Interim report

January–June 2024

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

SCBC!
Covered bonds of SBAB

The period in brief

January–June 2024

(January–June 2023)

- Operating profit amounted to SEK 982 million (1,049)
- Net interest income totalled SEK 1,915 million (2,007)
- Expenses amounted to SEK 701 million (711)
- Net credit losses totalled SEK 34 million (35).
- The Common Equity Tier 1 (CET1) capital ratio amounted to 16.5% (16.9)
- All funding programmes continue to have the highest credit ratings from Moody's

Net interest income, SEK million

1,915

(2,007)

Lending, SEK billion

504.6

(487.5)

Credit rating (Moody's)

Aaa

(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

SEK million	SCBC 2024 Jan–Jun	2023 Jul–Dec	2023 Jan–Jun	2023 Jan–Dec
Net interest income	1,915	2,034	2,007	4,041
Net commission expense	-30	-23	-29	-52
Net result of financial transactions (Note 3)	17	-21	-6	-27
Total operating income	**1,902**	**1,990**	**1,972**	**3,962**
Expenses	-701	-757	-711	-1,468
Profit before credit losses and imposed fees	**1,201**	**1,232**	**1,261**	**2,494**
Net credit losses (Note 4)	-34	-38	-35	-74
Imposed fees: Risk tax and resolution fee	-185	-170	-177	-347
Operating profit	**982**	**1,024**	**1,049**	**2,073**
Tax	-202	-211	-216	-427
Net profit for the period	**780**	**813**	**833**	**1,646**
BALANCE-SHEET ITEMS				
Lending to the public, SEK billion, at close of period (Note 5)	504,573	493,220	487,505	493,220
– Of which, Lending, Residential mortgages	*349,109*	*343,405*	*345,599*	*343,405*
– Of which, Lending, Corporate & Associations	*155,464*	*149,815*	*141,906*	*149,815*
Issued debt securities, etc., at close of period	308,539	326,176	328,621	326,176
KEY METRICS				
CET1 capital ratio, %	*16.5*	16.7	16.9	16.7
Return on equity, %	*6.5*	6.2	7.6	6.7
Return on assets, %	*0.3*	0.3	0.3	0.3
CREDIT RATING (LONG-TERM FUNDING)				
Moody's	Aaa	Aaa	Aaa	Aaa

January–June 2024 compared with January–June 2023

Operating profit amounted to SEK 982 million (1,049) for the period.

Net interest income
SCBC's net interest income declined to SEK 1,915 million (2,007), mainly due to lower margins and increased funding costs.

Net commission expense
The net commission expense was SEK 30 million (expense: 29). Commission income was on a par with the previous year, while commission expenses were up slightly due to funding activities.

Net result of financial transactions

The net income from financial transactions was SEK 17 million (expense: 6). The difference between the periods was mainly attributable to the revaluation of derivatives that are not encompassed by hedge accounting, please refer to Note 3.

Expenses
Expenses rose to SEK 701 million (711), and mainly comprised fees to SBAB for administrative services in line with the applicable outsourcing agreements. 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 34 million (35). Confirmed credit losses remained low and totalled SEK 3 million (3).

Total credit loss allowances increased SEK 33 million (increased by 30) during the first half of the year. Loss provisions for credit stage 1 loans decreased SEK 17 million (increased by 11). Loss provisions increased SEK 6 million (increased by 18) for credit stage 2 and SEK 44 million (increased by 1) for credit stage 3.

The change in loss provisions for loans in all credit stages is affected by updates in the forward-looking information with new macroeconomic scenarios showing smaller price declines for houses and properties as well as a slowdown in interest rate developments. The new forward-looking information consistently leads to decreased loss provisions. During the second quarter of 2024, the PD estimates in the impairment model for calculating expected credit losses (ECL model) were recalibrated to take into account raised default frequencies during recent years, which in combination with negative rating grade migrations in the Private and Corporate & Associations business areas have resulted in increased loss provisions. Moreover, within the Private business area, an increased number of customers with payment difficulties contributed to inflows to credit stage 3, which has resulted in increased loss provisions. Overall, the recalibration of PD estimates, negative rating grade migrations within both the Private ant the Corporates & Associations business areas and an increased share of credit stage 3 exposures have compensated for the improved macroeconomic forecasts and resulted in an increase in total loss provisions.

Guarantees that can be utilised to cover credit losses remained unchanged (decreased by 2) in the first half of the year. For more information on credit loss allowances and changes in the forward-looking information in the ECL model, please refer to Note 4.

The quality of the credit in SCBC's lending continues to be assessed as very good and the credit risk in each business area (Private and Corporate & Associations) as low. The granting of credit to private individuals, tenant-owners' associations and property companies is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments. 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 risk tax and the resolution fee. Imposed fees totalled SEK 185 million (177), of which the risk tax amounted to SEK 99 million (102) and the resolution fee to SEK 86 million (75).

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 504.6 billion (487.5).

Cover pool data

	SCBC		
	30 Jun 2024	30 Jun 2023	31 Dec 2023
Credit portfolio, SEK billion	504.6	487.5	493.5
Total cover pool, SEK billion	424.7	453.6	454.8
– Of which, liquidity buffer, SEK billion	*1.4*	*1.3*	*1.4*
LTV as per ASCB definition[1], %	54.3	55.5	54.9
Nominal OC, %	36.5	31.5	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 amounted to an expense of SEK 81 million (expense: 978), primarily due to interest-rate-related value changes in derivatives resulting from positive changes in euro interest rates, which negatively impacted the item. For more information, please refer to page 9.

