

Interim Report

January–March 2020



The quarter in brief



"As a mortgage bank, SBAB has considerable responsibility for acting to maintain a functioning housing market and national economy. This crisis means that now, more than ever, we need to live our mission – we contribute to better housing and household finances."

Klas Danielsson, CEO of SBAB

Q1 2020

(Q4 2019)

- Considerable market turbulence and increased uncertainty regarding socio-economic development as a result of the coronavirus (Covid-19). [Read more on pages 4 & 6](#)
- Total lending increased 1.4% to SEK 389.3 billion (383.8) during the quarter. Total deposits decreased 1.4% to SEK 128.7 billion (130.5). [Read more on page 10](#)
- Operating profit decreased 10.2% to SEK 485 million (540) mainly due to a negative net result of financial transactions, lower net commission and increased credit loss provisions. The underlying financial performance remained favourable. Net interest income increased 0.9% to SEK 885 million (877) over the quarter. [Read more on page 14](#)
- Launch and implementation of a new Group-wide graphic profile for the brand. [Read more on page 11](#)
- The Extraordinary Board Meeting on 17 March 2020 decided to propose the distribution of no dividend for the 2019 financial year to the AGM. [Read more on page 19](#)

Total lending, SEK bn

389

Total deposits, SEK bn

129

9.2%

Return on equity

12.7%

CET1 capital ratio

0.32%

C/L ratio

-0.03%

Credit loss ratio

Selected key metrics

	GROUP					
	2020	2019	Change	2020	2019	Change
	Q1	Q4		Jan-Mar	Jan-Mar	
Total lending, SEK bn	389.3	383.8	+1.4%	389.3	366.3	+6.3%
Total deposits, SEK bn	128.7	130.5	-1.4%	128.7	126.1	+2.0%
Net interest income, SEK million	885	877	+0.9%	885	883	+0.2%
Expenses, SEK million	-311	-327	-4.6%	-311	-292	+6.5%
Net result of financial transactions, SEK million	-55	-6	-49 mn	-55	13	-68 mn
Credit losses, SEK million	-27	-10	+17 mn	-27	-9	+18 mn
Operating profit, SEK million	485	540	-10.2%	485	590	-17.8%
Return on equity, %	9.2	10.5	-1.3 pp	9.2	12.5	3.3 pp
C/L ratio, %	0.32	0.34	-0.02 pp	0.32	0.32	0.00 pp
C/I ratio, %	37.7	37.2	+0.5 pp	37.7	32.8	+4.9 pp
CET1 capital ratio, %	12.7	13.1	-0.4 p.p.	12.7	12.4	+0.3 pp

This is SBAB

Our business idea is to be innovative and considerate in our offering of loans and savings products to private individuals, tenant-owner associations and property companies in Sweden.



Vision

To offer the best residential mortgages in Sweden



Mission

To contribute to better housing and household finances



Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search engine and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. We meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.49% at 29 February 2020, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se is Sweden's second-largest search engine for housing.

[Read more on page 12](#)

SBAB!

hittamäklare!
En tjänst från SBAB

booli!
En tjänst från SBAB

Corp. & ToA business area

The Corporate Clients & Tenant-Owners' Associations business area offers property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to corporates and organisations. We finance multi-family dwellings, existing as well as new construction. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to companies was 11.44% at 29 February 2020 and the market share for lending to tenant-owners' associations was 9.56%.

[Read more on page 13](#)



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



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

Statement from the CEO

The corona pandemic has been ongoing for several months and tipped the world into a crisis. Our thoughts are first and foremost with those whose health has been affected by the spread of the covid-19 virus.

The shutdown of society to manage the infection spread is having a growing impact on the economy. The shutdown is negatively affecting many people's personal finances. As a mortgage bank, SBAB has considerable responsibility for acting to maintain a functioning housing market and national economy. This crisis means that now, more than ever, we need to live our mission – we contribute to better housing and household finances.

We receive many questions every day from worried customers about how their household finances will be affected by a downturn in the economy. We are there-

fore investing considerable energy and effort into providing our customers with simple and easily accessible information, and into providing the best service we can as quickly as we can. However, increasing staff absences mean we are experiencing challenges sometimes in meeting our customer service standards. I want you, as an SBAB customer, to know that we are doing our absolute, very best.

We have launched a service on our website and in our bank app where all our residential mortgage customers can easily apply for amortisation relief on their mortgages until August 2021. Amortisation relief has been made possible for all residential mortgage customers through a decision by the Swedish FSA dated 14 April. This allows our residential mortgage customers to strengthen their household finances by reducing their monthly living costs for a period when their income is lower or they otherwise have a greater need for a financial buffer.

We are a purpose-driven company. SBAB's banking operations are also critical for society. We must always, even during a crisis, be able to supply the market with credit and our customers must always have access to their savings. Other-

wise Sweden will grind to a halt. We are focusing intently on our continuity and crisis management efforts. We take our responsibility as a bank for a functioning housing market in times of crisis by not slowing our granting of credit. Quite the opposite in fact – we are trying to increase it. We are continuing as usual to offer mortgages and housing finance to consumers, property companies, housing developers and tenant-owners' associations – with the ambition of increasing our lending and thus enabling even more people to find a better home.

In these difficult conditions when society is shutting down, it is the weakest members of society who are hardest hit. For years, we have promoted better housing for all, by working within the framework of our social sustainability efforts together with, and supporting, several organisations that focus on reducing homelessness and on helping socially vulnerable people find their own homes. During the current corona crisis we are increasing our support to promote better housing for all. Read more about the above at www.sbab.se or at www.booli.se.

The ongoing crisis affects us all, though with differing degrees of concern as we are all unique individuals in unique situations. We are a values-driven company with a values-driven way of working, where inclusion and the freedom for people to be themselves are paramount. In these times, we are focusing extra on

GENOMFÖR LEVERERAR



AGERAR STÄMMER AV

BÖRJAR ÅTGÄRDA

The ladder

The ladder is one of our symbols that helps us to live by our values in daily operations. The ladder has seven rungs. We don't want to find ourselves at the foot of the ladder complaining and questioning. We want to be high up the ladder, since that is where we generate tempo through acting, implementing and delivering.

our workplace and our work environment to maintain motivation and commitment among all our employees. Caring and taking responsibility for each other, together with clear and transparent information, is crucial to the above.

On 21 April, Great Place to Work (GPTW) announced that SBAB was Sweden's fourth best workplace in the large company category. We are extremely proud that our values-driven way of working has resulted in such a strong result. I am also convinced that our way of working will enable us to manage this crisis as well as we are.

In the first quarter, SBAB's operations were relatively unaffected by the corona crisis. In March, borrowing terms in the capital markets took a turn for the worse, but no material changes were noted in the housing and credit markets. This resulted in the first quarter becoming another good quarter for SBAB in terms of underlying financial performance and growth. However, earnings declined due to negative earnings impact from net result of financial transactions of SEK 55 million, primarily due to increased counterparty risks in SBAB's derivative exposures within funding operations, and higher credit losses at SEK 27 million mainly as a result of increased provisions for potential credit losses arising from the corona crisis. Further provisions for potential credit losses may need to be made in future quarters depending on the development of the crisis.

SBAB is in a favourable position in comparison to other economic sectors. Our focus on residential mortgages and housing finance in Sweden against collateral in properties is associated with extremely low risk and is relatively unaffected by crises. We have only a marginal amount of lending with a higher risk – for example, unsecured lending and lending for purposes other than housing. At the end of the quarter, unsecured loans to private individuals (consumer loans) amounted to SEK 2.3 billion, or 0.6% of our total lending. At the same date, lending against commercial property (offices, warehouses, etc.) amounted to SEK 2.5 billion, or about 0.7% of our total lending.

In Sweden, credit losses arising from housing financing have been limited in

modern times, even during the deep and long-lasting property crisis in the 90s. During the financial crisis in 2008 and 2009, SBAB's total recognised credit losses amounted to 0.01% and 0.05%, respectively, of total lending.

The average loan-to-value (LTV) ratio for our residential mortgage customers amounted to SEK 61% at 31 March 2020. The LTV ratios for property companies and tenant-owners' associations at the same date were 63% and 39%, respectively. Our average residential mortgage customer has a mortgage of SEK 1.7 million and pays an average of SEK 2,100 per month in mortgage interest before tax. Households' interest expenses for mortgages have not been this low for more than half a century. In accordance with the decision by the Swedish FSA, we are offering amortisation relief to all residential mortgage customers and, to date (as per 27 April 2020), 12,000 households have been granted amortisation relief, corresponding to a volume of SEK 29.4 billion, or approximately 10% of our total residential mortgage portfolio.

From a historic perspective, the housing market and housing prices have been adversely affected by persistent higher unemployment and/or persistent higher interest rates. We expect unemployment to increase relatively sharply as a consequence of the shutdown of society, along with falling housing prices, but that low interest rates together with the underlying housing shortage will support the housing market and housing prices. Naturally, the duration of the corona crisis and the shutdown of society will play a critical role.

Measures taken by The Swedish FSA, the Riksbank, the Swedish National Debt Office and the government have contributed to stabilising the capital markets. The Swedish FSA's decision to lower the countercyclical capital buffer requirement strengthened SBAB's margin in terms of the applicable capital requirements. The Riksbank's lending programme and bond purchases strengthened market liquidity and lowered our borrowing costs. Together, other mea-

sures also help stabilise the market and reduce the economic downturn.

SBAB's own funds are strong, we have strong liquidity and healthy profitability. Despite considerable uncertainty regarding the socio-economic development in the immediate future, our current assessment is that SBAB's operations will be able to perform well over the forthcoming quarters.

I would like to take this opportunity to highlight my fantastic colleagues. Each day, I am impressed by the initiative, responsibility, thoughtfulness and ability to put things into motion shown by everyone at SBAB.

Look after yourself and those you hold dear.

Best regards,



Klas Danielsson
CEO of SBAB

Information due to the coronavirus



The spread of the coronavirus (Covid-19) is creating great human suffering all around the world. It has also considerably disrupted the economy. Many households are concerned regarding their own finances as a result of rising uncertainty about the future.

The spread of the coronavirus has been classified as a pandemic since it has spread to all parts of the world. The situation is very serious with human suffering and an economic downturn. In the immediate short term, the hardest hit are the travel, tourism, hotel, culture and entertainment industries. As the corona crisis and the shutdown of society continues, more and more sectors of the business community are affected. The long-term economic consequences depend on how long the crisis prevail.

With previous virus outbreaks, such as MERS and SARS, the effects on the economy were temporary. These viruses had higher mortality rates than the current coronavirus and also affected other groups than primarily the elderly and unwell. Unlike these other viruses, the coronavirus has a broad global spread, which will have greater negative socio-economic effects compared with previous virus outbreaks. The extent of the final impact depends on the measures taken by governments, central banks and other agencies, among other actions. You will find a few of the measures implemented to date below.

Measures by government agencies

Government measures

Many governments have allocated substantial resources to health care, but have also taken steps to reduce the risk of companies entering into bankruptcy as a result of the coronavirus. In addition to more health care resources, the government in Sweden has taken steps

including, dropping the no-benefit day in case of illness, assumed employers' expenses for employees' sick pay during the first two weeks of illness and allowed companies with temporary declines in sales revenue to defer certain tax and social security contribution payments. The government has also introduced support, known as the short-time work-allowance, whereby the employees of companies whose operations are severely affected by the crisis can reduce work hours but still retain most of their salary through the state compensating a large part of the company's expenses for personnel that reduce their working hours. More information about measures taken by the government are available on its [website](#).

Measures from the Riksbank

The Riksbank, the ECB and central banks around the world have announced support measures to maintain the functionality of the markets and to mitigate the economic effects of the corona pandemic. In Sweden, the Riksbank has taken separate measures to ensure banks can lend to companies suffering from temporary large declines in revenue, when demand for companies' products or services falls as a result of the coronavirus. These include a decision by the Riksbank to lend, through a credit facility, up to SEK 500 billion to companies via the banks with the aim of ensuring a functioning supply of credit. SBAB has participated in this credit facility (see the section on financing on the next page). The Riksbank has also decided to purchase government, municipal, mortgage and corporate bonds and commercial paper for up to SEK 300 billion and, in parallel, has lowered the overnight rate for standing deposits with the Riksbank. Even if the Riksbank has said that a cut in the repo rate is not on the cards, it has not ruled out the possibility of returning to a negative repo rate. Additional information is available on the Riksbank [website](#).

Measures from the Swedish FSA

The Swedish FSA (Finansinspektionen) has decided to lower the countercyclical capital buffer requirement for

banks' Swedish exposures from 2.5% to 0%. The Swedish FSA has announced that banks will have the possibility of offering all new and existing mortgagors an exemption from the amortisation requirements due to the considerable downturn in Sweden's economy in the wake of the coronavirus. It is up to the banks to decide whether an individual household may be granted an amortisation exemption based on an assessment of its specific situation and payment ability. The exemption applies for amortisation payments until 31 August 2021. More information about the Swedish FSA's measures are available on its [website](#).

