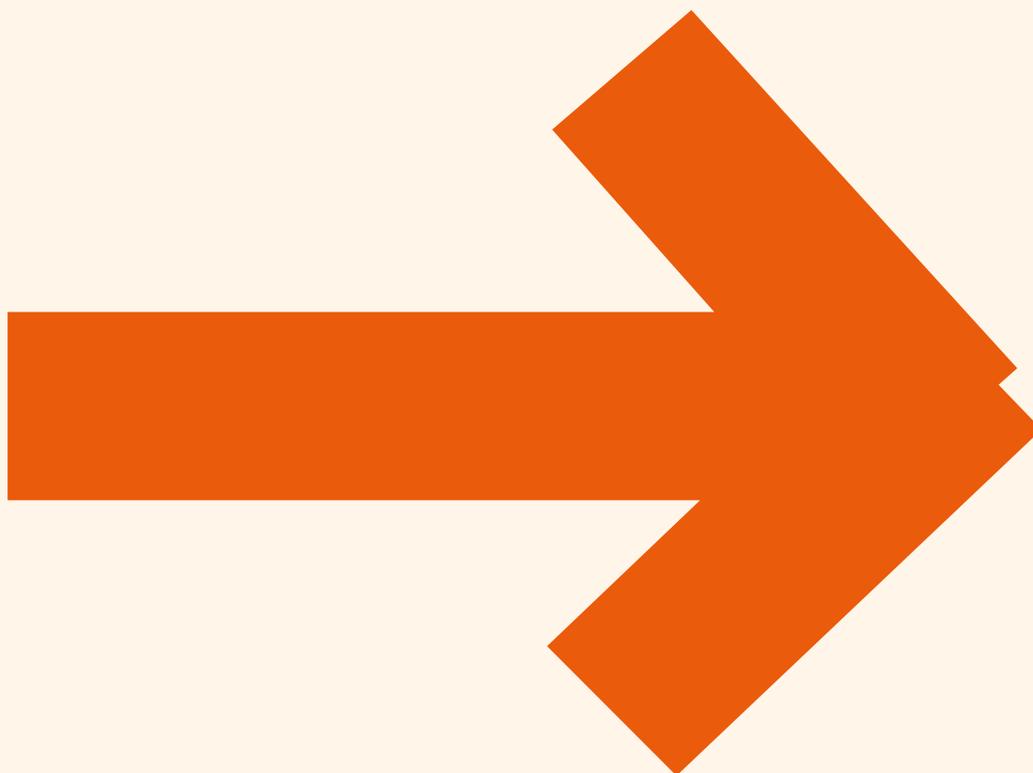


Year-end report

January–December 2022



The year in brief

Q4 2022

(Q3 2022)

- In November, the Riksbank decided to raise the key interest rate further to 2.50%.
- Housing prices continued to fall on a broad front across the country during the quarter.
- Total lending increased 2.2% to SEK 509.5 billion (498.6) during the quarter. Total deposits increased 6.7% to SEK 182.4 billion (171.0).
- Operating profit decreased 7.2% to SEK 686 million (739), primarily due to increased costs and a more negative outcome for the net result of financial transactions.
- Net interest income rose to SEK 1,328 million (1,155), mainly due to higher deposit volumes and deposit margins. The margins on lending negatively impacted the item.
- Net credit losses totalled SEK 19 million (loss: 20).
- Imposed fees totalled SEK 112 million (111), of which the risk tax amounted to SEK 65 million (65) and the resolution fee to SEK 45 million (46).
- The return on equity amounted to 10.5% (11.7) and the C/I ratio was 34.8% (29.4).
- According to Swedish Quality Index (Svenskt Kvalitetsindex, SKI), SBAB continues to have the most satisfied customers in Sweden in terms of residential mortgages to private individuals and property loans to corporates and tenant-owners' associations.
- SBAB has received permission from the Swedish FSA to use new PD models for retail and corporate exposures in IRB approaches.

January–December 2022

(January–December 2021)

- Total lending increased 9.1% to SEK 509.5 billion (467.0). Total deposits increased 25.9% to SEK 182.4 billion (145.0).
- Operating profit declined marginally by 0.1% to SEK 2,639 million (2,641), primarily due to the risk tax implemented in 2022.
- Net interest income grew to SEK 4,655 million (4,114), mainly due to higher lending and deposit volumes.
- During the first quarter of 2022, a new line item was added in the income statement, imposed fees. Imposed fees include the new Swedish risk tax as well as the resolution fee that was previously reported in net interest income. Imposed fees totalled SEK 445 million (–) for the year, of which the risk tax amounted to SEK 261 million (–) and the resolution fee to SEK 184 million (172).
- Net credit losses totalled SEK 68 million (recoveries: 11), primarily due to increased credit loss allowances related to the changed operating environment.
- The return on equity amounted to 10.5% (11.1) and the C/I ratio was 32.7% (36.2). Return on equity, excluding the risk tax, amounted to 11.5%.
- The CET1 capital ratio was 12.8% (13.5) at the end of the 2022.
- The basis for the Board regarding appropriation of profits for 2022 is to propose a dividend of SEK 832 million, representing 40% of the Group's net profit for the year after tax, in accordance with SBAB's dividend policy.

Selected key metrics

	GROUP					
	2022	2022	Change	2022	2021	Change
	Q4	Q3		Jan–Dec	Jan–Dec	
Total lending, SEK bn	509.5	498.6	+2.2%	509.5	467.0	+9.1%
Total deposits, SEK bn	182.4	171.0	+6.7%	182.4	145.0	+25.9%
Net interest income, SEK million ¹⁾	1,328	1,155	+15.0%	4,655	4,114	+13.2%
Net result of financial transactions, SEK million	–79	72	–151 mn	–35	–71	+36 mn
Expenses, SEK million	–437	–363	+20.4%	–1,529	–1,492	+2.5%
Net credit losses, SEK million	–19	–20	+1 mn	–68	11	–79 mn
Imposed fees: Risk tax and resolution fee ¹⁾	–112	–111	–1 mn	–445	–	–
Operating profit, SEK million	686	739	–7.2%	2,639	2,641	–0.1%
Return on equity, %	10.5	11.7	–1.2 pp	10.5	11.1	–0.6 pp
C/I ratio, %	34.8	29.4	+5.4 pp	32.7	36.2	–3.5 pp
CET1 capital ratio, %	12.8	12.8	–	12.8	13.5	–0.7 pp

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

This is SBAB

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



Vision

To offer the best residential mortgages in Sweden



Mission

To contribute to better housing and household finances

Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search and real estate agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli, HittaMäklare and Boappa brands. We meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.51% on 31 December 2022, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se has Sweden's largest offering of homes for sale.

→ [Read more on page 12](#)

SBAB!

hittamäklare!
A service by SBAB

booli!

A service by SBAB

boappa!

A service by SBAB

Corporate Clients & Tenant-Owners' Associations business area

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to companies and organisations. We finance multi-family dwellings, existing as well as new buildings. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to companies (residential properties) was 17.38% on 31 December 2022. At the same time, the market share for lending to tenant-owners' associations was 10.69%.

→ [Read more on page 13](#)



SBAB assigns priority to four Sustainable Development Goals

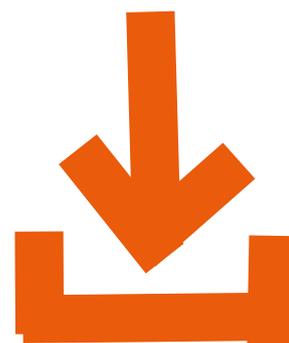
Annual Report 2021 SBAB!

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



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

Statement from the CEO



High global inflation and forceful increases in interest rates from central banks continued to dominate in the fourth quarter. The Riksbank raised the key interest rate a total of 2.50 percentage points in 2022. Activity in the housing market decreased notably in 2022 and the price trend remained negative during the fourth quarter. SBAB's performance for the full-year 2022 was strong despite the challenging circumstances, with robust growth in volumes and – once again – Sweden's most satisfied customers.

This year was a different one, to say the least. The war in Ukraine continues in full force, causing an enormous amount of human suffering. The situation is deeply regrettable in every way. The war has been ongoing since February 2022, yet there is no sign of peace talks or de-escalation. Quite the opposite. Sanctions have not prompted Russia to change course. Instead, countermeasures have led to quickly rising and volatile prices, especially for energy and food. It is difficult, if not impossible, to safely say how long these factors will affect economic trends.

At home, employment increased during the year and unemployment remains at low levels. However, household purchasing power has declined due to high inflation, which in 2022 reached levels that had not been seen in several decades. This has led to several key interest rate hikes from the Riksbank, leading to significant effects in, for example, the housing market. Even though, from a historical perspective, a return to a more normal interest rate level has long been on the cards, the speed and size of the most recent interest rate increases surprised many. It is likely that 2023 will be a challenging year for households as well as businesses, but we believe and hope that we'll see inflation return to normal. There have already been some hopeful signs in the markets for various input goods and raw materials.

Changed circumstances for households

Prices for apartments and houses fell sharply during the year, especially for houses. The primary reason for the downturn was increased mortgage interest rates. According to SBAB's most recent forecast, the drop in housing prices is expected to total just over 20% from their peak. They are expected to stabilise thereafter on an annual basis starting in 2024. Of course, in the event of a more negative development in the labour market and persistently high energy prices, the drop in housing prices could be even greater. This trend should be viewed in relation to the substantial price increases of the last few years. Additionally, housing production is expected to decrease significantly going forward.

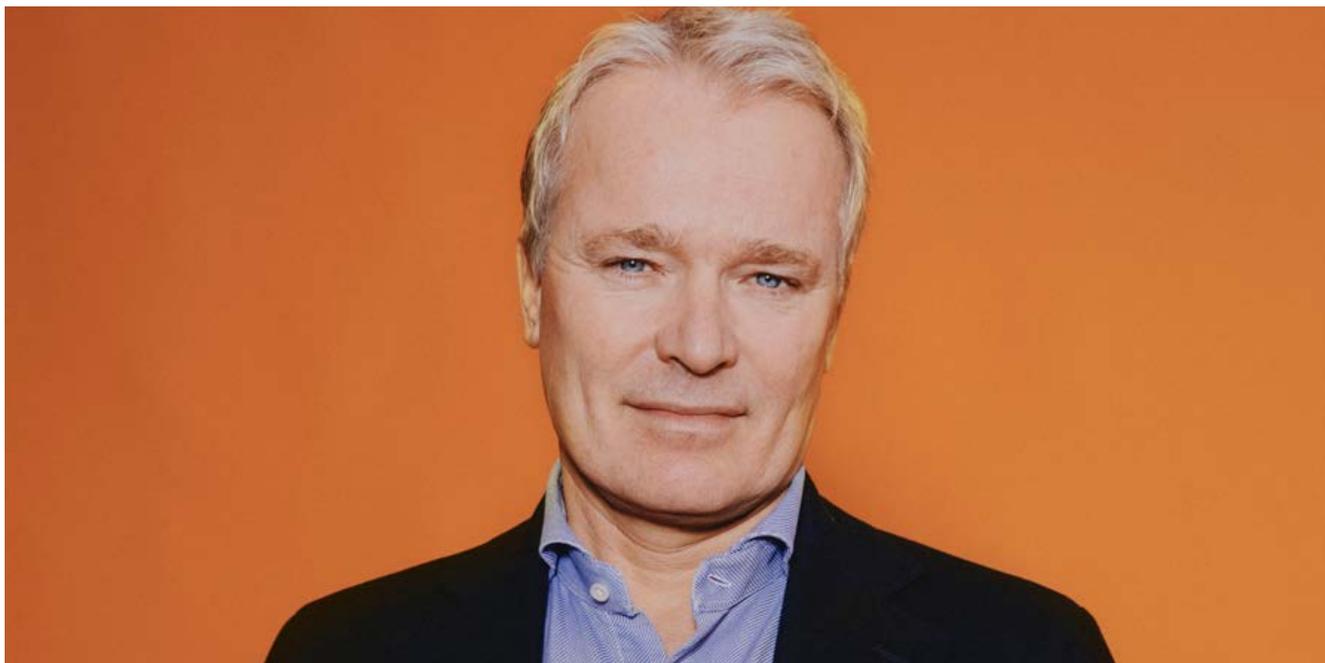
Despite the uncertainty and market developments, we have not noted any significant direct changes in the credit quality of our lending portfolio. This is a clear pointer of the strength of our balance sheet, where housing comprises the primary asset. Net credit losses totalled SEK 68 million for the full year, representing 0.01% of total lending, and essentially consisted of model-driven credit loss allowances. Credit quality is an especially important area for us and we continue to follow market trends carefully.

