

# Interim Report

January–June 2020



# The period in brief



## January–June 2020

(January–June 2019)

- Operating profit amounted to SEK 821 million (905)
- Net interest income totalled SEK 1,501 million (1,439)
- Expenses amounted to SEK 553 million (513)
- Credit losses totalled SEK 18 million (6)
- The Common Equity Tier 1 (CET1) capital ratio amounted to 16.7% (17.0)
- All funding programmes continue to have the highest credit ratings from Moody's
- Considerable market turbulence and increased uncertainty regarding socio-economic development as a result of the coronavirus (Covid-19)



### Net interest income,

**1,501**

Jan–Jun 2020

**1,439**

Jan–Jun 2019

### Lending, SEK billion

**376.5**

30 Jun 2020

**346.4**

30 Jun 2019

### Credit rating

**Aaa**

30 Jun 2020

**Aaa**

30 Jun 2019



## Operations

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

The Swedish Covered Bond Corporation (SCBC), Corp. Reg. No. 556645-9755, is a wholly-owned subsidiary of SBAB, Corp. Reg. No. 556253-7513. SCBC is a credit market company and is regulated by the Swedish Banking and Financing Business Act (2004:297) and subject to supervision by the Swedish FSA (Sweden's financial supervisory authority). The primary operations within SCBC comprise the issue of covered bonds in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223) and the Swedish FSA's regulation FFFS 2013:1. Issues are conducted 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.

# Business development



## Overview

SEK million	SCBC			
	2020	2019	2019	2019
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Net interest income	1,501	1,396	1,439	2,835
Net commission	-43	-25	-38	-63
Net result of financial transactions (Note 3)	-66	-15	23	8
<b>Total operating income</b>	<b>1,392</b>	<b>1,356</b>	<b>1,424</b>	<b>2,780</b>
Expenses	-553	-542	-513	-1,055
<b>Profit before credit losses</b>	<b>839</b>	<b>814</b>	<b>911</b>	<b>1,725</b>
Net credit losses (Note 4)	-18	-6	-6	-12
<b>Operating profit</b>	<b>821</b>	<b>808</b>	<b>905</b>	<b>1,713</b>
Tax	-176	-172	-192	-364
<b>Net profit for the period</b>	<b>645</b>	<b>636</b>	<b>713</b>	<b>1,349</b>
<b>BALANCE-SHEET ITEMS</b>				
Lending to the public, SEK billion, at close of period (Note 5)	376,529	358,936	346,358	358,936
– Of which, Lending, Residential mortgages	295,327	287,618	278,362	287,618
– Of which, Lending, Corp. & ToA	81,202	71,318	67,996	71,318
Issued debt securities, etc. at close of period	263,758	246,774	257,250	246,774
<b>KEY METRICS</b>				
CET1 capital ratio, %	16.7	17.0	17.0	17.0
<b>CREDIT RATING (LONG-TERM FUNDING)</b>				
Moody's	Aaa	Aaa	Aaa	Aaa

### Trend for January–June 2020 compared with January–June 2019

Despite the prevailing circumstances due to the coronavirus pandemic, no material changes or risks have been noted with regard to SCBC's financial position. The operating profit amounted to SEK 821 million (905) for the period.

#### Net interest income

SCBC's net interest income grew to SEK 1,501 million (1,439), mainly due to higher lending volumes and a lower resolution fee. The resolution fee amounted to SEK 61 million (87) for the period. Rising market interest rates and therefore higher interest expense for borrowing in the capital markets negatively affected net interest income.

#### Net commission expense

The net commission expense was SEK 43 million (expense: 38), and was mainly due to increased expenses linked to funding operations.

#### Net result of financial transactions x

The net result of financial transactions was an expense of SEK 66 million (income: 23), mainly as a result of the revaluation of credit risk in derivatives (CVA/DVA) and the buy-back of debt. In addition, interest compensation from customers was higher in the comparative period. For more information, please refer to [Note 3](#).

#### Expenses

SCBC's expenses rose to SEK 553 million (513), and mainly comprised fees to SBAB for administrative services in line with the applicable outsourcing agreements. At Group level, the increase in costs was mainly driven by an increased number of employees and thus higher personnel costs. The cost trend is progressing according to plan and tracks the operations' development and investment strategy for long-term competitiveness.

#### Credit quality and credit losses

The overall credit quality in SCBC's credit portfolio is good. SCBC only lends against pledged collateral and has no exposure to sectors that are particularly affected as a result of the coronavirus pandemic. SCBC is carefully monitoring developments and making ongoing assessments and analyses of credit risks. In previous economic crises in Sweden, banks' credit losses linked to residential mortgages and housing finance have been low. The Swedish FSA's annual mortgage market survey, with data from 2019, found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages in a worse economic climate. The healthy level of resilience indicates limited risk for mortgages leading to extensive credit losses for the banks.

Total credit losses (net) for the period amounted to SEK 18 million (6), of which the majority pertained to credit loss al-

lowances in conjunction with the revision of the forward-looking macroeconomic information applied in the impairment model as a result of the coronavirus pandemic. Confirmed credit losses remained low and totalled SEK 1 million (loss: 1). During the period, provisions for credit stage 1 and 2 loans increased SEK 16 million (4) and SEK 5 million (1), respectively. Provisions for credit stage 3 loans decreased SEK 2 million (increase: 2). Guarantees that could be utilised increased SEK 2 million (0) over the period as a result of increased provisions.

