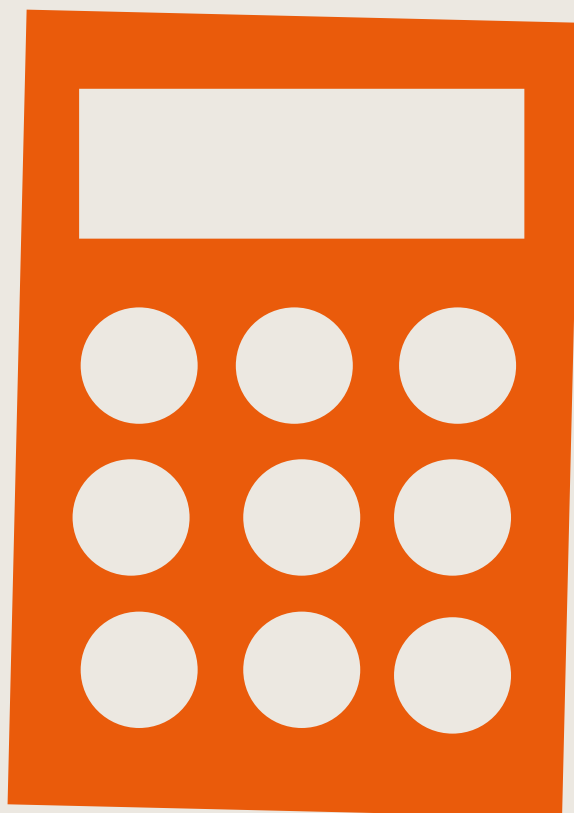


# Year-end report

January–December 2021



# The year in brief

## January–December 2021

(January–December 2020)

- Operating profit amounted to SEK 2,119 million (1,797)
- Net interest income totalled SEK 3,522 million (3,154)
- Expenses amounted to SEK 1,305 million (1,190)
- Net credit losses resulted in a recovery of SEK 7 million (loss: 21).
- The Common Equity Tier 1 (CET1) capital ratio amounted to 16.3% (16.3)
- All funding programmes continue to have the highest credit ratings from Moody's



Net interest income, SEK million

**3,522**  
(3,154)

Lending, SEK billion

**442.1**  
(398)

Credit rating

**Aaa**  
(Aaa)





## Operations

**The primary operations of AB Sveriges S akerst allda 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 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				
	2021 Jul-Dec	2021 Jan-Jun	2020 Jul-Dec	2021 Jan-Dec	2020 Jan-Dec
Net interest income	1,797	1,725	1,653	3,522	3,154
Net commission	-18	-17	-30	-35	-73
Net result of financial transactions (Note 3)	-13	-57	-7	-70	-73
<b>Total operating income</b>	<b>1,766</b>	<b>1,651</b>	<b>1,616</b>	<b>3,417</b>	<b>3,008</b>
Expenses	-689	-616	-637	-1,305	-1,190
<b>Profit before credit losses</b>	<b>1,077</b>	<b>1,035</b>	<b>979</b>	<b>2,112</b>	<b>1,818</b>
Net credit losses (Note 4)	4	3	-3	7	-21
<b>Operating profit</b>	<b>1,081</b>	<b>1,038</b>	<b>976</b>	<b>2,119</b>	<b>1,797</b>
Tax	-223	-214	-208	-437	-384
<b>Net profit for the period</b>	<b>858</b>	<b>824</b>	<b>768</b>	<b>1,682</b>	<b>1,413</b>
<b>BALANCE-SHEET ITEMS</b>					
Lending to the public, SEK billion, at close of period (Note 5)	442,067	417,167	398,029	442,067	398,029
– Of which, Lending, Residential mortgages	330,094	316,620	306,344	330,094	306,344
– Of which, Lending, Corp. & ToA	111,973	100,547	91,685	111,973	91,685
Issued debt securities, etc. at close of period	303,221	291,827	263,863	303,221	263,863
<b>KEY METRICS</b>					
CET1 capital ratio, %	16.3	15.8	16.3	16.3	15.8
<b>CREDIT RATING (LONG-TERM FUNDING)</b>					
Moody's	Aaa	Aaa	Aaa	Aaa	Aaa

### January–December 2021 compared with January–December 2020

Despite the prevailing circumstances due to the coronavirus pandemic, no material changes or risks have been noted with regard to SCBC's financial position. The operating profit amounted to SEK 2,119 million (1,797) for the period.

#### Net interest income

SCBC's net interest income grew to SEK 3,522 million (3,154). Lower market interest rates resulted in lower funding costs at the same time as increased volumes were offset by lower customer interest rates.

#### Net commission expense

The net commissions increased to an expense of SEK 35 million (expense: 73), mainly attributable to lower costs linked to funding operations and higher commission income related to corporate transactions.

#### Net result of financial transactions

The net result of financial transactions was an expense of SEK 70 million (expense: 73). A substantial part of the outcome comprised the earnings impact of repurchases of the company's own debt and interest compensation. For more information, please refer to Note 3.

#### Expenses

SCBC's expenses rose to SEK 1,305 million (1,190), 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 development expenses. 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

The overall credit quality in SCBC's credit portfolio is very good. SCBC only lends against pledged collateral and has no exposure in the Corporate Clients & Tenant-Owners' Associations business area to sectors that are particularly affected as a result of the coronavirus pandemic. SCBC is carefully monitoring developments and making ongoing assessments and analyses of credit risks. In previous economic crises in Sweden, banks' credit losses linked to residential mortgages and housing finance have been low. The Swedish FSA's annual mortgage market survey, with data from 2020, also found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages in a worse economic climate. The healthy level of resilience indicates limited risk for mortgages leading to extensive credit losses for the banks. Total credit losses (net) for the year amounted to positive SEK 7 million (negative 21), attributable primarily to a decrease of credit loss allowances in conjunction with the revision of the forward-looking information applied in the impairment model as a result of more positive macroeconomic scenarios as well as to updated market values for residential properties and tenant owners' rights. Confirmed credit losses remained

low and totalled SEK 3 million (2) for 2021. Credit loss allowances decreased by SEK 1 million (increased by 15) for credit stage 1 loans and decreased by SEK 10 million (unchanged) credit stage 2 loans. Credit loss allowances for credit stage 3 loans decreased by SEK 1 million (increased by 3). Guarantees that can be utilised decreased by SEK 2 million (decreased by 1) over the period as a result of lower credit loss provisions. For more information on credit loss allowances and changes in the forward-looking information in the impairment model, please refer to Note 4.

#### Lending

SCBC does not conduct any new lending itself but instead acquires loans from SBAB Bank, on an ongoing basis or as necessary. 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 442.1 billion (398.0).

#### Funding

Mixed economic signals kicked off the first six months of 2021. Growth in most of the European economies will be burdened by further restrictions due to the increased spread of Covid-19, while at the same time the roll-out of large-scale vaccination programmes started, albeit with some hiccups. In the USA, the newly sworn-in President Joe Biden proposed additional financial support measures as part of the economic recovery plan.

