

SBAB Bank AB (publ)

Sustainability Report 2013

SBAB!

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SBAB in brief

SBAB Bank AB (publ), "SBAB", commenced operations in 1985 and is owned by the Swedish state.

SBAB's business concept is to provide a new banking experience to consumers in Sweden by treating every customer as unique and being the bank that is easiest to access and understand. The products are divided into three areas:

- Lending
- Savings
- Payments

The Lending area offers residential mortgages and retail loans to private individuals, and property credit to property companies and tenant-owner associations. Savings offers savings accounts and mutual funds to private individuals, and savings accounts to corporates and tenant-owner associations.

The Payments product area is being launched at an initial stage in 2014 and will offer simple payment and card solutions for private individuals.

In 2013, SBAB had approximately 480 employees, with offices in Karlstad, Stockholm, Gothenburg and Malmö.

Statement by the CEO

One of SBAB's most crucial assets is trust. Our business builds on our customers, owners, employees, investors, business partners and the general public having trust in SBAB and the values we represent. Consequently, it is our ambition to continue developing the company in such a way that we strengthen trust in SBAB.

For SBAB, sustainability entails the long-term creation of value. By generating value for the company's stakeholders and building trustful external relations, SBAB is able to achieve its vision and contribute to the positive development of society.

Issues of sustainability have always been important to SBAB and we went to considerable effort over the year to develop our sustainability work. In 2008, SBAB reported its sustainability work in accordance with the Global Reporting Initiative (GRI) for the first time and in 2009, we signed the UN Global Compact initiative which comprises principles concerning human rights, aspects of labour law, the environment and corruption.

In 2013, SBAB sharpened its focus on sustainability work. The Board of Directors and Executive Management of SBAB have adopted three strategic areas for SBAB as a sustainable company: sound finances, responsibility and transparency, and sustainable housing. Efforts in these target areas represent an important part of the company's continued development.

I perceive considerable opportunities for SBAB to grow in a manner that is sustainable in the long term and to contribute to a sound economy in society.

Per Anders Fasth
CEO, SBAB



Read more at
sbab.se

Objectives and strategies

Introduction

For several years, SBAB has worked with issues involving sustainable enterprise. Efforts have primarily focused on issues involving the responsible granting of loans, employee satisfaction, health and commitment, as well as endeavours to contribute to reduced energy consumption and environmental impact. Sustainability work is important both in securing the long-term generation of value in the company and in managing risks and opportunities associated with SBAB's operations.

The development of SBAB's business operations and external changes entail new challenges on which the company must take a stance. It is therefore important the sustainability work is conducted in a goal-oriented manner and with a clear strategy.

SBAB's responsibility as a bank

SBAB is a Swedish bank with housing financing and deposits as its predominant areas of business. SBAB is responsible for conducting sound and responsible lending, marketing and sales, and for contributing to financial stability and the positive development of society. SBAB's work in these areas is important in the company achieving its objectives. SBAB's vision is to create a new era in banking by offering a superior customer experience. The ambition is to develop the company in such a way that SBAB achieves this vision in a manner that contributes to long-term sustainable economic growth.

SBAB's targets as a sustainable company

In 2013, SBAB's Board of Directors and management were involved in designing SBAB's targets and strategy in sustainable business. In the autumn of 2013, a special working group was established including the Chairman of the Board, three other Board Members and five representatives from Executive Management, including the CEO and all Business Area Managers. The working group was tasked with preparing proposals for long-term sustainability targets for SBAB to be adopted by the Board of Directors.

In December 2013, the Board of Directors of SBAB adopted three target areas of particular importance to SBAB as a long-term sustainable company:

- Sound finances
- Responsibility and transparency
- Sustainable housing

In each target area, SBAB has adopted several directly measurable targets that can be followed up. Beyond the targets mentioned above, SBAB also conducts several activities to achieve set targets on economic sustainability, social sustainability and environmental sustainability.

Three overarching target areas

Sound finances

As a bank, SBAB bears a particular responsibility. This involves contributing to customers' financial security and, as part of the financial system, safeguarding a long-term sustainable economy in society. Sound finances are a prerequisite to SBAB being able to achieve this and to being able to conduct long-term sustainable business operations. Actual outcomes in terms of return on equity, Common Equity Tier 1 capital ratio and rate of dividends determine the degree of target achievement in this area.

Responsibility and transparency

For SBAB, responsibility and transparency involve working for responsible lending, marketing and sales. Component targets in this area are satisfied customers who perceive that SBAB states its prices and product terms clearly and openly, and a low loan loss rate. Through openness and transparency, SBAB seeks to improve the reputation of the banking and finance sector.

SBAB's responsibility as an employer also forms an important part of this target area and should lead to a high proportion of motivated employees.

Sustainable housing

SBAB has extensive experience and knowledge in funding of housing. Issues affecting homes and housing are deeply rooted in the company's culture. Sweden faces numerous social challenges that are economically, socially or environmentally linked to housing. Being highly committed to sustainable housing, SBAB seeks to contribute to the positive development of society.

SBAB has a specific objective of contributing to the financing of new housing production and, in cooperation with others, to initiate activities to improve the housing environment in particularly exposed areas. Furthermore, it is SBAB's ambition to be able to contribute to reduced energy consumption in Swedish households.

Stakeholder dialogue

For SBAB, an active and frequent dialogue with stakeholders is an important tool in being able to prioritise the right sustainability issues.

Stakeholder and materiality analysis

In 2013, SBAB intensified its dialogue with stakeholders by means of a stakeholder and materiality analysis. SBAB asked representatives of different stakeholder groups what sustainability issues were of greatest importance for SBAB today and over the upcoming years. Through qualitative telephone interviews, opinions and perceptions were gathered from representatives of SBAB's prioritised stakeholder groups:

- Customers
- Owner
- Employees
- Investors

Sector and stakeholder organisations associated with the bank and property sector also participated in the analysis.

Some of the areas that stakeholders highlighted as crucial to SBAB being a sustainable company were:

- Economic stability and profitability
- Sound and responsible lending
- Customer satisfaction
- Good business ethics
- Clear social commitment

Customers

SBAB communicates with customers mainly by telephone and via the Internet. The Customer Centre in Karlstad responds to customer enquiries regarding SBAB's products and services, and receives viewpoints and suggestions for improvement.