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

#### Lending

SCBC does not conduct any new lending itself but instead acquires loans from SBAB Bank, on an ongoing basis or as necessary. The aim of securing these loans is to include the loans, in part or in full, in the assets that comprise collateral for holders of SCBC's covered bonds.

SCBC's lending portfolio comprises loans for residential mortgages, with lending to consumers the largest segment. At the end of the period, SCBC's lending amounted to SEK 376.5 billion (346.4).

## Cover pool data

	SCBC
	30 Jun 2020
Credit portfolio, SEK million	376,529
Total cover pool, SEK million	333,965
LTV as per ASCB definition <sup>1)</sup> , %	55.4
Nominal OC, %	25.1

<sup>1)</sup> Association of Swedish Covered Bond Issuers

#### Cover pool

Information regarding SCBC's lending, the cover pool, is published monthly on the website [sbab.se](http://sbab.se).





### Funding

SCBC's funding is mainly conducted through the issuance of covered bonds. SCBC uses two active funding programmes: a Swedish covered bond programme without a preset limit and a EUR 16 billion Euro Medium Term Covered Note Programme (EMTCN programme). All funding programmes have received the highest possible credit rating of Aaa from the rating agency Moody's.

2020 started with a healthy demand and January and part of February noted favourable conditions for funding and a positive risk sentiment. In January, two new covered bonds were introduced with respective tenors of five and ten years in the Swedish market. The reception from investors was positive and the initial volumes issued amounted to SEK 7.5 billion and SEK 2.5 billion, respectively.

Market conditions worsened rapidly in the second half of February and into March, in pace with the global spread of the coronavirus and its progression in Europe and the USA. Governments around the world took numerous decisions aimed at slowing the spread of the virus. Expectations of a weaker economic trend led to a marked downturn on the world's stock exchanges, large falls in interest rates, rising funding costs and considerable impairment of the function of the financial markets. Reactions from governments and central banks were forceful and a flood of measures to support liquidity and lower interest rates were rolled out, not least from the Federal Reserve and the ECB. In Sweden, the Riksbank launched seven measures and support programmes within the space of two weeks. The central banks' measures began to take effect toward the end of March, when financial activity

increased significantly and large volumes were issued, mainly in USD and EUR, to some extent by banks, but mainly by corporate and SSA issuers. Over the same period, the stock exchanges recovered somewhat while credit spreads stabilised or retreated slightly. Throughout the turbulence recorded in March, the Swedish covered bonds market continued to function relatively well and SCBC issued covered bonds corresponding to just over SEK 6 billion.

The markets have gradually recovered from and during the second quarter of 2020. The stock markets have recovered much of their losses in February and March, credit spreads have fallen back and interest rates have demonstrated greater stability. Through their programmes for quantitative easing and bond purchases, central banks have materially supported capital markets, which has led to high activity and the issuance of substantial bond volumes both domestically and internationally. SCBC has continued to maintain a relatively high degree of funding activity. For covered funding, the funding cost in the Swedish market has generally been more favourable compared with the European market, whereas conditions have been more similar for unsecured funding. When viewed from a longer term perspective, funding costs for covered and unsecured funding at the end of the period were at relatively low levels despite the macroeconomic situation.

At 30 June 2020, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 263.8 billion (257.2), distributed as follows: Swedish covered bonds SEK 149.7 billion (134.5) and the Euro Medium Term Covered Note Programme SEK 114.0 bil-

lion (122.7). During the period, SEK 38.9 billion (29.9) in securities was issued. At the same time, securities amounting to SEK 10.1 billion (12.4) were repurchased, while securities amounting to SEK 13.7 billion (0.6) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities of SEK 17.0 billion (22.5) in the period.

### Liquidity

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

### Capital

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

SCBC's total capital ratio and CET1 capital ratio amounted to 16.7% (17.0) at 30 June 2020. The change was mainly driven by higher lending volumes (EAD). Net profit is included in own funds, while the expected dividend has reduced own funds.

The internally assessed capital requirement amounted to SEK 10.9 billion (12.3) on 30 June 2020. The change was mainly due to the decision by the Swedish FSA to lower the countercyclical capital buffer requirement from 2.5% to 0% as a result of the ongoing coronavirus pandemic.

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

# Other information



## Information due to the coronavirus

The spread of the coronavirus is creating great human suffering all around the world and its progression has substantially disrupted the economy. The extent of the final impact depends on the measures taken by governments, central banks and other agencies, among other actions.

Many governments around the world have allocated substantial resources to health care, but have also taken steps to reduce the risk of companies entering into bankruptcy as a result of the coronavirus. Moreover, the Riksbank, the ECB and central banks around the world have announced support measures to maintain the functionality of the markets and to mitigate the economic effects of the coronavirus pandemic.

The coronavirus pandemic is expected to heavily impact Sweden's economy and GDP growth. Unemployment is also expected to increase sharply. All in all, SBAB estimates that housing prices will remain almost unchanged for the full-year 2020. An acceleration in the spread of infection and rapidly rising unemployment could, however, lead to a fall in housing prices.

