

# Interim report

January–June 2022

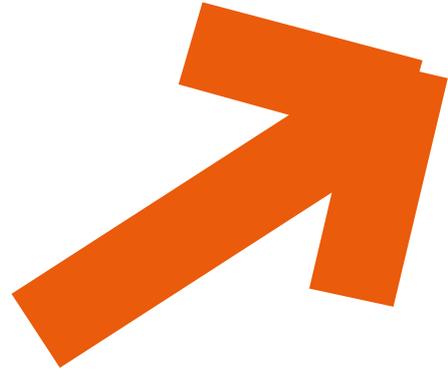


# The period in brief

## January–June 2022

(January–June 2022)

- Operating profit amounted to SEK 1,037 million (1,038)
- Net interest income totalled SEK 1,878 million (1,725)
- Expenses amounted to SEK 641 million (616)
- Net credit losses amounted to SEK 9 million (recoveries: 3).
- The Common Equity Tier 1 (CET1) capital ratio amounted to 15.9% (15.8)
- All funding programmes continue to have the highest credit ratings from Moody's



Net interest income, SEK million

**1,878**  
(1,725)

Lending, SEK billion

**462.0**  
(417.2)

Credit rating (Moody's)

**Aaa**  
(Aaa)





## Operations

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

The Swedish Covered Bond Corporation (SCBC), Corp. Reg. No. 556645-9755, is a wholly-owned subsidiary of SBAB, Corp. Reg. No. 556253-7513. SCBC is a credit market company and is regulated by the Swedish Banking and Financing Business Act (2004:297) and subject to supervision by the Swedish FSA (Sweden's financial supervisory authority). The primary operations within SCBC comprise the issue of covered bonds in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223) and the Swedish FSA's regulation FFFS 2013:1. Issues are conducted both in Swedish and international capital markets. SCBC complies with and reports to the European Covered Bond Council's (ECBC) "Labelling Initiative," and reports on a monthly basis in line with "National templates" as published by the Association of Swedish Covered Bond issuers (ASCB). SCBC is domiciled in Solna and its operating activities are mainly outsourced to the Parent Company.

# Business development



## Overview

SEK million	SCBC			
	2022 Jan-Jun	2021 Jul-Dec	2021 Jan-Jun	2021 Jan-Dec
Net interest income	1,878	1,797	1,725	3,522
Net commission expense	-15	-18	-17	-35
Net result of financial transactions (Note 3)	-27	-13	-57	-70
<b>Total operating income</b>	<b>1,836</b>	<b>1,766</b>	<b>1,651</b>	<b>3,417</b>
Expenses	-641	-689	-616	-1,305
<b>Profit before credit losses and imposed fees</b>	<b>1,195</b>	<b>1,077</b>	<b>1,035</b>	<b>2,112</b>
Net credit losses (Note 4)	-9	4	3	7
Imposed fees: Risk tax and resolution fee	-149	-	-	-
<b>Operating profit</b>	<b>1,037</b>	<b>1,081</b>	<b>1,038</b>	<b>2,119</b>
Tax	-214	-223	-214	-437
<b>Net profit for the period</b>	<b>823</b>	<b>858</b>	<b>824</b>	<b>1,682</b>
<b>BALANCE-SHEET ITEMS</b>				
Lending to the public, SEK billion, at close of period (Note 5)	462,023	442,067	417,167	442,067
– Of which, Lending, Residential mortgages	340,182	330,094	316,620	330,094
– Of which, Lending, Corp. & ToA	121,841	111,973	100,547	111,973
Issued debt securities, etc. at close of period	319,906	303,221	291,827	303,221
<b>KEY METRICS</b>				
CET1 capital ratio, %	15.9	16.3	15.8	16.3
<b>CREDIT RATING (LONG-TERM FUNDING)</b>				
Moody's	Aaa	Aaa	Aaa	Aaa

### January–June 2022 compared with January–June 2021

Operating profit amounted to SEK 1,037 million (1,038) for the period.

#### Net interest income

SCBC's net interest income grew to SEK 1,878 million (1,725), mainly due to higher lending volumes. The resolution fee was moved from net interest income to imposed fees in the first quarter. After adjustment for the resolution fee, which amounted to SEK 74 million (70) for the period, net interest income increased SEK 79 million.

#### Net commission expense

Net commissions increased to an expense of SEK 15 million (expense: 17), mainly attributable to slightly higher commission income related to the corporate lending business.

#### Net result of financial transactions

The net expense from financial transactions was SEK 27 million (expense: 57). The result was mainly due to other interest-rate-related value changes, which were positively impacted by the upturn in interest rates. For more information, please refer to [Note 3](#).

#### Expenses

SCBC's expenses rose to SEK 641 million (616), and mainly comprised fees to SBAB for administrative services in line with the applicable outsourcing agreements. At Group level, the increase in costs was mainly driven by an increased number

of employees and thus higher personnel costs as well as development expenses. The cost trend is progressing according to plan and tracks the operations' development and investment strategy for long-term competitiveness.

#### Credit quality and credit losses

Net credit losses totalled SEK 9 million (recoveries: 3) for the first six months of 2022. Confirmed credit losses totalled SEK 1 million (2). Total credit loss allowances increased SEK 8 million during the period. Provisions increased SEK 5 million (increase: 3) for credit stage 1 loans and SEK 4 million (decrease: 7) for credit stage 2 loans. Provisions for credit stage 3 loans decreased SEK 1 million (decrease: 2). Guarantees that can be utilised remained unchanged in the first six months (decrease: 1). The increased credit loss allowances were mainly attributable to a revision of the forward-looking information in the impairment model taking into account rising interest rates and uncertainty in the global economy resulting from the war in Ukraine. For more information on credit loss allowances and changes in the forward-looking information in the impairment model, please refer to [Note 4](#).

The quality of the credit in SCBC's lending is assessed as very good and the credit risk in each business area (Retail and Corporate Clients & Tenant-Owners' Associations) as low. The 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.

Due to growing uncertainty in the capital market, the Group increased the rate of follow up with customers within 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.