SBAB conducts customer surveys to obtain a clear picture of customers' views of the company. These include Swedish Quality Index's (SQI) annual customer survey, as well as regular measurements using the customer loyalty measure Net Promoter Score (NPS). In 2013, SBAB also recruited a customer panel comprising some 700 customers to gather customer views and experiences in a structured way.

A further way for SBAB to conduct a dialogue with customers is via www.sbab.kundo.se, Facebook and Twitter.

The owner

SBAB is wholly owned by the Swedish state. The owner's governance of SBAB occurs through the Annual General Meeting, the Board of Directors appointed by that Meeting in accordance with the Companies Act, the Articles of Association, and internal guidelines. SBAB applies the Swedish Government's ownership policy, in which the Government states the assignment and objectives, applicable frameworks and stance on key matters of principle regarding corporate governance in government-owned companies. The ownership policy also requires that SBAB adhere to the Swedish Code of Corporate Governance.

The Chairman of the Board and CEO of SBAB meet with the Ministry of Finance on a quarterly basis to account for SBAB's development, including developments in sustainable business.

Additionally the Ministry of Finance regularly organises networking meetings with representatives of government-owned companies to discuss sustainability issues in particular. In 2013, SBAB participated in four such meetings, which are also valuable opportunities to discuss how other government-owned companies work with issues of sustainability.

Employees

SBAB is a relatively small organisation with short decision-making paths, whereby information on the company's vision, targets and results is readily available to all employees. SBAB pays attention to employees' opinions and viewpoints in different areas through the annual employee survey and employee dialogues.

SBAB holds regular monthly and departmental meetings to disseminate information and to pursue a dialogue with employees. The "Ask management" function on SBAB's intranet is also used. This allows employees to anonymously pose questions to Executive Management and to receive answers.

Investors

SBAB regularly meets Swedish and international investors. The purpose is to keep investors well-informed about SBAB's activities, the company's bonds and strategies and to describe the situation in the Swedish economy. SBAB seeks a close dialogue with investors, providing them opportunities to pose questions on the company's operations, since this lays the foundation for their investment decisions.

For SBAB, the dialogue with investors provides a greater understanding of what issues are important to investors.

Economic sustainability

Economic stability and profitability

Sound finances – economic stability and profitability – are decisive to SBAB being able to conduct long-term business operations. They are also prerequisite to SBAB being able to contribute to customers' financial security. SBAB forms part of the financial system and with sound finances, SBAB has the prerequisite conditions to contribute to a sound economy in society.

Financial targets

The 2013 General Meeting adopted the following economic targets affecting SBAB's profitability, capital structure and dividend policy:

Economic targets and key figures

SEK billion	Objectives 2014	2013	2012	2011	2010
Return ¹⁾	≥10%	9.5%	4.2%	4.2%	7.5%
Common Equity Tier 1 capital ratio ²⁾	18-20%	23.3%	16.4	15.0	14.1
Dividend ³⁾	>40%	-	-	-	-

¹⁾ Return on equity is to be calculated as net profit/loss for the year divided by average equity.

²⁾ The Common Equity Tier 1 capital ratio is to be calculated in accordance with current regulations and the definitions applicable under Pillar 1, without transitional rules.

³⁾ Ordinary dividends are to be calculated based on profit for the year after tax and taking the Group's capital structure into account.

Profit/loss and balance sheet items, SBAB Group

	2013 Jan-Dec	2012 Jan-Dec	%
INCOME STATEMENT ITEMS			
Net interest income, SEK million	1,963	1,941	1
Other operating income ¹⁾ , SEK million	-70	-693	-
Expenses, SEK million	-815	-728	12
Loan losses, SEK million	7	-20	-
Profit, excluding net result from financial instruments, SEK million	1,046	1,101	-5
Operating profit, SEK million	1,085	500	117
Net profit for the year, SEK million	873	360	143
BALANCE SHEET ITEMS			
Lending, SEK billion	258.7	255.9	1
Doubtful loan receivables after individual provisions, SEK million	15	13	8
Deposits, SEK billion	45.9	27.7	66
Funding, SEK billion	243.9	253.9	-4

¹⁾ Includes net result from financial instruments and net commission.

Outcome 2013

Return on equity for 2013 was 9.5%, which was short of the target of 10%. The Common Equity Tier 1 capital ratio was 23.3%, which was above the target of 18-20%. The Board of Directors proposes that profit for 2013 be carried forward and that no dividend be paid. The reason for this is that the Swedish Financial Supervisory Authority has announced further rises in the risk-weight floor for residential mortgages, which would increase the need for equity.

One way of measuring how SBAB generates economic value for stakeholders is by presenting data on the financial value generated and how this is distributed.

Direct economic value generated in accordance with GRI (indicator EC1). Income, 2013: SEK 1,900 million



- Employee salaries and remunerations, SEK 341 million
- Operating expenses, SEK 413 million
- Disbursements to public sector, SEK 212 million
- Retained economic value, SEK 935 million

Responsible granting of loans

SBAB endeavours to offer financial products that are sustainable in the long term – for individuals, as well as for companies, tenant-owner associations and society in general.

SBAB bears a responsibility to conduct sound, long-term lending operations and the company endeavours to do that. This lays the foundation for trustful customer relations. By being easy to access and understand and by striving to be clear and transparent in the lending process, we should make customers feel secure in their undertaking and in SBAB as a lender.

The lending process

SBAB's granting of loans is based on a thorough credit evaluation that elucidates whether customers have the financial capacity necessary to be able to meet their commitments. Foremost, the customer's repayment capacity is assessed. Loans are not approved if repayment capacity cannot be ascertained. Secondly, any collateral for the loan is assessed. The credit evaluation for private individuals includes a calculation of housing costs.

Calculation of housing costs

+ Borrower's income ¹⁾
- Housing expenses ²⁾
- Living expenses ³⁾
= Surplus (or deficit)

¹⁾ Stated income is checked using, among others, credit information service UC.

²⁾ Amortisation, running costs, monthly fees and stressed interest rates.

³⁾ In accordance with the Swedish Consumer Agency's guidelines – taking the number of minors and adults in the household into account.

If this calculation indicates a sufficient surplus, the loan can be approved on the condition that there are no other circumstances indicating that SBAB should not approve the loan. If the calculation indicates a deficit, the loan is not approved.

