Capital adequacy and risk management 2022

Pillar 3 of the CRR regulations

SCBC!

Covered bonds of SBAB

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Not applicable disclosure requirements

Heading		Reason
EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	SCBC uses the standardised approach for calculating counterparty credit risk.
EU CCR6	Credit derivatives exposures	SCBC has no credit derivative exposures.
EU CCR7	RWEA flow statements of CCR exposures under the IMM	SCBC does not use the IMM for calculating RWEA's.
EU CR2-A	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	SCBC's NPL ratio is below 5%.
EU CQ2	Quality of forbearance	SCBC's NPL ratio is below 5%.
EU CQ6	Collateral valuation loans and advances	SCBC's NPL ratio is below 5%.
EU CQ7	Collateral obtained by taking possession and execution processes	SCBC does not have any collateral which has been obtained by taking posessions or through execution processes.
EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	SCBC does not have any collateral which has been obtained by taking posessions or through execution processes.
EU CR10	Specialised lending and equity exposures under the simple riskweighted approach	SCBC does not conduct any specialised lending nor are equity exposures calculated under the simple risk weighted approach.
EU CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	SCBC does not use credit derivatives for credit risk mitigation.
EU CR9.1	IRB approach – Back testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	SCBC not subject to Article
EU LIQB	Qualitative information on LCR, which complements template EU LIQ1	SCBC is treated as a single liquidity sub-group, together with SBAB Bank AB, according to Article 8 (CRR) and a decision by the Swedish FSA.
EU LIQ1	Quantitative information of LCR	SCBC is treated as a single liquidity sub-group, together with SBAB Bank AB, according to Article 8 (CRR) and a decision by the Swedish FSA.
EU LIQ2	Net Stable Funding Ratio	SCBC is treated as a single liquidity sub-group, together with SBAB Bank AB, according to Article 8 (CRR) and a decision by the Swedish FSA.
EU MR2-A	Market risk under the internal Model Approach (IMA)	SCBC does not use the internal model approach.
EU MR2-B	RWA flow statements of market risk exposures under the IMA	SCBC does not use the internal model approach.
EU MR3	IMA values for trading portfolios	SCBC does not use the internal model approach.
EU MR4	Comparison of VaR estimates with gains/losses	SCBC does not use the internal model approach.
EU MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	SCBC does not use the internal model approach.
EU SECA	Qualitative disclosure requirements related to securitisation exposures	SCBC has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU SEC1	Securitisation exposures in the non trading book	SCBC has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU SEC2	Securitisation exposures in the trading book	SCBC has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	SCBC has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	SCBC has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	SCBC has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU INS1	Insurance participations	SCBC does not hold any own fund instruments in insurance, re-insurance undertakings or insurance holding companies. SBAB does not offer any insurance services.
EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	SCBC is not a financial conglomerate.
ESG	Banking book - Climate change transition risk: Alignment metrics	Disclosure requirements have not entered into force as of 31 December 2022.
ESG	Summary of GAR KPIs	Disclosure requirements have not entered into force as of 31 December 2022.
ESG	Mitigating actions: Assets for the calculation of GAR	Disclosure requirements have not entered into force as of 31 December 2022.

ESG	GAR (%)	Disclosure requirements have not entered into force as of 31 December 2022.
ESG	Mitigating actions: BTAR	Disclosure requirements have not entered into force as of 31 December 2022.
EU REM3	Deferred remuneration	SCBC does not use a payment scheme with deferred remuneration.
EU REM4	Remuneration of 1 million EUR or more per year	SCBC does not pay to any single person equaling or over EUR 1 million per year.

Glossary

Additional Tier 1 capital
Additional Tier 1 capital generally comprises perpetual subordinated loans that meet the requirements in Article 52 of the CRR.

Asset and Liability Committee (ALCO)
The committee that handles matters relating to risk and capital planning, which are then addressed by Executive Management and the Board.

Capital requirements under Pillar 1
Refers to the minimum amount of capital required in accordance with the CRR and CRD IV, the Special Supervision of Credit Institutions -and Investment Firms Act (2014:968), the Capital Buffers Act (2014:966) and the Swedish FSA's regulations regarding prudential requirements and capital buffers (FFFS 2014:12).

Capital requirements under Pillar 2
The assessment is based on economic capital which, in combination with capital based on stress tests and capital for further risk, comprises the company's own assessment of the appropriate scope of risk capital. Under Pillar 2, the capital requirement may not be less than the capital metric under Pillar 1 for each risk type.

Common Equity Tier 1 (CET1) capital
Common Equity Tier 1 capital is one of the components of own funds and primarily consists of equity. Deductions are made for dividends generated, intangible assets as well as the difference between expected losses and provisions made for probable loan losses.

Credit conversion factor (CCF)
The percentage of an off-balance sheet item that is expected to be utilised before a possible future default.

Credit Support Annexe (CSA)
Supplement to the ISDA Master Agreement that regulates the provision of collateral in connection with a derivative transaction

Credit valuation adjustment risk (CVA risk)
CVA is defined as the risk of a downgrade in the credit quality of SBAB's OTC derivative counterparties, higher exposure and/or longer average duration of derivatives. Transactions with a central counterparty (CCP) should be excluded from the capital requirement for CVA risk.

Directive 2013/36/EU — CRD IV of the European Parliament and of the Council on authority to conduct operations in credit institutions and on the supervision of credit institutions and securities companies
Common European regulations on risk management and capital adequacy.

Economic capital
Economic capital is based on models in which SBAB assesses quantifiable risks. This constitutes an important component in, for example, pricing, financial control and in assessment of the requisite scope of risk capital.

ESG factors
Environmental , social or governance matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign or individual.

ESG risk
Environmental risk, social risk, governance risk. ESG risk are the risks of any negative financial impact on the institution stemming from the current or prospective impacts of ESG factors on its counterparties or invested assets.

Expected loss (EL)
The calculated EL must be covered by earnings from operating activities, while unexpected losses must be covered by the company's equity. EL is arrived at by calculating the risk associated with each individual loan using a statistical model based on a longer time horizon. EL is measured through the formula EL = PD*LGD*EAD.

Exposure at default (EAD)
Exposure at the time of default. Calculating the EAD for off-balance- sheet items entails multiplying the unutilised amount by a credit conversion factor (CCF).

Global Master Repurchase Agreement (GMRA)
International standardised agreement for repurchases.

Interest rate risk in the banking book(IRRBB)
Interest rate in the banking book (IRRBB) refers to the current or prospective risk to the bank´s capital and earnings arising from adverse movements in interest rates that affect the bank´s banking book position.

Internal capital adequacy assessment process (ICAAP)
Process according to Article 73 of CRD IV for continuously calculating and maintaining capital in an amount, type and distribution that is sufficient to cover the risks to which the bank is or will become exposed.

Internal ratings-based approach (IRB approach)
The IRB approach is used to calculate the regulatory capital requirements for credit risk. The foundation IRB (FIRB) approach entails that the institution is only to estimate the PD parameter. In the advanced IRB (AIRB) approach, the institution is to estimate, in addition to PD, one or several of the parameters CCF, LGD and M (maturity).

International Swap and Derivatives Association (ISDA) Master Agreement
Framework agreement that regulates the rights and obligations between the parties to a derivative transaction, primarily the netting of debt in the event of insolvency.

Liquidity coverage ratio (LCR)
The LCR is a liquidity risk metric that measures the relation between liquid assets and a 30-day net cash outflow in a stressed scenario.

Loan-to-value (LTV)
The loan-to-value ratio expresses the extent of a loan in relation to the value of pledged collateral.

Loss given default (LGD)
Loss amount in the event of default.

Minimum capital requirement
The lowest amount that the company is permitted to have as own funds.

Net stable funding ratio (NSFR)
NSFR is a metric that captures the structural liquidity risk and reflects the stability of the group's funding in relation to its assets.

Non-performing loans (NPL)/ Non-performing exposures (NPE)
Non-performing loans/exposures are defined as defaulted exposures plus forborne exposures. A default shall be considered to have occurred when the obligor is unlikely to pay its credit obligation to the institution or the obligor is past due more than 90 days on any material credit obligation.

NPL ratio
The computation of the NPL ratio is defined by the EBA and consists of gross carrying amount of non-performing loans and advances divided by the gross carrying amount of total loans and advances subject to the NPL/NPE definition.

Off-balance-sheet items
A commitment, pledged collateral or similar item that is not recognised in the balance sheet because it is unlikely that it will be necessary to realise or utilise it, or because, due to its nature, it cannot be calculated with sufficient reliability. Contingent liabilities may also comprise possible commitments, meaning it is uncertain whether or not the commitment exists.

Own funds
Own funds consist primarily of equity and subordinated loans and act as a buffer against unexpected losses.

Perpetual subordinated loans
Perpetual subordinated loans have a maturity that is essentially unlimited, but they can be repurchased with the permission of Finansinspektionen (the Swedish FSA).

Probability of default (PD)
Probability of default of a customer or counterparty within one year.

Risk and Capital Committeé
The Committee's principal task is to prepare issues within the risk and capital area and address them to the Board.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR)
Common European regulations on risk management and capital adequacy.

Repo transaction
A repo transaction comprises a reverse purchase agreement whereby one party undertakes to sell a security to a counterparty in exchange for cash. In parallel, a futures contract is entered into to repurchase the security at a specific price at a specified future date.

Risk weighted exposure amount (RWEA or REA) under CRR
The CRR regulations permit the use of the IRB approach, within the Pillar 1 framework, to establish RWEAs for balance-sheet and off-balance sheet exposures based on SBAB's own models for credit risk and operational risk. The risk weightings of other exposures are determined on a standardised basis, in appropriate cases based on the counterparty's rating.

Risk-weight floor, Residential mortgages, Pillar 1
The addition of a risk exposure amount (REA) calculated based on Swedish residential mortgage exposures, which entail a risk weight for these exposures of at least 25%. The supplement only applies for credit institutions that apply the IRB approach. The requirement of a risk-weight floor for Swedish residential mortgages has been moved from Pillar 2 to Pillar 1 and entered into force on 31 December 2018.

Survival horizon
Measurement of the number of days over which liquidity needs can be met in a stressed scenario without access to new liquidity.

Tier 1 capital
Tier 1 capital mainly comprises equity and additional Tier 1 capital.

Tier 2 instruments
Subordinated loans that meet the requirements in Article 63 of the CRR may be included in own funds.

Total capital ratio
Own funds divided by the risk exposure amount.

Value at Risk (VaR)
A statistical metric of the maximum expected loss at a given level of security and over a defined time period.

1 Introduction

In this report, AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) discloses information in compliance with Part Eight of Regulation (EU) No 575/2013 (CRR) and the Swedish Financial Supervisory Authority's (SFSA) regulations (FFFS 2014:12) regarding prudential requirements and capital buffers.

1.1 ABOUT SCBC

AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) is a wholly-owned subsidiary of SBAB Bank AB (publ) (SBAB). SBAB is the parent company of the SBAB Group and is owned by the Swedish state. 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 in both Swedish and international capital markets.

SCBC is well capitalised. The CET1 capital ratio as of December 31, 2022 was 15.9% (16.3%). Lending volumes as well as CET1 capital have increased. The credit loss ratio remains at low levels.

The continued strength of its capital position and good risk management means that SCBC meets the supervisory rules adopted by the EU. Total credit risk has increased over the year, mainly due to lending volumes and including the effect from the risk-weight floor.

1.2 REGULATORY FRAMEWORK FOR PILLAR 3 REPORT

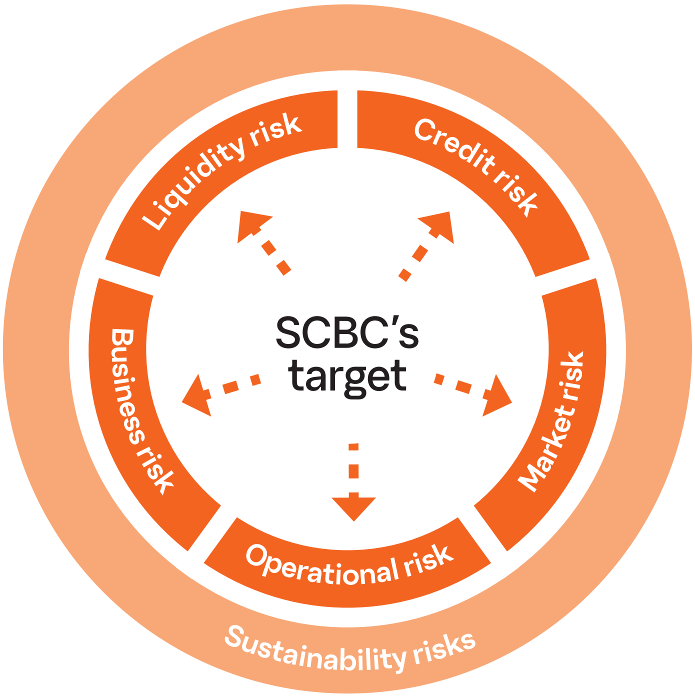
This report refers to the conditions prevailing on 31 December 2022. For periodic information, please refer to the quarterly reports "Disclosure of capital and leverage ratio" at www.sbab.se.

Pillar 3 entails extended disclosures by banks with regard to their capital position, risk exposures and risk management processes. Pillar 3 requires all material risks to be disclosed, for investors and other market participants to assess the risk profile of individual banks.

The Pillar 3 report is prepared in accordance with the requirements of EU and Swedish regulation, in particular the CRR, Part Eight. The CRR mandates the EBA, in Article 434a, to develop draft implementing technical standards (ITS) specifying uniform disclosure formats, and associated instructions in accordance with which the disclosures required under Titles II and III of Part Eight of the CRR shall be made. The EBA Final draft implementing technical standards (ITS) published in June 2020 has been adopted by EU Commission in implementing Regulation (EU) 2021/637) entered into force from 28 June 2021. The regulation which entails a consistent and complete Pillar 3 disclosure framework with uniform formats for both qualitative and quantitative information within a wider scope of risk information.

In addition, the SBAB Pillar 3 report is prepared according to the Swedish Financial Supervisory Authority's regulations on prudential requirements and capital buffers (FFFS 2014:12). Changes in the SFSA's regulation FFFS 2014:12 has been considered in this report. New environmental, social and governance (ESG) disclosure regulation under Pillar 3 is implemented in this year's report (ITS ESG 2022/01) in the new section "Sustainability risks"

This report shows the significant risks for SCBC broken down by risk type in the table Significant risks.



SCBC'S RISK APPETITE

Read more on page 14.

For information about Sustainability risks, refer to Chapter 9 in this Report and to SBAB's 2022 Annual Report.

2 The Board's statement on risk management and a brief risk declaration

The Board of Directors of the Swedish Covered Bond Corporation (SCBC) supports the risk management described in this document and considers that it meets the requirements in it in relation to SCBC's risk profile and the adopted short and long-term strategic, capital and financial plans.

RISK APPETITE AND RISK PROFILE

	RISK APPETITE		RISK PROFILE	
Risk type	**Classification**	**Level**	**Limit utilisation**	**Proportion of economic capital, %**
Credit risk in lending operations	Wanted risk	Medium	Medium	75
Credit risk in treasury operations	Necessary risk	Low	Low	–
Market risk	Necessary risk	Low	Low	20
Operational risk	Necessary risk	Low	Low	5
Business risk	Necessary risk	Low	Low	–
Liquidity risk	Necessary risk	Low	Low	–
Sustainability risk	Necessary risk	Low	Low	–

SBAB CLASSIFIES RISKS AS WANTED AND NECESSARY:

- Wanted risks comprise those directly related to the business concept.
- Necessary risks are those arising from activities that are regarded as a direct prerequisite for being able to implement the business concept efficiently and competitively, whereby a certain level of risk is accepted.

Credit risk is central to SCBC's business model and is considered to be the dominant risk in SCBC's operations. Credit risk directly related to SCBC's business operations qualifies as a wanted risk, while credit risk related to liquidity investments or in the form of counterparty credit risk is classified as necessary risk that is acceptable, but where the level of risk should be limited.

Market risk and its components are primarily considered a necessary risk. Market risk should be kept at a low level and not be a predominant risk.

Operational risk is defined as a necessary risk, which means that both expected and unexpected losses must be optimised based on the expected positive effects to be achieved in the form of anticipated revenues, cost savings or reductions in other risk.

Business risk is defined as a necessary risk. Changes in the form of new products or new markets may only constitute a small part of SCBC's activities and must be implemented at such a pace that SCBC does not substantially jeopardise its earnings level and with great probability avoids pressure on its own funds. The quantifiable portion of business risk is included in the evaluation of the capital situation in a normal economic downturn.

Liquidity risk is defined as a necessary risk and must be maintained at such a level that SCBC can manage a period of acute liquidity crisis without depending on the capital market. Liquidity risk is not managed by capital provisions but by maintaining a liquidity reserve. Liquidity risk management for SCBC is performed as an integral part of the Group's overarching management.

Sustainability risk is a general risk and there are elements of sustainability risks across SCBC's entire operations. Sustainability risk consists of three components; environmental, social and governance risk.

3 Risk management approach and governance

SCBC's operations are to be conducted so that risks are adapted to SCBC's risk-bearing capacity. Risk-bearing capacity primarily refers to the capacity to manage expected and unexpected losses by means of own funds or ongoing earnings capacity and, secondly, the capacity to minimize unwanted risks by means of appropriate functions, strategies, processes, procedures, internal rules, limits and controls. Certain risks cannot be quantified and compared with the risk-bearing capacity. In such cases, the cost of mitigating the risk should be weighed up against the desired level of risk and the change in the level of risk achieved through a particular measure. SCBC's risk strategy involves managing and evaluating risks that the operations are or may be exposed to, through:

- Clear and documented internal procedures and control systems.
- An appropriate and transparent organisational structure with clearly defined and documented roles and responsibilities.
- Current and documented decision-making procedures that clearly state the reporting structure.
- Risk evaluation methods and system support that are adapted to the operations' requirements, complexity and size.
- Sufficient resources and competence to achieve the desirable quality in both business and control activities.
- Regular incident reporting by the operations according to a documented process.
- Documented and communicated contingency and continuity plans.
- Clear instructions on internal capital adequacy assessments, credit risk, operational risk, liquidity risk and market risk, which are updated annually and adopted by the CEO or, if required, by the Board of Directors.
- All significant risks for SCBC are limited by the Board and are compatible with the pre-determined risk appetite.

3.1 RISK MANAGEMENT

INSTITUTION RISK MANAGEMENT APPROACH (EU OVA)

SCBC classifies risks as wanted and necessary. Wanted risks comprise those directly related to the business model. Necessary risks are those arising from activities that are regarded as a direct prerequisite for being able to implement the business model efficiently and competitively, whereby a certain level of risk is accepted.

SCBC should only deliberately expose itself to risks directly attributable or necessary to SCBC's business operations. Such risks primarily encompass credit risk, liquidity risk, market risk, business risk, operational risk and sustainability risk.

Declaration approved by the management body on the adequacy of the risk management arrangements *(Point (e) of Article 435(1) CRR)*

The Board of Directors of SCBC assures that the risk management arrangements and measurement systems described in this document are transparently and truthfully disclosed and that they meet the requirements in relation to SCBC's risk profile and adopted short and long-term strategic, capital and financial plans. *See Chapter 2 for the Board's statement on risk management and a brief risk declaration.*

Disclosure of concise risk statement approved by the management body *(Point (f) of Article 435(1) CRR)*

SCBC's Board has the ultimate responsibility for the company's total risk exposure and determines the risk policy, capital policy and risk appetite. The Board assures that all relevant risks have been holistically evaluated and that appropriate limits and escalation processes are in place to monitor and control the risks that SCBC is exposed to. Additionally, all exposures exceeding 2% of own funds are identified and analysed for the purpose of deciding whether they fall within the framework of large exposures in relation to a group of connected customers or clients. Furthermore, key ratios and figures that show how the risk profile of the institution interacts with the risk tolerance set by the management body are disclosed in the figure significant risks. *See Chapter 2 for the Board's statement on risk management and a brief risk declaration.*

Information on the risk governance structure for each type of risk *(Point (b) of Article 435(1) CRR)*

When the Board determines the business strategy, it takes into account the risks that SCBC is and may be exposed to as well as the capital required to cover SCBC's risks. The Board or its committees are to approve all significant methods, models and processes used in risk management. For more information regarding the Board's committees, see the Corporate Governance Report in SCBC's Annual Report.

Information on the overall internal control framework and how its control functions are organised (authority, resources, statute, independence), the major tasks they perform, and any actual and planned material changes to these functions;

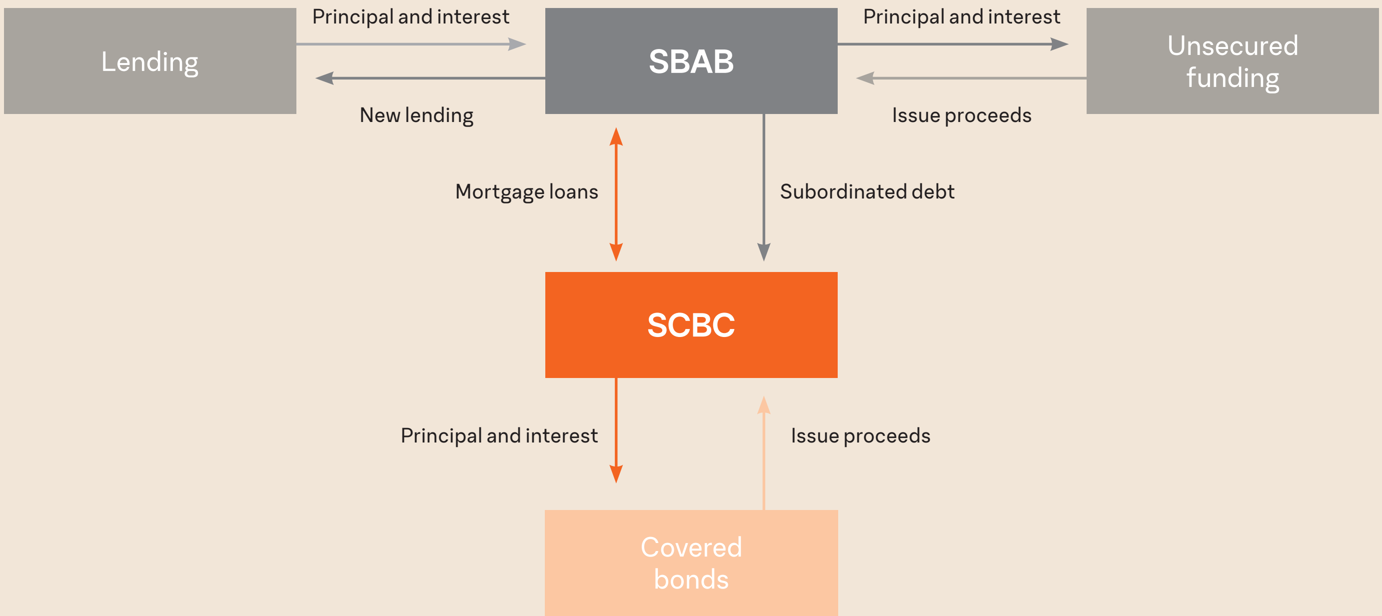
The Board and CEO have a sound overall comprehension of SCBC's risk profile and a detailed understanding of the content of the risk reports submitted to them. Some operations are outsourced to the parent company SBAB Bank AB (publ) and SBAB's CRO is also appointed CRO in SCBC. The CRO ensures that the Board and CEO receives ongoing training in risk-related issues and that new members are trained within two months of commencing their appointment. The CEO is responsible for ongoing administration in accordance with the strategies, guidelines and governance documents adopted by the Board. The CEO is to ensure that the methods, models and processes of the internal measurement and control systems of identified risks function as intended and are approved by the Board. In ALCO (Asset & Liability Committee), issues concerning capital management, liquidity preparedness, overall strategy regarding market risk and limit issues are discussed. In addition, issues related to finance strategy, balance sheet planning and internal pricing are discussed with the CEO. The CEO also ensures, on an ongoing basis, that reporting to the Board by each unit, including the Risk Control function, is conducted in accordance with the relevant instructions. The CRO is responsible for the independent Risk Control function, which comprises identification, quantification, analysis, follow-up and reporting of all risks. The CRO is directly subordinate to the CEO and reports to the CEO and Board of Directors of SCBC.

