

SBAB!

2019



WE CONTRIBUTE TO BETTER
A
YEAR OF GROWTH
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WE CONTRIBUTE TO BETTER
HOUSING
AND HOUSEHOLD
FINANCES
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WE CONTRIBUTE TO BETTER
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NEW COLLEAGUES
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ONE OF SWEDEN'S
BEST WORKPLACES
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— WE HAVE —
SWEDEN'S
MOST SATISFIED
CUSTOMERS
PAGE 4

GREEN
MORTGAGES
MOTIVATE OUR
CUSTOMERS
PAGE 34



WE CONTRIBUTE TO BETTER
HOUSING
AND HOUSEHOLD
FINANCES

We are passionate about creating opportunities and solving problems related to housing and household finances. We know that SBAB can do much more than merely lend money. We want to be a part of changing the world and help meet the UN's Sustainable Development Goals by 2030. We have a responsibility for the people and areas of society affected by our business, both now and in the future.





EYE ON THE HOUSING MARKET

Insights from the Come Home Report

“There is a major need for information and expertise when it comes to sustainability and climate-smart housing,” says Claudia Wörmann, Housing Economist at SBAB.



RESPECT AND EQUALITY

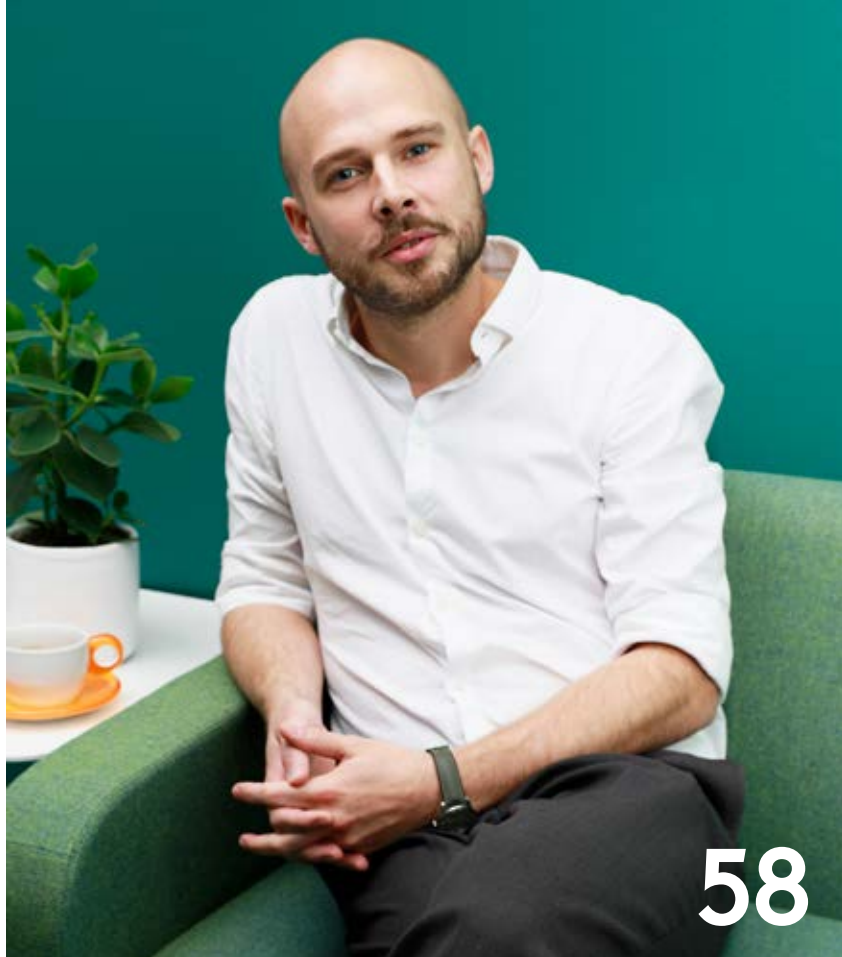
Respekttrappan for all

During the year we launched Respekttrappan (eng. *Respect ladder*) online for companies and organisations to use, free of charge, as part of their efforts to create more inclusive workplaces.

GREEN MORTGAGES

Tomorrow's status symbols

SBAB is inspiring consumers to purchase tomorrow's super fashionable products through its Green Mortgage.



CLIMATE RISKS IN THE RESIDENTIAL MORTGAGE PORTFOLIO

Climate change is affecting the housing and property market

“We have to make an overall risk assessment, and climate risks should of course be a natural part of that assessment,” says Axel Wallin, Head of Sustainability at SBAB.



THE SUSTAINABLE DEVELOPMENT GOALS

How SBAB supports the Sustainable Development Goals

The 2030 Agenda and the Sustainable Development Goals (SDGs) are an integrated part of SBAB’s operations and governance.

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The Annual and Sustainability Report has been prepared in accordance with the GRI Standards: Core option. It also constitutes SBAB’s Communication on Progress (COP) to the UN Global Compact, a sustainability report in accordance with the Swedish Annual Accounts Act and information on how SBAB contributes to the 2030 Agenda for sustainable development. For additional information about the Report and the reporting principles, see page 169.

The pages that have been audited have been colour-coded in black in the table of contents. The remaining pages, excluding the Corporate Governance Report, have been subject to a limited assurance engagement. The Corporate Governance Report has been subject to a statutory review by the company’s auditor.

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

Satisfied customers and committed employees



SWEDEN'S MOST SATISFIED CUSTOMERS

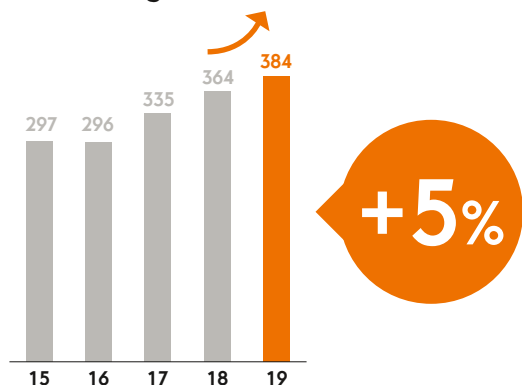
SBAB had Sweden's most satisfied residential mortgage customers according to Swedish Quality Index (Swe: Svenskt Kvalitetsindex (SKI)), which measures customer satisfaction in the banking and finance sector each year. With a customer satisfaction score of 76.3 out of 100, we rank well above the sector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

SBAB's corporate customers appreciate our accessibility and our sustainability efforts. SBAB received a customer satisfaction score of 76.3 out of 100 in SKI's survey, in relation to the industry average of 67.8. This means that we, for the second consecutive year, have Sweden's most satisfied customers in terms of property loans to corporates and tenant-owners' associations.

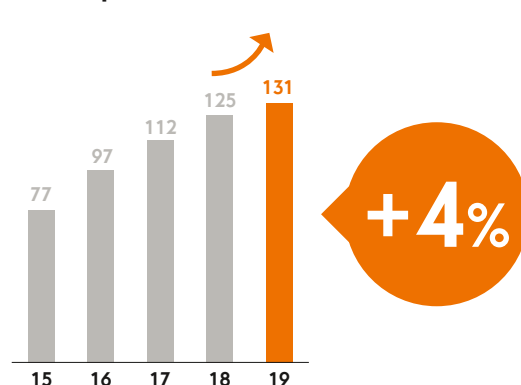
[Read more on page 26](#)

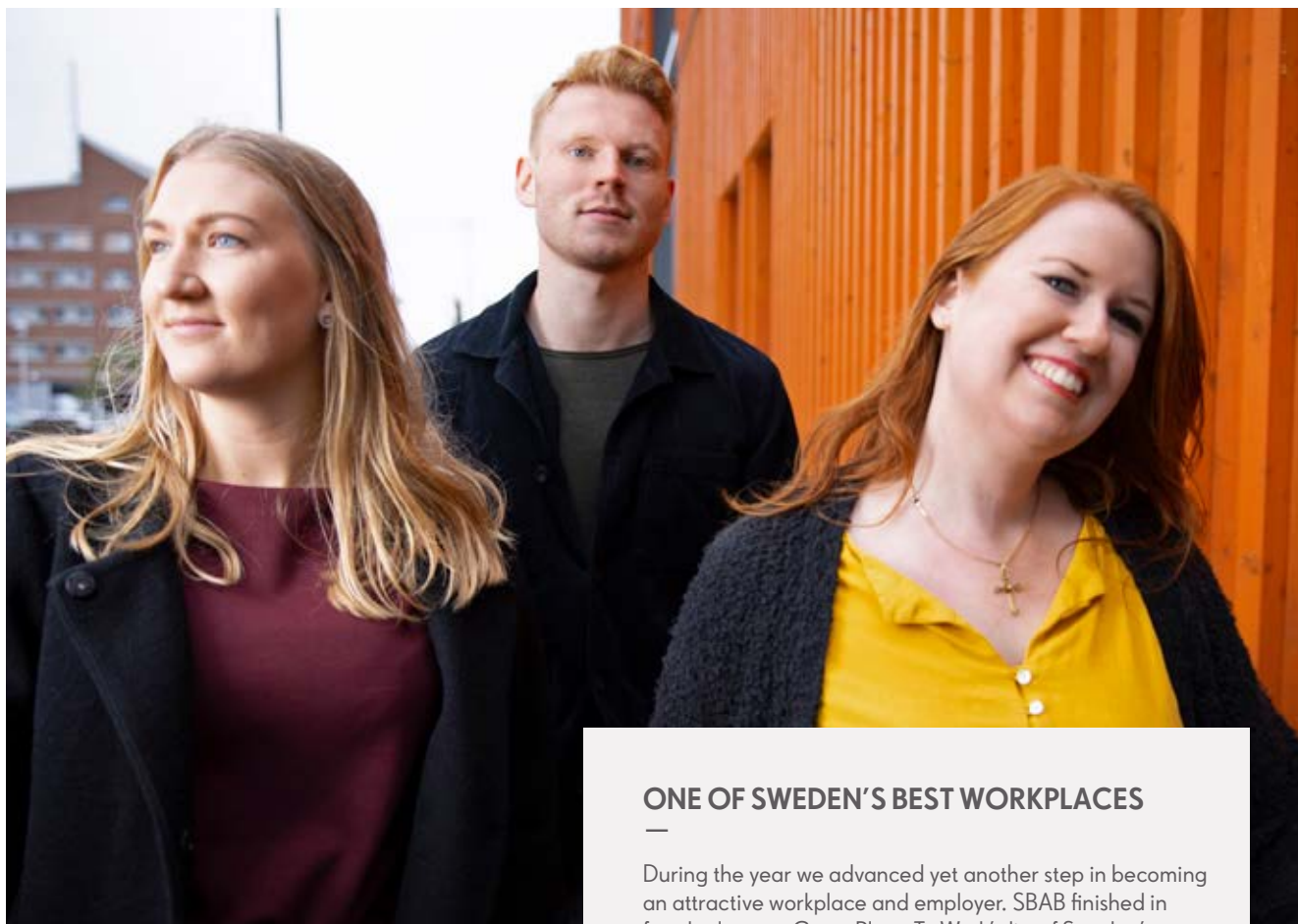
A year of strong results

Total lending, SEK bn



Total deposits, SEK bn





We believe that motivated and committed employees are the key to our long-term success and competitiveness. At SBAB, we dedicate as much energy and focus to our employees' experience as we do to the customer experience. We need people who are motivated, who can identify needs and opportunities, and who can act on them. For us, it is important that everyone at SBAB thrives in the workplace, that we feel good, that we can be ourselves and that we feel that we can jointly contribute and develop every day.

ONE OF SWEDEN'S BEST WORKPLACES

During the year we advanced yet another step in becoming an attractive workplace and employer. SBAB finished in fourth place on Great Place To Work's list of Sweden's top workplaces for 2019 within the large organisations category. To be one of Sweden's best workplaces requires a long-term, significant commitment from everyone at SBAB. This year's performance is a clear sign that our values-driven way of working, with our self-driven employees and inclusive leadership at its core, motivates and engages us.

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Net interest income, SEK million

3,473 3,362
2019 2018

Operating profit, SEK million

2,308 2,241
2019 2018

Selected key metrics

SEK million	GROUP	
	2019	2018
Net interest income	3,473	3,362
Net commissions	-14	-49
Net result of financial transactions	26	-65
Expenses	-1,187	-1,049
Credit losses/recoveries	-26	11
Operating profit	2,308	2,241
Return on equity, %	11.7	12.1
C/I ratio, %	33.7	32.0
CET1 capital ratio, %	13.1	12.5

2019 was a very successful year. A record performance, record high lending volumes, Sweden's most satisfied customers and one of Sweden's best workplaces mean we look to future challenges full of confidence. At the same time, we are not underestimating the challenges posed by the rapidly changing market and the uncertainty of the world around us.

Review of 2019...



It has become somewhat trendy to use the English word "disruption" to describe something that significantly affects consumers and customers. But some of the nuance is lost in translation to Swedish. I think translating it as "disturbance" sounds too mild and vague – something

like "revolutionary change" is a better approximation.

The banking and financial market is undergoing a revolutionary change, as is the housing market. For the companies who are affected, a revolutionary change can be hard to notice because they are fully occupied with their daily tasks. Change is often driven by external factors. Sometimes it takes a while to gain traction, but when it does, it changes everything. Take, for example, the relationship that shopping malls and clothing stores have with e-commerce,

THE LADDER

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

[Read more on page 45](#)

which is now in full swing. Or how the old mobile phone manufacturers responded to the technological development of smart phones.

Or, today, look at the traditional banks. The banks need to respond to digitalisation and new customer needs. Just like any business, banks also need to respond to sustainability and expectations of increased social responsibility. Expectations that come from every stakeholder. Are these areas undergoing a revolutionary change for banks? Yes, of course.

How is SBAB responding to these changes? We have a sustainable governance model that recognises the changes affecting consumers and customers. We consider the changes a possibility for building a fantastic SBAB that is competitive over the long term. That is why we steer our operations towards achieving goals in three target areas that we think cover the revolutionary changes going on in our market and in our surroundings. These three target areas are Responsibility and transparency, An attractive workplace, and Sound finances.

The business community's ambition to operate more sustainably is becoming even stronger. In 2019, for example, nearly 200 of the USA's largest companies signed a joint declaration stating their responsibility is not just to create shareholder value but also to create value for other stakeholders, primarily employees and customers. This sounds self-evident, but the importance of clarifying it in this declaration cannot, in my opinion, be overstated. There are also other obligations, like in the 2030 Agenda for Sustainable Development, where the importance of commerce's role in creating a more sustainable world has become even clearer.

It is self-evident for SBAB that our responsibility is to create value for all stakeholders that we affect with our operations. For us, this big-picture perspective is obviously a business issue. Motivated and committed employees at SBAB create a better and more responsible customer offering. This, in turn, creates long-term growth and increased profitability. All of this comes together in our sustainable governance model.



OUR SUSTAINABLE GOVERNANCE MODEL

We govern our business through our sustainable governance model. It clearly and simply describes what our purpose is, where we are going, what steps we will take to get there and how we will achieve it.

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Responsibility and transparency

“For high levels of trust and the best customer experience.”

As customers, we prefer to purchase goods and services from suppliers who ensure that their operations are long-term sustainable. We want to feel like we are making the world a better place through our consumption. The younger generations are clearly the driving forces behind this development.

There is proof everywhere that sustainable business is profitable. Hamburger chains' sales increase when they sell vegetarian hamburgers and place charging stations outside their restaurants. Domestic flights are decreasing while rail travel is increasing. More people are choosing green electricity. And so on.

Proof can also be found with our customers. They appreciate the transparency in our mortgage offering, with clear and simple interest rates they do not need to negotiate. Our residential mortgage and housing financing customers also appreciate our work in creating sustainable residential areas and energy-efficient housing through green loans, advisory services and information. Responsible and sustainable business is critical for SBAB's current and long-term competitiveness and profitability.

Responsibility and transparency were essential success factors in us having Sweden's most satisfied customers regarding both residential mortgages and property loans in 2019, according to Swedish Quality Index (Svenskt Kvalitetssindex, SKI). Year after year, our customers have been very satisfied. SBAB has been at the top of the list for three of the last five years for Sweden's most satisfied residential mortgage customers and for Sweden's most satisfied property loan customers (corporates and tenant-owners' associations). A fantastic achievement of which we are extremely proud.

Digitalisation is changing customer behaviour and expectations. Being a customer must be simple, and using a service must be easy. As a customer, I also want help solving other problems in my problem area. In our ecosystem, housing and household finances, we solve our customers' problems. HittaMäklare helps you find a real estate agent to sell your home; Booli helps you find and evaluate housing for sale; and SBAB helps you finance your home. Together with our business partners, we offer services in household finances such as insurance and legal counselling. Ecosystem offerings are clearly a revolutionary change going on in the market, and which will change how services are offered and purchased. In 2020, we are launching a shared visual concept and a uniform customer experience through a new, Group-wide graphic profile and a new brand concept. Over the long term, our ecosystem will



contribute to increased customer loyalty, cost efficiency and growth as well as strengthened profitability.

Responsibility and transparency go together with reputation and trust, which go together with brand position. The SBAB brand has a strong position, a position that is optimal for operations. SBAB is positioned as a considerate friend, which is exactly the position that a bank offering residential mortgages and housing financing wants to have. We want to be – and we are – the customer’s trustworthy companion in the housing journey. Brand recognition is also important. It is important to reach out, to find new customers and to grow. SBAB is the most recognised mortgage brand in the greater Stockholm area, and one of the most recognised in all of Sweden. Compared with other banks, our brand is a competitive advantage.

An attractive workplace

“For strong motivation, commitment and higher performance.”

As employees, we are increasingly motivated by, and engaged in, changing the

world and making a difference in our work. We need to be motivated by something more than just a paycheck. If a company takes responsibility for creating value for all key stakeholders – customers, owners, employees and society – then it attracts more motivated and committed employees.

Being motivated by a company’s goals and what it does and being engaged by the manner in which we ourselves contribute is a dream we all share. In this scenario, we all thrive, feel good, perform well and have fun at work. SBAB’s mission is critical to our motivation and SBAB’s values-driven way of working is essential to our commitment. The majority of our newly recruited staff say that our values and our corporate culture were important to their decisions to start working for SBAB. In our employee surveys, we see that we are primarily motivated by our responsibility and our mission – to contribute to better housing and household finances – and are committed first and foremost to our values-driven way of working.

Respect, equality and inclusion are at the core of our corporate culture. Our differences enrich us and create the best commercial solutions, which in the long term means higher revenue and lower expenses. During the year, we accepted

Samhall’s Visa Vägen (eng. *Showing the Way*) prize for the best employer in the Värmland/Örebro/Dalarna/Dalsland regions based on our approach to inclusion. I would like to take the opportunity to recommend that you try respektrappan.se. Respektrappan (eng. *Respect ladder*) started as our internal work tool for a more inclusive workplace, but we further refined it and are now offering it to other companies and organisations, free of cost. Respektrappan is one example of how – guided by our values – we change the world with what we know and do.

We really are a values-driven company. This means that our values are always an active guide in our daily work. Our values coordinate our approach, which enables us to perform better. Our values steer us strategically and in daily operations. Our values are with us when we recruit, when we give feedback, during salary setting, in leadership training, in the customer offering, in supplier relationships, in our work environment and so on. Our values-driven way of working has made us one of Sweden’s, and Europe’s, best workplaces. This year, SBAB was ranked fourth in Sweden and twentieth in Europe as the best workplace among large organisations according to Great Place to Work.



THE HELICOPTER & THE LIGHTHOUSE

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

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THREE PARTICULARLY PROUD MOMENTS

1

WE LAUNCHED...

We launched Respekttrappan externally for companies and organisations to use, free of charge, as part of their efforts to create more inclusive workplaces.

2

WE DEVELOPED...

We developed our values-driven way of working to a point that places us among Europe's best workplaces.

3

WE REACHED OUR TARGET OF...

We reached our profitability target of no less than 10% return on equity.

Sound finances

“For high growth, a long-term perspective and a good return.”

Everything is interconnected. When we are motivated and committed, we perform better and create a competitive, responsible and transparent customer experience that results in satisfied customers and growth. Growth and cost-efficient operations create conditions for healthy profitability, which is a prerequisite for our stakeholders' trust, for investments and for future competitiveness. This is the same advantageous position that characterised 2019.

Competition for residential mortgage customers was intense during the year, underscored by the loss of growth we experienced in the beginning of the year. Credit growth on the market during the last few years has declined, and in combination with new market entrants the competition for customers has increased and mortgage rates have decreased. We actively worked on our customer offering during the year to ensure competitive mortgage rates for satisfied customers and to drive growth, and we were successful.

The operating profit for the year was SEK 1,788 million, our highest ever. Following a challenging first quarter, growth was healthy. Lending during the year increased 5.4% to SEK 384 billion, and deposits increased 4.5% to SEK 131 billion. We are continuing to invest in long-term competitiveness and our expenses rose 13.2% year-on-year. We are investing in digitalisation and new technology, inter alia, including the critical ongoing

project to replace our core banking system. Our costs in relation to our lending (C/L) was 0.32% and our costs in relation to our income (C/I) was 34%. This makes us one of the most cost-efficient residential mortgage banks in Sweden.

For several years, the Swedish residential mortgage and housing financing market has been characterised by high margins and healthy profitability for banks. At the same time, customers have never had interest expenses as low as they have been now, due to the extremely low interest rate environment. The banks' mortgage margins peaked in 2016 and 2017; they have since decreased 0.30–0.40 percentage points. At the same time, the Riksbank has raised the repo rate from negative 0.50% to 0%, which has increased the banks' deposit margins by an equivalent margin, since the deposit rates has not been raised. The overall effect is that the banks' total interest margins has declined somewhat.

Construction of new housing has decreased over the last few years, though at the end of 2019 we saw signs of stabilisation and even, possibly, an increase. With a strong focus on sustainability, we have been active and will continue in 2020 with the ambition to finance even more new housing in Sweden. Investors showed great interest in affordable rental properties during the year and we were successful in our customer relationships and captured market shares. We see good opportunities to continue to strengthen our existing customer relationships and to establish new ones. For tenant-owned properties, the market remained less favourable during the year, with lower margins and intense competition.

With forward tempo and humility

One success has followed another the last few years. We have celebrated our successes and they have given us the energy to pick up the pace and accomplish even more. Tempo and an ability to put things into motion are essential for maintaining a competitive edge. Our vision is clear – to offer the best residential mortgages in Sweden. At SBAB, more and more people can hit the ground running. At SBAB, fewer people need to stop and ask for help. This characterises us as a purpose- and values-driven growth company based on inclusive leadership and self-driven employees.

At the time of writing, in March 2020, the Corona crisis has created considerable uncertainty about the immediate future. It gives a humbling perspective, even if our successes and our strong position fill us with confidence.

Heartfelt thanks to all of my 700 talented colleagues for their fantastic performance and impressive results in 2019. I am very proud of everything we accomplished this year. We succeed together.



Klas Danielsson,
CEO

A world in constant change

All companies must continuously adapt and reinvent themselves in today's changing world. Technological, economic, social and regulatory developments all have an impact on the conditions and opportunities linked to our operations.

Sweden's economy and zero interest rates

The long interest rates have followed the declining trend in several countries during the last 30 years, including in Sweden. Negative market interest rates for Swedish 10-year government bonds and 5-year housing bonds were noted in summer 2019, which is very unusual from a historical perspective. Since February 2015, the Riksbank has had a negative repo rate, but chose in December 2019 to raise it to 0% despite a clear decline in the Swedish economy. Inflation during this period increased from around 1% to closer to 2%, while real economic growth was initially healthy. The Riksbank's assessment is that the repo rate will remain unchanged for the near future. Based on this, we expect a moderate, long-term upturn in market interest rates and mortgage rates over the next few years.

Housing market trend

The price drop a few years ago marked the beginning of a period with reduced production, difficulty selling housing and longer advertisement periods. Since mid-

2019, however, optimism has begun to dawn in the Swedish housing market. Uncertainty has apparently declined among those building housing as well as those buying and selling housing in the secondary market.

A reasonable estimate of the current housing shortage in Sweden would be around 160,000 residences. This is due to the population growing faster than the construction of new housing. It will probably take more than building more housing to solve the problem. Households need to have the financial ability to demand housing at prevailing price levels.

We live in a changing society. Many people have come to Sweden from other countries. We are ageing. More people are choosing to live in cities rather than in rural areas. Such changes can have major consequences for many important functions in society, including the housing market.

High level of regulation

The financial sector is potentially one of the most regulated sectors of the economy. An operator that wants to offer savings and loan products has to contend with

a multitude of regulations. These regulations have increased considerably since the financial crisis and are likely to continue increasing in the future. Some claim that regulatory development has meant problems for households, construction companies and overall economic development. Others claim that increased regulation is necessary to maintain financial stability.

Digitalisation is redrawing the playing field and changing customer behaviour

Technology is advancing rapidly, not least in respect of digitalisation of banking and financial services. Digitalisation enables new services and changes customers' behaviour and expectations. Many established operators are working intensively to retain and defend their positions. On the other hand, many new players ("Fintech" companies) are ready to compete for customers by offering new solutions and new business models. ■



Ten trends affecting customers that we are responding to



SBAB has identified ten trends that specifically affect our operations, our customers and our customer offering for future long-term competitiveness. We have deemed these trends important to follow and understand so we can appropriately develop our interaction with customers and the customer offering for the best possible customer experience.

1

OMNICHANNEL & 360

Customers expect a simple, smooth, personal and relevant experience throughout their entire journey, regardless of channel. Companies need to manage contact possibilities in the channel that best suits the customer at any given moment.

2

DIGITAL PROCESSES

Many new actors are appearing across several industries that, through digitalisation, want to be a part of the customer experience. This includes the banking industry. The digital processes trend is also about increasing automation and minimising manual data entry.

3

NEW/ALTERNATIVE FUNDING SOURCES

New/alternative funding sources consist of new varieties of traditional funding sources, for example green or social bond financing, as well as other types of funding sources, for example securitisations and mortgage funds. This trend could affect the conditions for different actors to offer different types of loans.

4

AI & DATA MANAGEMENT

Companies must become better at controlling and managing information to distinguish themselves and their offering from other competitors. This includes working smart, using predictive models and machine learning, to find out what to offer customers before they even ask for it. Tomorrow's companies are data-driven, with a high level of maturity within analysis and self-service.

5

OPEN BANKING

Regulations such as PSD2 create an openness of information and transaction data, the very essence of which can change the future of the customer experience in banking. More customer needs can be met through the use of customer data from other players.

ECOSYSTEM

6

When a customer uses a specific service or good, that often generates other needs to be met. For example, purchasing an airline ticket often leads to booking a rental car and a hotel room. These kinds of related services are called an ecosystem. Through meeting more needs during the customer's life cycle, companies can strengthen and extend the customer relationship.

SUSTAINABILITY

7

The world has a new business plan – the 2030 Agenda for Sustainable Development. The world, society and customers are increasingly demanding sustainability. Companies need to ensure that their offering is sustainable – both in terms of non-discrimination and accessibility as well as products and services with positive effects on our society and the climate.

PERSONALISATION

8

The personalisation trend is growing. Products, services, content and offerings are adapted and customised based on each consumer. Successful personalisation creates a better customer experience, which in turn leads to increased customer satisfaction and loyalty.

SPEED

9

Speed is a key ability for survival and long-term competitiveness in today's changing digital world. This includes reducing lead times and increasing delivery capacity.

EFFICIENCY

10

Efficiency is a major focus area in the banking industry. In the future, marginal costs will be close to zero. It is important to continuously improve efficiency. When companies are more efficient, they can provide faster responses to customers, increase quality and offer better terms. Customer satisfaction and internal employee satisfaction increases as things become better and simpler.

We enable consumers to purchase their own homes and companies to finance residential properties. Through responsible operations, we want to enable and facilitate for the many people in life's different housing phases.

How we create value

Our customers

Private individuals

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, housing search engine services and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. SBAB does not have any offices for physical customer meetings – we meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.47% at year end, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se is Sweden's second-largest search engine for housing with almost 900,000 unique visitors each month.

279,000

Residential mortgage customers

350,000

Savings customers

Corporates and tenant-owners' associations

The Corporate Clients & Tenant-Owners' Associations business area offers property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings accounts to companies and organizations. We finance multi-family dwellings. These properties could be existing or in the process of being newly built. Our lending to this segment corresponds to around a quarter of SBAB's total lending. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for property lending to corporate clients was 11.23% at year end and the market share for lending to tenant-owners' associations was 9.55%.

2,100

Housing financing customers

12,500

Savings customers



HOW WE ACHIEVE OUR RESULTS

Our lending to private individuals, property companies and tenant-owners' associations totalled SEK 383.8 billion at year end. We receive interest as compensation for these loans. The difference between the interest expense on funding and the total sum paid by our borrowers in the form of interest is referred to as net interest income. Put simply, our final earnings consist of the net interest income less expenses for running our operations and credit losses. ■



How we create value

We contribute to better housing and household finances

There is a series of challenges that are economically, socially and environmentally related to homes and properties. Through our operations, we want to be part of the solution to many of the challenges facing society.



Our offering

Services relating to housing and household finances

Residential mortgages and housing financing are our most important services and primary source of income. We want to expand our offering and build long-term customer relationships by offering valuable services that enable and facilitate for the many people in life's different housing phases. Through our services in Booli, HittaMäklare and SBAB, we want to create Sweden's best customer experience within the housing and household finances ecosystem.

booli
En del av SBAB!

HittaMäklare
En del av SBAB!

SBAB!



Commodities

Necessary building blocks for our offering

Financial capital

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

Data

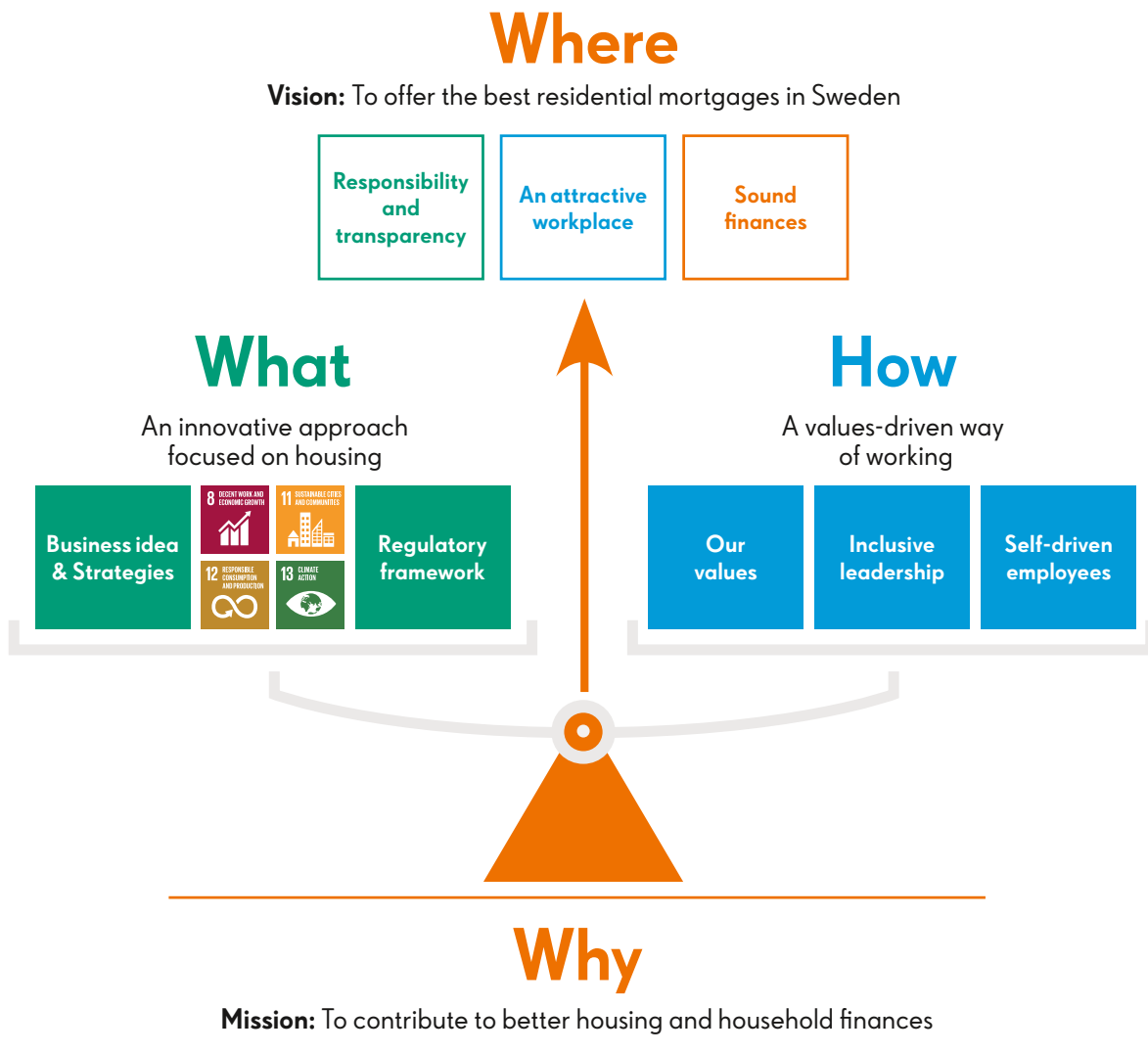
Large quantities of data and knowledge are accumulated in our operations, such as how the housing and residential mortgage markets work. We use this data transparently and responsibly to improve the customer experience by refining existing services and products as well as developing new ones.

How we govern our business

We govern our business through our sustainable governance model. It clearly and simply describes what our purpose is, where we are going, what steps we will take to get there and how we will achieve it. The balance between what we will do and how we will do it is a prerequisite for realising our vision – to offer the best residential mortgages in Sweden.



Read more about trends on page 11.



Why

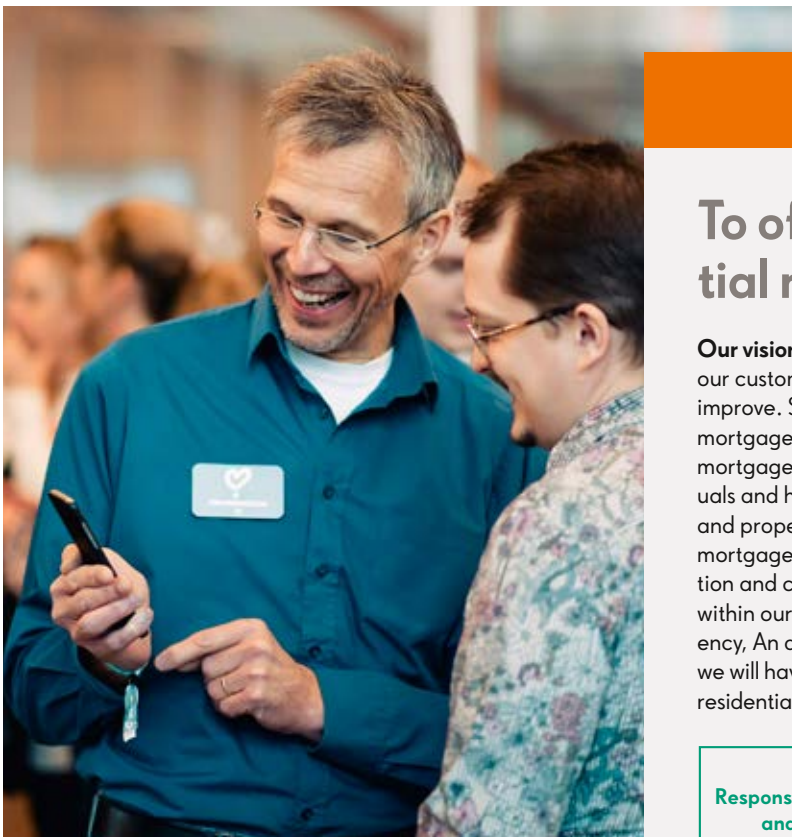
Mission

To contribute to better housing and household finances

SBAB is a purpose-driven company. **Our mission** explains why we exist and what we as a company contribute to. Our mission makes us proud and committed. It is the reason why we are motivated to go to work each day – filled with energy to do good things for our customers, for SBAB and for society as a whole. Our mission explains that our business is responsible and sustainable and that we play an important part in the national economy. Everything we do should be contained within our mission – it governs our behaviour and sets out the actions that will lead us to achieve our vision.



Where



Vision

To offer the best residential mortgages in Sweden

Our vision is our destination and what we want to offer our customers. Our vision encourages us to constantly improve. SBAB's focus and main product is residential mortgages. When we talk about our vision, residential mortgages mean residential mortgages to private individuals and housing financing for tenant-owners' associations and property companies. Offering the best residential mortgages in Sweden entails great demands for innovation and consideration. When we have achieved our goals within our three target areas – Responsibility and transparency, An attractive workplace and Sound finances – then we will have realised our vision. Then we will offer the best residential mortgages in Sweden.

Responsibility
and
transparency

An attractive
workplace

Sound
finances

Read more on
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What | An innovative approach focused on housing

Business idea

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

Innovative means continuously developing and improving our customer offering. Consideration means consistently, responsibly and with transparency putting our customers first, whatever the situation. Loans are residential mortgages, housing financing and consumer loans. Savings products are deposit services.

Our lending to private individuals, tenant-owners' associations and property companies is concentrated in Stockholm, Gothenburg and Malmö as well as other university cities and growth regions where demand is strongest.

Strategies

The development of digital banking and financial services is gaining momentum. New players are driving developments and new regulations are redrawing the playing field. Simply offering a comparable banking service is no longer a winning strategy for the future.

An ecosystem is a single entity with services that help customers solve their problems and fulfil their needs. Services relating to housing and household finances represent SBAB's ecosystem. Niche excellence within our ecosystem and driving development in our niche with services that customers love, use and value is a recipe for future success. It is also exactly what SBAB's strategy is all about.

We have a number of operational strategies that aim to illustrate the way to offer the best residential mortgages in Sweden and clarify our position within the ecosystem. These include strategies for the customer offering and distribution within each business area, along with IT, risk, funding, HR and brand strategies.

Regulatory framework

Efficient risk management, regulatory compliance and internal governance and control are prerequisites for conducting banking operations.

Good control enables a high tempo within operations. Regulation of the banking and financial sector has increased considerably over the past few years. Regulatory developments have had various effects on SBAB, including increased capital and liquidity requirements, and have also required adaptation to existing and forthcoming regulations, such as the Mortgage Credit Directive, the Payment Services Directive (PSD2), the General Data Protection Regulation (GDPR) and new repayment requirements. Our efforts to ensure good regulatory compliance include a large number of policies and instructions. We promote a corporate culture where every employee is expected to take responsibility all the way, to act ethically and to comply with the applicable regulations.

UN'S SUSTAINABLE DEVELOPMENT GOALS

The business sector and SBAB have an important role to play in achieving the UN's Sustainable Development Goals. We have identified and prioritised four goals that we consider particularly important for our operations. The goals are an integrated part of our operations and guide us to making even more responsible and long-term sustainable decisions.

[Read more on page 18](#)



How | A values-driven way of working

SBAB is a values-driven company

Success in a competitive market in constant change requires a values-driven way of working. Our values-driven way of working involves inclusive leadership and self-driven employees making smart decisions in their daily work.

This creates the pace necessary for SBAB to be competitive. This approach is based on clarity, transparency and trust, which promote and create determination, courage, speed, fresh ideas, everyday innovation and continual learning. The result of this is satisfied customers,

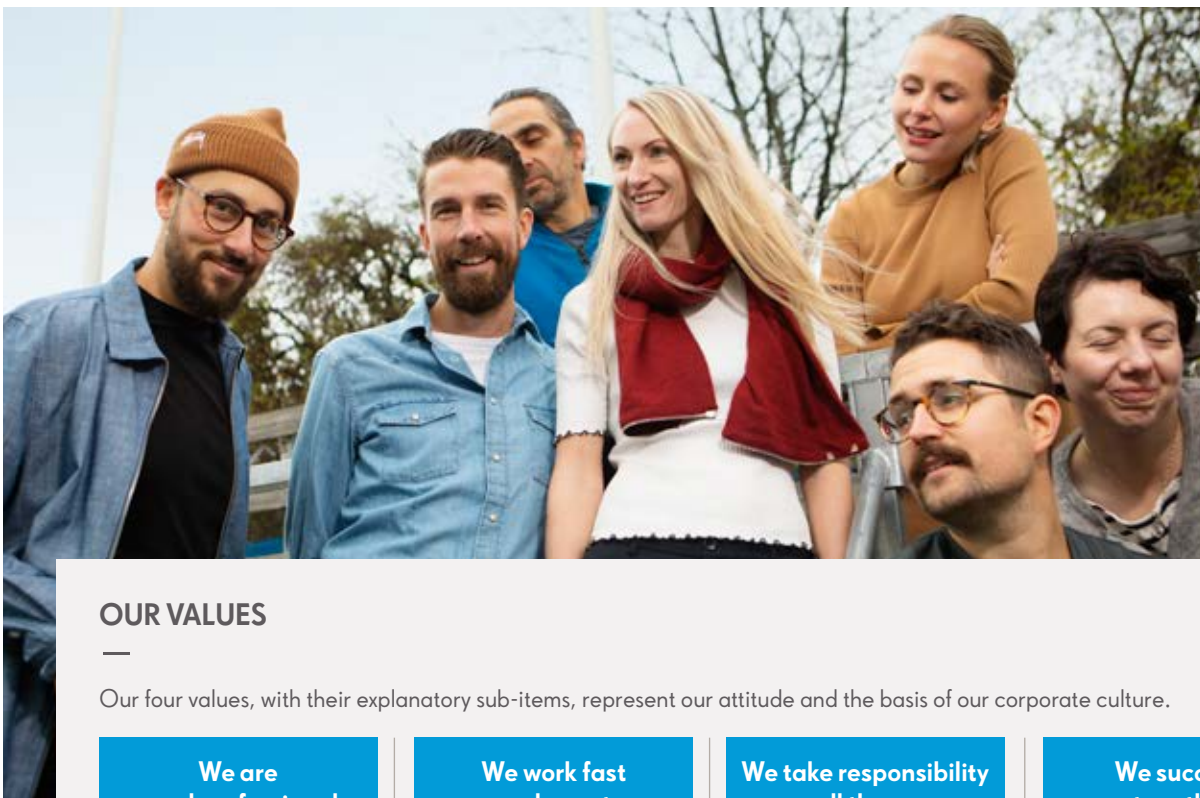
growth, profitability and long-term competitiveness.

We work actively to develop our values-driven way of working, with self-driven employees and inclusive leadership at its core. Our values-driven way of working involves ensuring that we always work with our values as guidance – to practise, talk, discuss and give feedback. It involves always enabling everyone to take initiatives and make smart decisions.

The values-driven way of working places major demands on having bold leaders with a holistic perspective. By serving as role models, they build the

trust and commitment required to help everyone act in an independent and self-driven manner. Leaders serve as role models, establish targets and frameworks, are clear about expectations and demonstrate trust by refraining from micromanaging or delegating solutions.

[Read more on page 42](#)



OUR VALUES

Our four values, with their explanatory sub-items, represent our attitude and the basis of our corporate culture.

We are proud professionals

- I am business minded and I deliver.
- We all take responsibility for our customers.
- We strive for long-term relationships.
- I continually develop my skills.
- We love doing business.

We work fast and smart

- I act immediately and own the issue.
- We learn by doing.
- I keep things clear and simple.
- I challenge the status quo and think outside the box.
- We collaborate and calibrate.

We take responsibility – all the way

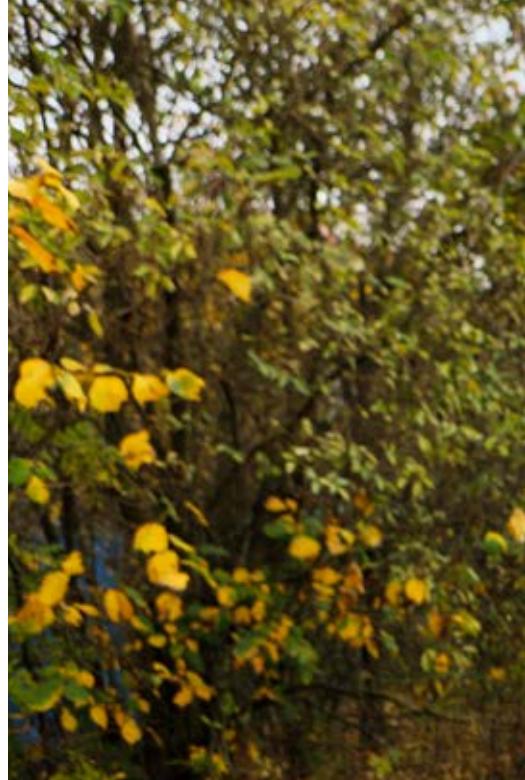
- I think one step ahead
- We make decisions where we can.
- I am money conscious.
- We act sustainably.
- I make a difference and am part of the big picture.

We succeed together

- We set and meet our goals and celebrate achievements.
- I am straightforward and to the point.
- My knowledge is your knowledge.
- I am humble and care for others.
- We are inclusive and learn from diversity.

How SBAB supports reaching the Sustainable Development Goals

By signing up to the 2030 Agenda for Sustainable Development, world leaders have committed to achieving three things by 2030: ending all forms of poverty, fighting inequalities and tackling climate change. SBAB's role and responsibility when it comes achieving the SDGs is based on our operations and what we do best – housing and household finances.



Creating possibilities and solving problems linked to housing and household finances is an obvious part of our business and mission. It is an aspect that drives us forward, each and every day. As a player in the Swedish housing market and part of Swedish society, SBAB can do so much more than merely lend money. By looking outwards and working together with other players in the housing market, we are able to make it more sustainable from both a societal and environmental perspective. To ensure that the full force of SBAB's business is exploited to contribute to better housing and household finances, we have identified and prioritised four of the UN's 17 SDGs within the 2030 Agenda for Sustainable Development; four SDGs that we consider particularly important and relevant for our operations. The prioritised goals have been chosen through internal workshops and ranking exercises within operations, the Executive Management and the Board, and currently comprise an integrated part of our governance model. They guide us in terms of making even more responsible and long-term sustainable business decisions and represent an important basis for priorities within our operations. Naturally, we have a responsibility to contribute to the fulfilment of the other 13 goals too. ■



THE GLOBAL GOALS
For Sustainable Development



GOAL 8 | Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

▶ TOGETHER WITH TARGETS

8.1 | Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.

8.5 | By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

8.10 | Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

▶ WHAT DOES THE GOAL ENTAIL FOR SBAB?

We want our operations to contribute to growth and jobs in Sweden. We want to ensure that international guidelines and principles are followed and that inclusive, equal and diverse workplaces are promoted. We want to work alongside our customers and suppliers to ensure acceptable and fair working conditions, with active standpoints taken against undeclared wages, bribes and corruption. It is also a question of enhancing our accessibility – we want SBAB's services to be inclusive and accessible to all residents in Sweden.

On 25 September 2015, the UN's member states adopted the 2030 Agenda for sustainable development, a universal agenda that contains the SDGs.



GOAL 11 | Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient and sustainable.

▶ TOGETHER WITH TARGETS

11.1 | By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

11.3 | By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

▶ WHAT DOES THE GOAL ENTAIL FOR SBAB?

By adding extra sustainability criteria to our credit processes, we want to continue contributing in different ways to the creation of more sustainable and inclusive cities and societies. We engage in a recurrent dialogue about sustainability with our customers and offer customised products and services for this purpose. Other important aspects include working to ensure healthy competition in the market, counteracting unreported employment at construction sites and promoting the construction of safe housing. In addition, we want to promote by way of coordination and collaboration the possibility for all residents in Sweden to have their own home.

[▶ Read more on page 178](#)



GOAL 12 | Responsible consumption and production

Ensure sustainable consumption and production patterns.

▶ TOGETHER WITH TARGETS

12.8 | By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

▶ WHAT DOES THE GOAL ENTAIL FOR SBAB?

We want to make the housing and residential mortgage markets more transparent and inclusive. To make well-informed and sound decisions, our customers need to understand the various issues pertaining to housing and household finances. For this reason, we want to spread and increase awareness within this area – something we want to achieve in as accessible and simple a way as possible.



GOAL 13 | Climate action

Take urgent action to combat climate change and its impacts.

▶ THE OVERALL GOAL PRIORITISED. NO PRIORITISED TARGET.

▶ WHAT DOES THE GOAL ENTAIL FOR SBAB?

Our operations afford us many opportunities to influence our customers and the market through requirements, stimuli and dialogue with the aim of combating climate change. We want to promote sustainable societies with energy-friendly and climate-smart homes and properties, for example via green mortgages. By linking our funding with our lending, we want to offer investors the opportunity to get involved and have an influence. Of course, we also want to reduce the carbon footprint within our own operating activities.





2019 AND OUR GOALS

We do not make a distinction between business goals and sustainability goals – the basis of our entire business must be sustainable.

We have established three strategic and sustainable target areas for the business. Together, these comprise the basis for how we will steer and drive our operations forward in the short and long term to contribute to sustainable societal development.

SBAB's target areas



In dialogue with our stakeholders

We have identified a number of particularly important stakeholder groups that all affect and are affected by our operations. The dialogue with stakeholders guides our strategic and business planning and helps us prioritise and focus on the right aspects.

CUSTOMERS – The confidence our customers have in SBAB determines our ability to develop in many respects, and therefore also our ability to take on a greater role in societal development.

EMPLOYEES – Motivated and committed employees are a prerequisite for our success and one of the most important success factors in terms of achieving our vision.

INVESTORS – Investor confidence in SBAB is based on investors' interaction with our employees as well as on a belief in our business model and our ability to contribute to positive and sustainable economic development.

OWNER – SBAB is wholly owned by the Swedish government. The state's ownership policy stipulates that state-owned enterprises should serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence. This has inspired us to clarify our role in the sustainable development of society.



THE PUBLIC – Confidence from the general public and other stakeholders such as NGOs, business partners, media, suppliers and stakeholder organisations affects our opportunities to develop the operations in the desired direction. It is also a prerequisite for attracting new customers, establishing long-term relationships and growing.

Analysis as the basis

MATERIALITY ASSESSMENT – SBAB's sustainability efforts are reported according to GRI. The process includes identifying and prioritising material sustainability topics. In late 2016 and early 2017, we completed an assessment to determine SBAB's material sustainability topics. This work included interviews with Board members, the Executive Management, employees, the owner, corporate customers, business partners, stakeholder organisations and NGOs. In addition, a extensive online surveys were also conducted among our retail customers.

[Read more on page 169](#)

GAP ANALYSIS – In 2018 we conducted a comprehensive structural analysis, known as a gap analysis, with the aim of ensuring that we manage risks and opportunities relating to sustainability within our three target areas. 50 prioritised areas were identified as part of this analysis, which are now being addressed throughout SBAB.

[Read more on page 169](#)

Three target areas

Based on the stakeholder dialogue and materiality assessment, we have established three strategic and sustainable target areas for the operations. The gap analysis has helped us calibrate and focus our work.



**Responsibility and
transparency**

[Read more on page 26](#)

**An attractive
workplace**




[Read more on page 42](#)

**Sound
finances**

[Read more on page 54](#)

Fulfilment of goals

SBAB's vision – to offer the best residential mortgages in Sweden – is defined by our three target areas. Each target area contains a number of general short and long-term goals. Reaching the long-term goals means we will have realised our vision.

Target areas	Goals for 2019	Results				
		2019	2018	2017		
Responsibility and transparency 	Sustainability: Ranking in Sustainable Brand Index (SBI)	Top 4	8th	5th	6th	▶
	Transparency: Proportion of customers who believe that SBAB has an offering that is straightforward and easy to understand	85%	83%	85%	83%	▶
	Customer satisfaction: Sweden's most satisfied customers according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI)	Residential mortgages 1st	1st	3rd	3rd	▶
	Property loans 1st	1st	1st	2nd	▶	
An attractive workplace 	Equality and diversity: Equality between women/men in management positions (within the range)	45–55%	43/57%	44/56%	45/55%	▶
	Employee experience: Percentage of employees who consider SBAB, all in all, a very good workplace	85%	91%	85%	79%	▶
	Committed employees: Total Trust Index in Great Place to Work's annual employee survey	81%	86%	81%	74%	▶
Sound finances 	Profitability: Return on equity over time	≥10%	11.7%	12.1%	12.5%	▶
	Dividend: Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥40%	0%	40%	40%	▶
	Capitalisation: The CET1 capital ratio and total capital ratio above regulatory requirement communicated by the Swedish FSA	CET1 capital ratio ≥0.6%	2.4%	2.2%	6.0%	▶
Total capital ratio ≥0.6%	5.2%	3.7%	10.9%	▶		

Explanation

We make no distinction between sustainability and business. A sustainable approach to our business and operations allows us to be competitive in the short and long term. We use the SBI, a brand survey with a focus on sustainability, to monitor how customers and the general public view SBAB's responsibility. In 2020, we will follow up the goal through our own quarterly sustainability index.

We strive to be as transparent, simple and clear as possible in our customer offering and in our communication. This helps our customers take smart and informed decisions.

Satisfied customers are a prerequisite for strong results and an important testament of our progress in achieving our vision. Transparency, responsibility, simplicity, accessibility and good service combined with digitalisation and a sustainable customer offering are all crucial to success.

Equality and diversity are two of the most important issues of our time. We also know that demographically diverse organisations perform better. For us, equality is an important dimension within diversity and equality. We have set a target that at least 45% of management positions should be held by the underrepresented gender.

A positive employee experience is a prerequisite for high performance and thereby realising our vision. We want an overwhelming majority of our employees to have a strongly positive experience of SBAB as a workplace.

Commitment drives performance. If we are engaged at work we perform at a high level and drive development and change. Committed employees affect and develop each other. Together they create a genuinely attractive workplace.

Strong profitability is the ultimate testament of an efficient business. Satisfied customers who drive growth along with underlying cost efficiency shape the conditions for long-term profitability. Our target is to achieve a return on equity exceeding 10% over time.

Part of our funding comes from our owner, the Swedish state, in the form of equity. In return for its contribution, the owner receives a return in the profit generated by operating activities. In accordance with the owner's dividend target, at least 40% of profit after tax is to be distributed, taking SBAB's capital structure into consideration. At an Extraordinary Board Meeting held on March 17, 2020, the Board of Directors resolved to not propose a dividend for the financial year 2019.

It is important for SBAB to be well capitalised, since this promotes confidence from our stakeholders, financial stability and the opportunity to grow. According to our capital targets, the CET1 capital ratio and the total capital ratio should, under normal conditions, be at least 0.6 percentage points higher than the requirement communicated by the Swedish FSA. The capital targets were adjusted on 31 December 2018, from 1.5 percentage points to 0.6 percentage points, as a result of the Swedish FSA's revised method for applying the risk-weight floor for Swedish residential mortgages.



Read more
on pages
26–41



Read more
on pages
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Responsibility and transparency

As a bank and services supplier within housing and household finances, SBAB has an important role in the national economy. We are part of a financial infrastructure that enables consumers to purchase their own home and companies to finance residential properties. With this comes great responsibility.



2019 Highlights

SWEDEN'S MOST SATISFIED RESIDENTIAL MORTGAGE CUSTOMERS –

According to Swedish Quality Index (SKI), SBAB had the most satisfied residential mortgage customers in Sweden. With a customer satisfaction score of 76.3 out of 100, we rank well above the sector average of 69.3. Responsibility and transparency recur as central themes in SKI's survey, with high scores awarded to SBAB in areas such as product quality, value and reliability.

GREEN MORTGAGES TO ENERGY-EFFICIENT CUSTOMERS –

In 2018 we launched our Green Mortgages to customers who live in single-family homes or apartments in multi-family dwellings that hold a valid energy performance certificate (EPC) with energy class A, B or C, that is, in line with or above the energy consumption requirements placed on new builds in Sweden. The better the energy class, the greater the reduction to the mortgage rate. At the end of 2019, 11,585 customers had a Green Mortgage with SBAB, corresponding to a volume of SEK 15.8 billion.

COUNTERACTING CHALLENGES IN THE CONSTRUCTION SECTOR –

Research has shown that housing construction in Sweden in some instances involve unreported employment and salary dumping, as well as a lack of respect for human rights along the supply chain. SBAB, together with representatives of other banks, construction companies and employee and industry organisations, started a project to investigate how we can cooperatively find methods to address the problem.

Responsibility and transparency

An attractive workplace

Sound finances

Selected key metrics

2,584

Number of new build homes financed by SBAB

15.8

Green Mortgages, SEK bn

60%

Average LTV ratio in the residential mortgage portfolio



Target

Outcome

Top 4
Sustainability

8th
2019

85%
Transparency

83%
2019

1st
Customer satisfaction
(residential mortgages)

1st
2019

1st
Customer satisfaction
(property loans)

1st
2019

Supporting the Sustainable Development Goals



We have extensive experience with housing financing, and matters related to homes and housing have long been deeply ingrained in SBAB's roots. In our daily work, we have a responsibility as well as considerable opportunities to contribute to positive development in all the areas impacted by our operations. We endeavour to offer financial products and services that are sustainable for both individuals, property companies or tenant-owners' associations as well as society at large.

Responsibility and transparency in four parts

Responsible and transparent offering Sound and responsible credit granting is the very foundation of our operations. For us, this involves being open and clear in respect of our terms, conditions and products, and that we responsibly conduct sales, marketing and credit approvals. We think it is important to spread information and share our expertise, insights and skills. Thanks to access to large amounts of data, we proactively engage in dialogues with our customers in order to increase awareness and transparency in the housing and credit markets.

[Read more on pages 28-32](#)

Our operations build on trust As a bank, we regularly manage large amounts of sensitive data, including personal information about our customers. It is crucial that we respect personal integrity, act ethically and ensure a high level of security if we are to win the confidence of our customers and the general public in SBAB.

[Read more on page 33](#)

Together for the climate The business sector, including SBAB, has an important role to play in achieving the national and international climate and environmental goals. We support and finance sustainable housing that results in less environmental impact. We also develop products and services that help our customers think and act more sustainably in everything that involves the home.

[Read more on pages 34-37](#)

An inclusive housing market Through dialogues and collaboration, we want to contribute to improved, healthier and more inclusive housing environments. We believe that it is important that communities and homes are built based on the preconditions that apply today, and perhaps more importantly, tomorrow.

[Read more on pages 38-39](#)

[More details about the target area are available on page 173](#)

Responsible and transparent offering

Customers appreciate a competitive, transparent and simple pricing model for residential mortgages. For us, it is a self-evident part of a trustworthy customer relationship. It is also a major reason for our growth and our capture of market shares.

We strive for increased transparency in the residential mortgage market

The difference between listed rates and average rates for residential mortgages remains very high. Many banks start with high listed rates and apply occasional rebates or individual rate-setting after negotiations. Whether or not customers purchase other products or services by the bank is another factor.

At SBAB, we always strive to be straightforward, clear and transparent in our offering. Our customers should always feel secure in having SBAB as their bank and creditor. One of our overall sustainable business goals is exactly about that: our offering should be straightforward and easy to understand, which was true for 83% (85) of our residential mortgage customers in our latest brand survey.



With us you don't need to negotiate your mortgage rate

As a customer with us, you don't need to negotiate your mortgage rate or buy extra services to obtain satisfactory conditions. We do not believe that the interest rate you get on your residential mortgage should depend on who you talk to at the bank, how you are dressed or how well-spoken you are. Our residential mortgage interest rates are based on the current listed rates for each maturity, as published on www.sbab.se. The customer's specific interest rate is presented as a deviation from the listed rate. This deviation is based on the loan-to-value (LTV) ratio, that is, the residential mortgage as a percentage of the market value of the property, the property's energy rating and to a certain extent the size of the residential mortgage. Our customers can work out for themselves the interest rate they would receive on www.sbab.se. This model gives our customers transparent guidance regarding the determining factors in the relationship between the borrower's rate and the list rate. It is also why the difference between our listed and average interest rates for residential mortgages is often significantly lower than many other banks in the market.



RESPONSIBILITY AND TRANSPARENCY LEADS TO SATISFIED CUSTOMERS

The skills, professionalism and consideration shown by our employees on a daily basis are made visible, among other things, in surveys conducted by Swedish Quality Index.

Swedish Quality Index (SKI)

SKI measures customer satisfaction in the banking and finance sector each year.

SBAB's customer satisfaction score relating to residential mortgages increased during the year to 76.3 (73.4) out of 100. Customer satisfaction for the industry as a whole increased to 69.3 (67.9). We received particularly good results in the survey in areas such as product quality, value for money and reliability.

SBAB's customer satisfaction score relating to property loans to corporates and tenant-owners' associations increased in 2019 to 76.3 (74.0) out of 100, with the sector average at 67.8 (69.1). Our results were particularly strong within areas such as product quality and service.

Customer perception of SBAB is meaningful SBAB's reputation and trustworthiness with customers and the public are important factors in success and competitiveness. We continuously measure the public's perception and experience of SBAB as a sustainable brand through surveys like Sustainable Brand Index (SBI). The survey aims to map and analyse brands in relation to sustainability, based on a consumer perspective. In the 2019 survey, SBAB finished in eighth place out of a total of 14 institutions within the Bank category. SBAB has determined that SBI's survey does not fully reflect our work in sustainability, so in 2020 we will replace it with our own quarterly sustainability index that will more clearly measure SBAB's overall sustainability and brand efforts. Our goal is to be in the top three of the banking industry.



“One of our overall sustainable business goals is about us having an offering that is straightforward and easy to understand.”

Help in making good decisions

One of the most important parts of our offering is about explaining, supporting and sharing our expertise. Being there when our customers need us. We want to tear down barriers of difficult and complicated, and make housing and household finances simple, fun and accessible. Things are often easier absorb when they are fun. Better informed people are also able to make better decisions.

Well-informed spokespersons

Our Head Economist and our Housing Economist spread information and share their expertise with customers, investors,

the public and the media. They contribute analyses and forecasts linked to the Swedish economy, interest rates and the housing market.

Our guiding services

We guide customers in issues regarding housing and household finances through our websites and apps. Some examples include “Räntematchen”, “MittBoende”, “Bytabostadsguiden” and “Värdeguiden”. Through our housing search engine service, Booli, we are able to supply statistics about supply, demand and price trends for housing.

Reaching the entire nation

Much of SBAB’s marketing communication aims to increase understanding of financial issues. In 2019, we continued our communications and brand initiative launched in 2017 under the theme “Boendekonomi är jättekul” (Eng. Household finances are really fun), with the aim of increasing public interest in the subject. ■

Important insights from the Come Home report

How are our relationships and life choices affected by the current housing market? What are the challenges, and what changes need to be implemented to create an improved, inclusive and sustainable housing market? These are some of the issues that SBAB investigated in the Come Home report.

