Interim report

January–September 2022

SBAB Bank AB (publ)

The quarter in brief

Q3 2022

(Q2 2022)

- On 20 September, the Riksbank raised the key interest rate by 1 percentage point to 1.75%. This is the largest increase since the inflation target was introduced in the mid-90s. This has led to raised market interest rates and increased uncertainty for households and companies. Read more on pages 4 and 7
- The housing market continues to show clear signs of slowing. Housing prices fell on a broad front across the entire country during the quarter. Read more on page 8
- Positive growth continued in lending and deposits. Total lending increased 1.5% to SEK 498.6 billion (491.3) during the quarter. Total deposits increased 10.8% to SEK 171.0 billion (154.4). Read more on page 11
- Net interest income grew to SEK 1,155 million (1,088), mainly due to higher lending and deposit volumes. This was, to date, the highest net interest income for a single quarter. Read more on page 14
- Credit losses totalled SEK 20 million (12) and pertained mainly to increased credit loss allowances related to the disbursement of building credits as well as to risk migrations in the retail segment due to increased interest expenses for households. Read more on page 14
- During the first quarter of 2022, a new line item was added in the income statement, imposed fees. Imposed fees include the new Swedish risk tax as well as the resolution fee that was previously reported in net interest income. The risk tax totalled SEK 65 million (65) and the resolution fee amounted to SEK 46 million (44) for the third quarter. Read more on page 14
- Operating profit grew 15.3% to SEK 739 million (641), primarily due to an increased net interest income and a more positive outcome for net income from financial transactions. Read more on page 14
- The return on equity amounted to 11.7% (10.4) and the C/I ratio was 29.4% (32.7). Return on equity, excluding the risk tax, amounted to 12.7%. Read more on page 14
- SBAB's capital and liquidity position remains strong. The CET1 capital ratio was 12.8% (12.7) at the end of the quarter. Read more on page 18

Total lending Q3 2022, SEK bn

499

Total deposits Q3 2022, SEK bn

171

11.7%

Return on equity, Q3 2022

12.7%

Return on equity, excl. risk tax, Q3 2022

−0.02%

Credit loss ratio, Q3 2022

29.4%

C/I ratio, Q3 2022

Selected key metrics

	GROUP					
	2022	2022		2022	2021	
	Q3	Q2	Change	Jan–Sep	Jan–Sep	Change
Total lending, SEK bn	498.6	491.3	+1.5%	498.6	451.3	+10.5%
Total deposits, SEK bn	171.0	154.4	+10.8%	171.0	140.6	+21.6%
Net interest income, SEK million[1]	1,155	1,088	+6.2%	3,327	3,097	+7.4%
Net result of financial transactions, SEK million	72	21	+51 mn	44	−68	+112 mn
Expenses, SEK million	−363	−371	−2.2%	−1,092	−1,040	+5.0%
Net credit losses, SEK million	−20	−12	+8 mn	−49	10	+59 mn
Imposed fees: Risk tax and resolution fee[1]	−111	−109	+2 mn	−333	–	–
Operating profit, SEK million	739	641	+15.3%	1,953	2,053	−4.9%
Return on equity, %	11.7	10.4	+1.3 pp	10.5	11.7	−1.2 pp
C/I ratio, %	29.4	32.7	−3.3 pp	31.9	33.7	−1.8 pp
CET1 capital ratio, %	12.8	12.7	+0.1 pp	12.8	13.3	−0.5 pp

1) During the first quarter of 2022, a new line item was added in the income statement, imposed fees, placed after the item Net credit losses. Imposed fees include the new Swedish risk tax as well as the resolution fee that was previously reported in net interest income. This impacts the comparability of net interest income with previous years.

This is SBAB

Our business idea is to be innovative and considerate in our offering of loans and savings products and other services for better housing and household finances to private individuals, tenant-owner associations and property companies in Sweden.

Vision
To offer the best residential mortgages in Sweden

Mission
To contribute to better housing and household finances

Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search and real estate agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli, HittaMäklare and Boappa brands. We meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.53% on 31 August 2022, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se has Sweden's largest offering of homes for sale.

Read more on page 12

SBAB!

hittamäklare! A service by SBAB

booli! A service by SBAB

boappa! A service by SBAB

Corporate Clients & Tenant-Owners' Associations business area

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to companies and organisations. We finance multi-family dwellings, existing as well as new buildings. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to companies (residential properties) was 16.48% on 31 August 2022. At the same time, the market share for lending to tenant-owners' associations was 10.30%.

Read more on page 13

SBAB assigns priority to four Sustainable Development Goals


Annual Report 2021

SBAB!

What does your mortgage have to do with climate risks, community, homelessness, illegal employment, carbon emissions, exclusion, respect and equality?

Read more about our sustainability agenda in SBAB's Annual Report 2021

Statement from the CEO

We find ourselves in a time of increased general uncertainty and global unrest. Substantial interest rate increases, rising energy costs and an economic slowdown entail challenges for essentially every part of society, in one way or other. Despite the uncertainty in the wider world, SBAB once again posted a strong performance and a favourable volume trend.

On 20 September, the Riksbank raised the key interest rate by 1 percentage point to 1.75%. This is the largest increase since the inflation target was introduced in the mid-90s, and more than what many forecasters – including our own experts – initially expected. In parallel, electricity and energy prices continue to climb while food, input goods and services become increasingly expensive due to high inflation.

Household costs have increased significantly during the last few months. We regularly adjust the calculation we use as a basis for granting loans to private individuals to reflect prevailing circumstances. We use a calculation of household costs that assesses a customer's repayment capacity in the short and the long term. As a bank and creditor, we have a long-term responsibility to ensure that our customers can make their interest and amortisation payments. During the quarter, we updated our standardised household costs in the calculation. The change corresponded to a significant increase approaching 10% for some households. The calculation also uses a stressed interest rate to prepare for higher interest rate levels in the future. At the end of October, we decided to adjust this interest rate.

Housing prices in the secondary market have fallen approximately 10% since March 2022, more in the major metropolitan areas than out in the countryside, and more for houses than for apartments. Given the continued increases in the key interest rate, and higher mortgage and market interest rates, we expect further price decreases. If mortgage interest rates continue to rise to around 4% to 5%, our experts believe that it is reasonable to expect housing prices to fall another approximately 10% from current levels.

Prices for new housing have not fallen significantly. However, the rate of sales has slowed drastically recently. Even if the supply is not particularly high compared with a few years ago, we expect price pressure for these homes during the next year. Going forward, decreased demand for housing from households and more expensive production costs are expected to lead to housing production decreasing to approximately 40,000 homes annually, compared with approximately 70,000 homes in 2021.

The weak housing market is expected to continue well into next year. As households adjust to higher costs for many products and services – and higher mortgage interest rates – uncertainty in the housing market is expected to decrease and activity is expected to gradually increase again. Inflation is expected to approach the Riksbank's target by the end of 2023, at the same time as the economic downturn is estimated to take root alongside growing unemployment. At this point, we expect that the Riksbank will start to ease its monetary policy and to move towards an equilibrium interest rate of approximately 2%. Future developments are highly uncertain and the coming time might be challenging for some of our customers. We are ready to help and take responsibility.

On the corporate side, we have been working for quite some time on a long-term strategy to grow together with prioritised customer groups. We focus on larger customers with diversified revenue streams, strong balance sheets and good liquidity. In parallell with decreasing yields and increasing debt in the property market, we have for some time implemented more stringent requirements in lending. In connection with developments in the bond market, we have also added additional resources to better analyse our lending portfolio based on capital market dependence and refinancing risk. We are confident about our exposure, even if we are aware that risks and uncertainty have grown recently. In this context, it is also important to mention that our strong growth in the corporate segment has not affected our overall risk profile. Quite the opposite – the credit quality in new lending has been on a par with, or sometimes even better, than our existing portfolio.

Increased interest rates for mortgages and savings

Total lending increased 1.5% during the quarter to a total of SEK 498.6 billion. Retail lending increased 0.6% and lending to corporates and tenant-owners' associations increased 3.7%. We are expecting a slight slowdown in the residential mortgage market going forward due to the weaker housing market. We expect the strong performance to continue in the corporate segment, though not as strong as the last few years, in part because many property company customers are having difficulties obtaining financing at favourable terms in the bond market.

Deposits increased substantially, rising 10.8% in the quarter to a total of SEK 171.0 billion. This is a very welcome development. Our goal is to have a competitive offering and, overall, to act in relation to developments in the fixed-income market. I have mentioned this several times before, but want to bring it up again: transparency and attractive terms and conditions represent central components of our customer offering and we continuously adjust our interest rates, for lending and deposits, to reflect the prevailing market circumstances.

During the quarter, we adjusted our mortgage rates several times on all maturities. In parallel with this, we adjusted the interest rate on our savings accounts upwards. We are convinced that our attractive savings interest rate, in combination with clear and favourable terms, is a competitive alternative compared to many other players, not least the major banks. SBAB enjoys a great deal of trust from the market and during the quarter we increased our marketing initiatives to raise the visibility of our offering.

Deposits are an important piece of the puzzle when it comes to our ability to provide a competitive offering in terms of residential mortgages and housing financing since it comprises an important and significant share of our total funding. The share of lending funded by deposits amounted to just over 34% at the end of the quarter, and it remains our ambition to retain and, if possible, to increase this share going forward.

Strong results despite increasing uncertainty

Earnings for the third quarter were strong. Our net interest income increased 6.2% to a total of SEK 1,155 million. This was, to date, our strongest net interest income for a single quarter. Profitability remains in line with our long-term goal of achieving a return on equity of 10%. We continue to notice pressure on margins on residential mortgages. However, over time we expect this trend to be partly offset by somewhat higher deposit margins. Credit losses totalled SEK 20 million in the quarter and essentially consisted of increased credit loss allowances related to the disbursement of new building credits as well as to risk migrations in the retail segment due to increased interest expenses for households. Costs continue to increase according to plan. Percentage-wise, costs are growing somewhat slower than previously, due in part to clearer prioritisation in operations. We are continuing to focus on wrapping up our work with replacing our core banking platform.

The future is uncertain. In challenging times, it is important to act responsibly, with the long term in mind. As people and a society – particularly during the pandemic – we have shown an incredible ability to adapt to changing circumstances. I believe, and hope, that this situation will be no different. Our capital and liquidity situation is strong and we have ample opportunity to support, assist and help our customers as we best know how. Finally, I would like to thank all of our employees for a successful quarter. I would also like to thank our customers for their trust – take care of each other out there this autumn.

Mikael Inglander
CEO of SBAB

Our climate impact is measured – all the way

Housing accounts for a large proportion of the total energy consumption in Sweden. Our financing and credit granting enables us to influence the housing market through requirements, terms and dialogue with the aim of reducing energy consumption and the carbon footprint. We want to leverage this opportunity.

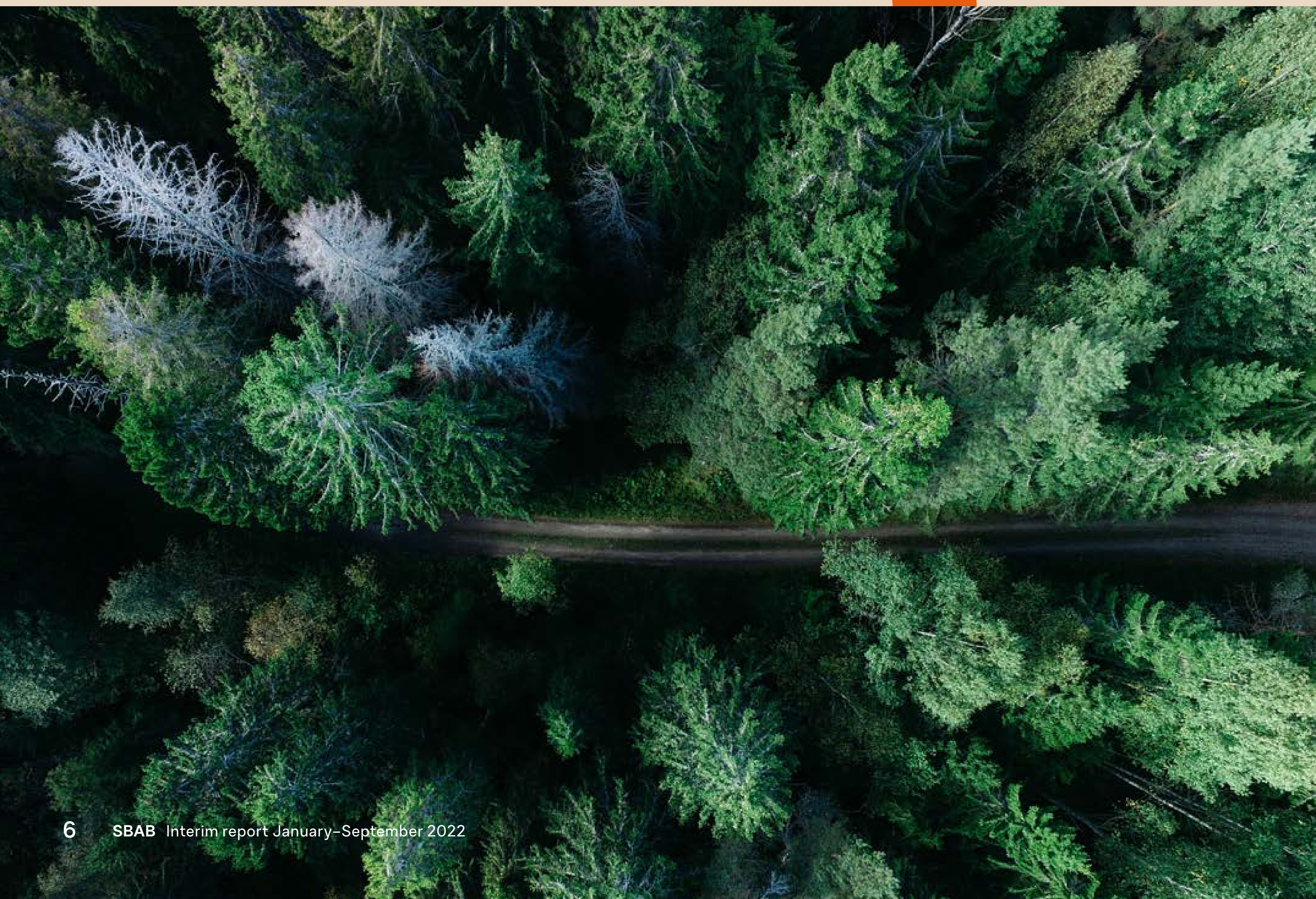
To this end we work systematically to reduce our own climate impact with a goal to reduce our own emissions by 15% to 2025. Whatever we cannot reduce, we will climate compensate.

In 2021, we started measuring carbon emissions from our lending portfolio, meaning our indirect climate impact. Read more in SBAB's Annual Report 2021, available here. By first understanding the level of emissions that our lending portfolio generates, we can work long term and strategically to reduce them.

Sustainability rating

We are noting that our bond purchasers are increasingly choosing to include sustainability aspects in their investment decisions. We also believe that companies with higher sustainability ratings will gradually become more attractive investments than companies with lower ratings. In 2021, we improved our sustainability rating from MSCI and Sustainalytics.

- MSCI gave us an AA rating on a scale from CCC to AAA. Only 2% of companies have a better rating than us.
- Sustainalytics lowered our risk level (low risk) and increased our ESG management rating (from medium to strong). Only 3% of companies have a better rating than us.



Market overview

Swedish economy

Household consumption continued to decline during the third quarter due to quickly rising prices and interest rates, which has led to a further economic slowdown. The Swedish economy is expected to enter a recession next year. Reasons for this stem primarily from Russia's war in Ukraine and the subsequent sanctions as well as rapidly rising prices for energy and certain raw materials. In addition, there are further supply disruptions due to the coronavirus pandemic and continued shutdowns in places like China, which has restricted product offerings and driven up prices. On the other hand, Swedish industry remained relatively strong during the third quarter and unemployment is on the decline. The growth rate of Sweden's economy is expected to be relatively strong in 2022, over 2%, but essentially unmoving in 2023.

Strong demand in combination with supply disruptions has led to rapid price increases for many goods, in particular for energy and food, which has resulted in a year-on-year decline in households' real scope for consumption. This sudden price trend is largely due to events in the external world, but Swedish companies have raised prices for their customers due to higher purchase prices. Confidence indicators for industry have slowed considerably since the beginning of the summer and are all somewhat below normal levels. For households, however, confidence indicators have dropped to levels in line with those during the crisis of the 1990s. Household pessimism is largely due to the price increases taking place for goods that are perceived as necessary and difficult to replace, and due to people being reluctant to change their behaviour by changing the composition of their shopping basket.

Read more about the forecasts for Sweden's economy and the housing market in the latest edition of SBAB Bomarknadsnytt (in Swedish), available here.

