

# INTERIM REPORT

1 January–30 September 2016 | SBAB Bank AB (publ)



# SBAB!

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# THE QUARTER IN BRIEF



For the third quarter, we are once again reporting historically strong figures.

KLAS DANIELSSON CEO of SBAB

## Q3 2016 (Q2 2016)

- Lending increased and totalled SEK 305.0 billion (302.7).
- Deposits rose to a total of SEK 93.4 billion (88.0).
- Operating profit increased to SEK 534 million (490), and to SEK 517 million (486) excluding the net result of financial items.
- Net interest income grew to SEK 745 million (692).
- Expenses amounted to SEK 214 million (224).
- The C/I ratio was 28% (31).
- Net loan losses totalled SEK 20 million (recovery: 1).
- Return on equity was 12.3% (11.8), and 12.0% (11.7) excluding the net result of financial items.
- The Common Equity Tier 1 (CET1) capital ratio was 28.5% (28.4).

## January–September 2016 (January–September 2015)

- Lending increased and totalled SEK 305.0 billion (284.0).
- Deposits rose to a total of SEK 93.4 billion (71.5).
- Operating profit increased to SEK 1,463 million (1,090), and to SEK 1,423 million (1,116) excluding the net result of financial items and restructuring costs.
- Net interest income grew to SEK 2,067 million (1,795).
- Expenses amounted to SEK 650 million (574).
- The C/I ratio was 30% (34).
- Net loan losses totalled SEK 20 million (29).
- Return on equity was 11.9% (10.1), and 11.6% (10.4) excluding the net result of financial items and restructuring costs.
- The CET1 capital ratio was 28.5% (25.6).

## Operating profit, Q3 2016

**SEK 534 million**

Q2 2016: SEK 490 million

## Net interest income, Q3 2016

**SEK 745 million**

Q2 2016: SEK 692 million

## Return on equity, Q3 2016

**12,3%**

Q2 2016: 11.8%

## CET1 capital ratio, Q3 2016

**28,5 %**

Q2 2016: 28.4%

# THIS IS SBAB

Our business idea is to be mindful and innovative in our offering of loan and savings products to consumers, tenant-owners' associations and property companies in Sweden. Our mission is to help improve housing quality and household finances.

Total lending, 30 Sept 2016

SEK **305** billion

30 June 2016: SEK 303 billion

Total deposits, 30 Sept 2016

SEK **93** billion

30 June 2016: SEK 88 billion

## Two business areas

SBAB Bank AB (publ) has two business areas: Retail and Corporate Clients & Tenant-Owners' Associations. The Retail business area offers savings and loan products, and digital home and housing services to consumers. Its core product is residential mortgages. The Corporate Clients & Tenant-Owners' Associations business area offers savings and housing financing primarily to property companies and tenant-owners' associations.

## Owner

SBAB started operations in 1985 and is wholly owned by the Swedish state.



**440 employees<sup>1)</sup> — five offices**

- Stockholm (2)
- Karlstad
- Gothenburg
- Malmö

<sup>1)</sup> Number of employees at 31 August 2016, expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence, excluding employees of the subsidiary Booli Search Technology AB, (Booli). One of the two Stockholm offices belongs to Booli.

## SWEDEN'S MOST SATISFIED RESIDENTIAL MORTGAGE CUSTOMERS

In 2015, for the second successive year, SBAB had Sweden's most satisfied residential mortgage customers according to Svenskt Kvalitetsindex (SKI).





# STATEMENT BY THE CEO

Once again, we are reporting strong quarterly figures in terms of high net interest income, strong earnings, low loan losses, a low C/I ratio and a healthy return on equity. Margins on residential mortgages remain high driven by a combination of factors, including raised capital requirements, expectations of forthcoming additional capital requirements, a strong market for covered bonds, high rates of saving with strong deposit inflows, a robust housing market with high demand for residential mortgages and rising property market risks with increasing restraint in credit granting by residential mortgage providers.

Our lending increased SEK 2.3 billion in Q3 and totalled SEK 305.0 billion. However, our total lending and market share for residential mortgages will decrease in the fourth quarter, attributable to partnerships currently being discontinued. The main contributory factor is the transfer of slightly more than SEK 12 billion in residential mortgages to Swedbank in October following the already discontinued partnerships with Sparbanken Skåne and Sparbanken Öresund. Excluding the partnerships under discontinuation, the volume trend for residential mortgages remains healthy.

Our strong volume growth in deposits continues. Deposits increased SEK 5.4 billion in Q3 and totalled SEK 93.4 billion. We offer a savings rate that is one of the highest offered by Swedish banks. In a market where the major banks are not paying any interest on savings and where consumer savings are at record highs, we are winning many new savings customers.

## A modern IT structure

During Q3, we signed an agreement to replace our base system over a three-year period. This project also includes changing much of our existing IT structure. Consequently, our investment and development costs will increase in the coming years, though in the long-term, the project aims to increase efficiency and reduce marginal costs in a number of areas.

We are committed to creating the market's most efficient, digital mortgage process, in parallel with our work developing tomorrow's homes and household financial services. If we are to achieve our vision — to offer the best residential mortgages in Sweden — by developing customer relations and not losing ground to new players in a rapidly changing environment, we need to be quick-footed and innovative in our work and in our processes. A modern and flexible IT infrastructure is a prerequisite for this.

## A mortgage licence — it stands to reason

Under the EU Mortgage Credit Directive mortgage directive, an EU directive from 2014, the personnel at organisations that offer credit, credit brokering or advisory services in the field of consumer mortgage credits to consumers are required to possess certain knowledge and skills. As part of the work with the Mortgage Credit Directive and together with Swedish industry body SwedSec Licensing AB, the Swedish Bankers' Association has developed a separate competence test for personnel who work with mortgages, which leads to a license to be able to



KLAS DANIELSSON, CEO OF SBAB

work with mortgages. Improved consumer protection in the mortgage market is welcome, and we believe an industry-wide standard comprising a competence test and a licence for mortgage loans to be extremely positive. The vast majority of SBAB's employees will be licensed for mortgage loans and licencing started in Q3.

## The housing market's fundamental problems are still there

On 1 June this year, a new repayment requirement was introduced with the aim of counteracting rising household debt and indirectly tempering the house price trend through lower demand for mortgages. Thus far, the repayment requirement has had limited market impact, even if it is too early to draw any conclusions. The limited impact is partly due to many banks having already implemented various types of repayment requirements, but perhaps mostly due to the continued housing shortage in Sweden. It remains my opinion that we need to adapt the tax system to increase housing-market mobility and to use the existing housing stock more efficiently, and take the requisite political decisions to facilitate, accelerate and increase construction.

Solna, October 2016

Klas Danielsson  
CEO of SBAB

# BUSINESS RESULTS

## VOLUME TRENDS

Group	2016	2016	2015	2016	2015
	Q3	Q2	Q3	Jan-Sep	Jan-Sep
<b>Total lending, SEK bn <sup>1)</sup></b>	<b>305.0</b>	<b>302.7</b>	<b>284.0</b>	<b>305.0</b>	<b>284.0</b>
Total new lending, SEK bn	12.9	17.5	21.2	44.7	56.4
Net change in total lending	2.3	3.4	9.9	7.9	22.5
<b>Total deposits, SEK bn</b>	<b>93.4</b>	<b>88.0</b>	<b>71.5</b>	<b>93.4</b>	<b>71.5</b>
No. of deposit accounts	319	313	288	319	288
Net change in No. of deposit accounts, thousand	6	10	7	26	20
Net change in total deposits, SEK bn	5.4	6.8	4.3	16.8	10.9
Deposits/lending, %	30.6	29.0	25.2	30.6	25.2
<b>Retail Business Area</b>					
No. of mortgage customers, thousand	250	251	250	250	250
No. of mortgage objects financed, thousand <sup>2)</sup>	160	161	160	160	160
New lending, SEK bn	10.7	14.2	18.7	37.0	46.8
Net change in lending, SEK bn	1.8	2.2	9.6	6.6	20.3
<b>Total Retail lending, SEK bn</b>	<b>220.6</b>	<b>218.8</b>	<b>203.7</b>	<b>220.6</b>	<b>203.7</b>
Market share mortgages, % <sup>3)</sup>	7.68	7.77	7.57	7.68	7.57
Market share personal loans, % <sup>3)</sup>	0.93	0.94	0.94	0.93	0.94
<b>Total Retail deposits, SEK bn</b>	<b>64.0</b>	<b>61.6</b>	<b>53.9</b>	<b>64.0</b>	<b>53.9</b>
Market share Retail deposits, % <sup>3)</sup>	3.99	3.90	3.70	3.99	3.70
<b>Corporate Clients &amp; Tenant-Owners' Associations Business Area</b>					
No. of corporate clients and tenant-owners' associations	2,675	2,742	2,961	2,675	2,961
New lending, SEK bn	2.2	3.3	2.5	7.6	9.6
Net change in lending, SEK bn	0.4	1.2	0.2	1.4	2.2
<b>Total lending, Corporate Clients &amp; Tenant-Owners' Associations, SEK bn</b>	<b>84.4</b>	<b>84.0</b>	<b>80.4</b>	<b>84.4</b>	<b>80.4</b>
Market share Tenant-Owners' Associations, % <sup>3)</sup>	11.87	12.34	13.33	11.87	13.33
Market share Corporate Clients, % <sup>3)</sup>	11.06	10.99	10.13	11.06	10.13
<b>Total deposits, Corporate Clients &amp; Tenant-Owners' Associations, SEK bn</b>	<b>29.4</b>	<b>26.3</b>	<b>17.5</b>	<b>29.4</b>	<b>17.5</b>
Market share deposits, Corporate Clients & Tenant-Owners' Associations, % <sup>3)</sup>	3.06	2.71	2.00	3.06	2.00

<sup>1)</sup> After deduction for probable loan losses.

<sup>2)</sup> As of Q1 2016, SBAB has been using a new method of calculation to assess the number of mortgage objects financed. An object refers to a house, tenant-owner's right or holiday home.

<sup>3)</sup> Source: Statistics Sweden. Market shares are stated per month before the end of the respective period. The Q3 figures correspond to market shares at 31 August, the Q2 figures market shares at 31 May and the figures for Jan-Sep correspond to the market shares at 31 August.

