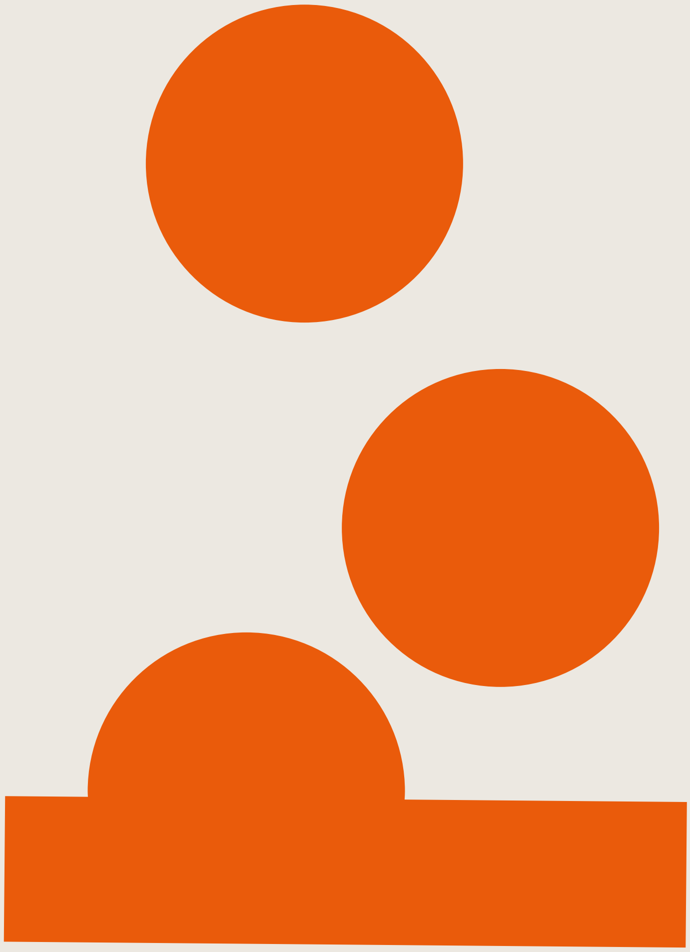
Year-end report

January–December 2023



AB Sveriges Säkerställda Obligationer (publ)
(The Swedish Covered Bond Corporation – SCBC)

SCBC!
Covered bonds of SBAB

The year in brief

January–December 2023

(January–December 2022)

- Operating profit amounted to SEK 2,073 million (1,978)
- Net interest income totalled SEK 4,041 million (3,787)
- Expenses amounted to SEK 1,468 million (1,344)
- Net credit losses totalled SEK 74 million (39).
- The Common Equity Tier 1 (CET1) capital ratio amounted to 16.7% (15.9)
- All funding programmes continue to have the highest credit ratings from Moody's

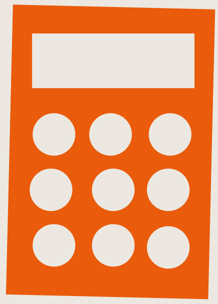
Net interest income, SEK million	Lending, SEK billion	Credit rating (Moody's)
4,041	**493.2**	**Aaa**
(3,787)	(483.7)	(Aaa)

Operations

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

The Swedish Covered Bond Corporation (SCBC), Corp. Reg. No. 556645-9755, is a wholly-owned subsidiary of SBAB, Corp. Reg. No. 556253-7513. SCBC is a credit market company and is regulated by the Swedish Banking and Financing Business Act (2004:297) and subject to supervision by the Swedish FSA (Sweden's financial supervisory authority). The primary operations within SCBC comprise the issue of covered bonds in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223) and the Swedish FSA's regulation FFFS 2013:1. Issues are conducted both in Swedish and 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.

Business development



Overview

	SCBC				
	2023	2023	2022	2023	2022
SEK million	Jul–Dec	Jan–Jun	Jul–Dec	Jan–Dec	Jan–Dec
Net interest income	2,034	2,007	1,909	4,041	3,787
Net commission expense	–23	–29	–19	–52	–34
Net result of financial transactions (Note 3)	–21	–6	–65	–27	–92
Total operating income	**1,990**	**1,972**	**1,825**	**3,962**	**3,661**
Expenses	–757	–711	–703	–1,468	–1,344
Profit before credit losses and imposed fees	**1,232**	**1,261**	**1,122**	**2,494**	**2,317**
Net credit losses (Note 4)	–38	–35	–30	–74	–39
Imposed fees: Risk tax and resolution fee	–170	–177	–151	–347	–300
Operating profit	**1,024**	**1,049**	**941**	**2,073**	**1,978**
Tax	–211	–216	–193	–427	–407
Net profit for the period	**813**	**833**	**748**	**1,646**	**1,571**
BALANCE-SHEET ITEMS					
Lending to the public, SEK billion, at close of period (Note 5)	493,220	487,505	483,738	493,220	483,738
– Of which, Lending, Residential mortgages	*343,405*	*345,599*	*345,540*	*343,405*	*345,540*
– Of which, Lending, Corporate Clients & Tenant-Owners' Associations	*149,815*	*141,906*	*138,198*	*149,815*	*138,198*
Issued debt securities, etc., at close of period	326,176	328,621	328,881	326,176	328,881
KEY METRICS					
CET1 capital ratio, %	16.7	16.9	15.9	16.7	15.9
Return on equity, %	6.2	7.6	7.5	6.7	8.1
Return on assets, %	0.3	0.3	0.3	0.3	0.3
CREDIT RATING (LONG-TERM FUNDING)					
Moody's	Aaa	Aaa	Aaa	Aaa	Aaa

January–December 2023 compared with January–December 2022

Operating profit amounted to SEK 2,073 million (1,978) for the period.

Net interest income
SCBC's net interest income grew to SEK 4,041 million (3,787), mainly due to an increased share of financing from deposits and higher deposit margins at Group level. Decreased lending margins for mortgages had a negative impact.

Net commission expense
Net commissions decreased to an expense of SEK 52 million (expense: 34), mainly driven by updated calculation models for amortised cost, where corporate lending arrangement fees are, from the third quarter of 2022, accrued over the maturity of the loan in net interest income.

Net result of financial transactions
The net expense from financial transactions was SEK 27 million (expense: 92). The difference between periods was mainly due to differences in value changes in hedging instruments and hedged items. For more information, please refer to Note 3.

Expenses
Expenses rose to SEK 1,468 million (1,344), and mainly comprised fees to SBAB for administrative services in line with the applicable outsourcing agreements. At Group level, the increase in costs was mainly driven by an increased number of employees and thus higher personnel costs, as well as by higher costs for marketing. The cost trend is progressing according to plan and tracks the operations' development and investment strategy for long-term competitiveness.

Credit quality and credit losses
Total net credit losses for the period amounted to SEK 74 million (39), mainly driven by credit loss allowances. Confirmed credit losses remained low and totalled SEK 4 million (2).