For more information about the effects of the coronavirus pandemic on the SBAB Group, please refer to SBAB's interim report for January–June 2020.

## SCBC's financial position

SCBC's earnings trend and lending growth remained healthy in the first six months of 2020. Despite the prevailing circumstances due to the coronavirus pandemic, no significant changes or risks have been noted with regard to SCBC's financial position. The company's bal-

ance sheet is strong, and the capital and liquidity buffers are assessed as robust. The functionality of the financial markets is assessed as good and funding operations continue to work satisfactorily. No material changes have been noted in terms of credit risk in the lending portfolio.

## Amortisation relief

The Swedish FSA has announced that banks will have the possibility of offering all new and existing mortgagors an exemption from the amortisation requirements due to the considerable downturn in Sweden's economy in the wake of the coronavirus. It is up to the banks to decide whether an individual household may be granted an amortisation exemption based on an assessment of its specific situation and payment ability. The exemption applies for amortisation payments until 31 August 2021. SCBC's assessment is that the amortisation exemptions granted to date will not affect credit risk in the near future and, in consequence, not affect the need for provisions, but will instead mitigate the increased credit risk that has temporarily arisen for the customers.

## Risks and uncertainties

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The economic trend in Sweden is the primary risk factor for SCBC's future earnings capacity, and the quality of our assets is mainly exposed to credit risk in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. A housing market with soar-

ing prices over an extended period, in parallel with rising household debt, has resulted in the Swedish economy becoming sensitive to rapid changes in interest rates and house prices. The risks linked to these factors could be amplified if many households have high levels of debt in relation to their disposable incomes. The extensive regulatory changes in the residential mortgage market comprise a further uncertainty factor. Moreover, political decisions, for example changed tax rules, could have major consequences on households' solvency and property values.

For further information about risks and risk management, please refer to SCBC's 2019 Annual Report.

## Annual General Meeting

SCBC held its Annual General Meeting on 28 April 2020. The AGM resolved to elect the following Board members: Jan Sinclair (Chairman), Jane Lundgren-Ericsson and Klas Danielsson.

## Events after the end of the period

No significant events occurred after the end of the period.

## Auditors' review report

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



# Contents

## Condensed financial statements

- 9 Condensed income statement
- 9 Condensed statement of comprehensive income
- 10 Condensed balance sheet
- 11 Condensed statement of changes in equity
- 12 Condensed cash-flow statement

## Notes

- 13 **Note 1** Accounting policies
- 13 **Note 2** Changes in risks
- 14 **Note 3** Net result of financial transactions
- 14 **Note 4** Net credit losses
- 15 **Note 5** Lending to the public
- 16 **Note 6** Derivatives
- 16 **Note 7** Classification of financial instruments
- 18 **Note 8** Fair value disclosures
- 18 **Note 9** Subordinated debt to the Parent Company
- 19 **Note 10** Capital adequacy, own funds and capital requirements
- 23 **Note 11** Internally assessed capital requirement



# Condensed income statement

SEK million	SCBC			
	2020 Jan-Jun	2019 Jul-Dec	2019 Jan-Jun	2019 Jan-Dec
Interest income	2,759	2,613	2,528	5 141
Interest expense	-1,258	-1,217	-1,089	-2,306
<b>Net interest income</b>	<b>1,501</b>	<b>1,396</b>	<b>1,439</b>	<b>2,835</b>
Commission income	11	10	6	16
Commission expense	-54	-35	-44	-79
Net expense from financial transactions (Note 3)	-66	-15	23	8
Other operating income	0	0	0	0
<b>Total operating income</b>	<b>1,392</b>	<b>1,356</b>	<b>1,424</b>	<b>2,780</b>
General administrative expenses	-548	-534	-511	-1,045
Other operating expenses	-5	-8	-2	-10
<b>Total expenses before loan losses</b>	<b>-553</b>	<b>-542</b>	<b>-513</b>	<b>-1,055</b>
<b>Profit before loan losses</b>	<b>839</b>	<b>814</b>	<b>911</b>	<b>1,725</b>
Net loan losses (Note 4)	-18	-6	-6	-12
<b>Operating profit</b>	<b>821</b>	<b>808</b>	<b>905</b>	<b>1,713</b>
Tax on operating profit for the period/year	-176	-172	-192	-364
<b>Net profit for the period/year</b>	<b>645</b>	<b>636</b>	<b>713</b>	<b>1,349</b>

For the period, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 2,740 million (2,583).

