

# Interim report

January–March 2021



# The quarter in brief

## Q1 2021

(Q4 2020)

- Continued strong growth in total lending, which increased 2.5% to SEK 433.5 billion (422.8). For the period December 2020 to February 2021, SBAB's market share of growth for mortgages was 13.5%, compared with SBAB's total market share for mortgages of 8.52%. → [Read more on page 10](#)
- Record highs set for operating profit and net interest income. Operating profit grew 17.6% to SEK 728 million (619). Net interest income grew 3.1% to SEK 1,041 million (1,010). → [Read more on page 15](#)
- Credit losses remained low and amounted to recoveries of SEK 9 million during the first quarter of 2021 (recovery: 2). → [Read more on pages 6 and 15](#).
- The return on equity amounted to 12.7% (11.1), the C/l ratio was 31.0% (39.5) and C/L 0.30% (0.39). → [Read more on page 14](#)
- SBAB finished fourth in the big companies category for the third consecutive year in Great Place to Work's ranking and list of Sweden's top workplaces. → [Read more on page 4](#)



Total lending, SEK bn

433.5

Total deposits, SEK bn

136.5

12.7%

Return on equity

13.1%

CET1 capital ratio

0.01%

Credit loss ratio

0.30%

C/L ratio

31.0%

C/l ratio

## Selected key metrics

	GROUP					
	2021		2020		Change	
	Q1	Q4	Jan-Mar	Jan-Mar		
Total lending, SEK bn	433.5	422.8	+2.5%	433.5	389.3	+11.4%
Total deposits, SEK bn	136.5	135.7	+0.6%	136.5	128.7	+6.1%
Net interest income, SEK million	1,041	1,010	+3.1%	1,041	885	+17.6%
Net result of financial transactions, SEK million	-15	11	-26 mn	-15	-55	40 mn
Expenses, SEK million	-323	-402	-20%	-323	-311	+3.9%
Credit losses, SEK million	9	2	-7 mn	9	-27	-36 mn
Operating profit, SEK million	728	619	+17.6%	728	485	+50.1%
Return on equity, %	12.7	11.1	+1.6 pp	12.7	9.2	+3.5 pp
C/L ratio, %	0.30	0.39	-0.09 pp	0.30	0.32	-0.02 pp
C/l ratio, %	31.0	39.5	-8.5 pp	31.0	37.7	-6.7 pp
CET1 capital ratio, %	13.1	13.4	-0.3 pp	13.1	12.7	+0.4 pp

# This is SBAB

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



## Vision

To offer the best residential mortgages in Sweden



## Mission

To contribute to better housing and household finances

## Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search engine and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. We meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.52% at 28 February 2021, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se has Sweden's largest offering of homes for sale.

→ Read more on page 12

**SBAB!**

**hittamäklare!**  
A service by SBAB

**booli!**  
A service by SBAB

## Corp. & ToA business area

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to companies and organisations. We finance multi-family dwellings, existing as well as new construction. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to companies (residential properties) was 13.13% at 28 February 2021. At the same time, the market share for lending to tenant-owners' associations was 10.12%.

→ Read more on page 15



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



# Statement from the CEO



In terms of growth and earnings, 2021 started even stronger than how 2020 ended. Demand for residential mortgages was very strong during the quarter, exceeding our predictions. Demand for property loans was also good. Our market shares increased in residential mortgages as well as in property loans. The coronavirus pandemic, in combination with the subsequent financial stimulus and low interest rates, continues to affect the housing market, entailing rising prices and increased demand for larger homes.

## A strong start to the year

The SBAB brand enjoys a high level of trust as well as a high level of recognition in the residential mortgage market. We know this from external research and from our own. For a large portion of the general public, we are the preferred choice for residential mortgages, which results in a strong stream of applications when there are many housing transactions in the market. Booli, our search engine for housing with Sweden's largest collected offering of homes for sale, continues to grow and capture market shares. The number of unique visitors to Booli reached a monthly record of 1,600,000 during the quarter. Demand for mortgages from SBAB was so strong during the quarter that our capacity was challenged, which entailed that we postponed ongoing and planned activities for marketing and communication to ensure availability and service.

During the first quarter, our total lending increased to SEK 433.5 billion, a 2.5% increase compared to the previous quarter and a 11.4% increase compared

to the previous year. Within residential mortgages, our lending increased 2.3%, or SEK 7.2 billion, to SEK 318 billion. In January and February, our market share for new lending for residential mortgages was 17.3% and 13.7%, respectively. This means that our total market share for residential mortgages increased to

8.52% at 28 February 2021 (8.47% at 31 December). Despite moderately rising loan-to-value (LTV) and gearing ratios in new lending for residential mortgages, we assess credit risks as low. Confirmed credit losses during the quarter were very low, totalling 0.00% of total lending. During the quarter

we also increased our market shares in residential lending to property companies and to tenant-owners' associations to 13.13% at 28 February 2021 (13.10% at 31 December 2020) and 10.12% at 28 February (10.06% at 31 December 2021), respectively.

Our key metrics for the quarter were strong and included record figures for net interest income and operating profit. Our lending margins were stable during

the quarter but were largely stable. Competition in the market is intense for certain customer groups and segments, and our assessment is therefore that lending margins during the year as a whole, will be under pressure and decline, despite the high demand for housing finance. Long market interest rates rose during the quarter due to increased expectations of inflation, which in turn stem from the expansionary monetary and fiscal policies implemented by the world's major economies in the shadow of the coronavirus pandemic. Higher market interest rates also entailed increased funding costs, which is why we raised the listed rates for residential mortgages with longer fixed-interest periods during the quarter. Nonetheless, our rates remain very competitive.

## Sustainability and societal responsibility

Sustainability is fully integrated into our governance model on two fronts. The first is making our overall objectives the same as our sustainability management, where the objectives of transparency in the customer offering and equality in the workplace as well as profitability have the same focus. The second is clear





governance of our operations to promote societal development by using our business to contribute to the four Sustainable Development Goals we have chosen to prioritise from the 2030 Agenda for sustainable development: goals 8, 11, 12 and 13.

A good example of how we contribute to better societal development is our work in an industry-wide initiative for a more sustainable construction industry. Financial crime and illegal labour in the construction industry have significant negative effects for society. The initiative was announced on 14 April, after the end of the quarter, in a press release from SBAB and the other participating banks. We have been a driving force in this initiative since 2018, which has now resulted in an agreement between the major banks in Sweden who finance construction. We will implement more stringent requirements when lending, which we developed in collaboration with the construction industry to prevent financial crime

# #4



and the use of illegal labour. This will help create a more sustainable construction industry.

#### An attractive workplace

During the quarter, we were ranked as Sweden's fourth best workplace in the Large Organisations category by Great Place to Work. This is the third consecutive year that we have been one of the top workplaces in Sweden. Fantastic results. This is the result of a determined effort by all of us at SBAB over the last six years to become a strong company driven by clear values and purpose that motivate and engage us.

Being an attractive workplace is essential for long-term competitiveness and profitability. It is also essential for enabling diversity and successful recruiting as well as retaining and developing talent at SBAB. At SBAB, our motivation, commitment and discipline allow us to take the extra step necessary to create a world-class customer experience, which creates growth and thus profitabil-

ity. Of course we will never finish but we succeed very well.

#### Impressive commitment

I would like to take this opportunity to pay tribute to all of my fantastic colleagues. That together we have managed to take SBAB to new heights, despite the difficult circumstances and challenges of the ongoing pandemic, is nothing less than impressive. I hope that we won't need to keep telling each other "This will be over soon" for much longer.

Look after yourself

**Klas Danielsson**  
CEO

# Information due to the coronavirus pandemic



The spread of Covid-19 is creating great human suffering all around the world and its progression has substantially disrupted the economy. The long-term economic consequences depend on the duration of the crisis. Unlike previous viruses, such as MERS and SARS, Covid-19 has a broad global spread, which is likely to have greater adverse socio-economic effects compared with previous virus outbreaks. The extent of the final impact depends on the measures taken by governments, central banks and other agencies, among other actions.

→ Please refer to SBAB's 2020 Annual Report for a summary of the measures taken by government agencies.

## Effects on Sweden's economy and housing market

The GDP's recovery after its fall during the initial stages of the coronavirus pandemic in spring 2020 continued during the first quarter of 2021, albeit at a slower pace.

The housing market has shown a high level of resilience in the face of the pandemic. For a short period in 2020, turnover and prices declined, but afterwards turnover resembled a typical year and a broad uptick was noted in prices in all parts of the country and for all forms of housing. → Read more on page 8.

## Initiatives to help SBAB's customers

During the first quarter of 2021, SBAB continued to focus on supporting all of its customer categories with credits, with the aim of contributing to a well-functioning housing market. New lending for the January–March 2021 period amounted to SEK 25.1 billion (26.4).

SBAB is offering its residential mortgage customers a temporary pause in mortgage amortisation in accordance with the guidelines of the Swedish FSA. At 31 March 2021, around 19,500 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation relief, corresponding to an underlying residential mortgage volume of about SEK 44 billion. At the same date and as a result of the coronavirus pandemic, 55 consumer loan

customers, and eight corporate client and tenant-owners' association customers had been granted amortisation exemption, corresponding to a volume of about SEK 8 million and SEK 316 million, respectively. More information about amortisation relief is available on SBAB's [website](#).

## SBAB's financial position

SBAB's earnings trend and lending growth remained healthy in the first quarter of 2021. The balance sheet is strong, and the capital and liquidity buffers are assessed as robust. SBAB is monitoring ongoing developments with the coronavirus pandemic and implementing measures in accordance with the applicable recommendations of the relevant government agencies.

## Credit quality

SBAB's lending to the public increased 2.5% during the quarter to SEK 433.5 billion. SBAB has no exposure to particularly vulnerable sectors and additionally has extremely limited exposure in terms of unsecured corporate lending and lending on commercial premises, such as offices and warehouses. SBAB's exposure to corporate lending for commercial purposes was SEK 2.2 billion at 31 March 2021, which is unchanged since the end of 2020. The credit quality in SBAB's loan portfolio is assessed as good. The Swedish FSA's annual mortgage market survey, with data from 2019, also found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages in a worse economic climate. The healthy

level of resilience indicates limited risk for mortgages leading to extensive credit losses for the banks. In previous economic crises in Sweden, banks' credit losses linked to residential mortgages and housing finance have been limited.

SBAB is carefully monitoring developments and making ongoing assessments and analyses of the credit risks in lending. As a result of the coronavirus pandemic and in accordance with the existing accounting standard (IFRS 9), in the first quarter of 2021 SBAB revised the forward-looking information applied in the impairment model for calculating expected credit losses. The new projections have led to unwinding of credit loss allowances of SEK 9 million due to a somewhat more positive outlook for the housing market and the economic development in Sweden compared with earlier forecasts. → Read more on pages 15 and 27–29.

## Lending growth

As a significant credit provider, it is important in crisis situations that SBAB acts to facilitate and maintain the provision of credit in the market. SBAB's long-term strategy remains firm and the company's ambition is to continue to grow and capture market shares. The market growth rate for residential mortgages to households continued to rise during the first quarter of the year to almost 6% at an annualised rate.

→ Read more on page 9.

For information about Financing, Funding, Deposits, Liquidity and Capitalisation, refer to → page 17

# Market overview

## Swedish economy

The GDP's recovery after its fall during the initial stages of the coronavirus pandemic in spring 2020 continued during the first quarter of 2021, albeit at a slower pace. For the economy as a whole, the recovery is not quite yet complete. However, there are certain segments that are already growing even compared to before the pandemic, such as goods manufacturers like construction and industry. Even if household consumption performed relatively robustly during the quarter, there is still some ways to go before reaching the level of previous years. This applies primarily to consumption in industries like restaurants, coffee shops, travel, hotels and other overnight services.

Increased activity in the economy and rising production have not led to a significant reduction in unemployment. This is due in part to the fact that many of the hardest-hit industries require a lot of staff. Companies have shown restraint when it comes to investments during the last year and recruitment has not been a high priority. Ongoing problems within the business sector have spurred the government to extend many of the support measures beyond the current year. According to our forecast, however, growth will be

much stronger during the second half of the year, when many countries will have vaccinated most of their populations.

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

## Fixed-income market

After approximately a year and a half of historically low interest rates, 2021 started off with rising interest rates, especially for longer maturities.

The change was triggered more or less by a rapid increase in interest rates in long government bonds in the USA, followed by a discussion of expansionary financial and monetary policies, such as dawning inflation. The relatively high inflation during the beginning of 2021 can be explained by short-term effects such as a changes in consumption patterns and the Swedish market basket, as well as relatively high prices compared with the low prices of the first half of the previous year.

During the coronavirus pandemic, the Riksbank chose to hold the repo rate at 0% and instead focused on other measures to support economic development, such as purchasing bonds. The argument behind the strategy has been to ensure well-functioning financial markets, and

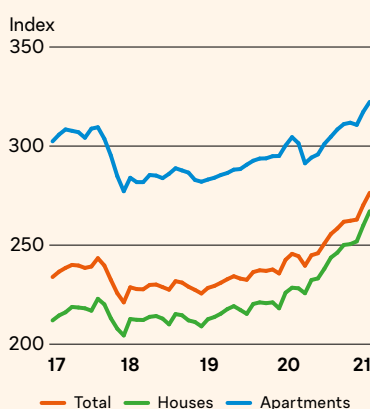
under the prevailing circumstances it is difficult to affect inflation.