Measures from the Swedish National Debt Office

On 7 April 2020, the Swedish National Debt Office decided to extend the phase-in period for banks to meet the MREL until 2024 (from 2022). The measures were implemented to facilitate support from banks in the supply of credit to companies and households. Read more on the Swedish National Debt Office's [website](#).

Effects on Sweden's economy

The coronavirus is expected to heavily impact Sweden's economy and GDP growth. Unemployment is also expected to increase significantly.

[Read more on page 8](#)

Effects on the housing market

SBAB's projections indicate a potential downturn in housing prices as a result of weaker economic development. Continued low mortgage rates and a relatively low rate of construction will, however, continue to support housing prices in the long term. [Read more on page 8](#)

Initiatives to help SBAB's customers

As a banking and services supplier with-in housing and household finances, SBAB has an important role in the national economy. Even if the government, the Riksbank and other agencies implement major counteractions, unemployment and sick leave will increase substantially in Sweden – at least for a period. While Sweden has well-func-

tioning welfare systems, unlike many other countries, people who fall ill or lose their employment will suffer personal financial harm.

The spread of coronavirus means many households could find themselves under financial stress. SBAB is offering its residential mortgage customers a temporary pause in mortgage amortisation in accordance with the guidelines of the Swedish FSA. At 27 April 2020, 12,000 households, subject to the amortisation requirements from the Swedish FSA, had been granted amortisation relief, corresponding to a volume of approximately SEK 29.4 billion. More information about amortisation relief is available on SBAB's [website](#).

SBAB has not ruled out any other necessary measures to support our customers, both with regard to lending to consumers, and to companies and tenant-owners' associations.

SBAB's financial position

SBAB's underlying earnings trend remained healthy in the first quarter of 2020 and the Group's balance sheet, capitalisation and liquidity are assessed as robust. SBAB is monitoring ongoing developments with the coronavirus and implementing measures in accordance with the applicable recommendations of the relevant government agencies.

Credit quality

At the end of the first quarter of 2020, SBAB's lending to the public amounted to SEK 389.3 billion, of which SEK 295.3 billion comprised residential mortgages, SEK 2.3 billion consumer loans, SEK 39.5 billion lending property companies and SEK 52.2 billion lending to tenant-owners' associations. SBAB has no exposure to particularly vulnerable sectors and has extremely limited exposure in terms of unsecured corporate lending. The credit quality in SBAB's loan portfolio is assessed as good. The Swedish FSA's annual mortgage market survey, with data from 2019, also found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages in a worse economic climate. The healthy level of resilience indicates limited risk for mortgages leading to extensive credit losses for the banks.

In previous economic crises in Sweden, banks' credit losses linked to residential mortgages and housing

finance have been low. We are carefully monitoring developments and making ongoing assessments and analyses of SBAB's credit risk in lending.

As a result of the corona pandemic and in accordance with existing the accounting standard (IFRS 9), SBAB has revised the forward-looking information applied in the impairment model, resulting in an effect of SEK 19 million in increased loan loss provisions.

[Read more on pages 15 & 28–29](#)

Lending growth

As a significant credit provider, it is important in the current circumstances that SBAB acts to facilitate the provision of credit in the market. SBAB's strategy remains firm and the company's ambition is to continue to grow and capture market shares. However, growth in the residential mortgage market is expected to decline in the wake of the corona pandemic. At the same time, higher activity was noted during the quarter, as was increased demand for corporate loans. [Read more on page 10](#)

Funding (funding & deposits)

Latter developments have entailed substantial movements in the financial markets in the form of volatile interest rates, rapidly widening credit spreads and volatile and falling stock markets. This has affected the financial environment in which SBAB and others in the financial sector operate. Despite increased market turbulence, SBAB has remained active and issued new bonds in the Swedish market. SBAB issued debt securities corresponding to a total volume of SEK 27 billion in the quarter. SBAB's bond issues were subject to increased funding costs at the end of the quarter. [Read more on page 17](#)

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

Deposits from the public decreased 1.4% in the quarter to a total of SEK 128.7 billion. [Read more on page 10](#)

Liquidity

At the end of the first quarter of 2020, SBAB's liquidity reserve was SEK 94.4 billion, corresponding to more than 12

months' maturities for the capital markets. The primary purpose of SBAB's liquidity reserve is to meet regulatory requirements and to act as a provision for situations when the ability to obtain liquidity from other sources is limited or rendered materially more difficult. SBAB's liquidity and preparedness are assessed as good. We measure and stress-test liquidity risk, for example, by calculating the survival horizon. The survival horizon amounted to 350 days at 31 March 2020. At the same date, the LCR and NSFR amounted to 300% and 130% respectively. [Read more on page 17](#)

Dividend

SBAB's Extraordinary Board Meeting on 17 March 2020 decided to propose the distribution of no dividend for the 2019 financial year to the Annual General Meeting (AGM). [Read more on page 19](#)

Capitalisation

SBAB is well capitalised and thus has good prerequisites to continue to grow lending. The Board's decision to propose the distribution of no dividend for the 2019 financial year has further strengthened SBAB's capitalisation. The margins to the Swedish FSA's capital requirements increased compared with previous quarters as a result of the Swedish FSA's decision to reduce the countercyclical capital buffer requirement from 2.5% to 0%. At the end of the first quarter of 2020, SBAB's CET1 capital ratio was 12.7%. At the same date, the total capital ratio was 17.5%. This can be compared with the Swedish FSA's capital requirements as per 31 March 2020, which are assessed internally by SBAB to correspond to a CET1 capital ratio of 8.2% and a total capital ratio of 12.3%. [Read more on page 18](#)

Continuity management

We have secured and strengthened the technical preconditions for remote working. Employees who can work from home are doing so. We have introduced a zone system at the office for staff who are unable to work from home, for example customer service in Karlstad. We have also staffed a spare office in the Karlstad area.

Market overview

Swedish economy

Prior to the outbreak of the corona pandemic, Sweden was experiencing a mild recession, which rapidly transitioned into a deep recession in pace with the measures implemented in Sweden and the rest of the world to prevent the spread of the coronavirus. Unlike many other countries, Sweden has not implemented strict quarantine measures, extensive bans on public gatherings or closed businesses. Despite this, GDP in SBAB's forecast is expected to fall sharply in 2020 compared to 2019. Unemployment is also expected to rise significantly. The economic downturn is primarily due to falling investments in businesses, lower net exports and slower private consumption. The risk scenario is strongly negative. The risk of an extremely weak recovery is assessed as more likely than a rapid return to normal conditions.

The government and its agencies, together with the Riksbank, have taken a great many steps to support the economy (see the following section), which are expected to have some impact in keeping the number of businesses entering bankruptcy down and in maintaining household demand. However, the measures are not expected to prevent a very weak

economic trend for this year. This is because Sweden's economic development is heavily dependent on developments in the countries we trade with. Imports and exports correspond to around half of Sweden's GDP. Moreover, the economic downturn is expected to lead to changed shopping patterns and an accelerated structural transition that will hold back GDP growth and result in a slight increase in unemployment next year.

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

Fixed-income market

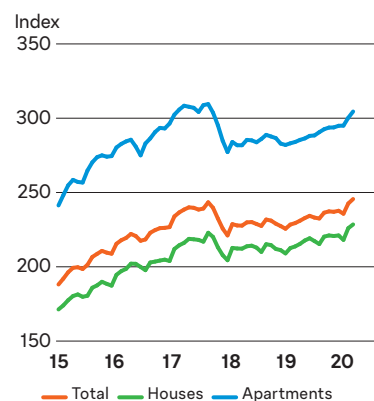
In the wake of the Riksbank's hike in the key interest rate in December 2019, the first quarter opened with slightly higher interest rates compared with earlier periods. The escalating corona pandemic applied the brakes to the global economy and made many central banks lower their key interest rates, which depressed Swedish market interest rates. In March, interest rates fluctuated sharply up and down, which was attributable to rising risk premiums and the effects of measures aimed at stabilising the financial markets. We expect interbank rates, and

rates on government bonds and mortgage bonds to remain low, albeit more volatile than usual for the remainder of the year.

The uncertainty of the situation means it is difficult to forecast mortgage rates. Normally in a recession, mortgage rates are low, which helps counter the fall in housing prices as a result of rising unemployment. However, if the corona pandemic leads to substantial increases in risk premiums, mortgage rates could rise. It is critical to avoid a situation where mortgage rates and unemployment are concurrently rising. SBAB's main forecast is for mortgage rates to remain more or less stagnant for all fixed-interest periods over the next year, followed by a slight upturn in mortgage rates with longer fixed-interest periods. However, the forecast does contain upside and downside risks. Cautious investors, higher risk premiums and increasing credit losses could lead to rising mortgage rates, despite possible countermeasures from the Riksbank. Mortgage rates could also rise as a result of increasing inflation in the wake of an expansionary fiscal policy. Inflationary pressure could even arise as the result of closed borders and a reduced influx of foreign labour as well as global competition. This should

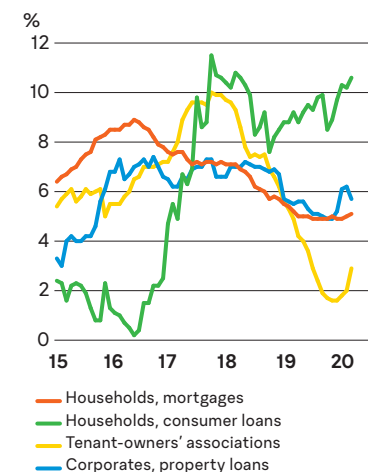
Housing price trend

(HOX index 2005=100)



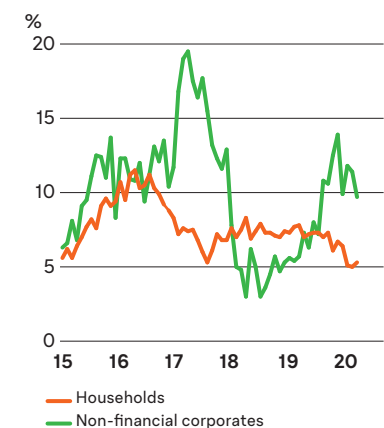
Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



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



Information about the housing market

Large quantities of data and knowledge are accumulated in our operations about how the housing and residential mortgage markets work. We use this data to improve the customer experience by refining existing services as well as developing new ones. Booli.se is a popular service for finding information about housing offers, demand and price trends.

however, be offset by a rise in domestic unemployment. A lowering of the repo rate, although at the moment it seems very unlikely, could lead to falling mortgage rates.

Housing prices

Housing prices rose slightly in the first quarter of the year. Measured using data from Booli, Mäklarstatistik and Valuerguard, however, housing prices were stagnant in March. According to weekly statistics from Booli, the average square metre price fell somewhat in the first two weeks in April, but has been remained stagnant since then. All in all, this means that housing prices are at roughly the same level as per the start of the year. Falling stock markets around the world are affecting the financial assets of Swedish households. The knock-on effect has been the reduction of households' willingness to invest and purchase housing, indirectly affecting Swedish housing prices. Temporary relief from loan amortisation requirements, income support measures from the government and expected low interest rates in the future suggest reasonably stable housing prices. Poorer conditions for showing housing for sale due to social distancing measures and expectations of higher unemployment point in the other direction. The most recent measurements of housing price expectations indicate that households have become considerably more pessimistic. All in all, SBAB estimates a decline in housing prices in the short term but for them to remain almost unchanged for the full year. However, a more protracted shutdown of parts of the Swedish economy that result in a more significant increase in unemployment and

which also seriously impair the preconditions for buying and selling homes could lead to a significantly larger housing price decline until the market regains its normal function. The assessment is that, in such a scenario, housing prices could fall by around 10% or more during the year.

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

Housing market

The market for existing homes has stabilised during the year and thereafter strengthened. Turnover has increased, advertising time has shortened and availability has diminished. The trend was particularly rapid during the first two months of the year and slowed thereafter. Data from Booli shows that the availability of tenant-owner apartments increased quite considerably in March and April, particularly in the Stockholm region, but also throughout Sweden. The increase of availability is partly attributable to the reduction in sold objects at the same time as advertising periods were extended in April. The trend toward fewer sold objects and longer advertising periods was however, broken for the week that commenced on April 20.

For new housing production, the economic downturn is expected to lead to greater difficulty in selling housing and a slight fall in prices, mainly in local housing markets where there is already an oversupply. SBAB Booli Housing Market Index (HMI, available [here](#)) shows the areas assessed as having such an oversupply. The anticipated downturn has yet to be confirmed with any available

statistics. The economic downturn is also expected to lead to a decrease in housing construction of 40,000 housing units per year in 2020 and the next few years. This corresponds to a decrease of 38% compared with the strong figures for 2017.

Market for deposits and lending

Through the start of 2020, annualised lending growth to households (mortgage loans) was slightly over 5%, where it has remained for just over one year. However, growth is expected to fall back slightly in the current year as a result of weak income growth and depressed housing prices, but is still expected to reach more than 4% at an annualised rate. Based on historic experience, the housing credit trend is therefore not expected to be heavily dependent on the GDP trend, even though a realisation of the more negative risk scenario in SBAB's macroeconomic forecast could negatively impact lending growth.

