

YEAR-END REPORT

1 January–31 December 2016 | SBAB Bank AB (publ)

SBAB!

THE YEAR IN BRIEF

Sweden's most satisfied residential mortgage customers according to Swedish Quality Index (Svenskt Kvalitetsindex)

Q4 2016 (Q3 2016)

- Lending decreased and totalled SEK 296.0 billion (305.0). The decline was attributable to the transfer from SBAB of mortgages totalling SEK 12.7 billion from the previous partnership with Sparbanken Öresund during the quarter.
- Deposits rose to a total of SEK 96.8 billion (93.4).
- Operating profit increased to SEK 548 million (534), and to SEK 540 million (517) excluding the net result of financial items.
- Net interest income rose to SEK 762 million (745).
- Expenses amounted to SEK 239 million (214).
- The C/I ratio was 31% (28).
- Net loan losses resulted in a recovery of SEK 2 million (loss: 20).
- Return on equity was 12.5% (12.3), and 12.3% (12.0) excluding the net result of financial items.
- The Common Equity Tier 1 (CET1) capital ratio was 32.2% (28.5).

January–December 2016 (January–December 2015)

- Lending decreased and totalled SEK 296.0 billion (297.0). The decline was attributable to the transfer from SBAB of mortgages of around SEK 20.5 billion from the previous partnership with Sparbanken Öresund during the year.
- Deposits rose to a total of SEK 96.8 billion (76.6).
- Operating profit increased to SEK 2,011 million (1,492), and to SEK 1,963 million (1,511) excluding the net result of financial items and restructuring costs.
- Net interest income rose to SEK 2,829 million (2,442).
- Expenses amounted to SEK 889 million (809).
- The C/I ratio was 30% (35).
- Net loan losses fell to SEK 18 million (loss: 40).
- Return on equity was 12.3% (10.2), and 12.0% (10.3) excluding the net result of financial items and restructuring costs.
- The Common Equity Tier 1 (CET1) capital ratio was 32.2% (28.6).
- The Board proposes a dividend of 40%, corresponding to SEK 628 million for 2016.

Operating profit 2016

SEK 2,011 million

2015: SEK 1,511 million

Net interest income 2016

SEK 2,829 million

2015: SEK 2,442 million

Return on equity 2016

12.3%

2015: 10.2%

CET1 capital ratio 2016

32.2%

2015: 28.6%

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, 31 Dec 2016

SEK **296** billion

31 Dec 2015: SEK 297 billion

Total deposits, 31 Dec 2016

SEK **97** billion

31 Dec 2015: SEK 77 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 home and housing services to consumers. The 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.

SWEDEN'S MOST SATISFIED RESIDENTIAL MORTGAGE CUSTOMERS 2016

For the third consecutive year, SBAB had Sweden's most satisfied residential mortgage customers according to Swedish Quality Index (Svenskt Kvalitetsindex).



514 employees¹⁾ — five offices

- Stockholm (2)
- Karlstad
- Gothenburg
- Malmö

¹⁾ Number of employees at 30 November 2016, expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence, including 22 employees of the subsidiary Booli Search Technology AB, (Booli). One of the two Stockholm offices belongs to Booli.

STATEMENT BY THE CEO

In December, we were once again informed that we have Sweden's most satisfied residential mortgage customers according to Swedish Quality Index (Svenskt Kvalitetsindex). A fact we are extremely proud of.

The political environment is in a period of change with Brexit and the result of the US presidential election comprising two examples of major unforeseen events with consequences that are difficult to assess. The macroeconomic environment continues to be marked by longstanding economic relationships being disregarded. Extremely low interest rates, including negative rates here in Sweden and several other markets, are prime examples. In Sweden, low interest rates have given rise to worrying consequences, such as rising debt and property prices, which have resulted in the introduction of measures such as mandatory amortisation requirements. Discussion is ongoing regarding further regulation, such as limiting the debt-to-income ratio. There is however still no long-term solution to the underlying problem, the housing shortage, although the increase in housing starts is very positive.

For SBAB, 2016 was a year of continued, intense and focused work toward a sustainable and long-term competitive bank, which for us means sound finances, responsibility and transparency as well as sustainable housing. Our vision is to offer the best residential mortgages in Sweden by helping to improve housing quality and household finances.

Our best operating profit ever

2016 enters the record books as our best year ever. Net interest income rose SEK 387 million to SEK 2,829 million, operating profit increased SEK 519 million to SEK 2,011 million, return on equity climbed from 10.2% to 12.3% and the C/I ratio declined to 30%. At year end, the Common Equity Tier 1 capital ratio was 32.2%. For the full-year 2016, we posted record strong figures for almost every item. Given our sound finances, the ratings agency Moody's raised the outlook for SBAB's credit rating from neutral to positive in the fourth quarter. However, our expenses increased during the year as a result of our investments in a number of areas for the future, which will over time lead to increased efficiency and growth.