# Condensed statement of comprehensive income

SEK million	SCBC			
	2020 Jan-Jun	2019 Jul-Dec	2019 Jan-Jun	2019 Jan-Dec
<b>Net profit for the period</b>	<b>645</b>	<b>636</b>	<b>713</b>	<b>1,349</b>
<i>Components that will be reclassified to profit or loss</i>				
Changes related to cash-flow hedges	927	-507	2,253	1,746
Tax attributable to components that will be reclassified to profit or loss	-198	108	-482	-374
<b>Other comprehensive income/loss, net of tax</b>	<b>729</b>	<b>-399</b>	<b>1,771</b>	<b>1,372</b>
<b>Total comprehensive income for the period</b>	<b>1,374</b>	<b>237</b>	<b>2,484</b>	<b>2,721</b>

# Condensed balance sheet

SEK million	SCBC		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>ASSETS</b>			
Lending to credit institutions	254	0	135
Lending to the public (Note 5)	376,529	358,936	346,358
Value changes of interest-rate-risk hedged items in macro hedges	244	-178	252
Derivatives (Note 6)	12,982	11,137	13,077
Other assets	280	218	351
Prepaid expenses and accrued income	184	106	207
<b>TOTAL ASSETS</b>	<b>390,473</b>	<b>370,219</b>	<b>360,380</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	8,551	3	175
Debt securities issued, etc.	263,758	246,774	257,250
Derivatives (Note 6)	566	472	429
Other liabilities	75	564	30
Accrued expenses and deferred income	575	1,680	991
Deferred tax liabilities	706	514	619
Subordinated debt to the Parent Company (Note 9)	96,836	102,180	82,648
<b>Total liabilities</b>	<b>371,067</b>	<b>352,187</b>	<b>342,142</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	50	50	50
<b>Total restricted equity</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>Unrestricted equity</b>			
Shareholder contribution	9,550	9,550	9,550
Fair value reserve	2,559	1,830	2,229
Retained earnings	6,602	5,253	5,696
Net profit for the year	645	1,349	713
<b>Total unrestricted equity</b>	<b>19,356</b>	<b>17,982</b>	<b>18,188</b>
<b>Total equity</b>	<b>19,406</b>	<b>18,032</b>	<b>18,238</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>390,473</b>	<b>370,219</b>	<b>360,380</b>

# Condensed statement of changes in equity

	SCBC					
	Restricted equity	Unrestricted equity				
SEK million	Share capital	Fair value reserve	Shareholder contribution	Retained earnings	Net profit for the year	Total equity
Opening balance 1 January 2020	50	1,830	9,550	6,602	–	18,032
Dividend paid	–	–	–	–	–	0
Other comprehensive income, net of tax	–	729	–	–	–	729
Net profit for the period	–	–	–	–	645	645
Comprehensive income för the period	–	729	–	–	645	1,374
Closing balance 30 June 2020	50	2,559	9,550	6,602	645	19,406
Opening balance 1 January 2019	50	458	9,550	8,696	–	18,754
Dividend paid	–	–	–	–3,000	–	–3,000
Other comprehensive income, net of tax	–	1,771	–	–	–	1,771
Net profit for the period	–	–	–	–	713	713
Comprehensive income för the period	–	1,771	–	–	713	2,484
Closing balance 30 June 2019	50	2,229	9,550	5,696	713	18,238
Opening balance 1 January 2019	50	458	9,550	8,696	–	18,754
Dividend paid	–	–	–	–3,000	–	–3,000
Group contribution, after tax	–	–	–	–443	–	–443
Other comprehensive income, net of tax	–	1,372	–	–	–	1,372
Net profit for the period	–	–	–	–	1,349	1,349
Comprehensive income för the period	–	1,372	–	–	1,349	2,721
Closing balance 31 December 2019	50	1,830	9,550	5,253	1,349	18,032



# Condensed cash-flow statement

SEK million	SCBC		
	2020	2019	2019
	Jan-Jun	Jan-Jun	Jan-Dec
Opening cash and cash equivalents	0	0	0
<b>OPERATING ACTIVITIES</b>			
Interest and commissions paid/received	351	746	2,786
Outflows to suppliers and employees	-553	-513	-1,055
Taxes paid/refunded	-248	-250	-486
Change in assets and liabilities of operating activities	6,612	10,918	-10,012
<b>Cash flow from (used in) operating activities</b>	<b>6,162</b>	<b>10,901</b>	<b>-8,767</b>
<b>INVESTING ACTIVITIES</b>			
Cash flow from investing activities	-	-	-
<b>FINANCING ACTIVITIES</b>			
Group contribution paid	-564	-	-
Dividend paid	-	-3,000	-3,000
Change in subordinated debt	-5,344	-7,766	11,767
<b>Cash flow from financing activities</b>	<b>-5,908</b>	<b>-10,766</b>	<b>8,767</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>254</b>	<b>135</b>	<b>0</b>
<b>Closing cash and cash equivalents</b>	<b>254</b>	<b>135</b>	<b>0</b>

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

## Change in liabilities attributable to financing activities

SEK million	SCBC									
	Non-cash items					Non-cash items				
	Opening balance 1 Jan 2020	Cash flow	Fair value	Other	Closing balance 30 Jun 2020	Opening balance 1 Jan 2019	Cash flow	Fair value	Other	Closing balance 30 Jun 2019
Long-term interest-bearing liabilities	102,180	-5 344	-	-	96,836	90,413	-7,765	-	-	82,648
<b>Total</b>	<b>102,180</b>	<b>-5,344</b>	<b>-</b>	<b>-</b>	<b>96,836</b>	<b>90,413</b>	<b>-7,765</b>	<b>-</b>	<b>-</b>	<b>82,648</b>

## Note 1 Accounting policies

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

### Introduction of new and changed accounting standards 2020

IBOR reform – amendments in IFRS 9, IAS 39 and IFRS 7

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

### Other

All other accounting policies and calculation methods are unchanged in comparison with the Annual Report 2019. These consolidated condensed financial statements have been prepared on a going concern basis. On 16 July 2020, the Board of Directors approved the consolidated condensed financial statements for publication.

