Interim report

January–June 2022

SBAB Bank AB (publ)

The quarter in brief

Q2 2022

(Q1 2022)

- The second quarter continued to be dominated by geopolitical concerns arising from Russia's invasion of Ukraine. Read more on pages 4 and 7
- The Riksbank decided to raise the repo rate on two occasions during the quarter as a result of increased inflation. This has led to dramatic changes in market interest rates and increased uncertainty. Read more on pages 4, 7 and 18
- The housing market is showing signs of slowing down and a decline in housing prices was noted during the quarter. Read more on page 7
- Positive growth continued in lending and deposits. Total lending increased 2.6% to SEK 491.3 billion (478.7) during the quarter. Total deposits increased 5.0% to SEK 154.4 billion (147.0). Read more on page 11
- Net interest income rose marginally to SEK 1,088 million (1,084). In the first quarter, the resolution fee was moved from net interest income to a new line in the income statement (imposed fees). The resolution fee was SEK 44 million (48) for the second quarter. Read more on page 14
- Credit losses amounted to SEK 12 million (17), primarily due to credit loss allowances linked to growing uncertainty in the operating environment and the increase in interest rates. Confirmed credit losses remained low and totalled SEK 1 million (2). Read more on page 14
- Operating profit grew 11.9% to SEK 641 million (573), mainly due to improved net income from financial transactions. The new risk tax implemented during early 2022 amounted to SEK 65 million (65) in the second quarter. Read more on page 14
- The return on equity amounted to 10.4% (9.5) and the C/I ratio was 32.7% (33.7). Return on equity, excluding the risk tax, amounted to 11.4%. Read more on page 14

Total lending Q2 2022, SEK bn

491

Total deposits Q2 2022, SEK bn

154

10.4%
Return on equity, Q2 2022

11.4%
Return on equity, excl. risk tax, Q2 2022

–0.01%
Credit loss ratio, Q2 2022

32.7%
C/I ratio, Q2 2022

Selected key metrics

	GROUP					
	2022	2022		2022	2021	
	Q2	Q1	Change	Jan–Jun	Jan–Jun	Change
Total lending, SEK bn	491.3	478.7	+2.6%	491.3	441.7	+11.2%
Total deposits, SEK bn	154.4	147.0	+5.0%	154.4	138.1	+11.8%
Net interest income, SEK million[1)]	1,088	1,084	+0.4%	2,172	2,072	+4.8%
Net result of financial transactions, SEK million	21	–49	+70 mn	–28	–36	+8 mn
Expenses, SEK million	–371	–358	+3.6%	–729	–689	+5.8%
Net credit losses, SEK million	–12	–17	+5 mn	–29	5	–34 mn
Imposed fees: Risk tax and resolution fee[1)]	–109	–113	–4 mn	–222	–	–
Operating profit, SEK million	641	573	+11.9%	1,214	1,391	–12.7%
Return on equity, %	10.4	9.5	+0.9 pp	9.9	12.0	–2.1 pp
C/I ratio, %	32.7	33.7	–1.0 pp	33.2	33.2	–
CET1 capital ratio, %	12.7	13.1	–0.4 pp	12.7	13.1	–0.4 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 includes 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 engine 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 8.54% on 31 May 2022, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se has Sweden's largest offering of homes for sale.

Read more on page 12

SBAB!

hittamäklare! A service by SBAB

booli! A service by SBAB

boappa! A service by SBAB

Corporate Clients & Tenant-Owners' Associations business area

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing solutions to property companies, housing developers and tenant-owners' associations as well as savings to companies and organisations. We finance multi-family dwellings, existing as well as new buildings. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to companies (residential properties) was 16.63% on 31 May 2022. At the same time, the market share for lending to tenant-owners' associations was 10.33%.

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

Inflation in Sweden, already high before the outbreak of the war, has grown even higher. The Riksbank decided to raise the repo rate in April and again in June, while clearly indicating that further hikes are coming. Overall, the situation has led to substantial changes in market interest rates and a highly uncertain future.

The war in Ukraine has lead to a great deal of human suffering for many people, which we deeply regret. It has also led to widespread disruption and volatility in the national and international financial markets and the situation is expected to continue to affect the global economy and global financial markets for a long time to come. Since the war started, economic growth has stalled. Bottlenecks and rising prices for input goods, in combination with the uncertain situation, has led to lower investments. Further restrictions in China are disrupting supply chains. The situation has led to increased inflation in Sweden and other parts of Europe, which has in turn led to strong measures from central banks. In the end of April, the Riksbank decided to raise the key interest rate from zero to 0.25%. In June, the Riksbank decided to further raise the key interest rate to 0.75%, while the Executive Board of the Riksbank announced that it would be raised again in the future, to close to 2% by the beginning of next year.

Changed circumstances

The higher interest rate means increased costs for market financing for SBAB and for other banks. Over time, the increased costs need to be reflected in prices for customers so as not to affect the banks' financial position or earnings. During the second quarter, we raised mortgage rates several times on all maturities. SBAB's economists expect that within a few years the variable mortgage rates will hover around 4%, while the longer fixed mortgage rates will be close to 5%. Adapting the interest rates on our lending according to borrowing costs is a natural part of our business model. Transparency and attractive terms and conditions represent central components of our customer offering and, as usual, we continuously adjust our interest rates to reflect the prevailing market circumstances. However, we expect a certain amount of stress on the margin for mortgages going forward, something I'll return to later on.

The housing market is showing clear signs of slowing. Increased mortgage rates lead to higher costs of living for households, which indirectly changes their ability to spend or save elsewhere. Normally, this also leads to lower housing prices and has effects on housing sales. During the quarter, we noted a downturn in housing prices, primarily for apartments and houses in major metropolitan areas. Even if this has only been going on for a few months, it is a strong indicator of a downward trend. Uncertainty is high and, given continued interest rate increases, further price declines are to be expected. It is not yet possible to point out any major effects on housing turnover aside from a normal slowdown connected to a weaker economy. The average advertising time has increased and is now at a seasonally normal level and bid premiums have fallen back, which should be viewed in relation to the substantial price increases and high bid premiums of the last few years.

The situation is very different than the one we were in when the zero interest rate was introduced. After several years of favourable market conditions for our core business, we are currently in a rather turbulent period that will put pressure on our earnings. SBAB's future performance is characterised by increased uncertainty related to the interplay of market interest rates, margins, prices, our competitiveness, transaction volumes and responses from our competitors.

Good volume trend and credit quality remains strong

At the end of the second quarter, total lending amounted to SEK 491 billion, up approximately 11% year-on-year. The residential mortgage stock is growing in line with our expectations. We are addressing the changing dynamic and increased competition in the residential mortgage market with a simple, transparent customer offering tied to competitive terms. At the beginning of the year, we noted that our retail customers were increasingly reacting to the growing uncertainty by choosing fixed maturities for mortgages. This trend continued during the second quarter. Lending to companies and tenant-owners' associations continues to grow at a somewhat faster pace than we had initially expected at the beginning of the year. Going forward, we expect a somewhat more restrained development due to the uncertainty prevailing in the market. Our corporate customers, primarily property companies, are expressing greater doubts about new construction projects, due in part to rising interest rates and difficulties sourcing materials as supply chains fail in the wake of the pandemic, the war in Ukraine and increased restrictions in China.

Despite the growing uncertainty, we have not yet seen any noteworthy changes in the credit quality of our lending portfolio. Our assessment is that, overall, residential mortgage customers have healthy margins to cover repayment of their mortgages even in a worse economic climate. This is also confirmed by external and internal stress tests. SBAB has limited exposure to particularly vulnerable sectors negatively affected by the war in Ukraine and has extremely limited exposure to corporate lending where the collateral does not consist of a residential property. We are therefore carefully monitoring developments and making ongoing assessments and analyses of the credit risks in our lending portfolio. Net credit losses totalled SEK 12 million in the quarter and essentially consist of increased credit loss allowances. Confirmed credit losses totalled SEK 1 million.

Deposits increased approximately 5% to SEK 154 billion during the quarter. In the beginning of June, we chose to increase the interest rate on savings accounts for retail customers with 0.25% to 0.75%. In July, we raised it again to 1.00%. Our goal is to act in relation to developments in the fixed-income market, just as we do in our lending. We are convinced that our attractive savings interest rate, in combination with clear and favourable terms, is a competitive alternative compared the majority of the large banks offering zero interest. In connection with increasing the interest rate for retail customers, we also raised the deposit interest rate for companies and tenant-owners' associations.

Stable earnings performance and clear priorities moving forward

Earnings for the first half of 2022 totalled SEK 1,214 million. A result which we are pleased with. Our key financial metrics remain strong, even if they are somewhat weaker compared to previous years. The new bank tax implemented during the first quarter and a certain amount of pressure in the lending margin had a negative impact on SBAB and will continue to do so. Pressure on margins pertains to short-term challenges in offsetting rapidly growing funding costs by raising interest rates for customers at an equivalent pace. In the longer term, it comes down to increased competition in the residential mortgage market from new and established providers. We have not yet seen any major changes in terms of the margins in corporate and tenant-owners' associations. Lower lending margins going forward should be offset in part by higher deposit margins. Net interest income for the first half of the year amounted to SEK 2,172 million, a year-on-year increase of approximately 5%.

Costs are increasing according to plan, due to the investments we made for future competitiveness and to manage an increasingly complex regulatory and technologically driven business. Costs for the first half of 2022 amounted to SEK 729 million, which represents a year-on-year increase of 6%. We do not see any reason to make any significant changes to the priorities we established for operations at the beginning of 2022. We are continuing to focus primarily on finishing the projects that we deem the most important, not least replacing our core banking platform. Thereafter, we intend to further streamline customer interactions through digitalisation, differentiation and even more refined processes.

Conclusion

I was pleased to accept the offer to become the permanent CEO of SBAB during the quarter. We have a strong position in the market and I'm entirely convinced that we, despite the changed market conditions, have every opportunity to achieve our vision of delivering the best residential mortgages in Sweden.

I would like to take the opportunity to thank all of our employees for the work they've done during the first six months of the year. I'd also like to wish a lovely summer and vacation to all of our customers, partners and employees. Take care of each other.

Mikael Inglander
CEO of SBAB

Our climate impact is measured – all the way

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

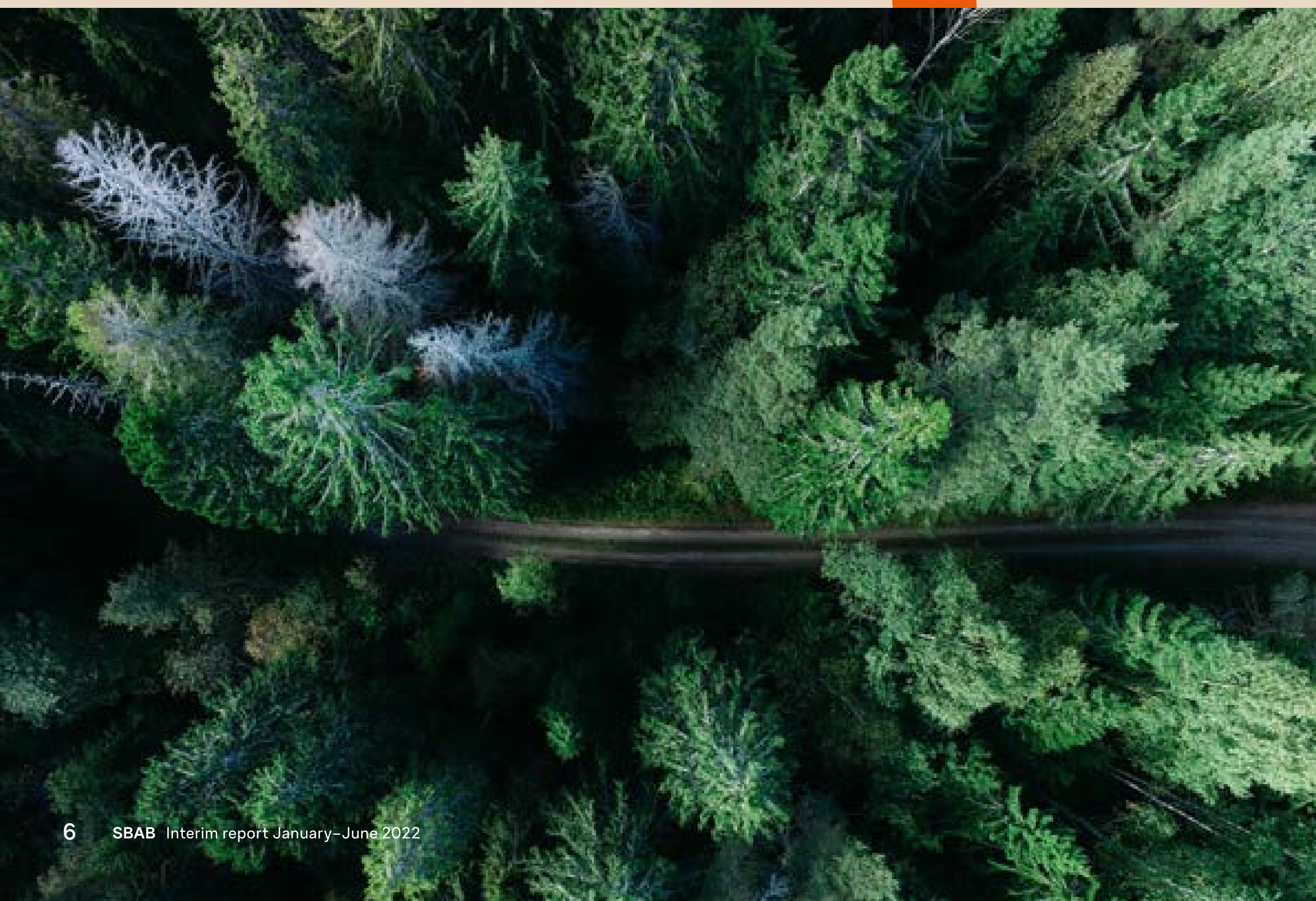
To this end we work systematically to reduce our own climate impact with a goal to reduce our own emissions vy 15% to 2025. Whatever we cannot reduce, we will climate compensate.