Interest rates for residential mortgages remained low during the pandemic despite the initial turbulence in market interest rates. In the wake of rising interest rates for long government bonds, interest rates for mortgage bonds also rose during the first quarter, which also entailed higher interest rates for residential mortgages. However, generally speaking, this does not apply to residential mortgages with slightly longer fixed-interest periods. Interest rates for residential mortgages with fixed-interest periods of up to two years have not changed significantly during the year so far. Our projection is that interest rates will remain relatively stable for at least the next year and onward, until the economy has recovered and the labour market has improved.

Mortgage rates could rise faster as a result of increasing inflation in the wake of the expansionary fiscal policy. Inflationary pressure could even arise as the result of increased protectionism and reduced global competition. A lowered repo rate, even if it seems like a remote possibility today, could actually lead to falling residential mortgage interest rates.

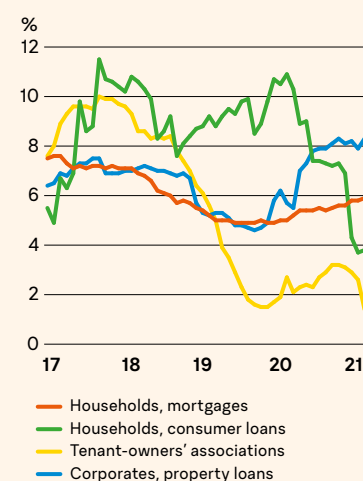
## Housing price trend

(HOX index 2005=100)



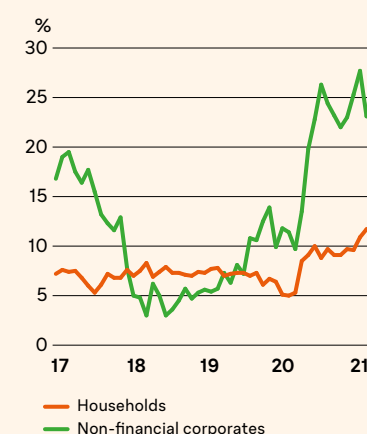
## Lending growth

(Percentage, 12-month change)



## Deposit growth

(Percentage, 12-month change)



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

### Housing prices

Prices for housing continued to rise during the first quarter of 2021. The strongest growth has been in prices for houses, but apartment prices in Stockholm and Västra Götaland counties increased nearly as much. To some extent, this growth can be explained by structural factors such as rising incomes and continued low residential mortgage interest rates. The temporary pause on amortisation requirements might also have contributed. However, much indicates that during the coronavirus pandemic, households changed their consumption habits, whether voluntarily or out of necessity, and prioritised housing ahead of other goods and services. This could have also contributed to higher prices. These conditions are expected to continue until the summer, which means that housing price trends will likely continue during this time. At that point, amortisation requirements will be reinstated and households will likely return to previous consumption patterns. Overall, housing prices are not expected to increase as quickly in the future. In combination with rising residential mortgage interest rates in the next few years, prices are expected to remain essentially still.

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

### Housing market

Existing housing turnover, in other words the number of homes sold in relation to the total number of housing units, has been at a normal level over the past year despite the weak economy. Booli data shows that the offering of housing is low, advertising periods are short and the number of homes sold is nearly in line with the previous year. The current low

supply can largely be explained by the fact that significantly fewer homes have gone on the market since the coronavirus pandemic broke out. Generally, the tendencies of summer 2020 have continued, with many bidders per listing and high bid premiums and actual selling prices. This is especially true for houses, particularly in major metropolitan areas.

The market for newly produced housing, like for existing housing, has been strong since the second half of 2020 and continuing into the first quarter of 2021. The low supply of existing homes is a possible explanation for why many households have focused on new builds. Unlike the market for existing homes, there is no clear effect on prices, but the share of discounted homes has decreased, as has the overall supply. Furthermore, SBAB Booli Housing Market Index (Link HMI, available [here](#)) shows that there are fewer areas characterised by oversupply, despite the surprisingly large number of new builds, including a large share of rentals.

### Market for deposits and lending

The growth rate for residential mortgages to households continued to rise during the first quarter of the year to almost 6% at an annualised rate. The primary increase has been in residential mortgages for houses, though the growth rate for loans for tenant-owner apartments is at a slightly higher level. This trend can, to a large extent, be connected to last year's dramatic increase in prices for homes, but also to the relatively high turnover of homes. The currently high rate of growth is expected to continue for the near future, but it will slow when the price trend for homes slows and when interest rates start to rise. However, growth is expected to remain above 4% at an annualised rate. Lending to companies is still at around 8% at an annualised rate, but there has

been a further shift from tenant-owners' associations to property companies, which can be explained by the growing share of new rental apartments.

Deposits from households and non-financial corporates increased dramatically in the wake of the coronavirus pandemic and continued to grow quickly during the first quarter of 2021. The annualised growth rate is currently 12% for household deposits and 28% for non-financial corporates. A decrease in deposits is expected when the economy improves, since companies will increase their investments and households will increase their consumption. They are expected to amount to annualised rates of 6% and 5%, respectively, within a few years.





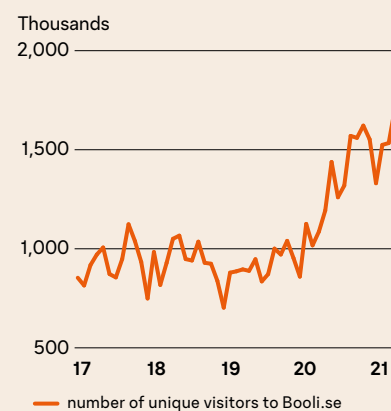
## Booli has Sweden’s largest offering of homes for sale

Large quantities of data and knowledge are accumulated in our operations about how the housing and residential mortgage markets work. We use this data to improve the customer experience by refining existing services as well as developing new ones. Booli is a large and popular platform for housing ads, housing valuations and price trends for housing, among other things. Booli.se has Sweden’s largest offering of homes for sale.

→ [Read more about Booli on page 12](#)

**booli!**  
A service by SBAB

Number of unique visitors to Booli.se



# Business development



## Volume trends

	GROUP				
	2021	2020	2020	2021	2020
	Q1	Q4	Q1	Jan-Mar	Jan-Mar
New lending for the period, SEK bn	25.1	26.4	18.5	25.1	18.5
Net change in lending for the period, SEK bn	10.6	10.5	5.5	10.6	5.5
<b>Total lending, SEK bn</b>	<b>433.5</b>	<b>422.8</b>	<b>389.3</b>	<b>433.5</b>	<b>389.3</b>
No. of deposit accounts, thousand	444	435	409	444	409
Net change in deposits, SEK bn	0.8	1.7	-1.8	0.8	-1.8
<b>Total deposits, SEK bn</b>	<b>136.5</b>	<b>135.7</b>	<b>128.7</b>	<b>136.5</b>	<b>128.7</b>
Deposits/lending, %	31.5	32.1	33.1	31.5	33.1
<b>Retail business area</b>					
No. of mortgage customers, thousand	289	286	281	289	281
No. of mortgage objects financed, thousand	185	183	180	185	180
New lending, SEK bn	20.0	19.6	14.3	20.0	14.3
Net change in lending for the period, SEK bn	7.2	6.1	3.7	7.2	3.7
<b>Total lending, Retail, SEK bn</b>	<b>320.5</b>	<b>313.3</b>	<b>297.6</b>	<b>320.5</b>	<b>297.6</b>
Residential mortgages, SEK bn	318.0	310.8	295.3	318.0	295.3
Consumer loans, SEK bn	2.5	2.5	2.3	2.5	2.3
Market share, Residential mortgages, % <sup>1) 2)</sup>	8.52	8.47	8.49	8.52	8.49
Market share, Consumer loans, % <sup>1)</sup>	0.87	0.87	0.83	0.87	0.83
<b>Total deposits, Retail, SEK bn</b>	<b>95.8</b>	<b>95.5</b>	<b>90.3</b>	<b>95.8</b>	<b>90.3</b>
No. of retail customers with savings accounts, thousand	386	379	358	386	358
Market share deposits, Retail, % <sup>1)</sup>	4.30	4.38	4.55	4.30	4.55
<b>Corporate Clients &amp; Tenant-Owners' Associations business area</b>					
No. of housing financing customers	2,363	2,331	2,162	2,363	2,162
New lending, SEK bn	5.1	6.9	4.3	5.1	4.3
Net change in lending for the period, SEK bn	3.5	4.4	1.8	3.5	1.8
<b>Total lending, Corp. Clients &amp; Tenant-Own. Asso., SEK bn</b>	<b>113.0</b>	<b>109.5</b>	<b>91.7</b>	<b>113.0</b>	<b>91.7</b>
Lending, Corporate clients, SEK bn	57.1	54.1	39.5	57.1	39.5
Lending, Tenant-owners' associations, SEK bn	55.9	55.4	52.2	55.9	52.2
Market Share Corporate Clients (multi-family dwellings), % <sup>1)</sup>	13.13	14.29	11.44	13.13	11.44
Market share, Tenant-owners' associations, % <sup>1)</sup>	10.12	10.06	9.56	10.12	9.56
<b>Total deposits, Corp. Clients &amp; Organisations, SEK bn</b>	<b>40.7</b>	<b>40.2</b>	<b>38.4</b>	<b>40.7</b>	<b>38.4</b>
No. of customers with savings accounts, Corp. clients and Orgs.	12,400	12,500	12,400	12,400	12,400
Market share deposits, Corp. clients and organisations, % <sup>1)</sup>	2.42	2.38	3.03	2.42	3.03

1) Source: Statistics Sweden. The figures in the columns for Q1 2021 and Jan-Mar 2021 correspond with the market share as of 28 February 2021.

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

# An ecosystem of services

With our ecosystem housing and household finances, we have created Sweden's best customer experience through services from SBAB, Booli, HittaMäklare and our business partners. Our services help our customers throughout the entire housing journey, making it easier and safer.

## Selling – our services

- Estate agent recommendations
- Housing valuations
- Housing advertisements
- Tax declaration help (business partner)

**hittamäklare!**  
A service by SBAB

**booli!**  
A service by SBAB

## Buying – our services

- Refinancing
- Consumer loans

**SBAB!**

## Dream & Search – our services

- Housing advertisements
- Housing market information
- Saving

**booli!**  
A service by SBAB

**SBAB!**

## Buying – our services

- Residential mortgages & housing financing
- Home insurance (business partner)
- Life insurance (business partner)
- Legal advice (business partner)

**SBAB!**



# Building blocks for our offering

## Financial capital & lending

We receive our financial capital from three different sources: equity from owners, funding via the capital market and deposits from the public. In return, we pay interest. We convert this financial capital to different types of loans and financing for our customers.

## Data

In our operations, we collect and process large amounts of information and data about housing and household finances, which we transparently and responsibly convert to knowledge and services that improve the customer offering and experience.

# Retail business area

## Trend for Q1 2021 compared with Q4 2020

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

### Lending

Activity in the retail segment remained high in the first quarter. A strong housing market contributed to the trend. During the quarter, SBAB raised the listed rates for all fixed-interest periods as a result of increased funding costs. At the end of the quarter, fixed-interest periods between one and three years had the lowest interest for SBAB. SBAB offers simple and straightforward terms and conditions, transparent pricing, high availability through digital and telephone services, and mindful service. New lending in the quarter amounted to SEK 20.0 billion (19.6).

Customer service receives calls from worried customers with questions about housing and household finances. The coronavirus pandemic, with its resulting societal restrictions, means some households could find themselves under financial stress. SBAB is offering its residential mortgage customers a temporary

pause in mortgage amortisation. At 31 March 2021, around 19,500 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation relief, corresponding to an underlying residential mortgage volume of about SEK 44 billion.

Total retail lending increased to SEK 320.5 billion (313.3), of which SEK 318.0 billion (310.8) comprised residential mortgages and SEK 2.5 billion (2.5) consumer loans. The number of residential mortgage customers amounted to 289,000 (286,000) distributed over 185,000 (183,000) mortgage objects. At 28 February 2021, the market share of residential mortgages was 8.52%<sup>1)</sup> (8.47%). At the same date, the market share for consumer loans was 0.87% (0.87% at 31 December 2020). The majority of SBAB's residential mortgage customers choose the shortest maturity. The share of total lending with a 3M fixed-interest period amounted to 66.5% (70.3) at the end of the quarter.

### Savings accounts (deposit)

SBAB's retail savings accounts are characterised by competitive savings rates and simple product terms and conditions. Retail deposits increased during the quarter to SEK 95.8 billion (95.1). At the end of the quarter, approximately 386,000 (379,000) retail customers held savings accounts with SBAB. The market share of retail deposits was 4.30% at 28 February 2021 (4.38% at 31 December 2020).

### User trends

Every month, many people visit SBAB's website to manage mortgages and savings or to find inspiration about housing and household finances. The number of unique visitors per month to www.sbab.se averaged around 608,000 (462,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 125,000 (109,000) for the same period.

Booli is a popular platform for finding information about supply, demand and price trends for housing. Booli.se offers services including housing searches and valuations. The average number of unique visitors per month during the quarter continued to increase and amounted to 1,600,000 (1,500,000).

Booli's monthly property valuation email had more than 535,000 subscribers at the end of the first quarter of 2021. The real estate agent service HittaMäklare is part of Booli. HittaMäklare's service for locating estate agents has been used at some time by about 89% of the registered estate agents in Sweden.