SCBC does not conduct any proprietary new lending operations. Instead, it acquires loans from the parent company on a regular basis. The parent company receives in turn cost efficient funding for its operations by transferring mortgages to SCBC's cover pool. The covered bonds are issued by SCBC on the Swedish and international capital markets, which enables diversified funding in terms of geographical location, different currencies, maturities and investor sentiment. SCBC's funding is managed by Treasury, within the Accounting & Treasury department of the parent company.

SCBC's principal activity is to provide mortgage loans for residential properties and tenant-owners' rights located in Sweden against collateral in the form of mortgage deeds and shares in tenant-owners' associations and, to a limited extent, to finance commercial properties and provide unsecured loans.

Information about the Board of Directors, the recruitment policy, the diversity policy and the risk committee are included in the Corporate Governance Report in SCBC's Annual Report. For information about related parties, please refer to Note G:2 of SCBC's Annual Report.

SCBC'S ROLE IN THE SBAB GROUP



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 in both 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.

SIGNIFICANT RISKS

The table significant risks disclose all the relevant risks for SCBC and the table Risk appetite and risk profile how they interact with the risk tolerance approved by the board of directors.

Risk type	Risk appetite		Risk profile	Risk management
	Classification	Level		
Credit risk in lending operations The risk that the counterparty does not fulfil its payment obligations towards SCBC. Credit risk arises in conjunction with loans and loan commitments, as well as in connection with value changes in pledged assets entailing that these no longer cover the Group's receivables. The credit risk also includes concentration risk, which refers to the increase in credit risk that arises in large exposures to individual counterparties, or in the case of concentrations toward specific regions or industries. *Read more in chapter* 5	Wanted risk	Medium	SCBC primarily offers housing mortgages to consumers, tenant-owners' associations and property companies where collateral comprises mortgage deeds in immovable property or rights-of-use. The majority of SCBC's customer base is concentrated to major metropolitan areas.	Credit risk is central to SCBC's business model and it is considered to be the dominant risk in operations. Credit granting in SCBC is characterised by responsible credit granting taking into account the customer's long-term repayment capacity and resilience as well as the value of posted collateral. Credit rules and credit management are continuously analysed, processed and improved. Corporate clients are processed individually while retail customers are analysed using a structured process in conjunction with the credit approval process. Concentration risk and major exposures are carefully monitored and followed up.
Credit risk in treasury operations Defined as the total of counterparty risk and investment risk. Counterparty risk is defined as credit risk in derivatives that arises when the value of the instrument is affected by, for example, changes in interest rates and/or currency exchange rates, which means SCBC receives a claim against the counterparty. In addition, counterparty risk entails that SCBC's financial counterparties cannot meet their commitments under repo contracts. Investment risk is defined as credit risk in financial investments and entails the risk that a debtor does not fulfil its payment obligations. Financial investments are incorporated in liquidity management, which aims to reduce liquidity risk and utilise surplus capital to contribute to increased profitability. *Read more in chapter* 5	Necessary risk	Low	SCBC's counterparty risks and investment risks are low and are not considered dominant risks.	Counterparty-risk exposure is primarily covered through collateral agreements in which the counterparty provides collateral in an effort to reduce exposure. Investment risk is mitigated as SCBC only invests in interest-bearing bonds with high credit ratings.
Market risk In SCBC's operations, the risk of loss or reduced future income due to market fluctuations comprises interest-rate, currency, credit spread, basis and pension risk. Interest-rate risk pertains to interest rate variations that lead to losses or lower future income as assets and liabilities have different fixed-interest periods and/or interest terms. Currency risk refers to the risk of changes in SEK exchange rates leading to losses or lower future income. Credit spread risk pertains to an exposure to changing conditions between an issuer's interest expense in comparison with a reference rate. Basis risk refers to the risk associated with deposits and lending that are fixed to different interest bases. Pension risk pertains to the risk arising from value changes in the portfolio intended to cover the bank's pension commitments. *Read more in chapter* 7	Necessary risk	Low	SCBC's market risk is low and is not considered a dominant risk.	Interest-rate risk is to be mitigated through direct funding in matched currencies and tenors or the use of derivatives. Currency risks are mitigated as funding in international currency is hedged through currency swaps or matched against assets in the liquidity portfolio in the same currency.
Operational risk The risk of losses due to inadequate or failed internal processes, human error, faulty systems or from external events, including legal risks. Legal risk pertains to the risk of legal sanctions or failure to discharge legal undertakings. The category also includes compliance risks. Regulatory compliance is essential in maintaining confidence in SCBC's operations, but market practice and ethical guidelines also impact SCBC's approach to employees and customers. *Read more in chapter* 8	Necessary risk	Low	Operational risk is a natural part of all business. SCBC aims to optimise the relationship between costs for reducing risk and any of its potential outcomes. Operational risk is a prerequisite for implementing the business concept efficiently and competitively, taking into account operations, strategy, risk appetite and the macro environment.	SCBC manages operational risk in a consistent manner and the analysis of risk level is conducted on a regular basis and reported to the Board, the CEO and the Executive Management. Self-evaluation of material processes is performed annually. Changes with potential to affect the bank's risk level together with related risks are identified at an early stage and, prior to decision on implementation, the second line of defence submits a report. Unexpected events that can negatively affect the bank are to be reported as incidents and managed according to pre-determined instructions.
Business risk The risk of declining earnings due to harsher competition, inappropriate strategies or erroneous decisions. SCBC differentiates business risk between strategic risk, the risk of weaker earnings and reputational risk. Strategic risk pertains to the risk of a loss arising, for example, due to unfavourable business decisions, erroneous implementation of strategic decisions or changes in the political environment. The risk of weaker earnings encompasses the risk arising from, for example, more expensive financing or more intense competition. Reputational risk pertains to the risk of loss of reputation as a result of the failure to manage the above risks as well as other events. *Read more in chapter* 2	Necessary risk	Low	SCBC's business risk is low and is not considered a dominant risk.	Risks related to strategy and earnings are evaluated on an ongoing basis over the year within the first line's strategy work. Strategically important decisions are managed within the framework for material changes. The Board receives an annual evaluation of the material risks that addresses strategic business risk and the bank's overall earnings. Moreover, business risk is evaluated in SCBC's stress tests.
Liquidity risk The risk of being unable to meet its payment obligations without the cost of obtaining funds increasing significantly. Short-term liquidity risk pertains to the risk of being impacted in the short term by a lack of liquidity, while structural liquidity risk arises from differences between assets and liabilities in terms of maturities, which risks leading to a lack of liquidity in the longer term. *Read more in chapter* 6	Necessary risk	Low	SCBC has a low liquidity risk and diversified funding. Securities that are part of the liquidity reserve have high credit ratings and are eligible as collateral with either the Riksbank or the European Central Bank, to guarantee liquidity.	SCBC's liquidity strategy includes proactive and continuous liquidity planning, active debt management and an adequate liquidity reserve. The funding strategy takes into consideration the expected maturity on the asset side. On this basis, SCBC limits its structural liquidity risk by maintaining diversified funding with sufficiently long maturities. SCBC has several liquidity metrics, for which limits apply, most of which are monitored and reported on a daily basis.
Sustainability risks Sustainability risks pertain to the risk of loss or reduced future income due to sustainability-related events. These include events in three categories: i) climate; ii) personnel, societal conditions and human rights; and iii) financial crime and corruption. *Read more in chapter* 9	Necessary risk	Low	SCBC defines sustainability risk as a necessary risk that should be held at a level that does not materially jeopardise SCBC's assets, resources and reputation.	The assessment of whether the Group's level of sustainability risk is within the defined risk appetite is primarily performed through the monitoring and analysis of key risk indicators, scenario analyses outcomes, monitoring of the bank's strategic work with sustainability and disclosures in SCBC's reporting pursuant to the TCFD standard.

The approved limits of risks to which the institution is exposed;
See Chapter 2 for the Board's statement on risk management and a brief risk declaration.

Changes of the heads of internal control, risk management, compliance and internal audit.
No changes took place during the last financial year.

Channels to communicate, decline and enforce the risk culture within the institution;
To define the division of responsibilities between the business operations, risk control and compliance, as well as internal audit, SCBC applies the division of roles and responsibilities resulting from the three lines of defence principle:

- The first line of defence refers to the day-to-day management of risks performed by the business operations that incur and own the risks.
- The second line of defence refers to the risk control (comprising the units for market and liquidity risk, credit risk modelling, credit risk validation, credit risk framework, capital and operational risk) and compliance functions. The risk control units are to ensure that risk awareness and acceptance are sufficient to be able to manage risks on a daily basis. They also have a supportive role in ensuring that the business operations have the procedures, systems and tools required to maintain the daily management of risks. Compliance is responsible to verify that the business operations adhere to laws and regulations and support the business operations within its area of responsibility.
- The third line of defence refers to the internal audit, which reviews and regularly assesses whether the company's organisation, governance processes, IT systems, models and procedures are appropriate and effective, and whether the company's internal controls are appropriate and effective. The internal audit is also tasked with reviewing and regularly assessing the company's risk management based on its adopted risk strategy and risk appetite.

THE THREE LINES OF DEFENCE

Disclosure on the scope and nature of risk disclosure and/or measurement systems *(Point (c) of Article 435(1) CRR)*
SCBC uses both qualitative and quantitative risk measurement systems. For the estimation of credit risk sophisticated statistical models are used to determine the risk weighted exposure amounts complemented with qualitative analysis. For market risk different risk quantification and measurement systems are in use. Interest rate risk in the banking book is measured by fulfilling the requirements laid down by the EBA and the SFSA. A value at risk approach is used, both to estimate the total market risk and separately for the different sub-categories within market risk. The measurement of liquidity risk is strictly regulated and SCBC complies with the regulation for short-term liquidity risk, LCR and structural liquidity risk, NSFR. Operational risk is primarily measured as the cost of incidents during a rolling 12-month time horizon. In addition, incidents are recorded and processed according to pre-defined routines, which gives a solid understanding of the number of incidents and a structured approach for analysis and mitigation techniques. Sustainability risks are considered from a holistic perspective and continuous development is undergoing to design realistic quantification approaches.

Disclose information on the main features of risk disclosure and measurement systems *(Point (c) of Article 435(1) CRR)*
The parent company's Risk and Capital Committee regularly evaluates the effectiveness and suitability of the established risk measurement and reporting processes and takes mitigating actions in case deficiencies are found. This includes issues which can also encompass or be relevant for SCBC. The Board evaluates recurrently the suitability of established risk management policies. The risk reporting structure is presented in the figure Risk reporting in SBAB Pillar 3 report, see chapter 3.1, since SCBC operations is outsourced to the parent company.

Strategies and processes to manage risks for each separate category of risk *(Point (a) of Article 435(1) CRR)*
Capital planning is founded on a base scenario that reflects the most probable operational development based on internal forecasts. Complementing this, stress tests and scenario analyses are performed, whereby the development of the loan portfolio and capital requirements during severe but not implausible financial stress is evaluated. When performing the tests, events and economic conditions that could give rise to an unfavorable impact on the institution's loan portfolio exposures and that

are not reflected in the anticipated scenario are also considered.

SCBC uses a number of statistical models to forecast credit risk. The common factor for the models is that they are built around one or more explanatory variables that are specifically adapted to the kind of exposure and risk dimension (PD or LGD) for which the model is intended to be used. A change in one or more of these explanatory variables results in a change in the forecasted credit risk. This in turn affects the risk class to which an exposure is allocated. In the stress tests, this relationship is utilized by simulating changes in the underlying model variables. The starting point for this simulation is an assumed macroeconomic scenario.

In the stress test, a scenario that expresses an unfavorable economic trend will result in a migration towards inferior risk classes, which in turn entails higher economic capital, higher risk exposure amounts and larger anticipated losses. The stress test is conducted for the portfolio at one particular date. This portfolio is then subjected to stress over a three-year time horizon, taking the planned volume development within different portfolio segments into account.

The stress tests can be used in a number of conceivable approaches and methods. In general, these involve an assumption regarding a future scenario, either hypothetical or based on a historical outcome. The stress tests presented in SCBC's current ICAAP are based on a hypothetical scenario whereby the development of the parameters is based on a subjective interpretation of economic theory and empirical analysis. The scenario describes a sharp economic decline.

For a number of variables in the models, there is a natural connection between the value the variable is expected to take on and the development of one or more of the macroeconomic parameters. In these cases, the variable value could consequently be recalculated directly based on the change in the underlying macro parameters. In general, all model variables are expected to be affected to some extent, except the variables that are not deemed to be correlated to economic conditions.

Since a macroeconomic scenario cannot be directly translated to the effect that it has on certain PD variables, historical correlations are used instead. Examples of such model variables are the number of reminders and claims. For these variables, the effect has instead been estimated based on the historical correlation to the residential mortgage rate. Since SCBC's LGD models are built around the loan to value ratio, changes in the market values of properties have a direct impact on LGD.

Scenario

In this scenario, a set of external shocks, in combination with internal vulnerabilities, lead to a rapid recession and problems in the Swedish banking system. Historically, this kind of scenario has occurred approximately every twenty-five years.

- High inflation increases cost of production and erodes household real consumption. The global aggregate demand falls rapidly because of contractionary monetary policy.
- Rapidly rising and historically high electricity prices lead to turbulence in the Swedish electricity market. GDP falls also because of households increase their precautionary savings. Financial turbulence and credit tightening contributes to rising unemployment.
- The Swedish krona depreciates, which contributes to a higher inflation during 2023.
- Foreign confidence in the banks´ financial strength is eroding because of imbalances in the housing and mortgage markets. Central government's finances deteriorate because of stabilisation measures and confidence in economic policy is eroded, leading to rising risk premiums and interest rates. The banking system is coming under pressure. The Riksbank tries but fails in stimulating the economy because of the initial relatively low interest rate level and the rising risk premiums.
- The fall in housing prices cannot be fully explained by the development of the household income and mortgage rates but is also pushed down by difficulties in taking out mortgages and gloomy future expectations of the housing market. In total, housing prices will fall by 30 percent before stabilising in 2025.

PARAMETERS SUBJECTED TO STRESS IN THE CURRENT AND NEXT THREE YEARS

Demand	Prices	Interest rates
GDP growth (real)	House prices	Residential mortgages, 3 month
Disposable household income (nominal)	Prices of tenant-owners' rights	STIBOR, 3 month
Employment	Residential property prices	Government bond rate, 10-year
Unemployment		STIBOR Treasury bills
		Housing bonds – Government bonds, 5-year
		Government bonds Sweden – Germany, 10-year

The components included in SCBC's model for stress tests comprise:

- Determination of a macroeconomic scenario for the stress test
- Translation of the macroeconomic scenario to model variables
- Assumptions regarding new sales and loan redemption
- Calculation of expected losses and capital requirements
- Calculation of profit and own funds

In addition to credit losses and capital requirements related to credit risk, the stress tests also simulate the effect of a deterioration in SCBC's credit rating and the effect of a decline in property prices on SCBC's scope for funding by means of covered bonds. These are expected to lead to increased funding costs, resulting in weaker net interest income and lower earnings, and consequently also to reduced own funds. Finally, realised losses related to operational risks are also brought out by applying an operational scenario independent of the macro scenarios, thus leading to further deterioration in earnings and decreased own funds.

Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants. (*Points (a) and (d) of Article 435(1) CRR)*

SCBC assesses the prevailing risk spectrum constantly and if significant changes occur or are likely to occur in the future, the banks risk management governance, measurement, hedging, controlling and reporting mechanisms are updated to match the requirements of the new risk spectrum. The second line of defense monitors daily the banks risk profile to make sure that the risk appetite is not exceeded.

Credit risk is a wanted risk and is primarily mitigated by high quality collateral. Credit derivatives are not used for hedging. Credit risk is mainly monitored by conducting continuous assessments on the credit quality in the lending portfolios.

Market risk is actively mitigated by asset & liability management and by using derivatives to hedge both currency and interest rate risk. The monitoring of market risk is done mainly by utilizing the value at risk approach and dynamic balance sheet management tools.

Operational risk is mitigated by educating the staff on relevant subjects and by continuously improving internal processes. The monitoring is conducted by measuring the number of incidents over a chosen measurement period. Operational risk is not hedged by using derivatives.

Business risk is mitigated by analyzing the market environment, global trends and regulatory development in order to form sound strategies for the bank. The monitoring is primarily done by forecasting future earnings and by following the current development of the cost-to-income ratio. The earnings volatility is partly hedged by controlling the exposure to market risks.

Liquidity risk is mitigated by proactive forecasting methods and asset & liability management. The effectiveness is measured by comparing forecasted values against realized values – if the deviation increases, the forecasting methods are improved. Additionally, thoroughly assessed limits on the liquidity portfolio are in place to mitigate the risk of quality issues in case of market turbulence.

Sustainability is the foundation of SCBC's business activities. The three governing sustainability target areas are: responsibility and transparency, being an attractive workplace and to have sound finances. Additionally, SCBC has prioritized 17 of the UN's sustainable development goals, which are considered particularly important and relevant for the business operations. Sustainability risks are mitigated by conducting extensive analysis on the subject to identify current and future risks. No derivative instruments are used to hedge sustainability risks.

DISCLOSURE ON GOVERNANCE ARRANGEMENTS (EU OVB)

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

The number of directorships held by members of the management body. (*Point (a) of Article 435(2) CRR)*

Significant directorships

Board of Directors

Name	Title	Significant directorships
Jan Sinclair	Chairman of the Board	SBAB Bank AB (publ) (Board Member, Chairman of the Board), Fastighets Aktiebolaget Victorhuset (Board Member, Chairman of the Board), Nilsson Energy AB (Board Member, Chairman of the Board), REH2 AB (Board Member, Chairman of the Board), STS Alpresor AB (Board Member), Almi AB (Board Member), Bipon AB (Board Member), and Jan M.L. Sinclair AB (Board Member). German honorary consul, Industrial advisor (own business).
Jane Lundgren Ericsson	Board Member	SBAB Bank AB (publ) (Board Member), Inyett AB (Board Member), Copperstone Resources AB (publ) (Board Member), Miskatonic Ventures AB (Deputy Board Member). Visma Finance AB (CEO), Bagarmossen Kärrtorp Bollklubb (Chairman of the Board).
Mikael Inglander	Board Member	SBAB Bank AB (publ) (CEO), Booli Search Technologies AB (Board Member)
Synnöve Trygg	Board Member	SBAB Bank AB (publ) (Board Member), Volvofinans Bank AB (Board Member, vice chairman), Precise Biometrics AB (Board Member).

Executive management

Name	Significant directorships
Fredrik Jönsson	–
Sara Davidgård	-
Nils Rydberg	–
Marko Ivanic	-
Annika Fridh	–
Ellinore Pujol	–
Johan Prom	Board member in Watersprint AB, NoseOption AB, Publit Sweden AB, Johan Prom AB and Johan Prom Konsult- och Investeringsaktiebolag.
Kristian André	–
Sofia Blomgren	–
Stefan Andersson	–

Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise(*Point (b) of Article 435(2) CRR)*

At SCBC's Annual General Meeting (AGM), four members were elected to SCBC's Board. At the end of the year, SCBC's Board comprises of these four members elected by the AGM. The CEO is not a member of the Board. None of the Board members or the CEO hold shares or financial instruments issued by SCBC, since SCBC is wholly owned by the parent company.

In state-owned companies, uniform and shared principles are applied to achieve a structured nomination process for the appointment of Board members. The objective is to ensure an adequate supply of competence for the Boards of directors of these companies. The Board nomination process at the Government Offices of Sweden is coordinated by the Swedish Ministry of FInance. For each company, competence needs are analysed on the basis of the company's business, circumstances and future challenges, as well as the composition of the Board of Directors and the Board assessments that have been conducted. Recruitment requirements are then established and work commences. Members are selected from a broad recruitment base in order to draw on the expertise of both women and men, as well as individuals with different backgrounds and experience.

Information on the diversity policy with regard of the members of the management body (*Point (c) of Article 435(2) CRR)*

Equality and diversity are two of the most important issues of our time. We also know that demographically diverse organisations perform better. SCBC has set a target that at least 45% of management positions should be held by the underrepresented gender. SCBC met the target during the last financial year by a good margin.

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

Information whether or not the institution has set up a separate risk committee and the frequency of the meetings. *(Point (d) of Article 435(2) CRR)*
SCBC has not established any Credit committee, Risk and Capital Committee or any Remuneration Committee. The parent company's committees deals with questions about SCBC that are relevant at group level and integrated into its work.
The Board of the parent company has established four committees to prepare matters ahead of the Board's decisions. The parent company's Risk and Capital Committee prepares matters which can also encompass or be relevant for SCBC. The Risk and Capital Committee prepares matters concerning the group's treasury operations, matters related to risk and capital and the use of new financial instruments. The Committee also prepares issues for resolution by the Board of Directors concerning objectives, strategies and control documents within the areas of risk and capital. The Committee approves changes in the forward-looking assumptions in the financial reporting used to estimate credit losses. The Committee consists of at least three members (currently four) appointed by the Board. The Risk and Capital Committee is the statutory Risk Committee of the SBAB Group. The Risk and Capital Committee held twelve meetings during the year.

Description on the information flow on risk to the management body.(*Point (e) Article 435(2) CRR)*
A quarterly report on the overall risk situation and capital adequacy ratios is presented by risk control to the Board, the CEO and Executive Management. In addition, a daily report on current risk levels in relation to granted limits is presented to the CEO, CFO and CRO. SCBC's Board and Executive Management are thereby provided with a relevant overview of the Group's risk exposure on a continuous basis. The risk owners, i.e. the business operations, must, without delay, inform risk control of occurrences of significant events that could entail an increased risk. Clear ownership of risk and compliance applies in the first line of defense at SCBC. This is secured through an organization comprised of risk and compliance coordinators in the first line of defense, who support the respective business managers with a focus on risk management, process mapping, internal controls, incident management and regulatory compliance.

3.2 REMUNERATION

REMUNERATION POLICY (EU REMA)

Information relating to the bodies that oversee remuneration *(Point a of Article 450(1) CRR)*

Name, composition and mandate of the main body (management body and remuneration committee where established) overseeing the remuneration policy and the number of meetings held by that main body during the financial year;
The General Meeting of SCBC's parent company SBAB decides on the overall guidelines for remuneration and other employment terms for senior executives (members of SBAB's and SCBC's Executive Management). SCBC has not established an own Remuneration Committee. The parent company's Remuneration Committee also address issues concerning SCBC that are relevant at Group level as part of their work. The Remuneration Committee is tasked with preparing remuneration issues for decision by the Board and for conducting an independent assessment of policy documents pertaining to remuneration issues and remuneration systems.
The Board is to ensure that the appropriate control functions participate in the independent assessments. The Board of Directors decides on:

- Remuneration policy, risk analysis regarding remuneration systems and other policy documents for remuneration issues
- Remuneration and other employment benefits for Executive Management and the heads of the control functions (the CRO and the heads of Internal Audit and Compliance)
- Follow-up on the application of SCBC's control documents regarding remuneration issues
- The Remuneration committee held 7 meetings during 2022.

External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework;
No external consultants have been hired for re-designing the remuneration framework during the financial year. However, external advice is sought from time to time for specific tasks i.e., for taxation, recruitment channels and legal advice.

A description of the scope of the institution's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries;
The overarching steering policy for remuneration is the State Ownership Policy and principles for state-owned enterprises 2020. No significant differences exist between the parent company and the subsidiary remuneration policies. Furthermore, SCBC does not have foreign branches. Employees working with matters related to SCBC are remunerated by SBAB and the employment contract is between the employee and SBAB. Hence, SCBC is not considered an employer.

A description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile; (identified staff).
SCBC has a CEO and 39 employees who handle the ongoing administration in consultation with the management of the parent company. No salary or other remuneration is paid by the company to the CEO or the employees, since the parent company is responsible for the ongoing administrative services in accordance with the outsourcing agreement signed between SBAB and SCBC. Since there are no employees with remuneration in SCBC, there is no staff whose professional activities have a material impact on the institutions' risk profile.