Funding

The first half of the year was characterised by a change in expectations regarding how quickly the central banks would lower interest rates. At the beginning of the year, the Swedish and international fixed-income markets priced in a total of six interest rate cuts in 2024. During the first quarter, it became increasingly clear that the fixed-income market had incorrectly anticipated developments, since macroeconomic data did not indicate that inflation had declined at the previously expected rate. As a result, interest rates began gradually rising again.

The biggest reversal was in US interest rates. The US central bank, the Fed, was long expected to be the first to start the interest rate cut cycle. They were then surprised by strong inflation and labour market figures, forcing the Fed to postpone the first rate cut until the second half of the year. At the most recent meeting in June, the members of the Fed indicated that they have only one rate cut in their forecast for the year.

The Riksbank, which, unlike the Fed, had received data that clearly indicated that inflation was heading down towards the inflation target, decided at its May meeting to cut the policy rate by 0.25 percentage points to 3.75%. The rate cut did not come as a surprise to the market and therefore did not cause major volatility in either interest rates or the SEK exchange rate. At the end of June, the Swedish fixed-income market priced two to three further interest rate cuts during the year.

Less than a month after the Riksbank's cut, the ECB also chose to lower the key deposit interest rate 0.25 percentage points to 3.75% at its June meeting. The market expects further cuts this year, but the ECB's tone at the meeting was hawkish, pointing out that inflation was still too high.

Despite sharp swings in interest rates, the lending market has been healthy and accessible to Swedish issuers for much of the first half of the year. Investment appetite has been good, which has led to credit spreads moving downwards for all debt instruments. The Swedish covered bond market has seen credit spreads trend downwards between January and May, and it was not until France called new elections in June that credit spreads rebounded. However, volatility subsided towards the end of June, and we ended the first half of the year with significantly lower credit spreads than at the beginning of the year.

The strong growth in deposits in SBAB has reduced the need for new capital market funding in the Group. During the first part of the year, SCBC therefore chose to focus its volumes on the Swedish market and only issued bonds under the Swedish benchmark program. At the beginning of the year, SCBC launched a new five-year bond. The issue was well received by the market at the time of the initial public offering and investor demand remained strong through the first half of the year.

On 30 June 2024, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 308.5 billion (328.6), distributed as follows: Swedish covered bonds SEK 218.0 billion (218.5) and the Euro Medium Term Covered Note Programme SEK 90.5 billion (112.2). During the period, issued debt securities amounted to SEK 18.3 billion (33.1). At the same time, securities amounting to SEK 8.3 billion (7.2) were repurchased, while securities amounting to SEK 28.9 billion (31.7) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities of SEK 17.6 billion (increase: 0.3) 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 internal rating-grade systems to be able to meet the new EBA guidelines. SCBC has therefore, over an extended period, worked on preparing new models under the IRB-approach, which are expected to be implemented after approval from the Swedish FSA.

SCBC has already received approval for new PD models for household exposures and corporate exposures from the Swedish FSA, which have been implemented in operations since 2023. In autumn 2024, SCBC intends to apply for a new LGD model for household exposures. The risk weights for corporate exposures are expected to decrease in conjunction with the implementation of the new Banking Package (the Basel IV framework), which enters force on 1 January 2025, and comprises lower standardised LGD values for exposures secured by collateral in properties.

SCBC's total capital ratio and CET1 capital ratio amounted to 16.5% (16.9) on 30 June 2024. The increase was primarily attributable to a higher risk exposure amount (REA). The internally assessed capital requirement amounted to SEK 7.7 billion (6.4) on 30 June 2024. 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. A high rate of construction in recent years, combined with much slower population growth and weak real household income growth, has pushed back the housing shortage. The earlier 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. 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 and in May 2024 the policy rate was lowered from 4.00% to 3.75%. 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
In 2024, a gradually declining policy rate and declining short-term market interest rates are expected to contribute to lower mortgage interest rates. The generally high interest rates are nonetheless expected to curb demand during the entire 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 high housing prices, 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 the overall productivity trend also drives increases in households' real 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 a decline in housing prices. Calculated based on peak prices at the beginning of 2022, prices for houses up to and including June 2024 fell 11% and prices for apartments fell 5%. However, housing prices have been on an upward trend since the beginning of the year and are currently trending upwards by around 6% per month in annual terms. Risks linked to rising interest rates could be increased by falling housing prices. 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. Currently, the risks are deemed to be greatest for new construction.

Many property companies are impacted by higher interest rates, which reduces their profits and the value of their properties. Problems maintaining a sufficiently high cash flow to meet current interest expenses or refinancing maturing bonds can also put property companies with tight margins under pressure.

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 war with Ukraine has led to extensive sanctions against Russia and interruptions in Europe. 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 2023 Annual Report.

Dividend
The Annual General Meeting resolved to adopt the Boards proposal for the distribution of a dividend to the Parent Company for 2023 of SEK 5 billion. Full details of the proposed appropriation of earnings is available from SCBC's 2023 Annual Report, on page 14.