Our total lending remained almost unchanged during the year. At the end of 2016, lending was SEK 296 billion, compared with SEK 297 billion at the end of 2015, despite robust new lending of almost SEK 60 billion. The main reason total lending did not increase was attributable to mortgages of around SEK 20.5 billion from the previous partnership with

Sparbanken Öresund leaving SBAB during the year, as agreed and planned. Two other partnerships with mortgage intermediaries under other brands were discontinued during the year, in line with our strategy of owning the customer relationship and increase the lending in our own brand.

Satisfied clients and an attractive workplace

Satisfied customers and satisfied employees are decisive to becoming a sustainable and long-term competitive bank.

In December, we learned that for the third consecutive year, SBAB had Sweden's most satisfied residential mortgage customers according to Swedish Quality Index (Svenskt Kvalitetsindex). Responsibility and transparency recur as central themes in the high assessments for SBAB in terms of service, reliability, conditions, accessibility and value. It is extremely pleasing that we also have highly satisfied customers on the corporate side. We came second in the survey, only 0.2 percentage points behind the winner, which was a combination of a number of smaller companies. We are of course extremely pleased and proud of these results.

In January 2016, we completed the acquisition of the housing site www.booli.se, as part of strengthening our customer offering with housing services. Booli will continue to be run as an independent development unit with a focus on initiating the integration of housing services on SBAB's website during 2017.

Responsible lending is a prerequisite for customers' and SBAB's long-term development. Climbing debt levels and rising property prices underline the importance of responsible lending. Low interest rates risk obscuring the long-term consequences of high debt, therefore we have kept considerable focus on reducing debt levels and loan-to-value ratios to lower levels in our new lending, with significant success. We noted very low loan losses during the year.

The banking and finance industry is undergoing significant change. Digitalisation enables new services and changes customers' behaviour and expectations. Tomorrow's customers expect a world-class user experience. Moreover, digitalisation creates opportunities for new types of participants, known as Fintech, to establish new relationships with the bank's customers. To turn future changes into opportunities, we need expertise, which is provided by all the staff at SBAB. Therefore, it is crucial that we are an extremely attractive employer. Our



KLAS DANIELSSON CEO OF SBAB

employee surveys have provided ample evidence that we are on the right path, for example, in the fourth quarter, 79 per cent of employees gave an overall rating for SBAB as a very good employer.

Digitalisation and the trend toward increased transparency and choice is intensifying competition and means we must rethink and be quick in our technical development to capture customer relationships. Besides ability, the right tools are needed in the form of modern systems. Therefore, we initiated the replacement of our entire base system structure during the year.

Better housing is sustainable housing

One of our goals is to promote increased new housing starts. We achieved this in 2016 by financing almost 3,000 new homes. New builds are more energy efficient than the older housing stock, and, therefore, we set a high priority on having a competitive offering for financing new builds.

Moreover, during the year, we became the first Swedish bank to issue a green bond, where the funds are targeted at exactly this type of housing.

Better housing also means housing for all. We are commit-

ted to efforts to combat homelessness and, during the year, we were a core partner in Stockholms Stadsmission's Särskildnyttan project with the vision of halving acute homelessness in Stockholm.

Heartfelt appreciation

I would like to thank my colleagues at SBAB for their outstanding and impressive efforts during the year.

