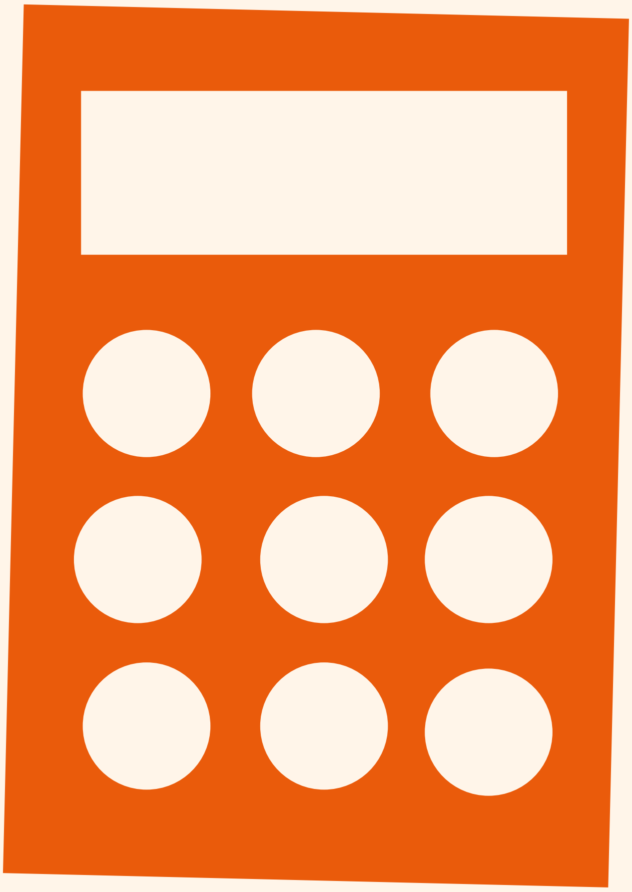
Interim report

January–September 2023



SBAB Bank AB (publ)

The quarter in brief

Q3 2023

(Q2 2023)

- Total lending increased 0.7% to SEK 517.9 billion (514.1) for the quarter.
- Total deposits increased 3.6% to SEK 199.9 billion (193.0).
- Operating profit decreased 16.5% to SEK 720 million (862), primarily due to lower net interest income and a more negative outcome for the net result of financial transactions.
- Net interest income declined to SEK 1,315 million (1,386), mainly due to the continued contraction of mortgage lending margins. An increased share of financing from deposits positively impacted the item.
- Net credit losses amounted to SEK 6 million (23). Confirmed credit losses totalled SEK 2 million (3).
- Imposed fees totalled SEK 134 million (127) for the quarter, of which the risk tax amounted to SEK 89 million (88) and the resolution fee to SEK 45 million (39).
- The return on equity amounted to 10.6% (13.1) and the C/I ratio was 31.6% (29.5).
- The Common Equity Tier 1 (CET1) capital ratio was 11.6% (11.9).

Total lending, SEK bn
Q3, 2023

518

Total deposits, SEK billion
Q3, 2023

200

10.6%
Return on equity
Q3 2023

31.6%
C/I ratio
Q3 2023

0.00%
Credit loss ratio
Q3 2023

11.6%
CET1 capital ratio
Q3 2023

Selected key metrics

	GROUP					
	2023	2023		2023	2022	
	Q3	Q2	Change	Jan–Sep	Jan–Sep	Change
Total lending, SEK bn	517.9	514.1	+0.7%	517.9	498.6	+3.9%
Total deposits, SEK bn	199.9	193.0	+3.6%	199.9	171.0	+16.9%
Net interest income, SEK mn	1,315	1,386	–5.1%	4,114	3,327	+23.7%
Net result of financial transactions, SEK mn	–62	45	–107 mn	–15	44	–59 mn
Expenses, SEK mn	–398	–423	–5.9%	–1,215	-1,092	+11.3%
Net credit losses, SEK mn	–6	–23	–17 mn	–62	–49	+13 mn
Imposed fees: Risk tax and resolution fee, SEK mn	–134	–127	+7 mn	–402	–333	+69 mn
Operating profit, SEK mn	720	862	–16.5%	2,435	1,953	+24.7%
Return on equity, %	10.6	13.1	–2.5 pp	12.3	10.5	+1.8 pp
C/I ratio, %	31.6	29.5	+2.1 pp	29.5	31.9	–2.4 pp
CET1 capital ratio, %	11.6	11.9	–0.3 pp	11.6	12.8	–1.2 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-owners' 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 8.49% on 31 August 2023, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se has Sweden's largest offering of homes for sale.

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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 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 17.75% on 31 August 2023. At the same time, the market share for lending to tenant-owners' associations was 10.62%.

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SBAB assigns priority to four Sustainable Development Goals

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

Statement from the CEO

We launched our first savings account just over 15 years ago. Today we have over half a million savings customers and are approaching a deposit volume that exceeds SEK 200 billion. This is a very welcome development that we are incredibly proud of.

As expected, the Riksbank decided to raise the policy rate an additional 0.25 percentage points to a total of 4.00% at its most recent meeting in September, based on persistently high inflation, not least within the service sector, and a weak krona. It also signalled that the policy rate could be raised further and that we shouldn't expect any decreases in the near future.

We think it's possible that inflation is decreasing somewhat faster than what the Riksbank is suggesting. In our view, the Riksbank places too much weight on inflation trends in the last year instead of taking inflation's recent short-term performance into consideration. It is also important to review expectations for future inflation trends. It takes a relatively long time for a higher policy rate to affect households and companies, and thereby to affect price trends. The policy rate hikes that have been carried out to date have likely not had their full effect on the economy or inflation. It is unfortunately difficult to assess inflation and considerable uncertainty regarding future developments still prevails. However, a reasonable assessment is nonetheless that the policy rate, and therefore also mortgage interest rates, are now approaching their peak.

We are capturing market shares in a slowing market

Activity in the housing market remains low. In the last three months, the number of homes sold was 23% lower than in the year-earlier period. High interest rates in combination with falling housing prices in the secondary market have put pressure on housing construction, which is why the rate of new production has decreased drastically in such a short time.

Prices for apartments and houses fell substantially in 2022, especially for houses. So far this year, the price trend has been positive for apartments as well as houses. However, we believe that housing prices will decrease further in the near term. This means that we expect the total price decline, calculated from a peak in early 2022, will amount to around 20%. As of 2024, housing prices are expected to once again increase, which means that there appears to be some change of direction in this area as well.

Credit growth in the residential mortgage market remains very low. Annualised growth in August was around 1%, compared to close to 6% at the same time the previous year. Market growth was even negative in some months of 2023. Competition in the market is tough and the margins remain under pressure.

Our long-term ambition is to grow lending. Even if the current market conditions are challenging, we are continuing to gain ground and capture market shares. Important success factors in the current market include simplicity, consideration and transparency: factors that have long been important parts of SBAB's corporate culture and offering. Total lending increased nearly 1% during the third quarter to SEK 517.9 billion.

SBAB's deposit volume approaching SEK 200 billion!

SBAB launched savings accounts for private individuals as recently as 2007. Two years later, in 2009, we complemented our offering to include savings for companies and organisations. Now, just over 15 years later, we are close to reaching a deposit volume in excess of SEK 200 billion. Naturally, we are pleased and proud that so many customers are choosing to save and earn interest with us.

As interest rate hikes came from the Riksbank, we continuously adjusted the interest rate on our savings accounts upwards. It feels good to be able to share a beneficial offering with our customers. It is also clear that many customers see SBAB as a more attractive alternative than many other players in the market.

I have previously highlighted how important it is for SBAB to achieve a more diversified funding mix, in part to reduce volatility in our earnings over time but also to reduce our relative dependence on capital market funding. Right now we are investing a lot of time and resources in further refining our savings offering, in terms of product offering and terms as well as in terms of user friendliness and simplicity. We are also investing resources in making SBAB visible in the market, including in certain growth regions where we have not traditionally been as strong.

SBAB's good credit quality confirmed in stress test from the EBA

SBAB's overall credit quality remains good. Our operations are primarily built on issuing loans against collateral. This means that our lending portfolio is characterised by low risk and that we have the ability to manage weaker market conditions. This was confirmed by the European Banking Authority (EBA) and its comprehensive EU-wide stress test that investigated the resiliency of financial institutions when it comes to dramatic disruptions in the operating environment and economy. SBAB had some of the strongest results of all the banks included in the test.

Credit losses for January to September 2023 amounted to SEK 62 million, which corresponds to a credit loss ratio of 0.02% and primarily consisted of loss allowances for future credit losses. Actual credit losses remained low and totalled SEK 7 million for the period. The share of credit stage 3 loans – meaning loans that are deemed to be especially high-risk – increased somewhat at the aggregate level during the year, albeit from very low levels. This share amounted to 0.11% of our total lending at the end of the third quarter. We are not ruling out additional impacts on credit quality later in the credit cycle, when interest rate hikes have been fully absorbed by households, companies and the economy.

Stable financial performance

Our net interest income continues to post a stable trend despite historically low residential mortgage margins. This is where deposits play an important role. Generally, increases in mortgage rates have not been in line with those for the Riksbank's policy rate nor with the banks' borrowing costs via mortgage bonds. One of the underlying reasons is that many banks have instead kept interest rates low on their savings accounts. In this matter, I think that keeping pace with the Riksbank's interest rate hikes is, and has been, lacking in large parts of the industry. For us at SBAB, it is very important to continuously adjust our interest rates for lending as well as deposits to reflect the prevailing market conditions. Net interest income for the quarter amounted to SEK 1,315 million, up 14% year-on-year. Compared with the previous quarter, net interest income declined 5%. Return on equity for the quarter was 10.6%, which exceeds the return target of 10% set by our owner, the Swedish government.

Activities aimed at reaching the climate goal

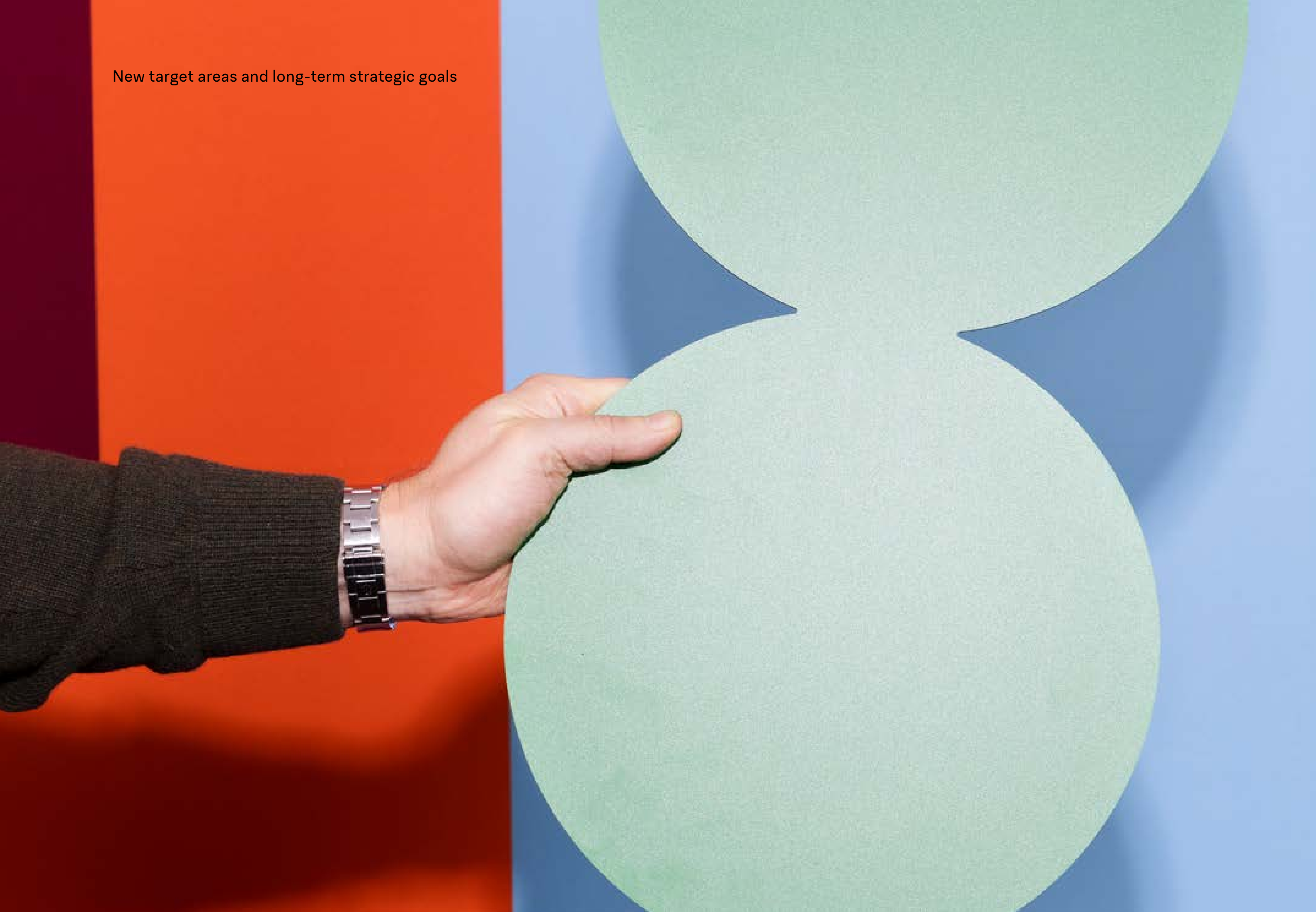
Much is happening within sustainability. New insights and regulatory requirements from authorities are accelerating developments. Late last year, SBAB decided on a new long-term climate goal that lasts until 2038. We know that it will require a lot of initiatives and hard work to reach the goal, but we are determined to succeed.

