Interim report

January–June 2023

SBAB Bank AB (publ)

SBAB!

The quarter in brief

Q2 2023

(Q1 2023)

- Total lending increased 0.3% to SEK 514.1 billion (512.5) for the quarter. Total deposits increased 2.4% to SEK 193.0 billion (188.5).
- The previously announced sale of residential mortgages was completed in the quarter. Said mortgages related to the former partnership with Sparbanken Syd and corresponded to a volume of SEK 5.2 billion.
- Operating profit grew 1.1% to SEK 862 million (853), primarily due to a more positive outcome for net income from financial transactions.
- Net interest income declined to SEK 1,386 million (1,413), mainly due to the continued contraction of mortgage lending margins. Higher deposit volumes and deposit margins had a positive impact on the item.
- Net credit losses amounted toSEK 23 million (loss: 33) and mainly comprised increased credit loss allowances. Confirmed credit losses totalled SEK 3 million.
- Imposed fees totalled SEK 127 million (141) for the quarter, of which the risk tax amounted to SEK 88 million (89) and the resolution fee to SEK 39 million (52).
- The return on equity amounted to 13.1% (13.3) and the C/I ratio was 29.5% (27.7).
- The CET1 capital ratio was 11.9% (12.4)
- During the quarter, a new vision and mission were decided for SBAB that connect to the strategic review completed at the end of last year. Read more on pages 3–5.

Total lending, SEK bn
Q2, 2023

514

Total deposits, SEK billion
Q2, 2023

193

13.1%
Return on equity
Q2 2023

29.5%
C/I ratio
Q2 2023

–0.02%
Credit loss ratio
Q2 2023

11.9%
CET1 capital ratio
Q2 2023

Selected key metrics

	GROUP					
	2023 Q2	2023 Q1	Change	2023 Jan–Jun	2022 Jan–Jun	Change
Total lending, SEK bn	514.1	512.5	+0.3%	514.1	491.3	+4.6%
Total deposits, SEK bn	193.0	188.5	+2.4%	193.0	154.4	+25.0%
Net interest income, SEK mn	1,386	1,413	-1.9%	2,856	2,172	+30.2%
Net result of financial transactions, SEK mn	45	2	+43 mn	47	–28	+75 mn
Expenses, SEK mn	–423	–394	+7.4%	–817	–729	+12.1 %
Net credit losses, SEK mn	–23	–33	–10 mn	–56	–29	+27 mn
Imposed fees: Risk tax and resolution fee, SEK mn	–127	–141	–14 mn	–268	–222	+46 mn
Operating profit, SEK mn	862	853	+1.1%	1,715	1,214	+41.3%
Return on equity, %	13.1	13.3	–0.2 pp	13.2	9.9	+3.3 pp
C/I ratio, %	29.5	27.7	+1.8 pp	28.6	33.2	–4.6 pp
CET1 capital ratio, %	11.9	12.4	–0.5 pp	11.9	12.7	–0.8 pp

This is SBAB

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

Vision
To enable tomorrow's homes and housing

Mission
The considerate bank with the best offering in housing and household finances

Retail business area

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, and housing search and real estate agent services. The core product is residential mortgages complemented with savings accounts. Activities are operated under the SBAB, Booli, HittaMäklare and Boappa brands. We meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.48% on 31 May 2023, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se has Sweden's largest offering of homes for sale.

Read more on page 12

SBAB!
hittamäklare! A service by SBAB
booli! A service by SBAB
boappa! A service by SBAB

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 corporate clients (multi-family dwellings) was 17.31% on 31 May 2023. At the same time, the market share for lending to tenant-owners' associations was 10.53%.

Read more on page 13

SBAB assigns priority to four Sustainable Development Goals

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

Statement from the CEO

Rising interest rates and high inflation continue to put pressure on Swedish households and the Swedish economy. Despite a challenging operating environment, SBAB once again delivered a strong interim performance.

Uncertainty still prevails regarding future developments in the housing market. Housing prices have stabilised and have trended slightly upwards since the beginning of the year. However, number of sales remain low and the supply remains high, indicating a certain level of caution in the market. Since peaking in March 2022, housing prices according to our price index (SBAB Booli HPI, available here) dropped a total of 13% for the country as a whole and we expect that they will continue to decline during the autumn.

Despite a more challenging market, during the last few months we managed to capture a large portion of net growth in the market, driven in part by the fact that many customers decided to transfer their mortgages to us in the beginning of the quarter. At the same time, the number of customers choosing to leave SBAB remains at low levels. This indicates that we have a strong and attractive offering and that we enjoy a great deal of trust in the market. The previously announced sale of residential mortgages was completed in the quarter. Said mortgages related to our former partnership with Sparbanken Syd and corresponded to a volume of SEK 5.2 billion. This means that our total lending to private individuals during the quarter decreased SEK 351.5 billion compared with SEK 352.2 billion at the end of the first quarter.

The annual growth rate for mortgages to private individuals was 2.0% in May, compared with 2.4% in April and 6.8% in the year-earlier period. This trend is largely due to rising interest rates and the weaker housing market. There is a trend towards increased willingness to make loan repayments among households, which could also explain the lower growth in the market. At the same time, competition in the residential mortgage market remains tough and margins on residential mortgages once again declined during the quarter. As defined by Finansinspektionen (the Swedish FSA), at the end of the first year they amounted to 0.56 percentage points, compared with 1.35 percentage points for the year-earlier period.

The coming time might be challenging for many of our customers. The Riksbank's forecast after its most recent meeting in the end of June is that the interest rate will be raised at least once more. Future hikes have not been ruled out, either. Contributing factors to the Riksbank's forecast include continued high inflation and a better economic performance than originally forecast. At the same time, the labour market remains strong with relatively low unemployment. This means that outlooks for residential mortgage interest rates, particularly those with short fixed-interest periods, include additional increases from today's levels. As a result, we can expect residential mortgage interest rates in excess of 5%. Households need to gradually adapt their consumption to conditions with higher mortgage interest rates and general increases in costs. However, our assessment is that, overall, the majority of residential mortgage customers will continue to have healthy margins to cover repayment of their mortgages even in a deteriorated economic climate. Despite the most recent economic trends, we have not yet noted any significant changes in credit quality in lending to retail customers.

Property sector under continued pressure and significant slowdowns in construction

The situation in the property market remains cautious, with few transactions and relatively low growth. Credit growth in bank lending is held up in part because many property company customers are having difficulties obtaining financing at favourable terms in the bond market. This means that they need to refinance maturing bond loans with bank loans, which is supporting credit growth in the market. Going forward, decreased demand for housing from households and more expensive production costs are expected to lead to decreased housing production. SBAB's economists have not ruled out figures as low as between 15,000 and 20,000 for housing construction starts for the current year. Construction volumes this low have not been seen since the crisis of the 1990s. The current booking situation is also lower than when it was its worst during the pandemic in 2020.

The indebtedness has increased rapidly for many property companies during the last few years, not least due to the interest rate conditions. Now that interest rates have risen rapidly in a short period of time, financing costs for some of these companies have increased drastically. This means that some companies could be forced to conduct measures to reduce their liabilities and strengthen their balance sheets. We therefore expect some market consolidation and increased sales of property portfolios going forward. SBAB's lending to property companies and tenant-owners' associations increased a moderate 1.5% during the second quarter to SEK 162.6 billion. Despite more challenging conditions, we assess the credit quality of our lending to property companies as remaining stable with good collateral and an average loan-to-value ratio of 61% at the end of the quarter. The increased uncertainty means that we have reason to be somewhat more selective in our new lending. We continuously analyse our lending portfolio based on differing perspectives, including dependency on capital markets, need for refinancing and interest rate resilience. In the most recent quarters, we have noted something of a decline in financial strength based on select performance measures in some companies, including the interest coverage ratio, which has led to increased credit loss allowances and some risk class migrations in the models that we apply for calculating credit losses and capital adequacy. There is still uncertainty regarding future valuations and yield requirements in the property market and we cannot rule out additional effects later in the credit cycle. However, it is important to remember that, despite everything, the majority of property companies are generating good cash flows and to date we have not experienced any late payments or defaults.

A strong financial performance where deposits continue to play an important role

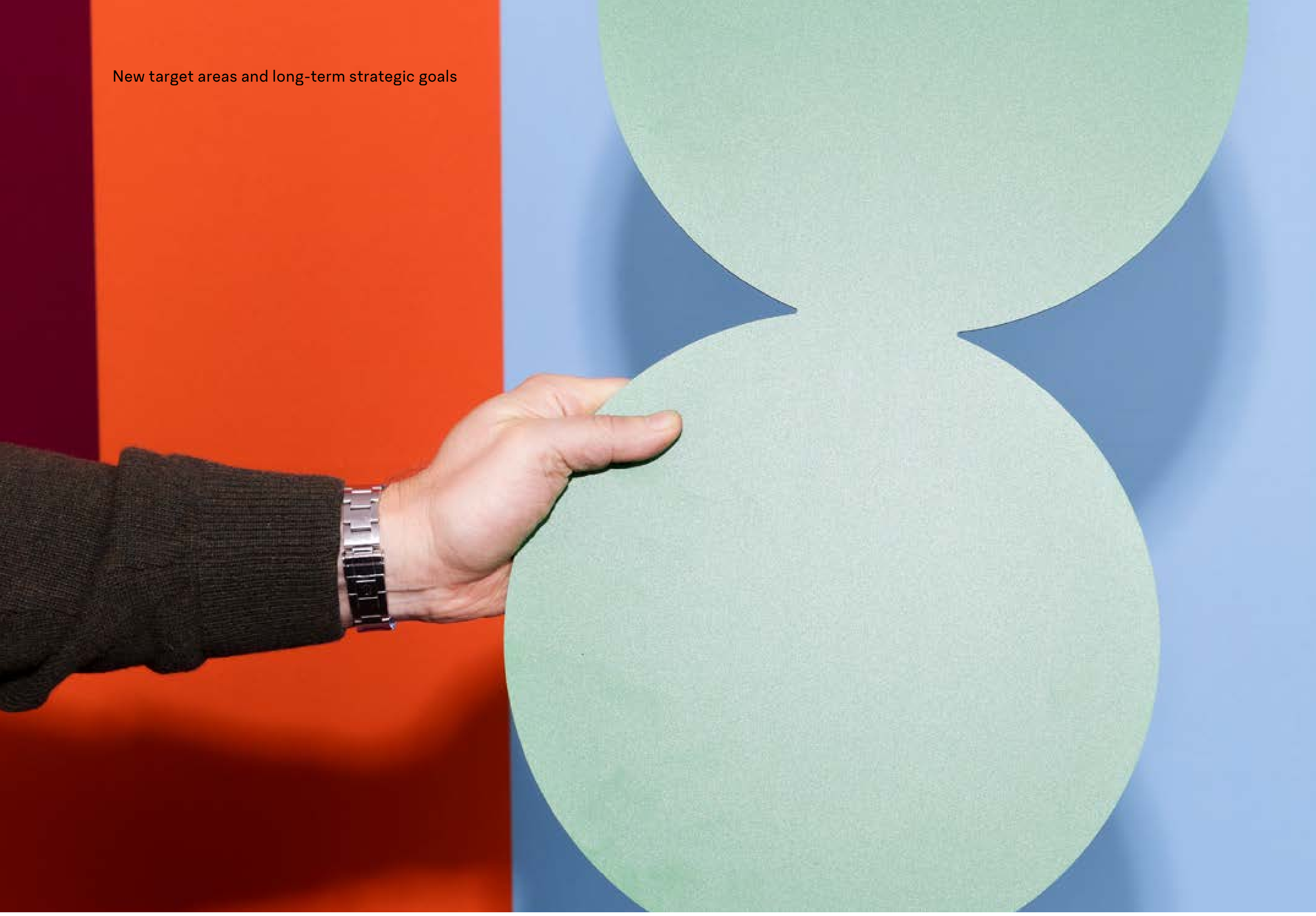
For the first half of the year as a whole, and for the second quarter in isolation, we delivered a strong financial performance. The trend was primarily due to higher net interest income, where deposits have come to play an increasingly important role. Net interest income for the quarter amounted to SEK 1,386 million, up 27.4% year-on-year. The total market for deposits remained largely unchanged during the quarter. Despite this, SBAB managed to grow deposits 2.4% to a total of SEK 193 billion during the quarter, a trend that we are very satisfied with. An important explanation for the good development is that we continue to offer our customers transparent and attractive terms compared with many other market players. However, competition for deposits has begun to increase. Larger banks as well as niche actors have recently improved their offerings. We are working continuously with product and business development to ensure our total deposit offering is more competitive. Costs developed largely as planned during the quarter and for some months we have been working in our new core banking platform. Credit losses for the quarter amounted to SEK 23 million due to continued provisions for future credit losses. Confirmed credit losses remained low and totalled SEK 3 million for the quarter.

New vision and mission

In connection with the review of our overall strategy and goal follow-up last autumn, which I touched on in our last interim report, we have now decided on a new vision and mission for SBAB. Over the years we have helped many people improve their housing and household finances. We have taken the initiative to create a more equitable banking industry through transparency and the ambition to be a bank for all kinds of people. At the same time, we know that society and conditions are changing. Today, and in the future, we want to improve things for people, society and businesses with the vision to enable tomorrow's homes and housing. Our mission is to be the considerate bank with the best offering in housing and household finances.

My sincere thanks to all of our employees for your efforts in the first half of the year – together we are taking responsibility and making a difference. Have a wonderful summer.

Mikael Inglander
CEO of SBAB



New target areas and long-term strategic goals until 2030

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

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

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

Market overview

Swedish economy
The financial situation deteriorated rapidly in 2022, but GDP growth remained positive in the first quarter of 2023. Additionally, indicators show that trends in the second quarter were more or less stagnant. Despite an economic slowdown, the situation is relatively good in terms of a high level of employment and low unemployment.

For many consumer goods, inflation remains high even if there is a clear downturn. The Riksbank's policy rate hikes have contributed to higher mortgage rates that have suppressed household demand and thereby to controlling inflation. Going forward, economic conditions are expected to further weaken and, for the full year 2023, the Swedish economy is expected to shrink a maximum of 1%.

During the first months of the year, confidence in the economy improved somewhat, even if it remains low. Industry indicators are close to levels typical for a recession. For households, however, confidence indicators are unusually low. Around the end of last year, indicators were in line with levels noted during the 1990s crisis, which was likely due to the rapid price increases for many goods as well as interest rate hikes for mortgages. During the year confidence returned, though a good deal remains before it can be characterised as normal for the prevailing economic conditions.