Solna, February 2017

Klas Danielsson
CEO of SBAB

BUSINESS RESULTS

VOLUME TRENDS

Group	2016	2016	2015	2016	2015
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Total lending, SEK bn	296.0	305.0	297.0	296.0	297.0
Total new lending, SEK bn	15.0	12.9	24.1	59.6	80.5
Net change in total lending	-9.0	2.3	13.0	-1.0	35.5
Total deposits, SEK bn	96.8	93.4	76.6	96.8	76.6
No. of deposit accounts	302	319	293	302	293
Net change in No. of deposit accounts, thousand	-17	6	5	9	26
Net change in total deposits, SEK bn	3.4	5.4	5.2	20.1	16.0
Deposits/lending, %	32.7	30.6	25.8	32.7	25.8
Retail business area					
No. of mortgage customers, thousand	233	250	254	233	254
No. of mortgage objects financed, thousand ¹⁾	149	160	168	149	168
New lending, SEK bn	11.6	10.7	20.0	48.7	66.8
Net change in lending, SEK bn	-8.7	1.8	10.4	-2.1	30.7
Total Retail lending, SEK bn	211.9	220.6	214.0	211.9	214.0
Market share mortgages, % ²⁾	7.23	7.68	7.86	7.23	7.86
Market share personal loans, % ²⁾	0.93	0.93	1.00	0.93	1.00
Total Retail deposits, SEK bn	65.5	64.0	56.1	65.5	56.1
Market share Retail deposits, % ²⁾	4.05	3.99	3.76	4.05	3.76
Corporate Clients & Tenant-Owners' Associations Business Area					
No. of corporate clients and tenant-owners' associations	2,589	2,675	2,912	2,589	2,912
New lending, SEK bn	3.4	2.2	4.1	11.0	13.7
Net change in lending, SEK bn	-0.2	0.4	2.6	1.2	4.8
Total lending, Corporate Clients & Tenant-Owners' Associations, SEK bn	84.2	84.4	83.0	84.2	83.0
Market share Tenant-Owners' Associations, % ²⁾	11.22	11.87	13.05	11.22	13.05
Market share Corporate Clients, % ²⁾	11.07	11.06	10.59	11.07	10.59
Total deposits, Corporate Clients & Tenant-Owners' Associations, SEK bn	31.3	29.4	20.6	31.3	20.6
Market share deposits, Corporate Clients & Tenant-Owners' Associations, % ²⁾	3.10	3.06	2.24	3.10	2.24

¹⁾ As of Q1 2016, SBAB has used a calculation new method to calculate the number of mortgage objects financed. An object refers to a house, tenant-owner's right or holiday home.

²⁾ Source: Statistics Sweden. The Q3 2016 figures correspond to market shares at 31 August 2016.

Market comments

In Q4, demand for residential mortgages grew at around the same pace as in Q3, growth in the market for property financing was slightly higher and growth in savings accounts slowed slightly. Strong housing demand stimulated the market for housing finance, while stagnant interest rates with more

stringent lending terms and conditions had an opposite effect. House prices continued to climb in Q4, at a higher pace than previous quarters.

Trend for Q4 2016 compared with Q3 2016

Group

In Q4, total lending fell SEK 9.0 billion to SEK 296.0 billion (305.0), while new lending rose to SEK 15.0 billion (12.9). The decrease in total lending was attributable to the transfer from SBAB, to Swedbank, of the remaining mortgages amounting to SEK 12.7 billion from the previous partnership with Sparbanken Öresund on 7 October. In total, around SEK 20.5 billion was transferred over the year.

Total deposits increased SEK 3.4 billion (5.4) to SEK 96.8 billion (93.4) in Q4.

Retail

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

During the quarter, new retail lending increased to SEK 11.6 billion (10.7), while total lending decreased to SEK 211.9 billion (220.6). The number of residential mortgage customers declined to 233,000 (250,000), distributed over 149,000 mortgage objects (160,000). The market share of retail mortgages was 7.23% at 31 December 2016 (7.68 at 31 August 2016), corresponding to SEK 210.0 billion (217.6). The decrease in lending, the number of customers and market shares was attributable to the transfer from SBAB of mortgages totalling SEK 12.7 billion from the previous partnership with Sparbanken Öresund during the quarter.

At 31 December 2016, the market share for personal loans was 0.93% (0.93 at 31 August 2016), 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 72.4% (75.0) 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 December, the difference between SBAB's average and list rates was 0.12 percentage points (0.11) 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 Q4 2016. Retail deposits rose SEK 1.5 billion (2.3) in the quarter and totalled SEK 65.5 billion (64.0). At 31 December 2016, the market share of retail deposits was 4.05% (3.99 at 31 August 2016). SBAB aims to continue deposits growth by way of an attractive customer offering.

Corporate Clients & Tenant-Owners' Associations

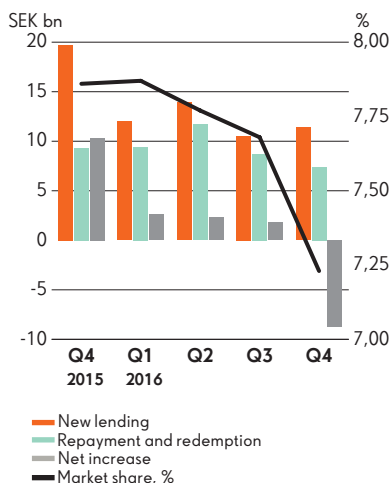
The Corporate Clients & Tenant-Owners' Associations business area offers savings and loan products primarily to property companies and tenant-owners' associations. The number of loan customers declined to 2,589 (2,675) at the end of the quarter. The decline in customer numbers over the last quarters is primarily attributable to a reduction in the number of tenant-owners' association customers in non-prioritised locations, 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 SEK 3.4 billion (2.2), mainly due to substantial demand from established property and construction companies. However, total lending declined slightly as a result of loan redemptions by tenant-owners' associations. At the end of the quarter, total lending amounted to SEK 84.2 billion (84.4).

