as of 30 September 2021. In May 2020, SBAB started to apply a new definition of default according to guidelines submitted by European banking authority (EBA) aimed to harmonize calculations for credit risk between banks. At the transition to the new definition of default in May 2020 the share of defaulted exposures was reduced and the impact on REA was very limited which was in line with the bank's expectations.

Risk exposure amounts and capital requirements

SEK million	CONSOLIDATED SITUATION					
	30 Sep 2021		31 Dec 2020		30 Sep 2020	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	18,197	1,456	16,578	1,326	15,462	1,237
Retail exposures	12,615	1,009	12,181	975	12,447	996
– of which, exposures to SMEs	985	79	913	73	926	74
– of which, retail exposures secured by immovable property	11,630	930	11,268	902	11,521	922
Total exposures recognised with the IRB approach	30,812	2,465	28,759	2,301	27,909	2,233
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0
Exposures to institutions ¹⁾	3,880	310	4,042	323	4,488	359
– of which, derivatives according to CRR, Appendix 2	3,762	301	4,014	321	4,461	357
– of which, repos	118	9	28	2	27	2
– of which, other	0	0	0	0	0	0
Retail exposures	2,669	214	2,613	209	2,520	202
Exposures in default	5	0	7	1	7	1
Exposures in the form of covered bonds	3,537	283	3,738	299	3,796	304
Exposures to institutions and corporates with a short-term credit rating	72	6	10	1	28	2
Equity exposures	175	14	1,266	101	1,266	101
Other items	418	33	327	26	502	40
Total exposures recognised with standardised approach	10,756	860	12,003	960	12,607	1,009
Market risk	348	28	348	28	759	61
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	348	28	348	28	759	61
Operational risk	5,547	444	5,212	417	5,212	417
– of which, standardised approach	5,547	444	5,212	417	5,212	417
Credit valuation adjustment risk (CVA risk)	1,533	123	1,504	120	1,989	159
Additional requirements under Article 458 of the CRR	86,765	6,941	81,649	6,532	80,156	6,412
Additional requirements under Article 3 of the CRR	1,905	152	792	63	792	63
Total risk exposure amount and minimum capital requirements	137,666	11,013	130,267	10,421	129,424	10,354
Capital requirements for capital conservation buffer		3,442		3,257		3,236
Capital requirements for countercyclical buffer		18		17		18
Total capital requirements		14,473		13,695		13,608

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,880 million (4,042).

Note 12 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for the Group amounted to SEK 17,028 million (SEK 15,206 million at 31 December 2020). The internal capital requirement is assessed using SBAB's internal models for economic capital and is not fully comparable to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumptions and methodologies. SBAB estimates that the Swedish FSA's expected total capital requirement as of

30 September 2021 amounted to SEK 19,085 million, of which SEK 4,612 million comprised capital requirement in Pillar 2. SBAB quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period. The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

		CONSOLIDATED SITUATION			
		30 Sep 2021		31 Dec 2020	
		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	3,448	2.5	3,381	2.6
	Market risk	28	0.0	28	0.0
	Operational risk	444	0.3	417	0.3
	Risk-weight floor ¹⁾	6,941	5.1	6,532	5.0
	Surcharge, corporate exposures ²⁾	152	0.1	63	0.1
	Total Pillar 1	11,013	8.0	10,421	8.0
Pillar 2	Credit risk	1,127	0.9	1,124	0.9
	Market risk	1,428	1.0	387 ³⁾	0.3 ³⁾
	Operational risk	-	-	-	-
	Pension risk	-	-	-	-
	Total Pillar 2	2,555	1.9	1,511³⁾	1.2³⁾
Buffers	Capital conservation buffer	3,442	2.5	3,257	2.5
	Capital planning buffer	-	-	-	-
	Countercyclical buffer	18	0.0	17	0.0
	Total Buffers	3,460	2.5	3,274	2.5
Total	17,028	12.4	15,206³⁾	11.7³⁾	
Total own funds	24,613		22,992		