#### Imposed fees

During the first six months of 2022, a new line item was added in the income statement, imposed fees, placed after the item Net credit losses. Imposed fees includes Sweden's new risk tax, implemented during 2022, 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. The risk tax was SEK 75 million for the period. The resolution fee, which was moved from net interest income during the period, was SEK 74 million (70).

#### Lending

SCBC does not conduct any new lending itself but instead acquires loans from SBAB Bank on an ongoing basis. The aim of securing these loans is to include the loans, in part or in full, in the assets that comprise collateral for holders of SCBC's covered bonds. SCBC's lending portfolio comprises loans for residential mortgages, with lending to consumers the largest segment. At the end of the period, SCBC's lending amounted to SEK 462.0 billion (417.2).

## Cover pool data

	SCBC		
	30 Jun 2021	30 Jun 2021	31 Dec 2021
Credit portfolio, SEK billion	462.0	417.2	442.1
Total cover pool, SEK billion	431.4	384.4	407.8
LTV as per ASCB definition <sup>1)</sup> , %	51.1	54.8	52.0
Nominal OC, %	23.4	26.9	29.9

1) Association of Swedish Covered Bond Issuers

#### Cover pool

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

### Funding

Geopolitical unrest following the escalation to and subsequent invasion by Russia of Ukraine dominated the beginning of 2022. In its wake, uncertainty spread about future economic developments, while commodity and energy prices rose sharply, quickly pushing inflation outcomes higher. In pace with receding concerns about the war spreading, the market gradually became increasingly dominated by the actual and communicated future actions of central banks in the form of interest rate hikes and reduced quantitative easing. In March, the US central bank, the Federal Reserve, raised its key interest rate 25 bps to 0.50%.

In the second quarter, the market increased its focus on inflation outcomes and measures by central banks. Inflation outcomes supported further interest rate hikes and the market continued to raise expectations for further hikes moving forward. For the first time in more than two years, the Riksbank decided to adjust the key interest rate on two occasions (25 basis points to 0.25% and 50 basis points to 0.75%, respectively) while on two occasions the Fed in the US raised the equivalent interest rate a total of 125 basis points to 1.75%. The market expects the ECB to follow suit. In connection with the increases, it was also announced that continued tightening is to be expected until inflation has fallen back or is assessed to fall back. A continued tapering of quantitative easing was also signalled by the central banks.

Overall, short and long interest rates rose substantially in the first six months of 2022 in parallel with credit spreads generally widening and leading stock indices falling.

During the period, SCBC has maintained relatively high funding activity in the capital markets. The majority of the funding was raised through the Swedish benchmark market for covered bonds, where the volume outstanding of SCBC bonds continues to grow. A covered public offering of EUR 1.25 billion with a maturity of 10 years was carried out in May. Credit spreads in the Swedish and the European covered bond markets have gradually widened over the six-month period and a Swedish five-year covered bond is now higher than when Covid-19 was declared a pandemic in March 2020.

On 30 June 2022, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 319.9 billion (291.8), distributed as follows: Swedish covered bonds SEK 218.5 billion (189.6) and the Euro Medium Term Covered Note Programme SEK 101.4 billion (102.2).

During the period, issued securities amounted to SEK 57.4 billion (55.7). At the same time, securities amounting to SEK 8.1 billion (8.0) were repurchased, while securities amounting to SEK 21.3 billion (18.1) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities of SEK 19.0 billion (28.0) in the period.

### Liquidity

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

### Capital position

SCBC primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised approach. The Swedish FSA has previously announced that it expects Swedish banks to analyse and update their current risk classification systems to be able to meet the new EBA guidelines. SBAB has therefore, over an extended period, worked on preparing new internal risk classification models, which are expected to be implemented after the decision from the Swedish FSA.

SCBC's total capital ratio and CET1 capital ratio amounted to 15.9% (15.8) on 30 June 2022. The change was mainly driven by increased lending volumes (REA). Net profit is included in own funds.

The internally assessed capital requirement amounted to SEK 13.5 billion (11.2) on 30 June 2022. The change was mainly due to raised requirements in Pillar 1 pertaining to credit risk as a result of increased lending and its impact on the risk-weight floor. For more information on SCBC's capital, please refer to [Note 10](#).





# Other information

## Risks and uncertainties

On 24 February 2022, Russia launched a major military attack on Ukraine. Widespread disruption and volatility in the international financial markets has arisen from the situation in Eastern Europe and, going forward, the situation is expected to continue to affect the global economy and global financial markets.

Despite the prevailing circumstances, no noteworthy changes have been noted with regard to SCBC's financial position. The company's balance sheet is strong, and the capital and liquidity buffers are assessed as robust. No material changes have been noted in terms of credit risk in the lending portfolio.

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. SCBC could be adversely affected by a sustained downturn in the Swedish economy, including demand for some of the company's lending, increased

funding costs, increased volatility in the fair value of financial instruments, reduced interest income and increased credit provisions.

For a more detailed description of risks and uncertainties for the Group, refer to SBAB's Interim Report Jan–Jun 2022.

For further information about risks and risk management, please refer to SCBC's 2020 Annual Report.

## Annual General Meeting

SCBC held its Annual General Meeting on 27 April 2022. The AGM resolved to elect the following Board members: Jan Sinclair (Chairman) (re-elected), Jane Lundgren Ericsson (re-elected), Synnöve Trygg (re-elected) and Mikael Inghander (re-elected).

## Events after the end of the period

No significant events occurred after the end of the period.