For residential mortgages from SBAB, collateral is posted in the form of a mortgage on a property or a participation in a tenant-owner association. The loan may be equivalent to at most 85% of the value of the home. This limit, the mortgage ceiling, was introduced in 2010. In total, 11% of SBAB's portfolio consists of loans with a loan-to-value ratio of more than 85% – a percentage that is decreasing over time. SBAB works continuously to update its lending process to always maintain a high level of quality in its granting of loans.

Repayment

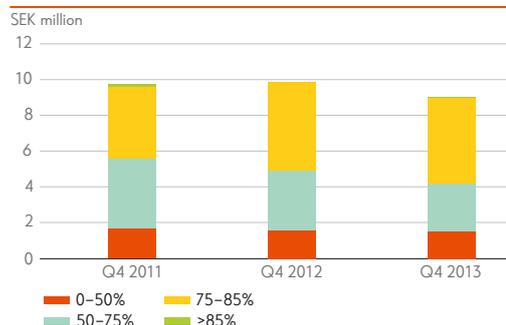
SBAB takes the view that repayment contributes to sound household economy. More than two thirds of SBAB's residential mortgage customers amortise at least one of their loans and an amortisation requirement is imposed on all new residential mortgages with a loan-to-value ratio of more than 75%, as well as for unsecured loans. Over the year, SBAB worked to develop clearer guidelines regarding amortisation on residential mortgages.

In the autumn, the Swedish Financial Supervisory Authority submitted a proposal that Swedish banks should offer customers individual amortisation plans and the Swedish Bankers' Association has changed its recommendation in accordance with the proposal. The proposed changes are in line with SBAB's view on amortisation and the company intends to follow these as soon as the necessary adaptations to systems and processes have been implemented.

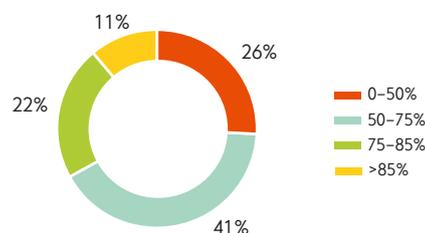
Transparent pricing of residential mortgages

Transparent and straightforward pricing of residential mortgages forms part of an open and trustful customer relation. SBAB's pricing of residential mortgages is based on the current listed rates for each maturity published by SBAB on www.sbab.se. The customer's specific interest rate is presented as a deviation from the rate. The size of the deviation is based on the size of

New lending, fourth quarter 2011–2013



Loan portfolio (% as per 31 December 2013)



the customer's mortgage with SBAB and the loan-to-value ratio of the commitment. The loan-to-value ratio can be described as the proportion of loan in relation to the market value of the home. As a supplement to basic pricing, SBAB can occasionally apply temporary offers on clearly stated terms.

Credit management

SBAB has a responsibility and willingness to help customers who encounter temporary payment problems. The ambition is to early on establish a dialogue with the customer, whereby SBAB tries to help the customer find a way out of the situation that has arisen. The customer has an opportunity to discuss with SBAB the often difficult decisions that must be taken.

SBAB works with a continuous process of change to enhance the credit process and minimise loan losses. During 2013, SBAB's credit management implemented a preventive insolvency process in connection with its visits to 28 tenant-owner associations in locations with high unemployment and depopulation. SBAB has held discussions with and helped association achieve better and sounder finances to avoid them becoming insolvent. In turn, this also affected the individual tenant-owners positively.

Loan losses

Loan losses represent an indication by which SBAB can assess how well the credit process works and is a measure of the bank's assumption of responsibility towards customers and owners. Based on adopted risk tolerance levels, SBAB always seeks to minimise loan losses. SBAB's loan losses for 2013 amounted to a positive SEK 7 million (neg 20), corresponding to a loan loss level of negative 0.00% (pos 0.01).

Long-term savings

Savings represent an important element in a bank's offering. This affords customers the opportunity to gain a return on their savings capital and to be able to invest for the future.

Savings accounts

SBAB offers private individuals, companies and tenant-owner associations savings accounts with simple terms in the shape of:

- Interest from the first krona
- No commitment period
- No fees
- Free withdrawals
- National deposit guarantee on amounts up to EUR 100,000

Savings funds

During the spring of 2013, SBAB launched a mutual fund offering consisting of:

- SBAB Fri – the free-of-charge mutual fund¹⁾
- SBAB Savings fund Short-term¹⁾
- SBAB Savings fund Average-term¹⁾
- SBAB Savings fund Long-term¹⁾
- 20 elective mutual funds from external fund managers

¹⁾ SBAB's mutual funds are managed by Öhman Fonder AB. SBAB Fri - the free-of-charge mutual fund, is a share-index mutual fund that is completely free of charges and that has the objective of shadowing the development of the 30 most traded companies on the Stockholm Stock Exchange.

SBAB also offers 20 mutual funds from various fund managers chosen by SBAB. Through these elective funds, customers have the opportunity to build up their own fund portfolio.

SBAB weighs in sustainability issues involving ethics and the environment, for example, as part of the process of evaluating what fund managers it should cooperate with. An example of this is SPP whose funds are managed in accordance with the Storebrand Group's model for Socially Responsible Investments (SRI).

Clear fund fees

The annual fee is a standardised measure developed to make it possible to compare what different funds cost. The annual fee includes, for example, the management fee, custodial costs, registration fees and other rule-based fees. Since SBAB's three savings funds have only recently been launched, the annual fee is an estimation.

The management fee that forms part of the annual fee is the fee that the customer pays for the management, administration, accounting and auditing of the fund.

Fees not included in the annual fee or the management fee are:

- Performance-based fees are fees charged to the fund when the manager succeeds in delivering a return that is better than the comparison index.
- Costs associated with trade in the fund's holdings – so-called transaction costs or brokerage.
- Buying and selling fees are fees imposed, where applicable, when the customer buys or sells participations in a fund. These are charges imposed by the distributor in certain cases and are not charged to the fund. SBAB does not charge buying and selling fees in the distribution of funds.