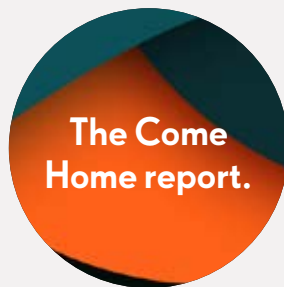
At the start of 2019, SBAB completed an extensive study of the Swedes' relationship to the home and the housing market. The study resulted in the Come Home report.

"We have to constantly stay updated and aware of what's happening in our changeable world. This is where the Come Home report will play an important role. It's a thorough study of Swedish people's thoughts about their housing that will be of great use to all of the operations at SBAB. Both I and our Head Economist, Robert Boije, use the Come Home report when we're out lecturing or participating in debates. We want to spread information and share our expertise, our insights and our skills to customers, investors, the public and the media. The Come Home report has become an important source of knowledge and an important way to communicate it," says **Claudia Wörmann**, Housing Economist at SBAB.

We want to live more sustainably, but do not know how

One important insight from the report is that Swedes are climate-aware people who want to do more to live more sustainably in their homes, even if knowledge about how to be even more sustainable and climate-smart seems scarce. 54% admit that they do not know how to do so, or what they can do to help more.

"The report also makes it clear that many equate living sustainably with high expenses and major investments. There is a major need



"Many equate living sustainably with high expenses and major investments."

for information and expertise when it comes to sustainable and climate-smart housing. Those of us in the housing sector have a shared responsibility to show the way and clarify which initiatives are necessary for everyone to become even better at living sustainably in our homes," says Claudia.

Young people hit hardest by dysfunctional housing markets

The housing situation affects relationships and family planning in several ways. According to Claudia, young people are hit extra hard by a dysfunctional housing market. For example, a relatively large portion put off searching for and/or applying for an education or a job because of their living situation. Three out of ten women would not be able to afford to remain in their homes if their partner could no longer contribute financially.

"The living situation described in the Come Home report must be incredibly stressful. Many probably stay in an unfulfilling relationship, or have to continue living with an ex-partner because of a lack of housing options. Moving in together too quickly, which almost half of young people feel that they have done, also affects separation statistics. When comparing age cohorts, it is clear that today's young people are the most affected. Work, love, personal development – most things are affected by whether or not you have your own home," concludes Claudia. ■



About the report

At the start of 2019, SBAB completed an extensive study of the Swedes' relationship to the home and the housing market. The study, based on in-depth interviews with households across Sweden, a digital survey of around 1,500 individuals and interviews with selected experts, resulted in the Come Home Report (Swedish: Komma Hem-rapporten), which was published during the second quarter. In the report, SBAB investigated aspects such as how people feel about their homes – for example, what makes a home a home and fosters well-being – as well as highlighted current challenges and identified possibilities for creating a more sustainable housing market. The report provides solid decision data for driving both public debate and collaboration around many important housing market issues.

 [Read the whole report at www.sbab.se](http://www.sbab.se)

DID YOU KNOW?

Three out of ten women would not be able to afford to remain in their homes if their partner could no longer contribute financially.

Responsible credit granting

We want our credit granting and credit growth to be sustainable in the long term – for SBAB, our customers and for society. We do not want our customers to have problems paying interest and amortisations. This means we have a responsibility to finance homes for customers who are creditworthy. In turn, this requires extensive knowledge and understanding of our customers and their circumstances, whether it is a question of lending to consumers, property companies or tenant-owners’ associations.

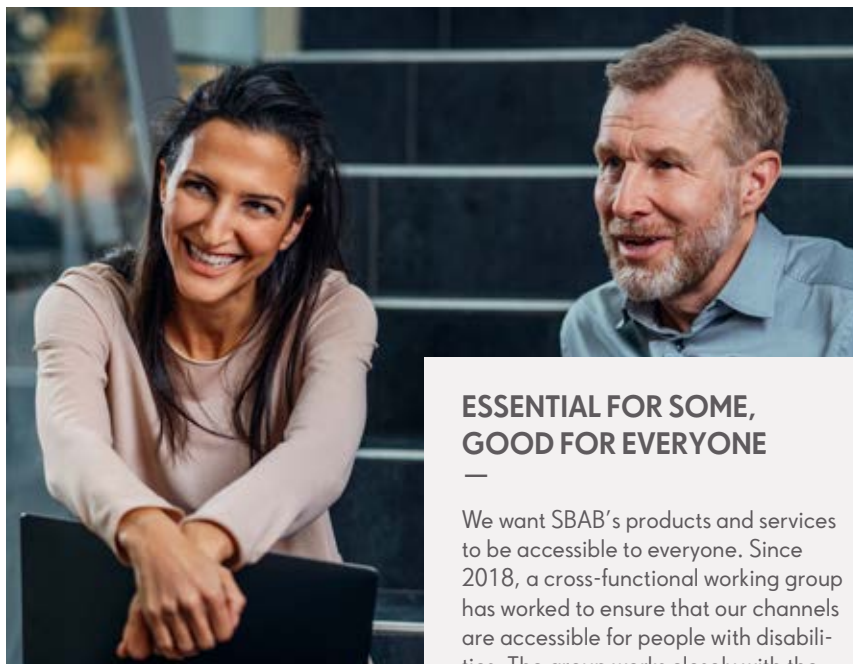
How we grant a residential mortgage

Our granting of credit to consumers is based on a credit approval process that determines whether a customer has the financial capacity required to meet their commitment. We always need to get better, and more efficient, at assessing creditworthiness so as to ensure that SBAB’s risk taking is always reasonable and that our customers are assessed according to their circumstances and do not borrow too much.

We endeavour to have a streamlined, digital and fast credit approval process for as many customers as possible. However, this process does not suit all customers. We often need to deviate and make some adjustments that aim to establish a credit process that better reflects today’s society including in terms of constellations of borrowers as well as forms of income and employment.

Amortisation and debt-to-income ratio

At SBAB we believe that amortisation and a low debt-to-income ratio help ensure sound household finances. In recent years, we have noticed an increase in how much our customers



ESSENTIAL FOR SOME, GOOD FOR EVERYONE

We want SBAB’s products and services to be accessible to everyone. Since 2018, a cross-functional working group has worked to ensure that our channels are accessible for people with disabilities. The group works closely with the organisation Axess Lab, who specialise in accessibility. ■

amortise. We have also noticed a decrease in how much our customers borrow in relation to their gross income, referred to as their debt-to-income ratio.

 [Read more on page 56](#)

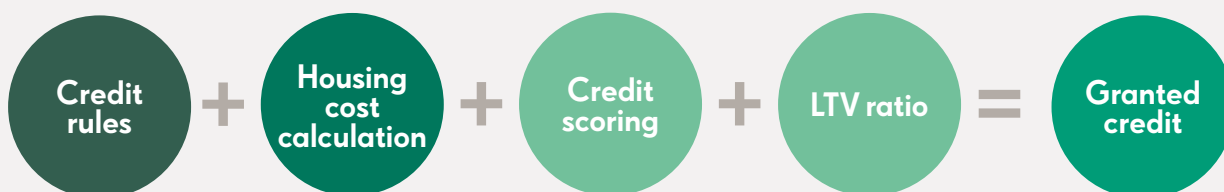
If a customer has difficulty making payments

Our ambition is to initiate a dialogue as early as possible in cases where we discover customers are having difficulty paying their mortgages. Our insolvency team has extensive experience and works actively to help these customers. We run the entire insolvency management process, which means that throughout the process it is SBAB that helps our customers, not an external third party.

Strong dialogue with our housing financing customers

SBAB’s credit approval of corporates and tenant-owners’ associations is primarily based on their repayment capacity. Customers are managed individually by a team consisting of an account manager, an analyst and a loan administrator. In contrast to retail lending, we meet corporate and tenant-owners’ association customers via individual meetings to share our expertise, gather necessary information and to create a close customer relationship. ■

SIMPLIFIED CREDIT APPROVAL PROCESS FOR CONSUMERS



Our operations build on trust

We regularly manage large amounts of sensitive data, including personal information about our customers, which requires system support, procedures and follow-up processes. As a bank we also have a duty to protect the financial system from people and companies that want to exploit it for malicious purposes. It is crucial that we respect personal integrity, act ethically and ensure a high level of security if we are to win the confidence of our customers and the general public in SBAB.

How we manage cyber threats

Identity theft, spyware, trojans and other forms of cyber-based threats are major current societal problems. Companies, banks, authorities and legislators are working intensively to tackle the changes and challenges posed by digitalisation and the connected society. Data breaches can have major consequences for those affected, including power disruptions, increased costs, legal consequences, but perhaps more important than all – reduced customer confidence. SBAB has a dedicated security group tasked with ensuring and maintaining a high level of cyber security in our operations. The group works proactively on increasing risk and security awareness with our customers and our employees, as well as on improving security in our systems. Each year, all of SBAB's employees are obliged to take an obligatory course in this area and we work continuously to spread knowledge and inform our customers about what they should watch out for and what measures they should take to protect themselves and their computers. SBAB's security unit is also responsible for our Security Incident Response Team (SIRT), which is responsible for identifying, analysing and rectifying IT security incidents.

Our efforts to counteract financial crime and corruption

There has been more focus over the last few years on the banking sector's involvement with financial crime, particularly money laundering. It is extremely important that the banking sector as a whole takes active steps to counteract and to manage financial crime. By conducting operations in a manner that combats money laundering and financing of terrorism as well as other crimes,

SBAB helps protect the Swedish financial system from being exploited. SBAB has a unit, Anti-Financial Crime (AFC), with particular responsibility for our work in these matters.

Money laundering and financing of terrorism

We conduct a yearly risk assessment to identify and assess the risk that SBAB will be exploited for money laundering and the financing of terrorism, and we have a policy for this issue that has been resolved by the Board. Important aspects of our efforts include achieving a high level of customer awareness, having risk-based procedures and an adapted transaction-monitoring system in place, carrying out regular checks, following regulatory developments carefully and training employees. Internal training is conducted partly via classroom exercises and partly through annual e-learning courses that are obligatory for all employees.

Corruption

Corruption undermines democracy, renders financial growth more difficult, distorts competition and entails serious legal and reputational risks. SBAB has an internal policy regulating how our operations should work to counteract bribes and other forms of corruption. The policy is designed to reflect the Code on Gifts, Rewards and other Benefits in Business published by the Swedish Anti-Corruption Institute. We conduct ongoing training and risk evaluations in this area.

Code of Conduct

SBAB's Code of Conduct is resolved by the Board and provides guidance on how we should act and conduct ourselves in various situations and the inherent responsibilities of being a SBAB employee. Employees, managers, consultants, members of the Executive Management and Board members are responsible for understanding and complying with our Code. During the year, we updated the Code to better reflect our development as a company, for example regarding SBAB's view on sustainable enterprise and inclusion.

Supplier Code

Since 2017, SBAB's Supplier Code has been an appendix to all new major agreements. It addresses SBAB's view and expectations of our suppliers' sustainability efforts and compliance with international guidelines. The code is published on www.sbab.se.

Whistleblower function

During the year we implemented a new whistleblower function through an external supplier, through which employees are able to report serious improprieties committed by senior executives and key personnel at the SBAB Group. Instructions regarding this function are available for all employees on our intranet. No whistleblower events occurred in 2019. ■



SBAB's Code of Conduct

Together for the climate

Homes account for a large proportion of the total energy consumption in Sweden and many of them do not meet prevailing energy consumption requirements. Our financing and credit granting enables us to influence the market through requirements, terms and dialogue with the aim of reducing energy consumption.

GREEN LENDING PRODUCTS MOTIVATE OUR CUSTOMERS

It should feel good to be climate-smart – not just for your conscience, but also for your wallet. Since 2018 we have offered our Green Mortgages to customers who live in single-family homes or apartments in multi-family dwellings that have a valid energy performance certificate with energy class A, B or C, that is, in line with or above the energy consumption requirements placed on new builds in Sweden. The better the energy class, the greater the reduction to the mortgage rate. We see the Green Mortgage as a way to motivate our customers to invest in more energy-efficient homes. At the end of 2019, 11,585 customers had a Green Mortgage with SBAB, corresponding to a credit volume of SEK 15.8 billion, or around 5.4% of SBAB’s total residential mortgage portfolio.

We have been offering two other green lending products for a longer period. Our Green Investment Loans, aimed at tenant-owners’ associations and property companies, are loans with a particularly advantageous interest rate for customers intending to implement sustainable investments in their properties. To obtain a Green Investment Loan, the loan must be able to be approved in a normal credit approval process, the customer must have existing loans with SBAB and the loan must fulfil SBAB’s criteria for environmental improvement or energy-efficiency enhancements. These could include replacing windows or investing in a new, fossil-free heating source, for example. At the end of the year, 56 corporate and tenant-owners’ association customers had a Green Investment Loan with SBAB, corresponding to a credit volume of SEK 165 million (141). We also offer a consumer loan with a similar structure, known as the Energy Loan. At the end of 2019, we had granted 204 Energy Loans, corresponding to a credit volume of SEK 19.8 million (11.7). ■



We help our corporate and tenant-owners’ association customers become more sustainable

Social and environmental sustainability have become areas of increased focus in recent years. Property companies experience higher sustainability requirements, for example from municipalities that make land available, and tenant-owners’ associations want to lower their running costs.

We actively promote increased energy efficiency in our customers’ properties. We do this through a variety of initiatives, such as by providing information that helps our customers come to an understanding of their own energy consumption relative to that of other property owners. Such a realisation could, for example, result in a re-prioritisation of maintenance plans and investments in energy optimisation. The information is supplemented by a free consultation with



SBAB's business partners in the technical equipment arena. We can also impact energy consumption through differing choices with our new lending, in which financing of new construction is a key component.

We have had an internal target since 2016 regarding the average energy consumption in residential properties financed by SBAB. This target is to reduce the average energy consumption from 135 kWh/sq.m. to 122 kWh/sq.m. per property by 2022. The result for 2019 was 129 kWh/sq.m. per property (130).

Environmental impact of our own operations

We are a digital bank. We have no branch offices for retail customers and are reached by our digital channels and over the telephone. For corporates and tenant-owners' associations, we have

“We actively promote increased energy efficiency in our customers' properties.”

account managers at our three offices in Stockholm, Gothenburg and Malmö. With so few offices, the environmental impact of our operations is relatively minor. But we still want to reduce the impact we have. We do this by travelling climate-smart and implementing measures to improve energy efficiency at our offices. We also actively work to limit postal distribution to customers and

employees together with our business partner Kivra.

Since 2008, we have measured the company's carbon dioxide emissions. A summary of SBAB's climate report is available in the sustainability notes.

Green bonds

Considerable interest exists in building a sustainable society with energy-friendly and climate-smart housing. Similarly, there is considerable demand from investors to fund these developments through green bonds. In mid-2016, we became the first bank in Sweden to issue a green bond. Since then we have been a recurring issuer. ■

[!\[\]\(6a9b39b98eb945faa14c645ec99e4eaa_img.jpg\) Read more on page 60](#)

So fabulous – SBAB presents tomorrow's status symbols

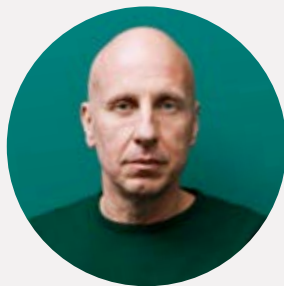
Homes account for a large proportion of the total energy consumption in Sweden. Reducing energy waste and creating a more sustainable world requires new status symbols.

With meat guilt, flight guilt and the Greta effect, the view on status symbols has changed. **Patrik Söder**, Head of Marketing at SBAB, explains that the concept of sustainability is increasing in status.

"More people want to be perceived as living sustainably, and things that manifest sustainability – living green with geothermal heating, solar cells and water-saving taps – have thus become status symbols," says Patrik, and continues:

"Based on these insights we created the marketing campaign 'Status Symbols,' which was rolled out in November 2019. The campaign, inspired by the fashion world and its status symbols of jewellery, watches and brand name clothing, promotes our ideas for tomorrow's status symbols: insulation, LED lamps and water-saving taps. We want the campaign to inspire and motivate people to buy these fashionable products. By investing in measures to improve energy efficiency at home, customers are also increasing their opportunities to take advantage of our Green Mortgage."

"To reinforce the message we also produced three short, informative and humorous commercials where our Head of Sustainability gives advice about how to improve your home's energy efficiency, whether it's an older house or a new build."



"As always, we want to offer both entertainment and knowledge about a topic that many think is pretty boring."

A warm feeling and a gleam in your eye

According to Patrik, an important part of the campaign, aside from informing more customers about SBAB's Green Mortgages, is to strengthen the perception of SBAB as a sustainable actor in society.

"Naturally, with a warm feeling and a gleam in your eye. Because household finances are really fun. From our position, we can entertain and educate and be serious and easy-going – at the same time. Always with the goal of improving our customers' housing and household finances."

"As always, we want to offer both entertainment and knowledge about a topic that many think is pretty boring. I think we succeeded this time too," concludes Patrik. ■

HOW GREEN IS YOUR HOME?

At the campaign's page on www.sbab.se, is a simple test you can take to see how green your home is. You can also find tips about how to make it more sustainable.



DID YOU KNOW?



Low-energy light bulbs,
water-saving taps and insulation
are tomorrow's status symbols.

An inclusive housing market

Through dialogues and collaboration, we want to contribute to improved, healthier and more inclusive housing environments. It is important that communities and homes are built based on the preconditions that apply today, and perhaps more importantly, tomorrow.

Major demand for new housing

The overall pace of construction of new homes is expected to remain far below the actual need. After the powerful drop at the beginning of 2017, housing investments are expected to stabilise at a level of just over 40,000 homes per year. This roughly corresponds to the expected growth in population and subsequent need for new housing, but is not sufficient to address the initial deficit of at least 160,000 homes.

We still aim to increase our financing of new builds, since we want to help reduce the structural deficit of housing in Sweden. Newly built properties are also more energy-efficient than older properties. In 2019, SBAB was involved in the financing of 2,584 new build homes (1,791).

**New build homes
financed by SBAB**

2,584
(1,791)

Need is not the same as demand

Credit austerity during the last few years and overproduction of homes in certain price segments and municipalities has contributed to a mismatch between the homes that have been built, or that are even currently under construction, and actual demand. Population growth does not only comprise people who have the financial capability to demand an own home at prevailing price levels. More new and cheaper homes are needed that people can afford. Political measures are required along with collaboration between housing market players. In addition to spreading knowledge about the problems, SBAB holds discussions with customers and other players about potential collaborations. One example is

“We still aim to increase our financing of new builds, since we want to help reduce the structural deficit of housing in Sweden.”

HSB Dela, a form of housing designed for young people, in which customers purchase half of the apartment, and jointly own the other half with HSB. They have the option to purchase the remaining portion after ten years. We also collaborate with BoKlok, a housing concept developed by Skanska and IKEA, which develops and builds sustainable housing with good design, function and quality at low prices.

Safe, comfortable and sustainable housing environments

Social exclusion and integration are discussed within the general debate about our suburbs. A negative image is frequently conjured up by the media. The police, the public employment service, schools and social welfare offices are often commented on in these contexts.

SBAB has a broad mission that involves everyone in society, not just those who live in owned homes or in socially privileged areas. Properties in some suburbs are beginning to need major renovation. Major property portfolios with renovation requirements place comprehensive demands on financing over a long period. SBAB manages major transactions and also has a specific interest in improving living conditions for people in less socially privileged areas.

We firmly believe that a serious owner sees the benefit of having dialogues with residents and investing in a secure, pleasant and sustainable residential environment. As a financier, we think it is important that the property owner ensures responsible management. There are many property owners who do a lot to reduce insecurity, encourage participation, improve school performances and improve health, for example. A close civic dialogue is a success factor for

responsible property management and long-term value creation. We like to collaborate around different social projects where we can contribute our expertise and experience.

We coach young people in vulnerable neighbourhoods

For several years, we have collaborated with the football club FC Rosengård, which runs the labour market project Boost in the Malmö region that aims to help long-term unemployed youth find work or begin studying. Employees at SBAB contribute to the content of the project by giving lectures and inspire around the subject of everyday personal finances several times a year.

In 2019 we also participated in a collaboration with Changers Hub, a network for young people in the outskirts of Stockholm, whose members have demonstrated a need and a desire for quite some time to learn more about private finances. During the year we provided help by, for example, developing the financial course CREAM, where we also participated as a lecturer.

Dialogue and partnerships with property companies and tenant-owners' associations

SBAB's Corporate Clients & Tenant-Owners' Associations business area regularly participates in trade shows and holds seminars that are primarily aimed at trustees and board representatives from tenant-owners' associations. In 2019, we participated in 13 trade shows to share expertise and experience, forge new contacts and learn about trends, while gathering the sector's thoughts about the future. We also arranged six own seminars during the year, whereby experts from SBAB or our



network are invited to address topics such as board liability, energy efficiency measures, and new legislation affecting tenant-owners' associations. During the Almedalen Week, we joined various property companies in seminars and panel discussions on how property companies, public housing companies, politicians and other stakeholders could cooperate to address the housing shortage and create better social housing environments where people are satisfied and can feel safe and secure.

Ethics and human rights in new housing construction

Alongside the rapid pace of building in Sweden during the 2010s, a worrying development has been observed concerning how homes and infrastructure are built. Several investigations have shown occurrences of tax avoidance, unreported employment and salary dumping, as well as a lack of respect for human rights along the supply chain at construction sites.

In autumn 2018, SBAB invited several construction and property companies to a project meant to identify potential requirements that banks might set in their credit granting to combat economic crime at construction sites. The requirements were set in writing in 2019 and are based on being able to digitally monitor and review construction sites through electronic time reporting. Thirty-two construction and property companies, housing developers, industry and

employee organisations as well as SBAB support the proposed requirements. The issue is very complex since it involves many actors across several industries and consideration must be given to a broad spectrum of applicable laws, regulations and processes. This means that there is a great deal of prevailing uncertainty over whether banks can expand requirements in credit granting beyond normal credit approval. This work is continuing in 2020.

 [Read more on page 40](#)

Everyone has a right to a home and social security

The right to a home is stipulated in both the UN Convention on Human Rights and in the Swedish constitution. At least 33,000 people are homeless in Sweden today. This is a failure on both a humanitarian and societal level.

We have collaborated with Stockholms Stadsmission in different ways to support their work to find housing solutions for people living in homelessness. During 2019, we financed Bobyrån, an administrative unit within Stockholms Stadsmission that helps socially marginalised people find a more permanent housing solution. In 2019, Bobyrån managed approximately 70 apartments.

With the aim of helping create a better housing situation for homeless and socially vulnerable people, we also support Situation Stockholm and Faktum, societal and cultural magazines whose idea is to attract readers and thereby create work and a personal income for the magazine's sellers. The aim is to support these individuals in their return to a more orderly life. ■



Image courtesy Stockholms Stadsmission.

Initiative to counteract unreported employment in the construction industry

Unreported employment and tax avoidance are problems within parts of the construction industry. In 2018, SBAB initiated a project with a large portion of the construction industry to address the problem.

Crime within parts of the construction and property sector affects several actors. Banks risk granting credit unwillingly that ultimately ends up in the pockets of criminal networks, where the money is used within economic crime. Human rights are violated when construction workers, most often foreign, are either paid under the table or have salaries well below the terms of prevailing collective agreements in the market, or when they are forced to work irregular working hours and with insufficient protection on work sites. Established construction companies risk losing out to unfair competition. Ultimately, this also result in Sweden losing several billion of tax income each year. According to Sweden's Serious Fraud Office, crime in the construction industry is beginning to reach alarming levels.

Carl Lindståhl, Sustainability Strategist at SBAB, explains that SBAB in 2018 opened a dialogue with construction industry representatives to solve the problem – a dialogue driven by several construction industry representatives and that resulted in several proposals for potential expanded terms in credit granting meant to positively influence the construction industry.

"Collaboration between construction and property companies, banks and authorities is one way to solve the problem and counteract undocumented employment. That's why, in 2018, SBAB started a project together with several construction and property companies."

"The project aimed to identify potential requirements that banks could set that could be reviewed and monitored through electronic time reporting. The potential requirements proposed are ones that banks in Sweden that finance new builds and renovations, such as SBAB, could use in granting credit to the customer responsible for the new build and the construction site."



"Naturally, we want to prevent all forms of economic crime where the banking system is exploited."



Banks have received the construction industry's proposal

A large portion of all new builds in Sweden are financed by banks. Close, positive relationships between banks and their customers, as well as thorough analysis prior to granting credit, mean that banks are normally well informed about their customers, Carl explains, and continues:

"Over time, the construction industry has developed into long chains of subcontractors. These aren't always monitored sufficiently thoroughly by the main contractor, and this is why we see so many examples of financial crime in Sweden. If banks took more responsibility when granting credit to construction and property companies, by setting requirements for increased monitoring of construction sites and subcontractors, that would help reduce the problem and also ensure healthier competition within the construction industry."

"The proposed requirements are now being discussed by several of the banks in Sweden that finance new builds, and efforts will continue during 2020."

Increased monitoring at all stages

By setting more stringent requirements in credit granting, which can be reviewed digitally, banks and actors in the construction industry can better monitor the supply chain, Carl claims, reducing the risk of economic crime and human trafficking.

"Banks will not be able to stop the criminality, but we could make it more difficult to avoid the tax system. Naturally, we want to prevent all forms of economic crime where the banking system is exploited." ■



DID YOU KNOW?



Unfair competition in the construction industry means that Sweden loses several billion of tax income each year.

An attractive workplace

SBAB's employees are the company's most important asset by far. Motivated and committed employees are a prerequisite for our success, competitiveness and long-term value creation.



2019 Highlights

ONE OF SWEDEN'S AND EUROPE'S BEST WORKPLACES – SBAB finished in fourth place in Great Place to Work's list of Sweden's best workplaces in 2019, in the Large Companies category. We ranked 20th in the same category in all of Europe.

RESPEKTTRAPPAN FOR ALL – During the year we launched Respekttrappan (eng. *Respect ladder*) online for companies and organisations to use, free of charge, as part of their efforts to create more inclusive workplaces.

SBAB HONOURED FOR OUR WAY OF INCLUDING – In September, we accepted Samhall's Visa Vägen (eng. *Showing the Way*) prize for the best employer in the Värmland/Örebro/Dalarna/Dalsland regions based on our approach to inclusion.

Responsibility and transparency

An attractive workplace

Sound finances

Selected key metrics

695

Number of employees

93

Number of new colleagues 2019 (net)

92%

"I can be myself here"



Target

Outcome

45–55%

Equality & diversity

43/57%

2019

85%

Employee experience

91%

2019

81%

Committed employees

86%

2019

Supporting the Sustainable Development Goals



To achieve our vision, we need everyone who works at SBAB to be engaged, motivated and to share our attitude and values. We dedicate as much focus to our employees’ experience as we do to the customer experience. SBAB strives for all employees to feel comfortable being themselves, to have balance in their lives and to feel like we are all contributing and growing together.

We work actively to develop our values-driven way of working, with self-driven employees and inclusive leadership at its core. It is a matter of giving everyone at SBAB the tools and courage they need to take initiatives, make wise decisions and implement and test new ideas. That is how we create the speed necessary to build a competitive company in today’s rapidly changing market.

SBAB emphasises the value of employees with different experiences. At our company, it is a given that everyone has the same rights, obligations and opportunities in every aspect related to the workplace. We want SBAB to be an equal workplace with a high level of integrity that encourages differences and diversity. We are convinced that a mixture of opinions, talents and backgrounds enriches and strengthens our company and thereby our competitiveness. ■

[+ More details about the target area are available on page 174](#)



Our people at SBAB

All of us at SBAB have unique personalities, skills and experiences that have led us to work here – but we also have a shared attitude. We define our attitude through our values, which form the foundation of our corporate culture. We want to work together in a manner that creates tempo, determination, efficiency and innovative thinking. The way we work together is essential for SBAB to remain a long-term competitive company. We are convinced that our values-driven way of working is the solution, with self-driven employees and inclusive leadership at its core.

When we recruit, we focus on finding future colleagues who share our values. We want to attract individuals with potential for development who want to work with other colleagues to find new



ways forward. SBAB improves and grows stronger by recruiting committed individuals that contribute with their differences, skills and experiences. We want to increase diversity at SBAB by challenging and developing how we attract candidates.

The initial time at a new workplace is vital for an employee to feel welcome and secure in his/her career choice. It is important to understand the big picture, regardless of role. Boende- och boendeekonomiresan (eng. *The housing and household finances journey*) and Boost Camp, our one- and two-day introduction programmes, aim to introduce new employees in an energising, motivating and inclusive manner to SBAB's corporate culture and our values-driven way of working as well as to SBAB as a whole. In 2019, we completed eight Boende- och boendeekonomiresan days for a total of 145 new employees and six Boost Camps for a total of 127 new employees. ■

Values-driven way of working

SBAB is a values-driven company that enables employees to be self-driven and to take their own sensible decisions in the everyday work. The values-driven way of working involves ensuring we work with our values in mind – using them as a basis to consistently practise, discuss and give feedback. At SBAB, it is not the Executive Management that decides in detail how we reach our goals by delegating and issuing instructions. Instead the focus is always on our employees. By serving as role models, our leaders build the trust and commitment required to help employees act in an independent

and self-driven manner. A self-driven organisation where everyone makes smart decisions in their daily work, gets a tempo that outperforms traditional, hierarchical and bureaucratic companies.

Aided by agile working principles, we strive to further develop a working approach characterised by cooperation, continuous learning and full transparency. To optimise for value-generating activities, we deliver often and work dynamically to test and teach ourselves. We strive to create autonomous teams that, aided by targets and frameworks, decide themselves how to achieve goals.

We need considerable competence and talent when it comes to leading and living with change. Our aim is to make sure that change management becomes a part of our DNA and our corporate culture. With full transparency regarding our sustainable governance model, we want to clarify how everyone's input contributes to our vision and our goals. Consequently, we enable employees to understand how their specific duties contribute to the whole and why they specifically are important for SBAB's success. ■

“The values-driven way of working involves ensuring we work with our values in mind – using them as a basis to consistently practise, discuss and give feedback.”

OUR VALUE DRIVERS

A value driver (sw. *Värderingsdrivare*) is a role model employee who incorporates our values into their life. Through their philosophy and behaviour, it is clear that they have worked hard to achieve our vision and create value for SBAB. This could be a specific behaviour, an improvement, a saving, a feeling – in principle, any demonstrably consistent action that drives our vision. Since the first value drivers were elected in December 2015, a total of 50 employees have received the award and a place on our digital “Wall of Fame”. Three employees were appointed as value drivers in 2019. ■

TOOLS TO HELP US APPLY A VALUES-DRIVEN WAY OF WORK

Our symbols are practical tools in daily life – they symbolise how we are to act in our day-to-day work.



The glass of water symbolises trust. The glass is being filled by showing trust, whereas water spills out when we act incorrectly.



The helicopter symbolises the importance of seeing the bigger picture. To be able to understand different parts and details.



The lighthouse symbolises the signals we send out. About the importance of being an ambassador and leading by good examples.



The door symbolises courage. To dare to think different and to step out into the unknown.



The ladder symbolises our ability to take initiatives. The higher up the ladder, the more power of initiative.



The fried egg symbolises our infinite responsibility. To take on responsibility beyond our own role of function.

88%
 "I feel like
 I make a
 difference
 here"

Commitment and experience

Being a really attractive workplace requires persistence and a long-term, significant commitment from every employee. This means a shared responsibility in daily routines, where trust, approachability, knowledge sharing and cooperation are essential for everyone to feel energised and thrive together.

We measure the progress we have made in our perception of our workplace through our annual employee survey in collaboration with the company Great Place to Work (GPTW) and through supplementary quarterly employee surveys. The aims of such surveys are to increase our understanding of our employees' commitment and how they experience SBAB, based on the areas of trust, pride and camaraderie. In so doing, we want to create a basis for analysis and dialogue at departmental and team level, as well as a clearer understanding of the activities we should be focusing on to improve and maintain our employees' experiences of SBAB.

In the most recent employee survey, 91 percent (85) of employees consider SBAB an overall great place to work. The level of employee engagement, the Total Trust Index, in GPTW's annual survey increased to 86 percent (81). ■



GREAT PLACE TO WORK

Every year, Great Place to Work conducts a world-wide workplace study that evaluates the quality of thousands of workplaces from two perspectives: employee and employer. In Sweden, several hundred organisations participate, and the best have the chance to win a seal of approval. SBAB finished in fourth place in this year's list of Sweden's top workplaces in the Large Organisations category. A ranking that also led to us being named the 20th best workplace in Europe in the same category. ■



Creating engagement from day one

Customer service in Karlstad is the unit that recruits the most employees every year. It is of the utmost importance that new colleagues have as solid and comprehensive an introduction as possible to maintain the high confidence in SBAB.

SBAB's introductory training in Customer Service is comprehensive and lasts between ten and 14 weeks. **Jenny Sjöwall**, Head of the Training Team, explains the importance of making sure new employees understand and become part of the big picture instead of only focusing on learning their work tasks.

Can you explain more about how you revised the introductory training this year?

"We've had solid introductory training for several years but we noticed that there was a gap in the experience between the introduction itself and the everyday work that followed it. In 2019, we took additional steps to develop the introduction, with more focus on daily work experiences, the big picture and the social dimensions, to make it easier for employees to start working," says Jenny, and continues:

"New employees spend their entire training period in our training team, which also includes at least three mentors. The number of mentors varies based on the size of the group. All of the account managers in Customer Service can apply for the role at each new round of training. Mentorship is considered a development possibility and is very popular. Working with rotating mentorship makes the workplace dynamic more lively – a mentor not only contributes their knowledge, but also their contact network so that employees quickly feel welcome in the corporate culture. This year, over 95 employees completed our introduction, along with 19 different mentors."

What do the first days on the job look like for a new colleague in Customer Service?

"Like with all other new hire processes at SBAB, we begin our shared journey even before the employee's first day on the job. The manager starts a relationship through a greeting that also provides information about practical tasks. At the office, we spend two days getting to know each other in groups and learning more about SBAB and our corporate culture. We weave theory with practice and employees also complete the first step of Respektrappan to understand right away how we work with respect and equality, and that they are expected to contribute in these efforts."

What is the goal of this arrangement?

"Being new in Customer Service is tough. Everything is new: the company, colleagues, work tasks. The initial phase is relatively long and there's a lot of knowledge to take in. It's easy to only focus on

work tasks. This is why we've worked hard to give employees a sense of SBAB and why they're important here. We want to create engagement from day one, and a sense of security that comes from knowing they've chosen the right employer. The big picture is incredibly important for motivation. We continuously collect feedback and adjust the contents and arrangement. There's a big difference between how the introduction looks today and when we started."

Have you seen any results from the new working method yet?

"Yes, absolutely. Many more people pass the licensing exam for mortgage loans on the first try, more people take in the information during training quicker and there is a higher level of quality and comfort in employees afterwards. It's quite obvious that the experience and understanding of SBAB, both as a company and as a workplace, is essential for the performance." ■



Inclusive leadership

SBAB's values-driven way of working places major demands on having bold leaders with a holistic perspective. We work with inclusive leadership, which is about participation, trust, responsibility and clarity as well as equality and diversity. With our values-driven way of working, everyone at SBAB is a leader. We need to constantly develop the ability to lead and take responsibility to drive our business forward and to set a good example.



Leaders who are responsible for personnel have an especially important responsibility within our inclusive leadership. They serve as role models, establish targets and frameworks, are clear about expectations and demonstrate trust through not micromanaging. This enables us to increase the pace and enhance decisiveness and daily innovation.

We train new leaders and employees in inclusive leadership, through activities including our leadership development programs. In 2019, 40 people completed the program. We also work with existing leaders through workshops in management groups and through our much-appreciated Ledarforum (eng. *Leader forum*), which has been completed four times during the year.

Learning & Development

We focus intently on developing a learning organisation. It is important to ensure that the work we conduct is up-to-date, relevant and contributes to the right business value and long-term skills development. Skills are perishable, which is why opportunities for learning and continuous development are strategically important priorities.

We believe in the self-driven employee's own strength, ability and will to grow. We know that motivation is intrinsic, which is why we invest so much in creating the conditions for motivation and the desire to learn. Our development efforts are based on the "70-20-10-model." The model means that 70% of our learning should come from our existing role, 20% from learning from others through networks or coaching and only 10% from traditional training.

Reflection and feedback are also important for learning and development,

which explains why regular progress meetings between manager and employee form an obvious part of our ongoing work. Management by objectives is important for defining and clarifying the direction of, and the framework for, what has to be attained. This work is given substance through an individual annual plan, which is continuously followed up and adjusted.

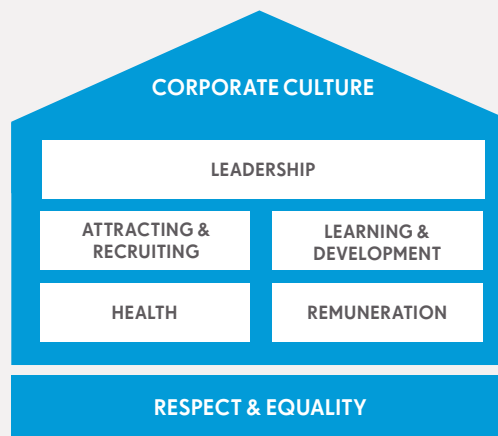
Mortgage licencing

In 2019, we continued to mortgage licence the majority of our employees. Under the EU Mortgage Credit Directive, the personnel at organisations that offer credit, credit brokering or advisory services in the field of mortgage credits to consumers are required to possess special knowledge and skills. SwedSec Licensing AB has developed a skills test for personnel who work with mortgages, which in turns leads to a licence to be able to work with mortgages. By year end, 578 employees had an active mortgage licences.

We have also created conditions for more efficient learning by digitalising other regulatory requirements and other knowledge requirements from classroom courses to e-learning programmes. Today, the main intention of our classroom courses is to serve as in-depth discussions and to provide understanding of more complex issues. ■

OUR HR STRATEGY

We have made long-term, focused efforts in our HR strategy. It includes seven focus areas: corporate culture, leadership, respect and equality, attracting and recruiting, learning and development, health and remuneration. By continuously and determinedly working in these areas, we want to achieve our long-term goal of being one of Sweden's best workplaces.





86%

“Employees are encouraged to maintain a work-life balance”

Sustainable employees

We want to enable everyone who works with us to have a sound balance in life through a sustainable workload. Life consists of many different phases and challenges both at work and outside. We want to create a healthy working environment and to proactively support every employee through our health-related initiatives. We believe in preventing illness by offering a variety of proactive health initiatives that contribute to the well-being and sustainability of our employees.

Our focus on our psychosocial workplace environment is to feel relevant and considerate. Vardagsstödet (eng. *The everyday support*), our professional counselling, provides knowledgeable and anonymous help in finding solutions as early as possible and offer ways ahead in both simple and difficult issues. Our managers are trained in health-promoting leadership and adapt the workplace, as much as possible, to every individual's needs and wishes. Through our digital health and wellness portal, employees can choose between several types of health-care offerings in all of the locations where we operate. Additionally, we have several activities arranged by our wellness

coaches, subsidised health insurance and expanded parental pay. We also strive to actively prevent long-term sick leave through partnerships with occupational health services.

Another part of our proactive efforts in health is creating the conditions for all of us to understand the big picture, what a work environment entails and what it looks like at SBAB in particular. With the goal of clarifying how we work and which responsibilities managers have by providing substance and examples, in 2019 we developed our own work environment training. The digital training is available for all employees and is obligatory for all managers. ■



92%
"I can be myself here"

Respect and equality

For SBAB, it is a given that all employees have the same rights, obligations and opportunities in every aspect related to the workplace. We want to be an equal workplace with a high level of integrity that encourages difference. We are convinced that a mixture of opinions, talent and backgrounds enriches our company

and drives change, growth and innovation. Our HR strategy helps us ensure that we are always focused on respect and equality. Inclusion is a central concept in our values. SBAB also has a policy that emphasises the value of employees with different backgrounds.

One of our targets concerns equality between men and women in management positions. At year end, 43% (44) were women and 57% (56) were men. Respect and equality are about much more than just gender. They include all the targets and activities implemented with the aim of promoting equal rights and opportunities at the workplace and thereby combat discrimination. They also

include respecting and affirming differences. We want all of our employees to feel that they are seen, appreciated and respected for who they are.

As proof our work with respect and equality, in 2019 we accepted an award from the "Nyckeltalinstitutet" for the best equality index (JÄMIX) among finance and insurance companies in Sweden. ■

SBAB HONOURED FOR OUR WAY OF INCLUDING

In September SBAB accepted Samhall's Visa Vägen (eng. Showing the Way) prize for the best employer in the Värmland/Örebro/Dalarna/Dalsland regions based on our approach to inclusion. The Visa Vägen prize is awarded by Samhall to those in the industry who help bring individuals with disabilities integrate into the labour market. SBAB won the prize for the Karlstad office's kitchen and cleaning staff, who we hired through Samhall.



Visa vägen.

Statement from the jury:

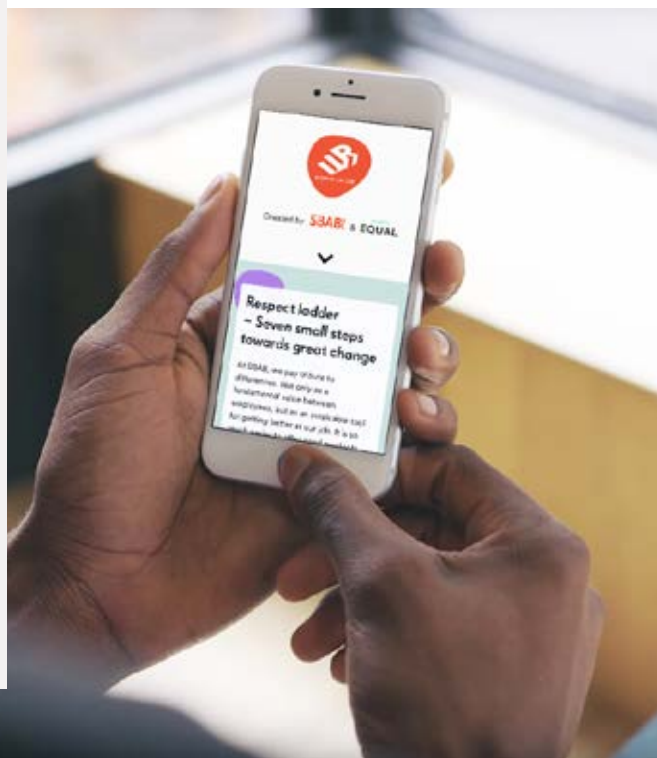
"Through noticing and affirming individuals based on their abilities rather than their disabilities, SBAB creates an inclusive workplace that allows people to grow and develop in the best possible way based on their own circumstances. The company shows that the right person in the right place can be a role model for others and that diversity provides more skills." ■

RESPEKTTRAPPAN

SBAB's values-driven way of working is based on our values. Inclusion with respect and equality is at the core of our values. Inclusion creates commitment and makes us an attractive employer, which makes us more efficient and stronger in our business. The #metoo movement in autumn 2017 clearly showcased the lack of respect and equality at workplaces. Together with the Make Equal foundation, in 2018 we created the Respekttrappan (eng. *Respect Ladder*) tool, which is a practical tool with seven steps of exercises. Respekttrappan is a tool focused on a playful approach to create the preconditions that, from differing perspectives and in various ways, enable us to learn more about, to reflect on and talk about respect and equality.

Respekttrappan is based on a change perspective. Each step includes various exercises of differing character that address different subjects. Some exercises are individual, but most are group-based. These eye-opening exercises create trust within the group and can lead to strong emotional reactions and discussions. Everyone at SBAB completes the exercises on work time together with their groups.

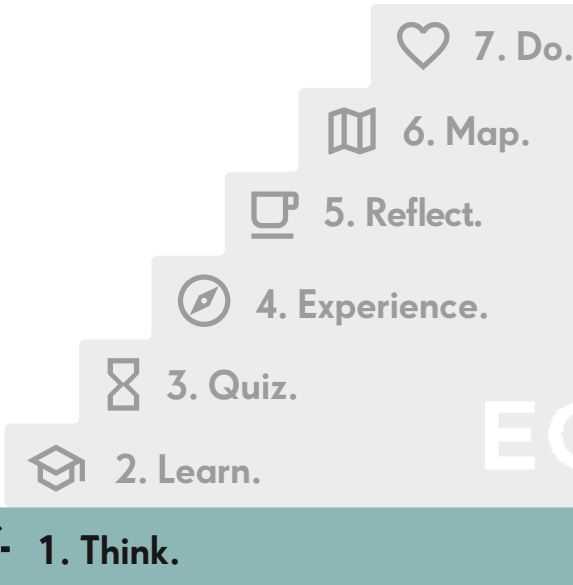
In 2019 we launched Respekttrappan externally at www.respekttrappan.se for companies and organisations to use, free of charge, as part of their efforts to create more inclusive workplaces. ■



“In 2019 we launched Respekttrappan externally at www.respekttrappan.se for companies and organisations to use, free of charge, as part of their efforts to create more inclusive workplaces.”



RESPEKTTRAPPAN



MAKE
EQUAL SBAB!

SBAB and Make Equal launch Respekttrappan – for everyone!

In the wake of #metoo, SBAB and Make Equal decided to use their collective strength to promote increased respect and equality, both at work and in society.

Carina Eriksson, Head of HR, what is the background for these efforts at SBAB regarding respect and equality?

“At SBAB, it is a given that all employees have the same rights, obligations and opportunities in every aspect related to the workplace. But for us, respect and equality are much more than that. This also means that behaviour we might not think about, norms and habits that we might not notice in our daily lives, should no longer be acceptable. It is not good business sense to exclude others and we want to address all these issues we perhaps neither think about nor see, and we want to address them tangibly – now. At SBAB as well as at other companies. We want to do what we can to change the world.”

Frida Hasselblad, CEO of the Make Equal foundation, what made you want to take this journey with SBAB?

“We’re solutions-focused equality experts at Make Equal and we work with methods and tools for practical equality efforts. We work to shift the focus to how we can all be a part of the solution instead of the problem. When someone understands that equality is important, we can help through how we can create change. This was what we saw at SBAB: the will and the conviction to create change were already there. That’s precisely what our goal is as well. SBAB’s employees have invested a lot of work hours in the exercises in Respekttrappan and listening to all of the conversations and insights they’ve led to gives you a powerful feeling.”

Why are you choosing to broaden the focus to more than just harassment and abuse? Isn’t that enough?

“This is a classic question and many companies today work very reactively. They handle the problem when it becomes visible, through registered complaints and so on. This doesn’t create any change – it treats the symptoms, not the disease. Additionally, it’s more efficient to work preventively and save money as well as human suffering. I usually talk about the violence pyramid as an example of how jargon, a culture of silence, objectification and traditional gender roles lay the foundation for and even enable more degrading violations. In other words, harassment and other serious violations don’t occur in a vacuum, but are legitimised over time through, for example, sexist jargon and an organisational culture that permits abuse. And vice versa. In organisations with clear values and an inclusive climate, there’s no foundation for severe violations towards other persons,” says Frida.

“I agree with Frida on this. We need to create real change if we’re going to get anywhere, both as a company and as a society. Many of the problems brought up by #metoo are based in norms and habits that most of us probably aren’t even aware of. Everyday things that we’re so used to that we don’t react to them,” continues Carina.

How does Respekttrappan solve this?

“Respekttrappan is a tool focused on an approach to create the preconditions that, from differing perspectives and in various ways, enable us to learn more about, to reflect on and talk about respect and equality. It begins with us and we need to work from the inside out,” says Carina.

“Respekttrappan is based on a change perspective. Each step includes various exercises of differing character that address different subjects. By working with Respekttrappan, we create the conditions for every participant to become aware of what they weren’t previously aware of, which is incredibly important. We all need to understand that the world maybe doesn’t look or work the same way for me as it does for others, and that depends on many different things,” says Frida.

What is the plan moving forward?

“In 2019, we made Respekttrappan externally available for other organisations and companies to use free of charge. We think this is incredibly important, so we want to help in any way we can. The plan is to continue to spread this knowledge and support other companies who are brave enough to work with the tool,” says Carina.

“Yes, we’re seeing interest from a lot of companies, and some have already started, but we need to do more. Both with getting everyone to understand the importance and advantages of working with this, but also with having the courage to start. And then the perseverance to keep going. Small but practical steps forward create a better workplace where more people can reach their full potential,” concludes Frida. ■



MAKE
EQUAL



DID YOU KNOW? “

In organisations with clear values and an inclusive climate, there's no foundation for severe violations towards other persons.

Sound finances

Our responsible and transparent loans and savings services contribute to better housing and household finances for our customers and for society. We invest for long-term competitiveness and we are growing and capturing market shares. Growth and cost efficiency lead to profitability and sound finances.



2019 Highlights

HEALTHY GROWTH AND STABLE FINANCIAL

PERFORMANCE – Lending growth for residential mortgages was healthy after a somewhat weaker start at the beginning of the year. Total lending increased 5.4% to SEK 383.8 billion (364.2). The results were strong and SBAB's financial key metrics were stable.

GREEN COVERED BOND – In early 2019, the SBAB Group became the first institution in Sweden to issue a green covered bond backed by residential mortgages and property loans.

INVESTMENTS FOR FUTURE COMPETITIVENESS – We continue to invest in the future in areas such as customer experience, customer service, digitalisation and IT. We also continued the replacement of SBAB's entire core banking system during the year. A modern and flexible IT system is important for strengthening SBAB's ability to develop digital services, improve interactions with customers, improve the customer experience, create cost efficiency and secure SBAB's future competitiveness.

Responsibility and
transparency

An attractive
workplace

Sound
finances

Selected key metrics

5.4%

Lending growth

0.32%

C/L ratio (costs/lending)

12.75

Green bonds outstanding, SEK bn



Target

Outcome

≥10.0%
Profitability

11.7%
2019

≥40%
Dividend

0%
2019

≥0.6%
CET1 capital ratio

2.4%
2019

≥0.6%
Total capital ratio

5.2%
2019

Supporting the Sustainable Development Goals



As part of the housing market and financial system, SBAB has a responsibility to promote a national economy that is sustainable over the long term. Well-functioning banks contribute to growth, societal development and employment and constitute an important element of financial stability.

To ensure SBAB's long-term competitiveness, our operations need investments. Investments, in turn, require growth and large business volumes. We want to grow responsibly, with good profitability and always at an acceptable risk. Good profitability requires high long-term cost efficiency with low marginal costs for growth and developing the customer offering.

Sound finances are a prerequisite for our ability to achieve sustainable operations, and by extension to create value for SBAB, our stakeholders and society in general. ■

⊕ More details about the target area are available on page 176

Responsible growth

Growth is central for companies in competitive markets. If they grow, it is proof that their customer offering is in demand.

Responsible lending is a prerequisite for responsible credit growth. SBAB's credit granting must be sustainable over the long term. We have a responsibility to finance homes for customers who are creditworthy – we do not want our customers to have problems paying interest and amortisations. We always need to develop our ability to assess creditworthiness so as to ensure that SBAB's risk

taking is always reasonable and that our customers borrow the right amount at the right price.

Responsible growth also involves ensuring that our growth is sustainable over the long term with respect to the climate. We want to help the housing and properties we finance become more energy-efficient. We can achieve this through stimuli in the form of green lending products, technical consultations and strategic choices in our lending. Different sustainability criteria will likely be given more importance in future credit granting decisions.

SBAB's total lending amounted to SEK 383.8 billion at year end, compared with SEK 364.2 billion at the end of 2018. This corresponded to net growth of 5.4% in 2019. Deposits also exhibited strong growth during the year, increasing 4.5% to SEK 130.5 billion. The fact that so many people choose to become customers of SBAB is clear confirmation that we have an attractive and esteemed customer offering. ■

GOOD CREDIT QUALITY IS IMPORTANT

[Read more on pages 69 and 95](#)

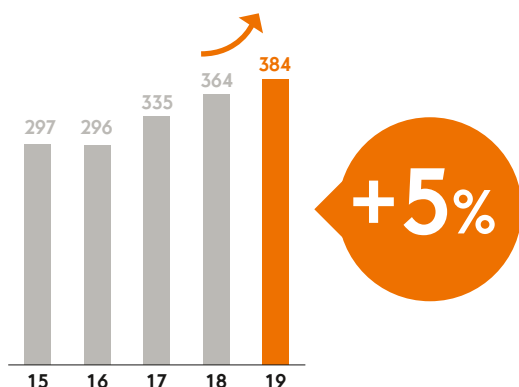
Good credit quality is important for SBAB's long-term profitability because it helps us avoid losses. We have a responsibility to ensure that our customers do not end up in difficult situations if, for example, interest rates increase. Good credit quality is also a condition for a high credit rating, which facilitates SBAB's access to advantageous funding.

We work determinedly and continuously to ensure good credit quality in our lending portfolio. Important metrics include debt-to-income ratio and loan-to-value (LTV) ratio. We follow the quality of our inflows carefully and make adjustments as necessary. This has meant adapting operations to new amortisation regulations and developing existing credit rules. An important instrument for ensuring good credit quality is our pricing model, which gives our customers incentive to reduce risk for themselves as well as for SBAB. We have also worked on distribution and customer communications customised for target groups.

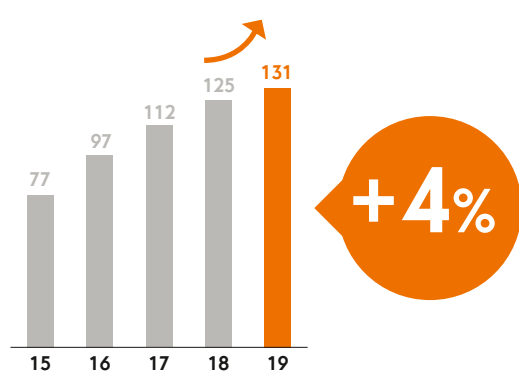
The credit quality of SBAB's lending remains healthy and the risks entailed in lending are deemed low. Net credit losses for 2019 totalled SEK 26 million (recoveries: 11). This corresponded to a credit loss ratio of -0.01% (0.00). At the end of 2019, the average LTV ratio in SBAB's mortgage portfolio was 60% (61). ■



Total lending, SEK bn



Total deposits, SEK bn



Net interest income, SEK million

3,473 2019 **3,362** 2018

Return on equity

11.7% 2019 **12.1%** 2018

C/I ratio

33.7% 2019 **32.0%** 2018

Selected key metrics

	GROUP	
	2019	2018
Balance sheet items		
Total lending, SEK bn	383.8	364.2
Total deposits, SEK bn	130.5	124.9
Income statement items		
Net interest income, SEK million	3,473	3,362
Net commission, SEK million	-14	-49
Net result of financial transactions, SEK million	26	-65
Expenses, SEK million	-1,187	-1,049
Credit losses, SEK million	-26	11
Operating profit, SEK million	2,308	2,241
Key performance indicators		
Return on equity, %	11.7	12.1
C/I ratio, %	33.7	32.0
CET1 capital ratio, %	13.1	12.5
Dividend, %	0	40



“Our initial analyses and climate stress tests show that relatively few customers in the foreseeable future will be affected and that the impact on SBAB’s operations are therefore deemed to be limited.”

Climate risk analysis of SBAB’s residential mortgage portfolio

Climate change is affecting the housing and property market. Sea levels are rising and extreme weather patterns are becoming more violent and more frequent.

“We are exposed to climate risk in our lending. The risks are different depending on the geographic location and will be more extensive over time. As a long-term supplier of mortgages, it is relevant to analyse different climate scenarios, both in the short and long term,” says **Axel Wallin**, Head of Sustainability at SBAB.

Changes in the average annual temperature have consequences for the climate in the form of rising sea levels, more rain, earlier springs, lower ground water levels and fresh water shortages. For buildings and collateral it is thus important to understand the risks for flooding, collapse, landslides and erosion.

“Increased precipitation can increase water penetration in basements and cause problems with damp. This has financial consequences. In August 2014, downpours in Malmö caused material damage of between SEK 600 and

700 million. This type of incident will be more common in a future, changed climate. For existing buildings, preventive and adaptive measures will be important. With new housing production, the conditions and placement are important, as well as the design and material choices. We have to make an overall risk assessment, and climate risk should be a natural part of that assessment.”

In 2019, SBAB conducted stress tests for climate-related risk to understand the impact on the residential mortgage portfolio. This was based on recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD). The stress tests evaluate how securities in SBAB’s residential mortgage portfolio are affected by different scenarios, for example rising sea levels and hundred-year flooding events in Swedish watercourses. “Our initial analyses and climate stress tests show that relatively few customers

in the foreseeable future will be affected and that the impact on SBAB’s operations are therefore deemed to be limited. However, some geographic areas are exposed to more risk than others. It is important that we act responsibly and inform our customers of the risks posed by climate change when we have completed our analyses,” says Axel, and continues:

“In 2020, we will continue to refine the initial analyses. It’s also our ambition to continue to communicate and educate our customers about climate risk and how to adapt property to a new climate in the future,” concludes Axel. ■

Cost efficiency

In recent years, banking operations have become increasingly complex and demanding due to increased digitalisation and its consequent change in customer needs as well as regulatory developments, especially around issues concerning customer experiences, reporting, capital and liquidity. This increased complexity has led to an increased need for investments which in turn increase fixed expenses for conducting banking operations.

Digitalisation and new customer behaviour fundamentally change the value of the customer offering, how it is offered and what the customer pays for each product and service. Digitalisation makes it significantly easier to compare products and prices, which increases the competition for goods and services. The expenses for distributing services digitally, including financial services, are low. The marginal cost of offering one more component is thus also low. When necessary investments have been made, the banks' marginal costs are extremely low, which means that the price the customer pays for a digital banking service in a competitive market is also close to zero. One exception is the price on money borrowed – this is a finite resource. Borrowing money entails a risk, which is why borrowed money always has a price.

We are a digital bank, which means that we have no physical bank offices and that most of our customer meetings take place in digital channels and over the phone. Cost-efficiency is therefore very important. To ensure SBAB's long-term competitiveness, we invest in our operations. Not only to improve our customer offering, but also to make ourselves more efficient and make it possible for us to grow with the lowest possible marginal costs. We want the marginal costs for growing with more customers and larger volumes to be so low that we will always be able to offer competitive terms on our credits and services.

SBAB's expenses increased 13.2% during the year to SEK 1,187 million (1,049) primarily due to increased operational investments in areas including customer experience and customer service, digitalisation and IT. One way of measuring total cost efficiency is the C/l ratio – costs in relation to income. This is a metric that describes how much each krona earned actually costs SBAB. We continue to be the most cost-efficient residential mortgage bank in Sweden with a C/l ratio of 33.7% (32.0).

Another metric for cost efficiency, which is also an important part of SBAB's internal monitoring, is the C/L ratio – costs in relation to lending. In 2019, SBAB's C/L ratio amounted to 0.32% (0.30).

Profitability

Profitability creates the prerequisites for growth and investments in our operations. Profitability also provides SBAB with the preconditions for building stable own funds, which is crucial for creating confidence among our stakeholders such as savings customers, bond investors, ratings institutes and government authorities. We achieve profitability through developing and working with both revenue and cost streams. The revenue factors with the largest impact are growth in the form of more customers, growth in lending and interest margins on lending. As regards costs, low marginal costs is the most important factor for achieving long-term cost efficiency, both for conducting operations and for growth. SBAB's profitability target specifies a return on equity of no less than 10% over a business cycle. Return on equity in 2019 amounted to 11.7% (12.1).

Dividend

Part of our funding comes from our owner, the Swedish state, in the form of equity. In return for its contribution, the owner receives a return through the profit generated by operating activities. In accordance with the owner's dividend target, at least 40% of profit after tax is to be distributed, taking SBAB's capital structure into consideration. At an

Extraordinary Board Meeting held on March 17, 2020, the Board of Directors resolved to not propose a dividend for the financial year 2019. For more information, refer to Note G 5.

Capitalisation

It is important for SBAB to be well capitalised, since this promotes increased confidence from our stakeholders, financial stability and the opportunity to grow lending. We also hold capital to ensure the company's resilience in more adverse economic conditions. To a large extent, SBAB's capital requirements are governed by laws and regulations, supervised by Finansinspektionen (the Swedish FSA). Through our capital targets we govern which safety margins we want in relation to the regulatory requirements. The Board resolved in 2018 to adjust the buffer levels in SBAB's capital targets as a result of the amended method for applying risk-weight floors for Swedish residential mortgages. According to the adjusted targets, under normal conditions, SBAB's CET1 capital ratio and total capital ratio should be at least 0.6 percentage points higher than the CET1 capital requirement communicated by the Swedish FSA. The Swedish FSA's requirements corresponded at year end to a CET1 capital ratio of 10.7% and a total capital ratio of 14.9%. At the end of the year, the CET1 capital ratio amounted to 13.1% (12.5) and the total capital ratio to 20.1% (18.1). This provides a comfortable margin to both internal targets and external regulatory requirements. ■



REPLACING THE CORE BANKING SYSTEM

In 2017 we began the replacement of SBAB's entire core banking system. The project is ongoing and requires considerable time and resources. 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 project is expected to be completed in 2021. ■

A green cycle of funds

In mid-2016, SBAB became the first bank in Sweden to issue a green bond. Since then SBAB has been a recurring issuer, explains Fredrik Jönsson, Head of Treasury at SBAB.

In 2008, the World Bank issued the world's first green bond. Since then the market for green bonds has grown significantly, not least in Sweden.

"A green bond actually works just like a normal bond, the exception being that the funds raised are to be used for environmentally or climate friendly projects. By purchasing green bonds, investors can be involved and finance projects that are sustainable," says Fredrik, and continues:

"Considerable interest exists in building a sustainable society with energy-friendly and climate-smart housing. Similarly, there is considerable demand from investors to fund these



"By purchasing green bonds, investors can be involved and finance projects that are sustainable."

developments through green bonds. Since our first green bond in 2016, we have been a recurring issuer of green bonds in different debt classes."

Green covered bond

In early 2019, SBAB published a new, updated framework for issuing green bonds.

"The new framework is broader and also includes our Green Mortgages. This meant that we, during 2019, were able to become the first player in Sweden to issue a green covered bond backed by residential mortgages and property loans."

The issue amounted to SEK 6 billion, which means that it is one of the largest green bonds issued on the Swedish market to date.

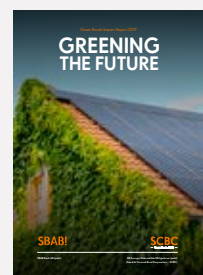
"Of course it's exciting to be at the cutting edge of this type of transactions, and to steer the housing market in a more sustainable direction together with our customers and investors," concludes Fredrik. ■

ABOUT SBAB'S GREEN BONDS

The funds SBAB raises through our green bond issues are used to finance or refinance residential properties that meet a number of energy-efficiency criteria or hold certain environmental certification. The terms for onward lending and the conditions for issuing our green bonds are described in more detail in SBAB's green bond frameworks ("SBAB Green Bond Framework 2016" and "SBAB Green Bond Framework 2019"), available on www.sbab.se. The independent climate and environmental research institute, Center for International Climate and Environmental Research – Oslo (CICERO) has reviewed SBAB's sustainability work and approved the investment categories chosen as green investments. SBAB's two green bond frameworks are classified as Medium Green. Green bonds outstanding at the end of the year totalled SEK 12.75 billion (3.75).

