

SBAB Bank AB (publ)

YEAR-END REPORT

January–December 2019

1 2 3 4

SBAB!

Summary



Q4 2019 (Q3 2019)

- Net interest income increased 1.9% to SEK 877 million (861) during the quarter. Operating profit decreased 10.1% to SEK 540 million (601). Return on equity amounted to 10.5% (12.0). | [Read more on page 11](#)
- Credit losses for the quarter amounted to SEK 10 million (0). Expenses grew 16.8% to SEK 327 million (280). The C/I ratio was 37.2% (31.8). | [Read more on pages 4 & 11](#)
- According to Swedish Quality Index (Svenskt Kvalitetsindex, SKI), SBAB had the most satisfied customers in Sweden in 2019 in terms of residential mortgages to private individuals and property loans to corporates and tenant-owners' associations. | [Read more on pages 4 & 8-9](#)
- Total lending increased 1.5% to SEK 383.8 billion (378.2) during the quarter. | [Read more on pages 7-9](#)
- Total deposits increased 0.4% in the quarter to SEK 130.5 billion (130.0). | [Read more on pages 7-9](#)

Jan-Dec 2019 (Jan-Dec 2018)

- For the full-year 2019, SBAB posted its highest net interest income and operating profit to date. Net interest income grew 3.3% to SEK 3,473 million (3,362) and operating profit increased 3.0% to SEK 2,308 million (2,241). | [Read more on page 11](#)
- Credit losses for the year totalled SEK 26 million (recoveries: 11). Expenses grew 13.2% to SEK 1,187 million (1,049). The C/I ratio in 2019 amounted to 33.7% (32.0). | [Read more on pages 4 & 11](#)
- The return on equity amounted to 11.7% (12.1) and the Common Equity Tier 1 capital ratio was 12.5% (12.5). The Board proposes a dividend of 40% (40) of net profit for the year, corresponding to SEK 715 million (690). | [Read more on pages 4, 11, 13-14](#)
- Total lending increased 5.4% to SEK 383.8 billion (364.2) in 2019, of which SEK 291.6 billion (276.7) comprised residential mortgage lending and SEK 89.9 billion (85.3) lending to corporate clients and tenant-owners' associations. | [Read more on pages 7-9](#)
- Total deposits increased 4.5% in 2019 to SEK 130.5 billion (124.9). | [Read more on pages 7-9](#)

SELECTED KEY METRICS

	GROUP					
	2019	2019	Change	2019	2018	Change
	Q4	Q3		Jan-Dec	Jan-Dec	
Total lending, SEK bn	383.8	378.2	+1.5%	383.8	364.2	+5.4%
Total deposits, SEK bn	130.5	130.0	+0.4%	130.5	124.9	+4.5%
Net interest income, SEK million	877	861	+1.9%	3,473	3,362	+3.3%
Expenses, SEK million	-327	-280	+16.8%	-1,187	-1,049	+13.2%
Credit losses, SEK million	-10	0	+SEK 10 mn	-26	11	+SEK 37 mn
Operating profit, SEK million	540	601	-10.1%	2,308	2,241	+3.0%
Return on equity, %	10.5	12.0	-1.5 pp ¹⁾	11.7	12.1	-0.4 pp
C/I ratio, %	37.2	31.8	+5.4 pp	33.7	32.0	+1.7 pp
CET1 capital ratio, %	12.5	12.2	+0.3 pp	12.5	12.5	0.0 pp

¹⁾ p.p. = percentage points

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



Retail

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, housing search engine services and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. SBAB does not have any offices for physical customer meetings — we meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.47% at 31 December 2019, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se is Sweden's second-largest search engine for housing.

Corp. & ToA business area



Corporates and tenant-owners' associations

The Corporate Clients & Tenant-Owners' Associations business area offers housing financing and savings products to property companies and tenant-owners' associations. We finance multi-family dwellings, existing as well as new construction. Our lending to property companies and tenant-owners' associations corresponds to around a quarter of SBAB's total lending. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for property lending to corporate clients was 11.23% at 31 December 2019 and the market share for lending to tenant-owners' associations was 9.55%.

SBAB assigns priority to four Sustainable Development Goals



Read more in SBAB's Annual Report 2018



Statement from the CEO

2019 was the strongest year to date in SBAB's 35-year history. Net profit of almost SEK 1,800 million, lending of SEK 384 billion, Sweden's most satisfied customers and one of Sweden's best workplaces mean we look to the future full of confidence. At the same time, we are not underestimating challenges posed by new customer needs and the rapidly changing market.

Sweden's most satisfied customers

The year started with more intense competition in the residential mortgage market than we had seen for several years. We suffered negative net flows in the first quarter, an unusual state of affairs for us as a growth company. We implemented a number of measures to strengthen our mortgage offering and competitiveness. All together, our measures resulted in customer inflows regaining speed, fewer customers leaving and a return to relatively healthy growth that was maintained for most of the year. Our residential mortgage stock grew 5.4% in 2019 to a total of SEK 291.6 billion and our market share for residential mortgages at year end was 8.47%, compared with 8.41% at the start of the year. Our assessment is that next year, we are well placed to continue growing and capturing market shares, but respectful of the challenge of growing in a market with lower credit growth and increasingly intense competition.

Strong inflows of new customers meant we invested considerable resources over the year in meeting customers both in the form of enhanced digital services and through extra customer service staff

for improved service. This bore fruit. In December, we were informed that we have Sweden's most satisfied residential mortgage customers according to Svenskt Kvalitetsindex (SKI), about which we are pleased and proud. We scored particularly highly in areas such as product quality, affordability and reliability.

And not just that. According to SKI, for the second consecutive year, we have Sweden's most satisfied customers for property loans to corporates and tenant-owners' associations. Jackpot. Our customers within this segment appreciate our availability, competence and service as well as our responsibility and sustainability efforts. Total lending to property companies and tenant-owners' associations developed well over the year and amounted to SEK 89.9 billion at the end of 2019, equivalent to growth of 5.4% in 2019.

Our brand continues to be one of the strongest in the industry and public confidence in SBAB is high. In our own quarterly surveys, and in most market surveys, SBAB holds top rankings in terms of brand awareness, reputation and sustainability. This is crucial for eligibility and for continued growth and profitability. A strong focus on risk and compliance is important for our reputation and for confidence.

Deposits increased 4.5% in 2019 and amounted to SEK 130.5 billion at year end. It is highly gratifying that so many customers choose to entrust their savings with SBAB. In addition to deposits comprising a very important part of our customer offering, deposits also represent an important and growing share of our funding. Our savings rates are a clear step above those offered by other mortgage banks, which together with our low mortgage rates makes our overall customer offering, in

terms and conditions, market leading for the mortgage banks.

Bank and service supplier within housing and household finances

The development of digital banking and financial services is gaining momentum. Customer needs and customer behaviour is changing, new players are driving developments and new regulations are redrawing the playing field. Solely offering traditional bank services no longer meets customers' needs and is therefore not a strategy moving forward. Customer needs comprise numerous issues that need solving. Mortgages are just one of many issues that need to be solved in connection with customers' needs pertaining to housing.

We are therefore broadening our offering in order to build strong and long-term relationships with our customers by offering value-adding services that enable and facilitate every phase of home-owner life – be it finding and dreaming, buying, owning or selling a home. We call services relating to housing and household finances our ecosystem. In 2020, we will develop our ecosystem and create a more unified and stronger customer experience of our housing and household financial services within SBAB, Booli and HittaMäklare, while also integrating services from partners.

Our strong development enables continued investment in operations

Financially, 2019 was SBAB's strongest year to date. Net interest income increased and totalled SEK 3,437 million, up 3.3% compared with 2018. Operating profit grew 3.0% to SEK 2,308 million. Our financial KPIs are stable and we continue to post healthy margins to our financial targets. Return on equity for the year amounted to 11.7% and the CET1 capital

We are therefore broadening our offering in order to build strong and long-term relationships with our customers by offering value-adding services that enable and facilitate every phase of home-owner life.

ratio to 12.5%. The Board of Directors proposes a dividend of 40%, corresponding to SEK 715 million.

We run cost-efficient operations. Our C/I ratio of 33.7% is the lowest in the industry. The C/I ratio increased over the year in line with our continued investments in operations to secure our long-term competitiveness and due to the decline in mortgage margins which has affected revenue growth. We are focusing particularly on investment in areas including customer meeting and customer service, digitalisation and IT systems – investments that will lead to higher efficiency and lower expenses in the long term, increased customer value and loyalty, continued growth in customer numbers and users as well as larger market shares. As a result, we have recruited more employees to SBAB, primarily in Tech, CX (Customer Experience) and Customer Service over the year. The replacement of our core banking platform is continuing as planned and is expected to be ready in the first half of 2021.

Committed employees the key to success

We are a purpose- and values-driven company. We work consistently and consciously with our corporate culture, which has resulted in an extremely motivated and committed work ethic at SBAB. This is visible in our employee surveys, where the scores are high enough for SBAB to be ranked as Sweden's fourth best workplace and Europe's 20th best workplace in the larger company category according to Great Place to Work.

We are growing and continuously recruiting new values-driven colleagues. From our recruitment efforts, we can see that we have become more attractive as an employer and that more people are applying to SBAB. This is pleasing, as

highly committed employees are critical to making a difference and being a step ahead of the competition. Our latest employee survey showed that 91% of us considered SBAB an extremely good place to work.

We are particularly proud of our respect and equality efforts to promote a more inclusive workplace. Over the year, we launched our own tool to promote a more inclusive workplace, Respekttrappan, externally at www.respekttrappan.se at no cost to enable all companies and organisations to work with these issues. Making our work available to others is one example of how we help change the world together with others to reach the SDGs within the 2030 Agenda.

2019 feels like a game changer year, since it became increasingly clear that business is about responsibility and sustainability. The industry as a collective, along with individual businesses, have stepped forward and clarified that running a business entails a broader responsibility for many stakeholders. As customers and consumers, we drive this development since we increasingly demand goods and services that we consider sustainable. At SBAB, sustainability is fully integrated in our operations, where our sustainability goals and business goals correspond, and where the owner, society, customers and employees are all part of the objective. In both the short and the long term, we see sustainability and professionalism as one and the same.