1) On 23 August 2018, the Swedish FSA decided to amend the method for applying the risk weight floor for Swedish Mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The change means the capital requirement is set as a requirement in Pillar 1. The amendment entered force from 31 December 2018 and applies for two years. The Swedish FSA then decided to extend the capital requirement of the risk weight floor in Pillar 1 until 30 December 2021. In September 2021, the Swedish FSA notified the European Commission and the European Systemic Risk Board (ESRB) that it intends to adopt a decision to extend the current risk weight floor for Swedish Mortgages for a period of another two years, in accordance with Article 458 of the CRR.

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

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

Parent Company

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

Profit before credit losses increased to SEK 378 million (369), primarily due to increase Net interest income. Net interest income increased during the period to SEK 465 million (428), mainly driven by higher interest income from subordinated receivable from SCBC. Net commission income was unchanged and amounted to SEK 49 million (49). The net result of financial transactions amounted to an income of SEK 14 million (17) mainly due to lower interest rate differential compensation. Other operating income increased to SEK 923 million (823), which was

mainly driven by comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses grew to SEK 1 073 million (948), mainly due to higher personnel costs, development in adaption to new regulations and investments in digitisation. Credit losses amounted to SEK 0 million (expense: 11). Lending to the public totalled SEK 26,0 billion (25,9). Deposits from the public totalled SEK 140,6 billion (133,9). The CET1 capital ratio amounted to 27.7 percent (24,1) and the total capital ratio was 44.4 percent (37,8). The internally assessed capital requirement was SEK 6,064 million (5,899)

Consolidated income statement

SEK million	PARENT COMPANY					
	2021 Q3	2021 Q2	2020 Q3	2021 Jan-Sep	2020 Jan-Sep	2020 Jan-Dec
Interest income	364	410	446	1,210	1,375	1,811
Interest expense	-246	-248	-310	-745	-947	-1,217
Net interest income	118	162	136	465	428	594
Dividends received	-	-	-	-	-	719
Commission income	23	26	20	75	71	95
Commission expense	-9	-6	-8	-26	-22	-39
Net result of financial transactions	-7	20	-9	14	17	33
Other operating income	311	325	273	923	823	1,181
Total operating income	436	527	412	1,451	1,317	2,583
Personnel costs	-185	-188	-168	-556	-501	-682
Other expenses	-156	-179	-130	-504	-424	-585
Depreciation, amortisation and impairment of PPE and intangible assets	-5	-4	-11	-13	-23	-43
Total expenses before credit losses	-346	-371	-309	-1,073	-948	-1,310
Profit/loss before credit losses	90	156	103	378	369	1,273
Net credit losses	-2	2	10	0	-11	-11
Operating profit	88	158	113	378	358	1,262
Tax	-19	-35	-30	-84	-93	-289
Net profit for the period	69	123	83	294	265	973

Consolidated statement of comprehensive income

SEK million	PARENT COMPANY					
	2021	2021	2020	2021	2020	2020
	Q3	Q2	Q3	Jan-Sep	Jan-Sep	Jan-Dec
Net profit/loss for the period	69	123	83	294	265	973
Other comprehensive income						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	5	-25	37	-45	-44	4
Changes related to cash-flow hedges	-12	-31	-4	-61	30	-2
Tax attributable to components that will be reclassified to profit or loss	2	11	-7	22	3	2
Other comprehensive income/loss, net of tax	-5	-45	26	-84	-11	4
Total comprehensive income for the period	64	78	109	210	254	977