GREEN BONDS IMPACT REPORTING

Eligible investment objects within SBAB's green bond frameworks amounted at year end to SEK 24.5 billion. According to SBAB's calculations, these objects are estimated to generate an annual avoidance in GHG emissions corresponding to 13,048 tonnes CO_{2e}. SBAB's share of the financing is expected to correspond to an annual avoidance of 7,559 tonnes of CO_{2e}.





DID YOU KNOW?



In 2019, the SBAB Group became the first institution in Sweden to issue a green covered bond backed by residential mortgages and property loans.



2019 FINANCIAL REPORT

SBAB's operations continue to develop favourably with healthy volume growth, stable financial results and strong KPIs.

Condensed income statement

+ SBAB'S income

SEK million	2019 (2018)
Net interest income	3,473 (3,362)
SBAB's largest and most important revenue item is net interest income, which comprises the difference between SBAB's interest income and interest expenses. Interest income is primarily from SBAB's residential mortgages and housing loans, while interest expenses mainly comprise SBAB's costs for funding and deposits.	
Net commission	-14 (-49)
Net commission mainly comprises income from insurance broking and other credit-related fees and expenses related to funding and valuations.	
Net result of financial transactions	26 (-65)
The net result of financial transactions arises through SBAB's application of financial instruments and as a result of accounting valuation effects.	
Other operating income	36 (32)
Other operating income primarily consists of income from the subsidiary Booli Search Technologies AB.	
Total income	3,521 (3,280)

- SBAB'S expenses

SEK million	2019 (2018)
Expenses	-1,187 (-1,049)
SBAB's expenses mainly comprise personnel, premises and marketing costs and costs for IT and business development.	
Credit losses	-26 (11)
Credit losses arise when SBAB's customers are unable to pay interest and make loan repayments. We always work to minimise credit losses, based on our adopted risk tolerance levels. According to regulatory requirements, we also prepare for expected credit losses through provisions.	
Tax	-520 (-515)
Tax consists of income tax of 21.4% of net profit for the year with an addition for tax adjustments and any adjustments of tax for previous years.	
Total expenses	-1,733 (-1,553)
= Net profit/loss for the year	1,788 (1,726)

The net profit for the year comprises total income less total expenses. Net profit is returned to **equity**.

Condensed balance sheet

SBAB'S assets

SEK billion	2019 (2018)
Securities (liquidity reserve)	77 (72)
In order to maintain high liquidity, SBAB has various forms of securities, mainly in the form of a liquidity portfolio. The liquidity portfolio was set up to ensure access to finance at times when SBAB's normal funding sources are not operating satisfactorily.	
Lending to the public	384 (364)
SBAB's largest asset item in the balance sheet is lending to the public. This item comprises residential mortgages and consumer loans to private individuals as well as housing loans to corporates and tenant-owners' associations.	
Lending to credit institutions	0 (3)
For short-term liquidity management, SBAB utilises, inter alia, the repo market to invest or borrow money from other banks.	
Derivatives	13 (8)
SBAB utilises various forms of derivatives both on the asset and liability sides to protect the company against undesired changes in interest rates or exchange rates.	
Total assets	476 (448)

SBAB'S liabilities and equity

SEK billion	2019 (2018)
Deposits	131 (125)
SBAB's lending is funded by, among other things, deposits from the public. Deposits refer to private individuals, corporates or tenant-owners' associations saving money in SBAB's savings accounts, in return for interest on their savings.	
Liabilities to credit institutions	11 (7)
See the comment under the post "Lending to credit institutions" above.	
Issued debt securities (funding)	304 (291)
The largest part of SBAB's lending is financed through wholesale funding, which is referred to in the balance sheet as issued debt securities.	
Derivatives	1 (1)
See the comment under the item "Derivatives" above.	
Subordinated debt	5 (5)
SBAB utilises subordinated debt to strengthen its capital position. The fact that the debt is subordinated means in the event of a bankruptcy, the debt will be realised only when other liabilities have been paid.	
Equity	22 (17)
Total liabilities and equity	476 (448)

Group performance

General information

The Board of Directors have signed, and thereby submitted, the Annual and Sustainability Report in its entirety.

The statutory annual report, including this administration report, is revised and includes pages 62–79, 89 and 94–168.

SBAB has prepared a statutory sustainability report pursuant to the requirements of the Annual Accounts Act. The statutory sustainability report is included in the sustainability report that has been prepared in accordance with the GRI Standards: Core option. SBAB's sustainability data is shown in cross reference to the Annual Accounts Act and the GRI on pages 177 and 180–181. The Sustainability Report has been subject to a limited assurance review.

The Corporate Governance Report has been subject to a statutory review, which is less comprehensive than an audit or auditor's review.

Organisation and operations

SBAB Bank AB (publ) has two business areas: Retail and Corporate Clients & Tenant-Owners' Associations. At 31 December 2019, SBAB had 695 (602) employees at five offices: 288 (267) in Solna, 37 (28) in Stockholm, 354 (292) in Karlstad, 7 (7) in Gothenburg and 9 (8) in Malmö. Our main IT unit and central functions are in Solna. Booli is located in Stockholm. Our Customer Centre and Operations are located in Karlstad. In Gothenburg and Malmö, there are local account managers serving the Corporate Clients & Tenant-Owners' Associations business area.

Financial targets

Our owner, the Swedish government, has established the following overall financial targets for SBAB:

- **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 above 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.

Business development

Lending to the public increased 5.4% during the year to SEK 383.8 billion (364.2). New lending totalled SEK 75.5 billion (74.3). Of total lending at year end, SEK 291.6 billion (276.7) comprised residential mortgages, SEK 2.3 billion (2.2) consumer loans, SEK 38.4 billion (33.8) lending to property companies and SEK 51.5 billion (51.5) lending to tenant-owners' associations.

Financial results

Operations continued to develop well in 2019. SBAB's operating profit was SEK 2,308 million (2,241). The return on equity was 11.7% (12.1).

Income

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

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

The net result of financial transactions increased to SEK 26 million (expense: 65), mainly due to differences in value changes in hedging instruments and hedged items as well as the remeasurement of credit risk in derivatives.

Expenses

Expenses grew to SEK 1,187 million (1,049) due to increased operational investments in areas including customer experience and customer service, digitisation and IT. Efforts to replace SBAB's core bank platform are ongoing and require considerable time and resources. 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 meeting. The number of FTEs increased from 602 to 695 over the year. Personnel costs amounted to SEK 630 million (543). Other expenses exclusive of depreciation, amortisation and impairment amounted to SEK 486 million (474). Depreciation, amortisation and impairment of PPE and intangible assets amounted to SEK 71 million (32). The C/I ratio was 33.7% (32.0).

Credit losses

Credit losses totalled SEK 26 million (recoveries: 11).

Dividends and appropriation of profits

At an Extraordinary Board Meeting held on March 17, 2020, the Board of Directors resolved to not propose a dividend for the financial year 2019. For more information, please refer to note [G 5](#). The detailed proposed appropriation of profits can be found later in this report.

Remuneration

On 27 February 2020, the government decided on new guidelines for remuneration and other terms of employment for senior executives in state-owned enterprises. These guidelines will be applied for the respective companies from the 2020 Annual General Meeting and will replace the previous guidelines for remuneration and other terms of employment for senior executives in state-owned enterprises adopted in 2016. These guidelines are included in the state's ownership policy. The most recently adopted guidelines are provided in Note [IC 5](#).

Events after the balance sheet date

Information about events after the balance sheet date is provided in Note [G 5](#).

For further information, please contact:

Further comments on the Group's financial position can be found later in this report.

[Read more on page 95](#)

A more stable housing market despite a weaker economic trend

Activity in the Swedish economy and those around us slowed considerably in 2019. However, due in part to the support of falling long interest rates, conditions in the housing market have stabilised following the previous collapse in new production.

Developments in the Swedish housing market impact SBAB's lending and profitability. In turn, developments in the housing market are affected by the general state of the Swedish economy. Sweden is a small, heavily export-dependent economy that is highly influenced by international economic developments. Therefore, in addition to the housing and residential mortgage market, SBAB follows global and domestic macroeconomic developments.

Low interest rates help the Swedish economy

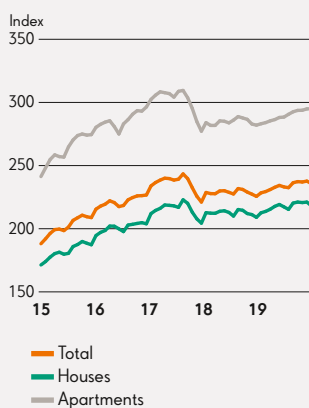
Initially in 2019, the global economic trend remained relatively favourable and stable, and generally, no slowdown was expected over the coming years. However, as the year came to a close, the tone of assessments changed rapidly and pointed toward 2019 becoming the weakest year since the financial crisis. The decline in trade in the wake of trade conflicts, political uncertainty in many countries and companies' low willingness to invest comprised critical factors driving this development. For Sweden, however, the weakness of the krona has helped rapid export growth despite weak international demand. The low growth in Sweden's GDP in 2019 was instead due to soft domestic demand stemming from

low investment and subdued private consumption.

Long interest rates have fallen globally in 2019, and are expected to remain low in the forthcoming years. The key interest rate in the USA is 1.75% following cuts by the Fed in three steps. Over the past three years, the US economy has thus been impacted by clear upturns and downturns in the key interest rate. In Europe, however, the ECB has elected to keep its key interest rate at 0%, where it has remained since the start of 2016, with no increase expected in the coming years.

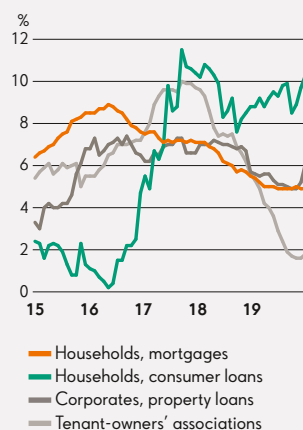
Housing price trend

(HOX index 2005=100)



Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



Source: Valueguard, Statistics Sweden (SCB).

A more stable housing market, Cont.

While Swedish interest rates follow international rates, albeit there may be some displacement in terms of the economy. The Riksbank's repo rate decision is critical for short-term interest rates. Short interest rates rose at the end of 2018 as a result of the Riksbank's decision in December 2018 to raise the repo rate to -0.25%. Thereafter, they remained relatively stable in 2019, while long interest rates slowly declined. Towards the end of 2019 however, both short and long interest rates began to rise slowly, in anticipation of the Riksbank deciding to increase the repo rate to 0%, as it actually did in December.

A more stable housing market

After essentially standing still in 2018, housing prices gradually started to rise in 2019. For the country as a whole, house prices rose 4.4% and prices for tenant-owner apartments increased 4.6%. This signalled dawning optimism in the housing market, which was also reflected in rapidly shortening advertisement periods for new housing production and a general increase in housing sales. Housing turnover, in other words the number of homes sold in relation to the total number of housing units, was however lower than normal, particularly for tenant-owner apartments, which was due to the repayment requirement.

Over the last few years, many housing developers have had difficulty selling their newly produced apartments. For some housing developers, the difficulties have resulted in such measures as lowered prices and temporary grace periods for monthly fees, which have also contributed to uncertainty regarding the price trend for housing. The difficulties are linked to demand for housing not meeting the price levels asked for housing. The SBAB Booli Housing Market Index shows clearly that demand is a problem that has increased rapidly over the last few years. Since August 2019, it is also the foremost hindrance for housing construction according to the National Institute of Economic Research's monthly Economic Tendency Survey. Lower sales have also resulted in reduced cash flow for these developers and limited their possibilities for building more housing.

Changes in housing prices clearly impact production rates for new housing. A period of reduced production followed in the wake of the fall in prices a couple of years ago, and rising prices in 2019 have probably helped stop production declining further. All together, this means that the annual production rate has decreased by more than 30%, from almost 64,000 housing units in 2017 to around 43,000 units in 2019. Annual production rates are projected to exceed 40,000 housing units moving forward,

which essentially corresponds to demand for the growing population, but does not address the underlying housing shortage of 160,000 units.

Deposits grew faster than lending

During the year, households' mortgages grew 4.9% (5.5) to SEK 3,445 billion (3,284), while loans to tenant-owners' associations increased 1.8% (5.6) to SEK 491 billion (482). Lower growth rates were partly attributable to lower housing turnover and partly to the construction of tenant-owner apartments. Consistently low interest rates, a strong development in household income and a large supply of newly produced housing have all supported this trend. Households' consumer loans increased 10.3% (8.8) during the year to SEK 248 billion (225).

At the end of 2019, households' deposits amounted to SEK 2,007 billion (1,909). During the year, retail deposits increased 5.1% (7.3). Rising incomes and a relatively healthy labour market have provided households greater opportunities to save, while the slowing economy has contributed to the desire to save. Households' deposits, which largely comprise short-term accounts, therefore increased at a faster rate than their mortgages, despite the low interest rate. The market for deposits from non-financial corporates, including tenant-owners' associations, grew 11.8% (5.6) in 2019 to SEK 1,180 billion (1,055).

Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, housing search engine services and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. SBAB does not have any offices for physical customer meetings – we meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted at to 8.47% at year end, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se is Sweden's second-largest search engine for housing with over 900,000 unique visitors each month.

Our strategy is to offer a differentiated, value-creating customer offering within the housing and household finances ecosystem with a clear focus on residential mortgages.

Residential mortgages

During the beginning of the year, clear signs emerged that competition had changed in the residential mortgage market. Several of the major banks announced their intent to make defending residential mortgage market shares their top priority. The smaller mortgage banks strengthened their offerings with campaign interest rates and bundled offers, while new market participants started to elbow for space. As a result, our growth slowed. We strengthened our offering, thereby returning to healthy growth in the second quarter.

During the year, the total volume of retail mortgages increased 5.4% (11.5) to a total of SEK 291.6 billion (276.7) driven by the continued strength of the

customer offering, competitive rates and high levels of brand awareness. New lending amounted to SEK 59.1 billion (62.2) in 2019. At the end of the year, we had 279,000 residential mortgage customers (270,000) allocated over 178,000 mortgage objects financed (172,000). The residential mortgage market share was 8.47% (8.41) at the end of the year, which puts SBAB in fifth place after the four major banks. Data from Statistics Sweden show that SBAB's share of net growth in the residential mortgage market totalled 9% (17) over the year.

SBAB's lending is concentrated to the Stockholm, Öresund and Gothenburg regions, which together represent 84.8% of the residential mortgage stock. The large majority of SBAB's residential mortgage customers choose shorter maturities. The share of total lending with a three-month fixed-interest period amounted to 73.5% (70.1) at the end of the year.

At the end of 2019, the average LTV ratio in SBAB's mortgage portfolio was 60% (61). At the same date, the average residential mortgage to retail customers amounted to SEK 1.7 million (1.6).

Condensed income statement, Retail

SEK million	2019	2018	2017
Operating income	2,691	2,568	2,457
Expenses	-957	-848	-766
Net credit losses	-16	-10	7
Operating profit	1,718	1,710	1,698
Return on equity, %	11.8	12.6	14.4

Composition of collateral in the loan portfolio, Retail

SEK billion	2019	2018	2017
Mortgage deeds	146.2	140.0	126.5
Tenant-owners' rights	145.3	136.6	121.5
Municipal guarantees and direct loans to municipalities	0.1	0.1	0.1
Government guarantees	0.0	0.0	0.0
Bank guarantees	0.0	0.0	0.0
Other collateral	0.0	0.0	0.0
Consumer loans ¹⁾	2.3	2.2	2.0
Total	294.0	278.9	250.1

¹⁾ Unsecured loans to retail customers.

Partnerships

A smaller part of SBAB's lending to consumers is carried out in partnership with other participants. At year end, the total volume of mediated residential mortgages amounted to around SEK 25 billion (46), which is equivalent to 8.5% (16.5) of SBAB's total lending to retail customers. Approximately SEK 15 billion (18) of the distributed residential mortgages were mediated under SBAB's own brand. The remainder, about SEK 10 billion (28), were mediated residential mortgages using other brands, with SBAB as the underlying creditor.

During the fourth quarter 2019, SBAB's partnership with ICA Banken regarding the mediation of residential mortgages was discontinued. ICA Banken's mediated loan portfolio (SEK 19.3 billion at 30 November 2019) remains on SBAB's balance sheet and customer relationships transferred to SBAB after the collaboration ceased.

Retail business area, Cont.

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

SBAB will continue to broker residential mortgages under its own brand via selected partnerships where we see a clear added value. It is of material importance to achieving responsible growth that all distribution channels work sustainably. This means that business

partners are to promote transparency in the customer offerings and act in such a manner that strengthens confidence in SBAB and the financial market in general. We prioritise business partners where we see growth potential through modern and digital distribution methods, primarily online and via mobile phones.

Consumer loans

A consumer loan is a loan without a requirement for collateral. Unlike residential mortgages, consumer loans are not connected to any specific purpose, although they are frequently used to supplement residential mortgages in relation to home finance. At the end of the year, the total consumer loans amounted to SEK 2.3 billion (2.2). At the same date, the market share was 0.83% (0.87). At 31 December 2019, about 34,000 customers (32,000) had consumer loans with SBAB.

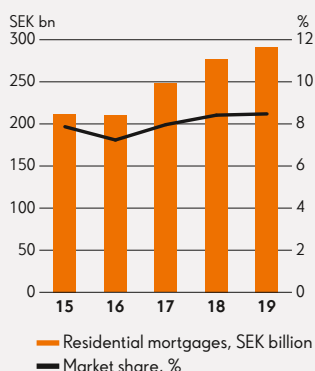
Savings accounts

In comparison with the zero interest offered by the major banks, SBAB's attractive offering with straightforward and favourable terms has resulted in many customers choosing to save with us. Deposits are extremely important if we are to have a competitive offering in terms of residential mortgages and housing financing, since it comprises a valuable and growing share of our funding for lending. Our savings accounts offer competitive interest rates, are free of charge, have free withdrawals and are covered by the national deposit guarantee. Retail deposits during the year amounted to SEK 92.0 billion (87.1). At the same date, the market share was 4.68% (4.65). The increase was due to a competitive savings rate, marketing initiatives to position the savings products in the market as well as a continuing high level of deposits in savings accounts by households. At the end of the year,

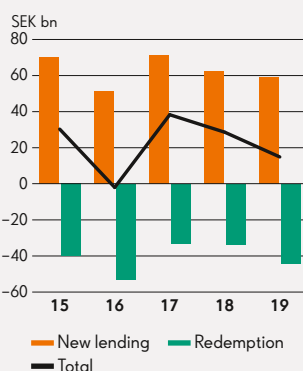
Increased market shares

During the year, the total volume of retail mortgages increased around 5.4% to SEK 291.6 billion (276.7) driven by the continued strength of the customer offering, competitive rates and high levels of brand awareness. The residential mortgage market share increased to 8.47% (8.41).

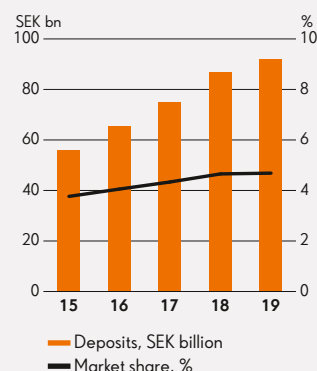
Volume and market share, residential mortgages



New lending and redemption, residential mortgages



Volume and market share, deposits, retail



approximately 350,000 (329,000) retail customers held savings accounts with SBAB.

User trends

Our customer offering is an ecosystem of services relating to housing and household finances. Through the services we provide in Booli, HittaMäklare and SBAB, we wish to help our customers meet their needs and solve issues in life’s housing journey.

Every month, many visit SBAB’s website to manage their mortgages and savings or to find inspiration about housing and household finances. The average number of unique visitors per month to www.sbab.se was around 443,000 (505,000). During the year, the SBAB app reached 90,000 monthly active users.

Booli.se is a popular platform for finding information about supply, demand and price trends for housing. The average

number of unique visitors per month to www.booli.se was around 919,000 (930,000) over the year. Booli’s monthly home valuation email had approximately 400,000 subscribers at the end of 2019.

HittaMäklare is Sweden’s largest service for finding and recommending real estate agents. HittaMäklare’s service for locating estate agents was used by about 86% of the registered estate agents in Sweden.

Insurance broking

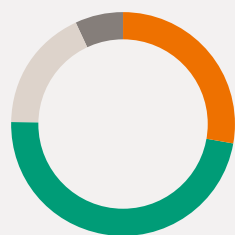
We offer two insurance products that are related to residential mortgages and housing in different ways: mortgage insurance and home insurance. Mortgage insurance insures customers against unemployment or sick leave, by compensating the monthly cost of the loan. Mortgage insurance also means that the borrower’s residential mortgage may be wholly or partially written off in the event of death. Home insurances pay

compensation to the homeowner in case of damage to the home or house. These products protect our customers, but they also add value for SBAB, as good insurance protection reduces the risk of credit losses.

Sound credit quality in the lending portfolio

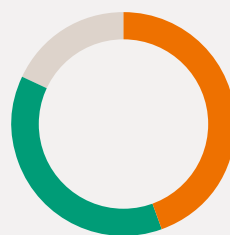
We work determinedly and continuously to ensure sound credit quality in our lending portfolio. This has meant adapting operations to new amortisation regulations, developing existing credit rules and implementing more risk-based pricing. In addition, we are working on distribution and customer communication customised for target groups.

Loan-to-value (LTV) ratio in the mortgage portfolio



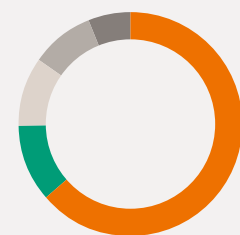
- LTV 0–50% 28% (28)
- LTV 50–75% 47% (46)
- LTV 75–85% 18% (18)
- LTV >85% 7% (8)

Average debt-to-income ratio in new lending in 2019



- Debt ratio ≤3.5 45% (38)
- Debt ratio <3.5 – ≤4.5 38% (38)
- Debt ratio >4.5 18% (24)

Geographic distribution of the mortgage portfolio



- Stockholm region 63.8% (65.3)
- Öresund region 11.0% (10.9)
- Gothenburg region 10.0% (9.7)
- University and growth areas 9.3% (8.4)
- Other regions 5.9% (5.7)

Corporate Clients & Tenant-Owners' Associations business area

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

Condensed income statement, Corporate Clients & Tenant-Owners' Associations

SEK million	2019	2018	2017
Operating income	826	800	734
Expenses	-224	-199	-193
Credit losses/ recoveries	-11	21	17
Operating profit	592	622	558
Return on equity, %	11.6	11.7	8.8

Composition of collateral in the loan portfolio, Corporate Clients & Tenant-Owners' Associations

SEK billion	2019	2018	2017
Mortgage deeds	88.8	83.7	83.5
Tenant-owners' rights	0.0	0.0	0.0
Municipal guarantees and direct loans to municipalities	0.6	0.8	0.9
Government guarantees	0.0	0.1	0.1
Bank guarantees	0.0	0.0	0.0
Other collateral	0.5	0.8	0.5
Total	89.9	85.3	85.0

Property financing

We finance multi-family dwellings, both privately owned and owned by tenant-owners' associations. The properties may consist of existing buildings or new construction, where we mortgage the land with development rights and the construction, and offer final funding. In our credit process, we monitor developments in the property market on a regular basis, and conduct a review and risk evaluation of all customer relationships

at least once a year. At 31 December 2019, SBAB's total lending to corporate clients and tenant-owners' associations amounted to SEK 89.9 billion (85.3), of which SEK 38.4 billion (37.2) comprised lending to corporate clients and SEK 51.5 billion (51.0) lending to tenant-owners' associations.

Property companies

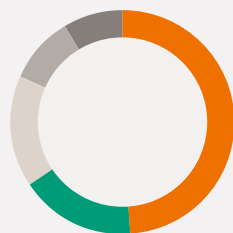
Activity in the corporate market was high and housing remained an attractive investment for domestic and international investors. Volumes in the transaction market posted new records in 2019. In parallel, the pace of new construction has slowed since the record year 2017. The amount of new housing construction for the full-year 2019 is projected to amount to 42,000, corresponding to a decline of 34% compared with 2017.

New lending to property companies was healthy and amounted to SEK 8.7 billion (4.4) in 2019. Total lending totalled SEK 38.4 billion (33.8) at the end of the year. The number of large property company customers amounted to 72 (70). At year end, the market share for lending to property companies was 11.23% (10.88).

Increased lending volumes to property companies

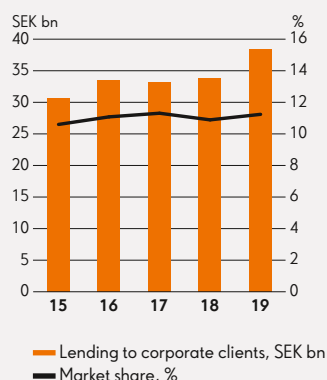
SBAB's lending to property companies during the year increased to a total of SEK 38.4 billion (33.8). At the same date, the market share was 11.23% (10.88).

Geographic distribution of the loan portfolio, Corporate Clients & Tenant-Owners' Associations

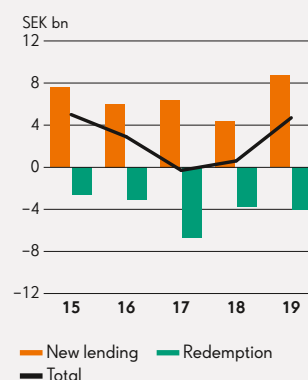


Stockholm region	49.0%	(53.1)
Öresund region	16.7%	(16.0)
University and growth areas	16.1%	(15.1)
Gothenburg region	9.9%	(8.3)
Other regions	8.4%	(7.4)

Volume and market share, Corporate clients



New lending and redemption, Corporate clients



As a result of the changed market conditions for the new construction market, where demand for new apartments does not always match the offering of newly constructed apartments, we have applied a more restrained approach to our lending in this segment over the past few years. Primarily in Stockholm, though also in other growth areas, the pace of construction and price trends for new apartments has been particularly high. Sweden's housing market has a regional nature and the construction slowdown has been clearest in the Stockholm area, whereas the Malmö region continues to offer good business opportunities.

We set higher pre-sales requirements on binding purchase agreements before the start of production and larger own investments when lending to new build projects. Also, SBAB focuses lending on established customer relationships and large, experienced property developers.

Construction loans

	2019	2018
Approved construction loans, No.	70	62
Approved construction loans, SEK bn	14.0	14.1
Of which disbursed, %	64	69

At 31 December 2019, our lending to commercial properties amounted to SEK 2.6 billion (3.2).

Tenant-owners' associations

At the end of 2019, our lending to tenant-owners' associations amounted to SEK 51.5 billion (51.5). New lending totalled SEK 6.8 billion (6.6). At year end, the market share for lending to tenant-owners' associations was 9.55% (9.53). The market for lending to tenant-owners' associations remains dominated by intense price competition

with low margins, not least in the major metropolitan areas.

The number of customers declined and amounted to 1,731 (1,801) at the end of 2019, which is in line with SBAB's strategy to focus on larger customers and customers in regions where SBAB has a physical presence and the possibility of establishing good customer relations, but was also a result of the intense price competition.

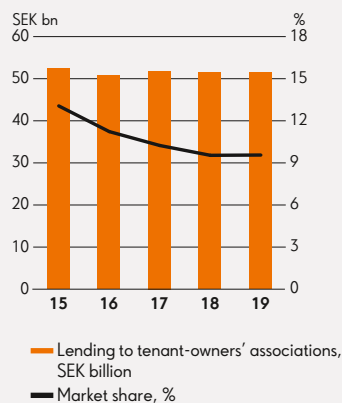
Savings accounts

Deposits from corporates and tenant-owners' associations increased over the year, totalling SEK 38.6 billion (37.9), and the market share was 2.94% (3.66) at the end of 2019. At year end, 8,200 corporate clients (9,100) and 4,300 tenant-owners' associations (4,300) held savings accounts with SBAB.

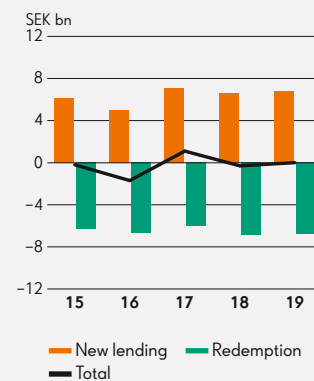
Continued intense competition in lending to tenant-owners' associations

SBAB's market share for lending to tenant-owners' associations remained essentially unchanged in 2019 owing to continued intense competition. At year end, the market share was 9.55% (9.53).

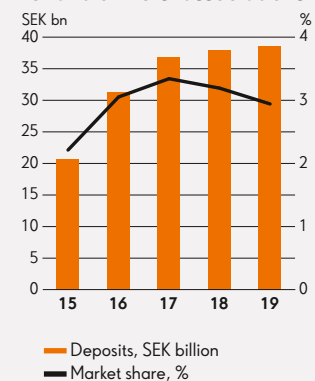
Volume and market share, Tenant-owners' associations



New lending and redemption, Tenant-owners' associations



Volume and market share, deposits, Corporate clients & Tenant-owners' associations



Funding and liquidity

Funding operations

SBAB's operations are primarily funded through the capital market, but since 2007, also increasingly through deposits from the public. The SBAB Group is active in both the senior unsecured bond market through the Parent Company SBAB, as well as in the covered bond market through the wholly owned subsidiary SCBC.

Long-term funding sources

	Limit
Euro Medium Term Note Programme (EMTN), SBAB	EUR 13 billion
Euro Medium Term Covered Note Programme (EMTCN), SCBC	EUR 16 billion
Swedish covered bond programme, SCBC	[No fixed limit]

Short-term funding sources

	Limit
Swedish Commercial Paper Programme (SVCP)	SEK 25 billion
European Commercial Paper Programme (ECP)	EUR 3 billion

2019 in brief

The year was characterised by generally falling interest rates driven by softer tones and lower key interest rates from the US and EU central banks. To support economic developments and inflation expectations, the ECB announced further quantitative easing through expanding its bond-buying program and more favourable terms for European banks to borrow funds from the central bank. All together, the above resulted in decreasing credit spreads and historically low interest rates in a number of currencies.

In 2019, the SBAB Group issued long-term bonds for a total of SEK 57.3 billion (73.7). During the year, a SEK 6 billion five-year green covered bond and a SEK 3 billion five-year green senior non-preferred bond were issued. In August, SBAB issued a SEK 2.0 billion Additional Tier 1 Capital loan (AT1) for the first time since 2016. The underlying reason for the transaction included strengthening SBAB's own funds and supporting future growth.

Issued debt securities outstanding (total funding) amounted to SEK 303.6 billion (290.8) at the end of the year, of which SEK 246.8 billion (234.8) comprised covered bond funding and SEK 56.8 billion (56.0) unsecured funding.

Funding Strategy

Through access to stable and competitive funding, we ensure that SBAB can offer lending at attractive terms.

We actively work to diversify our sources of funding through increased retail and corporate deposits. Growing deposit volumes have in recent years reduced our dependence on capital markets at the same time as these have provided us with a better and more balanced funding mix.

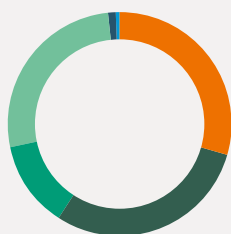
The cornerstones of our funding strategy are to promote diversified funding and to be a regular issuer in both the Swedish and European markets. Active liability management, in part through repurchasing bonds with short remaining maturities, as well as a balanced maturity profile are other key elements. We also attach great importance to regularly meeting and updating investors in the markets where we operate, primarily in Sweden and Europe.

Unsecured funding

Long-term funding

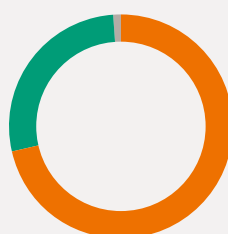
SBAB's business involves mortgage lending, which in turn requires stable long-term funding. Continued strong deposit inflows and healthy liquidity have contributed to a slight reduction in the need

Funding sources, Group



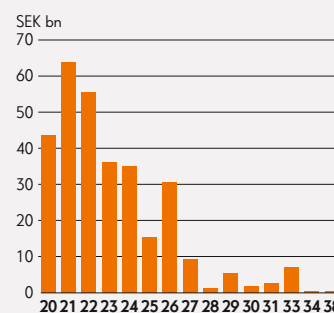
- Swedish benchmark covered bonds SCBC 29.6% (34.5)
- Deposits 29.7% (34.2)
- EMTN programme SBAB 12.6% (14.6)
- EMTCN programme SCBC 26.6% (14.6)
- Subordinated loans 1.1% (1.4)
- ECP 0.4% (0.6)
- SVCP 0.0% (0.1)

Funding sources, distribution by currency, Group



- SEK 71% (73)
- EUR 28% (26)
- Other currencies 1% (1)

Outstanding maturity profile, Group



for long-term unsecured funding in the last few years. In 2019, SBAB started efforts aimed at fulfilling the Swedish National Debt Office's minimum requirement for own funds and eligible liabilities (MREL) by the end of 2021. At year end, long-term unsecured funding amounted to SEK 55.1 billion (53.2), of which SEK 6.0 billion (0) comprised senior non-preferred bonds and SEK 49.1 billion (53.2) other senior unsecured bonds.

Short-term funding

Short-term funding in the form of commercial paper continues to represent a limited part of SBAB's total funding and amounted to SEK 1.7 billion (2.8) at year end. We mainly use short-term funding to manage and balance liquidity between different periods.

Covered bond funding

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, AB Sveriges S akerst allda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC). Total covered debt amounted to SEK 246.8 billion (234.8) at the end of the year, of which SEK 155.1 billion was in SEK and SEK 91.7 billion was in foreign currencies.

Liquidity

The primary purpose of SBAB's liquidity reserve is to act as a provision for situations when the ability to obtain liquidity from other sources is limited or rendered materially more difficult. SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings. At the end of the year, the market value of the assets in the liquidity reserve amounted to SEK 77.6 billion (73.7). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 74.5 billion (70.7). Both external regulations and internal limits dictate the size and composition of the liquidity reserve. Securities holdings are limited by asset class and by country, respectively, and must have at least an AA rating on acquisition. In addition to these collective limits, limits for individual issuers may also be set. Investments are mainly in SEK, EUR and USD and we use derivatives to manage the portfolio's interest-rate and currency risks.

Green bonds in the liquidity reserve

At the end of 2019, our holdings in green bonds amounted to about SEK 3.8 billion (2.4). It is our aim to increase these holdings within the scope of the current investment policy.

Key figures for liquidity

	2019	2018
Survival horizon	290	400
LCR, % ¹⁾	271	283
NSFR, % ²⁾	134	122

¹⁾ According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements. For all currencies combined.

²⁾ In line with forthcoming regulations, from 30 September 2019, SBAB calculates the net stable funding ratio (NSFR) in accordance with Regulation (EU) 2019/876 of the European Parliament and the Council. Previously, the NSFR has been calculated pursuant to the Basel regulations. The comparative figures have not been restated according to the new calculation method.

Credit rating

Long- and short-term credit ratings from Moody's and Standard & Poor's were unchanged during the year.

Rating

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

SCBC in brief

SCBC's primary operations comprise the issue of covered bonds in the Swedish and international capital markets. The company's funding programmes have received the highest possible long-term rating of Aaa from the rating agency Moody's. SCBC does not conduct any lending activities itself, but instead acquires loans from SBAB, with the aim that these are included wholly or in part in the cover pool that serves as collateral for SCBC's covered bonds.

Information on SCBC's covered bonds and cover pool is published monthly on www.sbab.se.

Risk and capital management

Risk management involves ensuring that SBAB is resilient in different situations and that the company is capitalised to the effect that even unexpected risks can be managed.

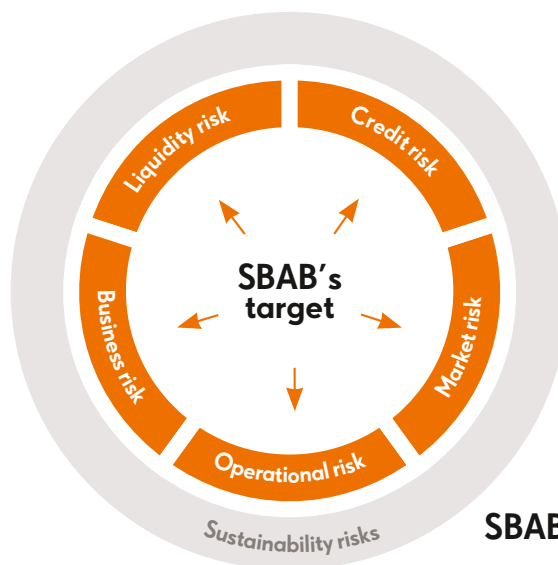
SBAB’s independent risk control function identifies, analyses and develops methods to manage various types of risks in our operations. The main risk is credit risk arising from lending primarily to retail customers, but also to tenant-owners’ associations and multi-family dwellings. In addition, SBAB is exposed to credit risk in treasury operations, above all the counterparty risk for the derivatives and repo contracts SBAB enters into in order to manage financial risks. Other risks in SBAB’s operations pertain to market risk, liquidity risk, business risk and operational risk. SBAB retains sufficient capital and liquidity to cover these risks, even in stressed situations. SBAB is currently well capitalised and has own funds that comfortably exceed both the internally estimated capital requirement and the capital requirement calculated by the Swedish FSA. Liquidity risk is managed beyond capital by maintaining a liquidity reserve and through diversified funding.

SBAB’s risks and risk management

Risk is defined as a potentially negative impact that may arise due to ongoing or future internal or external events. The definition of risk includes the probability

that an event occurs as well as the impact the event could have on SBAB’s profit, capital, liquidity or value. In accordance with the risk policy, the risks have been classified using SBAB’s Risk appetite framework. The framework includes a definition of the risk SBAB is willing to assume to achieve its business objectives within the framework of the long-term strategy.

[Read more on page 78](#)



SBAB’s risk appetite

[Read more on pages 77–79](#)

Risk governance

All measurable risks are monitored and reported to the Board of Directors. The Board of Directors bears overarching responsibility for SBAB’s total risk exposure. It is the Board’s responsibility to ensure that operations are conducted with good internal controls. The CEO is responsible for ongoing operational management and monitors that each unit’s, including the risk control units, reporting to the Board of Directors is conducted in accordance with the relevant instructions. Independent risk control units within Risk are responsible for the identification, quantification, analysis and reporting of all risks. The Chief Risk Officer (“CRO”) is responsible for the independent risk control units within Risk and reports directly to the CEO and the Board of Directors of SBAB.

The three lines of defence



Risk strategy

The Board adopts the strategic direction and the overarching risk level that SBAB is willing to accept, based on the business and how value is created for customers. This means SBAB is to consciously expose itself only to risks that are directly connected to or are regarded as necessary for its operations. SBAB's profitability is dependent on its ability to assess, manage and price risks. It is also about maintaining sufficient liquidity and capital to meet unforeseen events. Knowledge and awareness of any risks that SBAB may be exposed to, together with the right expertise to estimate the size of existing and potential risks, is therefore absolutely necessary for our operations. All risks must be evaluated based on the risk appetite decided by the Board.

Risk taking

SBAB's risk taking is kept at a level consistent with short-term and long-term plans for strategy, capital and financial stability. An important part of SBAB's business model is that the risks to which SBAB is exposed are low and predictable. In reality, this does not mean that each individual credit exposure has very low risk, rather that the total lending portfolio consists largely of low-risk loans and that every loan's internal risk effect is such that the total risk is limited. The basis for SBAB's appetite for various types of risk is that each risk should fit within a well-defined segment of our risk-bearing capacity. Risk-bearing capacity primarily refers to the capacity to cover expected and unexpected losses by means of our ongoing earnings capacity and own funds.

The scope of acceptable risks is clearly linked to how important these are to SBAB's business model, in other words the positive effects anticipated to be achieved in the form of expected revenue, cost savings or the mitigation of other risks. SBAB minimises undesired risks through appropriate functions, strategies, processes, procedures, internal rules, limits and controls.

Credit risk trends in 2019

The overall credit quality in SBAB's loan portfolio is deemed as good. In 2019, credit risk in SBAB's portfolio decreased, despite the increase in total lending. The trend was largely attributable to an improvement in the probability of default (PD) risk metric. PD has decreased for retail customers, which encompasses the majority of lending.

The rate increase tolerance among SBAB's customers is deemed as good. Average debt-to-income ratios for inflows in 2019 were lower than historic levels, which was due, inter alia, to the more stringent amortisation requirement implemented in 2018. The loan-to-value (LTV) ratio for newly disbursed loans rose slightly in 2019. In terms of the total residential mortgage stock, LTV ratios declined over the year due to reasons including a slight upward trend in the housing market.

SBAB maintained volumes and growth in terms of new construction projects during the year. Lending continues to

focus on established customer relationships and large, experienced property developers, whereby both the customer and SBAB apply higher pre-sales requirements for binding purchase agreements before the start of production. Moreover, when lending to new construction projects, requirements apply for a higher own investment compared with the financing of existing buildings. Enquiries for financing rental apartment projects have risen and there is increased interest in financing student housing, sheltered housing and elderly care homes.

On 28 January 2020, the Swedish FSA decided on additional capital requirements for Swedish banks' lending exposures to the commercial real estate sector. This decision was based on the proposal presented by the Swedish FSA in a memorandum on 27 November 2019 that was then submitted for consultation. The additional capital requirement corresponds to the difference between a risk weight

determined by the Swedish FSA and a bank's actual average risk weight for exposures to the commercial real estate sector. The risk weight has been set at 35% for corporate exposures collateralised by commercial real estate and 25% for corporate exposures collateralised by commercial residential properties. The additional capital requirement will be applied in 2020 during the Swedish FSA's assessment of the banks' capital requirements as part of the FSA's annual supervisory review and evaluation process (SREP).

SBAB already has a limit decided by the Board for its exposure to commercial properties and the decision is assessed as having a marginal effect on SBAB's risk-weighted assets.

Climate and sustainability risks

In 2018 and 2019, SBAB completed a project to define, measure and follow up sustainability risks in a more structured manner. The basic principle is that sustainability risks can not be separated from other risks. There are elements of sustainability risks across SBAB's entire operations.

SBAB's approach to sustainability risk encompasses the risk of, direct or indirect, negative impacts on SBAB's operations and target attainment in terms of its three sustainability objectives. It also includes the risk of, direct or indirect, negative impacts on SBAB's capacity to contribute to prioritised SDGs within the 2030 Agenda for sustainable development framework. It is particularly important to follow and measure, direct or indirect, negative impacts on SBAB's reputation and the confidence of its stakeholders, such as the general public, customers, employees and investors as well as how climate and environmental risks could affect the market values of underlying collateral and properties.

In accordance with the Annual Accounts Act, this report defines sustainability risk as the risk that SBAB's operations, directly or indirectly, negatively impact or are impacted by its operating environment in the areas of human rights, social conditions, the climate and the environment as well as anti-corruption efforts and other actions against financial crime.

SBAB's aim is to manage climate and sustainability risks with a risk-based approach integrated into daily operations. In the event of high risk, the aim is to conduct an in-depth sustainability

review and, where necessary, set requirements to counteract the adverse impact. These efforts are inspired and guided by international legislation and guidelines. We conduct an ongoing dialogue on sustainability risks across all operations. Forthcoming rules and recommendations pertaining to climate have resulted in SBAB placing more importance, in conjunction with lending, on identifying and mapping risks for financial consequences as a result of climate change.

[Read more on page 77](#)

Capital adequacy

SBAB's CET1 capital ratio amounted to 13.1% (12.5) at year end. At the same date, the total capital ratio was 20.1% (18.1). This can be compared with the capital requirements from the Swedish FSA, which correspond to a CET1 capital ratio of 10.7% and a total capital ratio of 14.9%. SBAB's capital targets¹⁾ corresponded at year end to a CET1 capital ratio of not less than 11.3% and a total capital ratio of not less than 15.5%. Capital requirements, and consequently SBAB's capital targets, increased during the year as a result of the Swedish FSA's decision to raise the countercyclical buffer value from 2.0% to 2.5%. The amendment entered force on 19 September 2019.

CET1 capital increased SEK 1.5 billion to SEK 15.8 billion (14.3) during the year. Net profit had a positive impact on CET1 capital of SEK 1.8 billion. Own funds increased SEK 3.6 billion during the year to SEK 24.3 billion (20.7), mainly due to the issue of an Additional Tier 1 capital loan (AT1) of SEK 2.0 bil-

lion. During the year, the risk exposure amount (REA) increased to SEK 120.6 billion (114.1), mainly driven by higher lending volumes (EAD) corresponding to SEK 5.5 billion, of which SEK 3.7 billion was attributable to the effect from the risk-weight floor. In addition, SBAB has introduced a REA surcharge of SEK 0.8 billion. The surcharge pertains to corporate SME exposures and aims to compensate for the current pro-cyclical effect that exists in the existing models for credit risk, within which PD has declined in line with the favourable economic climate.

Net profit for the year is included in the calculation of own funds and Tier 1 capital. Expected dividend in accordance with SBAB's dividend policy has not been deducted in line with the decision from the Board of Directors to not propose a dividend for the financial year 2019.

The leverage ratio amounted to 4.30% (3.77) at 31 December 2019.

Further information on capital adequacy is provided in Note [RC 8](#).

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 requirement in Pillar 1. The amendment entered force from 31 December 2018 and applies for two years. Given the above amendment, SBAB's Board has decided to translate the buffer levels, expressed in percentage points, in SBAB's capital targets. After the adjustments, which entered force in parallel with the change on 31 December 2018, SBAB's CET1 capital ratio and total capital ratio must, under normal conditions, amount to not less than 0.6 percentage points above the requirement communicated by the Swedish FSA, which is published in the Swedish FSA's quarterly report on Swedish banks' capital requirements. In nominal terms, this corresponds to a buffer level of 1.5 percentage points before moving the risk-weight floor and is in line with the earlier capital targets.







Components of the capital target

SEK million	2019				2018			
	Total capital	%	CET1 capital	%	Total capital	%	CET1 capital	%
Capital requirements from the Swedish FSA	17,912	14.9	12,942	10.7	16,451	14.4	11,723	10.3
– Of which, Pillar 1 minimum requirement	3,637	3.0	2,046	1.7	3,473	3.0	1,954	1.7
– Of which, Pillar 1 risk-weight floor, Swedish mortgages	6,009	5.0	3,380	2.8	5,658	5.0	3,182	2.8
– Of which, Pillar 2 core requirement	2,249	1.9	1,499	1.2	2,200	1.9	1,467	1.3
– Of which, Capital conservation buffer	3,014	2.5	3,014	2.5	2,854	2.5	2,854	2.5
– Of which, Countercyclical buffer	3,003	2.5	3,003	2.5	2,266	2.0	2,264	2.0
SBAB's capital target	18,635	15.5	13,665	11.3	17,136	15.0	12,408	10.9
SBAB's actual capital	24,282	20.1	15,830	13.1	20,713	18.1	14,263	12.5

Climate and sustainability risks

Risk area	Risk description	Impact on SBAB	Risk mitigation measures
<p>Personnel, social conditions and human rights</p> <p>The risk of SBAB's operations, business relationships and business undertakings having a negative impact on personnel, social conditions and human rights.</p>	<p>Internal: In its own operations, risk is primarily linked to SBAB as an employer and SBAB's corporate culture. Motivated and committed employees are a prerequisite for SBAB's success. SBAB's operations and corporate culture affect the work conditions of employees. Risks pertaining to personnel include health and safety at the workplace, the occurrence of discrimination, remuneration levels and workloads.</p> <p>External: SBAB is exposed to risks linked to personnel, social conditions and human rights in conjunction with lending to property companies, for example when lending to new construction projects with several levels of subcontractors. The controls performed by the main contractor in areas such as working conditions are made more complex when production is outsourced. SBAB is also exposed to these risks in conjunction with the procurement of services and goods.</p> <p>The area also encompasses the risk that SBAB's services and products are not available to all members of society. Accessibility pertains to equality and non-discrimination, and is a crucial prerequisite for people with disabilities to be able to exercise their human rights and fundamental freedoms.</p>	<p>Damage to reputation and negative impact on the Group's financial position.</p>	<p>SBAB has determined a long-term, focused and extended HR strategy. SBAB has clear company-wide goals to support equality and diversity and to ensure a positive employee experience and high employee commitment. SBAB has an equality and diversity policy and an equality plan that emphasises the value of employees with different backgrounds. SBAB's Code of Conduct provides guidance on how employees should act and conduct themselves in various situations based on SBAB's values and the inherent responsibilities of being a SBAB employee.</p> <p>SBAB aims to manage risks linked to personnel, social conditions and human rights in lending through in-depth customer dialogues and industry collaboration. SBAB has a Supplier Code that addresses SBAB's view and expectations of our suppliers' sustainability efforts and compliance with international guidelines and principles.</p> <p>Accessibility comprises a key area for product and service development. SBAB conducts accessibility tests on an ongoing basis.</p> <p>Read more on pages 32–33, 38–41, 42–53, 169–181</p> <p>Examples of relevant policies within the area, in addition to those mentioned above, include Remuneration Policy, Equality and Diversity Policy, Work Environment Instruction, Whistleblower Process Instruction, Ethics Policy and Policy for Sustainable Enterprise.</p>
<p>Climate and the environment</p> <p>The capacity to adapt operations to changes in the climate and the environment.</p> <p>Climate risk is divided into transition risks and physical risks. Physical risks entail a physical impact on, for example, properties as a result of climate changes, while transition risks encompass financial effects resulting from an inefficient transition to an economy with lower carbon emissions.</p>	<p>Internal: SBAB's operations are exposed to transition risks in cases where SBAB does not succeed in adapting operations to the higher environmental and climate requirements set by tomorrow's sustainable economy. This also applies to demand for SBAB's products and services. The physical climate risk linked to SBAB's operations primarily pertains to the risk of increased damage and value declines in assets and collateral as a result of climate change.</p> <p>External: SBAB is exposed to climate and environmental risks in conjunction with its credit granting. Future climate changes could affect customers' capacity to pay and the value of assets and collateral. Physical climate risks encompass, inter alia, higher sea levels, extreme weather as well as collapses and landslides.</p>	<p>Negative impact on the Group's financial position.</p>	<p>Environmental risk is mainly managed through a broadened customer dialogue, internal training, product development and customer communication. In our credit granting process for property companies and tenant-owners' associations, certain sustainability criteria are considered as a part of the overall assessment.</p> <p>In 2019, SBAB completed an initial analysis of how the future climate could impact the mortgage portfolio. The analysis indicates that rises in sea levels and the risk of flooding have limited impact on SBAB's portfolio. The work is continuing in 2020 with the aim of reporting risks according to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).</p> <p>Read more on pages 34–39, 58, 60–61, 169–181</p> <p>SBAB's policies, business planning and strategies incorporate ambition levels in terms of the company's indirect and direct climate impact. Examples of relevant policies within the area, in addition to those mentioned above, include the Policy for Sustainable Enterprise, Credit Policy, Risk Policy and Credit Instruction.</p>
<p>Anti-corruption efforts and other actions against financial crime</p> <p>While there is no definitive definition for the concept of corruption, it is often described as an act whereby people utilise their position to obtain unfair advantage for their own benefit. Financial crime encompasses money laundering, financing of terrorism, fraud and other economic crime. Irrespective of the concept, it is clear that corruption and financial crime comprise significant threats to individual companies and society at large.</p>	<p>Internal: The occurrence of corruption or financial crime could seriously affect the confidence of the public, the owner, customers and employees in SBAB and thereby the company's future competitiveness. The risk of corruption or financial crime is relevant to all parts of SBAB's operations.</p> <p>External: Corruption and financial crime undermine democracy, hinder economic growth and distort competition in society. The risk of corruption or financial crime is relevant at every stage where money is handled. This means that SBAB risks being used throughout the value chain, whether it involves deposits from the public, funding from capital markets or lending to the public (private individuals, corporates and tenant-owners' associations).</p>	<p>Reputational risk and sanctions.</p>	<p>SBAB has a separate unit, Anti-Financial Crime (AFC), which acts to strengthen SBAB's overall capacity to prevent financial crime. SBAB's efforts in this area encompass, inter alia, conducting risk assessments, obtaining a good level of KYC, monitoring activities and transactions, continuous training and ensuring adequate internal control through examination in the first, second and third lines in terms of daily operations, procedures and processes.</p> <p>SBAB has an internal framework regulating how operations should work to counteract bribes and other forms of corruption. The framework is designed to reflect the Code on Gifts, Rewards and other Benefits in Business published by the Swedish Anti-Corruption Institute. To that end, SBAB conducts ongoing training in this area.</p> <p>Read more on pages 33, 38–41, 169–181</p> <p>Examples of relevant policies in the area, aside from those mentioned above, include Policy and Instruction for Counteracting Money Laundering and Financing of Terrorism and Compliance with Financial Sanctions, Ethics Policy, Policy for Sustainable Enterprise, Whistleblower Process Instruction, Code of Conduct and Supplier Code.</p>

Risks in SBAB's risk appetite

Risk type	Risk appetite	
	Classification	Level
 <p>Credit risk in lending operations</p> <p>The risk that the counterparty does not fulfil its payment obligations towards SBAB. Credit risk arises in conjunction with loans and loan commitments, as well as in connection with value changes in pledged assets entailing that these no longer cover the Group's receivables. The credit risk also includes concentration risk, which refers to the increase in credit risk that arises in large exposures to individual counterparties, or in the case of concentrations toward specific regions or industries.</p> <p>Read more in Note RC 1</p>	Wanted risk	Medium
 <p>Credit risk in treasury operations</p> <p>Defined as the total of investment risk and counterparty risk. Counterparty risk is defined as credit risk in financial derivatives that arises when the value of the instrument changes resulting from variations, for example, in interest rates or currency exchange rates, which means SBAB recognises a receivable against the counterparty. In addition, counterparty risk entails that SBAB's financial counterparties cannot meet their commitments under the contracted repos. Investment risk is defined as credit risk in financial investments and entails the risk that a debtor does not fulfil its payment obligations, meaning either completes payments late or not at all. Investment risk arises through investments in the liquidity portfolio and the investment of surplus liquidity.</p> <p>Read more in Note RC 2</p>	Necessary risk	Low
 <p>Market risk</p> <p>The risk of loss or reduced future income due to market fluctuations. Market risk includes interest-rate risk, currency risk, basis risk and spread risk. Currency risk refers to the risk that changes in the exchange rate for SEK against other currencies result in losses or lower future income. Interest-rate risk is defined as the risk that variations in interest rates result in losses or lower future income as assets and liabilities have different fixed-interest periods and interest terms. Spread risk refers to an exposure to changing conditions between interest costs for different issuers. Basis risk refers to the risk associated with deposits and lending that are locked to different interest bases.</p> <p>Read more in Note RC 4</p>	Necessary risk	Low
 <p>Operational risk</p> <p>The risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events, including legal risks. The forms of operational risk applicable to SBAB are shown in the categorisation of types of events. Examples of types of events that could be applicable are internal and external fraud, work conditions and environment, damage to tangible assets, disruptions to the business operations and systems, transaction management and process control. Legal risk includes the risk that agreements or other legal transactions cannot be completed in accordance with specific terms and conditions or that judicial proceedings are started that could have a negative impact on SBAB's operations. Operational risk includes compliance risk. Regulatory compliance is essential in maintaining confidence in SBAB's operations. Even rules that are not legally binding, but that reflect a market practice or ethical guidelines, affect SBAB's approach to employees and customers.</p> <p>Read more in Note RC 5</p>	Necessary risk	Low
 <p>Business risk</p> <p>The risk of declining earnings due to harsher competition, inappropriate strategies or erroneous decisions. SBAB differentiates its business risk between strategic risk and the risk of weaker earnings. Strategic risk is defined as the risk of a loss arising due to unfavourable business decisions, erroneous implementation of strategic decisions or a lack of sensitivity to changes in the industry, the political environment or legal circumstances. The risk of weaker earnings encompasses the risk of, for example, reduced margins, which in turn may arise due to more expensive financing or more intense competition.</p> <p>Read more in Note RC 6</p>	Necessary risk	Low
 <p>Liquidity risk</p> <p>The risk that the company will not be able to meet its payment obligations on the date of maturity without the related cost increasing significantly. Short-term liquidity risk measures the risk of being impacted in the short term by a lack of liquidity, while structural liquidity risk is a measure of the mismatch between assets and liabilities in terms of maturities, which risks leading to a lack of liquidity in the longer term.</p> <p>Read more in Note RC 3</p>	Necessary risk	Low

Risk profile

Risk management

SBAB primarily offers housing mortgages to consumers, tenant-owners' associations and property companies where collateral comprises mortgage deeds in immovable property or rights-of-use. The majority of SBAB's customer base is concentrated to major metropolitan areas.

Credit risk is central to SBAB's business model and it is considered to be the dominant risk in operations. Credit granting in SBAB is characterised by responsible credit granting taking into account the customer's long-term repayment capacity and resilience as well as the value of posted collateral. Credit rules and credit management are continuously analysed, processed and improved. Corporate clients are processed individually while retail customers are analysed using a structured process in conjunction with the credit approval process. Concentration risk and major exposures are carefully monitored and followed up.

SBAB's counterparty risks and investment risks are low and are not considered dominant risks.

Counterparty-risk exposure is primarily covered through collateral agreements in which the counterparty provides collateral in an effort to reduce exposure. Investment risk is mitigated as SBAB only invests in interest-bearing bonds with high credit ratings.

SBAB's market risk is low and is not considered a dominant risk.

Interest-rate risk is to be mitigated through direct funding or the use of derivatives. Funding in international currencies are hedged through currency swaps or invested in matching currencies to mitigate currency risk.

Operational risk is a natural part of all business. SBAB aims to optimise the relationship between costs for reducing risk and any of its potential outcomes. SBAB considers operational risk to be a prerequisite for implementing the business concept efficiently and competitively, taking into account operations, strategy, risk appetite and the macro environment.

Within SBAB, risk management consists of uniform valuation and reporting of operational risk. The analysis of risk levels in all operations is conducted on a regular basis and reported to the Board, the CEO and the Executive Management. Self-evaluation of processes that are considered significant is performed at least once per year. Within the framework of changes with potential effects on the bank's risk level, risks are identified in an early stage of the change process. Prior to implementation, the change process is quality assured by representatives from the second line of defence. Unexpected events that can negatively affect the bank are to be reported as incidents and managed according to pre-determined instructions.

SBAB's business risk is low and is not considered a dominant risk.

Risks related to strategy and earnings are evaluated on an ongoing basis over the year within the first line's strategy work. Strategically important decisions are managed within the framework for managing material changes. Furthermore, the Board receives an annual evaluation of the material risks that clearly addresses strategic business risk and the bank's overall earnings. Business risk is also included in the calculation of the Pillar 2 capital requirement as part of SBAB's stress tests, and where the effects of a scenario corresponding to a normal economic downturn are evaluated.

SBAB has a low liquidity risk and diversified funding. Securities that are part of the liquidity reserve have high credit ratings and are eligible as collateral with either the Riksbank or the European Central Bank, to guarantee liquidity.

SBAB's liquidity strategy includes proactive and continuous liquidity planning, active debt management and an adequate liquidity reserve. The funding strategy takes into consideration the expected maturity on the asset side. On this basis, SBAB limits its structural liquidity risk by maintaining diversified funding with sufficiently long maturities. SBAB has several liquidity metrics, for which limits apply, most of which are monitored and reported on a daily basis.

Well-functioning corporate governance with good regulatory compliance, risk management and internal governance and control are essential for us to reach our vision and enjoy the confidence of our stakeholders.

Trust is the foundation of our operations



“It has become increasingly clear that companies need to assume greater responsibility for the big picture.”

We are continuing to deliver on our strategy and posted strong results in 2019. We have Sweden’s most satisfied customers in terms of residential mortgages to private individuals and property loans to corporates and tenant-owners’ associations, and our financial key metrics continue to develop satisfactorily.

SBAB offers simple and straightforward terms and conditions, transparent pricing, high availability through digital and telephone services, and mindful service. This is a major contributor to our continued growth and capture of market shares. Total lending increased 5.4% in 2019 to almost SEK 384 billion – a healthy growth and a clear signal that our customers appreciate SBAB’s offering. We diligently follow housing market trends and continuously evaluate the credit risk entailed in our lending to ensure and maintain good credit quality and an adequate level of risk assumption.

Over the last few years, new market entrants have started offering residential mortgages. In parallel, many existing providers, the major banks among others, have started to review and adjust their offerings. Increased competition is very positive – it leads to more customers obtaining better terms and greater choice. For us, it clearly shows the importance of continued investment in operations and in our offering to meet

the changes facing the bank and finance sector. We live in an era where customers are placing ever-greater demands on transparency, accessibility and high quality in all parts of the customer experience. Digitalisation and new technology are driving development. We are replacing our entire technical IT infrastructure, developing the customer offering and experience as well as strengthening the organisation with new employees and skills. Through our clear focus on contributing to better housing and household finances, I am convinced that SBAB holds an attractive market position and has excellent prerequisites to remain competitive over the long term.

SBAB operates in an arena of trust

Strengthening trust in the bank and finance sector is a considerable and important challenge. The importance of trust cannot be overstated – it forms the very foundation of banking operations. Well-functioning corporate governance with good regulatory compliance, risk management and internal governance and control are essential for us to reach our vision and enjoy the confidence of our stakeholders. Our work on the Board is based on SBAB's sustainable governance model and our values, which in many ways describe our approach to a well-functioning corporate governance with a focus on risk and regulatory compliance. At SBAB, we have a corporate culture whereby every employee is expected to take full responsibility. This means that our employees are not just expected to adhere to the applicable regulations but are also, based on all aspects, expected to help ensure operations are conducted responsibly in a long-term sustainable manner. Good risk control and a high level of regulatory compliance enable the high speed of operations required to win the competition for market shares and customers' trust.

SBAB has a thorough and well-developed structure for corporate

governance. It provides good support to us on the Board of Directors in obtaining necessary information, governing and controlling operations and in taking necessary decisions on important strategic issues. It encompasses day-to-day reporting, information disclosure and training from various parts of operations as well as reporting from functions such as Risk, Compliance and Internal Audit. To help with our work, we have established a number of committees tasked with preparing issues in different areas for decision by the Board.

Over the year, the Board has addressed a number of issues of varying nature, including issues pertaining to the changes and challenges entailed by digitalisation and the connected society in terms of cyber risks. Other issues pertained to climate risk in lending, integration and development of housing services, the brand, increased competition in the residential mortgage market, credit risks in lending and SBAB's overall capacity to counter money laundering and other financial crime.