It has become clear that many of our customers – property companies not least among them – are facing challenges similar to ours. We need to be able to provide relevant products and services to help and support our customers in their work. We recently disbursed our first sustainability-linked loan to a corporate customer. This is a loan that will be used to accomplish a transition within sustainability, for example improving the energy performance of a property. Any such transition needs to be comprehensive in scope, and require extra investment on account of the challenge it presents. This means our goal is to be able to say that the money enabled a transition that would not otherwise have happened.
To do this, we set several targets that are followed up annually. The customer receives somewhat lower interest in exchange for a promise to deliver improvements. Conversely, if the agreed-upon progress is not made, the customer needs to pay somewhat higher interest.

One activity out of many on the journey to reaching our long-term goal.

Have a wonderful autumn.

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 continued to deteriorate during the year. In the second quarter, GDP decreased 0.8% quarter-on-quarter, or 1.0% year-on-year. While a marginal improvement was noticed in the GDP indicator for July, overall all indicators point to the conclusion that the Swedish economy has entered a recession. Despite the weaker economy, the situation is relatively good in terms of a high level of employment and low unemployment.

Inflation is declining markedly and has been doing so for quite some time. However, it is altogether too high relative to the Riksbank's goal to lead to any relief in terms of monetary policy. The Riksbank's policy rate hikes have contributed to higher mortgage rates that have suppressed household demand, which has in turn helped control inflation. For the full year 2023, the Swedish economy is expected to shrink a maximum of 1%.

During the third quarter of the year, confidence in the economy declined slightly to somewhat below normal for companies as well as households. Industry indicators are close to levels typical for a recession. For households, however, confidence indicators are unusually low despite a clear uptick since the end of last year. Around the end of last year, indicators were in line with levels noted during the 1990s crisis, which was likely due to recent rapid price increases for food and energy as well as interest rate hikes for mortgages.

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

Fixed-income market

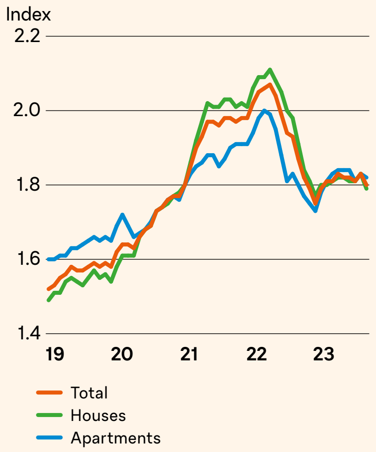
The short-term market interest rates continued to climb during the second quarter, thereby keeping pace with the higher policy rate. Long-term market interest rates also increased since the summer and are now on a par with the levels noted from 2000 to 2010. There are, of course, slight differences between various instruments and differing maturities. The overall pattern can be described as a fixed-income market that both expects somewhat tighter monetary policy in the near term to bring inflation down to the target level, while concurrently managing to keep inflation close to the target for the long term.

In September 2023, the Riksbank decided to raise the policy rate 25 basis points to 4.00%. For interest rates, this may well be the peak of this hiking cycle, even if there is a clear likelihood of a hike in November. SBAB's economists expect the policy rate to remain at 4.00% or 4.25% during the winter before beginning to fall toward the equilibrium level of around 2% before summer 2024. The policy rate hikes have brought short-term market interest rates up. The long-term market interest rates are expected to remain at just above 3% for the immediate future, but to fall in the middle of next year to somewhat under 3%.

In addition to higher market rates, higher deposit rates during the third quarter led to higher mortgage rates. This trend is expected to continue in the near future, with short-term mortgage rates reaching 5% as a result. Starting mid-2024, variable mortgage rates will likely move down to around 3.5%, while long-term mortgage rates will move closer to around 4%. The long-term level for mortgage rates in general is estimated to range close to 3.50%–4.00%, somewhat lower for variable mortgage rates and somewhat higher for longer fixed-interest rates.

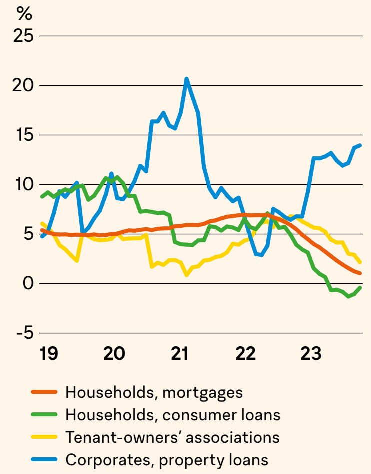
Housing price trend

(SBAB Booli HPI, 2013.01 = 1)



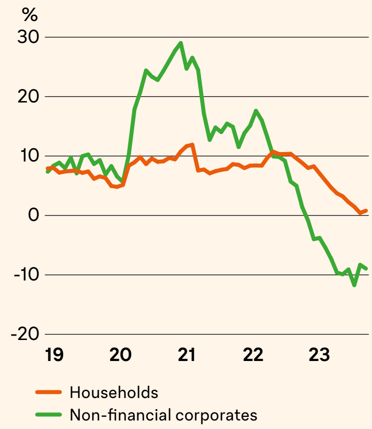
Lending growth

(Percentage, 12-month change)



Deposit growth

(Percentage, 12-month change)



Sources: Macrobond, Statistics Sweden, Booli and SBAB
Data until and including Sep 2023 for housing price trend and Aug 2023 for lending and deposit growth

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

Housing prices
After a strong recovery during the first quarter of 2023, housing prices more or less stagnated in the second quarter and fell slightly during the third quarter. Despite the recovery in 2023, housing prices are still on average 13% below their peaks in spring 2022, more for houses than for apartments. To some extent, the increase during the first quarter and downturn in the third quarter can be attributed to seasonal variations. With respect to seasonal patterns, prices have largely remained stagnant during the year, with a slight uptick for apartments and marginally lower for houses. The relatively weaker trend for houses could partially be explained by the fact that house prices developed strongly during the coronavirus pandemic. SBAB's economists expect housing prices to continue to decrease somewhat later in autumn 2023.

Rising housing expenses due to higher mortgage rates led to a rapid downturn in the housing market during the previous year. 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 depressed 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
Housing turnover for existing homes was at a record low from the fourth quarter of 2022 until the second quarter of 2023. Turnover was also very low during the third quarter of 2023, well under a level that could be considered normal from a historical perspective, particularly for apartments. Moreover, housing turnover is below the level normally associated with a recession. In the third quarter, 13,100 houses and 22,900 apartments were sold. This is 14% and 27% lower than for the corresponding period in 2021, 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, while at the same time 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 new housing production. In contrast, sales of new housing have slowed very significantly, from around 2,000 verified sales per month in autumn 2021 to only around 500 homes per month in autumn 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 worsened quickly in the second half of 2022 and the first quarter of 2023. During the second quarter of 2023 the situation has stabilised, which despite a significantly lower rate of construction is due to the fact that housing production in the country as a whole is bordering a surplus for all forms of housing. While there is still some way to go, the surplus could become a reality if the rate of construction picks up or if demand decreases. However, surpluses or deficits for specific forms of housing are already possible. The most recent trend toward an overall surplus is largely due to rapidly declining demand for housing as a result of rising housing expenses in the wake of rising residential mortgage rates.

Market for deposits and lending
The rate of growth for retail loans continued to decrease during the second quarter of 2023. In terms of 12-month figures, the rate of growth also declined during the third quarter, but it has stabilised in terms of the 1-month trend. According to 12-month figures, the rate of growth in August was 0.6%, which is the lowest noted since measurements started in 2005. The rapid deceleration was primarily due to the low growth rate for housing loans, which was 1.0% in August. 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 for housing 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 0.4% in August. A contraction in these types of loans is relatively common in a recession and they are expected to grow again in a year or so.

In 12-month terms, deposits from households only grew 0.8% in August. There has thus been a very rapid decline from a growth rate of over 10% in the middle of spring 2022. An economic slowdown and overall economic uncertainty normally lead to households increasing their savings. The current reversal could be due to many households preferring to reduce their exposure as a result of the higher interest rates. This means reducing liabilities by paying off residential mortgages, for example, while simultaneously reducing assets in deposit accounts. This does not affect household net saving, but decreases their liquidity and is a result of an increased price of liquidity as a result of higher interest rates. It is also possible that low unemployment, despite the weak economic trend, means that households expect low risk of unemployment, which reduces the incentive to build up buffers. Growth in corporate deposits has also plummeted. Since early 2022, it has gone from increasing by nearly 20% in 12-month terms, to decreasing almost 6% in 12-month terms in August 2023. Negative deposit growth from corporate clients is not entirely unusual under certain circumstances. This was the case, for example, temporarily in 2008 and in a large portion of 2011. However, the current trend is unusual and could be due to the fact that companies have reviewed their balance sheets as a result of higher interest rates, 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 macroeconomic situation, most recently with particular focus on inflation, higher interest rates, 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 in 2022 has led to higher market interest rates and higher mortgage rates, which has raised housing costs for households. In addition, higher prices for, inter alia, food and energy 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, higher interest rates have increased costs for property companies. Over time, rising costs in property management are expected to lead to higher rents and therefore revenue. 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. High interest rates and an uncertain outlook have also contributed to a steep downturn in housing construction. Above all, this is deemed to lead to weaker economic growth during the next year. 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 first half 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 relatively good 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. Prices recovered somewhat during the beginning of 2023 but are expected to fall somewhat towards the end of the year. When inflation declines and interest rates start to normalise in 2024, housing prices are expected to slowly 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 resulted in the extensive sanctions against Russia remaining in force. Additional sanctions cannot be ruled out. Conflicts in Palestine and Israel have flared up in a short time, and future developments are very uncertain, including their impact on the global economy. 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. Russia's war has contributed to today's high inflation and to uncertainty about the future. The conflict between Israel and Palestine risks leading to a significant impact on the global economy and the financial markets.

The 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, it is still too early to rule out similar future events. 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 regulatory frameworks 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 and makes future policies difficult to predict. Even if inflation is now decreasing, it has not yet reached an acceptable level. Focus is still a on a restrictive monetary policy. 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.

Buying

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

Business partner services:

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

Selling

- Estate agent recommendations
- Housing valuations
- Housing advertisements

Business partner services:

- Tax declaration help

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 Q3	2023 Q2	2022 Q3	2023 Jan–Sep	2022 Jan–Sep	2022 Jan–Dec
New lending for the period, SEK bn	18.0	21.2	23.5	55.0	80.1	105.4
Net change in lending for the period, SEK bn	3.8	1.6	7.4	8.4	31.6	42.5
Total lending, SEK bn	**517.9**	**514.1**	**498.6**	**517.9**	**498.6**	**509.5**
No. of deposit accounts, thousand	680	644	523	680	523	568
Net change in deposits, SEK bn	6.9	4.5	16.6	17.5	26.1	37.5
Total deposits, SEK bn	**199.9**	**193.0**	**171.0**	**199.9**	**171.0**	**182.4**
Deposits/lending, %	38.6	37.5	34.3	38.6	34.3	35.8
Retail business area						
No. of mortgage customers, thousand	288	288	292	288	292	292
No. of mortgage objects financed, thousand	185	185	187	185	187	187
New lending, SEK bn	11.2	14.6	16.1	37.5	54.0	67.0
Net change in lending for the period, SEK bn	–0.2	–0.7	2.1	0.2	12.6	14.0
Total lending, Private, SEK bn	**351.3**	**351.5**	**349.8**	**351.3**	**349.8**	**351.1**
Residential mortgages, SEK bn	349.4	349.5	347.6	349.4	347.6	349.0
Consumer loans, SEK bn	1.9	2.0	2.2	1.9	2.2	2.1
Market share, Residential mortgages, %[1]	8.49	8.48	8.53	8.49	8.53	8.51
Market share, Consumer loans, %[1]	0.62	0.66	0.73	0.62	0.73	0.70
Total deposits, Private, SEK bn	**159.3**	**153.6**	**126.5**	**159.3**	**126.5**	**140.7**
No. of retail customers with savings accounts, thousand	571	544	449	571	449	485
Market share deposits, Private, %[1,2]	6.08	5.96	4.76	6.08	4.76	5.49
Corporate Clients & Tenant-Owners' Associations business area						
No. of housing financing customers	3,009	2,986	2,833	3,009	2,833	2,942
New lending, SEK bn	6.8	6.6	7.4	17.6	26.1	38.4
Net change in lending for the period, SEK bn	4.0	2.3	5.3	8.2	19.0	28.5
Total lending, Corporates & Associations, SEK bn	**166.6**	**162.6**	**148.8**	**166.6**	**148.8**	**158.4**
Lending, Corporate clients, SEK bn	99.1	94.7	83.0	99.1	83.0	90.7
Lending, Tenant-owners' associations, SEK bn	67.5	67.9	65.8	67.5	65.8	67.7
Market Share Corporate Clients (multi-family dwellings), %[1]	17.75	17.31	16.48	17.75	16.48	17.38
Market share, Tenant-owners' associations, %[1]	10.62	10.53	10.30	10.62	10.30	10.69
Total deposits, Corporates & Associations, SEK bn	**40.6**	**39.4**	**44.5**	**40.6**	**44.5**	**41.8**
No. of customers with savings accounts, Corp. & Assoc.	15,500	15,000	12,900	15,500	12,900	13,700
Market share deposits, Corp. & Assoc., %[1,2]	2.84	2.85	2.84	2.84	2.84	2.71

1) Source: Statistics Sweden. The figures in the columns for Q3 2023 and Jan–Sep 2023 correspond with the market shares as of 31 August 2023. The Q2 2023 column corresponds with the market share as of 31 May 2023. The figures in the columns for Q3 2022 and Jan–Sep 2022 correspond with the market shares as of 31 August 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 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 Q3 2023 compared with Q2 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 68.5% (63.5) 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, despite a more challenging market, amounted to SEK 11.2 billion (14.7). Total retail lending amounted to SEK 351.3 billion (351.5) at the end of the quarter, of which SEK 349.4 billion (349.5) comprised residential mortgages and SEK 1.9 billion (2.0) consumer loans.