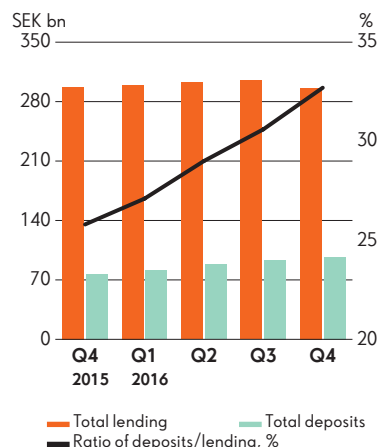
The market share for tenant-owners' associations was 11.22% at 31 December 2016 (11.87 at 31 August 2016), corresponding to SEK 46.7 billion (48.1). The decrease over the quarter was a consequence of continued intense competition among Swedish banks regarding lending to tenant-owners' associations. At the same date, the market share for housing financing to corporate clients was 11.07% (11.06), corresponding to SEK 28.5 billion (27.7). The increase was mainly due to high demand for new housing production.

Deposits from corporate clients and tenant-owners' associations rose SEK 1.8 billion (3.1) in the quarter and totalled SEK 31.3 billion (29.4). At 31 December 2016, the market share of deposits from corporate clients and tenant-owners' associations (excluding financial companies) was 3.10% (3.06 at 31 August 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	2016	2015	2016	2015
	Q4	Q3	Q2	Q1	Q4	Jan-Dec	Jan-Dec
Net interest income	762	745	692	630	647	2,829	2,442
Net commissions	-2	1	10	-2	-23	7	-102
Net result of financial items measured at fair value (Note 2)	8	17	4	19	24	48	1
Other operating income	17	5	7	5	0	34	0
Total operating income	785	768	713	652	648	2,918	2,341
Expenses	-239	-214	-224	-212	-235	-889	-809
- of which restructuring costs	-	-	-	-	-17	-	-20
Profit before loan losses	546	554	489	440	413	2,029	1,532
Net loan losses (Note 3)	2	-20	1	-1	-11	-18	-40
Operating profit	548	534	490	439	402	2,011	1,492
Operating profit excl. NFI ¹⁾ and restructuring costs	540	517	486	420	395	1,963	1,511
Tax	-119	-117	-108	-97	-90	-441	-330
Net profit for the period	429	417	382	342	312	1,570	1,162
Net interest margin, %	0.80	0.76	0.69	0.65	0.69	0.75	0.68
Loan loss ratio, %	0.00	-0.03	0.00	0.00	-0.01	-0.01	-0.01
C/I ratio, %	31	28	31	33	36	30	35
C/I ratio excl. NFI ¹⁾ and restructuring costs, %	31	28	32	33	35	31	34
Return on equity ²⁾ , %	12.5	12.3	11.8	11.2	10.7	12.3	10.2
Return on equity ²⁾ excl. NFI ¹⁾ and restructuring costs, %	12.3	12.0	11.7	10.7	10.5	12.0	10.3
CET1 capital ratio, %	32.2	28.5	28.4	27.6	28.6	32.2	28.6

¹⁾ Net result of financial items measured at fair value.

²⁾ Return on equity calculated on a full-year basis.

Trend for Q4 2016 compared with Q3 2016

Net interest and commissions

Net interest income grew to SEK 762 million (745) due to lower funding costs 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 decreased during the quarter to an expense of SEK 2 million (income: 1).

Net result of financial items measured at fair value

The net result of financial items measured at fair value was SEK 8 million (17). The difference between the quarters was primarily attributable to compensation for the transfer of mortgages to Swedbank and buyback expenses linked to discontinuation of financing. For more information; please refer to Note 2.

Expenses

Expenses grew to SEK 239 million (214), mainly due to increased personnel costs of a nonrecurring nature, such as holiday pay liability and pension benefits, as well as higher business development expenses.

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 thereafter, 1% per year down to an LTV ratio of 50%.

At the end of Q4, the average LTV ratio in SBAB's mortgage portfolio was 61% (64). At the same date, the average residential mortgage to retail customers amounted to SEK 1.4 million (1.4).

SBAB's loan losses resulted in a recovery of SEK 2 million (loss: 20) in Q4. The difference between the quarters was attributable to an increase in collective provisions in Q3. For more information on loan losses; please refer to Note 3.

Operating profit

Operating profit grew to SEK 548 million (534). The variance between the quarters was primarily attributable to higher net interest income and lower provisions for loan losses. Excluding the net result of financial items and restructuring costs, operating profit increased to SEK 540 million (517).