### Market comments

Demand for residential mortgages, property financing and savings accounts continued to expand in Q3. A growing population, rising employment, low interest rates, high house prices and increased housing construction acted as market stimulants. The repayment requirement introduced on 1 June dampened demand for mortgages during the summer, but a small upswing was discernable toward the end of the quarter. In time, the stricter repayment rules will restrain loan growth. Interest rates were relatively stable during the quarter despite some reasons for concern in the macro environment. Generally, house prices

continued to climb in Q3, albeit at a slower pace than previously and with some regional differences.

## Trend for Q3 2016 compared with Q2 2016

### Group

In Q3, total lending increased SEK 2.3 billion (3.4) to SEK 305.0 billion (302.7). In the same period, new lending dropped to SEK 12.9 billion (17.5).

Total deposits rose SEK 5.4 billion (6.8) to SEK 93.4 billion (88.0).

### The Retail business area

The Retail business area offers savings and loan products, and digital home and housing services to consumers. The core product — residential mortgages — is supplemented with personal loans, savings accounts and insurance broking. The number of residential mortgage customers amounted to 250,000 (251,000) at the end of the quarter, distributed over 160,000 mortgage objects (161,000).

During the quarter, new retail lending increased to SEK 10.7 billion (14.2), while total lending rose to SEK 220.6 billion (218.8). The reduction in new lending was mainly attributable to the after-effects from the implementation of the repayment requirement and certain seasonal effects.

The market share of retail mortgages was 7.68% at 31 May 2016 (7.77 at 31 May 2016), corresponding to SEK 217.6 billion (216.1). The decline was due to redemptions related to the partnerships being discontinued. At the end of the quarter, the market share for personal loans was 0.93% (0.94), corresponding to SEK 2.0 billion (2.0).

A substantial majority of SBAB's residential mortgage customers still choose shorter maturities, and the share of total lending with a three-month fixed-rate period amounted to 75.0% (74.4) at the end of the quarter.

Since 1 June 2015, Swedish banks report their average mortgage rates for new loans and loans with amended terms and conditions, in line with Finansinspektionen's (Sweden's financial supervisory authority) regulations. In September, the difference between SBAB's average and list rates was 0.11 percentage points (0.10) on a three-month fixed-rate loan which, in market terms, is an extremely low figure that reflects SBAB's aim of offering transparent terms and conditions.

SBAB's savings accounts offer a competitive interest rate compared with the company's competitors, and deposit inflows

remained strong in Q3 2016. Retail deposits rose SEK 2.3 billion (3.5) in the quarter and totalled SEK 64.0 billion (61.6). At 31 August 2016, the market share of retail deposits was 3.99% (3.90 at 31 May 2016). SBAB aims to continue efforts to diversify the company's funding sources through increased retail and corporate deposits.

### The Corporate Clients & Tenant-Owners' Associations Business Area

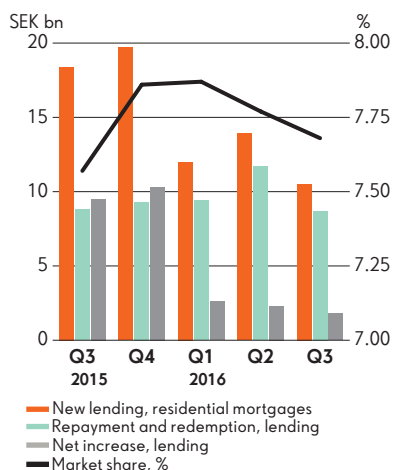
The Corporate Clients & Tenant-Owners' Associations business area offers savings and loan products primarily to property companies and tenant-owners' associations. The number of loan customers declined to 2,675 (2,742) at the end of the period. The decline in customer numbers over the last quarters was primarily attributable to a reduction in the number of tenant-owners' association customers, in line with SBAB's strategy of focused and qualitative credit granting.

During the quarter, new lending to corporate clients and tenant-owners' associations grew to SEK 2.2 billion (3.3), mainly due to holiday effects. In the same period, new lending grew to SEK 84.4 billion (84.0), driven by increased lending to property companies.

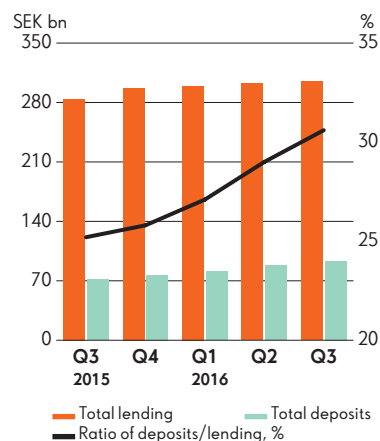
The market share for tenant-owners' associations was 11.87% at 31 August 2016 (12.34 at 31 May 2016), corresponding to SEK 48.1 billion (49.1). The decrease over the quarter was a consequence of continued intense competition among Swedish banks regarding lending to tenant-owners' associations. At the end of the quarter, the market share for housing financing to corporate clients was 11.06% (10.99), corresponding to SEK 27.7 billion (27.4).

Deposits from corporate clients and tenant-owners' associations rose SEK 3.1 billion (3.3) in the quarter and totalled SEK 29.4 billion (26.3). At 31 August 2016, the market share of deposits from corporate clients and tenant-owners' associations (excluding financial companies) was 3.06% (2.71 at 31 May 2016).

## Lending and market shares, Retail mortgages



## Total deposits in relation to total lending, Group



# FINANCIAL PERFORMANCE

## INCOME STATEMENT OVERVIEW

Group, SEK million	2016	2016	2016	2015	2015	2016	2015
	Q3	Q2	Q1	Q4	Q3	Jan-Sep	Jan-Sep
Net interest income	745	692	630	647	603	2,067	1,795
Net commissions	1	10	-2	-23	-28	9	-79
Net result of financial items measured at fair value (Note 2)	17	4	19	24	-18	40	-23
Other operating income	5	7	5	0	0	17	0
<b>Total operating income</b>	<b>768</b>	<b>713</b>	<b>652</b>	<b>648</b>	<b>557</b>	<b>2,133</b>	<b>1,693</b>
Expenses	-214	-224	-212	-235	-176	-650	-574
- of which restructuring costs	-	-	-	-17	0	-	-3
<b>Profit before loan losses</b>	<b>554</b>	<b>489</b>	<b>440</b>	<b>413</b>	<b>381</b>	<b>1,483</b>	<b>1,119</b>
Net loan losses (Note 3)	-20	1	-1	-11	-3	-20	-29
<b>Operating profit</b>	<b>534</b>	<b>490</b>	<b>439</b>	<b>402</b>	<b>378</b>	<b>1,463</b>	<b>1,090</b>
<b>Operating profit excl. NFI <sup>1)</sup> and restructuring costs</b>	<b>517</b>	<b>486</b>	<b>420</b>	<b>395</b>	<b>396</b>	<b>1,423</b>	<b>1,116</b>
Tax	-117	-108	-97	-90	-83	-322	-240
<b>Net profit/loss for the period</b>	<b>417</b>	<b>382</b>	<b>342</b>	<b>312</b>	<b>295</b>	<b>1,141</b>	<b>850</b>
Net interest margin, %	0.76	0.69	0.65	0.69	0.65	0.72	0.66
Loan loss ratio, %	-0.03	0.00	0.00	-0.01	0.00	-0.01	-0.01
C/I ratio, %	28	31	33	36	32	30	34
C/I ratio excl. NFI <sup>1)</sup> and restructuring costs, %	28	32	33	35	31	31	33
Return on equity <sup>2)</sup> , %	12.3	11.8	11.2	10.7	10.5	11.9	10.1
Return on equity <sup>2)</sup> excl. NFI <sup>1)</sup> and restructuring costs, %	12.0	11.7	10.7	10.5	11.1	11.6	10.4
CET1 capital ratio, %	28.5	28.4	27.6	28.6	25.6	28.5	25.6

<sup>1)</sup> Net result of financial items measured at fair value.

<sup>2)</sup> Return on equity calculated on a full-year basis.

### Trend for Q3 2016 compared with Q2 2016

#### Net interest and commissions

Net interest income grew to SEK 745 million (692) due to lower funding costs for borrowing in the capital market and for deposits and posted a new high for SBAB for a single quarter.

From Q1 2016, the fee to the government stability fund that was recognised under net commissions was replaced by a resolution fee, which is recognised in net interest income. The resolution fee was SEK 12.5 million (12.5) for the quarter.

Net commission income dropped to SEK 1 million (10). The variance between the quarters was primarily attributable to greater profit sharing from insurance companies in Q2.

#### Net result of financial items measured at fair value

The net result of financial items measured at fair value was SEK 17 million (4). The difference between the quarters was primarily attributable to the positive effects of hedge accounting, which was partly offset by changes in market value linked

to changed credit spreads for securities in the trading portfolio. For more information; please refer to Note 2.

#### Expenses

Expenses decreased to SEK 214 million (224), with the difference between the quarters being mainly attributable to a temporary increase in non-recurring IT costs in Q2.

#### Credit quality and loan losses

In Q2, on 1 June 2016, SBAB introduced new loan repayment rules in line with regulations issued by Finansinspektionen. The rules include a repayment rate of 2% per year for new residential mortgages with a loan-to-value (LTV) ratio of more than 70%, and 1% per year down to an LTV ratio of 50%.

At the end of Q3, the average LTV ratio in SBAB's mortgage portfolio was 64% (64). At the same date, the average residential mortgage to retail customers amounted to SEK 1.4 million (1.4).

SBAB's loan losses remained low and totalled SEK 20 million (recovery: 1) in Q3. The difference between the quarters was

attributable to an increase in collective provisions. For more information on loan losses; please refer to Note 3.

### Operating profit

Operating profit grew to SEK 534 million (490), and to SEK 517 million (486) excluding the net result of financial items and restructuring costs. The variance between the quarters was primarily attributable to higher net interest income and slightly lower expenses.