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

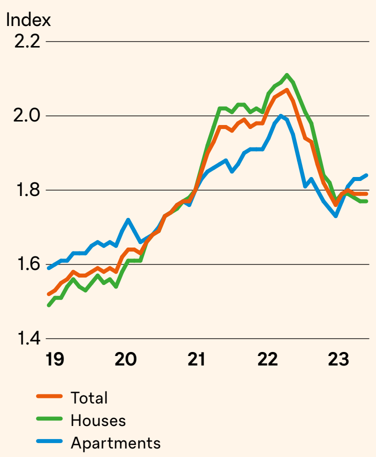
Fixed-income market
The short-term market interest rates continued to climb during the second quarter, thereby keeping pace with the higher policy rate. However, the long-term market interest rates have remained largely at the same level as October 2022, even if they have fluctuated. There are, of course, slight differences between various instruments and differing maturities. For example, two-year interest rates have posted a weak rising trend of just over ten basis points per quarter. The overall pattern can be described as a fixed-income market that both expects somewhat tighter monetary policy in the near term to bring inflation down to the target level, while concurrently managing to keep inflation close to the target for the long term.

In June 2023, the Riksbank decided to raise the policy rate 25 basis points to 3.75%. For interest rates, this may well be the peak of this hiking cycle, even if most indicators point to a further hike in September. SBAB expects the policy rate to remain at 3.75% or 4.00% in the autumn before beginning to fall toward the equilibrium level of around 2% after the end of 2023. Increases in the policy rate during the summer and expectations of further hikes in the autumn will, however, result in further increases in short-term market interest rates. The long-term market interest rates, however, are expected to remain at just above 3% for the immediate future before falling marginally toward the end of the year.

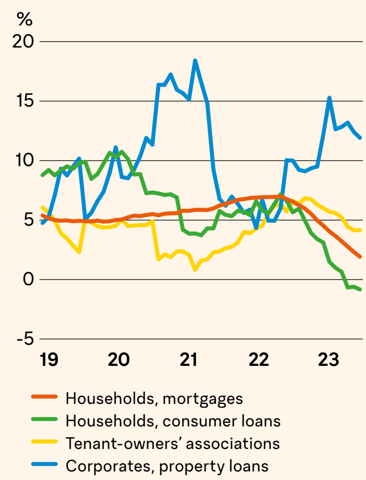
In addition to higher market interest rates in the autumn, higher interest rates on deposits are expected to contribute to relatively high mortgage rates over the next six months. In a few years, variable mortgage rates will likely move down to around 3.50%, while long-term mortgage rates will move closer to 4.00%. The long-term level for mortgage rates in general is estimated to range between 3.50% and 4.00%, somewhat lower for variable mortgage rates and somewhat higher for longer fixed-interest rates.

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

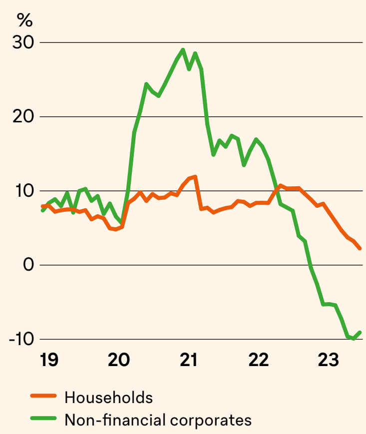
Housing price trend
(SBAB Booli HPI, 2013.01 = 1)



Lending growth
(Percentage, 12-month change)



Deposit growth
(Percentage, 12-month change)



Sources: Macrobond, Statistics Sweden, Booli and SBAB
Data until and including May 2023

Housing prices

In the first months of 2023, housing prices started to rise, thereby breaking the rapid fall that occurred in 2022. In the period to May 2023, the increase in Sweden as a whole was 2% across all housing types, but broke down as 7% for apartments and stagnant for houses. The increase can be somewhat explained by seasonal patterns, which usually push up housing prices by around 4 percentage points in the first five months of the year. The relatively weaker trend for houses could partially be explained by the fact that house prices developed strongly during the coronavirus pandemic. Moreover, the difference could also be due to the fact that apartments are more likely to use a district heating network, where prices are not rising as quickly as for electricity. Altogether, the average decrease in housing prices since the peak in March/April 2022 through to May 2023 has been just over 13%. SBAB's economists expect housing prices to continue to decrease through autumn 2023.

Rising housing expenses due to higher mortgage rates have led to a rapid downturn in the housing market. The Riksbank's about-face with its monetary policy in spring 2022, and the record fast hikes to the policy rate in the autumn, changed household expectations regarding future mortgage rates and have suppressed housing prices. The long-term housing price trend can be explained by a range of structural factors, including household incomes and mortgage rates.

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

Housing market

Sales of existing homes have fallen sharply since spring 2022 and are now well under what could be considered a normal level. Moreover, housing turnover is below the level normally associated with a recession. In the first two months of the second quarter, 8,500 houses and 16,500 apartments were sold. This is 21% and 24% lower than for the corresponding period in 2022, respectively.

After an intense period in the housing market in the wake of the coronavirus pandemic, market conditions have reversed. This is noticeable in trends like fewer bidders per home, lower bid premiums and a larger proportion of housing with lowered prices. However, opening prices can generally be considered high since, in many cases, they are still at the previous year's levels, and selling prices are significantly lower compared with previous years.

The market for new housing production has come under increasing strain since autumn 2022. Unlike the market for existing housing, there has been no real drop in prices for this category of housing. However, sales of new housing have slowed very significantly, from around 2,000 verified sales per month in spring 2021 and 2022 to only around 500 homes per month in spring 2023. Advertising periods more than doubled in length compared with last year.

For Sweden as a whole, the SBAB Booli Housing Market Index (HMI, available here) indicates that conditions for building housing changed quickly in the second half of 2022 and the first quarter of 2023. The market has now rapidly approached conditions where there are a surplus of houses and tenant-owner apartments. There is still some way to go, but at this rate, in many municipalities it will only take a few quarters before we actually see a surplus, if that is not already the case. For new rental apartments, the index shows that conditions over the past year have been bordering on a surplus for Sweden as a whole, but a surplus of new rental apartments is already a fact in Västra Götaland. The overall trend is largely due to declining demand for housing as a result of rising housing expenses in the wake of factors such as rising residential mortgage interest rates.

Market for deposits and lending

The rate of growth for retail loans continued to level off during the first half of 2023. In terms of 12-month figures, it reached 1.4% in May, which was a new low since measurement started in 2005. The rapid deceleration was primarily due to a lower growth rate for housing loans, which was 1.9% at that time. The mortgage growth rate is expected to remain low for the remainder of 2023 before increasing slightly in 2024. This weak trend is due to higher mortgage rates having suppressed demand and pushed down housing prices. Higher interest rates and the weaker economy have also contributed to lower housing turnover, which concurrently also reduces demand for credit. Households' interest in consumer loans has also declined. Consumer loans declined 0.8% in May. A contraction in these types of loans is relatively common in a recession but they are expected to grow again in a year or so.

In 12-month terms, deposits from households only grew 2.2% in May. There has thus been a very rapid decline from over 10% in spring 2022. An economic slowdown, or overall economic uncertainty, normally leads to households increasing their savings. The current reversal could possibly be due to many households preferring to make mortgage repayments, for example, as a result of the higher interest rates. Higher interest rates increase the price of liquidity. It can also be noted that unemployment remains low despite the weaker economy, and that a perceived low risk of unemployment reduces incentives to build a buffer. Growth in corporate deposits has also plummeted. Since early 2022, it has gone from increasing by around 16% in 12-month terms, to decreasing by almost 9% in 12-month terms in May. Negative deposit growth from corporate clients is not entirely unusual under certain circumstances. This was the case, for example, for one month in 2008 and in a large portion of 2011. However, the current trend is unusual and could be due to the fact that companies' costs have risen quickly while sales have weakened, and that it has become more difficult and expensive for companies to finance their operations in the capital market.

Risks and uncertainties

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

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

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

Similarly, rising prices and interest rates have increased costs for property companies. Over time, rising costs are expected to lead to rising rents and therefore revenues. However, considerable uncertainty prevails regarding the possibility of property companies being able to negotiate higher rents on the basis of higher capital costs. Uncertainty will be at its highest over the next few years until the view regarding the level of long-term interest rates becomes clearer. The stability of the financial system could be impacted if many property companies were to experience rapidly rising costs, or difficulties in refinancing their operations. Rising interest rates and an uncertain outlook have also contributed to a steep downturn in housing construction. In particular, this is seen as a problem for the economic trend. The direct effect on the financial sector is considered to constitute relatively small risk, but the indirect effects from a prolonged weak real economic trend may be greater.

Market interest rates and mortgage rates are both expected to remain relatively high for the remainder of 2023 and the beginning of 2024. Since the majority of Swedish households own their own home and due to many mortgages being subject to floating interest, the Swedish economy is sensitive to rapidly rising interest rates. A risk exists that indebted households might experience difficulty coping with ongoing loan payments on their mortgages as a result of high interest rates. However, current forecasts indicate that mortgage interest rates will remain, with a certain margin, under the stressed interest that banks apply in their credit assessments. Moreover, stress tests indicate low risk of payment problems even in the event of further moderate hikes in interest rates.

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

Risks related to the global economy and international financial markets

Any disruption in the international financial markets or in the global economy entails a risk for SBAB both as a participant in the Swedish market and as an issuer in the international capital market. These disruptions could be caused, for example, by global political and macroeconomic events, changes in the monetary policies of central banks or extraordinary events such as pandemics, wars and acts of terrorism.

Russia's continued war in Ukraine has above all caused suffering for the Ukrainian people, but also resulted in the extensive sanctions against Russia remaining in force and being expanded. Although SBAB has no presence in the war- or sanction-affected areas, the company is indirectly affected by the unrest through its impact on the global economy. The war has contributed to today's high inflation and to uncertainty about the future. The war is expected to affect the global economy and the financial markets for a long time going forward.

The second quarter has not experienced financial stress in the global financial system as was the case in the first quarter, when certain banks in the USA and Switzerland experienced confidence and liquidity problems. However, future similar events cannot be excluded. Generally, the Swedish banks have robust buffers in place both for liquidity and for capital, and are generally profitable. Furthermore, they are subject to different regulations than, for example, smaller niche banks in the USA. The contagion effects for Swedish banks and the Swedish market are assessed as limited. The funding market in Sweden continues to function satisfactorily.

Weak economic performance in combination with high inflation is a difficult challenge for financial policy and makes future policies difficult to predict. Focus continues to remain on lowering inflation. Prevailing interest rate levels and future trends are important variables for SBAB, since they impact strongly on net interest income and operating profit. A higher interest rate environment 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.

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

Mortgages and household finances without the hassle

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

SBAB! booli! A service by SBAB

Buying

- Residential mortgages & housing financing
- Housing valuations
- Housing advertisements

Business partner services:

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

booli! A service by SBAB hittamäklare! A service by SBAB

Selling

- Estate agent recommendations
- Housing valuations
- Housing advertisements

Business partner services:

- Tax declaration help

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Living

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

Business partner services:

- Construction advice

Building blocks for our offering

Financial capital & lending

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

Data

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

Business development

Volume trends

	GROUP					
	2023	2023	2022	2023	2022	2022
	Q2	Q1	Q2	Jan–Jun	Jan–Jun	Jan–Dec
New lending for the period, SEK bn	21.2	15.9	29.9	37.0	56.6	105.4
Net change in lending for the period, SEK bn	1.6	3.0	12.6	4.6	24.2	42.5
Total lending, SEK bn	**514.1**	**512.5**	**491.3**	**514.1**	**491.3**	**509.5**
No. of deposit accounts, thousand	644	613	487	644	487	568
Net change in deposits, SEK bn	4.5	6.1	7.4	10.5	9.4	37.5
Total deposits, SEK bn	**193.0**	**188.5**	**154.4**	**193.0**	**154.4**	**182.4**
Deposits/lending, %	37.5	36.8	31.4	37.5	31.4	35.8
Retail Business Area						
No. of mortgage customers, thousand	288	293	293	288	293	292
No. of mortgage objects financed, thousand	185	188	188	185	188	187
New lending, SEK bn	14.6	11.7	19.5	26.3	37.9	67.0
Net change in lending for the period, SEK bn	–0.7	1.1	5.1	0.4	10.5	14.0
Total lending, Private, SEK bn	**351.5**	**352.2**	**347.8**	**351.5**	**347.8**	**351.1**
Residential mortgages, SEK bn	349.5	350.2	345.5	349.5	345.5	349.0
Consumer loans, SEK bn	2.0	2.0	2.3	2.0	2.3	2.1
Market share, Residential mortgages, %[1]	8.48	8.51	8.54	8.48	8.54	8.51
Market share, Consumer loans, %[1]	0.66	0.69	0.74	0.66	0.74	0.70
Total deposits, Private, SEK bn	**153.6**	**148.3**	**110.8**	**153.6**	**110.8**	**140.7**
No. of retail customers with savings accounts, thousand	544	521	420	544	420	485
Market share deposits, Private, %[1][3]	5.96	5.67	4.24	5.96	4.24	5.49
Corporate Clients & Tenant-Owners' Associations business area						
No. of housing financing customers	2,986	2,974	2,763	2,986	2,763	2,942
New lending, SEK bn	6.6	4.2	10.4	10.8	18.7	38.4
Net change in lending for the period, SEK bn	2.3	2.0	7.6	4.2	13.7	28.5
Total lending, Corporates & Associations, SEK bn	**162.6**	**160.3**	**143.5**	**162.6**	**143.5**	**158.4**
Lending, Corporate clients, SEK bn	94.7	92.5	79.2	94.7	79.2	90.7
Lending, Tenant-owners' associations, SEK bn	67.9	67.8	64.3	67.9	64.3	67.7
Market Share Corporate Clients (multi-family dwellings), %[1][2]	17.31	16.53	15.10	17.31	15.10	17.38
Market share, Tenant-owners' associations, %[1]	10.53	10.74	10.33	10.53	10.33	10.69
Total deposits, Corporates & Associations, SEK bn	**39.4**	**40.2**	**43.5**	**39.4**	**43.5**	**41.8**
No. of customers with savings accounts, Corp. & Assoc.	15,000	14,400	12,300	15,000	12,300	13,700
Market share deposits, Corp. & Assoc., %[1][3]	2.85	2.79	2.65	2.85	2.65	2.65

1) Source: Statistics Sweden. The figures in the column for Q2 2023 and Jan–Jun 2023 correspond with the market shares as of 31 May 2023. The Q1 2023 column corresponds with the market share as of 28 February 2023. The figures in the column for Q2 2022 and Jan–Jun 2022 correspond with the market shares as of 31 May 2022. The figures in the column for Jan–Dec 2022 correspond with the market share as of 31 December 2022.

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

3) The definition for calculating market share for deposits was revised as of the second quarter of 2023. The comparative figures in the table have been adjusted for comparability.

Retail business area

Trend for Q2 2023 compared with Q1 2023

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

Lending

Activity in the residential mortgage market and the growth rate of mortgage lending in Sweden remain at historic lows, primarily due to rising interest rates and their effects on the housing market.

Recent interest rate trends have led to significant changes in market interest rates, increased funding costs for banks and thus increased mortgage rates. SBAB continuously adjusts the listed rates for mortgages to reflect the prevailing market conditions. Mortgages with longer fixed-interest periods had the lowest list rates at the end of the quarter. The share of total lending with a three-month fixed-interest period amounted to 63.5% (60.5) at the end of the quarter.