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

Sustainability rating

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

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



Market overview

Swedish economy

The once-strong economy slowed down during the spring and for the second quarter was largely at a standstill, as the previous year's strong consumer growth weakened due to unexpectedly high inflation eroding real consumption. The reasons for this are primarily Russia's war in Ukraine and the comprehensive sanctions imposed as a result as well as the continued spread of the coronavirus and shutdowns in places like China, which limit the offering and drive up prices. Despite all of this, industry is performing relatively well and unemployment is continuing to decline. The growth rate of Sweden's economy is expected to be around 2% in 2022, but a few percentage points lower in 2023.

Alongside strong demand and supply disruptions, prices for many goods, including energy and food, have risen rapidly, which has resulted in a year-on-year decline in households' real scope for consumption. This sudden price development is mainly due to events abroad and a rapid salary trend in Sweden. Swedish companies, however, have raised purchase prices for their customers due to higher purchase prices. Industry confidence indicators declined somewhat in the beginning of the summer but are, on average, above typical levels, while household confidence indicators have fallen to levels in line with those during the financial crisis. Household pessimism is partly due to the price increases taking place for goods that are perceived as necessary and difficult to replace, and due to people being reluctant to change their behaviour by changing 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

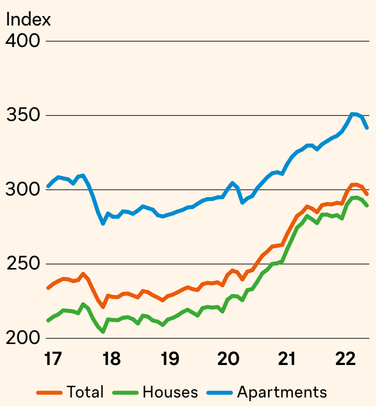
Several market interest rates have risen drastically during the first half of the year, not least for mortgage bonds. This was mainly as a consequence of very high inflation outcomes both in Sweden and in the rest of the world since the end of 2021, as well as the higher interest rates required by investors to purchase interest-bearing assets. Additionally, the central banks in several countries have raised their key interest rates in order to bring interest rates to target levels. From a longer historical perspective, while interest rates remain low, for many countries these levels have generally not been seen since 2014. The rises mainly pertained to long-term rates.

The Riksbank decided to raise the key interest rate from 0 to 0.25% in April, and to 0.75% in June. The Riksbank is also expected to keep raising the key interest rate until it reaches 2%, likely sometime in the beginning of 2023. This will discourage excessive resource utilisation in the economy and is expected to help to contain inflation. Increases in the key interest rate will raise short market interest rates. In general, this will lead to increases in short and long mortgage rates. In a few years, variable mortgage rates will likely hover around 4%, while long mortgage rates will be closer to 5%. The long-term level for mortgage rates in general is estimated to be around 4% or just over.

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

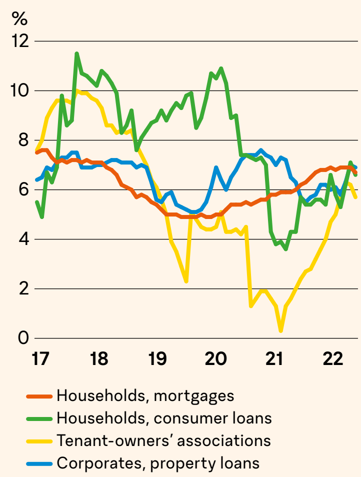
Housing price trend

(HOX index 2005=100)



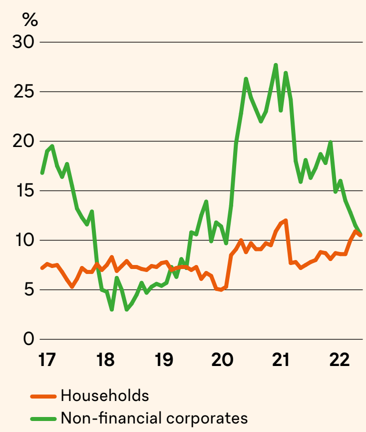
Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



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

Housing prices

The growth rate for housing prices slowed during the beginning of the year and during the last few months has been slightly negative. The price trend is now around zero, or just under. SBAB expects housing prices to continue to decrease during the next few years.

In the light of rising housing costs, due to higher energy prices and mortgage rates, the housing market has demonstrated considerable resilience. The repeated high inflation outcomes and the rapid change in direction from the Riksbank in terms of monetary policy has, however, painted a clear picture of future higher mortgage rates, which affected household expectations and put pressure on housing prices. Only a few households have likely taken the most recent increase in interest rates into consideration, making them less willing to pay for housing. The long-term housing price trend depends on 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 housing is still somewhat higher than normal but slowed during the first five months of the year. Over the last 12 months as of May, 58,000 houses and 127,000 apartments were sold. This is 3% to 4% lower compared with the full-year 2021. Sales of houses can currently be described as more or less normal, while for tenant-owner apartments it is somewhat higher than normal.

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

Unlike the market for existing housing stock, the market for new housing production has fared well in the first part of 2022. The housing offering has likely grown somewhat, but advertisement times and prices per square metre are more or less at the same levels as the previous year. At least part of the increase in the offering is due to large number of new construction starts in housing during the last few years.

For Sweden as a whole, the SBAB Booli Housing Market Index (HMI, available here) indicates balanced conditions for supply and demand for tenant-owner apartments and houses. For rental apartments, however, the index shows a surplus. This was the largest in Västra Götaland. The deficit in new houses is strongest in the Stockholm region, while Skåne is just at the verge of a deficit. In the Stockholm and Skåne regions, there is a clear downward trend towards a deficit of tenant-owner apartments. There was no downward trend towards a deficit in either houses or tenant-owner apartments in Västra Götaland.

Market for deposits and lending

Lending to households grew rapidly during the first four months of the year, at an average of 6.7%, but slowed down somewhat in May when the rolling 12 month rate was at 6.4%. Lending growth for housing also slowed somewhat and amounted to 6.7% in May. Lending growth is expected to slow further throughout the year and amount to approximately 5% by next year. The downturn was primarily due to rapidly growing interest rates and the subsequent pressure on housing prices, but also to somewhat lower housing sales. Based on historic experience, there is no strong connection between housing credit growth and, for example, GDP growth. Lending for household consumption grew at a rolling-12-month rate of 6.6% in May, up on the beginning of last year but significantly lower than in the pre-coronavirus pandemic years.

Deposits from households and corporates have continued to post healthy growth. The rolling-12-month increase in May was 10.5% for households and 10.6% for non-financial corporates. An uncertain economy and growing interest rates can explain the upturn in household saving. When uncertainty decreases and outlooks brighten, the growth rate in savings is expected to fall to under 10% annually.

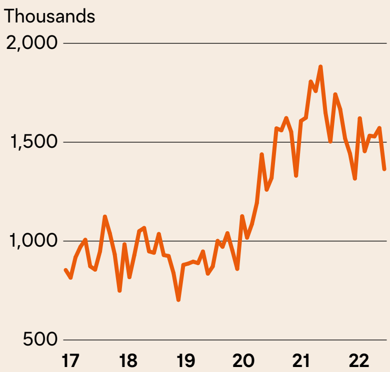
Booli has Sweden's largest offering of homes for sale

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 June 2022

An ecosystem of services

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

Selling – our services

- Estate agent recommendations
- Housing valuations
- Housing advertisements

Business partner services

- Tax declaration help

hittamäklare!
A service by SBAB

booli!
A service by SBAB

Dream & Search – our services

- Housing advertisements
- Housing market information
- Saving

SBAB!

booli!
A service by SBAB

Living – our services

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

Business partner services

- Construction advice
- Interior design

booli!
A service by SBAB

SBAB!

boappa!
A service by SBAB

Buying – our services

- Residential mortgages & housing financing

Business partner services

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

SBAB!

Building blocks for our offering

Financial capital & lending

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

Data

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

Business development

Volume trends

	GROUP				
	2022	2022	2021	2022	2021
	Q2	Q1	Q2	Jan–Jun	Jan–Jun
New lending for the period, SEK bn	29.9	26.7	25.6	56.6	50.7
Net change in lending for the period, SEK bn	12.6	11.6	8.3	24.2	18.9
Total lending, SEK bn	**491.3**	**478.7**	**441.7**	**491.3**	**441.7**
No. of deposit accounts, thousand	487	473	450	487	450
Net change in deposits, SEK bn	7.4	2.0	1.6	9.4	2.5
Total deposits, SEK bn	**154.4**	**147.0**	**138.1**	**154.4**	**138.1**
Deposits/lending, %	31.4	30.7	31.3	31.4	31.3
Retail business area					
No. of mortgage customers, thousand	293	292	288	293	288
No. of mortgage objects financed, thousand	188	187	185	188	185
New lending, SEK bn	19.5	18.4	18.3	37.9	38.3
Net change in lending for the period, SEK bn	5.1	5.5	4.0	10.5	11.1
Total lending, Retail, SEK bn	**347.8**	**342.7**	**324.4**	**347.8**	**324.4**
Residential mortgages, SEK bn	345.5	340.4	322.0	345.5	322.0
Consumer loans, SEK bn	2.3	2.3	2.4	2.3	2.4
Market share, Residential mortgages, %[1]	8.54	8.53	8.52	8.54	8.52
Market share, Consumer loans, %[1]	0.74	0.77	0.82	0.74	0.82
Total deposits, Retail, SEK bn	**110.8**	**103.6**	**97.7**	**110.8**	**97.8**
No. of retail customers with savings accounts, thousand	420	409	391	420	391
Market share deposits, Retail, %[1]	4.26	4.23	4.30	4.26	4.30
Corporate Clients & Tenant-Owners' Associations business area					
No. of housing financing customers	2,763	2,672	2,410	2,763	2,410
New lending, SEK bn	10.4	8.3	7.3	18.7	12.4
Net change in lending for the period, SEK bn	7.6	6.1	4.3	13.7	7.8
Total lending, Corp. Clients & Tenant-Own. Asso., SEK bn	**143.5**	**135.9**	**117.3**	**143.5**	**117.3**
Lending, Corporate clients, SEK bn	79.2	73.4	61.2	79.2	61.2
Lending, Tenant-owners' associations, SEK bn	64.3	62.5	56.2	64.3	56.2
Market Share Corporate Clients (multi-family dwellings), %[1]	16.63	16.67	14.16	16.63	14.16
Market share, Tenant-owners' associations, %[1]	10.33	10.17	10.03	10.33	10.03
Total deposits, Corp. Clients & Orgs. SEK bn	**43.5**	**43.4**	**40.4**	**43.5**	**40.4**
No. of customers with savings accounts, Corp. clients and Orgs.	12,300	12,200	12,300	12,300	12,300
Market share deposits, Corp. clients and organisations, %[1]	2.22	2.30	2.35	2.22	2.35

1) Source: Statistics Sweden. The figures in the columns for Q2 2022 and Jan–Jun 2022 correspond with the market share as of 31 May 2022. The Q1 2022 column corresponds with the market share as of 28 February 2022. The figures in the columns for Q2 2021 and Jan–Jun 2021 correspond with the market share as of 31 May 2021.

