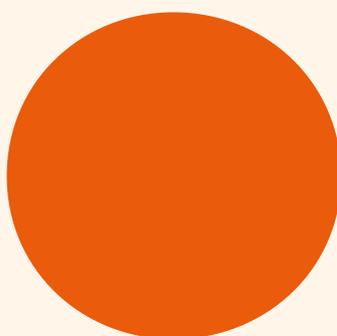


Year-end report

January–December 2020



The year in brief

Q4 2020

(Q3 2020)

- Strong growth in total lending, which increased 2.5% to SEK 422.8 billion (412.3). Total deposits increased 1.3% to SEK 135.7 billion (133.9). [Read more on page 10](#)
- Net interest income grew 6.9% to SEK 1,010 million (945). [Read more on page 15](#)
- Operating profit decreased 2.7% to SEK 619 million (636). [Read more on page 15](#)
- Expenses grew to SEK 402 million (310), of which SEK 67 million derived from a write-down of tangible and intangible assets. [Read more on page 15](#)
- Net credit losses amounted to a recovery of SEK 2 million (recovery: 4). [Read more on page 15](#)
- According to Swedish Quality Index (Svenskt Kvalitetssindex, SKI), SBAB had the most satisfied customers in Sweden in 2020 in terms of residential mortgages to private individuals and property loans to corporates and tenant-owners' associations. [Read more on pages 12–13](#)

January–December 2020

(January–December 2019)

- Strong growth in total lending, which increased 10.2% to SEK 422.8 billion (383.8). Total deposits increased 4.0% to SEK 135.7 billion (130.5). [Read more on page 10](#)
- Operating profit grew 2.3% to SEK 2,361 million (2,308). Net interest income grew 7.9% to SEK 3,747 million (3,473). [Read more on page 15](#)
- Expenses grew to SEK 1,335 million (1,187), mainly driven by increased investments and a write-down of tangible and intangible assets. [Read more on page 15](#)
- Net credit losses were SEK 32 million (loss: 26). [Read more on page 15](#)
- The return on equity was 10.8% (11.7). [Read more on page 7](#)
- The Board proposes no dividend for the 2020 financial year. The proposal strengthens SBAB's capitalisation and promotes continued growth as well as strengthens its position in terms of increased capital requirements in the future. The Common Equity Tier 1 capital ratio increased to 13.4% (13.1). [Read more on pages 7, 18 & 19](#)

Total lending 2020,
SEK bn

423

Total deposits 2020,
SEK bn

136

10.8%

Return on equity,
2020

0.33%

C/L ratio, 2020

13.4%

CET1 capital ratio,
2020

35.8%

C/I ratio, 2020

-0.01%

Credit loss ratio,
2020

Selected key metrics

	GROUP					
	2020	2020	Change	2020	2019	Change
	Q4	Q3		Jan–Dec	Jan–Dec	
Total lending, SEK bn	422.8	412.3	+2.5%	422.8	383.8	+10.2%
Total deposits, SEK bn	135.7	133.9	+1.3%	135.7	130.5	+4.0%
Net interest income, SEK million	1,010	945	+6.9%	3,747	3,473	+7.9%
Net result of financial transactions, SEK million	11	-11	22 mn	-38	26	-64 mn
Expenses, SEK million	-402	-310	+30%	-1,335	-1,187	12.5%
Credit losses, SEK million	2	4	+2 mn	-32	-26	+6 mn
Operating profit, SEK million	619	636	-2.7%	2,361	2,308	+2.3%
Return on equity, %	11.1	11.5	-0.4 pp	10.8	11.7	-0.9 pp
C/L ratio, %	0.39	0.30	+0.09 pp	0.33	0.32	+0.01 pp
C/I ratio, %	39.5	32.9	+6.6 pp	35.8	33.7	+2.1 pp
CET1 capital ratio, %	13.4	12.7	+0.7 pp	13.4	13.1	+0.3 pp

This is SBAB

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



Vision

To offer the best residential mortgages in Sweden



Mission

To contribute to better housing and household finances



Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search engine and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. We meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.47%¹⁾ at 31 December 2020, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se has Sweden's largest offering of homes for sale.

[Read more on page 12](#)

SBAB!

hittamäklare!
En tjänst från SBAB

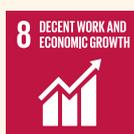
booli!
En tjänst från SBAB

Corp. & ToA business area

The Corporate Clients & Tenant-Owners' Associations ("ToA") business area offers savings and property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to companies and organisations. We finance multi-family dwellings, existing as well as new construction. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to companies (residential properties) was 14.29% at 31 December 2020. At the same time, the market share for lending to tenant-owners' associations was 10.06%.

[Read more on page 13](#)

1) From Q4 2020, an updated definition of the residential mortgage market was used that includes residential mortgage volumes from Mortgage Institutions (Bostadskreditinstitut, BKI) and Alternative investment funds (Alternativa Investeringsfonder, AIF), meaning that our market share looks marginally lower than previously. According to the previous definition our market share was 8.53% at 31 December 2020.



SBAB assigns priority to four Sustainable Development Goals

Statement from the CEO

The extremely noteworthy year of 2020 wrapped up with another strong quarter for SBAB. The coronavirus pandemic characterised most of the year with a major impact on areas like our work environment and our way of working. A contributing factor in our positive operational trend was our ability to adapt and the incredible responsibility that everyone at SBAB took during the year. We have the most satisfied residential mortgage customers¹⁾ for the second consecutive year and the most satisfied property loan customers¹⁾ for the third consecutive year. We continued to grow and capture market shares within residential mortgages and property loans while we posted a positive financial performance.

A strong year that ended with a strong quarter

The year could be summarised as another in a long line of successful years for SBAB. In the journey to our vision, I can note that we are continuing to achieve most of our annual goals in our three target areas – Responsibility and trans-

parency, Attractive workplace and Sound finances.

In December, the Swedish Quality Index (Swe: Svenskt Kvalitetsindex (SKI)) announced that we once again have Sweden's most satisfied customers in terms of residential mortgages and property loans. Fantastic results. Our residential mortgage customers particularly value

and appreciate our reliability, simplicity and value. Our property loan customers, in the form of property companies and tenant-owners' associations, particularly value and appreciate our reliability and service. We see a clear connection between our customers' satisfaction and SBAB's strong brand position as the considerate friend within household finances – with strong values like responsibility, sustainability, credibility, competence and consideration.

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

Competition in the residential mortgage market was intense last year. Nonetheless, our new lending for mortgages in the fourth quarter amounted to SEK 19.6 billion, one of our strongest quarters ever.

1) according to the Swedish Quality Index (SKI)

2) From Q4 2020, an updated definition of the residential mortgage market was used that includes residential mortgage volumes from Mortgage Institutions (Bostadskreditinstitut, BKI) and Alternative investment funds (Alternativa Investeringsfonder, AIF), meaning that our market share looks marginally lower than previously. According to the previous definition our market share was 8.53% at 31 December 2020 and 8.47% at 31 December 2019.



During the year, our net residential mortgage lending increased SEK 19.3 billion and our market share increased to 8.47% from 8.42%²⁾. We focused on strengthening our customer offering by prioritising our ecosystem of housing and household finances services for the different phases of the housing journey. We clearly integrated our services across Booli, HittaMäklare and SBAB through a shared graphic profile. During the fourth quarter we launched our unique and dynamic smart loan commitment, where customers in search of new homes can easily adjust their loan needs to the housing market and offering. Booli.se has Sweden's largest offering of homes for sale, which many housing customers are still unaware of. To that end, we carried out a marketing campaign for Booli during the fourth quarter that strengthened Booli's recognition and number of users.

The coronavirus pandemic showed that our focus on housing finance creates value for our corporate customers. In these uncertain times, we have focused 100% on being accessible, providing service and opportunities for our corporate customers and tenant-owners' associations. This was greatly appreciated and helped us increase our lending to corporate clients during the year from SEK 38.4 billion to SEK 54.2 billion, capturing a new lending market share of 34%. Lending to tenant-owners' associations also had a strong year and our lending increased over our market share. Our market shares increased from 11.23% to 14.29% for property companies and from 9.55% to 10.06% for tenant-owners' associations.

A very different year

When it became clear during the first quarter that we were facing a pandemic, most pundits thought that the housing market would weaken and that housing prices would fall. But soon demand for housing recovered thanks to the stabilising economic measures taken and the low residential mortgage interest rates. Instead, housing prices began to increase, and sales of homes picked up speed, likely also driven by the demand for larger homes to ensure a better work environment at home.

Naturally, the housing market's resiliency and strength has been positive for SBAB. Record high new lending for residential mortgages in December was a further indication of the housing market's strength. The low interest rate and

continued measures from the Riksbank and the government make it likely that the housing market will remain stable and strong.

Since March, a large number of us at SBAB have been working from home. Those of us who have direct contact with our retail customers, primarily in customer service at our Karlstad office, need to work from the office. Banking secrecy and security are some of the practical issues that affect our work environment and way of working, including the possibility of working from home. To reduce the risk of infection, we expanded our office space by renting two additional smaller independent offices in Karlstad.

A values-driven company

SBAB is a values-driven company. This is one of the reasons for our strong operational development and our success in managing SBAB and our customers so well during the pandemic. This year, we were ranked Sweden's fourth and Europe's fourteenth best workplace according to Great Place to Work. Our values-driven way of working is based on inclusion and we strive to maintain a brisk pace. Inclusion creates preconditions for everyone to understand the bigger picture, take responsibility, make their own decisions, and drive and carry out initiatives. This creates tempo. During the year, everyone at SBAB took responsibility all the way, stepped up fantastically and met the challenges that needed to be solved. We have kept up a brisk pace and accomplished a lot despite all of the year's challenges, including a new way of working with more working from home.

The debate concerning remote working is intense and many are wondering how future work life will be affected and how offices will develop. Working from home to better manage the work-life balance was starting to trend, in certain cases and jobs, even before the coronavirus pandemic took hold in society. Digitalisation and new communication tools create new opportunities that will change and develop work environments and ways of working in new and positive ways. At the same time, I think that several material issues tend to be minimised or forgotten entirely in the debate, like the basic human need for solidarity to provide meaning and the motivation that comes with being part of a team at work. Over the long term, those working at home and those working at the office risk creating separate teams and subcultures at the

company. Isolation and siloing affect our well-being, creativity and innovation negatively. We need spontaneous interaction to develop. Corporate culture is governed and strengthened by growing through shared visual and verbal experiences. Successfully onboarding new employees requires presence and continuity. In the short term, these consequences can go unnoticed at the workplace and in the company. Conversely: in the short term, working from home can be a positive and efficient experience, since employees save on commuting time and can possibly work uninterrupted on previously planned tasks. In the long term, I think the consequences of the increased scope of working from home might be troubling for many people and companies. In 2021, we will have several discussions about what we learned from this way of working during the coronavirus pandemic and how we can be an even better team, coordinated by our values.

A purpose-driven company

SBAB is also a purpose-driven company. This is another reason for our strong operational performance. Our purpose and our mission – to contribute to better housing and household finances – motivates us and drives us toward changing what we do for the better, for all of our stakeholders. One of the strongest trends driving societal development for the better is sustainability, and I'm convinced that the sustainability trend will only gain strength. Sustainability is increasingly guiding our consumption and where investments are made. Sustainability will be essential for our long-term competitiveness and profitability and is also integrated entirely in our governance model for SBAB.

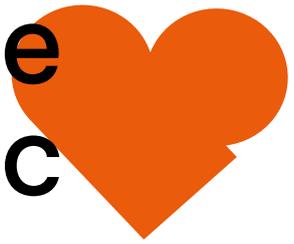
I would like to extend my deepest thanks to all of my colleagues for your impressive performance during the year. Together, we turned the unique challenges of 2020 into another successful year for SBAB. I look forward to 2021, with the hope that it will be both different and the same.

Best regards,



Klas Danielsson
CEO OF SBAB

Information due to the coronavirus pandemic



The spread of Covid-19 is creating great human suffering all around the world and its progression has substantially disrupted the economy.

The long-term economic consequences depend on the duration of the crisis. Unlike previous viruses, such as MERS and SARS, Covid-19 has a broad global spread, which is likely to have greater adverse socio-economic effects compared with previous virus outbreaks. The extent of the final impact depends on the measures taken by governments, central banks and other agencies, among other actions. You will find a few of the measures implemented below.

