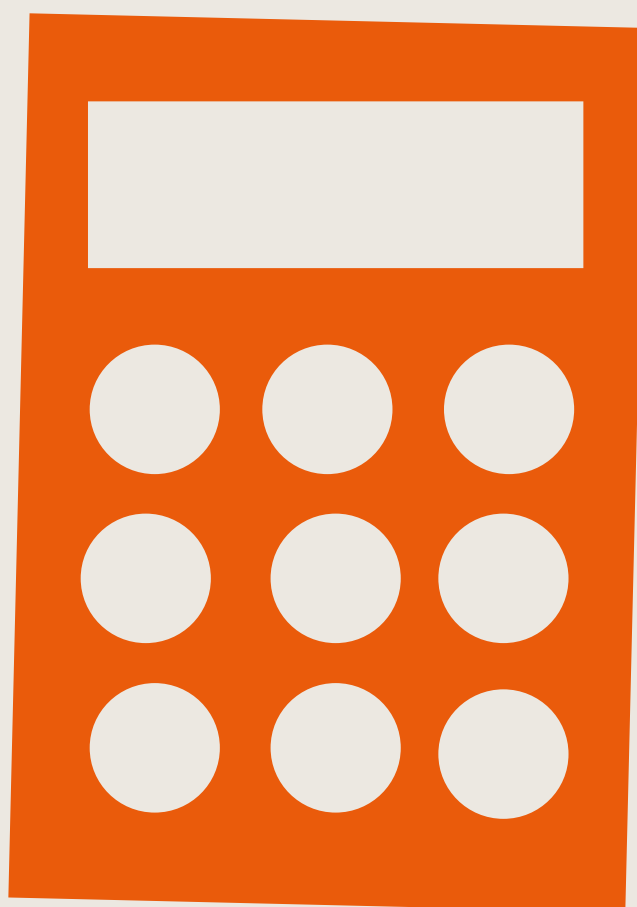


Interim report

January–June 2023



The period in brief

January–June 2023

(January–June 2022)

- Operating profit amounted to SEK 1,049 million (1,037)
- Net interest income totalled SEK 2,007 million (1,878)
- Expenses amounted to SEK 711 million (641)
- Net credit losses totalled SEK 35 million (9).
- The Common Equity Tier 1 (CET1) capital ratio amounted to 16.9% (15.9)
- All funding programmes continue to have the highest credit ratings from Moody's



Net interest income, SEK million

2,007
(1,878)

Lending, SEK billion

487.5
(462.0)

Credit rating (Moody's)

Aaa
(Aaa)





Operations

The primary operations of AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) comprise the issue of covered bonds to fund the lending of the SBAB Group. SBAB Bank AB (publ), (SBAB), is the Parent Company of the SBAB Group and is wholly owned by the Swedish state.

The Swedish Covered Bond Corporation (SCBC), Corp. Reg. No. 556645-9755, is a wholly-owned subsidiary of SBAB, Corp. Reg. No. 556253-7513. SCBC is a credit market company and is regulated by the Swedish Banking and Financing Business Act (2004:297) and subject to supervision by the Swedish FSA (Sweden's financial supervisory authority). The primary operations within SCBC comprise the issue of covered bonds in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223) and the Swedish FSA's regulation FFFS 2013:1. Issues are conducted both in Swedish and in international capital markets. SCBC complies with and reports to the European Covered Bond Council's (ECBC) "Labelling Initiative," and reports on a monthly basis in line with "National templates" as published by the Association of Swedish Covered Bond issuers (ASCB). SCBC is domiciled in Solna and its operating activities are mainly outsourced to the Parent Company.

Business development



Overview

SEK million	SCBC			
	2023 Jan-Jun	2022 Jul-Dec	2022 Jan-Jun	2022 Jan-Dec
Net interest income	2,007	1,909	1,878	3,787
Net commission expense	-29	-19	-15	-34
Net result of financial transactions (Note 3)	-6	-65	-27	-92
Total operating income	1,972	1,825	1,836	3,661
Expenses	-711	-703	-641	-1,344
Profit before credit losses and imposed fees	1,261	1,122	1,195	2,317
Net credit losses (Note 4)	-35	-30	-9	-39
Imposed fees: Risk tax and resolution fee	-177	-151	-149	-300
Operating profit	1,049	941	1,037	1,978
Tax	-216	-193	-214	-407
Net profit for the period	833	748	823	1,571
BALANCE-SHEET ITEMS				
Lending to the public, SEK billion, at close of period (Note 5)	487,505	483,738	462,023	483,738
– Of which, Lending, Residential mortgages	345,599	345,540	340,182	345,540
– Of which, Lending, Corporate Clients & Tenant-Owners' Associations	141,906	138,198	121,841	138,198
Issued debt securities, etc., at close of period	328,621	328,881	319,906	328,881
KEY METRICS				
CET1 capital ratio, %	16.9	15.9	15.9	15.9
Return on equity, %	7.6	7.5	8.6	8.1
CREDIT RATING (LONG-TERM FUNDING)				
Moody's	Aaa	Aaa	Aaa	Aaa

January–June 2023 compared with January–June 2022

Operating profit amounted to SEK 1,049 million (1,037) for the period.

Net interest income

SCBC's net interest income grew to SEK 2,007 million (1,878), mainly due to an increased share of financing from deposits and higher deposit margins on the Group level. Increased lending volumes had a positive impact on the item, while decreased lending margins for mortgages had a negative impact.

Net commission expense

Net commissions decreased to an expense of SEK 29 million (expense: 15), mainly driven by updated calculation models for amortised cost, where corporate lending arrangement fees are, from the third quarter of 2022, accrued over the maturity of the loan in net interest income.

Net result of financial transactions

The net expense from financial transactions was SEK 6 million (expense: 27). The difference between the periods was primarily due to the buyback of bonds. For more information, please refer to [Note 3](#).

Expenses

Expenses rose to SEK 711 million (641), and mainly comprised fees to SBAB for administrative services in line with the applicable outsourcing agreements. At Group level, the increase in costs was mainly driven by an increased number of employees and thus higher personnel costs, as well as by higher costs for marketing. The cost trend is progressing according to plan and tracks the operations'

development and investment strategy for long-term competitiveness.

Credit quality and credit losses

Total net credit losses for the period amounted to SEK 35 million (9), mainly driven by increased credit loss allowances. Confirmed credit losses remained low and totalled SEK 3 million (1).

Total credit loss allowances increased SEK 30 million (increase: 8) during the period. Credit loss allowances for credit stage 1 increased SEK 11 million (increase: 5). Credit loss allowances for credit stage 2 and 3 loans increased SEK 18 million (increase: 4) and SEK 1 million (increase: 1), respectively. The change in credit loss allowances for loans in credit stage 1 and 2 was mainly attributable to the revision of the forward-looking information applied in the impairment model and to negative risk class migrations in the respective business areas: Retail and Corporate Clients & Tenant-Owners' Associations. The negative risk class migrations in the Retail business area were mainly due to increased interest expenses for households. The corresponding migrations in the Corporate Clients & Tenant-Owners' Associations business area was mainly due to manual risk class adjustments after expert assessment for certain larger customer groups. The increase in the credit loss allowance for credit stage 3 loans was primarily due to limited net inflows on exposures in default.