Total credit loss allowances increased SEK 68 million (increase: 37) during the period. Provisions for credit stage 1 and credit stage 2 loans decreased SEK 5 million (increase: 13) and SEK 18 million (increase: 24), respectively. Provisions for credit stage 3 loans increased SEK 91 million (unchanged). The changes mainly pertained to the implementation of a new impairment model for calculating expected credit losses (ECL model), application of which started from 30 September 2023, and which was calibrated ahead of year-end 2024. Compared to the previous model, the new ECL model is essentially more conservative through higher LGD estimates, though not as sensitive to macroeconomic effects in PD through forward-looking information. This resulted in a total reduction in loss allowances in credit stages 1 and 2 and increased loss allowances in credit stage 3. Moreover, a rising number of customers with payment difficulties in the Retail business area and negative risk class migrations for certain large customer groups in the Corporate Clients & Tenant-Owners' Associations business area contributed to increased loss allowances.

Guarantees that can be utilised increased SEK 1 million (unchanged) in the period as a result of the settlement of brokered credits with guarantees.

For more information on credit loss allowances and changes in the forward-looking information in the impairment model, please refer to Note 4.

The quality of the credit in SCBC's lending was assessed as very good and the credit risk in each business area (Retail and Corporate Clients & Tenant-Owners' Associations) as low. The granting of credit to retail customers, tenant-owners' associations (BRFs) and property companies is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments. Due to growing uncertainty in the capital market, SCBC has increased the rate of follow up with those customers in the Corporates & Associations business area who have a high share of market financing and who require refinancing over the short and long term.

Imposed fees
Imposed fees includes Sweden's new risk tax and the resolution fee. Imposed fees totalled SEK 347 million (300), of which the risk tax amounted to SEK 199 million (152) and the resolution fee to SEK 149 million (148).

Lending
SCBC does not conduct any new lending itself, but instead acquires loans from SBAB Bank on an ongoing basis. The aim of securing these loans is to include the loans, in part or in full, in the assets that comprise collateral for holders of SCBC's covered bonds. SCBC's lending portfolio comprises loans for residential mortgages, with lending to consumers the largest segment. At the end of the period, SCBC's lending amounted to SEK 493.2 billion (483.7).

Cover pool data

	SCBC 31 Dec 2023
Credit portfolio, SEK billion	493.5
Total cover pool, SEK billion	454.8
– Of which, liquidity buffer, SEK billion	*1.4*
LTV as per ASCB definition[1], %	54.9
Nominal OC, %	38.0

1) Association of Swedish Covered Bond Issuers

Cover pool
Information regarding SCBC's lending, the cover pool, is published monthly on the website sbab.se.

Other comprehensive income

Other comprehensive income for the period amounted to SEK 2,824 million (expense: 7,366), primarily due to interest-rate-related value changes in derivatives resulting from declining euro interest rates, which positively impacted the item. For more information, please refer to page 9.

Funding

The year continued to be dominated by high inflation and central bank interest rate hikes. During the year, the Fed hiked the policy rate a total of 100 bps to a range of 5.25–5.50%. The ECB raised the corresponding interest rate a total of 200 bps to a total of 4.00%. In Sweden, the Riksbank raised interest rates 150 basis points to a total of 4.00%. In the latter part of the year, there was once again a shift in sentiment, rhetoric and pricing in the fixed-income market due to the market's changing perspective on the policy rate trend. At the end of the last quarter, the market priced in several interest rate cuts for 2024, running counter to the "higher for longer" narrative that prevailed during the third quarter. As a result there were significant decreases in interest rates in the USA as well as in Europe. These were the result of positive economic data and, according to the interpretation of the market, more positive rhetoric from central banks.

At its last meeting of the year, the Fed chose to hold the policy rate within 5.25% to 5.50% while indicating lower rates going forward. During the quarter, the US interest rate curve fell approximately 80 basis points while the market expects the Fed to lower the policy rate approximately 150 basis points in 2024. While the ECB tried to signal a certain amount of caution about the future in its most recent interest statement in December, by the end of the year the market priced in an interest rate cut as early as April 2024 and total interest rate cuts of approximately 150 basis points for 2024. In Sweden, the Riksbank chose to leave the policy rate unchanged at 4.00% after its most recent meeting in November, due to unusually positive inflation data. Swedish interest rates fell drastically during the fourth quarter and the market expects the first policy rate cut during the first half of 2024. The Riksbank will increase the frequency of ordinary monetary policy meetings in 2024, from five meetings to eight, and at the end of the year the market priced in interest rate cuts totalling approximately 150 basis points for 2024.

Yield curves remained inverted throughout the year, contributing to increased interest from investors in shorter maturities. The EUR covered bond market, which usually offers maturities of at least up to ten years, struggled during the year to find buyers for maturities longer than five years. In the covered bond market, credit spreads are often subject to the general risk sentiment. The turmoil surrounding USA regional banks resulted, at the beginning of the year, in widening credit spreads in the EUR market, which reversed during the latter part of the first six months. However, funding costs rose successively and spreads were generally slightly wider at the year end. For much of 2023, the Swedish market was more balanced and offered funding at a relatively cheaper cost.

Most of SCBC's funding in 2023 was conducted within the framework of the Swedish benchmark programme. In addition, a EUR 1 billion five-year covered bond was issued in the European market in the first half of the year.

On 31 December 2023, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 326.2 billion (328.9), distributed as follows: Swedish covered bonds SEK 219.6 billion (207.1) and the Euro Medium Term Covered Note Programme SEK 106.6 billion (104.1). During the period, issued securities amounted to SEK 39.5 billion (67.7). At the same time, securities amounting to SEK 17.2 billion (10.4) were repurchased, while securities amounting to SEK 32.7 billion (21.3) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities of SEK 2.7 billion (28.0) in the period.

Liquidity position

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

Capital position

SCBC primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised approach. The Swedish FSA has previously announced that it expects Swedish banks to analyse and update their current risk classification systems to be able to meet the new EBA guidelines. SCBC has therefore, over an extended period, worked on preparing new internal risk classification models, which are expected to be implemented after the decision from the Swedish FSA. In November 2022, SCBC's application to use a new PD model for household exposure was approved, and in January 2023, a corresponding approval was received for new PD models for corporate exposures. Application of the new PD models for households started in the first quarter of 2023. In parallel, application of the PD models for corporate exposures started in the third quarter of 2023. SCBC has not yet received approval from the Swedish FSA on its applications for new LGD models for household and corporate exposures.

SCBC's total capital ratio and CET1 capital ratio amounted to 16.7% (15.9) on 31 December 2023. The increase was primarily attributable to owner contributions from the Parent Company (SBAB Bank AB (publ)). The internally assessed capital requirement amounted to SEK 7.7 billion (5.3) on 31 December 2023. In the third quarter of 2023, to better reflect SCBC's risk, SCBC reviewed and changed its method for calculating internally assessed capital. For more information on SCBC's capital, please refer to Note 10 and Note 11.