## Note 2 Changes in risks

### Credit risk in lending operations

No increase in realised credit risk was noted in lending operations in the first half of 2020. Despite the prevailing circumstances with the corona pandemic, neither an increased tendency to mismanage repayments nor turbulence in the housing market leading to falling housing prices has been observed. However, SBAB has noted an increase in applications for temporary amortisation relief, which thus far are assessed as solely managing the temporary increase in liquidity risk that has arisen for customers. No deviations have been noted in terms of LTV ratios and debt-to-income ratios for new lending. For more information on credit losses in the quarter, please refer to [Note 4](#).

### Counterparty credit risk in treasury operations

Counterparty credit risk is more or less unchanged since year end 2019. Limit utilisation for SCBC's derivative counterparties has fallen to SEK 265 million at 30 June 2020, compared with SEK 274 million at 31 December 2019.

### Liquidity risk

Liquidity risk for SCBC is managed in cooperation with SBAB. SCBC has an agreed liquidity facility with SBAB which can be used to finance SCBC's operations. A major covered bond redemption took place during the second quarter, however as a result of new issuances during the first six months the OC level is slightly lower compared to end of year level.

### Market risk

SCBC uses Value at Risk (VaR) to quantify market risk. VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. SCBC's model is a historical model and applies percentiles in historical market data from the past two years. At 30 June 2020, SCBC's VaR amounted to SEK 108 million, compared with SEK 70 million at 31 December 2019. The limit for VaR is set at SEK 700 million.

### Operational risk

The Covid-19 pandemic has resulted in a general increase in operational risk in SCBC in connection with, inter alia, absenteeism and continuity for critical deliveries. It should be noted that the Group's business contingency plans were generally applicable during the Covid-19 period, which has reduced continuity risks. In terms of technical debt, the risk picture has reduced slightly due to a deployment of a new vital IT-system.

### Business risk

During the first half of 2020, SCBC's business risk was affected by changes in macroeconomic conditions. The ongoing corona pandemic has impacted both financial markets and the real economy. In Sweden, as in other countries, a large number of measures have been taken in the past few months to control the contagion and to mitigate the effects on the economy. Looking at the state of financial markets, the situation has currently stabilised. To date, the impact of the pandemic on the financial position of SCBC and the SBAB group has been very moderate. The long-term consequences are however still unknown. The longer the crisis lasts, the larger it is likely to impact the economy. SCBC, and SBAB as a group, continue to be well positioned to manage a more prolonged financial crisis, in terms of both capital and liquidity. The overall business risk is therefore considered to be moderate.

No material changes in the competitive landscape were observed during the second quarter. Moreover, SCBC has not entered, or exited, any new markets or segments.

### Concentration risk

Concentration risks for lending against collateral in houses and tenant-owners' rights was marginally lower at the end of the second quarter, in comparison to the end of 2019. Concentration risk for lending in the Stockholm region was unchanged compared with the end of 2019.

### Note 3 Net result of financial transactions

SEK million	SCBC			
	2020	2019	2019	2019
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
<b>Gains/losses on interest-bearing financial instruments</b>				
– Change in value of hedged items in hedge accounting	–1,225	937	–1,784	–847
– Realised gain/loss from financial liabilities	–66	–58	–71	–129
– Derivatives in hedge accounting	1,224	–930	1,795	865
– Other derivatives	–13	22	28	50
– Loan receivables	14	14	55	69
Currency translation effects	0	0	0	0
<b>Total</b>	<b>–66</b>	<b>–15</b>	<b>23</b>	<b>8</b>

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

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

### Note 4 Net loan losses

SEK million	SCBC			
	2020	2019	2019	2019
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
<b>Lending to the public</b>				
Confirmed credit losses	–1	0	–1	0
Recoveries of previously confirmed credit losses	–	–	0	0
Change in provision for the period – credit stage 1	–16	2	–4	–3
Change in provision for the period – credit stage 2	–5	–1	1	0
Change in provision for the period – credit stage 3	2	1	–2	–1
Guarantees	2	–8	–0	–8
<b>Net credit losses for the period – lending to the public</b>	<b>–18</b>	<b>–6</b>	<b>–6</b>	<b>–12</b>

For further information about definitions and assumptions for judgements and calculations of credit risk and the various credit stages under IFRS 9, refer to SCBC's 2019 Annual Report, note G 1 (Accounting policies).