Guarantees that can be utilised decreased approximately SEK 2 million (unchanged) in the period as a result of the settlement of brokered credits and guarantees.

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

The quality of the credit in SCBC's lending is assessed as good and the credit risk in each business area (Retail and Corporate Clients & Tenant-Owners' Associations) as low. The granting of credit to retail customers, tenant-owners' associations (BRFs) and property companies is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments.

Due to growing uncertainty in the capital market, SCBC has increased the rate of follow up with those customers in the Corporates & Associations business area who have a high share of market financing and who require refinancing over the short and long term.

Imposed fees

Imposed fees includes Sweden's new risk tax and the resolution fee. Imposed fees totalled SEK 177 million (149), of which the risk tax amounted to SEK 102 million (75) and the resolution fee to SEK 75 million (74).

Lending

SCBC does not conduct any new lending itself, but instead acquires loans from SBAB Bank on an ongoing basis. The aim of securing these loans is to include the loans, 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 487.5 billion (462.0).

Cover pool data

	SCBC		
	30 Jun 2023	30 Jun 2022	31 Dec 2022
Credit portfolio, SEK billion	487.5	462.0	483.7
Total cover pool, SEK billion	453.6	431.4	432.3
– Of which, substitute collateral, SEK billion	1.3	0.0	1.0
LTV as per ASCB definition ¹⁾ , %	55.5	51.1	54.7
Nominal OC, %	31.5	23.4	25.4

¹⁾ Association of Swedish Covered Bond Issuers

Cover pool

Information regarding SCBC's lending, the cover pool, is published monthly on the website sbab.se.

Other comprehensive income

Other comprehensive income for the period amounted to SEK 978 million (expense: 3,702), primarily due to interest-rate-related value changes in derivatives resulting from declining euro interest rates, which positively impacted the item. For more information, please refer to [page 9](#).

Funding

High inflation still maintains a broad grip on developed economies, which has prompted numerous interest rate hikes by central banks around the world. This, in turn, has resulted in significantly higher interest rates. Incoming inflation data, both in the USA and Europe, indicate that interest rates are approaching their peak. However, some degree of uncertainty remains and other economic data is difficult to interpret. Some data indicates an economic slowdown, while other data indicates continued resilience. In combination with general messages from central banks, this contributed to market expectations of a higher interest rate peak than before and the postponement of the first cuts in interest rates.

The combination of a rapid rise in US interest rates and large outflows resulted in a few US regional banks experiencing problems in the first quarter of 2023. Credit spreads widened as a result of general concern, before narrowing as the market noted that the problems were not endemic to the market in general.

The Fed in the US has raised its key interest rate to a total of 5.25%. The European Central Bank (ECB) has raised its corresponding interest rate to a total of 3.50%. In the first half of 2023, the Riksbank increased the interest rate by a total of 125 basis points to a total of 3.75%. In addition, they have also decided to start selling government bonds.

General funding market developments have resulted in progressively more expensive funding costs during the year. SCBC maintained particularly high issue activity in the beginning of the year. The majority of funding was conducted using the Swedish benchmark programme. Moreover, in January, SCBC launched a new covered bond within this framework. The new bond matures in June 2028. In April, SCBC issued an EUR 1.0 billion five-year covered bond in the international market.

On 30 June 2023, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 328.6 billion (319.9), distributed as follows: Swedish covered bonds SEK 216.5 billion (218.5) and the Euro Medium Term Covered Note Programme SEK 112.2 billion (101.4). During the period, issued securities amounted to SEK 33.1 billion (57.4). At the same time, securities amounting to SEK 7.2 billion (8.1) were repurchased, while securities amounting to SEK 31.7 billion (21.3) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities of SEK 0.3 billion (19,0) in the period.

Liquidity position

The management of liquidity risks for SCBC is integrated with the Parent Company, SBAB. In addition, SCBC has a liquidity facility agreement with SBAB, under which SCBC can borrow money for its operations from the Parent Company when necessary.

Capital position

SCBC primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised ap-

proach. The Swedish FSA has previously announced that it expects Swedish banks to analyse and update their current risk classification systems to be able to meet the new EBA guidelines. SCBC has therefore, over an extended period, worked on preparing new internal risk classification models, which are expected to be implemented after the decision from the Swedish FSA. In November 2022, SCBC's application to use a new PD model for household exposure was approved, and in January 2023, a corresponding approval was received for new PD models for corporate exposures. Application of the new PD models for households started in the first quarter of 2023. In parallel, the PD models for corporate exposures are expected to be applied from September 2023. SCBC has not yet received approval from the Swedish FSA on its applications for new LGD models for household and corporate exposures.

SCBC's total capital ratio and CET1 capital ratio amounted to 16.9% (15.9) on 30 June 2023. The increase was primarily attributable to owner contributions from the Parent Company (SBAB Bank AB (publ)). The internally assessed capital requirement amounted to SEK 18.8 billion (13.5) on 30 June 2023. The change was mainly due to raised requirements in Pillar 1 pertaining to credit risk and due to raised countercyclical capital buffer requirements.

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

Other information



Risks and uncertainties

SCBC is continuously evaluating the macroeconomic situation, now with particular focus on inflation, energy prices, household finances, property management, housing construction and the war in Ukraine, and continuously assessing the credit quality in lending by evaluating models of various economic scenarios. Despite the prevailing circumstances, no noteworthy changes have been noted with regard to SCBC's financial position, even if risk levels rose generally during the year. The company's balance sheet is assessed as strong, and its capital and liquidity buffers are robust. SCBC has no direct exposure to Russia or Ukraine.

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. SCBC could be adversely affected by a sustained downturn in the Swedish economy, including in terms of demand for some of the company's lending, increased funding costs, increased volatility in the fair value of financial instruments, reduced interest income and increased credit provisions.

Rising inflation has triggered long-term market interest rates to rise quickly, which in turn has driven up mortgage rates. This has increased housing costs for households in a short period of time. Significantly higher energy prices for heating homes and rising prices for food also weakened household finances. Market interest rates and mortgage rates are both expected to rise further throughout 2023. Since the majority of Swedish households own their own home and due to many mortgages being subject to floating interest, the Swedish economy is

sensitive to rapidly rising interest rates. A risk exists that indebted households experience difficulty coping with ongoing loan payments on their mortgages as a result of rising interest rates.

Similarly, rising prices and interest rates have increased costs for property companies. Over time, rising costs are expected to lead to higher rents and therefore increasing revenues. However, considerable uncertainty prevails regarding the possibility of property companies being able to negotiate higher rents on the basis of higher capital costs. Uncertainty will be at its highest in the short term until the view regarding the level of long-term interest rates becomes clearer. The stability of the financial system could be impacted if many property companies were to experience rapidly rising costs, or difficulties in refinancing their operations.

Rising mortgage interest rates have meant that housing prices decreased quickly in 2022 and are expected to continue falling in the second half of 2023. When the difficulties with inflation are over and interest rates normalise in 2024, housing prices are expected to go up again. Risks linked to high interest rates could be increased by falling housing prices and rapidly rising unemployment. The risk largely pertains to the degree to which a downturn in prices leads to behaviour that triggers a larger price downturn, and how price uncertainty impacts housing turnover and possibilities for building new housing units.