Other comprehensive income

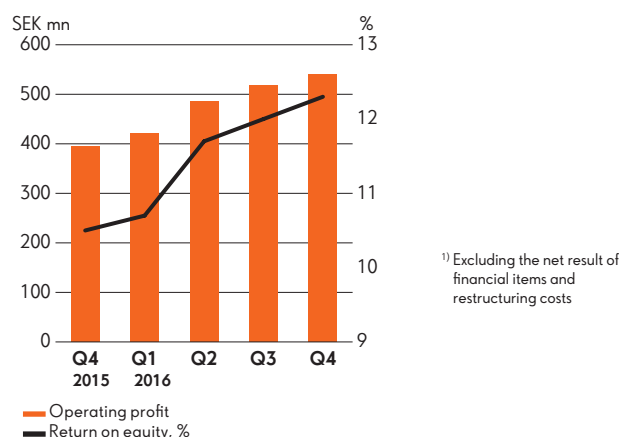
Other comprehensive income totalled an expense of SEK 371 million (income: 98) in Q4. The decrease was due to the negative impact on the item of an upturn in long EUR interest rates. Actuarial changes to defined-benefit pensions had a positive impact of SEK 26 million on this item during the quarter.

between the years was primarily attributable to unrealised market value changes as a result of changed credit spreads for securities held in the trading portfolio, compensation for the transfer of mortgages to Swedbank and buyback expenses linked to discontinuation of financing. Other comprehensive income totalled SEK 398 million (187) for the year. In 2016, a substantial downturn in long EUR interest rates outweighed the corresponding upturn in 2015 and positively impacted this item. In 2016, expenses increased to SEK 889 million (809). The increase in expenses was mainly attributable to higher personnel, IT, business development and marketing costs. Loan losses remained low and totalled SEK 18 million (40) for the full year.

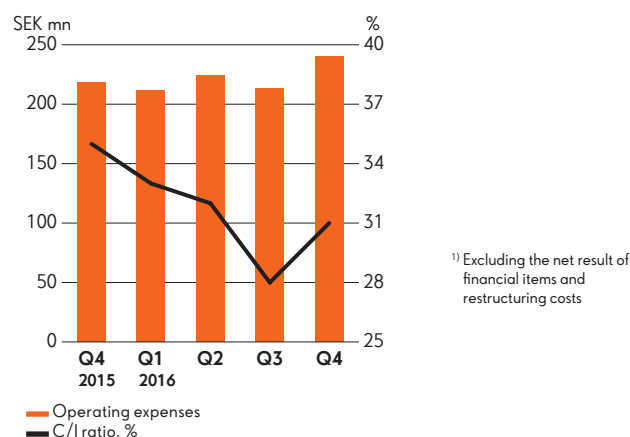
Trend for January–December 2016 compared with January–December 2015

Operating profit for the year totalled SEK 2,011 million (1,492) and SEK 1,963 million (1,511) excluding the net result of financial items and restructuring costs. The increase in operating profit was primarily attributable to higher net interest income. Net interest income rose to SEK 2,829 million (2,442) due to lower funding costs. In 2016, net commission income was SEK 7 million (expense: 102) 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 resolution fee was SEK 102 million for the year. The net result of financial items measured at fair value was SEK 48 million (1). The difference

Operating profit and return on equity ¹⁾



Operating expenses and C/I ratio ¹⁾



BALANCE SHEET OVERVIEW

Group, SEK million	31 Dec 2016	30 Sep 2016	31 Dec 2015
ASSETS			
Chargeable treasury bills, etc.	20,492	14,179	14,312
Lending to credit institutions	1,619	7,426	3,456
Lending to the public	296,022	304,970	296,981
Bonds and other interest-bearing securities	48,851	52,664	49,714
Total other assets in the balance sheet	8,172	10,304	10,089
TOTAL ASSETS	375,156	389,543	374,552
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	4,689	19,922	5,111
Retail deposits	96,769	93,390	76,639
Issued debt securities (borrowings)	247,407	249,014	264,205
Subordinated debt	5,939	5,943	7,943
Total other liabilities in the balance sheet	5,070	6,042	8,806
Total liabilities	359,874	374,311	362,704
Total equity	15,282	15,232	11,848
TOTAL LIABILITIES AND EQUITY	375,156	389,543	374,552

Trend for Q4 2016 compared with Q3 2016

Balance sheet comments

Chargeable treasury bills decreased SEK 6.3 billion to SEK 20.5 billion (14.2) during the quarter, mainly due to sales proceeds received in conjunction with the transfer of mortgages to Swedbank. Lending to credit institutions decreased SEK 5.8 billion to SEK 1.6 billion (7.4) during the quarter as a result of lower repo volumes. Bonds and other interest-bearing securities declined to SEK 48.9 billion (52.7). For information regarding lending to the public; please refer to page 7.

