

Capital adequacy and risk management 2023

Pillar 3 of the CRR regulations



SBAB!

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Not applicable disclosure requirements

Heading		Reason
EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	SBAB uses the standardised approach for calculating counterparty credit risk.
EU CCR6	Credit derivatives exposures	SBAB has no credit derivative exposures.
EU CCR7	RWEA flow statements of CCR exposures under the IMM	SBAB does not use the IMM for calculating RWEA's.
EU CR2-A	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	SBAB's NPL ratio is below 5%.
EU CQ2	Quality of forbearance	SBAB's NPL ratio is below 5%.
EU CQ6	Collateral valuation loans and advances	SBAB's NPL ratio is below 5%.
EU CQ7	Collateral obtained by taking possession and execution processes	SBAB does not have any collateral which has been obtained by taking possessions or through execution processes.
EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	SBAB does not have any collateral which has been obtained by taking possessions or through execution processes.
EU CR10	Specialised lending and equity exposures under the simple riskweighted approach	SBAB does not conduct any specialised lending nor are equity exposures calculated under the simple risk weighted approach.
EU CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	SBAB does not use credit derivatives for credit risk mitigation.
EU CR9.1	IRB approach – Back testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	SBAB not subject to Article
EU MR2-A	Market risk under the internal Model Approach (IMA)	SBAB does not use the internal model approach.
EU MR2-B	RWA flow statements of market risk exposures under the IMA	SBAB does not use the internal model approach.
EU MR3	IMA values for trading portfolios	SBAB does not use the internal model approach.
EU MR4	Comparison of VaR estimates with gains/losses	SBAB does not use the internal model approach.
EU MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	SBAB does not use the internal model approach.
EU SECA	Qualitative disclosure requirements related to securitisation exposures	SBAB has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU SEC1	Securitisation exposures in the non trading book	SBAB has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU SEC2	Securitisation exposures in the trading book	SBAB has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	SBAB has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	SBAB has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	SBAB has no securitised loans of its own and has not contributed to any other institution's securitisation.
EU INS1	Insurance participations	SBAB does not hold any own fund instruments in insurance, re-insurance undertakings or insurance holding companies. SBAB does not offer any insurance services.
EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	SBAB is not a financial conglomerate.
ESG	Banking book - Climate change transition risk: Alignment metrics	Disclosure requirements have not entered into force as of 31 December 2023.
ESG	Mitigating actions: BTAR	Disclosure requirements have not entered into force as of 31 December 2023.
EU REM3	Deferred remuneration	SBAB does not use a payment scheme with deferred remuneration.
EU REM4	Remuneration of 1 million EUR or more per year	SBAB does not pay to any single person equaling or over EUR 1 million per year.

Glossary

Additional Tier 1 capital

Additional Tier 1 capital generally comprises perpetual subordinated loans that meet the requirements in Article 52 of the CRR.

Asset and Liability Committee (ALCO)

The Committee that handles matters relating to risk and capital planning, which are then addressed by Executive Management and the Board.

Capital requirements under Pillar 1

Refers to the minimum amount of capital required in accordance with the CRR and CRD IV, the Special Supervision of Credit Institutions -and Investment Firms Act (2014:968), the Capital Buffers Act (2014:966) and the Swedish FSA's regulations regarding prudential requirements and capital buffers (FFFS 2014:12).

Capital requirements under Pillar 2

The assessment is based on economic capital which, in combination with capital based on stress tests and capital for further risk, comprises the company's own assessment of the appropriate scope of risk capital. Under Pillar 2, the capital requirement may not be less than the capital metric under Pillar 1 for each risk type.

Common Equity Tier 1 (CET1) capital

Common Equity Tier 1 capital is one of the components of own funds and primarily consists of equity. Deductions are made for dividends generated, intangible assets as well as the difference between expected losses and provisions made for probable loan losses.

Credit conversion factor (CCF)

The percentage of an off-balance sheet item that is expected to be utilised before a possible future default.

Credit Support Annexe (CSA)

Supplement to the ISDA Master Agreement that regulates the provision of collateral in connection with a derivative transaction

Credit valuation adjustment risk (CVA risk)

CVA is defined as the risk of a downgrade in the credit quality of SBAB's OTC derivative counterparties, higher exposure and/or longer average duration of derivatives. Transactions with a central counterparty (CCP) should be excluded from the capital requirement for CVA risk.

Directive 2013/36/EU – CRD IV of the European Parliament and of the Council on authority to conduct operations in credit institutions and on the supervision of credit institutions and securities companies

Common European regulations on risk management and capital adequacy.

Economic capital

Economic capital is based on models in which SBAB assesses quantifiable risks. This constitutes an important component in, for example, pricing, financial control and in assessment of the requisite scope of risk capital.

ESG factors

Environmental, social or governance matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign or individual.

ESG risk

Environmental risk, social risk, governance risk. ESG risk are the risks of any negative financial impact on the institution stemming from the current or prospective impacts of ESG factors on its counterparties or invested assets.

Expected loss (EL)

The calculated EL must be covered by earnings from operating activities, while unexpected losses must be covered by the company's equity. EL is arrived at by calculating the risk associated with each individual loan using a statistical model based on a longer time horizon. EL is measured through the formula $EL = PD * LGD * EAD$.

Exposure at default (EAD)

Exposure at the time of default. Calculating the EAD for off-balance-sheet items entails multiplying the unutilised amount by a credit conversion factor (CCF).

Green asset ratio (GAR)

Shows the proportion of exposures related to Taxonomy-aligned activities compared to the total assets, according to Delegated Regulation (EU) 2021/2178.

Global Master Repurchase Agreement (GMRA)

International standardised agreement for repurchases.

Interest rate risk in the banking book (IRRBB)

Interest rate in the banking book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book position.

Internal capital adequacy assessment process (ICAAP)

Process according to Article 73 of CRD IV for continuously calculating and maintaining capital in an amount, type and distribution that is sufficient to cover the risks to which the bank is or will become exposed.

Internal ratings-based approach (IRB approach)

The IRB approach is used to calculate the regulatory capital requirements for credit risk. The foundation IRB (FIRB) approach entails that the institution is only to estimate the PD parameter. In the advanced IRB (AIRB) approach, the institution is to estimate, in addition to PD, one or several of the parameters CCF, LGD and M (maturity).

International Swap and Derivatives Association (ISDA) Master Agreement

Framework agreement that regulates the rights and obligations between the parties to a derivative transaction, primarily the netting of debt in the event of insolvency.

Liquidity coverage ratio (LCR)

The LCR is a liquidity risk metric that measures the relation between liquid assets and a 30-day net cash outflow in a stressed scenario.

Loan-to-value (LTV)

The loan-to-value ratio expresses the extent of a loan in relation to the value of pledged collateral.

Loss given default (LGD)

Loss amount in the event of default.

Minimum capital requirement

The lowest amount that the company is permitted to have as own funds.

Net stable funding ratio (NSFR)

NSFR is a metric that captures the structural liquidity risk and reflects the stability of the group's funding in relation to its assets.

**Non-performing loans (NPL)/
Non-performing exposures (NPE)**

Non-performing loans/exposures are defined as defaulted exposures plus forborne exposures. A default shall be considered to have occurred when the obligor is unlikely to pay its credit obligation to the institution or the obligor is past due more than 90 days on any material credit obligation.

NPL ratio

The computation of the NPL ratio is defined by the EBA and consists of gross carrying amount of non-performing loans and advances divided by the gross carrying amount of total loans and advances subject to the NPL/NPE definition.

Off-balance-sheet items

A commitment, pledged collateral or similar item that is not recognised in the balance sheet because it is unlikely that it will be necessary to realise or utilise it, or because, due to its nature, it cannot be calculated with sufficient reliability. Contingent liabilities may also comprise possible commitments, meaning it is uncertain whether or not the commitment exists.

Own funds

Own funds consist primarily of equity and subordinated loans and act as a buffer against unexpected losses.

Perpetual subordinated loans

Perpetual subordinated loans have a maturity that is essentially unlimited, but they can be repurchased with the permission of Finansinspektionen (the Swedish FSA).

Probability of default (PD)

Probability of default of a customer or counterparty within one year.

Risk and Capital Committee

The Committee's principal task is to prepare issues within the risk and capital area and address them to the Board.

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

Common European regulations on risk management and capital adequacy.

Repo transaction

A repo transaction comprises a reverse purchase agreement whereby one party undertakes to sell a security to a counterparty in exchange for cash. In parallel, a futures contract is entered into to repurchase the security at a specific price at a specified future date.

Risk exposure amount (RWEA or REA) under CRR

The CRR regulations permit the use of the IRB approach, within the Pillar 1 framework, to establish REAs for balance-sheet and off-balance sheet exposures based on SBAB's own models for credit risk and operational risk. The risk weightings of other exposures are determined on a standardised basis, in appropriate cases based on the counterparty's rating.

Risk-weight floor, Residential mortgages, Pillar 1

The addition of a risk exposure amount (REA) calculated based on Swedish residential mortgage exposures, which entail a risk weight for these exposures of at least 25%. The supplement only applies for credit institutions that apply the IRB approach. The requirement of a risk-weight floor for Swedish residential mortgages has been moved from Pillar 2 to Pillar 1 and entered into force on 31 December 2018.

Survival horizon

Measurement of the number of days over which liquidity needs can be met in a stressed scenario without access to new liquidity.

Tier 1 capital

Tier 1 capital mainly comprises equity and additional Tier 1 capital.

Tier 2 instruments

Subordinated loans that meet the requirements in Article 63 of the CRR may be included in own funds.

Total capital ratio

Own funds divided by the risk exposure amount.

Value at Risk (VaR)

A statistical metric of the maximum expected loss at a given level of security and over a defined time period.

1 Introduction

In this annual report, SBAB discloses information in compliance with Part Eight of Regulation (EU) No 575/2013 (CRR) and the Swedish Financial Supervisory Authority's (SFSA) regulation (FFFS 2014:12) regarding prudential requirements and capital buffers.

1.1 ABOUT SBAB

SBAB Bank AB (publ) is owned by the Swedish state. Its operations, which consist principally of deposit operations and residential mortgage lending to consumers, tenant-owners' associations and property companies in Sweden, are characterized by a low level of risk. SBAB is well capitalised. The CET1 capital ratio has decreased to 12.3 (12.8) mainly due to an increase in the risk exposure amount. The total risk exposure amount has increased with 12.1 billion, mainly an effect of the implementation of new PD models within IRB framework and driven by increased credit risk due to increased lending volumes.

The credit loss ratio remained low. The continued strength of its capital position and good risk management means that SBAB meets the supervisory rules adopted by the EU. During the past year liquidity risk continued to remain low. The capital requirement for market risk has slightly increased compared to 2021 due to higher currency risk. Furthermore, the market risk in Pillar 1 consists of currency risk only.

1.2 REGULATORY FRAMEWORK FOR PILLAR 3 REPORT

This report refers to the consolidated situation and the conditions prevailing on 31 December 2023. For periodic information, please refer to the quarterly reports "Disclosure of capital, liquidity and leverage ratio" at www.sbab.se.

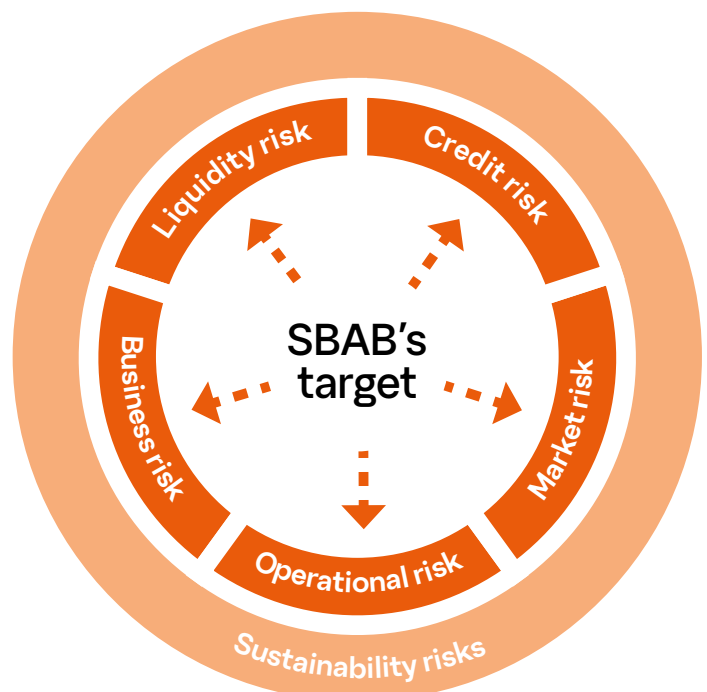
Pillar 3 entails extended disclosures by banks with regard to their capital position, risk exposures and risk management processes. Pillar 3 requires all material risks to be disclosed, for investors and other market participants to assess the risk profile of individual banks.

The Pillar 3 report is prepared in accordance with the requirements of EU and Swedish regulation, in particular the Capital Requirements Regulation ((CRR) (EU Regulation No 575/2013, Part 8)). The CRR mandates the EBA, in Article 434a, to develop draft implementing technical standards (ITS) specifying uniform disclosure formats, and associated instructions in accordance with which the disclosures required under Titles II and III of Part Eight of the CRR shall be made. The EBA Final draft implementing technical standards (ITS) has been adopted by EU Commission in implementing Regulation (EU) 2021/637 and entered into force from 28 June 2021. The regulation which entails a consistent and complete Pillar 3 disclosure framework

with uniform formats for both qualitative and quantitative information within a wider scope of risk information.

In addition, the SBAB Pillar 3 report is prepared according to the Swedish Financial Supervisory Authority's regulations on prudential requirements and capital buffers (FFFS 2014:12). Changes in the SFSA's regulation FFFS 2014:12 has been considered in this report. Environmental, social and governance (ESG) disclosure regulation under Pillar 3 is since end of 2022 implemented in this report in the new section "Sustainability risks"

This report shows the significant risks for SBAB broken down by risk type as per the table on the next page.



SBAB'S RISK APPETITE

➔ Read more on page 13.

For information about Sustainability risks, refer to Chapter 9 in this Report and to SBAB's Annual Report.

2 The Board's statement on risk management and a brief risk declaration

The Board of Directors of SBAB Bank AB (publ) supports the risk management described in this document and considers that it meets the requirements in relation to SBAB's risk profile and the adopted short and long-term strategic, capital and financial plans.

RISK APPETITE AND RISK PROFILE

Risk type	RISK APPETITE		RISK PROFILE	
	Classification	Level	Limit utilisation	Proportion of economic capital, %
Credit risk in lending operations	Wanted risk	Medium	Medium	74
Credit risk in treasury operations	Necessary risk	Low	Low	3
Market risk	Necessary risk	Low	Low	20
Operational risk	Necessary risk	Low	Low	3
Business risk	Necessary risk	Low	Low	-
Liquidity risk	Necessary risk	Low	Low	-
Sustainability risk	Necessary risk	Low	Low	-

SBAB CLASSIFIES RISKS AS WANTED AND NECESSARY:

- Wanted risks comprise those directly related to the business concept.
- Necessary risks are those arising from activities that are regarded as a direct prerequisite for being able to implement the business concept efficiently and competitively, whereby a certain level of risk is accepted.

Credit risk is central to SBAB's business model and is considered to be the dominant risk in SBAB's operations. Credit risk directly related to SBAB's business operations qualifies as a wanted risk, while credit risk related to liquidity investments or in the form of counterparty credit risk is classified as necessary risk that is acceptable, but where the level of risk should be limited.

Market risk and its components are primarily considered a necessary risk. Market risk should be kept at a low level and not be a predominant risk.

Operational risk is defined as a necessary risk, which means that both expected and unexpected losses must be optimised based on the expected positive effects to be achieved in the form of anticipated revenues, cost savings or reductions in other risk.

Business risk is defined as a necessary risk. Changes in the form of new products or new markets may only constitute a small part of SBAB's activities and must be implemented at such a pace that SBAB does not substantially jeopardise its earnings level and with great probability avoids pressure on its own funds. The quantifiable portion of business risk is included in the evaluation of the capital situation in a normal economic downturn.

Liquidity risk is defined as a necessary risk and must be maintained at such a level that SBAB can manage a period of acute liquidity crisis without depending on the capital market. Liquidity risk is not managed by capital provisions but by maintaining a liquidity reserve.

Sustainability risk is a general risk and there are elements of sustainability risks across SBAB's entire operations. Sustainability risk consists of three components; environmental, social and governance risk.

3 Risk management approach and governance

SBAB's operations are to be conducted so that risks are adapted to SBAB's risk-bearing capacity. Risk-bearing capacity primarily refers to the capacity to manage expected and unexpected losses by means of own funds or ongoing earnings capacity and, secondly, the capacity to minimize unwanted risks by means of appropriate functions, strategies, processes, procedures, internal rules, limits and controls. Certain risks cannot be quantified and compared with the risk-bearing capacity. In such cases, the cost of mitigating the risk should be weighed up against the desired level of risk and the change in the level of risk achieved through a particular measure. SBAB's risk strategy involves managing and evaluating risks that the operations are or may be exposed to, through:

- Clear and documented internal procedures and control systems.
- An appropriate and transparent organisational structure with clearly defined and documented roles and responsibilities.
- Current and documented decision-making procedures that clearly state the reporting structure.
- Risk evaluation methods and system support that are adapted to the operations' requirements, complexity and size.
- Sufficient resources and competence to achieve the desirable quality in both business and control activities.
- Regular incident reporting by the operations according to a documented process.
- Documented and communicated contingency and continuity plans.
- Clear instructions on internal capital adequacy assessments, credit risk, operational risk, liquidity risk and market risk, which are updated annually and adopted by the CEO or, if required, by the Board of Directors.
- All significant risks for SBAB are limited by the Board and are compatible with the pre-determined risk appetite.

3.1 RISK MANAGEMENT

INSTITUTION RISK MANAGEMENT APPROACH (EU OVA)

SBAB classifies risks as wanted and necessary. Wanted risks comprise those directly related to the business model. Necessary risks are those arising from activities that are regarded as a direct prerequisite for being able to implement the business model efficiently and competitively, whereby a certain level of risk is accepted.

SBAB should only deliberately expose itself to risks directly attributable or necessary to SBAB's business operations. Such risks primarily encompass credit risk, liquidity risk, market risk, business risk, operational risk and sustainability risk.

Declaration approved by the management body on the adequacy of the risk management arrangements (*Point (e) of Article 435(1) CRR*)

The board of directors of SBAB Bank AB (publ) assures that the risk management arrangements and measurement systems described in this document are transparently and truthfully disclosed and that they meet the requirements in relation to SBAB's risk profile and adopted short and long-term strategic, capital and financial plans. *See Chapter 2 for the Board's statement on risk management and a brief risk declaration.*

Disclosure of concise risk statement approved by the management body (*Point (f) of Article 435(1) CRR*)

SBAB's Board has the ultimate responsibility for the company's total risk exposure and determines the risk policy, capital policy and risk appetite. The Board assures that all relevant risks have been holistically evaluated and that appropriate limits and escalation processes are in place to monitor and control the risks that SBAB is exposed to. Additionally, all exposures exceeding 2% of own funds are identified and analysed for the purpose of deciding whether they fall within the framework of large exposures in relation to a group of connected customers or clients. Furthermore, key ratios and figures that show how the risk profile of the institution interacts with the risk tolerance set by the management body are disclosed in the figure significant risks. *See Chapter 2 for the Board's statement on risk management and a brief risk declaration.*

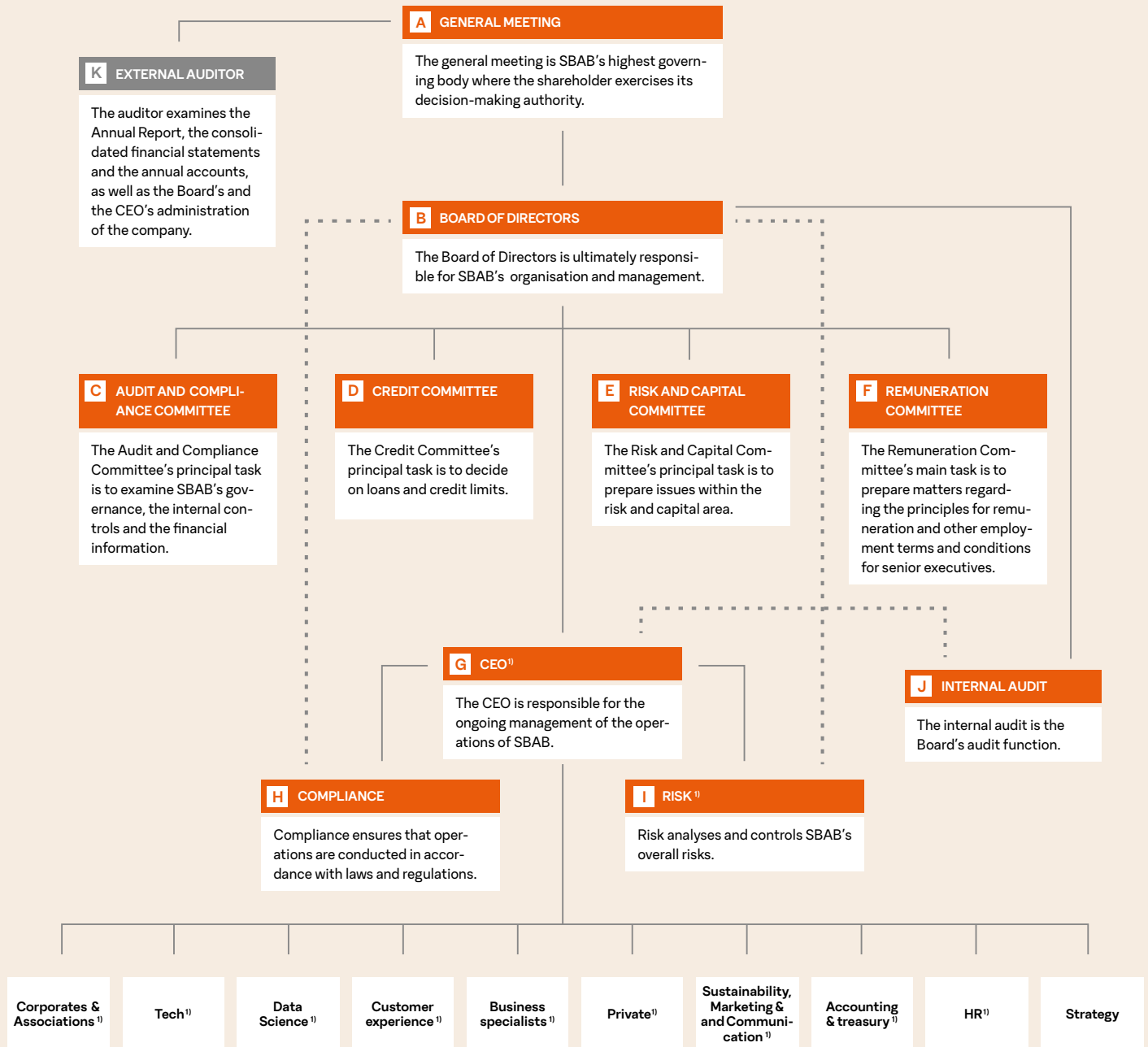
Information on the risk governance structure for each type of risk (Point (b) of Article 435(1) CRR)

When the Board determines the business strategy, it takes into account the risks that SBAB is and may be exposed to as well as the capital required to cover SBAB's risks. The Board or its committees are to approve all significant methods, models and processes used in risk management. For more information regarding the Board's committees, see the Corporate Governance Report in SBAB's Annual Report.

Information on the overall internal control framework and how its control functions are organised (authority, resources, statute, independence), the major tasks they perform, and any actual and planned material changes to these functions:

The Board and CEO have a sound overall comprehension of SBAB's risk profile and a detailed understanding of the content of the risk reports submitted to them. The CRO ensures that the Board and CEO receives ongoing training in risk-related issues and that new members are trained within two months of commencing their appointment. The CEO is responsible for ongoing administration in accordance with the strategies, guidelines and governance documents adopted by the Board. The CEO is to ensure that the methods, models and processes of the internal measurement and control systems of identified risks function as intended and are approved by the Board. In ALCO (Asset & Liability Committee), issues concerning capital management, liquidity preparedness, overall strategy regarding market risk and limit issues are discussed. In addition, issues related to finance strategy, balance sheet planning and internal pricing are discussed with the CEO. The CEO also ensures, on an ongoing basis, that reporting to the board by each unit, including the Risk Control function, is conducted in accordance with the relevant instructions. The CRO is responsible for the independent Risk Control function, which comprises identification, quantification, analysis, follow-up and reporting of all risks. The CRO is directly subordinate to the CEO and reports to the CEO and Board of Directors of SBAB.








ORGANISATION



¹⁾ Included in Executive Management.

SIGNIFICANT RISKS

The table significant risks disclose all the relevant risks for SBAB and the table Risk appetite and risk profile how they interact with the risk tolerance approved by the board of directors.