Fixed-income market

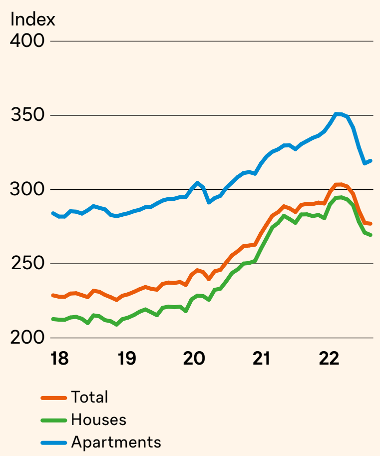
Market interest rates continued to rise during the third quarter, primarily for short-term instruments as well as on mortgage bonds. This was a consequence of continued high inflation outcomes as well as the higher interest rates required by investors to purchase interest-bearing assets. The increase thus far has been driven by the Riksbank's decision, much like central banks in many other countries, to raise the key interest rate quickly in order to bring inflation down to target levels. From a longer historical perspective, while interest rates are still not particularly high, they are at levels that have not been seen in close to a decade.

In September, the Riksbank decided to raise the key interest rate one percentage point to 1.75% and an additional hike is expected in November so that by February next year the key interest rate will hit 2.25%. It is very likely that the key interest rate will rise even higher in the next six months, but at SBAB we believe that by the end of 2023 it will decline to an equilibrium interest rate of approximately 2%. Increases in the key interest rate will primarily raise short-term market interest rates. In general, this will lead to increases in short- and long-term mortgage rates. In a few years, variable mortgage rates will likely hover around 4%, while long mortgage rates will be closer to 5%. The long-term level for mortgage rates in general is estimated to be around 4%, somewhat lower for variable mortgage rates and somewhat higher for longer fixed-interest rates.

Read about forecasts of the mortgage rate trends in the latest edition of SBAB Boräntenytt (in Swedish), available here.

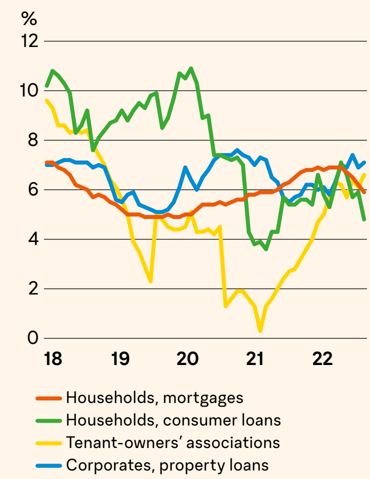
Housing price trend

(HOX index 2005=100)



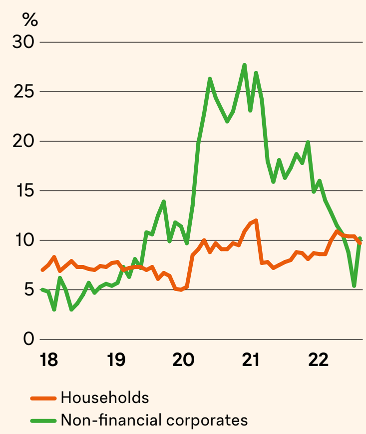
Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



Sources: Macrobond, SCB and Valueguard
Data until and including 31 August 2022.

Housing prices
A clear downward trend in housing prices began in the second quarter of this year, and, during the third, housing prices decreased about 5%. The decrease was a few percentage points less for apartments and a few more for houses. The difference between those two categories is due to the stronger price for houses during the coronavirus pandemic, leading to some amount of recoil when society opened up. It can also be due to the fact that apartments are more likely to use a district heating network, where prices are not rising as quickly as for electricity. SBAB's economists expect housing prices to continue to decrease over the next six months.

Rising housing expenses due to higher mortgage rates and energy prices have led to a downturn in the housing market. The Riksbank's about-face with its monetary policy in the spring, and the record high hikes to the key interest rate in the autumn, quickly changed household expectations regarding future mortgage rates and have put pressure on housing prices. Households that did not take a sudden interest rate hike into account will, naturally, be less willing to pay for housing. The long-term housing price trend can be explained by a range of structural factors, including household incomes and mortgage rates.

Read more projections of housing price trends in the latest issues of SBAB Boprisindikator (in Swedish), available here, and SBAB Bomarknadsnytt (in Swedish), available here.

Housing market
Sales of existing homes fell rapidly in the past six months and are now under what could be considered a normal level. Over the last 12 months, 55,000 houses and 118,000 apartments were sold. This is 8% and 11% lower than the year-earlier period, respectively.

After a couple of intense years, the housing market begun to slow down in May. This is made clear by trends like longer advertisement times, fewer bidders per object, lower bid premiums and a larger proportion of housing with lowered prices. Price levels remain high, even though many parts of the country have gone through a downturn of several percentage points from peak levels. The largest downturn has been for apartments in major metropolitan areas.

Unlike the market for existing housing stock, the market for new housing production fared well in the first half of 2022 and was not dominated by falling prices, though advertising periods during the third quarter grew longer while the rate of sales slowed. This, in turn, means that the offering of homes for sale increased gradually during the quarter. To a certain extent, this trend can be attributed to the relatively high number of new builds that began in the last two years.

For Sweden as a whole, the SBAB Booli Housing Market Index (HMI, available here) indicates balanced conditions for supply and demand for tenant-owner apartments and houses. The previously weak trend and its deficit has now turned around and there is instead a clear trend towards a surplus. That said, it will take a few quarters before we actually see a surplus. For rental apartments, however, the index already shows a surplus. This was the largest in Västra Götaland. The most recent trend is largely due to declining demand for housing as a result of rising housing expenses in the wake of higher energy prices and rising residential mortgage interest rates.

Market for deposits and lending
The rate of growth for retail loans continued to decrease during the third quarter. In August it reached 5.5%, in terms of 12-month figures, which is a clear decrease compared with 6.7% in January. This trend was primarily due to a lower rate of growth in loans for apartments, which decreased 7.6% to 6.3%. Loans for houses decreased from 6.5% to 5.7%. The rate of growth for residential mortgages is expected to decline further, reaching approximately 4% for the full-year 2023. The weak trend was primarily due to rapidly rising mortgage interest rates and the subsequent pressure on housing prices, but also to lower housing sales due to the recession. High and unexpected inflation has also put pressure on households, requiring them to quickly adapt and reduce certain consumption in certain areas. Consumer loans for households, which increased 4.8% in August, are expected to increase at a slower pace in 2023, at approximately 3.5%.

Deposits from households grew at a rate of 10.0% in the first two months of the third quarter, in terms of 12-month figures, which is on a par with growth in the second quarter. An economic slowdown, or overall economic uncertainty, normally leads to households increasing their buffer savings. It is therefore reasonable to assume that household deposits will perform well even in the near future. However, deposit growth from companies declined from an average of 10.2% during the second quarter to an average of 2.9% in July and August. The decline could be due to the fact that the rate of investment has remained high, while it has become more difficult and expensive for companies to finance their operations in the capital market.

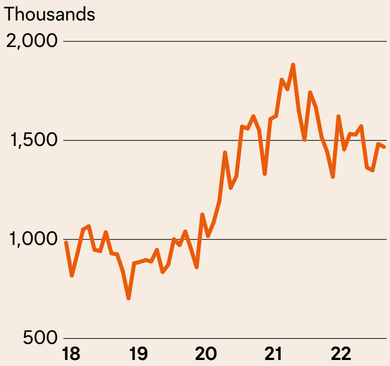
Booli has Sweden's largest offering of homes for sale

Large quantities of data and knowledge are accumulated in our operations about how the housing and residential mortgage markets work. We use this data to improve the customer experience by refining existing services as well as developing new ones. Booli is a content-rich service with many users who search for homes, make housing valuations and follow housing price trends, among other things.

Read more about Booli on page 12

booli!
A service by SBAB

Number of unique visitors to Booli.se



Data as of 30 September 2022

Mortgages and household finances without the hassle

We want to enable and facilitate every phase of home-owner life – be it finding, buying, owning or selling a home – with our services within housing and household finances.

Selling – our services

- Estate agent recommendations
- Housing valuations
- Housing advertisements

Business partner services

- Tax declaration help

hittamäklare! A service by SBAB

booli! A service by SBAB

Dream & Search – our services

- Housing advertisements
- Housing market information
- Saving

SBAB!

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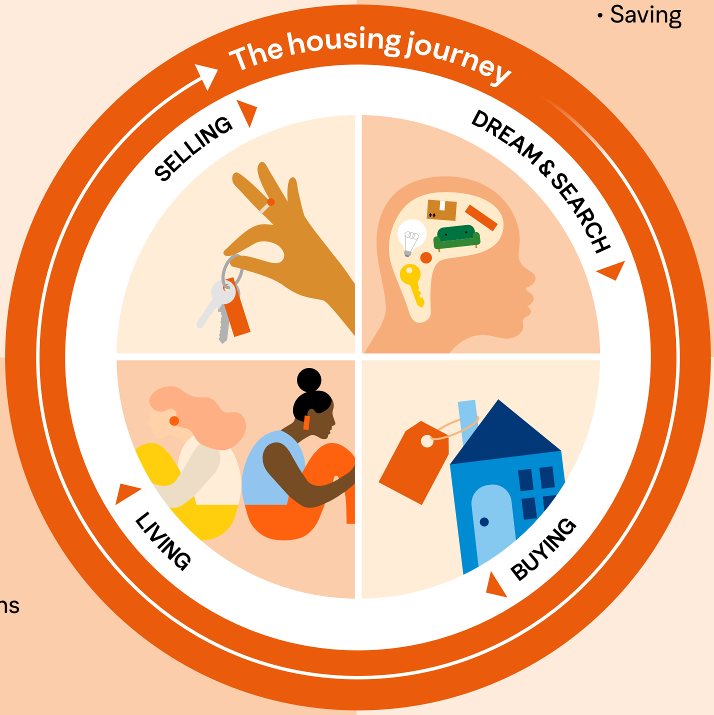

Living – our services

- Refinancing
- Consumer loans
- Communication and administration service for tenant-owners' associations and their residents
- Board tools

Business partner services

- Construction advice

booli! A service by SBAB

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boappa! A service by SBAB

Buying – our services

- Residential mortgages & housing financing

Business partner services

- Home insurance
- Life insurance
- Legal advice
- Electricity agreements

SBAB!

Building blocks for our offering

Financial capital & lending

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

Data

In our operations, we collect and process large amounts of information and data about housing and household finances, which we transparently and responsibly convert to knowledge and services for improving the customer offering and experience.

Business development

Volume trends

	GROUP				
	2022	2022	2021	2022	2021
	Q3	Q2	Q3	Jan–Sep	Jan–Sep
New lending for the period, SEK bn	23.5	29.9	25.1	80.1	75.8
Net change in lending for the period, SEK bn	7.4	12.6	9.5	31.6	28.4
Total lending, SEK bn	**498.6**	**491.3**	**451.3**	**498.6**	**451.3**
No. of deposit accounts, thousand	523	487	458	523	458
Net change in deposits, SEK bn	16.6	7.4	2.5	26.1	5.0
Total deposits, SEK bn	**171.0**	**154.4**	**140.6**	**171.0**	**140.6**
Deposits/lending, %	34.3	31.4	31.2	34.3	31.2
Retail business area					
No. of mortgage customers, thousand	292	293	289	292	289
No. of mortgage objects financed, thousand	187	188	185	187	185
New lending, SEK bn	16.1	19.5	19.7	54.0	58.0
Net change in lending for the period, SEK bn	2.1	5.1	5.6	12.6	16.8
Total lending, Retail, SEK bn	**349.8**	**347.8**	**330.1**	**349.8**	**330.1**
Residential mortgages, SEK bn	347.6	345.5	327.7	347.6	327.7
Consumer loans, SEK bn	2.2	2.3	2.4	2.2	2.4
Market share, Residential mortgages, %[1]	8.53	8.54	8.47	8.53	8.47
Market share, Consumer loans, %[1]	0.73	0.74	0.81	0.73	0.81
Total deposits, Retail, SEK bn	**126.5**	**110.8**	**99.9**	**126.5**	**99.9**
No. of retail customers with savings accounts, thousand	449	420	397	449	397
Market share deposits, Retail, %[1]	4.78	4.26	4.31	4.78	4.31
Corporate Clients & Tenant-Owners' Associations business area					
No. of housing financing customers	2,833	2,763	2,463	2,833	2,463
New lending, SEK bn	7.4	10.4	5.4	26.1	17.8
Net change in lending for the period, SEK bn	5.3	7.6	3.9	19.0	11.7
Total lending, Corp. Clients & Tenant-Own. Asso., SEK bn	**148.8**	**143.5**	**121.2**	**148.8**	**121.2**
Lending, Corporate clients, SEK bn	83.0	79.2	63.0	83.0	63.0
Lending, Tenant-owners' associations, SEK bn	65.8	64.3	58.2	65.8	58.2
Market Share Corporate Clients (multi-family dwellings), %[1,2]	16.48	15.10	13.77	16.48	13.77
Market share, Tenant-owners' associations, %[1]	10.30	10.33	9.92	10.30	9.92
Total deposits, Corp. Clients & Orgs. SEK bn	**44.5**	**43.5**	**40.7**	**44.5**	**40.7**
No. of customers with savings accounts, Corp. clients and Orgs.	12,900	12,300	12,300	12,900	12,300
Market share deposits, Corp. clients and organisations, %[1]	2.26	2.22	2.24	2.26	2.24

1) Source: Statistics Sweden. The figures in the columns for Q3 2022 and Jan–Sep 2022 correspond with the market shares as of 31 August 2022. The figures in the column for Q2 2022 correspond with the market shares as of 31 May 2022. The figures in the columns for Q3 2021 and Jan–Sep 2021 correspond with the market shares as of 31 August 2021.

2) The definition for calculating market share for lending to property companies was revised in the third quarter of 2022, since some properties (primarily health care facilities) were reclassified from rental properties to commercial properties. The comparative figures in the table have been adjusted for comparability.

Retail business area

Trend for Q3 2022 compared with Q2 2022

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search and real estate agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli, HittaMäklare and Boappa brands. We meet our customers and users digitally or by telephone.

Lending

Total growth in the residential mortgage market declined in the quarter due to rising mortgage interest rates as well as falling housing prices and a decrease in housing turnover. In September, the Riksbank decided to raise the repo rate to a 1.75% due to high inflation. This has led to significant changes in interest rates and increased funding costs for banks. SBAB adjusted the listed rates for mortgages on several occasions during the quarter to reflect the prevailing market conditions. Mortgages with three-month fixed-interest periods had the lowest listed rates at the end of the third quarter. The share of total lending with a three-month fixed-interest period amounted to 49.8% (50.3) at the end of the quarter. The year-earlier figure was 61.6%.

SBAB offers simple and straightforward terms and conditions, transparent mortgage rates, high availability through digital services and telephone, and mindful service. New lending in the second quarter amounted to SEK 16.1 billion (19.5). Total retail lending amounted to SEK 349.8 billion (347.8) at the end of the quarter, of which SEK 347.6 billion (345.5) comprised residential mortgages and SEK 2.2 billion (2.3) consumer loans. The number of residential mortgage customers amounted to 292,000 (293,000) distributed over 187,000 (188,000) mortgage objects. On 31 August 2022, the market share of residential mortgages was 8.53% (8.54% on 31 May 2022). At the same date, the market share for consumer loans was 0.73% (0.74% on 31 May 2022).

Savings accounts (deposit)

SBAB's retail savings accounts are characterised by competitive savings rates and simple product terms and conditions. During the quarter, SBAB regularly adjusted the interest rate for savings accounts for retail customers to reflect the prevailing market conditions. In addition, during the quarter, SBAB increased its investments in marketing to raise the visibility of the offering in the market.

Retail deposits increased during the quarter to SEK 126.5 billion (110.8). At the end of the quarter, approximately 449,000 (420,000) retail customers held savings accounts with SBAB. On 31 August 2022, the market share of retail deposits was 4.78% (4.26% on 31 May 2022).

User trends

Every month, many people visit SBAB's, Booli's, HittaMäklare's and Boappa's websites and apps to manage mortgages and savings or to find inspiration about housing and household finances. The number of unique visitors per month to www.sbab.se averaged around 535,000 (503,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 161,000 (143,000) for the same period. Booli is a popular platform for finding information about supply, demand and price trends for housing. Booli.se offers services including housing searches and valuations. The number of unique visitors per month to www.booli.se averaged around 1,432,000 (1,488,000) during the quarter. Booli's monthly property valuation email had more than 719,000 subscribers at the end of the third quarter of 2022. The real estate agent service HittaMäklare is part of Booli. HittaMäklare's service for locating estate agents has been used at some time by about 94% of the registered estate agents in Sweden.

Sweden's most satisfied residential mortgage customers

In 2021, for the third consecutive year, SBAB had Sweden's most satisfied residential mortgage customers according to Swedish Quality Index (Swe: Svenskt Kvalitetsindex (SKI)), which measures customer satisfaction in the banking and finance sector each year. SBAB received a customer satisfaction score of 76.1 out of 100, which is well above the industry average of 72.0. The driving factors behind these strong results comprise reliability, simplicity and caring about our customers. We are simple and transparent in our interaction with customers. At SBAB, customers don't need to negotiate their mortgage rate or buy extra services to obtain favourable terms.

Corporate Clients & Tenant-Owners' Associations business area

Trend for Q3 2022 compared with Q2 2022

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to companies and organisations. We finance multi-family dwellings, existing as well as new buildings. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. Activities are operated under the SBAB and Boappa brands.