Information relating to the design and structure of the remuneration system for identified staff. *(Point b of Article 450(1) CRR)* **Disclosures shall include:**

An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders (e.g. the shareholders' meeting);
According to the Remuneration Policy there is no staff employed in SCBC. Therefore, SCBC only accounts for fees and

remuneration to the Board Members. For the design and structure, see table REMA in Section 3.2 in SBAB 's Pillar 3 report.

Information on the criteria used for performance measurement and ex ante and ex post risk adjustment;
For information, see table REMA in SBAB 's Pillar 3 report.

Whether the management body and the remuneration committee, where established, reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration;
For information, see table REMA in SBAB 's Pillar 3 report.

Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee;
For information, see table REMA in SBAB 's Pillar 3 report.

Policies and criteria applied for the award of guaranteed variable remuneration and severance payments;
For information, see table REMA in SBAB 's Pillar 3 report.

Description of the ways in which current and future risks are taken into account in the remuneration processes. *(Point c of Article 450(1) CRR)* **Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.**
For information, see table REMA in SBAB 's Pillar 3 report.

The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive 2013/36/EU. *(Point d of Article 450(1) CRR)*
Not applicable.

Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. *(Point e of Article 450(1) CRR)* **Disclosures shall include:**

An overview of main performance criteria and metrics for institution, business lines and individuals.
Not applicable.

An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.
Not applicable.

Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments
Not applicable.

Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining performance metrics when the performance metrics are considered 'weak'. In accordance with point (n) of Article 94(1) CRD, to be paid or vested the variable remuneration has to be justified on the basis of the performance of the institution, the business unit and the individual concerned. Institutions shall explain the criteria/thresholds for determining that the performance is weak and that does not justify that the variable remuneration can be paid or vested.
Not applicable.

Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance. (*Point f of Article 450(1) CRR)* **Disclosures shall include:**
An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff.
Not applicable.

Information of the institution' criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).
Not applicable.

Where applicable, shareholding requirements that may be imposed on identified staff.
Not applicable.

The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit, as referred to in point (f) of Article 450(1) CRR.
(Point (f) of Article 450(1) CRR)
For information, see table REMA in SBAB 's Pillar 3 report.

Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management, as referred to in point (j) of Article 450(1) CRR *(Point (j) of Article 450(1) CRR)*
For information, see table REMA in SBAB 's Pillar 3 report.

Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD, as referred to in point (k) of Article 450(1) CRR. *(Point k of Article 450(1))*
Not applicable as SCBC does not have any elements of variable remuneration.

Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members, as referred to in Article 450(2) *(CRR. Article 450(2)*
Not applicable since there is no staff employed in SCBC according to the Remuneration Policy.

REMUNERATION AWARDED FOR THE FINANCIAL YEAR (EU REM1)

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	–	–	–	–
	Total fixed remuneration	–	–	–	–
	Of which: cash-based	–	–	–	–
	(Not applicable in the EU)				
	Of which: shares or equivalent ownership interests	–	–	–	–
	Of which: share-linked instruments or equivalent non-cash instruments	–	–	–	–
	Of which: other instruments	–	–	–	–
	(Not applicable in the EU)				
	Of which: other forms	–	–	–	–
	(Not applicable in the EU)				
Variable remuneration	Number of identified staff	–	–	–	–
	Total variable remuneration	–	–	–	–
	Of which: cash-based	–	–	–	–
	Of which: deferred	–	–	–	–
	Of which: shares or equivalent ownership interests	–	–	–	–
	Of which: deferred	–	–	–	–
	Of which: share-linked instruments or equivalent non-cash instruments	–	–	–	–
	Of which: deferred	–	–	–	–
	Of which: other instruments	–	–	–	–
	Of which: deferred	–	–	–	–
	Of which: other forms	–	–	–	–
	Of which: deferred	–	–	–	–
Total remuneration (2 + 10)		–	–	–	–

SPECIAL PAYMENTS TO STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF) (EU REM2)

	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	–	–	–	–
Guaranteed variable remuneration awards -Total amount	–	–	–	–
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	–	–	–	–
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	–	–	–	–
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	–	–	–	–
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff	–	–	–	–
Severance payments awarded during the financial year - Total amount	–	–	–	–
Of which paid during the financial year	–	–	–	–
Of which deferred	–	–	–	–
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	–	–	–	–
Of which highest payment that has been awarded to a single person	–	–	–	–

INFORMATION ON REMUNERATION OF STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF) (EU REM5)

	Management body remuneration			Business areas						
Category level AVA	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										–
Of which: members of the MB	–	–	–							
Of which: other senior management				–	–	–	–	–	–	
Of which: other identified staff				–	–	–	–	–	–	
Total remuneration of identified staff	–	–	–	–	–	–	–	–	–	
Of which: variable remuneration	–	–	–	–	–	–	–	–	–	
Of which: fixed remuneration	–	–	–	–	–	–	–	–	–	

4 Capital adequacy

The size of SCBC's capital requirements depends on laws and regulations, the company's internal assessment based on approved strategies, the assessments of investors and rating agencies, and the evaluations made by the owner, the Board and Executive Management. SCBC continuously evaluates and adjust its capital targets when necessary.

Capital in accordance with Pillar 1, refers to the minimum amount of capital that the company is required to have in accordance with the CRR and CRD, the EU's technical standards and delegated acts, the Special Supervision of Credit Institutions and Investment Firms Act (2014:968), the Capital Buffers Act (2014:966), EU Regulation (2019/2033) on the prudential requirements of investment firms and the Swedish FSA's regulations regarding prudential requirements and capital buffers (FFFS 2014:12).

4.1. CAPITAL REQUIREMENTS AND BUFFERS

The rules in the CRR and CRD IV entail, among other things, requirements in the Pillar 1 for a minimum level of own funds and regulations regarding capital requirements. According to the requirements, the bank must have a CET1 capital ratio of at least 4.5%, a Tier 1 capital ratio of at least 6.0% and a total capital ratio at least equal to 8.0% of the total risk exposure amount for credit risk, market risk and operational risk.

In addition to a total capital ratio of 8.0%, the bank must maintain CET1 capital to meet the combined buffer requirements, which in Sweden is the sum of a capital conservation buffer of 2.5% of the risk exposure amount, a countercyclical buffer of up to 2.5% and buffers for systemic risk of up to 4.0%. The SFSA has decided that, in addition to a capital conservation buffer of 2.5%, a countercyclical buffer will also apply for Swedish exposures. The countercyclical buffer for Swedish exposures has increased from 0.0% to 1.0% effective from 29 September, 2022. The SFSA has informed that the countercyclical buffer value will increase to 2.0% with application from 22 June 2023. The SFSA has also decided to recognise countercyclical buffer values of up to 2.5% set by a competent authority in another EEA country. Furthermore, banks considered systemically important are subject to an additional capital requirement of 4.0% to be covered by CET1 capital, which is not applicable for SCBC.

The buffer values are presented in table Amount of institution-specific countercyclical capital buffer (EU CCyB2), with risk exposure amounts and capital requirements. More detailed information of the countercyclical buffer rates is disclosed in the table the geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (EU CCyB1).

When calculating capital requirements, each exposure is allocated to an exposure class, either using the standardised or the IRB approach. Table Overview of risk exposure amount (EU OV1) shows the individual risk exposure amounts distributed by exposure class compared to previous quarter. The increase in total REA during the fourth quarter refer to credit risk IRB and was primarily driven by an increase in mortgage and corporate lending.

Risk-weight floor for Swedish mortgages

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.

KEY METRICS (EU KM1)

SEK million	SCBC 31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	20,166	19,358	19,112	18,873	18,651
Tier 1 capital	20,166	19,358	19,112	18,873	18,651
Total capital	20,166	19,358	19,112	18,873	18,651
Risk-weighted exposure amounts					
Total risk-weighted exposure amount	126,730	122,130	120,143	117,150	114,600
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	15.9	15.9	15.9	16.1	16.3
Tier 1 ratio (%)	15.9	15.9	15.9	16.1	16.3
Total capital ratio (%)	15.9	15.9	15.9	16.1	16.3
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 (%)	2.5	2.5	2.5	2.5	2.5
of which: to be made up of CET1 capital (percentage points)	1.7	1.7	1.7	1.7	1.7
of which: to be made up of Tier 1 capital (percentage points)	1.9	1.9	1.9	1.9	1.9
Total SREP own funds requirements (%)	10.5	10.5	10.5	10.5	10.5
Combined buffer 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 (%)	1.0	1.0	–	–	–
Systemic risk buffer (%)	–	–	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–	–	–
Other Systemically Important Institution buffer	–	–	–	–	–
Combined buffer requirement (%)	3.5	3.5	2.5	2.5	2.5
Overall capital requirements (%)	14.0	14.0	13.0	13.0	13.0
CET1 available after meeting the total SREP own funds requirements (%)	5.4	5.4	5.4	5.6	5.8
Leverage ratio					
Total exposure measure	486,973	471,569	464,420	451,928	442,983
Leverage ratio (%)	4.1	4.1	4.1	4.2	4.2
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

SEK million	SCBC 31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	–	–	–	–	–
Overall leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
Liquidity Coverage Ratio [1])					
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 Ratio [1])					
Total available stable funding	–	–	–	–	–
Total required stable funding	–	–	–	–	–
NSFR ratio (%)	–	–	–	–	–

[1]) 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.

The identified changes since the previous reporting period is an increase in lending which has an effect on the capital ratios and leverage ratio.

OVERVIEW OF RISK WEIGHTED EXPOSURE AMOUNTS (EU OV1)

SEK million	Risk weighted exposure amounts (RWEAs) 31 Dec 2022	Risk weighted exposure amounts (RWEAs) 30 Sep 2022	Total own funds requirements 31 Dec 2022
Credit risk (excluding CCR)	**120,178**	**115,536**	**9,614**
Of which the standardised approach	75	86	6
Of which the foundation IRB (FIRB) approach	19,010	15,584	1,521
Of which the advanced IRB (AIRB) approach	14,179	13,391	1,134
Counterparty credit risk - CCR	**1,012**	**1,057**	**81**
Of which the standardised approach	121	121	10
Of which internal model method (IMM)	–	–	–
Of which exposures to a CCP	–	–	–
Of which credit valuation adjustment - CVA	879	902	70
Of which other CCR	13	34	1
Position, foreign exchange and commodities risks (Market risk)	**611**	**609**	**49**
Of which the standardised approach	611	609	49
Operational risk	**4,928**	**4,928**	**394**
Of which standardised approach	4,928	4,928	394
Total	**126,730**	**122,130**	**10,138**

The increase in total risk weighted exposure amounts during the fourth quarter 2022 refer to credit risk IRB and was primarily driven by an increase in corporate lending.

GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL BUFFER(EU CCYB1)

	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
Breakdown by country	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Sweden	86	484,123	–	–	–	484,209	2,660	–	–	2,660	33,249	100.0	1.0
Norway	–	–	–	–	–	–	–	–	–	–	–	–	2.0
Denmark	–	–	–	–	–	–	–	–	–	–	–	–	2.0
Other	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**86**	**484,123**	**–**	**–**	**–**	**484,209**	**2,660**	**–**	**–**	**2,660**	**33,249**	**–**	

Since June 30, 2022 the countercyclical buffer rate has increased for Swedish exposures, hence a higher own fund requirement.

AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER (EU CCYB2)

Total risk exposure amount	126,730
Institution specific countercyclical capital buffer rate, %	1.00
Institution specific countercyclical capital buffer requirement	1,267

Since June 30, 2022 the countercyclical buffer rate has increased for Swedish exposures, hence a higher own fund requirement.

4.2 OWN FUNDS

SCBC's own funds consist of Common Equity Tier 1 Capital. SCBC's own funds amounted to SEK 20,166 million on 31 December 2022, (detailed information of the own funds composition can be found in table EU CC1). Over the year, CET1 capital was affected by the fact that net profit/loss for the period was added. The surplus has been verified by the company's auditors, in accordance with Article 26, item 2, of the CRR. According to Article 35 of the CRR, the institution shall, except in the case of the items referred to in Article 33, not make adjustments to remove from own funds unrealised gains or losses on assets or liabilities recognised at fair value. According to this Article, SEK 6,493 million have been withdrawn from CET1 capital.

According to Article 33, item 1, of the CRR, the part of the fair-value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value, including projected cash flows is not to be included in own funds. The CET1 capital has been adjusted for cash-flow hedges amounting to SEK 6,493 million.

Changes in fair value that depend on the institution's own credit standing and that are related to derivatives had a limited impact on CET1 capital, in accordance with Article 33, item 1b.

With reference to Articles 34 and 105 of the CRR, SEK 39 million has been deducted from CET1 capital due to the requirements for prudent valuation, which is disclosed in table EU PV1. A deduction of SEK 25 million from the calculation of expected loss amounts were made in accordance with Article 36 of the CRR. No addition for an IRB surplus, under Article 62, item d of the CRR for own funds in December 2022. There are no results that generates deduction of NPL backstop since entry into force. No risk exposures have been deducted from own funds.

DISCLOSURE OF OWN FUNDS (EU CC1)

SEK million	31 Dec 2022
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	50
Retained earnings	18,610
Accumulated other comprehensive income (and other reserves)	−6,493
Independently reviewed interim profits net of any foreseeable charge or dividend	1,571
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**13,738**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
Additional value adjustments (negative amount)	−39
Intangible assets (net of related tax liability) (negative amount)	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	–
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	6,493
Negative amounts resulting from the calculation of expected loss amounts	−25
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	−1
Other regulatory adjustments	0
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**6,428**
Common Equity Tier 1 (CET1) capital	**20,166**
Additional Tier 1 (AT1) capital: instruments	
Capital instruments and the related share premium accounts	–
of which: classified as equity under applicable accounting standards	–
of which: classified as liabilities under applicable accounting standards	–
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	–
Additional Tier 1 (AT1) capital before regulatory adjustments	**–**
Additional Tier 1 (AT1) capital: regulatory adjustments	
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**–**
Additional Tier 1 (AT1) capital	**–**
Tier 1 capital (T1 = CET1 + AT1)	**20,166**
Tier 2 (T2) capital: instruments	
Capital instruments and the related share premium accounts	–
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)	**20,166**
Total risk exposure amount	**126,730**
Capital ratios and requirements including buffers	
Common Equity Tier 1	15.9
Tier 1	15.9
Total capital	15.9
Institution CET1 overall capital requirement	9.7
of which: capital conservation buffer requirement	2.5
of which: countercyclical buffer requirement	1.0
of which: systemic risk buffer requirement	–
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	–
of which: additional own funds requirements to address the risks other than the risk of excessive leverage	2.5
Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)	**5.4**
Applicable caps on the inclusion of provisions in Tier 2	
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	–
Cap on inclusion of credit risk adjustments in T2 under standardised approach	3
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	–
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	199

Since June 30, 2022 the increase in total risk exposure amount refer to credit risk IRB and was primarily driven by an increase in corporate lending. Total capital was affected by the fact that net profit/loss for the period was added.

MAIN FEATURES OF REGULATORY OWN FUNDS INSTRUMENTS AND ELIGIBLE LIABILITIES INSTRUMENTS (EU CCA)[1]

1	Issuer	AB Sveriges Säkerställda Obligationer (publ)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
2a	Public or private placement	N/A
3	Governing law(s) of the instrument	Swedish
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 50m
9	Nominal amount of instrument	SEK 50m
EU-9a	Issue price	N/A
EU-9b	Redemption price	N/A
10	Accounting classification	Shareholder's equity
11	Original date of issuance	24-jun-03
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
Coupons / dividends		
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	1
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the intrument (signposting)	N/A

(1) 'N/A' inserted if the question is not applicable

RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS (EU CC2)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	31 Dec 2022	31 Dec 2022
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements		
Cash and balances at central banks	–	–
Treasury bills, etc,	–	–
Lending to credit institutions	983	983
Lending to the public (Note 5)	483,738	483,738
Value changes of interest-rate-risk hedged items in macro hedges	−4,944	−4,944
Bonds and other interest-bearing securities	–	–
Derivatives (Note 6)	12,556	12,556
Shares and participations in Group companies	–	–
Shares and participations in subsidiaries	–	–
Deferred taxes	1,690	1,690
Intangible assets	–	–
Property, plant and equipment	–	–
Other assets	63	63
Prepaid expenses and accrued income	227	227
Total assets	**494,313**	**494,313**
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements		
Liabilities to credit institutions	1	1
Deposits from the public	–	–
Debt securities issued, etc,	328,881	328,881
Derivatives (Note 6)	21,828	21,828
Other liabilities	167	167
Accrued expenses and deferred income	2,192	2,192
Deferred tax liabilities	–	–
Provisions	–	–
Subordinated debt	127,506	127,506
Total liabilities	**480,575**	**480,575**
Shareholders' Equity		
Share capital	50	50
Shareholder contribution	9,550	9,550
Reserves/Fair value reserve	−6,493	−6,493
Additional Tier 1 instruments	–	–
Retained earnings	9,060	9,060
Net profit for the period	1,571	1,571
Total equity	**13,738**	**13,738**
Liabilities and Equity		
TOTAL LIABILITIES AND EQUITY	**494,313**	**494,313**

No material changes identified changes since previous reporting period.

PRUDENT VALUATION ADJUSTMENTS (PVA) (EU PV1)

	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
Market price uncertainty	–	–	–	–	–	–	–	–	–	–
Close-out cost	–	–	–	–	–	–	–	–	–	–
Concentrated positions	–	–	–	–	–			–	–	–
Early termination	–	–	–	–	–			–	–	–
Model risk	–	–	–	–	–	–	–	–	–	–
Operational risk	–	–	–	–	–			–	–	–
Future administrative costs	–	–	–	–	–			–	–	–
Total Additional Valuation Adjustments (AVAs)								**39**	**–**	**–**

Prudent validation has increased from 9 to 39 SEK million since previous period December 31, 2021. The reason for the increase is due to a large change in derivative liabilities.

4.3 SCOPE OF APPLICATION

OTHER QUALITATIVE INFORMATION ON THE SCOPE OF APPLICATION (EU LIB)

Impediment to the prompt transfer of own funds or to the repayment of liabilities within the group *(Article 436 (f) CRR)*
There are no ongoing or foreseen material obstacles or other legal barriers to a rapid transfer of funds from own funds other than what is stipulated in the terms and conditions governing subordinated loans or what generally applies under the Companies Act (2005:551).

The starting capital required for the parent company in accordance with the Act on Banking and Financing Activities (2004:297) equaled SEK 45.9 million. The corresponding capital requirement for SCBC amounted to SEK 47.0 million.

Subsidiaries not included in the consolidation with own funds less than required *(Article 436 (g) CRR)*
No subsidiaries in SCBC.

Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR *(Article 436(h) CRR)*
Not applicable.

Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation *(Article 436(g) CRR)*
Not applicable.

EXPLANATIONS OF DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY EXPOSURE AMOUNTS (EU LIA)

Disclose the differences between columns (a) and (b) in template EU LI1 *(Article 436 (b) CRR)*
Not applicable.

Qualitative information on the main sources of differences between the accounting and regulatory scope of consolidation shown in template EU LI2 *(Article 436 (d) CRR)*
The main sources of differences between the regulatory exposure amounts and carrying values in the financial statements are the the differences due to the reporting of derivative expsoures and the netting rules according to the counterparty credit risk framework.

DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATIONS AND THE MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES (EU LI1)[1)]

			Carrying values of items			
Balance sheet, SEK million	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**	**Subject to the credit risk framework**	**Subject to CCR framework**	**Subject to the market risk framework[2)]**	**Not subject to capital requirements or subject ot deduction from capital base[3)]**
Assets						
Cash and balances at central banks	–	–	–	–	–	–
Treasury bills	–	–	–	–	–	–
Lending to credit institutions	983	983	32	951	–	–
Lending to the public	483,738	438,738	438,738	–	–	–
Value changes of interest-rate -risk hedged items in macro hedges	−4,944	−4,944	−4,944	–	–	–
Bonds and other interest-bearing securities	–	–	–	–	–	–
Derivatives	12,556	12,556	–	12,556	–	–
Shares in associated companies and joint ventures	–	–				
Shares and participati in subsidiaries	–	–	–	–	–	–
Deferred tax assets	–	–				
Intangible assets	1,690	1,690	–	–	–	1,690[4)]
Property,plant and equipment	–	–	–	–	–	–
Other assets	63	63	–	–	–	–
Prepaid expenses and accrued income	227	227	226	–	–	–
Total assets	**494,313**	**494,313**	**484,059**	**13,507**	–	**1,690**
Liabilities	**–**	**–**	**–**	**–**	–	–
Liabilities to credit institutions	1	1	–	1	–	–
Deposits from the public	–	–	–	–	–	–
Debt secuties issued	328,881	328,881	–	–	–	–
Derivatives	21,828	21,828	–	21,828	–	–
Other liabilities	167	167	–	–	–	–
Accrued expenses and deferred income	2,192	2,192	–	–	–	–
Deferred tax liabilites	–	–	–	–	–	–
Provisions	–	–	–	–	–	–
Subordinated debt	127,506	127,506	–	–	–	–
Total liabilities	**480,575**	**480,575**	**–**	**21,829**	–	–

[)] The table does not include operational risk or CVA risk.

[2)] Following the implementation of IFRS 9, SBAB no longer has any interest-rate risk and only has currency risk. The table does not specify carrying values for currency risk.

[3)] The exposure class, “other items” includes both items deducted from own funds and those covered through new software regulation . Capital adequacy for these is calculated with a risk weight of 0% and with 100% according to new regulation regarding software calculation.

[4)] Value changes of interest rate risk hedged in macro hedges is negative as of year-end 2022. The negative amount effects carrying amount for scope of regulatory consolidation and credit risk but is not subject to calculation of exposure amounts.

[5)] Deferred tax assets consist of temperary differences cashflow hedges and is not subject to deduction from own funds nor subject to own funds requirements.

Since December 31, 2021 the net exposure of derivatives has decreased due to increased interest rates and weakened SEK. Compared to year end 2021 deferred tax assets is booked in accounts.

MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS (EU LI2)

		Items subject to			
SEK million	Total	Credit risk framework	Securisation framework	CCR framework	Market risk framework
Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	499,257	485,750	–	13,507	–
Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	–21,829	–	–	–21,829	–
Total net amount under the scope of prudential consolidation	477,428	485,750	–	–8,322	–
Off-balance-sheet amounts	–	–	–	–	
Differences in valuations	–	–	–	–	
Differences due to different netting rules, other than those already included in row 2	–	–	–	–	
Differences due to consideration of provisions	148	148	–	–	
Differences due to the use of credit risk mitigation techniques (CRMs)	–921	–	–	–921	
Differences due to credit conversion factors	–	–	–	–	
Differences due to Securitisation with risk transfer	–	–	–	–	
Other differences	12,953	–1,633	–	14,586	
Exposure amounts considered for regulatory purposes	**489,608**	**–484,265**	**–**	**5,343**	**–**

Since December 31, 2021 the exposure amounts subject to CCR framework has decreased from 13,927 SEK million to 5,343 SEK million due to market value changes of intra-group derivatives. Additionally financial collaterals of 921 SEK million has affected to exposure amounts within CCR framework. Compared to year end 2021 deferred tax assets is booked in accounts.

4.4 LEVERAGE RATIO

DISCLOSURE OF LR QUALITATIVE INFORMATION (EU LRA)

The leverage ratio is a measure of solvency. Compared with the capital adequacy requirement, assets are not risk weighted but rather the same amount of capital is required, regardless of what risk is associated with the assets. According to the European Commission's delegated regulation ((EU) 2015/62), the leverage ratio is calculated as Tier 1 capital divided by the total exposure amount, where off-balance sheet exposures are assigned CCFs. The leverage ratio became a binding requirement during 2021 with the requirement of 3%. The consolidated situation also has a Pillar 2 Guidance of 0,3%. The tables EU LR1, EU LR2 and EU LR3 discloses detailed information of the leverage ratio.