At the end of the quarter, the number of residential mortgage customers amounted to 288,000 (288,000) distributed over 185,000 (185,000) mortgage objects. The market share of residential mortgages was 8.49% on 31 August 2023 (8.48% on 31 May 2023). At the same date, the market share for consumer loans was 0.62% (0.66% on 31 May 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 159.3 billion (153.6) at the end of the quarter. At the same date, approximately 571,000 (544,000) retail customers held savings accounts with SBAB. The market share of retail deposits was 6.08% on 31 August 2023 (5.96% on 31 May 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 402,000 (446,000). The average number of unique users of the SBAB app per month totalled around 235,000 (214,000) 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 (1,400,000) during the quarter. Booli's monthly property valuation email had some 825,000 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 95% of the registered estate agents in Sweden.

Sweden's most satisfied residential mortgage customers

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

Corporate Clients & Tenant-Owners' Associations business area

Trend for Q3 2023 compared with Q2 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 rising market interest rates and high inflation continues to dominate the property market. Activity and transaction volumes remain at low levels compared to the average of recent years. Many property companies are having difficulty arranging funding on favourable terms in the bond market, which has led to an increased demand for refinancing parts of their maturing capital market debt with bank financing. We noted a general such trend during the quarter. We also noted that many property companies continue to carry out activities to reduce their debt and strengthen their balance sheets in order to adapt their operations to the new interest rate environment. This includes selling assets, not distributing dividends and conducting new issues.

SBAB's business focuses on lending to residential properties with good collateral in areas with strong demand. In general, we focus on larger corporate customers with diversified revenue streams and good liquidity. Despite the continued uncertainty, SBAB noted a relatively strong inflow of new transaction volumes during the third quarter, primarily from existing customer groups. The credit portfolio for financing new production performed largely as forecasted, with planned projects being completed according to previously agreed-upon financing, but where demand for new building credits was very low. Many corporate customers, primarily housing developers, express greater doubt regarding new construction projects as a result of high interest rates, persistently high prices for land and falling housing prices in the secondary market. During the quarter, new lending to corporate clients amounted to SEK 5.5 billion (4.4).

The market for lending to tenant-owners' associations continues to be dominated by intense competition with low margins. During the quarter, new lending to tenant-owners' associations increased to SEK 1.3 billion (2.2).

Total lending to corporates and tenant-owners' associations increased to SEK 166.6 billion (162.6), of which SEK 99.1 billion (94.7) comprised lending to corporates and SEK 67.5 billion (67.9) lending to tenant-owners' associations.

The market share of lending to property companies (multi-family dwellings) was 17.75% on 31 August 2023 (17.31% on 31 May 2023). At the same date, the market share for lending to tenant-owners' associations was 10.62% (10.53% on 31 May 2023).

The number of housing financing customers was 3,009 (2,986) at the end of the quarter.

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

Savings accounts (deposit)

Deposits from corporate clients and organisations decreased during the quarter and totalled SEK 40.6 billion (39.4). At the same time, approximately 15,500 (15,000) customers held savings accounts with SBAB. On 31 August 2023, the market share of deposits from corporate clients and organisations was 2.84% (2.85% on 31 May 2023).

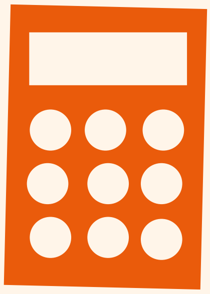
User trends

Boappa helps tenants, their neighbours and boards with communication in tenant-owners' associations or communities. At the end of the quarter, Boappa had around 1,500 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.

Financial performance



Income statement overview

	GROUP							
	2023	2023	2023	2022	2022	2023	2022	2022
SEK million	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Jan–Sep**	**Jan–Sep**	**Jan–Dec**
Net interest income	1,315	1,386	1,413	1,328	1,155	4,114	3,327	4,655
Net commission	–9	–8	–7	–7	–5	–24	19	12
Net result of financial transactions (Note 3)	–62	45	2	–79	72	–15	44	–35
Other operating income	14	12	13	12	11	39	37	49
Total operating income	**1,258**	**1,435**	**1,421**	**1,254**	**1,233**	**4,114**	**3,427**	**4,681**
Expenses	–398	–423	–394	–437	–363	–1,215	–1,092	–1,529
Profit before credit losses and imposed fees	**860**	**1,012**	**1,027**	**817**	**870**	**2,899**	**2,335**	**3,152**
Net credit losses (Note 4)[1]	–6	–23	–33	–19	–20	–62	–49	–68
Imposed fees: Risk tax and resolution fee	–134	–127	–141	–112	–111	–402	–333	–445
Operating profit	**720**	**862**	**853**	**686**	**739**	**2,435**	**1,953**	**2,639**
Tax	–154	–182	–179	–147	–155	–515	–411	–558
Net profit for the period	**566**	**680**	**674**	**539**	**584**	**1,920**	**1,542**	**2,081**
Return on equity, %[2]	10.6	13.1	13.3	10.5	11.7	12.3	10.5	10.5
Return on assets, %	0.3	0.4	0.4	0.3	0.4	0.4	0.3	0.3
C/I ratio, %	31.6	29.5	27.7	34.8	29.4	29.5	31.9	32.7
Credit loss ratio, %	0.00	–0.02	–0.03	–0.01	–0.02	–0.02	–0.01	–0.01
Share of credit stage loans 3, gross, %	0.11	0.10	0.08	0.07	0.05	0.11	0.05	0.07
Net interest margin, %	0.81	0.85	0.87	0.85	0.76	0.85	0.75	0.78
Number of employees (FTEs)	917	889	864	863	856	917	856	863

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

2) When calculating the return on equity for Jan–Sep 2022 and Jan–Dec 2022, average equity has been adjusted for the dividend of SEK 832 million disbursed in 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 Q3 2023 compared with Q2 2023

Operating profit decreased to SEK 720 million (862), primarily due to a more negative outcome for the net result of financial transactions and lower net interest income. The return on equity amounted to 10.6% (13.1) and the C/I ratio was 31.7% (29.5).

Net interest income
Net interest income declined to SEK 1,315 million (1,386), 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 healthy 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 9 million (expense: 8) for the quarter, primarily due to somewhat lower commission income related to insurance mediation.

Net result of financial transactions
The net result of financial transactions decreased to an expense of SEK 62 million (income: 45), mainly due to differences in value changes in hedging instruments and hedged items. For more information, please refer to Note 3.

Expenses
Expenses decreased during the quarter to SEK 398 million (423), primarily pertaining to lower costs for depreciation and amortisation, seasonally lower costs for staffing consultants and lower marketing costs. At the end of the quarter, FTEs amounted to 917 (889).

Credit quality and credit losses
Total net credit losses amounted to SEK 6 million (23). Confirmed credit losses totalled SEK 2 million (3) and recoveries for previous confirmed credit losses amounted to SEK 1 million (1).

Total credit loss allowances increased SEK 4 million during the quarter (increase: 20). Provisions for credit stage 1 decreased SEK 15 million (decrease: 2), while provisions for credit stages 2 and 3 rose SEK 6 million (increase: 3) and SEK 52 million (increase: 1), respectively. Changes in provisions for loans in all credit stages pertain mainly to a new impairment model for calculating expected credit losses (ECL model), which applies as of 30 September 2023, and new decisions regarding rating grades for all customers within the Corporate Clients & Tenant-Owners' Associations business area in conjunction with the roll out of new PD models within the framework of the IRB system. Compared to the previous one, the new ECL model is essentially more conservative through higher LGD estimates, though not as sensitive to macroeconomic effects in PD through forward-looking information. This resulted in lower credit loss allowances in credit stage 1 and increased credit loss allowances in credit stage 3. For credit stage 2, the milder macroeconomic effects were offset by rating grade migrations within the Corporate Clients & Tenant-Owners' Associations business area and more conservative estimates of LGD according to the new ECL model. Revisions of the forward-looking information applied in the impairment model resulted in a slight decrease of credit loss allowances overall.

Allowances for loan commitments and building credits decreased SEK 39 million (increase: 18), primarily driven by lower provisions for not yet disbursed building credits and lower provisions for loan commitments according to the new ECL model. The previous ECL model included a certain amount of bias, where committed off-balance-sheet building credits received relatively large provisions, while disbursed building credits on the balance sheet received lower provisions. This relatively skewed allocation of credit loss allowances has been addressed in the new model, which largely explains the decrease during the quarter. Total credit loss allowances both for disbursed and committed building credits increased during the quarter as a result of the new model as well as deteriorated rating grades within the Corporate Clients & Tenant-Owners' Associations business area.

Guarantees that can be utilised decreased almost SEK 2 million (decrease: 2) over the period as a result of lower credit loss allowances being assigned to credits with guarantees.

For more information on credit loss allowances and changes in the forward-looking information in the ECL 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 capacities required to meet their commitments. Lending in each business area (Retail and Corporate clients & Tenant-Owners' Associations) is deemed to have good credit quality and low credit risk, despite higher interest rates. The increase in credit loss allowances within credit stages 2 and 3 are primarily due to the changes of the ECL model as described previously and not due to increased realised credit risk.

Due to growing uncertainty in the capital market, SBAB has increased the rate of follow up with those customers in the Corporate Clients & Tenant-Owners' Associations business area who have a high share of market financing and who require refinancing over the short and long term. 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 134 million (127) for the quarter, of which the risk tax amounted to SEK 89 million (88) and the resolution fee to SEK 45 million (39).

Other comprehensive income
Other comprehensive income increased to a loss of SEK 262 million (loss: 328), primarily due to interest-rate-related value changes in derivatives. For more information, please refer to page 24.

January–September 2023 compared with January–September 2022

Operating profit rose to SEK 2,435 million (1,953), mainly due to higher net interest income. The return on equity amounted to 12.3% (10.5) and the C/I ratio was 29.5% (31.9).

Net interest income rose to SEK 4,114 million (3,327), primarily due to an increased share of financing from deposits and thus higher deposit margins. Decreased lending margins for mortgages had a negative impact. The fee for the national deposit guarantee amounted to SEK 47 million (41) for the period.

Net commission income decreased to an expense of SEK 24 million (income: 19), 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 decreased to an expense of SEK 15 million (income: 44), mainly due to differences in value changes in hedging instruments and hedged items. For more information, please refer to Note 3.

Other comprehensive income for the period amounted to an expense of SEK 139 million (expense: 7,161), primarily due to interest-rate-related value changes in derivatives, which stemmed from a smaller increase in euro interest rates in 2023 than in 2022. For more information, please refer to page 24.

Expenses increased to SEK 1,215 million (1,092), mainly driven by higher personnel costs, increased investment in marketing and higher impairment costs. The number of FTEs increased to 917 (856) during the period.

Net credit losses totalled SEK 62 million (49) and consisted primarily of provisions for future credit loss allowances. Confirmed credit losses totalled SEK 7 million (4) for the period. 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 rating grade adjustments after expert assessment for certain commitments in the Corporate Clients & Tenant-Owners' Associations business area. Revisions of the forward-looking information that was applied in the impairment model (adjustment of the interest-rate trend) in the beginning of 2023 led to a slight increase in credit loss allowances. In September 2023, a new ECL model was introduced in parallel with the implementation of new PD models for corporate exposures and a review of all commitments in the Corporate Clients & Tenant-Owners' Associations business area. Altogether this resulted in a decrease of credit loss allowances within the Retail business area and an increase of credit loss allowances in the Corporate Clients & Tenant-Owners' Associations business area. The combined effect on total credit loss allowances was limited. For more information on credit losses, loss allowances and credit quality, please refer to Note 4 and Note 5.

Imposed fees totalled SEK 402 million (333), of which the risk tax amounted to SEK 266 million (196) and the resolution fee to SEK 136 million (137).