## Cover pool data

	SCBC	
	31 Dec 2021	31 Dec 2020
Credit portfolio, SEK billion	442.1	398.0
Total cover pool, SEK billion	407.8	359.0
LTV as per ASCB definition <sup>1)</sup> , %	52.0	54.1
Nominal OC, %	29.9	33.1

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](http://sbab.se).

The recovery package, together with the relaxed monetary policies of the US and other central banks, contributed to some market anxiety concerning higher inflation in the future. The US economy recorded higher inflation in May than it had for a very long time, thereby giving rise to a period where stock markets and interest rates were subject to some volatility. However, the market was reassured by central banks referring to temporary base effects and by continuing to project retained stimulative monetary policies, characterised by continued bond purchases and low key interest rates.

The second half of the year started with relatively positive risk sentiment in an environment where coronavirus pandemic-related restrictions were fully or partially lifted, at the same time as central banks and fiscal policies continued to support the market and economic expectations. However, over the period, the financial markets gradually came to be increasingly dominated by rising concerns, mainly with regard to more persistent inflation, but also some concern about the economic trend. Inflation rates, as they appeared at producer and consumer levels, remained high throughout the period. This was mainly attributed to rising commodity and energy prices. In parallel, economic activity showed some signs of problems arising from component shortages and global supply chain disruption, which led to production constraints for some manufacturers. The market continued to look toward the responses of the central banks and the US central bank, the Federal Reserve, signalled its intent to start raising the key interest rate in the following year at the same time as it announced that it would cease asset purchases in the first half of 2022. The ECB and the Riksbank signalled a lower rate of bond purchases during the following year. The ECB concluded its Pandemic Emergency Purchase Program (PEPP), which was introduced in 2020 during the

early stages of the pandemic. The ECB and the Riksbank both announced a more restrained perspective on rate increases, with no increase in the Riksbank's own repo rate until 2024.

In 2021, the leading central banks continued their asset purchases and, during the year, the Riksbank purchased, *inter alia*, about SEK 225 billion in bonds in the Swedish covered bond market. The purchases by Sweden's central bank helped keep credit spreads low in the Swedish covered bond market from a historic perspective. Spreads fell at the short end of the curve, while longer rates rose on a steeper curve as a result. In Europe and the US, leading stock indices rose over the period whereas indices in Japan and Hong Kong posted mixed trends. Long-term German, US and Swedish interest rates noted greater volatility during the year, but overall, ended the year higher. Short-term interest rates rose in the US and Sweden, whereas they remained essentially unchanged in Germany.

During the past year, SCBC has generally experienced healthy demand from investors and maintained relatively high funding activity driven by maturing debt and healthy lending growth. The majority of the funding was raised through the Swedish benchmark market for covered bonds, where the volume outstanding of SCBC bonds continues to grow. Moreover, two new SEK denominated benchmark bonds were introduced during the start of the year, with respective maturities of 6.5 and 11.5 years, and in June, for the first time since 2019, SCBC completed a public issue in the European covered bond market with a maturity of 8.75 years.

On 31 December 2021, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 300.9 billion (263.9), distributed as follows: Swedish covered bonds SEK 207.1 billion (162.3) and the Euro Medium Term Covered Note Programme SEK

93.8 billion (101.5). During the period, issued securities amounted to SEK 82.2 billion (62.9). At the same time, securities amounting to SEK 12.7 billion (20.2) were repurchased, while securities amounting to SEK 29.0 billion (22.3) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities of SEK 37.1 billion (17.1) in the period.

#### Liquidity

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

SCBC primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised approach. 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. SBAB has therefore, over an extended period, worked on preparing new internal risk classification models, which are expected to be implemented in 2022.

SCBC's total capital ratio and CET1 capital ratio amounted to 16.3% (16.3) on 31 December 2021. The change was mainly driven by increased lending volumes (EAD). Net profit is included in own funds.

The internally assessed capital requirement amounted to SEK 12.8 billion (11.5) on 31 December 2021. The change was mainly due to changed market risk requirements in Pillar 2.

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



# Other information



## SCBC's financial position

SCBC's earnings trend and lending growth remained healthy over the full-year 2021. Despite the prevailing circumstances due to the coronavirus pandemic, no noteworthy changes or risks have been noted with regard to SCBC's financial position. The company's balance sheet is strong, and the capital and liquidity buffers are assessed as robust. The functionality of the financial markets is assessed as good and funding operations continue to work satisfactorily. No material changes have been noted in terms of credit risk in the lending portfolio.

## Management changes

At the Extraordinary General Meeting on 25 November 2021, Mikael Inglander was appointed as a member of the Board, replace Klas Danielsson. At a Board meeting on the same day, Fredrik Jönsson was appointed CEO of SCBC. He is replacing former CEO, Mikael Inglander. The changes were made following the appointment of Mikael Inglander as acting CEO of SBAB Bank AB (publ). Fredrik Jönsson will assume the position as CEO as of 26 November 2021. Fredrik Jönsson is Head of Treasury at SBAB Bank AB (publ) and has worked 14 years within Treasury at SBAB.

On 31 December 2021, the Board comprised: Jan Sinclair (Chairman), Jane Lundgren Ericsson, Synnöve Trygg and Mikael Inglander.

## Risks and uncertainties

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The economic trend in Sweden is the primary risk factor for SCBC's future earnings capacity, and the quality of our assets is mainly exposed to credit risk in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. A housing market with soaring prices over an extended period, in parallel with rising household debt, has resulted in the Swedish economy becoming sensitive to rapid changes in interest rates and house prices. The risks linked to these factors could be amplified if many households have high levels of debt in relation to their disposable incomes. The extensive regulatory changes in the residential mortgage market comprise a further uncertainty factor. Moreover, political decisions, for example changed tax rules, could have major consequences on households' solvency and property values.

The unusually high inflation outcome at the end of 2021 led to elevated expectations of inflation and a more convex forward interest rate curve, though without major long-term increases in the implicit expected short-term interest rates.

The housing market remained strong in the beginning of 2022, with short advertising periods and high bid premiums. There was also no discernible price pressure from high electricity prices, though higher electricity prices are expected to eventually lead to somewhat lower housing prices.

For further information about risks and risk management, please refer to SCBC's 2020 Annual Report.

## Events after the end of the period

No significant events occurred after the end of the period.