SBAB offers simple and straightforward terms and conditions, transparent mortgage rates, high availability through digital services and telephone, and mindful service. New lending in the second quarter amounted to SEK 14.7 billion (11.7), in part due to many customers choosing to switch banks to SBAB. At the same time, the number of customers choosing to leave SBAB remains at low levels.

Total retail lending amounted to SEK 351.5 billion (352.2) at the end of the quarter, of which SEK 349.5 billion (350.2) comprised residential mortgages and SEK 2.0 billion (2.0) consumer loans. During the quarter, the sale of residential mortgages related to the former partnership with Sparbanken Syd was completed and resulted in a decrease of SEK 5.2 billion in SBAB's residential mortgage portfolio. For more information, please refer to page 20.

The number of residential mortgage customers amounted to 288,000 (293,000) distributed over 185,000 (188,000) mortgage objects. The market share of residential mortgages was 8.48% on 31 May 2023 (8.51% on 28 February 2023). At the same date, the market share for consumer loans was 0.66% (0.69% on 28 February 2023).

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

Savings accounts (deposit)

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

Retail deposits continued to increase and amounted to SEK 153.6 billion (148.3) at the end of the quarter. At the same date, approximately 544,000 (521,000) retail customers held savings accounts with SBAB. The market share of retail deposits was 5.96% on 31 May 2023 (5.67% on 28 February 2023).

User trends

Every month, many people visit SBAB's, Booli's and HittaMäklare'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 446,000 (590,000). The average number of unique users of the SBAB app per month totalled around 214,000 (215,000) 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 1,400,000 (1,300,000) during the quarter. Booli's monthly property valuation email had some 800,000 subscribers at the end of the quarter. The real estate agent service HittaMäklare is part of Booli. HittaMäklare's service for locating estate agents has been used at some time by about 94% of the registered estate agents in Sweden.

Sweden's most satisfied residential mortgage customers

SBAB
MOST SATISFIED PRIVATE CUSTOMERS
MORTGAGES
2022
SKI

In 2022, for the fourth consecutive year, SBAB had Sweden's most satisfied residential mortgage customers according to Swedish Quality Index (Swe: Svenskt Kvalitetsindex (SKI)), which measures customer satisfaction in the banking and finance sector each year. SBAB received a customer satisfaction score of 76.4 out of 100, compared with the industry average of 67.5. We received particularly good results in the survey in areas such as product quality, reliability and loyalty.

Corporate Clients & Tenant-Owners' Associations business areas

Trend for Q2 2023 compared with Q1 2023

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)
High uncertainty due to sharply rising market interest rates and high inflation continues to dominate the property market. Activity and transaction volumes in the multi-family housing market remained low during the quarter, which affected the inflow of new business for SBAB. In parallel, the construction loan portfolio for financing new production developed largely as forecast. This was due to previously agreed financing still being capitalised. However, the prevailing conditions in the operating environment in combination with market conditions have led many housing developers to cut back on upcoming new construction projects, which in turn has contributed to low demand for new construction loans. During the quarter, new lending to corporate clients amounted to SEK 4.4 billion (2.1).

The market for lending to tenant-owners' associations is dominated by intense competition with low margins. During the quarter, new lending to tenant-owners' associations increased to SEK 2.2 billion (2.1).

Total lending to corporates and tenant-owners' associations increased to SEK 162.6 billion (160.3), of which SEK 94.8 billion (92.5) comprised lending to corporates and SEK 67.9 billion (67.8) lending to tenant-owners' associations.

The market share of lending to property companies (multi-family dwellings) was 17.31% on 31 May 2023 (16.53% on 28 February 2023). At the same date, the market share for lending to tenant-owners' associations was 10.53% (10.74% on 28 February 2023).

The number of housing financing customers was 2,986 (2,974) at the end of the quarter.

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

Savings accounts (deposit)
Deposits from corporate clients and organisations decreased during the quarter and totalled SEK 39.4 billion (40.2). At the same time, approximately 15,000 (14,500) customers held savings accounts with SBAB. On 31 May 2023, the market share of deposits from corporate clients and organisations was 2.85% (2.79% on 28 February 2023).

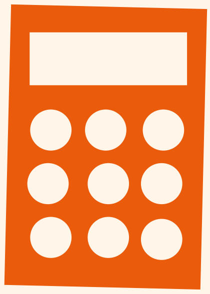
User trends
Boappa helps tenants, their neighbours and boards with communication in tenant-owners' associations or communities. At the end of the quarter, Boappa had around 1,400 active registered tenant-owners' associations.

Sweden's most satisfied corporate customers

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

SBAB
MOST SATISFIED BUSINESS CUSTOMERS
REAL ESTATE LOANS
2022
SKI

Financial performance



Income statement overview

	GROUP							
	2023	2023	2022	2022	2022	2023	2022	2022
SEK million	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Jan–Jun**	**Jan–Jun**	**Jan–Dec**
Net interest income	1,386	1,413	1,328	1,155	1,088	2,799	2,172	4,655
Net commission	–8	–7	–7	–5	11	–15	24	12
Net result of financial transactions (Note 3)	45	2	–79	72	21	47	–28	–35
Other operating income	12	13	12	11	13	25	26	49
Total operating income	**1,435**	**1,421**	**1,254**	**1,233**	**1,133**	**2,856**	**2,194**	**4,681**
Expenses	–423	–394	–437	–363	–371	–817	–729	–1,529
Profit before credit losses and imposed fees	**1,012**	**1,027**	**817**	**870**	**762**	**2,039**	**1,465**	**3,152**
Net credit losses (Note 4)[1]	–23	–33	–19	–20	–12	–56	–29	–68
Imposed fees: Risk tax and resolution fee	–127	–141	–112	–111	–109	–268	–222	–445
Operating profit	**862**	**853**	**686**	**739**	**641**	**1,715**	**1,214**	**2,639**
Tax	–182	–179	–147	–155	–135	–361	–256	–558
Net profit for the period	**680**	**674**	**539**	**584**	**506**	**1,354**	**958**	**2,081**
Return on equity, %[2]	13.1	13.3	10.5	11.7	10.4	13.2	9.9	10.5
Return on assets, %	0.4	0.4	0.3	0.4	0.3	0.4	0.3	0.3
C/I ratio, %	29.5	27.7	34.8	29.4	32.7	28.6	33.2	32.7
Credit loss ratio, %	–0.02	–0.03	–0.01	–0.02	–0.01	–0.02	–0.01	–0.01
Share of credit stage loans 3, gross, %	0.10	0.08	0.07	0.05	0.05	0.10	0.05	0.07
Net interest margin, %	0.85	0.87	0.85	0.76	0.74	0.87	0.75	0.78
Number of employees (FTEs)	889	864	863	856	860	889	860	863

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

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

Trend for Q2 2023 compared with Q1 2023

Operating profit grew to SEK 862 million (853), primarily due to a more positive outcome for net income from financial transactions and due to a lower resolution fee. The return on equity amounted to 13.1% (13.3) and the C/I ratio was 29.5% (27.7).

Net interest income
Net interest income declined to SEK 1,386 million (1,413), mainly due to the contraction of mortgage lending margins. This development was partly offset by an increase in the share of financing from deposits and higher deposit margins. The fee for the national deposit guarantee amounted to SEK 16 million (16) for the period.

Net commission
Net commission income amounted to an expense of SEK 8 million (expense: 7) for the quarter, primarily due to quarter-on-quarter lower commission income on profit sharing.

Net result of financial transactions
The net income from financial transactions increased to SEK 45 million (2), and was primarily due to the earnings impact from the buyback of own debt. For more information, please refer to Note 3.

Expenses
Expenses increased to SEK 423 million (394) during the quarter, mainly due to increased personnel-related costs, increased marketing costs and higher costs for impairment. At the end of the quarter, FTEs amounted to 889 (864).

Credit quality and credit losses
Net credit losses totalled SEK 23 million (loss: 33) for the second quarter of 2023, and mainly comprised credit loss allowances. Confirmed credit losses totalled SEK 3 million (2) and recoveries for previous confirmed credit losses amounted to SEK 1 million (1).

Total credit loss allowances increased SEK 20 million during the quarter (increase: 32). Provisions for credit stage 1 decreased SEK 3 million (increase: 12), while provisions for credit stage 2 and credit stage 3 rose SEK 4 million (increase: 16) and SEK 1 million (increase: 1) respectively. Provisions for loan commitments and building credits increased SEK 18 million (increase: 3).

The decrease in provisions for loans in credit stage 1 was mainly attributable to the settlement of brokered loans by business partners, the revision of the forward-looking information applied in the impairment model and the unwinding of the management overlay of SEK 20 million applied in the first quarter. Against the background of realised negative risk class migrations during the quarter, both in the Retail business area and the Corporate Clients & Tenant-Owners' Associations business area, the management overlay was assessed as having fulfilled its purpose, whereupon it was unwound during the quarter. The unwinding also led to a certain reducing effect for loans in credit stage 2. The change in credit loss allowances for loans in credit stage 2 is otherwise explained by negative risk class migrations in the Corporate Clients & Tenant-Owners' Associations business area as a result of manual adjustments of risk classes after expert assessment. The change in provisions for loans in credit stage 3 was mainly due to one single default with a relatively large exposure. The increase in credit loss allowances for loan commitments and building credits stemmed mainly from negative risk class migrations for some customer groups with building credits in the the Corporate Clients & Tenant-Owners' Associations business area.

Guarantees that can be utilised decreased approximately SEK 2 million (unchanged) in the quarter as a result of the settlement of brokered credits and guarantees.

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 continues to be assessed as good and the credit risk as low in each business area: Retail and Corporate Clients & Tenant-Owners' Associations.

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

Imposed fees
Imposed fees includes Sweden's new risk tax and the resolution fee. The risk tax amounted to 0.06% of the credit institution's liabilities for 2023 compared with 0.05% of liabilities for 2022. Imposed fees totalled SEK 127 million (141) for the quarter, of which the risk tax amounted to SEK 88 million (89) and the resolution fee to SEK 39 million (52).

Other comprehensive income
Other comprehensive income decreased to a negative SEK 328 million (income: 451), primarily due to interest-rate-related value changes in derivatives resulting from rising euro interest rates, which negatively impacted the item. For more information, please refer to page 24.

January–June 2023 compared with January–June 2022

Operating profit rose to SEK 1,715 million (1,214), mainly due to higher net interest income. The return on equity amounted to 13.2% (9.9) and the C/I ratio was 28.6% (33.2).

Net interest income rose to SEK 2,799 million (2,172), primarily due to an increased share of financing from deposits and higher deposit margins. Decreased lending margins for mortgages had a negative impact. The fee for the national deposit guarantee amounted to SEK 31 million (27) for the period.

Net commission income decreased to an expense of SEK 15 million (income: 24), mainly due to updated calculation models for amortised cost, where arrangement fees linked to corporate lending are accrued over the term of the loans in net interest income from the third quarter of 2022.

The net income from financial transactions increased to SEK 47 million (expense: 28), and was primarily due to the earnings impact from the buyback of own debt and the revaluation of credit risk in derivatives. For more information, please refer to Note 3.

Other comprehensive income for the period amounted to SEK 123 million (expense: 4,753), primarily due to interest-rate-related value changes in derivatives resulting from declining euro interest rates, which positively impacted the item. For more information, please refer to page 24.

Expenses increased to SEK 817 million (729), mainly driven by higher personnel costs, increased investment in marketing and higher impairment costs. The number of FTEs increased to 889 (860) during the period.

Total net credit losses increased during the period to SEK 56 million (29), mainly driven by increased loss allowances. Confirmed credit losses remained low and totalled SEK 5 million (3). The increase in credit loss allowances was mainly attributable to negative risk class migrations in the Retail business area (due to increased interest expenses for households) as well as to manual risk class adjustments after expert assessment for certain customer groups in the Corporate Clients & Tenant-Owners' Associations business area. Revisions to the forward-looking information applied in the impairment model, assuming a slightly higher interest rate path than previously, also contributed to the increase in credit loss allowances.

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

Imposed fees totalled SEK 268 million (222), of which the risk tax amounted to SEK 177 million (130) and the resolution fee to SEK 91 million (92).

Balance sheet overview

SEK million	GROUP 30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Jun 2022
ASSETS				
Cash and balances at central banks	2,080	632	3,534	1,210
Chargeable treasury bills, etc.	34,657	52,222	29,886	30,045
Lending to credit institutions	21,320	19,312	20,091	16,363
Lending to the public (Note 5)	514,057	512,515	509,492	491,259
Bonds and other interest-bearing securities	58,111	60,709	57,490	50,508
Total other assets in the balance sheet	19,180	15,768	13,992	10,533
TOTAL ASSETS	**649,405**	**661,158**	**634,485**	**599,918**
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	12,603	9,508	8,237	11,668
Deposits from the public	192,978	188,508	182,443	154,394
Issued debt securities, etc. (funding)	391,376	411,396	393,885	389,577
Subordinated debt	1,998	1,998	1,997	1,997
Total other liabilities in the balance sheet	30,027	28,777	27,974	20,559
Total liabilities	**628,982**	**640,187**	**614,536**	**578,195**
Total equity	**20,423**	**20,971**	**19,949**	**21,723**
– of which reserves/fair value reserve	*–6,516*	*–6,188*	*–6,639*	*–3,834*
– of which, Tier 1 capital instruments	*5,800*	*5,800*	*5,800*	*5,800*
TOTAL LIABILITIES AND EQUITY	**649,405**	**661,158**	**634,485**	**599,918**
CET1 capital ratio, %	11.9	12.4	12.8	12.7
Tier 1 capital ratio, %	15.4	16.1	16.5	16.6
Total capital ratio, %	16.6	17.3	17.8	17.9
Leverage ratio, %[1]	4.09	3.95	4.12	4.14
Liquidity coverage ratio (LCR), %	238	243	250	221
Net Stable Funding Ratio (NSFR), %	134	132	128	130

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

Trend for Q2 2023 compared with Q1 2023

Balance sheet comments

During the quarter, chargeable treasury bills decreased to SEK 34.7 billion (52.2), primarily due to reduced holdings of Riksbank certificates. At the same time, cash and balances at central banks increased to SEK 2.0 billion (0.6). Lending to credit institutions increased to SEK 21.3 billion (19.3), attributable to inflows of securities linked to derivatives (CSAs), which are mainly impacted by changes in interest and exchange rates. The above changes were within the scope of the normal short-term liquidity management. Bonds and other interest-bearing securities decreased to SEK 58.1 billion (60.7), mainly due to maturities and sales within the framework of normal liquidity reserve management. Lending to the public increased to SEK 514.1 billion (512.7), of which SEK 349.5 billion comprised residential mortgages, SEK 2.0 billion consumer loans, SEK 94.7 billion lending to property companies and SEK 67.9 billion lending to tenant-owners' associations. For more information on lending to the public, please refer to pages 11–13 and Note 5.