Housing financing (lending)

SBAB's success in the multi-family dwelling market continued during the third quarter. This market remained challenged by drastic changes in market interest rates and a growing overall uncertainty. Many property companies are also facing challenges with obtaining financing in the bond market at a satisfactory price, which has led to increased demand for bank financing. The prevailing situation with increased inflation, higher electricity and energy prices, the effects from the war in Ukraine and even, to an extent, the pandemic means it is difficult and more expensive to source construction material. To a certain extent, there is a tendency for new construction projects to be postponed due to the uncertainty around economic development. During the quarter, new lending to corporate clients amounted to SEK 4.6 billion (7.1).

The market for lending to tenant-owners' associations continues to be dominated by intense competition with low margins. However, the uncertain market conditions during the quarter led to somewhat higher prices in the market. New lending remained healthy and totalled SEK 2.8 billion (3.3) for the quarter.

Total lending increased to SEK 148.8 billion (143.5), of which SEK 83.0 billion (79.2) comprised lending to corporates and SEK 65.8 billion (64.3) lending to tenant-owners' associations.

The market share of lending to property companies (multi-family dwellings) was 16.48% on 31 August 2022 (15.10% on 31 May 2022). At the same date, the market share for lending to tenant-owners' associations was 10.30% (10.33% on 31 May 2022).

The definition for calculating market share for lending to property companies was revised during the quarter, since some properties (primarily health care facilities) were reclassified from rental properties to commercial properties. The comparative figures for 31 May 2022 have been adjusted for comparability.

The number of housing financing customers continued to increase and was 2,833 (2,763) at the end of the quarter.

Savings accounts (deposit)

Deposits from corporate clients and organisations increased during the quarter and totalled SEK 44.5 billion (43.5). At the end of the quarter, approximately 12,900 (12,300) customers held savings accounts with SBAB. The market share of deposits from corporate clients and organisations increased during the quarter and amounted to 2.26% on 31 August 2022 (2.22% on 31 May 2022).

Sweden's most satisfied corporate customers

In 2021, for the fourth consecutive year, SBAB had Sweden's most satisfied property loan customers according to SKI. SBAB received a customer satisfaction score of 77.2 out of 100 which, just as with residential mortgages, is well above the industry average of 72.0. Our corporate customers, in the form of tenant-owners' associations, property companies and construction companies, particularly appreciate our competence, our treatment and our service.

Financial performance

Income statement overview

	GROUP						
	2022	2022	2022	2021	2021	2022	2021
SEK million	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Jan–Sep**	**Jan–Sep**
Net interest income	1,155	1,088	1,084	1,017	1,025	3,327	3,097
Net commission	–5	11	13	13	2	19	16
Net result of financial transactions (Note 3)	72	21	-49	-3	-32	44	–68
Other operating income	11	13	13	12	13	37	38
Total operating income	**1,233**	**1,133**	**1,061**	**1,039**	**1,008**	**3,427**	**3,083**
Expenses	–363	–371	–358	–452	–351	–1,092	–1,040
Profit before credit losses and imposed fees	**870**	**762**	**703**	**587**	**657**	**2,335**	**2,043**
Net credit losses (Note 4)[1]	–20	–12	–17	1	5	–49	10
Imposed fees: Risk tax and resolution fee[2]	–111	–109	–113	–	–	–333	–
Operating profit	**739**	**641**	**573**	**588**	**662**	**1,953**	**2,053**
Tax	–155	–135	–121	–131	–137	–411	–429
Net profit for the period	**584**	**506**	**452**	**457**	**525**	**1,542**	**1,624**
Return on equity, %[3]	11.7	10.4	9.5	9.4	11.0	10.5	11.7
C/I ratio, %	29.4	32.7	33.7	43.5	34.8	31.9	33.7
Credit loss ratio, %	–0.02	–0.01	–0.01	0.00	0.00	–0.01	0.00
Share of Stage 3 loans, gross, %	0.05	0.05	0.04[4]	0.05	0.05	0.05	0.05
Net interest margin, %	0.76	0.74	0.77	0.73	0.77	0.75	0.77
Number of employees (FTEs)	856	860	818	839	797	856	797

1) Including impairment and reversals of impairment of financial assets.

2) From January 2022, the resolution fee is reported under the same line item as the risk tax introduced in the beginning of the year. Previously, the resolution fee was reported as part of net interest income. Resolution fees and risk tax totalled SEK 46 million and SEK 65 million, respectively, in the third quarter of 2022. For the period Jan–Sep 2022, the resolution fee amounted to SEK 138 million and the risk tax to SEK 196 million. Resolution fees and risk tax totalled SEK 44 million and SEK 65 million, respectively, in the second quarter of 2022. For the period Jan–Sep 2021, the resolution fee amounted to SEK 129 million.

3) When calculating return on equity "Q1 2022," "Q2 2022" and "Jan–Sep 2022," average equity (opening balance) has been adjusted for the dividend of SEK 832 million for 2021.

4) Figure revised to 0.04% (0.05% in the interim report for Jan–Mar 2022)

Trend for Q3 2022 compared with Q2 2022

The underlying earnings trend remained healthy in the third quarter. Operating profit grew to SEK 739 million (641), primarily due to an increased net interest income and a more positive outcome for net income from financial transactions. The return on equity amounted to 11.7% (10.4) and the C/I ratio was 29.4% (32.7). Return on equity, after adjustment for the risk tax, amounted to 12.7%.

Net interest income
Net interest income rose to SEK 1,155 million (1,088), mainly due to higher lending volumes and an increased share of financing from deposits. During the first quarter, the resolution fee was moved from net interest income to imposed fees.

Net commission
Net commission income decreased during the quarter to an expense of SEK 5 million (income: 11), primarily due to a decline in commission income following the reclassification of corporate lending arrangement fees from net commission income to net interest income during the quarter. Corporate lending arrangement fees will in the future be accrued over the maturity of the loan in net interest income.

Net result of financial transactions
The net income from financial transactions was SEK 72 million (21). The difference was primarily due to the revaluation of credit risk in derivatives. For more information, please refer to Note 3.

Expenses
Expenses decreased during the quarter to SEK 363 million (371), primarily related to seasonally lower consulting costs. The trend was offset in part by somewhat higher salary-related expenses and increased marketing costs in connection with major marketing campaigns. At the end of the quarter, FTEs amounted to 856 (860).

Credit quality and credit losses
Net credit losses totalled SEK 20 million (12) for the third quarter. Confirmed credit losses totalled SEK 1 million (1) and recoveries for previous confirmed credit losses amounted to SEK 1 million (1). Total credit loss allowances increased SEK 21 million during the quarter. Credit loss allowances for credit stage 1 and 2 loans increased SEK 11 million (decrease: 1) and SEK 4 million (increase: 4), respectively. Credit loss allowances for credit stage 3 decreased SEK 2 million (increase: 1). Credit loss allowances for loan commitments and building credits increased SEK 8 million (increase: 8). Guarantees that can be utilised remained unchanged (unchanged) in the quarter.

The increased credit loss allowances pertain mainly to new exposures to building credits in relatively less favourable risk classes and risk class migrations in credit stage 1 within the Retail business area, due to increased interest expenses. In connection with market value indexing for houses and tenant-owner apartments in August, marginally higher LTV ratios were noted in the Retail business area, which also lead to somewhat increased credit loss allowances.

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

Due to growing uncertainty in the capital market, SBAB has increased the rate of follow up with customers in the Corporate Clients & Tenant-Owners' Associations business area who have a high share of market financing and who require refinancing over the short and long term. The bank continues to follow up with customers and building credits for housing production, which could be negatively impacted by rising interest rates as well as increased prices of input goods and construction material.

For more information on credit losses and credit quality, please refer to Note 4 and Note 5.

Imposed fees
During the first quarter of 2022, a new line item was added in the income statement, imposed fees, placed after the item Net credit losses. Imposed fees includes the new Swedish risk tax as well as the resolution fee, which was previously reported in net interest income. This impacts the comparability of net interest income with previous years.

The risk tax will be levied at a rate of 0.05% of the credit institution's liabilities in 2022, and increase to 0.06% in 2023. The tax for SBAB totalled SEK 65 million (65) for the third quarter.

The resolution fee, which was moved from net interest income during the first quarter, was SEK 46 million (44).

Other comprehensive income
Other comprehensive income amounted to a loss of SEK 2,408 million (loss: 2,582). The difference was primarily due to the impact from changed cross-currency basis spreads. For more information, please refer to page 24.

January–September 2022 compared with January–September 2021

Operating profit declined to SEK 1,953 million (2,053), primarily due to the risk tax implemented in the first quarter which amounted to SEK 196 million for the period. The return on equity amounted to 10.5% (11.7) and the C/I ratio was 31.9% (33.7). Return on equity, excluding the risk tax, amounted to 11.5%.

Net interest income rose to SEK 3,327 million (3,097). During the first quarter, the resolution fee was moved from net interest income to imposed fees. After adjustment for the resolution fee, which amounted to SEK 138 million (129) for the period, net interest income increased SEK 92 million, primarily due to increased lending volumes. The trend was somewhat offset by lower residential mortgage margins. The fee for the national deposit guarantee amounted to SEK 41 million (31) for the period.

Net commission income amounted to SEK 19 million (16) for the period. The increase was mainly attributable to higher commission income from the corporate business during the first half of 2022.

The net income from financial transactions was SEK 44 million (expense: 68). The difference was primarily due to the revaluation of derivatives not covered by hedge accounting. For more information, please refer to Note 3.

Other comprehensive income decreased to a loss of SEK 7,161 million (loss: 987) during the period. The item was impacted primarily by rising EUR interest rates. For more information, please refer to page 24.

Expenses grew to SEK 1,092 million (1,040), mainly driven by higher personnel costs. The number of FTEs increased to 856 (797) during the period. The replacement of SBAB's core banking platform is ongoing. The new platform is being implemented gradually in separate phases. The remaining phases will be implemented in 2022 and in the beginning of 2023. Modern, flexible system support comprises a key component for strengthening SBAB's future competitiveness, and its ability to develop digital services and enhance the digital customer interface.

Net credit losses totalled SEK 49 million (recoveries: 10). The change between the periods was mainly attributable to updated macroeconomic projections for the forward-looking information applied in the impairment model, which has taken into consideration the changed operating environment and the increased interest rates, as well as increased provisions related to the disbursement of building credits and risk class migrations in credit stage 1 within the Retail business area given increased interest expenses. The positive outcome for the comparison period was due to a revision of the forward-looking information in conjunction with the noted price increase in the housing market and the improvement in the risk scenario for building credits, which resulted in a lower need for provisions. Confirmed credit losses totalled SEK 4 million (11) for the period. For more information on credit losses and credit quality, please refer to Note 4 and Note 5.

Balance sheet overview

	GROUP			
SEK million	**30 Sep 2022**	**30 Jun 2022**	**31 Dec 2021**	**30 Sep 2021**
ASSETS				
Cash and balances at central banks	1,320	1,210	10,100	1,300
Chargeable treasury bills, etc.	31,406	30,045	22,549	40,117
Lending to credit institutions	20,819	16,363	643	777
Lending to the public (Note 5)	498,641	491,259	467,041	451,267
Bonds and other interest-bearing securities	53,905	50,508	50,254	54,973
Total other assets in the balance sheet	12,396	10,533	7,750	9,394
TOTAL ASSETS	**618,487**	**599,918**	**558,337**	**557,828**
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	7,388	11,668	16,372	18,664
Deposits from the public	171,011	154,394	144,950	140,645
Issued debt securities, etc. (funding)	389,910	389,577	364,364	365,621
Subordinated debt	1,997	1,997	1,996	1,996
Total other liabilities in the balance sheet	28,323	20,559	5,709	5,974
Total liabilities	**598,629**	**578,195**	**533,392**	**532,900**
Total equity	**19,858**	**21,723**	**24,945**	**24,928**
– of which reserves/fair value reserve	*–6,242*	*–3,834*	*919*	*1,334*
– of which, Tier 1 capital instruments	*5,800*	*5,800*	*4,300*	*4,300*
TOTAL LIABILITIES AND EQUITY	**618,487**	**599,918**	**558,337**	**557,828**
CET1 capital ratio, %	12.8	12.7	13.5	13.3
Tier 1 capital ratio, %	16.6	16.6	16.6	16.4
Total capital ratio, %	17.9	17.9	18.1	17.9
Leverage ratio, %[1)]	4.12	4.14	3.98	3.89
Liquidity coverage ratio (LCR), %	249	221	228	221
Net Stable Funding Ratio (NSFR), %	133	130	129	134

1) Calculated pursuant to Article 429 in Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

Trend for Q3 2022 compared with Q2 2022

Balance sheet comments

Chargeable treasury bills increased during the quarter to SEK 31.4 billion (30.0), primarily due to increased holdings of Riksbank certificates as a result factors including high growth in lending during the quarter. Cash and balances at central banks increased to SEK 1.3 billion (1.2) due to a higher surplus liquidity deposited with the Riksbank. Lending to credit institutions increased to SEK 20.8 billion (16.3). The increase was attributable to outflows of securities linked to derivatives (CSAs), which are mainly impacted by changes in interest and exchange rates. The above changes were within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities increased to SEK 53.9 billion (50.5) at the end of the quarter. This change pertained primarily to new purchases within the scope of the normal management of the liquidity reserve. Lending to the public increased to SEK 498.6 billion (491.3), of which SEK 347.6 billion comprised residential mortgages, SEK 2.2 billion consumer loans, SEK 83.0 billion lending to property companies and SEK 65.8 billion lending to tenant-owners' associations. For more information on lending to the public, please refer to pages 11–13 and Note 5.

Liabilities to credit institutions decreased in the quarter to SEK 7.4 billion (11.7) after SBAB repaid SEK 3 billion linked to the Riksbank's programme for onward lending to companies via the banks. The remaining liability is now fully repaid. Additionally, the volume of debt repurchases decreased during the quarter, which was within the scope of the normal short-term liquidity management. Deposits from the public increased to SEK 171.0 billion (154.4), of which 86% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulation (EU 2015/61). For more information on deposits from the public, please refer to pages 11–13. For information about issued debt securities, please refer to the "Funding" section. Subordinated debt totalled SEK 2.0 billion (2.0). Equity amounted to SEK 19.9 billion (21.7) and was mainly affected by changes in other comprehensive income during the quarter. Net profit for the period also increased equity.

Funding

High inflation, increased interest rates and a general slowdown in the economy continue to characterise the operating environment and the funding markets. In parallel with this, electricity and energy prices continue to climb. Record-high electricity prices are hitting households hard and parliaments around Europe are preparing fiscal stimulus packages to support households.

On 20 September, the Riksbank raised the key interest rate by 1 percentage point to 1.75%. This is the largest increase since the inflation target was introduced in the mid-90s, and more than what many forecasters initially expected. The ECB chose to raise the interest rate on two occasions during the quarter, first by 0.50 percentage points and then by 0.25 percentage points for a total of 0.75 percentage points. The Fed adjusted the interest rate by 0.75 percentage points on two occasions to a total of 3.25%.

Central banks in Europe and the rest of the world have clearly signalled that future changes in interest rates are hard to predict. Many have chosen to act with restraint when it comes to providing information, choosing to wait for additional statistics. As a result, the fixed-income market has reacted unusually strong to new datapoints. The market expects the Riksbank to raise interest rates again at its final meeting of the year in November. The size of the increase will be dependent on the latest inflation figures, which are published ahead of the meeting.

Interest rates continued to rise during the quarter, both internationally and nationally. Volatility remained high and a varying risk sentiment has made it somewhat more difficult for market participants to navigate in the funding market. Credit spreads continued to widen during the quarter and an increasing share of the funding was done in shorter maturities, as the longer portion of the curve is deemed to be associated with higher risk.

Following first and second quarters with relatively high funding activity, in the SEK as well as in the EUR market, SBAB held a lower issuance pace during the third quarter, with a particular focus on the domestic market. During the quarter, a green senior non-preferred bond of SEK 3.5 billion was issued in order to meet future minimum requirements for own funds and eligible liabilities. During the quarter as a whole, issued debt securities totalled SEK 12.1 billion (48.2). In parallel, securities were repurchased for SEK 1.0 billion (4.8) and securities amounting to SEK 8.2 billion (24.3) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 0.3 billion to a total of SEK 389.9 billion (389.6). In total, the SBAB Group has issued bonds corresponding to SEK 89.4 billion in 2022 (of which SEK 63.7 billion comprised covered bond funding and SEK 25.7 billion unsecured funding), which can be compared with the total bonds maturing in 2022 of about SEK 45.4 billion.

At the end of the quarter, unsecured funding amounted to SEK 66.1 billion (69.7), of which SEK 13.2 billion (9.5) comprised senior non-preferred bonds, SEK 50.5 billion (57.1) other unsecured bonds (senior preferred) and SEK 2.4 billion (3.1) commercial paper.

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Total covered bond funding amounted to SEK 323.8 billion (319.9) at the end of the quarter, of which SEK 243.1 billion was in SEK and SEK 80.6 billion was in foreign currencies.