## Auditors' review report

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

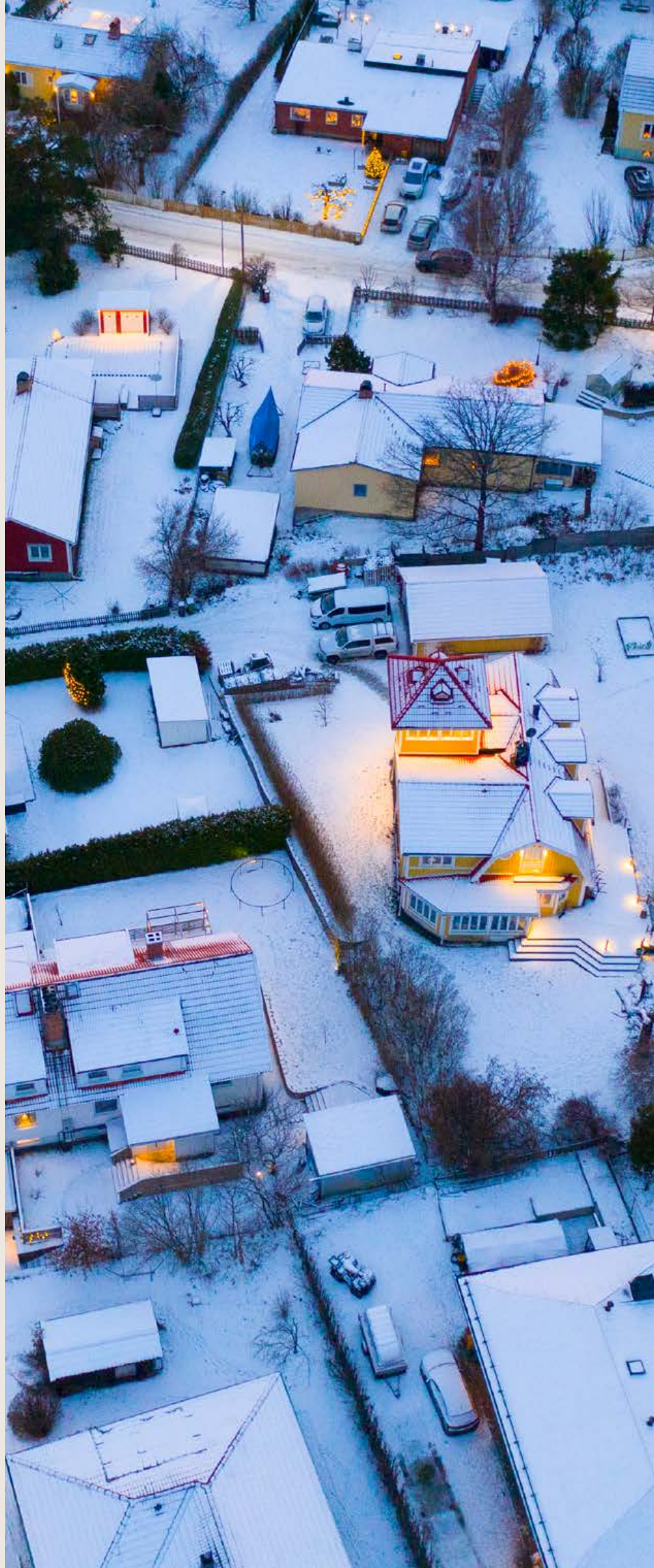
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## Condensed income statement

SEK million	SCBC				
	2021	2021	2020	2021	2020
	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Dec	Jan-Dec
Interest income	2,760	2,757	2,791	5,517	5,550
Interest expense	-963	-1,032	-1,138	-1,995	-2,396
<b>Net interest income</b>	<b>1,797</b>	<b>1,725</b>	<b>1,653</b>	<b>3,522</b>	<b>3,154</b>
Commission income	11	13	9	24	20
Commission expense	-29	-30	-39	-59	-93
Net expense from financial transactions (Note 3)	-13	-57	-7	-70	-73
Other operating income	0	0	0	0	0
<b>Total operating income</b>	<b>1,766</b>	<b>1,651</b>	<b>1,616</b>	<b>3,417</b>	<b>3,008</b>
General administrative expenses	-684	-610	-631	-1,294	-1,179
Other operating expenses	-5	-6	-6	-11	-11
<b>Total expenses before loan losses</b>	<b>-689</b>	<b>-616</b>	<b>637</b>	<b>-1,305</b>	<b>-1,190</b>
<b>Profit before loan losses</b>	<b>1,077</b>	<b>1,035</b>	<b>979</b>	<b>2,112</b>	<b>1,818</b>
Net credit losses (Note 4)	4	3	-3	7	-21
<b>Operating profit</b>	<b>1,081</b>	<b>1,038</b>	<b>976</b>	<b>2,119</b>	<b>1,797</b>
Tax on operating profit for the period/year	-223	-214	-208	-437	-384
<b>Net profit for the period/year</b>	<b>858</b>	<b>824</b>	<b>768</b>	<b>1,682</b>	<b>1,413</b>

For the period, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 2,813 million (2,841).

## Condensed statement of comprehensive income

SEK million	SCBC				
	2021	2021	2020	2021	2020
	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Dec	Jan-Dec
<b>Net profit for the period</b>	<b>858</b>	<b>824</b>	<b>768</b>	<b>1,682</b>	<b>1,413</b>
<i>Components that will be reclassified to profit or loss</i>					
Changes related to cash-flow hedges	-697	-1,034	-463	-1,731	464
Tax attributable to components that will be reclassified to profit or loss	144	213	121	357	-77
<b>Other comprehensive income/loss, net of tax</b>	<b>-553</b>	<b>-821</b>	<b>-342</b>	<b>-1,374</b>	<b>387</b>
<b>Total comprehensive income for the period</b>	<b>305</b>	<b>3</b>	<b>426</b>	<b>308</b>	<b>1,800</b>

# Condensed balance sheet

SEK million	SCBC	
	31 Dec 2021	31 Dec 2020
<b>ASSETS</b>		
Lending to credit institutions	1	1
Lending to the public (Note 5)	442,067	398,029
Value changes of interest-rate-risk hedged items in macro hedges	-563	143
Derivatives (Note 6)	5,902	9,289
Other assets	49	248
Prepaid expenses and accrued income	118	113
<b>TOTAL ASSETS</b>	<b>447,574</b>	<b>407,823</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Liabilities to credit institutions	15,414	10,615
Debt securities issued, etc.	300,913	263,863
Derivatives (Note 6)	2,120	1,690
Other liabilities	43	743
Accrued expenses and deferred income	1,614	1,568
Deferred tax liabilities	225	586
Subordinated debt to the Parent Company (Note 9)	107,718	109,515
<b>Total liabilities</b>	<b>428,047</b>	<b>388,580</b>
<b>Equity</b>		
<b>Restricted equity</b>		
Share capital	50	50
<b>Total restricted equity</b>	<b>50</b>	<b>50</b>
<b>Unrestricted equity</b>		
Shareholder contribution	9,550	9,550
Fair value reserve	843	2,217
Retained earnings	7,402	6,013
Net profit for the year	1,682	1,413
<b>Total unrestricted equity</b>	<b>19,477</b>	<b>19,193</b>
<b>Total equity</b>	<b>19,527</b>	<b>19,243</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>447,574</b>	<b>407,823</b>

