SBAB Bank AB (publ)

INTERIM REPORT

January–March 2019

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SBAB!

The quarter in brief

I am also pleased that we, during the quarter, continued on our journey to promote a green ecosystem of money – raising and lending green funds. In the first quarter of 2019, we became the first institution in Sweden to issue a green covered bond backed by residential mortgages.

KLAS DANIELSSON, CEO OF SBAB

Q1 2019 (Q4 2018)

- Lending growth for residential mortgages waned slightly during the quarter. New lending to corporate clients and tenant-owners' associations remained healthy. Total lending increased 0.6% to SEK 366.3 billion (364.2). | *Read more on page 7*
- SBAB's deposit offering continues to attract new savings customers. Total deposits increased 0.9% to SEK 126.1 billion (124.9). | *Read more on page 7*
- The return on equity amounted to 12.5% (11.9) and the C/I ratio was 32.8% (33.7). | *Read more on page 10*
- SBAB finished in fourth place in "Great Place to Work's" list of Sweden's best workplaces in 2019, in the category larger organisations. | *Read more on page 4*
- On 23 January 2019, the SBAB Group became the first institution in Sweden to issue a green covered bond backed by residential mortgages and property loans. | *Read more on page 13*

SELECTED KEY METRICS

	GROUP					
	2019	2018		2019	2018	
	Q1	Q4	Change	Jan–Mar	Jan–Mar	Change
Total lending, SEK bn	366.3	364.2	0.6%	366.3	344.0	6.5%
Total deposits, SEK bn	126.1	124.9	0.9%	126.1	115.3	9.4%
Net interest income, SEK million	883	848	4.1%	883	831	6.3%
Expenses, SEK million	–292	–297	–1.7%	–292	–242	20.7%
Credit losses, SEK million	–9	–7	SEK 2 mn	–9	10	SEK 19 mn
Operating profit, SEK million	590	576	2.4%	590	576	2.4%
Return on equity, %	12.5	11.9	0.6 pp [2]	12.5	13.0	–0.5 pp
C/I ratio, %	32.8	33.7	–0.9 pp	32.8	30.0	2.8 pp
CET1 capital ratio, % [1]	12.4	12.5	–0.1 pp	12.4	31.1	–18.7 pp

[1] From 31 December 2018, the method for applying the existing risk-weight floor for Swedish mortgages has been amended. For more information, please refer to page 13 and Note 10.
[2] pp = percentage points

This is SBAB

SBAB's business idea is to be innovative and considerate in our offering of loans and savings products to private individuals, tenant-owner associations and property companies in Sweden.

Vision

To offer the best residential mortgages in Sweden

Mission

To contribute to better housing and household finances

Retail business area

Retail

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance, and housing search engine and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. We do not have any offices for physical customer meetings — we meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.35% at 28 February 2019, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se is Sweden's second-largest search engine for housing.

Corporate Clients & Tenant. own.

Corporate Clients and Tenant-Owners' Associations

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing to property companies and tenant-owners' associations. We finance multi-family dwellings, existing as well as new construction. Our lending to property companies and tenant-owners' associations corresponds to around a quarter of SBAB's total lending. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö.

SBAB assigns priority to four global sustainable development goals

Read more in SBAB's Annual Report 2018

Statement from the CEO

First we dream about a home, then we rent or buy a home, then after we live there for a time, we start to dream again. When we have found a new home we sell or stop renting our previous home. And so the cycle starts again. This is a typical housing cycle and one that we, on average, experience 11 times in our lifetimes. It is in this housing cycle we operate. Because essentially, this is exactly what our operations are about — we create opportunities for people to reside and live.

Taking up a residential mortgage is an infrequent purchase, where the customer relationship is traditionally strongest when the mortgage application is made, a new home is bought and the mortgage is disbursed. Long-term relationships are valuable for both SBAB and customers. We seek to add customer value throughout the period when a home requires financing and throughout the housing cycle. We see the housing cycle as an ecosystem of needs and services. We have long focused on our customer offering in the housing and household finances ecosystem. Through our own services at SBAB and Booli, and together with services from business partners, we are building a customer offering and a customer experience covering all phases of the housing cycle.

A customer offering in the housing and household finances ecosystem

In the first quarter of 2019, we introduced a raft of activities to improve and strengthen the customer experience. We have continued to launch content in the SBAB app. A key element of these efforts are about making the transition from talking about numbers to adding more personal content. This has to do with, for example, household finances in the form of various articles and an annual personal statement for each customer of their commitments with SBAB. Moving forward, it will also entail showcasing other services in our ecosystem, such as legal services through our partners and various insurance products, as well as adding additional mortgage functionality.

At the start of the second quarter, we launched our updated online bank for our corporate and tenant-owners' association customer swith a completely new design and user experience.

At booli.se, Sweden's second largest search engine for housing, work continues with streamlining and optimising data collection, and complementing the platform with relevant information. Actions in the first quarter included adding personalised information when customers log in, such as the value trend for the property and information about other property in the area. On HittaMäklare.se we launched the "Säljarfavorit" concept in the first quarter to further strengthen confidence in our estate agent assessments.

> SBAB finished in fourth place in GPTW's list of Sweden's best workplaces in 2019, in the category larger organisations. A fantastic achievement of which we are extremely proud.

Creating greater digital customer and user benefits within housing and household finances will continue in 2019. Through increased digitalisation we can offer better service, become more cost-efficient and grow in terms of customers and users at lower marginal costs.

A changing residential mortgage market

Competition in the residential mortgage market is increasing from established mortgage banks and from new participants. At the same time as competition is intensifying, credit growth is tapering off. Together, this means pressure on mortgage rates and tighter mortgage margins. The residential mortgage market has also become more segmented as various credit providers target aggressive offerings at specific customer groups. In the first quarter, developments in the residential mortgage market entailed considerable negative impact on our growth. In 2018, our share of net growth in the residential mortgage market was around 17%. In the first quarter 2019, the corresponding figure was 2%.

The weak start to 2019 highlighted the need to review our mortgage rates. In February, we lowered mortgage rates for all maturities and revised our pricing model with increased interest-rate discounts for mortgages with low loan-to-value ratios. In March we started to see clear effects from these measures with substantial increase in application volumes. My assessment is therefore that our low growth in mortgages in the first quarter was only a temporary hiccup in the strong growth trend we have noted for several years, which we intend to continue.

A strong financial performance

Once again, we reported strong net interest income and earnings for the quarter. I am also pleased that we, during the quarter, continued on our journey to promote a green ecosystem of money – raising and lending green funds. In the first quarter of 2019, we became the first institution in Sweden to issue a green covered bond backed by residential mortgages. Our key financial metrics remain strong and stable, even if we expect these to weaken slightly moving forward as a result of lower mortgage margins, continued investments in future competitiveness and a slightly weaker credit market. The return on equity was 12.5% and the CET1 capital ratio was 12.4% for the quarter, which exceeded our financial targets by a comfortable margin. Credit losses remained low and amounted to SEK 9 million for the quarter.

To ensure SBAB's long-term competitiveness, we invest in our operations. Not only to improve our customer offering but also to make ourselves more efficient. We are in the middle of an investment cycle where we are replacing our technological infrastructure, developing the customer offering and strengthening the organisation with technological and digital expertise. Expenses totalled SEK 292 million for the quarter in parallel with a C/I ratio of 32.8%, which is extremely low compared with other Swedish banks. Our expenses and development projects are progressing as planned.

Sweden's fourth best workplace according to Great Place to Work

An attractive workplace is one of our three target areas. For us, it is critical for our long-term competitiveness that everyone at SBAB is committed, thrives at work, that we can be ourselves and that we feel that we can succeed and develop together every day.

A number of years back, to follow up our progress in becoming Sweden's best workplace, we engaged Great Place to Work (GPTW) to evaluate our commitment and our perceptions of what applies in terms of credibility, respect, fairness, pride and camaraderie. We address a number of issues and claims in the survey.

The proportion of employees that stated that SBAB, overall, is a very good workplace increased from 77% in 2016 to 85% in the 2018 survey. This places SBAB at the top among other comparable companies in Sweden and Europe.

Every year, GPTW also ranks the best workplaces in Sweden based on the results of an employee survey and through an evaluation of the corporate culture that describes how the company actively promotes the creation of a committed corporate culture and workplace. SBAB finished in fourth place in GPTW's list of Sweden's best workplaces in 2019, in the category larger organisations. A fantastic achievement of which we are extremely proud.

Klas Danielsson
CEO of SBAB

Market developments

Swedish economy

The Swedish economy has performed well due to the favourable economic trend in the wider world and the weak Swedish Krona. The Swedish GDP grew 2.3% in 2018. It was mainly investments by industry that contributed to the trend with the support of high demand from the wider world and low interest rates. However, as a result of declining investments in housing, GDP growth is expected to decrease to 1.3% in 2019. The industry's confidence indicator has shown a general decline over the past year and the level in the first quarter was on a par for normal economic conditions.

The downturn in the economy together with a slow increase in unemployment contributes to slower growth in household disposable income and higher savings. Consumer confidence has fallen significantly since its peak at the end of 2017 and is currently negative.

Continued uncertainty in the housing market

Housing prices in Sweden, both in terms of houses and apartments, are essentially unchanged. Like SEB, SBAB's housing indicator points to a slight predominance of households believing that prices will rise rather than fall over the next year. However, Erik Olsson's housing index points to the reverse. All together, this indicates how the housing market is swaying back and forth at present. The downturn in housing prices at the end of 2017 can likely to some extent be explained by rapidly growing supply of newly produced housing. In some markets, signals indicate that the supply of housing has been greater than the real demand, which does not necessarily correspond with the need. Examples of such signals include longer advertisement times, fewer bidders per object, falling bid premiums and a larger proportion of housing with lowered prices. According to statistics from Booli, advertising periods for new housing production has risen from an average of 77 days in 2016 to 134 days in 2018 and to around 180 days at the start of 2019. Despite a low supply of existing housing, many property developers are having trouble selling their newly produced apartments. These difficulties have resulted in lowered prices and temporary grace periods for monthly fees, which have also contributed to uncertainty regarding the price trend for housing.

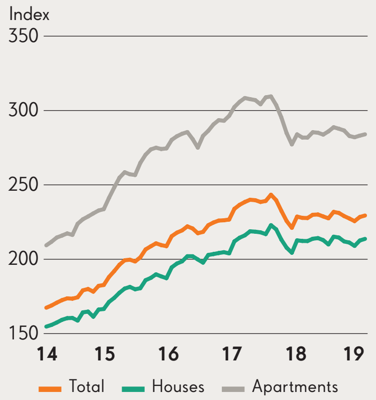
In 2017, construction was started of 63,000 housing units, of which 50,000 were apartments. Preliminary statistics for 2018 indicate that construction has declined by 16%. Housing developers have given a very negative one-year outlook in the National Institute of Economic Research's Economic Tendency Survey. The housing starts forecast for 2019 is 34% lower compared with the peak year 2017, due to, inter alia, uncertainty regarding housing prices, interest rates and the effects of more stringent credit terms. In 2019, housing starts are expected to total 32,000 for apartments and 9,000 for houses.

Declining lending growth

Through the start of 2019, annualised lending growth to households was slightly over 5%. Compared with the same period last year, this represented a decline of two percentage points. The decline can be explained to a slowdown in the economy and weaker expectations for the future. Consistently low interest rates and a large supply of newly produced housing are factors that help maintain credit growth. Fastest growth was noted in consumer loans, which posted growth of 9%.