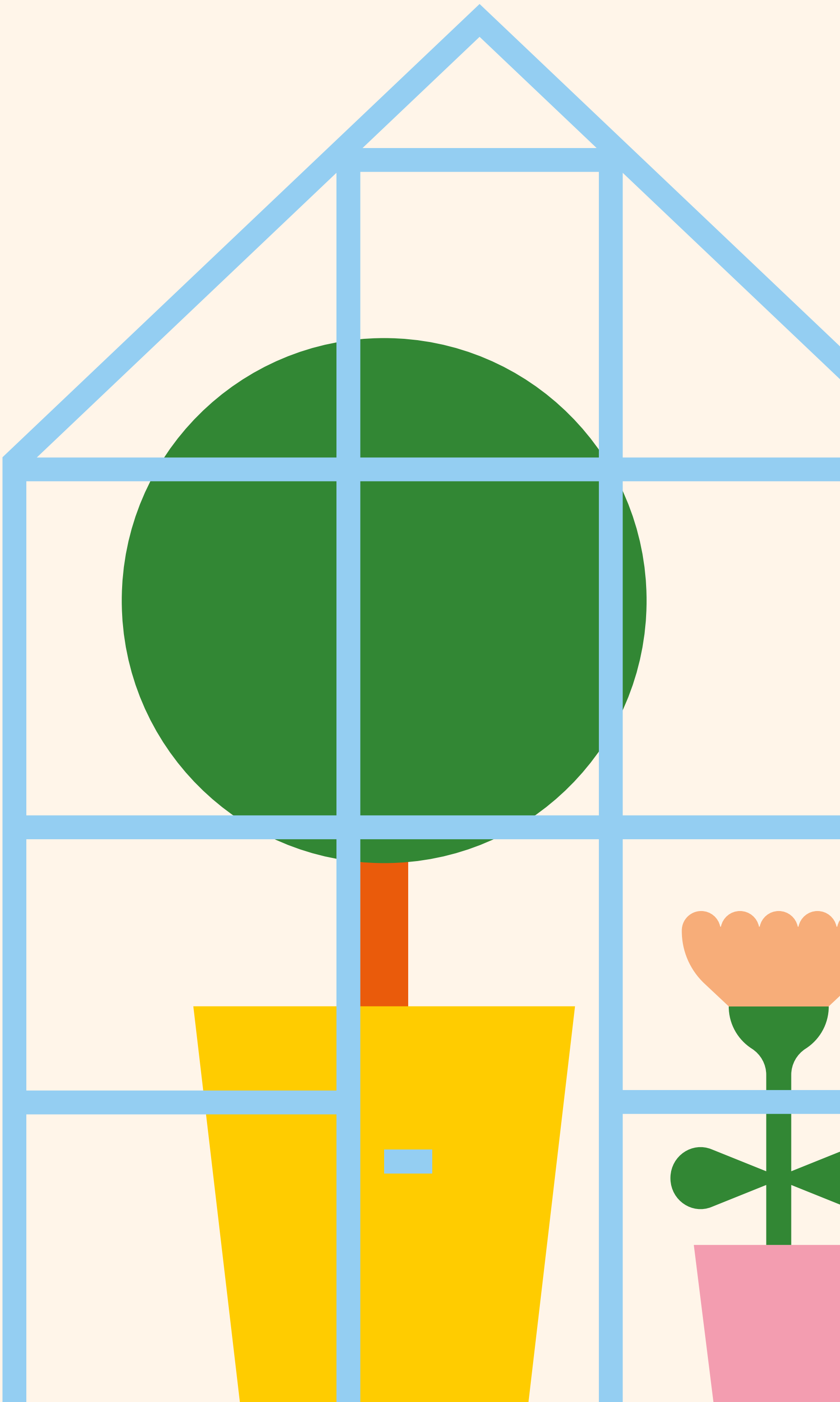
Events after the end of the period
No significant events occurred after the end of the period.

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.

Contents

Condensed financial statements

Notes



Condensed income statement

SEK million	SCBC 2024 Jan–Jun	2023 Jul–Dec	2023 Jan–Jun	2023 Jan–Dec
Interest income [1]	11,289	10,785	8,638	19,423
Interest expense	–9,374	–8,751	–6,631	–15,382
Net interest income	**1,915**	**2,034**	**2,007**	**4,041**
Commission income	4	3	4	7
Commission expense	–34	–26	–33	–59
Net expense from financial transactions (Note 3)	17	–21	–6	–27
Other operating income	0	0	0	0
Total operating income	**1,902**	**1,990**	**1,972**	**3,962**
General administrative expenses	–694	–753	–703	–1,456
Other operating expenses	–7	–5	–8	–13
Total expenses before loan losses and imposed fees	**–701**	**–758**	**–711**	**–1,469**
Profit before loan losses and imposed fees	**1,201**	**1,232**	**1,261**	**2,493**
Net credit losses (Note 4)	–34	–38	–35	–73
Imposed fees: Risk tax and resolution fee	–185	–170	–177	–347
Operating profit	**982**	**1,024**	**1,049**	**2,073**
Tax on operating profit for the period/year	–202	–211	–216	–427
Net profit for the period/year	**780**	**813**	**833**	**1,646**

1) The first half of 2024 the interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 10,290 million and for the corresponding period the previous year to SEK 7,138 milliion for the Group.

Condensed statement of comprehensive income

SEK million	SCBC 2024 Jan–Jun	2023 Jul–Dec	2023 Jan–Jun	2023 Jan–Dec
Net profit for the period	**780**	**813**	**833**	**1,646**
Components that will be reclassified to profit or loss				
Changes related to cash-flow hedges	–1,084	3,373	183	3,556
Tax attributable to components that will be reclassified to profit or loss	223	–694	–38	–732
Other comprehensive income/loss, net of tax	**–861**	**2,679**	**145**	**2,824**
Total comprehensive income for the year	**–81**	**3,492**	**978**	**4,470**