Retail business area

Trend for Q2 2022 compared with Q1 2022

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, housing search engine services 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

Retail lending continued to grow at a good rate during the second quarter and activity in the housing market remained relatively high. The Riksbank decided to raise the repo rate on two occasions during the quarter as a result of increased inflation, which led to substantial changes in market interest rates and increased borrowing costs for banks. SBAB adjusted the listed rates for mortgages several times during the quarter to reflect the prevailing market conditions. During the quarter, the listed rate for fixed-interest periods was raised on five occasions. The five-year fixed-rate residential mortgagesrose in total by 1.40 percentage points. Mortgages with three-month fixed-interest periods had the lowest listed rates at the end of the second quarter. The share of total lending with a three-month fixed-interest period amounted to 50.3% (52.3) at the end of the quarter. The year-earlier figure was 66.6%.

SBAB offers simple and straightforward terms and conditions, transparent mortgage rates, high availability through digital and telephone services, and mindful service. New lending in the second quarter amounted to SEK 19.5 billion (18.4). Total retail lending amounted to SEK 347.8 billion (342.7) at the end of the quarter, of which SEK 345.5 billion (340.4) comprised residential mortgages and SEK 2.3 billion (2.3) consumer loans. The number of residential mortgage customers amounted to 293,000 (292,000) distributed over 188,000 (187,000) mortgage objects. On 31 May 2022, the market share of residential mortgages was 8.54% (8.53% on 28 February 2022). At the same date, the market share for consumer loans was 0.74% (0.77% on 28 February 2022).

Savings accounts (deposit)

SBAB's retail savings accounts are characterised by competitive savings rates and simple product terms and conditions. In the beginning of June, SBAB increased the interest rate on savings accounts for retail customers 0.25% to 0.75%. Retail deposits increased during the quarter to SEK 110.8 billion (103.6). At the end of the quarter, approximately 420,000 (409,000) retail customers held savings accounts with SBAB. On 31 May 2022, the market share of retail deposits was 4.26% (4.23% on 28 February 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 503,000 (483,000) in the quarter. The average number of unique users of the SBAB app per month totalled around 143,000 (131,000) 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 1,488,000 (1,385,000) during the quarter. Booli's monthly property valuation email had more than 694,000 subscribers at the end of the second 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 92% of the registered estate agents in Sweden.

Sweden's most satisfied residential mortgage customers

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

Corporate Clients & Tenant-Owners' Associations business area

Trend for Q2 2022 compared with Q1 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 second quarter. This market remained somewhat stable despite increased challenges in the form of changes in market interest rates and growing overall uncertainty. The consequences of the coronavirus pandemic, the war in Ukraine and growing inflation is complicating the supply of construction material and increasing prices. To a certain extent, there is a tendency for new construction projects to be postponed due to the uncertainty around economic development. During the quarter, new lending to corporate clients amounted to SEK 7.1 billion (5.4).

The market for lending to tenant-owners' associations continues to be dominated by intense competition. New lending in this segment remained robust, however, and amounted to SEK 3.3 billion (2.9) during the quarter.

Total lending increased to SEK 143.5 billion (135.9), of which SEK 79.2 billion (73.4) comprised lending to corporates and SEK 64.3 billion (62.5) lending to tenant-owners' associations.

The market share of lending to property companies (multi-family dwellings) was 16.63% on 31 May 2022 (16.67% on 28 February 2022). At the same date, the market share for lending to tenant-owners' associations was 10.33% (10.17% on 28 February 2022).

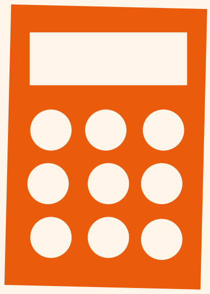
The number of housing financing customers continued to increase and was 2,763 (2,672) at the end of the quarter.

Savings accounts (deposit)
Deposits from corporate clients and organisations increased marginally during the quarter and totalled SEK 43.5 billion (43.4). At the end of the quarter, approximately 12,300 (12,200) customers held savings accounts with SBAB. The market share of deposits from corporate clients and organisations increased during the quarter and amounted to 2.22% on 31 May 2022 (2.30% on 28 February 2022).

Sweden's most satisfied corporate customers

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

Financial performance



Income statement overview

	GROUP						
	2022	2022	2021	2021	2021	2022	2021
SEK million	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Jan–Jun**	**Jan–Jun**
Net interest income	1,088	1,084	1,017	1,025	1,031	2,172	2,072
Net commission	11	13	13	2	11	24	14
Net result of financial transactions (Note 3)	21	–49	–3	–32	–21	–28	–36
Other operating income	13	13	12	13	12	26	25
Total operating income	**1,133**	**1,061**	**1,039**	**1,008**	**1,033**	**2,194**	**2,075**
Expenses	–371	–358	–452	–351	–366	–729	–689
Profit before credit losses and imposed fees	**762**	**703**	**587**	**657**	**667**	**1,465**	**1,386**
Net credit losses (Note 4)[1]	–12	–17	1	5	–4	–29	5
Imposed fees: Risk tax and resolution fee[2]	–109	–113	–	–	–	–222	–
Operating profit	**641**	**573**	**588**	**662**	**663**	**1,214**	**1,391**
Tax	–135	–121	–131	–137	–140	–256	–292
Net profit for the period	**506**	**452**	**457**	**525**	**523**	**958**	**1,099**
Return on equity, %[3]	10.4	9.5	9.4	11.0	11.3	9.9	12.0
C/I ratio, %	32.7	33.7	43.5	34.8	35.5	33.2	33.2
Credit loss ratio, %	–0.01	–0.01	0.00	0.00	0.00	–0.01	0.00
Share of Stage 3 loans, gross, %	0.05	0.04[4]	0.05	0.05	0.05	0.05	0.05
Net interest margin, %	0.74	0.77	0.73	0.77	0.78	0.75	0.79
Number of employees (FTEs)	860	818	839	797	811	860	811

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. For the second quarter of 2022, the resolution fee and the risk tax totalled SEK 44 million and SEK 65 million, respectively. For the period Jan–Jun 2022, the resolution fee amounted to SEK 92 million and the risk tax to SEK 131 million. For the first quarter of 2022, the resolution fee and risk tax totalled SEK 48 million and SEK 65 million, respectively. For the period Jan–Jun 2021, the resolution fee amounted to SEK 86 million.

3) When calculating return on equity for “Q1 2022,” “Q2 2022” and “Jan–Jun 2022,” average equity (opening balance) has been adjusted for 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 Q2 2022 compared with Q1 2022

Operating profit grew to SEK 641 million (573), primarily due to a more positive outcome for net income from financial transactions. The return on equity amounted to 10.4% (9.5) and the C/I ratio was 32.7% (33.7). Return on equity, after adjustment for the risk tax, amounted to 11.4%.

Net interest income

Net interest income grew slightly to SEK 1,088 million (1,084), mainly due to higher lending volumes. The positive volume trend was offset somewhat by lower margins. In the first quarter, the resolution fee was moved from net interest income to imposed fees. The resolution fee was SEK 44 million (48) for the second quarter.

Net commission

Net commission income decreased somewhat in the quarter and totalled SEK 11 million (13). The difference was primarily due to marginally higher costs linked to funding operations.

Net result of financial transactions

The net income from financial transactions was SEK 21 million (expense: 49). The increase was mainly due to value changes in hedging instruments and hedged items stemming from volatility and increased interest rate movements in the financial markets. For more information, please refer to Note 3.

Expenses

Costs increased to SEK 371 million (358) during the quarter, mainly due to increased personnel costs, higher costs for training and travel, and higher marketing costs. At the end of the quarter, FTEs amounted to 860 (818).

Credit quality and credit losses

Net credit losses totalled SEK 12 million (17) for the second quarter. Confirmed credit losses totalled SEK 1 million (2) and recoveries for previous confirmed credit losses amounted to SEK 1 million (1). Total credit loss allowances increased SEK 12 million during the quarter. Credit loss allowances for credit stage 1 loans decreased SEK 1 million (increase: SEK 9 million). Provisions for credit stage 2 and 3 loans increased SEK 4 million (increase: 1) and SEK 1 million (decrease: 1), respectively. Credit loss allowances for loan commitments and building credits increased SEK 8 million (increase: 7). Guarantees that can be utilised remained unchanged (unchanged) in the quarter. The increased credit loss allowances were mainly attributable to a revision of the forward-looking information taking into account rising interest rates, uncertainty in the global economy resulting from the war in Ukraine and increased exposure to building credits. For more information on credit loss allowances and changes in the forward-looking information in the impairment model, please refer to Note 4.

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. No significantly increased risk has yet been noted.

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 that was previously reported in net interest income. This impacts the comparability of net interest income with previous years.

The 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. For SBAB, the risk tax amounted to SEK 65 million (65) for the second quarter.

The resolution fee, which moved from net interest income during the quarter, was SEK 44 million (48).

Other comprehensive income

Other comprehensive income amounted to a loss of SEK 2,582 million (loss: 2,171). The difference was primarily due to the impact from changed cross-currency basis spreads. For more information, please refer to page 24.

January–June 2022 compared with January–June 2021

Operating profit declined to SEK 1,214 million (1,391), primarily due to the risk tax implemented in the first quarter which amounted to SEK 131 million for the first half of the year. The return on equity amounted to 9.9% (12.0) and the C/I ratio was 33.2% (33.2). Return on equity, excluding the risk tax, amounted to 10.9%.

Net interest income rose to SEK 2,172 million (2,072). 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 92 million (86) for the period, net interest income increased SEK 8 million. The growth was primarily due to good volume trends in lending but was partially offset by somewhat lower margins. The fee for the national deposit guarantee amounted to SEK 27 million (21) for the period.

Net commission income increased during the period to SEK 24 million (14). The increase was mainly attributable to higher commission income from the corporate business.

The net expense from financial transactions was SEK 28 million (expense: 36). The difference was primarily due to the revaluation of derivatives not covered by hedge accounting. For more information, please refer to Note 3.

Other comprehensive income amounted to a loss of SEK 4,753 million (loss: 823) for the period. The item was negatively impacted primarily by rising EUR interest rates. For more information, please refer to page 24.

Expenses grew to SEK 729 million (689), driven by increased investments in terms of the number of employees, development of new regulatory adaptations and investments in digitalisation and IT systems. The replacement of SBAB's core banking platform is ongoing. The new platform is being implemented gradually in separate phases. The majority of the remaining phases will be implemented in 2022. 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. The number of FTEs increased to 860 (811) during the period.

Net credit losses totalled SEK 29 million (recoveries: 5). 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. The positive outcome last year 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 3 million (9) for the period. For more information on credit losses and credit quality, please refer to Note 4 and Note 5.

Balance sheet overview

	GROUP			
SEK million	**30 Jun 2022**	**31 Mar 2022**	**31 Dec 2021**	**30 Jun 2021**
ASSETS				
Cash and balances at central banks	1,210	2,500	10,100	1,000
Chargeable treasury bills, etc.	30,045	25,511	22,549	26,529
Lending to credit institutions	16,363	8,100	643	930
Lending to the public (Note 5)	491,259	478,658	467,041	441,744
Bonds and other interest-bearing securities	50,508	50,469	50,254	58,034
Total other assets in the balance sheet	10,533	6,762	7,750	9,389
TOTAL ASSETS	**599,918**	**572,000**	**558,337**	**537,626**
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	11,668	14,011	16,372	17,511
Deposits from the public	154,394	146,976	144,950	138,145
Issued debt securities, etc. (funding)	389,577	372,634	364,364	350,362
Subordinated debt	1,997	1,997	1,996	1,996
Total other liabilities in the balance sheet	20,559	13,220	5,709	5,019
Total liabilities	**578,195**	**548,838**	**533,392**	**513,033**
Total equity	**21,723**	**23,162**	**24,945**	**24,593**
– of which reserves/fair value reserve	*–3,834*	*–1,252*	*919*	*1,498*
– of which, Tier 1 capital instruments	*5,800*	*4,300*	*4,300*	*4,300*
TOTAL LIABILITIES AND EQUITY	**599,918**	**572,000**	**558,337**	**537,626**
CET1 capital ratio, %	12.7	13.1	13.5	13.1
Tier 1 capital ratio, %	16.6	16.1	16.6	16.2
Total capital ratio, %	17.9	17.5	18.1	17.8
Leverage ratio, %[1)]	4.14	3.97	3.98	4.00
Liquidity coverage ratio (LCR), %	221	191	228	278
Net Stable Funding Ratio (NSFR), %	130	129	129	138

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

Trend for Q2 2022 compared with Q1 2022

Balance sheet comments

During the quarter, chargeable treasury bills increased to SEK 30.0 billion (25.5), primarily due to an increase in surplus liquidity deposited with the Riksbank via commercial paper. This decreased the need to deposit surplus liquidity in the Riksbank's RIX account, upon which the item Cash and balances at central banks decreased to SEK 1.2 billion (2.5). Lending to credit institutions increased to SEK 16.3 billion (8.1), mainly attributable to outflows of securities linked to derivatives (CSAs), which are mainly impacted by changes in interest and exchange rates. The above changes were within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities, within the scope of the normal liquidity reserve management, amounted to SEK 50.5 billion (50.5) at the end of the quarter. Lending to the public increased to SEK 491.3 billion (478.7), of which SEK 354.5 billion comprised residential mortgages, SEK 2.3 billion consumer loans, SEK 79.2 billion lending to property companies and SEK 64.3 billion lending to tenant-owners' associations. For more information on lending to the public, please refer to pages 11-13 and Note 5.