We have a long-term responsibility to ensure that our customers can make their interest and amortisation payments,

a responsibility we take quite seriously. During the year, we regularly analysed the lending portfolio and made necessary adjustments in our terms when it comes to granting credit to retail customers as well as corporates and tenant-owners' associations to better reflect the prevailing market conditions. Household costs increased significantly as interest rates rose. In parallel, electricity and energy prices continued to climb while food, input goods and services became increasingly expensive. From a longer historical perspective, households have spent a significantly higher portion of their income on housing than they have in the last few years, including today. We expect this level to increase going forward, not least due to higher interest expenses.

Sweden's most satisfied customers – once again

We are growing and capturing market shares. We are humbled that so many customers are turning to SBAB to borrow money to finance their homes. This, if anything, is a clear signal that our customers appreciate our offering with favourable terms, simplicity, transparency and high availability. Our lending increased 9.1% in 2022 to a total of SEK 509.5 billion. In December, we learned that for the fourth consecutive year, SBAB had Sweden's most satisfied residential mortgage



customers according to Swedish Quality Index (Svenskt Kvalitetsindex). At the same time, we learned that for the fifth consecutive year, SBAB had Sweden's most satisfied customers for property loans to tenant-owners' associations and property companies. I'm very proud that we have managed to be there for our customers in good times as well as bad. Maintaining our high level of customer satisfaction is of the highest priority.

Retail lending growing but competition has intensified

Retail lending increased approximately 4% during the year to SEK 351.1 billion. The trend in total market growth for housing loans slowed during the year in pace with the trend in the housing market. In terms of 12-month figures, it reached 4.5% in November, which was a clear decrease compared with 6.8% in January. The rate of growth for residential mortgages is expected to decline somewhat further, reaching close to 4% for the full-year 2023. Additionally, the number of market players has increased significantly during the last few years. All else being equal, the consequences of this should be increasing competition for the limited market growth, which will mean better terms for customers and weaker margins and profits for market players. The latter should be somewhat offset by higher deposit margins. Overall, the future looks somewhat more challenging.

Lending to property companies and tenant-owners' associations grew 22% during the year to SEK 158.4 billion. Growth was particularly strong for lending to property companies. It is gratifying to see that the strategic plan that we developed a number of years ago – to grow together with prioritised customer groups and at the right level of risk and profitability – is continuing to bear fruit. We are extremely pleased and proud of this development. Growing in these segments also helps further diversify our revenue. We have noted the growing market uncertainty, which has led to a significant downturn in the number of planned new build projects and a lower overall level of market activity. However, we know that there is a substantial need for many larger property companies to replace capital market financing with bank financing in the near future and we are ready to assist our customers as per our strategy for growth and risk appetite.

Deposits, which represent an increasingly important source of financing for SBAB, increased 25.9% in 2022 to a total of SEK 182.4 billion. The share of deposits in relation to lending amounted to approximately 36% at year end, compared with 31% at the beginning of the year. We are continuing to offer consumers, corporates and tenant-owners' associations an attractive savings interest rate compared with many other market players, especially the major banks. Additionally, we have made significant investments in marketing during the quarter to raise the visibil-

ity of our market offering. We are pleased that so many customers are choosing to save with us.

Strong underlying financial performance

We reported strong earnings for the full-year 2022. The new bank tax implemented during the first quarter of 2022 had a negative impact on SBAB and will continue to do so. However, we are growing with healthy profitability, in line with our owner's long-term goal of achieving a return on equity of at least 10%. Our ambitious development agenda and our strong growth means that our costs have increased significantly during the last few years. However, we are planning for somewhat smaller increases in costs going forward as we complete major change initiatives within the framework for our overall transformation work.

Thank you to all of our employees

I would like to take this opportunity to extend my sincere thanks to all of our employees for your efforts in 2022. I'm extremely pleased to work with all of the skilled, professional and considerate people at SBAB. I see the potential to continue to grow and capture market shares through further developing our customer offering with a focus on innovation, digitalisation, simplicity and sustainability, even though the future now appears to be slightly more challenging.

Mikael Inglander
CEO of SBAB

Our climate impact is measured – all the way

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

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

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

Sustainability rating

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

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



Market overview

Swedish economy

Economic conditions in the fourth quarter of 2022 were relatively strong, with a high employment and low unemployment. At the same time, the economy slowed significantly during the quarter. Prices for many consumer goods have been subject to high inflation since the beginning of 2022, which has gradually eroded households' real consumption. The Riksbank's measures in the form of raised key interest rates to control inflation contributed to further weakening of households' scope for consumption. Going forward, economic conditions are expected to further weaken and, in the beginning of 2023, the Swedish economy is expected to enter a 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 a 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 continued to decline during the fourth quarter. For industry, indicators are at levels approaching those of a typical recession – in other words, not as low as during the most recent financial crisis. For households, however, confidence indicators have dropped to levels in line with, or even below, those during the crisis of the 1990s. Household pessimism is largely due to the price increases for goods that are perceived as necessary and difficult to replace, including electricity, and due to people being reluctant to change their behaviour by changing their shopping basket.

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

Fixed-income market

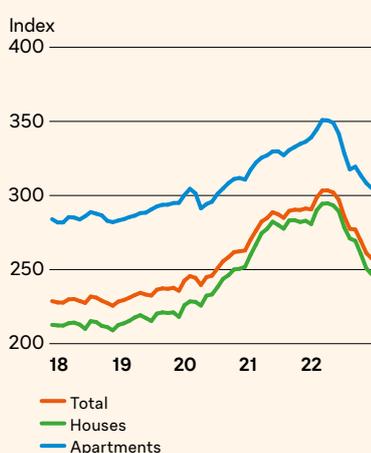
The short-term market interest rates continued to climb during the fourth quarter, thereby keeping pace with the higher key interest rate. However, the long-term market interest rates have moved up and down, and were largely at the same level at the end of the quarter as at the beginning of the quarter. There are, of course, slight differences between different instruments and maturities. The overall

pattern is described well by a fixed-income market that predicts a tighter monetary policy to bring inflation down to the target level and that also manages to keep inflation close to the target for the long term. Altogether, this means that interest rates for long-term instruments shifted around 3% during the quarter.

In November 2022, the Riksbank decided to raise the key interest rate 75 basis points to 2.50%. The Riksbank is expected to continue to raise the key interest rate in February 2023 another 50 basis points for a total of 3.00%. It is very likely that the increase could be lower or higher, and that there could be several hikes in the next six months. According to SBAB's forecasts, however, the key interest rate will decline to an equilibrium interest rate of approximately 2% by the end of 2023. Increases in the key interest rate will continue to raise short-term market interest rates. The long-term market interest rates, however, are expected to remain at around 3% during the first half of 2023 and then fall marginally at the end of the year in conjunction with low inflation outcomes. In a few years, variable mortgage rates will likely hover around 4%, while long-term mortgage rates will be closer to 5%.

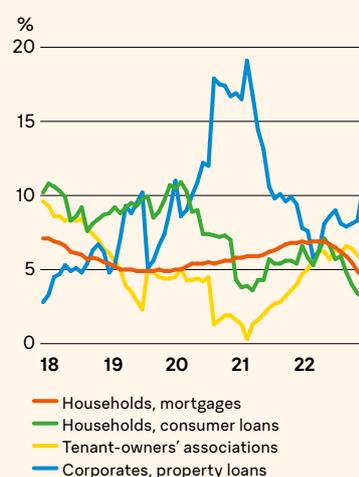
Housing price trend

(HOX index 2005=100)



Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



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

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 prices

Housing prices continued to decline during the fourth quarter. Housing prices have thus been on a downward trend since the second quarter of 2022, and during the fourth quarter, the decline was somewhere around 8%. The decrease was a few percentage points less for apartments and a few more for houses. The difference is due in part to the stronger price for houses during the coronavirus pandemic, leading to some amount of recoil when society opened up. 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 March has been 17%. SBAB's economists expect housing prices to continue to decrease during the beginning of 2023.

Rising housing expenses due to higher mortgage rates and energy prices have led to a rapid downturn in the housing market. The Riksbank's about-face with its monetary policy in the spring, and the record high hikes to the key interest rate in the autumn, quickly changed household expectations regarding future mortgage rates and have put pressure on housing prices. Households that did not take a sudden interest rate hike into account have no doubt lowered their willingness to pay for housing. The long-term housing price trend can be explained by a range of structural factors, including household incomes and mortgage rates.

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

Housing market

Sales of existing homes fell sharply during late summer 2022 and are now well under what could be considered a normal level. In 2022, 53,000 houses and 110,000 apartments were sold. This is 11% and 16% lower than 2021, respectively.

After an intense period in the housing market in the wake of the coronavirus pandemic, market conditions have become more static. This is noticeable in trends like longer advertisement times, fewer bidders per home, lower bid premiums and a larger proportion of housing with lowered prices. Opening prices can often 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 performed relatively well during the first half of 2022. Looking at price levels, the market also performed well during the third and fourth quarters. However, sales of new housing slowed significantly. Advertising periods more than doubled in length compared with the previous year. Despite a high rate of construction, only a quarter of the number of new homes were sold in the fourth quarter of 2022 compared to the year-earlier quarter.

For Sweden as a whole, the SBAB Booli Housing Market Index (HMI, [available here](#)) indicates that conditions for building tenant-owner apartments and houses changed quickly in 2022. There is a balance between supply and demand for all of the country. The previously weak trend and its deficit has now turned around and there is instead a sharp trend towards a surplus. 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 already shows a surplus for Sweden as a whole. This was the largest in Västra Götaland. The most recent trend is largely due to declining demand for housing as a result of rising housing expenses in the wake of higher energy prices and rising residential mortgage interest rates.

Market for deposits and lending

The rate of growth for retail loans continued to decrease quickly during the fourth quarter. In terms of 12-month figures, it reached 4.1% in November, which was a significant decrease compared with 6.7% in January. This trend was primarily due to a lower rate of growth in loans for apartments, which decreased 7.6% to 4.7%. Loans for houses decreased from 6.5% to 4.4%. The rate of growth for residential mortgages is expected to decline somewhat further, reaching close to 4% for the full-year 2023. The weak trend is primarily due to rapidly rising mortgage

interest rates and the subsequent pressure on housing prices, but also to lower housing sales due to a rapidly worsening economy. High inflation has also put pressure on households, requiring them to adapt and reduce consumption in certain areas. Consumer loans for households, which increased 3.1% in November, are expected to increase at a slower pace in 2023, at only 2.0%.

In terms of 12-month figures, deposits from households grew at an average rate of 8.1% in the first two months of the fourth quarter, which is a decrease from an average of 9.8% for the first nine months of the year. An economic slowdown, or overall economic uncertainty, normally leads to households increasing their buffer savings. It is therefore reasonable to assume that household deposits will perform well even in 2023. However, deposit growth from corporate clients dropped from around 15% in the beginning of the year to turning negative during October and November. 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, or that the rate of investment has remained high while it has become more difficult and expensive for companies to finance their operations in the capital market.



Booli has Sweden's largest offering of homes for sale

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

→ [Read more about Booli on page 12](#)

booli!
A service by SBAB

Number of unique visitors to Booli.se



Data as of 30 September 2022

Mortgages and household finances without the hassle

We want to enable and facilitate every phase of home-owner life – be it buying, selling or just 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 our owner, funding via the capital market and deposits from the public. In return, we pay interest and dividends. We convert this financial capital to different types of loans and financing for our customers.