Liabilities to credit institutions decreased SEK 15.2 billion to SEK 4.7 billion (19.9) during the quarter. The decrease was attributable to sales proceeds received in linked to the transfer of mortgages to Swedbank. At the end of the quarter, subordinated debt totalled SEK 5.9 billion (5.9) and equity increased to SEK 15.3 billion (15.2). For information about retail deposits and issued debt securities; please refer to page 7 and the following section "Funding" below.

Funding

Higher issue activity was noted in Q4 compared with Q3, and was linked to higher funding requirements, driven by items including maturing liabilities and the buy back of bonds with shorter maturities.

During the quarter, securities were issued for a total of SEK 21.0 billion (6.8) and, in parallel, securities were repurchased for SEK 13.4 billion (5.4) and securities amounting to SEK 8.1 billion (21.9) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities outstanding of SEK 1.6 billion (19.1) to SEK 247.4 billion (249.0) 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 175.9 billion (175.7).

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 amounted to SEK 69.5 billion (64.4). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 66.3 billion (61.1).

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 444 days (472), which the company deems satisfactory.

On 31 December 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 243% (191) for all currencies combined, thereby exceeding the minimum requirement of 100%. Measured in SEK, the LCR was 156% (98). According to the European Commission's Delegated Regulation with regard to Liquidity Coverage Requirement for Credit Institutions, at 31 December 2016, the LCR was 277% (268) in all currencies combined, which exceeds the minimum requirement of 70%. When using the same method to measure in SEK, the LCR amounted to 212% (173).

The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 122 (116) 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 18 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 decreased SEK 9.0 billion to SEK 296.0 billion (305.0) during the quarter. The capital requirement was mainly impacted by the decrease in lending. SBAB's capital targets are expected to correspond to a CET1 capital ratio of not less than 25.4% and a total capital ratio of not less than 35.5% at 31 December 2016.

At the end of Q4, the CET1 capital ratio amounted to 32.2% (28.5) and the total capital ratio was 51.6% (46.8), which provided a comfortable margin to both internal and external requirements. Net profit/loss for the year was not included in own funds while expected dividends reduced own funds. The leverage ratio amounted to SEK 4.05% (3.72) at 31 December.

For more information; please refer to the tables starting on page 15.

CAPITAL ADEQUACY	31 Dec 2016	30 Sep 2016
CET1 capital ratio, %	32.2	28.5
Tier 1 capital ratio, %	40.1	35.9
Total capital ratio, %	51.6	46.8

OTHER SIGNIFICANT INFORMATION

Rating

On 21 October, the credit rating agency Moody's confirmed SBAB's long-term credit rating of A2 and, concurrently, raised the outlook from stable to positive. For more information; please refer to www.sbab.se.

31 Dec 2016	Moody's	Standard & Poor's
Long-term funding, SBAB	A2 ¹⁾	A ²⁾
Long-term funding, SCBC	Aaa	–
Short-term funding, SBAB	P-1	A-1

¹⁾ Positive outlook

²⁾ Negative outlook

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.

Dividend

SBAB's dividend policy entails the payment of an ordinary dividend of not less than 40% of the profit for the year after taking into account the Group's capital structure. The Board proposes a dividend of 40%, corresponding to SEK 628 million for 2016.

Exercise of the existing option program in Booli

In Q4, the existing option program in the subsidiary Booli Search Technologies AB was exercised, upon which SBAB's shareholding fell from 70.92% to 69.34%.

Auditors' review report

This report has been reviewed by the company's auditor in accordance with the International Standard on Review Engagements (ISRE) 2410. The review report is on page 34.

INCOME STATEMENT

Group, SEK million	2016	2016	2015	2016	2015
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Interest income	1,079	1,172	1,161	4,601	5,123
Interest expense	-317	-427	-514	-1,772	-2,681
Net interest income	762	745	647	2,829	2,442
Commission income	19	13	18	69	61
Commission expense	-21	-12	-41	-62	-163
Net result of financial items measured at fair value (Note 2)	8	17	24	48	1
Other operating income	17	5	0	34	0
Total operating income	785	768	648	2,918	2,341
Personnel costs	-117	-100	-102	-412	-376
Other expenses	-115	-107	-124	-450	-402
Depreciation, amortisation and impairment of PPE and intangible assets	-7	-7	-9	-27	-31
Total expenses before loan losses	-239	-214	-235	-889	-809
Profit before loan losses	546	554	413	2,029	1,532
Net loan losses (Note 3)	2	-20	-11	-18	-40
Operating profit	548	534	402	2,011	1,492
Tax	-119	-117	-90	-441	-330
Net profit for the year	429	417	312	1,570	1,162