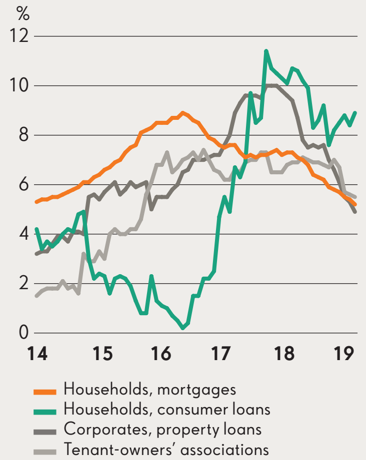
Rising incomes and a strong labour market have provided households greater opportunities to save, while an uncertain economy and housing market have contributed to the desire to save. Households' deposits increased at a faster rate than their mortgages, despite the low interest rates. Moreover, deposits from non-financial corporates, including tenant-owners' associations, continued to grow at a healthy rate in the first months of the year.

HOUSING PRICE TREND
(HOX index 2005=100)



Source: Valueguard, Statistics Sweden (SCB)

LENDING GROWTH
(Percentage, 12-month change)



DEPOSIT GROWTH
(Percentage, 12-month change)

Business development

Volume trends

	GROUP				
	2019	2018	2018	2019	2018
	Q1	Q4	Q1	Jan–Mar	Jan–Mar
New lending, SEK bn	16.3	19.7	19.2	16.3	19.2
Net change in lending, SEK bn	2.1	6.2	8.9	2.1	8.9
Total lending, SEK bn	**366.3**	**364.2**	**344.0**	**366.3**	**344.0**
No. of deposit accounts, thousand	383	373	343	383	343
Net change in deposits, SEK bn	1.2	4.4	3.4	1.2	3.4
Total deposits, SEK bn	**126.1**	**124.9**	**115.3**	**126.1**	**115.3**
Deposits/lending, %	34.4	34.3	33.5	34.4	33.5
Retail business area					
No. of mortgage customers, thousand	270	270	259	270	259
No. of mortgage objects financed, thousand	172	172	165	172	165
New lending, SEK bn	12.4	16.9	16.3	12.4	16.3
Net change in lending, SEK bn	0.6	7.3	8.2	0.6	8.2
Total lending, Retail, SEK bn	**279.5**	**278.9**	**258.3**	**279.5**	**258.3**
Residential mortgages, SEK bn	277.3	276.7	256.3	277.3	256.3
Consumer loans, SEK bn	2.2	2.2	2.0	2.2	2.0
Market share, Residential mortgages, % [1]	8.35	8.41	8.06	8.35	8.06
Market share, Consumer loans, % [1]	0.87	0.87	0.86	0.87	0.86
Total deposits, Retail, SEK bn	**87.6**	**87.1**	**77.9**	**87.6**	**77.9**
No. of retail customers with savings accounts, thousand	337	329	303	337	303
Market share deposits, Retail, % [1]	4.60	4.65	4.39	4.60	4.39
Corporate Clients & Tenant-Owners' Associations business area					
No. of corporate clients and tenant-owners' associations	2,162	2,184	2,345	2,162	2,345
New lending, SEK bn	3.9	2.8	2.9	3.9	2.9
Net change in lending, SEK bn	1.5	–1.1	0.6	1.5	0.6
Total lending, Corporate Clients & Tenant-Owners' Associations, SEK bn	**86.8**	**85.3**	**85.6**	**86.8**	**85.6**
Lending, Corporate clients, SEK bn	36.1	33.8	33.4	36.1	33.4
Lending, Tenant-owners' associations, SEK bn	50.7	51.5	52.2	50.7	52.2
Market share, Corporate clients, % [1]	10.77	10.88	11.19	10.77	11.19
Market share, Tenant-owners' associations, % [1]	9.41	9.53	10.13	9.41	10.13
Total deposits, Corporate Clients & Tenant-Owners' Associations, SEK bn	**38.5**	**37.9**	**37.4**	**38.5**	**37.4**
No. of corporate clients and tenant-owners' associations, thousand	13,100	13,400	13,600	13,100	13,600
Market share deposits, Corporate Clients & Tenant-Owners' Associations, % [1]	3.20	3.19	3.36	3.20	3.36

[1] Source: Statistics Sweden. The figures in the columns for Q1 2019 and Jan–Mar 2019 correspond with the market share as of 28 February 2019. The figures in the columns for Q1 2018 and Jan–Mar 2018 correspond with the market share as of 28 February 2018. The definition for "Market share deposits, Corporate Clients & Tenant-Owners' Associations" has been revised as of 31 March 2019. The comparative figures have been restated.

Retail business area

Residential mortgage customers

270,000

Savings customers

337,000

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Trend for Q1 2019 compared with Q4 2018

Retail business area

Lending

Competition in the residential mortgage market has risen. Many established operators are working intensively to retain and defend their positions, and several new competitors have emerged as serious contenders for residential mortgage customers. In parallel, growth in the residential mortgage market has slowed slightly as a result of more stringent credit rules from government agencies and due to the housing market trend.

Total retail lending increased marginally during the quarter to SEK 279.5 billion (278.9), of which SEK 277.3 billion (276.7) comprised residential mortgages and SEK 2.2 billion (2.2) consumer loans. During the quarter, new lending decreased to SEK 12.4 billion (16.9). The number of residential mortgage customers amounted to 270,000 (270,000) distributed over 172,000 (172,000) mortgage objects. The market share of residential mortgages was 8.35% at 28 February 2019 (8.41% at 31 December 2018). At the same date, the market share for consumer loans was 0.87% (0.87% at 31 December 2018).

The majority of SBAB's residential mortgage customers choose shorter maturities. The share of total lending with a 3M variable interest rate amounted to 73.2% (70.1) at the end of the quarter.

SBAB's ambition is to continue to grow and capture market shares. A key element in this entails being able to offer customers simple and competitive terms. In mid-February, SBAB lowered its mortgage rates for all tenors and concurrently adjusted its pricing model. These changes significantly improved SBAB's competitiveness and boosted customer activity and customer inflows at the end of the quarter.

For more information, please refer to page 11.

Savings accounts (deposit)

SBAB's savings accounts offer consumers competitive interest rates, are free of charge, have free withdrawals and are covered by the national deposit guarantee. Retail deposits increased and totalled SEK 87.6 billion (87.1) during the quarter. At the end of the quarter, approximately 337,000 (329,000) retail customers held savings accounts with SBAB. The market share of retail deposits was 4.60% at 28 February 2019 (4.65% at 31 December 2018).

User trends

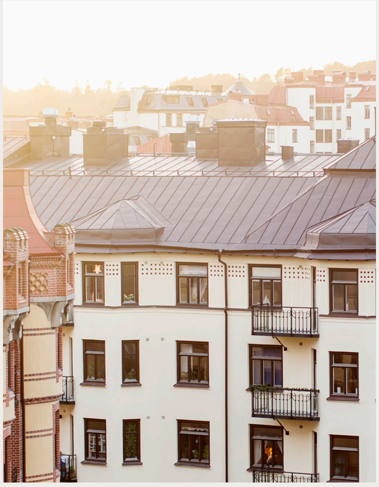
Every month, an increasing number of people visit SBAB's website to manage mortgages and savings or to find inspiration about housing and household finances. The number of unique visitors per month to www.sbab.se averaged around 467,000 (463,000) in the quarter. The number of unique users of the SBAB app totalled around 71,000 (59,000) in the quarter.

Booli.se is a popular platform for finding information about supply, demand and price trends for housing. The number of unique visitors per month to www.booli.se averaged around 887,000 (822,000) in the quarter. Booli's monthly housing valuation email had more than 300,000 subscribers at the end of the quarter. HittaMäklare's service for estate agents was used by about 80% of the registered estate agents in Sweden.

SBAB's ecosystem

Services relating to housing and household finances represent SBAB's ecosystem – an ecosystem in which consumers navigate to solve their problems, simplify their daily lives and identify possibilities to realise their dreams of a better home and improved household finances. We create services within our ecosystem for every phase of home-owner life – be it finding, buying, owning, improving or selling a home. In January 2016, we acquired the housing search engine service Booli to create a platform for developing services. Our ecosystem includes residential mortgages, savings, housing financing, homes for sale, housing valuations, suggestions and recommendations for real estate agents, and much more.

Corporate Clients & Tenant-Own-



Property financing customers	Savings customers
2,200	13,100

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing to property companies and tenant-owners' associations. We finance multi-family dwellings, existing as well as new construction. Our lending to property companies and tenant-owners' associations corresponds to around a quarter of SBAB's total lending. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö.

Trend for Q1 2019 compared with Q4 2018

Corporate Clients & Tenant-Owners' Associations business area

Property financing (lending)

During the quarter, new lending to corporate clients and tenant-owners' associations increased to SEK 3.9 billion (2.8) despite a somewhat quieter transaction market and a downturn in production starts for the construction of new housing. The market for lending to tenant-owners' associations continues to be dominated by intense price competition, primarily from the major banks. Property market trends in 2019 are difficult to assess given the uncertainty regarding developments in the macroeconomic environment and the conditions that will apply for future housing policy. However, the assessment is that SBAB's market position provides the preconditions for a continued healthy sales trend.

Total lending increased to SEK 86.8 billion (85.3) during the quarter, mainly due to a number of large transactions with existing property company customers. Of total lending, SEK 36.1 billion (33.8) comprised lending to corporate clients and SEK 50.7 billion (51.5) lending to tenant-owners' associations. The market share of lending to corporate clients was 10.77% at 28 February 2019 (10.88% at 31 December 2018). At the same date, the market share for lending to tenant-owners' associations was 9.41% (9.53). The number of loan customers continued to decline and amounted to 2,162 (2,184) at the end of the quarter, which is in line with SBAB's existing strategy to focus on customers in regions where SBAB has a physical presence and the possibility of establishing good customer relations.

A degree of uncertainty prevails in the market regarding newly produced housing. Primarily in Stockholm, though also in other growth areas, new construction has been particularly high. SBAB focuses on lending to established customer relationships and large, experienced property developers, and additionally sets higher pre-sales requirements on binding purchase agreements before the start of production and larger own investments when lending for new construction projects. As a result of the changed market conditions with decreased demand for new apartments, SBAB has applied a more restrained approach to lending in this segment. Moreover, property development projects comprise a limited share of SBAB's total loan portfolio.

Savings accounts (deposit)

Deposits from corporate clients and tenant-owners' associations rose during the quarter and totalled SEK 38.5 billion (37.9). At the end of the quarter, approximately 13,100 (13,400) corporate clients and tenant-owners' associations held savings accounts with SBAB. The market share of deposits from corporate clients and tenant-owners' associations was 3.20% at 28 February 2019 (3.19% at 31 December 2018).

Financial performance

Income statement overview

	GROUP						
	2019	2018	2018	2018	2018	2019	2018
SEK million	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Jan–Mar**	**Jan–Mar**
Net interest income	883	848	833	850	831	883	831
Net commissions	–12	18	–63	1	–5	–12	–5
Net result of financial transactions (Note 2)	13	8	–19	–28	–26	13	–26
Other operating income	8	7	9	8	8	8	8
Total operating income	**892**	**881**	**760**	**831**	**808**	**892**	**808**
Expenses	–292	–297	–246	–264	–242	–292	–242
Profit before credit losses and impairments	**600**	**584**	**514**	**567**	**566**	**600**	**566**
Net credit losses (Note 3)	–9	–7	0	8	10	–9	10
Impairment of financial assets, net	–1	–1	0	0	0	–1	0
Operating profit	**590**	**576**	**514**	**575**	**576**	**590**	**576**
Tax	–132	–131	–120	–131	–133	–132	–133
Net profit for the period/year	**458**	**445**	**394**	**444**	**443**	**458**	**443**
Return on equity, % [1]	12.5	11.9	10.9	12.6	13.0	12.5	13.0
C/I ratio, %	32.8	33.7	32.5	31.6	30.0	32.8	30.0
Credit loss ratio, %	–0.01	–0.01	0.00	0.01	0.01	–0.01	0.01
Net interest margin, %	0.77	0.75	0.72	0.75	0.77	0.77	0.77

[1] When calculating the return on equity for Q1 2018, Q2 2018 and Jan–Mar 2018, average equity has been adjusted for the dividend of SEK 684 million for 2017. When calculating the return on equity for Q1 2019 and Jan–Mar 2019, average equity has been adjusted for the dividend of SEK 690 million for 2018.