Sustainability has long been a natural part of SBAB's operations and business

Within the framework of the 2030 Agenda and the Sustainable Development Goals (SDGs), the business community, including SBAB, has a decisive role to play. It has become increasingly clear that companies need to assume greater responsibility for the big picture. The state's ownership policy expects state-owned enterprises to serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence. This has inspired us to clarify our strategy and approach through, inter alia, integrating the SDGs into our governance model.

At SBAB, we are convinced that assuming greater responsibility leads to higher customer confidence and thereby to growth, long-term competitiveness and profitability. We are driving and

steering operations using our governance model toward our three target areas: Responsibility and transparency; An attractive workplace; and Sound finances. Together, these comprise the basis for our objectives at the same time as they describe how we will contribute to sustainable societal development. The aim of everything we do is encapsulated in our mission – to contribute to better housing and household finances. The Board has adopted overall targets that can be followed up directly, and it follows up and evaluates progress in the respective target areas on an ongoing basis. The Board and I share the ambition to continue the implementation of sustainability in all parts of SBAB's operations. I am convinced that SBAB has excellent preconditions to continue to deliver a competitive, profitable and attractive offering.

A heartfelt thank you

On behalf of the Board of Directors, I would like to take this opportunity to thank the CEO, Executive Management and all of our skilled employees for a successful 2019.

Jan Sinclair,
Chairman of the Board

Corporate Governance Report

SBAB is a Swedish public limited banking company that is wholly owned by the Swedish state. SBAB is domiciled in Solna. Owner governance of SBAB is exercised through general shareholder meetings, the Board of Directors and the CEO in accordance with the Companies Act, the Articles of Association, and the policies and instructions adopted by SBAB. Moreover, SBAB applies the state's ownership policy and guidelines for state-owned enterprises (the "Ownership Policy") which, inter alia, requires that SBAB apply the applicable parts of the Swedish Corporate Governance Code (the "Code"). This Corporate Governance Report has been prepared pursuant to the regulations covering corporate governance reports in the Code and the Annual Accounts Act.

This Corporate Governance Report has been subject to a statutory review by the company's auditor.

The foundation of SBAB's corporate governance

Well-functioning corporate governance, risk management and internal governance are essential for SBAB to reach set targets and gain the confidence of its stakeholders. In addition to corporate governance in the traditional sense, which describes the system by which a company is governed and controlled, SBAB's vision, mission, business idea and values are important elements in SBAB's governance model. As well as information transparency, corporate culture, leadership and the long-term sustainable conduct of operations. This, together with corporate governance, means that we can maintain a high level of confidence in SBAB's operations. Confidence forms the basis of all banking operations.

Application of the Code

Since SBAB is wholly owned by the state, SBAB applies the Code with the exception of those rules pertaining to the Nomination Committee and the rules covering the election of the Board and auditors. Moreover, SBAB does not apply those rules that are specifically aimed at companies with more than one owner.

Based on the ownership structure and with observance of the Ownership Policy, the following deviations from the Code rules have occurred:

- Code rule 1.1 — publication of information regarding the shareholders' right to propose business for the Annual General Meeting (AGM). The purpose of this rule is to give shareholders the opportu-

nity to prepare ahead of time for the AGM and have matters included in the agenda for the AGM. In companies entirely owned by the Swedish state, in accordance with the owner's guidelines, the public shall be invited to attend the AGM. As a notice is sent to the Central Bureau of the Swedish Riksdag (parliament), members of parliament also have the opportunity to attend.

- Code rules 1.4 and 2 — the establishment of a nomination committee responsible for matters such as the appointment and remuneration of the Board of Directors and the auditor. The reason for the deviation is that nomination matters in state-owned companies are handled by the government in the manner described in the Ownership Policy.

- Code rules 2.6, 4.4, 4.5, 4.6 and 10.2 — information to be provided concerning the independence of Board members in relation to major shareholders. No such information is provided since the primary objective of the Code rules in question is to protect minority shareholders in companies with dispersed ownership. Consequently, there is no reason for such information concerning independence to be disclosed in entirely state-owned companies.

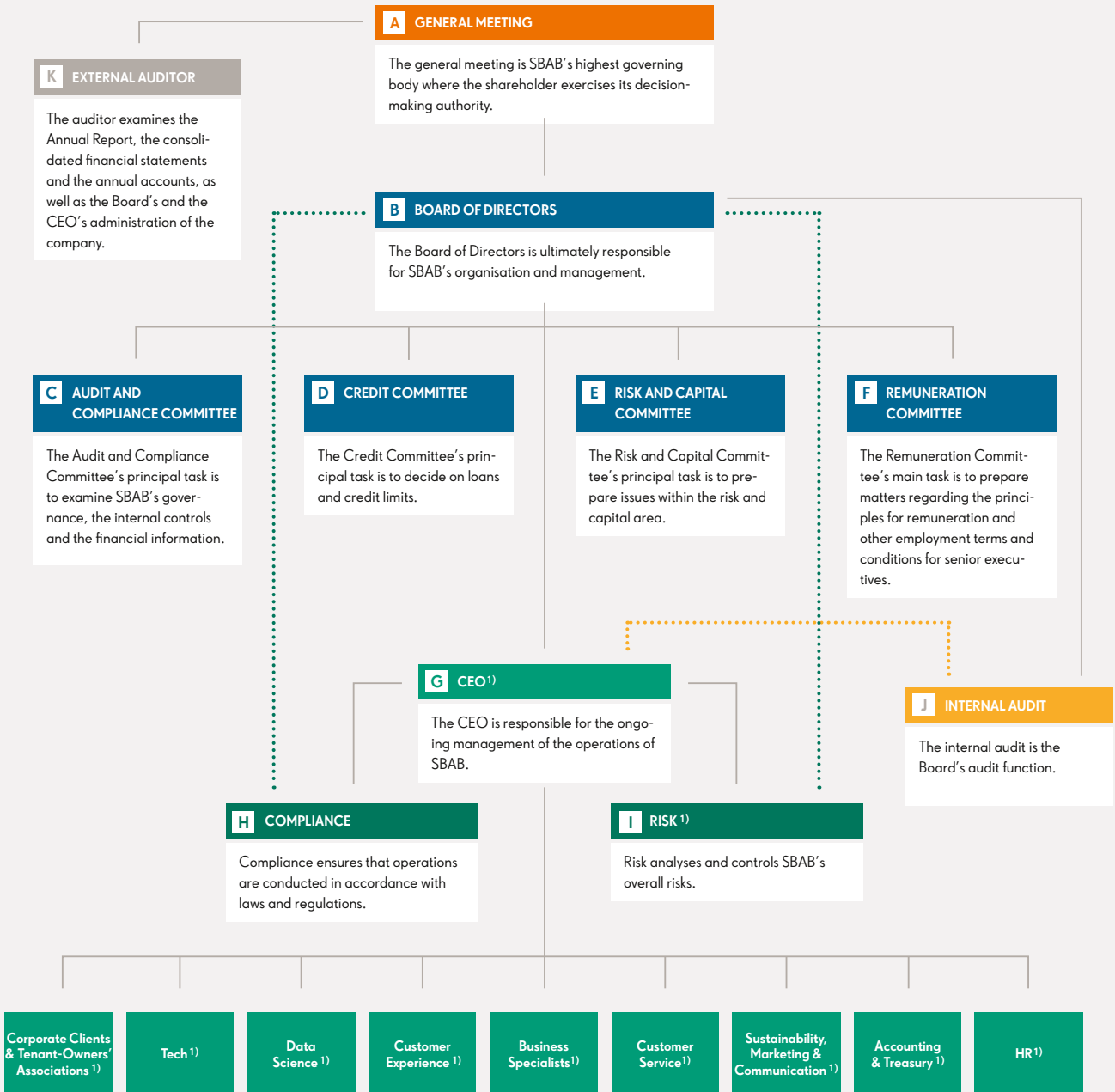
Articles of Association

SBAB's Articles of Association regulate matters such as the company's business objectives. The Articles of Association do not include any stipulations regulating the appointment or dismissal of Board members, with the exception of stipulations stating that the AGM is to appoint the Chairman of the Board and determine the minimum and maximum number of Board members. It is further stated

that if the Chairman of the Board resigns from his or her office during the mandate period, the Board is to appoint one of the Board members as the new Chairman until the end of the AGM, when a new Chairman will be elected by the AGM. For amendments to be made to the Articles of Association, the notice of the extraordinary general meeting that will address amendments to the Articles of Association is to be issued not earlier than six weeks and not later than four weeks prior to the meeting.

A General meeting of shareholders

SBAB's Annual General Meeting was held on 29 April 2019. The AGM was open and the members of parliament and the general public were invited to attend. The owner was represented by Gustaf Hygrell, the Swedish Ministry of Enterprise and Innovation. Most of SBAB's Board members, the CEO and SBAB's auditor also attended the AGM. Bo Magnusson, Chairman of the Board of SBAB at the time, served as the Chairman of the AGM. The AGM resolved to elect the following Board members: Bo Magnusson (Chairman), Lars Börjesson, Inga-Lill Carlberg, Daniel Kristiansson, Jane Lundgren-Ericsson, Karin Moberg, Jan Sinclair and Synnöve Trygg. Following the AGM, Bo Magnusson and Karin Moberg notified of their intent to step down from the Board effective 13 May 2019 and 4 September 2019, respectively. Jan Sinclair was appointed Chairman of the Board at the Board meeting on 17 May 2019. After the end of the year, at the Extraordinary General Meeting on 14 February 2020, Leif Pagrotsky and Johan Prom were elected as new members of the Board of Directors.



¹⁾ Included in Executive Management.

The local trade unions appointed Anders Heder and Margareta Naumburg as employee representatives on the Board of Directors, with Kristina Ljung and David Larsson as alternates.

The AGM passed resolutions regarding the discharge from liability for the Board of Directors and the CEO, the appropriation of profits and the adoption of the annual accounts for 2018.

The meeting elected Deloitte AB, with Patrick Honeth as the auditor-in-charge, as SBAB's auditor until the close of the 2020 AGM. The meeting reviewed the guidelines for remuneration to senior executives adopted by the 2018 AGM, see Note **IC 5** for details of the guidelines, and adopted new guidelines for remuneration to senior executives. The meeting also decided on the fees to be paid to the members of the Board. No fees will be paid to Board members who are either employed by the Government Offices of Sweden or are employee representatives. The CEO and Chairman reported on the operations of the bank and the work of the Board of Directors in 2018.

B The Board of Directors

Composition and nomination procedure
In entirely state-owned companies, uniform and shared principles are applied to achieve a structured nomination process for the appointment of board members in state-owned companies. The objective is

to ensure an adequate supply of competence for the boards of directors of these companies. The Board nomination process is coordinated by the Swedish Ministry of Enterprise and Innovation. For each company, competence needs are analysed on the basis of the company's business, circumstances and future challenges, as well as the composition of the Board of Directors and the Board assessments that have been conducted. Recruitment requirements are then established and work commences.

Members are selected from a broad recruitment base in order to draw on the expertise of both women and men, as well as individuals with different backgrounds and experience.

Diversity and eligibility policies

The Board has adopted a policy on diversity in the Board and an instruction for eligibility assessments for Board members, the CEO and senior executives. The diversity policy includes statements to the effect that the composition of the Board should be such that a balance is achieved with regard to background, areas of competence, experience and gender. The eligibility instruction states that the eligibility assessment of the Board, the CEO and the senior executives should take into account the individual's skills, experience, reputation and judgement.

Chairman of the Board

The Chairman of the Board is elected by the AGM. If the Chairman of the Board resigns during the mandate period, the Board is to appoint one of the Board members as the new Chairman until the end of the AGM, when a new Chairman will be elected by the AGM. The Chairman leads the Board's work, monitors to ensure that the Board is performing its duties, represents the Board in relation to the owner and maintains contact with the owner. The Chairman is also responsible for initiating the annual evaluation of the Board's and the CEO's work. The Chairman of the Board ensures that the Board receives adequate information and decision data for its work and the training necessary for the Board to function efficiently.

Board governance and activities

At SBAB's AGM, eight members were elected by the AGM to SBAB's Board which at the end of the year, following the departure of two members of their own volition from the Board, comprised six members elected by the AGM and two members appointed by the employees' organisations, SACO and the Financial Sector Union of Sweden. The CEO is not a member of the Board. None of the board members or the CEO hold shares or financial instruments issued by SBAB. For information regarding lending to key personnel, please refer to Note **G 2**.

Work of the Board of Directors in 2019

In 2019, the Board of Directors held eight scheduled and two additional board meetings.

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
		Decisions on the Annual Report, Sustainability Report and Pillar 3 Report for 2018, matters prior to SBAB's AGM, and resolutions on SBAB's internal capital and liquidity adequacy assessment, project and activity follow-up, and discussions addressing customer communication.		Additional meeting to elect a new Chairman and decide committee members.	
Performance in 2018 and adoption of the year-end report, quarterly accounts and reporting from control functions and the auditor's review of the Q4 accounts, evaluation of the CEO's work, resolution regarding the assumptions for the internal capital and liquidity adequacy assessment processes and training in capital and risk as well as follow-up of progress in IT strategy.			Statutory board meeting, resolutions regarding governance documents and statutory matters, Q1 2018 performance and adoption of the interim report, quarterly reporting from control functions and the auditor's review of the Q1 accounts, progress in IT strategy and review of business development and strategies as well as discussions pertaining to the Corporate Clients & Tenant-Owners' Associations business area.		Project and activity follow-up, goal fulfilment, business development, brand positioning and brand strategy, strategies for the business areas, discussion of progress in IT strategy and market forecasts.

The Board adopts business objectives and strategies for SBAB's operations. The Board ensures that an efficient system is in place for the follow-up and control of SBAB's operations. The Board is also tasked with appointing, evaluating and, if the need arises, dismissing the CEO. The work of the Board complies with the formal work plan adopted annually at the Board of Directors' statutory Board meeting immediately after the AGM.

The formal work plan regulates decision-making within SBAB, the arrangements for Board meetings and the division of work among the Board,

the Chairman of the Board and the Board committees. The work of the Board complies with an annual plan that satisfies, inter alia, the Board's need for information. SBAB's Board makes decisions on matters relating to SBAB's strategic direction, for example by means of a business plan, and makes decisions regarding larger investments, funding, capitalisation (including capital and liquidity adequacy assessments), significant organisational issues, policies and certain guidelines.

The Board addresses and determines the company's interim reports. The

Board also follows up SBAB's risks, compliance, and reports on the effectiveness of internal control within SBAB by means of reports provided by SBAB's independent Risk Control, Compliance and Internal Audit units. The Board also receives reports from SBAB's auditor regarding the reporting of completed audits, and financial reporting assessments and internal control. The CEO attends the meetings of the Board of Directors, and other SBAB officers may participate in a reporting role if necessary.

ATTENDANCE OF THE BOARD OF DIRECTORS IN 2019

The table presents the meeting attendance of the Board and its committees in 2019. Inga-Lill Carlberg (Board member), Synnöve Trygg (Board member) and Anders Heder (Employee representative) joined the Board of Directors during the year and Bo Magnusson (Chairman), Carl-Henrik Borg (Board member), Eva Gidlöf (Board member), Karin Moberg (Board member) and Kristina Ljung (Employee representative) stepped down from the Board during the year, which is why their attendance refers to part of the year.

Board members	Board of Directors	Credit Committee	Risk and Capital Committee	Audit and Compliance Committee	Remuneration Committee
Jan Sinclair (Chairman of the Board/Board member)	10/10	23/23	8/8	2/5	
Lars Börjesson (Board member)	10/10	22/23			2/5
Inga-Lill Carlberg (Board member)	8/10				2/5
Daniel Kristiansson (Board member)	10/10			3/5	5/5
Jane Lundgren-Ericsson (Board member)	9/10	23/23	8/8	3/5	
Synnöve Trygg (Board member)	8/10		5/8	2/5	
Bo Magnusson, (Chairman of the Board)	3/10			2/5	3/5
Carl-Henrik Borg (Board Member)	2/10				
Eva Gidlöf (Board member)	2/10		3/8		
Karin Moberg (Board member)	7/10			3/5	
Anders Heder (Employee representative)	8/10				
Margareta Naumburg (Employee representative)	10/10				
Kristina Ljung (Employee representative)	2/10				

JULY

Performance in the second quarter and adoption of the interim report, quarterly reports from control functions and the auditor's review of the second quarter accounts as well as discussions pertaining to collaboration agreements.

AUGUST

Discussions addressing market risk.

SEPTEMBER

Follow-up of business strategies, incl. progress in IT strategy, discussion of risk status, training in areas incl. AML, follow-up of Corporate Clients & Tenant-Owners' Associations business area and decision on committee members. The meeting was held in Karlstad.

OCTOBER

Performance in the third quarter and adoption of the interim report. Quarterly reports from control functions and the auditor's review of the Q3 accounts. Review of progress in IT strategy, follow-up of sustainability efforts, business planning, decision on recovery plans and training for outsourced operations.

NOVEMBER

Decision on the forecast, budget and strategies for 2020 as well as annual plans for the control functions. Decision on the adoption of the internal capital and liquidity adequacy assessment processes. Follow-up and discussion of the progress in IT strategy.

DECEMBER

The Board's committees

The Board has established the following committees to prepare matters ahead of the Board's decisions.

C Audit and Compliance Committee



Jane Lundgren Ericsson (Chairman)¹⁾
Daniel Kristiansson (member)
Jan Sinclair (member)
Synnöve Trygg (member)

The Audit and Compliance Committee comprises SBAB's audit committee tasked with monitoring financial reporting. The Committee is also responsible for evaluating external auditing work, informing the owner of the results of this work and assisting in the drafting of proposals for auditors. The Committee is also to review and monitor the external auditor's impartiality and independence. Furthermore, the main task of the Committee is to examine the SBAB Group's governance, internal controls and financial information and to prepare issues in these areas for decision by the Board. This is done at the request of the owner and on the basis of the applicable regulations. The Committee receives and processes reports from SBAB's external auditors, Internal Audit and Compliance. The Committee is also tasked with monitoring the efficiency of risk management and of the work carried out by Compliance and Internal Audit. Annual plans and reports from Internal Audit and Compliance are also addressed by the Committee in preparation for decision by the Board of Directors. The Audit and Compliance Committee comprises four Board members.

The Audit and Compliance Committee held five meetings during the year.

¹⁾ Karin Moberg was Chairman until 4 September 2019.

D Credit Committee



Jane Lundgren Ericsson (Chairman)
Jan Sinclair (member)
Lars Börjesson (member)

The principal task of the Credit Committee is to decide on loans and credit limits in SBAB's lending and funding operations. The Committee also has the task of preparing matters involving changes in the credit policy and credit instructions for decision by the Board, the assessment of portfolio strategies, the transparency of the loan portfolio, the evaluation of existing or proposed portfolio strategies, the evaluation of existing or new delegation rights and the Board's annual review of regulatory frameworks, models for granting credits and outcomes in terms of retail credit granting. The Committee prepares all matters relating to credit risk and approves new IRB models and significant changes to existing models.

The Credit Committee held 23 meetings during the year.

E Risk and Capital Committee



Synnöve Trygg (Chairman)¹⁾
Jan Sinclair (member)
Jane Lundgren Ericsson (member)

The Risk and Capital Committee prepares matters concerning SBAB's treasury operations, matters related to risk and capital and the use of new financial instruments. The Committee also prepares issues for resolution by the Board of Directors concerning objectives, strategies and control documents within the areas of risk and capital. The Committee consists of at least three members appointed by the Board. The Risk and Capital Committee is the statutory Risk Committee of the SBAB Group.

The Risk and Capital Committee held eight meetings during the year.

¹⁾ Jan Sinclair was Chairman until 17 May 2019.

F Remuneration Committee



Daniel Kristiansson (Chairman)¹⁾
Lars Börjesson (member)
Inga-Lill Carlberg (member)

The principal task of the Remuneration Committee is to prepare issues regarding principles for remuneration and other employment terms and conditions for senior executives for resolution by the Board. The Committee also prepares matters pertaining to SBAB's remuneration system ahead of Board decisions. The Committee follows up remuneration structures and remuneration levels within SBAB.

The Remuneration Committee held five meetings during the year.

¹⁾ Bo Magnusson was Chairman until 13 May 2019.

G CEO and Executive Management

The Board has formulated instructions for the CEO's work. The CEO is responsible for the ongoing management of the operations in accordance with guidelines, established policies and instructions issued by the Board. The CEO reports to the Board. Executive Management provides the CEO with support in exercising operational management of SBAB. The Executive Management comprises the following functions: Accounting & Treasury; Risk; Business Specialists; Tech; Data Science; HR; Customer Service; Customer Experience; Sustainability, Marketing and Communication; and Corporate Clients & Tenant-Owners' Associations.

The CEO's councils and committees


The CEO has appointed a number of councils and committees within SBAB to support him in his work in the management of the operations. These are tasked with preparing issues for the CEO, either prior to his decisions or his recommendations on matters to be determined by the Board. These established councils and committees are the Price Council, ALCO (Asset and Liability Committee) and the Credit Council. The Price Council prepares matters related to the pricing of SBAB's products, ALCO prepares issues related to the Group's financial operations, balance-sheet risks and capital issues, and the Credit Council prepares and has a certain scope to make decisions on matters connected to SBAB's credit operations and limits for the financial operations.

Governance of sustainable business

Within SBAB, the Board is ultimately responsible for ensuring that proactive, long-term efforts to achieve sustainable development are carried out within the company. The Board also adopts a strategy, objectives and a policy for sustainable business. Furthermore, the Board monitors and assesses SBAB's sustainability efforts.

 [Read more on page 172](#)

Remuneration of the Board of Directors and senior executives

Information regarding the remuneration of the Board, the CEO and Executive Management is presented in Note  5.

Internal control and governance

Internal control is important for ensuring that SBAB's operations are conducted in accordance with prevailing regulations, as well as ensuring that SBAB identifies, measures and controls relevant risks and has an efficient organisation and operational management, and reliable financial reporting. The Board and the CEO are ultimately responsible for ensuring good internal control and governance. The Board and the CEO of SBAB are assisted in this work by several functions. Key control functions in this regard are the Compliance, Risk and Internal Audit functions, which are described in further detail below. Other functions, including Accounting, Credit and Legal, support the Board and the CEO with regard to good internal governance and control. All managers in each area of responsibility are responsible for the activities they oversee being conducted with good internal governance and control.

H Compliance

SBAB has a central Compliance function. The Compliance function's area of responsibility comprises rules on internal governance and control, customer protection and market conduct. Compliance is independent of the business operations and is directly subordinate to the CEO. Compliance provides advice and support to the operations on compliance matters, analyses compliance risks and monitors regulatory compliance in respect of operations requiring licences. Reporting occurs on an ongoing basis to the CEO and quarterly by means of a written report to the Board and the CEO. The scope and focus of the work of Compliance is established in an annual plan adopted by the Board.

I Risk

The SBAB Group has a central Risk department with overall responsibility for developing and ensuring that risk-taking strategies are conducted in accordance with the Board's intention, and that policies and processes facilitate relevant follow-up. Risk is responsible for the identification, quantification, analysis and reporting of all risks. The CRO is responsible for Risk. The CRO is directly subordinate to the CEO and reports to the Board and CEO of SBAB. Risk is to ensure that risk awareness and acceptance are sufficient to be able to manage risks on a daily basis. Risk also has a supportive role and works to ensure that the operations have the requisite procedures, systems and tools for daily management of risks, thereby ensuring that operations comply with the applicable laws and regulations in risk control's area of responsibility.

J Internal audit

SBAB's Internal Audit unit constitutes an internal independent audit function. Accordingly, the main function of the Internal Audit is to examine and evaluate governance and internal controls, to examine and evaluate that the company's organisation, control processes, IT systems, models and routines are appropriate and efficient, and to review and regularly assess the reliability and quality of the work conducted in other control functions in SBAB. All reporting to the Board and its Audit and Compliance Committee is conducted in accordance with a reporting and meeting plan.

K External auditor

The General Meeting appoints the auditor. SBAB's Audit and Compliance Committee evaluates the contribution of the auditor and assists the owner in preparing motions for the auditor. Officials at the Government Offices of Sweden monitor all stages of the procurement process from tendering criteria to selection and evaluation. At the AGM, the owner appoints the auditor or the accounting firm that is commissioned to audit SBAB. Auditors must be authorised public

accountants or an authorised accounting firm with an auditor-in-charge. As of 2011, SBAB's auditor is appointed annually in accordance with the Companies Act and the Articles of Association. From the 2016 AGM, Deloitte AB has been appointed as auditor, with Patrick Honeth as the auditor-in-charge. A more detailed presentation of the auditor and the fees and expenses paid to auditors is provided in Note **IC 6**. The auditor examines the Annual Report, the consolidated financial statements and the accounting records, as well as the Board's and the

CEO's administration of the company. In addition, the auditor reviews SBAB's half-year report and year-end reports and presents his findings to the Audit and Compliance Committee at regular meetings of the Committee, when the interim and year-end reports reviewed by the auditor are considered, and when the internal control review is reported to the Board. The auditor also reviews SBAB's Sustainability Report and the Communication on Progress (COP).

Internal Control of Financial Reporting

At SBAB, the internal control of financial reporting is primarily aimed at ensuring that an effective and reliable procedure for SBAB's financial reporting is in place, and that both internal and external reporting is correct and accurate. Work with the internal control of financial reporting comprises the following internal control components.

The control environment

The internal control of financial reporting uses SBAB's values, organisational structure, codes of conduct, policies, instructions and directions for SBAB's operations as its starting point.

Risk assessment

Each unit within SBAB identifies, evaluates, manages and assesses its own risks. The analysis of risk levels in all operations, including financial reporting, is conducted on a regular basis and reported to the Executive Management, the CEO and the Board. Each year, a risk assessment is performed in the form of a self-evaluation of all business-support processes, including financial

reporting, and is managed and reported using separate risk tools.

SBAB has an NPAP in place for the implementation of new or significantly altered products, services, markets, processes and IT systems as well as major operational and organisational changes at SBAB. The aim of the process is to evaluate any potential risks related to the change and to draw attention to any impact the change may have on capital.

Control activities

Business-support processes that provide data for the financial statements are charted and contain control activities in the form of descriptions of processes, reasonability assessments, reconciliations, attestations and performance analyses. An internal set of rules, including accounting policies, planning and reporting procedures, ensures the application of control activities.

SBAB's financial position and performance, target attainment and analysis of operations is reported on a monthly basis to both the Executive Manage-

ment and the Board. The Board's Audit and Compliance Committee supervises the financial reporting as well as the effectiveness of internal control.

Information and communication

The Economy and Finance unit ensures that the instructions on accounting and financial reporting are updated, communicated and made available for the units that need them for their work. The instructions are also available on SBAB's intranet.

Follow-up

The Board's measures to follow up on the internal control of financial reporting include the Board's regular follow-up of SBAB's financial position and performance, etc., but also include the Board's review and follow-up on the auditor's review reports.

Proposed appropriation of profits

SBAB posted a net profit for the year after tax of SEK 3,802,368,314. According to SBAB's balance sheet, SEK 11,471,843,519 is at the disposal of the Annual General Meeting.

Fair value reserve	237,256,074
Additional Tier 1 instruments	3,500,000,000
Retained earnings	3,932,219,131
Net profit for the year	3,802,368,314
Total	11,471,843,519

The Board proposes that the earnings be appropriated as follows:

Carried forward to next year	11,471,843,519
Total	11,471,843,519

The Board of Directors has resolved to not propose a dividend for the financial year 2019. For more information, refer to Note **A** 5. The Board of Directors proposes that the funds at disposal of the General Meeting be carried forward.



Board of Directors

As per the publication date of this report

Top row from left: Lars Börjesson, Anders Heder, Jane Lundgren-Ericsson, Daniel Kristiansson, Inga-Lill Carlberg
Bottom row from left: Johan Prom, Jan Sinclair, Margareta Naumburg, Leif Pagrotsky, Synnöve Trygg

LARS BÖRJESSON

Member

Master of Engineering.
Born in 1964.
Elected in 2014.

Board assignments: Taggsvampen AB, Dovana AB.

Other assignments: CEO of KGH Customs Services.

Previous experience: CEO of Stena Technoworld, Director of Strategy and Business Development Stena metall, Senior partner of Accenture, including Managing Director of Accenture Management Consulting Nordic.

ANDERS HEDER

Member, employee representative

Born in 1962. Appointed in 2019 by the local club committee of the Financial Sector Union of Sweden.

Board assignments: –

Other assignments: Works with controlling at SBAB, Chairman of the local club committee of the Financial Sector Union at SBAB.

Previous experience: Different positions within Götabanken, Wermlandsbanken/Gota and SBAB.

JANE LUNDGREN-ERICSSON

Member

Master of Law, LL.M (London).
Born in 1965. Elected in 2013.

Board assignments: Miskatonic Musik Aktiebolag (deputy), Visa Finance AB, AB Sveriges Säkerställda Obligationer (publ).

Other assignments: Chief Legal Counsel at Visa Finance AB

Previous experience: Executive Director & Head of Lending at Svensk Exportkredit, CEO of SEK Securities and other senior positions at Svensk Exportkredit AB.

DANIEL KRISTIANSSON

Member

Master of Business Administration and Economics.
Born in 1974.
Elected in 2016.

Board assignments: Swedfund International AB, stiftelsen Industrifonden.

Other assignments: Under-secretary at the Government Offices of Sweden.

Previous experience: Vice President, Investment Banking Citigroup.

INGA-LILL CARLBERG

Member

Master of Business Administration and Economics, Stockholm School of Economics. Born in 1962. Elected in 2019.

Board assignments: Trill Impact AB, Stiftelsen för Finansforskning (chairman).

Other assignments: COO of Trill Impact AB.

Previous experience: Several leading positions within Nordea, Board Member of Tredje AP Fonden, Nordea Investment Funds and Mistra Sustainable Investments.



Deputies

DAVID LARSSON

Board Member, employee representative (deputy)

Born in 1976. Appointed in 2018.

Other assignments: Account manager Corporate Clients & Tenant-Owners' Associations Business Area SBAB.

KRISTINA LJUNG

Board Member, employee representative (deputy)

Born in 1966. Appointed in 2019.

Other assignments: Account manager Retail SBAB, member of the local club committee of the Financial Sector Union of Sweden at SBAB.

JOHAN PROM

Member

Masters degree in Business Administration from Stockholm School of Economics. Born in 1972. Elected in 2020.

Board assignments: Fredrikshovs Slott AB, Johan Prom AB och Johan Prom konsult- och investeringsaktiebolag.

Other assignments: Industrial advisor, Executive in Residence Stockholm School of Economics.

Previous experience: CEO of Avanza, various leading executive positions at the ICA Group, management consultant at McKinsey & Company and the Boston Consulting Group.

JAN SINCLAIR

Chairman of the Board

Master of Business Administration and Economics. Born in 1959. Elected in 2018.

Board assignments: Board member STS Alpresor, JML Sinclair AB and FCG – Financial Compliance Group. Chairman AB Victorhuset and AB Sveriges Säkerställda Obligationer (publ).

Other assignments: Industrial advisor, own operations.

Previous experience: CEO SEB A.G, Group Treasurer as well as other senior positions within SEB.

MARGARETA NAUMBURG

Board member, employee representative

Master of Business Administration and Economics. Born in 1964. Appointed in 2018 by the local club committee of SACO.

Board assignments: –

Other assignments: Compliance Officer SBAB, Chairman of the local club committee of the Confederation of Professional Associations (SACO) at SBAB.

Previous experience: Managerial and specialist roles in internal audit, compliance, risk and finance at SBAB and Matteus Bank. External auditor at Price Waterhouse.

LEIF PAGROTSKY

Member

Master of Science in Economics from the University of Gothenburg. Born in 1951. Elected in 2020.

Board assignments: Beckmans Skola Aktiebolag (chairman), Beckmans Akademi Aktiebolag (chairman), Husvärden L Larsson & Co AB (chairman), Vitartes Intea Holding AB (chairman), Smartilizer Scandinavia AB (chairman) och Leif Pagrotsky AB.

Previous experience: Various positions within parliament and the government, including State Secretary for Financial Affairs at the Ministry of Finance, Minister for Industry and Trade, as well as Minister for Culture and Education. Moreover, as Vice Chair of the Council of Riksbanken, Chairman of Business Sweden and Consul General of Sweden in New York.

SYNNÖVE TRYGG

Member

Bachelor of Business Administration and Economics Stockholm University, Advanced Management Program Stockholm School of Economics. Born in 1959. Elected in 2019.

Board assignments: Precice-Biometrics AB, Volvo Finans Bank AB, Valitor hf

Other assignments: CEO of Synnöve Trygg Consulting AB

Previous experience: CEO SEB Kort AB, Eurocard AB and Diners Club Nordic AB. Board Member Nordax Bank AB, Trygg Hansa AB and Mastercard Europe Board among others.



Executive Management

As per the publication date of this report

From left: Fredrik Stenbeck, Robin Silfverhielm, Carina Eriksson, Klas Danielsson, Andras Valko, Malou Sjörin, Mikael Inglander, Sara Davidgård, Klas Ljungqvist. Kristina Frid is missing from the picture.

FREDRIK STENBECK

CRO
Master of Business Administration and Economics.
Born in 1982.

Year of employment: 2020.

Board assignments: –

Previous experience: CRO and leading positions in risk management at Bambora, Hoist Finance and Pareto Securities. Several positions within the Öhman Group.

ROBIN SILFVERHIELM

Chief Experience Officer (CXO)

Master of Engineering. Born in 1973.

Year of employment: 2019.

Board assignments: Board member of Booli Search Technologies AB.

Previous experience: CDO Skandia, Management Consultant Accenture, Project Manager OMX.

CARINA ERIKSSON

Head of HR

Master of Business Administration and Economics.
Born in 1965.

Year of employment: 2015.

Board assignments: –

Previous experience: Scandinavian HR Business Partner Lead for Trygg Hansa/Codan, Scandinavian HR Director for Personal Lines, Trygg Hansa/Codan, HR Director Microsoft Sweden, COO for Deutsche Bank Nordic Equities.

KLAS DANIELSSON

CEO

Bachelor of Social Sciences Business Administration Born in 1963. Year of employment: 2014.

Board assignments: Board member AB Sveriges Säkerställda Obligationer (publ), DE Capital Nordic AB and Spiderweb Consulting AB. Chairman of the Board of Booli Search Technologies AB. Deputy Member of the Board of the Swedish Bankers' Association.

Other assignments: Chairman of the Nomination Committee for Stockholms Stadsmission.

Previous experience: Founder and CEO of Nordnet AB (publ) and Nordnet Bank AB, Head of Trading at SBC Warburg AB, Chairman of SwedSec Licensiering AB, Board Member of Ikano Bank AB, East Capital AB, the Swedish Consumers' Banking and Finance Bureau, Alternativa Aktiemarknaden AB, the Swedish Securities Dealers Association, and others.

ANDRAS VALKO

Head of Data Science (CDSO)

PhD Computer Science, MSc Engineering, BSc Economics. Born in 1971. Year of employment: 2019.

Board assignments: –

Previous experience: Various leadership roles at Ericsson in product management, business development, applied research, and software development, in the areas of big data analytics, data engineering, and data science.



MALOU SJÖRIN

Head of Sustainability, Marketing & Communication
Master of Business Administration and Economics. Born in 1972.

Year of employment: 2020.

Board assignments: –

Previous experience: Senior Vice President Communication Trygg Hansa/Codan, Senior Vice President Communication, SJ AB, Management Consultant Cap Gemini Ernst & Young.

MIKAEL INGLÄNDER

CFO and acting Head of Corporate Clients & Tenant-Owners' Associations

Master of Business Administration and Economics.

Born in 1963.

Year of employment: 2014.

Board assignments: Board member of Booli Search Technologies AB.

Previous experience: CEO of Lindorff Sverige AB, Executive Vice President and CFO of Swedbank AB, Regional Manager and Executive Vice President of ForeningsSparbanken AB, Board member of ICA Banken, OK-Q8 Bank AB, HansaBank Group AS, and others.

SARA DAVIDGÅRD

Head of Business Specialists
Master of Business Administration and Economics. Born in 1974. Year of employment: 2017.

Board assignments: –

Previous experience: Head of Risk Swedish Banking at Swedbank, Board member Sparia, Segment Manager at Swedbank, various management positions within Swedbank as well as other positions within Swedbank Robur.

KLAS LJUNGKVIST

CIO
Master of Engineering. Born in 1966. Year of employment: 2016.

Board assignments: –

Previous experience: CTO of Nordnet Bank AB, various managerial positions within Abaris.

KRISTINA FRID

Head of Customer Service
Degree of Bachelor of Arts, Media and Communication Studies. Born in 1976.

Year of employment: 2017.

Board assignments: –

Previous experience: Head of Branch Region Nordea, Chairman Chamber of Commerce Karlstad Section. Various management positions and other positions within Nordea.

Auditor

PATRICK HONETH

Deloitte AB

Auditor-in-charge at SBAB since 2016.

Income statement

SEK million	Note	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
Interest income	IC 1	5,868	4,924	1,962	1,399
Interest expense	IC 1	-2,395	-1,562	-1,322	-1,106
Net interest income		3,473	3,362	640	293
Dividends received/Group contributions		-	-	3,539	-
Commission income	IC 2	84	90	89	100
Commission expense	IC 2	-98	-139	-36	-25
Net result of financial transactions	IC 3	26	-65	11	-45
Other operating income	IC 4	36	32	1,043	896
Total operating income		3,521	3,280	5,286	1,219
Personnel costs	IC 5	-630	-543	-620	-533
Other expenses	IC 6	-486	-474	-579	-525
Depreciation, amortisation and impairment of PPE and intangible assets	IC 7	-71	-32	-17	-11
Total expenses before credit losses		-1,187	-1,049	-1,216	-1,069
Profit before credit losses		2,334	2,231	4,070	150
Net credit losses	IC 8	-26	11	-14	37
Impairment of financial assets		-5	-1	-5	-1
Reversals of impairment of financial assets		5	0	5	0
Operating profit		2,308	2,241	4,056	186
Tax	TX 1	-520	-515	-254	-63
Net profit for the year		1,788	1,726	3,802	123

Interest income on financial assets measured at amortised cost calculated using the effective-interest method amounted to SEK 5,881 million (5,191) for the Group and SEK 1,889 million (1,533) for the Parent Company.

Statement of comprehensive income

SEK million	Note	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
Net profit for the year		1,788	1,726	3,802	123
Other comprehensive income					
<i>Components that will be reclassified to profit or loss</i>	EQ 1				
Financial assets measured at FVTOCI		-56	-63	-56	-63
Changes related to cash-flow hedges, before tax		1,823	634	75	142
Tax attributable to components that will be reclassified to profit or loss		-378	-120	-4	-15
<i>Components that will not be reclassified to profit or loss</i>	EQ 1				
Revaluation effects of defined-benefit pension plans, before tax		-50	-39	-	-
Tax attributable to components that will not be reclassified to profit or loss		11	8	-	-
Other comprehensive income, net of tax		1,350	420	15	64
Total comprehensive income for the year		3,138	2,146	3,817	187

Comments to the consolidated income statement

Operating profit and key metrics

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

Net interest income IC 1

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

Net commission income IC 2

The net commission expense was SEK 14 million (expense: 49). A non-recurring commission expense to a former business partner for mediating mortgages was included in the comparative figure, in conjunction with winding up the partnership. Otherwise, the item was negatively affected by lower commission income from insurance mediation.

Net result of financial transactions IC 3

The net result of financial transactions increased to SEK 26 million (expense: 65), mainly due to differences in value changes in hedging instruments and hedged items as well as the remeasurement of credit risk in derivatives.

Expenses IC 5 IC 6

Expenses grew to SEK 1,187 million (1,049) due to increased operational investments in areas including customer experience and customer service, digitisation and IT systems – investments that will lead to higher efficiency and lower expenses in the long term, increased customer benefit and loyalty, continued growth in customer numbers and users as well as larger market shares. Efforts to replace SBAB's core bank platform are ongoing and require considerable time and resources. The project is expected to be completed 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 from 602 to 695 over the year, with most new FTEs recruited in the Tech, CX and customer service departments.

Credit losses IC 8

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

Taxes TX 1

Tax consists of income tax of 21.4% of net profit for the year with an addition for tax adjustments and any adjustments of tax for previous years. The tax expense amounted to SEK 520 million (515) for the year.

Other comprehensive income EQ 1

Other comprehensive income increased to SEK 1,350 million (420), due to the substantial positive impact on the item of a downturn in long euro interest rates.¹⁾

¹⁾ The Group's financial position and development is reflected primarily in the income statement and balance sheet. Moreover, the applied accounting policies give certain revaluation effects, among other effects, that are recognised in other comprehensive income.

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

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

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

Parent Company

Operating profit grew to SEK 4,056 million (186), primarily due to the retroactive dividend of SEK 3 billion and a Group contribution of SEK 539 million from the subsidiary SCBC. Operating profit was also positively affected by higher net interest income and higher other operating income. Net interest income rose to SEK 640 million (293) over the period. The increase was largely attributable to rising customer and market interest rates as well as lower guarantee fees. Net commission income fell to SEK 53 million (75) as a result of lower commission income from mediating insurance. The net result of financial transactions amounted to SEK 11 million (expense: 45) as a result of the revaluation of credit risk in derivatives. Other operating income rose to SEK 1,043 million (896), and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses increased to SEK 1,216 million (1,069) mainly as a result of increased personnel and IT expenses. Credit losses increased to SEK 14 million (recoveries: 37), mainly as a result of the internal movement of credit impaired loans from SBAB to SCBC (due to the transition to IFRS 9) and recoveries of previous impairments in the comparative period.

AB Sveriges Sakerstallda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)

SCBC is a wholly-owned subsidiary of SBAB whose primary operations comprise of the issuance of covered bonds to fund the lending of the SBAB Group. SCBC's operating profit for 2019 totalled SEK 1,713 million (1,979). Net interest income totalled SEK 2,835 million (3,069) and net commission amounted to an expense of SEK 63 million (expense: 119). The net income from financial transactions was SEK 8 million (expense: 43). SCBC's total expenses amounted to SEK 1,055 million (902) for 2019. The majority of the expenses are attributable to costs for operations outsourced to SBAB. Credit losses totalled SEK 12 million (loss: 26). SCBC's 2019 Annual Report is available at www.sbab.se.

Balance Sheet

SEK million	Note	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
ASSETS					
Cash and balances at central banks		5,750	0	5,750	0
Chargeable treasury bills, etc.	A 1	15,886	20,904	15,886	20,904
Lending to credit institutions	A 2	417	2,847	102,596	93,262
Lending to the public	A 3	383,807	364,215	24,871	24,845
Value changes of interest-rate-risk hedged items in macro hedges		-181	99	-	-
Bonds and other interest-bearing securities	A 4	55,731	50,945	55,731	50,945
Derivatives	A 5	13,087	8,313	13,354	8,762
Shares and participations in Group companies	A 6	-	-	10,401	10,389
Intangible assets	A 7	311	234	24	26
Property, plant and equipment	A 8	139	16	39	15
Other assets	A 9	56	73	556	47
Prepaid expenses and accrued income	A 10	529	709	627	740
TOTAL ASSETS		475,532	448,355	229,835	209,935
LIABILITIES AND EQUITY					
Liabilities					
Liabilities to credit institutions	L 1	10,528	6,607	10,527	6,607
Deposits from the public	L 2	130,542	124,926	130,542	124,926
Debt securities issued, etc.	L 3	303,597	290,795	56,823	56,021
Derivatives	A 5	1,388	1,339	12,320	7,964
Other liabilities	L 4	376	384	432	303
Accrued expenses and deferred income	L 5	1,805	1,790	347	302
Deferred tax liabilities	TX 2	579	194	62	62
Provisions	L 6	188	138	13	7
Subordinated debt	L 7	4,948	4,946	4,948	4,946
Total liabilities		453,951	431,119	216,014	201,138
Equity					
Share capital	EQ 1	1,958	1,958	1,958	1,958
Statutory reserve		-	-	392	392
Reserves/Fair value reserve	EQ 1	1,959	609	237	222
Additional Tier 1 instruments	L 7	3,500	1,500	3,500	1,500
Retained earnings		12,376	11,443	3,932	4,602
Net profit for the year		1,788	1,726	3,802	123
Total equity		21,581	17,236	11,471	8,797
TOTAL LIABILITIES AND EQUITY		475,532	448,355	229,835	209,935

Comments to the consolidated balance sheet

ASSETS

Chargeable treasury bills A 1

Chargeable treasury bills decreased during the year to SEK 15.9 billion (20.9), mainly as a result of the Riksbank's changed method for recognising surplus liquidity, whereupon the Cash and balances at central banks item increased to SEK 5.8 billion (0). Other changes were within the scope of the normal management of the liquidity reserve to maintain the desired duration and credit risk profile.

Lending to credit institutions A 2

Lending to credit institutions decreased to SEK 0.4 billion (2.8). The change was within the scope of the normal short-term liquidity management.

Lending to the public A 3

Lending to the public increased 5.4% during the year to SEK 383.8 billion (364.2). New lending totalled SEK 75.5 billion (74.3). Of total lending at year end, SEK 291.6 billion (276.7) comprised residential mortgages, SEK 2.3 billion (2.2) consumer loans, SEK 38.4 billion (33.8) lending to property companies and SEK 51.5 billion (51.5) lending to tenant-owners' associations.

[Read more on page 67](#)

Bonds and other interest-bearing securities A 4

Bonds and other interest-bearing securities amounted to SEK 55.7 billion (50.9). This change was also within the scope of the normal management of the liquidity reserve.

LIABILITIES AND EQUITY

Liabilities to credit institutions L 1

Liabilities to credit institutions increased over the year to SEK 10.5 billion (6.6), mainly attributable to higher volumes for collateral (CSAs) received.

Deposits from the public L 2

Deposits from the public increased 4.5% in 2019 to a total of SEK 130.5 billion (124.9). Of total deposits at year end, SEK 92.0 billion (87.1) pertained to retail deposits and SEK 38.6 billion (37.9) deposits from corporate clients and tenant-owners' associations.

[Read more on page 67](#)

Debt securities issued, etc. L 3

Issued debt securities outstanding increased SEK 12.8 billion over the year to a total of SEK 303.6 billion (290.8), of which SEK 246.8 billion (234.8) comprised covered funding and SEK 56.8 billion (56.0) unsecured funding.

[Read more on page 72](#)

Equity EQ 1 L 7

Equity increased during the year to SEK 21.6 billion (17.2), mainly due to the issue of an Additional Tier 1 Capital loan (AT1) and the change in other comprehensive income. Otherwise, the item was affected by dividends to the owner, dividends on additional Tier 1 instruments and net profit for the year.

Parent Company

Lending to the public totalled SEK 24.9 billion (24.8). Deposits from the public totalled SEK 130.5 billion (124.9).

AB Sveriges S akerst allda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)

SCBC does not conduct any new lending itself but instead acquires loans from SBAB Bank, on an on-going basis or as necessary. The aim of securing these loans is to include them, in part or in full, in the assets that comprise collateral for holders of SCBC's covered bonds. SCBC's lending portfolio comprises loans for residential mortgages, with lending to consumers the largest segment. At the end of the period, SCBC's lending amounted to SEK 358.9 billion (339.4). Information regarding SCBC's lending, the cover pool, is published monthly on the website www.sbab.se. SCBC's 2019 Annual Report is available at www.sbab.se.

Statement of changes in equity

SEK million	Note	GROUP				Total equity
		Share capital	Reserves/Fair value reserve	Additional Tier 1 instruments	Retained earnings and net profit for the year ¹⁾	
Opening balance, 1 January 2019		1,958	609	1,500	13,169	17,236
Additional Tier 1 instruments		–	–	2,000	–	2,000
Additional Tier 1 instruments, dividend		–	–	–	–103	–103
Dividends paid		–	–	–	–690	–690
Other comprehensive income, net of tax	EQ 1	–	1,350	–	–	1,350
Net profit for the year		–	–	–	1,788	1,788
Comprehensive income for the year		–	1,350	–	1,788	3,138
Closing balance, 31 December 2019		1,958	1,959	3,500	14,164	21,581
Opening balance, 1 January 2018		1,958	188	1,500	12,164	15,810
Effect of changes in accounting policies IFRS 9		–	1	–	35	36
Opening balance, 1 January 2018		1,958	189	1,500	12,199	15,846
Additional Tier 1 instruments, dividend		–	–	–	–71	–71
Dividends paid		–	–	–	–684	–684
Other		–	–	–	–1	–1
Other comprehensive income, net of tax	EQ 1	–	420	–	–	420
Net profit for the year		–	–	–	1,726	1,726
Comprehensive income for the year		–	420	–	1,726	2,146
Closing balance, 31 December 2018		1,958	609	1,500	13,169	17,236

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

cont. Statement of changes in equity

SEK million	Note	PARENT COMPANY					Total equity
		Restricted equity		Unrestricted equity			
		Share capital	Statutory reserve	Fair value reserve	Additional Tier 1 instruments	Retained earnings and net profit for the year	
Opening balance, 1 January 2019		1,958	392	222	1,500	4,725	8,797
Additional Tier 1 instruments		-	-	-	2,000	-	2,000
Additional Tier 1 instruments, dividend		-	-	-	-	-103	-103
Dividends paid		-	-	-	-	-690	-690
Other comprehensive income, net of tax	EQ 1	-	-	15	-	-	15
Net profit for the year		-	-	-	-	3,802	3,802
Comprehensive income for the year		-	-	15	-	3,802	3,817
Closing balance, 31 December 2019		1,958	392	237	3,500	7,734	13,821
Opening balance, 1 January 2018		1,958	392	157	1,500	5,362	9,369
Effect of changes in accounting policies IFRS 9		-	-	1	-	-5	-4
Adjusted opening balance, 1 January 2018		1,958	392	158	1,500	5,357	9,365
Additional Tier 1 instruments, dividend		-	-	-	-	-71	-71
Dividends paid		-	-	-	-	-684	-684
Other		-	-	-	-	0	0
Other comprehensive income, net of tax	EQ 1	-	-	64	-	-	64
Net profit for the year		-	-	-	-	123	123
Comprehensive income for the year		1,958	392	64	1,500	123	187
Closing balance, 31 December 2018		1,958	392	222	1,500	4,725	8,797

Cash-flow statement

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Opening cash and cash equivalents	2,847	1,867	93,262	94,302
OPERATING ACTIVITIES				
Interest received	6,032	5,021	2,074	1,427
Commission received	92	91	89	100
Interest paid	-2,402	-1,475	-1,294	-1,170
Commission paid	-101	-143	-38	-29
Outflows to suppliers and employees	-1,116	-1,017	-1,199	-1,060
Taxes paid/refunded	-566	-531	-79	-102
Change in lending to the public	-19,618	-29,035	-40	-1,894
Change in chargeable treasury bills, etc.	5,075	1,978	5,075	1,978
Change in bonds and other interest-bearing securities and fund units	-4,877	-1,273	-4,876	-1,273
Change in liabilities to credit institutions	3,921	933	3,920	1,887
Change in deposits from the public	5,616	13,031	5,616	13,031
Change in debt securities issued, etc.	12,401	16,358	961	-14,174
Change in other assets and liabilities	-2,290	-2,147	616	976
Cash flow from operating activities	2,167	1,791	10,825	-303
INVESTING ACTIVITIES				
Sale of property plant and equipment	3	-	3	-
Investments in PPE	-39	-10	-38	-9
Investments in intangible assets	-109	-81	-4	-5
Investments in subsidiaries	-	-36	-12	-39
Cash flow from investing activities	-145	-127	-51	-53
FINANCING ACTIVITIES				
Dividends paid	-690	-684	-690	-684
Dividends received	-	-	3,000	-
Change in additional Tier 1 instruments	2,000	-	2,000	-
Repayment of lease liabilities	-12	-	-	-
Cash flow from financing activities	1,298	-684	4,310	-684
Increase/decrease in cash and cash equivalents	3,320	980	15,084	-1,040
Closing cash and cash equivalents	6,167	2,847	108,346	93,262

Comments to the cash-flow statement

The cash-flow statement is reported in accordance with IAS 7, and cash and cash equivalents are defined as cash and balances at central banks as well as lending to credit institutions, which does not correspond to the liquidity definition applied at

Group level. Subordinated receivables (receivables from Group companies) are included in cash and cash equivalents for the Parent Company, and are recognised in the balance sheet under Lending to credit institutions.

Cont. Cash-flow statement

CHANGE IN LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES

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

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

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G:1 Accounting policies

SBAB Bank AB (publ), "SBAB," and its subsidiaries mainly conduct lending to consumers, tenant-owners' associations and companies in the Swedish residential mortgage market. SBAB's offering also includes savings products. SBAB is a Swedish public limited banking company domiciled in Solna. The address of the Head Office is SBAB Bank AB (publ), Box 4209, SE-171 04 Solna, Sweden.

The Annual Report for SBAB has been prepared in accordance with 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 Annual Report has been prepared in accordance with the cost method, apart from the revaluation of derivatives, financial assets and liabilities measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI) and hedge-accounted items. On 23 March 2020, the Board of Directors approved the financial statements for publication and these await final adoption by the Annual General Meeting on 28 April 2020.

Introduction of new accounting standards

IFRS 16 Leases

The new IFRS 16 standard has changed the lease classification criteria. IFRS 16 has been applied from 1 January 2019. The new standard has entailed that all leases (with the exception of short-term and smaller leases) are recognised as right-of-use assets with corresponding liabilities in the lessee's balance sheet.

The lease payments are recognised in profit or loss as depreciation of the leased asset and as an interest expense on the lease liability. Moreover, disclosure requirements apply. Prior to the regulation entering force, SBAB completed extensive analysis of all of the Group's agreements. This work has been conducted in project form together with stakeholders from various units at SBAB. The project has brought in external accounting specialists to help with quality assurance and interpretations of IFRS 16. SBAB's leases mainly pertain to lease agreements for premises, which were previously classified as operating leases under IAS 17.

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

Short-term contracts of less than 12 months and low-value contracts of less than USD 5,000 are exempted from this application. On transition on 1 January 2019, SBAB recognised, in its consolidated accounts, a tangible asset with respect to lease contracts identified pursuant to IFRS 16 of SEK 104 million according to the simplified approach, which means that the figures for last year have not been restated.

Amendments in IFRS 9, IAS 39 and IFRS 7

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

Other changes

According to SBAB's preliminary assessment, other forthcoming new or changed accounting standards that have been published but not yet applied will have a limited effect on the company's or the Group's accounting and financial reports.

General accounting policies

Consolidated financial statements

The consolidated financial statements were prepared in accordance with the acquisition method and include the Parent Company SBAB and its subsidiaries. Entities qualify as subsidiaries if they are controlled by the Parent Company. A parent company is deemed to have control of a subsidiary when it not only controls the subsidiary and is exposed to, or is entitled to, variable returns from the subsidiary but when it can also affect the returns from the subsidiary by means of its influence. The companies are consolidated as of the date when the Parent Company assumes control of the subsidiary, and the consolidation ends when the Parent Company no longer exercises controlling influence over the subsidiary. Intra-Group transactions and receivables and liabilities between Group companies are eliminated.

The cost of an acquisition consists of the fair value of any assets provided by way of remuneration and any arisen or assumed liabilities. Any unsettled consideration for a put option is valued at the present value of the redemption amount. Identifi-

able acquired assets and assumed liabilities and contingent liabilities are valued at fair value on the acquisition date. Any consideration transferred for corporate acquisitions that exceeds the fair value of identifiable acquired net assets is recognised as goodwill. Goodwill is distributed over cash-generating units (CGUs) or groups of CGUs, which are expected to benefit from the acquisition through synergies. The CGUs to which goodwill is distributed correspond to the lowest level within the Group where goodwill is followed up in the internal governance.

Transaction costs, with the exception of transaction costs related to the issue of equity or debt instruments, that arise through the acquisition are recognised directly in profit/loss for the year. For acquisitions where a put option has been issued, the anticipated-acquisition method is applied, which means that the put option for the remaining shares is considered as acquired at the time of acquisition. Consequently, no minority holdings are recognised. The debt regarding the present value of the redemption price for a put option will thereby be included in the fair value of the total consideration.

Financial instruments

Recognition in and derecognition from the balance sheet

Financial instruments are recognised when the company is involved with the instrument's contractual terms. Issued and acquired securities, including all derivatives, are recognised on the trade date, meaning the date on which the significant risks and rights are transferred between the parties. Other financial instruments are recognised on the settlement date.

A financial asset is derecognised from the balance sheet when the contractual rights to receive cash flows from the financial asset expire and the Group has transferred essentially all of the risks and rewards of ownership of the asset. A financial liability is derecognised from the balance sheet when it is extinguished, meaning when the obligation specified in the contract is fulfilled, cancelled or has expired.

Offsetting

Financial assets and financial liabilities are to be offset and recognised at net amounts only where the recognised amounts may legally be offset and the intention is to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

Recognition of income and expense

Interest income and interest expense (including interest income from impaired receivables) are recognised using the effective-interest method. The calculation of the effective interest rate includes all fees paid or received between the parties to the contract, including transaction costs.

Since transaction costs in the form of remuneration to business partners or issue expenses attributable to the acquisition of loans constitute part of the acquisition cost of the loan, these costs are recognised in the balance sheet and included in profit or loss using the effective-interest method via net interest income over the expected tenor of the loan.

IFRS 15 – Revenue from Contracts with Customers is applied for various types of services that are mainly recognised in profit or loss as Commission income. Revenue from lending is primarily recognised when the service is provided, in other words at a specific date. Other commission income and Other operating income are mainly recognised when these services are rendered, in other words, in a straight line over time. Commission expenses are included in profit or loss continuously in accordance with the contractual terms.

In the event of premature redemption of loans, the customer pays interest compensation intended to cover the cost that arises for SBAB. This compensation is recognised as income directly under the heading "Net result of financial transactions." Other items under this heading are described in the "Classification" section.

Classification

All financial instruments covered by IFRS 9 are classified pursuant to this standard in the following categories:

- Financial assets measured at amortised cost
- Financial assets measured at FVTOCI
- Financial assets measured at FVTPL
- Financial liabilities measured at FVTPL
- Financial liabilities measured at amortised cost

The instruments in the respective categories are valued in the following reporting, and where applicable, together with the required adjustments under the hedge accounting rules.

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Financial assets and liabilities at amortised cost

Assets in this category are recognised at cost, defined as fair value plus transaction costs, on the acquisition date and thereafter at amortised cost after application of the effective-interest method.

This category consists of assets that are held within the framework of a business model where the objective is to hold financial assets in order to collect contractual cash flows solely comprised of capital and interest. The assets in this category encompass lending, interest-bearing securities and other assets that meet the above terms.

The assets are subject to ongoing impairment testing. Refer also to the "Credit losses and impairment of financial assets" section.

Impairment losses are recognised in profit or loss under "Impairment of financial assets" for securities and under "Net credit losses" for other assets, while the effective interest rate is recognised as interest income.

Realised gains or losses from the sale of assets are recognised directly in profit or loss under "Net result of financial transactions."

Financial assets measured at FVTOCI

Assets in this category are recognised on the acquisition date at fair value plus transaction costs, and thereafter at fair value in the balance sheet, with unrealised changes in value recognised as a component of other comprehensive income and accumulated in a separate reserve (the fair-value reserve) in equity.

This category consists of assets that are held within the framework of a business model where the objective is to hold or sell these assets in order to collect contractual cash flows solely comprised of capital and interest. The category consists of interest-bearing securities.

The assets are subject to ongoing impairment testing. Refer also to the "Credit losses and impairment of financial assets" section. Impairments are recognised in profit or loss under "Net result of financial transactions" and as a change in the fair-value reserve in equity via other comprehensive income.

Changes in fair value are transferred from other comprehensive income to the net result of financial transactions in profit or loss when the asset has been realised or an impairment is recognised. (Changes in value that are attributable to exchange rate changes are recognised in profit or loss).

Financial assets measured at FVTPL

On initial recognition, assets in this category are recognised at fair value, while related transaction costs are recognised in profit or loss.

Changes in fair value and realised gains or losses for these assets are recognised directly in profit or loss under the heading "Net expense from financial transactions," while the effective interest rate is recognised as interest income.

The category encompasses interest-bearing securities that, on initial recognition, were identified as measured at FVTPL to eliminate inconsistencies in valuation and recognition, the so-called fair value option.

Furthermore, this category includes assets that do not meet the definitions for other valuation categories and, accordingly, are measured at FVTPL. (For example, assets classed as held for trading and assets with cash flows other than capital and interest on capital). At SBAB, these assets consist exclusively of derivatives.

Financial liabilities measured at FVTPL

On initial recognition, liabilities in this category are recognised at fair value, while related transaction costs are recognised in profit or loss.

The category is divided into financial liabilities held for trading and financial liabilities that Executive Management has designated as such upon initial recognition.

All of SBAB's liabilities in this category consist of derivatives that are used to hedge financial risk and which have been defined as held for trading in the financial reporting.

Changes in fair value and realised gains or losses for these liabilities are recognised in profit or loss under "Net result of financial transactions," while the effective interest rate is recognised as interest expense.

Financial liabilities measured at amortised cost

Financial liabilities that are not classified as "Financial liabilities measured at FVTPL" are initially recognised at fair value with an addition for transaction costs and are subsequently recognised at amortised cost using the effective-interest method. This category consists mainly of issued debt securities, retail deposits and liabilities to credit institutions. Realised gains or losses from the repurchase of own liabilities affects profit or loss when incurred and are recognised under the heading "Net result of financial transactions," while the effective interest rate is recognised as interest expense.

Liabilities to the owners of as yet unsettled shares and warrants in subsidiaries, for which put options have been issued, are classified as other financial liabilities and recognised under other liabilities. The amounts recognised are based on the amounts expected to be disbursed under the option agreements outstanding. The revaluation of the liability is recognised against retained earnings. For ownership details, refer to Note [A 6](#).

Repos

Repos are agreements where the parties have reached agreement on the sale and repurchase of a particular security at a pre-determined price. Securities that have been provided or received under these repo agreements are not derecognised from or not recognised in the balance sheet, respectively. Payments received are recognised in the balance sheet as liabilities to credit institutions and payments made are recognised as lending to credit institutions. The impact on profit or loss is attributable to the difference between sale and repurchase prices and is recognised as interest income or interest expense, respectively.

Fair value measurement

Fair value is defined as the price that would be received on the valuation date on the sale of an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants.

Fair value measurement of financial instruments measured at fair value and traded on an active market is based on quoted prices (Level 1).

If the market for a financial instrument is not active, the fair value is established on the basis of generally accepted measurement methods (Level 2). As far as possible, calculations made in conjunction with measurement are based on observable market data. The main tools used are models based on discounted cash flows. In individual cases, the calculations may also be based on assumptions or estimates (Level 3).