The growth rate for household deposits has slowed slightly over recent months and at an annualised rate totalled 5% in the first months of the year. As a result of rapid change in the economy, we expect the household savings ratio to increase slightly and growth in deposits to increase slightly in 2020. In other words, households' deposits are expected to increase faster than their mortgages, despite the low interest rates. Growth in deposits from non-financial corporates, including tenant-owners' associations, are expected to decline to 7% in 2020 as a result of deferred investments. Significantly lower real economic growth than the projection in SBAB's main forecast could lead to repercussions in deposit growth from households and corporates.

Business development



Volume trends

	GROUP				
	2020	2019	2019	2020	2019
	Q1	Q4	Q1	Jan-Mar	Jan-Mar
New lending for the period, SEK bn	18.5	20.0	16.3	18.5	16.3
Net change in lending for the period, SEK bn	5.5	5.6	2.1	5.5	2.1
Total lending, SEK bn	389.3	383.8	366.3	389.3	366.3
No. of deposit accounts, thousand	409	399	383	409	383
Net change in deposits, SEK bn	-1.8	0.5	1.2	-1.8	1.2
Total deposits, SEK bn	128.7	130.5	126.1	128.7	126.1
Deposits/lending, %	33.1	34.0	34.4	33.1	34.4
Retail business area					
No. of mortgage customers, thousand	281	279	270	281	270
No. of mortgage objects financed, thousand	180	178	172	180	172
New lending, SEK bn	14.3	16.1	12.4	14.3	12.4
Net change in lending for the period, SEK bn	3.7	3.8	0.6	3.7	0.6
Total lending, Retail, SEK bn	297.6	293.9	279.5	297.6	279.5
Residential mortgages, SEK bn	295.3	291.6	277.3	295.3	277.3
Consumer loans, SEK bn	2.3	2.3	2.2	2.3	2.2
Market share, Residential mortgages, % ¹⁾	8.49	8.47	8.35	8.49	8.35
Market share, Consumer loans, % ¹⁾	0.83	0.83	0.87	0.83	0.87
Total deposits, Retail, SEK bn	90.3	92.0	87.6	90.3	87.6
No. of retail customers with savings accounts, thousand	358	350	337	358	337
Market share deposits, Retail, % ¹⁾	4.55	4.68	4.60	4.55	4.60
Corporate Clients & Tenant-Owners' Associations business area					
No. of housing financing customers	2,162	2,122	2,162	2,162	2,162
New lending, SEK bn	4.3	3.9	3.9	4.3	3.9
Net change in lending for the period, SEK bn	1.8	1.7	1.5	1.8	1.5
Total lending, Corp. Clients & Tenant-Own. Asso. SEK bn	91.7	89.9	86.8	91.7	86.8
Lending, Corporate clients, SEK bn	39.5	38.4	36.1	39.5	36.1
Lending, Tenant-owners' associations, SEK bn	52.2	51.5	50.7	52.2	50.7
Market share, Corporate clients, % ¹⁾	11.44	11.23	10.77	11.44	10.77
Market share, Tenant-owners' associations, % ¹⁾	9.56	9.55	9.41	9.56	9.41
Total deposits, Corp. Clients & Tenant-Own. Asso. SEK bn	38.4	38.6	38.5	38.4	38.5
Savings accounts – Corp. Clients & Tenant-Own. Asso.	12,400	12,500	13,100	12,400	13,100
Market share deposits, Corp. Clients & Tenant-Own. Asso. % ¹⁾	3.03	2.94	3.20	3.03	3.20

¹⁾ Source: Statistics Sweden. The figures in the columns for Q1 2019 and Jan-Mar 2020 correspond with the market share as of 29 February 2019. The figures in the columns for Q4 2019 correspond with the market share as of 31 December 2019. The figures in the columns for Q1 2019 and Jan-Mar 2019 correspond with the market share as of 28 February 2019.

An ecosystem of services relating housing and household finances

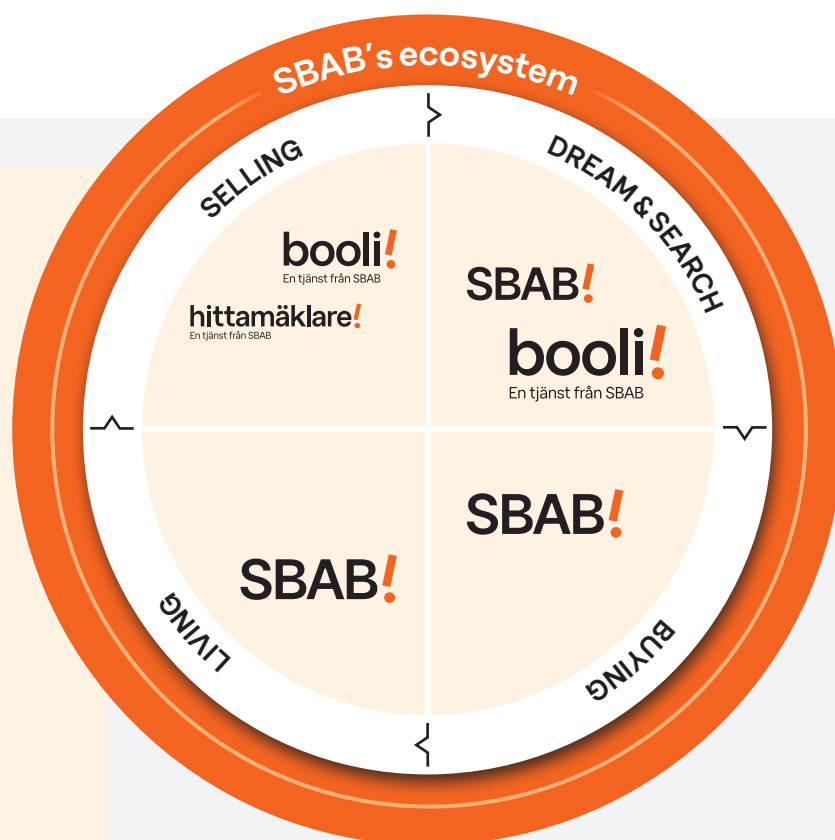
New Group profile

For an enhanced customer experience

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

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

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



Our ecosystem

Services relating to housing and household finances

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



Sweden's most satisfied residential mortgage customers

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

Retail business area

Trend for Q1 2020 compared with Q4 2019

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

Lending

SBAB offers simple and straightforward terms and conditions, transparent pricing, high availability through digital and telephone services, and mindful service. New lending remained healthy and totalled SEK 14.3 billion (16.1) for the quarter. Activity was relatively high, even after the outbreak of the coronavirus, in terms of loan applications and loan commitment, for example.

Customer service receives many calls every day from worried customers with questions about housing and household finances and the corona situation. The spread of coronavirus with its resulting societal restrictions means many household could find themselves under financial stress. SBAB is offering customers a temporary pause in mortgage amortisation. At 27 April 2020, 12,000

households, subject to the amortisation requirements from the Swedish FSA, had been granted amortisation relief, corresponding to a volume of approximately SEK 29.4 billion.

Total retail lending increased to SEK 297.6 billion (293.9), of which SEK 295.3 billion (291.6) comprised residential mortgages and SEK 2.3 billion (2.3) consumer loans. The number of residential mortgage customers amounted to 281,000 (279,000) distributed over 180,000 (178,000) mortgage objects. The market share of residential mortgages was 8.49% at 29 February 2020 (8.47% at 31 December 2019). At the same date, the market share for consumer loans was 0.83% (0.83% at 31 December 2019). The majority of SBAB's residential mortgage customers choose shorter maturities. The share of total lending with a 3M fixed-interest period amounted to 73.4% (73.5) at the end of the quarter.

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

Savings accounts (deposit)

SBAB's retail savings accounts are characterised by competitive savings rates and simple product terms and conditions. Retail deposits decreased during the quarter to SEK 90.3 billion (92.0), due among other things to the need to make tax payments in February and a slight increase in competition. Deposit growth

was healthy toward the end of March and following the close of the period in April. At the end of the quarter, approximately 358,000 (350,000) retail customers held savings accounts with SBAB. The market share of retail deposits was 4.55% at 29 February 2020 (4.68% at 31 December 2019).

User trends

Every month, many people visit SBAB's website to manage mortgages and savings or to find inspiration about housing and household finances. The number of unique visitors per month to www.sbab.se averaged around 468,000 (445,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 100,000 (91,000) for the same period.

Booli.se is a popular platform for looking for homes for sale and for valuations of homes, among other services. The real estate agent service HittaMäklare is part of Booli. The number of unique visitors per month to www.booli.se averaged around 1,080,000 (950,000) during the quarter. Booli's monthly property valuation email had more than 419,000 subscribers at the end of the first quarter of 2020. HittaMäklare's service for locating estate agents has been used by about 86% of the registered estate agents in Sweden.

Corp. & Tenant-Own. Assoc. business area

Trend for Q1 2020 compared with Q4 2019

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

Housing financing (lending)

Limited access to the financial markets in the wake of the corona crisis has led corporate clients to increasingly contact SBAB to refinance or replace capital market financing (commercial paper or bonds) with bank financing. SBAB's corporate clients state that they have yet to note any major impact on their housing operations. SBAB focuses on residential properties and therefore has an extremely low proportion of commercial lending, where the effects and disruption caused by the corona crisis have been greatest to date. However, there is some concern re-

garding delays and disruption to production for new construction of multi-family dwellings. SBAB has participated in the Riksbank's programme for onward lending to companies via the banks. This facility provides greater prerequisites for SBAB to maintain corporate lending at continued advantageous terms. SBAB is ready to manage increased activity and remains firm on its ambition of helping and facilitating credit supply to the housing market.

However, the market for lending to tenant-owners' associations is dominated by intense price competition, not least in the major metropolitan areas. SBAB holds a strong market position and activity at the start of 2020 was healthy. Thus far, the development of the coronavirus has had limited impact in this segment. The number of inquiries for offers decreased slightly toward the end of the quarter, albeit marginally. SBAB has proactively contacted tenant-owners' association customers with a high share of revenue from rental premises in relation to total annual fees, and who could need to apply for amortisation relief. Only a few customers have availed themselves of this possibility to date.

During the quarter, new lending to corporate clients and tenant-owners' associations increased to SEK 4.3 billion

(3.9). Total lending increased to SEK 91.7 billion (89.9), of which SEK 39.5 billion (38.4) comprised lending to corporate clients and SEK 52.2 billion (51.5) lending to tenant-owners' associations. The market share of lending to property companies was 11.44% at 29 February 2020 (11.23% at 31 December 2019). At the same date, the market share for lending to tenant-owners' associations was 9.56% (9.55% at 31 December 2019). The number of housing financing customers was 2,162 (2,122) at the end of the quarter.

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

Savings accounts (deposit)

Deposits from corporate clients and tenant-owners' associations decreased marginally during the quarter and totalled SEK 38.4 billion (38.6). This was primarily due to increased outflows at the end of the quarter for corporate clients in need of liquidity due to the corona crisis. At the end of the quarter, approximately 12,400 (12,500) customers held savings accounts with SBAB. The market share of deposits from corporate clients and tenant-owners' associations was 3.03% at 29 February 2020 (2.94% at 31 December 2019).



Sweden's most satisfied corporate customers

We have Sweden's most satisfied corporate customers according to Swedish Quality Index (Swe: Svenskt Kvalitetsindex (SKI)), which measures customer satisfaction in the banking and finance sector each year. SBAB received a customer satisfaction score of 76.3 out of 100 in SKI's survey, in relation to the industry average of 67.8. This means that SBAB, for the second consecutive year, has Sweden's most satisfied customers in terms of property loans to corporates and tenant-owners' associations. SBAB's results were particularly strong within areas such as product quality, service and value.

Financial performance



Income statement overview

SEK million	GROUP						
	2020	2019	2019	2019	2019	2020	2019
	Q1	Q4	Q3	Q2	Q1	Jan-Mar	Jan-Mar
Net interest income	885	877	861	852	883	885	883
Net commission	-18	-2	5	-5	-12	-18	-12
Net result of financial transactions (Note 3)	-55	-6	4	15	13	-55	13
Other operating income	12	8	11	9	8	12	8
Total operating income	824	877	881	871	892	824	892
Expenses	-311	-327	-280	-288	-292	-311	-292
Profit before credit losses and impairments	513	550	601	583	600	513	600
Net credit losses (Note 4)	-27	-10	0	-7	-9	-27	-9
Impairment of financial assets	-2	-2	-1	-1	-1	-2	-1
Reversals of impairment of financial assets	1	2	1	2	0	1	0
Operating profit	485	540	601	577	590	485	590
Tax	-110	-122	-136	-130	-132	-110	-132
Net profit for the period	375	418	465	447	458	375	458
Return on equity, % ¹⁾	9.2	10.5	12.0	11.9	12.5	9.2	12.5
C/L ratio, %	0.32	0.34	0.30	0.31	0.32	0.32	0.32
C/I ratio, %	37.7	37.2	31.8	33.0	32.8	37.7	32.8
Credit loss ratio, %	-0.03	-0.01	0.00	-0.01	-0.01	-0.03	-0.01
Share of Stage 3 loans, gross, %	0.08	0.07	0.08	0.08	0.06	0.08	0.06
Net interest margin, %	0.71	0.73	0.71	0.71	0.77	0.71	0.77
Number of employees (FTEs)	707	695	679	653	614	707	614

¹⁾ When calculating the return on equity for Q1 2019, Q2 2019 and Jan-Mar 2019, average equity has been adjusted for the dividend of SEK 690 million. For more information about the calculation of alternative performance measures, please refer to page 48.