Liabilities to credit institutions increased to SEK 12.6 billion (9.5), primarily driven by inflows of securities connected to derivatives (CSAs). The trend was offset somewhat by lower repo funding. The changes were within the scope of the normal short-term liquidity management. Deposits from the public increased to SEK 193.0 billion (188.5), of which 92% comprised deposits from the public and the remainder non-operational deposits pursuant to the liquidity coverage regulation (EU 2015/61). For more information on deposits from the public, please refer to pages 11–13. For information about issued debt securities, please refer to the "Funding" section. At the end of the quarter, subordinated debt amounted to SEK 2.0 billion (2.0). Equity increased to SEK 19.1 billion (20.3), primarily due to value changes linked to cash-flow hedges and net profit for the period.

Funding

The second quarter was dominated by continued focus on interest rates and inflation. Some lingering concerns prevailed in the beginning of the quarter in the wake of the confidence and liquidity problems for some banks in the USA and Switzerland. However, these concerns essentially subsided toward the end of the quarter.

Incoming inflation data, both in the USA and Europe, indicate that interest rates are approaching their peak. However, some degree of uncertainty remains and other economic data is difficult to interpret. Some data indicates an economic slowdown, while other data indicates continued resilience. In combination with general messages from central banks, this contributed to market expectations of a higher interest rate peak than before and the postponement of the first cuts in interest rates. Therefore, yield curves were higher at the quarter's end than at its beginning.

During the quarter, the ECB raised the interest rate by 0.25 percentage points on two occasions to a total of 3.50%. Like the ECB, the Fed hiked interest rates 0.25 percentage points at the first meeting of the quarter, but decided at the second meeting in June to defer any further increases pending new incoming data. In Sweden, the Riksbank raised interest rates 0.50 percentage points and 0.25 percentage points in April and June respectively, to a total of 3.75%.

Funding markets continue to function satisfactorily and activity both in the Swedish and in the European primary markets was high during the quarter. Volumes issued in the first half of the year were up on the same period last year. Credit spreads for covered bonds in the EUR market were largely unchanged during the quarter, while those in the Swedish market increased slightly.

SBAB maintained a relatively favourable pace of funding during the quarter, despite the assessment that the total funding requirement for the full year has decreased slightly as a result of continued good deposit growth and slightly weaker lending growth. In addition to ongoing issues in the Swedish covered market, in April and June a covered issue of EUR 1.0 billion and a green senior non-preferred issue of EUR 500 million were completed in the European market. Demand from investors was very healthy and both transactions were well-received in the market.

During the quarter as a whole, issued debt securities totalled SEK 24.4 billion (21.8). In parallel, securities were repurchased for SEK 3.2 billion (4.0) and securities amounting to SEK 44.7 billion (3.8) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities outstanding of SEK 20 billion to a total of SEK 391.4 billion (411.4). In total, the SBAB Group has issued bonds corresponding to SEK 46.2 billion in 2023 (of which SEK 33.1 billion comprised covered bond funding and SEK 13.1 billion unsecured funding), which can be compared with the total bonds maturing in 2023 of about SEK 56.5 billion.

At the end of the quarter, unsecured funding amounted to SEK 62.8 billion (66.4), of which SEK 22.2 billion (16.3) comprised senior non-preferred bonds, SEK 37.6 billion (47.9) other unsecured bonds (senior preferred) and SEK 2.9 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 328.6 billion (345.0) at the end of the quarter, of which SEK 238.2 billion was in SEK and SEK 90.4 billion was in foreign currencies.

Liquidity position

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings[1]. At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 92.0 billion (108.9). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 89.6 billion (106.2).

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

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, on 30 June 2023, the LCR was 238% (243) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 142% (190). The net stable funding ratio (NSFR) amounted to 133.8% (131.6) 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 19.9 billion (19.7). The increase was mainly attributable to earnings for the interim period[1]. The risk exposure amount (REA) increased to SEK 167.3 billion (158.7), primarily attributable to negative risk class migration within the Corporate Clients & Tenant-Owners' Associations business area following manual adjustments of risk classes for some customer groups after expert assessment. On 30 June 2023, SBAB's CET1 capital ratio amounted to 11.9% (12.4) and the total capital ratio was 16.6% (17.3). This exceeds internal targets and external regulatory requirements. As per 30 June 2023, the Swedish FSA's collected capital requirements are estimated to correspond to a CET1 capital ratio of 10.5% and a total capital ratio of 14.9%. SBAB's capital targets are thus expected to correspond to a CET1 capital ratio of not less than 11.5% and a total capital ratio of not less than 15.5% as of the same date.

During the quarter, the Swedish FSA increased the countercyclical buffer value for Swedish exposures from 1% to 2%. In November 2022, SBAB's application to use a new PD model for household exposure was approved, and in January 2023, SBAB's new PD models for corporate exposures were approved. Application of the new PD models for households started in the first quarter of 2023. In parallel, the PD models for corporate exposures are expected to be applied from September 2023. Due to the implementation of a new PD model for household exposures, the Swedish FSA notified SBAB during the quarter of an amendment decision that includes a reduction in the Pillar 2 surcharge imposed on SBAB for deficiencies in IRB models, from 1.2% to 0.5% of CET1 capital. SBAB has not yet received approval from the Swedish FSA on its applications for new LGD models for household and corporate exposures. Feedback is expected in the current year and the models will be implemented in conjunction with the receipt of a decision to approve. Following implementation, the models are expected to lead to significantly lower capital requirements.

In September 2021, SBAB received an SREP decision that comprised Pillar 2 guidance for SBAB of 0 percentage points on the risk-weighted capital requirement and 0.3 percentage points on the leverage ratio. The total leverage ratio requirements include the minimum requirement of 3% of the exposure amount, regulated in the Capital Requirements Regulation, which results in a total leverage ratio requirement of 3.3%. The leverage ratio amounted to SEK 4.09% (3.95) on 30 June 2023.

For more information on SBAB's capital position, please refer to Note 11 and Note 12.

1) In a decision by the Swedish FSA, subject to the company's auditors being able to confirm the surplus and that deductions for any dividends and foreseeable costs have been carried out pursuant to the Regulation on Prudential Requirements for Credit Institutions and Investment Firms and that these calculations have been conducted in compliance with the Commission Delegated Regulation (EU) No 241/2014, SBAB received approval for using the full-year surplus in own-funds calculations. Deloitte AB conducted the above review for 30 June 2023. This means that net profit for the year has been included in own funds and that expected dividends have reduced own funds.

Components of the capital target

	CONSOLIDATED SITUATION			
	30 Jun 2023			
SEK million	Total capital	%	CET1 capital	%
Internally assessed capital requirement from the Swedish FSA[1]	**24,897**	**14.9**	**17,504**	**10.5**
– of which, Pillar 1 minimum requirement	*6,818*	*4.1*	*3,835*	*2.3*
– of which, Pillar 1 risk-weight floor, Swedish mortgages (Art. 458 CRR)	*6,564*	*3.9*	*3,693*	*2.2*
– of which, Pillar 2 requirement (P2R)	*3,981*	*2.4*	*2,442*	*1.5*
– of which, Capital conservation buffer	*4,182*	*2.5*	*4,182*	*2.5*
– of which, Countercyclical buffer	*3,352*	*2.0*	*3,352*	*2.0*
– of which, Pillar 2 guidance (P2G)	–	–	–	–
SBAB's capital target	**25,901**	**15.5**	**19,176–22,522**	**11.5–13.5**
SBAB's actual capital	**27,698**	**16.6**	**19,903**	**11.9**

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

Other information

SBAB's financial targets from the owner

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

Termination of partnerships

In the fourth quarter of 2019, SBAB, SCBC and Sparbanken Syd entered into an amended agreement relating to the parties' partnership regarding the mediation of mortgage loans. According to the amended agreement, Sparbanken Syd or any company instructed by Sparbanken Syd, is entitled to acquire the entire residential mortgage stock mediated by Sparbanken Syd, or parts thereof, until 31 December 2023. Sparbanken Syd assigned Borgo AB (publ) as the acquirer of the entire residential mortgage stock in September 2022. The sale of the residential mortgage stock (SEK 5.2 billion) was completed in the second quarter of 2023.

Changes in Executive Management

During the quarter, Liv Forsström was employed as the new Head of HR and as a member of the Executive Management. Liv joins SBAB from her role as Head of HR at Handelsbanken Tech, Data & Innovation. Liv will take over the role in September and succeeds Kajsa Ekehult, who currently holds the role as acting Head of HR.

Dividend

The AGM resolved to distribute a dividend of 40% of net profit for the year, corresponding to SEK 832 million, for 2022. Full details of the proposed appropriation of earnings is available from SBAB's 2022 Annual Report, on page 73. The dividend was distributed in May 2023.

Shareholders' contribution

During the quarter, a shareholders' contribution, amounting to a total of SEK 2.5 billion, from the parent company SBAB Bank AB (publ) (SBAB) was paid to the subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) to strengthen SCBC's CET1 capital.

Events after the end of the period

No significant events occurred after the end of the period.

Auditors' review report

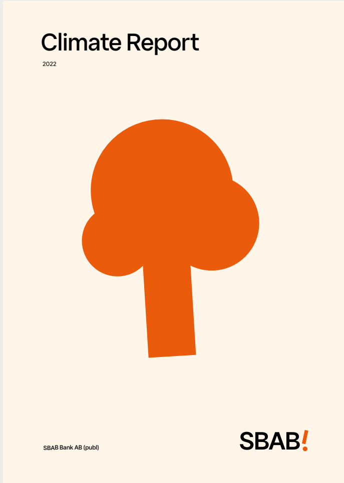
This report has been reviewed by the company's auditor in accordance with the International Standard on Review Engagements (ISRE) 2410. The review report can be found at the end of this report.

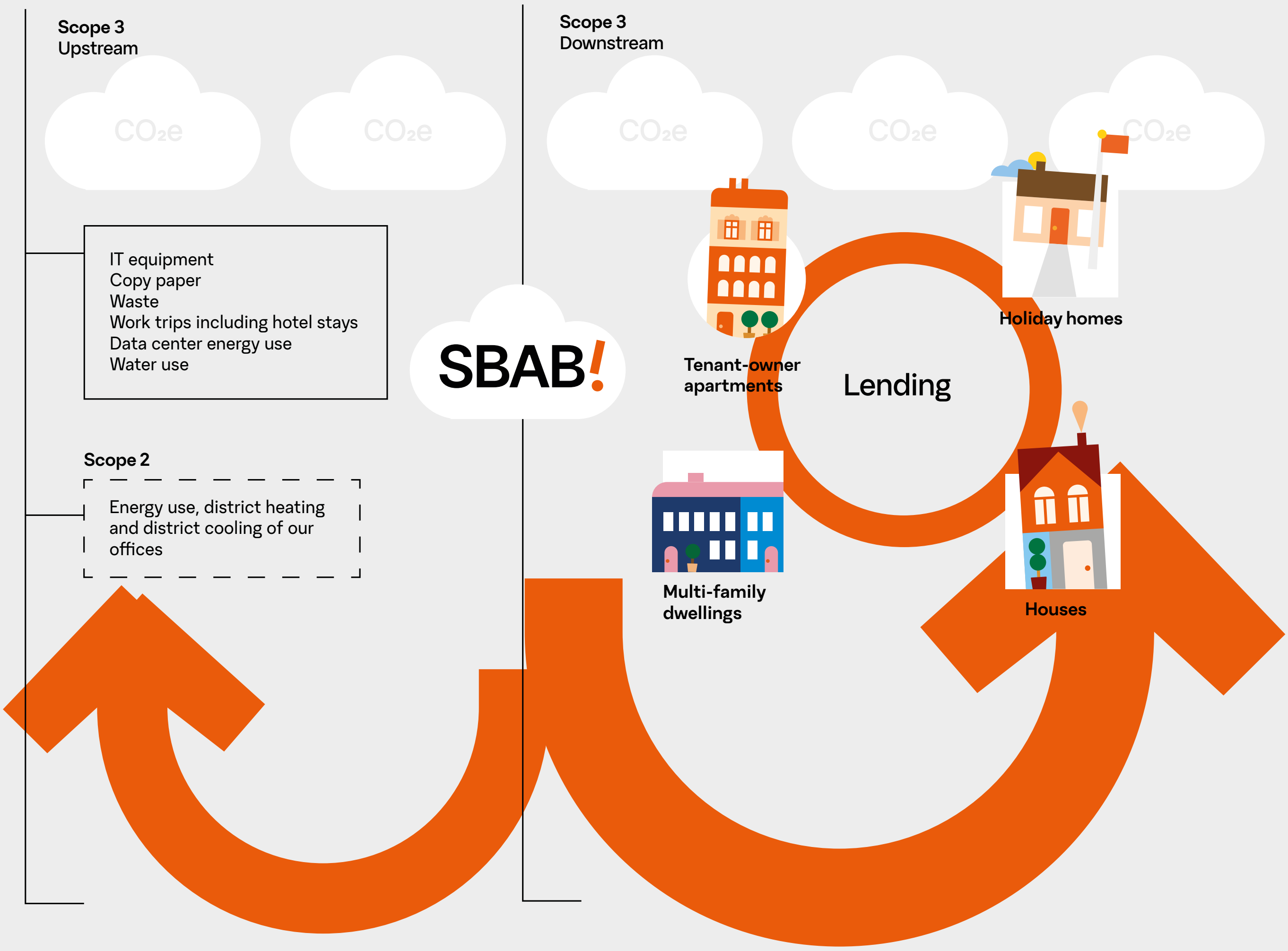
Outcomes for owner's financial targets

	2022	2021	2020	2019	2018
Dividend, %	40	40	0	0	40
Return on equity, %	10.5	11.1	10.8	11.7	12.1
CET1 capital ratio, above Swedish FSA requirement, %	2.6	4.3	5.4	2.4	2.5
Total capital ratio, above Swedish FSA requirement, %	3.0	4.2	5.4	5.2	4.0

New long-term climate goal for 2038

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





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Condensed financial statements