STATEMENT OF COMPREHENSIVE INCOME

Group, SEK million	2016	2016	2015	2016	2015
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Net profit for the period	429	417	312	1,570	1,162
OTHER COMPREHENSIVE INCOME					
<i>Components that will be reclassified to profit or loss</i>					
Changes related to available-for-sale financial assets, before tax	14	99	38	198	-7
Changes related to cash-flow hedges, before tax	-524	55	30	370	175
Tax attributable to components that will be reclassified to profit or loss	112	-34	-15	-125	-37
<i>Components that will not be reclassified to profit or loss</i>					
Revaluation effects of defined-benefit pension plans, before tax	34	-28	72	-58	72
Tax attributable to components that will not be reclassified to profit or loss	-7	6	-16	13	-16
Other comprehensive income, net of tax	-371	98	109	398	187
Total comprehensive income for the period	58	515	421	1,968	1,349

BALANCE SHEET

Group, SEK million	31 Dec 2016	31 Dec 2015
ASSETS		
Cash and balances at central banks	0	0
Chargeable treasury bills, etc.	20,492	14,312
Lending to credit institutions	1,619	3,456
Lending to the public (Note 4)	296,022	296,981
Value changes of interest-rate-risk hedged items in macro hedges	396	549
Bonds and other interest-bearing securities	48,851	49,714
Derivatives (Note 5)	6,192	7,192
Intangible assets	152	56
Property, plant and equipment	16	20
Other assets	550	1,246
Prepaid expenses and accrued income	866	1,026
TOTAL ASSETS	375,156	374,552
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	4,689	5,111
Retail deposits	96,769	76,639
Debt securities issued, etc.	247,407	264,205
Derivatives (Note 5)	2,475	5,194
Other liabilities	347	783
Accrued expenses and deferred income	1,976	2,767
Deferred tax liabilities	207	47
Provisions	65	15
Subordinated debt	5,939	7,943
Total liabilities	359,874	362,704
Equity		
Share capital	1,958	1,958
Reserves	662	264
Tier 1 capital instruments	1,500	-
Retained earnings	9,592	8,464
Net profit for the year	1,570	1,162
Total equity	15,282	11,848
TOTAL LIABILITIES AND EQUITY	375,156	374,552

STATEMENT OF CHANGES IN EQUITY

Group, SEK million	Share capital	Reserves	Tier 1 capital Instruments	Retained earnings	Net profit for the year	Total equity
OPENING BALANCE, 1 JANUARY 2016	1,958	264		9,626		11,848
Tier 1 capital instruments			1,500	-34		1,466
Other				0		0
Comprehensive income for the year		398			1,570	1,968
CLOSING BALANCE, 31 DECEMBER 2016	1,958	662	1,500	9,592	1,570	15,282
OPENING BALANCE, 1 JANUARY 2015	1,958	77	-	8,966		11,001
Dividends paid				-502		-502
Comprehensive income for the year		187			1,162	1,349
CLOSING BALANCE, 31 DECEMBER 2015	1,958	264	-	8,464	1,162	11,848

CASH-FLOW STATEMENT

Group, SEK million	2016	2015
	Jan-Dec	Jan-Dec
Opening cash and cash equivalents	3,456	7,437
OPERATING ACTIVITIES		
Interest and commissions paid/received	2,316	1,494
Outflows to suppliers and employees	-863	-813
Taxes paid/refunded	-394	-601
Change in assets and liabilities of operating activities	-2,279	-5,718
Cash flow from operating activities	-1,220	-5,638
INVESTING ACTIVITIES		
Change in property, plant and equipment	0	1
Change in intangible assets	-30	-29
Acquisitions/divestments of subsidiaries	-59	-
Cash flow from investing activities	-89	-28
FUNDING ACTIVITIES		
Dividends paid	-	-502
Change in subordinated loans	-1,994	2,187
Change in Tier 1 capital instruments	1,466	-
Cash flow from funding activities	-528	1,685
Increase/decrease in cash and cash equivalents	-1,837	-3,981
Closing cash and cash equivalents	1,619	3,456

