Svea Bank AB (publ)

Annual Report, 2021

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The Board of Directors and CEO of Svea Ekonomi AB (publ), Co. Reg. No. 556158-7634, herewith submit the Annual Report for the financial year 2021.

REPORT OF THE BOARD OF DIRECTORS

Operations

Svea Bank AB is a limited liability banking company and conducts financing activities under a permit from the Swedish Financial Supervisory Authority and in accordance with the provisions of the Banking and Financing Business Act (SFS 2004:297) (LBF).

The bank's business concept is, by means of personal service, to provide the market with efficient, adapted solutions in the field of financial services. The business concept encompasses services, financing and administration of invoice receivables, lending to private individuals and companies, deposits and payment transfers.

The bank is a wholly-owned subsidiary of Svea Ekonomi AB (publ), Co. Reg. No. 556489-2924, with its registered office in Stockholm.

Significant events during the year

The year was characterised by continued customer growth on both the business and the private side.
During the year, we launched Swish for our private and business customers.

Cross-boundary operations have been announced to a number of countries, and branches have been opened in Norway and Finland as part of preparations for the merger with Svea Ekonomi.

In December, Lennart Ågren took up the position of CEO and Board members Anna Frick, Mats Hellström, Anders Ingler, Mats Kärsrud and Arne Liljedahl were elected to reflect the Board of Directors at Svea Ekonomi prior to the merger.
In connection with this change, CEO Victor Ramström and Board member Peter Holmstedt, who had been active during the financial year, both departed.

The number of customers doubled, and income increased by 67% on the previous year.
The increase in income is driven primarily by monthly and transaction fees.
There was a general increase in lending, albeit not to the same extent as in new customers.
There was a significant increase in deposits compared with the previous period, almost 113%.

The operating loss for the year was covered by means of a Group contribution received from the Parent Company of SEK 36,500,000 (40,500,000).

Covid-19

There was a focus during the year on the ongoing Covid-19 pandemic. Its development and the directives are being followed closely while operations are still functioning. Around 70% of the workforce worked from home during the first half of the year, falling to 20% between late autumn and December.

So far, it has not been possible to confirm any significant negative changes in the likelihood of defaults as a consequence of Covid-19. There is limited exposure to those industries that have been affected very negatively, such as the hotel, restaurant and travel industries.

Even though there continues to be a significant level of uncertainty, there is not considered to be a need for any extra provision for future credit losses as a consequence of Covid-19.

Svea Ekonomi becomes Svea Bank

After the turn of the year, on 3 January 2022, a merger took place with the Parent Company in which Sea Ekonomi became part of the Bank. This produces a joint offering and a broader variation of services for the market.

The proforma tables below show what the financial situation would have been like had the merger taken place on 31 December instead of 3 January, with Svea Bank AB as the Parent Company in the Group. To gain a clear picture of the Group situation as of 31 December (with Svea Ekonomi AB as Parent Company in the Group), please refer to the Financial Statement for Svea Ekonomi AB (publ) that was produced and is available at svea.com.

		Group	Parent Company
INCOME STATEMENT (SEK thousands)	**Note**	**2021**	**2021**
Net interest income		2,494,278	1,923,913
Dividends received		26,212	26,480
Net commissions		1,271,255	495,363
Other operating income		175,330	263,606
Operating income		**3,967,075**	**2,709,362**
Operating expenses		-2,512,606	-1,897,859
Profit/loss before credit losses		**1,454,469**	**811,503**
Credit losses, net		-396,651	-341,542
Impairment charges, financial assets		0	-205,796
Operating profit/loss		**1,057,819**	**264,165**
Appropriations		0	94,681
Profit before tax		**1,057,819**	**358,846**
Tax on profit/loss for the year		-190,892	-94,761
Profit/loss for the year		**866,926**	**264,085**

COMPREHENSIVE INCOME (SEK thousands)		
Profit/loss for the year	**866,926**	**264,085**
Other comprehensive income	391,589	369,575
Comprehensive income for the year	**1,258,515**	**633,660**

		Group	Parent Company
BALANCE SHEET (SEK thousands)	**Note**	**31 Dec 2021**	**31 Dec 2021**
Cash and balances with central banks		573,005	573,005
Treasury bonds etc. acceptable as collateral		50,038	50,038
Lending to credit institutions		2,895,918	2,009,006
Lending to the public		20,782,655	19,705,972
Other assets		8,002,994	8,228,410
Assets		**32,304,610**	**30,566,431**
Liabilities to credit institutions		672	3,561
Deposits from the public		25,150,548	24,836,019
Other liabilities		2,214,489	1,689,020
Shareholders' equity		4,938,902	4,037,831
Liabilities and shareholders' equity		**32,304,610**	**30,566,431**

Financial summary

Income

Operating income amounted to SEK 35,640,000 (20,818,000).
Operating income increased primarily as a consequence of commission income.

Expenses

Operating expenses amounted to SEK 69,310,000 (58,623,000).
Operating expenses increased primarily as a consequence of expenses attributable to the increased use of services and the continued development of the banking platform.

Credit losses

Net credit losses amounted to SEK 3,461,000 (3,582,000). The credit loss ratio was 1.5% (1.8).

Profit/loss

The operating profit/loss amounted to SEK -37,131,000 (-41,386,000).

Lending

As of 31 December 2021, lending to the public amounted to SEK 228,195,000 (224,668,000).

Financing

The bank's lending to the public is financed through deposits from the public, other credit institutions and our own operations.
As of 31 December 2021, deposits from the public amounted to SEK 1,085,303,000 (509,513,000).
As of 31 December 2021, liabilities to credit institutions amounted to SEK 20,977,000 (15,495,000).

Liquidity

As of 31 December 2021, cash and bank balances plus approved but unutilised credit amounted to SEK 958,394,000 (404,865,000). As of 31 December 2021, liquidity including investments in government securities amounted to SEK 1,008,432,000 (438,883,000).

Investments

There were no investments in tangible assets during the year.

Acquisitions and divestments

There were no acquisitions or divestments during the year.

Personnel

The average number of full-time equivalent employees was 31 people (29). The number of employees as of 31 December 2021 was 32 (29).

The planning and decision-making process regarding remunerations and benefits for key individuals in executive positions including the Board is described in Note 8.

Capital adequacy

The European CRR/CRDV (Basel III) regulations entail requirements for the highest quality components of the capital base – Common Equity Tier 1 capital and Tier 1 capital. In addition to the minimum capital requirements, there is a capital conservation buffer of 2.50 per cent. With application from 16 March 2020, the contra-cyclic buffer was reduced to 0.00 per cent (0.00) for certain exposures in Sweden.

The minimum capital requirement for the Common Equity Tier 1 capital ratio is 4.50 per cent, the Tier 1 capital ratio 6.00 per cent and the total capital ratio 8.00 per cent.

On 31 December 2021, the capital requirement in the bank including the buffer requirement for the Common Equity Tier 1 capital ratio stood at 7.61 per cent, the Tier 1 capital ratio at 9.24 per cent and the total capital ratio at 11.41 per cent.

The capital requirement is calculated in accordance with the statutory minimum requirement according to pillar I for credit risk, market risk and operational risk, requirement according to pillar II and combined buffer requirements.

On 31 December 2021, the Common Equity Tier 1 capital ratio in the bank stood at 43.83% (46,54), the Tier 1 capital ratio at 43.83% (46.54%) and the total capital ratio at 43.83% (46.54%).

The bank is in turn in a consolidated situation with the Parent Company.

For further information on risk management and capital management, please refer to page 5 and to Notes 30 and 31.

Corporate Governance Report

The Corporate Governance Report has been drawn up as a separate report and is available on the Svea Bank website, www.svea.com.

Sustainability Report

The Sustainability Report has been drawn up as a separate report and is available on the Svea Bank website, www.svea.com.

Economic outlook

We expect to see a continued increase in the rate of growth in terms of the number of customers, deposits and lending during the years ahead.
The customer stock in the bank is expected to continue to grow rapidly during 2022.
New offerings in the field of Banking as a Service are expected to generate additional growth through partnerships with external clients.

Proposed allocation of profits in SEK

The Board of Directors of the bank proposes that unappropriated earnings placed at the disposal of the Annual General Meeting:

Profit brought forward from the previous year	70,553,380
Profit/loss for the year	-610,989
Total	**69,942,391**
Be distributed as follows:	
To be paid to shareholders (1,598,400 shares x SEK 31.28 per share)	50,000,000
To be carried forward	19,942,391
Total	**69,942,391**

The Board of Directors proposes that SEK 50,000,000 be distributed, equivalent to SEK 31.28 per share.

The Board proposes that the Annual General Meeting of 27 April 2022 authorise the Board to decide on a distribution date.

Current regulations for capital adequacy and major exposures stipulate that the company must, at all times, have a capital base corresponding to at least the company’s internally assessed capital requirement, i.e. the total capital requirements for credit risks, market risks and operational risks, as well as for additional identified risks in the operations in accordance with the company’s internal capital and liquidity adequacy assessment process (ICAAP). After the proposed allocation of profits, the capital base as of 31 December 2021 amounted to SEK 39,259,000. The capital requirement amounted to SEK 31,045,000.

Following completion of the merger on 3 January 2022, the capital situation is stronger and the capital requirement increases. The capital base as of 31 January 2022 amounted to SEK 5,294,124,000, while the capital requirement amounted to SEK 3,605,679,000.

The Board of Directors and the CEO consider the proposed dividend to be justifiable with regard to the requirements that the nature, scope and risks of the operations impose on the size of shareholders’ equity and the company’s solvency requirements, liquidity and position in general.

With regard to the bank’s position and performance in general, please refer to the income statement and balance sheet presented below, with their associated supplementary disclosures and notes to the financial statements.

Risk management and capital management

Risk exposure is an integral part of all financial operations and means that the bank is exposed to credit, liquidity, market, transaction and operational risks. Therefore, the business requires an effective governance and control environment with a well-defined organisation and clear division of responsibilities, as well as efficient processes for each area of risk.

Risk management organisation

The bank uses a control model in which the responsibility for risk management is divided between the Board and *three lines of defence*: the line organisation (1st line of defence), risk control and compliance (2nd line of defence) and internal audit (3rd line of defence).

Board of Directors
The bank's Board of Directors bears ultimate responsibility for limiting and following up the bank's risks and also establishing the bank's capital adequacy target. At the bank, risks are measured and reported according to standardised principles and policies determined annually by the Board. The Board decides on guidelines for credit, liquidity, market, transaction and operational risks, and the Internal capital and liquidity adequacy assessment process (ICAAP), which is revised at least annually. The Board monitors risk trends on a continuous basis and sets and supervises limits of risk appetite that may not be exceeded.

The bank has established an efficient framework for risk appetites that includes all of the bank's relevant risks. Ambition, approach and qualitative standpoints are established for each individual risk. Qualitative risk appetites are combined with quantitative risk appetite metrics and tolerance levels. The Board continually evaluates the operation's compliance with established risk appetites through follow-up and reports by the independent risk control function. The framework and relevance of the risk appetite levels are evaluated on a continuous basis, for revision or update by the Board as necessary.

Line organisation
The risk originates in the line organisation, which has thus formal responsibility for risks and risk management processes. Guidelines and instructions form the basis of sound risk management, i.e. continuously identifying, measuring, controlling and following up on the operation's risks. This also involves reporting relevant risk information to management and risk control.

Risk control function
The risk control function is an independent control function responsible for ongoing controls that ensure risk exposure is kept within established limits and that the line organisation controls operations in the intended manner. This also involves reporting relevant risk information to management and the Board. The function is also responsible for coordinating the bank's internal capital and liquidity adequacy assessment process and advising on risk control issues, as well as providing personnel with supplementary training. The function is led by a Risk Control Officer and is procured externally.

Compliance
Compliance refers to abidance to external regulations. The bank has an independent compliance function led by a Compliance Officer, as well as a group compliance employees. The organisation's principal task is to assure the quality of the operation and prevent any problems by ensuring that changes in legislation and regulations are implemented and complied with by the operation. This also involves reporting relevant information to management and the Board.

Internal audit
Internal audit is an independent auditing function procured externally. It examines and evaluates risk-control and governance processes in the bank. It is independent of business operations and reports directly to the Board of the bank. The audit plan and priorities for the focus of the work are established by the Board. Reports prepared by the function are submitted to the Board and the units involved in each audit. The function audits day-to-day operations in the line organisation and the work performed by the 2nd line of defence, while also acting as an advisor to business operations.

Internal capital and liquidity adequacy assessment

The Board of the bank regularly examines the bank's capital supply and capital utilisation in the form of an internal capital and liquidity adequacy assessment (ICAAP). The ICAAP is intended to reflect significant risks faced by the bank and its purpose is to evaluate the bank's ability to maintain a level of capital that is sufficient to deal with the risks to which the bank is exposed.