Risk type	Risk appetite		Risk profile	Risk management
	Classification	Level		
 <p>Credit risk in lending operations The risk that the counterparty does not fulfil its payment obligations towards SBAB. Credit risk arises in conjunction with loans and loan commitments, as well as in connection with value changes in pledged assets entailing that these no longer cover the Group's receivables. The credit risk also includes concentration risk, which refers to the increase in credit risk that arises in large exposures to individual counterparties, or in the case of concentrations toward specific regions or industries.</p> <p>→ Read more in chapter 5</p>	Wanted risk	Medium	SBAB primarily offers housing mortgages to consumers, tenant-owners' associations and property companies where collateral comprises mortgage deeds in immovable property or rights-of-use. The majority of SBAB's customer base is concentrated to major metropolitan areas.	Credit risk is central to SBAB's business model and it is considered to be the dominant risk in operations. Credit granting in SBAB is characterised by responsible credit granting taking into account the customer's long-term repayment capacity and resilience as well as the value of posted collateral. Credit rules and credit management are continuously analysed, processed and improved. Corporate clients are processed individually while retail customers are analysed using a structured process in conjunction with the credit approval process. Concentration risk and major exposures are carefully monitored and followed up.
 <p>Credit risk in treasury operations Defined as the total of counterparty risk and investment risk. Counterparty risk is defined as credit risk in derivatives that arises when the value of the instrument is affected by, for example, changes in interest rates and/or currency exchange rates, which means SBAB receives a claim against the counterparty. In addition, counterparty risk entails that SBAB's financial counterparties cannot meet their commitments under repo contracts. Investment risk is defined as credit risk in financial investments and entails the risk that a debtor does not fulfil its payment obligations. Financial investments are incorporated in liquidity management, which aims to reduce liquidity risk and utilise surplus capital to contribute to increased profitability.</p> <p>→ Read more in chapter 5</p>	Necessary risk	Low	SBAB's counterparty risks and investment risks are low and are not considered dominant risks.	Counterparty-risk exposure is primarily covered through collateral agreements in which the counterparty provides collateral in an effort to reduce exposure. Investment risk is mitigated as SBAB only invests in interest-bearing bonds with high credit ratings.
 <p>Market risk In SBAB's operations, the risk of loss or reduced future income due to market fluctuations comprises interest-rate, currency, credit spread, basis and pension risk. Interest-rate risk pertains to interest rate variations that lead to losses or lower future income as assets and liabilities have different fixed-interest periods and/or interest terms. Currency risk refers to the risk of changes in SEK exchange rates leading to losses or lower future income. Credit spread risk pertains to an exposure to changing conditions between an issuer's interest expense in comparison with a reference rate. Basis risk refers to the risk associated with deposits and lending that are fixed to different interest bases. Pension risk pertains to the risk arising from value changes in the portfolio intended to cover the bank's pension commitments.</p> <p>→ Read more in chapter 7</p>	Necessary risk	Low	SBAB's market risk is low and is not considered a dominant risk.	Interest-rate risk is to be mitigated through direct funding in matched currencies and tenors or the use of derivatives. Currency risks are mitigated as funding in international currency is hedged through currency swaps or matched against assets in the liquidity portfolio in the same currency.
 <p>Operational risk The risk of losses due to inadequate or failed internal processes, human error, faulty systems or from external events, including legal risks. Legal risk pertains to the risk of legal sanctions or failure to discharge legal undertakings. The category also includes compliance risks. Regulatory compliance is essential in maintaining confidence in SBAB's operations, but market practice and ethical guidelines also impact SBAB's approach to employees and customers.</p> <p>→ Read more in chapter 8</p>	Necessary risk	Low	Operational risk is a natural part of all business. SBAB aims to optimise the relationship between costs for reducing risk and any of its potential outcomes. Operational risk is a prerequisite for implementing the business concept efficiently and competitively, taking into account operations, strategy, risk appetite and the macro environment.	SBAB manages operational risk in a consistent manner and the analysis of risk level is conducted on a regular basis and reported to the Board, the CEO and the Executive Management. Self-evaluation of material processes is performed annually. Changes with potential to affect the bank's risk level together with related risks are identified at an early stage and, prior to decision on implementation, the second line of defence submits a report. Unexpected events that can negatively affect the bank are to be reported as incidents and managed according to pre-determined instructions.
 <p>Business risk The risk of declining earnings due to harsher competition, inappropriate strategies or erroneous decisions. SBAB differentiates business risk between strategic risk, the risk of weaker earnings and reputational risk. Strategic risk pertains to the risk of a loss arising, for example, due to unfavourable business decisions, erroneous implementation of strategic decisions or changes in the political environment. The risk of weaker earnings encompasses the risk arising from, for example, more expensive financing or more intense competition. Reputational risk pertains to the risk of loss of reputation as a result of the failure to manage the above risks as well as other events.</p> <p>→ Read more in chapter 2</p>	Necessary risk	Low	SBAB's business risk is low and is not considered a dominant risk.	Risks related to strategy and earnings are evaluated on an ongoing basis over the year within the first line's strategy work. Strategically important decisions are managed within the framework for material changes. The Board receives an annual evaluation of the material risks that addresses strategic business risk and the bank's overall earnings. Moreover, business risk is evaluated in SBAB's stress tests.
 <p>Liquidity risk The risk of being unable to meet its payment obligations without the cost of obtaining funds increasing significantly. Short-term liquidity risk pertains to the risk of being impacted in the short term by a lack of liquidity, while structural liquidity risk arises from differences between assets and liabilities in terms of maturities, which risks leading to a lack of liquidity in the longer term.</p> <p>→ Read more in chapter 6</p>	Necessary risk	Low	SBAB has a low liquidity risk and diversified funding. Securities that are part of the liquidity reserve have high credit ratings and are eligible as collateral with either the Riksbank or the European Central Bank, to guarantee liquidity.	SBAB's liquidity strategy includes proactive and continuous liquidity planning, active debt management and an adequate liquidity reserve. The funding strategy takes into consideration the expected maturity on the asset side. On this basis, SBAB limits its structural liquidity risk by maintaining diversified funding with sufficiently long maturities. SBAB has several liquidity metrics, for which limits apply, most of which are monitored and reported on a daily basis.
 <p>Sustainability risks Sustainability risks pertain to the risk of loss or reduced future income due to sustainability-related events. These include events in three categories: i) climate; ii) social aspects; and iii) governance.</p> <p>→ Read more in chapter 9</p>	Necessary risk	Low	SBAB defines sustainability risk as a necessary risk that should be held at a level that does not materially jeopardise SBAB's assets, resources and reputation.	The assessment of whether the Group's level of sustainability risk is within the defined risk appetite is primarily performed through the monitoring and analysis of key risk indicators, scenario analyses outcomes, monitoring of the bank's strategic work with sustainability and disclosures in SBAB's reporting pursuant to the TCFD standard.

The approved limits of risks to which the institution is exposed;

See Chapter 2 for the Board’s statement on risk management and a brief risk declaration.

Changes of the heads of internal control, risk management, compliance and internal audit.

No changes took place during the last financial year.

Channels to communicate, decline and enforce the risk culture within the institution;

To define the division of responsibilities between the business operations, risk control and compliance, as well as internal audit, SBAB applies the division of roles and responsibilities resulting from the three lines of defence principle:

- The first line of defence refers to the day-to-day management of risks performed by the business operations that incur and own the risks.

- The second line of defence refers to the risk control (comprising the units for market and liquidity risk, credit risk modelling, credit risk validation, credit risk framework, capital and operational risk) and compliance functions. The risk control units are to ensure that risk awareness and acceptance are sufficient to be able to manage risks on a daily basis. They also have a supportive role in ensuring that the business operations have the procedures, systems and tools required to maintain the daily management of risks. Compliance is responsible to verify that the business operations adhere to laws and regulations and support the business operations within its area of responsibility.
- The third line of defence refers to the internal audit, which reviews and regularly assesses whether the company’s organisation, governance processes, IT systems, models and procedures are appropriate and effective, and whether the company’s internal controls are appropriate and effective. The internal audit is also tasked with reviewing and regularly assessing the company’s risk management based on its adopted risk strategy and risk appetite.

THE THREE LINES OF DEFENCE



Disclosure on the scope and nature of risk disclosure and/or measurement systems (Point (c) of Article 435(1) CRR)

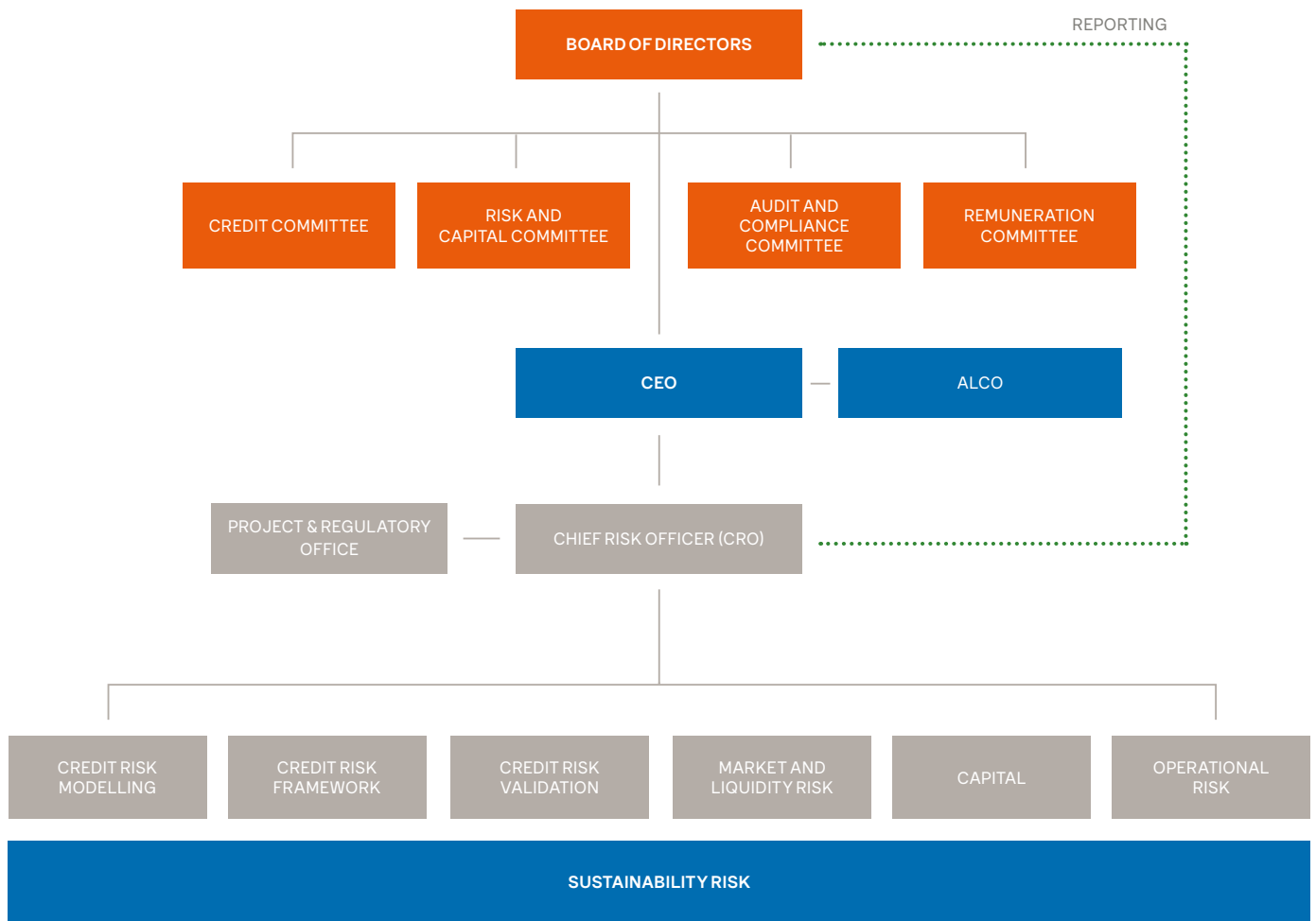
SBAB uses both qualitative and quantitative risk measurement systems. For the estimation of credit risk sophisticated statistical models are used to determine the risk weighted exposure amounts complemented with qualitative analysis. For market risk different risk quantification and measurement systems are in use. Interest rate risk in the banking book is measured by fulfilling the requirements laid down by the EBA and the SFSA. A value at risk approach is used, both to estimate the total market risk and separately for the different sub-categories within market risk. The measurement of liquidity risk is strictly regulated and SBAB complies with the regulation both for LCR and NSFR. Operational risk is primarily measured as the cost of incidents during a rolling 12-month time horizon. In addition, incidents are recorded and processed according to pre-defined routines,

which gives a solid understanding of the number of incidents and a structured approach for analysis and mitigation techniques. Sustainability risks are considered from a holistic perspective and continuous development is undergoing to design realistic quantification approaches.

Disclose information on the main features of risk disclosure and measurement systems (Point (c) of Article 435(1) CRR)

The risk committee regularly evaluates the effectiveness and suitability of the established risk measurement and reporting processes and takes mitigating actions in case deficiencies are found. The Board evaluates recurrently the suitability of established risk management policies. The risk reporting structure is presented in the figure Risk reporting.

RISK REPORTING



Strategies and processes to manage risks for each separate category of risk (Point (a) of Article 435(1) CRR)

Capital planning is founded on a base scenario that reflects the most probable operational development based on internal forecasts. Complementing this, stress tests and scenario analyses are performed, whereby the development of the loan portfolio and capital requirements during severe but not implausible financial stress is evaluated. When performing the tests, events and economic conditions that could give rise to an unfavorable impact on the institution’s loan portfolio exposures and that are not reflected in the anticipated scenario are also considered.

SBAB uses a number of statistical models to forecast credit risk. The common factor for the models is that they are built around one or more explanatory variables that are specifically adapted to the kind of exposure and risk dimension (PD or LGD) for which the model is intended to be used. A change in one or more of these explanatory variables results in a change in the forecasted credit risk. This in turn affects the risk class to which an exposure is allocated. In the stress tests, this relationship is utilized by simulating changes in the underlying model

variables. The starting point for this simulation is an assumed macroeconomic scenario.

In the stress test, a scenario that expresses an unfavorable economic trend will result in a migration towards inferior risk classes, which in turn entails higher economic capital, higher risk exposure amounts and larger anticipated losses. The stress test is conducted for the portfolio at one particular date. This portfolio is then subjected to stress over a three-year time horizon, taking the planned volume development within different portfolio segments into account.

The stress tests can be used in a number of conceivable approaches and methods. In general, these involve an assumption regarding a future scenario, either hypothetical or based on a historical outcome. The stress tests presented in SBAB’s current ICLAAP are based on a hypothetical scenario whereby the development of the parameters is based on a subjective interpretation of economic theory and empirical analysis. The scenario describes a sharp economic decline.

For a number of variables in the models, there is a natural connection between the value the variable is expected to take on and the development of one or more of the macroeconomic

parameters. In these cases, the variable value could consequently be recalculated directly based on the change in the underlying macro parameters. In general, all model variables are expected to be affected to some extent, except the variables that are not deemed to be correlated to economic conditions.

Since a macroeconomic scenario cannot be directly translated to the effect that it has on certain PD variables, historical correlations are used instead. Examples of such model variables are the number of reminders and claims. For these variables, the effect has instead been estimated based on the historical correlation to the residential mortgage rate. Since SBAB's LGD models are built around the loan to value ratio, changes in the market values of properties have a direct impact on LGD.

Scenario

In this scenario, a set of external shocks, in combination with internal vulnerabilities, lead to a rapid recession and problems in the Swedish banking system. Historically, this kind of scenario has occurred approximately every twenty-five years.

- High inflation increases cost of production and erodes household real consumption. The global aggregate demand falls rapidly because of contractionary monetary policy.
- Rapidly rising costs of input goods combined with rising interest rates on credit mean that many companies have problems with profitability, especially as demand is weak and the ability to raise prices is limited. Particularly hard hit are property companies, housing developers and construction companies. Financial turbulence and credit tightening lead to many companies ending up insolvent or going bankrupt and unemployment rising.
- The Swedish krona weakens, which contributes to keeping up inflation during the first half of 2024 despite weak domestic demand.
- Foreign confidence in the banks' financial strength is eroding because of imbalances in the housing and mortgage markets. Central government's finances deteriorate because of stabilisation measures and confidence in economic policy is eroded, leading to rising risk premiums and interest rates. The banking system is coming under pressure. The Riksbank tries but fails in stimulating the economy because of the initial relatively low interest rate level and the rising risk premiums.
- The fall in housing prices cannot be fully explained by the development of the household income and mortgage rates but is also pushed down by difficulties in taking out mortgages and gloomy future expectations of the housing market. Including 2022-2023, the housing prices will fall by 25 percent before increasing again in 2026.

PARAMETERS SUBJECTED TO STRESS IN THE CURRENT AND NEXT THREE YEARS

Demand	Prices	Interest rates
GDP growth (real)	House prices	Residential mortgages, 3 month
Disposable household income (nominal)	Prices of tenant-owners' rights	STIBOR, 3 month
Employment	Residential property prices	Government bond rate, 10-year
Unemployment		STIBOR Treasury bills
		Housing bonds – Government bonds, 5-year
		Government bonds Sweden – Germany, 10-year

The components included in SBAB's model for stress tests comprise:

- Determination of a macroeconomic scenario for the stress test
- Translation of the macroeconomic scenario to model variables
- Assumptions regarding new sales and loan redemption
- Calculation of expected losses and capital requirements
- Calculation of profit and own funds

In addition to credit losses and capital requirements related to credit risk, the stress tests also simulate the effect of a deterioration in SBAB's credit rating and the effect of a decline in property prices on SBAB's scope for funding by means of covered bonds. These are expected to lead to increased funding costs, resulting in weaker net interest income and lower earnings, and consequently also to reduced own funds. Finally, realised losses related to operational risks are also brought out by applying an operational scenario independent of the macro scenarios, thus leading to further deterioration in earnings and decreased own funds.

Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants. (Points (a) and (d) of Article 435(1) CRR)

SBAB assesses the prevailing risk spectrum constantly and if significant changes occur or are likely to occur in the future, the banks risk management governance, measurement, hedging, controlling and reporting mechanisms are updated to match the requirements of the new risk spectrum. The second line of defense monitors daily the banks risk profile to make sure that the risk appetite is not exceeded.

Credit risk is a wanted risk and is primarily mitigated by high quality collateral. Credit derivatives are not used for hedging. Credit risk is mainly monitored by conducting continuous assessments on the credit quality in the lending portfolios.

Market risk is actively mitigated by asset & liability management and by using derivatives to hedge both currency and interest rate risk. The monitoring of market risk is done mainly by utilizing the value at risk approach and dynamic balance sheet management tools.

Operational risk is mitigated by educating the staff on relevant subjects and by continuously improving internal processes. The monitoring is conducted by measuring the number of incidents over a chosen measurement period. Operational risk is not hedged by using derivatives.

Business risk is mitigated by analyzing the market environment, global trends and regulatory development in order to form sound strategies for the bank. The monitoring is primarily done by forecasting future earnings and by following the current development of the cost-to-income ratio. The earnings volatility is partly hedged by controlling the exposure to market risks.

Liquidity risk is mitigated by proactive forecasting methods and asset & liability management. The effectiveness is measured by comparing forecasted values against realized values – if the deviation increases, the forecasting methods are improved. Additionally, thoroughly assessed limits on the liquidity portfolio are in place to mitigate the risk of quality issues in case of market turbulence.

Sustainability is the foundation of SBAB's business activities. The three governing sustainability target areas are:

responsibility and transparency, being an attractive workplace and to have sound finances. Additionally, SBAB has prioritized 17 of the UN's sustainable development goals, which are considered particularly important and relevant for the business operations. Sustainability risks are mitigated by conducting extensive analysis on the subject to identify current and future risks. No derivative instruments are used to hedge sustainability risks.

DISCLOSURE ON GOVERNANCE ARRANGEMENTS (EU OVB)

Well-functioning corporate governance, risk management and internal governance are essential for SBAB to reach set targets and gain the confidence of its stakeholders. In addition to corporate governance in the traditional sense, which describes the system by which a company is governed and controlled, SBAB's vision, mission, business idea and values are important elements in SBAB's governance model, as is information transparency, corporate culture, leadership and the long-term sustainable conduct of operations. This, together with corporate governance, means that SBAB can maintain a high level of confidence in its operations. Confidence forms the basis of all banking operations.

The number of directorships held by members of the management body. (Point (a) of Article 435(2) CRR)

Significant directorships

Board of Directors

Name	Title	Significant directorships
Jan Sinclair	Chairman of the Board	AB Sveriges Säkerställda Obligationer (publ) (Board Member, Chairman of the Board), Almi AB (Board Member, Acting CEO), STS Alpresor AB (Board Member), Nilsson Energy AB (Board Member, Chairman of the Board), Hydri (Board Member), Bipon AB (Board Member), Jan M.L. Sinclair AB (Board Member), Tenant-owner association Victorhuset (Board Member, Chairman of the Board), German honorary consul, Industrial advisor (own business).
Lars Börjesson	Board Member	Abion AB (Board Member), Taggsvampen AB (Board Member), Tenant-owner association Viktoriahuset (Board Member, Chairman of the Board).
Inga-Lill Carlberg	Board Member	Trill Impact Microfinance AB (Board Member, Chairman of the Board), Trill Impact AB (Board Member), Trill Impact Executive Holding AB (Board Member), Trill Impact Ventures Holding AB (Board Member), Trill Impact Ventures AB (Board Member), Trill Impact Ventures Pharma 1 AB (Board Member), Trill Impact GP S.à.r.l. (Board Member), Trill Impact Verwaltungs-GmbH (Board Member, CEO), Trill Impact Ventures (GP) S.à.r.l. (Board Member), TIPE II (GP) S.à.r.l. (Board Member), Institute for Financial Research (Chairman of the Board), Cberg Invest AB (Board Member), Trill Impact AB (COO).
Jenny Lahrin	Board Member	S. VisitSweden AB (Board Member), AB Göta kanalbolag (Board Member), Saminvest AB (Board Member), Post Nord AB (Board Member), Subject expert for the Swedish Government Offices, Tenant-owner association Badhotellet i Saltsjöbaden (Board Member, Chairman of the Board).
Jane Lundgren Ericsson	Board Member	AB Sveriges Säkerställda Obligationer (publ) (Board Member), Visma Financial Solutions AB (Board Member), Flex Services Sverige AB (Deputy Board Member, CEO), Inyett AB (Board Member), Copperstone Resources AB (publ) (Board Member), Bokio AB (Board Member), Miskatonic Ventures AB (Deputy Board Member), Flex Applications Sverige AB (CEO), Bagarmossen Kärrtorp Bollklubb (Chairman of the Board).
Wenche Martinussen	Board Member	Sales and Marketing Director, BI Norwegian Business School.
Leif Pagrotsky	Board Member	Göteborg & Co AB (Board Member, Chairman of the Board), Husvärden L Larsson & Co AB (Board Member, Chairman of the Board), Vitartes Intea Holding AB (Board Member, Chairman of the Board), Smartilizer Scandinavia AB (Board Member, Chairman of the Board), Leif Pagrotsky AB (Board Member), Advisory Board LDS Investments LP, Göteborg & Co (Chairman of the Board).
Synnöve Trygg	Board Member	AB Sveriges Säkerställda Obligationer (publ) (Board Member), Volvofinans Bank AB (Board Member, vice chairman).
Fredrik Sauter	Board Member	American Express Europe S.A (Board Member), Thaning Consulting AB (Deputy Board Member), American Express (Head of Growing Market in Nordic, Belgium, Netherland, Luxemburg, Spain, Argentina as well as International Dollar Card and Global Insurance), Finanskoalitionen mot sexuell exploatering av barn (Founder, Board Member), Tenant-owner association Sidensvansen 2 (Board Member, Chairman of the Board)

Name	Title	Significant directorships
Margareta Naumburg	Employee representative SACO	Compliance Officer at SBAB, Chairman of SACO's local club.
Karin Neville	Employee representative Financial Sector Union of Sweden	Compliance Officer at SBAB, Vice Chairman of Financial Sector Union of Sweden's local club.
David Larsson	Deputy, employee representative SACO	Account manager business Area Corporates and Associations in SBAB, Vice Chairman of SACO's local club.
Therese Sandberg	Deputy, employee representative Financial Sector Union of Sweden	Mortgage specialist SBAB, Vice Chairman of Financial Sector Union of Sweden's local club

Executive management

Name	Title	Significant directorships
Mikael Inglander	CEO	Board member in AB Sveriges Säkerställda Obligationer (publ) and Booli Search Technologies AB. Deputy Board Member in the Swedish Bank Association.
Sara Davidgård	Head of Business Area Private	-
Liv Forsström	Head of HR	-
Marko Ivanic	CTO	-
Peter Svensén	CFO	-
Malou Sjörin	Head of Sustainability, Marketing & Communication	Board member in Booli Search Technologies AB.
Deniz Güler	Acting CRO	-
Robin Silfverhielm	CXO	Chairman of the Board in Booli Search Technologies AB
Carl Olsson	Head of Business Specialists.	-
Stefan Andersson	Head of Business Area Corporate and Associations	-

Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise (Point (b) of Article 435(2) CRR)

At SBAB's Annual General Meeting (AGM), nine members were elected to SBAB's Board. At the end of the year, SBAB's Board comprised of these nine members elected by the AGM and two members, and deputies for each of them, appointed by the trade unions, SACO and the Financial Sector Trade Union of Sweden. The CEO is not a member of the Board. None of the Board members or the CEO hold shares or financial instruments issued by SBAB, since SBAB is wholly owned by the Swedish state.

In state-owned companies, uniform and shared principles are applied to achieve a structured nomination process for the appointment of Board members. The objective is to ensure an adequate supply of competence for the Boards of Directors of these companies. The Board nomination process at the Government Offices of Sweden is coordinated by the Swedish Ministry of Finance. For each company, competence needs are analysed on the basis of the company's business, circumstances and future challenges, as well as the composition of the Board of Directors and the Board assessments that have been conducted. Recruitment requirements are then established and work commences. Members are selected from a broad recruitment base in order to draw on the expertise of both women and men, as well as individuals with different backgrounds and experience.

Information on the diversity policy with regard of the members of the management body (Point (c) of Article 435(2) CRR)

Equality and diversity are two of the most important issues of our time. The Government aims for gender balance both on individual boards and at portfolio level. The target for the portfolio of state-owned enterprises is a minimum of 40 per cent board presentation for both woman and men, with more detailed policies on representation depending on the actual number on board members on the board. SBAB has set a target that at least 45% of management positions should be held by the underrepresented gender. SBAB met the target during the last financial year by a good margin.

The Board has furthermore adopted a policy on diversity in the Board and an instruction for eligibility assessments for Board members, the CEO and senior executives. The diversity policy includes statements that the composition of the Board should be such that a balance is achieved with regard to background, areas of competence, experience and gender. The eligibility instruction states that the eligibility assessment of the Board, the CEO and the senior executives should take into account the individual's skills, experience, reputation and judgement.

Information whether or not the institution has set up a separate risk committee and the frequency of the meetings.

(Point (d) of Article 435(2) CRR)

The Board has established four committees, which are either preparatory or decision making committees or a mixture thereof. The Risk and Capital Committee prepares matters concerning SBAB's treasury operations, matters related to risk and capital and the use of new financial instruments. The Committee also prepares issues for resolution by the Board of Directors concerning objectives, strategies and control documents within the areas of risk and capital. The Committee approves changes in the forward-looking assumptions in the financial reporting used to estimate credit losses. The Committee consists of at least three members (currently four) appointed by the Board. The Risk and Capital Committee is the statutory Risk Committee of the SBAB. The Risk and Capital Committee held eleven meetings during the year.

Description on the information flow on risk to the management body. (Point (e) Article 435(2) CRR)

A monthly report on the overall risk situation and capital adequacy ratios is made available by risk control to the Board, the CEO and Executive Management. The Board and the CEO are also provided with a more in-depth description of risks on a quarterly basis. In addition, a daily report on current risk levels in relation to granted limits is presented to the CEO, CFO and CRO. SBAB's Board and Executive Management are thereby provided with a relevant overview of the Group's risk exposure on a continuous basis. The risk owners, i.e. the business operations, must, without delay, inform risk control of occurrences of significant events that could entail an increased risk. Clear ownership of risk and compliance applies in the first line of defense at SBAB. This is secured through an organization comprised of risk and compliance coordinators in the first line of defense, who support the respective business managers with a focus on risk management, process mapping, internal controls, incident management and regulatory compliance.

3.2 REMUNERATION

REMUNERATION POLICY (EU REMA)

Information relating to the bodies that oversee remuneration (Point a of Article 450(1) CRR)

Name, composition and mandate of the main body (management body and remuneration committee where established) overseeing the remuneration policy and the number of meetings held by that main body during the financial year;

The Board has appointed a Remuneration Committee, which is tasked with preparing remuneration issues for decision by the Board and for conducting an independent assessment of policy documents pertaining to remuneration issues and remuneration systems. The Board is to ensure that the appropriate control functions participate in the independent assessments. The Board of Directors decides on:

- Remuneration policy, risk analysis regarding remuneration systems and other policy documents for remuneration issues
- Remuneration and other employment benefits for Executive Management and the heads of the control functions (the CRO and the heads of Internal Audit and Compliance)

- Follow-up on the application of SBAB's control documents regarding remuneration issues
- The Remuneration committee held 4 meetings during 2023.

External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework;

No external consultants have been hired for re-designing the remuneration framework during the financial year. However, external advice is sought from time to time for specific tasks i.e., for taxation, recruitment channels and legal advice.

A description of the scope of the institution's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries;

The overarching steering policy for remuneration is the State Ownership Policy and principles for state-owned enterprises 2020. No significant differences exist between the parent company and the subsidiary remuneration policies. Furthermore, SBAB does not have foreign branches. Employees working with matters related to SCBC are remunerated by SBAB and the employment contract is between the employee and SBAB. Hence, SCBC is not considered an employer.

A description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile; (identified staff).

SBAB has defined twelve different areas where the employees are identified as having a material impact on the institutions risk profile:

1. Executive managers
2. Employees responsible for control functions
3. Employees with a management responsibility within the control functions
4. Employees who lead and / or are responsible for risk management for a significant business unit
5. Employees with management responsibilities within a significant business unit
6. Employee leading a function responsible for legal matters, financial matters including taxation and budgeting, personnel, remuneration policy, information technology and financial analysis
7. Employees who are responsible for, or are members of ALCO (SBAB and SCBC's Asset & Liability Committee)
8. Employees who have the authority to expose SBAB to credit risk above a certain level, as well as employees who have management responsibility for such a group of employees
9. Employees with the authority to decide on or veto the introduction of new products
10. Members of the Board who are employed by SBAB
11. Employees with benefits that exceed the following definitions
 - An employee who is entitled to a significant remuneration for the preceding financial year if a) his or her remuneration is equal to or higher than EUR 500 000 and equal to or higher than the average remuneration given to those referred to in paragraph 1 (executive managers), and (b) he or she works in an essential business unit and the service is such that it has a significant impact on the risk profile of the business unit concerned.