Equity instruments

Issued debt securities with the financial nature of equity, as per the definitions in IAS 32, are recognised as additional Tier 1 capital under equity. Interest payments on these instruments are recognised as a deduction from equity at the time of payment.

Derivatives and hedge accounting

Derivatives are used primarily to manage interest-rate and currency risk in the Group's assets and liabilities, and are recognised at fair value in the balance sheet.

For economic hedges where the risk of a significant fluctuation in profit or loss is the greatest and that meet the formal hedge accounting criteria, SBAB has chosen to apply hedge accounting for the hedging of interest-rate and currency risk. There are also other economic hedges for which hedge accounting is not applied. For hedge accounting, the carve-out version of IAS 39 is applied, as adopted by the EU.

Fair-value hedging

In the case of fair-value hedging, the derivative hedging instrument is measured at fair value at the same time as the hedged asset or liability is measured with an addition for accumulated changes in fair value attributable to the hedged risk associated with the hedged item. Changes in fair value are recognised directly in profit or loss under "Net result of financial transactions." The effective interest rate of the hedge is recognised in net interest income.

If hedging relationships are terminated, the cumulative gains or losses are accrued in profit or loss, after adjustment of the carrying amount of the hedged item. The accrual extends over the remaining maturity of the hedged item. Both the accrual and the realised gain or loss arising from premature closure of a hedging instrument are recognised in profit or loss under "Net result of financial transactions."

Macro hedges

In this type of hedging, derivatives are used at an aggregated level to hedge interest-rate risks. In the financial statements, derivatives designated as macro hedges are treated in the same way as other fair-value hedging instruments.

In fair-value hedging of portfolios of assets, the gain or loss attributable to the hedged risk is recognised under "Value changes of interest-rate-risk hedged items in macro hedges" in the balance sheet. The hedged item is a portfolio of lending transactions based on the next contractual renewal date. The hedging instrument used is a portfolio of interest-rate swaps grouped in accordance with renewal intervals based on conditions in the fixed leg of the swap.

Cash-flow hedges

In the case of cash-flow hedges, the hedging instrument (the derivative) is valued at fair value. The effective part of the total change in value is reported as a component in other comprehensive income and accumulated in a separate reserve (hedge reserve) in equity. The accumulated amount is reversed in the income statement in periods where the hedged item affects the profit or loss. The ineffective part of the derivative's change in value is transferred to the income statement under "Net result of financial transactions," where the realised gain or loss arising at the end of the hedge relationship is recognised. The effective interest-rate of the derivative is recognised in net interest income.

Credit losses and impairment of financial assets

Expected credit losses during the year, together with deductions for guarantees expected to be utilised or that have been utilised plus any recoveries, are recognised as credit losses. The term "confirmed credit losses" refers to losses where the amounts are definite or established with a high level of probability and have thus been derecognised from the balance sheet.

Impairment — expected credit losses

Where in the balance sheet a provision is recognised depends on the classification of the exposure under IFRS 9 and the cash flow characteristics:

- For financial assets measured at amortised cost, the loss allowance is recognised as a deductible item together with the asset.
- For financial assets measured at FVTOCI, the loss allowance is recognised in equity.
- For exposures that are not recognised in the balance sheet (for example, loan commitments and building credits), the loss allowance is recognised as a provision on the liability side of the balance sheet.

Expected credit losses for financial assets in the balance sheet

Under IFRS 9, following initial recognition, financial assets in lending operations are divided into three stages according to their relative credit risk:

	←----- Change in credit risk ----->		
	Stage 1	Stage 2	Stage 3
Timing	From initial recognition	On a significant increase in credit risk following initial recognition	On default
Loss allowance	12-month ECL	Lifetime ECL	Lifetime ECL
Interest income	Based on gross carrying amount	Based on gross carrying amount	Based on net carrying amount

Depending on the credit stage, the loss allowance is determined by calculating the ECL for the next 12-month period or the remaining expected lifetime. Assets can migrate between stages from one balance-sheet date to another. This is decided based on changes in credit risk compared with initial recognition. Interest income from assets in stage 3 are based on the net carrying amount after deduction of the loss allowance, while interest income for the other stages is based on the gross carrying amount.

Credit stage 1

Loan receivables will, at a minimum, have a loss allowance that corresponds to 12-month ECL. Three main parameters are taken into consideration when measuring ECLs. Probability of default (PD), Loss given default (LGD) and exposure at default (EAD), where the product results in the expected credit loss (ECL). To calculate the 12-month ECL, SBAB uses its portfolio models for internal risk classification (IRB) that are intended for capital adequacy, but where appropriate adjustments have been made to ensure an accurate expected monetary value for the ECL that reflects the prevailing economic conditions and forward-looking information. The adjustments include the removal of safety margins and calibration against long-term estimates through an economic cycle as stipulated in the CRR (Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms). This way, estimates can reflect the actual risk that currently applies. Moreover, the effects of macroeconomic factors are applied to estimates to capture variations of conceivable future scenarios. The same procedure for adjusting the parameters from IRB is also applied in stages 2 and 3. For more information on IRB; please refer to Note [RC 1](#).

Credit stage 2

For loan receivables where the credit risk has increased significantly since initial recognition, the loss allowance will correspond with lifetime ECL. Assessments of whether a significant increase in credit risk has occurred is made on an individual and a collective basis for homogeneous credit risk groups, known as risk classes. Determination of the above uses historical default data for the respective risk classes and forward-looking information in the form of forecasts for macroeconomic factors that show a clear connection to default. SBAB assesses whether credit risk has increased significantly since initial recognition by measuring the deviations from an expected PD trend for the original risk class. In addition to measurement of the change in PD, an assumption of a significant increase in credit risk in payments more than 30 days overdue is also applied. No further qualitative indicators exist for the assessment of a material increase in credit risk; instead, qualitative factors are taken into account when estimating PD.

Credit stage 3

Credit impaired loan receivables should also be assigned a loss allowance that corresponds with lifetime ECL. The internal default definition is applied to determine whether a loan receivable has suffered credit deterioration. SBAB deems a default to have occurred if any of the following criteria are met:

- The borrower has entered into liquidation, officially suspended payments or applied for a composition
- The credit is overdue by more than 60 days
- The credit has been restructured and the borrower been granted concessions
- The credit is categorised as insolvent based on a separate expert assessment.

Off-balance-sheet ECLs

For off-balance-sheet items, initial recognition is defined as the moment the bank enters into the irrevocable undertaking. The loss allowance is calculated in the same manner as for financial assets in the balance sheet, but includes the application of a credit conversion factor (CCF). The CCF measures the proportion of the undertaking that is expected to be converted to the balance sheet. In common with other risk parameters, the CCF is also used in the IRB approach for capital adequacy. Furthermore, appropriate adjustments have been made to adapt the estimate to the ECL. For more information, please refer to Note [RC 1](#).

Liquidity portfolio ECLs

Under IFRS 9, expected credit losses should also be recognised for financial assets in the liquidity portfolio. ECLs are recognised for instruments measured at amortised cost and for assets measured at FVTOCI. The holdings in the liquidity portfolio solely comprise liquid, interest-bearing securities with high ratings, and where all of the securities are classified as investment grade. Since investment grade is applied as an approximation to allow use of the low-credit-risk exemption under IFRS 9, this entails that all securities are allocated to credit stage 1 as long as their ratings qualify as investment grade. SBAB conducts regular checks to ensure the securities are investment grade and has internal policies that require the liquidity portfolio to only include high quality assets. An ECL that could arise within 12 months is therefore calculated for the liquidity portfolio, and is performed for all positions at the balance-sheet date. Since SBAB uses external ratings, changes in ratings for the relevant securities are captured when calculating credit risk on the reporting date.

Measuring significant increases in credit risk

To measure any significant increase in credit risk, historical default data has been analysed in terms of the PD trend over time given the risk classes on initial recognition. Thereafter, the thresholds are determined through analysis of the percentage deviations from expected PDs given the initial risk classes. The threshold level assessed as representing a significant increase in credit risk encompasses PD deviations that constitute the tenth percentile of a historic population extending from the start of year 2000 and forward. A significant increase in credit risk is considered to have taken place if the PD for a loan in a given month exceeds the threshold value. The loan then migrates to stage 2 and remains there for as long as its PD is above the threshold. The thresholds values are calibrated with a statistical test using a correlation coefficient, the Matthews correlation coefficient, where the PD levels are based on the maximised identification of future credit losses for performing loan receivables, while the identified proportion that does not lead to a loss is minimised. Migration from stage 2 to stage 1 is controlled exclusively by the PD threshold together with the qualitative indicator for payments more than 30 days past due, as prescribed in IFRS 9. No qualification period is applied for migrations back to stage 1. This has not been deemed necessary since PD is largely based on the borrower's payment history, which intrinsically entails a certain time delay.

Forward-looking information

So as not to solely base the estimate of ECL on empirical information, forward-looking information is used to obtain objective and accurate expected monetary values. The forward-looking information comprises forecasts of macroeconomic factors that are highly significant for housing market development and that strongly correlate with default frequencies and credit losses in SBAB's lending. The forward-looking information extends 36 months forward and is aligned with the forecast period applied in the internal capital and liquidity adequacy assessment process (ICLAAAP). Moreover, 36 months is considered to encompass the effective period of an economic downturn or upturn. After 36 months, an assumption is made that the economy will swing back to the baseline as per the reporting date, which will thereafter apply for the remaining time until maturity for the loan receivables. The assumption has been assessed as reasonable since loan receivables have relatively short expected maturities – less than ten years for most products – and the occurrence of several consecutive major economic fluctuations over the remaining maturity is deemed unlikely. The repo rate and unemployment are both factors with clear correlations to PD and default in the Swedish housing market. Changes in the repo rate will indirectly affect borrowers' interest expenses, while changes in employment will directly impact their capacity to pay. To measure the effect on PD, a linear regression has been used, where the changes in the two macroeconomic factors explain the changes in default frequency. For LGD, housing prices have been used as macro-economic factors to explain the changes in loss given default rates. As losses on secured lending are largely attributable to the LTV ratio and indirectly to housing prices, a perfect correlation with the LGD ratio is deemed to exist here. Therefore, a simple scaling of the LGD ratio is carried out to reflect the effect of this factor. The forward-looking information should be viewed as an adjustment to the two risk dimensions, PD and LGD, which impact both the allocation of credit stages and the level of the ECL. In the identification of the macroeconomic factors, separate correlations between these factors were analysed to secure reasonable scenarios. With regards to EAD, cash flows are projected by the amortisation schedule. An early redemption factor has also been applied to take into account the expected remaining duration of the credit. The same macro-economic factors and their effects are applied consistently for the entire lending portfolio. Currently, four scenarios are modelled, in which positive and negative forecasts for the above macroeconomic

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factors are evaluated. These scenarios are deemed to be sufficient to capture the range of possible ECL outcomes based on prevailing economic conditions. The final ECLs are then weighted according to the likelihood that SBAB will experience credit losses of the scale envisaged in the respective scenarios. Empirical data, together with forward-looking information that is analysed for most scenarios, ensures that an objective and probability-weighted ECL pursuant to IFRS 9 is obtained.

Process for decisions on forward-looking information

The Chief Risk Officer, supported by the Economic Secretariat and Credit risk experts, submits proposals for the forward-looking information. The proposals are presented to the Assets and Liabilities Committee (ALCO), which then takes decisions regarding the forecasts for macroeconomic factors and the weighting of the respective scenarios. In the event of larger shocks to the housing or financial markets, manual adjustment of ECLs may be necessary. As for the forward-looking information, proposals are submitted to ALCO, which thereafter takes a decision. Adjustments can pertain to PD and LGD margins and are managed in the same manner as the forward-looking information. Where this pertains to geographical areas or product types that are particularly affected by the shocks, manual allocation is carried out for the affected loan receivables.

Time value of money

Under IFRS 9, ECLs for floating rate loan receivables are discounted with the effective interest rate. All receivables in SBAB's lending portfolio are deemed to have floating interest rates with different maturities. The nominal interest rate pursuant to the actual interest terms has been used as an approximation of the effective interest rate. Since no arrangement fees are charged and invoicing charges only arise to a limited extent, SBAB assesses this as a good approximation.

Uncertainty in estimating ECL

The forward-looking information comprises the largest source of uncertainty. SBAB simulates ECL in several scenarios that are positive and negative in nature. The following table presents how changes in the respective macroeconomic factors impact the PD and LGD risk dimensions and finally ECL in nominal terms according to the actual scenarios applied at the end of the reporting period. The variation in the change to ECL for the various scenarios demonstrates the sensitivity of the forward-looking information.

SENSITIVITY ANALYSIS OF FORWARD-LOOKING INFORMATION

Macroeconomic factors and changes in ECL	Scenario			
	1	2	3	4
Δ Repo rate	+62 bp	+12 bp	+140 bp	+315 bp
Δ Unemployment	+15 bp	+94 bp	+184 bp	+217 bp
Δ PD	+29%	+22%	+79%	+145%
Δ House prices	-6%	-11%	-30%	-48%
Δ Tenant-owner apartment prices	-9%	-15%	-38%	-66%
Δ Property prices	+3%	-5%	-27%	-51%
Δ LGD	+11%	+23%	+129%	+403%
∑ Δ ECL	+15 MSEK	+17 MSEK	+101 MSEK	+372 MSEK

The deltas for the repo rate and the unemployment rate show the absolute changes expressed in basis points, while the delta for housing prices shows the relative change expressed as a percentage. PD and LGD both refer to the exposure-weighted mean and their deltas show the relative change expressed as a percentage.

The weighting that is then applied for the ECL scenarios is based on best estimates by operations with the help of credit risk experts. The balanced ECL will differ, depending on the weighting selected. The following table presents the applicable weights for each of the four scenarios as per the end of the reporting period.

SCENARIO WEIGHTS IN THE FORWARD-LOOKING INFORMATION

Weights applied to the ECL scenarios	Scenario			
	1	2	3	4
Weight	50%	20%	15%	15%

Another source of uncertainty is the PD threshold level, which is assessed as representing a significant increase in credit risk. The threshold decided has direct consequences on the size of the ECL. The following table presents how the lending portfolio is allocated over the credit stages for various PD thresholds and how large the percentage change in ECL will be based on the current threshold, which is determined to the tenth percentile. For more information; please refer to the Measuring significant increases in credit risk section.

SENSITIVITY ANALYSIS OF PD THRESHOLDS

Allocation of EAD over credit stage and change in ECL	Percentile		
	20	10	5
Credit stage 1	89.0%	94.8%	97.9%
Credit stage 2	10.9%	5.2%	2.0%
Credit stage 3	0.1%	0.1%	0.1%
∑ Δ ECL	+16.6%	-	-15.8%

Modification of financial assets

If the cash flows from a loan receivable are renegotiated or otherwise modified, SBAB assesses whether the change is so significant that the modification will lead to derecognition from the balance sheet or whether the change will result in a modification gain or loss. The change is deemed material when the renegotiated terms entail that the discounted present value of cash flows differ by more than 10% from the present value under the original loan agreement. The 10% threshold for materiality is decided based on a qualitative assessment of what is considered a reasonable level. Moreover, this level corresponds to the materiality threshold in terms of the modification of debt instruments. A significant modification that leads to derecognition, will lead to the loan receivable receiving a new initial recognition and, accordingly, a new original risk class.

Input data in the ECL model

The majority of the input data used in the ECL calculation with regard to PD and LGD comes from SBAB's base system that contains information about borrowers and their collateral. Since the lending operations focus on housing finance with a very similar product offering, all loan receivables are processed by SBAB in the same system. In addition to the information in the base system, external data is also collected from credit rating agencies. Data from Statistics Sweden and the Riksbank is used to prepare forecasts of macroeconomic factors.

Changes in the ECL model

At the start of 2019, new projections were decided for the macroeconomic factors that comprise forward-looking information. The new projections entailed a more negative outlook for the housing market and resulted a non-recurring effect of around SEK 10 million in increased ECL levels. The change is detailed in the tables for lending to the public, which can be found in RC 1. The forward-looking information is regularly reviewed and revised as needed. Except the changes to the forward-looking information, no other parameter estimates have been adjusted in the ECL model during the year.

Other**Functional currency**

Functional currency is the currency used in the primary economic environments in which the Group operates. The companies included in the Group are the Parent Company and subsidiaries. The Parent Company's functional currency and presentation currency is SEK. The Group's presentation currency is SEK.

Foreign currency translation of receivables and liabilities

Foreign currency transactions are recognised by applying the exchange rate on the transaction date, and foreign currency receivables and liabilities are translated using the closing-date rate. Foreign exchange gains or losses resulting from settlements of foreign currency transactions and from the translation of monetary assets and liabilities in foreign currency are recognised in profit or loss under "Net result of financial transactions."

Leases

Existing leases relate to normal leases for SBAB's operations and mainly pertain to office premises and office equipment, and were classified until 2018 as operating leases under IAS 17. Changes were made at Group level on the transition to IFRS 16. Current leases (with the exception of short-term and smaller leases) are recognised under PPE (right-of-use assets) with a corresponding liability (lease liability) in the balance sheet.

The property leases pertain to premises and extend for a term of two to seven years. Variable rental fees, such as electricity, water and heating are excepted from lease assets. Cash flows pertaining to property leases are classified as financial leases in accordance with IFRS 16. The lease payments are recognised in profit or loss as depreciation of the leased asset and as an interest expense on the lease liability.

A lease liability and a right-of-use asset arise on entering into a lease contract. The lease liability is initially recognised at the present value of remaining lease payments, discounted using the bank's incremental borrowing rate. The lease payments included in the measurement of the lease liability mainly comprise fixed payments and variable payments that depend on an index. On subsequent measurement of the lease liability, the carrying amount is increased with the interest expense and decreased by the lease payments made. Furthermore, the lease liability increases or decreases when tested or in the case of lease modifications.

The right-of-use asset is initially recognised at cost, which corresponds to the initial valuation of the lease liability and any prepaid lease payments. For subsequent measurement, the right-of-use asset is measured at cost less accumulated depreciation and any accumulated impairment losses; moreover it is also adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated over the lease term. Right-of-use assets are included under the balance-sheet item Property, plant and equipment, and lease liabilities are included under the balance-sheet item Other liabilities. Short-term leases of less than 12 months, or leases of low-value assets, are recognised as costs in a straight line over the lease term and, accordingly, are not included in lease liabilities or right-of-use assets.

Property, plant and equipment

Property, plant and equipment are recognised as assets in the balance sheet if it is probable that future financial benefits will flow to the entity and the cost of the item can be measured reliably. Property, plant and equipment are recognised at cost less any accumulated depreciation and impairment losses.

The present value of current property leases are measured pursuant to IFRS 16, where the lease cost, the lease duration and the discount rate form the most material parameters. SBAB uses the marginal interest rate on borrowing as a discount rate, and it applies for the entire duration of the contract, including any indexing.

Depreciation of property, plant and equipment

The depreciable amount is calculated as the cost of the asset less its estimated residual value at the end of its useful life. The depreciable amount is allocated on a straight-line basis over the estimated useful life of the asset, and the depreciation charge for each period is recognised in profit or loss. This means that computer hardware is depreciated over four years and other equipment over five years. The residual value and useful life of an asset are assessed annually. At the start of the contract, the total present value of a property lease is depreciated over the period of the contract (straight-line depreciation).

Intangible assets

Investments in acquired computer software or software developed by SBAB are recognised at cost after accumulated amortisation and impairment losses have been deducted. Costs for the maintenance of software are expensed as they arise. Development expenditure that is directly attributable to the development and testing of identifiable and unique software products controlled by the Group is recognised as an intangible asset when the following criteria are fulfilled:

- It is technically possible to complete the software so that it can be used.
- The company intends to complete the software product and use it.
- It can be demonstrated how the software will generate probable future financial benefits; and that adequate technical, financial and other resources for completing the development and for using the software are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Other development expenditure that does not fulfil these criteria is expensed as it arises. Development expenditure that has previously been expensed may not be recognised as an asset in a later period.

Additional expenses for capitalised intangible assets are recognised as assets in the balance sheet only in cases where they increase the future financial benefits of the specific asset to which they are attributable. All other costs are expensed as they arise. Development expenditure is capitalised only in the consolidated financial statements.

On the acquisition of a subsidiary, its identifiable assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. The portion of the acquisition cost that exceeds the fair value of the net identifiable assets is recognised as goodwill. Goodwill is allocated to the CGUs and tested not less than once each year for impairment.

Amortisation of intangible fixed assets

Amortisation is allocated on a straight-line basis over the useful life of the asset. The assets are assessed as having useful lives of four or five years. The amortisation period and amortisation method for intangible fixed assets are reviewed at each financial year-end.

Impairment of non-financial assets

The recoverable amount of an asset is measured when there is any indication that an asset may be impaired. Development work not yet available for use is tested annually for impairment irrespective of whether there is any indication of impairment. An asset is impaired when its carrying amount exceeds its recoverable amount. The impairment loss for each period is charged against net profit/loss for the period.

Impairment of goodwill is recognised when a CGU (group of CGUs) carrying amount exceeds its recoverable amount. An impairment is recognised as an expense in the profit for the year. When a need for impairment is identified for a CGU (group of CGUs), the impairment amount is primarily allocated to goodwill. Thereafter, proportional impairment is applied to the other assets in the CGU (group of CGUs). Goodwill impairment is never reversed.

The impairment amount is the higher of fair value less costs to sell and value in use. When calculating the value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risks associated with the asset in question.

Tax

Total tax consists of current tax and deferred tax. Current tax consists of tax that is to be paid or received for taxable earnings during the current year and adjustments of current tax for previous years. Accordingly, for items recognised in profit or loss, the related tax effects are also recognised in profit or loss.

The tax effects of items recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity.

Deferred tax assets and tax liabilities are measured according to the balance sheet method on the basis of temporary differences that arise between the carrying amount and the tax base of an asset or liability. Deferred tax assets are recognised for unutilised tax losses to the extent that it is probable that the carry-forwards can be used to offset future taxable profit. Deferred tax is calculated in accordance with the tax rate applicable at the time of taxation.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and balances at central banks, and lending to credit institutions.

Pensions

The Group has both defined-contribution and defined-benefit pension plans. For the defined-contribution pension plans, fixed fees are paid to an independent unit, following which no additional obligations arise. Pension costs for defined-contribution plans are expensed on a continuous basis in pace with vesting by the individual employee.

The Group's net obligation with regard to defined-benefit plans is calculated separately for each plan by estimating the future benefit that employees have earned through their service in current and prior periods, with that benefit being discounted to its present value. The present value of the defined-benefit obligation is determined by discounting the estimated future cash flows applying the interest rate for mortgage bonds in SEK with maturities comparable to those of the pension obligation in question. Changes or reductions in a defined-benefit plan are recognised on the earliest of the following dates: a) when the change or reduction in the plan occurs or b) when the company reports related restructuring costs and severance benefits. The changes/reductions are recognised directly in profit for the year. The defined-benefit pension obligation is calculated annually by independent actuaries using the "projected unit credit method."

The provision recognised in the balance sheet for defined-benefit pension plans represents the present value of the defined-benefit obligation at the close of the reporting period less the fair value of the plan assets. The provision includes special employer's contributions. All of the components included in the period's cost for a defined-benefit plan are recognised in operating profit. This includes the return on plan assets, calculated applying the same discount rate used to calculate the present value of the obligation. Revaluation effects consist of actuarial gains and losses, including the difference between the actual return on plan assets and the total included in operating profit. All revaluation effects are recognised under "Reserves" in equity.

FINANCIAL NOTES

Segment reporting

An operating segment is a part of a business for which independent financial information is available, that conducts business operations from which income can be generated and expenses incurred and whose operating profits are regularly assessed by the company's chief operating decision maker as a basis for decisions regarding the allocation of resources to segments and an assessment of the segment's profit or loss. At SBAB, the CEO is the function that is responsible for allocating resources and assessing the profit or loss of the operating segment.

Parent Company accounting policies

The Parent Company, SBAB Bank AB (publ), applies statutory IFRS, which means that this Annual 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 Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish FSA's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25).

Differences compared with the Group

The main differences between the accounting policies of the Group and those of the Parent Company are shown below:

Presentation of the income statement and balance sheet

The Parent Company complies with the presentation standards for income statements and balance sheets stipulated in the Annual Accounts Act for Credit Institutions and Securities Companies, which entail a different presentation of equity. The Parent Company's statutory reserve is recognised in the Group as retained earnings, while the Parent Company's Fair value reserve is included in the Group's Reserves.

Intangible assets

Expenses attributable to proprietary software is recognised in the Parent Company as a cost in profit or loss.

Leases

Existing leases relate to normal leases for SBAB's operations and mainly pertain to office premises and office equipment, and were classified in 2018 as operating leases under IAS 17. On the transition to IFRS 16, SBAB has chosen to apply IFRS 16 in the Group as there is no requirement to apply IFRS 16 to legal entities according to RFR 2.

Pensions

The Swedish Pension Obligations Vesting Act and regulations issued by the Swedish FSA contain rules requiring a different method of recognising defined-benefit pension plans compared with that stipulated in IAS 19. Application of the Swedish Pension Obligations Vesting Act is a prerequisite for tax deductibility of the pension payments. In view of this, RFR 2 states that the regulations of IAS 19 in terms of defined-benefit pension plans need not be applied by the legal entity.

Measurement in relation to the assumption of receivables

SBAB is the initial lender for all residential mortgages provided by the SBAB Group. Loan receivables, which meet the regulatory requirements for inclusion in the cover pool that provides security for the covered bonds issued by SCBC, are transferred on a daily basis from the Parent Company to the subsidiary, SCBC. The transfers are conducted at fair value.

Subsidiaries

Participations in subsidiaries are recognised in the Parent Company in accordance with the cost method.

Dividend

Dividends received from subsidiaries are recognised in profit or loss. Anticipated dividends from subsidiaries are recognised in cases where formal decisions have been taken in the subsidiary or where the Parent Company otherwise has full control over the decision-making process before it publishes its financial statements.

Dividends paid are recognised as a reduction of unrestricted equity following the passing of a resolution on dividends at the Annual General Meeting.

Group contributions

Group contributions received from subsidiaries are recognised in profit or loss, while Group contributions paid to subsidiaries by the Parent Company are recognised as increased participations in Group companies.

Critical accounting estimates and judgements

Critical assumptions

Preparing the annual accounts in compliance with statutory IFRS requires that Executive Management use estimates and judgements based on historical experience and assumptions that are considered to be reasonable and fair. These estimates affect the carrying amounts of assets, liabilities and off-balance sheet exposures, as well as income and expenses presented in the Annual Report. Subsequently, the actual outcome may differ to some extent from the estimates made.

Measurement of loan receivables

The transition to IFRS 9 entails basing the valuation of all loan receivables on the ECL. The ECL must either relate to a 12-month period or the remaining maturity of the receivable if a significant increase in credit risk has occurred. When estimating credit losses, previously observable data is used together with assumptions pertaining to macroeconomic trends. As with all estimates of future outcomes, ECL assessment is uncertain, not least in terms of loan receivables that show a significant increase in credit risk, which may lead to asset adjustments. Moreover, an individual expert assessment for credit impaired loan receivables is carried out where the risk of loss is imminent, which in itself gives rise to considerable uncertainty. Transfers of loan receivables within the Group are conducted at fair value.

For more information, see also the "Credit losses and impairment of financial assets" section.

Financial instruments measured at fair value

The valuation is made based on observable market data, in part through the direct application of market prices, and in part through generally accepted measurement methods. Critical estimates and judgements in conjunction with fair value measurement are made in the choice of which valuation technique and market data to use. In both cases, judgements are made with regard to how the valuation techniques and market data used comprise a good estimate of the fair value.

Recognition of defined-benefit pensions

Measurement of the Group's defined-benefit pension obligations is based on a number of actuarial and financial assumptions that have a material impact on carrying amounts.

SBAB uses the yield on mortgage bonds for discounting pension obligations, since a functioning market for mortgage bonds exists in Sweden. The assumptions upon which the measurement is based, as well as a sensitivity analysis, are presented in Note [L 6](#).

Recognition of deferred tax assets

The recognition of deferred tax assets pertaining to deductible temporary differences or loss carry-forwards is based on management's assessment of the future likelihood of the company generating taxable profits corresponding to the basis for deferred tax assets.

Impairment testing of goodwill

The value of recognised goodwill is tested at least once a year with regard to a potential need for impairment. This testing requires an assessment of the value in use of the cash-generating unit to which the goodwill value is attributable. Furthermore, an assumption regarding expected future cash flows is required along with the establishment of a relevant discount rate for calculating the present cash flow value. The assessments conducted as of 31 December 2019 are described in Note [A 7](#).

G:2 Related party disclosures

SBAB Bank AB (publ) is a Swedish public limited company that is wholly owned by the Swedish state.

Group companies

AB Sveriges S akerst allda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) and Booli Search Technologies AB are to be regarded as subsidiaries and recognised in accordance with the acquisition method, which entails the elimination of internal transactions at Group level. Transactions with related parties have taken place at market terms.

SEK million	SCBC			
	2019		2018	
	Assets/ Liabilities	Interest income/ Interest expense	Assets/ Liabilities	Interest income/ Interest expense
Lending to credit institutions	102,180	1,235	90,414	976
Derivatives	472	142	595	115
Group contributions/dividends received	3,539	–	–	–
Other assets	200	–	138	–
Total	106,391	1,377	91,147	1,091
Derivatives	10,933	–1,098	6,625	–1,476
Total	10,933	–1,098	6,625	–1,476

Of the Parent Company’s other commission income, SEK 21 million (23) pertained to the possibility for SCBC to utilise a liquidity facility at the Parent Company, refer to Note [IC 4](#). The Parent Company also conducted administrative services on behalf of SCBC during the year for SEK 1,043 million (895), refer to Note [IC 4](#). The Parent Company also received a retroactive dividend of SEK 3 billion and a Group contribution of SEK 539 million (–) from SCBC, which were recognised as financial income in the Parent Company and against equity in SCBC. The retroactive

dividend and the Group contribution had an impact of SEK 3,424 million on earnings for the Parent Company after tax.

Booli received a Group contribution of SEK 25 million (–) from SCBC, which was recognised as an appropriation in Booli and against equity in SCBC. The Group contribution had an impact of SEK 20 million on Booli’s earnings after tax. During the year, Booli invoiced SBAB for marketing expenses of SEK 2 million (0.4) and SBAB invoiced Booli SEK 1 million (0.5) for administrative services.

LOANS TO KEY PERSONNEL

SEK million	GROUP			
	2019		2018	
	Lending	Interest income	Lending	Interest income
CEO	–	–	–	–
Board of Directors	6	0	6	0
Other key senior executives	14	0	8	0
Total	20	0	14	0

The CEO and the Board of Directors refer to the Parent Company. Wherever relevant, the managing directors and boards of other Group companies are included under “Other key senior executives.”

Lending to Board Members of SBAB Bank AB (publ) or to employees holding key positions in the company may not occur on terms that are not available to other

personnel. The ceiling for total capital debt on preferential terms is SEK 2,000,000 per household on the condition that the loan is within 85% of the property’s LTV. On preferential loans of up to SEK 2,000,000, a 2 percentage point discount is given against SBAB’s current list rate. The preferential loan is taxable. The interest rate received after the discount must not be less than 0.25%.

DEPOSITS FROM KEY PERSONNEL

SEK million	GROUP			
	2019		2018	
	Deposits	Interest expense	Deposits	Interest expense
CEO and other key senior executives	7	0	5	0
Board of Directors	2	0	1	0
Total	9	0	6	0

The CEO and the Board of Directors refer to the Parent Company. Wherever relevant, the managing directors and boards of other Group companies are included under “Other key senior executives.” Deposits from key personnel are made on the same terms and conditions as other deposits in the company.

G:3 | Proposed appropriation of profits

SBAB posted a net profit for the year after tax of SEK 3,802,368,314. According to SBAB's balance sheet, SEK 11,471,843,519 is at the disposal of the Annual General Meeting.

Fair value reserve	237,256,074
Additional Tier 1 instruments	3,500,000,000
Retained earnings	3,932,219,131
Net profit for the year	3,802,368,314
Total	11,471,843,519

The Board proposes that the earnings be appropriated as follows:

Carried forward to next year	11,471,843,519
Total	11,471,843,519

The Board of Directors has resolved to not propose a dividend for the financial year 2019. For more information, refer to Note A 5. The Board of Directors proposes that the funds at disposal of the General Meeting be carried forward.

G:4 | Effect of changes in accounting policies

IMPACTS OF INITIAL APPLICATION OF IFRS 16 IN THE BALANCE SHEET AS OF 1 JANUARY 2019

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

FINANCIAL NOTES

RECONCILIATION OF DISCLOSURES FOR OPERATING LEASES UNDER IAS 17 AND RECOGNISED LEASE LIABILITIES UNDER IFRS 16

	GROUP
SEK million	
Operating lease commitments disclosed as at 31 December 2018	330
Effect of adjustment of variable fees	-47
Effect of future property leases where SBAB does not have security of tenure	-183
Discount effect	-3
Total lease liabilities at 1 January 2019	97

Initial application of IFRS 16

The bank has applied the modified retrospective approach for the implementation of IFRS 16. In accordance with IFRS 16, the bank has applied the practical expedient which entails that reassessment of whether existing contracts are, or contain, a lease at the date of initial application is not necessary. Accordingly, IFRS 16 has

been applied to contracts defined as leases under IAS 17. Moreover, pursuant to the practical expedient in IFRS 16, the bank has chosen not to include leases with a remaining contractual term of less than 12 months when calculating the lease liability on transition.

A:5 | Events after the balance sheet date**Changes in Executive Management**

During the fourth quarter, Malou Sjörin was appointed as Head of Sustainability, Marketing and Communication and a member of Executive Management. She took up her role on 7 January. After the end of the period, on 1 January (as previously notified), Fredrik Stenbeck took up his role as Chief Risk Officer (CRO) and as a member of Executive Management.

Board changes

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

Impact of the Coronavirus (COVID-19) on the SBAB Group

The spread of the Coronavirus is having an increasingly large impact on the world's and Sweden's economies. Considerable uncertainty abounds as to where this will lead and as to how extensive the economic impact will be.

Latter developments have entailed substantial movements in the financial markets in the form of heavily falling interest rates, rising credit spreads and volatile and falling stock markets. This has affected the financial environment of SBAB and others in the financial sector.

The Riksbank, the ECB and central banks around the world have announced support measures to maintain the functionality of the markets.

SBAB's capital and liquidity positions are assessed as strong. SBAB is monitoring ongoing developments and implementing measures in accordance with the applicable recommendations of the Public Health Agency of Sweden.

Lowering of the countercyclical capital buffer requirement

On 16 March 2020, Finansinspektionen (the Swedish FSA) decided to lower the countercyclical capital buffer requirement for banks from 2.5% to 0%. This was a pre-emptive move by the Swedish FSA to safeguard a well-functioning credit system that facilitates for businesses and households to maintain production, consumption and investment. Through lowering the countercyclical buffer requirement, capital requirements for Swedish banks will be decreased, thereby creating scope for banks to maintain or increase lending.

SBAB's Board of Directors does not propose a dividend for 2019

In its Year-end Report 2019, published on February 14, 2020, SBAB communicated that the Board of Directors proposes a dividend for 2019 of 40% of net profit, corresponding to SEK 715 million.

At an Extraordinary Board Meeting held on March 17, 2020, the Board of Directors resolved to not propose a dividend for the financial year 2019.

The ongoing development regarding the Corona virus has so far had a negative impact on the economic development. SBAB intends to continue to take responsibility for a well-functioning housing credit market in Sweden. To achieve this and to ensure continued growth in credits provided to its customers, SBAB is strengthening its own funds by retaining the entirety of the 2019 earnings.

RC Risk management and capital adequacy

pp. 113–144

RC:1 Credit risk in lending operations

Credit risk in lending operations is defined as the risk that the counterparty is unable to fulfil its payment obligations. Credit risk is measured, in part, based on the borrower's repayment capacity and, in part, through value changes in pledged collateral relative to the receivable. Credit risk also arises in treasury operations (Note RC 2).

The first step in managing credit risk in lending operations is through a credit-granting process that analyses the ability of borrowers to meet their interest payments and make capital repayments. New loans are only granted to counterparties who are judged able to pay interest and make capital repayments when interest rates comfortably exceed the rate prevailing when the loan decision is taken. Moreover, the credit risk is restricted by credit limits adopted for various customers or customer groups. SBAB applies a debt ratio ceiling¹⁾ for new retail loans of 550% with the aim of keeping down customer debt levels. The internal loan regulations are supplemented with a quantitative model for the measurement of credit risk when granting credit. The model assesses the probability of default (PD) and ranks borrowers according to credit risk. Credit is only granted to borrowers representing a low credit risk. In conjunction with the measurement of credit risk when lending to companies and tenant-owners' association, in addition to quantitative assessments, systematic qualitative assessments are conducted through responses to a number of predetermined questions. As a result, the estimated PD will be a balanced mix of the two methods. This enables a more tailored credit risk assessment, since different companies and tenant-owners' associations can differ significantly.

In stage two, credit risk is managed using an internal ratings-based approach (IRB). The IRB approach is used for capital adequacy as well as for the control and follow-up of the credit risk for new and existing customers in the loan portfolios. SBAB applies the IRB approach for retail loans and lending to tenant-owners' associations. The foundation IRB approach (FIRB) is applied for loans to corporates as well as to larger tenant-owners' associations with a turnover in excess of EUR 50 million. The standardised approach is used for measuring credit risk from a capital adequacy perspective for unsecured loans.

The IRB approach has been used since 2007 for assessing credit risk where a mortgage deed or a tenant-owners' right is used as collateral. In 2015, SBAB also received permission to use the IRB approach for excess exposures that are not fully covered by mortgage deeds, property financing using other collateral than directly pledged mortgage deeds and construction loans. The Swedish FSA has reviewed the bank's IRB system and found it reliable. The developed models are validated annually and calibrated as the need arises. Validations conducted in 2018 did not result in any changes to the models.

The models in the IRB framework assess the following parameters:

- Probability of default by the counterparty – PD (Probability of Default)
- Share of loss in the event of default – LGD (Loss Given Default)
- The part of the off-balance sheet exposure that is expected to be converted to the balance sheet – Credit conversion factor (CCF)
- The expected exposure in the event of default – EAD (Exposure at Default)
- The expected loss – EL, where EL is the product of PD multiplied by LGD and EAD.

Borrowers are classified according to credit risk based on these parameters, and expected and unexpected losses can be estimated. For the purpose of assessing the repayment capacity, the borrower is assigned one of eight risk classes for retail and corporate exposures, of which the eighth class comprises customers in default. Trends for exposures in high-risk classes are monitored thoroughly and managed actively, when necessary, by credit monitoring personnel in the credit division.

In the financial statements, the ECL according to IRB models differs from the ECL provision. The calculation of EL according to Basel Pillar 1 is governed by the Regulation on Prudential Requirements for Credit Institutions and Investment Firms (CRR)²⁾. Under this regulation, credit risk is to be based on historic data, over a longer time horizon and include economic downturn periods. As of 2018, the treatment of the ECL in the financial reporting is regulated by IFRS 9. Under IFRS 9, the ECL must correspond with expected values, and unlike EL based on long-term credit losses, it must objectively forecast the negative impact on future cash flows. For information pertaining to the impairment of financial assets, refer to Note G 1.

Total EL for loans calculated according to IRB models amounted to SEK 159 million (205). The loss allowance under IFRS 9 for corresponding loans totalled SEK 112 million (176). For capital adequacy purposes, non-performing loans are separated from non-performing loans and other loans. Any positive difference, where the EL exceeds provisions, reduces CET1 capital while negative differences are added to Tier 2 capital.

Collateral in the lending operations

For loans granted by SBAB, adequate collateral must normally be provided. Adequate collateral primarily refers to mortgage deeds for real property or shares in tenant-owners' associations within a maximum of 75–85% of the market value.

The 85% level only applies if collateral can be obtained with a primary lien and the borrower is included in a lower risk class. The lower risk classes for retail customers (Retail – R) consist of the levels R1–R4, while the lower risk classes for Corporate customers, (Corporate – C) consist of the levels C0–C3, and manually adjusted from C3 to C4³⁾. In other cases, a loan-to-value (LTV) ratio of 75% generally applies.

In addition to collateral in the form of mortgage deeds for real property or tenant-owners' rights, it is possible to grant loans against, inter alia, collateral in the form of a government guarantee, municipal guarantee, securities, bank guarantees and deposits in a Swedish bank. A very limited part of total lending is made to households without any collateral being obtained.

On the corporate side, building credits are normally secured through notes of lien and guarantor commitments. SBAB also normally requires a set percentage of sales to end customers before any disbursement is made. Disbursements continue in line with the progress of production.

SBAB does not hold any collateral that has been taken over to protect a receivable. Lending to the public accounts for 81% (79) of SBAB's overall assets.

The financial effect of collateral received is illustrated in the diagram below, which shows loans in relation to the market value of underlying collateral. As the majority of total lending has an LTV ratio under 70%, the portfolio is deemed to be well-covered and its credit quality as very healthy.

¹⁾ Gross income before tax in relation to loan.

²⁾ The CRR refers to Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

³⁾ "Retail loans" refers to all lending to the public pertaining to houses, holiday homes and tenant-owners' rights, as well as unsecured loans to consumers and loans to tenant-owners' associations with a turnover of less than EUR 50 million. "Loans to corporates" refers to i) loans to other legal entities, and ii) other lending to consumers.

LOAN AMOUNTS BROKEN DOWN BY LTV INTERVAL

SEK million	GROUP			Total
	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Loans without formal collateral	
2019				
Lending to the public				
LTV <50%	80,978	40,599	–	121,577
LTV 50–69%	104,551	27,744	–	132,295
LTV >69%	106,200	21,572	–	127,772
Unsecured	–	–	2,295	2,295
Total	291,729	89,915	2,295	383,939
Off-balance-sheet items ¹⁾	43,628	5,034	–	48,662

SEK million	GROUP			Total
	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Loans without formal collateral	
2018				
Lending to the public				
LTV <50%	74,643	42,253	–	116,896
LTV 50–69%	97,442	29,118	–	126,560
LTV >69%	104,754	13,930	–	118,684
Unsecured	–	–	2,206	2,206
Total	276,839	85,301	2,206	364,346
Off-balance-sheet items ¹⁾	33,159	4,376	–	37,535

¹⁾ Off-balance-sheet items include loan commitments and building credits.

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LENDING TO THE PUBLIC BROKEN DOWN BY RISK CLASS

As per 31 December 2019, SBAB's lending to the public amounted to SEK 384 billion (364). Every customer is allocated to a risk class. Borrowers in default are allocated to the corporate and tenant-owners' association risk class C8 or the retail risk class R8. The risk class C0 consists of loans to counterparties with a 0% risk weight

(Swedish municipalities). Transaction costs of SEK 16 million (25), which were attributable to loans brokered by business partners, are distributed in the table on a pro rata basis.

TOTAL	GROUP							
	2019							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R0/C0	1	0	0	0	0	0	1	0
R1/C1	180,733	-2	0	0	0	0	180,733	-2
R2/C2	108,453	-4	395	0	0	0	108,848	-4
R3/C3	47,393	-4	2,085	-1	0	0	49,478	-5
R4/C4	21,505	-10	7,174	-6	0	0	28,679	-16
R5/C5	3,973	-6	8,204	-20	0	0	12,177	-26
R6/C6	238	-2	1,915	-13	0	0	2,153	-15
R7/C7	21	-1	1,568	-34	0	0	1,589	-35
R8/C8	0	0	0	0	281	-29	281	-29
Total	362,317	-29	21,341	-74	281	-29	383,939	-132
Guarantees ¹⁾	-	2	-	4	-	0	-	6
Total	362,317	-27	21,341	-70	281	-29	383,939	-132

TOTAL	GROUP							
	2018							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R0/C0	2	0	-	-	-	-	2	0
R1/C1	160,402	-2	2,183	0	-	-	162,585	-2
R2/C2	105,698	-3	404	0	-	-	106,102	-3
R3/C3	48,416	-4	1,637	-1	-	-	50,053	-5
R4/C4	22,243	-9	7,089	-6	-	-	29,332	-15
R5/C5	4,315	-6	7,865	-18	-	-	12,180	-24
R6/C6	292	-2	2,101	-13	-	-	2,393	-15
R7/C7	22	0	1,410	-35	0	0	1,432	-35
R8/C8	-	-	-	-	267	-32	267	-32
Total	341,390	-26	22,689	-73	267	-32	364,346	-131
Guarantees ¹⁾	-	5	-	8	-	1	-	14
Total	341,390	-21	22,689	-65	267	-31	364,346	-117

¹⁾ Guarantees are included in the balance-sheet item "Prepaid expenses and accrued income."

		GROUP							
		2019							
RESIDENTIAL MORTGAGES		Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million		Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1		116,638	-2	0	0	0	0	116,638	-2
R2		87,892	-3	87	0	0	0	87,979	-3
R3		42,595	-4	1,018	0	0	0	43,613	-4
R4		21,145	-9	6,985	-5	0	0	28,130	-14
R5		3,899	-6	7,949	-19	0	0	11,848	-25
R6		215	-1	1,887	-12	0	0	2,102	-13
R7		21	0	1,145	-28	0	0	1,166	-28
R8		0	0	0	0	252	-17	252	-17
Total		272,405	-25	19,071	-64	252	-17	291,728	-106
Guarantees ¹⁾		-	1	-	4	-	0	-	5
Total		272,405	-24	19,071	-60	252	-17	291,728	-101

		GROUP							
		2018							
RESIDENTIAL MORTGAGES		Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million		Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1		103,334	-1	-	-	-	-	103,334	-1
R2		84,242	-2	93	0	-	-	84,335	-2
R3		43,852	-3	1,017	0	-	-	44,869	-3
R4		21,711	-9	6,742	-5	-	-	28,453	-14
R5		4,183	-5	7,731	-17	-	-	11,914	-22
R6		258	-1	2,052	-12	-	-	2,310	-13
R7		22	0	1,365	-31	1	0	1,388	-31
R8		-	-	-	-	236	-19	236	-19
Total		257,602	-21	19,000	-65	237	-19	276,839	-105
Guarantees ¹⁾		-	2	-	8	-	1	-	11
Total		257,602	-19	19,000	-57	237	-18	276,839	-94

¹⁾ Guarantees are included in the balance-sheet item "Prepaid expenses and accrued income."

FINANCIAL NOTES

GROUP

2019

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS

SEK million	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
	C0	1	0	0	0	0	0	1
C1	63,630	-1	0	0	0	0	63,630	-1
C2	19,942	-1	305	0	0	0	20,247	-1
C3	4,136	0	1,051	0	0	0	5,187	0
C4	124	0	125	0	0	0	249	0
C5	9	0	159	0	0	0	168	0
C6	18	-1	0	0	0	0	18	-1
C7	0	0	397	-5	0	0	397	-5
C8	0	0	0	0	18	-9	18	-9
Total	87,860	-3	2,037	-5	18	-9	89,915	-17
Guarantees ¹⁾	-	1	-	0	-	0	-	1
Total	87,860	-2	2,037	-5	18	-9	89,915	-16

GROUP

2018

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS

SEK million	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
	C0	2	0	-	-	-	-	2
C1	56,779	-1	2,183	-1	-	-	58,962	-2
C2	20,962	-1	311	0	-	-	21,273	-1
C3	3,778	0	614	0	-	-	4,392	-1
C4	258	0	297	0	-	-	555	0
C5	43	-1	23	0	-	-	66	-1
C6	20	-1	1	0	-	-	21	-1
C7	-	-	11	0	-	-	11	0
C8	-	-	-	-	19	-9	19	-9
Total	81,842	-4	3,440	-1	19	-9	85,301	-14
Guarantees ¹⁾	-	2	-	0	-	-	-	2
Total	81,842	-2	3,440	-1	19	-9	85,301	-12

¹⁾ Guarantees are included in the balance-sheet item "Prepaid expenses and accrued income."

		GROUP							
		2019							
CONSUMER LOANS		Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million		Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1		464	0	0	0	0	0	464	0
R2		619	0	3	0	0	0	622	0
R3		662	0	19	0	0	0	681	0
R4		237	0	64	0	0	0	301	0
R5		65	0	95	-1	0	0	160	-1
R6		5	-1	28	-1	0	0	33	-2
R7		0	0	24	-2	0	0	24	-2
R8		0	0	0	0	10	-4	10	-4
Total		2,052	-1	233	-4	10	-4	2,295	-9
Guarantees ¹⁾		-	-	-	-	-	-	-	-
Total		2,052	-1	233	-4	10	-4	2,295	-9

		GROUP							
		2018							
CONSUMER LOANS		Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million		Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1		289	0	-	-	-	-	289	0
R2		494	0	1	0	-	-	495	0
R3		786	0	5	0	-	-	791	0
R4		274	0	50	0	-	-	324	0
R5		89	-1	111	-1	-	-	200	-2
R6		14	0	48	-1	-	-	62	-1
R7		0	0	34	-4	-	-	34	-4
R8		-	-	-	-	11	-5	11	-5
Total		1,946	-1	249	-6	11	-5	2,206	-12
Guarantees ¹⁾		-	-	-	-	-	-	-	-
Total		1,946	-1	249	-6	11	-5	2,206	-12

¹⁾ Guarantees are included in the balance-sheet item "Prepaid expenses and accrued income."

LENDING TO THE PUBLIC BY SEGMENT – LOANS WITH UNPAID AMOUNTS MORE THAN FIVE DAYS PAST DUE

The table describes loans with a past-due principal. All amounts are distributed by segment. Loans with past-due amounts in several time intervals are shown in full in the oldest time interval.

At year-end 2019, 99.9% (99.9) of lending had no past-due unpaid amounts and was not assessed as doubtful.

		GROUP							
		2019				2018			
SEK million		Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Consumer loans	Total	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Consumer loans	Total
Past due 5–30 days ¹⁾		16	0	0	16	15	23	0	38
Past due 31–60 days		55	-	3	58	59	-	2	61
Past due 61–90 days		24	-	1	25	19	-	1	20
Past due 91–180 days		22	-	2	24	23	-	2	25
Past due >180 days		59	-	4	63	53	-	5	58
Total		176	0	10	186	169	23	10	202

¹⁾ For the first time interval, amounts past-due by five days or less are not taken into consideration to ensure that the analysis is not distorted by payments delayed because the payment date is a holiday.

FINANCIAL NOTES

LENDING TO THE PUBLIC

The following table presents changes in gross lending and the provisions during the period for the respective segment. A brief description of the reported items:

- Moved to credit stage – Movements between credit stages show opening balances for the period for migrated loans.
- Remeasurement of provision – Net changes of provisions for each credit stage. This includes changes due to movements between credit stages.
- New lending, net – New loans that have arisen in the reporting period. A new loan that becomes credit impaired during the reporting period will consequently be recognised under credit stage 3.

- Repayment and redemption – Loans that have been derecognised from the balance sheet during the period and which have not been written off, for example, confirmed credit losses.
- Write-offs due to confirmed credit losses – Confirmed credit losses during the reporting period.
- Other – Residual items.

TOTAL	GROUP							
	2019							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	341,390	-26	22,689	-73	267	-32	364,346	-131
Moved to credit stage 1	14,809	-29	-14,804	28	-5	1	0	0
Moved to credit stage 2	-9,764	2	9,821	-6	-57	4	0	0
Moved to credit stage 3	-62	0	-130	4	192	-4	0	0
Remeasurement of provision	4,045	33	125	-21	-4	-3	4,166	9
New lending, net ¹⁾	60,009	-10	7,194	-13	6	-1	67,209	-24
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Repayment and redemption	-48,103	5	-3,551	12	-108	2	-51,762	19
Write-offs due to confirmed credit losses	0	0	-3	0	-10	5	-13	5
Change in risk parameters during the period ²⁾	-	-4	-	-5	-	-1	-	-10
Change in model/method	-	-	-	-	-	-	-	-
Other	-7	0	0	0	0	0	-7	0
Closing balance	362,317	-29	21,341	-74	281	-29	383,939	-132

TOTAL	GROUP							
	2018							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	313,407	-27	21,466	-67	447	-58	335,520	-151
Moved to credit stage 1	14,196	-59	-14,012	30	-184	29	0	0
Moved to credit stage 2	-11,010	2	11,083	-5	-73	3	0	0
Moved to credit stage 3	-42	0	-130	2	172	-2	0	0
Remeasurement of provision	-217	61	280	-24	-9	-9	54	28
New lending, net ¹⁾	58,560	-9	7,114	-16	7	-1	65,681	-26
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Repayment and redemption	-33,476	6	-3,108	7	-84	2	-36,668	14
Write-offs due to confirmed credit losses	-	-	-1	0	-9	4	-10	4
Change in risk parameters during the period	-	-	-	-	-	-	-	-
Change in model/method	-	-	-	-	-	-	-	-
Other	-28	-	-3	-	-	-	-31	-
Closing balance	341,390	-26	22,689	-73	267	-32	364,346	-131

¹⁾ Net amount is the loan's total amount less any internal transfers from other loans.

²⁾ The change in risk parameters during the period also includes changes in forward-looking information.

GROUP									
2019									
RESIDENTIAL MORTGAGES	Credit stage 1		Credit stage 2		Credit stage 3		Total		
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	
SEK million									
Opening balance	257,602	-21	19,000	-65	237	-19	276,839	-105	
Moved to credit stage 1	11,419	-26	-11,414	25	-5	1	0	0	
Moved to credit stage 2	-8,619	2	8,674	-6	-55	4	0	0	
Moved to credit stage 3	-59	0	-123	3	182	-3	0	0	
Remeasurement of provision	-3,772	30	-219	-14	-2	-2	-3,993	14	
New lending, net ¹⁾	46,105	-9	6,321	-13	6	-1	52,432	-23	
Purchases	-	-	-	-	-	-	-	-	
Sales	-	-	-	-	-	-	-	-	
Repayment and redemption	-30,264	4	-3,165	12	-108	3	-33,537	19	
Write-offs due to confirmed credit losses	0	0	-3	0	-2	1	-5	1	
Change in risk parameters during the period ²⁾	-	-5	-	-6	-	-1	-	-12	
Change in model/method	-	-	-	-	-	-	-	-	
Other	-7	0	0	0	0	0	-7	0	
Closing balance	272,405	-25	19,071	-64	253	-17	291,729	-106	

GROUP									
2018									
RESIDENTIAL MORTGAGES	Credit stage 1		Credit stage 2		Credit stage 3		Total		
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	
SEK million									
Opening balance	228,085	-20	19,906	-61	278	-22	248,270	-103	
Moved to credit stage 1	12,764	-34	-12,719	27	-45	7	0	0	
Moved to credit stage 2	-8,669	2	8,741	-4	-72	2	0	0	
Moved to credit stage 3	-38	0	-122	2	160	-2	0	0	
Remeasurement of provision	-3,273	36	-213	-22	-6	-8	-3,492	6	
New lending, net ¹⁾	48,720	-8	6,307	-14	6	0	55,033	-22	
Purchases	-	-	-	-	-	-	-	-	
Sales	-	-	-	-	-	-	-	-	
Repayment and redemption	-19,959	3	-2,897	7	-81	3	-22,938	13	
Write-offs due to confirmed credit losses	-	-	-	-	-3	1	-3	1	
Change in risk parameters during the period	-	-	-	-	-	-	-	-	
Change in model/method	-	-	-	-	-	-	-	-	
Other	-28	-	-3	-	-	-	-31	-	
Closing balance	257,602	-21	19,000	-65	237	-19	276,839	-105	

¹⁾ Net amount is the loan's total amount less any internal transfers from other loans.

²⁾ The change in risk parameters during the period also includes changes in forward-looking information.

FINANCIAL NOTES

GROUP

2019

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS

SEK million	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	81,842	-4	3,440	-1	19	-9	85,301	-14
Moved to credit stage 1	3,241	-1	-3,241	1	0	0	0	0
Moved to credit stage 2	-1,049	0	1,049	0	0	0	0	0
Moved to credit stage 3	0	0	0	0	0	0	0	0
Remeasurement of provision	8,146	2	379	-6	-1	0	8,524	-4
New lending, net ¹⁾	13,121	-1	755	0	0	0	13,876	-1
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Repayment and redemption	-17,441	1	-345	0	0	0	-17,786	1
Write-offs due to confirmed credit losses	-	-	-	-	-	-	-	-
Change in risk parameters during the period ²⁾	-	0	-	1	-	-	-	1
Change in model/method	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Closing balance	87,860	-3	2,037	-5	18	-9	89,915	-17

GROUP

2018

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS

SEK million	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	83,558	-5	1,314	0	158	-31	85,030	-36
Moved to credit stage 1	1,292	-21	-1,154	0	-138	21	0	0
Moved to credit stage 2	-2,228	0	2,228	0	-	-	0	0
Moved to credit stage 3	-	-	-	-	-	-	-	-
Remeasurement of provision	3,348	21	531	-1	-1	1	3,878	21
New lending, net ¹⁾	9,060	0	695	0	-	-	9,755	0
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Repayment and redemption	-13,188	1	-174	0	-	-	-13,362	1
Write-offs due to confirmed credit losses	-	-	-	-	-	-	-	-
Change in risk parameters during the period	-	-	-	-	-	-	-	-
Change in model/method	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Closing balance	81,842	-4	3,440	-1	19	-9	85,301	-14

¹⁾ Net amount is the loan's total amount less any internal transfers from other loans.

²⁾ The change in risk parameters during the period also includes changes in forward-looking information.

GROUP								
2019								
CONSUMER LOANS	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
SEK million								
Opening balance	1,946	-1	249	-6	11	-5	2,206	-12
Moved to credit stage 1	149	-2	-149	2	0	0	0	0
Moved to credit stage 2	-96	0	98	0	-2	0	0	0
Moved to credit stage 3	-3	0	-7	1	10	-1	0	0
Remeasurement of provision	-329	2	-35	-2	-1	-1	-365	-1
New lending, net ¹⁾	783	0	118	0	0	0	901	0
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Repayment and redemption	-398	0	-41	0	0	-1	-439	-1
Write-offs due to confirmed credit losses	0	0	0	0	-8	4	-8	4
Change in risk parameters during the period ²⁾	-	0	-	1	-	0	-	1
Change in model/method	-	-	-	-	-	-	-	-
Other	0	0	0	0	0	0	0	0
Closing balance	2,052	-1	233	-4	10	-4	2,295	-9

GROUP								
2018								
CONSUMER LOANS	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
SEK million								
Opening balance	1,764	-2	246	-6	11	-5	2,021	-13
Moved to credit stage 1	140	-3	-139	2	-1	1	0	0
Moved to credit stage 2	-113	0	114	-1	-1	1	0	0
Moved to credit stage 3	-3	0	-8	1	11	-1	0	0
Remeasurement of provision	-293	4	-38	-1	-1	-2	-332	1
New lending, net ¹⁾	780	-1	111	-1	1	-1	892	-3
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Repayment and redemption	-329	1	-36	0	-2	-1	-367	0
Write-offs due to confirmed credit losses	0	0	-1	0	-7	3	-8	3
Change in risk parameters during the period	-	-	-	-	-	-	-	-
Change in model/method	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Closing balance	1,946	-1	249	-6	11	-5	2,206	-12

¹⁾ Net amount is the loan's total amount less any internal transfers from other loans.

²⁾ The change in risk parameters during the period also includes changes in forward-looking information.

FINANCIAL NOTES

GROUP								
2019								
LOAN COMMITMENTS AND PROVISIONS	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Loan commitments	Provision	Loan commitments	Provision	Loan commitments	Provision	Loan commitments	Provision
SEK million								
Opening balance	37,482	7	53	0	0	0	37,535	7
Moved to credit stage 1	0	0	0	0	0	0	0	0
Moved to credit stage 2	-52	0	52	0	0	0	0	0
Moved to credit stage 3	0	0	0	0	0	0	0	0
Remeasurement of provision	-1,119	-2	337	8	0	0	-782	6
New lending, net	47,336	3	0	1	0	0	47,336	4
Write-offs, redemption, etc.	-35,374	-5	-53	0	0	0	-35,427	-5
Change in risk parameters during the period ¹⁾	-	1	-	0	-	-	-	1
Change in model/method	-	-	-	-	-	-	-	-
Closing balance	48,273	4	389	9	0	0	48,662	13

GROUP								
2018								
LOAN COMMITMENTS AND PROVISIONS	Credit stage 1		Credit stage 2		Credit stage 3		Total	
	Loan commitments	Provision	Loan commitments	Provision	Loan commitments	Provision	Loan commitments	Provision
SEK million								
Opening balance	42,677	4	1,080	3	0	0	43,758	7
Moved to credit stage 1	66	0	-66	0	-	-	0	0
Moved to credit stage 2	-	-	-	-	-	-	-	-
Moved to credit stage 3	-	-	-	-	-	-	-	-
Remeasurement of provision	-2,078	1	-	-	-	-	-2,078	0
New lending, net	36,378	5	53	0	-	-	36,431	5
Write-offs, redemption, etc.	-39,561	-3	-1,014	-3	0	0	-40,576	-5
Change in risk parameters during the period ¹⁾	-	-	-	-	-	-	-	-
Change in model/method	-	-	-	-	-	-	-	-
Closing balance	37,482	7	53	0	0	0	37,535	7

¹⁾ The change in risk parameters during the period also includes changes in forward-looking information.

Modified assets, loans with renegotiated terms and conditions

In exceptional cases, loans may be renegotiated outside of the loan agreement due to a deterioration of the borrower's financial position or because the borrower has encountered other financial problems. Such receivables are monitored carefully and are known as modified assets.

MODIFIED ASSETS, LOANS WITH RENEGOTIATED TERMS AND CONDITIONS, MODIFIED ASSETS IN CREDIT STAGES 2 AND 3 (THAT HAVE NOT LED TO DERECOGNITION)

GROUP				
2019				
SEK million	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Consumer loans	Total
Amortised cost prior to modification	294	13	62	369
Modification gain/loss, net	0	0	0	0
Amortised cost after modification	294	13	62	369
<i>Of which, carrying amount prior to provision for assets migrated from credit stage 2 or 3 to credit stage 1.</i>	132	7	0	139

GROUP				
2018				
SEK million	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Consumer loans	Total
Amortised cost prior to modification	732	-	0	732
Modification gain/loss, net	0	-	0	0
Amortised cost after modification	732	-	0	732
<i>Of which, carrying amount prior to provision for assets migrated from credit stage 2 or 3 to credit stage 1.</i>	331	-	0	331

RC:2 | Credit risk in treasury operations

Credit risk in treasury operations arises when the counterparty is unable to fulfil its payment obligations. Credit risk arises, in part, in the form of counterparty credit risk for the derivative and repo contracts entered into by SBAB to manage financial risks and, in part, as a result of investments in the liquidity portfolio and of surplus liquidity.