Trend for Q1 2019 compared with Q4 2018

Operating profit grew to SEK 590 million (576) in the first quarter, primarily due to a higher net interest income. Lower net commissions negatively impacted operating profit. The return on equity amounted to 12.5% (11.9) and the C/I ratio was 32.8% (33.7).

Net interest and commissions
Net interest income grew to SEK 883 million (848), mainly due to higher mortgage margins and therefore higher interest income. Rising market interest rates and therefore higher borrowing costs negatively affected net interest income. Guarantee fees in the form of the resolution fee and fees to the national deposit guarantee, recognised in net interest income, totalled SEK 79 million (81) for the quarter. The resolution fee was SEK 62 million (68) and the fee payable to the national deposit guarantee was SEK 17 million (12). The fee is expected to correspond to SEK 315 million for 2019, compared with SEK 348 million for 2018.

Net commissions decreased during the quarter to negative SEK 12 million (18), mainly due to increased expenses linked to funding operations and higher commissions in the fourth quarter for mediating mortgage insurance and other insurances.

Net result of financial transactions
The net income from financial transactions rose marginally to SEK 13 million (8) as a result of differences between the quarters in terms of value changes in hedging instruments and hedged items. For more information; please refer to Note 2.

Expenses
Expenses decreased to SEK 292 million (297) in the quarter, driven by lower marketing, IT and development expenses. The increase in the number of employees and concomitantly higher personnel costs impacted the item negatively.

Credit quality and credit losses
Net credit losses totalled SEK 9 million (7) for the quarter. Confirmed credit losses totalled SEK 2 million (4). Provisions for credit stages 1 and 2 amounted to SEK 5 million and SEK 4 million respectively. Provisions for credit stage 3 amounted to SEK 1 million. Provisions for loan commitments remained unchanged. The total increase in provisions of almost SEK 8 million was mainly attributable to the revision of the macroeconomic projections applied in the impairment model ahead of 2019. The new projections entails a slightly more negative outlook for the housing market and the review entailed a non-recurring effect of around SEK 10 million in increased provisions. Aside from the non-recurring effect, the loan portfolio has developed positively in terms of credit risk, and together with the slightly slower portfolio growth, provisions have decreased marginally. For more information on credit losses, please refer to notes 3 and 4.

The credit quality of SBAB's lending is good and the risks entailed in retail lending are low. SBAB's granting of credit to consumers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitment. Primarily, it is the customer's repayment capacity that is assessed. Loans are not approved if the ability to make repayments cannot be guaranteed.

At the end of the quarter, the average LTV ratio[1)] in SBAB's residential mortgage portfolio was 61% (61). At the same date, the average residential mortgage to retail customers amounted to SEK 1.6 million (1.6). During the quarter, the LTV ratio for new lending was 70% and the debt-to-income ratio was 3.6.

Other comprehensive income
Other comprehensive income decreased to SEK 828 million (857), mainly due to changes in the market values of securities in the liquidity reserve and to the revaluation effects from defined-benefit pension plans.

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

Trend for Jan–Mar 2019 compared with Jan–Mar 2018

Operating profit rose to SEK 590 million (576) as a result of higher net interest income and a higher net result of financial transactions. Higher expenses negatively impacted operating profit. Net interest income grew to SEK 883 million (831), mainly due to higher lending volumes, of which the majority pertained to residential mortgages. Rising market rates costs negatively affected net interest income. Guarantee fees in the form of the resolution fee and fees to the national deposit guarantee, recognised in net interest income, totalled SEK 79 million (101). The resolution fee was SEK 62 million (87) and the fee payable to the national deposit guarantee was SEK 17 million (14). The net commission expense was SEK 12 million (expense: 5), and was mainly due to increased expenses linked to funding operations. The net income from financial transactions increased to SEK 13 million (expense: 26) as a result of the revaluation of credit risk in derivatives. Other comprehensive income increased to SEK 828 million (expense: 79), due to the substantial positive impact on the item of a downturn in long EUR interest rates. Expenses grew to SEK 292 million (242), mainly driven by higher personnel costs to, inter alia, maintain high service levels and to strengthen the business's development capacity as well as due to increased IT and development expenses. The cost trend is progressing according to plan and tracks the operations' development and investment strategy for long-term competitiveness. Net credit losses amounted to SEK 9 million (recoveries: 10). The difference between the quarters was partly attributable to the large reversal in the first quarter of 2018 of previously impaired credit stage 3 loans and partly due to the above review of the macroeconomic projections ahead of 2019. Confirmed credit losses totalled SEK 2 million (2). For more information on credit losses, please refer to notes 3 and 4.

Balance sheet overview

SEK million	GROUP 31 Mar 2019	31 Dec 2018	31 Mar 2018
ASSETS			
Chargeable treasury bills, etc.	29,478	20,904	27,447
Lending to credit institutions	7,278	2,847	11,003
Lending to the public	366,254	364,215	343,982
Bonds and other interest-bearing securities	52,605	50,945	53,059
Total other assets in the balance sheet	14,289	9,444	12,139
TOTAL ASSETS	**469,904**	**448,355**	**447,630**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	12,432	6,607	17,399
Deposits from the public	126,112	124,926	115,268
Issued debt securities, etc. (funding)	302,366	290,795	288,560
Subordinated debt	4,946	4,946	4,944
Total other liabilities in the balance sheet	5,535	3,845	5,256
Total liabilities	**451,391**	**431,119**	**431,427**
Total equity	**18,513**	**17,236**	**16,203**
Of which, Tier 1 capital instruments	*1,500*	*1,500*	*1,500*
TOTAL LIABILITIES AND EQUITY	**469,904**	**448,355**	**447,630**
CET1 capital ratio, % [1]	12.4	12.5	31.1
Tier 1 capital ratio, % [1]	15.0	15.1	37.9
Total capital ratio, % [1]	18.0	18.1	45.8
Leverage ratio, % [2]	3.66	3.77	3.66
Liquidity coverage ratio (LCR), % [3]	303	283	283
Net Stable Funding Ratio (NSFR), % [4]	117	122	177

[1] On 23 August 2018, the Swedish FSA decided to amend the method for applying the existing risk-weight floor for Swedish mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The change means the capital requirement is set as a requirement in Pillar 1. The change entered force from 31 December 2018. For more information, please refer to page 13 and Note 10.

[2] Calculated pursuant to Article 429 in Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

[3] According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements. For all currencies combined.

[4] As per SBAB's interpretation of the Basel regulatory framework.

Trend for Q1 2019 compared with Q4 2018

Balance sheet comments

Chargeable treasury bills increased during the quarter to SEK 29.5 billion (20.9), while bonds and other interest-bearing securities increased to SEK 52.6 billion (50.9). The change was within the scope of the normal management of the liquidity reserve. Lending to credit institutions increased to SEK 7.3 billion (2.8), attributable to higher repo volumes within the scope of ongoing short-term liquidity management. Lending to the public increased 0.6% to SEK 366.3 billion (364.2). For more information on Lending to the public, please refer to page 7 and Note 4.

Liabilities to credit institutions increased to SEK 12.4 billion (6.6) during the quarter and were also driven by increased repo volumes within the scope of the ongoing short-term liquidity management. Deposits from the public increased 0.9% to SEK 126.1 billion (124.9), of which 82% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulations and the EU-LCR. For more information on deposits from the public, please refer to page 7. For information about issued debt securities, please refer to the “Funding” section below. Subordinated debt totalled SEK 4.9 billion (4.9). Equity increased during the quarter to SEK 18.5 billion (17.2). The item was affected by changes in other comprehensive income during the quarter and net profit for the year.

Funding

Issuance activity in the first quarter was relatively low as a result of lower lending growth and relatively small debt maturities. In January 2019, the SBAB Group became the first institution in Sweden to issue a green covered bond backed by residential mortgages. The issue totalled SEK 6 billion and investors demonstrated keen interest. Additional information is available on SBAB’s website. The quarter was characterised by a general decrease in issue spreads, largely driven by softer tones from the US and EU central banks. During the quarter, the ECB also announced that further liquidity will be offered to the European banks through targeted longer-term refinancing operations (TLTROs). On six occasions between September 2019 and March 2021, the ECB will use TLTROs to offer euro area banks loans with tenors of up to two years.

During the quarter, securities were issued for a total of SEK 19.8 billion (16.2). In parallel, securities were repurchased for SEK 7.6 billion (5.8) and securities amounting to SEK 3.9 billion (18.8) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 11.6 billion to a total of SEK 302.4 billion (290.8). At the end of the quarter, commercial paper borrowing amounted to SEK 5.8 billion (2.8) and senior unsecured funding amounted to SEK 54.1 billion (53.2). Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Secured debt outstanding totalled SEK 242.5 billion (234.8) at the end of the quarter, of which SEK 156.6 billion was in SEK and SEK 85.9 billion was in foreign currencies.

Liquidity position

SBAB’s liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings. At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 85.9 billion (73.7). Taking the Riksbank’s and the ECB’s haircuts into account, the liquidity value of the assets was SEK 82.2 billion (70.7).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon totalled 443 days (400), which the company deems satisfactory.

According to the European Commission’s Delegated Regulation with regard to liquidity coverage requirements, at 31 March 2019, the LCR was 303% (283) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, the LCR was 187% (192). The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 117% (122) according to SBAB’s interpretation of the Basel rules.

For more information on SBAB’s liquidity, please refer to Note 9.

Capital position

On 23 August 2018, the Swedish FSA decided to amend the method for applying the risk-weight floor for Swedish mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The change means the capital requirement is set as a requirement in Pillar 1. The amendment entered into force from 31 December 2018 and applies for two years. Given the above amendment, SBAB’s Board has decided to translate the buffer levels, expressed in percentage points, in SBAB’s capital targets. After the adjustments, which entered into force in parallel with the change on 31 December 2018, SBAB’s CET1 capital ratio and total capital ratio must, under normal conditions, amount to not less than 0.6 percentage points above the requirement communicated by the Swedish FSA, which is published in the Swedish FSA’s quarterly report on Swedish banks’ capital requirements ("Capital requirements of Swedish banks"). In nominal terms, this corresponds to a buffer level of 1.5 percentage points before moving the risk-weight floor, in line with the previous capital targets.

SBAB’s capital targets are estimated to correspond to a CET1 capital ratio of not less than 10.6% and a total capital ratio of not less than 14.6% at 31 March 2019. At the end of the quarter, SBAB’s CET1 capital amounted to SEK 14.5 billion (14.2) and total capital was SEK 21.0 billion (20.7). The risk exposure amount (REA) totalled SEK 116.9 billion (114.1). This corresponded to a CET1 capital ratio of 12.4% (12.5) and a total capital ratio of 18.0% (18.1), which provided a comfortable margin to both internal targets and external requirements from government agencies. Net profit for the period was included in own funds while expected dividends reduced own funds.[1)]

For more information on SBAB’s capital position, please refer to notes 10–11. For other changes that impacted capital requirements under Pillar 1 in the first quarter of 2019, refer to Note 10 (the table “Risk exposure amounts and capital requirements”).

The leverage ratio amounted to SEK 3.66% (3.77) at 31 March 2019.