## Note 5 Lending to the public

SEK million	SCBC		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>Opening balance</b>	<b>358,936</b>	<b>339,370</b>	<b>339,370</b>
Transferred to/from Group entities	36,981	60,702	28,325
Amortisation, repayments, etc.	-19,368	-41,133	-21,331
Confirmed credit losses	-1	0	-1
Change in provision for expected credit losses <sup>1)</sup>	-19	-3	-6
<b>Closing balance</b>	<b>376,529</b>	<b>358,936</b>	<b>346,358</b>

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

### Distribution of lending, including provisions

SEK million	SCBC		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
Lending, Residential mortgages	295,327	287,618	278,362
Lending, Corporate Clients & Tenant-Owners' Associations	81,202	71,318	67,996
<b>Total</b>	<b>376,529</b>	<b>358,936</b>	<b>346,358</b>

### Lending to the public by credit stage

SEK million	SCBC		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>Credit stage 1</b>			
Gross carrying amount	358,746	339,258	329,103
Provision for expected credit losses	-42	-27	-28
<b>Carrying amount</b>	<b>358,704</b>	<b>339,232</b>	<b>329,075</b>
<b>Credit stage 2</b>			
Gross carrying amount	17,732	19,539	17,089
Provision for expected credit losses	-69	-64	-63
<b>Carrying amount</b>	<b>17,663</b>	<b>19,475</b>	<b>17,026</b>
<b>Credit stage 3</b>			
Gross carrying amount	182	252	281
Provision for expected credit losses	-20	-22	-24
<b>Carrying amount</b>	<b>162</b>	<b>230</b>	<b>257</b>
<b>Gross carrying amount (credit stages 1, 2 and 3)</b>	<b>376,660</b>	<b>359,049</b>	<b>346,473</b>
<b>Provision for expected credit losses (credit stages 1, 2 and 3)</b>	<b>-131</b>	<b>-113</b>	<b>-115</b>
<b>Total</b>	<b>376,529</b>	<b>358,936</b>	<b>346,358</b>

## Note 6 Derivatives

SEK million	SCBC					
	30 Jun 2020			31 Dec 2019		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate-related	5,983	174	307,370	5,100	309	316,823
Currency-related	6,999	392	85,627	6,037	163	85,627
<b>Total</b>	<b>12,982</b>	<b>566</b>	<b>392,997</b>	<b>11,137</b>	<b>472</b>	<b>402,450</b>

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

## Note 7 Classification of financial instruments

### Financial assets

SEK million	SCBC				
	30 Jun 2020				
	Financial assets measured at FVTPL		Financial assets measured at amortised cost	Total	Total fair value
	Derivatives (held for trading)	Other (obligatory) classification			
Lending to credit institutions	-	-	254	254	254
Lending to the public	-	-	376,529	376,529	377,814
Value changes of interest-rate-risk hedged items in macro hedges	-	-	244	244	-
Derivatives	12,870	112		12,982	12,982
Other assets	-	-	18	18	18
Prepaid expenses and accrued income	-	-	123	123	123
<b>Total</b>	<b>12,870</b>	<b>112</b>	<b>377,168</b>	<b>390,150</b>	<b>391,191</b>

### Financial liabilities

SEK million	SCBC				
	30 Jun 2020				
	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives (held for trading)	Held for trading			
Liabilities to credit institutions	-	-	8,551	8,551	8,551
Issued debt securities, etc.	-	-	263,758	263,758	250,416
Derivatives	543	23		566	566
Other liabilities	-	-	74	74	74
Accrued expenses and deferred income	-	-	575	575	575
Subordinated debt to the Parent Company	-	-	96,836	96,836	96,836
<b>Total</b>	<b>543</b>	<b>23</b>	<b>369,794</b>	<b>370,360</b>	<b>357,018</b>

## Not 7 Classification of financial instruments, Cont.

### Financial assets

SCBC					
31 Dec 2019					
SEK million	Financial assets measured at FVTPL		Financial assets measured at amortised cost	Total	Total fair value
	Derivatives (held for trading)	Other (obligatory) classification			
Lending to credit institutions	-	-	0	0	0
Lending to the public	-	-	358,936	358,936	359,478
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-178	-178	-
Derivatives	11,008	129	-	11,137	11,137
Other assets	-	-	22	22	22
Prepaid expenses and accrued income	-	-	104	104	104
<b>Total</b>	<b>11,008</b>	<b>129</b>	<b>358,884</b>	<b>370,021</b>	<b>370,741</b>

### Financial liabilities

SCBC					
31 Dec 2019					
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives (held for trading)	Held for trading			
Liabilities to credit institutions	-	-	3	3	3
Issued debt securities, etc.	-	-	246,774	246,774	250,416
Derivatives	464	8	-	472	472
Other liabilities	-	-	565	565	565
Accrued expenses and deferred income	-	-	1,680	1,680	1,680
Subordinated debt to the Parent Company	-	-	102,180	102,180	102,180
<b>Total</b>	<b>464</b>	<b>8</b>	<b>351,202</b>	<b>351,674</b>	<b>355,316</b>

#### Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SCBC's Annual Report 2019. In the total fair value column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet. The carrying amounts for current receivables and liabilities, including subordinated debt to the Parent Company, have

been assessed as equal to their fair values. For Lending to the public, where no observable credit margin data is available at the time of measurement, the credit margin on the most recent date for changes in terms is applied to set the discount rate, Level 3. Issued debt securities are measured at the company's current borrowing interest rate, Level 2.



## Note 8 Fair Value Disclosures

SEK million	SCBC							
	30 Jun 2020				31 Dec 2019			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
<b>Assets</b>								
Derivatives	–	12,982	–	12,982	–	11,137	–	11,137
<b>Total</b>	<b>–</b>	<b>12,982</b>	<b>–</b>	<b>12,982</b>	<b>–</b>	<b>11,137</b>	<b>–</b>	<b>11,137</b>
<b>Liabilities</b>								
Derivatives	–	566	–	566	–	472	–	472
<b>Total</b>	<b>–</b>	<b>566</b>	<b>–</b>	<b>566</b>	<b>–</b>	<b>472</b>	<b>–</b>	<b>472</b>

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided provided in Note 1 (Accounting Policies) in SCBC's Annual Report 2019. In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement levels used below. No transfers were made between levels in 2019 or 2020.