12. Credit Officers

- A limited group of administrators have the right to decide on credits where a more manual examination comes into question and where decisions on credits can theoretically be made in violation of the credit regulations.

Information relating to the design and structure of the remuneration system for identified staff. (Point b of Article 450(1) CRR) Disclosures shall include:

An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders (e.g. the shareholders' meeting);

SBAB is required to have a remuneration system that promotes effective risk management and does not encourage undue risk-taking. Remuneration should inspire working towards SBAB's long-term interests. The General Meeting decides on the overall guidelines for remuneration and other employment terms for senior executives (members of SBAB's Executive Management).

The Board annually evaluates and follows up how SBAB has complied with the principles for the remuneration of senior executives that have been adopted by the Annual General Meeting and the remuneration structures and remuneration levels, including bonuses.

In addition to regulation by the Companies Act, the guidelines for the remuneration of senior executives follow the guidelines for remuneration and other terms of employment for senior executives in state-owned enterprises. These guidelines were not amended following the resolution of the AGM in 2020. The guidelines are published in full at www.sbab.se.

Information on the criteria used for performance measurement and ex ante and ex post risk adjustment;

At present, SBAB has no variable remuneration to senior management or members of staff whose actions could have an impact on the institution's risk profile. As regards pension conditions, notice periods and severance pay for senior executives, SBAB observes the principles stated in the State Ownership Policy and principles for state-owned enterprises 2020.

Whether the management body and the remuneration committee, where established, reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration;

The remuneration policy is reviewed annually to ensure that it promotes the bank's financial and risk management objectives in the most suitable way. During the past financial year, no significant changes were made.

Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee;

The remuneration for the Head of internal audit is decided by the Board of Directors. A proposal is drafted in advance by the remuneration committee. For all other executive managers, the CEO drafts a proposal for the Board of Directors.

Policies and criteria applied for the award of guaranteed variable remuneration and severance payments;

SBAB has no variable payment scheme. The policy for severance payment is steered by the State Ownership Policy and principles for state-owned enterprises 2020, where a maximum severance amount is stipulated. The limit is set at an amount equaling a 12 months' pay, however, in the case of employment during the 12-month period, the severance payment is ceased.

Description of the ways in which current and future risks are taken into account in the remuneration processes. (Point c of Article 450(1) CRR) Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.

SBAB has designed the compensation system so that it promotes effective risk management and does not encourage excessive risk-taking. Other important components to ensure that the risks of the compensation system are minimized, is an appropriate organization for risk management and compliance as well as independent follow-up and reporting of these.

SBAB has no programs for variable remuneration in the remuneration system. Regarding fixed remuneration, there are theoretically risks that the remuneration levels in the bank does not match the performance of the employees. Reduction of risks is achieved by making compensation decisions at the relevant organizational level, e.g., by applying the principle that decisions in remuneration matters shall be made in consultation with the manager's manager and within decided frameworks and with application of SBAB's salary principles. SBAB conducts annual salary surveys for employees and also makes ongoing analyzes of market practice in remuneration issues to ensure that SBAB's remuneration is competitive yet moderate, reasonable, well-balanced and not wage leading.

The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive 2013/36/EU. (Point d of Article 450(1) CRR)

Not applicable.

Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. (Point e of Article 450(1) CRR) Disclosures shall include:

An overview of main performance criteria and metrics for institution, business lines and individuals.

Not applicable.

An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.

Not applicable.

Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments

Not applicable.

Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining performance metrics when the performance metrics are considered 'weak'. In accordance with point (n) of Article 94(1) CRD, to be paid or vested the variable remuneration has to be justified on the basis of the performance of the institution, the business unit and the individual concerned. Institutions shall explain the criteria/thresholds for determining that the performance is weak and that does not justify that the variable remuneration can be paid or vested.

Not applicable.

Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance. (Point f of Article 450(1) CRR) Disclosures shall include:

An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff.

Not applicable.

Information of the institution's criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).

Not applicable.

Where applicable, shareholding requirements that may be imposed on identified staff.

Not applicable.

The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit, as referred to in point (f) of Article 450(1) CRR.

(Point (f) of Article 450(1) CRR)

SBAB has no variable payment scheme. Non-cash benefits are non-material.

Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management, as referred to in point (j) of Article 450(1) CRR (Point (j) of Article 450(1) CRR)

SBAB and SCBC has the required reporting structure in place to upon demand from the competent authority to provide the information on the total remuneration for each member of the management body. Additionally, SBAB publishes the remuneration for its executive managers and the Board of Directors in the annual report and in a separate remuneration document published on SBAB's webpage.

Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD, as referred to in point (k) of Article 450(1) CRR. (Point k of Article 450(1))

Not applicable as SBAB does not have any elements of variable remuneration.

Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members, as referred to in Article 450(2) (CRR. Article 450(2))

The remuneration for senior executives who report directly to the CEO totaled SEK 30 million and for other employees SEK 522 million.

REMUNERATION AWARDED FOR THE FINANCIAL YEAR (EU REM1)

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
			a	b	c	d
1	Fixed remuneration	Number of identified staff	-	2	14	79
2		Total fixed remuneration	-	1.26	27.35	61.59
3		Of which: cash-based	-	1.23	27.16	60.53
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	0.03	0.19	1.26
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	-	-	-
10		Total variable remuneration	-	-	-	-
11		Of which: cash-based	-	-	-	-
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration		-	1.26	27.35	61.59

SPECIAL PAYMENTS TO STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF) (EU REM2)

	MB Supervisory function	MB Management function	Other senior management	Other identified staff
	a	b	c	d
Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	1
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	4.68
Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	1
7	Severance payments awarded during the financial year - Total amount	-	-	2.11
8	Of which paid during the financial year	-	-	0.7
9	Of which deferred	-	-	1.41
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	2.11

INFORMATION ON REMUNERATION OF STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF) (EU REM5)

Category level AVA	Management body remuneration			Business areas						Total	
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other		
	a	b	c	d	e	f	g	h	i		
1	Total number of identified staff	-	2	2	-	2	-	12	2	-	89
2	Of which: members of the MB	-	2	2	-	2	-	12	2	-	
3	Of which: other senior management	-	-	-	-	2	-	12	2	-	
4	Of which: other identified staff	-	-	-	-	6	-	73	2	-	
5	Total remuneration of identified staff	-	1.26	1.26	-	9.46	-	79.48	4.46	-	
6	Of which: variable remuneration	-	-	-	-	-	-	-	-	-	
7	Of which: fixed remuneration	-	1.26	1.26	-	9.46	-	79.48	4.46	-	

4 Capital adequacy

The size of SBAB's capital requirements depends on laws and regulations, the company's internal assessment based on approved strategies, the assessments of investors and rating agencies, and the evaluations made by the owner, the Board and Executive Management. SBAB continuously evaluates and adjust its capital targets when necessary.

Capital in accordance with Pillar 1, refers to the minimum amount of capital that the company is required to have in accordance with the CRR and CRD, the EU's technical standards and delegated acts, the Special Supervision of Credit Institutions and Investment Firms Act (2014:968), the Capital Buffers Act (2014:966), EU Regulation (2019/2033) on the prudential requirements of investment firms and the Swedish FSA's regulations regarding prudential requirements and capital buffers (FFFS 2014:12).

4.1. CAPITAL REQUIREMENTS AND BUFFERS

The rules in the CRR and CRD entail, among other things, requirements in the Pillar 1 for a minimum level of own funds and regulations regarding capital requirements. According to the requirements, the bank must have a CET1 capital ratio of at least 4.5%, a Tier 1 capital ratio of at least 6.0% and a total capital ratio at least equal to 8.0% of the total risk exposure amount for credit risk, market risk and operational risk.

In addition to a total capital ratio of 8.0%, the bank must maintain CET1 capital to meet the combined buffer requirements, which in Sweden is the sum of a capital conservation buffer of 2.5% of the risk exposure amount, a countercyclical buffer of up to 2.5% and buffers for systemic risk of up to 4.0%.

The SFSA has decided that, in addition to a capital conservation buffer of 2.5%, a countercyclical buffer will also apply for Swedish exposures. The countercyclical buffer for Swedish exposures has increased from 1.0% to 2.0% effective from 22 June, 2023. The SFSA has also decided to recognise

countercyclical buffer values of up to 2.5% set by a competent authority in another EEA country. Furthermore, banks considered systemically important are subject to an additional capital requirement of 4.0% to be covered by CET1 capital. As per 31 December, 2023, SBAB is not considered to be systemically important by the SFSA.

The buffer values are presented in table Amount of institution-specific countercyclical capital buffer (EU CCyB2), with risk exposure amounts and capital requirements. More detailed information of the countercyclical buffer rates is disclosed in the table the geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (EU CCyB1).

When calculating capital requirements, each exposure is allocated to an exposure class, either using the standardised or the IRB approach. Table Overview of risk weighted exposure amount (EU OV1) shows the individual risk exposure amounts distributed by exposure class compared to previous quarter. The decrease in total REA during the fourth quarter 2023 refer to institute exposures in credit risk SA and was mainly driven by changes in risk-weight from 50% to 2% for centrally cleared counterparties (Nasdaq & LCH).

Risk-weight floor for Swedish mortgages

In 2018, the Swedish FSA decided to amend the method for applying the risk weight floor under Pillar 2 and replace it with a Pillar 1 requirement in accordance with Article 458 of the CRR. The amendment entered into force in 2018 and applied for two years. The Swedish FSA has extended the capital requirement, and it is currently in force until 30 December 2025.

KEY METRICS (EU KM1)

SEK million		CONSOLIDATED SITUATION				
		31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
		a	b	c	d	e
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	20,414	20,173	19,903	19,734	19,689
2	Tier 1 capital	26,214	25,973	25,703	25,534	25,489
3	Total capital	28,209	27,968	27,698	27,529	27,484
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	166,294	173,220	167,274	158,738	154,151
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	12.3	11.6	11.9	12.4	12.8
6	Tier 1 ratio (%)	15.8	15.0	15.4	16.1	16.5
7	Total capital ratio (%)	17.0	16.1	16.6	17.3	17.8
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.9	1.9	2.4	3.4	3.4
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.1	1.1	1.5	2.2	2.2
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.4	1.4	1.8	2.5	2.5
EU 7d	Total SREP own funds requirements (%)	9.9	9.9	10.4	11.4	11.4
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	2.0	2.0	2.0	1.0	1.0
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-	-	-
11	Combined buffer requirement (%)	4.5	4.5	4.5	3.5	3.5
EU 11a	Overall capital requirements (%)	14.4	14.4	14.9	14.9	14.9
12	CET1 available after meeting the total SREP own funds requirements (%)	6.7	6.1	5.9	5.7	6.1
Leverage ratio						
13	Total exposure measure	640,914	634,379	628,347	645,980	618,926
14	Leverage ratio (%)	4.1	4.1	4.1	4.0	4.1
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0

SEK million	CONSOLIDATED SITUATION				
	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
	a	b	c	d	e
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e Overall leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
Liquidity Coverage Ratio					
15 Total high-quality liquid assets (HQLA) (Weighted value - average)	97,063	93,420	91,472	86,003	81,220
EU 16a Cash outflows - Total weighted value	55,684	53,174	51,414	46,718	45,867
EU 16b Cash inflows - Total weighted value	17,018	15,266	13,773	9,651	8,783
16 Total net cash outflows (adjusted value)	38,666	37,908	37,641	37,067	37,084
17 Liquidity coverage ratio (%)	251.0	246.4	243.0	232.0	219.0
Net Stable Funding Ratio					
18 Total available stable funding	547,015	543,289	551,262	541,352	521,568
19 Total required stable funding	414,762	416,469	411,992	411,477	407,665
20 NSFR ratio (%)	131.9	130.5	133.8	131.6	127.9

The decrease in total REA during the fourth quarter 2023 driven by changes in risk-weight from 50% to 2% for centrally cleared counterparties (Nasdaq & LCH) had a positive effect on the capital ratios. LCR has slightly increased compared to the previous period, which is within normal volatility. The identified changes in NSFR since the previous reporting period is an increase in available stable funding as a result of increased deposits, mainly retail.

OVERVIEW OF RISK WEIGHTED EXPOSURE AMOUNTS (EU OV1)

SEK million	Risk weighted exposure amounts (RWEAs)		Total own funds requirements
	31 Dec 2023	30 Sep 2023	31 Dec 2023
	a	b	c
1 Credit risk (excluding CCR)	156,639	159,544	12,531
2 Of which the standardised approach	6,816	7,047	545
3 Of which the foundation IRB (FIRB) approach	61,670	63,030	4,934
5 Of which the advanced IRB (AIRB) approach	21,268	21,783	1,701
6 Counterparty credit risk - CCR	2,729	6,725	218
7 Of which the standardised approach	873	597	70
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	152	4,666	12
EU 8b Of which credit valuation adjustment - CVA	1,704	1,447	136
9 Of which other CCR	0	16	0
20 Position, foreign exchange and commodities risks (Market risk)	257	282	21
21 Of which the standardised approach	257	282	21
23 Operational risk	6,669	6,669	534
EU 23b Of which standardised approach	6,669	6,669	534
29 Total	166,294	173,220	13,304

The decrease in total REA during the fourth quarter 2023 refer to institute exposures in credit risk SA and was mainly driven by changes in risk-weight from 50% to 2% for centrally cleared counterparties (Nasdaq & LCH).

GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL BUFFER (EU CCYB1)

010	Breakdown by country	General credit exposures		Relevant credit exposures – Market risk			Own fund requirements							
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures value for non-trading book	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit risk exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		a	b	c	d	e	f	g	h	i	j	k	l	m
	Sweden	39,207	556,620	-	-	-	595,827	7,109	-	-	7,109	88,868	99.0	2.0
	Norway	4,795	-	-	-	-	4,795	38	-	-	38	479	0.5	2.5
	Denmark	3,224	-	-	-	-	3,224	26	-	-	26	322	0.5	2.5
	Finland	841	-	-	-	-	841	7	-	-	7	84	-	-
020	Total	48,067	556,620	-	-	-	604,687	7,180	-	-	7,180	89,753	-	

No changes in the countercyclical buffer rate for Swedish, Norwegian and Danish exposures since June 30, 2023, but an increase in REA for Swedish exposures affected the own fund requirements.

AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER (EU CCYB2)

	a
1 Total risk exposure amount	166,294
2 Institution specific countercyclical capital buffer rate, %	2.00
3 Institution specific countercyclical capital buffer requirement	3,330

No major changes have been noted since previous reporting on June 30, 2023.

4.2 OWN FUNDS

SBAB's own funds consist of equity as well as additional Tier 1 capital and Tier 2 capital consisting of subordinated loans. SBAB's own funds amounted to SEK 28,209 million on 31 December 2023, (detailed information of the own funds composition can be found in table EU CC1). Over the year, CET1 capital was affected by the fact that net profit/loss for the period was added. The surplus has been verified by the company's auditors, in accordance with Article 26, item 2, of the CRR. According to Article 35 of the CRR, the institution shall, except in the case of the items referred to in Article 33, not make adjustments to remove from own funds unrealised gains or losses on assets or liabilities recognised at fair value. According

to this Article, SEK 3,737 million have been withdrawn from CET1 capital.

According to Article 33, item 1, of the CRR, the part of the fair-value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value, including projected cash flows is not to be included in own funds. The CET1 capital has been adjusted for cash-flow hedges amounting to SEK 3,758 million.

Changes in fair value that depend on the institution's own credit standing and that are related to derivatives had a negative impact of SEK 16 million on CET1 capital, in accordance with Article 33, item 1b.

With reference to Articles 34 and 105 of the CRR, SEK 121 million has been deducted from CET1 capital due to the requirements for prudent valuation, which is disclosed in table EU PV1. A deduction of SEK 173 million for intangible assets were made, according to the calculation for activated software assets adjustments in the CET1 capital. A deduction of SEK 330 million from the calculation of expected loss amounts were made in accordance with Article 36 of the CRR. No addition for an IRB surplus, under Article 62, item d of the CRR for own funds in December 2023. A small deduction from CET1 capital has been made due to the NPL backstop, pursuant to Article 36, point 1, item m, of the CRR. No risk exposures have been deducted from own funds.

DISCLOSURE OF OWN FUNDS (EU CC1)

SEK million		31 Dec 2023
		a
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	1,958
2	Retained earnings	17,635
3	Accumulated other comprehensive income (and other reserves)	-3,737
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,441
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	17,297
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-121
8	Intangible assets (net of related tax liability) (negative amount)	-173
	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-
10	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	3,758
12	Negative amounts resulting from the calculation of expected loss amounts	-330
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-
27a	Other regulatory adjustments	-16
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	3,118
29	Common Equity Tier 1 (CET1) capital	20,414
Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	5,800
31	of which: classified as equity under applicable accounting standards	5,800
32	of which: classified as liabilities under applicable accounting standards	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	-
36	Additional Tier 1 (AT1) capital before regulatory adjustments	5,800
Additional Tier 1 (AT1) capital: regulatory adjustments		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
44	Additional Tier 1 (AT1) capital	5,800
45	Tier 1 capital (T1 = CET1 + AT1)	26,214
Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	1,995
50	Credit risk adjustments	-
51	Tier 2 (T2) capital before regulatory adjustments	1,995
Tier 2 (T2) capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 (T2) capital	-
58	Tier 2 (T2) capital	1,995
59	Total capital (TC = T1 + T2)	28,209
60	Total risk exposure amount	166,294
Capital ratios and requirements including buffers		
61	Common Equity Tier 1	12.3
62	Tier 1	15.8
63	Total capital	17.0
64	Institution CET1 overall capital requirement	10.1
65	of which: capital conservation buffer requirement	2.5
66	of which: countercyclical buffer requirement	2.0
67	of which: systemic risk buffer requirement	-
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.1
68	Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)	6.7
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	98
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	498

Since June 30, 2023, new PD-models were implemented within the IRB approach for Corporate Clients and Tenant-owners' associations and the risk weight for CCP exposures was reduced. Total capital was affected by added net profit/loss for the period.

MAIN FEATURES OF REGULATORY OWN FUNDS INSTRUMENTS AND ELIGIBLE LIABILITIES INSTRUMENTS (EU CCA)

1	Issuer	SBAB Bank AB (publ)	SBAB Bank AB (publ)	SBAB Bank AB (publ)	SBAB Bank AB (publ)	SBAB Bank AB (publ)	SBAB Bank AB (publ)	SBAB Bank AB (publ)	SBAB Bank AB (publ)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	SE0012193787	SE0012193779	XS2181907663	XS2181907580	SE0013102050	SE0013102068	SE0017769870
2a	Public or private placement	N/A	Public	Public	Public	Public	Public	Public	Public
3	Governing law(s) of the instrument	Swedish	Swedish	Swedish	English/Swedish	English/Swedish	Swedish	Swedish	Swedish
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A	Yes	Yes	N/A	N/A	N/A
Regulatory treatment									
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28	Tier 1 as published in Regulation (EU) No 575/2013 article 52	Tier 1 as published in Regulation (EU) No 575/2013 article 52	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 1 as published in Regulation (EU) No 575/2013 article 52	Tier 1 as published in Regulation (EU) No 575/2013 article 52	Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 1,958.3m	SEK 400m	SEK 1,600m	SEK 1,396.5m	SEK 598.5m	SEK 800m	SEK 1,500m	SEK 1,500m
9	Nominal amount of instrument	SEK 1,958.3m	SEK 400m	SEK 1,600m	SEK 1,400m	SEK 600m	SEK 800m	SEK 1,500m	SEK 1,500m
EU-9a	Issue price	N/A	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
EU-9b	Redemption price	N/A	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Shareholder's equity	Shareholder's equity	Shareholder's equity	Liability - amortised cost	Liability - amortised cost	Shareholder's equity	Shareholder's equity	Shareholder's equity
11	Original date of issuance	21-dec-84	05-Sep-19	05-Sep-19	03-Jun-20	03-Jun-20	25-Feb-21	25-Feb-21	13-Apr-22
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	03-juni-30	03-juni-30	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	05-March-25 100 per cent of Nominal amount In addition tax/regulatory event call (capital event call)	05-September-24 100 per cent of Nominal amount In addition tax/regulatory event call (capital event call)	03-June-25 100 per cent of Nominal amount In addition tax/regulatory event call (capital event call)	03-June-25 100 per cent of Nominal amount In addition tax/regulatory event call (capital event call)	25-Feb-26 100 per cent of Nominal amount In addition tax/regulatory event call (capital event call)	25-Feb-26 100 per cent of Nominal amount In addition tax/regulatory event call (capital event call)	13-April-2027 100 per cent of Nominal amount In addition tax/regulatory event call (capital event call)
16	Subsequent call dates, if applicable	N/A	Any specified interest payment date after optional redemption date	Any specified interest payment date after optional redemption date	Any specified interest payment date after optional redemption date	Any specified interest payment date after optional redemption date	Any day from and including 25 February 2026 to and including 25 May 2026 (Initial Call Period), and thereafter any specified interest payment date after Initial Call Period	Any day from and including 25 February 2026 to and including 25 May 2026 (Initial Call Period), and thereafter any specified interest payment date after Initial Call Period	Any day from and including 13 April 2027 to and including 13 July 2027 (Initial Call Period), and thereafter any specified interest payment date after Initial Call Period

Coupons / dividends									
17	Fixed or floating dividend/coupon	N/A	Fixed to floating	Floating	Floating	Fixed to floating	Fixed to floating	Floating	Floating
18	Coupon rate and any related index	N/A	Fixed 3.67 per cent per annum, until first call date, thereafter Floating Stibor 3-month+3.80 per cent per annum	Floating Stibor 3-month+3.65 per cent per annum	Floating Stibor 3-month+2.10 per cent per annum	Fixed 2.268 per cent per annum, until first call date, thereafter Floating Stibor 3-month+2.10 per cent per annum	Fixed 3.047 per cent per annum, until first call date, thereafter Floating Stibor 3-month+2.80 per cent per annum	Floating Stibor 3-month+2.80 per cent per annum	Floating Stibor 3-month+3.20 per cent per annum
19	Existence of a dividend stopper	N/A	No	No	No	No	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Fully discretionary	Fully discretionary	Fully discretionary
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	Yes	Yes	No	No	Yes	Yes	Yes
31	If write-down, write-down trigger (s)	N/A	SBAB Consolidated Situation CET ratio <7 per cent Issuer CET ratio <5.125 per cent	SBAB Consolidated Situation CET ratio <7 per cent Issuer CET ratio <5.125 per cent	N/A	N/A	SBAB Consolidated Situation CET ratio <7 per cent Issuer CET ratio <5.125 per cent	SBAB Consolidated Situation CET ratio <7 per cent Issuer CET ratio <5.125 per cent	SBAB Consolidated Situation CET ratio <7 per cent Issuer CET ratio <5.125 per cent
32	If write-down, full or partial	N/A	Full or partial	Full or partial	N/A	N/A	Full or partial	Full or partial	Full or partial
33	If write-down, permanent or temporary	N/A	Temporary	Temporary	N/A	N/A	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	N/A	Fully discretionary, if a positive net profit of Issuer and/or Group	Fully discretionary, if a positive net profit of Issuer and/or Group	N/A	N/A	Fully discretionary, if a positive net profit of Issuer and/or Group	Fully discretionary, if a positive net profit of Issuer and/or Group	Fully discretionary, if a positive net profit of Issuer and/or Group
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	1	3	3	4	4	3	3	3
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Tier 2	Tier 2	Senior non-preferred debt	Senior non-preferred debt	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	No	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	Link	Link	Link	Link	Link	Link	Link

(1) 'N/A' inserted if the question is not applicable

RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS (EU CC2)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	31 Dec 2023	31 Dec 2023
	a	b
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements		
1 Cash and balances at central banks	6,350	6,350
2 Treasury bills	36,650	36,650
3 Lending to credit institutions	11,807	11,785
4 Lending to the public (Note 5)	517,400	517,400
5 Value changes of interest-rate-risk hedged items in macro hedges	-1,565	-1,565
6 Bonds and other interest-bearing securities	64,945	64,945
7 Derivatives (Note 6)	12,241	12,241
8 Shares in associated companies & joint ventures	5	5
9 Shares in subsidiaries	-	101
10 Deferred tax assets	911	911
11 Intangible assets	468	393
12 Property, plant and equipment	250	240
13 Other assets	258	252
14 Prepaid expenses and accrued income	834	832
Total assets	650,533	650,540
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements		
15 Liabilities to credit institutions	5,606	5,606
16 Deposits from the public	215,211	215,211
17 Debt securities issued	382,770	382,770
18 Derivatives (Note 6)	15,695	15,695
19 Other liabilities	2,021	2,012
20 Accrued expenses and deferred income	3,153	3,179
21 Deferred tax liabilities	-	-
22 Provisions	9	9
23 Subordinated debt	1,998	1,9978
Total liabilities	626,463	626,480
Shareholders' Equity		
24 Share capital	1,958	1,958
26 Reserves/Fair value reserve	-3,737	-3,737
27 Additional Tier 1 instruments	5,800	5,800
28 Retained earnings	17,661	17,635
29 Net profit for the period	2,408	2,404
Total equity	24,090	24,060
Liabilities and Equity		
TOTAL LIABILITIES AND EQUITY	650,553	650,540

Since June 30, 2023 no material changes in the reconciliation of regulatory own funds to balance sheet are identified.

PRUDENT VALUATION ADJUSTMENTS (PVA) (EU PV1)

Category level AVA	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification			
	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book		
	a	b	c	d	e	EU e1	EU e2				f
1	Market price uncertainty	-	-	-	-	-	-	-	-	-	-
3	Close-out cost	-	-	-	-	-	-	-	-	-	-
4	Concentrated positions	-	-	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-	-	-
7	Operational risk	-	-	-	-	-	-	-	-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-	-	-
12	Total Additional Valuation Adjustments (AVAs)								121	-	-

Prudent validation has increased from 101 to 121 SEK million since December 31, 2022. The reason for the increase is a change in derivative liabilities.

4.3 SCOPE OF APPLICATION

OTHER QUALITATIVE INFORMATION ON THE SCOPE OF APPLICATION (EU LIB)

Impediment to the prompt transfer of own funds or to the repayment of liabilities within the group (Article 436 (f) CRR)

There are no ongoing or foreseen material obstacles or other legal barriers to a rapid transfer of funds from own funds other than what is stipulated in the terms and conditions governing subordinated loans or what generally applies under the Companies Act (2005:551).

The starting capital required for the parent company in accordance with the Act on Banking and Financing Activities (2004:297) equaled SEK 45.9 million. The corresponding capital requirement for SCBC amounted to SEK 47.0 million.

Subsidiaries not included in the consolidation with own funds less than required (Article 436 (g) CRR)

Booli Technologies AB develops products and services focusing on the housing market. The company is not included in the consolidated situation. The consolidated situation encompasses SBAB Bank AB (publ) and its wholly owned subsidiary SCBC. Table EU LI3 outline the differences in the scopes of consolidation. Booli Technologies AB has no regulatory requirements on own funds and is not under the SFSA's supervision.

Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR (Article 436(h) CRR)

Not applicable.

Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation (Article 436(g) CRR)

Not applicable.

OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION (EU LI3)

Entities included in the consolidated situation

Name of entity	Organsiation number	Share	Method of accounting consolidation	Method of prudential consolidation	Description
SBAB Bank AB (publ)	556253-7513	Parent company	-	-	Institution
AB Sveriges Säkerställda Obligationer (publ)	556645-9755	100%	Full consolidation	Full consolidation	Institution

Entities not included in the consolidated situation

Name of entity	Organsiation number	Share	Method of accounting consolidation	Method of prudential consolidation	Description
Booli Technologies AB	556733-0567	100%	Full consolidation	Not consolidated	IT company

Joint ventures not included in the consolidated situation

Name of entity	Organsiation number	Share	Method of accounting consolidation	Method of prudential consolidation	Description
Tibern AB	559384-3542	14%	Equity method	Not consolidated	IT company

Together with six other mortgage banks, SBAB has formed a jointly-owned company, Tibern AB, and exercised an option to purchase the housing transaction portal Tambur from UC AB. The acquisition of Tambur via Tibern AB was approved by the European Commission in October 2022 and the acquisition was completed in April 2023. In November 2023 SBAB sold the entity Boappa AB to OurLiving. Boappa AB was not included in the consolidated situation.

EXPLANATIONS OF DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY EXPOSURE AMOUNTS (EU LIA)

Disclose the differences between columns (a) and (b) in template EU LI1 (Article 436 (b) CRR)

The regulatory consolidation (consolidated situation) consists of the parent company and wholly owned subsidiary AB Sveriges Säkerställda obligationer (publ). The companies that are included in the consolidated accounts but are excluded from consolidated situation are shown in the table EU LI3.

Qualitative information on the main sources of differences between the accounting and regulatory scope of consolidation shown in template EU LI2 (Article 436 (d) CRR)

The main sources of differences between the regulatory exposure amounts and carrying values in the financial statements are the off balance sheet exposures reported under the credit risk framework, the differences due to the reporting of derivative exposures and the netting rules according to the counterparty credit risk framework.

DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATIONS AND THE MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES (EU LI1)¹⁾

Balance sheet, SEK million		Carrying values of items					Not subject to capital requirements or subject to deduction from capital base ³⁾
		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to CCR framework	Subject to the market risk framework ²⁾	
		a	b	c	d	e	f
Assets							
1	Cash and balances at central banks	6,350	6,350	6,350	-	-	-
2	Treasury bills	36,650	36,650	36,650	-	-	-
3	Lending to credit institutions	11,807	11,807	61	11,724	-	-
4	Lending to the public	517,400	517,400	517,400	-	-	-
5	Value changes of interest-rate-risk hedged items in macro hedges ⁴⁾	-1,565	-1,565	0	-	-	-
6	Bonds and other interest-bearing securities	64,945	64,945	64,945	-	-	-
7	Derivatives	12,241	12,241	-	12,241	-	-
	Shares in associated companies and joint ventures	5	5	5	-	-	-
8	Shares in subsidiaries	-	101	101	-	-	-
	Deferred tax assets	911	911	-	-	-	911 ⁵⁾
9	Intangible assets	468	393	393	-	-	-
10	Property, plant and equipment	250	240	240	-	-	-
11	Other assets	258	252	252	-	-	-
12	Prepaid expenses and accrued income	834	832	832	-	-	-
Total assets		650,553	650,540	627,229	23,965	-	911
Liabilities							
1	Liabilities to credit institutions	5,607	5,607	-	3,372	-	-
2	Deposits from the public	215,211	215,211	-	-	-	-
3	Debt securities issued	382,770	382,770	-	-	-	-
4	Derivatives	15,695	15,695	-	15,695	-	-
5	Other liabilities	2,021	2,012	-	-	-	-
6	Accrued expenses and deferred income	3,153	3,179	-	-	-	-
7	Deferred tax liabilities	-	-	-	-	-	-
8	Provisions	9	9	-	-	-	-
9	Subordinated debt	1,998	1,999	-	-	-	-
Total liabilities		626,463	626,480	-	10,089	-	-

¹⁾ The table does not include operational risk or CVA risk.

²⁾ Following the implementation of IFRS 9, SBAB no longer has any interest-rate risk and only has currency risk. The table does not specify carrying values for currency risk.

³⁾ The exposure class, "other items" includes both items deducted from own funds and those covered through new software regulation. Capital adequacy for these is calculated with a risk weight of 0% and with 100% according to regulation regarding software calculation.

⁴⁾ Value changes of interest rate risk hedged in macro hedges is negative as of year-end 2023. The negative amount effects carrying amount for scope of regulatory consolidation and credit risk but is not subject to calculation of exposure amounts.

⁵⁾ Deferred tax assets consist of temporary differences cashflow hedges and is not subject to deduction from own funds nor subject to own funds requirements.

Since December 31, 2022 the exposure towards treasury bills, bonds and other interest -bearing securities and lending to the public has increased while the net exposure of derivatives has decreased.

MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS (EU LI2)

SEK million	Total	Items subject to			
		Credit risk framework	Securisation framework	CCR framework	Market risk framework
	a	b	c	d	e
1 Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	652,104	628,140	–	23,965	–
2 Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	21,301	–	–	21,301	–
3 Total net amount under the scope of prudential consolidation	630,803	628,140	–	2,663	–
4 Off-balance-sheet amounts	41,587	41,587	–	–	–
5 <i>Differences in valuations</i>	–	–	–	–	–
6 <i>Differences due to different netting rules, other than those already included in row 2</i>	–	–	–	–	–
7 <i>Differences due to consideration of provisions</i>	310	310	–	–	–
8 <i>Differences due to the use of credit risk mitigation techniques (CRMs)</i>	–	–	–	–	–
9 <i>Differences due to credit conversion factors</i>	–30,795	–30,795	–	–	–
10 <i>Differences due to Securitisation with risk transfer</i>	–	–	–	–	–
11 <i>Other differences</i>	7,317	–741	–	8,058	–
12 Exposure amounts considered for regulatory purposes	649,220	638,498	–	10,721	–

Since year end 2022 the exposure amounts subject to Credit risk framework has increased from 618,899 to 638,500 mainly due to increased lending to the public. Row other differences within the credit risk framework primarily consist of deferred tax assets, exposure value referred to software and reclassification of taxes from liabilities.

4.4 LEVERAGE RATIO

DISCLOSURE OF LR QUALITATIVE INFORMATION (EU LRA)

The leverage ratio is a measure of solvency. Compared with the capital adequacy requirement, assets are not risk weighted but rather the same amount of capital is required, regardless of what risk is associated with the assets. According to the European Commission's delegated regulation ((EU) 2015/62), the leverage ratio is calculated as Tier 1 capital divided by the total exposure amount, where off-balance sheet exposures are assigned CCFs. The leverage ratio became a binding requirement during 2021 with the requirement of 3.0%. The consolidated situation also has a Pillar 2 Guidance of 0.5%. The tables EU LR1, EU LR2 and EU LR3 discloses detailed information of the leverage ratio.

Description of the processes used to manage the risk of excessive leverage (Article 451(1) CRR)

The leverage ratio is included in SBAB's forward looking capital planning to enable proactive management of the risk of the leverage ratio becoming too low. The target for the measure is set in SBAB's capital policy, and therefore its outcome and development is followed up and reported monthly to the CEO and Board. In a situation with excessive debt and an inadequate leverage ratio that needs to be addressed, the requisite measures can include a lower dividend, additional capital from the owner or alternatively an issue of additional Tier 1 capital. Moreover, balance sheet measures may need to be applied to reduce SBAB's exposure. Under normal conditions, the leverage ratio should be at least 0.2 percentage points above the capital requirements communicated by the SFSA.

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers (Article 451(1) CRR)

The Leverage ratio amounted to 4.09% as per December 2023, which is slightly lower than a year earlier when it amounted to 4.12%. The year-on-year change in the leverage ratio was due to:

- Tier 1 capital increased due to accrued earnings, which had a positive impact on the leverage ratio by 0.12%
- The effect of the exposure measure attributable to SFTs decreased slightly, which had a positive impact on leverage ratio by 0.01%.
- The effect of the exposure measure attributable to derivatives increased slightly, which had a negative impact on leverage ratio by 0.01%.
- The effect of the exposure measure attributable to off-balance-sheet items decreased slightly, which had a positive impact on leverage ratio by 0.02%.
- The effect of the exposure measure attributable to lending increased, which had a negative impact by 0.05%.
- The effect of exposure measure attributable to exposures treated as sovereign increased, which had a negative impact on leverage ratio by 0.09%.
- The effect of exposure measure attributable to other assets increased, which had a negative impact on leverage ratio by 0.02%.

SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES (EU LR1)

SEK million		Applicable amount
		2023
		a
1	Total assets as per published financial statements	650,540
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	–
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	–
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	–
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	–
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	–
7	Adjustment for eligible cash pooling transactions	–
8	Adjustments for derivative financial instruments	–8,272
9	Adjustment for securities financing transactions (SFTs)	–1,369
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	9,673
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	–121
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	–
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	–
12	Other adjustments	–9,536
13	Total exposure measure	640,914

Identified changes since the last quarter is primarily due to an increase in exposures treated as sovereigns.

LEVERAGE RATIO COMMON DISCLOSURE (EU LR2)

SEK million		CRR leverage ratio exposures	
		31 Dec 2023	30 Sep 2023
		a	b
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	640,372	639,592
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	87	88
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-13,013	-25,391
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-173	-133
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	627,273	614,156
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	1,346	612
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	2,623	2,702
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivatives exposures	3,968	3,314
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1,369	6,417
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-1,369	-1,346
16	Counterparty credit risk exposure for SFT assets	-	0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	0	5,072
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	41,617	50,143
20	(Adjustments for conversion to credit equivalent amounts)	-31,935	-38,292
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-9	-13
22	Off-balance sheet exposures	9,673	11,838
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans):		
	- Promotional loans granted by a public development credit institution		
	- Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State		
	- Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-

SEK million		CRR leverage ratio exposures	
		31 Dec 2023	30 Sep 2023
		a	b
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	26,214	25,973
24	Total exposure measure	640,914	634,379
Leverage ratio			
25	Leverage ratio (%)	4.09	4.09
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans (%)	4.09	4.09
25a	"Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)"	4.09	4.09
26	Regulatory minimum leverage ratio requirement (%)	3.00	3.00
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital (percentage points)	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.00	3.00
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	-	-
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	5,655	1,714
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	5,071
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	646,569	631,022
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	646,569	631,022
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) (%)	4.05%	4.12%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) (%)	4.05%	4.12%

Identified changes since the last quarter is primarily due to an increase in exposures treated as sovereign.

SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES) (EU LR3)

SEK million		CRR leverage ratio exposures
		2023
		a
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	627,432
EU-2	Trading book exposures	–
EU-3	Banking book exposures, of which:	627,432
EU-4	<i>Covered bonds</i>	43,808
EU-5	<i>Exposures treated as sovereigns</i>	64,935
EU-6	<i>Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns</i>	–
EU-7	<i>Institutions</i>	0
EU-8	<i>Secured by mortgages of immovable properties</i>	515,023
EU-9	<i>Retail exposures</i>	2,189
EU-10	<i>Corporates</i>	–
EU-11	<i>Exposures in default</i>	397
EU-12	<i>Other exposures (eg equity, securitisations, and other non-credit obligation assets)</i>	1,079

Identified changes since the last quarter is primarily attributed to exposures treated as sovereign.

4.5 ICAAP

ICAAP INFORMATION (EU OVC)

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital under normal circumstances and in the event of financial problems. The Board of Directors and Executive Management are responsible for the internal capital adequacy assessment. Within the framework of the internal capital and liquidity adequacy assessment processes (ICLAAP), SBAB applies an economic capital model for its internally assessed capital requirement. Liquidity risk does not directly lead to capital requirements, instead it entails needs in form of a liquidity reserve and active debt management. The ICLAAP is designed to ensure an equal balance between risk, capital and liquidity. Refer to Chapter 5 for more information on liquidity risk. The table internally assessed capital discloses the amount of economic capital.

INTERNALLY ASSESSED CAPITAL REQUIREMENT

	CONSOLIDATED SITUATION	
	31 Dec 2023	31 Dec 2022
	Internally assessed capital requirement ¹⁾	
	mnr	mnr
Credit risk	7,262	6,418
Market risk	2,070	1,766
Operational risk	534	483
Concentration risk	1,565	1,179
Sovereign risk	65	77
CVA	136	114
Other risks ²⁾	0	0
Total	11,632	10,037
Total Own funds	28,209	27,484

¹⁾ In the third quarter of 2023, to better reflect SBAB risk, SBAB reviewed and changed its method for calculating internally assessed capital. The historical value has been adjusted according to the new methodology.

²⁾ This includes pension and business risk

Approach to assessing the adequacy of the internal capital (Article 438(a) CRR)

As a part of SBAB's process for establishing internally assessed capital requirements, the risks generated in the operations are identified initially. Risk Control is responsible for the quantification of all risks. Various models are used depending on the risk to be measured. The economic capital model is used to calculate capital requirements for quantifiable risks. SBAB uses internal stress tests to assess the impact on the capital ratios and requirements during a normal economic downturn and during severe but not improbable financial stress.

The combined results are followed up and analysed, for both short and long-term effects, in terms of capital planning and forecasts. The compiled result of the internal capital adequacy assessment is reported to the Board and CEO. Finally, the Board establishes the process and the results of the company's internal capital adequacy assessment.

5 Credit risk

Credit risk is defined as the risk of loss due to the borrower's inability to make interest and loan repayments or otherwise fulfil the loan agreement.

5.1 CREDIT QUALITY

GENERAL QUALITATIVE INFORMATION ABOUT CREDIT RISK (EU CRA)

In the concise risk statement in accordance with point (f) of Article 435(1) CRR, how the business model translates into the components of the institution's credit risk profile (Point (f) of Article 435(1) CRR)

SBAB conducts customer-centric credit operations based on professionalism, simplicity and quality, which creates the conditions for profitability and long-term customer relations. This means that the credit operations are denoted by high credit quality, efficient decision-making processes, and understanding of the customer's situation. This also entails customer-oriented procedures and balanced risk taking in the lending portfolio.

For loans granted by SBAB, adequate collateral must be provided. Adequate collateral primarily refers to mortgage deeds for real property or shares in tenant-owners' associations within a maximum of 75–85% of the market value. The 85% level only applies if collateral can be obtained with a primary lien and the borrower is creditworthy according to the rating grades provided by the PD models. Creditworthy borrowers refer to the rating grades P1–P8 for private individuals, F1–F7 for real estate companies and B1–B8 tenant-owners' associations. When it comes to lending to real estate companies and tenant-owners' associations, it is the borrowers' repayment capacity together with the market value of the property that governs the loan-to-value ratio (LTV) that is granted, usually between 50 and 75%.

Credit risk in lending operations is also restricted by limits determined for the customer or the group of customers. Large exposures, meaning those amounting to 10% or more of eligible capital, are managed based on the credit instructions and external regulations. All exposures exceeding 2% of own funds are identified and analysed for the purpose of deciding whether they fall within the framework of large exposures in relation to a group of connected customers or clients.

When discussing their strategies and processes to manage credit risk and the policies for hedging and mitigating that risk in accordance with points (a) and (d) of Article 435(1) CRR, the criteria and approach used for defining the credit risk management policy and for setting credit risk limits (Points (a) and (d) of Article 435(1) CRR)

SBAB's Board and Executive Management are actively involved in the design of the institution's risk management system and

the follow-up of credit risks. The Board of Directors or its committees approve all significant methods, internal models and processes related to credit risk.

When informing on the structure and organisation of the risk management function in accordance with point (b) of Article 435(1) CRR, the structure and organisation of the credit risk management and control function (Point (b) of Article 435(1) CRR)

Each business area deals with the operational management of credit risk during the lifecycle of the loan whereas the risk control unit in the second line of defense is responsible for monitoring, controlling and measuring credit risk on a regular basis.

When informing on the authority, status and other arrangements for the risk management function in accordance with point (b) of Article 435(1) CRR, the relationships between credit risk management, risk control, compliance and internal audit functions (Point (b) of Article 435(1) CRR)

The reporting structure is designed for the Board of the parent company and the Executive Management to receive reports on the development and current levels of credit risk. Procedures are in place for managing and acting on changes in credit risk levels, based on the information provided in the reports.

ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS (EU CRB)

The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes in accordance with Article 178 CRR (Points (a) and (b) of Article 442 CRR)

A loan is regarded as in default if the customer is more than 90 days past due (for outstanding amounts exceeding 1% of total debt and a threshold of SEK 1,000 or SEK 5,000 for retail exposures and corporate exposures respectively) or if an assessment of unlikeliness to pay has been made of the customer.

Loans subject to specific impairment requirements refer to exposures where individual provisions have been posted, meaning that there is an increased credit risk for future payments and the collateral no longer covers the amount of the claim. The size of individual provisions is determined by comparing the payment obligations according to the loans' terms and conditions with the expected future payment capacity of the customer, in combination with a valuation of the collateral.

The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this *(Points (a) and (b) of Article 442 CRR)*

An exposure can be past-due more than 90 days and still not considered defaulted according to the definition of default as per article 178 CRR, if the materiality thresholds are not exceeded. However, according to IFRS 9, in the calculation of expected credit losses, a loan will be allocated to stage 3 automatically when 90 days past-due is exceeded.

Description of methods used for determining general and specific credit risk adjustments *(Points (a) and (b) of Article 442 CRR)*

The ECL model ranks loans by dividing them into three stages according to their relative credit risk following initial recognition. Credit impaired loans, which are either defaulted according to the internal default definition or 90 days past due, are allocated to stage 3. Loans with a significant increase in credit risk but which have not been credit impaired are allocated to stage 2. All other loans are allocated to stage 1.

Individual and collective provisions are carried out pursuant to the current accounting standard IFRS 9. On 31 December 2023, the total provisions, with deductions for guarantees, amounted to 19% of the total exposure for defaulted loans. All provisions have been assessed to constitute specific credit risk adjustments based on Article 1, item 5, of the EBA's RTS on specific and general risk regarding Article 110, item 4 of the CRR. EBA's GL on disclosures of non-performing exposures includes a set of common templates applicable to all banks and additional templates applicable only to significant credit institutions with a gross non-performing loan (NPL) ratio of 5% or above. SBAB has a gross NPL ratio below 5%.

The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014 *(Points (a) and (b) of Article 442 CRR)*

SBAB does not use an own definition for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR. SBAB complies fully with the definition of forborne exposures defined in Annex V to Commission Implementing Regulation (EU) 680/2014, later repealed by (EU) 2015/227, which again has been implicitly repealed by (EU) 2021/451.

PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS (EU CR1)

SEK million	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collaterals and financial guarantees received		
	Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
	of which stage 1	of which stage 2		of which stage 2	of which stage 3		of which stage 1	of which stage 2		of which stage 2	of which stage 3				
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
005 Cash balances at central banks and other demand deposits	6,411	6,411	-	-	-	-	-	-	-	-	-	-	-	-	-
010 Loans and advances	528,682	478,181	50,501	735	0	735	-148	-66	-81	-145	0	-145	-	-	0
020 Central banks	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
040 Credit institutions	11,724	11,724	-	-	-	-	-	-	-	-	-	-	-	-	-
050 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
060 Non-financial corporations	169,321	150,160	19,161	110	-	110	-74	-35	-39	-36	-	-36	-	-	-
070 Of which: SMEs	100,056	91,727	8,329	110	-	110	-30	-18	-12	-36	-	-36	-	-	-
080 Households	347,637	316,297	31,340	625	0	625	-73	-32	-42	-109	-	-109	0	-	0
090 Debt Securities	10,275	10,275	-	-	-	-	0	0	-	-	-	-	-	-	-
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	4,708	4,708	-	-	-	-	0	0	-	-	-	-	-	-	-
120 Credit institutions	5,567	5,567	-	-	-	-	0	0	-	-	-	-	-	-	-
130 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance sheet exposures	41,609	40,550	1,060	3	-	3	-8	-6	-3	1	-	-1		-	-
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 General governments	-	-	-	-	-	-	-	-	-	-	-	-		-	-
180 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-		-	-
200 Non-financial corporations	7,752	6,782	970	3	-	3	-7	-4	-3	1	-	-1		-	-
210 Households	33,857	33,768	89	-	-	-	-1	-1	0	-	-	-		-	-
220 Total	580,566	529,005	51,561	738	0	585	-156	-73	-84	-145	0	-145	0	-	0

No major changes have been noted since previous reporting on June 30, 2023.

MATURITY OF EXPOSURES (EU CR1-A)

SEK million	Net exposure values						Total
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity		
	a	b	c	d	e	f	
1 Loans and advances	-	366,216	154,478	14,811	30	535,535	
2 Debt securities	-	39,432	55,747	6,796	-	101,975	
3 Total	-	405,648	210,225	21,607	30	637,510	

No major changes have been noted since previous reporting on June 30, 2023.

CHANGES IN THE STOCK OF NON-PERFORMING LOANS AND ADVANCES (EU CR2)

SEK million	Gross carrying amount
	a
010 Initial stock of non-performing loans and advances	270
020 Inflows to non-performing portfolios	615
030 Outflows from non-performing portfolios	-150
040 Outflows due to write-offs	-9
050 Outflow due to other situations	-141
060 Final stock of non-performing loans and advances	735

A higher inflow during 2023 of non-performing loans due to current market situation.

CREDIT QUALITY OF FORBORNE EXPOSURES (EU CQ1)

SEK million	Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures	g	Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
		b	Of which defaulted	Of which impaired				
	a	b	c	d	e	f	g	h
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	26	64	64	64	0	-17	73	-
020 <i>Central banks</i>	-	-	-	-	-	-	-	-
030 <i>General governments</i>	-	-	-	-	-	-	-	-
040 <i>Credit institutions</i>	-	-	-	-	-	-	-	-
050 <i>Other financial corporations</i>	-	-	-	-	-	-	-	-
060 <i>Non-financial corporations</i>	-	2	2	2	-	-	-	-
070 <i>Households</i>	26	61	61	61	0	-15	72	-
080 Debt Securities	-	-	-	-	-	-	-	-
090 Loan commitments given	-	-	-	-	-	-	-	-
100 Total	26	64	64	64	0	-17	73	-

No major changes have been noted since previous reporting on June 30, 2023.

CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS (EU CQ3)

SEK million		Gross carrying amount/nominal amount										
		Performing exposures				Non-performing exposures						
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Unlikely to pay that are not past due or past due ≤ 90 days		Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 years ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
a	b	c	d	e	f	g	h	i	j	k	l	
005	Cash balances at central banks and other demand deposits	6,411	6,411	-	-	-	-	-	-	-	-	-
010	Loans and advances	528,682	528,682	415	735	446	156	86	43	3	-	735
020	Central banks	0	0	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	11,724	11,724	-	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	169,321	169,320	1	110	110	-	-	-	-	-	110
070	Of which SMEs	100,056	100,055	1	110	110	-	-	-	-	-	110
080	Households	347,637	347,222	415	625	336	156	86	43	3	-	625
090	Debt Securities	10,275	10,275	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-
110	General governments	4,708	4,708	-	-	-	-	-	-	-	-	-
120	Credit institutions	5,567	5,567	-	-	-	-	-	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	41,609			3							
160	Central banks	-										
170	General governments	-										
180	Credit institutions	-										
190	Other financial corporations	-										
200	Non-financial corporations	7,752			3							
210	Households	33,857										
220	Total	580,566	538,541	415	738	156	86	43	3	-	-	735

No significant changes are identified since previous reporting on December 31, 2022.

QUALITY OF NON-PERFORMING EXPOSURES BY GEOGRAPHY (EU CQ4)

SEK million		Gross carrying/nominal amount					Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non-performing			of which: subject to impairment	Accumulated impairment		
		a	b	c				
010	On balance sheet exposures	529,416		735		-292		-145
020	Sweden	529,416		735		-292		-145
080	Off balance sheet exposures	41,613		3			-	
090	Sweden	41,613		3			-	
150	Total	571,029		738		-292	-	-145

No major changes have been noted since previous reporting on June 30, 2023.

CREDIT QUALITY OF LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS BY INDUSTRY (EU CQ5)

SEK million	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	a	Of which non-performing		Of which loans and advances subject to impairment		
		b	Of which defaulted			
010 Agriculture, forestry and fishing	4		-		0	-
020 Mining and quarrying	-		-		-	-
030 Manufacturing	-		-		-	-
040 Electricity, gas, steam and air conditioning supply	24		-		0	-
050 Water supply	-		-		-	-
060 Construction	953		-		-1	-
070 Wholesale and retail trade	72		-		0	-
080 Transport and storage	1,524		-		-2	-
090 Accommodation and food service activities	-		-		-	-
100 Information and communication	-		-		-	-
110 Real estate activities	163,816		110		-99	-
120 Financial and insurance activities	2,728		-		-8	-
130 Professional, scientific and technical activities	208		-		0	-
140 Administrative and support service activities	-		-		-	-
150 Public administration and defense, compulsory social security	-		-		-	-
160 Education	-		-		-	-
170 Human health services and social work activities	102		-		0	-
180 Arts, entertainment and recreation	-		-		-	-
190 Other services	0		-		0	-
200 Total	169,431		110		-110	-

No major changes have been noted since previous reporting on June 30, 2023.

5.2 CREDIT RISK MITIGATION TECHNIQUES

QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO CRM TECHNIQUES (EU CRC)

A description of the core features of the policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting (Article 453 (a) CRR)

Close-out netting agreements are used for derivative and repo transactions, which allows SBAB to net positive and negative market values on contracts within the same agreement in the event of default of the counterparty. ISDA master agreement is used for derivatives and the global master repurchase agreement (GMRA) is used for repurchase agreements.

The core features of policies and processes for eligible collateral evaluation and management (Article 453 (b) CRR)

SBAB grants loans provided that collateral can be obtained with first lien and that the customer in general has an internal PD rating grade of P1-P8 for retail customers, F1-F7 for real estate companies and B1-B8 for tenant-owners' associations (defaulted rating grades are P11, F11 and B11). For details on how the internal ratings compare with external ratings for corporate

customers, refer to the table "The mapping between external and internal rating for corporates". When lending to retail customers, the market value of the collateral is generally determined by credit specialists using approved automated valuation methods (AMV). If the market value cannot be computed, it is determined by an internal property appraiser or an external property appraiser.

When lending to corporate customers such as tenant-owners' associations and real estate companies, the market value of the collateral is determined by internal property appraisers. External valuations can form the basis of valuations made by internal property appraisers. For houses, holiday homes and tenant-owners' rights, the market values are updated at least twice a year. Market values on multi-family dwellings, e.g. owned by real estate companies or tenant-owners' associations, are updated at least every third year but verified on an annual basis. For other properties, the market values are updated at least annually. If there are major changes in economic factors that affect the Swedish property market, the market value is verified more often.

THE MAPPING BETWEEN INTERNAL AND EXTERNAL RATING FOR CORPORATES

Rating grade	Standard & Poor's rating
B1	AAA to A-
B2	BBB+
B3	BBB
B4	BBB
B5	BBB-
B6	BB+
B7	BB
B8	BB-
B9	B+ to B-
B10	CCC to C

Rating grade	Standard & Poor's rating
F1	AAA to BBB+
F2	BBB
F3	BBB-
F4	BB+
F5	BB
F6	BB
F7	BB-
F8	B+ to B
F9	B-
F10	CCC to C

A description of the main types of collateral taken by the institution to mitigate credit risk (Article 453 (c) CRR)

The granting of a new loan requires that adequate collateral is provided, usually in the form of an immovable property or a share in a tenant-owners' association where the LTV does not exceed 75–85%. When calculating the reserve value of the securities included in the liquidity reserve, the SBAB Group applies the haircuts issued in accordance with the Riksbank's Guidelines for Collateral Management in the regulatory framework for RIX and monetary policy instruments as well as the ECB list of eligible marketable assets.

In addition to collateral in immovable property or tenant-owners' rights, it is possible to grant loans against, inter alia, collateral in the form of a government guarantee, municipal guarantee, securities, bank guarantees and deposits in a Swedish bank. To a limited extent, equities corresponding up to 85% of the market value of the properties can be approved as collateral in conjunction with a property purchase through a company transaction. SBAB does not hold any collateral that has been repossessed.

For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures (Article 453 (d) CRR)

SBAB does not use credit derivatives to mitigate credit risk.