### Other comprehensive income:

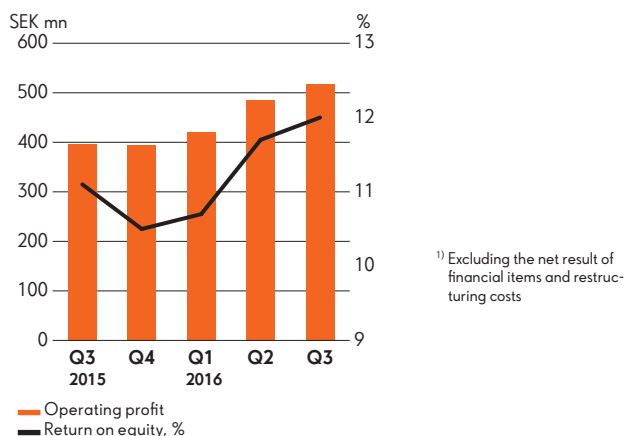
Other comprehensive income totalled SEK 98 million (201) in Q3. The downturn in long EUR interest rates was larger in Q2 than in Q3, which negatively impacted this item. The item was positively affected by changes in market values in the liquidity portfolio and tighter basis-swap spreads (EUR/SEK) in the quarter. For more information; please refer to page 11.

### Trend for January–September 2016 compared with January–September 2015

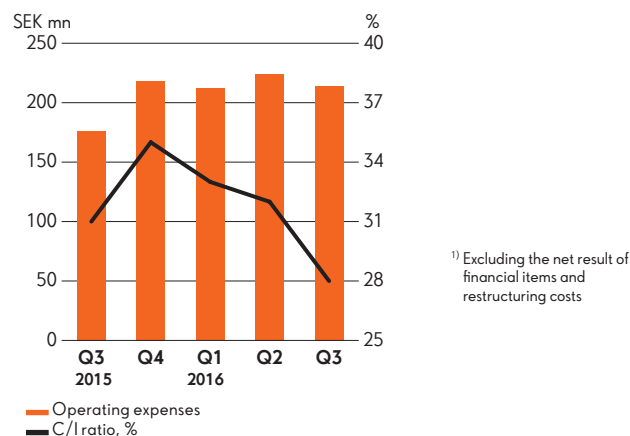
Operating profit totalled SEK 1,463 million (1,090) and to SEK 1,423 million (1,116) excluding the net result of financial items and restructuring costs. Operating income amounted to SEK 2,133 million (1,693). The increases in operating profit and operating income were primarily attributable to higher net interest income. During the period, net interest income rose to

SEK 2,067 million (1,795), driven by lower funding costs. Net commission income was SEK 9 million (expense: 79) and was mainly attributable to the fee to the government stability fund that was recognised under net commissions being replaced by a resolution fee, which is recognised in net interest income. The net result of financial items measured at fair value was SEK 40 million (expense: 23). The difference between the quarters was primarily attributable to the positive effects of changed credit spreads for securities in the trading portfolio, which was partly offset by increased purchases of own bonds. Expenses grew to SEK 650 million (574) for the period. The increase in expenses was mainly attributable to higher personnel, IT and marketing costs. Loan losses remained low and totalled SEK 20 million (29) for the period.

### Operating profit and return on equity <sup>1)</sup>



### Operating expenses and C/I ratio <sup>1)</sup>





## BALANCE SHEET OVERVIEW

Group, SEK million	30 Sep 2016	30 June 2016	30 Sep 2015	31 Dec 2015
<b>ASSETS</b>				
Chargeable treasury bills, etc.	14,179	20,428	15,725	14,312
Lending to credit institutions	7,426	8,663	15,409	3,456
Lending to the public	304,970	302,747	283,992	296,981
Bonds and other interest-bearing securities	52,664	54,594	47,301	49,714
Other assets	10,304	9,650	18,478	10,089
<b>TOTAL ASSETS</b>	<b>389,543</b>	<b>396,082</b>	<b>380,905</b>	<b>374,552</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Liabilities to credit institutions	19,922	12,442	17,619	5,111
Retail deposits	93,390	87,958	71,486	76,639
Issued debt securities (borrowings)	249,014	268,132	264,921	264,205
Subordinated debt	5,943	5,940	6,409	7,943
Other liabilities	6,042	6,885	9,043	8,806
<b>Total liabilities</b>	<b>374,311</b>	<b>381,357</b>	<b>369,478</b>	<b>362,704</b>
<b>Total equity</b>	<b>15,232</b>	<b>14,725</b>	<b>11,427</b>	<b>11,848</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>389,543</b>	<b>396,082</b>	<b>380,905</b>	<b>374,552</b>

### Trend for Q3 2016 compared with Q2 2016

#### Balance sheet comments

Chargeable treasury bills decreased SEK 6.2 billion to SEK 14.2 billion (20.4) during the quarter. The variance between the quarters stemmed from a smaller Riksbank certificates holding due to the pre-financing ahead of a maturing liability at the end of Q3. During the quarter, lending to credit institutions declined to SEK 7.4 billion (8.7), and bonds and other interest-bearing securities decreased to SEK 52.7 billion (54.6). For information regarding lending to the public, please refer to page 6.

Liabilities to credit institutions increased SEK 7.5 billion to SEK 19.9 billion (12.4) during the quarter. The change between the quarters was mainly attributable to the increased volume of repo funding. At the end of the quarter, subordinated debt totalled SEK 5.9 billion (5.9) and equity increased in line with net income to SEK 15.2 billion (14.7). For information about retail deposits and issued debt securities, please refer to page 6 and the following section "Funding" respectively.

#### Funding

Q3 was marked by low activity levels in terms of debt issues, which was linked to lower needs for funding.

During the quarter, issued debt securities outstanding decreased to SEK 249.0 billion (268.1). During the quarter, securities were issued for a total of SEK 6.8 billion (15.3) and, in parallel, securities were repurchased for SEK 5.4 billion (4.6) and securities amounting to SEK 21.9 billion (21.9) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities of SEK 19.1 billion (9.3) in the quarter.

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. At the end of the quarter, issued securities outstanding totalled SEK 175.7 billion (191.2).

#### Liquidity reserve and liquidity risk

SBAB's liquidity reserve comprises liquid, interest-bearing securities with high ratings. Securities holdings are limited by asset class and by country, respectively, and must have a AAA rating on acquisition. At the end of the quarter, the market value of the assets in the liquidity reserve, which primarily comprises chargeable treasury bills, bonds and other interest-bearing securities, amounted to SEK 64.4 billion (74.7). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 61.1 billion (71.4).

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 net outflows from lending/deposits. The survival horizon totalled 472 (355) days, which the company deems satisfactory.

On 30 September 2016, the liquidity coverage ratio (LCR) under Finansinspektionen's regulation regarding requirements for a liquidity coverage ratio and reporting of liquid assets and cash flows was 191% (256) for all currencies combined, thereby exceeding the minimum requirement of 100%. Measured in SEK, the LCR was 98% (161). According to the European Commission's Delegated Regulation with regard to Liquidity Coverage Requirement for Credit Institutions, at 30 September 2016, the LCR was 268% (287) in all currencies combined, which exceeds the minimum requirement of 70%. When using the same method to measure in SEK, the LCR amounted to 173% (218).

The NSFR (net stable funding ratio), which measures the difference in tenors between commitments and funding, amounted to 116 (121) as interpreted by SBAB.

For further information about the liquidity reserve, the calculation of the survival horizon and the liquidity coverage ratio; please refer to page 17 and Note 9.

### Capital adequacy

SBAB primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised approach. In 2016, the Board of Directors adopted new capital targets for SBAB. According to these new targets, under normal conditions, SBAB's CET1 capital ratio should be at least 1.5 percentage points higher than the CET1 capital requirement communicated by Finansinspektionen. 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 Finansinspektionen. The bank is also tasked with meeting any other regulatory capital requirements.

SBAB's lending rose SEK 2.3 billion in Q3 and totalled SEK 305.0 billion (302.7). The capital requirement was mainly impacted by the increase in lending. The new capital targets are expected to correspond to a CET1 capital ratio of not less than 24.9% and a total capital ratio of not less than 34.8% at 30 September 2016.

At the end of Q3, the CET1 capital ratio amounted to 28.5% (28.4) and the total capital ratio was 46.8% (46.4), which provided a comfortable margin to applicable regulatory requirements. Net profit/loss for the period was not included in own funds while expected dividends reduced own funds.

For more information; please refer to the tables starting on page 14.

CAPITAL ADEQUACY	30 Sep 2016	30 June 2016
CET1 capital ratio, %	28.5	28.4
Tier 1 capital ratio, %	35.9	35.6
Total capital ratio, %	46.8	46.4

## OTHER SIGNIFICANT INFORMATION

### SBAB participates in the calculation of Stibor

From 26 September 2016, SBAB is participating in the calculation of the Stibor reference rate by reporting data to Nasdaq Stockholm.

### Risks and uncertainties

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. A housing market with soaring prices and rising household debt means 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. Extensive regulation in the residential mortgage market is another uncertainty factor.

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets.

On 23 June 2016, a slim majority of British voters passed a referendum saying no to continued membership of the EU (Brexit). Thus far, the outcome of the Brexit referendum has had marginal effect on SBAB, both in terms of market and liquidity risks. The effects are expected to remain marginal, even if it is not possible to exclude longer-term effects.

More information about the Group's risk structure for risk and capital management is available in SBAB's integrated 2015 annual report (pages 60–61 and Note 2 respectively) as well as in the "Information regarding capital adequacy and risk management 2015" report.

### Events after the end of the period

#### Transfer of credits

At the start of 2014, Swedbank entered into an agreement to acquire Sparbanken Öresund, with which SBAB previously had a lending partnership. At the end of Q1 2014, those parts of SBAB's lending for which Sparbanken Öresund had acted as an intermediary amounted to SEK 33 billion. According to the earlier partnership agreement between SBAB and Sparbanken Öresund, the latter, or a party instructed by them, had the right to acquire and redeem the credits covered by the partnership. This has been carried out on an ongoing basis since 2014. On 7 October 2016, SBAB transferred to Swedbank the remaining portion, SEK 12.7 billion, of the credits outstanding that were mediated by Sparbanken Öresund.