Balance sheet overview

	GROUP			
SEK million	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022
ASSETS				
Cash and balances at central banks	2,087	2,080	3,534	1,320
Chargeable treasury bills, etc.	30,648	34,657	29,886	31,406
Lending to credit institutions	26,131	21,320	20,091	20,819
Lending to the public (Note 5)	517,896	514,057	509,492	498,641
Bonds and other interest-bearing securities	59,224	58,111	57,490	53,905
Total other assets in the balance sheet	17,443	19,180	13,992	12,396
TOTAL ASSETS	**653,429**	**649,405**	**634,485**	**618,487**
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	10,131	12,603	8,237	7,388
Deposits from the public	199,871	192,978	182,443	171,011
Issued debt securities, etc. (funding)	389,381	391,376	393,885	389,910
Subordinated debt	1,998	1,998	1,997	1,997
Total other liabilities in the balance sheet	31,402	30,027	27,974	28,323
Total liabilities	**632,783**	**628,982**	**614,536**	**598,629**
Total equity	**20,646**	**20,423**	**19,949**	**19,858**
– of which reserves/fair value reserve	–6,778	*–6,516*	*–6,639*	*–6,242*
– of which, Tier 1 capital instruments	5,800	*5,800*	*5,800*	*5,800*
TOTAL LIABILITIES AND EQUITY	**653,429**	**649,405**	**634,485**	**618,487**
CET1 capital ratio, %	11.6	11.9	12.8	12.8
Tier 1 capital ratio, %	15.0	15.4	16.5	16.6
Total capital ratio, %	16.1	16.6	17.8	17.9
Leverage ratio, %[1)]	4.09	4.09	4.12	4.12
Liquidity coverage ratio (LCR), %	248	238	250	249
Net Stable Funding Ratio (NSFR), %	130	134	128	133

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

Trend for Q3 2023 compared with Q2 2023

Balance sheet comments

During the quarter, chargeable treasury bills decreased to SEK 30.6 billion (34.7), primarily due to reduced holdings of Riksbank certificates. Cash and balances at central banks amounted to SEK 2.1 billion (2.1). Lending to credit institutions increased to SEK 26.1 billion (21.3), 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 increased to SEK 59.2 billion (58.1), mainly due to securities purchases within the framework of normal liquidity reserve management. Lending to the public increased to SEK 517.9 billion (514.1), of which SEK 349.4 billion comprised residential mortgages, SEK 1.9 billion consumer loans, SEK 99.1 billion lending to property companies and SEK 67.5 billion lending to tenant-owners' associations. For more information on lending to the public, please refer to pages 11–13 and Note 5.

Liabilities to credit institutions decreased to SEK 10.1 billion (12.6), primarily driven by outflows 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 199.9 billion (193.0), 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 20.6 billion (19.1), primarily due to value changes linked to cash-flow hedges and net profit for the period.

Funding

During the quarter, a shift was noted in market focus, from uncertainty regarding future inflation trends to the economy's ability to withstand a recession despite significantly higher interest rates. In the US – which is somewhat ahead in the economic cycle – the discussions have shifted from "no landing" or "soft landing" to, by the end of the third quarter, "higher for longer." This development also affected the European and Swedish fixed-income market, where long interest rates increased as the market began to price in a slower pace of decreases in policy rates from the central banks. Economic data during the period continued to indicate that inflation is on the way down, while other data signalled strong resilience in the economy.

The Fed had two meetings during the third quarter. In the first meeting in July, the Fed decided to raise the interest rate 25 basis points to a total of 5.50%. During the second meeting in September, they chose to decline additional hikes, though in conjunction with this they clearly communicated that additional hikes in November cannot be ruled out. The ECB had two meetings during the period and, on both occasions, chose to raise the interest rate 25 basis points to a total of 4.00%. The Riksbank had one meeting during the period and chose to raise the interest rate 25 basis points to a total of 4.00%. The Riksbank also chose to support the Swedish krona by selling a portion of its currency reserve. It also announced that going forward it would increase the frequency of ordinary monetary policy meetings, from five meetings in 2023 to eight in 2024.

The funding market had a constructive opening after the summer, with large volumes in the Swedish covered bonds market in August and September. Strong demand during the period kept credit spreads down, even if a moderate recoil could be noted in the end of the quarter due to the discussions about "higher for longer" taking root in the market. The European market was somewhat more challenging after the summer and only saw limited volumes.

Following first and second quarters with relatively high funding activity, in the SEK as well as the EUR market, the issuance pace was significantly lower during the third quarter, with a particular focus on the domestic benchmark programme. During the quarter as a whole, issued debt securities totalled SEK 4.2 billion (24.4). In parallel, securities were repurchased for SEK 1.5 billion (3.2) and securities amounting to SEK 2.6 billion (44.7) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities outstanding of SEK 2.0 billion to SEK 389.4 billion (391.4). In total, the SBAB Group has issued bonds corresponding to SEK 50.4 billion in 2023 (of which SEK 36.2 billion comprised covered bond funding and SEK 14.2 billion unsecured funding), which can be compared with the total bonds maturing in 2023 of about SEK 57.6 billion.

At the end of the quarter, unsecured funding amounted to SEK 60.7 billion (62.8), of which SEK 22.1 billion (22.2) comprised senior non-preferred bonds, SEK 36.5 billion (37.6) other unsecured bonds (senior preferred) and SEK 2.2 billion (2.9) 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 (328.6) at the end of the quarter, of which SEK 240.2 billion was in SEK and SEK 88.4 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 95.8 billion (92.0). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 93.1 billion (89.6).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon at the end of the quarter totalled 319 days (347), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, on 30 September 2023, the LCR was 248% (238) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 161% (142). The net stable funding ratio (NSFR) amounted to 130.5% (133.8) 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

SBAB's CET1 capital increased during the quarter to SEK 20.1 billion (19.9), primarily due to earnings for the interim period[1]. The item was negatively impacted by the implementation of new PD models for corporate exposures, which led to an increase of expected losses and thereby an increase of the deductible item IRB shortfall. The risk exposure amount (REA) increased during the quarter to SEK 173.2 billion (167.3). The increase pertained primarily to the implementation of new PD models for corporate exposures, which applies a more conservative calibration than previous models. The transfer of tenant-owners' associations from IRB Retail to IRB Corporate had a positive effect on REA. For more information about new PD models for corporate exposures, refer to later in this section.

On 30 September 2023, SBAB's CET1 capital ratio amounted to 11.6% (11.9) and the total capital ratio was 16.1% (16.6). This exceeds internal targets and external regulatory requirements. As per 30 September 2023, the Swedish FSA's collected capital requirements are estimated to correspond to a CET1 capital ratio of 10.1% and a total capital ratio of 14.4%. SBAB's capital targets are thus expected to correspond to a CET1 capital ratio of not less than 11.1% and a total capital ratio of not less than 15.0% as of the same date.

Work continues to implement new IRB models. In November 2022, SBAB's application to use a new PD model for household exposure was approved. In January 2023, SBAB received approval to use new PD models for corporate exposures. Application of the new PD models for households started in the first quarter of 2023. In parallel, the new PD models for corporate exposures started to apply from the third quarter of 2023. Among other things, this has led to specific Pillar 2 surcharges previously imposed on SBAB for deficiencies in internal models (a total of 1.2% of CET1 capital) having now been removed in their entirety, which had a positive effect on SBAB's buffer against regulatory capital requirements. 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 SBAB's receipt of a decision to approve.

On 29 September, the Swedish FSA announced its decision regarding the supervisory review and evaluation process (SREP) that applies as of the same date. The decision includes Pillar 2 guidance for SBAB of 0% on the risk-weighted capital requirement and 0.5% on the leverage ratio, compared with the previous requirements of 0% on the risk-weighted capital requirement and 0.3% on the leverage ratio. The increase in the latter is due to an updated method of the stress test that the Swedish FSA applies as a basis for deciding on the requirement. The total leverage ratio requirement includes this requirement and the minimum requirement of 3% of the exposure amount, regulated in the Capital Requirements Regulation, which results in a total leverage ratio requirement of 3.5%. The leverage ratio remained unchanged compared with the second quarter and amounted to 4.09% (4.09) as of 30 September 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 September 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 Sep 2023			
SEK million	Total capital	%	CET1 capital	%
Internally assessed capital requirement from the Swedish FSA[1]	**24,896**	**14.4**	**17,413**	**10.1**
– of which, Pillar 1 minimum requirement	*8,443*	*4.9*	*4,749*	*2.7*
– of which, Pillar 1 risk-weight floor, Swedish mortgages (Art. 458 CRR)	*5,415*	*3.1*	*3,046*	*1.8*
– of which, Pillar 2 requirement (P2R)	*3,239*	*1.9*	*1,819*	*1.1*
– of which, Capital conservation buffer	*4,330*	*2.5*	*4,330*	*2.5*
– of which, Countercyclical buffer	*3,469*	*2.0*	*3,469*	*2.0*
– of which, Pillar 2 guidance (P2G)	–	–	–	–
SBAB's capital target	**25,936**	**15.0**	**19,145–22,610**	**11.1–13.1**
SBAB's actual capital	**27,968**	**16.1**	**20,173**	**11.6**

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.

Changes in Executive Management

Carl Olsson returned to his role as Head of Business Specialists after his parental leave and Liv Forsström assumed the position as Chief Human Resources Officer (CHRO). They succeed Kristina Tånneryd and Kajsa Ekehult, respectively, who previously temporarily held these positions.

Stress tests from the EBA

On 31 July 2023, the EBA published the results from its EU-wide stress test. The forward-looking analysis covered the period from 2023 to 2025 and investigated the resiliency of financial institutions when it comes to dramatic disruptions in the operating environment and economy. In the EBA's tress test, SBAB demonstrated very strong capital resilience and capital generation. In the adverse scenario, with extremely challenging and conservative assumptions for Sweden, SBAB's Common Equity Tier 1 capital ratio is expected to decrease from 12.8% at the end of 2022 to 11.4% at the end of 2025. The complete results of the EBA's stress test are available on its website.

Events after the end of the period

No significant events occurred after the end of the period.

Auditors' review report

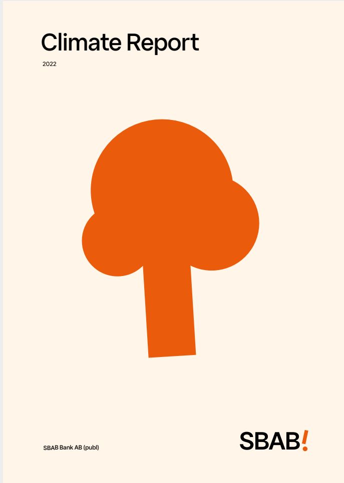
This report has not been subject to review by the Group's auditors.

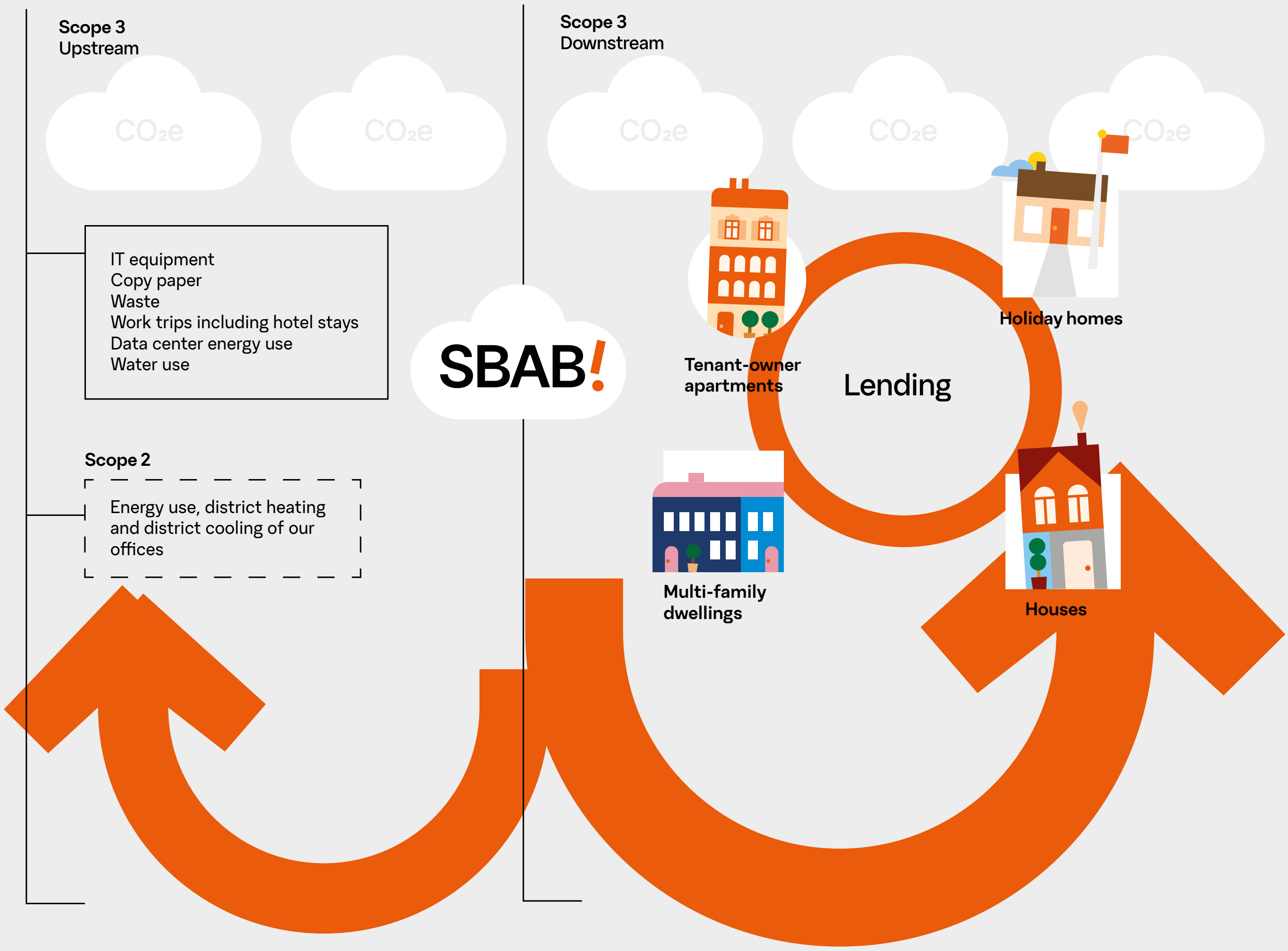
Outcomes for owner's financial targets

	2022	2021	2020	2019	2018
Dividend, %	40	40	0	0	40
Return on equity, %	10.5	11.1	10.8	11.7	12.1
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 goal is aligned with the Paris Agreement's goal of limiting the global temperature increase to 1.5°C and is reported each year in a climate report (available here for 2022). The goal is science-based and will be validated with the help of the Science Based Targets initiative.