SBAB's savings funds

	Savings horizon	Management fee	Estimated annual fee	Distribution of asset categories		
				Share funds	Fixed-income Funds	Alternative assets ¹⁾
SBAB Savings fund Short-term	>3 years	0.9%	1.2%	20% (+/- 10%)	70% (+/- 20%)	10% (+/- 10%)
SBAB Savings fund Average-term	>5 years	0.9%	1.2%	50% (+/- 20%)	35% (+/- 15%)	15% (+/- 10%)
SBAB Savings fund Long-term	>7 years	0.9%	1.3%	75% (+/- 25%)	10% (+/- 10%)	15% (+/- 15%)

¹⁾ Alternative assets in the shape of commodities, real estate and hedge funds.

Counteracting financial crime

SBAB works actively to prevent exploitation of the company for criminal activities. As the bank extends its operations, the measures taken to prevent SBAB from being misused for criminal activities are also extended. Different forms of transaction monitoring and other checks ensure that fraudulent activities are kept at a low level.

SBAB's operations shall be conducted in such a manner that the risk of the bank being used for money laundering or financing of terrorism¹⁾ is minimised. An overarching risk assessment is made at least once annually to identify risks and undertake measures to prevent SBAB from being used for money laundering. As new products and services are developed, these are also encompassed by risk assessment of this kind. A thorough awareness, combined with delimited operations, careful procedures and on-going checks, minimises the risk of SBAB being used for money laundering or financing of terrorism.

Collateral

Collateral represents an important area within SBAB and is part of SBAB's economic responsibility. Consumer protection and bank confidentiality are of great importance for customers' trust in SBAB. Security and the proactive protection of SBAB's customers form part of the management and development of products and services.

During 2013, a security strategy was developed within SBAB, focusing on the changed security needs entailed by SBAB's development into a consumer bank. The focus is on dealing with fraud, IT security, data security and process development. In addition, SBAB's risk reporting will be developed to encompass Key Risk Indicators (KRIs) in the area of security.

As part of the strategy process in the area of security, SBAB's governing instructions and guidelines in this area are being reworked and adapted in accordance with international standards for data security. SBAB has reworked its continuity plans to adapt these to the requirements set out in GL-44.

Knowledge of finance

SBAB seeks to disseminate knowledge of finance to its stakeholders in different ways. This is achieved primarily through the Economic Research unit and the Corporate clients & Tenant-owner associations business area.

Economic Research unit

SBAB's chief economist and private sector economist are financial experts who conduct independent analyses on aspects of macroeconomics and private sector finance. They also act as public spokespersons on such matters and work to share and disseminate information, knowledge and skills to investors, employees, customers, the public and the media. This work is conducted in many ways and through multiple communication channels.

Corporate clients & Tenant-owner associations

SBAB's Corporate clients & Tenant-owner associations business area regularly visits trade fairs and holds seminars for trustees or board representatives from tenant-owner associations. In 2013, SBAB participated in 15 trade fairs, at which SBAB had the opportunity to share its knowledge and experiences on how the boards of associations can work to spread their associations' risks.

SBAB also arranges seminars, at which the company invites other experts in the sector to talk about, board liability, efficiency measures or new legislation affecting housing associations, for example. In 2013, SBAB arranged six such seminars.

¹⁾ In the continued text, financing of terrorism is included in the concept of money laundering.

Social sustainability

The starting point for SBAB's work in the area of social sustainability includes the company's direct responsibility as employer towards all of its employees. This responsibility also encompasses issues concerning the shared workplace. Having employees who are satisfied and healthy, and who have opportunities to develop in their professional roles is prerequisite to SBAB being an attractive workplace. Issues of equality and diversity are important because they involve human rights but also because SBAB as a company shall be able draw benefit from all of the expertise and experience needed for the company to achieve its established goals.

By working with issues of housing and housing environment, SBAB also perceives an opportunity and a responsibility to contribute to the positive development of society. SBAB has identified this as a strategically important target area, which it refers to as "sustainable housing".

SBAB's responsibility as an employer

SBAB strives to have committed and motivated employees. The ambition is for SBAB to always be a healthy workplace where people thrive, feel comfortable and can develop. To achieve this, it is important that our employees are familiar with SBAB's values – simple, customer-driven and bold – and that they base their work on these values. During 2013, a process was therefore conducted regarding SBAB's vision, values and personal leadership.

To meet current and future challenges, SBAB recruited new employees during the year. Over the year, 82 (48) employees started work at SBAB and 31 (36) left the company. This means that, by the end of 2013, SBAB had a total of 474 (413) employees, excluding temporary staff.

Leadership

SBAB's managers bear a considerable responsibility in motivating and engaging employees. Over the year, an evaluation program was carried out, including seminars and leadership courses for managers, leadership training, work group development and workshops throughout the company. The purpose was to reach a consensus on SBAB's vision and how the business objectives are to be achieved. Managers also bear great responsibility in contributing to the development of the bank and its employees by conducting regular employee dialogues. These dialogues result in personal business and development plans, in which employees' goals are linked to those of the bank in general.

Training and skills development

Skills enhancement programs are carried out continuously within SBAB. Over the year, the Compliance function implemented internal training courses in areas

such as money laundering and ethics, including corruption. The courses were mainly been aimed at client managers within Retail Market. A total of 65 employees attended the courses which were conducted on four occasions during the year.

Key employee figures

Key figures	2013	2012	2011	2010
Satisfied employees	70	70	73	77 ¹⁾
Female executives at year-end, %	41	44	39	33
Positions at year-end, of which, held by women	474 266	414 232	399 232	382 218
Average age, years	42	42	42	42
Personnel turnover, %	7	9	14	4
Short-term sickness absence, %	2.0	1.9	1.9	1.6
Long-term sickness absence, %	0.7	0.2	0.6	0.9
Total sickness absence, %	2.7	2.1	2.5	2.5
Use of health-promotion contribution by all employees, %	76	78	69	65
Proportion of male employees, receiving parental leave allowance, %	28	41	33	16

¹⁾ Prior to 2011, the employee satisfaction survey (Tempen) was conducted internally. The results have been recalculated for comparison with employee satisfaction surveys conducted with external help.

Employee Survey

To improve SBAB, an annual employee survey is carried out, in which employees answer questions concerning job satisfaction, motivation, commitment, leadership and personal development. Specific results are provided for each department or group, enabling them to develop a plan of action for improvement.

The 2013 employee satisfaction survey (see page 10) revealed that SBAB continues to maintain a favourable level compared with the industry average in Sweden. However, the results were slightly lower in certain areas compared with the preceding year. Employees' average assessment of the professional and personal development decreased slightly, as did their assessment of their immediate managers. Confidence in the management team has been strengthened.