Data

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

Business development



Volume trends

	GROUP				
	2022	2022	2021	2022	2021
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
New lending for the period, SEK bn	25.3	23.5	31.3	105.4	107.1
Net change in lending for the period, SEK bn	10.9	7.4	15.8	42.5	44.2
Total lending, SEK bn	509.5	498.6	467.0	509.5	467.0
No. of deposit accounts, thousand	568	523	465	568	465
Net change in deposits, SEK bn	11.4	16.6	4.3	37.5	9.3
Total deposits, SEK bn	182.4	171.0	145.0	182.4	145.0
Deposits/lending, %	35.8	34.3	31.0	35.8	31.0
Retail business area					
No. of mortgage customers, thousand	292	292	291	292	291
No. of mortgage objects financed, thousand	187	187	186	187	186
New lending, SEK bn	13.0	16.1	20.8	67.0	78.8
Net change in lending for the period, SEK bn	1.3	2.1	7.1	14.0	23.9
Total lending, Retail, SEK bn	351.1	349.8	337.2	351.1	337.2
Residential mortgages, SEK bn	349.0	347.6	334.9	349.0	334.9
Consumer loans, SEK bn	2.1	2.2	2.3	2.1	2.3
Market share, Residential mortgages, % ¹⁾	8.51	8.53	8.51	8.51	8.51
Market share, Consumer loans, % ¹⁾	0.70	0.73	0.78	0.70	0.78
Total deposits, Retail, SEK bn	140.7	126.5	101.8	140.7	101.8
No. of retail customers with savings accounts, thousand	485	449	402	485	402
Market share deposits, Retail, % ¹⁾	5.53	4.78	4.30	5.53	4.30
Corporate Clients & Tenant-Owners' Associations business area					
No. of housing financing customers	2,942	2,833	2,588	2,942	2,588
New lending, SEK bn	12.3	7.4	10.5	38.4	28.3
Net change in lending for the period, SEK bn	9.5	5.3	8.6	28.5	20.3
Total lending, Corp. Clients & Tenant-Own. Asso., SEK bn	158.4	148.8	129.8	158.4	129.8
Lending, Corporate clients, SEK bn	90.7	83.0	68.7	90.7	68.7
Lending, Tenant-owners' associations, SEK bn	67.7	65.8	61.1	67.7	61.1
Market Share Corporate Clients (multi-family dwellings), % ^{1) 2)}	17.38	16.48	14.62	17.38	14.62
Market share, Tenant-owners' associations, % ¹⁾	10.69	10.30	10.14	10.69	10.14
Total deposits, Corp. Clients & Orgs. SEK bn	41.8	44.5	43.2	41.8	43.2
No. of customers with savings accounts, Corp. clients and Orgs.	13,700	12,900	12,200	13,700	12,200
Market share deposits, Corp. clients and organisations, % ¹⁾	2.25	2.26	2.25	2.25	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 Q4 2021 and Jan-Dec 2021 correspond with the market shares as of 31 December 2021. The figures in the column for Q3 2022 correspond with the market shares as of 31 August 2022.

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

Retail business area

Trend for Q4 2022 compared with Q3 2022

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

Lending

Total growth in the residential mortgage market declined further in the quarter due to rising mortgage interest rates as well as falling housing prices and a decrease in housing turnover. In November, the Riksbank decided to raise the repo rate to 2.50% to control inflation. 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 fourth quarter. The share of total lending with a three-month fixed-interest period amounted to 53.2% (49.8) at the end of the quarter. The year-earlier figure was 59.7%.

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 fourth quarter amounted to SEK 13.0 billion (16.1). Total retail lending amounted to

SEK 351.1 billion (349.8) at the end of the quarter, of which SEK 349.0 billion (347.6) comprised residential mortgages and SEK 2.1 billion (2.2) consumer loans. The number of residential mortgage customers amounted to 292,000 (292,000) distributed over 187,000 (187,000) mortgage objects. On 31 December 2022, the market share of retail mortgages was 8.51% (8.53% on 31 August 2022). At the same date, the market share for consumer loans was 0.70% (0.73% on 31 August 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. SBAB has been regularly adjusting the interest rate for savings accounts for retail customers to reflect the prevailing market conditions. In addition, SBAB has increased its investments in marketing to raise the visibility of the offering in the market.

Retail deposits increased during the quarter to SEK 140.7 billion (126.5). At the end of the quarter, approximately 485,000 (449,000) retail customers held savings accounts with SBAB. On 31 December 2022, the market share of retail deposits was 5.53% (4.78% on 31 August 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 556,000 (535,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 182,000 (161,000) 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 1,200,000 (1,432,000) during the quarter. Booli's monthly property valuation email had more than 737,000 subscribers at the end of the fourth quarter of 2022. The real estate agent service HittaMäklare is part of Booli. HittaMäklare's service for locating estate agents has been used at some time by about 93% 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.



Corporate Clients & Tenant-Owners' Associations business area

Trend for Q4 2022 compared with Q3 2022

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

Housing financing (lending)

SBAB's success in the multi-family dwelling market continued during the fourth quarter. This market remained challenged by drastic changes in market interest rates and a growing overall uncertainty. Many property companies are also facing challenges with obtaining financing in the bond market at a satisfactory price, which has led to increased demand for bank financing. The prevailing situation with increased inflation, higher electricity and energy prices, the effects from the

war in Ukraine and even, to an extent, the pandemic means it is difficult and more expensive to source construction material. Combined with the prevailing market conditions with an impending and expected recession, many housing developers are cutting back on their future new build projects. In turn, this has contributed to a standstill in demand for building credits. During the quarter, new lending to corporate clients amounted to SEK 8.9 billion (4.6).

The market for lending to tenant-owners' associations continues to be dominated by intense competition with low margins. However, the uncertain market conditions during the quarter led to somewhat higher prices in the market. New lending remained healthy and totalled SEK 3.5 billion (2.8) for the quarter.

Total lending increased to SEK 158.4 billion (148.8), of which SEK 90.7 billion (83.0) comprised lending to corporates and SEK 67.7 billion (65.8) lending to tenant-owners' associations.

The market share of lending to property companies (multi-family dwellings) was 17.38% on 31 December 2022 (16.48% on 31 August 2022). At the same date, the market share for lending to

tenant-owners' associations was 10.69% (10.30% on 31 August 2022).

The definition for calculating market share for lending to property companies was revised during the third quarter, as some properties (primarily health care facilities) were reclassified from rental properties to commercial properties.

The number of housing financing customers continued to increase and was 2,942 (2,833) 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)

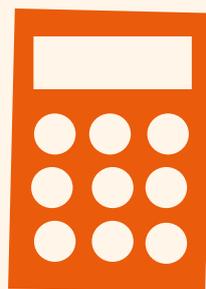
Deposits from corporate clients and organisations decreased during the quarter and totalled SEK 41.8 billion (44.5). At the same time, approximately 13,700 (12,900) customers held savings accounts with SBAB. On 31 December 2022, the market share of deposits from corporate clients and organisations was 2.25% (2.26% on 31 August 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						
	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2022 Jan-Dec	2021 Jan-Dec
Net interest income	1,328	1,155	1,088	1,084	1,017	4,655	4,114
Net commission	-7	-5	11	13	13	12	29
Net result of financial transactions (Note 3)	-79	72	21	-49	-3	-35	-71
Other operating income	12	11	13	13	12	49	50
Total operating income	1,254	1,233	1,133	1,061	1,039	4,681	4,122
Expenses	-437	-363	-371	-358	-452	-1,529	-1,492
Profit before credit losses and imposed fees	817	870	762	703	587	3,152	2,630
Net credit losses (Note 4) ¹⁾	-19	-20	-12	-17	1	-68	11
Imposed fees: Risk tax and resolution fee ²⁾	-112	-111	-109	-113	-	-445	-
Operating profit	686	739	641	573	588	2,639	2,641
Tax	-147	-155	-135	-121	-131	-558	-560
Net profit for the period	539	584	506	452	457	2,081	2,081
Return on equity, % ³⁾	10.5	11.7	10.4	9.5	9.4	10.5	11.1
Return on assets, %	0.3	0.4	0.3	0.3	0.3	0.3	0.4
C/I ratio, %	34.8	29.4	32.7	33.7	43.5	32.7	36.2
Credit loss ratio, %	-0.01	-0.02	-0.01	-0.01	0.00	-0.01	0.00
Share of Stage 3 loans, gross, %	0.07	0.05	0.05	0.04 ⁴⁾	0.05	0.07	0.05
Net interest margin, %	0.85	0.76	0.74	0.77	0.73	0.78	0.77
Number of employees (FTEs)	863	856	860	818	839	863	839

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

2) From January 2022, the resolution fee is reported under the same line item as the risk tax introduced in the beginning of the year. Previously, the resolution fee was reported as part of net interest income. Resolution fee and risk tax totalled SEK 45 million and SEK 65 million, respectively, in the fourth quarter of 2022. For the period Jan-Dec 2022, the resolution fee amounted to SEK 184 million and the risk tax to SEK 261 million. Resolution fee and risk tax totalled SEK 46 million and SEK 65 million, respectively, in the third quarter of 2022. For the period Jan-Dec 2021, the resolution fee amounted to SEK 172 million.

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

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

Trend for Q4 2022 compared with Q3 2022

Operating profit decreased to SEK 686 million (739), primarily due to increased costs and a more negative outcome for net income from financial transactions. The return on equity amounted to 10.5% (11.7) and the C/I ratio was 34.8% (29.4). Return on equity, after adjustment for the risk tax, amounted to 11.5%.

Net interest income

Net interest income rose to SEK 1,328 million (1,155), primarily due to an increased share of financing from deposits and higher deposit margins. Decreased lending margins for mortgages had a negative impact on the item.

During the first quarter of 2022, the resolution fee was moved from net interest income to imposed fees.

The fee for the national deposit guarantee amounted to SEK 8 million (14) for the period.

Net commission

Net commission income decreased to an expense of SEK 7 million (expense: 5) over the quarter, primarily due to higher commission expenses linked to funding operations.

Net result of financial transactions

The net result of financial transactions decreased to an expense of SEK 79 million (income: 72). The difference was primarily due to the revaluation of credit risk in derivatives. For more information, please refer to [Note 3](#).

Expenses

Costs increased to SEK 437 million (363) during the quarter, mainly due to seasonally higher consulting costs and higher costs for amortisation/depreciation. At the end of the quarter, FTEs amounted to 863 (856).

Credit quality and credit losses

Net credit losses totalled SEK 19 million (20) in the fourth quarter. Confirmed credit losses totalled SEK 3 million (1) and recoveries for previous confirmed credit losses amounted to SEK 1 million (1).

Total credit loss allowances increased SEK 17 million during the quarter (increase: 21). Provisions for credit stage 1 decreased SEK 2 million (increase: 11), while provisions for credit stage 2 rose SEK 18 million (increase: 4). Provisions for credit stage 3 increased SEK 3 million (decrease: 2). Changes in credit loss allowances for loans in credit stages 1 and 2 were primarily due to a combination of increased interest expenses, updated credit reference information, an indexing of market values for apartments and houses as well as updated forward-looking information. Higher interest expenses led to negative risk class migrations for consumers. The updated credit reference information for customers showed a somewhat better credit risk but resulted in a net inflow to stage 2. Indexing of market valuations showed falling prices for homes, though these were offset by lower decreases in the revised forward-looking information. Changes in credit loss allowances for credit stage 3 loans can be attributed to some net inflows. Credit loss allowances for loan commitments and building credits decreased SEK 2 million (increase: 7), primarily due to lower volumes of loan commitments. 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 (Retail and Corporate Clients & Tenant-Owners' Associations) as low.

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

as well as increased prices of input goods and construction material.

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

Imposed fees

During the first quarter of 2022, a new line item was added in the income statement, imposed fees, placed after the item Net credit losses. Imposed fees includes the new Swedish risk tax as well as the resolution fee, which was previously reported in net interest income. This impacts the comparability of net interest income with previous years. The risk tax will be levied at a rate of 0.05% of the credit institution's liabilities in 2022, and increase to 0.06% in 2023.

Imposed fees totalled SEK 112 million (111) for the quarter, of which the risk tax amounted to SEK 65 million (65) and the resolution fee to SEK 45 million (46).

Other comprehensive income

Other comprehensive income amounted to a loss of SEK 397 million (loss: 2,408), primarily due to interest-rate-related value changes in derivatives. These changes were, in turn, attributable to a marginal increase in long-term EUR interest rates in the fourth quarter, compared with a larger increase in interest rates in the third quarter, which had a positive impact on the item. For more information, please refer to [page 24](#).

January–December 2022 compared with January–December 2021

Operating profit declined marginally to SEK 2,639 million (2,641), primarily due to the risk tax implemented in the first quarter of 2022. The return on equity amounted to 10.5% (11.1) and the C/I ratio was 32.7% (36.2). Return on equity, excluding the risk tax, amounted to 11.5%.

Net interest income rose to SEK 4,655 million (4,114). During 2022, the resolution fee was moved from net interest income to imposed fees. Adjusted for the resolution fee, net interest income increased SEK 357 million, primarily due to an increased share of financing from deposits and higher deposit margins. Increased lending volumes had a positive impact on the item, while decreased lending margins for mortgages had a negative impact. The fee for the national deposit guarantee amounted to SEK 49 million (49) for the year.

During the period, net commission income decreased to SEK 12 million (29), mainly driven by updated calculation models for amortised cost. Starting in the third quarter of 2022, corporate lending arrangement fees are now accrued over the maturity of the loan in net interest income.

The net expense from financial transactions was SEK 35 million (expense: 71). The difference was primarily due to the

impact from the buyback of own debt. For more information, please refer to [Note 3](#).

Other comprehensive income amounted to a loss of SEK 7,558 million (loss: 1,402) for the period. The difference pertained mainly to interest-rate related value changes in derivatives due to rising EUR interest rates, which had a significant negative impact on the item. For more information, please refer to [page 24](#).

