Annual Report 2022

SCBC!
Covered bonds of SBAB

Contents

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The Sustainability Report for The Swedish Covered Bond Corporation (SCBC) is included in the 2022 Annual Report for the Parent Company, SBAB Bank AB (publ).

Financial calendar

Annual General Meeting	27 April 2023
Interim report Jan–Jun 2023	19 July 2023
Year-end report 2023	2 February 2024

The year in brief

Overview – SCBC

SEK million	2022	2021
Income-statement items		
Net interest income, SEK million	3,787	3,522
Operating profit, SEK million	1,978	2,119
Profit after tax, SEK million	1,571	1,682
Balance-sheet items		
Lending to the public, SEK billion	483.7	442.1
Key metrics		
Credit loss ratio, %	-0.01	0.00
Capital adequacy		
CET1 capital ratio, %	15.9	16.3
Tier 1 capital ratio, %	15.9	16.3
Total capital ratio, %	15.9	16.3
Rating, long-term funding		
Moody's	Aaa	Aaa
Estimate		
Credit losses	-39	7
Credit loss ratio	-0.01%	0.00%

Net interest income, SEK million

2022	2021
3,787	3,522

Operating profit, SEK million

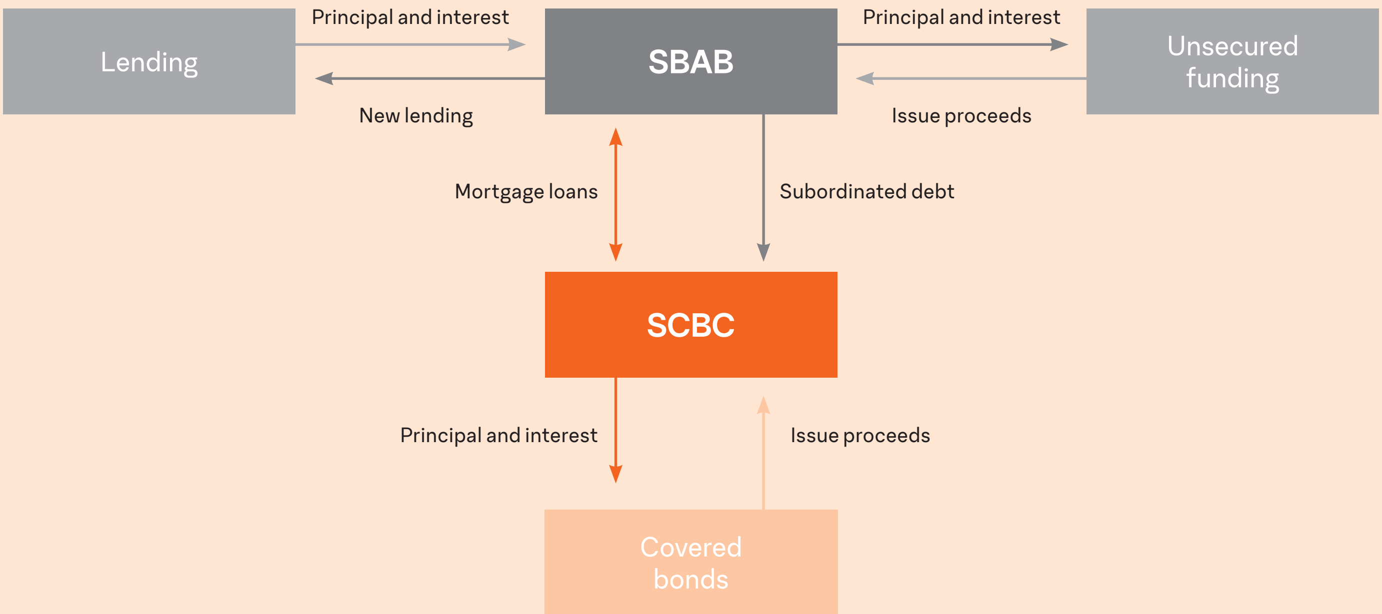
2022	2021
1,978	2,119

Operations

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

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

SCBC's role in the SBAB Group



Lending

SCBC does not conduct any new lending itself, but instead acquires loans from SBAB Bank on an ongoing basis. The aim of securing these loans is to include the loans, in part or in full, in the assets that comprise collateral for holders of SCBC's covered bonds and derivative counterparties.

Credit portfolio
As of 31 December 2022, lending to the public amounted to SEK 483.7 billion (442.1). SCBC's portfolio mainly comprises loans for residential mortgages, with the retail market as the largest segment. The underlying collateral consists primarily of mortgage deeds in houses and multi-family dwellings, and of collateral in tenant-owners' rights. All provision of credit is conducted in the Swedish market and is geographically concentrated to the metropolitan areas, university cities and growth regions.

Cover pool
SCBC's total loan portfolio consists to around 95.6% (96.3) of assets that qualify for inclusion in the cover pool for the issuance of covered bonds. Of SCBC's credit portfolio, 89.2% (92.2) is included in the cover pool. Of the loans in the cover pool, approximately 99.9% (99.9) consist of loans against collateral in mortgage deeds or tenant-owners' rights. In calculating the loan-to-value (LTV) ratio for these loans, the upper limit of the loans' (or group of loans) LTV ratio in the collateral used – is known as the Max LTV.

Credit quality
The overall credit quality in SCBC's credit portfolio is assessed as good. SCBC only lends against pledged collateral and the granting of credit to retail customers, tenant-owners' associations (BRFs) and property companies is based on a sound credit approval process. In 2022, credit risk in SCBC's portfolio increased slightly in terms of risk-weighted assets due to the increased lending volume, primarily in the Business Area Corporates & Associations. However, relative credit risk improved and where the development of risk metrics that measure PD and loss given default has been positive and the metrics have declined.

Key metrics, cover pool

	31 Dec 2022	31 Dec 2021
Total cover pool, SEK million	432,271	407,754
Credit portfolio, SEK million	483,738	442,067
Weighted average max LTV, %	54.7	52.0
Average loan amount, SEK thousand	938	874
Weighted average seasoning, years	7.2	6.6
Average remaining maturity, years [1]	0.9	1.5
Exposures to credit institutions, SEK million [2]	951	–

[1] Regarding maturity until the next date for changes in terms for all borrower categories.

[2] Adjusted terminology with reference to adjustments in the Covered Bonds Act which entered force on 8 July 2022. Previously known as Substitute collateral.

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LTV breakdown

	Credit volume			
	31 Dec 2022		31 Dec 2021	
LTV, %	SEK million	%	SEK million	%
-10	180,273	41.8	91,741	22.5
10–20	76,302	17.7	84,623	20.8
20–30	63,388	14.7	74,647	18.3
30–40	49,042	11.4	61,397	15.1
40–50	33,883	7.9	45,691	11.2
50–60	19,541	4.5	29,929	7.3
60–70	5,404	1.3	15,664	3.8
70–75	3,232	0.7	3,612	0.9
75–	0	0.0	0	0.0
Total	**431,064**	**100**	**407,305**	**100**

Financial performance

Operations continue to develop favourably. Operating profit for 2022 totalled SEK 1,978 million (2,119) and net interest income amounted to SEK 3,787 million (3,522).

Development of operations
SCBC's operating profit decreased slightly to SEK 1,978 million (2,119).

Net interest income
SCBC's net interest income grew to SEK 3,787 million (3,522). The increase stems primarily from higher lending margins together with increased deposit volumes. During the year, the resolution fee was moved from net interest income to imposed fees.

Net commission expense
The net commission expense was SEK 34 million (expense: 35). From July, income from arrangement fees linked to corporate transactions has been transferred from net commission to net interest income and, going forward, will be accrued over the maturity of the loan in net interest income.

Net result of financial transactions
The net result of financial transactions decreased to an expense of SEK 92 million (expense: 70). The difference was mainly due to value changes in hedging instruments and hedged items.

Expenses
SCBC's expenses rose to SEK 1,344 million (1,305), and mainly comprised fees to SBAB for administrative services in line with the applicable outsourcing agreements. At Group level, the increase in costs was mainly driven by an increased number of employees and higher costs for amortisation, depreciation and impairment in projects. The cost trend is progressing according to plan and tracks the operations' development and investment strategy for long-term competitiveness.

Credit losses
Net credit losses totalled SEK 39 million (recoveries: 7). The change between the periods was mainly attributable to updated macroeconomic projections for the forward-looking information applied in the impairment model, taking into account the changed operating environment and increased interest rates. Confirmed credit losses totalled SEK 2 million (3). For more information on credit losses; please refer to Note IC 5.

Imposed fees
During 2022, a new line item was added in the income statement, imposed fees, placed after the item Net credit losses. Imposed fees includes Sweden's new risk tax as well as the resolution fee that was previously reported in net interest income. This impacts the comparability of net interest income with previous years. For SCBC, the tax amounted to SEK 152 million (0). The resolution fee, which has been moved from net interest income, amounted to SEK 148 million (139).

Capital adequacy and liquidity risk
SCBC primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised approach. SCBC's total capital ratio and CET1 capital ratio amounted to 15.9% (16.3) on 31 December 2022. Net profit for the year is included in own funds.

The internally assessed capital requirement amounted to SEK 16,227 million (12,774) on 31 December 2022. For more information on capital adequacy; please refer to Note RC 8.

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

Dividend policy and appropriation of profits
SCBC has no established dividend policy. Dividends are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. All shares are owned by the Parent Company, SBAB. The full proposed appropriation of profits can be found on page 14.

Group contributions
In December 2022, a decision was taken to distribute a Group contribution of SEK 30 million from SCBC to fellow Group company Booli Search Technologies AB.

Updates pertaining to the MREL
A new MREL liability of SEK 6 billion was taken up in SCBC during the year. As of 31 December, total senior non-preferred debt amounted to SEK 17 billion (11). MREL is a requirement from Swedish National Debt Office where the purpose is to secure that there is sufficient capital and write-down liabilities in the event of crisis.

Corporate Governance Report
SCBC's Corporate Governance Report is included in this Annual Report, see page 10. Information regarding the most important aspects of the company's system for internal governance and control can be found in the aforementioned report.

Events after the balance sheet date
Information about events after the balance sheet date is available in Note G 4.

Funding

SCBC operates primarily in the Swedish and European covered bond markets. The issue of covered bonds through SCBC is one of the SBAB Group's key sources of funding.

The annual funding requirement is influenced both by lending and by deposit volumes. SCBC does not conduct any lending activities itself, but instead acquires loans from SBAB, with the aim that these are included wholly or in part in the cover pool that serves as collateral for SCBC's covered bonds.

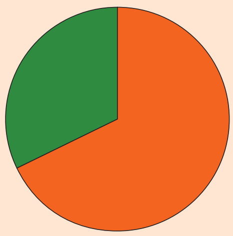
In general, in the markets in which SCBC is active, investor demand for SCBC's bonds was healthy during the year. The Swedish central bank's purchase programme for securities has contributed generally to emission levels remaining at historic lows after the coronavirus pandemic. The Riksbank's lower purchase volumes during the year led to higher but, from a historical perspective, more normal credit spreads in the capital market for SEK as well as for Swedish covered bonds.

In 2022, the Swedish central bank purchased Swedish covered bonds for an amount equivalent to SEK 29 billion, as compared with 2021 when the central bank purchased covered bonds for SEK 225 billion.

Funding programmes
SCBC's primary operations comprise the issue of covered bonds in the Swedish and international capital markets. To this end, the company makes use of funding programmes. A covered funding programme with no fixed limit is used in Sweden, while in the international market, a EUR 16 billion EMTCN programme (Euro Medium Term Covered Note Programme) is primarily used. On 31 December 2022, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 328.9 billion (300.9), distributed as follows: Swedish covered bonds SEK 224.8 billion (207.1) and the Euro Medium Term Covered Note Programme SEK 104.1 billion (93.8). During the period, issued securities amounted to SEK 67.7 billion (82.2). At the same time, securities amounting to SEK 10.4 billion (12.7) were repurchased, while securities amounting to SEK 21.3 billion (29.0) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities of SEK 28.0 billion (37.1) in the period.

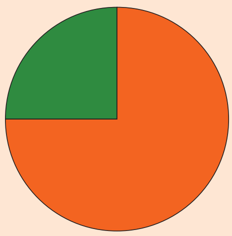
Rating
All of SCBC's funding programmes have received the highest possible credit rating of Aaa from the rating agency Moody's.

Funding – Debt outstanding, 31 December 2022: SEK 328.9 billion (300.9)



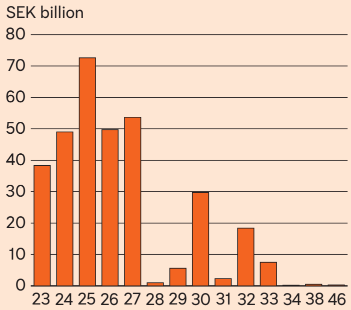
Swedish covered bonds **68%** (69)
EMTCN **32%** (31)

Funding — Currency breakdown, debt outstanding 31 December 2022: SEK 328.9 billion (300.9)

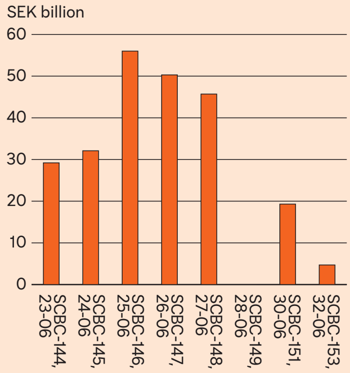


SEK **75%** (76)
EUR **25%** (23)
GBP **0%** (1)

Total funding – maturity profile



Volume outstanding for SCBC's Swedish covered bonds



Risk management

SCBC's risk taking is low and is kept at a level commensurate with financial targets for return and the scope of own funds. SCBC's risks consist mainly of credit risk through its lending operations. For further information about SCBC's risk management and capital adequacy, refer to the RC notes or visit SBAB's website: www.sbab.se.

Risks in SCBC's operations
Risk is defined as a potentially negative impact that may arise due to ongoing or future internal or external events. The definition of risk includes the probability that an event occurs as well as the impact the event could have on SCBC's earnings, capital, liquidity or value.

Authority and responsibility
SCBC's Board of Directors bears the ultimate responsibility for the company's total risk exposure. It is the Board's responsibility to ensure that operations are conducted with good internal control to thereby ensure that SCBC's ability to meet its obligations is not compromised. As SCBC's operations are outsourced to the Parent Company SBAB Bank AB (publ), SBAB's CRO also acts as the CRO of SCBC. The CEO is responsible for day-to-day administration in accordance with the strategies, guidelines and policies adopted by the Board of Directors. The CEO also ensures, on an ongoing basis, that each unit, including Risk, reports in accordance with the relevant instructions to the Board. Risk is tasked with the identification, quantification, analysis and reporting of all risks. The CRO, who reports directly to SCBC's CEO and Board, is responsible for Risk.

Risk strategy
SCBC is tasked with identifying, measuring, governing, reporting internally and maintaining control of the risks to which SCBC is or may become exposed. The Board adopts the strategic direction and the overarching risk level that SCBC's operations are willing to accept, based on the company's business and how value is created for our customers. This means SCBC is to consciously expose itself only to risks that are directly connected to or are regarded as necessary for its operations. It is also about maintaining sufficient liquidity and capital to meet unforeseen events. Knowledge and awareness of any risks that SCBC may be exposed to, together with the right expertise to estimate the size of existing and potential risks, is absolutely necessary for our operations.

Risk taking
SCBC's risk taking is kept at a level consistent with our short-term and long-term plans for strategy, capital and financial stability. An important part of SCBC's business model is that the risks to which SCBC is exposed are low and predictable. In reality, this does not mean that each individual credit exposure has very low risk; rather, SCBC's total lending portfolio consists largely of low-risk loans and every loan's internal risk effect is such that the total risk is limited. The basis for SCBC's appetite for risk is that it should

Risk	Description
Credit risk	The counterparty is unable to fulfil its payment obligation.
Market risk	The risk of losses or reduced future income due to market fluctuations.
Operational risk	The risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events, including legal risks.
Capital targets	The levels adopted by the Board of Directors for capital.
Liquidity risk	The risk of being unable to meet payment obligations on due dates without the cost of raising funds for that purpose increasing significantly.
Compliance	That SCBC does not comply with legislation, rules, ethical guidelines, good market practices or other relevant regulations for operations requiring licences and therefore is affected by statements or sanctions by the Swedish FSA (FI), negative publicity in the media and/or reduced confidence from customers and other stakeholders.
Sustainability risk	Sustainability risks pertain to the risk of loss or reduced future income due to sustainability-related events. These include events in three categories: i) climate; ii) personnel, societal conditions and human rights; and iii) financial crime and corruption.

fit within the company's risk-bearing capacity. Risk-bearing capacity refers to the capacity to cover expected and unexpected losses without breaching the established capital requirements.

The scope of acceptable risks is clearly linked to how important these are to SCBC's business model, in other words the positive effects anticipated to be achieved in the form of expected revenue, cost savings or the mitigation of other risks. SCBC minimises undesired risks through appropriate functions, strategies, processes, procedures, internal rules, limits and controls.

Risks and uncertainties

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.

Population growth has outpaced housing construction for many years. This has contributed to a housing shortage and strong demand for housing. The growing proportion of home owners together with rising housing prices have led to higher levels of private indebtedness, including some highly indebted households. Housing costs as a percentage of household income are generally low, especially among homeowning households, which is attributable to favourable income trends and low interest rates.

Rapidly rising prices, particularly for energy and food but also for increasing kinds of goods and services, have driven up the rate of inflation to levels not seen in several decades. Early in 2022, unexpectedly high inflation led to a drastic increase in market interest rates. Later in the year, rising interest rates were driven by a stringent monetary policy in the form of higher key interest rates in order to bring down demand and thereby inflation.

Rising key interest rates and market interest rates have driven up mortgage interest rates, a trend that is expected to continue throughout 2023. Since the majority of households own their own home and due to many mortgages being subject to variable interest, the Swedish economy is sensitive to rapidly rising interest rates. While this is positive for the monetary policy's impact, there is a risk of indebted households experiencing difficulty coping with ongoing payments on their mortgages as a result of rising interest rates. However, stress tests indicate that this risk is low in the event of moderate or foreseen interest hikes.

Together with price increases, the increase in interest rates has increased housing costs and cost ratios for households. However, the long-term risks associated with rising inflation are deemed low as inflation also drives increases in households' disposable income over time, thereby resulting in a decline in mortgage debt as a share of household income. Even if real interest rates remain unaffected by inflation, higher inflation will result in a cash strain on households.

Rising interest rates for mortgages have led to a decrease in housing prices. Calculated based on the beginning of 2022, prices for houses fell 14% and prices for apartments fell 10%. Continually rising interest rates for mortgages are expected to drive housing prices down further before they eventually begin to increase again. Risks linked to rising interest rates could be increased by falling housing prices and rapidly rising unemployment. The risk largely pertains to the degree to which a fundamental downturn in prices leads to behaviour changes that trigger a larger price downturn, and how uncertainty over future housing prices impacts turnover for existing housing and 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 SCBC 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.

The coronavirus outbreak and the measures implemented to contain its spread caused significant movements in the international financial markets in 2020, for example, in the form of falling interest rates, widening credit spreads and stock market volatility. International financial markets have since stabilised, in part as a result of comprehensive economic and monetary policy support measures introduced in Sweden and internationally. When these support measures are withdrawn, especially the purchase of state and mortgage bonds by central banks, there is a risk of disruption in the financial markets.

Russia's military attack on Ukraine has led to an incredible amount of suffering for the population of Ukraine and large streams of refugees in Europe, in addition to threatening international peace and security. The outside world has responded by imposing extensive sanctions on Russia, who in turn cut off deliveries of gas to Europe and blocked the export of grains from Ukraine. Although SCBC has no presence in the war- or sanction-affected areas, the company is indirectly affected by the unrest through its impact on the global economy. The war has contributed to today's high inflation, uncertainty about the future and volatility in the financial markets. The war is also expected to affect the global economy and the financial markets going forward. The weak economic performance in combination with high inflation has made it difficult to predict what central banks will do, but their focus right now is clearly on limiting inflation.

Corporate Governance Report

SCBC is domiciled in Solna. Owner governance of SCBC is exercised through general shareholder meetings, the Board of Directors and CEO in accordance with the Companies Act, the Articles of Association, and internal policies and instructions adopted by SCBC. SCBC's objective is to broaden the SBAB Group's funding opportunities and decrease its funding costs through the issuance of covered bonds.

SCBC's operations
SCBC's operations comprise the issuance of covered bonds and associated activities. In addition to the policies and instructions that have been developed especially for SCBC, each year, the Board of SCBC also adopts the policies and instructions that apply both to the Parent Company and to SCBC. This approach is suitable since SCBC's business operations are essentially conducted by the Parent Company on assignment from SCBC and SCBC's operations serve as an instrument for the Group's funding. SCBC's targets and strategies form part of the Parent Company's funding strategy and are included in the Parent Company's business plan and the business plan adopted by SCBC.

