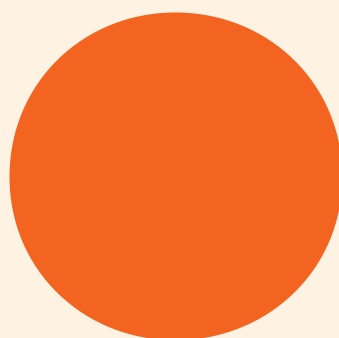


# Interim Report

January–June 2020



# The quarter in brief



“When we compare this year’s second quarter housing market data from Booli with the equivalent 2018 and 2019 data for houses and tenant-owner apartments, overall we see no material differences.”

Klas Danielsson, CEO of SBAB

## Q2 2020

(Q1 2020)

- Continued uncertainty regarding socio-economic development in the wake of the coronavirus pandemic. However, the housing market is exhibiting resilience with a stable price trend and turnover. [Read more on page 6](#)
- Strong growth in total lending, which increased 3.1% to SEK 401.5 billion (389.3). Total deposits increased 2.1% to SEK 131.3 billion (128.7). [Read more on page 10](#)
- Record highs set for operating profit and net interest income. Operating profit grew 28.0% to SEK 621 million (485). Net interest income increased 2.5% to SEK 907 million (885). Credit losses totalled SEK 11 million (loss: 27) and mainly pertained to provisions for possible credit losses linked to the effects of the coronavirus pandemic. [Read more on page 14](#)
- On 10 June, SBAB signed the UN Principles for Responsible Banking. [Read more on page 19](#)
- Issue of another green bond, SBAB’s first denominated in EUR. At the end of the quarter, the volume of green bonds outstanding amounted to SEK 18 billion. [Read more on page 17](#)

Total lending, SEK bn

402

Total deposits, SEK bn

131

11.6%

Return on equity

12.7%

CET1 capital ratio

0.32%

C/L ratio

-0.01%

Credit loss ratio

### Selected key metrics

	GROUP					
	2020	2020	Change	2020	2019	Change
	Q2	Q1		Jan-Jun	Jan-Jun	
Total lending, SEK bn	401.5	389.3	+3.1%	401.5	372.3	+7.9%
Total deposits, SEK bn	131.3	128.7	+2.1%	131.3	127.3	+3.2%
Net interest income, SEK million	907	885	+2.5%	1,792	1,735	+3.3%
Expenses, SEK million	-312	-311	+0.3%	-623	-580	+7.4%
Net result of financial transactions, SEK million	17	-55	+72 mn	-38	28	-66 mn
Credit losses, SEK million	-11	-27	-16 mn	-38	-16	+22 mn
Operating profit, SEK million	621	485	+28.0%	1,106	1,167	-5.2%
Return on equity, %	11.6	9.2	+2.4 pp	10.4	12.2	-1.8 pp
C/L ratio, %	0.32	0.32	0 pp	0.32	0.32	0 pp
C/I ratio, %	33.1	37.7	-4.6 pp	35.3	32.9	+2.4 pp
CET1 capital ratio, %	12.7	12.7	0 pp	12.7	12.2	+0.5 pp

# This is SBAB

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



**Vision**  
To offer the best residential mortgages in Sweden



**Mission**  
To contribute to better housing and household finances



## Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search engine and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. We meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.49% at 31 May 2020, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se is Sweden's second-largest search engine for housing.

[Read more on page 12](#)



## Corp. & ToA business area

The Corporate Clients & Tenant-Owners' Associations business area offers property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to corporates and organisations. We finance multi-family dwellings, existing as well as new construction. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to corporates was 11.80% at 31 May 2020. At the same time, the market share for lending to tenant-owners' associations was 9.65%.

[Read more on page 13](#)



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



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

# Statement from the CEO

**The coronavirus pandemic has caused great human suffering all around the world. Measures to reduce its spread, in the form of shutting down societal functions, has led to increased unemployment in many countries and created major disruptions to the economy. The Swedish strategy of limited shut-downs has helped mitigate economic disruption compared with many other countries.**

Different business sectors are affected differently by the coronavirus pandemic. The Swedish strategy of limited shut-downs of societal functions, together with the fiscal, monetary and regulatory

measures taken by the government and authorities to support the economy, means that the housing market in Sweden has been able to function more or less as usual.

When we compare this year's second quarter housing market data from Booli with the equivalent 2018 and 2019 data for houses and tenant-owner apartments, overall we see no material differences. Data on availability, bidding, advertising period and turnover were similar across the years in the market for existing housing stock. For new production there were some differences, such as lower availability last year. The largest difference that can be noted between the years is in actual selling prices, where the price per square metre in June 2020 is significantly higher than in 2019 and 2018. In the rental housing market, we noted stable levels for investment yields and considerable interest from existing and new customers in financing from SBAB for acquisitions or refinancing.

SBAB, as a key financier of housing, has a major societal responsibility to contribute to a functioning housing market, especially now during the ongoing coronavirus crisis. Many households are

feeling uncertain about their household finances in these difficult times. During the quarter, we've had a very strong focus on supporting and helping our residential mortgage-, corporate- and tenant-owners' association customers. This includes increased accessibility, amortisation exemption ([Read more on page 6](#)), lowering the stressed interest rate used in the housing cost calculation for residential mortgages to 6.0% ([Read more on page 7](#)) and increased disclosure of preventative information. It is very pleasing to note that this resulted in the second quarter of 2020 being a record quarter for SBAB, with total new lending of approximately SEK 26 billion. We also noted record high levels of customer satisfaction among our residential mortgage customers in our daily CSI (customer satisfaction index) measurements.

During the quarter, we signed the UN Principles for Responsible Banking. This means that we have clarified our intent, in partnership with other banks, to meet the global sustainability challenges and to work together toward the goals set in the Paris Agreement and the UN Sustainable Development Goals (SDGs). It is an important step in clarifying our efforts and our reporting on progress within sustainability. SBAB prioritises four of the SDGs – Goals 8, 11, 12 and 13 – that we believe have a clear connection to our operations and which are thus the SDGs to which we can contribute the most.



## The helicopter and the lighthouse

The helicopter and the lighthouse are two of our symbols that help us to live by our values in daily operations. The helicopter helps us to see the bigger picture which is important in order to be able to prioritise and take the right decisions in different parts of operations. In a values-driven business, such as SBAB, everyone is a leader and leads by setting a good example. As lighthouses, we guide each other towards our vision.

During the quarter we issued another green bond (our first in EUR), whose funds are intended to be used exclusively to finance residential properties that meet a number of energy-efficiency criteria or hold certain environmental certification. It is encouraging that investor demand for green bonds is growing. The volume of green bonds outstanding for SBAB at the end of the quarter amounted to nearly SEK 18 billion, and the volume of green financing of residential properties outstanding in the form of green residential mortgages and green loans amounted to approximately SEK 25 billion.

Sustainability is fully integrated into operations and our operations are driven toward three sustainability target areas: Responsibility and transparency, Attractive workplace and Sound finances. It is very pleasing to note that the second quarter was another strong quarter overall for target attainment. Examples of this include our high ranking in Kantar Sifo's Reputation Index, that SBAB is Sweden's fourth best workplace according to Great Place to Work and our record high operating profit of SEK 621 million.

#### Focus as a strength

SBAB's focus on housing and household finances is a strength, not least in times of crisis when the financial market is under stress. Housing is important for us which is why we prioritise paying our housing expenses in the form of interest, amortisation and rent. Our business – housing financing – is therefore associated with lower risk than other lending segments. The credit quality of our lending is healthy. SBAB has no credit exposure to business sectors that are particularly vulnerable during the coronavirus crisis, and very limited credit exposure to commercial properties (offices, warehouses, etc.) or unsecured lending.

In the wake of the coronavirus pandemic during the second quarter, we revised the forward-looking information applied in the impairment model, resulting in an effect of SEK 9 million in increased provisions for future expected credit losses. Confirmed credit losses remained low and totalled SEK 4 million. There is still a great deal of uncertainty around the future and we have probably not yet seen the true extent of what the consequences of the coronavirus pan-

demical will be for society and the economy.

#### Inclusion, respect and equality

The second quarter was also characterised by the efforts of the American human rights movement "Black Lives Matter" for global support against racism, after the suspected serious police abuses, which led to demonstrations around the world. This was the basis for launching the campaign "Stop Hate For Profit" by six American civil rights organisations on 17 June. The objective is to encourage companies to stand up to racism, polarisation and exclusion – and to stand for freedom, democracy, justice and equality – through an advertising boycott where they temporarily suspend their advertising campaigns on Facebook, in order to encourage Facebook to take measures on its platforms.

Over 300 American companies are participating in the Facebook advertising boycott. A smaller number of Swedish companies have also joined. We follow developments closely and evaluate the situation. During the first half of the year, SBAB's social media marketing costs amounted to SEK 180,000 per month, the majority of which was on Facebook. SBAB is a values-driven company. Inclusion, respect and equality are at the heart of our values. We help make a difference and create change through our tool for more inclusive workplaces, Respekttrappan.se. Respekttrappan.se is free of cost and free to use for all companies and organisations.

#### A strong position

SBAB is still doing well, thanks to a well-functioning housing market, our focus and commitment. We are growing, capturing market shares and have just presented our highest net interest income and operating profit ever. We are continuing to invest in our operations to strengthen our long-term competitiveness. Our balance sheet is strong and our liquidity and capital buffers are robust. From our perspective, functionality in the financial markets gradually improved during the second quarter and is now good. During the quarter, our funding

costs returned to close to what their levels were at the beginning of the year. It is also encouraging that deposits once again grew during the second quarter, after decreasing somewhat during the previous quarter. Overall, SBAB stands on a firm foundation to support and assist our customers with responsible credit granting in a worrying time that will continue to be characterised by the coronavirus pandemic.

#### We succeed together

I would like to take this opportunity to acknowledge my fantastic colleagues. Each day, I am impressed by the initiative, responsibility and thoughtfulness shown by everyone at SBAB. Together, we make a difference for our customers and make SBAB one of Sweden's best workplaces.

I would also like to wish you, the reader, a lovely summer and "staycation." Look after each other.

Best regards,



**Klas Danielsson**  
CEO OF SBAB

# Information due to the coronavirus



**The spread of the coronavirus (Covid-19) is creating great human suffering all around the world and its progression has substantially disrupted the economy. In parallel, many households are concerned about their household finances.**

The long-term economic consequences depend on the duration of the crisis. Unlike previous viruses, such as MERS and SARS, the coronavirus 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 to date below.

## Measures by government agencies

### Government measures

Many governments have allocated substantial resources to health care, but have also taken steps to reduce the risk of companies entering into bankruptcy as a result of the coronavirus. In addition to more health care resources, the government in Sweden has taken steps, including dropping the no-benefit day in case of illness and assuming employers' expenses for employees' sick pay during the first two weeks of illness, which also applies for SBAB. The government has also allowed companies with temporary declines in sales revenue to defer certain tax and social security contribution payments. SBAB has not utilised this measure. Moreover, the government has introduced support, known as the short-time work-allowance, whereby the employees of companies whose operations are severely affected by the crisis can reduce work hours but still retain most of their salary through the state compensating a large part of the company's expenses for personnel that reduce their working hours.

SBAB continues to grow and to recruit, and has therefore not been affected by this measure. More information about measures taken by the government are available on its [website](#).

### Measures from the Riksbank

The Riksbank, the ECB and central banks around the world have announced support measures to maintain the functionality of the markets and to mitigate the economic effects of the coronavirus pandemic. In Sweden, the Riksbank has taken separate measures to ensure banks can lend to companies suffering from temporary large declines in revenue, when demand for companies' products or services falls as a result of the coronavirus. These include a decision by the Riksbank to lend, through a credit facility, up to SEK 500 billion to companies via the banks with the aim of ensuring a functioning supply of credit. SBAB has participated in this credit facility with SEK 10 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 500 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 are 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 are having major consequences for the global economy, and therefore also Sweden's. The coronavirus pandemic is expected to heavily impact Sweden's economy and GDP growth. Unemployment is also expected to increase sharply. [Read more on page 8](#)

## Effects on the housing market

All in all, SBAB estimates that housing prices will remain almost unchanged for the full-year 2020. An acceleration in the spread of infection and rapidly rising unemployment could, however, lead to a fall in housing prices. [Read more on page 8](#)

## Initiatives to help SBAB's customers

As a bank and service supplier within housing and household finances, SBAB has an important role in the national economy. Even if the government, the Riksbank and other agencies implement major counteractions, unemployment and sick leave are likely to increase substantially in Sweden – at least for a period. And even if Sweden, unlike many other countries, has well-functioning welfare systems, people who fall ill or lose their employment will suffer personal financial harm.