To all my fantastic colleagues: Thank you!

What a year it has been. I would like to thank everyone who contributed to 2019 being a record year – in other words, my fantastic colleagues at

SBAB – for their outstanding and impressive efforts during the year. Thank you for working together to build a responsible, sustainable, inclusive, customer friendly, profitable and successful company.



Klas Danielsson
CEO of SBAB



Market developments

Sweden's economy and interest-rate trend

The Swedish economy continued to grow in 2019, even if growth is expected to halve compared with 2018. The slowdown in economic growth started in the first quarter of 2019 and continued throughout the year. It was primarily low investment levels and weak consumer spending that held back growth. All together, GDP growth for the full-year 2019 is expected to amount to 1.2%. The industry's confidence indicator has shown a general decline since 2018 and, from the summer, has been at a level slightly below normal economic conditions. The slowdown in the economy together with slower growth in household disposable income was followed by higher savings. Consumer confidence has fallen significantly since its peak at the end of 2017 and is currently negative.

In December, the Riksbank decided to raise the repo rate from -0.25% to 0%. Short market interest rates started rising at the end of October and continued to rise a little further following the announcement. This trend may impact banks' funding costs and consequently their margins moving forward. However, there are many reasons to believe the Riksbank will not raise the repo rate again before 2022. In combina-

tion with historic long-term market interest rates, this suggests that both floating and fixed mortgage rates will remain at historically low levels for several years ahead.

A more stable housing market

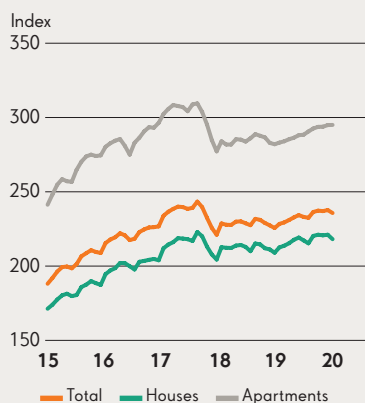
Housing prices, which were relatively still in 2018, rose around 4.5% in 2019. During the latter part of the spring and in autumn, conditions in the housing markets improved compared with 2018. The number of published advertisements and the advertisement periods for existing homes have remained stable in the second half of 2019. However, a degree of uncertainty remains in the market for newly produced housing even if decreasing advertising times in some municipalities could indicate that optimism is returning. According to preliminary statistics, in the first six months of 2019, construction was started for about 33,200 housing units, which is down about 15% year-on-year, and down around 30% compared to the same period in 2017. The number of housing starts for the full-year 2019 is projected to amount to 43,000, corresponding to a decline of 33% compared with 2017. The lower rate of construction can be attributed to uncertainty in households' demand for housing

and the effects of a weaker economy and tightened credit terms.

Declining lending growth

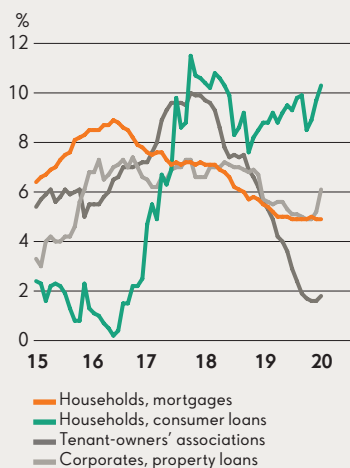
Annualised lending growth to households (mortgage loans) was 4.9% in December 2019. Compared with the year-earlier period, this represented a decline of 0.6 percentage points. The decline was attributable to the weaker economy and lower expectations for the future. Consistently low interest rates and a large supply of newly produced housing are factors that help maintain credit growth. Household disposable incomes grew relatively quickly in 2019, even if the trend slowed compared with 2018. This has created greater opportunities to save, while an uncertain economy and housing market have contributed to the desire to save. Households' deposits increased significantly faster than their mortgages, despite the extremely low interest rates. Moreover, deposits from non-financial corporates, including tenant-owners' associations, continued to grow rapidly in 2019, even if a slight slowdown was also noted in the last months of the year.

HOUSING PRICE TREND
(HOX index 2005=100)



Source: Valueguard, Statistics Sweden (SCB). Data until and including December 2019.

LENDING GROWTH
(Percentage, 12-month change)



DEPOSIT GROWTH
(Percentage, 12-month change)

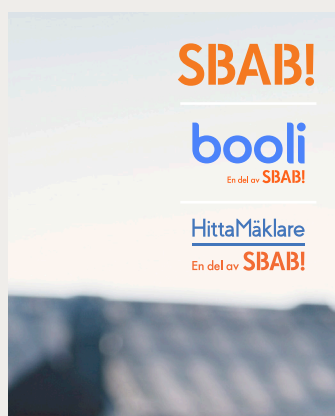


Business development

Volume trends

	GROUP				
	2019	2019	2018	2019	2018
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
New lending for the period, SEK bn	20.0	18.8	19.7	75.5	74.3
Net change in lending for the period, SEK bn	5.6	5.9	6.2	19.6	29.1
Total lending, SEK bn	383.8	378.2	364.2	383.8	364.2
No. of deposit accounts, thousand	399	395	373	399	373
Net change in deposits, SEK bn	0.5	2.7	4.4	5.6	13.0
Total deposits, SEK bn	130.5	130.0	124.9	130.5	124.9
Deposits/lending, %	34.0	34.4	34.3	34.0	34.3
Retail business area					
No. of mortgage customers, thousand	279	277	270	279	270
No. of mortgage objects financed, thousand	178	177	172	178	172
New lending, SEK bn	16.1	15.5	16.9	60.1	63.2
Net change in lending for the period, SEK bn	3.8	5.0	7.3	15.0	28.8
Total lending, Retail, SEK bn	293.9	290.1	278.9	293.9	278.9
Residential mortgages, SEK bn	291.6	287.8	276.7	291.6	276.7
Consumer loans, SEK bn	2.3	2.3	2.2	2.3	2.2
Market share, Residential mortgages, % ¹⁾	8.47	8.44	8.41	8.47	8.41
Market share, Consumer loans, % ¹⁾	0.83	0.85	0.87	0.83	0.87
Total deposits, Retail, SEK bn	92.0	90.7	87.1	92.0	87.1
No. of retail customers with savings accounts, thousand	350	346	329	350	329
Market share deposits, Retail, % ¹⁾	4.68	4.62	4.65	4.68	4.65
Corporate Clients & Tenant-Owners' Associations business area					
No. of housing financing customers	2,122	2,101	2,184	2,122	2,184
New lending, SEK bn	3.9	3.3	2.8	15.4	11.0
Net change in lending for the period, SEK bn	1.7	1.0	-1.1	4.6	0.3
Total lending, Corporate Clients & Tenant-Own. Asso., SEK bn	89.9	88.2	85.3	89.9	85.3
Lending, Corporate clients, SEK bn	38.4	37.2	33.8	38.4	33.8
Lending, Tenant-owners' associations, SEK bn	51.5	51.0	51.5	51.5	51.5
Market share, Corporate clients, % ¹⁾	11.23	10.88	10.88	11.23	10.88
Market share, Tenant-owners' associations, % ¹⁾	9.55	9.62	9.53	9.55	9.53
Total deposits, Corporate Clients & Tenant-Own. Asso., SEK bn	38.6	39.3	37.9	38.6	37.9
No. of corporate clients and tenant-owners' associations	12,500	12,900	13,400	12,500	13,400
Market share deposits, Corporate Clients & Tenant-Own. Asso., %	2.94	3.05	3.19	2.94	3.19

¹⁾ Source: Statistics Sweden. The figures in the columns for Q4 2019 and Jan-Dec 2019 correspond with the market share as of 31 December 2019. The figures in the columns for Q4 2018 and Jan-Dec 2018 correspond with the market share as of 31 December 2018. The figures in the columns for Q3 2019 correspond to market shares at 31 August 2019. The definition of "Market share deposits, Corporate Clients & Tenant-Owners' Associations" was revised as of 31 March 2019. The comparative figures have been restated.



Residential mortgage customers

279,000

Savings customers

350,000

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, housing search engine services and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. SBAB does not have any offices for physical customer meetings — we meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.47% at 31 December 2019, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se is Sweden's second-largest search engine for housing.

Trend for Q4 2019 compared with Q3 2019

Retail business area

Lending

Competition in the residential mortgage market has risen in 2018 and 2019. Many established players are working intensively to retain and defend their positions, partly as a consequence of the lower credit growth, and several new competitors have emerged in the market. SBAB's competitiveness remains strong and lending continues to grow despite increased competition.

SBAB strives to be straightforward, clear and transparent in its offering. The aim is for mortgage rates to reflect funding costs. For this reason, mortgage rates were adjusted on several occasions over the year. In the fourth quarter, SBAB raised mortgage rates for all fixed-interest periods as a result of higher funding costs for long fixed-interest periods.

New lending in the quarter remained healthy and amounted to SEK 16.1 billion (15.5). Total retail lending increased during the quarter to SEK 293.9 billion (290.1), of which SEK 291.6 billion (287.8) comprised residential mortgages and SEK 2.3 billion (2.3) consumer loans. The number of residential mortgage customers amounted to 279,000 (277,000) distributed over 178,000 (177,000) mortgage objects. The market share for residential mortgages was 8.47% at 31 December 2019 (8.44% at 31 August 2019). At the same date, the market share for consumer loans was 0.83% (0.85% at 31 August 2019).

The majority of SBAB's residential mortgage customers choose shorter maturities. The share of total lending with a 3M fixed-interest period amounted to 73.5% (73.9) at the end of the quarter.

For more information on credit losses and asset quality, please refer to page 11.

Savings accounts (deposit)

SBAB's retail savings accounts are characterised by competitive savings rates and simple product terms and conditions. Retail deposits increased and totalled SEK 92.0 billion (90.7) during the quarter. At the end of the quarter, approximately 350,000 (346,000) retail customers held savings accounts with SBAB. At 31 December 2019, the market share for retail deposits was 4.68% (4.62% at 31 August 2019).