The SBAB Group's counterparties are banks and credit institutions, and the underlying exposure in the table includes investments, derivatives and repos. The limits are set by the Board's Credit Committee within the confines of the framework adopted by the Board of Directors. The utilised limit is calculated as the market

value of financial derivatives, repos and investments. For derivatives and repos, the effect of collateral pledged or received under CSAs or GMRA is included in the total limit. Moreover, for derivatives, an add-on amount is also calculated for future risk-related changes. The limit is coordinated with the credit limit for counterparties who also are loan customers. Counterparty limits may be established for a period of not longer than one year, after which a new assessment must be conducted. The decisions of the Credit Committee are reported to the Board at the following Board meeting. All of SBAB's counterparties have a rating from either Moody's or Standard & Poor's.

LIMIT UTILISATION PER RATING CATEGORY

SEK million	CONSOLIDATED SITUATION				PARENT COMPANY			
	2019		2018		2019		2018	
	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit
AAA	-	-	-	-	-	-	-	-
AA- to AA+	12,100	4,260	11,600	3,920	12,100	4,033	11,600	3,777
A- to A+	12,300	4,573	12,050	4,411	12,300	4,526	12,050	4,361
Lower than A-	3,800	192	3,900	213	3,800	192	3,900	213
Unrated	-	-	-	-	-	-	-	-
Total	28,200	9,025	27,550	8,544	28,200	8,751	27,550	8,351

The "Limit utilisation" table shows the limits and the utilised limits, respectively, for SBAB's derivative counterparties. The limits for each derivative counterparty are proposed by SBAB's Treasury and adopted by the Board's Credit Committee within the confines of the framework adopted by the Board of Directors. The values in the table are an aggregate of individual derivative counterparty's total exposure and the limits for the respective rating category.

DISTRIBUTION OF CHARGEABLE TREASURY BILLS, ETC., BONDS AND OTHER INTEREST-BEARING SECURITIES BY RATING CATEGORY

The table below shows an analysis of lending to credit institutions, chargeable treasury bills, bonds and other interest-bearing securities distributed in accordance with the lowest rating as of 31 December 2019, based on Standard & Poor's rating or equivalent.

SEK million	CONSOLIDATED SITUATION				
	2019				
	Covered bonds	Government guaranteed securities	Sovereigns, supra-nationals and agencies	Non-governmental public sector entities	Total
AAA	36,061	17,461	1,900	12,050	67,472
AA- to AA+	454	932	-	2,758	4,144
A- to A+	-	-	-	-	-
Lower than A-	-	-	-	-	-
Total	36,515	18,393	1,900	14,808	71,616
Provisions for expected credit losses	-1	0	0	0	-1
Total after provisions	36,514	18,393	1,900	14,808	71,615

SEK million	CONSOLIDATED SITUATION				
	2018				
	Covered bonds	Government guaranteed securities	Sovereigns, supra-nationals and agencies	Non-governmental public sector entities	Total
AAA	35,278	23,873	2,431	9,782	71,364
AA- to AA+	382	1,147	-	1,471	3,000
A- to A+	-	-	-	-	-
Lower than A-	-	-	-	-	-
Total	35,660	25,020	2,431	11,253	74,364
Provisions for expected credit losses	-1	0	0	0	-1
Total after provisions	35,659	25,020	2,431	11,253	74,363

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GEOGRAPHICAL DISTRIBUTION OF CHARGEABLE TREASURY BILLS, BONDS AND OTHER INTEREST-BEARING SECURITIES

SEK million	CONSOLIDATED SITUATION			
	2019			
	Sweden	Other EU	Other	Total
Covered bonds	25,253	8,582	2,680	36,515
Government guaranteed securities	14,627	3,662	104	18,393
Sovereigns, supranationals and agencies	–	1,900	–	1,900
Non-governmental public sector entities	11,690	3,118	–	14,808
Total as per 31 December 2019	51,570	17,262	2,784	71,616
Total as per 31 December 2018	56,465	15,083	2,816	74,364

Counterparty credit risk

Counterparty credit risk is the risk that SBAB's financial counterparties cannot meet their commitments pursuant to the completed derivatives and repo contracts, and such risk consists primarily of exposures to well-reputed and established banks. This exposure is predominantly covered by collateral agreements, where the counterparty posts collateral to reduce net exposure. In accordance with SBAB's credit instruction, the credit-risk limits are established by SBAB's Credit Committee for all counterparties in treasury operations.

To limit the potential counterparty risk associated with derivative transactions involving non-standardised derivatives that are not cleared by qualified central counterparties approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement is to be entered into with the counterparty. In most cases, the framework agreement, an ISDA Master Agreement or similar agreements with terms for final settlement, have been supplemented with an associated collateral agreement, known as a Credit Support Annex (CSA). A CSA must always be established for counterparties entering into derivative contracts with SBAB and SCBC. The framework agreements entitle the parties to offset receivables against debt in the event of a payment default.

Counterparty credit risk is monitored on a daily basis for all counterparties. When entered into, CSAs are reconciled on a daily or weekly basis. Derivative transactions entered into with external counterparties are mostly entered into by the Parent Company, where the CSAs are reconciled with all counterparties on a daily basis. When CSAs are in place, collateral is pledged to reduce net exposures. Wherever applicable, the posted and received collateral takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations. The effects of posted and received collateral are shown in greater detail in Note [FI 3](#).

SBAB participates in the calculation of the STIBOR (Stockholm Interbank Offered Rate) reference rate for the Swedish market. STIBOR is a reference rate that shows an average of the interest rates at which a number of the banks active in the Swedish money market are prepared to lend to each other without collateral under different maturities.

In 2016, it became mandatory under the European Markets Infrastructure Regulation (EMIR) for SBAB to clear interest-rate derivatives via central counterparties, known as clearing houses. The aim is for clearing houses to act as counterparties for buyers and sellers, and to participate in ensuring payment obligations are discharged.

MAXIMUM CREDIT-RISK EXPOSURE IN TREASURY OPERATIONS

SEK million	CONSOLIDATED SITUATION			
	Without taking into account collateral received or other credit enhancements		Taking into account collateral received or other credit enhancements	
	2019	2018	2019	2018
Lending to credit institutions	417	2,847	417	2,847
Chargeable treasury bills, etc.	15,886	20,904	15,886	20,904
Bonds and other interest-bearing securities	55,731	50,945	55,731	50,945
Derivatives	13,087	8,313	5,268	1,707
Total	85,121	83,009	77,302	76,403

COLLATERAL POSTED AND RECEIVED UNDER COLLATERAL AGREEMENTS, BY COMPANY

SEK million	CONSOLIDATED SITUATION			
	2019		2018	
	Collateral pledged	Collateral received	Collateral pledged	Collateral received
SBAB	310	7,818	268	6,607
SCBC	0	0	0	0

LENDING TO CREDIT INSTITUTIONS, CHARGEABLE TREASURY BILLS, BONDS AND OTHER INTEREST-BEARING SECURITIES

CONSOLIDATED SITUATION						
2019						
SEK million	Financial assets measured at amortised cost		Financial assets measured at FVTOCI	Financial assets measured at FVTPL		Total
	Credit stage 1		Credit stage 1			
	Securities, gross	Provision	Securities, gross	Securities, gross	Securities, gross	Provision
Opening balance	26,021	-1	41,438	7,238	74,697	-1
Change in cash balances	5,775	-	0	-	5,775	-
Purchases	877,039	0	14,725	-	891,764	0
Sales	-343	0	-1,996	-	-2,339	0
Maturity	-870,687	0	-17,557	-3,816	-892,060	0
Write-offs, redemption, etc.	-	-	-	-	-	-
Change in risk parameters during the period	-	-	-	-	-	-
Change in model/method	-	-	-	-	-	-
Currency revaluation	63	-	20	-462	-379	-
Other ¹⁾	78	0	309	-61	326	0
Closing balance	37,946	-1	36,939	2,899	77,784	-1

CONSOLIDATED SITUATION						
2018						
SEK million	Financial assets measured at amortised cost		Financial assets measured at FVTOCI	Financial assets measured at FVTPL		Total
	Credit stage 1		Credit stage 1			
	Securities, gross	Provision	Securities, gross	Securities, gross	Securities, gross	Provision
Opening balance	20,091	0	41,681	12,811	74,583	0
Change in cash balances	-34	-	0	-	-34	-
Purchases	822,686	-1	30,940	-	853,626	-1
Sales	-1,146	0	-2,540	-	-3,686	0
Maturity	-815,707	0	-28,565	-5,004	-849,276	0
Write-offs, redemption, etc.	-	-	-	-	-	-
Change in risk parameters during the period	-	-	-	-	-	-
Change in model/method	-	-	-	-	-	-
Currency revaluation	20	-	298	-424	-106	-
Other ¹⁾	111	0	-376	-145	-410	0
Closing balance	26,021	-1	41,438	7,238	74,697	-1

¹⁾ Unrealised changes in fair value in addition to the exchange rate revaluation.

RC:3 | Liquidity risk

Liquidity risk is defined as the risk that the company will not be able to meet its payment obligations on the date of maturity without the related cost increasing significantly. The SBAB Group has long identified the importance of well-functioning and proactive liquidity risk management. SBAB's liquidity risk management is described below.

Broad and diversified funding

Because the SBAB Group has maintained an active presence in the international capital market since 1989, its brand is well established. The SBAB Group has access to the covered bond market, both in Sweden and internationally, through SCBC. In addition to issuing bonds, SBAB is funded by retail deposits.

Liquidity reserve

SBAB has a liquidity portfolio in place to ensure liquidity in times when normal market funding does not function adequately or in the case of outflows of deposits. The portfolio acts as a buffer, as the securities in the portfolio can be sold to free up liquidity, either through repos or through the sales of parts of the portfolio. The liquidity portfolio also comprises a business advantage in normal market conditions in the form of bridge financing for maturing debt and with ensuring intraday liquidity.

The portfolio holdings are long-term and mainly comprise liquid, interest-bearing securities with high ratings, where 100% of the portfolio's holdings can be used as collateral for repos with the Riksbank or the European Central Bank (ECB). The size of SBAB's holdings of individual securities as a percentage of the total volume outstanding is also limited with the aim of reducing concentration risk.

FINANCIAL NOTES

The liquidity reserve is defined as the reserve value of the securities in the liquidity portfolio and other liquid short-term investments. When calculating the reserve value of the securities included in the liquidity reserve, the SBAB Group applies the haircuts issued in accordance with the Riksbank's Guidelines for Collateral Management in the regulatory framework for RIX and monetary policy instruments.

Excluding pledged collateral, SBAB's liquidity reserve amounted to SEK 74.5 billion at 31 December 2019 (the reserve value at the Riksbank or the ECB). The market value amounted to SEK 77.6 billion with an average maturity of 2.16 years (2.07). Moreover, unutilised issuance capacity for covered bonds comprises an additional reserve that is not included in the calculation of the above liquidity metrics.

LIQUIDITY RESERVE

		CONSOLIDATED SITUATION									
		31 Dec 2019					31 Dec 2018				
		Distribution by currency					Distribution by currency				
SEK billion		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
	Level 1 Assets	73.8	56.6	11.4	5.8	-	70.3	54.5	11.7	4.1	-
	Cash and balances at central banks ¹⁾	7	7	-	-	-	3.7	3.7	-	-	-
Level 1	Securities issued or guaranteed by governments, central banks, multinational development banks and international organisations	19.6	13	4.1	2.5	-	25.0	16.8	5.8	2.4	-
	Securities issued by municipalities or PSEs	15	7.6	4.2	3.2	-	10.8	7.1	2.6	1.1	-
	Covered bonds with extremely high quality	32.2	29	3.1	0.1	-	30.8	26.9	3.3	0.6	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Level 2 Assets	3.8	3.3	0.5	-	-	4.0	3.4	0.6	-	-
	Level 2A assets	3.8	3.3	0.5	-	-	4.0	3.4	0.6	-	-
	Securities issued or guaranteed by governments, central banks, municipalities and PSEs	-	-	-	-	-	-	-	-	-	-
	Covered bonds with high quality	3.8	3.3	0.5	-	-	4.0	3.4	0.6	-	-
	Corporate bonds (minimum AA- rating)	-	-	-	-	-	-	-	-	-	-
Level 2	Other assets	-	-	-	-	-	-	-	-	-	-
	Level 2B assets	-	-	-	-	-	-	-	-	-	-
	Asset-backed securities (ABS)	-	-	-	-	-	-	-	-	-	-
	Covered bonds with high quality	-	-	-	-	-	-	-	-	-	-
	Corporate bonds (A+ to BBB rating)	-	-	-	-	-	-	-	-	-	-
	Equities	-	-	-	-	-	-	-	-	-	-
	Other assets ¹⁾	-	-	-	-	-	-	-	-	-	-
	Liquidity reserve	77.6	59.9	11.9	5.8	-	74.3	57.9	12.3	4.1	-

¹⁾ Includes facilities at central banks.

Continuous monitoring of liquidity risk

Proactive and continuous liquidity planning in the relevant currencies, active debt management and the scope, content and management of the liquidity reserve are key factors in SBAB's liquidity risk management. By viewing funding activities as a natural part of both operational work and the strategic planning of liquidity risk, concentrations of excessively large funding maturities are avoided. Another important part of the ongoing liquidity risk management is the continuous monitoring and testing of the practical liquidity value of the liquidity reserve in the secondary market.

Liquidity risk measurements – short-term liquidity risk

At SBAB, the risk of being exposed to insufficient liquidity in the short term is known as short-term liquidity risk. SBAB regularly monitors a number of metrics for short-term liquidity risk. One of these is the liquidity coverage ratio as defined in the European Commission delegated regulation (EU) 2015/61. The liquidity coverage ratio is a metric of the degree to which the liquidity reserve covers a 30-day net cash outflow in a stressed scenario. Under the regulations, the metric must amount to not less than 100% for all currencies on a consolidated basis. At 31 December 2019, the metric was 271% (283) at the consolidated level, and 946% (6,795) and 151% (319), respectively, in EUR and USD. In 2019, the LCR never fell below 247% (224) at the consolidated level.

In addition to regulatory-controlled liquidity risk measurements, SBAB has a number of internal metrics. These include the measurement and stress testing of the liquidity risk by totalling the maximum conceivable need for liquidity for each coming day. This liquidity risk metric is referred to as the survival horizon. 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. Retail deposits are treated with a conservative assumption, whereby withdrawals from the portfolio are distributed over time on the basis of historical changes. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. The survival horizon corresponds to the number of days for which the liquidity

reserve covers the maximum outflow and it has been limited to a minimum of 180 days at the consolidated currency level at any given time.

At 31 December 2019, the survival horizon was 290 days (400) at the consolidated level, and 315 days (272) for SEK, 248 days (615) for EUR and 766 days (138) for USD. In 2019, the survival horizon was never less than 290 days (274) at the consolidated level.

In addition to the above metrics, limits are applied to short-term liquidity risk through further internal metrics, for which limits apply.

Liquidity risk measurements – structural liquidity risk

Structural liquidity risk is a measure of the differences in maturity structures between assets and liabilities in terms of loan-to-maturity, which risks leading to a lack of liquidity in the longer term. SBAB aims to have a diversified funding. The SBAB Group has adopted a conservative approach to the management of funding. A larger share of future maturities is being pre-financed and the share of total funding attributable to short-term funding is being maintained at a low level. SBAB works actively to ensure an even distribution of maturities, while at the same time extending the maturity of the liabilities. Monitoring of upcoming maturities, repurchases, replacements and pre-financing constitute key elements of the practical management aimed at reducing the risk.

SBAB limits its dependence on market funding by applying a limit on the ratio between retail deposits and lending to the public. At 31 December 2019, the ratio was 33.9% (34) compared with a limit of 28%.

Moreover, access to funding from covered bonds is secured by monitoring that the overcollateralisation in the cover pool at each point in time, including in stressed circumstances, exceeds Moody's requirements for Aaa ratings.

SBAB also measures its structural liquidity risk through a metric for maturity matching that measures the relationship between the maturities of assets and liabilities from a liquidity perspective at various points in the future. This can be viewed as SBAB's internal version of the net stable funding ratio (NSFR), in which the maturity, in terms of liquidity, on deposits and lending is estimated by means of SBAB's own

statistical models, which are based on historical data of the behaviour of SBAB's customers. The metric is subject to a one-year floor limit of not less than 90% at a consolidated level, 60% for USD and currencies for which the liability exceeds 5% of total liabilities. At 31 December 2019, maturity matching was 138% (143) at the consolidated level, 144% (143) in SEK, 97% (139) in EUR and 109% (89) in USD.

The NSFR according to SBAB's interpretation of Regulation (EU) 2019/876 of the European Parliament and of the Council was 134% (135).

The tables "Maturities of hedged cash flows in cash-flow hedges" and "Maturities of financial assets and liabilities" show the status of SBAB's future cash flows at 31 December 2019 and 31 December 2018, respectively, from both a short-term and long-term perspective.

MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

(amounts refer to contractual, undiscounted cash flows)

The maturity of the amortisation for amortised receivables and liabilities has been calculated as the period up to the date of maturity of the respective amortisation. Foreign currency cash flows have been converted using the closing rate at 31 December 2019. Future interest-rate cash flows with floating interest rates are estimated until the next fixing date using forward interest rates based on the actual interest base, usually the three-month STIBOR. The Parent Company, SBAB, is the creditor for the subsidiary SCBC's subordinated debt. If the maturity is not specified, current debt is recognised as having no maturity and without estimated interest-rate cash flows.

The item "Loan commitments and other credit-related commitments" for the Group, which totals SEK 48,662 million (37,536), amounted to SEK 14,722 million (14,042) after application of the internal model for calculating the CCF. The reduction has not been included in the table.

SEK million	CONSOLIDATED SITUATION													
	2019							2018 ¹⁾						
	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
Financial assets														
Cash and balances at central banks	5,750	-	-	-	-	-	5,750	-	2,515	-	-	-	-	2,515
Chargeable treasury bills, etc.	-	7,855	119	2,347	5,653	-	15,974	-	13,968	2,078	685	4,036	417	21,184
Lending to credit institutions	104	311	-	-	-	-	415	80	255	-	-	-	-	335
Lending to the public	-	2,070	1,794	5,564	35,262	338,985	383,675	-	1,492	1,533	2,780	34,966	323,386	364,157
Bonds and other interest-bearing securities	-	1,170	5,363	4,294	44,192	1,585	56,604	-	1,315	3,995	3,379	40,898	2,266	51,853
<i>of which classified as loans and accounts receivable</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-	228	480	970	7,188	2,014	10,880	-	340	709	418	5,074	501	7,042
Other assets	535	-	-	-	-	-	535	725	-	-	-	-	-	725
Total	6,389	11,634	7,756	13,175	92,295	342,584	473,833	805	19,885	8,315	7,262	84,974	326,570	447,811
Financial liabilities														
Liabilities to credit institutions	-	10,528	-	-	-	-	10,528	-	6,607	-	-	-	-	6,607
Deposits from the public	126,858	1,343	590	1,468	283	-	130,542	123,310	309	273	861	174	-	124,927
Debt securities issued, etc.	-	5,977	16,486	19,220	196,919	75,377	313,979	-	4,456	6,180	30,573	189,075	72,010	302,294
Derivatives	-	137	110	208	1,111	786	2,352	-	164	243	267	1,231	626	2,531
Other liabilities	2,188	-	-	-	-	-	2,188	2,168	-	-	-	-	-	2,168
Subordinated debt	-	1,568	1,080	2,533	3,463	415	9,059	-	41	69	73	6,666	-	6,849
Loan commitments and other credit-related commitments	-	32,432	10,809	564	4,857	-	48,662	-	22,637	10,537	20	4,342	-	37,536
Total	129,046	51,985	29,075	23,993	206,633	76,578	517,310	125,478	34,214	17,302	31,794	201,488	72,636	482,912

¹⁾ On reviewing previously reported amounts, SBAB identified a need to implement corrections of errors in the above table's comparative figures for 2018. The underlying reasons for the changes were mainly due to intra-Group amounts and netting undertakings for derivatives.

MATURITIES OF HEDGED CASH FLOWS IN CASH-FLOW HEDGES

SEK million	CONSOLIDATED SITUATION						
	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
Interest-rate-hedged	-	182	248	179	1,700	1,286	3,595
Currency-hedged	-	-	-	-7,843	-63,859	-37,208	-108,910
Net, 31 Dec 2019	-	182	248	-7,664	-62,159	-35,922	-105,315
Net, 31 Dec 2018	-	177	-1,311	176	-57,920	-39,056	-97,934

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MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

(amounts refer to contractual, undiscounted cash flows)

SEK million	PARENT COMPANY													
	2019						2018 ¹⁾							
	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
Financial assets														
Cash and balances at central banks	5,750	-	-	-	-	-	5,750	-	2,515	-	-	-	-	2,515
Chargeable treasury bills, etc.	-	7,855	119	2,347	5,653	-	15,974	-	13,968	2,078	685	4,036	417	21,184
Lending to credit institutions	96,597	322	18	28	6,208	-	103,173	90,745	255	-	-	-	-	91,000
Lending to the public	-	448	196	382	6,059	17,780	24,865	-	134	133	394	5,127	19,093	24,881
Bonds and other interest-bearing securities	-	1,170	5,363	4,294	44,192	1,585	56,060	-	1,315	3,995	3,379	40,898	2,266	51,853
<i>of which classified as loans and accounts receivable</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-	285	508	1,001	7,674	2,558	12,026	-	374	739	476	5,764	1,175	8,528
Other assets	1,127	-	-	-	-	-	1,127	740	-	-	-	-	-	740
Total	103,474	10,080	6,204	8,052	69,786	21,923	219,519	91,485	18,561	6,945	4,934	55,825	22,951	200,701
Financial liabilities														
Liabilities to credit institutions	-	10,527	-	-	-	-	10,527	-	6,607	-	-	-	-	6,607
Deposits from the public	126,858	1,343	590	1,468	283	-	130,542	123,310	309	273	861	174	-	124,927
Debt securities issued, etc.	-	1,611	2,452	9,285	43,562	1,055	57,965	-	3,560	4,538	5,913	43,009	-	57,020
Derivatives	-	378	535	1,017	6,790	2,632	11,352	-	492	717	500	5,109	1,175	7,993
Other liabilities	778	-	-	-	-	-	778	605	-	-	-	-	-	605
Subordinated debt	-	1,568	1,080	2,533	3,463	415	9,059	-	41	69	73	6,666	-	6,849
Loan commitments and other credit-related commitments	-	32,432	10,809	564	4,857	-	48,662	-	22,637	10,537	20	4,342	-	37,536
Total	127,636	47,859	15,466	14,867	58,955	4,102	268,885	123,915	33,646	16,134	7,367	59,300	1,175	241,537

¹⁾ On reviewing previously reported amounts, SBAB identified a need to implement corrections of errors in the above table's comparative figures for 2018. The underlying reasons for the changes were mainly due to intra-Group amounts and netting undertakings for derivatives.

MATURITIES OF HEDGED CASH FLOWS IN CASH-FLOW HEDGES

SEK million	PARENT COMPANY						Total
	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	
Interest-rate-hedged	-	-	66	18	185	8	277
Currency-hedged	-	-	-	-	-16,953	-1,046	-17,999
Net, 31 Dec 2019	-	-	66	18	-16,768	-1,038	-17,722
Net, 31 Dec 2018	-	2	-1,469	14	-16,339	-	-17,792

Stress tests

SBAB performs regular stress tests of liquidity risk aimed at internal requirements for analytical and contingency management of liquidity risk. The stress tests have been designed in line with the Swedish FSA's regulations on liquidity management, which impose general requirements on stress tests (FFFS 2010:7). The models analyse SBAB's capacity to meet the need for cash and cash equivalents in various market scenarios and to assess the effect of protracted stress on SBAB's ability to finance its operations. The scenarios are designed on the basis of SBAB's specific risk profile and cover both company-specific and market-related scenarios that may render the financing of the operations difficult. The scenarios are divided into different stages that illustrate increasing levels of stress intensity to reflect how a crisis can continuously deteriorate. The scenarios simulated by the stress tests include:

- The 2008/2009 financial crisis – stress in the funding operations, with funding programmes closing at various stages

- Rating-related stress, with gradually lower ratings for SBAB and SCBC
- Falling property market prices – various levels of falling prices, which increase LTV ratios, thus lowering the share of funding that can be conducted via covered bonds
- Stress of liquidity in the liquidity reserve
- Sizeable fluctuations in interest and currency exchange rates, leading to larger amounts having to be secured through CSAs, which could thus impair liquidity.

The stress tests are under continuous development and the assumptions on which the various scenarios are based are assessed regularly. The stress tests are conducted and reported quarterly, with results assessed against SBAB's established risk appetite and used to adapt strategies and guidelines.

Developments in liquidity risk regulation

The area of liquidity risk is subject to constant regulatory development. The following regulatory changes are on the agenda for the immediate future:

New version of the Capital Requirements Regulation (CRR)

In May 2019, an amendment was made to Regulation (EU) 2019/876 of the European Parliament and of the Council ("CRR II"). The largest amendment pertaining to liquidity risk is the introduction of a mandatory requirement in terms of a 100% stable net funding ratio (NSFR) that enters force in June 2021. Since 2014, SBAB has regularly calculated NSFR based on the Basel Committee's standard, despite the lack of any statutory quantitative requirement. Following the announcement of CRR II, SBAB revised the method for calculating the NSFR in autumn 2019 to align it with the coming regulatory requirements in CRR II. The changed method entailed a positive impact on SBAB's NSFR.

Other regulatory changes

Pillar 2 liquidity risk requirements

In July 2019, the Swedish FSA decided to introduce additional liquidity requirements within the Pillar 2 framework for supervision category 1 and 2 banks (which include SBAB). One requirement means that the bank must meet a liquidity coverage ratio of 75% in SEK and other currencies, assuming that liabilities in these currencies correspond to not less than 5% of total liabilities (significant currencies). The earlier requirement of 100% for EUR and USD applies in addition to the above. The reason being the EU regulation, which sets minimum LCR requirements at consolidated currency level rather than for individual significant currencies. However, the Swedish FSA is of the opinion that the assessments on which the previous national LCR requirements for EUR and USD were based remain valid, which it deems motivates the new requirement. The second requirement, which was presented in July, means that the bank's liquidity reserve that is used for the calculation of the LCR may not comprise more than 50% of the covered bonds, where the cover pool is linked to the Swedish housing market.

The procedure for establishing the requirement follows the process for capital requirements in Pillar 2 and applies from 2019. For SBAB, the requirement only

applies for EUR and SEK at present, since SBAB does not have any other significant currencies. However, the introduction has no practical significance since the bank's LCRs in EUR and SEK are already at levels with very healthy margins to the new requirement.

Harmonised rules for covered bonds

In November 2019, Directive (EU) 2019/2162 of the European Parliament and of the Council on the issue of covered bonds was published. The Directive introduces harmonised rules for covered bonds within the EU. One of the most tangible changes introduced by the rules being the requirement for issuers to hold sufficient highly liquid assets in the cover pool to cover net liquidity outflows from covered bonds for a period of 180 days. This requirement entails an overlapping of the existing liquidity reserve requirement in the LCR regulations.

Efforts are ongoing at EU level to change the LCR regulation to avoid institutions having to hold double liquidity reserves. Different proposals have been discussed at the Swedish Bankers' Association, where SBAB is represented. To date, no official regulatory proposal has been put forward, so discussions are at a very early stage. In other words, there is still uncertainty regarding what changes will be implemented. The new covered bonds directive must be transposed into Swedish law no later than 8 July 2021 and enter force not more than one year later. SBAB continues to monitor developments in the area.

Changed LCR regulatory framework

In October 2018, Commission Delegated Regulation (EU) 2018/1620 was published, amending Delegated Regulation (EU) 2015/61 with regard to the liquidity coverage requirement. The changes will be applied from 30 April 2020 and will impact the calculation of inflows and outflows linked to repos and collateral swaps. In addition, deposits reporting will become more granular, while other reporting items will disappear and some other clarifications will be introduced. These changes have limited impact on SBAB's LCR but will entail some development and work with adjusting models and reporting routines.

RC:4 | Market risk

Market risk is the risk of loss or reduced future income due to market fluctuations. SBAB is characterised by low risk taking, with the Board determining the overall risk appetite and setting the limit for the risk metric Value at Risk (VaR). In addition to VaR, a number of supplementary risk-based metrics set by the CEO of SBAB are also subject to limitation. Through daily reports, Risk Control checks compliance with current risk levels and limits. Market risk is followed up on the Group level as well as broken down to lower levels.

The general principle governing SBAB's exposure to market risk is that the level of risk taking should be low. As a general principle, interest-rate risk is to be mitigated through direct funding or the use of derivatives. SBAB's interest-rate structure as of 31 December 2019 is shown in the table "Fixed-interest periods for financial assets and liabilities." Funding in international currencies are hedged through currency swaps or invested in matching currencies to mitigate currency risk. As per 31 December 2019, total assets and liabilities in foreign currency amounted to a net liability of SEK 111.1 billion (liability: 106.4) in nominal terms. The risk outstanding was reduced using derivatives where the nominal amount was equivalent to SEK 113.6 billion (107.7). The total effect per currency is reported in the table "Nominal amounts for assets, liabilities and derivatives in foreign currency."

Value at 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. Since the model is based on historical data there is a degree of inherent inertia and the model could underestimate the risk in a rapidly changing market. Due to the above and that the model is based on several assumptions, the model is validated daily using back testing analysis, in other words a check of VaR against actual outcomes.

Limits for the day-to-day follow up of VaR are set at two levels: SBAB's total market risk, and all market risks that Treasury is responsible for managing. The limit for SBAB's total market risk is based on the VaR metric included in the model for economic capital and applies a probability level of 99% and a holding period of one year, while the other metric applies a probability level of 99% and a holding period of one day.

As per 31 December 2019, SBAB's total market risk exposure was SEK 255 million, compared with the limit of SEK 1,450 million. Exposure to market risks managed by Treasury was SEK 16 million and the limit was SEK 70 million.

Supplementary risk metrics

In addition to the overall VaR limits determined by the Board, the CEO has set a number of supplementary risk metrics for different kinds of risks to which SBAB is exposed. For interest-rate risk, there are limits for parallel shifts, where the effect on the present value of a one percentage point shift in the yield curve is measured, and curve risk where the effect on the present value is measured in different scenarios, in which the short end of the yield curve is adjusted down (up) and the long end is adjusted up (down). To limit interest-rate risk in the banking book, limits are set for duration of equity. Currency risk is controlled by measuring the effect on present value when currency exchange rates change compared to SEK, and in the liquidity portfolio by controlling the matching of the principal in each currency. There are also limits for basis risk, credit-spread risk and income volatility from basis spreads. Income volatility from basis spreads arises because the derivatives used to hedge funding is recognised at fair value while the underlying funding is reported as book value, in accordance with the accounting standards applied by SBAB. This causes effects to arise in operating profit that do not correspond to the actual risk to which SBAB's portfolio is exposed. Income volatility has declined year-on-year. SBAB has applied hedge accounting through cash-flow hedges since 2014, which means that income volatility is only calculated for swap contracts already in place that are not subject to cash-flow hedges. Income volatility is expected to continue to decline in pace with the expiration of the swap contracts included in the hedge accounting.

In addition to the above-mentioned supplementary risk metrics, sensitivity analysis is performed with stressed interest rates, currency rates and credit spreads together with its effect on the company's CET1 capital requirement.

Interest-rate risk in other operations

Interest-rate risk in other operations is measured and reported to the Swedish FSA in accordance with FFFS 2007:4. As per 31 December 2019, the effect on the present value was negative SEK 80.1 million (negative: 992.6) for a 2 percentage-point parallel upward shift and a positive SEK 77.4 million (1,017.6) for a 2 percentage-point parallel downward shift. As own funds amounted to SEK 24.3 billion (20.7) at 31 December 2019, the effect of the stress tests amounted to negative 0.33% (negative: 4.79) and 0.32% (4.91) of own funds, respectively.

The net interest income effect is measured to capture the impact of changes in interest rates on profit or loss. The metric reflects the differences in volume and fixed-interest periods between assets, liabilities and derivatives in other operations. The net interest income effect is based on an instantaneous parallel shift of one percentage point up and down over a 12-month time horizon. At the end of the year, the net interest income effect was negative SEK 187 million (negative: 67).

FINANCIAL NOTES

NOMINAL AMOUNTS FOR ASSETS, LIABILITIES AND DERIVATIVES IN FOREIGN CURRENCY

SEK million	CONSOLIDATED SITUATION		PARENT COMPANY	
	Assets and liabilities	Derivatives	Assets and liabilities	Derivatives
AUD	0	-	0	-
CHF	0	-	0	-
DKK	0	-	0	-
EUR	-112,584	112,584	-23,502	23,503
GBP	-2,460	2,461	0	-
JPY	0	-	0	-
NOK	-531	531	0	-
USD	4,456	-1,972	4,456	-1,972
Total	-111,119	113,604	-19,046	21,531

FIXED-INTEREST PERIODS FOR FINANCIAL ASSETS AND LIABILITIES

SEK million	CONSOLIDATED SITUATION													
	2019							2018						
	Without interest period	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	Without interest period	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
ASSETS														
Cash and balances held at central banks	-	5,750	-	-	-	-	5,750	-	0	-	-	-	-	0
Chargeable treasury bills, etc.	-	7,822	106	2,311	5,647	-	15,886	-	13,808	2,054	652	3,936	454	20,904
Lending to credit institutions	-	415	-	-	-	-	415	-	2,847	-	-	-	-	2,847
Lending to the public	-	273,236	11,358	15,877	79,836	3,500	383,807	-	265,864	12,751	29,704	53,133	2,763	364,215
Change in fair value of interest-rate-hedged loan receivables	-	-1	-19	18	-191	12	-181	-	0	-1	-2	85	17	99
Bonds and other interest-bearing securities	-	6,984	4,880	2,847	39,468	1,552	55,731	-	6,895	3,195	2,079	36,608	2,168	50,945
Derivatives	-	3,827	77	220	2,359	6,604	13,087	-	-1,512	6	76	2,894	6,849	8,313
Other assets	587	-	-	-	-	-	587	781	-	-	-	-	-	781
Total	587	298,033	16,402	21,273	127,119	11,668	475,082	781	287,902	18,005	32,509	96,656	12,251	448,104
LIABILITIES														
Liabilities to credit institutions	-	10,528	-	-	-	-	10,528	-	6,607	-	-	-	-	6,607
Deposits from the public	126,858	1,343	590	1,468	283	-	130,542	123,310	308	273	861	174	-	124,926
Debt securities issued, etc.	-	26,588	16,662	16,906	169,295	74,146	303,597	-	29,788	8,086	19,610	164,643	68,668	290,795
Derivatives	-	1,233	19	26	801	-691	1,388	-	-212	30	236	722	563	1,339
Other liabilities	2,188	-	-	-	-	-	2,188	2,174	-	-	-	-	-	2,174
Subordinated debt	3,500	4,349	-	599	-	-	8,448	-	3,947	-	-	999	-	4,946
Total	132,546	44,041	17,271	18,999	170,379	73,455	456,691	125,484	40,438	8,389	20,707	166,538	69,231	430,787
Difference assets and liabilities	-131,959	253,992	-869	2,274	-43,260	-61,787	18,391	-124,703	247,464	9,616	11,802	-69,882	-56,980	17,317

PARENT COMPANY														
SEK million	2019							2018						
	Without interest period	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	Without interest period	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
ASSETS														
Cash and balances held at central banks	-	5,750	-	-	-	-	5,750	-	0	-	-	-	-	0
Chargeable treasury bills, etc.	-	7,822	106	2,311	5,647	-	15,886	-	13,808	2,054	652	3,936	454	20,904
Lending to credit institutions	-	102,596	-	-	-	-	102,596	-	93,262	-	-	-	-	93,262
Lending to the public	-	21,317	323	426	2,604	201	24,871	-	20,453	615	759	2,795	223	24,845
Change in fair value of interest-rate-hedged loan receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds and other interest-bearing securities	-	6,984	4,880	2,847	39,468	1,552	55,731	-	6,895	3,195	2,079	36,608	2,168	50,945
Derivatives	-	4,947	80	229	1,833	6,265	13,354	-	-411	6	95	2,497	6,575	8,762
Other assets	1,184	-	-	-	-	-	1,184	788	-	-	-	-	-	788
Total	1,184	149,416	5,389	5,813	49,552	8,018	219,372	788	134,007	5,870	3,585	45,836	9,420	199,506
LIABILITIES														
Liabilities to credit institutions	-	10,527	-	-	-	-	10,527	-	6,607	-	-	-	-	6,607
Deposits from the public	126,858	1,343	590	1,468	283	-	130,542	123,310	308	273	861	174	-	124,926
Debt securities issued, etc.	-	16,648	4,204	9,071	25,855	1,045	56,823	-	19,640	2,884	800	32,697	-	56,021
Derivatives	-	4,723	88	51	2,228	5,230	12,320	-	-1,426	38	328	2,315	6,709	7,964
Other liabilities	778	-	-	-	-	-	778	607	-	-	-	-	-	607
Subordinated debt	3,500	4,349	-	599	-	-	8,448	-	3,947	-	-	999	-	4,946
Total	131,136	37,590	4,882	11,189	28,366	6,275	219,438	123,917	29,076	3,195	1,989	36,185	6,709	201,071
Difference assets and liabilities	-129,952	111,826	507	-5,376	21,186	1,743	-66	-123,129	104,931	2,675	1,596	9,651	2,711	-1,565

RC:5 | Operational risk

Operational risk means the risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events, including legal risks.

Risk management

The process for managing operational risk is based on the continuous identification, analysis and assessment of risks as well as their management and follow-up. An analysis of risk levels is reported to the Board, the CEO and the Executive Management.

The Risk department has overall responsibility for the methods and procedures used in the management of operational risk. The work with managing operational risk is conducted based on SBAB's risk appetite and the significant processes for the business. This entails constant efforts to develop employees' risk awareness and the bank's risk culture, to improve processes and procedures as well as to provide tools to efficiently and proactively manage day-to-day operational risk.

As part of strengthening SBAB's risk culture, in 2016 the bank implemented risk and compliance coordinators (RCCs) in the first line. The RCCs support the business managers with a focus on risk management, process mapping, internal controls, incident management and regulatory compliance.

Self-evaluation

The self-evaluation process encompasses the identification and evaluation of operational risks in all significant processes. Self-evaluation is carried out using a shared method and documented in the shared system support. The result of the self-evaluation is reported annually to the Board, the CEO and the Executive Management.

Incident management

SBAB has procedures and system support intended to facilitate the reporting and follow-up of incidents. The Risk department supports the operations with the analysis of reported incidents to ensure that root causes are identified and suitable measures are implemented. Even incidents that have not caused direct damage or financial loss are reported, to promote proactive risk management.

Management of material changes

SBAB's process for the management of material changes is applied for new or significantly altered products, services, markets, processes and IT systems as well as in the event of major operational and organisational changes at SBAB. The aim of the process is to evaluate any potential risks related to the change and to draw attention to any impact the change may have on capital.

Continuity management

SBAB works in a pre-emptive manner to prevent events that may affect the company's ability to operate. A contingency organisation has been established that is responsible for crisis and catastrophe management, and communication in case of serious incidents, crises or disasters. This organisation is tested regularly in collaboration with external crisis management experts.

Significant operational risks

SBAB has identified a number of risks that, were they to occur, are assessed as potentially having a larger impact on SBAB's operations than other risks. The development of these risk is monitored on an ongoing basis by the Executive Management and the Board, and is taken into consideration within the framework of SBAB's business planning. The significant operational risks are detailed below.

Cyber risk

The cyber threat to the Swedish financial sector is extensive and persistent. Breaches that can crash important systems together with any accompanying black-mail attempts or leaks of sensitive data can lead to SBAB's undertakings as a bank not being possible to fulfil.

SBAB has a dedicated security team comprised of specialists tasked with attaining and maintaining a high level of cyber security for the bank. This is achieved through proactive efforts to ensure strong, digital perimeter protection and a high level of security within this protective shield. The team endeavours to increase risk and security awareness throughout SBAB with the aim of achieving the right level of security for our customers, systems and personnel.

Technical liability

Market advances in technology have been rapid in recent years, which has led to parts of SBAB's infrastructure becoming obsolete and outdated. An extensive project to replace the system platform began in 2017 and has continued at full intensity and with high priority since then. The project is planned to extend throughout 2020 until Q1 2021. SBAB has identified risks indicating that despite the above, the change is not proceeding fast enough, that there are too many development-related disturbances in daily operations and that the lifecycle management of other system support is lagging behind.

Clearly defined objectives and priorities are in place for SBAB's IT strategy to ensure that the identified risks are managed effectively. The Executive Management and the Board closely monitor the development and outcome related to time plans and expenses. The shorter target and lead times entailed by the agile working method as well as shorter intervals between production increase flexibility and enable a more efficient working practices.

Competence

SBAB aims to be an attractive workplace with dedicated and motivated employees who, on their own initiative, generate ideas, collaborate and identify solutions. Like many other companies, SBAB faces the risk of not succeeding in attracting and retaining the right skills.

SBAB uses a clearly defined and transparent HR strategy together with ambitious goals in this area to actively develop the value-driven work approach and to ensure inclusive leadership that can generate driven employees.

Regulatory risk

Regulatory risk is increasingly becoming a significant risk. New external regulations impacting SBAB will be implemented and training will be conducted to secure a high level of competence and thus high regulatory compliance in all parts of SBAB.

During 2019, the main focus was on the implementation of routines for data erasure (to ensure storage limitation) relating to the General Data Protection Regulation (GDPR). Privacy Office, a function within SBAB, is responsible for leading coordinating activities related to personal data management and various training activities in different parts of the SBAB.

Operations continue to focus highly on compliance with anti-money laundering and terrorist financing regulations. SBAB has an Anti Financial Crime unit which, inter alia, monitors regulatory developments in the area and supports operations in this regard.

Capital requirements for operational risks

SBAB uses the standardised approach to calculate capital requirements for operational risk within the Pillar 1 framework. The capital requirements for operational risk are presented in the Risk Exposure Amounts and Capital requirements table (Note RC 8).

RC:6 | Business risk

SBAB differentiates its business risk between strategic risk and the risk of weaker earnings. Strategic risk is defined as the risk of a loss arising due to unfavourable business decisions, erroneous implementation of strategic decisions or a lack of sensitivity to changes in the industry, the political environment or legal circumstances. The risk of weaker earnings encompasses the risk of, for example, reduced margins, which in turn may arise due to more expensive financing or more intense competition.

New business is usually relatively similar to the business SBAB already has.

Changes in the form of new products or new markets may only constitute a small part of SBAB's activities and must be implemented at such a pace that SBAB does not substantially jeopardise its earnings level and with great probability avoids pressure on its own funds.

Risks related to strategy and earnings are evaluated on an ongoing basis over the year within the first line's strategy work. Strategically important decisions are managed within the framework for managing material changes. Furthermore, the Board receives an annual evaluation of the material risks that clearly addresses strategic business risk and the bank's overall earnings. Business risk is included in the calculation of the Pillar 2 capital requirement as part of SBAB's stress tests, and where the effects of a scenario corresponding to a normal economic downturn are evaluated. For business risk within Pillar 2, refer to the Capital adequacy and risk management 2019 report.

RC:7 | Concentration risk

Concentration risk arises when exposures are concentrated to certain counterparties, regions or types of businesses/industries. Through a direction decision as part of the business planning, SBAB's Board has established the concentration of risk based on the actual conditions for SBAB. The Board's risk appetite sets the framework for concentration risk, which is calculated based on the size of the exposures, industry and geographical concentration. SBAB is primarily considered to be exposed to credit-risk related concentration risk in its lending operations. At 31 December 2019, lending with collateral in single-family dwellings and tenant-owners' rights amounted to 70% of total assets. SBAB's lending operations are concentrated to Sweden and primarily to major metropolitan areas. SBAB's business model has proven attractive to customers in the major cities. Moreover, SBAB has increased its market shares and this is driving increased concentration toward those areas with the largest housing stock and highest housing turnover rates. Given the

conditions in Sweden, this entails a concentration of lending to the Stockholm area. SBAB measures and actively follows the geographical concentration risk in terms of volume and profile. At 31 December 2019, lending for housing in the Stockholm area amounted to 46% of total assets. SBAB's main counterparties (name concentrations) are largely driven by SBAB's largest customer groups, which are also managed through the regulations governing large exposures. At 31 December 2019, the ten largest customer groups accounted for 5,36% of total assets. The capital requirement for concentration risk is quantified with the economic capital for credit risk. Upon calculation at 31 December 2019, the internally calculated capital requirement for concentration risk was SEK 951 million (968), of which SEK 881 million (898) pertained to credit risk in lending operations and SEK 70 million (70) to credit risk in funding operations.

For concentration risk in liquidity, please refer to Note **RC 5**.

RC:8 | Capital adequacy analysis

Regulatory framework

New common regulations on supervisory requirements for credit institutions have been adopted by the EU. The purpose of the rules is in part to make institutions more resilient to new crises, and in part to raise confidence in the institutions' ability to manage new crises. The regulations include capital requirements, requirements on capital quality, a non-risk-based metric (leverage ratio) and quantitative liquidity requirements. On 20 May 2019, changes in Regulation (EU) No. 575/2013 of the European Parliament and of the Council were published as a result of work on further important reforms being completed. The background to these changes was that the need for further risk mitigation measures to strengthen the resilience of the European banking system had been identified.

From 31 December 2018, a national risk-weight floor of 25% for residential mortgages to Swedish households within Pillar 1 is included following a decision by the Swedish FSA. The decision applies for two years. Under Article 458 of the CRR, the measure can then be extended for one year at a time. The change means the capital requirement is set as a requirement in Pillar 1. The credit institutions encompassed by the measure are those authorised to use the IRB approach and which have exposures to Swedish residential mortgages. The branches of foreign credit institutions in Sweden that are exposed to Swedish residential mortgages and which apply the IRB approach for these may also be affected.

Banks that are considered systemic will be subject to additional capital requirements. SBAB is not subject to these requirements.

New rules for the classification of leases, IFRS 16, were introduced on 1 January 2019. These rules entail recognition of the right-of-use in a lease as a material asset. For the consolidated situation, the calculated opening balance for this asset is around SEK 88 million and is given a risk-weight of 100%. The amount totalled SEK 86 million at 31 December 2019.

The Swedish FSA decided in 2018 to raise the countercyclical buffer for Swedish exposures from 2.0% to 2.5% from September 2019, refer to the Risk exposure amounts and capital requirements table for the outcomes. The countercyclical buffer for Norwegian exposures was raised to 2.5% at 31 December 2019 and for Danish exposures to 1.0% from 30 September 2019.

The Swedish National Debt Office has set an individual minimum requirement for own funds and eligible liabilities (MREL) for SBAB as a complement to the capital requirements. The MREL metric measures the relationship between eligible liabilities and total liabilities and own funds. The aim of eligible liabilities is to ensure that the company can be recapitalised in the event of default. The MREL set by the Swedish National Debt Office for SBAB for 2020 amounts to 5.35%. SBAB follows up outcomes on a monthly basis and met the requirement with a healthy margin.

SBAB's capital

SBAB is well capitalised, and to retain a strong capital position, SBAB's Board of Directors adopted a new capital policy. According to these new targets, under normal conditions, SBAB's CET1 capital ratio should be at least 0.6 percentage points higher than the CET1 capital requirement communicated by the Swedish FSA. In addition, under normal conditions, SBAB's total capital ratio should be at least 0.6

percentage points higher than the capital requirement communicated by the Swedish FSA. The bank is also tasked with meeting any other regulatory capital requirements. By means of a strong capital position and good risk management, SBAB meets the supervisory rules adopted by the EU.

SBAB primarily recognises credit risk in accordance with the internal ratings-based (IRB) approach, and other risk types in accordance with the standardised approach.

The SBAB Group has no securitised loans of its own and has not contributed to any other institution's securitisation.

Note RC 9 contains a summary of the method used to assess the internal capital requirement.

Own funds

SBAB's own funds comprise equity as well as additional Tier 1 capital and Tier 2 capital consisting of subordinated loans. SBAB's own funds amounted to SEK 24,282 million (20,713) as per 31 December 2019.

Over the year, the CET1 capital was affected by the fact that net profit/loss for the period was added. The surplus has been verified by the company's auditors, in accordance with Article 26, item 2, of the CRR. In September 2019, CET1 capital increased from SEK 3,000 million to SEK 5,000 million as a result of two issues of AT1 instruments.

According to Article 35 of the CRR, the institution shall, except in the case of the items referred to in Article 33, not make adjustments to remove from own funds unrealised gains or losses on assets or liabilities recognised at fair value. According to this Article, SEK 1,959 million (609) has been added to CET1 capital.

According to Article 33, item 1, of the CRR, part of the fair-value reserves related to gains or losses on cash-flow hedges of financial instruments that are not measured at fair value, including projected cash flows, is not to be included in own funds. The CET1 capital has been adjusted for SEK -1,921 million (negative: 488) in cash-flow hedges.

Changes in fair value that depend on the institution's own credit standing and that are related to derivatives had a negative impact of SEK 19 million (negative: 65) on the CET1 capital, in accordance with Article 33, item 1b.

With reference to Articles 34 and 105 of the CRR, SEK 55 million (59) has been deducted due to the requirements for prudent valuation.

A deduction of SEK 188 million (126) for intangible assets and a deduction of SEK 64 million (50) for net provisions were made in accordance with Article 36. Positive net provisions amounted to SEK 5 million (3) in accordance with Article 62.

The consolidated situation

The table below lists the companies that are included in the consolidated situation within the SBAB Group. There are no on-going or unforeseen material obstacles or legal barriers to a rapid transfer of funds from own funds other than what is stipulated in the terms and conditions governing subordinated loans (see Note L 7).

COMPANIES INCLUDED IN THE CONSOLIDATED SITUATION

Company	Corporate Registration Number	Ownership share	Consolidation method used in the accounts	Consolidation method used for capital adequacy	Company description
SBAB Bank AB (publ)	556253-7513	Parent Company	-	-	Institution
AB Sveriges S�akerst�allda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)	556645-9755	100%	Fully consolidated	Acquisition method	Institution

COMPANIES NOT INCLUDED IN THE CONSOLIDATED SITUATION

Company	Corporate Registration Number	Ownership share	Consolidation method used in the accounts	Consolidation method used for capital adequacy	Company description
Booli Search Technologies AB	556733-0567	100%	Fully consolidated	Not consolidated	IT company

Subordinated loans

Subordinated debt may be included in the calculation of Tier 1 capital if certain conditions are present according to the transitional regulations of the CRR and if the Swedish FSA has given its consent. SBAB received such consent for six subordinated loans with a nominal value of SEK 5,000 million. These have been included in own funds as Tier 1 capital. Tier 2 capital amounted to SEK 3,447 million. No new subordinated loans have been taken that are recognised as Tier 2 capital.

Subordinated loans are subordinate to the Parent Company's other liabilities, and subordinated loans that are included in Tier 1 capital are subordinate to other subordinated loans. Please refer to the link under "Capital adequacy and risk management" at www.sbab.se for a specification of own funds and the complete terms and conditions for subordinated loans in accordance with Commission Implementing Regulation (EU) No 1423/2013. The complete terms and conditions for each subordinated loan are specified in the same place. For further information on subordinated loans, also refer to Note L 7.

CAPITAL ADEQUACY ¹⁾

SEK million	CONSOLIDATED SITUATION		PARENT COMPANY		SCBC	
	2019	2018	2019	2018	2019	2018
CET1 capital	15,830	14,263	9,530	6,398	16,168	15,250
Tier 1 capital	20,830	17,263	14,530	9,398	16,168	15,250
Total capital	24,282	20,713	17,977	12,845	16,173	15,253
Risk exposure amount	120,571	114,141	37,573	36,404	94,966	89,188
CET1 capital ratio, %	13.1	12.5	25.4	17.6	17.0	17.1
Excess ²⁾ of CET1 capital	10,404	9,127	7,839	4,760	11,894	11,237
Tier 1 capital ratio, %	17.3	15.1	38.7	25.8	17.0	17.1
Excess ²⁾ of Tier 1 capital	13,596	10,415	12,276	7,214	10,470	9,899
Total capital ratio, %	20.1	18.1	47.8	35.3	17.0	17.1
Excess ²⁾ of total capital	14,636	11,582	14,971	9,933	8,575	8,118

¹⁾ The risk exposure amount, the excess and capital ratios have been impacted by the risk-weight floor for residential mortgages.

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

FINANCIAL NOTES

OWN FUNDS

SEK million	CONSOLIDATED SITUATION	
	2019	2018
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	12,360	11,443
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	1,959	609
Additional Tier 1 instruments	3,500	1,500
Independently verified net profit for the year net of any foreseeable charge or dividend ¹⁾	1,800	1,041
CET1 capital before regulatory adjustments	21,577	16,551
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-55	-59
Intangible assets (net of related tax liability) (negative amount)	-188	-126
Fair value reserves related to gains or losses on cash-flow hedges	-1,921	-488
Negative amounts resulting from the calculation of expected loss amounts	-64	-50
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-19	-65
Additional Tier 1 instruments in equity	-3,500	-1,500
Total regulatory adjustments to CET1 capital	- 5,747	-2,288
CET1 capital	15,830	14,263
Additional Tier 1 capital: Instruments		
Capital instruments and the related share premium accounts	5,000	3,000
<i>of which, classified as equity under applicable accounting standards</i>	3,500	1,500
<i>of which, classified as liabilities under applicable accounting standards</i>	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-
Additional Tier 1 capital before regulatory adjustments	5,000	3,000
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	5,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	20,830	17,263
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	3,447	3,447
Credit risk adjustments	5	3
Tier 2 capital before regulatory adjustments	3,452	3,450
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	3,452	3,450
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	24,282	20,713
Total risk exposure amount	120,571	114,141

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

Cont. Own funds

SEK million	CONSOLIDATED SITUATION	
	2019	2018
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	13.1	12.5
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	17.3	15.1
Total capital (as a percentage of total risk-weighted exposure amount), %	20.1	18.1
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer]) expressed as a percentage of the risk-weighted exposure amount, %	9.5	9.0
<i>of which, CET1 capital, minimum requirement, %</i>	4.5	4.5
<i>of which, capital conservation buffer requirement, %</i>	2.5	2.5
<i>of which, countercyclical buffer requirement, %</i>	2.5	2.0
<i>of which, systemic risk buffer requirement, %</i>	–	–
<i>of which, G-SII buffer and O-SII buffer, %</i>	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	8.6	8.0
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

FINANCIAL NOTES

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 (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.

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

SEK million	CONSOLIDATED SITUATION			
	2019		2018	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	13,415	1,073	12,128	970
Retail exposures	12,021	962	12,096	968
<i>of which, exposures to SMEs</i>	834	67	829	67
<i>of which, retail exposures secured by immovable property</i>	11,187	895	11,267	901
Total exposures recognised with the IRB approach	25,436	2,035	24,224	1,938
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to institutions ¹⁾	4,079	326	3,777	302
<i>of which, derivatives according to CRR, Appendix 2</i>	4,057	324	3,776	302
<i>of which, repos</i>	21	2	0	0
<i>of which, other</i>	1	0	1	0
Retail exposures	2,253	180	2,236	179
Exposures in default	7	1	10	1
Exposures in the form of covered bonds	3,674	294	3,593	287
Exposures to institutions and corporates with a short-term credit rating	21	2	16	1
Equity exposures	1,266	101	1,116	89
Other items	218	18	227	18
Total exposures recognised with standardised approach	11,518	922	10,975	877
Market risk	462	37	999	80
<i>of which, position risk</i>	-	-	-	-
<i>of which, currency risk</i>	462	37	999	80
Operational risk	4,854	388	4,339	347
<i>of which, standardised approach</i>	4,854	388	4,339	347
Credit valuation adjustment risk	2,396	192	2,885	231
Additional requirements under Article 458 of the CRR	75,113	6,009	70,719	5,658
Additional requirements under Article 3 of the CRR	792	63	-	-
Total risk exposure amount and minimum capital requirements	120,571	9,646	114,141	9,131
Capital requirements for capital conservation buffer		3,014		2,854
Capital requirements for countercyclical buffer		3,003		2,266
Total capital requirements		15,663		14,251

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

AVERAGE RISK WEIGHT FOR CREDIT RISK RECOGNISED USING THE IRB APPROACH

SEK million	CONSOLIDATED SITUATION									
	2019					2018				
	Exposure before credit risk hedge	Exposure after CCF	Risk exposure amount	Capital requirement	Average risk weight, %	Exposure before credit risk hedge	Exposure after CCF	Risk exposure amount	Capital requirement	Average risk weight, %
Credit risk in lending portfolio recognised under the IRB approach										
Exposures to corporates	48,520	46,589	13,415	1,073	28.8	44,096	42,430	12,128	970	28.6
Retail exposures	380,344	348,534	12,021	962	3.4	354,124	331,258	12,096	968	3.7
<i>of which, single-family dwellings and holiday homes</i>	162,169	149,992	4,859	389	3.2	153,020	143,573	4,978	398	3.5
<i>of which, tenant-owners' rights</i>	170,564	151,511	6,328	506	4.2	154,523	141,829	6,289	503	4.4
<i>of which, tenant-owners' associations</i>	47,611	47,031	834	67	1.8	46,580	45,856	829	67	1.8
Total credit risk under the IRB approach	428,864	395,123	25,436	2,035	6.4	398,220	373,688	24,224	1,938	6.5

FINANCIAL NOTES

OWN FUNDS

SEK million	PARENT COMPANY	
	2019	2018
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	4,324	4,993
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	237	222
Additional Tier 1 instruments	3,500	1,500
Independently verified net profit for the year net of any foreseeable charge or dividend ¹⁾	3,263	-567
CET1 capital before regulatory adjustments	13,282	8,106
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-76	-76
Intangible assets (net of related tax liability) (negative amount)	-24	-25
Fair value reserves related to gains or losses on cash-flow hedges	-91	-31
Negative amounts resulting from the calculation of expected loss amounts	-42	-11
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-19	-65
Additional Tier 1 instruments in equity	-3,500	-1,500
Total regulatory adjustments to CET1 capital	-3,752	-1,708
CET1 capital	9,530	6,398
Additional Tier 1 capital: Instruments		
Capital instruments and the related share premium accounts	5,000	3,000
<i>of which, classified as equity under applicable accounting standards</i>	3,500	1,500
<i>of which, classified as liabilities under applicable accounting standards</i>	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-
Additional Tier 1 capital before regulatory adjustments	5,000	3,000
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	5,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	14,530	9,398
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	3,447	3,447
Credit risk adjustments	-	-
Tier 2 capital before regulatory adjustments	3,447	3,447
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	3,447	3,447
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	17,977	12,845
Total risk exposure amount	37,573	36,404

Cont. Own funds

SEK million	PARENT COMPANY	
	2019	2018
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	25.4	17.6
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	38.7	25.8
Total capital (as a percentage of total risk-weighted exposure amount), %	47.8	35.3
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer]) expressed as a percentage of the risk-weighted exposure amount, %	9.5	9.0
<i>of which, CET1 capital, minimum requirement, %</i>	4.5	4.5
<i>of which, capital conservation buffer requirement, %</i>	2.5	2.5
<i>of which, countercyclical buffer requirement, %</i>	2.5	2.0
<i>of which, systemic risk buffer requirement, %</i>	–	–
<i>of which, G-SII buffer and O-SII buffer, %</i>	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	20.9	13.1
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

¹⁾ Net profit for the year was in part affected by an extra dividend of SEK 3,000 million from SCBC to SBAB pursuant to the resolution by the EGM as well as a reduction for Group contributions received of SEK 539 million, which will be settled in cash after the 2020 AGM. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

FINANCIAL NOTES

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

SEK million	PARENT COMPANY			
	2019		2018	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	7,475	598	7,087	567
Retail exposures	747	60	743	59
<i>of which, exposures to SMEs</i>	70	6	59	5
<i>of which, retail exposures secured by immovable property</i>	677	54	684	54
Total exposures recognised with the IRB approach	8,222	658	7,830	626
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to institutions ¹⁾	4,034	323	3,751	300
<i>of which, derivatives according to CRR, Appendix 2</i>	3,993	319	3,723	298
<i>of which, repos</i>	–	–	–	–
<i>of which, other</i>	41	3	28	2
Retail exposures	2,253	180	2,236	179
Exposures in default	6	0	10	1
Exposures in the form of covered bonds	3,674	294	3,593	287
Exposures to institutions and corporates with a short-term credit rating	21	2	16	1
Equity exposures	11,566	929	11,416	913
Other items	107	9	83	7
Total exposures recognised with standardised approach	21,661	1,733	21,105	1,688
Market risk	94	8	248	20
<i>of which, position risk</i>	–	–	–	–
<i>of which, currency risk</i>	94	94	248	20
Operational risk	1,813	145	1,412	113
<i>of which, standardised approach</i>	1,813	145	1,412	113
Credit valuation adjustment risk	2,230	178	2,765	221
Additional requirements under Article 458 of the CRR	3,377	270	3,044	244
Additional requirements under Article 3 of the CRR	176	14	–	–
Total risk exposure amount and minimum capital requirements	37,573	3,006	36,404	2,912
Capital requirements for capital conservation buffer		939		910
Capital requirements for countercyclical buffer		935		722
Total capital requirements		4,880		4,544

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

AVERAGE RISK WEIGHT FOR CREDIT RISK RECOGNISED USING THE IRB APPROACH

SEK million	PARENT COMPANY									
	2019					2018				
	Exposure before credit risk hedge	Exposure after CCF	Risk exposure amount	Capital require- ment	Average risk weight, %	Exposure before credit risk hedge	Exposure after CCF	Risk exposure amount	Capital require- ment	Average risk weight, %
Credit risk in lending portfolio recognised under the IRB approach										
Exposures to corporates	21,955	20,103	7,475	598	37.2	21,332	19,765	7,087	567	35.9
Retail exposures	47,764	16,494	747	60	4.5	37,317	15,147	743	59	4.9
<i>of which, single-family dwellings and holiday homes</i>	17,644	5,470	247	20	4.5	14,659	5,214	253	20	4.9
<i>of which, tenant-owners' rights</i>	27,366	8,312	430	34	5.2	20,248	7,554	430	34	5.7
<i>of which, tenant-owners' associations</i>	2,754	2,712	70	6	2.6	2,410	2,379	59	5	2.5
Total credit risk under the IRB approach	69,719	36,597	8,222	658	22.5	58,649	34,912	7,830	626	22.4

RC:9 Internally assessed capital requirement

Within the framework of Pillar 2, the Basel regulations impose the requirement that banks' management and assessment of risks must be satisfactory to ensure that the banks can fulfil their obligations. To meet this requirement, the banks must have methods that enable them to continuously evaluate and uphold capital in an amount, type and distribution sufficient to cover the risks to which they are or would be exposed. This is known as the company's internal capital adequacy assessment process, which is part of SBAB's internal capital and liquidity adequacy assessment process (ICLAAP). At present, liquidity risk does not give rise to any actual capital requirement for SBAB. Refer to Note RC 3 for more information about liquidity risk.