#### Rating

On 21 October, Moody's Investors Service affirmed SBAB's A2 long-term debt and deposit ratings. The ratings outlook was changed to positive from stable. For more information, please refer to sbab.se.

30 SEPTEMBER 2016	Moody's	Standard & Poor's
Long-term funding, SBAB	A2 <sup>1)</sup>	A <sup>2)</sup>
Long-term funding, SCBC	Aaa	–
Short-term funding, SBAB	P-1	A-1

<sup>1)</sup> Positive outlook

<sup>2)</sup> Negative outlook

### Auditors' review report

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

## INCOME STATEMENT

Group, SEK million	2016	2016	2015	2016	2015	2015
	Q3	Q2	Q3	Jan-Sep	Jan-Sep	Jan-Dec
Interest income	1,172	1,167	1,182	3,522	3,962	5,123
Interest expense	-427	-475	-579	-1,455	-2,167	-2,681
<b>Net interest income</b>	<b>745</b>	<b>692</b>	<b>603</b>	<b>2,067</b>	<b>1,795</b>	<b>2,442</b>
Commission income	13	25	10	50	43	61
Commission expense	-12	-15	-38	-41	-122	-163
Net result of financial items measured at fair value (Note 2)	17	4	-18	40	-23	1
Other operating income	5	7	0	17	0	0
<b>Total operating income</b>	<b>768</b>	<b>713</b>	<b>557</b>	<b>2,133</b>	<b>1,693</b>	<b>2,341</b>
Personnel costs	-100	-101	-85	-295	-274	-376
Other expenses	-107	-116	-84	-335	-278	-402
Depreciation, amortisation and impairment of PPE and intangible assets	-7	-7	-7	-20	-22	-31
<b>Total expenses before loan losses</b>	<b>-214</b>	<b>-224</b>	<b>-176</b>	<b>-650</b>	<b>-574</b>	<b>-809</b>
<b>Profit before loan losses</b>	<b>554</b>	<b>489</b>	<b>381</b>	<b>1,483</b>	<b>1,119</b>	<b>1,532</b>
Net loan losses (Note 3)	-20	1	-3	-20	-29	-40
<b>Operating profit</b>	<b>534</b>	<b>490</b>	<b>378</b>	<b>1,463</b>	<b>1,090</b>	<b>1,492</b>
Tax	-117	-108	-83	-322	-240	-330
<b>Net profit/loss for the period</b>	<b>417</b>	<b>382</b>	<b>295</b>	<b>1,141</b>	<b>850</b>	<b>1,162</b>

## STATEMENT OF COMPREHENSIVE INCOME

Group, SEK million	2016	2016	2015	2016	2015	2015
	Q3	Q2	Q3	Jan-Sep	Jan-Sep	Jan-Dec
<b>Net profit/loss for the period</b>	<b>417</b>	<b>382</b>	<b>295</b>	<b>1,141</b>	<b>850</b>	<b>1,162</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<i>Components that will be reclassified to profit or loss</i>						
Changes related to available-for-sale financial assets, before tax	99	59	-23	184	-45	-7
Changes related to cash-flow hedges, before tax	55	221	220	894	145	175
Tax attributable to components that will be reclassified to profit or loss	-34	-61	-43	-237	-22	-37
<i>Components that will not be reclassified to profit or loss</i>						
Revaluation effects of defined-benefit pension plans, before tax	-28	-23	-	-92	0	72
Tax attributable to components that will not be reclassified to profit or loss	6	5	-	20	0	-16
<b>Other comprehensive income, net of tax</b>	<b>98</b>	<b>201</b>	<b>154</b>	<b>769</b>	<b>78</b>	<b>187</b>
<b>Total comprehensive income for the period</b>	<b>515</b>	<b>583</b>	<b>449</b>	<b>1,910</b>	<b>928</b>	<b>1,349</b>

## BALANCE SHEET

Group, SEK million	30 September 2016	30 September 2015	31 December 2015
<b>ASSETS</b>			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	14,179	15,725	14,312
Lending to credit institutions	7,426	15,409	3,456
Lending to the public (Note 4)	304,970	283,992	296,981
Value changes of interest-rate-risk hedged items in macro hedges	568	739	549
Bonds and other interest-bearing securities	52,664	47,301	49,714
Derivatives (Note 5)	7,829	8,498	7,192
Deferred tax assets	-	57	-
Intangible assets	132	53	56
Property, plant and equipment	15	20	20
Other assets	1,010	8,320	1,246
Prepaid expenses and accrued income	750	791	1,026
<b>TOTAL ASSETS</b>	<b>389,543</b>	<b>380,905</b>	<b>374,552</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	19,922	17,619	5,111
Retail deposits	93,390	71,486	76,639
Debt securities issued, etc.	249,014	264,921	264,205
Derivatives (Note 5)	2,742	5,373	5,194
Other liabilities	417	458	783
Accrued expenses and deferred income	2,481	3,125	2,767
Deferred tax liabilities	303	-	47
Provisions	99	87	15
Subordinated debt	5,943	6,409	7,943
<b>Total liabilities</b>	<b>374,311</b>	<b>369,478</b>	<b>362,704</b>
<b>Equity</b>			
Share capital	1,958	1,958	1,958
Reserves	1,033	155	264
Additional Tier 1 securities	1,500	-	-
Retained earnings	9,600	8,464	8,464
Net profit/loss for the period	1,141	850	1,162
<b>Total equity</b>	<b>15,232</b>	<b>11,427</b>	<b>11,848</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>389,543</b>	<b>380,905</b>	<b>374,552</b>



## STATEMENT OF CHANGES IN EQUITY

Group, SEK million	Share capital	Reserves	Tier 1 capital instruments	Retained earnings	Net profit/loss for the period	Total equity
<b>OPENING BALANCE, 1 JANUARY 2016</b>	<b>1,958</b>	<b>264</b>		<b>9,626</b>		<b>11,848</b>
Tier 1 capital instruments			1,500	-26		1,474
Total comprehensive income for the period		769			1,141	1,910
<b>CLOSING BALANCE 30 SEPTEMBER 2016</b>	<b>1,958</b>	<b>1,033</b>	<b>1,500</b>	<b>9,600</b>	<b>1,141</b>	<b>15,232</b>
<b>OPENING BALANCE, 1 JANUARY 2015</b>	<b>1,958</b>	<b>77</b>		<b>8,966</b>		<b>11,001</b>
Dividends paid				-502		-502
Total comprehensive income for the period		78			850	928
<b>CLOSING BALANCE 30 SEPTEMBER 2015</b>	<b>1,958</b>	<b>155</b>		<b>8,464</b>	<b>850</b>	<b>11,427</b>
<b>OPENING BALANCE, 1 JANUARY 2015</b>	<b>1,958</b>	<b>77</b>	<b>-</b>	<b>8,966</b>		<b>11,001</b>
Dividends paid				-502		-502
Total comprehensive income for the period		187			1,162	1,349
<b>CLOSING BALANCE, 31 DECEMBER 2015</b>	<b>1,958</b>	<b>264</b>	<b>-</b>	<b>8,464</b>	<b>1,162</b>	<b>11,848</b>

## CASH-FLOW STATEMENT

Group, SEK million	2016	2015	2015
	Jan-Sep	Jan-Sep	Jan-Dec
<b>Opening cash and cash equivalents</b>	<b>3,456</b>	<b>7,422</b>	<b>7,422</b>
Cash flow from operating activities	4,552	8,005	-5,623
Cash flow from investing activities	-62	-16	-28
Cash flow from funding activities	-520	-2	1,685
<b>Increase/decrease in cash and cash equivalents</b>	<b>3,970</b>	<b>7,987</b>	<b>-3,966</b>
<b>Closing cash and cash equivalents</b>	<b>7,426</b>	<b>15,409</b>	<b>3,456</b>

Cash and cash equivalents are defined as cash and lending to credit institutions with maturities of not later than three months from the acquisition date.

## OWN FUNDS

Disclosures in accordance with Article 5 of Commission Implementing Regulation (EU) No 1423/2013.

No amounts are subject to the provisions preceding Regulation (EU) No 575/2013 ("CRR") or the prescribed residual amount according to Regulation (EU) No 575/2013.

OWN FUNDS GROUP, SEK million	30 September 2016	30 September 2015	31 December 2015
<b>CET1 capital: instruments and reserves</b>			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	9,600	8,464	8,464
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	1,033	155	264
Additional Tier 1 securities	1,500	-	-
Independently reviewed interim profits net of any foreseeable charge or dividend	268	215	697
<b>CET1 capital before regulatory adjustments</b>	<b>14,359</b>	<b>10,792</b>	<b>11,383</b>
<b>CET1 capital: regulatory adjustments</b>			
Additional value adjustments (negative amount)	-65	-68	-67
Intangible assets (net of related tax liability) (negative amount)	-122	-44	-46
Fair value reserves related to gains or losses on cash flow hedges	-933	-214	-236
Negative amounts resulting from the calculation of expected loss amounts	-39	-67	-83
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-44	-35	-25
Additional Tier 1 securities in equity	-1,500	-	-
<b>Total regulatory adjustments to CET1 capital</b>	<b>-2,703</b>	<b>-428</b>	<b>-457</b>
<b>CET1 capital</b>	<b>11,656</b>	<b>10,364</b>	<b>10,926</b>
<b>Additional Tier 1 capital: instruments</b>			
Capital instruments and the related share premium accounts	3,000	1,500	1,500
<i>of which: classified as liabilities under applicable accounting standards</i>	3,000	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	-	994	994
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>3,000</b>	<b>2,494</b>	<b>2,494</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital</b>	<b>3,000</b>	<b>2,494</b>	<b>2,494</b>
<b>Tier 1 capital (Tier 1 capital = CET1 + Additional Tier 1 capital)</b>	<b>14,656</b>	<b>12,858</b>	<b>13,420</b>
<b>Tier 2 capital: instrument and provisions</b>			
Capital instruments and the related share premium accounts	4,447	3,000	5,447
Credit risk adjustments	1	-	-
<b>Tier 2 capital before regulatory adjustments</b>	<b>4,448</b>	<b>3,000</b>	<b>5,447</b>
<b>Tier 2 capital: regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2 capital</b>	<b>4,448</b>	<b>3,000</b>	<b>5,447</b>
<b>Total capital (Total capital = Tier 1 capital + Tier 2 capital)</b>	<b>19,104</b>	<b>15,858</b>	<b>18,867</b>
<b>Total risk-weighted assets</b>	<b>40,860</b>	<b>40,429</b>	<b>38,244</b>
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	28.5	25.6	28.6
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	35.9	31.8	35.1
Total capital (as a percentage of total risk-weighted exposure amount), %	46.8	39.2	49.3
Institution-specific buffer requirements (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical capital buffer requirements, plus systemic risk buffer, plus systemically important institution buffer [G-SII buffer and O-SII buffer] expressed as a percentage of risk-weighted exposure amount), %	8.5	8.0	8.0
<i>of which: CET1 capital, minimum requirement, %</i>	4.5	4.5	4.5
<i>of which: capital conservation buffer requirement, %</i>	2.5	2.5	2.5
<i>of which: countercyclical capital buffer requirement, %</i>	1.5	1.0	1.0
<i>of which: systemic risk buffer requirement, %</i>	-	-	-
<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer, %</i>	-	-	-
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	24.0	21.1	24.1
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>			
Current cap on AT1 instruments subject to phase out arrangements	-	2,096	2,096
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	-
Current cap on T2 instruments subject to phase out arrangements	-	910	910