Trend for Q1 2020 compared with Q4 2019

Operating profit decreased in the first quarter to SEK 485 million (540) mainly as a result of a decline in the net result of financial transactions, lower net commission and higher loss allowances. The underlying earnings trend remained favourable. The return on equity was 9.2% (10.5). The Board's decision to propose to the AGM the distribution of no dividend for the 2019 financial year had a negative impact of 0.4 percentage points on the metric. The C/I ratio amounted to 37.7% (37.2) and the C/L ratio was 0.32% (0.34).

Net interest income

Net interest income grew to SEK 885 million (877), mainly due to higher lending volumes, lower interest expense linked to deposits and lower guarantee fees. Total guarantee fees for the quarter amounted to SEK 51 million (72), of which SEK 40 million (61) comprised the resolution fee and SEK 11 million (11) pertained to the national deposit guarantee fee. Rising market interest rates and therefore higher interest expense for borrowing in the capital markets negatively affected net interest income.

Net commission

Net commission income declined during the quarter to an expense of SEK 18 million (expense: 2) as a result of increased commission expense linked to funding operations.

Net result of financial transactions

The net result of financial transactions decreased to an expense of SEK 55 million (expense: 6). The remeasurement of credit risk in derivatives (CVA/DVA) was the factor with the largest earnings impact in the quarter. For more information; please refer to [Note 3](#).

Expenses

Expenses amounted to SEK 311 million (327). The change was mainly due to seasonally lower IT expenses and lower marketing costs in the quarter. At the end of the quarter, FTEs amounted to 707 (695), which resulted in higher personnel costs.

Credit quality and credit losses

Net credit losses totalled SEK 27 million (10) in the first quarter. The change was mainly attributable to a revision of the forward-looking information applied in the impairment model, for reasons including the corona pandemic. Provisions for credit stage 1 loans increased SEK 12 million. Provisions for credit stage 2 and 3 loans increased SEK 3 million and SEK 1 million, respectively. Provisions for loan commitments and building credits increased SEK 10 million. The increase in provisions, based on the revised forward-looking information, have primarily impacted PD (probability of default), which measures the ability to repay. The increased provisions for loan commitments and building credits were also attributable to increased lending volumes

in relation to the previous quarter. Confirmed credit losses totalled SEK 2 million (2) for the first quarter.

The credit quality of SBAB's lending is good and the risks entailed in retail lending are low. SBAB's granting of credit to consumers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitment. The Swedish FSA's annual mortgage market survey, with data from 2019, found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages even in a worse economic climate.

At the end of the quarter, the average LTV ratio in SBAB's mortgage portfolio was 61% (60). At the same date, the average residential mortgage to retail customers amounted to SEK 1.7 million (1.7). During the quarter, the LTV for new lending was 69% (70) and the debt-to-income ratio was 3.6 (3.6).

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

Other comprehensive income

Other comprehensive income increased to SEK 630 million (expense: 1,234), mainly due to the substantial positive impact on the item of a downturn in long EUR interest rates. For more information, please refer to page 22.

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

Operating profit decreased to SEK 485 million (590). The return on equity amounted to 9.2% (12.5) and the C/I ratio was 37.7% (32.8).

Net interest income grew to SEK 885 million (883), mainly due to higher lending volumes and lower guarantee fees. Total guarantee fees for the period amounted to SEK 51 million (79), of which SEK 40 million (62) comprised the resolution fee and SEK 11 million (17) pertained to the national deposit guarantee fee. Rising market interest rates and therefore higher interest expense for borrowing in the capital markets negatively affected net interest income.

The net commission expense was SEK 18 million (expense: 12), and was

mainly due to increased commission expenses linked to funding operations.

The net result of financial transactions decreased to an expense of SEK 55 million (expense: 13) as a result of the revaluation of credit risk in derivatives (CVA/DVA). For more information; please refer to [Note 3](#).

Other comprehensive income for the period decreased to SEK 630 million (828), due to the negative impact on the item of a, in relative terms, longer downturn in long EUR interest rates compared with the corresponding period last year. For more information, please refer to page 22.

Expenses grew to SEK 311 million (292), mainly due to increased operational investments in terms of the number of employees and resources in areas including customer experience

and customer service, digitalisation and IT systems. The replacement of SBAB's core bank platform is ongoing and is expected to be ready in the first half of 2021. Modern, flexible system support comprises a key component for strengthening SBAB's future competitiveness, and its ability to develop digital services and enhance the digital customer interface. At the end of the period, FTEs amounted to 707 (614).

Net credit losses totalled SEK 27 million (recoveries: 9). The change between the periods was mainly attributable to a revision of the forward-looking information applied in the impairment model. Confirmed credit losses totalled SEK 2 million (2) 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 Mar 2020	31 Dec 2019	31 Mar 2019
ASSETS			
Cash and balances at central banks	4,050	5,750	0
Chargeable treasury bills, etc.	29,698	15,886	29,478
Lending to credit institutions	13,054	417	7,278
Lending to the public (Note 5)	389,319	383,807	366,254
Bonds and other interest-bearing securities	61,234	55,731	52,605
Total other assets in the balance sheet	22,637	13,941	14,289
TOTAL ASSETS	519,992	475,532	469,904
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	22,658	10,528	12,432
Deposits from the public	128,688	130,542	126,112
Debt securities issued, etc. (funding)	328,934	303,597	302,366
Subordinated debt	3,449	4,948	4,946
Total other liabilities in the balance sheet	13,708	4,336	5,535
Total liabilities	497,437	453,951	451,391
Total equity	22,555	21,581	18,513
– of which, Tier 1 capital instruments	3,500	3,500	1,500
TOTAL LIABILITIES AND EQUITY	519,992	475,532	469,904
CET1 capital ratio, %	12.7	13.1 ⁴⁾	12.4
Tier 1 capital ratio, %	15.5	17.3 ⁴⁾	15.0
Total capital ratio, %	17.5	20.1 ⁴⁾	18.0
Leverage ratio, % ¹⁾	3.69	4.30 ⁴⁾	3.66
Liquidity coverage ratio (LCR), % ²⁾	300	271	303
Net Stable Funding Ratio (NSFR), % ³⁾	130	134	117

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

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

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

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

Trend for Q1 2020 compared with Q4 2019

Balance sheet comments

Chargeable treasury bills increased during the quarter to SEK 29.7 billion (15.9), primarily due to increased holdings of Riksbank certificates as a result of a higher issue rate at the start of 2020 (and therefore higher cash liquidity). Cash and balances at central banks decreased to SEK 4.1 billion (5.8), attributable to lower surplus liquidity deposited with the Riksbank. Lending to credit institutions increased to SEK 13.1 billion (0.4), attributable to higher repo volumes. The changes were within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities increased to SEK 61.2 billion (55.7) within the framework of normal liquidity reserve management. Lending to the public amounted to SEK 389.3 billion (383.8), of which SEK 295.3 billion comprised residential mortgages, SEK 2.3 billion consumer loans, SEK 39.5 billion lending property companies and SEK 52.2 billion lending to tenant-owners' associations. For more information on Lending to the public, please refer to pages 10–13 and [Note 5](#).

Liabilities to credit institutions increased to SEK 22.7 billion (10.5) during the quarter and were driven by higher repo volumes within the scope of the normal short-term liquidity management and by SBAB's participation in the Riksbank's programme for onward lending to companies via the banks. Deposits from the public decreased to SEK 128.7 billion (130.5), of which 82% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulations. For more information on deposits from the public, please refer to pages 10–13. For information about issued debt securities, please refer to the "Funding" section below. Subordinated debt decreased to SEK 3.4 billion (4.9) as a result of the buy back of additional Tier 1 capital (AT1) for a total of

SEK 1.5 billion during the quarter. Equity increased to SEK 22.6 billion (21.6). The item was mainly affected by changes in other comprehensive income during the quarter and net profit for the period.

Funding

The first quarter of 2020 started with a healthy risk appetite and January and February noted favourable conditions for funding and a positive risk sentiment. In January, SBAB introduced two new covered bonds with respective tenors of five and ten years in the Swedish market. The reception from investors was positive and the initial volumes issued amounted to SEK 7.5 billion and SEK 2.5 billion respectively.

In the second half of February and during March, in pace with the global spread of the coronavirus and its progression in Europe and the USA, market conditions worsened rapidly. The governments of many countries were surprised by the rapid spread of the virus and many decisions were taken to attempt to slow the spread. The decision is expected to harshly impact many countries' economies and expectations of a weaker economic trend have led to a marked downturn on the world's stock exchanges, declines in interest rates, rising borrowing costs and considerable impairment of the function of the financial markets.

Reactions from governments and central banks have been forceful and a flood of measures to support liquidity and lower interest rates have been rolled out. The US central bank, the Federal Reserve, has cut its key interest rate by a total of 150 basis points and expanded bond purchases by around USD 700 billion, at the same time as the ECB has introduced an expanded quantitative easing programme, the Pandemic Emergency Purchase Program (PEPP), amounting to EUR 750 billion. In Sweden, the Riksbank launched seven measures and support programmes (among other actions, the Riksbank has decided to buy additional government securities as well as to broaden its pur-

chases to other asset classes in the form of municipal and mortgage bonds, and commercial paper) within the space of two weeks.

The central banks' measures began to take effect during the end of the quarter, when financial activity increased significantly and large volumes were issued, mainly in USD and EUR, to some extent by banks, but mainly by corporate and SSA issuers. Over the same period, the stock exchanges recovered somewhat while credit spreads stabilised or retreated slightly.

Throughout the turbulence recorded in March, the Swedish covered bonds market continued to function well and SBAB issued covered bonds corresponding to just over SEK 6 billion.

During the quarter as a whole, securities were issued for a total of SEK 27.3 billion (12.0). In parallel, securities were repurchased for SEK 4.1 billion (7.1) and securities amounting to SEK 5.4 billion (2.8) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 25.3 billion to a total of SEK 328.9 billion (303.6). Total bonds maturing in 2020 amount to about SEK 41 billion.

At the end of the quarter, unsecured funding amounted to SEK 60.3 billion (56.8), of which SEK 6.1 billion (6.0) comprised senior non-preferred bonds, SEK 50.0 billion (49.1) other senior unsecured bonds and SEK 4.1 billion (1.7) commercial paper.

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Secured debt outstanding totalled SEK 268.7 billion (246.8) at the end of the quarter, of which SEK 172.2 billion was in SEK and SEK 96.5 billion was in foreign currencies.





Liquidity

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings. At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 94.4 billion¹⁾ (77.6). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 89.9 billion (74.5).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon totalled 350 days (290), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, at 31 March 2020, the LCR was 300% (271) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 216% (199). The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 130% (134) according to SBAB's interpretation of Regulation (EU) 2019/876 of the European Parliament and the Council. For more information on SBAB's liquidity, please refer to [Note 9](#).

Capital position

At the end of the quarter, SBAB's CET1 capital amounted to SEK 15.9 billion (15.8). The increase was mainly attributable to earnings for the interim period. Total capital decreased to SEK 21.9 billion (24.3) as a result of the buy back of additional Tier 1 capital (AT1) for a total of

SEK 1.5 billion and the repurchase of Tier 2 capital instruments (T2) of SEK 1.0 billion following approval from the Swedish FSA (which gave rise to the deduction of a corresponding amount from own funds).

The risk exposure amount (REA) increased during the first quarter to SEK 125.1 billion (120.6). This was mainly driven by higher lending volumes (EAD) corresponding to SEK 3.2 billion, of which SEK 1.6 billion was attributable to the effect from the risk-weight floor.

At 31 March 2020, SBAB's CET1 capital ratio amounted to 12.7% (13.1) and the total capital ratio was 17.5% (20.1). This provides a comfortable margin to both internal targets and external regulatory requirements.

According to internal estimates by SBAB as per 31 March 2020, the Swedish FSA's capital requirements are expected to correspond to a CET1 capital ratio of 8.2% and a total capital ratio of 12.3%. At the same date, SBAB's capital targets²⁾ are therefore expected to correspond to a CET1 capital ratio of not less than 8.8% and a total capital ratio of not less than 12.9%.

The margins to the Swedish FSA's capital requirements have thus increased compared with previous quarters as a result of the Swedish FSA's decision to reduce the countercyclical capital buffer requirement from 2.5% to 0%.

Net profit for the period was included in own funds while expected dividends reduced own funds.

