INTERIM REPORT

1 January–31 March 2018 | SBAB Bank AB (publ)

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THE QUARTER IN BRIEF

The first quarter of the year points to an even more challenging and exciting future with new regulations and new players in the residential mortgage market.

KLAS DANIELSSON, CEO OF SBAB

Great Place To Work® Sweden's Best Workplaces SWEDEN 2018

Q1 2018

- Continued healthy trend for volume growth. Total lending increased SEK 8.9 billion to SEK 344.0 billion during the quarter. Total deposits increased SEK 3.4 billion to SEK 115.3 billion.
- Return on equity amounted to 13.0% and the C/I ratio was 30.0%.
- SBAB finished in eighth place in "Great Place To Work's" list of Sweden's best workplaces in 2018, in the category larger companies.
- SBAB's "Boendeekonomi är jättekul!"("Household finances are really fun!") campaign won both gold and silver in the "Guldnyckeln" communication competition.
- The more stringent repayment requirements for households with high debt-to-income ratios was implemented on 1 March 2018.

SUMMARY

Group	2018 Q1	2017 Q4	Δ	2018 Jan–Mar	2017 Jan–Mar	Δ
Total lending, SEK bn	344.0	335.1	2.7%	344.0	305.1	12.7%
Total deposits, SEK bn	115.3	111.9	3.0%	115.3	100.0	15.3%
Net interest income, SEK million	831	801	3.7%	831	779	6.7%
Expenses, SEK million	-242	-259	-6.6%	-242	-232	4.3%
Loan losses, SEK million	10	20	-10 mn	10	6	4 mn
Operating profit, SEK million	576	603	-4.5%	576	549	4.9%
Return on equity, %	13.0	13.3	-30 bps	13.0	12.6	40 bps
C/I ratio, %	30.0	30.7	-70 bps	30.0	29.9	10 bps
CET1 capital ratio, %	31.1	32.2	-110 bps	31.1	29.9	120 bps

[1] When calculating return on equity "Q1 2018" and "Jan-Mar 2018", average equity has been adjusted for adopted dividend for 2017.

THIS IS SBAB

SBAB's business idea is to apply innovation and consideration to offer 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 help improve housing quality and household finances

Our operations
SBAB Bank AB (publ) has two business areas: Retail and Corporate Clients & Tenant-Owners' Associations.

Retail
The Retail business area offers savings and loan products, and home and housing services to consumers. The core product is residential mortgages. We have no traditional bank branches, which means that our products and services are offered online or by telephone. Our retail customers are primarily located in areas around Stockholm, Gothenburg, Malmö, and other university and growth regions.

Corporate Clients & Tenant-Owners' Associations
The Corporate Clients & Tenant-Owners' Associations business area offers savings and housing financing primarily to property companies and tenant-owners' associations. Our credit granting in the Corporate Clients & Tenant-Owners' Associations business area is concentrated to growth regions surrounding our three offices in Stockholm, Gothenburg and Malmö.

Our owner
We started our operations in 1985 and are wholly owned by the Swedish state.

STATEMENT FROM THE CEO

SBAB's positive operational trend continued through the first quarter of 2018. The volume and earnings trends were robust and we gained valuable confirmation in terms of our brand initiatives and our efforts to make SBAB an extremely attractive workplace. In the first quarter, we received one gold and one silver key in the Guldnyckeln communication competition for our 2017 communication campaign — "Boendeekonomi är jättekul," and we ranked in the top ten in Great Place to Work's list of Sweden's best workplaces among larger companies. Fantastic results. At the same time, the first quarter of the year points to an even more challenging and exciting future with new regulations and new players in the residential mortgage market.

Continued robust volume and earnings trend

Demand for residential mortgages remained strong but levelled off toward the end of the quarter. SBAB continued to capture market shares in residential mortgages from the major banks. Our share of net growth in the residential mortgage market was around 18% for the first two months of the year, which should be seen in relation to our market share of about 8% at the start of the year. Going forward, our growth could be negatively impacted by the regulatory developments we have experienced, which have made changing bank more complex and created lock-in effects for customers, thereby weakening competition. The latest example is the expanded repayment requirement for mortgage holders borrowing more than 4.5 times their gross income, which entered force on 1 March.

Our lending to property companies and tenant-owners' associations was essentially unchanged. Growth is limited partly due to larger property companies increasing their degree of market financing, partly due to a slight slowdown in demand for financing for new builds in combination with more restrictive credit granting from our side and partly due to intense competition for granting credit to tenant-owners' associations, an area where we choose to focus on profitability.

Retail and corporate deposits posted relatively strong growth during the period. The ratio between deposits and lending increased slightly to 33.5% at the end of the period.

The underlying earnings trend for the quarter was good. Operating profit amounted to SEK 576 million. Profitability was strong for the quarter and the return on equity was 13%. Our assessment is that mortgage margins have peaked and could fall slightly over the remainder of the year due to increased price pressure from new and existing residential mortgage providers. Lower mortgage margins will negatively impact profitability.

SBAB is well-placed to meet new competition

The residential mortgage market is stirring. Recently, new competitors have started to offer residential mortgages or announced their intent to do so. Increased competition is positive and highlights for us the importance of always striving to provide a stronger customer offering. Increased competition in the residential mortgage market arises, inter alia, from the Mortgage Business Act (2016:1024), which allows residential mortgages to be provided by organisations other than banks thus negating, among other things, the need to comply with the rules for capital requirements that apply to banks. This regulatory difference risks creating inequitable competitive conditions on the one hand and risks that would be difficult for customers to assess on the other. I find this concerning.

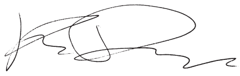
In time, increasing competition in the residential mortgage market can affect the market and mortgage margins. Over the last few years, we have prepared well for increased competition. For several years, we have been the sector leader in terms of customer satisfaction and we have captured market shares. We invest in new technology to enhance our customer offering and are becoming increasingly efficient in our operations. Regulatory developments in the form of PSD2 and Open banking affect competition at the same time as they create new opportunities for us to strengthen our customer offering. Transparency and competitive terms are central to our customer offering and the mortgage rates we offer for the most in-demand tenors are often market leading — a situation we aim to maintain.

"The show must go on"

Our communication is innovative and has an impact. In 2017, we began a major communication and brand initiative in the form of the film series and comedy show "Boendeekonomi är jättekul!". It was a hit. The initiative won both gold and silver in the Guldnyckeln communication competition: gold in the Financial and Insurance category and silver in the Digital and Social Media Channels category. We have also been nominated for the Guldägget and Gyllene hjulet communication awards.

We will continue to make household finances fun in 2018. There are still far too many people in Sweden who don't think so. "The show must go on." This year everyone is coming. All 10 million people in Sweden. How? Don't miss following this exciting journey on social media and on www.sbab.se.

Solna in April 2018



Klas Danielsson
CEO of SBAB

BUSINESS DEVELOPMENT

VOLUME TRENDS

Group	2018 Q1	2017 Q4	2017 Q1	2018 Jan–Mar	2017 Jan–Mar
New lending, SEK bn	19.2	24.1	18.0	19.2	18.0
Net change in lending, SEK bn	8.9	10.7	9.1	8.9	9.1
Total lending, SEK bn	**344.0**	**335.1**	**305.1**	**344.0**	**305.1**
No. of deposit accounts, thousand	343	338	309	343	309
Net change in deposits, SEK bn	3.4	4.9	3.2	3.4	3.2
Total deposits, SEK bn	**115.3**	**111.9**	**100.0**	**115.3**	**100.0**
Deposits/lending, %	33.5	33.4	32.8	33.5	32.8
Retail business area					
No. of mortgage customers, thousand	259	255	238	259	238
No. of mortgage objects financed, thousand	165	161	152	165	152
New lending, SEK bn	16.3	19.8	15.3	16.3	15.3
Net change in lending, SEK bn	8.2	11.2	8.6	8.2	8.6
Total retail lending, SEK bn	**258.3**	**250.1**	**220.5**	**258.3**	**220.5**
Residential mortgages, SEK bn	256.3	248.1	218.5	256.3	218.5
Consumer loans, SEK bn	2.0	2.0	2.0	2.0	2.0
Market share residential mortgages, % 1)	8.06	7.96	7.35	8.06	7.35
Market share consumer loans, % 1)	0.86	0.86	0.93	0.86	0.93
Total retail deposits, SEK bn	**77.9**	**75.1**	**66.0**	**77.9**	**66.0**
Market share Retail deposits, % 1)	4.39	4.33	4.01	4.39	4.04
Corporate Clients & Tenant-Owners' Associations business area					
No. of corporate clients and tenant-owners' associations	2,345	2,384	2,496	2,345	2,496
New lending, SEK bn	2.9	4.3	2.7	2.9	2.7
Net change in lending, SEK bn	0.6	-0.5	0.4	0.6	0.4
Total lending, corporate clients & tenant-owners' associations, SEK bn	**85.6**	**85.0**	**84.6**	**85.6**	**84.6**
Lending to corporate clients, SEK bn	33.4	33.2	34.2	33.4	34.2
Lending to tenant-owners' associations, SEK bn	52.2	51.8	50.4	52.2	50.4
Market share, corporate clients, % 1)	11.19	11.30	11.47	11.19	11.47
Market share, tenant-owners' associations, % 1)	10.13	10.23	11.03	10.13	11.03
Total deposits, corporate clients & tenant-owners' associations, SEK bn	**37.4**	**36.8**	**34.0**	**37.4**	**34.0**
Market share deposits, corporate clients & tenant-owners' associations, % 1)	3.79	3.75	3.52	3.79	3.52

1) Source: Statistics Sweden. The figures in the columns for Q1 2018 and Jan–Mar 2018 correspond with the market share as of 28 February 2018. The figures in the columns for Q1 2017 and Jan–Mar 2017 correspond with the market share as of 28 February 2017.