Expenses grew to SEK 1,529 million (1,492), mainly driven by higher personnel costs and higher depreciation, amortisation and impairment costs for projects. The number of FTEs increased to 863 (839) during the period. The replacement of SBAB's core banking platform is ongoing. The new platform is being implemented gradually in separate phases. The remaining phases will be implemented in the beginning of 2023. Modern, flexible system support comprises a key component for strengthening SBAB's future competitiveness, and its ability to develop digital services and enhance the digital customer interface.

Net credit losses totalled SEK 68 million (recoveries: 11). The change between the periods was mainly attributable to updated macroeconomic projections for the forward-looking information applied in the impairment model, which has taken into consideration the changed operating environment and the increased interest

rates, as well as increased provisions related to the disbursement of building credits and risk class migrations in credit stages 1 and 2 within the Retail business area given increased interest expenses for households. In connection with market value indexing for the lending portfolio in August and October, higher LTV ratios were noted in the Retail business area, which also led to increased credit loss allowances. The positive outcome for the comparison period was due to a revision of the forward-looking information in conjunction with the noted price increase in the housing market and the improvement in the risk scenario for building credits, which resulted in a lower need for provisions. Confirmed credit losses totalled SEK 7 million (13) for the period. For more information on credit losses and credit quality, please refer to [Note 4](#) and [Note 5](#).

Imposed fees totalled SEK 445 million (–) for 2022, of which the risk tax amounted to SEK 261 million (–) and the resolution fee to SEK 184 million (172).

Balance sheet overview

SEK million	GROUP		
	31 Dec 2022	30 Sep 2022	31 Dec 2021
ASSETS			
Cash and balances at central banks	3,534	1,320	10,100
Chargeable treasury bills, etc.	29,886	31,406	22,549
Lending to credit institutions	20,091	20,819	643
Lending to the public (Note 5)	509,492	498,641	467,041
Bonds and other interest-bearing securities	57,490	53,905	50,254
Total other assets in the balance sheet	13,992	12,396	7,750
TOTAL ASSETS	634,485	618,487	558,337
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	8,237	7,388	16,372
Deposits from the public	182,443	171,011	144,950
Issued debt securities, etc. (funding)	393,885	389,910	364,364
Subordinated debt	1,997	1,997	1,996
Total other liabilities in the balance sheet	27,974	28,323	5,709
Total liabilities	614,536	598,629	533,392
Total equity	19,949	19,858	24,945
– of which reserves/fair value reserve	–6,639	–6,242	919
– of which, Tier 1 capital instruments	5,800	5,800	4,300
TOTAL LIABILITIES AND EQUITY	634,485	618,487	558,337
CET1 capital ratio, %	12.8	12.8	13.5
Tier 1 capital ratio, %	16.5	16.6	16.6
Total capital ratio, %	17.8	17.9	18.1
Leverage ratio, % ¹⁾	4.12	4.12	3.98
Liquidity coverage ratio (LCR), %	250	249	228
Net Stable Funding Ratio (NSFR), %	128	133	129

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

Trend for Q4 2022 compared with Q3 2022

Balance sheet comments

During the quarter, chargeable treasury bills decreased to SEK 29.9 billion (31.4), primarily due to reduced holdings of Riksbank certificates. Surplus liquidity was deposited with the Riksbank via the bank's RIX account, whereupon the item cash and balances at central banks increased to SEK 3.5 billion (1.3). Lending to credit institutions decreased to SEK 20.1 billion (20.8), attributable to inflows of securities linked to derivatives (CSAs), which are mainly impacted by changes in interest and exchange rates. The above changes were within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities increased to SEK 57.5 billion (53.9) during the quarter, primarily driven by new asset purchases within the framework of normal liquidity reserve management. Lending to the public increased to SEK 509.5 billion (498.6), of which SEK 349.0 billion comprised residential mortgages, SEK 2.1 billion consumer loans, SEK 90.7 billion lending to property companies and SEK 67.7 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 in the quarter to SEK 8.2 billion (7.4), primarily driven by inflows of securities connected to derivatives (CSAs). This was somewhat offset by decreased repo funding. The above changes were within the scope of the normal short-term liquidity management. Deposits from the public increased to SEK 182.4 billion (171.0), of which 90% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulation (EU 2015/61). For more information on deposits from the public, please refer to [pages 11–13](#). For information about issued debt securities, please refer to the "Funding" section. Subordinated debt totalled SEK 2.0 billion (2.0) and equity was SEK 19.9 billion (19.9).

Funding

There are indications that inflation in the US is on the way down after reaching a peak in June. However, this did not stop the Fed from raising the interest rate twice during the fourth quarter. The market expects continued hikes in the beginning of 2023. Europe also noted some

signals of lower inflation at the end of the year, even though core inflation continued to rise. Like its counterpart in the US, the ECB chose to raise the interest rate twice during the quarter, while signalling that aggressive interest rate hikes would continue during the beginning of 2023, which came as something of a surprise to the market. Discussion towards the end of 2022 focused increasingly on when inflation would peak and when central banks would again be forced to lower interest rates to avoid a long-term recession.

The fixed-income markets in the US and Europe remained volatile during the quarter. Market risk sentiment is still primarily affected by the publication of economic data and statements from central bank representatives. In Sweden, the Riksbank decided in November to raise the key interest rate by 0.75 percentage points to a total of 2.50%. The market has priced in continued hikes in 2023.

During the quarter, credit spreads decreased somewhat in the Swedish and European markets, which signalled that the risk sentiment had improved slightly compared with the end of the third quarter. However, the European market is still dominated by a lively market for shorter maturities, likely due to investor uncertainty over future developments. Inverted interest rate curves also render investing money in bonds with long maturities inefficient.

SBAB's funding activity was relatively low in the fourth quarter due to the high issue rate in the first six months of the year as well as to the continued favourable deposit growth. During the quarter as a whole, issued debt securities totalled SEK 6.2 billion (12.1). In parallel, securities were repurchased for SEK 1.7 billion (1.0) and securities amounting to SEK 3.4 billion (8.2) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 4.0 billion to a total of SEK 393.9 billion (389.9). In total, the SBAB Group has issued bonds corresponding to SEK 95.6 billion in 2022 (of which SEK 67.7 billion comprised covered bond funding and SEK 27.9 billion unsecured funding), which can be compared with the total bonds maturing in 2022 of about SEK 45.8 billion.

At the end of the quarter, unsecured funding amounted to SEK 65.0 billion (66.1), of which SEK 13.3 billion (13.2) comprised senior non-preferred bonds,

SEK 48.9 billion (50.5) other unsecured bonds (senior preferred) and SEK 2.8 billion (2.4) 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 328.9 billion (323.8) at the end of the quarter, of which SEK 246.5 billion was in SEK and SEK 82.4 billion was in foreign currencies.

Liquidity position

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings ¹⁾. At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 87.9 billion (84.1). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 85.4 billion (81.8).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 347 days (387), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, on 31 December 2022, the LCR was 250% (249) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 192% (195). The net stable funding ratio (NSFR) amounted to 127.9% (132.5) 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 (19.3). The increase was mainly attributable to earnings for the year¹⁾ after deduction of the expected dividend. The risk exposure amount (REA) increased during the quarter to SEK 154.2 billion (151.2), primarily due to increased volume growth in corporate business and, to a certain extent, increased risk weights in the retail segment. In the retail segment, the increase in REA consisted primarily of increased risk weights. On 31 December 2022, SBAB's CET1 capital ratio amounted to 12.8% (12.8) and the total capital ratio was 17.8% (17.9). This provides a comfortable margin both to internal targets and to external regulatory requirements.

The leverage ratio remained unchanged at 4.12% (4.12) as of 31 December 2022. For more information on SBAB's capital position, please refer to [Note 11](#) and [Note 12](#).

In September 2021, SBAB received an SREP decision from the Swedish FSA which entails an increased own funds requirement. The decision also included Pillar 2 guidance for SBAB: 0 percentage points on the risk-weighted capital requirement and 0.3 percentage points on the leverage ratio, equivalent to SEK 1.8 billion. According to the Swedish FSA's collected capital assessments, SBAB's capital requirements are expected to cor-

respond to a CET1 capital ratio of 10.2% and a total capital ratio of 14.9% as of 31 December 2022. SBAB's capital targets are thus expected to correspond to a CET1 capital ratio of not less than 11.2% and a total capital ratio of not less than 15.5% as of 31 December 2022.

In the fourth quarter of 2021, the European Commission published its proposed implementation of the Basel 3 regulation. The proposal includes changes that will improve comparability of risk-based capital measures between banks within the EU's banking sector. This will reduce scope 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 wrap up in the first half of 2023.

The Swedish FSA has previously announced that it expects Swedish banks to analyse and update their current 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. The new models are expected to be implemented in 2023. SBAB has not yet received feedback on its applications to implement new LGD models for household exposures or corporate exposures.

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

For more information on SBAB's capital adequacy, please refer to the "Other information" section.

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 December 2022. This means that net profit for the year has been included in own funds and that expected dividends have reduced own funds.

Components of the capital target

SEK million	CONSOLIDATED SITUATION			
	31 Dec 2022			
	Total capital	%	CET1 capital	%
Internally assessed capital requirement from the Swedish FSA¹⁾	22,914	14.9	15,731	10.2
– of which, Pillar 1 minimum requirement	5,160	3.3	2,903	1.9
– of which, Pillar 1 risk-weight floor, Swedish mortgages (Art. 458 CRR)	7,172	4.7	4,034	2.6
– of which, Pillar 2 requirement (P2R)	5,164	3.4	3,376	2.2
– of which, Capital conservation buffer	3,854	2.5	3,854	2.5
– of which, Countercyclical buffer	1,564	1.0	1,564	1.0
– of which, Pillar 2 guidance (P2G)	–	–	–	–
SBAB's capital target	23,839	15.5	17,272–20,355	11.2–13.2
SBAB's actual capital	27,484	17.8	19,689	12.8

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

Other information



SBAB's financial targets

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

Termination of partnerships

In the fourth quarter of 2019, SBAB and Sparbanken Syd entered into an amended agreement relating to the parties' partnership agreement regarding the mediation of mortgage loans (SEK 5.5 billion on 31 December 2022). According to the amended agreement, Sparbanken Syd or any company instructed by Sparbanken Syd, is entitled to acquire the entire residential mortgage stock mediated by Sparbanken Syd, or parts thereof, until 31 December 2023. In September 2022, Sparbanken Syd contracted with Borgo AB, who informed SBAB that it intends to acquire the entire residential mortgage stock in the second quarter of 2023.

Changes in Executive Management

On 31 December 2022, the Executive Management comprised the following people: Mikael Inglander (CEO), Sara Davidgård (CRO), Carl Olsson (acting CFO), Carina Eriksson (Head of HR), Robin Silfverhielm (CXO), Marko Ivanic (CTO), Andras Valko (CDSO), Malou Sjörin (Head of Sustainability, Marketing & Communication), Kristina Tänneryd (acting Head of Business Specialists) and Johan Prom (Head of Business Area Private).

During the quarter, Stefan Andersson was appointed Head of Corporate Clients & Tenant-Owners' Associations and became a member of Executive Management. Stefan Andersson took over the role on 1 January, 2023. On the same date, Peter Svensén took over the role of CFO and joined Executive Management. Carl Olsson returned to his role as Head of Business Specialists and member of Executive Management on 1 January 2023, but since Carl Olsson's parental leave starts on 1 January 2023, Kristina Tänneryd will remain in the role of acting Head of Business Specialists until Carl Olsson is once again back on duty. During the summer, Andras Valko, CDSO, announced that he will leave his position in spring 2023. The recruitment process has started for a new CDSO, after which point the role will no longer be part of Executive Management.

Dividend

The basis for the Board regarding appropriation of profits for 2022 is to propose a dividend of SEK 832 million, representing 40% of the Group's net profit for the year after tax, in accordance with SBAB's

dividend policy. Given the prevailing uncertainty regarding coming capital requirements related to the implementation of new IRB models and continued uncertainty over the macroeconomic trend, the Board's proposal will not be finalised until notification is given of the AGM.

Events after the end of the period

Approval from the Swedish FSA to use new PD models in IRB approaches
In November 2022, SBAB's application to use a new PD model for household exposure was approved by the Swedish FSA, and new PD models for corporate exposures followed suit in January 2023. The approvals from the Swedish FSA to apply the new PD models means a major step forward in the process to implement an upgraded IRB system. Developing SBAB's IRB models is part of the adaptation to the work that the EBA has initiated with the aim of harmonising the banks' IRB systems used to calculate credit risk. The overall target is to have clearer requirements in place with robust capital requirements that are consistent and comparable between different banks.