[1)] In a decision by the Swedish FSA, subject to the company’s auditors being able to confirm the surplus and that deductions for any dividends and foreseeable costs have been carried out pursuant to the Regulation on Prudential Requirements for Credit Institutions and Investment Firms and that these calculations have been conducted in compliance with the Commission Delegated Regulation (EU) No 241/2014, SBAB received approval for using the full-year surplus in own-funds calculations. Deloitte AB conducted the above review for 31 March 2019. This means that net profit for the period has been included in own funds and that expected dividends have reduced own funds.

Other information

SBAB's financial targets from 31 December 2018

- **Profitability:** A return on equity of no less than 10% over a business cycle.
- **Capitalisation:** The CET1 capital ratio and total capital ratio should be at least 0.6 percentage points higher than the requirements communicated by the Swedish FSA.
- **Dividend:** Ordinary dividend of at least 40% of profit for the year after tax, taking the Group's capital structure into account.

Risks and uncertainties

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity, and the quality of our assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. Household demand for housing posted a stable trend, underpinned by low interest rates and healthy income levels, despite turbulent housing prices since the end of 2017 and difficulties experienced by certain housing developers in 2018 with selling their newly produced units. For more information on market developments, please refer to page 6.

A housing market with soaring prices over an extended period, in parallel with rising household debt, has resulted in the Swedish economy becoming sensitive to rapid changes in interest rates and house prices. The outlook indicates rising interest rates, albeit at a slow rate. This is, in its turn, expected to act as a damper on the price trend for housing. The risks linked to these factors could be amplified if many households have high levels of debt in relation to their disposable incomes. The extensive regulatory changes in the residential mortgage market comprise a further uncertainty factor. Moreover, political decisions, for example changed tax rules, could have major consequences on households' solvency and property values.

Recently, new competitors have appeared in the residential mortgage market. In time, increasing competition in the mortgage market could affect the market and mortgage margins. Increased competition arises, inter alia, from the Mortgage Business Act (2016:1024), which allows residential mortgages to be provided by companies other than banks and which are thus not encompassed by the rules for capital requirements that apply to banks. Such regulatory differences risk creating unfair competition in the market.

Effects of IFRS 16 at 1 January 2019

The new IFRS 16 standard has changed the lease classification criteria and entails the recognition of leases as assets with corresponding liabilities in the lessee's balance sheet. On transition on 1 January 2019, SBAB recognised, in its consolidated accounts, a tangible asset with respect to lease contracts identified pursuant to IFRS 16 of SEK 104 million. The asset is based on the sum of the lease liability, which is in turn based on the discounted remaining lease fees. For more information, please refer to Note 12.

Retroactive dividend to the Parent Company

At SCBC's EGM on 4 February 2019, a resolution was passed to make a retroactive distribution to the Parent Company, SBAB Bank AB, for a total of SEK 3 billion.

Winding up of partnerships

Part of SBAB's lending to consumers is carried out in partnership with other participants. At year-end 2018, the total volume of mediated residential mortgages amounted to around SEK 46 billion, which at the time was equivalent to 16.5% of SBAB's total lending to consumers. Approximately SEK 18 billion of the mediated residential mortgages were under SBAB's own brand. The remainder, about SEK 28 billion, were mediated residential mortgages using other brands, with SBAB as the underlying creditor. At year-end 2017, SBAB chose to wind up its three remaining such partnerships with Ikano Bank, Sparbanken Syd and ICA Banken, as a step in SBAB's long-term strategy to focus exclusively on residential mortgages under its own brand. The relationship with Ikano Bank concluded during the third quarter of 2018, according to the agreed notice period. As a result, all customer relations were transfered to SBAB. In the fourth quarter of 2019, the aim is to wind up the two remaining bank partnerships. ICA Banken's mediated loan stock will remain in SBAB's balance sheet and customer relations will transfer to SBAB after the agreed notice periods. Sparbanken Syd has announced that the company intends to exercise its contractual right to acquire mediated loan stock of approximately SEK 9 billion.

The Swedish FSA's mortgage market survey

The Swedish FSA's annual Mortgage Survey found that, overall, households with new mortgages are still able to make their payments on their mortgages by a strong margin. The good resilience of households indicates that there is a limited risk that mortgages would cause extensive credit losses for banks. Additional information about the survey is available on the Swedish FSA's website.

Events after the balance sheet date

Annual General Meeting

SBAB held its Annual General Meeting on 29 April 2019. The AGM resolved to elect the following Board members: Bo Magnusson (Chairman), Synnöve Trygg, Lars Börjesson, Daniel Kristiansson, Jane Lundgren-Ericsson, Inga-Lill Carlberg, Karin Moberg and Jan Sinclair. The local trade unions appointed Anders Heder and Margareta Naumburg as employee representatives on the Board of Directors, with Kristina Ljung and David Larsson as alternates.

The AGM resolved to distribute a dividend of 40% of net profit for the year, corresponding to SEK 690 million, for 2019. Full details of the proposed appropriation of earnings is available from SBAB's 2018 Annual Report, on page 83.

Auditors' review report

This report has not been subject to review by the company's auditor.

CONTENTS

Condensed income statement

	GROUP					
	2019	2018	2018	2019	2018	2018
SEK million	Q1	Q4	Q1	Jan–Mar	Jan–Mar	Jan–Dec
Interest income	1,404	1,249	1,189	1,404	1,189	4,924
Interest expense	–521	–401	–358	–521	–358	–1,562
Net interest income	**883**	**848**	**831**	**883**	**831**	**3,362**
Commission income	15	36	16	15	16	90
Commission expense	–27	–18	–21	–27	–21	–139
Net result of financial transactions (Note 2)	13	8	–26	13	–26	–65
Other operating income	8	7	8	8	8	32
Total operating income	**892**	**881**	**808**	**892**	**808**	**3,280**
Personnel costs	–152	–144	–127	–152	–127	–543
Other expenses	–123	–142	–109	–123	–109	–474
Depreciation, amortisation and impairment of PPE and intangible assets	–17	–11	–6	–17	–6	–32
Total expenses before credit losses	**–292**	**–297**	**–242**	**–292**	**–242**	**–1,049**
Profit before credit losses	**600**	**584**	**566**	**600**	**566**	**2,231**
Net credit losses (Note 3)	–9	–7	10	–9	10	11
Impairment of financial assets	–1	–1	0	–1	0	–1
Reversals of impairment of financial assets	0	0	0	0	0	0
Operating profit	**590**	**576**	**576**	**590**	**576**	**2,241**
Tax	–132	–131	–133	–132	–133	–515
Net profit for the period	**458**	**445**	**443**	**458**	**443**	**1,726**

Condensed statement of comprehensive income

	GROUP					
	2019	2018	2018	2019	2018	2018
SEK million	Q1	Q4	Q1	Jan–Mar	Jan–Mar	Jan–Dec
Net profit for the period	**458**	**445**	**443**	**458**	**443**	**1,726**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	36	135	24	36	24	–63
Changes related to cash-flow hedges, before tax	1,077	939	–90	1 077	–90	634
Tax attributable to components that will be reclassified to profit or loss	–238	–231	14	–238	14	–120
Components that will not be reclassified to profit or loss						
Revaluation effects of defined-benefit pension plans, before tax	–60	19	–35	–60	–35	–39
Tax attributable to components that will not be reclassified to profit or loss	13	–5	8	13	8	8
Other comprehensive income, net of tax	**828**	**857**	**–79**	**828**	**–79**	**420**
Total comprehensive income for the period	**1,286**	**1,302**	**364**	**1,286**	**364**	**2,146**

Condensed balance sheet

SEK million	GROUP 31 Mar 2019	31 Dec 2018	31 Mar 2018
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	29,478	20,904	27,447
Lending to credit institutions	7,278	2,847	11,003
Lending to the public (Note 4)	366,254	364,215	343,982
Value changes of interest-rate-risk hedged items in macro hedges	83	99	182
Bonds and other interest-bearing securities	52,605	50,945	53,059
Derivatives (Note 5)	11,588	8,313	10,096
Intangible assets	251	234	192
Property, plant and equipment	123	16	14
Other assets	1,523	73	862
Prepaid expenses and accrued income	721	709	793
TOTAL ASSETS	**469,904**	**448,355**	**447,630**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	12,432	6,607	17,399
Deposits from the public	126,112	124,926	115,268
Issued debt securities, etc.	302,366	290,795	288,560
Derivatives (Note 5)	1,214	1,339	1,523
Other liabilities	1,414	384	1,159
Accrued expenses and deferred income	2,284	1,790	2,371
Deferred tax liabilities	425	194	65
Provisions	198	138	138
Subordinated debt	4,946	4,946	4,944
Total liabilities	**451,391**	**431,119**	**431,427**
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	1,437	609	111
Additional Tier 1 instruments	1,500	1,500	1,500
Retained earnings	13,160	11,443	12,191
Net profit for the period	458	1,726	443
Total equity	**18,513**	**17,236**	**16,203**
TOTAL LIABILITIES AND EQUITY	**469,904**	**448,355**	**447,630**

Condensed statement of changes in equity

SEK million	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year[1]	Total equity
	GROUP				
Opening balance, 1 January 2019	1,958	609	1,500	13,169	17,236
Additional Tier 1 instruments, dividend	–	–	–	–9	–9
Other comprehensive income, net of tax	–	828	–	–	828
Net profit for the period	–	–	–	458	458
Comprehensive income for the period	**–**	**828**	**–**	**458**	**1,286**
Closing balance, 31 Mar 2019	1,958	1,437	1,500	13,618	18,513

Closing balance, 31 Dec 2017	**1,958**	**188**	**1,500**	**12,164**	**15,810**
Effect of changes in accounting policy, IFRS 9	–	1	–	35	36
Opening balance 1 Jan 2018	**1,958**	**189**	**1,500**	**12,199**	**15,846**
Additional Tier 1 instruments, dividend	–	–	–	–8	–8
Other comprehensive income, net of tax	–	–78	–	–	–
Other	–	–	–	–	–
Comprehensive income for the period	**–**	**–78**	**–**	**443**	**365**
Closing balance 31 Mar 2018	**1,958**	**111**	**1,500**	**12,634**	**16,203**

Closing balance, 31 Dec 2017	**1,958**	**188**	**1,500**	**12,164**	**15,810**
Effect of changes in accounting policy, IFRS 9	–	1	–	35	36
Opening balance 1 Jan 2018	**1,958**	**189**	**1,500**	**12,199**	**15,846**
Additional Tier 1 instruments, dividend	–	–	–	–71	–71
Dividends paid	–	–	–	–684	–684
Other[2]	–	–	–	–1	–1
Other comprehensive income, net of tax	–	420	–	–	420
Net profit for the year	–	–	–	1,726	1,726
Comprehensive income for the year	**–**	**420**	**–**	**1,726**	**2,146**
Closing balance, 31 Dec 2018	**1,958**	**609**	**1,500**	**13,169**	**17,236**

[1] Retained earnings includes the Parent Company's statutory reserve, which is not distributable.

[2] Other pertains primarily to the revaluation of the liability to the owners of the remaining shares and warrants in the subsidiary Booli Search Technologies AB.