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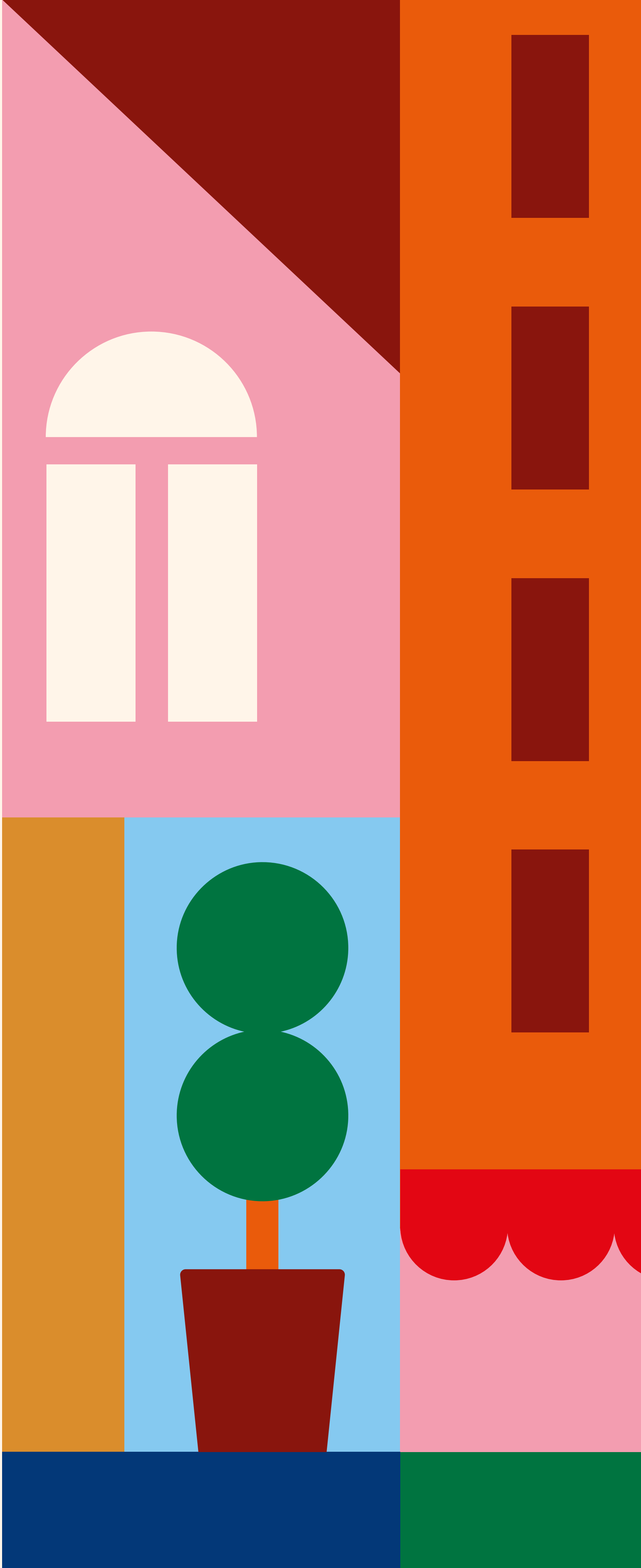

Condensed income statement

	GROUP					
	2023	2023	2022	2023	2022	2022
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Interest income[1]	6,812	6,163	2,661	18,153	5,904	9,853
Interest expense	–5,497	–4,777	–1,506	–14,039	–2,577	–5,198
Net interest income	**1,315**	**1,386**	**1,155**	**4,114**	**3,327**	**4,655**
Commission income	10	14	12	39	77	91
Commission expense	–19	–22	–17	–63	–58	–79
Net result of financial transactions (Note 3)	–62	45	72	–15	44	–35
Other operating income	14	12	11	39	37	49
Total operating income	**1,258**	**1,435**	**1,233**	**4,114**	**3,427**	**4,681**
Personnel costs	–221	–218	–208	–650	–615	–823
Other expenses	–137	–153	–120	–438	–374	–530
Depreciation, amortisation and impairment of PPE and intangible assets	–40	–52	–35	–127	–103	–176
Total expenses before credit losses and imposed fees	**–398**	**–423**	**–363**	**–1,215**	**–1,092**	**–1,529**
Profit before credit losses and imposed fees	**860**	**1,012**	**870**	**2,899**	**2,335**	**3,152**
Net credit losses (Note 4)[2]	–6	–23	–20	–62	–49	–68
Imposed fees: Risk tax and resolution fee[3]	–134	–127	–111	–402	–333	–445
Operating profit	**720**	**862**	**739**	**2,435**	**1,953**	**2,639**
Tax	–154	–182	–155	–515	–411	–558
Net profit for the year/period	**566**	**680**	**584**	**1,920**	**1,542**	**2,081**

[1] In Q3 2023 interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 5,129 million and for the corresponding period the previous year to SEK 2,358 milliion for the Group.

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

[3] The risk tax for the third quarter amounts to SEK 88,6 million, compared to 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	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Net profit for the period	**566**	**680**	**584**	**1,920**	**1,542**	**2,081**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	36	–3	–60	–40	–283	–133
Changes related to cash-flow hedges, before tax	–363	–403	–2,973	–122	–8,834	–9,505
Tax attributable to components that will be reclassified to profit or loss	67	84	625	33	1,878	–1,986
Components that will not be reclassified to profit or loss						
Revaluation effects of defined-benefit pension plans, before tax	–4	–7	1	–14	98	119
Tax attributable to components that will not be reclassified to profit or loss	1	1	–1	3	–20	–25
Other comprehensive income/loss, net of tax	**–262**	**–328**	**2,408**	**–139**	**–7,161**	**–7,558**
Total comprehensive income/loss for the period	**304**	**352**	**–1,824**	**1,781**	**–5,619**	**–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 Sep 2023	31 Dec 2022	30 Sep 2022
ASSETS			
Cash and balances at central banks	2,087	3,534	1,320
Chargeable treasury bills, etc.	30,648	29,886	31,406
Lending to credit institutions	26,131	20,091	20,819
Lending to the public (Note 5)	517,896	509,492	498,641
Value changes of interest-rate-risk hedged items in macro hedges	−3,233	−4,944	−5,306
Bonds and other interest-bearing securities	59,224	57,490	53,905
Derivatives (Note 6)	16,036	15,943	14,649
Shares and participation in associated companies and joint ventures	5	3	3
Deffered tax assets	1,706	1,664	1,545
Intangible assets	446	438	470
Property, plant and equipment	260	249	248
Other assets	1,318	110	292
Prepaid expenses and accrued income	905	529	495
TOTAL ASSETS	**653,429**	**634,485**	**618,487**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	10,131	8,237	7,388
Deposits from the public	199,871	182,443	171,011
Issued debt securities, etc.	389,381	393,885	389,910
Derivatives (Note 6)	24,568	24,934	25,156
Other liabilities	767	781	789
Accrued expenses and deferred income	6,054	2,228	2,318
Deferred tax liabilities	–	–	–
Provisions	13	31	60
Subordinated debt	1,998	1,997	1,997
Total liabilities	**632,783**	**614,536**	**598,629**
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	−6,778	−6,639	−6,242
Additional Tier 1 instruments	5,800	5,800	5,800
Retained earnings	17,746	16,749	16,800
Net profit for the period	1,920	2,081	1,542
Total equity	**20,646**	**19,949**	**19,858**
TOTAL LIABILITIES AND EQUITY	**653,429**	**634,485**	**618,487**

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	–	–	–	–256	–256
Dividend paid	–	–	–	–832	–832
Other	–	–	–	4	4
Other comprehensive income, net of tax	–	–139	–	–	–139
Net profit for the period	–	–	–	1,920	1,920
Comprehensive income for the period	**–**	**–139**	**–**	**1,920**	**1,781**
Closing balance, 30 September 2023	**1,958**	**–6,778**	**5,800**	**19,666**	**20,646**
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	–	–	–	–136	–136
Dividend paid	–	–	–	–832	–832
Other comprehensive income, net of tax	–	–7,161	–	–	–7,161
Net profit for the period	–	–	–	1,542	1,542
Comprehensive income for the period	**–**	**–7,161**	**–**	**1,542**	**–5,619**
Closing balance, 30 September 2022	**1,958**	**6,242**	**5,800**	**18,342**	**19,858**
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–Sep	2022 Jan–Sep	2022 Jan–Dec
Opening cash and cash equivalents	**23,625**	**10,742**	**10,742**
OPERATING ACTIVITIES			
Interest and commissions paid/received	7,578	3,705	4,893
Outflows to suppliers and employees	–1,490	–1,323	–1,797
Taxes paid/refunded	–631	–403	–838
Change in assets and liabilities of operating activities	112	8,860	10,067
Cash flow from operating activities	**5,569**	**10,839**	**12,325**
INVESTING ACTIVITIES			
Change in property, plant and equipment	–26	–9	–12
Change in intangible assets	–88	–69	–57
Acquisition of subsidiaries, participation in associated companies and joint ventures	2	–3	–3
Cash flow from investing activities	**–112**	**–81**	**–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	–32	–29	–38
Cash flow from financing activities	**–864**	**639**	**630**
Increase/decrease in cash and cash equivalents	**4,593**	**11,397**	**12,883**
Closing cash and cash equivalents	**28,218**	**22,139**	**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 Sep 2023	Opening balance 1 Jan 2022	Cash flow	Fair value	Other	Closing balance 30 Sep 2022
Subordinated debt	1,997	–	–	1	1,998	1,996	–	–	1	1,997
Lease liabilities	192	–32	–	32	192	208	–29	–	9	188
Additional Tier 1 instruments	5,800	–	–	–	5,800	4,300	1,500	–	–	5,800
Total	**7,989**	**–32**	**–**	**33**	**7,990**	**6,504**	**1,471**	**–**	**10**	**7,985**

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 25 October 2023.

Note 2 Changes in risks

Credit risk in lending operations

During the third quarter of 2023, there has been no significant increase in realized credit risk within SBAB's lending operations. Despite the ongoing high inflation and elevated interest rates, there has been only a limited uptick in payment delinquencies, primarily within the business area Private. Due to rising interest costs, negative rating grade migrations have occurred within Private, a trend expected to persist as customers' interest rates are renegotiated. Within the business area Corporates & Associations, new decisions on rating grades have been made for all customers in conjunction with the rollout of new PD models within the IRB system. At the end of September, SBAB started to apply a model for expected credit losses (ECL model) based on new PD and LGD models within the IRB system, resulting in a reduction in loss provisions within Private and an increase in loss provisions within Corporates & Associations. The increase in this business area is also attributed to the new customer rating grade decisions, which, in some cases, led to deteriorations.

The forward-looking information was revised in September due to continuous monitoring of the global economic development. The updated forward-looking information indicates a sustained high-interest rate environment and significant declines in housing and real estate prices but resulted in a slightly reduction of loss provisions.

Total loss provisions for the third quarter of 2023 amounted to SEK 270 million, compared to SEK 266 million for the second quarter of 2023. Increasing interest costs, a slowdown in residential construction, and falling housing prices may lead to further increases in loss provisions during the fourth quarter of 2023.

The loan-to-value (LTV) ratios for individuals, property companies, and tenant-owners' associations as of the third quarter of 2023 amounted to 60%, 61%, and 33%, respectively, compared to 60%, 61%, and 33% for the second quarter of 2023. For more information on credit losses, loss provisions, and credit quality, please refer to Note 4.

Since SBAB's business model is exclusively based on financing housing, flood risk within sustainability is identified as one of the primary climate risks in the lending operations. Climate risk within the lending portfolio is measured by a Key Risk Indicator (KRI) that is defined as a value that indicate a change in climate risk profile. The KRI covers the acute physical risks regarding floods and monitors the share of capital linked to houses in zones with an elevated risk of flooding. During the third quarter the results from the KRI does not indicate any changes in risk.

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 4,271 million as of September 29, 2023 compared to SEK 4,721 million as of June 30, 2023.

Liquidity risk

SBAB's liquidity positions remained strong during the third quarter of 2023. LCR by end of the third quarter of 2023 increased slightly in comparison with LCR level for the second quarter of 2023. The survival horizon decreased slightly in comparison with the second quarter of 2023. The over collateralization level (OC-level) increased in comparison with the second quarter of 2023. The deposit-to-loan ratio increased during the third quarter of 2023 as the deposit growth rate was good. NSFR has decreased slightly in comparison with the second 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 September 29th 2023, SBAB's VaR amounted to SEK 1,080 million, compared to SEK 1,032 million at 30 June 2023.