# CAPITAL REQUIREMENTS

CAPITAL REQUIREMENTS GROUP, SEK million	30 September 2016		30 September 2015		31 December 2015	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	918	11,471	795	9,942	864	10,795
Retail exposures	1,057	13,207	1,092	13,655	1,128	14,103
<i>Of which: exposures to SMEs</i>	102	1,272	127	1,590	130	1,628
<i>Of which: retail exposures secured by immovable property</i>	955	11,935	965	12,065	998	12,475
<b>Total exposures recognised with IRB approach</b>	<b>1,975</b>	<b>24,678</b>	<b>1,887</b>	<b>23,597</b>	<b>1,992</b>	<b>24,898</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposure 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 institutions <sup>1)</sup>	170	2,123	181	2,258	122	1,526
<i>Of which: derivatives according to CRR, Appendix 2</i>	162	2,020	164	2,045	120	1,505
<i>Of which repos</i>	8	103	16	206	1	14
Exposures to corporates	1	15	1	15	1	15
Retail exposures	156	1,959	177	2,219	168	2,106
Exposures in default	1	9	1	8	1	7
Exposures in the form of covered bonds	293	3,665	139	1,742	237	2,957
Exposures to institutions and corporates with a short-term credit rating	4	48	154	1,929	1	15
Other items	64	799	73	908	58	730
<b>Total exposures recognised with standardised approach</b>	<b>689</b>	<b>8,618</b>	<b>726</b>	<b>9,079</b>	<b>588</b>	<b>7,356</b>
<b>Market risk</b>	<b>140</b>	<b>1,751</b>	<b>250</b>	<b>3,119</b>	<b>149</b>	<b>1,856</b>
<i>Of which: position risk</i>	76	955	199	2,485	105	1,314
<i>Of which: currency risk</i>	64	796	51	634	44	542
<b>Operational risk</b>	<b>291</b>	<b>3,634</b>	<b>239</b>	<b>2,989</b>	<b>239</b>	<b>2,989</b>
<b>Credit valuation adjustment risk</b>	<b>174</b>	<b>2,179</b>	<b>132</b>	<b>1,645</b>	<b>92</b>	<b>1,145</b>
<b>Total minimum capital requirements and risk exposure amount</b>	<b>3,269</b>	<b>40,860</b>	<b>3,234</b>	<b>40,429</b>	<b>3,060</b>	<b>38,244</b>
<b>Capital requirements for capital conservation buffer</b>	<b>1,021</b>		<b>1,011</b>		<b>956</b>	
<b>Capital requirements for countercyclical buffer</b>	<b>608</b>		<b>401</b>		<b>379</b>	
<b>Total capital requirements</b>	<b>4,898</b>		<b>4,646</b>		<b>4,395</b>	

<sup>1)</sup>The risk-weighted amount for counterparty risk according to CRR, Article 92(3)(f), amounts to SEK 2,123 million (1,519).

## CAPITAL ADEQUACY

### CAPITAL ADEQUACY GROUP, SEK MILLION

	30 Sep 2016	30 Sep 2015	31 Dec 2015
CET1 capital	11,656	10,364	10,926
Tier 1 capital	14,656	12,858	13,420
<b>Total capital</b>	<b>19,104</b>	<b>15,858</b>	<b>18,867</b>
<b>Without transitional rules</b>			
Risk exposure amount	40,860	40,429	38,244
CET1 capital ratio, %	28.5	25.6	28.6
Excess <sup>1)</sup> of CET1 capital	9,817	8,545	9,205
Tier 1 capital ratio, %	35.9	31.8	35.1
Excess <sup>1)</sup> of Tier 1 capital	12,204	10,433	11,125
Total capital ratio, %	46.8	39.2	49.3
Excess <sup>1)</sup> of total capital	15,835	12,624	15,807
<b>With transitional rules</b>			
Own funds	19,144	15,925	18,950
Risk exposure amount	173,281	160,953	165,830
Total capital ratio, %	11.0	9.9	11.4

<sup>1)</sup> Excess capital has been calculated based on minimum requirements (without buffer requirements)

## INTERNALLY ASSESSED CAPITAL REQUIREMENTS

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 13,618 million (SEK 12,565 million at 31 December 2015). 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 Finansinspektionen's supervisory practices with regard to the risk-weight floor for Swedish residential mortgages.

		30 September 2016			31 December 2015		
			EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR		EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR
		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	2,838	2,838	2,838	2,672	2,672	2,672
	Market risk	140	140	140	149	149	149
	Operational risk	291	291	291	239	239	239
Pillar 2	Credit risk <sup>1)</sup>		1,166			1,101	0
	Market risk		1,146	1,146		1,006	1,006
	Operational risk		75	75		111	111
	Risk-weight floor		0	6,626		0	6,175
	Concentration risk		661	661		562	562
	Sovereign risk		62	62		67	67
	Pension risk		21	21		21	21
	Income volatility		128	128		228	228
	Capital conservation buffer	1,021	1,021	1,021	956	956	956
Buffers	Capital planning buffer <sup>2)</sup>		1,169	-	0	1,414	-
	Countercyclical buffer	608	608	608	379	379	379
<b>Total</b>		<b>4,898</b>	<b>9,327</b>	<b>13,618</b>	<b>4,395</b>	<b>8,905</b>	<b>12,565</b>

<sup>1)</sup> In the internal capital requirement without taking the risk-weight floor in to 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 is larger than 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.

<sup>2)</sup> 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.



# LIQUIDITY COVERAGE RATIO

The liquidity coverage ratio 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. The weightings of the theoretical flows are fixed and are determined by the supervisory authority.

Group, SEK million	30 Sep 2016	DISTRIBUTION BY CURRENCY		31 Dec 2015	DISTRIBUTION BY CURRENCY	
		EUR	USD		EUR	USD
Liquidity coverage ratio, %	191	26,757	1,434	232	1,544,051	233
<b>Liquid assets</b>	<b>58,494</b>	<b>11,921</b>	<b>4,672</b>	<b>59,285</b>	<b>12,213</b>	<b>3,723</b>
Assets with 100% weight	25,834	7,676	3,882	26,779	7,715	2,493
Assets with 85% weight	32,660	4,245	790	32,507	4,498	1,230
<b>Cash outflows</b>	<b>35,070</b>	<b>178</b>	<b>860</b>	<b>21,508</b>	<b>3</b>	<b>4,265</b>
Retail deposits	15,373	0	0	11,285	0	0
Market funding	14,442	87	859	7,581	0	4,264
Other outflows	5,254	91	1	2,642	3	1
<b>Cash inflows</b>	<b>12,493</b>	<b>2,112</b>	<b>534</b>	<b>2,273</b>	<b>1,587</b>	<b>2,665</b>
Inflow from retail lending	9,124	0	0	1,821	0	0
Other inflows	3,368	2,112	534	452	1,587	2,665

Liquidity coverage ratio = liquid assets / (cash outflow - cash inflow).

The liquidity coverage ratio is recognised according to the definitions and weights in FFFS 2012:6. The calculation takes into consideration that assets with

85% weight must not constitute more than 40% of the reserve, and that inflows must not exceed 75% of the outflow in each column.

## NOTE 1 Accounting policies

The SBAB Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition to these accounting standards, Finansinspektionen's 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, Finansinspektionen's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25) and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

In Q2, SBAB issued bonds that are recognized as additional Tier 1 securities in equity. Interest payments on the instruments are recognized as a deduction from equity at the time of payment.

The accounting policies and calculation methods are unchanged in comparison with the 2015 Annual Report.

According to SBAB's preliminary assessment, new or changed international accounting standards that have been published but not yet applied will have a limited effect on the financial reports. SBAB has initiated a study regarding the implementation of IFRS 9, the application of which will become mandatory from 1 January 2018. This work is proceeding according to plan.

## NOTE 2 Net result of financial items measured at fair value/Net result of financial transactions

	2016	2016	2015	2016	2015	2015
	Q3	Q2	Q3	Jan-Sep	Jan-Sep	Jan-Dec
<b>Group, SEK million</b>						
<b>Gains/losses on interest-bearing financial instruments</b>						
– Securities measured at FVTPL	-33	18	8	55	-262	-411
– Change in value of hedged items in hedge accounting	222	-3	-4	5	795	1,505
– Realised gain/loss from financial liabilities	-87	-112	-44	-230	-104	-113
– Derivatives	-102	71	-9	132	-542	-1,099
– Loan receivables	19	29	30	78	83	113
Currency translation effects	-2	1	1	0	8	-2
<b>Gains/losses on shares and participations measured at FVTPL</b>	-	-	-	-	-1	8
<b>Total</b>	<b>17</b>	<b>4</b>	<b>-18</b>	<b>40</b>	<b>-23</b>	<b>1</b>

### Fair value recognition

The currency and interest-rate risk inherent in funding conducted in foreign currency is generally hedged throughout the maturity of the funding through currency interest-rate derivatives, known as basis swaps. According to IFRS, all derivative instruments are to be recognised at fair value.