Information about market or credit risk concentrations within the credit mitigation taken (Article 453 (e) CRR)

Article 453 (e) CRR: SBAB's credit exposure is concentrated in Sweden. There is some exposure to other countries in Western Europe, Canada and the US due to the funding of the Swedish lending operations. SBAB's lending portfolio is mainly secured by properties for housing in the Stockholm area. Only 1% of the underlying collaterals are in economically weak regions in Sweden.

CRM TECHNIQUES OVERVIEW: DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES (EU CR3)

Exposure classes, SEK million	Unsecured carrying amount ¹⁾	Secured carrying amount			
		a	b	Of which secured by collateral	Of which secured by financial guarantees
				c	d
e					
1 Loans and advances	31,609	503,926	503,628	298	–
2 Debt securities	101,975	–	–	–	–
3 Total	133,584	503,926	503,628	298	–
4 Of which non-performing exposures	104	486	486	–	–
EU-5 Of which defaulted	95	363	363	–	–

¹⁾ Unsecured exposures consist of exposures that are not pledged in real estate.

No major changes have been noted since previous reporting on June 30, 2023.

5.3 CREDIT RISK STANDARDISED APPROACH

QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO STANDARDISED MODEL (EU CRD)

Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) nominated by the institution, and the reasons for any changes over the disclosure period (Article 444 (a) CRR)

SBAB uses information from all three rating agencies – Standard & Poors, Moodys and Fitch. No changes occurred during the disclosure period.

The exposure classes for which each ECAI or ECA is used (Article 444 (b) CRR)

Credit institutions, exposures to institutions and corporates with a short-term credit assessment and covered bonds.

A description of the process used to transfer the issuer and issue credit ratings onto comparable assets items not included in the trading book (Article 444 (c) CRR)

Not applicable.

The association of the external rating of each nominated ECAI or ECA (as referred to in row (a)) with the risk weights that correspond with the credit quality steps as set out in Chapter 2 of Title II of Part Three CRR (except where the institution complies with the standard association published by the EBA) (Article 444 (d) CRR)

SBAB complies with the standard association published by EBA.

STANDARDISED APPROACH - CREDIT RISK EXPOSURE AMOUNT AND CRM EFFECTS (EU CR4)

Exposure classes, SEK million	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWEA	RWEA density (%)
	a	b	c	d	e	f
1 Central governments or central banks	44,649	-	44,649	-	-	-
2 Regional government or local authorities	17,418	-	17,716	-	-	-
4 Multilateral development banks	765	-	765	-	-	-
5 International organisations	1,805	-	1,805	-	-	-
6 Institutions	0	-	0	-	0	20.0
7 Corporates	-	-	-	-	-	-
8 Retail	2,189	955	2,189	191	1,785	75.0
10 Exposures in default	6	-	6	-	6	100.0
12 Covered bonds	43,808	-	43,808	-	4,381	10.0
13 Institutions and corporates with a short-term credit assessment	61	-	61	-	12	20.0
15 Equity	106	-	106	-	106	100.0
16 Other items	912	30	912	6	526	57.3
17 Total	111,719	985	112,018	197	6,816	6.1

No major changes have been noted since previous reporting on June 30, 2023.

STANDARDISED APPROACH (EU CR5)

Exposure class, SEK million	Risk weight									Total	Of which, unrated
	0%	10%	20%	50%	75%	100%	150%	1,250%	Others		
	a	d	e	g	i	j	k	n	o		
1 Central governments or central banks	44,649	-	-	-	-	-	-	-	-	44,649	-
2 Regional government or local authorities	17,716	-	-	-	-	-	-	-	-	17,716	-
4 Multilateral development banks	765	-	-	-	-	-	-	-	-	765	-
5 International organisations	1,805	-	-	-	-	-	-	-	-	1,805	-
6 Institutions	-	-	0	-	-	-	-	-	-	0	-
7 Corporates	-	-	-	-	-	-	-	-	-	-	-
8 Retail	-	-	-	-	2,380	-	-	-	-	2,380	2,380
10 Exposures in default	-	-	-	-	-	6	-	-	-	6	6
12 Covered bonds	-	43,808	-	-	-	-	-	-	-	43,808	-
13 Institutions and corporates with a short-term credit assessment	-	-	61	-	-	-	-	-	-	61	-
15 Equity	-	-	-	-	-	106	-	-	-	106	-
16 Other items	393	-	-	-	-	525	-	-	-	918	918
17 Total	65,328	43,808	61	-	2,380	637	-	-	-	112,215	3,304

No major changes have been noted since previous reporting on June 30, 2023.

5.4 CREDIT RISK IRB APPROACH

QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO IRB APPROACH (EU CRE)

The competent authority's permission of the approach or approved transition (Article 452 (a) CRR)

Advanced IRB approach (AIRB) has been used since 2007 for measuring credit risk where a mortgage deed for immovable property or a tenant-owners' right is used as collateral. In 2013, permission was received to include tenant-owners' associations with a turnover of less than EUR 50 million in the retail exposure class. In 2015, SBAB furthermore received permission to use IRB for excess exposures that are not fully covered by mortgage deeds, property financing using collateral other than directly pledged mortgage deeds and building credits. Previously, the standardized approach was used for these exposures. In 2023, SBAB received permission to move tenant-owners' associations with a turnover of less than EUR 50 million from the retail exposure class to the corporate exposure class.

The control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on (Article 452 (c) CRR):

The relationship between the risk management function and the internal audit function;

The third line of defense – Internal audit, performs annual reviews of the IRB system and the underlying models. The primary focus of the audit is changed from year to year, to ensure both that the review is done based on the most recent risk assessment and that the IRB system is thoroughly validated covering possible changes. Additionally, Internal audit performs reviews on all applications related to IRB submitted to the SFSA for approval. The second line of defense, Risk led by the CRO, performs independent validations of the credit risk models and communicates possible deficiencies in combination with action plans to mitigate the findings. Thus, the relationship between the risk control unit and the internal audit function follows the general principle of segregation of duties, where the third line of defense safeguards that the second line of defense has performed its duties following sound governance principles.

The rating system review;

The credit risk models in the IRB framework are used in SBAB's lending operations for activities such as credit granting, pricing, portfolio analysis and performance monitoring per business area. For internal rating according to the IRB framework SBAB uses statistical scoring models for each of the risk dimensions; PD and LGD, which are reviewed at least annually.

Procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models;

SBAB has a separate validation team that continuously works with review and validation of the credit risk models, which are developed, changed or improved by the model development team. The validation team does not under any circumstances participate in the development of the models. Thus, the full ownership of the models resides within the model development team.

The procedure to ensure the accountability of the functions in charge of developing and reviewing the models;

The procedure to ensure the accountability of the functions in charge of developing and validating the models, is ensured by having two different team managers leading the process of model development and validation respectively. Both teams are within the risk control unit.

The role of the functions involved in the development, approval and subsequent changes of the credit risk models (Article 452 (d) CRR)

All changes that may affect the IRB system must be assessed according to the degree of materiality and handled accordingly. Significant changes must be internally endorsed by the CRO, the CEO and the Board, before the application is submitted to the SFSA, whereafter it must be followed by an approval before it can be implemented. Non-significant changes must be internally approved by the CRO and could lead either to a pre-notification to the SFSA before implementation, or a post-notification when the change can be implemented directly.

Non-significant changes that only need to be post-notified are less material than those that need to be notified in advance. All internal stakeholders are required to notify the risk control unit of upcoming changes that could affect the IRB system, e.g. changes in lending products and markets, credit granting processes, system support and data relevant for IRB models. The model development team is responsible for conducting the materiality assessment of the change and for adapting the IRB system accordingly.

The scope and main content of the reporting related to credit risk models (Article 452 (e) CRR)

The quarterly risk report, which is sent by the CRO to the CEO and the Board, provides relevant information about the IRB system. The report is designed in a way which enables a third party to easily assess whether the exposure to credit risk has changed or if any shortcomings have been discovered as well as areas for improvement. The main content of the report includes, among other things, estimates of the risk parameters (PD and LGD) and realised outcomes per rating grade, initiated changes or extensions that affect the IRB system, including assessment of materiality and implementation date, validation findings and accompanied actions plans.

A description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering (Article 452 (f) CRR):

In conjunction with own funds requirements and the application of IRB, exposures are categorised into exposure classes. Retail loans are assigned to the retail exposure class. AIRB is applied for all collateralised retail exposures. Other exposures secured by collateral are assigned to the corporate exposure class where FIRB is used. The table Loan portfolios and exposure classes for which the IRB approach is applied, shows the distinction between retail exposures, corporate exposures and their respective approach.

LOAN PORTFOLIOS AND EXPOSURE CLASSES FOR WHICH THE IRB APPROACH IS APPLIED

Portfolio	Property	Exposure class	Method	PD model
Corporates	Private properties	Corporate exposures	Foundation IRB approach	"Private individuals"
Corporates	Tenant-owner associations	Corporate exposures	Foundation IRB approach	"ToA"
Corporates	Commercial properties	Corporate exposures	Foundation IRB approach	"Real Estate companies"
Retail	Houses and holiday homes	Retail exposures	Advanced IRB approach	"Private individuals"
Retail	Tenant-owners' rights	Retail exposures	Advanced IRB approach	"Private individuals"

The definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;

The table Realised outcome in the PD and LGD dimensions, shows the exposure-weighted PD and LGD estimates as of 31 December 2022 and the realised outcomes for 2023. Default rates for 2023 are historically low and the PD estimates exceed realised outcomes for both retail and corporate exposures. There are three different credit risk models in the PD dimension. The retail PD model is based on logistic regression with a target to predict a default outcome over a time horizon of one year. The real estate companies and tenant-owners' association PD models are based on linear regression with internal rating grades reflecting 12-month default risk as the target variable. The models are distinguished mainly by the type of customer and the setup of relevant risk factors. Both internal and external data sources are used to identify appropriate risk factors in the PD models. Internal data consists of customer information, loan information, default outcomes and internal payment behavior. Data obtained externally includes income data, financial statements, external payment behavior, market value of the property and macroeconomic factors. The scoring models for PD are based on empirical data from the end of the 1990s to the present day. All three PD models are calibrated to conservative through-the-cycle estimates by extrapolating default frequencies to the Swedish housing market crisis during the mid-1990s using external data.

REALISED OUTCOME IN THE PD AND LGD DIMENSIONS

Exposure class	PD estimate ²⁾ , %	Realised outcome ¹⁾ , %	LGD estimate ²⁾ , %	Realised outcome ¹⁾ , %
Corporate exposures	0.32	0.10	36.3	0.0
Retail exposures	0.37	0.17	10.0	2.4

¹⁾ For PD the outcomes are based on defaults that have occurred during the year, whereas for LGD the outcomes are based on resolved defaults during the year.

²⁾ The estimates and outcomes subject to LGD are exposure-weighted.

Where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure;

Credit losses during 2023 were very low with LGD estimates exceeding realised outcomes. The LGD estimate for retail exposures is restricted by the limitation rule, which requires a lowest average LGD estimate of 10% for loans covered by collateral in residential properties. In the LGD dimension two different credit risk models exist. The LGD models are based on regressions according to a structural approach with targets to both predict a cure from default and a loss in the event of either a cure or liquidation. The scoring models for LGD which are applied to retail exposures comprising retail loans are largely based on the LTV ratio. A rise in the LTV implies an increase in the probability of a liquidation and thus the level of credit losses. The LGD models are primarily based on internal data consisting of default outcomes, credit losses in terms of write offs and succeeding recoveries, and LTV ratios of the customers' loan arrangements. As for the PD models, external loss data from the 1990s housing crisis on the Swedish mortgage market is also included to calibrate the LGD value towards downturn periods with the aim of ensuring conservative estimates.

Where applicable, the definitions, methods and data for estimation and validation of credit conversion factors, including assumptions employed in the derivation of those variables;

The CCF model previously applied to loan commitments in the retail exposure class was discontinued during 2023 after advice from the SFSA. Since the 30 September 2023, CCF-estimates according to the standardized approach (Annex I CRR) are applied instead of own estimates for loan commitments.

IRB APPROACH – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE (EU CR6)

Exposure Class	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount (%)	Expected loss amount	Value adjustments and provisions
										j	k		
	a	b	c	d	e	f	g	h	i	j	k	l	m
A-IRB													
	0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.00 to <0.10	-	-	-	-	-	-	-	-	-	-	-	-
	0.10 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
Of which, Retail SME	0.75 to <1.75	-	-	-	-	-	-	-	-	-	-	-	-
	1.75 to <2.5	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
	2.5 to <5	-	-	-	-	-	-	-	-	-	-	-	-
	5 to <10	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
	10 to <20	-	-	-	-	-	-	-	-	-	-	-	-
	20 to <30	-	-	-	-	-	-	-	-	-	-	-	-
	30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal (exposure class)		-	-	-	-	-	-	-	-	-	-	-	-
	0.00 to <0.15	240,471	13,374	0.20	243,144	0.09	119,342	9.57	-	5,486	2.26	22	8
	0.00 to <0.10	156,490	7,113	0.20	157,912	0.07	74,319	9.34	-	2,812	1.78	10	4
	0.10 to <0.15	83,981	6,261	0.20	85,232	0.13	45,023	9.99	-	2,675	3.14	11	4
	0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to <0.50	42,869	8,539	0.20	44,577	0.32	26,533	10.94	-	2,900	6.51	15	7
	0.50 to <0.75	41,728	7,564	0.20	43,239	0.72	30,475	11.07	-	5,081	11.75	34	11
	0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
Of which, Retail non-SME	0.75 to <1.75	-	-	-	-	-	-	-	-	-	-	-	-
	1.75 to <2.5	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to <10.00	17,952	3,385	0.20	18,629	4.15	13,712	10.68	-	6,057	32.51	81	21
	2.5 to <5	12,685	2,481	0.20	13,181	3.07	9,600	11.03	-	3,882	29.45	45	12
	5 to <10	5,268	905	0.20	5,449	6.79	4,112	9.82	-	2,175	39.91	36	9
	10.00 to <100.00	2,622	12	0.20	2,624	41.76	1,402	11.07	-	1,697	64.66	121	37
	10 to <20	-	-	-	-	-	-	-	-	-	-	-	-
	20 to <30	-	-	-	-	-	-	-	-	-	-	-	-
	30.00 to <100.00	2,622	12	0.20	2,624	41.76	1,402	11.07	-	1,697	64.66	121	37
	100.00 (Default)	398	-	-	398	100.00	276	13.09	-	47	11.79	81	81
Subtotal (exposure class)		346,041	32,875	0.20	352,612	0.83	191,740	10.00	-	21,268	6.03	355	165

Exposure Class	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount (%)	Expected loss amount	Value adjustments and provisions	
										j	k			
	a	b	c	d	e	f	g	h	i	j	k	l	m	
F-IRB														
	0.00 to <0.15	42,586	154	0.20	42,439	0.10	1,471	35.01	2.5	6,147	14.48	14	0	
	0.00 to <0.10	28,539	129	0.20	28,440	0.08	1,006	35.00	2.5	3,627	12.75	8	0	
	0.10 to <0.15	14,047	25	0.20	13,999	0.13	465	35.01	2.5	2,520	18.00	6	0	
	0.15 to <0.25	16,033	2,925	0.20	16,617	0.19	368	35.33	2.5	3,774	22.71	11	1	
	0.25 to <0.50	11,314	28	0.20	11,297	0.34	389	35.07	2.5	3,327	29.45	13	2	
	0.50 to <0.75	3,360	29	0.20	3,365	0.60	105	35.10	2.5	1,268	37.68	7	2	
	0.75 to <2.50	4,241	20	0.20	4,245	0.92	82	35.12	2.5	2,065	48.66	14	5	
Of which, Corporate SME	0.75 to <1.75	4,241	20	0.20	4,245	0.92	82	35.12	2.5	2,065	48.66	14	5	
	1.75 to <2.5	-	-	-	-	-	-	-	-	-	-	-	-	
	2.50 to <10.00	502	-	-	437	3.47	35	35.03	2.5	279	63.90	5	1	
	2.5 to <5	384	-	-	319	2.63	33	35.00	2.5	190	59.48	3	0	
	5 to <10	118	-	-	118	5.76	2	35.09	2.5	90	75.83	2	1	
	10.00 to <100.00	88	-	-	88	17.02	12	35.00	2.5	99	112.76	5	0	
	10 to <20	88	-	-	88	17.01	10	35.00	2.5	99	112.74	5	0	
	20 to <30	1	-	-	0	20.12	2	35.00	2.5	0	118.55	0	0	
	30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	51	-	-	51	100.00	3	35.00	2.5	-	-	-	18	19
Subtotal (exposure class)		78,175	3,156	0.20	78,540	0.32	2,465	35.09	2.5	16,960	21.59	89	31	
	0.00 to <0.15	27,882	258	0.75	28,075	0.12	125	35.21	2.5	7,701	27.43	12	1	
	0.00 to <0.10	308	-	-	308	0.09	7	35.00	2.5	73	23.61	0	0	
	0.10 to <0.15	27,573	258	0.75	27,767	0.12	118	35.22	2.5	7,628	27.47	12	1	
	0.15 to <0.25	27,016	655	0.75	27,504	0.21	218	35.86	2.5	10,528	38.28	21	5	
	0.25 to <0.50	22,069	2,416	0.73	23,820	0.39	184	37.80	2.5	13,084	54.93	35	22	
	0.50 to <0.75	4,588	785	0.75	5,177	0.61	56	39.36	2.5	3,621	69.94	12	8	
Of which, Corporate Other	0.75 to <2.50	9,815	439	0.75	10,126	1.52	38	38.84	2.5	9,329	92.12	57	32	
	0.75 to <1.75	5,561	439	0.75	5,891	0.90	32	41.56	2.5	5,118	86.89	22	17	
	1.75 to <2.5	4,254	-	-	4,236	2.37	6	35.05	2.5	4,210	99.40	35	15	
	2.50 to <10.00	338	44	0.75	371	2.63	8	40.95	2.5	443	119.44	4	1	
	2.5 to <5	338	44	0.75	371	2.63	7	40.95	2.5	443	119.44	4	1	
	5 to <10	0	-	-	0	6.79	1	35.00	2.5	0	137.64	0	0	
	10.00 to <100.00	4	-	-	2	19.29	6	40.82	2.5	5	227.36	0	0	
	10 to <20	1	-	-	1	17.01	1	35.00	2.5	1	189.16	0	0	
	20 to <30	3	-	-	2	20.12	5	42.95	2.5	4	241.30	0	0	
	30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (Default)	59	3	0.75	62	100.00	1	45.00	2.5	-	-	-	28	17	
Subtotal (exposure class)		91,771	4,602	0.74	95,138	0.46	636	36.69	0.0	44,710	47.00	170	86	
Total (all exposures classes)		515,987	40,633	0.26	526,290	0.69	194,841	18.57	0.0	82,938	15.76	613	283	

Loans to tenant-owners' associations have been reclassified and moved from the Retail SME segment (AIRB) to Corporate (FIRB) since June 30, 2023.

For the Corporate segment, new PD-models has been implemented during the second half of 2023, resulting in higher risk-weighted exposure amount.

SCOPE OF THE USE OF IRB AND SA APPROACHES (EU CR6-A)

SEK million	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
	a	b	c	d	e
1 Central governments or central banks	-	44,649	100.00	-	-
1,1 <i>Of which Regional governments or local authorities</i>	-	17,716	100.00	-	-
1,2 <i>Of which Public sector entities</i>	-	-	100.00	-	-
2 Institutions	-	10,722	100.00	-	-
3 Corporates	177,704	173,677	-	100.00	-
3,1 <i>Of which Corporates - Specialised lending, excluding slotting approach</i>	-	-	-	-	-
3,2 <i>Of which Corporates - Specialised lending under slotting approach</i>	-	-	-	-	-
4 Retail	378,916	354,992	-	99.33	0.67
4,1 <i>of which Retail - Secured by real estate SMEs</i>	-	-	-	100.00	-
4,2 <i>of which Retail - Secured by real estate non-SMEs</i>	-	352,612	-	100.00	-
4,3 <i>of which Retail - Qualifying revolving</i>	-	-	-	-	-
4,4 <i>of which Retail - Other SMEs</i>	-	-	-	-	100.00
4,5 <i>of which Retail - Other non-SMEs</i>	-	2,380	-	-	100.00
5 Equity	-	106	100.00	-	-
6 Other non-credit obligation assets	-	-	-	-	-
7 Total	556,620	584,147	9.50	90.10	0.40

IRB APPROACH – DISCLOSURE OF THE EXTENT OF THE USE OF CRM TECHNIQUES (EU CR7-A)

A-IRB	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs				
	Funded credit Protection (FCP)										Unfunded credit Protection (UFCP)		RWEA with substitution effects (both reduction and substitution effects)			
	Part of exposures covered by Other eligible collaterals (%)					Part of exposures covered by Other funded credit protection (%)					Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)				
	Total exposures	Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)						
SEK million														a	b	c
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,1	Of which Corporates – SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,2	Of which Corporates – Specialised lending	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,3	Of which Corporates – Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Retail	352,612	-	99.96	99.96	-	-	-	-	-	-	0.00	-	21,268	21,268	
4,1	Of which Retail – Immovable property SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4,2	Of which Retail – Immovable property non-SMEs	352,612	-	99.96	99.96	-	-	-	-	-	-	0.00	-	21,268	21,268	
4,3	Of which Retail – Qualifying revolving	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4,4	Of which Retail – Other SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4,5	Of which Retail – Other non-SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	Total	352,612	-	99.96	99.96	-	-	-	-	-	-	0.00	-	21,268	21,268	

F-IRB	Credit risk Mitigation techniques												Credit risk Mitigation methods in the calculation of RWEAs		
	Funded credit Protection (FCP)										Unfunded credit Protection (UFCP)		RWEA with substitution effects (both reduction and substitution effects)	RWEA without substitution effects (only)	
	Part of exposures covered by Other eligible collaterals (%)					Part of exposures covered by Other funded credit protection (%)					Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)			
	SEK million	Total exposures	Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Cash deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)			Part of exposures covered by Credit Derivatives (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	
1 Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Corporates	173,677	-	90.31	90.31	-	-	-	-	-	-	0.17	-	61,741	61,670	
3,1 Of which Corporates – SMEs	78,540	-	99.08	99.08	-	-	-	-	-	-	0.34	-	17,017	16,960	
3,2 Of which Corporates – Specialised lending	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3,3 Of which Corporates – Other	95,138	-	83.06	83.06	-	-	-	-	-	-	0.03	-	44,724	44,710	
4 Total	173,677	-	90.31	90.31	-	-	-	-	-	-	0.17	-	61,741	61,670	

Loans to tenant-owners' associations have been reclassified and moved from the Retail SME segment (AIRB) to Corporate (FIRB) during the second half of 2023.

RWEA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER IRB (EU CR8)

SEK million	Risk weighted exposure amount
	a
1 Risk weighted exposure amount as at the end of the previous reporting period	84,813
2 Asset size (+/-)	-709
3 Asset quality (+/-)	-1,389
4 Model updates (+/-)	-
5 Methodology and policy (+/-)	-
6 Acquisitions and disposals (+/-)	-
7 Foreign exchange movements (+/-)	-
8 Other (+/-)	223
9 Risk weighted exposure amount as at the end of the reporting period	82,938

No major changes have been noted since previous reporting on September 30, 2023.

IRB APPROACH – BACK-TESTING OF PD PER EXPOSURE CLASS (FIXED PD SCALE) (EU CR9)

A-IRB		Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Exposure class	PD range		Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Of which, Retail SME	0.00 to <0.15	1,396	-	-	-	0.1	-
	0.00 to <0.10	1,396	-	-	-	0.1	-
	0.10 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	680	-	-	-	0.2	-
	0.25 to <0.50	150	-	-	-	0.4	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	15	-	-	-	1.2	-
	0.75 to <1.75	15	-	-	-	1.2	-
	1.75 to <2.5	-	-	-	-	-	-
	2.50 to <10.00	7	-	-	-	3.8	14.3
	2.5 to <5	6	-	-	-	3.0	14.3
	5 to <10	1	-	-	-	8.2	-
	10.00 to <100.00	-	-	-	-	-	-
	10 to <20	-	-	-	-	-	-
	20 to <30	-	-	-	-	-	-
	30.00 to <100.00	-	-	-	-	-	-
100.00 (Default)	3	-	-	-	-	100.0	-
Of which, Retail non-SME	0.00 to <0.15	134,059	5	0.0	0.1	0.0	0.0
	0.00 to <0.10	134,059	5	0.0	0.1	0.0	0.0
	0.10 to <0.15	-	-	-	0.1	-	-
	0.15 to <0.25	38,753	3	0.0	-	0.2	0.0
	0.25 to <0.50	19,738	10	0.1	0.3	0.4	0.0
	0.50 to <0.75	-	-	-	0.7	-	-
	0.75 to <2.50	7,119	17	0.2	-	1.6	0.2
	0.75 to <1.75	7,119	17	0.2	-	1.6	0.2
	1.75 to <2.5	-	-	-	-	-	-
	2.50 to <10.00	1,517	10	0.7	4.2	4.2	0.8
	2.5 to <5	1,517	10	0.7	3.1	4.2	0.8
	5 to <10	-	-	-	6.8	-	-
	10.00 to <100.00	762	30	3.9	41.8	24.7	3.7
	10 to <20	-	-	-	-	-	-
	20 to <30	762	30	3.9	-	24.7	3.7
	30.00 to <100.00	-	-	-	41.8	-	-
100.00 (Default)	154	-	-	-	100.0	100.0	7.8

F-IRB		Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Exposure class	PD range		Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Of which, Corporate SME	0.00 to <0.15	126	-	-	0.1	0.1	-
	0.00 to <0.10	126	-	-	0.1	0.1	-
	0.10 to <0.15	-	-	-	0.1	-	-
	0.15 to <0.25	166	-	-	0.2	0.2	-
	0.25 to <0.50	52	-	-	0.3	0.4	1.5
	0.50 to <0.75	-	-	-	0.6	-	-
	0.75 to <2.50	4	-	-	0.9	1.2	-
	0.75 to <1.75	4	-	-	0.9	1.2	-
	1.75 to <2.5	-	-	-	-	-	-
	2.50 to <10.00	1	-	-	3.5	3.0	-
	2.5 to <5	1	-	-	2.6	3.0	-
	5 to <10	-	-	-	5.8	-	-
	10.00 to <100.00	-	-	-	17.0	-	-
	10 to <20	-	-	-	17.0	-	-
	20 to <30	-	-	-	20.1	-	-
	30.00 to <100.00	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	100.0	-
Of which, Corporate Other	0.00 to <0.15	142	1	0.7	0.1	0.1	0.7
	0.00 to <0.10	142	1	0.7	0.1	0.1	0.7
	0.10 to <0.15	-	-	-	0.1	-	-
	0.15 to <0.25	154	-	-	0.2	0.2	-
	0.25 to <0.50	54	-	-	0.4	0.4	-
	0.50 to <0.75	-	-	-	0.6	-	-
	0.75 to <2.50	15	-	-	1.5	1.2	-
	0.75 to <1.75	15	-	-	0.9	1.2	-
	1.75 to <2.5	-	-	-	2.4	-	-
	2.50 to <10.00	4	-	-	2.6	4.3	-
	2.5 to <5	3	-	-	2.6	3.0	-
	5 to <10	1	-	-	6.8	8.2	-
	10.00 to <100.00	1	-	-	19.3	27.0	-
	10 to <20	-	-	-	17.0	-	-
	20 to <30	1	-	-	20.1	27.0	-
	30.00 to <100.00	-	-	-	-	-	-
	100.00 (Default)	1	-	-	-	100.0	100.0

Loans to tenant-owners' associations have been reclassified and moved from the Retail SME segment (AIRB) to Corporate (FIRB) since December 31, 2022.

5.5 COUNTERPARTY CREDIT RISK

QUALITATIVE DISCLOSURE RELATED TO CCR (EU CCRA)

Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties (Article 439 (a) CRR)

SBAB applies the Standardised Approach for Counterparty Credit Risk (SA-CCR) for capital adequacy purposes.