In addition to the statutory minimum requirement for capital, the capital requirement is calculated for the risks that are considered to be significant for the bank's operations. This means that the bank maintains a large capital buffer so that it is able to meet future operational plans.

The risks that have been identified for the operation are credit risk, exchange rate risk, operational risk, liquidity and financing risk, concentration risk, interest rate risk, earning risk, strategic risk, reputation risk and compensation risk.

The analysis of the capital requirement is performed using quantitative and qualitative methods and is based on a number of scenarios for each risk driver, e.g. increased competition. The overall assessment of these risks is that the bank's capital base in addition to the minimum capital requirement also meets the capital need for these risks.

The ICAAP is based on the annual operational plan and the capital situation is monitored on an ongoing basis by the functions for risk control, compliance and internal audit, and is adopted annually by the Board.

For further information about risks and capital adequacy, please refer to pages 30–31.

FIVE-YEAR SUMMARY

Income statement

(SEK thousands)	2021	2020	2019	2018	2017
Net interest income	25,199	25,738	29,638	35,241	39,914
Net commissions	10,195	-4,725	-8,987	-4,736	-1,842
Other operating income	246	-195	4,930	1,326	13
Operating income	**35,640**	**20,818**	**25,581**	**31,831**	**38,085**
Operating expenses	-69,310	-58,623	-58,379	-49,557	-44,655
Profit/loss before credit losses	**-33,670**	**-37,804**	**-32,798**	**-17,726**	**-6,570**
Credit losses, net	-3,461	-3,582	-1,907	503	176
Operating profit/loss	**-37,131**	**-41,386**	**-34,705**	**-17,222**	**-6,394**
Appropriations	36,500	40,500	34,000	16,600	8,200
Profit before tax	**-631**	**-886**	**-705**	**-622**	**1,806**
Tax on profit/loss for the year	20	-115	4,897	-105	0
Profit/loss for the year	**-611**	**-1,001**	**4,192**	**-728**	**1,806**

Balance sheet

(SEK thousands)	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017
Cash and balances with central banks	438,928	76,079	31,757	33,772	0
Treasury bonds etc. acceptable as collateral	50,038	34,018	12,017	12,032	11,041
Lending to credit institutions	509,518	318,227	184,313	85,203	110,269
Lending to the public	228,195	224,668	180,452	232,191	229,669
Other assets	16,805	16,267	17,678	12,094	11,924
Assets	**1,243,484**	**669,259**	**426,217**	**375,292**	**362,903**
Liabilities to credit institutions	20,977	15,495	16,630	11,521	10,822
Deposits from the public	1,085,303	509,513	299,404	257,325	260,006
Other liabilities	13,093	19,529	10,460	10,915	10,579
Shareholders’ equity	124,111	124,722	99,723	95,531	81,495
Liabilities and shareholders’ equity	**1,243,484**	**669,259**	**426,217**	**375,292**	**362,903**

Key ratios

Operating margin, %	neg.	neg.	neg.	neg.	neg.
Return on total assets, %	neg.	neg.	1.0	neg.	0.5
Return on shareholders’ equity, %	neg.	neg.	4.3	neg.	2.2
Equity/assets ratio, %	10.0	18.6	23.4	25.5	22.5
Expenses/income	1.9	2.8	2.3	1.6	1.2
Lending/deposits, %	21.0	44.1	60.3	90.2	88.3
Credit loss ratio, %	1.5	1.8	0.9	-0.2	-0.1
Liquidity, SEK thousands	1,008,432	438,883	238,908	141,251	121,310
Cash flow from operating activities, SEK thousands	-33,602	-37,439	-37,643	-16,162	-4,316
Average number of full-time equivalent employees	31	29	27	26	27
Total capital	119,259	119,829	94,826	95,531	81,495
Risk-weighted exposures, SEK thousands	272,075	257,450	263,289	316,580	361,698
Common Equity Tier 1 capital ratio, %	43.8	46.5	36.0	30.2	22.5
Total capital ratio, %	43.8	46.5	36.0	30.2	22.5
Liquidity Coverage Ratio (LCR), %	368.3	372.0	338.0	142.1	127.0

See Note 35 for definitions of key ratios.

As of 2017, operating income attributable to invoice purchasing has been reclassified from commission income to interest income in accordance with the Parent Company’s accounting policies. As of 2019, Group contributions received from the Parent Company have been reclassified from lending to the public to lending to credit institutions, in accordance with regulatory reporting.

Income statement

(SEK thousands)	Note	2021	2020
Interest income	2,3	27,424	28,112
Interest expenses	2,3	-2,225	-2,374
Net interest income		**25,199**	**25,738**
Commission income	2,4	28,936	8,318
Commission expenses	2,5	-18,741	-13,043
Net profit from financial transactions	6	-60	-364
Other operating income	7	306	169
Operating income		**35,640**	**20,818**
Personnel expenses	2,8	-28,863	-26,659
Other administrative expenses	2,9,18	-40,447	-31,963
Operating expenses		**-69,310**	**-58,623**
Profit/loss before credit losses		**-33,670**	**-37,804**
Credit losses, net	10	-3,461	-3,582
Operating profit/loss		**-37,131**	**-41,386**
Appropriations	11	36,500	40,500
Profit before tax		**-631**	**-886**
Tax on profit/loss for the year	12	20	-115
Profit/loss for the year		**-611**	**-1,001**

Comprehensive income

Profit/loss for the year	**-611**	**-1,001**
Other comprehensive income	0	0
Comprehensive income for the year	**-611**	**-1,001**

Balance sheet

(SEK thousands)	Note	31 Dec 2021	31 Dec 2020
Cash and balances with central banks	13	438,928	76,079
Treasury bonds etc. acceptable as collateral	14	50,038	34,018
Lending to credit institutions	15	509,518	318,227
Lending to the public	16	228,195	224,668
Shares and participations	17	0	0
Tangible assets	18	0	0
Deferred tax assets	19	4,802	4,782
Other assets	20,26	9,167	8,233
Prepaid expenses and accrued income	21	2,836	3,252
Assets		**1,243,484**	**669,259**
Liabilities to credit institutions	22	20,977	15,495
Deposits from the public	23	1,085,303	509,513
Other liabilities	24	7,015	9,443
Accrued expenses and prepaid income	25	6,078	10,086
Liabilities		**1,119,373**	**544,537**
Share capital		50,000	50,000
Statutory reserve		4,168	4,168
Restricted shareholders' equity		54,168	54,168
Retained earnings		70,553	71,554
Profit/loss for the year		-611	-1,001
Non-restricted shareholders' equity		69,942	70,553
Shareholders' equity		**124,111**	**124,722**
Liabilities and shareholders' equity		**1,243,484**	**669,259**

Report of changes in shareholders' equity

(SEK thousands)	Restricted shareholders' equity: Share capital	Restricted shareholders' equity: Statutory reserve	Non-restricted shareholders' equity: Retained earnings	Total shareholders' equity
Shareholders' equity 31 Dec 2019	**50,000**	**4,168**	**45,554**	**99,723**
Shareholder contribution received			**26,000**	**26,000**
Profit/loss for the year			-1,001	-1,001
Profit/loss for the year			**-1,001**	**-1,001**
Shareholders' equity 31 Dec 2020	**50,000**	**4,168**	**70,553**	**124,722**
Profit/loss for the year			-611	-611
Profit/loss for the year			**-611**	**-611**
Shareholder contribution received			0	0
Transactions with shareholders			**0**	**0**
Shareholders' equity 31 Dec 2021	**50,000**	**4,168**	**69,942**	**124,111**

Share capital consists of 1,598,400 shares with a quote value of SEK 31.2813.

Cash flow statement

(SEK thousands)	Note	2021	2020
Profit/loss before credit losses		-33,670	-37,804
Of which interest received		27,424	28,112
Of which interest paid		-2,225	-2,374
Items not included in cash flow:			
Changes in value, treasury bonds, etc. acceptable as collateral		114	39
Exchange rate differences		-46	326
Income taxes paid		0	0
Cash flow from operating activities before changes in operating assets and liabilities		**-33,602**	**-37,439**
Treasury bonds etc. acceptable as collateral		-16,133	-22,040
Lending to the public		-6,943	-48,123
Other assets		-456	1,296
Liabilities to credit institutions		5,481	-1,134
Deposits from the public		575,790	210,109
Other liabilities		-6,436	9,068
Change in the operation's assets and liabilities		**551,303**	**149,175**
Cash flow from operating activities		**517,702**	**111,736**
Liquidation, Group company		0	0
Cash flow from investing activities		**0**	**0**
Shareholder contribution received		0	26,000
Cash flow from financing activities		**0**	**26,000**
Cash flow for the year		**517,702**	**137,736**
Cash and cash equivalents at beginning of year		394,244	182,070
Group contribution received		36,500	34,000
Cash and cash equivalents at year-end		**948,446**	**353,806**
Cash and cash equivalents consist of:			
Cash and balances with central banks		438,928	76,079
Lending to credit institutions		86,396	81,665
Lending to credit institutions, Parent Company excluding Group contribution		423,121	196,062
Cash and cash equivalents at year-end		**948,446**	**353,806**
Cash and cash equivalents not available for use		0	0

Note 1 - Accounting policies and valuation principles

Information about the bank

The Annual Report was prepared as of 31 December 2021 and refers to Svea Bank AB, Co. Reg. No. 556158-7634, which is a Swedish-registered limited liability banking company with its registered office in Stockholm. The address of the head office is Evenemangsgatan 31, Solna, Sweden.

Compliance with standards and laws

The Annual Report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL/1995:1559). The Swedish Financial Supervisory Authority's regulations and general advice (FFFS 2008:25) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities are also applied. The bank thus applies legally restricted IFRS.

The Annual Report was approved for issue by the Board of Directors on 27 April 2022. The income statement and balance sheet will be presented for adoption at the Annual General Meeting on 27 April 2022.

General conditions for the preparation of the company's financial statements

The accounting policies have not changed in relation to the previous year.

Assets and liabilities are reported at cost, unless otherwise stated below.

Unless otherwise specified, the financial statements for the bank are presented in thousand Swedish kronor (SEK thousands), which is also the bank's functional currency.

In accordance with industry practice for financial companies, the balance sheet is not divided into non-current and current liabilities and current and non-current assets respectively.

Upcoming changes in IFRS

None of the changes in the accounting regulations that have been issued for application are considered to have a significant impact on the bank's financial statements, capital adequacy or major exposures. The standards that come into force for financial years beginning after 1 January 2022 have not been applied in the preparation of these financial statements.

Estimates and significant assessments

Preparing the financial statements requires company management to make assessments and estimates as well as make assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses and off-balance-sheet commitments. These estimates and assumptions are based on past experience and other factors that the management considers fair and reasonable.

Certain accounting policies are deemed to be of particular importance for the bank's financial position as they are based on complex, subjective assessments and estimates on the part of management, most of which refer to circumstances that are uncertain. These critical assessments and estimates are primarily attributable to impairment testing of shares in Group companies and lending.

Impairment testing of lending

Impairment testing of loan receivables takes place in accordance with IFRS 9 Financial instruments, as described below.

Translation of foreign currencies

Assets and liabilities in foreign currencies are translated at the closing day rate. Exchange rate differences are reported in the income statement under Net profit/loss from financial transactions. To minimise exchange rate differences, net positions in USD have been hedged through currency loans from the Parent Company, see Note 30.

Financial instruments

IFRS 9 Financial instruments concerns classification and valuation, impairment and general hedge accounting. In simple terms, the standard means that when a credit is disbursed, the bank reports an impairment and estimates the expected credit losses, which requires additional assessments in respect of changed credit risk and forward-looking information. The bank has classified assets and liabilities, and developed models for the calculation of expected credit losses in accordance with this. Notes 10 and 16 describe credit losses and reserves respectively.

Classification of financial assets and liabilities

A financial instrument is defined as any type of agreement that gives rise to a financial asset in a company and a financial liability or equity instrument with the counterparty.

Every financial instrument is classified in one of the following categories and forms the basis for how such instruments are valued in the balance sheet and how the change in the value of the instruments is reported – see also Note 28.

Financial assets
- Accrued cost of acquisition
- Fair value via the income statement
- Fair value via other comprehensive income

Financial liabilities
- Accrued cost of acquisition
- Fair value via the income statement

Financial assets must be classified as, and measured at, accrued cost, fair value via the income statement or fair value via other comprehensive income. The classification of a financial instrument is determined based on the business model of the portfolio in which the instrument is included and whether cash flows only represent payments of principal and interest.

Financial liabilities must be classified as, and measured at, accrued cost or fair value via the income statement. There is no division into short-term and long-term instruments in the financial statements.