## Auditors' review report

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

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# Condensed income statement

SEK million	SCBC			
	2022	2021	2021	2021
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Interest income	2,934	2,760	2,757	5,517
Interest expense	-1,056	-963	-1,032	-1,995
<b>Net interest income</b>	<b>1,878</b>	<b>1,797</b>	<b>1,725</b>	<b>3,522</b>
Commission income	14	11	13	24
Commission expense	-29	-29	-30	-59
Net expense from financial transactions (Note 3)	-27	-13	-57	-70
Other operating income	0	0	0	0
<b>Total operating income</b>	<b>1,836</b>	<b>1,766</b>	<b>1,651</b>	<b>3,417</b>
General administrative expenses	-634	-684	-610	-1,294
Other operating expenses	-7	-5	-6	-11
<b>Total expenses before loan losses and imposed fees</b>	<b>-641</b>	<b>-689</b>	<b>-616</b>	<b>-1,305</b>
<b>Profit before loan losses and imposed fees</b>	<b>1,195</b>	<b>1,077</b>	<b>1,035</b>	<b>2,112</b>
Net credit losses (Note 4)	-9	4	3	7
Imposed fees: Risk tax and resolution fee <sup>1)</sup>	-149	-	-	-
<b>Operating profit</b>	<b>1,037</b>	<b>1,081</b>	<b>1,038</b>	<b>2,119</b>
Tax on operating profit for the period/year	-214	-223	-214	-437
<b>Net profit for the period/year</b>	<b>823</b>	<b>858</b>	<b>824</b>	<b>1,682</b>

<sup>1)</sup> 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 2022 for the period amounts to SEK 74,0 million, and for the corresponding period the previous year to SEK 69,6 million.

For the period, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 3,065 million (2,841).

# Condensed statement of comprehensive income

SEK million	SCBC			
	2022	2021	2021	2021
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
<b>Net profit for the period</b>	<b>823</b>	<b>858</b>	<b>824</b>	<b>1,682</b>
<i>Components that will be reclassified to profit or loss</i>				
Changes related to cash-flow hedges	-5,699	-697	-1,034	-1,731
Tax attributable to components that will be reclassified to profit or loss	1,174	144	213	357
<b>Other comprehensive income/loss, net of tax</b>	<b>-4,525</b>	<b>-553</b>	<b>-821</b>	<b>-1,374</b>
<b>Total comprehensive income for the period</b>	<b>-3,702</b>	<b>305</b>	<b>3</b>	<b>308</b>

# Condensed balance sheet

SEK million	SCBC		
	30 Jun 2022	31 Dec 2021	30 Jun 2021
<b>ASSETS</b>			
Lending to credit institutions	99	1	0
Lending to the public (Note 5)	462,023	442,067	417,167
Value changes of interest-rate-risk hedged items in macro hedges	-4,580	-563	-156
Derivatives (Note 6)	9,158	5,902	6,799
Deffered tax assets	948	-	-
Other assets	565	49	341
Prepaid expenses and accrued income	235	118	191
<b>TOTAL ASSETS</b>	<b>468,448</b>	<b>447,574</b>	<b>424,342</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	4,182	15,414	15,178
Debt securities issued, etc.	319,906	300,913	291,827
Derivatives (Note 6)	16,755	2,120	1,880
Other liabilities	99	43	41
Accrued expenses and deferred income	580	1,614	445
Deferred tax liabilities	0	225	368
Subordinated debt to the Parent Company (Note 9)	111,101	107,718	95,357
<b>Total liabilities</b>	<b>452,623</b>	<b>428,047</b>	<b>405,096</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	50	50	50
<b>Total restricted equity</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>Unrestricted equity</b>			
Shareholder contribution	9,550	9,550	9,550
Fair value reserve	-3,682	843	1,396
Retained earnings	9,084	7,402	7,426
Net profit for the year	823	1,682	824
<b>Total unrestricted equity</b>	<b>15,775</b>	<b>19,477</b>	<b>19,196</b>
<b>Total equity</b>	<b>15,825</b>	<b>19,527</b>	<b>19,246</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>468,448</b>	<b>447,574</b>	<b>424,342</b>

# Condensed statement of changes in equity

SEK million	SCBC					
	Restricted equity	Unrestricted equity				Total equity
	Share capital	Fair value reserve	Shareholder contribution	Retained earnings	Net profit for the year	
<b>Opening balance 1 January 2022</b>	50	843	9,550	9,084	–	19,527
Other comprehensive income, net of tax	–	–4,525	–	–	–	–4,525
Group contribution paid, after tax	–	–	–	–	–	–
Net profit for the period	–	–	–	–	823	823
<b>Comprehensive income for the period</b>	–	–4,525	–	–	823	–3,702
<b>Closing balance 30 June 2021</b>	50	–3,682	9,550	9,084	823	15,825
<b>Opening balance 1 January 2021</b>	50	2,217	9,550	7,426	–	19,243
Other comprehensive income, net of tax	–	–821	–	–	–	–821
Group contribution paid, after tax	–	–	–	–	–	–
Net profit for the period	–	–821	–	–	824	824
<b>Comprehensive income for the period</b>	50	–1,396	9,550	7,426	824	19,246
<b>Closing balance 30 June 2021</b>						
<b>Opening balance 1 January 2021</b>	50	2,217	9,550	7,426	–	19,243
Other comprehensive income, net of tax	–	–1,374	–	–	–	–1,374
Group contribution paid, after tax	–	–	–	–24	–	–24
Net profit for the period	–	–	–	–	1,682	1,682
<b>Comprehensive income for the period</b>	–	–1,374	–	–	1,682	308
<b>Closing balance 31 December 2021</b>	50	843	9,550	7,402	1,682	19,527

# Condensed cash-flow statement

SEK million	SCBC		
	2022	2021	2021
	Jan-Jun	Jan-Jun	Jan-Dec
Opening cash and cash equivalents	1	1	1
<b>OPERATING ACTIVITIES</b>			
Interest and commissions paid/received	818	608	3,541
Outflows to suppliers and employees	-791	-616	-1,306
Taxes paid/refunded	-250	-125	-500
Change in assets and liabilities of operating activities	-3,062	15,039	811
<b>Cash flow from (used in) operating activities</b>	<b>-3,285</b>	<b>14,906</b>	<b>2,546</b>
<b>INVESTING ACTIVITIES</b>			
Cash flow from investing activities	-	-	-
<b>FINANCING ACTIVITIES</b>			
Group contribution paid	-	-749	-749
Dividend paid	-	-	-
Change in subordinated debt	3,383	-14,158	-1,797
<b>Cash flow from financing activities</b>	<b>3,383</b>	<b>-14,907</b>	<b>-2,546</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>98</b>	<b>-1</b>	<b>0</b>
<b>Closing cash and cash equivalents</b>	<b>99</b>	<b>0</b>	<b>1</b>