Condensed cash-flow statement

	GROUP		
	2019	2018	2018
SEK million	Jan–Mar	Jan–Mar	Jan–Dec
Opening cash and cash equivalents	**2,847**	**1,867**	**1,867**
OPERATING ACTIVITIES			
Interest and commissions paid/received	1,277	1,444	3,494
Outflows to suppliers and employees	–275	–237	–1,017
Taxes paid/refunded	–155	–153	–531
Change in assets and liabilities of operating activities	3,622	8 102	–155
Cash flow from operating activities	**4,469**	**9,156**	**1,791**
INVESTING ACTIVITIES			
Change in property, plant and equipment	–5	–3	–10
Change in intangible assets	–26	–17	–81
Acquisition of subsidiaries	–	–	–36
Cash flow from investing activities	**–31**	**–20**	**–127**
FINANCING ACTIVITIES			
Dividends paid	–	–	–684
Repayment of lease liabilities	–7	–	–
Cash flow from financing activities	**–7**	**–**	**–684**
Increase/decrease in cash and cash equivalents	**4,431**	**9,136**	**980**
Closing cash and cash equivalents	**7,278**	**11,003**	**2,847**

CHANGE IN LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES

	GROUP									
			Non-cash items					Non-cash items		
SEK million	Opening balance, 1 Jan 2019	Cash flow	Fair value	Other	Closing balance, 31 Mar 2019	Opening balance 1 Jan 2018	Cash flow	Fair value	Other	Closing balance, 31 Dec 2018
Subordinated debt	4,946	–	1	–1	4,946	4,942	–	–2	6	4,946
Additional Tier 1 instruments	1,500	–	–	–	1,500	1,500	–	–	–	1,500
Total	**6,446**	**–**	**1**	**–1**	**6,446**	**6,442**	**–**	**–2**	**6**	**6,446**

Note 1 | Accounting policies

The SBAB Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition to these accounting standards, Finansinspektionen's (the Swedish FSA) regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups were taken into consideration. The Group's interim report fulfils the requirements stipulated under IAS 34, Interim Financial Reporting.

Statutory IFRS is applied for the Parent Company, which means that this interim report has been prepared in compliance with IFRS subject to the additions and exceptions that ensue from the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, the Swedish FSA's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25) and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Introduction of new accounting standards

IFRS 16 Leases

The new IFRS 16 standard has changed the lease classification criteria. IFRS 16 is applied from 1 January 2019. The new standard entails that all leases (with the exception of short-term and smaller leases) are to be recognised as right-of-use assets with corresponding liabilities in the lessee's balance sheet. The lease payments are recognised in profit or loss as depreciation of the leased asset and as an interest expense on the lease liability. Moreover, disclosure requirements will apply. The impact on SBAB's reporting stems from the recognition of lease contracts for premises.

Current property leases have been measured pursuant to IFRS 16, where the lease cost, the lease duration and the discount rate form the most material parameters. SBAB has used the marginal interest rate on borrowing as a discount rate, and it applies for the entire duration of the contract, including any indexing.

On transition on 1 January 2019, SBAB recognised, in its consolidated accounts, a tangible asset with respect to lease contracts identified pursuant to IFRS 16 of SEK 104 million according to the simplified approach, which means that the figures for last year have not been restated.

Other

All other accounting policies and calculation methods are unchanged in comparison with the 2018 Annual Report. These consolidated condensed financial statements have been prepared on a going concern basis. On 29 April 2019, the Board of Directors approved the consolidated condensed financial statements for publication.

Note 2 | Net result of financial transactions

	GROUP					
	2019	2018	2018	2019	2018	2018
SEK million	**Q1**	**Q4**	**Q1**	**Jan–Mar**	**Jan–Mar**	**Jan–Dec**
Gains/losses on interest-bearing financial instruments						
– Interest-bearing securities	–12	–21	–47	–12	–47	–134
– Change in value of hedged items in hedge accounting	–517	–246	2	–517	2	53
– Realised gain/loss from financial liabilities	–45	–50	–36	–45	–36	–162
– Derivatives in hedge accounting	534	254	15	534	15	–39
– Other derivatives	34	47	33	34	33	165
– Loan receivables	18	24	13	18	13	62
Currency translation effects	1	0	–6	1	–6	–10
Total	**13**	**8**	**–26**	**13**	**–26**	**–65**

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

Note 3 | Net credit losses

	GROUP					
	2019	2018	2018	2019	2018	2018
SEK million	Q1	Q4	Q1	Jan–Mar	Jan–Mar	Jan–Dec
Lending to the public						
Confirmed credit losses	–2	–4	–2	–2	–2	–11
Recoveries of previously confirmed credit losses	1	1	1	1	1	2
Change in provision for the period – credit stage 1	–5	3	–1	–5	–1	1
Change in provision for the period – credit stage 2	–4	–3	2	–4	2	–5
Change in provision for the period – credit stage 3	1	–1	9	1	9	25
Guarantees[1]	0	–1	–1	0	–1	–1
Net credit losses for the period – lending to the public	**–9**	**–5**	**8**	**–9**	**8**	**11**
Loan commitments [2]						
Change in provision for the period – credit stage 1	2	–3	1	2	1	–2
Change in provision for the period – credit stage 2	–2	1	1	–2	1	2
Change in provision for the period – credit stage 3	0	0	0	0	0	0
Net credit losses for the period – loan commitment	**0**	**–2**	**2**	**0**	**2**	**0**
Total	**–9**	**–7**	**10**	**–9**	**10**	**11**

[1] The item includes guarantees for loan commitments.

[2] Credit provisions for loan commitments are included in the "Provisions" item in the balance sheet.

The positive change in credit stage 3 is explained by recoveries of previous impairments of defaulted loans. For further information about definitions and assumptions for judgements and calculations of credit risk and the various credit stages under IFRS 9, refer to SBAB's 2018 Annual Report, Note G 1.

Note 4 | Lending to the public

SEK million	GROUP 31 Mar 2019	GROUP 31 Dec 2018
Opening balance	**364,347**	**335,168**
New lending for the year	16,293	74,264
Amortisation, write-offs, redemption, etc.	−14,378	−45,238
Change in provision for expected credit losses[1]	−8	21
Closing balance	**366,254**	**364,215**

[1] for further information, refer to Note 3 Change in provision for the period — credit stages 1, 2 and 3.

DISTRIBUTION OF LENDING, INCLUDING PROVISIONS

SEK million	GROUP 31 Mar 2019	GROUP 31 Dec 2018
Lending, Residential mortgages	277,262	276,734
Lending, Corporate Clients & Tenant-Owners' Associations	86,763	85,287
Lending, Consumer loans	2,229	2,194
Total	**366,254**	**364,215**

LENDING TO THE PUBLIC BY CREDIT STAGE

SEK million	GROUP 31 Mar 2019	GROUP 31 Dec 2018
Credit stage 1		
Gross lending	346,633	341,390
Provision	−31	−26
Total	**346,602**	**341,364**
Credit stage 2		
Gross lending	19,524	22,689
Provision	−76	−73
Total	**19,448**	**22,616**
Credit stage 3		
Gross lending	235	267
Provision	−31	−32
Total	**204**	**235**
Total gross lending	**366,292**	**364,346**
Total provisions	**−138**	**−131**
Total	**366,254**	**364,215**

For further information about definitions and assumptions for judgements and calculations of credit risk and the various credit stages under IFRS 9, refer to SBAB's 2018 Annual Report, Note G 1.

Note 5 | Derivatives

	GROUP					
	31 Mar 2019			31 Dec 2018		
SEK million	Assets measured at fair value	Liabilities measured at fair value	Total nominal value	Assets measured at fair value	Liabilities measured at fair value	Total nominal value
Interest-rate-related	4,729	1,018	346,057	2,890	858	337,013
Currency-related	6,859	196	109,043	5,423	481	104,386
Total	**11,588**	**1,214**	**455,100**	**8,313**	**1,339**	**441,399**

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

Note 6 | Operating segments

	GROUP						
	Jan–Mar 2019						
	Follow-up of operations				Reconciliation against the statutory income statement		
SEK million	Retail	Corporate Clients & Tenant-Owners' Associations	Other	Total	Administrative consultants	IFRS 16 Leases	Statutory profit
Net interest income	686	197	–	883	–	–	883
Commission income	10	5	–	15	–	–	15
Commission expense	–21	–6	–	–27	–	–	–27
Net result of financial transactions	–	4	9	13	–	–	13
Other operating income	8	–	–	8	–	–	8
Total operating income	**683**	**200**	**9**	**892**	**–**	**–**	**892**
Salaries and remuneration	–72	–18	–	–90	–	–	–90
Other personnel costs	–54	–14	–	–68	–7	–	–62
Other expenses	–102	–21	–	–123	7	–7	–123
Depreciation, amortisation and impairment of PPE and intangible assets	–9	–2	–	–11	–	7	–17
Net credit losses	–10	1	–	–9	–	–	–9
Impairment of financial assets, net	–1	–	–	–1	–	–	–1
Operating profit	**435**	**146**	**9**	**590**	**0**	**0**	**590**
Tax	–97	–33	–2	–132	–	–	–132
Profit after standardised tax	**338**	**113**	**7**	**458**	**–**	**–**	**458**
Return on equity, %	12.6	11.6	–	12.5	–	–	12.5

Cont. NOTE 6 Operating segments

	GROUP					
	Jan–Mar 2018					
	Follow-up of operations				Reconciliation against the statutory income statement	
SEK million	Retail	Corporate Clients & Tenant-Owners' Associations	Other	Total	Administrative consultants	Statutory profit
Net interest income	649	182	–	831	–	831
Commission income	10	6	–	16	–	16
Commission expense	–17	–4	–	–21	–	–21
Net result of financial transactions	–	3	–29	–26		–26
Other operating income	8	0	–	8	–	8
Total operating income	**650**	**187**	**–29**	**808**	**–**	**808**
Salaries and remuneration	–60	–17	–	–77	–	–77
Other personnel costs	–43	–12	–	–55	–27	–82
Other expenses	–91	–17	–	–104	27	–77
Depreciation, amortisation and impairment of PPE and intangible assets	–5	–1	–	–6	–	–6
Net credit losses	9	1	–	10	–	10
Impairment of financial assets, net	0	0	–	0	–	0
Operating profit	**464**	**141**	**–29**	**576**	**0**	**576**
Tax	–108	–32	7	–133	–	–133
Profit after standardised tax	**356**	**109**	**–22**	**443**	**–**	**443**
Return on equity, %	14.4	10.8		13.0		13.0

In relation to the statutory income statement, an expense of SEK 7 million (expense: 22) was transferred between the rows "Other expenses" and "Other personnel costs." The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring. IFRS 16 is not taken into account in the follow-up of operations. All expenses identified in IFRS 16, with the exception of the interest component, are to be considered as costs for premises. The effect of IFRS 16 on the Group is recognised in the reconciliation against the statutory income statement. For more information on IFRS 16, please refer to Note 1 and Note 12.