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	30 Jun 2024	31 Dec 2023	30 Jun 2023
ASSETS			
Lending to credit institutions	1,427	1,379	1,357
Lending to the public (Note 5)	504,573	493,220	487,505
Value changes of interest-rate-risk hedged items in macro hedges	–1,036	–1,565	–3,920
Derivatives (Note 6)	8,103	10,122	16,264
Deffered tax assets	1,183	961	1,653
Other assets	1,331	179	119
Prepaid expenses and accrued income	427	322	367
TOTAL ASSETS	**516,008**	**504,618**	**503,345**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	25	0	2
Debt securities issued, etc.	308,539	326,176	328,621
Derivatives (Note 6)	13,420	12,380	22,280
Other liabilities	91	232	186
Accrued expenses and deferred income	1,432	3,057	1,004
Subordinated debt to the Parent Company (Note 9)	172,598	137,789	134,036
Total liabilities	**496,105**	**479,634**	**486,129**
Equity			
Restricted equity			
Share capital	50	50	50
Total restricted equity	**50**	**50**	**50**
Unrestricted equity			
Shareholder contribution	16,350	16,350	12,050
Fair value reserve	–4,530	–3,669	–6,348
Retained earnings	7,253	10,607	10,631
Net profit for the year	780	1,646	833
Total unrestricted equity	**19,853**	**24,934**	**17,166**
Total equity	**19,903**	**24,984**	**17,216**
TOTAL LIABILITIES AND EQUITY	**516,008**	**504,618**	**503,345**

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 2024	**50**	**–3,669**	**16,350**	**12,253**	**–**	**24,984**
Other comprehensive income, net of tax	–	–861	–	–	–	–861
Dividend paid	–	–	–	–5,000	–	–5,000
Group contribution paid, after tax	–	–	–	–	–	–
Net profit for the year	–	–	–	–	780	780
Comprehensive income for the year	–	**–861**	–	–	**780**	**–81**
Closing balance 30 June 2024	**50**	**4,530**	**16,350**	**7,253**	**780**	**19,903**
Opening balance 1 January 2023	**50**	**–6,493**	**9,550**	**10,631**	–	**13,738**
Other comprehensive income, net of tax	–	145	–	–	–	145
Group contribution paid, after tax	–	–	2,500	–	–	2,500
Net profit for the year	–	–	–	–	833	833
Comprehensive income for the year	**–**	**145**	**–**	**–**	**833**	**978**
Closing balance 30 June 2023	**50**	**–6,348**	**12,050**	**10,631**	**833**	**17,216**
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**

Condensed cash-flow statement

SEK million	SCBC 2024 Jan–Jun	2023 Jan–Jun	2023 Jan–Dec
Opening cash and cash equivalents	**1,379**	**983**	**983**
OPERATING ACTIVITIES			
Interest and commissions paid/received	245	1,272	5,284
Outflows to suppliers and employees	–887	–889	–1,816
Taxes paid/refunded	–280	–250	–500
Change in assets and liabilities of operating activities	–28,839	–8,789	–19,655
Cash flow from (used in) operating activities	**–29,761**	**–8,656**	**–16,687**
INVESTING ACTIVITIES			
Cash flow from investing activities	**–**	**–**	**–**
FINANCING ACTIVITIES			
Dividend paid	-5,000	–	–
Shareholder contribution	–	2,500	6,800
Change in subordinated debt	34,809	6,530	10,283
Cash flow from financing activities	**29,809**	**9,030**	**17,083**
Increase/decrease in cash and cash equivalents	**48**	**374**	**396**
Closing cash and cash equivalents	**1,427**	**1,357**	**1,379**

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 2024	Cash flow	Fair value	Other	Closing balance 30 Jun 2024	Opening balance 1 Jan 2023	Cash flow	Fair value	Other	Closing balance 30 Jun 2023
Long-term interest-bearing liabilities	137,789	34,809	–	–	172,598	127,506	6,530	–	–	134,036
Total	**137,789**	**34,809**	**–**	**–**	**172,598**	**127,506**	**6,530**	**–**	**–**	**134,036**

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.

New and amended accounting principles that come into effect in 2024 o r later
IFRS 18 Presentation and Disclosur in Financial Statements will replace IAS1 Presentation of Financial Reports. The new standard will be effective for fiscal years beginning on or after Januari 1, 2027. Analysis is underway of the effect the new standard will have on SCBC's financial report.

Other changed accounting principles with entry into force in 2024 or later are deemed to have no significant impact on the SCBC's accounting or financial report.

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 16 July 2024.

Note 2 Changes in risks

Credit risk in lending operations
During the first half of 2024, no significantly increased credit risk has been identified in SCBC's lending. The proportion of customers experiencing payment difficulties remains low, and the higher interest rates have thus far only contributed to a minor increase in credit risk among customers in both business areas. However, within the Private business area, customers with payment difficulties have increased, leading to an inflow into credit stage 3 and increased loss provisions. Negative rating grade migrations within both the Private and Corporates & Associations business areas have also contributed to increased loss provisions.

The forward-looking information was revised in both March and June 2024 following continuous monitoring of the global economic development. The forward-looking information indicates a stabilisation of the interest rate environment in the near term with declining interest rates over the long term and less severe price drops for houses and properties. The updated forward-looking information leads to lower effects in PD and LGD estimates and has decreased loss provisions in all credit stages. During the half-year, the PD estimates in the impairment model for calculating expected credit losses (ECL model) have been recalibrated to account for higher observed default rates in recent years. This has resulted in increased loss provisions. Overall, an increased proportion of exposures in credit stage 3 within the Private business area, negative rating grade migrations within both business areas as well as recalibrated PD estimates have offset the improved macroeconomic forecasts and resulted in an increase in total loss provisions.

Total loss provisions amounted to SEK 257 million per June 30, 2024, compared to SEK 224 million per December 31, 2023. SCBC does not rule out the possibility that increased interest costs, slowing housing construction, and potentially declining house and condominium prices may further increase loss provisions during 2024.

The loan-to-value (LTV) for private individuals, property companies and tenant-owners' associations amount to 59%, 60% and 32% respectively per 30 June 2024, compared to 60%, 61% and 33% respectively per 31 December 2023. For more information regarding credit losses, credit loss allowances, credit risk and quality, please see 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 617 million as of June 30, 2024, compared to SEK 616 million as of December 31, 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 June 30, 2024 OC amounted to 34.3% (27.9% as of mars 31, 2024).