Liquidity

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings [1]. At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 84.1 billion (76.4). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 81.8 billion (74.3).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 387 days (355), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, on 30 September 2022, the LCR was 249% (221) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 195% (158). The net stable funding ratio (NSFR) amounted to 132.5% (130.1) according to Regulation (EU) 2019/876 of the European Parliament and the Council.

For more information on SBAB's liquidity, please refer to Note 10.

1) Also encompasses non-HQLA (high quality liquid assets) classified assets included in the Riksbank's or the ECB's lists of assets eligible as collateral.

Capital position

At the end of the quarter, SBAB's CET1 capital amounted to SEK 19.3 billion (19.1). The increase was mainly attributable to earnings for the year[1] after deduction of the expected dividend. The risk exposure amount (REA) increased during the quarter to SEK 151.2 billion (150.1), primarily due to increased volume growth in corporate business and, to a certain extent, increased risk weights in the retail segment. However, the increased risk weights in the retail segment also led to a decrease of the risk-weight floor for residential mortgages, which as a whole offset the above effect. On 30 September 2022, SBAB's CET1 capital ratio amounted to 12.8% (12.7) and the total capital ratio was 17.9% (17.9). This provides a comfortable margin both to internal targets and to external regulatory requirements.

The leverage ratio increased marginally during the quarter and amounted to SEK 4.12% (4.14) on 30 September 2022, primarily due to a higher exposure amount. For more information on SBAB's capital position, please refer to Note 11 and Note 12.

In September 2021, SBAB received an SREP decision from the Swedish FSA which entails an increased own funds requirement. The decision also included Pillar 2 guidance for SBAB: 0 percentage points on the risk-weighted capital requirement and 0.3 percentage points on the leverage ratio, equivalent to SEK 1.8 billion. According to the Swedish FSA's collected capital assessments, SBAB's capital requirements are expected to correspond to a CET1 capital ratio of 10.2% and a total capital ratio of 14.9% as of 30 September 2022. SBAB's capital targets are thus expected to correspond to a CET1 capital ratio of not less than 11.2% and a total capital ratio of not less than 15.5% as of 30 September 2022.

In the fourth quarter of 2021, the European Commission published its proposed implementation of the Basel 3 regulation. The proposal includes changes that will improve comparability of risk-based capital measures between banks within the EU's banking sector. This will reduce room for unintended differences. The proposed measures include changes to the standardised approach and the internal method used to calculate capital requirements for credit risk. A capital requirements floor will be introduced for internal models, where risk-weighted assets are not permitted to fall under 72.5% of what is given in the standardised approach. The proposed introduction of the European Commission's proposal is a transition period from 2025 to 2030. Negotiations regarding the proposal are ongoing in the European Council and the European Parliament, and are expected to wrap up in the first half of 2023.

The Swedish FSA has previously announced that it expects Swedish banks to analyse and update their current risk classification systems to be able to meet the new EBA guidelines. SBAB has therefore, over an extended period, worked on preparing new internal risk classification models, which are expected to be implemented after the decision from the Swedish FSA.

The Swedish FSA raised the countercyclical buffer value to 1% effective from 29 September 2022 and announced that it intends to raise it further to 2% effective 22 June 2023.

Overall, the above changes are expected to increase the future capital adequacy requirements for banks in Sweden, including SBAB.

1) In a decision by the Swedish FSA, subject to the company's auditors being able to confirm the surplus and that deductions for any dividends and foreseeable costs have been carried out pursuant to the Regulation on Prudential Requirements for Credit Institutions and Investment Firms and that these calculations have been conducted in compliance with the Commission Delegated Regulation (EU) No 241/2014, SBAB received approval for using the full-year surplus in own-funds calculations. Deloitte AB conducted the above review for 30 September 2022. This means that net profit for the year has been included in own funds and that expected dividends have reduced own funds.

Components of the capital target

	CONSOLIDATED SITUATION			
	30 Sep 2022			
SEK million	**Total capital**	**%**	**CET1 capital**	**%**
Internally assessed capital requirement from the Swedish FSA[1]	**22,456**	**14.9**	**15,411**	**10.2**
– of which, Pillar 1 minimum requirement	*4,923*	*3.3*	*2,769*	*1.8*
– of which, Pillar 1 risk-weight floor, Swedish mortgages (Art. 458 CRR)	*7,172*	*4.7*	*4,034*	*2.7*
– of which, Pillar 2 requirement (P2R)	*5,064*	*3.4*	*3,311*	*2.2*
– of which, Capital conservation buffer	*3,779*	*2.5*	*3,779*	*2.5*
– of which, Countercyclical buffer	*1,518*	*1.0*	*1,518*	*1.0*
– of which, Pillar 2 guidance (P2G)	–	–	–	–
SBAB's capital target	**23,363**	**15.5**	**16,923**	**11.2**
SBAB's actual capital	**27,106**	**17.9**	**19,311**	**12.8**

1) Pertains to the statutory requirements including the Swedish FSA's P2R and P2G.

Other information

SBAB's financial targets

- **Profitability:** A return on equity of no less than 10% over a business cycle.
- **Capitalisation:** The CET1 capital ratio and total capital ratio should be at least 0.6 percentage points higher than the requirements communicated by the Swedish FSA. In January 2022, the CEO decided to introduce a supplementary capital target for CET1 capital. The target has applied since 28 February and entails, under normal circumstances, SBAB maintaining a buffer equivalent to 1–3 percentage points above the Swedish FSA's communicated requirements over time. The new target is a complement to the lower limit of 0.6 percentage points decided by the Board.
- **Dividend:** Ordinary dividend of at least 40% of profit for the year after tax, taking the Group's capital structure into account.

Termination of partnerships

In the fourth quarter of 2019, SBAB and Sparbanken Syd entered into an amended agreement relating to the parties partnership agreement regarding the mediation of mortgage loans (SEK 5.7 billion as of 30 September 2022). According to the amended agreement, Sparbanken Syd or any company instructed by Sparbanken Syd, is entitled to acquire the entire residential mortgage stock mediated by Sparbanken Syd, or parts thereof, until 31 December 2023. In September 2022, Sparbanken Syd contracted with Borgo AB, who informed SBAB that it intends to acquire the entire residential mortgage stock in the second quarter of 2023.

Bank consortium takes over property transfer portal Tambur

Together with six other mortgage banks (Swedbank, SEB, Nordea, Länsförsäkringar Bank, Handelsbanken and Danske Bank), SBAB has exercised an option to purchase the housing transaction portal Tambur from UC AB. Tambur is a digital portal that collects information necessary for agents and banks to carry out housing transactions. The solution was launched in 2018 and has shortened the time it takes to transfer property, which benefits banks and consumers alike.

The plan is for the acquisition to be completed in Q2 2023 by one of the banks' jointly-owned companies, Tibern AB, which itself was acquired by the banks on 1 July 2022. At that time, the company had not yet conducted any operations. In conjunction with the acquisition, a shareholder agreement was signed regarding the joint governance of the company. During the quarter, SBAB contributed capital of approximately SEK 3.2 million to Tibern AB. The acquisition of Tambur via Tibern AB was approved by the European Commission in October 2022.

Covered Bonds Issuance Act

On 8 July 2022, the revised Covered Bonds Issuance Act and the Swedish FSA's amended regulations and general guidelines regarding covered bonds entered force. The amended regulations mean that Swedish law is now adapted to the EU's directive regarding the issue of covered bonds and entails: that asset categories and LTV ratios in the cover pool be harmonised with the EU's capital adequacy regulation for banks; that extensions of maturities for new covered bonds be regulated in law; a new liquidity buffer requirement in the cover pool; new requirements for publishing information to investors; and new reporting to the Swedish FSA. The implementation of the new law into SCBC's operations had no material impact on the Group's financial position.

Events after the end of the period

No significant events occurred after the end of the period.

Auditors' review report

This report has not been subject to review by the Group's auditors.

Risks and uncertainties

Risks and uncertainties related to the changed operating environment

On 24 February 2022, Russia launched a major military attack on Ukraine. The outside world has responded by imposing extensive sanctions on Russia. Although SBAB has no presence in the war- or sanction-affected areas, the bank is indirectly affected by the unrest through its impact on the global economy.

Risks and uncertainties related to SBAB's lending
The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity, and the quality of the assets is mainly exposed to credit risks in the Swedish housing market.

SBAB is continuously evaluating the macroeconomic situation, given the war in Ukraine, and continuously assessing the credit quality in lending by applying models of various economic scenarios. SBAB has no direct exposure to Russia or Ukraine and the overall credit quality in SBAB's lending, despite the growing uncertainty, is assessed as good.

The mortgage portfolio, which accounts for approximately 70% of SBAB's total lending, is of high quality and credit losses have historically been very low.

Over the next year, market interest rates and mortgage rates are both expected to rise. Since the majority of households own their own home and due to many mortgages being subject to variable interest, the Swedish economy is sensitive to rapidly rising interest rates. A risk exists that indebted households experience difficulty coping with ongoing loan payments on their mortgages as a result of rising interest rates. However, stress tests indicate that this risk is low in the event of moderate interest hikes. Rising mortgage interest rates are expected to slow the price trend for housing to such an extent that prices decline during the next year before levelling off and starting to rise again. Risks linked to rising interest rates could be increased by falling housing prices and rapidly rising unemployment. The risk largely pertains to the degree to which a downturn in prices leads to behaviour that triggers a larger price downturn, and how price uncertainty impacts housing turnover and possibilities for building new housing.

Rising inflation has triggered long-term market interest rates to rise quickly, which in turn has driven up mortgage rates. This has increased housing costs for households in the short term. Significantly higher energy prices for heating homes and rising prices for food and fuel will also weaken household finances. However, the risks associated with high inflation are deemed acceptably low over the long term, as inflation also drives increases in households' disposable income over time, thereby resulting in a decline in mortgage debt as a share of household income. In the short term, it is not unlikely that there will be measures from the government to mitigate the situation for financially stressed households.

SBAB's granting of credit to customers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments. The Swedish FSA's annual mortgage market survey, with data from 2021, found that overall, new residential mortgage customers have healthy margins to manage repayment of their mortgages even in a deteriorated economic climate. At the end of the quarter, the average loan-to-value (LTV) ratio in the mortgage portfolio was 55% (54). At the same date, the average residential mortgage amounted to SEK 1.9 million (1.9). At the end of the quarter, the LTV for new lending amounted to 71% (69) and the debt-to-income ratio to 3.9 (3.9).

The credit quality of SBAB's lending to property companies, property developers and tenant-owners' associations is also assessed as good. This segment accounts for approximately 30% of the bank's total lending. The average LTV for property companies and tenant-owners' associations at the end of the quarter were 62% (62) and 34% (34), respectively. In the Corporate Clients & Tenant-Owners' Associations business area, the granting of loans is based on an assessment of customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. In the wake of the coronavirus pandemic and the war in Ukraine, the bank is working proactively to identify customers who are, or who could become, particularly financially exposed. Since customers' underlying cash flows primarily derive from housing, they are expected to be less affected or affected at a later stage. As yet no significant impact has been noted.

Deteriorated macroeconomic projections have led to revisions in 2022 to the forward-looking information applied in the impairment model to calculate ECLs. On 30 September 2022, the credit loss allowances amounted to SEK 197 million, compared with SEK 149 million on 31 December 2021. At the date of publication for this report, SBAB is comfortable with the size of the credit loss allowances.

Risks and uncertainties related to disruptions in global credit markets
The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. Accordingly, any disruption in global credit markets or in the global economy entails a risk for SBAB both as a participant in the Swedish market and as an issuer in the international capital market.

Widespread disruption and volatility in the international financial markets has arisen from the situation in Ukraine and, going forward, the situation is expected to continue to affect the global economy and global financial markets. In addition, a weak economy and greater uncertainty with regard to economic developments in combination with rising inflation makes it difficult to assess the path of central banks going forward.

Prevailing interest rate levels and future trends are important variables for SBAB, since they impact strongly on net interest income and operating profit. A higher interest rate means increased costs for market funding for SBAB and for other banks. Over time, these costs need to be reflected in prices for customers so as not to affect the banks' financial position or earnings. Volatility and increased interest rate movements in the financial markets can impact the carrying amount of the financial instruments and holdings that SBAB uses to manage interest-rate and currency risks in the Group's assets and liabilities. This, in turn, can affect net income from financial transactions in the income statement and other comprehensive income reported under equity in the balance sheet.

Other risks and uncertainties

The extensive regulatory changes in the residential mortgage market comprise an uncertainty factor for SBAB. Established and existing providers are competing for market shares. In time, increasing competition could affect pricing and therefore mortgage margins. Increased competition arises, inter alia, from the Mortgage Business Act (2016:1024), which allows residential mortgages to be provided by companies other than banks and which are thus not encompassed by the same extensive regulations nor by the rules for capital requirements that apply to banks.

Political decisions, for example changed tax rules, could have major consequences on households' solvency and property values. Political decisions and regulatory changes can also affect SBAB as a company. The new risk tax was introduced during the first quarter, which had a significant impact on SBAB's earnings and key financial metrics.

For further information about risks and risk management, please refer to SBAB's 2021 Annual Report.

Contents

Condensed financial statements

Notes

Parent Company

Condensed income statement

	GROUP					
	2022	2022	2021	2022	2021	2021
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Interest income[1]	2,661	1,746	1,514	5,904	4,539	6,039
Interest expense	–1,506	–658	–489	–2,577	–1,442	–1 925
Net interest income	**1,155**	**1,088**	**1,025**	**3,327**	**3,097**	**4,114**
Commission income	12	32	20	77	70	101
Commission expense	–17	–21	–18	–58	–54	–72
Net result of financial transactions (Note 3)	72	21	–32	44	–68	–71
Other operating income	11	13	13	37	38	50
Total operating income	**1,233**	**1,133**	**1,008**	**3,427**	**3,083**	**4,122**
Personnel costs	–208	–206	–188	–615	–563	–786
Other expenses	–120	–132	–142	–374	–423	–589
Depreciation, amortisation and impairment of PPE and intangible assets	–35	–33	–21	–103	–54	–117
Total expenses before credit losses and imposed fees	**–363**	**–371**	**–351**	**–1,092**	**–1,040**	**–1,492**
Profit before credit losses and imposed fees	**870**	**762**	**657**	**2,335**	**2,043**	**2,630**
Net credit losses (Note 4)[2]	–20	–12	5	–49	10	11
Imposed fees: Risk tax and resolution fee[3]	–111	–109	–	–333	–	–
Operating profit	**739**	**641**	**662**	**1,953**	**2,053**	**2,641**
Tax	–155	–135	–137	–411	–429	–560
Net profit for the period	**584**	**506**	**525**	**1,542**	**1,624**	**2,081**

[1] In Q3 2022, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 2,358 million and for the corresponding period the previous year to SEK 1,588 milliion for the Group.

[2] Including impairment and reversals of impairment of financial assets.

[3] From January 2022, the resolution fee will be booked on the same legal line as the recently introduced risk tax. The resolution fee has in previous years been booked within net interest income. The resolution fee for the Group during the third quarter of 2022 amounts to SEK 45,9 million, and for the corresponding period the previous year to SEK 42,9 million.

Condensed statement of comprehensive income

	GROUP					
	2022	2022	2021	2022	2021	2021
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Net profit for the period	**584**	**506**	**525**	**1,542**	**1,624**	**2,081**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	–60	–135	6	–283	–45	–13
Changes related to cash-flow hedges, before tax	–2,973	–3,161	–208	–8,834	–1,292	–1,813
Tax attributable to components that will be reclassified to profit or loss	625	679	41	1,878	275	376
Components that will not be reclassified to profit or loss						
Revaluation effects of defined-benefit pension plans, before tax	1	43	–4	98	94	60
Tax attributable to components that will not be reclassified to profit or loss	–1	–8	1	–20	-19	–12
Other comprehensive income/loss, net of tax	**–2,408**	**–2,582**	**–164**	**–7,161**	**–987**	**–1,402**
Total comprehensive income/loss for the period	**–1,824**	**–2,076**	**361**	**–5,619**	**637**	**679**

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

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

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

The item revaluation effects of defined-benefit pension plans includes actuarial gains and losses where changes in the discount rate and inflation are the assumptions that have the strongest impact on the item.

For further information, refer to SBAB's 2021 Annual Report, Note G 1. See also the Financial development section for comments on the outcome of the period.