Consolidated balance sheet

SEK million	PARENT COMPANY		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
ASSETS			
Cash and balances at central banks	1,300	6,530	1,300
Chargeable treasury bills, etc.	40,117	10,894	33,533
Lending to credit institutions (Note 13)	103,930	121,069	107,318
Lending to the public	26,001	24,806	25,856
Bonds and other interest-bearing securities	54,973	58,180	59,691
Derivatives	9,620	12,320	16,259
Shares and participations in Group companies	10,475	10,401	10,401
Intangible assets	22	14	15
Property, plant and equipment	58	34	45
Other assets	62	746	24
Prepaid expenses and accrued income	294	391	463
TOTAL ASSETS	246,852	245,385	254,905
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	17,699	20,184	25,472
Deposits from the public	140,645	135,658	133,916
Issued debt securities, etc.	60,420	59,841	60,432
Derivatives	9,570	12,153	15,486
Other liabilities	237	512	385
Accrued expenses and deferred income	712	309	732
Deferred tax liabilities	42	58	60
Provisions	14	20	21
Subordinated debt	1,996	1,995	4,445
Total liabilities	231,335	230,730	240,949
Equity			
Restricted equity			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
Total restricted equity	2,350	2,350	2,350
Unrestricted equity			
Fair value reserve	157	241	226
Additional Tier 1 instruments	4,300	3,500	3,500
Retained earnings	8,416	7,591	7,615
Net profit for the period	294	973	265
Total unrestricted equity	13,167	12,305	11,606
Total equity	15,517	14,655	13,956
TOTAL LIABILITIES AND EQUITY	246,852	245,385	254,905

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 30 September 2021, SEK 88,126 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 109,515 million at the end of 2020. This receivable is subordinated in the event of receivership or liquidation, which means that payment is received only after other creditors of the subsidiary have been

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

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

Amendments to the Banking Package

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

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

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

Buffer requirements

During the first quarter 2020, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5 percent to 0 percent, due to the corona pandemic. The Swedish FSA announced on 29 September 2021 an increase in the countercyclical capital buffer requirement to 1 percent with application from 29 September 2022.

Capital adequacy

SEK million	PARENT COMPANY	
	30 Sep 2021	30 Jun 2021
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	10,407	10,579
Tier 1 capital	14,707	14,879
Total capital	16,702	16,874
Risk-weighted exposure amounts		
Total risk exposure amount	37,604	39,630
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	27.7	26.7
Tier 1 ratio (%)	39.1	37.5
Total capital ratio (%)	44.4	42.6
Additional own funds requirement to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
Additional own funds requirement to address risks other than the risk of excessive leverage (%)	4.6	2.7
of which: to be made up of CET1 capital (percentage points)	2.7	1.5
of which: to be made up of Tier 1 capital (percentage points)	3.5	2.0
Total SREP own funds requirement (%)	12.6	10.7

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

SEK million	PARENT COMPANY	
	30 Sep 2021	30 Jun 2021
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
Institution specific countercyclical capital buffer (%)	0.0	0.0
Systemic risk buffer (%)	-	-
Global Systemically Important Institution buffer (%)	-	-
Other Systemically Important Institution buffer (%)	-	-
Combined buffer requirement (%)	2.5	2.5
Overall capital requirements (%)	15.2	13.2
CET1 available after meeting the total SREP own funds requirements (%)	20.5	20.7
Leverage ratio		
Total exposure measure	158,213	147,709
Leverage ratio (%)	9.3	10.1
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
Additional own funds requirements to address the risk of excessive leverage (%)	-	-
of which: to be made up of CET1 capital (percentage points)	-	-
Total SREP leverage ratio requirements (%)	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
Leverage ratio buffer requirement (%)	-	-
Overall leverage ratio requirement (%)	3.0	3.0
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value -average)	77,236	76,879
Cash outflows - Total weighted value	52,419	52,656
Cash inflows - Total weighted value	8,210	9,003
Total net cash outflows (adjusted value)	44,209	43,653
Liquidity coverage ratio (%)	174.7	176.1
Net Stable Funding Ratio		
Total available stable funding	196,729	196,612
Total required stable funding	133,920	140,935
NSFR ratio (%)	146.9	139.5

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

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

Own funds

SEK million	PARENT COMPANY		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
Common Equity Tier 1 (CET1) capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	8,808	7,983	8,006
Accumulated other comprehensive income (and other reserves)	157	241	226
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	-356	973	-276
Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,567	11,155	9,914
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	-65	-71	-78
Intangible assets (net of related tax liability) (negative amount)	-14	-14	-15
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	-41	-89	-114
Negative amounts resulting from the calculation of expected loss amounts	-18	-39	-40
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-22	-25	-21
Other regulatory adjustments ²⁾	-	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-160	-238	-268
Common Equity Tier 1 (CET1) capital	10,407	10,917	9,646
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	4,300	3,500	3,500
– of which, classified as equity under applicable accounting standards	4,300	3,500	3,500
– of which, classified as liabilities under applicable accounting standards	-	-	-
Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	-	-	-
Additional Tier 1 capital before regulatory adjustments	4,300	3,500	3,500
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-	-
Additional Tier 1 (AT1) capital	4,300	3,500	3,500
Tier 1 capital (T1= CET1+AT1)	14,707	14,417	13,146
Tier 2 (T2) capital: Instruments			
Capital instruments and the related share premium accounts	1,995	1,995	1,995
Credit risk adjustments	-	-	-
Tier 2 (T2) capital before regulatory adjustments	1,995	1,995	1,995
Tier 2 (T2) capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	-	-	-
Tier 2 (T2) capital	1,995	1,995	1,995
Total capital (TC= T1+T2)	16,702	16,412	15,141
Total risk-exposure amount	37,604	38,322	40,059

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

SEK million	PARENT COMPANY		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
Capital ratio and requirements including buffers, %			
Common Equity Tier 1 capital	27.7	28.5	24.1
Tier 1 capital	39.1	37.6	32.8
Total capital	44.4	42.8	37.8
Institution CET1 overall capital requirements	9.7	7.0	7.0
– of which, capital conservation buffer requirement	2.5	2.5	2.5
– of which, countercyclical buffer requirement	0.0	0.0	0.0
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage	2.7	–	–
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	20.5	24.0	19.6
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	–	–	–

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

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

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

Risk exposure amounts and capital requirements

SEK million	PARENT COMPANY					
	30 Sep 2021		31 Dec 2020		30 Sep 2020	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	7,829	626	7,740	619	7,730	618
Retail exposures	1,171	94	941	75	1,044	84
– of which, exposures to SMEs	68	6	58	5	111	9
– of which, retail exposures secured by immovable property	1,103	82	883	70	933	75
Total exposures recognised with the IRB approach	9,000	720	8,681	694	8,774	702
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0
Exposures to institutions ¹⁾	3,300	264	3,934	315	4,348	348
– of which, derivatives according to CRR, Appendix 2	3,300	264	3,899	312	4,324	346
– of which, repos	–	–	19	2	12	1
– of which, other	–	–	16	1	12	1
Retail exposures	2,669	214	2,613	209	2,520	202
Exposures in default	5	0	7	1	7	1
Exposures in the form of covered bonds	3,537	283	3,738	299	3,796	304
Exposures to institutions and corporates with a short-term credit rating	19	1	11	1	29	2
Equity exposures	10,475	838	11,566	925	11,566	925
Other items	136	11	96	7	108	10
Total exposures recognised with standardised approach	20,141	1,611	21,965	1,757	22,374	1,792
Market risk	57	5	74	6	81	6
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	57	5	74	6	81	6
Operational risk	2,567	205	2,148	172	2,148	172
– of which, standardised approach	2,567	205	2,148	172	2,148	172
Credit valuation adjustment risk (CVA risk)	630	50	1,286	103	1,728	138
Additional requirements under Article 458 of the CRR	4,935	395	3,992	320	4,778	382
Additional requirements under Article 3 of the CRR	274	22	176	14	176	14
Total risk exposure amount and minimum capital requirements	37,604	3,008	38,322	3,066	40,059	3,206
Capital requirements for capital conservation buffer		940		958		1,001
Capital requirements for countercyclical buffer		7		7		7
Total capital requirements		3,955		4,031		4,214

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,300 million (3,918).

Note 15 Business acquisitions

Acquisition 2021

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

Boappa is an app that makes everyday life easier for both boards and members of tenant-owner associations, communities and new production projects. In Boappa, all information and practical functionality is gathered in one place: communication with members, booking systems for common facilities and tools that facilitate board work. Boappa started in 2015 and today consists of five employees in Sweden (CEO, sales manager, COO, Head of communication & Client support) and a development team of three people. The number of affiliated tenant-owner associations is growing and amounts to 3,550 with 54,000 users at the end of the third quarter.

Acquired net assets at the time of acquisition:

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

The purchase price consists of:

Cash	31
Debt to owners of remaining shares	33

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

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

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

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

Alternative performance measures

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

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

Deposits/lending

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

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

SEK million	GROUP		
	30 Sep 2021	30 Sep 2020	31 Dec 2020
Deposits from the public	140,645	133,916	135,658
Lending to the public	451,267	412,336	422,835
Deposits/lending, %	31.2	32.5	32.1

C/I ratio

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

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

SEK million	GROUP		
	2021	2020	2020
	Jan-Sep	Jan-Sep	Jan-Dec
Expenses	-1,040	-932	-1,335
Operating income	3,083	2,709	3,728
C/I ratio, %	33.7	34.4	35.8

C/L ratio

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

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

SEK million	GROUP		
	2021	2020	2020
	Jan-Sep	Jan-Sep	Jan-Dec
Expenses	-1,040	-932	-1,335
- Expenses (annualised)	-1,386	-1,243	-1,335
Aver. lending to the public	437,051	398,071	403,321
C/L ratio, %	0.32	0.31	0.33

Return on equity

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

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

SEK million	GROUP		
	2021	2020	2020
	Jan-Sep	Jan-Sep	Jan-Dec
Operating profit after tax	1,624	1,353	1,839
- Op. profit after tax (annualised)	2,165	1,804	1,839
Average equity	18,556	16,739	16,965
Return on equity, %	11.7	10.8	10.8

Net interest margin

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

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

SEK million	GROUP		
	2021	2020	2020
	Jan-Sep	Jan-Sep	Jan-Dec
Net interest income	3,097	2,737	3,747
- Net interest inc. (annualised)	4,129	3,649	3,747
Average balance sheet total	534,594	500,155	493,446
Net interest margin, %	0.77	0.73	0.76

Credit loss ratio

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

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

SEK million	GROUP		
	2021	2020	2020
	Jan-Sep	Jan-Sep	Jan-Dec
Credit losses	10	-35	-32
- Credit losses (annualised)	14	-46	-32
Lending to the public	451,267	412,336	422,835
Credit loss ratio, %	0.00	-0.01	-0.01

Share of Stage 3 loans, gross, %

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

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

SEK million	GROUP		
	30 Sep 2021	30 Sep 2020	31 Dec 2020
Gross lending credit stage 3	240	203	241
Lending to the public	451,267	412,336	422,835
Share of Stage 3 loans, %	0.05	0.05	0.06

New lending

Definition: Gross lending for the period.

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

Definitions of other key performance indicators

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

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

Solna, 26 October 2021

Klas Danielsson
CEO

Financial calendar

Year-end Report 2021	10 February 2022
Interim Report Jan-Mar 2022	28 April 2022
Interim Report Jan-Jun 2022	18 July 2022
Interim Report Jan-Sep 2022	27 October 2022
Year-end Report 2022	7 February 2023

The Annual General Meeting will be held 27 April 2022

Credit ratings

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



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