In addition to the employee survey, SBAB also implements a quarterly brand survey to ascertain how customers, employees and the public's attitude and perception of SBAB's brand are developing over time.

Employee dialogue

During the year, each employee shall have an employee dialogue with his/her immediate manager. In these interviews, which comprise a personal business plan, the employee's objectives are linked to the bank's overall business plan, enabling everyone to see their contribution to the overall situation. The aim is that all

Results from external employee satisfaction survey (ESS)

Questions/areas	2013		2012		2011	
	ESS ¹⁾	Sector ²⁾	ESS ¹⁾	Sector ²⁾	ESS ¹⁾	Sector ²⁾
Overall employee satisfaction	70	73	70	70	73	71
Professional and personal development	65	66	68	64	70	65
Immediately superior manager						
Professional competence	81	77	83	73	84	75
Leadership qualities	74	67	77	63	78	65
Manager works persistently towards set goals	79	n.a.	82	n.a.	81	n.a.

¹⁾ ESS = Employee Satisfaction Survey conducted among SBAB's employees.

²⁾ Average sector index.

employees will have an employee dialogue and a follow-up review annually. During 2013, 81% (80) of the bank's employees took part in an employee dialogue. New recruitment and internal reorganisation explain why not all employees had dialogues.

Equality and diversity

Among other reasons, equality and diversity are important at SBAB in order for employees to thrive and be able to make good decisions. All employees are to have equal rights, responsibilities and opportunities regarding every aspect of the workplace, regardless of gender, transgender identity or expression, ethnicity, religion or other beliefs, sexual orientation, functional disabilities or age. Equality and diversity must always be considered in the recruitment process. SBAB endeavours to attract both male and female applicants from diverse backgrounds. The bank's target is a 50/50 gender distribution between men and women among managers with HR responsibilities. At year-end, 41% (44) of managers were women, a decrease compared with 2012.

Distribution of male and female managers

Key figures	Objectives 2014	2013	2012	2011
Female executives at year-end, % ¹⁾	50/50	59/41	56/44	61/39

¹⁾ Percentage distribution between men and women in managerial positions.

With regard to ethnic and cultural diversity, SBAB has the ambition of providing customers with service in more than 10 languages. Today, SBAB can serve customers in seven different languages; Swedish, English, Farsi, Norwegian, Arabic, Russian and Serbo-Croatian.

Young adults

Many young adults (aged 20-27 years) currently find it difficult to establish themselves in the labour market. For SBAB, young adults represent an important asset and the company is trying in various ways to engage students and trainees in its operations. In 2012 and 2013, SBAB's Customer Service unit in Karlstad regularly worked with students from the University of Karlstad via a resource pool. The students have been required to undergo a comprehensive introduction programme equivalent to six weeks of full-time activity.

In 2013, SBAB had on average 65 (80) students per month in the resource pool, equivalent to about 24 (30) full-time positions. Of these, 13 (4) students were given permanent employment in 2013.

At the Business Development unit in Stockholm, in 2013, SBAB hired in 14 recently graduated software developers, of whom 13 have been given permanent employment at SBAB.

In Stockholm, SBAB also had two interns in 2013. One of these spent 10 weeks performing practical assignments within the Credit and Risk and Legal units, the other within Purchasing and Service.

Salary review

SBAB conducts regular salary reviews to prevent any systematic or unreasonable salary differences. One of these was performed in 2013 and, in cases where unreasonable salary differences were identified, an action plan was established for future salary revisions. In the 2013 salary review, SBAB made a special prioritisation to ensure that women's salaries were in line with men's salaries for equal work.

Workplace bullying

If workplace bullying is reported, the company has procedures in place for investigating and taking remedial action. Reports are made to immediate superiors who then contact the HR department. Alternatively, employees can approach the HR department directly. If the employee belongs to a union, a representative from that organisation is brought into the investigation. No known cases of workplace bullying occurred at SBAB in 2013.

Age distribution

	Percentage distribution (%)		
	Women	Men	Total
20-29 years	9.0	8.5	17.5
30-39 years	12.5	12.9	25.4
40-49 years	19.4	12.1	31.5
50-59 years	11.7	7.9	19.6
60-69 years	3.5	2.5	6.0
Total	56.0	44.0	100.0

Length of employment	Percentage distribution (%)		
	Women	Men	Total
<3 years	19.2	21.0	40.2
4-6 years	7.1	7.7	14.8
7-9 years	3.3	3.5	6.9
10-12 years	4.0	0.8	4.8
13-15 years	10.6	2.7	13.3
>16 years	11.9	8.1	20.0
Total	56.0	44.0	100.0

Fitness and health

SBAB is working in various ways to improve employee health. Beyond direct health-promotion initiatives, such as a health-promotion contribution, health-promotion hour, free access to a gym, subsidised medical insurance, free medical care and medication, the company also appoints health and wellness ambassadors whose role is to inspire employee participation in a range of activities. The physical work environment is continuously improved through better ergonomics, air, lighting and noise levels. In October 2013, SBAB also carried out a health week, during which breakfast lectures were mixed with inspiring fitness activities such as running, yoga and massage.

In 2013, four cases of work-related injuries were reported to the Swedish Social Insurance Agency, compared with three cases in 2012.

Achieving a balance in working life is important. SBAB makes this easier by offering flexible working hours, as well as supplemental parental payments to employees who are at home with children under 18 months. The company also works proactively to prevent long-term illness. This is achieved through close contact with employees, managers, the company healthcare service and the Swedish National Insurance Office. The bank also seeks to identify flexible solutions that enable employees to return to work on a part-time basis. Over the year, sickness absence at SBAB was 2.7% (2.1). Read more about sickness absence in SBAB's Annual Report, Note 8.

Reporting irregularities

SBAB nurtures a sound, positive culture within the company and all employees are responsible for acting ethically. SBAB has begun work to establish a process that provides opportunities for all employees to report any irregularities in a structured manner. This process will be implemented during the second quarter of 2014.

Customer satisfaction

SBAB's ambition is to always work in the customer's best interests. Satisfied customers have confidence in SBAB and confidence is an important prerequisite to SBAB being a successful bank. SBAB measures customer

satisfaction on an annual basis using the Swedish Quality Index (SQI) annual survey. For 2013, the result was a score of 69.5 for SBAB Retail Market, which was lower than the 2012 result but higher than the industry average. The result for SBAB Corporate Market was a score of 68.3, which was an improvement on 2012.