Measures by government agencies

Government measures

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

affected by this measure either. More information about measures taken by the government is available on its [website](#).

Measures from the Riksbank

The Riksbank, the ECB and central banks around the world have announced support measures to maintain the functionality of the markets and to mitigate the economic effects of the coronavirus pandemic. In Sweden, the Riksbank has taken measures to ensure banks can lend to companies suffering from temporary large declines in revenue, when demand for companies' products or services falls 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 with SEK 13 billion (see the section on funding on the next page). The Riksbank has also decided to purchase government, municipal, mortgage and corporate bonds and commercial paper, including SBAB's, for up to SEK 700 billion and, in parallel, has lowered the overnight rate for standing deposits with the Riksbank. Even if the Riksbank has announced that a cut in the repo rate is not on the cards, it has not ruled out the possibility of returning to a negative repo rate. Additional information is available on the Riksbank [website](#).

Measures from Finansinspektionen (the Swedish FSA)

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

more about SBAB's offer for exemption from the amortisation requirements on the next page. More information about the Swedish FSA's measures is available on its [website](#).

Measures from the Swedish National Debt Office

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

Effects on Sweden's economy

The ongoing coronavirus pandemic and the measures to limit contagion entail major consequences for the global economy, and therefore also Sweden's. The coronavirus pandemic has heavily impacted Sweden's economy and GDP growth. Unemployment has increased substantially. [Read more on page 8](#)

Effects on the housing market

The housing market has shown a high level of resiliency in the face of the pandemic. For a short time, sales and prices went down, but overall sales resembled a typical year and a broad uptick was noted in prices in all parts of the country and for all forms of housing. [Read more on page 8](#)

Initiatives to help SBAB's customers

SBAB's Customers

As a banking and services supplier within housing and household finances, SBAB has an important role in the national economy. Even though the government, the Riksbank and other agencies implemented major counteractions, unemployment and sick leave increased in Sweden. While Sweden has well-functioning welfare systems many have fallen ill or lost their employment and suffered personal financial harm.

In the fourth quarter, SBAB continued to focus on supporting all customer categories with credits, with the aim of contributing to a well-functioning housing market. New lending in the quarter to-

talled SEK 26.4 billion (24). New lending for the January–December 2020 period amounted to SEK 95.1 billion (75.5).

SBAB is offering its residential mortgage customers a temporary pause in mortgage amortisation in accordance with the guidelines of the Swedish FSA. At 31 December 2020, around 19,200 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 43 billion. At the same date and as a result of the coronavirus pandemic, 46 consumer loan customers, and seven corporate client and tenant-owners' association customers had been granted amortisation exemption, corresponding to a volume of about SEK 6 million and SEK 300 million, respectively. More information about amortisation relief is available on SBAB's [website](#).

SBAB's financial position

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

Credit quality

SBAB's lending to the public increased 2.5% during the quarter to a total of SEK 422.8 billion, of which SEK 310.8 billion comprised residential mortgages, SEK 2.5 billion consumer loans, SEK 54.1 billion lending to property companies and SEK 55.4 billion lending to tenant-owners' associations. SBAB has no exposure to particularly vulnerable sectors and additionally has extremely limited exposure in terms of unsecured corporate lending and lending on commercial premises, such as offices and warehouses. At the end of the year, SBAB's exposure to corporate lending for commercial purposes was SEK 2.2 billion, a decrease from SEK 2.5 billion at the end of the previous quarter. 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 limited. SBAB is carefully monitoring developments and making ongoing assessments and analyses of the credit risks in lending. As a result of the coronavirus pandemic and in accordance with the existing accounting standard (IFRS 9), in 2020, SBAB has revised the forward-looking information applied in the impairment model, resulting in increased credit loss allowances during the year. Net credit losses for the January–December 2020 period totalled SEK 32 million. Credit losses amounted to a recovery of SEK 2 million in Q4. [Read more on pages 15 & 27–29](#)

Lending growth

As a significant credit provider, it is important in crisis situations that SBAB acts to facilitate and maintain the provision of credit in the market. SBAB's long-term strategy remains firm and the company's ambition is to continue to grow and capture market shares. Growth in the residential mortgage market rose during the year (5.8% in December 2020). A high demand was noted during the last three quarters of the year for corporate loans.

[Read more on page 10](#)

Funding (funding & deposits)

Through the fourth quarter, steps taken by governments and central banks to support the markets remained in place and credit spreads continued to decline at the same time as interest rates have remained stable to slightly falling. Leading stock market indices turned in a mixed performance over the period. During the quarter as a whole, securities were issued for a total of SEK 20.9 billion (16.2). In parallel, securities were repurchased for SEK 8.6 billion (1.8) and securities amounting to SEK 13.9 billion (8.0) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities outstanding of SEK 8.5 billion to a total of SEK 323.7 billion (332.2). In the fourth quarter, funding took place at levels generally lower than those prevailing at the end of the third quarter. [Read more on page 17](#)

SBAB has participated with SEK 13 billion in the Riksbank's SEK 500 billion 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 increased 1.3% in the quarter to a total of SEK 135.7 billion. [Read more on page 10](#)

Liquidity

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

[Read more on page 17](#)

Capitalisation

SBAB is still well capitalised and thus has good prerequisites to grow lending. The Board's proposal not to propose a dividend for the 2020 financial year has further strengthened SBAB's capitalisation. The margins to the Swedish FSA's capital requirements increased as a result of its decision to reduce the countercyclical capital buffer requirement. In 2021, SBAB expects capital requirement to increase, as a result of the introduction of the European banking package in the Swedish law and in the Swedish FSA's regulations. In the coming years, there is also considerable uncertainty about how the capital requirements will develop. SBAB has taken responsibility for maintaining lending during 2020 and intends to continue to take responsibility for a well-functioning mortgage credit market in Sweden.

At the end of the fourth quarter of 2020, SBAB's CET1 capital ratio amounted to 13.4% and the total capital ratio was 17.6%. This can be compared with the Swedish FSA's capital requirements as per 31 December 2020, which were assessed as corresponding to a CET1 capital ratio of 8.0% and a total capital ratio of 12.2%. [Read more on page 18](#)

Market overview

Swedish economy

During the summer and autumn, the Swedish economy recovered around half of the drop and shrank around 3% during 2020 due to the coronavirus pandemic. The downturn is primarily a consequence of households reducing their consumption of goods and services, and of companies scaling back investments. Confidence indicators for the industry fell drastically when the coronavirus pandemic broke out. However, the indicator for the construction industry did not fall as drastically as many other sectors. During late summer and autumn, the indicators for industries like manufacturing rose sharply while in the construction industry it remained more or less the same. In parallel with the slowdown in the economy together with slower growth in household disposable income, consumer confidence fell and savings skyrocketed. Consumer confidence did not recover by the end of the 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

The year began with rising interest rates due to the Riksbank increasing the repo rate on 8 January 2020. Afterwards, the coronavirus pandemic led to first falling and then quickly recovering interest rates. When the economic consequences of the pandemic became clear, volatility waned and interest rates began to fall, staying at around 0% or lower from the summer onward. Read more about forecasts of the mortgage rate trends in the latest edition of SBAB Bomarknadsnytt (in Swedish), available [here](#).

Housing prices

Housing prices increased unexpectedly in 2020, despite the financial stress on the economy and labour market from the pandemic. In the first months of the year there were already clear signs of a strong housing market and rising prices. This trend reversed temporarily, but recovered before the summer. To a certain extent, it can be explained by people spending more time at home and an increased interest in owning their own homes. The

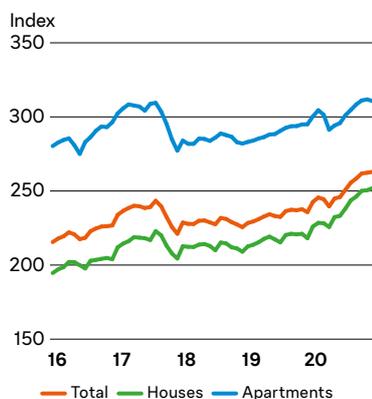
decrease in the rate of construction, which peaked in 2017, and the continuing housing shortage also explain the trend.

Housing construction in 2020 was largely at the same level as the previous year. Preliminary statistics indicate that in the first three quarters of the year, construction began on 37,200 homes, which is somewhat more than in the same period of 2019 (34,200). The relatively high rate of construction can be explained by converting the new builds from tenant-owners' right apartments to rental apartments and using investment aid for rentals. This can also be explained by a housing shortage of approximately 150,000 homes and an annual increase in housing demand of around 40,000 homes.

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

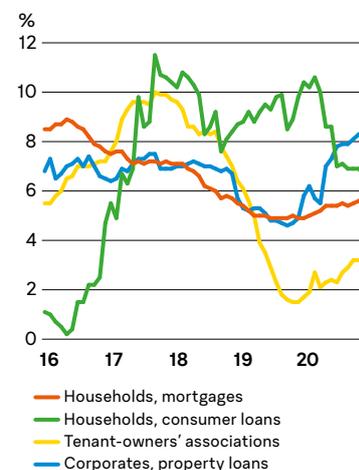
Housing price trend

(HOX index 2005=100)



Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



Source: Valueguard, Statistics Sweden (SCB), Macrobond. Data: December 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 is a large and popular platform for housing ads, housing valuations and price trends for housing, among other things.

booli!

En tjänst från SBAB

Growing lending for housing but falling consumer loans

Lending to households for mortgage loans increased 5.8% in December 2020 compared with the year-earlier period.

The rate of growth in lending has also increased steadily since mid-2019, when it was just under 5% per year. This can be explained by rising housing prices and a growing number of villas and tenant-owner apartments, but also by rising incomes and expectations that interest rates will remain low.

For Sweden as a whole, the SBAB Booli Housing Market Index (HMI, [available here](#)) shows that demand corresponds to new housing production, even if in some local markets indications exist of a slight oversupply of housing.

However, growth in consumer loans slowed down dramatically, which historically speaking is a normal development at the beginning of a recession.

The weak and uncertain economy helps increase household saving, which in turn can explain a rise in household de-

posits to banks and other financial institutions. Households' deposits increased significantly faster than their mortgages, despite the extremely low interest rates. Moreover, deposits from non-financial corporates, including tenant-owners' associations, continued to grow rapidly in 2020, which was due to a low willingness to invest.

Business development



Volume trends

	GROUP				
	2020 Q4	2020 Q3	2019 Q4	2020 Jan-Dec	2019 Jan-Dec
New lending for the period, SEK bn	26.4	24.0	20.0	95.1	75.5
Net change in lending for the period, SEK bn	10.5	10.8	5.6	39.0	19.6
Total lending, SEK bn	422.8	412.3	383.8	422.8	383.8
No. of deposit accounts, thousand	435	427	399	435	399
Net change in deposits, SEK bn	1.7	2.6	0.5	5.1	5.6
Total deposits, SEK bn	135.7	133.9	130.5	135.7	130.5
Deposits/lending, %	32.1	32.5	34.0	32.1	34.0
Retail business area					
No. of mortgage customers, thousand	286	285	279	286	279
No. of mortgage objects financed, thousand	183	182	178	183	178
New lending, SEK bn	19.6	16.0	16.1	65.6	60.1
Net change in lending for the period, SEK bn	6.1	4.7	3.8	19.4	15.0
Total lending, Retail, SEK bn	313.4	307.2	293.9	313.4	293.9
Residential mortgages, SEK bn	310.8	304.7	291.6	310.9	291.6
Consumer loans, SEK bn	2.5	2.5	2.3	2.5	2.3
Market share, Residential mortgages, % ^{1) 2)}	8.47	8.44	8.42	8.47	8.42
Market share, Consumer loans, % ¹⁾	0.87	0.87	0.83	0.87	0.83
Total deposits, Retail, SEK bn	95.5	93.9	92.0	95.5	92.0
No. of retail customers with savings accounts, thousand	379	373	350	379	350
Market share deposits, Retail, % ¹⁾	4.38	4.41	4.68	4.38	4.68
Corporate Clients & Tenant-Owners' Associations business area					
No. of housing financing customers	2,331	2,276	2,122	2,331	2,122
New lending, SEK bn	6.9	8.0	3.9	29.5	15.4
Net change in lending for the period, SEK bn	4.4	6.1	1.7	19.6	4.6
Total lending, Corp. Clients & Tenant-Own. Asso., SEK bn	109.5	105.1	89.9	109.5	89.9
Lending, Corporate clients, SEK bn	54.1	50.6	38.4	54.2	38.4
Lending, Tenant-owners' associations, SEK bn	55.4	54.5	51.5	55.4	51.5
Market Share Corporate Clients (multi-family dwellings), % ¹⁾	14.29	12.69	11.23	14.29	11.23
Market share, Tenant-owners' associations, % ¹⁾	10.06	9.89	9.55	10.06	9.55
Total deposits, Corp. Clients & Organisations, SEK bn	40.2	40.0	38.6	40.2	38.6
No. of customers with savings accounts, Corp. clients and Orgs.	12,500	12,500	12,500	12,500	12,500
Market share deposits, Corp. clients and organisations, % ¹⁾	2.38	2.54	2.94	2.38	2.94

¹⁾ Source: Statistics Sweden. Source: Statistics Sweden. The figures in the columns for Q4 2020 and Jan-Dec 2020 correspond with the market share as of 31 December 2020. The figures in the columns for Q4 2019 and Jan-Dec 2019 correspond with the market share as of 31 December 2019. The figures in the columns for Q3 2020 correspond with the market shares as of 31 August 2020.