Condensed balance sheet

	GROUP		
SEK million	**30 Sep 2022**	**31 Dec 2021**	**30 Sep 2021**
ASSETS			
Cash and balances at central banks	1,320	10,100	1,300
Chargeable treasury bills, etc.	31,406	22,549	40,117
Lending to credit institutions	20,819	643	777
Lending to the public (Note 5)	498,641	467,041	451,267
Value changes of interest-rate-risk hedged items in macro hedges	–5,306	–563	–249
Bonds and other interest-bearing securities	53,905	50,254	54,973
Derivatives (Note 6)	14,649	6,920	7,781
Shares and participation in associated companies and joint ventures	3	–	–
Deffered tax assets	1,545	–	–
Intangible assets	470	460	490
Property, plant and equipment	248	274	284
Other assets	292	249	615
Prepaid expenses and accrued income	495	410	473
TOTAL ASSETS	**618,487**	**558,337**	**557,828**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	7,388	16,372	18,664
Deposits from the public	171,011	144,950	140,645
Issued debt securities, etc.	389,910	364,365	365,621
Derivatives (Note 6)	25,156	2,844	2,926
Other liabilities	789	532	506
Accrued expenses and deferred income	2,318	1,886	1,865
Deferred tax liabilities	–	304	562
Provisions	60	143	115
Subordinated debt	1,997	1,996	1,996
Total liabilities	**598,629**	**533,392**	**532,900**
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	–6,242	919	1,334
Additional Tier 1 instruments	5,800	4,300	4,300
Retained earnings	16,800	15,687	15,712
Net profit for the period	1,542	2,081	1,624
Total equity	**19,858**	**24,945**	**24,928**
TOTAL LIABILITIES AND EQUITY	**618,487**	**558,337**	**557,828**

Condensed statement of changes in equity

	GROUP				
SEK million	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year[1]	Total equity
Opening balance, 1 January 2022	**1,958**	**919**	**4,300**	**17,768**	**24,945**
Additional Tier 1 instruments	–	–	1,500	–	1,500
Additional Tier 1 instruments, dividend	–	–	–	–136	–136
Dividend paid	–	–	–	–832	–832
Other comprehensive income, net of tax	–	–7,161	–	–	–7,161
Net profit for the period	–	–	–	1,542	1,542
Comprehensive income for the period	**–**	**–7,161**	**–**	**1,542**	**–5,619**
Closing balance, 30 September 2022	**1,958**	**–6,242**	**5,800**	**18,342**	**19,858**
Opening balance, 1 January 2021	**1,958**	**2,321**	**3,500**	**15,860**	**23,639**
Additional Tier 1 instruments	–	–	800	–	800
Additional Tier 1 instruments, dividend	–	–	–	–148	–148
Other comprehensive income, net of tax	–	–987	–	–	–987
Net profit for the period	–	–	–	1,624	1,624
Comprehensive income for the period	**–**	**–987**	**–**	**1,624**	**637**
Closing balance, 30 September 2021	**1,958**	**1,334**	**4,300**	**17,336**	**24,928**
Opening balance, 1 January 2021	**1,958**	**2,321**	**3,500**	**15,860**	**23,639**
Additional Tier 1 instruments	–	–	800	–	800
Additional Tier 1 instruments, dividend	–	–	–	–173	–173
Other comprehensive income, net of tax	–	–1,402	–	–	–1,402
Net profit for the year	–	–	–	2,081	2,081
Comprehensive income for the year	**–**	**–1,402**	**–**	**2,081**	**679**
Closing balance, 31 December 2021	**1,958**	**919**	**4,300**	**17,768**	**24,945**

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

Condensed cash-flow statement

SEK million	GROUP 2022 Jan–Sep	2021 Jan–Sep	2021 Jan–Dec
Opening cash and cash equivalents	**10,742**	**7,475**	**7,475**
OPERATING ACTIVITIES			
Interest and commissions paid/received	3,705	1,892	4,252
Outflows to suppliers and employees	–1,323	–986	–1,375
Taxes paid/refunded	–403	–584	–782
Change in assets and liabilities of operating activities	8,860	–6,321	604
Cash flow from operating activities	**10,839**	**–5,999**	**2,699**
INVESTING ACTIVITIES			
Change in property, plant and equipment	–9	–32	–36
Change in intangible assets	–69	–110	–130
Acquisition of subsidiaries, participation in associated companies and joint ventures	–3	–31	–31
Cash flow from investing activities	**–81**	**–173**	**–197**
FINANCING ACTIVITIES			
Dividend paid	–832	–	–
Change in Tier 1 capital instrument	1,500	800	800
Change in subordinated loan	–	–	–
Repayment of lease liabilities	–29	–26	–35
Cash flow from financing activities	**639**	**774**	**765**
Increase/decrease in cash and cash equivalents	**11,397**	**–5,398**	**3,267**
Closing cash and cash equivalents	**22,139**	**2,077**	**10,742**

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

Change in liabilities attributable to financing activities

	GROUP									
			Non-cash items					Non-cash items		
SEK million	Opening balance 1 Jan 2022	Cash flow	Fair value	Other	Closing balance 30 Sep 2022	Opening balance 1 Jan 2021	Cash flow	Fair value	Other	Closing balance 30 Sep 2021
Subordinated debt	1,996	–	–	1	1,997	1,995	–	0	1	1,996
Lease liabilities	208	–29	–	9	188	69	–26	–	174	217
Additional Tier 1 instruments	4,300	1,500	–	–	5,800	3,500	800	–	–	4,300
Total	**6,504**	**1,471**	**–**	**10**	**7,985**	**5,564**	**774**	**0**	**175**	**6,513**

Note 1 Accounting policies

The SBAB Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition to these accounting standards, Finansinspektionen's (the Swedish FSA) regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups were taken into consideration. The Group's interim report fulfils the requirements stipulated under IAS 34, Interim Financial Reporting.

Statutory IFRS is applied for the Parent Company, 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, the Swedish FSA'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.

Introduction of new and changed accounting standards 2022
Accounting principles and calculation methods are unchanged compared with the annual report for 2021. The financial statements in summary are produced on the basis of an assumption about the company's survival. The financial reports in summary was approved by the board for publication on 26 October 2022.

Note 2 Changes in risks

Credit risk in lending operations
No increase in realised credit risk was noted in lending operations during the third quarter of 2022. Despite the prevailing circumstances with the war in Ukraine, increasing interest rates due to high inflation and indications of falling housing and real estate prices, there has been no increased tendency of delayed payments within either of SBAB's business areas; Retail and Corporate Clients & Tenant-Owners' Associations. The forward-looking information in the impairment model have been revised during September, as a consequence of the persisting negative global economic development driven by high inflation and rising interest rates. The revision of the macroeconomic outlook resulted in an unchanged level of credit loss provisions. However new exposures towards building credits with slightly higher relative credit risk, negative rating grade migrations for retail exposures because of higher interest costs, and an indexation of market values for houses and tenant-owners' rights that was conducted during August, have resulted in increased credit loss provisions during the quarter.

Total credit loss allowances amount to SEK 197 million per 30 of September 2022, compared to SEK 176 million per 30 of June 2022. The loan-to-value (LTV) for private individuals, property companies and tenant-owners' associations amount to 55%, 62% and 34% respectively per 30 of September 2022, compared to 54%, 62% and 34% respectively per 30 of June 2022. For more information regarding credit losses, credit loss allowances, credit risk and quality, please see Note 4.

Counterparty credit risk in treasury operations
SBAB models counterparty credit risk according to CRR II Standardised Approach (SA-CCR). Total usage of SBAB's limits to transactional counterparties decreased to SEK 5,296 million as of June 30, 2022 compared to SEK 6,158 million as of December 31, 2021. The change is explained by decrease in both repo and derivatives.

Liquidity risk
SBAB's liquidity positions remained strong during the third quarter of 2022. LCR by end of the third quarter of 2022 increased slightly in comparison with LCR level for the turn of 2021, which is within normal volatility. The survival horizon increased in comparison with the turn of 2021 because of passed bond maturities and issuance covered bonds. The over collateralization level (OC-level) decreased slightly in comparison with the turn of 2021. The deposit-to-loan ratio increased during the third quarter of 2022 as the deposit growth rate was godd. NSFR has increased due to a longer average maturity on issued bonds. Changes in the Covered Bonds Issuance Act has entailed new routines in the risk monitoring. See Note 10 for more information regarding liquidity risk.

Market risk
SBAB 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. SBAB's model is a historical model and applies percentiles in historical market data from the past two years. At September 30th 2022, SBAB's VaR amounted to SEK 708 million, compared to SEK 508 million at 30 June (and SEK 221 million at 31 December 2021). The change is due to higher volatility.

Operational risk
The change of SBAB's core IKT-system is ongoing and complex. Therefore, the project is still a source to exposure for operational risks. For more information, please refer to note RC 5 in SBAB`s 2021 Annual Report.

Business risk
Looking at the state of financial markets, and for SBAB, uncertainty related to the corona pandemic has decreased significantly since 2021. Financial markets have however been impacted by the current geopolitical situation and Russia's invasion of Ukraine and its repercussions through, for example, rising inflation. The impact on SBAB's financial position is nevertheless moderate. Business risk is therefore considered to be at a low level. No material changes in the competitive landscape were observed during the year and SBAB has not entered any new, or exited any existing, markets or segments.For more information, please refer to note RC 6 in SBAB`s 2021 Annual Report.

Concentration risk
The lending to the ten largest customer groups accounted for 6 percent of total lending volume, which is unchanged compared to 31 December 2021. For more information on the geographical distribution of the lending portfolio, please refer to Note 5. SBAB also evaluates the capital requirement for concentration risk on a regular basis and quantifies the risk with economic capital risk for credit risk exposures. For more information, please refer to Note 12.

Note 3 Net result of financial transactions

	GROUP					
	2022	2022	2021	2022	2021	2021
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Gains/losses on interest-bearing financial instruments						
– Change in value of hedged items in hedge accounting	1,999	3,006	480	8,939	1,353	1,876
– Derivatives in hedge accounting	–1,955	–2,993	–489	–8,944	–1,378	–1,885
– Other derivatives	12	18	–5	63	14	4
– Interest-bearing securities,Fair Value Option	–12	–9	–5	–34	–29	–35
– Interest-bearing securities at fair value through other comprehensive income	0	0	0	2	6	6
– Interest-bearing securities at amortised cost	0	0	0	0	0	0
– Realised gain/loss from financial liabilities at amortised cost	12	–2	–23	–3	–57	–64
– Loan receivables at amortised cost	16	1	10	22	23	29
Currency translation effects	0	0	0	–1	0	–2
Total	**72**	**21**	**–32**	**44**	**–68**	**–71**

SBAB uses derivatives to manage interest-rate and currency risk in the Group's assets and liabilities. Derivatives are recognised at fair value in the balance sheet. SBAB's risk management and hedge accounting strategies entail that profit variations between periods may arise for individual items in the table above, as a result of changes in market interest rates, but that they are in general offset by profit variations in other items. Profit variations not neutralised through risk management and hedge accounting are commented on in the income statement overview.

Note 4 Net credit losses

	GROUP					
	2022	2022	2021	2022	2021	2021
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Lending to the public						
Confirmed credit losses	–1	–1	–2	–4	–11	–13
Recoveries of previously confirmed credit losses	1	1	1	3	3	4
Change in provision for the period – credit stage 1	–11	1	4	–19	1	0
Change in provision for the period – credit stage 2	–4	–4	6	–9	14	11
Change in provision for the period – credit stage 3	2	–1	–4	2	–1	2
Guarantees[1]	0	0	–1	0	–2	–2
Net credit losses for the period – lending to the public	**–13**	**–4**	**4**	**–27**	**4**	**2**
Loan commitments[2]						
Change in provision for the period – credit stage 1	–8	–5	0	–20	–4	–1
Change in provision for the period – credit stage 2	1	–3	1	–2	10	10
Change in provision for the period – credit stage 3	–	0	0	0	0	–
Net credit losses for the period – loan commitments	**–7**	**–8**	**1**	**–22**	**6**	**9**
Other financial instruments						
Change in provision for the period – credit stage 1	0	0	0	0	0	0
Net credit losses for the period – other financial instruments	**0**	**0**	**0**	**0**	**0**	**0**
Total	**–20**	**–12**	**5**	**–49**	**10**	**11**

1) The item includes guarantees for loan commitments.

2) Credit provisions for loan commitments are included in the "Provisions" item in the balance sheet

Note 4 Net credit losses, Cont.

During the third quarter of 2022 total credit loss provisions increased by SEK 21 million (increased by 12). Loss provisions for loans allocated to credit stage 1 increased by SEK 11 million (decreased by 1) and increased by SEK 4 million (increased by 4) for loans allocated to stage 2. Loss provisions for loans allocated to credit stage 3 decreased by SEK 2 million (increased by 1). The changes in loss provisions subject to loans in credit stage 1 and 2 are attributed to negative rating grade migrations for retail exposures driven by higher interest costs but also to an indexation of market values, which resulted in declining market values, for houses and tenant-owners' rights that was conducted in August. The change in loss provisions subject to loans in credit stage 3 is driven by resolved loss provisions which was previously individual assessed by credit experts in the insolvency team.

Loss provisions for off-balance items consisting of loan commitments and building credits increased by SEK 8 million (increased by 8) due to new exposures towards building credits in relatively higher rating grades. Guarantee amounts that can be utilised to cover credit losses were unchanged (unchanged) during the quarter.

Sensitivity analysis of forward-looking information

Lending to the public and loan commitments

	Scenario 1 (40%)			Scenario 2 (20%)			Scenario 3 (25%)			Scenario 4 (15%)		
Factors	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**
GDP[1], Δ	+0,3%	+1,4%	+2,3%	-0,3%	-0,3%	+1,3%	-6,1%	+1,4%	+4,1%	-3,7%	-2,8%	+1,2%
Repo rate	2,6%	2,3%	2,3%	2,6%	2,3%	2,2%	2,9%	2,7%	2,7%	3,3%	3,4%	3,3%
Unemployment	7,8%	8,0%	7,8%	8,0%	8,9%	9,0%	9,8%	11,2%	10,0%	8,0%	9,8%	10,5%
House prices, Δ	-10,9%	-7,0%	+1,8%	-11,2%	-8,2%	+2,1%	-14,0%	-16,5%	-1,5%	-16,3%	-22,3%	-12,6%
Prices of tenant-owners' rights, Δ	-12,3%	-5,7%	+1,6%	-12,6%	-6,8%	+2,1%	-15,7%	-15,3%	-3,0%	-18,4%	-22,7%	-11,4%
Property prices, Δ	+3,5%	-0,2%	-2,4%	+2,9%	-0,6%	-2,5%	+1,1%	-8,3%	-9,3%	-0,5%	-14,3%	-18,1%
ECL	**SEK 137 million**			**SEK 142 million**			**SEK 212 million**			**SEK 408 million**		
Weighted ECL[2]	**SEK 197 million**											

1) Not included in the ECL calculation

2) Of which, SEK 164 million was attributable to lending to the public and SEK 33 million to off-balance-sheet items linked to loan commitments and building credits

Impairment model and credit loss provisions

During the third quarter SBAB has continuously evaluated the macroeconomic outlook due to the ongoing war in Ukraine and the high inflation, which has a broad effect on interest rates and the economy in general. As a result of this, the forward-looking information has been revised with updated macroeconomic forecasts. The forward-looking information is applied in the impairment model and thus used to calculate expected credit losses (ECL). The updated macroeconomic forecasts are still, as compared to previous quarter, based on a negative outlook on the economy in general. Although the Swedish economy in particular is expected to experience limited direct impacts from the war in Ukraine it is sensitive to increasing interest rates and the uncertainty in the global economy. All scenarios do take into account increasing interest rates and an expected cooling of the Swedish housing market with falling housing and real estate prices.

The revision of the forward-looking information during the third quarter maintained the level of credit loss provisions. As per 30 of September credit loss provisions amount to SEK 197 million, compared to SEK 176 million per 30 of June 2022. Despite the neutral effect of the abovementioned updates to the forward-looking information the loss provisions have increased during the quarter. The increase is foremost attributed to new exposure towards building credits in the business area Corporate Clients & Tenant-Owners' Associations with relative higher credit risk as well as negative rating grade migrations for retail exposures due to higher interest costs. Additionally, the indexation of market values for houses and tenant-owners' rights that was conducted in August resulted in lower market values and hence higher loss provisions.

Throughout 2022, SBAB has continuously tracked credit risk in lending portfolio given the macroeconomic developments. In the table above the macroeconomic scenarios applied in the forward-looking information are shown. The underlying credit risk models in the impairment model, which are largely based on customers' payment behavior along with market values of collateral, show still no sign of deterioration in credit risk despite the slightly falling housing and real estate prices and rising interest rates which have been observed recently. SBAB is comfortable with the size of the credit loss provisions, totaling SEK 197 million as per 30 of September 2022.

Overall credit quality

The credit quality of SBAB's lending portfolio remains good and the risks entailed in the lending to private individuals are low. The granting of loans is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their obligations. The Swedish FSA's annual mortgage market survey, based on data from 2021, found that overall, new residential mortgage customers continue to have healthy margins to manage repayment of their mortgages even in a worse economic climate. At the end of the first quarter 2022, the average loan-to-value (LTV) ratio[3] in the mortgage portfolio was 55% (54), and the average residential mortgage loan to customers amounted to SEK 1.9 million (1.9). LTV for new lending was, at the end of the quarter, 71% (69) and the debt-to-income ratio was 3.9 (3.9).

The credit quality of SBAB's lending to property companies, property developers and tenant-owners' associations is also considered good. The average LTV for property companies and tenant-owners' associations at the end of the quarter was 62% (62) and 34% (34) respectively. In this business area Corporate Clients & Tenant-Owners' Associations, the granting of loans is based on an assessment of customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the global economic development with high inflation resulting in rising interest rates, the bank has and is working proactively to identify customers who are or could become particularly financially affected.