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 June 30, 2024, SCBC's VaR amounted to SEK 188 million, compared to SEK 778 million at December 31, 2023.

Operational risk
The change of SBAB's core ICT-system, with end date in the second quarter of 2026, 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 elevated 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

SEK million	SCBC 2024 Jan–Jun	2023 Jul–Dec	2023 Jan–Jun	2023 Jan–Dec
Gains/losses on interest-bearing financial instruments				
– Change in value of hedged items in hedge accounting	11	–4,693	584	–4,109
– Derivatives in hedge accounting	–24	4,712	–589	4,123
– Other derivatives	–15	–260	–34	–294
– Realised gain/loss from financial liabilities at amortised cost	41	219	81	300
– Loan receivables at amortised cost	4	2	–49	–47
Currency translation effects	0	–1	1	0
Total	**17**	**–21**	**–6**	**–27**

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

SEK million	SCBC 2024 Jan–Jun	2023 Jul–Dec	2023 Jan–Jun	2023 Jan–Dec
Lending to the public				
Confirmed credit losses	–3	–1	–3	–4
Recoveries of previously confirmed credit losses	–	–	–	–
Adjustment of interest on written down loans	2	2	–	2
Change in provision for the period — credit stage 1	17	16	–11	5
Change in provision for the period — credit stage 2	–6	36	–18	18
Change in provision for the period — credit stage 3	–44	–90	–1	–91
Guarantees	0	–1	–2	-3
Net credit losses for the period — lending to the public	**–34**	**–38**	**–35**	**–73**

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 2023 Annual Report, note G 1 (Accounting policies).

During the first half of 2024 the total credit loss provisions increased by SEK 33 million (increased by 30). Loss provisions for loans allocated to credit stage 1 decreased by SEK 17 million (increased by 11). Loss provisions for loans allocated to credit stage 2 increased by SEK 6 million (increased by 18) and by SEK 44 million (increased by 1) for loans allocated to stage 3.

The change in loss provisions for loans in all credit stages is affected by an update in the forward-looking information with new macroeconomic scenarios that indicate milder price drops for houses and properties as well as a stabilization of the interest rate environment. The updated forward-looking information leads to decreased loss provisions. During the second quarter of 2024, the PD estimates in the impairment model for calculating expected credit losses (ECL model) were recalibrated to account for higher observed default rates during recent years, which in combination with negative rating grade migrations in both business areas have resulted in increased loss provisions. Within the Private business area, an increased number of customers with payment difficulties has contributed to an inflow to credit stage 3, which has resulted in increased loss provisions. Overall, the recalibration of PD estimates, negative rating grade migrations within both the Private and the Corporates & Associations business areas, and an increased proportion of exposures in credit stage 3 within the Private business area have compensated for the improved macroeconomic forecasts and resulted in an increase in total loss provisions.

Guarantee amounts that can be utilised to cover credit losses was unchanged (decreased by 2) during the half-year.

Note 4 Net credit losses, Cont.

Sensitivity analysis of forward-looking information

Lending to the public and loan commitments

	Scenario 1 (40%)			Scenario 2 (10%)			Scenario 3 (25%)			Scenario 4 (25%)		
Factors	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
GDP[1], Δ	+0.5%	+2.9%	+2.7%	+1.1%	+4.8%	+3.6%	-5.9%	+2.9%	+4.5%	-3.5%	-1.3%	+1.6%
Repo rate	3.2%	2.2%	2.2%	3.0%	2.2%	2.4%	3.4%	2.6%	2.6%	3.8%	3.3%	3.2%
Unemployment	8.3%	8.1%	7.7%	8.1%	7.2%	6.5%	8.6%	11.5%	10.1%	8.5%	9.9%	10.4%
House prices, Δ	+5.9%	+3.0%	+3.5%	+7.8%	+3.5%	+1.9%	+2.2%	-6.1%	-1.2%	+0.6%	-14.8%	-11.1%
Prices of tenant-owners' rights, Δ	+6.6%	+8.2%	+6.8%	+8.7%	+8.5%	+4.8%	+0.4%	-7.1%	-2.1%	+0.2%	-11.4%	-7.7%
Property prices, Δ	+0.7%	+0.1%	+2.2%	+1.8%	+1.8%	+1.4%	-3.7%	-7.2%	-7.4%	-4.1%	-8.7%	-10.6%
ECL	**SEK 114 million**			**SEK 106 million**			**SEK 279 million**			**SEK 510 million**		
Weighted ECL	**SEK 257 million**											

1) Not included in the ECL calculation

Impairment model and credit loss provisions
SCBC has evaluated the macroeconomic development during both the first and second quarter of 2024 respectively and received updated macroeconomic forecasts from SBAB's Chief Economist to revise the forward-looking information applied in the impairment model for calculating expected credit losses (ECL model) and thereby credit loss allowances. The updates in the macroeconomic forecasts reflect milder price drops for houses and properties than previously expected as well as a stabilisation of the interest rate environment. The Swedish economy is still expected to be affected by the high interest rate level due to the inflation of recent years and the increased economic uncertainty in the global environment.

In light of the slowdown in the rate of inflation and stabilisation of the interest rate environment, all scenarios in the forward-looking information account for slightly lower interest rates in the coming years, with a peak interest rate already reached in the positive scenarios. As the interest rate situation evolves, the unemployment rate is expected to decrease in the coming years, except for the negative scenarios where further interest rate increases during 2024 affect the Swedish economy and unemployment rate. Swedish property, house and condominium prices are expected to rise with decreasing interest rates in the positive scenarios but remain negative in the two adverse scenarios.
In conjunction with the revision of the forward-looking information in March, the scenario weights were also adjusted, where 10% was moved from scenario 2 to scenarios 3 and 4. This adjustment was made to account for the uncertainty regarding the near-term economic development, despite expectations of decreased credit losses in the future.