Other information

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 the SBAB Group's, and therefore for SCBC's, future earnings capacity, and the quality of our assets is mainly exposed to credit risk 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 quite some time, which has contributed to a strong demand for housing and a housing shortage. Despite a high rate of construction for the past few years, the housing shortage remains significant. The high rate of construction in combination with a growing proportion of home owners and 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 relatively higher incomes. However, higher interest rates have led to higher housing costs for many of these households.

Previous high inflation means that a large part of household consumption is now significantly more expensive, which suppresses household savings. By the end of 2023, the Riksbank's restrictive monetary policy brought inflation under control, though it is not yet at the target level. The pressure on household finances nonetheless will remain until interest rates decline somewhat and lost purchasing power is restored through higher incomes.

High housing costs a burden on households and property companies
Rising policy rates and market interest rates drove up mortgage interest rates throughout 2023. The trend is expected to reverse in 2024, but interest rates are nonetheless expected to curb demand during the year. 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 interest rate movements. While this is positive for the monetary policy's impact, there is a risk of indebted households with tight margins experiencing temporary difficulty coping with ongoing payments on their mortgages as a result of interest rates. However, stress tests indicate that this risk is low when interest rates are moderate.

Together with price increases, higher interest rates have increased housing costs and cost ratios for households. However, the long-term risks associated with high 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 mortgage rates led to lower housing prices. Calculated based on the beginning of 2022, prices for houses fell 17% and prices for apartments fell 11%. Continued high mortgage rates, weak income trends, rising unemployment and a large housing offering are expected to put further pressure on housing prices before they start a slow increase in late 2024. 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.

Many property companies have loans, and higher interest rates reduce their profits and the value of their properties. Higher interest rates can also put pressure on property companies with tight margins. This includes problems maintaining a sufficiently high cash flow to meet current interest expenses or refinancing maturing bonds.

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. Widening credit spreads on interest-bearing assets and stock market volatility are other factors.

Geopolitical uncertainty and armed conflicts
Above all, armed conflict leads to a great deal of human suffering. However, it also affects economic performance and the financial markets, not just locally but often globally. Russia's military invasion of Ukraine has led to extensive sanctions on Russia, who in turn cut off deliveries of gas to Europe and blocked the export of grains from Ukraine. Israel's war against the terrorist organisation Hamas has not yet had any clear economic consequences, though it risks leading to higher oil prices. Although SBAB has no presence in the war- or sanction-affected areas, the company is indirectly affected by the unrest through its impact on the global economy. War can lead to high inflation, uncertainty about the future and volatility in the financial markets.

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

Shareholder's contribution
During the fourth quarter, a shareholder's contribution, amounting to a total of SEK 4.3 billion, from the Parent Company SBAB Bank AB (publ) (SBAB) was paid to the subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation — SCBC).

Proposed dividend
The basis for the Board regarding appropriation of profits for 2023 is to propose to the AGM a dividend of SEK 5,000 million to the Parent Company SBAB Bank AB (publ).

Events after the end of the period
No significant events occurred after the end of the period.

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

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Condensed financial statements

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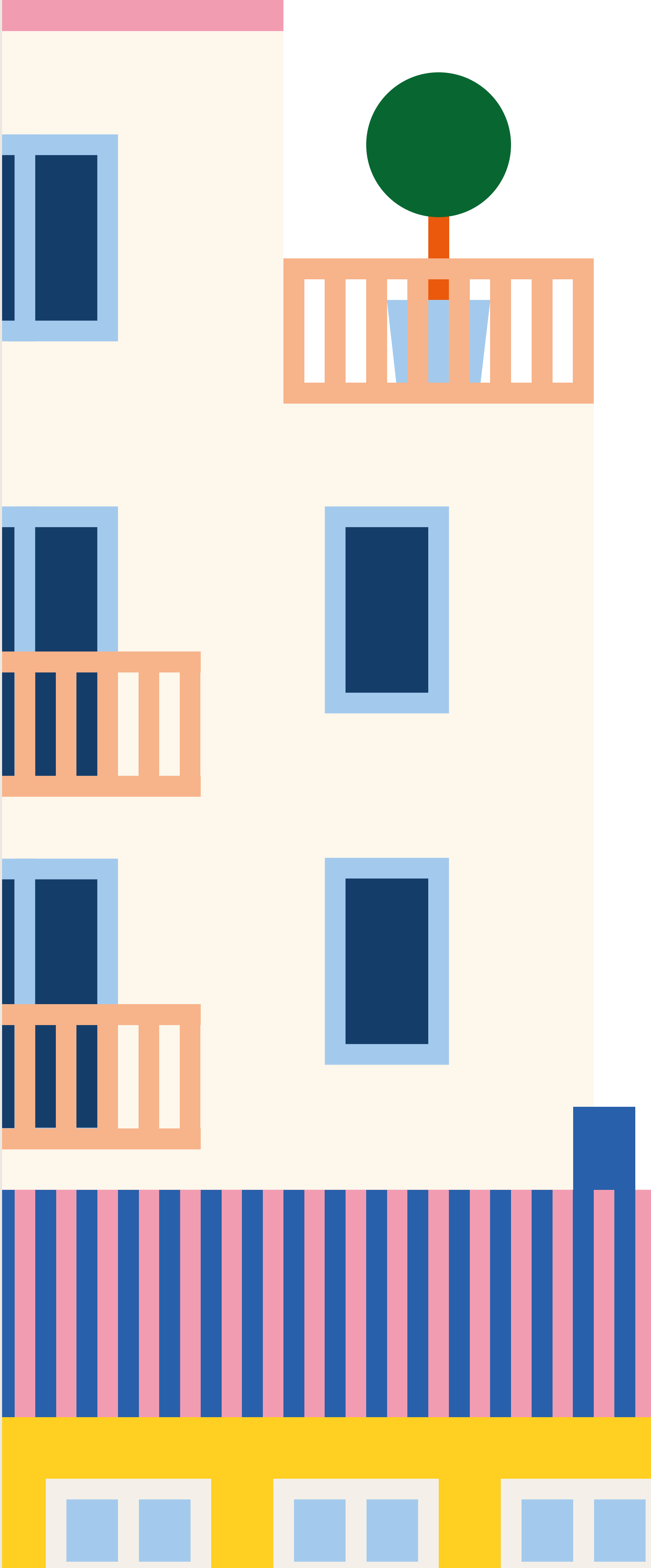