Description of the processes used to manage the risk of excessive leverage *(Article 451(1) CRR)*
The leverage ratio is included in SCBC's forward looking capital planning to enable proactive management of the risk of the leverage ratio becoming too low. The target for the measure is set in SCBC's capital policy, and therefore its outcome and development is followed up and reported monthly to the CEO and Board. In a situation with excessive debt and an inadequate leverage ratio that needs to be addressed, the requisite measures can include a lower dividend, additional capital from the owner or alternatively an issue of additional Tier 1 capital. Moreover, balance sheet measures may need to be applied to reduce SCBC's exposure. Under normal conditions, the leverage ratio should be at least 0.2 percentage above whichever is higher between the capital requirements communicated by the SFSA, or 3%.

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers *(Article 451(1) CRR)*
The Leverage ratio amounted to 4.14% as per December 2022, which is slightly lower than a year earlier when it amounted to 4.21%. The year-on-year change in the leverage ratio was due to:

- Tier 1 capital increased due to accrued earnings and issuance of AT1 instruments, which had a positive impact on the leverage ratio by 0.34%
- The effect of the exposure measure attributable to SFTs increased slightly, which had a negative impact on leverage ratio by 0.02%.
- An increase mainly in mortgage exposures entailed a negative impact by 0.39%.

SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES (EU LR1)

SEK million	Applicable amount 2022
Total assets as per published financial statements	494,313
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	–
(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	–
(Adjustment for temporary exemption of exposures to central banks (if applicable))	–
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	–
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	–
Adjustment for eligible cash pooling transactions	–
Adjustments for derivative financial instruments	–11,936
Adjustment for securities financing transactions (SFTs)	1,289
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	–
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	–39
(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	–5,596
(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	–
Other adjustments	8,942
Total exposure measure	**486,973**

Identified changes since the last quarter is primarily due to an increase in total assets. The increase in total asset loans is attributed to lending to the public.

LEVERAGE RATIO COMMON DISCLOSURE (EU LR2)

	CRR leverage ratio exposures	
SEK million	31 Dec 2022	30 Sep 2022
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	489,709	473,532
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	–
(Adjustment for securities received under securities financing transactions that are recognised as an asset)	–	–
(General credit risk adjustments to on-balance sheet items)	–	–
(Asset amounts deducted in determining Tier 1 capital)	–	–
Total on-balance sheet exposures (excluding derivatives and SFTs)	**489,709**	**473,532**
Derivative exposures		
Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	602	602
Derogation for derivatives: replacement costs contribution under the simplified standardised approach	–	–
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	18	18
Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	–	–
Exposure determined under Original Exposure Method	–	–
(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	–	–
(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	–	–
(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	–	–
Adjusted effective notional amount of written credit derivatives	–	–
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
Total derivatives exposures	**620**	**620**

SEK million	CRR leverage ratio exposures 31 Dec 2022	30 Sep 2022
Securities financing transaction (SFT) exposures		
Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	2,240	1,727
(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–
Counterparty credit risk exposure for SFT assets	1	1
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	–	–
Agent transaction exposures	–	–
(Exempted CCP leg of client-cleared SFT exposure)	–	–
Total securities financing transaction exposures	**2,240**	**1,728**
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	–	–
(Adjustments for conversion to credit equivalent amounts)	–	–
(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	–	–
Off-balance sheet exposures	**–**	**–**
Excluded exposures		
(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	–5,596	–4,311
(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	–	–
(Excluded exposures of public development banks (or units) - Public sector investments)	–	–
(Excluded exposures of public development banks (or units) - Promotional loans): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	–	–
(Excluded passing-through promotional loan exposures by non-public development banks (or units): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	–	–
(Excluded guaranteed parts of exposures arising from export credits)	–	–
(Excluded excess collateral deposited at triparty agents)	–	–
(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	–	–
(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	–	–
(Reduction of the exposure value of pre-financing or intermediate loans)	–	–
(Total exempted exposures)	**–5,596**	**–4,311**
Capital and total exposure measure		
Tier 1 capital	20,166	19,358
Total exposure measure	**486,973**	**471,569**
Leverage ratio		
Leverage ratio (%)	4.14	4.11
Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.14	4.11
"Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)"	4.14	4.11
Regulatory minimum leverage ratio requirement (%)	3.00	3.00
Additional own funds requirements to address the risk of excessive leverage (%)	–	–
of which: to be made up of CET1 capital (percentage points)	–	–
Leverage ratio buffer requirement (%)	–	–

SEK million	CRR leverage ratio exposures 31 Dec 2022	30 Sep 2022
Overall leverage ratio requirement (%)	3.00	3.00
Choice on transitional arrangements and relevant exposures		
Choice on transitional arrangements for the definition of the capital measure	–	–
Disclosure of mean values		
Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	1,158	1,143
Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	2,240	1,727
Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	485,890	470,985
Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	485,890	470,985
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.2	4.1
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.2	4.1

Identified changes since the last quarter is primarily due to an increase in on-balance sheet exposures. The increase is attributed to lending to the public.

SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES) (EU LR3)

SEK million	CRR leverage ratio exposures 2022
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**484,112**
Trading book exposures	–
Banking book exposures, of which:	484,112
Covered bonds	*–*
Exposures treated as sovereigns	*470*
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	*–*
Institutions	*2*
Secured by mortgages of immovable properties	*483,360*
Retail exposures	*–*
Corporates	*–*
Exposures in default	*194*
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	*86*

Identified changes since the last quarter is primarily attributed to lending to the public.

4.5 ICAAP

ICAAP INFORMATION (EU OVC)

The internal capital adequacy assessment aims to ensure that SCBC has adequate capital under normal circumstances and in the event of financial problems. The Board of Directors and Executive Management are responsible for the internal capital adequacy assessment. Within the framework of the internal capital and liquidity adequacy assessment processes (ICLAAP), SCBC applies an economic capital model for its internally assessed capital requirement. Liquidity risk does not directly lead to capital requirements, instead it entails needs in form of a liquidity reserve and active debt management. The ICAAP is designed to ensure an equal balance between risk, capital and liquidity. Refer to Chapter 6 for more information on liquidity risk. The table internally assessed capital discloses the amount of capital under pillar I and II and the capital buffers.

INTERNALLY ASSESSED CAPITAL REQUIREMENT

		SCBC			
		31 Dec 2022		31 Dec 2021	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		SEK million	%	SEK million	%
Pillar 1	Credit risk & CVA risk	2,742	2.2	2,033	1.8
	Market risk	49	0.0	45	0.0
	Operational risk	394	0.3	369	0.3
	Risk-weight floor[1]	6,953	5.5	6,721	5.9
	Total Pillar 1	**10,138**	**8.0**	**9,168**	**8.0**
Pillar 2	Credit risk	654	0.5	517	0.5
	Market risk	999	0.8	223	0.2
	Operational risk	–	–	–	–
	Pension risk	–	–	–	–
	Total Pillar 2	**1,653**	**1.3**	**741**	**0.6**
Buffers	Capital conservation buffer	3,168	2.5	2,865	2.5
	Countercyclical buffer	1,268	1.0	0	0.0
	Total Buffers	**4,436**	**3.5**	**2,865**	**2.5**
	Total	**16,227**	**12.8**	**12,774**	**11.1**
	Total own funds	**20,166**		**18,651**	

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.

Approach to assessing the adequacy of the internal capital *(Article 438(a) CRR)*

As a part of SCBC's process for establishing internally calculated capital requirements, the risks generated in the operations are identified initially. Risk Control is responsible for the quantification of all risks. Various models are used depending on the risk to be measured. The economic capital model is used to calculate capital requirements for quantifiable risks. SCBC uses internal stress tests to assess the impact on the capital ratios and requirements during a normal economic downturn and during severe but not improbable financial stress.

The combined results are followed up and analysed, for both short and long-term effects, in terms of capital planning and forecasts. The compiled result of the internal capital adequacy assessment is reported to the Board and CEO. Finally, the Board establishes the process and the results of the company's internal capital adequacy assessment. The figure internal capital adequacy assessment process summarizes the approach to assessing the adequacy of the internal capital.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

1 QUANTIFICATION OF RISKS	2 QUANTIFICATION AND ASSESSMENT OF OTHER RISKS (CAPITAL BUFFERS)	3 ASSESSMENT OF COMBINED INTERNAL CAPITAL REQUIREMENTS	4 OWN FUNDS (COMPARED WITH CAPITAL POLICY AND PLAN)	5 OPERATIONAL GOVERNANCE AND ALLOCATION OF CAPITAL	6 REPORTING
• Credit risk • Concentration risk • Market risk • Sovereign risk • Operational risk • CVA risk • Pension risk	• Stress test • Other risks	• Comparison of economic capital and minimum capital requirements under Pillar 1 • Aggregation of capital requirements for the various risks	• CET1 capital • Additional Tier 1 capital • Tier 2 capital	• Risk-adjusted profitability • Segment analysis and cost of capital • Return on allocated capital	• Fulfilment of capital targets and combined internal capital requirements • Internal reporting • External reporting

5 Credit risk

Credit risk is defined as the risk of loss due to the borrower's inability to make interest and loan repayments or otherwise fulfil the loan agreement.

5.1 CREDIT QUALITY

GENERAL QUALITATIVE INFORMATION ABOUT CREDIT RISK (EU CRA)

In the concise risk statement in accordance with point (f) of Article 435(1) CRR, how the business model translates into the components of the institution's credit risk profile *(Point (f) of Article 435(1) CRR)*

SCBC conducts customer-centric credit operations based on professionalism, simplicity and quality, which creates the conditions for profitability and long-term customer relations. This means that the credit operations are denoted by high credit quality, efficient decision-making processes, and understanding of the customer's situation. This also entails customer-oriented procedures and balanced risk taking in the lending portfolio.

The granting of a new loan requires the provision of adequate collateral, usually provided in the form of an immovable property or a share in a tenant-owners' association where the loan amount to the market value (LTV) does not exceed 75–85%. An average LTV should be in the range of 60–65% for corporate customers. SCBC grants loans provided that collateral can be obtained with first lien.

Credit risk in lending operations is also restricted by limits determined for the customer or the group of customers. Large exposures, meaning those amounting to 10% or more of eligible capital, are managed based on the credit instructions and external regulations. All exposures exceeding 2% of own funds are identified and analysed for the purpose of deciding whether they fall within the framework of large exposures in relation to a group of connected customers or clients.

When discussing their strategies and processes to manage credit risk and the policies for hedging and mitigating that risk in accordance with points (a) and (d) of Article 435(1) CRR, the criteria and approach used for defining the credit risk management policy and for setting credit risk limits *(Points (a) and (d) of Article 435(1) CRR)*

SCBC's Board and Executive Management are actively involved in the design of the institution's risk management system and the follow-up of credit risks. The Board of Directors or its committees approve all significant methods, internal models and processes related to credit risk.

When informing on the structure and organisation of the risk management function in accordance with point (b) of Article 435(1) CRR, the structure and organisation of the credit risk management and control function *(Point (b) of Article 435(1) CRR)*

Each business area deals with the operational management of credit risk during the lifecycle of the loan whereas the Risk control unit in the second line of defense is responsible for monitoring, controlling and measuring credit risk on a regular basis.

When informing on the authority, status and other arrangements for the risk management function in accordance with point (b) of Article 435(1) CRR, the relationships between credit risk management, risk control, compliance and internal audit functions *(Point (b) of Article 435(1) CRR)*

The reporting structure is designed for the Board of the parent company and the Executive Management to receive reports on the development and current levels of the credit risk. Procedures are in place for managing and acting, based on the information provided in the reports.

ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS (EU CRB)

The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes in accordance with Article 178 CRR *(Points (a) and (b) of Article 442 CRR)*

A loan is regarded as in default if the costumer is more than 90 days past due (for outstanding amount exceeding 1% of total debt and a threshold of SEK 1,000 or SEK 5,000 for retail exposures and corporate exposures respectively) or if an assessment of unlikeliness to pay has been made of the customer.

Loans subject to specific impairment requirements refer to exposures whereby individual provisions have been posted, meaning that there is an increased credit risk for future payments and the collateral does no longer cover the amount of the claim. The size of the individual provisions is assessed by comparing the cash flow according to the loans' terms and conditions with the expected future payment capacity in combination with a valuation of the collateral.

The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this *(Points (a) and (b) of Article 442 CRR)*
An exposure can be past-due more than 90 days and still not considered defaulted according to the definition of default as per article 178 CRR, if the materiality thresholds are not exceeded. However, according to IFRS 9, in the calculation of expected credit losses, an exposure will be allocated to stage 3 automatically, when 90 days past-due is exceeded. Additionally, technical defaults, where the exposure is defaulted due to a technical problem, might lead to cases where an exposure is past-due over 90 days, even though it is not impaired. However, these cases are examined upon discovery and rectified.

Description of methods used for determining general and specific credit risk adjustments *(Points (a) and (b) of Article 442 CRR)*
The ECL model rank the loans and divide them according to their relative credit risk following initial recognition into three stages. Credit impaired loans are allocated to stage 3. SCBC applies the internal default definition along with 90 days past due to determine whether a loan has suffered credit deterioration. Loans with a significant increase in credit risk but which have not been credit impaired are allocated to stage 2. All other loans are allocated to stage 1.

Individual and collective provisions are carried out pursuant to the current accounting standard IFRS 9. On 31 December 2022, the total provisions, with deductions for guarantees, amounted to 63% of the total exposure for defaulted loans. All provisions have been assessed to constitute specific credit risk adjustments based on Article 1, item 5, of the EBA's RTS on specific and general risk regarding Article 110, item 4 of the CRR. EBA's GL on disclosures of non-performing exposures includes a set of common templates applicable to all banks and additional templates applicable only to significant credit institutions with a gross NPL ratio of 5% or above. SCBC has a gross NPL ratio below 5%.

The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014 *(Points (a) and (b) of Article 442 CRR)*
SCBC does not use an own definition for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR. SCBC complies fully with the definition of forborne exposures defined in Annex V to Commission Implementing Regulation (EU) 680/2014, later repealed by (EU) 2015/227, which again has been implicitly repealed by (EU) 2021/451.

PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS (EU CR1)

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collaterals and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
SEK million		of which stage 1	of which stage 2		of which stage 2	of which stage 3		of which stage 1	of which stage 2		of which stage 2	of which stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
Cash balances at central banks and other demand deposits	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	484,598	456,222	28,308	248	1	247	–135	–54	–79	–21	0	–21	–	–	–
Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
General governments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Credit institutions	*983*	*983*	–	–	–	–	–	–	–	–	–	–	–	–	–
Other financial corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-financial corporations	*138,194*	*134,643*	*3,551*	*19*	–	*19*	*–7*	*–6*	*–1*	*–7*	–	*–7*	–	–	–
Of which: SMEs	*97,286*	*94,859*	*2,427*	*19*	–	*19*	*–4*	*–4*	*–1*	*–7*	–	*–7*	–	–	–
Households	*345,453*	*320,596*	*24,757*	*229*	*1*	*228*	*–128*	*–47*	*–78*	*–13*	*0*	*–13*	–	–	–
Debt Securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
General governments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Credit institutions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other financial corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-financial corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet exposures	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Central banks	–	–	–	–	–	–	–	–	–	–	–	–		–	–
General governments	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Credit institutions	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Other financial corporations	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Non-financial corporations	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Households	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Total	**484,630**	**456,222**	**28,308**	**248**	**1**	**247**	**–135**	**–54**	**–79**	**–21**	**0**	**–21**	**–**	**–**	**–**

No major changes have been noted since previous reporting on June 30, 2022.

MATURITY OF EXPOSURES (EU CR1-A)

	Net exposure values					
SEK million	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Loans and advances	–	306,333	161,269	16,130	26	483,758
Debt securities	–	–	–	–	–	–
Total	**–**	306,333	161,269	16,130	26	483,758

No major changes have been noted since previous reporting on June 30, 2022.

CHANGES IN THE STOCK OF NON-PERFORMING LOANS AND ADVANCES (EU CR2)

SEK million	Gross carrying amount
Initial stock of non-performing loans and advances	**229**
Inflows to non-performing portfolios	164
Outflows from non-performing portfolios	–102
Outflows due to write-offs	–5
Outflow due to other situations	–98
Final stock of non-performing loans and advances	**290**

No major changes have been noted since previous reporting on June 30, 2022.

CREDIT QUALITY OF FORBORNE EXPOSURES (EU CQ1)

	Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Non-performing forborne						
SEK million	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
Cash balances at central banks and other demand deposits	–	–	–	–	–	–	–	–
Loans and advances	43	33	32	32	0	–1	74	–
Central banks	–	–	–	–	–	–	–	–
General governments	–	–	–	–	–	–	–	–
Credit institutions	–	–	–	–	–	–	–	–
Other financial corporations	–	–	–	–	–	–	–	–
Non-financial corporations	–	–	–	–	–	–	–	–
Households	*43*	*33*	*32*	*32*	*0*	*–1*	*74*	–
Debt Securities	–	–	–	–	–	–	–	–
Loan commitments given	–	–	–	–	–	–	–	–
Total	**43**	**33**	**32**	**32**	**0**	**–1**	**74**	**–**

No major changes have been noted since previous reporting on June 30, 2022.

CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS (EU CQ3)

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
SEK million		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 years ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	484,629	484,332	298	248	153	50	25	18	2	–	–	346
Central banks	–	–	–	–	–	–	–	–	–	–	–	–
General governments	–	–	–	–	–	–	–	–	–	–	–	–
Credit institutions	*983*	*983*	–	–	–	–	–	–	–	–	–	–
Other financial corporations	–	–	–	–	–	–	–	–	–	–	–	–
Non-financial corporations	*138,194*	*138,194*	–	*19*	*19*	–	–	–	–	–	–	*19*
Of which SMEs	*97,286*	*97,286*	–	*19*	*19*	–	–	–	–	–	–	*19*
Households	*345,453*	*345,155*	*298*	*229*	*134*	*50*	*25*	*18*	*2*	–	–	*328*
Debt Securities	–	–	–	–	–	–	–	–	–	–	–	–
Central banks	–	–	–	–	–	–	–	–	–	–	–	–
General governments	–	–	–	–	–	–	–	–	–	–	–	–
Credit institutions	–	–	–	–	–	–	–	–	–	–	–	–
Other financial corporations	–	–	–	–	–	–	–	–	–	–	–	–
Non-financial corporations	–	–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet exposures	–			–								–
Central banks	–			–								–
General governments	–			–								–
Credit institutions	–			–								–
Other financial corporations	–			–								–
Non-financial corporations	–			–								–
Households	–			–								–
Total	**484,630**	**484,332**	**298**	**248**	**153**	**50**	**25**	**18**	**2**	**–**	**–**	**346**

No major changes have been noted since previous reporting on December 31, 2021.

QUALITY OF NON-PERFORMING EXPOSURES BY GEOGRAPHY (EU CQ4)

	Gross carrying/nominal amount						
		of which: non-performing					
SEK million			of which: defaulted	of which: subject to impairment	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
On balance sheet exposures	**483,895**		**346**		**–156**		**–21**
Sweden	483,895		346		–156		–21
Off balance sheet exposures	**–**		**–**			**–**	
Sweden	–		–			–	
Total	**483,895**		**346**		**–156**	**–**	**–21**

No major changes have been noted since previous reporting on June 30, 2022.

CREDIT QUALITY OF LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS BY INDUSTRY (EU CQ5)

	Gross carrying amount					
		Of which non-performing		Of which loans and advances subject to impairment		
SEK million			Of which defaulted		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
Agriculture, forestry and fishing	5		–		0	–
Mining and quarrying	–		–		–	–
Manufacturing	–		–		–	–
Electricity, gas, steam and air conditioning supply	25		–		0	–
Water supply	–		–		–	–
Construction	681		–		0	–
Wholesale and retail trade	0		–		0	–
Transport and storage	637		–		0	–
Accommodation and food service activities	–		–		–	–
Information and communication	–		–		–	–
Real estate activities	133,745		19		–14	–
Financial and insurance actvities	2,803		–		0	–
Professional, scientific and technical activities	211		–		0	–
Administrative and support service activities	–		–		–	–
Public administration and defense, compulsory social security	–		–		–	–
Education	–		–		–	–
Human health services and social work activities	106		–		0	–
Arts, entertainment and recreation	–		–		–	–
Other services	–		–		–	–
Total	**138,213**		**19**		**–15**	**–**

No major changes have been noted since previous reporting on June 30, 2022.

5.2 CREDIT RISK MITIGATION TECHNIQUES

QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO CRM TECHNIQUES (EU CRC)

A description of the core features of the policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting *(Article 453 (a) CRR)*
Close-out netting agreements are used for derivative and repo transactions, which allows SCBC to net positive and negative market values on contracts within the same agreement in the event of default of the counterparty. ISDA master agreement is used for derivatives and the global master repurchase agreement (GMRA) is used for repurchase agreements.

The core features of policies and processes for eligible collateral evaluation and management *(Article 453 (b) CRR)*
SCBC grants loans provided that collateral can be obtained with first lien and that the customer has an internal PD rating grade of R1–R4 for retail customers and C1–C4 for corporate customers, for details on how the internal ratings compare for corporate customers against external ratings refer to the table The mapping between external and internal rating for corporates. When lending to retail customers, the market value of the collateral is generally determined by credit specialists using approved automated valuation methods (AMV). If the market value cannot be computed, it is determined by an internal property appraiser or an external property appraiser. When lending to corporate customers such as tenant-owners' associations and real estate companies, the market value of the collateral is determined by internal property appraisers. External valuations can form the basis of valuations made by internal property appraisers. For houses, holiday homes and tenant-owners' rights, the market values are updated at least twice a year. Market values on multi-family dwellings, e.g. owned by real estate companies or tenant-owners' associations, are updated at least every third year but verified on an annual basis. For other properties, the market values are updated at least annually. If there are major changes in economic factors that affect the Swedish property market, the market value is verified more often.

THE MAPPING BETWEEN INTERNAL AND EXTERNAL RATING FOR CORPORATES

Rating grade	Standard & Poor's rating
C1	AAA to AA-
C2	A+ to BBB+
C3	BBB to BBB-
C4	BB+ to BB
C5	BB- to B+
C6	B to B-
C7	CCC to C

A description of the main types of collateral taken by the institution to mitigate credit risk *(Article 453 (c) CRR)*
The granting of a new loan requires the provision of adequate collateral, usually provided in the form of an immovable property or a share in a tenant-owners' association where the LTV does not exceed 75–85%. When calculating the reserve value of the securities included in the liquidity reserve, SCBC applies the haircuts issued in accordance with the Riksbank's Guidelines for Collateral Management in the regulatory framework for RIX and monetary policy instruments as well as the ECB list of eligible marketable assets.

In addition to collateral in immovable property or tenant-owners' rights, it is possible to grant loans against, inter alia, collateral in the form of a government guarantee, municipal guarantee, securities, bank guarantees and deposits in a Swedish bank. To a limited extent, equities corresponding up to 85% of the market value of the properties can be approved as collateral in conjunction with a property purchase through a company transaction. SCBC does not hold any collateral that has been repossessed.

For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures *(Article 453 (d) CRR)*
SCBC does not use credit derivatives to mitigate credit risk.

Information about market or credit risk concentrations within the credit mitigation taken *(Article 453 (e) CRR)*
Article 453 (e) CRR: SCBC's credit exposure is concentrated in Sweden. There is some exposure to other countries in Western Europe, Canada and the US due to the funding of the Swedish lending operations. SCBC's lending portfolio is mainly secured by properties for housing in the Stockholm area. Only 1% of the underlying collaterals are in economically weak regions in Sweden.

CRM TECHNIQUES OVERVIEW: DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES (EU CR3)

Exposure classes, SEK million	Unsecured carrying amount[1]	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	17	483,742	483,327	415	–
Debt securities	–	–	–	–	–
Total	**17**	**483,742**	**483,327**	**415**	**–**
Of which non-performing exposures	10	286	286	–	–
Of which defaulted	10	209	209	–	–

[1] Unsecured expososures consist of exposures that are not pledged in real estate.

No major changes have been noted since previous reporting on June 30, 2022.

5.3 CREDIT RISK STANDARDISED APPROACH

QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO STANDARDISED MODEL (EU CRD)

Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) nominated by the institution, and the reasons for any changes over the disclosure period *(Article 444 (a) CRR)*
SCBC uses information from all three rating agencies – Standard & Poors, Moodys and Fitch. No changes occurred during the disclosure period.

The exposure classes for which each ECAI or ECA is used *(Article 444 (b) CRR)*
Credit institutions, exposures to institutions and corporates with a short-term credit assessment and covered bonds.