The revised forward-looking information in both March and June contributed to a reduction in loss provisions of SEK 34 million.

As of June 30, 2024, the total loss provisions amount to SEK 257 million, compared to SEK 224 million as of December 31, 2023. In both business areas, Private and Corporates & Associations, ECL and thus loss provisions increased during the half-year, despite the updated macroeconomic forecasts reflecting milder effects on PD and LGD. Negative rating grade migrations within both business areas contributed to an increase in loss provisions by SEK 27 million, an increased proportion of exposures in credit stage 3 within the Private business area resulted in an increase of SEK 26 million, and recalibrated PD estimates in the ECL model for both business areas resulted in an increase of SEK 14 million.

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

SCBC is currently comfortable with the size of the credit loss provisions totalling SEK 257 million as of 30 June 2024.

Overall credit quality
The credit quality in SBAB's lending remains strong despite the prevailing circumstances, and the credit risk in lending to private individuals is low. The lending within the Private business area is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their obligations. The Swedish Financial Supervisory Authority's (FSA) annual mortgage survey, with data from 2023, shows that new customers still have good margins to meet their payments obligations despite the deteriorating economic situation. At the end of the first half-year of 2024, the average Loan-to-Value (LTV) ratio[2] in SCBC's mortgage portfolio was 59% (60).

The credit quality in SBAB's lending to real estate companies, property developers, and tenant-owners' associations also remains strong. For real estate companies and tenant-owners' associations, the average LTV at the end of the quarter was 60% (61) and 32% (33), respectively. In the business area Corporates & Associations, the granting of loans is based on an assessment of the customers' ability to generate stable cash flows over time and whether adequate collateral can be provided. With the economic development of high inflation followed by rising interest rates, proactive efforts have been made to identify customers who are or may become particularly financially vulnerable.

SCBC has increased the frequency of monitoring customers with market financing to be refinanced in both the short and long term, as well as those with building credits related to housing production, which are particularly affected by rising interest rates and increasing prices of inputs and building materials. Furthermore, there is a more frequent evaluation of customers' rating grades using expert assessment. No individually assessed loss provisions within the business area have been deemed necessary during the first half of 2024.

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 30 Jun 2024	31 Dec 2023	30 Jun 2023
Opening balance	**493,220**	**483,738**	**483,738**
Transferred to/from Group entities	30,606	46,457	20,110
Amortisation, repayments, etc.	–19,217	–36,903	–16,310
Confirmed credit losses	–3	–4	–3
Change in provision for expected credit losses[1]	–33	–68	–30
Closing balance	**504,573**	**493,220**	**487,505**

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 30 Jun 2024	31 Dec 2023	30 Jun 2023
Lending, Residential mortgages	349,109	343,405	345,599
Lending, Corporate Clients & Tenant-Owners' Associations	155,464	149,815	141,906
Total	**504,573**	**493,220**	**487,505**

Note 5 Lending to the public, Cont.

Lending to the public by credit stage

SEK million	SCBC 30 Jun 2024	31 Dec 2023	30 Jun 2023
Credit stage 1			
Gross carrying amount	458,616	449,733	450,424
Provision for expected credit losses	–31	–48	–64
Carrying amount	**458,585**	**449,685**	**450,360**
Credit stage 2			
Gross carrying amount	45,447	43,063	36,802
Provision for expected credit losses	–68	–61	–97
Carrying amount	**45,379**	**43,002**	**36,705**
Credit stage 3			
Gross carrying amount	767	648	465
Provision for expected credit losses	–158	–115	–25
Carrying amount	**609**	**533**	**440**
Gross carrying amount (credit stages 1, 2 and 3)	**504,830**	**493,444**	**487,691**
Provision for expected credit losses (credit stages 1, 2 and 3)	**–257**	**–224**	**–186**
Total	**504,573**	**493,220**	**487,505**

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 2024	**449,733**	**–48**	**43,063**	**–61**	**648**	**–115**	**493,444**	**–224**
Moved to credit stage 1	9,796	–10	–9,780	8	–16	2	0	0
Moved to credit stage 2	–15,164	5	15,280	–16	–116	11	0	0
Moved to credit stage 3	–110	0	–238	2	348	–2	0	0
Volume change*	14,371	–1	–2,630	1	–91	13	11,649	13
Revaluation**	–10	23	–248	–2	–3	–69	–261	–48
Confirmed credit losses	–	–	–	–	–3	2	–3	2
Closing balance 30 June 2024	**458,616**	**–31**	**45,447**	**–68**	**767**	**–158**	**504,830**	**–257**

* 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 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.

