

Interim report

January–March 2023



The quarter in brief

Q1 2023

(Q4 2022)

- Severe financial stress was noted in the global financial system during the quarter, in the wake a number of banks' financial problems in the USA and Switzerland. To date, the effects on Swedish banks, including SBAB, are assessed as limited.
- Market growth for mortgages has remained low due to the weaker housing market.
- Total lending increased 0.6% to SEK 512.5 billion (509.5) for the quarter. Total deposits increased 3.3% to SEK 188.5 billion (182.4).
- Operating profit grew 24.3% to SEK 853 million (686), primarily due to increased net interest income, lower costs and a more positive outcome for net income from financial transactions.
- Net interest income rose to SEK 1,413 million (1,328), mainly due to higher deposit volumes and deposit margins. The continued decline in lending margins for mortgages impacted the item negatively.
- Net credit losses increased to SEK 33 million (loss: 19) and mainly comprised increased credit loss allowances. Confirmed credit losses totalled SEK 2 million.
- Imposed fees totalled SEK 141 million (112), of which the risk tax amounted to SEK 89 million (65) and the resolution fee to SEK 52 million (45).
- The return on equity amounted to 13.3% (10.5) and the C/I ratio was 27.7% (34.8).
- Decisions taken on new target areas and new long-term strategic goals for operations extending to 2030, including an emissions reduction target for the lending portfolio. The financial targets as set by the owner for profitability, capitalisation and dividend remain unchanged.

Total lending, SEK bn
Q1, 2023

513

Total deposits, SEK bn
Q1, 2023

189

13.3%

Return on equity
Q1 2023

-0.03%

Credit loss ratio
Q1 2023

27.7%

C/I ratio
Q1 2023

12.4%

CET1 capital ratio
Q1 2023

Selected key metrics

	GROUP					
	2023	2022	Change	2023	2022	Change
	Q1	Q4		Jan-Mar	Jan-Mar	
Total lending, SEK bn	512.5	509.5	+0.6%	512.5	478.7	+7.1%
Total deposits, SEK bn	188.5	182.4	+3.3%	188.5	147.0	+28.3%
Net interest income, SEK mn	1,413	1,328	+6.4%	1,413	1,084	+30.4%
Net result of financial transactions, SEK mn	2	-79	+81 mn	2	-49	+51 mn
Expenses, SEK mn	-394	-437	-9.8%	-394	-358	+10.1%
Net credit losses, SEK mn	-33	-19	+14 mn	-33	-17	+16 mn
Imposed fees: Risk tax and resolution fee, SEK mn	-141	-112	+29 mn	-141	-113	+28 mn
Operating profit, SEK mn	853	686	+24.3%	853	573	+48.9%
Return on equity, %	13.3	10.5	+2.8 pp	13.3	9.5	+3.8 pp
C/I ratio, %	27.7	34.8	-7.1 pp	27.7	33.7	-6.0 pp
CET1 capital ratio, %	12.4	12.8	-4.1 pp	12.4	13.1	-0.7 pp

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

Business Area Private

Business Area Private 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 complemented with savings accounts. 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 8.51% on 28 February 2023, 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

Business Area Corporates & Associations

Business Area Corporates & Associations (tenant-owners' associations) 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 corporate clients (multi-family dwellings) was 16.53% on 28 February 2023. At the same time, the market share for lending to tenant-owners' associations was 10.74%.

→ [Read more on page 13](#)



SBAB assigns priority to four Sustainable Development Goals



Read more about our sustainability agenda in SBAB's Annual Report 2022

Statement from the CEO



Increased concerns about the global banking sector dominated the quarter following the bank runs in the USA and the crisis of confidence in the systemically important Swiss bank Credit Suisse. Inflation remains very high and has triggered continued interest rate hikes by central banks around the world. In Sweden, residential mortgage market activity remains subdued. With mortgage margins under pressure, deposits comprise a key component of banks' profitability in the new interest rate environment. Despite these conditions, SBAB posted a positive trend for the first quarter.

The global financial system suffered severe financial stress during the quarter in the wake of the financial problems of several banks in the USA and Switzerland, which started with the collapse of the US niche bank Silicon Valley Bank (SVB). It didn't take long for events to spill over to other niche US banks in the form of steep declines. Shortly thereafter, Credit Suisse's problems arose and it was eventually sold to UBS. While the market was highly volatile immediately following these events, it has since recovered. We continue to monitor these events and developments closely. The above comprises an important reminder that banking is fundamentally based on trust, and this should never be forgotten. This is particularly relevant in today's digital age, where switching banking service providers has never been easier.

Housing market activity remains low
Activity in the residential mortgage market and the growth rate of mortgage lending in Sweden remain at historic lows. In fact, in recent decades they have never been as low as they are now. Moreover, house prices have fallen significantly since their peak in March 2022,

by around 10% for apartments and 15% for houses. Factoring in high inflation and 20% increases in food prices, for example, clearly shows that households are facing a major change in costs. The faster decline in Sweden's housing prices compared with many other European countries indicates that Swedish households have adapted more rapidly to changed housing costs. Among experts, there is some disagreement as to when and how quickly inflation will start to decline and when the Riksbank may cut the policy rate, but hopefully, the worst is now behind us in terms of interest rate hikes. However, for mortgage holders with variable mortgage rates, conditions will most likely worsen in the form of more interest rate increases before improving. Nor have we yet seen the full effects of the interest rate increases already implemented by the Riksbank, neither on the economy nor the housing market. Credit quality is an extremely important area for us and we are aware that it might become challenging for households as well as businesses in the coming period. We continue to diligently analyse and monitor the lending portfolio and make continuous adjustments to the terms and calculations we

apply when we grant credit so that they fairly and accurately reflect the prevailing market conditions.

As previously communicated, we expect the strong performance to continue in the corporate segment, albeit 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. This means that many property companies will most likely have to refinance parts of maturing capital market debt with bank financing. We noted a general such market trend during the quarter.

SBAB's total lending increased marginally by 0.6% for the quarter to a total of SEK 512.5 billion. Mortgage volumes grew 0.3% to SEK 352.2 billion, significantly lower growth year-on-year, and a clear effect of lower credit growth in the market. In the latter part of the quarter in particular, we were successful in attracting customers from other banks. Lending to corporates and associations increased 1.2% to a total of SEK 160.3 billion, of which SEK 92.5 billion comprised lending to property companies and SEK 67.8 billion lending to tenant-owners' asso-

ciations. During the quarter, our growth in this segment was slightly slower than previously. However, we remain ready to assist our customers as per our strategy for growth, profitability and risk appetite.

Strong financial performance and continued healthy growth in deposits

Generally, increases in mortgage rates have not been in line with those for the Riksbank's policy rate nor for the banks' borrowing costs via mortgage bonds. One of the underlying reasons is that the banks have instead kept deposit rates down. In other words, the banking community as a whole – not least the major banks – have not raised interest rates on savings accounts in parallel with the Riksbank's hikes in the policy rate. This means that most banks are earning considerably more money from deposits than previously. This phenomenon is not unusual from a historical perspective. Low interest rates see margins tending to shift from deposits to lending, which is linked to a list rate. The opposite relationship normally applies in an environment with rising interest rates. We have worked actively at SBAB to increase our deposits and our efforts were highly successful in the first quarter. One important element comprises offering transparent and attractive terms and conditions. Quite simply, offering a good price. Conducting efficient, highly cost-effective operations enables us to create opportunities to offer competitive prices to our customers both for deposits and for lending. During the quarter, our deposits increased 3.3% to a total of SEK 188.5 billion.

Profitability remains healthy and we are once again presenting strong earnings. Naturally, our strong growth in deposits plays a major role here since the deposit margins compensate for lower mortgage margins. Costs are growing largely as planned and credit losses are low. Net credit losses totalled SEK 33 million in the quarter and consist essentially of increased credit loss allowances. Confirmed credit losses remained low and totalled SEK 2 million.

In February, S&P decided to raise SBAB's credit rating from A to A+. The decision is based on the fact that we have been building up a large volume of outstanding impaired debt for some time, which entails an additional layer of protection for holders of existing senior bank bonds. Naturally, the overall credit rating also reflects the low risk in our business. Having a competitive and fair credit rat-



ing is important from many perspectives, not least in terms of the long-term cost of capital market funding.

New target areas and long-term strategic goals

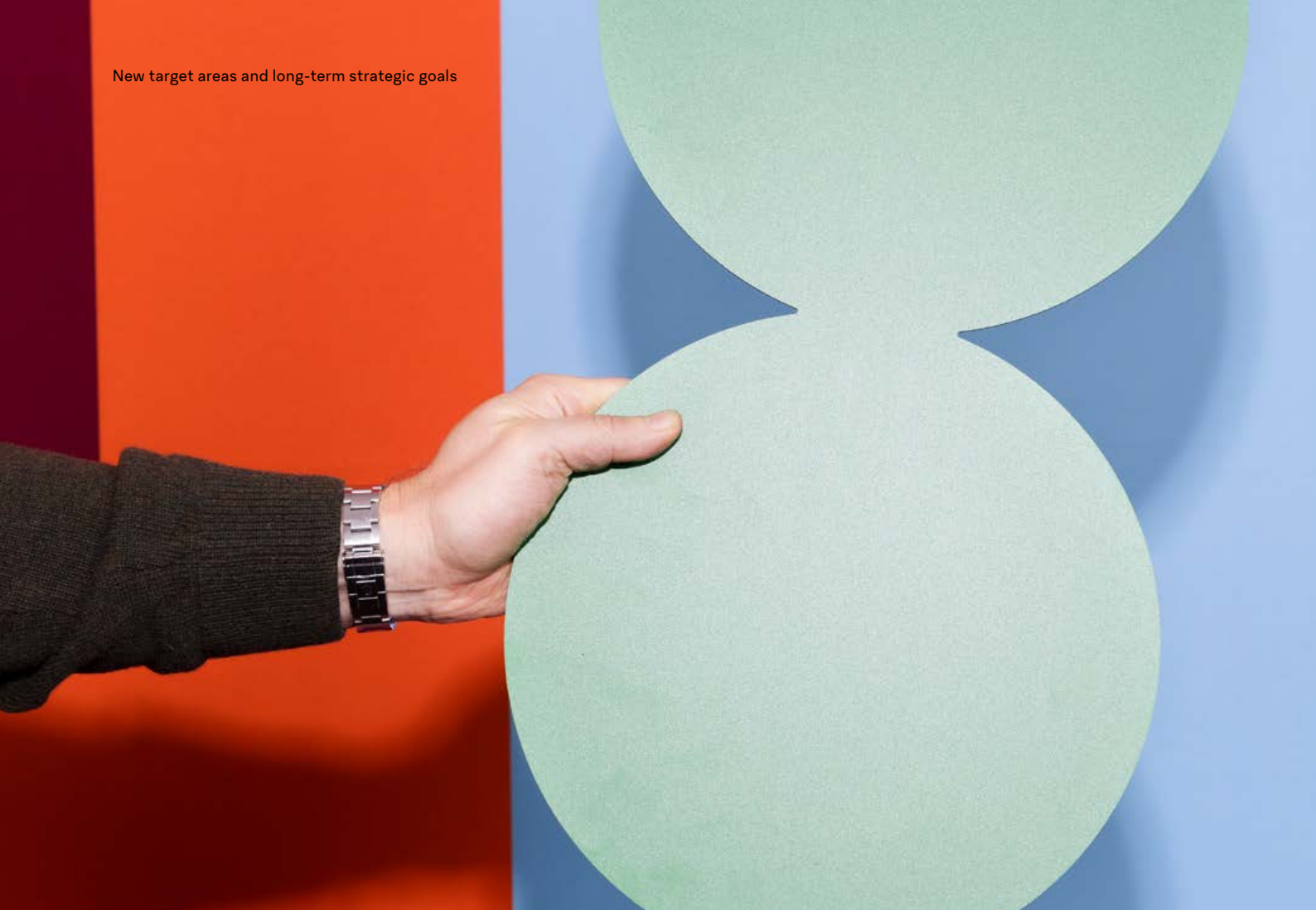
SBAB has been very successful in recent years. This positive trend is supported by a number of structural factors, such as underlying growth in the housing market and thus the market for residential mortgages, but also due to clear and focused work on strategy.

Our strategy since autumn 2014 has been to focus on our core business, residential mortgages and housing finance, complemented by savings accounts. In conjunction with the acquisition of Booli, we decided to broaden our offering to include services in housing and household finances. In 2022, we identified a need to clarify certain components of our overall strategy to factor in major trends and the overall development in the market, including a sustainability focus. The review included a rethink of our existing target structure and long-term strategic business goals. Through its ownership policy, SBAB's owner, the Swedish state, has also announced clear expectations of SBAB to set long-term, material sustainability targets for its operations. At the end of 2022, we decided on five new target areas and seven new long-term strategic goals extending to 2030. Together, these are expected to help

SBAB conduct sustainable operations that generate long-term stakeholder value and that respond to the changes and challenges we have identified in our operating environment. One of the new goals is to significantly reduce our total carbon emissions in accordance with the Paris Agreement's goal of limiting the global temperature increase to 1.5°C. This pertains both to the direct emissions from our own operations as well as to the indirect emissions related to our lending portfolio. The new long-term strategic goals are presented later in this interim report. Our overall financial targets from the owner regarding profitability, dividends and capitalisation remain unchanged.

These are and have been unique times and much has happened in a brief period of time. Success in such an environment requires that we as a company are both flexible and agile. I am very proud of all employees at SBAB and our collective ability to adapt to changing conditions. Many thanks for all your efforts.

Mikael Inglander
CEO of SBAB



New target areas and long-term strategic goals until 2030

In 2022, SBAB identified a need to clarify certain components of its overall strategy to factor in major trends and the overall development in the market. The work included a rethink of the company's existing target structure and long-term strategic business goals. At the end of 2022, SBAB decided on five new target areas and seven long-term strategic goals extending to 2030. Together, these are expected to help SBAB conduct sustainable operations that generate long-term value for the company's stakeholders and that respond to the changes and challenges the company has identified in its operating environment. The new target areas replace SBAB's previous target areas (Responsibility & Transparency, Attractive Workplace and Sound Finances) from and including 2023. The financial targets as set by the owner for profitability, capitalisation and dividends remain unchanged.

Target areas	2030 goals	
Long-term Value Creation	Return on equity	≥10%
Sustainable Society	Reduced emissions	-50% (by 2038) ¹⁾
Customer Satisfaction	Market Share Residential Mortgages	10%
	Market share Corporate Clients	20%
	Market share Tenant-owners' associations	15%
Efficient Operations	C/I ratio	<30%
Attractive Workplace	Engagement Index (scale from 1 to 5)	≥4

¹⁾ By 2038, emissions from SBAB's lending portfolio and its own emissions from operations will be aligned with the Paris Agreement's 1.5°C goal, which entails 50% lower emissions compared with 2022. Calculation bases may evolve over time where the target level expressed as a percentage may be adjusted.

Market overview

Swedish economy

Economic conditions have worsened quickly since mid-2022, but were in some areas in the first quarter of 2023 relatively strong, with high employment and low unemployment. At the same time, the economy continues to slow, with negative GDP growth indicated in February. For many consumer goods, inflation remained high even if some slowdown was discernible. The Riksbank's policy rate hikes have contributed to higher mortgage rates that have suppressed household demand. Going forward, economic conditions are expected to further weaken and, in 2023, the Swedish economy is expected to be in recession.

This development is due to several factors, including the coronavirus pandemic and Russia's invasion of Ukraine. In the wake of the coronavirus pandemic, there were several bottlenecks and production interruptions that meant that goods and services could not meet the very strong demand, which was strengthened by higher savings and support measures during the pandemic. Additionally, Russia's war led to several sanctions and rapidly rising prices for energy and food. Confidence in the economy remained low through the first quarter of the year. Industry indicators are at levels typical

for a recession – in other words, not as low as during the most recent financial crisis. For households, however, confidence indicators are unusually low, in line with those during the crisis of the 1990s. Household pessimism is probably due to the erosion of households' real purchasing power by the rapid price increases in many goods.

Read more about the forecasts for Sweden's economy in the latest edition of SBAB Bomarknadsnytt (in Swedish), available [here](#).

Fixed-income market

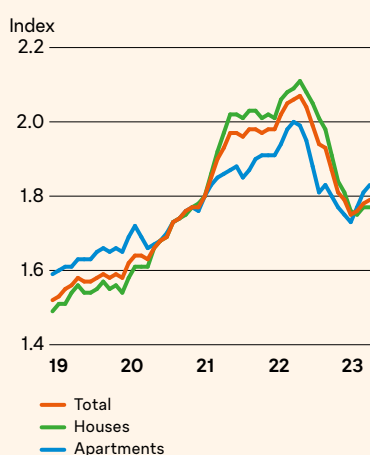
The short-term market interest rates continued to climb during the first quarter, thereby keeping pace with the higher policy rate. However, the long-term market interest rates have remained largely at the same level as September 2022, even if they have fluctuated. There are, of course, slight differences between various instruments and differing maturities. The overall pattern can be described as a fixed-income market that both expects somewhat tighter monetary policy in the near term to bring inflation down to the target level and that manages to keep inflation close to the target for the long term.

In February 2023, the Riksbank decided to raise the policy rate 50 basis points to 3.00%. The Riksbank is expected to continue to raise the policy rate in April by another 50 basis points for a total of 3.50%. It is very likely that the increase could be lower, but also that there could be a further hike in June. However, SBAB's economists expect the policy rate at year-end 2023 to begin to decline to an equilibrium interest rate of approximately 2%. Increases in the policy rate will, however, result in further slight increases in short-term market interest rates. The long-term market interest rates, however, are expected to remain at around 3% for most of 2023 and then fall marginally toward the end of the year. In a few years, variable mortgage rates will likely hover around 4%, while long-term 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](#).

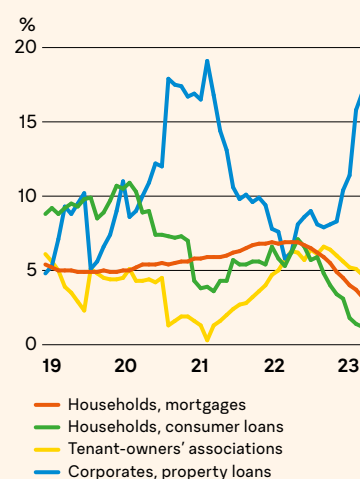
Housing price trend

(SBAB Booli HPI, 2013.01 = 1)



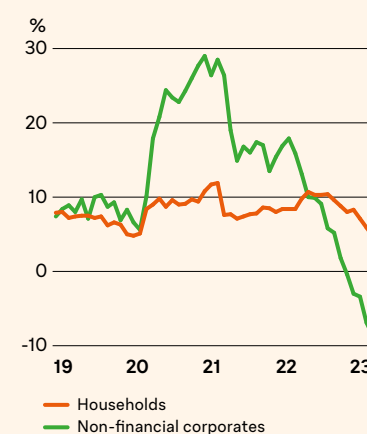
Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



Sources: Macrobond, SCB and SBAB Booli HPI
Data until and including February 2023

Housing prices

In many areas, house prices turned upwards in the first quarter of 2023, thereby, halting the rapid fall since summer 2022. The increase in Sweden as a whole in the first quarter was 2% across all housing types, but broke down as 6% for apartments and flat for houses. The increase can be somewhat explained by seasonal patterns, which usually push up house prices by around 3 percentage points in the first quarter of the year. The weaker trend for houses could partially be explained by the fact that house prices developed strongly during the coronavirus pandemic. It could 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. Altogether, the average decrease in housing prices since the peak in April 2022 has been 14%. SBAB's economists expect housing prices to continue to decrease later on in 2023.

Rising housing expenses due to higher mortgage rates have led to a rapid downturn in the housing market. The Riksbank's about-face with its monetary policy in spring 2022, and the record fast hikes to the policy rate in the autumn, changed household expectations regarding future mortgage rates and have suppressed housing prices. 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 have fallen sharply since spring 2022 and are now well under what could be considered a normal level. Moreover, housing turnover is below the level normally associated with a recession. In the first quarter of 2023, 9,600 houses and 23,600 apartments were sold. This is 20% and 27% lower than the first quarter of 2022, respectively.

After an intense period in the housing market in the wake of the coronavirus pandemic, market conditions have reversed. This is noticeable in trends like fewer bidders per home, lower bid premiums and a larger proportion of housing with lowered prices. Opening prices can

generally be considered high since, in many cases, they are still at the previous year's levels, and selling prices are significantly lower compared with previous years.

The market for new housing production has come under increasing strain since autumn 2022. Unlike the market for existing housing, there has been no drop in prices for this category of housing. However, sales of new housing slowed significantly, from around 2,500 units per month in Q1 2022 to only 1,100 units per month in Q1 2023. Advertising periods more than doubled in length compared with last year.

For Sweden as a whole, the SBAB Booli Housing Market Index (HMI, [available here](#)) indicates that conditions for building tenant-owner housing changed quickly in 2022. Although supply and demand is now balanced, the previous trends toward a shortage of houses and tenant-owner apartments have shifted steeply toward a surplus. However, there is still some way to go. At this rate, in most areas it will only take a few quarters before we actually see a surplus. For new rental apartments, the index shows that conditions over the past year have been bordering on a surplus for Sweden as a whole. A surplus of new rental housing is already a fact in Västra Götaland but not in Stockholm. The trend is largely due to declining demand for housing as a result of rising housing expenses in the wake of factors such as rising residential mortgage interest rates.

Market for deposits and lending

The rate of growth for household loans continued to decrease during the first quarter. In terms of 12-month figures, it reached 2.7% in February, which was a new low since measurement started in 2005. The rapid deceleration was primarily due to a lower growth rate for housing loans, which was 3.2% in February. The mortgage growth rate is expected to remain low throughout 2023 before increasing slightly in 2024. This weak trend is due to higher mortgage rates having suppressed demand and pushed down housing prices. Higher interest rates and the weaker economy have also contributed to lower housing turnover, which also reduces demand for credit. Loans for household consumption are also growing more slowly, by 1.2% in February, a rate that is expected to continue throughout 2023.

In terms of 12-month figures, deposits from households grew at an average rate of 5.3% in the first two months of the first quarter, which means the growth rate has halved since spring 2022. An economic slowdown, or overall economic uncertainty, normally leads to households increasing their buffer savings. The reverse trend may possibly be due to rapidly increasing employment during the period concurrent with continued low unemployment, and due to the weaker economic trend being largely due to inflation, which causes real household consumption to fall. Growth in corporate deposits has also plummeted, and much faster. Since spring 2022, it has gone from increasing by around 15% in 12-month terms, to decreasing by almost 9% in 12-month terms in the first two months of the year. Negative deposit growth from corporate clients is not entirely unusual under certain circumstances. This was the case, for example, for one month in 2008 and in a large portion of 2011. The current trend could be due to the fact that companies' costs have risen while sales have weakened, and that it has become more difficult and expensive for companies to finance their operations in the capital market.

Risks and uncertainties

Risks and uncertainties related to the Swedish economy and SBAB's lending

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

SBAB is continuously evaluating the macro-economic situation, most recently with particular focus on inflation, household finances, housing construction and effects linked to the war in Ukraine, and continuously assessing the credit quality in lending by evaluating models of various economic scenarios. The rise in inflation has led to higher market interest rates and higher mortgage rates, which has raised housing costs for households. In addition, significantly higher prices for, inter alia, food and electricity have put household finances under pressure. The risks associated with high inflation are deemed manageable over the long term since inflation also tends to affect households' disposable income over time, which means that mortgage debt as a share of household income declines.

Market interest rates and mortgage rates are both expected to remain relatively high throughout 2023. Since the majority of Swedish households own their own home and due to many mortgages being subject to floating interest, the Swedish economy is sensitive to rapidly rising interest rates. A risk exists that indebted households might experience difficulty coping with ongoing loan payments on their mortgages as a result of high

interest rates. However, current forecasts indicate that mortgage interest rates will remain, with a certain margin, under the calculation interest that banks apply in their credit assessments. Moreover, stress tests indicate low risk of payment problems even in the event of further moderate hikes in interest rates.

Rising mortgage interest rates resulted in housing prices decreasing significantly in 2022 and are expected to fuel a continued price fall in 2023. When inflation and interest rates normalise in 2024, housing prices are expected to rise again. Risks linked to high interest rates could be increased by falling housing prices and rapidly rising unemployment. The risk pertains to how a downturn in prices leads to behaviour that triggers a larger price downturn, and how price uncertainty impacts housing turnover and possibilities for building new housing units.

Risks related to the global economy and international financial markets

Any disruption in the international financial 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. These disruptions could be caused, for example, by global political and macroeconomic events, changes in the monetary policies of central banks or extraordinary events such as pandemics, wars and acts of terrorism.

Russia's war in Ukraine has above all caused suffering for the Ukrainian people, but also resulted in extensive sanctions against Russia. Although SBAB has no presence in the war- or sanction-affected areas, the company is indirectly affected

by the unrest through its impact on the global economy. The war has contributed to today's high inflation, uncertainty about the future and volatility in the financial markets. The war is also expected to affect the global economy and the financial markets going forward.

Weak economic performance in combination with high inflation is a difficult challenge for financial policy and makes future policies difficult to predict. Focus remains on lowering inflation. 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 wholesale 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.

For further information about risks and risk management, please refer to SBAB's 2022 Annual Report.

In the light of recent events in the banking markets in the USA and Europe

The global financial system suffered severe financial stress during the quarter in the wake of the confidence and liquidity problems of certain banks in the USA and Switzerland. These events have prompted concerns of other banks being in trouble, which has resulted in considerable volatility in financial markets and sharp movements in bank share prices in several countries.

SBAB has no exposures to the US banks in question or to Credit Suisse.

Generally, the Swedish banks, including SBAB, have robust buffers in place both for liquidity and for capital, and are generally profitable. Furthermore, they are subject to different regulations than, for example, smaller niche banks in the USA. SBAB's current assessment is that the contagion effects for Swedish banks and the Swedish market are limited. The funding market in Sweden con-

tinues to function satisfactorily. However, further disruptions in international financial markets or the global economy in the future may impact Swedish banks, including SBAB. Nor is it possible to rule out these events affecting future pricing and functions of certain financial instruments, not least Tier 1 capital instruments (AT1), and the market for such instruments may remain volatile for some time.

SBAB's liquidity reserve comprises high-quality assets (mainly government bonds or covered bonds with high ratings) and all holdings are eligible for pledging to the Riksbank or the ECB. SBAB applies hedging strategies in its management of the liquidity reserve aimed at mitigating interest rate and currency risks. The majority of the liquidity reserve holdings comprise financial instruments measured at fair value. Some 35% of SBAB's bond holdings are classified and recognised at amortised cost, taking into account the held to collect (HTC), held to collect and sell (HTCS) and fair value option business models pursuant to IFRS 9. Hedge accounting is applied for bond holdings with an

associated hedging instrument, which means that an additional 68% of the bonds classified as HTC, and thus normally recognised at amortised cost, are instead recognised at fair value. Internal analyses indicate extremely limited changes in SBAB's overall positions if all securities were to be marked to market. SBAB's loss absorption capacity for those components that are not continuously marked to market in the accounts is thus deemed to be very favourable. For more information on SBAB's liquidity, please refer to [page 18](#).

SBAB's deposits are assessed as stable and well diversified and consist mainly (91.7%) of retail deposits pursuant to the regulations for the liquidity coverage requirement for Credit Institutions (EU 2015/61). The majority of the deposits fall within the framework of the state national deposit guarantee. For more information on SBAB's deposits, please refer to [pages 11-13](#) and [page 18](#).

Mortgages and household finances without the hassle

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

<p>SBAB! booli! A service by SBAB</p> <h2>Buying</h2> <ul style="list-style-type: none"> ✓ Residential mortgages & housing financing ✓ Housing valuations ✓ Housing advertisements <p>Business partner services:</p> <ul style="list-style-type: none"> • Home insurance • Life insurance • Legal advice • Electricity agreements 	<p>booli! hittamäklare! A service by SBAB A service by SBAB</p> <h2>Selling</h2> <ul style="list-style-type: none"> ✓ Estate agent recommendations ✓ Housing valuations ✓ Housing advertisements <p>Business partner services:</p> <ul style="list-style-type: none"> • Tax declaration help 	<p>SBAB! boappa! A service by SBAB</p> <h2>Living</h2> <ul style="list-style-type: none"> ✓ Refinancing ✓ Saving ✓ Consumer loans ✓ Communication and administration service for tenant-owners' associations and their residents Board tools <p>Business partner services:</p> <ul style="list-style-type: none"> • Construction advice 
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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					
	2023	2022	2022	2023	2022	2022
	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
New lending for the period, SEK bn	15.9	25.3	26.7	15.9	26.7	105.4
Net change in lending for the period, SEK bn	3.0	10.9	11.6	3.0	11.6	42.5
Total lending, SEK bn	512.5	509.5	478.7	512.5	478.7	509.5
No. of deposit accounts, thousand	613	568	473	613	473	568
Net change in deposits, SEK bn	6.1	11.4	2.0	6.1	2.0	37.5
Total deposits, SEK bn	188.5	182.4	147.0	188.5	147.0	182.4
Deposits/lending, %	36.8	35.8	30.7	36.8	30.7	35.8
Business Area Private						
No. of mortgage customers, thousand	293	292	292	293	292	292
No. of mortgage objects financed, thousand	188	187	187	188	187	187
New lending, SEK bn	11.7	13.0	18.4	11.7	18.4	67.0
Net change in lending for the period, SEK bn	1.1	1.3	5.5	1.1	5.5	14.0
Total lending, Private, SEK bn	352.2	351.1	342.7	352.2	342.7	351.1
Residential mortgages, SEK bn	350.2	349.0	340.4	350.2	340.4	349.0
Consumer loans, SEK bn	2.0	2.1	2.3	2.0	2.3	2.1
Market share, Residential mortgages, % ¹⁾	8.51	8.51	8.53	8.51	8.53	8.51
Market share, Consumer loans, % ¹⁾	0.69	0.70	0.77	0.69	0.77	0.70
Total deposits, Private, SEK bn	148.3	140.7	103.6	148.3	103.6	140.7
No. of retail customers with savings accounts, thousand	521	485	409	521	409	485
Market share deposits, Private, % ¹⁾	5.71	5.53	4.23	5.71	4.23	5.53
Business Area Corporates & Associations						
No. of housing financing customers	2,974	2,942	2,672	2,974	2,672	2,942
New lending, SEK bn	4.2	12.3	8.3	4.2	8.3	38.4
Net change in lending for the period, SEK bn	2.0	9.5	6.1	2.0	6.1	28.5
Total lending, Corporates & Associations, SEK bn	160.3	158.4	135.9	160.3	135.9	158.4
Lending, Corporate clients, SEK bn	92.5	90.7	73.4	92.5	73.4	90.7
Lending, Tenant-owners' associations, SEK bn	67.8	67.7	62.5	67.8	62.5	67.7
Market Share Corporate Clients (multi-family dwellings), % ^{1) 2)}	16.53	17.38	15.13	16.53	15.13	17.38
Market share, Tenant-owners' associations, % ¹⁾	10.74	10.69	10.17	10.74	10.17	10.69
Total deposits, Corporates & Associations, SEK bn	40.2	41.8	43.4	40.2	43.4	41.8
No. of customers with savings accounts, Corp. & Assoc.	14,400	13,700	12,200	14,400	12,200	13,700
Market share deposits, Corp. & Assoc., % ¹⁾	2.33	2.25	2.30	2.33	2.30	2.25

1) Source: Statistics Sweden. The figures in the columns for Q4 2022 and Jan-Dec 2022 correspond with the market shares as of 31 December 2022. The figures in the columns for Q1 2022 and Jan-Mar 2022 correspond with the market share as of 28 February 2022. The figures in the columns for Q1 2023 and Jan-Mar 2023 correspond with the market share as of 28 February 2023.

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.

Business Area Private

Trend for Q1 2023 compared with Q4 2022

Business Area Private 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 complemented with savings accounts. 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 further in the quarter due to rising mortgage interest rates as well as falling housing prices and a decrease in housing turnover. Recent trends have led to significant changes in interest rates and increased funding costs for banks. SBAB continuously adjusts the listed rates for mortgages to reflect the prevailing market conditions. Mortgages with three-month fixed-interest periods had the lowest listed rates at the end of the quarter. The share of total lending with a three-month fixed-interest period amounted to 60.5% (53.2) at the end of the quarter. The year-earlier figure was 52.3%.

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 first

quarter amounted to SEK 11.7 billion (13.0). Total retail lending amounted to SEK 352.2 billion (351.1) at the end of the quarter, of which SEK 350.2 billion (349.0) comprised residential mortgages and SEK 2.0 billion (2.1) consumer loans. The number of residential mortgage customers amounted to 293,000 (292,000) distributed over 188,000 (187,000) mortgage objects. The market share of residential mortgages was 8.51% on 28 February 2023 (8.51% on 31 December 2022). At the same date, the market share for consumer loans was 0.69% (0.70% on 31 December 2022).

For more information on credit losses and credit quality, please refer to [pages 15–16](#) and [Note 4](#) and [Note 5](#).

Savings accounts (deposit)

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

Retail deposits increased during the quarter to SEK 148.3 billion (140.7). At the end of the quarter, approximately 521,000 (485,000) retail customers held savings accounts with SBAB. The market share of retail deposits was 5.71% on 28 February 2023 (5.53% on 31 December 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 590,000 (556,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 215,000 (182,000) 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 1,300,000 (1,200,000) during the quarter. Booli's monthly property valuation email had approximately 760,000 subscribers at the end of the first quarter of 2023. 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 92% of the registered estate agents in Sweden.

Sweden's most satisfied residential mortgage customers

In 2022, for the fourth 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 76.4 out of 100, compared with the industry average of 67.5. We received particularly good results in the survey in areas such as product quality, reliability and loyalty.



Business Area Corporates & Associations

Trend for Q1 2023 compared with Q4 2022

Business Area Corporates & Associations (tenant-owners' associations) 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)

High uncertainty in the wake of sharply rising market interest rates, high inflation and increased general uncertainty continues to dominate the property market. Corporate transactions in the market for multi-family housing have fallen sharply in parallel with the market's new economic conditions, which has affected the inflow of new lending for SBAB. During the quarter, while the business flow of property loans was significantly lower than previously, the credit portfolio for fi-

ancing new production developed largely as forecast. This was due to previously agreed financing still being capitalised. The prevailing conditions with high inflation, rising 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. The above, in combination with current market conditions and expectations of an impending recession, has led many housing developers to cut back on their upcoming new construction projects, which in turn has contributed to a slowdown in the demand for new building credits. During the quarter, new lending to corporate clients amounted to SEK 2.1 billion (8.9).

The market for lending to tenant-owners' associations is dominated by intense competition with low margins. During the quarter, new lending to tenant-owners' associations increased to SEK 2.1 billion (3.5).

Total lending increased to SEK 160.3 billion (158.4), of which SEK 92.5 billion (90.7) comprised lending to corporates and SEK 67.8 billion (67.7) lending to tenant-owners' associations.

The market share for lending to corporate clients (multi-family dwellings) was 16.53% as of 28 February 2023 (17.38% on 31 December 2022). At the same date, the market share for lending to tenant-owners' associations was 10.74% (10.69% on 31 December 2022).

The number of housing financing customers continued to increase and was 2,974 (2,942) at the end of the quarter.

For more information on credit losses and credit quality, please refer to [pages 15–16](#) and [Note 4](#) and [Note 5](#).

Savings accounts (deposit)

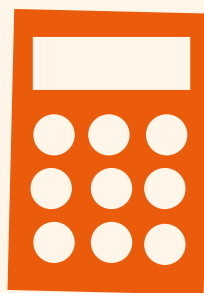
Deposits from corporate clients and organisations decreased during the quarter and totalled SEK 40.2 billion (41.8). At the end of the quarter, approximately 14,500 (13,700) customers held savings accounts with SBAB. On 28 February 2023, the market share of deposits from corporate clients and organisations was 2.33% (2.25% on 31 December 2022).

Sweden's most satisfied corporate customers

In 2022, for the fifth consecutive year, SBAB had Sweden's most satisfied property loan customers according to SKI. SBAB received a customer satisfaction score of 78.0 out of 100, compared with the industry average of 72.8. SBAB's results were particularly strong within areas such as image, product quality and expectations.



Financial performance



Income statement overview

SEK million	GROUP							
	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2023 Jan-Mar	2022 Jan-Mar	2022 Jan-Dec
Net interest income	1,413	1,328	1,155	1,088	1,084	1,413	1,084	4,655
Net commission	-7	-7	-5	11	13	-7	13	12
Net result of financial transactions (Note 3)	2	-79	72	21	-49	2	-49	-35
Other operating income	13	12	11	13	13	13	13	49
Total operating income	1,421	1,254	1,233	1,133	1,061	1,421	1,061	4,681
Expenses	-394	-437	-363	-371	-358	-394	-358	-1,529
Profit before credit losses and imposed fees	1,027	817	870	762	703	1,027	703	3,152
Net credit losses (Note 4) ¹⁾	-33	-19	-20	-12	-17	-33	-17	-68
Imposed fees: Risk tax and resolution fee	-141	-112	-111	-109	-113	-141	-113	-445
Operating profit	853	686	739	641	573	853	573	2,639
Tax	-179	-147	-155	-135	-121	-179	-121	-558
Net profit for the period	674	539	584	506	452	674	452	2,081
Return on equity, % ²⁾	13.3	10.5	11.7	10.4	9.5	13.3	9.5	10.5
Return on assets, %	0.4	0.3	0.4	0.3	0.3	0.4	0.3	0.3
C/I ratio, %	27.7	34.8	29.4	32.7	33.7	27.7	33.7	32.7
Credit loss ratio, %	-0.03	-0.01	-0.02	-0.01	-0.01	-0.03	-0.01	-0.01
Share of credit stage loans 3, gross, %	0.08	0.07	0.05	0.05	0.04 ³⁾	0.08	0.04 ³⁾	0.07
Net interest margin, %	0.87	0.85	0.76	0.74	0.77	0.87	0.77	0.78
Number of employees (FTEs)	864	863	856	860	818	864	818	863

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

2) When calculating return on equity "Q1 2022," "Q2 2022" as well as "Jan-Mar 2022" and "Jan-Dec 2022," average equity has been adjusted for the dividend of SEK 832 million for 2021. When calculating the return on equity for "Q1 2023" and "Jan-Mar 2023," average equity has been adjusted for the dividend of SEK 832 million for 2022.

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

Trend for Q1 2023 compared with Q4 2022

Operating profit grew to SEK 853 million (686), primarily due to increased net interest income, lower costs and a more positive outcome for net income from financial transactions. The return on equity amounted to 13.3% (10.5) and the C/I ratio was 27.7% (34.8).

Net interest income

Net interest income rose to SEK 1,413 million (1,328), primarily due to an increased share of financing from deposits and higher deposit margins. Decreased lending margins for mortgages continued to have a negative impact. The fee for the national deposit guarantee amounted to SEK 16 million (8) for the period.

Net commission

Net commission income remained unchanged and totalled an expense of SEK 7 million (expense: 7) for the quarter. Commission income and expenses were both slightly higher in the quarter, mainly due to higher profit sharing on the income side and higher funding-related costs on the expense side.

Net result of financial transactions

The net income from financial transactions was SEK 2 million (expense: 79). 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 394 million (437), primarily pertaining to lower costs for depreciation and amortisation. At the end of the quarter, FTEs amounted to 864 (863).

Credit quality and credit losses

Net credit losses totalled SEK 33 million (loss: 19) in the first quarter of 2023. Confirmed credit losses totalled SEK 2 million (3) and recoveries for previous confirmed credit losses amounted to SEK 1 million (1). Total credit loss allowances increased SEK 33 million during

the quarter (increase: 17). Provisions for credit stage 1 increased SEK 12 million (decrease: 2). Provisions for credit stage 2 increased SEK 16 million (increase: 18). Provisions for credit stage 3 increased SEK 1 million (increase: 3). Changes in credit loss allowances for loans in credit stages 1 and 2 were primarily due to a combination of negative risk class migrations in the Private business area due to increased interest expenses for households as well as to a manual adjustment of the collective credit loss allowances (management overlay). The manual adjustment is aimed at capturing future potential negative risk class migrations in the coming quarters both in the Private and in the Corporates & Associations business areas as a result of economic developments. The increase in the credit loss allowance for credit stage 3 loans can be attributed to limited net inflows. Credit loss allowances for loan commitments and building credits increased SEK 4 million (decrease 2) due to a slight deterioration in the risk scenario for building credits, as a result of a few isolated negative risk class migrations in the business area Corporates & Associations, and increased exposure to loan commitments compared with the year end. Guarantees that can be utilised remained unchanged (unchanged) in the quarter.

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 as low.

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

Imposed fees includes the Swedish risk tax and the resolution fee. The risk tax for 2023 amounts to 0.06% of the credit institution's liabilities for 2023 compared with 0.05% of liabilities for 2022. Imposed fees totalled SEK 141 million (112) for the quarter, of which the risk tax amounted to SEK 89 million (65) and the resolution fee to SEK 52 million (45).

Other comprehensive income

Other comprehensive income amounted to SEK 451 million (expense: 397), primarily due to interest-rate-related value changes in derivatives resulting from declining euro interest rates, which positively impacted the item. For more information, please refer to [page 24](#).

January–March 2023 compared with January–March 2022

Operating profit grew to SEK 853 million (573), primarily due to higher net interest income. The return on equity amounted to 13.3% (9.5) and the C/I ratio was 27.7% (33.8).

Net interest income rose to SEK 1,413 million (1,084), primarily due to an increased share of financing from deposits and higher deposit margins. Decreased lending margins for mortgages had a negative impact. The fee for the national deposit guarantee amounted to SEK 16 million (14) for the period.

Net commission income decreased to an expense of SEK 7 million (income: 13), mainly due to updated calculation models for amortised cost, where arrangement fees linked to corporate lending are accrued over the term of the loans in net interest income from the third quarter of 2022.

The net result of financial transactions increased to an income of SEK 2 million (expense: 49), mainly due to differences

in value changes in hedging instruments and hedged items. For more information, please refer to [Note 3](#).

Other comprehensive income for the period amounted to SEK 451 million (expense: 2,171), primarily due to interest-rate-related value changes in derivatives resulting from declining euro interest rates, which positively impacted the item. For more information, please refer to [page 24](#).

Expenses grew to SEK 394 million (358), mainly driven by higher personnel costs and increased marketing costs in the period. The number of FTEs increased to 864 (818) during the period. The replacement of SBAB's core banking platform is reaching a conclusion. The new bank platform has been implemented for all products. Existing property loans will be gradually moved over to the new system.

Net credit losses increased to SEK 33 million (loss: 17). The increase was primarily due to a combination of negative risk class migrations in the Private business area due to increased interest

expenses for households as well as to a manual adjustment of the collective credit loss allowances (management overlay). The development was partially offset by a revision of the forward-looking information applied in the impairment model, with a milder price decline for housing and properties. Confirmed credit losses totalled SEK 2 million (2) for the period. For more information on credit losses and credit quality, please refer to [Note 4](#) and [Note 5](#).

Imposed fees totalled SEK 141 million (113), of which the risk tax amounted to SEK 89 million (65) and the resolution fee to SEK 52 million (48).

Balance sheet overview

SEK million	GROUP		
	31 Mar 2023	31 Dec 2022	31 Mar 2022
ASSETS			
Cash and balances at central banks	632	3,534	2,500
Chargeable treasury bills, etc.	52,222	29,886	25,511
Lending to credit institutions	19,312	20,091	8,100
Lending to the public (Note 5)	512,515	509,492	478,658
Bonds and other interest-bearing securities	60,709	57,490	50,469
Total other assets in the balance sheet	15,768	13,992	6,762
TOTAL ASSETS	661,158	634,485	572,000
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	9,508	8,237	14,011
Deposits from the public	188,508	182,443	146,976
Issued debt securities, etc. (funding)	411,396	393,885	372,634
Subordinated debt	1,998	1,997	1,997
Total other liabilities in the balance sheet	28,777	27,974	13,220
Total liabilities	640,187	614,536	548,838
Total equity	20,971	19,949	23,162
– of which reserves/fair value reserve	–6,188	–6,639	–1,252
– of which, Tier 1 capital instruments	5,800	5,800	4,300
TOTAL LIABILITIES AND EQUITY	661,158	634,485	572,000
CET1 capital ratio, %	12.4	12.8	13.1
Tier 1 capital ratio, %	16.1	16.5	16.1
Total capital ratio, %	17.3	17.8	17.5
Leverage ratio, % ¹⁾	3.95	4.12	3.97
Liquidity coverage ratio (LCR), %	243	250	191
Net Stable Funding Ratio (NSFR), %	132	128	129

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

Trend for Q1 2023 compared with Q4 2022

Balance sheet comments

Chargeable treasury bills increased during the quarter to SEK 52.2 billion (29.9), primarily due to increased holdings of Riksbank certificates. At the same time, cash and balances at central banks decreased to SEK 0.6 billion (3.5). Lending to credit institutions decreased to SEK 19.3 billion (20.1), attributable to inflows of securities linked to derivatives (CSAs), which are mainly impacted by changes in interest and exchange rates. The above changes were all within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities increased to SEK 60.7 billion (57.5), primarily driven by new bond purchases within the normal management of the liquidity reserve. Lending to the public increased to SEK 512.5 billion (509.5), of which SEK 350.2 billion comprised residential mortgages, SEK 2.0 billion consumer loans, SEK 92.5 billion lending to property companies and SEK 67.8 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 increased to SEK 9.5 billion (8.2), primarily driven by inflows of securities connected to derivatives (CSAs). The trend was offset somewhat by lower repo funding. Deposits from the public increased to SEK 188.5 billion (182.4), of which 92% comprised deposits from the public 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 increased to SEK 20.3 billion (19.9), primarily due to value changes linked to cash-flow hedges and net profit for the period.

Funding

Three themes generally predominated in the first quarter. The first pertained to central bank interest rate hikes and market expectations of their impact on high inflation. The higher interest rates created expectations of a mild impending recession, and accordingly, the market initially priced in interest rate cuts alternatively in the second half of 2023. Surpris-

ingly strong economic data at the end of January, including US jobs data, triggered the quarter's second theme, namely where market sentiment shifted toward expectations of a more positive economic trend and no recession. This in turn, led to expectations of further central bank interest rate hikes to combat continued high inflation and, according to the data, a resilient economy. Shortly thereafter, the quarter's third theme emerged in the form of bank failures both in the USA and in Europe. These events, once again, led the market to price in fewer central bank interest rate hikes. Moreover, market risk sentiment deteriorated significantly, credit spreads broadened and the primary market saw no new offerings for more than two weeks. Once the worst of the turmoil had subsided, some buying interest returned to the market, but at higher levels.

During the quarter, the Fed raised the federal funds rate a total of 50 basis points over two meetings to 5.0%. During the same period, the ECB chose to raise the interest rate a total of 100 basis points over the same number of meetings to 3.0%. The Riksbank only held one meeting in the quarter and chose to raise the policy rate 50 basis points to 3.0%. The Riksbank also announced its intent to start actively selling government bonds from April onwards.

SBAB maintained a relatively favourable pace of funding during the quarter, despite high interest rate volatility in the market. In addition to continuous issues in the Swedish covered bond market, SBAB issued a SEK 3.0 billion public senior non-preferred bond in January to meet future MREL requirements. Moreover, in January, SCBC launched a new covered bond under the benchmark programme. The new bond matures in June 2028 and had reached a volume of approximately SEK 9.3 billion at the end of the first quarter.

During the quarter as a whole, issued debt securities totalled SEK 21.8 billion (6.2). In parallel, securities were repurchased for SEK 4.0 billion (1.7) and securities amounting to SEK 3.8 billion (3.4) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 17.5 billion to a total of SEK 411.4 billion (393.9). In total, the SBAB Group has issued bonds corresponding to SEK 21.8 billion in 2023 (of which SEK 17.2

billion comprised covered bond funding and SEK 4.6 billion unsecured funding), which can be compared with the total bonds maturing in 2023 of about SEK 56.2 billion.

At the end of the quarter, unsecured funding amounted to SEK 66.4 billion (65.0), of which SEK 16.3 billion (13.3) comprised senior non-preferred bonds, SEK 47.9 billion (48.9) other unsecured bonds (senior preferred) and SEK 2.2 billion (2.8) 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 345.0 billion (328.9) at the end of the quarter, of which SEK 261.5 billion was in SEK and SEK 83.5 billion was in foreign currencies.

Liquidity position

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings¹⁾. At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 108.6 billion (87.9). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 106.2 billion (85.4).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 362 days (347), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, on 31 March 2023, the LCR was 243% (250) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 190% (192). The net stable funding ratio (NSFR) amounted to 131.6% (127.9) 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 19.7 billion (19.7). The risk exposure amount (REA) increased to SEK 158.7 billion (154.2), primarily attributable to higher volumes and risk migration within corporate SMEs. In addition, a slight increase was noted in REA for operational risk, mainly due to an update of the annual values used in the calculation. On 31 March 2023, SBAB's CET1 capital ratio amounted to 12.4% (12.8) and the total capital ratio was 17.3% (17.8). This provides a comfortable margin both to internal targets and to external regulatory requirements.

The leverage ratio declined and amounted to SEK 3.95% (4.12) on 31 March 2023, primarily due to the increase in central government exposure.

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 31 March 2023. 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 the same date.

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 over 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 be completed in the first half of 2023.

The Swedish FSA has previously announced that it expects Swedish banks to analyse and update their current internal ratings-based systems (IRB systems) to be able to meet the new European Banking Authority (EBA) guidelines. SBAB has therefore, over an extended period, worked on preparing new IRB models, which are expected to be implemented after the decision from the Swedish FSA. In November 2022, SBAB's application to use a new PD model for household exposure was approved, and in January 2023, SBAB's new PD models

for corporate exposures were approved. Application of the new PD models for households started in the first quarter of 2023. The PD models for corporate exposures are expected to be applied from September 2023. SBAB has not yet received feedback on its applications for new LGD models for household exposures and corporate exposures.

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

For more information on SBAB's capital position, please refer to [Note 11](#) and [Note 12](#).

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 31 March 2023. 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

SEK million	CONSOLIDATED SITUATION			
	31 Mar 2023			
	Total capital	%	CET1 capital	%
Internally assessed capital requirement from the Swedish FSA¹⁾	23,606	14.9	16,208	10.2
– of which, Pillar 1 minimum requirement	6,073	3.8	3,416	2.2
– of which, Pillar 1 risk-weight floor, Swedish mortgages (Art. 458 CRR)	6,626	4.2	3,727	2.3
– of which, Pillar 2 requirement (P2R)	5,318	3.4	3,476	2.2
– of which, Capital conservation buffer	3,968	2.5	3,968	2.5
– of which, Countercyclical buffer	1,620	1.0	1,620	1.0
– of which, Pillar 2 guidance (P2G)	–	–	–	–
SBAB's capital target	24,558	15.5	17,796–20,971	11.2–13.2
SBAB's actual capital	27,529	17.3	19,734	12.4

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

Other information



SBAB's financial targets from the owner

- **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 2022 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 5.3 billion on 31 March 2023). 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.

Credit upgrade by Standard & Poor's

During the quarter, Standard & Poor's (S&P) upgraded SBAB Bank AB (publ) ("SBAB") from A to A+. The decision is based on the fact that, for some time, SBAB has been building up a large volume of outstanding MREL debt. A larger volume of eligible debt entails an additional layer of protection for holders of existing bank bonds, which is viewed as positive in the quantitative model that S&P applies in its overall credit assessment.

Changes in Executive Management

On 7 February 2023, Carina Eriksson was dismissed as Head of HR for SBAB and Kajsa Ekehult, formerly Head of Learning & Development, stepped into the role as acting Head of HR. Recruitment of a replacement has been started. As previously announced, on 1 January 2023, Stefan Andersson was appointed Head of Corporates & Tenant-owners' Associations and joined the Executive Management. On the same date, Peter Svensén took over the role of CFO and joined the Executive Management. On 1 January 2023, Carl Olsson reassumed the role of Head

of Business Specialists and member of the Executive Management. However, due to Carl Olsson being on parental leave from 1 January 2023, Kristina Tånneryd has assumed the role of acting Head of Business Specialists until Carl Olsson returns to duty.

Events after the end of the period

Annual General Meeting

SBAB held its Annual General Meeting on 27 April 2023. The AGM resolved to elect the following Board members: Jan Sinclair (Chairman, re-elected), Lars Börjesson (re-elected), Jenny Lahrin (re-elected), Wenche Martinussen (re-elected), Jane Lundgren Ericsson (re-elected), Synnöve Trygg (re-elected), Leif Pagrotsky (re-elected), Inga-Lill Carlberg (re-elected) and Fredrik Sauter (newly elected). The local trade unions appointed Karin Neville and Margareta Naumburg as employee representatives on the Board of Directors, with Therese Sandberg and David Larsson as alternates.

The AGM resolved to distribute a dividend of 40% of net profit for the year, corresponding to SEK 832 million, for 2022. Full details of the proposed appropriation of earnings are available from SBAB's 2022 Annual Report, on page 73.

Auditors' review report

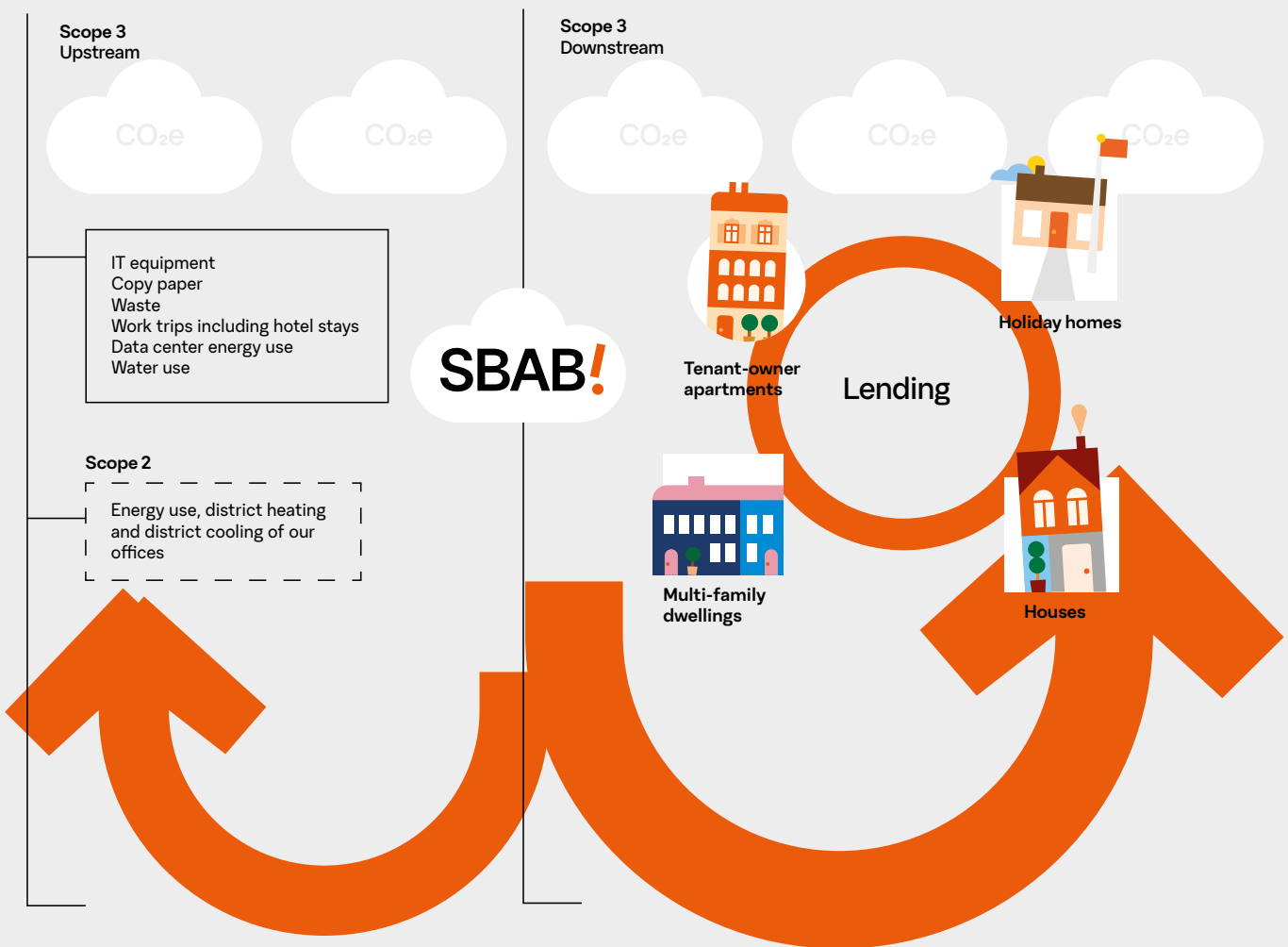
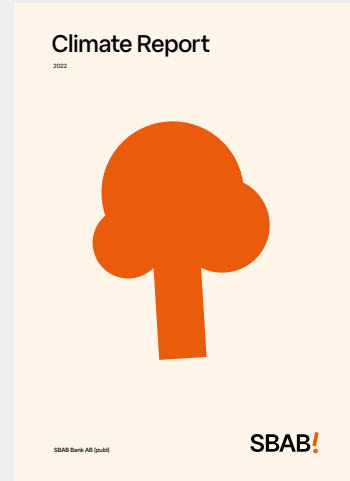
This report has not been subject to review by the Group's auditors.

Outcomes for owner's financial targets

	2022	2021	2020	2019	2018
Dividend, %	40	40	0	0	40
Return on equity, %	10.5	11.1	10.8	11.7	12.1
Common Equity Tier 1 capital ratio, above Swedish FSA requirement, %	2.6	4.3	5.4	2.4	2.5
Common Equity Tier 1 capital ratio, above Swedish FSA requirement, %	3.0	4.2	5.4	5.2	4.0

New long-term climate goal for 2038

At the end of 2022, SBAB adopted a climate goal to reduce the company's emissions intensity (kgCO₂e per m²) 50% by 2038. This pertains to the direct emissions from our own operations as well as the indirect emissions related to our lending portfolio. The climate goal is a major and important step for SBAB in driving the green transition. The goal is aligned with the Paris Agreement's goal of limiting the global temperature increase to 1.5°C and is reported each year in a climate report (available [here](#) for 2022). The goal is science-based and will be validated with the help of the Science Based Targets initiative.



Contents

Condensed financial statements

- 23 Condensed income statement
- 24 Condensed statement of comprehensive income
- 25 Condensed balance sheet
- 26 Condensed statement of changes in equity
- 27 Condensed cash-flow statement

Notes

- 28 **Note 1** Accounting policies
- 28 **Note 2** Changes in risks
- 29 **Note 3** Net result of financial transactions
- 29 **Note 4** Net credit losses
- 31 **Note 5** Lending to the public
- 33 **Note 6** Derivatives
- 33 **Note 7** Operating segments
- 35 **Note 8** Classification of financial instruments
- 37 **Note 9** Fair value disclosures
- 38 **Note 10** Liquidity reserve and liquidity risk
- 39 **Note 11** Capital adequacy, own funds and capital requirements
- 44 **Note 12** Internally assessed capital requirement

Parent Company

- 45 Consolidated income statement
- 46 Consolidated statement of comprehensive income
- 47 Consolidated balance sheet
- 48 **Note 13** Lending to credit institutions
- 48 **Note 14** Capital adequacy, own funds and capital requirements – Parent Company

Condensed income statement

SEK million	GROUP					
	2023	2022	2022	2023	2022	2022
	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
Interest income ¹⁾	5,178	3,949	1,497	5,178	1,497	9,853
Interest expense	-3,765	-2,621	-413	-3,765	-413	-5,198
Net interest income	1,413	1,328	1,084	1,413	1,084	4,655
Commission income	15	14	33	15	33	91
Commission expense	-22	-21	-20	-22	-20	-79
Net result of financial transactions (Note 3)	2	-79	-49	2	-49	-35
Other operating income	13	12	13	13	13	49
Total operating income	1,421	1,254	1,061	1,421	1,061	4,681
Personnel costs	-211	-208	-201	-211	-201	-823
Other expenses	-148	-156	-122	-148	-122	-530
Depreciation, amortisation and impairment of PPE and intangible assets	-35	-73	-35	-35	-35	-176
Total expenses before credit losses and imposed fees	-394	-437	-358	-394	-358	-1,529
Profit before credit losses and imposed fees	1,027	817	703	1,027	703	3,152
Net credit losses (Note 4) ²⁾	-33	-19	-17	-33	-17	-68
Imposed fees: Risk tax and resolution fee ³⁾	-141	-112	-113	-141	-113	-445
Operating profit	853	686	573	853	573	2,639
Tax	-179	-147	-121	-179	-121	-558
Net profit for the year/period	674	539	452	674	452	2,081

¹⁾In Q1 2023 interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 3,967 million and for the corresponding period the previous year to SEK 1,618 million for the Group.

²⁾Including impairment and reversals of impairment of financial assets.

³⁾The risk tax for the first quarter amounts to 0.06 percent of the company's liabilities in 2023 at SEK 89 million, compared to 0.05 percent in 2022 at SEK 65 million for the corresponding period.

Condensed statement of comprehensive income

SEK million	GROUP					
	2023 Q1	2022 Q4	2022 Q1	2023 Jan-Mar	2022 Jan-Mar	2022 Jan-Dec
Net profit for the period	674	539	452	674	452	2,081
Other comprehensive income						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	-73	150	-88	-73	-88	-133
Changes related to cash-flow hedges, before tax	644	-671	-2,700	644	-2,700	-9,505
Tax attributable to components that will be reclassified to profit or loss	-118	108	574	-118	574	-1,986
<i>Components that will not be reclassified to profit or loss</i>						
Revaluation effects of defined-benefit pension plans, before tax	-3	21	54	-3	54	119
Tax attributable to components that will not be reclassified to profit or loss	1	-5	-11	1	-11	-25
Other comprehensive income/loss, net of tax	451	-397	-2,171	451	-2,171	-7,558
Total comprehensive income/loss for the period	1,125	142	-1,719	1,125	-1,719	-5,477

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 2022 Annual Report, [Note G 1](#). See also the Financial development section for comments on the outcome of the period.

Condensed balance sheet

SEK million	GROUP		
	31 Mar 2023	31 Dec 2022	31 mar 2022
ASSETS			
Cash and balances at central banks	632	3,534	2,500
Chargeable treasury bills, etc.	52,222	29,886	25,511
Lending to credit institutions	19,312	20,091	8,100
Lending to the public (Note 5)	512,515	509,492	478,658
Value changes of interest-rate-risk hedged items in macro hedges	-4,094	-4,944	-2,689
Bonds and other interest-bearing securities	60,709	57,490	50,469
Derivatives (Note 6)	16,093	15,943	7,309
Shares and participation in associated companies and joint ventures	5	3	-
Deferred tax assets	1,547	1,664	322
Intangible assets	450	438	468
Property, plant and equipment	262	249	268
Other assets	864	110	632
Prepaid expenses and accrued income	641	529	452
TOTAL ASSETS	661,158	634,485	572,000
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	9,508	8,237	14,011
Deposits from the public	188,508	182,443	146,976
Issued debt securities, etc.	411,396	393,885	372,634
Derivatives (Note 6)	22,520	24,934	9,449
Other liabilities	2,205	781	980
Accrued expenses and deferred income	4,017	2,228	2,640
Deferred tax liabilities	-	-	56
Provisions	35	31	95
Subordinated debt	1,998	1,997	1,997
Total liabilities	640,187	614,536	548,838
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	-6,188	-6,639	-1,252
Additional Tier 1 instruments	5,800	5,800	4,300
Retained earnings	18,727	16,749	17,704
Net profit for the period	674	2,081	452
Total equity	20,971	19,949	23,162
TOTAL LIABILITIES AND EQUITY	661,158	634,485	572,000

Condensed statement of changes in equity

SEK million	GROUP				
	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year ¹⁾	Total equity
Opening balance, 1 January 2023	1,958	-6,639	5,800	18,830	19,949
Additional Tier 1 instruments	-	-	-	-	-
Additional Tier 1 instruments, dividend	-	-	-	-103	-103
Dividend paid	-	-	-	-	-
Other comprehensive income, net of tax	-	451	-	-	451
Net profit for the period	-	-	-	674	674
Comprehensive income for the period	-	451	-	674	1,125
Closing balance, 31 March 2023	1,958	-6,188	-5,800	19,401	20,971
Opening balance, 1 January 2022	1,958	919	4,300	17,768	24,945
Additional Tier 1 instruments	-	-	-	-	-
Additional Tier 1 instruments, dividend	-	-	-	-64	-64
Dividend paid	-	-	-	-	-
Other comprehensive income, net of tax	-	-2,171	-	-	-2,171
Net profit for the period	-	-	-	452	452
Comprehensive income for the period	-	-2,171	-	452	-1,719
Closing balance, 31 March 2022	1,958	-1,252	4,300	18,156	23,162
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	-	-	-	-187	-187
Dividend paid	-	-	-	-832	-832
Other comprehensive income, net of tax	-	-7,558	-	-	-7,558
Net profit for the year	-	-	-	2,081	2,081
Comprehensive income for the year	-	-7,558	-	2,081	-5,477
Closing balance, 31 December 2022	1,958	-6,639	5,800	18,830	19,949

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

Condensed cash-flow statement

SEK million	GROUP		
	2023	2022	2022
	Jan-Mar	Jan-Dec	Jan-Mar
Opening cash and cash equivalents	23,625	10,742	10,742
OPERATING ACTIVITIES			
Interest and commissions paid/received	3,055	4,893	1,786
Outflows to suppliers and employees	-359	-1,797	-437
Taxes paid/refunded	-210	-838	-207
Change in assets and liabilities of operating activities	-6,118	10,067	-1,243
Cash flow from operating activities	-3,632	12,325	-101
INVESTING ACTIVITIES			
Change in property, plant and equipment	-4	-12	-4
Change in intangible assets	-32	-57	-27
Acquisition of subsidiaries, participation in associated companies and joint ventures	-2	-3	-
Cash flow from investing activities	-38	-72	-31
FINANCING ACTIVITIES			
Dividend paid	-	-832	-
Change in Tier 1 capital instrument	-	1,500	-
Change in subordinated loan	-	-	-
Repayment of lease liabilities	-11	-38	-10
Cash flow from financing activities	-11	630	-10
Increase/decrease in cash and cash equivalents	-3,681	12,883	-142
Closing cash and cash equivalents	19,944	23,625	10,600

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

Change in liabilities attributable to financing activities

SEK million	GROUP											
	Opening balance 1 Jan 2023	Cash flow	Non-cash items			Closing balance 31 Mar 2023	Opening balance 1 Jan 2022	Cash flow	Non-cash items			Closing balance 31 Dec 2022
			Fair value	Other					Fair value	Other		
Subordinated debt	1,997	-	-	1	1,998	1,996	-	-	1	1,997		
Lease liabilities	192	-11	-	23	204	208	-10	-	5	203		
Additional Tier 1 instruments	5,800	-	-	-	5,800	4,300	-	-	-	4,300		
Total	7,989	-11	-	24	8,002	6,504	-10	-	6	6,500		

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 2023

Amendments to IAS 1 Design of financial reports (information on accounting principles)

As of January 2023, the requirement in IAS 1 for disclosure of significant accounting principles is changed and replaced with a requirement for disclosure of material information about accounting principles.

The changes are to be applied for fiscal years beginning on or after January 1, 2023. The EU has approved the changes. SBAB's assessment is that this change will not have any significant effect on the financial reports.

The financial statements in summary are drawn up based on an assumption about the company's survival. The financial reports in summary was approved by the board for publication on 27 April 2023.

Note 2 Changes in risks

Credit risk in lending operations

No increase in realised credit risk was noted in lending operations during the first quarter of 2023. Despite the prevailing circumstances with high levels of inflation leading to rising interest rates, there has only been a minor increase in tendency of delayed payments, primarily within SBAB's business area Retail.

The forward-looking information in the impairment model has been revised during March, as a consequence of the negative economic development. The revision of the macroeconomic outlook projects milder price drops in the housing market due to the confirmed price drops during 2022 compared to previous forecasts. Furthermore, negative rating grade migrations were observed in the business area Retail as a result of increased interest costs for private individuals. Negative rating grade migrations were also observed for a handful customers in the business area Corporate clients & Tenant-owners' associations. With the purpose of taking future expected rating grade migrations into account within both business areas, a management overlay of SEK 20 million has been added on top of the total credit loss provisions. Overall, this has resulted in increased credit loss provisions during the quarter. Total credit loss allowances amount to SEK 247 million per 31 of March 2023, compared to SEK 214 million per 31 of December 2022.

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

Counterparty credit risk in treasury operations

SBAB models counterparty credit risk according to CRR II Standardised Approach (SA-CCR). Total usage of SBAB's limits to transactional counterparties increased to SEK 5,471 million as of March 31, 2023 compared to SEK 5,063 million as of December 31, 2022. The change is explained by increase in covered bonds.

Liquidity risk

SBAB's liquidity positions remained strong during the first quarter of 2023. LCR by end of the first quarter of 2023 decreased slightly in comparison with LCR level for the turn of 2022. The survival horizon increased in comparison with the turn of 2022 because of an increase in deposits, bond maturities and issuance covered bonds. The over collateralization level (OC-level) increased in comparison with the turn of 2022. The deposit-to-loan ratio increased during the first quarter of 2023 as the deposit growth rate was good. NSFR has increased slightly in comparison with the turn of 2022. 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 March 31st 2023, SBAB's VaR amounted to SEK 892 million, compared to SEK 793 million at 31 December 2022. 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.

Business risk

Financial markets have 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 last quarter 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 2022 Annual Report.

Concentration risk

The lending to the ten largest customer groups accounted for 7 percent of total lending volume, which is unchanged compared to 31 December 2022. SBAB has a limited lending on commercial property which amounted to 2 percent of lending to the public as of 31 March 2023, which is unchanged compared to 31 December 2022. 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

SEK million	GROUP					
	2023	2022	2022	2023	2022	2022
	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
Gains/losses on interest-bearing financial instruments						
- Change in value of hedged items in hedge accounting	-740	-116	3,934	-740	3,934	8,823
- Derivatives in hedge accounting	721	102	-3,996	721	-3,996	-8,842
- Other derivatives	-8	-75	33	-8	33	-12
- Interest-bearing securities, Fair Value Option	-1	-7	-13	-1	-13	-41
- Interest-bearing securities at fair value through other comprehensive income	0	0	2	0	2	2
- Interest-bearing securities at amortised cost	-	0	0	-	0	0
- Realised gain/loss from financial liabilities at amortised cost	29	14	-13	29	-13	11
- Loan receivables at amortised cost	0	4	5	0	5	26
Currency translation effects	1	-1	-1	1	-1	-2
Total	2	-79	-49	2	-49	-35

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

SEK million	GROUP					
	2023	2022	2022	2023	2022	2022
	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
Lending to the public						
Confirmed credit losses	-2	-3	-2	-2	-2	-7
Recoveries of previously confirmed credit losses	1	1	1	1	1	4
Change in provision for the period – credit stage 1	-12	2	-9	-12	-9	-17
Change in provision for the period – credit stage 2	-16	-18	-1	-16	-1	-27
Change in provision for the period – credit stage 3	-1	-3	1	-1	1	-1
Guarantees ¹⁾	0	0	0	0	0	0
Net credit losses for the period – lending to the public	-30	-21	-10	-30	-10	-48
Loan commitments²⁾						
Change in provision for the period – credit stage 1	-4	7	-7	-4	-7	-13
Change in provision for the period – credit stage 2	1	-5	0	1	0	-7
Change in provision for the period – credit stage 3	-	-	0	-	0	-
Net credit losses for the period – loan commitments	-3	2	-7	-3	-7	-20
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	-33	-19	-17	-33	-17	-68

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 first quarter of 2023 total credit loss provisions increased by SEK 33 million (increased by 17). Loss provisions for loans allocated to credit stage 1 increased by SEK 12 million (decreased by 2) and increased by SEK 16 million (increased by 18) for loans allocated to stage 2. Loss provisions for loans allocated to credit stage 3 increased by SEK 1 million (increased by 1). The changes in loss provisions subject to loans in credit stage 1 and 2 are primarily attributed to negative rating grade migrations for private individuals driven by higher interest costs as well as a management overlay of the total loss provisions. The management overlay aims to cover future expected rating grade migrations over the following quarters within both business areas, because of the negative economic outlook.

The change in loss provisions subject to loans in credit stage 3 was driven by a limited net inflow of exposures. Loss provisions for off-balance items consisting of loan commitments and building credits increased by SEK 4 million (decreased by 2) due to increased exposure towards loan commitments and a few negative rating grade migrations for property developers having building credits. 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

Factors	Scenario 1 (40%)			Scenario 2 (20%)			Scenario 3 (20%)			Scenario 4 (20%)		
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP ¹⁾ , Δ	-0.3%	+2.2%	+3.4%	+0.8%	+3.8%	+4.2%	-9.1%	+5.8%	+4.2%	-5.3%	-2.1%	+3.4%
Repo rate	3.3%	2.2%	2.2%	3.1%	2.3%	2.4%	3.6%	2.6%	2.6%	4.3%	3.4%	3.2%
Unemployment	8.1%	8.1%	7.8%	7.8%	7.1%	6.6%	11.1%	10.9%	9.9%	8.7%	10.2%	10.6%
House prices, Δ	-6.6%	+2.8%	+3.7%	-2.8%	+0.2%	+3.3%	-13.1%	-4.9%	+1.2%	-15.9%	-14.2%	-8.2%
Prices of tenant-owners' rights, Δ	-5.8%	+5.0%	+5.9%	-1.6%	+1.7%	+5.3%	-12.6%	-3.8%	+2.6%	-16.3%	-14.0%	-4.3%
Property prices, Δ	+2.0%	-0.0%	-0.9%	+4.3%	+0.5%	-3.2%	-2.4%	-8.1%	-6.8%	-5.0%	-15.5%	-14.9%
ECL	SEK 191 million			SEK 181 million			SEK 247 million			SEK 423 million		
Weighted ECL²⁾	SEK 247 million											

1) Not included in the ECL calculation

2) Of which, SEK 212 million was attributable to lending to the public and SEK 35 million to off-balance-sheet items linked to loan commitments and building credits

Impairment model and credit loss provisions

During the first quarter SBAB has continuously evaluated the macroeconomic outlook due to the high inflation leading to rising interest rates. During the quarter the forward-looking information has been revised correspondingly with updated macroeconomic forecasts. The forward-looking information is applied in the impairment model and thus used to calculate expected credit losses (ECL). The updated macroeconomic forecasts are based on a negative outlook on the economy in general, with slightly milder price drops in the Swedish housing market compared to previous forecasts. Furthermore, a somewhat positive scenario has been included to reflect a faster than expected decrease in inflation-rate and thus a stabilisation of interest rates and prices on housing market. Although the Swedish economy in particular is expected to experience limited direct impacts from the war in Ukraine it is sensitive to rising interest rates and the uncertainty in the global economy. Given the expected recession the scenarios take into account increasing interest rates, rising unemployment and an overall cooling of the Swedish housing market with falling housing and real estate prices the forthcoming years.

The revision of the forward-looking information during the first quarter, negative rating grade migrations in particular within the Retail business area, as well as a management overlay of loss provisions for loans in stage 1 and 2 have all together resulted in an increase in credit loss provisions during the quarter. The updated macroeconomic forecasts during the quarter led to a decrease of

SEK 6 million. The management overlay which aims to cover future expected rating grade migrations during the following quarter amounted to an increase of SEK 20 million. Furthermore rating grade migrations mainly within the business area Retail but also some negative rating grade migrations within Corporate clients & tenant-owners' associations business area led to a further increase of SEK 19 million. As per 31 of March credit loss provisions amount to SEK 247 million, compared to SEK 214 million per 31 of December 2022.

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 behaviour along with market values of collateral, show still no sign of significant deterioration in credit risk despite the 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, totalling SEK 247 million as per 31 of March 2023.

Note 4 Net credit losses, Cont.

Overall credit quality

The credit quality of SBAB's lending portfolio remains good and the risks entailed in the lending to private individuals within the business area Retail are low despite the prevailing circumstances. The granting of loans is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their obligations. The Swedish FSA's annual mortgage market survey, based on data from 2022, found that overall, new residential mortgage customers continue to have healthy margins to manage repayment of their mortgages despite the worsened economic climate. At the end of the first quarter 2023, the average loan-to-value (LTV) ratio³⁾ in the mortgage portfolio was 59% (59), 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, 69% (71) and the debt-to-income ratio was 3.6 (3.7).

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 33% (33) respectively. In the business area Corporate Clients & Tenant-Owners' Associations, the granting of loans is based on

an assessment of customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the economic development with high inflation resulting in rising interest rates, the bank has and is working proactively to identify customers who are or could become particularly financially affected. The bank has increased the frequency of follow-up of customers which are more dependent on market funding as well as 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 rating grades by expert judgement. During the quarter only a few manual adjustments of the rating grades have been made leading to negative migrations. 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		
	31 Mar 2023	31 Dec 2022	31 mar 2022
Opening balance, per year	509,492	467,041	467,041
New lending for the period	15,872	105,404	26,697
Amortisation, repayments	-12,818	-62,901	-15,069
Confirmed credit losses	-2	-7	-2
Change in provision for expected credit losses ¹⁾	-29	-45	-9
Closing balance, per year/period	512,515	509,492	478,658

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		
	31 Mar 2023	31 Dec 2022	31 mar 2022
Lending, Residential mortgages	350,161	348,980	340,435
Lending, Corporate Clients & Tenant-Owners' Associations	160,305	158,362	135,927
Lending, Consumer loans	2,049	2,150	2,296
Total	512,515	509,492	478,658

Geographical composition

	GROUP			
	Lending, Residential mortgages %		Lending, Corporate Clients & Tenant-Owners' Associations %	
	2023	2022	2023	2022
	Q1	Q1	Q1	Q1
Stockholm area	62.5	62.9	49.4	49.2
Öresund region	10.1	10.1	18.3	18.3
University cities and growth regions	10.6	10.5	16.7	16.9
Gothenburg area	10.7	10.7	8.8	8.6
Other regions	6.1	6.1	6.9	7.0

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	GROUP		
	31 Mar 2023	31 Dec 2022	31 mar 2022
Credit stage 1			
Gross lending	478,178	478,737	458,765
Provision	-73	-62	-54
Total	478,105	478,675	458,711
Credit stage 2			
Gross lending	34,126	30,567	19,825
Provision	-106	-90	-63
Total	34,020	30,477	19,762
Credit stage 3			
Gross lending	423	371	215
Provision	-33	-31	-30
Total	390	340	185
Total gross lending	512,727	509,675	478,805
Total provisions	-212	-183	-147
Total	512,515	509,492	478,658

Lending to the public and provisions

SEK million	GROUP							
	Credit stage 1		Credit stage 2		Credit stage 3		Capital	
Capital	Capital	Provision	Capital	Provision	Capital	Provision	Capital	Provision
Opening balance, 1 January 2023	478,737	-62	30,567	-90	371	-31	509,675	-183
Moved to credit stage 1	4,092	-8	-4,078	7	-14	1	0	0
Moved to credit stage 2	-8,447	4	8,485	-5	-38	1	0	0
Moved to credit stage 3	-18	0	-122	3	140	-3	0	0
Volume change*	4,683	-5	-477	1	-32	2	4,174	-2
Revaluation**	-869	-2	-249	-22	-2	-4	-1,120	-28
Confirmed credit losses	-	-	-	-	-2	1	-2	1
Closing balance, 31 December 2022	478,178	-73	34,126	-106	423	-33	512,727	-212

*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							
	Credit stage 1		Credit stage 2		Credit stage 3		Capital	
Capital	Capital	Provision	Capital	Provision	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	12,268	-29	-12,232	27	-36	2	0	0
Moved to credit stage 2	-15,228	3	15,259	-5	-31	2	0	0
Moved to credit stage 3	-90	0	-198	3	288	-3	0	0
Volume change*	35,940	-22	6,990	-21	-67	2	42,863	-41
Revaluation**	-417	31	64	-32	-7	-7	-360	-8
Confirmed credit losses	-	-	-	-	-7	4	-7	4
Closing balance, 31 December 2022	478,737	-62	30,567	-90	371	-31	509,675	-183

*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

SEK million	GROUP					
	31 Mar 2023			31 Dec 2022		
	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	6,835	22,423	520,457	7,815	24,810	519,705
Currency-related	9,258	97	88,255	8,128	124	86,643
Total	16,093	22,520	608,712	15,943	24,934	606,348

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

Note 7 Operating segments

SEK million	GROUP					
	Jan-Mar 2023					
	Follow-up of operations			Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing ¹⁾	Statutory profit
Net interest income	898	515	1,413	-	-	1,413
Commission income	15	0	15	-	-	15
Commission expense	-16	-6	-22	-	-	-22
Net result of financial transactions	1	1	2	-	-	2
Other operating income	13	0	13	-	-	13
Total operating income	911	510	1,421	-	-	1,421
Salaries and remuneration	-96	-37	-133	-	-	-133
Other personnel costs	-62	-27	-89	11	-	-78
Other expenses	-112	-35	-147	-11	10	-148
Depreciation, amortisation and impairment of PPE and intangible assets	-15	-10	-25	-	-10	-35
Net credit losses	-17	-16	-33	-	-	-33
Imposed fees: Risk tax and resolution fee	-92	-49	-141	-	-	-141
Operating profit	517	336	853	0	0	853
Tax	-108	-71	-179	-	-	-179
Profit after standardised tax	409	265	674	0	0	674
Return on equity, %	11.9	16.5	13.3	-	-	13.3

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

Note 7 Operating segments, Cont.

SEK million	GROUP					
	Jan-Mar 2022					
	Follow-up of operations			Reconciliation against the statutory income statement		
	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing	Statutory profit
Net interest income	819	265	1,084	-	-	1,084
Commission income	15	18	33	-	-	33
Commission expense	-16	-4	-20	-	-	-20
Net result of financial transactions	-42	-7	-49	-	-	-49
Other operating income	-12	-1	-13	-	-	-13
Total operating income	788	273	1,061	-	-	1,061
Salaries and remuneration	-100	-25	-125	-	-	-125
Other personnel costs	-63	-18	-81	5	-	-76
Other expenses	-106	-21	-127	-5	10	-122
Depreciation, amortisation and impairment of PPE and intangible assets	-19	-6	-25	-	-10	-35
Net credit loss	-13	-4	-17	-	-	-17
Imposed fees: Risk tax and resolution fee	-91	-22	-113	-	-	-113
Operating profit	396	177	573	0	0	573
Tax	-84	-37	-121	-	-	-121
Profit after standardised tax	312	140	452	0	0	452
Return on equity, %	9.0	10.8	9.5	-	-	9.5

All expenses 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 11 million (5) was transferred between the rows "Other expenses" and "Other personnel costs."

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 2022 Annual Report.

Note 8 Classification of financial instruments

Financial assets

	GROUP						
	31 March 2023						
SEK million	Financial assets measured at FVTPL			Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification				
Cash and balances at central banks	-	-	-	-	632	632	632
Chargeable treasury bills, etc.	446	-	-	49,752	2,025	52,222	52,221
Lending to credit institutions	-	-	-	-	19,312	19,312	19,312
Lending to the public	-	-	-	-	512,515	512,515	503,789
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	-4,094	-4,094	-
Bonds and other interest-bearing securities	225	-	-	40,128	20,356	60,709	60,726
Derivatives	-	15,699	394	-	-	16,093	16,093
Other assets	-	-	-	-	843	843	843
Prepaid expenses and accrued income	8	-	-	133	431	572	572
Total financial assets	678	15,699	394	90,013	552,020	658,805	654,188

Financial liabilities

	GROUP				
	31 March 2023				
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	-	-	9,508	9,508	9,508
Deposits from the public	-	-	188,508	188,508	188,508
Issued debt securities, etc.	-	-	411,396	411,396	397,722
Derivatives	22,140	380	-	22,520	22,520
Other liabilities	-	-	2,220	2,220	2,220
Accrued expenses and deferred income	-	-	3,913	3,913	3,913
Subordinated debt	-	-	1,998	1,998	1,957
Total financial liabilities	22,140	380	617,543	640,063	626,348

Note 8 Classification of financial instruments, Cont.

Financial assets

GROUP							
31 Dec 2022							
SEK million	Financial assets measured at FVTPL			Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification				
Cash and balances at central banks	-	-	-	-	3,534	3,534	3,534
Chargeable treasury bills, etc.	441	-	-	26,886	2,559	29,886	29,885
Lending to credit institutions	-	-	-	-	20,091	20,091	20,091
Lending to the public	-	-	-	-	509,492	509,492	499,092
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	-4,944	-4,944	-
Bonds and other interest-bearing securities	221	-	-	35,070	22,199	57,490	57,529
Derivatives	-	15,523	420	-	-	15,943	15,943
Other assets	-	-	-	-	109	109	109
Prepaid expenses and accrued income	8	-	-	133	336	477	477
Total financial assets	670	15,523	420	62,089	553,376	632,078	626,660

Financial liabilities

GROUP					
31 Dec 2022					
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives in hedge accounting	Held for trading			
Liabilities to credit institutions	-	-	8,237	8,237	8,237
Deposits from the public	-	-	182,443	182,443	182,443
Issued debt securities, etc.	-	-	393,885	393,885	380,056
Derivatives	24,512	422	-	24,934	24,934
Other liabilities	-	-	983	983	983
Accrued expenses and deferred income	-	-	2,175	2,175	2,175
Subordinated debt	-	-	1,997	1,997	1,952
Total financial liabilities	24,512	422	589,720	614,654	600,780

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 2022 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

SEK million	GROUP							
	31 Mar 2023				31 Dec 2022			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	1,220	48,977	–	50,197	1,202	26,125	–	27,327
Bonds and other interest-bearing securities	40,353	–	–	40,353	35,921	–	–	35,921
Derivatives	–	16,093	–	16,093	–	15,943	–	15,943
Prepaid expenses and accrued income	141	–	–	141	141	–	–	141
Total	41,714	65,070	–	106,784	36,634	42,068	–	78,702
Liabilities								
Derivatives	–	22,520	–	22,520	–	24,934	–	24,934
Total	–	22,520	–	22,520	–	24,934	–	24,934

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 2022 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 2022 or 2023.

Quoted market prices (Level 1)

Measurement at quoted prices in an active market for identical assets and liabilities. A market is deemed to be active if the price data is easily accessible and corresponds to actual regularly occurring transactions. 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 362 days at 31 March 2023 (347 days at 31 December 2022).

Regulatory measures

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 31 March 2023, the LCR was 243% (250% as of 31 December 2022) in all currencies at the consolidated level, and 705% (7,045%) in EUR while being N/A (1,335%) in USD as there were no contracted cash flows within 30 days. Measured in SEK, the LCR was 190% (192%).

The net stable funding ratio (NSFR), amounted to 131.6% (127.9%) according to of Regulation (EU)2019/876 of the European Parliament and the Council.

SEK billion		CONSOLIDATED SITUATION									
		31 Mar 2023					31 Dec 2022				
		Total	Distribution by currency				Total	Distribution by currency			
SEK	EUR		USD	Other	SEK	EUR		USD	Other		
	Level 1 assets	105.6	88.1	16.0	1.5	-	84.4	66.4	15.9	2.1	-
	Cash and balances with central banks ¹⁾	1.7	1.7	-	-	-	4.7	4.7	-	-	-
Level 1	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	55.8	50.4	5.4	-	-	33.7	27.9	5.2	0.6	-
	Securities issued by municipalities and public sector entities	10.8	3.5	5.8	1.5	-	11.5	4.0	6.0	1.5	-
	Extremely high quality covered bonds	37.3	32.5	4.8	-	-	34.5	29.8	4.7	-	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Level 2 assets	3.3	3.0	0.3	-	-	3.5	3.2	0.3	-	-
	Level 2A assets	3.3	3.0	0.3	-	-	3.5	3.2	0.3	-	-
	Securities issued or guaranteed by sovereigns, central banks, municipalities and public sector entities	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	3.3	3.0	0.3	-	-	3.5	3.2	0.3	-	-
Level 2	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	108.9	91.1	16.3	1.5	-	87.9	69.6	16.2	2.1	-

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 rate 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 rate will increase to 2% with application from 22 June 2023. The Government of Denmark and Bank of Norway respectively has decided to increase the countercyclical buffer rates from 2% to 2.5% with application from 31 March 2023.

Capital adequacy

SEK million	CONSOLIDATED SITUATION				
	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	19,734	19,689	19,311	19,076	18,920
Tier 1 capital	25,534	25,489	25,111	24,876	23,220
Total capital	27,529	27,484	27,106	26,871	25,215
Risk-weighted exposure amounts					
Total risk exposure amount	158,738	154,151	151,178	150,145	144,217
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	12.4	12.8	12.8	12.7	13.1
Tier 1 ratio (%)	16.1	16.5	16.6	16.6	16.1
Total capital ratio (%)	17.3	17.8	17.9	17.9	17.5
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	1.0	1.0	0.0	0.0
Systemic risk buffer (%)	-	-	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-	-	-
Other Systemically Important Institution buffer (%)	-	-	-	-	-
Combined buffer requirement (%)	3.5	3.5	3.5	2.5	2.5
Overall capital requirements (%)	14.9	14.9	14.9	13.9	13.9
CET1 available after meeting the total SREP own funds requirements (%)	5.7	6.1	6.1	6.0	6.4

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

SEK million	CONSOLIDATED SITUATION				
	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
Leverage ratio					
Total exposure measure	645,980	618,926	609,015	601,402	584,238
Leverage ratio (%)	4.0	4.1	4.1	4.1	4.0
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)	86,003	81,220	80,669	82,714	82,388
Cash outflows - Total weighted value	46,718	45,867	46,361	45,755	43,867
Cash inflows - Total weighted value	9,651	8,783	9,476	8,983	9,197
Total net cash outflows (adjusted value)	37,067	37,084	36,886	36,772	34,670
Liquidity coverage ratio (%)	232.0	219.0	218.7	224.9	237.6
Net Stable Funding Ratio					
Total available stable funding	541,352	521,568	529,834	512,667	493,513
Total required stable funding	411,477	407,665	399,767	393,909	384,083
NSFR ratio (%)	131.6	127.9	132.5	130.1	128.5

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

SEK million	CONSOLIDATED SITUATION		
	31 Mar 2023	31 Dec 2022	31 mar 2022
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	17,892	16,713	16,860
Accumulated other comprehensive income (and other reserves)	-6,187	-6,639	-1,252
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	412	1,282	279
Common Equity Tier 1 (CET1) capital before regulatory adjustments	14,074	13,314	17,845
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	-133	-101	-68
Intangible assets (net of related tax liability) (negative amount)	-171	-137	-93
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	6,168	6,680	1,277
Negative amounts resulting from the calculation of expected loss amounts	-160	-19	-25
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-45	-48	-16
Other regulatory adjustments ²⁾	-	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	5,659	6,375	1,075
Common Equity Tier 1 (CET1) capital	19,734	19,689	18,920
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	5,800	5,800	4,300
– of which, classified as equity under applicable accounting standards	5,800	5,800	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	5,800	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	5,800	4,300
Tier 1 capital (T1=CET1+AT1)	25,534	25,489	23,220
Tier 2 (T2) capital: instruments			
Capital instruments and the related share premium accounts	1,995	1,995	1,995
Credit risk adjustments	-	-	-
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)	27,529	27,484	25,215
Total risk-exposure amount	158,738	154,151	144,217

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

SEK million	CONSOLIDATED SITUATION		
	31 Mar 2023	31 Dec 2022	31 mar 2022
Capital ratios and requirements including buffers %			
Common Equity Tier 1 capital	12.4	12.8	13.1
Tier 1 capital	16.1	16.5	16.1
Total capital	17.3	17.8	17.5
Institution-CET1 overall capital requirements	10.2	10.2	9.2
– of which, capital conservation buffer requirement	2.5	2.5	2.5
– of which, countercyclical buffer requirement	1.0	1.0	0.0
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage	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	5.7	6.1	6.4

1) Net profit for the period was reduced by the expected dividend of SEK 270 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 generates deduction of NPL backstop since entry into force.

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

Risk exposure amounts and capital requirements

SEK million	CONSOLIDATED SITUATION					
	31 Mar 2023		31 Dec 2022		31 Mar 2022	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	32,236	2,579	30,158	2,413	21,426	1,715
Retail exposures	22,593	1,807	14,877	1,190	13,144	1,051
– of which, exposures to SMEs	1,100	88	1,066	85	1,079	86
– of which, retail exposures secured by immovable property	21,494	1,720	13,811	1,105	12,065	965
Total exposures recognised with the IRB approach	54,830	4,386	45,035	3,603	34,570	2,766
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	7	1
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⁾	5,078	406	4,747	380	4,603	368
– of which, derivatives according to CRR, Appendix 2	5,073	406	4,734	379	4,515	361
– of which, repos	5	0	13	1	88	7
– of which, other	0	0	0	0	0	0
Retail exposures	2,001	160	2,112	169	2,678	214
Exposures in default	8	1	6	0	5	0
Exposures in the form of covered bonds	4,496	360	4,061	325	3,207	257
Exposures to institutions and corporates with a short-term credit rating	384	31	7	1	147	12
Equity exposures	156	13	154	12	150	12
Other items	520	42	525	42	619	49
Total exposures recognised with standardised approach	12,642	1,011	11,612	929	11,416	913
Market risk	369	30	390	31	310	25
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	369	30	390	31	310	25
Operational risk	6,669	534	6,035	483	6,035	483
– of which, standardised approach	6,669	534	6,035	483	6,035	483
Credit valuation adjustment risk (CVA risk)	1,397	112	1,429	114	1,645	132
Additional requirements under Article 458 of the CRR	82,830	6,626	89,650	7,172	90,241	7,218
Total risk exposure amount and minimum capital requirements	158,738	12,699	154,151	12,332	144,217	11,537
Capital requirements for capital conservation buffer		3,968		3,854		3,606
Capital requirements for countercyclical buffer		1,620		1,564		16
Total capital requirements		18,288		17,750		15,159

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 5,078 million (4,747).

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 21,156 million (SEK 20,764 million at 31 December 2022). 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 adaptation 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 assumptions and methodologies. SBAB estimates that the Swedish FSA's expected total capital requirement as of 31 March 2023 amounted to SEK 23,606 million, of which SEK 5,318 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			
		31 Mar 2023		31 Dec 2022	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		SEK million	%	SEK million	%
	Credit risk & CVA risk	5,509	3.5	4,646	3.0
	Market risk	30	0.0	31	0.0
Pillar 1	Operational risk	534	0.3	483	0.3
	Risk-weight floor ¹⁾	6,626	4.2	7,172	4.7
	Total Pillar 1	12,699	8.0	12,332	8.0
	Credit risk	1,433	0.9	1,279	0.9
	Market risk	1,435	0.9	1,735	1.1
Pillar 2	Operational risk	-	-	-	-
	Pension risk	0	0.0	0	0.0
	Total Pillar 2	2,868	1.8	3,014	2.0
	Capital conservation buffer	3,968	2.5	3,854	2.5
Buffers	Countercyclical buffer	1,620	1.0	1,564	1.0
	Total Buffers	5,589	3.5	5,418	3.5
	Total	21,156	13.3	20,764	13.5
	Total own funds	27,529		27,484	

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

Parent Company

Trend for January–March 2023 compared with January–March 2022

Profit before credit losses and imposed fees was higher compared to last year and amounted to SEK 399 million (137). Net interest income increased during the period and amounted to SEK 417 million (139), due to increased deposit margin and increased deposit volume, lending volumes and a larger share of deposits in the funding mix. Net commission income decreased and amounted to SEK 9 million (23) mainly due to fees linked to corporate lending are reported in net interest income and is spread out over the duration of the loan as of the third quarter 2022. The net result of financial transactions amounted to an income of SEK 14 million (9). The difference was mainly attributable to revaluation of credit risk in derivative instruments. Other operating income increased to SEK 347 million (313) and

mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses increased to SEK 388 million (347), mainly due to higher costs for staff and staff consultants together with higher activity and costs for marketing. Credit losses amounted to SEK 9 million (11). Fees imposed amounted to SEK 46 million (36). Lending to the public increased and totalled SEK 25.7 billion (28.0). Deposits from the public totalled SEK 188.5 billion (147.0). The CET1 capital ratio amounted to 22.3% (25.5%) and the total capital ratio was 40.7% (41.4%). The internally assessed capital requirement was SEK 7,306 million (6,007).

Consolidated income statement

SEK million	PARENT COMPANY					
	2023 Q1	2022 Q4	2022 Q1	2023 Jan–Mar	2022 Jan–Mar	2022 Jan–Dec
Interest income	2,016	1,473	381	2,016	381	3,185
Interest expense	-1,599	-1,118	-242	-1,599	-242	-2,315
Net interest income	417	355	139	417	139	870
Commission income	21	18	33	21	33	96
Commission expense	-12	-13	-10	-12	-10	-44
Net result of financial transactions	14	-21	9	14	9	57
Other operating income	347	378	313	347	313	1,330
Total operating income	787	717	484	787	484	2,309
Personnel costs	-217	-210	-197	-217	-197	-817
Other expenses	-164	-173	-144	-164	-144	-594
Depreciation, amortisation and impairment of PPE and intangible assets	-7	-7	-6	-7	-6	-26
Total expenses before credit losses and imposed fees	-388	-390	-347	-388	-347	-1,437
Profit/loss before credit losses and imposed fees	399	327	137	399	137	872
Net credit losses	-9	1	-11	-9	-11	-29
Imposed fees; Risk tax and resolution fee	-46	-35	-36	-46	-36	-144
Impairment of financial assets	-	-9	-	-	-	-9
Operating profit	344	284	90	344	90	690
Tax	-74	-64	-21	-74	-21	-157
Net profit for the period	270	220	69	270	69	533

Consolidated statement of comprehensive income

SEK million	PARENT COMPANY					
	2023 Q1	2022 Q4	2022 Q1	2023 Jan-Mar	2022 Jan-Mar	2022 Jan-Dec
Net profit/loss for the period	270	220	69	270	69	533
Other comprehensive income						
<i>Components that will be reclassified to profit or loss</i>						
Financial assets measured at FVTOCI	-73	150	-88	-73	-88	-133
Changes related to cash-flow hedges	37	-7	-89	37	-89	-266
Tax attributable to components that will be reclassified to profit or loss	7	-30	36	7	36	82
Other comprehensive income/loss, net of tax	-29	113	-141	-29	-141	-317
Total comprehensive income for the period	241	333	-72	241	-72	216

Consolidated balance sheet

SEK million	PARENT COMPANY		
	31 Mar 2023	31 Dec 2022	31 Mar 2022
ASSETS			
Cash and balances at central banks	632	3,534	2,500
Chargeable treasury bills, etc.	52,222	29,886	25,512
Lending to credit institutions (Note 13)	136,312	147,568	122,314
Lending to the public	25,659	25,754	27,960
Bonds and other interest-bearing securities	60,709	57,490	50,469
Derivatives	35,710	37,712	15,662
Shares and participations in associated companies and joint ventures	5	3	-
Shares and participations in Group companies	10,452	10,452	10,450
Deferred tax assets	45	38	-
Intangible assets	12	14	19
Property, plant and equipment	48	49	55
Other assets	78	107	238
Prepaid expenses and accrued income	754	684	406
TOTAL ASSETS	322,638	313,291	255,585
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	10,465	9,215	11,095
Deposits from the public	188,508	182,443	146,975
Issued debt securities, etc.	66,384	65,004	63,848
Derivatives	35,430	37,430	15,043
Other liabilities	1,890	484	723
Accrued expenses and deferred income	1,542	437	468
Deferred tax liabilities	-	-	2
Provisions	34	31	17
Subordinated debt	1,997	1,997	1,997
Total liabilities	306,250	297,041	240,168
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	-181	-152	25
Additional Tier 1 instruments	5,800	5,800	4,300
Retained earnings	8,149	7,719	8,673
Net profit for the period	270	533	69
Total unrestricted equity	14,038	13,900	13,067
Total equity	16,388	16,250	15,417
TOTAL LIABILITIES AND EQUITY	322,638	313,291	255,585

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 31 March, 2023, SEK 117,051 million relates to a receivable from the wholly owned subsidiary AB Sveriges S akerst allda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 127,506 million at the end of 2022. 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 17,000 million (17,000) comprises of internal Group debt instruments (senior non-preferred notes), issued by the subsidiary SCBC for the purpose of meeting the minimum requirement for 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 rate 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 rate will increase to 2% with application from 22 June 2023. The Government of Denmark and Bank of Norway respectively has decided to increase the countercyclical buffer rates from 2% to 2.5% with application from 31 March 2023.

Capital adequacy

SEK million	PARENT COMPANY				
	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	9,426	9,615	9,551	9,730	10,030
Tier 1 capital	15,226	15,415	15,351	15,531	14,330
Total capital	17,222	17,416	17,355	17,527	16,325
Risk-weighted exposure amounts					
Total risk exposure amount	43,341	39,963	41,541	42,487	39,389
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	22.3	24.1	23.0	22.9	25.5
Tier 1 ratio (%)	36.0	38.6	37.0	36.6	36.4
Total capital ratio (%)	40.7	43.6	41.8	41.3	41.4
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	PARENT COMPANY				
	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
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	1.0	1.0	0.0	0.0
Systemic risk buffer (%)	-	-	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-	-	-
Other Systemically Important Institution buffer (%)	-	-	-	-	-
Combined buffer requirement (%)	3.5	3.5	3.5	2.5	2.5
Overall capital requirements (%)	16.2	16.2	16.1	15.2	15.1
CET1 available after meeting the total SREP own funds requirements (%)	15.0	16.8	15.8	15.7	18.2
Leverage ratio					
Total exposure measure	167,405	143,087	147,642	169,589	144,680
Leverage ratio (%)	9.1	10.8	10.4	9.2	9.9
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 Ratio¹⁾					
Total high-quality liquid assets (HQLA) (Weighted value -average)					
Cash outflows - Total weighted value					
Cash inflows - Total weighted value					
Total net cash outflows (adjusted value)					
Liquidity coverage ratio (%)					
Net Stable Funding Ratio¹⁾					
Total available stable funding					
Total required stable funding					
NSFR ratio (%)					

¹⁾ 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

SEK million	PARENT COMPANY		
	31 Mar 2023	31 Dec 2022	31 Mar 2022
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	7,708	8,110	8,232
Accumulated other comprehensive income (and other reserves)	-181	-152	25
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	0	-299	-112
Common Equity Tier 1 (CET1) capital before regulatory adjustments	9,486	9,618	10,103
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	-172	-141	-89
Intangible assets (net of related tax liability) (negative amount)	-2	-1	-13
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	157	187	47
Negative amounts resulting from the calculation of expected loss amounts	-	-	-2
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-44	-48	-16
Other regulatory adjustments ²⁾	-	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-60	-3	-73
Common Equity Tier 1 (CET1) capital	9,426	9,615	10,030
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	5,800	5,800	4,300
– of which, classified as equity under applicable accounting standards	5,800	5,800	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	5,800	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	5,800	4,300
Tier 1 capital (T1= CET1+AT1)	15,226	15,415	14,330
Tier 2 (T2) capital: Instruments			
Capital instruments and the related share premium accounts	1,995	1,995	1,995
Credit risk adjustments	1	6	-
Tier 2 (T2) capital before regulatory adjustments	1,996	2,001	1,995
Tier 2 (T2) capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	-	-	-
Tier 2 (T2) capital	1,996	2,001	1,995
Total capital (TC= T1+T2)	17,222	17,416	16,325
Total risk-exposure amount	42,341	39,963	39,389

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

SEK million	PARENT COMPANY		
	31 Mar 2023	31 Dec 2022	31 Mar 2022
Capital ratio and requirements including buffers, %			
Common Equity Tier 1 capital	22.3	24.1	25.5
Tier 1 capital	36.0	38.6	36.4
Total capital	40.7	43.6	41.4
Institution CET1 overall capital requirements	10.8	10.7	9.7
– of which, capital conservation buffer requirement	2.5	2.5	2.5
– of which, countercyclical buffer requirement	1.0	1.0	0.0
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage	2.7	2.7	2.7
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	15.0	16.9	18.2

1) Net profit for the interim period was reduced by the expected dividend of SEK 270 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.

Risk exposure amounts and capital requirements

SEK million	PARENT COMPANY					
	31 Mar 2023		31 Dec 2022		31 Mar 2022	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	12,069	966	11,148	892	8,760	701
Retail exposures	1,438	115	699	56	1,263	101
– of which, exposures to SMEs	89	7	91	7	66	5
– of which, retail exposures secured by immovable property	1,349	108	607	49	1,197	96
Total exposures recognised with the IRB approach	13,507	1,081	11,847	948	10,023	802
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	12	1	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⁾	5,022	402	4,688	375	4,219	338
– of which, derivatives according to CRR, Appendix 2	4,952	396	4,613	369	4,205	336
– of which, repos	0	0	0	0	0	0
– of which, other	70	6	75	6	14	1
Retail exposures	2,001	160	2,112	169	2,678	214
Exposures in default	8	1	6	0	5	0
Exposures in the form of covered bonds	4,496	360	4,061	325	3,207	257
Exposures to institutions and corporates with a short-term credit rating	103	8	6	0	22	2
Equity exposures	10,456	837	10,454	836	10,450	836
Other items	150	12	136	11	153	12
Total exposures recognised with standardised approach	22,247	1,780	21,463	1,717	20,734	1,659
Market risk	83	7	84	7	65	5
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	83	7	84	7	65	5
Operational risk	3,292	363	2,982	239	2,982	239
– of which, standardised approach	3,292	363	2,982	239	2,982	239
Credit valuation adjustment risk (CVA risk)	833	67	852	68	867	69
Additional requirements under Article 458 of the CRR	2,379	190	2,736	219	4,718	377
Total risk exposure amount and minimum capital requirements	42,341	3,387	39,963	3,197	39,389	3,151
Capital requirements for capital conservation buffer		1,059		999		985
Capital requirements for countercyclical buffer		441		410		7
Total capital requirements		4,887		4,607		4,143

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,952 million (4,613).

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.

SEK million	GROUP		
	31 Mar 2023	31 Mar 2022	31 Dec 2022
Deposits from the public	188,508	146,975	182,443
Lending to the public	512,515	478,658	509,492
Deposits/lending, %	36.8	30.7	35.8

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.

SEK million	GROUP		
	2023	2022	2022
	Jan-Mar	Jan-Mar	Jan-Dec
Expenses	-394	-359	-1,529
Operating income	1,420	1,061	4,681
C/I ratio, %	27.7	33.8	32.7

C/I ratio excl. move of resolution fee

Definition: Total expenses before credit losses for the period in relation to total operating income for the period, adjusted for the move of the resolution fee from net interest income to imposed fees during 2022.

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

SEK million	GROUP		
	2023	2022	2022
	Jan-Mar	Jan-Mar	Jan-Dec
Expenses	-394	-359	-1,529
Operating income excl. move of resolution fee	1,369	1,013	4,497
C/I ratio excl. move of resolution fee, %	28.8	35.4	34.0

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.

SEK million	GROUP		
	2023	2022	2022
	Jan-Mar	Jan-Mar	Jan-Dec
Expenses	-394	-359	-1,529
Annualised expenses	-1,576	-1,436	-1,529
Aver. lending to the public	511,004	472,850	488,267
C/L ratio, %	0.31	0.30	0.31

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.

SEK million	GROUP		
	2023	2022	2022
	Jan-Mar	Jan-Mar	Jan-Dec
Operating profit after tax	674	452	2,081
<i>Annualised op. profit after tax</i>	2,696	1,808	2,081
Average equity	20,241 ¹⁾	19,087 ²⁾	19,841 ²⁾
Return on equity, %	13.3	9.5	10.5

1) Average equity has been adjusted for dividend of SEK 832 million for 2022.

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

Return on equity, excl. risk tax

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, value changes in financial assets recognised in equity, and the per 2022 implemented risk tax.

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

SEK million	GROUP		
	2023	2022	2022
	Jan-Mar	Jan-Mar	Jan-Dec
Operating profit after tax	744 ¹⁾	503 ¹⁾	2,287 ¹⁾
<i>Annualised op. profit after tax</i>	2,976	2,012	2,287
Average equity	20,276 ²⁾	19,113 ²⁾	19,943 ²⁾
Return on equity excl. risk tax, %¹⁾²⁾	14.7	10.5	11.5

1) The risk tax amounted to SEK 261 million for Jan-Dec 2022, SEK 65 million for Jan-Mar 2022 and SEK 89 million for Jan-Mar 2023.

2) Average equity has been adjusted for dividend of SEK 832 million for 2021 and SEK 832 million for 2022.

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.

SEK million	GROUP		
	2023	2022	2022
	Jan-Mar	Jan-Mar	Jan-Dec
Net interest income	1,413	1,084	4,655
<i>Annualised net interest income</i>	5,652	4,336	4,655
Average balance sheet total	647,821	565,168	596,411
Net interest margin, %	0.87	0.77	0.78

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.

SEK million	GROUP		
	2023	2022	2022
	Jan-Mar	Jan-Mar	Jan-Dec
Credit losses	-33	-17	-68
<i>Annualised credit losses</i>	-132	-68	-68
Lending to the public	512,515	478,658	509,492
Credit loss ratio, %	-0.03	-0.01	-0.01

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.

SEK million	GROUP		
	31 Mar 2023	31 Mar 2022	31 Dec 2022
Gross lending credit stage 3	423	215	371
Lending to the public	512,515	478,658	509,492
Share of Stage 3 loans, %	0.08	0.04	0.07

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
Return on assets	Net profit in relation to balance sheet total
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, 27 April 2023

Mikael Inglander
CEO

Financial calendar

Interim Report Jan–Jun 2023	19 July 2023
Interim Report Jan–Sep 2023	26 October 2023
Year-end Report 2023	2 February 2024

Credit ratings

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



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This information was submitted for publication on 28 April 2023 at 08:00 (CET).

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