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

## Sweden's most satisfied residential mortgage customers

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



# Corporate Clients & Tenant-Owners' Associations business area

## Trend for Q1 2021 compared with Q4 2020

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

### Housing financing (lending)

Activity in corporate business during the first quarter of the year was high, not least within new construction. SBAB's strong focus on housing finance has resulted in providing the attention demanded by customers, which has strengthened customer relationships. As late as the end of the previous year, this effort was rewarded with the third consecutive year of the best customer satisfaction in property loans according to SKI. Otherwise, very little ongoing impact from the coronavirus pandemic has been noted with SBAB's customers. SBAB focuses on residential properties and therefore has an extremely low proportion of commercial lending, where the effects and disruption caused by the coronavirus

pandemic have been greatest to date. SBAB is ready to manage increased activity and remains firm on its ambition of helping and facilitating credit supply to the housing market.

The market for lending to tenant-owners' associations continues to be dominated by intense price competition, not least in the major metropolitan areas. SBAB holds a strong market position and activity remained high during the first quarter of the year. In this segment, the effects of the coronavirus pandemic have also been extremely limited.

During the quarter, new lending to corporate clients and tenant-owners' associations were high and amounted to SEK 5.1 billion (6.9 in the fourth quarter of 2020 and SEK 4.3 billion in the first quarter of 2020). Total lending increased to SEK 113.0 billion (109.6 for fourth quarter 2020), of which SEK 57.1 billion (54.2) comprised lending to companies and SEK 55.9 billion (55.4) comprised lending to tenant-owners' associations. The market share of lending to companies (multi-family dwellings) increased marginally and was 13.13% at 28 February (13.10% at 31 December 2020)<sup>1)</sup>. At the same date, the market share for lending to tenant-owners' associations was 10.12% (10.06% at 31 December 2020). The number of housing financing customers increased and was 2,363 (2,331) at the end of the quarter.

### Savings accounts (deposit)

Deposits from corporate clients and organisations increased during the quarter and totalled SEK 40.7 billion (40.2). At the end of the quarter, approximately 12,400 (12,500) customers held savings accounts with SBAB. The market share of deposits from corporate clients and organisations increased during the quarter and was 2.42% at the end of February (2.38% at 31 December 2020).

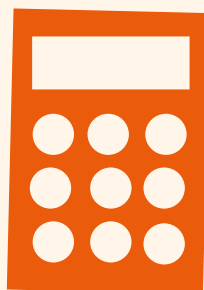
<sup>1)</sup> During the quarter we reviewed the basis for calculation and the market share has thus been adjusted historically.

## Sweden's most satisfied corporate customers

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



# Financial performance



## Income statement overview

SEK million	GROUP						
	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2021 Jan-Mar	2020 Jan-Mar
Net interest income	1,041	1,010	945	907	885	1,041	885
Net commission	3	-12	-3	9	-18	3	-18
Net result of financial transactions (Note 3)	-15	11	-11	17	-55	-15	-55
Other operating income	13	10	11	10	12	13	12
<b>Total operating income</b>	<b>1,042</b>	<b>1,019</b>	<b>942</b>	<b>943</b>	<b>824</b>	<b>1,042</b>	<b>824</b>
Expenses	-323	-402	-310	-312	-311	-323	-311
<b>Profit before credit losses and impairments</b>	<b>719</b>	<b>617</b>	<b>632</b>	<b>631</b>	<b>513</b>	<b>719</b>	<b>513</b>
Net credit losses (Note 4)	9	2	4	-11	-27	9	-27
Impairment of financial assets	-1	-3	-3	-2	-2	-1	-2
Reversals of impairment of financial assets	1	3	3	3	1	1	1
<b>Operating profit</b>	<b>728</b>	<b>619</b>	<b>636</b>	<b>621</b>	<b>485</b>	<b>728</b>	<b>485</b>
Tax	-152	-133	-142	-137	-110	-152	-110
<b>Net profit for the period</b>	<b>576</b>	<b>486</b>	<b>494</b>	<b>484</b>	<b>375</b>	<b>576</b>	<b>375</b>
Return on equity, % <sup>1</sup>	12.7	11.1	11.5	11.6	9.2	12.7	9.2
C/L ratio, %	0.30	0.39	0.30	0.32	0.32	0.30	0.32
C/I ratio, %	31.0	39.5	32.9	33.1	37.7	31.0	37.7
Credit loss ratio, %	0.01	0.00	0.00	-0.01	-0.03	0.01	-0.03
Share of Stage 3 loans, gross, %	0.06	0.06	0.05	0.05	0.08	0.06	0.08
Net interest margin, %	0.81	0.78	0.72	0.69	0.71	0.81	0.71
Number of employees (FTEs)	777	760	748	743	707	777	707

### Trend for Q1 2021 compared with Q4 2020

Operating profit grew to SEK 728 million (619) in the quarter. The return on equity amounted to 12.7% (11.1) and the C/I ratio was 31.0% (39.5).

#### Net interest income

Net interest income grew to SEK 1,041 million (1,010), mainly driven by lower interest expenses as a result of lower market interest rates and credit spreads. Other interest expenses also decreased between quarter, of which retail deposits amounted to SEK 146 million (149) and costs for capital instruments to SEK 11 million (17). Interest income decreased somewhat between quarters due to lower lending rates, due to strong growth in lending volumes.

#### Net commission

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

#### Net result of financial transactions

The net result of financial transactions was an expense of SEK 15 million (income: 11).

The difference was mainly due to differences in value changes in hedging instruments and hedged items. For more information, please refer to [Note 3](#).

### Trend for January–March 2021 compared with January–March 2020

Operating profit grew to SEK 728 million (485). The return on equity amounted to 12.7% (9.2) and the C/I ratio was 31.0% (37.7).

Net interest income grew to SEK 1,041 million (885), mainly due to higher lending volumes and lower funding costs. Total guarantee fees for the period amounted to SEK 52 million (51), of which SEK 42 million (40) comprised the resolution fee and SEK 10 million (11) pertained to the national deposit guarantee fee.

The net commission income increased during the year to SEK 3 million (expense: 18). The increase is due both to increased commission income related to higher arrangement fees from corporate business and lower commission expenses due to lower market maker fees.

#### Expenses

Expenses decreased during the quarter and amounted to SEK 323 million (402). The decrease was primarily from an impairment of SEK 67 billion made during the previous quarter after customary impairment testing of all tangible and intangible assets. Personnel costs increased during Q1 following an increase in FTEs. During the quarter, the number of FTEs increased to 777 (760) due to investments made in customer experience, customer service and digitalisation.

#### Credit quality and credit losses

Net credit losses amounted to a recovery of SEK 9 million (recovery: 2). Confirmed credit losses totalled SEK 2 million (2) and recoveries for previous confirmed credit losses amounted to SEK 1 million (1). Provisions for credit stage 1 and 2 loans decreased SEK 3 million (decrease: 7) and SEK 3 million (unchanged), respectively, during the quarter and were attributable to a revision of the forward-looking information based specifically on a milder Covid-19 macroeconomic situation. Provisions for credit stage 3 loans decreased SEK 1 million (increase: SEK 3 million) driven by individual provisions. Provisions for loan commitments and building credits decreased SEK 3 million (decrease: 1) due to revisions of the forward-looking information and raising building credits. Guarantees that can be utilised decreased nearly SEK 1 million (decrease: 1) over the period as a result of lower provisions. For more information on credit provisions and changes in the for-

ward-looking information in the impairment model, please refer to [Note 4](#).

The credit quality of SBAB's lending is good and credit risk in the two business areas: Retail, and Corporate Clients & Tenant-Owners' Associations, remains low. SBAB's granting of credit to consumers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitment. Overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages even in a worse economic climate.

At the end of the quarter, the average LTV ratio in SBAB's mortgage portfolio was 59% (58). At the same date, the average residential mortgage to retail customers amounted to SEK 1.8 million (1.7). During the quarter, the LTV for new lending was 68% (68) and the debt-to-income ratio was 3.9 (3.8). The average LTVs for property companies and tenant-owners' associations were 63% (64) and 37% (38), respectively.

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

#### Other comprehensive income

Other comprehensive income was an expense of SEK 483 million (expense: 229). The difference pertains mainly to value changes in derivatives due to rising EUR interest rates. For more information, please refer to [page 22](#).

The net result of financial transactions was an expense of SEK 15 million (expense: 55). The difference was primarily due to the revaluation of credit risk in derivatives. For more information, please refer to [Note 3](#).

Other comprehensive income amounted to a loss of SEK 483 million (income: 630) for the period. The primarily negative impact on the difference was rising EUR interest rates. For more information, please refer to [page 22](#).

Expenses grew somewhat to SEK 323 million (311), driven by increased investments in terms of the number of employees in areas including customer experience, customer service, digitalisation and IT systems. The replacement of SBAB's core bank platform is ongoing and is expected, to all extents and purposes, to be ready in 2021. Modern, flexible system support comprises a key

component for strengthening SBAB's future competitiveness, and its ability to develop digital services and enhance the digital customer interface. The number of FTEs increased to 777 (707) during the period. Net credit losses were positive and amounted to a recovery of SEK 9 million (loss: 27). The change between the periods was mainly attributable to the increase in credit loss allowances in conjunction with the revision of the forward-looking information applied in the impairment model as a result of the coronavirus pandemic during the previous year. Last year the forward-looking information projected a reduced need for provisions, which led to the positive outcome. Confirmed credit losses totalled SEK 2 million (2) for the period. For more information on credit losses and credit quality, please refer to [Note 4](#) and [Note 5](#).

## Balance sheet overview

SEK million	GROUP		
	31 Mar 2021	31 Dec 2020	31 Mar 2020
<b>ASSETS</b>			
Cash and balances at central banks	450	6,530	4,050
Chargeable treasury bills, etc.	10,232	10,894	29,698
Lending to credit institutions	762	945	13,054
Lending to the public (Note 5)	433,479	422,835	389,319
Bonds and other interest-bearing securities	60,215	58,180	61,234
Total other assets in the balance sheet	13,599	11,975	22,637
<b>TOTAL ASSETS</b>	<b>518,737</b>	<b>511,359</b>	<b>519,922</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	20,277	20,184	22,658
Deposits from the public	136,500	135,658	128,688
Debt securities issued, etc. (funding)	327,944	323,704	328,934
Subordinated debt	1,996	1,995	3,449
Total other liabilities in the balance sheet	6,038	6,179	13,708
<b>Total liabilities</b>	<b>492,755</b>	<b>487,720</b>	<b>497,437</b>
<b>Total equity</b>	<b>25,982</b>	<b>23,639</b>	<b>22,555</b>
– of which reserves/fair value reserve	1,838	2,321	
– of which, Tier 1 capital instruments	5,800	3,500	3,500
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>518,737</b>	<b>511,359</b>	<b>519,922</b>
CET1 capital ratio, %	13.1	13.4	12.7
Tier 1 capital ratio, %	16.2	16.1	15.5
Total capital ratio, %	17.7	17.6	17.5
Leverage ratio, % <sup>1)</sup>	4.10	4.00	3.69
Liquidity coverage ratio (LCR), %	226	170	300
Net Stable Funding Ratio (NSFR), %	134	129	130

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



## Trend for Q1 2021 compared with Q4 2020

### Balance sheet comments

During the quarter, chargeable treasury bills decreased to SEK 10.2 billion (10.9), primarily due to a decrease in surplus liquidity deposited with the Riksbank via commercial paper. The relatively low surplus liquidity, driven by strong lending and maturity, decreased the need to investment in the Riksbank's RIX account, upon which the item Cash and balances at central banks decreased to SEK 0.5 billion (6.5). Lending to credit institutions decreased to SEK 0.8 billion (0.9), attributable to inflows of securities connected to derivatives (CSAs). The above changes were within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities amounted to SEK 60.2 billion (58.2). The increase is due to the purchase of securities and is within the scope of the normal management of the liquidity reserve. Lending to the public amounted to SEK 433.5 billion (422.8), of which SEK 318.0 billion comprised residential mortgages, SEK 2.4 billion consumer loans, SEK 57.2 billion lending property companies and SEK 55.9 billion lending to tenant-owners' associations. For more information on Lending to the public, please refer to [pages 10–13](#) and [Note 5](#).

During the quarter, liabilities to credit institutions increased to SEK 20.3 billion (20.2). The changes were within the scope of the normal short-term liquidity management. No new issues were conducted in the Riksbank's programme for corporate lending through the banks, meaning the total volume remains unchanged at SEK 13 billion. Deposits from the public increased to SEK 136.5 billion (135.7), of which 82% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulations. For more information on deposits from the public, please refer to [pages 10–13](#). For information about issued debt securities, please refer to the "Funding" section. Subordinated debt totalled SEK 2.0 billion (2.0). The quarter saw no new issues, repurchases or maturities. Equity increased to SEK 26.0 billion (23.6). During the quarter, the item was mainly affected by the issue of Tier 1 capital instruments (AT1) of SEK 2.3 billion.

### Funding

Mixed economic signals kicked off the first quarter of 2021. Growth in most of the European economies will be burdened by further restrictions due to the increased spread of Covid-19, while at the same time large-scale vaccination programmes were rolled out, albeit with some hiccups. In the USA, the newly sworn-in president Biden proposed additional financial support as part of the economic recovery plan. The recovery plan, together with the relaxation of monetary policies, contributed to some uncertainty in the market concerning higher inflation in the future, leading to increased long interest rates in the USA, Europe and Sweden. Leading stock market indices turned in a mixed performance in the beginning of the quarter.