Articles of Association
SCBC's Articles of Association govern items such as SCBC's business objectives. The Articles of Association do not include any provisions regulating the appointment or removal of Board Members, with the exception of the provision on the minimum and maximum number of Board Members. The Articles of Association require that notification of an Extraordinary General Meeting convened to address amendments to the Articles of Association must be issued not earlier than six weeks and not later than four weeks prior to the meeting.

Annual General Meeting
SCBC's Annual General Meeting was held on 27 April 2022 in Solna. The Meeting re-elected Board members Jan Sinclair (who was also elected Chairman of the Board), Jane Lundgren Ericsson, Synnöve Trygg and Mikael Inglander. The Annual General Meeting passed resolutions regarding the discharge from liability for the Board of Directors and the CEO, the appropriation of profits and the adoption of the annual accounts for 2021, and fees to the Board Members who are not employees of the SBAB Group. The Annual General Meeting elected Deloitte AB, with Patrick Honeth as the auditor-in-charge, as SCBC's auditor until the close of the 2023 Annual General Meeting.

The General Meeting did not authorise the Board of Directors to issue new shares or buy back the company's shares.

The Board of Directors and the Board's work
The Articles of Association stipulate that the Board of Directors is to comprise not fewer than three and not more than seven members, with no more than six alternates.

The members are normally elected at the Annual General Meeting for the period until the next Annual General Meeting. The CEO of SCBC is not a member of the Board. SCBC's Board of Directors comprises the Parent Company's CEO and members of the Board of Directors of the Parent Company.

The Board of Directors bears ultimate responsibility for the company's organisation and administration. The Board is also responsible for continuously assessing SCBC's financial position and for ensuring that the organisation is structured in a manner that enables the accounting, asset management and the company's other financial circumstances to be controlled in a satisfactory manner.

The work of the Board complies with the formal work plan adopted annually at the Board's statutory meeting immediately after the Annual General Meeting. The working procedures address summonses, agendas and quorums for Board meetings, as well as the division of duties between the Board and the CEO.

SCBC's Board makes decisions on matters relating to SCBC's strategic direction, financing, policies, and certain instructions. The Board addresses the company's year-end report, Annual Report and six-month reports, and determines their adoption and publication. The Board's measures to follow up internal control of financial reporting include the Board's regular follow-up of SCBC's performance and key performance indicators, but also include the Board's review and follow-up of the auditor's review reports. At least once annually, the Board receives reports from the independent inspector appointed by the Swedish FSA, independent risk control, compliance and internal audit regarding observations from performed reviews and assessments, as well as assessments of how well control and regulatory compliance are upheld within the company.

The names, ages, main qualifications, work experience and other assignments of the Board members and their attendance at Board meetings and its committees are detailed on page 13. None of the Board members or the CEO hold shares or financial instruments issued by SCBC. All of the shares in SCBC are held by the Parent Company.

Diversity and eligibility policies
The Board has adopted a policy pertaining to Board diversity and an instruction for assessing the eligibility of Board members, the CEO and senior executives. The diversity policy includes a prohibition against discrimination based on gender, transgender identity or expression, ethnicity, religion or other beliefs, disabilities, sexual orientation or age. The eligibility instruction states that the eligibility

assessment of the Board, the CEO and the senior executives should take into account the individual's skills, experience, reputation and judgement.

The Board's committees

Audit and Compliance Committee

SCBC's Board has established an Audit and Compliance Committee. The Committee is SCBC's Audit Committee and its main task is, based on the assignment and the applicable regulations, to examine the company's governance, internal controls and financial information and to prepare issues in these areas for decision by the Board. The Audit and Compliance Committee is also responsible for monitoring financial statements and the efficiency of risk management and of the work carried out by internal audit and compliance. The Audit and Compliance Committee is also responsible for evaluating the external auditing work, informing the owner of the results of this work and assisting in the drafting of proposals for auditors. The Audit and Compliance Committee is also tasked with reviewing and monitoring the auditor's impartiality and independence. Annual plans and reports from internal audit and compliance are also addressed by the Audit and Compliance Committee in preparation for decisions or for presentation to the Board. The Committee includes Board members from SCBC's Board of Directors.

Credit Committee, Risk and Capital Committee and Remuneration Committee

SCBC has not established any Credit Committee, Risk and Capital Committee or an own Remuneration Committee. The Parent Company's committees also address issues concerning SCBC that are relevant at Group level as part of their work.

The principal task of the Parent Company's Credit Committee is to decide on credits and limits in the Group's lending and funding operations. The Parent Company's Credit Committee also has the task of preparing matters involving changes in the credit policy and credit instructions, the assessment of portfolio strategies, the transparency of the credit portfolio, the evaluation of existing or proposed portfolio strategies, the evaluation of existing or new delegation rights and the Board's annual review of regulatory frameworks, models for granting credits and outcomes in terms of retail credit granting. The Credit Committee is the Parent Company's Board entity for all matters relating to credit risk, including the approval of new IRB models or significant changes to existing models.

The Parent Company's Risk and Capital Committee prepares matters regarding the Parent Company's treasury operations and matters involving risk and capital, which can also encompass or be relevant for SCBC. The Parent Company's Risk and Capital Committee also prepares issues concerning objectives, strategies and control documents within the areas of risk and capital.

The principal task of the Parent Company's Remuneration Committee is to prepare issues regarding principles for remuneration and other employment terms and conditions for senior executives for resolution by the Board.

The above committees include members of the Board of Directors of the Parent Company. Matters addressed by the Board committees of the Parent Company are reported in conjunction with the meetings of SCBC's Board. At SCBC, the Board is responsible for managing the issues handled within the framework of the respective committees' assignments for the Parent Company.

CEO

The Board has adopted an instruction governing the role and duties of the CEO. The CEO bears responsibility for the day-to-day administration of operations in accordance with the Board's issued guidelines, established policies and instructions and reports on an ongoing basis to the Board. The CEO has established a management group to assist in the operational management and governance of SCBC.

Remuneration of Board of Directors and senior executives

Information regarding the remuneration of the Board is presented in Note IC 4 in the Annual Report. No remuneration was paid to Board members employed by the Parent Company or to the CEO of SCBC. Any matters pertaining to the remuneration of SCBC's senior executives are addressed by the Board of SCBC. The Board of Directors has established a remuneration policy, under which if the Board determines that salary or other remuneration is to be paid to employees within SCBC, the remuneration policy is to be updated in accordance with the directives issued by the Swedish FSA regarding remuneration structures in credit institutions. With regard to issues pertaining to the remuneration and other terms of employment for senior executives, SCBC is to adhere to the guidelines adopted by the general meeting and pursuant to the government's guidelines for remuneration and other terms of employment for senior officers of state-owned enterprises as applicable at any given time.

Control functions

SCBC has three independent control functions:

- a Risk Function;
- a Compliance Function (Compliance); and
- an Internal Audit Function.

The Risk and Internal Audit functions have been outsourced to the Parent Company in accordance with the outsourcing agreement. Compliance is executed by SCBC through one employee. The operations requiring licences to issue covered bonds under the Covered Bonds (Issuance) Act (2003:1223) are conducted by SCBC through its employees, mainly those in the Legal, Accounting and Treasury functions. Furthermore, SCBC has outsourced parts of its operations to the Parent Company in accordance with the outsourcing agreement; these parts include the administration of credits and collateral as well as IT services.

Risk

Certain tasks within the risk function are performed directly within SCBC, including the CRO. Moreover, SCBC has engaged the Parent Company to discharge SCBC's Risk function and to conduct the requisite tasks for ensuring independent risk control in the company. Risk is responsible for maintaining SCBC's risk management framework and for monitoring and checking risk management. The function is also responsible for checking that the risk management framework is efficient and for identifying, measuring, checking, analysing and reporting all of SCBC's risks and risk developments. It is also responsible for identifying new risks that could arise as a result of changed circumstances. The CRO reports directly to SCBC's CEO and Board.

Compliance
SCBC's Compliance function is executed through one employee. The function is independent of the business operations and is directly subordinate to the CEO. The Compliance function is tasked with, inter alia, identifying which risks exist that would prevent SCBC from discharging its duties in accordance with laws, regulations and other provisions that govern operations requiring licences, and checking that these risks are managed by the affected functions. Compliance is primarily active in the areas of internal governance and control, customer protection and market conduct. The function is also tasked with providing advice and support on compliance matters. Compliance reports on an ongoing basis to the CEO and through a quarterly written report to the CEO and Board. The scope and focus of the work of Compliance is established in an annual plan following decision by the CEO. The Board of SCBC is informed about the annual plan.

Internal Audit
The Parent Company conducts SCBC's Internal Audit function in accordance with the outsourcing agreement. Internal Audit comprises an internal, independent review function pursuant to the Swedish FSA's regulations and general guidelines for governance, risk management and control in credit institutions. The function is directly subordinate to the Board. Internal Audit conducts its work according to best practices for internal audits, established by the International Professional Practices Framework (IPPF). One of Internal Audit's primary assignments is to review and evaluate internal governance and control as well as to create value and improvements within operations. Internal Audit's review work is carried out according to a plan annually decided by the Audit and Compliance Committee and approved by the Board. The Head of Internal Audit reports orally and in writing to the Audit and Compliance Committee and the Board. The responsibilities, work assignments and work and reporting procedures of Internal Audit are determined by the policy decided annually by the Board.

Independent inspector
According to the Swedish Covered Bond Issuance Act, the Swedish FSA is to appoint an independent inspector for each issuing institution. The inspector's duties include overseeing that the register that issuing institutions are obliged to maintain listing the covered bonds, cover pool and derivatives contracts is properly maintained and in accordance with the provisions of the Act.

The Swedish FSA's regulations describe the independent inspector's role and tasks in greater detail. The independent inspector reports regularly to the Swedish FSA, and these reports are also addressed to SCBC's Board. The Swedish FSA has appointed Authorised Public Accountant Stefan Lundberg, who is an authorised public accountant at KPMG, as the independent inspector for SCBC.

Auditors
From the 2016 AGM, Deloitte AB has been appointed as auditor, with Patrick Honeth as the auditor-in-charge. A presentation of the auditor-in-charge's fees and expenses paid is provided in Note IC 4 of this Annual Report. The auditors are responsible for examining the Annual Report and accounts, and also the Board's and CEO's administration of the company. Moreover, the auditor reviews SCBC's six-month and year-end reports.

Internal control over financial reporting

Internal control over financial reporting at SCBC is primarily aimed at ensuring an effective and reliable process is in place for SCBC's financial reporting, and that both internal and external reporting are correct and accurate. Internal control over financial reporting primarily comprises the following internal control components.

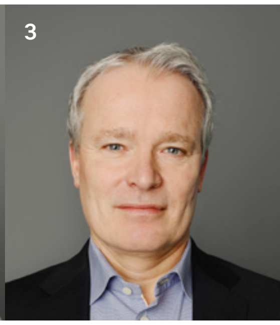
Control environment
The internal control of financial reporting uses SCBC's organisational structure, governance documents, process maps and valuations.

Risk measurement
Each respective responsible function at SCBC identifies, measures, manages and assesses its own risks. An analysis of risk levels in all operations, including financial reporting, is conducted on a regular basis and reported to the Board, the CEO and the Executive Management. Risk measurement is carried out each year through a self-assessment of material business processes, including financial reporting, and is managed and reported using a separate risk tool.

Control activities
Business processes that deliver data to the financial reports must be charted and include control activities in terms of operating procedures, reasonableness assessments, reconciliations, authorisations and the analysis of results. Control activities for financial reporting include an internal set of rules, including accounting policies, planning and reporting procedures as well as identifying key control activities in operations. SCBC's financial position and earnings, target attainment and analysis of operations are reported monthly to the company's management and Board. The company's Audit and Compliance Committee monitor the financial reporting and the management of internal control and audit.

Information and communication
Employees, primarily within the accounting and treasury units, ensure that instructions pertaining to accounting financial reporting are updated, communicated and available to those units that need this data for their operations.

Follow-up
The Board's measures to follow up internal control of financial reporting include the Board's regular follow-up of SCBC's financial position and performance, but also include the Board's review and follow-up of the auditor's review reports.



The Board of Directors and CEO

As per 31 December 2022

1 Jan Sinclair

Chairman of the Board
Master of Business Administration and Economics. Born in 1959. Elected in 2018.

Board assignments: Chairman of SBAB Bank AB (publ) and Board member and Chairman of Fastighets Aktiebolaget Victorhuset, Nilsson Energy AB and REH2 AB. Board member of STS Alpresor AB, Almi AB, Bipon AB, and Jan M.L. Sinclair AB.

Other assignments: German honorary consul, Industrial advisor (own business).

Previous assignments: CEO of SEB A.G, Group Treasurer as well as other senior positions within SEB and Board positions within the FSG Group.

Board attendance: 7 of 7.

Attendance at meetings of the Audit and Compliance Committee: 6 of 6.

2 Jane Lundgren Ericsson

Board Member
Master of laws, LLM (London). Born in 1965. Elected in 2017.

Board assignments: Board member of SBAB Bank AB (publ), Inyett AB, Copperstone Resources AB (publ) and deputy Board member of Miskatonic Ventures Aktiebolag.

Other assignments: CEO Visma Finance AB, Chairman of the Board of Bagarmossen Kärrtorp Bollklubb.

Previous assignments: CEO SEK Securities, Executive Director & Head of Lending Svensk Exportkredit AB and General Counsel of Visma Finance AB.

Board attendance: 7 of 7.

Attendance at meetings of the Audit and Compliance Committee: 6 of 6.

3 Mikael Inglander

Board member
Master of Business Administration and Economics. Born in 1963. Employed: 2014

Board assignments: Board Member of Booli Search Technologies AB.

Other assignments: CEO of SBAB Bank AB (publ).
Previous assignments: CFO SBAB, CEO of Lindorff Sverige AB, Executive Vice President and CFO of Swedbank AB as well as other assignments, Regional Manager and Executive Vice President of ForeningsSparbanken AB, Board member of ICA Banken, OK-Q8 Bank AB, HansaBank Group AS, CEO of AB Sveriges Säkerställda Obligationer (publ) and others.

Board attendance: 7 of 7.

Attendance at meetings of the Audit and Compliance Committee: 6 of 6.

4 Synnöve Trygg

Board Member

Degree in Economics Stockholm University, Advanced Management Program Stockholm School of Economics. Born in 1959. Elected in 2021.

Board assignments: Board member of SBAB Bank AB (publ), Board member and deputy Chairman of Volvofinans Bank AB, Board member of Precise Biometrics AB.

Other assignments: –

Previous assignments: CEO of SEB Kort AB, Eurocard AB and Diners Club Nordic AB. Board Member of Nordax Bank AB, Trygg Hansa AB, Mastercard Europe Board and Valitor Hf.

Board attendance: 7 of 7.

Attendance at meetings of the Audit and Compliance Committee: 6 of 6.

5 Fredrik Jönsson

CEO
MSc in Business Administration, BSc in Economics Born in 1976. Year of employment: 2021.

Board assignments: –

Other assignments: Head of Treasury of SBAB Bank AB (publ).

Previous assignments: Numerous assignments at SBAB Bank AB (publ)'s treasury function, assignments at Länsförsäkringar Bank AB's treasury function.

Auditors

Patrick Honeth

Deloitte AB

Auditor in Charge at SCBC since 2016.

Proposed appropriation of profits

SCBC posted a net profit for the year after tax of SEK 1,570,633,672. Pursuant to approval by the AGM, Group contributions have been distributed of SEK 30,000,000 to fellow Group company Booli Search Technologies AB. According to the balance sheet, SEK 13,688,138,024 is at the
disposal of the Annual General Meeting.

Shareholder contribution	9,550,000,000
Fair value reserve	-6,492,845,370
Retained earnings	9,060,349,722
Net profit for the year	1,570,633,672
Total earnings according to the balance sheet as per 31 December 2022	**13,688,138,024**
The Board proposes that the earnings be appropriated as follows:	
Carried forward to next year	13,688,138,024
Total	**13,688,138,024**

The consolidated situation, SCBC and SBAB, must always comply with the applicable regulations for capital adequacy and major exposures. This means that sufficiently large own funds and acceptable capital must always be accessible in each legal entity. The Group's dividends are distributed by the Parent Company, while the overwhelming majority of earnings are within SCBC, which holds the majority of the assets and accordingly, is where interest income arises. The assessment of the Board of Directors is that the financial position of the company does not give rise to any other assessment than that the company can be expected to meet its obligations in both the short and the long term.

Financial statements and notes

Income statement

SEK million	Note	2022	2021
Interest income [1]	IC 1	8,376	5,517
Interest expense	IC 1	-4,589	-1,995
Net interest income		**3,787**	**3,522**
Commission income	IC 2	19	24
Commission expense	IC 2	-53	-59
Net result of financial transactions	IC 3	-92	-70
Other operating income		0	0
Total operating income		**3,661**	**3,417**
General administrative expenses	IC 4	-1,330	-1,294
Other operating expenses		-14	-11
Profit before credit losses and imposed fees		**-1,344**	**-1,305**
Profit before credit losses and imposed fees		**2,317**	**2,112**
Net credit losses	IC 5	-39	7
Imposed fees: Risk tax and resolution fee	IC 6	-300	–
Operating profit		**1,978**	**2,119**
Tax	TX 1	-407	-437
Net profit for the year		**1,571**	**1,682**

[1] Interest income on financial assets measured at amortised cost calculated using the effective-interest method amounted to SEK 7,828 million (5,645).

Statement of comprehensive income

SEK million	Note	2022	2021
Net profit for the year		**1,571**	**1,682**
Other comprehensive income			
Components that will be reclassified to profit or loss			
Changes related to cash-flow hedges, before tax	EQ 1	-9,239	-1,731
Tax attributable to components that will be reclassified to profit or loss		*1,903*	*357*
Other comprehensive income, net of tax		-7,336	-1,374
Total comprehensive income for the year		**-5,765**	**308**

Balance sheet

SEK million	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Lending to credit institutions	A 1	983	1
Lending to the public	A 2	483,738	442,067
Value changes of interest-rate-risk hedged items in macro hedges		-4,944	-563
Derivatives	A 3	12,556	5,902
Other assets	A 4	63	49
Prepaid expenses and accrued income	A 5	227	118
TOTAL ASSETS		**494,313**	**447,574**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	L 1	1	15,414
Issued debt securities, etc.	L 2	328,881	300,913
Derivatives	A 3	21,828	2,120
Other liabilities	L 3	167	43
Accrued expenses and deferred income	L 4	2,192	1,614
Deferred tax liabilities	TX 2	–	225
Subordinated debt to the Parent Company	L 5	127,506	107,718
Total liabilities		**480,575**	**428,047**
Equity			
Share capital		50	50
Shareholder contribution		9,550	9,550
Fair value reserve	EQ 1	-6,493	843
Retained earnings		9,060	7,402
Net profit for the year		1,571	1,682
Total equity	EQ 1	**13,738**	**19,527**
TOTAL LIABILITIES AND EQUITY		**494,313**	**447,574**

Statement of changes in equity

SEK million	Note	Restricted equity Share capital	Unrestricted equity Fair value reserve	Unrestricted equity Shareholder contribu-tion	Unrestricted equity Retained earnings	Unrestricted equity Net profit for the year	Total equity
Opening balance, 1 Jan 2022		**50**	**843**	**9,550**	**9,084**	**–**	**19,527**
Group contribution paid after tax [1)]		–	–	–	-24	–	-24
Other comprehensive income, net of tax	EQ 1	–	-7,336	–	–	–	-7,336
Net profit for the year		–	–	–	–	1,571	1,571
Comprehensive income for the year		**–**	**-7,336**	**–**	**–**	**1,571**	**-5,765**
Closing balance, 31 Dec 2022		**50**	**-6,493**	**9,550**	**9,060**	**1,571**	**13,738**
Opening balance, 1 Jan 2021		**50**	**2,217**	**9,550**	**7,426**	**–**	**19,243**
Group contribution paid after tax [1)]		–	–	–	-24	–	-24
Other comprehensive income, net of tax	EQ 1	–	-1,374	–	–	–	-1,374
Net profit for the year		–	–	–	–	1,682	1,682
Comprehensive income for the year		**–**	**-1,374**	**–**	**–**	**1,682**	**308**
Closing balance, 31 Dec 2021		**50**	**843**	**9,550**	**7,402**	**1,682**	**19,527**

[1)] SCBC paid a Group contribution of SEK 30 million (30) to fellow Group company Booli Search Technologies AB. The shareholder contributions that were paid were conditional and the Parent Company, SBAB Bank AB (publ), is entitled to reimbursement for these contributions from the Swedish Covered Bond Corporation's distributable earnings, with the proviso that the Annual General Meeting grants approval thereof.