Note 6 Derivatives

SEK million	SCBC 30 Jun 2024 Assets measured at fair value	Liabilities measured at fair value	Total nominal amount	31 Dec 2023 Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate-related	1,737	13,364	365,209	3,301	12,124	371,724
Currency-related	6,366	56	69,219	6,821	256	78,795
Total	**8,103**	**13,420**	**434,428**	**10,122**	**12,380**	**450,519**

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

Note 7 Classification of financial instruments

Financial assets

SEK million	SCBC 30 Jun 2024 Financial assets measured at FVTPL: Derivatives (held for trading)	Financial assets measured at FVTPL: Other (obligatory) classification	Financial assets measured at amortised cost	Total	Total fair value
Lending to credit institutions	–	–	1,427	1,427	1,427
Lending to the public	–	–	504,573	504,573	502,732
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–1,036	–1,036	–
Derivatives	8,103	–	–	8,103	8,103
Other assets	–	–	1,331	1,331	1,331
Prepaid expenses and accrued income	–	–	338	338	338
Total	**8,103**	**–**	**506,633**	**514,736**	**513,931**

Financial liabilities

SEK million	SCBC 30 Jun 2024 Financial liabilities measured at FVTPL: Derivatives (held for trading)	Financial liabilities measured at FVTPL: Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value
Liabilities to credit institutions	–	–	25	25	25
Issued debt securities, etc.	–	–	308,539	308,539	300,643
Derivatives	13,151	269	–	13,420	13,420
Other liabilities	–	–	54	54	54
Accrued expenses and deferred income	–	–	1,432	1,432	1,432
Subordinated debt to the Parent Company	–	–	172,598	172,598	172,598
Total	**13,151**	**269**	**482,648**	**496,068**	**488,172**

Not 7 Classification of financial instruments, Cont.

Financial assets

SEK million	SCBC 31 Dec 2023 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	–	–	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

SEK million	SCBC 31 Dec 2023 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	–	–	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**

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 2023. 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 2023 Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Derivatives	–	8,103	–	8,103	–	10,122	–	10,122
Total	–	**8,103**	–	**8,103**	–	**10,122**	–	**10,122**
Liabilities								
Derivatives	–	13,420	–	13,420	–	12,380	–	12,380
Total	–	**13,420**	–	**13,420**	–	**12,380**	–	**12,380**

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 2023. 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 2023 or 2024.

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 30 Jun 2024	31 Dec 2023	30 Jun 2023
Subordinated debt to the Parent Company	172,598	137,789	134,036
– Of which Internal Group MREL instrument	30,000	24,000	17,000
Total	**172,598**	**137,789**	**134,036**

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 30,000 million (24,000) comprises internal Group debt instruments (senior non-preferred notes) that were 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 instruments are 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 (CRR) and the Capital Requirements Directive (CRD) 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 CRR, part eight and the Swedish FSA regulation FFFS 2014:12.

In June 2024 changes in CRR and CRD were published in the Official Journal, which means that the last parts of the Basel 3 regulations have been completed (so called Basel IV). The regulations contain amendments that improve the comparability of risk-based capital measures between banks within EU. This will reduce the scope for unjustified differences. The regulation includes changes to the standardised approach and the internal rating-based (IRB) approach used to calculate capital requirements for credit risk. For the calculation of capital requirement according to IRB a floor is introduced, where risk-weighted exposure amounts (REA) must not be less than 72.5% of what the standardised approach measures, with a transitional period during 2025-2030.

The regulations are mainly to be applied from 1 January 2025, but for several years transitional rules will apply.

Buffer requirements
The countercyclical buffer rate for Swedish exposures amounts to 2% as of 30 June 2024. The Swedish FSA has announced in the second quarter 2024 that the countercyclical buffer rate is left unchanged.

The countercyclical buffer rates for Denmark and Norway are unchanged at 2.5% as of 30 June 2024.

Capital adequacy

	SCBC				
SEK million	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	23,742	23,544	23,326	22,962	22,962
Tier 1 capital	23,742	23,544	23,326	22,962	22,962
Total capital	23,748	23,552	23,328	22,962	22,962
Risk-weighted exposure amounts					
Total risk exposure amount	144,216	142,206	139,506	138,716	135,788
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	16.5	16.6	16.7	16.7	16.9
Tier 1 ratio (%)	16.5	16.6	16.7	16.7	16.9
Total capital ratio (%)	16.5	16.6	16.7	16.7	16.9
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	1.2	1.2[2)]	1.4[1)]
of which: to be made up of CET1 capital (percentage points)	0.7	0.7	0.7	0.7	0.9
of which: to be made up of Tier 1 capital (percentage points)	0.9	0.9	0.9	0.9	1.0
Total SREP own funds requirements (%)	9.2	9.2	9.2	9.4	9.4
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	–	–	–	–	–
Institution specific countercyclical capital buffer (%)	2.0	2.0	2.0	2.0	2.0
Systemic risk buffer (%)	–	–	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–	–	–
Combined buffer requirement (%)	4.5	4.5	4.5	4.5	4.5
Overall capital requirements (%)	13.7	13.7	13.7	13.7	13.9
CET1 available after meeting the total SREP own funds requirements (%)	7.2	7.3	7.5	7.4	7.6

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

SEK million	30 Jun 2024 (SCBC)	31 Mar 2024 (SCBC)	31 Dec 2023 (SCBC)	30 Sep 2023 (SCBC)	30 Jun 2023 (SCBC)
Leverage ratio					
Total exposure measure	509,360	502,897	494,306	492,359	488,874
Leverage ratio (%)	4.7	4.7	4.7	4.7	4.7
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 of 2023 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	30 Jun 2024	31 Dec 2023	30 Jun 2023
Common Equity Tier 1 (CET1) capital : Instruments and reserves			
Capital instruments and the related share premium accounts	50	50	50
Retained earnings	23,603	26,957	22,681
Accumulated other comprehensive income (and other reserves)	–4,530	–3,669	–6,348
Independently reviewed interim profits net of any foreseeable charge or dividend[1]	468	–3 354	500
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**19,591**	**19,984**	**16,883**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	–23	–24	–42
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	4,530	3,669	6,348
Negative amounts resulting from the calculation of expected loss amounts	–355	–302	–225
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	–	–
Other regulatory adjustments[2]	–1	–1	–1
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**4,151**	**3,342**	**6,079**
Common Equity Tier 1 (CET1) capital	**23,742**	**23,326**	**22,962**
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)	**23,742**	**23,326**	**22,962**
Tier 2 (T2) capital: Instruments			
Capital instruments and the related share premium accounts	–	–	–
Credit risk adjustments	5	2	–
Tier 2 (T2) capital before regulatory adjustments	5	2	–
Tier 2 (T2) capital: regulatory adjustments	–	–	–
Total regulatory adjustments to Tier 2(T2) capital	–	–	–
Tier 2 (T2) capital	5	2	–
Total capital (TC=T1+T2)	**23,748**	**23,328**	**22,962**
Total risk-exposure amount	**144,216**	**139,506**	**135,788**