# Condensed statement of changes in equity

SEK million	SCBC						Total equity
	Restricted equity	Unrestricted equity				Net profit for the year	
	Share capital	Fair value reserve	Shareholder contribution	Retained earnings			
<b>Opening balance 1 January 2021</b>	50	2,217	9,550	7,426	-	<b>19,243</b>	
Other comprehensive income, net of tax	-	-1,374	-	-	-	-1,374	
Group contribution paid, after tax	-	-	-	-24	-	-24	
Net profit for the period	-	-	-	-	1,682	1,682	
<b>Comprehensive income for the period</b>	-	-1,374	-	-	<b>1,682</b>	<b>308</b>	
<b>Closing balance 31 December 2021</b>	<b>50</b>	<b>843</b>	<b>9,550</b>	<b>7,402</b>	<b>1,682</b>	<b>19,527</b>	
<b>Opening balance 1 January 2020</b>	<b>50</b>	<b>1,830</b>	<b>9,550</b>	<b>6,602</b>	<b>-</b>	<b>18,032</b>	
Other comprehensive income, net of tax	-	387	-	-	-	-589	
Group contribution paid, after tax	-	-	-	-589	-	387	
Net profit for the year	-	-	-	-	1,413	1,413	
<b>Comprehensive income for the year</b>	<b>-</b>	<b>387</b>	<b>-</b>	<b>-</b>	<b>1,413</b>	<b>1,800</b>	
<b>Closing balance 31 December 2020</b>	<b>50</b>	<b>2,217</b>	<b>9,550</b>	<b>6,013</b>	<b>1,413</b>	<b>19,243</b>	

# Condensed cash-flow statement

SEK million	SCBC	
	2021	2020
	Jan-Dec	Jan-Dec
Opening cash and cash equivalents	1	0
<b>OPERATING ACTIVITIES</b>		
Interest and commissions paid/received	3,541	2,932
Outflows to suppliers and employees	-1,306	-1,190
Taxes paid/refunded	-500	-498
Change in assets and liabilities of operating activities	811	-8,014
<b>Cash flow from (used in) operating activities</b>	<b>2,546</b>	<b>-6,770</b>
<b>INVESTING ACTIVITIES</b>		
Cash flow from investing activities	-	-
<b>FINANCING ACTIVITIES</b>		
Group contribution paid	-749	-564
Dividend paid	-	-
Change in subordinated debt	-1,797	7,335
<b>Cash flow from financing activities</b>	<b>-2,546</b>	<b>6,771</b>
Increase/decrease in cash and cash equivalents	0	1
Closing cash and cash equivalents	1	1

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 2021	Non-cash items			Closing balance 31 Dec 2021	Opening balance 1 Jan 2020	Non-cash items			Closing balance 31 Dec 2020
		Cash flow	Fair value	Other			Cash flow	Fair value	Other	
Long-term interest-bearing liabilities	109,515	-1,797	-	-	107,718	102,180	7,335	0	0	109,515
<b>Total</b>	<b>109,515</b>	<b>-1,797</b>	<b>-</b>	<b>-</b>	<b>107,718</b>	<b>102,180</b>	<b>7,335</b>	<b>0</b>	<b>0</b>	<b>109,515</b>

## 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 2021

From 1 January 2021 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 pertaining to the changes in benchmark rates are applicable. The rules address

the financial reporting of the modifications required in conjunction with the replacement of benchmark rates. The amendments also entail practical expedients for hedge accounting in conjunction with the replacement of benchmark rates that mean, inter alia, that modifications due to the replacement are permitted to hedging relationships and hedge documentation without requiring the hedging relationship to be terminated. This amendment has not had any material impact on the financial statements.

Accounting principles and calculation methods are unchanged compared with the annual report for 2020. The financial statements in summary are produced on the basis of an assumption about the company's survival. The financial reports in summary was approved by the board for publication on February 9, 2022.

## Note 2 Changes in risks

### Credit risk in lending operations

No increase in realised credit risk was noted in lending operations during the year of 2021. Despite the prevailing circumstances with the coronavirus pandemic, neither an increased tendency of delayed payments nor turbulence in the real estate market leading to falling housing prices have been observed. The forward-looking information in the impairment model have been revised twice during the year, in March and in June respectively, due to a more positive outlook on the economic development in Sweden compared to previous forecasts. This in addition to a substantial upswing in market values for residential properties and tenant-owners' rights have resulted in a decrease of credit loss provisions. Since the pandemic outbreak SCBC has, until 31 of August 2021, granted applications for temporary amortisation exemptions, in accordance with Swedish FSA's guidelines. These amortisation exemptions were assessed to solely manage the temporary increase in liquidity risk that has arisen for customers. Since the fourth quarter 2020, customers are obliged to state the reason behind the application for amortisation exemption. Customers who report loss of income are managed by SCBC's insolvency team for further assessment regarding increase in credit risk and a potential movement to credit stage 2 or stage 3. However, this has only occurred in very few cases and has therefore had no impact on the credit loss provisions. No deviations have been noted in terms of loan-to-value (LTV) or debt-to-income ratios in the lending portfolio.

Total credit loss allowances amount to SEK 119 million per 31 of December 2021, compared to SEK 131 million per 31 of December 2020. The LTV for private individuals, property companies and tenant-owners' associations amount to 55, 63 and 35% respectively per 31 of December 2021, compared to 58, 64 and 37% respectively per 31 of December 2020. For more information regarding credit losses, credit loss allowances, credit risk and quality, please see [Note 4](#).

### Counterparty credit risk in treasury operations

At 28 June 2021 a new method to calculate counterparty credit risk (SA-CCR, Standardised Approach for Counterparty Credit Risk) was introduced in accordance with CRR II. Limit utilisation for SCBC's derivative counterparties has increased to SEK 335 million at 31 December 2021, compared with SEK 232 million at 31 December 2020 where the increase is mainly due to the change of method but also limited by matured derivatives.

### Liquidity risk

Liquidity risk in SCBC is managed in cooperation with SBAB. SCBC has an agreement with SBAB regarding a liquidity facility which can be used to finance SCBC's operations. At the end of Q4 OC<sup>1)</sup> amounted to 30.1% (33.1% as of 31 December 2020).

### 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 31 December 2021, SCBC's VaR amounted to SEK 46 million, compared with SEK 133 million at 31 December 2020. The limit for VaR is changed to SEK 400 million from the previous SEK 700 million. The reason for the reduction was that the margin to the limit has historically been large and is forecast to remain so in the coming years.

### Operational risk

The Covid-19 pandemic has resulted in a general increase in operational risk across the bank in connection with, inter alia, sick leave and continuity for critical deliveries. It should be noted that the bank's business contingency plans were generally applicable during the Covid-19 period, which has reduced continuity risks. 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

During 2021, SCBC's business risk continued to be affected by macroeconomic conditions, driven by the corona pandemic. There is however less uncertainty compared to the end of 2020, and financial markets have stabilised. To date, the impact of the pandemic on the financial position of SCBC and the SBAB group has been very moderate. The overall business risk is therefore considered to be at a low level. No material changes in the competitive landscape were observed during the year. Moreover, SCBC has not entered, or exited, any new 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](#).