Major variations in fair value between reporting periods could result in significant changes in carrying amounts and hence also in capital adequacy. Changes in the form of losses/gains remain unrealised as long as the basis swap is not closed prematurely.

In cases where the derivative is held to maturity, earnings are not affected by the accumulated changes, as the unrealised interest-rate-related value changes

that affect the performance of each derivative contract starts and ends at zero.

Most of SBAB's basis swaps are held to maturity. An accounting effect also arises in SBAB's securities holding, since the accounting policies that SBAB applies entail that parts of the securities' assets are measured at fair value, while a large portion of SBAB's liabilities are measured at amortised cost. Also in the case of securities assets, the unrealised interest rate-related value changes that affect the result will be recovered over the remaining tenor, if the asset is held to maturity and the issuer is able to make its payments. Most of SBAB's securities are held to maturity. Most of SBAB's securities are held to maturity.

## NOTE 3 Net loan losses

Group, SEK million	2016 Q3	2016 Q2	2015 Q3	2016 Jan-Sep	2015 Jan-Sep	2015 Jan-Dec
<b>CORPORATE MARKET</b>						
<b>Individual provision for corporate market loans</b>						
Write-off for the period for confirmed loan losses	-	-	-	-	-1	-1
Reversal of prior provisions for probable loan losses, recognised as confirmed losses in the financial statements for the period	-	-	-	-	-	-
Provision for probable loan losses for the period	-	-	-0	-0	-22	-22
Recoveries of confirmed loan losses in prior years	-	-	-	-	-	0
Reversal of prior provisions no longer necessary for probable loan losses	0	0	0	0	0	0
Guarantees	-	-	-	-	-	-
<b>Net expense for the period for individual provisions for corporate market loans</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-23</b>	<b>-23</b>
<b>Collective provision for corporate market loans</b>						
Allocations to/unwinding of collective provisions	7	0	-0	8	2	7
Guarantees	-1	-0	-0	-2	-2	-2
<b>Net expense for the period for collective provisions for corporate market loans</b>	<b>6</b>	<b>0</b>	<b>-0</b>	<b>6</b>	<b>0</b>	<b>5</b>
<b>RETAIL MARKET</b>						
<b>Individual provision for retail market loans</b>						
Write-off for the period for confirmed loan losses	-	-0	-1	-0	-2	-3
Reversal of prior provisions for probable loan losses, recognised as confirmed losses in the financial statements for the period	-	0	-	0	-	-
Provision for probable loan losses for the period	-0	-0	-1	-0	-4	-24
Reversal of prior provisions no longer necessary for probable loan losses	1	3	0	5	0	1
Guarantees	-	-0	-	-0	-	-
<b>Net expense for the period for individual provisions for retail market loans</b>	<b>1</b>	<b>3</b>	<b>-2</b>	<b>5</b>	<b>-6</b>	<b>-26</b>
<b>Collective provision for retail market loans</b>						
Write-off for the period for confirmed loan losses	-2	-3	-3	-8	-8	-12
Recoveries of confirmed loan losses in prior years	1	0	1	2	2	2
Allocations to/unwinding of collective provisions	-24	4	4	-19	16	26
Guarantees	-2	-3	-3	-6	-10	-12
<b>Net expense for the period for collective provisions for retail market loans</b>	<b>-27</b>	<b>-2</b>	<b>-1</b>	<b>-31</b>	<b>0</b>	<b>4</b>
<b>Net income/expense for loan losses for the period</b>	<b>-20</b>	<b>1</b>	<b>-3</b>	<b>-20</b>	<b>-29</b>	<b>-40</b>

Both write-offs of confirmed loan losses and reversals of write-offs for the period in accordance with the specification above pertain to receivables from the public.

## NOTE 4 Lending to the public

GROUP	30 September 2016		30 September 2015		31 December 2015	
SEK million	Lending	Provision	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	115,768	-88	112,485	-109	115,832	-98
Tenant-owner's rights	103,039	-112	89,289	-73	96,283	-85
Tenant-owners' associations	51,129	-26	51,961	-36	52,390	-34
Private multi-family dwellings	28,177	-19	23,909	-23	25,882	-20
Municipal multi-family dwellings	369	-	480	-	470	-
Commercial properties	4,750	-	4,097	-	4,313	-
Other	1,997	-14	2,021	-9	2,064	-16
Provision for probable losses	-259		-250		-253	
<b>Total</b>	<b>304,970</b>	<b>-259</b>	<b>283,992</b>	<b>-250</b>	<b>296,981</b>	<b>-253</b>

Doubtful and non-performing loan receivables	30 Sep 2016	30 Sep 2015	31 Dec 2015
a) Doubtful loan receivables	156	77	170
b) Non-performing loan receivables <sup>1)</sup> included in doubtful loan receivables	4	4	3
c) Non-performing loan receivables <sup>1)</sup> not included in doubtful loan receivables	164	187	170
d) Individual provisions for loan receivables	76	62	81
e) Collective provision for corporate market loans	3	16	11
f) Collective provision for retail market loans	180	172	161
g) Total provisions (d+e+f)	259	250	253
h) Doubtful loan receivables after individual provisions (a-d)	80	15	89
i) Provision ratio for individual provisions (d/a), %	49	81	48

<sup>1)</sup> Where payment notices (one or more) are more than 60 days past due.

Loan portfolio, SEK million	30 Sep 2016	30 Sep 2015	31 Dec 2015
Retail lending	220,590	203,604	213,980
- new lending	37,049	46,790	66,750
Corporate lending (incl. tenant-owners' associations)	84,380	80,387	83,001
- new lending	7,613	9,556	13,720
<b>Total</b>	<b>304,970</b>	<b>283,992</b>	<b>296,981</b>
- new lending	44,662	56,346	80,470



## NOTE 5 Derivatives

Group, SEK million	30 September 2016			31 December 2015		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate-related	5,144	2,187	209,108	4,482	2,201	231,862
Currency-related	2,685	555	78,748	2,710	2,993	90,184
<b>Total</b>	<b>7,829</b>	<b>2,742</b>	<b>287,856</b>	<b>7,192</b>	<b>5,194</b>	<b>322,046</b>

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

## NOTE 6 Operating segments

Group, SEK million	Jan-Sep 2016				Jan-Sep 2015			
	Retail	Corporate & Tenant-Owners' Associations	Other	Total	Retail	Corporate & Tenant-Owners' Associations	Other	Total
Income <sup>1)</sup>	1,667	426	-	2,093	1,309	392	15	1,716
Net result of financial items measured at fair value	-	-	40	40	-	-	-23	-23
<b>Total operating income</b>	<b>1,667</b>	<b>426</b>	<b>40</b>	<b>2,133</b>	<b>1,309</b>	<b>392</b>	<b>-8</b>	<b>1,693</b>
Expenses <sup>2)</sup>	-512	-142	4	-650	-450	-121	-3	-574
Net loan losses	-15	-5	-	-20	-8	-21	-	-29
<b>Profit before tax</b>	<b>1,140</b>	<b>279</b>	<b>44</b>	<b>1,463</b>	<b>851</b>	<b>250</b>	<b>-11</b>	<b>1,090</b>
Standardised tax (22%)	-251	-61	-10	-322	-187	-55	2	-240
<b>Profit after tax</b>	<b>889</b>	<b>218</b>	<b>34</b>	<b>1,141</b>	<b>664</b>	<b>195</b>	<b>-9</b>	<b>850</b>
Adjustment for actual tax	0	0	0	0	0	0	0	0
<b>Profit/loss after tax</b>	<b>889</b>	<b>218</b>	<b>34</b>	<b>1,141</b>	<b>664</b>	<b>195</b>	<b>-9</b>	<b>850</b>
Return on equity, %	14.6	7.3		11.9	11.4	8.0		10.1

<sup>1)</sup> The distributed income includes net interest income, net commissions and other operating income

<sup>2)</sup> The distributed income includes personnel costs, other expenses and depreciation of tangible and intangible assets.

The comparative figures for 2015 have been recalculated to reflect the organisational change that took effect in Q2 2016. The Retail operating segment includes the Retail Market and the Partner Market, which were previously reported as separate operating segments, and Booli, which was acquired in Q1 2016. The Partner Market ceased to exist as a profit centre in conjunction with the organisational change.

Return on equity, %, is expressed as operating profit after tax (for operating segments, a standardised tax of 22% is applied) in relation to average equity, adjusted for additional Tier 1 securities.

## NOTE 7 Classification of financial instruments

### GROUP

#### Financial assets

30 September 2016

SEK million	Assets measured at FVTPL	Hedge-accounted derivatives	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	Total fair value
Cash and balances at central banks					0	0	0
Chargeable treasury bills, etc.	8,421		5,758			14,179	14,179
Lending to credit institutions					7,426	7,426	7,426
Lending to the public				304,970		304,970	306,333
Value changes of interest-rate-risk hedged items in macro hedges				568		568	-
Bonds and other interest-bearing securities	10,013		30,307		12,344	52,664	52,740
Derivatives	283	7,546				7,829	7,829
Other assets				4		4	4
Prepaid expenses and accrued income	174		318	157	57	706	706
<b>Total</b>	<b>18,891</b>	<b>7,546</b>	<b>36,383</b>	<b>305,699</b>	<b>19,827</b>	<b>388,346</b>	<b>389,218</b>

### GROUP

#### Financial liabilities

30 September 2016

SEK million	Liabilities measured at FVTPL	Hedge-accounted derivatives	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions			19,922	19,922	19,922
Retail deposits			93,390	93,390	93,390
Issued debt securities, etc.			249,014	249,014	251,570
Derivatives	1,295	1,447		2,742	2,742
Other liabilities			409	409	409
Accrued expenses and deferred income			2,461	2,461	2,461
Subordinated debt			5,943	5,943	5,977
<b>Total</b>	<b>1,295</b>	<b>1,447</b>	<b>371,139</b>	<b>373,881</b>	<b>376,471</b>