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

## Change in liabilities attributable to financing activities

SEK million	SCBC										
	Opening balance 1 Jan 2022	Cash flow	Non-cash items			Opening balance 1 Jan 2021	Cash flow	Non-cash items			Closing balance 30 Jun 2021
			Fair value	Other	Closing balance 30 Jun 2022			Fair value	Other		
Long-term interest-bearing liabilities	107,718	3,383	-	-	111,101	109,515	-14,158	-	-	95,357	
<b>Total</b>	<b>107,718</b>	<b>3,383</b>	<b>-</b>	<b>-</b>	<b>111,101</b>	<b>109,515</b>	<b>-14,158</b>	<b>-</b>	<b>-</b>	<b>95,357</b>	

## Note 1 Accounting policies

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

### Introduction of new and changed accounting standards 2022

Accounting principles and calculation methods are unchanged compared with the annual report for 2021. The financial statements in summary are produced on the basis of an assumption about the company's survival. The financial reports in summary was approved by the board for publication on 18 July 2022.

## Note 2 Changes in risks

### Credit risk in lending operations

No increase in realised credit risk was noted in lending operations during the first half of 2022. Despite the prevailing circumstances with the war in Ukraine, increasing interest rates and indications of slightly falling housing and real estate prices, there has been no increased tendency of delayed payments within either of SCBC's business areas; Retail and Corporate Clients & Tenant-Owners' Associations. The forward-looking information in the impairment model have been revised twice during the half-year, in March and June, as a consequence of the global economic development driven by rising interest rates. This has resulted in an increase in credit loss provisions due to the forward looking-information taking into consideration a more negative macroeconomic outlook. Total credit loss allowances amount to SEK 127 million per 30 of June 2022, compared to SEK 119 million per 31 of December 2021. The loan-to-value (LTV) for private individuals, property companies and tenant-owners' associations amount to 54%, 62% and 34% respectively per 30 of June 2022, compared to 55%, 63% and 35% respectively per 31 of December 2021. For more information regarding credit losses, credit loss allowances, credit risk and quality, please see [Note 4](#).

### Counterparty credit risk in treasury operations

SCBC models counterparty credit risk according to CRR II Standardised Approach (SA-CCR). Total usage of SCBC's limits to transactional counterparties increased to SEK 918 million as of June 30th, 2022, compared to SEK 335 million as of December 31, 2021. The change is explained by increase in derivative exposures.

### Liquidity risk

Liquidity risk in SCBC is managed in cooperation with SBAB. SCBC has an agreement with SBAB regarding a liquidity facility which can be used to finance SCBC's operations. At the end of Q2 OC <sup>1)</sup> amounted to 28.4% (30.7% as of 31 March 2022).

### Market risk

SCBC uses Value at Risk (VaR) to quantify market risk. VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. SCBC's model is a historical model and applies percentiles in historical market data from the past two years. At 30 June 2022, SCBC's VaR amounted to SEK 214 million, compared with SEK 183 million at 31 March 2022.

1) OC (Over-Collateralization) measures the Over-Collateralization level in the cover pool. Regulated by "lagen om utgivning av säkerställda obligationer (SFS 2003:1223)" and recommendations from Swedish FSA.

### Operational risk

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

### Business risk

Looking at the state of financial markets, and for SCBC, 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 attack on Ukraine and its repercussions through, for example, rising inflation. The impact on SCBC'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 SCBC has not entered any new, or exited any existing, markets or segments.

### Concentration risk

SCBC is mainly exposed to credit risk-related concentration risk in the lending business. The risk department continuously monitors and analyzes the lending portfolio's concentration based on, among other things, geography, collateral, segments and product type. In addition, large exposures to individual counterparties are monitored on an ongoing basis. SCBC evaluates the capital requirement for concentration risk on a regular basis and quantifies the risk with economic capital for credit risk exposures. For more information, please see [Note 11](#).

### Note 3 Net result of financial transactions

SEK million	SCBC			
	2022	2021	2021	2021
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
<b>Gains/losses on interest-bearing financial instruments</b>				
- Change in value of hedged items in hedge accounting	7,510	1,211	1,172	2,383
- Derivatives in hedge accounting	-7,565	-1,204	-1,197	-2,401
- Other derivatives	38	-6	-10	-16
- Realised gain/loss from financial liabilities at amortised cost	-15	-30	-34	-64
- Loan receivables at amortised cost	4	16	12	28
Currency translation effects	1	0	0	0
<b>Total</b>	<b>-27</b>	<b>-13</b>	<b>-57</b>	<b>-70</b>

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

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

### Note 4 Net credit losses

SEK million	SCBC			
	2022	2021	2021	2021
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
<b>Lending to the public</b>				
Confirmed credit losses	-1	-1	-2	-3
Recoveries of previously confirmed credit losses	-	-	-	-
Change in provision for the period – credit stage 1	-5	4	-3	1
Change in provision for the period – credit stage 2	-4	3	7	10
Change in provision for the period – credit stage 3	1	-1	2	1
Guarantees	0	-1	-1	-2
<b>Net credit losses for the period – lending to the public</b>	<b>-9</b>	<b>4</b>	<b>3</b>	<b>7</b>

For further information about definitions and assumptions for judgements and calculations of credit risk and the various credit stages under IFRS 9, refer to SCBC's 2021 Annual Report, note G 1 (Accounting policies).

During the first half of 2022 total credit loss provisions increased by SEK 8 million. Loss provisions for loans allocated to credit stage 1 increased by SEK 5 million (decreased by 4) and increased by SEK 4 million (decreased by 3) for loans allocated to stage 2. Loss provisions for loans allocated to credit stage 3 decreased by SEK 1 million (increased by 1). The changes in credit loss provisions are attributed to the updated forward-looking information but also to an indexation of market values for collaterals that was conducted during May.

The indexation resulted at the time in increased market values. The revised forward-looking information projects further increased interest rates and an overall cooling of the Swedish housing market, which indicates higher credit risk in the impairment model. The changes in credit loss provisions for credit stage 3 are driven by loan repayments. Guarantee amounts that can be utilised to cover credit losses were unchanged (unchanged) during the half-year.