Cash-flow statement

SEK million	2022	2021
Opening cash and cash equivalents	**1**	**1**
OPERATING ACTIVITIES		
Interest received	8,276	5,517
Commission received	6	28
Interest paid	-4,012	-1,945
Commission paid	-53	-59
Outflows to suppliers	-1,644	-1,306
Income tax paid	-500	-500
Change in lending to the public	-41,710	-44,031
Change in liabilities to credit institutions	-15,413	4,799
Change in issued debt securities, etc.	41,380	40,139
Change in other assets and liabilities	-5,136	-96
Cash flow from operating activities	**-18,806**	**2,546**
INVESTING ACTIVITIES		
Cash flow from investing activities	**–**	**–**
FINANCING ACTIVITIES		
Dividends paid	–	–
Group contribution paid	–	-749
Subordinated debt issued	19,788	-1,797
Cash flow from financing activities	**19,788**	**-2,546**
Increase/decrease in cash and cash equivalents	**982**	**0**
Closing cash and cash equivalents	**983**	**1**

Comments to the cash-flow statement
The cash-flow statement is reported in accordance with IAS 7 and cash and cash equivalents are defined as lending to credit institutions.

Change in liabilities attributable to financing activities

			Non-cash items					Non-cash items		
SEK million	Opening balance, 1 Jan 2022	Cash flow	Fair value	Other	Closing balance, 31 Dec 2022	Opening balance, 1 Jan 2021	Cash flow	Fair value	Other	Closing balance, 31 Dec 2021
Subordinated debt	107,718	19,788	–	–	127,506	109,515	-1,797	–	–	107,718
Total	**107,718**	**19,788**	**–**	**–**	**127,506**	**109,515**	**-1,797**	**–**	**–**	**107,718**

Financial notes

G General information and overriding accounting policies

pp. 21–26

G:1 Accounting policies

The Swedish Covered Bond Corporation (SCBC) (in Swedish: AB Sveriges Säkerställda Obligationer (publ)) is a wholly-owned subsidiary of SBAB Bank (publ) ("SBAB"). SCBC is a credit market company whose operations focus on the issuance of covered bonds.

Operations commenced in 2006, when the company was granted a licence by Finansinspektionen (the Swedish FSA) to issue covered bonds. The Parent Company, SBAB Bank, is a Swedish public limited banking company domiciled in Solna, Sweden. The address of the Head Office is SBAB Bank AB (publ), Box 4209, SE-171 04 Solna, Sweden.

This Annual Report has been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. SCBC applies statutory IFRS, which means that the Annual 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 and Finansinspektionen's (the Swedish FSA) regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25).

The Annual Report has been prepared in accordance with the cost method, apart from derivatives, and financial assets and liabilities measured at fair value through profit or loss (FVTPL), and hedge-accounted items.

On 22 March 2023, the Board of Directors approved the financial statements for publication and these await final adoption by the Annual General Meeting on 27 April 2023.

These financial statements have been prepared on a going concern basis. On 22 March 2023, the Board of Directors approved the financial statements for publication.

Introduction of new and amended accounting standards, 2022

No new accounting standards effective as of 1 January 2022 have been added. Accounting policies and calculation methods are, with the exception of the below, unchanged compared with the annual report for 2021.

Previously, the resolution fee was reported under Net interest income. Since 1 January 2022, the Resolution fee has been reported under the item Imposed fees, where the Risk tax is also reported. The item Imposed fees is located above Tax in the Income statement.

SBAB uses an approximate calculation model for the amortised cost for Lending to the public. The approximate calculation model was refined in the third quarter of 2022, which means that arrangement fees are periodised over an estimated duration time for the loans in the item Net interest income. Previously, arrangement fees have been reported under Net commission.

With regard to the existing accounting standards, our assessment is that amendments with a start date of 1 January 2022 have no impact on SCBC's financial reporting. Therefore, the accounting policies and calculation methods are unchanged in comparison with the 2021 Annual Report.

Forthcoming amendments that enter force 2023 or later

Amendments to IAS 1 Presentation of Financial Statements (disclosures pertaining to accounting policies) The amendments entail that the IAS 1 requirement for disclosure of significant accounting policies is replaced with a requirement for disclosure of material information about accounting policies. At the same time, the IASB's Practice Statement 2 Making Materiality Judgements is being updated with guidance and examples intended to illustrate the application of materiality criteria to disclosures about accounting policies. While the change in wording may seem trivial, the objective is to achieve a real change in accounting practice toward better, more effective communication in the financial statements. Companies that apply IFRS will need to review which disclosures are made about accounting policies to ensure compliance with the changed requirement. Particular attention should be paid to disclosures that only summarise IFRS requirements. The amendments will apply for financial years beginning on or after 1 January 2023. Early application is permitted. The changes have been endorsed by the EU.SBAB will analyse the impact of the amendment to IAS 1 regarding the disclosure of accounting policies.

Other amendments

Other coming amended accounting standards are assessed as having no or limited impact on the Group's accounting and financial statements.

Financial instruments

Recognition in and derecognition from the balance sheet

Financial instruments are recognised when the company is involved with the instrument's contractual terms. Issued securities, including all derivatives, are recognised on the trade date, meaning the date on which the significant risks and rights are transferred between the parties. Other financial instruments are recognised on the settlement date. A financial asset is derecognised from the balance sheet when the contractual rights to receive cash flows from the financial asset expire and the company has transferred essentially all of the risks and rewards of ownership of the asset. A financial liability is derecognised from the balance sheet when it is extinguished, meaning when the obligation specified in the contract is fulfilled, cancelled or has expired.

Offsetting

Financial assets and financial liabilities are to be offset and recognised at net amounts only where the recognised amounts may legally be offset and the intention is to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

Recognition of income and expense

Interest income and interest expense (including interest income from impaired receivables) are recognised using the effective-interest method. The calculation of the effective interest rate includes all fees paid or received between the parties to the contract, including transaction costs.

Since transaction costs in the form of remuneration to business partners or issue expenses attributable to the acquisition of loans constitute part of the acquisition cost of the loan, these costs are recognised in the balance sheet and recognised in profit or loss under net interest income over the expected tenor of the loan.

IFRS 15 – Revenue from Contracts with Customers is applied for various types of services that are mainly recognised in profit or loss as Commission income.

Commission income from lending is primarily recognised when the service is provided, in other words at a specific date. Commission expenses are included in profit or loss continuously in accordance with the contractual terms. In the event of premature redemption of loans, the customer pays interest compensation intended to cover the cost that arises for SCBC. This compensation is recognised as income directly under the "Net result of financial transactions." Other items under this heading are described in the "Classification" section.

Classification

All financial instruments covered by IFRS 9 are classified pursuant to this standard in the following categories:

- Financial assets measured at amortised cost
- Financial assets measured at FVTPL
- Financial liabilities measured at FVTPL
- Financial Liabilities measured at amortised cost

SCBC has no assets under the classifications "Investments measured at FVTOCI." The instruments in the respective categories are valued in the following reporting, and where applicable, together with the required adjustments under the hedge accounting rules.

Financial assets measured at amortised cost

Assets in this category are recognised at cost, defined as fair value plus transaction costs, on the acquisition date and thereafter at amortised cost after application of the effective-interest method. This category consists of assets that are held within the framework of a business model where the objective is to hold financial assets in order to collect contractual cash flows solely comprised of capital and interest. The assets in this category encompass lending and other assets that meet the above terms. Impairment losses are recognised in profit or loss under "Net credit losses," while the effective interest rate is recognised as interest income. Refer also to the "Credit losses and impairment of financial assets" section.Realised gains or losses from the sale of assets are recognised directly in profit or loss under "Net result of financial transactions."

Financial assets measured at FVTPL
On initial recognition, assets in this category are recognised at fair value, while related transaction costs are recognised in profit or loss. Changes in fair value and realised gains or losses for these assets are recognised directly in profit or loss under the heading "Net result of financial transactions," while the effective interest rate is recognised as interest income. This category includes assets that do not meet the definitions for other valuation categories and, accordingly, are measured at FVTPL. (For example, assets with cash flows other than capital and interest on capital). At SCBC, these assets consist exclusively of Derivatives.

Financial liabilities measured at FVTPL
On initial recognition, liabilities in this category are recognised at fair value, while related transaction costs are recognised in profit or loss. The category is divided into financial liabilities held for trading and financial liabilities that Executive Management has designated as such upon initial recognition. All of the company's liabilities in this category consist of derivatives that are used to hedge financial risk and which have been defined as held for trading in the financial reporting. Changes in fair value and realised gains or losses for these liabilities are recognised in profit or loss under "Net result of financial transactions," while the effective interest rate is recognised as interest expense.

Financial liabilities measured at amortised cost
Financial liabilities that are not classified as "Financial liabilities measured at FVTPL" are initially recognised at fair value with an addition for transaction costs and are subsequently recognised at amortised cost using the effective-interest method. This category consists mainly of issued securities and liabilities to credit institutions. Realised gains or losses from the repurchase of own liabilities affects net profit for the year when incurred and are recognised under the heading "Net result of financial transactions," while the effective interest rate is recognised as interest expense.

Repos
Repos are agreements where the parties have reached agreement on the sale and repurchase of a particular security at a pre-determined price. Securities that have been provided or received under these repo agreements are not derecognised from or not recognised in the balance sheet, respectively. Payments received are recognised in the balance sheet as liabilities to credit institutions and payments made are recognised as lending to credit institutions. The impact on profit or loss is attributable to the difference between sale and repurchase prices and is recognised as interest income or interest expense, respectively.

Fair value measurement
Fair value is defined as the price that would be received on the valuation date on the sale of an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants. Fair value measurement of financial instruments measured at fair value and traded on an active market is based on quoted prices (Level 1). If the market for a financial instrument is not active, the fair value is established on the basis of generally accepted measurement methods (Level 2). As far as possible, calculations made in conjunction with measurement are based on observable market data. The main tools used are models based on discounted cash flows. In individual cases, the calculations may also be based on assumptions or estimates (Level 3).

Derivatives and hedge accounting
Derivatives are used primarily to manage interest-rate and currency risk in the company's assets and liabilities. The derivatives are recognised at fair value in the balance sheet. For economic hedges where the risk of a significant fluctuation in profit or loss is the greatest and that meet the formal hedge accounting criteria, SCBC has chosen to apply hedge accounting for the hedging of interest-rate and currency risk. There are also other economic hedges for which hedge accounting is not applied. For hedge accounting, the carve-out version of IAS 39 is applied, as adopted by the EU.

Fair value hedges
In the case of fair value hedges, the derivative hedging instrument is measured at fair value at the same time as the hedged asset or liability is measured with an addition for accumulated changes in fair value attributable to the hedged risk associated with the hedged item. Changes in fair value are recognised directly in profit or loss under the "Net result of financial transactions." The effective interest rate of the hedge is recognised in net interest income.

If hedging relationships are terminated, the cumulative gains or losses are accrued in profit or loss, after adjustment of the carrying amount of the hedged item. The accrual extends over the remaining maturity of the hedged item. Both the accrual and the realised gain or loss arising from premature closure of a hedging instrument are recognised in profit or loss under "Net result of financial transactions."

Macro hedges
In this type of hedging, derivatives are used at an aggregated level to hedge structured interest-rate risks. In the financial statements, derivatives designated as macro hedges are treated in the same way as other fair-value hedging instruments.

In fair value hedges of portfolios of assets, the gain or loss attributable to the hedged risk is recognised under "Value changes of interest-rate-risk hedged items in macro hedges" in the balance sheet. The hedged item is a portfolio of lending transactions based on the next contractual renewal date. The hedging instrument used is a portfolio of interest-rate swaps grouped in accordance with renewal intervals based on conditions in the fixed leg of the swap.

Cash-flow hedges
In the case of cash-flow hedges, the hedging instrument (the derivative) is valued at fair value. The effective part of the total change in value is reported as a component in other comprehensive income and accumulated in a separate reserve (hedge reserve) in equity. The accumulated amount is reversed in the income statement in periods where the hedged item affects the profit or loss. The ineffective part of the derivative's change in value is transferred to the income statement under "Net result of financial transactions," where the realised gain or loss arising at the end of the hedge relationship is recognised. The effective interest rate of the derivative is recognised in net interest income.

Credit losses and impairment of financial assets

Changes in expected credit losses (ECL) during the year, together with deductions for guarantees expected to be utilised or that have been utilised plus any recoveries, are recognised as credit losses in the income statement. The term "confirmed credit losses" refers to losses where the amounts are definite or established with a high level of probability and have thus been derecognised from the balance sheet.

Impairment — expected credit losses (ECL)
The reconition of a loss allowance on the balance sheet depends on the classification of the exposure under IFRS 9 and the cash flow characteristics:

- For financial assets measured at amortised cost, the loss allowance is recognised as a deductible item together with the asset.
- For financial assets measured at FVTOCI, the loss allowance is recognised in equity.
- For exposures that are not recognised in the balance sheet (for example, loan commitments and building credits), the loss allowance is recognised as a provision under liabilities in the balance sheet

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ECL for lending portfolio
Under IFRS 9, following initial recognition, financial assets in lending operations are divided into three credit stages according to their relative credit risk:

	Change in credit risk		
	Stage 1	Stage 2	Stage 3
Timing	From initial recognition	On a significant increase in credit risk following initial recognition	On default
Loss allowance	12-month ECL	Lifetime ECL	Lifetime ECL
Interest income	Based on gross carrying amount	Based on gross carrying amount	Based on net carrying amount

Depending on the credit stage, the loss allowance is determined by calculating the ECL for the next 12-month period or the remaining expected lifetime of the loan. Loans can migrate between credit stages from one balance-sheet date to another. This is decided based on changes in credit risk compared with initial recognition. Interest income for loans in credit stage 3 are based on the net carrying amount after deduction of the loss allowance, while interest income for loans in other credit stages is based on the gross carrying amount.

Credit stage 1
For loans where the credit risk has not increased significantly since initial recognition, the loss allowance will correspond to a 12-month ECL. Three main risk parameters are taken into consideration when measuring ECL, Probability of default (PD), Loss given default (LGD), and exposure at default (EAD), where the product results in the ECL. To calculate the ECL, SCBC uses its credit risk models under the internal ratings-based approach (IRB) which are intended for capital adequacy purposes, but where appropriate adjustments have been made to ensure an accurate and point-in-time value of the ECL that reflects both the prevailing economic conditions as well as forward-looking informa-

tion. The adjustments include the removal of margins of conservatism and the through-the-cycle calibration of the risk parameter estimates through an economic cycle as stipulated in the Capital Requirements Regulation (CRR). This way, the ECL reflects the actual credit risk. Moreover, the effects of macroeconomic factors, which constitute the forward-looking information, are applied to the risk parameter estimates to capture variations of possible outcomes in ECL. The same procedure for adjusting the risk parameters from IRB is also applied in credit stage 2 and 3. For more information about credit risk models under the IRB framework, please refer to Note RC 1.

Credit stage 2

For loans where the credit risk has increased significantly since initial recognition, the loss allowance will correspond to a lifetime ECL. Assessments of whether a significant increase in credit risk has occurred is made on an individual and a collective basis for homogeneous credit risk groups, known as rating grades. Determination of the above is based on historical default rates for the respective rating grades and the forward-looking information in the form of projected macroeconomic factors that show a correlation to internal default rates. SCBC assesses whether credit risk has increased significantly since initial recognition by measuring the deviations from an expected PD trajectory for the original rating grade. In addition to measurement of the change in PD, overdue payments by more than 30 days is also applied as a criterium for significant increase in credit risk. No further qualitative indicators exist for the assessment of a significant increase in credit risk, instead, qualitative factors are taken into account when estimating PD, which also includes manual adjustments of rating grades for borrowers by credit experts in the Corporate Clients & Tenant-Owners' Associations business area. Qualitative factors capture aspects of, among other things, maintenance needs and management of properties as well as financial stability of the borrowers. Furthermore, credit experts within this business area may also manually adjust the rating grade and hence the estimated PD if justified.

Credit stage 3

Credit impaired loans should also be assigned a loss allowance that corresponds to a lifetime ECL. The internal default definition is applied to determine whether a loan has suffered credit deterioration. SCBC deems a default to have occurred if any of the following criteria are met:

- The borrower has entered into liquidation, officially suspended payments or applied for a composition;
- The borrower has payments that are overdue by more than 90 days;
- The credit has been restructured and the borrower has been granted significant forbearance measures; and
- The borrower is categorised as insolvent based on expert judgements for unlikeliness to pay.

Measuring significant increases in credit risk

To measure significant increases in credit risk, historical default rates have been analysed in terms of the PD trend over time given the original rating grades at initial recognition. The thresholds representing a significant increase in credit risk are determined through analysis of relative deviations from expected PD trajectory for each of the original rating grades. The thresholds encompass PD deviations that constitute the tenth percentile of yearly cohorts extending from the start of year 2000 and onwards. A significant increase in credit risk is considered to have taken place if the PD for a loan receivable in a given month exceeds the corresponding threshold. The loan then migrates to credit stage 2 and remains there for as long as its PD is above the threshold. The thresholds are calibrated with a statistical test using correlation coefficients where the PD levels are based on an optimisation to maximise the identification of future credit losses for non-credit-impaired loans (not belonging to stage 3). Migration from credit stage 2 to credit stage 1 is controlled exclusively by the PD threshold and the assumption of overdue payments by more than 30 days, as prescribed in IFRS 9. No probation period is applied for migrations back to credit stage 1. The bank has not deemed this necessary since PD is largely based on the borrower's payment history, which entails a certain time delay.

Forward-looking information

Forward-looking information is used to account for future cyclical fluctuations in the economy when calculating ECL and thus achieve an objective estimate that considers variations in the outcome. The forward-looking information comprises forecasts of macroeconomic factors that are highly significant for the Swedish housing market and that strongly correlate with default rates and credit losses in lending. The forward-looking information extends 36 months forward and is aligned with the forecast period applied in SCBC's internal capital and liquidity adequacy assessment process (ICLAAP). Moreover, 36 months is considered to encompass the effective period of an economic downturn (or upturn).

After 36 months, the bank assumes that the economy will swing back to the baseline as per the balance-sheet date, which will thereafter apply for the remaining time until maturity for the loans. The assumption has been assessed as reasonable since loans have relatively limited expected maturities – less than ten years – and the occurrence of several consecutive major economic fluctuations over the remaining maturity is deemed unlikely. The repo rate and unemployment are both factors with clear correlations to PD and default in the Swedish housing market. Changes in the repo rate will indirectly affect borrowers' interest expenses, while changes in employment will directly impact their capacity to pay. To measure the effect on PD, a linear regression has been used, where the changes in the two macroeconomic factors explain the changes in the bank's default rates. For LGD, housing prices have been used as macroeconomic factors to explain the changes in loss rates. As credit losses on secured lending are largely attributable to the loan-to-value (LTV) ratio and thereby to market values of collateral, a perfect correlation with the LGD is assumed to exist here. Therefore, a simple scaling of the LTV and indirectly LGD is carried out to reflect the effect of this factor. The forward-looking information should be viewed as an adjustment to the two risk parameters, PD and LGD, which impact both the allocation of credit stages and the level of the ECL. In the identification of the macroeconomic factors, correlations between the factors were also analysed to secure reasonable scenarios.

With regards to EAD, cash flows are projected by the amortisation schedule. An early redemption factor has also been applied to take into account the expected remaining duration of the loan. The same macroeconomic factors and their effects are applied consistently for all exposure types in the bank's lending portfolio for all exposure types. Currently, four scenarios are modelled, in which relatively positive and negative forecasts of the above macroeconomic factors are evaluated. These scenarios are assesed to be sufficient to capture the range of possible outcomes in ECL based on prevailing economic conditions.

The final ECL is weighted according to the likelihood that SCBC will experience credit losses of the scale envisaged in the respective scenarios. Internal data of experienced default and credit loss rates, together with forward-looking information analysed through macroeconomic factors in various scenarios, ensures that SCBC obtains an objective and probability-weighted ECL pursuant to IFRS 9.

Decisions on forward-looking information and management overlays

The Chief Risk Officer (CRO), supported by the Chief Economist and credit risk experts, submits proposals for updates in the forward-looking information including the likelihood for scenario weights based on expert-judgement. The proposal is presented to the Assets and Liabilities Committee (ALCO), which takes decisions regarding the forecasts of macroeconomic factors and the weighting of ECL in the respective scenario. The decision from ALCO also needs approval by the governing body Risk and the Capital Committee.

In the event of larger shocks to the housing or financial markets, manual adjustment in the form of management overlays of the ECL may be necessary. As for the forward-looking information, the proposal needs to be submitted to ALCO for decision which subsequently is to be approved by Risk and the Capital Committee. Management overlays may involve add-ons to both PD and LGD and should be managed in the same way as the forward-looking information. Where adjustments are to be made within geographical areas or certain product types that are particularly affected by the shocks, a manual allocation of ECL to affected loans may be necessary.