During the latter part of the quarter, economic outlooks improved as the number of distributed vaccine doses gradually increased, primarily in the UK and the USA, but also in Europe. Stock exchanges also rose on market expectations of further fiscal stimulus and clear signals from central banks indicating continued low key interest rates and quantitative easing. Long interest rates stabilised and credit spreads were stable.

The Swedish central bank continued the bond purchases announced during the quarter, under the buying programme for interest-bearing securities. During the quarter, the Riksbank purchased Swedish covered bonds for an amount equivalent to approximately SEK 70 billion, inter alia, which helped keep credit spreads and interest rates at historically low levels. SBAB issued AT1 capital equivalent to SEK 2.3 billion in the Swedish market in February, in part to support continued lending growth. During the quarter as a whole, securities were issued for a total of SEK 35.5 billion (20.9). In parallel, securities were repurchased for SEK 4.3 billion (8.6) and securities amounting to SEK 27.3 billion (13.9) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 4.2 billion to a total of SEK 327.9 billion (323.7).

At the end of the quarter, unsecured funding amounted to SEK 60.7 billion (59.8), of which SEK 6.0 billion (6.0) comprised senior non-preferred bonds, SEK 49.5 billion (48.7) other senior unsecured

bonds and SEK 5.1 billion (5.2) commercial paper.

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Total secured debt outstanding totalled SEK 267.3 billion (263.9) at the end of the quarter, of which SEK 196.0 billion was in SEK and SEK 71.3 billion was in foreign currencies.

### Liquidity

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings.<sup>1)</sup> At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 69.9 billion (70.9). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 67.0 billion (68.0).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 383 days (266), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, at 31 March 2021, the LCR was 226% (170) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 179% (136). The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 134.0% (128.8) according to SBAB's interpretation of Regulation (EU) 2019/876 of the European Parliament and the Council.

For more information on SBAB's liquidity, please refer to [Note 10](#).

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

### Capital position

At the end of the quarter, SBAB's CET1 capital amounted to SEK 17.8 billion (17.5). The increase was mainly attributable to earnings for the year<sup>1)</sup> and the resolution on the dividend for the operating year. The risk exposure amount (REA) increased during the first quarter to SEK 136.1 billion (130.3). This was mainly driven by higher lending volumes to corporates and the effect from the risk-weight floor for mortgages.

At 31 March 2021, SBAB's CET1 capital ratio amounted to 13.1% (13.4) and the total capital ratio was 17.7% (17.6). This provides a comfortable margin to both internal targets and external regulatory requirements.

According to internal estimates by SBAB as per 31 March 2021, the Swedish FSA's capital requirements are expected to correspond to a CET1 capital ratio of 8.0% and a total capital ratio of 12.2%. At the same date, SBAB's capital targets are therefore expected to correspond to a CET1 capital ratio of not less than 8.6% and a total capital ratio of not less than 12.8%.

The margins to the Swedish FSA's capital requirements have increased since Q1 2020 as a result of the Swedish FSA's decision to reduce the countercyclical capital buffer requirement from 2.5% to 0%. The leverage ratio increased marginally during the first quarter and amounted to 4.1% (4.0) at 31 March 2021, primarily due to strengthened Tier 1 capital.

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

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

As a result of developments concerning the coronavirus pandemic, as of 24 June 2020, the EU has adopted Regulation (EU) 2020/873 amending Regulation (EU) No. 575/2013 (the CRR). The amendment entails an adaptation of the regulations by the EU to maximise the banks' ability to recover from the crisis. Moreover, the Basel Committee has decided to extend implementation of the outstanding elements of the Basel 3 reform. Standards to complement Basel 3 standards that were decided in 2017 (Basel 4), the market risk framework decided in 2019 and implementation of Pillar 3 decided in 2018 have been postponed by one year and will now enter force on 1 January 2023. For information about the EU's reforms to the Capital Requirements Regulation that entered force on 27 June 2020, refer to [Note 11](#).

A degree of uncertainty prevails surrounding future capital requirements due to the forthcoming regulatory changes. Among other actions, in autumn 2020, the Swedish FSA has proposed regulatory amendments and a change in the applica-

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

<sup>1)</sup> In a decision by Swedish FSA, subject to the company's auditors being able to confirm the surplus and that deductions for any dividends and foreseeable costs have been carried out pursuant to the Capital Requirements Regulation and that these calculations have been conducted in compliance with the Commission Delegated Regulation (EU) No 241/2014, SBAB received approval for using the full-year surplus in own-funds calculations. Deloitte AB conducted the above review for 31 March 2021. This means that net profit for the period has been included in own funds and that expected dividends have reduced own funds.

## Components of the capital target

SEK million	CONSOLIDATED SITUATION			
	31 Mar 2021			
	Total capital	%	CET1 capital	%
<b>Internally assessed capital requirement from the Swedish FSA</b>	<b>16,556</b>	<b>12.2</b>	<b>10,877</b>	<b>8.0</b>
– of which, Pillar 1 minimum requirement	4,157	3.1	2,338	1.7
– of which, Pillar 1 risk-weight floor, Swedish mortgages	6,730	4.9	3,786	2.8
– of which, Pillar 2 core requirement	2,249	1.7	1,333	1.0
– of which, Capital conservation buffer	3,402	2.5	3,402	2.5
– of which, Countercyclical buffer	18	0.0	18	0.0
<b>SBAB's capital target</b>	<b>17,372</b>	<b>12.8</b>	<b>11,693</b>	<b>8.6</b>
<b>SBAB's actual capital</b>	<b>24,112</b>	<b>17.7</b>	<b>17,812</b>	<b>13.1</b>

# Other information



## SBAB's financial targets

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

## Termination of partnerships

In the fourth quarter of 2019, SBAB and Sparbanken Syd entered into an amended agreement relating to the parties partnership agreement regarding the mediation of mortgage loans (SEK 8.6 billion at 31 March 2021). According to the amended agreement, Sparbanken Syd is entitled to acquire the entire loan portfolio mediated by Sparbanken Syd, or parts thereof, until 31 December 2023.

## Changes in Executive Management

Sara Davidgård, previous Head of Business Specialists at SBAB, was appointed the new Chief Risk Officer (CRO) on 16 March 2021 and remains a member of the Executive Management. Fredrik Stenbeck stepped down from the role of CRO on the same date. At 31 March 2021, the Executive Management comprised

the following people: Klas Danielsson (CEO, acting Business Specialists), Sara Davidgård (CRO), Carina Eriksson (Head of HR), Kristina Frid (Head of Customer Service), Mikael Inglander (CFO and Head of Corporate Clients and Tenant-Owners' Associations), Robin Silfverhielm (Customer Experience Officer (CXO) and Chief Information Officer (CIO)), Andras Valko (CDSO), Malou Sjörin (Head of Sustainability, Marketing & Communication).

## Proposed risk tax for large credit institutions circulated for comment

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

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

## EU taxonomy

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

## Events after the end of the period

Kristina Tänneryd will become acting Head of Business Specialists on 1 June 2021, on an interim basis until further notice. This will make her part of the Executive Management.

## Auditors' review report

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

## Risks and uncertainties

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

The extensive regulatory changes in the residential mortgage market comprise a further uncertainty factor. Moreover, political decisions, for example changed tax rules, could have major consequences on households' solvency and property values. In time, increasing competition in the residential mortgage market could affect the market and mortgage margins. Increased competition arises, inter alia, from the Mortgage Business Act (2016:1024), which allows residential mortgages to be provided by companies other than banks and which are thus not encompassed by the same extensive regulations nor by the rules for capital requirements that apply to banks. Such regulatory differences risk not being understood by customers and therefore creating unfair competition in the market, a point that SBAB has conveyed to the Swedish FSA. For further information about risks and risk management, please refer to SBAB's 2020 Annual Report.

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# Condensed income statement

SEK million	GROUP					
	2021 Q1	2020 Q4	2020 Q1	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec
Interest income	1,501	1,529	1,546	1,501	1,546	6,316
Interest expense	-460	-519	-661	-460	-661	-2,569
<b>Net interest income</b>	<b>1,041</b>	<b>1,010</b>	<b>885</b>	<b>1,041</b>	<b>885</b>	<b>3,747</b>
Commission income	24	22	16	24	16	93
Commission expense	-21	-34	-34	-21	-34	-117
Net result of financial transactions (Note 3)	-15	11	-55	-15	-55	-38
Other operating income	13	10	12	13	12	43
<b>Total operating income</b>	<b>1,042</b>	<b>1,019</b>	<b>824</b>	<b>1,042</b>	<b>824</b>	<b>3,728</b>
Personnel costs	-185	-176	-170	-185	-170	-687
Other expenses	-122	-137	-122	-122	-122	-490
Depreciation, amortisation and impairment of PPE and intangible assets	-16	-89	-19	-16	-19	-158
<b>Total expenses before credit losses</b>	<b>-323</b>	<b>-402</b>	<b>-311</b>	<b>-323</b>	<b>-311</b>	<b>-1,335</b>
<b>Profit before credit losses</b>	<b>719</b>	<b>617</b>	<b>513</b>	<b>719</b>	<b>513</b>	<b>2,393</b>
Net credit losses (Note 4)	9	2	-27	9	-27	-32
Impairment of financial assets	-1	-3	-2	-1	-2	-10
Reversals of impairment of financial assets	1	3	1	1	1	10
<b>Operating profit</b>	<b>728</b>	<b>619</b>	<b>485</b>	<b>728</b>	<b>485</b>	<b>2,361</b>
Tax	-152	-133	-110	-152	-110	-522
<b>Net profit for the period</b>	<b>576</b>	<b>486</b>	<b>375</b>	<b>576</b>	<b>375</b>	<b>1,839</b>

In Q1 2021, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 1,590 million (1,541) for the Group.

# Condensed statement of comprehensive income

SEK million	GROUP					
	2021 Q1	2020 Q4	2020 Q1	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec
<b>Net profit for the period</b>	<b>576</b>	<b>486</b>	<b>375</b>	<b>576</b>	<b>375</b>	<b>1,839</b>
<b>Other comprehensive income</b>						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	-25	48	-92	-25	-92	4
Changes related to cash-flow hedges, before tax	-681	-409	914	-681	914	461
Tax attributable to components that will be reclassified to profit or loss	145	102	-176	145	-176	-75
<i>Components that will not be reclassified to profit or loss</i>						
Revaluation effects of defined-benefit pension plans, before tax	98	41	-20	98	-20	-34
Tax attributable to components that will not be reclassified to profit or loss	-20	-11	4	-20	4	6
<b>Other comprehensive income/loss, net of tax</b>	<b>-483</b>	<b>-229</b>	<b>630</b>	<b>-483</b>	<b>630</b>	<b>362</b>
<b>Total comprehensive income/loss for the period</b>	<b>93</b>	<b>257</b>	<b>1,005</b>	<b>93</b>	<b>1,005</b>	<b>2,201</b>

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

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

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

The item revaluation effects of defined-benefit pension plans includes actuarial gains and losses where changes in the discount rate and inflation are the assumptions that have the strongest impact on the item.

For further information, refer to SBAB's 2020 Annual Report, [Note G 1](#).

# Condensed balance sheet

SEK million	GROUP		
	31 Mar 2021	31 Dec 2020	31 Mar 2020
<b>ASSETS</b>			
Cash and balances at central banks	450	6,530	4,050
Chargeable treasury bills, etc.	10,232	10,894	29,698
Lending to credit institutions	762	945	13,054
Lending to the public (Note 5)	433,479	422,835	389,319
Value changes of interest-rate-risk hedged items in macro hedges	-89	142	35
Bonds and other interest-bearing securities	60,215	58,180	61,234
Derivatives (Note 6)	9,782	10,890	20,518
Intangible assets	377	330	332
Property, plant and equipment	106	112	141
Other assets	2,890	79	1,000
Prepaid expenses and accrued income	533	422	611
<b>TOTAL ASSETS</b>	<b>518,737</b>	<b>511,359</b>	<b>519,992</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	20,277	20,184	22,658
Deposits from the public	136,500	135,658	128,688
Issued debt securities, etc.	327,944	323,704	328,934
Derivatives (Note 6)	2,475	3,124	1,733
Other liabilities	506	416	8,759
Accrued expenses and deferred income	2,407	1,769	2,242
Deferred tax liabilities	532	651	757
Provisions	118	219	217
Subordinated debt	1,996	1,995	3,449
<b>Total liabilities</b>	<b>492,755</b>	<b>487,720</b>	<b>497,437</b>
<b>Equity</b>			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	1,838	2,321	2,589
Additional Tier 1 instruments	5,800	3,500	3,500
Retained earnings	15,810	14,021	14,133
Net profit for the period	576	1,839	375
<b>Total equity</b>	<b>25,982</b>	<b>23,639</b>	<b>22,555</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>518,737</b>	<b>511,359</b>	<b>519,992</b>