Auditors' review report

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

Risks and uncertainties

Risks and uncertainties related to the economy and the operating environment

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, now with particular focus on inflation, energy prices and the war in Ukraine, and continuously assessing the credit quality in lending by evaluating models of various economic scenarios. SBAB has no direct exposure to Russia or Ukraine and the overall credit quality in SBAB's lending, despite the circumstances, is assessed as good.

Rising inflation has triggered long-term market interest rates to rise quickly, which in turn has driven up mortgage rates. This has increased housing costs for households in a short period of time. Significantly higher energy prices for heating homes and rising prices for food and fuel also weakened household finances. The risks associated with rising inflation are deemed low over the long term, as inflation also tends to affect households' disposable income over time, thereby resulting in a decline in mortgage debt as a share of household income. Additionally, various kinds of measures from the government can mitigate the situation for financially stressed households.

Market interest rates and mortgage rates are both expected to rise further 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 experience difficulty coping with ongoing loan payments on their mortgages as a result of rising 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. Stress tests also indicate that this risk is low in the event of continued moderate interest hikes.

Rising mortgage interest rates have meant that housing prices decreased significantly in 2022 and are expected to fuel a continued price fall in the first half of 2023. When the difficulties with inflation are over and interest rates normalise in 2024, housing prices are expected to go up again. Risks linked to high interest rates could be increased by falling housing prices and rapidly rising unemployment. The risk largely pertains to the degree to which a downturn in prices leads to behaviour that triggers a larger price downturn, and how price uncertainty impacts housing turnover and possibilities for building new housing units.

For more information on credit risk and credit quality in SBAB's lending portfolio, and on credit loss allowances, please refer to [Note 4](#).

Risks related to the global economy and international financial markets

Accordingly, 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 military attack on Ukraine has led to an incredible amount of suffering for the population of Ukraine and large streams of refugees in Europe, in addition to threatening international peace and security. The outside world has responded by imposing extensive sanctions on Russia, who in turn cut off deliveries of gas to Europe and blocked the export of grains from Ukraine. 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. Currently, focus is 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 market funding for SBAB and for other banks. Over time, these costs need to be reflected in prices for customers so as not to affect the banks' financial position or earnings. Volatility and increased interest rate movements in the financial markets can impact the carrying amount of the financial instruments and holdings that SBAB uses to manage interest-rate and currency risks in the Group's assets and liabilities. This, in turn, can affect net income from financial transactions in the income statement and other comprehensive income reported under equity in the balance sheet.

Other risks and uncertainties

The extensive regulatory changes in the residential mortgage market comprise an uncertainty factor for SBAB. Established and existing providers are competing for market shares. In time, increasing competition could affect pricing and therefore mortgage margins. Increased competition arises, inter alia, from the Mortgage Business Act

(2016:1024), which allows residential mortgages to be provided by companies other than banks and which are thus not encompassed by the same extensive regulations nor by the rules for capital requirements that apply to banks.

Political decisions, for example changed tax rules and revised amortisation regulations could have major consequences on households' solvency and property values. Political decisions and regu-

latory changes can also affect SBAB as a company. The new risk tax was introduced during the first quarter of 2022, which had a significant impact on SBAB's earnings and key financial metrics.

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

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Condensed income statement

SEK million	GROUP				
	2022 Q4	2022 Q3	2021 Q4	2022 Jan-Dec	2021 Jan-Dec
Interest income ¹⁾	3,949	2,661	1,500	9,853	6,039
Interest expense	-2,621	-1,506	-483	-5,198	-1,925
Net interest income	1,328	1,155	1,017	4,655	4,114
Commission income	14	12	31	91	101
Commission expense	-21	-17	-18	-79	-72
Net result of financial transactions (Note 3)	-79	72	-3	-35	-71
Other operating income	12	11	12	49	50
Total operating income	1,254	1,233	1,039	4,681	4,122
Personnel costs	-208	-208	-223	-823	-786
Other expenses	-156	-120	-166	-530	-589
Depreciation, amortisation and impairment of PPE and intangible assets	-73	-35	-63	-176	-117
Total expenses before credit losses and imposed fees	-437	-363	-452	-1,529	-1,492
Profit before credit losses and imposed fees	817	870	587	3,152	2,630
Net credit losses (Note 4) ²⁾	-19	-20	1	-68	11
Imposed fees: Risk tax and resolution fee ³⁾	-112	-111	-	-445	-
Operating profit	686	739	588	-2,639	2,641
Tax	-147	-155	-131	-558	-560
Net profit for the year/period	539	584	457	2,081	2,081

¹⁾In Q4 2022, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 3,097 million and for the corresponding period the previous year to SEK 1,588 million for the Group.

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

³⁾From January 2022, the resolution fee will be booked on the same legal line as the recently introduced risk tax. The resolution fee has in previous years been booked within net interest income. The resolution fee for the Group during the fourth quarter of 2022 amounts to SEK 45,0 million, and for the corresponding period the previous year to SEK 43,0 million.

Condensed statement of comprehensive income

SEK million	GROUP				
	2022 Q4	2022 Q3	2021 Q4	2022 Jan-Dec	2021 Jan-Dec
Net profit for the period	539	584	457	2,081	2,081
Other comprehensive income					
<i>Components that will be reclassified to profit or loss</i>					
Financial assets measured at FVTOCI	150	-60	32	-133	-13
Changes related to cash-flow hedges, before tax	-671	-2,973	-521	-9,505	-1,813
Tax attributable to components that will be reclassified to profit or loss	108	625	101	1,986	376
<i>Components that will not be reclassified to profit or loss</i>					
Revaluation effects of defined-benefit pension plans, before tax	21	1	-34	119	60
Tax attributable to components that will not be reclassified to profit or loss	-5	-1	7	-25	-12
Other comprehensive income/loss, net of tax	-397	-2,408	-415	-7,558	-1,402
Total comprehensive income/loss for the period	142	-1,824	42	-5,477	679

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

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

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

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

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

Condensed balance sheet

SEK million	GROUP	
	31 Dec 2022	31 Dec 2021
ASSETS		
Cash and balances at central banks	3,534	10,100
Chargeable treasury bills, etc.	29,886	22,549
Lending to credit institutions	20,091	643
Lending to the public (Note 5)	509,492	467,041
Value changes of interest-rate-risk hedged items in macro hedges	-4,944	-563
Bonds and other interest-bearing securities	57,490	50,254
Derivatives (Note 6)	15,943	6,920
Shares and participation in associated companies and joint ventures	3	-
Deferred tax assets	1,664	-
Intangible assets	438	460
Property, plant and equipment	249	274
Other assets	110	249
Prepaid expenses and accrued income	529	410
TOTAL ASSETS	634,485	558,337
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	8,237	16,372
Deposits from the public	182,443	144,950
Issued debt securities, etc.	393,885	364,365
Derivatives (Note 6)	24,934	2,844
Other liabilities	781	532
Accrued expenses and deferred income	2,228	1,886
Deferred tax liabilities	-	304
Provisions	31	143
Subordinated debt	1,997	1,996
Total liabilities	614,536	533,392
Equity		
Share capital	1,958	1,958
Reserves/Fair value reserve	-6,639	919
Additional Tier 1 instruments	5,800	4,300
Retained earnings	16,749	15,687
Net profit for the period	2,081	2,081
Total equity	19,949	24,945
TOTAL LIABILITIES AND EQUITY	634,485	558,337

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 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 period	-	-	-	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
Opening balance, 1 January 2021	1,958	2,321	3,500	15,860	23,639
Additional Tier 1 instruments	-	-	800	-	800
Additional Tier 1 instruments, dividend	-	-	-	-173	-173
Other comprehensive income, net of tax	-	-1,402	-	-	-1,402
Net profit for the year	-	-	-	2,081	2,081
Comprehensive income for the year	-	-1,402	-	2,081	679
Closing balance, 31 December 2021	1,958	919	4,300	17,768	24,945

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

Condensed cash-flow statement

SEK million	GROUP	
	2022	2021
	Jan-Dec	Jan-Dec
Opening cash and cash equivalents	10,742	7,475
OPERATING ACTIVITIES		
Interest and commissions paid/received	4,893	4,252
Outflows to suppliers and employees	-1,797	-1,375
Taxes paid/refunded	-838	-782
Change in assets and liabilities of operating activities	10,067	604
Cash flow from operating activities	12,325	2,699
INVESTING ACTIVITIES		
Change in property, plant and equipment	-12	-36
Change in intangible assets	-57	-130
Acquisition of subsidiaries, participation in associated companies and joint ventures	-3	-31
Cash flow from investing activities	-72	-197
FINANCING ACTIVITIES		
Dividend paid	-832	-
Change in Tier 1 capital instrument	1,500	800
Change in subordinated loan	-	-
Repayment of lease liabilities	-38	-35
Cash flow from financing activities	630	765
Increase/decrease in cash and cash equivalents	12,883	3,267
Closing cash and cash equivalents	23,625	10,742

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 2022	Cash flow	Non-cash items			Closing balance 31 Dec 2022	Opening balance 1 Jan 2021	Cash flow	Non-cash items			Closing balance 31 Dec 2021
			Fair value	Other					Fair value	Other		
Subordinated debt	1,996	-	-	1	1,997	1,995	-	0	1	1,996		
Lease liabilities	208	-38	-	22	192	69	-35	-	174	208		
Additional Tier 1 instruments	4,300	1,500	-	-	5,800	3,500	800	-	-	4,300		
Total	6,504	1,462	-	23	7,989	5,564	765	0	175	6,504		

Note 1 Accounting policies

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

Statutory IFRS is applied for the Parent Company, which means that this interim report has been prepared in compliance with IFRS subject to the additions and exceptions that ensue from the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, the Swedish FSA's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25) and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Introduction of new and changed accounting standards 2022

Accounting principles and calculation methods are, with the exception of the below, unchanged compared to the annual report for 2021.

The resolution fee has previously been reported under Net interest. Since 1 January 2022, the Resolution Fee is reported under the item Imposed fees, where the Risk Tax is also reported. The item Imposed fees is above tax in the Income Statement.

SBAB uses an approximate calculation model for amortized acquisition value for Lending to the public. The approximate calculation model has been refined during quarter 3 2022, which means that set-up fees are periodized over an estimated duration time for the loans. The set-up fee has previously been reported under Net commissions.

During the year, SBAB acquired shares in a joint venture. Companies where SBAB together with one or more parties have a controlling influence are reported as joint ventures. Joint ventures are reported according to the equity method. Profit shares in joint ventures are reported under other operating income in the income statement.

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 6 February 2023.

Note 2 Changes in risks

Credit risk in lending operations

No increase in realised credit risk was noted in lending operations during the fourth quarter of 2022. Despite the prevailing circumstances with the war in Ukraine, a negative economic outlook and falling housing and real estate prices in the Swedish housing market, there has been no significant increase in tendency of delayed payments within either of SBAB's business areas; Retail and Corporate Clients & Tenant-Owners' Associations.

The forward-looking information in the impairment model has been revised during December, as a consequence of the persisting negative global economic development driven by high inflation and rising interest rates. The revision of the macroeconomic outlook considers the realization of price drops in the housing market that were noted in the indexation of the valuations of houses and tenant-owners' rights carried out during the quarter. The updated credit bureau information led to an increase in exposure in credit stage 2 beyond some negative rating grade migrations for retail exposures because of higher interest costs. Overall, this has resulted in increased credit loss provisions during the quarter. Total credit loss allowances amount to SEK 214 million per 31 of December 2022, compared to SEK 197 million per 30 of September 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 December 2022, compared to 55%, 62% and 34% respectively per 30 of September 2022. For more information regarding credit losses, credit loss allowances, credit risk and quality, please see [Note 4](#).

Counterparty credit risk in treasury operations

SBAB models counterparty credit risk according to CRR II Standardised Approach (SA-CCR). Total usage of SBAB's limits to transactional counterparties decreased to SEK 5,063 million as of December 31, 2022 compared to SEK 6,158 million as of December 31, 2021. The change is explained by decrease in both repo and derivatives.

Liquidity risk

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

Market risk

SBAB uses Value at Risk (VaR) to quantify market risk. VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. SBAB's model is a historical model and applies percentiles in historical market data from the past two years. At December 31st 2022, SBAB's VaR amounted to SEK 793 million, compared to SEK 221 million at 31 December 2021. The change is due to higher volatility.

Operational risk

The change of SBAB's core IKT-system is ongoing and complex. Therefore, the project is still a source to exposure for operational risks.