Operational risk

The change of SBAB's core IKT-system, with end date in the first quarter of 2025, is ongoing and complex. Therefore, the project is still a source to exposure for operational risks.

Business risk

Financial markets continue to be impacted by the current geopolitical situation, as well as by rising interest rates. 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 30 June 2023. SBAB has a limited lending on commercial property which amounted to 2 percent of lending to the public as of 30 September 2023, which is unchanged compared to 30 June 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

	GROUP					
	2023	2023	2022	2023	2022	2022
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Gains/losses on interest-bearing financial instruments						
– Change in value of hedged items in hedge accounting	211	1,616	1,999	1,087	8,939	8,823
– Derivatives in hedge accounting	–265	–1,594	–1,955	–1,138	–8,944	–8,842
– Other derivatives	–34	212	12	170	63	–12
– Interest-bearing securities,Fair Value Option	1	0	–12	0	–34	–41
– Interest-bearing securities at fair value through other comprehensive income	–3	–196	0	–199	2	2
– Interest-bearing securities at amortised cost	–14	–	0	–14	0	0
– Realised gain/loss from financial liabilities at amortised cost	39	53	12	121	–3	11
– Loan receivables at amortised cost	1	–47	16	–46	22	26
Currency translation effects	2	1	0	4	–1	–2
Total	**–62**	**45**	**72**	**–15**	**44**	**–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

	GROUP					
	2023	2023	2022	2023	2022	2022
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Lending to the public						
Confirmed credit losses	–2	–3	–1	–7	–4	–7
Recoveries of previously confirmed credit losses	1	1	1	3	3	4
Adjustment of interest, written down loans	1	0	0	1	0	0
Change in provision for the period – credit stage 1	15	3	–11	6	–19	–17
Change in provision for the period – credit stage 2	–6	–4	–4	–26	–9	–27
Change in provision for the period – credit stage 3	–52	–1	2	–54	2	–1
Guarantees[1]	–2	–1	0	–3	0	0
Net credit losses for the period – lending to the public	**–45**	**–5**	**–13**	**–80**	**–27**	**–48**
Loan commitments and building credits[2]						
Change in provision for the period – credit stage 1	14	8	–8	18	–20	–13
Change in provision for the period – credit stage 2	25	–26	1	0	–2	–7
Change in provision for the period – credit stage 3	–	–	–	–	0	–
Net credit losses for the period – loan commitments and building credits	**39**	**–18**	**–7**	**18**	**–22**	**–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	**–6**	**–23**	**–20**	**–62**	**–49**	**–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 quarter, the total credit loss provisions increased by SEK 4 million (increase by 20). Provisions for loans in credit stage 1 decreased by SEK 15 million (decrease by 2) but increased by SEK 6 million (increase by 3) for loans in credit stage 2. Loss provisions for loans in credit stage 3 increased by SEK 52 million (increase by 1).

The changes in provisions for loans across all credit stages are primarily attributable to a new ECL model, which was taken into use as of September 30, 2023, as well as new decisions on rating grades for all customers in the business area Corporates & Associations due to the rollout of new PD models within the framework of the IRB system. When compared to the previous model, the new ECL model is fundamentally more conservative due to higher LGD estimates but less sensitive to macroeconomic effects in PD through forward-looking information. This has resulted in reduced loss provisions in credit stage 1, while loss provisions in credit stage 3 have increased. For credit stage 2, the milder macroeconomic effects have been offset by new rating grades for customers within Corporates & Associations, where some ratings were worse, as well as more conservative LGD estimates according to the new model. The revision of forward-looking information led to a slightly decrease in loss provisions during the quarter.

Provisions for loan commitments and building credits decreased by SEK 39 million (increase by 18) for the third quarter, primarily driven by reduced provisions for off-balance building credits and loan commitments according to the new ECL model. In the previous ECL model, there was some skewness where off-balance building credits received relatively large provisions while on-balance building credits received smaller shares of provisions. This skewed distribution of loss provisions has been corrected by the new ECL model, which largely explains the reduction during the quarter. However, the aggregate loss provisions for both on- and off-balance building credits increased during the quarter due to both the new model and deteriorated rating grades.

Guarantee amounts that can be utilised to cover credit losses decreased by SEK 2 million (decrease by 2) during the quarter due to loans having guarantees received lower loss provisions.

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	4.2%	3.3%	2.2%	4.2%	3.2%	2.4%	4.4%	3.6%	2.6%	4.4%	4.4%	3.3%
Unemployment	7.9%	8.3%	7.9%	7.8%	7.6%	6.7%	7.9%	11.5%	10.5%	7.9%	9.7%	10.4%
House prices, Δ	–1.9%	+1.6%	+4.7%	–1.7%	+4.6%	+2.1%	–3.3%	–8.3%	–1.2%	–4.4%	–14.5%	–12.8%
Prices of tenant-owners' rights, Δ	+1.0%	+0.3%	+8.2%	+1.2%	+3.3%	+5.0%	–1.0%	–9.1%	+0.2%	–2.6%	–16.4%	–8.7%
Property prices, Δ	–0.7%	–3.7%	–1.7%	–0.5%	–0.8%	–3.9%	–2.7%	–9.5%	–9.8%	–4.2%	–13.2%	–18.7%
ECL	**SEK 243 million**			**SEK 225 million**			**SEK 307 million**			**SEK 332 million**		
Weighted ECL[2]	**SEK 270 million**											

1) Not included in the ECL calculation

2) Of which, SEK 257 million was attributable to lending to the public and SEK 13 million to off-balance-sheet items linked to loan commitments and building credits

Impairment model and credit loss provisions

During the third quarter, SBAB has continuously assessed the macroeconomic landscape considering the high inflation, rapidly increasing interest rates, and a slowdown in housing construction. Updated macroeconomic forecasts were ordered from the Chief Economist during the quarter for the purpose of revising the forward-looking information applied in the impairment model used to calculate expected credit losses (ECL model) and, consequently, loss provisions. The updates to the macroeconomic forecasts are based on a persistently negative global economic outlook characterized by high interest rates and the risk of significant declines in housing and real estate prices. The Swedish economy is projected to be impacted by rising interest rates due to high inflation and increased economic uncertainty worldwide. Given the ongoing economic downturn, all scenarios in the forward-looking information account for rising interest rates, increased unemployment, and a cooling of the Swedish housing market in the coming years. The adjustments to the macroeconomic factors in the forward-looking information resulted in a decrease in loss provisions of SEK 6 million, driven by slightly milder price drops in housing and real estate compared to earlier forecasts.

The revision of the forward-looking information, the rollout of the new ECL model, and new rating grade decisions for all customers within Corporates & Associations business area resulted in an increase in loss provisions of SEK 4 million during the third quarter. As of September 30, 2023, the total loss provisions amount to SEK 270 million, compared to SEK 266 million as of June 30, 2023.

Within the business area Private, provisions decreased in credit stages 1 and 2, while they increased in credit stage 3, resulting in a total reduction of SEK 36 million. The decrease in the business area is primarily explained by the new ECL model, which is less sensitive to macroeconomic effects through PD, leading to reduced provisions in credit stages 1 and 2. However, provisions in credit stage 3 increased due to more conservative LGD estimates according to the new ECL model.

Within the Corporates & Associations, provisions increased in all credit stages, totalling SEK 40 million, with SEK 16 million related to building credits covering both on and off-balance exposures. The increase in provisions for Corporates & Associations is partly explained by more conservative LGD estimates according to the new ECL model and new rating grades for all customers, which, in some cases, resulted in deteriorations. All in all, this compensates for the milder macroeconomic effects through PD according to the new model.

The table above presents the forward-looking information, comprising a composite of the four scenarios with forecasts of the macroeconomic factors applied in the ECL model. The underlying credit risk models used to calculate ECL, largely based on customers' payment behaviour and market values of the collaterals, have shown only limited signs of increased credit risk. It cannot be ruled out that rising interest costs, a slowdown in housing construction, and falling housing and real estate prices may further increase loss provisions in the fourth quarter of 2023.

As of September 30, 2023, SBAB is currently comfortable with the size of the loss provisions, totalling SEK 270 million.

Note 4 Net credit losses, Cont.

Overall credit quality
The credit quality of SBAB's lending portfolio remains strong and the risks entailed in the lending to private individuals within the business area Private 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 landscape. At the end of the second quarter 2023, the average loan-to-value (LTV) ratio[3] in the mortgage portfolio was 60% (60), and the average residential mortgage loan to customers amounted to SEK 1.9 million (1.9). LTV for new lending was, at the end of the quarter, 69% (67) and the debt-to-income ratio was 3.4 (3.4).

The credit quality of SBAB's lending to property companies, property developers and tenant-owners' associations is also considered strong. The average LTV for property companies and tenant-owners' associations at the end of the quarter was 61% (61) and 33% (33) respectively. In the business area Corporates & 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 that needs refinancing both in the short and long term, as well as customers with building credits, which can be particularly affected by increased interest rates and raised costs for building materials. Additionally, there is a more frequent evaluation of customer rating grades through expert judgment. During the quarter, some manual adjustments to customer rating grades were made, resulting in negative rating grade migrations.

No individually assessed credit loss provisions 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 exposure weighted average. Where applicable, the calculation takes into consideration contributory factors such as guarantees and the collateral's lien priority. SBAB verifies the market values on a regular basis. For residential properties and tenant-owners' rights, the market value is verified at least every third year.

Note 5 Lending to the public

SEK million	GROUP 30 Sep 2023	31 Dec 2022	30 Sep 2022
Opening balance, per year	**509,492**	**467,041**	**467,041**
New lending for the period	55,044	105,404	80,093
Amortisation, repayments	–46,559	–62,901	–48,463
Confirmed credit losses	–7	–7	–4
Change in provision for expected credit losses[1]	–74	–45	–26
Closing balance, per year/period	**517,896**	**509,492**	**498,641**

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

Distribution of lending, including provisions

SEK million	GROUP 30 Sep 2023	31 Dec 2022	30 Sep 2022
Lending, Residential mortgages	349,420	348,980	347,562
Lending, Corporate Clients & Tenant-Owners' Associations	166,608	158,362	148,841
Lending, Consumer loans	1,868	2,150	2,238
Total	**517,896**	**509,492**	**498,641**

Geographical composition

	GROUP			
	Lending, Residential mortgages %		Lending, Corporate Clients & Tenant-Owners' Associations %	
	2023	2022	2023	2022
	Q3	Q3	Q3	Q3
Stockholm area	63.3	62.7	50.2	50.2
Öresund region	9.2	10.1	17.9	17.7
University cities and growth regions	10.8	10.4	16.6	16.8
Gothenburg area	10.9	10.7	8.7	9.0
Other regions	5.9	6.1	6.6	6.4

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	GROUP 30 Sep 2023	31 Dec 2022	30 Sep 2022
Credit stage 1			
Gross lending	441,865	478,737	475,552
Provision	–56	–62	–64
Total	**441,809**	**478,675**	**475,488**
Credit stage 2			
Gross lending	75,717	30,567	23,008
Provision	–116	–90	–72
Total	**75,601**	**30,477**	**22,936**
Credit stage 3			
Gross lending	571	371	245
Provision	–85	–31	–28
Total	**486**	**340**	**217**
Total gross lending	**518,153**	**509,675**	**498,805**
Total provisions	**–257**	**–183**	**–164**
Total	**517,896**	**509,492**	**498,641**

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	13,175	–31	–13,155	30	–20	1	0	0
Moved to credit stage 2	–61,113	12	61,175	–14	–62	2	0	0
Moved to credit stage 3	–141	0	–267	5	408	–5	0	0
Volume change*	9,777	–10	–2,311	–11	–114	2	7,352	–19
Revaluation**	1,430	35	–291	–36	–6	–59	1,133	–60
Confirmed credit losses	–	–	–1	–	–6	5	–7	5
Closing balance, 30 September 2023	**441,865**	**–56**	**75,717**	**–116**	**571**	**–85**	**518,153**	**–257**

*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 Sep 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	6,125	24,302	490,331	7,815	24,810	519,705
Currency-related	9,911	266	95,829	8,128	124	86,643
Total	**16,036**	**24,568**	**586,160**	**15,943**	**24,934**	**606,348**

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

Note 7 Operating segments

	GROUP Jan–Sep 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	2,517	1,597	4,114	–	–	4,114
Commission income	39	0	39	–	–	39
Commission expense	–46	–17	–63	–	–	–63
Net result of financial transactions	–13	–2	–15	–	–	–15
Other operating income	38	1	39	–	–	39
Total operating income	**2,535**	**1,579**	**4,114**	**–**	**–**	**4,114**
Salaries and remuneration	–294	–115	–409	–	–	–409
Other personnel costs	–190	–82	–272	31	–	–241
Other expenses	–334	–105	–439	–31	32	–438
Depreciation, amortisation and impairment of PPE and intangible assets	–54	–41	–95	–	–32	–127
Net credit losses	14	–76	–62	–	–	–62
Imposed fees: Risk tax and resolution fee	–262	–140	–402	–	–	–402
Operating profit	**1,415**	**1,020**	**2,435**	0	0	**2,435**
Tax	–299	–216	–515	–	–	–515
Profit after standardised tax	**1,116**	**804**	**1,920**	**0**	**0**	**1,920**
Return on equity, %	11.1	14.6	12.3	–	–	12.3

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

Note 7 Operating segments, Cont.