## NOTE 7 continued

### GROUP

#### Financial assets

SEK million	31 December 2015						Total fair value
	Assets measured at FVTPL	Hedge-accounted derivatives	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	
Cash and balances at central banks					0	0	0
Chargeable treasury bills, etc.	10,185		4,127			14,312	14,312
Lending to credit institutions				3,456		3,456	3,456
Lending to the public				296,981		296,981	298,353
Value changes of interest-rate-risk hedged items in macro hedges				549		549	-
Bonds and other interest-bearing securities	16,275		24,115		9,324	49,714	49,708
Derivatives	351	6,841				7,192	7,192
Other assets				1,246		1,246	1,246
Prepaid expenses and accrued income	255		455	224	92	1,026	1,026
<b>Total</b>	<b>27,066</b>	<b>6,841</b>	<b>28,697</b>	<b>302,456</b>	<b>9,416</b>	<b>374,476</b>	<b>375,293</b>

### GROUP

#### Financial liabilities

SEK million	31 December 2015				Total fair value
	Liabilities measured at FVTPL	Hedge-accounted derivatives	Other financial liabilities	Total	
Liabilities to credit institutions			5,111	5,111	5,111
Retail deposits			76,639	76,639	76,639
Issued debt securities, etc.			264,205	264,205	265,160
Derivatives	1,782	3,412		5,194	5,194
Other liabilities			783	783	783
Accrued expenses and deferred income			2,767	2,767	2,767
Subordinated debt			7,943	7,943	7,974
<b>Total</b>	<b>1,782</b>	<b>3,412</b>	<b>357,448</b>	<b>362,642</b>	<b>363,628</b>

#### 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 2015 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. For "Lending to the public," where no observable credit margin data is available at the time of measurement, the credit margin on the most recent stipulated date of expiry is applied, Level 3. Issued debt securities are measured at the Group's current borrowing rate, Level 2.

## NOTE 8 Fair value disclosures

### GROUP

30 September 2016

SEK million	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
<b>Assets</b>				
Securities	54,991	-	-	54,991
Derivatives in the trade category	-	283	-	283
Other derivatives <sup>1)</sup>	-	7,546	-	7,546
<b>Total</b>	<b>54,991</b>	<b>7,829</b>	<b>-</b>	<b>62,820</b>
<b>Liabilities</b>				
Derivatives in the trade category	0	1,295	-	1,294
Other derivatives <sup>1)</sup>	-	1,447	-	1,448
<b>Total</b>	<b>0</b>	<b>2,742</b>	<b>-</b>	<b>2,742</b>

31 December 2015

	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
<b>Assets</b>				
Securities	55,412	-	-	55,412
Derivatives in the trade category	-	351	-	351
Other derivatives <sup>1)</sup>	-	6,841	-	6,841
<b>Total</b>	<b>55,412</b>	<b>7,192</b>	<b>-</b>	<b>62,604</b>
<b>Liabilities</b>				
Derivatives in the trade category	-	1,782	-	1,782
Other derivatives <sup>1)</sup>	-	3,412	-	3,412
<b>Total</b>	<b>-</b>	<b>5,194</b>	<b>-</b>	<b>5,194</b>

<sup>1)</sup> The item "Other derivatives" consists of derivatives included in the hedge accounting

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting Policies in the 2015 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 2016.

#### 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 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. 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 rating 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 table is reported according to the Swedish Bankers' Association's template for liquidity reserve disclosures.

Group, SEK million	30 Sep 2016	DISTRIBUTION BY CURRENCY				31 Dec 2015	DISTRIBUTION BY CURRENCY			
		SEK	EUR	USD	Other		SEK	EUR	USD	Other
Cash and balances at central banks	-	-	-	-	-	461	461	-	-	-
Balances at other banks	-	-	-	-	-	-	-	-	-	-
Securities issued or guaranteed by governments, central banks or multinational development banks	15,909	5,574	7,677	2,658	-	19,345	10,435	7,715	1,195	-
Securities issued or guaranteed by municipalities or public sector entities	9,925	8,701	-	1,224	-	6,972	5,674	-	1,298	-
Covered bonds issued by other institutions	38,609	32,686	4,994	929	-	38,504	31,575	5,292	1,447	190
Covered bonds issued by SBAB	-	-	-	-	-	-	-	-	-	-
Securities issued by non-financial corporates	-	-	-	-	-	-	-	-	-	-
Securities issued by financial corporates (excl. covered bonds)	-	-	-	-	-	-	-	-	-	-
Other securities	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>64,443</b>	<b>46,961</b>	<b>12,671</b>	<b>4,811</b>	<b>-</b>	<b>65,282</b>	<b>48,145</b>	<b>13,007</b>	<b>3,940</b>	<b>190</b>
Bank and loan facilities	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>64,443</b>	<b>46,961</b>	<b>12,671</b>	<b>4,811</b>	<b>-</b>	<b>65,282</b>	<b>48,145</b>	<b>13,007</b>	<b>3,940</b>	<b>190</b>
Distribution by currency, %		72.9	19.7	7.5	-		73.7	20.0	6.0	0.3

### Calculation of survival horizon

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. This is done 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. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established.

# PARENT COMPANY

## Trend for January–September 2016 compared with January–September 2015

The operating profit amounted to SEK 147 million (loss: 95) for the period. The change in operating profit was mainly attributable to improved net income from financial transactions, which amounted to SEK 69 million (expense: 75) for the period, higher net interest income and an increase in other operating income, comprising the outsourcing fee paid by the subsidiary SCBC for the administrative services performed by SBAB. Net interest income amounted to SEK 184 million (134).

Net income from financial transactions amounted to SEK 69 million (expense: 75). The increase was mainly attributable to unrealised market value changes as a result of changed credit spreads for securities held in the trading portfolio. Expenses totalled SEK 640 million (574), driven by higher IT, marketing and personnel costs. The net effect of loan losses was SEK 12 million (29). Lending to the public increased in the period to SEK 60.4 billion (66.4) and Retail deposits increased to SEK 93.4 billion (71.5). The CET1 capital ratio was 22.9% (22.8) and the internally assessed capital requirement was SEK 5,466 million (4,231).

## INCOME STATEMENT

	2016	2016	2015	2016	2015	2015
	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
<b>Parent Company, SEK million</b>						
Interest income	346	298	316	943	1,131	1,419
Interest expense	-221	-250	-281	-759	-997	-1,258
<b>Net interest income</b>	<b>125</b>	<b>48</b>	<b>35</b>	<b>184</b>	<b>134</b>	<b>161</b>
Commission income	16	30	16	61	60	82
Commission expenses	-9	-10	-18	-28	-59	-79
Net result of financial transactions	28	49	-23	69	-75	-76
Other operating income	170	170	132	513	448	625
<b>Total operating income</b>	<b>330</b>	<b>287</b>	<b>142</b>	<b>799</b>	<b>508</b>	<b>713</b>
Personnel costs	-100	-101	-87	-296	-277	-379
Other expenses	-103	-115	-88	-333	-282	-409
Depreciation, amortisation and impairment of PPE and intangible assets	-3	-4	-5	-11	-15	-22
<b>Total expenses before loan losses</b>	<b>-206</b>	<b>-220</b>	<b>-180</b>	<b>-640</b>	<b>-574</b>	<b>-810</b>
<b>Profit/loss before loan losses</b>	<b>124</b>	<b>67</b>	<b>-38</b>	<b>159</b>	<b>-66</b>	<b>-97</b>
Net loan losses	-12	1	-2	-12	-29	-51
<b>Operating profit/loss</b>	<b>112</b>	<b>68</b>	<b>-40</b>	<b>147</b>	<b>-95</b>	<b>-148</b>
Tax	-25	-15	9	-33	20	31
<b>Net profit/loss for the period</b>	<b>87</b>	<b>53</b>	<b>-31</b>	<b>114</b>	<b>-75</b>	<b>-117</b>

## STATEMENT OF COMPREHENSIVE INCOME

	2016	2016	2015	2016	2015	2015
Parent Company, SEK million	Q3	Q2	Q3	Jan-Sep	Jan-Sep	Jan-Dec
Net profit/loss for the period	87	53	-31	114	-75	-117
<b>OTHER COMPREHENSIVE INCOME</b>						
<i>Components that will be reclassified to profit or loss</i>						
Changes related to available-for-sale financial assets, before tax	99	59	-24	184	-45	-7
Changes related to cash-flow hedges, before tax	7	17	-2	26	-10	-6
Tax attributable to components that will be reclassified to profit or loss	-23	-17	6	-46	11	3
<b>Other comprehensive income, net of tax</b>	<b>83</b>	<b>59</b>	<b>-20</b>	<b>164</b>	<b>-44</b>	<b>-10</b>
<b>Total comprehensive income for the period</b>	<b>170</b>	<b>112</b>	<b>-51</b>	<b>278</b>	<b>-119</b>	<b>-127</b>

## BALANCE SHEET

Parent Company, SEK million	30 September 2016	30 September 2015	31 December 2015
<b>ASSETS</b>			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	14,179	15,725	14,312
Lending to credit institutions (Note 10)	55,586	36,220	17,162
Lending to the public	60,436	66,433	81,207
Value changes of interest-rate-risk hedged items in macro hedges	-	8	5
Bonds and other interest-bearing securities	52,664	47,301	49,714
Derivatives	7,774	7,262	6,430
Shares and participations in Group companies	10,386	10,300	10,300
Deferred tax assets	0	49	52
Intangible assets	9	14	13
Property, plant and equipment	15	20	20
Other assets	356	354	554
Prepaid expenses and accrued income	637	648	904
<b>TOTAL ASSETS</b>	<b>202,042</b>	<b>184,334</b>	<b>180,673</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	10,605	12,506	2,973
Retail deposits	93,390	71,486	76,639
Debt securities issued, etc.	73,331	76,315	76,925
Derivatives	7,667	7,879	6,778
Other liabilities	412	544	773
Accrued expenses and deferred income	821	1,109	569
Deferred tax liabilities	47	-	-
Subordinated debt	5,943	6,409	7,943
<b>Total liabilities</b>	<b>192,216</b>	<b>176,248</b>	<b>172,600</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
<b>Total restricted equity</b>	<b>2,350</b>	<b>2,350</b>	<b>2,350</b>
<b>Unrestricted equity</b>			
Fair value reserve	150	-43	-14
Additional Tier 1 securities	1,500	-	-
Retained earnings	5,712	5,854	5,854
Net profit/loss for the period	114	-75	-117
<b>Total unrestricted equity</b>	<b>7,476</b>	<b>5,736</b>	<b>5,723</b>
<b>Total equity</b>	<b>9,826</b>	<b>8,086</b>	<b>8,073</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>202,042</b>	<b>184,334</b>	<b>180,673</b>
<b>MEMORANDUM ITEMS</b>			
Assets pledged for own liabilities	6,635	8,798	15
Contingent liabilities	74,527	104,461	80,772

## OWN FUNDS

Disclosures in accordance with Article 5 of Commission Implementing Regulation (EU) No 1423/2013.