Trend for Q1 2018 compared with Q4 2017

Market comments

The strong Swedish economy strengthened further in the last quarter of 2017 and continued this trend in the first quarter of 2018, although a slight decline in confidence indicators can be discerned in some industries. Pressure remained high on markets for financing housing in the first quarter of the year. The growth rate in lending for homeowners of houses or tenant-owners' rights remained at the same high level as the past year, despite the decline in house prices at the end of 2017. Low interest rates together with strong economic growth and low unemployment have contributed to this trend. For the country as a whole, housing prices recovered slightly in January following autumn's fall. Thereafter, prices have remained relatively flat. House prices for the country as a whole rose 3% during the quarter, having declined by 4.5% over the last 12 months. Prices for tenant-owner apartments and houses posted respective gains of 1.7% and 3.8% during the quarter, having declined by 8.6% and 1.8%, respectively, over the last 12 months.The growth in lending to property companies with apartment blocks, including tenant-owners' associations, remained at the same level as in previous quarters. The high growth rate, particularly for lending to tenant-owners' associations, is driven by the record high construction rates.

Group

Total lending increased 2.7% in the quarter to SEK 344.0 billion (335.1). New lending remained healthy and totalled SEK 19.2 billion (24.1). Total lending increased 3.0% in the quarter to SEK 115.3 billion (111.9).

Retail

The Retail business area offers savings and loan products, and home and housing services to consumers. The core product — residential mortgages — is supplemented with consumer loans, savings accounts and insurance mediation.

During the first quarter, new retail lending amounted to SEK 16.3 billion (19.8) driven by the strength of the customer offering with competitive rates and by successful communication initiatives.

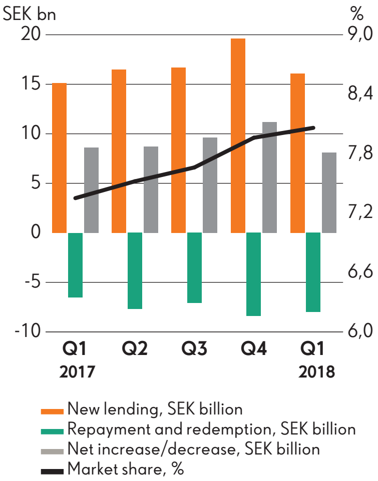
Total lending increased to SEK 258.3 billion (250.1) during the quarter, of which SEK 256.3 billion (248.1) comprised residential mortgages and SEK 2.0 billion (2.0) consumer loans. The number of residential mortgage customers increased to 259,000 (255,000), distributed over 165,000 mortgage objects (161,000). The market share of residential mortgages was 8.06% at 28 February 2018 (7.96% at 31 December 2017). At the same date, the market share for consumer loans was 0.86% (0.86).

The majority of SBAB's residential mortgage customers choose shorter maturities. The share of total lending with a three-month fixed-interest period amounted to 69.1% (68.7) at the end of the quarter.

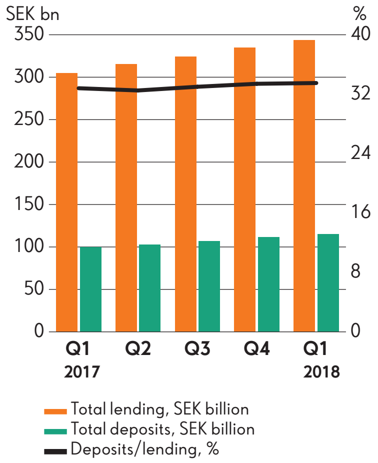
SBAB and other Swedish banks report their average mortgage rates for new loans and loans with amended terms and conditions, in line with the Swedish FSA's regulations. SBAB offers transparent terms and conditions, which is showcased by the difference between SBAB's average and list rates, which in March 2018 was 0.16 percentage points (0.16 in December 2017) on a three-month fixed-rate mortgage.

SBAB's savings accounts continue to offer a competitive interest rate compared with the company's competitors, and deposit inflows continued to grow during the quarter. Retail deposits increased and totalled SEK 77.9 billion (75.1). The market share of retail deposits was 4.39% at 28 February 2018 (4.33% at 31 December 2017).

Lending and market shares, Retail mortgages



Total deposits in relation to total lending, Group



Corporate Clients & Tenant-Owners' Associations

The Corporate Clients & Tenant-Owners' Associations business area offers savings and loan products to property companies and tenant-owners' associations.

In the first quarter, new lending to corporate clients and tenant-owners' associations trended favourably and totalled SEK 2.9 billion (4.3). Continued strong demand in the market contributed to this trend. Total lending increased marginally to SEK 85.6 billion (85.0) due, among other things, to the conclusion of certain building credits and final placement of the loans for new tenant-owner apartment production. Other contributory factors included increased competition from the bond market, where certain property companies chose to borrow directly from the capital market.

Of total lending, SEK 33.4 billion (33.2) comprised lending to corporate clients and SEK 52.2 billion (51.8) lending to tenant-owners' associations. The market share of lending to companies was 11.19% at 28 February 2018 (11.30% at 31 December 2017), and the market share for lending to tenant-owners' associations was 10.13% (10.23). The number of loan customers declined to 2,345 (2,384) over the quarter.

Deposits from corporate clients and tenant-owners' associations rose during the quarter and totalled SEK 37.4 billion (36.8). At 28 February 2018, the market share of deposits from corporate clients and tenant-owners' associations (non-financial institutions) was 3.79% (3.71% at 31 December 2017).

FINANCIAL PERFORMANCE

INCOME STATEMENT OVERVIEW

	2018	2017	2017	2017	2017	2018	2017
Group, SEK million	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Jan–Mar**	**Jan–Mar**
Net interest income	831	801	792	777	779	831	779
Net commissions	-5	2	-2	0	-5	-5	-5
Net result of financial transactions (Note 2)	-26	30	-35	-2	-5	-26	-5
Other operating income	8	9	7	9	6	8	6
Total operating income	**808**	**842**	**762**	**784**	**775**	**808**	**775**
Expenses	-242	-259	-224	-244	-232	-242	-232
Profit before loan losses and impairments	**566**	**583**	**538**	**540**	**543**	**566**	**543**
Net loan losses (Note 3)	10	20	-1	-1	6	10	6
Impairment of financial assets, net	0	–	–	–	–	0	–
Operating profit	**576**	**603**	**537**	**539**	**549**	**576**	**549**
Tax	-133	-141	-125	-125	-128	-133	-128
Net profit for the period	**443**	**462**	**412**	**414**	**421**	**443**	**421**
Return on equity, % [1]	13.0	13.3	12.2	12.4	12.6	13.0	12.6
C/I ratio, %	30.0	30.7	29.4	31.2	29.9	30.0	29.9
Loan loss ratio, %	0.01	0.02	0.00	0.00	0.01	0.01	0.01
Net interest margin, %	0.77	0.77	0.77	0.77	0.80	0.77	0.80

[1] When calculating return on equity Q1 2018 and Jan-Mar 2018, average equity has been adjusted for adopted dividend for 2017.

Trend for Q1 2018 compared with Q4 2017

Operating profit amounted to SEK 576 million (603). After tax, the operating profit was SEK 443 million (462). The decline was primarily attributable to lower net income from financial transactions. Higher net interest income and lower expenses positively impacted the item. Return on equity amounted to 13.0% (13.3) and the C/I ratio was 30.0% (30.7).

Net interest and commissions

Net interest income grew to SEK 831 million (801), mainly due to higher lending volumes and slightly lower financing costs. The increased resolution fee, which totalled SEK 87.1 million (61.6) for the quarter, negatively impacted net interest income. The fee is expected to amount to SEK 348 million for 2018, compared with SEK 247 million for 2017. The net commission expense decreased to SEK 5 million (income: 2) as a result of lower commissions for brokering loan protection and higher expenses linked to funding operations.

Net result of financial transactions

The net expense from financial transactions was SEK 26 million (income: 30). The remeasurement of credit risk in derivatives was the factor with the largest earnings impact in the quarter.

Expenses

Expenses decreased to SEK 242 million (259). The decline was due to lower personnel, IT and marketing costs for the quarter. Expenses for 2018 are expected to increase compared with 2017.

Credit quality and credit losses

As per January 1, 2018 SBAB reports expected credit losses according to IFRS 9. This means that the opening balances have been recalculated, please refer to Note 12 and 15. The expected credit losses amounted to recoveries of SEK 10 million in the first quarter, mainly as a result of reversal of prior provisions for credit-impaired loans, credit stage 3, linked to fraud issues in the fourth quarter of 2015. Provisions for non-credit-impaired loans, credit stages 1 and 2, have decreased by SEK 1 million and provisions for loan commitments have decreased by SEK 2 million. The reductions are explained by a positive portfolio development from a credit risk perspective. For more information, please refer to Note 3 and 4.

In mid-2016, SBAB introduced new repayment requirements in line with regulations issued by the Swedish FSA. In November 2017, the Government approved the proposal from the Swedish FSA regarding more stringent repayment requirements for households with high debt-to-income ratios. The increased repayment requirement entered force on 1 March 2018, and entails that all new mortgage holders borrowing more than 4.5 times their gross income (their pre-tax income) must amortise an additional one percent of the mortgage per year.

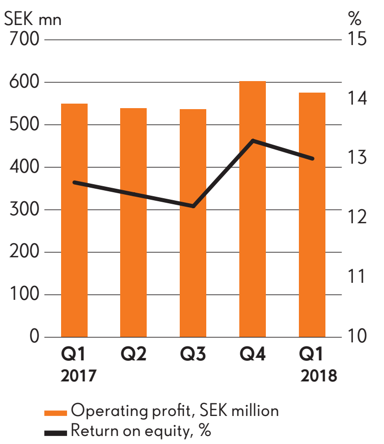
At the end of the quarter, the average LTV ratio[1)] in SBAB's mortgage portfolio was 58% (58). At the same date, the average residential mortgage to retail customers amounted to SEK 1.6 million (1.6).