Time value of money

Under IFRS 9, the ECL for loans with variable interest rates should be discounted with the effective interest rate. All loans in SCBC's lending portfolio have variable interest rates with different maturities. The nominal interest rate of the loan according to actual terms and conditions has been used as an approximation of the effective interest rate. Since no arrangement fees are charged to borrowers and invoicing charges only arise to a limited extent, this is assessed to be a reasonable approximation.

Uncertainty in calculating ECL

The largest source of uncertainty in calculating the ECL is the forward-looking information. SCBC simulates ECL in several scenarios that are both positive and negative in nature to capture the variation in the outcome of future credit losses. The macroeconomic factors impact the risk parameters PD and LGD and have in turn a significant impact on the final ECL. The estimate of the ECL varies depending on the choice of weights assigned to the forward-looking scenarios. For information about the scenarios applied at the closing period, scenario weighting and the variation in ECL that demonstrates the sensitivity of the forward-looking information, please refer to Note RC 1.

Another source of uncertainty is the PD threshold level, which are used to measure a significant increase in credit risk. The thresholds have a direct impact on the size of the ECL. The following table presents how the lending exposure is allocated over the credit stages for various PD thresholds and the impact on ECL based on the current threshold, corresponding to deviations in PD at the tenth percentile.

Sensitivity analysis of PD thresholds

Allocation of EAD over credit stage and change in ECL	Percentile		
	20	10	5
Credit stage 1	88.1%	94.3%	97.7%
Credit stage 2	11.9%	5.6%	2.2%
Credit stage 3	0.1%	0.1%	0.1%
∆ ECL	**20.1%**	**–**	**-18.2%**

Modification of financial assets

If the contractual cash flows from a loan are renegotiated or otherwise modified, SCBC assesses whether the change will result in a modification gain or loss and whether the amount is significant to the extent that the modification will lead to derecognition. The change is deemed material when the renegotiated terms and conditions entail that the discounted present value of cash flows differs more than 10% from the present value according to original terms and conditions. The 10% threshold for materiality is decided based on a qualitative assessment of what is considered a reasonable level. Moreover, this level corresponds to the materiality threshold in terms of the modification of debt instruments pursuant to IFRS 9. A significant modification that leads to derecognition, will lead to the loan receiving a new initial recognition and thus a new original rating grade. Amortisation exemptions will be classified as modifications in the event they result in changes of the loans' terms and conditions. However, amortisation exemptions do not lead to any modification gains or losses as they do not affect the net present value of the loan.

Input data for calculating ECL

Most of the input data used in the calculation of ECL with regard to PD and LGD comes from the bank's central database that contains information about borrowers, loans and underlying collateral. Since the lending operations focus on housing finance with a very similar product offering, all loans are processed by SBAB in the same loan ledger.

In addition to the information in the database, external data such as financial statements and external payment behaviour is collected from credit reference agencies. Data from Statistics Sweden and the Riksbank is used to construct the macroeconomic factors to be applied in the forward-looking information.

Model changes for calculating ECL

Since the end of year 2021 and throughout 2022 a project has been ongoing in order to update and adapt the model for ECL to new developed credit risk models in the IRB framework. The new model for ECL has not yet been implemented because of delays in the approval of model applications at the Swedish FSA and consequently implementation of the new credit risk models under the IRB framework. Therefore, no changes in either methodology or estimates in the risk parameters have been made in the model for ECL during 2022.

In the validation of the model carried out at the end of 2022 some known deficiencies were identified regarding the components that measure a significant increase in credit risk and PD over lifetime and an overall adaption to the new IRB system. The abovementioned deficiencies as well as other areas of improvement have been addressed in the development of the new model for ECL. It is assessed that the updated model will only have a limited impact on the level of credit loss allowances. The only changes in calculating ECL that have taken place in 2022 concern the forward-looking information that has been revised at the end of each quarter following updated macro-economic scenarios. For more information on the revision of the forward-looking information and the impact on the ECL, please refer to Note RC 1.

Other

Functional currency

The functional currency is the currency used in the primary economic environments in which SCBC operates. SCBC's functional currency and presentation currency is SEK.

Foreign currency translation of receivables and liabilities

Foreign currency transactions are recognised by applying the exchange rate on the transaction date, and foreign currency receivables and liabilities are translated using the closing-date rate. Foreign exchange gains or losses resulting from settlements of foreign currency transactions and from the translation of monetary assets and liabilities in foreign currency are recognised in profit or loss under "Net result of financial transactions."

Tax

Total tax consists of current tax and deferred tax. Current tax comprises tax that is to be paid or received for taxable earnings during the current year and adjustments of current tax for previous years. Accordingly, for items recognised in profit or loss, the related tax effects are also recognised in profit or loss. The tax effects of items recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity.

Deferred tax assets and tax liabilities are measured according to the balance sheet method on the basis of temporary differences that arise between the carrying amount and the tax base of an asset or liability. Deferred tax assets are recognised for unutilised tax losses to the extent that it is probable that the carry-forwards can be used to offset future taxable profit. Deferred tax is calculated in accordance with the tax rate applicable at the time of taxation.

Cash and cash equivalents

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

Segment reporting

An operating segment is a part of a business for which independent financial information is available, that conducts business operations from which income can be generated and expenses incurred and whose operating profits are regularly assessed by the company's chief operating decision maker as a basis for decisions regarding the allocation of resources to segments and an assessment of the segment's profit or loss. SCBC's operations consist primarily of investments in loan receivables with a risk level permitting the issue of covered bonds. Consequently, only a single segment is reported, SCBC as a whole.

Measurement in relation to the assumption of receivables

SBAB is the initial lender for all residential mortgages provided by the SBAB Group. Loan receivables, which meet the regulatory requirements for inclusion in the cover pool that provides security for the covered bonds issued by SCBC, are transferred on a daily basis from the Parent Company SBAB to the subsidiary, SCBC. The transfers are conducted at fair value.

Dividend

Dividends to the Parent Company are recognised in the balance sheet when the dividend has been approved by the Annual General Meeting.

Group contributions

Group contributions paid or received are recognised as a decrease or increase in unrestricted equity after adjustments for estimated tax, in accordance with the principal rule in RFR 2 IAS 27, p2.

Critical accounting estimates and judgements

Critical assumptions

To prepare the annual accounts in compliance with statutory IFRS, it is required that Executive Management use estimates and judgements based on historical experience and assumptions that are considered to be reasonable and fair. No critical assumptions have been made over and above those that entail estimates. These estimates have a material impact on the carrying amounts of assets, liabilities and off-balance sheet exposures, as well as income and expenses presented in the Annual Report. Subsequently, the actual outcome may differ to some extent from the estimates made.

Measurement of loan receivables

The transition to IFRS 9 entails basing the valuation of all loan receivables on the ECL. The ECL must either relate to a 12-month period or the remaining maturity of the receivable if a significant increase in credit risk has occurred. When estimating credit losses, previously observable data is used together with assumptions pertaining to macroeconomic trends. As with all estimates of future outcomes, ECL assessment is uncertain, not least in terms of loan receivables that show a significant increase in credit risk, which may lead to asset adjustments. Moreover, an individual expert assessment for credit impaired loan receivables is carried out where the risk of loss is imminent, which in itself gives rise to considerable uncertainty. Transfers of loan receivables within the Group are conducted at fair value.

For more information, see also the "Credit losses and impairment of financial assets" section.

Financial instruments measured at fair value

The valuation is made based on observable market data, in part through the direct application of market prices, and in part through generally accepted measurement methods. Critical estimates and judgements in conjunction with fair value measurement are made in the choice of which valuation technique and market data to use. In both cases, judgements are made with regard to how the valuation techniques and market data used comprise a good estimate of the fair value.

G:2 Related party disclosures

SCBC is a wholly-owned subsidiary of SBAB Bank AB (publ) with the Corp. Reg. No. 556253-7513. Booli Search Technologies AB with the Corp. Reg. No. 556733-0567 comprises a fellow Group company as does Boappa AB with the Corp. Reg. No. 559081-8273.

Related-party transactions are conducted at market terms.

Group	SBAB		SCBC		BOOLI	
SEK million	2022	2021	2022	2021	2022	2021
Assets						
Lending to credit institutions	128,457	122,789	–	–	–	–
Derivatives	21,769	2,120	12,556	5,766	–	–
Accrued income and prepaid expenses	375	14	–	–	–	–
Other assets	2	2	–	–	–	–
Total	**150,603**	**124,925**	**12,556**	**5,766**	**–**	**–**
Liabilities and equity						
Liabilities to credit institutions	–	–	128,457	122,789	–	–
Derivatives	12,556	5,766	21,769	2,120	–	–
Accrued expenses and deferred income	–	–	2	2	–	–
Other liabilities	–	–	375	14	–	–
Group contribution paid	–	–	30	30	–	–
Dividends paid	–	–	–	–	–	–
Total	**12,556**	**5,766**	**150,633**	**124,955**	**–**	**–**

Group	SBAB		SCBC		BOOLI	
SEK million	2022	2021	2022	2021	2022	2021
Income and expenses						
Interest income	1,158	1,223	175	1,038	–	–
Interest expense	-175	-1,038	-1,158	-1,223	–	–
Group contributions received	–	–	–	–	30	30
Commission income	24	29	–	–	–	–
Commission expense [1)]	–	–	-24	-29	–	–
Other operating income	1,327	1,291	–	–	–	–
Other administrative expenses [2)]	–	–	-1,327	-1,291	–	–

[1)] SCBC compensates the Parent Company, SBAB, for allowing SCBC to utilise a liquidity facility at the Parent Company, refer to Note IC 4.
[2)] SCBC pays a fee for administrative services provided by the Parent Company, SBAB, refer to Note IC 4.

No internal transactions took place between SCBC and Boappa in 2022.

Loans to key personnel

	2022		2021	
SEK million	Lending	Interest income	Lending	Interest income
CEO	–	–	–	–
Board of Directors	–	–	0	0
Other key senior executives	6	0	6	0
Total	**6**	**0**	**6**	**0**

Deposits from key personnel

	2022		2021	
SEK million	Deposits	Interest expense	Deposits	Interest expense
CEO and other key senior executives	0	0	0	0
Board of Directors	0	0	0	0
Total	**0**	**0**	**0**	**0**

The Parent Company has lending to key personnel at SCBC via SCBC. Lending to key personnel at SCBC is not permitted on terms that are not available to other personnel. The ceiling for total capital debt on preferential terms is SEK 2,000,000 per household on the condition that the loan is within 85% of the property's LTV. On preferential loans of up to SEK 2,000,000, a 2 percentage point discount is given against SBAB's current list rate.

The preferential loan is a taxable benefit. The interest rate received after the discount must not be less than 0.25%.

The Parent Company has deposits from key personnel at SCBC. Deposits from key personnel are made on the same terms and conditions as other deposits at SBAB.

G:3 Proposed appropriation of profits

SCBC posted a net profit for the year after tax of SEK 1,570,633,672. Pursuant to approval by the AGM, Group contributions have been distributed of SEK 30,000,000 to fellow Group company Booli Search Technologies AB.

According to the balance sheet, SEK 13,688,138,024 is at the disposal of the Annual General Meeting.

Shareholder contribution	9,550,000,000
Fair value reserve	-6,492,845,370
Retained earnings	9,060,349,722
Net profit for the year	1,570,633,672
Total earnings according to the balance sheet as per 31 December 2022	**13,688,138,024**

The Board proposes that the earnings be appropriated as follows:	
Carried forward to next year	13,688,138,024
Total	**13,688,138,024**

The consolidated situation, SCBC and SBAB, must always comply with the applicable regulations for capital adequacy and major exposures. This means that sufficiently large own funds and acceptable capital must always be accessible in each legal entity. The Group's dividends are distributed by the Parent Company, while the overwhelming majority of earnings are within SCBC, which holds the majority of the assets and accordingly, is where interest income arises. The assessment of the Board of Directors is that the financial position of the company does not give rise to any other assessment than that the company can be expected to meet its obligations in both the short and the long term.

G:4 Events after the balance sheet date

Approval from the Swedish FSA to use new PD models in IRB approaches
In December 2022, SCBC received approval from the Swedish FSA to use a new PD model for retail exposures and, in January 2023, a corresponding approval was received for new PD models for corporate exposures. The approvals from the Swedish FSA to apply the new PD models means a major step forward can be taken in the process to implement an upgraded IRB system. Developing SCBC's IRB models is part of adjusting to the effort initiated by the EBA aimed at harmonising the banks' IRB systems used to cover capital requirements for credit risk. The overall target is to have clearer requirements in place with robust capital requirements that are consistent and comparable between different banks.

RC Risk management and capital adequacy

pp. 27–43

RC:1 Credit risk in lending operations

Credit risk in lending operations is defined as the risk that the customer is unable to fulfil its payment obligations. SCBC does not conduct its own lending operations — instead, all loans are acquired from the Parent Company SBAB. Credit risk is measured, in part, based on the borrower's repayment capacity and, in part, through value changes in pledged collateral relative to the loan. The loans acquired from the SBAB have only been approved for cusotmers who are assessed to able to make repayments when interest rates comfortably exceed the rate that was current at the time of the credit decision. Moreover, the credit risk is restricted by credit limits adopted for various customers or customer groups. The credit risk is primarily managed using the internal ratings-based approach (IRB). IRB is used for capital adequacy as well as for the control and follow-up of the credit risk for new and existing customers in the lending portfolio. SCBC applies advanced IRB (AIRB) for retail loans and loans to tenant-owners' associations. Foundation IRB (FIRB) is applied for loans to corporates as well as to larger tenant-owners' associations with a turnover more than EUR 50 million. The standardised approach is used for measuring credit risk from a capital adequacy perspective for consumer loans, as in unsecured loans.

IRB has been used since 2007 for assessing credit risk in lending operations for loans where a property deed or a tenant-owners' right is used as collateral. In 2015, SCBC received permission to use IRB for excess exposures that are not fully covered by deeds, property financing using other collateral than directly pledged deeds, and building credits. The IRB models are validated annually by an independent validation unit and adjusted when needed.

The credit risk models in the IRB framework that are applied by SCBC deal with the following risk parameters:
- Probability of default by the customer — PD (Probability of Default);
- Share of loss in the event of default — LGD (Loss Given Default);
- The expected exposure in the event of default — EAD (Exposure at Default); and
- The expected credit loss — EL, where EL is the product of PD multiplied by LGD and EAD.

The models in the IRB framework are validated annually and adjusted when needed. In 2022, the completed validations of the models did not lead to any changes. During the year the CCF model has been adapted to consider higher disbursement frequencies which have been observed the last couple of years. The implementation of the adjusted CCF model led to a limited impact on the risk exposure amount (REA). Given the entry into force of new regulatory requirements aimed at harmonising bank's PD and LGD estimates, SCBC submitted applications to the Swedish FSA for new PD and LGD models in the IRB framework in September 2021, both for retail and for corporate exposures. SCBC received permission from Swedish FSA in November 2022 and January 2023 to use the new PD models for retail and corporate exposures respectively. The new PD models will be implemented during 2023. The bank is still awaiting feedback on the applications for the new LGD models.

Customers are ranked according to credit risk based on the risk parameters PD, LGD and EAD, and expected and unexpected credit losses can be estimated. Unexpected credit losses are relevant for the capital adequacy purposes. In order to assess the repayment capacity, the borrower is assigned one of eight rating grades for retail and corporate exposures[1], of which the eighth grade comprises defaults. Trends for exposures in worse rating grades are monitored thoroughly and managed actively, when necessary, by credit experts in the bank's insolvency team.

The expected credit loss EL under IRB differs from the expected credit loss ECL in the accounting that constitute the loss allowance and thus the credit loss provisions. The calculation of EL according to Pillar 1 under the Basel framework is regulated by the Capital Requirements Regulation (CRR)[2]. According to CRR, the measurement of credit risk should be based on historical default rates and credit losses over a longer time period and must include economic downturn periods. For the calculation of ECL in accordance with IFRS 9, the measurement of credit risk must be based both on historical data but also on forward-looking information to predict the negative impact on future cash flows. For information pertaining to the impairment of financial assets, refer to Note G 1. Total EL for lending under IRB amounted to SEK 177 million (140) at the end of 2022. Total ECL in accordance with IFRS 9, reduced for guarantees, amounted to SEK 153 million (116). For capital adequacy purposes, IRB separates non-performing loans from other loans when calculating EL. A positive difference when EL exceeds ECL reduces the CET1 capital by the corresponding amount.

For loans granted by SBAB, adequate collateral must be provided. Adequate collateral primarily refers to property deeds for real estate or shares in tenant-owners' associations within a maximum of 75–85% of the market value. The 85% level only applies if collateral can be obtained with a primary lien and the borrower is assigned a better rating grade. The better rating grades for retail customers consist of the levels R1–R4, while the better rating grades for corporates and tenant-owners' associations consist of the levels C0–C3, and manually adjusted from C3 to C4. In other cases for lending to corporates and tenant-owners' associations, a loan-to-value [3] (LTV) of 75% generally applies. SCBC has not repossessed any collateral to protect loans. Lending to the public accounts for 99% (99) of SCBC's overall assets.

The table below presents lending in relation to the market value of underlying collateral. As the majority of SCBC's lending has an LTV below 70%, the portfolio is assessed to be well-covered and its credit quality as very high.

1) Retail exposures refer to residential mortgages to private individuals with collateral consisting of loans for houses, holiday homes and tenant-owners' rights, as well as property loans to tenant-owners' associations with a turnover of less than EUR 50 million. Corporate exposures refer to property loans to corporates, i.e. legal entities, as well as property loans to tenant-owners' associations with a turnover of more than EUR 50 million.

2) CRR refers to Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

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

Loan amounts broken down by LTV interval

	2022			2021		
SEK million	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total
Lending to the public						
LTV <50%	107,981	63,749	171,730	127,376	53,663	181,039
LTV 50–69%	120,694	49,377	170,071	124,279	38,843	163,122
LTV >69%	117,007	25,086	142,093	78,547	19,478	98,025
Total	**345,682**	**138,212**	**483,894**	**330,202**	**111,984**	**442,186**

ECL and forward-looking information

Factors	Scenario 1 (40%) 2023	2024	2025	Scenario 2 (20%) 2023	2024	2025	Scenario 3 (20%) 2023	2024	2025	Scenario 4 (20%) 2023	2024	2025
GDP [1]	+1.2%	+2.2%	+2.8%	-0.4%	+0.8%	+2.6%	-3%	+4.4%	+3.6%	-4%	+0%	+2.8%
Repo rate (proxy STIBOR)	3%	2.4%	2.3%	3%	2.3%	2.1%	3.3%	2.8%	2.6%	3.9%	3.5%	3.2%
Unemployment	7.9%	8%	7.8%	8.3%	9.1%	8.9%	10.8%	10.8%	9.8%	8.7%	10.2%	10.6%
House prices, Δ	-3.9%	+1.8%	+4.2%	-5.2%	+1.7%	+5.1%	-13.3%	-3.9%	+4.2%	-19.1%	-15.2%	+0.3%
Prices of tenant-owners' rights, Δ	-3.2%	+3.7%	+5.7%	-4.4%	+3.9%	+6.7%	-12.2%	-3.9%	+5.7%	-19.3%	-12.4%	+1.3%
Property prices, Δ	0%	-1.7%	-2.5%	-0.9%	-2.2%	-1.8%	-6%	-9.8%	-4.9%	-9.9%	-18.7%	-11%
ECL	**SEK 98 million**			**SEK 102 million**			**SEK 157 million**			**SEK 312 million**		
Weighted ECL [1]	**SEK 156 million**											

[1] Not included in the ECL calculation.

ECL and forward-looking information
Based on updated macroeconomic forecasts, SCBC has revised the forward-looking information on during each respective quarter in 2022. The forward-looking information is applied in the impairment model to calculate ECL. The updates to the macroeconomic projections in the first quarter are based on Russia's invasion of Ukraine and the resulting turmoil in the global economy. The updates in the consecutive three quarters are based on the persisting high inflation and hence rising interest rates as well as recorded falling prices for residential properties and tenant owners' rights in the Swedish housing market. Because of the realized price drops during the third and fourth quarter the projections of prices for residential properties and tenant owners' rights are now softer than earlier in the year. Despite the above, the bank believes that some uncertainty continues to apply for Sweden's housing market and for economic development in general. During the fourth quarter, revisions were therefore made to the scenario weighting in the forward-looking information, which reflect the likelihood of experiencing credit losses of corresponding magnitude, to temporarily limit the positive impact of updated macroeconomic forecasts. Accordingly, a weight of 5% was moved from scenario 3 to scenario 4.

The revision of the forward-looking information led to increased credit loss allowances of SEK 14 million at the end of the first quarter, an increase of SEK 9 million at the end of the second quarter, a decrease of SEK 6 million at the end of the third quarter and a decrease of SEK 18 million at the end of the fourth quarter.