1) OC (Over-Collateralization) measures the Over-Collateralization level in the cover pool. Regulated by "lagen om utgivning av säkerställda obligationer (SFS 2003:1223)" and recommendations from Swedish FSA.

### Note 3 Net result of financial transactions

SEK million	SCBC				
	2021	2021	2020	2021	2020
	Jan-Dec	Jan-Jun	Jul-Dec	Jan-Dec	Jan-Dec
<b>Gains/losses on interest-bearing financial instruments</b>					
- Change in value of hedged items in hedge accounting	1,211	1,172	426	2,383	-799
- Derivatives in hedge accounting	-1,204	-1,197	-423	-2,401	801
- Other derivatives	-6	-10	12	-16	-1
- Realised gain/loss from financial liabilities at amortised cost	-30	-34	-47	-64	-113
- Loan receivables at amortised cost	16	12	25	28	39
Currency translation effects	0	0	0	0	0
<b>Total</b>	<b>-13</b>	<b>-57</b>	<b>-7</b>	<b>-70</b>	<b>-73</b>

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				
	2021	2021	2020	2021	2020
	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Dec	Jan-Dec
<b>Lending to the public</b>					
Confirmed credit losses	-1	-2	-1	-3	-2
Recoveries of previously confirmed credit losses	0	0	0	0	0
Change in provision for the period – credit stage 1	4	-3	1	1	-15
Change in provision for the period – credit stage 2	3	7	5	10	0
Change in provision for the period – credit stage 3	-1	2	-5	1	-3
Guarantees	-1	-1	-3	-2	-1
<b>Net credit losses for the period – lending to the public</b>	<b>4</b>	<b>3</b>	<b>-3</b>	<b>7</b>	<b>-21</b>

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 2020 Annual Report, note G 1 (Accounting policies).

During the second half-year of 2021 total credit loss provisions decreased by SEK 6 million. Loss provisions for loans allocated to credit stage 1 decreased by SEK 4 million (increased by 3) and decreased by SEK 3 million (increased by 3) for loans allocated to stage 2. Loss provisions for loans allocated to credit stage 3 increased by SEK 1 million (decreased by 2). The changes in credit

loss provisions subject to loans are attributed to updated market values for residential properties and tenant-owners' rights, which were conducted twice this half-year. Guarantee amount that can be utilised to cover credit losses decreased by SEK 1 million (decreased by 1) as a result of decreased credit loss provisions during the second half-year.

## Note 4 Net credit losses, Cont.

### Sensitivity analysis of forward-looking information

#### Lending to the public and loan commitments

Factors	Scenario 1 (45%)			Scenario 2 (20%)			Scenario 3 (20%)			Scenario 4 (15%)		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
GDP <sup>1)</sup>	3,3%	3,2%	2,3%	3,5%	4,8%	3,5%	-6,2%	3,1%	3,8%	-2,1%	-1,9%	1,3%
Repo rate	0,1%	0,1%	0,4%	0,1%	0,2%	0,6%	0,3%	0,5%	0,4%	1,1%	1,2%	1,2%
Unemployment	8,8%	8,0%	7,5%	8,7%	7,4%	6,3%	11,2%	11,1%	9,8%	9,4%	10,0%	10,3%
House prices, Δ	+16,3%	-0,8%	-3,2%	+16,9%	-0,8%	-3,0%	-10,4%	-12,2%	-3,4%	-15,4%	-15,3%	-16,0%
Prices of tenant-owners' rights, Δ	+9,6%	+0,4%	-3,1%	+10,0%	+0,2%	-2,9%	-11,8%	-14,8%	-6,2%	-20,0%	-28,6%	-15,4%
Property prices, Δ	+2,4%	+4,8%	+4,2%	+2,8%	+4,5%	+4,4%	-6,4%	-11,1%	-4,8%	-11,3%	-23,6%	-17,2%
<b>ECL</b>	<b>SEK 45 million</b>			<b>SEK 46 million</b>			<b>SEK 111 million</b>			<b>SEK 442 million</b>		
<b>Weighted ECL</b>	<b>SEK 119 million</b>											

1) Not included in the ECL calculation

#### Impairment model and credit loss provisions

During the year SCBC has revised the forward-looking information twice, in the first and in the second quarter, due to updated macroeconomic forecasts. The forward-looking information is applied in the impairment model and thus used to calculate expected credit losses (ECL). The updates in the macro-economic forecasts, which were made during both the first and second quarter, are based on a somewhat more positive economic outlook in light of the coronavirus pandemic. Furthermore, a large market value increase for residential properties and tenant owners' rights on the Swedish housing market has been observed during 2021. Despite the anticipated strong recovery, the bank still considers there to remain some uncertainty in the Swedish real estate market and economy in general, why an adjustment in the weights of the scenarios in the forward-looking information was also made during the second quarter. These weights reflect the probabilities to experience credit losses of respective magnitudes and the adjustment made aimed to temporarily limit the positive effect of updated macroeconomic factors. During the third and the fourth quarter no further revisions of the forward-looking information was deemed necessary.

The revision of the forward-looking information during the first quarter led to a decrease in credit loss provisions whilst the revision during the second quarter resulted in a slightly increase. As per 31 of December 2021 total credit loss provisions amount to SEK 119 million, compared to SEK 131 million per 31 of December 2020. It is mainly the revised forward-looking information and the heavy market value increase for residential properties and tenant owners' rights that contribute to the reduction in the credit loss provisions throughout the year. The above table shows the forward-looking information comprised of a weighting of four applied scenarios with projections of the relevant macroeconomic factors used to calculate ECL. During 2021 SCBC has closely followed the credit risk exposure in the lending portfolio due to the development in the economy. The underlying credit risk models in the impairment model are largely based on customers' payment behaviour and market values of collateral and thus far show no increase in realised credit risk during the coronavirus pandemic.

During the second half-year of 2021 updates of the market values for residential properties and tenant-owners' rights were conducted twice, in June and November respectively, which caused a reduction in credit loss provisions due to higher market values. Moreover, credit bureau information was updated during the half-year for customers in the lending portfolio leading to a slight

increase in loss provisions for loans allocated to credit stage 2. The decrease in credit loss provisions during the second half-year of SEK 6 million is mainly driven by a higher housing prices and hence higher market values for specifically residential properties and tenant-owners' rights. SCBC is comfortable with the size of the credit loss provisions, totalling SEK 119 million (125) as per 31 of December 2021.