Other comprehensive income

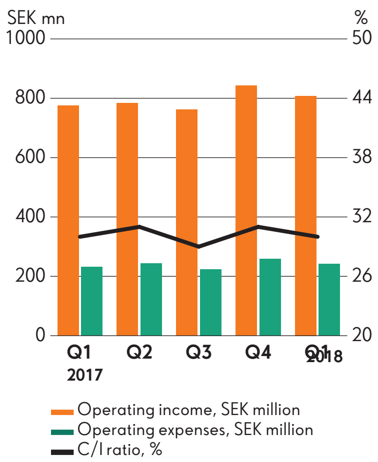
Other comprehensive income was negative SEK 79 million (negative: 57). The variance between the quarters was mainly attributable to changed cross-currency basis spreads.

[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.

Operating profit and return on equity



Income, expenses and C/I ratio



Trend for January–March 2018 compared with January–March 2017

During the period, operating profit rose to SEK 576 million (549) as a result of higher net interest income. Net interest income grew to SEK 831 million (779), mainly due to higher lending volumes. The resolution fee, recognised in net interest income, totalled SEK 87.1 million (57.5) for the period. The net commission expense totalled SEK 5 million (expense: 5). The net expense from financial transactions decreased to SEK 26 million (expense: 5). The decrease was primarily due to unrealised changes in market values that arose from changed credit spreads on securities and the revaluation of credit risk in derivatives. Other comprehensive income amounted to a negative SEK 79 million (negative: 251) for the period. The difference was attributable to a marginal decline in long-term EUR interest rates in Q1 2018, compared with a stronger increase in interest rates in the corresponding quarter last year, which had a positive impact on the item. Expenses during the period increased to SEK 242 million (232), driven mainly by increased investments in IT, as well as increased personnel costs for administrating increased loan volumes. Credit losses amounted to recoveries of SEK 10 million (recoveries: 6) for the period.

BALANCE SHEET OVERVIEW

Group, SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
ASSETS			
Chargeable treasury bills, etc.	27,447	22,952	27,871
Lending to credit institutions	11,003	1,867	10,358
Lending to the public	343,982	335,111	305,118
Bonds and other interest-bearing securities	53,059	49,764	51,096
Total other assets in the balance sheet	12,139	7,093	7,571
TOTAL ASSETS	**447,630**	**416,787**	**402,014**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	17,399	5,674	10,917
Deposits from the public	115,268	111,895	99,974
Issued debt securities, etc. (funding)	288,560	274,517	264,539
Subordinated debt	4,944	4,942	5,939
Total other liabilities in the balance sheet	5,256	3,949	5,200
Total liabilities	**431,427**	**400,977**	**386,569**
Total equity	**16,203**	**15,810**	**15,445**
Of which, Tier 1 capital instruments	*1,500*	*1,500*	*1,500*
TOTAL LIABILITIES AND EQUITY	**447,630**	**416,787**	**402,014**
CET1 capital ratio, %	31.1	32.2	29.9
CET1 capital ratio in accordance with the Swedish FSA's proposed movement of the risk-weight floor for residential mortgages, % [1]	*12.5*	*12.8*	*12.5*
Tier 1 capital ratio, %	37.9	39.3	37.2
Total capital ratio, %	45.8	47.6	48.1
Total capital ratio in accordance with the Swedish FSA's proposed movement of the risk-weight floor for residential mortgages, % [1]	*18.3*	*18.9*	*20.1*
Leverage ratio, % [2]	3.66	3.86	3.71
Liquidity coverage ratio (LCR), % [3]	283	249	317
Net stable funding ratio (NSFR), % [4]	117	117	122

[1] The Swedish FSA has proposed introducing the existing risk-weight floor for mortgages applied in Pillar 2 as a requirement within the framework of Article 458 of the Capital Requirements Regulation. The change means that the capital requirements is set as a minimum requirement in Pillar 1. The change is proposed to enter force from 31 December 2018. For more information, please refer to page 10 and Note 10.

[2] Calculated in accordance with the applicable regulations at the reporting date.

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

[4] As interpreted by SBAB.

Trend for Q1 2018 compared with Q4 2017

Balance sheet comments

Chargeable treasury bills increased during the quarter to SEK 27.4 billion (23.0) while bonds and other interest-bearing securities increased to SEK 53.1 billion (49.8). The change was within the scope of the normal management of the liquidity reserve. Lending to credit institutions increased to SEK 11.0 billion (1.9), attributable to higher repo volumes. The change was within the scope of the normal short-term liquidity management. For information on lending to the public, please refer to page 5.

Liabilities to credit institutions increased to SEK 17.4 billion (5.7) during the quarter and were also driven by increased repo volumes within the scope of the normal short-term liquidity management. At the end of the quarter, subordinated debt totalled SEK 4.9 billion (4.9). Equity increased during the quarter to SEK 16.2 billion (15.8). During the quarter, equity was affected by effects of the transition to IFRS 9, changes in other comprehensive income, dividends on additional Tier 1 instruments and net profit for the period. For information about deposits from the public and issued debt securities, please refer to page 5 and the "Funding" section below. For more information of the effects of IFRS 9 on equity, please refer to Note 12 and 15.

Funding

Issue activity was relatively high in the first quarter of the year. In January, issues included an EUR 750 million seven-year covered bond. In total, bonds for around SEK 19 billion (7) were issued, compared with maturing bonds of about SEK 62 billion.

During the quarter, securities were issued for a total of SEK 25.9 billion (12.8). In parallel, securities were repurchased for SEK 4.8 billion (5.3) and securities amounting to SEK 12.0 billion (6.2) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 14.0 billion to a total of SEK 288.6 billion (274.5). At the end of the quarter, commercial paper borrowing amounted to SEK 7.9 billion (5.5) and senior unsecured funding amounted to SEK 64.6 billion (64.9). Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Covered debt outstanding totalled SEK 216.1 billion (204.2), of which SEK 151.1 billion was in SEK and SEK 65.0 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 80.4 billion (72.7). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 76.8 billion (69.4).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon totalled 274 days (330), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, at 31 March 2018, the LCR was 283% (249) in all currencies combined, which exceeds the minimum requirement of 80%. Measured in SEK, the LCR was 190% (185). The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 117% (117) as interpreted by SBAB.

For more information, please refer to Note 9.

Capital position

SBAB primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised approach. According to SBAB's capital targets, the CET1 capital ratio should under normal conditions be at least 1.5 percentage points higher than the CET1 capital requirement communicated by the Swedish FSA. In addition, under normal conditions, SBAB's total capital ratio should be at least 1.5 percentage points higher than the capital requirement communicated by the Swedish FSA. The bank is also tasked with meeting any other regulatory capital requirements. SBAB's lending rose to a total of SEK 344.0 billion (335.1) during the quarter. The capital requirement was mainly impacted by the increase in lending. SBAB's capital targets are expected to correspond to a CET1 capital ratio of not less than 27.1% and a total capital ratio of not less than 37.4% at 31 March 2018. SBAB's CET1 capital amounted to SEK 13,658 million (13,443) and total capital was SEK 20,105 million (19,890). The risk exposure amount was SEK 43,939 million (41,797). This corresponded to a CET1 capital ratio of 31.1% (32.2) and a total capital ratio of 45.8% (47.6).

Under the Swedish FSA's proposal to move the risk-weight floor for residential mortgages from Pillar 2 to Pillar 1, the risk exposure amount would, according to SBAB's interpretation, total around SEK 110 billion, which would correspond to a CET1 capital ratio of 12.5% and a total capital ratio of 18.3%. In nominal terms, the total capital requirement is not significantly affected by the measure proposed by the Swedish FSA. The minimum requirement rises as does the buffer requirement. At the same time, the Pillar 2 capital requirement decreases by a corresponding amount since the existing Pillar 2 requirement of 25% for residential mortgages is removed. However, the current proposal does entail an increase in the risk exposure amount. The consequence is that the capital ratios and the capital requirement expressed as a percentage of the risk exposure amount decreases, while the difference in absolute terms is negligible. SBAB's capacity to meet the total capital requirement is thus unaffected.

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 Capital Requirements Regulation 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 2018. This means that net profit for the period has been included in own funds and that expected dividends have reduced own funds.

The leverage ratio amounted to SEK 3.66% (3.86) at 31 March 2018.

For more information, please refer to Note 10.

OTHER INFORMATION

SBAB's financial targets

- **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 1.5 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 posted a stable trend, underpinned by low inflation, low interest rates, and rising stock market and property prices. Housing prices declined toward the end of 2017. The decline stopped, however, and remained relatively unchanged during the start of 2018. A housing market with soaring prices and rising household debt has meant the Swedish economy is sensitive to changes in interest rates and house prices. The risks associated with these factors are expected to increase as long as house prices and debt continue to outpace increases in income. The extensive regulatory changes in the residential mortgage market, increased offering of new builds, protraction of the time taken to sell and more uncertain property market conditions all comprise uncertainty factors.

More information about the Group's risk structure for risk and capital management is available in SBAB's integrated 2017 Annual Report as well as in the report "Information regarding capital adequacy and risk management 2017."

Effects of IFRS 9 at 1 January 2018

Upon the transition to IFRS 9, the net of reserves and provisions for expected credit losses in the Group decreased SEK 46 million. The overall effect increased equity (before tax) by a corresponding amount at 1 January 2018. For more information, please refer to Note 12 and 15.

Auditors' review report

This report has not been subject to review by the Group's auditors.