## Note 4 Net credit losses, Cont.

### Sensitivity analysis of forward-looking information

#### Lending to the public and loan commitments

Factors	Scenario 1 (40%)			Scenario 2 (20%)			Scenario 3 (25%)			Scenario 4 (15%)		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
GDP <sup>1)</sup> , Δ	+2.2%	+1.7%	+1.9%	+2.0%	+0.3%	+0.4%	-0.9%	-5.1%	+5.3%	+0.7%	-3.5%	-0.8%
Repo rate	1.2%	1.9%	2.3%	1.2%	1.9%	2.2%	1.4%	2.2%	2.6%	1.5%	2.9%	3.3%
Unemployment	7.5%	7.3%	7.4%	7.6%	7.9%	8.5%	8.3%	10.5%	9.9%	7.6%	8.5%	9.8%
House prices, Δ	-9.8%	-5.7%	+0.2%	-11.1%	-6.0%	+0.4%	-18.2%	-13.4%	-0.6%	-24.9%	-23.7%	-7.2%
Prices of tenant-owners' rights, Δ	-9.9%	-8.7%	-1.2%	-11.1%	-9.0%	-1.0%	-19.1%	-16.6%	-2.7%	-25.8%	-26.8%	-8.3%
Property prices, Δ	+3.9%	+0.4%	-2.6%	+3.1%	-0.3%	-2.5%	-1.8%	-8.9%	-6.8%	-5.8%	-18.4%	-14.4%
<b>ECL</b>	<b>SEK 70 million</b>			<b>SEK 74 million</b>			<b>SEK 133 million</b>			<b>SEK 330 million</b>		
<b>Weighted ECL</b>	<b>SEK 127 million</b>											

1) Not included in the ECL calculation

#### Impairment model and credit loss provisions

During 2022 SCBC has continuously evaluated the macroeconomic outlook due to the war in Ukraine and the high inflation, which has a broad effect on interest rates. As a result of this, the forward-looking information has been revised twice during the half-year with updated macroeconomic forecasts. The forward-looking information is applied in the impairment model and thus used to calculate expected credit losses (ECL). The updated macroeconomic forecasts are based on a slightly more negative outlook on the economy in general. The Swedish economy in particular is expected to experience limited impacts from the war in Ukraine but is still sensitive to increasing interest rates and the uncertainty in the global economy. All scenarios do take into account increasing interest rates and an expected cooling of the Swedish housing market with falling housing and real estate prices.

The revisions of the forward-looking information during the first half of 2022 preceded an increase in credit loss provisions of SEK 8 million. As per 30 of June credit loss provisions amount to SEK 127 million, compared to SEK 119 million per 31 of December 2021. Throughout 2022, SCBC has frequently tracked credit risk in lending portfolio given the macroeconomic developments. In the table above the respective macroeconomic scenarios applied in the forward-looking information are shown. The underlying credit risk models in the impairment model, which are largely based on customers' payment behavior along with market values of collateral, show still no sign of deterioration in credit risk despite the slightly falling housing and real estate prices which have been observed recently. SBAB is comfortable with the size of the credit loss provisions, totaling SEK 127 million (119) as per 30 of June 2022.

#### Overall credit quality

The credit quality of SCBC's lending portfolio remains good, and the risks entailed in the lending to private individuals are low. The granting of loans is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their obligations. The Swedish FSA's annual mortgage market survey, based on data from 2021, found that overall, new residential mortgage customers continue to have healthy margins

to manage repayment of their mortgages even in a worse economic climate. At the end of the first half of 2022, the average loan-to-value (LTV) ratio<sup>2)</sup> in the mortgage portfolio was 54% (55).

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% (63) and 34% (35) respectively. In this business area Corporate Clients & Tenant-Owners' Associations, the granting of loans is based on an assessment of customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the pandemic followed by the war in Ukraine and in addition the high inflation resulting in rising interest rates, the bank has and is working proactively to identify customers who are or could become particularly financially affected.

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

2) 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. SCBC 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	SCBC		
	30 Jun 2022	31 Dec 2021	30 Jun 2021
Opening balance	442,067	398,029	398,029
Transferred to/from Group entities	42,706	90,073	42,874
Amortisation, repayments, etc.	-22,741	-46,044	-23,740
Confirmed credit losses	-1	-3	-2
Change in provision for expected credit losses <sup>1)</sup>	-8	12	6
<b>Closing balance</b>	<b>462,023</b>	<b>442,067</b>	<b>417,167</b>

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

### Distribution of lending, including provisions

SEK million	SCBC		
	30 Jun 2022	31 Dec 2021	30 Jun 2021
Lending, Residential mortgages	340,182	330,094	316,620
Lending, Corporate Clients & Tenant-Owners' Associations	121,841	111,973	100,547
<b>Total</b>	<b>462,063</b>	<b>442,067</b>	<b>417,167</b>

## Note 5 Lending to the public, Cont.

### Lending to the public by credit stage

SEK million	SCBC		
	30 Jun 2022	31 Dec 2021	30 Jun 2021
<b>Credit stage 1</b>			
Gross carrying amount	443,109	422,471	400,602
Provision for expected credit losses	-45	-40	-45
<b>Carrying amount</b>	<b>443,064</b>	<b>422,431</b>	<b>400,557</b>
<b>Credit stage 2</b>			
Gross carrying amount	18,834	19,500	16,476
Provision for expected credit losses	-59	-55	-58
<b>Carrying amount</b>	<b>18,775</b>	<b>19,445</b>	<b>16,418</b>
<b>Credit stage 3</b>			
Gross carrying amount	207	215	214
Provision for expected credit losses	-23	-24	-22
<b>Carrying amount</b>	<b>184</b>	<b>191</b>	<b>192</b>
<b>Gross carrying amount (credit stages 1, 2 and 3)</b>	<b>462,150</b>	<b>442,186</b>	<b>417,292</b>
<b>Provision for expected credit losses (credit stages 1, 2 and 3)</b>	<b>-127</b>	<b>-119</b>	<b>-125</b>
<b>Total</b>	<b>462,063</b>	<b>442,067</b>	<b>417,167</b>