In the first half of the year, the global financial system suffered severe financial stress in the wake of the confidence and liquidity problems of certain banks in the USA and Switzerland. These events

prompted concerns of other banks being in trouble, which has resulted in considerable volatility in financial markets and sharp movements in bank share prices in several countries. Generally, the Swedish banks have robust buffers in place both for liquidity and for capital, and are generally profitable. Furthermore, they are subject to different regulations than, for example, smaller niche banks in the USA. The contagion effects for Swedish banks and the Swedish market are assessed as limited. The funding market in Sweden continues to function satisfactorily.

For a more detailed description of risks and uncertainties for the Group, refer to SBAB's Interim Report January–June 2023. For further information about risks and risk management, please refer to SCBC's 2022 Annual Report.

Shareholder's contribution

During the quarter, a shareholder's contribution, amounting to a total of SEK 2.5 billion, from the parent company SBAB Bank AB (publ) (SBAB) was paid to the subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) to strengthen SCBC's CET1 capital.

Events after the end of the period

No significant events occurred after the end of the period.

Auditors' review report

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

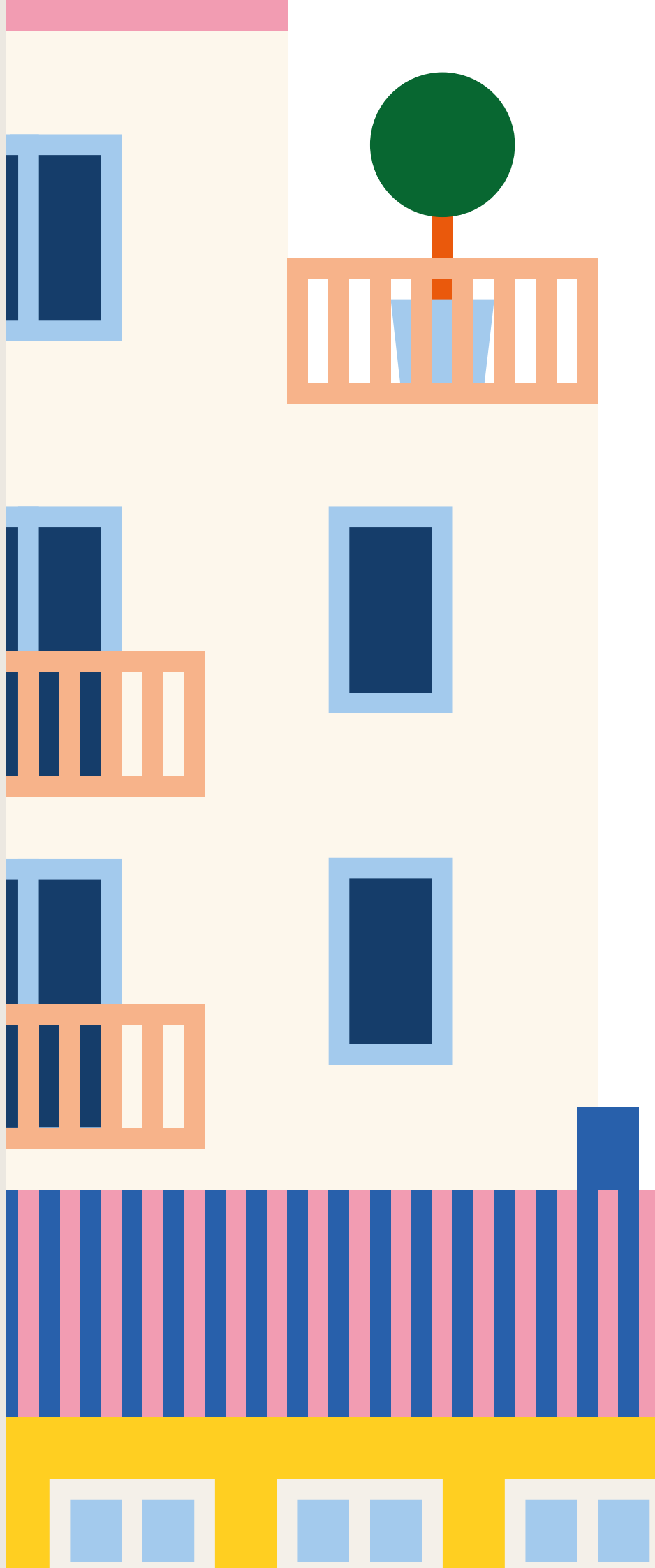
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Condensed income statement

SEK million	SCBC			
	2023	2022	2022	2022
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Interest income ¹⁾	8,638	5,442	2,934	8,376
Interest expense	-6,631	-3,533	-1,056	-4,589
Net interest income	2,007	1,909	1,878	3,787
Commission income	4	5	14	19
Commission expense	-33	-24	-29	-53
Net expense from financial transactions (Note 3)	-6	-65	-27	-92
Other operating income	0	0	0	0
Total operating income	1,972	1,825	1,836	3,661
General administrative expenses	-703	-696	-634	-1,330
Other operating expenses	-8	-7	-7	-14
Total expenses before loan losses and imposed fees	-711	-703	-641	-1,344
Profit before loan losses and imposed fees	1,261	1,122	1,195	2,317
Net credit losses (Note 4)	-35	-30	-9	-39
Imposed fees: Risk tax and resolution fee ²⁾	-177	-151	-149	-300
Operating profit	1,049	941	1,037	1,978
Tax on operating profit for the period/year	-216	-193	-214	-407
Net profit for the period/year	833	748	823	1,571

1) The first half of 2023 the interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 7,138 million and for the corresponding period the previous year to SEK 3,065 million for the Group.

2) The risk tax for the period amounts to 0.06 percent of the company's liabilities in 2023 at SEK 102 million, compared to 0.05 percent in 2022 at SEK 75 million for the corresponding period previous year.

Condensed statement of comprehensive income

SEK million	SCBC			
	2023	2022	2022	2022
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Net profit for the period	833	748	823	1,571
<i>Components that will be reclassified to profit or loss</i>				
Changes related to cash-flow hedges	183	-3,540	-5,699	-9,239
Tax attributable to components that will be reclassified to profit or loss	-38	729	1,174	1,903
Other comprehensive income/loss, net of tax	145	-2,811	-4,525	-7,366
Total comprehensive income for the period	978	-2,063	-3,702	-5,765

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

Other comprehensive income includes changes in cash-flow hedges that consist of unrealised value changes from derivatives used for hedging cash flows in the company'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 longterm result is zero. The line item is normally affected positively by a decline in interest rates and negatively by a rise in interest rates.

For further comments on the outcome of the period, please see the section Business Development earlier in this report.