The ICAAP aims to identify, evaluate and manage the risks to which SBAB is exposed and ensure that the consolidated situation has sufficient own funds for its selected risk profile. The ICAAP is revised annually to identify changes in the operating environment and changed regulations and supervisory practices that continuously affect the bank's performance. The amount of own funds required to manage the combined risk in the operations is based primarily on the calculation of SBAB's economic capital. Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period.

However, if the economic capital for risks included in Pillar 1 is less than the capital requirements under Pillar 1 for a given type of risk, the capital requirements under Pillar 1 are applied. The internally assessed capital requirement for the Group amounted to SEK 16,970 million (SEK 16,052 million at 31 December 2018). The internal capital requirement is assessed with the help of SBAB's internal models for economic capital and is not fully compatible with the capital requirements published by the Swedish FSA. According to the Swedish FSA's report "Own funds requirements for Swedish banks Q4 2019", SBAB's total capital requirement amounted to SEK 17,912 million.

Finally, consideration is given to the risk associated with deteriorating macroeconomic conditions, which is illustrated in conjunction with stress tests. Taken together, the above comprise the capital that, in accordance with Basel 3, is required to meet all risks in the operations. Additional information on the internal capital requirement can be found in the document "Capital Adequacy and Risk Management 2019," which is published on www.sbab.se. For the Parent Company, the internally assessed capital requirement amounted to SEK 6,286 million (5,899).

SEK million		CONSOLIDATED SITUATION			
		31 Dec 2019		31 Dec 2018	
		Internally assessed capital requirement		Internally assessed capital requirement	
		Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %
Pillar 1	Credit risk & CVA risk	3,149	2.6	3,046	2.6
	Market risk	37	0.0	80	0.1
	Operational risk	388	0.3	347	0.3
	Risk-weight floor ¹⁾	6,009	5.0	5,658	5.0
	Surcharge, corporate exposures ²⁾	63	0.1	–	–
	Total Pillar 1	9,646	8.0	9,131	8.0
Pillar 2	Credit risk	–	–	–	–
	Market risk	280	0.2	781	0.7
	Operational risk	–	–	–	–
	Concentration risk	951	0.8	968	0.8
	Sovereign risk	65	0.1	52	0.1
	Pension risk	11	0.0	–	–
Total Pillar 2	1,307	1.1	1,801	1.6	
Buffers	Capital conservation buffer	3,014	2.5	2,854	2.5
	Capital planning buffer	–	–	–	–
	Countercyclical buffer	3,003	2.5	2,266	2.0
	Total Buffers	6,017	5.0	5,120	4.5
Total	16,970	14.1	16,052	14.1	
Total own funds	24,282	–	20,713	–	

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

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

IC Income and expenses

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IC:1 Net interest income

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Interest income				
Lending to credit institutions	38	-12	1,274	981
Lending to the public ¹⁾	5,758	5,192	531	496
Interest-bearing securities	440	373	440	373
Derivatives	-368	-629	-283	-451
Total interest income	5,868	4,924	1,962	1,399
<i>of which, interest income from financial assets that is not measured at FVTPL</i>	<i>6,177</i>	<i>5,450</i>	<i>2,185</i>	<i>1,747</i>
Interest expense				
Liabilities to credit institutions	-1	33	-1	20
Deposits from the public	-648	-621	-648	-621
Debt securities issued	-2,543	-2,477	-557	-591
Subordinated debt	-116	-102	-117	-102
Derivatives	1,202	1,954	113	344
Other ²⁾	-45	-50	-43	-50
Resolution fee	-244	-299	-69	-106
Total interest expense	-2,395	-1,562	-1,322	-1,106
<i>of which, interest expense from financial liabilities that is not measured at FVTPL</i>	<i>-3,597</i>	<i>-3,517</i>	<i>-1,436</i>	<i>-1,387</i>
Net interest income	3,473	3,362	640	293

¹⁾ Includes interest income from doubtful receivables of SEK 2 million (3).

²⁾ The item other includes interest expense for lease liabilities pertaining to property leases of SEK 1 million (-).

IC:2 Commission

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Commission income				
Commission on lending ¹⁾	39	38	23	25
Other commissions ²⁾	45	52	66	75
Total	84	90	89	100
Commission expense				
Commission on securities	-68	-56	-28	-22
Other commissions	-30	-83	-8	-3
Total	-98	-139	-36	-25
Net commission	-14	-49	53	75

¹⁾ Commission on lending is primarily recognised when the service is provided, in other words at a specific date.

²⁾ Other commissions are mainly recognised when these services are rendered, in other words, in a straight line over time.

IC:3 Net result of financial transactions

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Gains/losses on interest-bearing financial instruments				
Interest-bearing securities	-49	-134	-49	-134
Change in value of hedged items in hedge accounting	-590	53	249	235
Realised gain/loss from financial liabilities	-132	-162	-3	-15
Derivatives in hedge accounting	615	-39	-188	-231
Other derivatives	111	165	1	95
Loan receivables	70	62	1	15
Currency translation effects	1	-10	0	-10
Total	26	-65	11	-45

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 policies for risk management and hedge accounting entail variations in results as a consequence of changed market interest rates, which can arise between periods for individual items in the above presentation. These are generally offset by variations in the results in other items. Variations in results that are not neutralised through risk management and hedge accounting are commented in the administration report.

IC:4 Other operating income

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Administrative services on behalf of subsidiary	-	-	1,043	895
Other operating income ¹⁾	36	32	0	1
Total	36	32	1,043	896

¹⁾ Other operating income primarily includes revenue from Booli.

IC:5 Personnel costs

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Salaries and other remuneration	-382	-328	-372	-319
Pension costs	-64	-53	-68	-57
Social security expenses	-138	-119	-136	-116
Other personnel costs	-46	-43	-44	-42
Total	-630	-543	-620	-534

FINANCIAL NOTES

SALARIES AND OTHER REMUNERATION

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
CEO	-6	-5	-6	-5
Senior executives who report directly to the CEO	-20	-20	-20	-20
Other employees	-356	-303	-346	-294
Total salaries and other remuneration	-382	-328	-372	-319

Salaries and other remuneration for employees of the subsidiary Booli Search Technologies AB are included in the Group's expenses in the Other employees item. Board Members who are employed by the Parent Company receive remuneration and pension benefits as a result of their employment. No additional remuneration or pension benefits are paid for Board assignments. No remuneration was paid to the CEO of the subsidiary Swedish Covered Bond Corporation (SCBC). The number of senior executives who reported directly to the CEO as per the end of the year was 9 (8).

AVERAGE NUMBER OF EMPLOYEES

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Women	342	305	329	293
Men	314	272	293	256
Average number of employees	656	577	622	549

SICKNESS ABSENCE, %

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Total sickness absence	3.1	4.9	3.1	3.5
Women	1.9	3.3	2.0	2.4
Men	1.2	1.7	1.1	1.2
29 or younger	2.6	4.4	2.6	3.1
30-49	3.2	4.9	3.3	3.6
50 or older	3.3	3.8	3.3	3.8
Proportion of long-term sickness absence compared to total sickness (absence that exceeded 60 days)	25.1	26.9	25.5	37.3

GENDER DISTRIBUTION AMONG SENIOR EXECUTIVES

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Board of Directors				
Women	6	7	4	5
Men	13	12	4	5
Total	19	19	8	10
Executive Management				
Women	3	5	3	5
Men	6	4	5	4
Total	9	9	8	9

The Group includes the Board Members of the subsidiaries: Swedish Covered Bond Corporation (SCBC) and Booli Search Technologies AB.

FORM OF EMPLOYMENT

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Total number of employees at year end	695	602	658	574
<i>of whom, women, %</i>	52.3	52.0	53.1	52.0
<i>of whom, managers, %</i>	11.9	12.5	12.0	12.0
<i>of managers, women, %</i>	43.2	44.0	42.9	44.0
<i>of whom, temporary employees, %</i>	5.0	0.8	5.0	1.0
<i>of whom, part-time employees, %</i>	0.3	0.9	0.3	0.9

PERSONNEL TURNOVER

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Number of permanent employees who terminated employment during the year	78	62	76	61
<i>of whom, women, %</i>	53.0	48.4	53.0	49.2
<i>of whom, 29 or younger, %</i>	19.2	32.3	18.4	32.8
<i>of whom, 30-49, %</i>	62.8	59.7	63.2	60.7
<i>of whom, 50 or older, %</i>	18.0	6.5	18.4	6.6

Salary, remuneration and pension costs for the CEO

No company car or non-cash benefits were provided to the CEO. The company pays for a defined-contribution pension insurance plan corresponding to 30% of the CEO's pensionable salary, although not longer than until age 65.

Salaries and other remuneration

Fringe benefits (subsidised interest rate, company car and sickness benefit) to senior executives who report directly to the CEO amounted to SEK 0.1 million (0.1). Refer to the following table for details of the salary and other remuneration paid to senior executives.

SALARIES AND OTHER REMUNERATION AND PENSIONS TO THE CEO AND OTHER SENIOR EXECUTIVES WHO REPORT DIRECTLY TO THE CEO¹⁾

SEK million	PARENT COMPANY			
	2019			
	Period ¹⁾	Salary and other remuneration	Pension cost	Severance pay
Klas Danielsson, CEO	1 January–31 December 2019	5.5	1.6	–
Sara Davidgård, Head of Business Specialists and acting Head of Corporate Clients & Tenant-Owners' Associations	1 January–31 December 2019	2.2	0.6	–
Mikael Inglander, CFO and acting Head of Corporate Clients & Tenant-Owners' Associations	1 January–31 December 2019	2.9	0.7	–
Peter Svensén, CRO	1 January–27 October 2019	1.8	0.5	–
Carina Eriksson, Head of HR	1 January–31 December 2019	1.9	0.6	–
Klas Ljungkvist, CIO and acting CDSO	1 January–31 December 2019	2.4	0.7 ²⁾	–
Malin Pellborn, Head of Sustainability, Marketing & Communication	1 January–18 September 2019	1.5	0.6 ²⁾	3.4
Andras Valko, CDSO	14 January–31 December 2019	1.5	0.4	–
Kristina Frid, Head of Customer Service	1 January–31 December 2019	1.8	0.5	–
Robin Silfverhielm, CXO and acting Head of Sustainability, Marketing & Communication	14 January–31 December 2019	1.9	0.6	–
Sofia Blomgren, Chief Compliance Officer	1 January–31 December 2019	1.2	0.3	–
Sari Zander, Head of Internal Audit	16 May–31 December 2019	1.0	0.2	–
Total remuneration to members of Group management	1 January–31 December 2019	25.6	7.3	3.4

¹⁾ In those periods during the year without a permanent Head of Internal Audit and a CRO, SBAB has engaged consultants as an interim solution.

²⁾ Of the pension cost for Klas Ljungkvist, SEK 0.1 million pertains to 2018, and of the pension cost for Malin Pellborn, SEK 0.2 million pertains to 2018 and part of 2017. These were included in expenses in 2019.

SEK million	PARENT COMPANY			
	2018			
	Period	Salary and other remuneration	Pension cost	Severance pay
Klas Danielsson, CEO	1 January–31 December 2018	5.1	1.5	–
Sara Davidgård, Head of Business Specialists and acting Head of Corporate Clients & Tenant-Owners' Associations	1 January–31 December 2018	2.1	0.4	–
Mikael Inglander, CFO	1 January–31 December 2018	2.8	0.7	–
Peter Svensén, CRO	1 January–31 December 2018	2.1	0.6	–
Carina Eriksson, Head of HR	1 January–31 December 2018	1.9	0.6	–
Klas Ljungkvist, CIO and acting CDSO	1 January–31 December 2018	2.3	0.4	–
Malin Pellborn, Head of Sustainability, Marketing & Communication	1 January–31 December 2018	1.9	0.4	–
Kristina Frid, Head of Customer Service	1 May–31 December 2018	1.1	0.2	–
Tim Pettersson, Head of Corporate Clients & Tenant-Owners' Associations	1 January–18 November 2018	1.5	0.4	–
Daniel Ljungel, Head of Partnerships & Business Development	1 January–30 April 2018	0.5	0.2	–
Charlotta Selin, acting CXO	1 May–31 December 2018	1.0	0.2	–
Ulrika Wilbourn, acting COO	1 January–30 April 2018	0.5	0.1	–
Sofia Blomgren, Chief Compliance Officer	9 April–31 December 2018	0.9	0.2	–
Irene Axelsson, Chief Compliance Officer	1 January–8 April 2018	0.3	0.1	–
Michael Sparreskog, Head of Internal Audit	1 January–31 December 2018	1.4	0.3	–
Total remuneration to members of Group management	1 January–31 December 2018	25.4	6.3	–

Each year, the Board decides on SBAB's remuneration policy and the identification of employees with risk profiles, in accordance with the Swedish FSA's regulations regarding remuneration structures in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management (FFFS 2011:1). Risk analyses for SBAB's remuneration system and remuneration

policy are published on www.sbab.se. The composition and mandates of the Remuneration Committee are described on page 86.

Identifying employees with a risk profile is based on the EBA's technical standards. Salaries and other remuneration to employees whose duties materially impact SBAB's risk profile, 61 employees (58), excluding senior executives who report directly to the CEO, amounted to SEK 44.4 million (43.1).

FINANCIAL NOTES

REMUNERATION TO THE BOARD

PARENT COMPANY						
2019						
SEK thousand	Period	Board of Directors	Credit Committee	Risk and Capital Committee	Audit and Compliance Committee	Remuneration committee
Bo Magnusson, Chairman of the Board ¹⁾	1 January–17 May 2019	176	–	–	15	11
Jan Sinclair, Board Member	1 January–16 May 2019	83	15	14	–	–
Jan Sinclair, Chairman ²⁾	17 May–31 December 2019	296	23	22	13	–
Carl-Henrik Borg, Board Member	1 January–30 April 2019	73	–	–	–	–
Eva Gidlöf, Board Member	1 January–30 April 2019	73	–	11	–	–
Jane Lundgren-Ericsson, Board member ³⁾	1 January–31 December 2019	226	44	34	30	–
Karin Moberg, Board Member	1 January–4 September 2019	152	–	–	36	–
Lars Börjesson, Board Member	1 January–31 December 2019	226	34	–	–	16
Inga-Lill Carlberg, Board Member	29 April–31 December 2019	155	–	–	–	17
Synnöve Trygg, Board Member	29 April–31 December 2019	155	–	26	13	–
Daniel Kristiansson, Board Member ⁴⁾	1 January–31 December 2019	–	–	–	–	–
Kristina Ljung, Employee Representative ⁴⁾	1 January–5 May 2019	–	–	–	–	–
Anders Heder, Employee representative ⁴⁾	6 May–31 December 2019	–	–	–	–	–
Margareta Naumberg, Employee Representative ⁴⁾	1 January–31 December 2019	–	–	–	–	–
Total Fees & Remuneration 2019		1,615	116	107	107	44

PARENT COMPANY						
2018						
SEK thousand	Period	Board of Directors	Credit Committee	Risk and Capital Committee	Audit and Compliance Committee	Remuneration committee
Bo Magnusson, Chairman of the Board	1 January–31 December 2018	458	–	4	40	30
Carl-Henrik Borg, Board Member	1 January–31 December 2018	218	–	–	–	–
Eva Gidlöf, Board Member	1 January–31 December 2018	218	–	32	–	–
Jane Lundgren-Ericsson, Board Member	1 January–31 December 2018	218	36	32	–	–
Jan Sinclair, Board Member	15 February–31 December 2018	191	31	32	–	–
Karin Moberg, Board Member	1 January–31 December 2018	218	–	–	50	–
Lars Börjesson, Board Member	1 January–31 December 2018	218	32	–	–	–
Daniel Kristiansson, Board Member	1 January–31 December 2018	–	–	–	–	–
Kristina Ljung, Employee Representative	1 January–31 December 2018	–	–	–	–	–
Johan Eriksson, Employee Representative	1 January–21 March 2018	–	–	–	–	–
Margareta Naumberg, Employee Representative	1 January–31 December 2018	–	–	–	–	–
Total Fees & Remuneration 2018		1,739	99	100	90	30

¹⁾ Bo Magnusson also received Board fees from SCBC of SEK 68 thousand (180).

²⁾ Jan Sinclair also received Board fees from SCBC of SEK 112 thousand (0).

³⁾ Jane Lundgren-Ericsson also received Board fees from SCBC of SEK 130 thousand (130).

⁴⁾ No Board fees are payable to Board members employed at the Government Offices of Sweden or who are employee representatives. No Board fees are payable to the Board members of SBAB's subsidiary Booli.

Pensions

Employees recruited to SBAB from 1 February 2013 are covered by the new collective pension plan BTP1, which is a defined-contribution plan. The plan encompasses disability and survivors' pensions, as well as provisions for retirement pensions. In BTP1, employees have a high degree of self-determination in how premiums are invested.

Employees recruited to SBAB before 1 February 2013 are covered by the BTP2 collective pension plan, which is a defined-benefit plan. BTP2 entails that the employee is guaranteed a lifelong pension corresponding to a specified percentage of the employee's final salary and mainly comprises retirement pension, disability pension, survivors' pension, supplementary pension (BTPK) and, where applicable, family pension. The levels of remuneration vary for salaries within different income base amounts. For salaries over 30 income base amounts, no pension is payable under BTP2. Employees who earn more than ten income base amounts are provided the possibility of selecting an alternative investment for part of the premium.

BTP2 is a collective defined-benefit employer plan secured through insurance with the insurance company SPP and comprise several employers. SPP is responsible for investing the pension capital of the BTP2 plan. The aim of the investment strategy is to obtain a high and consistent return while ensuring the investors' guaranteed increase in value.

SBAB's costs for its defined-benefit pensions amounted to SEK 22.7 million (22.1), excluding payroll tax. SBAB's costs for its defined-contribution pensions amounted to SEK 35.4 million (28.4), excluding payroll tax. In 2020, pension contributions for defined-benefit plans are expected to total SEK 24.7 million. Further information is provided in Note [L 6](#).

Guidelines adopted by the AGM for remuneration and other employment terms and conditions for senior executives

The AGM's principles for remuneration and other employment terms and conditions for senior executives, which were adopted by the 2019 AGM, state that remuneration and terms and conditions are to be reasonable and well-considered. With regard to remuneration and other terms and conditions of employment, SBAB will continue to apply the principles set out in "The state's ownership policy and guidelines for state-owned enterprises 2017."

This remuneration should be competitive, with a set ceiling and appropriate for its purpose, as well as contributing to high ethical standards and a good corporate culture. Remuneration should not correspond to a leading salary level in relation to comparable companies but be characterised by moderation. This is also to provide guidance for the total amount of remuneration to other employees. Variable salary is not paid to senior executives. These guidelines were not amended in 2019.

Other terms and conditions for the CEO and senior executives

As regards pension conditions, notice periods and severance pay for senior executives, SBAB observes the principles stated in "The state's ownership policy and guidelines for state-owned enterprises 2017."

The company pays for a defined-contribution pension insurance corresponding to 30% of the CEO's pensionable salary, although not longer than until age 65.

For other managers who report directly to the CEO, the company pays a defined-contribution pension premium corresponding to 30% of pensionable salary.

There are no other pension agreements that deviate from the general rules of collective agreements in the banking area.

Agreements on severance pay

The CEO and SBAB are subject to a mutual notice period of six months. If the company gives notice, the company must, in addition to salary and pension during the notice period, pay severance pay corresponding to 18 months' salary. Deductions will be made from the remuneration should new employment or income from another activity be received during the two-year period.

For other members of Executive Management, agreements have been concluded regarding severance pay in case of termination by the company. In addition to salary and pension during the notice period, the company will pay severance pay corresponding to 12 months' salary. Deductions will be made from the remuneration should new employment or income from another activity be received during the 12-month period.

Loans to senior executives

Loans to senior executives are presented in Note [G 2](#).

Incentive programme

SBAB has no incentive programme.

IC:6 | Other expenses

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
IT expenses	-266	-245	-353	-309
Rent ¹⁾	-13	-33	-36	-30
Other costs for premises	-7	-7	-7	-7
Other administrative expenses	-105	-98	-100	-95
Marketing	-66	-67	-65	-65
Other operating expenses	-29	-24	-18	-19
Total	-486	-474	-579	-525

¹⁾ The new standard IFRS 16 has been applied from 1 January 2019.

Development expenditure amounted to SEK 263 million (185), of which SEK 104 million (75) pertained to internally produced intangible Group assets. Most of the development work is pursued in project form and includes the budgets of entire projects, including such expenses as planning, analysis, specification of requirements, programming, implementation and quality testing, etc.

FEES AND EXPENSES TO THE ELECTED AUDITORS

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Audit assignment	-3.4	-3.0	-2.0	-2.3
Audit activities other than audit assignment	-1.9	-2.0	-1.3	-1.0
Total	-5.3	-5.0	-3.3	-3.3

The AGM on 29 April 2019 appointed Deloitte as SBAB's auditors. The audit assignment includes examination of the annual report, the accounting records and the administration by the Board and CEO. The audit assignment also includes other assistance resulting from such examination.

Audit tasks in addition to the audit assignment pertain to the examination of interim reports/year-end report and such other duties that may only be performed by the signing-off auditor, such as the preparation of various types of certificates.

IC:7 | Depreciation, amortisation and impairment of PPE and intangible assets

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Property, plant and equipment				
Depreciation, computer hardware	-5	-4	-5	-4
Depreciation, leases	-28	-	-	-
Depreciation, other equipment	-7	-2	-7	-2
Disposals/divestments	1	0	1	0
Intangible assets				
Amortisation, acquired software	-6	-5	-6	-5
Amortisation, internally developed part of software	-25	-20	-	-
Amortisation of trademarks	-1	-1	-	-
Impairment, internally developed part of software	-	-	-	-
Total	-71	-32	-17	-11

IC:8 | Net credit losses

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Lending to the public				
Confirmed credit losses	-14	-11	-13	-10
Recoveries of previously confirmed credit losses	3	2	3	3
Change in provision for the year – credit stage 1	-3	1	0	0
Change in provision for the year – credit stage 2	-1	-5	-2	0
Change in provision for the year – credit stage 3	3	25	4	44
Guarantees ¹⁾	-8	-1	0	0
Total	-20	11	-8	37
Loan commitments ²⁾				
Change in provision for the year – credit stage 1	3	-2	3	-2
Change in provision for the year – credit stage 2	-9	2	-9	2
Change in provision for the year – credit stage 3	0	0	0	0
Total	-6	0	-6	0
Total	-26	11	-14	37

¹⁾ The item includes guarantees for loan commitments.

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

IC:9 | Operating segments

Operating segments are reported in accordance with IFRS 8 Operating Segments, which means that the segment information is presented in a manner that corresponds to that applied internally for monitoring and control purposes. The Group has identified the CEO as the chief operating decision maker and the internal reporting used by the CEO to monitor and make decisions regarding the allocation of resources as the basis for the information to be presented. The Retail Market

includes loans for single-family homes, holiday homes and tenant-owned apartments, as well as all retail deposits. Corporate Clients & Tenant-Owners' Associations mainly include lending to multifamily dwellings as well as commercial properties. The item Net result of financial transactions measured at fair value, which derives from treasury operations, has not been distributed and is included in Other. The expenses are allocated to the business areas using distribution quotas.

INCOME STATEMENT BY SEGMENT

SEK million	GROUP													
	2019						2018							
	Follow-up of operations			Reconciliation against the statutory income statement			Follow-up of operations			Reconciliation against the statutory income statement				
	Corporate Clients & Tenant-Owners'		Other	Total	Adminis trative consultants	IFRS 16 Leases	Statutory profit	Corporate Clients & Tenant-Owners'		Other	Total	Adminis trative consultants	IFRS 16 Leases	Statutory profit
	Retail	Associations						Retail	Associations					
Net interest income	2,677	796	-	3,473	-	-	3,473	2,594	768	-	3,362	-	-	3,362
Commission income	56	28	-	84	-	-	84	64	26	-	90	-	-	90
Commission expense	-78	-20	-	-98	-	-	-98	-122	-17	-	-139	-	-	-139
Net result of financial transactions	0	23	3	26	-	-	26	0	23	-88	-65	-	-	-65
Other operating income	36	0	0	36	-	-	36	32	0	0	32	-	-	32
Total operating income	2,691	827	3	3,521	-	-	3,521	2,568	800	-88	3,280	-	-	3,280
Salaries and remuneration	-308	-74	-	-382	-	-	-382	-261	-68	-	-329	-	-	-329
Other personnel costs	-213	-56	0	-269	21	-	-248	-185	-51	-	-236	22	-	-214
Other expenses	-403	-88	-1	-492	-21	27	-485	-373	-76	-3	-452	-22	-	-474
Depreciation, amortisation and impairment of PPE and intangible assets	-33	-6	-5	-44	-	-27	-71	-28	-4	-	-32	-	-	-32
Net credit losses	-16	-10	-	-26	-	-	-26	-10	21	-	11	-	-	11
Impairment of financial assets, net	0	0	-	0	-	-	0	-1	-	-	-1	-	-	-1
Operating profit/loss	1,718	593	-3	2,308	0	0	2,308	1,710	622	-91	2,241	0	-	2,241
Tax	-388	-133	1	-520	-	-	-520	-393	-143	21	-515	-	-	-515
Profit/loss after standardised tax	1,330	460	-2	1,788	0	0	1,788	1,317	479	-70	1,726	0	-	1,726
Return on equity, %	11.8	11.6		11.7			11.7	12.6	11.7		12.1			12.1

In relation to the statutory income statement, an expense of SEK 21 million (expense: 22) was transferred between the rows "Other personnel costs" and "Other expenses." The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring.

The return on equity is calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 instruments and value changes in financial assets recognised in equity.

The Group has no single customer that accounts for more than 10% of its total income.

TX Tax

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TX:1 Tax

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Current tax	-502	-517	-258	-73
Deferred tax on changes in temporary differences	-18	2	4	10
Total	-520	-515	-254	-63
<i>The effective tax rate differs from the nominal tax rate in Sweden as below</i>				
Profit before tax	2,308	2,241	4,056	187
Nominal tax rate in Sweden 21.4% (22.0)	-494	-493	-868	-41
Recalculation of deferred tax regarding changed tax rate	-	2	-	0
Tax-free dividends from subsidiaries	-	-	642	-
Tax pertaining to non-taxable income and non-deductible costs	-26	-24	-26	-22
Tax for prior years and other	-	-	-2	-
Total tax	520	-515	-254	-63
Effective tax rate, %	22.5	23.0	6.3%	33.8

TX:2 Deferred tax

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
<i>Deferred tax assets (+)/tax liabilities (-) for temporary differences in:</i>				
Stock of financial instruments	-55	-64	-40	-55
Hedging instruments	-523	-133	-25	-9
Intangible assets	-45	-28	-	-
Pension provision	37	28	-	-
Loss carry-forwards	0	1	-	-
Other	7	2	3	2
Total	-579	-194	-62	-62
<i>Change in deferred tax</i>				
Deferred tax in the income statement	-18	2	4	10
Deferred tax attributable to items recognised directly against other comprehensive income	-367	-113	-4	-16
Total	-385	-111	0	-6
<i>Deferred tax distributed by expected maturity date, carrying amount</i>				
More than 1 year	-579	-194	-62	-62
Total	-579	-194	-62	-62

Temporary differences are expected to be reported in taxation within the coming year, where the decided tax rate is 21.4%

A Assets

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A:1 Chargeable treasury bills, etc.

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Swedish state	14,627	19,430	14,627	19,430
Foreign states	1,259	1,474	1,259	1,474
Total	15,886	20,904	15,886	20,904

A:2 Lending to credit institutions

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Lending in SEK	92	3,037	102,270	93,451
Lending in foreign currency	325	-190	326	-189
Total	417	2,847	102,596	93,262
<i>of which, repos</i>	0	-	-	-

Of the Parent Company's lending to credit institutions, SEK 102,180 million (90,414) relates to receivables from the wholly owned subsidiary, AB Sveriges Sakerstallda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC). These receivables are subordinated, which means that payment is received only after other creditors of the subsidiary have been paid.

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

Interest-bearing securities that SBAB purchases with an obligation to sell at a predetermined price are not recognised in the balance sheet, while the purchase price paid is recognised in the balance sheet under Lending to credit institutions. The securities are regarded as collateral received and can be pledged or sold by SBAB. In the event that the counterparty is unable to meet its repurchase obligation, SBAB is entitled to keep the security. The fair value of collateral received in the Group was SEK 1 million (-), of which no collateral was pledged or sold.

A:3 | Lending to the public

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Opening balance	364,215	335,168	24,845	22,914
New lending for the year	75,514	74,264	75,514	74,264
Transferred to/from Group companies	-	-	-60,702	-58,992
Amortisation, redemption	-55,907	-45,227	-14,776	-13,376
Confirmed losses	-14	-11	-13	-10
Change in provision for expected credit losses ¹⁾	-1	21	2	45
Closing balance	383,807	364,215	24,871	24,845

¹⁾ For more information, please refer to Note IC 8.

DISTRIBUTION OF LENDING, INCLUDING PROVISIONS

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Lending, Residential mortgages	291,622	276,734	4,003	4,191
Lending, Corporate Clients & Tenant-Owners' Associations	89,898	82,287	18,581	18,460
Lending, Consumer loans	2,287	2,194	2,287	2,194
Total	383,807	364,215	24,871	24,845

LENDING TO THE PUBLIC BY CREDIT STAGE – COMPARED WITH OPENING BALANCE

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Credit stage 1				
Gross lending	362,317	341,390	23,059	21,556
Provision	-29	-26	-2	-2
Total	362,288	341,364	23,057	21,554
Credit stage 2				
Gross lending	21,341	22,689	1,801	3,264
Provision	-74	-73	-10	-9
Total	21,267	22,616	1,791	3,255
Credit stage 3				
Gross lending	281	267	30	47
Provision	-29	-32	-7	-11
Total	251	235	23	36
Total gross lending	383,939	364,346	24,890	24,867
Total provisions	-132	-131	-19	-22
Total	383,807	364,215	24,871	24,845

A:4 | Bonds and other interest-bearing securities

DISTRIBUTION OF HOLDINGS BY ISSUER, ETC.

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Listed securities				
<i>Issued by public bodies</i>				
Sovereigns, supranationals and agencies	1,900	2,431	1,900	2,431
Other public issuers	14,808	11,253	14,808	11,253
<i>Issued by other borrowers</i>				
Swedish mortgage institutions	32,629	31,339	32,629	31,339
Other foreign issuers	3,887	4,321	3,887	4,321
Other foreign issuers (with government guarantee)	2,507	1,601	2,507	1,601
Total listed securities	55,731	50,945	55,731	50,945

A:5 | Derivatives

SEK million	GROUP						PARENT COMPANY					
	2019			2018			2019			2018		
	Assets measured at fair value	Liabilities measured at fair value	Nominal value	Assets measured at fair value	Liabilities measured at fair value	Nominal value	Assets measured at fair value	Liabilities measured at fair value	Nominal value	Assets measured at fair value	Liabilities measured at fair value	Nominal value
Derivatives in fair-value hedging												
Interest-rate-related	2,622	792	285,575	1,816	574	228,361	309	492	73,950	424	313	66,364
Currency-related	11	-	547	11	-	547	-	-	-	-	-	-
Total	2,633	792	286,122	1,827	574	228,908	309	492	73,950	424	313	66,364
Derivatives in cash-flow hedges												
Interest-rate-related	2,925	-	104,318	990	8	96,941	183	0	16,210	75	8	15,858
Currency-related	7,157	227	101,300	5,340	345	96,267	1,216	64	16,763	1,017	22	17,068
Total	10,082	227	205,618	6,330	353	193,208	1,399	64	32,973	1,092	30	32,926
Other derivatives												
Interest-rate-related	243	363	23,915	84	276	11,711	5,422	5,578	638,471	2,534	2,775	497,286
Currency-related	129	6	8,257	72	136	7,572	6,224	6,186	177,684	4,712	4,846	166,321
Total	372	369	32,172	156	412	19,283	11,646	11,764	816,155	7,246	7,621	663,607

Currency interest-rate swaps are classified as currency-related.

DERIVATIVES ALLOCATED BY REMAINING MATURITY, CARRYING AMOUNTS

SEK million	GROUP				PARENT COMPANY			
	2019		2018		2019		2018	
	Fair value	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value	Nominal value
Maximum 3 months	-4	16,591	-1	26,424	-1	16,591	-34	40,724
3-12 months	1,042	72,094	74	39,390	133	71,999	11	69,365
1-5 years	6,277	322,044	4,766	261,763	997	321,497	884	433,290
Longer than five years	4,384	113,183	2,135	113,822	-95	112,182	-63	219,518
Total	11,699	523,912	6,974	441,399	1,034	522,269	798	762,897

A:6 | Shares and participations in Group companies

SEK million	PARENT COMPANY					
	2019					
	Corporate Registration Number	Cost	Shareholder's contributions paid	Number of shares	Share of equity, %	Carrying amount
Swedish credit institutions						
AB Sveriges S�akerst�allda Obligationer (publ), Solna	556645-9755	10,300	–	500,000	100	10,300
Other companies						
Booli Search Technologies AB, Stockholm	556733-0567	89	12	329,540	100	101
SEK million	2018					
	Corporate Registration Number	Cost	Shareholder's contributions paid	Number of shares	Share of equity, %	Carrying amount
	Swedish credit institutions					
AB Sveriges S�akerst�allda Obligationer (publ), Solna	556645-9755	10,300	–	500,000	100	10,300
Other companies						
Booli Search Technologies AB, Stockholm	556733-0567	86	3	329,540	100	89

On 14 January 2016, SBAB acquired 70.92% of the shares in Booli Search Technologies AB. On 29 November 2018, SBAB acquired the remaining shares outstanding in Booli, and now owns 100%. For more information, please refer to Note G 1, "Consolidated financial statements".

A:7 | Intangible assets

SEK million	GROUP							
	2019				2018			
	Goodwill	Trademarks	Software	Total	Goodwill	Trademarks	Software	Total
Opening balance, cost	75	3	255	333	75	3	174	252
Acquisitions during the year	–	–	109	109	–	–	81	81
Divestments and disposals during the year	–	–	–	–	–	–	–	–
Closing balance, cost	75	3	364	442	75	3	255	333
Opening balance, amortisation	–	–2	–94	–96	–	–1	–69	–70
Amortisation for the year according to plan	–	–1	–31	–32	–	–1	–25	–26
Divestments and disposals during the year	–	–	–	–	–	–	–	–
Closing balance, accumulated amortisation	–	–3	–125	–128	–	–2	–94	–96
Opening balance, impairment	–	–	–3	–3	–	–	–3	–3
Impairment for the year	–	–	–	–	–	–	–	–
Divestments and disposals during the year	–	–	–	–	–	–	–	–
Closing balance, accumulated impairment	–	–	–3	–3	–	–	–3	–3
Net carrying amount	75	0	236	311	75	1	158	234

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SEK million	PARENT COMPANY							
	2019				2018			
	Goodwill	Trademarks	Software	Total	Goodwill	Trademarks	Software	Total
Opening balance, cost	-	-	58	58	-	-	53	53
Acquisitions during the year	-	-	4	4	-	-	5	5
Divestments and disposals during the year	-	-	-	-	-	-	-	-
Closing balance, cost	-	-	62	62	-	-	58	58
Opening balance, amortisation	-	-	-32	-32	-	-	-27	-27
Amortisation for the year according to plan	-	-	-6	-6	-	-	-5	-5
Divestments and disposals during the year	-	-	-	-	-	-	-	-
Closing balance, accumulated amortisation	-	-	-38	-38	-	-	-32	-32
Net carrying amount	-	-	24	24	-	-	26	26

Goodwill, trademarks and software from the acquisition of the subsidiary Booli Search Technologies AB. Other software pertains to internally produced intangible assets, which are reported in the consolidated financial statements. Intangible assets are subject to impairment testing on an annual basis. When impairment testing, the value in use is calculated by discounting estimated future cash flows with a discounting factor that takes into account risk-free interest and the risks associated with the specific asset.

The year's impairment testing of goodwill is based on expected future synergies in the form of increased lending volumes and cost savings as well as a discount rate

of 12% (12) after tax, corresponding to a rate of 14% (14) before tax. The first five years for estimated future cash flows are based on forecasts of increased volumes and cost savings. Thereafter, the assumption is zero growth or cost savings. In the year's impairment testing, there was a comfortable margin between the value in use and the carrying amount for goodwill. The most significant variables for the calculation comprised the assumption of increased future lending volumes as well as the discount rate. No reasonable change in these assumptions would impact the carrying amount for goodwill.

A:8 | Property, plant and equipment

SEK million	GROUP						PARENT COMPANY			
	31 Dec 2019			31 Dec 2018			31 Dec 2019		31 Dec 2018	
	Equipment	Leases	Total	Equipment	Total	Equipment	Total	Equipment	Total	
Opening balance, cost	57	104	161	47	47	56	56	47	47	
Acquisitions during the year	39	22	61	10	10	38	38	9	9	
Divestments during the year	-4	-	-4	0	0	-4	-4	0	0	
Disposals during the year	-	-	-	-	0	-	-	-	-	
Closing balance, cost	92	126	218	57	57	90	90	56	56	
Opening balance, depreciation	-41	-	-41	-35	-35	-41	-41	-35	-35	
Depreciation for the year according to plan	-11	-28	-39	-6	-6	-11	-11	-6	-6	
Divestments during the year	1	-	1	0	0	1	1	0	0	
Disposals during the year	-	-	-	-	0	-	-	-	-	
Accumulated depreciation according to plan	51	-28	-79	-41	-41	-51	-51	-41	-41	
Net carrying amount	41	98	139	16	16	39	39	15	15	

A:9 | Other assets

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Tax assets	15	-	-	13
Interest receivables	30	49	8	14
Group contributions received	-	-	539	-
Other	11	24	9	20
Total	56	73	556	47
<i>Other assets distributed by remaining maturity, carrying amount</i>				
Maximum 1 year	56	73	556	47
Total	56	73	556	47

A:10 | Prepaid expenses and accrued income

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Prepaid expenses	57	54	57	48
Accrued interest income	451	615	564	676
Accrued guarantees	6	14	6	14
Other accrued income	195	26	113	2
Total	529	709	627	740
<i>Prepaid expenses and accrued income distributed by remaining maturity, carrying amount</i>				
Maximum 1 year	525	700	623	731
More than 1 year	4	9	4	9
Total	529	709	627	740

L Liabilities

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L:1 Liabilities to credit institutions

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Liabilities in SEK	1,144	–	1,143	–
Liabilities in foreign currencies	9,384	6,607	9,384	6,607
Total	10,528	6,607	10,527	6,607
<i>of which, repos</i>	1	–	–	–

L:2 Deposits from the public

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Consumers	91,967	87,060	91,967	87,060
Tenant-owners' associations	8,386	8,227	8,386	8,227
Corporates	30,189	29,639	30,189	29,639
Total	130,542	124,926	130,452	124,926

L:3 Debt securities issued, etc.

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Commercial paper				
Commercial paper in SEK				
– at amortised cost	160	500	160	500
Commercial paper in foreign currency				
– at amortised cost	1,554	2,317	1,554	2,317
Total	1,714	2,817	1,714	2,817
Bond loans				
Bond loans in SEK				
– at amortised cost	44,966	57,343	18,126	14,876
– in fair-value hedging	139,366	117,502	11,101	9,614
Bonds loans in foreign currency				
– at amortised cost	109,171	104,791	18,057	20,927
– in fair-value hedging	8,380	8,342	7,825	7,787
Total	301,883	287,978	55,109	53,204
Total debt securities issued, etc.	303,597	290,795	56,823	56,021
– of which, covered bonds	246,774	234,774	–	–
– of which, senior non-preferred bonds	6,026	–	6,026	–
– of which, other unsecured bonds and commercial paper	50,797	56,021	50,797	56,021

The bond loan conditions in SBAB's long-term funding programme include a possibility for the bondholder to demand premature redemption of the holder's bonds issued in such loan programmes if the Swedish state ceases to own the majority of the shares in SBAB and the Swedish state, before such change in ownership, has not taken steps to guarantee SBAB's commitments ensuing from the bond loan or the bondholders have accepted this in such a way as is described in the current terms and conditions. However, subordinated loans and additional Tier 1 capital issued under the long-term funding programme do not include the aforesaid conditions. Total funding under these programmes with the right to demand redemption amounted to SEK 55.0 billion (52.9) at 31 December 2019.

L:4 Other liabilities

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Trade payables	32	35	29	34
Employee withholding taxes	12	11	12	11
Liabilities to employees	123	181	135	165
Lease liabilities	91	–	–	–
Other	118	157	256	93
Total	376	384	432	303
<i>Other liabilities distributed by remaining maturity, carrying amount</i>				
Within one year	314	384	432	303
1–5 years	62	–	–	–
Total	376	384	432	303

SEK million	GROUP	
	2019	2018
Remaining lease liabilities		
Lease liabilities	91	–
Total	91	–
Lease liability distributed by remaining maturity		
Within one year	29	–
1–5 years	55	–
6–10 years	7	–
Total	91	–

L:5 Accrued expenses and deferred income

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Accrued interest expense	1,619	1,627	202	173
Other accrued expenses	186	163	145	129
Total	1,805	1,790	347	302
<i>Accrued expenses and deferred income distributed by remaining maturity, carrying amount</i>				
Maximum 1 year	1,805	1,790	347	302
Total	1,805	1,790	347	302

L:6 | Provisions

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Pension provisions	140	105	-	-
Provision for special employer's contribution on pensions	35	26	-	-
Provision for expected credit losses, loan commitments	13	7	13	7
Total	188	138	13	7

PENSION PROVISIONS EXCL. SPECIAL EMPLOYER'S CONTRIBUTIONS

Summary of defined-benefit pension plan

SEK million	GROUP	
	2019	2018
Present value of the obligation, closing balance	537	472
Fair value of plan assets	-397	-367
Total	140	105

RECONCILIATION OF CHANGE IN PRESENT VALUE OF OBLIGATION

SEK million	GROUP	
	2019	2018
Present value of the obligation, opening balance	473	433
Service costs during the current year	9	7
Interest expense	11	11
Gain/loss arising from changed financial assumptions	59	19
Experience-based gains/losses	-6	3
Pension disbursements from plan	-9	-11
Gain/loss due to demographic assumptions	-	11
Present value of the obligation, closing balance	537	473

The weighted average maturity of the defined-benefit obligation is 20.77 years (20.20).

RECONCILIATION OF CHANGE IN PLAN ASSETS

SEK million	GROUP	
	2019	2018
Opening balance	367	355
Interest income	9	9
Return on plan assets, excluding amounts included in interest expense/interest income	14	0
Premiums paid by employer	16	14
Pension disbursements from plan	-9	-11
Closing balance	397	367

DISTRIBUTION OF PLAN ASSETS

%	GROUP	
	2019	2018
Swedish shares	2	2
Foreign shares	9	7
Government bonds	25	25
Mortgage bonds	12	15
Corporate bonds	26	28
Properties	12	12
Other	14	11
Total	100	100

The defined-benefit pension plan is secured through insurance with SPP Pension och Forsäkring AB. Through investments in shares, interest-bearing instruments and property, the insurance capital will track the performance of the financial markets. The aim of the management is to achieve a high and consistent return while ensuring a guaranteed increase in value.

FINANCIAL AND DEMOGRAPHIC ASSUMPTIONS

%	GROUP	
	2019	2018
<i>Financial assumptions</i>		
Discount rate	1.75	2.30
Annual salary increase	3.00	3.00
Annual inflation	2.00	2.00
Annual increase in income base amount	3.00	3.00
Annual increase in pension disbursements	2.00	2.00
<i>Demographic assumptions</i>		
Personnel turnover	5.00	5.00
Mortality table	DUS14	DUS14

SENSITIVITY ANALYSIS OF DISCOUNT RATE

SEK million	GROUP	
	2019	2018
<i>Assumption, %</i>	2.75	3.30
Present value of the obligation	437	387
Service costs during the current period	8	7
Interest expense	12	13
<i>Assumption, %</i>	0.75	1.30
Present value of the obligation	673	588
Service costs during the current period	14	12
Interest expense	5	8

The sensitivity analysis above is based on a change in one assumption while all other assumptions are kept constant. In the calculation of sensitivity in the defined-benefit obligation, the same method is applied as in the calculation of the reported pension provision.

For further information on pensions, see Note G 1 and Note IC 5.

L:7 | Subordinated debt and capital instruments

PARENT COMPANY AND GROUP								
Loan designation	Currency	Nominal amount	Nominal amount outstanding	First possible redemption right for SBAB	Interest rate, % 31 December 2019	Maturity date	Carrying amount, SEK million	
							2019	2018
SUBORDINATED DEBT								
Subordinated loan 1 ¹⁾	SEK	400,000,000	400,000,000	2020	3.825	Perpetual	400	399
Subordinated loan 2	SEK	1,100,000,000	1,100,000,000	2020	3M STIBOR + 3.250	Perpetual	1,099	1,097
Subordinated loan 3	SEK	1,000,000,000	1,000,000,000	2020	3M STIBOR + 1.300	11 Jun 2025	1,000	999
Subordinated loan 4 ²⁾	SEK	600,000,000	600,000,000	2020	2.250	10 Nov 2025	599	601
Subordinated loan 5	SEK	1,850,000,000	1,850,000,000	2020	3M STIBOR + 1.900	10 Nov 2025	1,850	1,850
TOTAL	SEK						4,948	4,946
ADDITIONAL TIER 1 CAPITAL (equity)								
Subordinated loan 6	SEK	725,000,000	725,000,000	2021	3M STIBOR + 4.750	Perpetual	725	725
Subordinated loan 7 ³⁾	SEK	775,000,000	775,000,000	2021	5.052	Perpetual	775	775
Subordinated loan 8	SEK	1,600,000,000	1,600,000,000	2024	3M STIBOR + 3.650	Perpetual	1,600	–
Subordinated loan 9 ⁴⁾	SEK	400,000,000	400,000,000	2025	3.670	Perpetual	400	–
TOTAL							3,500	1,500

¹⁾ Interest rate: For the period 16 March 2015 to 16 March 2020: 3.825%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 3.250%.

²⁾ Interest rate: For the period 10 November 2015 to 10 November 2020: 2.250%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 1.9000%.

³⁾ Interest rate: For the period 17 May 2016 to 17 June 2021: 5.052%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 4.750%.

⁴⁾ Interest rate: For the period 5 September 2019 to 5 March 2025: 3.670%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 3.800%.

Subordinated loans are subordinate to the Parent Company's other liabilities, which means that they carry entitlement to payment only after other unsubordinated creditors have received payment. The subordinated loans 1, 2, 6, 7, 8 and 9 are subordinate to other subordinated loans, known as additional Tier 1 capital. The capital instruments issued in accordance with the more recent regulatory framework and which are included in own funds as additional Tier 1 capital comprised subordinated loans 1 and 2 (recognised as subordinated debt), and subordinated loans 6, 7, 8 and 9 (recognised as equity). The crucial difference between subordinated loans recognised respectively as subordinated debt or equity, is that subordinated loans

recognised as subordinated debt include conditions that entail an obligation to make interest payments in the event that the regulatory authority no longer permits their inclusion in own funds as AT1 instruments under certain conditions.

Subordinated loans (capital instruments) that have not been redeemed are included in own funds when calculating the capital adequacy of the Parent Company and the Group.

For further information on the terms and conditions of SBAB's subordinated loans, see www.sbab.se and Note RC 8.

EQ:1 Equity

The share capital amounted to SEK 1,958,300,000. At 31 December 2019, the number of shares was 19,583 (19,583), each with a quotient value of SEK 100,000. All shares are owned by the Swedish state. Dividends are proposed by the Board of Directors in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. The Board of Directors has resolved to not propose a dividend for the financial year 2019. For more information, see Note G 3 and Note G 5. Further information on equity is provided in the "Statement of Changes in Equity" on page 98.

STATEMENT OF CHANGES IN RESERVES

SEK million	GROUP	
	2019	2018
Financial assets measured at FVTOCI/Available-for-sale financial assets, opening balance	190	238
Unrealised change in value over the year	-45	-57
Reclassified to profit or loss during the year	-11	-6
Tax attributable to the change	12	15
Financial assets measured at FVTOCI/Financial assets available-for-sale, closing balance	146	190
Cash-flow hedges, opening balance	489	-10
Unrealised change in value over the year	4,363	3,929
Reclassified to profit or loss during the year	-2,540	-3,295
Tax attributable to the change	-390	-135
Cash-flow hedges, closing balance	1,922	489
Defined-benefit pension plans, opening balance	-70	-39
Revaluation effects of defined-benefit pension plans	-50	-39
Tax attributable to the change	11	8
Defined-benefit pension plans, closing balance	-109	-70
Total	1,959	609

SPECIFICATION OF CHANGES IN THE FAIR VALUE RESERVE

SEK million	PARENT COMPANY	
	2019	2018
Financial assets measured at FVTOCI/Available-for-sale financial assets, opening balance	190	238
Unrealised change in value over the year	-45	-57
Reclassified to profit or loss during the year	-11	-6
Tax attributable to the change	12	15
Financial assets measured at FVTOCI/Available-for-sale financial assets, closing balance	146	190
Cash-flow hedges, opening balance	32	-80
Unrealised change in value over the year	433	866
Realised change in value, reclassified to profit or loss	-358	-724
Tax attributable to the change	-16	-30
Cash-flow hedges, closing balance	91	32
Total	237	222

Further information on Reserves and the Fair value reserve is provided in Note G 1 Accounting policies, in the sections "Financial assets measured at FVTOCI," "Cash-flow hedges" and "Pensions."

AC Collateral pledged and contingent liabilities

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AC:1 Assets pledged for own liabilities

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Loan receivables	313,044	301,956	–	–
Securities	2,794	1,842	2,794	1,842
Total	315,838	303,798	2,794	1,842

Of the assets pledged, SEK 313.0 billion (302.0) comprises the cover pool for covered bonds totalling SEK 246.8 billion (234.8).

Loan receivables pledged as collateral mainly consist of the registered cover pool benefiting holders of covered bonds issued by SCBC and SCBC's covered derivative counterparties. In the event that the company becomes insolvent, the holders of the covered bonds and the covered derivatives counterparties have priority rights to the pledged assets under the Covered Bonds Issuance Act and the Rights of Priority Act.

AC:2 Contingent liabilities

SEK million	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Contingent liabilities concerning future payments				
Other contingent liabilities				
Loan commitments and other credit-related contingent liabilities	48,662	37,535	48,662	37,535
Other contingent liabilities	–	–	25,936	25,749
Total	48,662	37,535	74,598	63,284
<i>Contingent liabilities distributed by remaining maturity</i>				
Within one year	43,805	33,193	69,741	58,942
1–5 years	4,857	4,342	4,857	4,342
Total	48,662	37,535	74,598	63,284

Excluding building credits of SEK 5,034 million (4,376), loan commitments and other credit-related contingent liabilities in the Group totalling SEK 43,628 million (33,159) were reduced to SEK 10,947 million (9,759) after taking into account the credit conversion factor, meaning the statistically calculated probability that the exposure will lead to disbursement of the loan.

Excluding building credits of SEK 5,034 million (4,376), the corresponding figures for the Parent Company were SEK 43,628 million (33,159) and SEK 10,947 million (9,759), respectively. The Parent Company's other commitments include an agreement concerning a liquidity facility with the subsidiary, SCBC, through which SCBC may borrow funds from the Parent Company for its operations if the need arises.

FI:1 | Classification of financial instruments

FINANCIAL ASSETS

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

FINANCIAL LIABILITIES

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

FINANCIAL ASSETS

SEK million	GROUP						
	31 Dec 2018						
	Financial assets measured at FVTPL			Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification					
Cash and balances at central banks	-	-	-	-	0	0	0
Chargeable treasury bills, etc.	3,371	-	-	6,180	11,353	20,904	20,900
Lending to credit institutions	-	-	-	-	2,847	2,847	2,847
Lending to the public	-	-	-	-	364,215	364,215	364,857
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	99	99	-
Bonds and other interest-bearing securities	3,866	-	-	35,258	11,821	50,945	50,969
Derivatives	-	8,157	156	-	-	8,313	8,313
Other assets	-	-	-	-	73	73	73
Prepaid expenses and accrued income	76	-	-	406	175	657	657
Total financial assets	7,313	8,157	156	41,844	390,583	448,053	448,616

FINANCIAL LIABILITIES

SEK million	GROUP				
	31 Dec 2018				
	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
Derivatives in hedge accounting	Held for trading				
Liabilities to credit institutions	-	-	6,607	6,607	6,607
Deposits from the public	-	-	124,926	124,926	124,926
Debt securities issued, etc.	-	-	290,795	290,795	292,997
Derivatives	927	412	-	1,339	1,339
Other liabilities	-	-	174	174	174
Accrued expenses and deferred income	-	-	1,757	1,757	1,757
Subordinated debt	-	-	4,946	4,946	4,956
Total financial liabilities	927	412	429,205	430,544	432,756

FINANCIAL NOTES

FINANCIAL ASSETS

	PARENT COMPANY						
	31 Dec 2019						
	Financial assets measured at FVTPL			Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
SEK million	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification				
Cash and balances at central banks	-	-	-	-	5,750	5,750	5,750
Chargeable treasury bills, etc.	1,108	-	-	2,564	12,214	15,886	15,879
Lending to credit institutions	-	-	-	-	102,596	102,596	102,596
Lending to the public	-	-	-	-	24,871	24,871	24,871
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	0	0	0
Bonds and other interest-bearing securities	1,791	-	-	34,376	19,564	55,731	55,762
Derivatives	-	1,708	11,646	-	-	13,354	13,354
Other assets	-	-	-	-	556	556	556
Prepaid expenses and accrued income	44	-	-	223	303	570	570
Total financial assets	2,943	1,708	11,646	37,163	165,854	219,314	219,406

FINANCIAL LIABILITIES

	PARENT COMPANY					
	31 Dec 2019					
	Financial liabilities measured at FVTPL			Financial liabilities measured at amortised cost	Total	Total fair value
SEK million	Derivatives in hedge accounting	Held for trading				
Liabilities to credit institutions	-	-	10,527	10,527	10,527	
Deposits from the public	-	-	130,542	130,542	130,542	
Debt securities issued, etc.	-	-	56,823	56,823	57,076	
Derivatives	556	11,764	-	12,320	12,320	
Other liabilities	-	-	86	86	86	
Accrued expenses and deferred income	-	-	313	313	313	
Subordinated debt	-	-	4,948	4,948	4,953	
Total financial liabilities	556	11,764	203,239	215,559	215,817	

FINANCIAL ASSETS

PARENT COMPANY							
31 Dec 2018							
Financial assets measured at FVTPL							
SEK million	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification	Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
Cash and balances at central banks	-	-	-	-	0	0	0
Chargeable treasury bills, etc.	3,371	-	-	6,180	11,353	20,904	20,900
Lending to credit institutions	-	-	-	-	93,262	93,262	93,262
Lending to the public	-	-	-	-	24,845	24,845	24,914
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	0	0	0
Bonds and other interest-bearing securities	3,866	-	-	35,258	11,821	50,945	50,969
Derivatives	-	1,516	7,246	-	-	8,762	8,762
Other assets	-	-	-	-	34	34	34
Prepaid expenses and accrued income	76	-	-	406	210	692	692
Total financial assets	7,313	1,516	7,246	41,844	141,525	199,444	199,533

FINANCIAL LIABILITIES

PARENT COMPANY						
31 Dec 2018						
Financial liabilities measured at FVTPL						
SEK million	Derivatives in hedge accounting	Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value	
Liabilities to credit institutions	-	-	6,607	6,607	6,607	
Deposits from the public	-	-	124,926	124,926	124,926	
Debt securities issued, etc.	-	-	56,021	56,021	56,244	
Derivatives	343	7,621	-	7,964	7,964	
Other liabilities	-	-	155	155	155	
Accrued expenses and deferred income	-	-	271	271	271	
Subordinated debt	-	-	4,946	4,946	4,956	
Total financial liabilities	343	7,621	192,926	200,890	201,123	

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. 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. Securities recognised 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. Calculations

made in conjunction with measurement are based on observable market data with the exception of the credit margin when valuing lending to the public. The models 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.

FI:2 | Fair value disclosures

SEK million	GROUP							
	2019				2018			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	3,672	–	–	3,672	9,551	–	–	9,551
Bonds and other interest-bearing securities	36,166	–	–	36,166	39,124	–	–	39,124
Derivatives	–	13,087	–	13,087	–	8,313	–	8,313
Prepaid expenses and accrued income	267	–	–	267	482	–	–	482
Total	40,105	13,087	–	53,192	49,157	8,313	–	57,470
Liabilities								
Derivatives	–	1,388	–	1,388	–	1,339	–	1,339
Total	–	1,388	–	1,388	–	1,339	–	1,339
SEK million	PARENT COMPANY							
	2019				2018			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	3,672	–	–	3,672	9,551	–	–	9,551
Bonds and other interest-bearing securities	36,166	–	–	36,166	39,124	–	–	39,124
Derivatives	–	13,354	–	13,354	–	8,762	–	8,762
Prepaid expenses and accrued income	267	–	–	267	482	–	–	482
Total	40,105	13,354	–	53,459	49,157	8,762	–	57,919
Liabilities								
Derivatives	–	12,320	–	12,320	–	7,964	–	7,964
Total	–	12,320	–	12,320	–	7,964	–	7,964

Parent Company and Group

In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement methods used.

No transfers were made between levels in 2018 or 2019.

Quoted market prices (Level 1)

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

Measurement based on observable market data (Level 2)

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

Measurement based in part on unobservable market 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.

FI:3 | Offsetting disclosures

Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the balance sheet.

OFFSETTING OF FINANCIAL INSTRUMENTS

GROUP							
2019							
SEK million	Amounts reported in the balance sheet		Related amounts not offset in the balance sheet				Net amount
	Amounts subject to offsetting	Amounts not offset in the balance sheet	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	
Assets							
Derivatives	13,087	–	13,087	–1,100	–	–10,411	1,576
Repos	1,486	–1,486	0	–	–1	–	–1
Liabilities							
Derivatives	–1,388	–	–1,388	1,100	–	289	1
Repos	–1,487	1,487	–1	–	0	–	–1
Total	11,698	0	11,698	0	–1	–10,122	1,575
GROUP							
2018							
SEK million	Amounts reported in the balance sheet		Related amounts not offset in the balance sheet				Net amount
	Amounts subject to offsetting	Amounts not offset in the balance sheet	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	
Assets							
Derivatives	8,313	–	8,313	–1,014	–581	–7,122	–404
Repos	–	–	–	–	–	–	–
Liabilities							
Derivatives	–1,339	–	–1,339	1,014	–	–262	–587
Repos	–	–	–	–	–	–	–
Total	6,974	–	6,974	0	–581	–7,384	–991

Repos are recognised in the balance sheet under the headings Lending and Liabilities to credit institutions, respectively. For further information on offsetting, see Note RC 2, in the section on Counterparty risk.

FINANCIAL NOTES

Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the balance sheet.

OFFSETTING OF FINANCIAL INSTRUMENTS

PARENT COMPANY							
2019							
SEK million	Amounts reported in the balance sheet		Related amounts not offset in the balance sheet				Net amount
	Amounts subject to offsetting	Amounts not offset in the balance sheet	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	
Assets							
Derivatives	13,354	–	13,354	–1,571	–	–10,411	1,372
Repos	–	–	–	–	–	–	–
Liabilities							
Derivatives	–12,320	–	–12,320	1,571	–	289	–10,460
Repos	–	–	–	–	–	–	–
Total	1,034	–	1,034	0	–	–10,122	–9,088

PARENT COMPANY							
2018							
SEK million	Amounts reported in the balance sheet		Related amounts not offset in the balance sheet				Net amount
	Amounts subject to offsetting	Amounts not offset in the balance sheet	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	
Assets							
Derivatives	8,762	–	8,762	–1,609	–581	–7,122	–550
Repos	–	–	–	–	–	–	–
Liabilities							
Derivatives	–7,964	–	–7,964	1,609	–	–262	–6,617
Repos	–	–	–	–	–	–	–
Total	798	–	798	0	–581	–7,384	–7,167

S:1 | General information

SBAB's Annual and Sustainability Report has been prepared in accordance with the GRI Standards: Core option. It also constitutes SBAB's Communication on Progress (COP) to the UN Global Compact, a sustainability report in accordance with the Swedish Annual Accounts Act and information on how SBAB contributes to the 2030 Agenda for sustainable development.

Report defined by the Board of Directors

The Board of Directors have signed, and thereby submitted, the Annual and Sustainability Report in its entirety.

Sustainability reporting under the Global Reporting Initiative (GRI)

SBAB's Annual and Sustainability Report pertains to the 2019 calendar year and has been prepared in accordance with the GRI Standards: Core option. The separate GRI and COP index sets out the location of the different GRI and COP disclosures in the report.

[Read more on page 180](#)

UN Global Compact & the 2030 Agenda for Sustainable Development

The state's ownership policy stipulates that state-owned enterprises should serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence. Acting as a role model includes working strategically and transparently with a focus on a collaboration. These efforts are inspired and guided by international guidelines including the ten principles of the UN Global Compact as well as the SDGs of the 2030 Agenda for Sustainable Development.

[Read more on pages 178 and 180](#)

Sustainability reporting in accordance with the Swedish Annual Accounts Act

This report comprises SBAB's statutory sustainability report pursuant to the requirements of the Swedish Annual Accounts Act. It also encompasses initial reporting based on the EU's guidelines on climate reporting, where SBAB has started to analyse the reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD).

[Read more on page 177](#)

The report's scope and boundaries

The Annual Report encompasses the Parent Company, SBAB Bank AB (publ). The subsidiaries AB Sveriges Sakerstallda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) and Booli Search Technologies AB issue their own annual reports. The Sustainability Report encompasses the Parent Company, SBAB Bank AB (publ), AB Sveriges Sakerstallda Obligationer (publ) and, unless otherwise stated, Booli Search Technologies AB. SBAB's material impact occurs within the organisation and in connection with SBAB's lending.

Audit and limited assurance report

The formal Annual Report is to be found in specially marked sections, and has been audited. The Sustainability Report has been subject to a limited assurance review. The Corporate Governance Report is subject to a statutory review, which is less comprehensive than an audit or auditor's review. Deloitte submits an audit report for the Annual Report and the Corporate Governance Report, and a separate limited assurance report for the Sustainability Report.

[Read more on pages 183 and 186](#)

S:2 | Guidelines and obligations

S:2.1 Guidelines

State's ownership policy

SBAB follows the state's ownership policy and guidelines for state-owned enterprises 2017, which also encompasses the Guidelines for external reporting in state-owned enterprises and Guidelines for remuneration and other terms of employment for senior executives in state-owned enterprises.