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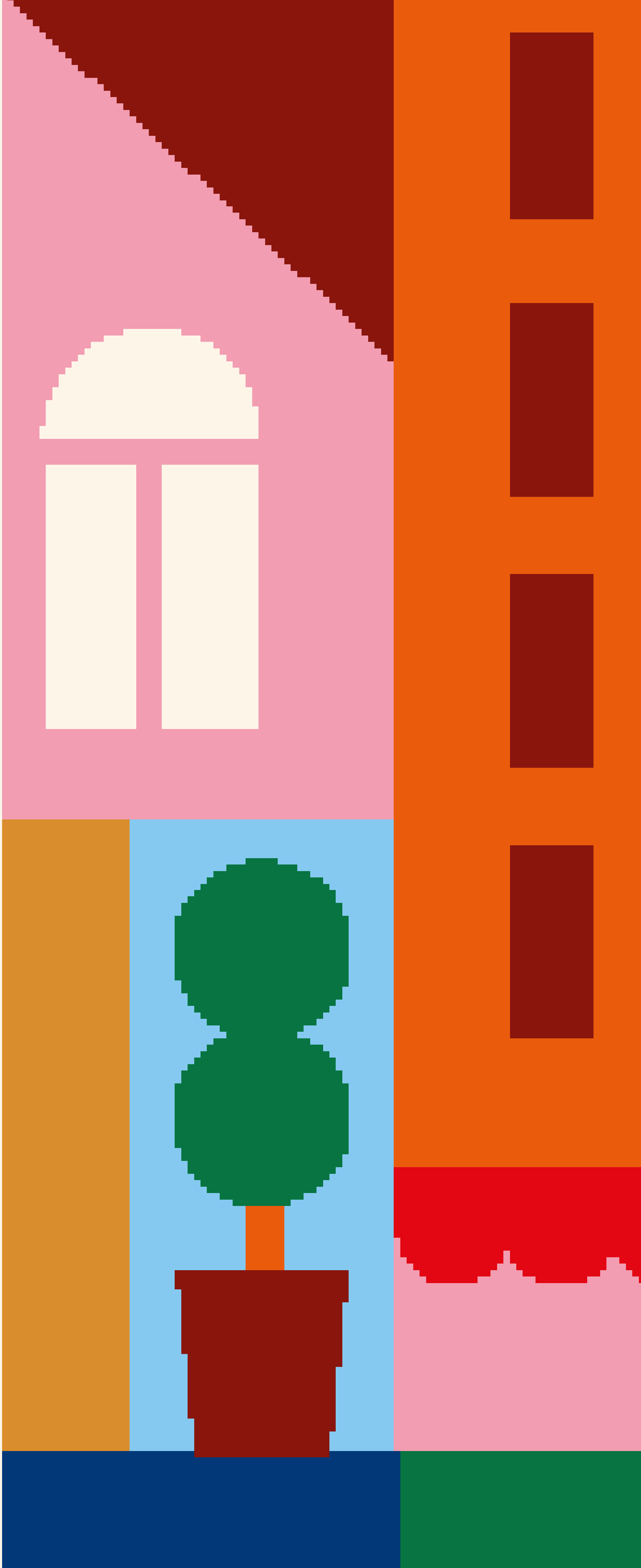
Parent Company



Condensed income statement

	GROUP					
	2023	2023	2022	2023	2022	2022
SEK million	Q2	Q1	Q2	Jan–Jun	Jan–Jun	Jan–Dec
Interest income[1]	6,163	5,178	1,746	11,341	3,243	9,853
Interest expense	–4,777	–3,765	–658	–8,542	–1,071	–5,198
Net interest income	**1,386**	**1,413**	**1,088**	**2,799**	**2,172**	**4,655**
Commission income	14	15	32	29	65	91
Commission expense	–22	–22	–21	–44	–41	–79
Net result of financial transactions (Note 3)	45	2	21	47	–28	–35
Other operating income	12	13	13	25	26	49
Total operating income	**1,435**	**1,421**	**1,133**	**2,856**	**2,194**	**4,681**
Personnel costs	–218	–211	–206	–429	–407	–823
Other expenses	–153	–148	–132	–301	–254	–530
Depreciation, amortisation and impairment of PPE and intangible assets	–52	–35	–33	–87	–68	–176
Total expenses before credit losses and imposed fees	**–423**	**–394**	**–371**	**–817**	**–729**	**–1,529**
Profit before credit losses and imposed fees	**1,012**	**1,027**	**762**	**2,039**	**1,465**	**3,152**
Net credit losses (Note 4)[2]	–23	–33	–12	–56	–29	–68
Imposed fees: Risk tax and resolution fee[3]	–127	–141	–109	–268	–222	–445
Operating profit	**862**	**853**	**641**	**1,715**	**1,214**	**2,639**
Tax	–182	–179	–135	–361	–256	–558
Net profit for the year/period	**680**	**674**	**506**	**1,354**	**958**	**2,081**

[1] In Q2 2023 interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 4,633 million and for the corresponding period the previous year to SEK 1,809 milliion for the Group.

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

[3] The risk tax for the second quarter amounts to 0.06 percent of the company's liabilities in 2023 at SEK 88,6 million, compared to 0.05 percent in 2022 at SEK 65,3 million for the corresponding period the previous year.

Condensed statement of comprehensive income

	GROUP					
	2023	2023	2022	2023	2022	2022
SEK million	Q2	Q1	Q2	Jan–Jun	Jan–Jun	Jan–Dec
Net profit for the period	**680**	**674**	**506**	**1,354**	**958**	**2,081**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	–3	–73	–135	–76	–223	–133
Changes related to cash-flow hedges, before tax	–403	644	–3,161	241	–5,861	–9,505
Tax attributable to components that will be reclassified to profit or loss	84	–118	679	–34	1,253	–1,986
Components that will not be reclassified to profit or loss						
Revaluation effects of defined-benefit pension plans, before tax	–7	–3	43	–10	97	119
Tax attributable to components that will not be reclassified to profit or loss	1	1	–8	2	–19	–25
Other comprehensive income/loss, net of tax	**–328**	**451**	**–2,582**	**123**	**–4,753**	**–7,558**
Total comprehensive income/loss for the period	**352**	**1,125**	**–2,076**	**1,477**	**–3,795**	**–5,477**

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

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

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

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

For further information, refer to SBAB's 2022 Annual Report, Note G 1. See also the Financial development section for comments on the outcome of the period.

Condensed balance sheet

	GROUP		
SEK million	30 Jun 2023	31 Dec 2022	30 Jun 2022
ASSETS			
Cash and balances at central banks	2,080	3,534	1,210
Chargeable treasury bills, etc.	34,657	29,886	30,045
Lending to credit institutions	21,320	20,091	16,363
Lending to the public (Note 5)	514,057	509,492	491,259
Value changes of interest-rate-risk hedged items in macro hedges	–3,920	–4,944	–4,580
Bonds and other interest-bearing securities	58,111	57,490	50,508
Derivatives (Note 6)	19,304	15,943	12,033
Shares and participation in associated companies and joint ventures	5	3	–
Deffered tax assets	1,627	1,664	923
Intangible assets	445	438	474
Property, plant and equipment	258	249	258
Other assets	619	110	838
Prepaid expenses and accrued income	842	529	587
TOTAL ASSETS	**649,405**	**634,485**	**599,918**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	12,603	8,237	11,668
Deposits from the public	192,978	182,443	154,394
Issued debt securities, etc.	391,376	393,885	389,577
Derivatives (Note 6)	25,519	24,934	18,590
Other liabilities	980	781	861
Accrued expenses and deferred income	3,476	2,228	1,054
Deferred tax liabilities	–	–	–
Provisions	52	31	54
Subordinated debt	1,998	1,997	1,997
Total liabilities	**628,982**	**614,536**	**578,195**
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	–6,516	–6,639	–3,834
Additional Tier 1 instruments	5,800	5,800	5,800
Retained earnings	17,827	16,749	16,841
Net profit for the period	1,354	2,081	958
Total equity	**20,423**	**19,949**	**21,723**
TOTAL LIABILITIES AND EQUITY	**649,405**	**634,485**	**599,918**

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 2023	1,958	–6,639	5,800	18,830	19,949
Additional Tier 1 instruments	–	–	–	–	–
Additional Tier 1 instruments, dividend	–	–	–	–175	–175
Dividend paid	–	–	–	–832	–832
Other	–	–	–	4	4
Other comprehensive income, net of tax	–	123	–	–	123
Net profit for the period	–	–	–	1,354	1,354
Comprehensive income for the period	**–**	**123**	**–**	**1,354**	**1,477**
Closing balance, 30 June 2023	1,958	–6,516	5,800	19,181	20,423
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 2022	**1,958**	**919**	**4,300**	**17,768**	**24,945**
Additional Tier 1 instruments	–	–	1,500	–	1,500
Additional Tier 1 instruments, dividend	–	–	–	–187	–187
Dividend paid	–	–	–	–832	–832
Other comprehensive income, net of tax	–	–7,558	–	–	–7,558
Net profit for the year	–	–	–	2,081	2,081
Comprehensive income for the year	**–**	**–7,558**	**–**	**2,081**	**–5,477**
Closing balance, 31 December 2022	**1,958**	**–6,639**	**5,800**	**18,830**	**19,949**

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

Condensed cash-flow statement

SEK million	GROUP 2023 Jan–Jun	2022 Jan–Jun	2022 Jan–Dec
Opening cash and cash equivalents	**23,625**	**10,742**	**10,742**
OPERATING ACTIVITIES			
Interest and commissions paid/received	3,815	1,284	4,893
Outflows to suppliers and employees	–729	–882	–1,797
Taxes paid/refunded	–421	–418	–838
Change in assets and liabilities of operating activities	–1,959	6,256	10,067
Cash flow from operating activities	**706**	**6,240**	**12,325**
INVESTING ACTIVITIES			
Change in property, plant and equipment	–16	–5	–12
Change in intangible assets	–64	–53	–57
Acquisition of subsidiaries, participation in associated companies and joint ventures	2	–	–3
Cash flow from investing activities	**–78**	**–58**	**–72**
FINANCING ACTIVITIES			
Dividend paid	–832	–832	–832
Change in Tier 1 capital instrument	–	1,500	1,500
Change in subordinated loan	–	–	–
Repayment of lease liabilities	–21	–19	–38
Cash flow from financing activities	**–853**	**649**	**630**
Increase/decrease in cash and cash equivalents	**–225**	**6,831**	**12,883**
Closing cash and cash equivalents	**23,400**	**17,573**	**23,625**

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 2023	Cash flow	Fair value	Other	Closing balance 30 Jun 2023	Opening balance 1 Jan 2022	Cash flow	Fair value	Other	Closing balance 30 Jun 2022
Subordinated debt	1,997	–	–	1	1,998	1,996	–	–	1	1,997
Lease liabilities	192	–21	–	24	195	208	–19	–	8	197
Additional Tier 1 instruments	5,800	–	–	–	5,800	4,300	1,500	–	–	5,800
Total	**7,989**	**–21**	**–**	**25**	**7,993**	**6,504**	**1,481**	**–**	**9**	**7,994**

Note 1 Accounting policies

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

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

Introduction of new and changed accounting standards 2023
Amendments to IAS 1 Design of financial reports (information on accounting principles)

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

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

The financial statements in summary are drawn up based on an assumption about the company's survival. The financial reports in summary was approved by the board for publication on 18 July 2023.

Note 2 Changes in risks

Credit risk in lending operations
No significant increase in realised credit risk was noted in SBAB's lending operations during the second quarter of 2023. Despite the prevailing circumstances with high levels of inflation and relatively high interest rates, there has only been a limited increase in the tendency of delayed payments, primarily within the business area Retail. Due to rising interest rates, negative rating grade migrations have been observed within this business area, something that is expected to continue as the customers' interest rates are renegotiated. Negative rating grade migrations have also been observed within the business area Corporate clients & Tenant-owners' associations, mainly attributable to a few but larger customer groups, which were manually adjusted during the quarter after expert judgement. The forward-looking information in the impairment model has been revised during June due to the close monitoring of the economic development. The revision of the macroeconomic outlook projects a little higher interest rate levels compared to previous forecasts and continued large price drops in the Swedish housing market.

Overall, the negative rating grade migrations and the revised forward-looking information have resulted in increased credit loss provisions during the quarter. Total credit loss allowances amount to SEK 266 million as per 30 June 2023, compared to SEK 247 million as per 31 March 2023.

The loan-to-value (LTV) for private individuals, property companies and tenant-owners' associations amount to 60%, 61% and 33% respectively per 30 June 2023, compared to 59%, 62% and 33% respectively per 31 March 2023. 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 4,721 million as of June 30, 2023 compared to SEK 5,471 million as of March 31, 2023.

Liquidity risk
SBAB's liquidity positions remained strong during the second quarter of 2023. LCR by end of the second quarter of 2023 decreased slightly in comparison with LCR level for the first quarter of 2023. The survival horizon decreased slightly in comparison with the first quarter of 2023 because of an increase in deposits, and decreased liquidity reserve. The over collateralization level (OC-level) increased in comparison with the first quarter of 2023. The deposit-to-loan ratio increased during the second quarter of 2023 as the deposit growth rate was good. NSFR has increased slightly in comparison with the first quarter of 2023. See Note 10 and Balance sheet for more information.

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 2023, SBAB's VaR amounted to SEK 1,032 million, compared to SEK 892 million at 31 March 2023.

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

Business risk
Financial markets have been impacted by the current geopolitical situation and Russia's invasion of Ukraine and its repercussions through, for example, rising inflation. The impact on SBAB's financial position is nevertheless moderate. Business risk is therefore considered to be at a low level. No material changes in the competitive landscape were observed during the last quarter and SBAB has not entered any new, or exited any existing, markets or segments. For more information, please refer to note RC 6 in SBAB`s 2022 Annual Report.

Concentration risk
The lending to the ten largest customer groups accounted for 7 percent of total lending volume, which is unchanged compared to 31 March 2023. SBAB has a limited lending on commercial property which amounted to 2 percent of lending to the public as of 31 March 2023, which is unchanged compared to 31 March 2023. For more information on the geographical distribution of the lending portfolio, please refer to Note 5. SBAB also evaluates the capital requirement for concentration risk on a regular basis and quantifies the risk with economic capital risk for credit risk exposures. For more information, please refer to Note 12.

Note 3 Net result of financial transactions

SEK million	GROUP 2023 Q2	2023 Q1	2022 Q2	2023 Jan–Jun	2022 Jan–Jun	2022 Jan–Dec
Gains/losses on interest-bearing financial instruments						
– Change in value of hedged items in hedge accounting	1,616	–740	3,006	876	6,940	8,823
– Derivatives in hedge accounting	–1,594	721	–2,993	–873	–6,989	–8,842
– Other derivatives	212	–8	18	204	51	–12
– Interest-bearing securities,Fair Value Option	0	–1	–9	–1	–22	–41
– Interest-bearing securities at fair value through other comprehensive income	–196	0	0	–196	2	2
– Interest-bearing securities at amortised cost	–	–	0	–	0	0
– Realised gain/loss from financial liabilities at amortised cost	53	29	–2	82	–15	11
– Loan receivables at amortised cost	–47	0	1	–47	6	26
Currency translation effects	1	1	0	2	–1	–2
Total	**45**	**2**	**21**	**47**	**–28**	**–35**

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

Note 4 Net credit losses

SEK million	GROUP 2023 Q2	2023 Q1	2022 Q2	2023 Jan–Jun	2022 Jan–Jun	2022 Jan–Dec
Lending to the public						
Confirmed credit losses	–3	–2	–1	–5	–3	–7
Recoveries of previously confirmed credit losses	1	1	1	2	2	4
Change in provision for the period – credit stage 1	3	–12	1	–9	–8	–17
Change in provision for the period – credit stage 2	–4	–16	–4	–20	–5	–27
Change in provision for the period – credit stage 3	–1	–1	–1	–2	0	–1
Guarantees[1]	–1	0	0	–1	0	0
Net credit losses for the period – lending to the public	**–5**	**–30**	**–4**	**–35**	**–14**	**–48**
Loan commitments and building credits[2]						
Change in provision for the period – credit stage 1	8	–4	–5	4	–12	–13
Change in provision for the period – credit stage 2	–26	1	–3	–25	–3	–7
Change in provision for the period – credit stage 3	–	–	0	–	–	–
Net credit losses for the period – loan commitments and building credits	**–18**	**–3**	**–8**	**–21**	**–15**	**–20**
Other financial instruments						
Change in provision for the period – credit stage 1	0	0	0	0	0	0
Net credit losses for the period – other financial instruments	**0**	**0**	**0**	**0**	**0**	**0**
Total	**–23**	**–33**	**–12**	**–56**	**–29**	**–68**

1) The item includes guarantees for loan commitments.