Customer satisfaction – results of confidence surveys

Key figures	2013	2012	2011	2010
SQI Retail market ¹⁾	69.5	74.0	69.8	71.7
SQI Tenant-owner associations	69.0	71.0	72.2	74.3
Reputation Index ²⁾	60.9	61.5	63.5	64.3

¹⁾ The objective for Retail Market is first position in SQI by 2014.

²⁾ Index figure in Reputation Index from Nordic Brand Academy (NBA).

SBAB has also conducted a customer survey regarding Net Promoter Score (NPS) where the question asked was "How likely are you to recommend SBAB to a friend or colleague?" SBAB's result was NPS 15. The customers who recommend SBAB specifically identify the following reasons:

- It is easy to get in touch with SBAB
- SBAB is a stable and secure actor
- Good customer service

Sustainable housing

Sustainable housing is one of three strategically important target areas for SBAB as a sustainable company. This target area was adopted by SBAB's Board of Directors in 2013 against the background of social challenges that are economically, socially or environmentally linked to housing. Since SBAB has extensive experience and knowledge in matters relating to housing finance, the company perceives an opportunity to contribute in various ways to a sustainable housing and the positive development of society.

SBAB has identified three areas on which continued efforts will focus:

- Financing of new housing production
- Social commitment to improving the housing environment in exposed areas where SBAB operates
- Reduced energy consumption in Swedish homes

There is substantial demand for homes in Sweden, particularly in the metropolitan areas. In its Corporate clients & Tenant-owner associations business area, SBAB contributes to the financing of new housing production and the ambition is to extend the venture in this area.

During 2014, SBAB will, in cooperation with partners, conduct activities to improve the social housing environment in particularly exposed areas where SBAB operates. In 2013, SBAB collaborated with the Stockholms Stadsmission (Stockholm City Mission) and Ny Gemenskap (New Community) to help reduce homelessness.

Environmental sustainability

SBAB's environmental impact

SBAB seeks in various ways to contribute to positive social development that benefits the climate and the environment. SBAB primarily seeks to decrease the direct environmental impact of its operations. This is achieved by, for example, SBAB purchasing green electricity from renewable energy sources, structured recycling efforts, prioritising rail travel rather than air travel and by SBAB's 16 company cars being environmentally classed.

SBAB's ambition is to develop its operations in a manner that, at the same time, entails reduced carbon emissions. For this reason, SBAB has measured the company's own environmental impact since 2008. The goal is to reduce carbon emissions in relation to the extent of the operations by 20% from 2011 to 2014 (an annual reduction of approximately 5%)¹⁾.

For 2013, carbon dioxide emissions per adjusted number of employees increased by 18%. The main explanation why the target was not achieved was that floor space increased by about 11% over the year. Moreover, the number of journeys made by air increased compared to 2012, largely due to increased travel associated with reorganisation in the Corporate clients & Tenant-owner associations business area.

More than 50% of SBAB's carbon emissions derive from electricity. Consequently, measures contributing to reduced electricity and energy consumption will be important for the company in achieving its carbon target.

Key environmental figures

Key figures	2013	2012	2011
Total emissions (tonnes CO ₂)	276.7	237.5	238.7
Adjusted number of employees	554	561	529
Average number of employees	449	413	419
Consultants (restated as average number of full-time equivalents)	105	148	110
Total emissions (tonnes CO ₂ per adjusted number of employees)	0.499	0.423	0.451
Percentage change in CO ₂ emissions ²⁾	17.9%/0.6%	-6.2%/15.7%	-10.2%/10.2%
Total business travel (tonnes CO ₂)	86	74	103
Business travel, car (1,000 kms/ tonnes CO ₂)	185/24.1	205/24.8	223/27.5
Business travel, train (tonnes CO ₂) ³⁾	86%/9.1	88%/8.3	87%/8.7
Business travel, air (tonnes CO ₂) ³⁾	14%/52.9	12%/40.8	13%/66.7

¹⁾ The scope of operations is measured in terms of the adjusted number of employees, which comprises the total of the average number of employees and contracted consultants restated in terms of full-time equivalents.

²⁾ Reduction during the relevant year as well as the total reduction since 2010. The measurement is based on CO₂ emissions in 2010, which amounted to 240 tonnes or 0.502 tonnes per adjusted number of employees. The CO₂ target is set in relation to the scope of operations and measured per the adjusted number of active employees.

³⁾ Percentage of the number of business trips taken, excluding car journeys.

In 2014, SBAB will revise its environmental work and set new targets for environmental and climate efforts based on the current scale of operations.

Furthermore, SBAB is working to impose environmental and energy requirements on its customers. For example, the requirements for environmental certification of buildings in connection with new housing production, are increasing. SBAB will also study the possibility of establishing incentives for customers to help them reduce energy consumption in their homes.

Total carbon emissions (tonnes CO₂)

Source of emissions	2013	2012	2011
Vehicle fuel	24.1	24.8	27.5
District heating	47.9	37.9	36.9
Electricity	139.8	125	98
Train	9.1	8.3	8.8
Air travel	52.9	40.8	66.8
Residual waste and paper	2.9	0.5	0.6
Total	276.7	237.5	238.6

Business travel

Type of travel	No. of trips		
	2013	2012	2011
Train	2,983	2,704	3,654
Air (domestic)	212	117	359
Air (international)	254	253	202
Total	3,449	3,074	4,215

Green bonds

It is important that SBAB takes its indirect environmental impact into account. By purchasing green bonds, SBAB is offered the opportunity to invest in projects that lead to reduced energy consumption and environmental impact.

It has been SBAB's ambition to increase its holdings of green bonds, within the framework of the current investment policy. Consequently, during the year, SBAB invested in an additional Climate Awareness Bond, issued by the European Investment Bank (EIB). This project also finances projects linked to energy efficiency enhancement (for example district heating and additional insulation) and the development of renewable energy (wind power, hydroelectric power and solar energy). Financing these projects contributes to making Europe's energy supplies more sustainable, safe and competitive, which also contributes to the EU attaining its climate objective for 2020.