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

SEK million	SCBC 30 Jun 2024	31 Dec 2023	30 Jun 2023
Capital ratio and requirements including buffers, %			
Common Equity Tier 1 capital	16.5	16.7	16.9
Tier 1 capital	16.5	16.7	16.9
Total capital	16.5	16.7	16.9
Institution CET1 overall capital requirements	9.7	9.7	9.9
– of which, capital conservation buffer requirement	*2.5*	*2.5*	*2.5*
– of which, countercyclical buffer requirement	*2.0*	*2.0*	*2.0*
– 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*	*0.7* [3]	*0.9*
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum requirements	7.2	7.5	7.6

1) Net profit for the period was reduced by the expected dividend of SEK 312 million. The results have 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					
	30 jun 2024		31 Dec 2023		30 jun 2023	
mnkr	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	49,329	3,946	46,961	3,757	27,524	2,202
Retail exposures	18,322	1,466	20,436	1,635	21,952	1,756
– of which, exposures to SMEs	–	–	–	–	*1,053*	*84*
– of which, retail exposures secured by immovable property	*18,322*	*1,466*	*20,436*	*1,635*	*20,899*	*1,672*
Total exposures recognised with IRB approach	**67,651**	**5,412**	**67,397**	**5,392**	**49,477**	**3,958**
Credit risk recognised with the standardised approach						
Exposure to governments and central banks[1)]	19	2	23	2	16	1
Exposures to regional governments or local authorities or agencies	–	–	–	–	0	0
Exposures to institutions[2)]	182	15	123	10	126	10
– of which, derivatives according to CRR, Appendix 2	*123*	*10*	*123*	*10*	*121*	*10*
– of which, repos	*57*	*5*	–	–	*4*	*0*
– of which, other	*2*	*0*	–	–	*1*	*0*
Exposures to institutions and corporates with a short-term credit rating	2	0	2	0	2	0
Other items	112	8	14	1	155	12
Total exposures recognised with standardised approach	**315**	**25**	**162**	**13**	**300**	**24**
Market risk	**249**	**20**	**267**	**21**	**289**	**23**
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	*249*	*20*	*267*	*267*	*289*	*23*
Operational risk	**5,971**	**478**	**5,414**	**433**	**5,414**	**433**
Credit valuation adjustment risk	**771**	**62**	**813**	**65**	**840**	**67**
Additional requirements under Article 458 of the CRR	**69,259**	**5,540**	**65,454**	**5,236**	**79,468**	**6,358**
Total risk exposure amount and minimum capital requirement	**144,216**	**11,537**	**139,506**	**11,161**	**135,788**	**10,863**
Capital requirements for capital conservation buffer		**3,606**		**3,488**		**3,395**
Capital requirements for countercyclical buffer		**2,884**		**2,790**		**2,716**
Total capital requirement		**18,027**		**17,438**		**16,973**

1) Risk-weighted amount for governments and central banks amounts to SEK 19 million (23) 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 180 million (123).

Note 11 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SCBC has sufficient capital to withstand a financial crisis. The internally assessed capital requirement for SCBC amounted to SEK 7,743 million (SEK 7,727 million per 31 December 2023). The internal capital requirement is assessed using internal models for economic capital and is not fully comparable to the estimated capital requirement published by the Swedish FSA due to differences in both assumptions and methodologies. SBAB estimates that total capital requirement as of 30 June 2024 according to Swedish FSA amount to SEK 19,815 million, of which SEK 1,788 million comprise capital requirement in Pillar 2. SCBC quantifies the internal capital requirement within the scope of the internal capital adequacy assessment process (ICAAP). Internal capital requirement is defined as the higher of the economic capital and the regulatory capital requirement based on Pillar 1, Pillar 2, and buffer requirements for each risk category.

	SCBC	
	30 Jun 2024	31 Dec 2023
	Internally assessed capital requirement	
	mnkr	mnkr
Creditrisk	5,931	5,405
Market risk	104	795
Operational risk	478	433
Concentration risk	1,168	1,029
Sovereign risk	0	0
CVA	62	65
Other risks[1]	0	0
Total	**7,743**	**7,727**
Total own funds	**23,748**	**23,328**

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		
	2024	2023	2023
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Operating profit after tax	780	833	1,646
Average equity	24,043	21,898	24,442
Return on equity, %	**6.5**	**7.6**	**6.7**

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 interim report for The Swedish Covered Bond Corporation ("SCBC") (in Swedish: AB Sveriges Säkerställda Obligationer (publ)) for the period 1 January – 30 June 2024. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities 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 interim 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 16 July 2024

Deloitte AB

Signature on Swedish original

Malin Lüning
Authorised Public Accountant

The Board of Directors and 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, 16 July 2024

Jan Sinclair
Chairman of the Board

Jane Lundgren-Ericsson
Board Member

Synnöve Trygg
Board Member

Mikael Inglander
Board Member

Fredrik Jönsson
CEO

Financial calendar

Year-end Report 2024	7 February 2025

The date for publication of the Year-end Report 2024 has been changed from 31 January 2025 to 7 February 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 July 17, 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.