Events after the end of the period

Annual General Meeting

SBAB held its Annual General Meeting on 24 April 2018. The AGM resolved to elect the following Board members: Bo Magnusson (Chairman), Carl-Henrik Borg, Lars Börjesson, Daniel Kristiansson, Jane Lundgren-Ericsson, Eva Gidlöf, Karin Moberg and Jan Sinclair. The local trade unions appointed Kristina Ljung and Margareta Naumburg as employee representatives on the Board of Directors, with Eva-Lotta Lindberg and David Larsson as alternates.

The AGM resolved to distribute a dividend of 40% of profit for the year after tax, corresponding to SEK 684 million, for 2017. The details regarding the proposed appropriation of earnings is available in SBAB's Annual Report 2017, on page 76.

Organisational changes and changes in Executive Management

SBAB has decided to implement a number of organisational changes to be able to more rapidly meet new customer requirements, and to be able to adapt operations to the accelerating pace of market change. The changes include the closure of two units in the Executive Management (Retail Market and Partnerships & Business Development) as well as the creation of three new units in the form of Data Science, Customer Experience and Customer Service. Following certain changes in responsibility, Operations will become Business Specialists. Credit & Risk will become Risk after certain reallocations of responsibility. Sustainability and Strategic Communication will become Sustainability and Communication after the reallocation of full responsibility for communication and the brand to this unit. Kristina Frid, who was previously Head of the Customer Centre under the Retail Market, will be the Head of Customer Service. The Acting Head of Customer Experience will be Charlotta Selin, who is also Head of Product Owners, until a new Head of Customer Experience has been recruited. CIO Klas Ljungkvist will take the role of Acting Head of Data Science until such time as a new Head of Data Science has been recruited.

The organisational changes, which enter force on 1 May, entail no cutbacks in personnel. From 1 May, the Executive Management comprises the following functions: Accounting & Treasury; Risk; Business Specialists; Tech; Data Science; HR; Customer Service; Customer Experience; Sustainability and Communication; and Corporate Clients & Tenant-Owners' Associations.

Financial calendar

Interim Report January–June 2018	18 July 2018
Interim report January–September 2018	26 October 2018
Year-end report 2018	15 February 2019

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

FINANCIAL STATEMENTS AND NOTES

CONDENSED FINANCIAL STATEMENTS

NOTES

PARENT COMPANY

CONDENSED INCOME STATEMENT

Group, SEK million	2018 Q1	2017 Q4	2017 Q1	2018 Jan–Mar	2017 Jan–Mar	2017 Jan–Dec
Interest income	1,189	1,175	1,103	1,189	1,103	4,572
Interest expense	-358	-374	-324	-358	-324	-1,423
Net interest income	**831**	**801**	**779**	**831**	**779**	**3,149**
Commission income	16	20	14	16	14	73
Commission expense	-21	-18	-19	-21	-19	-78
Net result of financial transactions (Note 2)	-26	30	-5	-26	-5	-12
Other operating income	8	9	6	8	6	31
Total operating income	**808**	**842**	**775**	**808**	**775**	**3,163**
Personnel costs	-127	-130	-116	-127	-116	-479
Other expenses	-109	-122	-109	-109	-109	-449
Depreciation, amortisation and impairment of PPE and intangible assets	-6	-7	-7	-6	-7	-31
Total expenses before loan losses	**-242**	**-259**	**-232**	**-242**	**-232**	**-959**
Profit before loan losses and impairments	**566**	**583**	**543**	**566**	**543**	**2,204**
Net loan losses (Note 3)	10	20	6	10	6	24
Impairment of financial assets	0	–	–	0	–	–
Reversals of impairment of financial assets	0	–	–	0	–	–
Operating profit	**576**	**603**	**549**	**576**	**549**	**2,228**
Tax	-133	-141	-128	-133	-128	-519
Net profit for the period	**443**	**462**	**421**	**443**	**421**	**1,709**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Group, SEK million	2018 Q1	2017 Q4	2017 Q1	2018 Jan–Mar	2017 Jan–Mar	2017 Jan–Dec
Net profit for the period	**443**	**462**	**421**	**443**	**421**	**1,709**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Changes related to available-for-sale financial assets, before tax	24	21	39	24	39	118
Changes related to cash-flow hedges, before tax	-90	-89	-349	-90	-349	-687
Tax attributable to components that will be reclassified to profit or loss	14	15	68	14	68	125
Components that will not be reclassified to profit or loss						
Revaluation effects of defined-benefit pension plans, before tax	-35	-4	-11	-35	-11	-38
Tax attributable to components that will not be reclassified to profit or loss	8	0	2	8	2	8
Other comprehensive income, net of tax	**-79**	**-57**	**-251**	**-79**	**-251**	**-474**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**364**	**405**	**170**	**364**	**170**	**1,235**

CONDENSED BALANCE SHEET

Group, SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	27,447	22,952	27,871
Lending to credit institutions	11,003	1,867	10,358
Lending to the public (Note 4)	343,982	335,111	305,118
Value changes of interest-rate-risk hedged items in macro hedges	182	191	323
Bonds and other interest-bearing securities	53,059	49,764	51,096
Derivatives (Note 5)	10,096	5,830	4,807
Intangible assets	192	179	161
Property, plant and equipment	14	12	16
Other assets	862	65	1,410
Prepaid expenses and accrued income	793	816	854
TOTAL ASSETS	**447,630**	**416,787**	**402,014**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	17,399	5,674	10,917
Deposits from the public	115,268	111,895	99,974
Debt securities issued, etc.	288,560	274,517	264,539
Derivatives (Note 5)	1,523	1,643	2,169
Other liabilities	1,159	429	749
Accrued expenses and deferred income	2,371	1,697	2,064
Deferred tax liabilities	65	83	143
Provisions	138	97	75
Subordinated debt	4,944	4,942	5,939
Total liabilities	**431,427**	**400,977**	**386,569**
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	111	188	411
Additional Tier 1 instruments	1,500	1,500	1,500
Retained earnings	12,191	10,455	11,155
Net profit for the period	443	1,709	421
Total equity	**16,203**	**15,810**	**15,445**
TOTAL LIABILITIES AND EQUITY	**447,630**	**416,787**	**402,014**

CONDENSED STATEMENT OF CHANGES IN EQUITY

	RESTRICTED EQUITY	UNRESTRICTED EQUITY			
Group, SEK million	**Share capital**	**Reserves**	**Additional Tier 1 instruments**	**Retained earnings and net profit for the period**	**Total equity**
OPENING BALANCE, 1 JANUARY 2018	**1,958**	**189**	**1,500**	**12,199**	**15,846**
Additional Tier 1 instruments, dividend	–	–	–	-8	-8
Comprehensive income for the period	–	-78	–	443	365
CLOSING BALANCE, 31 MARCH 2018	**1,958**	**111**	**1,500**	**12,634**	**16,203**
OPENING BALANCE, 1 JANUARY 2017	**1,958**	**662**	**1,500**	**11,162**	**15,282**
Additional Tier 1 instruments, dividend	–	–	–	-7	-7
Comprehensive income for the period	–	-251	–	421	170
CLOSING BALANCE, 31 MARCH 2017	**1,958**	**411**	**1,500**	**11,576**	**15,445**
OPENING BALANCE, 1 JANUARY 2017	**1,958**	**662**	**1,500**	**11,162**	**15,282**
Additional Tier 1 instruments, dividend	–	–	–	-74	-74
Dividends paid	–	–	–	-628	-628
Other	–	–	–	-5	-5
Comprehensive income for the year	–	-474	–	1,709	1,235
CLOSING BALANCE, 31 DECEMBER 2017	**1,958**	**188**	**1,500**	**12,164**	**15,810**

CONDENSED CASH-FLOW STATEMENT

Group, SEK million	2018 Jan–Mar	2017 Jan–Mar	2017 Jan–Dec
Opening cash and cash equivalents	**1,867**	**1,619**	**1,619**
OPERATING ACTIVITIES			
Interest and commissions paid/received	1,444	815	2,912
Outflows to suppliers and employees	-237	-225	-929
Taxes paid/refunded	-153	-248	17
Change in assets and liabilities of operating activities	8,102	8,399	-70
Cash flow from operating activities	**9,156**	**8,741**	**1,930**
INVESTING ACTIVITIES			
Change in property, plant and equipment	-3	0	-4
Change in intangible assets	-17	-2	-50
Cash flow from investing activities	**-20**	**-2**	**-54**
FUNDING ACTIVITIES			
Dividends paid	–	–	-628
Change in subordinated loans	–	–	-1,000
Cash flow from funding activities	**–**	**–**	**-1,628**
Increase/decrease in cash and cash equivalents	**9,136**	**8,739**	**248**
Closing cash and cash equivalents	**11,003**	**10,358**	**1,867**

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

CHANGE IN LIABILITIES ATTRIBUTABLE TO FUNDING ACTIVITIES

			NON-CASH ITEMS					NON-CASH ITEMS		
SEK million	Opening balance 1 Jan. 2018	Cash flow	Fair value	Other	Closing balance 31 Mar. 2018	Opening balance, 1 Jan. 2017	Cash flow	Fair value	Other	Closing balance, 31 Dec. 2017
Long-term interest-bearing liabilities	6,442	–	0	2	6,444	7,439	-1,000	-3	6	6,442
Derivatives	-5	–	0	0	-5	-11	7	5	-6	-5
Total	**6,437**	**–**	**0**	**2**	**6,439**	**7,428**	**-993**	**2**	**–**	**6,437**

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, the Swedish FSA's 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 have been 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.