#### Overall credit quality

Despite the prevailing coronavirus pandemic, the credit quality of SCBC's lending portfolio remains good and the risks entailed in the lending to private individuals are low. SBAB's granting of credit to customers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments. The Swedish FSA's annual mortgage market survey, with data from 2020, found that, overall, new residential mortgage customers continue to have healthy margins to manage repayment of their mortgages even in a worse economic climate. At the end of the second half-year 2021, the average loan-to-value (LTV) ratio<sup>2)</sup> in the mortgage portfolio was 55% (56).

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 second half-year was 63 (63) and 35% (36) respectively. In this business area, the granting of credit is based on an assessment customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the pandemic, the bank is working proactively to identify customers who are or could become particularly financially affected. Since customers' underlying cash flows primarily derive from housing units, they are expected to be less affected, or affected at a later stage, if the pandemic persists. Therefore, SCBC's assessment is that risks may be higher for construction and project development companies, and property companies that are more dependent on capital markets with refinancing needed in the near future. The same applies for tenant-owners' associations with significant revenue from rental premises. There is only a limited portion of the exposures in SCBC's lending portfolio subject to this potentially higher credit risk. No individual loss provisions or further manual adjustments of counterparties' rating grades in the business area have been proved necessary during the second 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 4 Net credit losses, Cont.

### Temporary amortisation exemptions

SCBC has up until 31 of August 2021 offered its residential mortgage customers a temporary amortisation exemption in accordance with the Swedish FSA's guidelines (FI Ref. 20-8061) due to the coronavirus pandemic. No additional credit loss provisions have been deemed necessary since SCBC made the assessment that amortisation exemptions did not affect the credit risk. Instead, the amortisation exemptions have mitigated the increased liquidity risk that has temporarily arisen for the customers. Customers who declared that the application for amortisation exemption was a result of loss of income due to the coronavirus pandemic are managed by SCBC's insolvency team to further assess if a significant increase in credit risk has occurred and a

potential movement of the relevant loans to credit stage 2 is needed, or if the amortisation exemption is to be classified as forbearance measure triggering an identification of default and a movement to credit stage 3. This in accordance with the current accounting standard and capital requirements regulations. Due to the coronavirus pandemic, many modifications of loans, in accordance with the accounting standard IFRS 9, have been identified as a result of the amortisation exemptions. Granted amortisation exemptions will be classified as modifications in the event they result in changes of loans' terms and conditions. No amortisation exemptions have led to any significant modifications and consequently no write offs.

## Note 5 Lending to the public

SEK million	SCBC	
	31 Dec 2021	31 Dec 2020
<b>Opening balance</b>	<b>398,029</b>	<b>358,936</b>
Transferred to/from Group entities	90,073	79,286
Amortisation, repayments, etc.	-46,044	-40,173
Confirmed credit losses	-3	-2
Change in provision for expected credit losses <sup>1)</sup>	12	-18
<b>Closing balance</b>	<b>442,067</b>	<b>398,029</b>

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	
	31 Dec 2021	31 Dec 2020
Lending, Residential mortgages	330,094	306,344
Lending, Corporate Clients & Tenant-Owners' Associations	111,973	91,685
<b>Total</b>	<b>442,067</b>	<b>398,029</b>



## Note 5 Lending to the public, Cont.

### Lending to the public by credit stage

SEK million	SCBC	
	31 Dec 2021	31 Dec 2020
<b>Credit stage 1</b>		
Gross carrying amount	422,471	380,031
Provision for expected credit losses	-40	-42
<b>Carrying amount</b>	<b>422,431</b>	<b>379,989</b>
<b>Credit stage 2</b>		
Gross carrying amount	19,500	17,911
Provision for expected credit losses	-55	-64
<b>Carrying amount</b>	<b>19,445</b>	<b>17,847</b>
<b>Credit stage 3</b>		
Gross carrying amount	215	218
Provision for expected credit losses	-24	-25
<b>Carrying amount</b>	<b>191</b>	<b>193</b>
<b>Gross carrying amount (credit stages 1, 2 and 3)</b>	<b>442,186</b>	<b>398,160</b>
<b>Provision for expected credit losses (credit stages 1, 2 and 3)</b>	<b>-119</b>	<b>-131</b>
<b>Total</b>	<b>442,067</b>	<b>398,029</b>

### Lending to the public and provisions

SEK million	SCBC							
	Credit stage 1 Capital	Provision	Credit stage 2 Capital	Provision	Credit stage 3 Capital	Provision	Capital	Provision
<b>Opening balance, per year 2021</b>	<b>380,031</b>	<b>-42</b>	<b>17,911</b>	<b>-64</b>	<b>218</b>	<b>-25</b>	<b>398,160</b>	<b>-131</b>
Moved to credit stage 1	10,683	-27	-10,659	26	-24	1	-0	-0
Moved to credit stage 2	-8,598	2	8,626	-3	-28	1	-0	0
Moved to credit stage 3	-48	0	-82	2	130	-2	0	-0
Volume change*	38,706	-11	3,723	-5	-75	5	42,354	-11
Revaluation**	1,697	38	-19	-11	-3	-5	1,675	22
Confirmed credit losses	0	0	-0	0	-3	1	-3	1
<b>Closing balance, per year 2021</b>	<b>422,741</b>	<b>-40</b>	<b>19,500</b>	<b>-55</b>	<b>215</b>	<b>-24</b>	<b>442,186</b>	<b>-119</b>

\* 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 Capital	Provision	Credit stage 2 Capital	Provision	Credit stage 3 Capital	Provision	Capital	Provision
<b>Opening balance, per year 2020</b>	<b>339,258</b>	<b>-27</b>	<b>19,539</b>	<b>-64</b>	<b>252</b>	<b>-22</b>	<b>359,049</b>	<b>-113</b>
Moved to credit stage 1	12,205	-27	-12,195	27	-10	0	0	0
Moved to credit stage 1	-8,285	2	8,366	-5	-81	3	0	0
Moved to credit stage 3	-62	0	-71	1	133	-1	0	0
Volume change*	33,796	-13	2,070	-5	-72	3	35,94	-15
Revaluation**	3,119	23	202	-18	-2	-8	3,319	-3
Confirmed credit losses	0	0	0	0	-2	0	-2	0
<b>Closing balance, per year 2020</b>	<b>380,031</b>	<b>-42</b>	<b>17,911</b>	<b>-64</b>	<b>218</b>	<b>-25</b>	<b>398,160</b>	<b>-131</b>

\* 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					
	31 Dec 2021			31 Dec 2020		
	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	3,474	1,536	380,597	6,591	378	348,349
Currency-related	2,428	584	69,019	2,698	1,312	77,979
<b>Total</b>	<b>5,902</b>	<b>2,120</b>	<b>449,616</b>	<b>9,289</b>	<b>1,690</b>	<b>426,328</b>

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

## Note 7 Classification of financial instruments

### Financial assets

SEK million	SCBC				
	31 Dec 2021				
	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	1	1
Lending to the public	-	-	442,067	442,067	440,636
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-563	-563	-
Derivatives	5,890	12	-	5,902	5,902
Other assets	-	-	23	23	23
Prepaid expenses and accrued income	-	-	118	118	118
<b>Total</b>	<b>5,890</b>	<b>12</b>	<b>441,646</b>	<b>447,548</b>	<b>446,680</b>