SBAB's holdings of green bonds

	Invested capital (SEK million)	
	2013	2012
Climate Awareness Bond (CAB)	215	100

Reporting and governance of sustainability work

Reporting

SBAB reports its sustainable development work on the basis of GRI 3.0, level C+. Reports encompass the Parent Company, SBAB Bank AB (publ), and the wholly owned subsidiary, AB Sveriges Säkerställda Obligationer (publ), (Swedish Covered Bond Corporation. "SCBC"). SCBC's operations are pursued by employees of the Parent Company and the applicable rules and guidelines encompass both companies.

SBAB reports on specific indicators depending on their relevance and the availability of data and information. The quality of the reporting is assured by independent auditing and confirmation. More information about sustainable development and policies is available at sbab.se.

Governance of sustainability work

For SBAB to be a sustainable company, sustainability work must be integrated into its operations. To achieve this, SBAB has the following functions that govern and follow up its sustainability work:

Board of Directors

SBAB's Board of Directors determines SBAB's long-term sustainability targets, as well as the policy for sustainable business and the ethics policy. Furthermore, the Board monitors and assesses SBAB's sustainability work.

Executive Management

The Executive Management bears the overall responsibility for sustainability work within the company being run in a manner that results in the accomplishment of the adopted objectives. Effective from 2014, the areas of responsibility will be divided between the business area and department managers, and will be included in annual business planning.

Sustainability Council

SBAB's Sustainability Council is a body that advises management on the coordination and implementation of sustainability work in operations. The Sustainability Council consists of the CEO, the Head of Communications & HR, Chief Legal Counsel, representatives from the operations and the coordinator of SBAB's sustainability work.

Coordination of sustainability work

The function for the coordination of SBAB's sustainable enterprise work is assigned to Communications & HR. The coordination of sustainability work entails leading and coordinating SBAB's efforts to achieve the adopted sustainability goals.

Business environment

The world around us is constantly changing, entailing new challenges to which SBAB must respond. Some of the external factors affecting SBAB are:

1. Economic trends in Sweden and Europe
2. Increased importance of responsibility and transparency
3. Climate change
4. Regulatory changes affecting banks
5. Increased expectations and demands from stakeholders

1. Unemployment, stability in the financial market and economic growth in Sweden and Europe are some of the key factors that will directly or indirectly affect SBAB's operations. Through financial stability and profitability, it is SBAB's objective to be well-equipped to cope with external changes.

2. The importance of responsibility and transparency is increasing, particularly in the bank sector. SBAB seeks to contribute through responsible granting of loans, marketing and sales. SBAB's pricing and product terms are to be formulated in such a way that customers can easily understand the company's offering.

3. Climate change has a global impact on the planet and the conditions for life. In Sweden, homes and premises accounted for about 34% of total energy consumption in 2011¹. SBAB has an opportunity to contribute to reduced energy consumption by creating incentives for Swedish property owners to choose energy-smart solutions. Consequently, during 2014, SBAB will examine the possibilities for the company to develop a customer offering of this kind.

4. Several regulatory changes affecting banks are now being implemented at the national and international levels. Increased capital adequacy and liquidity regulations, increased demands on the identification and management of operational risks, increased demands in IT, as well as internal governance and control are among the changes that will affect SBAB over the up-

coming years. Among other reasons, these changes are taking place to make the financial system more robust and resilient to crises.

5. SBAB's stakeholders are imposing increasingly rigorous requirements on the company's work and actions. This is highly important for SBAB, since it is by understanding its stakeholders' expectations that SBAB can become a better company. A continuous dialogue with the company's stakeholders will be an increasingly crucial component in the process of developing SBAB into a successful and long-term sustainable company.

The G4 accounting standard

SBAB currently reports its sustainability work in accordance with GRI 3.0, an accounting standard developed by the Global Reporting Initiative (GRI). On 22 May 2013, GRI launched a new accounting standard, G4, which replaces the earlier standard. One of the key differences between GRI 3.0 and G4 is that G4 focuses on sustainability factors that are of significance to the operations. All companies reporting in accordance with GRI have the opportunity to report in accordance with GRI 3.0 for 2013 and 2014. After that, reporting is to be conducted in accordance with G4.

SBAB will decide during 2014 when it will commence reporting in accordance with G4.

¹⁾ "Energy Situation in Sweden", Swedish Energy Agency, 2013.

International and national agreements

SBAB has signed the following international and national agreements:

UN Global Compact

In 2009, SBAB signed the UN Global Compact initiative which comprises principles concerning human rights, aspects of labour law, the environment and corruption. The Global Compact comprises ten principles aimed at corporates. These principles are based on the UN Declaration on Human Rights, the ILO's basic conventions on human rights in working life, the Rio Declaration and the UN Convention against Corruption.

Each year, SBAB issues a Communication on Progress (COP) to the UN Global Compact to account for the company's efforts regarding the ten principles.

ECPAT Sweden and the Swedish Financial Coalition against Child Pornography

In November 2012, SBAB signed a partnership agreement with ECPAT Sweden. The partnership serves to work proactively to counteract the dissemination of child pornography materials. Among other efforts, this involves training for key individuals, external and internal information and the issue being addressed in SBAB's internal policies, instructions and guidelines.

SBAB is a member of the Swedish Financial Coalition against Child Pornography. Its membership of the Swedish Financial Coalition grants SBAB the opportunity – alongside other actors in the financial sector – to contribute actively to eliminating opportunities to distribute and receive payment for child pornography on the Internet.



GRI index

It is SBAB's own opinion that this report fulfils the reporting requirements for the C+ application level, according to GRI version 3.0. KPMG AB has reviewed the report and assures that it fulfils the requirements for the C+ application level.