Condensed income statement

	SCBC				
	2023	2023	2022	2023	2022
SEK million	Jul–Dec	Jan–Jun	Jul–Dec	Jan–Dec	Jan–Dec
Interest income [1]	10,785	8,638	5,442	19,423	8,376
Interest expense	–8,751	–6,631	–3,533	–15,382	–4,589
Net interest income	**2,034**	**2,007**	**1,909**	**4,041**	**3,787**
Commission income	3	4	5	7	19
Commission expense	–26	–33	–24	–59	–53
Net expense from financial transactions (Note 3)	–21	–6	–65	–27	–92
Other operating income	0	0	0	0	0
Total operating income	**1,990**	**1,972**	**1,825**	**3,962**	**3,661**
General administrative expenses	–753	–703	–696	–1,456	–1,330
Other operating expenses	–5	–8	–7	–13	–14
Total expenses before loan losses and imposed fees	**–758**	**–711**	**–703**	**–1,468**	**–1,344**
Profit before loan losses and imposed fees	**1,232**	**1,261**	**1,122**	**2,494**	**2,317**
Net credit losses (Note 4)	–38	–35	–30	–73	–39
Imposed fees: Risk tax and resolution fee	–170	–177	–151	–347	–300
Operating profit	**1,024**	**1,049**	**941**	**2,073**	**1,978**
Tax on operating profit for the period/year	–211	–216	–193	–427	–407
Net profit for the period/year	**813**	**833**	**748**	**1,646**	**1,571**

1) The first half of 2023 the interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 10,790 million and for the corresponding period the previous year to SEK 4,764 milliion for the Group.

Condensed statement of comprehensive income

	SCBC				
	2023	2023	2022	2023	2022
SEK million	Jul–Dec	Jan–Jun	Jul–Dec	Jan–Dec	Jan–Dec
Net profit for the period	**813**	**833**	**748**	**1,646**	**1,571**
Components that will be reclassified to profit or loss					
Changes related to cash-flow hedges	3,373	183	–3,540	3,556	–9,239
Tax attributable to components that will be reclassified to profit or loss	–694	–38	729	–732	1,903
Other comprehensive income/loss, net of tax	**2,679**	**145**	**–2,811**	**2,824**	**–7,366**
Total comprehensive income for the year	**3,492**	**978**	**–2,063**	**4,470**	**–5,765**

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

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

For further comments on the outcome of the period, please see the section Business Development earlier in this report.

Condensed balance sheet

	SCBC	
SEK million	**31 Dec 2023**	**31 Dec 2022**
ASSETS		
Lending to credit institutions	1,379	983
Lending to the public (Note 5)	493,220	483,738
Value changes of interest-rate-risk hedged items in macro hedges	–1,565	–4,944
Derivatives (Note 6)	10,122	12,556
Deffered tax assets	961	1,690
Other assets	179	63
Prepaid expenses and accrued income	322	227
TOTAL ASSETS	**504,618**	**494,313**
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	0	1
Debt securities issued, etc.	326,176	328,881
Derivatives (Note 6)	12,380	21,828
Other liabilities	232	167
Accrued expenses and deferred income	3,057	2,192
Deferred tax liabilities	–	–
Subordinated debt to the Parent Company (Note 9)	137,789	127,506
Total liabilities	**479,634**	**480,575**
Equity		
Restricted equity		
Share capital	50	50
Total restricted equity	**50**	**50**
Unrestricted equity		
Shareholder contribution	16,350	9,550
Fair value reserve	–3,669	–6,493
Retained earnings	10,607	9,060
Net profit for the year	1,646	1,571
Total unrestricted equity	**24,934**	**13,688**
Total equity	**24,984**	**13,738**
TOTAL LIABILITIES AND EQUITY	**504,618**	**494,313**

Condensed statement of changes in equity

	SCBC					
	Restricted equity	Unrestricted equity				
SEK million	Share capital	Fair value reserve	Shareholder contribution	Retained earnings	Net profit for the year	Total equity
Opening balance 1 January 2023	**50**	**–6,493**	**9,550**	**10,631**	**–**	**13,738**
Other comprehensive income, net of tax	–	2,824	–	–	–	2,824
Shareholder contribution received	–	–	6,800	–	–	6,800
Group contribution paid, after tax	–	–	–	–24	–	–24
Net profit for the year	–	–	–	–	1,646	1,646
Comprehensive income for the year	**–**	**2,824**	**–**	**–**	**1,646**	**4,470**
Closing balance 31 December 2023	**50**	**–3,669**	**16,350**	**10,607**	**1,646**	**24,984**
Opening balance 1 January 2022	**50**	**843**	**9,550**	**9,084**	**–**	**19,527**
Other comprehensive income, net of tax	–	–7,336	–	–	–	–7,336
Group contribution paid, after tax	–	–	–	–24	–	–24
Net profit for the year	–	–	–	–	1,571	1,571
Comprehensive income for the year	**–**	**–7,336**	**–**	**–**	**1,571**	**-5,765**
Closing balance 31 December 2022	**50**	**–6,493**	**9,550**	**9,060**	**1,571**	**13,738**

Condensed cash-flow statement

SEK million	SCBC 2023 Jan–Dec	2022 Jan–Dec
Opening cash and cash equivalents	**983**	**1**
OPERATING ACTIVITIES		
Interest and commissions paid/received	5,284	4,217
Outflows to suppliers and employees	–1,816	–1,644
Taxes paid/refunded	–500	–500
Change in assets and liabilities of operating activities	–19,655	–20,879
Cash flow from (used in) operating activities	**–16,687**	**–18,806**
INVESTING ACTIVITIES		
Cash flow from investing activities	**–**	**–**
FINANCING ACTIVITIES		
Group contribution paid	–	–
Dividend paid	–	–
Shareholder contribution	6,800	–
Change in subordinated debt	10,283	19,788
Cash flow from financing activities	**17,083**	**19,788**
Increase/decrease in cash and cash equivalents	**396**	**982**
Closing cash and cash equivalents	**1,379**	**983**

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

Change in liabilities attributable to financing activities

	SCBC									
			Non-cash items					Non-cash items		
SEK million	Opening balance 1 Jan 2023	Cash flow	Fair value	Other	Closing balance 31 Dec 2023	Opening balance 1 Jan 2022	Cash flow	Fair value	Other	Closing balance 31 Dec 2022
Long-term interest-bearing liabilities	127,506	10,283	–	–	137,789	107,718	19,788	–	–	127,506
Total	**127,506**	**10,283**	**–**	**–**	**137,789**	**107,718**	**19,788**	**–**	**–**	**127,506**

Note 1 Accounting policies

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

Introduction of new and changed accounting standards 2023

Amendments to IAS 1 Design of financial reports (information on accounting-principles)
As of January 2023, the requirement in IAS 1 has been changed regarding information about significant accounting principles is changed and replaced with a requirement for information about material information about accounting principles. The EU has approved the changes. SCBC has reviewed the acoounting principles and adapted them to the new requirements according to IAS 1.

The financial statements in summary are drawn up based on an assumption about the company's survival. The financial reports in summary was approved-by the board for publication on 1 February 2024.