A description of the process used to transfer the issuer and issue credit ratings onto comparable assets items not included in the trading book *(Article 444 (c) CRR)*
Not applicable.

The association of the external rating of each nominated ECAI or ECA (as referred to in row (a)) with the risk weights that correspond with the credit quality steps as set out in Chapter 2 of Title II of Part Three CRR (except where the institution complies with the standard association published by the EBA) *(Article 444 (d) CRR)*
SCBC complies with the standard association published by EBA.

STANDARDISED APPROACH - CREDIT RISK EXPOSURE AMOUNT AND CRM EFFECTS (EU CR4)

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
Exposure classes, SEK million	**On-balance-sheet amount**	**Off-balance sheet amount**	**On-balance-sheet amount**	**Off-balance sheet amount**	**RWEA**	**RWEA density (%)**
Central governments or central banks	54	–	54	–	14	25.5
Regional government or local authorities	1	–	417	–	–	–
Multilateral development banks	–	–	–	–	–	–
International organisations	–	–	–	–	–	–
Institutions	2	–	2	–	0	20.0
Corporates	–	–	–	–	–	–
Retail	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–
Institutions and corporates with a short-term credit assessment	31	–	31	–	6	20.0
Equity	–	–	–	–	–	–
Other items	55	–	55	–	55	100.0
Total	**142**	**–**	**558**	**–**	**75**	**13.5**

No major changes have been noted since previous reporting on June 30, 2022.

STANDARDISED APPROACH (EU CR5)

	Risk weight										
Exposure class, SEK million	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**1,250%**	**Others**	**Total**	**Of which, unrated**
Central governments or central banks	48	–	–	–	–	–	–	–	5	54	–
Regional government or local authorities	417	–	–	–	–	–	–	–	–	417	–
Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–
International organisations	–	–	–	–	–	–	–	–	–	–	–
Institutions	–	–	2	–	–	–	–	–	–	2	–
Corporates	–	–	–	–	–	–	–	–	–	–	–
Retail	–	–	–	–	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–	–	–	–	–	–
Institutions and corporates with a short-term credit assessment	–	–	31	–	–	–	–	–	–	31	–
Equity	–	–	–	–	–	–	–	–	–	–	–
Other items	–	–	–	–	–	55	–	–	–	55	–
Total	**465**	**–**	**33**	**–**	**–**	**55**	**–**	**–**	5	**558**	**–**

No major changes have been noted since previous reporting on June 30, 2022.

5.4 CREDIT RISK IRB APPROACH

QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO IRB APPROACH (EU CRE)

The competent authority's permission of the approach or approved transition *(Article 452 (a) CRR)*
AIRB has been used since 2007 for measuring credit risk where a mortgage deed for immovable property or a tenant-owners' right is used as collateral. In 2013, permission was received to include tenant-owners' associations with a turnover of less than EUR 50 million in the retail exposure class. In 2015, SCBC furthermore received permission to use IRB for excess exposures that are not fully covered by mortgage deeds, property financing using collateral other than directly pledged mortgage deeds and building credits. Previously, the standardized approach was used for these exposures.

The control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on *(Article 452 (c) CRR)***:**
The relationship between the risk management function and the internal audit function;
The third line of defense – Internal audit, performs annual reviews of the IRB system and the underlying models. The primary focus of the audit is changed from year to year, to ensure both that the review is done based on the most recent risk assessment and that the IRB system is thoroughly validated covering possible changes. Additionally, Internal audit performs reviews on all applications related to IRB submitted to the SFSA for approval. The second line of defense, Risk led by the CRO, performs independent validations of the credit risk models and communicates possible deficiencies in combination with action plans to mitigate the findings. Thus, the relationship between the risk management function and the internal audit function follows the general principle of segregation of duties, where the third line of defense safeguards that the second line of defense has performed its duties following sound governance principles.

The rating system review;
The credit risk models in the IRB framework are used in SCBC's lending operations for activities such as credit granting, pricing, portfolio analysis and performance monitoring per business area. For internal rating according to the IRB framework SCBC uses statistical scoring models for each of the risk dimensions; PD, LGD and CCF, which are reviewed at least annually.

Procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models;
SCBC has a separate validation team that continuously work with reviewing and validating the credit risk models, which are developed, changed or improved by the model development team. The validation team does not under any circumstances participate in the development of the models. Thus, the full ownership of the models resides with the model development team.

The procedure to ensure the accountability of the functions in charge of developing and reviewing the models;
The procedure to ensure the accountability of the functions in charge of developing and validating the models, is ensured by having two different team managers leading the process of model development and validation respectively. Both teams are within Risk.

The role of the functions involved in the development, approval and subsequent changes of the credit risk models *(Article 452 (d) CRR)*
All changes that may affect the IRB system must be assessed according to the degree of materiality and handled accordingly. Significant changes must be internally endorsed by the CRO, the CEO and the Board, before the application is submitted to the SFSA, whereafter it must be followed by an approval before it can be implemented. Non-significant changes must be internally approved by the CRO and could lead either to a pre-notification to the SFSA before implementation, or a post-notification when the change can be implemented directly. Non-significant changes that only need to be post-notified are less material than those that need to be notified in advance. All internal stakeholders are required to notify Risk of upcoming changes that could affect the IRB system, e.g. changes in lending products and markets, credit granting processes, system support and data relevant for the IRB models. The modelling team is responsible to conduct the materiality assessment of the change and to adapt the IRB system accordingly.

The scope and main content of the reporting related to credit risk models *(Article 452 (e) CRR)*
In the quarterly Risk report, the CRO sends to the CEO and the Board, relevant information about the IRB system is provided. The report is designed so that a third party can easily assess whether the exposure to credit risk has changed or if any shortcomings have been discovered as well as areas for improvement. The main content of the report includes, among other things, estimates for risk parameters (PD, LGD, CCF) and realised outcomes per rating grade, initiated changes or extensions that affect the IRB system, including assessment of materiality and implementation date, validation findings and accompanied actions plans.

A description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering *(Article 452 (f) CRR)***:**
In conjunction with own funds requirements and the application of IRB, exposures are categorised into exposure classes. Retail loans and loans to tenant-owners' associations with a turnover of less than EUR 50 million and collateral in residential property are assigned to the retail exposure class. AIRB is applied for all collateralised retail exposures. Other exposures secured by collateral are assigned to the corporate exposure class where FIRB is used. The table Loan portfolios and exposure classes where IRB is applied, shows the distinction between retail exposures, corporate exposures and their respective approach.

LOAN PORTFOLIOS AND EXPOSURE CLASSES FOR WHICH THE IRB APPROACH IS APPLIED

Portfolio	Property	Exposure class	Method	PD model
Corporates	Private properties	Corporate exposures	Foundation IRB approach	"Corporate"
Corporates	Tenant-owner associations (turnover greater than or equal to EUR 50 million)	Corporate exposures	Foundation IRB approach	"Corporate"
Corporates	Commercial properties	Corporate exposures	Foundation IRB approach	"Corporate"
Retail	Houses and holiday homes	Retail exposures	Advanced IRB approach	"Retail"
Retail	Tenant-owners´rights	Retail exposures	Advanced IRB approach	"Retail"
Retail	Tenant- owner associations (turnover less than EUR 50 million)	Retail exposures	Advanced IRB approach	"Retail"

The definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;

The table Realised outcome in the PD and LGD dimensions, shows the exposure-weighted PD and LGD estimates as per 31 December 2021 and the realised outcomes for 2022. Default rates for 2022 are historically low and the PD estimates exceed realised outcomes for retail exposures. For corporate exposures one defaulted borrower, a minor individual company with limited exposure, was observed during 2022 which led to a higher realised outcome compared to PD estimate. In the PD dimension five different credit risk models exist. These PD models are based on logistic regression with a target to predict a default outcome over a time horizon of one year. The main differences between the models are distinguished by type of customer and setup of relevant risk factors . Both internal and external data sources are used to identify appropriate risk factors in the PD models. Internal data consists of customer information, loan information, default outcomes and internal payment behavior. Data obtained externally includes income data, financial statements, external payment behavior, market value of the property and macroeconomic factors. The scoring models for PD are based on empirical data from the end of the 1990s and to the present day. In order to calibrate PD value towards conservative through-the-cycle estimates external data from the housing crisis on the Swedish mortgage market during the middle of 1990s is also included.

REALISED OUTCOME IN THE PD AND LGD DIMENSIONS

Exposure class	PD estimate[2], %	Realised outcome[1], %	LGD estimate[2], %	Realised outcome[1], %
Corporate exposures	0.14	0.23	35.1	0.0
Retail exposures	0.27	0.09	10.1	1.2

[1] Realised outcome has been calculated on borrower level and includes defaults occurred during the year.

[2] The outcomes are exposure-weighted.

Where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure;

Credit losses during 2022 was very low with LGD estimates exceeding realised outcomes. The LGD estimate for retail exposures is restricted by the limitation rule, which requires a lowest average LGD estimate of 10.0% for loans covered by collateral in residential properties. In the LGD dimension two different credit risk models exist. The LGD models are based on regressions according to a structural approach with targets to both predict a cure from default and a loss in the event of either a cure or liquidation. The scoring models for LGD which are applied to retail exposures comprising both retail loans and loans to tenant-owners' associations are largely based on the LTV ratio of the loan. A rise in the LTV implies an increase in the probability of a liquidation and thus the level of credit losses. The LGD models are primarily based on internal data consisting of default outcomes, credit losses in terms of write offs and succeeding recoveries, and LTV ratios of the loans. As for the PD models, external loss data from the 1990s housing crisis on the Swedish mortgage market is also included to calibrate the LGD value towards downturn periods with the aim of ensuring conservative estimates.

Where applicable, the definitions, methods and data for estimation and validation of credit conversion factors, including assumptions employed in the derivation of those variables;

For CCF there exists only one credit risk model. The scoring model for CCF is applied to loan commitments in the retail exposure class. The CCF measures the probability of the loan commitment resulting in a conversion to a loan disbursement and hence an on-balance exposure. The CCF model is mainly based on the loan commitment's progress in the credit granting process and the time elapsed since application. The CCF model is solely based on internal data consisting of application information and disbursement rates.

IRB APPROACH – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE (EU CR6)

Exposure Class	PD scale	On-balance sheet expo-sures	Off-bal-ance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after support-ing fac-tors	Density of risk weighted exposure amount (%)	Expected loss amount	Value adjust-ments and provisions
A-IRB													
	0.00 to <0.15	41,962	–	–	41,762	0.09	1,374	6.30	–	472	1.13	2	0
	0.00 to <0.10	41,962	–	–	41,762	0.09	1,374	6.30	–	472	1.13	2	0
	0.10 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–
	0.15 to <0.25	12,794	–	–	12,655	0.21	650	6.93	–	295	2.33	2	1
	0.25 to <0.50	3,921	–	–	3,921	0.45	142	7.13	–	162	4.14	1	1
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	309	–	–	293	1.16	14	5.66	–	18	6.30	0	0
Of which, Retail SME	0.75 to <1.75	309	–	–	293	1.16	14	5.66	–	18	6.30	0	0
	1.75 to <2.5	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	41	–	–	36	7.12	6	6.66	–	7	20.02	0	0
	2.5 to <5	13	–	–	7	3.05	5	8.78	–	1	17.81	0	0
	5 to <10	29	–	–	29	8.15	1	6.12	–	6	20.59	0	0
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	10 to <20	–	–	–	–	–	–	–	–	–	–	–	–
	20 to <30	–	–	–	–	–	–	–	–	–	–	–	–
	30.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	19	–	–	19	100.00	3	16.12	–	21	113.72	7	7
Subtotal (exposure class)		**59,045**	**–**	**–**	**58,686**	**0.18**	**2,189**	**6.49**	**–**	**975**	**1.66**	**13**	**9**
	0.00 to <0.15	234,337	–	–	234,337	0.04	123,829	9.97	–	2,965	1.27	10	6
	0.00 to <0.10	234,337	–	–	234,337	0.04	123,829	9.97	–	2,965	1.27	10	6
	0.10 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–
	0.15 to <0.25	59,732	–	–	59,732	0.16	32,418	11.40	–	2,465	4.13	11	11
	0.25 to <0.50	33,584	–	–	33,583	0.42	16,625	11.41	–	2,808	8.36	16	28
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	13,853	–	–	13,853	1.55	6,957	12.13	–	2,969	21.43	26	37
	0.75 to <1.75	13,853	–	–	13,853	1.55	6,957	12.13	–	2,969	21.43	26	37
Of which, Retail non-SME	1.75 to <2.5	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	2,866	–	–	2,866	4.17	1,492	11.47	–	1,043	36.39	14	20
	2.5 to <5	2,866	–	–	2,866	4.17	1,492	11.47	–	1,043	36.39	14	20
	5 to <10	–	–	–	–	–	–	–	–	–	–	–	–
	10.00 to <100.00	1,122	–	–	1,122	24.67	753	10.95	–	756	67.34	30	25
	10 to <20	–	–	–	–	–	–	–	–	–	–	–	–
	20 to <30	1,122	–	–	1,122	24.67	753	10.95	–	756	67.34	30	25
	30.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	195	–	–	195	100.00	143	12.68	–	198	101.61	12	12
Subtotal (exposure class)		**345,689**	**–**	**–**	**345,688**	**0.33**	**182,217**	**10.46**	**–**	**13,203**	**3.82**	**119**	**139**

Exposure Class	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount (%)	Expected loss amount	Value adjustments and provisions
F-IRB													
	0.00 to <0.15	24,647	–	–	24,639	0.09	118	35.03	2.5	3,554	14.42	8	0
	0.00 to <0.10	24,647	–	–	24,639	0.09	118	35.03	2.5	3,554	14.42	8	0
	0.10 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–
	0.15 to <0.25	12,369	–	–	12,369	0.21	153	35.04	2.5	2,935	23.73	9	1
	0.25 to <0.50	6,390	–	–	6,390	0.45	51	35.12	2.5	2,228	34.86	10	1
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	139	–	–	139	1.16	3	35.30	2.5	74	53.46	1	0
	0.75 to <1.75	139	–	–	139	1.16	3	35.30	2.5	74	53.46	1	0
Of which, Corporate SME	1.75 to <2.5	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	0	–	–	0	3.05	1	35.00	2.5	0	61.54	0	0
	2.5 to <5	0	–	–	0	3.05	1	35.00	2.5	0	61.54	0	0
	5 to <10	–	–	–	–	–	–	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	10 to <20	–	–	–	–	–	–	–	–	–	–	–	–
	20 to <30	–	–	–	–	–	–	–	–	–	–	–	–
	30.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Subtotal (exposure class)		**43,546**	**–**	**–**	**43,538**	**0.18**	**326**	**35.05**	**2.5**	**8,791**	**20.19**	**28**	**3**
	0.00 to <0.15	23,897	–	–	23,873	0.09	93	35.06	2.5	5,554	23.27	8	0
	0.00 to <0.10	23,897	–	–	23,873	0.09	93	35.06	2.5	5,554	23.27	8	0
	0.10 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–
	0.15 to <0.25	10,732	–	–	10,732	0.21	104	35.22	2.5	4,012	37.38	8	1
	0.25 to <0.50	1,204	–	–	1,182	0.45	21	35.12	2.5	646	54.68	2	0
	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
	0.75 to <2.50	8	–	–	8	1.16	6	35.00	2.5	6	80.04	0	0
	0.75 to <1.75	8	–	–	8	1.16	6	35.00	2.5	6	80.04	0	0
Of which, Corporate Other	1.75 to <2.5	–	–	–	–	–	–	–	–	–	–	–	–
	2.50 to <10.00	2	–	–	0	3.05	2	35.00	2.5	0	106.38	0	0
	2.5 to <5	0	–	–	0	3.05	1	35.00	2.5	0	106.38	0	0
	5 to <10	2	–	–	–	–	1	–	–	–	–	–	0
	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	10 to <20	–	–	–	–	–	–	–	–	–	–	–	–
	20 to <30	–	–	–	–	–	–	–	–	–	–	–	–
	30.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
	100.00 (Default)	0	–	–	0	100.00	1	35.00	2.5	–	–	0	0
Subtotal (exposure class)		**35,843**	**–**	**–**	**35,795**	**0.14**	**227**	**35.11**	**2.5**	**10,219**	**28.55**	**18**	**2**
Total (all exposures classes)		**484,123**	**–**	**–**	**483,707**	**0.28**	**184,959**	**14.01**	**0.4**	**33,188**	**6.86**	**178**	**153**

No major changes, other than an increase in lending, have been noted since previous reporting on June 30, 2022.

SCOPE OF THE USE OF IRB AND SA APPROACHES (EU CR6-A)

SEK million	Exposure value as defined in Article 166 CRR for exposrues subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposurevalue subject to a roll-out plan (%)
Central governments or central banks	–	54	100.00	–	–
Of which Regional governments or local authorities		*417*	*100.00*	–	–
Of which Public sector entities		–	*100.00*	–	–
Institutions	–	5,345	100.00	–	–
Corporates	79,389	79,333	–	100.00	–
Of which Corporates - Specialised lending. excluding slotting approach		–	–	–	–
Of which Corporates - Specialised lending under slotting approach		–	–	–	–
Retail	404,734	404,374	–	100.00	–
of which Retail – Secured by real estate SMEs		*58,686*	–	*100.00*	–
of which Retail – Secured by real estate non-SMEs		*345,688*	–	*100.00*	–
of which Retail – Qualifying revolving		–	–	–	–
of which Retail – Other SMEs		–	–	–	*100.00*
of which Retail – Other non-SMEs		–	–	–	*100.00*
Equity	–	–	100.00	–	–
Other non-credit obligation assets	–	–	–	–	–
Total	**484,123**	**489,106**	**1.10**	98.90	–

IRB APPROACH – DISCLOSURE OF THE EXTENT OF THE USE OF CRM TECHNIQUES (EU CR7-A)

A-IRB		Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
			Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)							
SEK million	Total exposures	Part of exposures covered by Financial Collaterals (%)		Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Institutions	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Corporates	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Of which Corporates – SMEs	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Of which Corporates – Specialised lending	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Of which Corporates – Other	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Retail	404,374	–	99.98	99.98	–	–	–	–	–	–	0.09	–	14,185	14,179
Of which Retail – Immovable property SMEs	*58,686*	–	100.00	*100.00*	–	–	–	–	–	–	*0.61*	–	*981*	*975*
Of which Retail – Immovable property non-SMEs	*345,688*	–	99.98	*99.98*	–	–	–	–	–	–	*0.00*	–	*13,203*	*13,203*
Of which Retail – Qualifying revolving	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Of which Retail – Other SMEs	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Of which Retail – Other non-SMEs	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**404,374**	–	99.98	**99.98**	**–**	–	–	–	–	–	**0.09**	–	**14,185**	**14,179**

F-IRB		Credit risk Mitigation techniques												Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)										Unfunded credit Protection (UFCP)			
			Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)								
SEK million	Total exposures	Part of exposures covered by Financial Collaterals (%)		Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Institutions	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Corporates	79,333	–	99.24	99.24	–	–	–	–	–	–	0.07	–	19,025	19,010
Of which Corporates – SMEs	*43,538*	–	99.52	99.52	–	–	–	–	–	–	0.02	–	8,793	8,791
Of which Corporates – Specialised lending	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Of which Corporates – Other	35,795	–	98.89	98.89	–	–	–	–	–	–	0.13	–	10,232	10,219
Total	**79,333**	–	99.24	**99.24**	**–**	–	–	–	–	–	**0.07**	–	**19,025**	**19,010**

No major changes, other than an increase in lending, have been noted since previous reporting on June 30, 2022.

RWEA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER IRB (EU CR8)

SEK million	Risk weighted exposure amount
Risk weighted exposure amount as at the end of the previous reporting period	**28,975**
Asset size (+/-)	3,279
Asset quality (+/-)	931
Model updates (+/-)	–
Methodology and policy (+/-)	–
Acquisitions and disposals (+/-)	–
Foreign exchange movements (+/-)	–
Other (+/-)	3
Risk weighted exposure amount as at the end of the reporting period	**33,188**

No major changes have been noted since previous reporting on September 30, 2022.

IRB APPROACH – BACK-TESTING OF PD PER EXPOSURE CLASS (FIXED PD SCALE) (EU CR9)

A-IRB		Number of obligors at the end of previous year					
Exposure class	PD range		Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Of which, Retail SME	0.00 to <0.15	1,225	–	–	0.09	0.09	–
	0.00 to <0.10	1,225	–	–	0.09	0.09	–
	0.10 to <0.15	–	–	–	–	–	–
	0.15 to <0.25	579	–	–	0.21	0.21	–
	0.25 to <0.50	138	–	–	0.45	0.45	–
	0.50 to <0.75	–	–	–	–	–	–
	0.75 to <2.50	12	–	–	1.16	1.16	–
	0.75 to <1.75	12	–	–	1.16	1.16	–
	1.75 to <2.5	–	–	–	–	–	–
	2.50 to <10.00	6	1	16.7	7.12	3.05	16.7
	2.5 to <5	6	1	16.7	3.05	3.05	16.7
	5 to <10	–	–	–	8.15	–	–
	10.00 to <100.00	–	–	–	–	–	–
	10 to <20	–	–	–	–	–	–
	20 to <30	–	–	–	–	–	–
	30.00 to <100.00	–	–	–	–	–	–
	100.00 (Default)	2	–	–	100.0	100.0	–
Of which, Retail non-SME	0.00 to <0.15	132,493	6	0.0	0.0	0.0	0.0
	0.00 to <0.10	132,493	6	0.0	0.0	0.0	0.0
	0.10 to <0.15	–	–	–	–	–	–
	0.15 to <0.25	25,597	3	0.0	0.2	0.2	0.0
	0.25 to <0.50	14,154	9	0.1	0.4	0.4	0.1
	0.50 to <0.75	–	–	–	–	–	–
	0.75 to <2.50	6,164	9	0.1	1.6	1.6	0.2
	0.75 to <1.75	6,164	9	0.1	1.6	1.6	0.2
	1.75 to <2.5	–	–	–	–	–	–
	2.50 to <10.00	994	3	0.3	4.2	4.2	0.9
	2.5 to <5	994	3	0.3	4.2	4.2	0.9
	5 to <10	–	–	–	–	–	–
	10.00 to <100.00	649	15	2.3	24.7	24.7	3.9
	10 to <20	–	–	–	–	–	–
	20 to <30	649	15	2.3	24.7	24.7	3.9
	30.00 to <100.00	–	–	–	–	–	–
	100.00 (Default)	139	3	2.2	100.0	100.0	8.4

F-IRB

Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Of which, Corporate SME	0.00 to <0.15	152	–	–	0.1	0.1	–
	0.00 to <0.10	152	–	–	0.1	0.1	–
	0.10 to <0.15	–	–	–	–	–	–
	0.15 to <0.25	110	–	–	0.2	0.2	–
	0.25 to <0.50	68	1	1.5	0.4	0.4	1.8
	0.50 to <0.75	–	–	–	–	–	–
	0.75 to <2.50	17	–	–	1.2	1.2	–
	0.75 to <1.75	17	–	–	1.2	1.2	–
	1.75 to <2.5	–	–	–	–	–	–
	2.50 to <10.00	4	–	–	3.0	3.0	–
	2.5 to <5	4	–	–	3.0	3.0	–
	5 to <10	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–
	10 to <20	–	–	–	–	–	–
	20 to <30	–	–	–	–	–	–
	30.00 to <100.00	–	–	–	–	–	–
	100.00 (Default)	1	–	–	–	100.0	–
Of which, Corporate Other	0.00 to <0.15	88	–	–	0.1	0.1	–
	0.00 to <0.10	88	–	–	0.1	0.1	–
	0.10 to <0.15	–	–	–	–	–	–
	0.15 to <0.25	9	–	–	0.2	0.2	–
	0.25 to <0.50	8	–	–	0.4	0.4	–
	0.50 to <0.75	–	–	–	–	–	–
	0.75 to <2.50	–	–	–	1.2	–	–
	0.75 to <1.75	–	–	–	1.2	–	–
	1.75 to <2.5	–	–	–	–	–	–
	2.50 to <10.00	–	–	–	3.0	–	–
	2.5 to <5	–	–	–	3.0	–	–
	5 to <10	–	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	–	–
	10 to <20	–	–	–	–	–	–
	20 to <30	–	–	–	–	–	–
	30.00 to <100.00	–	–	–	–	–	–
	100.00 (Default)	–	–	–	100.0	–	–

No major changes have been noted since previous reporting on December 31, 2021.