Liabilities to credit institutions decreased in the quarter to SEK 11.7 billion (14.0), primarily due to repayment of SEK 5 billion linked to the Riksbank's programme for onward lending to companies via the banks. Otherwise, collateral received tied to derivatives (CSAs) increased. Debt outstanding within the Riksbank's programme amounted to SEK 3.0 billion (8.0) at the end of the quarter. The above changes were within the scope of the normal short-term liquidity management. Deposits from the public increased to SEK 154.4 billion (147.0), of which 82% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulations. 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. During the quarter, equity decreased to SEK 21.7 billion (23.2), primarily due to value changes linked to cash-flow hedges. The decrease was offset somewhat by the issue of Additional Tier 1 capital notes (AT1) of SEK 1.5 billion and net profit for the period.

Funding

The second quarter of the year was largely characterised by the conflict in Ukraine and the continued high and rising inflation figures and the central banks' attempts to mitigate expectations of higher inflation. In the wake of geopolitical uncertainty, continued shutdowns in China, disruptions in production chains in the aftermath of the pandemic and volatile prices for raw goods, there is significant concern about what the future holds. Together with higher inflation, this paints a risk scenario of stagflation. Market movements were characterised by volatility in interest rates as well as equities during the quarter, and a generally weaker risk sentiment. Leading stock market indices fell and Swedish, German and American interest rates rose dramatically both for short and for long maturities.

During the quarter, inflation continued to reach high levels in Sweden and internationally, which is a strong contributing factor to the stringent actions of several central banks. 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.

In a capital market that periodically demonstrated weak liquidity, in the second quarter SBAB continued to maintain a relatively good rate in terms of funding. In addition to ongoing issues in the Swedish covered bond market, in April SBAB carried out an Additional Tier 1 capital transaction of SEK 1.5 billion to reinforce own funds and allow growth moving forward. A public covered bond issue of EUR 1.25 billion with a maturity of 10 years and an unsecured green bond issue of EUR 750 million with a maturity of 3.5 years were carried out in May and June, respectively. Overall, credit spreads rose during the quarter in the wake of volatile and growing interest rates, weaker risk sentiment and reduced support from central banks.

During the quarter as a whole, issued debt securities totalled SEK 48.2 billion (29.1). In parallel, securities were repurchased for SEK 4.8 billion (4.2) and securities amounting to SEK 24.3 billion (9.8) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 17.0 billion to a total of SEK 389.6 billion (372.6). In total, the SBAB Group has issued bonds corresponding to SEK 77.3 billion in 2022 (of which SEK 57.4 billion comprised covered bond funding and SEK 19.9 billion unsecured funding), which can be compared with the total bonds maturing in 2022 of about SEK 45.1 billion.

At the end of the quarter, unsecured funding amounted to SEK 69.7 billion (63.8), of which SEK 9.5 billion (9.5) comprised senior non-preferred bonds, SEK 57.1 billion (52.1) other unsecured bonds (senior preferred) and SEK 3.1 billion (2.2) 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 319.9 billion (308.8) at the end of the quarter, of which SEK 240.4 billion was in SEK and SEK 79.5 billion was in foreign currencies.

Liquidity

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings [1]. At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 76.4 billion (76.1). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 74.3 billion (73.7).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 355 days (383), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, on 30 June 2022, the LCR was 221% (191) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 158% (147). The net stable funding ratio (NSFR) amounted to 130.1% (128.5) 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 19.1 billion (18.9). The increase was mainly attributable to earnings for the year[1] after deduction of the expected dividend. Total own funds increased to SEK 26.9 billion (25.2), attributable primarily to the AT1 capital transaction of SEK 1.5 billion. The risk exposure amount (REA) increased during the quarter to SEK 150.1 billion (144.0), where the majority was driven by the increase in lending to corporates, mortgage lending and the effects of the risk-weight floor. The REA for counterparty risk increased as a result of higher derivative exposures. On 30 June 2022, SBAB's CET1 capital ratio amounted to 12.7% (13.1) and the total capital ratio was 17.9% (17.5). This provides a comfortable margin both to internal targets and to external regulatory requirements.

The leverage ratio increased marginally during the second quarter and amounted to SEK 4.14% (3.97) on 30 June 2022, primarily due to a higher Tier 1 capital. 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 about 0.3 percentage points on the leverage ratio, equivalent to SEK 1.8 billion. According to the Swedish FSA's collected capital assessments, SBAB's capital requirements are expected to correspond to a CET1 capital ratio of 9.2% and a total capital ratio of 13.9% as of 30 June 2022. SBAB's capital targets are thus expected to correspond to a CET1 capital ratio of not less than 10.2% and a total capital ratio of not less than 14.5% as of 30 June 2022.

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

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

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

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

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

Components of the capital target

	CONSOLIDATED SITUATION			
	30 Jun 2022			
SEK million	Total capital	%	CET1 capital	%
Internally assessed capital requirement from the Swedish FSA[1]	**20,819**	**13.9**	**13,822**	**9.2**
– of which, Pillar 1 minimum requirement	*4,734*	*3.2*	*2,663*	*1.8*
– of which, Pillar 1 risk-weight floor, Swedish mortgages (Art. 458 CRR)	*7,278*	*4.8*	*4,094*	*2.7*
– of which, Pillar 2 requirement (P2R)	*5,030*	*3.4*	*3,288*	*2.2*
– of which, Capital conservation buffer	*3,753*	*2.5*	*3,753*	*2.5*
– of which, Countercyclical buffer	*24*	*0.0*	*24*	*0.0*
– of which, Pillar 2 guidance (P2G)	–	–	–	–
SBAB's capital target	**21,720**	**14.5**	**15,324**	**10.2**
SBAB's actual capital	**26,871**	**17.9**	**19,076**	**12.7**

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 6.1 billion at 30 June 2022). According to the amended agreement, Sparbanken Syd is entitled to acquire the entire residential mortgage stock mediated by Sparbanken Syd, or parts thereof, until 31 December 2023.

Changes in Executive Management

During the quarter, SBAB's Board decided to appoint Mikael Inglander permanent CEO of SBAB. Mikael Inglander has worked in the SBAB Group since 2014, first as CFO and then as acting CEO for six months. He took over the role permanently on 10 May 2022.

During the quarter, Peter Svensén was hired as the new CFO at SBAB. Peter has been the Chief Risk Officer (CRO) at SEK since 2019. Prior to that he held the equivalent role at SBAB from 2012 to 2019. Other previous roles include Senior Job Manager at Oliver Wyman and Manager at KPMG Financial Services. By the end of the year, Peter will take over the role from the acting CFO, Carl Olsson. In conjunction with this, Carl will return to his role as Head of Business Specialists, a role currently held by Kristina Tånneryd (acting Head of Business Specialists).

Acquisition of additional shares in Boappa

SBAB acquired additional shares in Boappa on 13 May 2022. SBAB currently owns 1,233,083 shares representing 66.88% of the total number of shares.

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.

Risks and uncertainties

Risks and uncertainties related to the changed operating environment

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

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

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

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

Over the coming years, market interest rates and mortgage rates are both expected to rise. Since the majority of households own their own home and due to many mortgages being subject to 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, stress tests indicate that this risk is low in the event of moderate interest hikes. Rising mortgage interest rates are expected to slow the price trend for housing to such an extent that prices decline for a few years before starting to rise again. Risks linked to rising interest rates could be increased by falling housing prices and rapidly rising unemployment. The risk largely pertains to the degree to which a downturn in prices leads to behaviour that triggers a larger price downturn, and how price uncertainty impacts housing turnover and possibilities for building new housing units.

Rising inflation has triggered long-term market interest rates to start rising, which in turn has driven up mortgage rates. In the short term, this will increase housing costs for households. However, the risks associated with rising inflation are deemed low as inflation also drives increases in households' disposable income over time, hereby resulting in a decline in mortgage debt as a share of household income.

SBAB's granting of credit to customers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments. The Swedish FSA's annual mortgage market survey, with data from 2021, found that overall, new residential mortgage customers continue to have healthy margins to manage repayment of their mortgages even in a worse economic climate. At the end of the quarter, the average loan-to-value (LTV) ratio in the mortgage portfolio was 54% (55). At the same date, the average residential mortgage amounted to SEK 1.9 million (1.9). At the end of the quarter, the LTV for new lending was 69% (68) and the debt-to-income ratio was 3.9 (3.9).

The credit quality of SBAB's lending to property companies, property developers and tenant-owners' associations is also assessed as good. This segment accounts for approximately 30% of the bank's total lending. The average LTV for property companies and tenant-owners' associations at the end of the quarter were 62% (63) and 34% (35), respectively. In the Corporate Clients & Tenant-Owners' Associations business area, the granting of loans is based on an assessment of customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. In the wake of the coronavirus pandemic and the war in Ukraine, the bank is working proactively to identify customers who are, or who could become, particularly financially exposed. Since customers' underlying cash flows primarily derive from housing, they are expected to be less affected or affected at a later stage. As yet no significant impact has been noted.

Deteriorated macroeconomic projections have led to revisions to the forward-looking information applied in the impairment model to calculate ECLs. On 30 June 2022, the loss allowances amounted to SEK 176 million, compared with SEK 165 million on 31 March 2022. At the date of publication for this report, SBAB is comfortable with the size of the credit loss allowances.

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

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

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

Other risks and uncertainties

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

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

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

Contents

Condensed financial statements

Notes

Parent Company

Condensed income statement

	GROUP					
	2022	2022	2021	2022	2021	2021
SEK million	**Q2**	**Q1**	**Q2**	**Jan–Jun**	**Jan–Jun**	**Jan–Dec**
Interest income	1,746	1,497	1,524	3,243	3,025	6,039
Interest expense	–658	–413	–493	–1,071	–953	–1 925
Net interest income	**1,088**	**1,084**	**1,031**	**2,172**	**2,072**	**4,114**
Commission income	32	33	26	65	50	101
Commission expense	–21	–20	–15	–41	–36	–72
Net result of financial transactions (Note 3)	21	–49	–21	–28	–36	–71
Other operating income	13	13	12	26	25	50
Total operating income	**1,133**	**1,061**	**1,033**	**2,194**	**2,075**	**4,122**
Personnel costs	–206	–201	–190	–407	–375	–786
Other expenses	–132	–122	–159	–254	–281	–589
Depreciation, amortisation and impairment of PPE and intangible assets	–33	–35	–17	–68	–33	–117
Total expenses before credit losses and imposed fees	**–371**	**–358**	**–366**	**–729**	**–689**	**–1,492**
Profit before credit losses and imposed fees	**762**	**703**	**667**	**1,465**	**1,386**	**2,630**
Net credit losses (Note 4) [1]	–12	–17	–4	–29	5	11
Imposed fees: Risk tax and resolution fee[2]	–109	–113	–	–222	–	–
Operating profit	**641**	**573**	**663**	**1,214**	**1,391**	**2,641**
Tax	–135	–121	–140	–256	–292	–560
Net profit for the period	**506**	**452**	**523**	**958**	**1,099**	**2,081**

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

2) 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 second quarter of 2022 amounts to SEK 43,7 million, and for the corresponding period the previous year to SEK 44,4 million.

In Q2 2022, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 1,809 million (1,592) for the Group.