### Quoted market prices (Level 1)

Measurement at quoted prices in an active market for identical assets and liabilities. A market is deemed to be active if the price data is easily accessible and corresponds to actual regularly occurring transactions. This measurement method is currently not used on any asset or liability.

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

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

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

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

## Note 9 Subordinated debt to the Parent Company

SEK million	SCBC		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
Subordinated debt to the Parent Company	96,836	102,180	82,648
– Of which Internal Group MREL instrument	6,000	6,000	–
<b>Summa</b>	<b>96,836</b>	<b>102,180</b>	<b>82,648</b>

### Terms and conditions governing subordination

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

### Internal Group MREL instrument

Of the subordinated debt to the Parent Company SBAB Bank AB (publ), which amounts to SEK 96,836 million, SEK 6,000 million comprises an internal Group debt instrument (senior non-preferred notes) that was issued by SCBC to the Parent Company in December 2019 for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office in SCBC. The internal Group MREL instrument is subordinate to other subordinated debt to the Parent Company.

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

### Amendments to the Banking Package

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

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

In addition, changes to the Capital Requirements Regulation have been adopted on April 26, 2019 which relate to a deduction in own funds for new loans that have become non-performing. The deduction should act as a backstop for non-performing loans.

### Buffer requirements

On March 16, 2020, the Swedish FSA decided to lower the countercyclical capital buffer requirement for banks from 2.5 percent to 0 percent due to the current corona pandemic.

### Restated comparative figures

Figures for 31 Dec 2019 have been restated in relation to figures presented in the Year-end report 2019 in accordance with the Board's decision to propose to the AGM the distribution of no dividend for the 2019 financial year.

## Capital adequacy

SEK million	SCBC		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
CET1 capital	16,565	16,168	15,681
Tier 1 capital	16,565	16,168	15,681
Total capital	16,571	16,173	15,685
Risk exposure amount	99,057	94,966	92,375
CET1 capital ratio, %	16.7	17.0	17.0
Excess <sup>1)</sup> of CET1 capital	12,108	11,894	11,524
Tier 1 capital ratio, %	16.7	17.0	17.0
Excess <sup>1)</sup> of Tier 1 capital	10,622	10,470	10,139
Total capital ratio, %	16.7	17.0	17.0
Excess <sup>1)</sup> of total capital	8,646	8,575	8,295

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

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

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

### Own funds

SEK million	SCBC		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>CET1 capital instruments: Instruments and reserves</b>			
Capital instruments and the related share premium accounts	9,600	9,600	9,600
Retained earnings	6,601	5,253	5,696
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2,559	1,830	2,229
Independently verified interim profits net of any foreseeable charge or dividend <sup>1)</sup>	387	1,349	428
<b>CET1 capital before regulatory adjustments</b>	<b>19,147</b>	<b>18,032</b>	<b>17,953</b>
<b>CET1 capital: Regulatory adjustments</b>			
Additional value adjustments (negative amount)	-14	-12	-14
Fair value reserves related to gains or losses on cash-flow hedges	-2,559	-1,830	-2,229
Negative amounts resulting from the calculation of expected loss amounts	-9	-22	-29
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0	0
<b>Total regulatory adjustments to CET1 capital</b>	<b>-2,582</b>	<b>-1,864</b>	<b>-2,272</b>
<b>CET1 capital</b>	<b>16,565</b>	<b>16,168</b>	<b>15,681</b>
<b>Additional Tier 1 capital: Instruments</b>			
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)</b>	<b>16,565</b>	<b>16,168</b>	<b>15,681</b>
<b>Tier 2 capital: Instruments and provisions</b>			
Credit risk adjustments	6	5	4
<b>Tier 2 capital before regulatory adjustments</b>	<b>6</b>	<b>5</b>	<b>4</b>
<b>Tier 2 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2 capital</b>	<b>6</b>	<b>5</b>	<b>4</b>
<b>Total capital (Total capital=Tier 1 capital + Tier 2 capital)</b>	<b>16,571</b>	<b>16,173</b>	<b>15,685</b>
<b>Total risk-weighted assets</b>	<b>99,057</b>	<b>94,966</b>	<b>92,375</b>

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

SEK million	SCBC		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	16.7	17.0	17.0
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	16.7	17.0	17.0
Total capital (as a percentage of total risk-weighted exposure amount), %	16.7	17.0	17.0
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	7.0	9.5	9.0
– of which, CET1 capital, minimum requirement, %	4.5	4.5	4.5
– of which, capital conservation buffer requirement, %	2.5	2.5	2.5
– of which, countercyclical buffer requirement, %	0.0	2.5	2.0
– of which, systemic risk buffer requirement, %	–	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	8.7	9.0	9.0

1) Net profit for the interim period was reduced by the expected dividend of SEK 258 million, based on Q2 2020. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