Impairments
The impairment loss requirements are based on a model for expected credit losses. The requirements are comprehensive and specify that all assets measured at accrued cost, as well as off-balance sheet commitments, in respect of guarantees and loan commitments issued, must be tested for impairment.

The assets to be tested are divided into three categories in accordance with the general method, depending on the development of credit risk from the date of disbursement.
Category 1 comprises assets where there has been no substantial increase in credit risk, category 2 comprises assets where there has been a substantial increase in credit risk and category 3 comprises defaulted assets that have been valued individually or in groups.

Whether the counterparty is late in making payment or whether there are other indications that the risk has changed are both used as indicators of a significant increase in credit risk. The definition of default includes significantly late payments or other indications that repayment is less likely, which is also the definition applied in regulatory reporting.

In category 1, the reserves must correspond to the credit losses anticipated for the next 12 months. In categories 2 and 3, the reserves must correspond to the credit losses anticipated for the full remaining maturity. The methodology for calculating expected credit losses takes place by means of an estimate for each product area of the parameters probability of default, expected loss in event of default and expected exposure in event of default; the result is then calculated at the current value in order to indicate the value of the expected credit loss. Forward-looking information such as the macroeconomic scenario also affects the expected loss.

Methods for measuring fair value

Financial assets quoted on an active market
A financial instrument is considered quoted on an active market if quoted prices are readily available on an exchange, from a trader, broker, banks, etc. and that such prices represent actual and regularly occurring market transactions on commercial conditions. Instruments quoted on an active market are reported in the balance sheet under treasury bonds, etc. acceptable as collateral.

Miscellaneous
Holdings of unlisted shares are reported at cost with a deduction for any impairments in instances when it is not possible to reliably determine fair values. For the measurement of financial assets and liabilities in foreign currency, the fair values of these currencies are obtained from Reuters. These balance-sheet items are reported at accrued cost.

The division of financial instruments measured at fair value into three levels is described in Note 29.

Financial assets and liabilities

Financial assets in the balance sheet include cash and balances with central banks, treasury bonds, etc. acceptable as collateral, lending to credit institutions, lending to the public, shares and participations.

Financial liabilities in the balance sheet include liabilities to credit institutions, deposits from the public and accounts payable.

Cash and balances with central banks
Cash and balances with central banks are categorised as assets measured at accrued cost and consist of balances at Sveriges Riksbank.
The bank is affiliated to the RIX payment system in respect Bankgirot's clearing and settlement service.

Treasury bonds etc. acceptable as collateral
Treasury bonds, etc. acceptable as collateral are categorised as assets measured at fair value via the income statement and consist of government securities with fixed payment and maturity.

Lending to credit institutions
Lending to credit institutions is categorised as assets measured at accrued cost and consists of credit balances in banks and other credit institutions.

Lending to the public
Lending to the public is categorised as assets measured at accrued cost and consists of lending to private individuals and companies.

Shares and participations
Shares and participations are categorised as assets measured at fair value via the income statement. The item consists of unlisted shares and participations that are reported at cost with deductions for accumulated impairments, which is considered to correspond to fair value. Impairments are calculated at the difference between the asset's cost and the current value of estimated future cash flows discounted at the current market return for similar financial assets.

Liabilities to credit institutions
Liabilities to credit institutions are categorised as liabilities measured at accrued cost and consist of loans from the Parent Company.

Deposits from the public
Deposits from the public are categorised as liabilities measured at accrued cost and consist of deposits from private individuals and companies.

Accounts payable
Accounts receivable are categorised as liabilities measured at accrued cost and comprise a portion of the balance sheet item Other liabilities.

Fixed assets

Fixed assets are reported at cost with a deduction for accumulated depreciation according to plan. Depreciation has been calculated based on original costs and is applied on a straight-line basis over the assets' useful life. In the bank, all fixtures and fittings for own use via leases are reported as operational leases.

Tangible assets
Computer equipment is depreciated according to plan over 3–5 years.
Other fixtures and fittings are depreciated according to plan over 5 years.

Impairments of fixed assets
Fixed assets are tested for impairment whenever there is an indication of the need for an impairment. In the case of assets representing cash-generating units, impairments are reported by calculating a value in use. This value in use corresponds to the estimated future cash flows discounted by a factor that takes into account risk-free interest and the risk specific to the asset.

Leasing

IFRS 16 is not applied with reference to RFR2 and its exception in respect of legal entity.

The bank as a lessee

All leases for own use are reported as operational leasing. Leasing charges are reported as expenses in the income statement on a straight-line basis over the lease term; see Note 18. Operational leasing is primarily attributable to normal agreements for the operation relating to vehicle leasing.

Income recognition

IFRS 15 Revenues from contracts with customers describes the only comprehensive accounting model for income from customer contracts. The standard does not apply to financial instruments, insurance contracts or leases.

Note 4 Commission income describes the division into categories of income. Income from financial services consists of lending services such as those for payment transfers, processing and setting up, and also guarantees. Income from administrative services consists of services such as invoice service, reminders, account management, monthly subscriptions and annual subscriptions.

Income for services rendered is reported in the same month in which the assignment is completed or the service is rendered and at the value expected to be invoiced, which takes place in arrears. Subscription income is invoiced on an annual basis in advance and is accrued over the life of the subscription.

Interest income

Interest income is accrued over the life of the loan according to the effective interest method and deducted in arrears.

Commission income

Income for services rendered is reported in the same month in which the assignment is completed or the service is rendered and at the value expected to be invoiced, which takes place in arrears. Subscription income is invoiced on an annual basis in advance and is accrued over the life of the subscription.

Net profit from financial transactions

Net profit from financial transactions consists of realised and unrealised value changes of financial instruments such as government securities, as well as receivables and liabilities in foreign currency.

Other operating income

Other operating income consists of income not attributable to other income lines and is normally reported when the transactions have been completed.

Remuneration to employees

Remunerations to employees in the form of salaries, paid vacation, paid sick leave, other short-term remuneration and similar, and pensions are reported as they are earned.

Pension commitments

The bank only has defined contribution plans, which means that the bank's obligations are limited to the contributions that it has undertaken to pay to an insurance company. The expenses for defined contribution pension plans are reported in the income statement as the benefits are earned, which normally coincides with the dates on which the pension premiums are paid. Expenses for the special employer's contribution are allocated as they arise.

Benefits after end of employment

Employees receive no additional remuneration, severance pay or pension commitments after the end of employment.

Taxes

Current tax

Current tax refers to income tax payable on the current year's taxable income.

Deferred tax

Deferred tax is calculated for tax-loss carryforwards insofar as it is probable that the loss carryforwards will be deducted from surpluses at future taxation. Deferred tax is also calculated on temporary differences, e.g. change in untaxed reserves.

Pledged assets and contingencies

Pledged assets and contingencies are reported in connection with the signing of contracts. In the case of pledged assets, the book value of the asset pledged as collateral is reported. For contingencies, the guaranteed amount is reported with a deduction for securities received and the amount granted.

Contingent liabilities

Guarantee commitments are reported off the balance sheet as contingencies. Insofar as it is considered necessary to realise guarantee commitments, they are reported as provision for expected loss in the balance sheet or as credit loss in the income statement, as appropriate. Expected loss is calculated as the discounted best estimate of the amount required to settle the guarantee in question.

Commitments

Loan commitments are reported off the balance sheet as contingencies. In this context a loan commitment refers to a unilateral undertaking by the bank to issue a loan on predetermined terms and conditions that allow the borrower to choose whether to raise the loan or not. The normal procedure for the bank is for future payment to be on condition that the trend forecast regarding the borrower's ability to repay when the contract was signed does not deteriorate significantly. Should such a significant deterioration exist, the loan commitment may be revoked. Accordingly, loan commitments are risk-weighted at zero per cent when calculating capital requirements for the bank, as said loan commitments are often subject to new credit checks if any disbursement is made in the future. Commitments attributable to overdraft facilities and credit cards are, however, risk-weighted at 20%.

Safeguarding receivables

When pledged assets are considered insufficient and there is a manifest risk that a loss might otherwise be incurred, the loan receivable may be protected through acquisition of the counterparty's business (Banking and Financing Business Act, Chapter 7). Acquired property must be disposed of when appropriate with regard to market conditions, however not later than when this can be done without loss.

Cash flow statement

The cash flow statement is prepared according to the indirect method. Reported cash flow only includes transactions that involve incoming and outgoing payments.
Cash transactions are classified in the categories of operating activities, investing activities and financing activities.

Cash and cash equivalents consist of Cash and balances with central banks and loans to credit institutions.

Note 2 - Expenses and income between Group companies

	2021	2020
Expenses	**-24,115**	**-20,307**
Income [1]	**816**	**571**

[1] Income has been adjusted for Group contributions received.

Note 3 - Net interest income

	2021	2020
Interest income		
Lending to credit institutions	0	40
Lending to credit institutions, Parent Company	0	301
Lending to the public	27,424	27,771
Total	27,424	28,112
Interest expenses		
Cash and balances with central banks	-376	-485
Liabilities to credit institutions	-114	-37
Liabilities to credit institutions, Parent Company	-228	-253
Deposits from the public	-1,506	-1,599
Total	-2,225	-2,374
Total	**25,199**	**25,738**

Note 4 - Commission income

	2021	2020
Lending commissions	3,452	2,132
Other commissions	24,667	5,916
Other commissions, Parent Company	816	269
Total	**28,936**	**8,318**

Note 5 - Commission expenses

	2021	2020
Payment brokerage	-16,989	-11,477
Other commissions	-1,752	-1,565
Total	**-18,741**	**-13,043**

Note 6 - Net profit/loss from financial transactions

	2021	2020
Financial instruments measured at fair value via the income statement		
Changes in value, treasury bonds acceptable as collateral, etc.	-114	-39
Total	-114	-39
Financial instruments measured at accrued cost		
Other exchange rate gains/losses	54	-326
Total	54	-326
Total	**-60**	**-364**

Note 7 - Other operating income

	2021	2020
Miscellaneous	306	169
Total	**306**	**169**

Note 8 - Personnel expenses, etc.

	2021	2020
Wages, salaries and other remunerations		
to Board of Directors and CEO	-1,479	-1,307
to other employees	-18,570	-17,382
Total	-20,049	-18,689
Social security expenses	-6,303	-5,278
Pension expenses		
to Board of Directors and CEO	-339	-309
to other employees	-1,511	-1,706
Total	-1,850	-2,015
Other personnel expenses	-661	-677
Total	**-28,863**	**-26,659**
Of which intra-Group expenses	-2,558	-2,421

Remuneration of senior executives

Preparation and decision-making processes

Remuneration of the CEO is decided by the Board. Remuneration of other senior executives is decided by the CEO.

Salaries and fees

Only fixed fees are paid to the Chairman and members of the Board as resolved by the Annual General Meeting. Remuneration of the CEO and other senior executives consists of basic salary, subsistence and car benefits, and pension. Other senior executives refers to the 4 (3) individuals who together with the CEO comprise the bank's management team.

Salaries and remuneration to the Board and senior executives, 2021	Basic salary, benefits and board fees	Other benefits	Pension expenses	Total
Board member/CEO, Lennart Ågren	0			0
Board member, Anna Frick	0			0
Board member, Mats Hellström	0			0
Board member, Dag Ingler	0			0
Board member, Mats Kärsrud	0			0
Board member, Erik Liljedahl	0			0
Board member, Anders Hedberg	-120			-120
Board member, Anders Lidefelt	-120			-120
Board member, Peter Holmstedt, stood down on 21/12/2021	-120			-120
CEO, Victor Ramström, stood down on 21/12/2021	-1,119		-339	-1,458
Other senior executives (3 people)	-2,194		-338	-2,532
Total	**-3,672**	**0**	**-677**	**-4,349**

Salaries and remuneration to the Board and senior executives, 2020	Basic salary, benefits and board fees	Other benefits	Pension expenses	Total
Chairman of the Board, Lennart Ågren	0			0
Board member, Anders Hedberg	-100			-100
Board member, Anders Lidefelt	-100			-100
Board member, Peter Holmstedt	-100			-100
CEO, Victor Ramström	-918	-89	-309	-1,316
Other senior executives (3 people)	-2,126	-32	-337	-2,495
Total	**-3,344**	**-121**	**-646**	**-4,111**

No severance pay or pension commitments other than defined-contribution fees are paid to the Board or other senior executives. The period of notice for senior executives is prescribed by the Swedish Employment Protection Act. There are no loans or other contingencies to the Board or senior executives. If notice is served by the bank, the CEO is entitled to salary during the period of notice, which is six months. If the CEO serves notice, the CEO must observe a period of notice of six months.