### Lending to the public and provisions

SEK million	SCBC							
	Credit stage 1 Capital	Provision	Credit stage 2 Capital	Provision	Credit stage 3 Capital	Provision	Capital	Provision
<b>Opening balance 1 January 2022</b>	<b>422,471</b>	<b>-40</b>	<b>19,500</b>	<b>-55</b>	<b>215</b>	<b>-24</b>	<b>442,186</b>	<b>-119</b>
Moved to credit stage 1	5,606	-10	-5,604	10	-2	0	0	0
Moved to credit stage 2	-5,254	2	5,267	-2	-13	0	0	0
Moved to credit stage 3	-10	0	-46	1	56	-1	0	0
Volume change*	20,804	-10	-535	2	-47	3	20,222	-5
Revaluation**	-508	13	252	-15	-1	-2	-257	-4
Confirmed credit losses	0	0	0	0	1	1	-1	1
<b>Closing balance 30 June 2022</b>	<b>443,109</b>	<b>-45</b>	<b>18,834</b>	<b>-59</b>	<b>207</b>	<b>-23</b>	<b>462,150</b>	<b>-127</b>

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

\*\* Refers to revaluation of ECL as well as changes in transaction and modification costs.

SEK million	SCBC							
	Credit stage 1 Capital	Provision	Credit stage 2 Capital	Provision	Credit stage 3 Capital	Provision	Capital	Provision
<b>Opening balance 1 January 2021</b>	<b>380,031</b>	<b>-42</b>	<b>17,911</b>	<b>-64</b>	<b>218</b>	<b>-25</b>	<b>398,160</b>	<b>-131</b>
Moved to credit stage 1	10,683	-27	-10,659	26	-24	1	0	0
Moved to credit stage 1	-8,598	2	8,626	-3	-28	1	0	0
Moved to credit stage 3	-48	0	-82	2	130	-2	0	0
Volume change*	38,706	-11	3,723	-5	-75	5	42,354	-11
Revaluation**	1,697	38	-19	11	-3	-5	1,675	22
Confirmed credit losses	0	0	0	0	-3	1	-3	1
<b>Closing balance 31 December 2021</b>	<b>422,471</b>	<b>-40</b>	<b>19,500</b>	<b>-55</b>	<b>215</b>	<b>-24</b>	<b>442,186</b>	<b>-119</b>

\* 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.

## Note 6 Derivatives

SEK million	SCBC					
	30 Jun 2022			31 Dec 2021		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate-related	4,585	16,755	433,998	3,474	1,536	380,597
Currency-related	4,573	-	75,202	2,428	584	69,019
<b>Total</b>	<b>9,158</b>	<b>16,755</b>	<b>509,200</b>	<b>5,902</b>	<b>2,120</b>	<b>449,616</b>

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

## Note 7 Classification of financial instruments

### Financial assets

SEK million	SCBC				
	30 Jun 2022				
	Financial assets measured at FVTPL		Financial assets measured at amortised cost	Total	Total fair value
Derivatives (held for trading)	Other (obligatory) classification				
Lending to credit institutions	-	-	99	99	99
Lending to the public	-	-	462,023	462,023	457,607
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-4,580	-4,580	-
Derivatives	9,094	64	-	9,158	9,158
Other assets	-	-	565	565	565
Prepaid expenses and accrued income	-	-	157	157	157
<b>Total</b>	<b>9,094</b>	<b>64</b>	<b>458,264</b>	<b>467,422</b>	<b>467,586</b>

### Financial liabilities

SEK million	SCBC				
	30 Jun 2022				
	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
Derivatives (held for trading)	Held for trading				
Liabilities to credit institutions	-	-	4,182	4,182	4,182
Issued debt securities, etc.	-	-	319,906	319,906	309,063
Derivatives	16,754	1	-	16,755	16,755
Other liabilities	-	-	163	163	163
Accrued expenses and deferred income	-	-	580	580	580
Subordinated debt to the Parent Company	-	-	111,101	111,101	111,101
<b>Total</b>	<b>16,754</b>	<b>1</b>	<b>435,932</b>	<b>452,687</b>	<b>441,844</b>

## Not 7 Classification of financial instruments, Cont.

### Financial assets

SCBC					
31 Dec 2021					
SEK million	Financial assets measured at FVTPL		Financial assets measured at amortised cost	Total	Total fair value
	Derivatives (held for trading)	Other (obligatory) classification			
Lending to credit institutions	-	-	1	1	1
Lending to the public	-	-	442,067	442,067	440,636
Value changes of interest-rate-risk hedged items in macro hedges	-	-	-563	-563	-
Derivatives	5,890	12	-	5,902	5,902
Other assets	-	-	23	23	23
Prepaid expenses and accrued income	-	-	118	118	118
<b>Total</b>	<b>5,890</b>	<b>12</b>	<b>441,646</b>	<b>447,548</b>	<b>446,680</b>

### Financial liabilities

SCBC					
31 Dec 2021					
SEK million	Financial liabilities measured at FVTPL		Financial liabilities measured at amortised cost	Total	Total fair value
	Derivatives (held for trading)	Held for trading			
Liabilities to credit institutions	-	-	15,414	15,414	15,414
Issued debt securities, etc.	-	-	300,913	300,913	303,221
Derivatives	2,119	1	-	2,120	2,120
Other liabilities	-	-	43	43	43
Accrued expenses and deferred income	-	-	1,614	1,614	1,614
Subordinated debt to the Parent Company	-	-	107,718	107,718	107,718
<b>Total</b>	<b>2,119</b>	<b>1</b>	<b>425,702</b>	<b>427,822</b>	<b>430,130</b>

#### Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SCBC's Annual Report 2021. In the total fair value column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet. The carrying amounts for current receivables and liabilities, including subordinated debt to the Parent Company, have

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

## Note 8 Fair Value Disclosures

SEK million	SCBC							
	30 Jun 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
<b>Assets</b>								
Derivatives	-	9,158	-	9,158	-	5,902	-	5,902
<b>Total</b>	-	<b>9,158</b>	-	<b>9,158</b>	-	<b>5,902</b>	-	<b>5,902</b>
<b>Liabilities</b>								
Derivatives	-	16,755	-	16,755	-	2,120	-	2,120
<b>Total</b>	-	<b>16,755</b>	-	<b>16,755</b>	-	<b>2,120</b>	-	<b>2,120</b>

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided provided in Note 9.1 (Accounting Policies) in SCBC's Annual Report 2020. 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. This measurement method is currently not used on any asset or liability.