In the second quarter, SBAB increased its focus on supporting, through responsible credit granting, all customer categories with credits, both

mortgages and housing financing, with the aim of contributing to a functioning housing market during the coronavirus pandemic. This has resulted in new lending in the second quarter totalling SEK 26.2 billion, which is the highest in SBAB's history.

SBAB is offering its residential mortgage customers a temporary pause in mortgage amortisation in accordance with the guidelines of the Swedish FSA. At 30 June 2020, around 17,700 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 38 billion. At the same date and as a result of the coronavirus pandemic, 27 consumer loan customers, and six corporate client and tenant-owners' association customers had been granted amortisation exemption, corresponding to a volume of about SEK 4 million and SEK 430 million, respectively. More information about amortisation relief is available on SBAB's [website](#).

In June, SBAB lowered the stressed 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 situation. Interest rates are assessed as having established at a lower long-term level, which allow the stressed interest rate to be lowered without materially affecting customers' buffers and resilience to future rate increases. The decrease is expected to add around 5-8% additional scope for lending depending on amortisation requirement. The measure is expected to improve the function of the housing market during a crisis and, moreover, to create increased possibilities for younger borrowers to enter the housing market.

### SBAB's financial position

SBAB's earnings trend and lending growth remained healthy in the second 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 3.1% during the quarter to a total of SEK 401.5 billion, of which SEK 300.1 billion comprised residential mortgages, SEK 2.4 billion consumer loans, SEK

45.3 billion lending to property companies and SEK 53.8 billion lending to tenant-owners' associations. SBAB has no exposure to particularly vulnerable sectors and has extremely limited exposure to unsecured corporate lending and lending to commercial premises, such as offices and warehouses. 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 existing the accounting standard (IFRS 9), SBAB has revised the forward-looking information applied in the impairment model, resulting in an effect of SEK 9 million in increased credit loss allowances for the second quarter of 2020. [Read more on pages 15 & 27-29](#)

#### Lending growth

As a significant credit provider, it is important in the current circumstances that SBAB acts to facilitate and maintain the provision of credit in the market. For the above reasons, SBAB has decided to focus on growth in credit granting. 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 remains relatively healthy (5.4% in May 2020). However, growth is expected to slow somewhat, but to remain above 4% per year. Extremely high demand was noted during the quarter for corporate loans. [Read more on page 10](#)

#### Funding (funding & deposits)

Conditions gradually improved in the financial markets during the second quarter. The stock markets recovered much of their losses in February and March, credit spreads fell back and interest rates demonstrated greater stability. SBAB maintained a relatively high degree of funding activity. In total, debt securities were issued corresponding

to a total volume of around SEK 25.5 billion. In the second quarter, wholesale funding took place at levels generally lower than those prevailing at the end of the first quarter. [Read more on page 17](#)

SBAB has participated with SEK 10 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 2.1% in the quarter to a total of SEK 131.3 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 88.8 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 276 days at 30 June 2020. At the same date, the LCR and NSFR amounted to 329% and 132%, respectively. [Read more on page 18](#)

#### Capitalisation

SBAB is well capitalised and thus has healthy prerequisites to grow lending. The Annual General Meeting's decision not to distribute a dividend for the 2019 financial year has further strengthened SBAB's capitalisation. The margins to the Swedish FSA's capital requirements increased as a result of the Swedish FSA's decision to reduce the counter-cyclical capital buffer requirement. At the end of the second quarter of 2020, SBAB's CET1 capital ratio amounted to 12.7% and the total capital ratio was 19.0%. This can be compared with the Swedish FSA's capital requirements as per 30 June 2020, which were assessed as corresponding to a CET1 capital ratio of 8.2% and a total capital ratio of 12.3%. [Read more on page 18](#)

# Market overview

## Swedish economy

Six months after the outbreak of the coronavirus, the available statistics indicate a sharp economic contraction both globally and in Sweden. At the start of the crisis, Sweden's economy was already slowing and this quickly progressed into deep recession. Unlike many other countries, Sweden has imposed relatively mild restrictions on society. However, GDP is still expected to shrink by almost 6% in 2020 compared with 2019. Unemployment is expected to rise to over 9% this year. The economic downturn is primarily due to falling investments in business, lower net exports, more savings-oriented households and lower consumption. The projections contain considerable uncertainty. There is a risk of an even weaker development in the event of widespread contagion in countries that have thus far managed to resist, or if the development of a vaccine drags on.

The Swedish government and its agencies, together with the Riksbank, have taken a great many steps to support the economy. These steps are expected to have some impact in keeping the number of businesses entering bankruptcy down and in maintaining household demand. The steps are not expected to prevent a substantial decline in GDP. This is

because Sweden's economy is closely interwoven with those of the countries we trade with, since imports and exports correspond to around half of Sweden's GDP. The coronavirus pandemic and the recession are expected to lead to changed consumption patterns and structural changes, which will further drive unemployment next year and hold back GDP growth for the next few years.

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

## Fixed-income market

In the wake of the Riksbank's hike in the key interest rate in December 2019, the year opened with slightly higher interest rates compared with earlier periods. The escalating coronavirus pandemic made many central banks lower their key interest rates, which depressed Swedish market interest rates. In March, rates started to fluctuate wildly due to uncertainty and rising risk premiums. Thereafter, several steps were taken to stabilise the financial markets and, in pace with the coronavirus pandemic running its course, interest rates have stayed at the same levels as during the start of the year. We expect interbank rates, and rates on government

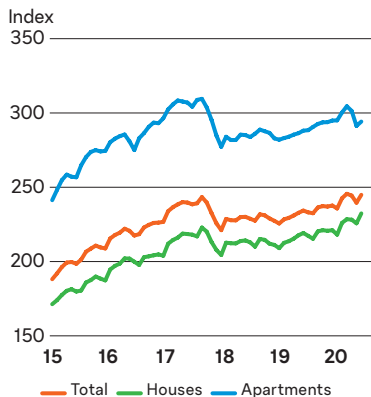
bonds and mortgage bonds to remain low, albeit more volatile than usual for the remainder of the year.

At present, projections regarding the development of mortgage rates are subject to greater uncertainty than usual. Normally in a recession, mortgage rates are low, which helps counter the fall in housing prices as a result of rising unemployment. If risk premiums were to rise in the financial markets, mortgage rates could increase quickly. A situation where mortgage rates and unemployment are concurrently rising could lead to considerable problems. In SBAB's most recent forecast, mortgage rates were expected to remain low for the extended future, even given a degree of financial turbulence. However, rising credit losses and cautious investors could lead to rising risk premiums and mortgage rates, despite possible support measures from the Riksbank. In the long term, mortgage rates could also rise as a result of increasing inflation in the wake of expansionary fiscal policies. On the reverse, a lowering of the repo rate in the future could lead to slightly lower mortgage rates.

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

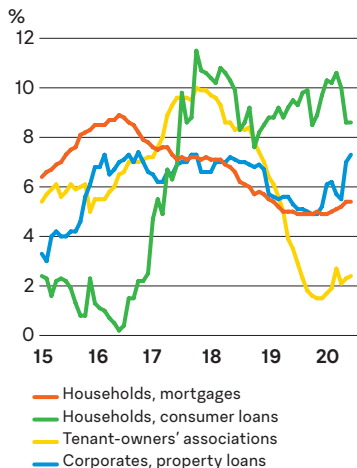
## Housing price trend

(HOX index 2005=100)



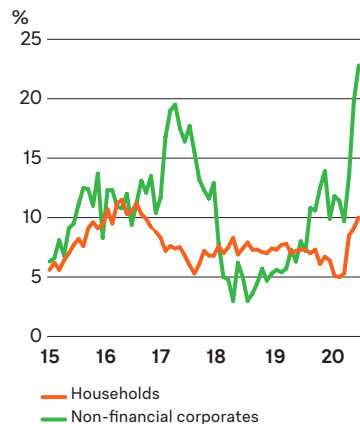
## Lending growth

(Percentage, 12-month change)



## Deposit growth

(Percentage, 12-month change)



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

### Housing prices

In a couple of months, the coronavirus pandemic erased the housing price gains made during the start of the year. However, since May, prices have stabilised and even increased slightly, particularly for houses. To date this year, house prices have risen 3%. Around the country, apartment prices have also risen in 2020, but remained essentially still in Stockholm and Gothenburg. Temporary relief from loan amortisation requirements, income support measures from the government and expectations of low interest rates in the future suggest reasonably stable housing prices. However, continued economic uncertainty and the risk of rising unemployment suggest the reverse. All in all, SBAB estimates that housing prices will remain almost unchanged for the full-year 2020. An acceleration in the spread of infection and rapidly rising unemployment could, however, lead to a fall in housing prices. In such a scenario, price falls of 10% would not be unlikely.

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

### Housing market

The market for the existing housing stock was strong at the start of the year, with rising turnover, shortening advertising periods and a shrinking supply. The trend reversed in March and April, mainly for tenant-owner apartments in Stockholm. The trend toward fewer sold objects and longer advertising periods was however,

broken for the week that commenced on 20 April. Since then, the market has partially recovered. May and June noted considerable interest in houses and holiday homes, which resulted in a low supply. There also indicators of rising interest for tenant-owner apartments, which normally wanes in June.

For new housing production, in time, the economic downturn is expected to lead to greater difficulty in selling housing and slightly depressed prices, mainly in local housing markets where there is already an oversupply. SBAB Booli Housing Market Index (HMI, available [here](#)) shows the areas assessed as having such an oversupply. The anticipated downturn is not yet possible to confirm with available statistics. The economic downturn is also expected to lead to a decrease in housing construction to less than 40,000 housing units per year in 2020 and the next few years. This corresponds to a decrease of 40% compared with the strong new build figures for 2017.

### Market for deposits and lending

Annualised lending growth to households (mortgage loans) was 5.0% at the start of 2020. This has since increased and was at 5.4% in May. However, growth is expected to fall back slightly in the current year as a result of, inter alia, weak income growth and is expected to reach 5.1% for the full year. Based on historic experience, the housing credit trend is therefore not expected to follow the GDP trend, for example. However, growth is expected to slow, but to remain above 4% per year.

The sharp economic downturn resulted in a rapid rise in deposits. Growth in deposits is expected to remain high during the year despite the low interest conditions, and for the full-year 2020, to amount to 7% for households and 10% for non-financial corporates. The increased need for liquid buffers and deteriorated conditions for investments are some of the reasons behind the high level of savings. In pace with conditions for investment improving in 2021, however, growth in deposits from non-financial corporates is expected to decline rapidly.