Average number of full-time equivalent employees

	2021	2020
Women	13	15
Men	18	14
Total	**31**	**29**

Number of employees

	31 Dec 2021	31 Dec 2020
Women	10	15
Men	22	14
Total	**32**	**29**

Number of Board members and company management

	31 Dec 2021	31 Dec 2020
Board members		
Women	1	0
Men	8	4
Total	**9**	**4**
Of whom external members	3	3
Company management		
Women	3	3
Men	1	1
Total	**4**	**4**

Note 9 - Other administrative expenses

	2021	2020
Costs of premises	-3,591	-3,327
IT, development, operational and consultancy expenses	-17,820	-15,007
Audit expenses	-939	-621
Selling expenses	-6,998	-4,809
Other operating expenses	-11,100	-8,199
Total	**-40,447**	**-31,963**
Of which intra-Group expenses	-21,330	-17,633
Remuneration to auditors - BDO Mälardalen AB		
Audit assignment	-939	-621
Total	**-939**	**-621**

Note 10 - Net credit losses

	2021	2020
Change in reserves Stage 1	-622	-583
Change in reserves Stage 2	-474	-450
Change in reserves Stage 3	-2,167	-2,140
Total change in reserves	**-3,264**	**-3,173**
Write-offs	-674	-590
Recoveries	476	181
Net expense of credit losses for the year	**-3,461**	**-3,582**

The credit losses are entirely attributable to lending to the public.

Note 11 - Appropriations

	2021	2020
Group contribution received from Parent Company	36,500	40,500
Total	**36,500**	**40,500**

Note 12 - Tax on profit for the year

	2021	2020
Current tax on net profit for the year	0	0
Current tax expense	0	0
Reporting of tax loss carryforwards	20	-115
Deferred tax expense/income	20	-115
Total	**20**	**-115**
Profit before tax	-631	-886
Tax rate of 20.6 per cent (21.4) as per current tax rate	130	190
Non tax-deductible expenses	-109	-119
Utilisation of loss carryforward	-21	-70
Current tax expense	0	0
Reported effective tax rate	0.0%	0.0%

Note 13 - Cash and balances with central banks

	31 Dec 2021	31 Dec 2020
Sveriges Riksbank	438,928	76,079
Total	**438,928**	**76,079**

Note 14 - Treasury bonds etc. acceptable as collateral

	31 Dec 2021			31 Dec 2020		
	Nominal value	Cost	Carrying amount	Nominal value	Cost	Carrying amount
Government securities	50,000	50,065	50,038	34,000	34,035	34,018
Total	**50,000**	**50,065**	**50,038**	**34,000**	**34,035**	**34,018**

Note 15 - Lending to credit institutions

	31 Dec 2021	31 Dec 2020
Lending to credit institutions	86,396	81,665
Lending to credit institutions, Parent Company	423,121	236,562
Total	**509,518**	**318,227**

Note 16 - Lending to the public

	31 Dec 2021	31 Dec 2020
Lending to the public	228,144	224,653
Lending to the public, other Group companies	51	14
Total	**228,195**	**224,668**

Lending to the public 31 Dec 2021

	Stage 1	Stage 2	Stage 3	Total
Private individuals	62	0	9	71
Companies	200,218	17,966	18,561	236,745
Loan receivables	**200,280**	**17,966**	**18,570**	**236,816**
Private individuals	-1	0	-3	-4
Companies	-2,049	-995	-5,574	-8,617
Reserve for expected credit losses	**-2,050**	**-995**	**-5,577**	**-8,621**
Carrying amount of loan receivables	**198,231**	**16,971**	**12,993**	**228,195**
Rate of loss provision, private individuals	1.6%	0.0%	30.0%	5.2%
Rate of loss provision, companies	1.0%	5.5%	30.0%	3.6%
Rate of loss provision, total	**1.0%**	**5.5%**	**30.0%**	**3.6%**

Lending to the public 31 Dec 2020

	Stage 1	Stage 2	Stage 3	Total
Private individuals	0	0	5	5
Companies	191,432	28,533	10,055	230,020
Loan receivables	**191,432**	**28,533**	**10,060**	**230,025**
Private individuals	0	0	-2	-2
Companies	-1,427	-520	-3,407	-5,354
Reserve for expected credit losses	**-1,427**	**-520**	**-3,409**	**-5,357**
Carrying amount of loan receivables	**190,005**	**28,012**	**6,651**	**224,668**
Rate of loss provision, private individuals	0.0%	0.0%	48.0%	48.0%
Rate of loss provision, companies	0.7%	1.8%	33.9%	2.3%
Rate of loss provision, total	**0.7%**	**1.8%**	**33.9%**	**2.3%**

Change in reserve for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Reserve for expected credit losses, 1 Jan 2020	**-844**	**-71**	**-1,280**	**-2,195**
Increase in reserves, new or acquired loan receivables	-1,153	0	0	-1,153
Reduction in reserves, written-off loan receivables	328	123	254	705
Change in reserves as a consequence of changes in credit risk	242	-573	-2,583	-2,914
Reduction in reserves, written-off loan receivables	0	0	200	200
Reserve for expected credit losses 31 Dec 2020	**-1,427**	**-520**	**-3,409**	**-5,357**
Increase in reserves, new or acquired loan receivables	-1,098	0	0	-1,098
Reduction in reserves, written-off loan receivables	359	756	1,843	2,958
Change in reserves as a consequence of changes in credit risk	117	-1,230	-4,133	-5,246
Reduction in reserves, written-off loan receivables	0	0	123	123
Reserve for expected credit losses 31 Dec 2021	**-2,050**	**-995**	**-5,577**	**-8,621**

Note 17 - Shares and participations

	31 Dec 2021	31 Dec 2020
Unlisted shares and participations		
Opening and closing accumulated cost	50	50
Opening and closing accumulated impairments	-50	-50
Total	**0**	**0**

Note 18 - Tangible assets

	31 Dec 2021	31 Dec 2020
Fixtures and fittings		
Opening accumulated cost	2,733	2,733
Closing accumulated cost	2,733	2,733
Opening accumulated depreciations	-2,733	-2,733
Closing accumulated depreciations	-2,733	-2,733
Total	**0**	**0**

Leasing contracts and other rental agreements as lessee

	31 Dec 2021	31 Dec 2020
Leasing expenses during the year	480	431
Future leasing and rental payments as lessee		
Within one year	425	289
Between one and five years	561	256
Later than five years	0	0

The bank’s leasing consists of vehicle leasing. Rent of premises is not included, as the contract is held by the Parent Company and the bank is not bound by this.

Note 19 - Deferred tax assets

	31 Dec 2021	31 Dec 2020
Deferred tax assets – tax loss carryforwards at beginning of year	4,782	4,897
Change reported in income statement	20	-115
Total	**4,802**	**4,782**
Unutilised tax losses	23,315	23,214
Reported deferred tax assets	4,802	4,782

Deferred tax assets are only reported insofar as it is likely that the amounts can be utilised against future taxable surpluses, which is expected to be possible within the next three years. The deferred tax assets were previously reported in the Parent Company's consolidated accounts, and as an adaptation the bank has therefore now chosen to report this in the legal entity.

Note 20 - Other assets

	31 Dec 2021	31 Dec 2020
MasterCard deposit	8,370	7,614
Current tax assets	695	598
Other receivables	102	20
Total	**9,167**	**8,233**

Note 21 - Prepaid expenses and accrued income

	31 Dec 2021	31 Dec 2020
Commission expenses	281	712
Personnel expenses	256	160
Other administrative expenses		
Insurance expenses	40	55
Bank card expenses	1,575	1,880
Bank association expenses	0	115
Other expenses	684	331
Total	**2,836**	**3,252**

Note 22 - Liabilities to credit institutions

	31 Dec 2021	31 Dec 2020
Granted credit facilities, Parent Company	18,087	17,963
Unutilised credit facilities, Parent Company	-9,948	-10,558
Total	8,139	7,405
Deposits from credit institutions, Parent Company	12,837	8,090
Total	**20,977**	**15,495**

Note 23 - Deposits from the public

	31 Dec 2021	31 Dec 2020
Deposits from the public, private individuals	112,768	94,014
Deposits from the public, companies	972,535	415,499
Total	**1,085,303**	**509,513**

Note 24 - Other liabilities

	31 Dec 2021	31 Dec 2020
Accounts payable	617	1,411
Accounts payable, Parent Company	3,289	2,219
Retained income taxes	1,106	1,015
Value-added tax	195	58
Other liabilities	1,809	4,740
Total	**7,015**	**9,443**

Note 25 - Accrued expenses and deferred income

	31 Dec 2021	31 Dec 2020
Commission income	114	201
Commission expenses	298	4,835
Personnel expenses	4,386	3,848
Other administrative expenses	1,280	1,203
Total	**6,078**	**10,086**

Note 26 - Pledged assets

	31 Dec 2021	31 Dec 2020
Other assets pledged and comparable collateral		
Other assets	8,370	7,614
Total	**8,370**	**7,614**

Other assets pledged and comparable collateral

The bank has deposited USD 900,000 with MasterCard, corresponding to SEK 8,367,000 (7,614,000), as security for commitments associated with the bank's card operations.
The above assets will remain pledged until the collaboration agreement ceases.

Note 27 - Contingencies

		31 Dec 2021	31 Dec 2020
Contingent liabilities			
Guarantee commitments		0	0
Total		**0**	**0**
Commitments			
Granted credit		295,402	275,290
Disbursed credit	1)	-236,816	-230,025
Total		**58,586**	**45,265**
Total		**58,586**	**45,265**

1) Refers to lending to the public before provision for credit losses.

Note 28 - Financial instruments - classification and fair value

31 Dec 2021	Accrued cost of acquisition	Fair value via the income statement	Non-financial assets/liabilities	Total carrying amount	Fair value
Cash and balances with central banks	438,928			438,928	438,928
Treasury bonds etc. acceptable as collateral		50,038		50,038	50,038
Lending to credit institutions	509,518			509,518	509,518
Lending to the public	228,195			228,195	228,195
Financial assets	**1,176,641**	**50,038**		**1,226,679**	**1,226,679**
Deferred tax assets			4,802	4,802	4,802
Other assets			9,167	9,167	9,167
Prepaid expenses and accrued income			2,836	2,836	2,836
Assets	**1,176,641**	**50,038**	**16,805**	**1,243,484**	**1,243,484**
Liabilities to credit institutions	20,977			20,977	20,977
Deposits from the public	1,085,303			1,085,303	1,085,303
Other liabilities, accounts payable	3,906			3,906	3,906
Financial liabilities	**1,110,186**			**1,110,186**	**1,110,186**
Other liabilities			3,110	3,110	3,110
Accrued expenses and prepaid income			6,078	6,078	6,078
Liabilities	**1,110,186**		**9,188**	**1,119,373**	**1,119,373**
Shareholders’ equity				124,111	124,111
Liabilities and shareholders’ equity				**1,243,484**	**1,243,484**

Note 28 - Financial instruments - classification and fair value, continued

31 Dec 2020	Accrued cost of acquisition	Fair value via the income statement	Non-financial assets/liabilities	Total carrying amount	Fair value
Cash and balances with central banks	76,079			76,079	76,079
Treasury bonds etc. acceptable as collateral		34,018		34,018	34,018
Lending to credit institutions	318,227			318,227	318,227
Lending to the public	224,668			224,668	224,668
Financial assets	**618,974**	**34,018**		**652,992**	**652,992**
Deferred tax assets			4,782	4,782	4,782
Other assets			8,233	8,233	8,233
Prepaid expenses and accrued income			3,252	3,252	3,252
Assets	**618,974**	**34,018**	**16,267**	**669,259**	**669,259**
Liabilities to credit institutions	15,495			15,495	15,495
Deposits from the public	509,513			509,513	509,513
Other liabilities, accounts payable	3,630			3,630	3,630
Financial liabilities	**528,638**			**528,638**	**528,638**
Other liabilities			5,813	5,813	5,813
Accrued expenses and prepaid income			10,086	10,086	10,086
Liabilities	**528,638**		**15,899**	**544,537**	**544,537**
Shareholders’ equity				124,722	124,722
Liabilities and shareholders’ equity				**669,259**	**669,259**

The fair value of current financial assets and liabilities is considered to correspond to the carrying amount. The carrying amount is a reasonable estimate of fair value, taking into account the limited credit risk and short term. Where it was not possible to assess the fair value of financial assets and liabilities, these items were reported at their carrying amounts in the tables above. These assets are assessed as belonging to Level III.

Note 29 - Fair value – measurement levels

The tables below provide information on how fair value is determined for the financial instruments measured at fair value in the balance sheet.
The financial instruments referred to are treasury bonds etc. acceptable as collateral, shares and participations.
Fair value is determined on the basis of the following three levels:

Level 1: according to prices listed on an active market for the same instruments (see Note 1).
Level 2: according to measurement techniques/models, directly or indirectly based on observable market data, and which are not included in level 1.
Level 3: based on input data not observable in the market. This generally applies to unlisted shares and participations whose carrying amounts are considered to correspond to their fair values.