Condensed statement of comprehensive income

	GROUP					
	2022	2022	2021	2022	2021	2021
SEK million	**Q2**	**Q1**	**Q2**	**Jan–Jun**	**Jan–Jun**	**Jan–Dec**
Net profit for the period	**506**	**452**	**523**	**958**	**1,099**	**2,081**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	–135	–88	–26	–223	–51	–13
Changes related to cash-flow hedges, before tax	–3,161	–2,700	–403	–5,861	–1,084	–1,813
Tax attributable to components that will be reclassified to profit or loss	679	574	89	1,253	234	376
Components that will not be reclassified to profit or loss						
Revaluation effects of defined-benefit pension plans, before tax	43	54	0	97	98	60
Tax attributable to components that will not be reclassified to profit or loss	–8	–11	0	–19	–20	–12
Other comprehensive income/loss, net of tax	**–2,582**	**–2,171**	**–340**	**–4,753**	**–823**	**–1,402**
Total comprehensive income/loss for the period	**–2,076**	**–1,719**	**183**	**–3,795**	**276**	**679**

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

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

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

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

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

Condensed balance sheet

	GROUP		
SEK million	30 Jun 2022	31 Dec 2021	30 Jun 2021
ASSETS			
Cash and balances at central banks	1,210	10,100	1,000
Chargeable treasury bills, etc.	30,045	22,549	26,529
Lending to credit institutions	16,363	643	930
Lending to the public (Note 5)	491,259	467,041	441,744
Value changes of interest-rate-risk hedged items in macro hedges	–4,580	–563	–157
Bonds and other interest-bearing securities	50,508	50,254	58,034
Derivatives (Note 6)	12,033	6,920	7,763
Deffered tax assets	923		
Intangible assets	474	460	467
Property, plant and equipment	258	274	279
Other assets	838	249	463
Prepaid expenses and accrued income	587	410	574
TOTAL ASSETS	**599,918**	**558,337**	**537,626**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	11,668	16,372	17,511
Deposits from the public	154,394	144,950	138,145
Issued debt securities, etc.	389,577	364,365	350,362
Derivatives (Note 6)	18,590	2,844	2,919
Other liabilities	861	532	535
Accrued expenses and deferred income	1,054	1,886	997
Deferred tax liabilities	–	304	453
Provisions	54	143	115
Subordinated debt	1,997	1,996	1,996
Total liabilities	**578,195**	**533,392**	**513,033**
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	3,834	919	1,498
Additional Tier 1 instruments	5,800	4,300	4,300
Retained earnings	16,841	15,687	15,738
Net profit for the period	958	2,081	1,099
Total equity	**21,723**	**24,945**	**24,593**
TOTAL LIABILITIES AND EQUITY	**599,918**	**558,337**	**537,626**

Condensed statement of changes in equity

	GROUP				
SEK million	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year[1]	Total equity
Opening balance, 1 January 2022	1,958	919	4,300	17,768	24,945
Additional Tier 1 instruments	–	–	1,500	–	1,500
Additional Tier 1 instruments, dividend	–	–	–	–95	–95
Dividend paid	–	–	–	–832	–832
Other comprehensive income, net of tax	–	–4,753	–	–	–4,753
Net profit for the period	–	–	–	958	958
Comprehensive income for the period	**–**	**–4,753**	**–**	**958**	–3,795
Closing balance, 30 June 2022	1,958	–3,834	5,800	17,799	21,723
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	–	–	–	–122	–122
Other comprehensive income, net of tax	–	–823	–	–	–823
Net profit for the period	–	–	–	1,099	1,099
Comprehensive income for the period	**–**	**–823**	**–**	**1,099**	**276**
Closing balance, 30 June 2021	**1,958**	**1,498**	**4,300**	**16,837**	**24,593**
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

	GROUP		
	2022	2021	2021
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Opening cash and cash equivalents	**10,742**	**7,475**	**7,475**
OPERATING ACTIVITIES			
Interest and commissions paid/received	1,284	864	4,252
Outflows to suppliers and employees	–882	–656	–1,375
Taxes paid/refunded	–418	–385	–782
Change in assets and liabilities of operating activities	6,256	–6,023	604
Cash flow from operating activities	**6,240**	**–6,200**	**2,699**
INVESTING ACTIVITIES			
Change in property, plant and equipment	–5	–18	–36
Change in intangible assets	–53	–80	–130
Acquisition of subsidiaries	–	–31	–31
Cash flow from investing activities	**–58**	**–129**	**–197**
FINANCING ACTIVITIES			
Dividend paid	–832	–	–
Change in Tier 1 capital instrument	1,500	800	800
Change in subordinated loan	–	–	–
Repayment of lease liabilities	–19	–16	–35
Cash flow from financing activities	**649**	**784**	**765**
Increase/decrease in cash and cash equivalents	**6,831**	**–5,546**	**3,267**
Closing cash and cash equivalents	**17,573**	**1,930**	**10,742**

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

Change in liabilities attributable to financing activities

	GROUP									
			Non-cash items					Non-cash items		
SEK million	Opening balance 1 Jan 2022	Cash flow	Fair value	Other	Closing balance 30 Jun 2022	Opening balance 1 Jan 2021	Cash flow	Fair value	Other	Closing balance 30 Jun 2021
Subordinated debt	1,996	–	–	1	1,997	1,995	–	–	1	1,996
Lease liabilities	208	–19	–	8	197	69	–16	–	169	222
Additional Tier 1 instruments	4,300	1,500	–	–	5,800	3,500	800	–	–	4,300
Total	**6,504**	**1,481**	**–**	**9**	**7,994**	**5,564**	**784**	**–**	**170**	**6,518**

Note 1 Accounting policies

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

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

Introduction of new and changed accounting standards 2022

Accounting principles and calculation methods are unchanged compared with the annual report for 2021. The financial statements in summary are produced on the basis of an assumption about the company's survival. The financial reports in summary was approved by the board for publication on 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 second quarter 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 SBAB's business areas; Retail and Corporate Clients & Tenant-Owners' Associations. The forward-looking information in the impairment model have been revised during 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 176 million per 30 of June 2022, compared to SEK 165 million per 31 of March 2022. 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 March 2022. For more information regarding credit losses, credit loss allowances, credit risk and quality, please see Note 4.

Counterparty credit risk in treasury operations

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

Liquidity risk

SBAB's liquidity positions remained strong during the second quarter of 2022. LCR by end of second quarter of 2022 decreased slightly in comparison with LCR level for turn of 2021, mostly because of a decreasing liquidity reserve due to maturing debt. The survival horizon has increased in comparison with the turn of 2021 because of passed bond maturities and issuance covered bonds. The over collateralization level (OC-level) has decreased slightly in comparison with the turn of 2021. The deposit-to-loan ratio has increased slightly during second quarter of 2022 as the deposit growth rate rate exceeded the loan growth rate. NSFR has increased due to a longer average maturity on issued bonds. 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 June 30th 2022, SBAB's VaR amounted to SEK 508 million, compared to SEK 221 million at 31 December 2020 due to higher volatility.

Operational risk

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

Business risk

Looking at the state of financial markets, and for SBAB, uncertainty related to the corona pandemic has decreased significantly since 2021. Financial markets have however been impacted by the current geopolitical situation and Russia's attack on Ukraine and its repercussions through, for exaple, rising inlaftion. 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.

Concentration risk

In the first quarter of 2022, the lending to the ten largest customer groups accounted for 5 percent of total lending volume, which is unchanged compared to 31 December 2021. For more information on the geographical distribution of the lending portfolio, please refer to Note 5. SBAB also evaluates the capital requirement for concentration risk on a regular basis and quantifies the risk with economic capital risk for credit risk exposures. For more information, please refer to Note 12.

Note 3 Net result of financial transactions

	GROUP					
	2022	2022	2021	2022	2021	2021
SEK million	Q2	Q1	Q2	Jan–Jun	Jan–Jun	Jan–Dec
Gains/losses on interest-bearing financial instruments						
– Change in value of hedged items in hedge accounting	3,006	3,934	60	6,940	873	1,876
– Derivatives in hedge accounting	–2,993	–3,996	–53	–6,989	–889	–1,885
– Other derivatives	18	33	2	51	19	4
– Interest-bearing securities,Fair Value Option	–9	–13	–12	–22	–24	–35
– Interest-bearing securities at fair value through other comprehensive income	0	2	0	2	6	6
– Interest-bearing securities at amortised cost	0	0	0	0	0	0
– Realised gain/loss from financial liabilities at amortised cost	–2	–13	–25	–15	–34	–64
– Loan receivables at amortised cost	1	5	7	6	13	29
Currency translation effects	0	–1	0	–1	0	–2
Total	**21**	**–49**	**–21**	**–28**	**–36**	**–71**

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

Note 4 Net credit losses

	GROUP					
	2022	2022	2021	2022	2021	2021
SEK million	Q2	Q1	Q2	Jan–Jun	Jan–Jun	Jan–Dec
Lending to the public						
Confirmed credit losses	–1	–2	–7	–3	–9	–13
Recoveries of previously confirmed credit losses	1	1	1	2	2	4
Change in provision for the period — credit stage 1	1	–9	–6	–8	–3	0
Change in provision for the period — credit stage 2	–4	–1	5	–5	8	11
Change in provision for the period — credit stage 3	–1	1	2	0	3	2
Guarantees[1]	0	0	–1	0	–1	–2
Net credit losses for the period — lending to the public	**–4**	**–10**	**–6**	**–14**	**0**	**2**
Loan commitments[2]						
Change in provision for the period — credit stage 1	–5	–7	–4	–12	–4	–1
Change in provision for the period — credit stage 2	–3	0	6	–3	9	10
Change in provision for the period — credit stage 3	0	0	0	–	0	–
Net credit losses for the period — loan commitments	**–8**	**–7**	**2**	**–15**	**5**	**9**
Other financial instruments						
Change in provision for the period — credit stage 1	0	0	0	0	0	0
Net credit losses for the period — other financial instruments	**0**	**0**	**0**	**0**	**0**	**0**
Total	**–12**	**–17**	**–4**	**–29**	**5**	**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 second quarter of 2022 total credit loss provisions increased by SEK 12 million (increased by 16). Loss provisions for loans allocated to credit stage 1 decreased by SEK 1 million (increased by 9) and increased by SEK 4 million (increased by 1) for loans allocated to stage 2. Loss provisions for loans allocated to credit stage 3 increased by SEK 1 million (decreased by 1). The changes in credit loss provisions subject to loans 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 which explains the decrease in loss provisions for loans allocated to credit stage 1 during the quarter. 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. Loss provisions for off-balance items consisting of loan commitments and building credits increased by SEK 8 million (increased by 7) due to the updated the forward-looking information as well as an increase in exposures towards building credits. Guarantee amounts that can be utilised to cover credit losses were unchanged (unchanged) during the quarter.

Sensitivity analysis of forward-looking information

Lending to the public and loan commitments

	Scenario 1 (40%)			Scenario 2 (20%)			Scenario 3 (25%)			Scenario 4 (15%)		
Factors	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**
GDP[1], Δ	+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%
ECL	**SEK 111 million**			**SEK 117 million**			**SEK 189 million**			**SEK 400 million**		
Weighted ECL[2]	**SEK 176 million**											

1) Not included in the ECL calculation
2) Of which, SEK 151 million was attributable to lending to the public and SEK 25 million to off-balance-sheet items linked to loan commitments and building credits

Impairment model and credit loss provisions

During the quarter SBAB 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 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 revision of the forward-looking information during the second quarter preceded an increase in credit loss provisions of SEK 12 million. As per 30 of June credit loss provisions amount to SEK 176 million, compared to SEK 165 million per 31 of March 2022. The abovementioned updates to the forward-looking information explains an increase of SEK 7 million whilst the remaining increase can be attributed to increased exposure towards building credits in the business area Corporate Clients & Tenant-Owners' Associations. Throughout 2022, SBAB has frequently tracked credit risk in lending portfolio given the macroeconomic developments. In the table above the macroeconomic scenarios applied in the forward-looking information are shown. The underlying credit risk models in the impairment model, which are largely based on customers' payment behavior along with market values of collateral, show still no sign of deterioration in credit risk despite the slightly falling housing and real estate prices which have been observed recently. SBAB is comfortable with the size of the credit loss provisions, totaling SEK 176 million (165) as per 30 of June 2022.

Overall credit quality

The credit quality of SBAB's lending portfolio remains good and the risks entailed in the lending to private individuals are low. The granting of loans is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their obligations. The Swedish FSA's annual mortgage market survey, based on data from 2021, found that overall, new residential mortgage customers continue to have healthy margins to manage repayment of their mortgages even in a worse economic climate. At the end of the first quarter 2022, the average loan-to-value (LTV) ratio[3] in the mortgage portfolio was 54% (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, 69% (68) and the debt-to-income ratio was 3.9 (3.9).