In accordance with the credit instruction adopted by the Board, credit risk limits are established by SBAB's Credit Committee for all counterparties in the treasury operations. The utilised limit is calculated as the market value of financial derivatives, repos and investments. For derivative and repo contracts, the effect of collateral pledged or received under CSAs and GMRA is included in the total net exposure. Moreover, for derivatives, an add-on amount is also calculated for future risk-related changes according to SA-CCR. The credit risk limit may be established for a period of no longer than one year, following which a new assessment must be conducted. The decisions of the Credit Committee are reported to the Board at the following Board meeting.

Description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves (Article 439 (b) CRR)

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivatives that are not cleared through a central clearing counterparty (CCP) approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement must have been concluded with the counterparty. In most cases, the framework agreement, an ISDA Master Agreement or similar agreements with terms for final settlement, have been supplemented with a credit support annex (CSA).

Description of policies with respect to Wrong-Way risk as defined in Article 291 of the CRR (Article 439 (c) CRR)

The ISDA Master Agreement entails, inter alia, that netting is regulated in the event of bankruptcy. A CSA means that the parties have agreed in advance to transfer collateral if the exposure exceeds a specified threshold amount. The threshold amount and the minimum amount to be transferred to or from the counterparty can vary depending on the parties' ratings.

GMRA are used to limit the counterparty risk associated with repo transactions. GMRA also minimize wrong-way risk (WWR), which arises when the exposure to a counterparty increases together with the risk of the counterparty's default. These agreements control aspects such as the transfer of collateral to or from the counterparty.

CSAs are reconciled on a daily basis or on a weekly basis. When CSAs are in place, collateral is pledged to reduce net exposures. Wherever applicable, the posted and received collateral takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations. This way of handling CSA minimizes WWR in derivatives.

Any other risk management objectives and relevant policies related to CCR (Article 431 (3) and (4) CRR)

All the relevant risk management objectives and policies related to CCR are described under Article 439 (a,b,c and d).

The amount of collateral the institution would have to provide if its credit rating was downgraded (Article 439 (d) CRR)

A decline in SBAB's rating would not result in the need for SBAB to provide extra collateral to any external counterparty.

ANALYSIS OF CCR EXPOSURE BY APPROACH (EU CCR1)

SEK million Exposure class	Replacement cost (RC)	Potential future expo- sure (PFE)	Alpha used for computing reg- ulatory expo- sure value	EEPE	Exposure value pre- CRM	Exposure value post- CRM	Exposure value	RWEA
	a	b	c	d	e	f	g	h
EU1 EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU2 EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1 SA-CCR (for derivatives)	982	1,241		1.4	3,111	3,111	3,111	873
2 IMM (for derivatives and SFTs)				-	-	-	-	-
2a Of which securities financing transactions netting sets				-	-	-	-	-
2b Of which derivatives and long settlement transactions netting sets				-	-	-	-	-
2c Of which from contractual cross-product netting sets				-	-	-	-	-
3 Financial collateral simple method (for SFTs)					-	-	-	-
4 Financial collateral comprehensive method (for SFTs)					-	-	-	-
5 VaR for SFTs					-	-	-	-
6 Total					3,111	3,111	3,111	873

Compared to end of 2022, the increased numbers is due to change in market values and collateral.

**TRANSACTIONS SUBJECT TO OWN FUNDS
REQUIREMENTS FOR CVA RISK (EU CCR2)**

SEK million Exposure class	Exposure value	RWEA
1 Total transactions subject to the Advanced method	-	-
2 (i) VaR component (including the 3× multiplier)		-
3 (ii) stressed VaR component (including the 3× multiplier)		-
4 Transactions subject to the Standardised method	3,111	1,704
EU4 Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5 Total transactions subject to own funds requirements for CVA risk	2,116	1,429

Compared to end of 2022, the increased numbers is due to change in market values and collateral.

STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY EXPOSURE CLASS AND RISK WEIGHTS (EU CCR3)

SEK million Exposure class	Risk weight											Total exposure value
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
	a	b	c	d	e	f	g	h	i	j	k	
1 Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2 Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	7,610	-	-	2,276	835	-	-	-	-	-	10,722
7 Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8 Retail	-	-	-	-	-	-	-	-	-	-	-	-
9 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10 Other items	-	-	-	-	-	-	-	-	-	-	-	-
11 Total exposure value	-	7,610	-	-	2,276	835	-	-	-	-	-	10,722

Since end of December 2022, the risk weights for CCP:s has changed from 50% to 2%.

COMPOSITION OF COLLATERAL FOR CCR EXPOSURES (EU CCR5)

SEK million Collateral type	Collateral used in derivative transaction				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
	a	b	c	d	e	f	g	h
1 Cash – domestic currency	-	947	-	-	-	-	-	-
2 Cash – other currencies	-	4,683	-	11,724	-	-	-	-
3 Domestic sovereign debt	-	-	-	-	-	-	-	-
4 Other sovereign debt	-	-	-	-	-	-	-	-
5 Government agency debt	-	-	-	-	-	-	-	-
6 Corporate bonds	-	-	-	2,395	-	-	-	-
7 Equity securities	-	-	-	-	-	-	-	-
8 Other collateral	-	-	-	-	-	-	-	-
9 Total	-	5,630	-	14,120	-	-	-	-

Since end of December 2022, the risk weights for CCP:s has changed from 50% to 2%.

EXPOSURES TO CCPS (EU CCR8)

	SEK million	Exposure value	RWEA
		a	b
1	Exposures to QCCPs (total)		152
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2,805	56
3	(i) OTC derivatives	2,805	56
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	4,805	96
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Since end of December 2022, the risk weights for CCP:s has changed from 50% to 2%.

6 Liquidity risk & Funding

Liquidity risk is defined as the risk that SBAB is not able to meet its payment obligations without the related cost of obtaining liquidity increasing significantly. Liquidity risk is recognized by SBAB as a necessary risk and shall be maintained at such a level that SBAB can manage a period of acute liquidity crisis without relying on the capital market. SBAB and SCBC are managed collectively as a single liquidity group according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council, which among others requires free movement of funds within the liquidity group.

6.1 LIQUIDITY RISK

LIQUIDITY RISK MANAGEMENT (EU LIQA)

Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding (Article 451a(4))

SBAB has maintained an active international capital market presence since 1989. Short-term, mid-term and long-term funding take place on a global basis. Moreover, the SBAB Group has access to the covered bond market, both in Sweden and internationally, through SCBC. In addition to issuing bonds, SBAB is funded by deposits.

Structure and organisation of the liquidity risk management function (authority, statute, other arrangements) (Article 451a(4))

The liquidity risk team reports to the manager of liquidity and market risk, whom in turn reports to the CRO. The organisational structure enables quick and adequate identification and reporting of any changes in the banks liquidity risk profile.

A description of the degree of centralisation of liquidity management and interaction between the group's units (Article 451a(4))

The group has a central liquidity management function through which the Group's entire liquidity in all currencies is forecasted and managed in a shared Group account structure. The overall aim of SBAB's liquidity strategy is to ensure SBAB's survival in terms of liquidity and that the company can effectively meet its payment obligations. Key features of the strategy are proactive and continuous liquidity planning, active debt management and the scope, content and management of SBAB's liquidity reserve.

Scope and nature of liquidity risk reporting and measurement systems (Article 451a(4))

The liquidity coverage ratio is defined by SBAB in accordance with the European Commission delegated regulation (EU) 2015/61. This is a metric of the degree to which the liquidity reserve covers a 30-day net cash outflow in a stressed scenario. Under the regulation, the metric must amount to not less than 100% aggregated over all currencies. Furthermore, the net stable funding ratio (NSFR) is calculated according to Regulation (EU) 2019/876 of the European Parliament and the Council.

In addition to regulatory liquidity risk metrics, SBAB has a number of internal metrics. These include the measurement and stress testing of the liquidity risk by predicting the cumulative liquidity needs for each coming day, referred to as the survival horizon. The calculations are based on a crisis scenario where all lending is assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no extra market financing is available. A conservative assumption is applied to predictions on the deposits from which withdrawals are made over time. The distribution of the withdrawals is built on historical data. Thereafter, the maximum need for liquidity can be identified on a daily level for any given future period, which indicates the amount of required liquidity reserve. The survival horizon is the number of days for which all outflows can be covered by the liquidity reserve without the need for additional funding. According to SBAB's Internal limit, the survival horizon must at least amount to 180 days at the consolidated currency level. In addition to the above-mentioned metrics, the short-term liquidity risk is also followed-up through other internal metrics, for which limits apply.

Liquidity risk reporting is divided into three categories based on disclosure frequency. The daily report includes quantitative information on limits and crucial liquidity data – this report is sent to the relevant internal stakeholders and the CRO. The monthly report includes the same information as the daily report, however, with additional qualitative information briefly describing the changes in the risk metrics. The monthly report is sent to the CRO, executive management and the Board members. The quarterly report contains a comprehensive analysis on the banks liquidity risk profile and is also sent to the CRO, executive management and the Board members.

Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants (Article 451a(4))

Historically there have been good possibilities to mitigate concentration, liquidity and refinancing risks through bond repurchasing and maturity extension on the Swedish covered bond market. Another key element of the SBAB Group's funding strategy is to achieve an even maturity profile over time. This is achieved by actively choosing maturities during the issuing process to avoid excessive concentrations of future maturities and by continuously repurchasing and exchanging outstanding debt (active debt management). Compared with the European covered bond market, the Swedish covered bond market has relatively large outstanding volumes for individual loans.

An outline of the bank's contingency funding plans (Article 451a(4))

SBAB has a contingency plan for the management of liquidity crises. The contingency plan contains a clear delegation of responsibility for the personnel concerned as well as instructions for the company to rectify potential liquidity deficits. The plan also contains definitions of various events that can cause and escalate the contingency plan and stipulates suitable actions to handle these crisis events. The contingency plan is regularly tested and updated based on, for example, the results of stress tests.

An explanation of how stress testing is used (Article 451a(4))

SBAB performs stress tests of liquidity risk regularly as one of the internal requirements to analyze and perform contingency management of liquidity risk. The stress test models have been designed in line with the Swedish FSA's regulations on liquidity management, which impose general requirements on stress tests (FFFS 2010:7). The models analyze SBAB's capacity to meet the need for cash and cash equivalents in various market scenarios and assess the effect of protracted stress on SBAB's ability to finance its operations. The scenarios are designed based on SBAB's specific risk profile and cover both company-specific and market-related scenarios that cause difficulties in financing.

The stress tests are under continuous development and the assumptions made in various scenarios are assessed regularly. The stress tests are conducted and reported quarterly, with results assessed against SBAB's established risk appetite.

A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy (Article 451a(4))

Liquidity risk is recognized by SBAB as a necessary risk and shall be maintained at such a level that SBAB can manage a period of acute liquidity crisis without relying on the capital market. SBAB assures that that liquidity risk management systems put in place are adequate with regard to the institution's risk profile and strategy. See Chapter 2 for the Board's statement on risk management and a brief risk declaration.

A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body (Article 451a(4))

The overall aim of SBAB's liquidity strategy is to ensure SBAB's survival in terms of liquidity and that the company can effectively meet its payment obligations. Key features of the strategy are proactive and continuous liquidity planning, active debt management and the scope, content and management of SBAB's liquidity reserve. SBAB limits its dependence on market financing by applying a limit on the ratio between deposits and lending to the public. On 31 December 2023, the ratio was 42% compared with the limit of 28%. SBAB also measures its structural liquidity risk through a metric for maturity matching that captures the relationship between the maturities of assets and liabilities from a liquidity perspective at various points in the future. This can be viewed as SBAB's internal version of the NSFR. See Chapter 2 for the Board's statement on risk management and a brief risk declaration.

QUANTITATIVE INFORMATION OF LCR (EU LIQ1)

EU 1a	Scope of consolidation: (solo/consolidated) Quarter ending on (DD Month YYYY)	Total unweighted value (average)				Total weighted value (average)			
		31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023
		a	b	c	d	e	f	g	h
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					97,063	93,420	91,472	86,003
	CASH - OUTFLOWS								
2	retail deposits and deposits from small business customers, of which:	174,227	167,410	157,209	144,786	12,565	12,296	11,618	10,819
3	Stable deposits	105,648	101,995	97,063	92,473	5,282	5,100	4,853	4,624
4	Less stable deposits	63,110	62,150	57,537	50,460	7,282	7,196	6,765	6,195
5	Unsecured wholesale funding	20,257	18,801	22,322	24,962	9,396	8,708	10,482	11,167
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	17,664	16,648	19,541	22,779	6,803	6,555	7,701	8,984
8	Unsecured debt	2,593	2,153	2,781	2,183	2,593	2,153	2,781	2,183
9	Secured wholesale funding					51	14	24	45
10	Additional requirements	24,272	22,543	30,785	40,293	24,272	22,543	21,197	18,172
11	Outflows related to derivative exposures and other collateral requirements	20,054	18,660	16,697	13,018	20,054	18,660	16,697	13,018
12	Outflows related to loss of funding on debt products	4,218	3,883	3,995	3,990	4,218	3,883	3,995	3,990
13	Credit and liquidity facilities	-	-	10,093	23,284	-	-	505	1,164
14	Other contractual funding obligations	312	299	337	266	99	99	140	68
15	Other contingent funding obligations	47,557	50,177	43,199	35,873	9,301	9,513	7,954	6,447
16	TOTAL CASH OUTFLOWS					55,684	53,174	51,414	46,718
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)	1,995	142	288	325	129	8	20	17
18	Inflows from fully performing exposures	1,788	1,791	1,770	1,783	1,448	1,392	1,335	1,287
19	Other cash inflows	15,440	13,867	12,418	8,347	15,440	13,867	12,418	8,347
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	19,223	15,800	14,476	10,455	17,018	15,266	13,773	9,651
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	19,223	15,800	14,476	10,455	17,018	15,266	13,773	9,651
	TOTAL ADJUSTED VALUE								
21	LIQUIDITY BUFFER					97,063	93,420	91,472	86,003
22	TOTAL NET CASH OUTFLOWS					38,666	37,908	37,641	37,067
23	LIQUIDITY COVERAGE RATIO					251%	246%	243%	232%

The identified changes since the previous reporting period is an increase in deposits, mainly retail. Despite a slight increase in total outflows and total inflows, there is a growth in total net cash outflows. Including a larger size liquidity buffer, LCR has slightly increased compared to the previous period, which is within normal volatility.

QUALITATIVE INFORMATION ON LCR, WHICH COMPLEMENTS TEMPLATE EU LIQ1 (EU LIQB)*Article 451a(2) CRR***Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time**

The size of the liquidity reserve combined with the stable net outflows results in a stable, high level value of LCR. Maturing debt entering the 30-day outflow window puts pressure on the LCR.

Explanations on the changes in the LCR over time

Larger covered bond issues approaching maturity affects LCR. This effect is mitigated with active repurchases of the larger bonds.

Explanations on the actual concentration of funding sources

The funding portfolio has an effective distribution between secured and unsecured funding. As a consequence of the company's lending being conducted exclusively in SEK, the majority of the funding is allocated to SEK, mainly Swedish benchmark covered bonds and deposits.

High-level description of the composition of the institution's liquidity buffer.

The liquidity reserve mainly consists of Level 1 assets, such as high quality covered bonds, securities issued or guaranteed by the Swedish government/Riksbanken and securities issued by PSEs.

Derivative exposures and potential collateral calls

Derivative exposures on LCR are limited. The majority of the outflows related to derivative exposures and other collateral requirements pertains to derivative liabilities for which SBAB has posted collateral.

Currency mismatch in the LCR

Cash outflows and the liquidity reserve are concentrated to SEK. Outflows in other currencies are mainly swapped to SEK. The group has a high margin to the Pillar 2 requirements for individual currencies set by the Swedish FSA/Finansinspektionen.

Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

None.

NET STABLE FUNDING RATIO (EU LIQ2)*In accordance with Article 451a(3) CRR*

	(in currency amount)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		a	b	c	d	e
Available stable funding (ASF) Items						
1	Capital items and instruments	21,541	-	1,600	1,995	23,536
2	<i>Own funds</i>	21,541	-	1,600	1,995	23,536
3	<i>Other capital instruments</i>		-	-	-	-
4	Retail deposits		182,269	8,025	911	178,329
5	<i>Stable deposits</i>		118,727	4,339	425	117,338
6	<i>Less stable deposits</i>		63,543	3,686	485	60,991
7	Wholesale funding:		67,490	9,352	329,937	345,140
8	<i>Operational deposits</i>		-	-	-	-
9	<i>Other wholesale funding</i>		67,490	9,352	329,937	345,140
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	5,191	-	9	9
12	<i>NSFR derivative liabilities</i>	-				
13	<i>All other liabilities and capital instruments not included in the above categories</i>		5,191	-	9	9
14	Total available stable funding (ASF)					547,015

(in currency amount)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		a	b	c	d	e
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					2,965
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		2,230	2,656	288,897	249,716
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		1,677	1,995	220,829	151,882
18	<i>Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut</i>		-	-	-	-
19	<i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i>		-	-	-	-
20	<i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		99	116	4,259	3,437
21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		55	63	1,455	1,005
22	<i>Performing residential mortgages, of which:</i>		1,578	1,879	215,539	147,555
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		1,443	1,718	186,911	123,072
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		-	-	1,031	891
25	Interdependent assets		-	-	-	-
26	Other assets:	-	10,823	3	7,631	8,119
27	<i>Physical traded commodities</i>				-	-
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		-	-	4,840	4,114
29	<i>NSFR derivative assets</i>		242			242
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		9,606			480
31	<i>All other assets not included in the above categories</i>		975	3	2,791	3,283
32	Off-balance sheet items		41,359	-	229	2,079
33	Total RSF					414,762
34	Net Stable Funding Ratio (%)					131.9

The identified changes since the previous reporting period is an increase in available stable funding as a result of increased deposits, mainly retail. On December 31, 2023, total available stable funding was SEK 547,015 million (SEK 551,262 million on June 30, 2023). The portion of encumbered assets has increased, which has contributed a growth in the total requirement of stable funding. On December 31, 2023, total required stable funding was SEK 414,762 million (SEK 411,992 million on June 30, 2023). Compared to the previous reporting period NSFR has decreased to 131.9 (133.8) percent.

6.2 ENCUMBERED AND UNENCUMBERED ASSETS

ACCOMPANYING NARRATIVE INFORMATION (EU AE4)

In accordance with Article 443, CRR

General narrative information on asset encumbrance

As a part of SBAB's operations, residential mortgages are transferred to the subsidiary SCBC. These residential mortgages can include credits pledged against mortgages in real estate intended for residential purposes, against tenant-owners' rights or credits that otherwise qualify for inclusion in the cover pool for covered bonds. Derivative contracts may be used to hedge interest rate risk and currency risks. Through derivatives, SBAB is able to convert assets with a fixed interest rate profile to floating rate payments linked to 3-month STIBOR. For liabilities, SBAB are using cross currency swaps and interest rate swaps to hedge interest rate risks and currency risks arising from funding in foreign currencies.

An explanation of any difference between the regulatory consolidation scope used for the purpose of the disclosures on asset encumbrance and the scope retained for the application of the liquidity requirements on a consolidated basis as defined in Chapter 2 of Title I of Part Two CRR, which is used to define (E)HQLA eligibility;

There is no difference between the regulatory consolidation scope used for the purpose of the disclosures on asset encumbrance and the scope retained for the application of the liquidity requirements on a consolidated basis as defined in Chapter 2 of Title I of Part Two CRR, which is used to define (E)HQLA eligibility.

An explanation of any difference between, on the one hand, pledged and transferred assets in accordance with the applicable accounting frameworks and as applied by the institution and, on the other hand, encumbered assets and an indication of any difference of treatment of transactions, such as when some transactions are deemed to lead to pledge or transfer of assets but not to encumbrance of assets, or vice versa;

There is a difference between the expressions. Encumbered assets is a narrower term that refers to the assets that are only used for the covered pool and covered bonds. Pledged / transferred assets also include a number of different situations where the Group sends assets / securities to borrow money or cover an exposure (e.g., sell-buy-back repurchase agreements, collateral management and securities transfers to the Bank of Sweden for credit utilization / borrowing). The outlining difference in the concepts is that encumbered assets are found in the Group's accounts, while transferred/pledged assets are held in the counterparty's custodian accounts outside of the banks' control. There are therefore situations where certain transactions are considered to lead to a pledge or transfer of assets, however, not to encumbrance.

The exposure value used for the purposes of disclosure and how median exposure values are derived;

The exposure value used for the purposes of disclosure is based on a point-in-time value derived from the balance sheet, thus no median values are calculated.

Narrative information relating to the impact of the institution's business model on its level of encumbrance and the importance of encumbrance on the institution's funding model

The cover pool assets consist mainly of loans to the public in the form of loans against mortgages of immovable property intended for residential use or against pledged tenant-owners' rights. The cover pool may also include substitute collateral, and it is consequently possible to include derivatives or securities in the cover pool.

The main sources and types of encumbrance, detailing, where applicable, encumbrance due to significant activities with derivatives, securities lending, repos, covered bonds issuance and securitization;

The main source of encumbrance stems from covered bond issuances conducted by SCBC.

The structure of encumbrance between entities within a group, and especially whether the encumbrance level of the consolidated group stems from particular entities and whether there is significant intragroup encumbrance;

No material intragroup encumbrance exists.

Information on over-collateralisation, especially regarding covered bonds and securitisations, and the incidence of over-collateralisation on the levels of encumbrance;

SCBC exceeds by a significant margin the over-collateralisation requirements set by the national Swedish legislation and the external credit rating agencies. Therefore, even in the event of impactful market disturbances, SCBC is well equipped to maintain sufficient collateralisation levels.

Additional information on encumbrance of assets, collateral and off-balance sheet items and the sources of encumbrance by any significant currencies other than the reporting currency as referred to in Article 415(2) CRR;

SBAB does not have materially encumbered assets in any other currency than SEK.

A general description of the proportion of items included in column 060 'Carrying amount of unencumbered assets' in template EU AE1 that the institution would not deem available for encumbrance in the normal course of its business (e.g. intangible assets, including goodwill, deferred tax assets, property, plant and other fixed assets, derivative assets, reverse repo and stock borrowing receivables);

The proportion of items, which are not deemed available for encumbrance in the normal course of business (e.g. intangible assets, including goodwill, deferred tax assets, property, plant and other fixed assets, derivative assets, reverse repo and stock borrowing receivables) included in column 060 'Carrying amount of unencumbered assets' in Template EU AE1 equals SEK 317,926 million and is comprised mainly by loans and advances not encumbered for covered bonds and debt instruments.

The amount of underlying assets and of cover pool assets of retained securitisations and retained covered bonds, and whether those underlying and cover pool assets are encumbered or unencumbered, along with the amount of associated retained securitisations and retained covered bonds;
Nor SBAB or SCBC has any retained securitisations or retained covered bonds.

Where relevant for explaining the impact of their business model on their level of encumbrance, details (including quantitative information if relevant) on each of the following:

- i) the types and amounts of encumbered and unencumbered assets included in row 120 of template EU AE1;*
- ii) the amounts and types of encumbered assets and off-balance sheet items included in row 010 of template EU AE3 that are not associated with any liabilities;*

It is not considered relevant for either SBAB or SCBC to disclose the impact on the business model the types and amounts of encumbered and unencumbered assets included in row 120 of template EU AE1 or the amounts and types of encumbered assets and off-balance sheet items included in row 010 of template EU AE3 that are not associated with any liabilities.

Where relevant in the context of their use of encumbrance in relation to their business model, additional information on the breakdown of the following rows in the templates EU AE1, EU AE2 and EU AE3:

- i. Row 120 of template EU AE1 - 'Other assets';*
- ii. Row 230 of template EU AE2 'Other collateral received';*
- iii. Row 010 of template EU AE3 - 'Carrying amount of selected financial liabilities' (especially if part of the encumbrance of assets is associated with liabilities and another part is not).*

It is not considered relevant in the context of the use of encumbrance in relation to SBAB's or SCBC's business model, to provide additional information on the breakdown of row 120 of template EU AE1, row 230 of template EU AE2 or row 010 of template EU AE3.

For more information regarding Funding, see Funding and Liquidity in SBAB's Annual Report.

ASSET ENCUMBERED DISCLOSURES (EU AE1)

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	010	035	040	055	060	085	090	105
010 Assets of the reporting institution	332,614	-			317,926	101,595		
030 Equity instruments	-	-	-	-	-	-	-	-
040 Debt securities	-	-	-	-	101,595	101,595	86,587	86,587
050 of which: covered bonds	-	-	-	-	43,561	43,561	43,547	43,547
060 of which: securitisations	-	-	-	-	-	-	-	-
070 of which: issued by general governments	-	-	-	-	58,034	58,034	43,040	43,040
080 of which: issued by financial corporations	-	-	-	-	43,561	43,561	43,547	43,547
090 of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120 Other assets	332,614	-			216,331	-		

No significant changes since previous reporting period are identified.

COLLATERAL RECEIVED (EU AE2)

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
			Fair value of collateral received or own debt securities issued available for encumbrance	
	010	of which notionally eligible EHQLA and HQLA 035	040	of which EHQLA and HQLA 065
130 Collateral received by the reporting institution	-	-	-	-
140 Loans on demand	-	-	-	-
150 Equity instruments	-	-	-	-
160 Debt securities	-	-	-	-
170 of which: covered bonds	-	-	-	-
180 of which: securitisations	-	-	-	-
190 of which: issued by general governments	-	-	-	-
200 of which: issued by financial corporations	-	-	-	-
210 of which: issued by non-financial corporations	-	-	-	-
220 Loans and advances other than loans on demand	-	-	-	-
230 Other collateral received	-	-	-	-
240 Own debt securities issued other than own covered bonds or securitisations	-	-	-	-
245 Own covered bonds and asset-backed securities issued and not yet pledged	-	-	-	-
250 TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	-	-	-	-

No significant changes since previous reporting period are identified.

SOURCES OF EMCUMBRANCE (EU AE3)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
	010	030
010 Carrying amount of selected financial liabilities	332,614	332,614

No significant changes since previous reporting period are identified.

7 Market risk

Market risk is the risk of loss or reduced future income due to market fluctuations.

7.1 MARKET RISK

QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO MARKET RISK (EU MRA)

When disclosing information on the risk management objectives and policies to manage market risk, institutions shall include (Points (a) to (d) of Article 435(1) CRR):

An explanation of their management's strategic objectives in undertaking trading activities;

The governing principle of SBAB's exposure to market risk is that the level of risk taking should be low. SBAB does not have a trading book.

The processes implemented to identify, measure, monitor and control the institution's market risks;

VaR is a comprehensive portfolio metric expressing the potential loss that could occur given a certain level of probability and holding period. SBAB is using VaR, based on stressed market data, to quantify internal assessed capital requirements for credit spread risk and currency risk.

SBAB's model is a historical model and applies percentiles in historical market data from the past two years. This means that the model does not make any assumption about a certain probability distribution in advance, the empirical distribution is used instead.

Limits for the day-to-day follow up of VaR are set at two levels: SBAB's total market risk and stressed VaR for credit spread risk. The limit for SBAB's total market risk is based on the VaR metric and applies a probability level of 99% and a holding period of one year while the stressed measure applies fluctuations from a historical, stressed period with a probability level of 99% and a holding period of 90 days.

Exposures to interest rate risk in the banking book is disclosed under article 448 CRR.

The policies for hedging and mitigating risk;

Funding in international currencies are hedged through currency swaps or invested in matching currencies to mitigate currency risk. Basis risk is considered low as the degree of hedging imperfection is very low. Credit spread risk arises from the liquidity portfolio and is mitigated by having high quality requirements on the bonds that are purchased.

Strategies and processes for monitoring the continuing effectiveness of hedges;

The monitoring of interest, basis, credit spread and currency risk is done by calculating the value at risk amount and impact of stress tests. The vast majority of currency risk stems from covered bond issuances in foreign currencies, however, all of the issuances are hedged one-to-one with the underlying covered bond. Hence, the hedging effectiveness is considered extremely high.