	GROUP					
	Jan–Sep 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	2,447	880	3,327	–	–	3,327
Commission income	40	37	77	–	–	77
Commission expense	–47	–11	–58	–	–	–58
Net result of financial transactions	21	23	44	–	–	44
Other operating income	36	1	37	–	–	37
Total operating income	**2,497**	**930**	**3,427**	**–**	**–**	**3,427**
Salaries and remuneration	–304	–78	–382	–	–	–382
Other personnel costs	–98	–56	–254	21	–	–233
Other expenses	–321	–61	–382	–21	29	–374
Depreciation, amortisation and impairment of PPE and intangible assets	–58	–16	–74	–	–29	–103
Net credit loss	–26	–23	–49	–	–	–49
Imposed fees: Risk tax and resolution fee	–270	–63	–333	–	–	–333
Operating profit	**1,320**	**633**	**1,953**	**0**	**0**	**1,953**
Tax	–278	–133	–411	–	–	–411
Profit after standardised tax	**1,042**	**500**	**1,542**	**0**	**0**	**1,542**
Return on equity, %	9.7	12.7	10.5	–	–	10.5

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 –31 million (–21) 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

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						
	30 Sep 2023						
Cash and balances at central banks	–	–	–	–	2,087	2,087	2,087
Chargeable treasury bills, etc.	458	–	–	30,191	–	30,648	30,648
Lending to credit institutions	–	–	–	–	26,131	26,131	26,131
Lending to the public	–	–	–	–	517,896	517,896	511,308
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	−3,233	−3,233	–
Bonds and other interest-bearing securities	–	–	–	45,465	13,759	59,224	59,224
Derivatives	–	15,565	472	–	–	16,036	16,036
Other assets	–	–	–	–	1,298	1,298	1,298
Prepaid expenses and accrued income	4	–	–	383	407	794	794
Total financial assets	**462**	**15,565**	**472**	**76,038**	**558,345**	**650,881**	**647,526**

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				
	30 Sep 2023				
Liabilities to credit institutions	–	–	10,131	10,131	10,131
Deposits from the public	–	–	199,871	199,871	199,871
Issued debt securities, etc.	–	–	389,381	389,381	375,729
Derivatives	23 913	655	–	24,568	24,568
Other liabilities	–	–	858	858	858
Accrued expenses and deferred income	–	–	5,958	5,958	5,958
Subordinated debt	–	–	1,998	1,998	1,956
Total financial liabilities	**23,913**	**655**	**608,197**	**632,765**	**619,071**

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 Sep 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.	661	29,987	–	30,648	1,202	26,125	–	27,327
Bonds and other interest-bearing securities	45,465	–	–	45,465	35,921	–	–	35,921
Derivatives	–	16,036	–	16,036	–	15,943	–	15,943
Prepaid expenses and accrued income	387	–	–	387	141	–	–	141
Total	**46,513**	**46,023**	–	**92,536**	**36,634**	**42,068**	–	**78,702**
Liabilities								
Derivatives	–	24,568	–	24,568	–	24,934	–	24,934
Total	–	**24,568**	–	**24,568**	–	**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 319 days at 30 September 2023 (347 days at 30 June 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 September 2023, the LCR was 248% (238% as of 30 June 2023) in all currencies at the consolidated level, and 10 953% (13 332%) in EUR while being 2 624% (603%) in USD. Measured in SEK, the LCR was 161% (142%).

The net stable funding ratio (NSFR), amounted to 130.5% (133.8%) according to of Regulation (EU)2019/876 of the European Parliament and the Council.

		CONSOLIDATED SITUATION									
		30 Sep 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**	**90.1**	**69.3**	**19.7**	**1.1**	–	**84.4**	**66.4**	**15.9**	**2.1**	–
	Cash and balances with central banks[1]	3.2	3.2	–	–	–	4.7	4.7	–	–	–
	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	39.5	33.0	6.5	–	–	33.7	27.9	5.2	0.6	–
	Securities issued by municipalites and public sector entities	9.7	4.2	4.4	1.1	–	11.5	4.0	6.0	1.5	–
	Extremely high quality covered bonds	37.7	28.9	8.8	–	–	34.5	29.8	4.7	–	–
	Other assets	–	–	–	–	–	–	–	–	–	–
Level 2	**Level 2 assets**	**3.2**	**3.2**	–	–	–	**3.5**	**3.2**	**0.3**	–	–
	Level 2A assets	**3.2**	**3.2**	–	–	–	**3.5**	**3.2**	**0.3**	–	–
	Securities issued or guaranteed by sovereigns, central banks, municipalities and public sector entities	–	–	–	–	–	–	–	–	–	–
	High quality covered bonds	3.2	3.2	–	–	–	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	**93.3**	**72.5**	**19.7**	**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 fourth quarter of 2023.

Buffer requirements
The countercyclical buffer rate for Swedish exposures increased from 1% to 2% in 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 September, 2023.

Capital adequacy

	CONSOLIDATED SITUATION				
SEK million	**30 Sep 2023**	**30 Jun 2023**	**31 Mar 2023**	**31 Dec 2022**	**30 Sep 2022**
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	20,173	19,903	19,734	19,689	19,311
Tier 1 capital	25,973	25,703	25,534	25,489	25,111
Total capital	27,968	27,698	27,529	27,484	27,106
Risk-weighted exposure amounts					
Total risk exposure amount	173,220	167,274	158,738	154,151	151,178
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	11.6	11.9	12.4	12.8	12.8
Tier 1 ratio (%)	15.0	15.4	16.1	16.5	16.6
Total capital ratio (%)	16.1	16.6	17.3	17.8	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 (%)	1.9[2)]	2.4[1)]	3.4	3.4	3.4
of which: to be made up of CET1 capital (percentage points)	1.1	1.5	2.2	2.2	2.2
of which: to be made up of Tier 1 capital (percentage points)	1.4	1.8	2.5	2.5	2.5
Total SREP own funds requirements (%)	9.9	10.4	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	2.0	1.0	1.0	1.0
Systemic risk buffer (%)	–	–	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–	–	–
Combined buffer requirement (%)	4.5	4.5	3.5	3.5	3.5
Overall capital requirements (%)	14.4	14.9	14.9	14.9	14.9
CET1 available after meeting the total SREP own funds requirements (%)	6.1	5.9	5.7	6.1	6.1

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

SEK million	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
	CONSOLIDATED SITUATION				
Leverage ratio					
Total exposure measure	634,379	628,347	645,980	618,926	609,015
Leverage ratio (%)	4.1	4.1	4.0	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)	93,420	91,472	86,003	81,220	80,669
Cash outflows - Total weighted value	53,174	51,414	46,718	45,867	46,361
Cash inflows - Total weighted value	15,266	13,773	9,651	8,783	9,476
Total net cash outflows (adjusted value)	37,908	37,641	37,067	37,084	36,886
Liquidity coverage ratio (%)	246.4	243.0	232.0	219.0	218.7
Net Stable Funding Ratio					
Total available stable funding	543,289	551,262	541,352	521,568	529,834
Total required stable funding	416,469	411,992	411,477	407,665	399,767
NSFR ratio (%)	130.5	133.8	131.6	127.9	132.5

1)The Swedish FSA (Finansinspektionen) communicated during the second quarter 2023 a change of decision that includes a reduction of the Pillar 2 requirement imposed on SBAB for deficiencies in IRB models.
2)The Swedish FSA (Finansinspektionen) decided, during the third quarter of 2023, in connection with its review and evaluation of SBAB Bank AB, to reduce the Pillar 2 requirements.

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 Sep 2023**	**31 Dec 2022**	**30 Sep 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	17,743	16,713	16,788
Accumulated other comprehensive income (and other reserves)	–6,778	–6,639	–6,242
Independently reviewed interim profits net of any foreseeable charge or dividend[1]	1,135	1,282	949
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**14,058**	**13,314**	**13,454**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	–120	–101	–100
Intangible assets (net of related tax liability) (negative amount)	–133	–137	–132
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	6,776	6,680	6 147
Negative amounts resulting from the calculation of expected loss amounts	–369	–19	–13
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	–	–
Other regulatory adjustsments[2]	–40	–48	–45
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**6,114**	**6,375**	**5,857**
Common Equity Tier 1 (CET1) capital	**20,173**	**19,689**	**19,311**
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)	**25,973**	**25,489**	**27,106**
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)	**27,968**	**27,484**	**27,106**
Total risk-exposure amount	**173,220**	**154,151**	**151, 178**

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

	CONSOLIDATED SITUATION		
SEK million	**30 Sep 2023**	**31 Dec 2022**	**30 Sep 2022**
Capital ratios and requirements including buffers %			
Common Equity Tier 1 capital	11.6	12.8	12.8
Tier 1 capital	15.0	16.5	16.6
Total capital	16.1	17.8	17.9
Institution-CET1 overall capital requirements	10.1	10.2	10.2
– of which, capital conservation buffer requirement	*2.5*	*2.5*	*2.5*
– of which, countercyclical buffer requirement	*2.0*	*1.0*	*1.0*
– 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	*1.1*	*2.2*	*2.2*
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	6.1	6.1	6.1

1)) Net profit for the period was reduced by the expected dividend of SEK 768 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 Sep 2023		31 Dec 2022		30 Sep 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	63,030	5,042	30,158	2,413	27,309	2,185
Retail exposures	21,783	1,743	14,877	1,190	14,234	1,139
– of which, exposures to SMEs	*–*	*–*	*1,066*	*85*	*1,109*	*89*
– of which, retail exposures secured by immovable property	*21,783*	*1,743*	*13,811*	*1,105*	*13,124*	*1,050*
Total exposures recognised with the IRB approach	**84,813**	**6,785**	**45,035**	**3,603**	**41,543**	**3,323**
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)]	5,279	422	4,747	380	5,199	416
– of which, derivatives according to CRR, Appendix 2	*5,262*	*421*	*4,734*	*379*	*5,151*	*412*
– of which, repos	*16*	*1*	*13*	*1*	*48*	*4*
– of which, other	*0*	*0*	*0*	*0*	*0*	*0*
Retail exposures	1,929	154	2,112	169	2,472	198
Exposures in default	5	0	6	0	5	0
Exposures in the form of covered bonds	4,400	352	4,061	325	3,761	301
Exposures to institutions and corporates with a short-term credit rating	16	1	7	1	16	1
Equity exposures	106	8	154	12	158	13
Other items	590	47	525	42	599	48
Total exposures recognised with standardised approach	**12,326**	**986**	**11,612**	**929**	**12,212**	**977**
Market risk	**282**	**23**	**390**	**31**	**397**	**32**
– of which, position risk	*–*	*–*	*–*	*–*	*–*	*–*
– of which, currency risk	*282*	*23*	*390*	*31*	*397*	*32*
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)	**1,447**	**116**	**1,429**	**114**	**1,347**	**108**
Additional requirements under Article 458 of the CRR	**67,683**	**5,415**	**89,650**	**7,172**	**89,645**	**7,172**
Total risk exposure amount and minimum capital requirements	**173,220**	**13,858**	**154,151**	**12,332**	**151,178**	**12,094**
Capital requirements for capital conservation buffer		**4,330**		**3,854**		**3,779**
Capital requirements for countercyclical buffer		**3,469**		**1,564**		**1,518**
Total capital requirements		**21,657**		**17,750**		**17,391**

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 5,279 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 12,203 million (SEK 10,088 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 September 2023 amounted to SEK 24,896 million, of which SEK 3,239 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. During the third quarter in 2023, SBAB assessed the method to the Internally assessed capital and made changes to better reflect SBAB:s risk.

	CONSOLIDATED SITUATION	
	2023-09-30	2022-12-31
	Internally assessed capital requirement	
	mnkr	mnkr
Credit risk	7,771	6,417
Market risk	1,991	1,766
Operational risk	534	534
Concentration risk	1,730	1,179
Sovereign risk	61	77
CVA	116	114
Other risks[1]	0	0
Total	**12,203**	**10,088**
Total Own funds	**27,968**	**27 484**

1) This includes pension and business risk

Parent Company

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

Profit before credit losses and imposed fees was higher compared to last year and amounted to SEK 983 million (545). Net interest income increased during the period and amounted to SEK 1 073 million (515), mainly due to increased deposit volume in combination with increased deposit margins. Net commission income decreased and amounted to SEK 22 million (47), 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 6 million (78). The difference was mainly attributable to differences in value changes in hedging instruments and hedged items. Other operating income increased to SEK 1 052 million (952) and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses increased to SEK 1 170 million (1 047), mainly due to higher costs for staff and consultants together with higher activity and costs for marketing. Credit losses amounted to SEK 30 million (30). Fees imposed amounted to SEK 137 million (109). Lending to the public totalled SEK 28.2 billion (29.7). Deposits from the public totalled SEK 199.9 billion (171.0). The CET1 capital ratio amounted to 18.4% (23.0.%) and the total capital ratio was 34.1% (41.8%). The internally assessed capital requirement was SEK 6,203 million (5,536).