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

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

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

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

## Note 9 Subordinated debt to the Parent Company

SEK million	SCBC		
	30 Jun 2022	31 Dec 2021	30 Jun 2021
Subordinated debt to the Parent Company	111,101	107,718	95,357
- Of which Internal Group MREL instrument	11,000	11,000	6,000
<b>Summa</b>	<b>111,101</b>	<b>107,718</b>	<b>95,357</b>

### Terms and conditions governing subordination

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

### Internal Group MREL instrument

Of the subordinated debt to the Parent Company SBAB Bank AB (publ), SEK 11,000 million comprises an internal Group debt instrument (senior non-preferred notes) that was issued by SCBC to the Parent Company in December 2019 for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office in SCBC. The internal Group MREL instrument is subordinate to other subordinated debt to the Parent Company.

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

### Amendments to the Banking Package

The 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 percent 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

During the first quarter 2020, the Swedish FSA reduced the countercyclical buffer requirement for banks from 2.5% to 0%, due to the corona pandemic. The Swedish FSA announced an increase in the countercyclical capital buffer requirement to 1% with application from 29 September 2022 and to 2% from 22 June 2023. The Government of Denmark has decided to increase the countercyclical buffer requirement from 0% to 1% with application from 30 September 2022. An additional increase to 2 % is announced with application from 31 December 2022. In addition, Bank of Norway decided in June, to raise the countercyclical capital buffer from 1% to 1.5%, effective from 30 June 2022 and thereafter an increase to 2% from 31 December 2022 followed by a further increase to 2.5% with application from 31 March 2023.

## Capital adequacy

SEK million	SCBC				
	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
<b>Available own funds (amounts)</b>					
Common Equity Tier 1 (CET1) capital	19,112	18,873	18,651	17,756	17,476
Tier 1 capital	19,112	18,873	18,651	17,756	17,476
Total capital	19,112	18,873	18,651	17,756	17,476
<b>Risk-weighted exposure amounts</b>					
Total risk exposure amount	120,143	117,150	114,600	112,345	110,676
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>					
Common Equity Tier 1 ratio (%)	15.9	16.1	16.3	15.8	15.8
Tier 1 ratio (%)	15.9	16.1	16.3	15.8	15.8
Total capital ratio (%)	15.9	16.1	16.3	15.8	15.8
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.5	2.5	2.5	2.5	1.1
of which: to be made up of CET1 capital (percentage points)	1.7	1.7	1.7	1.7	0.6
of which: to be made up of Tier 1 capital (percentage points)	1.9	1.9	1.9	1.9	0.8
Total SREP own funds requirements (%)	10.5	10.5	10.5	10.5	9.1
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>					
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 (%)	0.0	0.0	0.0	0.0	0.0
Systemic risk buffer (%)	-	-	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-	-	-
Other Systemically Important Institution buffer (%)	-	-	-	-	-
Combined buffer requirement (%)	2.5	2.5	2.5	2.5	2.5
Overall capital requirements (%)	13.0	13.0	13.0	13.0	11.6
CET1 available after meeting the total SREP own funds requirements (%)	5.4	5.6	5.8	5.3	7.8

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

SEK million	SCBC				
	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
<b>Leverage ratio</b>					
Total exposure measure	464,420	451,928	442,983	427,030	420,532
Leverage ratio (%)	4.1	4.2	4.2	4.2	4.2
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>					
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
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>					
Leverage ratio buffer requirement (%)	-	-	-	-	-
Overall leverage ratio requirement (%)	3.0	3.0	3.0	3.0	3.0
<b>Liquidity Coverage Ratio<sup>1)</sup></b>					
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 (%)					
<b>Net Stable Funding Ratio<sup>1)</sup></b>					
Total available stable funding					
Total required stable funding					
NSFR ratio (%)					

<sup>1)</sup> AB Sveriges Säkerställda Obligationer (publ) is treated as a single liquidity sub-group, together with SBAB Bank AB(publ), according to Article 8 (CRR) and a decision by Swedish FSA. Therefore, Liquidity information is only regarded material on a consolidated basis.

## Note 10 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	SCBC		
	30 Jun 2022	31 Dec 2021	30 Jun 2021
<b>Common Equity Tier 1 (CET1) capital : Instruments and reserves</b>			
Capital instruments and the related share premium accounts	9,600	9,600	9,600
Retained earnings	9,084	7,401	7,425
Accumulated other comprehensive income (and other reserves)	-3,682	843	1,396
Independently reviewed interim profits net of any foreseeable charge or dividend <sup>1)</sup>	494	1,683	495
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>15,496</b>	<b>19,527</b>	<b>18,916</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
Additional value adjustments (negative amount)	-30	-9	-9
Intangible assets(net of related tax liability (negative amount)	-	-	-
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	3,682	-843	-1,396
Negative amounts resulting from the calculation of expected loss amounts	-24	-24	-17
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-12	0	-18
Other regulatory adjustments <sup>2)</sup>	-	-	-
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>3,616</b>	<b>-876</b>	<b>-1,440</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>19,112</b>	<b>18,651</b>	<b>17,476</b>
<b>Additional Tier 1 (AT1) capital: Instruments</b>			
<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 (AT1) capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 1 capital (T1 =CET1+A1)</b>	<b>19,112</b>	<b>18,651</b>	<b>17,476</b>
<b>Tier 2 (T2) capital: Instruments</b>			
Credit risk adjustments	-	-	-
<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2(T2) capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2 (T2) capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital (TC=T1+T2)</b>	<b>19,112</b>	<b>18,651</b>	<b>17,476</b>
<b>Total risk-exposure amount</b>	<b>120,143</b>	<b>114,600</b>	<b>110,676</b>

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

SEK million	SCBC		
	30 Jun 2022	31 Dec 2021	30 Jun 2021
<b>Capital ratio and requirements including buffers, %</b>			
Common Equity Tier 1 capital	15.9	16.3	15.8
Tier 1 capital	15.9	16.3	15.8
Total capital	15.9	16.3	15.8
Institution CET1 overall capital requirements	8.7	8.7	7.0
– of which, capital conservation buffer requirement	2.5	2.5	2.5
– of which, countercyclical buffer requirement	0.0	0.0	0.0
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage <sup>3)</sup>	1.7	1.7	–
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum requirements	5.4	5.8	7.8

1) 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.