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

Note 4 Net credit losses, Cont.

During the second quarter of 2023 total credit loss provisions increased by SEK 20 million (increased by 32). Loss provisions for loans allocated to credit stage 1 decreased by SEK 3 million (increased by 12) but increased by SEK 4 million (increased by 16) for loans allocated to stage 2. Loss provisions for loans allocated to credit stage 3 increased by SEK 1 million (increased by 1). The changes in loss provisions subject to loans in credit stage 1 are attributable to a repayment of mediated loans by partners, revision of the forward-looking information, and removal of the management overlay that was applied in the previous quarter, which also had a reducing effect for the loans in credit stage 2. The changes in loss provisions for loans in credit stage 2 are attributable to a negative rating grade migration within the business area Corporate clients & Tenant-owners' associations after manual adjustments of rating grades by expert judgement. In light of the realised negative rating grade migrations during the quarter, in both business areas Retail and Corporate clients & Tenant-owners' associations, the management overlay manual adjustment has fulfilled its purpose and has therefore been removed. For loans in credit stage 3, the increase in loss provisions is driven by a single default with a relatively large exposure.

Loss provisions for off-balance items consisting of loan commitments and building credits increased by SEK 18 million (increased by 3) due to negative rating grade migrations within Corporate clients & Tenant-owners' associations for a few property developers with building credits. Guarantee amounts that can be utilised to cover credit losses decreased by almost SEK 2 million (unchanged) during the quarter as a result of the repayment of mediated loans by partners.

Sensitivity analysis of forward-looking information

Lending to the public and loan commitments

	Scenario 1 (40%)			Scenario 2 (20%)			Scenario 3 (20%)			Scenario 4 (20%)		
Factors	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
GDP[1], Δ	–0.6%	+2.7%	+3.0%	+0.5%	+4.4%	+3.8%	–9.4%	+6.3%	+3.9%	–5.6%	–1.6%	+3.0%
Repo rate	3.8%	2.8%	2.2%	3.7%	2.8%	2.4%	4.1%	3.1%	2.5%	4.5%	3.9%	3.2%
Unemployment	8.1%	8.1%	7.8%	7.9%	7.2%	6.6%	10.1%	11.3%	10.0%	8.3%	9.9%	10.5%
House prices, Δ	–6.3%	+1.4%	+5.9%	–4.7%	+2.0%	+4.3%	–9.6%	–7.5%	+1.0%	–11.0%	–16.1%	–9.1%
Prices of tenant-owners' rights, Δ	–1.3%	+1.0%	+9.3%	+0.6%	+1.5%	+7.2%	–5.2%	–8.5%	+3.5%	–7.2%	–17.2%	–5.6%
Property prices, Δ	–3.1%	–2.6%	–0.9%	–2.1%	–0.3%	–3.8%	–6.0%	–9.8%	–8.1%	–7.7%	–15.4%	–17.0%
ECL	**SEK 202 million**			**SEK 192 million**			**SEK 272 million**			**SEK 464 million**		
Weighted ECL[2]	**SEK 266 million**											

1) Not included in the ECL calculation

2) Of which, SEK 214 million was attributable to lending to the public and SEK 52 million to off-balance-sheet items linked to loan commitments and building credits

Impairment model and credit loss provisions

During the second quarter SBAB has continuously evaluated the macroeconomic outlook due to the high inflation and relatively high interest rates as well as a slowdown in housing construction. During the quarter the forward-looking information has been revised correspondingly with updated macroeconomic forecasts. The forward-looking information is applied in the impairment model and thus used to calculate expected credit losses (ECL). The updated macroeconomic forecasts are based on a negative outlook on the economy in general, with slightly higher interest rate levels and price drops in the Swedish housing market compared to previous forecasts. The larger price drops are based on the fact that the market values of the collaterals were somewhat more positive than expected after the indexation, which was carried out in May. The Swedish economy is sensitive to rising interest rates and the uncertainty in the global economy. Given the expected recession the scenarios in the forward-looking-information do consider the increasing interest rates, rising unemployment, and an overall cooling of the Swedish housing market with falling housing and real estate prices during the forthcoming years.

The revision of the forward-looking information during the second quarter as well as negative rating grade migrations within both business areas have resulted in an increase in credit loss provisions during the quarter. The updated macroeconomic forecasts led to an increase of SEK 9 million, and the removal of the management overlay applied in the previous quarter led to a decrease of SEK 20 million. Moreover, negative rating grade migrations within both business areas Retail and Corporate clients & Tenant-owners' associations, some of which attributable to larger customer groups within the latter business area, resulted in an increase of just over SEK 20 million. As per 30 June credit loss provisions amount to SEK 266 million, compared to SEK 247 million per 31 March 2023.

In the table above the macroeconomic scenarios applied in the forward-looking information are shown. The underlying credit risk models used in the impairment model to calculate ECL, which are largely based on customers' payment behaviour along with market values of collateral, show only limited signs of deterioration in credit risk. It cannot be ruled out that increasing interest rates, a slowing of housing construction and, in addition, price drops in the Swedish housing market may cause the loss provisions to increase further during the second half-year of 2023.

SBAB is, at the moment, comfortable with the size of the credit loss provisions, totalling SEK 266 million as per 30 June 2023.

Note 4 Net credit losses, Cont.

Overall credit quality
The credit quality of SBAB's lending portfolio remains good and the risks entailed in the lending to private individuals within the business area Retail are low despite the prevailing circumstances. The granting of loans is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their obligations. The Swedish FSA's annual mortgage market survey, based on data from 2022, found that overall, new residential mortgage customers continue to have healthy margins to manage repayment of their mortgages despite the worsened economic climate. At the end of the second quarter 2023, the average loan-to-value (LTV) ratio[3] in the mortgage portfolio was 60% (59), and the average residential mortgage loan to customers amounted to SEK 1.9 million (1.9). LTV for new lending was, at the end of the quarter, 67% (69) and the debt-to-income ratio was 3.4 (3.6).

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 61% (62) and 33% (33) respectively. In the business area Corporate Clients & Tenant-Owners' Associations, the granting of loans is based on an assessment of customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the economic development with high inflation resulting in rising interest rates, SBAB is working proactively to identify customers who are or could become particularly financially affected. SBAB has also increased the frequency of follow-up of customers which are more dependent on market funding as well as customers with building credits, which can be particularly affected by increased interest rates and raised costs for building materials. Moreover, there is a closer follow-up and evaluation of the rating grades by expert judgement. During the quarter some manual adjustments of the rating grades have been made leading to negative rating grade migrations. No individually assessed credit loss provision within the business area have been deemed necessary during the second 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

	GROUP		
SEK million	**30 Jun 2023**	**31 Dec 2022**	**30 Jun 2022**
Opening balance, per year	**509,492**	**467,041**	**467,041**
New lending for the period	37,040	105,404	56,569
Amortisation, repayments	–32,439	–62,901	–32,335
Confirmed credit losses	–5	–7	–3
Change in provision for expected credit losses[1]	–31	–45	–13
Closing balance, per year/period	**514,057**	**509,492**	**491,259**

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

Distribution of lending, including provisions

	GROUP		
SEK million	**30 Jun 2023**	**31 Dec 2022**	**30 Jun 2022**
Lending, Residential mortgages	349,463	348,980	345,484
Lending, Corporate Clients & Tenant-Owners' Associations	162,644	158,362	143,522
Lending, Consumer loans	1,950	2,150	2,253
Total	**514,057**	**509,492**	**491,259**

Geographical composition

	GROUP			
	Lending, Residential mortgages %		**Lending, Corporate Clients & Tenant-Owners' Associations %**	
	2023	**2022**	**2023**	**2022**
	Q2	**Q2**	**Q2**	**Q2**
Stockholm area	63.4	62.8	49.2	50.1
Öresund region	9.2	10.2	18.2	18.2
University cities and growth regions	10.7	10.4	16.9	16.7
Gothenburg area	10.9	10.6	8.9	8.6
Other regions	5.8	6.0	6.8	6.4

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	GROUP 30 Jun 2023	31 Dec 2022	30 Jun 2022
Credit stage 1			
Gross lending	471,737	478,737	470,098
Provision	–71	–62	–54
Total	**471,666**	**478,675**	**470,044**
Credit stage 2			
Gross lending	42,043	30,567	21,085
Provision	–109	–90	–67
Total	**41,934**	**30,477**	**21,018**
Credit stage 3			
Gross lending	491	371	227
Provision	–34	–31	–30
Total	**457**	**340**	**197**
Total gross lending	**514,271**	**509,675**	**491,410**
Total provisions	**–214**	**–183**	**–151**
Total	**514,057**	**509,492**	**491,259**

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 2023	**478,737**	**–62**	**30,567**	**–90**	**371**	**–31**	**509,675**	**–183**
Moved to credit stage 1	7,129	–14	–7,108	13	–21	1	0	0
Moved to credit stage 2	–20,292	6	20,348	–7	–56	1	0	0
Moved to credit stage 3	–83	0	–198	4	281	–4	0	0
Volume change*	4,655	–9	–2,124	4	–75	3	2,456	–2
Revaluation**	1,591	8	559	–33	–5	–7	2,145	–32
Confirmed credit losses	–	–	–1	–	–4	3	–5	3
Closing balance, 30 June 2023	**471,737**	**–71**	**42,043**	**–109**	**491**	**–34**	**514,271**	**–214**

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

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

SEK million	GROUP							
Capital	**Credit stage 1 Capital**	**Provision**	**Credit stage 2 Capital**	**Provision**	**Credit stage 3 Capital**	**Provision**	**Capital**	**Provision**
Opening balance, 1 January 2022	**446,264**	**–45**	**20,684**	**–62**	**231**	**–31**	**467,179**	**–138**
Moved to credit stage 1	12,268	–29	–12,232	27	–36	2	0	0
Moved to credit stage 2	–15,228	3	15,259	–5	–31	2	0	0
Moved to credit stage 3	–90	0	–198	3	288	–3	0	0
Volume change*	35,940	–22	6,990	–21	–67	2	42,863	–41
Revaluation**	–417	31	64	–32	–7	–7	–360	–8
Confirmed credit losses	–	–	–	–	–7	4	–7	4
Closing balance, 31 December 2022	**478,737**	**–62**	**30,567**	**–90**	**371**	**–31**	**509,675**	**–183**

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

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

Note 6 Derivatives

SEK million	GROUP 30 Jun 2023 Assets measured at fair value	Liabilities measured at fair value	Total nominal value	31 Dec 2022 Assets measured at fair value	Liabilities measured at fair value	Total nominal value
Interest-rate-related	7,005	25,466	494,863	7,815	24,810	519,705
Currency-related	12,299	53	97,835	8,128	124	86,643
Total	**19,304**	**25,519**	**592,698**	**15,943**	**24,934**	**606,348**

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

Note 7 Operating segments

	GROUP Jan–Jun 2023					
	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	1,728	1,071	2,799	–	–	2,799
Commission income	29	0	29	–	–	29
Commission expense	–32	–12	–44	–	–	–44
Net result of financial transactions	31	16	47	–	–	47
Other operating income	24	1	25	–	–	25
Total operating income	**1,780**	**1,076**	**2,856**	**–**	**–**	**2,856**
Salaries and remuneration	–193	–75	–268	–	–	–268
Other personnel costs	–128	–56	–161	23	–	–161
Other expenses	–227	–71	–301	–23	20	–301
Depreciation, amortisation and impairment of PPE and intangible assets	–36	–31	–77	–	–20	–87
Net credit losses	–21	–35	–56	–	–	–56
Imposed fees: Risk tax and resolution fee	–175	–93	–268	–	–	–268
Operating profit	**1,000**	**715**	**1,715**	0	0	**1,715**
Tax	–210	–151	–361	–	–	–361
Profit after standardised tax	**790**	**564**	**1,354**	**0**	**0**	**1,354**
Return on equity, %	11.4	16.8	13.2	–	–	13.2

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

Note 7 Operating segments, Cont.

	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**	**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 loss	–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

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 –23 million (–13) was transferred between the rows "Other expenses" and "Other personnel costs."

The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring. IFRS 16 is not taken into account in the follow-up of operations. All expenses identified in IFRS 16, with the exception of the interest component, are to be considered as costs for premises. The effect of IFRS 16 on the Group is recognised in the reconciliation against the statutory income statement. For more information on IFRS 16, please refer to Note G 1 in SBAB`s 2022 Annual Report.

Note 8 Classification of financial instruments

Financial assets

	GROUP						
	30 June 2023						
	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	–	–	–	–	2,080	2,080	2,080
Chargeable treasury bills, etc.	467	–	–	34,190	0	34,657	34,657
Lending to credit institutions	–	–	–	–	21,320	21,320	21,320
Lending to the public	–	–	–	–	514,057	514,057	504,028
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	–3,920	–3,920	–
Bonds and other interest-bearing securities	236	–	–	41,128	16,747	58,111	58,123
Derivatives	–	18,791	513	–	–	19,304	19,304
Other assets	–	–	–	–	592	592	592
Prepaid expenses and accrued income	7	–	–	291	384	682	682
Total financial assets	**710**	**18,791**	**513**	**75,609**	**551,260**	**646,883**	**640,786**

Financial liabilities

	GROUP				
	30 June 2023				
	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	–	–	12,603	12,603	12,603
Deposits from the public	–	–	192,978	192,978	192,978
Issued debt securities, etc.	–	–	391,376	391,376	377,587
Derivatives	25,125	394	–	25,519	25,519
Other liabilities	–	–	1,027	1,027	1,027
Accrued expenses and deferred income	–	–	3,402	3,402	3,402
Subordinated debt	–	–	1,998	1,998	1,956
Total financial liabilities	**25,125**	**394**	**603,383**	**628,903**	**615,071**

Note 8 Classification of financial instruments, Cont.

Financial assets

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

Financial liabilities

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

Fair value measurement of financial instruments
The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2022 Annual Report. In the "total fair value" column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet.

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

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

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

Note 9 Fair value disclosures

	GROUP							
	30 Jun 2023				31 Dec 2022			
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.	675	33,982	–	34,657	1,202	26,125	–	27,327
Bonds and other interest-bearing securities	41,364	–	–	41,364	35,921	–	–	35,921
Derivatives	–	19,304	–	19,304	–	15,943	–	15,943
Prepaid expenses and accrued income	298	–	–	298	141	–	–	141
Total	**42,337**	**53,286**	–	**95,623**	**36,634**	**42,068**	–	**78,702**
Liabilities								
Derivatives	–	25,519	–	25,519	–	24,934	–	24,934
Total	–	**25,519**	–	**25,519**	–	**24,934**	–	**24,934**

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2022 Annual Report. In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement levels used below. No transfers were made between levels in 2022 or 2023.