### Financial liabilities

SEK million	SCBC				
	31 Dec 2021				
	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	-	-	15,414	15,414	15,414
Issued debt securities, etc.	-	-	300,913	300,913	303,221
Derivatives	2,119	1	-	2,120	2,120
Other liabilities	-	-	43	43	43
Accrued expenses and deferred income	-	-	1,614	1,614	1,614
Subordinated debt to the Parent Company	-	-	107,718	107,718	107,718
<b>Total</b>	<b>2,119</b>	<b>1</b>	<b>425,702</b>	<b>427,822</b>	<b>430,130</b>

## Not 7 Classification of financial instruments, Cont.

### Financial assets

SCBC					
31 Dec 2020					
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	-	-	1	1	1
Lending to the public	-	-	398,029	398,029	398,492
Value changes of interest-rate-risk hedged items in macro hedges	-	-	143	143	-
Derivatives	9,264	25	-	9,289	9,289
Other assets	-	-	16	16	16
Prepaid expenses and accrued income	-	-	113	113	113
<b>Total</b>	<b>9,264</b>	<b>25</b>	<b>398,302</b>	<b>407,591</b>	<b>407,911</b>

### Financial liabilities

SCBC					
31 Dec 2020					
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	-	-	10,615	10,615	10,615
Issued debt securities, etc.	-	-	263,863	263,863	268,302
Derivatives	1,663	27	-	1,690	1,690
Other liabilities	-	-	744	744	744
Accrued expenses and deferred income	-	-	1,568	1,568	1,568
Subordinated debt to the Parent Company	-	-	109,515	109,515	109,515
<b>Total</b>	<b>1,663</b>	<b>27</b>	<b>386,305</b>	<b>387,995</b>	<b>392,434</b>

#### Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SCBC's Annual Report 2020. 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							
	31 Dec 2021				31 Dec 2020			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
<b>Assets</b>								
Derivatives	-	5,902	-	5,902	-	9,289	-	9,289
<b>Total</b>	-	<b>5,902</b>	-	<b>5,902</b>	-	<b>9,289</b>	-	<b>9,289</b>
<b>Liabilities</b>								
Derivatives	-	2,120	-	2,120	-	1,690	-	1,690
<b>Total</b>	-	<b>2,120</b>	-	<b>2,120</b>	-	<b>1,690</b>	-	<b>1,690</b>

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided provided in Note 9.1 (Accounting Policies) in SCBC's Annual Report 2020. In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement levels used below. No transfers were made between levels in 2020 or 2021.

### Quoted market prices (Level 1)

Measurement at quoted prices in an active market for identical assets and liabilities. A market is deemed to be active if the price data is easily accessible and corresponds to actual regularly occurring transactions. 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	
	31 Dec 2021	31 Dec 2020
Subordinated debt to the Parent Company	107,718	109,515
- Of which Internal Group MREL instrument	11,000	6,000
<b>Summa</b>	<b>107,718</b>	<b>109,515</b>

### 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 11,000 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 EU Official Journal has on 7 June 2019 published amendments to the Capital Requirements Regulation, the Capital Requirements Directive and the Bank Recovery & Resolution Directive (the 'Banking Package') which entered into force on 27 June 2019. The Banking Package includes changes to capital requirements and changes in the loss-absorbing and recapitalisation capacity of credit institutions. Amendments in Swedish law due to the Capital Adequacy Directive entered into force on 29 December 2020. Most of the changes in the Capital Requirements Regulation entered into force from 28 June 2021. A significant change was the entry into force of a binding minimum requirement of 3% of the exposure amount for leverage ratio

### Buffer requirements

During the first quarter 2020 the Swedish FSA decided to lower the countercyclical capital buffer requirement for banks from 2.5% to 0%, due to the current corona pandemic. The Swedish FSA announced on 29 September 2021 an increase in the countercyclical capital buffer requirement to 1% with application from 29 September 2022. Denmark has decided to increase the countercyclical buffer requirement from 0% to 1% with application from 30 September 2022. In addition, Bank of Norway decided in June, to raise the countercyclical capital buffer from 1% to 1.5%, effective from 30 June 2022.

## Capital adequacy

SEK million	SCBC		
	31 Dec 2021	30 Sep 2021	30 Jun 2021
<b>Available own funds (amounts)</b>			
Common Equity Tier 1 (CET1) capital	18,651	17,756	17,476
Tier 1 capital	18,651	17,756	17,476
Total capital	18,651	17,756	17,476
<b>Risk-weighted exposure amounts</b>			
Total risk exposure amount	114,600	112,345	110,676
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>			
Common Equity Tier 1 ratio (%)	16.3	15.8	15.8
Tier 1 ratio (%)	16.3	15.8	15.8
Total capital ratio (%)	16.3	15.8	15.8
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>			
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.5	2.5	1.1
of which: to be made up of CET1 capital (percentage points)	1.7	1.7	0.6
of which: to be made up of Tier 1 capital (percentage points)	1.9	1.9	0.8
Total SREP own funds requirements (%)	10.5	10.5	9.1
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>			
Capital conservation buffer (%)	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 (%)	0.0	0.0	0.0
Systemic risk buffer (%)	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-
Other Systemically Important Institution buffer (%)	-	-	-
Combined buffer requirement (%)	2.5	2.5	2.5
Overall capital requirements (%)	13.0	13.0	11.6
CET1 available after meeting the total SREP own funds requirements (%)	5.8	5.3	5.3

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

SEK million	SCBC		
	31 Dec 2021	30 Sep 2021	30 Jun 2021
<b>Leverage ratio</b>			
Total exposure measure	442,983	427,030	420,532
Leverage ratio (%)	4,2	4,2	4,2
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>			
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
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>			
Leverage ratio buffer requirement (%)	-	-	-
Overall leverage ratio requirement (%)	3.0	3.0	3.0
<b>Liquidity Coverage Ratio</b>			
Total high-quality liquid assets (HQLA) (Weighted value -average)	0	0	0
Cash outflows - Total weighted value	8,957	8,105	6,291
Cash inflows - Total weighted value	41,851	39,751	35,922
Total net cash outflows (adjusted value)	2,239	2,026	1,573
Liquidity coverage ratio (%)	-	-	-
<b>Net Stable Funding Ratio</b>			
Total available stable funding	400,724	390,519	383,249
Total required stable funding	349,948	342,904	334,136
NSFR ratio (%)	114.5	113.9	114.7