Business risk

Looking at the state of financial markets, and for SBAB, uncertainty related to the corona pandemic has decreased significantly since 2021. Financial markets have however been impacted by the current geopolitical situation and Russia's invasion of Ukraine and its repercussions through, for example, rising inflation. The impact on SBAB's financial position is nevertheless moderate. Business risk is therefore considered to be at a low level. No material changes in the competitive landscape were observed during the year and SBAB has not entered any new, or exited any existing, markets or segments. For more information, please refer to [note RC 6](#) in SBAB's 2022 Annual Report.

Concentration risk

The lending to the ten largest customer groups accounted for 7 percent of total lending volume, which is slightly larger compared to 31 December 2021. For more information on the geographical distribution of the lending portfolio, please refer to [Note 5](#). SBAB also evaluates the capital requirement for concentration risk on a regular basis and quantifies the risk with economic capital risk for credit risk exposures. For more information, please refer to [Note 12](#).

Note 3 Net result of financial transactions

SEK million	GROUP				
	2022	2022	2021	2022	2021
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Gains/losses on interest-bearing financial instruments					
- Change in value of hedged items in hedge accounting	-116	1,999	523	8,823	1,876
- Derivatives in hedge accounting	102	-1,955	-507	-8,842	-1,885
- Other derivatives	-75	12	-10	-12	4
- Interest-bearing securities, Fair Value Option	-7	-12	-6	-41	-35
- Interest-bearing securities at fair value through other comprehensive income	0	0	0	2	6
- Interest-bearing securities at amortised cost	0	0	0	0	0
- Realised gain/loss from financial liabilities at amortised cost	14	12	-7	11	-64
- Loan receivables at amortised cost	4	16	6	26	29
Currency translation effects	-1	0	-2	-2	-2
Total	-79	72	-3	-35	-71

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

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

Note 4 Net credit losses

SEK million	GROUP				
	2022	2022	2021	2022	2021
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Lending to the public					
Confirmed credit losses	-3	-1	-2	-7	-13
Recoveries of previously confirmed credit losses	1	1	1	4	4
Change in provision for the period – credit stage 1	2	-11	-1	-17	0
Change in provision for the period – credit stage 2	-18	-4	-3	-27	11
Change in provision for the period – credit stage 3	-3	2	3	-1	2
Guarantees ¹⁾	0	0	0	0	-2
Net credit losses for the period – lending to the public	-21	-13	-2	-48	2
Loan commitments²⁾					
Change in provision for the period – credit stage 1	7	-8	3	-13	-1
Change in provision for the period – credit stage 2	-5	1	0	-7	10
Change in provision for the period – credit stage 3	-	-	0	-	-
Net credit losses for the period – loan commitments	2	-7	3	-20	9
Other financial instruments					
Change in provision for the period – credit stage 1	0	0	0	0	0
Net credit losses for the period – other financial instruments	0	0	0	0	0
Total	-19	-20	1	-68	11

1) The item includes guarantees for loan commitments.

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

Note 4 Net credit losses, Cont.

During the fourth quarter of 2022 total credit loss provisions increased by SEK 17 million (increased by 21). Loss provisions for loans allocated to credit stage 1 decreased by SEK 2 million (increased by 11) and increased by SEK 18 million (increased by 4) for loans allocated to stage 2. Loss provisions for loans allocated to credit stage 3 increased by SEK 3 million (decreased by 2). The changes in loss provisions subject to loans in credit stage 1 and 2 are attributed to negative rating grade migrations for retail exposures driven by higher interest costs, updated credit bureau information, an indexation of market values for houses and tenant-owners' rights as well as updated forward-looking information. The indexing of the valuations carried out during the quarter for

houses and tenant-owners' rights showed a decrease in housing prices, but the effect was partly offset by the revision of the macroeconomic outlook that considers the realization of price drops in the Swedish housing market. The change in loss provisions subject to loans in credit stage 3 was driven by a net inflow of exposures. Loss provisions for off-balance items consisting of loan commitments and building credits decreased by SEK 2 million (increased by 7) due to decreased exposure towards loan commitments. 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	+1.2%	+2.2%	+2.8%	-0.4%	+0.8%	+2.6%	-3%	+4.4%	+3.6%	-4.0%	+0.0%	+2.8%
Repo rate	3.0%	2.4%	2.3%	3.0%	2.3%	2.1%	3.3%	2.8%	2.6%	3.9%	3.5%	3.2%
Unemployment	7.9%	8.0%	7.8%	8.3%	9.1%	8.9%	10.8%	10.8%	9.8%	8.7%	10.2%	10.6%
House prices, Δ	-3.9%	+1.8%	+4.2%	-5.2%	+1.7%	+5.1%	-13.3%	-3.9%	+4.2%	-19.1%	-15.2%	+0.3%
Prices of tenant-owners' rights, Δ	-3.2%	+3.7%	+5.7%	-4.4%	+3.9%	+6.7%	-12.2%	-3.9%	+5.7%	-19.3%	-12.4%	+1.3%
Property prices, Δ	0.0%	-1.7%	-2.5%	-0.9%	-2.2%	-1.8%	-6%	-9.8%	-4.9%	-9.9%	-18.7%	-11.0%
ECL	SEK 151 million			SEK 157 million			SEK 219 million			SEK 394 million		
Weighted ECL²⁾	SEK 214 million											

1) Not included in the ECL calculation

2) Of which, SEK 183 million was attributable to lending to the public and SEK 31 million to off-balance-sheet items linked to loan commitments and building credits

Impairment model and credit loss provisions

During the fourth quarter SBAB has continuously evaluated the macroeconomic outlook due to the ongoing war in Ukraine and the high inflation, which among other things, is driven by increased energy prices. 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 still based on a negative outlook on the economy in general. Although the Swedish economy in particular is expected to experience limited direct impacts from the war in Ukraine it is sensitive to rising interest rates and the uncertainty in the global economy. All scenarios take into account increasing interest rates and an expected cooling of the Swedish housing market with falling housing and real estate prices.

The revision of the forward-looking information during the fourth quarter together with the indexing of the valuations of houses and tenant-owners' rights maintained the level of credit loss provisions during the quarter. In the revision of the forward-looking information, the scenario weights were also adjusted, where 5 percent of the weight was moved from scenario 3 to scenario 4 because of the continued uncertainty in the Swedish housing market. The updated macroeconomic forecasts together with the re-weighting of scenarios

during the quarter led to a decrease of SEK 16 million. As per 31 of December credit loss provisions amount to SEK 214 million, compared to SEK 197 million per 30 of September 2022. Despite the neutral effect of the abovementioned updates to the forward-looking information and the indexation of market values, the loss provisions have increased during the quarter. The increase is foremost attributed to negative rating grade migrations for retail exposures due to higher interest costs and updated credit bureau information resulting in a net exposure inflow to credit stage 2.

Throughout 2022, SBAB has continuously tracked credit risk in lending portfolio given the macroeconomic developments. In the table above the macroeconomic scenarios applied in the forward-looking information are shown. The underlying credit risk models in the impairment model, which are largely based on customers' payment 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 214 million as per 31 of December 2022.

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 2021, found that overall, new residential mortgage customers continue to have healthy margins to manage repayment of their mortgages even in a worse economic climate. At the end of the fourth quarter 2022, the average loan-to-value (LTV) ratio³⁾ in the mortgage portfolio was 59% (55), and the average residential mortgage loan to customers amounted to SEK 1.9 million (1.9). LTV for new lending was, at the end of the quarter, 71% (71) and the debt-to-income ratio was 3.7 (3.9).

The credit quality of SBAB's lending to property companies, property developers and tenant-owners' associations is also considered good. The average LTV for property companies and tenant-owners' associations at the end of the quarter was 62% (62) and 33% (34) 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 global economic development with high inflation resulting in rising interest rates, the bank has and is working proactively to identify customers who are or could become particularly financially affected. The bank is continuously identifying risks and need for measures for individual customers. Changed market situation can lead to increased credit risk. The bank has increased the frequency of follow-up of customers which 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 exposures' rating grades by expert judgement. During the quarter only a few overrides of the rating grades have been made. No individual credit loss provisions within the business area have been deemed necessary during the quarter.

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

Note 5 Lending to the public

SEK million	GROUP	
	31 Dec 2022	31 Dec 2021
Opening balance, per year	467,041	422,835
New lending for the period	105,404	107,076
Amortisation, repayments	-62,901	-62,870
Confirmed credit losses	-7	-13
Change in provision for expected credit losses ¹⁾	-45	13
Closing balance, per year/period	509,492	467,041

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 Dec 2022	31 Dec 2021
Lending, Residential mortgages	348,980	334,873
Lending, Corporate Clients & Tenant-Owners' Associations	158,362	129,830
Lending, Consumer loans	2,150	2,338
Total	509,492	467,041

Geographical composition

	GROUP			
	Lending, Residential mortgages %		Lending, Corporate Clients & Tenant-Owners' Associations %	
	2022	2021	2022	2021
	Q4	Q4	Q4	Q4
Stockholm area	62.6	63.0	49.2	47.3
Öresund region	10.1	10.2	18.3	19.0
University cities and growth regions	10.5	10.1	16.9	17.4
Gothenburg area	10.7	10.6	8.6	9.1
Other regions	6.1	6.0	7.0	7.2

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	GROUP	
	31 Dec 2022	31 Dec 2021
Credit stage 1		
Gross lending	478,737	446,264
Provision	-62	-45
Total	478,675	446,219
Credit stage 2		
Gross lending	30,567	20,684
Provision	-90	-62
Total	30,477	20,622
Credit stage 3		
Gross lending	371	231
Provision	-31	-31
Total	340	200
Total gross lending	509,675	467,179
Total provisions	-183	-138
Total	509,492	467,041

Lending to the public and provisions

SEK million	GROUP							
	Credit stage 1		Credit stage 2		Credit stage 3			
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.

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

*Refers to new lending, amortizations, redemptions and loan transfers between SBAB and SCBC.

**Refers to revaluation of ECL as well as changes in transaction and modification costs. For further information on changes in provision for the period – credit stages 1, 2 and 3, please refer to Note 4.

Note 6 Derivatives

SEK million	GROUP					
	31 Dec 2022			31 Dec 2021		
	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	7,815	24,810	519,705	3,950	2,173	466,040
Currency-related	8,128	124	86,643	2,970	671	83,819
Total	15,943	24,934	606,348	6,920	2,844	549,859

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

Note 7 Operating segments

SEK million	GROUP					
	Jan–Dec 2022					
	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	3,424	1,231	4,655	–	–	4,655
Commission income	54	37	91	–	–	91
Commission expense	–64	–15	–79	–	–	–79
Net result of financial transactions	–46	11	–35	–	–	–35
Other operating income	47	2	49	–	–	49
Total operating income	3,415	1,266	4,681	–	–	4,681
Salaries and remuneration	–407	–105	–512	–	–	–512
Other personnel costs	–266	–75	–341	30	–	–311
Other expenses	–452	–86	–538	–30	38	–530
Depreciation, amortisation and impairment of PPE and intangible assets	–108	–30	–138	–	–38	–176
Net credit losses	–44	–24	–68	–	–	–68
Imposed fees: Risk tax and resolution fee	–360	–85	–445	–	–	–445
Operating profit	1,778	861	2,639	0	0	2,639
Tax	–376	–182	–558	–	–	–558
Profit after standardised tax	1,402	679	2,081	0	0	2,081
Return on equity, %	9.9	11.8	10.5	–	–	10.5

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

Note 7 Operating segments, Cont.

SEK million	GROUP					
	Jan-Dec 2021					
	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	3,182	932	4,114	-	-	4,114
Commission income	50	51	101	-	-	101
Commission expense	-59	-13	-72	-	-	-72
Net result of financial transactions	-60	-11	-71	-	-	-71
Other operating income	49	1	50	-	-	50
Total operating income	3,162	960	4,122	-	-	4,122
Salaries and remuneration	-396	-99	-495	-	-	-495
Other personnel costs	-247	-67	-314	23	-	-291
Other expenses	-497	-102	-599	-23	33	-589
Depreciation, amortisation and impairment of PPE and intangible assets	-47	-37	-84	-	-33	-117
Net credit losses	1	10	11	-	-	11
Operating profit	1,976	665	2,641	0	0	2,641
Tax	-420	-140	-560	-	-	-560
Profit after standardised tax	1,556	525	2,081	0	0	2,081
Return on equity, %	11.3	10.5	11.1	-	-	11.1

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

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 30 million (23) was transferred between the rows "Other expenses" and "Other personnel costs." The resolution fee for the Group during the fourth quarter of 2022 amounts to SEK 45,0 million, and for the corresponding period last year to SEK 43,0 million. The cost refers to administrative consultants, which pertain to "Other personnel costs" in

the internal monitoring. IFRS 16 is not taken into account in the follow-up of operations. All expenses identified in IFRS 16, with the exception of the interest component, are to be considered as costs for premises. The effect of IFRS 16 on the Group is recognised in the reconciliation against the statutory income statement. For more information on IFRS 16, please refer to [Note G 1](#) in SBAB's 2021 Annual Report.