# Business development



## Volume trends

	GROUP				
	2020 Q2	2020 Q1	2019 Q2	2020 Jan-Jun	2019 Jan-Jun
New lending for the period, SEK bn	26.2	18.5	20.5	44.7	36.7
Net change in lending for the period, SEK bn	12.2	5.5	6.0	17.7	8.1
<b>Total lending, SEK bn</b>	<b>401.5</b>	<b>389.3</b>	<b>372.3</b>	<b>401.5</b>	<b>372.3</b>
No. of deposit accounts, thousand	418	409	391	418	391
Net change in deposits, SEK bn	2.6	-1.8	1.2	0.8	2.4
<b>Total deposits, SEK bn</b>	<b>131.3</b>	<b>128.7</b>	<b>127.3</b>	<b>131.3</b>	<b>127.3</b>
Deposits/lending, %	32.7	33.1	34.2	32.7	34.2
<b>Retail business area</b>					
No. of mortgage customers, thousand	283	281	274	283	274
No. of mortgage objects financed, thousand	181	180	174	181	174
New lending, SEK bn	15.8	14.3	16.1	30.1	28.4
Net change in lending for the period, SEK bn	4.8	3.7	5.6	8.6	6.1
<b>Total lending, Retail, SEK bn</b>	<b>302.5</b>	<b>297.6</b>	<b>285.1</b>	<b>302.5</b>	<b>285.1</b>
Residential mortgages, SEK bn	300.1	295.3	282.8	300.1	282.8
Consumer loans, SEK bn	2.4	2.3	2.3	2.4	2.3
Market share, Residential mortgages, % <sup>1)</sup>	8.49	8.49	8.39	8.49	8.39
Market share, Consumer loans, % <sup>1)</sup>	0.84	0.83	0.86	0.84	0.86
<b>Total deposits, Retail, SEK bn</b>	<b>93.0</b>	<b>90.3</b>	<b>89.1</b>	<b>93.0</b>	<b>89.1</b>
No. of retail customers with savings accounts, thousand	365	358	345	365	345
Market share deposits, Retail, % <sup>1)</sup>	4.41	4.55	4.65	4.41	4.65
<b>Corporate Clients &amp; Tenant-Owners' Associations business area</b>					
No. of housing financing customers	2,267	2,162	2,126	2,267	2,126
New lending, SEK bn	10.3	4.3	4.4	14.6	8.3
Net change in lending for the period, SEK bn	7.4	1.8	0.5	9.2	1.9
<b>Total lending, Corp. Clients &amp; Tenant-Own. Asso. SEK bn</b>	<b>99.1</b>	<b>91.7</b>	<b>87.2</b>	<b>99.1</b>	<b>87.2</b>
Lending, Corporate clients, SEK bn	45.3	39.5	35.9	45.3	35.9
Lending, Tenant-owners' associations, SEK bn	53.8	52.2	51.3	53.8	51.3
Market Share, Corporate Clients (multi-family dwellings), % <sup>1)</sup>	11.80	11.44	10.90	11.80	10.9
Market share, Tenant-owners' associations, % <sup>1)</sup>	9.65	9.56	9.57	9.65	9.57
<b>Total deposits, Corp. Clients and organisations SEK bn</b>	<b>38.3</b>	<b>38.4</b>	<b>38.3</b>	<b>38.3</b>	<b>38.3</b>
No. of customers with savings accounts, Corporate clients and	12,500	12,400	12,900	12,500	12,900
Market share deposits, Corp. Clients and organisations % <sup>1)</sup>	2.54	3.03	3.12	2.54	3.12

<sup>1)</sup> Source: Statistics Sweden. The figures in the columns for Q2 2020 and Jan-Jun 2020 correspond with the market shares as of 31 May 2020. The figures in the columns for Q1 2020 correspond with the market share as of 29 February 2020. The figures in the columns for Q2 2019 and Jan-Jun 2019 correspond with the market shares as of 31 May 2019.

## An ecosystem of services relating housing and household finances

### New Group profile

For an enhanced customer experience

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

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

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



### Our ecosystem

Services relating to housing and household finances

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





## Sweden's most satisfied residential mortgage customers

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

## Retail business area

### Trend for Q2 2020 compared with Q1 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, activity in the retail segment remained high in the second quarter. A strong housing market contributed to the trend. 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 15.8 billion (14.3).

Customer service receives many calls from worried customers with questions about housing and household finances. The coronavirus pandemic, with its resulting societal restrictions, means many households could find themselves under financial stress. SBAB is offering its residential mortgage customers a temporary pause in mortgage amortisation. At 30 June 2020, around 17,700 households encompassed by the Swedish FSA's amortisation requirement had been granted

amortisation exemption, corresponding to a volume of about SEK 38 billion. At the same date, 27 consumer loan customers had been granted amortisation exemption, corresponding to a volume of about SEK 4 million. During the quarter, SBAB lowered the stressed 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 situation.

Total retail lending increased to SEK 302.5 billion (297.6), of which SEK 300.1 billion (295.3) comprised residential mortgages and SEK 2.4 billion (2.3) consumer loans. The number of residential mortgage customers amounted to 283,000 (281,000) distributed over 181,000 (180,000) mortgage objects. At 31 May 2020, the market share of residential mortgages was 8.49% (8.49% at 29 February 2020). At the same date, the market share for consumer loans was 0.84% (0.83% at 29 February 2020). The majority of SBAB's residential mortgage customers choose shorter maturities. The share of total lending with a 3M fixed-interest period amounted to 74.1% (73.4) at the end of the quarter.

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

### Savings accounts (deposit)

SBAB's retail savings accounts are characterised by competitive savings rates and simple product terms and conditions. Retail deposits increased during

the quarter and totalled SEK 93.0 billion (90.3) after declining slightly in the previous quarter. At the end of the quarter, approximately 365,000 (358,000) retail customers held savings accounts with SBAB. At 31 May 2020, the market share of retail deposits was 4.41% (4.55% at 29 February 2020).

### User trends

Every month, many 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](http://www.sbab.se) averaged around 504,000 (468,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 103,000 (100,000) 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](http://www.booli.se) averaged around 1,300,000 (1,080,000) during the quarter. Booli's monthly property valuation email had more than 447,000 subscribers at the end of the second 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 88% of the registered real estate agents in Sweden.

# Corp. & Tenant-Own. Assoc. business area

## Trend for Q2 2020 compared with Q1 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 corporate clients 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 remained very high through the second quarter. Limited access to the financial markets in the wake of the coronavirus crisis continues to lead corporate clients to increasingly contact SBAB to refinance or replace capital market financing (commercial paper or bonds) with bank financing. During the crisis, 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. Many customers have also requested a limited increase on low-leveraged assets to strengthen their own liquidity should investment opportunities arise. Otherwise, very little impact from the coronavirus pandemic has been noted with SBAB's customers. SBAB focuses on residential properties and therefore has an very 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. Only one corporate client, with a commitment corresponding to about SEK 160 million, has in conjunction with extending a credit agreement been granted amortisation exemption for the purpose of supporting the company's liquidity under the prevailing circumstances. 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 second quarter. In this segment, the effects of the coronavirus crisis have also been very limited. SBAB has 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, five tenant-owners' associations have utilised this possibility, correspond-

ing to a lending volume of around SEK 270 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 set new records and increased to SEK 10.3 billion (4.3). Total lending increased to SEK 99.1 billion (91.7), of which SEK 45.3 billion (39.5) comprised lending to corporate clients and SEK 53.8 billion (52.2) lending to tenant-owners' associations. The market share of lending to property companies was 11.80% at 31 May 2020 (11.44% at 29 February 2020). At the same date, the market share for lending to tenant-owners' associations was 9.65% (9.56% at 29 February 2020). The number of housing financing customers was 2,267 (2,162) at the end of the quarter.

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

### Savings accounts (deposit)

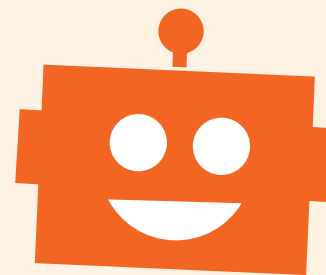
Deposits from corporate clients and organisations decreased marginally during the quarter and totalled SEK 38.3 billion (38.4). At the end of the quarter, approximately 12,500 (12,400) customers held savings accounts with SBAB. At 31 May 2020, the market share of deposits from corporate clients and organisations was 2.54% (3.03% at 29 February 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. SBAB received a customer satisfaction score of 76.3 out of 100 in SKI's survey, in relation to the industry average of 67.8. This means that SBAB, for the second consecutive year, has Sweden's most satisfied customers in terms of property loans to corporates and tenant-owners' associations.

# Financial performance



## Income statement overview

SEK million	GROUP						
	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2020 Jan-Jun	2019 Jan-Jun
Net interest income	907	885	877	861	852	1,792	1,735
Net commission	9	-18	-2	5	-5	-9	-17
Net result of financial transactions (Note 3)	17	-55	-6	4	15	-38	28
Other operating income	10	12	8	11	9	22	17
<b>Total operating income</b>	<b>943</b>	<b>824</b>	<b>877</b>	<b>881</b>	<b>871</b>	<b>1,767</b>	<b>1,763</b>
Expenses	-312	-311	-327	-280	-288	-623	-580
<b>Profit before credit losses and impairments</b>	<b>631</b>	<b>513</b>	<b>550</b>	<b>601</b>	<b>583</b>	<b>1,144</b>	<b>1,184</b>
Net credit losses (Note 4)	-11	-27	-10	0	-7	-38	-16
Impairment of financial assets	-2	-2	-2	-1	-1	-4	-2
Reversals of impairment of financial assets	3	1	2	1	2	4	2
<b>Operating profit</b>	<b>621</b>	<b>485</b>	<b>540</b>	<b>601</b>	<b>577</b>	<b>1,106</b>	<b>1,167</b>
Tax	-137	-110	-122	-136	-130	-247	-262
<b>Net profit for the period</b>	<b>484</b>	<b>375</b>	<b>418</b>	<b>465</b>	<b>447</b>	<b>859</b>	<b>905</b>
Return on equity, % <sup>1)</sup>	11.6	9.2	10.5	12.0	11.9	10.4	12.2
C/L ratio, %	0.32	0.32	0.34	0.30	0.31	0.32	0.32
C/l ratio, %	33.1	37.7	37.2	31.8	33.0	35.3	32.9
Credit loss ratio, %	-0.01	-0.03	-0.01	0.00	-0.01	-0.02	-0.01
Share of Stage loans 3, gross, %	0.05	0.08	0.07	0.08	0.08	0.05	0.08
Net interest margin, %	0.69	0.71	0.73	0.71	0.71	0.71	0.74
Number of employees (FTEs)	743	707	695	679	653	743	653

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

### Trend for Q2 2020 compared with Q1 2020

Operating profit grew to a record SEK 621 million (485) in the quarter. The return on equity was 11.6% (9.2). The C/I ratio amounted to 33.1% (37.7) and the C/L ratio was 0.32% (0.32).

#### Net interest income

Net interest income grew to a record SEK 907 million (885), mainly due to higher lending volumes and higher customer interest rates. Rising market interest rates and therefore higher interest expense for wholesale funding negatively affected net interest income. Total guarantee fees for the quarter amounted to SEK 49 million (51), of which SEK 37 million (40) comprised the resolution fee and SEK 12 million (11) pertained to the national deposit guarantee fee.

#### Net commission

Net commission income rose over the quarter to SEK 9 million (expense: 18), primarily due to increased commission income from insurance mediation and an increase in arrangement fees linked to corporate lending. Moreover, commission expenses related to funding operations were higher in the comparative period.

#### Net result of financial transactions

The net income from financial transactions was SEK 17 million (expense: 55). The increase was primarily due to the re-

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

#### Expenses

Expenses were essentially unchanged and amounted to SEK 312 million (311) for the quarter. The marginal change was primarily attributable to increased personnel and development costs (IT), which were partly offset by decreases in marketing costs and other administration expenses. During the quarter, the number of FTEs increased to 743 (707), primarily in Customer Service and Tech.

#### Credit quality and credit losses

Net credit losses in the second quarter totalled SEK 11 million (27), mainly driven by credit loss allowances in conjunction with revising the forward-looking information (deteriorated macroeconomic projections due to the coronavirus pandemic) applied in the impairment model. Confirmed credit losses totalled SEK 4 million (2). Provisions for credit stage 1 and 2 loans increased SEK 5 million (12) and SEK 2 million (3), respectively. Provisions for credit stage 3 loans decreased SEK 3 million (increase: SEK 1 million) as a result of write-offs. Provisions for loan commitments and building credits increased SEK 5 million (10). Guarantees that could be utilised increased SEK 1 million (1) over the period as a result of 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. The Swedish FSA's annual mortgage market survey, with data from 2019, found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages even in a worse economic climate.

At the end of the quarter, the average LTV ratio in SBAB's mortgage portfolio was 60% (61). 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 71% (69) and the debt-to-income ratio was 3.7 (3.6). The average LTVs for property companies and tenant-owners' associations were 63% (63) and 38% (39), respectively.

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

#### Other comprehensive income

In the second quarter, other comprehensive income for the period decreased to SEK 24 million (630), mainly due to the negative impact on the item of a lower downturn in long EUR interest rates compared with the first quarter. For more information, please refer to page 22.

### Trend for January–June 2020 compared with January–June 2019

Operating profit decreased to SEK 1,106 million (1,167). The return on equity amounted to 10.4% (12.2) and the C/I ratio was 35.3% (32.9).

Net interest income grew to SEK 1,792 million (1,735), mainly due to higher lending volumes and lower guarantee fees. Guarantee fees amounted to SEK 100 million (155) for the period, of which SEK 77 million (122) comprised the resolution fee and SEK 23 million (33) the fee payable to the national deposit guarantee. Rising market interest rates and therefore higher interest expense for wholesale funding negatively affected net interest income.

Net commission expense improved to SEK 9 million (expense: 17), primarily due to increased arrangement fees linked to corporate lending. Increased commission expenses linked to funding

operations negatively impacted the item.