IFRS 9 Financial Instruments (IFRS 9) replaces IAS 39 Financial Instruments in its entirety and encompasses classification and measurement, and impairment and hedge accounting. A separate project under the IASB is ongoing with regard to macro hedge accounting. SBAB applies the mandatory sections pertaining to classification and measurement and impairment from 1 January 2018. Under IFRS 9, classification is based on both the entity's business model and the contractual cash flow characteristics. This classification, in turn, determines the measurement. The impairment model under IFRS 9 is based on expected credit losses as opposed to the current model, which is instead based on incurred credit loss events. The aim of the new model is to capture and recognise expected credit losses at an earlier stage. For further information regarding the company's accounting policies, please refer to Note 1 of the 2017 Annual Report. The rules have been applied through the adjustment of the balance sheets of the Group and the subsidiaries at that date, refer to Note 12 and 15. No requirements apply for restatement of comparative periods.

IFRS 15 — Revenue from Contracts with Customers
The standard introduces a five-step model to determine when revenues within the scope of IFRS 15 will be recognised. Depending on when certain criteria are met, income is either recognised over time in a manner that shows the company's performance, or at a point in time when control over the goods or services is transferred. The introduction will not have any material effect on SBAB's financial reporting. The standard became effective as of 1 January 2018.

The accounting policies and calculation methods are unchanged in comparison with the Annual Report 2017. These consolidated condensed financial statements have been prepared on a going concern basis. On 24 April 2018, the Board of Directors approved the consolidated condensed financial statements for publication.

Introduction of new accounting standards

IFRS 16 Leases
The new IFRS 16 standard has changed the lease classification criteria. IFRS 16 has been adopted by the EU and will apply from the 2019 financial year. The new standard entails that all leases (with the exception of short-term and smaller leases) are to be recognized as right-of-use assets with corresponding liabilities in the lessee's balance sheet, and the lease payments recognized as depreciation and interest expense. Moreover, disclosure requirements will apply. SBAB is working to analyse the financial effects of the new standard.

Forthcoming amendments
According to SBAB's preliminary assessment, other new or changed Swedish and international accounting standards that have been published but not yet applied will have a limited effect on the financial reports.

NOTE 2 Net result of financial transactions

	2018	2017	2017	2018	2017	2017
Group, SEK million	**Q1**	**Q4**	**Q1**	**Jan–Mar**	**Jan–Mar**	**Jan–Dec**
Gains/losses on interest-bearing financial instruments						
– Securities measured at FVTPL	-47	-30	-18	-47	-18	-109
– Change in value of hedged items in hedge accounting	2	56	329	2	329	795
– Realised gain/loss from financial liabilities	-36	-73	-166	-36	-166	-318
– Derivatives in hedge accounting	15	-38	-312	15	-312	-764
– Other derivatives	33	88	152	33	152	320
– Loan receivables	13	31	10	13	10	73
Currency translation effects	-6	-4	0	-6	0	-9
Total	**-26**	**30**	**-5**	**-26**	**-5**	**-12**

NOTE 3 Net loan losses

Group, SEK million	2018 Q1	2017 Q4	2017 Q1	2018 Jan–Mar	2017 Jan–Mar	2017 Jan–Dec
Lending to the public						
Confirmed credit losses	-2	-3	-1	-2	-1	-11
Recoveries of previously confirmed credit losses	1	1	1	1	1	3
Preceding year's provision under IAS39	–	17	6	–	6	26
Change in provision for the period — credit stage 1	-1	–	–	-1	–	–
Change in provision for the period — credit stage 2	2	–	–	2	–	–
Change in provision for the period — credit stage 3	9	–	–	9	–	–
Guarantees	-1	5	0	-1	0	6
Net credit losses for the period — lending to the public	**8**	**20**	**6**	**8**	**6**	**24**
Loan commitments [1]						
Change in provision for the period — credit stage 1	1	–	–	1	–	–
Change in provision for the period — credit stage 2	1	–	–	1	–	–
Change in provision for the period — credit stage 3	0	–	–	0	–	–
Guarantees	0	–	–	0	–	–
Net credit losses for the period — loan commitment	**2**	**–**	**–**	**2**	**–**	**–**
Total	**10**	**20**	**6**	**10**	**6**	**24**

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

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 2017 Annual Report, Note 1, pages 84–85.

NOTE 4 Lending to the public

Group, SEK million	31 Mar 2018	31 Dec 2017
Opening balance	335,168	296,022
New lending for the year	19,199	82,282
Amortisation, write-offs, redemption, etc.	-10,395	-43,219
Change in provision for expected credit losses	10	26
Closing balance	**343,982**	**335,111**

Distribution of lending, including provisions, SEK million	31 Mar 2018	31 Dec 2017
Lending, Residential mortgages	256,289	248,103
Lending, Corporate Clients & Tenant-Owners' Associations	85,648	85,001
Lending, Consumer loans	2,045	2,007
Total	**343,982**	**335,111**

Lending to the public by credit stage — compared with opening balance	31 Mar 2018	1 Jan 2018
Credit stage 1		
Gross carrying amount	323,786	313,407
Provision for expected credit losses	-27	-27
Carrying amount	**323,759**	**313,380**
Credit stage 2		
Gross carrying amount	19,959	21,466
Provision for expected credit losses	-65	-67
Carrying amount	**19,894**	**21,399**
Credit stage 3		
Gross carrying amount	379	447
Provision for expected credit losses	-50	-58
Carrying amount	**329**	**389**
Gross carrying amount (credit stages 1, 2 and 3)	**344,124**	**335,320**
Provision for expected credit losses (credit stages 1, 2 and 3)	**-142**	**-152**
Total	**343,982**	**335,168**

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 2017 Annual Report, Note 1, pages 84–85.

NOTE 5 Derivatives

Group, SEK million	31 Mar 2018 Assets measured at fair value	31 Mar 2018 Liabilities measured at fair value	31 Mar 2018 Total nominal value	31 Dec 2017 Assets measured at fair value	31 Dec 2017 Liabilities measured at fair value	31 Dec 2017 Total nominal value
Interest-rate-related	2,617	1,339	311,380	2,425	1,259	295,484
Currency-related	7,479	184	101,782	3,405	384	90,925
Total	**10,096**	**1,523**	**413,162**	**5,830**	**1,643**	**386,409**

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

NOTE 6 Operating segments

Group, SEK million	Jan–Mar 2018 Retail	Jan–Mar 2018 Corporate clients & Tentant-owners' assoc.	Jan–Mar 2018 Other	Jan–Mar 2018 Total	Jan–Mar 2017 Retail	Jan–Mar 2017 Corporate clients & Tentant-owners' assoc.	Jan–Mar 2017 Other	Jan–Mar 2017 Total
Net interest income	649	182	–	831	608	171	–	779
Commission income	10	6	–	16	11	3	–	14
Commission expense	-17	-4	–	-21	-14	-5	–	-19
Net result of financial items measured at fair value	–	3	-29	-26	–	–	-5	-5
Other operating income	8	0	–	8	6	–	–	6
Total operating income	**650**	**187**	**-29**	**808**	**611**	**169**	**-5**	**775**
Salaries and remuneration	-60	-17	–	-77	-84	-23	–	-107
Other personnel costs	-43	-12	–	-55	-12	-3	–	-15
Other expenses	-91	-17	–	-104	-85	-18	–	-103
Depreciation, amortisation and impairment of PPE and intangible assets	-5	-1	–	-6	-6	-1	–	-7
Net loan losses	9	1	–	10	4	2	–	6
Impairment of financial assets, net	0	0	–	0	–	–	–	–
Operating profit	**464**	**141**	**-29**	**576**	**428**	**126**	**-5**	**549**
Tax	-108	-32	7	-133	-100	-29	1	-128
Net profit/loss for the period	**356**	**109**	**-22**	**443**	**328**	**97**	**-4**	**421**
Return on equity, %	14.4	10.8		13.0	15.2	8.2		12.6

In relation to the statutory income statement, an expense of SEK 5 million (expense: 6) 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.

NOTE 7 Classification of financial instruments

GROUP

Financial assets

SEK million	Financial assets measured at FVTPL		Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
	31 Mar 2018					
	Fair value option	Held for trading				
Cash and balances at central banks	–	–	–	0	0	0
Chargeable treasury bills, etc.	3,635	–	7,846	15,966	27,447	27,500
Lending to credit institutions	–	–	–	11,003	11,003	11,003
Lending to the public	–	–	–	343,982	343,982	344,701
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	182	182	–
Bonds and other interest-bearing securities	7,356	–	36,256	9,447	53,059	53,113
Derivatives	–	10,096	–	–	10,096	10,096
Other assets	–	–	–	839	839	839
Prepaid expenses and accrued income	121	–	420	198	739	739
Total financial assets	**11,112**	**10,096**	**44,522**	**381,617**	**447,347**	**447,991**

GROUP

Financial liabilities

SEK million	Financial liabilities measured at FVTPL	Financial liabilities measured at amortised cost	Total	Total fair value
	31 Mar 2018			
Liabilities to credit institutions	–	17,399	17,399	17,399
Deposits from the public	–	115,268	115,268	115,268
Issued debt securities, etc.	–	288,560	288,560	289,278
Derivatives	1,523	–	1,523	1,523
Other liabilities	–	1,113	1,113	1,113
Accrued expenses and deferred income	–	2,353	2,353	2,353
Subordinated debt	–	4,944	4,944	4,961
Total financial liabilities	**1,523**	**429,637**	**431,160**	**431,895**

Cont. NOTE 7 Classification of financial instruments

GROUP

Financial assets

SEK million	Assets measured at FVTPL (held for trading)	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	Total fair value
	31 Dec 2017					
Cash and balances at central banks	–	–	0	–	0	0
Chargeable treasury bills, etc.	5,386	7,966	–	9,600	22,952	22,953
Lending to credit institutions	–	–	1,867	–	1,867	1,867
Lending to the public	–	–	335,111	–	335,111	335,800
Value changes of interest-rate-risk hedged items in macro hedges	–	–	191	–	191	–
Bonds and other interest-bearing securities	7,425	33,715	–	8,624	49,764	49,822
Derivatives	5,830	–	–	–	5,830	5,830
Other assets	–	–	65	–	65	65
Prepaid expenses and accrued income	120	461	147	32	760	760
Total financial assets	**18,761**	**42,142**	**337,381**	**8,656**	**416,540**	**417,097**

GROUP

Financial liabilities

SEK million	Liabilities measured at FVTPL	Other financial liabilities	Total	Total fair value
	31 Dec 2017			
Liabilities to credit institutions	–	5,674	5,674	5,674
Deposits from the public	–	111,895	111,895	111,895
Issued debt securities, etc.	–	274,517	274,517	275,352
Derivatives	1,643	–	1,643	1,643
Other liabilities	–	249	249	249
Accrued expenses and deferred income	–	1,671	1,671	1,671
Subordinated debt	–	4,942	4,942	4,960
Total financial liabilities	**1,643**	**398,948**	**400,591**	**401,444**

Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting Policies in the 2017 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. The main tools used are models 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 date for changes in terms is applied to set the discount rate, Level 3.