# Condensed statement of changes in equity

SEK million	GROUP				
	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year <sup>1)</sup>	Total equity
<b>Opening balance, 1 January 2021</b>	1,958	2,321	3,500	15,860	23,639
Additional Tier 1 instruments	-	-	2,300	-	2,300
Additional Tier 1 instruments, dividend	-	-	-	-50	-50
Other comprehensive income, net of tax	-	-483	-	-	-483
Net profit for the period	-	-	-	576	576
<b>Comprehensive income for the period</b>	-	-483	-	576	93
<b>Closing balance, 31 March 2021</b>	1,958	1,838	5,800	16,386	25,982
<b>Opening balance, 1 January 2020</b>	1,958	1,959	3,500	14,164	21,581
Additional Tier 1 instruments	-	-	-	-	-
Additional Tier 1 instruments, dividend	-	-	-	-31	-31
Other comprehensive income, net of tax	-	630	-	-	630
Net profit for the period	-	-	-	375	375
<b>Comprehensive income for the period</b>	-	630	-	375	1,005
<b>Closing balance, 31 March 2020</b>	1,958	2,589	3,500	14,508	22,555
<b>Opening balance, 1 January 2020</b>	1,958	1,959	3,500	14,164	21,581
Additional Tier 1 instruments	-	-	-	-	-
Additional Tier 1 instruments, dividend	-	-	-	-143	-143
Other comprehensive income, net of tax	-	362	-	-	362
Net profit for the period	-	-	-	1,839	1,839
<b>Comprehensive income for the year</b>	-	362	-	1,839	2,201
<b>Closing balance, 31 December 2020</b>	1,958	2,321	3,500	15,860	23,639

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



# Condensed cash-flow statement

SEK million	GROUP		
	2021	2020	2020
	Jan-Mar	Jan-Mar	Jan-Dec
Opening cash and cash equivalents	7,475	6,167	6,167
<b>OPERATING ACTIVITIES</b>			
Interest and commissions paid/received	1,526	1,189	3,762
Outflows to suppliers and employees	-307	-293	-1,177
Taxes paid/refunded	-185	-145	-593
Change in assets and liabilities of operating activities	-9,533	11,734	2,440
<b>Cash flow from operating activities</b>	<b>-8,499</b>	<b>12,485</b>	<b>4,432</b>
<b>INVESTING ACTIVITIES</b>			
Change in property, plant and equipment	-4	-13	-28
Change in intangible assets	-53	-29	-113
<b>Cash flow from investing activities</b>	<b>-57</b>	<b>-42</b>	<b>-141</b>
<b>FINANCING ACTIVITIES</b>			
Change in Tier 1 capital instrument	2,300	-	-
Change in subordinated loan	-	-1,500	-2,952
Repayment of lease liabilities	-8	-6	-31
<b>Cash flow from financing activities</b>	<b>2,292</b>	<b>-1,506</b>	<b>-2,983</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>-6,264</b>	<b>10,937</b>	<b>1,308</b>
Closing cash and cash equivalents	1,212	17,104	7,475

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

## Change in liabilities attributable to financing activities

SEK million	GROUP											
	Opening balance 1 Jan 2021	Cash flow	Non-cash items			Closing balance 31 Mar 2021	Opening balance 1 Jan 2020	Cash flow	Non-cash items			Closing balance 31 Mar 2020
			Fair value	Other					Fair value	Other		
Subordinated debt	1,995	-	-	1	1,996	4,949	-1,500	0	1		3,450	
Additional Tier 1 instruments	3,500	2,300	-	-	5,800	3,500	-	-	-		3,500	
<b>Total</b>	<b>5,495</b>	<b>2,300</b>	<b>-</b>	<b>1</b>	<b>7,796</b>	<b>8,449</b>	<b>-1,500</b>	<b>0</b>	<b>1</b>		<b>6,950</b>	

## Note 1 Accounting policies

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

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

### Introduction of new and changed accounting standards 2021

Accounting principles and calculation methods are unchanged compared with the annual report for 2020. The financial statements in summary are produced on the basis of an assumption about the company's survival. The financial reports in summary was approved by the board for publication on 28 April 2021.

## Note 2 Changes in risks

### Credit risk in lending operations

No increase in realised credit risk was noted in lending operations during the first quarter of 2021. Despite the prevailing circumstances with the coronavirus pandemic, neither an increase tendency of delayed payments nor turbulence in the housing market leading to falling housing prices has been observed. The forward-looking information in the impairment model have been revised during the first quarter due to a more positive outlook on the economic development in Sweden compared to previous forecasts resulting in a decrease of credit loss allowances. Since the pandemic outbreak SBAB has granted applications for temporary amortisation exemptions, in accordance with Swedish FSA's guidelines, which thus far are assessed to solely manage the temporary increase in liquidity risk that has arisen for customers. Since the fourth quarter 2020, customers are obliged to state the reason behind the application for amortisation exemption. Customers who report loss of income are managed by SBAB's insolvency team for further assessment regarding increase in credit risk. No deviations have been noted in terms of loan-to-value or debt-to-income ratios for new lending. For more information regarding credit losses, credit risk and credit loss allowances, please see Note 4.

### Counterparty credit risk in treasury operations

Limit utilisation for SBAB's derivative counterparties has fallen to SEK 7,244 million at 31 March 2021, compared to SEK 7,321 million at 31 December 2020.

### Liquidity risk

SBAB's liquidity positions remains strong throughout the first quarter of 2021. During the first quarter all liquidity risk measures have been within set limits. The Volatility in LCR and Survival horizon have increased compared to previous quarter due to increased outflows related to maturing bonds. The overcollateralisation level (OC-level), amount of mortgage loans in the cover pool not being used as collateral for issued covered bonds, have decreased compared to previous quarter. By end of March OC amounted to 30.1% During the first quarter deposit-to-loan ratio have decreased slightly since the loan growth rate have exceeded the deposit growth rate. Please refer to note 10 for more information regarding liquidity risk.

### Market risk

SBAB uses Value at Risk (VaR) to quantify market risk. VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. SBAB's model is a historical model and applies percentiles in historical market data from the past two years. At 31 March 2021, SBAB's VaR amounted to SEK 330 million, compared to SEK 364 million at 31 December 2020. The limit for VaR is set at SEK 1,450 million.

### Operational risk

The Covid-19 pandemic has resulted in a general increase in operational risk across the bank in connection with, inter alia, absenteeism and continuity for critical deliveries. It should be noted that the bank's business contingency plans were generally applicable during the Covid-19 period, which has reduced continuity risks. Two of SBAB's strategic projects are complex and have tight deadlines. Therefore they are exposed of operational risks.

### Business risk

The corona pandemic has continued to impact SBAB's business risk during the first quarter of 2021. In Sweden, as in other countries, a large number of measures have been taken since the start of the pandemic to control the contagion and to mitigate the effects on the real economy and financial markets. In addition, vaccinations have started both in Sweden and abroad. Looking at the state of financial markets, the situation has currently stabilised. To date, the impact of the pandemic on SBAB's financial position has been very moderate. The long-term consequences are however still unknown. The longer the crisis lasts, the larger it is likely to impact the economy. SBAB continues to be well positioned to manage a more prolonged financial crisis, in terms of both capital and liquidity. The overall business risk is therefore considered to be moderate. No material changes in the competitive landscape were observed during the quarter. Moreover, SBAB has not entered, or exited, any new markets or segments.

### Concentration risk

In the first quarter of 2021, the lending to the ten largest customer groups accounted for 7 percent of total lending volume, a slightly larger share compared to 31 December 2020. For more information on the geographical distribution of the lending portfolio, please refer to [Note 5, page 29](#). SBAB also continuously evaluates the capital requirement for concentration risk and quantifies the risk with economic capital for credit risk exposures, refer to [Note 12](#).

### Note 3 Net result of financial transactions

SEK million	GROUP					
	2021 Q1	2020 Q4	2020 Q1	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec
<b>Gains/losses on interest-bearing financial instruments</b>						
- Change in value of hedged items in hedge accounting	813	231	-493	813	-493	-429
- Derivatives in hedge accounting	-836	-228	502	-836	502	427
- Other derivatives	17	42	-57	17	-57	45
- Interest-bearing securities, Fair Value Option	-12	-15	-8	-12	-8	-44
- Interest-bearing securities at fair value through other comprehensive income	6	4	8	6	8	17
- Interest-bearing securities at amortised cost	0	0	0	0	0	0
- Realised gain/loss from financial liabilities at amortised cost	-9	-36	-17	-9	-17	-113
- Loan receivables at amortised cost	6	12	7	6	7	57
Currency translation effects	0	1	3	0	3	2
<b>Total</b>	<b>-15</b>	<b>11</b>	<b>-55</b>	<b>-15</b>	<b>-55</b>	<b>-38</b>

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

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

### Note 4 Net credit losses

SEK million	GROUP					
	2021 Q1	2020 Q4	2020 Q1	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec
<b>Lending to the public</b>						
Confirmed credit losses	-2	-2	-2	-2	-2	-9
Recoveries of previously confirmed credit losses	1	1	0	1	0	4
Change in provision for the period – credit stage 1	3	7	-12	3	-12	-16
Change in provision for the period – credit stage 2	3	0	-3	3	-3	1
Change in provision for the period – credit stage 3	1	-3	-1	1	-1	-4
Guarantees <sup>1)</sup>	0	-1	1	0	1	-1
<b>Net credit losses for the period – lending to the public</b>	<b>6</b>	<b>2</b>	<b>-17</b>	<b>6</b>	<b>-17</b>	<b>-25</b>
<b>Loan commitments<sup>2)</sup></b>						
Change in provision for the period – credit stage 1	0	1	-7	0	-7	-5
Change in provision for the period – credit stage 2	3	-1	-3	3	-3	-2
Change in provision for the period – credit stage 3	0	0	0	0	0	0
<b>Net credit losses for the period – loan commitments<sup>a</sup></b>	<b>3</b>	<b>0</b>	<b>-10</b>	<b>3</b>	<b>-10</b>	<b>-7</b>
<b>Total</b>	<b>9</b>	<b>2</b>	<b>-27</b>	<b>9</b>	<b>-27</b>	<b>-32</b>

1) The item includes guarantees for loan commitments.

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

## Note 4 Net credit losses, Cont.

### Sensitivity analysis of forward-looking information

Factors	Scenario 1 (45%)			Scenario 2 (25%)			Scenario 3 (15%)			Scenario 4 (15%)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
GDP <sup>1)</sup>	2.3%	2.4%	2.1%	3.1%	4.1%	3.0%	-6.2%	3.1%	3.8%	-2.1%	-1.9%	1.3%
Repo rate	0.1%	0.1%	0.4%	0.1%	0.2%	0.5%	0.3%	0.5%	0.4%	1.1%	1.2%	1.2%
Unemployment	8.9%	8.1%	7.6%	8.7%	7.2%	6.4%	11.2%	11.1%	9.8%	9.4%	10.0%	10.3%
House prices, Δ	+1.9%	-0.9%	-2.2%	+2.2%	-0.8%	-2.1%	-10.4%	-12.2%	-3.4%	-15.4%	-15.3%	-16.0%
Prices of tenant-owners' rights, Δ	+2.6%	-2.31%	-3.6%	+2.6%	-2.3%	-3.5%	-11.8%	-14.8%	-6.2%	-20.0%	-28.6%	-15.4%
Property prices, Δ	+2.3%	+3.6%	+2.4%	+2.5%	+3.5%	2.6%	-6.4%	-11.1%	-4.8%	-11.3%	-23.6%	-17.2%
<b>ECL</b>	<b>77 mnkr</b>			<b>78 mnkr</b>			<b>162 mnkr</b>			<b>550 mnkr</b>		
<b>Weighted ECL<sup>2)</sup></b>	<b>161 mnkr</b>											

1) Not included in the ECL calculation

2) Of which, SEK 143 million was attributable to lending to the public and SEK 17 million to off-balance-sheet items linked to loan commitments and building credits.

#### Impairment model and credit loss provisions

During the first quarter SBAB revised the forward-looking information applied in the impairment model used to calculate expected credit losses (ECL). The revision resulted in a decrease in credit loss provisions of SEK 9 million due to a more positive outlook on the housing market and the economy in Sweden compared to previous macro economic scenarios. The above table shows the forward-looking information comprised of a weighting of four applied scenarios with projections of the relevant macroeconomic factors.

During the first quarter SBAB has closely followed the credit risk exposure in the portfolio due to the development in the economy. The underlying credit risk models in the impairment model are largely based on customers' payment behaviour and market values of collateral and, as yet, show no increase in realised credit risk. In addition to the revised forward-looking information, in the first quarter, SBAB also made an adjustment in the calculation of LGD for consumer loans in the impairment model in order to obtain more accurate estimates for the current lending portfolio. The adjustment in the calculation of LGD for unsecured loans resulted in an increase in credit loss provisions of SEK 2 million.

SBAB is comfortable with the size of the credit loss provisions, totalling SEK 161 million as per 31 March 2021.

#### Overall credit quality

Despite the prevailing coronavirus pandemic, the credit quality of SBAB's lending remains good and the risks entailed in retail lending are low. SBAB's granting of credit to consumers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitment. The Swedish FSA's annual mortgage market survey, with data from 2019, found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages even in a worse economic climate. At the end of the quarter, the average LTV ratio<sup>3)</sup> in SBAB's mortgage portfolio was 59% (58). At the same date, the average residential mortgage to retail customers amounted to SEK 1.8 million (1.7). During the quarter, the LTV for new lending was 68% (68) and the debt-to-income ratio was 3.9 (3.8).

The credit quality of SBAB's lending to property companies, property developers and tenant-owners' associations is also assessed as good. The average LTV for property companies and tenant-owners' associations at the end of the quarter was 63% (64) and 37% (38), respectively. In this business area, the granting of credit is based on an assessment customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the pandemic, the bank is working proactively to identify customers who are, or who could become, particularly financially affected.