The net result of financial transactions decreased to an expense of SEK 38 million (expense: 28), mainly due to higher interest compensation from customers in the comparative period. For more information, please refer to [Note 3](#).

Other comprehensive income for the period decreased to SEK 654 million (1,841), mainly due to the negative impact on the item of a longer downturn in long EUR interest rates compared with the corresponding period last year. For more information, please refer to page 22.

Expenses grew to SEK 623 million (580), mainly driven by increased investments in terms of the number of employees in areas including customer experience and customer service, digitalisation and IT systems. The replacement of SBAB's core bank platform is

ongoing and is expected to be ready in the first half of 2021. Modern, flexible system support comprises a key component for strengthening SBAB's future competitiveness, and its ability to develop digital services and enhance the digital customer interface. The number of FTEs increased to 743 (653) during the period, primarily in Customer Service and Tech.

Net credit losses totalled SEK 38 million (loss: 16). The change between the periods was mainly attributable to the increase in credit loss allowance 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 6 million (6) for the period. For more information on credit losses and credit quality, please refer to [Note 4](#) and [Note 5](#).

## Balance sheet overview

SEK million	GROUP			
	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Jun 2019
<b>ASSETS</b>				
Cash and balances at central banks	5,950	4,050	5,750	0
Chargeable treasury bills, etc.	43,212	29,698	15,886	37,590
Lending to credit institutions	716	13,054	417	2,618
Lending to the public (Note 5)	401,514	389,319	383,807	372,281
Bonds and other interest-bearing securities	60,218	61,234	55,731	55,712
Total other assets in the balance sheet	16,921	22,637	13,941	17,146
<b>TOTAL ASSETS</b>	<b>528,531</b>	<b>519,992</b>	<b>475,532</b>	<b>485,347</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Liabilities to credit institutions	21,694	22,658	10,528	12,258
Deposits from the public	131,333	128,688	130,542	127,319
Debt securities issued, etc. (funding)	326,571	328,934	303,597	317,017
Subordinated debt	4,445	3,449	4,948	4,948
Total other liabilities in the balance sheet	21,489	13,708	4,336	4,570
<b>Total liabilities</b>	<b>505,532</b>	<b>497,437</b>	<b>453,951</b>	<b>466,112</b>
<b>Total equity</b>	<b>22,999</b>	<b>22,555</b>	<b>21,581</b>	<b>19,235</b>
– of which reserves/fair value reserve	2,613	2,589	1,959	2,450
– of which, Tier 1 capital instruments	3,500	3,500	3,500	1,500
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>528,531</b>	<b>519,992</b>	<b>475,532</b>	<b>485,347</b>
CET1 capital ratio, %	12.7	12.7	13.1 <sup>4)</sup>	12.2
Tier 1 capital ratio, %	15.5	15.5	17.3 <sup>4)</sup>	14.8
Total capital ratio, %	19.0	17.5	20.1 <sup>4)</sup>	17.6
Leverage ratio, % <sup>1)</sup>	3.63	3.69	4.30 <sup>4)</sup>	3.55
Liquidity coverage ratio (LCR), % <sup>2)</sup>	329	300	271	274
Net Stable Funding Ratio (NSFR), % <sup>3)</sup>	132	130	134	123

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

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

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

4) Figures restated in relation to 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 Q2 2020 compared with Q1 2020

### Balance sheet comments

Chargeable treasury bills increased during the quarter to SEK 43.2 billion (29.7), primarily due to continued high cash liquidity (as a result of the high issuing rate at the start of 2020) deposited with the Riksbank in the form of Riksbank certificates. Cash and balances at central banks increased to SEK 6.0 billion (4.1), also attributable to surplus liquidity deposited with the Riksbank. Lending to credit institutions decreased to SEK 0.7 billion (13.1), attributable to lower repo volumes. The above changes were within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities declined to SEK 60.2 billion (61.2). This change was within the scope of the normal management of the liquidity reserve. Lending to the public amounted to SEK 401.5 billion (389.3), of which SEK 300.1 billion comprised residential mortgages, SEK 2.4 billion consumer loans, SEK 45.3 billion lending property companies and SEK 53.8 billion lending to tenant-owners' associations. For more information on Lending to the public, please refer to pages 10-13 and [Note 5](#).

Liabilities to credit institutions decreased to SEK 21.7 billion (22.7) during the quarter, mainly driven by lower volumes for collateral (CSAs) received within the scope of the normal short-term liquidity management. SEK 10 billion was attributable to SBAB's participation in the Riksbank's programme for onward lending to companies via the banks. Deposits from the public increased to SEK 131.3 billion (128.7), of which 82% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulations. For more information on deposits from the public, please refer to pages 10-13. For information about issued debt securities, please refer to the "Funding" section. Subordinated debt totalled SEK 4.4 bil-

lion (3.4). The change was attributable to issues conducted of SEK 2.0 billion and the buy-back of Tier 2 capital (T2) of SEK 1.0 billion during the quarter. Equity increased to SEK 23.0 billion (22.6). During the quarter, the item was mainly affected by changes in net profit for the period.

### Funding

The second quarter of the year posted a strong recovery following the severe turbulence through much of the first quarter due to the coronavirus pandemic. The robust liquidity and real economy support measures introduced by central banks and governments have had an impact, and have led to significant risk sentiment improvement in financial markets. The stock markets have clawed back much of their previous falls and credit spreads have fallen back significantly. From a historical perspective, interest rates have remained at very low levels as uncertainty about the long-term economic effects of the coronavirus continue to be difficult to project.

Through their programmes for quantitative easing and bond purchases, central banks have materially supported capital markets, which has led to high activity and the issuance of substantial bond volumes both domestically and internationally. For covered funding, the funding cost in the Swedish market has generally been more favourable compared with the European market, whereas conditions have been more similar for unsecured funding. When viewed from a longer term perspective, borrowing costs for covered and unsecured funding at the end of the quarter were at relatively low levels despite the macroeconomic situation.

Activity in the capital markets was generally high during the quarter and substantial volumes have been issued both domestically and internationally. SBAB has continued to maintain healthy activity in borrowing. During the second quarter, an EUR 500 million green unsecured bond was issued in the European market (in May) and a SEK 2 billion issue

of Tier 2 capital (T2) was completed (in June). Demand from investors was very healthy and both transactions were well-received in the market.

During the quarter as a whole, securities were issued for a total of SEK 25.5 billion (27.3). In parallel, securities were repurchased for SEK 6.6 billion (4.1) and securities amounting to SEK 15.5 billion (5.4) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities outstanding of SEK 2.4 billion to a total of SEK 326.6 billion (328.9). In total, the SBAB Group has issued bonds corresponding to SEK 52.8 billion in the first six months of 2020 (of SEK 38.9 billion comprised covered funding and SEK 13.9 billion unsecured funding), which can be compared with the total bonds maturing in 2020 of about SEK 20.9 billion.

At the end of the quarter, unsecured funding amounted to SEK 62.8 billion (60.3), of which SEK 6.0 billion (6.1) comprised senior non-preferred bonds, SEK 54.6 billion (50.0) other senior unsecured bonds and SEK 2.1 billion (4.1) commercial paper.

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Total secured debt outstanding totalled SEK 263.8 billion (268.7) at the end of the quarter, of which SEK 172.1 billion was in SEK and SEK 91.7 billion was in foreign currencies.





## Liquidity

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings. At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 88.8 billion<sup>1)</sup> (94.4). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 85.2 billion (89.9).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 276 days (350), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, at 30 June 2020, the LCR was 329% (300) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 207% (216). The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 132% (130) according to SBAB's interpretation of Regulation (EU) 2019/876 of the European Parliament and the Council.

For more information on SBAB's liquidity, please refer to [Note 9](#).

## Capital position

At the end of the quarter, SBAB's CET1 capital amounted to SEK 16.1 billion (15.9). The increase was mainly attributable to earnings for the interim period. Total capital increased to SEK 24.1 billion (21.9), attributable to the issue of Tier 2 capital instruments (T2) of SEK 2.0 billion. The risk exposure amount (REA) increased during the first quarter to SEK 127.1 billion (125.1). This was mainly driven

by higher lending volumes (EAD) corresponding to SEK 1.8 billion, of which SEK 1.6 billion was attributable to the effect from the risk-weight floor.

At 30 June 2020, SBAB's CET1 capital ratio amounted to 12.7% (12.7) and the total capital ratio was 19.0% (17.5). This provides a comfortable margin to both internal targets and external regulatory requirements.

According to internal estimates by SBAB as per 30 June 2020, the Swedish FSA's capital requirements are expected to correspond to a CET1 capital ratio of 8.2% and a total capital ratio of 12.3%. At the same date, SBAB's capital targets<sup>2)</sup> are therefore expected to correspond to a CET1 capital ratio of not less than 8.8% and a total capital ratio of not less than 12.9%.

The margins to the Swedish FSA's capital requirements have 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%. Net profit for the period was included in own funds, while the expected dividend has reduced own funds.

The leverage ratio declined and amounted to SEK 3.63% (3.69) at 30 June 2020, primarily due to the increase in total assets.

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](#).

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

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

## Components of the capital target

SEK million	GROUP			
	30 Jun 2020			
	Total capital	%	CET1 capital	%
<b>Internally assessed capital requirement from the Swedish FSA</b>	<b>15,604</b>	<b>12.3</b>	<b>10,407</b>	<b>8.2</b>
– Of which, Pillar 1 minimum requirement	3,902	3.1	2,195	1.7
– Of which, Pillar 1 risk-weight floor, Swedish mortgages	6,264	4.9	3,524	2.8
– Of which, Pillar 2 core requirement	2,249	1.8	1,499	1.2
– Of which, Capital conservation buffer	3,177	2.5	3,177	2.5
– Of which, Countercyclical buffer	12	0.0	12	0.0
<b>SBAB's capital target</b>	<b>16,367</b>	<b>12.9</b>	<b>11,169</b>	<b>8.8</b>
<b>SBAB's actual capital</b>	<b>24,086</b>	<b>19.0</b>	<b>16,138</b>	<b>12.7</b>

# 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 9.7 billion at 30 June 2020). According to the amended agreement, Sparbanken Syd is entitled to mediate new mortgages on behalf of SBAB until 30 November 2020 at the latest and to acquire the entire loan portfolio mediated by Sparbanken Syd, or parts thereof, during the period from 1 July 2020 until 31 December 2023. Further information will be submitted in the case of any acquisition by Sparbanken Syd.

## SBAB signs the UN Principles for Responsible Banking

SBAB has signed the UN Principles for Responsible Banking. This means that SBAB has clarified its intent, in partnership with other banks, to meet the global sustainability challenges and to work together toward the goals set in the Paris Agreement and the UN Sustainable Development Goals.

The UN Principles for Responsible Banking aim to provide a framework for a sustainable banking system that drives the global economy in a sustainable direction. Through signing the principles,

SBAB undertakes to report its negative and positive impact in material sustainability areas and to clearly state which science-based sustainability goals SBAB is working to achieve. Moreover, SBAB undertakes, in partnership with other banks, to promote shared sustainability goals whereby work approaches are synchronised and become comparable.

## Risks and uncertainties

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

The extensive regulatory changes in the residential mortgage market comprise a further uncertainty factor. Moreover, political decisions, for example changed tax rules, could have major consequences on households' solvency and property values. 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.

## 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.

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# Condensed income statement

SEK million	GROUP					
	2020 Q2	2020 Q1	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Interest income	1,648	1,546	1,480	3,194	2,884	5,868
Interest expense	-741	-661	-628	-1,402	-1,149	-2,395
<b>Net interest income</b>	<b>907</b>	<b>885</b>	<b>852</b>	<b>1,792</b>	<b>1,735</b>	<b>3,473</b>
Commission income	35	16	22	51	37	84
Commission expense	-26	-34	-27	-60	-54	-98
Net result of financial transactions (Note 3)	17	-55	15	-38	28	26
Other operating income	10	12	9	22	17	36
<b>Total operating income</b>	<b>943</b>	<b>824</b>	<b>871</b>	<b>1,767</b>	<b>1,763</b>	<b>3,521</b>
Personnel costs	-170	-170	-156	-340	-308	-630
Other expenses	-120	-122	-116	-242	-239	-486
Depreciation, amortisation and impairment of PPE and intangible assets	-22	-19	-16	-41	-33	-71
<b>Total expenses before credit losses</b>	<b>-312</b>	<b>-311</b>	<b>-288</b>	<b>-623</b>	<b>-580</b>	<b>-1,187</b>
<b>Profit before credit losses</b>	<b>631</b>	<b>513</b>	<b>583</b>	<b>1,144</b>	<b>1,184</b>	<b>2,334</b>
Net credit losses (Note 4)	-11	-27	-7	-38	-16	-26
Impairment of financial assets	-2	-2	-1	-4	-2	-5
Reversals of impairment of financial assets	3	1	2	4	2	5
<b>Operating profit</b>	<b>621</b>	<b>485</b>	<b>577</b>	<b>1,106</b>	<b>1,167</b>	<b>2,308</b>
Tax	-137	-110	-130	-247	-262	-520
<b>Net profit for the period</b>	<b>484</b>	<b>375</b>	<b>447</b>	<b>859</b>	<b>905</b>	<b>1,788</b>

In Q2 2020, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 1,609 million (1,541) for the Group.