Condensed balance sheet

SEK million	SCBC		
	30 Jun 2023	31 Dec 2022	30 Jun 2022
ASSETS			
Lending to credit institutions	1,357	983	99
Lending to the public (Note 5)	487,505	483,738	462,023
Value changes of interest-rate-risk hedged items in macro hedges	-3,920	-4,944	-4,580
Derivatives (Note 6)	16,264	12,556	9,158
Deffered tax assets	1,653	1,690	948
Other assets	119	63	565
Prepaid expenses and accrued income	367	227	235
TOTAL ASSETS	503,345	494,313	468,448
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	2	1	4,182
Debt securities issued, etc.	328,621	328,881	319,906
Derivatives (Note 6)	22,280	21,828	16,755
Other liabilities	186	167	99
Accrued expenses and deferred income	1,004	2,192	580
Deferred tax liabilities	-	-	0
Subordinated debt to the Parent Company (Note 9)	134,036	127,506	111,101
Total liabilities	486,129	480,575	452,623
Equity			
Restricted equity			
Share capital	50	50	50
Total restricted equity	50	50	50
Unrestricted equity			
Shareholder contribution	12,050	9,550	9,550
Fair value reserve	-6,348	-6,493	-3,682
Retained earnings	10,631	9,060	9,084
Net profit for the year	833	1,571	823
Total unrestricted equity	17,166	13,688	15,775
Total equity	17,216	13,738	15,825
TOTAL LIABILITIES AND EQUITY	503,345	494,313	468,448

Condensed statement of changes in equity

SEK million	SCBC					
	Restricted equity	Unrestricted equity				Total equity
	Share capital	Fair value reserve	Shareholder contribution	Retained earnings	Net profit for the year	
Opening balance 1 January 2023	50	-6,493	9,550	10,631	-	13,738
Other comprehensive income, net of tax	-	145	-	-	-	145
Shareholder contribution received	-	-	2,500	-	-	2,500
Net profit for the period	-	-	-	-	833	833
Comprehensive income for the period	-	145	-	-	833	833
Closing balance 30 June 2023	50	-6,348	12,050	10,631	833	17,216
Opening balance 1 January 2022	50	843	9,550	9,084	-	19,527
Other comprehensive income, net of tax	-	-4,525	-	-	-	-4,525
Group contribution paid, after tax	-	-	-	-	-	-
Net profit for the period	-	-	-	-	823	823
Comprehensive income for the period	-	-4,525	-	-	823	-3,702
Closing balance 30 June 2022	50	-3,682	9,550	9,084	823	15,825
Opening balance 1 January 2022	50	843	9,550	9,084	-	19,527
Other comprehensive income, net of tax	-	-7,336	-	-	-	-7,336
Group contribution paid, after tax	-	-	-	-24	-	-24
Net profit for the period	-	-	-	-	1,571	1,571
Comprehensive income for the period	-	-7,336	-	-	1,571	-5,765
Closing balance 31 December 2022	50	-6,493	9,550	9,060	1,571	13,738

Condensed cash-flow statement

SEK million	SCBC		
	2023 Jan-Jun	2022 Jan-Jun	2022 Jan-Dec
Opening cash and cash equivalents	983	1	1
OPERATING ACTIVITIES			
Interest and commissions paid/received	1,272	818	4,217
Outflows to suppliers and employees	-889	-791	-1,644
Taxes paid/refunded	-250	-250	-500
Change in assets and liabilities of operating activities	-8,789	-3,062	-20,879
Cash flow from (used in) operating activities	-8,656	-3,285	-18,806
INVESTING ACTIVITIES			
Cash flow from investing activities	-	-	-
FINANCING ACTIVITIES			
Group contribution paid	-	-	-
Dividend paid	-	-	-
Shareholder contribution	2,500	-	-
Change in subordinated debt	6,530	3,383	19,788
Cash flow from financing activities	9,030	3,383	19,788
Increase/decrease in cash and cash equivalents	374	98	982
Closing cash and cash equivalents	1,357	99	983

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

Change in liabilities attributable to financing activities

SEK million	SCBC									
	Opening balance 1 Jan 2023	Non-cash items			Closing balance 30 Jun 2023	Opening balance 1 Jan 2022	Non-cash items			Closing balance 30 Jun 2022
		Cash flow	Fair value	Other			Cash flow	Fair value	Other	
Long-term interest-bearing liabilities	127,506	6,530	-	-	134,036	107,718	3,383	-	-	111,101
Total	127,506	6,530	-	-	134,036	107,718	3,383	-	-	111,101

Note 1 Accounting policies

SCBC applies statutory IFRS, which means that this interim report has been prepared in compliance with IFRS subject to the additions and exceptions that ensue from the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, Finansinspektionen's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25) and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. SCBC prepares interim reports in accordance with IAS 34, taking into account the exceptions from and additions to IFRS as detailed in RFR 2.

Introduction of new and changed accounting standards 2023
Amendments to IAS 1 Design of financial reports (information on accounting-principles)

As of January 2023, the requirement in IAS 1 for disclosure of significant accounting principles is changed and replaced with a requirement for disclosure of material information about accounting principles. The changes are to be applied for fiscal years beginning on or after January 1, 2023. The EU has approved the changes. SCBC's assessment is that this change will not have any significant effect on the financial reports.

The financial statements in summary are drawn up based on an assumption about the company's survival. The financial reports in summary was approved by the board for publication on 18 July 2023.

Note 2 Changes in risks

Credit risk in lending operations

No significant increase in realised credit risk was noted in SCBC's lending operations during the first half of 2023. Despite the prevailing circumstances with high levels of inflation and relatively high interest rates, there has only been a limited increase in the tendency of delayed payments, primarily within the business area Retail. Due to rising interest rates negative rating grade migrations have been observed within this business area, something that is expected to continue as the customers' interest rates are renegotiated. Negative rating grade migrations have also been observed within the business area Corporate clients & Tenant-owners' associations, mainly attributable to a few but larger customer groups, which were manually adjusted according to expert judgement. The forward-looking information in the impairment model has been revised twice during March and June, due to the close monitoring of the economic development. The revision of the macroeconomic outlook projects a little higher interest rate levels, compared to previous forecasts, as well as continued large price drops in the Swedish housing market.

Overall, the negative rating grade migrations and the revised forward-looking information have resulted in increased credit loss provisions during the half-year. Total credit loss allowances amount to SEK 186 million per 30 June 2023, compared to SEK 156 million per 31 December 2022.

The loan-to-value (LTV) for private individuals, property companies and tenant-owners' associations amount to 60%, 61% and 33% respectively per 30 June 2023, compared to 59%, 62% and 33% respectively per 31 December 2022. For more information regarding credit losses, credit loss allowances, credit risk and quality, please see [Note 4](#).

Counterparty credit risk in treasury operations

SCBC models counterparty credit risk according to CRR II Standardised Approach (SA-CCR). Total usage of SCBC's limits to transactional counterparties decreased to SEK 606 million as of June 30th, 2023, compared to SEK 630 million as of December 31, 2022.

Liquidity risk

Liquidity risk in SCBC is managed in cooperation with SBAB. SCBC together with SBAB Bank AB (publ) is treated as a liquidity subgroup according to CRR art. 8 and according to a decision from the Financial Supervisory Authority. SCBC has an agreement with SBAB regarding a liquidity facility which can be used to finance SCBC's operations. At the end of Q2 OC 1) amounted to 31.5%

(26.6% as of 31 March 2023).