The realized price drops for residential properties and tenant owners' rights, which were recorded in August and October when the market values were re-indexed, has contributed to an increase in credit loss provisions of SEK 21 million. I. Increased interest costs for retail customers have also resulted in increased credit loss provisions of SEK 20 million due to rating grade migrations. In November, new credit information from credit reference agency was loaded. The new credit information showed on an overall better credit risk but resulted in some inflow to stage 2 and thereby increased credit loss provisions of SEK 5 million.

On 31 December 2022, the loss provisions amounted to SEK 156 million, compared with SEK 119 million on 31 December 2021. The table above presents the forward-looking information consisting of a weighting of the four scenarios with forecasts of the macroeconomic factors used to calculate ECL. The table above presents the forward-looking information consisting of four scenarios with forecasts of the macroeconomic factors and their corresponding weight used to calculate the ECL. In 2022, SCBC has closely followed the credit risk exposure in the lending portfolio due to both the macroeconomic developments and concerns on the Swedish housing market. The underlying credit risk models in the impairment model are largely based on customers' payment behaviour and market values of collateral have yet only showed on a limited increase in credit risk in spite of the heavy rise in interest rates and prices drops for residential properties and tenant owners' rights. The bank is comfortable with the size of the credit loss provisions, totalling SEK 156 million (119) on 31 December 2022.

No management overlays in the calculation of ECL has been deemed necessary during the year.

Overall credit quality
The credit quality of SBAB's lending portfolio remains good and the risks entailed in the lending to private individuals within the business area Retail are low despite the prevailing circumstances. The bank's granting of loans to retail customers 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, with data from 2021, found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages even in a worse economic climate. At the end of 2022, the average LTV ratio in the mortgage portfolio was 59% (55).

The credit quality of SBAB's lending to corporate customers which are represented by property companies, property developers and tenant-owners' associations is also good. The average LTV for property companies and tenant-owners' associations at the end of 2022 were 62% (63) and 33% (35), respectively. In the business area Corporate Clients & Tenant-Owners' Associations, the granting of loans is based on an assessment of customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the global economic development with high inflation resulting in rising interest rates, the bank has and is working proactively to identify customers who are or could become particularly financially affected. The bank is continuously identifying risks and need for measures for individual customers. Changed market situation can lead to increased credit risk. The bank has increased the frequency of follow-up of customers which are more dependent on market funding as well as customers with building credits, which can be particularly affected by increased interest rates and raised costs for building materials. Furthermore, there is a more frequent evaluation of exposures' rating grades by expert judgement. During the year only a few overrides of the rating grades have been made. No individual credit loss provisions within the business area have been deemed necessary during 2022.

Climate risk aspects when measuring credit risk
The credit risk models used within the IRB framework and in the model and in the impairment model do not involve any risk factors which are directly linked to climate risks. On the other hand, there are risk factors that reflect realization of climate risks, such as LTV related to physical risks, as well as payment behaviour for repayment capacity related to transition risks. Furthermore, it is possible to include macroeconomic forecasts specific to climate risks in the forward-looking information subject to the impairment model, something that is not yet deemed necessary. When additional climate data is identified and collected, the bank will re-evaluate relevant risk factors which reflect climate risk. These analyses will be carried out in the regular credit risk model reviews within both IRB and IFRS 9.

Since SCBC's business model is exclusively based on financing housing, flood risk and transition risk based on energy prices and investments within sustainability are identified as the two primary climate risks in the lending portfolio. During the year, the bank has implemented new disclosure requirements within ESG about collateral classification based on energy efficiency as well as the lending portfolio's sensitivity to potential impact of physical risks. Only a limited part of the portfolio is assessed to be sensitive to the physical impact of floods. Moreover, sensitivity analyses have also been carried out regarding stressed energy prices where potential impacts in PD and hence the customer repayment capabilities have been studied. Due to the increased energy prices throughout 2022, an update of operating costs has been made in the left-to-live-on calculation for private individuals. Similar updates have been made to the operating costs used in the cash flow calculations for tenant-owners' associations and property companies. SCBC has not observed any impact on credit quality, credit risk exposures or customers repayment capability as a consequence of either physical climate risks or transition risks during the year.

Lending to the public broken down by rating grade
As per 31 December 2022, SCBC's lending to the public amounted to SEK 484 billion (442). Every borrower is assigned a rating grade. Borrowers in default are allocated to the rating grade C8 applicable to corporates and tenant-owners' associations or the rating grade R8 for private individuals. The rating grade C0 consists of loans to Swedish municipalities which receive a risk weight of 0%. Transaction costs attributable to loans brokered by business partners and arrangement fees for loans related to the Corporate Clients & Tenant-Owners' Associations business area have together increased lending to the public by SEK 8 million. These have been distributed in the table on a pro rata basis.

Lending to the public	2022							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1/C1	215,452	-3	0	0	0	0	215,452	-3
R2/C2	144,000	-7	1,083	0	0	0	145,083	-7
R3/C3	67,397	-13	3,834	-2	0	0	71,231	-15
R4/C4	24,090	-18	9,946	-10	0	0	34,036	-28
R5/C5	4,029	-10	9,834	-27	1	0	13,864	-38
R6/C6	260	-2	2,621	-18	15	-1	2,896	-21
R7/C7	11	0	991	-22	118	-3	1,120	-25
R8/C8	0	0	0	0	212	-20	212	-20
Total	**455,239**	**-53**	**28,309**	**-79**	**346**	**-24**	**483,894**	**-156**
Guarantees [1)]	–	1	–	1	–	–	–	2
Total lending after provisions and guarantees	**455,239**	**-52**	**28,309**	**-78**	**346**	**-24**	**483,894**	**-154**

Lending to the public	2021							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1/C1	221,559	-3	0	0	0	0	221,559	-3
R2/C2	123,234	-5	145	0	0	0	123,379	-5
R3/C3	51,588	-9	1,774	-1	0	0	53,362	-10
R4/C4	21,874	-13	7,312	-7	0	0	29,186	-20
R5/C5	4,040	-9	7,846	-19	1	0	11,887	-28
R6/C6	166	-1	1,558	-10	0	0	1,724	-11
R7/C7	10	0	865	-18	19	-1	894	-19
R8/C8	0	0	0	0	195	-23	195	-23
Total	**422,471**	**-40**	**19,500**	**-55**	**215**	**-24**	**442,186**	**-119**
Guarantees [1)]	–	1	–	2	0	0	–	3
Total lending after provisions and guarantees	**422,471**	**-39**	**19,500**	**-53**	**215**	**-24**	**442,186**	**-116**

RESIDENTIAL MORTGAGES	2022							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1	125,076	-2	0	0	0	0	125,076	-2
R2	109,127	-4	131	0	0	0	109,258	-4
R3	58,178	-11	1,556	-1	0	0	59,734	-12
R4	23,939	-18	9,646	-10	0	0	33,585	-28
R5	4,024	-10	9,825	-27	1	0	13,850	-37
R6	241	-2	2,609	-18	15	-1	2,865	-21
R7	11	0	991	-22	118	-3	1,120	-25
R8	0	0	0	0	193	-12	193	-12
Total	**320,596**	**-47**	**24,758**	**-78**	**327**	**-16**	**345,681**	**-141**
Guarantees [1)]	–	–	–	1	–	–	–	1
Total lending after provisions and guarantees	**320,596**	**-47**	**24,758**	**-77**	**327**	**-16**	**345,681**	**-140**

RESIDENTIAL MORTGAGES	2021							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1	140,549	-2	0	0	0	0	140,549	-2
R2	98,634	-3	141	0	0	0	98,775	-3
R3	45,829	-8	1,348	-1	0	0	47,177	-9
R4	21,823	-12	7,290	-7	0	0	29,113	-19
R5	4,032	-9	7,758	-19	1	0	11,791	-28
R6	166	-1	1,558	-10	0	0	1,724	-11
R7	10	0	865	-18	19	-1	894	-19
R8	0	0	0	0	178	-16	178	-16
Total	**311,043**	**-35**	**18,960**	**-55**	**198**	**-17**	**330,201**	**-107**
Guarantees [1)]	–	–	–	2	–	0	–	2
Total lending after provisions and guarantees	**311,043**	**-35**	**18,960**	**-53**	**198**	**-17**	**330,201**	**-105**

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS	2022							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
C1	90,376	-1	0	0	0	0	90,376	-1
C2	34,873	-3	952	0	0	0	35,825	-3
C3	9,219	-2	2,278	-1	0	0	11,497	-3
C4	151	0	300	0	0	0	451	0
C5	5	0	9	0	0	0	14	0
C6	19	0	12	0	0	0	31	0
C7	0	0	0	0	0	0	0	0
C8	0	0	0	0	19	-8	0	0
Total	**134,643**	**-6**	**3,551**	**-1**	**19**	**-8**	**138,213**	**-15**
Guarantees [1]	–	1	–	–	–	–	–	1
Total lending after provisions and guarantees	**134,643**	**-5**	**3,551**	**-1**	**19**	**-8**	**138,213**	**-14**

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS	2021							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
C1	81,011	-1	0	0	0	0	81,011	-1
C2	24,600	-2	4	0	0	0	24,604	-2
C3	5,759	-2	426	0	0	0	6,185	-2
C4	50	0	23	0	0	0	73	0
C5	8	0	87	0	0	0	95	0
C6	0	0	0	0	0	0	0	0
C7	0	0	0	0	0	0	0	0
C8	0	0	0	0	17	-7	17	-7
Total	**111,428**	**-5**	**540**	**0**	**17**	**-7**	**111,985**	**-12**
Guarantees [1]	–	1	–	0	–	0	–	1
Total lending after provisions and guarantees	**111,428**	**-4**	**540**	**0**	**17**	**-7**	**111,985**	**-11**

Loans with unpaid amounts (more than five days past due)[1]
The table describes loans with a past-due amount. All amounts are distributed by segment. Loans with past-due amounts in several time intervals are shown in full in the oldest time interval. At year-end 2022, 99.9% (99.9) of lending had no past-due unpaid amounts and was not assessed as doubtful.

	2022			2021		
SEK million	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total
Past due 5–30 days [1]	8	3	11	4	–	4
Past-due 31–60 days	273	–	273	56	–	56
Past-due 61–90 days	41	–	41	27	–	27
Past-due 91–180 days	50	–	50	24	–	24
Past due >180 days	45	–	45	43	–	43
Total	**417**	**3**	**420**	**154**	**–**	**154**

[1] For the first time interval, amounts past-due by five days or less are not taken into consideration to ensure that the analysis is not distorted by payments delayed because the payment date is a holiday.

Lending to the public

The following tables present changes in gross lending and credit loss allowances during the period for the respective segment. For more information; please refer to Note A 2.

A brief description of the reported items:

- Moved to credit stage – Movements between credit stages show opening balances for the period for migrated loans.
- Remeasurement of provision – Net changes of provisions for each credit stage. This includes changes due to movements between credit stages.
- Repayment and redemption – Loans that have been derecognised from the balance sheet during the period and which have not been written off due to confirmed credit losses.
- Write-offs due to confirmed credit losses – Confirmed credit losses during the reporting period.
- Other – Residual items.

TOTAL	2022							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**422,471**	**-40**	**19,500**	**-55**	**215**	**-24**	**442,186**	**-119**
Migrated to credit stage 1	11,643	-25	-11,607	24	-36	1	0	0
Migrated to credit stage 2	-13,616	3	13,645	-4	-29	1	0	0
Migrated to credit stage 3	-86	0	-190	3	276	-3	0	0
Remeasurement of provision	-889	29	200	-38	-6	-7	-695	-16
Transferred to/from Group companies, net [1]	71,124	-25	10,319	-27	11	1	81,454	-51
Repayment of borrowings	-687	–	-37	–	-1	–	-725	–
Redemption	-34,714	6	-3,521	8	-82	3	-38,317	17
Write-offs due to confirmed credit losses	–	–	–	–	-2	2	-2	2
Change in risk parameters during the period [2]	–	-1	–	10	–	2	–	11
Other	-7	–	0	–	0	–	-7	–
Closing balance	**455,239**	**-53**	**28,309**	**-79**	**346**	**-24**	**483,894**	**-156**

TOTAL	2021							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**380,031**	**-42**	**17,911**	**-64**	**218**	**-25**	**398,160**	**-131**
Migrated to credit stage 1	10,683	-27	-10,659	26	-24	1	0	0
Migrated to credit stage 2	-8,598	2	8,626	-3	-28	1	0	0
Migrated to credit stage 3	-48	0	-82	2	130	-2	0	0
Remeasurement of provision	1,699	37	-19	-14	-2	-6	1,678	17
Transferred to/from Group companies, net [1]	79,691	-20	7,617	-17	2	0	87,310	-37
Repayment of borrowings	-716	0	-178	0	-1	0	-895	0
Redemption	-40,271	8	-3,716	12	-77	5	-44,064	25
Write-offs due to confirmed credit losses	0	0	–	–	-3	1	-3	1
Change in risk parameters during the period [2]	–	2	–	3	–	1	0	6
Other	0	0	0	0	0	0	0	0
Closing balance	**422,471**	**-40**	**19,500**	**-55**	**215**	**-24**	**442,186**	**-119**

[1] Net amount is the loan's total amount less any internal transfers from other loans.

[2] The change in risk parameters during the period also includes changes in forward-looking information.

RESIDENTIAL MORTGAGES	2022							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**311,043**	**-37**	**18,960**	**-54**	**198**	**-16**	**330,201**	**-107**
Migrated to credit stage 1	11,360	-25	-11,324	24	-36	1	0	0
Migrated to credit stage 2	-12,077	3	12,106	-4	-29	1	0	0
Migrated to credit stage 3	-85	0	-188	3	273	-3	0	0
Remeasurement of provision	-5,766	28	-298	-38	-5	-7	-6,069	-17
Transferred to/from Group companies, net [1]	46,485	-22	8,844	-27	11	1	55,340	-48
Repayment of borrowings	-535	–	-37	–	-1	–	-573	0
Redemption	-29,827	6	-3,305	8	-82	3	-33,214	17
Write-offs due to confirmed credit losses	–	–	–	–	-2	2	-2	2
Change in risk parameters during the period [2]	–	0	–	10	–	2	–	12
Other	-2	–	0	–	0	–	-2	0
Closing balance	**320,596**	**-47**	**24,758**	**-78**	**327**	**-16**	**345,681**	**-141**

	2021							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**289,360**	**-38**	**16,902**	**-64**	**201**	**-17**	**306,463**	**-119**
Migrated to credit stage 1	9,816	-27	-9,792	26	-24	1	0	0
Migrated to credit stage 2	-8,392	2	8,420	-3	-28	1	0	0
Migrated to credit stage 3	-48	0	-82	2	130	-2	0	0
Remeasurement of provision	-3,690	33	-130	-12	-2	-6	-3,822	15
Transferred to/from Group companies, net [1]	57,969	-17	7,099	-16	2	0	65,070	-33
Repayment of borrowings	-365	0	-29	0	-1	0	-395	–
Redemption	-33,607	8	-3,428	11	-77	5	-37,112	24
Write-offs due to confirmed credit losses	0	0	0	0	-3	1	-3	1
Change in risk parameters during the period [2]	–	2	–	2	–	1	0	5
Other	0	–	–	–	–	–	0	–
Closing balance	**311,043**	**-37**	**18,960**	**-54**	**198**	**-16**	**330,201**	**-107**

1) Net amount is the loan's total amount less any internal transfers from other loans.
2) The change in risk parameters during the period also includes changes in forward-looking information.

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS	2022							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**111,428**	**-3**	**540**	**-1**	**17**	**-8**	**111,985**	**-12**
Migrated to credit stage 1	283	0	-283	0	0	0	0	0
Migrated to credit stage 2	-1,539	0	1,539	0	0	0	0	0
Migrated to credit stage 3	-1	0	-2	0	3	0	0	0
Remeasurement of provision	4,877	1	498	0	-1	0	5,374	1
Transferred to/from Group companies, net [1]	24,639	-3	1,475	0	0	0	26,114	-3
Repayment of borrowings	-152	–	0	–	0	–	-152	–
Redemption	-4,887	0	-216	0	0	0	-5,103	0
Write-offs due to confirmed credit losses	–	–	–	–	–	–	–	–
Change in risk parameters during the period [2]	–	-1	–	0	–	0	–	-1
Other	-5	–	0	–	0	–	-5	–
Closing balance	**134,643**	**-6**	**3,551**	**-1**	**19**	**-8**	**138,213**	**-15**

SEK million	2021 Credit stage 1 Gross lending	Provision	Credit stage 2 Gross lending	Provision	Credit stage 3 Gross lending	Provision	Total Gross lending	Provision
Opening balance	**90,671**	**-4**	**1,008**	**0**	**18**	**-8**	**91,697**	**-12**
Migrated to credit stage 1	867	0	-867	0	0	0	0	0
Migrated to credit stage 2	-205	0	205	0	0	0	0	0
Migrated to credit stage 3	0	0	0	0	0	0	0	0
Remeasurement of provision	5,387	2	113	-2	-1	0	5,499	0
Transferred to/from Group companies, net [1)]	21,723	-1	518	-1	0	0	22,241	-2
Repayment of borrowings	-351	0	-149	0	0	0	-500	0
Redemption	-6,664	0	-288	1	0	0	-6,952	1
Write-offs due to confirmed credit losses	0	0	0	0	0	0	0	0
Change in risk parameters during the period [2)]	–	0	–	1	–	0	–	1
Other	0	0	0	0	0	0	0	0
Closing balance	**111,428**	**-3**	**540**	**-1**	**17**	**-8**	**111,985**	**-12**

[1)] Net amount is the loan's total amount less any internal transfers from other loans.
[2)] The change in risk parameters during the period also includes changes in forward-looking information.

Modified loans, loans with renegotiated terms and conditions
In exceptional cases, loans may be renegotiated outside of the loan's terms and conditions due to a deterioration of the customer's financial position or because the customer has encountered other financial problems. Such loans are specifically monitored and are referred to as modified financial assets in accordance with IFRS 9. In 2022 no modifications have been deemed significant and have led to derecognition of loans.

Modified loans, modified loans in credit stages 2 and 3 (that have not led to derecognition)

SEK million	2022 Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total	2021 Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total
Amortised cost prior to modification	1,324	0	**1,324**	215	0	**215**
Modification gain/loss, net	0	0	**0**	0	0	**0**
Amortised cost after modification	1,324	0	**1,324**	215	0	**215**
Of which, carrying amount prior to provision for assets migrated from credit stage 2 or 3 to credit stage 1.	*429*	*0*	*429*	*34*	*0*	*34*

RC:2 Credit risk in treasury operations

Credit risk in treasury operations comprises the risk of the counterparty being unable to fulfil its payment obligations. In treasury operations, credit risk arises in the form of counterparty risk for the derivative and repo contracts entered into by SCBC to manage its financial risks.

Limit utilisation per rating category

SEK million	2022 Limit	Utilised limit	2021 Limit	Utilised limit
AAA	–	–	–	–
AA- to AA+	8,400	5	8,400	43
A- to A+	16,450	625	16,850	292
Lower than A-	2,200	–	2,300	–
Total	**27,050**	**630**	**27,550**	**335**

The "Limit utilisation per rating category" table shows the limits and the utilised limits, respectively, for SCBC's derivative counterparties. The limits for each derivative counterparty are proposed by SBAB's Treasury and adopted by the Board's Credit Committee within the confines of the framework adopted by the Board of Directors. The values in the table comprise an aggregate of individual derivative counterparty's total exposure and the limits for the respective rating category. The exposure in the summary includes external derivative and repo contracts entered into by SCBC and which are outstanding as of 31 December 2022. At Group level, limits for each counterparty are set for all investments, and derivative and repo contracts. The table shows the limits for the SBAB Group.

As per the credit instruction, the limits are set by SBAB's Credit Committee within the confines of the framework adopted by the Parent Company's Board of Directors. The utilised limit is calculated as the exposure from financial derivatives, repos and investments. For derivatives and repos, the effect of collateral pledged or received under CSAs or GMRAs is included in the total limit. Moreover, for derivatives, an add-on amount is also calculated for future risk-related changes. The limit is coordinated with the credit limit for counterparties who also are loan customers. Limits may be established for a period of not longer than one year, after which a new assessment must be conducted. The decisions of the Credit Committee are reported to the Board at the following Board meeting.

Counterparty risk

Counterparty risk at SCBC comprises exposures to well-reputed, major banks as well as the Parent Company SBAB as counterparties, which is hedged entirely through unilateral collateral agreements in which the counterparty pledges collateral by transferring funds or securities with the aim of reducing net exposure — known as a Credit Support Annex (CSA). Wherever applicable, the collateral received takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations.