The leverage ratio declined and amounted to SEK 3.69% (4.30) at 31

March 2020, primarily due to the repurchase of additional Tier 1 capital (AT1) of SEK 1.5 billion and increased balance sheet total.

For more information on SBAB's capital position, please refer to [Note 11](#) and [Note 12](#).

As a result of developments stemming from the coronavirus, the Basel Committee has decided to extend implementation of the outstanding elements of the Basel 3 reform. Standards to complement Basel 3 standards that were decided in 2017 (Basel 4), the market risk framework decided in 2019 and implementation of Pillar 3 decided in 2018 have been postponed by one year and will now enter force on 1 January 2023.

For information about the EU's reforms to the Capital Requirements Regulation, the Capital Requirements Directive and the Crisis Management Directive (the banking package) that entered force on 27 June 2019, refer to [Note 11](#).

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

2) On 23 August 2018, the Swedish FSA decided to amend the method for applying the risk-weight floor for Swedish mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The change means the capital requirement is set as a requirement in Pillar 1. The amendment entered force from 31 December 2018 and applies for two years. Given the above amendment, SBAB's Board has decided to translate the buffer levels, expressed in percentage points, in SBAB's capital targets. After the adjustments, which entered force in parallel with the change on 31 December 2018, SBAB's CET1 capital ratio and total capital ratio must, under normal conditions, amount to not less than 0.6 percentage points above the requirement communicated by the Swedish FSA, which is published in the Swedish FSA's quarterly report on Swedish banks' capital requirements. In nominal terms, this corresponds to a buffer level of 1.5 percentage points before moving the risk-weight floor and is in line with the previous capital targets. For more information, please refer to [Note 11](#).

Components of the capital target

SEK million	GROUP			
	31 Mar 2020			
	Total capital	%	CET1 capital	%
Internally assessed capital requirement from the Swedish FSA	15,390	12.3	10,263	8.2
– Of which, Pillar 1 minimum requirement	3,871	3.1	2,178	1.7
– Of which, Pillar 1 risk-weight floor, Swedish mortgages	6,134	4.9	3,450	2.8
– Of which, Pillar 2 core requirement	2,249	1.8	1,499	1.2
– Of which, Capital conservation buffer	3,127	2.5	3,127	2.5
– Of which, Countercyclical buffer	9	0.0	9	0.0
SBAB's capital target	16,141	12.9	11,013	8.8
SBAB's actual capital	21,877	17.5	15,926	12.7

Other information



SBAB's financial targets from 31 December 2018:

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

Termination of partnerships

In the fourth quarter of 2019, SBAB and Sparbanken Syd entered into an amended agreement relating to the parties partnership agreement regarding the mediation of mortgage loans (SEK 9.8 billion at 31 March 2020). According to the amended agreement, Sparbanken Syd is entitled to mediate new mortgages on behalf of SBAB until 30 November 2020 at the latest and to acquire the entire loan portfolio, or parts thereof, during the period from 1 July 2020 until 31 December 2023. Further information will be submitted in the case of any acquisition by Sparbanken Syd.

Change of valuation curves for derivatives to the Overnight Index Swap (OIS) rates

For the purpose of adapting the valuation models to market practice, from January 2020, SBAB has changed to using the valuation curves based on Overnight Index Swap (OIS) rates for the valuation of interest-rate derivatives. In conjunction with the above, valuation curves for other instruments have been updated. The transition to the new valuation curves has had limited/marginal impact on the financial reports. The change had an impact of SEK 2 million on profit or loss and SEK 26 million on other comprehensive income.

The Swedish FSA's mortgage market survey

The Swedish FSA's annual mortgage market survey, with data from 2019, found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages in a worse economic climate. The healthy level of resilience indicates limited risk for mortgages leading to extensive credit losses for the banks. Additional information about the survey is available on the Swedish FSA's [website](#).

Credit rating

On 28 February 2020, Standard & Poor's (S&P) confirmed its credit rating of (A/A-1 with a stable outlook) for SBAB Bank AB (publ). In parallel, S&P decided in its assessment to replace the previous notch for government support with a notch for additional loss-absorbing capacity (ALAC) as a result of SBAB's increased volumes of outstanding senior non-preferred bonds and the expected resolution strategy from the Swedish authorities. For more information, please refer to S&P's website.

Lowering of the countercyclical capital buffer requirement

On 16 March 2020, the Swedish FSA decided to lower the countercyclical capital buffer requirement for banks from 2.5% to 0% as a result of the ongoing corona pandemic.

SBAB's Board proposes distribution of no dividend for 2019

In its year-end report for 2019, published on 14 February 2020, SBAB announced the Board's proposal of a dividend of 40% of distributable earnings for 2019, corresponding to SEK 715 million.

The Extraordinary Board Meeting on 17 March 2020 decided to propose the distribution of no dividend for the 2019 financial year to the Annual General Meeting.

SBAB intends to continue to take responsibility for a well-functioning mortgage credit market in Sweden. By retaining all earnings for 2019 to strengthen SBAB's own funds, this will increase and secure possibilities for continued growth in credit granting to SBAB's customers.

Events after the end of the period

Annual General Meeting

SBAB held its Annual General Meeting on 28 April 2020. The AGM resolved to elect the following Board members: Jan Sinclair (Chairman), Synnöve Trygg, Lars Börjesson, Daniel Kristiansson, Jane Lundgren-Ericsson, Inga-Lill Carlberg, Leif Pagrotsky and Johan Prom. The local trade unions appointed Anders Heder and Margareta Naumburg as employee representatives on the Board of Directors, with Kristina Ljung and David Larsson as alternates.

The AGM resolved not to distribute a dividend for the 2019 financial year. Full details of the proposed appropriation of earnings is available from SBAB's 2019 Annual Report.

Auditors' review report

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

Risks and uncertainties

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity, and the quality of our assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. A housing market with soaring prices over an extended period, in parallel with rising household debt, has resulted in the Swedish economy becoming sensitive to rapid changes in interest rates and house prices. The risks linked to these factors could be amplified if many households have high levels of debt in relation to their disposable incomes. For additional information on forecasts for economic development, interest rates and housing prices, refer to page 6. For information about the corona virus (covid-19) and its effects on socio-economic development and SBAB, 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. Recently, new competitors have appeared in the residential mortgage market. In time, increasing competition in the 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 rules for capital requirements that apply to banks. Such regulatory differences risk creating unfair competition in the market.

Read more about risks and risk management in SBAB's 2019 Annual Report.

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Condensed income statement

SEK million	GROUP					
	2020	2019	2019	2020	2019	2019
	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
Interest income	1,546	1,491	1,404	1,546	1,404	5,868
Interest expense	-661	-614	-521	-661	-521	-2,395
Net interest income	885	877	883	885	883	3,473
Commission income	16	24	15	16	15	84
Commission expense	-34	-26	-27	-34	-27	-98
Net result of financial transactions (Note 3)	-55	-6	13	-55	13	26
Other operating income	12	8	8	12	8	36
Total operating income	824	877	892	824	892	3,521
Personnel costs	-170	-163	-152	-170	-152	-630
Other expenses	-122	-145	-123	-122	-123	-486
Depreciation, amortisation and impairment of PPE and intangible assets	-19	-19	-17	-19	-17	-71
Total expenses before credit losses	-311	-327	-292	-311	-292	-1,187
Profit before credit losses	513	550	600	513	600	2,334
Net credit losses (Note 4)	-27	-10	-9	-27	-9	-26
Impairment of financial assets	-2	-2	-1	-2	-1	-5
Reversals of impairment of financial assets	1	2	0	1	0	5
Operating profit	485	540	590	485	590	2,308
Tax	-110	-122	-132	-110	-132	-520
Net profit for the period	375	418	458	375	458	1,788

In Q1 2020, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 1,541 million (1,426) for the Group.

Condensed statement of comprehensive income

SEK million	GROUP					
	2020 Q1	2019 Q4	2019 Q1	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Net profit for the period	375	418	458	375	458	1,788
Other comprehensive income						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	-92	-14	36	-92	36	-56
Changes related to cash-flow hedges, before tax	914	-1,686	1,077	914	1,077	1,823
Tax attributable to components that will be reclassified to profit or loss	-176	364	-238	-176	-238	-378
<i>Components that will not be reclassified to profit or loss</i>						
Revaluation effects of defined-benefit pension plans, before tax	-20	129	-60	-20	-60	-50
Tax attributable to components that will not be reclassified to profit or loss	4	-27	13	4	13	11
Other comprehensive income/loss, net of tax	630	-1,234	828	630	828	1,350
Total comprehensive income/loss for the period	1,005	-816	1,286	1,005	1,286	3,138

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

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

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

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

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

Condensed balance sheet

SEK million	GROUP		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
ASSETS			
Cash and balances at central banks ¹⁾	4,050	5,750	0
Chargeable treasury bills, etc.	29,698	15,886	29,478
Lending to credit institutions	13,054	417	7,278
Lending to the public (Note 5)	389,319	383,807	366,254
Value changes of interest-rate-risk hedged items in macro hedges	35	-181	83
Bonds and other interest-bearing securities	61,234	55,731	52,605
Derivatives (Note 6)	20,518	13,087	11,588
Intangible assets	332	311	251
Property, plant and equipment	141	139	123
Other assets	1,000	56	1,523
Prepaid expenses and accrued income	611	529	721
TOTAL ASSETS	519,992	475,532	469,904
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	22,658	10,528	12,432
Deposits from the public	128,688	130,542	126,112
Issued debt securities, etc.	328,934	303,597	302,366
Derivatives (Note 6)	1,733	1,388	1,214
Other liabilities	8,759	376	1,414
Accrued expenses and deferred income	2,242	1,805	2,284
Deferred tax liabilities	757	579	425
Provisions	217	188	198
Subordinated debt	3,449	4,948	4,946
Total liabilities	497,437	453,951	451,391
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	2,589	1,959	1,437
Additional Tier 1 instruments	3,500	3,500	1,500
Retained earnings	14,133	12,376	13,160
Net profit for the period	375	1,788	458
Total equity	22,555	21,581	18,513
TOTAL LIABILITIES AND EQUITY	519,992	475,532	469,904

1) The increase pertains to changes to the Riksbank's operational framework for monetary policy.

Condensed statement of changes in equity

SEK million	GROUP				Total equity
	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year ¹⁾	
Opening balance, 1 January 2020	1,958	1,959	3,500	14,164	21,581
Additional Tier 1 instruments	–	–	–	–	–
Additional Tier 1 instruments, dividend	–	–	–	–31	–31
Dividends paid	–	–	–	–	–
Other comprehensive income, net of tax	–	630	–	–	630
Net profit for the period	–	–	–	375	375
Comprehensive income for the period	–	630	–	375	1,005
Closing balance, 31 March 2020	1,958	2,589	3,500	14,508	22,555
Opening balance, 1 January 2019	1,958	609	1,500	13,169	17,236
Additional Tier 1 instruments, dividend	–	–	–	–9	–9
Other comprehensive income, net of tax	–	828	–	–	828
Net profit for the period	–	–	–	458	458
Comprehensive income for the period	–	828	–	458	1,286
Closing balance, 31 March 2019	1,958	1,437	1,500	13,618	18,513
Opening balance, 1 January 2019	1,958	609	1,500	13,169	17,236
Additional Tier 1 instruments	–	–	2,000	–	2,000
Additional Tier 1 instruments, dividend	–	–	–	–103	–103
Dividends paid	–	–	–	–690	–690
Other comprehensive income, net of tax	–	1,350	–	–	1,350
Net profit for the period	–	–	–	1,788	1,788
Comprehensive income for the year	–	1,350	–	1,788	3,138
Closing balance, 31 December 2019	1,958	1,959	3,500	14,164	21,581

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

Condensed cash-flow statement

SEK million	GROUP		
	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Opening cash and cash equivalents	6,167	2,847	2,847
OPERATING ACTIVITIES			
Interest and commissions paid/received	1,189	1,277	3,621
Outflows to suppliers and employees	-293	-275	-1,116
Taxes paid/refunded	-145	-155	-566
Change in assets and liabilities of operating activities	11,734	3,622	228
Cash flow from operating activities	12,485	4,469	2,167
INVESTING ACTIVITIES			
Change in property, plant and equipment	-13	-5	-36
Change in intangible assets	-29	-26	-109
Acquisition of subsidiaries	-	-	-
Cash flow from investing activities	-42	-31	145
FINANCING ACTIVITIES			
Dividends paid	-	-	-690
Change in Tier 1 capital instrument	-	-	2,000
Change in subordinated loan	-1,500	-	-
Repayment of lease liabilities	-6	-7	-12
Cash flow from financing activities	-1,506	-7	1,298
Increase/decrease in cash and cash equivalents	10,937	4,431	3,320
Closing cash and cash equivalents	17,104	7,278	6,167

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

Change in liabilities attributable to financing activities

SEK million	GROUP									
	Opening balance 1 Jan 2020	Cash flow	Non-cash items			Opening balance 1 Jan 2019	Cash flow	Non-cash items		
			Fair value	Other	Closing balance 31 Mar 2020			Fair value	Other	Closing balance 31 Mar 2019
Subordinated debt	4,949	-1,500	0	1	3,450	4,946	-	1	-1	4,946
Additional Tier 1 instruments	3,500	-	-	-	3,500	1,500	-	-	-	1,500
Total	8,449	-1,500	0	1	6,950	6,446	-	1	-1	6,446

Note 1 Accounting policies

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

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

Introduction of new and changed accounting standards 2020

Amendments in IFRS 9, IAS 39 and IFRS 7

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

Other

All other accounting policies and calculation methods are unchanged in comparison with the 2019 Annual Report. These consolidated condensed financial statements have been prepared on a going concern basis. On 28 April 2020, the Board of Directors approved the consolidated condensed financial statements for publication.

Note 2 Changes in risk

Credit risk in lending operations

No increase in realised credit risk was noted in lending operations in the first quarter of 2020. Despite the prevailing circumstances with the corona pandemic, neither an increased tendency to mismanage repayments nor turbulence in the housing market leading to falling housing prices has been observed. However, SBAB has noted an increase in applications for temporary amortisation relief, which thus far are assessed as solely managing the temporary increase in liquidity risk that has arisen for customers. No deviations have been noted in terms of LTV ratios and debt-to-income ratios for new lending. For more information on credit losses in the quarter, please refer to [Note 4](#).

Credit risk in treasury operations

Counterparty risk has risen as a result of increased exposure for derivatives. Limit utilisation for SBAB's derivative counterparties has risen to SEK 11,025 million at 31 March 2020, compared with SEK 9,025 million at 31 December 2019.

Liquidity risk

Over the past quarter, SBAB's liquidity has improved. The liquidity reserve increased about SEK 24 billion and liquidity risk measurements have strengthened. At the start of March, a marginal increase in deposits was noted. Viewed over the quarter, volumes declined by around SEK 2 billion. At the end of March, however, an increased inflow was noted.

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 March 2020, SBAB's VaR amounted to SEK 312 million, compared with SEK 255 million at 31 December 2019. The limit for VaR is set at SEK 1,450 million.

Operational risk

The Corona pandemic has resulted in a general increase in operational risk across the bank in connection with, inter alia, absenteeism, internal communication and continuity for critical deliveries. It should be noted that our business contingency plans were generally applicable during the Covid-19 period, which has reduced continuity risks. However, in terms of technical debt, the risk picture has risen slightly due to the increased likelihood that parts of the ongoing base system change may be delayed.

Business risk

Business risk was affected in the first quarter by changes in macroeconomic conditions. The ongoing corona pandemic has affected financial markets and the real economy and also SBAB's customers to some extent. The longer-term forecast remains uncertain, and the effects are likely to worsen. However, in terms of capital and liquidity, SBAB is well prepared to weather a more protracted financial crisis, even if it proves to be more profound than hitherto observed developments. Accordingly, business risk is assessed as remaining under control. No material changes were noted as regards competition during the first quarter. Moreover, SBAB has not entered, or exited, any new markets or segments.

Concentration risk

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

Note 3 Net result of financial transactions

SEK million	GROUP					
	2020	2019	2019	2020	2019	2019
	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
Gains/losses on interest-bearing financial instruments						
- Interest-bearing securities	0	-34	-12	0	-12	-49
- Change in value of hedged items in hedge accounting	-493	1,178	-517	-493	-517	-590
- Realised gain/loss from financial liabilities	-17	-36	-45	-17	-45	-132
- Derivatives in hedge accounting	502	-1,181	534	502	534	615
- Other derivatives	-57	60	34	-57	34	111
- Loan receivables	7	8	18	7	18	70
Currency translation effects	3	-1	1	3	1	1
Total	-55	-6	13	-55	13	26

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

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

Note 4 Net credit losses

SEK million	GROUP					
	2020 Q1	2019 Q4	2019 Q1	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Lending to the public						
Confirmed credit losses	-2	-2	-2	-2	-2	-14
Recoveries of previously confirmed credit losses	0	0	1	0	1	3
Change in provision for the period – credit stage 1	-12	2	-5	-12	-5	-3
Change in provision for the period – credit stage 2	-3	-4	-4	-3	-4	-1
Change in provision for the period – credit stage 3	-1	1	1	-1	1	3
Guarantees ¹⁾	1	-7	0	1	0	-8
Net credit losses for the period – lending to the public	-17	-10	-9	-17	-9	-20
Loan commitments²⁾						
Change in provision for the period – credit stage 1	-7	0	2	-7	2	3
Change in provision for the period – credit stage 2	-3	0	-2	-3	-2	-9
Change in provision for the period – credit stage 3	0	0	0	0	0	0
Net credit losses for the period – loan commitmentsa	-10	0	0	-10	0	-6
Total	-27	-10	-9	-27	-9	-26

1) The item includes guarantees for loan commitments.

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

Credit losses and credit quality (Q1 2020 in comparison with Q4 2019)

Net credit losses totalled SEK 27 million (10) in the first quarter of 2020. The change compared with the fourth quarter was mainly attributable to a revision of the forward-looking information applied in the impairment model. Provisions for credit stage 1 loans increased SEK 12 million. Provisions for credit stage 2 and 3 loans increased SEK 3 million and SEK 1 million, respectively. Provisions for loan commitments and building credits increased SEK 10 million. The increase in provisions, based on the revised forward-looking information, have primarily impacted PD (probability of default), which measures the ability to repay. The provisions for loan commitments and building credits were also attributable to increased lending volumes in relation to the previous quarter. Confirmed credit losses totalled SEK 2 million (2) for the first quarter.

In January, the forward-looking information was revised, given the more negative outlook for the housing market and the economy in Sweden. The revision resulted in an increase of around SEK 7 million in provisions. Moreover, SBAB closely followed corona pandemic developments in February and March with regard to credit risk. No increase in realised credit risk has been noted in the underlying statistical models, which capture, inter alia, customers' payment history. Since it is still uncertain how long the current crisis will extend and its impact on customers' ability to pay, and by extension also housing prices, SBAB is choosing to act based on the information available. Together, this has resulted in further revision of the forward-looking information, resulting in an effect of SEK 19 million in increased provisions. The adjustment to the provisions due to the corona pandemic also has to serve as a temporary margin until the statistical models capture the increase in realised credit risk expected later in 2020. Moving forward, SBAB feels comfortable with the scope of the loss allowances as of 31 March 2020, but at the same time would like to highlight the considerable uncertainty intrinsic to all macroeconomic assumptions.

Despite the prevailing conditions, the credit quality of SBAB's lending remains good and the risks entailed in retail lending are low. SBAB's granting of credit to consumers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitment. The Swedish FSA's annual mortgage market survey, with data from 2019, found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages even in a worse

economic climate. At the end of the quarter, the average LTV ratio¹⁾ in SBAB's mortgage portfolio was 61% (60). At the same date, the average residential mortgage to retail customers amounted to SEK 1.7 million (1.7). During the quarter, the LTV ratio for new lending was 69% (70) and the debt-to-income ratio was 3.6 (3.6).

In March, a large increase in the number of applications for amortisation relief were noted due to the corona pandemic. SBAB's assessment is that the applications for amortisation relief that has so far been granted will not affect credit risk in the short term, and thus not the need for provisioning, but instead mitigate the increased liquidity risk that has arisen for the customers.

The credit quality of SBAB's lending to property companies, housing developers and tenant-owners' associations is also good. When granting credit, an assessment is made of the customer's repayment capacity, where the ability to generate cash flows is analysed. SBAB also ensures that it has received adequate collateral to cover its lending. Due to the prevailing circumstances, the bank is working proactively to identify customers who are, or who could become, particularly financially exposed. Since customers' cash flows primarily derive from underlying housing units, they are expected to be less affected or affected at a later stage if the corona pandemic persists. As yet no impact has been noted. SBAB's assessment is that risks may be higher for housing developers and property companies that are more dependent on capital markets and where refinancing will be needed in the near future. Tenant-owners' associations with considerable revenue from rental premises may also find their credit risk rising in 2020. It should be noted that SBAB has very limited exposure to counterparties in segments where it is considered more likely that payment difficulties may arise. Furthermore, no individual provision or manual adjustment of counterparty risk classes within corporates and tenant-owners' associations has proved necessary in the first quarter.

SBAB is closely following the development of the corona pandemic and its impact on the economy and housing market in particular.

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

Note 5 Lending to the public

SEK million	GROUP		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
Opening balance	383,807	364,215	364,347
New lending for the year	18,538	75,514	16,293
Amortisation, repayments	13,008	-55,907	-14,378
Confirmed credit losses	-2	-14	-2
Change in provision for expected credit losses ¹⁾	-16	-1	-8
Closing balance	389,319	383,807	366,254

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

Distribution of lending, including provisions

SEK million	GROUP		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
Lending, Residential mortgages	295,328	291,622	277,262
Lending, Corporate Clients & Tenant-Owners' Associations	91,696	89,898	86,763
Lending, Consumer loans	2,295	2,287	2,229
Total	389,319	383,807	366,254

Lending to the public by credit stage

SEK million	GROUP		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
Credit stage 1			
Gross lending	368,870	362,317	346,633
Provision	-41	-29	-31
Total	368,829	362,288	346,602
Credit stage 2			
Gross lending	20,294	21,341	19,524
Provision	-77	-74	-76
Total	20,217	21,267	19,448
Credit stage 3			
Gross lending	303	281	235
Provision	-30	-29	-31
Total	273	251	204
Total gross lending	389,467	383,939	366,292
Total provisions	-148	-132	-138
Total	389,319	383,807	366,254

Note 6 Derivatives

SEK million	GROUP					
	31 Mar 2020			31 Dec 2019		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal value	Assets measured at fair value	Liabilities measured at fair value	Total nominal value
Interest-rate-related	7,507	1,554	436,167	5,790	1,155	413,808
Currency-related	13,011	179	111,074	7,297	233	110,104
Total	20,518	1,733	547,241	13,087	1,388	523,912

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

Note 7 Operating segments

SEK million	GROUP					
	Jan-Mar 2020					
	Follow-up of operations			Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing	Statutory profit
Net interest income	683	202	885	–	–	885
Commission income	9	7	16	–	–	16
Commission expense	–27	–7	–34	–	–	–34
Net result of financial transactions	–46	–9	–55	–	–	55
Other operating income	12	0	12	–	–	12
Total operating income	631	193	824	–	–	824
Salaries and remuneration	–84	–19	–103	–	–	–103
Other personnel costs	–57	–14	–71	4	–	–67
Other expenses	–105	–20	–125	–4	7	–122
Depreciation, amortisation and impairment of PPE and intangible assets	–11	–1	–12	–	–7	–19
Net credit losses	–18	–9	–27	–	–	–27
Impairment of financial assets, net	–1	0	–1	–	–	–1
Operating profit	355	130	485	0	0	485
Tax	–81	–29	–110	–	–	–110
Profit after standardised tax	274	101	375	0	0	375
Return on equity, %	9,1	9,5	9,2			9,2

Note 7 Cont. Operating segments

SEK million	GROUP						
	Jan-Mar 2019						
	Follow-up of operations				Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Other	Total	Administrative consultants	IFRS 16 Leasing	Statutory profit
Net interest income	686	197	–	883	–	–	883
Commission income	10	5	–	15	–	–	15
Commission expense	–21	–6	–	–27	–	–	–27
Net result of financial transactions	–	4	9	13	–	–	13
Other operating income	8	–	–	8	–	–	8
Total operating income	683	200	9	892	–	–	892
Salaries and remuneration	–72	–18	–	–90	–	–	–90
Other personnel costs	–54	–14	–	–68	–7	–	–62
Other expenses	–102	–21	–	–123	7	–7	–123
Depreciation, amortisation and impairment of PPE and intangible assets	–9	–2	–	–11	–	7	–17
Net credit losses	–10	1	–	–9	–	–	–9
Impairment of financial assets, net	–1	–	–	–1	–	–	–1
Operating profit	435	146	9	590	0	0	590
Tax	–97	–33	–2	–132	–	–	–132
Profit after standardised tax	338	113	7	458	–	–	458
Return on equity, %	12,6	11,6	–	12,5	–	–	12,5

Från Q1 2020 har segmentet "Övrigt" tagits bort då numera alla kostnader och intäkter till fullo allokeras till segmenten Privat respektive Företag & BRF. In relation to the statutory income statement, an expense of SEK 4 million (7) was transferred between the rows "Other expenses" and "Other personnel costs." The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring. IFRS 16 is not taken into account in

the follow-up of operations. All expenses identified in IFRS 16, with the exception of the interest component, are to be considered as costs for premises. The effect of IFRS 16 on the Group is recognised in the reconciliation against the statutory income statement. For more information on IFRS 16, please refer to Note G 1 in SBAB's 2019 Annual Report.