Market risk

SCBC uses Value at Risk (VaR) to quantify market risk. VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. SCBC's model is a historical model and applies percentiles in historical market data from the past two years. At June 30th 2023, SCBC's VaR amounted to SEK 499 million, compared to SEK 421 million at 31 December 2022.

Operational risk

The change of SBAB's core IKT-system is ongoing and complex. Therefore, the project is still a source to exposure for operational risks.

Business risk

Looking at the state of financial markets, and for SCBC, uncertainty related to the corona pandemic has decreased significantly since 2021. Financial markets have however been impacted by the current geopolitical situation and Russia's attack on Ukraine and its repercussions through, for example, rising inflation. The impact on SCBC's financial position is nevertheless moderate. Business risk is therefore considered to be at a low level. No material changes in the competitive landscape were observed during the year and SCBC has not entered any new, or exited any existing, markets or segments.

Concentration risk

SCBC is mainly exposed to credit risk-related concentration risk in the lending business. The risk department continuously monitors and analyzes the lending portfolio's concentration based on, among other things, geography, collateral, segments and product type. In addition, large exposures to individual counterparties are monitored on an ongoing basis. SCBC evaluates the capital requirement for concentration risk on a regular basis and quantifies the risk with economic capital for credit risk exposures. For more information, please see [Note 11](#).

OC (Over-bilateralization) measures the OC-level in the cover pool. Regulated by "lagen om utgivning av säkerställda obligationer" (SFS 2003:1223) and regulations and general guidelines regarding covered bonds from Swedish FSA (FFFS 2013:1).

Note 3 Net result of financial transactions

SEK million	SCBC			
	2023	2022	2022	2022
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Gains/losses on interest-bearing financial instruments				
- Change in value of hedged items in hedge accounting	584	1,522	7,510	9,032
- Derivatives in hedge accounting	-589	-1,521	-7,565	-9,086
- Other derivatives	-34	-96	38	-58
- Realised gain/loss from financial liabilities at amortised cost	81	26	-15	11
- Loan receivables at amortised cost	-49	3	4	7
Currency translation effects	1	1	1	2
Total	-6	-65	-27	-92

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

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

Note 4 Net credit losses

SEK million	SCBC			
	2023	2022	2022	2022
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Lending to the public				
Confirmed credit losses	-3	-1	-1	-2
Recoveries of previously confirmed credit losses	-	-	-	-
Change in provision for the period – credit stage 1	-11	-8	-5	-13
Change in provision for the period – credit stage 2	-18	-20	-4	-24
Change in provision for the period – credit stage 3	-1	-1	1	0
Guarantees	-2	0	0	0
Net credit losses for the period – lending to the public	-35	-30	-9	-39

For further information about definitions and assumptions for judgements and calculations of credit risk and the various credit stages under IFRS 9, refer to SCBC's 2022 Annual Report, note G 1 (Accounting policies).

During the first half of 2023 the total credit loss provisions increased by SEK 30 million (increased by 8). Loss provisions for loans allocated to credit stage 1 increased by SEK 11 million (increased by 8) and by SEK 18 million (increased by 20) for loans allocated to stage 2. Loss provisions for loans allocated to credit stage 3 increased by SEK 1 million (increased by 1). The changes in loss provisions subject to loans in credit stage 1 and credit stage 2 are attributable to revisions of the forward-looking information during the first and second

quarter as well as negative rating grade migrations within both business areas Retail and Corporate clients & Tenant-owners' associations. For loans in credit stage 3, the increase in loss provisions is driven by a limited increase of defaulted exposures. Guarantee amounts that can be utilised to cover credit losses decreased by SEK 2 million (unchanged) during the half-year as a result of the repayment of mediated loans by partners.

Note 4 Net credit losses, Cont.

Sensitivity analysis of forward-looking information

Lending to the public and loan commitments

Factors	Scenario 1 (40%)			Scenario 2 (20%)			Scenario 3 (20%)			Scenario 4 (20%)		
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP ¹⁾ Δ	-0.6%	+2.7%	+3.0%	+0.5%	+4.4%	+3.8%	-9.4%	+6.3%	+3.9%	-5.6%	-1.6%	+3.0%
Repo rate	+3.8%	+2.8%	+2.2%	+3.7%	+2.8%	+2.4%	+4.1%	+3.1%	+2.5%	+4.5%	+3.9%	+3.2%
Unemployment	+8.1%	+8.1%	+7.8%	+7.9%	+7.2%	+6.6%	+10.1%	+11.3%	+10.0%	+8.3%	+9.9%	+10.5%
House prices Δ	-6.3%	+1.4%	+5.9%	-4.7%	+2.0%	+4.3%	-9.6%	-7.5%	+1.0%	-11.0%	-16.1%	-9.1%
Prices of tenant-owners' rights Δ	-1.3%	+1.0%	+9.3%	+0.6%	+1.5%	+7.2%	-5.2%	-8.5%	+3.5%	-7.2%	-17.2%	-5.6%
Property prices Δ	-3.1%	-2.6%	-0.9%	-2.1%	-0.3%	-3.8%	-6.0%	-9.8%	-8.1%	-7.7%	-15.4%	-17.0%
ECL	SEK 128 million			SEK 121 million			SEK 187 million			SEK 367 million		
Weighted ECL	SEK 186 million											

1) Not included in the ECL calculation

Impairment model and credit loss provisions

During the first half-year SCBC has continuously evaluated the macroeconomic outlook due to the high inflation and relatively high interest rates as well as a slowdown in housing construction. During the half-year the forward-looking information has been revised twice correspondingly with updated macroeconomic forecasts. The forward-looking information is applied in the impairment model and thus used to calculate expected credit losses (ECL). The updated macroeconomic forecasts are based on a negative outlook on the economy in general, with slightly higher interest rate levels compared to previous forecasts levels but continued large price drops in the Swedish housing market. The Swedish economy is sensitive to rising interest rates and the uncertainty in the global economy. Given the expected recession the scenarios in the forward-looking-information do consider increasing interest rates, rising unemployment and an overall cooling of the Swedish housing market with falling housing and real estate prices the forthcoming years.

The revision of the forward-looking information during the first and second quarter as well as negative rating grade migrations within both business areas have resulted in an increase in credit loss provisions during the half-year. The updated macroeconomic forecasts led to an increase of SEK 3 million while negative rating grade migrations within both business areas Retail and Corporate clients & Tenant-owners' associations, of which some attributable to larger customer groups within the latter business area, resulted in an increase of just over SEK 25 million. As per 30 June credit loss provisions amount to SEK 186 million, compared to SEK 156 million per 31 December 2022.

In the table above the macroeconomic scenarios applied in the forward-looking information are shown. The underlying credit risk models used in the impairment model to calculate ECL, which are largely based on customers' payment behaviour along with market values of collateral, show only limited sign of deterioration in credit risk. It cannot be ruled out that increasing interest rates, a slowdown of housing construction and, in addition, price drops in the Swedish housing market may cause the loss provisions to increase further during the second half-year of 2023.

SCBC is, at the moment, comfortable with the size of the credit loss provisions, totalling SEK 186 million as per 30 June 2023.