5.5 COUNTERPARTY CREDIT RISK

QUALITATIVE DISCLOSURE RELATED TO CCR (EU CCRA)

Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties *(Article 439 (a) CRR)*

SCBC applies the Standardised Approach for Counterparty Credit Risk (SA-CCR) for capital adequacy purposes.

In accordance with the credit instruction adopted by the Board, credit risk limits are established by SBAB's Credit Committee for all counterparties in the treasury operations. The utilised limit is calculated as the market value of financial derivatives, repos and investments. For derivative and repo contracts, the effect of collateral pledged or received under CSAs and GMRAs is included in the total net exposure. Moreover, for derivatives, an add-on amount is also calculated for future risk-related changes according to SA-CCR. The credit risk limit may be established for a period of no longer than one year, following which a new assessment must be conducted. The decisions of the Credit Committee are reported to the Board at the following Board meeting.

Description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves *(Article 439 (b) CRR)*

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivatives that are not cleared through a central clearing counterparty (CCP) approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement must have been concluded with the counterparty. In most cases, the framework agreement, an ISDA Master Agreement or similar agreements with terms for final settlement, have been supplemented with a credit support annex (CSA).

Description of policies with respect to Wrong-Way risk as defined in Article 291 of the CRR *(Article 439 (c) CRR)*
The ISDA Master Agreement entails, inter alia, that netting is regulated in the event of bankruptcy. A CSA means that the parties have agreed in advance to transfer collateral if the exposure exceeds a specified threshold amount. The threshold amount and the minimum amount to be transferred to or from the counterparty can vary depending on the parties' ratings.

GMRAs are used to limit the counterparty risk associated with repo transactions. GMRAs also minimize wrong-way risk (WWR), which arises when the exposure to a counterparty increases together with the risk of the counterparty's default. These agreements control aspects such as the transfer of collateral to or from the counterparty.

CSAs are reconciled on a daily basis or on a weekly basis. When CSAs are in place, collateral is pledged to reduce net exposures. Wherever applicable, the posted and received collateral takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations. This way of handling CSA minimizes WWR in derivatives.

Any other risk management objectives and relevant policies related to CCR *(Article 431 (3) and (4) CRR)*
All the relevant risk management objectives and policies related to CCR are described under Article 439 (a,b,c and d).

The amount of collateral the institution would have to provide if its credit rating was downgraded *(Article 439 (d) CRR)*
A decline in SCBC's rating would not result in the need for SCBC to provide extra collateral to any external counterparty.

ANALYSIS OF CCR EXPOSURE BY APPROACH (EU CCR1)

SEK million Exposure class	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU - Original Exposure Method (for derivatives)	–	–		1.4	–	–	–	–
EU - Simplified SA-CCR (for derivatives)	–	–		1.4	–	–	–	–
SA-CCR (for derivatives)	430	3,318		1.4	5,248	5,248	5,248	121
IMM (for derivatives and SFTs)			–	–	–	–	–	–
Of which securities financing transactions netting sets			–		–	–	–	–
Of which derivatives and long settlement transactions netting sets			–		–	–	–	–
Of which from contractual cross-product netting sets			–		–	–	–	–
Financial collateral simple method (for SFTs)					–	–	–	–
Financial collateral comprehensive method (for SFTs)					96	96	96	13
VaR for SFTs					–	–	–	–
Total					**5,343**	**5,343**	**5,343**	**134**

Since June 30, 2022 the derivatives exposure is similar while RWEA has decreased due to a credit rating change of counterparty.

TRANSACTIONS SUBJECT TO OWN FUNDS REQUIREMENTS FOR CVA RISK (EU CCR2)

SEK million Exposure class	Exposure value	RWEA
Total transactions subject to the Advanced method	–	–
(i) VaR component (including the 3× multiplier)		–
(ii) stressed VaR component (including the 3× multiplier)		–
Transactions subject to the Standardised method	5,248	879
Transactions subject to the Alternative approach (Based on the Original Exposure Method)	–	–
Total transactions subject to own funds requirements for CVA risk	**5,248**	**879**

Since June 30, 2022 the derivatives exposure is similar while RWEA has decreased due to a shorter average duration of the derivatives and a credit rating change of a counterparty.

STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY EXPOSURE CLASS AND RISK WEIGHTS (EU CCR3)

SEK million Exposure class	Risk weight 0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
Central governments or central banks	–	–	–	–	–	–	–	–	–	–	–	–
Regional government or local authorities	–	–	–	–	–	–	–	–	–	–	–	–
Public sector entities	–	–	–	–	–	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–
International organisations	–	–	–	–	–	–	–	–	–	–	–	–
Institutions	4,676	–	–	–	668	–	–	–	–	–	–	5,343
Corporates	–	–	–	–	–	–	–	–	–	–	–	–
Retail	–	–	–	–	–	–	–	–	–	–	–	–
Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–
Other items	–	–	–	–	–	–	–	–	–	–	–	–
Total exposure value	**4,676**	**–**	**–**	**–**	**668**	**–**	**–**	**–**	**–**	**–**	**–**	**5,343**

Since June 30, 2022 one derivative has been novated. Now SCBC has one derivative that isn't internal.

COMPOSITION OF COLLATERAL FOR CCR EXPOSURES (EU CCR5)

	Collateral used in derivative transaction				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
SEK million Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency	–	–	–	–	–	–	–	–
Cash – other currencies	–	–	–	–	–	–	–	–
Domestic sovereign debt	–	–	–	–	–	–	–	–
Other sovereign debt	–	–	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	3,381	–	1,568
Equity securities	–	–	–	–	–	–	–	–
Other collateral	–	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**3,381**	**–**	**1,568**

Since March 31, 2022 one derivative has been novated.

EXPOSURES TO CCPS (EU CCR8)

SEK million	Exposure value	RWEA
Exposures to QCCPs (total)		**–**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–
(i) OTC derivatives	–	–
(ii) Exchange-traded derivatives	–	–
(iii) SFTs	–	–
(iv) Netting sets where cross-product netting has been approved	–	–
Segregated initial margin	–	
Non-segregated initial margin	–	–
Prefunded default fund contributions	–	–
Unfunded default fund contributions	–	–
Exposures to non-QCCPs (total)		**–**
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	–	–
(i) OTC derivatives	–	–
(ii) Exchange-traded derivatives	–	–
(iii) SFTs	–	–
(iv) Netting sets where cross-product netting has been approved	–	–
Segregated initial margin	–	
Non-segregated initial margin	–	–
Prefunded default fund contributions	–	–
Unfunded default fund contributions	–	–

6 Liquidity risk & Funding

Liquidity risk is defined as the risk that SCBC is not able to meet its payment obligations without the related cost of obtaining liquidity increasing significantly. Liquidity risk is recognized by SCBC as a necessary risk and shall be maintained at such a level that SCBC can manage a period of acute liquidity crisis without relying on the capital market. SBAB and SCBC are managed collectively as a single liquidity group according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council, which among others requires free movement of funds within the liquidity group. SCBC has a liquidity facility agreement with the parent company, SBAB, under which SCBC can borrow money for its operations from the parent company when necessary.

6.1 LIQUIDITY RISK

As the liquidity risk in SCBC is managed in cooperation with SBAB, the following table contains answers for the group.

LIQUIDITY RISK MANAGEMENT (EU LIQA)

Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding *(Article 451a(4))*

SBAB has maintained an active international capital market presence since 1989. Short-term, mid-term and long-term funding take place on a global basis. Moreover, the SBAB Group has access to the covered bond market, both in Sweden and internationally, through SCBC. In addition to issuing bonds, SBAB is funded by retail deposits.

Structure and organisation of the liquidity risk management function (authority, statute, other arrangements) *(Article 451a(4))*

The liquidity risk team reports to the manager of liquidity and market risk, whom in turn reports to the CRO. The organisational structure enables quick and adequate identification and reporting of any changes in the banks liquidity risk profile.

A description of the degree of centralisation of liquidity management and interaction between the group's units *(Article 451a(4))*

The group has a central liquidity management function through which the Group's entire liquidity in all currencies is forecasted and managed in a shared Group account structure. The overall aim of SBAB's liquidity strategy is to ensure SBAB's survival in terms of liquidity and that the company can effectively meet its payment obligations. Key features of the strategy are proactive and continuous liquidity planning, active debt management and the scope, content and management of SBAB's liquidity reserve.

Scope and nature of liquidity risk reporting and measurement systems *(Article 451a(4))*

The liquidity coverage ratio is defined by SBAB in accordance with the European Commission delegated regulation (EU) 2015/61. This is a metric of the degree to which the liquidity reserve covers a 30-day net cash outflow in a stressed scenario. Under the regulation, the metric must amount to not less than 100% aggregated over all currencies. Furthermore, the net stable funding ratio (NSFR) is calculated according to Regulation (EU)2019/876 of the European Parliament and the Council.

In addition to regulatory liquidity risk metrics, SBAB has a number of internal metrics. These include the measurement and stress testing of the liquidity risk by predicting the cumulative liquidity needs for each coming day, referred to as the survival horizon. The calculations are based on a crisis scenario where all lending is assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no extra market financing is available. A conservative assumption is applied to predictions on the retail deposits from which withdrawals are made over time. The distribution of the withdrawals is built on historical data. Thereafter, the maximum need for liquidity can be identified on a daily level for any given future period, which indicates the amount of required liquidity reserve. The survival horizon is the number of days for which all outflows can be covered by the liquidity reserve without the need for additional funding. According to SBAB's Internal limit, the survival horizon must at least amount to 180 days at the consolidated currency level. In addition to the above-mentioned metrics, the short-term liquidity risk is also followed-up through other internal metrics, for which limits apply.

Liquidity risk reporting is divided into three categories based on disclosure frequency. The daily report includes quantitative information on limits and crucial liquidity data – this report is sent to the relevant internal stakeholders and the CRO. The monthly report includes the same information as the daily report, however, with additional qualitative information briefly describing the changes in the risk metrics. The monthly report is sent to the CRO, executive management and the Board members. The quarterly report contains a comprehensive analysis on the banks liquidity risk profile and is also sent to the CRO, executive management and the Board members.

Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants *(Article 451a(4))*
Historically there have been good possibilities to mitigate concentration, liquidity and refinancing risks through bond repurchasing and maturity extension on the Swedish covered bond market. Another key element of the SBAB Group's funding strategy is to achieve an even maturity profile over time. This is achieved by actively choosing maturities during the issuing process to avoid excessive concentrations of future maturities and by continuously repurchasing and exchanging outstanding debt (active debt management). Compared with the European covered bond market, the Swedish covered bond market has relatively large outstanding volumes for individual loans.

An outline of the bank's contingency funding plans *(Article 451a(4))*
SBAB has a contingency plan for the management of liquidity crises. The contingency plan contains a clear delegation of responsibility for the personnel concerned as well as instructions for the company to rectify potential liquidity deficits. The plan also contains definitions of various events that can cause and escalate the contingency plan and stipulates suitable actions to handle these crisis events. The contingency plan is regularly tested and updated based on, for example, the results of stress tests.

An explanation of how stress testing is used *(Article 451a(4))*
SBAB performs stress tests of liquidity risk regularly as one of the internal requirements to analyze and perform contingency management of liquidity risk. The stress test models have been designed in line with the Swedish FSA's regulations on liquidity management, which impose general requirements on stress tests (FFFS 2010:7). The models analyze SBAB's capacity to meet the need for cash and cash equivalents in various market scenarios and assess the effect of protracted stress on SBAB's ability to finance its operations. The scenarios are designed based on SBAB's specific risk profile and cover both company-specific and market-related scenarios that cause difficulties in financing.

The stress tests are under continuous development and the assumptions made in various scenarios are assessed regularly. The stress tests are conducted and reported quarterly, with results assessed against SBAB's established risk appetite.

A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy *(Article 451a(4))*
Liquidity risk is recognized by SBAB as a necessary risk and shall be maintained at such a level that SBAB can manage a period of acute liquidity crisis without relying on the capital market. SBAB assures that that liquidity risk management systems put in place are adequate with regard to the institution's risk profile and strategy. *See Chapter 2 for the Board's statement on risk management and a brief risk declaration.*

A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body *(Article 451a(4))*
The overall aim of SBAB's liquidity strategy is to ensure SBAB's survival in terms of liquidity and that the company can effectively meet its payment obligations. Key features of the strategy are proactive and continuous liquidity planning, active debt management and the scope, content and management of SBAB's liquidity reserve. SBAB limits its dependence on market financing by applying a limit on the ratio between deposits and lending to the public. On 31 December 2022, the ratio was 36% compared with the limit of 28%. SBAB also measures its structural liquidity risk through a metric for maturity matching that captures the relationship between the maturities of assets and liabilities from a liquidity perspective at various points in the future. This can be viewed as SBAB's internal version of the NSFR. *See Chapter 2 for the Board's statement on risk management and a brief risk declaration.*

6.2 ENCUMBERED AND UNENCUMBERED ASSETS

ACCOMPANYING NARRATIVE INFORMATION (EU AE4)

(Article 443, CRR)
General narrative information on asset encumbrance
As a part of SBAB's operations, residential mortgages are transferred to the subsidiary SCBC. These residential mortgages can include credits pledged against mortgages in real estate intended for residential purposes, against tenant-owners' rights or credits that otherwise qualify for inclusion in the cover pool for covered bonds. Derivative contracts may be used to hedge interest rate risk and currency risks. Through derivatives, SCBC is able to convert assets with a fixed interest rate profile to floating rate payments linked to 3-month STIBOR. For liabilities, SCBC are using cross currency swaps and interest rate swaps to hedge interest rate risks and currency risks arising from funding in foreign currencies.

An explanation of any difference between the regulatory consolidation scope used for the purpose of the disclosures on asset encumbrance and the scope retained for the application of the liquidity requirements on a consolidated basis as defined in Chapter 2 of Title I of Part Two CRR, which is used to define (E)HQLA eligibility;
There is no difference between the regulatory consolidation scope used for the purpose of the disclosures on asset encumbrance and the scope retained for the application of the liquidity requirements on a consolidated basis as defined in Chapter 2 of Title I of Part Two CRR, which is used to define (E)HQLA eligibility.

An explanation of any difference between, on the one hand, pledged and transferred assets in accordance with the applicable accounting frameworks and as applied by the institution and, on the other hand, encumbered assets and an indication of any difference of treatment of transactions, such as when some transactions are deemed to lead to pledge or transfer of assets but not to encumbrance of assets, or vice versa;
There is a difference between the expressions. Encumbered assets is a narrower term that refers to the assets that are only used for the covered pool and covered bonds. Pledged / transferred assets also include a number of different situations where the Group sends assets / securities to borrow money or cover an exposure (e.g., sell-buy-back repurchase agreements, collateral management and securities transfers to the Bank of Sweden for credit utilization / borrowing). The outlining difference in the concepts is that encumbered assets are found in the Group's accounts, while transferred/pledged assets are held in the counterparty's custodian accounts outside of the banks' control. There are therefore situations where certain transactions are considered to lead to a pledge or transfer of assets, however, not to encumbrance.

The exposure value used for the purposes of disclosure and how median exposure values are derived;
The exposure value used for the purposes of disclosure is based on a point-in-time value derived from the balance sheet, thus no median values are calculated.

Narrative information relating to the impact of the institution's business model on its level of encumbrance and the importance of encumbrance on the institution's funding model
The cover pool assets consist mainly of loans to the public in the form of loans against mortgages of immovable property intended for residential use or against pledged tenant-owners' rights. The cover pool may also include substitute collateral, and it is consequently possible to include derivatives or securities in the cover pool.

The main sources and types of encumbrance, detailing, where applicable, encumbrance due to significant activities with derivatives, securities lending, repos, covered bonds issuance and securitization;
The main source of encumbrance stems from covered bond issuances conducted by SCBC.

The structure of encumbrance between entities within a group, and especially whether the encumbrance level of the consolidated group stems from particular entities and whether there is significant intragroup encumbrance;
No material intragroup encumbrance exists.

Information on over-collateralisation, especially regarding covered bonds and securitisations, and the incidence of over-collateralisation on the levels of encumbrance;
SCBC exceeds by a significant margin the over-collateralisation requirements set by the national Swedish legislation and the external credit rating agencies. Therefore, even in the event of impactful market disturbances, SCBC is well equipped to maintain sufficient collateralisation levels.

Additional information on encumbrance of assets, collateral and off-balance sheet items and the sources of encumbrance by any significant currencies other than the reporting currency as referred to in Article 415(2) CRR;
SCBC does not have materially encumbered assets in any other currency than SEK.

A general description of the proportion of items included in column 060 'Carrying amount of unencumbered assets' in template EU AE1 that the institution would not deem available for encumbrance in the normal course of its business (e.g. intangible assets, including goodwill, deferred tax assets, property, plant and other fixed assets, derivative assets, reverse repo and stock borrowing receivables);
The proportion of items, which are not deemed available for encumbrance in the normal course of business (e.g. intangible assets, including goodwill, deferred tax assets, property, plant and other fixed assets, derivative assets, reverse repo and stock borrowing receivables) included in column 060 'Carrying amount of unencumbered assets' in Template EU AE1 equals SEK 151,508 million and is comprised mainly by loans and advances not encumbered for covered bonds.

The amount of underlying assets and of cover pool assets of retained securitisations and retained covered bonds, and whether those underlying and cover pool assets are encumbered or unencumbered, along with the amount of associated retained securitisations and retained covered bonds;
Nor SBAB or SCBC has any retained securitisations or retained covered bonds.

Where relevant for explaining the impact of their business model on their level of encumbrance, details (including quantitative information if relevant) on each of the following:
i) the types and amounts of encumbered and unencumbered assets included in row 120 of template EU AE1;
ii) the amounts and types of encumbered assets and off-balance sheet items included in row 010 of template EU AE3 that are not associated with any liabilities;
It is not considered relevant for either SBAB or SCBC to disclose the impact on the business model the types and amounts of encumbered and unencumbered assets included in row 120 of template EU AE1 or the amounts and types of encumbered assets and off-balance sheet items included in row 010 of template EU AE3 that are not associated with any liabilities.

Where relevant in the context of their use of encumbrance in relation to their business model, additional information on the breakdown of the following rows in the templates EU AE1, EU AE2 and EU AE3:
i. Row 120 of template EU AE1 - 'Other assets',
ii. Row 230 of template EU AE2 'Other collateral received',
iii. Row 010 of template EU AE3 - 'Carrying amount of selected financial liabilities' (especially if part of the encumbrance of assets is associated with liabilities and another part is not).
It is not considered relevant in the context of the use of encumbrance in relation to SCBC's or SCBC's business model, to provide additional information on the breakdown of row 120 of template EU AE1, row 230 of template EU AE2 or row 010 of template EU AE3.

ASSET ENCUMBERED DISCLOSURES (EU AE1)

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		*of which notionally eligible EHQLA and HQLA*		*of which EHQLA and HQLA*		*of which EHQLA and HQLA*
Assets of the reporting institution	342,805	–			151,508	–		
Equity instruments	–	–	–	–	–	–	–	–
Debt securities	–	–	–	–	–	–	–	–
of which: covered bonds	–	–	–	–	–	–	–	–
of which: securitisations	–	–	–	–	–	–	–	–
of which: issued by general governments	–	–	–	–	–	–	–	–
of which: issued by financial corporations	–	–	–	–	–	–	–	–
of which: issued by non-financial corporations	–	–	–	–	–	–	–	–
Other assets	342,805	–			151,508	–		

No significant changes since previous reporting period are identified.

COLLATERAL RECEIVED (EU AE2)

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		*of which EHQLA and HQLA*
Collateral received by the reporting institution	–	–	–	–
Loans on demand	–	–	–	–
Equity instruments	–	–	–	–
Debt securities	–	–	–	–
of which: covered bonds	–	–	–	–
of which: securitisations	–	–	–	–
of which: issued by general governments	–	–	–	–
of which: issued by financial corporations	–	–	–	–
of which: issued by non-financial corporations	–	–	–	–
Loans and advances other than loans on demand	–	–	–	–
Other collateral received	–	–	–	–
Own debt securities issued other than own covered bonds or securitisations	**–**	**–**	**–**	**–**
Own covered bonds and asset-backed securities issued and not yet pledged			**–**	**–**
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**–**	**–**		

No significant changes since previous reporting period are identified.

SOURCES OF EMCUMBRANCE (EU AE3)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	342,805	342,805

No significant changes since previous reporting period are identified.

7 Market risk

Market risk is the risk of loss or reduced future income due to market fluctuations.

7.1 MARKET RISK

QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO MARKET RISK (EU MRA)
When disclosing information on the risk management objectives and policies to manage market risk, institutions shall include *(Points (a) to (d) of Article 435(1) CRR)***:**

An explanation of their management's strategic objectives in undertaking trading activities;
The governing principle of SCBC's exposure to market risk is that the level of risk taking should be low. SCBC does not have a trading book.

The processes implemented to identify, measure, monitor and control the institution's market risks;
VaR is a comprehensive portfolio metric expressing the potential loss that could occur given a certain level of probability and holding period. SCBC is using VaR, based on stressed market data, to quantify internal assessed capital requirements for credit spread risk and currency risk.

SCBC's model is a historical model and applies percentiles in historical market data from the past two years. This means that the model does not make any assumption about a certain probability distribution in advance, the empirical distribution is used instead.

Limits for the day-to-day follow up of VaR are set as SCBC's total market risk and is based on the VaR metric and applies a probability level of 99% and a holding period of one year. Exposures to interest rate risk in the banking book is disclosed under article 448 CRR.

The policies for hedging and mitigating risk;
Funding in international currencies are hedged through currency swaps or invested in matching currencies to mitigate currency risk. Basis risk is considered low as the degree of hedging imperfection is very low. Credit spread risk arises from the liquidity portfolio and is mitigated by having high quality requirements on the bonds that are purchased.

Strategies and processes for monitoring the continuing effectiveness of hedges;
The monitoring of interest, basis, credit spread and currency risk is done by calculating the value at risk amount and impact of stress tests. The vast majority of currency risk stems from covered bond issuances in foreign currencies, however, all of the issuances are hedged one-to-one with the underlying covered bond. Hence, the hedging effectiveness is considered extremely high.

When disclosing information on the structure and organisation of the market risk management function, institutions shall include *(Point (b) of Article 435 (1) CRR)***:**

A description of the market risk governance structure established to implement the strategies and processes of the institution discussed in row (a) above;
SCBC is characterised by low risk taking, with the Board determining the overall risk appetite and setting the limits for the risk metric Value at Risk (VaR) and limits related to interest rate risk in the banking book. In addition to the Board decided limits, a number of supplementary risk-based metrics set by the CEO of SCBC are also subject to limitation. Risk Control checks, compliance with current risk levels, and limits on a daily basis.

SCBC uses the standardised approach to quantify capital requirements for market risk in Pillar 1. The regulatory capital requirements for market risk is shown in the table Market risk under standardised approach (EU MR1).

A description of the relationships and the communication mechanisms between the different parties involved in market risk management;
Each year a baseline scenario is established in co-operation with internal stakeholders, which represents the most plausible development of the business activities. The asset & liability team models in close co-operation with the treasury team, according to the chosen inputs, the bank's balance sheet and forecasts the funding needs. Throughout the year, the actual development is mirrored against the forecasted development and corrections are made if necessary. Additionally, if the market sentiment and the macro-economic factors change significantly due to unforeseen circumstances, the baseline scenario is updated accordingly. The development of the bank's balance sheet and off-balance sheet commitments in combination with market rates and prices is what keeps the bank's market risk under a constant change – however, the fluctuation is modest under normal market conditions, as SCBC's market risk expo-

sure is low. The market risk team follows daily the bank's risk profile and if unanticipated events occur that affect the risk profile, the pre-defined escalation process is followed, which ensures efficient information transferring to all relevant stakeholders. To ensure efficient and reliable planning and a thorough assessment of the future development of market risks, a proactive method of working has been established in terms of a monthly internal risk forum, which strives to continuously challenge the established routines of forecasting, measuring, controlling and reporting of market risks.