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

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

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

### Risk exposure amounts and capital requirements

	SCBC					
	30 Jun 2020		31 Dec 2019		30 Jun 2019	
mnkr	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	6,790	543	5,940	475	5,259	421
Retail exposures	11,433	915	11,274	902	11,279	902
– of which, exposures to SMEs	807	65	764	61	753	60
– of which, retail exposures secured by immovable property	10,626	850	10,510	841	10,526	842
<b>Total exposures recognised with IRB approach</b>	<b>18,223</b>	<b>1,458</b>	<b>17,214</b>	<b>1,377</b>	<b>16,538</b>	<b>1,323</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposure to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to institutions <sup>1)</sup>	147	12	85	7	167	13
– of which, derivatives according to CRR, Appendix 2	136	11	64	5	90	7
– of which, repos	11	1	21	2	77	6
– of which, other	0	0	0	0	0	0
Exposures to institutions and corporates with a short-term credit rating	0	0	0	0	0	0
Other items	336	27	32	4	381	30
<b>Total exposures recognised with standardised approach</b>	<b>483</b>	<b>39</b>	<b>117</b>	<b>11</b>	<b>548</b>	<b>43</b>
<b>Market risk</b>	<b>675</b>	<b>54</b>	<b>729</b>	<b>58</b>	<b>827</b>	<b>66</b>
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	675	54	729	58	827	66
<b>Operational risk</b>	<b>4,441</b>	<b>355</b>	<b>4,186</b>	<b>335</b>	<b>4,186</b>	<b>335</b>
<b>Credit valuation adjustment risk</b>	<b>525</b>	<b>42</b>	<b>368</b>	<b>29</b>	<b>450</b>	<b>36</b>
<b>Additional requirements under Article 458 of the CRR</b>	<b>74,094</b>	<b>5,928</b>	<b>71,736</b>	<b>5,739</b>	<b>69,210</b>	<b>5,538</b>
<b>Additional requirements under Article 3 of the CRR</b>	<b>616</b>	<b>49</b>	<b>616</b>	<b>49</b>	<b>616</b>	<b>49</b>
<b>Total risk exposure amount and minimum capital requirement</b>	<b>99,057</b>	<b>7,925</b>	<b>94,966</b>	<b>7,598</b>	<b>92,375</b>	<b>7,390</b>
<b>Capital requirements for capital conservation buffer</b>		<b>2,476</b>		<b>2,374</b>		<b>2,309</b>
<b>Capital requirements for countercyclical buffer</b>		<b>0</b>		<b>2,374</b>		<b>1,848</b>
<b>Total capital requirement</b>		<b>10,401</b>		<b>12,346</b>		<b>11,547</b>

1) The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 147 million (85).



## Note 11 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SCBC has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for SCBC amounted to SEK 10,860 million (SEK 12,839 million on 31 December 2019). The internal capital requirement is assessed using SCBC's internal models for economic capital.

SCBC quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment process (ICAAP). Economic capital is defined as the amount of capital needed

to ensure solvency over a one year period. The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

		SCBC			
		30 Jun 2020		31 Dec 2019	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %
Pillar 1	Credit risk & CVA risk	1,539	1.5	1,417	1.5
	Market risk	54	0.1	58	0.1
	Operational risk	355	0.4	335	0.4
	Risk-weight floor <sup>1)</sup>	5,928	6.0	5,739	6.0
	Surcharge, corporate exposures <sup>2)</sup>	49	0.0	49	0.0
	<b>Total Pillar 1</b>	<b>7,925</b>	<b>8.0</b>	<b>7,598</b>	<b>8.0</b>
Pillar 2	Credit risk	–	–	–	–
	Market risk	12	0.0	65	0.1
	Operational risk	–	–	–	–
	Concentration risk	447	0.5	428	0.4
	Sovereign risk	–	–	–	–
	Pension risk	–	–	–	–
	<b>Total Pillar 2</b>	<b>459</b>	<b>0.5</b>	<b>493</b>	<b>0.5</b>
Buffers	Capital conservation buffer	2,476	2.5	2,374	2.5
	Capital planning buffer	–	–	–	–
	Countercyclical buffer	–	0.0	2,374	2.5
	<b>Total Buffers</b>	<b>2,476</b>	<b>2.5</b>	<b>4,748</b>	<b>5.0</b>
<b>Total</b>		<b>10,860</b>	<b>11.0</b>	<b>12,839</b>	<b>13.5</b>
<b>Total own funds</b>		<b>16,571</b>		<b>16,173</b>	

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

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

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

Solna, 16 July 2020

Jan Sinclair  
Chairman of the Board

Klas Danielsson  
Board Member

Jane Lundgren-Ericsson  
Board Member

Mikael Inglander  
CEO

## Financial calendar

Year-end Report 2020

11 Feb 2021

## Credit ratings

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



## Contact

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This information was submitted for publication on 17 July 2020 at 08:00 (CET).

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

# Auditors' review report

**Introduction**

We have reviewed the interim report for The Swedish Covered Bond Corporation (publ) for the period 1 January – 30 June 2020. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

**Scope of review**

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

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

**Conclusion**

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

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

Stockholm July 16, 2020

Deloitte AB

*Signature on Swedish original*

Patrick Honeth  
Authorised Public Accountant