Note 2 Changes in risks

Credit risk in lending operations
No significant increase in realised credit risk was noted in SCBC's lending operations during the second half of 2023. Despite the high-interest rate environment, only a limited increase in payment delinquencies has been observed among customers, mainly within the business area Retail. Due to increased interest costs, negative rating grade migrations have occurred within the same business area, which is expected to continue as customers' interest rates are renegotiated. Within the business area Corporate Clients & Tenant-Owners' Associations, SCBC has implemented new PD models within the IRB-system, including new decisions on rating grades for all customers. The new impairment model for calculating expected credit losses (ECL model) was applied for the first time during the latter half of the year, with subsequent calibration before the year-end. The application of the new ECL model occurred in conjunction with the roll out of new PD models for Corporate Clients & Tenant-Owners' Associations. Overall, the mentioned model changes and rating grade migrations resulted in increased loss provisions during for the half-year.

Total loss provisions amount to SEK 224 million per 31 December 2023, compared to SEK 186 million per 30 June 2023. SCBC. Increasing interest costs, a slowdown in residential construction, and falling housing prices may lead to further increases in loss provisions throughout 2024.

The loan-to-value (LTV) for private individuals, property companies and tenant-owners' associations amount to 60%, 61% and 33% respectively per 31 December 2023, compared to 59%, 62% and 33% respectively per 30 June 2023. For more information regarding credit losses, loss provisions, and credit risk and quality, please refer to Note 4.

Counterparty credit risk in treasury operations
SCBC models counterparty credit risk according to CRR II Standardised Approach (SA-CCR). Total usage of SCBC's limits to transactional counterparties increased to SEK 616 million as of December 31, 2023, compared to SEK 606 million as of June 30, 2023.

Liquidity risk
Liquidity risk in SCBC is managed in cooperation with SBAB. SCBC together with SBAB Bank AB (publ) is treated as a liquidity subgroup according to CRR art. 8 and according to a decision from the Financial Supervisory Authority. SCBC has an agreement with SBAB regarding a liquidity facility which can be used to finance SCBC´s operations. As of December 31, 2023 OC amounted to 35.6% (31.5% as of June 30, 2023).

Market risk
SCBC uses Value at Risk (VaR) to quantify market risk. VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. SCBC's model is a historical model and applies percentiles in historical market data from the past two years. As of December 31, 2023, SCBC's VaR amounted to SEK 778 million, compared to SEK 499 million at June 30, 2023.

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

Business risk
Financial markets continue to be impacted by the current geopolitical situation and by rising interest rates. The impact on SCBC's financial position is nevertheless moderate. Business risk is therefore considered to be at a low level. No material changes in the competitive landscape were observed during the year and SCBC has not entered any new, or exited any existing, markets or segments.

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

1) OC (Over-Collateralization) measures the OC-level in the cover pool. Regulated by "lagen om utgivning av säkerställda obligationer" (SFS 2003:1223) and regulations and general guidelines regarding covered bonds from Swedish FSA (FFFS 2013:1).

Note 3 Net result of financial transactions

	SCBC				
	2023	2023	2022	2023	2022
SEK million	Jul–Dec	Jan–Jun	Jul–Dec	Jan–Dec	Jan–Dec
Gains/losses on interest-bearing financial instruments					
– Change in value of hedged items in hedge accounting	–4,693	584	1,522	–4,109	9,032
– Derivatives in hedge accounting	4,712	–589	–1,521	4,123	–9,086
– Other derivatives	–260	–34	–96	–294	–58
– Realised gain/loss from financial liabilities at amortised cost	219	81	26	300	11
– Loan receivables at amortised cost	2	–49	3	–47	7
Currency translation effects	–1	1	1	0	2
Total	**–21**	**–6**	**–65**	**–27**	**–92**

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

Note 4 Net credit losses

	SCBC				
	2023	2023	2022	2023	2022
SEK million	Jul–Dec	Jan–Jun	Jul–Dec	Jan–Dec	Jan–Dec
Lending to the public					
Confirmed credit losses	–1	–3	–1	–4	–2
Recoveries of previously confirmed credit losses	–	–	–	–	–
Adjustment of interest on written down loans	2	–	–	2	–13
Change in provision for the period — credit stage 1	16	–11	–8	5	–13
Change in provision for the period — credit stage 2	36	–18	–20	18	–24
Change in provision for the period — credit stage 3	–90	–1	–1	–91	0
Guarantees	–1	–2	0	-3	0
Net credit losses for the period — lending to the public	**–38**	**–35**	**–30**	**–73**	**–39**

For further information about definitions and assumptions for judgements and calculations of credit risk and the various credit stages under IFRS 9, refer to SCBC's 2022 Annual Report, note G 1 (Accounting policies).

Total loss provisions increased by SEK 38 million (increase by 30) during the second half of 2023. Loss provisions for loans allocated to credit stage 1 decreased by SEK 16 million (increase by 11) and by SEK 36 million (increase by 18) for loans allocated to credit stage 2. Loss provisions for loans allocated to credit stage 3 increased by SEK 90 million (increase by 1). The changes in loss provisions for all credit stages are primarily attributed to a new impairment model for calculating expected credit losses (ECL model). Compared to the previous model, the new ECL model is fundamentally more conservative through higher estimates of LGD but is less sensitive to macroeconomic effects in PD through forward-looking information. This has resulted in decreased loss provisions for credit stages 1 and 2, and increased provisions for credit stage 3. Furthermore, more customers are experiencing payment difficulties and defaults, primarily within the business area Retail, resulting in increased loss provisions.

Guarantee amounts that can be utilised to cover credit losses decreased by SEK 1 million (increase by 2).

Note 4 Net credit losses, Cont.

Sensitivity analysis of forward-looking information

Lending to the public and loan commitments

	Scenario 1 (40%)			Scenario 2 (20%)			Scenario 3 (20%)			Scenario 4 (20%)		
Factors	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
GDP[1], Δ	-0.6%	+2.7%	+3.0%	+0.5%	+4.4%	+3.8%	-9.4%	+6.3%	+3.9%	-5.6%	-1.6%	+3.0%
Repo rate	3.2%	2.2%	2.2%	3.0%	2.4%	2.4%	3.5%	2.6%	2.5%	4.2%	3.3%	3.2%
Unemployment	8.4%	8.0%	7.5%	7.9%	6.9%	6.4%	11.4%	10.8%	9.6%	9.4%	10.3%	10.4%
House prices, Δ	+2.5%	+4.0%	+4.3%	+6.4%	+0.6%	+4.8%	-6.7%	-3.3%	+3.4%	-12.4%	-13.8%	-3.3%
Prices of tenant-owners' rights, Δ	+1.0%	+7.8%	+7.2%	+5.2%	+3.5%	+7.8%	-12.5%	-5.3%	+4.5%	-14.5%	-10.9%	-0.3%
Property prices, Δ	-3.7%	-1.7%	-0.2%	-1.2%	-2.5%	-1.5%	-11.6%	-14.7%	-7.1%	-12.4%	-18.9%	-11.8%
ECL	**SEK 105 million**			**SEK 93 million**			**SEK 279 million**			**SEK 539 million**		
Weighted ECL	**SEK 224 million**											

1) Not included in the ECL calculation

Impairment model and credit loss provisions
During the second half of 2023, SCBC has continuously monitored the macroeconomic situation considering the continued high interest rates levels and slowdown in residential construction. Updated macroeconomic forecasts were provided by the Chief Economist during both the third and the fourth quarter for the purpose of revising the forward-looking information applied in the impairment model used to calculate expected credit losses (ECL model) for loan loss provisioning. The updates to the macroeconomic forecasts were based on a persisting negative outlook on the global economic situation and development, characterized by a high-interest rate environment and risks of significant price drops in homes and real estate. The high interest rate environment, due to recent years of high inflation and global economic uncertainty, is assessed to continue affecting the Swedish economy during the coming years.