The bank is continuously identifying risks and need for measures for individual customers. Changed market situation can lead to increased credit risk. The bank has increased the frequency of follow-up of customers which rely on market funding and customers with building credits, which can be particularly affected by increased interest rates and raised costs for building materials. Furthermore, there is a more frequent evaluation of customers' rating grades by expert judgement. During the quarter only a few overrides of customers rating grades have been made. No individual credit loss provisions within the business area have been deemed necessary during the quarter.

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

Note 5 Lending to the public

SEK million	GROUP 30 Sep 2022	31 Dec 2021	30 Sep 2021
Opening balance, per year	**467,041**	**422,835**	**422,835**
New lending for the period	80,093	107,076	75,779
Amortisation, repayments	–48,463	–62,870	–47,350
Confirmed credit losses	–4	–13	–11
Change in provision for expected credit losses[1]	–26	13	14
Closing balance, per year/period	**498,641**	**467,041**	**451,267**

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

Distribution of lending, including provisions

SEK million	GROUP 30 Sep 2022	31 Dec 2021	30 Sep 2021
Lending, Residential mortgages	347,562	334,873	327,676
Lending, Corporate Clients & Tenant-Owners' Associations	148,841	129,830	121,203
Lending, Consumer loans	2,238	2,338	2,388
Total	**498,641**	**467,041**	**451,267**

Geographical composition

	GROUP			
	Lending, Residential mortgages %		Lending, Corporate Clients & Tenant-Owners' Associations %	
	2022	2021	2022	2021
	Kv 3	Kv 3	Kv 3	Kv 3
Stockholm area	62.7	63.1	50.2	46.4
Öresund region	10.1	10.3	17.7	18.4
University cities and growth regions	10.4	10.1	16.8	17.7
Gothenburg area	10.7	10.6	9.0	9.3
Other regions	6.1	6.0	6.4	8.2

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	GROUP 30 Sep 2022	31 Dec 2021	30 Sep 2021
Credit stage 1			
Gross lending	475,552	446,264	434,360
Provision	–64	–45	–45
Total	**475,488**	**446,219**	**434,315**
Credit stage 2			
Gross lending	23,008	20,684	16,806
Provision	–72	–62	–59
Total	**22,936**	**20,622**	**16,747**
Credit stage 3			
Gross lending	245	231	238
Provision	–28	–31	–33
Total	**217**	**200**	**205**
Total gross lending	**498,805**	**467,179**	**451,404**
Total provisions	**–164**	**–138**	**–137**
Total	**498,641**	**467,041**	**451,267**

Lending to the public and provisions

SEK million	GROUP							
Capital	Credit stage 1 Capital	Provision	Credit stage 2 Capital	Provision	Credit stage 3 Capital	Provision	Capital	Provision
Opening balance, 1 January 2022	**446,264**	**–45**	**20,684**	**–62**	**231**	**–31**	**467,179**	**–138**
Moved to credit stage 1	7,834	–15	–7,828	15	–6	0	0	0
Moved to credit stage 2	–9,994	3	10,016	–4	–22	1	0	0
Moved to credit stage 3	–35	0	–70	1	105	–1	0	0
Volume change*	33,608	–20	–92	–1	–55	4	33,461	–17
Revaluation**	–2,125	13	298	–21	–4	–3	–1,831	–11
Confirmed credit losses	–	–	–	–	–4	2	–4	2
Closing balance, 30 September 2022	**475,552**	**–64**	**23,008**	**–72**	**245**	**–28**	**498,805**	**–164**

*Refers to new lending, amortizations, redemptions and loan transfers between SBAB and SCBC.
**Refers to revaluation of ECL as well as changes in transaction and modification costs.
For further information on changes in provision for the period – credit stages 1, 2 and 3, please refer to Note 4.

SEK million	GROUP							
Capital	Credit stage 1 Capital	Provision	Credit stage 2 Capital	Provision	Credit stage 3 Capital	Provision	Capital	Provision
Opening balance, 1 January 2021	**403,531**	**–45**	**19,214**	**–73**	**241**	**–33**	**422,986**	**–151**
Moved to credit stage 1	11,444	–29	–11,419	28	–25	1	0	0
Moved to credit stage 2	–9,548	3	9,578	–4	–30	1	0	0
Moved to credit stage 3	–52	0	–90	2	142	–2	0	0
Volume change*	39,206	–12	3,475	–5	–80	4	42,601	–13
Revaluation**	1,683	38	–74	–10	–4	–8	1,605	20
Confirmed credit losses	–	–	–	–	–13	6	–13	6
Closing balance, 31 December 2021	**446,264**	**–45**	**20,684**	**–62**	**231**	**–31**	**467,179**	**–138**

*Refers to new lending, amortizations, redemptions and loan transfers between SBAB and SCBC.
**Refers to revaluation of ECL as well as changes in transaction and modification costs.For further information on changes in provision for the period – credit stages 1, 2 and 3, please refer to Note 4.

Note 6 Derivatives

	GROUP					
	30 September 2022			31 Dec 2021		
SEK million	Assets measured at fair value	Liabilities measured at fair value	Total nominal value	Assets measured at fair value	Liabilities measured at fair value	Total nominal value
Interest-rate-related	8,182	25,017	530,712	3,950	2,173	466,040
Currency-related	6,467	139	86,093	2,970	671	83,819
Total	**14,649**	**25,156**	**616,805**	**6,920**	**2,844**	**549,859**

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

Note 7 Operating segments

	GROUP					
	Jan–Sep 2022					
	Follow-up of operations			Reconciliation against the statutory income statement		
SEK million	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing [1]	Statutory profit
Net interest income	2,447	880	3,327	–	–	3,327
Commission income	40	37	77	–	–	77
Commission expense	–47	–11	–58	–	–	–58
Net result of financial transactions	21	23	44	–	–	44
Other operating income	36	1	37	–	–	37
Total operating income	**2,497**	**930**	**3,427**	**–**	**–**	**3,427**
Salaries and remuneration	–304	–78	–382	–	–	–382
Other personnel costs	–198	–56	–254	21	–	–233
Other expenses	–321	–61	–382	–21	29	–374
Depreciation, amortisation and impairment of PPE and intangible assets	–58	–16	–74	–	–29	–103
Net credit losses	–26	–23	–49	–	–	–49
Imposed fees: Risk tax and resolution fee	–270	–63	–333	–	–	–333
Operating profit	**1,320**	**633**	**1,953**	0	0	**1,953**
Tax	–278	–133	–411	–	–	–411
Profit after standardised tax	**1,042**	**500**	**1,542**	**0**	**0**	**1,542**
Return on equity, %	9.7	12.7	10.5	–	–	10.5

1) Depreciation charge for right-of-use assets of office premises.

Note 7 Operating segments, Cont.

	GROUP					
	Jan–Sep 2021					
	Follow-up of operations			Reconciliation against the statutory income statement		
SEK million	**Retail**	**Corporate Clients & Tenant-Owners' Associations**	**Total**	**Administra-tive consultants**	**IFRS 16 Leasing [1)]**	**Statutory profit**
Net interest income	2,398	699	3,097	–	–	3,097
Commission income	35	35	70	–	–	70
Commission expense	–44	–10	–54	–	–	–54
Net result of financial transactions	–58	–10	–68	–	–	–68
Other operating income	38	0	38	–	–	38
Total operating income	**2,369**	**714**	**3,083**	**–**	**–**	**3,083**
Salaries and remuneration	–286	–71	–357	–	–	–357
Other personnel costs	–174	–47	–221	15	–	–206
Other expenses	–358	–75	–433	–15	25	–423
Depreciation, amortisation and impairment of PPE and intangible assets	–19	–10	–29	–	–25	–54
Net credit losses	3	7	10	–	–	10
Operating profit	**1,535**	**518**	**2,053**	**0**	**0**	**2,053**
Tax	–321	–108	–429	–	–	–429
Profit after standardised tax	**1,214**	**410**	**1,624**	**0**	**0**	**1,624**
Return on equity, %	11.9	11.1	11.7			11.7

1) Depreciation charge for right-of-use assets of office premises.

All expences and revenues are fully allocated to the segments Retail and Corporate Clients & Tenant-Owners' Associations. In relation to the statutory income statement, an expense of SEK 21 million (15) was transferred between the rows "Other expenses" and "Other personnel costs." The resolution fee for the Group during the third quarter of 2022 amounts to SEK 45,9 million, and for the corresponding period last year to SEK 42,9 million. The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring. IFRS 16 is not taken into account in the follow-up of operations. All expenses identified in IFRS 16, with the exception of the interest component, are to be considered as costs for premises. The effect of IFRS 16 on the Group is recognised in the reconciliation against the statutory income statement. For more information on IFRS 16, please refer to Note G 1 in SBAB`s 2021 Annual Report.

Note 8 Classification of financial instruments

Financial assets

SEK million	Financial assets measured at FVTPL: Fair value option	Financial assets measured at FVTPL: Derivatives in hedge accounting	Financial assets measured at FVTPL: Other (Obligatory) classification	Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
	GROUP 30 Sep 2022						
Cash and balances at central banks	–	–	–	–	1,320	1,320	1,320
Chargeable treasury bills, etc.	437	–	–	28,418	2,551	31,406	31,404
Lending to credit institutions	–	–	–	–	20,819	20,819	20,819
Lending to the public	–	–	–	–	498,641	498,641	488,654
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	–5,306	–5,306	–
Bonds and other interest-bearing securities	218	–	–	30,947	22,740	53,905	53,939
Derivatives	–	14,210	439	–	–	14,649	14,649
Other assets	–	–	–	–	56	56	56
Prepaid expenses and accrued income	5	–	–	132	266	403	403
Total financial assets	**660**	**14,210**	**439**	**59,497**	**541,087**	**615,893**	**611,244**

Financial liabilities

SEK million	Financial liabilities measured at FVTPL: Derivatives in hedge accounting	Financial liabilities measured at FVTPL: Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value
	GROUP 30 Sep 2022				
Liabilities to credit institutions	–	–	7,388	7,388	7,388
Deposits from the public	–	–	171,011	171,011	171,011
Issued debt securities, etc.	–	–	389,910	389,910	375,157
Derivatives	24,747	409	–	25,156	25,156
Other liabilities	–	–	968	968	968
Accrued expenses and deferred income	–	–	2,231	2,231	2,231
Subordinated debt	–	–	1,997	1,997	1,949
Total financial liabilities	**24,747**	**409**	**573,505**	**598,661**	**583,860**

Note 8 Classification of financial instruments, Cont.

Financial assets

	GROUP						
	31 Dec 2021						
	Financial assets measured at FVTPL						
SEK million	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification	Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
Cash and balances at central banks	–	–	–	–	10,100	10,100	10,100
Chargeable treasury bills, etc.	644	–	–	18,165	3,740	22,549	22,548
Lending to credit institutions	–	–	–	–	643	643	643
Lending to the public	–	–	–	–	467,041	467,041	465,691
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	–563	–563	–
Bonds and other interest-bearing securities	215	–	–	25,619	24,420	50,254	50,384
Derivatives	–	6,586	334	–	–	6,920	6,920
Other assets	–	–	–	–	51	51	51
Prepaid expenses and accrued income	9	–	–	126	227	362	362
Total financial assets	**868**	**6,586**	**334**	**43,910**	**505,659**	**557,357**	**556,699**

Financial liabilities

	GROUP				
	31 Dec 2021				
	Financial liabilities measured at FVTPL				
SEK million	Derivatives in hedge accounting	Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value
Liabilities to credit institutions	–	–	16,372	16,372	16,372
Deposits from the public	–	–	144,950	144,950	144,950
Issued debt securities, etc.	–	–	364,365	364,365	366,733
Derivatives	2,637	207	–	2,844	2,844
Other liabilities	–	–	512	512	512
Accrued expenses and deferred income	–	–	1,837	1,837	1,837
Subordinated debt	–	–	1,996	1,996	1,992
Total financial liabilities	**2,637**	**207**	**530,032**	**532,876**	**535,240**

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 SBAB's 2021 Annual Report. In the "total fair value" column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet.

The carrying amounts for current receivables and liabilities have been assessed as equal to their fair values. Investments at amortised cost were measured at quoted prices, Level 1.

For Lending to the public, Issued debt securities and Subordinated debt, fair value is established based on generally accepted valuation techniques. As far as possible, calculations made in conjunction with measurement are based on observable market data. Mainly, the models used are based on discounted cash flows.

Issued debt securities and subordinated debt are measured at the Group's current borrowing rate, Level 2. For lending to the public, where no observable credit margin data is available at the time of measurement, the credit margin on the most recent stipulated date of expiry is applied to set the discount rate, Level 3.

Note 9 Fair value disclosures

	GROUP							
	30 Sep 2022				31 Dec 2021			
SEK million	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	1,186	27,669	–	28,855	3,441	15,368	–	18,809
Bonds and other interest-bearing securities	31,165	–	–	31,165	25,834	–	–	25,834
Derivatives	–	14,649	–	14,649	–	6,920	–	6,920
Prepaid expenses and accrued income	137	–	–	137	135	–	–	135
Total	**32,488**	**42,318**	–	**74,806**	**29,410**	**22,288**	–	**51,698**
Liabilities								
Derivatives	–	25,156	–	25,156	–	2,844	–	2,844
Total	–	**25,156**	–	**25,156**	–	**2,844**	–	**2,844**

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2021 Annual Report. 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 2021 or 2022.

Quoted market prices (Level 1)
Measurement at quoted prices in an active market for identical assets and liabilities. A market is deemed to be active if the price data is easily accessible and corresponds to actual regularly occurring transactions. The measurement method is used for holdings of quoted interest-bearing securities and for publicly quoted derivatives, primarily interest-rate futures.

Measurement based on observable market data (Level 2)
Measurement aided by external market information other than quoted prices included in Level 1, such as quoted interest rates or prices for closely related instruments. The main tools used are models based on discounted cash flows. This group includes all non-quoted derivatives and certificates.

Measurement based in part on 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 10 Liquidity reserve and liquidity risk

The assets in SBAB's liquidity reserve comprises liquid, interest-bearing securities with high ratings and form an integrated part of the Group's liquidity risk management. Securities holdings are limited by asset class and by country, respectively, and must have at least an AA-rating (as stated by Moody's Investors Service's ratings system) on acquisition. In addition to these collective limits, limits for individual issuers may also be set. The following table is reported according to the Swedish Bankers' Association's template for liquidity reserve disclosures and is based on the European Commission's Delegated Regulation EU (2015/61) with regard to liquidity coverage requirements.

Calculation of survival horizon
SBAB measures and stress tests liquidity risk by calculating the survival horizon, which is an internal metric used to identify how long SBAB will be able to meet its payment obligations without access to capital market funding, and includes outflows from deposits under a stressed scenario. The survival horizon has been limited to a minimum of 180 days at the consolidated level at any given time.

The survival horizon is calculated by totalling the maximum need of liquidity for each coming day and comparing this to the size of the liquidity portfolio after applicable haircuts. The calculations are based on a crisis scenario in which all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no funding is available and deposits decline. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. SBAB's survival horizon amounted to 387 days at 30 September 2022 (355 days at 31 June 2022).

Liquidity coverage ratio
The liquidity coverage ratio (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. At 30 September 2022, the LCR was 249% (221% as of 31 June 2022) in all currencies at the consolidated level, and 13,461% (15,711%) and 339% (636%), respectively, in EUR and USD. Measured in SEK, the LCR was 195% (158%). The net stable funding ratio (NSFR), amounted to 132.5% (130.1%) according to of Regulation (EU)2019/876 of the European Parliament and the Council.

		CONSOLIDATED SITUATION									
		30 Sep 2022					31 Dec 2021				
			Distribution by currency					Distribution by currency			
SEK billion		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
Level 1	**Level 1 assets**	**81.3**	**64.0**	**14.9**	**2.4**	-	**79.6**	**60.6**	**14.8**	**4.2**	**–**
	Cash and balances with central banks[1]	2.5	2.5	-	-	-	11.5	11.5	–	–	–
	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	35.2	29.5	5.1	0.6	-	28.1	20.7	5.5	1.9	–
	Securities issued by municipalites and public sector entities	11.0	3.4	5.8	1.8	-	12.8	4.8	5.8	2.2	–
	Extremely high quality covered bonds	32.6	28.6	4.0	-	-	27.2	23.6	3.5	0.1	–
	Other assets					-	–	–	–	–	–
Level 2	**Level 2 assets**	**2.8**	**2.5**	**0.3**	-	-	**2.7**	**2.4**	**0.3**	**–**	**–**
	Level 2A assets	**2.8**	**2.5**	**0.3**	-	-	**2.7**	**2.4**	**0.3**	–	–
	Securities issued or guaranteed by sovereigns, central banks, municipalities and public sector entities	-	-	-	-	-	–	–	–	–	–
	High quality covered bonds	2.8	2.5	0.3	-	-	2.7	2.4	0.3	–	–
	Corporate debt securities (lowest rating AA-)	-	-	-	-	-	–	–	–	–	–
	Other assets	-	-	-	-	-	–	–	–	–	–
	Level 2B assets	-	-	-	-	-	–	–	–	–	–
	Asset-backed securities	-	-	-	-	-	–	–	–	–	–
	High quality covered bonds	-	-	-	-	-	–	–	–	–	–
	Corporate debt securities (rated A+ to BBB-)	-	-	-	-	-	–	–	–	–	–
	Shares (major stock index)	-	-	-	-	-	–	–	–	–	–
	Other assets	-	-	-	-	-	–	–	–	–	–
	Liquidity reserve	**84.1**	**66.5**	**15.2**	**2.4**	-	**82.3**	**63.0**	**15.1**	**4.2**	**–**

1) Includes central bank facilities.