The credit quality of SBAB's lending to property companies, property developers and tenant-owners' associations is also considered good. The average LTV for property companies and tenant-owners' associations at the end of the quarter was 62% (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 and customers with building credits, which can be particularly affected by increased interest rates and raised costs for building materials. Furthermore, there is a more frequent evaluation of customers' rating grades by expert judgement. During the quarter only a few overrides of customers rating grades have been made. No individual credit loss provisions within the business area have been deemed necessary during the quarter.

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

Note 5 Lending to the public

SEK million	GROUP 30 Jun 2022	31 Dec 2021	30 Jun 2021
Opening balance, per year	**467,041**	**422,835**	**422,835**
New lending for the period	56,569	107,076	50,689
Amortisation, repayments	–32,335	–62,870	–31,779
Confirmed credit losses	–3	–13	–9
Change in provision for expected credit losses[1]	–13	13	8
Closing balance, per year/period	**491,259**	**467,041**	**441,744**

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

Distribution of lending, including provisions

SEK million	GROUP 30 Jun 2022	31 Dec 2021	30 Jun 2021
Lending, Residential mortgages	345,484	334,873	322,029
Lending, Corporate Clients & Tenant-Owners' Associations	143,522	129,830	117,306
Lending, Consumer loans	2,253	2,338	2,409
Total	**491,259**	**467,041**	**441,744**

Geographical composition

	GROUP			
	Lending, Residential mortgages %		Lending, Corporate Clients & Tenant-Owners' Associations %	
	2022	2021	2022	2021
	Kv 2	Kv 2	Kv 2	Kv 2
Stockholm area	62.8	63.3	50.1	46.4
Öresund region	10.2	10.4	18.2	18.2
University cities and growth regions	10.4	10.5	16.7	18.1
Gothenburg area	10.6	9.9	8.6	8.9
Other regions	6.0	5.9	6.4	8.4

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	GROUP 30 Jun 2022	31 Dec 2021	30 Jun 2021
Credit stage 1			
Gross lending	470,098	446,264	423,988
Provision	–54	–45	–48
Total	**470,044**	**446,219**	**423,940**
Credit stage 2			
Gross lending	21,085	20,684	17,669
Provision	–67	–62	–65
Total	**21,018**	**20,622**	**17,604**
Credit stage 3			
Gross lending	227	231	230
Provision	–30	–31	–30
Total	**197**	**200**	**200**
Total gross lending	**491,410**	**467,179**	**441,887**
Total provisions	**–151**	**–138**	**–143**
Total	**491,259**	**467,041**	**441,744**

Lending to the public and provisions

SEK million	GROUP							
Capital	Credit stage 1 Capital	Provision	Credit stage 2 Capital	Provision	Credit stage 3 Capital	Provision	Capital	Provision
Opening balance, 1 January 2022	**446,264**	**–45**	**20,684**	**–62**	**231**	**–31**	**467,179**	**–138**
Moved to credit stage 1	5,961	–11	–5,958	11	–3	0	0	0
Moved to credit stage 2	–7,067	2	7,081	–3	–14	1	0	0
Moved to credit stage 3	–10	0	–50	1	60	–1	0	0
Volume change*	25,436	–12	–888	3	–42	3	24,506	–6
Revaluation**	–486	12	216	–17	–2	–4	–272	–9
Confirmed credit losses	0	0	0	0	–3	2	–3	2
Closing balance, 30 June 2022	**470,098**	**–54**	**21,085**	**–67**	**227**	**–30**	**491,410**	**–151**

*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.

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

Note 6 Derivatives

SEK million	GROUP 30 June 2022 Assets measured at fair value	Liabilities measured at fair value	Total nominal value	31 Dec 2021 Assets measured at fair value	Liabilities measured at fair value	Total nominal value
Interest-rate-related	6,598	18,480	529,777	3,950	2,173	466,040
Currency-related	5,435	110	92,535	2,970	671	83,819
Total	**12,033**	**18,590**	**622,312**	**6,920**	**2,844**	**549,859**

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

Note 7 Operating segments

	GROUP Jan–Jun 2022					
	Follow-up of operations			Reconciliation against the statutory income statement		
SEK million	Retail	Corporate Clients & Tenant-Owners' Associations	Total	Administrative consultants	IFRS 16 Leasing [1]	Statutory profit
Net interest income	1,616	556	2,172	–	–	2,172
Commission income	28	37	65	–	–	65
Commission expense	–33	–8	–41	–	–	–41
Net result of financial transactions	–25	–3	–28	–	–	–28
Other operating income	25	1	26	–	–	26
Total operating income	**1, 611**	**583**	**2,194**	**–**	**–**	**2,194**
Salaries and remuneration	–201	–51	–252	–	–	–252
Other personnel costs	–131	–37	–168	13	–	–155
Other expenses	–218	–42	–260	–13	19	–254
Depreciation, amortisation and impairment of PPE and intangible assets	–38	–11	–49	–	–19	–68
Net credit losses	–15	–14	–29	–	–	–29
Imposed fees: Risk tax and resolution fee	–180	–42	–222	–	–	–222
Operating profit	**828**	**386**	**1,214**	0	0	**1,214**
Tax	–175	–81	–256	–	–	–256
Profit after standardised tax	**653**	**305**	**958**	**0**	0	**958**
Return on equity, %	9.4	11.8	9.9	–	–	9.9

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

Note 7 Operating segments, Cont.

	GROUP					
	Jan–Jun 2021					
	Follow-up of operations			Reconciliation against the statutory income statement		
SEK million	**Retail**	**Corporate Clients & Tenant-Owners' Associations**	**Total**	**Administrative consultants**	**IFRS 16 Leasing [1]**	**Statutory profit**
Net interest income	1,609	463	2,072	–	–	2,072
Commission income	24	26	50	–	–	50
Commission expense	–30	–6	–36	–	–	–36
Net result of financial transactions	–30	–6	–36	–	–	–36
Other operating income	25	0	25	–	–	25
Total operating income	**1,598**	**477**	**2,075**	**–**	**–**	**2,075**
Salaries and remuneration	–190	–47	–237	–	–	–237
Other personnel costs	–115	–31	–146	8	–	–138
Other expenses	–238	–49	–287	–8	14	–281
Depreciation, amortisation and impairment of PPE and intangible assets	–12	–7	–19	–	–14	–33
Net credit losses	–2	7	5	–	–	5
Operating profit	**1,041**	**350**	**1,391**	**0**	**0**	**1,391**
Tax	–218	–74	–292	–	–	–292
Profit after standardised tax	**823**	**276**	**1,099**	**0**	**0**	**1,099**
Return on equity, %	12.2	11.4	12.0	–	–	12.0

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

All expences and revenues are fully allocated to the segments Retail and Corporate Clients & Tenant-Owners' Associations. In relation to the statutory income statement, an expense of SEK 13 million (8) was transferred between the rows "Other expenses" and "Other personnel costs." The resolution fee for the Group during the second quarter of 2022 amounts to SEK 43,7 million, and for the corresponding period last year to SEK 44,4 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 30 Jun 2022						
	Financial assets measured at FVTPL						
SEK million	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification	Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
Cash and balances at central banks	–	–	–	–	1,210	1,210	1,210
Chargeable treasury bills, etc.	654	–	–	26,901	2,490	30,045	30,043
Lending to credit institutions	–	–	–	–	16,363	16,363	16,363
Lending to the public	–	–	–	–	491,259	491,259	486,842
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	–4,580	–4,580	–
Bonds and other interest-bearing securities	218	–	–	26,929	23,361	50,508	50,545
Derivatives	–	11,716	317	–	–	12,033	12,033
Other assets	–	–	–	–	593	593	593
Prepaid expenses and accrued income	9	–	–	142	283	434	434
Total financial assets	**881**	**11,716**	**317**	**53,972**	**530,979**	**597,865**	**598,063**

Financial liabilities

	GROUP 30 Jun 2022				
	Financial liabilities measured at FVTPL				
SEK million	Derivatives in hedge accounting	Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value
Liabilities to credit institutions	–	–	11,668	11,668	11,668
Deposits from the public	–	–	154,394	154,394	154,394
Issued debt securities, etc.	–	–	389,577	389,577	378,480
Derivatives	18,320	270	–	18,590	18,590
Other liabilities	–	–	974	974	974
Accrued expenses and deferred income	–	–	986	986	986
Subordinated debt	–	–	1,997	1,997	1,955
Total financial liabilities	**18,320**	**270**	**559,596**	**578,186**	**567,047**

Note 8 Classification of financial instruments, Cont.

Financial assets

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

Financial liabilities

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

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

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

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

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

Note 9 Fair value disclosures

	GROUP							
	30 Jun 2022				31 Dec 2021			
SEK million	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobser-vable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobser-vable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	1,406	26,149	–	27,555	3,441	15,368	–	18,809
Bonds and other interest-bearing securities	27,147	–	–	27,147	25,834	–	–	25,834
Derivatives	–	12,033	–	12,033	–	6,920	–	6,920
Prepaid expenses and accrued income	151	–	–	151	135	–	–	135
Total	**28,704**	**38,182**	–	**66,886**	**29,410**	**22,288**	–	**51,698**
Liabilities								
Derivatives	–	18,590	–	18,590	–	2,844	–	2,844
Total	–	**18,590**	–	**18,590**	–	**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 355 days at 30 June 2022 (383 days at 31 March 2022).

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. At 30 June 2022, the LCR was 221% (191% as of 31 March 2022) in all currencies at the consolidated level, and 15,711% (15,031%) and 636% (1,559%), respectively, in EUR and USD. Measured in SEK, the LCR was 158% (147%). The net stable funding ratio (NSFR), amounted to 130.1%(128.6%) according to of Regulation (EU)2019/876 of the European Parliament and the Council.

		CONSOLIDATED SITUATION									
		30 Jun 2022					31 Dec 2021				
			Distribution by currency					Distribution by currency			
SEK billion		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
Level 1	**Level 1 assets**	**73.7**	**55.7**	**15.1**	**2.9**	–	**79.6**	**60.6**	**14.8**	**4.2**	**–**
	Cash and balances with central banks[1]	2.4	2.4	–	–	–	11.5	11.5	–	–	–
	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	35.0	28.9	5.5	0.6	–	28.1	20.7	5.5	1.9	–
	Securities issued by municipalites and public sector entities	12.0	3.8	5.9	2.3	–	12.8	4.8	5.8	2.2	–
	Extremely high quality covered bonds	24.3	20.6	3.7	–	–	27.2	23.6	3.5	0.1	–
	Other assets	–	–	–	–	–	–	–	–	–	–
Level 2	**Level 2 assets**	**2.7**	**2.4**	**0.3**	–	–	**2.7**	**2.4**	**0.3**	**–**	**–**
	Level 2A assets	**2.7**	**2.4**	**0.3**	–	–	**2.7**	**2.4**	**0.3**	–	–
	Securities issued or guaranteed by sovereigns, central banks, municipalities and public sector entities	–	–	–	–	–	–	–	–	–	–
	High quality covered bonds	2.7	2.4	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	**76.4**	**58.1**	**15.4**	**2.9**	–	**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 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 buffert 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

	CONSOLIDATED SITUATION				
SEK million	**30 Jun 2022**	**31 Mar 2022**	**31 Dec 2021**	**30 Sep 2021**	**30 Jun 2021**
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	19,076	18,920	18,811	18,318	18,039
Tier 1 capital	24,876	23,220	23,111	22,618	22,339
Total capital	26,871	25,215	25,106	24,613	24,334
Risk-weighted exposure amounts					
Total risk exposure amount	150,145	144,217	138,876	137,666	138,024
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	12.7	13.1	13.5	13.3	13.1
Tier 1 ratio (%)	16.6	16.1	16.6	16.4	16.2
Total capital ratio (%)	17.9	17.5	18.1	17.9	17.6
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	1.6
of which: to be made up of CET1 capital (percentage points)	2.2	2.2	2.2	2.2	0.9
of which: to be made up of Tier 1 capital (percentage points)	2.5	2.5	2.5	2.5	1.2
Total SREP own funds requirements (%)	11.4	11.4	11.4	11.4	9.6
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 (%)	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 (%)	13.9	13.9	13.9	13.9	12.1
CET1 available after meeting the total SREP own funds requirements (%)	6.0	6.4	6.9	6.6	8.6

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

	CONSOLIDATED SITUATION				
SEK million	**30 Jun 2022**	**31 Mar 2022**	**31 Dec 2021**	**30 Sep 2021**	**30 Jun 2021**
Leverage ratio					
Total exposure measure	601,402	584,238	580.521	581,249	558,051
Leverage ratio (%)	4.1	4.0	4.0	3.9	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)	82,714	82,388	79,000	77,236	76,879
Cash outflows - Total weighted value	45,755	43,867	43,300	42,713	42,464
Cash inflows - Total weighted value	8,983	9,197	9,316	8,722	8,777
Total net cash outflows (adjusted value)	36,772	34,670	33,984	33,992	33,688
Liquidity coverage ratio (%)	224.9	237.6	232.5	227.2	228.2
Net Stable Funding Ratio[1)]					
Total available stable funding	512,667	493,513	477,485	483,891	469,032
Total required stable funding	393,909	384,033	371,325	360,419	351,207
NSFR ratio (%)	130.1	128.5	128.6	134.3	133.5

1) A technical calculation error resulted in the publication of the NSFR for the second quarter of 2021 that was too high. The published ratio was 138.3%, but the correct ratio should have been 133.5%. The bank does not believe this will have any material effect on liquidity risk.