NOTE 8 Fair value disclosures

GROUP

SEK million	31 Mar 2018 Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets				
Chargeable treasury bills, etc.	11,481	–	–	11,481
Bonds and other interest-bearing securities	43,612	–	–	43,612
Derivatives	–	10,096	–	10,096
Prepaid expenses and accrued income	541	–	–	541
Total	**55,634**	**10,096**	**–**	**65,730**
Liabilities				
Derivatives	–	1,523	–	1,523
Total	**–**	**1,523**	**–**	**1,523**

SEK million	31 Dec 2017 Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets				
Chargeable treasury bills, etc.	13,352	–	–	13,352
Bonds and other interest-bearing securities	41,140	–	–	41,140
Derivatives	–	5,830	–	5,830
Prepaid expenses and accrued income	581	–	–	581
Total	**55,073**	**5,830**	**–**	**60,903**
Liabilities				
Derivatives	–	1,643	–	1,643
Total	**–**	**1,643**	**–**	**1,643**

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting Policies in the 2017 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 2017 or 2018.

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 a AAA 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 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. The SBAB's survival horizon amounted to SEK 274 days at 31 March 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 2018, the LCR was 283% (249) in all currencies at the consolidated level, and 4,232% (16,288) and 305% (140), respectively, in EUR and USD. Measured in SEK, the LCR was 190% (185). For further information on the liquidity coverage ratio, refer to SBAB's report "Capital, liquidity and leverage disclosures, March 2018."

	31 Mar 2018				31 Dec 2017			
		DISTRIBUTION BY CURRENCY				DISTRIBUTION BY CURRENCY		
LIQUIDITY RESERVE Group, SEK million	**Total**	**SEK**	**EUR**	**USD**	**Total**	**SEK**	**EUR**	**USD**
Cash and balances at central banks	–	–	–	–	500	500	–	–
Balances at other banks	–	–	–	–	–	–	–	–
Securities issued or guaranteed by governments, central banks or multinational development banks	27,090	17,737	6,768	2,585	28,033	17,926	7,714	2,393
Securities issued or guaranteed by municipalities or non-public sector entities	12,268	10,198	729	1,341	8,621	7,003	176	1,442
Covered bonds issued by other institutions	40,971	35,674	4,493	804	35,501	30,146	4,564	791
Covered bonds issued by SBAB	–	–	–	–	–	–	–	–
Securities issued by non-financial corporates	–	–	–	–	–	–	–	–
Securities issued by financial corporates (excl. covered bonds)	–	–	–	–	–	–	–	–
Other securities	–	–	–	–	–	–	–	–
Total	**80,329**	**63,609**	**11,990**	**4,730**	**72,655**	**55,575**	**12,454**	**4,626**
Bank and loan facilities	–	–	–	–	–	–	–	–
Total	**80,329**	**63,609**	**11,990**	**4,730**	**72,655**	**55,575**	**12,454**	**4,626**
Distribution by currency, %		79%	15%	6%	%	76.5	17.1	6.4

NOTE 10 Capital adequacy, own funds and capital requirements requirements

CAPITAL ADEQUACY Consolidated situation, SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
CET1 capital	13,658	13,443	12,216
Tier 1 capital	16,658	16,443	15,216
Total capital	20,105	19,890	19,665
Risk exposure amount	43,939	41,797	40,903
CET1 capital ratio, %	31.1	32.2	29.9
Excess [1] of CET1 capital	11,680	11,563	10,375
Tier 1 capital ratio, %	37.9	39.3	37.2
Excess [1] of Tier 1 capital	14,021	13,936	12,762
Total capital ratio, %	45.8	47.6	48.1
Excess [1] of total capital	16,590	16,547	16,393

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

Proposed movement of the risk-weight floor for residential mortgages
The Swedish FSA has proposed introducing the existing risk-weight floor for mortgages applied in Pillar 2 as a requirement within the framework of Article 458 of the Capital Requirements Regulation. The change is proposed to enter force from 31 December 2018. The Swedish FSA maintains that the main reason for the proposed change is structural changes in the Swedish banking market. On 15 March 2018, Nordea Bank AB decided to move its headquarters from Sweden to Finland. The Swedish FSA believes that this change in the market's structure may lead to operators in the Swedish residential mortgage market facing different capital requirements for their Swedish mortgage exposures. Therefore, the Swedish FSA has evaluated how distortion of market competition can be countered and assesses that the current design of the risk-weight floor needs amendment. This is also required to ensure existing capital requirement levels for mortgage exposures in Sweden. The Swedish FSA believes that both these goals can be achieved by replacing the existing risk-weight floor with a requirement under the framework of Article 458 of the Capital Requirements Regulation. The change means the capital requirement is set as a requirement in Pillar 1. The credit institutions proposed to be 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 is preliminary and is based on SBAB's interpretation of the consultation memorandum FI Ref. 18-6251.

In accordance with the Swedish FSA's proposed movement of the risk-weight floor for residential mortgages	2018-03-31	2017-12-31	2017-03-31
Risk exposure amount, SEK billion	109.7	105.3	98.0
CET1 capital ratio, %	12.5	12.8	12.5
Total capital ratio, %	18.3	18.9	20.1

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 2018**	**31 Dec 2017**	**31 Mar 2017**
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	11,506	10,452	10,358
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	111	189	411
Additional Tier 1 instruments	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend [1]	266	1,026	–
CET1 capital before regulatory adjustments	**15,341**	**15,125**	**14,227**
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-73	-62	-76
Intangible assets (net of related tax liability) (negative amount)	-107	-83	-149
Fair value reserves related to gains or losses on cash-flow hedges	80	9	-252
Negative amounts resulting from the calculation of expected loss amounts	-65	-29	-4
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-18	-17	-30
Additional Tier 1 instruments in equity	-1,500	-1,500	-1,500
Total regulatory adjustments to CET1 capital	**-1,683**	**-1,682**	**-2,011**
CET1 capital	**13,658**	**13,443**	**12,216**
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)	**16,658**	**16,443**	**15,216**
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	3,447	3,447	4,447
Credit risk adjustments	–	–	2
Tier 2 capital before regulatory adjustments	**3,447**	**3,447**	**4,449**
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	**–**	**–**	**–**
Tier 2 capital	**3,447**	**3,447**	**4,449**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**20,105**	**19,890**	**19,665**
Total risk-weighted assets	**43,939**	**41,797**	**40,903**
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	31.1	32.2	29.9
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	37.9	39.3	37.2
Total capital (as a percentage of total risk-weighted exposure amount), %	45.8	47.6	48.1
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 capital buffer requirement, %	*2.0*	*2.0*	*2.0*
Of which: systemic risk buffer requirement, %	–	–	–
Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffers, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	26.6	27.7	25.4

Cont. NOTE 10 Capital adequacy, own funds and capital

OWN FUNDS Consolidated situation, SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 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 178 million based on Q1 2018. Retained earnings was reduced by the proposed dividend for 2017 of SEK 684 million.

	31 Mar 2018		31 Dec 2017		31 Mar 2017	
RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS **Consolidated situation, SEK million**	**Risk exposure amount**	**Capital requirement**	**Risk exposure amount**	**Capital requirement**	**Risk exposure amount**	**Capital requirement**
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	12,229	978	12,258	981	12,121	970
Retail exposures	12,697	1,016	12,469	997	11,701	936
Of which: exposures to SMEs	*1,097*	88	*1,160*	93	*1,168*	93
Of which: retail exposures secured by immovable property	*11,600*	928	*11,309*	904	*10,533*	843
Total exposures recognised with the IRB approach	**24,926**	**1,994**	**24,727**	**1,978**	**23,822**	**1,906**
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]	3,347	268	2,593	207	2,519	202
Of which: derivatives according to CRR, Appendix 2	*3,223*	*258*	*2,583*	*206*	*2,409*	*193*
Of which repos	*123*	*10*	*9*	*1*	*110*	*9*
Of which other	*1*	*0*	*1*	*0*	*0*	*0*
Exposures to corporates	–	–	–	–	–	–
Retail exposures	2,176	174	2,193	175	2,063	165
Exposures in default	9	1	11	1	11	1
Exposures in the form of covered bonds	3,799	304	3,282	263	3,504	280
Exposures to institutions and corporates with a short-term credit rating	368	29	21	2	366	29
Equity exposures	1,078	86	1,078	86	–	–
Other items	330	26	331	27	484	39
Total exposures recognised with standardised approach	**11,107**	**888**	**9,509**	**761**	**8,947**	**716**
Market risk	**758**	**61**	**1,159**	**93**	**1,523**	**122**
Of which: position risk	–	–	*413*	33	*749*	60
Of which: currency risk	*758*	61	*746*	60	*774*	62
Operational risk	**4,339**	**347**	**4,144**	**331**	**4,144**	**331**
Credit valuation adjustment risk	**2,809**	**225**	**2,258**	**181**	**2,467**	**197**
Total risk exposure amount and minimum capital requirements	**43,939**	**3,515**	**41,797**	**3,344**	**40,903**	**3,272**
Capital requirements for capital conservation buffer		**1,098**		**1,045**		**1,023**
Capital requirements for countercyclical buffer		**869**		**829**		**810**
Total capital requirements		**5,482**		**5,218**		**5,105**

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,346 million (2,592).