When disclosing information on the structure and organisation of the market risk management function, institutions shall include (Point (b) of Article 435 (1) CRR):

A description of the market risk governance structure established to implement the strategies and processes of the institution discussed in row (a) above;

SBAB is characterised by low risk taking, with the Board determining the overall risk appetite and setting the limits for the risk metric Value at Risk (VaR) and limits related to interest rate risk in the banking book. In addition to the Board decided limits, a number of supplementary risk-based metrics set by the CEO of SBAB are also subject to limitation. Risk Control checks, compliance with current risk levels, and limits on a daily basis.

SBAB uses the standardised approach to quantify capital requirements for market risk in Pillar 1. The regulatory capital requirements for market risk is shown in the table Market risk under standardised approach (EU MR1).

A description of the relationships and the communication mechanisms between the different parties involved in market risk management;

Each year a baseline scenario is established in co-operation with internal stakeholders, which represents the most plausible development of the business activities. The asset & liability team models in close co-operation with the treasury team, according to the chosen inputs, the bank's balance sheet and forecasts the funding needs. Throughout the year, the actual development is mirrored against the forecasted development and corrections are made if necessary. Additionally, if the market sentiment and the macro-economic factors change significantly due to unforeseen circumstances, the baseline scenario is updated accordingly. The development of the bank's balance sheet and off-balance sheet commitments in combination with market rates and prices is what keeps the bank's market risk under a constant change – however, the fluctuation is modest under normal market conditions, as SBAB's market risk exposure is low. The market risk team follows daily the bank's risk profile and if unanticipated events occur that affect the risk

profile, the pre-defined escalation process is followed, which ensures efficient information transferring to all relevant stakeholders. To ensure efficient and reliable planning and a thorough assessment of the future development of market risks, a proactive method of working has been established in terms of a monthly internal risk forum, which strives to continuously challenge the established routines of forecasting, measuring, controlling and reporting of market risks.

When disclosing information on the scope and nature of market risk disclosure and measurement systems, institutions shall provide a description of the scope and nature of market risk disclosure and the measurement systems (Point (c) of Article 435 (1) CRR);

In addition to the limits determined by the Board, the CEO has set a number of supplementary risk metrics for different kind of market risks to which SBAB is exposed. Currency risk is controlled by measuring the effect on present value when currency exchange rates change and in the liquidity portfolio by controlling the matching of the principal in each currency. Limits are also in place for basis spread risk and credit spread risk.

The market risk reporting follows the same structure as the liquidity risk reporting disclosed in chapter 6.1. The market risk team validates the results each day in the daily report.

MARKET RISK UNDER THE STANDARDISED APPROACH (EU MR1)

		RWEAs
		a
Outright products		
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	257
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	Total	257

Since June 30, 2023, the foreign exchange risk has decreased slightly.

7.2 IRRBB

INTEREST RATE RISK ON POSITIONS NOT HELD IN THE TRADING BOOK (EU IRRBBA)

A description of how the institution defines IRRBB for purposes of risk control and measurement (Point (e) of Article 448 (1) CRR)

Interest-rate risk is defined as the risk that interest rate variations lead to losses or lower future income as assets and liabilities have different fixed-interest periods and/or interest terms.

A description of the institution's overall IRRBB management and mitigation strategies (Point (f) of Article 448 (1) CRR)

Interest rate risk is mitigated by matching the tenors and reference rate on both the liability and asset side of the balance sheet. This is achieved by active debt management and by using derivatives. Pre-defined limits are in place to continuously monitor that interest rate risk is kept within the bank's risk appetite. The limits are defined by the Board of Directors and by the CEO and they are all monitored daily.

The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB (Point (e (i) and (v)) of Article 448 (1) and Article 448 (2) CRR)

Interest rate risks for the economic value of equity arising from parallel move and twist of the curve is calculated daily based on the six different shock scenarios defined by the SFSA. SBAB

and SCBC reports quarterly interest rate risk in the banking book according to the method defined in FFFS 2007:4. The calculations for the capital requirement, information collection and semiannual risk meetings with the SFSA are performed according to the method described in FI Dnr 19-4434.

A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in the economic value and in net interest income (if applicable) (Point (e (iii)) of Article 448 (1) and Article 448 (2) CRR)

Not applicable. SBAB complies with the requirements laid down in article 448(2) CRR.

A description of the key modelling and parametric assumptions different from those used for disclosure of template EU IRRBB1 (if applicable) (Point (e (ii)) of Article 448 (1) and Article 448 (2) CRR)

Not applicable. SBAB complies with the requirements laid down in article 448(2) CRR.

A high-level description of how the Institution hedges its IRRBB, as well as the associated accounting treatment (if applicable) (Point (e (iv)) of Article 448 (1) and Article 448 (2) CRR)

Not applicable. SBAB complies with the requirements laid down in article 448(2) CRR.

A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable) (Point (c) of Article 448 (1) and Article 448(2) CRR)

Not applicable. SBAB complies with the requirements laid down in article 448(2) CRR.

Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures (Point (d) of Article 448 (1) CRR)

SBAB calculates interest rate risk in the banking book according to the EBA guidelines and the specific instructions disclosed by the SFSA FI dnr 19-4434, hence all the risk measure changes are disclosed by these two institutions. However, no significant changes have been implemented during the last financial year.

Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)

None.

Disclosure of the average and longest repricing maturity assigned to non-maturity deposits (Point (g) of Article 448 (1) CRR)

SBAB follows the modelling requirements for non-maturing deposits defined in FI dnr 19-4434. Currently, all non-maturing deposits are modelled to mature overnight.

INTEREST RATE RISKS OF NON-TRADING BOOK ACTIVITIES (EU IRRBB1)

Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income	
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	a	b	c	d
1 Parallel up	-796	-1 129	162	-68
2 Parallel down	408	569	-162	68
3 Steepener	2	88		
4 Flattener	-229	-492		
5 Short rates up	-541	-917		
6 Short rates down	249	428		

Since June 30, 2023 the worst scenario is still "Parallel up".

8 Operational risk

Operational risk is defined as the risk of losses stemming from inadequate or failed internal processes and systems, human error or from external events. Operational risk includes legal risks but excludes reputational risk and is embedded in all banking products and activities.

8.1 OPERATIONAL RISK

QUALITATIVE INFORMATION ON OPERATIONAL RISK (EU ORA)

Disclosure of the risk management objectives and policies (Points (a), (b), (c) and (d) of Article 435(1) CRR)

Strategies and processes;

The basis of an operational risk management process is a continuous identification, analysis and assessment, management and monitoring of risks.

Structure and organization of risk management function for operational risk;

The second line of defense (Risk) has an overall responsibility for the methods and procedures used to manage operational risks. The management of operational risks is conducted based on SBAB's risk appetite and the business essential processes. This involves continuous work on developing employees' risk awareness and the bank's risk culture, improving processes, routines and providing tools for efficient and proactive management in daily work.

Risk measurements and control;

- Risk and Control Self-Assessment (RCSA)

The RCSA-process includes the identification and evaluation of operational risks in all essential processes. The self-assessment is carried out using a common method and is documented in the joint GRC-system. The results of the RCSA are reported annually to the Board, the CEO and the management body.

- Incident management

SBAB has routines for reporting and following up incidents. The Risk department supports the business with analysis of reported incidents to ensure that root causes are identified and that appropriate measures are taken. Incidents that have not caused any direct damage or financial loss are also reported to promote proactive risk management.

- Control of new products and significant changes

SBAB's process for managing new products and significant changes addresses the development of new products, markets and services, and significant changes to existing ones. The process also encompasses material changes to processes, systems and organization. The purpose of the process is to ensure that changes are consistent with the risk strategy and risk appetite.

- Business continuity management

SBAB works to prevent incidents that may affect the company's ability to conduct operations. A crisis organization responsible for crisis and disaster management as well as communication is established and tested regularly in collaboration with external crisis management experts.

Significant operational risks

SBAB has identified a set of risks that, if they occur, could have a greater impact on SBAB's operations than other risks. The development of these risks is monitored on an ongoing basis by the management body and the Board and is considered in the framework of SBAB's business planning. The significant operational risks are described below.

- Information security risk

The cyber threat to the Swedish financial sector is extensive and persistent. SBAB has a dedicated security team with specialists who aims to develop and maintain a high cyber security level for the bank. This is achieved through proactive work for a strong digital security perimeter and a high level of security within this perimeter. The team also works proactively to increase risk and safety awareness throughout SBAB. Furthermore, the bank has a special department for data privacy. They review the handling of personally identifiable information and set the requirements to ensure that the bank follows current regulations. In the implementation of the IT strategy the business works with small deliveries to minimize the risk of major disruptions.

- Technical debt

In recent years a substantial part of SBAB's core bank IT-systems have been replaced. Some IT-systems are still somewhat outdated and will be superseded in the first quarter of 2025. SBAB's IT strategy has clearly defined goals and priorities to ensure that the identified risks are managed appropriately. The development and outcome related to the projects duration and cost are closely monitored by the management body and the Board. The agile approach with shorter lead times as well as closer intervals between deployment to production increases flexibility and enables efficiency.

- Financial crime

The threat level from criminals is deemed to be such that the bank risks being exposed to money laundering attempts. Moreover, a risk exists that the bank will be exposed to internal fraud. SBAB has a separate unit, Anti-Financial Crime (AFC), which acts to strengthen SBAB's overall capacity to prevent financial crime. SBAB's efforts in this area encompass, inter alia, conducting risk assessments, obtaining a good level of KYC, monitoring activities and transactions, continuous training and ensuring adequate internal control is performed through examination in the first, second and third lines in terms of daily operations, procedures, and processes. SBAB has an

internal framework regulating operations to counteract bribes and other forms of corruption. The framework is designed to reflect the Code on Gifts, Rewards and other Benefits in Business published by the Swedish Anti-Corruption Institute. To that end, SBAB conducts ongoing courses in this area.

- **Competence**

SBAB aims to be an attractive workplace with dedicated and motivated employees who, on their own initiative, generate ideas, collaborate, and identify solutions. Like many other companies, SBAB faces the risk of not succeeding in attracting and retaining the right skills. SBAB uses a clearly defined and transparent HR strategy together with ambitious goals in this area to actively develop the value-driven work approach and to ensure inclusive leadership that can generate driven employees.

- **Regulatory risk**

New external regulations in areas including sustainability that impact SBAB will be implemented, and training will be conducted to secure a high level of competence and thus high regulatory compliance in all parts of SBAB.

Operational risk reporting:

An analysis of the overall risk level is regularly reported to the Board of Directors, the CEO and the management body.

Policies for hedging and mitigating operational risk.

As part of strengthening SBAB's risk culture Risk and Regulatory Coordinators (RRS) are established in the first line of defense. The role of the RRS is to act as support to the business managers, focusing on risk management, process mapping, internal controls, incident management and compliance. SBAB does not use any derivative instruments to hedge operational risk.

Disclosure of the approaches for the assessment of minimum own funds requirements (Article 446 CRR)

SBAB applies the standardised approach for capital adequacy for operational risk under Pillar 1. This approach calculates the capital requirement based on the beta factors 12% and 15%, respectively of the business area's average operating income over the past three years. SBAB does not identify any additional amount under Pillar 2 for operational risk.

Description of the AMA methodology approach used (if applicable) (Article 446 CRR)

Not applicable.

Disclose the use of insurance for risk mitigation in the Advanced Measurement Approach (if applicable) (Article 454 CRR)

Not applicable.

OPERATIONAL RISK OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS (EU OR1)

Banking activities	Relevant indicator			Own funds requirements	Risk exposure amount
	Year-3	Year-2	Last year		
	a	b	c		
1 Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2 Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	3,697	4,086	4,642	534	6,669
3 Subject to TSA:	3,697	4,086	4,642		
4 Subject to ASA:	-	-	-		
5 Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

9 Sustainability risk

ESG disclosure in Pillar 3 follows the implementing technical standards (ITS) defined by the EBA. In line with the EBA report on prudential disclosures on ESG risks, this section has been included in this report in accordance with Article 449a in CRR. The requirements issued by the regulator entered into force June 28, 2022, with first disclosures provided on a yearly basis. For December 31, 2023, a total of 8 quantitative templates are required. Additional disclosures for this publication include data for Green Asset Ratio. Information mandatory after December 31, 2023 is not included in this publication. The section with qualitative information is split into three parts, Business strategy and processes, Governance and Risk management, each part compiles questions and answers to the acronym Environmental, Social and Governance respectively.

9.1 QUALITATIVE INFORMATION ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK

BUSINESS STRATEGY AND PROCESSES

Institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model, strategy and financial planning (Article 449a in conjunction with Article 435(1), points (a) and (e) CRR)

Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy and financial planning (Article 449a in conjunction with Article 435(1), points (a) and (e) CRR)

In 2021, SBAB's Board decided to conduct a sustainability analysis of SBAB's operations based on the materiality analysis assessed in 2020. The analysis identified the current status and ambition level as well as objectives for 2025. The analysis identified 21 prioritized areas within which SBAB faced challenges or possibilities of varying scope. The current status and objectives were established based on SBAB's materiality assessment, business plan, model for governance and follow-up, prioritized SDGs and other national and international guidelines. In 2023, SBAB made a new materiality analysis that is in line with CSRD requirements. The outcome of the materiality analysis will be integrated with SBAB's overall business plan in 2024.

SBAB integrates business strategy with environmental and social factors and risks in accordance with external regulations and guidelines, for instance, The state ownership policy, Annual Accounts Act, Agenda 2030, UN Principles for Responsible Banking (PRB), Global Reporting Initiative Standards (GRI), Global Compact, EU Taxonomy. SBAB has a policy for Sustainable enterprise, and it is fully integrated into SBAB's business and steering model for the operations. As part of strengthening SBAB's risk culture, the bank has risk and compliance coordina-

tors (RCCs) in the first line. For further information on the three lines of defense, see page 14 in the report. The RCCs support the business managers with a focus on risk management, process mapping, internal controls, incident management and regulatory compliance, where sustainable finance is included. SBAB's role and responsibilities when it comes to achieving the sustainable development goals (SDG) is based on the mission to contribute to better housing and household finances. To ensure that the full force of SBAB's business is utilized to contribute to better housing and household finances, four of the UNs 17 SDGs are prioritized. The goals are also integrated into the daily work and sustainable governance model. Description for what each prioritized goals means for SBAB is summarized in the annual report, page 22-23 and 179. SBAB has joined the Partnership for Carbon Accounting Financials (PCAF), a partnership between financial institutions aimed at creating a standardized methodology for measuring GHG emissions tied to lending and investment portfolios. SBAB's financed emissions and climate target is also published externally for fully transparency in the Climate Report on sbab.se

SBAB has integrated the most material physical risks and transition risks of environmental risk into the risk strategy, risk policy and risk appetites.

Objectives, targets and limits to assess and address environmental and social risks in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes (Article 449a in conjunction with Article 435(1) points (a), (c) to (f)).

SBAB's Board has conducted a sustainability analysis of SBAB's operations based on a materiality assessment performed in 2020. The analysis identified the status and determined the ambition levels as well as objectives for 2025. The analysis identified 21 prioritized areas within which SBAB faced challenges or possibilities of varying scope.

The prioritized areas include working to reduce the climate impact, both from SBAB's own operations and in the portfolio (financed emissions) and integrating climate risk into the risk analysis system. Business ethics and transparency were also identified as prioritized areas, which includes the Hållbar Byggbransch (Eng: Sustainable Construction Industry) project which focuses on acceptable and decent work conditions.

The initiative Hållbar Byggbransch was started by SBAB in 2018 and was finally launched 27 November 2023. Together with other commercial banks, SBAB runs the Banking Initiative for a Sustainable Construction Industry, which aims to protect workers' rights and prevent crime through demands for increased control in lending.

In the context of the Principles for Responsible Banking (PRB), this can be summarized as climate change mitigation and decent employment. Following the materiality assessment and impact analysis, SBAB will continue to develop targets in line

with the PRB's recommendations for this area. One of the key target developments, is the climate target connected to SBAB's financed emissions, see more details in SBAB's Climate Report. SBAB has a green bond framework and understand how SBAB's Green bond framework is designed and how the framework contributes to the green transition, see SBAB's Impact Report on sbab.se

SBAB has implemented a Key Risk Indicator (KRI) that is defined as a value that indicate a change in climate risk profile. The KRI covers the acute physical risks regarding floods and monitors the share of capital linked to houses in zones with an elevated risk of flooding.

Climate risk is mainly managed through a data analysis, broadened customer dialogue, internal training, product development, system development and customer communication. In the credit granting process for property companies and tenant-owners' associations, certain sustainability criteria are considered as a part of the overall assessment. SBAB has completed an analysis of how the future physical climate risks could impact the mortgage portfolio. The analysis indicates that rises in sea levels and the risk of flooding have limited impact on SBAB's portfolio and led to above mentioned KRI. The levels of a KRI must reflect the risk appetite within the respective risk areas.

To better respond to new market conditions and changes in the world around us, SBAB has developed and decided new target areas and business goals during the year. From 2023, the bank will report on the new business goals that extend to 2030. SBAB's climate goal is one of five business goals and is fully integrated into the operations.

The climate target is connected to SBAB's financed emissions. The climate goal established is based on the latest climate science and connects to SBAB's operations with a long-term perspective. The target states that SBAB will reduce its emission from the lending to the bank's private, tenant owner association and commercial clients by 30 % to 2030 and by 50% to 2038. The targets are in line with PCAF standardized methodology for measuring GHG emissions tied to lending and investment portfolios. SBAB's financed emissions and climate target is also published externally for fully transparency in the Climate Report on sbab.se

Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities (Article 449a in conjunction with Article 9 of Regulation (EU 2020/852))

SBAB's current investments activities and targets towards environmental objectives and EU Taxonomy-aligned activities are focused on acquisition and ownership of buildings, construction of new buildings, renovation of existing buildings and installation, maintenance and repair of energy efficiency equipment/renewable energy technologies. SBAB's aim is to finance its green lending by way of green funding. SBAB has a green bond framework with short term volume targets. SBAB's work on climate change mitigation is reported in SBAB's Green Bonds Impact report, Climate report and Annual reports.

Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks and social harmful activities (Article 449a in conjunction with Article 435(1) point (d) CRR)

Climate risk is mainly managed through a broadened customer dialogue, internal training, product development, system devel-

opment and customer communication. There is also an ongoing and continuous process to collect, analyze and increase the quality on climate-related data. Since 2023, SBAB has been conducting an enterprise-wide project to build up infrastructure to collect climate-related data linked to SBAB's lending.

Since 2018 we have automatically provided Green Mortgages to customers who live in single-family homes or apartments that have a valid energy performance certificate with energy class A, B or C, that is, in line with or above the energy requirements for new builds in Sweden. The better the energy class, the greater the reduction to the mortgage rate. The bank see the green mortgage as an incentive for the energy class level C to invest in more energy-efficient homes.

SBAB has regular and close dialogue with the counterparties within corporate client's and tenant-owners' associations on their overall strategies on environmental and social risks. In the credit granting process for property companies and tenant-owners' associations, certain sustainability criteria are considered as a part of the overall assessment.

SBAB has regularly discussions with customers on the ongoing development of green, sustainable loan products, e.g. SBAB offer green investment loans to tenant-owners' associations and property companies. Green investments are loans specified with an advantageous interest rate for customers who implement energy efficiency measures at their properties. In addition to green lending, SBAB develop partnerships and services to help the customers reduce energy consumption and live more sustainably. In 2022 SBAB established a climate target connecting to the financed emissions from the bank's lending to private, tenant owner associations and commercial clients. This will guide further product development and adaptations in credit granting process in order to reach the targets to year 2030 and 2038.

During 2023 SBAB disbursed the bank's first sustainability-linked loan to a corporate customer. This is a loan that will be used to accomplish a transition within sustainability, for example improving the energy performance of a property. Any such transition needs to be comprehensive in scope and require extra investment on account of the challenge it presents. This means the bank's goal is to be able to say that the money enabled a transition that would not otherwise have happened. To do this, the bank set several targets that are followed up annually. The customer receives somewhat lower interest in exchange for a promise to deliver improvements. Conversely, if the agreed-upon progress is not made, the customer needs to pay somewhat higher interest. One activity out of many on the journey to reach the bank's long-term goal.

GOVERNANCE

Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels (Article 449a in conjunction with Article 435(1), point (b), and Article 435(2), points (a), (b), (c) CRR)

The management body's integration of short-, medium- and long-term effects of environmental factors and risks is implemented through SBAB's governing documents such as the risk policy, risk appetite and climate risk instruction. SBAB's aim is to manage sustainability risks with a risk-based approach integrated into the daily operations. If a high risk is identified, the aim is to conduct an in-depth sustainability review and, where necessary, set requirements to counteract the adverse impact.

SBAB also conducts an ongoing and interactive dialogue on sustainability risks across all operations. SBAB's proactive sustainability approach further contributes to sustainable risk management through, inter alia, gap analyses and defined objectives as well as their follow-up and reporting.

Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of social risk management covering counterparties' approaches to activities towards the community and society, employee relationships and labour standards, customer protection and product responsibility and human rights (Article 449a in conjunction with Article 435(1), point (b) and Article 435(2), points (a), (b), (c) CRR)

SBAB has determined a long-term, focused and extended HR strategy and has clear company-wide goals to support equality and diversity and to ensure a positive employee experience and high employee commitment. The bank has an equality and diversity policy and an equality plan that emphasizes the value promoting diversity with employees of different backgrounds and a culture to support inclusion. All employees have the same rights, obligations and opportunities in every aspect related to the workplace and SBAB want to be an equal and inclusive workplace with a high level of integrity that encourages difference. The HR strategy helps to ensure that the bank always are focused on respect, equality and inclusion which is central to SBAB's values. SBAB's policy emphasizes the value of employees with different backgrounds and experiences. One of the overall targets concern equalities between men and women in management positions.

Furthermore SBAB's Code of Conduct provides guidance on how employees should act and conduct themselves in various situations based on SBAB's values and the inherent responsibilities of being an employee and aims to manage risks linked to personnel, social conditions, and human rights in lending through in-depth customer dialogues and industry collaboration.

In addition, the bank has a Supplier Code that addresses SBAB's human and labour rights standards, and clearly defines the standards that the suppliers must meet, in addition to compliance with international guidelines and principles. Accessibility, especially digital accessibility due to SBAB being a digital financial institution, is a key area for product and service development. SBAB regularly conduct accessibility tests of customer's digital and telephone experience.

SBAB has, since 2018, together with other commercial banks been involved in developing the initiative "Hållbar Byggbransch" (Eng: Sustainable Construction Industry) to combat financial crime and promote human rights in the Swedish construction industry, by setting requirements on the commercial clients. During November 2023 the initiative was launched and the banks participating in the initiative are now introducing special conditions for granting credits when financing construction activities. The special conditions apply from the 27th of November 2023 to new credits.

SBAB also has partnerships to enhance the social responsibility within the society, i.e., to help to improve housing quality and household finances, for example cooperation and sponsorships of NGO's such as Situation Stockholm, Stadsmissionen and Faktum. Many of SBAB's partnerships with NGOs have a focus on tackling structural and acute homelessness.

Furthermore, SBAB developed Respekttrappan (Respect Ladder). Respekttrappan is a tool for systematic guidance to

enhance and promote respect and inclusion for all, in the workplace and in society. The tool has been implemented within the entire organization. Respekttrappan has thereafter been introduced to more than 200 companies and organizations as a tool for their continuous work on respect, inclusion, and equality.

Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organisational structure both within business lines and internal control functions (Article 449a in conjunction with Article 435(2), point (d) CRR)

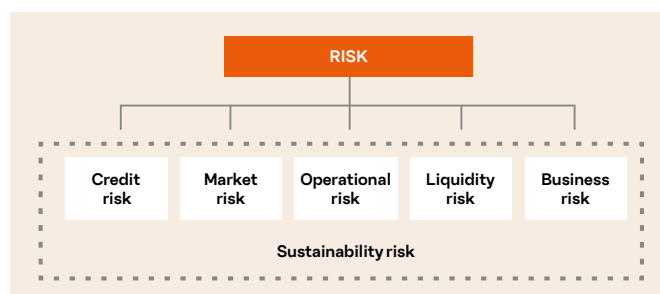
SBAB has a Risk policy where sustainability risk is defined. Based on the Risk Policy, SBAB has a risk framework in which the business must identify which climate-related risks (physical risks and transition risks) in the short, medium and long term are essential for the bank within two IPCC scenarios (RCP 8.5 and 4.5).

Based on the significant identified climate risks, an assessment of the risk within relevant sub-segments must be made. Risk has implemented climate scenario analyzes on a regular basis to better understand the possible consequences of the risk for SBAB. The climate scenario analysis method must be in line with industry practice as the recommendations are described in TCFD and be based on the most reliable data possible. The business implemented an annual review of possible risk-limiting measures and procedures in essential processes.

Within both the private market area as well as for commercial and tenant-owner association clients, risk mitigation must be done through frameworks in governing documents for the credit process, i.e., from credit policy with underlying documents. In connection with significant climate risks being identified and assessed, Risk must also evaluate how the risk is to be monitored and reported.

Integration of measures to manage environmental and social factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels (Article 449a in conjunction with Article 435(2), points (a), (b), (c) CRR)

Sustainability risk reporting is integrated throughout SBAB with clear responsibilities within committee and management assignment. Sustainability risks are integrated in Board committee's assignment description. The Audit and Compliance Committee's principal task is to examine SBAB's governance, the internal controls and the financial information. The Credit Committee's principal task is to decide on loans and credit limits. The Risk and Capital Committee's principal task is to prepare issues within the risk and capital area. Every committee receive a quarterly report with relevant integrated ESG-risks.



SBAB's Board decides to conduct a sustainability analysis of the operations based on materiality assessment. The analysis identifies the current status and ambition levels as well as objectives for 2025. The analysis identifies 21 prioritized areas within which SBAB faced challenges or possibilities of varying scope. The current status and objectives were established based on SBAB's materiality assessment, business plan, model for governance and follow-up, prioritized SDGs and other national and international guidelines. This functioned as the basis for a number of workshops, where representatives from the entire operations participated with the aim of calibrating the current status and the objectives. In 2023, SBAB made a new materiality analysis that is in line with CSRD requirements. The outcome of the materiality analysis will be integrated with SBAB's overall business plan in 2024.

Institution's integration in their governance arrangements of the governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics (Article 449a in conjunction with Article 435(2) CRR)

The majority of SBAB's counterparties consists of construction and real estate companies. A significant number of the counterparties are listed on the stock exchange i.e., they have a high degree of transparency in their operations and routines are established to handle conflicts of interest as well as sensitive internal communication on critical challenges. SBAB's counterparties are reviewed based on the money laundering and financing of terrorism regulations where customer knowledge is obtained, and the real principal(s) are carefully mapped to ensure who is SBAB's counterparty. Likewise, the customers are evaluated based on sustainability risks including the ethical perspective. There is an ongoing improvement of the counterparty's governance performance within SBAB's business lines.

Institution's accounting of the counterparty's highest governance body's role in non-financial reporting (Article 449a CRR).

SBAB accounts and documents the counterparties highest governance body as part of the credit granting process for the counterparties.

Institution's integration in governance arrangements of the governance performance of their counterparties including ethical considerations, strategy and risk management, inclusiveness, transparency, management of conflict of interest and internal communication on critical concerns (Article 449a in conjunction with Article 435(2) CRR)

The majority of the counterparties consist of construction and real estate companies. A significant number of the counterparties is listed on the stock exchange i.e., they have a high degree of transparency in their operations and processes and routines are in place to handle conflicts of interest as well as sensitive internal communication around on critical challenges. SBAB's counterparties are reviewed based on the regulations for money laundering and financing of terrorism, where customer knowledge is obtained, and the real principal(s) are carefully mapped to ensure who is SBAB's counterparty. Likewise, the customer is evaluated based on sustainability risks including the ethical perspective. There is an ongoing process of improving SBAB's follow-up of the customers' corporate governance performance.