31 Dec 2021	Level 1	Level 2	Level 3	Total
Treasury bonds etc. acceptable as collateral	50,038	0	0	50,038
Financial assets	**50,038**	**0**	**0**	**50,038**

31 Dec 20	Level 1	Level 2	Level 3	Total
Treasury bonds etc. acceptable as collateral	34,018	0	0	34,018
Financial assets	**34,018**	**0**	**0**	**34,018**

The fair value in Level 3 of unlisted shares and participations cannot be measured reliably due to lack of information about the fair value on the market. Accordingly, carrying amounts correspond to fair values. There were no acquisitions or divestments during the year.

Note 30 - Financial risks

Credit risks

Credit risk is defined as the risk of loss due to the failure of the bank's counterparty to fulfil its contractual obligations and that any collateral provided will not cover the amount due to the bank. The risk arises primarily through various types of lending to the public (companies and private individuals) and through the issuance of guarantees. Credit is granted based on the counterparty's financial position and ability to pay, and that there is good reason to expect the counterparty will meet its obligations.

Credit risk policy and organisation

The bank's credit risk policy describes such things as the approach, organisation, responsibility and process required for a credit decision. In this case the bank is divided into credit units where each unit's management is responsible for ensuring that credit processing complies with applicable credit risk regulations. This policy and its associated instructions are based on the assessment that credit decisions require local expertise, and are thus best dealt with in a decentralised organisation. Credit unit operations differ in many respects regarding both their nature and their respective legal environments. Accordingly, a credit unit's management may decide on specific application instructions on the condition that requirements are met.

Credit process

The credit process is initiated when a business manager or customer account manager in a credit unit submits a proposal for a credit decision. After the case has been investigated, the credit rating is determined, following which action may be taken in accordance with the credit decision. Counterparty exposure is continuously monitored by the credit manager in the credit unit concerned and also by the Board in cases of major exposure. The responsibility for credit risk lies with the customer unit concerned. The unit continuously assesses the customer's ability to fulfil his commitments; it identifies deviations from agreed terms and any weaknesses in the customer's financial position. Based on reports of past-due payments and other available information, the unit responsible for the customer account also determines whether the receivable is doubtful, which would indicate that the customer's ability to repay is jeopardised. When it is unlikely that a customer will repay the entire debt (the principal, interest and fees), and if the situation cannot be resolved in a reasonable way, the receivable is considered doubtful. If a customer exposure is deemed weak, the exposure is placed under special monitoring and an action plan is prepared to minimise the potential credit loss.

Individual and collective impairment assessment

The bank continuously examines the quality of its credit portfolio to identify any need for impairments. Weak and doubtful exposures are monitored and continuously reviewed with respect to current and future ability to make repayments.

The impairment loss requirements in IFRS 9 are based on a model for expected credit losses. The requirements are comprehensive and specify that all assets measured at accrued cost, as well as off-balance sheet commitments, in respect of guarantees and loan commitments issued, must be tested for impairment.

The assets to be tested are divided into three categories in accordance with the general method, depending on the development of credit risk from the date of disbursement. Category 1 comprises assets where there has been no substantial increase in credit risk, category 2 comprises assets where there has been a substantial increase in credit risk and category 3 comprises defaulted assets that have been valued individually or in groups.

Whether the counterparty is late in making payment or whether there are other indications that the risk has changed are both used as indicators of a significant increase in credit risk. The definition of default includes significantly late payments or other indications that repayment is less likely, which is also the definition applied in regulatory reporting.

In category 1, the reserves must correspond to the credit losses anticipated for the next 12 months. In categories 2 and 3, the reserves must correspond to the credit losses anticipated for the full remaining maturity. The methodology for calculating expected credit losses takes place by means of an estimate for each product area of the parameters probability of default, expected loss in event of default and expected exposure in event of default; the result is then calculated at the current value in order to indicate the value of the expected credit loss. Forward-looking information such as the macroeconomic scenario also affects the expected loss.

Lending and credit risk

Financial assets that can expose the bank to credit risks consist of cash and balances with central banks, treasury bonds, etc. acceptable as collateral, lending to credit institutions, lending to the public and off-balance sheet commitments.

The bank's cash and balances with central banks and treasury bonds accepted as collateral consist of credit balances with Sveriges Riksbank and investments in the Swedish state, where the risk of loss is considered extremely low.

The bank's lending to credit institutions consists primarily of bank balances with established banks and credit institutions where the risk of loss is deemed extremely small.

The bank's lending to private individuals consists primarily of unsecured loans. These loans are attributable to a small number of parties liable for payment with relatively low average loan amounts. Because credit is granted after rigorous credit scoring of each individual customer, the risk of losses is deemed minimised.

As collateral for its lending to companies, the bank uses accounts receivable, cash flows, property mortgage deeds, floating charges and guarantees which, following individual assessment, essentially cover total lending on the closing date.

In the case of invoice purchasing, a certain portion of the credit granted or purchase sum paid may be withheld as security in the form of escrow accounts. These funds may be offset together with deposited accountable funds from transferred receivables and the seller's pledged but non-transferred receivables against receivables from the borrower or seller in a final settlement. These deposits from companies of SEK 5,378,000 (2,171,000) may then be offset against lending to companies.

In the case of invoice purchasing, the bank regularly arranges credit insurance of all purchased receivables in excess of SEK 300,000 when the counterparty is not the State, municipality, county council or certain major listed companies. As of 31 December 2021, SEK 29,906,000 (31,712,000) of total purchased invoice receivables of SEK 59,352,000 (68,534,000) had credit insurance.

As collateral for its off-balance sheet commitments, the bank uses funds in escrow accounts, property mortgage deeds, floating charges and guarantees which, following individual assessment, essentially cover the commitment on the closing date.

In general, significant concentrations of credit risks are considered not to exist as lending is spread across different counterparties and business sectors in Sweden. In invoice purchasing operations, there is, however, a degree of concentration on the construction sector.

The table below presents the risk classification of the bank's net credit risk exposure in respect of lending to the public.

UC Risk class

	31 Dec 2021	**31 Dec 2020**
5	49,989	55,402
4	20,736	14,636
3	76,037	50,058
2	39,236	58,797
1	16,389	18,236
Not risk-classified	3,061	1,034
Other	22,749	26,504
Total	**228,195**	**224,668**

The tables below present the maximum credit risk exposure for financial instruments with regard to the collateral available for loan receivables and information regarding the credit quality of said receivables.

Credit risk exposure, gross and net, and specification of collateral

31 Dec 2021		Gross credit risk exposure	Impairment loss	Net credit risk exposure	Value of collateral	Credit risk exposure after deductions for collateral
Cash and balances with central banks		438,928		438,928		438,928
Treasury bonds etc. acceptable as collateral		50,038		50,038		50,038
Lending to credit institutions		509,518		509,518		509,518
Lending to the public						
Lending against collateral in:						
Mortgages on properties		23,093	-1,255	21,838	21,838	0
Floating charges		84,452	-4,387	80,065	80,065	0
Guarantees		65,240	-2,847	62,393	62,393	0
Total lending against collateral		172,785	-8,489	164,296	164,296	0
Unsecured lending:						
Lending	1)	63,980	-132	63,848		63,848
Lending, other Group companies		51	0	51		51
Total unsecured lending		64,031	-132	63,899		63,899
Total lending to the public		236,816	-8,621	228,195	164,296	63,899
Contingencies						
Issued financial guarantees		5,252	0	5,252	5,252	0
Total		**1,240,551**	**-8,621**	**1,231,930**	**169,548**	**1,062,382**

1) Partly covered by credit insurance, see previous section.

Specification of collateral	Lending to private individuals	Lending to companies	Value of collateral
Loan receivables			
Mortgages on properties	0	21,838	21,838
Floating charges	0	80,065	80,065
Guarantees	0	62,393	62,393
Total	0	164,296	164,296
Contingencies			
Miscellaneous	0	5,252	5,252
Total	0	5,252	5,252
Total	**0**	**169,548**	**169,548**

The above collateral can be used at any time when it is unlikely that the borrower will be able to repay their entire debt (capital, interest and fees) via future cash flows.

Credit risk exposure, gross and net, and specification of collateral

31 Dec 2020		Gross credit risk exposure	Impairment loss	Net credit risk exposure	Value of collateral	Credit risk exposure after deductions for collateral
Cash and balances with central banks		76,079		76,079		76,079
Treasury bonds etc. acceptable as collateral		34,018		34,018		34,018
Lending to credit institutions		318,227		318,227		318,227
Lending to the public						
Lending against collateral in:						
Mortgages on properties		10,601	-870	9,731	9,731	0
Floating charges		83,152	-2,844	80,308	80,308	0
Guarantees		59,915	-1,090	58,825	58,825	0
Miscellaneous		1,360	0	1,360	1,360	0
Total lending against collateral		155,027	-4,804	150,223	150,223	0
Unsecured lending:						
Lending	1)	74,984	-553	74,431		74,431
Lending, other Group companies		14	0	14		14
Total unsecured lending		74,998	-553	74,445		74,445
Total lending to the public		230,025	-5,357	224,668	150,223	74,445
Contingencies						
Issued financial guarantees		811	0	811	811	0
Total		**659,160**	**-5,357**	**653,803**	**151,034**	**502,769**

1) Partly covered by credit insurance, see previous section.

Specification of collateral	Lending to private individuals	Lending to companies	Value of collateral
Loan receivables			
Mortgages on properties	0	9,731	9,731
Floating charges	0	80,308	80,308
Guarantees	0	58,825	58,825
Miscellaneous	0	1,360	1,360
Total	0	150,223	150,223
Contingencies			
Miscellaneous	0	811	811
Total	0	811	811
Total	**0**	**151,034**	**151,034**

The above collateral can be used at any time when it is unlikely that the borrower will be able to repay their entire debt (capital, interest and fees) via future cash flows.

Credit quality of loan receivables

	31 Dec 2021	31 Dec 2020
Private individuals:		
Rate of loss provisions for loan receivables	5.2%	48.0%
Credit loss ratio	-4.0%	0.0%
Company:		
Rate of loss provisions for loan receivables	3.6%	2.3%
Credit loss ratio	1.5%	1.8%

Concentration risks
Concentration risks are defined as risks that arise from major individual exposures or concentrations of exposures to certain industries or regions. To reduce such risks, exposures are spread across many different counterparties, industries and regions.

Market risks
Market risk is defined as the risk of losses due to changes in interest rates and exchange rates. The bank has limited market risks; see below for further information.

Interest rate risks
The bank's exposure in respect of purchased invoice receivables is in principle to be considered lending at a fixed interest rate, but with a short credit term of 30-90 days.
Lending in respect of promissory note receivables takes place at a fixed interest rate throughout the term. The bank's other lending and deposits essentially take place virtually exclusively at variable interest rates and can be adjusted quickly. This means that the net interest rate risk is limited.

Disclosures regarding fixed-interest periods for financial assets and liabilities are presented in the following tables and sensitivity analyses.

Interest rate exposure – fixed-interest periods

31 Dec 2021	Max 1 month	1 mo.–3 mo.	3 mo.–1 yr	1 yr–5 yrs	More than 5 years	No interest	Total
Cash and balances with central banks	438,928						438,928
Treasury bonds etc. acceptable as collateral		50,038					50,038
Lending to credit institutions	509,518						509,518
Lending to the public	124,272	9,878	35,023	47,517	11,505		228,195
Other assets						16,805	16,805
Assets	**1,072,718**	**59,916**	**35,023**	**47,517**	**11,505**	**16,805**	**1,243,484**
Liabilities to credit institutions	20,977						20,977
Deposits from the public	1,085,303						1,085,303
Other liabilities						13,093	13,093
Shareholders' equity						124,111	124,111
Liabilities and shareholders' equity	**1,106,280**	**0**	**0**	**0**	**0**	**137,204**	**1,243,484**
Net interest rate exposure	-33,562	59,916	35,023	47,517	11,505		
Cumulative interest rate exposure	-33,562	26,354	61,377	108,894	120,399		

Interest rate exposure – fixed-interest periods

31 Dec 2020	Max 1 month	1 mo.–3 mo.	3 mo.–1 yr	1 yr–5 yrs	More than 5 years	No interest	Total
Cash and balances with central banks	76,079						76,079
Treasury bonds etc. acceptable as collateral		29,013	5,005				34,018
Lending to credit institutions	318,227						318,227
Lending to the public	127,036	13,835	32,472	51,183	142		224,668
Other assets						16,267	16,267
Assets	**521,342**	**42,848**	**37,477**	**51,183**	**142**	**16,267**	**669,259**
Liabilities to credit institutions	15,495						15,495
Deposits from the public	509,513						509,513
Other liabilities						19,529	19,529
Shareholders' equity						124,722	124,722
Liabilities and shareholders' equity	**525,008**	**0**	**0**	**0**	**0**	**144,250**	**669,259**
Net interest rate exposure	-3,666	42,848	37,477	51,183	142		
Cumulative interest rate exposure	-3,666	39,182	76,659	127,842	127,984		

Sensitivity analysis

The impact of a 1 percentage point increase/decrease in interest on net interest income during the future 12-month period amounts to +/- SEK 1,204,000 (1,280,000) for the bank, based on all interest-bearing assets and liabilities existing on the closing date.