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

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

Own funds

	CONSOLIDATED SITUATION		
SEK million	30 Jun 2022	31 Dec 2021	30 Jun 2021
Common Equity Tier 1 (CET1) capital : Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	16,830	15,653	15,726
Accumulated other comprehensive income (and other reserves)	–3,834	919	1,498
Independently reviewed interim profits net of any foreseeable charge or dividend[1]	591	1,271	669
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**15,545**	**19,801**	**19,851**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	–90	–55	–48
Intangible assets (net of related tax liability) (negative amount)	–111	–12	–243
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	3,786	–868	–1,446
Negative amounts resulting from the calculation of expected loss amounts	–22	–53	–35
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–32	–12	–40
Other regulatory adjustsments[2]	–	–	–
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**3,531**	**–990**	**-1812**
Common Equity Tier 1 (CET1) capital	**19,076**	**18,811**	**18,039**
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	5,800	4,300	4,300
– of which, classified as equity under applicable accounting standards	*5,800*	*4,300*	*4,300*
– of which, classified as liabilities under applicable accounting standards	–	–	–
Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	–	–	–
Additional Tier 1 (AT1) capital before regulatory adjustments	**5,800**	**4,300**	**4,300**
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**–**	**–**	**–**
Additional Tier 1 capital (AT1) capital	**5,800**	**4,300**	**4,300**
Tier 1 capital (T1=CET1+AT1)	**24,876**	**23,111**	**22,339**
Tier 2 (T2) capital : instruments			
Capital instruments and the related share premium accounts	1 995	1,995	1,995
Credit risk adjustments	0	0	0
Tier 2 (T2) capital before regulatory adjustments	**1 995**	**1,995**	**1,995**
Tier 2 capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	**–**	**–**	**–**
Tier 2 (T2) capital	**1,995**	**1,995**	**1,995**
Total capital (TC=T1+T2)	**26,871**	**25,106**	**24,334**
Total risk-exposure amount	**150,145**	**138,876**	**138,024**

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

SEK million	CONSOLIDATED SITUATION 30 Jun 2022	31 Dec 2021	30 Jun 2021
Capital ratios and requirements including buffers %			
Common Equity Tier 1 capital	12.7	13.5	13.1
Tier 1 capital	16.6	16.6	16.2
Total capital	17.9	18.1	17.6
Institution-CET1 overall capital requirements	9.2	9.2	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[3]	*2.2*	*2.2*	–
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	6.0	6.9	8.6

1)) Net profit for the period was reduced by the expected dividend of SEK 383 million. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

2) There are not results that generates deduction of NPL backstop since entry into force.

3) Amended requirements by Regulation (EU) 2021/637 with application from Q2 2021. Outcome according to the Supervisory Review and Evaluation Process from the Swedish FSA, communicated and applied from September 2021.

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

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

Risk exposure amounts and capital requirements

	CONSOLIDATED SITUATION					
	30 Jun 2022		31 Dec 2021		30 Jun 2021	
SEK million	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	24,233	1,939	20,110	1,609	17,969	1,438
Retail exposures	13,466	1,077	12,889	1,031	12,501	1,000
– of which, exposures to SMEs	*1,125*	*90*	*1,070*	*86*	*930*	*74*
– of which, retail exposures secured by immovable property	*12,341*	*987*	*11,819*	*945*	*11,571*	*926*
Total exposures recognised with the IRB approach	**37,699**	**3,016**	**32,999**	**2,640**	**30,470**	**2,438**
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0
Exposures to institutions[1]	5,972	478	3,904	312	4,022	322
– of which, derivatives according to CRR, Appendix 2	*5,907*	*473*	*3,739*	*299*	*3,940*	*315*
– of which, repos	*65*	*5*	*164*	*13*	*82*	*7*
– of which, other	*0*	*0*	*1*	*0*	*0*	*0*
Retail exposures	2,790	223	2,705	216	2,842	227
Exposures in default	4	0	5	0	6	0
Exposures in the form of covered bonds	3,317	265	3,111	249	3,709	297
Exposures to institutions and corporates with a short-term credit rating	211	17	14	1	57	5
Equity exposures	155	12	150	12	2,131	170
Other items	713	58	644	53	460	37
Total exposures recognised with standardised approach	**13,162**	**1,053**	**10,533**	**843**	**13,227**	**1,058**
Market risk	**387**	**31**	**341**	**27**	**352**	**28**
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	*387*	*31*	*341*	*27*	*352*	*28*
Operational risk	**6,035**	**483**	**5,547**	**444**	**5,547**	**444**
– of which, standardised approach	*6,035*	*483*	*5,547*	*444*	*5,547*	*444*
Credit valuation adjustment risk (CVA risk)	**1,887**	**151**	**1,665**	**133**	**2,130**	**170**
Additional requirements under Article 458 of the CRR	**90,975**	**7,278**	**87,791**	**7,023**	**85,008**	**6,801**
Additional requirements under Article 3 of the CRR	**–**	**–**	**–**	**–**	**1,290**	**103**
Total risk exposure amount and minimum capital requirements	**150,145**	**12,012**	**138,876**	**11,110**	**138,024**	**11,042**
Capital requirements for capital conservation buffer		**3,753**		**3,472**	**3,709**	**3,451**
Capital requirements for countercyclical buffer		**24**		**17**		**16**
Total capital requirements		**15,789**		**14,599**		**14,509**

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 5,972 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 18,302 million (SEK 17,019 million at 31 December 2021). Market risk in Pillar 2 has increased since the previous year end. During the second quarter, the Swedish FSA presented a new Pillar 2 method for pension risk. SBAB is exploring the effect the new Pillar 2 method have on the internally assessed capital. The main part of the increase in Pillar 2 is a result of adaption of the internal models to reflect the methods from the Swedish FSA. The internal capital requirement is assessed using SBAB's internal models for economic capital and is not fully comparable to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumtions and methodologies. SBAB estimates that the Swedish FSA's expected total capital requirement as of 30 June 2022 amounted to SEK 20,819 million, of which SEK 5,030 million comprised capital requirement in Pillar 2. SBAB quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period. The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

		CONSOLIDATED SITUATION			
		30 Jun 2022		31 Dec 2021	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		**SEK million**	**%**	**SEK million**	**%**
Pillar 1	Credit risk & CVA risk	4,220	2.8	3,616	2.6
	Market risk	31	0.0	27	0.0
	Operational risk	483	0.3	444	0.3
	Risk-weight floor[1)]	7,278	4.9	7,023	5.1
	Total Pillar 1	**12,012**	**8.0**	**11,110**	**8.0**
Pillar 2	Credit risk	1,261	0.8	1,152	0.8
	Market risk	1,190	0.8	1,207	0.9
	Operational risk	–	–	–	–
	Pension risk	61	0.0	61	0.0
	Total Pillar 2	2,513	1.6	**2,420**	**1.7**
Buffers	Capital conservation buffer	3,753	2.5	3,472	2.5
	Countercyclical buffer	24	0.0	17	0.0
	Total Buffers	**3,778**	**2.5**	**3,489**	**2.5**
	Total	**18,302**	**12.2**	**17,019**	**12.3**
	Total own funds	**26,871**		**25,106**	

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

Parent Company

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

Profit before credit losses and imposed fees was slightly lower compared to last year and amounted to SEK 264 million (288). Net interest income decreased during the period and amounted to SEK 294 million (347). Net commission income increased and amounted to SEK 42 million (35), mainly due to increased income linked to corporate lending. The net result of financial transactions amounted to an income of SEK 0 million (21) where the difference is mainly due to the revaluation of credit risk in derivative instruments. Other operating income increased to SEK 634 million (612), which was mainly driven by comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses decreased to SEK 706 million (727), mainly due to lower development costs for new regulatory adjustments. Credit losses amounted to SEK 20 million (recoveries: 2) where the difference is explained by increased reserves as a result of updated forward-looking information that was affected by changes in the world and increased interest rates. Fees imposed is a new line in the reporting where 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 73 milliom. Lending to the public totaled SEK 29.2 billion (24.6). Deposits from the public totaled SEK 154.4 billion (138.1). The CET1 capital ratio amounted to 22.9% (26.7%) and the total capital ratio was 41.3% (42.6%). The internally assessed capital requirement was SEK 6,541 million (5,656).

Consolidated income statement

	PARENT COMPANY					
	2022	2022	2021	2022	2021	2021
SEK million	Q2	Q1	Q2	Jan–Jun	Jan–Jun	Jan–Dec
Interest income	464	381	410	845	846	1,593
Interest expense	–309	–242	–248	–551	–499	–1,000
Net interest income	**155**	**139**	**162**	**294**	**347**	**593**
Dividends received	–	–	–	–	–	–
Commission income	30	33	26	63	52	106
Commission expense	–11	–10	–6	–21	–17	–37
Net result of financial transactions	–9	9	20	0	21	–1
Other operating income	321	313	325	634	612	1,299
Total operating income	**486**	**484**	**527**	**970**	**1,015**	**1,960**
Personnel costs	–206	–197	–188	–403	–371	–774
Other expenses	–147	–144	–179	–291	–348	–685
Depreciation, amortisation and impairment of PPE and intangible assets	–6	–6	–4	–12	–8	–19
Total expenses before credit losses and imposed fees	**–359**	**–347**	**–371**	**–706**	**–727**	**–1,478**
Profit/loss before credit losses and imposed fees	**127**	**137**	**156**	**264**	**288**	**482**
Net credit losses	–9	–11	2	–20	2	4
Imposed fees; Risk tax and resolution fee	–37	–36	–	–73	–	–
Impairment of financial assets	–	–	–	–	–	–30
Operating profit	**81**	**90**	**158**	**171**	**–290**	**456**
Tax	–20	–21	–35	–41	–65	–110
Net profit for the period	**61**	**69**	**123**	**130**	**225**	**346**

Consolidated statement of comprehensive income

	PARENT COMPANY					
	2022	2022	2021	2022	2021	2021
SEK million	Q2	Q1	Q2	Jan–Jun	Jan–Jun	Jan–Dec
Net profit/loss for the period	**61**	**69**	**123**	**130**	**225**	**346**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	–135	–88	–25	–223	–50	-13
Changes related to cash-flow hedges	–73	–89	–31	–162	–49	–82
Tax attributable to components that will be reclassified to profit or loss	43	36	11	79	20	20
Other comprehensive income/loss, net of tax	**–165**	**–141**	**–45**	**–306**	**–79**	**–75**
Total comprehensive income for the period	**–104**	**–72**	**78**	**–176**	**146**	**271**

Consolidated balance sheet

SEK million	PARENT COMPANY 30 Jun 2022	31 Dec 2021	30 Jun 2021
ASSETS			
Cash and balances at central banks	1,210	10,100	1,000
Chargeable treasury bills, etc.	30,045	22,549	26,529
Lending to credit institutions (Note 13)	130,866	123,419	111,343
Lending to the public	29,236	24,974	24,578
Bonds and other interest-bearing securities	50,508	50,254	58,034
Derivatives	28,473	8,904	9,437
Shares and participations in Group companies	10,455	10,450	10,470
Intangible assets	18	21	11
Property, plant and equipment	52	57	47
Other assets	276	198	120
Prepaid expenses and accrued income	491	285	371
TOTAL ASSETS	**281,670**	**251,211**	**241,940**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	11,026	16,033	17,419
Deposits from the public	154,394	144,950	138,145
Issued debt securities, etc.	69,670	63,452	58,535
Derivatives	27,433	8,610	9,513
Other liabilities	574	278	264
Accrued expenses and deferred income	600	292	535
Deferred tax liabilities	–	37	38
Provisions	25	11	16
Subordinated debt	1,997	1,996	1,996
Total liabilities	**265,719**	**235,659**	**226,461**
Equity			
Restricted equity			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
Total restricted equity	**2,350**	**2,350**	**2,350**
Unrestricted equity			
Fair value reserve	–140	165	162
Additional Tier 1 instruments	5,800	4,300	4,300
Retained earnings	7,811	8,391	8,442
Net profit for the period	130	346	225
Total unrestricted equity	**13,601**	**13,202**	**13,129**
Total equity	**15,951**	**15,552**	**15,479**
TOTAL LIABILITIES AND EQUITY	**281,670**	**251,211**	**241,940**

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 30 June 2022, SEK 111,101 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 107,718 million at the end of 2021. This receivable is subordinated in the event of receivership or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid. Of the total receivable, SEK 11,000 million (6,000) comprises of internal Group debt instruments (senior non-preferred notes), issued by the subsidiary SCBC for the purpose of meeting the minimum requirement för own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office.