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 15,759 million (SEK 15,115 million at 31 December 2017). 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. The table below sets out the internal capital requirement for the consolidated situation, with and without taking into account the Swedish FSA's supervisory practices with regard to the risk-weight floor for Swedish residential mortgages.

		31 Mar 2018			31 Dec 2017		
			EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR		EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR
SEK million		**Pillar 1**	**Internally assessed capital requirement**	**Internally assessed capital requirement**	**Pillar 1**	**Internally assessed capital requirement**	**Internally assessed capital requirement**
Pillar 1	Credit risk & CVA risk	3,107	3,107	3,107	2,920	2,920	2,920
	Market risk	61	61	61	93	93	93
	Operational risk	347	347	347	331	331	331
Pillar 2	Credit risk [1]	–	1,059	0	–	1,119	0
	Market risk	–	1,069	1,069	–	1,002	1,002
	Operational risk	–	0	0	–	0	0
	Risk-weight floor	–	–	8,216	–	–	7,940
	Concentration risk	–	931	931	–	898	898
	Sovereign risk	–	61	61	–	57	57
	Pension risk	–	0	0	–	0	0
Buffers	Capital conservation buffer	1,098	1,098	1,098	1,045	1,045	1,045
	Capital planning buffer [2]	–	1,072	0	–	1,125	0
	Countercyclical buffer	869	869	869	829	829	829
Total		**5,482**	**9,674**	**15,759**	**5,218**	**9,419**	**15,115**

1) In the internal capital requirement without taking the risk-weight floor into account, additional credit risks in Pillar 2 consist of SBAB's estimated capital requirement in economic capital. 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.

2) The higher of the stress test buffer and the capital planning buffer is included in the internally assessed capital requirement. After taking into account the risk-weight floor, the stress test buffer is calculated without consideration for risk migration in the residential mortgage portfolios and, accordingly, the required buffer is smaller.

NOTE 12 Effect of changes in accounting policies for the Group

Restatement of the balance sheet as of 31 December 2017 on transition to IFRS 9 as of 1 January 2018.

SEK million	Previous accounting policies	Impairment expected credit losses	IFRS9
ASSETS			
Cash and balances at central banks	0	–	0
Chargeable treasury bills, etc.	22,952	–	22,952
Lending to credit institutions	1,867	–	1,867
Lending to the public	335,111	57	335,168
Value changes of interest-rate-risk hedged items in macro hedges	191	–	191
Bonds and other interest-bearing securities	49,764	0	49,764
Derivatives	5,830	–	5,830
Intangible assets	179	–	179
Property, plant and equipment	12	–	12
Other assets	65	0	65
Prepaid expenses and accrued income	816	-4	812
TOTAL ASSETS	**416,787**	**53**	**416,840**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	5,674	–	5,674
Deposits from the public	111,895	–	111,895
Debt securities issued, etc.	274,517	–	274,517
Derivatives	1,643	–	1,643
Other liabilities	429	–	429
Accrued expenses and deferred income	1,697	–	1,697
Deferred tax liabilities	83	10	93
Provisions	97	7	104
Subordinated debt	4,942	–	4,942
Total liabilities	**400,977**	**17**	**400,994**
Untaxed reserves			
Equity			
Share capital	1,958	–	1,958
Reserves	188	1	189
Additional Tier 1 instruments	1,500	–	1,500
Retained earnings	10,455	35	10,490
Net profit for the year	1,709	–	1,709
Total equity	**15,810**	**36**	**15,846**
TOTAL LIABILITIES AND EQUITY	**416,787**	**53**	**416,840**

Cont. NOTE 12 Effect of changes in accounting policies for the Group

Changes in the classification of financial assets at 31 December 2017 on the transition to IFRS 9 on 1 January 2018.

	2018				
SEK million	**Financial assets measured at FVTPL**		**Financial assets measured at FVTOCI**	**Financial assets measured at amortised cost**	**Total**
	Fair value option	Held for trading			
Closing balance 31 December 2017	**–**	**–**	**–**	**–**	**416,540**
Reclassification					
Reclassified from financial assets at FVTPL	12,931	5,830	–	–	18,761
Reclassified from available-for-sale financial assets	–	–	42,142	–	42,142
Reclassified from loan receivables	–	–	–	337,381	337,381
Reclassified from investments held to maturity	–	–	–	18,256	18,256
Impairment, expected credit losses					
Value change recognised directly in equity	–	–	–	53	53
Opening balance, 1 January 2018	**12,931**	**5,830**	**42,142**	**355,690**	**416,593**

Certain interest-bearing assets in the liquidity portfolio that were reported as held for trading under IAS 39 are assessed under IFRS 9 as part of the business model hold to collect, which will be measured at amortised cost. In order to handle the inconsistencies that arise in recognition, which arise due to the interest-rate hedging made with derivatives, the fair value option is applied to these assets and are therefore reported at FVTPL.

PARENT COMPANY

Trend for January–March 2018 compared with January–March 2017

The operating profit totalled SEK 3 million (29). The change in operating profit was mainly attributable to lower net interest income. During the period, net interest income decreased to SEK 29 million (70), mainly driven by higher interest expense. The net expense from financial transactions was SEK 27 million (expense: 7). The remeasurement of credit risk in derivatives was the factor with the largest earnings impact during the period. Expenses grew to SEK 248 million (235), mainly due to higher personnel costs. Net credit losses resulted in recoveries of SEK 28 million (losses: 1). Lending to the public declined during the period to SEK 22.2 billion (60.9) as a result of movements of loan assets, following permission from the Swedish FSA, from SBAB to SCBC at the end of 2017. Deposits from the public increased to SEK 115.3 billion (100.0). The CET1 capital ratio was 21.1% (22.0) and the internally assessed capital requirement was SEK 5,769 million (5,781).

CONDENSED INCOME STATEMENT

Parent Company, SEK million	2018 Q1	2017 Q4	2017 Q1	2018 Jan–Mar	2017 Jan–Mar	2017 Jan–Dec
Interest income	304	364	308	304	308	1,317
Interest expense	-275	-274	-238	-275	-238	-1,023
Net interest income	**29**	**90**	**70**	**29**	**70**	**294**
Commission income	19	24	16	19	16	79
Commission expense	-7	-7	-7	-7	-7	-23
Net result of financial transactions	-27	25	-7	-27	-7	-7
Other operating income	209	219	193	209	193	760
Total operating income	**223**	**351**	**265**	**223**	**265**	**1,103**
Personnel costs	-124	-128	-114	-124	-114	-472
Other expenses	-122	-132	-118	-122	-118	-479
Depreciation, amortisation and impairment of PPE and intangible assets	-2	-3	-3	-2	-3	-12
Total expenses before loan losses	**-248**	**-263**	**-235**	**-248**	**-235**	**-963**
Profit/loss before loan losses and impairments	**-25**	**88**	**30**	**-25**	**30**	**140**
Net loan losses	28	20	-1	28	-1	13
Impairment of financial assets	0	–	–	0	–	–
Reversals of impairment of financial assets	0	–	–	0	–	–
Operating profit	**3**	**108**	**29**	**3**	**29**	**153**
Tax	-7	-31	-13	-7	-13	-62
Net profit/loss for the period	**-4**	**77**	**16**	**-4**	**16**	**91**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Parent Company, SEK million	2018 Q1	2017 Q4	2017 Q1	2018 Jan–Mar	2017 Jan–Mar	2017 Jan–Dec
Net profit/loss for the period	**-4**	**77**	**16**	**-4**	**16**	**91**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Changes related to available-for-sale financial assets, before tax	24	21	39	24	39	118
Changes related to cash-flow hedges, before tax	13	-11	-25	13	-25	-68
Tax attributable to components that will be reclassified to profit or loss	-8	-2	-3	-8	-3	-11
Other comprehensive income, net of tax	**29**	**8**	**11**	**29**	**11**	**39**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**25**	**85**	**27**	**25**	**27**	**130**

CONDENSED BALANCE SHEET

Parent Company, SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	27447	22,952	27,871
Lending to credit institutions (Note 13)	100,632	94,302	45,539
Lending to the public	22,227	22,912	60,863
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–
Bonds and other interest-bearing securities	53,059	49,764	51,096
Derivatives	10,467	6,240	5,324
Shares and participations in Group companies	10,386	10,386	10,386
Intangible assets	26	26	29
Property, plant and equipment	13	12	16
Other assets	570	45	633
Prepaid expenses and accrued income	779	771	758
TOTAL ASSETS	**225,606**	**207,410**	**202,515**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	13,750	4,720	8,650
Deposits from the public	115,268	111,895	99,974
Debt securities issued, etc.	72,466	70,363	71,614
Derivatives	7,998	5,340	5,030
Other liabilities	1,102	376	740
Accrued expenses and deferred income	624	349	553
Deferred tax liabilities	65	56	47
Provisions	5	–	–
Subordinated debt	4,944	4,942	5,939
Total liabilities	**216,222**	**198,041**	**192,547**
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	188	157	129
Additional Tier 1 instruments	1,500	1,500	1,500
Retained earnings	5,350	5,271	5,973
Net profit for the period	-4	91	16
Total unrestricted equity	**7,034**	**7,019**	**7,618**
Total equity	**9,384**	**9,369**	**9,968**
TOTAL LIABILITIES AND EQUITY	**225,606**	**207,410**	**202,515**