# Condensed statement of comprehensive income

SEK million	GROUP					
	2020 Q2	2020 Q1	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
<b>Net profit for the period</b>	<b>484</b>	<b>375</b>	<b>447</b>	<b>859</b>	<b>905</b>	<b>1,788</b>
<b>Other comprehensive income</b>						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	11	-92	-12	-81	24	-56
Changes related to cash-flow hedges, before tax	46	914	1,353	960	2,430	1,823
Tax attributable to components that will be reclassified to profit or loss	-12	-176	-287	-188	-525	-378
<i>Components that will not be reclassified to profit or loss</i>						
Revaluation effects of defined-benefit pension plans, before tax	-27	-20	-52	-47	-112	-50
Tax attributable to components that will not be reclassified to profit or loss	6	4	11	10	24	11
<b>Other comprehensive income/loss, net of tax</b>	<b>24</b>	<b>630</b>	<b>1,013</b>	<b>654</b>	<b>1,841</b>	<b>1,350</b>
<b>Total comprehensive income/loss for the period</b>	<b>508</b>	<b>1,005</b>	<b>1,460</b>	<b>1,513</b>	<b>2,746</b>	<b>3,138</b>

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

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

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

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

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

# Condensed balance sheet

SEK million	GROUP		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>ASSETS</b>			
Cash and balances at central banks	5,950	5,750	0
Chargeable treasury bills, etc.	43,212	15,886	37,590
Lending to credit institutions	716	417	2,618
Lending to the public (Note 5)	401,514	383,807	372,281
Value changes of interest-rate-risk hedged items in macro hedges	242	-181	245
Bonds and other interest-bearing securities	60,218	55,731	55,712
Derivatives (Note 6)	15,062	13,087	15,373
Intangible assets	353	311	268
Property, plant and equipment	135	139	132
Other assets	465	56	394
Prepaid expenses and accrued income	664	529	734
<b>TOTAL ASSETS</b>	<b>528,531</b>	<b>475,532</b>	<b>485,347</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	21,694	10,528	12,258
Deposits from the public	131,333	130,542	127,319
Issued debt securities, etc.	326,571	303,597	317,017
Derivatives (Note 6)	2,025	1,388	1,668
Other liabilities <sup>1)</sup>	17,247	376	417
Accrued expenses and deferred income	1,203	1,805	1,526
Deferred tax liabilities	766	579	705
Provisions	248	188	254
Subordinated debt	4,445	4,948	4,948
<b>Total liabilities</b>	<b>505,532</b>	<b>453,951</b>	<b>466,112</b>
<b>Equity</b>			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	2,613	1,959	2,450
Additional Tier 1 instruments	3,500	3,500	1,500
Retained earnings	14,069	12,376	12,422
Net profit for the period	859	1,788	905
<b>Total equity</b>	<b>22,999</b>	<b>21,581</b>	<b>19,235</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>528,531</b>	<b>475,532</b>	<b>485,347</b>

<sup>1)</sup> Increase attributable to open intraday transactions (holdings of Riksbank certificates) over the turn of the quarter.

# Condensed statement of changes in equity

SEK million	GROUP				Total equity
	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year <sup>1)</sup>	
<b>Opening balance, 1 January 2020</b>	<b>1,958</b>	<b>1,959</b>	<b>3,500</b>	<b>14,164</b>	<b>21,581</b>
Additional Tier 1 instruments, dividend	-	-	-	-95	-95
Other comprehensive income, net of tax	-	654	-	-	654
Net profit for the period	-	-	-	859	859
<b>Comprehensive income for the period</b>	<b>-</b>	<b>654</b>	<b>-</b>	<b>859</b>	<b>1,513</b>
<b>Closing balance, 30 June 2020</b>	<b>1,958</b>	<b>2,613</b>	<b>3,500</b>	<b>14,928</b>	<b>22,999</b>
<b>Opening balance, 1 January 2019</b>	<b>1,958</b>	<b>609</b>	<b>1,500</b>	<b>13,169</b>	<b>17,236</b>
Additional Tier 1 instruments, dividend	-	-	-	-57	-57
Dividends paid	-	-	-	-690	-690
Other comprehensive income, net of tax	-	1,841	-	-	1,841
Net profit for the period	-	-	-	905	905
<b>Comprehensive income for the period</b>	<b>-</b>	<b>1,841</b>	<b>-</b>	<b>905</b>	<b>2,746</b>
<b>Closing balance, 30 June 2019</b>	<b>1,958</b>	<b>2,450</b>	<b>1,500</b>	<b>13,327</b>	<b>19,235</b>
<b>Opening balance, 1 January 2019</b>	<b>1,958</b>	<b>609</b>	<b>1,500</b>	<b>13,169</b>	<b>17,236</b>
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
<b>Comprehensive income for the year</b>	<b>-</b>	<b>1,350</b>	<b>-</b>	<b>1,788</b>	<b>3,138</b>
<b>Closing balance, 31 December 2019</b>	<b>1,958</b>	<b>1,959</b>	<b>3,500</b>	<b>14,164</b>	<b>21,581</b>

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



# Condensed cash-flow statement

SEK million	GROUP		
	2020	2019	2019
	Jan-Jun	Jan-Jun	Jan-Dec
Opening cash and cash equivalents	6,167	2,847	2,847
<b>OPERATING ACTIVITIES</b>			
Interest and commissions paid/received	1,104	1,519	3,621
Outflows to suppliers and employees	-582	-547	-1,116
Taxes paid/refunded	-295	-292	-566
Change in assets and liabilities of operating activities	869	-132	228
<b>Cash flow from operating activities</b>	<b>1,096</b>	<b>548</b>	<b>2,167</b>
<b>INVESTING ACTIVITIES</b>			
Change in property, plant and equipment	-20	-23	-36
Change in intangible assets	-58	-51	-109
<b>Cash flow from investing activities</b>	<b>-78</b>	<b>-74</b>	<b>-145</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid	-	-690	-690
Change in Tier 1 capital instrument	-	-	2,000
Change in subordinated loan	-505	-	-
Repayment of lease liabilities	-14	-13	-12
<b>Cash flow from financing activities</b>	<b>-519</b>	<b>-703</b>	<b>1,298</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>499</b>	<b>-229</b>	<b>3,320</b>
<b>Closing cash and cash equivalents</b>	<b>6,666</b>	<b>2,618</b>	<b>6,167</b>

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 30 Jun 2020	Opening balance 1 Jan 2019	Cash flow	Non-cash items			Closing balance 30 Jun 2019
			Fair value	Other					Fair value	Other		
Subordinated debt	4,949	-505	0	1	4,445	4,946	-	-1	3		4,948	
Additional Tier 1 instruments	3,500	-	-	-	3,500	1,500	-	-	-		1,500	
<b>Total</b>	<b>8,449</b>	<b>-505</b>	<b>0</b>	<b>1</b>	<b>7,945</b>	<b>6,446</b>	<b>-</b>	<b>-1</b>	<b>3</b>		<b>6,448</b>	

## Note 1 Accounting policies

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

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

### Introduction of new and changed accounting standards 2020

#### *Amendments in IFRS 9, IAS 39 and IFRS 7*

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

#### *Other*

All other accounting policies and calculation methods are unchanged in comparison with the 2019 Annual Report. These consolidated condensed financial statements have been prepared on a going concern basis. On 16 July 2020, the Board of Directors approved the consolidated condensed financial statements for publication.

## Note 2 Changes in risks

### Credit risk in lending operations

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

### Counterparty credit risk in treasury operations

Counterparty credit risk is more or less unchanged since year end 2019. Limit utilisation for SBAB's derivative counterparties has fallen to SEK 8,870 million at 30 June 2020, compared with SEK 9,025 million at 31 December 2019.

### Liquidity risk

Over the past two quarters, SBAB's liquidity has improved. However the liquidity reserve have decreased with about SEK 9 billion due to covered bonds redemption. At the start of March, a slight decrease in deposits was noted. Over the second quarter volumes have increased again, in total deposits have increased by around SEK 1 billion since the end of last year.

### Market risk

SBAB uses Value at Risk (VaR) to quantify market risk. VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. SBAB's model is a historical model and applies percentiles in historical market data from the past two years. At 30 June 2020, SBAB's VaR amounted to SEK 249 million, compared with 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 half of 2020. In Sweden, as in other countries, a large number of measures have been taken in the past few months 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 the second quarter. Moreover, SBAB has not entered, or exited, any new markets or segments.

### Concentration risk

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

### Note 3 Net result of financial transactions

SEK million	GROUP					
	2020 Q2	2020 Q1	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
<b>Gains/losses on interest-bearing financial instruments</b>						
- Interest-bearing securities	-12	0	-3	-12	-15	-49
- Change in value of hedged items in hedge accounting	-225	-493	-766	-718	-1,283	-590
- Realised gain/loss from financial liabilities	-49	-17	-28	-66	-73	-132
- Derivatives in hedge accounting	222	502	771	724	1,305	615
- Other derivatives	63	-57	3	6	37	111
- Loan receivables	19	7	38	26	56	70
Currency translation effects	-1	3	0	2	1	1
<b>Total</b>	<b>17</b>	<b>-55</b>	<b>15</b>	<b>-38</b>	<b>28</b>	<b>26</b>

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 Q2	2020 Q1	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
<b>Lending to the public</b>						
Confirmed credit losses	-4	-2	-4	-6	-6	-14
Recoveries of previously confirmed credit losses	1	0	0	1	1	3
Change in provision for the period – credit stage 1	-5	-12	0	-17	-5	-3
Change in provision for the period – credit stage 2	-2	-3	6	-5	2	-1
Change in provision for the period – credit stage 3	3	-1	-3	2	-2	3
Guarantees <sup>1)</sup>	1	1	0	2	0	-8
<b>Net credit losses for the period – lending to the public</b>	<b>-6</b>	<b>-17</b>	<b>-1</b>	<b>-23</b>	<b>-10</b>	<b>-20</b>
<b>Loan commitments<sup>2)</sup></b>						
Change in provision for the period – credit stage 1	-3	-7	2	-10	4	3
Change in provision for the period – credit stage 2	-2	-3	-8	-5	-10	-9
Change in provision for the period – credit stage 3	0	0	0	0	0	0
<b>Net credit losses for the period – loan commitments<sup>a</sup></b>	<b>-5</b>	<b>-10</b>	<b>-6</b>	<b>-15</b>	<b>-6</b>	<b>-6</b>
<b>Total</b>	<b>-11</b>	<b>-27</b>	<b>-7</b>	<b>-38</b>	<b>-16</b>	<b>-26</b>

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 <sup>1)</sup>	-5.1%	+3.0%	+1.6%	-8.0%	-3.9%	+4.9%	-3.5%	-2.7%	+0.9%	-4.3%	-6.2%	-1.2%
Repo rate	0.3%	0.3%	0.3%	0.6%	0.6%	0.6%	0.9%	1.0%	0.9%	4.0%	1.6%	1.0%
Unemployment	9.0%	9.8%	8.9%	9.8%	13.0%	11.4%	7.6%	9.1%	9.7%	7.6%	9.2%	10.6%
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%	-9.7%	-13.3%	-5.8%	-15.0%	-26.5%	-10.7%
ECL	SEK 102 million			SEK 168 million			SEK 175 million			SEK 440 million		
<b>Weighted ECL<sup>2)</sup></b>	<b>SEK 180 million</b>											

1) not included in the ECL calculation

2) Of which, SEK 152 million was attributable to lending to the public and SEK 28 million to off-balance-sheet items linked to loan commitments and building credits.

#### Impairment model and credit loss allowances

On two occasions in 2020, in the first and the second quarter respectively, 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 35 million in the first six months of 2020, of which SEK 26 million in the first quarter and SEK 9 million in the second quarter.