²⁾ From Q4 2020, an updated definition of the residential mortgage market was used that includes residential mortgage volumes from Mortgage Institutions (Bostadskreditinstitut, BKI) and Alternative investment funds (Alternativa Investeringsfonder, AIF), meaning that our market share looks marginally lower than previously. The table also includes historic figures restated according to the new definition. Under the previous definition, our market share was 8.53% in Q4 2020, 8.50% in Q3 2020, 8.47% in Q4 2019, 8.51% in Jan-Dec 2020 and 8.47 for Jan-Dec 2019.

An ecosystem of services relating to 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 advertisements Housing market information Saving for an own home 	booli! SBAB! <small>En tjänst från SBAB</small>
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"> Real estate agent recommendations Housing valuations Housing advertisements Tax declaration help (business partner) 	hittamäklare! booli! <small>En tjänst från SBAB</small>



Sweden's most satisfied residential mortgage customers

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



Retail business area

Trend for Q4 2020 compared with Q3 2020

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

Despite the prevailing situation regarding the coronavirus pandemic, activity in the retail segment remained high in the third quarter. A strong housing market contributed to the trend. During the quarter, SBAB lowered the listed rates for all fixed-interest periods as a result of lower funding costs and rising mortgage margins. SBAB offers simple and straightforward terms and conditions, transparent

pricing, high availability through digital and telephone services, and mindful service. New lending in the quarter amounted to SEK 19.6 billion (16.0).

Customer service receives calls from worried customers with questions about housing and household finances. The coronavirus pandemic, with its resulting societal restrictions, means some households could find themselves under financial stress. SBAB is offering its residential mortgage customers a temporary pause in mortgage amortisation. At 31 December 2020, around 19,200 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 43 billion. In the second quarter, SBAB lowered the interest rate applied its housing cost calculation (KALP), used as a basis for granting residential mortgages, from 6.5% to 6.0% to better reflect the prevailing interest rate conditions.

Total retail lending increased to SEK 313.4 billion (307.2), of which SEK 310.8 billion (304.7) comprised residential mortgages and SEK 2.5 billion (2.5) consumer loans. The number of residential mortgage customers amounted to 286,000 (285,000) distributed over 183,000 (182,000) mortgage objects. At 31 December 2020, the market share of residential mortgages was 8.47%¹⁾ (8.44%). At the same date, the market share for consumer loans was 0.87% (0.87% at 31 August 2020). The majority of SBAB's residential mortgage customers choose the shortest maturity. The share of total lending with a 3M fixed-interest period amounted to 70.3% (74.3) at the end of the quarter.

Savings accounts (deposit)

SBAB's retail savings accounts are characterised by competitive savings rates

and simple product terms and conditions. Retail deposits increased during the quarter to SEK 95.1 billion (93.9). At the end of the quarter, approximately 379,000 (373,000) retail customers held savings accounts with SBAB. At 31 December 2020, the market share of retail deposits was 4.38% (4.41% at 31 August 2020).

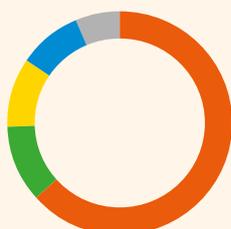
User trends

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 462,000 (530,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 109,000 (106,000) for the same period.

Booli is a popular platform for finding information about housing offers, demand and price trends. Booli.se offers services including housing searches and valuations. The number of unique visitors per month to www.booli.se rose substantially during the year and amounted to around 1,500,000 (1,480,000) during the quarter.

Booli's monthly property valuation email had more than 499,000 subscribers at the end of the fourth quarter of 2020. The real estate agent service HittaMäklare is part of Booli. HittaMäklare's service for locating estate agents has been used at some time by about 89% of the registered estate agents in Sweden.

Geographic distribution of the mortgage portfolio



- Stockholm region 63.0% (63.1)
- Öresund region 10.7% (10.9)
- Gothenburg region 10.1% (10.0)
- University and growth areas 9.6% (9.5)
- Other regions 6.6% (6.6)

¹⁾ From Q4 2020, an updated definition of the residential mortgage market was used that includes residential mortgage volumes from Mortgage Institutions (Bostadskreditinstitut, BKI) and Alternative investment funds (Alternativa Investeringsfonder, AIF), meaning that our market share looks marginally lower than previously. According to the previous definition our market share was 8.53% at 30 December 2020 and 8.50% at 31 August 2020.

Corporate Clients & Tenant-Owners' Associations business area

Trend for Q4 2020 compared with Q3 2020

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

Housing financing (lending)

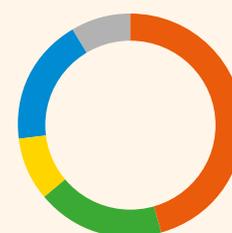
Activity in terms of corporate business through the fourth quarter remained very high. During the coronavirus pandemic, SBAB's strong focus on housing finance has resulted in SBAB being able to provide the attention demanded by customers, which has strengthened customer relationships and resulted in an increased number of transactions. During the quarter, this effort was rewarded with the third consecutive year of the best customer satisfaction in property loans according to SKI. Otherwise, very little impact from the coronavirus pandemic has been noted with SBAB's customers. SBAB focuses on residential properties and therefore has an extremely low proportion of commercial lending, where the effects and disruption caused by the coronavirus pandemic have been greatest to date. Disruptions to the new production of multi-family dwellings have been extremely limited and have, thus far, not led to any adverse effects for SBAB or SBAB's customers. 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.

The market for lending to tenant-owners' associations continues to be dominated by intense price competition, not least in the major metropolitan areas. SBAB holds a strong market position and activity remained high in the fourth quarter of the year. In this segment, the effects of the coronavirus pandemic have also been extremely limited. During the year SBAB analysed the lending portfolio and proactively contacted tenant-owners' association customers who could need to apply for amortisation exemption (primarily associations with a high share of revenue from rental premises in relation to total annual fees). To date, seven tenant-owners' associations have utilised this possibility, corresponding to a lending volume of around SEK 300 million. All of the associations have low LTV ratios and already had the possibility to choose amortisation exemption at the next renewal date.

During the quarter, new lending to corporate clients and tenant-owners' associations remained high and amounted to SEK 6.9 billion (8.0 in the third quarter). Total lending increased to SEK 109.5 billion (105.1), of which SEK 55.4 billion (54.5) comprised lending to tenant-owners' association and SEK 54.2 billion (50.6) lending to companies. The market share of lending to property com-

Geographic distribution of the loan portfolio



panies was 14.29% at 31 December 2020 (12.69% at 31 August 2020). At the same date, the market share for lending to tenant-owners' associations was 10.06% (9.89% at 31 August 2020). The number of housing financing customers was 2,331 (2,276) at the end of the quarter.

Savings accounts (deposit)

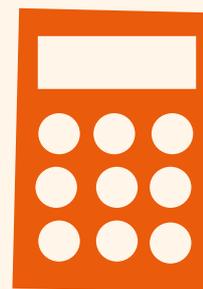
Deposits from corporate clients and organisations increased marginally during the quarter and totalled SEK 40.2 billion (40.0). At the end of the quarter, approximately 12,500 (12,500) customers held savings accounts with SBAB. At 31 December 2020, the market share of deposits from corporate clients and organisations was 2.38% (2.54% at 31 August 2020).

Sweden's most satisfied corporate customers

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



Financial performance



Income statement overview

SEK million	GROUP						
	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2020 Jan-Dec	2019 Jan-Dec
Net interest income	1,010	945	907	885	877	3,747	3,473
Net commission	-12	-3	9	-18	-2	-24	-14
Net result of financial transactions (Note 3)	11	-11	17	-55	-6	-38	26
Other operating income	10	11	10	12	8	43	36
Total operating income	1,019	942	943	824	877	3,728	3,521
Expenses	-402	-310	-312	-311	-327	-1,335	-1,187
Profit before credit losses and impairments	617	632	631	513	550	2,393	2,334
Net credit losses (Note 4)	2	4	-11	-27	-10	-32	-26
Impairment of financial assets	-3	-3	-2	-2	-2	-10	-5
Reversals of impairment of financial assets	3	3	3	1	2	10	5
Operating profit	619	636	621	485	540	2,361	2,308
Tax	-133	-142	-137	-110	-122	-522	-520
Net profit for the period	486	494	484	375	418	1,839	1,788
Return on equity, % ¹⁾	11.1	11.5	11.6	9.2	10.5	10.8	11.7
C/L ratio, %	0.39	0.30	0.32	0.32	0.34	0.33	0.32
C/I ratio, %	39.5	32.9	33.1	37.7	37.2	35.8	33.7
Credit loss ratio, %	0.00	0.00	-0.01	-0.03	-0.01	-0.01	-0.01
Share of Stage 3 loans, gross, %	0.06	0.05	0.05	0.08	0.07	0.06	0.07
Net interest margin, %	0.78	0.72	0.69	0.71	0.73	0.76	0.75
Number of employees (FTEs)	760	748	743	707	695	760	695

1) When calculating the return on equity for Jan-Dec 2019, average equity has been adjusted for the dividend of SEK 690 million for 2018. For more information about the calculation of alternative performance measures, please refer to page 48.

Trend for Q4 2020 compared with Q3 2020

Operating profit decreased during the quarter to SEK 619 million (636). Return on equity amounted to 11.1% (11.5) and the C/I ratio was 39.5% (32.9).

Net interest income

Net interest income grew to SEK 1,010 million (945), mainly driven by lower interest expenses as a result of lower market interest rates. Lower volumes in capital instruments contributed to lower interest expenses. Total guarantee fees for the quarter amounted to SEK 50 million (50), of which SEK 39 million (39) comprised the resolution fee and SEK 12 million (12) pertained to the national deposit guarantee fee.

Net commission

Net commission income declined during the quarter to an expense of SEK 12 million (expense: 3), primarily due to a higher net commission expense from non-recurring expenses to ICA Banken in connection with winding up the partnership.

Net result of financial transactions

The net result of financial transactions amounted to an income of SEK 11 million (expense: 11). The difference was primarily due to reduced counterparty risks in SBAB's derivative exposures (CVA/DVA-effect) and other revaluation of derivatives that are not covered by hedge accounting. The difference has been

counteracted in part by earnings from repurchasing bonds. For more information, please refer to [Note 3](#).

Expenses

Expenses increased during the quarter and amounted to SEK 402 million (310). The increase was primarily from an impairment of SEK 67 billion made during the quarter after customary impairment testing of all tangible and intangible assets. Personnel costs also increased during Q4 following an increase in FTEs and higher costs for development consultants compared to the previous quarter during the summer. During the quarter, the number of FTEs increased to 760 (748).