Note 11 Capital adequacy, own funds and capital requirements

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

During the fourth quarter 2021 the EU Commission published the finalization of Basel 3 regulation. The proposal contains amendments that improve the comparability of risk-based capital measures between the banks in the EU banking sector. This will reduce the scope for unjustified differences. The proposal includes changes to the standardized approaches and the internal models used to calculate capital requirements for credit risk. For the internal models a capital requirement floor is introduced, where risk weighted exposure amounts must not be less than 72.5% of what the standardized approach measures. The EU Commission's proposal is to be introduced with a transitional period during 2025 - 2030. Ongoing negotiations on the proposal are taking place in the European Council and the European Parliament.

Buffer requirements
The countercyclical buffer requirement for Swedish exposures has been increased from 0% to 1%, with application from 29 September 2022. The Swedish FSA has informed that the countercyclical buffer value will increase to 2% with application from 22 June 2023. The Government of Denmark has decided to increase the countercyclical buffer requirement from 0% to 1% with application from 30 September 2022. An additional increase to 2% is announced with application from 31 December 2022. In addition, Bank of Norway decided to raise the countercyclical capital buffer from 1.5% to 2%, effective from 31 December 2022 and thereafter an increase to 2.5% from 31 March 2023.

Capital adequacy

	CONSOLIDATED SITUATION				
SEK million	**30 Sep 2022**	**30 Jun 2022**	**31 Mar 2022**	**31 Dec 2021**	**30 Sep 2021**
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	19,311	19,076	18,920	18,811	18,318
Tier 1 capital	25,111	24,876	23,220	23,111	22,618
Total capital	27,106	26,871	25,215	25,106	24,613
Risk-weighted exposure amounts					
Total risk exposure amount	151,178	150,145	144,217	138,876	137,666
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	12.8	12.7	13.1	13.5	13.3
Tier 1 ratio (%)	16.6	16.6	16.1	16.6	16.4
Total capital ratio (%)	17.9	17.9	17.5	18.1	17.9
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.4	3.4	3.4	3.4	3.4
of which: to be made up of CET1 capital (percentage points)	2.2	2.2	2.2	2.2	2.2
of which: to be made up of Tier 1 capital (percentage points)	2.5	2.5	2.5	2.5	2.5
Total SREP own funds requirements (%)	11.4	11.4	11.4	11.4	11.4
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	–	–	–	–	–
Institution specific countercyclical capital buffer (%)	1.0	0.0	0.0	0.0	0.0
Systemic risk buffer (%)	–	–	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–	–	–
Combined buffer requirement (%)	3.5	2.5	2.5	2.5	2.5
Overall capital requirements (%)	14.9	13.9	13.9	13.9	13.9
CET1 available after meeting the total SREP own funds requirements (%)	6.1	6.0	6.4	6.9	6.6

Note 11 Capital adequacy, own funds and capital requirements, Cont.

SEK million	CONSOLIDATED SITUATION 30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
Leverage ratio					
Total exposure measure	609,015	601,402	584,238	580.521	581,249
Leverage ratio (%)	4.1	4.1	4.0	4.0	3.9
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	–	–	–	–	–
of which: to be made up of CET1 capital (percentage points)	–	–	–	–	–
Total SREP leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	–	–	–	–	–
Overall leverage ratio requirement (%)	3.0	3.0	3.0	3.0	3.0
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA) (Weighted value -average)	80,669	82,714	82,388	79,000	77,236
Cash outflows - Total weighted value	46,361	45,755	43,867	43,300	42,713
Cash inflows - Total weighted value	9,476	8,983	9,197	9,316	8,722
Total net cash outflows (adjusted value)	36,886	36,772	34,670	33,984	33,992
Liquidity coverage ratio (%)	218.7	224.9	237.6	232.5	227.2
Net Stable Funding Ratio					
Total available stable funding	529,834	512,667	493,513	477,485	483,891
Total required stable funding	399,767	393,909	384,033	371,325	360,419
NSFR ratio (%)	132.5	130.1	128.5	128.6	134.3

Note 11 Capital adequacy, own funds and capital requirements, Cont.

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

Own funds

	CONSOLIDATED SITUATION		
SEK million	**30 Sep 2022**	**31 Dec 2021**	**30 Sep 2021**
Common Equity Tier 1 (CET1) capital : Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	16,788	15,653	15,701
Accumulated other comprehensive income (and other reserves)	–6,242	919	1,335
Independently reviewed interim profits net of any foreseeable charge or dividend[1)]	949	1,271	989
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**13,454**	**19,801**	**19,983**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	–100	–55	–57
Intangible assets (net of related tax liability) (negative amount)	–132	–12	–262
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	6,147	–868	–1,281
Negative amounts resulting from the calculation of expected loss amounts	–13	–53	–42
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–45	–12	–23
Other regulatory adjustsments[2)]	–	–	–
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**5,857**	**–990**	**–1,665**
Common Equity Tier 1 (CET1) capital	**19,311**	**18,811**	**18,318**
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	5,800	4,300	4,300
– of which, classified as equity under applicable accounting standards	*5,800*	*4,300*	*4,300*
– of which, classified as liabilities under applicable accounting standards	–	–	–
Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	–	–	–
Additional Tier 1 (AT1) capital before regulatory adjustments	**5,800**	**4,300**	**4,300**
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**–**	**–**	**–**
Additional Tier 1 capital (AT1) capital	**5,800**	**4,300**	**4,300**
Tier 1 capital (T1=CET1+AT1)	**25,111**	**23,111**	**22,618**
Tier 2 (T2) capital : instruments			
Capital instruments and the related share premium accounts	1,995	1,995	1,995
Credit risk adjustments	0	0	0
Tier 2 (T2) capital before regulatory adjustments	**1,995**	**1,995**	**1,995**
Tier 2 capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	**–**	**–**	**–**
Tier 2 (T2) capital	**1,995**	**1,995**	**1,995**
Total capital (TC=T1+T2)	**27,106**	**25,106**	**24,613**
Total risk-exposure amount	**151,178**	**138,876**	**137,666**

Note 11 Capital adequacy, own funds and capital requirements, Cont.

SEK million	CONSOLIDATED SITUATION 30 Sep 2022	31 Dec 2021	30 Sep 2021
Capital ratios and requirements including buffers %			
Common Equity Tier 1 capital	12.8	13.5	13.3
Tier 1 capital	16.6	16.6	16.4
Total capital	17.9	18.1	17.9
Institution-CET1 overall capital requirements	10.2	9.2	9.2
– of which, capital conservation buffer requirement	*2.5*	*2.5*	*2.5*
– of which, countercyclical buffer requirement	*1.0*	*0.0*	*0.0*
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage	*2.2*	*2.2*	*2.2*
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	6.1	6.9	6.6

1)) Net profit for the period was reduced by the expected dividend of SEK 617 million. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.
2) There are not results that generates deduction of NPL backstop since entry into force.

Note 11 Capital adequacy, own funds and capital requirements, Cont.

SBAB has previously identified faults with the internal models used to cover capital requirements for credit risk and SBAB has therefore, voluntarily applied an Article 3 surcharge on capital adequacy and in its reports, and has also completed efforts to update the internal rating-based models. SBAB´s assessment is that the implementation of the updated models, following approval from the Swedish FSA, should rectify the identified faults and therefore lead to a decreased Pillar 2 requirement. In October 2021 the board of SBAB deciced to remove Article 3 surcharge, as a result of the Swedish FSA communicated Pillar 2 requirements.

Risk exposure amounts and capital requirements

	CONSOLIDATED SITUATION					
	30 Sep 2022		31 Dec 2021		30 Sep 2021	
SEK million	**Risk exposure amount**	**Capital require-ment**	**Risk exposure amount**	**Capital require-ment**	**Risk exposure amount**	**Capital require-ment**
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	27,309	2,185	20,110	1,609	18,197	1,456
Retail exposures	14,234	1,139	12,889	1,031	12,615	1,009
– of which, exposures to SMEs	*1,109*	*89*	*1,070*	*86*	*985*	*79*
– of which, retail exposures secured by immovable property	*13,124*	*1,050*	*11,819*	*945*	*11,630*	*930*
Total exposures recognised with the IRB approach	**41,543**	**3,323**	**32,999**	**2,640**	**30,812**	**2,465**
Credit risk recognised with the standardised approach						
Exposures 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 multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0
Exposures to institutions[1]	5,199	416	3,904	312	3,880	310
– of which, derivatives according to CRR, Appendix 2	*5,151*	*412*	*3,739*	*299*	*3,762*	*301*
– of which, repos	*48*	*4*	*164*	*13*	*118*	*9*
– of which, other	*0*	*0*	*1*	*0*	*0*	*0*
Retail exposures	2,472	198	2,705	216	2,669	214
Exposures in default	5	0	5	0	5	0
Exposures in the form of covered bonds	3,761	301	3,111	249	3,537	283
Exposures to institutions and corporates with a short-term credit rating	16	1	14	1	72	6
Equity exposures	158	13	150	12	175	14
Other items	599	48	644	53	418	33
Total exposures recognised with standardised approach	**12,212**	**977**	**10,533**	**843**	**10,756**	**860**
Market risk	**397**	**32**	**341**	**27**	**348**	**28**
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	*397*	*32*	*341*	*27*	*348*	*28*
Operational risk	**6,035**	**483**	**5,547**	**444**	**5,547**	**444**
– of which, standardised approach	*6,035*	*483*	*5,547*	*444*	*5,547*	*444*
Credit valuation adjustment risk (CVA risk)	**1,347**	**108**	**1,665**	**133**	**1 533**	**123**
Additional requirements under Article 458 of the CRR	**89,645**	**7,172**	**87,791**	**7,023**	**86,765**	**6,941**
Additional requirements under Article 3 of the CRR	**–**	**–**	**–**	**–**	**1,905**	**152**
Total risk exposure amount and minimum capital requirements	**151,178**	**12,094**	**138,876**	**11,110**	**137,666**	**11,013**
Capital requirements for capital conservation buffer		**3,779**		**3,472**		**3,442**
Capital requirements for countercyclical buffer		**1,518**		**17**		**18**
Total capital requirements		**17,391**		**14,599**		**14,473**

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 5,199 million (3,903).

Note 12 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for the Group amounted to SEK 19,914 million (SEK 17,019 million at 31 December 2021). During the second quarter of 2022, the Swedish FSA presented a new Pillar 2 method for pension risk. The internal assessment is that the new method does not impact SBAB:s capital requirement. The main part of the increase in Pillar 2 is a result of adaption of the internal models to reflect the methods from the Swedish FSA. The internal capital requirement is assessed using SBAB's internal models for economic capital and is not fully comparable to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumtions and methodologies. SBAB estimates that the Swedish FSA's expected total capital requirement as of 30 September 2022 amounted to SEK 22,456 million, of which SEK 5,064 million comprised capital requirement in Pillar 2. SBAB 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.

		CONSOLIDATED SITUATION			
		30 Sep 2022		31 Dec 2021	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		**SEK million**	**%**	**SEK million**	**%**
Pillar 1	Credit risk & CVA risk	4,408	2.9	3,616	2.6
	Market risk	32	0.0	27	0.0
	Operational risk	483	0.3	444	0.3
	Risk-weight floor[1)]	7,172	4.8	7,023	5.1
	Total Pillar 1	**12,094**	**8.0**	**11,110**	**8.0**
Pillar 2	Credit risk	1,276	0.9	1,152	0.8
	Market risk	1,247	0.8	1,207	0.9
	Operational risk	–	–	–	–
	Pension risk	–	–	61	0.0
	Total Pillar 2	**2,523**	**1.7**	**2,420**	**1.7**
Buffers	Capital conservation buffer	3,779	2.5	3,472	2.5
	Countercyclical buffer	1,518	1.0	17	0.0
	Total Buffers	**5,297**	**3.5**	**3,489**	**2.5**
	Total	**19,914**	**13.2**	**17,019**	**12.3**
	Total own funds	**27,106**		**25,106**	

1) On 23 August 2018, the Swedish FSA decided to amend the method for applying the risk weight floor for Swedish Mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The change means the capital requirement is set as a requirement in Pillar 1. The amendment entered force from 31 December 2018 and applies for two years. The Swedish FSA then decided to extend the capital requirement of the risk weight floor in Pillar 1 until 30 December 2021. In September 2021, the Swedish FSA notified the European Commission and the European Systemic Risk Board (ESRB) that it intends to adopt a decision to extend the current risk weight floor for Swedish Mortgages for a period of another two years, in accordance with Article 458 of the CRR.

Parent Company

Trend for January–September 2022 compared with January–September 2021

Profit before credit losses and imposed fees was higher compared to last year and amounted to SEK 545 million (378). Net interest income increased during the period and amounted to SEK 515 million (465), due to increased lending volumes and a larger share of deposits in the funding mix. Net commission income was basically unchanged and amounted to SEK 47 million (49). The net result of financial transactions amounted to an income of SEK 78 million (14). The difference was mainly attributable to value changes in hedging instruments and hedged items. Other operating income increased to SEK 952 million (923) and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements.

Expenses decreased to SEK 1 047 million (1 073), mainly due to lower development costs for new regulatory adjustments. Credit losses amounted to SEK 30 million (0), primarily due to increased credit loss allowances linked to growing uncertainty in the operating environment and the increase in interest rates. Fees imposed is a new line in the reporting as of 2022 in which the new Swedish risk tax is included together with the resolution fee, which was previously reported in net interest income. Fees imposed amounted to SEK 109 million. Lending to the public totalled SEK 29.7 billion (26.0). Deposits from the public totalled SEK 171.0 billion (140.6). The CET1 capital ratio amounted to 23.0% (27.7%) and the total capital ratio was 41.8% (44.4%). The internally assessed capital requirement was SEK 6,950 million (6,064).

Consolidated income statement

	PARENT COMPANY					
	2022	2022	2021	2022	2021	2021
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Interest income	867	464	364	1,712	1,210	1,593
Interest expense	–646	–309	–246	–1,197	–745	–1,000
Net interest income	**221**	**155**	**118**	**515**	**465**	**593**
Commission income	15	30	23	78	75	106
Commission expense	–10	–11	–9	–31	–26	–37
Net result of financial transactions	78	–9	–7	78	14	–1
Other operating income	318	321	311	952	923	1,299
Total operating income	**622**	**486**	**436**	**1,592**	**1,451**	**1,960**
Personnel costs	-204	–206	–185	–607	–556	–774
Other expenses	-130	–147	–156	–421	–504	–685
Depreciation, amortisation and impairment of PPE and intangible assets	-7	–6	–5	–19	–13	–19
Total expenses before credit losses and imposed fees	**–341**	**–359**	**–346**	**–1,047**	**–1,073**	**–1,478**
Profit/loss before credit losses and imposed fees	**281**	**127**	**90**	**545**	**378**	**482**
Net credit losses	–10	–9	–2	–30	0	4
Imposed fees; Risk tax and resolution fee	–36	–37	–	–109	–	–
Impairment of financial assets	–	–	–	–	–	–30
Operating profit	**235**	**81**	**88**	**406**	**378**	**456**
Tax	–52	–20	–19	–93	–84	–110
Net profit for the period	**183**	**61**	**69**	**313**	**294**	**346**

Consolidated statement of comprehensive income

	PARENT COMPANY					
	2022	2022	2021	2022	2021	2021
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Net profit/loss for the period	**183**	**61**	**69**	**313**	**294**	**346**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	–60	–135	5	–283	–45	-13
Changes related to cash-flow hedges	–97	–73	–12	–259	–61	–82
Tax attributable to components that will be reclassified to profit or loss	33	43	2	112	22	20
Other comprehensive income/loss, net of tax	**–124**	**–165**	**–5**	**–430**	**–84**	**–75**
Total comprehensive income for the period	**59**	**–104**	**64**	**–117**	**210**	**271**

Consolidated balance sheet

SEK million	PARENT COMPANY 30 Sep 2022	31 Dec 2021	30 Sep 2021
ASSETS			
Cash and balances at central banks	1,320	10,100	1,300
Chargeable treasury bills, etc.	31,406	22,549	40,117
Lending to credit institutions (Note 13)	135,774	123,419	103,930
Lending to the public	29,666	24,974	26,001
Bonds and other interest-bearing securities	53,905	50,254	54,973
Derivatives	36,883	8,904	9,620
Shares and participations in associated companies and joint ventures	3	–	–
Shares and participations in Group companies	10,455	10,450	10,475
Deferred tax assets	68	–	–
Intangible assets	16	21	22
Property, plant and equipment	51	57	58
Other assets	287	198	62
Prepaid expenses and accrued income	536	285	294
TOTAL ASSETS	**300,370**	**251,211**	**246,852**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	7,046	16,033	17,699
Deposits from the public	171,011	144,950	140,645
Issued debt securities, etc.	66,128	63,452	60,420
Derivatives	36,537	8,610	9,570
Other liabilities	528	278	237
Accrued expenses and deferred income	1,122	292	712
Deferred tax liabilities	–	37	42
Provisions	33	11	14
Subordinated debt	1,997	1,996	1,996
Total liabilities	**284,402**	**235,659**	**231,335**
Equity			
Restricted equity			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
Total restricted equity	**2,350**	**2,350**	**2,350**
Unrestricted equity			
Fair value reserve	–265	165	157
Additional Tier 1 instruments	5,800	4,300	4,300
Retained earnings	7,770	8,391	8,416
Net profit for the period	313	346	294
Total unrestricted equity	**13,618**	**13,202**	**13,167**
Total equity	**15,968**	**15,552**	**15,517**
TOTAL LIABILITIES AND EQUITY	**300,370**	**251,211**	**246,852**

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 30 September, 2022, SEK 114,991 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 107,718 million at the end of 2021. This receivable is subordinated in the event of receivership or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid. Of the total receivable, SEK 11,000 million (6,000) comprises of internal Group debt instruments (senior non-preferred notes), issued by the subsidiary SCBC for the purpose of meeting the minimum requirement för own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office.