Note 8 Classification of financial instruments

Financial assets

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

Note 8 Classification of financial instruments, Cont.

Financial assets

GROUP							
31 Dec 2021							
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	-	-	-	-	10,100	10,100	10,100
Chargeable treasury bills, etc.	644	-	-	18,165	3,740	22,549	22,548
Lending to credit institutions	-	-	-	-	643	643	643
Lending to the public	-	-	-	-	467,041	467,041	465,691
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-	-	-563	-563	-
Bonds and other interest-bearing securities	215	-	-	25,619	24,420	50,254	50,384
Derivatives	-	6,586	334	-	-	6,920	6,920
Other assets	-	-	-	-	51	51	51
Prepaid expenses and accrued income	9	-	-	126	227	362	362
Total financial assets	868	6,586	334	43,910	505,659	557,357	556,699

Financial liabilities

GROUP					
31 Dec 2021					
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	-	-	16,372	16,372	16,372
Deposits from the public	-	-	144,950	144,950	144,950
Issued debt securities, etc.	-	-	364,365	364,365	366,733
Derivatives	2,637	207	-	2,844	2,844
Other liabilities	-	-	512	512	512
Accrued expenses and deferred income	-	-	1,837	1,837	1,837
Subordinated debt	-	-	1,996	1,996	1,992
Total financial liabilities	2,637	207	530,032	532,876	535,240

Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in [Note G 1](#) (Accounting Policies) in SBAB's 2021 Annual Report. In the "total fair value" column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet.

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

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

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

Note 9 Fair value disclosures

SEK million	GROUP							
	31 Dec 2022				31 Dec 2021			
	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.	1,202	26,125	–	27,327	3,441	15,368	–	18,809
Bonds and other interest-bearing securities	35,921	–	–	35,921	25,834	–	–	25,834
Derivatives	–	15,943	–	15,943	–	6,920	–	6,920
Prepaid expenses and accrued income	141	–	–	141	135	–	–	135
Total	36,634	42,068	–	78,702	29,410	22,288	–	51,698
Liabilities								
Derivatives	–	24,934	–	24,934	–	2,844	–	2,844
Total	–	24,934	–	24,934	–	2,844	–	2,844

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in [Note G 1](#) (Accounting Policies) in SBAB's 2021 Annual Report. In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement levels used below. No transfers were made between levels in 2021 or 2022.

Quoted market prices (Level 1)

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

Measurement based on observable market data (Level 2)

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

Measurement based in part on unobservable data (Level 3)

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

Note 10 Liquidity reserve and liquidity risk

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

Calculation of survival horizon

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

The survival horizon is calculated by totalling the maximum need of liquidity for each coming day and comparing this to the size of the liquidity portfolio after applicable haircuts. The calculations are based on a crisis scenario in which all loans are assumed to be extended on maturity, meaning that no liquidity is

added through loan redemption, and where no funding is available and deposits decline. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established.

SBAB's survival horizon amounted to 347 days at 31 December 2022 (387 days at 30 September 2022).

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. At 31 December 2022, the LCR was 250% (249% as of 30 September 2022) in all currencies at the consolidated level, and 7,045% (13,461%) and 1 335% (339%), respectively, in EUR and USD. Measured in SEK, the LCR was 192% (195%). The net stable funding ratio (NSFR), amounted to 127.9% (132.5%) according to of Regulation (EU)2019/876 of the European Parliament and the Council.

		CONSOLIDATED SITUATION									
		31 Dec 2022					31 Dec 2021				
		Distribution by currency					Distribution by currency				
SEK billion		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
	Level 1 assets	84.4	66.4	15.9	2.1	-	79.6	60.6	14.8	4.2	-
	Cash and balances with central banks ¹⁾	4.7	4.7	-	-	-	11.5	11.5	-	-	-
	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	33.7	27.9	5.2	0.6	-	28.1	20.7	5.5	1.9	-
	Securities issued by municipalities and public sector entities	11.5	4.0	6.0	1.5	-	12.8	4.8	5.8	2.2	-
	Extremely high quality covered bonds	34.5	29.8	4.7	-	-	27.2	23.6	3.5	0.1	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Level 2 assets	3.5	3.2	0.3	-	-	2.7	2.4	0.3	-	-
	Level 2A assets	3.5	3.2	0.3	-	-	2.7	2.4	0.3	-	-
	Securities issued or guaranteed by sovereigns, central banks, municipalities and public sector entities	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	3.5	3.2	0.3	-	-	2.7	2.4	0.3	-	-
	Corporate debt securities (lowest rating AA-)	-	-	-	-	-	-	-	-	-	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Level 2B assets	-	-	-	-	-	-	-	-	-	-
	Asset-backed securities	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	-	-	-	-	-	-	-	-	-	-
	Corporate debt securities (rated A+ to BBB-)	-	-	-	-	-	-	-	-	-	-
	Shares (major stock index)	-	-	-	-	-	-	-	-	-	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Liquidity reserve	87.9	69.6	16.2	2.1	-	82.3	63.0	15.1	4.2	-

1) Includes central bank facilities.

Note 11 Capital adequacy, own funds and capital requirements

Amendments to the Banking Package

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

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

Buffer requirements

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

Capital adequacy

SEK million	CONSOLIDATED SITUATION				
	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	19,689	19,311	19,076	18,920	18,811
Tier 1 capital	25,489	25,111	24,876	23,220	23,111
Total capital	27,484	27,106	26,871	25,215	25,106
Risk-weighted exposure amounts					
Total risk exposure amount	154,151	151,178	150,145	144,217	138,876
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	12.8	12.8	12.7	13.1	13.5
Tier 1 ratio (%)	16.5	16.6	16.6	16.1	16.6
Total capital ratio (%)	17.8	17.9	17.9	17.5	18.1
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	0.0	0.0	0.0
Systemic risk buffer (%)	-	-	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-	-	-
Other Systemically Important Institution buffer (%)	-	-	-	-	-
Combined buffer requirement (%)	3.5	3.5	2.5	2.5	2.5
Overall capital requirements (%)	14.9	14.9	13.9	13.9	13.9
CET1 available after meeting the total SREP own funds requirements (%)	6.1	6.1	6.0	6.4	6.9

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

SEK million	CONSOLIDATED SITUATION				
	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Leverage ratio					
Total exposure measure	618,926	609,015	601,402	584,238	580,521
Leverage ratio (%)	4.1	4.1	4.1	4.0	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)	81,220	80,669	82,714	82,388	79,000
Cash outflows - Total weighted value	45,867	46,361	45,755	43,867	43,300
Cash inflows - Total weighted value	8,783	9,476	8,983	9,197	9,316
Total net cash outflows (adjusted value)	37,084	36,886	36,772	34,670	33,984
Liquidity coverage ratio (%)	219.0	218.7	224.9	237.6	232.5
Net Stable Funding Ratio					
Total available stable funding	521,568	529,834	512,667	493,513	477,485
Total required stable funding	407,665	399,767	393,909	384,033	371,325
NSFR ratio (%)	127.9	132.5	130.1	128.5	128.6

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 Dec 2022	31 Dec 2021
Common Equity Tier 1 (CET1) capital : Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	16,713	15,653
Accumulated other comprehensive income (and other reserves)	-6,639	919
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	1,282	1,271
Common Equity Tier 1 (CET1) capital before regulatory adjustments	13,314	19,801
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	-101	-55
Intangible assets (net of related tax liability) (negative amount)	-137	-12
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	6,680	-868
Negative amounts resulting from the calculation of expected loss amounts	-19	-53
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-48	-12
Other regulatory adjustments ²⁾	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	6,375	-990
Common Equity Tier 1 (CET1) capital	19,689	18,811
Additional Tier 1 (AT1) capital: Instrument		
Capital instruments and the related share premium accounts	5,800	4,300
– of which, classified as equity under applicable accounting standards	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	4,300
Additional Tier 1 (AT1) capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-
Additional Tier 1 capital (AT1) capital	5,800	4,300
Tier 1 capital (T1=CET1+AT1)	25,489	23,111
Tier 2 (T2) capital: instruments		
Capital instruments and the related share premium accounts	1,995	1,995
Credit risk adjustments	-	0
Tier 2 (T2) capital before regulatory adjustments	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
Total capital (TC=T1+T2)	27,484	25,106
Total risk-exposure amount	154,151	138,876

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

SEK million	CONSOLIDATED SITUATION	
	31 Dec 2022	31 Dec 2021
Capital ratios and requirements including buffers %		
Common Equity Tier 1 capital	12.8	13.5
Tier 1 capital	16.5	16.6
Total capital	17.8	18.1
Institution-CET1 overall capital requirements	10.2	9.2
– of which, capital conservation buffer requirement	2.5	2.5
– of which, countercyclical buffer requirement	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
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	6.1	6.9

1)) Net profit for the year was reduced by the expected dividend of SEK 832 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.

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

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

Risk exposure amounts and capital requirements

SEK million	CONSOLIDATED SITUATION			
	31 Dec 2022		31 Dec 2021	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	30,158	2,413	20,110	1,609
Retail exposures	14,877	1,190	12,889	1,031
– of which, exposures to SMEs	1,066	85	1,070	86
– of which, retail exposures secured by immovable property	13,811	1,105	11,819	945
Total exposures recognised with the IRB approach	45,035	3,603	32,999	2,640
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisations	0	0	0	0
Exposures to institutions ¹⁾	4,747	380	3,904	312
– of which, derivatives according to CRR, Appendix 2	4,734	379	3,739	299
– of which, repos	13	1	164	13
– of which, other	0	0	1	0
Retail exposures	2,112	169	2,705	216
Exposures in default	6	0	5	0
Exposures in the form of covered bonds	4,061	325	3,111	249
Exposures to institutions and corporates with a short-term credit rating	7	1	14	1
Equity exposures	154	12	150	12
Other items	525	42	644	53
Total exposures recognised with standardised approach	11,612	929	10,533	843
Market risk	390	31	341	27
– of which, position risk	–	–	–	–
– of which, currency risk	390	31	341	27
Operational risk	6,035	483	5,547	444
– of which, standardised approach	6,035	483	5,547	444
Credit valuation adjustment risk (CVA risk)	1,429	114	1,665	133
Additional requirements under Article 458 of the CRR	89,650	7,172	87,791	7,023
Additional requirements under Article 3 of the CRR	–	–	–	–
Total risk exposure amount and minimum capital requirements	154,151	12,332	138,876	11,110
Capital requirements for capital conservation buffer		3,854		3,472
Capital requirements for countercyclical buffer		1,564		17
Total capital requirements		17,750		14,599

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,747 million (3,903).

Note 12 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for the Group amounted to SEK 20,764 million (SEK 17,019 million at 31 December 2021). During the second quarter of 2022, the Swedish FSA presented a new Pillar 2 method for pension risk. The internal assessment is that the new method does not impact SBAB's capital requirement. The main part of the increase in Pillar 2 is a result of 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 December 2022 amounted to SEK 22,914 million, of which SEK 5,164 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 Dec 2022		31 Dec 2021	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		SEK million	%	SEK million	%
	Credit risk & CVA risk	4,646	3.0	3,616	2.6
	Market risk	31	0.0	27	0.0
Pillar 1	Operational risk	483	0.3	444	0.3
	Risk-weight floor ¹⁾	7,172	4.7	7,023	5.1
	Total Pillar 1	12,332	8.0	11,110	8.0
	Credit risk	1,279	0.9	1,152	0.8
	Market risk	1,735	1.1	1,207	0.9
Pillar 2	Operational risk	-	-	-	-
	Pension risk	0	0.0	61	0.0
	Total Pillar 2	3,014	2.0	2,420	1.7
	Capital conservation buffer	3,854	2.5	3,472	2.5
Buffers	Countercyclical buffer	1,564	1.0	17	0.0
	Total Buffers	5,418	3.5	3,489	2.5
	Total	20,764	13.5	17,019	12.3
	Total own funds	27,484		25,106	

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–December 2022 compared with January–December 2021

Profit before credit losses and imposed fees was higher compared to last year and amounted to SEK 872 million (482). Net interest income increased during the period and amounted to SEK 870 million (593), 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 52 million (69) 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 57 million (-1). The difference was mainly attributable to value changes in hedging instruments and hedged items. Other operating income increased to SEK 1 330 million

(1 299) and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses decreased to SEK 1 437 million (1 478), mainly due to lower development costs for new regulatory adjustments. Credit losses amounted to SEK 29 million (positive 4), primarily due to increased credit loss allowances linked to growing uncertainty in the operating environment and the increase in interest rates. Fees imposed is a new line in the reporting as of 2022 in which the new Swedish risk tax is included together with the resolution fee, which was previously reported in net interest income. Fees imposed amounted to SEK 144 million (-). Lending to the public totalled SEK 25.8 billion (25.0). Deposits from the public totalled SEK 182.4 billion (145.0). The CET1 capital ratio amounted to 24.1% (28.3%) and the total capital ratio was 43.6% (45.6%). The internally assessed capital requirement was SEK 6,949 million (5,794).