Credit quality and credit losses

Net credit losses amounted to a recovery of SEK 2 million (recovery: 4). Confirmed credit losses totalled SEK 2 million (1). Provisions for credit stage 1 loans decreased SEK 7 million (increase: 6) attributable to a positive development in both PD and LGD driven by better customers' ability to repay and increased housing and property prices. Provisions for credit stage 2 were unchanged (decrease: 6) while provisions for credit stage 3 rose SEK 3 million (increase: 3) driven by some additional defaults in the form of individual provisions. Provisions for loan commitments and building credits decreased SEK 1 million (decrease: 8) due to raising building credits. Guarantees that can be utilised decreased SEK 1 million (decrease: 2) over the period as a result

of lower provisions. For more information on credit provisions and changes in the forward-looking information in the impairment model, please refer to [Note 4](#).

The credit quality of SBAB's lending is good and credit risk in the two business areas: Retail, and Corporate Clients & Tenant-Owners' Associations, remains low. 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. 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 58% (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 68% (71) and the debt-to-income ratio was 3.8 (3.7). The average LTVs for property companies and tenant-owners' associations were 64% (64) and 38% (38), respectively.

For more information on credit losses, amortisation relief and the effect on credit quality, please refer to [Note 4](#) and [Note 5](#).

Other comprehensive income

Other comprehensive income was an expense of SEK 229 million (expense: 64). The primarily negative impact on the difference was rising EUR interest rates.

For more information, please refer to page 22.

January–December 2020 compared with January–December 2019

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

Net interest income grew to SEK 3,747 million (3,473), mainly due to higher lending volumes and lower guarantee fees. Guarantee fees amounted to SEK 201 million (287) for the period, of which SEK 154 million (244) comprised the resolution fee and SEK 47 million (43) the fee payable to the national deposit guarantee. Rising market interest rates during the period and therefore higher interest expenses for funding in the capital markets negatively affected net interest income.

The net commission expense decreased during the year to an expense of SEK 24 million (expense: 14). The decrease arose primarily from increased commission expenses stemming from increased fees related to funding opera-

tions and costs in connection with winding up a partnership with ICA. The commission income also increased, which pertained mainly to increased arrangement fees linked to corporate lending.

The net result of financial transactions was a loss of SEK 38 million (income: 26). The difference was mainly due to value changes in hedging instruments and hedged items. For more information, please refer to [Note 3](#).

Other comprehensive income amounted to SEK 362 million (1,349) for the period. The difference is mainly due to the negative effect of a smaller decrease in EUR interest rates in 2020 than in the year-earlier period. For more information, please refer to page 22.

Expenses grew to SEK 1,335 million (1,187), mainly driven by increased investments in terms of the number of employees in areas including customer experience, customer service, digitalisation and IT systems. In the last quarter a customary review of all tangible and

intangible assets was made and a need for impairment of SEK 67 million was identified, which affected expenses over the quarter. The replacement of SBAB's core bank platform is ongoing and is expected, to all extents and purposes, to be ready in 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. The number of FTEs increased to 760 (695) during the period. Net credit losses totalled SEK 32 million (loss: 26). The change between the periods was mainly attributable to the increase in credit loss allowances in conjunction with the revision of the forward-looking information applied in the impairment model as a result of the coronavirus pandemic. Confirmed credit losses totalled SEK 9 million (14) for the period. For more information on credit losses and credit quality, please refer to [Note 4](#) and [Note 5](#).

Balance sheet overview

SEK million	GROUP		
	31 Dec 2020	30 Sep 2020	31 Dec 2019
ASSETS			
Cash and balances at central banks	6,530	1,300	5,750
Chargeable treasury bills, etc.	10,894	33,533	15,886
Lending to credit institutions	945	376	417
Lending to the public (Note 5)	422,835	412,336	383,807
Bonds and other interest-bearing securities	58,180	59,691	55,731
Total other assets in the balance sheet	11,975	17,540	13,941
TOTAL ASSETS	511,359	524,776	475,532
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	20,184	25,472	10,528
Deposits from the public	135,658	133,916	130,542
Debt securities issued, etc. (funding)	323,704	332,217	303,597
Subordinated debt	1,995	4,445	4,948
Total other liabilities in the balance sheet	6,179	5,321	4,336
Total liabilities	487,720	501,371	453,951
Total equity	23,639	23,405	21,581
– of which reserves/fair value reserve	2,321	2,550	1,959
– of which, Tier 1 capital instruments	3,500	3,500	3,500
TOTAL LIABILITIES AND EQUITY	511,359	524,776	475,532
CET1 capital ratio, %	13.4	12.7	13.1 ⁴⁾
Tier 1 capital ratio, %	16.1	15.4	17.3 ⁴⁾
Total capital ratio, %	17.6	16.9	20.1 ⁴⁾
Leverage ratio, % ¹⁾	4.00	3.71	4.30 ⁴⁾
Liquidity coverage ratio (LCR), % ²⁾	170	237	265
Net Stable Funding Ratio (NSFR), % ³⁾	129	126	134

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 regards to liquidity coverage requirements for all currencies combined. LCR for September 30 2020 and December 31 2019 have been adjusted from 253% to 237% and 271% to 265% due to an adjustment of the liquidity reserve. Group Risk deems that the adjustment did not have a significant impact on the liquidity risk.

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 SBAB's 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 Q4 2020 compared with Q3 2020

Balance sheet comments

During the quarter, chargeable treasury bills decreased to SEK 10.9 billion (33.5), primarily due to a decrease in surplus liquidity deposited with the Riksbank via commercial paper. Instead, surplus liquidity was deposited with the Riksbank via their RIX account, whereupon the item cash and balances at central banks increased to SEK 6.5 billion (1.3). Lending to credit institutions increased to SEK 0.9 billion (0.4), attributable to outflows of securities connected to derivatives (CSA). The above changes were within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities declined to SEK 58.2 billion (59.7). This change was also within the scope of the normal management of the liquidity reserve. Lending to the public amounted to SEK 422.8 billion (412.3), of which SEK 310.8 billion comprised residential mortgages, SEK 2.5 billion consumer loans, SEK 54.1 billion lending property companies and SEK 55.4 billion lending to tenant-owners' associations. For more information on Lending to the public, please refer to pages 10–13 and Note 5. An impairment need for tangible and intangible assets was identified during the quarter, which reduced items by SEK 67 million.

During the quarter, liabilities to credit institutions decreased to SEK 20.2 billion (25.5), driven primarily by lower repo volumes. The changes were within the scope of the normal short-term liquidity management. No new issues were conducted in the Riksbank's programme for corporate lending through the banks, meaning the total volume remains unchanged at SEK 13 billion. Deposits from the public increased to SEK 135.7 billion (133.9), of which 81% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulations. For more information on deposits from the public, please refer to pages 10–13. For information about issued debt securities, please refer to the "Funding" section. Subordinated debt totalled SEK 2.0 billion (4.4). The change was attribut-

able to the maturity of two Tier 2 capital (T2) items of SEK 1.9 billion and SEK 0.6 billion, respectively. Equity increased to SEK 23.6 billion (23.4). During the quarter, the item was mainly affected by changes in net profit for the period.

Funding

Stimulative measures implemented through government and central bank fiscal and monetary policies also supported the financial markets in the fourth quarter of the year. Credit spreads fell somewhat, while Swedish and German interest rates remained stable and the American long rate moved upwards. The general risk sentiment has, overall, been good and several leading stock market indices around the world rose.

During the quarter, the ECB and the Fed showed that, despite the market's hope for a large-scale Covid-19 vaccine, they continued to see uncertainty in the European, American and global economies. The ECB therefore chose to further expand its Pandemic Emergency Purchase Program (PEPP) and to extend its maturity to March 2022, while the Fed chose to continue existing measures.

At its meeting on 26 November, the Riksbank chose to expand its securities purchase program in line with the ECB, from SEK 500 billion to SEK 700 billion. Purchases will continue throughout all of 2021. The announcement supported the Swedish credit market and the funding levels of the covered bonds market fell back further. At the same meeting, the Riksbank also signalled that the key interest rate, according to their forecast, will remain at 0% for the next three years.

During the quarter as a whole, securities were issued for a total of SEK 20.9 billion (16.2). In parallel, securities were repurchased for SEK 8.6 billion (1.8) and securities amounting to SEK 13.9 billion (8.0) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities outstanding of SEK 8.5 billion to a total of SEK 323.7 billion (332.2). In total, the SBAB Group has issued bonds corresponding to SEK 89.9 billion in 2020 (of SEK 62.9 billion comprised covered funding and SEK 27.0

billion unsecured funding), which can be compared with the total bonds maturing in 2020 of about SEK 42.8 billion.

At the end of the quarter, unsecured funding amounted to SEK 59.8 billion (60.4), of which SEK 6.0 billion (6.0) comprised senior non-preferred bonds, SEK 48.7 billion (47.4) other senior unsecured bonds and SEK 5.2 billion (6.2) commercial paper.

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Secured debt outstanding totalled SEK 263.9 billion (271.8) at the end of the quarter, of which SEK 184.1 billion was in SEK and SEK 79.8 billion was in foreign currencies.

Liquidity¹⁾

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings.²⁾ At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 70.9 billion (89.9). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 68 billion (86.3).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 266 days (263), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, at 31 December 2020, the LCR was 170% (237) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 136% (179). The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 128.8% (125.8) 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 10](#).



1) LCR for September 30 2020 have been adjusted from 253% to 237% on a total level and from 192% to 179% on SEK level due to an adjustment of the liquidity reserve. Group Risk deems that the adjustment did not have a significant impact on the liquidity risk.

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

Capital position

At the end of the quarter, SBAB's CET1 capital amounted to SEK 17.5 billion (16.4). The increase was mainly attributable to earnings for the year¹⁾ and the Board proposed that the Annual General Meeting resolve on the dividend for the operating year. The risk exposure amount (REA) increased during the fourth quarter to SEK 130.3 billion (129.4). This was mainly driven by higher lending volumes to corporates and the effect from the risk-weight floor for mortgages.

At 31 December 2020, SBAB's CET1 capital ratio amounted to 13.4% (12.7) and the total capital ratio was 17.6% (16.9). This provides a comfortable margin to internal targets and external regulatory requirements.

According to internal estimates by SBAB as per 31 December 2020, the Swedish FSA's capital requirements are expected to correspond to a CET1 capital ratio of 8.0% and a total capital ratio of 12.2%. At the same date, SBAB's capital targets are therefore expected to correspond to a CET1 capital ratio of not less than 8.6% and a total capital ratio of not less than 12.8%.

The margins to the Swedish FSA's capital requirements have increased since the end of the year as a result of the Swedish FSA's decision to reduce the countercyclical capital buffer requirement from 2.5% to 0%. The leverage ratio increased and amounted to SEK 4.0% (3.7) at 31 December 2020, primarily due to a reduction in the total leverage ratio exposure as a result of lower volumes to governments and central banks.

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

In January 2020, the Swedish FSA decided to introduce additional capital requirements for lending on commercial properties. The reason behind the measure is that the banks' lending on commercial real estate has gradually increased to a level where there is an elevated risk to financial stability. The additional capital requirement will be implemented through raising the Pillar 2 requirement. The change is expected to have marginal impact on SBAB.

As a result of developments concerning the coronavirus pandemic, as of 24 June 2020, the EU has adopted Regulation (EU) 2020/873 amending Regulation (EU) No. 575/2013 (the CRR). The amendment entails an adaptation of the regulations by the EU to maximise the banks' ability to recover from the crisis. Moreover, 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 that entered force on 27 June 2020, refer to [Note 11](#).

A degree of uncertainty prevails surrounding future capital requirements due to the forthcoming regulatory changes.

Among other actions, in autumn 2020, the Swedish FSA has proposed regulatory amendments and a change in the application of capital requirements for Swedish banks in order to adapt them to the EU's banking package. This pertains primarily to the introduction of leverage ratio requirements, changes in the application of Pillar 2 requirements as well as the Swedish FSA's position related to the implementation of Pillar 2 guidelines and the application of the capital buffers. Legislative amendments linked to the Capital Requirements Directive entered force on 29 December 2020. Binding leverage ratio requirements enter force on 28 June 2021. The Swedish FSA has also proposed a new method for assessing additional capital charges within Pillar 2 for market risks in other operations. This change in method will apply from 2021. The Swedish FSA has previously announced that it expects Swedish banks to analyse and update their current risk classification systems to be able to meet the new EBA guidelines (which are expected to be implemented in 2021). Overall, the above changes are expected to increase the future capital adequacy requirements for banks in Sweden, including SBAB.