NOTE 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions, SEK 92,709 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 92,593 million at the end of 2017. 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

Parent Company, SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
CET1 capital	6,947	7,127	7,560
Tier 1 capital	9,947	10,127	10,560
Total capital	13,394	13,574	15,010
Risk exposure amount	32,993	31,776	34,379
CET1 capital ratio, %	21.1	22.4	22.0
Excess [1] of CET1 capital	5,463	5,697	6,013
Tier 1 capital ratio, %	30.2	31.9	30.7
Excess [1] of Tier 1 capital	7,968	8,221	8,498
Total capital ratio, %	40.6	42.7	43.7
Excess [1] of total capital	10,755	11,032	12,259

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

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

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

OWN FUNDS **Parent Company, SEK million**	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2017**
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	5,057	5,663	5,568
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	188	157	130
Additional Tier 1 instruments	1500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend [1]	-182	-593	–
CET1 capital before regulatory adjustments	**8,521**	**8,685**	**9,156**
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-79	-66	-79
Intangible assets (net of related tax liability) (negative amount)	-26	-26	-30
Fair value reserves related to gains or losses on cash-flow hedges	69	79	45
Negative amounts resulting from the calculation of expected loss amounts	-20	-28	-3
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-18	-17	-29
Additional Tier 1 instruments in equity	-1,500	-1,500	-1,500
Total regulatory adjustments to CET1 capital	**-1,574**	**-1,558**	**-1,596**
CET1 capital	**6,947**	**7,127**	**7,560**
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)	**9,947**	**10,127**	**10,560**
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	3,447	3,447	4,447
Credit risk adjustments	–	–	3
Tier 2 capital before regulatory adjustments	**3,447**	**3,447**	**4,450**
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	**–**	**–**	**–**
Tier 2 capital	**3,447**	**3,447**	**4,450**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**13,394**	**13,574**	**15,010**
Total risk-weighted assets	**32,993**	**31,776**	**34,379**
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	21.1	22.4	22.0
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	30.2	31.9	30.7
Total capital (as a percentage of total risk-weighted exposure amount), %	40.6	42.7	43.7
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 capital buffer requirement, %	*2.0*	*2.0*	*2.0*
Of which: systemic risk buffer requirement, %	–	–	–
Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffers, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	16.6	17.9	17.5

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

OWN FUNDS Parent Company, SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 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 178 million based on Q1 2018. Retained earnings was reduced by the proposed dividend for 2017 of SEK 684 million.

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS Parent Company, SEK million	31 Mar 2018 Risk exposure amount	31 Mar 2018 Capital requirement	31 Dec 2017 Risk exposure amount	31 Dec 2017 Capital requirement	31 Mar 2017 Risk exposure amount	31 Mar 2017 Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	6,633	531	6,800	544	6,641	531
Retail exposures	1,026	82	1,125	90	3,706	297
Of which: exposures to SMEs	*154*	*12*	*244*	*20*	*356*	*28*
Of which: retail exposures secured by immovable property	*872*	*70*	*881*	*70*	*3,350*	*269*
Total exposures recognised with the IRB approach	**7,659**	**613**	**7,925**	**634**	**10,347**	**828**
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)	3,204	256	2,524	202	2,374	190
Of which: derivatives according to CRR, Appendix 2	*3,142*	*251*	*2,523*	*202*	*2,318*	*185*
Of which repos	*40*	*3*	–	–	*56*	*5*
Of which other	*22*	2	*1*	0	*0*	0
Exposures to corporates	–	–	–	–	–	–
Retail exposures	2,176	174	2,193	175	2,063	165
Exposures in default	9	1	11	1	11	1
Exposures in the form of covered bonds	3,799	304	3,282	263	3,504	280
Exposures to institutions and corporates with a short-term credit rating	368	29	21	2	195	16
Equity exposures	11,378	910	11,378	910	10,386	831
Other items	76	6	77	6	91	7
Total exposures recognised with standardised approach	**21,010**	**1,680**	**19,486**	**1,559**	**18,624**	**1,490**
Market risk	**232**	**19**	**648**	**52**	**1500**	**120**
Of which: position risk	–	–	*414*	*33*	*750*	*60*
Of which: currency risk	*232*	*19*	*234*	*19*	*750*	*60*
Operational risk	**1,412**	**113**	**1,570**	**126**	**1,570**	**126**
Credit valuation adjustment risk	**2,680**	**214**	**2,147**	**171**	**2,338**	**186**
Total risk exposure amount and minimum capital requirements	**32,993**	**2,639**	**31,776**	**2,542**	**34,379**	**2,750**
Capital requirements for capital conservation buffer		**825**		**794**		**860**
Capital requirements for countercyclical buffer		**651**		**629**		**680**
Total capital requirements		**4,115**		**3,965**		**4,290**

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,182 million (2,523).

NOTE 15 Effect of changes in accounting policies for the Parent Company

Restatement of the balance sheet as of 31 December 2017 on transition to IFRS 9 as of 1 January 2018.

SEK million	Previous accounting policies	Impairment, expected credit losses	IFRS9
ASSETS			
Cash and balances at central banks	0	–	0
Chargeable treasury bills, etc.	22,952	–	22,952
Lending to credit institutions	94,302	–	94,302
Lending to the public	22,912	2	22,914
Bonds and other interest-bearing securities	49,764	0	49,764
Derivatives	6,240	–	6,240
Shares and participations in Group companies	10,386	–	10,386
Intangible assets	26	–	26
Property, plant and equipment	12	–	12
Other assets	45	0	45
Prepaid expenses and accrued income	771	0	771
TOTAL ASSETS	**207,410**	**2**	**207,412**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	4,720	–	4,720
Deposits from the public	111,895	–	111,895
Debt securities issued, etc.	70,363	–	70,363
Derivatives	5,340	–	5,340
Other liabilities	376	–	376
Accrued expenses and deferred income	349	–	349
Deferred tax liabilities	56	-1	55
Provisions	–	7	7
Subordinated debt	4,942	–	4,942
Total liabilities	**198,041**	**6**	**198,047**
Untaxed reserves			
Equity			
Share capital	1,958	–	1,958
Statutory reserve	392	–	392
Fair value reserve	157	1	158
Additional Tier 1 instruments	1,500	–	1,500
Retained earnings	5,271	-5	5,266
Net profit for the year	91	–	91
Total equity	**9,369**	**-4**	**9,365**
TOTAL LIABILITIES AND EQUITY	**207,410**	**2**	**207,412**

Cont. NOTE 15 Effect of changes in accounting policies for the Parent Company

Changes in the classification of financial assets at 31 December 2017 on the transition to IFRS 9 on 1 January 2018.

	2018				
SEK million	**Financial assets measured at FVTPL**		**Financial assets measured at FVTOCI**	**Financial assets measured at amortised cost**	**Total**
	Fair value option	Held for trading			
Closing balance 31 December 2017	**–**	**–**	**–**	**–**	**196,933**
Reclassification					
Reclassified from financial assets at FVTPL	12,931	6,240	–	–	19,171
Reclassified from available-for-sale financial assets	–	–	42,142	–	42,142
Reclassified from loan receivables	–	–	–	117,364	117,364
Reclassified from investments held to maturity	–	–	–	18,256	18,256
Impairment, expected credit losses					
Value change recognised directly in equity	–	–	–	2	2
Opening balance, 1 January 2018	**12,931**	**6,240**	**42,142**	**135,622**	**196,935**

Certain interest-bearing assets in the liquidity portfolio that were reported as held for trading under IAS 39 are assessed under IFRS 9 as part of the business model hold to collect, which will be measured at amortised cost. In order to handle the inconsistencies that arise in recognition, which arise due to the interest-rate hedging made with derivatives, the fair value option is applied to these assets and are therefore reported at FVTPL.

The CEO affirms that this year-end 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, 24 April 2018

Klas Danielsson
CEO

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The information in this report is such that SBAB Bank AB (publ.) is obligated to disclose in accordance with the Swedish Financial Instruments Trading Act and/or the Swedish Securities Market Act, as well as the guidelines contained in the state's ownership policy and the guidelines for companies with state ownership. The information was submitted for publication on 25 April 2018 at 8:00 a.m. (CET).

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.

ALTERNATIVE PERFORMANCE

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	2018-03-31	2017-12-31
Deposits from the public, SEK billion	115.3	111.9
Lending to the public, SEK billion	344.0	335.1
Deposits/lending, %	**33.5**	**33.4**

Loan loss ratio

Definition: Loan losses for the period in relation to total lending (closing balance).

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

Group	Jan–Mar 2018	Jan–Dec 2017
Loan losses, SEK million	10	24
Lending to the public, SEK million	343,982	335,111
Loan loss ratio, %	**0.01**	**0.01**

Return on equity

Definition: Earnings 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	Jan–Mar 2018	Jan–Dec 2017
Operating profit after tax, SEK million	443	1,709
Average equity, SEK million	13,673 [1]	13,621
Return on equity, %	**13.0**	**12.5**

[1] Adjusted for adopted dividend for 2017 of SEK 684 million.

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	Jan–Mar 2018	Jan–Dec 2017
Net interest income, SEK million	831	3,419
Average total assets, SEK million	432,209	395,972
Net interest margin, %	**0.77**	**0.80**

C/I ratio

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

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

Group	Jan–Mar 2018	Jan–Dec 2017
Total operating expenses, excluding loan losses, SEK million	242	959
Total operating income, SEK million	808	3,163
C/I ratio, %	**30.0**	**30.3**

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