Note 8 Classification of financial instruments

Financial assets

GROUP							
31 Mar 2020							
SEK million	Financial assets measured at FVTPL			Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification				
Cash and balances at central banks	-	-	-	-	4,050	4,050	4,050
Chargeable treasury bills, etc.	1,052	-	-	2,509	26,137	29,698	21,745
Lending to credit institutions	-	-	-	-	13,054	13,054	13,054
Lending to the public	-	-	-	-	389,319	389,319	390,318
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	35	35	-
Bonds and other interest-bearing securities	1,259	-	-	35,153	24,822	61,234	60,704
Derivatives	-	20,068	450	-	-	20,518	20,518
Other assets	-	-	-	-	755	755	755
Prepaid expenses and accrued income	41	-	-	265	252	558	558
Total financial assets	2,352	20,068	450	37,927	458,424	519,221	511,702

Financial liabilities

GROUP					
31 Mar 2020					
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	-	-	22,658	22,658	22,658
Deposits from the public	-	-	128,688	128,688	128,688
Issued debt securities, etc.	-	-	328,934	328,934	332,060
Derivatives	1,132	601	-	1,733	1,733
Other liabilities	-	-	8,743	8,743	8,743
Accrued expenses and deferred income	-	-	2,218	2,218	2,218
Subordinated debt	-	-	3,449	3,449	3,450
Total financial liabilities	1,132	601	494,690	496,423	499,550

Note 8 Cont. Classification of financial instruments

Financial assets

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

Financial liabilities

SEK million	GROUP				
	31 Dec 2019				
	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	–	–	10,528	10,528	10,528
Deposits from the public	–	–	130,542	130,542	130,542
Issued debt securities, etc.	–	–	303,597	303,597	307,492
Derivatives	1,019	369	–	1,388	1,388
Other liabilities	–	–	205	205	205
Accrued expenses and deferred income	–	–	1,769	1,769	1,769
Subordinated debt	–	–	4,948	4,948	4,953
Total financial liabilities	1,019	369	451,589	452,977	456,877

Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note 9 (Accounting Policies) in SBAB's 2019 Annual Report. In the "total fair value" column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet.

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

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

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

Note 9 Fair value disclosures

SEK million	GROUP							
	31 Mar 2020				31 Dec 2019			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	3,561	–	–	3,561	3,672	–	–	3,672
Bonds and other interest-bearing securities	36,412	–	–	36,412	36,166	–	–	36,166
Derivatives	–	20,518	–	20,518	–	13,087	–	13,087
Prepaid expenses and accrued income	306	–	–	306	267	–	–	267
Total	40,279	20,518	–	60,797	40,105	13,087	–	53,192
Liabilities								
Derivatives	–	1,733	–	1,733	–	1,388	–	1,388
Total	–	1,733	–	1,733	–	1,388	–	1,388

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2018 Annual Report. In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement levels used below. No transfers were made between levels in 2018 or 2019.

Quoted market prices (Level 1)

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

Measurement based on observable market data (Level 2)

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

Measurement based in part on unobservable data (Level 3)

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

Note 10 Liquidity reserve and liquidity risk

The assets in SBAB's liquidity reserve comprises liquid, interest-bearing securities with high ratings and form an integrated part of the Group's liquidity risk management. Securities holdings are limited by asset class and by country, respectively, and must have at least an AA rating on acquisition. In addition to these collective limits, limits for individual issuers may also be set. The following table is reported according to the Swedish Bankers' Association's template for liquidity reserve disclosures.

Calculation of survival horizon

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

The survival horizon is calculated by totalling the maximum need of liquidity for each coming day and comparing this to the size of the liquidity portfolio after applicable haircuts. The calculations are based on a crisis scenario in which all loans are assumed to be extended on maturity, meaning that no liquidity is

added through loan redemption, and where no funding is available and deposits decline. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. SBAB's survival horizon amounted to 350 days at 31 March 2020 (290 days at 31 December 2019).

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 March 2020, the LCR was 300% (271) in all currencies at the consolidated level, and 13,328% (9,463) and 152% (151), respectively, in EUR and USD. Measured in SEK, the LCR was 216% (199). For further information regarding the LCR, please refer to SBAB's report "Disclosure of capital, liquidity and leverage ratio, March 2020".

		CONSOLIDATED SITUATION									
		31 Mar 2020					31 Dec 2019				
		Distribution by currency					Distribution by currency				
SEK billion		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
Level 1	Level 1 assets	97.3	73.4	17.1	6.8	–	73.8	56.6	11.4	5.8	–
	Cash and balances with central banks 1)	1.2	1.2	–	–	–	7.0	7.0	–	–	–
	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	27.5	16.6	7.8	3.1	–	19.6	13.0	4.1	2.5	–
	Securities issued by municipalities and PSEs	16.6	7.3	5.7	3.6	–	15.0	7.6	4.2	3.2	–
	Extremely high quality covered bonds	52.0	48.3	3.6	0.1	–	32.2	29.0	3.1	0.1	–
	Other assets	–	–	–	–	–	–	–	–	–	–
Level 2	Level 2 assets	4.1	3.6	0.5	–	–	3.8	3.3	0.5	–	–
	Level 2A assets	4.1	3.6	0.5	–	–	3.8	3.3	0.5	–	–
	Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	–	–	–	–	–	–	–	–	–	–
	High quality covered bonds	4.1	3.6	0.5	–	–	3.8	3.3	0.5	–	–
	Corporate debt securities (lowest rating AA-)	–	–	–	–	–	–	–	–	–	–
	Other assets	–	–	–	–	–	–	–	–	–	–
	Level 2B assets	–	–	–	–	–	–	–	–	–	–
	Asset-backed securities	–	–	–	–	–	–	–	–	–	–
	High quality covered bonds	–	–	–	–	–	–	–	–	–	–
	Corporate debt securities (rated A+ to BBB-)	–	–	–	–	–	–	–	–	–	–
	Shares (major stock index)	–	–	–	–	–	–	–	–	–	–
	Other assets ¹⁾	–	–	–	–	–	–	–	–	–	–
	Liquidity reserve	101.4	77.0	17.6	6.8	–	77.6	59.9	11.9	5.8	–

1) Includes central bank facilities.

Note 11 Capital adequacy, own funds and capital requirements

Amendments to the Banking Package

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

In addition, changes to the Capital Requirements Regulation have been adopted on April 26, 2019 which relate to a deduction in own funds for new loans that have become non-performing. The deduction should act as a back-

stop for non-performing loans. On March 16, 2020, the Swedish FSA decided to lower the countercyclical capital buffer requirement for banks from 2.5 percent to 0 percent due to the current corona pandemic.

Restated comparative figures

Figures for 31 Dec 2019 restated in relation to the latest published interim report (Year-end report 2019) in accordance with the Board's decision to propose to the AGM the distribution of no dividend for the 2019 financial year.

Capital adequacy

SEK million	CONSOLIDATED SITUATION		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
CET1 capital	15,926	15,830	14,533
Tier 1 capital	19,426	20,830	17,533
Total capital	21,877	24,282	20,985
Risk exposure amount	125,070	120,571	116,906
CET1 capital ratio, %	12.7	13.1	12.4
Excess ¹⁾ of CET1 capital	10,297	10,404	9,273
Tier 1 capital ratio, %	15.5	17.3	15.0
Excess ¹⁾ of Tier 1 capital	11,921	13,596	10,519
Total capital ratio, %	17.5	20.1	18.0
Excess ¹⁾ of total capital	11,871	14,636	11,632

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

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

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

Own funds

SEK million	CONSOLIDATED SITUATION		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	14,129	12,360	12,474
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2,589	1,959	1,437
Additional Tier 1 instruments	3,500	3,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend ¹⁾	228	1,800	278
CET1 capital before regulatory adjustments	22,404	21,577	17,647
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-62	-55	-57
Intangible assets (net of related tax liability) (negative amount)	-204	-188	-140
Fair value reserves related to gains or losses on cash-flow hedges	-2,640	-1,921	-1,335
Negative amounts resulting from the calculation of expected loss amounts	-52	-64	-46
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-20	-19	-36
Additional Tier 1 instruments in equity	-3,500	-3,500	-1,500
Total regulatory adjustments to CET1 capital	-6,478	-5,747	-3,114
CET1 capital	15,926	15,830	14,533
Additional Tier 1 capital: Instrument			
Capital instruments and the related share premium accounts	3,500	5,000	3,000
– of which, classified as equity under applicable accounting standards	3,500	3,500	1,500
– of which, classified as liabilities under applicable accounting standards	–	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–	–
Additional Tier 1 capital before regulatory adjustments	3,500	5,000	3,000
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	–	–	–
Additional Tier 1 capital	3,500	5,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	19,426	20,830	17,533
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	2,447	3,447	3,447
Credit risk adjustments	4	5	5
Tier 2 capital before regulatory adjustments	2,451	3,452	3,452
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	2,451	3,452	3,452
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	21,877	24,282	20,985
Total risk-weighted assets	125,070	120,571	116,906

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

SEK million	CONSOLIDATED SITUATION		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	12.7	13.1	12.4
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	15.5	17.3	15.0
Total capital (as a percentage of total risk-weighted exposure amount), %	17.5	20.1	18.0
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	7.0	9.5	9.0
– of which, CET1 capital, minimum requirement, %	4.5	4.5	4.5
– of which, capital conservation buffer requirement, %	2.5	2.5	2.5
– of which, countercyclical buffer requirement, %	0.0	2.5	2.0
– of which, systemic risk buffer requirement, %	–	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	8.2	8.6	7.9
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 interim period was reduced by the expected dividend of SEK 150 million based on Q1 2020. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

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

At the start of 2019, SBAB's Board decided to apply Article 3 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) for corporate exposures to small and medium-sized enterprises. The aim is to compensate

for the current pro-cyclical effect that exists in the bank's internal models for credit risk, which has resulted in PD declining in line with the favourable economic climate. As a result, the bank has introduced a capital surcharge of SEK 63 million under Pillar 1, since 31 March 2019.

Risk exposure amounts and capital requirements

SEK million	CONSOLIDATED SITUATION					
	31 Mar 2020		31 Dec 2019		31 Mar 2019	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	14,797	1,184	13,415	1,073	12,930	1,034
Retail exposures	12,298	984	12,021	962	11,984	959
– of which, exposures to SMEs	864	69	834	67	809	65
– of which, retail exposures secured by immovable property	11,434	915	11,187	895	11,175	894
Total exposures recognised with the IRB approach	27,095	2,168	25,436	2,035	24,914	1,993
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions ¹⁾	4,474	358	4,079	326	3,943	315
– of which, derivatives according to CRR, Appendix 2	4,368	350	4,057	324	3,802	304
– of which, repos	105	8	21	2	141	11
– of which, other	1	0	1	0	0	0
Retail exposures	2,333	187	2,253	180	2,204	176
Exposures in default	7	1	7	1	9	1
Exposures in the form of covered bonds	3,989	319	3,674	294	3,700	296
Exposures to institutions and corporates with a short-term credit rating	242	19	21	2	48	4
Equity exposures	1,266	101	1,266	101	1,179	94
Other items	261	20	218	18	295	25
Total exposures recognised with standardised approach	12,572	1,005	11,518	922	11,378	911
Market risk	483	39	462	37	534	43
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	483	39	462	37	534	43
Operational risk	5,212	417	4,854	388	4,854	388
– of which, standardised approach	5,212	417	4,854	388	4,854	388
Credit valuation adjustment risk (CVA risk)	2,246	180	2,396	192	2,743	219
Additional requirements under Article 458 of the CRR	76,670	6,134	75,113	6,009	71,691	5,735
Additional requirements under Article 3 of the CRR	792	63	792	63	792	63
Total risk exposure amount and minimum capital requirements	125,070	10,006	120,571	9,646	116,906	9,352
Capital requirements for capital conservation buffer		3,127		3,014		2,923
Capital requirements for countercyclical buffer		9		3,003		2,327
Total capital requirements		13,142		15,663		14,602

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,473 million (4,078).

Not 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 14,622 million (SEK 16,970 million at 31 December 2019). The internal capital requirement is assessed using SBAB's internal models for economic capital and is not fully comparable to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumptions and methodologies. SBAB estimates that the Swedish FSA's expected total capital requirement as of 31 March 2020 amounted to SEK 15,390 million, of which SEK 2,249 million comprised capital requirement in Pillar 2. The Swedish FSA will publish updated capital requirements of the largest Swedish banks and credit institutions that

belong to supervisory categories 1 and 2 as of the end of Q1 2020 during May.

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 Mar 2020		31 Dec 2019	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %
Pillar 1	Credit risk & CVA risk	3,353	2.7	3,149	2.6
	Market risk	39	0.0	37	0.0
	Operational risk	417	0.3	388	0.3
	Risk-weight floor ¹⁾	6,134	4.9	6,009	5.0
	Surcharge, corporate exposures ²⁾	63	0.1	63	0.1
	Total Pillar 1	10,006	8.0	9,646	8.0
Pillar 2	Credit risk ³⁾	–	–	–	–
	Market risk	418	0.3	280	0.2
	Operational risk	–	–	–	–
	Concentration risk	975	0.8	951	0.8
	Sovereign risk	76	0.1	65	0.1
	Pension risk	11	0.0	11	0.0
	Total Pillar 2	1,480	1.2	1,307	1.1
Buffers	Capital conservation buffer	3,127	2.5	3,014	2.5
	Capital planning buffer	–	–	–	–
	Countercyclical buffer	9	0.0	3,003	2.5
	Total Buffers	3,136	2.5	6,017	5.0
Total		14,622		16,970	14.1
Total own funds		21,877		24,282⁴⁾	

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

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

3) Since the additional capital requirement for the risk-weight floor exceeds the additional capital requirement according to economic capital, only the risk-weight floor is included in the internal capital requirement with consideration for the risk-weight floor.