1) In a decision by Swedish FSA, subject to the company's auditors being able to confirm the surplus and that deductions for any dividends and foreseeable costs have been carried out pursuant to the Capital Requirements Regulation and that these calculations have been conducted in compliance with the Commission Delegated Regulation (EU) No 241/2014, SBAB received approval for using the full-year surplus in own-funds calculations. Deloitte AB conducted the above review for 31 December 2020. This means that net profit for the period has been included own funds.

Components of the capital target

SEK million	GROUP			
	31 Dec 2020			
	Total capital	%	CET1 capital	%
Internally assessed capital requirement from the Swedish FSA	15,944	12.2	10,469	8.0
– of which, Pillar 1 minimum requirement	3,889	3.0	2,188	1.7
– of which, Pillar 1 risk-weight floor, Swedish mortgages	6,532	5.0	3,674	2.8
– of which, Pillar 2 core requirement	2,249	1.7	1,333	1.0
– of which, Capital conservation buffer	3,257	2.5	3,257	2.5
– of which, Countercyclical buffer	17	0.0	17	0.0
SBAB's capital target	16,726	12.8	11,250	8.6
SBAB's actual capital	22,992	17.6	17,492	13.4

Other information



SBAB's financial targets

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

Termination of partnerships

In the fourth quarter of 2019, SBAB and Sparbanken Syd entered into an amended agreement relating to the parties' partnership agreement regarding the mediation of mortgage loans (SEK 9.2 billion at 31 December 2020). According to the amended agreement, Sparbanken Syd was entitled to mediate new mortgages on behalf of SBAB until 30 November 2020 and to acquire the entire loan portfolio mediated by Sparbanken Syd, or parts thereof, until 31 December 2023.

Changes in Executive Management

At 31 December 2020, the Executive Management comprised the following people: Klas Danielsson (CEO), Sara Davidgård (Head of Business Specialists), Carina Eriksson (Head of HR), Kristina Frid (Head of Customer Service), Mikael Ingländer (CFO and Head of Corporate

Clients and Tenant-Owners' Associations), Robin Silfverhielm (Customer Experience Officer (CXO) and Chief Information Officer (CIO)), Andras Valko (CDSO), Malou Sjörin (Head of Sustainability, Marketing & Communication) and Fredrik Stenbeck (CRO).

Klas Ljungkvist left his position as CIO to become CTO (Chief Technology Officer) at SBAB on 1 October 2020 and was replaced by Robin Silfverhielm, who also, as above mentioned, has the role as CXO and CIO.

Proposed risk tax for large credit institutions circulated for comment

On 17 September 2020, the Swedish Ministry of Finance published a memorandum containing a proposal regarding the implementation of a risk tax aimed at large banks and other credit institutions from 2022. The tax aims to strengthen society's capacity to meet a crisis in the financial system. Under the proposal, the risk tax is payable by credit institutions that, at the start of the fiscal year, have a total debt in excess of SEK 150 billion attributable to the company's operations in Sweden. The debt threshold is subject to annual adjustment in line with the general development of the country's economy. The tax will be levied at a rate of 0.06% of the credit institutions liabilities following certain adjustments in 2022, and at 0.07% from 2023. The proposal affects

Swedish credit institutions and foreign credit institutions with operations in Sweden. The proposal was announced in conjunction with the budget proposal for 2020 and is proposed to enter force on 1 January 2022.

EU taxonomy

On 20 November 2020, the European Commission published a delegated regulation for EU taxonomy. The period for submitting comments closed after 18 December 2020 and the proposal received a great deal of comments from stakeholders and several other member countries (including comments on buildings and property financing). On 18 January 2021, the European Commission announced that they will be delaying the publication of the final version of the delegated regulation. As previously announced, the timetable for applying the regulation will remain 1 January 2022.

Events after the end of the period

No significant events occurred after the end of the period.

Auditors' review report

This report has been reviewed by the company's auditor in accordance with the International Standard on Review Engagements (ISRE) 2410. The review report can be found at the end of this report.

Risks and uncertainties

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity, and the quality of our assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. A housing market with soaring prices over an extended period, in parallel with rising household debt, has resulted in the Swedish economy becoming sensitive to rapid changes in interest rates and 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 8. For information about the coronavirus and its effects on socio-economic development and SBAB, refer to page 6.

The extensive regulatory changes in the residential mortgage market comprise a further uncertainty factor. Moreover, political decisions, for example changed tax rules, could have major consequences on households' solvency and property values. In time, increasing competition in the residential mortgage market could affect the market and mortgage margins. Increased competition arises, inter alia, from the Mortgage Business Act (2016:1024), which allows residential mortgages to be provided by companies other than banks and which are thus not encompassed by the same extensive regulations nor by the rules for capital requirements that apply to banks. Such regulatory differences risk not being understood by customers and therefore creating unfair competition in the market, a point that SBAB has conveyed to the Swedish FSA. For further information about risks and risk management, please refer to SBAB's 2019 Annual Report.

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Condensed income statement

SEK million	GROUP				
	2020	2020	2019	2020	2019
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Interest income	1,529	1,593	1,491	6,316	5,868
Interest expense	-519	-648	-614	-2,569	-2,395
Net interest income	1 010	945	877	3,747	3,473
Commission income	22	20	24	93	84
Commission expense	-34	-23	-26	-117	-98
Net result of financial transactions (Note 3)	11	-11	-6	-38	26
Other operating income	10	11	8	43	36
Total operating income	1,019	942	877	3,728	3,521
Personnel costs	-176	-171	-163	-687	-630
Other expenses	-137	-111	-145	-490	-486
Depreciation, amortisation and impairment of PPE and intangible assets	-89	-28	-19	-158	-71
Total expenses before credit losses	-402	-310	-327	-1,335	-1,187
Profit before credit losses	617	632	550	2,393	2,334
Net credit losses (Note 4)	2	4	-10	-32	-26
Impairment of financial assets	-3	-3	-2	-10	-5
Reversals of impairment of financial assets	3	3	2	10	5
Operating profit	619	636	540	2,361	2,308
Tax	-133	-142	-122	-522	-520
Net profit for the period	486	494	418	1,839	1,788

In Q4 2020, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 1,601 million (1,494) for the Group.

Condensed statement of comprehensive income

SEK million	GROUP				
	2020 Q4	2020 Q3	2019 Q4	2020 Jan-Dec	2019 Jan-Dec
Net profit for the period	486	494	418	1,839	1,788
Other comprehensive income					
<i>Components that will be reclassified to profit or loss</i>					
Financial assets measured at FVTOCI	48	37	-14	4	-56
Changes related to cash-flow hedges, before tax	-409	-90	-1,686	461	1,823
Tax attributable to components that will be reclassified to profit or loss	102	11	364	-75	-378
<i>Components that will not be reclassified to profit or loss</i>					
Revaluation effects of defined-benefit pension plans, before tax	41	-28	129	-34	-50
Tax attributable to components that will not be reclassified to profit or loss	-11	7	-27	6	11
Other comprehensive income/loss, net of tax	-229	-63	-1,234	362	1,350
Total comprehensive income/loss for the period	257	431	-816	2,201	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 and inflation are the assumptions that have 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 Dec 2020	31 Dec 2019
ASSETS		
Cash and balances at central banks	6,530	5,750
Chargeable treasury bills, etc.	10,894	15,886
Lending to credit institutions	945	417
Lending to the public (Note 5)	422,835	383,807
Value changes of interest-rate-risk hedged items in macro hedges	142	-181
Bonds and other interest-bearing securities	58,180	55,731
Derivatives (Note 6)	10,890	13,087
Intangible assets	330	311
Property, plant and equipment	112	139
Other assets	79	56
Prepaid expenses and accrued income	422	529
TOTAL ASSETS	511,359	475,532
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	20,184	10,528
Deposits from the public	135,658	130,542
Issued debt securities, etc.	323,704	303,597
Derivatives (Note 6)	3,124	1,388
Other liabilities	416	376
Accrued expenses and deferred income	1,769	1,805
Deferred tax liabilities	651	579
Provisions	219	188
Subordinated debt	1,995	4,948
Total liabilities	487,720	453,951
Equity		
Share capital	1,958	1,958
Reserves/Fair value reserve	2,321	1,959
Additional Tier 1 instruments	3,500	3,500
Retained earnings	14,021	12,376
Net profit for the period	1,839	1,788
Total equity	23,639	21,581
TOTAL LIABILITIES AND EQUITY	511,359	475,532

Condensed statement of changes in equity

SEK million	GROUP				
	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year ¹⁾	Total equity
Opening balance, 1 January 2020	1,958	1,959	3,500	14,164	21,581
Additional Tier 1 instruments	-	-	-	-	-
Additional Tier 1 instruments, dividend	-	-	-	-143	-143
Other comprehensive income, net of tax	-	362	-	-	362
Net profit for the period	-	-	-	1,839	1,839
Comprehensive income for the period	-	362	-	1,839	2,201
Closing balance, 31 December 2020	1,958	2,321	3,500	15,860	23,639
Opening balance, 1 January 2019	1,958	609	1,500	13,169	17,236
Additional Tier 1 instruments	-	-	2,000	-	2,000
Additional Tier 1 instruments, dividend	-	-	-	-103	-103
Dividends paid	-	-	-	-690	-690
Other comprehensive income, net of tax	-	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
	Jan-Dec	Jan-Dec
Opening cash and cash equivalents	6,167	2,847
OPERATING ACTIVITIES		
Interest and commissions paid/received	3,762	3,621
Outflows to suppliers and employees	-1,177	-1,116
Taxes paid/refunded	-593	-566
Change in assets and liabilities of operating activities	-2,440	228
Cash flow from operating activities	4,432	2,167
INVESTING ACTIVITIES		
Change in property, plant and equipment	-28	-36
Change in intangible assets	-113	-109
Cash flow from investing activities	-141	-145
FINANCING ACTIVITIES		
Dividends paid	-	-690
Change in Tier 1 capital instrument	-	2,000
Change in subordinated loan	-2,952	-
Repayment of lease liabilities	-31	-12
Cash flow from financing activities	-2,983	1,298
Increase/decrease in cash and cash equivalents	1,308	3,320
Closing cash and cash equivalents	7,475	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		Closing balance 31 Dec 2020	Opening balance 1 Jan 2019	Cash flow	Non-cash items		Closing balance 31 Dec 2019
			Fair value	Other				Fair value	Other	
Subordinated debt	4,949	-2,952	-1	-1	1,995	4,946	-	-3	6	4,949
Additional Tier 1 instruments	3,500	-	-	-	3,500	1,500	2,000	-	-	3,500
Total	8,449	-2,952	-1	-1	5,495	6,446	2,000	-3	6	8,449

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

Accounting principles and calculation methods are unchanged compared with the annual report for 2019. The financial statements in summary are produced on the basis of an assumption about the company's survival. The financial reports in summary was approved by the board for publication on 10 february 2020.

Introduction of new and changed accounting standards after 2020

In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 with regard to changes in reference rates. The rules deal with accounting for the modifications required in connection with the change of reference interest rates. The changes also entail relief in the hedge accounting in connection with the change of reference interest rates, which means, among other things, that changes made to hedging relationships and hedging documentation due to the change are allowed, without the hedging relationship having to be terminated. The amendments will apply from 1 January 2021 with early application allowed but have not yet been adopted by the EU. The change is not considered to have any significant effect on the financial statements.

Other Changes

According to SBAB's preliminary assessment, other future new or amended accounting standards that have been published but have not yet been applied will have a requested impact on the company's or group's accounts and financial reports.

Note 2 Changes in risks

Credit risk in lending operations

No increase in realised credit risk was noted in lending operations during 2020. Despite the prevailing circumstances with the coronavirus pandemic, neither an increased tendency of delayed payments nor turbulence in the housing market leading to falling housing prices has been observed. Due to the increased economic uncertainty because of the pandemic and since no increased realised credit risk has yet been noted, the forward-looking information in the impairment model has been revised where mainly unemployment rates have been adjusted. The forward-looking information has been revised during the first three quarters of 2020 resulting in increased credit loss allowances. Furthermore, SBAB has granted a portion of request for temporary amortisation exemptions, in accordance with Swedish FSA's guidelines, which thus far are assessed to solely manage the temporary increase in liquidity risk that has arisen for customers. Since the last quarter, customers are requested to account for the reason behind the application for amortisation exemption. Customers who report loss of income are managed by SBAB's insolvency team for further assessment regarding increase in credit risk. No deviations have been noted in terms of LTV ratios and debt-to-income ratios for new lending. For more information regarding credit losses, credit risk and credit loss allowances, see [Note 4](#).

Counterparty credit risk in treasury operations

Limit utilisation for SBAB's derivative counterparties has fallen to SEK 7,321 million at 31 December 2020, compared to SEK 9,025 million at 31 December 2019.

Liquidity risk

SBAB's liquidity positions remains strong, despite the coronavirus pandemic. Throughout the year all liquidity risk measures have been within set limits. The Volatility in LCR and Survival horizon have increased compared to last year due to increased outflows related to maturing bond. The OC level have increased compared to last year due to allocation of assets to the cover pool. By end of year OC amounted to 33,1%

During the first quarter a decrease in deposits was seen, however volumes have since then increased resulting in a deposit growth by end of year. Still deposit-to-loan ratio have decreased on a yearly basis since the loan growth rate exceeded the deposit growth rate. Please refer to note 10 for more information regarding liquidity risk.

Market risk

SBAB uses Value at Risk (VaR) to quantify market risk. VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. SBAB's model is a historical model and applies percentiles in historical market data from the past two years. At 31 December 2020, SBAB's VaR amounted to SEK 364 million, compared to SEK 255 million at 31 December 2019. The limit for VaR is set at SEK 1,450 million.

Operational risk

The Covid-19 pandemic has resulted in a general increase in operational risk across the bank in connection with, inter alia, absenteeism and continuity for critical deliveries. It should be noted that the bank's business contingency plans were generally applicable during the Covid-19 period, which has reduced continuity risks. In terms of technical debt, the risk picture has reduced slightly due to a deployment of a new vital IT-system.

Business risk

The corona pandemic has impacted SBAB's business risk during the first three quarters of 2020. In Sweden, as in other countries, a large number of measures have been taken since the start of the pandemic to control the contagion and to mitigate the effects on the real economy and financial markets. Looking at the state of financial markets, the situation has currently stabilised. To date, the impact of the pandemic on SBAB's financial position has been very moderate. The long-term consequences are however still unknown. The longer the crisis lasts, the larger it is likely to impact the economy. SBAB continues to be well positioned to manage a more prolonged financial crisis, in terms of both capital and liquidity. The overall business risk is therefore considered to be moderate.

No material changes in the competitive landscape were observed during 2020. Moreover, SBAB has not entered, or exited, any new markets or segments.

Concentration risk

In the fourth quarter of 2020, the lending to the ten largest customer groups accounted for 6 percent of total lending volume, a slightly larger share compared to 31 December 2019. For more information on the geographical distribution of the lending portfolio, please refer to page 12 and 13. SBAB also continuously evaluates the capital requirement for concentration risk and quantifies the risk with economic capital for credit risk exposures, refer to [Note 12](#).

Note 3 Net result of financial transactions

SEK million	GROUP				
	2020	2020	2019	2020	2019
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Gains/losses on interest-bearing financial instruments					
- Interest-bearing securities	-11	-4	-34	-27	-49
- Change in value of hedged items in hedge accounting	231	58	1,178	-429	-590
- Realised gain/loss from financial liabilities	-36	-11	-36	-113	-132
- Derivatives in hedge accounting	-228	-69	-1,181	427	615
- Other derivatives	42	-3	60	45	111
- Loan receivables	12	19	8	57	70
Currency translation effects	1	-1	-1	2	1
Total	11	-11	-6	-38	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	2020	2019	2020	2019
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Lending to the public					
Confirmed credit losses	-2	-1	-2	-9	-14
Recoveries of previously confirmed credit losses	1	2	0	4	3
Change in provision for the period – credit stage 1	7	-6	2	-16	-3
Change in provision for the period – credit stage 2	0	6	-4	1	-1
Change in provision for the period – credit stage 3	-3	-3	1	-4	3
Guarantees ¹⁾	-1	-2	-7	-1	-8
Net credit losses for the period – lending to the public	2	-4	-10	-25	-20
Loan commitments²⁾					
Change in provision for the period – credit stage 1	1	4	0	-5	3
Change in provision for the period – credit stage 2	-1	4	0	-2	-9
Change in provision for the period – credit stage 3	0	0	0	0	0
Net credit losses for the period – loan commitments^a	0	8	0	-7	-6
Total	2	4	-10	-32	-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

Note 4 Net credit losses, Cont.

Sensitivity analysis of forward-looking information

Factors	Scenario 1 (45%)			Scenario 2 (25%)			Scenario 3 (15%)			Scenario 4 (15%)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
GDP ¹⁾	-4.8%	+2.9%	+2.7%	-8.0%	-3.9%	+4.9%	-5.7%	-6%	+5.6%	-5.3%	-2.3%	-0.8%
Repo rate	0.1%	0.2%	0.2%	0.6%	0.6%	0.6%	0.4%	0.5%	0.5%	0.2%	1.2%	1.1%
Unemployment	8.6%	9.3%	8.7%	9.8%	13.0%	11.4%	8.8%	12.2%	11.5%	8.6%	10.1%	10.9%
House prices, Δ	+2.5%	+1.7%	-3.1%	-5.8%	-4.6%	-1.4%	-5.0%	-13.5%	-5.3%	-8.1%	-17.0%	-16.6%
Prices of tenant-owners' rights, Δ	-1.6%	+0.6%	-4.2%	-10.2%	-6.2%	-2.5%	-6.5%	-15.4%	-8.7%	-11.3%	-27.2%	-20.7%
Property prices, Δ	+2.4%	+0.5%	-0.4%	+1.2%	-11.8%	-0.6%	-9.8%	-13.3%	-5.8%	-15.0%	-26.5%	-10.7%
ECL	SEK 83 million			SEK 154 million			SEK 181 million			SEK 453 million		
Weighted ECL²⁾	SEK 171 million											

1) Not included in the ECL calculation

2) Of which, SEK 151 million was attributable to lending to the public and SEK 20 million to off-balance-sheet items linked to loan commitments and building credits.

Impairment model and credit loss allowances

On three occasions in 2020, once during the first quarter, once during the second quarter and once during the third quarter, SBAB has revised the forward-looking information applied in the impairment model used to calculate credit loss allowances due to the prevailing coronavirus pandemic. Moreover, at the start of the year, prior to the outbreak of the coronavirus pandemic, SBAB revised the forward-looking information given the more negative outlook for the housing market and the economy in Sweden. The revisions gave rise to increased credit loss allowances totalling SEK 44 million, of which SEK 26 million in the first quarter, SEK 12 million in the second quarter and SEK 6 million in the third quarter. During the fourth quarter no additional changes in the forward-looking information has been deemed necessary since SBAB regards the scenarios revised in the third quarter to still be applicable.

The above table shows the forward-looking information comprised of a weighting of four scenarios with projections of the relevant macroeconomic factors. During the year, SBAB has closely followed the credit risk exposure in the portfolio due to development of the macroeconomic environment. The underlying credit risk models in the impairment model are largely based on customers' payment behaviour and market values of collateral and, as yet, show no increase in realised credit risk. During the fourth quarter the credit risk in the portfolio decreased due to improved repayment abilities for customers and increased market value of collaterals which resolved 5 mnkr in credit loss allowances. Since considerable uncertainty exists regarding the duration of the coronavirus pandemic, its effects on the economy, impact on customers' ability to pay and, by extension, housing prices, SBAB has chosen to act based on the information available in the form of the deterioration in the market outlook for the economy. Accordingly, the increase in credit loss allowances in 2020 was mainly driven by changed macroeconomic projections (i.e. forward-looking information in the impairment model). At 31 December 2020, SBAB is comfortable with the scope of the credit loss allowances, totalling SEK 171 million.

Overall credit quality

Despite the prevailing coronavirus pandemic, 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 58% (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 68% (71) and the debt-to-income

ratio was 3.8 (3.7). The credit quality of SBAB's lending to property companies, property developers and tenant-owners' associations is also assessed as good. The average LTV for property companies and tenant-owners' associations at the end of the fourth quarter of 2020 were 64% (64) and 38% (38), respectively. In this business area, the granting of credit is based on an assessment customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the pandemic, the bank is working proactively to identify customers who are, or who could become, particularly financially exposed. Since customers' underlying cash flows primarily derive from housing units, they are expected to be less affected or affected at a later stage if the pandemic persists. As yet no impact has been noted. Therefore, SBAB's assessment is that risks may be higher for construction and project development companies, and property companies that are more dependent on capital markets with refinancing needed in the near future. The same applies for tenant-owners' associations with significant revenue from rental premises. No individual loan loss provision or further manual adjustment of counterparty risk classes in the business area has proved necessary during 2020.

Temporary amortisation exemptions

SBAB is offering its residential mortgage customers a temporary pause in mortgage amortisation in accordance with the guidelines of the Swedish FSA (FI Ref. 20-8061). According to the guidelines, SBAB's customers can apply for amortisation exemption until 2021-08-31. At 31 December 2020, around 19,200 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 43 billion. At the same date 46 consumer loan customers, and seven tenant-owners' association customers had been granted amortisation exemption, corresponding to a volume of about SEK 6 million and SEK 300 million, respectively. No corporate clients with amortisation exemption was present in SBAB's portfolio at the end of 2020.

SBAB's assessment is that the amortisation exemptions granted to date will not affect credit risk in the near future and, in consequence not affect the need for additional loan loss provisions, but will instead mitigate the increased liquidity risk that has temporarily arisen for the customers. Customers who declared that the application for amortisation exemption was a result of loss of income due to the coronavirus pandemic, are managed by SBAB's insolvency team to further assess if the amortisation exemptions are to be classified as forbearance measures in accordance with the current accounting standard and capital requirements regulations. All customers granted amortisation exemptions in accordance with the Swedish FSA's guidelines were deemed creditworthy. However, amortisation exemptions on consumer loans are regarded as an indication of increased credit risk, in accordance with the accounting standard.

Note 4 Net credit losses, Cont.

Definition of default

In May 2020, SBAB started to apply a new definition for default due to the new European regulatory requirements with the purpose to harmonising banks' own-funds calculations for credit risk. The definition of default entails that default has occurred when a borrower has payments that are more than 90 consecutive days past due in the event of breaching the materiality thresholds or if there are indications of unlikelihood to pay. The materiality thresholds, which are decided by the Swedish FSA, comprise an absolute and a relative component as follows: (1) the sum of late payments amount to SEK 1,000 for retail exposures and SEK 5,000 for corporate exposures, and (2) the outstanding payments amount to 1% of the total debt. The previous definition of default applied 60 days past due and a materiality threshold that comprised an absolute component of SEK 1,000. Since the internal definition is used to allocate loans to credit stage 3, regardless of the materiality thresholds, the transition to a new definition led to a reduction in the share of exposures in

credit stage 3. Due to the new definition of default the allocation of loans to credit stage 3 is now more aligned with the accounting standard. The effect on the credit loss allowances were limited with a reduction of slightly more than SEK 1 million, which was compensated for with the motivation that the bank's expected credit losses remain unchanged.

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 Dec 2020	31 Dec 2019
Opening balance	383,807	364,215
New lending for the year	95,138	75,514
Amortisation, repayments	-56,082	-55,907
Confirmed credit losses	-9	-14
Change in provision for expected credit losses ¹⁾	-19	-1
Closing balance	422,835	383,807

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

Distribution of lending, including provisions

SEK million	GROUP	
	31 Dec 2020	31 Dec 2019
Lending, Residential mortgages	310,816	291,622
Lending, Corporate Clients & Tenant-Owners' Associations	109,547	89,898
Lending, Consumer loans	2,472	2,287
Total	422,835	383,807

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	GROUP	
	31 Dec 2020	31 Dec 2019
Credit stage 1		
Gross lending	403,531	362,317
Provision	-45	-29
Total	403,486	362,288
Credit stage 2		
Gross lending	19,214	21,341
Provision	-73	-74
Total	19,141	21,267
Credit stage 3		
Gross lending	241	281
Provision	-33	-29
Total	208	251
Total gross lending	422,986	383,939
Total provisions	-151	-132
Total	422,835	383,807

Note 6 Derivatives

SEK million	GROUP					
	31 Dec 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	7,198	1,569	442,941	5,790	1,155	413,808
Currency-related	3,692	1,555	101,119	7,297	233	110,104
Total	10,890	3,124	544,060	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-Dec 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	2,921	826	3,747	-	-	3,747
Commission income	48	45	93	-	-	93
Commission expense	-94	-23	-117	-	-	-117
Net result of financial transactions	-43	5	-38	-	-	-38
Other operating income	43	0	43	-	-	43
Total operating income	2,875	853	3,728	-	-	3,728
Salaries and remuneration	-354	-80	-434	-	-	-434
Other personnel costs	-216	-54	-270	17	-	-253
Other expenses	-424	-80	-504	-17	31	-490
Depreciation, amortisation and impairment of PPE and intangible assets	-106	-21	-127	-	-31	-158
Net credit losses	-27	-5	-32	-	-	-32
Impairment of financial assets, net	0	0	0	-	-	0
Operating profit	1,748	613	2,361	0	0	2,361
Tax	-387	-135	-522	-	-	-522
Profit after standardised tax	1,361	478	1,839	0	0	1,839
Return on equity, %	10.9	10.6	10.8	-	-	10.8

Note 7 Operating segments, Cont.

SEK million	GROUP						
	Jan-Dec 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	2,677	796	-	3,473	-	-	3,473
Commission income	56	28	-	84	-	-	84
Commission expense	-78	-20	-	-98	-	-	-98
Net result of financial transactions	0	23	3	26	-	-	26
Other operating income	36	0	-	36	-	-	36
Total operating income	2,691	827	3	3,521	-	-	3,521
Salaries and remuneration	-308	-74	-	-382	-	-	-382
Other personnel costs	-213	-56	-	-269	21	-	-248
Other expenses	-403	-88	-1	-492	-21	27	-485
Depreciation, amortisation and impairment of PPE and intangible assets	-33	-6	-5	-44	-	-27	-71
Net credit losses	-16	-10	-	-26	-	-	-26
Impairment of financial assets, net	0	0	-	0	-	-	0
Operating profit	1,718	593	-3	2,308	0	0	2,308
Tax	-388	-133	1	-520	-	-	-520
Profit after standardised tax	1,330	460	-2	1,788	0	0	1,788
Return on equity, %	11.8	11.6	-	11.7	-	-	11.7

From Q1 2020, the segment "Other" has been removed as expenses and revenues are now fully allocated to the segments Retail and Corporate Clients & Tenant-Owners' Associations. In relation to the statutory income statement, an expense of SEK 17 million (21) 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 G1 in SBAB's 2019 Annual Report.

Note 8 Classification of financial instruments

Financial assets

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

Financial liabilities

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

Note 8 Classification of financial instruments, Cont.

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		Held for trading	Financial liabilities measured at amortised cost	Total
Derivatives in hedge accounting					
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 G 1 (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 Dec 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.	4,258	-	-	4,258	3,672	-	-	3,672
Bonds and other interest-bearing securities	32,352	-	-	32,352	36,166	-	-	36,166
Derivatives	-	10,890	-	10,890	-	13,087	-	13,087
Prepaid expenses and accrued income	166	-	-	166	267	-	-	267
Total	36,776	10,890	-	47,666	40,105	13,087	-	53,192
Liabilities								
Derivatives	-	3,124	-	3,124	-	1,388	-	1,388
Total	-	3,124	-	3,124	-	1,388	-	1,388

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 2019 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 2019 or 2020.

Quoted market prices (Level 1)

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

Measurement based on observable market data (Level 2)

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

Measurement based in part on unobservable data (Level 3)

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

Note 10 Liquidity reserve and liquidity risk

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

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 266 days at 31 December 2020 (263 days at 30 September 2020).

Liquidity coverage ratio

The liquidity coverage ratio¹⁾ (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. At 31 December 2020, the LCR was 170% (237) in all currencies at the consolidated level, and 340% (742) and 1300% (479), respectively, in EUR and USD. Measured in SEK, the LCR was 136% (179). For further information regarding the LCR, please refer to SBAB's report "Disclosure of capital, liquidity and leverage ratio, December 2020".

		CONSOLIDATED SITUATION									
		31 Dec 2020					31 Dec 2019				
		Distribution by currency					Distribution by currency				
SEK billion		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
	Level 1 assets	67,8	47,6	14,7	5,5	-	72,3	55,1	11,4	5,8	-
	Cash and balances with central banks ²⁾	7.7	7.7	-	-	-	7.0	7.0	-	-	-
Level 1	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	13.9	6.6	4.8	2.5	-	19.6	13.0	4.1	2.5	-
	Securities issued by municipalities and PSEs	15.3	6.9	5.5	2.9	-	15.0	7.6	4.2	3.2	-
	Extremely high quality covered bonds	30.9	26.4	4.4	0.1	-	30.7	27.5	3.1	0.1	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Level 2 assets	3,1	2,6	0,5	-	-	3,8	3,3	0,5	-	-
	Level 2A assets	3,1	2,6	0,5	-	-	3,8	3,3	0,5	-	-
	Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	3.1	2.6	0.5	-	-	3.8	3.3	0.5	-	-
Level 2	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 ²⁾	-	-	-	-	-	-	-	-	-	-
	Liquidity reserve	70,9	50,2	15,2	5,5	-	76,1	58,4	11,9	5,8	-

1) LCR for December 31 2019 have been adjusted from 271% to 265% due to an adjustment of the liquidity reserve from 77,6 bnSEK to 76,1 bnSEK. Group Risk deems that the adjustment did not have a significant impact on the liquidity risk.

2) Includes central bank facilities.

Note 11 Capital adequacy, own funds and capital requirements

Amendments to the Banking Package

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

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

Buffer requirements

During the first quarter, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5 percent to 0 percent, due to the current corona pandemic. On 24 November 2020, the Swedish FSA decided to keep the countercyclical capital buffer requirement for banks unchanged at 0 percent.

Restated comparative figures

Figures for 31 December 2019 have been restated in relation to figures presented in the 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 Dec 2020	31 Dec 2019
CET1 capital	17,492	15,830
Tier 1 capital	20,992	20,830
Total capital	22,992	24,282
Risk exposure amount	130,267	120,571
CET1 capital ratio, %	13.4	13.1
Excess ¹⁾ of CET1 capital	11,630	10,404
Tier 1 capital ratio, %	16.1	17.3
Excess ¹⁾ of Tier 1 capital	13,176	13,596
Total capital ratio, %	17.6	20.1
Excess ¹⁾ of total capital	12,571	14,636

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

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

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

Own funds

SEK million	CONSOLIDATED SITUATION	
	31 Dec 2020	31 Dec 2019
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	13,995	12,360
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2,321	1,959
Additional Tier 1 instruments	3,500	3,500
Independently verified year-end profits net of any foreseeable charge or dividend ¹⁾	1,855	1,800
CET1 capital before regulatory adjustments	23,629	21,577
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-51	-55
Intangible assets (net of related tax liability) (negative amount)	-204	-188
Fair value reserves related to gains or losses on cash-flow hedges	-2,307	-1,921
Negative amounts resulting from the calculation of expected loss amounts	-51	-64
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-24	-19
Additional Tier 1 instruments in equity	-3,500	-3,500
Total regulatory adjustments to CET1 capital	6,137	-5,747
CET1 capital	17,492	15,830
Additional Tier 1 capital: Instrument		
Capital instruments and the related share premium accounts	3,500	5,000
– of which, classified as equity under applicable accounting standards	3,500	3,500
– of which, classified as liabilities under applicable accounting standards	–	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–
Additional Tier 1 capital before regulatory adjustments	3,500	5,000
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	–	–
Additional Tier 1 capital	3,500	5,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	20,992	20,830
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	1,995	3,447
Credit risk adjustments	5	5
Tier 2 capital before regulatory adjustments	2,000	3,452
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	–	–
Tier 2 capital	2,000	3,452
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	22,992	24,282
Total risk-weighted assets	130,267	120,571

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

SEK million	CONSOLIDATED SITUATION	
	31 Dec 2020	31 Dec 2019
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	13.4	13.1
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	16.1	17.3
Total capital (as a percentage of total risk-weighted exposure amount), %	17.6	20.1
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1) (a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	7.0	9.5
– of which, CET1 capital, minimum requirement, %	4.5	4.5
– of which, capital conservation buffer requirement, %	2.5	2.5
– of which, countercyclical buffer requirement, %	0.0	2.5
– of which, systemic risk buffer requirement, %	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	8.9	8.6
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

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

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

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

SEK 792 million under Pillar 1, since 31 March 2019. In May 2020, SBAB started to apply a new definition of default according to guidelines submitted by European banking authority (EBA) aimed to harmonize calculations for credit risk between banks. At the transition to the new definition of default in May the share of defaulted exposures was reduced and the impact on REA was very limited which was in line with the bank's expectations.

Risk exposure amounts and capital requirements

SEK million	CONSOLIDATED SITUATION			
	31 Dec 2020		31 Dec 2019	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	16,578	1,326	13,415	1,073
Retail exposures	12,181	975	12,021	962
– of which, exposures to SMEs	913	73	834	67
– of which, retail exposures secured by immovable property	11,268	902	11,187	895
Total exposures recognised with the IRB approach	28,759	2,301	25,436	2,035
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisations	0	0	–	–
Exposures to institutions ¹⁾	4,042	323	4,079	326
– of which, derivatives according to CRR, Appendix 2	4,014	321	4,057	324
– of which, repos	28	2	21	2
– of which, other	0	0	1	0
Retail exposures	2,613	209	2,253	180
Exposures in default	7	1	7	1
Exposures in the form of covered bonds	3,738	299	3,674	294
Exposures to institutions and corporates with a short-term credit rating	10	1	21	2
Equity exposures	1,266	101	1,266	101
Other items	327	26	218	18
Total exposures recognised with standardised approach	12,003	960	11,518	922
Market risk	348	28	462	37
– of which, position risk	–	–	–	–
– of which, currency risk	348	28	462	37
Operational risk	5,212	417	4,854	388
– of which, standardised approach	5,212	417	4,854	388
Credit valuation adjustment risk (CVA risk)	1,504	120	2,396	192
Additional requirements under Article 458 of the CRR	81,649	6,532	75,113	6,009
Additional requirements under Article 3 of the CRR	792	63	792	63
Total risk exposure amount and minimum capital requirements	130,267	10,421	120,571	9,646
Capital requirements for capital conservation buffer		3,257		3,014
Capital requirements for countercyclical buffer		17		3,003
Total capital requirements		13,695		15,663

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,042 million (4,078).

Note 12 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for the Group amounted to SEK 15,515 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 December 2020 amounted to SEK 15,944 million, of which SEK 2,249 million comprised capital requirement in Pillar 2. SBAB quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period. The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

SEK million		CONSOLIDATED SITUATION			
		31 Dec 2020		31 Dec 2019	
		Internally assessed capital requirement		Internally assessed capital requirement	
	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	
Pillar 1	Credit risk & CVA risk	3,381	2.6	3,149	2.6
	Market risk	28	0.0	37	0.0
	Operational risk	417	0.3	388	0.3
	Risk-weight floor ¹⁾	6,532	5.0	6,009	5.0
	Surcharge, corporate exposures ²⁾	63	0.1	63	0.1
	Total Pillar 1	10,421	8.0	9,646	8.0
Pillar 2	Credit risk	-	-	-	-
	Market risk	696	0.5	280	0.2
	Operational risk	-	-	-	-
	Concentration risk	1,046	0.8	951	0.8
	Sovereign risk	78	0.1	65	0.1
	Pension risk	-	-	11	0.0
Total Pillar 2	1,820	1.4	1,307	1.1	
Buffers	Capital conservation buffer	3,257	2.5	3,014	2.5
	Capital planning buffer	-	-	-	-
	Countercyclical buffer	17	0.0	3,003	2.5
	Total Buffers	3,274	2.5	6,017	5.0
Total	15,515	11.9	16,970	14.1	
Total own funds	22,992		24,282³⁾		

1) On 23 August 2018, the Swedish FSA decided to amend the method for applying the risk-weight floor for Swedish mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The change means the capital requirement is set as a requirement in Pillar 1. The amendment entered force from 31 December 2018 and applies for two years. Finansinspektionen has notified the Council, the European Commission and the EBA of its plans to continue to apply the risk weight floor for mortgages for another year, in accordance with Article 458 of the CRR. The European Commission approved FI's proposed measure in November 2020 and FI subsequently decided to extend the application of the floor within Pillar 1 until 30 December 2021.