No amounts are subject to the provisions preceding Regulation (EU) No 575/2013 ("CRR") or the prescribed residual amount according to Regulation (EU) No 575/2013.

PARENT COMPANY, SEK million	30 September 2016	30 September 2015	31 December 2015
<b>CET1 capital: instruments and reserves</b>			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	6,104	5,906	5,781
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	150	-43	-14
Additional Tier 1 securities	1,500	-	-
Independently reviewed interim profits net of any foreseeable charge or dividend	-429	-75	-117
<b>CET1 capital before regulatory adjustments</b>	<b>9,283</b>	<b>7,746</b>	<b>7,608</b>
<b>CET1 capital: regulatory adjustments</b>			
Additional value adjustments (negative amount)	-70	-69	-68
Intangible assets (net of related tax liability) (negative amount)	-9	-14	-13
Fair value reserves related to gains or losses on cash flow hedges	-16	4	5
Negative amounts resulting from the calculation of expected loss amounts	-30	-41	-49
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-43	-34	-24
Additional Tier 1 securities in equity	-1,500	-	-
<b>Total regulatory adjustments to CET1 capital</b>	<b>-1,668</b>	<b>-154</b>	<b>-149</b>
<b>CET1 capital</b>	<b>7,615</b>	<b>7,592</b>	<b>7,459</b>
<b>Additional Tier 1 capital: instruments</b>			
Capital instruments and the related share premium accounts	3,000	1,500	1,500
<i>of which: classified as liabilities under applicable accounting standards</i>	3,000	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	-	994	994
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>3,000</b>	<b>2,494</b>	<b>2,494</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital</b>	<b>3,000</b>	<b>2,494</b>	<b>2,494</b>
<b>Tier 1 capital (Tier 1 capital = CET1 + Additional Tier 1 capital)</b>	<b>10,615</b>	<b>10,086</b>	<b>9,953</b>
<b>Tier 2 capital: instrument and provisions</b>			
Capital instruments and the related share premium accounts	4,447	3,000	5,447
Credit risk adjustments	1	-	-
<b>Tier 2 capital before regulatory adjustments</b>	<b>4,448</b>	<b>3,000</b>	<b>5,447</b>
<b>Tier 2 capital: regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2 capital</b>	<b>4,448</b>	<b>3,000</b>	<b>5,447</b>
<b>Total capital (Total capital = Tier 1 capital + Tier 2 capital)</b>	<b>15,063</b>	<b>13,086</b>	<b>15,400</b>
<b>Total risk-weighted assets</b>	<b>33,237</b>	<b>33,226</b>	<b>33,295</b>
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk exposure amount), %	22.9	22.8	22.4
Tier 1 capital (as a percentage of total risk exposure amount), %	31.9	30.4	29.9
Total capital (as a percentage of total risk exposure amount), %	45.3	39.4	46.3
Institution specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical capital buffer requirements, plus systemic risk buffer, plus systemically important institution buffer [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	8.5	8.0	8.0
<i>of which: CET1 capital, minimum requirement, %</i>	4.5	4.5	4.5
<i>of which: capital conservation buffer requirement, %</i>	2.5	2.5	2.5
<i>of which: countercyclical buffer requirement, %</i>	1.5	1.0	1.0
<i>of which: systemic risk buffer requirement, %</i>	-	-	-
<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer, %</i>	-	-	-
CET1 capital available to meet buffers (as a share of risk exposure amounts, %)	18.4	18.3	17.9
<b>Capital instruments subject to phase out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>			
Current cap on AT1 instruments subject to phase out arrangements	-	2,096	2,096
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	-
Current cap on T2 instruments subject to phase out arrangements	-	910	910

## CAPITAL REQUIREMENTS

PARENT COMPANY, SEK million	30 September 2016		30 September 2015		31 December 2015	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	529	6,607	442	5,520	484	6,052
Retail exposures	316	3,950	444	5,547	500	6,247
<i>of which: exposures to SMEs</i>	34	421	44	549	52	648
<i>of which: retail exposures secured by immovable property</i>	282	3,529	400	4,997	448	5,599
<b>Total exposures recognised with IRB approach</b>	<b>845</b>	<b>10,557</b>	<b>886</b>	<b>11,067</b>	<b>984</b>	<b>12,299</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposure to governments and central banks	0	0	0	0	10	129
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to institutions <sup>1)</sup>	141	1,768	134	1,675	95	1,190
<i>Of which: derivatives according to CRR, Appendix 2</i>	137	1,709	127	1,584	95	1,186
<i>Of which repos</i>	4	58	7	87	-	-
Exposures to corporates	1	15	1	15	1	15
Retail exposures	157	1,959	177	2,219	168	2,106
Exposures in default	1	9	1	8	1	7
Exposures in the form of covered bonds	293	3,665	139	1,742	237	2,957
Exposures to institutions and corporates with a short-term credit rating	4	46	31	387	2	19
Equity exposures	831	10,386	824	10,300	824	10,300
Other items	8	97	7	92	8	105
<b>Total exposures recognised with standardised approach</b>	<b>1,436</b>	<b>17,945</b>	<b>1,314</b>	<b>16,438</b>	<b>1,346</b>	<b>16,828</b>
<b>Market risk</b>	<b>106</b>	<b>1,331</b>	<b>217</b>	<b>2,708</b>	<b>120</b>	<b>1,498</b>
<i>of which: position risk</i>	76	955	199	2,484	105	1,314
<i>of which: currency risk</i>	30	376	18	224	15	184
<b>Operational risk</b>	<b>118</b>	<b>1,478</b>	<b>137</b>	<b>1,709</b>	<b>137</b>	<b>1,709</b>
<b>Credit valuation adjustment risk</b>	<b>154</b>	<b>1,926</b>	<b>104</b>	<b>1,304</b>	<b>77</b>	<b>961</b>
<b>Total minimum capital requirements and risk exposure amount</b>	<b>2,659</b>	<b>33,237</b>	<b>2,658</b>	<b>33,226</b>	<b>2,664</b>	<b>33,295</b>
<b>Capital requirements for capital conservation buffer</b>	<b>831</b>		<b>831</b>		<b>832</b>	
<b>Capital requirements for countercyclical buffer</b>	<b>494</b>		<b>329</b>		<b>330</b>	
<b>Total capital requirements</b>	<b>3,984</b>		<b>3,818</b>		<b>3,826</b>	

<sup>1)</sup>The risk-weighted amount for counterparty risk according to CRR, Article 92(3)(f), amounts to SEK 1,768 million (1,186).



## CAPITAL ADEQUACY

### PARENT COMPANY, SEK million

	30 Sep 2016	30 Sep 2015	31 Dec 2015
CET1 capital	7,615	7,592	7,459
Tier 1 capital	10,615	10,086	9,953
<b>Total capital</b>	<b>15,064</b>	<b>13,086</b>	<b>15,400</b>
<b>Without transitional rules</b>			
Risk exposure amount	33,237	33,226	33,295
CET1 capital ratio, %	22.9	22.8	22.4
Excess <sup>1)</sup> of CET1 capital	6,120	6,096	5,961
Tier 1 capital ratio, %	31.9	30.4	29.9
Excess <sup>1)</sup> of Tier 1 capital	8,621	8,092	7,955
Total capital ratio, %	45.3	39.4	46.3
Excess <sup>1)</sup> of total capital	12,405	10,428	12,737
<b>With transitional rules</b>			
Own funds	15,094	13,127	15,449
Risk exposure amount	40,425	43,681	50,414
Total capital ratio, %	37.3	30.1	30.6

<sup>1)</sup> Excess capital has been calculated based on minimum requirements (without buffer requirements)

## NOTE 10 Lending to credit institutions

Of the Parent Company's lending to credit institutions, SEK 50,485 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 14,920 million at the end of 2015. 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.

## Financial calendar

Year-end report 2016	8 February 2017
Interim report January–March 2017	25 April 2017
Interim report January–June 2017	19 July 2017
Interim report January–September 2017	26 October 2017
Year-end report 2017	9 February 2018

SBAB's Annual General Meeting will be held on 25 April 2017 in Solna.

*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 the Swedish Securities Market Act, as well as in the guidelines contained in the Swedish Government's ownership policy and the guidelines for companies in which the Government is an owner. The information was submitted for publication on 28 October 2016 at 8:00 a.m. (CET).*

### Contact

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

Solna, 27 October 2016

Klas Danielsson  
CEO

# KEY PERFORMANCE INDICATORS, DEFINITIONS

<b>New lending</b>	Gross lending
<b>Deposits/lending</b>	Ratio of total deposits to total lending
<b>Net interest margin</b>	Net interest income in relation to average total assets
<b>Loan loss ratio</b>	Loan losses in relation to closing balance for lending to the public
<b>C/I ratio</b>	Total operating expenses in relation to total income
<b>C/I ratio excluding the net result of financial items measured at fair value and restructuring costs</b>	Total operating expenses less restructuring costs in relation to total income less net result of financial items measured at fair value
<b>Return on equity</b>	Earnings after tax in relation to average equity, adjusted for additional Tier 1 securities
<b>Return on equity excluding the net result of financial items measured at fair value and restructuring costs</b>	Earnings after actual tax, excluding the net result of financial items measured at fair value and restructuring costs, in relation to average equity, adjusted for additional Tier 1 securities
<b>Number of employees (FTEs)</b>	Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence