

Year-end report

January–December 2021



The year in brief

Q4 2021

(Q3 2021)

- Total lending increased 3.5% to SEK 467.0 billion (451.3).
- Net interest income fell marginally to SEK 1,017 million (1,025), mainly driven by lower interest income that, despite increased volumes, was offset by certain pressure on the margins.
- Operating profit decreased 11.2% to SEK 588 million (662), driven by higher costs in the form of personnel costs and depreciation, amortisation and impairment.
- Net credit losses remained low and amounted to SEK 1 million (5).
- The return on equity amounted to 9.4% (11.0) and the C/I ratio was 43.5% (34.8).
- For the third consecutive year, in 2021, SBAB had the most satisfied customers in Sweden according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI) in terms of residential mortgages to private individuals and property loans to corporates and tenant-owners' associations.
- On 8 November 2021 Klas Danielsson was dismissed as CEO for SBAB and Mikael Inglander, previously CFO, took over as acting CEO.

January–December 2021

(January–December 2020)

- Total lending increased 10.5% to SEK 467.0 billion (422.8).
- Net interest income grew to SEK 4,114 million (3,747), mainly due to higher lending volumes and lower funding costs.
- Operating profit rose 11.9% to SEK 2,641 million (2,361).
- Net credit losses remained low and amounted to SEK 11 million (loss: 32).
- Return on equity amounted to 11.1% (10.8) and the C/I ratio was 36.2% (35.8).
- Great Place to Work named SBAB as Sweden's fourth-best place to work for the third consecutive year.
- Housing & household finances ecosystem strengthened by the acquisition of Boappa, a communication and administration service for tenant-owners' associations.
- At the end of the year, the market share in savings and property financing solutions to property companies amounted to 15.6% (14.3).

Total lending 2021, SEK bn

467

Total deposits 2021, SEK bn

145

11.1%

Return on equity, 2021

0.00%

Credit loss ratio, 2021

13.5%

CET1 capital ratio, 2021

36.2%

C/I ratio, 2021

Selected key metrics

	GROUP					
	2021	2021	Change	2021	2020	Change
	Q4	Q3		Jan–Dec	Jan–Dec	
Total lending, SEK bn	467.0	451.3	+3.5%	467.0	422.8	+10.5%
Total deposits, SEK bn	145.0	140.6	+3.1%	145.0	135.7	+6.9%
Net interest income, SEK million	1,017	1,025	-0.8%	4,114	3,747	+9.8%
Net result of financial transactions, SEK million	-3	-32	29 mn	-71	-38	-33 mn
Expenses, SEK million	-452	-351	+28.8%	-1,492	-1,335	+11.8%
Credit losses, SEK million	1	5	-4 mn	11	-32	+43 mn
Operating profit, SEK million	588	662	-11.2%	2,641	2,361	+11.9%
Return on equity, %	9.4	11.1	-1.7 pp	11.1	10.8	+0.3 pp
C/I ratio, %	43.5	34.8	+8.7 pp	36.2	35.8	+0.4 pp
CET1 capital ratio, %	13.5	13.3	+0.2 pp	13.5	13.4	+0.1 pp

This is SBAB

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



Vision

To offer the best residential mortgages in Sweden



Mission

To contribute to better housing and household finances

Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search engine and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli, HittaMäklare and Boappa brands. We meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.51% on 31 December 2021, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se has Sweden's largest offering of homes for sale.

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SBAB!

hittamäklare!

A service by SBAB

booli!

A service by SBAB

boappa!

A service by SBAB

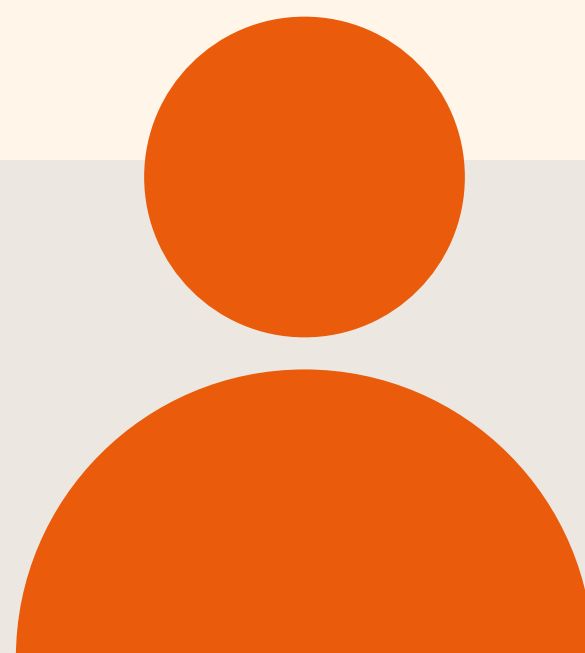
Corp. & ToA business area

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to companies and organisations. We finance multi-family dwellings, existing as well as new 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 16.17% on 31 December 2021. At the same time, the market share for lending to tenant-owners' associations was 10.14%.

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SBAB assigns priority to four Sustainable Development Goals



Statement from the CEO



Looking back on 2021, we can say that the year wrapped up with another strong quarter for SBAB. The pandemic continued to leave its mark on the world during the year and we expect that it will take some time before the world returns to a new normal. Consumers' behaviour in the housing market has also been affected by the pandemic, with increased demand for homes, contributing to rising prices and high turnover. In the latter half of the year, however, we saw more normal seasonal patterns in housing purchases. During the year, SBAB continued to grow and capture market shares within residential mortgages and property financing solutions to property companies at the same time as we posted a positive earnings trend. For the third consecutive year, SBAB had the most satisfied customers in Sweden in terms of residential mortgages and property loans.

Despite increased competition in the residential mortgage market, SBAB continued to grow and capture market shares during the year, in retail as well as corporate. Many people chose to become new SBAB customers during the year – the number of retail customers increased from 286,000 at the end of the previous year to 291,000 at the end of this year. Our new lending for mortgages in the fourth quarter amounted to SEK 18 billion, one of our strongest quarters ever. During the year, our net residential mortgage lending increased SEK 24 billion and our market share increased from 8.47% to 8.51%. Our lending to property companies increased significantly during the year, from SEK 54 billion to SEK 69 billion, and we captured a market share of 52.3% of market growth during the year. Lending to tenant-owners' associations also had

a strong year and new lending increased to a level above our market share. Our market shares increased from 13.35% to 16.17% for property companies and from 9.93% to 10.14% for tenant-owners' associations.

Low but rising interest rates

After a temporary downturn during the summer, long-term market interest rates increased during the autumn and by the end of the year were back on a par with early summer 2019. Despite the increase, from a big-picture perspective interest rates are still low. In 2021, we continued to benefit from low interest rates and the extraordinary measures taken by the central banks, specifically access to cheap lending. There are good reasons to believe that the situation going forward will normalise and that rates will increase, which will result in higher

borrowing costs for SBAB as well as other players in the market.

Sweden's most satisfied customers, again

At the end of the year, the Swedish Quality Index (Svenskt Kvalitetsindex, SKI) announced that for the third consecutive year, SBAB had the most satisfied customers in Sweden in terms of residential mortgages and property loans. We are pleased and proud about this. It is clear that many customers appreciate SBAB's clear offering and transparent pricing. All of our employees who interact with retail and corporate customers also do a fantastic job with a focus on service and expert help. Our strong brand position and sustainable business model are additional factors that contribute to customer satisfaction. During the year we continued efforts to further strengthen and develop the SBAB brand through our communication concept "Household finances are really fun." The series of commercials uses humour to present the opportunities and challenges of the housing journey.



Maintaining and growing SBAB's strong position compared to competitors is essential for our continued success. Competition in the residential mortgage market increased during the year, as did the rate of digitalisation. Everything indicates that this trend will continue or even grow. During the year, the major banks announced a clearer focus on defending their market shares in residential mortgage transactions, which was also clear in their increased growth in the second half of the year. We managed to defend and increase our market shares during the year. We can also see that digitalisation is becoming an increasingly important competitive advantage for customer experience, growth and efficiency. In 2021, we have focused a great deal on developing our digital services and streamlining our processes.

Continued digitalisation of core business

Focus continues on digitalising the entire mortgage process, from the loan commitment to signing the contract. During the year we launched digital signatures for loan documents in deposit loans and will continue for all loans during the coming years. Our Smart loan commitment service has a high number of users. Customers can use Smart loan commitment to update and adjust the loan commitment themselves based on currently available options. This way they no longer have to contact the bank for each new bid if they choose another type of residence or if their situation changes. The Booli app also displays suggestions for relevant homes that match the customer's loan commitment.

Our technical infrastructure, which includes the banking systems, comprises a prerequisite for our digitalisation. A significant portion of the IT transformation has been completed, and in 2021 we entered the final phase of our major system project of replacing the bank's core IT-systems and creating even better conditions for fast and innovative development and digitalisation.

An expanded ecosystem of services relating to housing and household finances

During the year we strengthened our customer offering in our ecosystem of services within housing and household finances for the different phases of the housing journey. Through Booli, we offer

Sweden's largest collected offering of housing advertisements, both homes that are for sale and homes that soon will be ("coming soon"). "Coming soon" advertisements have increased over the last few years and for portions of 2021 exceeded "for sale" advertisements. As a search engine and expert in housing market data, Booli has the market's most comprehensive offering of "coming soon" advertisements. During the quarter, Booli had around 1.3 million visitors per month. Booli also provides Sweden's largest home valuation service that customers can use to value their homes for free.

Through HittaMäklare, we offer Sweden's largest estate agent search and recommendation service for finding the right agent before you sell your home. Around 92% of all estate agents in Sweden are registered on HittaMäklare. In 2021, we expanded our offering in the housing and household finances ecosystem through the acquisition of Boappa, a communication and administration service for tenant-owners' associations and their residents.

booli!
En tjänst från SBAB

Risk tax hits SBAB hard

During the year, the Swedish parliament voted in favour of a proposed risk tax, which will be introduced for credit institutions with liabilities of at least SEK 150 billion. The new law for risk tax applies as of 1 January 2022. SBAB is affected more than other banks, since we have a niche customer offering in the form of residential mortgages, a low-risk operation with a low earnings margin, which means a large balance sheet and high levels of debt.

We provided a response listing a number of deficiencies in the structure of the tax. There is no analysis demonstrating a connection between the level of tax to the alleged risks, it distorts competition since it does not apply to all credit institutions but hits credit institutions in low-risk operations (such as residential mortgages) particularly hard.

Our values-driven way of working leads us forward

During the year, Great Place to Work named us as Sweden's fourth-best place to work for the third consecutive year. SBAB was ranked 28 in GPTW's list of Europe's best workplaces, in the category larger organisations. SBAB's values-driven way of working is a prerequisite for



maintaining the pace of operations and carrying out our strategic priorities. At the same time, it is a key factor for ensuring our position as an attractive workplace and strengthens our brand as an employer.

The strategy remains

On 8 November 2021, I was appointed acting CEO for SBAB. Our strategies and our focus remain the same so we can continue to work for even stronger relationships with our customers, increased operating efficiency and focus as digitalisation of the mortgage process continues. My goal is for us to become even better at prioritising and reaching goals in various development and investment initiatives.

Altogether, I can look back on yet another successful year. I would like to thank all of our employees for their commitment and ability to work together to develop the bank. I look forward to 2022 with expectations, curiosity and confidence.

Mikael Inglander
Acting CEO, SBAB

Our climate impact is measured – all the way

Homes account for a large proportion of the total energy consumption in Sweden. Our financing and credit granting enables us to influence the housing market through requirements, terms and dialogue with the aim of reducing energy consumption and our carbon footprint. We want to leverage this opportunity.

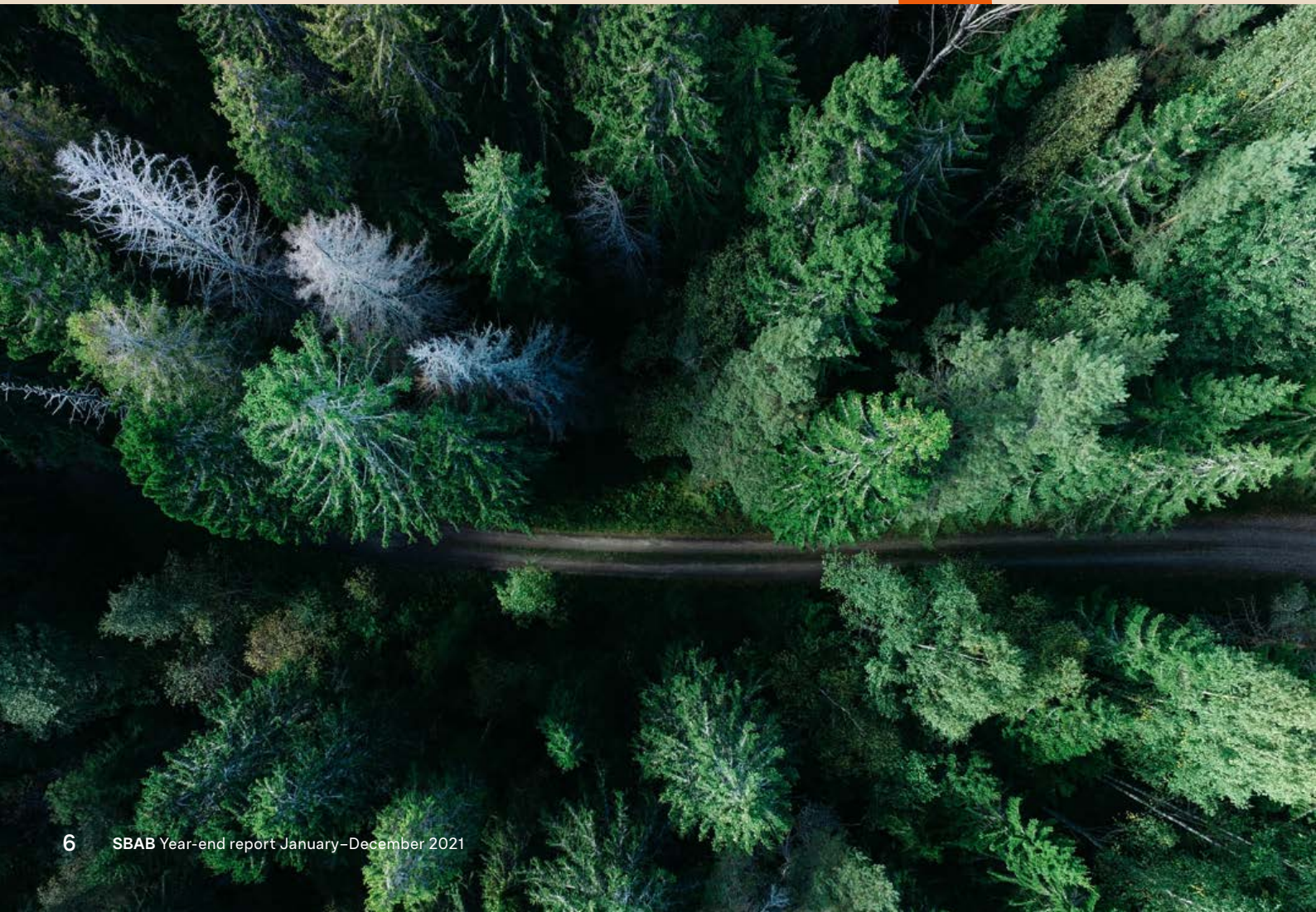
To this end we have a systematic project to reduce our climate impact and a goal to reduce our emissions by 15% by 2025. Whatever we cannot reduce, we will climate compensate.

In 2021, we also started measuring carbon emissions from our own portfolio, meaning our indirect climate impact, which we will report in the 2021 Annual Report (will be published 25 March 2022). Knowing the volume of emissions generated by our portfolio allows us to work more specifically on reducing it.

Improved sustainability ratings

Many investors who purchase sustainable bonds place a great deal of emphasis on the sustainability rating of the companies they are purchasing from. In 2021, SBAB received upgraded sustainability ratings:

- MSCI gave us an AA rating, in a scale from CCC to AAA. Only 2% of companies have a better rating than us.
- Sustainalytics downgraded our risk level (low risk) and increased our ESG management rating (from medium to strong). Only 3% of companies have a better rating than us.



Market overview

Swedish economy

The economy remains strong despite rising infection rates and early indicators suggest that the Swedish GDP grew during the last quarter of 2021, even though the monthly rate was slower compared to the most recent months. This positive trend can be attributed to strong domestic demand with continuously rising investments in business and an increase in household consumption. A relatively strong recovery in Sweden and the rest of the world has led to several bottlenecks, which slowed Sweden's GDP growth during the year. Sentiment indicators in the industry are still high, even if those for the industry as a whole have fallen somewhat since October. During the first three quarters of the year, the GDP grew 4.2%. The full-year figure for 2021 is estimated to be 4.4%.

In 2022, the rate of recovery is expected to decline somewhat and the GDP to grow 3.6%. The coronavirus spread quickly during the first half of the year. However, its effect on the economy is expected to grow weaker with time due to recurring vaccination programmes and better understanding of how to reduce its spread in the future.

During the beginning of the fourth quarter of 2021, employment began to increase somewhat as unemployment decreased. Despite the strong GDP trend, employment remains slightly over 8%. Reduced spread of the virus and eased restrictions mean that relatively labour-intensive industries such as restaurants and tourism will recover better, which can lead to an improved labour market and a faster drop in unemployment in 2022.

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

Fixed-income market

Despite last year's dramatic drop in GDP and rapid rise in unemployment during the beginning of the pandemic, the Riksbank chose to keep the repo rate unchanged at 0% and instead focus on quantitative easing to ensure a well-functioning fixed-income market. This entailed buying assets in the form of government bonds and covered bonds. The repo rate remained at 0% for all of 2021, while asset purchases continued to grow up through the fourth quarter.

The Riksbank's actions probably contributed to lower interest rates for slightly longer maturities. However, there is increasing volatility in the fixed-income market, which is due in part to the rising public debt and in part to high inflation outcomes. The unusually high inflation outcome at the end of 2021 led to elevated expectations of inflation and a more convex forward interest rate curve, though without major long-term increases in the implicit expected short-term interest rates. Interest rates in government bonds and covered bonds also started a gradually rising trend. Interest rates for long-term mortgage bonds in the fourth quarter, for example, were an average of 20 basis points higher compared with the average for the first three quarters of the year.

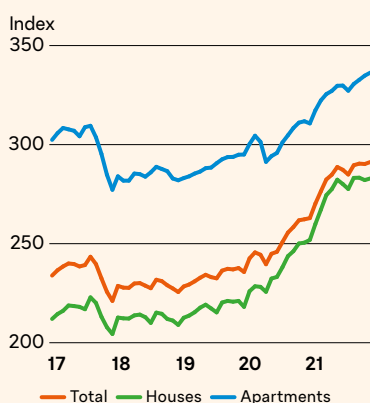
Read more about forecasts of the mortgage rate trends in the latest edition of SBAB Boräntnytt (in Swedish), available [here](#).

Housing prices

The growth rate for housing prices continued to slow down in the fourth quarter of 2021. To a certain extent, this change can be attributed to the usual slow growth during the fourth quarter,

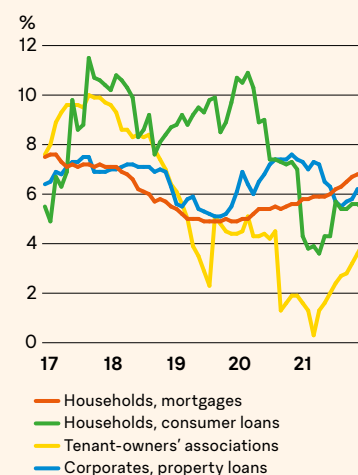
Housing price trend

(HOX index 2005=100)



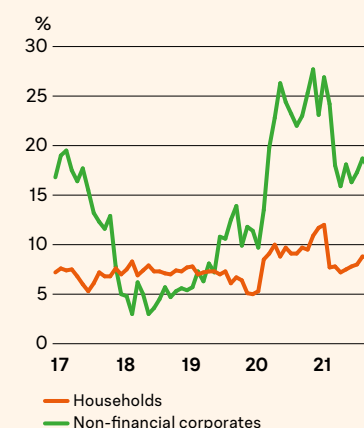
Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



but also to the effects of the coronavirus pandemic, such as low mortgage rates, tapering off. Tenant-owner apartment prices have posted a general increase of almost 7% and houses have risen around 8% for 2021. Advertising periods remain short, under two weeks. Overall, the housing market during the fourth quarter remained hot, with multiple bidders per object and many completed housing transactions. This is also characterised by more and more homes being advertised as “coming soon.” The housing market remained strong in the beginning of 2022, with short advertising periods and high bid premiums. There was also no discernible price pressure from high electricity prices, though higher electricity prices are expected to eventually lead to somewhat lower housing prices.

The temporary exemption from the amortisation requirement that was introduced in the wake of the pandemic ended on 1 September 2021 without any apparent effects on housing prices or sales of homes. To a large extent this was expected, since these kinds of temporary measures are not expected to have any long-term effect on housing prices and their introduction did not have any apparent effect. Long-term housing price development is due to a range of structural factors, including household incomes and mortgage rates.

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 59,000 houses and 132,000 apartments sold in the full year. This represents an increase of almost 4% for houses and 10% for tenant-owner apartments compared with 2020. The high turnover largely continued throughout the entire fourth quarter, with only a marginal slowdown for houses. Housing sales are high and entirely in line with previous booms for tenant-owner apartments. However, turnover of houses is down slightly compared with a normal boom. This is likely due to the pandemic,

as many homeowners have decided to put off selling their houses, especially older people who would prefer more living space over a smaller tenant-owner apartment during the prevailing circumstances.

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.

Similar to the market for existing housing stock, the market for new housing production has fared well through all of 2021. 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. The number of homes sold decreased somewhat during the fourth quarter, though since advertising periods also decreased this was likely due to a shrinking offering. On the other hand, the pace of construction has increased significantly. According to preliminary data for the first six months of the year, new housing starts were up 11% year-on-year, amounting to 44,000. Taking into account the reporting lag, this is more likely to represent an increase in construction of over 15%.

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 rose gradually during the year. Initially, it was at an annualised rate of 5.8%, but climbed to 6.9% in December. This is expected to fall back slightly next year, due in part to slower house price growth but also to lower turnover. Based on historic experience, there is no strong connection

between housing credit growth and, for example, GDP growth. In the next few years, lending growth is expected to remain at around 5% per year.

The rapid improvement in the economy resulted in the growth rate of household deposits falling to a relatively normal level. It is currently around 9%, 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 15%. There was initially something of an increase during the fourth quarter, which is likely the result of bottlenecks and difficulties making investments. In pace with conditions improving in 2022, however, growth in deposits from non-financial corporates is expected to continue to slow down.



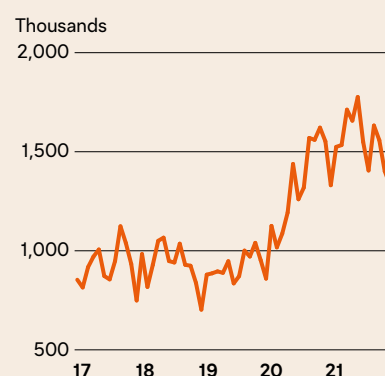
Booli has Sweden's largest offering of homes for sale

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
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
New lending for the period, SEK bn	31.3	25.1	26.4	107.1	95.1
Net change in lending for the period, SEK bn	15.8	9.5	10.5	44.2	39.0
Total lending, SEK bn	467.0	451.3	422.8	467.0	422.8
No. of deposit accounts, thousand	465	458	435	465	435
Net change in deposits, SEK bn	4.3	2.5	1.7	9.3	5.1
Total deposits, SEK bn	145.0	140.6	135.7	145.0	135.7
Deposits/lending, %	31.0	31.2	32.1	31.0	32.1
Retail business area					
No. of mortgage customers, thousand	291	289	286	291	286
No. of mortgage objects financed, thousand	186	185	183	186	183
New lending, SEK bn	20.8	19.7	19.6	78.8	65.6
Net change in lending for the period, SEK bn	7.1	5.6	6.1	23.9	19.4
Total lending, Retail, SEK bn	337.2	330.1	313.4	337.2	313.4
Residential mortgages, SEK bn	334.9	327.7	310.8	334.9	310.8
Consumer loans, SEK bn	2.3	2.4	2.5	2.3	2.5
Market share, Residential mortgages, % ¹⁾	8.51	8.49	8.47	8.53	8.47
Market share, Consumer loans, % ¹⁾	0.78	0.81	0.87	0.78	0.87
Total deposits, Retail, SEK bn	101.8	99.9	95.5	101.8	95.5
No. of retail customers with savings accounts, thousand	402	397	379	402	379
Market share deposits, Retail, % ¹⁾	4.30	4.29	4.38	4.31	4.38
Corporate Clients & Tenant-Owners' Associations business area					
No. of housing financing customers	2,588	2,463	2,331	2,588	2,331
New lending, SEK bn	10.5	5.4	6.9	28.3	29.5
Net change in lending for the period, SEK bn	8.6	3.9	4.4	20.3	19.6
Total lending, Corp. Clients & Tenant-Own. Asso., SEK bn	129.8	121.2	109.5	129.8	109.5
Lending, Corporate clients, SEK bn	68.7	63.0	54.1	68.7	54.2
Lending, Tenant-owners' associations, SEK bn	61.1	58.2	55.4	61.1	55.4
Market Share Corporate Clients (multi-family dwellings), % ¹⁾	16.17	15.13	13.35 ²⁾	16.17	13.35 ²⁾
Market share, Tenant-owners' associations, % ¹⁾	10.14	9.97	9.93 ²⁾	10.14	9.93 ²⁾
Total deposits, Corp. Clients & Orgs. SEK bn	43.2	40.7	40.2	43.2	40.2
No. of customers with savings accounts, Corp. clients and Orgs.	12,200	12,300	12,500	12,200	12,500
Market share deposits, Corp. clients and organisations, % ¹⁾	2.25	2.16	2.38	2.12	2.38

1) Source: STATISTICS SWEDEN

2) Comparative data from Statistics Sweden have been updated retroactively. In the table, historical figures are adjusted according to updated comparative data

Retail business area

Trend for Q4 2021 compared with Q3 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 fourth 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 raised the listed rates for fixed-interest periods. At the end of the fourth quarter, the lowest listed rate was for one-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 20.8 billion (19.7). The right to pause amortisation due to the prevailing coronavirus pandemic expired at the end of August 2021 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 164 customers have received extended amortisation relief after the end of December.

These customers have been assessed and granted relief according to the normal rules.

Total retail lending increased to SEK 337.2 billion (330.1), of which SEK 334.9 billion (327.7) comprised residential mortgages and SEK 2.3 billion (2.4) consumer loans. The number of residential mortgage customers amounted to 291,000 (289,000) distributed over 186,000 (185,000) mortgage objects.

The market share of residential mortgages was 8.51% (8.49) on 31 December 2021. At the same date, the market share for consumer loans was 0.78% (0.81). 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 59.7% (61.6) at the end of the quarter. The decline was due to new and existing customers choosing to allocate larger portions of their loans to fixed-interest periods, primarily one to three years.

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 101.8 billion (99.9). At the end of the quarter, approximately 402,000 (397,000) retail customers held savings accounts with SBAB. The market share of retail deposits was 4.30% (4.29) on 31 December 2021.

User trends

Every month, many people visit SBAB's, Booli's, HittaMäklare's and Boappa's websites and apps to manage mortgages and savings or to find inspiration about housing and household finances. The number of unique visitors per month to www.sbab.se averaged around 478,000 (453,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 125,000 (116,000) 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 1,311,000 (1,532,000) during the quarter. Booli's monthly property valuation email had more than 664,000 subscribers at the end of the fourth 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 93% of the registered estate agents in Sweden. At the end of the fourth quarter, Boappa had over 3,000 tenant-owners' associations signed up.

Sweden's most satisfied residential mortgage customers

In 2021 SBAB once again had 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. For the third consecutive year, we had the most satisfied mortgage customers with a customer satisfaction score of 76.1 out of 100, which is well above the industry average of 72.0. The driving factors behind these strong results are reliability, simplicity and caring about our customers. We are simple and transparent in our interaction with customers. At SBAB, customers don't need to negotiate their mortgage rate or buy extra services to obtain favourable terms.



Corporate Clients & Tenant-Owners' Associations business area

Trend for Q4 2021 compared with Q3 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 buildings. 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 fourth 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 10.5 billion (5.4). However, the market for new lending to tenant-owners' associations remains dominated by intense price competition.

Total lending increased to SEK 129.8 billion (121.2), of which SEK 68.7 billion (63.0) comprised lending to corporates and SEK 61.1 billion (58.2) 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. At the end of the quarter, no pandemic-related amortisation relief applied for housing.

The market share of corporate lending (multi-family dwellings) increased to 16.17% on 31 December 2021 (15.13), up from 13.35% over the year. At the same date, the market share for lending to tenant-owners' associations was 10.14% (9.97). The number of housing financing customers continued to increase and was 2,588 (2,463) at the end of the quarter.

Savings accounts (deposit)

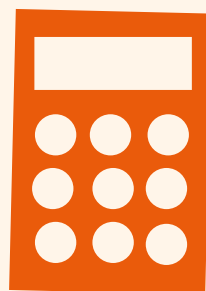
Deposits from corporate clients and organisations increased during the quarter and totalled SEK 43.2 billion (40.7). During the quarter, the maximum amount for a savings account for legal entities increased from SEK 150 million to SEK 200 million. At the end of the quarter, approximately 12,200 (12,300) customers held savings accounts with SBAB. The market share of deposits from corporate clients and organisations increased during the quarter and was 2.25% at the end of December (2.16).

Sweden's most satisfied corporate customers

For the fourth consecutive year, we had the most satisfied mortgage customers with a customer satisfaction score of 77.2 out of 100, which is well above the industry average of 72.0. Our corporate customers, in the form of tenant-owners' associations, property companies and construction companies, particularly appreciate our competence, treatment and service.



Financial performance



Income statement overview

SEK million	GROUP						
	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2021 Jan-Dec	2020 Jan-Dec
Net interest income	1,017	1,025	1,031	1,041	1,010	4,114	3,747
Net commission	13	2	11	3	-12	29	-24
Net result of financial transactions (Note 3)	-3	-32	-21	-15	11	-71	-38
Other operating income	12	13	12	13	10	50	43
Total operating income	1,039	1,008	1,033	1,042	1,019	4,122	3,728
Expenses	-452	-351	-366	-323	-402	-1,492	-1,335
Profit before credit losses and impairments	587	657	667	719	617	2,630	2,393
Net credit losses (Note 4) 1)	1	5	-4	9	2	11	-32
Operating profit	588	662	663	728	619	2,641	2,361
Tax	-131	-137	-140	-152	-133	-560	-522
Net profit for the period	457	525	523	576	486	2,081	1,839
Return on equity, % ¹⁾	9.4	11.0	11.3	12.7	11.1	11.1	10.8
C/I ratio, %	43.5	34.8	35.5	31.0	39.5	36.2	35.8
Credit loss ratio, %	0.00	0.00	0.00	0.01	0.00	0.00	-0.01
Share of Stage 3 loans, gross, %	0.05	0.05	0.05	0.06	0.06	0.05	0.06
Net interest margin, %	0.73	0.77	0.78	0.81	0.78	0.77	0.76
Number of employees (FTEs)	839	797	811	777	760	839	760

1) Including impairment and reversals of impairment of financial assets

Trend for Q4 2021 compared with Q3 2021

Operating profit was somewhat lower than the previous quarter and amounted to SEK 587 million (662), primarily due to higher costs in the form of personnel costs and depreciation, amortisation and impairment. The return on equity amounted to 9.4% (11.0) and the C/I ratio was 43.5% (34.8).

Net interest income

Net interest income declined marginally to SEK 1,017 million (1,025). Interest income was somewhat lower than the previous quarter, despite increased volumes, since income was counteracted by a certain pressure on the margins. Interest expenses decreased slightly between quarters to SEK 483 million (489), mainly due to lower costs for issued debt securities.

Net commission

Net commission income increased during the quarter to SEK 13 million (2), primarily due to higher commission income related to corporate business. 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 3 million (expense: 32). The difference was mainly due to value changes in hedging instruments and hedged items. For more information, please refer to [Note 3](#).

Expenses

Expenses increased during the quarter and amounted to SEK 452 million (351). The increase was primarily due to higher

personnel costs, since the number of FTEs increased to 839 (797) during the quarter. The increase in employees was primarily within areas related to development and digitalisation. Depreciation, amortisation and impairment also increased during the quarter.

Credit quality and credit losses

Total net credit losses for the fourth quarter of 2021 amounted to positive SEK 1 million (positive 5). Confirmed credit losses totalled SEK 2 million (2) and recoveries for previous confirmed credit losses amounted to SEK 1 million (1). Total credit loss allowances decreased by SEK 2 million during the quarter. Credit loss allowances for credit stage 1 increased by SEK 1 million (decreased by 4) and increased by SEK 3 million (decreased by 6) for credit stage 2. Provisions for credit stage 3 loans decreased by SEK 3 million (increased by 4). Changes in credit loss allowances for credit stage 2 loans are attributed to updated credit bureau information. The updated credit bureau information for customers showed an overall better credit risk but resulted in a net inflow to stage 2 which contributed to an increase. The changes for credit stage 3 loans are explained by removal of some individual loss provisions as well as write offs, which led to a decrease. Credit loss allowances for loan commitments and building credits decreased by SEK 3 million (decreased by 1). This was mainly driven by a less exposure towards loan commitments and lower credit risk for building credits. Guarantees that can be utilised remained unchanged (decreased

by 1) during the quarter. For more information on credit loss allowances and changes in the forward-looking information in the impairment model, please refer to [Note 4](#).

The credit quality of SBAB's lending is good and credit risk in the two business areas: Retail, and Corporate Clients & Tenant-Owners' Associations, remains low. The bank's granting of credit to consumers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments. Overall, new 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) ratio for retail customers with residential mortgages was 55% (56). At the same date, the average residential mortgage to retail customers amounted to SEK 1.8 million (1.8). The average LTV ratios for property companies and tenant-owners' associations were 63% (63) and 36% (36), respectively. During the quarter, the LTV ratio for new retail lending was 68% (69) and the debt-to-income ratio was 3.9 (4.0). For more information on credit losses, amortisation exemptions and credit quality, please refer to [Note 4](#) and [Note 5](#).

Other comprehensive income

Other comprehensive income was an expense of SEK 415 million (expense: 164). The difference is primarily due to the increase in EUR interest rates, which were larger on average during the quarter. For more information, please refer to [page 21](#).

January–December 2021 compared with January–December 2020

Operating profit rose to SEK 2,641 million (2,361). Return on equity amounted to 11.1% (10.8) and the C/I ratio was 36.2% (35.8).

Net interest income grew to SEK 4,114 million (3,747), mainly due to higher lending volumes and lower funding costs. Total guarantee fees amounted to SEK 221 million (201) for the period, of which SEK 172 million (154) comprised the resolution fee and SEK 49 million (47) the fee payable to the national deposit guarantee.

The net commission income increased during the year to SEK 29 million (expense: 24). The increase was attributable to a lower commission expense linked to market maker fees and higher commission income from corporate business.

The net result of financial transactions was an expense of SEK 71 million (expense: 38). The difference was primarily due to the

revaluation of credit risk in derivatives. For more information, please refer to [Note 3](#).

Other comprehensive income amounted to a loss of SEK 1,402 million (income: 362) for the period. The primarily negative impact on the difference was rising EUR interest rates. For more information, please refer to [page 21](#).

Expenses grew to SEK 1,492 million (1,335), 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 839 (760) during the period.

Net credit losses were positive and amounted to SEK 11 million (negative 32). The change between the periods was mainly attributable to updated macro-economic scenarios in 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 a large market value increase on the housing market and the lower credit risk exposure towards building credits, a decrease in credit loss provisions, which explains the positive outcome. Confirmed credit losses totalled SEK 13 million (9) 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			
	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Dec 2020
ASSETS				
Cash and balances at central banks	10,100	1,300	1,000	6,530
Chargeable treasury bills, etc.	22,549	40,117	26,529	10,894
Lending to credit institutions	643	777	930	945
Lending to the public (Note 5)	467,041	451,267	441,744	422,835
Bonds and other interest-bearing securities	50,254	54,973	58,034	58,180
Total other assets in the balance sheet	7,750	9,394	9,389	11,975
TOTAL ASSETS	558,337	557,828	537,626	511,359
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	16,372	18,664	17,511	20,184
Deposits from the public	144,950	140,645	138,145	135,658
Issued debt securities, etc. (funding)	364,364	365,621	350,362	323,704
Subordinated debt	1,996	1,996	1,996	1,995
Total other liabilities in the balance sheet	5,709	5,974	5,019	6,179
Total liabilities	533,392	532,900	513,033	487,720
Total equity	24,945	24,928	24,593	23,639
– of which reserves/fair value reserve	919	1,334	1,498	2,321
– of which, Tier 1 capital instruments	4,300	4,300	4,300	3,500
TOTAL LIABILITIES AND EQUITY	558,337	557,828	537,626	511,359
CET1 capital ratio, %	13.5	13.3	13.1	13.4
Tier 1 capital ratio, %	16.6	16.4	16.2	16.1
Total capital ratio, %	18.1	17.9	17.8	17.6
Leverage ratio, % ¹⁾	3.98	3.89	4.00	4.00
Liquidity coverage ratio (LCR), %	228	221	278	170
Net Stable Funding Ratio (NSFR), %	129	134	134	129

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

Trend for Q4 2021 compared with Q3 2021

Balance sheet comments

During the quarter, chargeable treasury bills decreased to SEK 22.5 billion (40.1), primarily due to a decrease in surplus liquidity deposited with the Riksbank via commercial paper. This surplus liquidity was instead invested in cash and balances at central banks, which increased to SEK 10.1 billion (1.3). Lending to credit institutions decreased to SEK 0.6 billion (0.8), attributable to inflows 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 50.3 billion (55.0). The change was also primarily within the scope of the normal management of the liquidity reserve. Lending to the public increased to SEK 467.0 billion (451.3), of which SEK 334.9 billion comprised residential mortgages, SEK 2.3 billion consumer loans, SEK 68.7 billion lending to property companies and SEK 61.1 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 decreased in the quarter to SEK 16.4 billion (18.7), attributable to lower repo volumes and outflows of collateral connected to derivatives (CSAs). The changes were within the scope of the normal short-term liquidity management. Deposits from the public increased to SEK 144.9 billion (140.6), of which 81% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulations. For more information on deposits from the public, please refer to [pages 12–13](#). For information about issued debt securities, please refer to the "Funding" section. Subordinated debt totalled SEK 2.0 billion (2.0). The quarter saw no new issues, repurchases or maturities. Equity amounted to SEK 24.9 billion (24.9). Overall, the item did not change during the quarter, but was affected by the earnings for the period, which were offset by lower liabilities connected to cash-flow hedges.

Funding

For one quarter when coronavirus infections began to increase again, the market was also characterised to a great extent by relatively high inflation rates, both in Sweden and internationally. The market watched the central banks for their answer to persistent inflation, largely driven by prices for energy and commodities. The Fed signalled that they intended to raise the key interest rate in the following year at the same time as they announced that they would cease asset purchases in the first half of 2022. The ECB and the Riksbank signalled a lower rate of bond purchases during the following year. The ECB concluded its Pandemic Emergency Purchase Program (PEPP), which was introduced in 2020 during the early stages of the pandemic. The ECB and the Riksbank both announced a more restrained perspective on rate increases, with no increase in the Riksbank's own repo rate until 2024.

Leading stock market indices in the US and Europe rose during the quarter, while in Asia they fell somewhat. Interest rates demonstrated a certain volatility during the fourth quarter and, overall, short-term interest rates increased in Europe and the US. Swedish ten-year interest rates rose somewhat during the period, while long interest rates in the US and Germany showed small changes for the quarter as a whole.

During the last quarter of the year, the Riksbank continued to purchase securities and expand its balance sheet. The Riksbank bought Swedish covered bonds corresponding to more than SEK 50 billion during the period. In the short- and medium-term segments of the Swedish covered bond market, credit spreads remained relatively unchanged, while longer maturities increased 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 13.4 billion (23.2). In parallel, securities were repurchased for SEK 12.7 billion (3.6) and securities amounting to SEK 12.5 billion (4.0) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in is-

sued debt securities outstanding of SEK 1.3 billion to a total of SEK 364.4 billion (365.6). In total, the SBAB Group has issued bonds corresponding to SEK 111.3 billion in 2021 (of which SEK 82.2 billion comprised covered funding and SEK 29.1 billion unsecured funding), which can be compared with the total bonds maturing in 2021 of about SEK 54.7 billion.

At the end of the quarter, unsecured funding amounted to SEK 63.5 billion (60.4), of which SEK 9.2 billion (7.5) comprised senior non-preferred bonds, SEK 50.0 billion (49.2) other senior unsecured bonds and SEK 4.2 billion (3.7) commercial paper.

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Secured debt outstanding totalled SEK 300.9 billion (305.2) at the end of the quarter, of which SEK 229.9 billion was in SEK and SEK 71.0 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 82.3 billion (96.0). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 78.4 billion (92.5).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 254 days (341), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, on 31 December 2021, the LCR was 228% (221) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 184% (183). The net stable funding ratio (NSFR) amounted to 128.6% (134.3) 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 the ECB's lists of assets eligible as collateral.

Capital position

At the end of the quarter, SBAB's CET1 capital amounted to SEK 18.8 billion (18.3). The increase was mainly attributable to earnings for the year¹⁾ after deduction of the expected dividend. The risk exposure amount (REA) increased during the fourth quarter to SEK 138.9 billion (137.7). The change was primarily driven by an increase in mortgage lending and corporate lending. On 31 December 2021, SBAB's CET1 capital ratio amounted to 13.5% (13.3) and the total capital ratio was 18.1% (17.9). 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 31 December 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. In October 2021, the Board of SBAB decided to remove the voluntarily applied Article 3 surcharge following the Pillar 2 surcharge announced by the Swedish FSA.

The leverage ratio increased marginally during the fourth quarter and amounted to SEK 4.0% (3.9) on 31 December 2021, primarily due to a lower exposure amount and an increase in Tier 1 capital. 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 of 3% 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, equivalent to SEK 1.7 billion.

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 31 December 2021. This means that net profit for the year has been included in own funds and that expected dividends have reduced own funds.

Components of the capital target

SEK million	CONSOLIDATED SITUATION			
	31 Dec 2021			
	Total capital	%	CET1 capital	%
Internally assessed capital requirement from the Swedish FSA	19,251	13.9	12,780	9.2
– of which, Pillar 1 minimum requirement	4,087	2.9	2,299	1.7
– of which, Pillar 1 risk-weight floor, Swedish mortgages (Art. 458 CRR)	7,023	5.1	3,951	2.8
– of which, Pillar 2 requirement (P2R)	4,652	3.4	3,041	2.2
– of which, Capital conservation buffer	3,472	2.5	3,472	2.5
– of which, Countercyclical buffer	17	0.0	17	0.0
– of which, Pillar 2 guidance (P2G)	–	–	–	–
SBAB's capital target	20,085	14.5	13,613	9.8
SBAB's actual capital	25,106	18.1	18,811	13.5

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 6.9 billion on 31 December 2021). According to the amended agreement, Sparbanken Syd is entitled to acquire the entire residential mortgage stock mediated by Sparbanken Syd, or parts thereof, until 31 December 2023.

Changes in Executive Management

On 8 November 2021, Klas Danielsson was dismissed as CEO for SBAB and Mikael Inglander, previously CFO, took over as acting CEO. Carl Olsson was appointed acting CFO on 26 November 2021 and Kristina Tänneryd was appointed act-

ing Head of Business Specialists on the same date. Johan Prom, who has been a Board Member of SBAB since 2020, was appointed Head of Retail on 1 December 2021.

On 31 December 2021, the Executive Management comprised the following people: Mikael Inglander (acting CEO and Head of Corporate Clients and Tenant-Owners' Associations), Sara Davidgård (CRO), Carl Olsson (acting CFO), Carina Eriksson (Head of HR), Kristina Frid (Head of Customer Service), Robin Silfverhielm (Customer Experience Officer and Chief Information Officer), Andras Valko (CDSO), Malou Sjörin (Head of Sustainability, Marketing & Communication), Kristina Tänneryd (acting Head of Business Specialists) and Johan Prom (Head of Retail).

Board changes

Johan Prom left the Board on 30 November 2021 since he, as per the above, was appointed Head of Retail on 1 December 2021.

New risk tax (bank tax) 2022

On 14 December 2021, the Swedish parliament adopted the government's suggestion for a new risk tax for major banks and credit institutions. The new law for risk tax applies as of 1 January 2022 and will be applied for the fiscal year that

starts after 31 December 2021. The tax applies to credit institutions whose liabilities reach a specified threshold at the beginning of the fiscal year. The threshold for 2022 is SEK 150 billion.

SBAB is one of the Swedish banks and credit institutions that is affected by the tax. The tax will amount to 0.05% of the taxable amount for the 2022 fiscal year and 0.06% for the 2023 fiscal year.

Events after the end of the period

As of 19 January 2022, SBAB acquired additional shares in Boappa. SBAB currently owns 1,096,583 shares representing 59.48% of the total shares.

In January 2022, the CEO decided to introduce a supplementary capital target for Common Equity Tier 1 capital. The target will apply from 28 February and includes that over time, and under normal circumstances, SBAB will maintain a buffer corresponding to 1-3 % above FI's communicated requirements. The new target is a complement to the lower limit of 0.6 % decided by the Board.

Auditors' review report

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

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

Risks and uncertainties

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity, and the quality of our assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. A housing market with soaring prices over an extended period, in parallel with rising household debt, has resulted in the Swedish economy becoming sensitive to rapid changes in interest rates and 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.

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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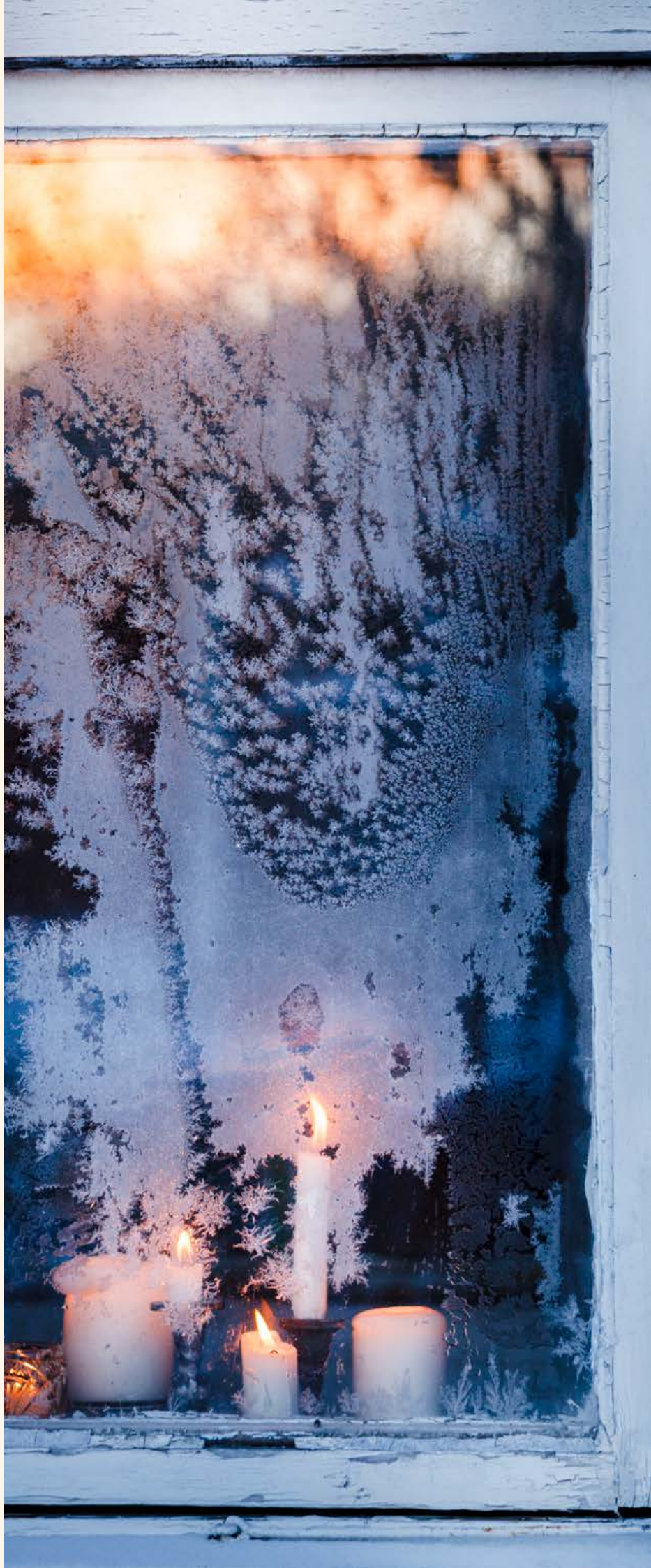
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Condensed income statement

SEK million	GROUP				
	2021	2021	2020	2021	2020
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Interest income	1,500	1,514	1,529	6,039	6,316
Interest expense	-483	-489	-519	-1,925	-2,569
Net interest income	1,017	1,025	1,010	4,114	3,747
Commission income	31	20	22	101	93
Commission expense	-18	-18	-34	-72	-117
Net result of financial transactions (Note 3)	-3	-32	11	-71	-38
Other operating income	12	13	10	50	43
Total operating income	1,039	1,008	1,019	4,122	3,728
Personnel costs	-223	-188	-176	-786	-687
Other expenses	-166	-142	-137	-589	-490
Depreciation, amortisation and impairment of PPE and intangible assets	-63	-21	-89	-117	-158
Total expenses before credit losses	-452	-351	-402	-1,492	-1,335
Profit before credit losses	587	657	617	2,630	2,393
Net credit losses (Note 4) ¹⁾	1	5	2	11	-32
Operating profit	588	662	619	2,641	2,361
Tax	-131	-137	-133	-560	-522
Net profit for the period	457	525	486	2,081	1,839

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

In Q4 2021, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 1,588 million (1,601) for the Group.

Condensed statement of comprehensive income

SEK million	GROUP				
	2021	2021	2020	2021	2020
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Net profit for the period	457	525	486	2,081	1,839
Other comprehensive income					
<i>Components that will be reclassified to profit or loss</i>					
Financial assets measured at FVTOCI	32	6	48	-13	4
Changes related to cash-flow hedges, before tax	-521	-208	-409	-1,813	461
Tax attributable to components that will be reclassified to profit or loss	101	41	102	376	-75
<i>Components that will not be reclassified to profit or loss</i>					
Revaluation effects of defined-benefit pension plans, before tax	-34	-4	41	60	-34
Tax attributable to components that will not be reclassified to profit or loss	7	1	-11	-12	6
Other comprehensive income/loss, net of tax	-415	-164	-229	-1,402	362
Total comprehensive income/loss for the period	42	361	257	679	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	
	31 Dec 2021	31 Dec 2020
ASSETS		
Cash and balances at central banks	10,100	6,530
Chargeable treasury bills, etc.	22,549	10,894
Lending to credit institutions	643	945
Lending to the public (Note 5)	467,041	422,835
Value changes of interest-rate-risk hedged items in macro hedges	-563	142
Bonds and other interest-bearing securities	50,254	58,180
Derivatives (Note 6)	6 920	10,890
Intangible assets	460	330
Property, plant and equipment	274	112
Other assets	249	79
Prepaid expenses and accrued income	410	422
TOTAL ASSETS	558,337	511,359
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	16,372	20,184
Deposits from the public	144,950	135,658
Issued debt securities, etc.	364,365	323,704
Derivatives (Note 6)	2,844	3,124
Other liabilities	532	416
Accrued expenses and deferred income	1,886	1,769
Deferred tax liabilities	304	651
Provisions	143	219
Subordinated debt	1,996	1,995
Total liabilities	533,392	487,720
Equity		
Share capital	1,958	1,958
Reserves/Fair value reserve	919	2,321
Additional Tier 1 instruments	4,300	3,500
Retained earnings	15,687	14,021
Net profit for the period	2,081	1,839
Total equity	24,945	23,639
TOTAL LIABILITIES AND EQUITY	558,337	511,359

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	–	–	–	–173	–173
Other comprehensive income, net of tax	–	–1,402	–	–	–1,402
Net profit for the period	–	–	–	2,081	2,081
Comprehensive income for the period	–	–1,402	–	2,081	679
Closing balance, 31 December 2021	1,958	919	4,300	17,768	24,945
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
	Jan-Dec	Jan-Dec
Opening cash and cash equivalents	7,475	6,167
OPERATING ACTIVITIES		
Interest and commissions paid/received	4,252	3,762
Outflows to suppliers and employees	-1,375	-1,177
Taxes paid/refunded	-782	-593
Change in assets and liabilities of operating activities	604	2,440
Cash flow from operating activities	2,699	4,432
INVESTING ACTIVITIES		
Change in property, plant and equipment	-36	-28
Change in intangible assets	-130	-113
Acquisition of subsidiaries	-31	-
Cash flow from investing activities	-197	-141
FINANCING ACTIVITIES		
Change in Tier 1 capital instrument	800	-
Change in subordinated loan	-	-2,952
Repayment of lease liabilities	-35	-31
Cash flow from financing activities	765	-2,983
Increase/decrease in cash and cash equivalents	3,267	1,308
Closing cash and cash equivalents	10,742	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									
	Non-cash items					Non-cash items				
	Opening balance 1 Jan 2021	Cash flow	Fair value	Other	Closing balance 31 Dec 2021	Opening balance 1 Jan 2020	Cash flow	Fair value	Other	Closing balance 31 Dec 2020
Subordinated debt	1,995	-	0	1	1,996	4,949	-2,952	-1	-1	1,995
Lease liabilities	69	-35	-	174	208	91	-31	-	9	69
Additional Tier 1 instruments	3,500	800	-	-	4,300	3,500	-	-	-	3,500
Total	5,564	765	0	175	6,504	8,540	-2,983	-1	8	5,564

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

From 1 January 2021 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 pertaining to the changes in benchmark rates are applicable. The rules address the financial reporting of the modifications required in conjunction with the replacement of benchmark rates. The amendments also entail practical expedients for hedge accounting in conjunction with the replacement of benchmark rates that mean, inter alia, that modifications due to the replacement are permitted to hedging relationships and hedge documentation without requiring the hedging relationship to be terminated. This amendment has not had any material impact on the financial statements.

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 9 February 2022.

Note 2 Changes in risks

Credit risk in lending operations

No increase in realised credit risk was noted in lending operations during the year 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, in March and in June respectively, due to a more positive outlook on the economic development in Sweden compared to previous forecasts. This in addition to a substantial upswing in market values for residential properties and tenant-owners' rights have resulted in a decrease of credit loss provisions. Since the pandemic outbreak SBAB has, until 31 of August 2021, 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. However, this has only occurred in very few cases and has therefore had no impact on the credit loss provisions. No deviations have been noted in terms of loan-to-value (LTV) or debt-to-income ratios in the lending portfolio.

Total credit loss allowances amount to SEK 149 million per 31 of December 2021, compared to SEK 171 million per 31 of December 2020. The LTV for private individuals, property companies and tenant-owners' associations amount to 55, 63 and 36% respectively per 31 of December 2021, compared to 58, 64 and 38% respectively per 31 of December 2020. For more information regarding credit losses, credit loss allowances, credit risk and quality, please see [Note 4](#).

Counterparty credit risk in treasury operations

At 28 June 2021 a new method to calculate counterparty credit risk (SA-CCR, Standardised Approach for Counterparty Credit Risk) was introduced in accordance with CRR II. Limit utilisation for SBAB's derivative counterparties has fallen to SEK 6,158 million at 31 December 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 by end of December exceeds LCR level by the turn of the last year. The survival horizon is slightly lowered in comparison with the turn of last year as a result of passed bond maturities. The over collateralization level (OC-level) has decreased in comparison with the turn of last year. The decrease arises as a result of new issues of covered bonds. The deposit-to-loan ratio has decreased slightly 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 31 December 2021, SBAB's VaR amounted to SEK 221 million, compared to SEK 364 million at 31 December 2020. The limit for VaR is changed to SEK 1,200 million from the previous SEK 1,450 million. The reason for the reduction was that the margin to the limit has historically been large and is forecast to remain so in the coming years.

Operational risk

The Covid-19 pandemic has resulted in a general increase in operational risk across the bank in connection with, inter alia, sick leave and continuity for critical deliveries. It should be noted that the bank's business contingency plans were generally applicable during the Covid-19 period, which has reduced continuity risks. 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 corona pandemic has continued to impact SBAB's business risk in 2021. There is however less uncertainty compared to the end of 2020, and financial markets have stabilised. The impact on SBAB's financial position has continued to be very moderate during the year. Business risk is therefore considered to be at a low level. No material changes in the competitive landscape were observed during the year. During 2021, SBAB acquired a majority stake in Boappa. Boappa is Sweden's largest communication platform for tenant-owner associations, joint property units and new construction projects, and expands SBAB's customer offering within savings and loan products and digital home and housing services. Aside from this, SBAB has not entered, or exited, any new markets or segments.

Concentration risk

At the end of the fourth quarter of 2021, the lending to the ten largest customer groups accounted for 6% of total lending volume, which is unchanged compared to 31 December 2020. For more information on the geographical distribution of the lending portfolio, please refer to [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
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Gains/losses on interest-bearing financial instruments					
– Change in value of hedged items in hedge accounting	523	480	231	1,876	–429
– Derivatives in hedge accounting	–507	–489	–228	–1,885	427
– Other derivatives	–10	–5	42	4	45
– Interest-bearing securities, Fair Value Option	–6	–5	–15	–35	–44
– Interest-bearing securities at fair value through other comprehensive income	0	0	4	6	17
– Interest-bearing securities at amortised cost	0	0	0	0	0
– Realised gain/loss from financial liabilities at amortised cost	–7	–23	–36	–64	–113
– Loan receivables at amortised cost	6	10	12	29	57
Currency translation effects	–2	0	1	–2	2
Total	–3	–32	11	–71	–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
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Lending to the public					
Confirmed credit losses	–2	–2	–2	–13	–9
Recoveries of previously confirmed credit losses	1	1	1	4	4
Change in provision for the period – credit stage 1	–1	4	7	0	–16
Change in provision for the period – credit stage 2	–3	6	0	11	1
Change in provision for the period – credit stage 3	3	–4	–3	2	–4
Guarantees ¹⁾	0	–1	–1	–2	–1
Net credit losses for the period – lending to the public	–2	4	2	2	–25
Loan commitments²⁾					
Change in provision for the period – credit stage 1	3	0	1	–1	–5
Change in provision for the period – credit stage 2	0	1	–1	10	–2
Change in provision for the period – credit stage 3	0	0	0	0	0
Net credit losses for the period – loan commitments	3	1	0	9	–7
Other financial instruments					
Change in provision for the period – credit stage 1	0	0	0	0	0
Net credit losses for the period – other financial instruments	0	0	0	0	0
Total	1	5	2	11	–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.

During the fourth quarter of 2021 total credit loss provisions decreased by SEK 2 million. Loss provisions for loans allocated to credit stage 1 increased by SEK 1 million (decreased by 4) and increased by SEK 3 million (decreased by 6) for loans allocated to stage 2. Loss provisions for loans allocated to credit stage 3 decreased by SEK 3 million (increased by 4). The changes in credit loss provisions subject to loans in stage 2 are attributed to updated credit bureau information. The updated credit bureau information for customers showed an overall better credit risk but resulted in a net inflow to stage 2 which contri-

buted to the increase. The changes in credit loss provisions subject to loans in stage 3 are explained by removal of some individual loss provisions as well as write offs, which together contributed to the decrease. Credit loss provisions for off-balance items consisting of loan commitments and building credits decreased by SEK 3 million (decreased by 1). This was mainly driven by a less exposure towards loan commitments and lower credit risk for building credits. Guarantee amount that can be utilised to cover credit losses was unchanged (decreased by 1) during the quarter."

Sensitivity analysis of forward-looking information

Lending to the public and loan commitments

	Scenario 1 (45%)			Scenario 2 (20%)			Scenario 3 (20%)			Scenario 4 (15%)		
Factors	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
GDP ¹⁾	3,3%	3,2%	2,3%	3,5%	4,8%	3,5%	-6,2%	3,1%	3,8%	-2,1%	-1,9%	1,3%
Repo rate	0,1%	0,1%	0,4%	0,1%	0,2%	0,6%	0,3%	0,5%	0,4%	1,1%	1,2%	1,2%
Unemployment	8,8%	8,0%	7,5%	8,7%	7,4%	6,3%	11,2%	11,1%	9,8%	9,4%	10,0%	10,3%
House prices, Δ	+16,3%	-0,8%	-3,2%	+16,9%	-0,8%	-3,0%	-10,4%	-12,2%	-3,4%	-15,4%	-15,3%	-16,0%
Prices of tenant-owners' rights, Δ	+9,6%	+0,4%	-3,1%	+10,0%	+0,2%	-2,9%	-11,8%	-14,8%	-6,2%	-20,0%	-28,6%	-15,4%
Property prices, Δ	+2,4%	+4,8%	+4,2%	+2,8%	+4,5%	+4,4%	-6,4%	-11,1%	-4,8%	-11,3%	-23,6%	-17,2%
ECL	SEK 63 million			SEK 65 million			SEK 144 million			SEK 524 million		
Weighted ECL ²⁾	SEK 149 million											

1) Not included in the ECL calculation

2) Of which, SEK 138 million was attributable to lending to the public and SEK 11 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 the first and in the second quarter, due to updated macroeconomic forecasts. The forward-looking information is applied in the impairment model and thus used to calculate expected credit losses (ECL). The updates in the macro economic forecasts, which were made during both the first and second quarter, are based on a somewhat more positive economic outlook in light of the coronavirus pandemic. Furthermore, a large market value increase for residential properties and tenant owners' rights on 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, why an adjustment in the weights of the scenarios in the forward-looking information was also made during the second quarter. These weights reflect the probabilities to experience credit losses of respective magnitudes and the adjustment made aimed to temporarily limit the positive effect of updated macroeconomic factors. During the third and the fourth quarter no further revisions of the forward-looking information was deemed necessary.

The revision of the forward-looking information during the first quarter led to a decrease in credit loss provisions of SEK 15 million whilst the revision during the second quarter resulted in an increase of SEK 4 million. Moreover, a model adjustment was also made in the first quarter to address a validation finding regarding model calibration of consumer loans, which increased the credit loss provisions by SEK 2 million. As per 31 of December 2021 total credit loss provisions amount to SEK 149 million, compared to SEK 171 million per 31 of December 2020. The abovementioned adjustments in the impairment model contribute to SEK 9 million of the decrease in the credit loss provisions. The remaining reduction of loss provisions throughout the year is explained by the heavy market value increase for residential properties and tenant owners' rights as well as lower credit risk exposure towards building credits. 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 2021 SBAB has closely followed the credit risk exposure in the lending 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 thus far show no increase in realised credit risk during the coronavirus pandemic.

During the fourth quarter of 2021 credit bureau information was updated for customers in the lending portfolio leading to a slight increase in loss provisions for loans allocated to credit stage 2. Additionally, a new indexation of the market values for residential properties and tenant-owners' rights was conducted which had a limited effect on loss provisions. The decrease in credit loss provisions during the quarter of SEK 2 million is mainly driven by a reduced exposure towards loan commitments and lower credit risk for building credits, as well as less loss provisions allocated to credit stage 3. SBAB is comfortable with the size of the credit loss provisions, totalling SEK 149 million (151) as per 31 of December 2021.

Overall credit quality

Despite the prevailing coronavirus pandemic, the credit quality of SBAB's lending portfolio remains good and the risks entailed in the lending to private individuals 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 manage repayment of their mortgages even in a worse economic climate. At the end of the fourth quarter 2021, the average loan-to-value (LTV) ratio³⁾ in the mortgage portfolio was 55% (56). At the same date, the average residential mortgage to customers amounted to SEK 1.8 million (1.8). During the quarter, the LTV for new lending was 68% (69) and the debt-to-income ratio was 3.9 (4.0). The credit quality of SBAB's lending to property companies, property developers and tenant-owners' associations is also considered good. The average LTV for property companies and tenant-owners' associations at the end of the quarter was 63 (63) and 36% (36) 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

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.

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 subject to this potentially higher credit risk. No individual loss provisions or further manual adjustments of counterparties' rating grades in the business area have been proved necessary during the fourth 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 been deemed necessary since SBAB made the assessment that amortisation exemptions 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 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 IFRS 9, 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	
	31 Dec 2021	31 Dec 2020
Opening balance, per year	422,835	383,807
New lending for the period	107,076	95,138
Amortisation, repayments	-62,870	-56,082
Confirmed credit losses	-13	-9
Change in provision for expected credit losses ¹⁾	13	-19
Closing balance, per year/period	467,041	422,835

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	
	31 Dec 2021	31 Dec 2020
Lending, Residential mortgages	334,873	310,816
Lending, Corporate Clients & Tenant-Owners' Associations	129,830	109,547
Lending, Consumer loans	2,338	2,472
Total	467,041	422,835

Geographical composition

	GROUP			
	Lending, Residential mortgages %		Lending, Corporate Clients & Tenant-Owners' Associations %	
	2021	2020	2021	2020
	Kv 4	Kv 4	Kv 4	Kv 4
Stockholm area	63.0	63.0	47.3	45.6
Öresund region	10.2	10.7	19.0	18.4
University cities and growth regions	10.1	9.6	17.4	18.5
Göteborg area	10.6	10.1	9.1	9.1
Other regions	6.0	6.6	7.2	8.4

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	GROUP	
	31 Dec 2021	31 Dec 2020
Credit stage 1		
Gross lending	446,264	403,531
Provision	-45	-45
Total	446,219	403,486
Credit stage 2		
Gross lending	20,684	19,214
Provision	-62	-73
Total	20,622	19,141
Credit stage 3		
Gross lending	231	241
Provision	-31	-33
Total	200	208
Total gross lending	467,179	422,986
Total provisions	-138	-151
Total	467,041	422,835

Lending to the public and provisions

SEK million	GROUP							
	Credit stage 1 Capital	Provision	Credit stage 2 Capital	Provision	Credit stage 3 Capital	Provision	Capital	Provision
Opening balance, per year 2021	403,531	-45	19,214	-73	241	-33	422,986	-151
Moved to credit stage 1	11,444	-29	11,419	28	-25	1	0	0
Moved to credit stage 2	-9,548	3	9,578	-4	-30	1	0	0
Moved to credit stage 3	-52	0	-90	2	142	-2	0	0
Volume change*	39,206	-12	3,475	-5	-80	4	42,061	-13
Revaluation**	1,683	38	-74	-10	-4	-8	1,605	20
Confirmed credit losses	0	0	0	0	-13	6	-13	6
Closing balance, per year 2021	446,264	-45	20,684	-62	231	-31	467,179	-138

*Refers to new lending, amortizations, redemptions and loan transfers between SBAB and SCBC.

**Refers to revaluation of ECL as well as changes in transaction and modification costs.

SEK million	GROUP							
	Credit stage 1 Capital	Provision	Credit stage 2 Capital	Provision	Credit stage 3 Capital	Provision	Capital	Provision
Opening balance, per year 2020	362,318	-29	21,340	-74	281	-29	383,939	-132
Moved to credit stage 1	13,013	-28	-13,002	28	-11	0	0	0
Moved to credit stage 2	-9,574	2	9,658	-5	-84	3	0	0
Moved to credit stage 3	-67	0	-83	2	150	-2	0	0
Volume change*	33,538	-15	728	-3	-83	3	34,183	-15
Revaluation**	4,303	25	573	-21	-4	-13	4,872	-9
Confirmed credit losses	0	0	0	0	-8	5	-8	5
Closing balance, per year 2020	403,531	-45	19,214	-73	241	-33	422,986	-151

*Refers to new lending, amortizations, redemptions and loan transfers between SBAB and SCBC.

**Refers to revaluation of ECL as well as changes in transaction and modification costs.

Note 6 Derivatives

SEK million	GROUP					
	31 Dec 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	3,950	2,173	466,040	7,198	1,569	442,941
Currency-related	2,970	671	83,819	3,692	1,555	101,119
Total	6,920	2,844	549,859	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–Dec 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	3,182	932	4,114	–	–	4,114
Commission income	50	51	101	–	–	101
Commission expense	–59	–13	–72	–	–	–72
Net result of financial transactions	–60	–11	–71	–	–	–71
Other operating income	49	1	50	–	–	50
Total operating income	3,162	960	4,122	–	–	4,122
Salaries and remuneration	–396	–99	–495	–	–	–495
Other personnel costs	–247	–67	–314	23	–	–291
Other expenses	–497	–102	–599	–23	33	–589
Depreciation, amortisation and impairment of PPE and intangible assets	–47	–37	–84	–	–33	–117
Net credit losses	1	10	11	–	–	11
Operating profit	1,976	665	2,641	0	0	2,641
Tax	–420	–140	–560	–	–	–560
Profit after standardised tax	1,556	525	2,081	0	0	2,081
Return on equity, %	11.3	10.5	11.1	–	–	11.1

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

Note 7 Operating segments, Cont.

SEK million	GROUP					
	Jan-Dec 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	2,921	826	3,747	–	–	3,747
Commission income	48	45	93	–	–	93
Commission expense	–94	–23	–117	–	–	–117
Net result of financial transactions	–43	5	–38	–	–	–39
Other operating income	43	0	43	–	–	43
Total operating income	2,875	853	3,728	–	–	3,728
Salaries and remuneration	–354	–80	–434	–	–	–434
Other personnel costs	–216	–54	–270	17	–	–253
Other expenses	–424	–80	–504	–17	31	–490
Depreciation, amortisation and impairment of PPE and intangible assets	–106	–21	–127	–	–31	–158
Net credit losses	–27	–5	–32	–	–	–32
Operating profit	1,748	613	2,361	0	0	2,361
Tax	–387	–135	–522	–	–	–522
Profit after standardised tax	1,361	478	1,839	0	0	1,839
Return on equity, %	10.9	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 –23 million (17) was transferred between the rows "Other expenses" and "Other personnel costs." The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring. IFRS 16 is

not taken into account in the follow-up of operations. All expenses identified in IFRS 16, with the exception of the interest component, are to be considered as costs for premises. The effect of IFRS 16 on the Group is recognised in the reconciliation against the statutory income statement. For more information on IFRS 16, please refer to [Note 1](#) in SBAB's 2020 Annual Report.

Note 8 Classification of financial instruments

Financial assets

GROUP							
31 Dec 2021							
SEK million	Financial assets measured at FVTPL			Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification				
Cash and balances at central banks	–	–	–	–	10,100	10,100	10,100
Chargeable treasury bills, etc.	644	–	–	18,165	3,740	22,549	22,548
Lending to credit institutions	–	–	–	–	643	643	643
Lending to the public	–	–	–	–	467,041	467,041	465,691
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	–563	–563	–
Bonds and other interest-bearing securities	215	–	–	25,619	24,420	50,254	50,384
Derivatives	–	6,586	334	–	–	6,920	6,920
Other assets	–	–	–	–	51	51	51
Prepaid expenses and accrued income	9	–	–	126	227	362	362
Total financial assets	868	6,586	334	43,910	505,659	557,357	556,699

Financial liabilities

GROUP					
31 Dec 2021					
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	–	–	16,372	16,372	16,372
Deposits from the public	–	–	144,950	144,950	144,950
Issued debt securities, etc.	–	–	364,365	364,365	366,733
Derivatives	2,637	207	–	2,844	2,844
Other liabilities	–	–	512	512	512
Accrued expenses and deferred income	–	–	1,837	1,837	1,837
Subordinated debt	–	–	1,996	1,996	1,992
Total financial liabilities	2,637	207	530,032	532,876	535,240

Note 8 Classification of financial instruments, Cont.

Financial assets

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

Financial liabilities

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

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							
	31 Dec 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.	3,441	15,368	–	18,809	4,258	–	–	4,258
Bonds and other interest-bearing securities	25,834	–	–	25,834	32,352	–	–	32,352
Derivatives	–	6,920	–	6,920	–	10,890	–	10,890
Prepaid expenses and accrued income	135	–	–	135	166	–	–	166
Total	29,410	22,288	–	51,698	36,776	10,890	–	47,666
Liabilities								
Derivatives	–	2,844	–	2,844	–	3,124	–	3,124
Total	–	2,844	–	2,844	–	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 254 days at 31 December 2021 (341 days at 30 September 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 31 December 2021, the LCR was 228% (221% as of 30 September 2021) in all currencies at the consolidated level, and 6415% (565) and 938% (1805), respectively, in EUR and USD. Measured in SEK, the LCR was 184% (183). The net stable funding ratio (NSFR), amounted to 128.6%(134.3%) according to of Regulation (EU)2019/876 of the European Parliament and the Council.

SEK billion		CONSOLIDATED SITUATION									
		31 Dec 2021					31 Dec 2020				
		Distribution by currency					Distribution by currency				
		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
Level 1	Level 1 assets	79.6	60.6	14.8	4.2	-	67.8	47.6	14.7	5.5	-
	Cash and balances with central banks ¹⁾	11.5	11.5	-	-	-	7.7	7.7	-	-	-
	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	28.1	20.7	5.5	1.9	-	13.9	6.6	4.8	2.5	-
	Securities issued by municipalities and public sector entities	12.8	4.8	5.8	2.2	-	15.3	6.9	5.5	2.9	-
	Extremely high quality covered bonds	27.2	23.6	3.5	0.1	-	30.9	26.4	4.4	0.1	-
	Other assets	-	-	-	-	-	-	-	-	-	-
Level 2	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		82.3	63.0	15.1	4.2	-	70.9	50.2	15.2	5.5	-

1) Includes central bank facilities.

Note 11 Capital adequacy, own funds and capital requirements

Amendments to the Banking Package

The EU Official Journal has on 7 June 2019 published amendments to the Capital Requirements Regulation, the Capital Requirements Directive and the Bank Recovery & Resolution Directive (the 'Banking Package') which entered into force on 27 June 2019. The Banking Package includes changes to capital requirements and changes in the loss-absorbing and recapitalisation capacity of credit institutions. Amendments in Swedish law due to the Capital Adequacy Directive entered into force on 29 December 2020. Most of the changes in the Capital Requirements Regulation entered into force from 28 June 2021. A significant change was the entry into force of a binding minimum requirement of 3% of the exposure amount for leverage ratio.

In addition, new calculation for activated software assets adjustments in the CET1-capital have been implemented by amending the delegated act (EU) 241/2014, which results in a limited improvement of own funds. The change implies a reduced deduction of own funds and increase in risk-weighted exposure amounts with a limited effect on capital relations.

Buffer requirements

During the first quarter 2020, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5% to 0%, due to the corona pandemic. The Swedish FSA announced on 29 September 2021 an increase in the countercyclical capital buffer requirement to 1% with application from 29 September 2022. The Government of Denmark has decided to increase the countercyclical buffer requirement from 0% to 1% with application from 30 September 2022. In addition, Bank of Norway decided in June, to raise the countercyclical capital buffer from 1% to 1.5%, effective from 30 June 2022.

Capital adequacy

SEK million	CONSOLIDATED SITUATION		
	31 Dec 2021	30 Sep 2021	30 Jun 2021
Available own funds (amounts)			
Common Equity Tier 1 (CET1) capital	18,811	18,318	18,039
Tier 1 capital	23,111	22,618	22,339
Total capital	25,106	24,613	24,334
Risk-weighted exposure amounts			
Total risk exposure amount	138,876	137,666	138,024
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio (%)	13.5	13.3	13.1
Tier 1 ratio (%)	16.6	16.4	16.2
Total capital ratio (%)	18.1	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	3.4	1.6
of which: to be made up of CET1 capital (percentage points)	2.2	2.2	0.9
of which: to be made up of Tier 1 capital (percentage points)	2.5	2.5	1.2
Total SREP own funds requirements (%)	11.4	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	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	0.0
Systemic risk buffer (%)	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–
Combined buffer requirement (%)	2.5	2.5	2.5
Overall capital requirements (%)	13.9	13.9	12.1
CET1 available after meeting the total SREP own funds requirements (%)	6.9	6.6	7.7

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

SEK million	CONSOLIDATED SITUATION		
	31 Dec 2021	30 Sep 2021	30 Jun 2021
Leverage ratio			
Total exposure measure	580,521	581,249	558,051
Leverage ratio (%)	4.0	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	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	3.0
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA) (Weighted value -average)	79,000	77,236	76,879
Cash outflows - Total weighted value	43,300	42,713	42,464
Cash inflows - Total weighted value	9,316	8,722	8,777
Total net cash outflows (adjusted value)	33,984	33,992	33,688
Liquidity coverage ratio (%)	232.5	227.2	228.2
Net Stable Funding Ratio¹⁾			
Total available stable funding	477,485	483,891	469,032
Total required stable funding	371,325	360,419	351,207
NSFR ratio (%)	128.6	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	
	31 Dec 2021	31 Dec 2020
Common Equity Tier 1 (CET1) capital : Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	15,653	13,995
Accumulated other comprehensive income (and other reserves)	919	2,321
Independently reviewed year-end profits net of any foreseeable charge or dividend ¹⁾	1,271	1,855
Common Equity Tier 1 (CET1) capital before regulatory adjustments	19,801	20,129
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	-55	-51
Intangible assets (net of related tax liability) (negative amount)	-12	-204
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	-868	-2,307
Negative amounts resulting from the calculation of expected loss amounts	-53	-51
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-12	-24
Other regulatory adjustments ²⁾	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-990	-2,637
Common Equity Tier 1 (CET1) capital	18,811	17,492
Additional Tier 1 (AT1) capital: Instrument		
Capital instruments and the related share premium accounts	4,300	3,500
– of which, classified as equity under applicable accounting standards	4,300	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
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
Tier 1 capital (T1=CET1+AT1)	23,111	20,992
Tier 2 (T2) capital : instruments		
Capital instruments and the related share premium accounts	1,995	1,995
Credit risk adjustments	0	5
Tier 2 (T2) capital before regulatory adjustments	1,995	2,000
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 (T2) capital	-	-
Tier 2 (T2) capital	1,995	2,000
Total capital (TC=T1+T2)	25,106	22,992
Total risk-exposure amount	138,876	130,267

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

SEK million	CONSOLIDATED SITUATION	
	31 Dec 2021	31 Dec 2020
Capital ratios and requirements including buffers %		
Common Equity Tier 1 capital	13.5	13.4
Tier 1 capital	16.6	16.1
Total capital	18.1	17.6
Institution-CET1 overall capital requirements	9.2 ³⁾	7.0
– of which, capital conservation buffer requirement	2.5	2.5
– of which, countercyclical buffer requirement	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 ³⁾	–
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	6.9 ³⁾	8.9
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

1)) Net profit for the year was reduced by the expected dividend of SEK 832 million. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation. 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.

3) Amended requirements by Regulation (EU) 2021/637 with application from Q2 2021.

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

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 reports, and has also completed efforts to update the internal rating-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 decreased Pillar 2 requirement. In October 2021 the board of SBAB decided to remove Article 3 surcharge, as a result of the Swedish FSA communicated Pillar 2 requirements.

Risk exposure amounts and capital requirements

SEK million	CONSOLIDATED SITUATION			
	31 Dec 2021		31 Dec 2020	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	20,110	1,609	16,578	1,326
Retail exposures	12,889	1,031	12,181	975
– of which, exposures to SMEs	1,070	86	913	73
– of which, retail exposures secured by immovable property	11,819	945	11,268	902
Total exposures recognised with the IRB approach	32,999	2,640	28,759	2,301
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisations	0	0	0	0
Exposures to institutions ¹⁾	3,904	312	4,042	323
– of which, derivatives according to CRR, Appendix 2	3,739	299	4,014	321
– of which, repos	164	13	28	2
– of which, other	1	0	0	0
Retail exposures	2,705	216	2,613	209
Exposures in default	5	0	7	1
Exposures in the form of covered bonds	3,111	249	3,738	299
Exposures to institutions and corporates with a short-term credit rating	14	1	10	1
Equity exposures	150	12	1,266	101
Other items	644	53	327	26
Total exposures recognised with standardised approach	10,533	843	12,003	960
Market risk	341	27	348	28
– of which, position risk	–	–	–	–
– of which, currency risk	341	27	348	28
Operational risk	5,547	444	5,212	417
– of which, standardised approach	5,547	444	5,212	417
Credit valuation adjustment risk (CVA risk)	1,665	133	1,504	120
Additional requirements under Article 458 of the CRR	87,791	7,023	81,649	6,532
Additional requirements under Article 3 of the CRR	–	–	792	63
Total risk exposure amount and minimum capital requirements	138,876	11,110	130,267	10,421
Capital requirements for capital conservation buffer		3,472		3,257
Capital requirements for countercyclical buffer		17		17
Total capital requirements		14,599		13,695

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,903 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 17,019 million (SEK 15,206 million at 31 December 2020). Market risk in Pillar 2 has increased since the previous year end. The Swedish FSA has 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 main part of the increase in Pillar 2 is a result of adaption of the internal models to reflect the methods from the Swedish FSA. The internal capital requirement is assessed using SBAB's internal models for economic capital and is not fully comparable

to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumptions and methodologies. SBAB estimates that the Swedish FSA's expected total capital requirement as of 31 December 2021 amounted to SEK 20,085 million, of which SEK 4,652 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					
		31 Dec 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	3,616	2.6	3,381	2.6
	Market risk	27	0.0	28	0.0
	Operational risk	444	0.3	417	0.3
	Risk-weight floor ¹⁾	7,023	5.1	6,532	5.0
	Surcharge, corporate exposures ²⁾	–	–	63	0.1
	Total Pillar 1	11,110	8.0	10,421	8.0
Pillar 2	Credit risk	1,152	0.8	1,124	0.9
	Market risk	1,207	0.9	387 ³⁾	0.3 ³⁾
	Operational risk	–	–	–	–
	Pension risk	61	0.0	–	–
	Total Pillar 2	2,420	1.7	1,511³⁾	1.2³⁾
Buffers	Capital conservation buffer	3,472	2.5	3,257	2.5
	Countercyclical buffer	17	0.0	17	0.0
	Total Buffers	3,489	2.5	3,274	2.5
Total		17,019	12.3	15,206³⁾	11.7³⁾
Total own funds		25,106		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–December 2021 compared with January–December 2020

Profit before credit losses decreased to SEK 482 million (1,273), primarily due to dividend received last year. Net interest income was unchanged during the period and amounted to SEK 593 million (594). Net commission income increased and amounted to SEK 69 million (56), mainly due to increased income linked to corporate lending. The net result of financial transactions amounted to an income of SEK -1 million (33) mainly due to revaluation of credit risk in derivative instruments. Other oper-

ating income increased to SEK 1,299 million (1,181), which was mainly driven by comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses grew to SEK 1,478 million (1,310), mainly due to higher personnel costs, development in adaption to new regulations and investments in digitisation. Credit losses amounted to SEK 4 million (expense: 11). Lending to the public totaled SEK 25.0 billion (24.8). Deposits from the public totaled SEK 145.0 billion (135.7). The CET1 capital ratio amounted to 28,3% (28,5) and the total capital ratio was 45,6% (42,8). The internally assessed capital requirement was SEK 5,794 million (5,553).