Given the slowdown in inflation and stabilization of interest rates, all scenarios in the forward-looking information consider somewhat lower interest rates over the coming years, with an interest rate peak that has already occurred or is expected to be reached in 2024. In connection with the development of interest rates, the unemployment rate is expected to decrease over the coming years, excluding negative scenarios where further interest rate hikes during 2024 impact the Swedish economy and unemployment rate. Home and real estate prices are expected to rise with declining interest rates or fall in scenarios where interest rates continue to rise in 2024. However, all scenarios remain negative on the development of residential and commercial real estate prices due to highly leveraged property companies in the Swedish market.

The update of the macroeconomic factors in the forward-looking information, combined with the implementation and calibration of the new ECL model, with raised threshold levels for credit stage 2 and a better application of macroeconomic effects in PD and LGD, contributed to an increase in loss provisions of 36 million SEK. As of 31 December 2023, total loss provisions amount to SEK 224 million, compared to SEK 186 million as of 30 June 2023.

The table above presents the forward-looking information, comprising a composite of the four scenarios with forecasts of the macroeconomic factors applied in the ECL model. The underlying credit risk models used to calculate ECL, largely based on customers' payment behaviour and market values of the collaterals, have shown only limited signs of increased credit risk. It cannot be ruled out that rising interest costs, a slowdown in residential construction and falling prices for homes and real estate properties may further increase loss provisions throughout 2024.

SCBC is comfortable with the size of the loss provisions, totalling SEK 224 million as per 31 December 2023.

Overall credit quality
The credit quality of SCBC's lending portfolio remains good and the risks associated with lending to private individuals within the business area Retail are low despite the prevailing economic circumstances. Granting of loans is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their obligations. The Swedish FSA's annual mortgage market survey, based on data from 2022, found that overall, new residential mortgage customers continue to have healthy margins to manage repayment of their mortgages despite the worsened economic climate. At the end of the fourth quarter of 2023, the average loan-to-value (LTV) ratio[2] in the mortgage portfolio was 60% (60).

The credit quality of SCBC's lending to property companies, property developers, and tenant-owners' associations is also considered good. The average LTV for property companies and tenant-owners' associations at the end of the quarter was 61% (61) and 33% (33) respectively. In the business area Corporate Clients & Tenant-Owners' Associations, the granting of loans is based on an assessment of customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the economic development with high inflation resulting in rising interest rates, SCBC is working proactively to identify customers who are or could become particularly financially affected. SCBC has also increased the frequency of follow-up of customers which are more dependent on market funding. Moreover, there is a closer follow-up and evaluation of the rating grades by expert judgement. No individually assessed loss provisions have been deemed necessary during the half-year.

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

Note 5 Lending to the public

SEK million	SCBC 31 Dec 2023	31 Dec 2022
Opening balance	**483,738**	**442,067**
Transferred to/from Group entities	46,457	83,440
Amortisation, repayments, etc.	–36,903	–41,730
Confirmed credit losses	–4	–2
Change in provision for expected credit losses[1)]	–68	–37
Closing balance	**493,220**	**483,738**

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

Distribution of lending, including provisions

SEK million	SCBC 31 Dec 2023	31 Dec 2022
Lending, Residential mortgages	343,405	345,540
Lending, Corporate Clients & Tenant-Owners' Associations	149,815	138,198
Total	**493,220**	**483,738**

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	SCBC 31 Dec 2023	SCBC 31 Dec 2022
Credit stage 1		
Gross carrying amount	449,733	455,239
Provision for expected credit losses	–48	–53
Carrying amount	**449,685**	**455,186**
Credit stage 2		
Gross carrying amount	43,063	28,309
Provision for expected credit losses	–61	–79
Carrying amount	**43,002**	**28,230**
Credit stage 3		
Gross carrying amount	648	346
Provision for expected credit losses	–115	–24
Carrying amount	**533**	**322**
Gross carrying amount (credit stages 1, 2 and 3)	**493,444**	**483,894**
Provision for expected credit losses (credit stages 1, 2 and 3)	**–224**	**–156**
Total	**493,220**	**483,738**

Lending to the public and provisions

SEK miilion	SCBC							
Capital	Credit stage 1 Capital	Provision	Credit stage 2 Capital	Provision	Credit stage 3 Capital	Provision	Capital	Provision
Opening balance 1 January 2023	**455,239**	**–53**	**28,309**	**–79**	**346**	**–24**	**483,894**	**–156**
Moved to credit stage 1	16,784	–39	–16,756	38	–28	1	0	0
Moved to credit stage 2	–37,522	7	37,584	–9	–62	2	0	0
Moved to credit stage 3	–194	0	–360	4	554	–4	0	0
Volume change*	15,233	–3	–5,156	8	–151	7	9,926	12
Revaluation**	193	40	–557	–23	–8	–100	–372	–83
Confirmed credit losses	–	–	–1	–	–3	3	–4	3
Closing balance 31 December 2023	**449,733**	**–48**	**43,063**	**–61**	**648**	**–115**	**493,444**	**–224**

* Refers to new lending, amortisations, redemptions and loan tranfers between SBAB and SCBC.
** Refers to revaluation of ECL as well as changes in transaction and modification costs.

SEK miilion	SCBC							
Capital	Credit stage 1 Capital	Provision	Credit stage 2 Capital	Provision	Credit stage 3 Capital	Provision	Capital	Provision
Opening balance 1 January 2022	**422,471**	**–40**	**19,500**	**–55**	**215**	**–24**	**442,186**	**–119**
Moved to credit stage 1	11,643	–25	–11,607	24	–36	1	0	0
Moved to credit stage 2	–13,616	3	13,645	–4	–29	1	0	0
Moved to credit stage 3	–86	0	–190	3	276	–3	0	0
Volume change*	35,723	–19	6,761	–19	–73	4	42,411	–34
Revaluation**	–896	28	200	–28	–5	–5	–701	–5
Confirmed credit losses	–	–	–	–	–2	2	–2	2
Closing balance 31 December 2022	**455,239**	**–53**	**28,309**	**–79**	**346**	**–24**	**483,894**	**–156**

*Refers to new lending, amortizations, redemptions and loan transfers between SBAB and SCBC.
**Refers to revaluation of ECL as well as changes in transaction and modification costs.