Lines of reporting and frequency of reporting relating to environmental and social risk (Article 449a in conjunction with Article 435(2), points (e) CRR)

First, second and third lines reports quarterly to management body and the Board committees. For further information on three lines of defense see page 14 in this report .

Alignment of the remuneration policy with institution's environmental and social risk-related objectives (Article 449a in conjunction with Article 435(2), points (e) CRR)

SBAB's remuneration policy encompasses all SBAB employees, regardless of position. In accordance with the relevant policy, SBAB's remuneration is to be competitive, capped and appropriate, moderate, reasonable, well considered and not salary leading. It should also contribute to high ethical standards and a good corporate culture. The same applies to the benefits we offer which is available to all employees, regardless of position. Since 2012, there have been neither incentive programs nor variable remuneration within the SBAB Group. The total level of remuneration is determined based on responsibility, complexity, and results within the respective employee's area, and on how well the employee lives SBAB's values. Adaptation of the compensation policy is in line with the institute's social risk-related goals.

RISK MANAGEMENT

Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework (Article 449a in conjunction with Article 435(1), points (f) CRR)

Climate risk is divided into physical risks and transition risks. Physical risks encompass the direct effects of climate change that give rise to financial costs and risks, for example the physical impact on properties resulting from climate change. Transition risks encompass financial risks related to the transition to a less fossil-based economy.

The physical climate risk linked to SBAB's operations primarily pertains to the risk of increased damage and value declines in assets and collateral due to climate change. SBAB's operations are exposed to transition risks in cases where SBAB does not succeed in adapting operations to the higher environmental and climate requirements set by tomorrow's sustainable economy. This also applies to demand for SBAB's products and services.

SBAB is exposed to climate risks in conjunction with the loan at origination process. Future climate changes could affect customers' capacity to pay and the value of assets and collateral. Physical climate risks encompass, for instance, higher sea levels, extreme weather as well as collapses and landslides.

To integrate the short-, medium- and long-term effects of environmental risks into the risk tolerance framework, climate-related time horizons have been defined in the climate risk instruction. Short term: 1-year, medium term: from 5-10 years and long term: 40 years. The defined time horizon is integrated within the climate scenario analysis and sensitive scenario analysis. SBAB has identified two main climate related risks that are essential to the institution in the credit assessment: risk of flooding (physical risk) and risk of increased energy prices (transition risk).

Definitions, methodologies, and international standards on which the environmental and social risk management framework is based. (Article 449a in conjunction with Article 435(1), points (a) CRR)

The definition used for environmental and social risk management primarily refers to framework Task force on Climate Related Financial Disclosures (TCFD) and to the EBA report on management and supervision of ESG risks for credit institutions and investment firms. The definition used for social risks also refers to the framework The United Nations Sustainable Development Goals (SDGs) and the International Sustainability Standards Boards (ISSB), Global Reporting Initiative (GRI), UN 2030 agenda for sustainable development and the SDGs and Principles for Responsible Banking (PRB).

SBAB follows the State Ownership Policy and principles for state-owned enterprises 2020, which also encompasses the Guidelines for external reporting in state-owned enterprises and Guidelines for remuneration and other terms of employment for senior executives in state-owned enterprises. The state's ownership policy states that SBAB, as a state-owned company, must act exemplary in sustainable business, and work strategically, integrate issues into the business strategy and set strategic sustainability goals.

Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental and social risks, covering relevant transmission channels (Article 449a in conjunction with Article 435(1), points (a) CRR)

Based on a yearly materiality assessment for climate risk SBAB has identified exposures sensitive to floods as a physical risk. Floods, because of sea level rise is defined as a chronic risks and floods in waterways as acute physical. Through the operating environmental analysis and stakeholder dialogues, we develop a matrix that clarifies which sustainability topics we need to prioritize and focus on as well as report and disclose. Tools established to monitor these risks is key risk indicators on a monthly risk reporting.

SBAB is exposed to risks linked to social conditions and human rights in conjunction with lending to property companies, for example on lending for new production projects with several levels of subcontractors. The controls performed by the main contractor in areas such as working conditions are made more complex when production is outsourced.

SBAB is also exposed to these risks in conjunction with the procurement of services and goods. The area also encompasses the risk that SBAB's services and products are not available to all members of society. Accessibility pertains to equality and non-discrimination and is a crucial prerequisite for people with disabilities to be able to exercise their human rights and fundamental freedoms.

Activities, commitments, and exposures contributing to mitigate environmental and social risks (Article 449a in conjunction with Article 435(1), points (a) and (d) CRR).

Sustainability ambitions are identified through the sustainability materiality assessment. SBAB's Board decided to conduct a sustainability analysis of SBAB's operations based on the new materiality assessment. The analysis identified the current status and ambition levels as well as objectives for 2025. The analysis identified 21 prioritized areas within which SBAB faced challenges or possibilities of varying scope.

The activities, commitments, and exposures SBAB have in place to mitigate environmental risks is to offer green invest-

ment loans within the corporate and tenant-owner associations segment and green loans within the Private segment.

SBAB's risk mitigation activities within social risks i.e., personnel, social conditions and human rights refer to several actions for example long-term focused and extended HR strategy and SBAB aims to manage social risks linked to these conditions in lending through in-dept customer dialogues and industry collaborations.

Implementation of tools for identification, measurement and management of environmental and social risks respectively (Article 449a in conjunction with Article 435(1), points (a) and (f) CRR)

SBAB has implemented a Key Risk Indicator (KRI) that is defined as a value that indicate a change in climate risk profile. The KRI covers the acute physical risks regarding floods and monitors the share of capital linked to houses in zones with an elevated risk of flooding. The KRI is followed up monthly. SBAB joined the Partnership for Carbon Accounting Financials (PCAF), a partnership between financial institutions aimed at creating a standardized methodology for measuring Greenhouse gas emissions (GHG emissions) tied to lending and investment portfolios.

SBAB's financed emissions and climate target is also published externally for fully transparency in the Climate Report on sbab.se. Tools implemented for identification, measurement and management of social risks are key performance indicators such as personnel turnover, sick leave, and wellness. SBAB also reports on equality for e.g., share of female manager and share of Board of Directors and Executive Management.

Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile (Article 449a in conjunction with Article 435(1), points (a) and (f) CRR)

The result of the climate related indicator (KRI) is reported on a regular basis to the Board and the CEO. Risk organization shall identify, evaluate, and monitor the outcome from the KRI within decided limits. The outcome from the KRI indicates an insignificant risk level and has currently no impact on the capital and liquidity profile. In the ICAAP process in the beginning of year 2023 a stress test regarding energy prices was implemented where SBAB estimated the effect on capital. The stress estimated migration within risk classes in credit risk, based on the deterioration in calculation of household's cost. The results from this ICAAP process have limited effect on the overall capital profile due to the existing risk weight floor on Swedish mortgages.

Data availability, quality and accuracy, and efforts to improve these aspects (Article 449a CRR).

SBAB uses data from The Swedish Geotechnical Institute (SGI) and the Swedish Civil Contingencies Agency (MSB). They have developed a list of areas that are particularly vulnerable to flooding, collapse and landslides.

The methodology SBAB uses to measure the portfolio emissions is based on the PCAF global standard for the financial industry's accounting and reporting of GHG emissions related to loans and investments. PCAF supported the process with feedback on SBAB's application of the methodology. The data was compiled from the Swedish National Board of Housing, Building and Planning and the Swedish Energy Agency, see more information in SBAB's Climate Report on sbab.se.

To meet new and upcoming requirements regarding ESG-related data, SBAB has identified a need for a common climate data source. The access to data is currently limited. To obtain this data and make it available SBAB has initiated a climate data project. Since 2023, SBAB has been conducting an enterprise-wide project to build up infrastructure to collect climate-related data linked to SBAB lending. The project's goal is to harmonize climate data and integrate new data sources for energy efficiency and climate risks linked to SBAB's lending.

Description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of breaching these limits (Article 449a in conjunction with Article 435(1), points (f) CRR)

SBAB implemented a Key Risk Indicator (KRI), as a driver of prudential risk and that is defined as a value that indicate a change in climate risk profile.

Description of setting limits to social risk and cases to trigger escalation and exclusion in the case of breaching these limits (Article 449a in conjunction with Article 435(1), point (f) CRR)

SBAB currently has ongoing processes to identify relevant KRI:s for social risks.

Description of the link (transmission channels) between environmental and social risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework (Article 449a CRR)

Notable significant impacts of risk drivers for SBAB are energy cost and flooding effect on real estate value and household wealth which may result in i.e., higher credit risk in the forthcoming years.



Institution's integration in risk management and arrangements the governance performance of their counterparties considering ethical considerations, strategy and risk management, inclusiveness, transparency, management of conflict of interest, internal communication on critical concerns (Article 449a in conjunction with article 435 (1) CRR)

The majority of the counterparties consist of construction and real estate companies. A significant number of the counterparties is listed on the stock exchange i.e., they have a high degree of transparency in their operations and processes and routines are in place to handle conflicts of interest as well as sensitive internal communication around on critical challenges. SBAB's

counterparties are reviewed based on the regulations for money laundering and financing of terrorism, where customer knowledge is obtained, and the real principal(s) are carefully mapped to ensure who is SBAB's counterparty. Likewise, the customer is evaluated based on sustainability risks including the ethical perspective. There is an ongoing improvement of the counterparty's governance performance within SBAB's risk management.

BANKING BOOK- CLIMATE CHANGE TRANSITION RISK: CREDIT QUALITY OF EXPOSURES BY SECTOR, EMISSIONS AND RESIDUAL MATURITY

Sector/subsector	Gross carrying amount (SEK million)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (SEK million)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent) ²⁾		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting				Average weighted maturity	
	a	b <i>Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation¹⁾</i>	c <i>Of which environmentally sustainable (CCM)</i>	d <i>Of which stage 2 exposures</i>	e <i>Of which non-performing exposures</i>	f <i>Of which Stage 2 exposures</i>	g <i>Of which non-performing exposures</i>	h	i	j <i>Of which Scope 3 financed emissions</i>	k	GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting				
												l ≤ 5 years	m > 5 year ≤ 10 years	n > 10 year ≤ 20 years		o > 20 years
Exposures towards sectors that highly contribute to climate change*	166,393	-	116	16,957	110	-102	-31	-36				154,363	12,017	7	6	2.4
1 A - Agriculture, forestry and fishing	3	-	-	-	-	-2	-	-				4	0	-	-	1.0
3 B - Mining and quarrying	-	-	-	-	-	-	-	-				-	-	-	-	-
4 B.05 - Mining of coal and lignite	-	-	-	-	-	-	-	-				-	-	-	-	-
5 B.06 - Extraction of crude petroleum and natural gas	-	-	-	-	-	-	-	-				-	-	-	-	-
6 B.07 - Mining of metal ores	-	-	-	-	-	-	-	-				-	-	-	-	-
7 B.08 - Other mining and quarrying	-	-	-	-	-	-	-	-				-	-	-	-	-
8 B.09 - Mining support service activities	-	-	-	-	-	-	-	-				-	-	-	-	-
9 C - Manufacturing	-	-	-	-	-	-	-	-				-	-	-	-	-
10 C.10 - Manufacture of food products	-	-	-	-	-	-	-	-				-	-	-	-	-
11 C.11 - Manufacture of beverages	-	-	-	-	-	-	-	-				-	-	-	-	-
12 C.12 - Manufacture of tobacco products	-	-	-	-	-	-	-	-				-	-	-	-	-
13 C.13 - Manufacture of textiles	-	-	-	-	-	-	-	-				-	-	-	-	-
14 C.14 - Manufacture of wearing apparel	-	-	-	-	-	-	-	-				-	-	-	-	-
15 C.15 - Manufacture of leather and related products	-	-	-	-	-	-	-	-				-	-	-	-	-
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	-	-	-	-	-	-	-	-				-	-	-	-	-
17 C.17 - Manufacture of pulp, paper and paperboard	-	-	-	-	-	-	-	-				-	-	-	-	-
18 C.18 - Printing and service activities related to printing	-	-	-	-	-	-	-	-				-	-	-	-	-
19 C.19 - Manufacture of coke oven products	-	-	-	-	-	-	-	-				-	-	-	-	-
20 C.20 - Production of chemicals	-	-	-	-	-	-	-	-				-	-	-	-	-
21 C.21 - Manufacture of pharmaceutical preparations	-	-	-	-	-	-	-	-				-	-	-	-	-
22 C.22 - Manufacture of rubber products	-	-	-	-	-	-	-	-				-	-	-	-	-
23 C.23 - Manufacture of other non-metallic mineral products	-	-	-	-	-	-	-	-				-	-	-	-	-
24 C.24 - Manufacture of basic metals	-	-	-	-	-	-	-	-				-	-	-	-	-
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	-	-	-	-	-	-	-	-				-	-	-	-	-
26 C.26 - Manufacture of computer, electronic and optical products	-	-	-	-	-	-	-	-				-	-	-	-	-
27 C.27 - Manufacture of electrical equipment	-	-	-	-	-	-	-	-				-	-	-	-	-
28 C.28 - Manufacture of machinery and equipment n.e.c.	-	-	-	-	-	-	-	-				-	-	-	-	-
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	-	-	-	-	-	-	-	-				-	-	-	-	-
30 C.30 - Manufacture of other transport equipment	-	-	-	-	-	-	-	-				-	-	-	-	-
31 C.31 - Manufacture of furniture	-	-	-	-	-	-	-	-				-	-	-	-	-
32 C.32 - Other manufacturing	-	-	-	-	-	-	-	-				-	-	-	-	-
33 C.33 - Repair and installation of machinery and equipment	-	-	-	-	-	-	-	-				-	-	-	-	-
34 D - Electricity, gas, steam and air conditioning supply	24	-	-	-	-	0	-	-				16	8	-	-	3.3
35 D35.1 - Electric power generation, transmission and distribution	24	-	-	-	-	0	-	-				16	8	-	-	3.3
36 D35.11 - Production of electricity	-	-	-	-	-	-	-	-				-	-	-	-	-

BANKING BOOK- CLIMATE CHANGE TRANSITION RISK: CREDIT QUALITY OF EXPOSURES BY SECTOR, EMISSIONS AND RESIDUAL MATURITY, CONT.

Sector/subsector	Gross carrying amount (SEK million)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (SEK million)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent) ²⁾		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting				Average weighted maturity
	a	Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation ¹⁾	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures	f	Of which Stage 2 exposures	Of which non-performing exposures	Of which Scope 3 financed emissions	k	l	m	n	o	
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38	D35.3 - Steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	F - Construction	953	-	426	-	-1	0	-	-	953	-	-	-	-	2.5
41	F.41 - Construction of buildings	924	-	426	-	-1	0	-	-	925	-	-	-	-	2.5
42	F.42 - Civil engineering	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	F.43 - Specialised construction activities	28	-	-	-	0	-	-	-	28	-	-	-	-	1.4
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	72	-	-	-	0	-	-	-	72	0	-	-	-	0.6
45	H - Transportation and storage	1,524	-	382	-	-2	0	-	-	1,524	-	-	-	-	1.6
46	H.49 - Land transport and transport via pipelines	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	H.50 - Water transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
48	H.51 - Air transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	H.52 - Warehousing and support activities for transportation	1,524	-	382	-	-2	0	-	-	1,524	-	-	-	-	1.6
50	H.53 - Postal and courier activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	I - Accommodation and food service activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	L - Real estate activities	163,816	-	116	16,149	110	-99	-31	-36	151,794	12,009	7	6	2.4	
53	Exposures towards sectors other than those that highly contribute to climate change*	3,038	-	2,204	-	-8	-8	-	-	3,037	-	1	-	3.1	
54	K - Financial and insurance activities	2,728	-	2,202	-	-8	-8	-	-	2,728	-	-	-	3.3	
55	Exposures to other sectors (NACE codes J, M - U)	310	-	2	-	0	0	-	-	309	-	1	-	1.0	
56	Total	169,431	-	116	19,161	110	-110	-39	-36	157,400	12,017	8	6	2.4	

1) In accordance with the Commission delegated regulation (EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks - Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006. SBAB does not have exposures that are excluded from the Paris Agreement.

2) This disclosure requirement enter into force as of June 2024. SBAB work with data development regarding GHG-financed emissions is ongoing and will be published on required level of details as soon as the data is assured, not later than June 2024.

The template includes assets in the banking book representing loans and advances to non financial counterparties. Construction loans are included in the NACE distribution and consequently in the total. Loans to credit institutions and households are excluded.

The gross carrying amount is aligned with the valued reported in Finrep. Maturity is defined as residual contractual maturity and is calculated with remaining days to final payment date. Exposures within the first two buckets are represented by floating rate notes (FRN-loans) and property loans. FRN-loans has a maturity period that is equal to the condition period, with possible maturity up to 10 years, most common maturity of 5 years. Property loans is a form of "until further notice" and although the maturity period is reported equal to the condition period. Bucket 10 years or longer is represented by property loans.

BANKING BOOK - CLIMATE CHANGE TRANSITION RISK: LOANS COLLATERALISED BY IMMOVABLE PROPERTY - ENERGY EFFICIENCY OF THE COLLATERAL

Counterparty sector	Total gross carrying amount amount (in SEK million)															
	Level of energy efficiency (EP score in kWh/m ² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral		
		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G	Of which level of energy efficiency (EP score in kWh/m ² of collateral) estimated	
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1 Total EU area	502,296	166,533	321,197	12,991	1,310	141,525	121,912	2,957	35,925	65,477	82,058	119,657	64,378	16,982	114,861	100%
2 Of which Loans collateralised by commercial immovable property	9,379	7,094	1,230	1,047	8	-	-	300	3,603	2,909	995	463	54	8	1,047	100%
3 Of which Loans collateralised by residential immovable property	492,917	159,439	319,937	11,944	1,302	141,525	121,912	2,657	32,322	62,568	81,063	119,195	64,324	16,974	113,813	100%
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	114,861	-	113,813	1,047	-	-	-	-	-	-	-	-	-	-	114,861	100%
6 Total non-EU area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The template includes loans collateralised by commercial and residential immovable property. Construction loans are excluded. The gross carrying amount is aligned with the valued reported in Finrep. Energy Performance Certificates are applied where available. Where unavailable, PCAF emissions factors database estimates are used. The availability of EPC labels for the real estate portfolio are limited due to the fact that energy declarations are not compulsory and is generally required only when selling property.

BANKING BOOK - CLIMATE CHANGE TRANSITION RISK: EXPOSURES TO TOP 20 CARBON-INTENSIVE FIRMS

Counterparty	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
	a	b	c	d	e
1	N/A	N/A	N/A	N/A	N/A

* For counterparties among the top 20 carbon emitting companies in the world

Not applicable. As of 31 December, 2023, SBAB had no exposures to the top 20 most carbon-intensive companies in the world, listed in the EU and the Swedish Environmental Protection Agency.

BANKING BOOK - CLIMATE CHANGE PHYSICAL RISK: EXPOSURES SUBJECT TO PHYSICAL RISK

Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (SEK million)														
		of which exposures sensitive to impact from climate change physical events														
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				
a	b	c	d	e	f	g	h	i	j	k	l	m	n	o		
1	A - Agriculture, forestry and fishing	4	0	0	-	-	0.5	0	0	-	0	-	0	-	-	
2	B - Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3	C - Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4	D - Electricity, gas, steam and air conditioning supply	24	0	0	-	-	1.9	0	0	-	-	-	-	-	-	
5	E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	F - Construction	953	1	-	-	-	1.8	0	1	-	0	-	0	0	-	
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	72	0	0	-	-	0.6	0	0	-	-	-	0	-	-	
8	H - Transportation and storage	1,524	0	0	-	-	1.3	0	0	-	0	-	0	0	-	
9	L - Real estate activities	168,816	1,077	134	-	0	2.7	878	333	-	91	0	0	0	0	
10	Loans collateralised by residential immovable property	506,517	1,056	141	94	1,646	21.0	1,991	946	-	245	2	-1	0	0	
11	Loans collateralised by commercial immovable property	9,420	39	2	-	-	1.9	24	17	-	5	-	0	0	-	
12	Repossessed collaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

The gross carrying amount (GCA) column includes exposures to non-financial counterparties and exposures to households regardless of exposures sensitive to impact from physical events. The GCA is aligned with the value reported in Finrep. The exposures are sorted by NACE sector and by the loans collateralised by residential and commercial immovable property respectively. Construction credit loans are included in the total. The subsequent columns include only exposures sensitive to physical events. SBAB has in the regularly climate risk process identified floods accompanied by sea level rise (chronical) and floods in lakes and waterways (acute) as the main and most comparable physical risks. SBAB has compiled and calculated the data from a report prepared by Myndigheten för samhällsskydd och beredskap (The Swedish Civil Contingencies Agency) and Statens geotekniska institut (The Government's Geotechnical Institution). Likelihood that an object is affected by physical events is calculated on municipality level and are then applied to every object's gross carrying amount. Due to lack of more granular and detailed data SBAB disclose the data with the prudential and conservative approach which results in an assumption that the exposures cannot be considered sensitive to both acute and chronic risks respectively. Additionally, SBAB has regards to type of risks identified as sensitive for climate risk, assumed the risk unlikely to occur for both the physical risks in the period.

SUMMARY OF GAR KPIS

	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock ¹⁾	7.1	-	7.1	55.4
GAR flow ¹⁾	12.7	-	12.7	-

* % of assets covered by the KPI over banks' total assets

¹⁾ The outcome differs from the outcome according to the EU taxonomy, which can be found in the sustainability notes in SBAB's annual report, due to differences in the regulatory requirements according to the EU taxonomy (Regulation (EU) 2021/2178) and the disclosure requirements for Pillar 3.

MITIGATING ACTIONS: ASSETS FOR THE CALCULATION OF GAR

Million EUR		Disclosure reference date T															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					
		Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					
		Total gross carrying amount	Of which specialised lending			Of which transitional	Of which enabling	Of which specialised lending			Of which adaptation	Of which enabling	Of which specialised lending			Of which transitional/adaptation	Of which enabling
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
GAR - COVERED ASSETS IN BOTH NUMERATOR AND DENOMINATOR																	
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	417,288	360,700	29,759	-	-	-	-	-	-	-	-	360,700	29,759	-	-	-
2	Financial corporations	55,285	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Credit institutions	55,285	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	11,724	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	43,561	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Non-financial corporations (subject to NFRD disclosure obligations)	13,741	13,741	116	-	-	-	-	-	-	-	-	13,741	116	-	-	-
21	Loans and advances	13,741	13,741	116	-	-	-	-	-	-	-	-	13,741	116	-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Households	348,262	346,959	29,643	-	-	-	-	-	-	-	-	346,959	29,643	-	-	-
25	of which loans collateralised by residential immovable property	346,479	346,479	29,643	-	-	-	-	-	-	-	-	346,479	29,643	-	-	-
26	of which building renovation loans	203	203	-	-	-	-	-	-	-	-	-	203	-	-	-	-
27	of which motor vehicle loans	278	203	-	-	-	-	-	-	-	-	-	203	-	-	-	-
28	Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	TOTAL GAR ASSETS	417,288	360,700	29,759	-	-	-	-	-	-	-	-	360,700	29,759	-	-	-

Million EUR	Disclosure reference date T															
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					
	Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					
	Total gross carry- ing amount		Of which spe- cialised lending	Of which tran- sitional	Of which enabling			Of which spe- cialised lending	Of which adap- tation	Of which enabling		Of which spe- cialised lending	Of which transitional/ adaptation	Of which enabling		
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
ASSETS EXCLUDED FROM THE NUMERATOR FOR GAR CALCULATION (COVERED IN THE DENOMINATOR)																
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)	155,797														
34	Loans and advances	155,690														
35	Debt securities	-														
36	Equity instruments	106														
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	-														
38	Loans and advances	-														
39	Debt securities	-														
40	Equity instruments	-														
41	Derivatives	10,676														
42	On demand interbank loans	61														
43	Cash and cash-related assets	-														
44	Other assets (e.g. Goodwill, commodities etc.)	2,628														
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)	169,161														
OTHER ASSETS EXCLUDED FROM BOTH THE NUMERATOR AND DENOMINATOR FOR GAR CALCULATION																
46	Sovereigns	22,046														
47	Central banks exposure	42,338														
48	Trading book	-														
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	64,384														
50	TOTAL ASSETS	650,832														

GAR (%)

% (compared to total covered assets in the denominator)	Disclosure reference date T: KPIs on stock															
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
	Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable					
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	Proportion of total assets covered
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1 GAR ¹⁾	86.4	7.1	-	-	-	-	-	-	-	-	86.4	7.1	-	-	-	55.4
2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	86.4	7.1	-	-	-	-	-	-	-	-	86.4	7.1	-	-	-	55.4
3 Financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Non-financial corporations subject to NFRD disclosure obligations	100.0	0.8	-	-	-	-	-	-	-	-	100.0	0.8	-	-	-	2.1
10 Households	99.6	8.5	-	-	-	-	-	-	-	-	99.6	8.5	-	-	-	53.3
11 of which loans collateralised by residential immovable property	100.0	8.6	-	-	-	-	-	-	-	-	100.0	8.6	-	-	-	53.2
12 of which building renovation loans	100.0	-	-	-	-	-	-	-	-	-	100.0	-	-	-	-	0
13 of which motor vehicle loans	100.0	-	-	-	-	-	-	-	-	-	100.0	-	-	-	-	0
14 Local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16 Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

% (compared to total covered assets in the denominator)	Disclosure reference date T: KPIs on flows															
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					
	Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable					
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	Proportion of total new assets covered
	q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
1 GAR ²⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	82.1	12.7	-	-	-	-	-	-	-	-	82.1	12.7	-	-	-	-
3 Financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Non-financial corporations subject to NFRD disclosure obligations	100.0	12.5	-	-	-	-	-	-	-	-	100.0	12.5	-	-	-	-
10 Households	99.1	15.4	-	-	-	-	-	-	-	-	99.1	15.4	-	-	-	-
11 of which loans collateralised by residential immovable property	100.0	15.6	-	-	-	-	-	-	-	-	100.0	15.6	-	-	-	-
12 of which building renovation loans	100.0	-	-	-	-	-	-	-	-	-	100.0	-	-	-	-	-
13 of which motor vehicle loans	100.0	-	-	-	-	-	-	-	-	-	100.0	-	-	-	-	-
14 Local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16 Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

¹⁾ The outcome differs from the outcome according to the EU taxonomy, which can be found in the sustainability notes in SBAB's annual report, due to differences in the regulatory requirements according to the EU taxonomy (Regulation (EU) 2021/2178) and the disclosure requirements for Pillar 3.

²⁾ The calculation for GAR flow column q, r, aa, and ab disclosed according to Regulation (EU) 2021/2178 is not complete and will be developed for next year ends disclosures.

OTHER CLIMATE CHANGE MITIGATING ACTIONS THAT ARE NOT COVERED IN THE EU TAXONOMY

Type of financial instrument	Type of counterparty	Gross carrying amount (million SEK)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	4,270	Yes	No	SBAB sustainable green bonds in liquidity portfolio amounts to 8,0 SEK billion. The main part refer to bonds from financial corporations (4,3 SEK billion).
	Non-financial corporations	-	Yes	No	
	Of which Loans collateralised by commercial immovable property	-	-	-	
	Other counterparties	3,768	-	-	
Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	-	-	SBAB Green Loans with reduction for the amount that is covered in the EU Taxonomy and classified as environmentally sustainable. SBAB Green Loans includes the loans associated with EPC labels A,B and C.
	Non-financial corporations	8,719	Yes	No	
	Of which Loans collateralised by commercial immovable property	-	-	-	
	Households	31,777	Yes	No	
	Of which Loans collateralised by residential immovable property	31,777	Yes	No	
	Of which building renovation loans	-	-	-	
Other counterparties	-	-	-		
Total		48,533			

SBAB!

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