User trends

Every month, many people visit SBAB's website to manage mortgages and savings or to find inspiration about housing and household finances. The number of unique visitors per month to www.sbab.se averaged around 445,000 (425,000). The average number of unique users of the SBAB app per month totalled around 91,000 (86,000) for the same period.

Booli.se is a popular platform for finding information about supply, demand and price trends for housing. The number of unique visitors per month to www.booli.se averaged around 950,000 (948,000) during the quarter. Booli's monthly property valuation email had more than 396,000 subscribers at year-end 2019. HittaMäklare's service for estate agents has been used by about 86% of the registered estate agents in Sweden.

Customers in focus

SBAB has Sweden's most satisfied residential mortgage customers according to Svenskt Kvalitetsindex (SKI), which each year measures customer satisfaction in the banking and finance sector. 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.





Housing financing customers

2,100

Savings customers

12,500

The Corporate Clients & Tenant-Owners' Associations business area offers housing financing and savings products to property companies and tenant-owners' associations. We finance multi-family dwellings, existing as well as new construction. Our lending to property companies and tenant-owners' associations corresponds to around a quarter of SBAB's total lending. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for property lending to corporate clients was 11.23% at 31 December 2019 and the market share for lending to tenant-owners' associations was 9.55%.

Trend for Q4 2019 compared with Q3 2019

Corporate Clients & Tenant-Owners' Associations business area

Housing financing (lending)

Activity in the corporate market was high and housing remains an attractive investment for domestic and international investors. Volumes in the transaction market posted new records in 2019. The market for lending to tenant-owners' associations continues to be dominated by intense price competition, not least in the major metropolitan areas. The assessment is that SBAB's market position provides the preconditions for a continued healthy sales trend in 2020.

In Q4, new lending to corporate clients and tenant-owners' associations was healthy and amounted to SEK 3.9 billion (3.3). Total lending increased to SEK 89.9 billion (88.2) during the quarter, of which SEK 38.4 billion (37.2) comprised lending to corporate clients and SEK 51.5 billion (51.0) lending to tenant-owners' associations. The market share for property lending to corporate clients was 11.23% at 31 December 2019 (10.88% at 31 August 2019). At the same date, the market share for lending to tenant-owners' associations was 9.55% (9.62% at 31 August 2019).

The number of housing financing customers was 2,122 (2,101) at the end of the quarter. SBAB focuses on customers in regions where SBAB has a physical presence and the possibility of establishing good customer relationships.

The market for new housing construction has slowed, primarily in Stockholm, but also in other growth regions where the pace of new construction was previously particularly high. However, analyses conducted by Booli show that the number of tenant-owner property transactions among consumers increased in the second half of 2019 and that housing prices have stabilised. It is also possible to distinguish a certain increase in market activity regarding the production of new housing. SBAB focuses on lending to established customer relationships and large, experienced property developers, whereby both the customer and SBAB set higher pre-sales requirements on binding purchase agreements before the start of production.

For more information on credit losses and asset quality, please refer to page 11.

Savings accounts (deposit)

Deposits from corporate clients and tenant-owners' associations amounted to SEK 38.6 billion (39.3) at the end of the quarter. At the same time, 12,500 (12,900) corporate clients and tenant-owners' associations held savings accounts at SBAB. The market share for deposits from corporate clients and tenant-owners' associations was 2.94% at 31 December 2019 (3.05% at 31 August 2019).

Customers in focus

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. Our results were particularly strong within areas such as product quality, service and value.



Financial performance

Income statement overview

SEK million	GROUP						
	2019	2019	2019	2019	2018	2019	2018
	Q4	Q3	Q2	Q1	Q4	Jan-Dec	Jan-Dec
Net interest income	877	861	852	883	848	3,473	3,362
Net commission	-2	5	-5	-12	18	-14	-49
Net result of financial transactions (Note 2)	-6	4	15	13	8	26	-65
Other operating income	8	11	9	8	7	36	32
Total operating income	877	881	871	892	881	3,521	3,280
Expenses	-327	-280	-288	-292	-297	-1,187	-1,049
Profit before credit losses and impairments	550	601	583	600	584	2,334	2,231
Net credit losses (Note 3)	-10	0	-7	-9	-7	-26	11
Impairment of financial assets	-2	-1	-1	-1	-1	-5	-1
Reversals of impairment of financial assets	2	1	2	0	0	5	0
Operating profit	540	601	577	590	576	2,308	2,241
Tax	-122	-136	-130	-132	-131	-520	-515
Net profit for the period	418	465	447	458	445	1,788	1,726
Return on equity, % ¹⁾	10.5	12.0	11.9	12.5	11.9	11.7	12.1
C/I ratio, %	37.2	31.8	33.0	32.8	33.7	33.7	32.0
Credit loss ratio, %	-0.01	0.00	-0.01	-0.01	-0.01	-0.01	0.00
Net interest margin, %	0.73	0.71	0.71	0.77	0.75	0.75	0.78
Number of employees (FTEs)	695	679	653	614	602	695	602

¹⁾ When calculating the return on equity for Q1 2019, Q2 2019 and Jan-Dec 2019, average equity has been adjusted for the dividend of SEK 690 million for 2018. When calculating the return on equity for Jan-Dec 2018, average equity has been adjusted for the dividend of SEK 684 million for 2017. For more information about the calculation of alternative performance measures, please refer to page 44.

Trend for Q4 2019 compared with Q3 2019

Operating profit declined in Q4 to SEK 540 million (601), primarily due to higher expenses, which resulted in return on equity decreasing to 10.5% (12.0) and the C/I ratio increasing to 37.2% (31.8).

Net interest income

Net interest income increased to SEK 877 million (861), driven by increased lending volumes and therefore higher interest income as well as lower interest expense for wholesale funding and deposits from the public. Total guarantee fees for the quarter amounted to SEK 72 million (60), of which SEK 61 million (61) comprised the resolution fee and SEK 11 million (reversal of SEK 1 million) the national deposit guarantee fee.

Net commission

The net commission decreased to an expense of SEK 2 million (income: 5) as a result of higher commission expenses in conjunction with updating credit information and higher commission expenses linked to funding operations.

Net result of financial transactions

The net result of financial transactions decreased to an expense of SEK 6 million (4),

primarily due to buy back of own debt. For more information; please refer to [Note 2](#).

Expenses

Expenses amounted to SEK 327 million (280). The change was mainly due to increased personnel, IT and marketing costs in the quarter as well as a higher fee to the Swedish FSA. Moreover, IT-related costs were seasonally significantly lower during the comparative period. The cost increase was in line with the operational development and investment strategies for long-term competitiveness.

Credit quality and credit losses

Net credit losses totalled SEK 10 million (0) in Q4. The change between the quarters was mainly attributable to the decreased utilisation of guarantees on the expiry of an agreement with a business partner. Moreover, provisions have increased for credit stage 2 loans in conjunction with the update of external credit information.

Confirmed credit losses totalled SEK 2 million (6). Provisions increased a total of SEK 1 million during the quarter; provisions for credit stage 1 loans decreased SEK 2 million; provisions for credit stage 2 loans increased SEK 4 million and provisions for credit stage 3 loans declined SEK 1 million. Provisions for loan commitments remained unchanged during the quarter. For more

information on credit losses, please refer to [Notes 3 and 4](#).

The credit quality of SBAB's lending is healthy and the risks entailed in retail lending are low. SBAB's credit granting to private individuals is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitment.

At the end of the quarter, the average LTV ratio¹⁾ in SBAB's mortgage portfolio was 60% (62). At the same date, the average residential mortgage to retail customers amounted to SEK 1.7 million (1.7). During the quarter, the LTV ratio for new lending was 70% (70) and the debt-to-income ratio was 3.6 (3.5).

Other comprehensive income

Other comprehensive income decreased to negative SEK 1,234 million (743), due to the substantial negative impact on the item of an upturn in long euro interest rates. For more information, please refer to page 17.

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

Trend for Jan-Dec 2019 compared with Jan-Dec 2018

Operating profit rose to SEK 2,308 million (2,241). The return on equity amounted to 11.7% (12.1) and the C/I ratio was 33.7% (32.0).

Net interest income grew to SEK 3,473 million (3,362), mainly due to higher lending volumes, of which the majority pertained to residential mortgages, as well as lower guarantee fees. Guarantee fees amounted to SEK 287 million (349) for 2019, of which SEK 244 million (299) comprised the resolution fee and SEK 43 million (49) the national deposit guarantee fee.

The net commission expense was SEK 14 million (expense: 49). The change was mainly due to a non-recurring commission expense to a former business partner regarding mediation of mortgages during the comparative period in conjunction with the termination of the partnership. Otherwise, the item was negatively af-

ected by lower commission income from insurance mediation.

The net result of financial transactions increased to SEK 26 million (expense: 65), mainly due to differences in value changes in hedging instruments and hedged items as well as the remeasurement of credit risk in derivatives. For more information; please refer to [Note 2](#). Other comprehensive income increased to SEK 1,350 million (420), due to the substantial positive impact on the item of a downturn in long euro interest rates. For more information, please refer to page 17.

Expenses grew to SEK 1,187 million (1,049) due to increased operational investments in areas including customer experience and customer service, digitisation and IT. The replacement of SBAB's core banking platform is ongoing and is expected to be ready in the first half of 2021. Modern and flexible systems comprises a key component for strengthening SBAB's future competitiveness and its ability to develop digital services and

enhance the digital customer meeting. The number of FTEs increased from 602 to 695 over the year.

Net credit losses totalled SEK 26 million (recoveries: 11). The difference between the periods was partly attributable to a large reversal in the comparative period of previously impaired credit stage 3 loans and partly due to the review of the macroeconomic projections applied in the impairment model ahead of 2019. The revised projections entailed a slightly more negative outlook for the housing market and the review entailed a non-recurring effect at the start of 2019 of around SEK 10 million in increased loss allowances. Moreover, provisions increased around SEK 9 million due to a decline in risk classes for larger individual exposures. Aside from the above effects, the loan portfolio continues to be characterised by low credit risk. Confirmed credit losses amounted to SEK 14 million (11) during the year. For more information on credit losses, please refer to [Notes 3 and 4](#).