Consolidated income statement

	PARENT COMPANY					
	2023	2023	2022	2023	2022	2022
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Interest income	2,787	2,409	867	7,212	1,712	3,185
Interest expense	–2,507	–2,033	–646	–6,139	–1,197	–2,315
Net interest income	**280**	**376**	**221**	**1,073**	**515**	**870**
Commission income	17	19	15	57	78	96
Commission expense	–12	–11	–10	–35	–31	–44
Net result of financial transactions	–47	39	78	6	78	57
Other operating income	350	355	318	1,052	952	1,330
Total operating income	**588**	**778**	**622**	**2,153**	**1,592**	**2,309**
Personnel costs	–224	–224	–204	–665	–607	–817
Other expenses	–149	–171	–130	–484	421	–594
Depreciation, amortisation and impairment of PPE and intangible assets	–7	–7	–7	–21	–19	–26
Total expenses before credit losses and imposed fees	**–380**	**–402**	**–341**	**–1,170**	**–1,047**	**–1,437**
Profit/loss before credit losses and imposed fees	**208**	**376**	**281**	**983**	**545**	**872**
Net credit losses	–9	–12	–10	–30	–30	–29
Imposed fees; Risk tax and resolution fee	–46	–45	–36	–137	–109	–144
Impairment of financial assets	–	–55	–	–55	–	–9
Operating profit	**153**	**264**	**235**	**761**	**460**	**690**
Tax	–37	–71	–52	–182	–93	–157
Net profit for the period	**116**	**193**	**183**	**579**	**313**	**533**

Consolidated statement of comprehensive income

	PARENT COMPANY					
	2023	2023	2022	2023	2022	2022
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Net profit/loss for the period	**116**	**193**	**183**	**579**	**313**	**533**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	36	–3	–60	–40	–283	–133
Changes related to cash-flow hedges	12	21	–97	70	–259	–266
Tax attributable to components that will be reclassified to profit or loss	–10	–3	33	–6	112	82
Other comprehensive income/loss, net of tax	**38**	**15**	**–124**	**24**	**–430**	**–317**
Total comprehensive income for the period	**154**	**208**	**59**	**603**	**–117**	**216**

Consolidated balance sheet

SEK million	PARENT COMPANY 30 Sep 2023	31 Dec 2022	30 Sep 2022
ASSETS			
Cash and balances at central banks	2,087	3,534	1,320
Chargeable treasury bills, etc.	30,648	29,886	31,406
Lending to credit institutions (Note 13)	160,496	147,568	135,774
Lending to the public	28,205	25,754	29,666
Bonds and other interest-bearing securities	59,224	57,490	53,905
Derivatives	37,409	37,712	36,883
Shares and participations in associated companies and joint ventures	5	3	3
Shares and participations in Group companies	12,901	10,452	10,455
Deferred tax assets	37	38	68
Intangible assets	9	14	16
Property, plant and equipment	59	49	51
Other assets	124	107	287
Prepaid expenses and accrued income	1,167	684	536
TOTAL ASSETS	**332,371**	**313,291**	**300,370**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	11,453	9,215	7,046
Deposits from the public	199,871	182,443	171,011
Issued debt securities, etc.	60,738	65,004	66,128
Derivatives	37,731	37,430	36,537
Other liabilities	283	484	528
Accrued expenses and deferred income	4,515	437	1,122
Deferred tax liabilities	–	–	–
Provisions	13	31	33
Subordinated debt	1,998	1,997	1,997
Total liabilities	**316,602**	**297,041**	**284,402**
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	–128	–152	–265
Additional Tier 1 instruments	5,800	5,800	5,800
Retained earnings	7,168	7,719	7,770
Net profit for the period	579	533	313
Total unrestricted equity	**13,419**	**13,900**	**13,618**
Total equity	**15,769**	**16,250**	**15,968**
TOTAL LIABILITIES AND EQUITY	**332,371**	**313,291**	**300,370**

Note 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions at 30 September, 2023, SEK 134,402 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 fourth quarter of 2023.

Buffer requirements
The countercyclical buffer rate for Swedish exposures increased from 1% to 2%, in 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 September, 2023.

Capital adequacy

	PARENT COMPANY				
SEK million	**30 Sep 2023**	**30 Jun 2023**	**31 Mar 2023**	**31 Dec 2022**	**30 Sep 2022**
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	9,097	9,230	9,426	9,615	9,551
Tier 1 capital	14,897	15,030	15,226	15,415	15,351
Total capital	16,892	17,025	17,222	17,416	17,355
Risk-weighted exposure amounts					
Total risk exposure amount	49,479	46,548	43,341	39,963	41,541
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	18.4	19.8	22.3	24.1	23.0
Tier 1 ratio (%)	30.1	32.3	36.0	38.6	37.0
Total capital ratio (%)	34.1	36.6	40.7	43.6	41.8
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 (%)	3.3[2)]	4.5[1)]	4.6	4.6	4.6
of which: to be made up of CET1 capital (percentage points)	1.9	2.5	2.7	2.7	2.7
of which: to be made up of Tier 1 capital (percentage points)	2.5	3.3	3.5	3.5	3.5
Total SREP own funds requirement (%)	11.3	12.5	12.6	12.6	12.6

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

	PARENT COMPANY				
SEK million	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 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	2.0	1.0	1.0	1.0
Systemic risk buffer (%)	–	–	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–	–	–
Combined buffer requirement (%)	4.5	4.5	3.5	3.5	3.5
Overall capital requirements (%)	15.8	17.0	16.2	16.2	16.1
CET1 available after meeting the total SREP own funds requirements (%)	12.0	12.7	15.0	16.8	15.8
Leverage ratio					
Total exposure measure	156,237	176,258	167,405	143,087	147,642
Leverage ratio (%)	9.5	8.5	9.1	10.8	10.4
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[3]					
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[3]					
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) The Swedish FSA (Finansinspektionen) decided, during the third quarter of 2023, in connection with its review and evaluation of SBAB Bank AB, to reduce the Pillar 2 requirements.

3) 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 Sep 2023**	**31 Dec 2022**	**30 Sep 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	7,559	8,110	8,162
Accumulated other comprehensive income (and other reserves)	–128	–152	–265
Independently reviewed interim profits net of any foreseeable charge or dividend[1)]	–189	–299	–303
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**9,200**	**9,618**	**9,552**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	–164	–141	–138
Intangible assets (net of related tax liability) (negative amount)	–2	–1	–1
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	131	187	181
Negative amounts resulting from the calculation of expected loss amounts	–30	–	–
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	–	–
Other regulatory adjustments[2)]	–38	–48	–43
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**–103**	**–3**	**–1**
Common Equity Tier 1 (CET1) capital	**9,097**	**9,615**	**9,551**
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)	**14,897**	**15,415**	**15,351**
Tier 2 (T2) capital: Instruments			
Capital instruments and the related share premium accounts	1,995	1,995	1,995
Credit risk adjustments	–	6	9
Tier 2 (T2) capital before regulatory adjustments	**1,995**	**2,001**	**2,004**
Tier 2 (T2)capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	–	–	–
Tier 2 (T2) capital	**1,995**	**2,001**	**2,004**
Total capital (TC= T1+T2)	**16,892**	**17,416**	**17,355**
Total risk-exposure amount	**49,479**	**39,963**	**41,541**

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

SEK million	PARENT COMPANY 30 Sep 2023	31 Dec 2022	30 Sep 2022
Capital ratio and requirements including buffers, %			
Common Equity Tier 1 capital	18.4	24.1	23.0
Tier 1 capital	30.1	38.6	37.0
Total capital	34.1	43.6	41.8
Institution CET1 overall capital requirements	10.9	10.7	10.7
– of which, capital conservation buffer requirement	*2.5*	*2.5*	*2.5*
– of which, countercyclical buffer requirement	*2.0*	*1.0*	*1.0*
– 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	*1.9*	*2.7*	*2.7*
Common Equity Tier 1 capital (as a percentage of risk exposure amount) avaiable after meeting the minimum capital requirements	12.0	16.9	15.8

1) Net profit for the interim period was reduced by the expected dividend of SEK 768 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 Sep 2023		31 Dec 2022		30 Sep 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	17,724	1,418	11,148	892	11.725	938
Retail exposures	981	78	699	56	843	67
– of which, exposures to SMEs	*–*	*–*	*91*	*7*	*77*	*6*
– of which, retail exposures secured by immovable property	*981*	*78*	*607*	*49*	*766*	*61*
Total exposures recognised with the IRB approach	**18,705**	**1,496**	**11,847**	**948**	**12,568**	**1.005**
Credit risk recognised with the standardised approach						
Exposures to governments and central banks[1]	9	1	0	0	51	5
Exposures to regional governments or local authorities or agencies	–	–	0	0	0	0
Exposures to multilateral development banks	–	–	0	0	0	0
Exposures to international organisations	–	–	0	0	0	0
Exposures to institutions[2]	5,263	421	4,688	375	5,093	407
– of which, derivatives according to CRR, Appendix 2	*5,142*	*411*	*4,613*	*369*	*5,030*	*402*
– of which, repos	*0*	*0*	*0*	*0*	*14*	*1*
– of which, other	*121*	*10*	*75*	*6*	*49*	*4*
Retail exposures	1,929	154	2,112	169	2,472	198
Exposures in default	5	0	6	0	5	0
Exposures in the form of covered bonds	4,400	352	4,061	325	3,761	301
Exposures to institutions and corporates with a short-term credit rating	14	1	6	0	15	1
Equity exposures	12,906	1,032	10,454	836	10,458	837
Other items	161	14	136	11	151	12
Total exposures recognised with standardised approach	**24,687**	**1,975**	**21,463**	**1,717**	**22,007**	**1,761**
Market risk	**59**	**5**	**84**	**7**	**92**	**7**
– of which, position risk	*–*	*–*	*–*	*–*	*–*	*–*
– of which, currency risk	*59*	*5*	*84*	*7*	*92*	*7*
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)	**938**	**75**	**852**	**68**	**723**	**58**
Additional requirements under Article 458 of the CRR	**1,798**	**144**	**2,736**	**219**	**3,170**	**254**
Total risk exposure amount and minimum capital requirements	**49,479**	**3,958**	**39,963**	**3,197**	**41,541**	**3,223**
Capital requirements for capital conservation buffer		**1,237**		**999**		**1,039**
Capital requirements for countercyclical buffer		**993**		**410**		**418**
Total capital requirements		**6,188**		**4,607**		**4,780**

1) Risk-weighted amount for governments and central banks amounts to SEK 9 million (SEK 0 million as of 31 December 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 5,142 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 Sep 2023**	**30 Sep 2022**	**31 Dec 2022**
Deposits from the public	517 896	171 011	182,443
Lending to the public	199 871	498 641	509,492
Deposits/lending, %	**38,6**	**34,3**	**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–Sep**	**Jan–Sep**	**Jan–Dec**
Expenses	–1,215	–1,092	–1,529
Operating income	4,114	3,427	4,681
C/I ratio, %	**29.5**	**31.9**	**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–Sep**	**Jan–Sep**	**Jan–Dec**
Expenses	–1,215	–1,092	–1,529
Operating income excl. move of resolution fee	3,978	3,290	4,497
C/I ratio exl. move of resolution fee, %	**30.5**	**33.2**	**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–Sep**	**Jan–Sep**	**Jan–Dec**
Expenses	–1,215	–1,092	–1,529
Annualised expenses	*–1,620*	*–1,456*	–1,529
Aver. lending to the public	513,694	482,841	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–Sep	Jan–Sep	Jan–Dec
Operating profit after tax	1,920	1,542	2,081
Annualised op. profit after tax	*2,560*	*2,056*	*2,081*
Average equity	20,790[1]	19,597[2]	19,841[2]
Return on equity, %	**12.3**	**10.5**	**10.5**

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

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

Return on equity, excl. risk tax

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

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

	GROUP		
	2023	2022	2022
SEK million	Jan–Sep	Jan–Sep	Jan–Dec
Operating profit after tax	2,130	1,696	2,287
Annualised op. profit after tax	*2,840*	*2,262*	*2,287*
Average equity	20,894	19,674	19,943
Return on equity excl. risk tax, % [1) 2)]	**13.6**	**11.5**	**11.5**

1) The risk tax amounted to SEK 261 million for Jan–Dec 2022, SEK 196 million for Jan–Sep 2022 and SEK 266 million for Jan–Sep 2023.

2) Average equity for the period "Jan–Sep 2023" has been adjusted for dividend of SEK 832 million for 2022. Average equity for the period "Jan–Sep 2022" and "Jan–Sep 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–Sep	Jan–Sep	Jan–Dec
Net interest income	4,114	3,327	4,655
Annualised net interest income	*5,485*	*4.436*	*4,655*
Average balance sheet total	643,957	588,412	596,411
Net interest margin, %	**0.85**	**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–Sep	Jan–Sep	Jan–Dec
Credit losses	–62	–49	–68
Annualised credit losses	*–83*	*–65*	*–68*
Lending to the public	517,896	498,641	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 Sep 2023**	**30 Sep 2022**	**31 Dec 2022**
Gross lending credit stage 3	571	245	371
Lending to the public	517,896	498,641	509,492
Share of Stage 3 loans, %	**0.11**	**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

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, 25 October 2023

Mikael Inglander
CEO

Financial calendar

Year-end Report 2023	2 February 2024
Interim Report Jan–Mar 2024	25 April 2024
Interim Report Jan–Jun 2024	17 July 2024
Interim Report Jan–Sep 2024	25 October 2024
Year-end Report 2024	31 January 2025

Credit ratings

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

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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.