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

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

	PARENT COMPANY				
SEK million	**30 Jun 2022**	**31 Mar 2022**	**31 Dec 2021**	**30 Sep 2021**	**30 Jun 2021**
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	9,730	10,030	10,279	10,407	10,579
Tier 1 capital	15,531	14,330	14,579	14,707	14,879
Total capital	17,527	16,325	16,574	16,702	16,874
Risk-weighted exposure amounts					
Total risk exposure amount	42,487	39,389	36,358	37,604	39,630
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	22.9	25.5	28.3	27.7	26.7
Tier 1 ratio (%)	36.6	36.4	40.1	39.1	37.5
Total capital ratio (%)	41.3	41.4	45.6	44.4	42.6
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	2.7
of which: to be made up of CET1 capital (percentage points)	2.7	2.7	2.7	2.7	1.5
of which: to be made up of Tier 1 capital (percentage points)	3.5	3.5	3.5	3.5	2.0
Total SREP own funds requirement (%)	12.6	12.6	12.6	12.6	10.7

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

SEK million	PARENT COMPANY 30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 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 (%)	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 (%)	15.2	15.1	15.1	15.2	13.2
CET1 available after meeting the total SREP own funds requirements (%)	15.7	18.2	21.1	20.5	22.2
Leverage ratio					
Total exposure measure	169,589	144,680	145,590	158,213	147,709
Leverage ratio (%)	9.2	9.9	10.0	9.3	10.1
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	–	–	–	–	–
of which: to be made up of CET1 capital (percentage points)	–	–	–	–	–
Total SREP leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	–	–	–	–	–
Overall leverage ratio requirement (%)	3.0	3.0	3.0	3.0	3.0
Liquidity Coverage Ratio[1)]					
Total high-quality liquid assets (HQLA) (Weighted value -average)					
Cash outflows - Total weighted value					
Cash inflows - Total weighted value					
Total net cash outflows (adjusted value)					
Liquidity coverage ratio (%)					
Net Stable Funding Ratio[1)]					
Total available stable funding					
Total required stable funding					
NSFR ratio (%)					

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

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

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

Own funds

	PARENT COMPANY		
SEK million	**30 Jun 2022**	**31 Dec 2021**	**30 Jun 2021**
Common Equity Tier 1 (CET1) capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	8,203	8,782	8,833
Accumulated other comprehensive income (and other reserves)	–140	165	162
Independently reviewed interim profits net of any foreseeable charge or dividend[1)]	–253	–485	–214
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**9,768**	**10,420**	**10 739**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	–121	–73	-66
Intangible assets (net of related tax liability) (negative amount)	0	–13	–3
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	104	–24	–51
Negative amounts resulting from the calculation of expected loss amounts	0	–19	–18
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–20	–12	–22
Other regulatory adjustments[2)]	–	–	–
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**–37**	**–141**	**–160**
Common Equity Tier 1 (CET1) capital	**9,731**	**10,279**	**10,579**
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	5,800	4,300	4,300
– of which, classified as equity under applicable accounting standards	*5,800*	*4,300*	*4,300*
– of which, classified as liabilities under applicable accounting standards	–	–	–
Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	–	–	–
Additional Tier 1 capital before regulatory adjustments	**5,800**	**4,300**	*4,300*
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**–**	**–**	**–**
Additional Tier 1 (AT1) capital	**5,800**	**4,300**	**4,300**
Tier 1 capital (T1= CET1+AT1)	**15,531**	**14,579**	**14,879**
Tier 2 (T2) capital: Instruments			
Capital instruments and the related share premium accounts	1,995	1,995	1,995
Credit risk adjustments	1	–	–
Tier 2 (T2) capital before regulatory adjustments	**1,996**	**1,995**	1,995
Tier 2 (T2)capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	**–**	**–**	**–**
Tier 2 (T2) capital	**1,996**	**1,995**	**1,995**
Total capital (TC= T1+T2)	**17,527**	**16,574**	**16,874**
Total risk-exposure amount	**42,487**	**36,358**	**39,630**

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

SEK million	PARENT COMPANY 30 Jun 2022	31 Dec 2021	30 Jun 2021
Capital ratio and requirements including buffers, %			
Common Equity Tier 1 capital	22.9	28.3	27.6
Tier 1 capital	36.6	40.1	37.5
Total capital	41.3	45.6	42.6
Institution CET1 overall capital requirements	9.7	7.0	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[3)]	*2.7*	*2.7*	–
Common Equity Tier 1 capital (as a percentage of risk exposure amount) avaiable after meeting the minimum capital requirements	15.7	21.1	22.2

1) Net profit for the period was reduced by the expected dividend of SEK 383 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.

3) Amended requirements by Regulation (EU) 2021/637 with application from Q2 2021. Outcome according to the Supervisory Review and Evaluation Process from the Swedish FSA, communicated and applied from September 2021.

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

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

Risk exposure amounts and capital requirements

	PARENT COMPANY					
	30 Jun 2022		31 Dec 2021		30 Jun 2021	
SEK million	**Risk exposure amount**	**Capital require-ment**	**Risk exposure amount**	**Capital require-ment**	**Risk exposure amount**	**Capital require-ment**
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	10,662	853	8,146	651	7,641	612
Retail exposures	1,155	92	1,060	85	1,105	88
– of which, exposures to SMEs	*70*	*6*	*81*	*7*	*81*	*6*
– of which, retail exposures secured by immovable property	*1,085*	*86*	*979*	*78*	*1,024*	*82*
Total exposures recognised with the IRB approach	**11,817**	**945**	**9,206**	**736**	**8,746**	**700**
Credit risk recognised with the standardised approach						
Exposures to governments and central banks[1]	33	3	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0
Exposures to institutions[2]	5,628	450	3,429	274	3,361	269
– of which, derivatives according to CRR, Appendix 2	*5,544*	*444*	*3,429*	*274*	*3,324*	*266*
– of which, repos	*57*	*4*	*0*	*0*	*37*	*3*
– of which, other	*27*	*2*	*0*	*0*	*0*	*0*
Retail exposures	2,790	223	2,705	216	2,842	227
Exposures in default	4	0	5	0	6	0
Exposures in the form of covered bonds	3,317	265	3,111	249	3,709	297
Exposures to institutions and corporates with a short-term credit rating	23	2	15	1	34	4
Equity exposures	10,455	836	10,450	836	12,431	994
Other items	193	16	153	13	143	11
Total exposures recognised with standardised approach	**22,443**	**1,795**	**19,868**	**1,589**	**22,526**	**1,802**
Market risk	**63**	**5**	**61**	**5**	**111**	**9**
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	*63*	*5*	*61*	*5*	*111*	*9*
Operational risk	**2,982**	**239**	**2,567**	**205**	**2,567**	**205**
– of which, standardised approach	*2,982*	*239*	*2,567*	*205*	*2,567*	*205*
Credit valuation adjustment risk (CVA risk)	**953**	**76**	**870**	**70**	**680**	**54**
Additional requirements under Article 458 of the CRR	**4,228**	**339**	**3,786**	**304**	**4,816**	**385**
Additional requirements under Article 3 of the CRR	–	–	–	–	**184**	**15**
Total risk exposure amount and minimum capital requirements	**42,486**	**3,399**	**36,358**	**2,909**	**39,630**	**3,170**
Capital requirements for capital conservation buffer		**1,062**		**909**		**991**
Capital requirements for countercyclical buffer		**11**		**7**		**7**
Total capital requirements		**4,472**		**3,825**		**4,168**

1) Risk-weighted amount for governments and central banks amounts to SEK 33 million due to deferred tax according to CRR Article 48(4).
2) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 5,601 million (3,429).

Alternative performance measures

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

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

Deposits/lending

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

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

	GROUP		
SEK million	30 Jun 2022	30 Jun 2021	31 Dec 2021
Deposits from the public	154,394	138,145	144,950
Lending to the public	491,259	441,744	467,041
Deposits/lending, %	**31.4**	**31.3**	**31.0**

C/I ratio

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

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

	GROUP		
	2022	2021	2021
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Expenses	–729	–689	–1,492
Operating income	2,194	2,075	4,121
C/I ratio, %	**33.2**[1)]	**33.2**	**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-Jun 2022 amounted to 34.6%.

C/L ratio

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

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

	GROUP		
	2022	2021	2021
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Expenses	–729	–689	–1,492
– Expenses (annualised)	*–1,458*	*–1,379*	*–1,492*
Aver. lending to the public	479,150	432,290	444,938
C/L ratrio, %	**0.30**	**0.32**	**0.34**

Return on equity

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

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

	GROUP		
	2022	2021	2021
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Operating profit after tax	958	1,099	2,081
– Op. profit after tax (annualised)	*1,916*	*2,199*	*2,081*
Average equity	19,325	18,306	18,772
Return on equity, %	**9.9**[1)]	**12.0**	**11.1**
Return on equity excl. risk tax, %[2)]	**10.9**[1)]	–	–

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

2) The risk tax for Jan-Jun 2022 amounted to SEK 131 million.

Net interest margin

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

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

	GROUP		
	2022	2021	2021
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Net interest income	2,172	2,072	4,114
– Net interest inc. (annualised)	4,344	*4,143*	*4,114*
Average balance sheet total	579,128	524,492	534,848
Net interest margin, %	**0.75**	**0.79**	**0.77**

Credit loss ratio

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

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

	GROUP		
	2022	2021	2021
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Credit losses	–29	5	11
– Credit losses (annualised)	*–58*	*10*	*11*
Lending to the public	491,259	441,744	467,041
Credit loss ratio, %	**–0.01**	**0.00**	**0.00**

Share of Stage 3 loans, gross, %

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

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

	GROUP		
SEK million	30 Jun 2022	30 Jun 2021	31 Dec 2021
Gross lending credit stage 3	227	230	231
Lending to the public	491,259	441,744	467,041
Share of Stage 3 loans, %	**0.05**	**0.05**	**0.05**

New lending

Definition: Gross lending for the period.

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

Definitions of other key performance indicators

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

Auditors' review report

Introduction
We have reviewed the interim report for SBAB Bank AB (publ) for the period 1 January – 30 June 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 Com- panies. Our responsibility is to express a conclu- sion on this interim report based on our review.

Scope of review
We conducted our review in accor- dance with the International Standard on Review Engagements (ISRE) 2410 Review of Inter- im 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 substan- tially less in scope than an audit con- ducted in accordance with ISA and other generally accepted auditing practices. The proce- dures performed in a review do not ena- ble us to obtain a level of as- surance that would make us aware of all significant matters that might be identi- fied in an audit. Therefore, the conclusion expres- sed based on a review does not give the same level of assurance as a con- clusion expressed based on an audit.

Conclusion
Based on our review, nothing has come to our attention that causes us to be- lieve that the interim report for the Group is not prepared, in all material aspects, in accordance with IAS 34 and the Annual Accounts Act for Credit In- stitutions and Securities Companies.

Stockholm July 18, 2022

Deloitte AB

Signature on Swedish original

Patrick Honeth
Auktoriserad revisor

The Board of Directors and 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, 18 July 2022

Jan Sinclair,
Chairman of the Board

Leif Pagrotsky
Board Member

Inga-Lill Carlberg
Board Member

Lars Börjesson
Board Member

Wenche Martinussen
Board Member

Jenny Lahrin
Board Member

Jane Lundgren-Ericsson
Board Member

Synnöve Trygg
Board Member

Margareta Naumburg
Employee representative

Karin Neville
Employee representative

Mikael Inglander
CEO

Financial calender

Interim Report Jan-Sep 2022	27 October 2022
Year-end Report 2022	7 February 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

For additional information,
please contact:

CEO Mikael Inglander
+46 8 614 43 28
mikael.inglander@sbab.se

Acting CFO Carl Olsson
+46 727 03 44 72
carl.olsson@sbab.se

www.sbab.se

This information was submitted for publication on 18 July 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.