Balance sheet overview

SEK million	GROUP		
	31 Dec 2019	30 Sep 2019	31 Dec 2018
ASSETS			
Cash and balances at central banks	5,750	0	0
Chargeable treasury bills, etc.	15,886	27,615	20,904
Lending to credit institutions	417	3,616	2,847
Lending to the public	383,807	378,223	364,215
Bonds and other interest-bearing securities	55,731	55,311	50,945
Total other assets in the balance sheet	13,941	20,097	9,444
TOTAL ASSETS	475,532	484,862	448,355
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	10,528	15,622	6,607
Deposits from the public	130,542	129,986	124,926
Issued debt securities, etc. (funding)	303,597	306,294	290,795
Subordinated debt	4,948	4,949	4,946
Total other liabilities in the balance sheet	4,336	5,594	3,845
Total liabilities	453,951	462,445	431,119
Total equity	21,581	22,417	17,236
<i>Of which, Tier 1 capital instruments</i>	<i>3,500</i>	<i>3,500</i>	<i>1,500</i>
TOTAL LIABILITIES AND EQUITY	475,532	484,862	448,355
CET1 capital ratio, %	12.5	12.2	12.5
Tier 1 capital ratio, %	16.7	16.3	15.1
Total capital ratio, %	19.5	19.2	18.1
Leverage ratio, % ¹⁾	4.15	4.01	3.77
Liquidity coverage ratio (LCR), % ²⁾	271	298	283
Net stable funding ratio (NSFR), % ³⁾	134	138	122

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 is calculating the Net Stable Funding Ratio (NSFR) in accordance with Regulation (EU) 2019/876 of the European Parliament and the Council. Previously, NSFR was calculated pursuant to the Basel regulations. The comparative figures have not been restated according to the new calculation method.

Trend for Q4 2019 compared with Q3 2019

Balance sheet comments

Chargeable treasury bills decreased during the quarter to SEK 15.9 billion (27.6) as a result of lower cash liquidity (volume of Riksbank certificates) as well as the Riksbank's changed method for recognising surplus liquidity, whereupon the Cash and balances at central banks item increased to SEK 5.8 billion (0). Bonds and other interest-bearing securities amounted to SEK 55.7 billion (55.3). Lending to credit institutions decreased to SEK 0.4 billion (3.6), attributable to lower repo volumes within the scope of the normal short-term liquidity management. Lending to the public increased to SEK 383.8 billion (378.2). For more information on Lending to the public, please refer to pages 7–9 and [Note 4](#).

Liabilities to credit institutions decreased to SEK 10.5 billion (15.6) during the quarter, driven by lower volumes for collateral (CSAs) received and lower repo volumes within the scope of the normal short-term liquidity management. Deposits from the public increased to SEK 130.5 billion (130.0), 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 7–9. For information about issued debt securities, please refer to the "Funding" section below. Subordinated debt totalled SEK 4.9 billion (4.9). During the quarter, equity decreased to SEK 21.6 billion (22.4), primarily due to lower other comprehensive income.

Funding

Funding activity was relatively low in Q4 due to the high issue rate in the first six months of the year. The market was generally characterised by rising interest rates during the quarter, as the economic concerns from Q3 decreased slightly in the wake of hopes of a trade agreement between China and the US. During the quarter, the US central bank completed a third key interest rate cut by 0.25% to 1.75%, while the Riksbank chose to leave the negative interest rates by raising the repo rate 0.25% to 0% at the interest-rate meeting in December. Both central bank

decisions were in line with market expectations. Rising stock exchanges were noted together with smaller movements in the credit markets during the quarter.

During the quarter, securities were issued for a total of SEK 12.0 billion (10.5). In parallel, securities were repurchased for SEK 7.1 billion (3.9) and securities amounting to SEK 2.8 billion (20.1) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities outstanding of SEK 2.7 billion to a total of SEK 303.6 billion (306.3). Unsecured funding amounted to SEK 56.8 billion (57.0), of which SEK 6.0 billion (3.0) comprised senior non-preferred bonds, SEK 49.1 billion (50.7) other senior unsecured bonds and SEK 1.7 billion (3.3) commercial paper. Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Secured debt outstanding totalled SEK 246.8 billion (249.3) at the end of the quarter, of which SEK 155.1 billion was in SEK and SEK 91.7 billion was in foreign currencies.

Liquidity position

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 77.6 billion¹⁾ (85.2). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 74.5 billion (81.6).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon totalled 290 days (339), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, at 31 December 2019, the LCR was 271% (298) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 199% (188). The Net Stable Funding Ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 134% (138) 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

According to internal estimates by SBAB, the Swedish FSA's capital requirements are expected to correspond to a CET1 capital ratio of not less than 10.7% and a total capital ratio of not less than 14.9%. SBAB's capital targets²⁾ are thus expected to correspond to a CET1 capital ratio of not less than 11.3% and a total capital ratio of not less than 15.5%.

At the end of the quarter, CET1 capital amounted to SEK 15.1 billion (14.8) and total capital was SEK 23.6 billion (23.3). The risk exposure amount (REA) totalled SEK 120.6 billion (121.2). This corresponded to a CET1 capital ratio of 12.5% (12.2) and a total capital ratio of 19.5% (19.2), which provide a comfortable margin to both internal targets and external requirements from government agencies. Net profit for the period was included in own funds while expected dividends reduced own funds. For more information on SBAB's capital position, please refer to [Notes 10 and 11](#).

The leverage ratio increased and amounted to 4.15% (4.01) at 31 December 2019 as a result of a decrease in the REA and an increase in Tier 1 capital.

For information about the EU's reforms to the Capital Requirements Regulation, the Capital Requirements Directive and the Crisis Management Directive (the banking package) that entered force on 27 June 2019, please refer to [Note 10](#).

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

²⁾ On 23 August 2018, the Swedish FSA decided to amend the method for applying the risk-weight floor for Swedish mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The change means the capital requirement is set as a requirement in Pillar 1. The amendment entered force from 31 December 2018 and applies for two years. Given the above amendment, SBAB's Board has decided to translate the buffer levels, expressed in percentage points, in SBAB's capital targets. After the adjustments, which entered force in parallel with the change on 31 December 2018, SBAB's CET1 capital ratio and total capital ratio must, under normal conditions, amount to not less than 0.6 percentage points above the requirement communicated by the Swedish FSA, which is published in the Swedish FSA's quarterly report on Swedish banks' capital requirements. In nominal terms, this corresponds to a buffer level of 1.5 percentage points before moving the risk-weight floor and is in line with the previous capital targets. For more information, please refer to [Note 10](#).

Other information

SBAB's financial targets from 31 Dec 2018:

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

Effects of IFRS 16 at 1 January 2019

The new IFRS 16 standard has changed the lease classification criteria and entails the recognition of leases as assets with corresponding liabilities in the lessee's balance sheet. On transition on 1 January 2019, SBAB recognised, in its consolidated accounts, a tangible asset with respect to lease contracts identified pursuant to IFRS 16 of SEK 104 million. The asset is based on the sum of the lease liability, which is in turn based on the discounted remaining lease fees. For more information, please refer to [Note 12](#).

Termination of partnerships

SBAB's partnership with ICA Banken regarding the mediation of residential mortgages was terminated as of 30 November 2019 and was thus phased out during

the quarter. ICA Banken's mediated loan portfolio (SEK 19.3 billion at 30 November 2019) remains on SBAB's balance sheet and customer relationships transferred to SBAB after the collaboration ceased.

During the quarter, SBAB and Sparbanken entered into an amendment agreement relating to the parties partnership agreement regarding the mediation of mortgages (SEK 9.7 billion at 31 December 2019). According to the amendment agreement, Sparbanken Syd is entitled to mediate new mortgages on behalf of SBAB until 30 November 2020 at the latest and to acquire the entire loan portfolio, or parts thereof, during the period from 1 July 2020 until 31 December 2023. Further information will be provided in conjunction with the completion of an acquisition by Sparbanken Syd.

Dividend

SBAB's dividend policy entails the payment of an ordinary dividend of not less than 40% of the net profit for the year after taking into account the Group's capital structure. The Board proposes a dividend of 40%, corresponding to SEK 715 million, for 2019.

Events after the end of the period

Changes in Executive Management

During the fourth quarter, Malou Sjörin was appointed as Head of Sustainability,

Marketing and Communication and as a member of Executive Management. She took up her role on 7 January. After the end of the period, on 1 January (as previously notified), Fredrik Stenbeck took up his role as Chief Risk Officer (CRO) and as a member of Executive Management.

Board changes

At an Extraordinary General Meeting on 14 February, Leif Pagrotsky and Johan Prom were elected as new members of SBAB's Board of Directors.

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 is on page 45.

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. Household demand for housing posted a stable trend, underpinned by low interest rates and healthy income levels, despite turbulent housing prices since the end of 2017 and difficulties experienced by certain housing developers in 2018 with selling their newly produced units. For more information on market developments, please refer to page 6. 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 outlook indicates rising interest rates, albeit at a slow rate. This is, in its turn, expected to act as a damper on the price trend for housing. The risks linked to these factors could be amplified if many households have high levels of debt in relation to their disposable incomes. The extensive regulatory changes in the residential mortgage market comprise a further uncertainty factor. Moreover, political decisions, for example changed tax rules, could have major consequences on households' solvency and property values. Recently, new competitors have appeared in the residential mortgage market. In time, increasing competition in the mortgage market could affect the market and mortgage margins. Increased competition arises, inter alia, from the

Mortgage Business Act (2016:1024), which allows residential mortgages to be provided by companies other than banks and which are thus not encompassed by the rules for capital requirements that apply to banks. Such regulatory differences risk creating unfair competition in the market.