Note 7 | Classification of financial instruments

FINANCIAL ASSETS

SEK million	GROUP 31 Mar 2019: Financial assets measured at FVTPL: Fair value option	Financial assets measured at FVTPL: Derivatives in hedge accounting	Financial assets measured at FVTPL: Other (Obligatory) classification	Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
Cash and balances at central banks	–	–	–	–	0	0	0
Chargeable treasury bills, etc.	3,416	–	–	2,516	23,546	29,478	29,470
Lending to credit institutions	–	–	–	–	7,278	7,278	7,278
Lending to the public	–	–	–	–	366,254	366,254	367,122
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	83	83	–
Bonds and other interest-bearing securities	2,874	–	–	35,455	14,276`	52,605	52,652
Derivatives	–	11,338	250	–	–	11,588	11,588
Other assets	–	–	–	–	1,523	1,523	1,523
Prepaid expenses and accrued income	72	–	–	377	228	677	677
Total financial assets	**6,362**	**11,338**	**250**	**38,348**	**413,188**	**469,486**	**470,310**

FINANCIAL LIABILITIES

SEK million	GROUP 31 Mar 2019: Financial liabilities measured at FVTPL: Derivatives in hedge accounting	Financial liabilities measured at FVTPL: Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value
Liabilities to credit institutions	–	–	12,432	12,432	12,432
Deposits from the public	–	–	126,112	126,112	126,112
Issued debt securities, etc.	–	–	302,366	302,366	305,688
Derivatives	705	509	–	1,214	1,214
Other liabilities	–	–	1,378	1,378	1,378
Accrued expenses and deferred income	–	–	2,262	2,262	2,262
Subordinated debt	–	–	4,946	4,946	4,954
Total financial liabilities	**705**	**509**	**449,496**	**450,710**	**454,040**

Cont. NOTE 7 Classification of financial instruments

FINANCIAL ASSETS

	GROUP						
	31 Dec 2018						
	Financial assets measured at FVTPL						
SEK million	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification	**Financial assets measured at FVTOCI**	**Financial assets measured at amortised cost**	**Total**	**Total fair value**
Cash and balances at central banks	–	–	–	–	0	0	0
Chargeable treasury bills, etc.	3,371	–	–	6,180	11,353	20,904	20,900
Lending to credit institutions	–	–	–	–	2,847	2,847	2,847
Lending to the public	–	–	–	–	364,215	364,215	364,857
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	99	99	–
Bonds and other interest-bearing securities	3,866	–	–	35,258	11,821	50,945	50,969
Derivatives	–	8,157	156	–	–	8,313	8,313
Other assets	–	–	–	–	73	73	73
Prepaid expenses and accrued income	76	–	–	406	175	657	657
Total financial assets	**7,313**	**8,157**	**156**	**41,844**	**390,583**	**448,053**	**448,616**

FINANCIAL LIABILITIES

	GROUP				
	31 Dec 2018				
	Financial liabilities measured at FVTPL				
SEK million	Derivatives in hedge accounting	Held for trading	**Financial liabilities measured at amortised cost**	**Total**	**Total fair value**
Liabilities to credit institutions	–	–	6,607	6,607	6,607
Deposits from the public	–	–	124,926	124,926	124,926
Issued debt securities, etc.	–	–	290,795	290,795	292,997
Derivatives	927	412	–	1,339	1,339
Other liabilities	–	–	174	174	174
Accrued expenses and deferred income	–	–	1,757	1,757	1,757
Subordinated debt	–	–	4,946	4,946	4,956
Total financial liabilities	**927**	**412**	**429,205**	**430,544**	**432,756**

Fair value measurement of financial instruments
The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2018 Annual Report. In the "total fair value" column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet.

The carrying amounts for current receivables and liabilities have been assessed as equal to their fair values. Investments held to maturity were measured at quoted prices, Level 1.

For Lending to the public, Issued debt securities and Subordinated debt, fair value is established based on generally accepted valuation techniques. As far as possible, calculations made in conjunction with measurement are based on observable market data. Mainly, the models used are based on discounted cash flows.

Issued debt securities and subordinated debt are measured at the Group's current borrowing rate, Level 2.

For lending to the public, where no observable credit margin data is available at the time of measurement, the credit margin on the most recent stipulated date of expiry is applied to set the discount rate, Level 3.

Note 8 | Fair value disclosures

	GROUP							
	31 Mar 2019				31 Dec 2018			
SEK million	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	5,932	–	–	5,932	9,551	–	–	9,551
Bonds and other interest-bearing securities	38,329	–	–	38,329	39,124	–	–	39,124
Derivatives	–	11,588	–	11,588	–	8,313	–	8,313
Prepaid expenses and accrued income	449	–	–	449	482	–	–	482
Total	**44,710**	**11,588**	**–**	**56,298**	**49,157**	**8,313**	**–**	**57,470**
Liabilities								
Derivatives	–	1,214	–	1,214	–	1,339	–	1,339
Total	**–**	**1,214**	**–**	**1,214**	**–**	**1,339**	**–**	**1,339**

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2018 Annual Report. In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement levels used below. No transfers were made between levels in 2018 or 2019.

Quoted market prices (Level 1)
Measurement at quoted prices in an active market for identical assets and liabilities. A market is deemed to be active if the price data is easily accessible and corresponds to actual regularly occurring transactions. The measurement method is used for holdings of quoted interest-bearing securities and for publicly quoted derivatives, primarily interest-rate futures.

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

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

Note 9 | Liquidity reserve and liquidity risk

The assets in SBAB's liquidity reserve comprises liquid, interest-bearing securities with high ratings and form an integrated part of the Group's liquidity risk management. Securities holdings are limited by asset class and by country, respectively, and must have an AA rating on acquisition. In addition to these collective limits, limits for individual issuers may also be set. The following table is reported according to the Swedish Bankers' Association's template for liquidity reserve disclosures.

Calculation of survival horizon

SBAB measures and stress tests liquidity risk by calculating the survival horizon, which is an internal metric used to identify how long SBAB will be able to meet its payment obligations without access to capital market funding, and includes outflows from deposits under a stressed scenario. The survival horizon has been limited to a minimum of 180 days at the consolidated level at any given time.

The survival horizon is calculated by totalling the maximum need of liquidity for each coming day and comparing this to the size of the liquidity portfolio after applicable haircuts. The calculations are based on a crisis scenario in which all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no funding is available and deposits decline. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. SBAB's survival horizon amounted to SEK 443 days at 31 March 2019 (400 days at 31 December 2018).

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. At 31 March 2019, the LCR was 303% (283) in all currencies at the consolidated level, and 2,334% (6,795) and 3,335% (319), respectively, in EUR and USD. Measured in SEK, the LCR was 187% (192). For further information on the liquidity coverage ratio, refer to SBAB's report "Capital, liquidity and leverage disclosures, March 2019."

LIQUIDITY RESERVE

	GROUP							
	31 Mar 2019				31 Dec 2018			
		Distribution by currency				Distribution by currency		
SEK million	**Total**	**SEK**	**EUR**	**USD**	**Total**	**SEK**	**EUR**	**USD**
Cash and balances at central banks	500	500	–	–	2,515	2,515	–	–
Balances at other banks	–	–	–	–	–	–	–	–
Securities issued or guaranteed by governments, central banks or multinational development banks	32,604	22,308	7,377	2,919	25,144	15,577	7,187	2,380
Securities issued or guaranteed by municipalities or non-public sector entities	11,273	8,062	1,676	1,535	10,681	8,391	1,145	1,145
Covered bonds issued by other institutions	41,535	37,468	3,447	620	35,339	30,840	3,905	594
Covered bonds issued by SBAB	–	–	–	–	–	–	–	–
Securities issued by non-financial corporates	–	–	–	–	–	–	–	–
Securities issued by financial corporates (excl. covered bonds)	–	–	–	–	–	–	–	–
Other securities	–	–	–	–	–	–	–	–
Total	**85,912**	**68,338**	**12,500**	**5,074**	**73,679**	**57,323**	**12,237**	**4,119**
Bank and loan facilities	–	–	–	–	–	–	–	–
Total	**85,912**	**68,338**	**12,500**	**5,074**	**73,679**	**57,323**	**12,237**	**4,119**
Distribution by currency, %		79.5	14.5	6.0		77.8	16.6	5.6

Note 10 | Capital adequacy, own funds and capital requirements

CAPITAL ADEQUACY[1)]

SEK million	CONSOLIDATED SITUATION 31 Mar 2019	31 Dec 2018	31 Mar 2018
CET1 capital	14,533	14,263	13,658
Tier 1 capital	17,533	17,263	16,658
Total capital	20,985	20,713	20,105
Risk exposure amount	116,906	114,141	43,939
CET1 capital ratio, %	12.4	12.5	31.1
Excess [2)] of CET1 capital	9,273	9,127	11,680
Tier 1 capital ratio, %	15.0	15.1	37.9
Excess [2)] of Tier 1 capital	10,519	10,415	14,021
Total capital ratio, %	18.0	18.1	45.8
Excess [2)] of total capital	11,632	11,582	16,590

[1)] From the end of 2018, the risk exposure amount, the risk-weight floor for residential mortgages has affected risk exposure amount, excess capital and capital ratios.

[2)] Excess capital has been calculated based on minimum requirements (without buffer requirements)

The Swedish FSA's decision regarding the shift of the risk-weight floor for residential mortgages
In August 2018, the Swedish FSA decided to apply the existing risk-weight floor for mortgages applied in Pillar 2 as a requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The amendment entered into force from 31 December 2018 and applies for two years.

The change means the capital requirement is set as a requirement in Pillar 1. The credit institutions encompassed by the measure are those authorised to use the IRB approach and which have exposures to Swedish residential mortgages. The branches of foreign credit institutions in Sweden that are exposed to Swedish residential mortgages and which apply the IRB approach for these may also be affected. The following calculation shows what the actual outcome would have been if the risk-weight floor had not been moved to Pillar 1.

OUTCOME PRIOR TO THE MOVE OF THE RISK-WEIGHT FLOOR FOR MORTGAGES

SEK million	CONSOLIDATED SITUATION 31 Mar 2019	31 Dec 2018	31 Mar 2018
Risk exposure amount, SEK million	45,215	43,422	43,939
CET1 capital ratio, %	32.1	32.8	31.1
Tier 1 capital ratio, %	38.8	39.8	37.9
Total capital ratio, %	46.4	47.7	45.8

[1)] The table illustrates what the capital situation would have been if the risk-weight floor had not been moved. This information is solely for comparative purposes.

Cont. NOTE 10 Capital adequacy, own funds and capital

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 1423/2013, Annex V.

OWN FUNDS

	CONSOLIDATED SITUATION		
SEK million	**31 Mar 2019**	**31 Dec 2018**	**31 Mar 2018**
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	12,474	11,443	11,506
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	1,437	609	111
Additional Tier 1 instruments	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend [1)]	278	1,041	266
CET1 capital before regulatory adjustments	**17,647**	**16,551**	**15,341**
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	–57	–59	–73
Intangible assets (net of related tax liability) (negative amount)	–140	–126	–107
Fair value reserves related to gains or losses on cash-flow hedges	–1,335	–488	80
Negative amounts resulting from the calculation of expected loss amounts	–46	–50	–65
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–36	–65	–18
Additional Tier 1 instruments in equity	–1,500	–1,500	–1,500
Total regulatory adjustments to CET1 capital	**–3,114**	**–2,288**	**–1,683**
CET1 capital	**14,533**	**14,263**	**13,658**
Additional Tier 1 capital: Instrument			
Capital instruments and the related share premium accounts	3,000	3,000	3,000
of which, classified as equity under applicable accounting standards	*1,500*	*1,500*	*1,500*
of which, classified as liabilities under applicable accounting standards	*1,500*	*1,500*	*1,500*
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–	–
Additional Tier 1 capital before regulatory adjustments	**3,000**	**3,000**	**3,000**
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	–	–	–
Additional Tier 1 capital	**3,000**	**3,000**	**3,000**
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	**17,533**	**17,263**	**16,658**
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	3,447	3,447	3,447
Credit risk adjustments	5	3	–
Tier 2 capital before regulatory adjustments	**3,452**	**3,450**	**3,447**
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	**3,452**	**3,450**	**3,447**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**20,985**	**20,713**	**20,105**
Total risk-weighted assets	**116,906**	**114,141**	**43,939**

Cont. **NOTE 10** Capital adequacy, own funds and capital

SEK million	31 Mar 2019	31 Dec 2018	31 Mar 2018
	CONSOLIDATED SITUATION		
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	12.4	12.5	31.1
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	15.0	15.1	37.9
Total capital (as a percentage of total risk-weighted exposure amount), %	18.0	18.1	45.8
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	9.0	9.0	9.0
of which, CET1 capital, minimum requirement, %	*4.5*	*4.5*	*4.5*
of which, capital conservation buffer requirement, %	*2.5*	*2.5*	*2.5*
of which, countercyclical buffer requirement, %	*2.0*	*2.0*	*2.0*
of which, systemic risk buffer requirement, %	–	–	
of which, G-SII buffer and O-SII buffer, %	–	–	
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	7.9	8.0	26.6
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

[1)] Net profit for the interim period was reduced by the expected dividend of SEK 183 million based on Q1 2019. Retained earnings was reduced by the expected dividend for 2018 of SEK 690 million. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

Cont. NOTE 10 Capital adequacy, own funds and capital

At the start of 2019, SBAB's Board decided to apply Article 3 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) for corporate exposures to small and medium-sized enterprises. The aim is to compensate for the current pro-cyclical effect that exists in the bank's internal models for credit risk, which has resulted in PD declining in line with the favourable economic climate. As a result, the bank has introduced a capital surcharge of SEK 63 million under Pillar 1 as of 31 March 2019.