Currency risks

Currency risk is the risk that changes in exchange rates will negatively impact the bank's income statement, balance sheet and/or cash flows. Currency risk can be divided into transaction exposure and translation exposure. Transaction exposure comprises the net of operational and financial currency inflows and outflows. Translation exposure previously consisted of foreign branch shareholders' equity in foreign currency.

Transaction exposure

Because operations are local, the bank has most of its income and expenses denominated in SEK, which means that currency fluctuations only have a limited effect on the company's operating profit or loss. The bank has purchased invoice receivables, lodged collateral and issued guarantees in foreign currency to a limited extent.
To minimise the risks, major currency exposures in EUR and USD have therefore been secured through currency loans from the Parent Company.

Translation exposure

Changes in exchange rates affect the value of net assets in foreign currencies. When the balance sheet is translated into SEK, balance sheet exposure arises as a result of the balance sheet being expressed in another currency. The performance and financial position are reported in the country's reporting currency and then translated into SEK for inclusion in the bank's accounts. Consequently, fluctuations in the exchange rates between local currencies and SEK will affect the bank's income statement and balance sheet. The effect of this exposure is minimised through the limited need for shareholders' equity, see statement of Shareholders' equity. Foreign net assets are not hedged.

Disclosures regarding assets and liabilities specified by underlying currency and the foreign exchange rates applied are presented in the tables and sensitivity analyses below.

The following exchange rates of significant currencies were used in translations of transactions in foreign currencies:

Code	Local currency	Average exchange rate		Closing day rate	
		2021	2020	31 Dec 2021	31 Dec 2020
NOK	Norwegian kroner	0.9981	0.9782	1.0254	0.9590
EUR	Euros	10.1516	10.4856	10.2269	10.0503
DKK	Danish kroner	1.3650	1.4065	1.3753	1.3504
USD	US dollars	8.5754	9.1894	9.0437	8.2279
GBP	British pounds	11.7982	11.8513	12.1790	11.2520

Assets and liabilities in SEK thousands by underlying currency

31 Dec 2021	SEK	NOK	EUR	DKK	USD	GBP	Total
Cash and balances with central banks	438,928	0	0	0	0	0	438,928
Treasury bonds etc. acceptable as collateral	50,038	0	0	0	0	0	50,038
Lending to credit institutions	509,107	0	79	0	331	0	509,518
Lending to the public	226,283	759	554	0	599	0	228,195
Other assets	8,435	0	0	0	8,370	0	16,805
Assets	**1,232,791**	**759**	**634**	**0**	**9,299**	**0**	**1,243,484**
Liabilities to credit institutions	12,837	0	0	0	8,139	0	20,977
Deposits from the public	1,085,303	0	0	0	0	0	1,085,303
Other liabilities	13,093	0	0	0	0	0	13,093
Shareholders' equity	124,111	0	0	0	0	0	124,111
Liabilities and shareholders' equity	**1,235,344**	**0**	**0**	**0**	**8,139**	**0**	**1,243,484**
Contingent liabilities	0	0	0	0	0	0	0
Net position	**-2,553**	**759**	**634**	**0**	**1,160**	**0**	

Assets and liabilities in SEK thousands by underlying currency

31 Dec 2020	SEK	NOK	EUR	DKK	USD	GBP	Total
Cash and balances with central banks	76,079	0	0	0	0	0	76,079
Treasury bonds etc. acceptable as collateral	34,018	0	0	0	0	0	34,018
Lending to credit institutions	318,177	0	20	0	31	0	318,227
Lending to the public	221,818	2,062	462	0	326	0	224,668
Other assets	8,652	0	0	0	7,614	0	16,267
Assets	**658,745**	**2,062**	**482**	**0**	**7,970**	**0**	**669,259**
Liabilities to credit institutions	8,090	0	0	0	7,405	0	15,495
Deposits from the public	509,513	0	0	0	0	0	509,513
Other liabilities	19,529	0	0	0	0	0	19,529
Shareholders' equity	124,722	0	0	0	0	0	124,722
Liabilities and shareholders' equity	**661,854**	**0**	**0**	**0**	**7,405**	**0**	**669,259**
Contingent liabilities	0	0	0	0	0	0	0
Net position	**-3,109**	**2,062**	**482**	**0**	**565**	**0**	

Sensitivity analysis

31 Dec 2021	NOK	EUR	DKK	USD	GBP	Total
Effect of 10% increase in SEK thousands against currency	-76	-63	0	-116	0	-255

31 Dec 2020	NOK	EUR	DKK	USD	GBP	Total
Effect of 10% increase in SEK thousands against currency	-206	-48	0	-57	0	-311

Operational risks

Operational risk is defined as the risk that a direct or indirect loss or damaged reputation will result from shortcomings or errors attributable to internal processes, individuals, systems or external events. The bank works with development on an ongoing basis in order to optimise internal processes and thereby reduce the risk of operational incidents. This work includes methodology to identify and report operational risks, as well as staff training. Information security and crime prevention are important aspects in the management of operational risks. The bank continuously evaluates its operations and takes the necessary actions in the event of incidents or quality shortcomings. Process development focuses on the analysis of events linked to potential operational risks and other warning signs. The bank has also established a continuity plan for the effective management of operational risks.

Commercial risks

Commercial risk is defined as the risk that the bank's income falls and is unable to cover operational expenses. Commercial risk also includes strategic risk and reputational risk.

Strategic risk

Strategic risks are risks that can affect the bank's earnings in the long term due to erroneous or deficient business decisions. Strategic risks are managed by the bank's Board of Directors and management team through, for example, regular Board and management meetings at which strategic issues are dealt with. The bank has also established a process in connection with acquisitions, launch and significant modification of products and services for the efficient management of strategic options and risks.

Reputational risk

Reputational risk refers to the risk that the bank's name and brand is impacted negatively, with negative effects on operations and earnings. Reputational risk is managed through such processes as the bank's procedures for approving major changes in the organisation or operation.

Liquidity risks

Liquidity risk is defined as the risk of extra expenses for ensuring that the bank's payment commitments can be fulfilled on the due date. The risk of the bank being unable to meet its payment commitments is deemed low.

Liquidity strategy

The bank manages its liquidity to provide satisfactory preparedness for current and non-current payments, and has a contingency plan to manage disruptions that affect liquidity.

Available liquidity

Liquidity risks are managed by means of the Bank's Board of Directors having decided that at any time an adequate proportion of deposits from the public must be in the form of available liquidity via a liquidity reserve and other so-called liquidity-creating measures.

The liquidity reserve consists of high-quality assets that can be translated into cash funds on the next banking day and consist of cash and credit balances in central banks, government securities and credit balances in the bank.

Other liquidity-creating measures consist of other opportunities for liquidity and consist of unutilised credit facilities in USD in the Parent Company.

Otherwise, liquidity-creating measures can take place by means of stopping new lending or reducing lending and/or sales of financial assets, and by arranging loans or receiving shareholder contributions from the Parent Company.

Financing strategy

The bank shall have financing for the long term at as low a cost as possible and with the maximum possible spread of risk.

Financing consists of deposits from private individuals and companies, borrowing from credit institutions (Parent Company) and shareholders' equity.

Financing consists largely of non fixed-term deposits in SEK from private individuals and companies that are covered by the state deposit guarantee. Despite its being current by definition, this financing is in the opinion of the bank non-current in character. This assessment is in line with Basel Committee thinking for the calculation of so-called Stable Funding.

Risk tolerance and risk appetite

Risk tolerance refers to the maximum risk level that the bank will accept based on the assessed existing liquidity risk with regard to the business and its focus. Risk appetite is the level that the bank chooses to apply in practice.

The bank has a low tolerance as regards liquidity risk, which means that an adequate portion of deposits must be in the form of available liquidity at any time. Said portion must be sufficient for business to be conducted on a long-term basis and under various degrees of stress, without any need to change the business model. Risk appetite is at a lower level than risk tolerance, as in relation to deposits, available liquidity exceeds the minimum requirement decided on by the Board.

Measuring and reporting liquidity risk

Liquidity risk is measured and monitored continuously by means of key ratios and stress tests. The stress tests cover various major withdrawal scenarios by savings customers over 30 days, from realistic to less probable, the effect they have on available liquidity and the number of days it takes before liquidity is spent. There is ongoing reporting of liquidity risk to the CEO and the Board of Directors.

Publication of information

Information for publication comprises detailed information about the size of the liquidity reserve and its composition, the size and distribution across financing sources and key ratios.

Liquidity

	31 Dec 2021	31 Dec 2020
Cash and balances with central banks	438,928	76,079
Treasury bonds etc. acceptable as collateral	50,038	34,018
Liquidity buffer	488,966	110,098
Lending to credit institutions	509,518	318,227
Liquidity reserve	**998,484**	**428,325**
Unutilised credit facilities in the Parent Company	9,948	10,558
Other liquidity-creating measures	9,948	10,558
Available liquidity	**1,008,432**	**438,883**
Lending to credit institutions	509,518	318,227
Lending to the public	228,195	224,668
Lending	**737,713**	**542,895**
Liabilities to credit institutions	20,977	15,495
Deposits from the public	1,085,303	509,513
Borrowing and deposits	**1,106,280**	**525,008**
Balance sheet total	**1,243,484**	**669,259**
Key ratios		
Liquidity reserve/deposits	92%	84%
Liquidity reserve/balance sheet total	80%	64%
Available liquidity/deposits	93%	86%
Available liquidity/balance sheet total	81%	66%
Lending/borrowing and deposits	67%	103%
Lending to the public/deposits	21%	44%
Borrowing and deposits/balance sheet total	89%	78%

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) shows how big a liquidity buffer the bank needs in order to cover net cash outflow for 30 days in a stressed scenario. The LCR is reported monthly to the supervisory authorities and must exceed 100%. The liquidity buffer consists of high-quality liquid assets (HQLA) and constitutes part of the liquidity reserve.

	31 Dec 2021	31 Dec 2020
High-Quality Liquid Assets (HQLA)	488,966	110,098
Net cash outflow	132,759	29,600
Liquidity Coverage Ratio (LCR)	**368.3%**	**372.0%**

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is a metric that aims to measure the amount of the bank's non-current stable sources of finance in relation to its liquidity profile for assets financed, and for the realisation of off-balance sheet commitments and liabilities. The NSFR is reported to the supervisory authorities, and a binding metric of at least 100% was introduced on 28 June 2021.

Leverage ratio

The leverage ratio is a metric that aims to limit the risk for increased indebtedness among credit institutions. This metric is reported to the supervisory authorities, and a binding metric of at least 3% was introduced on 28 June 2021. The leverage ratio is calculated as Tier 1 capital divided by the total exposure on and off balance sheet with adjustments of certain items.

Information about non-discounted cash flows during contractual terms remaining for financial assets and liabilities is presented in the tables below. The tables also show contingent liquidity defined as available liquidity in relation to deposits from the public.