Read more about risks and risk management in SBAB's 2018 Annual Report on page 70

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Condensed income statement

SEK million	GROUP				
	2019	2019	2018	2019	2018
	Q4	Q3	Q4	Jan-dec	Jan-Dec
Interest income	1,491	1,493	1,249	5,868	4,924
Interest expense	-614	-632	-401	-2,395	-1,562
Net interest income	877	861	848	3,473	3,362
Commission income	24	23	36	84	90
Commission expense	-26	-18	-18	-98	-139
Net result of financial transactions (Note 2)	-6	4	8	26	-65
Other operating income	8	11	7	36	32
Total operating income	877	881	881	3,521	3,280
Personnel costs	-163	-159	-144	-630	-543
Other expenses	-145	-102	-142	-486	-474
Depreciation, amortisation and impairment of PPE and intangible assets	-19	-19	-11	-71	-32
Total expenses before credit losses	-327	-280	-297	-1,187	-1,049
Profit before credit losses	550	601	584	2,334	2,231
Net credit losses (Note 3)	-10	0	-7	-26	11
Impairment of financial assets	-2	-1	-1	-5	-1
Reversals of impairment of financial assets	2	1	0	5	0
Operating profit	540	601	576	2,308	2,241
Tax	-122	-136	-131	-520	-515
Net profit for the period	418	465	445	1,788	1,726

In Q4 2019, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 1,494 million (1,293) for the Group.

Condensed statement of comprehensive income

SEK million	GROUP				
	2019	2019	2018	2019	2018
	Q4	Q3	Q4	Jan-Sep	Jan-Dec
Net profit for the period	418	465	445	1,788	1,726
Other comprehensive income					
<i>Components that will be reclassified to profit or loss</i>					
Financial assets measured at FVTOCI	-14	-66	135	-56	-63
Changes related to cash-flow hedges, before tax	1,686	1,079	939	1,823	634
Tax attributable to components that will be reclassified to profit or loss	364	-217	-231	-378	-120
<i>Components that will not be reclassified to profit or loss</i>					
Revaluation effects of defined-benefit pension plans, before tax	129	-67	19	-50	-39
Tax attributable to components that will not be reclassified to profit or loss	-27	14	-5	11	8
Other comprehensive income/loss, net of tax	-1,234	743	857	1,350	420
Total comprehensive income/loss for the period	-816	1,208	1,302	3,138	2,146

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 2018 Annual Report, Note [G 1](#).

Condensed balance sheet

SEK million	GROUP	
	31 Dec 2019	31 Dec 2018
ASSETS		
Cash and balances at central banks ¹⁾	5,750	0
Chargeable treasury bills, etc.	15,886	20,904
Lending to credit institutions	417	2,847
Lending to the public (Note 4)	383,807	364,215
Value changes of interest-rate-risk hedged items in macro hedges	-181	99
Bonds and other interest-bearing securities	55,731	50,945
Derivatives (Note 5)	13,087	8,313
Intangible assets	311	234
Property, plant and equipment	139	16
Other assets	56	73
Prepaid expenses and accrued income	529	709
TOTAL ASSETS	475,532	448,355
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	10,528	6,607
Deposits from the public	130,542	124,926
Issued debt securities, etc.	303,597	290,795
Derivatives (Note 5)	1,388	1,339
Other liabilities	376	384
Accrued expenses and deferred income	1,805	1,790
Deferred tax liabilities	579	194
Provisions	188	138
Subordinated debt	4,948	4,946
Total liabilities	453,951	431,119
Equity		
Share capital	1,958	1,958
Reserves/Fair value reserve	1,959	609
Additional Tier 1 instruments	3,500	1,500
Retained earnings	12,376	11,443
Net profit for the period	1,788	1,726
Total equity	21,581	17,236
TOTAL LIABILITIES AND EQUITY	475,532	448,355

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

Condensed statement of changes in equity

GROUP					
SEK million	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year ¹⁾	Total equity
Opening balance, 1 January 2019	1,958	609	1,500	13,169	17,236
Additional Tier 1 instruments	–	–	2,000	–	2,000
Additional Tier 1 instruments, dividend	–	–	–	–103	–103
Dividends paid	–	–	–	–690	–690
Other comprehensive income, net of tax	–	1,350	–	–	1,350
Net profit for the period	–	–	–	1,788	1,788
Comprehensive income for the period	–	1,350	–	1,788	3,138
Closing balance, 31 Dec 2019	1,958	1,959	3,500	14,164	21,581
Opening balance 1 Jan 2018	1,958	189	1,500	12,199	15,846
Additional Tier 1 instruments, dividend	–	–	–	–71	–71
Dividends paid	–	–	–	–684	–684
Other ²⁾	–	–	–	–1	–1
Other comprehensive income, net of tax	–	420	–	–	420
Net profit for the year	–	–	–	1,726	1,726
Comprehensive income for the year	–	420	–	1,726	2,146
Closing balance, 31 Dec 2018	1,958	609	1,500	13,169	17,236

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

²⁾ Other pertains primarily to the revaluation of the liability to the owners of the remaining shares and warrants in the subsidiary Booli Search Technologies AB.

Condensed cash-flow statement

SEK million	GROUP	
	2019	2018
	Jan-Dec	Jan-Dec
Opening cash and cash equivalents	2,847	1,867
OPERATING ACTIVITIES		
Interest and commissions paid/received	3,621	3,494
Outflows to suppliers and employees	-1,116	-1,017
Taxes paid/refunded	-566	-531
Change in assets and liabilities of operating activities	228	-155
Cash flow from operating activities	2,167	1,791
INVESTING ACTIVITIES		
Change in property, plant and equipment	-36	-10
Change in intangible assets	-109	-81
Acquisition of subsidiaries	-	-36
Cash flow from investing activities	145	-127
FINANCING ACTIVITIES		
Dividends paid	-690	-684
Change in Tier 1 capital instrument	2,000	-
Repayment of lease liabilities	-12	-
Cash flow from financing activities	1,298	-684
Increase/decrease in cash and cash equivalents	3,320	980
Closing cash and cash equivalents	6,167	2,847

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 2019	Cash flow	Non-cash items		Closing balance, 31 Dec 2019	Opening balance 1 Jan 2018	Cash flow	Non-cash items		Closing balance, 31 Dec 2018
			Fair value	Other				Fair value	Other	
Subordinated debt	4,946	-	-3	6	4,949	4,942	-	-2	6	4,946
Additional Tier 1 instruments	1,500	2,000	-	-	3,500	1,500	-	-	-	1,500
Total	6,446	2,000	-3	6	8,449	6,442	-	-2	6	6,446

Note 1 | Accounting policies

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

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

Introduction of new accounting standards

IFRS 16 Leases

The new IFRS 16 standard has changed the lease classification criteria. IFRS 16 is applied from 1 January 2019. The new standard entails that all leases (with the exception of short-term and smaller leases) are to be recognised as right-of-use assets with corresponding liabilities in the lessee's balance sheet. The lease payments are recognised in profit or loss as depreciation of the leased asset and as an

interest expense on the lease liability. Moreover, disclosure requirements will apply. The impact on SBAB's reporting stems from the recognition of lease contracts for premises. SBAB has chosen to apply IFRS 16 in the Group when there is no requirement to apply IFRS 16 to legal entities according to RFR 2.

Current property leases have been measured pursuant to IFRS 16, where the lease cost, the lease duration and the discount rate form the most material parameters. SBAB has used the marginal interest rate on borrowing as a discount rate, and it applies for the entire duration of the contract, including any indexing.

On transition on 1 January 2019, SBAB recognised, in its consolidated accounts, a tangible asset with respect to lease contracts identified pursuant to IFRS 16 of SEK 104 million according to the simplified approach, which means that the figures for last year have not been restated.

Other

The company has elected to early adopt the amendments in IFRS 9 due to the forthcoming change in reference rates. This change had no impact on the financial statements. All other accounting policies and calculation methods are unchanged in comparison with the 2018 Annual Report. These consolidated condensed financial statements have been prepared on a going concern basis. On 14 February 2020, the Board of Directors approved the consolidated condensed financial statements for publication.

Note 2 | Net result of financial transactions

SEK million	GROUP				
	2019	2019	2018	2019	2018
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Gains/losses on interest-bearing financial instruments					
– Interest-bearing securities	–34	0	–21	–49	–134
– Change in value of hedged items in hedge accounting	1,178	–485	–246	–590	53
– Realised gain/loss from financial liabilities	–36	–23	–50	–132	–162
– Derivatives in hedge accounting	–1,181	491	254	615	–39
– Other derivatives	60	14	47	111	165
– Loan receivables	8	6	24	70	62
Currency translation effects	–1	1	0	–1	–10
Total	–6	4	8	26	–65

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 3 | Net credit losses

SEK million	GROUP				
	2019	2019	2018	2019	2018
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Lending to the public					
Confirmed credit losses	-2	-6	-4	-14	-11
Recoveries of previously confirmed credit losses	0	2	1	3	2
Change in provision for the period – credit stage 1	2	0	3	-3	1
Change in provision for the period – credit stage 2	-4	1	-3	-1	-5
Change in provision for the period – credit stage 3	1	4	-1	3	25
Guarantees ¹⁾	-7	-1	-1	-8	-1
Net credit losses for the period – lending to the public	-10	0	-5	-20	11
Loan commitments²⁾					
Change in provision for the period – credit stage 1	0	-1	-3	3	-2
Change in provision for the period – credit stage 2	0	1	1	-9	2
Change in provision for the period – credit stage 3	0	0	0	0	0
Net credit losses for the period – loan commitment	0	0	-2	-6	0
Total	-10	0	-7	-26	11

¹⁾ The item includes guarantees for loan commitments.

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

Beyond the revision of the forward-looking information at the start of 2019, no other changes in either method or risk parameters took place during the year. More detailed information about the impairment model is available in SBAB's 2018 Annual Report.