Scenarios 1 and 2 were revised in the second quarter. Other scenarios (as well as the weighting between scenarios that applied in the first quarter) remain unchanged. The above table shows the forward-looking information comprised of a weighting of four scenarios with projections of the macroeconomic factors applied in the impairment model.

In the spring, SBAB has closely followed the credit-risk exposure in the portfolio due to macroeconomic developments. The underlying credit risk models in the impairment model are largely based on customers' payment histories and market values of collateral and, as yet, show no increase in credit risk. 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 the first six months of 2020 was driven solely by changed macroeconomic projections (forward-looking information in the impairment model).

At 30 June 2020, SBAB is comfortable with the scope of the loss allowances, totalling SEK 180 million, but would like to reiterate that all macroeconomic assumptions are subject to considerable uncertainty.

#### Overall credit quality

Despite the prevailing conditions, the credit quality of SBAB's lending remains good and the risks entailed in retail lending are low. SBAB's granting of credit to consumers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitment. The Swedish FSA's annual mortgage market survey, with data from 2019, found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages even in a worse economic climate. At the end of the quarter, the average LTV ratio<sup>1)</sup> in SBAB's mortgage portfolio was 60% (61). 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 71% (69) and the debt-to-income ratio was 3.7 (3.6).

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 second quarter of 2020 were 63% (63) and 38% (39), respectively. In this

business area, the granting of credit to consumers is based on an assessment customers' ability to generate stable cash flows over time and on whether adequate collateral can be pledged. Due to the coronavirus 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 coronavirus 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 provision or further manual adjustment of counterparty risk classes in the business area has proved necessary in the first six months of 2020.

#### Temporary amortisation relief

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). At 30 June 2020, around 17,700 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 38 billion. At the same date and as a result of the coronavirus pandemic, 27 consumer loan customers, and six corporate client and tenant-owners' association customers had been granted amortisation exemption, corresponding to a volume of about SEK 4 million and SEK 430 million, respectively. 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 provisions, but will instead mitigate the increased credit risk that has temporarily arisen for the customers.

#### Definition of default

In May 2020, SBAB started to apply a new definition for default due to the new European regulatory requirements aimed at 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 of late payments amount to 1% of the total amount due. The previous definition of default (DoD) applied 60 days and a materiality threshold that comprised an absolute limit of SEK 1,000. Since the internal DoD is used to allocate credits to credit stage 3, the transition to a new and more stringent definition entails a reduction in the share of credit stage 3. However, the effect on the provisions was 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.

## Note 5 Lending to the public

SEK million	GROUP		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>Opening balance</b>	<b>383,807</b>	<b>364,215</b>	<b>364,215</b>
New lending for the year	44,721	75,514	36,744
Amortisation, repayments	-26,988	-55,907	-28,667
Confirmed credit losses	-6	-14	-6
Change in provision for expected credit losses <sup>1)</sup>	-20	-1	-5
<b>Closing balance</b>	<b>401,514</b>	<b>383,807</b>	<b>372,281</b>

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

### Distribution of lending, including provisions

SEK million	GROUP		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
Lending, Residential mortgages	300,100	291,622	282,799
Lending, Corporate Clients & Tenant-Owners' Associations	99,063	89,898	87,224
Lending, Consumer loans	2,351	2,287	2,258
<b>Total</b>	<b>401,514</b>	<b>383,807</b>	<b>372,281</b>

### Lending to the public by credit stage

SEK million	GROUP		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>Credit stage 1</b>			
Gross lending	382,280	362,317	353,399
Provision	-46	-29	-31
<b>Total</b>	<b>382,234</b>	<b>362,288</b>	<b>353,368</b>
<b>Credit stage 2</b>			
Gross lending	19,183	21,341	18,702
Provision	-79	-74	-71
<b>Total</b>	<b>19,104</b>	<b>21,267</b>	<b>18,631</b>
<b>Credit stage 3</b>			
Gross lending	203	281	316
Provision	-27	-29	-34
<b>Total</b>	<b>176</b>	<b>251</b>	<b>282</b>
<b>Total gross lending</b>	<b>401,666</b>	<b>383,939</b>	<b>372,417</b>
<b>Total provisions</b>	<b>-152</b>	<b>-132</b>	<b>-136</b>
<b>Total</b>	<b>401,514</b>	<b>383,807</b>	<b>372,281</b>

## Note 6 Derivatives

SEK million	GROUP					
	30 Jun 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	7,758	1,771	413,576	5,790	1,155	413,808
Currency-related	7,304	254	114,046	7,297	233	110,104
<b>Total</b>	<b>15,062</b>	<b>2,025</b>	<b>527,622</b>	<b>13,087</b>	<b>1,388</b>	<b>523,912</b>

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

## Note 7 Operating segments

SEK million	GROUP					
	Jan–Jun 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	1,383	409	1,792	–	–	1,792
Commission income	28	23	51	–	–	51
Commission expense	–47	–13	–60	–	–	–60
Net result of financial transactions	–40	2	–38	–	–	–38
Other operating income	22	0	22	–	–	22
<b>Total operating income</b>	<b>1,346</b>	<b>421</b>	<b>1,767</b>	<b>–</b>	<b>–</b>	<b>1,767</b>
Salaries and remuneration	–172	–38	–210	–	–	–210
Other personnel costs	–110	–27	–137	7	–	–130
Other expenses	–209	–41	–250	–7	15	–242
Depreciation, amortisation and impairment of PPE and intangible assets	–22	–4	–26	–	–15	–41
Net credit losses	–26	–12	–38	–	–	–38
Impairment of financial assets, net	0	0	0	–	–	0
<b>Operating profit</b>	<b>807</b>	<b>299</b>	<b>1,106</b>	<b>0</b>	<b>0</b>	<b>1,106</b>
Tax	–180	–67	–247	–	–	–247
<b>Profit after standardised tax</b>	<b>627</b>	<b>232</b>	<b>859</b>	<b>0</b>	<b>0</b>	<b>859</b>
Return on equity, %	10.3	10.6	10.4	–	–	10.4

## Note 7 Operating segments, Cont.

SEK million	GROUP						
	Jan–Jun 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	1,336	399	–	1,735	–	–	1,735
Commission income	26	11	–	37	–	–	37
Commission expense	–43	–11	–	–54	–	–	–54
Net result of financial transactions	–	20	8	28	–	–	28
Other operating income	17	–	–	17	–	–	17
<b>Total operating income</b>	<b>1,336</b>	<b>419</b>	<b>8</b>	<b>1,763</b>	<b>–</b>	<b>–</b>	<b>1,763</b>
Salaries and remuneration	–148	–36	–	–184	–	–	–184
Other personnel costs	–106	–28	–	–134	10	–	–124
Other expenses	–199	–42	–1	–242	–10	13	–239
Depreciation, amortisation and impairment of PPE and intangible assets	–17	–3	–	–20	–	–13	–33
Net credit losses	–8	–8	–	–16	–	–	–16
Impairment of financial assets, net	0	–	–	0	–	–	0
<b>Operating profit</b>	<b>858</b>	<b>302</b>	<b>7</b>	<b>1,167</b>	<b>0</b>	<b>0</b>	<b>1,167</b>
Tax	–193	–68	–1	–262	–	–	–262
<b>Profit after standardised tax</b>	<b>665</b>	<b>234</b>	<b>6</b>	<b>905</b>	<b>0</b>	<b>0</b>	<b>905</b>
Return on equity, %	12,2	12,0	–	12,2	–	–	12,2

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 7 million (10) 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 6.1 in SBAB's 2019 Annual Report.

## Note 8 Classification of financial instruments

### Financial assets

GROUP							
30 Jun 2020							
SEK million	Financial assets measured at FVTPL			Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification				
Cash and balances at central banks	-	-	-	-	5,950	5,950	5,950
Chargeable treasury bills, etc.	891	-	-	2,403	39,918	43,212	26,360
Lending to credit institutions	-	-	-	-	716	716	716
Lending to the public	-	-	-	-	401,514	401,514	402,896
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	242	242	-
Bonds and other interest-bearing securities <sup>1</sup>	1,202	-	-	32,992	26,024	60,218	60,226
Derivatives	-	14,568	493	-	-	15,062	15,062
Other assets	-	-	-	-	221	221	221
Prepaid expenses and accrued income	23	-	-	259	253	535	535
<b>Total financial assets</b>	<b>2,116</b>	<b>14,568</b>	<b>493</b>	<b>35,654</b>	<b>474,838</b>	<b>527,670</b>	<b>511,966</b>

### Financial liabilities

GROUP					
30 Jun 2020					
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	-	-	21,694	21,694	21,694
Deposits from the public	-	-	131,333	131,333	131,333
Issued debt securities, etc.	-	-	326,571	326,571	332,060
Derivatives	1,542	482	-	2,025	2,025
Other liabilities	-	-	17,231	17,231	17,231
Accrued expenses and deferred income	-	-	1,173	1,173	1,173
Subordinated debt	-	-	4,445	4,445	4,445
<b>Total financial liabilities</b>	<b>1,542</b>	<b>482</b>	<b>502,447</b>	<b>504,472</b>	<b>509,961</b>



## 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
<b>Total financial assets</b>	<b>2,943</b>	<b>12,715</b>	<b>372</b>	<b>37,163</b>	<b>421,825</b>	<b>475,018</b>	<b>475,833</b>

### Financial liabilities

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

#### Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note 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							
	30 Jun 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
<b>Assets</b>								
Chargeable treasury bills, etc.	3,294	-	-	3,294	3,672	-	-	3,672
Bonds and other interest-bearing securities	34,194	-	-	34,194	36,166	-	-	36,166
Derivatives	-	15,062	-	15,062	-	13,087	-	13,087
Prepaid expenses and accrued income	282	-	-	282	267	-	-	267
<b>Total</b>	<b>37,770</b>	<b>15,062</b>	<b>-</b>	<b>52,832</b>	<b>40,105</b>	<b>13,087</b>	<b>-</b>	<b>53,192</b>
<b>Liabilities</b>								
Derivatives	-	2,025	-	2,025	-	1,388	-	1,388
<b>Total</b>	<b>-</b>	<b>2,025</b>	<b>-</b>	<b>2,025</b>	<b>-</b>	<b>1,388</b>	<b>-</b>	<b>1,388</b>

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

### Quoted market prices (Level 1)

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

### Measurement based on observable market data (Level 2)

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

### Measurement based in part on unobservable data (Level 3)

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

## Note 10 Liquidity reserve and liquidity risk

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

### Calculation of survival horizon

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

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

added through loan redemption, and where no funding is available and deposits decline. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. SBAB's survival horizon amounted to 276 days at 30 June 2020 (350 days at 31 March 2020).

### Liquidity coverage ratio

The liquidity coverage ratio (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. At 30 June 2020, the LCR was 329% (300) in all currencies at the consolidated level, and 116,860% (13,328) and 291% (152), respectively, in EUR and USD. Measured in SEK, the LCR was 207% (216). For further information regarding the LCR, please refer to SBAB's report "Disclosure of capital, liquidity and leverage ratio, June 2020".

SEK billion		CONSOLIDATED SITUATION									
		30 Jun 2020					31 Dec 2019				
		Total	Distribution by currency				Total	Distribution by currency			
SEK	EUR		USD	Other	SEK	EUR		USD	Other		
	<b>Level 1 assets</b>	<b>89.0</b>	<b>68.1</b>	<b>14.6</b>	<b>6.3</b>	<b>-</b>	<b>73.8</b>	<b>56.6</b>	<b>11.4</b>	<b>5.8</b>	<b>-</b>
	Cash and balances with central banks 1)	10.1	10.1	-	-	-	7.0	7.0	-	-	-
<b>Level 1</b>	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	29.6	22.0	4.7	2.9	-	19.6	13.0	4.1	2.5	-
	Securities issued by municipalities and PSEs	16.4	7.4	5.7	3.3	-	15.0	7.6	4.2	3.2	-
	Extremely high quality covered bonds	32.9	28.6	4.2	0.1	-	32.2	29.0	3.1	0.1	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	<b>Level 2 assets</b>	<b>3.8</b>	<b>3.3</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>3.8</b>	<b>3.3</b>	<b>0.5</b>	<b>-</b>	<b>-</b>
	<b>Level 2A assets</b>	<b>3.8</b>	<b>3.3</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>3.8</b>	<b>3.3</b>	<b>0.5</b>	<b>-</b>	<b>-</b>
	Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	3.8	3.3	0.5	-	-	3.8	3.3	0.5	-	-
<b>Level 2</b>	Corporate debt securities (lowest rating AA-)	-	-	-	-	-	-	-	-	-	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	<b>Level 2B assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Asset-backed securities	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	-	-	-	-	-	-	-	-	-	-
	Corporate debt securities (rated A+ to BBB-)	-	-	-	-	-	-	-	-	-	-
	Shares (major stock index)	-	-	-	-	-	-	-	-	-	-
	Other assets <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-
	<b>Liquidity reserve</b>	<b>92.8</b>	<b>71.4</b>	<b>15.1</b>	<b>6.3</b>	<b>-</b>	<b>77.6</b>	<b>59.9</b>	<b>11.9</b>	<b>5.8</b>	<b>-</b>

1) Includes central bank facilities.