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivatives that are not cleared by clearing organisations approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement is to be entered into with the counterparty. Where appropriate, the framework agreement, an ISDA Master Agreement or equivalent agreement, has been supplemented with an associated collateral agreement, CSA. A CSA must always be established for counterparties entering into derivative contracts with SCBC. The framework agreements entitle the parties to offset receivables against debt in the event of a payment default.

Counterparty risk is reconciled on a daily basis for all counterparties. When entered into, CSAs are reconciled on a daily basis or on a weekly basis. Derivative contracts entered into with external counterparties are mostly entered into with the Parent Company as the counterparty. The effects of posted and received collateral are shown in greater detail in Note FI 3.

Credit-risk limits are established by SBAB's Credit Committee for all counterparties in treasury operations. In the table "Maximum credit-risk exposure in treasury operations," the maximum credit-risk exposure is shown with and without taking collateral received or other credit enhancements into account.

Maximum credit-risk exposure in treasury operations

	Without taking into account collateral received or other credit enhancements		Taking into account collateral received or other credit enhancements	
SEK million	**2022**	**2021**	**2022**	**2021**
Lending to credit institutions	983	1	983	1
Chargeable treasury bills, etc.	–	–	–	–
Bonds and other interest-bearing securities	–	–	–	–
Derivatives	12,556	5,902	12,556	5,902
Total	**13,539**	**5,903**	**13,539**	**5,903**

Collateral posted and received under collateral agreements, 31 December 2022

SEK million, Company	**Collateral pledged**	**Collateral received**
SCBC	0	0

Lending to credit institutions

	2022		2021	
	Financial assets measured at amortised cost		Financial assets measured at amortised cost	
	Credit stage 1		Credit stage 1	
SEK million	**Securities, gross**	**Provision**	**Securities, gross**	**Provision**
Opening balance	**1**	–	**1**	–
Change in cash balances	31	–	0	–
Purchases	2,924	–	7,689	–
Sales	–	–	–	–
Maturity	-1,974	–	-7,689	–
Write-offs, redemption, etc.	–	–	–	–
Change in risk parameters during the period	–	–	–	–
Change in model/method	–	–	–	–
Currency revaluation	–	–	–	–
Other	–	–	–	–
Closing balance	**982**	–	**1**	–

RC:3 Liquidity risk

Liquidity risk is defined as the risk that the company will not be able to meet its payment obligations on the date of maturity without the related cost increasing significantly. Liquidity risk management for SCBC is performed as an integral part of the Group's overarching management. Moreover, access to funding from covered bonds is secured by monitoring that the over-collateralisation (OC level) in the cover pool at each point in time, including in stressed circumstances, exceeds Moody's requirements for Aaa ratings. On 31 December 2022, the OC level was 25.4%. SCBC has an agreement regarding a liquidity facility with the Parent Company, SBAB. The aim of the agreement is to allow SCBC to borrow funds from the Parent Company in the event that SCBC is unable to pay bond holders when SCBC's bonds mature. For more information; please refer to Note RC 3 in the SBAB Group's Annual Report.

Maturities of financial assets and liabilities (amounts refer to contractual, undiscounted cash flows)

	2022							2021						
SEK million	No maturity	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total	No maturity	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total
ASSETS														
Lending to credit institutions	–	887	101	–	–	–	988	–	–	–	–	–	–	–
Lending to the public	–	1,868	55,239	5,114	5,743	415,733	483,697	–	2,065	44,610	2,242	4,042	388,911	441,871
Derivatives	–	541	1,199	1,540	6,258	3,012	12,550	–	461	1,157	57	2,034	1,043	4,752
Other assets	288	–	–	–	–	–	288	167	–	–	–	–	–	167
Total financial assets	**288**	**3,296**	**56,539**	**6,654**	**12,001**	**418,745**	**497,523**	**167**	**2,526**	**45,767**	**2,299**	**6,076**	**389,954**	**446,790**
LIABILITIES														
Liabilities to credit institutions	–	1	–	–	–	–	1	–	3,835	8,006	3,436	–	–	15,277
Issued debt securities, etc.	–	–	37,271	997	225,121	65,545	328,934	–	3,698	28,281	254	206,930	72,630	311,793
Derivatives	–	1,083	897	4,316	13,428	4,042	23,766	–	43	–	185	1,942	1,447	3,617
Other liabilities	2,358	–	–	–	–	–	2,358	1,657	–	–	–	–	–	1,657
Subordinated debt	117,029	50	63	6,135	–	–	123,277	96,951	10	12	28	6,076	–	103,077
Total financial liabilities	**119,387**	**1,134**	**38,231**	**11,448**	**238,549**	**69,587**	**478,336**	**98,608**	**7,586**	**36,299**	**3,903**	**214,948**	**74,077**	**435,421**

The fixed-interest periods for the capital repayments for amortised receivables and liabilities has been calculated as the period up to the date of maturity of the respective amortisation. Foreign currency cash flows have been converted using the closing rate on 31 December 2022. Future interest-rate cash flows with floating interest rates are estimated using forward interest rates based on the actual interest base, usually the three-month STIBOR.

Maturities of hedged cash flows in cash-flow hedges

SEK million	No maturity	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total
Interest-rate-hedged	–	342	143	54	1,992	1,882	4,413
Currency-hedged	–	–	-8,339	–	-35,858	-38,727	-82,924
Net, 31 Dec 2022	**–**	**342**	**-8,196**	**54**	**-33,866**	**-36,845**	**-78,511**
Net, 31 Dec 2021	**–**	**-2,298**	**-4,970**	**51**	**-32,059**	**-29,860**	**-69,136**

RC:4 Market risk

Market risk is the risk of loss or reduced future income due to market fluctuations. SCBC is characterised by low risk taking that is managed within the framework of SCBC's risk appetite and limits for Value at Risk (VaR), which are determined by the Board. In addition to the overall VaR limits, a number of supplementary risk-based metrics set by the CEO are also subject to limitation. Through daily reports, Risk Control checks compliance with current risk levels and limits.

The management of SCBC's risks is outsourced to the Parent Company, SBAB, where they are followed up and managed at company and Group levels.

The basic objective for SBAB's management of SCBC's market risk is to minimise risk in the cover pool, with the overriding aim of meeting the requirements for matching rules as expressed in the Covered Bonds Issuance Act (2003:1223).

The general principle governing SCBC's exposure to market risk is that the level of risk taking should be low. As a general principle, interest-rate risk is to be mitigated through direct funding or the use of derivatives. SCBC's interest-rate structure as of 31 December 2022 is shown in the table "Fixed-interest periods for financial assets and liabilities." Currency risks are mitigated as funding in international currency is hedged through currency swap contracts. The total effect per currency is reported in the table "Nominal amounts for assets, liabilities and derivatives in foreign currency."

Value at Risk

VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. The model is a historical model and applies percentiles in historical market data from the past two years. Since the model is based on historical data there is a degree of inherent inertia and the model could underestimate the risk in a rapidly changing market. Due to the above and that the model is based on several assumptions, the model is validated daily using back testing analysis, in other words a check of VaR against actual outcomes.

The limit for SCBC's market risk is based on a probability level of 99% and a holding period of one year. This means a 99% probability that the loss in one year is less than the outcome of the VaR, given that the same portfolio is held during the period. As per 31 December 2022, the VaR for SCBC's market risk exposure was SEK 421 million, compared with the limit of SEK 900 million.

Interest-rate risk in other operations

Interest-rate risk in other operations is measured and reported to the Swedish FSA in accordance with FFFS 2007:4. As per 31 December 2022, the effect on the present value was a negative SEK 72.2 million (positive: 41.0) for a 2 percentage-point parallel upward shift and positive SEK 76.5 million (negative: 40.2) for a 2 percentage-point parallel downward shift. As SCBC's own funds amounted to SEK 20.2 billion (18.7) on 31 December 2022, the effect of the stress tests amounted to negative 0.36% (0.22) and 0.38% (negative: 0.22) of own funds, respectively.

Interest-rate risk in the banking book

SCBC covers interest-rate risk in the banking book pursuant to the Swedish FSA's methodology as described in FI Ref. 19-4434. This showed that on 31 December 2022, the scenario with the greatest impact on the banking book was "Parallel down," which is reported in the variable "ΔEVE" in the "Interest-rate risk in the banking book" table.

The net interest income effect is measured to capture the impact of changes in interest rates on profit or loss. The metric reflects the differences in volume and fixed-interest periods between assets, liabilities and derivatives in other operations. The net interest income effect is calculated pursuant to the instructions stated in EBA/GL/2018/02 and is based on an instantaneous parallel shift of one percentage point up and down over a 12-month time horizon.

The value is reported in the variable "ΔNII" in the "Interest-rate risk in the banking book" table.

Supplementary risk metrics

In addition to the overall VaR limits determined by the Board, the CEO has set a number of supplementary risk metrics for different kinds of risks to which the SBAB Group and SCBC are exposed. For interest-rate risk, there are limits for parallel shifts, where the effect on the present value of a one percentage point shift in the yield curve is measured, and curve risk where the effect on the present value is measured in different scenarios, in which the short end of the yield curve is adjusted down (up) and the long end is adjusted up (down). Currency risk is controlled by measuring the effect on present value when currency exchange rates change compared to SEK.

In addition to the above-mentioned supplementary risk metrics, a number of sensitivity analyses are performed using stressed interest rates, currency rates and credit spreads together with their effect on the company's Tier 1 capital requirement.

Interest Rate Benchmark Reform

The ongoing Interest Rate Benchmark Reform (IBOR transition) will replace existing benchmark interbank offered rates (IBORs) with alternative risk-free rates. SBAB has relatively limited exposure to reference rates other than STIBOR. Focus during the year has been on ensuring compliance pursuant to the Benchmarks Regulation (BMR), which affects SBAB both as a user of benchmarks and as a reporter of input data for benchmarks. Continuous market monitoring and adjustment is required and, therefore, other benchmarks, including risk-free rates (RFR), need to be used. Therefore, it has been important to ensure systemic support for the use of RFR-linked products, mainly in the form of derivatives and bonds, and on managing the transition of actual exposures to IBORs.

Nominal amounts for assets, liabilities and derivatives in foreign currency

	2022		2021	
SEK million	Assets and liabilities	Derivatives	Assets and liabilities	Derivatives
EUR	-82,890	82,922	-68,955	68,952
GBP	0	0	-2,448	2,448
NOK	0	0	0	0
USD	0	0	0	0
Total	**-82,890**	**82,922**	**-71,403**	**71,400**

Interest-rate risk in the banking book

	2022		2021	
SEK million	ΔEVE	ΔNII	ΔEVE	ΔNII
Parallel up	840	1,087	101	1,229
Parallel down	-999	-1,087	-113	-1,229
Short rate up	242		-136	
Short rate down	-252		138	
Steepening	328		263	
Flattening	-146		-223	
Worst outcome	**-999**	**-1,087**	**-223**	**-1,229**
Own funds	**20,166**		**18,651**	

Fixed-interest periods for financial assets and liabilities, carrying amounts

	2022							2021						
SEK million	Without interest period	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total	Without interest period	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total
ASSETS														
Lending to credit institutions	–	883	100	–	–	–	983	–	1	–	–	–	–	1
Lending to the public	0	271,683	15,771	54,084	130,438	11,762	483,738	–	248,295	10,992	25,036	143,685	14,059	442,067
Change in fair value of interest-rate-hedged loan receivables	0	-76	-116	-1,004	-3,381	-367	-4,944	–	1	2	5	-355	-216	-563
Derivatives	0	13,837	-3	-25	-1,407	154	12,556	–	649	113	–	1,953	3,187	5,902
Other assets	290	0	0	0	0	0	290	167	–	–	–	–	–	167
Total financial assets	**290**	**286,327**	**15,752**	**53,055**	**125,650**	**11,549**	**492,623**	**167**	**248,946**	**11,107**	**25,041**	**145,283**	**17,030**	**447,574**
LIABILITIES														
Liabilities to credit institutions	–	-1	–	–	–	–	-1	–	6,243	5,712	3,459	–	–	15,414
Issued debt securities, etc.	–	-5,518	-37,271	-997	-219,550	-65,545	-328,881	–	7,664	26,000	–	197,465	69,784	300,913
Derivatives	–	-31,814	-58	16	4,988	5,040	-21,828	–	3,592	8	25	-400	-1,105	2,120
Other liabilities	-2,358	–	–	–	–	–	-2,358	1,657	–	–	–	–	–	1,657
Subordinated debt	–	-127,506	–	–	–	–	-127,506	–	107,718	–	–	–	–	107,718
Total financial liabilities	**-2,358**	**-164,839**	**-37,329**	**-981**	**-214,562**	**-60,505**	**-480,574**	**1,657**	**125,217**	**31,720**	**3,484**	**197,065**	**68,679**	**427,822**
Difference assets and liabilities	**-2,068**	**121,488**	**-21,577**	**52,074**	**-88,912**	**-48,956**	**12,049**	**-1,490**	**123,729**	**-20,613**	**21,557**	**-51,782**	**-51,649**	**19,752**

RC:5 Operational risk

Operational risk means the risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events, including legal risks.

Risk management

The process for managing operational risk is based on the continuous identification, analysis and assessment of risks as well as their management and follow-up. An analysis of risk levels is reported to the Board, the CEO and the Executive Management. The Risk department has overall responsibility for the methods and procedures used in the management of operational risk. The work with managing operational risk is conducted based on SCBC's risk appetite and the significant processes for the business. This entails constant efforts to develop employees' risk awareness and the bank's risk culture, to improve processes and procedures as well as to provide tools to efficiently and proactively manage day-to-day operational risk.

Self-evaluation

The self-evaluation process encompasses the identification and evaluation of operational risks in all significant processes. Self-evaluation is carried out using a shared method and documented in the shared system support. The result of the self-evaluation is reported annually to the Board, the CEO and the Executive Management.

Incident management

SCBC has procedures and system support intended to facilitate the reporting and follow-up of incidents. The Operational Risk function supports the operations with the analysis of reported incidents to ensure that root causes are identified and suitable measures are implemented. Even incidents that have not caused direct damage or financial loss are reported, to promote proactive risk management.

Management of material changes

SCBC's process for the management of material changes is applied for new or significantly altered products, services, markets, processes and ICT systems as well as in the event of major operational and organisational changes at SCBC. The aim of the process is to evaluate any potential risks related to the change and to draw attention to any impact the change may have on capital position.

Continuity management

SCBC works in a pre-emptive manner to prevent events that may affect the company's ability to conduct operations. A contingency organisation has been established that is responsible for crisis and catastrophe management, and communication in case of serious incidents, crises or disasters. This organisation is tested regularly in collaboration with external crisis management experts.

Capital requirements for operational risks

SCBC uses the standardised approach to calculate capital requirements for operational risk within the Pillar 1 framework. The capital requirements for operational risk are presented in the Risk exposure amounts and capital requirements table (Note RC 8).

RC:6 Business risk

Business risk means the risk of declining earnings due to harsher competition, inappropriate strategies or erroneous decisions. Business risk includes strategic risk, reputational risk and margin risk, which arise when the interest margins on lending and funding have different maturities.

Business risk is included in the calculation of the capital requirement as part of SBAB's stress tests, where the effects of a stressed scenario corresponding to a normal economic downturn are evaluated.

RC:7 Concentration risk

Concentration risk arises when exposures are concentrated to certain counterparties, regions or types of businesses/industries. Through a direction decision as part of the business planning, SCBC's Board has established the concentration of risk based on the actual conditions for SCBC. The Board's risk appetite sets the framework for concentration risk, which is calculated based on the size of the exposures, industry and geographical concentration.

SCBC is primarily considered to be exposed to credit-risk related concentration risk in its lending operations. The risk department continuously monitors and analyses concentration in the lending portfolio based on, inter alia, geographical area, collateral, segment and product type. SCBC's portfolio is concentrated to the housing and property market. For more information on the breakdown of SCBC's secured and unsecured lending, refer to the Loan amounts broken down by LTV interval table in Note RC 1. Moreover, large exposures to single counterparties are monitored on an ongoing basis.

SCBC also evaluates the ongoing capital requirement for concentration risk and quantifies the economic capital risk for credit-risk exposures, see Note RC 9.

RC:8 Capital adequacy analysis

Regulatory framework

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. The 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. The purpose of the rules is in part to make institutions more resilient to new crises, and in part to raise confidence in the institutions' ability to manage new crises. The regulations include capital requirements, requirements on capital quality, a non-risk-based metric (leverage ratio) and quantitative liquidity requirements. The majority of the amendments to the CRR started to apply from 28 June 2021. Legislative amendments linked to the Capital Requirements Directive entered force on 29 December 2020. Binding leverage ratio requirements of 3% entered force on 28 June 2021.

During the fourth quarter of 2021, the EU Commission published the proposed finalisation of the 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 proposed measures include changes to the standardised approach and the internal method 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 standardised approach measures. The EU Commission's proposal is to be introduced with a transitional period during 2025–2030. Ongoing negotiations on the proposal are taking place in the European Council and the European Parliament.

The countercyclical capital buffer requirement for Swedish exposures has been raised from 0% to 1%, effective from 29 September 2022. The Swedish FSA has informed that the countercyclical buffer value will increase to 2% with application from 22 June 2023.

The Government of Denmark has decided to increase the countercyclical buffer value from 1% to 2%, effective from 31 December 2022. Furthermore, Norges Bank (the central bank of Norway) has decided to raise the countercyclical capital buffer from 1.5% to 2%, effective from 31 December 2022 followed by a further increase to 2.5%, effective from 31 March 2023.

From 31 December 2018, a risk-weight floor of 25% for residential mortgages to Swedish households within Pillar 1 is included following a decision by the Swedish FSA supported by article 458 in the CRR. The decision applied for two years. Thereafter, the Swedish FSA resolved to apply the floor in Pillar 1 until 30 December 2023. The credit institutions encompassed by the measure are those authorised to use the IRB approach and which have exposures to Swedish residential mortgages.

Banks that are considered systemic will be subject to additional capital requirements. SCBC is not subject to these requirements. SCBC primarily recognises credit risk in accordance with the internal ratings-based (IRB) approach, and operational and market risk in accordance with the standardised approaches. SCBC's own funds consist solely of CET1 capital. Net profit/loss for the period is included in the calculation of own funds. The surplus has been verified by the company's auditors, in accordance with Article 26, item 2, of the CRR. The deduction that forms the basis of "Additional value adjustments" in the "Own funds" table emanate from the rules on a prudent valuation of assets.

Note RC 9 contains a summary of the method used to assess the internal capital requirement.

The Swedish National Debt Office (SNDO) has decided a minimum requirement for own funds and eligible liabilities (MREL) for SCBC that applies on full implementation from 2024. Furthermore, the SNDO has decided on an appropriate level that will apply from 2023 for a linear phase-in of the requirements. The new MREL is expressed as risk-weighted and as non risk-weighted requirements. On full implementation, the MREL for SCBC amounts to 23.48% of total REA and 6% of the total leverage ratio exposure (LRE). The applicable level for the MREL from 2023 amounts to 20.98% of total REA and 5.74% of the total LRE.

There are no on-going or unforeseen material obstacles or legal barriers to a rapid transfer of funds from own funds other than what is generally stipulated by the Companies Act.

Capital adequacy – KPIs

SEK million	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Available own funds (amount)					
CET1 capital	20,166	19,358	19,112	18,873	18,651
Tier 1 capital	20,166	19,358	19,112	18,873	18,651
Total capital	20,166	19,358	19,112	18,873	18,651
Risk exposure amount (REA)					
Total REA	126,730	122,130	120,143	117,150	114,600
Capital ratios (as a percentage of REA)					
CET1 capital ratio (%)	15.9	15.9	15.9	16.1	16.3
Tier 1 capital ratio (%)	15.9	15.9	15.9	16.1	16.3
Total capital ratio (%)	15.9	15.9	15.9	16.1	16.3

SEK million	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of REA)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.5	2.5	2.5	2.5	2.5
of which: to be made up of CET1 capital (percentage points)	1.7	1.7	1.7	1.7	1.7
of which: to be made up of Tier 1 capital (percentage points)	1.9	1.9	1.9	1.9	1.9
Total SREP own funds requirements (%)	10.5	10.5	10.5	10.5	10.5
Combined buffer and overall capital requirements (as a percentage of REA)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Capital conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	–	–	–	–	–
Institution-specific countercyclical capital buffer (%)	1.0	1.0	–	–	–
Systemic risk buffer (%)	–	–	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–	–	–
Combined buffer requirement (%)	3.5	3.5	2.5	2.5	2.5
Overall capital requirements (%)	14.0	14.0	13.0	13.0	13.0
CET1 capital available after meeting the total SREP own funds requirements (%)	5.4	5.4	5.4	5.6	5.8
Leverage ratio					
Total exposure measure	486,973	471,569	464,420	451,928	442,983
Leverage ratio (%)	4.1	4.1	4.1	4.2	4.2
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	–	–	–	–	–
of which: to be made up of CET1 capital (percentage points)	–	–	–	–	–
Total SREP leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	–	–	–	–	–
Overall leverage ratio requirement (%)	3.0	3.0	3.0	3.0	3.0
Liquidity coverage ratio [1]					
Total high-quality liquid assets (HQLA) (weighted value – average)					
Cash outflows – total weighted value					
Cash inflows – total weighted value					
Total net cash outflows (adjusted value)					
Liquidity coverage ratio (%)					
Net Stable Funding Ratio[1]					
Total available stable funding					
Total required stable funding					
NSFR (%)					

1) AB Sveriges Säkerställda Obligationer (SCBC) together with SBAB Bank AB (publ) are treated as one liquidity sub-group pursuant to Article 8 of the CRR and as per the decision by the Swedish FSA. For this reason, disclosure of the liquidity coverage ratio and the net stable funding ratio is not assessed as material at company level.