Liquidity exposure

	Contractual non-discounted cash flows – terms remaining						
31 Dec 2021	**On demand**	**Max 3 months**	**3 mo.–1 yr**	**1 yr–5 yrs**	**More than 5 years**	**No term**	**Total**
Cash and balances with central banks	438,928						438,928
Treasury bonds etc. acceptable as collateral	50,038						50,038
Lending to credit institutions	509,518						509,518
Lending to the public		123,539	40,406	77,416	13,931		255,292
Other assets			695			16,110	16,805
Assets	**998,484**	**123,539**	**41,101**	**77,416**	**13,931**	**16,110**	**1,270,580**
Liabilities to credit institutions						20,977	20,977
Deposits from the public	1,079,926	5,378					1,085,303
Other liabilities		5,206				7,887	13,093
Shareholders' equity						124,111	124,111
Liabilities and shareholders' equity	**1,079,926**	**10,584**	**0**	**0**	**0**	**152,974**	**1,243,484**
Lease agreements as lessee		106	319	561			986
Total	**0**	**106**	**319**	**561**	**0**	**0**	**986**
Total difference	**-81,442**	**112,849**	**40,782**	**76,855**	**13,931**		

	Contractual non-discounted cash flows – terms remaining						
31 Dec 2020	**On demand**	**Max 3 months**	**3 mo.–1 yr**	**1 yr–5 yrs**	**More than 5 years**	**No term**	**Total**
Cash and balances with central banks	76,079						76,079
Treasury bonds etc. acceptable as collateral	34,018						34,018
Lending to credit institutions	318,227						318,227
Lending to the public		148,208	38,122	83,225	221		269,777
Other assets			598			15,669	16,267
Assets	**428,325**	**148,208**	**38,720**	**83,225**	**221**	**15,669**	**714,368**
Liabilities to credit institutions						15,495	15,495
Deposits from the public	507,342	2,171					509,513
Other liabilities		4,703				14,826	19,529
Shareholders' equity						124,722	124,722
Liabilities and shareholders' equity	**507,342**	**6,873**	**0**	**0**	**0**	**155,043**	**669,259**
Lease agreements as lessee		72	217	256			545
Total	**0**	**72**	**217**	**256**	**0**	**0**	**545**
Total difference	**-79,018**	**141,262**	**38,503**	**82,969**	**221**		

Note 31 - Capital adequacy

The capital adequacy regulations express the legislature's view of the amount of the capital base that a bank is required to have in relation to the level of risk assumed by the bank. The capital base must at a minimum correspond to the total capital requirement for credit risks, market risks and operational risks. When the Board decides on its dividend motion, it takes into account such factors as distributable earnings, market situation and other capital requirements as well as other issues that the Board deems relevant. The operation's capital situation and requirements are determined on a continual basis through the bank's internal capital and liquidity adequacy assessment process (ICAAP).

The European CRR/CRDIV (Basel III) regulations entail requirements for the highest quality components of the capital base – Common Equity Tier 1 capital and Tier 1 capital. There is a capital conservation buffer of 2.50 per cent in addition to the minimum capital requirement and a systemic risk buffer for systemically important financial institutions. With application from 16 March 2020, the contra-cyclic buffer was reduced to 0.00 per cent (0.00) for certain exposures in Sweden.

The capital conservation buffer is built up in good times with the aim of avoiding a breach of the capital requirement in bad times. The contra-cyclic buffer will vary over the course of an economic cycle with the aim of combating excessive credit growth. All capital and buffer requirements must be applied, with the exception of the special buffer for system risk, which does not apply to the bank.

The minimum capital requirement for the Common Equity Tier 1 ratio is 7.61 per cent, the Tier 1 capital ratio 9.24 per cent and the total capital ratio 11.41 per cent.

Capital base
Capital base means the sum of Common Equity Tier 1 capital after deductions, Tier 1 capital addition and Tier 2 capital.

Common Equity Tier 1 capital is defined as capital that essentially corresponds to paid capital and certain reserves. Earnings may only be included after deductions for proposed dividends. Net intangible assets, i.e. after deferred tax and deferred tax assets attributable to loss carryforwards are deducted from Common Equity Tier 1 capital.

Tier 1 capital comprises Common Equity Tier 1 capital together with other Tier 1 capital additions.

Tier 2 capital comprises any fixed-term subordinated loans and bond loans, which with a remaining term of less than five years may be taken up to a reduced amount of the nominal value based on the number of days remaining until the date of maturity.

Minimum capital requirement – Pillar 1
The legal requirement for credit risks, market risks and operational risks is found in Pillar 1.
Credit risks – the bank applies the Standard Method for calculating credit risk.
Market risks – the bank uses the Swedish Financial Supervisory Authority's standardised model.
Operational risks – the bank applies the Basic Indicator Method, which requires the capital requirement to be calculated at 15 per cent of an average of operating income in the three most recent years, adjusted for any dividend income received from Group companies.

Capital assessment and risk management – Pillar 2
The Pillar 2 regulations require an institution to have a process for assessing its total capital requirement in relation to its risk profile and a strategy for maintaining capital level, where the Board is responsible for establishing the institution's risk tolerance. The process is known as the internal capital and liquidity adequacy assessment process (ICAAP).

All material risks must be identified, evaluated, measured and tested for stress based on different scenarios. The evaluation must focus in particular on the risks that are not managed under Pillar 1. Certain risks must be covered by capital, which means that institutions are expected to possess a larger capital base than the minimum level specified by Pillar 1 below. There are also concentration risks, earnings risks, strategic risks and interest rate risks.

The analysis of the capital requirement is made through quantitative and qualitative methods and is based on a number of scenarios per risk driver. The overall assessment is that in addition to the minimum capital requirement the company's capital base also covers these risks.

Publication of information – Pillar 3
Information for publication mainly includes detailed disclosures for the bank about credit risks, liquidity risks and the data used to calculate the Pillar 1 requirement. This is available at www.svea.com.

For further information on risk management and capital management, please refer to page 5 and Note 30.

Capital adequacy

	31 Dec 2021	31 Dec 2020
Common Equity Tier 1 capital	**119,259**	**119,829**
Tier 1 capital	**119,259**	**119,829**
Total capital	**119,259**	**119,829**
Capital requirement, pillar I	21,766	20,596
Capital requirement, pillar II	2,477	8,969
Capital conservation buffer	6,802	6,436
Contra-cyclic buffer	0	0
Total capital requirements	**31,045**	**36,001**
Risk-weighted exposures	**272,075**	**257,450**
Common Equity Tier 1 capital ratio, %	**43.83**	**46.54**
Tier 1 capital ratio, %	**43.83**	**46.54**
Total capital ratio, %	**43.83**	**46.54**
Requirement for Common Equity Tier 1 capital (Pillar I), %	4.50	4.50
Requirement for Common Equity Tier 1 capital (Pillar II), %	0.61	2.32
Capital conservation buffer requirement, %	2.50	2.50
Contra-cyclic buffer requirement, %	0.00	0.00
Total Common Equity Tier 1 capital requirement, %	**7.61**	**9.32**
Requirement for Tier 1 capital (Pillar I), %	6.00	6.00
Requirement for Tier 1 capital (Pillar II), %	0.74	2.82
Capital conservation buffer requirement, %	2.50	2.50
Contra-cyclic buffer requirement, %	0.00	0.00
Total Tier 1 capital requirement, %	**9.24**	**11.32**
Total capital requirement (Pillar I), %	8.00	8.00
Total capital requirement (Pillar II), %	0.91	3.48
Capital conservation buffer requirement, %	2.50	2.50
Contra-cyclic buffer requirement, %	0.00	0.00
Total capital requirement, %	**11.41**	**13.98**
Common Equity Tier 1 capital available for use as buffer, %	38.73	39.72

Leverage ratio

	31 Dec 2021	31 Dec 2020
Tier 1 capital	119,259	119,829
Total exposure amount for leverage ratio	1,243,977	668,893
Leverage ratio, %	9.59	17.91

Capital base

	31 Dec 2021	31 Dec 2020
Share capital	50,000	50,000
Capital instruments	**50,000**	**50,000**
Retained earnings	74,722	75,723
Earnings after predictable expenses	-611	-1,001
Shareholders' equity	**124,111**	**124,722**
Proposed dividends	0	0
Common Equity Tier 1 capital before regulatory adjustments	**124,111**	**124,722**
Additional value adjustments	-50	-110
Deferred tax asset dependent upon future profitability	-4,802	-4,782
Common Equity Tier 1 capital: regulatory adjustments	**-4,852**	**-4,892**
Common Equity Tier 1 capital	**119,259**	**119,829**
Tier 1 capital	**119,259**	**119,829**
Tier 2 capital	**0**	**0**
Total capital	**119,259**	**119,829**

Risk-weighted exposures and minimum capital requirement	Risk-weighted	Minimum capital requirement	Risk-weighted	Minimum capital requirement
Exposures to national governments and central banks	0	0	0	0
Exposures to public bodies	10	1	1	0
Exposures to institutions	17,282	1,383	16,338	1,307
Exposures to companies	133,152	10,652	140,740	11,259
Exposures to households	5,631	450	15,215	1,217
Exposures secured through property mortgages	34,620	2,770	0	0
Defaulting exposures	16,243	1,299	6,651	532
Share exposures	0	0	0	0
Other exposures	11,308	905	10,887	871
Credit risk	**218,247**	**17,460**	**189,832**	**15,186**
Currency risk	2,553	204	8,641	691
Market risk	**2,553**	**204**	**8,641**	**691**
Operational risk	51,274	4,102	60,557	4,845
Operational risk	**51,274**	**4,102**	**60,557**	**4,845**
Total	**272,075**	**21,766**	**268,083**	**21,447**

Note 32 - Related party transactions

	31 Dec 2021	31 Dec 2020
Income and expenses		
Interest income, Parent Company	0	301
Interest expenses, Parent Company	-228	-253
Interest expenses, other companies under significant influence of key individual in executive position	-5	-5
Interest expenses, key individuals in executive position	-1	-1
Commission income, Parent Company	816	269
Personnel expenses, Parent Company	-2,558	-2,421
Other administrative expenses, Parent Company	-21,269	-17,509
Other administrative expenses, other Group companies	-61	-124
Total	**-23,304**	**-19,742**
Assets		
Lending to credit institutions, Parent Company	423,121	236,562
Lending to the public, other Group companies	51	14
Lending to the public, other companies under significant influence of key individual in executive position	0	1
Total	**423,173**	**236,577**
Liabilities		
Liabilities to credit institutions, Parent Company	20,977	15,495
Deposits from the public, other companies under significant influence of key individual in executive position	3,384	2,329
Deposits from the public, key individuals in executive position	5,237	836
Accrued expenses, Parent Company	3,289	2,219
Total	**32,886**	**20,879**
Pledged assets		
For the Parent Company and other Group companies	0	0
For other companies under significant influence of key individual in executive position	0	0
Contingencies		
Guarantees, Parent Company and other Group companies	0	0
Guarantees, other companies under significant influence of key individual in executive position	0	0
Commitments, other companies under significant influence of key individual in executive position	0	99

Parent Company and other Group companies

The bank invests surplus liquidity in the Parent Company and has financed other Group companies, which generates interest income. The bank has loans from the Parent Company, which generates interest expenses. The bank hires personnel from the Parent Company, which generates personnel expenses. The bank hires premises and purchases IT services from the Parent Company and purchases debt collection services from other Group companies.

Other companies under significant influence of key individual in executive position

The bank does not purchase any services from other companies under the significant influence of a key individual in an executive position.
The bank has issued a card credit to another company that is under the significant influence of a key individual in an executive position, which generates interest income. Other companies under the significant influence of a key individual in an executive position have deposits in savings accounts, which generates interest expenses.

Other transactions with key individuals in executive position

Key individuals in an executive position have deposits in savings accounts, which generates interest expenses.

Senior executives, etc.

Disclosures are provided in Note 8

Note 33 - Proposed allocation of profits in SEK

According to Svea Bank AB's balance sheet, the following is at the disposal of the Annual General Meeting:	
Retained earnings	70,553,380
Profit/loss for the year	-610,989
Total	**69,942,391**
The Board of Directors and the CEO propose that the earnings be distributed as follows:	
To be paid to shareholders (1,598,400 shares x SEK 31.28 per share)	50,000,000
To be carried forward	19,942,391
Total	**69,942,391**

Note 34 - Significant events since the year-end

On 3 January 2022, the Parent Company Svea Ekonomi AB merged and became part of Svea Bank AB through a downstream merger. Following this, Svea Bank AB is the new Parent company in the Group and has taken over all operations, including all assets and liabilities that were previously within Svea Ekonomi AB.

The merger increases transparency towards the market and our customers; it is a natural step in bringing together all operations in Svea Bank.

One effect of the merger is that the issuer of bonds is Svea Bank AB. Amended and adopted terms and conditions are available at svea.com.

In connection with the merger, two new branches were formed in Norway and Finland as part of the new Parent Company Svea Bank AB: Svea Bank AB filial i Norge and Svea Bank AB filial i Finland. The previous branches were de-registered.

Letter from the Swedish Financial Supervisory Authority

On 28 January, a letter was received from the Swedish Financial Supervisory Authority, whose preliminary assessment is that Svea has not based its credit assessment on sufficient information and is thereby not complying with the Swedish Consumer Credit Act (Sections 6 and 12 of the Swedish Consumer Credit Act (2010:1846) and the Swedish Financial Supervisory Authority's General Guidelines (FFFS 2014:11)). The Swedish Financial Supervisory Authority's preliminary assessment is that Svea has not observed good practice when granting credit and has not complied with the Swedish Consumer Credit Act, and is therefore considering taking action against Svea with the support of Section 15:1 of the Swedish Banking and Finance Business Act.