When disclosing information on the scope and nature of market risk disclosure and measurement systems, institutions shall provide a description of the scope and nature of market risk disclosure and the measurement systems *(Point (c) of Article 435 (1) CRR)***;**
In addition to the limits determined by the Board, the CEO has set a number of supplementary risk metrics for different kind of market risks to which SCBC is exposed. Currency risk is controlled by measuring the effect on present value when currency exchange rates change and in the liquidity portfolio by controlling the matching of the principal in each currency. Limits are also in place for basis spread risk and credit spread risk.

The market risk reporting follows the same structure as the liquidity risk reporting disclosed in chapter 6.1. The market risk team validates the results each day in the daily report.

MARKET RISK UNDER THE STANDARDISED APPROACH (EU MR1)

	RWEAs
Outright products	
Interest rate risk (general and specific)	–
Equity risk (general and specific)	–
Foreign exchange risk	611
Commodity risk	–
Options	
Simplified approach	–
Delta-plus approach	–
Scenario approach	–
Securitisation (specific risk)	**–**
Total	**611**

Since June 30, 2022 the foreign exchange risk has decreased slightly and still remains low.

7.2 IRRBB

INTEREST RATE RISK ON POSITIONS NOT HELD IN THE TRADING BOOK (EU IRRBBA)

A description of how the institution defines IRRBB for purposes of risk control and measurement *(Point (e) of Article 448 (1) CRR)*
Interest-rate risk is defined as the risk that interest rate variations lead to losses or lower future income as assets and liabilities have different fixed-interest periods and/or interest terms.

A description of the institution's overall IRRBB management and mitigation strategies *(Point (f) of Article 448 (1) CRR)*
Interest rate risk is mitigated by matching the tenors and reference rate on both the liability and asset side of the balance sheet. This is achieved by active debt management and by using derivatives. Pre-defined limits are in place to continuously monitor that interest rate risk is kept within the bank's risk appetite. The limits are defined by the Board of Directors and by the CEO and they are all monitored daily.

The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB *(Point (e (i) and (v)) of Article 448 (1) and Article 448(2) CRR)*
Interest rate risks for the economic value of equity arising from parallel move and twist of the curve is calculated daily based on the six different shock scenarios defined by the SFSA. SCBC reports quarterly interest rate risk in the banking book according to the method defined in FFFS 2007:4. The calculations for the capital requirement, information collection and semiannual risk meetings with the SFSA are performed according to the method described in FI Dnr 19-4434.

A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in the economic value and in net interest income (if applicable) *(Point (e (iii)) of Article 448 (1) and Article 448(2) CRR)*
Not applicable. SCBC complies with the requirements laid down in article 448(2) CRR.

A description of the key modelling and parametric assumptions different from those used for disclosure of template EU IRRBB1 (if applicable) *(Point (e (ii)) of Article 448 (1) and Article 448(2) CRR)*
Not applicable. SCBC complies with the requirements laid down in article 448(2) CRR.

A high-level description of how the Institution hedges its IRRBB, as well as the associated accounting treatment (if applicable) *(Point (e (iv)) of Article 448 (1) and Article 448(2) CRR)*
Not applicable. SCBC complies with the requirements laid down in article 448(2) CRR.

A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable) *(Point (c) of Article 448 (1) and Article 448(2) CRR)*
Not applicable. SCBC complies with the requirements laid down in article 448(2) CRR.

Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures *(Point (d) of Article 448 (1) CRR)*
SCBC calculates interest rate risk in the banking book according to the EBA guidelines and the specific instructions disclosed by the SFSA FI dnr 19-4434, hence all the risk measure changes are disclosed by these two institutions. However, no significant changes have been implemented during the last financial year.

Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)
None.

Disclosure of the average and longest repricing maturity assigned to non-maturity deposits *(Point (g) of Article 448 (1) CRR)*
SCBC follows the modelling requirements for non-maturing deposits defined in FI dnr 19-4434. Currently, all non-maturing deposits are modelled to mature overnight.

INTEREST RATE RISKS OF NON-TRADING BOOK ACTIVITIES (EU IRRBB1)

	Changes of the economic value of equity		Changes of the net interest income	
Supervisory shock scenarios	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Parallel up	420	–154	1,087	1,082
Parallel down	–999	56	–1,087	–1,082
Steepener	164	118		
Flattener	–146	–282		
Short rates up	121	–304		
Short rates down	–252	151		

Since June 30, 2022 the worst scenario has shifted from “Short rates up” to “Parallel down”.

8 Operational risk

Operational risk is defined as the risk of losses stemming from inadequate or failed internal processes and systems, human error or from external events. Operational risk includes legal risks but excludes reputational risk and is embedded in all banking products and activities.

8.1 OPERATIONAL RISK

QUALITATIVE INFORMATION ON OPERATIONAL RISK (EU ORA)

Disclosure of the risk management objectives and policies (*Points (a), (b), (c) and(d) of Article 435(1) CRR)*

Strategies and processes;
The basis of an operational risk management process is a continuous identification, analysis and assessment, management and monitoring of risks.

Structure and organisation of risk management function for operational risk;
The second line of defense (Risk) has an overall responsibility for the methods and procedures used to manage operational risks. The management of operational risks is conducted based on SCBC's risk appetite and the business essential processes. This involves continuous work on developing employees' risk awareness and the bank's risk culture, improving processes and routines and providing tools for efficient and proactive management in daily work.

Risk measurements and control;

- Risk and Control Self-Assessment (RCSA)
  The RCSA-process includes the identification and evaluation of operational risks in all essential processes. The self-assessment is carried out using a common method and is documented in the joint GRC-system. The results of the RCSA are reported annually to the Board, the CEO and the management body.
- Incident management
  SCBC has routines for reporting and following up incidents. The Risk department supports the business with analysis of reported incidents to ensure that root causes are identified and that appropriate measures are taken. Incidents that have not caused any direct damage or financial loss are also reported to promote proactive risk management.
- Control of new products and significant changes
  SCBC's process for managing new products and significant changes addresses the development of new products, markets and services, and significant changes to existing ones. The process also encompasses material changes to processes, systems and organization. The purpose of the process is to ensure that changes are consistent with the risk strategy and risk appetite.
- Business continuity management
  SCBC works to prevent incidents that may affect the company's ability to conduct operations. A crisis organization responsible for crisis and disaster management as well as communication is established and tested regularly in collaboration with external crisis management experts.
- Significant operational risks
  SCBC has identified a set of risks that, if they occur, could have a greater impact on SCBC's operations than other risks. The development of these risks is monitored on an ongoing basis by the management body and the Board and is considered in the framework of SCBC's business planning. The significant operational risks (Information security risk and Technical debt) are described below.
- Information security risk
  The cyber threat to the Swedish financial sector is extensive and persistent. SCBC has a dedicated security team with specialists who aims to develop and maintain a high cyber security level for the bank. This is achieved through proactive work for a strong digital security perimeter and a high level of security within this perimeter. The team also works proactively to increase risk and safety awareness throughout SCBC. Furthermore, the bank has a special department for data privacy. They review the handling of personally identifiable information and set the requirements to ensure that the bank follows current regulations. In the implementation of the IT strategy the business works with small deliveries to minimize the risk of major disruptions.
- Technical debt
  The technological development in the market has been rapid in recent years, rendering that some of SCBC's infrastructure is about to become outdated. An extensive project to replace the system platform was initiated in 2016 and has been ongoing with full intensity and high priority since then. The project is planned to continue until the third quarter of 2023. SCBC's IT strategy has clearly defined goals and priorities to ensure that the identified risks are managed appropriately. The development and outcome related to the projects duration and cost are closely monitored by the management body and the Board. The agile approach with shorter lead times as well as closer intervals between deployment to production increases flexibility and enables efficiency.

Operational risk reporting;
An analysis of the overall risk level is regularly reported to the Board of Directors, the CEO and the management body.

Policies for hedging and mitigating operational risk.
As part of strengthening SCBC's risk culture Risk and Regulatory Coordinators (RRS) are established in the first line of defense. The role of the RRS is to act as support to the business managers, focusing on risk management, process mapping, internal controls, incident management and compliance. SCBC does not use any derivative instruments to hedge operational risk.

Disclosure of the approaches for the assessment of minimum own funds requirements *(Article 446 CRR)*
SCBC applies the standardised approach for capital adequacy for operational risk under Pillar 1. This approach calculates the capital requirement based on the beta factors 12% and 15%, respectively of the business area's average operating income over the past three years. SCBC does not identify any additional amount under Pillar 2 for operational risk.

Description of the AMA methodology approach used (if applicable) *(Article 446 CRR)*
Not applicable.

Disclose the use of insurance for risk mitigation in the Advanced Measurement Approach (if applicable) *(Article 454 CRR)*
Not applicable.

OPERATIONAL RISK OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS (EU OR1)

	Relevant indicator				
Banking activities	Year-3	Year-2	Last year	Own funds requirements	Risk exposure amount
Banking activities subject to basic indicator approach (BIA)	–	–	–	–	–
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	2,780	3,008	3,418	394	4,928
Subject to TSA:	2,780	3,008	3,418		
Subject to ASA:	–	–	–		
Banking activities subject to advanced measurement approaches AMA	–	–	–	–	–

9 Sustainability risk

According to the EBA report on prudential disclosures on ESG risks in accordance with Article 449a CRR, issued in January 2022 (EBA/ITS/2022/01) a new section has been included in this years annual Pillar 3 disclosures. The requirements issued by the regulator came into force June 28, 2022 with first disclosures provided on a yearly basis. For this the first disclosure period, a total of five quantiative templates are required. Information mandatory mandatory after December 31, 2022, is not included in the first publication. The section with qualitative information is split into three parts, Business strategy and processes, Governance and Risk management, each part compiles questions and answers to the acronym Environmental, Social and Governance respectively.

9.1 QUALITATIVE INFORMATION ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK

BUSINESS STRATEGY AND PROCESSES

Institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model, strategy and financial planning (Article 449a in conjunction with Article 435(1), points (a) and (e) CRR)

Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy and financial planning (Article 449a in conjunction with Article 435(1), points (a) and (e) CRR))

Based on the materiality assessment, SCBC prepared and established three overall commercial and sustainable development target areas for the operations: Responsibility and transparency; Attractive workplace; and Sound finances. These targets are integrated and monitored in the business through well-defined sustainability ambitions. Read more on how the prioritized goals are integrated into SCBC's steering model for sustainable development in SBAB's annual report, see page 168-169..

SCBC integrates business strategy with environmental and social factors and risks in accordance with external regulations and guidelines, for instance, The state ownership policy, Annual Accounts Act, Agenda 2030, UN Principles for Responsible Banking (PRB), Global Reporting Initiative Standards (GRI), Global Compact and EU Taxonomy. SCBC has a policy for Sustainable enterprise, and it is fully integrated into SCBC's business and steering model for the operations. As part of strengthening SCBC's risk culture, the bank implemented risk and compliance coordinators (RCCs) in the first line. For further information on three lines of defense see page 15 in the report. The RCCs support the business managers with a focus on risk management, process mapping, internal controls, incident management and regulatory compliance, where sustainable finance is included.

SCBC's role and responsibilities when it comes to achieving the sustainable development goals (SDG) is based on the mission to contribute to better housing and household finances. To ensure that the full force of SCBC's business is utilized to contribute to better housing and household finances, four of the UNs 17 SDGs are prioritized. The goals are also integrated into the daily work and sustainable governance model. Description for what each prioritizes goals mean for SBAB is summarized in the annual report, page 24 och 179. SCBC has joined the Partnership for Carbon Accounting Financials (PCAF), a partnership between financial institutions aimed at creating a standardized methodology for measuring GHG emissions tied to lending and investment portfolios. SCBC's financed emissions and climate target is also published externally for fully transparancy in the Climate Report on sbab.se

SCBC has integrated the most material physical risks and transition risks of environmental risk into the risk strategy, risk policy and risk appetites.

Objectives, targets and limits to assess and address environmental and social risks in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes (Article 449a in conjunction with Article 435(1) points (a), (c), (d), (e) and (f) CRR)

In 2021, SCBC's Board decided to conduct a sustainability analysis of SCBS's operations based on a materiality assessment. The analysis identified the status and determined the ambition levels as well as objectives for 2025. The analysis identified 21 prioritized areas within which SCBC faced challenges or possibilities of varying scope.

SCBC's ambitions and targets for 2025 were strategically reprioritized. The prioritized areas include working to reduce the climate impact, both from SCBC's own operations and in the portfolio (financed emissions), and integrating climate risk into the risk analysis system. Business ethics and transparency were also identified as prioritized areas, which includes Hållbar Byggbranch (Eng: Sustainable Construction Industry) project which focuses on acceptable and decent workconditions. In the context of the Principles for Responsible Banking (PRB), this can be summarized as climate change mitigation and decent employment. Following the materiality assessment and impact analysis, SCBC will continue to develop targets in line with the PRB's recommendations for this area. One of the key target developments, is the climate target connected to SCBC's financed emssions, see more details in SBABs Climate Report on sbab.se SCBC has a green bond framework with targets in the short and medium term. To understand how the Green bonds framework is designed and how the framework contribute to the climate work, see in SBAB's annual report page 6,8,9 and 174.

SCBC has implemented a Key Risk Indicator (KRI) that is defined as a value that indicate a change in climate risk profile. The KRI covers the acute physical risks regarding floods and monitors the share of capital linked to houses in zones with an elevated risk of flooding.

Climate risk is mainly managed through a broadened customer dialogue, internal training, product development and customer communication. In the credit granting process for property companies and tenant-owners' associations, certain sustainability criteria are considered as a part of the overall assessment. In 2019, SCBC completed an initial analysis of how the future physical climate risks could impact the mortgage portfolio. The analysis indicates that rises in sea levels and the risk of flooding have limited impact on SCBC's portfolio. In 2021, the analysis led to above mentioned KRI. The levels of a KRI must reflect the risk appetite within the respective the risk areas.

To better respond to new market conditions and changes in the world around us, SCBC has developed and decided new target areas and business goals during the year. From 2023, we will report on the new business goals that extend to 2030. SCBC's climate goal is one of five business goals and is fully integrated into the operations.

The climate target is connected to SCBC financed emissions. The climate goal established is based on the latest climate science and connects to SCBC operations with a long-term perspective. To ensure that the climate goal fulfil quality conditions, SCBC has committed to the Science Based Target Initiative (SBTi) on reducing SCBC's emission from the lending to ur private, tenant owner association and commercial clients by 50 % to 2038.

Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities (Article 449a in conjunction with Article 9 of Regulation (EU 2020/8522))

SCBC's current investments activities and targets towards environmental objectives and EU Taxonomy-aligned activities are focuces on construction of new buildings and renovation of existing buildings. SCBC's aim is to finance its green lending by way of green funding. The green bond framework with targets in the short and medium term. SCBC will initiate an ESG-screening process within the liquidity portfolio during 2023 according to EU taxonomy.The work on climate change mitigation is reported in SBAB's Green Bonds Impact report, Climate report and Annual reports.

Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks and social harmful activities(Article 449a in conjunction with Article 435(1) point (d) CRR)

Climate risk is mainly managed through a broadened customer dialogue, internal training, product development and customer communication. There is also a continuous process to collect, analyze and increase the quality on climate-related data.

Since 2018 we have automatically provided Green Mortgages to customers who live in single-family homes or apartments that have a valid energy performance certificate with energy class A, B or C, that is, in line with or above the energy requirements for new builds in Sweden. The better the energy class, the greater the reduction to the mortgage rate. The Bank-the green mortgage as an incentive for the energy class level C to invest in more energy-efficient homes.

SCBC has regular and close dialogue with the counterparties within corporate client's and tenant-owners' associations on their overall strategies on environmental and social risks. In the credit granting process for property companies and tenant-owners' associations, certain sustainability criteria are considered as a part of the overall assessment.

SCBC has regulary discussions with customers on the ongoing development of green, sustainable loan products, e.g. we offer green investment loans to tenant-owners' associations and property companies. Green investments are loans specified with an advantageous interest rate for customers who implement energy efficiency measures at their properties. In addition to green lending, SCBC develop partnerships and services to help our customers reduce energy consumption and live more sustainably. In 2022 SCBC established a climate target connecting to the financed emissions from our lending to private, tenant owner associations and commercial clients. This will guide further product development and adaptions in credit granting process in order to reach the target.

GOVERNANCE

Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels (Article 449a in conjunction with Article 435(1), point (b), and Article 435(2), points (a), (b), (c) CRR)

The management body's integration of short-, medium- and long-term effects of environmental factors and risks is implemented through SCBC's risk policy, risk appetite and climate risk instruction. SCBC's aim is to manage sustainability risks with a risk-based approach integrated into daily operations. In the event of high risk, the aim is to conduct an in-depth sustainability review and, where necessary, set requirements to counteract the adverse impact. These efforts are inspired and guided by international legislation and guidelines. SCBC also conducts an ongoing dialogue on sustainability risks across all operations. SCBC's proactive sustainability approach further contributes to sustainable risk management through, inter alia, gap analyses and defined objectives as well as their follow-up and reporting.

Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of social risk management covering counterparties' approaches (to activities towards the community and society, employee relationships and labour standards, Customer protection and product responsibility and human rights (Article 449a in conjunction with Article 435(1), point (b) and Article 435(2), points (a), (b), (c) CRR)

SCBC has determined a long-term, focused and extended HR strategy and has clear company-wide goals to support equality and diversity and to ensure a positive employee experience and high employee commitment. The institution has an equality and diversity policy and an equality plan that emphasizes the value promoting diversity with employees of different backgrounds and a culture to support inclusion. The Code of Conduct provides guidance on how employees should act and conduct themselves in various situations based on SCBC's values and the inherent responsibilities of being an employee and aims to manage risks linked to personnel, social conditions and human rights in lending through in-depth customer dialogues and industry collaboration.

In addition SCBC has a Supplier Code that addresses the view and expectations of SCBC's suppliers' sustainability efforts and compliance with international guidelines and principles. Accessibility comprises a key area for product and service development and conducts accessibility tests on an ongoing basis.

All employees have the same rights, obligations and opportunities in every aspect related to the workplace and SCBC want to be an equal and inclusive workplace with a high level of integrity that encourages difference. The HR strategy helps to ensure that the Bank always are focused on respect, equality and inclusion which is central to SCBC values.

SCBC's policy emphasizes the value of employees with different backgrounds and experiences. One of the overall targets concern equalities between men and women in management positions.

In addition, the Bank has a Supplier Code that addresses SCBC´s human and labour rights standards, and clearly defines the standards that the suppliers must meet, in addition to compliance with international guidelines and principles. Accessibility, especially digital accessibility due to SCBC being a digital financial institution, is a key area for product and service development. SCBC conduct regulary accesibility tests of customer´s digital and telephone experience.

SCBC has developed the Hållbar Byggbransch (Eng: Sustainable Construction Industry) project to combat financial crime and promote human rights in the Swedish construction industry , by setting requirements on the commercial clients. SCBC also has partnerships to enhance the social responsibility within the society, i.e to help to improve housing quality and houseuhold finances, for example cooperation and sponsorships of Situation Stockholm, Stadsmissionen, Faktum. Many of SCBC's partnerships with NGOs have a focus on tackling structural and acute homelessness. SCBC also offers volunteering opportunities and financial coalition in cooperation with Ecpat. The Bank has initiated work with Respekttrappan (a tool for systematic guidance in respect and equality) through the entire organization and it has been introducing to more than 200 companies and organizations to work on equality .

Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organisational structure both within business lines and internal control functions (Article 449a in conjunction with Article 435(2), point (d) CRR)

SCBC has a risk policy where sustainability risk is defined. Based on the Risk Policy, SCBC has a risk framework in which the business must identify which climate-related risks (physical risks and transition risks) in the short, medium and long term are essential for the bank within two IPCC scenarios (RCP 8.5 and 2.6). Based on the significant identified climate risks, an assessment of the risk within relevant sub-segments must be made. Risk has implemented climate scenario analyzes on a regular basis (at least every 5 years) to better understand the possible consequences of the risk for SCBC. The climate scenario analysis method must be in line with industry practice as the recommendations are described in TCFD and be based on the most reliable data possible. The business implemented an annual review of possible risk-limiting measures and procedures in essential processes. Within both the private market area as well as for commercial and tenant- owner association clients, risk mitigation must be done through frameworks in governing documents for the credit process, i.e., from credit policy with underlying documents. In connection with significant climate risks being identified and assessed, Risk must also evaluate how the risk is to be monitored and reported.

Integration of measures to manage environmental and social factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels (Article 449a in conjunction with Article 435(2), points (a), (b), (c) CRR)

Sustainability risk reporting is integrated throughout SCBC with clear responsibilities within committee and management assignment. Sustainability risks are integrated in Board committee's assignment description. The Audit and Compliance Committee's principal task is to examine SCBC's governance, the internal controls and the financial information. The Credit Committee's principal task is to decide on loans and credit limits. The Risk and Capital Committee's principal task is to prepare issues within the risk and capital area. Every committee receive a quarterly report with relevant integrated ESG-risks.

SCBC's Board decides to conduct a sustainability analysis of the operations based on materiality assessment. The analysis identifies the current status and ambition levels as well as objectives for 2025. The analysis identifies 21 prioritized areas within which SBAB faced challenges or possibilities of varying scope. The current status and objectives were established based on the Bank's materiality assessment, business plan, model for governance and follow-up, prioritized SDGs and other national and international guidelines. This functioned as the basis for a number of workshops, where representatives from the entire operations participated with the aim of calibrating the current status and the objectives.

Institution's integration in their governance arrangements governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics (Article 449a in conjunction with Article 435(2) CRR)

The majority of SCBC's counterparties primarily consist of construction and real estate companies. A significant number of the counterparties are listed on the stock exchange i.e; they have a high degree of transparency in their operations and routines are established to handle conflicts of interest as well as sensitive internal communication on critical challenges. SCBC's counterparties are reviewed based on the regulations for money laundering and financing of terrorism where customer knowledge is obtained and the real principal(s) are carefully mapped to ensure who is SCBC's counterparty. Likewise, the customer is evaluated based on sustainability risks including the ethical perspective. There is an ongoing improvement of the counterparty's governance performance within SCBC's business lines.

Institution's accounting of the counterparty's highest governance body's role in non-financial reporting
SCBC accounts and documents the counterparties highest governance body as part of the credit granting process for the counterparties.

Lines of reporting and frequency of reporting relating to environmental and social risk (Article 449a in conjunction with Article 435(2), points (e) CRR)
First, second and third lines reports quarterly to management body and the Board committees. For further information on three lines of defense see page 15 in the report.

Alignment of the remuneration policy with institution's environmental and social risk-related objectives (Article 449a in conjunction with Article 435(2), points (e) CRR)
The remuneration policy encompasses all the employees, regardless of position. In accordance with the relevant policy, The remuneration is to be competitive, capped and appropriate, moderate, reasonable, well considered and not salary leading. It should also contribute to high ethical standards and a good corporate culture. The same applies to the benefits we offer which is available to all employees, regardless of position. Since 2012, there have been neither incentive programs nor variable remuneration within the Group. The total level of remuneration is determined based on responsibility, complexity and results within the respective employee's area, and on how well the employee lives SCBC's values. Adaptation of the compensation policy is in line with the institute's social risk-related goals.

RISKMANAGEMENT

Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework (Article 449a in conjunction with Article 435(1), points (f) CRR)
Climate risk is divided into physical risks and transition risks. Physical risks encompass the direct effects of climate change that give rise to financial costs and risks, for example the physical impact on properties resulting from climate change. Transition risks encompass financial risks related to the transition to a less fossil-based economy.

The physical climate risk linked to SCBC's operations primarily pertains to the risk of increased damage and value declines in assets and collateral as a result of climate change. SCBC's operations are exposed to transition risks in cases where SCBC does not succeed in adapting operations to the higher environmental and climate requirements set by tomorrow's sustainable economy. This also applies to demand for SCBC's products and services.

SCBC is exposed to climate risks in conjunction with loan at origination process. Future climate changes could affect customers' capacity to pay and the value of assets and collateral. Physical climate risks encompass, for instance, higher sea levels, extreme weather as well as collapses and landslides.