Note 6 Derivatives

SEK million	SCBC 31 Dec 2023 Assets measured at fair value	Liabilities measured at fair value	Total nominal amount	31 Dec 2022 Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate-related	3,301	12,124	371,724	4,877	21,828	420,064
Currency-related	6,821	256	78,795	7,679	0	75,202
Total	**10,122**	**12,380**	**450,519**	**12,556**	**21,828**	**495,266**

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

Note 7 Classification of financial instruments

Financial assets

	SCBC 31 Dec 2023				
	Financial assets measured at FVTPL				
SEK million	Derivatives (held for trading)	Other (obligatory) classification	Financial assets measured at amortised cost	Total	Total fair value
Lending to credit institutions	–	–	1,379	1,379	1,379
Lending to the public	–	–	493,220	493,220	486,713
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–1,565	–1,565	–
Derivatives	10,122	0	–	10,122	10,122
Other assets	–	–	179	179	179
Prepaid expenses and accrued income	–	–	321	321	321
Total	**10,122**	**0**	**493,534**	**503,655**	**498,714**

Financial liabilities

	SCBC 31 Dec 2023				
	Financial liabilities measured at FVTPL				
SEK million	Derivatives (held for trading)	Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value
Liabilities to credit institutions	–	–	0	0	0
Issued debt securities, etc.	–	–	326,176	326,176	318,285
Derivatives	12,354	26	–	12,380	12,380
Other liabilities	–	–	70	70	70
Accrued expenses and deferred income	–	–	3,057	3,057	3,057
Subordinated debt to the Parent Company	–	–	137,789	137,789	137,789
Total	**12,534**	**26**	**467,092**	**479,472**	**471,581**

Not 7 Classification of financial instruments, Cont.

Financial assets

SEK million	SCBC 31 Dec 2022 — Financial assets measured at FVTPL: Derivatives (held for trading)	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

SEK million	SCBC 31 Dec 2022 — Financial liabilities measured at FVTPL: Derivatives (held for trading)	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**	**01**	**458,794**	**480,622**	**467,179**

Fair value measurement of financial instruments
The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SCBC's Annual Report 2022. In the total fair value column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet. The carrying amounts for current receivables and liabilities, including subordinated debt to the Parent Company, have been assessed as equal to their fair values. For Lending to the public, where no observable credit margin data is available at the time of measurement, the credit margin on the most recent date for changes in terms is applied to set the discount rate, Level 3. Issued debt securities are measured at the company's current borrowing interest rate, Level 2.

Note 8 Fair Value Disclosures

SEK million	SCBC 31 Dec 2023 Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	31 Dec 2022 Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Derivatives	–	10,122	–	10,122	–	12,556	–	12,556
Total	–	**10,122**	–	**10,122**	–	**12,556**	–	**12,556**
Liabilities								
Derivatives	–	12,380	–	12,380	–	21,828	–	21,828
Total	–	**12,380**	–	**12,380**	–	**21,828**	–	**21,828**

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

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

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

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

Note 9 Subordinated debt to the Parent Company

SEK million	SCBC 31 Dec 2023	31 Dec 2022
Subordinated debt to the Parent Company	137,789	127,506
– Of which Internal Group MREL instrument	24,000	17,000
Total	**137,789**	**127,506**

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

Internal Group MREL instrument
Of the subordinated debt to the Parent Company SBAB Bank AB (publ), SEK 24,000 million comprises an internal Group debt instrument (senior non-preferred notes) that was issued by SCBC to the Parent Company in December 2019 for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office in SCBC. The internal Group MREL instrument is subordinate to other subordinated debt to the Parent Company.

Note 10 Capital adequacy, own funds and capital requirements

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

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

The EU Commission's proposal is to be introduced with a transitional period during 2025 -2030. In December 2023, the EU approved the European Commission's proposal and the EU Parliament is also expected to approve the proposal shortly. The changes in CRR and CRD are expected to be published in the Official Journal during the first half of 2024, and will be applicable from 1 January 2025.

Buffer requirements
The countercyclical buffer rate for Swedish exposures amounts to 2% as of 31 December 2023. The Swedish FSA has not announced any change to the countercyclical buffer value.

The Government of Denmark and Bank of Norway respetively have decided to keep the countercyclical buffer rates unchanged at 2.5% as of 31 December 2023.

Capital adequacy

	SCBC				
SEK million	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	23,326	22,962	22,962	20,271	20,166
Tier 1 capital	23,326	22,962	22,962	20,271	20,166
Total capital	23,328	22,962	22,962	20,271	20,166
Risk-weighted exposure amounts					
Total risk exposure amount	139,506	138,716	135,788	128,818	126,730
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	16.7	16.7	16.9	15.7	15.9
Tier 1 ratio (%)	16.7	16.7	16.9	15.7	15.9
Total capital ratio (%)	16.7	16.7	16.9	15.7	15.9
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.2	1.2[2)]	1.4[1)]	2.5	2.5
of which: to be made up of CET1 capital (percentage points)	0.7	0.7	0.9	1.7	1.7
of which: to be made up of Tier 1 capital (percentage points)	0.9	0.9	1.0	1.9	1.9
Total SREP own funds requirements (%)	9.2	9.4	9.4	10.5	10.5
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	–	–	–	–	–
Institution specific countercyclical capital buffer (%)	2.0	2.0	2.0	1.0	1.0
Systemic risk buffer (%)	–	–	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–	–	–
Combined buffer requirement (%)	4.5	4.5	4.5	3.5	3.5
Overall capital requirements (%)	13.7	13.7	13.9	14.0	14.0
CET1 available after meeting the total SREP own funds requirements (%)	7.5	7.4	7.6	5.4	5.4

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

	SCBC				
SEK million	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
Leverage ratio					
Total exposure measure	494,306	492,359	488,874	488,775	486,973
Leverage ratio (%)	4.7	4.7	4.7	4.1	4.1
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	–	–	–	–	–
of which: to be made up of CET1 capital (percentage points)	–	–	–	–	–
Total SREP leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	–	–	–	–	–
Overall leverage ratio requirement (%)	3.0	3.0	3.0	3.0	3.0
Liquidity Coverage Ratio[3]					
Total high-quality liquid assets (HQLA) (Weighted value -average)					
Cash outflows - Total weighted value					
Cash inflows - Total weighted value					
Total net cash outflows (adjusted value)					
Liquidity coverage ratio (%)					
Net Stable Funding Ratio[3]					
Total available stable funding					
Total required stable funding					
NSFR ratio (%)					

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

2) The Swedish FSA (Finansinspektionen) decided, during the third quarter of 2023, in connection with its review and evaluation of AB Sveriges Säkerställda Obligationer (publ) to reduce the Pillar 2 requirements.