Svea does not share the Swedish Financial Supervisory Authority's assessment that we base our credit assessment on insufficient base data, and our response dated 18 February set out our reasoning for this. We do, however, share the supervisory authority's ambition to combat over-indebtedness and review our credit assessment methods on an ongoing basis to see how they can be improved.

Alliance with SeQura

A collaboration with the payment solution company SeQura Worldwide S.A. has been initiated, to work together to offer a strong payment solution for the European market. SeQura is a leading provider of payment services in Southern Europe and Svea Bank AB owns 17.7% of the shares.

The aim is to develop new e-commerce tools and payment solutions that can accelerate the digital development and provide companies with opportunities to enhance their relationships with their customers. The investment will also focus on designing and testing various customer experiences in order to evaluate what makes a repeat customer, both in physical stores and online.

The situation in Russia and Ukraine

On 24 February, Russia launched an invasion of Ukraine. Svea has had operations in both Ukraine and Russia for many years. Since the war broke out, we have been monitoring developments closely and are working actively to manage the situation and its effects. The highest priority has been the safety of our employees in Ukraine. The business in Ukraine has been partly shut down, but all employees retain their jobs. Find out more about our work to support Ukraine in our sustainability report at svea.com.

There have been no new business transactions in Russia since the invasion was launched. We are monitoring the regulations on sanctions closely and making sure that there are no transactions that are in breach of the regulations. Svea wishes to shut down its business in Russia and is therefore planning to dispose of the Russian business. This divestment is expected to be carried out during Q2.

As of 31/12/2021, the Group's total exposure in Russia was SEK 607 million and the total exposure in Ukraine was SEK 8 million. The effect of the situation is difficult to assess because of the volatile currency and changing conditions in Russia, and we believe that this may have a negative impact on earnings. There is not, however, expected to be a significant impact in the first quarter in view of strong cash flows.

Note 35 - Definitions

The financial statements contain key ratios that the bank believes will provide valuable information to readers, as they are used by the bank for internal governance and follow-up on results, and also for comparisons between reporting periods. Most of the key ratios may be considered to be generally accepted and convey a picture of financial results, profitability and financial position. These do not need to be comparable with similar key ratios that are presented by other companies.

Alternative key rations

Net interest income
Interest income minus interest expenses.

Net commissions
Commission income minus commission expenses.

Lending to credit institutions
Including cash and bank balances with central banks.

Operating margin
Operating profit divided by operating income.

Return on total assets
Profit for the period divided by average total assets.

Return on shareholders' equity
Profit for the period divided by average shareholders' equity.

Equity/assets ratio
Shareholders' equity divided by total assets at the end of the period.

Expenses/income
Operating expenses divided by operating income.

Lending/deposits
Lending to the public divided by deposits from the public at year end.

Credit loss ratio
Credit losses, net divided by average lending to the public.

Liquidity
Cash and bank balances plus unutilised credit, treasury bonds accepted as collateral and bonds.

Cash flow from operating activities
Cash flow from operating activities before changes in operating assets and liabilities.

Average number of full-time equivalent employees
Average of number of employees at beginning and end of year respectively.

Key ratios in accordance with the EU's Capital Requirements Regulation No. 575/2013 (CRR)

Total capital
Capital base equals the total of Common Equity Tier 1 capital, Tier 1 capital addition and Tier 2 capital.

Risk-weighted exposures
Total of risk-weighted exposures on and off the balance sheet, in respect of credit risk, market risk, operational risk and creditworthiness adjustment risk.

Common Equity Tier 1 capital ratio
Common Equity Tier 1 capital divided by total risk-weighted exposures.

Total capital ratio
Total capital divided by total risk-weighted exposures.

Liquidity Coverage Ratio (LCR)
High-quality liquid assets (HQLA) divided by a stressed net cash outflow over 30 days.

The Board of Directors and CEO hereby certify that the Annual Report has been prepared in accordance with the IFRS adopted by the EU and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL/1995:1559), applying the Swedish Financial Supervisory Authority's regulations (FFFS 2008:25) and the Swedish Financial Reporting Board's recommendations, and provide a true and fair view of the bank's financial position and earnings and that the Report of the Board of Directors provides a true and fair overview of the performance of the bank's operations, financial position and earnings and describes the significant risks and uncertainties to which the bank is exposed.

Stockholm, date as per electronic signature

Lennart Ågren
Member of the board
CEO

Anders Lidefelt
Member of the board
Chairman

Anders Hedberg
Member of the board

Anna Frick
Member of the board

Mats Hellström
Member of the board

Anders Ingler
Member of the board

Mats Kärsrud
Member of the board

Arne Liljedahl
Member of the board

Our auditor's report was submitted in accordance with the digital signature

BDO Mälardalen AB

Per Fridolin
Authorised Public Accountant

Audit Report

To the general meeting of shareholders in Svea Bank AB (publ), co. reg. no. 556158-7634

Report on the annual accounts

Opinion

We have audited the annual accounts of Svea Bank AB (publ AB) for 2021.

In our opinion the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and in all material respects present a fair view of Svea Bank AB (publ)'s financial position as of 31 December 2021 and of its financial performance and cash flow for the year in compliance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

The Report of the Board of Directors is consistent with the other sections of the annual accounts.

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

Our opinion in this report on the annual accounts is compatible with the content of the supplementary report that was submitted to the Board of Directors in accordance with Article 11 of the Auditors' Ordinance (537/2014/EU).

Basis for opinion

We have conducted the audit in accordance with International Standards on Auditing (ISA) and auditing standards generally accepted in Sweden. Our responsibilities under those standards are described in more detail in the section on auditor's responsibility. We are independent of Svea Bank AB (publ) in accordance with auditing ethics in Sweden and have otherwise fulfilled our professional ethical responsibility under these requirements. This includes that, based on our best knowledge and conviction, no forbidden services as described in Article 5.1 of the Auditors' Ordinance (537/2014/EU) have been provided to the audited company or, where relevant, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and adequate as a basis for our opinion.

Particularly important areas

Particularly important areas for the audit are those which, in our professional judgement, were the most significant for the audit of the annual accounts for the period concerned. While these areas were addressed within the framework of the audit of the annual accounts as a whole and our position toward them, we do not provide separate opinions on these areas.

Reserve for expected credit losses

Information on the area is provided in the annual report – Note 1 *Accounting policies and valuation principles*, Note 10 *Credit losses, net* and Note 16 *Lending to the public*.

As of 31 December 2021, *Lending to the public* amounts to SEK 228,195,000 (previous year 224,668,000), corresponding to 18% (previous year 34) of total assets. The reserve for expected credit losses amounts to SEK 8,621,000 (previous year 5,357,000).

According to IFRS 9, loan receivables are divided into three stages based on the level of credit risk or the change in the credit risk: stage 1 for loans with no significant worsening of credit risk, with losses estimated for expected defaults within 12 months, stage 2 for loans with a significant worsening of credit risk and stage 3 for loans in default with losses estimated for occurred and expected defaults during the remaining term of the loan.

Expected credit loss is calculated as a function of the probability of default, exposure to default, losses in the event of default and the timing of default. The reserve is based on previous events, current conditions and forecasts of future economic conditions. IFRS 9 allows estimated credit losses to be adjusted with reference to professional assessments.

Management performs assessments of and assumptions about, among other things, criteria in order to identify a significant worsening of the credit risk and methods for calculating expected defaults. The complexity of the calculations, the element of assessments and assumptions, and the significance of the balance sheet item mean that the reserve for expected credit losses is considered to be a particularly important area.

How we considered the particularly important area in our audit

Our audit consisted of a combination of evaluation and substantive testing.

We have evaluated on the one hand control in the loan process, and on the other hand whether assessments made of the probability of default, exposure in the event of default and loss in the event of default (expected credit loss) as well as significant increase in credit risk are in accordance with IFRS 9.

In our substantive testing, we tested to make sure that data from underlying systems used in the reserve model are complete and correct, and also examined and assessed the model used, including assumptions and parameters, and also assessed the reasonableness of the manual adjustments made. We have also examined the disclosures relating to the implementation of IFRS 9.

The Board of Directors' and Chief Executive Officer's responsibility

It is the Board and the CEO who are responsible for ensuring that the annual accounts are prepared and that they give a true and fair view in accordance with the Swedish Accounts Act for Credit Institutions and Securities Companies. The Board and the CEO are also responsible for the internal control they deem necessary to prepare annual accounts that do not contain material misstatements, whether due to fraud or error.

In preparing the annual accounts, the Board and the CEO are responsible for assessing the ability of the company to continue as a going concern. They inform, as appropriate, on the conditions that can affect the ability to continue as a going concern and to use the going concern assumption. The going concern assumption does not apply if the Board and the CEO intend to liquidate the company, to cease trading, or have no realistic alternative but to liquidate the company or to cease trading.

The auditor's responsibility

Our goal is to achieve a reasonable degree of certainty as to whether the annual accounts as a whole do not contain any material misstatement, whether due to fraud or error, and to submit an audit report that contains our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and other auditing standards generally accepted in Sweden will always detect a material misstatement should such be present. Inaccuracies may occur due to fraud or error, and they are considered to be material where they, individually or jointly, can reasonably be expected to affect the economic decisions that users make on the basis of the annual accounts.

As part of an audit under ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. Furthermore, we:

- identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, and draw up and perform audit procedures, inter alia on the basis of these risks, and obtain audit evidence that is sufficient and appropriate for providing a basis for our opinions. The risk of failing to detect a material misstatement due to irregularities is greater than for a material misstatement due to errors, because the irregularities may involve collusion, falsification, deliberate omissions, incorrect information or disregard of internal controls.
- gain an understanding of the part of the company's internal controls relevant to our audit in order to draw up audit procedures that are appropriate in the circumstances, but not in order to express an opinion on the effectiveness of internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Board and CEO in the accounts together with associated information.
- draw a conclusion on the appropriateness of the use of the going concern assumption by the Board and CEO when preparing the annual accounts. We also draw a conclusion based on the audit evidence obtained, as to whether there is any material uncertainty relating to events or conditions that can lead to significant doubt about the company's ability to continue as a going concern. If we conclude that there is a material uncertainty factor, we must draw attention in the audit report to the information contained in the annual accounts for the material uncertainty or, if such information is insufficient, modify our opinion on the annual accounts. Our conclusions are based on the audit evidence obtained up until the date of the audit report. Future events or conditions may, however, mean that a company is no longer able to continue operations.
- evaluate the overall presentation, structure and content of the annual accounts, including the information, and whether the annual accounts reflect the underlying transactions and events in a way that gives a true and fair view.

Among other things, we have to inform the Board about the planned scope, direction and timing of the audit. We must also inform about significant findings made during the audit, including any serious weaknesses in internal control that we identify.

We must also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to affect our independence, and where applicable, measures that have been taken to eliminate threats or safeguards that have been taken.

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

Report on other statutory and regulatory requirements

Opinion

In addition to our audit of the annual accounts, we have also audited the administration of the Board and the CEO of Svea Bank AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend that the general meeting of shareholders appropriate the company's retained earnings as proposed in the Report of the Board of Directors and grant freedom from liability to the members of the Board and the Chief Executive Officer in respect of the financial year.

Basis for opinion

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in this regard is described in more detail in the section entitled Auditor's responsibility. We are independent of Svea Bank AB (publ) in accordance with auditing ethics in Sweden and have otherwise fulfilled our professional ethical responsibility under these requirements.

We believe that the audit evidence we have obtained is sufficient and adequate as a basis for our opinion.

The Board of Directors' and Chief Executive Officer's responsibility

The Board is responsible for the proposal for appropriations of the company's profit or loss. The dividend proposal includes, among other things, an assessment of whether the dividends are justified with regard to the requirements that the company's business nature, scope and risks place on the size of the company's shareholders' equity, need to strengthen the balance sheet, liquidity and general position.

The Board is responsible for the company's organisation and the administration of its affairs. This includes continuously monitoring the company's financial situation and ensuring that the company is organised so that accounting, asset management and the company's financial affairs are otherwise controlled in a reassuring manner. The CEO must manage day-to-day administration under the Board's guidelines and instructions, and also take the necessary measures to ensure that the company's accounts are kept in compliance with the law and that asset management will be carried out in a reassuring manner.

The auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgement based on risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operation and where deviations and violations would have particular importance for the company's situation. We examine and test decisions taken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board's proposal for appropriation of the company's profit or loss, we have examined the Board's reasoned opinion and a sample of the evidence for the same in order to be able to determine whether the proposal is consistent with the Swedish Companies Act.

BDO Mälardalen AB, Sveavägen 53, SE-102 35 Stockholm, was appointed as Svea Bank AB (publ)'s auditor at the general meeting of shareholders 2021 and has been the company's auditor since 2017.

Stockholm, date as per electronic signature

BDO Mälardalen AB

Per Fridolin
Authorised Public Accountant

Find out more at

svea.com