Note 4 | Lending to the public

SEK million	GROUP	
	31 Dec 2019	31 Dec 2018
Opening balance	364,215	335,168
New lending for the year	75,514	74,264
Amortisation, repayments, etc.	-55,907	-45,227
Confirmed credit losses	-14	-11
Change in provision for expected credit losses ¹⁾	-1	21
Closing balance	383,807	364,215

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

DISTRIBUTION OF LENDING, INCLUDING PROVISIONS

SEK million	GROUP	
	31 Dec 2019	31 Dec 2018
Lending, Residential mortgages	291,266	276,734
Lending, Corporate Clients & Tenant-Owners' Associations	89,898	85,287
Lending, Consumer loans	2,287	2,194
Total	383,807	364,215

LENDING TO THE PUBLIC BY CREDIT STAGE

SEK million	GROUP	
	31 Dec 2019	31 Dec 2018
Credit stage 1		
Gross lending	362,317	341,390
Provision	-29	-26
Total	362,288	341,364
Credit stage 2		
Gross lending	21,341	22,689
Provision	-74	-73
Total	21,267	22,616
Credit stage 3		
Gross lending	281	267
Provision	-29	-32
Total	251	235
Total gross lending	383,939	364,346
Total provisions	-132	-131
Total	383,807	364,215

Note 5 | Derivatives

SEK million	GROUP					
	31 Dec 2019			31 Dec 2018		
	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	5,790	1,155	413,808	2,890	858	337,013
Currency-related	7,297	233	110,104	5,423	481	104,386
Total	13,087	1,388	523,912	8,313	1,339	441,399

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

Note 6 | Operating segments

SEK million	GROUP						
	Jan-Dec 2019						
	Follow-up of operations				Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Other	Total	Administrative consultants	IFRS 16 Leases	Statutory profit
Net interest income	2,677	796	–	3,473	–	–	3,473
Commission income	56	28	–	84	–	–	84
Commission expense	–78	–20	–	–98	–	–	–98
Net result of financial transactions	0	23	3	26	–	–	26
Other operating income	36	0	–	36	–	–	36
Total operating income	2,691	827	3	3,521	–	–	3,521
Salaries and remuneration	–308	–74	–	–382	–	–	–382
Other personnel costs	–213	–56	–	–269	21	–	–248
Other expenses	–403	–88	–1	–492	–21	27	–485
Depreciation, amortisation and impairment of PPE and intangible assets	–33	–6	–5	–44	–	–27	–71
Net credit losses	–16	–10	–	–26	–	–	–26
Impairment of financial assets, net	0	0	–	0	–	–	0
Operating profit	1,718	593	–3	2,308	0	0	2,308
Tax	–388	–133	1	–520	–	–	–520
Profit after standardised tax	1,330	460	–2	1,788	0	0	1,788
Return on equity, %	11,8	11,6	–	11,7	–	–	11,7

Cont. **NOTE 6** Operating segments

SEK million	GROUP					
	Jan-Dec 2018					
	Follow-up of operations				Reconciliation against the statutory income statement	
	Retail	Corporate Clients & Tenant-Owners' Associations	Other	Total	Administrative consultants	Statutory profit
Net interest income	2,594	768	–	3,362	–	3,362
Commission income	64	26	–	90	–	90
Commission expense	–122	–17	–	–139	–	–139
Net result of financial transactions	0	23	–88	–65	–	–65
Other operating income	32	0	0	32	–	32
Total operating income	2,568	800	–88	3,280	–	3,280
Salaries and remuneration	–261	–68	–	–329	–	–329
Other personnel costs	–185	–51	–	–236	22	–214
Other expenses	–375	–76	–3	–452	–22	–474
Depreciation, amortisation and impairment of PPE and intangible assets	–28	–4	–	–32	–	–32
Net credit losses	–10	21	–	11	–	11
Impairment of financial assets, net	–1	0	–	–1	–	–1
Operating profit	1,710	622	–91	2,241	0	2,241
Tax	–393	–143	21	–515	–	–515
Profit after standardised tax	1,317	479	–70	1,726	–	1,726
Return on equity, %	12.6	11.7		12.1		12.1

In relation to the statutory income statement, an expense of SEK 21 million (expense:22) 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](#)

Note 7 | Classification of financial instruments

FINANCIAL ASSETS

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

FINANCIAL LIABILITIES

SEK million	GROUP				
	31 Dec 2019				
	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	–	–	10,528	10,528	10,528
Deposits from the public	–	–	130,542	130,542	130,542
Issued debt securities, etc.	–	–	303,597	303,597	307,492
Derivatives	1,019	369	–	1,388	1,388
Other liabilities	–	–	220	220	220
Accrued expenses and deferred income	–	–	1,769	1,769	1,769
Subordinated debt	–	–	4,948	4,958	4,953
Total financial liabilities	1,019	369	451,604	452,992	456,892

Cont. **NOTE 7** Classification of financial instruments**FINANCIAL ASSETS**

GROUP							
31 Dec 2018							
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	–	–	–	–	0	0	0
Chargeable treasury bills, etc.	3,371	–	–	6,180	11,353	20,904	20,900
Lending to credit institutions	–	–	–	–	2,847	2,847	2,847
Lending to the public	–	–	–	–	364,215	364,215	364,857
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	99	99	–
Bonds and other interest-bearing securities	3,866	–	–	35,258	11,821	50,945	50,969
Derivatives	–	8,157	156	–	–	8,313	8,313
Other assets	–	–	–	–	73	73	73
Prepaid expenses and accrued income	76	–	–	406	175	657	657
Total financial assets	7,313	8,157	156	41,844	390,583	448,053	448,616

FINANCIAL LIABILITIES

GROUP						
31 Dec 2018						
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	–	–	6,607	6,607	6,607	
Deposits from the public	–	–	124,926	124,926	124,926	
Issued debt securities, etc.	–	–	290,795	290,795	292,997	
Derivatives	927	412	–	1,339	1,339	
Other liabilities	–	–	174	174	174	
Accrued expenses and deferred income	–	–	1,757	1,757	1,757	
Subordinated debt	–	–	4,946	4,946	4,956	
Total financial liabilities	927	412	429,205	430,544	432,756	

Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2018 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 8 | Fair value disclosures

SEK million	GROUP							
	31 Dec 2019				31 Dec 2018			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	3,672	–	–	3,672	9,551	–	–	9,551
Bonds and other interest-bearing securities	36,166	–	–	36,166	39,124	–	–	39,124
Derivatives	–	13,087	–	13,087	–	8,313	–	8,313
Prepaid expenses and accrued income	267	–	–	267	482	–	–	482
Total	40,105	13,087	–	53,192	49,157	8,313	–	57,470
Liabilities								
Derivatives	–	1,388	–	1,388	–	1,339	–	1,339
Total	–	1,388	–	1,388	–	1,339	–	1,339

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 9 | 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 290 days at 31 December 2019 (339 days at 30 September 2019).

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. At 31 December 2019, the LCR was 271% (298) in all currencies at the consolidated level, and 9,463% (9,996) and 151% (296), respectively, in EUR and USD. Measured in SEK, the LCR was 199% (188).

LIQUIDITY RESERVE

SEK billion		GROUP									
		31 Dec 2019					31 Dec 2018				
		Distribution by currency					Distribution by currency				
		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
Level 1	Level 1 assets	73.8	56.6	11.4	5.8	–	70.3	54.5	11.7	4.1	–
	Cash and balances with central banks ¹⁾	7.0	7.0	–	–	–	3.7	3.7	–	–	–
	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	19.6	13.0	4.1	2.5	–	25.0	16.8	5.8	2.4	–
	Securities issued by municipalites and PSEs	15.0	7.6	4.2	3.2	–	10.8	7.1	2.6	1.1	–
	Extremely high quality covered bonds	32.2	29.0	3.1	0.1	–	30.8	26.9	3.3	0.6	–
	Other assets	–	–	–	–	–	–	–	–	–	–
Level 2	Level 2 assets	3.8	3.3	0.5	–	–	4.0	3.4	0.6	–	–
	Level 2A assets	3.8	3.3	0.5	–	–	4.0	3.4	0.6	–	–
	Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	–	–	–	–	–	–	–	–	–	–
	High quality covered bonds	3.8	3.3	0.5	–	–	4.0	3.4	0.6	–	–
	Corporate debt securities (lowest rating AA-)	–	–	–	–	–	–	–	–	–	–
	Other assets	–	–	–	–	–	–	–	–	–	–
	Level 2B assets	–	–	–	–	–	–	–	–	–	–
	Asset-backed securities	–	–	–	–	–	–	–	–	–	–
	High quality covered bonds	–	–	–	–	–	–	–	–	–	–
	Corporate debt securities (rated A+ to BBB-)	–	–	–	–	–	–	–	–	–	–
	Shares (major stock index)	–	–	–	–	–	–	–	–	–	–
	Other assets ¹⁾	–	–	–	–	–	–	–	–	–	–
Liquidity reserve		77.6	59.9	11.9	5.8	–	74.3	57.9	12.3	4.1	–

¹⁾ Includes central bank facilities

Note 10 | Capital adequacy, own funds and capital requirements

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

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

CAPITAL ADEQUACY¹⁾

SEK million	CONSOLIDATED SITUATION	
	31 Dec 2019	31 Dec 2018
CET1 capital	15,115	14,263
Tier 1 capital	20,115	17,263
Total capital	23,567	20,713
Risk exposure amount	120,571	114,141
CET1 capital ratio, %	12.5	12.5
Excess ²⁾ of CET1 capital	9,689	9,127
Tier 1 capital ratio, %	16.7	15.1
Excess ²⁾ of Tier 1 capital	12,880	10,415
Total capital ratio, %	19.5	18.1
Excess ²⁾ of total capital	13,921	11,582

¹⁾ From the end of 2018, the risk-weight floor for residential mortgages has affected risk exposure amount, excess capital and capital ratios.