Since customers' underlying cash flows primarily derive from housing units, they are expected to be less affected or affected at a later stage if the pandemic persists. Therefore, SBAB's assessment is that risks may be higher for construction and project development companies, and property companies that are more dependent on capital markets with refinancing needed in the near future. The same applies for tenant-owners' associations with significant revenue from rental premises. There is only a limited portion of the exposures in SBAB's lending is subject to this potentially higher credit risk. No individual loss provision or further manual adjustment of counterparty risk classes in the business area has proved necessary during the first quarter.

#### Temporary amortisation exemptions

SBAB is offering its residential mortgage customers a temporary pause their mortgage amortisation in accordance with the guidelines of the Swedish FSA (FI Ref. 20-8061). According to the guidelines, SBAB's customers can apply for amortisation exemption until 2021-08-31. At 31 March 2021, around 19,500 households (19,200) encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 44 billion (43). At the same date 55 consumer loan customers (46), and 8 tenant-owners' association customers (7) had been granted amortisation exemption, corresponding to a volume of about SEK 8 million (6) and SEK 316 million (300), respectively. No corporate clients with amortisation exemption was present in the lending portfolio at the end of the first quarter 2021.

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

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

## Note 5 Lending to the public

SEK million	GROUP		
	31 Mar 2021	31 Dec 2020	31 Mar 2020
Opening balance, per year	422,835	383,807	383,807
New lending for the period	25,070	95,138	18,538
Amortisation, repayments	-14,431	-56,082	-13,008
Confirmed credit losses	-2	-9	-2
Change in provision for expected credit losses <sup>1)</sup>	7	-19	-16
<b>Closing balance, per year/period</b>	<b>433,479</b>	<b>422,835</b>	<b>389,319</b>

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

### Distribution of lending, including provisions

SEK million	GROUP		
	31 Mar 2021	31 Dec 2020	31 Mar 2020
Lending, Residential mortgages	318,034	310,816	295,328
Lending, Corporate Clients & Tenant-Owners' Associations	113,008	109,547	91,696
Lending, Consumer loans	2,437	2,472	2,295
<b>Total</b>	<b>433,479</b>	<b>422,835</b>	<b>389,319</b>

### Geographical composition

	GROUP			
	Lending, Residential mortgages %		Lending, Corporate Clients & Tenant-Owners' Associations %	
	2021	2020	2021	2020
	Kv 1	Kv 4	Kv 1	Kv 4
Stockholm area	63,2%	63,0%	46,1%	45,6%
Öresund region	10,5%	10,7%	18,2%	18,4%
University cities and growth regions	10,4%	10,1%	18,2%	18,5%
Gothenburg area	9,8%	9,5%	8,9%	9,1%
Other regions	6,1%	6,6%	8,5%	8,4%

## Note 5 Lending to the public, Cont.

### Lending to the public by credit stage

SEK million	GROUP		
	31 Mar 2021	31 Dec 2020	31 Mar 2020
<b>Credit stage 1</b>			
Gross lending	414,679	403,531	368,870
Provision	-42	-45	-41
<b>Total</b>	<b>414,637</b>	<b>403,486</b>	<b>368,829</b>
<b>Credit stage 2</b>			
Gross lending	18,694	19,214	20,294
Provision	-69	-73	-77
<b>Total</b>	<b>18,625</b>	<b>19,141</b>	<b>20,217</b>
<b>Credit stage 3</b>			
Gross lending	249	241	303
Provision	-32	-33	-30
<b>Total</b>	<b>217</b>	<b>208</b>	<b>273</b>
<b>Total gross lending</b>	<b>433,622</b>	<b>422,986</b>	<b>389,467</b>
<b>Total provisions</b>	<b>-143</b>	<b>-151</b>	<b>-148</b>
<b>Total</b>	<b>433,479</b>	<b>422,835</b>	<b>389,319</b>

## Note 6 Derivatives

SEK million	GROUP					
	31 Mar 2021			31 Dec 2020		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal value	Assets measured at fair value	Liabilities measured at fair value	Total nominal value
Interest-rate-related	5,765	1,600	445,168	7,198	1,569	442,941
Currency-related	4,017	875	89,764	3,692	1,555	101,119
<b>Total</b>	<b>9,782</b>	<b>2,475</b>	<b>534,932</b>	<b>10,890</b>	<b>3,124</b>	<b>544,060</b>

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

## Note 7 Operating segments

SEK million	GROUP					
	Jan-Mar 2021					
	Follow-up of operations			Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing	Statutory profit
Net interest income	811	230	1,041	-	-	1,041
Commission income	12	12	24	-	-	24
Commission expense	-17	-4	-21	-	-	-21
Net result of financial transactions	-12	-3	-15	-	-	-15
Other operating income	13	0	13	-	-	13
<b>Total operating income</b>	<b>807</b>	<b>235</b>	<b>1,042</b>	<b>-</b>	<b>-</b>	<b>1,042</b>
Salaries and remuneration	-95	-24	-119	-	-	-119
Other personnel costs	-56	-15	-71	5	-	-66
Other expenses	-104	-21	-125	-5	8	-122
Depreciation, amortisation and impairment of PPE and intangible assets	-6	-2	-8	-	-8	-16
Net credit losses	5	4	9	-	-	9
Impairment of financial assets, net	0	0	0	-	-	0
<b>Operating profit</b>	<b>551</b>	<b>177</b>	<b>728</b>	<b>0</b>	<b>0</b>	<b>728</b>
Tax	-115	-37	-152	-	-	-152
<b>Profit after standardised tax</b>	<b>436</b>	<b>140</b>	<b>576</b>	<b>0</b>	<b>0</b>	<b>576</b>
Return on equity, %	13.1	11.7	12.7	-	-	12.7

## Note 7 Operating segments, Cont.

SEK million	GROUP					
	Jan-Mar 2020					
	Follow-up of operations			Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing	Statutory profit
Net interest income	683	202	885	-	-	885
Commission income	9	7	16	-	-	16
Commission expense	-27	-7	-34	-	-	-34
Net result of financial transactions	-46	-9	-55	-	-	-55
Other operating income	12	0	12	-	-	12
<b>Total operating income</b>	<b>631</b>	<b>193</b>	<b>824</b>	<b>-</b>	<b>-</b>	<b>824</b>
Salaries and remuneration	-84	-19	-103	-	-	-103
Other personnel costs	-57	-14	-71	4	-	-67
Other expenses	-105	-20	-125	-4	7	-122
Depreciation, amortisation and impairment of PPE and intangible assets	-11	-1	-12	-	-7	-19
Net credit losses	-18	-9	-27	-	-	-27
Impairment of financial assets, net	-1	0	-1	-	-	-1
<b>Operating profit</b>	<b>355</b>	<b>130</b>	<b>485</b>	<b>0</b>	<b>0</b>	<b>485</b>
Tax	-81	-29	-110	-	-	-110
<b>Profit after standardised tax</b>	<b>274</b>	<b>101</b>	<b>375</b>	<b>0</b>	<b>0</b>	<b>375</b>
Return on equity, %	9.1	9.5	9.2	-	-	9.2

All expenses and revenues are fully allocated to the segments Retail and Corporate Clients & Tenant-Owners' Associations. In relation to the statutory income statement, an expense of SEK 5 million (4) was transferred between the rows "Other expenses" and "Other personnel costs." The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring. IFRS 16 is not taken into account in the follow-up of operations. All

expenses identified in IFRS 16, with the exception of the interest component, are to be considered as costs for premises. The effect of IFRS 16 on the Group is recognised in the reconciliation against the statutory income statement. For more information on IFRS 16, please refer to [Note G 1](#) in SBAB's 2020 Annual Report.



## Note 8 Classification of financial instruments

### Financial assets

	GROUP						
	31 Mar 2021						
SEK million	Financial assets measured at FVTPL			Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification				
Cash and balances at central banks	-	-	-	-	450	450	450
Chargeable treasury bills, etc.	654	-	-	3,641	5,937	10,232	10,229
Lending to credit institutions	-	-	-	-	762	762	762
Lending to the public	-	-	-	-	433,479	433,479	433,884
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	-89	-89	-
Bonds and other interest-bearing securities	839	-	-	32,867	26,509	60,215	60,324
Derivatives	-	9,331	451	-	-	9,782	9,782
Other assets	-	-	-	-	2,608	2,608	2,608
Prepaid expenses and accrued income	29	-	-	210	223	462	462
<b>Total financial assets</b>	<b>1,522</b>	<b>9,331</b>	<b>451</b>	<b>36,718</b>	<b>469,879</b>	<b>517,901</b>	<b>518,501</b>

### Financial liabilities

	GROUP				
	31 Mar 2021				
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	-	-	20,277	20,277	20,277
Deposits from the public	-	-	136,500	136,500	136,500
Issued debt securities, etc.	-	-	327,944	327,944	329,442
Derivatives	2,143	332	-	2,475	2,475
Other liabilities	-	-	490	490	490
Accrued expenses and deferred income	-	-	2,356	2,356	2,356
Subordinated debt	-	-	1,996	1,996	1,997
<b>Total financial liabilities</b>	<b>2,143</b>	<b>332</b>	<b>489,563</b>	<b>492,038</b>	<b>493,537</b>

## Note 8 Classification of financial instruments, Cont.

### Financial assets

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

### Financial liabilities

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

#### Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2020 Annual Report. In the "total fair value" column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet.

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

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

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

## Note 9 Fair value disclosures

SEK million	GROUP							
	31 Mar 2021				31 Dec 2020			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
<b>Assets</b>								
Chargeable treasury bills, etc.	4,295	-	-	4,295	4,258	-	-	4,258
Bonds and other interest-bearing securities	33,706	-	-	33,706	32,352	-	-	32,352
Derivatives	-	9,782	-	9,782	-	10,890	-	10,890
Prepaid expenses and accrued income	239	-	-	239	166	-	-	166
<b>Total</b>	<b>38,240</b>	<b>9,782</b>	<b>-</b>	<b>48,022</b>	<b>36,776</b>	<b>10,890</b>	<b>-</b>	<b>47,666</b>
<b>Liabilities</b>								
Derivatives	-	2,475	-	2,475	-	3,124	-	3,124
<b>Total</b>	<b>-</b>	<b>2,475</b>	<b>-</b>	<b>2,475</b>	<b>-</b>	<b>3,124</b>	<b>-</b>	<b>3,124</b>

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2020 Annual Report. In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement levels used below. No transfers were made between levels in 2020 or 2021.

### Quoted market prices (Level 1)

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

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

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

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

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

## Note 10 Liquidity reserve and liquidity risk

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

### Calculation of survival horizon

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

The survival horizon is calculated by totalling the maximum need of liquidity for each coming day and comparing this to the size of the liquidity portfolio after applicable haircuts. The calculations are based on a crisis scenario in which

all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no funding is available and deposits decline. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. SBAB's survival horizon amounted to 383 days at 31 March 2021 (266 days at 31 December 2020).

### Liquidity coverage ratio

The liquidity coverage ratio (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. At 31 March 2021, the LCR was 226% (170) in all currencies at the consolidated level, and 437% (340) and 824% (1,300), respectively, in EUR and USD. Measured in SEK, the LCR was 179% (136).

		CONSOLIDATED SITUATION									
		31 Mar 2021					31 Dec 2020				
		Distribution by currency					Distribution by currency				
SEK billion		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
	<b>Level 1 assets</b>	<b>66.8</b>	<b>44.7</b>	<b>16.0</b>	<b>6.1</b>	<b>-</b>	<b>72.3</b>	<b>55.1</b>	<b>11.4</b>	<b>5.8</b>	<b>-</b>
	Cash and balances with central banks <sup>1)</sup>	2.0	2.0	-	-	-	7.0	7.0	-	-	-
<b>Level 1</b>	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	13.9	5.5	5.8	2.6	-	19.6	13.0	4.1	2.5	-
	Securities issued by municipalities and public sector entities	16.4	7.1	5.9	3.4	-	15.0	7.6	4.2	3.2	-
	Extremely high quality covered bonds	34.5	30.1	4.3	0.1	-	30.7	27.5	3.1	0.1	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	<b>Level 2 assets</b>	<b>3.1</b>	<b>2.8</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>3.8</b>	<b>3.3</b>	<b>0.5</b>	<b>-</b>	<b>-</b>
	<b>Level 2A assets</b>	<b>3.1</b>	<b>2.8</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>3.8</b>	<b>3.3</b>	<b>0.5</b>	<b>-</b>	<b>-</b>
	Securities issued or guaranteed by sovereigns, central banks, municipalities and public sector entities	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	3.1	2.8	0.3	-	-	3.8	3.3	0.5	-	-
<b>Level 2</b>	Corporate debt securities (lowest rating AA-)	-	-	-	-	-	-	-	-	-	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	<b>Level 2B assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Asset-backed securities	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	-	-	-	-	-	-	-	-	-	-
	Corporate debt securities (rated A+ to BBB-)	-	-	-	-	-	-	-	-	-	-
	Shares (major stock index)	-	-	-	-	-	-	-	-	-	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	<b>Liquidity reserve</b>	<b>69.9</b>	<b>47.5</b>	<b>16.3</b>	<b>6.1</b>	<b>-</b>	<b>76.1</b>	<b>58.4</b>	<b>11.9</b>	<b>5.8</b>	<b>-</b>

1) Includes central bank facilities.