Consolidated income statement

SEK million	PARENT COMPANY				
	2021 Q4	2021 Q3	2020 Q4	2021 Jan-Dec	2020 Jan-Dec
Interest income	383	364	436	1,593	1,811
Interest expense	-255	-246	-270	-1,000	-1,217
Net interest income	128	118	166	593	594
Dividends received	-	-	719	-	719
Commission income	31	23	24	106	95
Commission expense	-11	-9	-17	-37	-39
Net result of financial transactions	-15	-7	16	-1	33
Other operating income	376	311	358	1,299	1,181
Total operating income	509	436	1,266	1,960	2,583
Personnel costs	-218	-185	-181	-774	-682
Other expenses	-181	-156	-161	-685	-585
Depreciation, amortisation and impairment of PPE and intangible assets	-6	-5	-20	-19	-43
Total expenses before credit losses	-405	-346	-362	-1,478	-1,310
Profit/loss before credit losses	104	90	904	482	1,273
Net credit losses	4	-2	0	4	-11
Impairment financial assets, shares	-30	-	-	-30	-
Operating profit	78	88	904	456	1,262
Tax	-26	-19	-196	-110	-289
Net profit for the period	52	69	708	346	973

Consolidated statement of comprehensive income

SEK million	PARENT COMPANY				
	2021	2021	2020	2021	2020
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Net profit/loss for the period	52	69	708	346	973
Other comprehensive income					
<i>Components that will be reclassified to profit or loss</i>					
Financial assets measured at FVTOCI	32	5	48	-13	4
Changes related to cash-flow hedges	-21	-12	-32	-82	-2
Tax attributable to components that will be reclassified to profit or loss	-2	2	-1	20	2
Other comprehensive income/loss, net of tax	9	-5	15	-75	4
Total comprehensive income for the period	61	64	723	271	977

Consolidated balance sheet

SEK million	PARENT COMPANY	
	31 Dec 2021	31 Dec 2020
ASSETS		
Cash and balances at central banks	10,100	6,530
Chargeable treasury bills, etc.	22,549	10,894
Lending to credit institutions (Note 13)	123,419	121,069
Lending to the public	24,974	24,806
Bonds and other interest-bearing securities	50,254	58,180
Derivatives	8,904	12,320
Shares and participations in Group companies	10,450	10,401
Intangible assets	21	14
Property, plant and equipment	57	34
Other assets	198	746
Prepaid expenses and accrued income	285	391
TOTAL ASSETS	251,211	245,385
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	16,033	20,184
Deposits from the public	144,950	135,658
Issued debt securities, etc.	63,452	59,841
Derivatives	8,610	12,153
Other liabilities	278	512
Accrued expenses and deferred income	292	309
Deferred tax liabilities	37	58
Provisions	11	20
Subordinated debt	1,996	1,995
Total liabilities	235,659	230,730
Equity		
Restricted equity		
Share capital	1,958	1,958
Statutory reserve	392	392
Total restricted equity	2,350	2,350
Unrestricted equity		
Fair value reserve	165	241
Additional Tier 1 instruments	4,300	3,500
Retained earnings	8,391	7,591
Net profit for the period	346	973
Total unrestricted equity	13,202	12,305
Total equity	15,552	14,655
TOTAL LIABILITIES AND EQUITY	251,211	245,385

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 31 December 2021, SEK 107,718 million relates to a receivable from the wholly owned subsidiary AB Sveriges S kerst llda 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 11,000 million (6,000) comprises of internal Group debt instruments (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. Amendments in Swedish law due to the Capital Adequacy Directive entered into force on 29 December 2020. Most of the changes in the Capital Requirements Regulation entered into force in 28 June 2021. A significant change was the entry into force of a binding minimum requirement of 3% of the exposure amount for leverage ratio.

In addition, new calculation for activated software assets adjustments in the CET1-capital have been implemented by amending the delegated act (EU) 241/2014, which results in a limited improvement of own funds. The change im-

plies a reduced deduction of own funds and increase in risk-weighted exposure amounts with a limited effect on capital relations.

Buffer requirements

During the first quarter 2020, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5% to 0%, due to the corona pandemic. The Swedish FSA announced on 29 September 2021 an increase in the countercyclical capital buffer requirement to 1% with application from 29 September 2022. Denmark has decided to increase the countercyclical buffer requirement from 0% to 1% with application from 30 September 2022. In addition, Bank of Norway decided in June, to raise the countercyclical capital buffer from 1% to 1.5%, effective from 30 June 2022.

Capital adequacy

SEK million	PARENT COMPANY		
	31 Dec 2021	30 Sep 2021	30 Jun 2021
Available own funds (amounts)			
Common Equity Tier 1 (CET1) capital	10,279	10,407	10,579
Tier 1 capital	14,579	14,707	14,879
Total capital	16,574	16,702	16,874
Risk-weighted exposure amounts			
Total risk exposure amount	36,358	37,604	39,630
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio (%)	28.3	27.7	26.7
Tier 1 ratio (%)	40.1	39.1	37.5
Total capital ratio (%)	45.6	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	4.6	2.7
of which: to be made up of CET1 capital (percentage points)	2.7	2.7	1.5
of which: to be made up of Tier 1 capital (percentage points)	3.5	3.5	2.0
Total SREP own funds requirement (%)	12.6	12.6	10.7

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

SEK million	PARENT COMPANY		
	31 Dec 2021	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	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	0.0
Systemic risk buffer (%)	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–
Combined buffer requirement (%)	2.5	2.5	2.5
Overall capital requirements (%)	15.1	15.2	13.2
CET1 available after meeting the total SREP own funds requirements (%)	21.1	20.5	20.7
Leverage ratio			
Total exposure measure	145,590	158,213	147,709
Leverage ratio (%)	10.0	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	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	3.0
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA) (Weighted value -average)	79,000	77,236	76,879
Cash outflows - Total weighted value	50,797	52,419	52,656
Cash inflows - Total weighted value	6,566	8,210	9,003
Total net cash outflows (adjusted value)	44,231	44,209	43,653
Liquidity coverage ratio (%)	178.6	174.7	176.1
Net Stable Funding Ratio			
Total available stable funding	196,156	196,729	196,612
Total required stable funding	148,580	133,920	140,936
NSFR ratio (%)	132.0	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	
	31 Dec 2021	31 Dec 2020
Common Equity Tier 1 (CET1) capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	8,782	7,983
Accumulated other comprehensive income (and other reserves)	165	241
Independently reviewed year-end profits net of any foreseeable charge or dividend ¹⁾	-485	973
Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,420	11,155
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	-73	-71
Intangible assets (net of related tax liability) (negative amount)	-13	-14
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	-24	-89
Negative amounts resulting from the calculation of expected loss amounts	-19	-39
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-12	-25
Other regulatory adjustments ²⁾	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-141	-238
Common Equity Tier 1 (CET1) capital	10,279	10,917
Additional Tier 1 (AT1) capital: Instrument		
Capital instruments and the related share premium accounts	4,300	3,500
– of which, classified as equity under applicable accounting standards	4,300	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
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
Tier 1 capital (T1= CET1+AT1)	14,579	14,417
Tier 2 (T2) capital: Instruments		
Capital instruments and the related share premium accounts	1,995	1,995
Credit risk adjustments	-	-
Tier 2 (T2) capital before regulatory adjustments	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
Total capital (TC= T1+T2)	16,574	16,412
Total risk-exposure amount	36,358	38,322

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

SEK million	PARENT COMPANY	
	31 Dec 2021	31 Dec 2020
Capital ratio and requirements including buffers, %		
Common Equity Tier 1 capital	28.3	28.5
Tier 1 capital	40.1	37.6
Total capital	45.6	42.8
Institution CET1 overall capital requirements	7.0 ³⁾	7.0
– of which, capital conservation buffer requirement	2.5	2.5
– of which, countercyclical buffer requirement	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 ³⁾	–
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	23.8 ³⁾	24.0
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

1)) Net profit for the year was reduced by the expected dividend of SEK 832 million 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.

3) Amended requirements by Regulation (EU) 2021/637 with application from Q2 2021.

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

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 reports, and has also completed efforts to update the internal rating-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 decreased Pillar 2 requirement. In October 2021 the board of SBAB decided to remove Article 3 surcharge, as a result of the Swedish FSA communicated Pillar 2 requirements.

Risk exposure amounts and capital requirements

SEK million	PARENT COMPANY			
	31 Dec 2021		31 Dec 2020	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	8,146	651	7,740	619
Retail exposures	1,060	85	941	75
– of which, exposures to SMEs	81	7	58	5
– of which, retail exposures secured by immovable property	979	78	883	70
Total exposures recognised with the IRB approach	9,206	736	8,681	694
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisations	0	0	0	0
Exposures to institutions ¹⁾	3,429	274	3,934	315
– of which, derivatives according to CRR, Appendix 2	3,429	274	3,899	312
– of which, repos	0	0	19	2
– of which, other	0	0	16	1
Retail exposures	2,705	216	2,613	209
Exposures in default	5	0	7	1
Exposures in the form of covered bonds	3,111	249	3,738	299
Exposures to institutions and corporates with a short-term credit rating	15	1	11	1
Equity exposures	10,450	836	11,566	925
Other items	153	13	96	7
Total exposures recognised with standardised approach	19,868	1,589	21,965	1,757
Market risk	61	5	74	6
– of which, position risk	–	–	–	–
– of which, currency risk	61	5	74	6
Operational risk	2,567	205	2,148	172
– of which, standardised approach	2,567	205	2,148	172
Credit valuation adjustment risk (CVA risk)	870	70	1,286	103
Additional requirements under Article 458 of the CRR	3,786	304	3,992	320
Additional requirements under Article 3 of the CRR	–	–	176	14
Total risk exposure amount and minimum capital requirements	36,358	2,909	38,322	3,066
Capital requirements for capital conservation buffer		909		958
Capital requirements for countercyclical buffer		7		7
Total capital requirements		3,825		4,031

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,429 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 amounted to just over 3000 at the end of the year.

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-detuctible)	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	
	31 Dec 2021	31 Dec 2020
Deposits from the public	144,950	135,658
Lending to the public	467,041	422,835
Deposits/lending, %	31.0	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
	Jan-Dec	Jan-Dec
Expenses	-1,492	-1,335
Operating income	4,121	3,728
C/I ratio, %	36.2	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
	Jan-Dec	Jan-Dec
Expenses	-1,492	-1,335
– Expenses (annualised)	-1,492	-1,335
Aver. lending to the public	444,938	403,321
C/L ratio, %	0.34	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
	Jan-Dec	Jan-Dec
Operating profit after tax	2,081	1,839
– Op. profit after tax (annualised)	2,081	1,839
Average equity	18,772	16,965
Return on equity, %	11.1	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.

	GROUP	
	2021	2020
SEK million	Jan-Dec	Jan-Dec
Net interest income	4,114	3,747
– Net interest inc. (annualised)	4,114	3,747
Average balance sheet total	534,848	493,446
Net interest margin, %	0.77	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.

	GROUP	
	2021	2020
SEK million	Jan-Dec	Jan-Dec
Credit losses	11	–32
– Credit losses (annualised)	11	–32
Lending to the public	467,041	422,835
Credit loss ratio, %	0.00	–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.

	GROUP	
	31 Dec 2021	31 Dec 2020
SEK million		
Gross lending credit stage 3	230	241
Lending to the public	467,041	422,835
Share of Stage 3 loans, %	0.05	0.06

New lending

Definition: Gross lending for the period.

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

Definitions of other key performance indicators

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

Auditors' review report

Introduction

We have reviewed the year-end report for SBAB Bank AB (publ) for the period 1 January – 31 December 2021. The Board of Directors and the CEO are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this year-end report based on our review.

Scope of review

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the year-end report for the Group is not, in all material aspects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities

Companies and as regards the parent company in accordance the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 9 February, 2021

Deloitte AB

Signature on Swedish original

Patrick Honeth
Authorised Public Accountant

The CEO affirms that the year-end 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, 9 February 2022

Mikael Inglander
Acting CEO

Financial calendar

Annual Report 2021	25 March 2022
Green Bond Impact Report 2021	25 March 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



Contact

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This information was submitted
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at 8:00 (CET).

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