Note 14 Capital adequacy, own funds and capital requirements – Parent Company

Amendments to the Banking Package
The capital adequacy is based on the consolidated version of the Capital Requirements Regulation and the Capital Requirements Directive which have been adapted to the Banking Package adopted on 7 June 2019.
Information in this note refers to the minimum capital requirements according to Pillar 1 and corresponds to the disclosure requirements in the Capital Requirements Regulation, part eight and the Swedish FSA regulation FFFS 2014:12. During the fourth quarter 2021 the EU Commission published the finalization of Basel 3 regulation. The proposal contains amendments that improve the comparability of risk-based capital measures between the banks in the EU banking sector. This will reduce the scope for unjustified differences. The proposal includes changes to the standardized approaches and the internal models used to calculate capital requirements for credit risk. For the internal models a capital requirement floor is introduced, where risk weighted exposure amounts must not be less than 72.5% of what the standardized approach measures. The EU Commission's proposal is to be introduced with a transitional period during 2025 - 2030. Ongoing negotiations on the proposal are taking place in the European Council and the European Parliament.

Buffer requirements
The countercyclical buffer requirement for Swedish exposures has been increased from 0% to 1%, with application from 29 September 2022. The Swedish FSA has informed that the countercyclical buffer value will increase to 2% with application from 22 June 2023. The Government of Denmark has decided to increase the countercyclical buffer requirement from 0% to 1% with application from 30 September 2022. An additional increase to 2% is announced with application from 31 December 2022. In addition, Bank of Norway decided to raise the countercyclical capital buffer from 1.5% to 2%, effective from 31 December 2022 and thereafter an increase to 2.5% from 31 March 2023.

Capital adequacy

	PARENT COMPANY				
SEK million	**30 Sep 2022**	**30 Jun 2022**	**31 Mar 2022**	**31 Dec 2021**	**30 Sep 2021**
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	9,551	9,730	10,030	10,279	10,407
Tier 1 capital	15,351	15,531	14,330	14,579	14,707
Total capital	17,355	17,527	16,325	16,574	16,702
Risk-weighted exposure amounts					
Total risk exposure amount	41,541	42,487	39,389	36,358	37,604
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	23.0	22.9	25.5	28.3	27.7
Tier 1 ratio (%)	37.0	36.6	36.4	40.1	39.1
Total capital ratio (%)	41.8	41.3	41.4	45.6	44.4
Additional own funds requirement to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirement to address risks other than the risk of excessive leverage (%)	4.6	4.6	4.6	4.6	4.6
of which: to be made up of CET1 capital (percentage points)	2.7	2.7	2.7	2.7	2.7
of which: to be made up of Tier 1 capital (percentage points)	3.5	3.5	3.5	3.5	3.5
Total SREP own funds requirement (%)	12.6	12.6	12.6	12.6	12.6

Note 14 Capital adequacy, own funds and capital requirements – Parent Company, Cont.

SEK million	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
	PARENT COMPANY				
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	–	–	–	–	–
Institution specific countercyclical capital buffer (%)	1.0	0.0	0.0	0.0	0.0
Systemic risk buffer (%)	–	–	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–	–	–
Combined buffer requirement (%)	3.5	2.5	2.5	2.5	2.5
Overall capital requirements (%)	16.1	15.2	15.1	15.1	15.2
CET1 available after meeting the total SREP own funds requirements (%)	15.8	15.7	18.2	21.1	20.5
Leverage ratio					
Total exposure measure	147,642	169,589	144,680	145,590	158,213
Leverage ratio (%)	10.4	9.2	9.9	10.0	9.3
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	–	–	–	–	–
of which: to be made up of CET1 capital (percentage points)	–	–	–	–	–
Total SREP leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	–	–	–	–	–
Overall leverage ratio requirement (%)	3.0	3.0	3.0	3.0	3.0
Liquidity Coverage 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) SBAB Bank AB is treated as a single liquidity sub-group, together with AB Sveriges Säkerställda Obligationer (publ), according to Article 8 (CRR) and a decision by Swedish FSA. Therefore Liquidity information is only regarded material on a consolidated basis.

Note 14 Capital adequacy, own funds and capital requirements – Parent Company, Cont.

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

Own funds

	PARENT COMPANY		
SEK million	**30 Sep 2022**	**31 Dec 2021**	**30 Sep 2021**
Common Equity Tier 1 (CET1) capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	8,162	8,782	8,808
Accumulated other comprehensive income (and other reserves)	–265	165	157
Independently reviewed interim profits net of any foreseeable charge or dividend[1)]	–303	–485	–356
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**9,552**	**10,420**	**10,567**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	–138	–73	–65
Intangible assets (net of related tax liability) (negative amount)	–1	–13	–14
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	181	–24	–41
Negative amounts resulting from the calculation of expected loss amounts	0	–19	–18
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–43	–12	–22
Other regulatory adjustments[2)]	–	–	–
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**–1**	**–141**	**–160**
Common Equity Tier 1 (CET1) capital	**9,551**	**10,279**	**10,407**
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	5,800	4,300	4,300
– of which, classified as equity under applicable accounting standards	*5,800*	*4,300*	*4,300*
– of which, classified as liabilities under applicable accounting standards	–	–	–
Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	–	–	–
Additional Tier 1 capital before regulatory adjustments	**5,800**	**4,300**	**4,300**
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**–**	**–**	**–**
Additional Tier 1 (AT1) capital	**5,800**	**4,300**	**4,300**
Tier 1 capital (T1= CET1+AT1)	**15,351**	**14,579**	**14,707**
Tier 2 (T2) capital: Instruments			
Capital instruments and the related share premium accounts	1,995	1,995	1,995
Credit risk adjustments	9	–	–
Tier 2 (T2) capital before regulatory adjustments	**2,004**	**1,995**	**1,995**
Tier 2 (T2)capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	**–**	**–**	**–**
Tier 2 (T2) capital	**2,004**	**1,995**	**1,995**
Total capital (TC= T1+T2)	**17,355**	**16,574**	**16,702**
Total risk-exposure amount	**41,541**	**36,358**	**37,604**

Note 14 Capital adequacy, own funds and capital requirements – Parent Company, Cont.

SEK million	PARENT COMPANY 30 Sep 2022	31 Dec 2021	30 Sep 2021
Capital ratio and requirements including buffers, %			
Common Equity Tier 1 capital	23.0	28.3	37.7
Tier 1 capital	37.0	40.1	39.1
Total capital	41.8	45.6	44.4
Institution CET1 overall capital requirements	10.7	9.7	9.7
– of which, capital conservation buffer requirement	*2.5*	*2.5*	*2.5*
– of which, countercyclical buffer requirement	*1.0*	*0.0*	*0.0*
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage	*2.7*	*2.7*	*2.7*
Common Equity Tier 1 capital (as a percentage of risk exposure amount) avaiable after meeting the minimum capital requirements	15.8	21.1	20.5

1) Net profit for the period was reduced by the expected dividend of SEK 617 million The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.
2) There are no results that generate a deduction of NPL backstop since entry into force.

Note 14 Capital adequacy, own funds and capital requirements – Parent Company, Cont.

SBAB has previously identified faults with the internal models used to cover capital requirements for credit risk and SBAB has therefore, voluntarily applied an Article 3 surcharge on capital adequacy and in its reports, and has also completed efforts to update the internal rating-based models. SBAB's assessment is that the implementation of the updated models, following approval from the Swedish FSA, should rectify the identified faults and therefore lead to a decreased Pillar 2 requirement. In October 2021 the board of SBAB decided to remove Article 3 surcharge, as a result of the Swedish FSA communicated Pillar 2 requirements.

Risk exposure amounts and capital requirements

	PARENT COMPANY					
	30 Sep 2022		31 Dec 2021		30 Sep 2021	
SEK million	**Risk exposure amount**	**Capital require-ment**	**Risk exposure amount**	**Capital require-ment**	**Risk exposure amount**	**Capital require-ment**
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	11,725	938	8,146	651	7,829	626
Retail exposures	843	67	1,060	85	1,171	94
– of which, exposures to SMEs	*77*	*6*	*81*	*7*	*68*	*6*
– of which, retail exposures secured by immovable property	*766*	*61*	*979*	*78*	*1,103*	*82*
Total exposures recognised with the IRB approach	**12,568**	**1,005**	**9,206**	**736**	**9,000**	**720**
Credit risk recognised with the standardised approach						
Exposures to governments and central banks[1]	51	4	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0
Exposures to institutions[2]	5,093	407	3,429	274	3,300	264
– of which, derivatives according to CRR, Appendix 2	*5,030*	*402*	*3,429*	*274*	3,300	264
– of which, repos	*14*	*1*	*0*	*0*	*0*	*0*
– of which, other	*49*	*4*	*0*	*0*	*0*	*0*
Retail exposures	2,472	198	2,705	216	2,669	214
Exposures in default	5	0	5	0	5	0
Exposures in the form of covered bonds	3,761	301	3,111	249	3,537	283
Exposures to institutions and corporates with a short-term credit rating	15	1	15	1	19	1
Equity exposures	10,458	837	10,450	836	10,475	838
Other items	151	12	153	13	136	11
Total exposures recognised with standardised approach	**151**	**12**	**19,868**	**1,589**	**20 141**	**1 611**
Market risk	**92**	**7**	**61**	**5**	**57**	**5**
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	*92*	*7*	*61*	*5*	**57**	**5**
Operational risk	**2,982**	**239**	**2,567**	**205**	**2,567**	**205**
– of which, standardised approach	*2,982*	*239*	*2,567*	*205*	*2,567*	*205*
Credit valuation adjustment risk (CVA risk)	**723**	**58**	**870**	**70**	**630**	**50**
Additional requirements under Article 458 of the CRR	**3,170**	**254**	**3,786**	**304**	**4,935**	**395**
Additional requirements under Article 3 of the CRR	**–**	**–**	**–**	**–**	**274**	**22**
Total risk exposure amount and minimum capital requirements	**41,541**	**3,323**	**36,358**	**2,909**	**37,604**	**3,008**
Capital requirements for capital conservation buffer		**1,039**		**909**		**940**
Capital requirements for countercyclical buffer		**418**		**7**		**7**
Total capital requirements		**4,780**		**3,825**		**3,955**

1) Risk-weighted amount for governments and central banks amounts to SEK 51 million due to deferred tax according to CRR Article 48(4).
2) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 5,044 million (3,429).

Alternative performance measures

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

SBAB uses APMs when these are relevant for the presentation and follow-up of the Group's financial position and when these metrics are deemed to provide additional valuable information to readers of the financial reports. SBAB has also chosen to present the APMs as they are in common use within the industry. APMs can be calculated with various approaches and, accordingly, SBAB's metrics are not directly comparable with similar metrics presented by other companies.

Deposits/lending

Definition: Ratio of total deposits to total lending (closing balances).

The APM aims to provide the reader with further information regarding the relative ratio of deposits to lending.

	GROUP		
SEK million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Deposits from the public	171,011	140,645	144,950
Lending to the public	498,641	451,267	467,041
Deposits/lending, %	**34.3**	**31.2**	**31.0**

C/I ratio

Definition: Total expenses before credit losses for the period in relation to total operating income for the period.

The APM aims to provide the reader with further information regarding the Group's cost-efficiency.

	GROUP		
	2022	2021	2021
SEK million	Jan–Sep	Jan–Sep	Jan–Dec
Expenses	–1,092	–1,040	–1,492
Operating income	3,427	3,083	4,121
C/I ratio, %	**31.9**	**33.7**	**36.2**

1) Adjusted for the move of the resolution fee in the income statement, from net interest income to imposed fees, the C/I ratio for Jan–Sep 2022 amounted to 33.2%.

C/L ratio

Definition: Expenses for the period (annualised) before credit losses in relation to lending to the public (calculated using the opening and closing balances for the period).

The APM aims to provide the reader with further information regarding the Group's cost-efficiency.

	GROUP		
	2022	2021	2021
SEK million	Jan–Sep	Jan–Sep	Jan–Dec
Expenses	–1,092	–1,040	–1,492
– Expenses (annualised)	*–1,456*	*1,386*	*–1,492*
Aver. lending to the public	482,841	437,051	444,938
C/L ratrio, %	**0.30**	**0.32**	**0.34**

Return on equity

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

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

	GROUP		
	2022	2021	2021
SEK million	Jan–Sep	Jan–Sep	Jan–Dec
Operating profit after tax	1,542	1,624	2,081
– Op. profit after tax (annualised)	*2,056*	*2,165*	*2,081*
Average equity	19,597	18,556	18,772
Return on equity, %	**10.5**[1]	**11.7**	**11.1**
Return on equity excl. risk tax, %[2]	**11.5**	**–**	**–**

1) Average equity has been adjusted for dividend of SEK 832 million for 2021.

2) The risk tax for Jan–Sep 2022 amounted to SEK 196 million.

Net interest margin

Definition: Net interest income for the period (annualised) in relation to average (calculated using the opening and closing balances for the reporting period) total balance sheet.

The APM aims to provide the reader with further information regarding the Group's profitability.

	GROUP		
	2022	2021	2021
SEK million	Jan–Sep	Jan–Sep	Jan–Dec
Net interest income	3,327	3,097	4,114
– Net interest inc. (annualised)	*4,436*	*4,129*	*4,114*
Average balance sheet total	588,412	534,594	534,848
Net interest margin, %	**0.75**	**0.77**	**0.77**

Credit loss ratio

Definition: Credit losses for the period (annualised) in relation to total lending (closing balance).

The APM aims to provide the reader with further information regarding the relative ratio of credit losses to total lending.

	GROUP		
	2022	2021	2021
SEK million	Jan–Sep	Jan–Sep	Jan–Dec
Credit losses	–49	10	11
– Credit losses (annualised)	*–65*	*14*	*11*
Lending to the public	498,641	451,267	467,041
Credit loss ratio, %	**–0.01**	**0.00**	**0.00**

Share of Stage 3 loans, gross, %

Definition: Gross lending in credit stage 3 (closing balance) in relation to total lending to the public (closing balance).

The APM aims to provide the reader with further information regarding the proportion of non-performing loans pursuant to accepted accounting standards relative to the total loan portfolio.

	GROUP		
SEK million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Gross lending credit stage 3	245	238	231
Lending to the public	498,641	451,267	467,041
Share of Stage 3 loans, %	**0.05**	**0.05**	**0.05**

New lending

Definition: Gross lending for the period.

The APM aims to provide the reader with an image of the inflow of new business during the reporting period.

Definitions of other key performance indicators

Number of employees (FTEs)	Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence
CET1 capital ratio	CET1 capital in relation to risk-weighted assets
Total capital ratio	Own funds in relation to risk-weighted assets
Tier 1 capital ratio	Tier 1 capital in relation to risk-weighted assets
Leverage ratio	Tier 1 capital in relation to total assets and off-balance sheet exposures restated with the application of credit conversion factors
Liquidity coverage ratio, LCR	Liquid assets in relation to net cash outflows over a 30-day stress scenario in accordance with the European Commission's Delegated Regulation EU (2015/61) with regard to liquidity coverage requirements
Survival horizon	The number of days that the need for liquidity can be met in a stress scenario before new liquidity is needed
Net stable funding ratio, NSFR	A liquidity risk metric of a structural nature that demonstrates the stability of the Group's funding in relation to its assets. From 30 September 2019, NSFR is calculated pursuant to Regulation (EU) 2019/876 of the European Parliament and the Council

The CEO affirms that this interim report provides an accurate overview of the operations, financial position and performance of the Parent Company and the Group, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Solna, 26 October 2022

Mikael Inglander
CEO

Financial calendar

Year-end Report 2022	7 February 2023
Interim Report Jan–Mar 2023	28 April 2023
Interim Report Jan–Jun 2023	19 July 2023
Interim Report Jan–Sep 2023	26 October 2023
Year-end Report 2023	2 February 2024

The Annual General Meeting will be held in Solna 27 April 2023

Credit ratings

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

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