## 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	
	31 Dec 2021	31 Dec 2020
<b>Common Equity Tier 1 (CET1) capital : Instruments and reserves</b>		
Capital instruments and the related share premium accounts	9,600	9,600
Retained earnings	7,401	6,013
Accumulated other comprehensive income (and other reserves)	843	2,217
Independently reviewed year-end profits net of any foreseeable charge or dividend <sup>1)</sup>	1,683	1,413
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>19,527</b>	<b>19,243</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
Additional value adjustments (negative amount)	-9	-11
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	-843	-2,217
Negative amounts resulting from the calculation of expected loss amounts	-24	-12
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0
Other regulatory adjustments <sup>2)</sup>	-	-
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-876</b>	<b>-2,240</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>18,651</b>	<b>17,003</b>
<b>Additional Tier 1 (AT1) capital: Instruments</b>		
<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>		
<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 (AT1) capital</b>	<b>-</b>	<b>-</b>
<b>Tier 1 capital (T1 =CET1+A1)</b>	<b>18,651</b>	<b>17,003</b>
<b>Tier 2 (T2) capital: Instruments</b>		
Credit risk adjustments	-	5
<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>-</b>	<b>5</b>
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
<b>Total regulatory adjustments to Tier 2(T2) capital</b>	<b>-</b>	<b>-</b>
<b>Tier 2 (T2) capital</b>	<b>-</b>	<b>5</b>
<b>Total capital (TC=T1+T2)</b>	<b>18,651</b>	<b>17,008</b>
<b>Total risk-exposure amount</b>	<b>114,600</b>	<b>104,080</b>

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

SEK million	SCBC	
	31 Dec 2021	31 Dec 2020
<b>Capital ratio and requirements including buffers, %</b>		
Common Equity Tier 1 capital	16.3	16.3
Tier 1 capital	16.3	16.3
Total capital	16.3	16.3
Institution CET1 overall capital requirements	8.7 <sup>3)</sup>	7.0
– of which, capital conservation buffer requirement	2.5	2.5
– of which, countercyclical buffer requirement	0.0	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	1.7 <sup>3)</sup>	–
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum requirements	5.8 <sup>3)</sup>	8.3
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)</b>		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

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

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

3) Amended requirements by Regulation (EU) 2021/637 with application from Q2 2021.



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

SCBC has previously identified faults with the internal models used to cover capital requirements for credit risk and SCBC has therefore, voluntarily applied an Article 3 surcharge on capital adequacy and in its reports, and has also completed efforts to update the internal rating-based models. SBAB's assessment is that the implementation of the updated models, following approval

from the Swedish FSA, should rectify the identified faults and therefore lead to a decreased Pillar 2 requirement. In October 2021 the board of SBAB decided to remove the Article 3 surcharge, as a result of the Swedish FSA communicated Pillar 2 requirements.

### Risk exposure amounts and capital requirements

mnkr	SCBC			
	31 Dec 2021		31 Dec 2020	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>				
Exposures to corporates	11,965	957	8,838	707
Retail exposures	11,828	946	11,240	899
– of which, exposures to SMEs	988	79	856	68
– of which, retail exposures secured by immovable property	10,840	867	10,384	831
<b>Total exposures recognised with IRB approach</b>	<b>23,793</b>	<b>1,903</b>	<b>20,078</b>	<b>1,606</b>
<b>Credit risk recognised with the standardised approach</b>				
Exposure to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to institutions <sup>1)</sup>	475	38	123	10
– of which, derivatives according to CRR, Appendix 2	311	25	114	9
– of which, repos	164	13	9	1
– of which, other	0	0	–	–
Exposures to institutions and corporates with a short-term credit rating	0	0	0	0
Other items	25	2	169	14
<b>Total exposures recognised with standardised approach</b>	<b>500</b>	<b>40</b>	<b>292</b>	<b>24</b>
<b>Market risk</b>	<b>560</b>	<b>45</b>	<b>556</b>	<b>44</b>
– of which, position risk	–	–	–	–
– of which, currency risk	560	45	556	44
<b>Operational risk</b>	<b>4,619</b>	<b>369</b>	<b>4,441</b>	<b>355</b>
<b>Credit valuation adjustment risk</b>	<b>1,123</b>	<b>90</b>	<b>441</b>	<b>35</b>
<b>Additional requirements under Article 458 of the CRR</b>	<b>84,007</b>	<b>6,721</b>	<b>77,656</b>	<b>6,213</b>
<b>Additional requirements under Article 3 of the CRR</b>	<b>–</b>	<b>–</b>	<b>616</b>	<b>49</b>
<b>Total risk exposure amount and minimum capital requirement</b>	<b>114,600</b>	<b>9,168</b>	<b>104,080</b>	<b>8,326</b>
<b>Capital requirements for capital conservation buffer</b>		<b>2,865</b>		<b>2,602</b>
<b>Capital requirements for countercyclical buffer</b>		<b>0</b>		<b>0</b>
<b>Total capital requirement</b>		<b>12,033</b>		<b>10,928</b>

1) The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 475 million (123).

## 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 12,774 million (SEK 11,462 million on 31 December 2020). 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			
		31 Dec 2021		31 Dec 2020	
		Internally assessed capital requirement		Internally assessed capital requirement	
	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	
Pillar 1	Credit risk & CVA risk	2,033	1.8	1,665	1.6
	Market risk	45	0.0	44	0.0
	Operational risk	369	0.3	355	0.4
	Risk-weight floor <sup>1)</sup>	6,721	5.9	6,213	6.0
	Surcharge, corporate exposures <sup>2)</sup>	–	–	49	0.0
	<b>Total Pillar 1</b>	<b>9,168</b>	<b>8.0</b>	<b>8,326</b>	<b>8.0</b>
Pillar 2	Credit risk	517	0.5	520	0.5
	Market risk	223	0.2	14 <sup>3)</sup>	0.0 <sup>3)</sup>
	Operational risk	–	–	–	–
	Pension risk	–	–	–	–
	<b>Total Pillar 2</b>	<b>741</b>	<b>0.6</b>	<b>534<sup>3)</sup></b>	<b>0.5<sup>3)</sup></b>
Buffers	Capital conservation buffer	2,865	2.5	2,602	2.5
	Countercyclical buffer	0	0.0	0	0.0
	<b>Total Buffers</b>	<b>2,865</b>	<b>2.5</b>	<b>2,602</b>	<b>2.5</b>
<b>Total</b>	<b>12,774</b>	<b>11.1</b>	<b>11,462<sup>3)</sup></b>	<b>11.0<sup>3)</sup></b>	
<b>Total own funds</b>	<b>18,651</b>		<b>17,008</b>		

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

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

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

# 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 July – 31 December 2021. 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 February 9, 2022

Deloitte AB

*Signature on Swedish original*

Patrick Honeth  
Authorised Public Accountant

The CEO affirm that this year-end 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 February 9, 2022

*Signatures on the Swedish original*

Fredrik Jönsson  
CEO

## Financial calendar

Annual Report 2021	March 25, 2022
Interim Report Jan–Jun 2022	July 18, 2022
Year-end Report 2022	February 7, 2023

## 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 February 10, 2022 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.