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

### Amendments to the Banking Package

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

Due to the corona pandemic, the EU made amendments to the CRR with effect from 27 June 2020. SBAB was affected by an earlier introduction of a reduction of the capital requirement for loans to small and medium-sized enterprises (SME factor). For SBAB the changes has a limited effect on the capital requirement. In addition, adjustments to amortization of intangible assets in the CET1-capital have been implemented by amending the delegated act (EU) 241/2014. The changes have a limited effect on the CET1-capital.

### Buffer requirements

During the first quarter 2020, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5 percent to 0 percent, due to the current corona pandemic. On 22 March 2021, the Swedish FSA decided to keep the countercyclical capital buffer requirement for banks unchanged at 0 percent. Furthermore, decisions will not be made quarterly but only in the event of a change.

## Capital adequacy

SEK million	CONSOLIDATED SITUATION		
	31 Mar 2021	31 Mar 2020	31 Dec 2020
CET1 capital	17,812	15,926	17,492
Tier 1 capital	22,112	19,426	20,992
Total capital	24,112	21,877	22,992
Risk exposure amount	136,078	125,070	130,267
CET1 capital ratio, %	13.1	12.7	13.4
Excess <sup>1)</sup> of CET1 capital	11,688	10,297	11,630
Tier 1 capital ratio, %	16.2	15.5	16.1
Excess <sup>1)</sup> of Tier 1 capital	13,947	11,921	13,176
Total capital ratio, %	17.7	17.5	17.6
Excess <sup>1)</sup> of total capital	13,226	11,871	12,571

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

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

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

### Own funds

SEK million	CONSOLIDATED SITUATION		
	31 Mar 2021	31 Mar 2020	31 Dec 2020
<b>CET1 capital instruments: Instruments and reserves</b>			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	15,800	14,129	13,995
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	1,838	2,589	2,321
Additional Tier 1 instruments	4,300	3,500	3,500
Independently verified year-end profits net of any foreseeable charge or dividend <sup>1)</sup>	349	228	1,855
<b>CET1 capital before regulatory adjustments</b>	<b>24,245</b>	<b>22,404</b>	<b>23,629</b>
<b>CET1 capital: Regulatory adjustments</b>			
Additional value adjustments (negative amount)	-50	-62	-51
Intangible assets (net of related tax liability) (negative amount)	-228	-204	-204
Fair value reserves related to gains or losses on cash-flow hedges	-1,766	-2,640	-2,307
Negative amounts resulting from the calculation of expected loss amounts	-65	-52	-51
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-24	-20	-24
Additional Tier 1 instruments in equity	-4,300	-3,500	-3,500
<b>Total regulatory adjustments to CET1 capital</b>	<b>-6,433</b>	<b>-6,478</b>	<b>-6,137</b>
<b>CET1 capital</b>	<b>17,812</b>	<b>15,926</b>	<b>17,492</b>
<b>Additional Tier 1 capital: Instrument</b>			
Capital instruments and the related share premium accounts	4,300	3,500	3,500
– of which, classified as equity under applicable accounting standards	4,300	3,500	3,500
– of which, classified as liabilities under applicable accounting standards	–	–	–
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–	–
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>4,300</b>	<b>3,500</b>	<b>3,500</b>
<b>Additional Tier 1 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Additional Tier 1 capital</b>	<b>4,300</b>	<b>3,500</b>	<b>3,500</b>
<b>Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)</b>	<b>22,112</b>	<b>19,426</b>	<b>20,992</b>
<b>Tier 2 capital: Instruments and provisions</b>			
Capital instruments and the related share premium accounts	1,995	2,447	1,995
Credit risk adjustments	5	4	5
<b>Tier 2 capital before regulatory adjustments</b>	<b>2,000</b>	<b>2,451</b>	<b>2,000</b>
<b>Tier 2 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Tier 2 capital</b>	<b>2,000</b>	<b>2,451</b>	<b>2,000</b>
<b>Total capital (Total capital=Tier 1 capital + Tier 2 capital)</b>	<b>24,112</b>	<b>21,877</b>	<b>22,992</b>
<b>Total risk-weighted assets</b>	<b>136,078</b>	<b>125,070</b>	<b>130,267</b>

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

SEK million	CONSOLIDATED SITUATION		
	31 Mar 2021	31 Mar 2020	31 Dec 2020
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	13.1	12.7	13.4
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	16.2	15.5	16.1
Total capital (as a percentage of total risk-weighted exposure amount), %	17.7	17.5	17.6
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1) (a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	7.0	7.0	7.0
– of which, CET1 capital, minimum requirement, %	4.5	4.5	4.5
– of which, capital conservation buffer requirement, %	2.5	2.5	2.5
– of which, countercyclical buffer requirement, %	0.0	0.0	0.0
– of which, systemic risk buffer requirement, %	–	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	8.6	8.2	8.9
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)</b>			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

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

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

At the start of 2019, SBAB's Board decided to apply Article 3 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) for corporate exposures to small and medium-sized enterprises. The aim is to compensate for the current pro-cyclical effect that exists in the bank's internal models for credit risk, which has resulted in PD declining in line with the favourable economic climate. As a result, the bank has introduced a REA surcharge of SEK 792

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

### Risk exposure amounts and capital requirements

SEK million	CONSOLIDATED SITUATION					
	31 Mar 2021		31 Dec 2020		31 Mar 2020	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	17,619	1,410	16,578	1,326	14,797	1,184
Retail exposures	12,590	1,007	12,181	975	12,298	984
– of which, exposures to SMEs	952	76	913	73	864	69
– of which, retail exposures secured by immovable property	11,638	931	11,268	902	11,434	915
<b>Total exposures recognised with the IRB approach</b>	<b>30,209</b>	<b>2,417</b>	<b>28,759</b>	<b>2,301</b>	<b>27,095</b>	<b>2,168</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	–	–
Exposures to institutions <sup>1)</sup>	4,160	333	4,042	323	4,474	358
– of which, derivatives according to CRR, Appendix 2	4,014	321	4,014	321	4,368	350
– of which, repos	146	12	28	2	105	8
– of which, other	0	0	0	0	1	0
Retail exposures	2,638	211	2,613	209	2,333	187
Exposures in default	6	0	7	1	7	1
Exposures in the form of covered bonds	3,826	306	3,738	299	3,989	319
Exposures to institutions and corporates with a short-term credit rating	1,067	85	10	1	242	19
Equity exposures	1,266	101	1,266	101	1,266	101
Other items	221	18	327	26	261	20
<b>Total exposures recognised with standardised approach</b>	<b>13,184</b>	<b>1,054</b>	<b>12,003</b>	<b>960</b>	<b>12,572</b>	<b>1,005</b>
<b>Market risk</b>	<b>633</b>	<b>51</b>	<b>348</b>	<b>28</b>	<b>483</b>	<b>39</b>
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	633	51	348	28	483	39
<b>Operational risk</b>	<b>5,547</b>	<b>444</b>	<b>5,212</b>	<b>417</b>	<b>5,212</b>	<b>417</b>
– of which, standardised approach	5,547	444	5,212	417	5,212	417
<b>Credit valuation adjustment risk (CVA risk)</b>	<b>1,586</b>	<b>127</b>	<b>1,504</b>	<b>120</b>	<b>2,246</b>	<b>180</b>
<b>Additional requirements under Article 458 of the CRR</b>	<b>84,127</b>	<b>6,730</b>	<b>81,649</b>	<b>6,532</b>	<b>76,670</b>	<b>6,134</b>
<b>Additional requirements under Article 3 of the CRR</b>	<b>792</b>	<b>63</b>	<b>792</b>	<b>63</b>	<b>792</b>	<b>63</b>
<b>Total risk exposure amount and minimum capital requirements</b>	<b>136,078</b>	<b>10,886</b>	<b>130,267</b>	<b>10,421</b>	<b>120,070</b>	<b>10,006</b>
<b>Capital requirements for capital conservation buffer</b>		<b>3,402</b>		<b>3,257</b>		<b>3,127</b>
<b>Capital requirements for countercyclical buffer</b>		<b>18</b>		<b>17</b>		<b>9</b>
<b>Total capital requirements</b>		<b>14,306</b>		<b>13,695</b>		<b>13,142</b>

<sup>1)</sup> The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,160 million (4,042).



## Note 12 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for the Group amounted to SEK 15,891 million (SEK 15,206 million at 31 December 2020). The internal capital requirement is assessed using SBAB's internal models for economic capital and is not fully comparable to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumptions and methodologies. SBAB estimates that the Swedish FSA's expected total capital requirement as of 31

March 2021 amounted to SEK 16,556 million, of which SEK 2,249 million comprised capital requirement in Pillar 2. SBAB quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period. The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

SEK million		CONSOLIDATED SITUATION			
		31 Mar 2021		31 Dec 2020	
		Internally assessed capital requirement		Internally assessed capital requirement	
	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	
<b>Pillar 1</b>	Credit risk & CVA risk	3,598	2.6	3,381	2.6
	Market risk	51	0.1	28	0.0
	Operational risk	444	0.3	417	0.3
	Risk-weight floor <sup>1)</sup>	6,730	4.9	6,532	5.0
	Surcharge, corporate exposures <sup>2)</sup>	63	0.1	63	0.1
	<b>Total Pillar 1</b>	<b>10,886</b>	<b>8.0</b>	<b>10,421</b>	<b>8.0</b>
<b>Pillar 2</b>	Credit risk	-	-	-	-
	Market risk	409	0.3	387 <sup>3)</sup>	0.3 <sup>3)</sup>
	Operational risk	-	-	-	-
	Concentration risk	1,082	0.8	1,046	0.8
	Sovereign risk	94	0.1	78	0.1
	Pension risk	-	-	-	-
<b>Total Pillar 2</b>	<b>1,585</b>	<b>1.2</b>	<b>1,511<sup>3)</sup></b>	<b>1.2<sup>3)</sup></b>	
<b>Buffers</b>	Capital conservation buffer	3,402	2.5	3,257	2.5
	Capital planning buffer	-	-	-	-
	Countercyclical buffer	18	0.0	17	0.0
	<b>Total Buffers</b>	<b>3,420</b>	<b>2.5</b>	<b>3,274</b>	<b>2.5</b>
<b>Total</b>	<b>15,891</b>	<b>11.7</b>	<b>15,206<sup>3)</sup></b>	<b>11.7<sup>3)</sup></b>	
<b>Total own funds</b>	<b>24,112</b>		<b>22,992</b>		

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

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

3) The amount has been adjusted compared to the amount in the table published in the December 2020 report.

# Parent Company

## Trend for January–March 2021 compared with January–March 2020

Profit before credit losses increased to SEK 132 million (52), primarily due to increase Net interest income. Net interest income increased during the period to SEK 185 million (140), mainly driven by higher interest income from subordinated receivable from SCBC. Net commission income increased to SEK 15 million (12), primarily due to increased commission income from insurance mediation and increased formation expenses linked to corporate lending. The net result of financial transactions amounted to an income of SEK 1 million (-42) mainly due to differences in value changes in hedging

instruments and hedged items. Other operating income increased to SEK 287 million (276), which was mainly driven by comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses grew to SEK 356 million (321), mainly due to higher personnel costs. Credit losses amounted to SEK 0 million (12). Lending to the public totalled SEK 26,4 billion (26,1). Deposits from the public totalled SEK 136,5 billion (128,7). The CET1 capital ratio amounted to 26.1 percent (22.9) and the total capital ratio was 41.4 percent (37.6). The internally assessed capital requirement was SEK 5,797 million (5,843).