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

Parent Company

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

Operating profit declined to SEK 52 million (3,117), primarily due to the retroactive dividend of SEK 3 billion from the subsidiary SCBC in the comparative period. Moreover, operating profit was adversely affected by lower net interest income and a lower net result of financial transactions as well as positively by higher other operating income. Net interest income fell during the period to SEK 140 million (155), mainly driven by an upturn in market interest rates and therefore increased interest expense. Net commission income was SEK 12 million (10), mainly as a result of lower commission expenses. The net result of financial transactions amounted to an expense of SEK

42 million (income: 5) primarily as a result of the revaluation of credit risk in derivatives (CVA/DVA). Other operating income rose to SEK 276 million (248), and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses grew to SEK 321 million (300), mainly due to higher personnel costs. Credit losses rose to SEK 12 million (1), and were mainly attributable to a revision of the forward-looking information applied in the impairment model. Lending to the public totalled SEK 26.1 billion (23.5). Deposits from the public totalled SEK 128.7 billion (126.1). The CET1 capital ratio amounted to 22.9% (25.4) and the total capital ratio was 37.6% (47.8). The internally assessed capital requirement was SEK 5,843 million (6,286).

Consolidated income statement

SEK million	PARENT COMPANY					
	2020	2019	2019	2020	2019	2019
	Q1	Q4	Q1	Jan–Mar	Jan–Mar	Jan–Dec
Interest income	465	519	467	465	467	1,962
Interest expense	–325	–334	–312	–325	–312	–1,322
Net interest income	140	185	155	140	155	640
Dividends received	0	539	3,000	0	3,000	3,539
Commission income	17	25	18	17	18	89
Commission expense	–5	–11	–8	–5	–8	–36
Net result of financial transactions	–42	3	5	–42	5	11
Other operating income	276	286	248	276	248	1,043
Total operating income	386	1,027	3,418	386	3,418	5,286
Personnel costs	–166	–162	–149	–166	–149	–620
Other expenses	–150	–171	–148	–150	–148	–579
Depreciation, amortisation and impairment of PPE and intangible assets	–5	–5	–3	–5	–3	–17
Total expenses before credit losses	–321	–338	–300	–321	–300	–1,216
Profit/loss before credit losses	65	689	3,118	65	3,118	4,070
Net credit losses	–12	–3	–1	–12	–1	–14
Impairment of financial assets	–2	–2	0	–2	0	–5
Reversals of impairment of financial assets	1	2	0	1	0	5
Operating profit	52	686	3,117	52	3,117	4,056
Tax	–17	–153	–33	–17	–33	–254
Net profit for the period	35	533	3,084	35	3,084	3,802

Consolidated statement of comprehensive income

SEK million	PARENT COMPANY					
	2020 Q1	2019 Q4	2019 Q1	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Net profit/loss for the period	35	533	3,084	35	3,084	3,802
Other comprehensive income						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	-93	-14	35	-93	35	-56
Changes related to cash-flow hedges	58	-136	64	58	64	75
Tax attributable to components that will be reclassified to profit or loss	8	32	-21	8	-21	-4
Other comprehensive income/loss, net of tax	-27	-118	78	-27	78	15
Total comprehensive income for the period	8	415	3,162	8	3,162	3,817

Consolidated balance sheet

mnkr	PARENT COMPANY		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
ASSETS			
Cash and balances at central banks	4,050	5,750	0
Chargeable treasury bills, etc.	29,698	15,886	29,478
Lending to credit institutions (Note 12)	103,612	102,596	98,320
Lending to the public	26,143	24,871	23,476
Bonds and other interest-bearing securities	61,234	55,731	52,605
Derivatives	20,583	13,354	11,658
Shares and participations in Group companies	10,401	10,401	10,394
Intangible assets	22	24	24
Property, plant and equipment	48	39	18
Other assets	594	556	1,066
Prepaid expenses and accrued income	639	627	767
TOTAL ASSETS	257,024	229,835	227,806
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	22,598	10,527	12,421
Deposits from the public	128,688	130,542	126,112
Issued debt securities, etc.	60,253	56,823	59,876
Derivatives	18,980	12,320	10,594
Other liabilities	8,633	432	1,273
Accrued expenses and deferred income	548	347	543
Deferred tax liabilities	53	62	83
Provisions	24	13	7
Subordinated debt	3,449	4,948	4,946
Total liabilities	243,226	216,014	215,855
Equity			
Restricted equity			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
Total restricted equity	2,350	2,350	2,350
Unrestricted equity			
Fair value reserve	210	237	300
Additional Tier 1 instruments	3,500	3,500	1,500
Retained earnings	7,703	3,932	4,717
Net profit for the period	35	3,802	3,084
Total unrestricted equity	11,448	11,471	9,601
Total equity	13,798	13,821	11,951
TOTAL LIABILITIES AND EQUITY	257,024	229,835	227,806

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 31 March 2020, SEK 84.632 million relates to a receivable from the wholly owned subsidiary AB Sveriges Sakerstallda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 102.180 million at the end of 2019. This receivable is subordinated in the event of receivership or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid.

Of the total receivable, SEK 6,000 million comprises an internal Group debt instrument (senior non-preferred notes) that was acquired by the Parent Company SBAB Bank AB (publ) in December 2019 from the subsidiary SCBC for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office in SCBC.

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

Restated comparative figures

Figures for 31 Dec 2019 restated in relation to the latest published interim report (Year-end report 2019) in accordance with the Board's decision to propose to the AGM the distribution of no dividend for the 2019 financial year.

Capital adequacy

SEK million	PARENT COMPANY		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
CET1 capital	9,300	9,530	9,342
Tier 1 capital	12,800	14,530	12,342
Total capital	15,247	17,977	15,789
Risk exposure amount	40,576	37,573	37,646
CET1 capital ratio, %	22.9	25.4	24.8
Excess ¹⁾ of CET1 capital	7,474	7,839	7,648
Tier 1 capital ratio, %	31.5	38.7	32.8
Excess ¹⁾ of Tier 1 capital	10,365	12,276	10,083
Total capital ratio, %	37.6	47.8	41.9
Excess ¹⁾ of total capital	12,001	14,971	12,278

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

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

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

Own funds

SEK million	PARENT COMPANY		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	7,556	4,324	4,418
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	210	237	300
Additional Tier 1 instruments	3,500	3,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend ¹⁾	-115	3,263	2,901
CET1 capital before regulatory adjustments	13,109	13,282	11,077
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-90	-76	-77
Intangible assets (net of related tax liability) (negative amount)	-22	-24	-24
Fair value reserves related to gains or losses on cash-flow hedges	-136	-91	-81
Negative amounts resulting from the calculation of expected loss amounts	-41	-42	-18
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-20	-19	-35
Additional Tier 1 instruments in equity	-3,500	-3,500	-1,500
Total regulatory adjustments to CET1 capital	-3,809	-3,752	-1,735
CET1 capital	9,300	9,530	9,342
Additional Tier 1 capital: Instrument			
Capital instruments and the related share premium accounts	3,500	5,000	3,000
– of which, classified as equity under applicable accounting standards	3,500	3,500	1,500
– of which, classified as liabilities under applicable accounting standards	–	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–	–
Additional Tier 1 capital before regulatory adjustments	3,500	5,000	3,000
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	–	–	–
Additional Tier 1 capital	3,500	5,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	12,800	14,530	12,342
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	2,447	3,447	3,447
Credit risk adjustments	–	–	–
Tier 2 capital before regulatory adjustments	2,447	3,447	3,447
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	2,447	3,447	3,447
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	15,247	17,977	15,789
Total risk-weighted assets	40,576	37,573	37,646

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

SEK million	PARENT COMPANY		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	22.9	25.4	24.8
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	31.5	38.7	32.8
Total capital (as a percentage of total risk-weighted exposure amount), %	37.6	47.8	41.9
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	7.0	9.5	9.0
– of which, CET1 capital, minimum requirement, %	4.5	4.5	4.5
– of which, capital conservation buffer requirement, %	2.5	2.5	2.5
– of which, countercyclical buffer requirement, %	0.0	2.5	2.0
– of which, systemic risk buffer requirement, %	–	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	18.4	20.9	20.3
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

1) Net profit for the interim period was reduced by the expected dividend of SEK 150 million based on Q1 2020. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

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

Risk exposure amounts and capital requirements

SEK million	PARENT COMPANY					
	31 Mar 2020		31 Dec 2019		31 Mar 2019	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	8,535	683	7,475	598	6,972	558
Retail exposures	902	72	747	60	813	65
– of which, exposures to SMEs	80	6	70	6	73	6
– of which, retail exposures secured by immovable property	822	66	677	54	740	59
Total exposures recognised with the IRB approach	9,437	755	8,222	658	7,785	623
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions ¹⁾	4,432	355	4,034	323	3,825	306
– of which, derivatives according to CRR, Appendix 2	4,313	346	3,993	319	3,726	298
– of which, repos	90	7	–	–	64	5
– of which, other	29	2	41	3	35	3
Retail exposures	2,333	187	2,253	180	2,204	176
Exposures in default	7	1	6	0	9	1
Exposures in the form of covered bonds	3,989	319	3,674	294	3,700	296
Exposures to institutions and corporates with a short-term credit rating	41	3	21	2	27	2
Equity exposures	11,566	925	11,566	925	11,479	918
Other items	119	9	107	9	87	8
Total exposures recognised with standardised approach	22,487	1,799	21,661	1,733	21,331	1,707
Market risk	113	9	94	8	152	12
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	113	9	94	8	152	12
Operational risk	2,148	2,148	1,813	145	1,813	145
– of which, standardised approach	2,148	2,148	1,813	145	1,813	145
Credit valuation adjustment risk (CVA risk)	2,037	163	2,230	178	2,578	206
Additional requirements under Article 458 of the CRR	4,178	334	3,377	270	3,811	305
Additional requirements under Article 3 of the CRR	176	14	176	14	176	14
Total risk exposure amount and minimum capital requirements	40,576	3,246	37,573	3,006	37,646	3,012
Capital requirements for capital conservation buffer		1,014		939		941
Capital requirements for countercyclical buffer		4		935		748
Total capital requirements		4,264		4,880		4,701

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,403 million (3,993).

Alternative performance measures



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

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

Deposits/lending

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

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

SEK million	GROUP		
	31 Mar 2020	31 Mar 2019	31 Dec 2019
Deposits from the public	128,688	126,112	130,542
Lending to the public	389,319	366,254	383,807
Deposits/lending, %	33.1	34.4	34.0

C/I ratio

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

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

SEK million	GROUP		
	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Expenses	-311	292	-1,187
Operating income	824	892	3,521
C/I ratio, %	37.7	32.8	33.7

C/L ratio

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

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

SEK million	GROUP		
	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Expenses	-311	-292	-1,187
- Expenses (annualised)	-1,244	-1,168	-1,187
Aver. lending to the public	386,563	365,235	374,011
C/L ratio, %	0.32	0.32	0.32

Return on equity

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

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

SEK million	GROUP		
	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Operating profit after tax	375	458	1,788
- Op. profit after tax (annualised)	1,498	1,832	1,788
Average equity	16,294	14,662 ¹⁾	15,280 ¹⁾
Return on equity, %	9.2	12.5	11.7

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

Net interest margin

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

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

SEK million	GROUP		
	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Net interest income	885	883	3,473
– Net interest inc. (annualised)	3,540	3,532	3,473
Average balance sheet total	497,762	459,130	461,944
Net interest margin, %	0.71	0.77	0.75

Credit loss ratio

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

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

SEK million	GROUP		
	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Credit losses	–27	–9	–27
– Credit losses (annualised)	–108	–36	–27
Lending to the public	389,319	366,254	383,807
Kreditförlustnivå, %	–0.03	–0.01	–0.01

Share of Stage 3 loans, gross, %

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

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

SEK million	KONCERNEN		
	31 Mar 2020	31 Mar 2019	31 Dec 2019
Gross lending credit stage 3	303	235	281
Lending to the public	389,319	366,254	383,807
Share of Stage 3 loans, %	0.08	0.06	0.07

New lending

Definition: Gross lending for the period.

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

Definitions of other key performance

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

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

Solna, 28 April 2020

Klas Danielsson
CEO

Financial calendar

SBAB Interim Report Jan-Jun 2020	17 Jul 2020
SBAB Interim Report Jan-Sep 2020	23 Oct 2020
SBAB Year-end Report 2020	11 Feb 2021

Credit ratings

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



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