Overall credit quality

The credit quality of SCBC's lending portfolio remains good, and the risks entailed in the lending to private individuals within the business area Retail are low despite the prevailing circumstances. The granting of loans is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their obligations. The Swedish FSA's annual mortgage market survey, based on data from 2022, found that overall, new residential mortgage customers continue to have healthy margins to manage repayment of their mortgages despite the worsened economic climate. At the end of the second quarter of 2023, the average loan-to-value (LTV) ratio²⁾ in the mortgage portfolio was 60% (59).

The credit quality of SCBC's lending to property companies, property developers, and tenant-owners' associations is also considered good. The average LTV for property companies and tenant-owners' associations at the end of the quarter was 61% (62) and 33% (33) respectively. In the business area Corporate Clients & Tenant-Owners' Associations, the granting of loans is based on an assessment of customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the economic development with high inflation resulting in rising interest rates, SCBC is working proactively to identify customers who are or could become particularly financially affected. SCBC has also increased the frequency of follow-up of customers which are more dependent on market funding. Moreover, there is a closer follow-up and evaluation of the rating grades by expert judgement. During the half-year some manual adjustments of the rating grades have been made, leading to negative rating grade migrations. No individually assessed credit loss provision within the business area have been deemed necessary during the first half-year.

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

Note 5 Lending to the public

SEK million	SCBC		
	30 Jun 2023	31 Dec 2022	30 Jun 2022
Opening balance	483,738	442,067	442,067
Transferred to/from Group entities	20,110	83,440	42,706
Amortisation, repayments, etc.	-16,310	-41,730	-22,741
Confirmed credit losses	-3	-2	-1
Change in provision for expected credit losses ¹⁾	-30	-37	-8
Closing balance	487,505	483,738	462,023

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

Distribution of lending, including provisions

SEK million	SCBC		
	30 Jun 2023	31 Dec 2022	30 Jun 2022
Lending, Residential mortgages	345,599	345,540	340,182
Lending, Corporate Clients & Tenant-Owners' Associations	141,906	138,198	121,841
Total	487,505	483,738	462,023

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	SCBC		
	30 Jun 2023	31 Dec 2022	30 Jun 2022
Credit stage 1			
Gross carrying amount	450,424	455,239	443,109
Provision for expected credit losses	-64	-53	-45
Carrying amount	450,360	455,186	443,064
Credit stage 2			
Gross carrying amount	36,802	28,309	18,834
Provision for expected credit losses	-97	-79	-59
Carrying amount	36,705	28,230	18,775
Credit stage 3			
Gross carrying amount	465	346	207
Provision for expected credit losses	-25	-24	-23
Carrying amount	440	322	184
Gross carrying amount (credit stages 1, 2 and 3)	487,691	483,894	462,150
Provision for expected credit losses (credit stages 1, 2 and 3)	-186	-156	-127
Total	487,505	483,738	462,023

Lending to the public and provisions

SEK million	SCBC							
	Credit stage 1		Credit stage 2		Credit stage 3		Capital	
Capital	Capital	Provision	Capital	Provision	Capital	Provision	Capital	Provision
Opening balance 1 January 2023	455,239	-53	28,309	-79	346	-24	483,894	-156
Moved to credit stage 1	6,500	-13	-6,481	12	-19	1	0	0
Moved to credit stage 2	-17,416	5	17,468	-6	-52	1	0	0
Moved to credit stage 3	-80	0	-189	3	269	-3	0	0
Volume change*	5,474	-11	-2,294	3	-73	3	3,107	-5
Revaluation**	707	8	-10	-30	-4	-4	693	-26
Confirmed credit losses	-	-	-1	-	-2	1	-3	1
Closing balance 30 June 2023	450,424	-64	36,802	-97	465	-25	487,691	-186

* Refers to new lending, amortisations, redemptions and loan transfers between SBAB and SCBC.

** Refers to revaluation of ECL as well as changes in transaction and modification costs.

SEK million	SCBC							
	Credit stage 1		Credit stage 2		Credit stage 3		Capital	
Capital	Capital	Provision	Capital	Provision	Capital	Provision	Capital	Provision
Opening balance 1 January 2022	422,471	-40	19,500	-55	215	-24	442,186	-119
Moved to credit stage 1	11,643	-25	-11,607	24	-36	1	0	0
Moved to credit stage 2	-13,616	3	13,645	-4	-29	1	0	0
Moved to credit stage 3	-86	0	-190	3	276	-3	0	0
Volume change*	35,723	-19	6,761	-19	-73	4	42,411	-34
Revaluation**	-896	28	200	-28	-5	-5	-701	-5
Confirmed credit losses	-	-	-	-	-2	2	-2	2
Closing balance 31 December 2022	455,239	-53	28,309	-79	346	-24	483,894	-156

* Refers to new lending, amortizations, redemptions and loan transfers between SBAB and SCBC.

** Refers to revaluation of ECL as well as changes in transaction and modification costs.

Note 6 Derivatives

SEK million	SCBC					
	30 June 2023			31 Dec 2022		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate-related	4,119	22,280	390,210	4,877	21,828	420,064
Currency-related	12,145	0	78,795	7,679	0	75,202
Total	16,264	22,280	469,005	12,556	21,828	495,266

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

Note 7 Classification of financial instruments

Financial assets

SEK million	SCBC				
	30 June 2023				
	Financial assets measured at FVTPL		Financial assets measured at amortised cost	Total	Total fair value
Derivatives (held for trading)	Other (obligatory) classification				
Lending to credit institutions	-	-	1,357	1,357	1,357
Lending to the public	-	-	487,505	487,505	478,208
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-3,920	-3,920	-
Derivatives	16,264	0	-	16,264	16,264
Other assets	-	-	119	119	119
Prepaid expenses and accrued income	-	-	291	221	291
Total	16,264	0	485,351	501,616	496,239

Financial liabilities

SEK million	SCBC				
	30 June 2023				
	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
Derivatives (held for trading)	Held for trading				
Liabilities to credit institutions	-	-	2	2	2
Issued debt securities, etc.	-	-	328,621	328,621	315,136
Derivatives	22,280	0	-	22,280	22,280
Other liabilities	-	-	180	180	180
Accrued expenses and deferred income	-	-	1,004	1,004	1,004
Subordinated debt to the Parent Company	-	-	134,036	134,036	134,036
Total	22,280	0	463,843	486,123	472,638

Not 7 Classification of financial instruments, Cont.

Financial assets

SCBC					
31 Dec 2022					
SEK million	Financial assets measured at FVTPL		Financial assets measured at amortised cost	Total	Total fair value
	Derivatives (held for trading)	Other (obligatory) classification			
Lending to credit institutions	-	-	983	983	983
Lending to the public	-	-	483,738	483,738	472,528
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-4,944	-4,944	-
Derivatives	12,556	0	-	12,556	12,556
Other assets	-	-	63	63	63
Prepaid expenses and accrued income	-	-	225	225	225
Total	12,556	0	480,065	492,621	486,355

Financial liabilities

SCBC					
31 Dec 2022					
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives (held for trading)	Held for trading			
Liabilities to credit institutions	-	-	1	1	1
Issued debt securities, etc.	-	-	328,881	328,881	315,438
Derivatives	21,828	0	-	21,828	21,828
Other liabilities	-	-	214	214	214
Accrued expenses and deferred income	-	-	2,192	2,192	2,192
Subordinated debt to the Parent Company	-	-	127,506	127,506	127,506
Total	21,828	0	458,794	480,622	467,179

Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SCBC's Annual Report 2022. 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, including subordinated debt to the Parent Company, have

been assessed as equal to their fair values. 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 date for changes in terms is applied to set the discount rate, Level 3. Issued debt securities are measured at the company's current borrowing interest rate, Level 2.