²⁾ Excess capital has been calculated based on minimum requirements (without buffer requirements)

Cont. **NOTE 10** Capital adequacy, own funds and capital

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

OWN FUNDS

SEK million	CONSOLIDATED SITUATION	
	31 Dec 2019	31 Dec 2018
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	12,360	11,443
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	1,959	609
Additional Tier 1 instruments	3,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend ¹⁾	1,085	1,041
CET1 capital before regulatory adjustments	20,862	16,551
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-55	-59
Intangible assets (net of related tax liability) (negative amount)	-188	-126
Fair value reserves related to gains or losses on cash-flow hedges	-1,921	-488
Negative amounts resulting from the calculation of expected loss amounts	-64	-50
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-19	-65
Additional Tier 1 instruments in equity	-3,500	-1,500
Total regulatory adjustments to CET1 capital	-5,747	-2,288
CET1 capital	15,115	14,263
Additional Tier 1 capital: Instrument		
Capital instruments and the related share premium accounts	5,000	3,000
<i>of which, classified as equity under applicable accounting standards</i>	3,500	1,500
<i>of which, classified as liabilities under applicable accounting standards</i>	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-
Additional Tier 1 capital before regulatory adjustments	5,000	3,000
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	5,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	20,115	17,263
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	3,447	3,447
Credit risk adjustments	5	3
Tier 2 capital before regulatory adjustments	3,452	3,450
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	3,452	3,450
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	23,567	20,713
Total risk-weighted assets	120,571	114,141

Cont. **NOTE 10** Capital adequacy, own funds and capital

SEK million	CONSOLIDATED SITUATION	
	31 Dec 2019	31 Dec 2018
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	12.5	12.5
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	16.7	15.1
Total capital (as a percentage of total risk-weighted exposure amount), %	19.5	18.1
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	9.5	9.0
<i>of which, CET1 capital, minimum requirement, %</i>	4.5	4.5
<i>of which, capital conservation buffer requirement, %</i>	2.5	2.5
<i>of which, countercyclical buffer requirement, %</i>	2.5	2.0
<i>of which, systemic risk buffer requirement, %</i>	–	–
<i>of which, G-SII buffer and O-SII buffer, %</i>	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	8.0	8.0
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

¹⁾ Net profit for the year was reduced by the expected dividend of SEK 715 million. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

Cont. **NOTE 10** Capital adequacy, own funds and capital

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 since 31 March 2019 introduced a REA surcharge of SEK 792 million under Pillar 1.

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

SEK million	CONSOLIDATED SITUATION			
	31 Dec 2019		31 Dec 2018	
	REA	Capital requirement	REA	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	13,415	1,073	12,128	970
Retail exposures	12,021	962	12,096	968
<i>of which, exposures to SMEs</i>	834	67	829	67
<i>of which, retail exposures secured by immovable property</i>	11,187	895	11,267	901
Total exposures recognised with the IRB approach	24,436	2,035	24,224	1,938
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to institutions ¹⁾	4,079	326	3,777	302
<i>of which, derivatives according to CRR, Appendix 2</i>	4,057	324	3,776	302
<i>of which, repos</i>	21	2	0	0
<i>of which, other</i>	1	0	1	0
Retail exposures	2,253	180	2,236	179
Exposures in default	7	1	10	1
Exposures in the form of covered bonds	3,674	294	3,593	287
Exposures to institutions and corporates with a short-term credit rating	21	2	16	1
Equity exposures	1,266	101	1,116	89
Other items	218	18	227	18
Total exposures recognised with standardised approach	11,518	922	10,975	877
Market risk	462	37	999	80
<i>Of which, position risk</i>	–	–	–	–
<i>Of which, currency risk</i>	462	37	999	80
Operational risk	4,854	388	4,339	347
<i>Of which, standardised approach</i>	4,854	388	4,339	347
Credit valuation adjustment risk (CVA risk)	2,396	192	2,885	231
Additional requirements under Article 458 of the CRR	75,113	6,009	70,719	5,658
Additional requirements under Article 3 of the CRR	792	63	–	–
Total risk exposure amount and minimum capital requirements	120,571	9,646	114,141	9,131
Capital requirements for capital conservation buffer		3,014		2,854
Capital requirements for countercyclical buffer		3,003		2,266
Total capital requirements		15,663		14,251

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to 4,078 xxx million (3,776).

Note 11 | 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 Consolidated situation amounted to SEK 16,970 million (SEK 16,052 million at 31 December 2018). The internal capital requirement is assessed using SBAB's internal models for economic capital and is not fully comparable to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumptions and methodologies. SBAB estimates that the Swedish FSA's expected total capital requirement as of 31 December 2019 amounts to SEK

17,912 million, of which SEK 2,249 million comprised capital requirement in Pillar 2. The SBAB quantifies the capital requirement for the risks using a model for economic capital within the scope of the internal capital adequacy assessment process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period. The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

		CONSOLIDATED SITUATION			
		31 Dec 2019		31 Dec 2018	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %
Pillar 1	Credit risk & CVA risk	3,149	2.6	3,046	2.6
	Market risk	37	0.0	80	0.1
	Operational risk	388	0.3	347	0.3
	Risk-weight floor ¹⁾	6,009	5.0	5,658	5.0
	Surcharge, corporate exposures ²⁾	63	0.1	–	–
	Total Pillar 1	9,646	8.0	9,131	8.0
Pillar 2	Credit risk ³⁾	–	–	–	–
	Market risk	280	0.2	781	0.7
	Operational risk	–	–	–	–
	Concentration risk	951	0.8	968	0.8
	Sovereign risk	65	0.1	52	0.1
	Pension risk	11	0.0	–	–
	Total Pillar 2	1,307	1.1	1,801	1.6
Buffers	Capital conservation buffer	3,014	2.5	2,854	2.5
	Capital planning buffer	–	–	–	–
	Countercyclical buffer	3,003	2.5	2,266	2.0
	Total Buffers	6,017	5.0	5,120	4.5
Total		16,970	14.1	16,052	14.1
Total own funds		23,567	–	20,713	–

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

Note 12 | Effect of changes in accounting policies

TRANSITION EFFECT OF INITIAL APPLICATION OF IFRS 16 IN THE BALANCE SHEET, 1 JANUARY 2019

SEK million	GROUP		IFRS 16
	Previous accounting policies, IAS 17	Transition effect, IFRS 16	
ASSETS			
Cash and balances at central banks	0	–	0
Chargeable treasury bills, etc.	20,904	–	20,904
Lending to credit institutions	2,847	–	2,847
Lending to the public	364,215	–	364,215
Value changes of interest-rate-risk hedged items in macro hedges	99	–	99
Bonds and other interest-bearing securities	50,945	–	50,945
Derivatives	8,313	–	8,313
Intangible assets	234	–	234
Property, plant and equipment	16	104	120
Other assets	73	–	73
Prepaid expenses and accrued income	709	–7	702
TOTAL ASSETS	448,355	97	448,452
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	6,607	–	6,607
Deposits from the public	124,926	–	124,926
Issued debt securities, etc.	290,795	–	290,795
Derivatives	1,339	–	1,339
Other liabilities	384	97	481
Accrued expenses and deferred income	1,790	–	1,790
Deferred tax liabilities	194	–	194
Provisions	138	–	138
Subordinated debt	4,946	–	4,946
Total liabilities	431,119	97	431,216
Equity			
Share capital	1,958	–	1,958
Reserves/Fair value reserve	609	–	609
Additional Tier 1 instruments	1,500	–	1,500
Retained earnings	11,443	–	11,443
Net profit for the year	1,726	–	1,726
Total equity	17,236	–	17,236
TOTAL LIABILITIES AND EQUITY	448,355	97	448,452

In the Annual Report 2018, SBAB disclosed future contractual rent payments of SEK 330 million in accordance with IAS 17. The transition to IFRS 16 has entailed the recognition of a material asset of SEK 104 million in the balance sheet. The difference between IAS 17 and IFRS 16 primarily pertains to a longer rental agreement with planned occupancy at the end of 2020 and variable rental expenses.

In 2018, SBAB completed extensive analysis of all of the Group's agreements. This work has been conducted in project form together with stakeholders from various units at SBAB. The project has brought in external accounting specialists to help with quality assurance and interpretations of IFRS 16. A decision was taken within

the project that the property leases for premises, which were classified as operating leases under IAS 17, are subject to SBAB's application of IFRS 16. Short-term contracts of less than 12 months and low-value contracts of less than USD 5,000 are exempted from this application. Current property leases are measured pursuant to IFRS 16, where the lease cost, the lease duration and the discount rate form the most material parameters. SBAB uses the marginal interest rate on borrowing as a discount rate, and it applies for the entire duration of the contract, including any indexing.

Parent Company

Trend for January–December 2019 compared with January–December 2018

The operating profit for the period was SEK 4,056 million (186) mainly as a result of the retroactive dividend of SEK 3 billion from the subsidiary SCBC during the beginning of 2019, but also a higher net interest income and higher other operating income. Net interest income rose to SEK 640 million (293), primarily attributable to an upswing in customer and market rates as well as lower guarantee fees. Net commission income decreased to SEK 53 million (75), primarily due to lower commission income from insurance mediation. Net income from financial transactions increased to SEK 11 million (expense: 45) and was mainly attributable to the revaluation of credit risk in derivatives. Other

operating income rose to SEK 1,043 million (896), and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses grew to SEK 1,216 million (1,069), mainly due to higher personnel and IT costs. Credit losses totalled SEK 14 million (recoveries: 37), mainly as a result of the internal movement of credit impaired loans from SBAB to SCBC due to the transition to IFRS 9 and recoveries of previous impairments during the comparative period. Lending to the public amounted to SEK 24,9 billion (24,8). Deposits from the public amounted to SEK 130.5 billion (124,9). The CET1 capital ratio was 23.5% (17.6) and the total capital ratio was 45.9% (35.3). The internally assessed capital requirement was SEK 6,286 million (5,899).