Risk exposure amounts and capital requirements

SEK million	2022 Risk exposure amount	2022 Capital requirement	2021 Risk exposure amount	2021 Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	19,010	1,521	11,965	957
Retail exposures	14,178	1,134	11,828	946
of which, exposures to SMEs	*975*	*78*	*988*	*79*
of which, retail exposures secured by immovable property	*13,203*	*1,056*	*10,840*	*867*
Total exposures recognised with IRB approach	**33,188**	**2,655**	**23,793**	**1,903**
Credit risk recognised with the standardised approach				
Exposure to governments and central banks [1)]	14	1	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to institutions [2)]	134	11	475	38
of which, derivatives according to CRR, Appendix 2	*121*	*10*	*311*	*25*
of which, repos	*13*	*1*	*164*	*13*
of which other	*0*	*0*	*0*	*0*
Exposures to institutions and corporates with a short-term credit rating	6	0	0	0
Other items	55	4	25	2
Total exposures recognised with standardised approach	**209**	**17**	**500**	**40**
Market risk	**611**	**49**	**560**	**45**
Of which, currency risk	*611*	*49*	*560*	*45*
Operational risk	**4,928**	**394**	**4,617**	**369**
Credit valuation adjustment risk	**879**	**70**	**1,123**	**90**
Additional requirements under Article 458 of the CRR	**86,915**	**6,953**	**84,007**	**6,721**
Additional requirements under Article 3 of the CRR	**–**	**–**	**–**	**–**
Total risk exposure amount and minimum capital requirements	**126,730**	**10,138**	**114,600**	**9,168**
Capital requirements for capital conservation buffer		**3,168**		**2,865**
Capital requirements for countercyclical buffer		**1,268**		**0**
Total capital requirement		**14,574**		**12,033**

1) The risk exposure amount for central governments and central banks amounts to SEK 14 million as a result of deferred tax pursuant to Article 48(4) of the CRR.
2) The risk-weighted amount for counterparty risk according to Article 92(3)(f) of the CRR, amounts to SEK 134 million (475).

Own funds SEK million	2022	2021
CET1 capital: Instruments and reserves		
Capital instruments and the related share premium accounts [1]	50	9,600
Retained earnings[1]	18,610	7,401
Accumulated other comprehensive income (and other reserves)	-6,493	843
Independently verified net profit for the year net of any foreseeable charge or dividend [2]	1,571	1,683
CET1 capital before regulatory adjustments	**13,738**	**19,527**
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-39	-9
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	6,493	-843
Negative amounts resulting from the calculation of expected loss amounts	-25	-24
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-1	0
Other regulatory adjustments [3]	–	–
Total regulatory adjustments to CET1 capital	**6,428**	**-876**
CET1 capital	**20,166**	**18,651**
Additional Tier 1 capital		
Additional Tier 1 capital before regulatory adjustments	–	–
Additional Tier 1 capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	–	–
Additional Tier 1 capital	–	–
Tier 1 capital (Tier 1 capital = CET1 + Additional Tier 1 capital)	**20,166**	**18,651**
Tier 2 capital		
Credit risk adjustments	–	–
Tier 2 capital before regulatory adjustments	–	–
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	–	–
Tier 2 capital	**–**	**–**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**20,166**	**18,651**
Total risk-weighted exposure amount	**126,730**	**114,600**
Capital ratios and requirements including buffers, %		
CET1 capital	15.9	16.3
Tier 1 capital	15.9	16.3
Total capital	15.9	16.3
Institution – CET1 overall capital requirements	9.7	8.7
of which, capital conservation buffer requirement	*2.5*	*2.5*
of which, countercyclical buffer requirement	*1.0*	*0.0*
of which, systemic risk buffer requirement	–	–
of which, G-SII buffer and O-SII buffer	–	–
of which, additional own funds requirements to address risks other than the risk of excessive leverage [4]	*2.5*	1.7
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	5.4	5.8

1) Reclassification of shareholder contributions as a result of reinterpretation pursuant to Article 28, Point 1 of the CRR.
2) The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the CRR.
3) There are no results that generate deduction of NPL backstop since entry into force.
4) Outcome pursuant to the Swedish FSA's SREP process, communicated and applied from September 2021.

Average risk weight for credit risk recognised using the IRB approach

	2022					2021				
SEK million	Exposure before credit risk hedge	Exposure after CCF	Risk exposure amount	Capital require-ment	Aver-age risk weight, %	Exposure before credit risk hedge	Exposure after CCF	Risk exposure amount	Capital require-ment	Aver-age risk weight, %
Credit risk in lending portfolio recognised under the IRB approach										
Exposures to corporates	79,389	79,333	19,010	1,521	24.0	58,575	58,516	11,965	957	20.4
Retail exposures	404,734	404,374	14,179	1,134	3.5	383,715	383,340	11,828	946	3.1
of which, single-family dwellings and holiday homes	*176,966*	*176,965*	*5,469*	*438*	*3.1*	*168,446*	*168,445*	*4,657*	*373*	*2.8*
of which, tenant-owners' rights	*168,723*	*168,723*	*7,735*	*619*	*4.6*	*161,747*	*161,747*	*6,183*	*495*	*3.8*
of which, tenant-owners' associations	*59,045*	*58,686*	*975*	*78*	*1.7*	*53,522*	*53,148*	*988*	*79*	*1.9*
Total credit risk under the IRB approach	**484,123**	**483,707**	**33,188**	**2,655**	**6.9**	**442,290**	**441,856**	**23,793**	**1,903**	**5.4**

RC:9 Internally assessed capital requirement

From October 2019, the Swedish FSA imposes the requirement, within the framework of Pillar 2, that SCBC's management and assessment of risks must be satisfactory to ensure that SCBC can fulfil its obligations. To meet this requirement, SCBC must have methods that enables it to continuously evaluate and uphold capital in an amount, type and distribution sufficient to cover the risks to which it is or will become exposed. This is known as the company's internal capital adequacy assessment process (ICAAP), which is part of SCBC's internal capital and liquidity adequacy assessment process. At present, liquidity risk does not give rise to any actual capital requirement for SCBC. Refer to Note RC 3 for more information about liquidity risk.

The ICAAP aims to ensure that SCBC has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for SCBC amounted to SEK 16,227 million (12,774) on 31 December 2022. The internal capital requirement is assessed with the help of SCBC's internal models for economic capital and is not fully compatible with the capital requirements published by the Swedish FSA. Additional information on the internal capital requirement can be found in the document "Capital Adequacy and Risk Management 2022," which is published on www.sbab.se.

		31 Dec 2022		31 Dec 2021	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		SEK million	%	SEK million	%
Pillar 1	Credit risk & CVA risk	2,742	2.2	2,033	1.8
	Market risk	49	0.0	45	0.0
	Operational risk	394	0.3	369	0.3
	Risk-weight floor[1)]	6,953	5.5	6,721	5.9
	Total Pillar 1	**10,138**	**8.0**	**9,168**	**8.0**
Pillar 2	Credit risk	654	0.5	517	0.5
	Market risk	999	0.8	223	0.2
	Operational risk	–	–	–	–
	Pension risk	–	–	–	–
	Total Pillar 2	**1,653**	**1.3**	**741**	**0.6**
Buffers	Capital conservation buffer	3,168	2.5	2,865	2.5
	Countercyclical buffer	1,268	1.0	0	0.0
	Total Buffers	**4,436**	**3.5**	**2,865**	**2.5**
Total		**16,227**	**12.8**	**12,774**	**11.1**
Total own funds		**20,166**		**18,651**	

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

IC Income and expenses

pp. 44–45

IC:1 Net interest income

SEK million	2022	2021
Interest income		
Lending to credit institutions	3	0
Lending to the public	7,826	5,669
Derivatives	547	-152
Total	**8,376**	**5,517**
of which, interest income from financial assets that are not measured at FVTPL	*7,829*	*5,669*
Interest expense		
Liabilities to credit institutions	-4	0
Issued debt securities	-2,655	-1,870
Subordinated debt[1)]	-1,705	-1,071
Derivatives	-225	1,085
Resolution fee	–	-139
Total	**-4,589**	**-1,995**
of which, interest expense from financial liabilities that are not measured at FVTPL	*-4,364*	*-3,080*
Net interest income	**3,787**	**3,522**

1) The subordinated debt is issued by the Parent Company.

IC:2 Commission

SEK million	2022	2021
Commission income		
Commission on lending [1)]	19	24
Total	**19**	**24**
Commission expense		
Commission on securities	-35	-39
Other commissions [2)]	-18	-20
Total	**-53**	**-59**
Net commission	**-34**	**-35**

1) Commission on lending is primarily recognised when the service is provided, in other words at a specific date.

2) Other commissions are mainly recognised when these services are rendered, in other words, in a straight line over time.

IC:3 Net result of financial transactions

SEK million	2022	2021
Gains/losses on interest-bearing financial instruments		
Change in value of hedged items in hedge accounting	9,032	2,383
Derivatives in hedge accounting	-9,086	-2,401
Other derivatives	-58	-16
Realised gain/loss from financial liabilities at amortised cost	11	-64
Loan receivables at amortised cost	7	28
Currency translation effects	2	0
Total	**-92**	**-70**

SCBC mainly uses derivatives to manage interest-rate and currency risk in the company's assets and liabilities. The derivatives are recognised at fair value in the balance sheet.

SCBC's policies for risk management and hedge accounting entail variations in results as a consequence of changed market interest rates, which can arise between periods for individual items in the above presentation. These are generally offset by variations in the results in other items. Variations in results that are not neutralised through risk management and hedge accounting are commented in the administration report.

IC:4 General administrative expenses

SEK million	2022	2021
Outsourcing expenses [1)]	-1,327	-1,291
Other administrative expenses [2)]	-3	-3
Total	**-1,330**	**-1,294**

1) SCBC employs a CEO and 39 employees (39) who handle the ongoing administration in consultation with the management of the Parent Company. No salary or other remuneration is paid by the company to the CEO or the employees, since the Parent Company is responsible for the ongoing administrative services in accordance with the outsourcing agreement signed between SBAB and SCBC.

2) Fees and remuneration to the Board have been paid by SBAB and the expense then invoiced for to SCBC. The Board of Directors consists of four Board members and no remuneration was paid to Board members employed by the Parent Company. Refer to page 45.

Fees and expenses to the elected auditors

SEK million	2022	2021
Audit assignment	-1.7	-1.5
Audit tasks in addition to audit assignment	-0.2	-0.3
Total	**-1.9**	**-1.8**

The AGM on 27 April 2022 appointed Deloitte as SCBC's auditors. The audit assignment includes examination of the annual report, the accounting records and the administration by the Board and CEO. The audit assignment also includes other assistance resulting from such examination.

Audit tasks in addition to the audit assignment pertain to the examination of interim reports/year-end report and such other duties that may only be performed by the signing-off auditor, such as the preparation of various types of certificates.

Remuneration to the Board

	2022		
SEK thousand	Period	Board of Directors	Audit and Compliance Committee
Jan Sinclair, Chairman of the Board [1]	1 January–31 December 2022	191	–
Jane Lundgren Ericsson, Board Member [2]	1 January–31 December 2022	137	–
Synnöve Trygg, Board Member [3]	1 January–31 December 2022	137	–
Mikael Inglander, Board Member	1 January–31 December 2022	–	–
Total Fees & Remuneration 2022		**465**	–

[1] Jan Sinclair also receives Board fees and fees for work on committees from SBAB of SEK 539 thousand (495) and SEK 151 thousand (122) respectively.
[2] Jane Lundgren Ericsson also receives Board fees and fees for work on committees from SBAB of SEK 258 thousand (239) and SEK 167 thousand (149) respectively.
[3] Synnöve Trygg also receives Board fees and fees for work on committees from SBAB of SEK 258 thousand (239) and SEK 129 thousand (89) respectively.

No remuneration was paid to Board members employed by the Parent Company or to the CEO of SCBC.

	2021		
SEK thousand	Period	Board of Directors	Audit and Compliance Committee
Jan Sinclair, Chairman of the Board [1]	1 January–31 December 2021	180	–
Jane Lundgren Ericsson, Board Member [2]	1 January–31 December 2021	130	–
Synnöve Trygg, Board Member [3]	28 April–31 December 2021	88	
Klas Danielsson, Board Member	1 January–7 November 2021	–	–
Mikael Inglander, Board Member	8 November–31 December 2021	–	–
Total Fees & Remuneration 2021		**398**	–

IC:5 Net credit losses

SEK million	2022	2021
Lending to the public		
Confirmed credit losses	-2	-3
Recoveries of previously confirmed credit losses	–	–
Change in provision for the year – credit stage 1	-13	1
Change in provision for the year – credit stage 2	-24	10
Change in provision for the year – credit stage 3	0	1
Guarantees	0	-2
Total	**-39**	**7**

IC:6 Imposed fees

SEK million	2022	2021
Risk tax [1]	-152	–
Resolution fee [2]	-148	–
Total	**-300**	**–**

[1] On 14 December 2021, the Swedish parliament adopted a new risk tax for banks that was introduced 1 January 2022. The risk tax is payable by credit institutions that, at the start of the fiscal year, have a debt threshold in excess of SEK 150 billion. The tax will be levied at a rate of 0.05% of the credit institution's liabilities in 2022, and increase to 0.06% in 2023.
[2] From January 2022, the Resolution fee that was previously reported under Net interest income is reported under a new line item Imposed fees in the income statement. The comparative figures have not been restated. The resolution fee amounted to SEK 139 million in 2021.

TX Tax

p. 46–46

TX:1 Tax

SEK million	2022	2021
Current tax	-419	-441
Deferred tax on changes in temporary differences	12	4
Total	**-407**	**-437**
The effective tax rate differs from the nominal tax rate in Sweden as below		
Profit before tax	1,978	2,119
Nominal tax rate in Sweden 20.6% (20.6)	-407	-437
Total tax	**-407**	**-437**
Effective tax rate, %	20.6	20.6

TX:2 Deferred tax

SEK million	2022	2021
Deferred tax assets (+)/tax liabilities (-) for temporary differences in:		
Stock of financial instruments	5	-6
Hedging instruments	1,685	-219
Total	**1,690**	**-225**
Change in deferred tax		
Deferred tax in the income statement	12	4
Deferred tax attributable to items recognised directly against other comprehensive income	1,903	357
Total	**1,915**	**361**
Deferred tax distributed by expected maturity date, carrying amount		
More than 1 year	1,690	-225
Total	**1,690**	**-225**

A Assets

pp. 46–49

A:1 Lending to credit institutions

SEK million	2022	2021
Lending in SEK	951	1
Lending in foreign currency	31	0
Total	**983**	**1**
of which, repos	*951*	*1*

Interest-bearing securities that SCBC purchases with an obligation to sell at a predetermined price are not recognised in the balance sheet, while the purchase price paid is recognised in the balance sheet under Lending to credit institutions. The securities are regarded as collateral received and can be pledged or sold by SCBC. In the event that the counterparty is unable to meet its repurchase obligation, SCBC is entitled to keep the security. The fair value of collateral received was SEK 945 million (3), of which – (–) was pledged or sold.

A:2 Lending to the public

SEK million	2022	2021
Opening balance	**442,067**	**398,029**
Transferred to/from Group companies	83,440	90,073
Repayment of borrowings	-773	-928
Redemption	-40,957	-45,116
Confirmed credit losses	-2	-3
Change in provision for expected credit losses [1]	-37	12
Closing balance	**483,738**	**442,067**

[1] For more information, please refer to Note IC 5.

Distribution of lending, including provisions, SEK million	2022	2021
Lending, Residential mortgages	345,540	330,094
Lending, Corporate Clients & Tenant-Owners' Associations	138,198	111,973
Total	**483,738**	**442,067**

Lending to the public by credit stage – compared with opening balance

SEK million	31 Dec 2022	31 Dec 2021
Credit stage 1		
Gross lending	455,239	422,471
Provision	-53	-40
Total	**455,186**	**422,431**
Credit stage 2		
Gross lending	28,309	19,500
Provision	-79	-55
Total	**28,230**	**19,445**
Credit stage 3		
Gross lending	346	215
Provision	-24	-24
Total	**322**	**191**
Total gross lending	**483,894**	**442,186**
Total provisions	**-156**	**-119**
Total	**483,738**	**442,067**

For more information regarding changes pertaining to gross lending and loss allowances for the respective credit stages and segments, please refer to Note RC 1.

A:3 Derivatives and hedge accounting

	2022				2021			
SEK million	Assets measured at fair value	Liabilities measured at fair value	Nominal amount	Year's value change on hedge ineffectiveness	Assets measured at fair value	Liabilities measured at fair value	Nominal amount	Year's value change on hedge ineffectiveness
Derivatives in fair value hedges								
Interest-rate-related	4,877	13,399	337,505	-9,086	1,760	1,284	296,585	-2,383
Currency-related	–	–	–	–	–	–	–	-18
Total	**4,877**	**13,399**	**337,505**	**-9,086**	**1,760**	**1,284**	**296,585**	**-2,401**
Derivatives in cash-flow hedges								
Interest-rate-related	0	8,429	82,559	-9,722	1,702	251	68,612	-1,881
Currency-related	7,679	0	75,202	483	2,428	584	69,019	150
Total	**7,679**	**8,429**	**157,761**	**-9,239**	**4,130**	**835**	**137,631**	**-1,731**
Other derivatives								
Interest-rate-related	–	–	–	–	12	1	15,400	–
Currency-related	–	–	–	–	–	–	–	–
Total	**0**	**0**	**0**	**0**	**12**	**1**	**15,400**	

Currency interest-rate swaps are classified as currency-related.

Derivatives allocated by remaining maturity, carrying amounts

	2022		2021	
SEK million	Fair value	Nominal amount	Fair value	Nominal amount
Maximum 3 months	104	21,950	267	9,022
3–12 months	1,440	91,071	604	69,224
1–5 years	-4,204	282,054	1,773	271,601
Longer than five years	-6,612	100,191	1,138	99,769
Total	**-9,272**	**495,266**	**3,782**	**449,616**

Hedged items in fair value hedges:

SEK million	Carrying amount	Revaluation for the period of hedged items in fair value hedges	Accrued value adjustment from fair value hedges	Gain/loss on terminated hedges	Remaining accrued value adjustment on terminated hedges
	2022				
Assets					
Lending to the public	141,614	–	–	–	–
Value changes of interest-rate-risk hedged items in macro hedges	-4,944	-4,381	-4,945	0	1
Total assets	**136,670**	**-4,381**	**-4,945**	**0**	**1**
Liabilities					
Issued debt securities, etc.	173,660	-13,413	-13,871	–	–
Total liabilities	**173,660**	**-13,413**	**-13,871**	**–**	**–**
Net assets – liabilities	**-36,990**	**9,032**	**8,926**	**0**	**1**
Hedging instruments		-9,086			
Ineffectiveness		-54			

SEK million	Carrying amount	Revaluation for the period of hedged items in fair value hedges	Accrued value adjustment from fair value hedges	Gain/loss on terminated hedges	Remaining accrued value adjustment on terminated hedges
	2021				
Assets					
Lending to the public	121,326	–	–	–	–
Value changes of interest-rate-risk hedged items in macro hedges	-563	-708	-564	3	1
Total assets	**120,763**	**-708**	**-564**	**3**	**1**
Liabilities					
Issued debt securities, etc.	174,541	-3,088	-458	–	–
Total liabilities	**174,541**	**-3,088**	**-458**	**–**	**–**
Net assets – liabilities	**-53,778**	**2,380**	**-106**	**3**	**1**
Hedging instruments		-2,401			
Ineffectiveness		-21			

Hedged items in cash-flow hedges

SEK million	Revaluation for the period of hedged items in cash-flow hedges	Accrued value adjustment from cash-flow hedges	Gain/loss on terminated hedges reclassified to Net result of financial transactions	Remaining accrued value adjustment on terminated hedges
	2022			
Hedged items in cash-flow hedges:				
Hedged items/Hypothetical derivatives	9,239	8,177	–	–
Total	**9,239**	**8,177**	**–**	**–**
Hedging instruments	-9,239			
Ineffectiveness	0			
Hedge reserve	**-9,239**	**-8,177**	**–**	**–**

SEK million	2021 Revaluation for the period of hedged items in cash-flow hedges	Accrued value adjustment from cash-flow hedges	Gain/loss on terminated hedges reclassified to Net result of financial transactions	Remaining accrued value adjustment on terminated hedges
Hedged items in cash-flow hedges:				
Hedged items/Hypothetical derivatives	1,731	-1,062	–	–
Total	**1,731**	**-1,062**	**–**	**–**
Hedging instruments	-1,731			
Ineffectiveness	0			
Hedge reserve	**-1,731**	**1,062**	**–**	**–**

Hedge ineffectiveness recognised in profit or loss:

SEK million	2022 Hedging gains and losses recognised in "Net result of financial transactions"	2021 Hedging gains and losses recognised in "Net result of financial transactions"
Fair value hedges	-54	-21
Cash-flow hedges	0	0
Total	**-54**	**-21**

The accounting policies for hedge accounting are described in Note G 1.
The Group's liquidity and market risks are described in notes RC 3 and RC 4.