## Note 11 Capital adequacy, own funds and capital requirements

### Amendments to the Banking Package

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

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

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

### Buffer requirements

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

### Restated comparative figures

Figures for 31 Dec 2019 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		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
CET1 capital	16,138	15,830	14,661
Tier 1 capital	19,638	20,830	17,661
Total capital	24,086	24,282	21,112
Risk exposure amount	127,074	120,571	119,728
CET1 capital ratio, %	12.7	13.1	12.2
Excess <sup>1)</sup> of CET1 capital	10,420	10,404	9,273
Tier 1 capital ratio, %	15.5	17.3	14.8
Excess <sup>1)</sup> of Tier 1 capital	12,014	13,596	10,477
Total capital ratio, %	19.0	20.1	17.6
Excess <sup>1)</sup> of total capital	13,920	14,636	11,533

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		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>CET1 capital instruments: Instruments and reserves</b>			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	14,066	12,360	12,426
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2,614	1,959	2,450
Additional Tier 1 instruments	3,500	3,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend <sup>1)</sup>	521	1,800	549
<b>CET1 capital before regulatory adjustments</b>	<b>22,659</b>	<b>21,577</b>	<b>18,883</b>
<b>CET1 capital: Regulatory adjustments</b>			
Additional value adjustments (negative amount)	-55	-55	-68
Intangible assets (net of related tax liability) (negative amount)	-221	-188	-153
Fair value reserves related to gains or losses on cash-flow hedges	-2,676	-1,921	-2,398
Negative amounts resulting from the calculation of expected loss amounts	-45	-64	-80
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-24	-19	-23
Additional Tier 1 instruments in equity	-3,500	-3,500	-1,500
<b>Total regulatory adjustments to CET1 capital</b>	<b>-6,521</b>	<b>-5,747</b>	<b>-4,222</b>
<b>CET1 capital</b>	<b>16,138</b>	<b>15,830</b>	<b>14,661</b>
<b>Additional Tier 1 capital: Instrument</b>			
Capital instruments and the related share premium accounts	3,500	5,000	3,000
– of which, classified as equity under applicable accounting standards	3,500	3,500	1,500
– of which, classified as liabilities under applicable accounting standards	–	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–	–
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>3,500</b>	<b>5,000</b>	<b>3,000</b>
<b>Additional Tier 1 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Additional Tier 1 capital</b>	<b>3,500</b>	<b>5,000</b>	<b>3,000</b>
<b>Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)</b>	<b>19,638</b>	<b>20,830</b>	<b>17,661</b>
<b>Tier 2 capital: Instruments and provisions</b>			
Capital instruments and the related share premium accounts	4,442	3,447	3,447
Credit risk adjustments	6	5	4
<b>Tier 2 capital before regulatory adjustments</b>	<b>4,448</b>	<b>3,452</b>	<b>3,451</b>
<b>Tier 2 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Tier 2 capital</b>	<b>4,448</b>	<b>3,452</b>	<b>3,451</b>
<b>Total capital (Total capital=Tier 1 capital + Tier 2 capital)</b>	<b>24,086</b>	<b>24,282</b>	<b>21,112</b>
<b>Total risk-weighted assets</b>	<b>127,074</b>	<b>120,571</b>	<b>119,728</b>

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

SEK million	CONSOLIDATED SITUATION		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	12.7	13.1	12.2
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	15.5	17.3	14.8
Total capital (as a percentage of total risk-weighted exposure amount), %	19.0	20.1	17.6
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	7.0	9.5	9.0
– of which, CET1 capital, minimum requirement, %	4.5	4.5	4.5
– of which, capital conservation buffer requirement, %	2.5	2.5	2.5
– of which, countercyclical buffer requirement, %	0.0	2.5	2.0
– of which, systemic risk buffer requirement, %	–	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	8.2	8.6	7.7
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)</b>			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

1) Net profit for the interim period was reduced by the expected dividend of SEK 344 million based on Q2 2020. 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					
	30 Jun 2020		31 Dec 2019		30 Jun 2019	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	14,793	1,183	13,415	1,073	12,594	1,007
Retail exposures	12,461	997	12,021	962	12,144	972
– of which, exposures to SMEs	895	72	834	67	826	66
– of which, retail exposures secured by immovable property	11,566	925	11,187	895	11,318	906
<b>Total exposures recognised with the IRB approach</b>	<b>27,254</b>	<b>2,180</b>	<b>25,436</b>	<b>2,035</b>	<b>24,738</b>	<b>1,979</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	–	–	–	–
Exposures to institutions <sup>1)</sup>	4,544	364	4,079	326	4,452	356
– of which, derivatives according to CRR, Appendix 2	4,503	361	4,057	324	4,375	350
– of which, repos	40	3	21	2	77	6
– of which, other	1	0	1	0	0	0
Retail exposures	2,454	196	2,253	180	2,322	186
Exposures in default	7	1	7	1	9	1
Exposures in the form of covered bonds	3,822	306	3,674	294	3,823	306
Exposures to institutions and corporates with a short-term credit rating	118	9	21	2	34	3
Equity exposures	1,266	101	1,266	101	1,241	99
Other items	533	43	218	18	586	47
<b>Total exposures recognised with standardised approach</b>	<b>12,744</b>	<b>1,020</b>	<b>11,518</b>	<b>922</b>	<b>12,467</b>	<b>998</b>
<b>Market risk</b>	<b>794</b>	<b>64</b>	<b>462</b>	<b>37</b>	<b>525</b>	<b>42</b>
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	794	64	462	37	525	42
<b>Operational risk</b>	<b>5,212</b>	<b>417</b>	<b>4,854</b>	<b>388</b>	<b>4,854</b>	<b>388</b>
– of which, standardised approach	5,212	417	4,854	388	4,854	388
<b>Credit valuation adjustment risk (CVA risk)</b>	<b>1,976</b>	<b>158</b>	<b>2,396</b>	<b>192</b>	<b>3,039</b>	<b>243</b>
<b>Additional requirements under Article 458 of the CRR</b>	<b>78,302</b>	<b>6,264</b>	<b>75,113</b>	<b>6,009</b>	<b>73,313</b>	<b>5,865</b>
<b>Additional requirements under Article 3 of the CRR</b>	<b>792</b>	<b>63</b>	<b>792</b>	<b>63</b>	<b>792</b>	<b>63</b>
<b>Total risk exposure amount and minimum capital requirements</b>	<b>127,074</b>	<b>10,166</b>	<b>120,571</b>	<b>9,646</b>	<b>119,728</b>	<b>9,578</b>
<b>Capital requirements for capital conservation buffer</b>		<b>3,177</b>		<b>3,014</b>		<b>2,993</b>
<b>Capital requirements for countercyclical buffer</b>		<b>12</b>		<b>3,003</b>		<b>2,383</b>
<b>Total capital requirements</b>		<b>13,355</b>		<b>15,663</b>		<b>14,954</b>

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,543 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 15,221 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 30

June 2020 amounted to SEK 15,604 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			
		30 Jun 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	3,358	2.6	3,149	2.6
	Market risk	64	0.1	37	0.0
	Operational risk	417	0.3	388	0.3
	Risk-weight floor <sup>1)</sup>	6,264	4.9	6,009	5.0
	Surcharge, corporate exposures <sup>2)</sup>	63	0.1	63	0.1
	<b>Total Pillar 1</b>	<b>10,166</b>	<b>8.0</b>	<b>9,646</b>	<b>8.0</b>
Pillar 2	Credit risk	–	–	–	–
	Market risk	815	0.6	280	0.2
	Operational risk	–	–	–	–
	Concentration risk	958	0.8	951	0.8
	Sovereign risk	82	0.1	65	0.1
	Pension risk	11	0.0	11	0.0
<b>Total Pillar 2</b>	<b>1,866</b>	<b>1.5</b>	<b>1,307</b>	<b>1.1</b>	
Buffers	Capital conservation buffer	3,177	2.5	3,014	2.5
	Capital planning buffer	–	–	–	–
	Countercyclical buffer	12	0.0	3,003	2.5
	<b>Total Buffers</b>	<b>3,189</b>	<b>2.5</b>	<b>6,017</b>	<b>5.0</b>
<b>Total</b>	<b>15,221</b>	<b>12.0</b>	<b>16,970</b>	<b>14.1</b>	
<b>Total own funds</b>	<b>24,086</b>		<b>24,282<sup>3)</sup></b>		

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

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–June 2020 compared with January–June 2019

Operating profit declined to SEK 245 million (3,227), primarily due to the retroactive dividend of SEK 3 billion from the subsidiary SCBC in the comparative period. Net interest income fell during the period to SEK 292 million (297), mainly driven by an upturn in market interest rates and therefore increased interest expense. Net commission income increased to SEK 37 million (23), 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 26 million (income: 2) mainly attributable to an increase in interest compensation

received from customers. Other operating income rose to SEK 550 million (510), and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses grew to SEK 639 million (595), mainly due to higher personnel costs. Credit losses rose to SEK 20 million (10), and were mainly attributable to a revision of the forward-looking information applied in the impairment model as a result of the COVID-19 pandemic. Lending to the public totalled SEK 25.0 billion (25.9). Deposits from the public totalled SEK 131.3 billion (127.3). The CET1 capital ratio amounted to 24.4% (23.2) and the total capital ratio was 44.4% (39.6). The internally assessed capital requirement was SEK 5,913 million (6,291).

## Consolidated income statement

SEK million	PARENT COMPANY					
	2020 Q2	2019 Q1	2019 Q2	2020 Jan–Jun	2019 Jan–Jun	2019 Jan–Dec
Interest income	464	465	481	929	948	1,962
Interest expense	-312	-325	-339	-637	-651	-1,322
<b>Net interest income</b>	<b>152</b>	<b>140</b>	<b>142</b>	<b>292</b>	<b>297</b>	<b>640</b>
Dividends received	0	0	-	0	3,000	3,539
Commission income	34	17	23	51	41	89
Commission expense	-9	-5	-10	-14	-18	-36
Net result of financial transactions	68	-42	3	26	2	11
Other operating income	274	276	262	550	510	1,043
<b>Total operating income</b>	<b>519</b>	<b>386</b>	<b>414</b>	<b>905</b>	<b>3,832</b>	<b>5,286</b>
Personnel costs	-167	-166	-154	-333	-303	-620
Other expenses	-144	-150	-138	-294	-286	-579
Depreciation, amortisation and impairment of PPE and intangible assets	-7	-5	-3	-12	-6	-17
<b>Total expenses before credit losses</b>	<b>-318</b>	<b>-321</b>	<b>-295</b>	<b>-639</b>	<b>-595</b>	<b>-1,216</b>
<b>Profit/loss before credit losses</b>	<b>201</b>	<b>65</b>	<b>119</b>	<b>266</b>	<b>3,237</b>	<b>4,070</b>
Net credit losses	-8	-12	-9	-20	-10	-14
Impairment of financial assets	-3	-2	-2	-5	-2	-5
Reversals of impairment of financial assets	3	1	2	4	2	5
<b>Operating profit</b>	<b>193</b>	<b>52</b>	<b>110</b>	<b>245</b>	<b>3,227</b>	<b>4,056</b>
Tax	-46	-17	-30	-63	-63	-254
<b>Net profit for the period</b>	<b>147</b>	<b>35</b>	<b>80</b>	<b>182</b>	<b>3,164</b>	<b>3,802</b>