Consolidated income statement

SEK million	PARENT COMPANY				
	2022 Q4	2022 Q3	2021 Q4	2022 Jan–Dec	2021 Jan–Dec
Interest income	1,473	867	383	3,185	1,593
Interest expense	-1,118	-646	-255	-2,315	-1,000
Net interest income	355	221	128	870	593
Commission income	18	15	31	96	106
Commission expense	-13	-10	-11	-44	-37
Net result of financial transactions	-21	78	-15	57	-1
Other operating income	378	318	376	1,330	1,299
Total operating income	717	622	509	2,309	1,960
Personnel costs	-210	-204	-218	-817	-774
Other expenses	-173	-130	-181	-594	-685
Depreciation, amortisation and impairment of PPE and intangible assets	-7	-7	-6	-26	-19
Total expenses before credit losses and imposed fees	-390	-341	-405	-1,437	-1,478
Profit/loss before credit losses and imposed fees	327	281	104	872	482
Net credit losses	1	-10	4	-29	4
Imposed fees; Risk tax and resolution fee	-35	-36	-	-144	-
Impairment of financial assets	-9	-	-30	-9	-30
Operating profit	284	235	78	690	456
Tax	-64	-52	-26	-157	-110
Net profit for the period	220	183	52	533	346

Consolidated statement of comprehensive income

SEK million	PARENT COMPANY				
	2022	2022	2021	2022	2021
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Net profit/loss for the period	220	183	52	533	346
Other comprehensive income					
<i>Components that will be reclassified to profit or loss</i>					
Financial assets measured at FVTOCI	150	-60	32	-133	-13
Changes related to cash-flow hedges	-7	-97	-21	-266	-82
Tax attributable to components that will be reclassified to profit or loss	-30	33	-2	82	20
Other comprehensive income/loss, net of tax	113	-124	9	-317	-75
Total comprehensive income for the period	333	59	61	216	271

Consolidated balance sheet

SEK million	PARENT COMPANY	
	31 Dec 2022	31 Dec 2021
ASSETS		
Cash and balances at central banks	3,534	10,100
Chargeable treasury bills, etc.	29,886	22,549
Lending to credit institutions (Note 13)	147,568	123,419
Lending to the public	25,754	24,974
Bonds and other interest-bearing securities	57,490	50,254
Derivatives	37,712	8,904
Shares and participations in associated companies and joint ventures	3	-
Shares and participations in Group companies	10,452	10,450
Deferred tax assets	38	-
Intangible assets	14	21
Property, plant and equipment	49	57
Other assets	107	198
Prepaid expenses and accrued income	684	285
TOTAL ASSETS	313,291	251,211
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	9,215	16,033
Deposits from the public	182,443	144,950
Issued debt securities, etc.	65,004	63,452
Derivatives	37,430	8,610
Other liabilities	484	278
Accrued expenses and deferred income	437	292
Deferred tax liabilities	-	37
Provisions	31	11
Subordinated debt	1,997	1,996
Total liabilities	297,041	235,659
Equity		
Restricted equity		
Share capital	1,958	1,958
Statutory reserve	392	392
Total restricted equity	2,350	2,350
Unrestricted equity		
Fair value reserve	-152	165
Additional Tier 1 instruments	5,800	4,300
Retained earnings	7,719	8,391
Net profit for the period	533	346
Total unrestricted equity	13,900	13,202
Total equity	16,250	15,552
TOTAL LIABILITIES AND EQUITY	313,291	251,211

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 31 December, 2022, SEK 127,506 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 107,718 million at the end of 2021. This receivable is subordinated in the event of receivership or liquidation, which means that payment is received only after other creditors of the subsidiary have been

paid. Of the total receivable, SEK 17,000 million (11,000) 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 requirement for Swedish exposures has been increased from 0% to 1%, with application from 29 September 2022. The Swedish FSA has informed that the countercyclical buffer value will increase to 2% with application from 22 June 2023. The Government of Denmark has decided to increase the countercyclical buffer requirement from 1% to 2% with application from 31 December 2022. In addition, Bank of Norway decided to raise the countercyclical capital buffer from 1.5% to 2%, effective from 31 December 2022 and thereafter an increase to 2.5% from 31 March 2023.

Capital adequacy

SEK million	PARENT COMPANY				
	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	9,615	9,551	9,730	10,030	10,279
Tier 1 capital	15,415	15,351	15,531	14,330	14,579
Total capital	17,416	17,355	17,527	16,325	16,574
Risk-weighted exposure amounts					
Total risk exposure amount	39,963	41,541	42,487	39,389	36,358
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	24.1	23.0	22.9	25.5	28.3
Tier 1 ratio (%)	38.6	37.0	36.6	36.4	40.1
Total capital ratio (%)	43.6	41.8	41.3	41.4	45.6
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 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
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	0.0	0.0	0.0
Systemic risk buffer (%)	-	-	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-	-	-
Other Systemically Important Institution buffer (%)	-	-	-	-	-
Combined buffer requirement (%)	3.5	3.5	2.5	2.5	2.5
Overall capital requirements (%)	16.2	16.1	15.2	15.1	15.1
CET1 available after meeting the total SREP own funds requirements (%)	16.8	15.8	15.7	18.2	21.1
Leverage ratio					
Total exposure measure	143,087	147,642	169,589	144,680	145,590
Leverage ratio (%)	10.8	10.4	9.2	9.9	10.0
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 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 Dec 2022	31 Dec 2021
Common Equity Tier 1 (CET1) capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	8,110	8,782
Accumulated other comprehensive income (and other reserves)	-152	165
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	-299	-485
Common Equity Tier 1 (CET1) capital before regulatory adjustments	9,618	10,420
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	-141	-73
Intangible assets (net of related tax liability) (negative amount)	-1	-13
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	187	-24
Negative amounts resulting from the calculation of expected loss amounts	-	-19
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-48	-12
Other regulatory adjustments ²⁾	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-3	-141
Common Equity Tier 1 (CET1) capital	9,615	10,279
Additional Tier 1 (AT1) capital: Instrument		
Capital instruments and the related share premium accounts	5,800	4,300
– of which, classified as equity under applicable accounting standards	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	4,300
Additional Tier 1 (AT1) capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-
Additional Tier 1 (AT1) capital	5,800	4,300
Tier 1 capital (T1= CET1+AT1)	15,415	14,579
Tier 2 (T2) capital: Instruments		
Capital instruments and the related share premium accounts	1,995	1,995
Credit risk adjustments	6	-
Tier 2 (T2) capital before regulatory adjustments	2,001	1,995
Tier 2 (T2) capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 (T2) capital	-	-
Tier 2 (T2) capital	2,001	1,995
Total capital (TC= T1+T2)	17,416	16,574
Total risk-exposure amount	39,963	36,358

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

SEK million	PARENT COMPANY	
	31 Dec 2022	31 Dec 2021
Capital ratio and requirements including buffers, %		
Common Equity Tier 1 capital	24.1	28.3
Tier 1 capital	38.6	40.1
Total capital	43.6	45.6
Institution CET1 overall capital requirements	10.7	9.7
– of which, capital conservation buffer requirement	2.5	2.5
– of which, countercyclical buffer requirement	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
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	16.9	21.1

1) Net profit for the year was reduced by the expected dividend of SEK 832 million. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

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

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

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

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

Risk exposure amounts and capital requirements

SEK million	PARENT COMPANY			
	31 Dec 2022		31 Dec 2021	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	11,148	892	8,146	651
Retail exposures	699	56	1,060	85
– of which, exposures to SMEs	91	7	81	7
– of which, retail exposures secured by immovable property	607	49	979	78
Total exposures recognised with the IRB approach	11,847	948	9,206	736
Credit risk recognised with the standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisations	0	0	0	0
Exposures to institutions ¹⁾	4,688	375	3,429	274
– of which, derivatives according to CRR, Appendix 2	4,613	369	3,429	274
– of which, repos	0	0	0	0
– of which, other	75	6	0	0
Retail exposures	2,112	169	2,705	216
Exposures in default	6	0	5	0
Exposures in the form of covered bonds	4,061	325	3,111	249
Exposures to institutions and corporates with a short-term credit rating	6	0	15	1
Equity exposures	10,454	836	10,450	836
Other items	136	11	153	13
Total exposures recognised with standardised approach	21,463	1,717	19,868	1,589
Market risk	84	7	61	5
– of which, position risk	–	–	–	–
– of which, currency risk	84	7	61	5
Operational risk	2,982	239	2,567	205
– of which, standardised approach	2,982	239	2,567	205
Credit valuation adjustment risk (CVA risk)	852	68	870	70
Additional requirements under Article 458 of the CRR	2,736	219	3,786	304
Additional requirements under Article 3 of the CRR	–	–	–	–
Total risk exposure amount and minimum capital requirements	39,963	3,197	36,358	2,909
Capital requirements for capital conservation buffer		999		909
Capital requirements for countercyclical buffer		410		7
Total capital requirements		4,607		3,825

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,613 million (3,429).

Alternative performance measures

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

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

Deposits/lending

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

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

SEK million	GROUP	
	31 Dec 2022	31 Dec 2021
Deposits from the public	182,443	144,950
Lending to the public	509,492	467,041
Deposits/lending, %	35.8	31.0

C/I ratio

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

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

SEK million	GROUP	
	2022	2021
	Jan-Dec	Jan-Dec
Expenses	-1,529	-1,492
Operating income	4,681	4,121
C/I ratio, %	32.7	36.2

1) Adjusted for the move of the resolution fee in the income statement, from net interest income to imposed fees, the C/I ratio for Jan-Dec 2022 amounted to 34.0%.

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	
	2022	2021
	Jan-Dec	Jan-Dec
Expenses	-1,529	-
Operating income excl. move of resolution fee	4,497	-
C/I ratio excl. move of resolution fee, %	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	
	2022	2021
	Jan-Dec	Jan-Dec
Expenses	-1,529	-1,492
Aver. lending to the public	488,267	444,938
C/L ratio, %	0.31	0.34

Return on equity

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

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

SEK million	GROUP	
	2022	2021
	Jan-Dec	Jan-Dec
Operating profit after tax	2,081	2,081
Average equity	19,841	18,772
Return on equity, %	10.5¹⁾	11.1

1) 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	
	2022	2021
	Jan-Dec	Jan-Dec
Operating profit after tax	2 287	-
Average equity	19 943	-
Return on equity excl. risk tax, %	11.5¹⁾	-

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

2) Riskskatten uppgick för jan-dec 2022 till 261 mnkr.

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	
	2022	2021
	Jan-Dec	Jan-Dec
Net interest income	4,655	4,114
Average balance sheet total	596,411	534,848
Net interest margin, %	0.78	0.77

Credit loss ratio

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

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

SEK million	GROUP	
	2022	2021
	Jan-Dec	Jan-Dec
Credit losses	-68	11
Lending to the public	509,492	467,041
Credit loss ratio, %	-0.01	0.00

Share of Stage 3 loans, gross, %

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

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

SEK million	GROUP	
	31 Dec 2022	31 Dec 2021
Gross lending credit stage 3	371	231
Lending to the public	509,492	467,041
Share of Stage 3 loans, %	0.07	0.05

New lending

Definition: Gross lending for the period.

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

Definitions of other key performance indicators

Number of employees (FTEs)	Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence
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

Auditors' review report

Introduction

We have reviewed the year-end report for SBAB Bank AB (publ) for the period 1 January – 31 December 2022. The Board of Directors and the CEO are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this year-end report based on our review.

Scope of review

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the year-end report for the Group is not, in all material aspects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities

Companies and as regards the parent company in accordance the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 6 February, 2023

Deloitte AB

Signature on Swedish original

Patrick Honeth
Authorised Public Accountant

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, 6 February 2023

Mikael Inglander
CEO

Financial calendar

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

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

Credit ratings

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



Contact

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This information was submitted for publication on 7 February 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.