Indicator	Sustainability Report	Annual Report	sbab.se	Reported fully (X) or partially (/)	Comments
Strategy and analysis					
1.1 Statement by the CEO	2	4			
Organisational profile					
2.1 Name of the organisation		Cover, 2, 8			
2.2 Primary brands, products and/or services		6-8			
2.3 Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures		8, 87			
2.4 Location of the organisation's headquarters		Cover			
2.5 Number of countries where the organisation operates		Cover, 2, 8			
2.6 Nature of ownership and legal form		8, 87			
2.7 Markets served		6-8			
2.8 Scale of the reporting organisation		2, 3			
2.9 Significant changes during the reporting period regarding size, structure or ownership		8, 23			
2.10 Awards received in the reporting period					SiteVision's Guldhand (Golden Hand) award 2013
Report profile					
3.1 Reporting period					1 January – 31 December 2013
3.2 Date of most recent previous report					27 March 2013
3.3 Reporting cycle					SBAB's Sustainability Report is updated annually as at 31 December.
3.4 Contact point for questions regarding the report or its contents			X		Olof Norberg, Sustainable Enterprise Coordinator. olof.norberg@sbab.se
Report scope and boundary					
3.5 Process for defining report contents	3-4				
3.6 Boundary of the report	13				
3.7 Specific limitations	13				
3.8 Basis for reporting on joint ventures, subsidiaries, etc.	13				
3.10 Restatement of information					No changes have taken place since the previous year.
3.11 Significant changes from previous reporting period					No significant changes have taken place since the previous reporting period.
3.12 GRI content index	16-18				
Governance, commitments and engagement					
4.1 Governance structure of the organisation	13	85-95			
4.2 Chairman's position		88			
4.3 Number of members of the highest governance body that are independent and/or non-executive members		88			
4.4 Mechanisms for shareholders and employees	4, 9-11	86-87			
4.14 Stakeholder groups engaged by the organisation	4				
4.15 Basis for identification and selection of stakeholders with whom to engage	4				

Indicator	Sustainability Report	Annual Report	sbab.se	Reported fully (X) or partially (/)	Comments
Performance indicators					
Economic performance indicators					
EC1	Direct economic value generated and distributed, including income, operating costs, employee compensation, gratuities and other public investments, profit carried forward and payments to public sector funders.	5		X	
EC9	Understanding and description of significant indirect economic impacts, including the scope of the impacts	5-7, 11		/	
Environmental performance indicators¹⁾					
EN3	Direct energy consumption by primary energy source	12		X	
EN4	Indirect energy consumption by primary source	12		X	
EN5	Energy saved due to conservation and efficiency improvements	12		/	
EN16	Total direct and indirect greenhouse gas emissions by weight	12		X	
EN17	Other relevant indirect greenhouse gas emissions by weight	12		X	
EN22	Total weight of waste by type and disposal method		X	X	Waste is included in the calculation of carbon emissions, see SBAB's climate report at www.sbab.se
Supplement for the financial sector					
FS6	Percentage of the portfolio for business lines by specific region, size and sector		8-13	X	
FS16	Initiatives to enhance financial literacy	8		/	
Labour practices and decent work performance indicators					
LA1	Total labour force, divided by employment type, employment terms and region	9-11	54-55	/	
LA2	Total number and rate of employee turnover, by age, gender and region	9	55	/	
LA4	Percentage of employees covered by collective bargaining agreements			X	All SBAB employees, except the CEO, are covered by collective bargaining agreements
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatal injuries per region	9, 11	55	/	In 2013, four cases of work-related injuries were reported to the Swedish Social Insurance Agency
LA10	Hours of training per employee and year		55	X	
LA12	Percentage of employees receiving regular performance and career development reviews	9-10		X	
LA13	Composition of governance bodies and breakdown of employees per category according to gender and age group, minority group membership and other diversity indicators	9-10	55, 92-95	/	Only gender distribution is reported.
Human rights					
HR4	Total number of incidents of discrimination and actions taken	10		X	Only gender distribution is reported.
Society performance indicators					
SO3	Percentage of employees who have undergone training in the organisation's anti-corruption policies and procedures	9		X	Approximately 14% (65 individuals) of SBAB's employees took part in SBAB's training in ethics and anti-money laundering, including anti-corruption in 2013.
SO8	Monetary value of significant fines and total number of non-monetary sanctions against the organisation for non-compliance with laws and regulations			X	The organisation does not owe any significant amounts nor have any sanctions been imposed on it for non-compliance with laws and regulations.

¹⁾ A separate climate report and SBAB's climate action plan are available at www.sbab.se under Sustainable Business. N.B. The indicators are reported in full or in part depending on the relevance and availability of data and information.

Indicator	Sustainability Report	Annual Report	sbab.se	Reported fully (X) or partially (/)	Comments
Performance indicators					
Product responsibility performance indicators					
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	4, 11		X	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services			X	No fines of this nature were incurred in 2013.

Report application level		C	C+	B	B+	A	A+
Standard disclosures	G3 Profile disclosures INFORMATION	Report on: 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.1 – 4.4, 4.14 – 4.15	Report externally assured	Report on all criteria listed for Level C, plus: 1.2 3.9 – 3.13 4.5 – 4.13, 4.16 – 4.17	Report externally assured	Same as requirement for Level B	Report externally assured
	G3 Disclosures on sustainability governance INFORMATION	Not required		Management Approach Disclosures for each Indicator Category.		Management Approach Disclosures for each Indicator Category.	
	G3 Performance Indicators and Sector Supplement Performance Indicators INFORMATION	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic and environmental.		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environmental, human rights, labour practices and decent work, society and product responsibility.		Respond on each core and Sector Supplement* ¹⁾ indicator in G3 with due regard to the materiality principle by either a) reporting on the indicator or b) explaining the reason for its omission.	

¹⁾ Sector supplement addition in final version

Auditor's review report on Sustainability Report 2013

To the readers of the SBAB Bank AB (publ) Sustainability Report

Introduction

We have been engaged by the Board of Directors of SBAB to review the Sustainability Report for the year 2013. The company has defined the scope of the Sustainability Report on page 13.

Responsibilities of the Board of Directors and Executive Management for the Sustainability Report

The Board of Directors and Executive Management team are responsible for on-going work on sustainable development and for preparing and presenting the Sustainability Report in accordance with the applicable criteria as stated on page 13 of the Sustainability Report and that consist of those parts of the Sustainability Reporting Guidelines G3.0 issued by the Global Reporting Initiative (GRI) that are applicable to the Sustainability Report.

Auditor's responsibility

Our responsibility is to express a conclusion on the sustainability report based on our review.

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A review consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The measures undertaken in a review do not permit us to be certain that we have become aware of all significant matters that might have been identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

The criteria on which our review is based are the parts of the Sustainability Reporting Guidelines G3.0, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report. These are detailed on pages 13 and 16-18. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we collected during our review is sufficient and appropriate in providing a foundation for our conclusion as expressed below.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 13 March 2014
KPMG AB

Hans Åkervall
Authorised Public Accountant

Åse Bäckström
Expert Member of FAR

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