To integrate the short-, medium- and long-term effects of environmental risks into the risk tolerance framework, climate-related time horizons have been defined in the climate risk instruction. Short term: 1-year, medium term: from 5-10 years and long term: 40 years. The defined time horizon is integrated within the climate scenario analysis and sensitive scenario analysis. SCBC has identified two main climate related risks that are essential the institution in the credit assessment which are risk of flooding (physical risk) and risk of increased energy prices (transition risk).

Definitions, methodologies and international standards on which the environmental and social risk management framework is based. (Article 449a in conjunction with Article 435(1), points (a) CRR)
The definition used for environmental risks primarily refers to framework Task force on Climate Related Financial Disclosures and from EBA report on management and supervision of ESG risks for credit institutions. Definitions regarding social risk management also referred EBA-report on management and supervision of ESG risk for credit institutions and investment firms. The definition used for social risks also refers to framework The United Nations Sustainable Development Goals (SDGs) and the International Sustainability Standards Boards (ISSB), Global Reporting Initiative (GRI), UN 2030 agenda for sustainable development and the SDGs and Principles for Responsible Banking (PRB).

SCBC follows the State Ownership Policy and principles for state-owned enterprises 2020, which also encompasses the Guidelines for external reporting in state-owned enterprises and Guidelines for remuneration and other terms of employment for senior executives in state-owned enterprises.

The state's ownership policy states that SCBC, as a state-owned company, must act exemplary in sustainable business, and work strategically, integrate issues into the business strategy and set strategic sustainability goals.

Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental and social risks, covering relevant transmission channels (Article 449a in conjunction with Article 435(1), points (a) CRR)
Based on a yearly materiality assessment for climate risk the Bank has identified exposures sensitive to floods as a physical risk. Floods, as a consequence of sea level rise is defined as a chronical risks and floods in waterways as acute physical. Through the operating environmental analysis and stakeholder dialogues, we develop a matrix that clarifies which sustainability topics we need to prioritize and focus on as well as report and disclose. Tools established to monitor these risks is key risk indicators on a monthly risk reporting. SCBC is exposed to risks linked to social conditions and human rights in conjunction with lending to property companies, for example on lending for new production projects with several levels of subcontractors. The controls performed by the main contractor in areas such as working conditions are made more complex when production is outsourced. SCBC is also exposed to these risks in conjunction with the procurement of services and goods. The area also encompasses the risk that SCBC's services and products are not available to all members of society. Accessibility pertains to equality and non-discrimination and is a crucial prerequisite for people with disabilities to be able to exercise their human rights and fundamental freedoms.

Activities, commitments and exposures contributing to mitigate environmental and social risks (Article 449a in

conjunction with Article 435(1), points (a) & (d) CRR).
Sustainability ambitions are identified through the sustainability materiality assessment. SCBC's Board decided to conduct a sustainability analysis of SCBC's operations based on the new materiality assessment. The analysis identified the current status and ambition levels as well as objectives for 2025. The analysis identified 21 prioritized areas within which SBAB faced challenges or possibilities of varying scope.

The activities, commitments, and exposures SCBC have in place to mitigate environmental risks is to offer green investment loans within the corporate and tenant-owner associations segment and Green loans within the Private segment.

SCBC's risk mitigation activities within social risks i.e., personnel, social conditions and human rights refer to several actions for example long-term focused and extended HR strategy and SCBC aims to manage social risks linked to these conditions in lending through in-dept customer dialogues and industry collaborations.

The methodology SCBC use to identify risk mitigating measures and activities is based on a materiality assessment.

Implementation of tools for identification, measurement and management of environmental and social risks respectively (Article 449a in conjunction with Article 435(1), points (a) and (f) CRR)
SCBC has implemented a Key Risk Indicator (KRI) that is defined as a value that indicate a change in climate risk profile. The KRI covers the acute physical risks regarding floods and monitors the share of capital linked to houses in zones with an elevated risk of flooding. The KRI is followed up monthly. SCBC joined the Partnership for Carbon Accounting Financials (PCAF), a partnership between financial institutions aimed at creating a standardized methodology for measuring GHG emissions tied to lending and investment portfolios. SCBC's financed emissions and climate target is also published externally for fully transparency in the Climate Report on sbab.se.

Tools implemented for identification, measurement and management of social risks are key performance indicators such as personnel turnover, sick leave and wellness. SCBC also reports on equality for e.g., share of female manager and share of Board of Directors and Executive Management.

Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile (Article 449a in conjunction with Article 435(1), points (a) and (f) CRR)
The result of the climate related indicator (KRI) is reported on a regular basis to the Board and the CEO. Risk organization shall identify, evaluate, and monitor the outcome from the KRI within decided limits. The outcome from the KRI indicates an insignificant risk level and has currently no impact on the capital and liquidity profile. In the ICAAP process for year 2023 a stress test regarding energy prices is implemented where SCBC estimate the effect on capital. The stress estimates migration within risk classes in credit risk, based on the deterioration in calculation of household's cost. The results from year 2023 ICAAP process has limited effect on the overall capital profile due to the existing risk weight floor on Swedish mortgages.

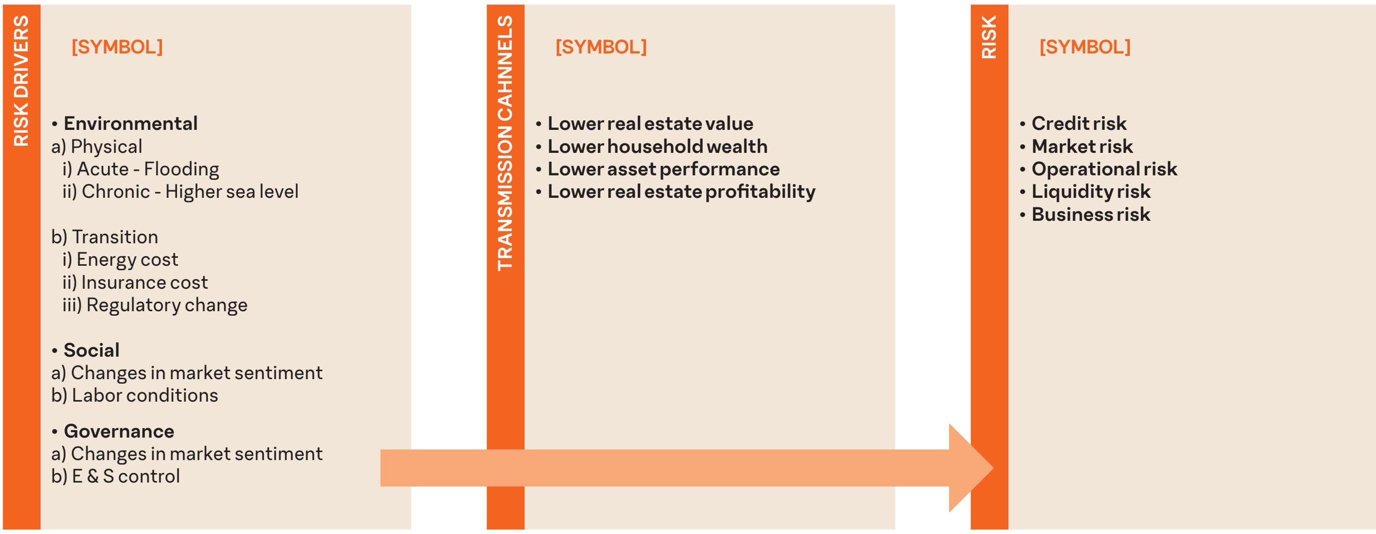
Data availability, quality and accuracy, and efforts to improve these aspects
SCBC uses data from The Swedish Geotechnical Institute (SGI) and the Swedish Civil Contingencies Agency (MSB). They have developed a list of areas that are particularly vulnerable to flooding, collapse and landslides.
The methodology SCBC uses to measure the portfolio emissions is based on the PCAF global standard for the financial industry's accounting and reporting of GHG emissions related to loans and investments. PCAF supported the process with feedback on SCBC's application of the methodology. The data was compiled from the Swedish National Board of Housing, Building and Planning and the Swedish Energy Agency, for more information in SBAB's Climate Report on sbab.se.

To meet new and upcoming requirements regarding ESG-related data, SBAB has identified a need for a common climate data source. The access to data is currently limited. To obtain this data and make it avaiable SBAB has initiated a climate data project.

Description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of breaching these limits (Article 449a in conjunction with Article 435(1), points (f) CRR)
SCBC implemented a Key Risk Indicators (KRI), as drivers of prudential risk and that is defined as a value that indicate a change in climate risk profile.

Description of setting limits to social risk and cases to trigger escalation and exclusion in the case of breaching these limits (Article 449a in conjunction with Article 435(1), point (f) CRR)
When the level of SCBC´s Key Risk Indicators (KRI) exceeds a certain limit, measures must be taken and investigated more closely.

Description of the link (transmission channels) between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework (Article 449a CRR)
Notable significant impacts of risk drivers for SCBC are energy cost and flooding effect on real estate value and household wealth which may result in i.e. higher credit risk in the forth coming years.



Institution's integration in risk management arrangements the governance performance of their counterparties considering ethical considerations, strategy and risk management, inclusiveness, transparency, management of conflict of interest, internal communication on critical concerns (Article 449a in conjunction with article 435 (1) CRR)
The majority of the counterparties consist of construction and real estate companies. A significant number of the counterparties is listed on the stock exchange i.e. they have a high degree of transparency in their operations and processes and routines are in place to handle conflicts of interest as well as sensitive internal communication around on critical challenges.
SCBC's counterparties are reviewed based on the regulations for money laundering and financing of terrorism, where customer knowledge is obtained, and the real principal(s) are carefully mapped to ensure who is SCBC's counterparty. Likewise, the customer is evaluated based on sustainability risks including the ethical perspective. There is an ongoing improvement of the counterparty's governance performance within SCBC's risk management.

BANKING BOOK- CLIMATE CHANGE TRANSITION RISK: CREDIT QUALITY OF EXPOSURES BY SECTOR, EMISSIONS AND RESIDUAL MATURITY

	Gross carrying amount (SEKmillion)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (SEKmillion)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent) [3)]							
Sector/subsector		*Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation* [1)]	*Of which environmentally sustainable (CCM)* [2)]	*Of which stage 2 exposures*	*Of which non-performing exposures*		*Of which Stage 2 exposures*	*Of which non-performing exposures*		*Of which Scope 3 financed emissions*	*GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting*	*<= 5 years*	*> 5 year <= 10 years*	*> 10 year <= 20 years*	*> 20 years*	*Average weighted maturity*
Exposures towards sectors that highly contribute to climate change*	**135,093**	**–**		**3,550**	**19**	**–14**	**–1**	**–7**				**121,225**	**13,839**	**28**	**–**	**2.7**
A - Agriculture, forestry and fishing	5	–		0	–	0	0	–				4	0	–	–	1.2
B - Mining and quarrying	–	–		–	–	–	–	–				–	–	–	–	–
B.05 - Mining of coal and lignite	–	–		–	–	–	–	–				–	–	–	–	–
B.06 - Extraction of crude petroleum and natural gas	–	–		–	–	–	–	–				–	–	–	–	–
B.07 - Mining of metal ores	–	–		–	–	–	–	–				–	–	–	–	–
B.08 - Other mining and quarrying	–	–		–	–	–	–	–				–	–	–	–	–
B.09 - Mining support service activities	–	–		–	–	–	–	–				–	–	–	–	–
C - Manufacturing	–	–		–	–	–	–	–				–	–	–	–	–
C.10 - Manufacture of food products	–	–		–	–	–	–	–				–	–	–	–	–
C.11 - Manufacture of beverages	–	–		–	–	–	–	–				–	–	–	–	–
C.12 - Manufacture of tobacco products	–	–		–	–	–	–	–				–	–	–	–	–
C.13 - Manufacture of textiles	–	–		–	–	–	–	–				–	–	–	–	–
C.14 - Manufacture of wearing apparel	–	–		–	–	–	–	–				–	–	–	–	–
C.15 - Manufacture of leather and related products	–	–		–	–	–	–	–				–	–	–	–	–
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	–	–		–	–	–	–	–				–	–	–	–	–
C.17 - Manufacture of pulp, paper and paperboard	–	–		–	–	–	–	–				–	–	–	–	–
C.18 - Printing and service activities related to printing	–	–		–	–	–	–	–				–	–	–	–	–
C.19 - Manufacture of coke oven products	–	–		–	–	–	–	–				–	–	–	–	–
C.20 - Production of chemicals	–	–		–	–	–	–	–				–	–	–	–	–
C.21 - Manufacture of pharmaceutical preparations	–	–		–	–	–	–	–				–	–	–	–	–
C.22 - Manufacture of rubber products	–	–		–	–	–	–	–				–	–	–	–	–
C.23 - Manufacture of other non-metallic mineral products	–	–		–	–	–	–	–				–	–	–	–	–
C.24 - Manufacture of basic metals	–	–		–	–	–	–	–				–	–	–	–	–
C.25 - Manufacture of fabricated metal products, except machinery and equipment	–	–		–	–	–	–	–				–	–	–	–	–
C.26 - Manufacture of computer, electronic and optical products	–	–		–	–	–	–	–				–	–	–	–	–
C.27 - Manufacture of electrical equipment	–	–		–	–	–	–	–				–	–	–	–	–
C.28 - Manufacture of machinery and equipment n.e.c.	–	–		–	–	–	–	–				–	–	–	–	–
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	–	–		–	–	–	–	–				–	–	–	–	–
C.30 - Manufacture of other transport equipment	–	–		–	–	–	–	–				–	–	–	–	–
C.31 - Manufacture of furniture	–	–		–	–	–	–	–				–	–	–	–	–
C.32 - Other manufacturing	–	–		–	–	–	–	–				–	–	–	–	–
C.33 - Repair and installation of machinery and equipment	–	–		–	–	–	–	–				–	–	–	–	–
D - Electricity, gas, steam and air conditioning supply	25	–		–	–	0	–	–				16	9	–	–	4.4
D35.1 - Electric power generation, transmission and distribution	25	–		–	–	0	–	–				16	9	–	–	4.4
D35.11 - Production of electricity	–	–		–	–	–	–	–				–	–	–	–	–
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	–	–		–	–	–	–	–				–	–	–	–	–
D35.3 - Steam and air conditioning supply	–	–		–	–	–	–	–				–	–	–	–	–

Sector/subsector	Gross carrying amount (SEKmillion)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (SEKmillion)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent) [3]		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation [1]	*Of which environmentally sustainable (CCM)* [2]	*Of which stage 2 exposures*	*Of which non-performing exposures*		*Of which Stage 2 exposures*	*Of which non-performing exposures*		*Of which Scope 3 financed emissions*						
E - Water supply; sewerage, waste management and remediation activities	–	–		–	–	–	–	–				–	–	–	–	–
F - Construction	681	–		461	–	–	0	0				681	–	–	–	3.3
F.41 - Construction of buildings	653	–		461	–	–	0	0				653	–	–	–	3.3
F.42 - Civil engineering	–	–		–	–	–	–	–				–	–	–	–	–
F.43 - Specialised construction activities	28	–		–	–	–	0	–				0	–	–	–	2.4
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0	–		–	–	–	0	–				–	–	–	–	8.3
H - Transportation and storage	637	–		–	–	–	0	–				637	–	–	–	1.6
H.49 - Land transport and transport via pipelines	–	–		–	–	–	–	–				–	–	–	–	–
H.50 - Water transport	–	–		–	–	–	–	–				–	–	–	–	–
H.51 - Air transport	–	–		–	–	–	–	–				–	–	–	–	–
H.52 - Warehousing and support activities for transportation	637	–		–	–	–	0	–				637	–	–	–	1.6
H.53 - Postal and courier activities	–	–		–	–	–	–	–				–	–	–	–	–
I - Accommodation and food service activities	–	–		–	–	–	–	–				–	–	–	–	–
L - Real estate activities	133,745	–		3,089	19	–14	–1	–7				119,887	13,830	28	–	2.7
Exposures towards sectors other than those that highly contribute to climate change*	**3,120**	–		–	–	**0**	–	–				**3,119**	**0**	**1**	–	**3.8**
K - Financial and insurance activities	2,803	–		–	–	0	–	–				2,802	–	–	–	4.0
Exposures to other sectors (NACE codes J, M - U)	0	–		–	–	0	–	–				313	0	1	–	1.8
Total	**138,213**	–		**3,551**	**19**	**–15**	**–1**	**–7**				**124,345**	**18,839**	**29**	–	**2.7**

1) In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006. SBAB does not have exposures that are excluded from the Paris Aggrement.

2) This disclosure requirement enter into force as of of December 2023.

3) This disclosure requirement enter into force as of June 2024. SCBC work with data development regarding GHG-financed emissions is ongoing and will be published on required level of details as soon as the data is assured, not later than June 2024.

The template includes assets in the banking book representing loans and advances to non financial counterparties. Construction loans is included in the NACE distribution and consequently in the total. Loans to credit institutions and households are excluded. The gross carrying amount is aligned with the valued reported in Finrep. Maturity is defined as residual contractual maturity is defined as exposure-weighted average constractual maturity. Contractual maturity is defined according to remaining days to final payment date. Exposures within the first two buckets is represented by floating rate notes(FRN-loans) and property loans. FRN-loans has a maturity period that is equal to the condition period, with possible maturity up to 10 years, most common maturity of 5 years. Property loans is a form of "until further notice" and although the maturity period is reported equal to the condition perod. Bucket 10 years or longer is represented by property loans.

BANKING BOOK - CLIMATE CHANGE TRANSITION RISK: LOANS COLLATERALISED BY IMMOVABLE PROPERTY - ENERGY EFFICIENCY OF THE COLLATERAL

	Total gross carrying amount amount (SEKmillion)																
		Level of energy efficiency (EP score in kWh/m² of collateral)							Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
Counterparty sector		*0; <= 100*	*> 100; <= 200*	*> 200; <= 300*	*> 300; <= 400*	*> 400; <= 500*	*> 500*	*A*	*B*	*C*	*D*	*E*	*F*	*G*		*Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated*
Total EU area	**483,900**	**111,692**	**292,627**	**28,983**	**9,771**	**7,293**	**33,532**	**2,433**	**24,690**	**52,038**	**75,138**	**113,891**	**62,126**	**17,472**	**136,112**	**100%**
Of which Loans collateralised by commercial immovable property	6,602	3,582	942	1,929	21	128	–	264	1,080	2,390	662	214	55	8	1,929	100%
Of which Loans collateralised by residential immovable property	477,298	108,110	291,684	27,054	9,749	7,168	33,532	2,169	23,609	49,648	74,476	113,677	62,071	17,464	134,183	100%
Of which Collateral obtained by taking possession: residential and commercial immovable properties	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	136,112	134,183	1,926	–	–	–	–								136,112	100%
Total non-EU area	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Of which Loans collateralised by commercial immovable property	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Of which Loans collateralised by residential immovable property	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Of which Collateral obtained by taking possession: residential and commercial immovable properties	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	–	–	–	–	–	–	–								–	–

The template includes loans collateralised by commercial and residential immovable property. Concstruction loans is excluded. The gross carrying amount is aligned with the valued reported in Finrep. Energy Performance Certificates are applied where available. Where unavailable, PCAF emissions factors database estimates are used. The availability of EPC labels for the real estate portfolio is limited due to the fact that energy declarations are not compulsory and is generally required only when selling property.

BANKING BOOK - CLIMATE CHANGE TRANSITION RISK: EXPOSURES TO TOP 20 CARBON-INTENSIVE FIRMS

Counterparty	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
* For counterparties among the top 20 carbon emitting companies in the world	N/A	N/A	N/A	N/A	N/A

* For counterparties among the top 20 carbon emitting companies in the world-

Not applicable. As of 31 December, 2022, SCBC had no exposures to the top 20 most carbon-intensive companies in the world, listed in the EU and the Swedish Environmental Protection Agency

BANKING BOOK - CLIMATE CHANGE PHYSICAL RISK: EXPOSURES SUBJECT TO PHYSICAL RISK

	Gross carrying amount (SEKmillion)													
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
Variable: Geographical area subject to climate change physical risk - acute and chronic events		*<= 5 years*	*> 5 year <= 10 years*	*> 10 year <= 20 years*	*> 20 years*	*Average weighted maturity*	*of which exposures sensitive to impact from chronic climate change events*	*of which exposures sensitive to impact from acute climate change events*	*of which exposures sensitive to impact both from chronic and acute climate change events*	*Of which Stage 2 exposures*	*Of which non-performing exposures*		*of which Stage 2 exposures*	*Of which non-performing exposures*
A - Agriculture, forestry and fishing	5	0	0	–	–	0.5	0	0	–	0	–	0	–	–
B - Mining and quarrying	–	–	–	–	–	–	–	–	–	–	–	–	–	–
C - Manufacturing	–	–	–	–	–	–	–	–	–	–	–	–	–	–
D - Electricity, gas, steam and air conditioning supply	25	0	0	–	–	2.9	0	0		–	–	0	–	–
E - Water supply; sewerage, waste management and remediation activities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
F - Construction	681	1	–	–	–	2.6	0	1	–	0	–	0	0	–
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0	–	0	–	–	8.3	–	0	–	–	–	–	–	–
H - Transportation and storage	637	0	–	–	–	1.5	0	0	–	–	–	0	–	–
L - Real estate activities	133,745	1,007	134	0	–	2.9	835	307	–	–	–	0	–	–
Loans collateralised by residential immovable property	348,559	15	8	108	2,093	32.1	1,522	704	–	23	0	0	0	0
Loans collateralised by commercial immovable property	242	0	–	–	–	1.5	0	–	–	168	1	–1	–1	0
Repossessed colalterals	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other relevant sectors (breakdown below where relevant)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**483,895**	**1,024**	**143**	**108**	**2,093**	**–**	**2,357**	**1,011**		**191**	**1**	**-1**	**-1**	**0**

The gross carrying amount (GCA) column includes exposures to non-financial counterparties and exposures to households regardless of exposures sensitive to impact from physical events. The GCA is aligned with the valued reported in Finrep. The exposures are primarly sorted by NACE sector and secondly the remaining exposures reported within rows loans collateralised by residential and commercial immovable property respectively. Construction credit loans are included in the total. The subsequent columns includes only exposures sensitive to physical events. SCBC has in the regularly climate risk process identified floods accompanied by sea level rise (chronical) and floods in lakes and waterways (acute) as the main and most comparable physical risks. SCBC has compiled and calculated the data from a report prepared by Myndigheten för samhällsskydd och beredskap (The Swedish Civil Contingencies Agency) and Statens geotekniska institut (The Governments Geotechnical Institut). Likelihood that an object is affected by physical events is calculated on municipality level and are then applied to every object´s gross carying amount. Due to lack of more granular and detailed data SCBC disclose the data with the prudential and conservative approach which results in an assumption that the exposures cannot be considered sensitive to both acute and chronical risks respectively. Additionally, SCBC has regards to type of risks identified as sensitive for climate risk, assumed the risk unlikely to occur for both the physical risks in the same period.

OTHER CLIMATE CHANGE MITIGATING ACTIONS THAT ARE NOT COVERED IN THE EU TAXONOMY

Type of financial instrument	Type of counterparty	Gross carrying amount (SEK-million)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards	Financial corporations	–	–	–	
	Non-financial corporations	–	–	–	
	Of which Loans collateralised by commercial immovable property	–	–	–	
	Households	–	–	–	
	Of which Loans collateralised by residential immovable property	–	–	–	
	Of which building renovation loans	–	–	–	
	Other counterparties	–	–	–	
Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	–	–	–	Green loans with type of counterparties from non financial corporation and households respectively, with energy performance certified (EPC) A, B or C which qualifies for green loans/ mortgage. The threshold will be review within the reporting according to the EU taxonomy alignment next year.
	Non-financial corporations	11,650	Yes	No	
	Of which Loans collateralised by commercial immovable property	–	–	–	
	Households	46,867	Yes	No	
	Of which Loans collateralised by residential immovable property	46,867	Yes	No	
	Of which building renovation loans	–	–	–	–
	Other counterparties	–	–	–	
Total		**58,517**			

Covered bonds of SBAB

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