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

3) 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–December 2020 compared with January–December 2019

Operating profit decreased to SEK 1,262 million (4,056), primarily due to the retroactive dividend of SEK 3 billion from the subsidiary SCBC during the comparative period. Net interest income decreased during the period to SEK 594 million (640), mainly driven by lower interest income from subordinated receivable from SCBC. Net commission income increased to SEK 56 million (53), primarily due to increased commission income from insurance mediation and increased formation expenses linked to corporate lending. The net result of financial transactions amounted to an income of SEK 33 million (11) mainly

due to differences in value changes in hedging instruments and hedged items. Other operating income increased to SEK 1,181 million (1,043), which was mainly driven by comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses grew to SEK 1,310 million (1,216), mainly due to higher personnel costs. Credit losses amounted to SEK 11 million (14). Lending to the public totalled SEK 24.8 billion (24.9). Deposits from the public totalled SEK 135.7 billion (130.5). The CET1 capital ratio amounted to 28.5% (25.4) and the total capital ratio was 42.8% (47.8). The internally assessed capital requirement was SEK 5,553 million (6,286).

Consolidated income statement

SEK million	PARENT COMPANY				
	2020 Q4	2020 Q3	2019 Q4	2020 Jan–Dec	2019 Jan–Dec
Interest income	436	446	519	1,811	1,962
Interest expense	-270	-310	-334	-1,217	-1,322
Net interest income	166	136	185	594	640
Dividends received	719	-	539	719	3,539
Commission income	24	20	25	95	89
Commission expense	-17	-8	-11	-39	-36
Net result of financial transactions	16	-9	3	33	11
Other operating income	358	273	286	1,181	1,043
Total operating income	1,266	412	1,027	2,583	5,286
Personnel costs	-181	-168	-162	-682	-620
Other expenses	-161	-130	-171	-585	-579
Depreciation, amortisation and impairment of PPE and intangible assets	-20	-11	-5	-43	-17
Total expenses before credit losses	-362	-309	-338	-1,310	-1,216
Profit/loss before credit losses	904	103	689	1,273	4,070
Net credit losses	0	9	-3	-11	-14
Impairment of financial assets	-3	-2	-2	-10	-5
Reversals of impairment of financial assets	3	3	2	10	5
Operating profit	904	113	686	1,262	4,056
Tax	-196	-30	-153	-289	-254
Net profit for the period	708	83	533	973	3,802

Consolidated statement of comprehensive income

SEK million	PARENT COMPANY				
	2020	2020	2019	2020	2019
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Net profit/loss for the period	708	83	533	973	3,802
Other comprehensive income					
<i>Components that will be reclassified to profit or loss</i>					
Financial assets measured at FVTOCI	48	37	-14	4	-56
Changes related to cash-flow hedges	-32	-4	-136	-2	75
Tax attributable to components that will be reclassified to profit or loss	-1	-7	32	2	-4
Other comprehensive income/loss, net of tax	15	26	-118	4	15
Total comprehensive income for the period	723	109	415	977	3,817

Consolidated balance sheet

SEK million	PARENT COMPANY	
	31 Dec 2020	31 Dec 2019
ASSETS		
Cash and balances at central banks	6,350	5,750
Chargeable treasury bills, etc.	10,894	15,886
Lending to credit institutions (Note 13)	121,069	102,596
Lending to the public	24,806	24,871
Bonds and other interest-bearing securities	58,180	55,731
Derivatives	12,320	13,354
Shares and participations in Group companies	10,401	10,401
Intangible assets	14	24
Property, plant and equipment	34	39
Other assets	746	556
Prepaid expenses and accrued income	391	627
TOTAL ASSETS	245,385	229,835
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	20,184	10,527
Deposits from the public	135,658	130,542
Issued debt securities, etc.	59,841	56,823
Derivatives	12,153	12,320
Other liabilities	512	432
Accrued expenses and deferred income	309	347
Deferred tax liabilities	58	62
Provisions	20	13
Subordinated debt	1,995	4,948
Total liabilities	230,730	216,014
Equity		
Restricted equity		
Share capital	1,958	1,958
Statutory reserve	392	392
Total restricted equity	2,350	2,350
Unrestricted equity		
Fair value reserve	241	237
Additional Tier 1 instruments	3,500	3,500
Retained earnings	7,591	3,932
Net profit for the period	973	3,802
Total unrestricted equity	12,305	11,471
Total equity	14,655	13,821
TOTAL LIABILITIES AND EQUITY	245,385	229,835

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 31 December 2020, SEK 109,515 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda 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 (6,000) comprises an internal Group debt instrument (senior non-preferred notes), issued by the subsidiary SCBC for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office.

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

Amendments to the Banking Package

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

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

Buffer requirements

During the first quarter, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5 percent to 0 percent, due to the current corona pandemic. On 24 November 2020, the Swedish FSA decided to keep the countercyclical capital buffer requirement for banks unchanged at 0 percent.

Restated comparative figures

Figures for 31 December 2019 have been restated in relation to figures presented in the 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 Dec 2020	31 Dec 2019
CET1 capital	10,917	9,530
Tier 1 capital	14,417	14,530
Total capital	16,412	17,977
Risk exposure amount	38,322	37,573
CET1 capital ratio, %	28.5	25.4
Excess ¹⁾ of CET1 capital	9,192	7,839
Tier 1 capital ratio, %	37.6	38.7
Excess ¹⁾ of Tier 1 capital	12,117	12,276
Total capital ratio, %	42.8	47.8
Excess ¹⁾ of total capital	13,346	14,971

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

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

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

Own funds

SEK million	PARENT COMPANY	
	31 Dec 2020	31 Dec 2019
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	7,983	4,324
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	241	237
Additional Tier 1 instruments	3,500	3,500
Independently verified year-end profits net of any foreseeable charge or dividend ¹⁾	973	3,263
CET1 capital before regulatory adjustments	14,655	13,282
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-71	-76
Intangible assets (net of related tax liability) (negative amount)	-14	-24
Fair value reserves related to gains or losses on cash-flow hedges	-89	-91
Negative amounts resulting from the calculation of expected loss amounts	-39	-42
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-25	-19
Additional Tier 1 instruments in equity	-3,500	-3,500
Total regulatory adjustments to CET1 capital	-3,738	-3,752
CET1 capital	10,917	9,530
Additional Tier 1 capital: Instrument		
Capital instruments and the related share premium accounts	3,500	5,000
– of which, classified as equity under applicable accounting standards	3,500	3,500
– of which, classified as liabilities under applicable accounting standards	-	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-
Additional Tier 1 capital before regulatory adjustments	3,500	5,000
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	3,500	5,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	14,417	14,530
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	1,995	3,447
Credit risk adjustments	-	-
Tier 2 capital before regulatory adjustments	1,995	3,447
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	1,995	3,447
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	16,412	17,977
Total risk-weighted assets	38,322	37,573

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

SEK million	PARENT COMPANY	
	31 Dec 2020	31 Dec 2019
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	28.5	25.4
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	37.6	38.7
Total capital (as a percentage of total risk-weighted exposure amount), %	42.8	47.8
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1) (a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	7.0	9.5
– of which, CET1 capital, minimum requirement, %	4.5	4.5
– of which, capital conservation buffer requirement, %	2.5	2.5
– of which, countercyclical buffer requirement, %	0.0	2.5
– of which, systemic risk buffer requirement, %	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	24.0	20.9
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

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

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

Risk exposure amounts and capital requirements

SEK million	PARENT COMPANY			
	31 Dec 2020		31 Dec 2019	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	7,740	619	7,475	598
Retail exposures	941	75	747	60
– of which, exposures to SMEs	58	5	70	6
– of which, retail exposures secured by immovable property	883	70	677	54
Total exposures recognised with the IRB approach	8,681	694	8,222	658
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisations	0	0	–	–
Exposures to institutions ¹⁾	3,934	315	4,034	323
– of which, derivatives according to CRR, Appendix 2	3,899	312	3,993	319
– of which, repos	19	2	–	–
– of which, other	16	1	41	3
Retail exposures	2,613	209	2,253	180
Exposures in default	7	1	6	0
Exposures in the form of covered bonds	3,738	299	3,674	294
Exposures to institutions and corporates with a short-term credit rating	11	1	21	2
Equity exposures	11,566	925	11,566	925
Other items	96	7	107	9
Total exposures recognised with standardised approach	21,965	1,757	21,661	1,733
Market risk	74	6	94	8
– of which, position risk	–	–	–	–
– of which, currency risk	74	6	94	8
Operational risk	2,148	172	1,813	145
– of which, standardised approach	2,148	172	1,813	145
Credit valuation adjustment risk (CVA risk)	1,286	103	2,230	178
Additional requirements under Article 458 of the CRR	3,992	320	3,377	270
Additional requirements under Article 3 of the CRR	176	14	176	14
Total risk exposure amount and minimum capital requirements	38,322	3,066	37,573	3,006
Capital requirements for capital conservation buffer		958		939
Capital requirements for countercyclical buffer		7		935
Total capital requirements		4,031		4,880

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,918 million (3,993).

Alternative performance measures

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

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

Deposits/lending

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

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

SEK million	GROUP	
	31 Dec 2020	31 Dec 2019
Deposits from the public	135,658	130,542
Lending to the public	422,835	383,807
Deposits/lending, %	32.1	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
	Jan-Dec	Jan-Dec
Expenses	-1,335	-1,187
Operating income	3,728	3,521
C/I ratio, %	35.8	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
	Jan-Dec	Jan-Dec
Expenses	-1,335	-1,187
- Expenses (annualised)	-1,335	-1,187
Aver. lending to the public	403,321	374,011
C/L ratio, %	0.33	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
	Jan-Dec	Jan-Dec
Operating profit after tax	1,839	1,788
- Op. profit after tax (annualised)	1,839	1,788
Average equity	16,965	15,280 ¹⁾
Return on equity, %	10.8	11.7

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

Net interest margin

Definition: Net interest income for the period (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
	Jan-Dec	Jan-Dec
Net interest income	3,747	3,473
– Net interest inc. (annualised)	3,747	3,473
Average balance sheet total	493,446	461,944
Net interest margin, %	0.76	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
	Jan-Dec	Jan-Dec
Credit losses	–32	–27
– Credit losses (annualised)	–32	–27
Lending to the public	422,835	383,807
Credit loss ratio, %	–0.01	–0.01

Share of Stage 3 loans, gross, %

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

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

SEK million	KONCERNEN	
	31 Dec 2020	31 Dec 2019
Gross lending credit stage 3	241	281
Lending to the public	422,835	383,807
Share of Stage 3 loans, %	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 indicators

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

Auditors' review report

Introduction

We have reviewed the year-end report for SBAB Bank AB (publ) for the period 1 January – 31 December 2020. The Board of Directors and the CEO are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this year-end report based on our review.

Scope of review

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

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

Conclusion

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

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

Stockholm 10 February, 2021

Deloitte AB

Signature on Swedish original

Patrick Honeth
Authorised Public Accountant

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, 10 February 2021

Klas Danielsson
CEO

Financial calendar

Annual Report 2020	26 March 2021
Interim Report Jan–Mar 2021	28 April 2021
Interim Report Jan–Jun 2021	16 July 2021
Interim Report Jan–Sep 2021	26 October 2021
Year-end Report 2021	3 February 2022

The Annual General Meeting will be held 28 April 2021 in Solna.

Credit ratings

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



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