Note 8 Fair Value Disclosures

SEK million	SCBC							
	30 June 2023				31 Dec 2022			
	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								
Derivatives	-	16,264	-	16,264	-	12,556	-	12,556
Total	-	16,264	-	16,264	-	12,556	-	12,556
Liabilities								
Derivatives	-	22,280	-	22,280	-	21,828	-	21,828
Total	-	22,280	-	22,280	-	21,828	-	21,828

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided provided in Note 1 (Accounting Policies) in SCBC's Annual Report 2022. In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement levels used below. No transfers were made between levels in 2022 or 2023.

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. This measurement method is currently not used on any asset or liability.

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 market unobservable data (Level 3)

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

Note 9 Subordinated debt to the Parent Company

SEK million	SCBC		
	30 Jun 2023	31 Dec 2022	30 Jun 2022
Subordinated debt to the Parent Company	134,036	127,506	111,101
- Of which Internal Group MREL instrument	17,000	17,000	11,000
Total	134,036	127,506	111,101

Terms and conditions governing subordination

The subordinated debt is subordinate to the company's other liabilities in the event of receivership or liquidation, which means that it carries an entitlement to payment only after other claimants have received payment.

Internal Group MREL instrument

Of the subordinated debt to the Parent Company SBAB Bank AB (publ), SEK 17,000 million comprises an internal Group debt instrument (senior non-preferred notes) that was issued by SCBC to the Parent Company in December 2019 for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office in SCBC. The internal Group MREL instrument is subordinate to other subordinated debt to the Parent Company.

Note 10 Capital adequacy, own funds and capital requirements

Amendments to the Banking Package

The capital adequacy is based on the consolidated version of the Capital Requirements Regulation and the Capital Requirements Directive which have been adapted to the Banking Package adopted on 7 June 2019. Information in this note refers to the minimum capital requirements according to Pillar 1 and corresponds to the disclosure requirements in the Capital Requirements Regulation, part eight and the Swedish FSA regulation FFFS 2014:12.

During the fourth quarter 2021 the EU Commission published the finalization of Basel 3 regulation. The proposal contains amendments that improve the comparability of risk-based capital measures between the banks in the EU banking sector. This will reduce the scope for unjustified differences. The proposal includes changes to the standardized approaches and the internal models used to calculate capital requirements for credit risk. For the internal models a capital requirement floor is introduced, where risk weighted exposure amounts must not be less than 72.5 percent of what the standardized approach measures.

The EU Commission's proposal is to be introduced with a transitional period during 2025 -2030. Negotiations of the proposal in the European Council and the EU Parliament have been completed in June and a preliminary political agreement has been reached. Before the regulations can be formally adopted, the agreement must be confirmed by the European Council and the EU Parliament. The agreement is expected to become official in the second half of 2023.

Buffer requirements

The countercyclical buffer rate for Swedish exposures has been increased from 1% to 2%, with application from 22 June, 2023. The Swedish FSA has not announced any change to the countercyclical buffer value.. The Government of Denmark and Bank of Norway respectively have decided to keep the countercyclical buffer rates unchanged at 2.5% as of 30 June, 2023.

Capital adequacy

SEK million	SCBC				
	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	22,962	20,271	20,166	19,358	19,112
Tier 1 capital	22,962	20,271	20,166	19,358	19,112
Total capital	22,962	20,271	20,166	19,358	19,112
Risk-weighted exposure amounts					
Total risk exposure amount	135,788	128,818	126,730	122,130	120,143
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	16.9	15.7	15.9	15.9	15.9
Tier 1 ratio (%)	16.9	15.7	15.9	15.9	15.9
Total capital ratio (%)	16.9	15.7	15.9	15.9	15.9
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.4 ¹⁾	2.5	2.5	2.5	2.5
of which: to be made up of CET1 capital (percentage points)	0.9	1.7	1.7	1.7	1.7
of which: to be made up of Tier 1 capital (percentage points)	1.0	1.9	1.9	1.9	1.9
Total SREP own funds requirements (%)	9.4	10.5	10.5	10.5	10.5
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
Institution specific countercyclical capital buffer (%)	2.0	1.0	1.0	1.0	0.0
Systemic risk buffer (%)	-	-	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-	-	-
Other Systemically Important Institution buffer (%)	-	-	-	-	-
Combined buffer requirement (%)	4.5	3.5	3.5	3.5	2.5
Overall capital requirements (%)	13.9	14.0	14.0	14.0	13.0
CET1 available after meeting the total SREP own funds requirements (%)	7.6	5.2	5.4	5.4	5.4

Note 10 Capital adequacy, own funds and capital requirements, Cont.

SEK million	SCBC				
	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
Leverage ratio					
Total exposure measure	488,874	488,775	486,973	471,569	464,420
Leverage ratio (%)	4.7	4.1	4.1	4.1	4.1
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
Total SREP leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	-	-	-	-	-
Overall leverage ratio requirement (%)	3.0	3.0	3.0	3.0	3.0
Liquidity Coverage Ratio²⁾					
Total high-quality liquid assets (HQLA) (Weighted value -average)					
Cash outflows - Total weighted value					
Cash inflows - Total weighted value					
Total net cash outflows (adjusted value)					
Liquidity coverage ratio (%)					
Net Stable Funding Ratio¹⁾					
Total available stable funding					
Total required stable funding					
NSFR ratio (%)					

1) The Swedish FSA (Finansinspektionen) communicated during the second quarter a change of decision that includes a reduction of the Pillar 2 requirement imposed on AB Sveriges Säkerställda Obligationer (publ) for deficiencies in IRB models.

2) AB Sveriges Säkerställda Obligationer (publ) is treated as a single liquidity sub-group, together with SBAB Bank AB(publ), according to Article 8 (CRR) and a decision by Swedish FSA. Therefore, Liquidity information is only regarded material on a consolidated basis.

Note 10 Capital adequacy, own funds and capital requirements, Cont.

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 637/2021, Annex VII.