## Consolidated income statement

SEK million	PARENT COMPANY					
	2021 Q1	2020 Q4	2020 Q1	2021 Jan–Mar	2020 Jan–Mar	2020 Jan–Dec
Interest income	436	436	465	436	465	1,811
Interest expense	-251	-270	-325	-251	-325	-1,217
<b>Net interest income</b>	<b>185</b>	<b>166</b>	<b>140</b>	<b>185</b>	<b>140</b>	<b>594</b>
Dividends received	-	719	-	-	-	719
Commission income	26	24	17	26	17	95
Commission expense	-11	-17	-5	-11	-5	-39
Net result of financial transactions	1	16	-42	1	-42	33
Other operating income	287	358	276	287	276	1,181
<b>Total operating income</b>	<b>488</b>	<b>1,266</b>	<b>386</b>	<b>488</b>	<b>386</b>	<b>2,583</b>
Personnel costs	-183	-181	-166	-183	-166	-682
Other expenses	-169	-161	-150	-169	-150	-585
Depreciation, amortisation and impairment of PPE and intangible assets	-4	-20	-5	-4	-5	-43
<b>Total expenses before credit losses</b>	<b>-356</b>	<b>-362</b>	<b>-321</b>	<b>-356</b>	<b>-321</b>	<b>-1,310</b>
<b>Profit/loss before credit losses</b>	<b>132</b>	<b>904</b>	<b>65</b>	<b>132</b>	<b>65</b>	<b>1,273</b>
Net credit losses	0	0	-12	0	-12	-11
Impairment of financial assets	-1	-3	-2	-1	-3	-10
Reversals of impairment of financial assets	1	3	1	1	1	10
<b>Operating profit</b>	<b>132</b>	<b>904</b>	<b>52</b>	<b>132</b>	<b>52</b>	<b>1,262</b>
Tax	-30	-196	-17	-30	-17	-289
<b>Net profit for the period</b>	<b>102</b>	<b>708</b>	<b>35</b>	<b>102</b>	<b>35</b>	<b>973</b>

# Consolidated statement of comprehensive income

SEK million	PARENT COMPANY					
	2021	2020	2020	2021	2020	2020
	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
<b>Net profit/loss for the period</b>	<b>102</b>	<b>708</b>	<b>35</b>	<b>102</b>	<b>35</b>	<b>973</b>
<b>Other comprehensive income</b>						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	-25	48	-93	-25	-93	4
Changes related to cash-flow hedges	-18	-32	58	-18	58	-2
Tax attributable to components that will be reclassified to profit or loss	9	-1	8	9	8	2
<b>Other comprehensive income/loss, net of tax</b>	<b>-34</b>	<b>15</b>	<b>-27</b>	<b>-34</b>	<b>-27</b>	<b>4</b>
<b>Total comprehensive income for the period</b>	<b>68</b>	<b>723</b>	<b>8</b>	<b>68</b>	<b>8</b>	<b>977</b>

# Consolidated balance sheet

SEK million	PARENT COMPANY		
	31 Mar 2021	31 Dec 2020	31 Mar 2020
<b>ASSETS</b>			
Cash and balances at central banks	450	6,530	4,050
Chargeable treasury bills, etc.	10,232	10,894	29,698
Lending to credit institutions (Note 13)	127,444	121,069	103,612
Lending to the public	26,404	24,806	26,143
Bonds and other interest-bearing securities	60,215	58,180	61,234
Derivatives	10,979	12,320	20,583
Shares and participations in Group companies	10,401	10,401	10,401
Intangible assets	12	14	22
Property, plant and equipment	36	34	48
Other assets	1,031	746	594
Prepaid expenses and accrued income	595	391	639
<b>TOTAL ASSETS</b>	<b>247,799</b>	<b>245,385</b>	<b>257,024</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	20,190	20,184	22,598
Deposits from the public	136,500	135,658	128,688
Issued debt securities, etc.	60,682	59,841	60,253
Derivatives	10,464	12,153	18,980
Other liabilities	422	512	8,633
Accrued expenses and deferred income	507	309	548
Deferred tax liabilities	48	58	53
Provisions	17	20	24
Subordinated debt	1,996	1,995	3,449
<b>Total liabilities</b>	<b>230,826</b>	<b>230,730</b>	<b>243,226</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
<b>Total restricted equity</b>	<b>2,350</b>	<b>2,350</b>	<b>2,350</b>
<b>Unrestricted equity</b>			
Fair value reserve	206	241	210
Additional Tier 1 instruments	5,800	3,500	3,500
Retained earnings	8,515	7,591	7,703
Net profit for the period	102	973	35
<b>Total unrestricted equity</b>	<b>14,623</b>	<b>12,305</b>	<b>11,448</b>
<b>Total equity</b>	<b>16,973</b>	<b>14,655</b>	<b>13,798</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>247,799</b>	<b>245,385</b>	<b>257,024</b>

## Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 31 March 2021, SEK 111,608 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 109,515 million at the end of 2020. This receivable is subordinated in the event of receivership or liquidation, which means that payment is received only after other creditors of the subsidiary have been

paid. Of the total receivable, SEK 6,000 million (6,000) comprises an internal Group debt instrument (senior non-preferred notes), issued by the subsidiary SCBC for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office.

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

### Amendments to the Banking Package

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

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

requirement. In addition, adjustments to amortization of intangible assets in the CET1-capital have been implemented by amending the delegated act (EU) 241/2014. The changes have a limited effect on the CET1-capital.

### Buffer requirements

During the first quarter 2020, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5 percent to 0 percent, due to the current corona pandemic. On 22 March 2021, the Swedish FSA decided to keep the countercyclical capital buffer requirement for banks unchanged at 0 percent. Furthermore, decisions will not be made quarterly but only in the event of a change.

## Capital adequacy

SEK million	PARENT COMPANY		
	31 Mar 2021	31 Mar 2020	31 Dec 2020
CET1 capital	10,724	9,300	10,917
Tier 1 capital	15,024	12,800	14,417
Total capital	17,019	15,247	16,412
Risk exposure amount	41,128	40,576	38,322
CET1 capital ratio, %	26.1	22.9	28.5
Excess <sup>1)</sup> of CET1 capital	8,873	7,474	9,192
Tier 1 capital ratio, %	36.5	31.5	37.6
Excess <sup>1)</sup> of Tier 1 capital	12,556	10,365	12,117
Total capital ratio, %	41.4	37.6	42.8
Excess <sup>1)</sup> of total capital	13,729	12,001	13,346

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

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

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

### Own funds

SEK million	PARENT COMPANY		
	31 Mar 2021	31 Dec 2020	31 Mar 2020
<b>CET1 capital instruments: Instruments and reserves</b>			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	8,907	7,983	7,556
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	206	241	210
Additional Tier 1 instruments	4,300	3,500	3,500
Independently verified year-end profits net of any foreseeable charge or dividend <sup>1)</sup>	-128	973	-115
<b>CET1 capital before regulatory adjustments</b>	<b>15,243</b>	<b>14,655</b>	<b>13,109</b>
<b>CET1 capital: Regulatory adjustments</b>			
Additional value adjustments (negative amount)	-70	-71	-90
Intangible assets (net of related tax liability) (negative amount)	-5	-14	-22
Fair value reserves related to gains or losses on cash-flow hedges	-74	-89	-136
Negative amounts resulting from the calculation of expected loss amounts	-46	-39	-41
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-24	-25	-20
Additional Tier 1 instruments in equity	-4,300	-3,500	-3,500
<b>Total regulatory adjustments to CET1 capital</b>	<b>-4,519</b>	<b>-3,738</b>	<b>-3,809</b>
<b>CET1 capital</b>	<b>10,724</b>	<b>10,917</b>	<b>9,300</b>
<b>Additional Tier 1 capital: Instrument</b>			
Capital instruments and the related share premium accounts	4,300	3,500	3,500
– of which, classified as equity under applicable accounting standards	4,300	3,500	3,500
– of which, classified as liabilities under applicable accounting standards	-	-	-
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>4,300</b>	<b>3,500</b>	<b>3,500</b>
<b>Additional Tier 1 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital</b>	<b>4,300</b>	<b>3,500</b>	<b>3,500</b>
<b>Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)</b>	<b>15,024</b>	<b>14,417</b>	<b>12,800</b>
<b>Tier 2 capital: Instruments and provisions</b>			
Capital instruments and the related share premium accounts	1,995	1,995	2,447
Credit risk adjustments	-	-	-
<b>Tier 2 capital before regulatory adjustments</b>	<b>1,995</b>	<b>1,995</b>	<b>2,447</b>
<b>Tier 2 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2 capital</b>	<b>1,995</b>	<b>1,995</b>	<b>2,447</b>
<b>Total capital (Total capital=Tier 1 capital + Tier 2 capital)</b>	<b>17,019</b>	<b>16,412</b>	<b>15,247</b>
<b>Total risk-weighted assets</b>	<b>41,128</b>	<b>38,322</b>	<b>40,576</b>

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

SEK million	PARENT COMPANY		
	31 Mar 2021	31 Dec 2020	31 Mar 2020
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	26.1	28.5	22.9
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	36.5	37.6	31.5
Total capital (as a percentage of total risk-weighted exposure amount), %	41.4	42.8	37.6
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1) (a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	7.0	7.0	7.0
– of which, CET1 capital, minimum requirement, %	4.5	4.5	4.5
– of which, capital conservation buffer requirement, %	2.5	2.5	2.5
– of which, countercyclical buffer requirement, %	0.0	0.0	0.0
– of which, systemic risk buffer requirement, %	–	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	21.6	24.0	18.4
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)</b>			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

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

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

### Risk exposure amounts and capital requirements

SEK million	PARENT COMPANY					
	31 Mar 2021		31 Dec 2020		31 Mar 2020	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	8,367	669	7,740	619	8,535	683
Retail exposures	1,214	97	941	75	902	72
– of which, exposures to SMEs	98	8	58	5	80	6
– of which, retail exposures secured by immovable property	1,116	89	883	70	822	66
<b>Total exposures recognised with the IRB approach</b>	<b>9,581</b>	<b>766</b>	<b>8,681</b>	<b>694</b>	<b>9,437</b>	<b>755</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	-	-
Exposures to institutions <sup>1)</sup>	3,992	319	3,934	315	4,432	355
– of which, derivatives according to CRR, Appendix 2	3,920	314	3,899	312	4,313	346
– of which, repos	37	3	19	2	90	7
– of which, other	35	2	16	1	29	2
Retail exposures	2,638	211	2,613	209	2,333	187
Exposures in default	6	0	7	1	7	1
Exposures in the form of covered bonds	3,826	306	3,738	299	3,989	319
Exposures to institutions and corporates with a short-term credit rating	81	7	11	1	41	3
Equity exposures	11,566	925	11,566	925	11,566	925
Other items	130	11	96	7	119	9
<b>Total exposures recognised with standardised approach</b>	<b>22,239</b>	<b>1,779</b>	<b>21,965</b>	<b>1,757</b>	<b>22,487</b>	<b>1,799</b>
<b>Market risk</b>	<b>139</b>	<b>11</b>	<b>74</b>	<b>6</b>	<b>113</b>	<b>9</b>
– of which, position risk	-	-	-	-	-	-
– of which, currency risk	139	11	74	6	113	9
<b>Operational risk</b>	<b>2,567</b>	<b>205</b>	<b>2,148</b>	<b>172</b>	<b>2,148</b>	<b>172</b>
– of which, standardised approach	2,567	205	2,148	172	2,148	172
<b>Credit valuation adjustment risk (CVA risk)</b>	<b>1,420</b>	<b>114</b>	<b>1,286</b>	<b>103</b>	<b>2,037</b>	<b>163</b>
<b>Additional requirements under Article 458 of the CRR</b>	<b>5,006</b>	<b>401</b>	<b>3,992</b>	<b>320</b>	<b>4,178</b>	<b>334</b>
<b>Additional requirements under Article 3 of the CRR</b>	<b>176</b>	<b>14</b>	<b>176</b>	<b>14</b>	<b>176</b>	<b>14</b>
<b>Total risk exposure amount and minimum capital requirements</b>	<b>41,128</b>	<b>3,290</b>	<b>38,322</b>	<b>3,066</b>	<b>40,576</b>	<b>3,246</b>
<b>Capital requirements for capital conservation buffer</b>		<b>1,028</b>		<b>958</b>		<b>1,014</b>
<b>Capital requirements for countercyclical buffer</b>		<b>8</b>		<b>7</b>		<b>4</b>
<b>Total capital requirements</b>		<b>4,326</b>		<b>4,031</b>		<b>4,264</b>

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,957 million (3,918).



# Alternative performance measures

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

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

## Deposits/lending

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

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

SEK million	GROUP		
	31 Mar 2021	31 Mar 2020	31 Dec 2020
Deposits from the public	136,500	128,688	135,658
Lending to the public	433,479	389,319	422,835
<b>Deposits/lending, %</b>	<b>31.5</b>	<b>33.1</b>	<b>32.1</b>

## C/I ratio

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

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

SEK million	GROUP		
	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec
Expenses	-323	-312	-1,335
Operating income	1,042	823	3,728
<b>C/I ratio, %</b>	<b>31.0</b>	<b>37.9</b>	<b>35.8</b>

## C/L ratio

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

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

SEK million	GROUP		
	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec
Expenses	-323	-312	-1,335
- Expenses (annualised)	-1,292	-1,248	-1,335
Aver. lending to the public	428,157	386,563	403,321
<b>C/L ratio, %</b>	<b>0.30</b>	<b>0.32</b>	<b>0.33</b>

## Return on equity

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

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

SEK million	GROUP		
	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec
Operating profit after tax	576	375	1,839
- Op. profit after tax (annualised)	2,302	1,498	1,839
Average equity	18,081	16,294	16,965
<b>Return on equity, %</b>	<b>12.7</b>	<b>9.2</b>	<b>10.8</b>

## 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		
	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec
Net interest income	1,041	886	3,747
– Net interest inc. (annualised)	4,166	3,542	3,747
Average balance sheet total	515,048	497,762	493,446
<b>Net interest margin, %</b>	<b>0.81</b>	<b>0.71</b>	<b>0.76</b>

## Credit loss ratio

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

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

SEK million	GROUP		
	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec
Credit losses	9	–27	–32
– Credit losses (annualised)	36	–108	–32
Lending to the public	433,479	389,319	422,835
<b>Credit loss ratio, %</b>	<b>0.01</b>	<b>–0.03</b>	<b>–0.01</b>

## Share of Stage 3 loans, gross, %

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

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

SEK million	GROUP		
	31 Mar 2021	31 Mar 2020	31 Dec 2020
Gross lending credit stage 3	249	303	241
Lending to the public	433,479	389,319	422,835
<b>Share of Stage 3 loans, %</b>	<b>0.06</b>	<b>0.08</b>	<b>0.06</b>

## New lending

**Definition:** Gross lending for the period.

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

## Definitions of other key performance indicators

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

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

Solna, 28 April 2021

Klas Danielsson  
CEO



## Financial calendar

Interim Report Jan–Jun 2021	16 July 2021
Interim Report Jan–Sep 2021	26 October 2021
Year-end Report 2021	3 February 2022

## Credit ratings

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



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This information was submitted for publication on 28 February 2021 at 12:00 (CET).

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