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

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

Measurement based in part on unobservable data (Level 3)
Measurement whereby a material component of the model is based on estimates or assumptions that do not originate directly from the market. This method is currently not used on any asset or liability.

Note 10 Liquidity reserve and liquidity risk

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

Calculation of survival horizon

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

The survival horizon is calculated by totalling the maximum need of liquidity for each coming day and comparing this to the size of the liquidity portfolio after applicable haircuts. The calculations are based on a crisis scenario in which all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no funding is available and deposits decline. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. SBAB's survival horizon amounted to 347 days at 30 June 2023 (362 days at 31 March 2023).

Regulatory measures

The liquidity coverage ratio (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. At 30 June 2023, the LCR was 238% (243% as of 31 March 2023) in all currencies at the consolidated level, and 13 332% (705%) in EUR while being 603% (N/A as there were no contracted cash flows within 30 days) in USD. Measured in SEK, the LCR was 142% (190%).

The net stable funding ratio (NSFR), amounted to 133.8% (131.6%) according to of Regulation (EU)2019/876 of the European Parliament and the Council.

		CONSOLIDATED SITUATION									
		30 Jun 2023					31 Dec 2022				
			Distribution by currency					Distribution by currency			
SEK billion		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
Level 1	**Level 1 assets**	**87,4**	**70,1**	**16,2**	**1,1**	-	**84.4**	**66.4**	**15.9**	**2.1**	–
	Cash and balances with central banks[1]	3,1	3,1	-	-	-	4.7	4.7	–	–	–
	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	37,5	35,4	2,1	-	-	33.7	27.9	5.2	0.6	–
	Securities issued by municipalites and public sector entities	9,9	3,7	5,1	1,1	-	11.5	4.0	6.0	1.5	–
	Extremely high quality covered bonds	36,9	27,9	9,0	-	-	34.5	29.8	4.7	–	–
	Other assets	-	-	-	-	-	–	–	–	–	–
Level 2	**Level 2 assets**	**4,3**	**4,3**	-	-	-	**3.5**	**3.2**	**0.3**	–	–
	Level 2A assets	**4,3**	**4,3**	-	-	-	**3.5**	**3.2**	**0.3**	–	–
	Securities issued or guaranteed by sovereigns, central banks, municipalities and public sector entities	-	-	-	-	-	–	–	–	–	–
	High quality covered bonds	4,3	4,3	-	-	-	3.5	3.2	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	**91,7**	**74,4**	**16,2**	**1,1**	-	**87.9**	**69.6**	**16.2**	**2.1**	–

1) Includes central bank facilities.

Note 11 Capital adequacy, own funds and capital requirements

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

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

Negotiations of the proposal in the European Council and the EU Parliament have been completed in June and a preliminary political agreement has been reached. Before the regulations can be formally adopted, the agreement must be confirmed by the European Council and the EU Parliament. The agreement is expected to become official in the second half of 2023.

Buffer requirements
The countercyclical buffer rate for Swedish exposures has been increased from 1% to 2%, with application from 22 June, 2023. The Swedish FSA has not announced any change to the countercyclical buffer value.. The Government of Denmark and Bank of Norway respetively have decided to keep the countercyclical buffer rates unchanged at 2.5% as of 30 June, 2023.

Capital adequacy

	CONSOLIDATED SITUATION				
SEK million	**30 Jun 2023**	**31 Mar 2023**	**31 Dec 2022**	**30 Sep 2022**	**30 Jun 2022**
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	19,903	19,734	19,689	19,311	19,076
Tier 1 capital	25,703	25,534	25,489	25,111	24,876
Total capital	27,698	27,529	27,484	27,106	26,871
Risk-weighted exposure amounts					
Total risk exposure amount	167,274	158,738	154,151	151,178	150,145
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	11.9	12.4	12.8	12.8	12.7
Tier 1 ratio (%)	15.4	16.1	16.5	16.6	16.6
Total capital ratio (%)	16.6	17.3	17.8	17.9	17.9
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.4[1)]	3.4	3.4	3.4	3.4
of which: to be made up of CET1 capital (percentage points)	1.5	2.2	2.2	2.2	2.2
of which: to be made up of Tier 1 capital (percentage points)	1.8	2.5	2.5	2.5	2.5
Total SREP own funds requirements (%)	10.4	11.4	11.4	11.4	11.4
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	–	–	–	–	–
Institution specific countercyclical capital buffer (%)	2.0	1.0	1.0	1.0	0.0
Systemic risk buffer (%)	–	–	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–	–	–
Combined buffer requirement (%)	4.5	3.5	3.5	3.5	2.5
Overall capital requirements (%)	14.9	14.9	14.9	14.9	13.9
CET1 available after meeting the total SREP own funds requirements (%)	5.9	5.7	6.1	6.1	6.0

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

	CONSOLIDATED SITUATION				
SEK million	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
Leverage ratio					
Total exposure measure	628,347	645,980	618,926	609,015	601,402
Leverage ratio (%)	4.1	4.0	4.1	4.1	4.1
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					
Total high-quality liquid assets (HQLA) (Weighted value -average)	91,472	86,003	81,220	80,669	82,714
Cash outflows - Total weighted value	51,414	46,718	45,867	46,361	45,755
Cash inflows - Total weighted value	13,773	9,651	8,783	9,476	8,983
Total net cash outflows (adjusted value)	37,641	37,067	37,084	36,886	36,772
Liquidity coverage ratio (%)	243.0	232.0	219.0	218.7	224.9
Net Stable Funding Ratio					
Total available stable funding	551,262	541,352	521,568	529,834	512,667
Total required stable funding	411,992	411,477	407,665	399,767	393,909
NSFR ratio (%)	133.8	131.6	127.9	132.5	130.1

1)The Swedish FSA (Finansinspektionen) communicated during the second quarter a change of decision that includes a reduction of the Pillar 2 requirement imposed on SBAB for deficiencies in IRB models.

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 2023	31 Dec 2022	30 Jun 2022
Common Equity Tier 1 (CET1) capital : Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	17,823	16,713	16,830
Accumulated other comprehensive income (and other reserves)	–6,515	–6,639	–3,834
Independently reviewed interim profits net of any foreseeable charge or dividend[1]	788	1,282	591
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**14,055**	**13,314**	**15,545**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	–125	–101	–90
Intangible assets (net of related tax liability) (negative amount)	–198	–137	–111
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	6,488	6,680	3 ,786
Negative amounts resulting from the calculation of expected loss amounts	–251	–19	–22
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	–	–
Other regulatory adjustsments[2]	–65	–48	–32
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**5,849**	**6,375**	**3,531**
Common Equity Tier 1 (CET1) capital	**19,903**	**19,689**	**19,076**
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	5,800	5,800	5,800
– of which, classified as equity under applicable accounting standards	*5,800*	*5,800*	*5 800*
– of which, classified as liabilities under applicable accounting standards	–	–	–
Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	–	–	–
Additional Tier 1 (AT1) capital before regulatory adjustments	**5,800**	**5,800**	**5,800**
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**–**	**–**	**–**
Additional Tier 1 capital (AT1) capital	**5,800**	**5,800**	**5,800**
Tier 1 capital (T1=CET1+AT1)	**25,703**	**25,489**	**24,876**
Tier 2 (T2) capital : instruments			
Capital instruments and the related share premium accounts	1,995	1,995	1,995
Credit risk adjustments	–	–	–
Tier 2 (T2) capital before regulatory adjustments	**1,995**	**1,995**	**1,995**
Tier 2 capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	**–**	**–**	**–**
Tier 2 (T2) capital	**1,995**	**1,995**	**1,995**
Total capital (TC=T1+T2)	**27,698**	**27,484**	**26,871**
Total risk-exposure amount	**167,274**	**154,151**	**150,145**

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

SEK million	CONSOLIDATED SITUATION 30 Jun 2023	31 Dec 2022	30 Jun 2022
Capital ratios and requirements including buffers %			
Common Equity Tier 1 capital	11.9	12.8	12.7
Tier 1 capital	15.4	16.5	16.6
Total capital	16.6	17.8	17.9
Institution-CET1 overall capital requirements	10.5	10.2	9.2
– of which, capital conservation buffer requirement	*2.5*	*2.5*	*2.5*
– of which, countercyclical buffer requirement	*2.0*	*1.0*	*0.0*
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage	*1.5*	*2.2*	*2.2*
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	5.9	6.1	6.0

1)) Net profit for the period was reduced by the expected dividend of SEK 542 million. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.
2) There are no results that generates deduction of NPL backstop since entry into force.

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

Risk exposure amounts and capital requirements

	CONSOLIDATED SITUATION					
	30 Jun 2023		31 Dec 2022		30 Jun 2022	
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	41,139	3,291	30,158	2,413	24,233	1,939
Retail exposures	23,307	1,865	14,877	1,190	13,466	1,077
– of which, exposures to SMEs	*1,116*	*89*	*1,066*	*85*	*1,125*	*90*
– of which, retail exposures secured by immovable property	*22,190*	*1,775*	*13,811*	*1,105*	*12,341*	*987*
Total exposures recognised with the IRB approach	**64,446**	**5,156**	**45,035**	**3,603**	**37,699**	**3,016**
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]	5,119	409	4,747	380	5,972	478
– of which, derivatives according to CRR, Appendix 2	*5,103*	*408*	*4,734*	*379*	*5,907*	*473*
– of which, repos	*15*	*1*	*13*	*1*	*65*	*5*
– of which, other	*0*	*0*	*0*	*0*	*0*	*0*
Retail exposures	2,061	165	2,112	169	2,790	223
Exposures in default	10	1	6	0	4	0
Exposures in the form of covered bonds	4,415	353	4,061	325	3,317	265
Exposures to institutions and corporates with a short-term credit rating	95	8	7	1	211	17
Equity exposures	106	8	154	12	155	12
Other items	613	49	525	42	713	58
Total exposures recognised with standardised approach	**12,418**	**993**	**11,612**	**929**	**13,162**	**1,053**
Market risk	**265**	**21**	**390**	**31**	**387**	**31**
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	*265*	*21*	*390*	*31*	*387*	*31*
Operational risk	**6,669**	**534**	**6,035**	**483**	**6,035**	**483**
– of which, standardised approach	*6,669*	*534*	*6,035*	*483*	*6,035*	*483*
Credit valuation adjustment risk (CVA risk)	**1,427**	**114**	**1,429**	**114**	**1,887**	**151**
Additional requirements under Article 458 of the CRR	**82,049**	**6,564**	**89,650**	**7,172**	**90,975**	**7,278**
Total risk exposure amount and minimum capital requirements	**167,274**	**13,382**	**154,151**	**12,332**	**150,145**	**12,012**
Capital requirements for capital conservation buffer		**4,182**		**3,854**		**3,753**
Capital requirements for countercyclical buffer		**3,352**		**1,564**		**24**
Total capital requirements		**20,916**		**17,750**		**15,789**

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 5,119 million (4,747).

Note 12 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for the Group amounted to SEK 24,854 million (SEK 20,764 million at 31 December 2022). 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 31 March 2023 amounted to SEK 24 897 million, of which SEK 3,981 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 2023		31 Dec 2022	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		**SEK million**	**%**	**SEK million**	**%**
	Credit risk & CVA risk	6,263	3.8	4,646	3.0
	Market risk	21	0.0	31	0.0
Pillar 1	Operational risk	534	0.3	483	0.3
	Risk-weight floor[1)]	6,564	3.9	7,172	4.7
	Total Pillar 1	**13,382**	**8.0**	**12,332**	**8.0**
	Credit risk	1,650	1.0	1,279	0.9
	Market risk	2,288	1.4	1,735	1.1
Pillar 2	Operational risk	–	–	–	–
	Pension risk	0	0.0	0	0.0
	Total Pillar 2	**3,938**	**2.4**	**3,014**	**2.0**
	Capital conservation buffer	4,182	2.5	3,854	2.5
Buffers	Countercyclical buffer	3,352	2.0	1,564	1.0
	Total Buffers	**7,534**	**4.5**	**5,418**	**3.5**
	Total	**24,854**	**14.9**	**20,764**	**13.5**
	Total own funds	**27,698**		**27,484**	

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

Parent Company

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

Profit before credit losses and imposed fees was higher compared to last year and amounted to SEK 775 million (264). Net interest income increased during the period and amounted to SEK 793 million (294), mainly due to increased deposit margin and increased deposit volume. Net commission income decreased and amounted to SEK 17 million (42), mainly due to updated calculation models for amortised cost, where arrangement fees linked to corporate lending are accrued over the term of the loans in net interest income from the third quarter of 2022. The net result of financial transactions amounted to an income of SEK 53 million (0). The difference was mainly attributable to revalutation of credit risk in derivative instruments. Other operating income increased to SEK 702 million (634) and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses increased to SEK 790 million (706), mainly due to higher costs for staff and consultants together with higher activity and costs for marketing. Credit losses amounted to SEK 21 million (20). Fees imposed amounted to SEK 91 million (73). Lending to the public increased and totalled SEK 26.6 billion (29.2). Deposits from the public totalled SEK 193.0 billion (154.4). The CET1 capital ratio amounted to 19.8% (22.9%) and the total capital ratio was 36.3% (41.3%). The internally assessed capital requirement was SEK 8,359 million (6,541).