# Consolidated statement of comprehensive income

SEK million	PARENT COMPANY					
	2020 Q2	2019 Q1	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
<b>Net profit/loss for the period</b>	147	35	80	182	3,164	3,802
<b>Other comprehensive income</b>						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	12	-93	-11	-81	24	-56
Changes related to cash-flow hedges	-24	58	111	34	175	75
Tax attributable to components that will be reclassified to profit or loss	2	8	-22	10	-43	-4
<b>Other comprehensive income/loss, net of tax</b>	-10	-27	78	-37	156	15
<b>Total comprehensive income for the period</b>	137	8	158	145	3,320	3,817

# Consolidated balance sheet

SEK million	PARENT COMPANY		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>ASSETS</b>			
Cash and balances at central banks	5,590	5,750	0
Chargeable treasury bills, etc.	43,212	15,886	37,590
Lending to credit institutions (Note 12)	105,560	102,596	85,131
Lending to the public	24,985	24,871	25,922
Bonds and other interest-bearing securities	60,218	55,731	55,712
Derivatives	15,347	13,354	15,528
Shares and participations in Group companies	10,401	10,401	10,339
Intangible assets	21	24	22
Property, plant and equipment	49	39	34
Other assets	201	556	50
Prepaid expenses and accrued income	530	627	712
<b>TOTAL ASSETS</b>	<b>266,474</b>	<b>229,835</b>	<b>231,100</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	21,423	10,527	12,085
Deposits from the public	131,333	130,542	127,319
Issued debt securities, etc.	62,812	56,823	59,767
Derivatives	14,726	12,320	14,472
Other liabilities	17,106	432	303
Accrued expenses and deferred income	676	347	717
Deferred tax liabilities	53	62	105
Provisions	28	13	13
Subordinated debt	4,445	4,948	4,948
<b>Total liabilities</b>	<b>252,602</b>	<b>216,014</b>	<b>219,729</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
<b>Total restricted equity</b>	<b>2,350</b>	<b>2,350</b>	<b>2,350</b>
<b>Unrestricted equity</b>			
Fair value reserve	200	237	378
Additional Tier 1 instruments	3,500	3,500	1,500
Retained earnings	7,640	3,932	3,979
Net profit for the period	182	3,802	3,164
<b>Total unrestricted equity</b>	<b>11,522</b>	<b>11,471</b>	<b>9,021</b>
<b>Total equity</b>	<b>13,872</b>	<b>13,821</b>	<b>11,371</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>266,474</b>	<b>229,835</b>	<b>231,100</b>

## Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 30 June 2020, SEK 96 836 million relates to a receivable from the wholly owned subsidiary AB Sveriges S akerst allda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 102,180 million at the end of 2019. This receivable is subordinated in the event of receivership or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid.

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

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

### Restated comparative figures

Figures for 31 Dec 2019 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		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
CET1 capital	9,753	9,530	9,152
Tier 1 capital	13,253	14,530	12,152
Total capital	17,695	17,977	15,599
Risk exposure amount	39,897	37,573	39,415
CET1 capital ratio, %	24.4	25.4	23.2
Excess <sup>1)</sup> of CET1 capital	7,957	7,839	7,378
Tier 1 capital ratio, %	33.2	38.7	30.8
Excess <sup>1)</sup> of Tier 1 capital	10,859	12,276	9,787
Total capital ratio, %	44.4	47.8	39.6
Excess <sup>1)</sup> of total capital	14,503	14,971	12,446

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		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>CET1 capital instruments: Instruments and reserves</b>			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	8,032	4,324	4,370
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	200	237	378
Additional Tier 1 instruments	3,500	3,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend <sup>1)</sup>	-161	3,263	2,802
<b>CET1 capital before regulatory adjustments</b>	<b>13,529</b>	<b>13,282</b>	<b>11,008</b>
<b>CET1 capital: Regulatory adjustments</b>			
Additional value adjustments (negative amount)	-78	-76	-91
Intangible assets (net of related tax liability) (negative amount)	-21	-24	-22
Fair value reserves related to gains or losses on cash-flow hedges	-117	-91	-169
Negative amounts resulting from the calculation of expected loss amounts	-35	-42	-50
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-25	-19	-24
Additional Tier 1 instruments in equity	-3,500	-3,500	-1,500
<b>Total regulatory adjustments to CET1 capital</b>	<b>-3,776</b>	<b>-3,752</b>	<b>-1,856</b>
<b>CET1 capital</b>	<b>9,753</b>	<b>9,530</b>	<b>9,152</b>
<b>Additional Tier 1 capital: Instrument</b>			
Capital instruments and the related share premium accounts	3,500	5,000	3,000
– of which, classified as equity under applicable accounting standards	3,500	3,500	1,500
– of which, classified as liabilities under applicable accounting standards	-	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>3,500</b>	<b>5,000</b>	<b>3,000</b>
<b>Additional Tier 1 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital</b>	<b>3,500</b>	<b>5,000</b>	<b>3,000</b>
<b>Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)</b>	<b>13,253</b>	<b>14,530</b>	<b>12,152</b>
<b>Tier 2 capital: Instruments and provisions</b>			
Capital instruments and the related share premium accounts	4,442	3,447	3,447
Credit risk adjustments	-	-	-
<b>Tier 2 capital before regulatory adjustments</b>	<b>4,442</b>	<b>3,447</b>	<b>3,447</b>
<b>Tier 2 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2 capital</b>	<b>4,442</b>	<b>3,447</b>	<b>3,447</b>
<b>Total capital (Total capital=Tier 1 capital + Tier 2 capital)</b>	<b>17,695</b>	<b>17,977</b>	<b>15,599</b>
<b>Total risk-weighted assets</b>	<b>39,897</b>	<b>37,573</b>	<b>39,415</b>

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

SEK million	PARENT COMPANY		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	24.4	25.4	23.2
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	33.2	38.7	30.8
Total capital (as a percentage of total risk-weighted exposure amount), %	44.4	47.8	39.6
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	7.0	9.5	9.0
– of which, CET1 capital, minimum requirement, %	4.5	4.5	4.5
– of which, capital conservation buffer requirement, %	2.5	2.5	2.5
– of which, countercyclical buffer requirement, %	0.0	2.5	2.0
– of which, systemic risk buffer requirement, %	–	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	19.9	20.9	18.7
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)</b>			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

1) Net profit for the interim period was reduced by the expected dividend of SEK 344 million based on Q2 2020. 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					
	30 Jun 2020		31 Dec 2019		30 Jun 2019	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	8,003	640	7,475	598	7,334	587
Retail exposures	1,028	82	747	60	865	69
– of which, exposures to SMEs	88	7	70	6	73	6
– of which, retail exposures secured by immovable property	940	75	677	54	792	63
<b>Total exposures recognised with the IRB approach</b>	<b>9,031</b>	<b>722</b>	<b>8,222</b>	<b>658</b>	<b>8,199</b>	<b>656</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	–	–	–	–
Exposures to institutions <sup>1)</sup>	4,406	352	4,034	323	4,321	346
– of which, derivatives according to CRR, Appendix 2	4,367	349	3,993	319	4,284	343
– of which, repos	29	2	–	–	–	–
– of which, other	10	1	41	3	37	3
Retail exposures	2,455	196	2,253	180	2,322	186
Exposures in default	7	1	6	0	9	1
Exposures in the form of covered bonds	3,822	306	3,674	294	3,823	306
Exposures to institutions and corporates with a short-term credit rating	118	9	21	2	34	3
Equity exposures	11,566	925	11,566	925	11,541	923
Other items	131	11	107	9	135	10
<b>Total exposures recognised with standardised approach</b>	<b>22,505</b>	<b>1,800</b>	<b>21,661</b>	<b>1,733</b>	<b>22,185</b>	<b>1,775</b>
<b>Market risk</b>	<b>116</b>	<b>9</b>	<b>94</b>	<b>8</b>	<b>106</b>	<b>8</b>
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	116	9	94	8	106	8
<b>Operational risk</b>	<b>2,148</b>	<b>172</b>	<b>1,813</b>	<b>145</b>	<b>1,813</b>	<b>145</b>
– of which, standardised approach	2,148	172	1,813	145	1,813	145
<b>Credit valuation adjustment risk (CVA risk)</b>	<b>1,714</b>	<b>137</b>	<b>2,230</b>	<b>178</b>	<b>2,832</b>	<b>227</b>
<b>Additional requirements under Article 458 of the CRR</b>	<b>4,207</b>	<b>338</b>	<b>3,377</b>	<b>270</b>	<b>4,104</b>	<b>328</b>
<b>Additional requirements under Article 3 of the CRR</b>	<b>176</b>	<b>14</b>	<b>176</b>	<b>14</b>	<b>176</b>	<b>14</b>
<b>Total risk exposure amount and minimum capital requirements</b>	<b>39,897</b>	<b>3,192</b>	<b>37,573</b>	<b>3,006</b>	<b>39,415</b>	<b>3,153</b>
<b>Capital requirements for capital conservation buffer</b>		<b>997</b>		<b>939</b>		<b>985</b>
<b>Capital requirements for countercyclical buffer</b>		<b>5</b>		<b>935</b>		<b>784</b>
<b>Total capital requirements</b>		<b>4,194</b>		<b>4,880</b>		<b>4,922</b>

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,396 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		
	30 Jun 2020	30 Jun 2019	31 Dec 2019
Deposits from the public	131,333	127,319	130,542
Lending to the public	401,514	372,281	383,807
<b>Deposits/lending, %</b>	<b>32.7</b>	<b>34.2</b>	<b>34.0</b>

## C/I ratio

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

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

SEK million	GROUP		
	2020	2019	2019
	Jan-Jun	Jan-Jun	Jan-Dec
Expenses	-623	580	-1,187
Operating income	1,767	1,763	3,521
<b>C/I ratio, %</b>	<b>35.3</b>	<b>32.9</b>	<b>33.7</b>

## C/L ratio

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

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

SEK million	GROUP		
	2020	2019	2019
	Jan-Jun	Jan-Jun	Jan-Dec
Expenses	-623	-580	-1,187
- Expenses (annualised)	-1,246	-1,160	-1,187
Aver. lending to the public	395,416	368,248	374,011
<b>C/L ratio, %</b>	<b>0.32</b>	<b>0.32</b>	<b>0.32</b>

## Return on equity

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

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

SEK million	GROUP		
	2020	2019	2019
	Jan-Jun	Jan-Jun	Jan-Dec
Operating profit after tax	859	905	1,788
- Op. profit after tax (annualised)	1,718	1,810	1,788
Average equity	16,504	14,861 <sup>1)</sup>	15,280 <sup>1)</sup>
<b>Return on equity, %</b>	<b>10.4</b>	<b>12.2</b>	<b>11.7</b>

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 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Net interest income	1,792	1,735	3,473
- Net interest inc. (annualised)	3,584	3,470	3,473
Average balance sheet total	502,032	466,851	461,944
<b>Net interest margin, %</b>	<b>0.71</b>	<b>0.74</b>	<b>0.75</b>

## 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 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Credit losses	-38	-16	-27
- Credit losses (annualised)	-76	-32	-27
Lending to the public	401,514	372,281	383,807
<b>Credit loss ratio, %</b>	<b>-0.02</b>	<b>-0.01</b>	<b>-0.01</b>

## 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 relative to the total loan portfolio pursuant to accepted accounting standards.

SEK million	KONCERNEN		
	30 Jun 2020	30 Jun 2019	31 Dec 2019
Gross lending credit stage 3	203	316	281
Lending to the public	401,514	372,281	383,807
<b>Share of Stage 3 loans, %</b>	<b>0.05</b>	<b>0.08</b>	<b>0.07</b>

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

The Board of Directors and the CEO affirm 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, 16 July 2020

*Signatures on Swedish original*

Jan Sinclair  
Chairman of the Board

Leif Pagrotsky  
Board Member

Inga-Lill Carlberg  
Board Member

Lars Börjesson  
Board Member

Daniel Kristiansson  
Board Member

Johan Prom  
Board Member

Jane Lundgren-Ericsson  
Board Member

Synnöve Trygg  
Board Member

Margareta Naumburg  
Employee Representative

Anders Heder  
Employee Representative

Klas Danielsson  
CEO

## Financial calendar

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

## Credit ratings

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



## Contact

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This information was submitted for publication on 17 July 2020 at 08:00 (CET).

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

# Auditors' review report

## Introduction

We have reviewed the interim report for SBAB Bank AB (publ) for the period 1 January – 30 June 2020. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim 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 interim 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 interim report for the Group is not prepared, in all material aspects, in accordance with IAS 34 and

the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm July 16, 2020

Deloitte AB

*Signature on Swedish original*

Patrick Honeth  
Authorised Public Accountant