New rules on lease (IFRS 16) apply to consolidated situation from 1 January 2019 and impact the other items exposure class in an amount of SEK 7 million in capital requirements. The implementation has had a limited effect on SBAB's capital ratios.

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

	CONSOLIDATED SITUATION					
	31 Mar 2019		31 Dec 2018		31 Mar 2018	
SEK million	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	12,930	1,034	12,128	970	12,229	978
Retail exposures	11,984	959	12,096	968	12,697	1,016
of which, exposures to SMEs	*809*	*65*	*829*	*67*	*1,097*	*88*
of which, retail exposures secured by immovable property	*11,175*	*894*	*11,267*	*901*	*11,600*	*928*
Total exposures recognised with the IRB approach	**24,914**	**1,993**	**24,224**	**1,938**	**24,926**	**1,994**
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions [1]	3,943	315	3,777	302	3,347	268
of which, derivatives according to CRR, Appendix 2	*3,802*	*304*	*3,776*	*302*	*3,223*	*258*
of which, repos	*141*	*11*	*0*	*0*	*125*	*10*
of which, other	*0*	*0*	*1*	*0*	*1*	0
Retail exposures	2,204	176	2,236	179	2,176	174
Exposures in default	9	1	10	1	9	1
Exposures in the form of covered bonds	3,700	296	3,593	287	3,799	304
Exposures to institutions and corporates with a short-term credit rating	48	4	16	1	368	29
Equity exposures	1,179	94	1,116	89	1,078	86
Other items	295	25	227	18	330	26
Total exposures recognised with standardised approach	**11,378**	**911**	**10,975**	**877**	**11,107**	**888**
Market risk	**534**	**43**	**999**	**80**	**758**	**61**
Of which, position risk	–	–	–	–	–	–
Of which, currency risk	*534*	43	*999*	*80*	*758*	61
Operational risk	**4,854**	**388**	**4,339**	**347**	**4,339**	**347**
Of which, standardised approach	*4,854*	*388*	*4,339*	*347*	*4,339*	*347*
Credit valuation adjustment risk (CVA risk)	**2,743**	**219**	**2,885**	**231**	**2,809**	**225**
Additional requirements under Article 458 of the CRR	**71,691**	**5,735**	**70,719**	**5,658**	**–**	**–**
Additional requirements under Article 3 of the CRR	**792**	**63**	–	–	–	–
Total risk exposure amount and minimum capital requirements	**116,906**	**9,352**	**114,141**	**9,131**	**43,939**	**3,515**
Capital requirements for capital conservation buffer		**2,923**		**2,854**		**1,098**
Capital requirements for countercyclical buffer		**2,327**		**2,266**		**869**
Total capital requirements		**14,602**		**14,251**		**5,482**

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,943 million (3,776).

Note 11 | Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for the Group amounted to SEK 16,362 million (SEK 16,052 million at 31 December 2018). SBAB quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period, given a predetermined level of confidence. In SBAB's case, the level of confidence is 99.97%, which corresponds to SBAB's long-term AA– target rating (according to Standard & Poor's ratings scale). The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

		GROUP			
		31 Mar 2019		31 Dec 2018	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %
Pillar 1	Credit risk & CVA risk	3,123	2.7	3,046	2.6
	Market risk	43	0.0	80	0.1
	Operational risk	388	0.3	347	0.3
	Risk-weight floor[1]	5,735	4.9	5,658	5.0
	Surcharge, corporate exposures [2]	63	0.1	–	–
	Total Pillar 1	**9,352**	**8.0**	**9,131**	**8.0**
Pillar 2	Credit risk [3]	–	–	–	–
	Market risk	789	0.7	781	0.7
	Operational risk	–	–	–	–
	Concentration risk	914	0.8	968	0.8
	Sovereign risk	57	0.0	52	0.1
	Pension risk	–	–	–	–
	Total Pillar 2	**1,760**	**1.5**	**1,801**	**1.6**
Buffers	Capital conservation buffer	2,923	2.5	2,854	2.5
	Capital planning buffer	–	–	–	–
	Countercyclical buffer	2,327	2.0	2,266	2.0
	Total Buffers	**5,250**	**4.5**	**5,120**	**4.5**
Total		**16,362**	**14.0**	**16,052**	**14.1**

[1] Pillar 1 risk-weight floor under Article 458 of the CRR.

[2] Surcharge after decision by the Board pursuant to Article 3 of the CRR.

[3] Since the additional capital requirement for the risk-weight floor exceeds the additional capital requirement according to economic capital, only the risk-weight floor is included in the internal capital requirement with consideration for the risk-weight floor.

Note 12 | Effect of changes in accounting policies

TRANSITION EFFECT OF INITIAL APPLICATION OF IFRS 16 IN THE BALANCE SHEET, 1 JANUARY 2019

	GROUP		
SEK million	Previous accounting policies, IAS 17	Transition effect, IFRS 16	IFRS 16
ASSETS			
Cash and balances at central banks	0	–	0
Chargeable treasury bills, etc.	20,904	–	20,904
Lending to credit institutions	2,847	–	2,847
Lending to the public	364,215	–	364,215
Value changes of interest-rate-risk hedged items in macro hedges	99	–	99
Bonds and other interest-bearing securities	50,945	–	50,945
Derivatives	8,313	–	8,313
Intangible assets	234	–	234
Property, plant and equipment	16	104	120
Other assets	73	–	73
Prepaid expenses and accrued income	709	–7	702
TOTAL ASSETS	**448,355**	**97**	**448,452**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	6,607	–	6,607
Deposits from the public	124,926	–	124,926
Issued debt securities, etc.	290,795	–	290,795
Derivatives	1,339	–	1,339
Other liabilities	384	97	481
Accrued expenses and deferred income	1,790	–	1,790
Deferred tax liabilities	194	–	194
Provisions	138	–	138
Subordinated debt	4,946	–	4,946
Total liabilities	**431,119**	**97**	**431,216**
Untaxed reserves			
Equity			
Share capital	1,958	–	1,958
Reserves/Fair value reserve	609	–	609
Additional Tier 1 instruments	1,500	–	1,500
Retained earnings	11,443	–	11,443
Net profit for the year	1,726	–	1,726
Total equity	**17,236**	**–**	**17,236**
TOTAL LIABILITIES AND EQUITY	**448,355**	**97**	**448,452**

In the Annual Report 2018, SBAB disclosed future contractual rent payments of SEK 330 million in accordance with IAS 17. The transition to IFRS 16 has entailed the recognition of a material asset of SEK 104 million in the balance sheet. The difference between IAS 17 and IFRS 16 primarily pertains to a longer rental agreement with planned occupancy at the end of 2020 and variable rental expenses.

Parent Company

Trend for January–March 2019 compared with January–March 2018

The operating profit for the period was SEK 3,117 million (3) as a result of the retroactive dividend of SEK 3 billion from the subsidiary SCBC. For more information, please refer to page 14. Net interest income rose to SEK 155 million (29). The increase in interest income was mainly due to the positive impact of higher market interest rates on the item. Net income from financial transactions increased to SEK 5 million (expense: 27) and was mainly attributable to the revaluation of credit risk in derivatives. Other operating income rose to SEK 248 million (209), and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses grew to SEK 300 million (248), mainly due to higher personnel, IT and marketing costs. Credit losses totalled SEK 1 million (recoveries: 28), mainly as a result of the internal movement of credit impaired loans from SCBC due to the transition to IFRS 9 and recoveries of previous impairments in the first quarter of 2018. Lending to the public increased in the period to SEK 23.5 billion (22.2). Deposits from the public increased to SEK 126.1 billion (115.3). At year end, the CET1 capital ratio amounted to 24.8% (21.1) and the total capital ratio was 41.9% (40.6). The internally assessed capital requirement was SEK 6,092 million (5,769).

Condensed income statement

	PARENT COMPANY					
	2019	2018	2018	2019	2018	2018
SEK million	Q1	Q4	Q1	Jan–Mar	Jan–Mar	Jan–Dec
Interest income	467	382	304	467	304	1,399
Interest expense	–312	–288	–275	–312	–275	–1,106
Net interest income	**155**	**94**	**29**	**155**	**29**	**293**
Dividends received	3,000	–	–	3,000	–	–
Commission income	18	39	19	18	19	100
Commission expense	–8	–6	–7	–8	–7	–25
Net result of financial transactions	5	1	–27	5	–27	–45
Other operating income	248	250	209	248	209	896
Total operating income	**3,418**	**378**	**223**	**3,418**	**223**	**1,219**
Personnel costs	–149	–143	–124	–149	–124	–533
Other expenses	–148	–153	–122	–148	–122	–525
Depreciation, amortisation and impairment of PPE and intangible assets	–3	–4	–2	–3	–2	–11
Total expenses before credit losses	**–300**	**–300**	**–248**	**–300**	**–248**	**–1,069**
Profit/loss before credit losses	**3,118**	**78**	**–25**	**3,118**	**–25**	**150**
Net credit losses	–1	–7	28	–1	28	37
Impairment of financial assets	0	–1	0	0	0	–1
Reversals of impairment of financial assets	0	0	0	0	0	0
Operating profit	**3,117**	**70**	**3**	**3,117**	**3**	**186**
Tax	–33	–20	–7	–33	–7	–63
Net profit for the period	**3,084**	**50**	**–4**	**3,084**	**–4**	**123**

Condensed statement of comprehensive income

	PARENT COMPANY					
	2019	2018	2018	2019	2018	2018
SEK million	Q1	Q4	Q1	Jan–Mar	Jan–Mar	Jan–Dec
Net profit/loss for the period	**3,084**	**50**	**–4**	**3,084**	**–4**	**123**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	35	136	24	35	24	–63
Changes related to cash-flow hedges	64	117	13	64	13	142
Tax attributable to components that will be reclassified to profit or loss	–21	–53	–8	–21	–8	–15
Other comprehensive income, net of tax	**78**	**200**	**29**	**78**	**29**	**64**
Total comprehensive income for the period	**3,162**	**250**	**25**	**3,162**	**25**	**187**

Condensed balance sheet

SEK million	PARENT COMPANY 31 Mar 2019	31 Dec 2018	31 Mar 2018
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	29,478	20,904	27,447
Lending to credit institutions (Note 13)	98,320	93,262	100,632
Lending to the public	23,476	24,845	22,227
Bonds and other interest-bearing securities	52,605	50,945	53,059
Derivatives	11,658	8,762	10,467
Shares and participations in Group companies	10,394	10,389	10,386
Intangible assets	24	26	26
Property, plant and equipment	18	15	13
Other assets	1,066	47	570
Prepaid expenses and accrued income	767	740	779
TOTAL ASSETS	**227,806**	**209,935**	**225,606**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	12,421	6,607	13,750
Deposits from the public	126,112	124,926	115,268
Issued debt securities, etc.	59,876	56,021	72,466
Derivatives	10,594	7,964	7,998
Other liabilities	1,273	303	1,102
Accrued expenses and deferred income	543	302	624
Deferred tax liabilities	83	62	65
Provisions	7	7	5
Subordinated debt	4,946	4,946	4,944
Total liabilities	**215,855**	**201,138**	**216,222**
Equity			
Restricted equity			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
Total restricted equity	**2,350**	**2,350**	**2,350**
Unrestricted equity			
Fair value reserve	300	222	188
Additional Tier 1 instruments	1,500	1,500	1,500
Retained earnings	4,717	4,602	5,350
Net profit for the period	3,084	123	–4
Total unrestricted equity	**9,601**	**6,447**	**7,034**
Total equity	**11,951**	**8,797**	**9,384**
TOTAL LIABILITIES AND EQUITY	**227,806**	**209,935**	**225,606**

Note 13 | Lending to credit institutions

Of the Parent Company's lending to credit institutions at 31 March 2019, SEK 91,042 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 90,414 million at the end of 2018. This receivable is subordinated in the event of receivership or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid.