Consolidated income statement

SEK million	PARENT COMPANY				
	2019	2019	2018	2019	2018
	Q4	Q3	Q4	Jan–Dec	Jan–Dec
Interest income	519	495	382	1,962	1,399
Interest expense	–334	–337	–288	–1,322	–1,106
Net interest income	185	158	94	640	293
Dividends received	539	–	–	3,539	–
Commission income	25	23	39	89	100
Commission expense	–11	–7	–6	–36	–25
Net result of financial transactions	3	6	1	11	–45
Other operating income	286	247	250	1,043	896
Total operating income	1,027	427	378	5,286	1,219
Personnel costs	–162	–155	–143	–620	–533
Other expenses	–171	–122	–153	–579	–525
Depreciation, amortisation and impairment of PPE and intangible assets	–5	–6	–4	–17	–11
Total expenses before credit losses	–338	–283	–300	–1,216	–1,069
Profit/loss before credit losses	689	144	78	4,070	150
Net credit losses	–3	–1	–7	–14	37
Impairment of financial assets	–2	1	–1	–5	–1
Reversals of impairment of financial assets	2	1	0	5	0
Operating profit	686	143	70	4,056	186
Tax	–153	–38	–20	–254	–63
Net profit for the period	533	105	50	3,802	123

Consolidated statement of comprehensive income

SEK million	PARENT COMPANY				
	2019	2019	2018	2019	2018
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Net profit/loss for the period	533	105	50	3,802	123
Other comprehensive income					
<i>Components that will be reclassified to profit or loss</i>					
Financial assets measured at FVTOCI	-14	-66	136	-56	-63
Changes related to cash-flow hedges	-136	36	117	75	142
Tax attributable to components that will be reclassified to profit or loss	32	7	-53	-4	-15
Other comprehensive income/loss, net of tax	-118	-23	200	15	64
Total comprehensive income for the period	415	82	250	3,817	187

In Q4 2019, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 506 million (385) for the Parent Company.

Consolidated balance sheet

SEK million	PARENT COMPANY	
	31 Dec 2019	31 Dec 2018
ASSETS		
Cash and balances at central banks	5,750	0
Chargeable treasury bills, etc.	15,886	20,904
Lending to credit institutions (Note 13)	102,596	93,262
Lending to the public	24,871	24,845
Bonds and other interest-bearing securities	55,731	50,945
Derivatives	13,354	8,762
Shares and participations in Group companies	10,401	10,389
Intangible assets	24	26
Property, plant and equipment	39	15
Other assets	556	47
Prepaid expenses and accrued income	627	740
TOTAL ASSETS	229,835	209,935
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	10,527	6,607
Deposits from the public	130,542	124,926
Issued debt securities, etc.	56,823	56,021
Derivatives	12,320	7,964
Other liabilities	432	303
Accrued expenses and deferred income	347	302
Deferred tax liabilities	62	62
Provisions	13	7
Subordinated debt	4,948	4,946
Total liabilities	216,014	201,138
Equity		
Restricted equity		
Share capital	1,958	1,958
Statutory reserve	392	392
Total restricted equity	2,350	2,350
Unrestricted equity		
Fair value reserve	237	222
Additional Tier 1 instruments	3,500	1,500
Retained earnings	3,932	4,602
Net profit for the period	3,802	123
Total unrestricted equity	11,471	6,447
Total equity	13,821	8,797
TOTAL LIABILITIES AND EQUITY	229,835	209,935

Note 13 | Lending to credit institutions

Of the Parent Company's lending to credit institutions at 31 December 2019, SEK 102,180 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkertställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 90,414 million at the end of 2018. 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

CAPITAL ADEQUACY¹⁾

SEK million	PARENT COMPANY	
	31 Dec 2019	31 Dec 2018
CET1 capital	8,815	6,398
Tier 1 capital	13,815	9,398
Total capital	17,262	12,845
Risk exposure amount	37,573	36,404
CET1 capital ratio, %	23.5	17.6
Excess ²⁾ of CET1 capital	7,124	4,760
Tier 1 capital ratio, %	36.8	25.8
Excess ²⁾ of Tier 1 capital	11,560	7,214
Total capital ratio, %	45.9	35.3
Excess ²⁾ of total capital	14,256	9,933

¹⁾ From the end of 2018, the risk-weight floor for residential mortgages has affected risk exposure amount, excess capital and capital ratios.

²⁾ Excess capital has been calculated based on minimum requirements (without buffer requirements)

Cont. **NOTE 14** Capital adequacy, own funds and capital requirements — Parent

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

OWN FUNDS

SEK million	PARENT COMPANY	
	31 Dec 2019	31 Dec 2018
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	4,324	4,993
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	237	222
Additional Tier 1 instruments	3,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend ¹⁾	2,548	-567
CET1 capital before regulatory adjustments	12,567	8,106
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-76	-76
Intangible assets (net of related tax liability) (negative amount)	-24	-25
Fair value reserves related to gains or losses on cash-flow hedges	-91	-31
Negative amounts resulting from the calculation of expected loss amounts	-42	-11
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-19	-65
Additional Tier 1 instruments in equity	-3,500	-1,500
Total regulatory adjustments to CET1 capital	-3,752	-1,708
CET1 capital	8,815	6,398
Additional Tier 1 capital: Instruments		
Capital instruments and the related share premium accounts	5,000	3,000
<i>of which, classified as equity under applicable accounting standards</i>	3,500	1,500
<i>of which, classified as liabilities under applicable accounting standards</i>	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-
Additional Tier 1 capital before regulatory adjustments	5,000	3,000
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	5,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	13,815	9,398
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	3,447	3,447
Credit risk adjustments	-	-
Tier 2 capital before regulatory adjustments	3,447	3,447
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	3,447	3,447
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	17,262	12,845
Total risk-weighted assets	37,573	36,404

Cont. **NOTE 14** Capital adequacy, own funds and capital requirements — Parent

SEK million	PARENT COMPANY	
	31 Dec 2019	31 Dec 2018
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	23.5	17.6
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	36.8	25.8
Total capital (as a percentage of total risk-weighted exposure amount), %	45.9	35.3
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), %	9.5	9.0
<i>of which, CET1 capital, minimum requirement, %</i>	4.5	4.5
<i>of which, capital conservation buffer requirement, %</i>	2.5	2.5
<i>of which, countercyclical buffer requirement, %</i>	2.5	2.0
<i>of which, systemic risk buffer requirement, %</i>	–	–
<i>of which, G-SII buffer and O-SII buffer, %</i>	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	19.0	13.1
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

¹⁾ The year-end result has been effected by extra dividend of SEK 3,000 million, paid by SCBC to the Parent Company. The year-end result was also reduced by the expected dividend of SEK 715 million based on Q4 2019. Furthermore, the results have been reduced by group contribution from SCBC of SEK 539 million, which will be paid by SCBC first during 2020. The interim results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

Cont. **NOTE 14** Capital adequacy, own funds and capital requirements — Parent

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

SEK million	PARENT COMPANY			
	31 Dec 2019		31 Dec 2018	
	REA	Capital requirement	REA	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	7,475	598	7,087	567
Retail exposures	747	60	743	59
<i>of which, exposures to SMEs</i>	70	6	59	5
<i>of which, retail exposures secured by immovable property</i>	677	54	684	54
Total exposures recognised with the IRB approach	8,222	658	7,830	626
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to institutions ¹⁾	4,034	323	3,751	300
<i>of which, derivatives according to CRR, Appendix 2</i>	3,993	319	3,723	298
<i>of which, repos</i>	–	–	–	–
<i>of which, other</i>	41	3	28	2
Retail exposures	2,253	180	2,236	179
Exposures in default	6	0	10	1
Exposures in the form of covered bonds	3,674	294	3,593	287
Exposures to institutions and corporates with a short-term credit rating	21	2	16	1
Equity exposures	11,566	925	11,416	913
Other items	107	9	83	7
Total exposures recognised with standardised approach	21,661	1,733	21,105	1,688
Market risk	94	8	248	20
<i>Of which, position risk</i>	–	–	–	–
<i>Of which, currency risk</i>	94	8	248	20
Operational risk	1,813	145	1,412	113
<i>Of which, standardised approach</i>	1,813	145	1,412	113
Credit valuation adjustment risk (CVA risk)	2,230	178	2,765	221
Additional requirements under Article 458 of the CRR	3,377	270	3,044	244
Additional requirements under Article 3 of the CRR	176	14	–	–
Total minimum capital requirements and risk exposure amount	37,573	3,006	36,404	2,912
Capital requirements for capital conservation buffer		939		910
Capital requirements for countercyclical buffer		935		722
Total capital requirements		4,880		4,544

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,993 million (3,723).

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

Stockholm, 14 February 2020

Signature on Swedish original

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

This information was submitted for publication on 14 February 2020 at 12:00 (CET).



Financial calendar

Interim Report Jan-Mar 2020	29 April 2020
Interim Report Jan-Jun 2020	17 July 2020
Interim Report Jan-Sep 2020	23 October 2020
Year-end Report 2020	11 February 2021

The Annual General Meeting will be held 28 April 2020 in Solna.

Credit rating

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

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.

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.

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 billion	GROUP	
	31 Dec 2019	31 Dec 2018
Deposits from the public	130,542	124,926
Lending to the public	383,807	364,215
Deposits/lending, %	34.0	34.3

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	
	31 Dec 2019	31 Dec 2018
Credit losses	-26	11
Lending to the public	383,807	364,215
Credit loss ratio, %	-0.01	0.00

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	
	Jan-Dec 2019	Jan-Dec 2018
Operating profit after tax	1,788	1,726
Average equity	15,280 ¹⁾	14,283 ²⁾
Return on equity, %	11.7	12.1

¹⁾ Average equity has been adjusted for the dividend of SEK 690 million for 2018.

²⁾ Average equity has been adjusted for the dividend of SEK 684 million for 2017.

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	
	Jan-Dec 2019	Jan-Dec 2018
Net interest income	3,473	3,362
Average balance sheet total	461,944	432,571
Net interest margin, %	0.75	0.78

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	
	Jan-Dec 2019	Jan-Dec 2018
Total expenses before credit losses	-1,187	-1,049
Total operating income	3,521	3,280
C/I ratio, %	33.7	32.0

Definitions of other key performance indicators

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

Auditors' review report

Introduction

We have reviewed the year-end report for SBAB Bank AB (publ) for the period 1 January – 31 December 2019. The Board of Directors and the CEO are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this year-end report based on our review.

Scope of review

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

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

Conclusion

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

accordance the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 14 February, 2020

Deloitte AB

Signature on Swedish original

Patrick Honeth

Authorised Public Accountant