Policies, instructions and directions

Each year, SBAB's Board of Directors adopts a number of policies and instructions at the statutory Board meeting. These are an important part of the internal governance and help the company to promote sustainable business and to create a consensus on company-wide issues and areas.

For example, the Board of SBAB has adopted policies and instructions covering Sustainable Enterprise, Ethics, Equality and Diversity, Remuneration, Complaints Handling, Risk, Credit, Capital, Compliance, Independent Risk Control, Internal Audit, Measures to Preventing Money Laundering and the Financing of Terrorism, as well as Compliance with Financial Sanctions and Recovery Plans.

In addition to policies and instructions decided by the Board, there are a number of instructions decided by the CEO or by persons with authority delegated by the CEO. Examples of such instructions include Policies, Outsourcing, Authorisation Instruction, Communication, Working Environment, Against Bribes and other Corruption, Bank Confidentiality, Whistleblower Process, IT Governance and Security.

Code of Conduct

We let our values and Code of Conduct act as a moral compass in terms of defining our behaviour and what we stand for as a company. Our Code of Conduct is decided by the Board of Directors and is available for all employees on our intranet. It provides guidance on how we should act and conduct ourselves in various situations and the inherent responsibilities of being a SBAB employee. Employees, managers, consultants, members of the Executive Management and Board members are responsible for understanding and complying with our Code of Conduct.

Supplier Code

SBAB's Supplier Code addresses SBAB's view and expectations of our suppliers' sustainability efforts and compliance with international guidelines and principles.

S:2.2 Obligations

The state's ownership policy stipulates that state-owned enterprises should serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence. Acting as a role model includes working strategically and transparently with a focus on collaboration. These efforts are inspired and guided by international guidelines including the ten principles of the UN Global Compact and the SDGs of the 2030 Agenda for Sustainable Development.

UN Global Compact, Communication on Progress (COP)

SBAB joined the UN Global Compact in 2009. SBAB's commitment to the Global Compact means that SBAB reports its work on implementing the Ten Principles of the Global Compact in the areas of human rights, labour, environment and anti-corruption in an annual Communication on Progress (COP). The separate GRI/COP index states which parts of the report constitute SBAB's Communication on Progress, which is based on the BASIC GUIDE Communication on Progress, GC Active Level, developed by the Global Compact. The UN Global Compact includes a precaution principle. SBAB is implementing a number of precautionary measures in daily operations, including employee training. We have also started efforts to identify, manage and integrate sustainability risks in all central processes.

UN 2030 Agenda and Sustainable Development Goals (SDGs)

The state's ownership policy states that, within the framework of their operations, state-owned enterprises must analyse the SDGs contained in the 2030 Agenda for Sustainable Development to identify which goals the company can influence and contribute to through its activities. Companies are also expected to identify business opportunities that contribute to achieving the goals. SBAB has identified and chosen four of the 17 SDGs that we consider particularly important and relevant for our operations. The goals have been chosen based on extensive analysis in the form of internal workshops and ranking exercises within operations, the Executive Management and the Board, and thus comprise an integrated part of SBAB's governance model and daily operations. SBAB's contribution to the respective goals is presented in a separate table and in the freestanding GRI/COP index.

[Read more on pages 178 and 180](#)

Sweden's environmental objectives

The environmental objective system contains one generation goal, 16 environmental quality goals and 17 intermediate goals in the areas of waste, biodiversity, hazardous substances and climate. Sweden's environmental objectives are the national implementation of the ecological dimension of the SDGs. SBAB supports these objectives and actively contributes to the overall objective for environmental policy, the generation goal, which is to be able to hand over a society to the next generation in which the major environmental problems have been solved, without causing more environmental and health problems beyond Sweden's borders. One of the environmental quality goals, goal 15, refers to a healthy built-up environment and has synergies with two of SBAB's four prioritised SDGs, namely 11 and 12. SBAB is a leading player in the housing financing sector and has a responsibility to drive development in this area.

S:2.1 Cont.

The Paris agreement and the EU action plan for financing sustainable growth
 SBAB works to promote realising the goals of the Paris agreement and the EU action plan for financing sustainable growth. SBAB has also started to review the possibility of joining the reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD).

[Read more on page 179](#)

Other memberships of associations

Since 2012, SBAB has been a member of the Swedish Financial Coalition against child pornography. The Financial Coalition collaborates with ECPAT with the aim of preventing and rendering it more difficult to trade in pictures featuring sexual abuse of children through financial systems on the internet. SBAB is also a member of diverse branch-related organisations.

S:3 | Definition of the reporting content

SBAB’s Annual and Sustainability Report has been prepared pursuant to the GRI’s principles for defining report content and quality. Stakeholder dialogue and materiality assessment form the basis for SBAB’s prioritised sustainability topics.

S:3.1 Stakeholder dialogue

SBAB has identified a number of particularly important stakeholder groups that all affect and are affected by our operations in various ways. From a business perspective, the most important stakeholders in the short, medium and long-term are the customers, the employees, the owner and investors. This priority has grown out of a

recurring internal dialogue regarding the bank’s business logic in the Board of Directors, the Executive Management and in operations. We maintain ongoing communication, primarily with the most important stakeholders, to set the right priorities in our business development and sustainability work. Communication is conducted through means including customer surveys and meetings, dialogue with owner representatives, question forums on www.sbab.se, physical meetings in various formats, dialogues regarding accounting, and other formats for stakeholder engagement.

FORMATS FOR STAKEHOLDER ENGAGEMENT

Customers

The confidence our customers have in SBAB determines our ability to develop in many respects, and therefore also our ability to take on a greater role in societal development. The knowledge, skills, professionalism and consideration shown by our employees on a daily basis are apparent in surveys conducted by Svenskt Kvalitetsindex (Swedish Quality Index, SKI).

In dialogues through:

The internet (www.sbab.se), telephone, customer surveys (SKI, brand surveys, customer panels, focus groups, etc.), social media, customer and support forum, blogs, personal meetings, customer meetings, seminars and conferences, the AGM, marketing communication, etc.

Employees

SBAB’s employees are its most important asset. Motivated and committed employees are a prerequisite for our success and one of the most important resources in terms of achieving our vision. Our employees’ motivation to create value through stakeholder relations depends on a number of factors, including leadership, skills development, development opportunities and our corporate culture.

In dialogues through:

Performance evaluations, meetings, employee surveys, workplace dialogues with trade unions, monthly and departmental meetings, the intranet, AGMs, CEO blogs, etc.

Owner & investors

Owner: SBAB is wholly owned by the Swedish government. The Swedish government’s ambition for Swedish state-owned companies – to set good examples and serve as role models for sustainable development – has inspired us to clarify our role in the sustainable development of society.

Investors: Investor confidence in SBAB is based on investors’ interaction with our employees as well as on a belief in our business model and our ability to support positive and sustainable economic developments.

In dialogues through:

Owner: Ownership policy, owner instructions, continuous ministerial contacts, board representation, AGMs, network meetings, etc.
Investors: Personal meetings, group presentations, financial statements, www.sbab.se, etc.

The public

Confidence from the general public and other stakeholders such as non-profit organisations, business partners, media, suppliers and interest organisations affects our opportunities to develop the operations in the desired direction. Confidence from the public is a prerequisite for attracting new customers, establishing long-term relationships and growing.

In dialogues through:

Personal meetings, network meetings, seminars and conferences, media, blogs, social media, AGMs, marketing communication, etc.

S:3.2 Material topics

We report the results of our sustainability efforts in line with the GRI, which includes identifying and prioritising material sustainability topics. In late 2016 and early 2017, we completed a stakeholder and materiality assessment. This work included 15 interviews with Board members, the Executive Management, employees, the owner, corporate customers, business partners, stakeholder organisations and NGOs, which were conducted as face-to-face meetings and by telephone. Moreover, an online survey was conducted of SBAB's retail customers, around 600 customers in total. Listening to our stakeholders is important for identifying the financial, societal and environmental sustainability topics that are material for our operations.

By utilising input from the interviews and online surveys together with secondary sources, such as employee and brand surveys, an internal exercise was carried out, with representatives from the operations and from the Executive Management, in order to agree on a gross list of SBAB's material sustainability topics. These efforts identified a total of 18 sustainability topics, which are presented below.

MATERIALITY ASSESSMENT

Key sustainability topics

Responsibility and transparency

- Customer experience
- Risk and compliance
- Anti-corruption
- Innovation and product and service development
- Sustainable IT platform
- Transparency
- Brand
- Climate impact and use of resources
- Environmental and climate requirements for customers and suppliers
- Responsible mortgage provider
- Social requirements for corporate customers and suppliers
- Community engagement
- Popular education
- Offering of green products and services

Attractive workplace

- An attractive workplace
- Corporate culture and values

Sound finances

- Financial stability
- Profitability and growth

Three target areas

Based on demands from our operating environment, the materiality assessment and continuously ongoing stakeholder dialogues, SBAB has established three overall commercial and sustainable development target areas for the operations: Responsibility and transparency; Attractive workplace; and Sound finances.

[Read more on page 22](#)

How the material sustainability topics have been reported

For each target area, we have adopted fixed strategies and activities, overall targets and metrics, and determined how the results should be reported. Activities, targets and metrics are reviewed each year in conjunction with the business planning process. Since 2017, SBAB's business plan has been fully integrated, which means that SBAB does not differentiate between business targets and sustainability targets. SBAB's targets are presented earlier in this report.

[Read more on page 24](#)

14 of the 18 sustainability topics identified in the materiality assessments are reported as material in SBAB's sustainability report. These are reported in our three target areas as follows:

Responsibility and transparency

- Customer experience
- Risk and compliance
- Anti-corruption
- Innovation and product and service development
- Sustainable IT platform
- Transparency
- Brand
- Responsible mortgage provider
- Community engagement
- Offering of green products and services

Attractive workplace

- An attractive workplace
- Corporate culture and values

Sound finances

- Financial stability
- Profitability and growth

The above responsibility issues have been delimited in the report to include SBAB's direct efforts and are reported using at least one GRI indicator per material aspect.

[Read more on page 180](#)

SBAB's material impact is expected to take place within the organisation and in connection with our lending.

Sustainability analysis to identify risks and opportunities

In 2018, an extensive sustainability analysis, known as a gap analysis, was conducted for SBAB's entire operations. The analysis was conducted in five parts linked to SBAB's three target areas. The analysis identified the current status and the ambition level. The analysis identified 50 areas within which SBAB faced challenges or possibilities of varying scope.

The current status and objectives were established based on SBAB's materiality assessment, business plan, model for governance and follow-up, prioritised SDGs and other guidelines such as the UN Global Compact. The internal basis was complemented with an analysis of factors in the operating environment and industry practice in the area of sustainability. This functioned as the basis for a number of workshops, where representatives from the entire operations participated with the aim of calibrating the current status and the objectives. A total of nine workshops were conducted with around 50 participants. All of the workshops resulted in a full gap analysis including the current status, objective and ambition level for the respective area, together with an action plan. The action plans include activities aimed at reaching the objective. The results of the gap analyses were discussed and prepared by the Executive Management for decision by the Board.

S:4 | Governance and follow-up

S:4.1 Overarching governance

SBAB has a number of functions for the governance and follow-up of sustainability efforts.

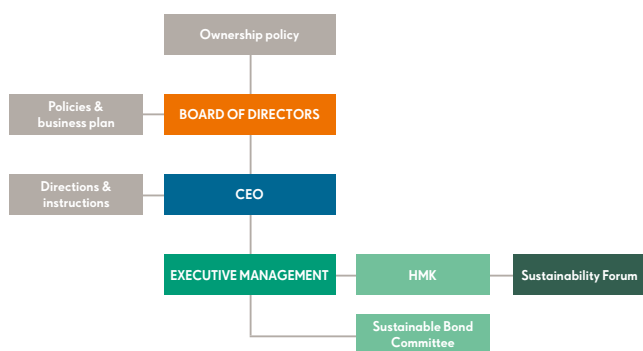
Within SBAB, the Board is ultimately responsible for ensuring that active, long-term efforts to achieve sustainable development are carried out within the bank. The Board also adopts a strategy, objectives and a Policy for Sustainable Enterprise. Furthermore, the Board monitors and assesses SBAB’s sustainability efforts.

The Executive Management presents the bank’s strategic business plan, including its aims, direction and objectives for sustainability efforts, in conjunction with deciding the business plan and budget. SBAB’s sustainability efforts are fully integrated in SBAB’s business plan. The Executive Management are to control and take decisions on priorities and strategic direction for sustainability in accordance with the decided business strategy.

The Sustainability Marketing and Communication department (HMK) is led by the Head of HMK, who is a member of the Executive Management and reports to the CEO. HMK includes the Sustainability unit, which is led by the Head of Sustainability who reports to the Head of HMK and the CEO. The Sustainability unit is tasked with coordinating sustainability efforts at SBAB at an overall and total level, as well as in relation to the overriding target areas and their measurable goals, together with the individuals with operational responsibility in the business. The Head of Sustainability together with the Head of HMK are tasked with driving SBAB’s strategic sustainability efforts with the CEO and the Board, and are responsible for internal and external communication issues pertaining to sustainability efforts. The Head of Sustainability also participates in and represents SBAB with regard to sustainability topics in contact with the owner and in other external contexts. Within the Sustainability unit there are two sustainability strategists who work full-time with sustainability topics and who assist with coordinating and leading sustainability efforts in the operations.

SBAB has a Sustainability Forum with representatives from different parts of the operation who meet around two times per year. The representatives are well versed in SBAB’s sustainability efforts and are also responsible for managing these issues in their parts of the organisation. The Sustainability Forum is seen as a complement to the business planning, whereby sustainability is integrated into the business goals. The aim of the Sustainability Forum is to inspire, raise awareness and enable us to learn from one another. The Forum is led by the Head of Sustainability together with the other sustainability strategists.

SBAB has a Sustainable Bond Committee (SBC) that regularly meets four times a year, or more often if needed. The aim of the SBC is to secure the process whereby green and sustainable bonds are issued, managed and discontinued. The SBC is comprised of seven individuals from different parts of the operations. The Chairman of the SBC is SBAB’s CFO, who is also SCBC’s CEO.



S:4.2 Follow-up

SBAB has decided on a number of overriding, measurable and quantifiable goals for the respective target areas. These are presented earlier in this report. A number of specific metrics (KPIs) exist for the respective target areas, which are measured and reported to the CEO and Board each month. In addition to the overriding business plan and its contents, operational goals and activities are in place at a departmental and functional level.

Some 50 areas were identified in the sustainability analysis. Responsibility has been allocated to a representative of Executive Management and to an individual with operational responsibility for each area. Moreover, each area has been allocated a sustainability strategist from the Sustainability unit. During the year, a new structure was developed for reporting and follow-up. Moreover, work started during the year on specifying the identified areas as measurable targets and activities, with special focus on 21 prioritised areas, which are considered of particular importance from a risk and opportunities perspective. Progress was noted in all of the prioritised areas over the year.

Responsibility and transparency

The ongoing governance and follow-up of goals linked to this area are allocated between Accounting & Treasury, Business Specialists, Customer Experience, Data Science, Customer Service, Corporate Clients & Tenant-Owners’ Associations, HMK, Tech and Risk.

Attractive workplace

SBAB’s HR department is responsible for the ongoing governance and follow-up of the goals linked to this area.

Sound finances

The ongoing governance and follow-up of the goals linked to this area are mainly the responsibility of SBAB’s Accounting & Treasury department, and SBAB’s Tech department, for which sustainable technical development comprises a key element. The goals in Sound finances include the financial goals set by SBAB’s owner, the Swedish state.

S:4.3 Goals for 2020

SBAB has adopted the following goals for 2020:

Sustainability Ranking in the Sustainability index ¹⁾	Top 3
Transparency: Proportion of customers who believe that SBAB has an offering that is straightforward and easy to understand	85%
Customer satisfaction: Sweden’s most satisfied customers according to the Swedish Quality Index	Top 3
Mortgages	Top 3
Residential mortgages	Top 3
Equality & diversity: Equality between women/men in management positions (within the range)	45–55%
Employee experience: Percentage of employees who consider SBAB an overall great place to work	92%
Committed employees: Total Trust Index in Great Place to Work’s annual employee survey	86%
Profitability: A return on equity over time	≥ 10.0%
Dividend: Ordinary dividend based on profit for the year after tax, taking the Group’s capital structure into account	≥ 40%
Capitalisation: The CET1 capital ratio and total capital ratio exceed the regulatory requirement communicated by the Swedish FSA	CET1 capital ratio ≥ 0.6%
	Total capital ratio ≥ 0.6%

¹⁾ SBAB’s own quarterly sustainability index, which is prepared in collaboration with a third party.

S:5 | Supplementary information per target area

S:5.1 Responsibility and transparency

Responsible and transparent offering

How we grant loans to consumers

We carry out continuous random follow-ups along with other reviews to ensure that all of our credit approvals are managed in a sound manner that complies with our credit regulations. For SBAB's residential mortgages, collateral is provided in the form of a mortgage deed in immovable property or rights in a tenant-owners' association. The loan is permitted to correspond to a maximum of 85% of the value of the property. Granting of credit to consumers is based on a credit approval process that determines whether customers have the financial capacity required to meet their commitment. We base our credit approval process on existing credit rules, information received from credit rating agencies, such as UC, and the Land Registry and other controls as well as information provided by the customers themselves. The expertise and professionalism of our mortgage administrators are important parts of the process.

First and foremost, we assess the customer's repayment ability, but also the collateral provided for the loan. Loans are not approved if the ability to make repayments cannot be guaranteed. The credit approval process centres around a calculation of household costs, which is based on the income of the customers and their mortgage and household expenses. If a customer applies for a mortgage for a tenant-owner apartment, we also assess the customer's calculation in relation to the risk that the monthly fee to the tenant-owners' association may be raised. This is carried out by measures including calculating the debt for tenant-owners' association per square metre. We also use various costing parameters in the calculation of household costs to work out whether the calculation truly adds up, even if, for example, the interest rate or other costs should rise. If the calculation indicates a sufficient surplus, a loan is normally granted provided that the customer satisfies other formal requirements and credit regulations. If the calculation indicates a deficit, the loan is not granted.

HOUSING COST CALCULATION

+	Borrower's income ¹⁾
-	Housing expenses ²⁾
-	Living expenses ³⁾
=	Surplus (or deficit)

¹⁾ The stated income is checked using the credit information service UC, among others.

²⁾ Repayments, running costs, monthly fees and stressed interest rates.

³⁾ In accordance with the Swedish Consumer Agency's guidelines, taking the number of minors and adults in the household into account.

Amortisation and debt-to-income ratio

At SBAB we believe that amortisation helps ensure sound household finances. We give all of our customers individual amortisation recommendations. In mid-2016, new amortisation rules were introduced in line with regulations issued by the Swedish FSA. These rules include a repayment rate of 2% per year for new residential mortgages with a loan-to-value (LTV) ratio of more than 70%, and 1% per year down to an LTV ratio of 50%. In 2018, we introduced the increased amortisation requirement for households with high debt-to-income ratios, which entails that all new customers borrowing more than 4.5 times their gross income (their pre-tax income) must amortise an additional one percent of the mortgage per year. The requirement applies to already existing amortisation rules. The ratio gives a good indication of how sensitive customers' ability to make repayments is to changes in interest rate or income levels, as well as the customer's ability to amortise. We apply a mandatory debt-to-income ratio of 5.5 times gross income in our lending.

Changes in the credit process

We have made some adjustments to our credit process over the last few years to better reflect contemporary society, including in terms of constellations of borrowers, additional borrowers and forms of employment (permanent, temporary and project), but also with the aim of enabling young adults to buy their first home.

Since 2017, a special function has been in place to handle cases of an infrequent nature, including those described above, but also other cases that require special skills and attention. This may include, for example, transfers in the event of a divorce or death, or cases where a customer is an entrepreneur. It is important that SBAB manages these cases in a correct, factual and transparent manner to thereby avoid discrimination.

During the year, we again reviewed our handling of customers approaching retirement and who would therefore likely see their income decrease. These customers are also managed by a separate function with administrators with expertise in this field and the customers' credit applications are processed on an individual basis.

During the year, SBAB adjusted the stressed interest rate applied in the credit process from 7.0% to 6.5% as a result of the changed, lower interest rates in the market. We believe this measure will help young people, among others, to buy their own homes.

Key elements of our work moving forward comprise continuing to adapt the language of the credit process, to better manage any climate risks in the credit process and to further streamline and digitalise the credit process.

Preventative insolvency management

We work with preventative insolvency management. This entails early contact by SBAB in cases where we find that our customers are having difficulties in making their interest and amortisation payments. Sickness, unemployment, divorce and split-ups are the most common causes of payment difficulties for our customers. We create solutions, including tailored payment plans, to allow our customers opportunity to get things under control. Normally, the process starts with creating a household budget to then progress to a discussion with the customer on how we will continue to manage the case. We own the entire insolvency management process. This means that throughout the process it is SBAB that helps our customers, not another party. Establishing a healthy dialogue at an early stage often leads to a favourable outcome for our customers and for us.

How we grant loans to corporates and tenant-owners' associations

Our credit approval of corporates and tenant-owners' associations is primarily based on their repayment capacity. In addition to the ability to make repayments, which we assess by analysing income and cash-flow statements, we also assess the collateral for the customer's loan. When we lend money for construction of new properties, we conduct an analysis of the project and make a forecast of the final production costs. The value of the customers' properties is appraised by SBAB's valuation department. As part of this valuation, we also assess future maintenance requirements and the customer's ability to finance such requirements.

Sustainability criteria in the credit granting process for corporates and tenant-owners' associations

We promote sound environmental risk management in issued loans. This means any negative impact on the climate or environment should be avoided wherever possible, or at least minimised, mitigated or compensated for. In our credit granting process for property companies and tenant-owners' associations, we consider environmental criteria as a part of the overall assessment, including environmental risks, energy consumption and environment classification of the properties used as collateral. The property companies' environmental policies are also relevant. When viewing and valuing properties, in addition to factors such as the property's location, condition and standard, special attention is paid to any occurrence of environmentally disturbing factors, such as polluted land, substandard ventilation and harmful building materials. We also engage in a dialogue about sustainability topics with existing customers and offer customised products for this purpose.

Results of other confidence surveys

Swedish Sustainability Ranking Finance 2019

SBAB came in second place in the Swedish Sustainability Ranking Finance 2019, an annual survey of confidence and reputation for various banks in Sweden conducted by Nordic Brand Academy. The survey comprised around 2,000 interviews.

Our operations build on trust

Banking security

We work proactively with compliance and security issues to ensure that we comply with the regulations and requirements that apply to operations. Banking confidentiality is a key point of departure for our security efforts. Living up to the expectations and requirements placed on us as a company is of vital importance to the confidence that our customers, owner, employees and other stakeholders have in SBAB. Our security measures involve both prevention and control. We take actions to detect and counteract threats in advance and we regularly check that our protective measures are effective. Security is always an important element in the management and development of our products and services.

Marketing communication

SBAB's Communication instruction regulates SBAB's external and internal communication and information disclosure. This instruction also aims to ensure that SBAB's information disclosure to the market is correct, relevant and adheres to the applicable communication rules. We have three underlying instructions: Instruction for strategic communication; Instruction for financial communication; and Instruction for marketing. We also have a Direction for the marketing process, which describes SBAB's work procedures for marketing activities. It is a tool aimed at ensuring compliance with applicable regulations. SBAB had no incidents of non-compliance with regulations and voluntary codes concerning marketing communication during the year.

Integrity and protection of personal data

In 2017 and 2018, we completed a systematic and exhaustive initiative to adapt operations to the new requirements of the GDPR, which entered force on 25 May 2018. SBAB has a separate function, Privacy Office, where our data protection officer and data security specialists work. The team ensures our compliance with the applicable data protection legislation and proactively spreads know-how among our staff about data protection security.

Complaints handling

At times, customers who are dissatisfied with SBAB’s handling of a case contact SBAB with a complaint. It is critical that we take the time needed to address these matters in a professional manner. The primary aims of our complaints procedure is to ensure continued customer satisfaction and to pre-empt future complaints.

SBAB has policies in place to govern the conduct of our complaint handling. Our Instruction for complaint handling is decided by the Board. The instruction is complemented by the Consumer complaints guidelines, which explain how employees should manage complaints. Our policies are adapted to external requirements that we must address, such as the Swedish FSA’s General guidelines regarding complaints management concerning financial services for consumers (FFFS 2002:23), Regulations for insurance distribution (FFFS 2018:10) and the Payment Services Act (2010:751).

SBAB’s complaints officer, or customer ombudsman, is registered with the Swedish FSA, and information guiding customers in how to make a complaint is available at www.sbab.se

Responsible sourcing and the Supplier Code

SBAB’s supply chain includes suppliers of various services and materials. The four largest supplier categories (consulting and staffing services; communication and event; property and office services; and software and IT services) comprise around 80% of SBAB’s total costs within procurement. In 2019, a risk analysis was carried out for these categories together with an initiative to raise competence levels for the agreement owners. The aim was to create awareness and to manage sustainability risks in the supply chain in a structured and preventative manner. In 2019, workshops were carried out for all supplier categories with their respective agreement owners.

Since 2017, SBAB’s Supplier Code has been attached to all material agreements. The code addresses SBAB’s view and expectations of our suppliers’ sustainability efforts and compliance with international guidelines and principles. The code is published on www.sbab.se. We intend to continue the ongoing development of our Supplier Code to ensure increased focus on responsibility and sustainability in the entire supply chain. Over the year, we conducted internal training sessions for the code among all of SBAB’s agreement owners.

Tax

SBAB is wholly owned by the Swedish government. We only conduct operations in Sweden, which means that we only pay tax in Sweden. Since SBAB employs 695 people, we are a relatively small employer. The employers’ contributions we pay on behalf of our employees help to strengthen security in society. We also pay guarantee fees, mainly in the form of the resolution fee and fees to the national deposit guarantee, which help maintain financial stability in the community. Guarantee fees amounted to SEK 287 million in 2019. Our tax expense amounted to SEK 520 million.

Together for the climate

SBAB’s own climate impact

We are a digital bank. We have no branch offices and are mainly reached by our digital channels and over the telephone. This enables us to avoid unnecessary transportation and the operation of a number of branch offices around the country, which contributes to the relatively small size of our direct environmental impact. But we still want to reduce the impact we have.

We work actively to limit postal mailings to customers, to thereby reduce SBAB’s impact on the climate and the environment. The above is achieved by distributing loan documents digitally and through collaboration with Kivra, where we are able to show substantial improvements and a drastic reduction in postal mailings over our 3-year collaboration. Today, payment notifications, terms and conditions, and annual statements to our retail customers as well as to send our employees’ pay slips are sent with Kivra.

As employees, we contribute to the company’s ambitions by taking personal responsibility and, for example, utilise the office’s waste sorting facilities, turn off lights and computers when we leave, use paper and printing frugally, and travel by rail instead of air whenever possible. As a company, we create the prerequisites for our employees to note, drive and develop resource and energy-saving work methods that contribute to reducing environmental impact. In recent years, we have implemented a series of measures and activities to reduce our environmental impact. We buy green electricity from renewable energy sources to all of our offices. The property we rent in Solna is BREEAM certified as Good.

During the year, a working group was appointed to develop reduction targets and an action plan aimed at reducing the environmental impact of our operations. The reduction targets will be presented in 2020.

Climate report for 2019

The table data shows greenhouse gas emissions expressed in tonnes of carbon dioxide equivalents, CO_{2e}. SBAB’s climate report for 2019 was conducted in collaboration with the company U&We and using the Our Impacts tool and is available in full at www.sbab.se. The raised quantities of CO_{2e} emissions in 2019 were primarily attributable to the expansion of the components in the report and more employees. In addition, the 2019 climate report also includes the subsidiary Booli Search Technologies AB as opposed to previous years. The outcomes in the 2019 climate report will act as the baseline for setting a comprehensive and time-limited reduction target for CO_{2e} emissions for the Group.

EMISSIONS DIVIDED BY SCOPE 1)

CO _{2e} emissions, tonnes	2019	2018	2017	2016	2015
Scope 1	12.3	12.4	17.0	16.9	13.8
Scope 2	39.6	22.9	22.9	26.1	54.1
Scope 3	481.8	157.2	144.2	142.0	90.6
Total	533.7	192.5	184.1	185.0	158.5

EMISSIONS DIVIDED BY SOURCE 1)

CO _{2e} emissions, tonnes	2019	2018	2017	2016	2015
Scope 1					
Vehicles (SBAB owned)	12.3	12.4	17.0	16.9	13.8
Scope 2					
District heating	23.2	21.4	21.5	22.4	40.1
District cooling	0.1	0.2	0.1	0.1	
Electricity	16.3	1.3	1.3	3.6	14.0
Scope 3					
Water consumption 3) 5)	0.3	0.3	-	-	-
Waste for incineration 5)	0.4	0.1	0.4	2.5	0.2
Vehicles (upstream)	14.9	8.7	11.7	14.4	17.3
Air travel	131.6	130.3	115.9	108	66.2
Rail travel	0.4	0.4	0.4	1.5	1.3
Copying paper 3) 5)	0.7	0.4	-	-	-
Server halls 4)	88.6	-	-	-	-
IT procurement 4)	209.0	-	-	-	-
Hotel nights 4)	19.6	-	-	-	-
Taxis 2) 5)	3.3	3.6	3.7	2.4	-
District heating (upstream)	2.8	2.7	2.7	2.6	4.5
Electricity (upstream)	10.2	10.7	9.4	10.5	1.1
Total	533.7	192.5	184.1	185	158.5

1) The figures prior to 2019 comprise data excluding the subsidiary Booli Search Technologies AB.

2) New value for 2016.

3) New value for 2018.

4) New value for 2019.

5) Data excluding the subsidiary Booli Search Technologies AB.

S:5.2 An attractive workplace

Remuneration

Our remuneration policy encompasses all SBAB employees, regardless of position. In accordance with the relevant policy, SBAB’s remuneration is to be competitive, capped and appropriate, moderate, reasonable, well considered and not salary-leading. It should also contribute to high ethical standards and a good corporate culture. The same applies to the benefits we offer – all employees are offered the same benefits, regardless of position. Since 2012, there have been no incentive programmes and there is no variable remuneration to our employees that could have any significant impact on the SBAB Group’s risk profile. The total level of remuneration is determined based on responsibility, complexity and results within the respective employee’s area, and also on how well the employee lives our values and our values-driven working approach.

SBAB applies individual salary-setting in accordance with our collective bargaining agreement, which means that remuneration and salary growth is individual and differentiated. All Parent Company employees are covered by collective agreements.

Salary reviews take place annually by way of individual salary interviews, whereby performance in the role and applicable salary criteria are taken into consideration. Each year, employees can go on a salary setting course. SBAB also conducts annual salary surveys to ensure the continuation of successful work to prevent non-objective salary differences and salary discrimination. Should abusive special treatment occur, procedures are in place to launch investigations and take actions. Reports should be submitted to line managers or HR. If the employee belongs to a union, a representative from that organisation is brought into the investigation.

Initiatives to promote skills development and diversity

New start and entry positions for new arrivals

Since early 2016, an initiative has been in place at SBAB that aims to contribute to diversity by working together with Sweden's Public Employment Agency to offer new start and entry positions to newly arrived immigrants. In 2017, we also initiated collaboration with the Teknicsprånget and Jobbsprånget labour programmes. These initiatives are pursued on a cross-functional basis throughout the organisation. In 2019, one applicant from Jobbsprånget progressed to a permanent position.

Hello World!

Maintaining the company's competitiveness and sustainable societal development requires competent employees, not least in the digital area. We contribute to lighting the stars of the future already today by backing the non-profit organisation Hello World!, which works to support digital creation. On two occasions in 2019, Hello World! invited some 100 young people aged 8–18 to meet-ups at SBAB's premises in Solna. We contribute premises, networks, refreshments and service through a number of employees working on a voluntary basis.

Broadening the recruitment base

We are reviewing several alternatives for broadening the base and reaching target groups that we would otherwise miss in our recruitment processes. In 2019, the Make Equal foundation helped us to review our employment advertisements to ensure they were formulated in an inclusive manner.

Volunteering

Since spring 2016, SBAB employees have had an opportunity to undertake two days of voluntary work per year at organisations that reflect our mission. Examples of such organisations are Gengåvan in Karlstad and Stockholms Stadsmission. The volunteer work is performed during ordinary working hours, following which the volunteers share their experiences by relating them on the intranet, in an article in social media, in a brief presentation for their work team or at a monthly meeting to which the entire organisation is invited. With this initiative, we want to make it possible for our employees to become involved and to contribute to making our society a better place.

VOLUNTEER DAYS

	2019	2018
Whole days	73	51
Half days	18	36
Number of hours	624	502

AGE DISTRIBUTION WOMEN/MEN

Age distribution at 31 December 2019	Percentage distribution (%)		
	Women	Men	Total
20–29	9	8	17
30–39	16	19	35
40–49	13	11	24
50–59	12	8	20
60–69	3	1	4
Total	52	48	100

LENGTH OF EMPLOYMENT WOMEN/MEN

Length of employment at 31 December 2019	Percentage distribution (%)		
	Women	Men	Total
<3 years	31	26	57
4–6 years	6	6	12
7–9 years	2	3	5
10–12 years	3	2	5
13–15 years	1	1	2
>16 years	10	7	17
Total	52	48	100

KEY EMPLOYEE FIGURES¹⁾

Key figures	2019	2018	2017	2016	2015
Total number of employees at the end of the year ²⁾	695	574	506	485	429
of whom, women ²⁾ , %	52	52	54	53	52
Temporary employees ³⁾ , %	5.0	1.0	1.6	1.6	1.3
Part-time employees ³⁾ , %	0.3	0.9	1.4	2.5	1.7
Average age, years	39	41	41	41	41
People who left the company over the year	78	61	74	62	58
People who joined the company over the year	158	133	100	113	100
Personnel turnover ⁴⁾ , %	12	10	14	12	13
Equality					
Share of women on the Board of Directors, %	50	50	44	36	50
Share of women in the Executive Management, %	38	56	40	33	30
Share of female managers, %	43	44	45	45	44
Proportion of male employees, receiving parental leave allowance, %	38	37	47	41	24
Sick leave and wellness					
Short-term sick leave, %	2.3	2.2	2.0	2.1	1.9
Long-term sick leave, %	0.8	1.3	1.7	1.7	2.0
Total sick leave, %	3.1	3.5	3.7	3.8	3.9
Use of health-promotion contribution by all employees, %	78	79	79	74	69

¹⁾ The figures prior to 2019 comprise data excluding the subsidiary Booli Search Technologies AB.

²⁾ Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence.

³⁾ Total number of employees at the end of the year.

⁴⁾ Pertains only to the Parent Company SBAB Bank AB (publ).

S:5.3 Sound finances

Green bonds impact reporting

Eligible investment objects within SBAB’s green bond frameworks (“SBAB Green Bond Framework 2016” and “SBAB Group Green Bond Framework 2019”) totalled SEK 24.5 billion at 31 December 2019. According to SBAB’s calculations, these objects are estimated to generate an annual avoidance in GHG emissions corresponding to 13,048 tonnes CO_{2e}. SBAB’s share of the financing is expected to correspond to an annual avoidance of 7,559 tonnes of CO_{2e}.

The expected avoidance of GHG emissions has been calculated based on how much less energy the respective eligible investment object’s actual or expected energy consumption is compared with various baselines decided by SBAB. Thereafter, savings in CO_{2e} emissions have been estimated for the respective objects based on the average emissions per kWh.

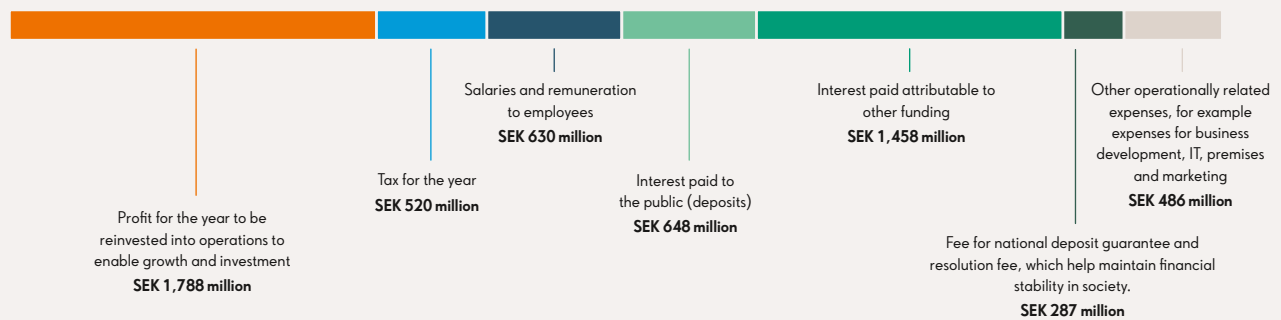
Further information is available in the SBAB Group Green Bonds Impact Report 2019, which is published on SBAB’s website.

SUMMARY IMPACT REPORTING

	2019
Eligible investment objects within SBAB’s green bond frameworks, SEK bn	24.5
<i>of which, SBAB Green Bond Framework 2016</i>	4.7
<i>of which, SBAB Group Green Bond Framework 2019</i>	19.8
Expected avoidance of GHG emissions, tonnes CO_{2e}/year	13,048
<i>of which, SBAB Green Bond Framework 2016</i>	917
<i>of which, SBAB Group Green Bond Framework 2019</i>	12,131
SBAB’s share of the financing; Expected avoidance of GHG emissions, tonnes CO_{2e}/year	7,559
<i>of which, SBAB Green Bond Framework 2016</i>	589
<i>of which, SBAB Group Green Bond Framework 2019</i>	6,970

FINANCIAL VALUE CREATION 2019

SBAB reports how financial value is created by breaking down created value for different stakeholders.




S:6 | Sustainability reporting in accordance with the Swedish Annual Accounts Act

From financial years starting after 31 December 2016, large undertakings must report sustainability in line with the rules in the Swedish Annual Accounts Act pertaining to sustainability reporting. The provisions are based on an amendment to the EU Accounting Rules Directive (Directive 2014/95/EU of the European Parliament and the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups). Under the new rules, a sustainability report is a report containing the requisite sustainability


information to enable gaining an understanding of the company's development, position and performance as well as the consequences for the operations. This information should encompass questions pertaining to the environment, social conditions, personnel, respect for human rights and anti-corruption efforts. The following table, with references to the relevant pages of the report, to clarify how SBAB meets the rules in the Swedish Annual Accounts Act pertaining to sustainability reporting.

	Climate and the environment	Societal conditions & respect for human rights	Anti-Corruption efforts and other action against financial crime
Business model	Pages 12–19	Pages 12–19	Pages 12–19
Policies and governance documents	<ul style="list-style-type: none"> • Policy for Sustainable Enterprise • Credit Policy • Sustainable Bond Committee Instruction 	<ul style="list-style-type: none"> • Policy for Sustainable Enterprise • Equality and Diversity Policy • Policy to Promote Board Diversity • Ethics Policy • Remuneration Policy • Work Environment Instruction • Whistleblower Process Instruction • Code of Conduct • Supplier Code • Sustainable Bond Committee Instruction 	<ul style="list-style-type: none"> • Policy for Sustainable Enterprise • Policy and Instruction for Counteracting Money Laundering and Financing of Terrorism and Compliance with Financial Sanctions • Instruction to Combat Bribes and Other Forms of Corruption • Whistleblower Process Instruction • Code of Conduct • Supplier Code
Results and reference to the GRI	<p>Results:</p> <p>Pages 34–35, 60, 174, 176</p> <p>GRI reference:</p> <ul style="list-style-type: none"> • 305: Emissions • G4-FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose 	<p>Results:</p> <p>Pages 33, 38–39, 42–43, 175</p> <p>GRI reference:</p> <ul style="list-style-type: none"> • 205: Anti-corruption • 403: Occupational Health and Safety • 404: Training and education • 405: Diversity and Equal Opportunity • 406: Non-Discrimination • 413: Local Communities 	<p>Results:</p> <p>Page 33</p> <p>GRI reference:</p> <ul style="list-style-type: none"> • 205: Anti-corruption
Risk management	Pages 76–77	Pages 76–77	Pages 76–77











S:7 | UN's Sustainable Development Goals

UN's Sustainable Development Goals	UN's associated targets	Examples of SBAB's activities and initiatives	Page reference
 <p>SDG 8: Decent work and economic growth</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries</p> <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p> <p>8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all</p>	<p>Contribute to GDP growth and jobs in Sweden</p>	63, 176
		<p>Promote transparency to strengthen the position of consumers in the housing and residential mortgage market</p>	28-29
		<p>Equality plan (including diversity) and goals</p>	50
		<p>Tool, Respektrappan, to promote respect and equality in the workplace</p>	51-53
		<p>Annual salary surveys to prevent non-objective salary differences and salary discrimination</p>	174
		<p>Efforts to ensure that our channels are accessible for people with disabilities</p>	32
		<p>Volunteering opportunities for all employees</p>	175
		<p>Collaboration with Boost by FC Rosengård to increase employment among young people</p>	38
		<p>Industry collaboration to reduce tax avoidance in the construction industry and to ensure acceptable and just labour conditions for those working on the new construction projects that SBAB is part of financing</p>	39-41
		<p>Set ethical requirements for suppliers through the Supplier Code</p>	174
 <p>SDG 11: Sustainable cities and communities</p> <p>Make cities and human settlements inclusive, safe, resilient and sustainable.</p>	<p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p> <p>11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries</p>	<p>Green investment loans to property companies and tenant-owners' associations for environmental and energy measures in properties</p>	34
		<p>Green consumer loans (Energy Loan) for sustainable investments in homes</p>	34
		<p>Green residential mortgages for energy-efficient housing</p>	34
		<p>Educate and motivate our customers to buy and invest in measures to increase energy efficiency</p>	34
		<p>Financing new housing construction to increase access to housing in Sweden</p>	38
		<p>Green bonds to finance energy-friendly and climate-smart housing</p>	35, 60, 176
		<p>Climate stress testing of the mortgage portfolio</p>	58
		<p>Industry collaboration to reduce tax avoidance in the construction industry (see above)</p>	39-41
		<p>Collaboration with Stockholms Stadsmission, Faktum and Situation Stockholm to reduce homelessness and exclusion</p>	39
		 <p>SDG 12: Responsible consumption and production</p> <p>Ensure sustainable consumption and production patterns</p>	<p>12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature</p>
<p>Tools, services and information pages that help and inform our consumers on issues regarding housing and household finances</p>	28-29		
<p>Collaboration with Boost by FC Rosengård and Changers Hub to increase financial awareness among young people</p>	38		

S:7 | Cont.

UN's Sustainable Development Goals	UN's associated targets	Examples of SBAB's activities and initiatives	Page reference
 SDG 13: Climate action Take urgent action to combat climate change and its impacts.		Green investment loans (see above)	34
		Green consumer loans (see above)	34
		Green residential mortgages (see above)	34
		Monitoring the environmental impact of our own operations	35, 174
		Consultation (together with SBAB's business partners) for corporate clients and tenant-owners' associations regarding how to improve property energy-efficiency	34
		Financing new housing construction that is more energy-efficient than the older housing stock	34-34
		Green bonds (See above)	35, 60, 176
		Certain sustainability criteria considered in the credit granting process for corporate clients and tenant-owners' associations as part of the overall assessment	173
		Climate stress testing of the mortgage portfolio	58
		Green bonds in the liquidity portfolio	73

S:8 | Reporting inspired by the framework of the Task Force on Climate-related Financial Disclosures (TCFD)

Governance	Strategy	Risk management	Indicators & Goals
The Board's oversight of climate-related risks and opportunities.	Climate-related risks and opportunities identified by the organisation.	The organisation's processes for managing climate-related risks.	The organisation's metrics for evaluating climate-related risks and opportunities.
 Pages 84-85, 172	 Pages 34-35, 58, 60, 77, 171, 173, 174	 Page 77	 Pages 34-35, 174, 181
Management's role in assessing and managing climate-related risks and opportunities.	The impact from risks and opportunities on the organisation's operations, strategy and financial planning.	Integration of the above processes in the organisation's general risk management.	Scope 1, 2 and 3 emissions pursuant to the Greenhouse Gas Protocol.
 Page 172	 Pages 77, 171-172	 Pages 77, 171-172	 Page 174
	The resilience of the organisation's strategy, taking into consideration different climate-related scenarios.		Targets used to manage climate-related risks and opportunities
	 Pages 58, 77, 171-172		 Pages 34-35, 171-172, 174

We have begun to adapt our reporting structure and work for climate-related risks in accordance with TCFD's recommendations.

S:9 | GRI/COP INDEX

GENERAL DISCLOSURES (CORE OPTION)

GRI Standard	Description	Page reference	Comment/Omission	UNGC principle	SDG
Organisational profile					
102-1	Name of the organisation		SBAB Bank AB (publ)		
102-2	Activities, brands, products and services	12–13, 67–71			
102-3	Location of headquarters		Solna, Sweden		
102-4	Location of operations		SBAB only has operations in Sweden		
102-5	Ownership and legal form		Limited company. SBAB is wholly owned by the Swedish government.		
102-6	Markets served	12–13, 64, 67–71			
102-7	Scale of the organisation	12–13, 64			
102-8	Information on employees and other workers	42–53, 145–149, 175			8
102-9	Supply chain	33, 174		4, 5	
102-10	Significant changes to the organisation and its supply chain		No significant changes during the reporting period		
102-11	Precautionary principle or approach	169			
102-12	External initiatives	40, 51–53, 175			
102-13	Memberships of associations	169			
Strategy					
102-14	Statement from senior decision-maker	6–9, 80–81	Statements from the CEO and the Chairman		
Ethics and integrity					
102-16	Values, principles, standards, and norms of behaviour	17, 33, 42–45, 169		10	
Governance					
102-18	Governance structure	172			
Stakeholder engagement					
102-40	List of stakeholder groups	170			
102-41	Collective bargaining agreements	175			3
102-42	Identifying and selecting stakeholders	22, 170			3
102-43	Approach to stakeholder engagement	22–23, 170–171			
102-44	Key topics and concerns raised	171			
Reporting practice					
102-45	Entities included in the consolidated financial statements	64			
102-46	Defining report content and topic Boundaries	170–171			
102-47	List of material topics	171			
102-48	Restatements of information		No material changes		
102-49	Changes in reporting		No material changes		
102-50	Reporting period		1 January–31 December 2019		
102-51	Date of most recent report		28 March 2019		
102-52	Reporting cycle		Updated annually as at 31 December		
102-53	Contact point for questions regarding the report	189			
102-54	Claims of reporting in accordance with the GRI Standards	3, 169			
102-55	GRI content index	180			
102-56	External assurance	186			

TOPIC-SPECIFIC DISCLOSURES

GRI Standard	Description	Page reference	Comment/ Omission	UNGC principle	SDG	Sustainability topic in SBAB's materiality assessment
Economic Performance						
201: Economic performance – boundaries: within SBAB						
103-1–103-3	Management approach	172				Financial stability
201-1	Direct economic value generated and distributed	176			8	Profitability and growth
205: Anti-corruption – boundaries: within SBAB						
103-1–103-3	Management approach	172				Anti-corruption
205-2	Communication and training about anti-corruption policies and procedures	33		10		
205-3	Confirmed incidents of corruption and actions taken		No incidents of corruption were reported during the year	10		
ENVIRONMENTAL						
305: Emissions – boundaries: within SBAB						
103-1–03-3	Management approach	172				Climate impact and use of resources
305-1	Direct (Scope 1) GHG emissions	174		7, 8	12, 13	
305-2	Indirect (Scope 2) GHG emissions	174		7, 8	12, 13	
305-3	Other indirect (Scope 3) GHG emissions	174		7, 8	12, 13	
SOCIAL						
403: Occupational health and safety – boundaries: within SBAB						
103-1–103-3	Management approach	172				8
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	175	It is only relevant for SBAB to report sick leave. Divergencies: statistics not broken down by gender or region			
404: Training and education – boundaries: within SBAB						
103-1–103-3	Management approach	170				8
404-3	Percentage of employees receiving regular performance and career development reviews		2019 completed 87% "My Plan" Divergencies: statistics not broken down by gender or employment category			
405: Diversity and equal opportunity – boundaries: within SBAB						
103-1–03-3	Management approach	172				An attractive workplace
405-1	Diversity of governance bodies and employees	175	Divergencies: statistics not broken down by minority group membership	6	8	Corporate culture and values
406: Non-discrimination – boundaries: within SBAB						
103-1–103-3	Management approach	172		1, 2		An attractive workplace
406-1	Incidents of discrimination and corrective actions taken		No significant cases were reported during the year	6	8	Corporate culture and values
413: Local communities – boundaries: within SBAB						
103-1–103-3	Management approach	172				Responsible mortgage provider
413-1	Operations with local community engagement, impact assessments, and development programs	38–39, 175				Community engagement
417: Marketing and labeling – boundaries: within SBAB						
103-1–103-3	Management approach	172				Customer experience
417-2	Incidents of non-compliance concerning product and service information and labeling		No significant cases were reported during the year			Transparency
417-3	Incidents of non-compliance concerning marketing communications		No significant cases were reported during the year			Brand Responsible mortgage provider
418: Customer privacy – boundaries: within SBAB						
103-1–03-3	Management approach	172				Risk and compliance
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		No significant cases were reported during the year			Sustainable IT platform
419: Socioeconomic compliance – boundaries: within SBAB						
103-1–103-3	Management approach	172				Risk and compliance
419-1	Non-compliance with laws and regulations in the social and economic area		No significant fines or sanctions have been imposed on the organisation for non-compliance with laws and regulations			
FINANCIAL SERVICES SECTOR DISCLOSURES (GRI G4)						
Product Portfolio						
G4–DMA	Management approach	172		1–10		Offering of green products and services Innovation and product and service development
G4–FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	34–35, 60, 176		1–10	8, 11, 13	

The Board of Directors' signatures

The Board of Directors of SBAB hereby submit SBAB's Annual Report, which includes both the Annual Report and the Sustainability Report. The formal Annual Report is to be found in specially marked sections, which are also apparent from the table of contents. The Sustainability Report has been prepared in accordance with the Global Reporting Initiative's (GRI) guidelines; GRI Standards: Core option. It also constitutes SBAB's Communication on Progress (COP) to the UN Global Compact, sustainability report in accordance with the Swedish Annual Accounts Act and information on how SBAB contributes to the 2030 Agenda for sustainable development.

The Board and the CEO certify that the sections pertaining to the formal annual accounts and the consolidated financial statements were prepared in accordance with the international accounting standards (IFRS) as adopted by the EU and provide a true and fair view of the Group's position and earnings. The formal annual

accounts were otherwise prepared in accordance with generally accepted accounting policies and provide a true and fair view of the Parent Company's position and earnings. The Administration Report, which is provided on pages that have been marked specially, provides a true and fair view of the development of the operations, position and earnings, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

In accordance with Chapter 6, Section 2, Item 2 of the Annual Accounts Act for Credit Institutions and Securities Companies, the Board considers the Group's equity to be sufficiently large in relation to the scope and risks of the operations.

The information provided gives a true and fair view of the circumstances of the company and nothing of material significance has been omitted which might affect the view of the company created by the Annual Report.

Stockholm, 23 March 2020

Jan Sinclair,
Chairman

Leif Pagrotsky
Board Member

Inga-Lill Carlberg
Board Member

Lars Börjesson
Board Member

Daniel Kristiansson
Board Member

Johan Prom
Board Member

Jane Lundgren-Ericsson
Board Member

Synnöve Trygg
Board Member

Margareta Naumburg
Employee representative

Anders Heder
Employee representative

Klas Danielsson
CEO

Our audit report was submitted on 23 March 2020

Deloitte AB

Patrick Honeth
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of SBAB Bank AB (publ) corporate identity number 556253-7513

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of SBAB Bank AB (publ) for the year 2019 except for the corporate governance statement on pages 82–88. The annual accounts and consolidated accounts of the company are included on pages 62–81, 89–168 and 182 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 82–88. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IFRS 9 is a complex area with significant impact on SBAB's business and financial reporting. IFRS 9 is a new and complex accounting standard which requires significant judgment to determine the loan loss provision.

Key areas of judgment include:

- The interpretation of the requirements to determine loan loss provisions under application of IFRS 9, which is reflected in the Bank's expected credit loss model.
- The identification of exposures with a significant deterioration in credit quality.
- Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macro-economic factors (e.g. unemployment rates, interest rates, gross domestic product growth, property prices).

At December 31, 2019, loans to the public amounted to 383,807 million, with loan loss provisions of 132 million. Given the significance of loans to the public (representing 81% of total assets), the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, as well as the extensive disclosures required under IFRS 9, we consider this to be a key audit matter for our audit.

Refer to critical judgments and estimates in note **G 1** in the financial statements and related disclosures of credit risk in note **RC 1**.

Our audit procedures included, but were not limited to:

- We evaluated relevant controls within the loan loss provision process to verify if they are appropriately designed and implemented during the year. We also obtained an understanding of the process for key decisions from management and committee meetings that form part of the approval process for loan loss provisions.
- We obtained an understanding of system-based and manual controls over the recognition and measurement of loan loss provisions and for key controls designed tests to verify if the controls were implemented during the year.
- We assessed, supported by our credit risk modelling specialists, the modelling techniques and model methodologies against the requirements of IFRS 9. We assessed the sufficiency of a selection of the underlying models developed for loan loss provisions.
- Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

Application of hedge accounting

Several criteria's in IAS 39 has to be fulfilled to be able to qualify for hedge accounting, including documentation of the characteristics and purpose of the hedge and regular testing performed on the effectiveness of the hedge. Given the complexity of the regulation for hedge accounting this is an area with higher risks for banks.

SBAB has chosen to use hedge accounting for hedging of interest and currency risk and applies hedging of fair value, macro hedge and cash flow hedges.

At December 31, 2019, effects of hedge accounting in Net result of financial items measured at fair value amounted to SEK –590 million, and in Other comprehensive income of SEK 1,823 million.

Given the complexity in the requirements for hedge accounting and the subjectivity involved in the judgements made, we consider this to be a key audit matter for our audit.

Refer to accounting principles regarding critical judgments and estimates in note **G 1** in the financial statement and related disclosures of market risk in note **RC 4**.

Our audit procedures included, but were not limited to:

- We assessed key controls over the documentation and overview of hedge relations and their initial and on-going implementation.
- We evaluated the hedge documentation and relations to assess if the hedges were appropriately designed in accordance with IFRS.
- We evaluated management's assessment of the effectiveness of the hedges, and assessment and accounting for ineffectiveness in hedges.
- Finally, we assessed the completeness and accuracy of the disclosures relating to hedge accounting to assess compliance with disclosure requirements included in IFRS.

AUDITOR'S REPORT

IT-systems that support complete and accurate financial reporting

SBAB is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of SBAB's internal controls over financial reporting are depend upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

We categorises key IT-risk and control domains relating to financial reporting in the following sections:

- Changes to the IT-environment
- Operations and monitoring of the IT-environment
- Information security

Changes to the IT-environment

Inappropriate changes to the IT-environment may result in systems that do not function as expected and result in unreliable data processing with impact on financial reporting. Hence SBAB has implemented processes and controls to support that changes to the IT-environment are appropriately implemented and function consistently with management's intentions.

Our audit procedures included, but were not limited to:

- We assessed management principles and processes for change management in the IT-environment.
- We assessed management monitoring of changes in the IT-environment.
- We evaluated segregations of duties.

Operations and monitoring of the IT-environment

Inappropriate operation and monitoring of the IT-environment may result in the inability to prevent or detect incorrect data processing. Hence SBAB has implemented processes and controls to support that IT-environment is monitored continuously and that incorrect data processing is identified and corrected.

Our audit procedures included, but were not limited to:

- We evaluated the appropriateness of IT-System job scheduling and alarm configuration capabilities.
- We evaluated the process for monitoring IT-System.

Information security

If logical security tools and controls are not configured, implemented and appropriately, key control activities may be ineffective, desired segregation of duties may not be maintained, and information may be modified inappropriately, become unavailable or disclosed inappropriately. This is of particular importance considering the current cyber threat level. Hence SBAB has implemented processes and controls to support that information is safeguarded through access controls and that known vulnerabilities are managed timely.

Our audit procedures included, but were not limited to:

- We evaluated the process for identity and access management, including access granting, change and removal.
- We evaluated the process and tools that management use for the purpose of ensuring availability of data as per user request and business requirements.
- We evaluated the appropriateness of controls for security governance to protect systems and data from unauthorised use.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–61 and 169–181. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisorsansvar. This description forms part of the auditor's report.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of SBAB Bank AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 82–88 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte was appointed auditor of SBAB Bank AB by the general meeting of the shareholders on the 29th of April 2019 and has been the company's auditor since 28th of April 2016.

Stockholm March 23, 2020
Deloitte AB

Signature on Swedish original
Patrick Honeth
Authorised Public Accountant

Auditor's Limited Assurance Report on SBAB Bank ABs (publ) Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.

To SBAB Bank AB (publ), corporate identity number 556253-7513

Introduction

We have been engaged by the Board of Directors of SBAB Bank AB (publ) to undertake a limited assurance engagement of the SBAB Bank AB (publ) Sustainability Report for the year 2020. The Company has defined the scope of the Sustainability Report on page 1–61 and 169–181 and the Statutory Sustainability Report on page 177.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 177 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of SBAB Bank AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm 23 March 2020

Deloitte AB

Patrick Honeth
Authorized Public Accountant

Five-year Summary

INCOME-STATEMENT ITEMS

SEK million	GROUP				
	2019	2018	2017	2016	2015
Interest income	5,868	4,924	4,572	4,601	5,123
Interest expense	-2,395	-1,562	-1,423	-1,772	-2,681
Net interest income	3,473	3,362	3,149	2,829	2,442
Other operating income ¹⁾	48	-82	14	89	-101
Total operating income	3,521	3,280	3,163	2,918	2,341
Depreciation, amortisation and impairment of PPE and intangible assets	-71	-32	-31	-27	-31
Other operating expenses	-1,116	-1,017	-928	-862	-778
Total operating expenses	-1,187	-1,049	-959	-889	-809
Profit before credit losses	2,334	2,231	2,204	2,029	1,532
Credit losses/recoveries	-26	11	24	-18	-40
Impairment of financial assets, net	0	-1	-	-	-
Operating profit	2,308	2,241	2,228	2,011	1,492

BALANCE-SHEET ITEMS

SEK million	2019	2018	2017	2016	2015
Lending portfolio	383,807	364,215	335,111	296,022	296,981
Other assets	91,725	84,140	81,676	79,134	77,571
Total assets	475,532	448,355	416,787	375,156	374,552
Deposits	130,542	124,926	111,895	96,769	76,639
Debt securities issued, etc.	303,597	290,795	274,517	247,407	264,205
Other liabilities	14,285	10,258	9,540	9,552	13,870
Deferred tax liabilities	579	194	83	207	47
Subordinated debt	4,948	4,946	4,942	5,939	7,943
Equity	21,581	17,236	15,810	15,282	11,848
Total liabilities and equity	475,532	448,345	416,787	375,156	374,552

KEY PERFORMANCE INDICATORS

%	2019	2018	2017	2016	2015
New lending, SEK million	75,514	74,264	82,282	59,648	80,470
Net interest margin	0.75	0.78	0.80	0.75	0.68
Credit loss ratio	-0.01	0.00	0.01	-0.01	-0.01
C/I ratio	34	32	30	30	35
Return on equity ²⁾	11.7	12.1	12.5	12.3	10.2
Return on assets	0.4	0.4	0.4	0.4	0.3
Number of employees at year-end, FTEs ³⁾	695	602	530	510	429
CET1 capital ratio	13.1	12.5	32.2	32.2	28.6
Tier 1 capital ratio	17.3	15.1	39.3	40.1	35.1
Total capital ratio	20.1	18.1	47.6	51.6	49.3

¹⁾ The item includes net commission, the net result of financial transactions and other operating income.

²⁾ From 2017, SBAB has used a new definition to calculate the return on equity. The comparative figures for previous years have not been restated.

³⁾ Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence.

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 (for example, IFRS and the Swedish Annual Accounts Act) or in the EU's Capital Requirements Directive (CRD IV)/Capital Requirements Regulation (CRR).

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

New lending

Definition: Gross lending for the period.

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

Credit loss ratio

Definition: Credit losses for the period in relation to lending to the public (closing balances).

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

SEK million	GROUP	
	2019	2018
Credit losses/recoveries	-26	11
Lending to the public	383,807	364,215
Credit loss ratio, %	-0.01	0.00

Return on equity

Definition: Profit after tax in relation to average equity for the period (calculated using the opening and closing balances for the 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	
	2019	2018
Profit after tax	1,788	1,726
Average equity	15,280 ¹⁾	14,283 ²⁾
Return on equity, %	11.7	12.1

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

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

Net interest margin

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

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

SEK million	GROUP	
	2019	2018
Net interest income	3,473	3,362
Average total assets	461,944	432,571
Net interest margin, %	0.75	0.78

C/I ratio

Definition: Expenses for the period before credit losses in relation to operating income for the period.

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

SEK million	GROUP	
	2019	2018
Operating expenses	-1,187	-1,049
Operating income	3,521	3,280
C/I ratio, %	33.7	32.0

C/L ratio

Definition: Expenses for the period 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.

mnr	KONCERNEN	
	2019	2018
Operating expenses	-1,187	-1,049
Lending to the public	374,011	364,215
C/L ratio, %	0.32	0.30

Definitions of other key performance indicators

Number of employees (FTEs) Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence

Return on assets Net profit after tax for the period in relation to average total assets

CET1 capital ratio CET1 capital in relation to risk-weighted assets

Total capital ratio Own funds in relation to risk-weighted assets

Tier 1 capital ratio Tier 1 capital in relation to risk-weighted assets

Leverage ratio Tier 1 capital in relation to total assets and off-balance sheet exposures restated with the application of credit conversion factors

Liquidity coverage ratio, LCR Liquid assets in relation to net cash outflows over a 30-day stress scenario in accordance with the European Commission's Delegated Regulation EU (2015/61) with regard to liquidity coverage requirements

Survival horizon The number of days that the need for liquidity can be met in a stress scenario before new liquidity is needed

Net stable funding ratio, NSFR A liquidity risk metric of a structural nature that demonstrates the stability of the Group's funding in relation to its assets. The NSFR was calculated pursuant to Regulation (EU) 2019/876 of the European Parliament and the Council at 31 December 2019

Financial calendar

Year-end report 2019	14 February 2020
Interim Report Jan–Mar 2020	29 April 2020
Interim report Jan–Jun 2020	17 July 2020
Interim report Jan–Sep 2020	23 October 2020
Year-end report 2020	11 February 2021

SBAB's Annual General Meeting will be held on 28 April 2020 in Solna.

Credit rating

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

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**THANK YOU FOR
YOUR CONFIDENCE!**



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