3) Outcome according to the Supervisory Review and Evaluation Process from the Swedish FSA, communicated and applied from September 2021.

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

SCBC has previously identified faults with the internal models used to cover capital requirements for credit risk and SCBC 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 the Article 3 surcharge, as a result of the Swedish FSA communicated Pillar 2 requirements.

### Risk exposure amounts and capital requirements

mnkr	SCBC					
	30 Jun 2022		31 Dec 2021		30 Jun 2021	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	13,572	1,086	11,965	957	10,329	826
Retail exposures	12,310	985	11,828	946	11,395	912
– of which, exposures to SMEs	1,055	84	988	79	848	68
– of which, retail exposures secured by immovable property	11,255	901	10,840	867	10,547	844
<b>Total exposures recognised with IRB approach</b>	<b>25,882</b>	<b>2,071</b>	<b>23,793</b>	<b>1,903</b>	<b>21,724</b>	<b>1,738</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposure to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to institutions <sup>1)</sup>	370	30	475	38	661	53
– of which, derivatives according to CRR, Appendix 2	362	29	311	25	616	49
– of which, repos	8	1	164	13	45	4
– of which, other	0	0	0	0	0	0
Exposures to institutions and corporates with a short-term credit rating	204	16	0	0	24	2
Other items	117	9	25	2	100	8
<b>Total exposures recognised with standardised approach</b>	<b>691</b>	<b>55</b>	<b>500</b>	<b>40</b>	<b>785</b>	<b>63</b>
<b>Market risk</b>	<b>650</b>	<b>52</b>	<b>560</b>	<b>45</b>	<b>486</b>	<b>39</b>
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	650	52	560	45	486	39
<b>Operational risk</b>	<b>4,928</b>	<b>394</b>	<b>4,617</b>	<b>369</b>	<b>4,617</b>	<b>369</b>
<b>Credit valuation adjustment risk</b>	<b>1,247</b>	<b>100</b>	<b>1,123</b>	<b>90</b>	<b>1,766</b>	<b>141</b>
<b>Additional requirements under Article 458 of the CRR</b>	<b>86,745</b>	<b>6,939</b>	<b>84,007</b>	<b>6,721</b>	<b>80,192</b>	<b>6,415</b>
<b>Additional requirements under Article 3 of the CRR</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,106</b>	<b>88</b>
<b>Total risk exposure amount and minimum capital requirement</b>	<b>120,143</b>	<b>9,611</b>	<b>114,600</b>	<b>9,168</b>	<b>110,676</b>	<b>8,854</b>
<b>Capital requirements for capital conservation buffer</b>		<b>3,004</b>		<b>2,865</b>		<b>2,767</b>
<b>Capital requirements for countercyclical buffer</b>		<b>0</b>		<b>0</b>		<b>0</b>
<b>Total capital requirement</b>		<b>12,615</b>		<b>12,033</b>		<b>11,621</b>

1) The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 370 million (475).

## Note 11 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SCBC has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for SCBC amounted to SEK 13,458 million (SEK 12,774 million on 31 December 2021). The internal capital requirement is assessed using SCBC's internal models for economic capital.

SCBC quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment

process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one year period. The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

		SCBC			
		30 Jun 2022		31 Dec 2021	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %
	Credit risk & CVA risk	2,226	1.9	2,033	1.8
	Market risk	52	0.0	45	0.0
<b>Pillar 1</b>	Operational risk	394	0.3	369	0.3
	Risk-weight floor <sup>1)</sup>	6,939	5.8	6,721	5.9
	<b>Total Pillar 1</b>	<b>9,612</b>	<b>8.0</b>	<b>9,168</b>	<b>8.0</b>
	Credit risk	557	0.5	517	0.5
	Market risk	286	0.2	223	0.2
<b>Pillar 2</b>	Operational risk	-	-	-	-
	Pension risk	-	-	-	-
	<b>Total Pillar 2</b>	<b>843</b>	<b>0.7</b>	<b>741</b>	<b>0.6</b>
	Capital conservation buffer	3,004	2.5	2,865	2.5
<b>Buffers</b>	Countercyclical buffer	0	0.0	0	0.0
	<b>Total Buffers</b>	<b>3,004</b>	<b>2.5</b>	<b>2,865</b>	<b>2.5</b>
	<b>Total</b>	<b>13,458</b>	<b>11.2</b>	<b>12,774</b>	<b>11.1</b>
	<b>Total own funds</b>	<b>19,112</b>		<b>18,651</b>	

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

# Auditors' review report

## Introduction

We have reviewed the year-end report for The Swedish Covered Bond Corporation ("SCBC") (in Swedish: AB Sveriges Säkerställda Obligationer (publ)) for the period 1 July – 31 December 2021. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

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

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

## Conclusion

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

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

Stockholm 18 July, 2022

Deloitte AB

*Signature on Swedish original*

Patrick Honeth  
Authorised Public Accountant

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

Solna, 18 July 2022

Jan Sinclair  
*Chairman of the Board*

Jane Lundgren-Ericsson  
*Board Member*

Synnöve Trygg  
*Board Member*

Mikael Inglander  
*Board Member*

Fredrik Jönsson  
*CEO*

## Financial calender

Year-end Report 2022

February 7, 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 July 18, 2022 at 12:00 (CET).

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