Note 14 | Capital adequacy, own funds and capital requirements — Parent Company

CAPITAL ADEQUACY[1)]

	PARENT COMPANY		
SEK million	**31 Mar 2019**	**31 Dec 2018**	**31 Mar 2018**
CET1 capital	9,342	6,398	6,947
Tier 1 capital	12,342	9,398	9,947
Total capital	15,789	12,845	13,394
Risk exposure amount	37,646	36,404	32,993
CET1 capital ratio, %	24.8	17.6	21.1
Excess [2)] of CET1 capital	7,648	4,760	5,463
Tier 1 capital ratio, %	32.8	25.8	30.2
Excess[2)] of Tier 1 capital	10,083	7,214	7,968
Total capital ratio, %	41.9	35.3	40.6
Excess[2)] of total capital	12,278	9,933	10,755

[1)] The risk-weight floor for residential mortgages has affected the risk exposure amount, excess capital and capital ratios.
[2)] Excess capital has been calculated based on minimum requirements (without buffer requirements)

The Swedish FSA's decision regarding the shift of the risk-weight floor for residential mortgages
In August 2018, the Swedish FSA decided to apply the existing risk-weight floor for mortgages applied in Pillar 2 as a requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The amendment entered into force from 31 December 2018 and applies for two years.

The change means the capital requirement is set as a requirement in Pillar 1. The credit institutions encompassed by the measure are those authorised to use the IRB approach and which have exposures to Swedish residential mortgages. The branches of foreign credit institutions in Sweden that are exposed to Swedish residential mortgages and which apply the IRB approach for these may also be affected. The following calculation shows what the actual outcome would have been if the risk-weight floor had not been moved to Pillar 1.

OUTCOME PRIOR TO THE MOVE OF THE RISK-WEIGHT FLOOR FOR MORTGAGES [1)]

	PARENT COMPANY		
SEK million	**31 Mar 2019**	**31 Dec 2018**	**31 Mar 2018**
REA, SEK million	33,835	33,360	32,993
CET1 capital ratio, %	27.6	19.2	21.1
Tier 1 capital ratio, %	36.5	28.2	30.2
Total capital ratio, %	46.7	38.5	40.6

[1)] The table illustrates what the capital situation would have been if the risk-weight floor had not been moved. This information is solely for comparative purposes.

Cont. NOTE 14 Capital adequacy, own funds and capital requirements — Parent

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 1423/2013, Annex V.

OWN FUNDS

	PARENT COMPANY		
SEK million	**31 Mar 2019**	**31 Dec 2018**	**31 Mar 2018**
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	4,418	4,993	5,057
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	300	222	188
Additional Tier 1 instruments	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend [1]	2,901	–567	–187
CET1 capital before regulatory adjustments	**11,077**	**8,106**	**8,521**
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	–77	–76	–79
Intangible assets (net of related tax liability) (negative amount)	–24	–25	–26
Fair value reserves related to gains or losses on cash-flow hedges	–81	–31	69
Negative amounts resulting from the calculation of expected loss amounts	–18	–11	–20
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–35	–65	–18
Additional Tier 1 instruments in equity	–1,500	–1,500	–1,500
Total regulatory adjustments to CET1 capital	**–1,735**	**–1,708**	**–1,574**
CET1 capital	**9,342**	**6,398**	**6,947**
Additional Tier 1 capital: Instruments			
Capital instruments and the related share premium accounts	3,000	3,000	3,000
of which, classified as equity under applicable accounting standards	*1,500*	*1,500*	*1,500*
of which, classified as liabilities under applicable accounting standards	*1,500*	*1,500*	*1,500*
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–	–
Additional Tier 1 capital before regulatory adjustments	**3,000**	**3,000**	**3,000**
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	–	–	–
Additional Tier 1 capital	**3,000**	**3,000**	**3,000**
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	**12,342**	**9,398**	**9,947**
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	3,447	3,447	3,447
Credit risk adjustments	–	–	–
Tier 2 capital before regulatory adjustments	**3,447**	**3,447**	**3,447**
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	**3,447**	**3,447**	**3,447**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**15,789**	**12,845**	**13,394**
Total risk-weighted assets	**37,646**	**36,404**	**32,993**

Cont. NOTE 14 Capital adequacy, own funds and capital requirements — Parent

SEK million	PARENT COMPANY 31 Mar 2019	31 Dec 2018	31 Mar 2018
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	24.8	17.6	21.1
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	32.8	25.8	30.2
Total capital (as a percentage of total risk-weighted exposure amount), %	41.9	35.3	40.6
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	9.0	9.0	9.0
of which, CET1 capital, minimum requirement, %	*4.5*	*4.5*	*4.5*
of which, capital conservation buffer requirement, %	*2.5*	*2.5*	*2.5*
of which, countercyclical buffer requirement, %	*2.0*	*2.0*	*2.0*
of which, systemic risk buffer requirement, %	–	–	–
of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	20.3	13.1	16.6
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

[1] Earnings for the interim period were reduced by the expected dividend of SEK 183 million based on Q1 2019. Retained earnings was reduced by the expected dividend for 2018 of SEK 690 million. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation. Furthermore, an extra dividend of SEK 3,000 million has been paid by SCBC to the Parent Company pursuant to the resolution by the EGM.

Cont. NOTE 14 Capital adequacy, own funds and capital requirements — Parent

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

	PARENT COMPANY					
	31 Mar 2019		31 Dec 2018		31 Mar 2018	
SEK million	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	6,972	558	7,087	567	6,633	531
Retail exposures	813	65	743	59	1,026	82
of which, exposures to SMEs	*73*	*6*	*59*	*5*	*154*	*12*
of which, retail exposures secured by immovable property	*740*	*59*	*684*	*54*	*872*	*70*
Total exposures recognised with the IRB approach	**7,785**	**623**	**7,830**	**626**	**7,659**	**613**
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions [1]	3,825	306	3,751	300	3,204	256
of which, derivatives according to CRR, Appendix 2	*3,726*	*298*	*3,723*	*298*	*3,142*	*251*
of which, repos	64	5	–	–	40	3
of which, other	*35*	*3*	*28*	*2*	*22*	*2*
Retail exposures	2,204	176	2,236	179	2,176	174
Exposures in default	9	1	10	1	9	1
Exposures in the form of covered bonds	3,700	296	3,593	287	3,799	304
Exposures to institutions and corporates with a short-term credit rating	27	2	16	1	368	29
Equity exposures	11,479	918	11,416	913	11,378	910
Other items	87	8	83	7	76	6
Total exposures recognised with standardised approach	**21,331**	**1,707**	**21,105**	**1,688**	**21,010**	**1,680**
Market risk	**152**	**12**	**248**	**20**	**232**	**19**
Of which, position risk	–	–	–	–	–	–
Of which, currency risk	*152*	*12*	*248*	*20*	*232*	*19*
Operational risk	**1,813**	**145**	**1,412**	**113**	**1,412**	**113**
Of which, standardised approach	*1,813*	*145*	*1 412*	*113*	*1,412*	*113*
Credit valuation adjustment risk (CVA risk)	**2,578**	**206**	**2,765**	**221**	**2,680**	**214**
Additional requirements under Article 458 of the CRR	**3,811**	**305**	**3,044**	**244**	**–**	**–**
Additional requirements under Article 3 of the CRR	**176**	**14**	**–**	**–**	**–**	**–**
Total minimum capital requirements and risk exposure amount	**37,646**	**3,012**	**36,404**	**2,912**	**32,993**	**2,639**
Capital requirements for capital conservation buffer		**941**		**910**		**825**
Capital requirements for countercyclical buffer		**748**		**722**		**651**
Total capital requirements		**4,701**		**4,544**		**4,115**

[1] The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,790 million (3,723).

The CEO affirms that this interim report provides an accurate overview of the operations, financial position and performance of the Parent Company and the Group, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Solna, 29 April 2019

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While every care has been taken in the translation of this report, readers are reminded that the original report, signed by the CEO, is in Swedish. The information was submitted for publication on 30 April 2019 at 8:00 a.m. (CEST).

Financial calendar

Interim Report Jan–Jun 2019	17 July 2019
Interim report Jan–Sep 2019	25 October 2019
Year-end report 2019	14 February 2020

Credit rating

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

Alternative performance measures

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

SBAB uses APMs when these are relevant for the presentation and follow-up of the Group's financial position and when these metrics are deemed to provide additional valuable information to readers of the financial reports. SBAB has also chosen to present the APMs as they are in common use within the industry. APMs can be calculated with various approaches and, accordingly, SBAB's metrics are not directly comparable with similar metrics presented by other companies.

New lending

Definition: Gross lending for the period.

The APM aims to provide the reader with an image of the inflow of new business during the reporting period.

Deposits/lending

Definition: Ratio of total deposits to total lending (closing balances).

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

	GROUP	
SEK billion	**Jan–Mar 2019**	**Jan–Dec 2018**
Deposits from the public, SEK billion	126.1	124.9
Lending to the public, SEK billion	366.3	364.2
Deposits/lending, %	**34.4**	**34.3**

Credit loss ratio

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

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

	GROUP	
SEK million	**Jan–Mar 2019**	**Jan–Dec 2018**
Credit losses/recoveries	–9	11
Lending to the public	366,254	364,215
Credit loss ratio, %	**–0.01**	**0.00**

Return on equity

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

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

	GROUP	
SEK million	**Jan–Mar 2019**	**Jan–Dec 2018**
Operating profit after tax	458	1,726
Average equity	14,662 [1]	14,283 [2]
Return on equity, %	**12.5**	**12.1**

[1] Average equity has been adjusted for the dividend of SEK 690 million for 2018.
[2] Average equity has been adjusted for the dividend of SEK 684 million for 2017.

Net interest margin

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

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

	GROUP	
SEK million	**Jan–Mar 2019**	**Jan–Dec 2018**
Net interest income	883	3,362
Average total assets	459,130	432,571
Net interest margin, %	**0.77**	**0.78**

C/I ratio

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

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

	GROUP	
SEK million	**Jan–Mar 2019**	**Jan–Dec 2018**
Total operating expenses	292	1,049
Total operating income	892	3,280
C/I ratio, %	**32.8**	**32.0**

Definitions of other key performance indicators

Number of employees (FTEs)	Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence
CET1 capital ratio	CET1 capital in relation to risk-weighted assets
Total capital ratio	Own funds in relation to risk-weighted assets
Tier 1 capital ratio	Tier 1 capital in relation to risk-weighted assets
Leverage ratio	Tier 1 capital in relation to total assets and off-balance sheet exposures restated with the application of credit conversion factors
Liquidity coverage ratio, LCR	Liquid assets in relation to net cash outflows over a 30-day stress scenario in accordance with the European Commission's Delegated Regulation EU (2015/61) with regard to liquidity coverage requirements
Survival horizon	The number of days that the need for liquidity can be met in a stress scenario before new liquidity is needed
Net stable funding ratio, NSFR	A liquidity risk metric of a structural nature that demonstrates the stability of the Group's funding in relation to its assets