A:4 Other assets

SEK million	2022	2021
Tax assets	–	–
Interest receivables	63	49
Total	**63**	**49**
Other assets distributed by remaining maturity, carrying amount		
Maximum 1 year	63	49
Total	**63**	**49**

A:5 Prepaid expenses and accrued income

SEK million	2022	2021
Accrued interest income	190	90
Other accrued income	37	28
Total	**227**	**118**
Prepaid expenses and accrued income distributed by remaining maturity, carrying amount		
Maximum 1 year	225	116
More than 1 year	2	2
Total	**227**	**118**

L Liabilities

p. 50–50

L:1 Liabilities to credit institutions

SEK million	2022	2021
Liabilities in SEK	1	15,411
Liabilities in foreign currencies	0	3
Total	**1**	**15,414**
of which, repos	*1*	*15,411*

L:2 Issued debt securities, etc.

SEK million	2022	2021
Bond loans		
Bond loans in SEK		
– at amortised cost	*72,751*	*55,335*
– in fair value hedges	*173,660*	*174,541*
Bonds loans in foreign currency		
– at amortised cost	*82,470*	*71,037*
– in fair value hedges	*–*	*–*
Total issued debt securities	**328,881**	**300,913**
of which, covered bonds	*328,881*	*300,913*

See also the Funding section, page 7.

L:3 Other liabilities

SEK million	2022	2021
Liabilities to employees	13	11
Other	154	32
Total	**167**	**43**
Other liabilities distributed by remaining maturity, carrying amount		
Maximum 1 year	167	43
Total	**167**	**43**

L:4 Accrued expenses and deferred income

SEK million	2022	2021
Accrued interest expense	2,104	1,527
Other accrued expenses[1)]	88	87
Total	**2,192**	**1,614**
Accrued expenses and deferred income distributed by remaining maturity, carrying amount		
Maximum 1 year	2,192	1,614
Total	**2,192**	**1,614**

1) SCBC paid a Group contribution of SEK 30 million (30) to fellow Group company Booli Search Technologies AB.

L:5 Subordinated debt to the Parent Company

SEK million	2022	2021
Subordinated debt to the Parent Company	127,506	107,718
– Of which, internal Group MREL instruments	*17,000*	*11,000*
Total	**127,506**	**107,718**

Terms and conditions governing subordination
The subordinated debt is issued by the Parent Company. The subordinated debt is subordinate to the company's other liabilities in the event of receivership or liquidation, which means that it carries an entitlement to payment only after other claimants have received payment.

Internal Group MREL instruments
Of the subordinated debt to the Parent Company SBAB Bank AB (publ), which amounts to SEK 127,506 million (107,718), SEK 17,000 million (11,000) comprises an internal Group debt instrument (senior non-preferred notes) that was issued by SCBC to the Parent Company for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office in SCBC.

The internal Group MREL instrument is subordinate to other subordinated debt to the Parent Company.

EQ Equity

p. 51–51

EQ:1 Equity

The share capital amounted to SEK 50,000,000. On 31 December 2022, the number of shares was 500,000 (500,000), each with a quotient value of SEK 100. All shares are held by the Parent Company, SBAB Bank AB (publ), Corp. Reg. No. 556253-7513. Unrestricted equity in SCBC amounts to SEK 13,688 million (19,477).

Group contributions are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting, refer to Note G 3.

Further information on changes in equity is provided on page 18.

Specification of changes in the fair value reserve

SEK million	2022	2021
Cash-flow hedges, opening balance	**843**	**2,217**
Unrealised change in value over the year	-3,171	534
Reclassified to profit or loss during the year	-6,068	-2,265
Tax attributable to the change	1,903	357
Cash-flow hedges, closing balance	**-6,493**	**843**
Total	**-6,493**	**843**

AC Assets pledged for own liabilities

p. 51–51

AC:1 Assets pledged for own liabilities

SEK million	2022	2021
Loan receivables	431,320	407,754
Repos	951	-
Total	**433,222**	**407,754**

Of the total lending portfolio, see Note A 1 and Note A 2 “Lending to credit institutions,” the values reported above represent the carrying amount for the cover pool for covered bonds, which amounted to SEK 328.9 billion (300.9). Loan receivables pledged as collateral mainly consist of the registered cover pool benefiting holders of covered bonds issued by SCBC and SCBC’s covered derivative counterparties. In the event that the company becomes insolvent, the holders of the covered bonds and the covered derivatives counterparties have priority rights to the pledged assets under the Covered Bonds Issuance Act and the Rights of Priority Act.

Further information on loan receivables and repos is given in Note G 1.

FI Financial instruments

p. 52–54

FI:1 Classification of financial instruments

Financial assets

31 Dec 2022

SEK million	Financial assets measured at FVTPL: Derivatives in hedge accounting	Financial assets measured at FVTPL: Other (Obligatory) classification	Financial assets measured at amortised cost	Total	Total fair value
Lending to credit institutions	–	–	983	983	983
Lending to the public	–	–	483,738	483,738	472,528
Value changes of interest-rate-risk hedged items in macro hedges	–	–	-4,944	-4,944	–
Derivatives	12,556	0		12,556	12,556
Other assets	–	–	63	63	63
Prepaid expenses and accrued income	–	–	225	225	225
Total	**12,556**	**0**	**480,065**	**492,621**	**486,355**

Financial liabilities

31 Dec 2022

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
Liabilities to credit institutions	–	–	1	1	1
Issued debt securities, etc.	–	–	328,881	328,881	315,438
Derivatives	21,828	0		21,828	21,828
Other liabilities	–	–	214	214	214
Accrued expenses and deferred income	–	–	2,192	2,192	2,192
Subordinated debt to the Parent Company	–	–	127,506	127,506	127,506
Total	**21,828**	**0**	**458,794**	**480,622**	**467,180**

Financial assets

31 Dec 2021

SEK million	Financial assets measured at FVTPL: Derivatives in hedge accounting	Financial assets measured at FVTPL: Other (Obligatory) classification	Financial assets measured at amortised cost	Total	Total fair value
Lending to credit institutions	–	–	1	1	1
Lending to the public	–	–	442,067	442,067	440,636
Value changes of interest-rate-risk hedged items in macro hedges	–	–	-563	-563	–
Derivatives	5,890	12	–	5,902	5,902
Other assets	–	–	23	23	23
Prepaid expenses and accrued income	–	–	118	118	118
Total	**5,890**	**12**	**441,646**	**447,548**	**446,680**

Financial liabilities

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

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. In the Total fair value column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet. The carrying amounts for current receivables and liabilities, including subordinated debt to the Parent Company, have been assessed as equal to their fair values. For Lending to the public, the fair value of issued debt securities is established based on generally accepted valuation techniques. Calculations made in conjunction with measurement are based on observable market data with the exception of the credit margin when valuing lending to the public. The models are based on discounted cash flows. Issued securities are measured at the current borrowing interest 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.

FI:2 Fair value disclosures

SEK million	2022				2021			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Derivatives	–	12,556	–	12,556	–	5,902	–	5,902
Total	–	**12,556**	–	**12,556**	–	**5,902**	–	**5,902**
Liabilities								
Derivatives	–	21,828	–	21,828	–	2,120	–	2,120
Total	–	**21,828**	–	**21,828**	–	**2,120**	–	**2,120**

In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement methods used.

No transfers were made between levels in 2021 and 2022.

Quoted market prices (Level 1)
Measurement at quoted prices in an active market for identical assets and liabilities. A market is deemed to be active if the price data is easily accessible and corresponds to actual regularly occurring transactions. This measurement method is currently not used on any asset or liability.

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

Measurement based in part on unobservable market data (Level 3)
Measurement whereby a material input in 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.

FI:3 Offsetting disclosures

Financial instruments offset in the balance sheet or encompassed by netting agreements

	2022						
	Amounts reported in the balance sheet		Related amounts not offset in the balance sheet				
SEK million	Amounts subject to offsetting	Amounts not offset in the balance sheet	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	Net amount
Assets							
Derivatives	12,556	–	12,556	-12,556	–	–	0
Repos	2,240	-1,289	951	–	-945	–	0
Liabilities							
Derivatives	-21,828	–	-21,828	12,556	–	–	-9,272
Repos	-1,290	1,289	-1	–	1	–	0
Total	**-8,322**	**0**	**-8,322**	**0**	**-944**	**–**	**-9,266**

	2021						
	Amounts reported in the balance sheet		Related amounts not offset in the balance sheet				
SEK million	Amounts subject to offsetting	Amounts not offset in the balance sheet	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	Net amount
Assets							
Derivatives	5,902	–	5,902	-2,120	–	–	3,782
Repos	9,121	-9,120	1	–	0	–	1
Liabilities							
Derivatives	-2,120	–	-2,120	2,120	–	–	0
Repos	-24,530	9,120	-15,410	–	15,245	–	-165
Total	**-11,627**	**0**	**-11,627**	**0**	**15,245**	**–**	**3,618**

To limit the potential counterparty risk associated with derivative transactions involving non-standardised derivatives that are not cleared by clearing organisations approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement is to be entered into with the counterparty. Where appropriate, such framework agreements, which are known as ISDA Master Agreements or similar agreements, have been supplemented with associated collateral agreements, known as a Credit Support Annex (CSA).

A CSA must always be established for counterparties entering into derivative contracts with SCBC.

Counterparty risk is reconciled on a daily basis for all counterparties. Reconciliation is performed on a daily basis or on a weekly basis if a CSA has been entered into. When CSAs are in place, collateral is pledged to reduce net exposures. Wherever applicable, the posted and received collateral takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations. Repos are recognised in the balance sheet under the headings Lending and Liabilities to credit institutions, respectively.

For further information on offsetting, see Note RC 2, in the section on Counterparty risk.

The Board of Directors' signatures

The Board and the CEO certify that the annual accounts were prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and in accordance with generally accepted accounting practices for credit market companies, and provide a true and fair view of the company's position and earnings. In accordance with Chapter 6, Section 2, Item 2 of the Annual Accounts Act for Credit Institutions and Securities Companies, the Board considers the company's equity to be sufficient in relation to the scope and risks of the operations. The administration report provides an accurate overview of the operations, financial position and performance of the company, and describes the significant risks and uncertainties faced by the company.

Solna, 22 March 2023

Jan Sinclair
Chairman of the Board

Jane Lundgren Ericsson
Board Member

Mikael Inglander
Board Member

Synnöve Trygg
Board Member

Fredrik Jönsson
CEO

Our audit report was submitted on 22 March 2023

Deloitte AB
Patrick Honeth
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of AB Sveriges Säkerställda Obligationer (publ) corporate identity number 556645-9755

Report on the annual accounts

Opinions
We have audited the annual accounts of AB Sveriges Säkerställda Obligationer (publ) ("SCBC") for the financial year 2022-01-01 - 2022-12-31 except for the corporate governance statement on pages 10-13. The annual accounts of the company are included on pages 4-9 and 15- 55 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 10-13. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the company.

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables
Recognition and measurement of financial instruments as regulated in IFRS 9 is a complex area with significant impact on SCBC's business and financial reporting. IFRS 9 is a complex accounting standard which requires significant judgment to determine the loan loss provision.

Key areas of judgment include:

- The interpretation of the requirements to determine loan loss provisions under application of IFRS 9, which is reflected in the Bank's expected credit loss model.
- The identification of exposures with a significant deterioration in credit quality.
- Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. unemployment rates, interest rates, gross domestic product growth, property prices).
- Effect from current geopolitical situation, high energy prices, inflation and rising interest rates on material judgements mentioned above.

At December 31, 2022, loans to the public amounted to 483 738 million SEK, with loan loss provisions of 156 million SEK. Given the significance of loans to the public (representing 98% of total assets), the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, as well as the extensive disclosures required under IFRS 9, we consider this to be a key audit matter for our audit.

Refer to critical judgments and estimates in note G 1 in the financial statements and related disclosures of credit risk in note RC 1.

Our audit procedures included, but were not limited to:

We evaluated relevant controls within the loan loss provision process to verify if they are appropriately designed and implemented during the year. We also obtained an understanding of the process for key decisions from management and committee meetings that form part of the approval process for loan loss provisions.

We obtained an understanding of system-based and manual controls over the recognition and measurement of loan loss provisions and for key controls designed tests to verify if the controls were implemented during the year.

- We assessed, supported by our credit risk modelling specialists, the modelling techniques and model methodologies against the requirements of IFRS 9. We assessed the sufficiency of a selection of the underlying models developed for loan loss provisions.
- We have audited a selection of loans with identifiable worsened credit to evaluate the reasonableness in the bank's judgement of the loan loss provision for these loans.
- We have taken into account the effect from current geopolitical situation, high energy prices, inflation and rising interest rates.

Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

IT-systems that support complete and accurate financial reporting
SCBC is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of SCBC's internal controls over financial reporting are depend upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

We categorise key IT-risk and control domains relating to financial reporting in the following sections:

- Changes to the IT-environment
- Operations and monitoring of the IT-environment
- Information security

Changes to the IT-environment
Inappropriate changes to the IT-environment may result in systems that do not function as expected and result in unreliable data processing with impact on financial reporting. Hence SCBC has implemented processes and controls to support that changes to the IT-environment are appropriately implemented and function consistently with management's intentions.

Our audit procedures included, but were not limited to:

- We assessed management principles and processes for change management in the IT-environment.
- We assessed management monitoring of changes in the IT-environment.
- We evaluated segregations of duties.

Operations and monitoring of the IT-environment
Inappropriate operation and monitoring of the IT-environment may result in the inability to prevent or detect incorrect data processing. Hence SCBC has implemented processes and controls to support that IT-environment is monitored continuously and that incorrect data processing is identified and corrected.

Our audit procedures included, but were not limited to:
- We evaluated the appropriateness of IT-System job scheduling and alarm configuration capabilities.
- We evaluated the process for monitoring IT-System.

Information security
If logical security tools and controls are not configured, implemented and appropriately, key control activities may be ineffective, desired segregation of duties may not be maintained, and information may be modified inappropriately, become unavailable or disclosed inappropriately. This is of particular importance considering the current cyber threat level. Hence SCBC has implemented processes and controls to support that information is safeguarded through access controls and that known vulnerabilities are managed timely.

Our audit procedures included, but were not limited to:
- We evaluated the process for identity and access management, including access granting, change and removal.
- We evaluated the process and tools that management use for the purpose of ensuring availability of data as per user request and business requirements.
- We evaluated the appropriateness of controls for security governance to protect systems and data from unauthorised use.

Other information than the annual accounts
This document also contains other information than the annual accounts and is found on pages 3 and 59-60. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor´s report".

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of AB Sveriges Säkerställda Obligationer (publ) for the financial year 2022-01-01 - 2022-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit according to generally accepted auditing standards in Sweden we use professional judgement and have a professional sceptical attitude throughout the whole audit. The audit of the company's administration and proposal for appropriations of the company's profit or loss is based mainly on the audit of the financials. What other additional audit procedures that is performed is based on our professional judgement and stems from risk and materiality. This means our main focus in the audit are procedures, areas and conditions in which are material for the operations and where deviations would have material impact on the company's situation. We asses made decisions, underlying documentation for decisions, taken measures and other conditions relevant for our opinion about discharge from liability. As grounds for our opinion of the Board of Directors proposed appropriations of the company's profit or loss we have audited the Board's motivation and a selection of the underlying documentation in regards to this in order to be able to asses if the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate g overnance statement

The Board of Directors is responsible for that the corporate governance statement on pages 10-13 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard Rev 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte AB, was appointed auditor of AB Sveriges Säkerställda Obligationer by the general meeting of the shareholders on the 2022-04-27 and has been the company's auditor since 2016-04-28.

Stockholm 22 March 2023
Deloitte AB

Signature on Swedish original

Patrick Honeth
Authorised Public Accountant

Five-year overview

Income-statement items

SEK million	2022	2021	2020	2019	2018
Interest income	8,376	5,517	5,550	5,141	4,495
Interest expense	-4,589	-1,995	-2,396	-2,306	-1,426
Net interest income	**3,787**	**3,522**	**3,154**	**2,835**	**3,069**
Other operating income[1)]	-126	-105	-146	-55	-162
Total operating income	**3,661**	**3,417**	**3,008**	**2,780**	**2,907**
Operating expenses	-1,344	-1,305	-1,190	-1,055	-902
Total operating expenses	**-1,344**	**-1,305**	**-1,190**	**-1,055**	**-902**
Profit before credit losses	2,317	2,112	1,818	1,725	2,005
Net credit losses	-39	7	-21	-12	-26
Imposed fees: Risk tax and resolution fee	-300	-	-	-	-
Operating profit	**1,978**	**2,119**	**1,797**	**1,713**	**1,979**

Balance-sheet items

SEK million	2022	2021	2020	2019	2018
Lending portfolio	483,738	442,067	398,029	358,936	339,370
Deferred tax assets	1,690	0	0	0	0
Other assets	8,885	5,507	9,794	11,283	7,017
Total assets	**494,313**	**447,574**	**407,823**	**370,219**	**346,387**
Issued debt securities, etc.	328,881	300,913	263,863	246,774	234,774
Other liabilities	24,188	19,191	14,616	2,719	2,309
Deferred tax liabilities	0	225	586	514	136
Subordinated debt to the Parent Company	127,506	107,718	109,515	102,180	90,414
Equity	13,738	19,527	19,243	18,032	18,754
Total liabilities and equity	**494,313**	**447,574**	**407,823**	**370,219**	**346,387**

Key metrics

%	2022	2021	2020	2019	2018
Net interest margin	0.80	0.82	0.81	0.79	0.93
Credit loss ratio	-0.01	0.00	-0.01	0.00	-0.01
C/I ratio	37	38	40	38	31
Return on assets	0.3	0.4	0.4	0.4	0.5
Return on equity	8.1	9.4	8.5	7.8	8.8
CET1 capital ratio without transitional rules	15.9	16.3	16.3	17.0	17.1
Tier 1 capital ratio without transitional rules	15.9	16.3	16.3	17.0	17.1
Total capital ratio without transitional rules	15.9	16.3	16.3	17.0	17.1
Total capital ratio with transitional rules	15.9	16.3	16.3	17.0	17.1
Equity ratio	2.8	4.4	4.7	4.9	5.4
Consolidation ratio	2.8	4.4	4.9	5.0	5.5
Number of employees	40	40	36	33	38

[1)] The item includes net commission, the net result of financial transactions and other operating income.

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 (for example, IFRS and the Swedish Annual Accounts Act) or in the EU's Capital Requirements Directive (CRD IV)/ Capital Requirements Regulation (CRR).

SCBC 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. SCBC 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, SCBC's metrics are not directly comparable with similar metrics presented by other companies.

Credit loss ratio

Definition: Credit losses in relation to total lending (closing balances).

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

SEK million	2022	2021
Credit losses	-39	7
Lending to the public	483,738	442,067
Credit loss ratio, %	**-0.01**	**0.00**

Return on equity

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

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

SEK million	2022	2021
Profit after tax	1,571	1,682
Average equity	19,458	17,855
Return on equity, %	**8.1**	**9.4**

Net interest margin

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

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

SEK million	2022	2021
Net interest income	3,787	3,522
Average total assets	470,944	427,699
Net interest margin, %	**0.80**	**0.82**

C/I ratio

Definition: Total operating expenses, before credit losses, in relation to total operating income.

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

SEK million	2022	2021
Total operating expenses, excluding credit losses, SEK million	-1,344	-1,305
Total operating income	3,661	3,417
C/I ratio, %	**37**	**38**

Definitions of other key performance indicators

Number of employees	Number of employees
Return on assets	Net profit for the period after tax in relation to average total assets
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
Equity ratio	Equity in relation to total assets at year end
Consolidation ratio	Equity and deferred tax in relation to total assets at year end

SCBC!

Covered bonds of SBAB