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

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

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

Own funds

	SCBC	
SEK million	**31 Dec 2023**	**31 Dec 2022**
Common Equity Tier 1 (CET1) capital : Instruments and reserves		
Capital instruments and the related share premium accounts	50	50
Retained earnings	26,957	18,610
Accumulated other comprehensive income (and other reserves)	–3,669	–6,493
Independently reviewed interim profits net of any foreseeable charge or dividend[1]	–3 354	1,571
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**19,984**	**13,738**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	–24	–39
Intangible assets(net of related tax liability (negative amount)	–	–
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	3 669	6,493
Negative amounts resulting from the calculation of expected loss amounts	–302	–25
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	–
Other regulatory adjustments[2]	–1	–1
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**3,342**	**6,428**
Common Equity Tier 1 (CET1) capital	**23,326**	**20,166**
Additional Tier 1 (AT1) capital: Instruments		
Additional Tier 1 (AT1) capital before regulatory adjustments	–	**–**
Additional Tier 1 capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 (AT1) capital	–	**–**
Additional Tier 1 (AT1) capital	–	**–**
Tier 1 capital (T1 =CET1+A1)	**23,326**	**20,166**
Tier 2 (T2) capital: Instruments		
Capital instruments and the related share premium accounts	–	–
Credit risk adjustments	2	–
Tier 2 (T2) capital before regulatory adjustments	2	–
Tier 2 (T2) capital: regulatory adjustments	**–**	**–**
Total regulatory adjustments to Tier 2(T2) capital	–	**–**
Tier 2 (T2) capital	2	**–**
Total capital (TC=T1+T2)	**23,328**	**20,166**
Total risk-exposure amount	**139,506**	**126,730**

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

SEK million	SCBC 31 Dec 2023	31 Dec 2022
Capital ratio and requirements including buffers, %		
Common Equity Tier 1 capital	16.7	15.9
Tier 1 capital	16.7	15.9
Total capital	16.7	15.9
Institution CET1 overall capital requirements	9.7	10.5
– of which, capital conservation buffer requirement	*2.5*	*2.5*
– of which, countercyclical buffer requirement	*2.0*	*1.0*
– of which, systemic risk buffer requirement	–	–
– of which, G-SII buffer and O-SII buffer	–	–
– of which, additional own funds requirements to address the risk other than the risk of excessive leverage	*0.7* [3]	*2.5*
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum requirements	7.5	5.4

1) The profit for the year has been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

2) A small deduction from CET1 capital has been made due to the NPL backstop, pursuant to Article 36, Point 1m of the Capital Requirements Regulation.

3) Outcome according to the Supervisory Review and Evaluation Process from the Swedish FSA, communicated and applied from September 2023.

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

Risk exposure amounts and capital requirements

	SCBC			
	31 Dec 2023		31 Dec 2022	
mnkr	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	46,961	3,757	19,010	1,521
Retail exposures	20,436	1,635	14,178	1,134
– of which, exposures to SMEs	–	–	*975*	*78*
– of which, retail exposures secured by immovable property	*20,436*	*1,635*	*13 203*	*1 056*
Total exposures recognised with IRB approach	**67,397**	**5,392**	**33,188**	**2,655**
Credit risk recognised with the standardised approach				
Exposure to governments and central banks[1)]	23	2	14	1
Exposures to regional governments or local authorities or agencies	–	–	0	0
Exposures to institutions[2)]	123	10	134	11
– of which, derivatives according to CRR, Appendix 2	*123*	*10*	*121*	*10*
– of which, repos	–	–	*13*	*1*
– of which, other	–	–	*0*	*0*
Exposures to institutions and corporates with a short-term credit rating	2	0	6	0
Other items	14	1	55	5
Total exposures recognised with standardised approach	**162**	**13**	**209**	**17**
Market risk	**267**	**21**	**611**	**49**
– of which, position risk	–	–	–	–
– of which, currency risk	*267*	*267*	*611*	*49*
Operational risk	**5,414**	**433**	**4,928**	**394**
Credit valuation adjustment risk	**813**	**65**	**879**	**70**
Additional requirements under Article 458 of the CRR	**65,454**	**5,236**	**86,915**	**6,953**
Total risk exposure amount and minimum capital requirement	**139,506**	**11,161**	**126,730**	**10,138**
Capital requirements for capital conservation buffer		**3,488**		**3,168**
Capital requirements for countercyclical buffer		**2,790**		**1,268**
Total capital requirement		**17,438**		**14,574**

1) Risk-weighted amount for governments and central banks amounts to SEK 23 million due to deferred tax according to CRR Article 48(4).
2) The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 123 million (134).

Note 11 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SCBC has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for SCBC amounted to SEK 7,727 million (SEK 5,345 million at 31 December 2022). The internal capital requirement is assessed using SBAB's internal models for economic capital and is not fully comparable to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumtions and methodologies. SBAB estimates that the Swedish FSA's expected total capital requirement as of 31 December 2023 amounted to SEK 19,168 million, of which SEK 1,730 million comprised capital requirement in Pillar 2. SCBC quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period. The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

During the third quarter in 2023, SCBC assessed the method for the internally assessed capital and made changes to better reflect SCBC's risk.

	SCBC	
	2023-12-31	2022-12-31
	Internally assessed capital requirement	
	mnkr	mnkr
Creditrisk	5,405	3,158
Market risk	795	1,048
Operational risk	433	433
Concentration risk	1,029	636
Sovereign risk	0	0
CVA	65	70
Other risks[1]	0	0
Total	**7,727**	**5,345**
Total own funds	**23,328**	**20,166**

1) This includes pension and business risk

Alternative performance measures

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

SBAB uses APMs when these are relevant for the presentation and follow-up of SCBC'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.

Return on equity

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

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

	GROUP	
	2023	2022
SEK million	Jan–Dec	Jan–Dec
Operating profit after tax	1,646	1,571
Average equity	24,442	19,458
Return on equity, %	**6.7**	**8.1**

Definitions of other key performance indicators

Return on assets	Net profit in relation to balance sheet total
CET1 capital ratio	CET1 capital in relation to risk-weighted assets
Total capital ratio	Own funds in relation to risk-weighted assets
Tier 1 capital ratio	Tier 1 capital in relation to risk-weighted assets
Leverage ratio	Tier 1 capital in relation to total assets and off-balance sheet exposures restated with the application of credit conversion factors

Auditors' review report

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

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

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

Stockholm 1 February 2024

Deloitte AB

Signature on Swedish original

Malin Lüning
Authorised Public Accountant

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

Solna, 1 February 2024

Fredrik Jönsson
CEO

Financial calendar

Annual Report 2023	20 March 2024
Interim Report Jan–Jun 2024	17 July 2024
Year-end Report 2024	31 January 2025

Credit ratings

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

Contact

For additional information, please contact:

CEO Fredrik Jönsson
fredrik.jonsson@sbab.se

This information was submitted for publication on February 2, 2024 at 08:00 (CET).

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