Consolidated income statement

	PARENT COMPANY					
	2023	2023	2022	2023	2022	2022
SEK million	Q2	Q1	Q2	Jan–Jun	Jan–Jun	Jan–Dec
Interest income	2,409	2,016	464	4,425	845	3,185
Interest expense	–2,033	–1,599	–309	–3,632	–551	–2,315
Net interest income	**376**	**417**	**155**	**793**	**294**	**870**
Commission income	19	21	30	40	63	96
Commission expense	–11	–12	–11	–23	–21	–44
Net result of financial transactions	39	14	–9	53	0	57
Other operating income	355	347	321	702	634	1,330
Total operating income	**778**	**787**	**486**	**1,565**	**970**	**2,309**
Personnel costs	–224	–217	–206	–441	–403	–817
Other expenses	–171	–164	–147	–335	–291	–594
Depreciation, amortisation and impairment of PPE and intangible assets	–7	–7	–6	–14	–12	–26
Total expenses before credit losses and imposed fees	**–402**	**–388**	**–359**	**–790**	**–706**	**–1,437**
Profit/loss before credit losses and imposed fees	**376**	**399**	**127**	**775**	**264**	**872**
Net credit losses	–12	–9	–9	–21	–20	–29
Imposed fees; Risk tax and resolution fee	–45	–46	–37	–91	–73	–144
Impairment of financial assets	–55	–	–	–55	–	–9
Operating profit	**264**	**344**	**81**	**608**	**171**	**690**
Tax	–71	–74	–20	–145	–41	–157
Net profit for the period	**193**	**270**	**61**	**463**	**130**	**533**

Consolidated statement of comprehensive income

	PARENT COMPANY					
	2023	2023	2022	2023	2022	2022
SEK million	Q2	Q1	Q2	Jan–Jun	Jan–Jun	Jan–Dec
Net profit/loss for the period	**193**	**270**	**61**	**463**	**130**	**533**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	–3	–73	–135	–76	–223	–133
Changes related to cash-flow hedges	21	37	–73	58	–162	–266
Tax attributable to components that will be reclassified to profit or loss	–3	7	43	4	79	82
Other comprehensive income/loss, net of tax	**15**	**–29**	**–165**	**–14**	**–306**	**–317**
Total comprehensive income for the period	**208**	**241**	**–104**	**449**	**–176**	**216**

Consolidated balance sheet

SEK million	30 Jun 2023	31 Dec 2022	30 Jun 2022
	PARENT COMPANY		
ASSETS			
Cash and balances at central banks	2,080	3,534	1,210
Chargeable treasury bills, etc.	34,657	29,886	30,045
Lending to credit institutions (Note 13)	155,309	147,568	130,866
Lending to the public	26,552	25,754	29,236
Bonds and other interest-bearing securities	58,111	57,490	50,508
Derivatives	41,542	37,712	28,473
Shares and participations in associated companies and joint ventures	5	3	–
Shares and participations in Group companies	12,901	10,452	10,455
Deferred tax assets	40	38	–
Intangible assets	10	14	18
Property, plant and equipment	55	49	52
Other assets	495	107	276
Prepaid expenses and accrued income	869	684	491
TOTAL ASSETS	**332,626**	**313,291**	**281,670**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	13,951	9,215	11,026
Deposits from the public	192,978	182,443	154,394
Issued debt securities, etc.	62,755	65,004	69,670
Derivatives	41,741	37,430	27,433
Other liabilities	600	484	574
Accrued expenses and deferred income	2,855	437	600
Deferred tax liabilities	–	–	–
Provisions	52	31	25
Subordinated debt	1,998	1,997	1,997
Total liabilities	**316,930**	**297,041**	**265,719**
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	–166	–152	–140
Additional Tier 1 instruments	5,800	5,800	5,800
Retained earnings	7,249	7,719	7,811
Net profit for the period	463	533	130
Total unrestricted equity	**13,346**	**13,900**	**13,601**
Total equity	**15,696**	**16,250**	**15,951**
TOTAL LIABILITIES AND EQUITY	**332,626**	**313,291**	**281,670**

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 30 June, 2023, SEK 134,036 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 127,506 million at the end of 2022. This receivable is subordinated in the event of receivership or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid. Of the total receivable, SEK 17,000 million (17,000) comprises of internal Group debt instruments (senior non-preferred notes), issued by the subsidiary SCBC for the purpose of meeting the minimum requirement för own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office.

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

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

Negotiations of the proposal in the European Council and the EU Parliament have been completed in June and a preliminary political agreement has been reached. Before the regulations can be formally adopted, the agreement must be confirmed by the European Council and the EU Parliament. The agreement is expected to become official in the second half of 2023.

Buffer requirements
The countercyclical buffer rate for Swedish exposures has been increased from 1% to 2%, with application from 22 June, 2023. The Swedish FSA has not announced any change to the countercyclical buffer value. The Government of Denmark and Bank of Norway respectively have decided to keep the countercyclical buffer rates unchanged at 2.5% as of 30 June, 2023.

Capital adequacy

	PARENT COMPANY				
SEK million	**30 Jun 2023**	**31 Mar 2023**	**31 Dec 2022**	**30 Sep 2022**	**30 Jun 2022**
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	9,230	9,426	9,615	9,551	9,730
Tier 1 capital	15,030	15,226	15,415	15,351	15,531
Total capital	17,025	17,222	17,416	17,355	17,527
Risk-weighted exposure amounts					
Total risk exposure amount	46,548	43,341	39,963	41,541	42,487
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	19.8	22.3	24.1	23.0	22.9
Tier 1 ratio (%)	32.3	36.0	38.6	37.0	36.6
Total capital ratio (%)	36.6	40.7	43.6	41.8	41.3
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 (%)	4.5[1)]	4.6	4.6	4.6	4.6
of which: to be made up of CET1 capital (percentage points)	2.5	2.7	2.7	2.7	2.7
of which: to be made up of Tier 1 capital (percentage points)	3.3	3.5	3.5	3.5	3.5
Total SREP own funds requirement (%)	12.5	12.6	12.6	12.6	12.6

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

SEK million	PARENT COMPANY 30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	–	–	–	–	–
Institution specific countercyclical capital buffer (%)	2.0	1.0	1.0	1.0	0.0
Systemic risk buffer (%)	–	–	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–	–	–
Combined buffer requirement (%)	4.5	3.5	3.5	3.5	2.5
Overall capital requirements (%)	17.0	16.2	16.2	16.1	15.2
CET1 available after meeting the total SREP own funds requirements (%)	12.7	15.0	16.8	15.8	15.7
Leverage ratio					
Total exposure measure	176,258	167,405	143,087	147,642	169,589
Leverage ratio (%)	8.5	9.1	10.8	10.4	9.2
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[2]					
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) The Swedish FSA (Finansinspektionen) communicated during the second quarter a change of decision that includes a reduction of the Pillar 2 requirement imposed on SBAB Bank AB for deficiencies in IRB models.

2) 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 2023**	**31 Dec 2022**	**30 Jun 2022**
Common Equity Tier 1 (CET1) capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	7,640	8,110	8,203
Accumulated other comprehensive income (and other reserves)	–166	–152	–140
Independently reviewed interim profits net of any foreseeable charge or dividend[1]	–78	–299	–253
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**9,354**	**9,618**	**9,768**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	–172	–141	–121
Intangible assets (net of related tax liability) (negative amount)	–2	–1	0
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	140	187	104
Negative amounts resulting from the calculation of expected loss amounts	–26	–	0
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	–	–
Other regulatory adjustments[2]	–64	–48	–20
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**–124**	**–3**	**–37**
Common Equity Tier 1 (CET1) capital	**9,230**	**9,615**	**9,731**
Additional Tier 1 (AT1) capital: Instrument			
Capital instruments and the related share premium accounts	5,800	5,800	5,800
– of which, classified as equity under applicable accounting standards	*5,800*	*5,800*	*5,800*
– of which, classified as liabilities under applicable accounting standards	–	–	–
Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	–	–	–
Additional Tier 1 capital before regulatory adjustments	**5,800**	**5,800**	**5,800**
Additional Tier 1 (AT1) capital: regulatory adjustments		–	–
Total regulatory adjustments to Additional Tier 1 (AT1) capital	–	–	–
Additional Tier 1 (AT1) capital	**5,800**	**5,800**	**5,800**
Tier 1 capital (T1= CET1+AT1)	**15,030**	**15,415**	**15,531**
Tier 2 (T2) capital: Instruments			
Capital instruments and the related share premium accounts	1,995	1,995	1,995
Credit risk adjustments	0	6	1
Tier 2 (T2) capital before regulatory adjustments	**1,995**	**2,001**	**1,996**
Tier 2 (T2)capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	–	–	–
Tier 2 (T2) capital	**1,995**	**2,001**	**1,996**
Total capital (TC= T1+T2)	**17,025**	**17,416**	**17,527**
Total risk-exposure amount	**46,548**	**39,963**	**42,487**

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

SEK million	PARENT COMPANY 30 Jun 2023	31 Dec 2022	30 Jun 2022
Capital ratio and requirements including buffers, %			
Common Equity Tier 1 capital	19.8	24.1	22.9
Tier 1 capital	32.3	38.6	36.6
Total capital	36.6	43.6	41.3
Institution CET1 overall capital requirements	12.3	10.7	9.7
– of which, capital conservation buffer requirement	*2.5*	*2.5*	*2.5*
– of which, countercyclical buffer requirement	*2.0*	*1.0*	*0.0*
– of which, systemic risk buffer requirement	–	–	–
– of which, G-SII buffer and O-SII buffer	–	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage	*2.6*	*2.7*	*2.7*
Common Equity Tier 1 capital (as a percentage of risk exposure amount) avaiable after meeting the minimum capital requirements	12.7	16.9	15.7

1) Net profit for the interim period was reduced by the expected dividend of SEK 542 million. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.
2) There are no results that generate a deduction of NPL backstop since entry into force.

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

Risk exposure amounts and capital requirements

	PARENT COMPANY					
	30 Jun 2023		31 Dec 2022		30 Jun 2022	
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	13,615	1,089	11,148	892	10,662	853
Retail exposures	1,354	108	699	56	1,155	92
– of which, exposures to SMEs	*63*	*5*	*91*	*7*	*70*	*6*
– of which, retail exposures secured by immovable property	*1,291*	*103*	*607*	*49*	*1,085*	*86*
Total exposures recognised with the IRB approach	**14,969**	**1,198**	**11,847**	**948**	**11,817**	**945**
Credit risk recognised with the standardised approach						
Exposures to governments and central banks[1]	9	1	0	0	33	3
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]	5,070	406	4,688	375	5,628	450
– of which, derivatives according to CRR, Appendix 2	*4,982*	*399*	*4,613*	*369*	*5,544*	*444*
– of which, repos	*11*	*1*	*0*	*0*	*57*	*4*
– of which, other	*77*	*6*	*75*	*6*	*27*	*2*
Retail exposures	2,061	165	2,112	169	2,790	223
Exposures in default	10	1	6	0	4	0
Exposures in the form of covered bonds	4,415	353	4,061	325	3,317	265
Exposures to institutions and corporates with a short-term credit rating	94	7	6	0	23	2
Equity exposures	12,906	1,032	10,454	836	10,455	836
Other items	163	13	136	11	193	16
Total exposures recognised with standardised approach	**24,728**	**1,978**	**21,463**	**1,717**	**22,443**	**1,795**
Market risk	**95**	**8**	**84**	**7**	**63**	**5**
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	*95*	*8*	*84*	*7*	*63*	*5*
Operational risk	**3,292**	**263**	**2,982**	**239**	**2,982**	**239**
– of which, standardised approach	*3,292*	*263*	*2,982*	*239*	*2,982*	*239*
Credit valuation adjustment risk (CVA risk)	**883**	**71**	**852**	**68**	**953**	**76**
Additional requirements under Article 458 of the CRR	**2,581**	**206**	**2,736**	**219**	**4,228**	**339**
Total risk exposure amount and minimum capital requirements	**46,548**	**3,724**	**39,963**	**3,197**	**42,486**	**3,399**
Capital requirements for capital conservation buffer		**1,164**		**999**		**1,062**
Capital requirements for countercyclical buffer		**935**		**410**		**11**
Total capital requirements		**5,822**		**4,607**		**4,472**

1) Risk-weighted amount for governments and central banks amounts to SEK 9 million (SEK 33 million as of 30 June, 2022) 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 4,993 million (4,613).

Alternative performance measures

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

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

Deposits/lending

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

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

	GROUP		
SEK million	30 Jun 2023	30 Jun 2022	31 Dec 2022
Deposits from the public	192,978	154,394	182,443
Lending to the public	514,057	491,259	509,492
Deposits/lending, %	**37.5**	**31.4**	**35.8**

C/I ratio

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

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

	GROUP		
	2023	2022	2022
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Expenses	–817	–728	–1,529
Operating income	2,856	2,193	4,681
C/I ratio, %	**28.6**	**33.2**	**32.7**

C/I ratio excl. move of resolution fee

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

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

	GROUP		
	2023	2022	2022
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Expenses	–817	–728	–1,529
Operating income excl. move of resolution fee	2,765	2,101	4,497
C/I ratio exl. move of resolution fee, %	**29.5**	**34.6**	**34.0**

C/L ratio

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

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

	GROUP		
	2023	2022	2022
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Expenses	–817	–729	–1,529
Annualised expenses	*–1,634*	*–1 458*	–1,529
Aver. lending to the public	511,775	479,150	488,267
C/L ratrio, %	**0.32**	**0.30**	**0.31**

Return on equity

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

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

	GROUP		
	2023	2022	2022
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Operating profit after tax	1,354	958	2,081
Annualised op. profit after tax	*2,708*	*1,951*	*2,081*
Average equity	20,547[1]	19,325[2]	19,841[2]
Return on equity, %	**13.2**	**9.9**	**10.5**

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

Return on equity, excl. risk tax

Definition: Profit after tax for the period (annualised) in relation to average equity (calculated using the opening and closing balances for the reporting period), after adjustment for additional Tier 1 instruments, value changes in financial assets recognised in equity, and the per 2022 implemented risk tax.

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

	GROUP		
	2023	2022	2022
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Operating profit after tax	1,494	2,061	2,287
Annualised op. profit after tax	*2,988*	*2,122*	*2,287*
Average equity	20,617	19,377	19,943
Return on equity excl. risk tax, % [1) 2)]	**14.5**	**10.9**	**11.5**

1) The risk tax amounted to SEK 261 million for Jan–Dec 2022, SEK 131 million for Jan–Jun 2022 and SEK 177 million for Jan-Jun 2023.
2) Average equity for the period "Jan–Jun 2023" has been adjusted for dividend of SEK 832 million for 2022. Average equity for the period "Jan–Jun 2022" and "Jan–Dec 2022" has been adjusted for dividend of SEK 832 million for 2021.

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		
	2023	2022	2022
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Net interest income	2,799	2,172	4,655
Annualised net interest income	*5,598*	*4,344*	*4,655*
Average balance sheet total	641,154	579,128	596,411
Net interest margin, %	**0.87**	**0.75**	**0.78**

Credit loss ratio

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

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

	GROUP		
	2023	2022	2022
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Credit losses	–56	–29	–68
Annualised credit losses	*–112*	*–58*	*–68*
Lending to the public	514,057	491,259	509,492
Credit loss ratio, %	**–0.02**	**–0.01**	**–0.01**

Share of Stage 3 loans, gross, %

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

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

	GROUP		
SEK million	**30 Jun 2023**	**30 Jun 2022**	**31 Dec 2022**
Gross lending credit stage 3	491	227	371
Lending to the public	514,057	491,259	509,492
Share of Stage 3 loans, %	**0.10**	**0.05**	**0.07**

New lending

Definition: Gross lending for the period.

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

Definitions of other key performance indicators

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

Auditors’ review report

Introduction
We have reviewed the interim report for SBAB Bank AB (publ) for the period 1 January – 30 June 2023. The Board of Directors and the CEO are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this year-end report based on our review.

Scope of review
We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410 Review of Interim Financial Information performed by the company’s auditors. A review consists of making inquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

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

Stockholm 18 July, 2023

Deloitte AB

Signature on Swedish original

Malin Lüning
Authorised Public Accountant

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 2023

Jan Sinclair Chairman of the Board	Fredrik Sauter Board Member	Synnöve Trygg Board Member
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
Margareta Naumburg Employee representative	Karin Neville Employee representative	Mikael Inglander CEO

Financial calendar

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

Credit ratings

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

Contact

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This information was submitted for publication on 19 July 2023 at 08:00 (CET).

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