Own funds

SEK million	SCBC		
	30 Jun 2023	31 Dec 2022	30 Jun 2022
Common Equity Tier 1 (CET1) capital : Instruments and reserves			
Capital instruments and the related share premium accounts ¹⁾	50	50	9,600
Retained earnings ¹⁾	22,681	18,610	9,084
Accumulated other comprehensive income (and other reserves)	-6,348	-6,493	-3,682
Independently reviewed interim profits net of any foreseeable charge or dividend ²⁾	500	1,571	494
Common Equity Tier 1 (CET1) capital before regulatory adjustments	16,883	13,738	15,496
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	-42	-39	-30
Intangible assets(net of related tax liability (negative amount)	-	-	-
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	6,348	6,493	3,682
Negative amounts resulting from the calculation of expected loss amounts	-225	-25	-24
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	-
Other regulatory adjustments ³⁾	-1	-1	-12
Total regulatory adjustments to Common Equity Tier 1 (CET1)	6,079	6,428	3,616
Common Equity Tier 1 (CET1) capital	22,962	20,166	19,112
Additional Tier 1 (AT1) capital: Instruments			
Additional Tier 1 (AT1) capital before regulatory adjustments	-	-	-
Additional Tier 1 capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-	-
Additional Tier 1 (AT1) capital	-	-	-
Tier 1 capital (T1 =CET1+A1)	22,962	20,166	19,112
Tier 2 (T2) capital: Instruments			
Credit risk adjustments	-	-	-
Tier 2 (T2) capital before regulatory adjustments	-	-	-
Tier 2 (T2) capital: regulatory adjustments			
Total regulatory adjustments to Tier 2(T2) capital	-	-	-
Tier 2 (T2) capital	-	-	-
Total capital (TC=T1+T2)	22,962	20,166	19,112
Total risk-exposure amount	135,788	126,730	120,143

Note 10 Capital adequacy, own funds and capital requirements, Cont.

SEK million	SCBC		
	30 Jun 2023	31 Dec 2022	30 Jun 2022
Capital ratio and requirements including buffers, %			
Common Equity Tier 1 capital	16.9	15.9	15.9
Tier 1 capital	16.9	15.9	15.9
Total capital	16.9	15.9	15.9
Institution CET1 overall capital requirements	9.9	9.7	8.7
– of which, capital conservation buffer requirement	2.5	2.5	2.5
– of which, countercyclical buffer requirement	2.0	1.0	0.0
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage ⁴⁾	0.9	2.5	1.7
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum requirements	7.6	5.4	5.4

1) Reclassification of shareholders contribution pursuant to Article 28, Point 1 of the Capital Requirements Regulation.

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

3) There are no results that generate a deduction of NPL backstop since entry into force.

4) Outcome according to the Supervisory Review and Evaluation Process from the Swedish FSA, communicated and applied from September 2021.

Note 10 Capital adequacy, own funds and capital requirements, Cont.

Risk exposure amounts and capital requirements

mnkr	SCBC					
	30 Jun 2023		31 Dec 2022		30 Jun 2022	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	27,524	2,202	19,010	1,521	13,572	1,086
Retail exposures	21,952	1,756	14,178	1,134	12,310	985
– of which, exposures to SMEs	1,053	84	975	78	1,055	84
– of which, retail exposures secured by immovable property	20,899	1,672	13 203	1 056	11,255	901
Total exposures recognised with IRB approach	49,477	3,958	33,188	2,655	25,882	2,071
Credit risk recognised with the standardised approach						
Exposure to governments and central banks ¹⁾	16	1	14	1	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to institutions ²⁾	126	10	134	11	370	30
– of which, derivatives according to CRR, Appendix 2	121	10	121	10	362	29
– of which, repos	4	0	13	1	8	1
– of which, other	1	0	0	0	0	0
Exposures to institutions and corporates with a short-term credit rating	2	0	6	0	204	16
Other items	155	12	55	5	117	9
Total exposures recognised with standardised approach	300	24	209	17	691	55
Market risk	289	23	611	49	650	52
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	289	23	611	49	650	52
Operational risk	5,414	433	4,928	394	4,928	394
Credit valuation adjustment risk	840	67	879	70	1,247	100
Additional requirements under Article 458 of the CRR	79,468	6,358	86,915	6,953	86,745	6,939
Total risk exposure amount and minimum capital requirement	135,788	10,863	126,730	10,138	120,143	9,611
Capital requirements for capital conservation buffer		3,395		3,168		3,004
Capital requirements for countercyclical buffer		2,716		1,268		0
Total capital requirement		16,973		14,574		12,615

1) Risk-weighted amount for governments and central banks amounts to SEK 16 million due to deferred tax according to CRR Article 48(4).

2) The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 124 million (134).

Note 11 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SCBC has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for SCBC amounted to SEK 18,844 million (SEK 16,227 million on 31 December 2022). The internal capital requirement is assessed using SCBC's internal models for economic capital.

SCBC quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment

process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one year period. The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

SEK million		SCBC			
		30 Jun 2023		31 Dec 2022	
		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	4,049	3.0	2,742	2.2
	Market risk	23	0.0	49	0.0
	Operational risk	433	0.3	394	0.3
	Risk-weight floor ¹⁾	6,358	4.7	6,953	5.5
	Total Pillar 1	10,863	8.0	10,138	8.0
Pillar 2	Credit risk	884	0.7	654	0.5
	Market risk	987	0.7	999	0.8
	Operational risk	-	-	-	-
	Pension risk	-	-	-	-
	Total Pillar 2	1,871	1.4	1,653	1.3
Buffers	Capital conservation buffer	3,394	2.5	3,168	2.5
	Countercyclical buffer	2,716	2.0	1,268	1.0
	Total Buffers	6,110	4.5	4,436	3.5
Total	18,844	13.9	16,227	12.8	
Total own funds	22,962		20,166		

1) In 2018, the Swedish FSA decided to amend the method for applying the risk weight floor under Pillar 2 and replace it with a Pillar 1 requirement in accordance with Article 458 of the CRR. The amendment entered into force in 2018 and applied for two years. The Swedish FSA has extended the capital requirement, and it is currently in force until 30 December 2023.

Alternative performance measures

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

SBAB uses APMs when these are relevant for the presentation and follow-up of SCBC's financial position and when these metrics are deemed to provide additional valuable information to readers of the financial reports. SCBC 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, SCBC's metrics are not directly comparable with similar metrics presented by other companies.

Return on equity

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

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

SEK million	GROUP		
	2023	2022	2022
	Jan-Jun	Jan-Jun	Jan-Dec
Operating profit after tax	833	823	1,571
<i>Annualised op. profit after tax</i>	1,667	1 646	1,571
Average equity	21,898	19 096	19,458
Return on equity, %	7.6	8.6	8.1

Definitions of other key performance indicators

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

Auditors' review report

Introduction

We have reviewed the year-end report for The Swedish Covered Bond Corporation ("SCBC") (in Swedish: AB Sveriges Säkerställda Obligationer (publ)) for the period 1 January – 30 June 2023. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410 Review of Interim Financial Information performed by the company's auditors. A review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with

IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 18 July, 2023

Deloitte AB

Signature on Swedish original

Malin Lüning
Authorised Public Accountant

The Board of Directors and the CEO affirm that this interim report provides an accurate overview of the operations, financial position and performance of the company, and describes the significant risks and uncertainties faced by the company

Solna, 18 July 2023

Jan Sinclair
Chairman of the Board

Jane Lundgren-Ericsson
Board Member

Synnöve Trygg
Board Member

Mikael Inglander
Board Member

Fredrik Jönsson
CEO

Financial calendar

Year-end Report 2023

February 2, 2024

Credit ratings

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



Contact

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This information was submitted for publication on July 19, 2023 at 08:00 (CET).

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