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

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	31 Dec 2016	31 Dec 2015
CET1 capital: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	9,592	8,464
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	662	264
Tier 1 capital instruments	1,500	-
Independently verified interim profits net of any foreseeable charge or dividend	942	697
CET1 capital before regulatory adjustments	14,654	11,383
CET1 capital: regulatory adjustments		
Additional value adjustments (negative amount)	-67	-67
Intangible assets (net of related tax liability) (negative amount)	-142	-46
Fair value reserves related to gains or losses on cash-flow hedges	-526	-236
Negative amounts resulting from the calculation of expected loss amounts	-3	-83
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-31	-25
Tier 1 capital instruments in equity	-1,500	-
Total regulatory adjustments to CET1 capital	-2,269	-457
CET1 capital	12,385	10,926
Additional Tier 1 capital: instruments		
Capital instruments and the related share premium accounts	3,000	1,500
<i>Of which: classified as liabilities under applicable accounting standards</i>	3,000	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
Additional Tier 1 capital before regulatory adjustments	3,000	2,494
Additional Tier 1 capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	3,000	2,494
Tier 1 capital (Tier 1 capital = CET1 + Additional Tier 1 capital)	15,385	13,420
Tier 2 capital: instruments and provisions		
Capital instruments and the related share premium accounts	4,447	5,447
Credit risk adjustments	1	-
Tier 2 capital before regulatory adjustments	4,448	5,447
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	4,448	5,447
Total capital (Total capital = Tier 1 capital + Tier 2 capital)	19,833	18,867
Total risk-weighted assets	38,413	38,244
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	32.2	28.6
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	40.1	35.1
Total capital (as a percentage of total risk-weighted exposure amount), %	51.6	49.3
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	8.5	8.0
<i>Of which: CET1 capital, minimum requirement, %</i>	4.5	4.5
<i>Of which: capital conservation buffer requirement, %</i>	2.5	2.5
<i>Of which: countercyclical capital buffer requirement, %</i>	1.5	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) buffers, %</i>	-	-
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	27.7	24.1
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	-	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

CAPITAL REQUIREMENTS

CAPITAL REQUIREMENTS GROUP, SEK million	31 Dec 2016		31 Dec 2015	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	12,106	968	10,795	864
Retail exposures	11,440	915	14,103	1,128
<i>Of which: exposures to SMEs</i>	1,211	97	1,628	130
<i>Of which: retail exposures secured by immovable property</i>	10,229	818	12,475	998
Total exposures recognised with IRB approach	23,546	1,884	24,898	1,992
Credit risk recognised with the standardised approach				
Exposure to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to institutions ¹⁾	1,907	153	1,526	122
<i>Of which: derivatives according to CRR, Appendix 2</i>	1,903	153	1,505	120
<i>Of which repos</i>	3	0	14	1
<i>Of which other</i>	1	0	7	1
Exposures to corporates	-	-	15	1
Retail exposures	1,933	155	2,106	168
Exposures in default	12	1	7	1
Exposures in the form of covered bonds	3,384	271	2,957	237
Exposures to institutions and corporates with a short-term credit rating	19	2	15	1
Other items	561	45	730	58
Total exposures recognised with standardised approach	7,816	625	7,356	588
Market risk	1,571	126	1,856	149
<i>Of which: position risk</i>	886	71	1,314	105
<i>Of which: currency risk</i>	685	55	542	44
Operational risk	3,634	291	2,989	239
Credit valuation adjustment risk	1,846	148	1,145	92
Total risk exposure amount and minimum capital requirements	38,413	3,073	38,244	3,060
Capital requirements for capital conservation buffer		960		956
Capital requirements for countercyclical buffer		571		379
Total capital requirements		4,605		4,395

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 1,907 million (1,519).

CAPITAL ADEQUACY

CAPITAL ADEQUACY GROUP, SEK MILLION

	31 Dec 2016	31 Dec 2015
CET1 capital	12,385	10,926
Tier 1 capital	15,385	13,420
Total capital	19,833	18,867
Without transitional rules		
Risk exposure amount	38,413	38,244
CET1 capital ratio, %	32.2	28.6
Excess ¹⁾ of CET1 capital	10,656	9,205
Tier 1 capital ratio, %	40.1	35.1
Excess ¹⁾ of Tier 1 capital	13,080	11,125
Total capital ratio, %	51.6	49.3
Excess ¹⁾ of total capital	16,760	15,807
With transitional rules		
Own funds	19,835	18,950
Risk exposure amount	168,936	165,830
Total capital ratio, %	11.7	11.4

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

INTERNALLY ASSESSED CAPITAL REQUIREMENT

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for the Group amounted to SEK 13,073 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.

		31 Dec 2016			31 Dec 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	2,657	2,657	2,657	2,672	2,672	2,672
	Market risk	126	126	126	149	149	149
	Operational risk	291	291	291	239	239	239
Pillar 2	Credit risk ¹⁾		1,018			1,101	0
	Market risk		1,118	1,118		1,006	1,006
	Operational risk		91	91		111	111
	Risk-weight floor		0	6,531		0	6,175
	Concentration risk		669	669		562	562
	Sovereign risk		59	59		67	67
	Pension risk		0	0		21	21
	Income volatility ²⁾		-	-		228	228
	Capital conservation buffer	960	960	960	956	956	956
Buffers	Capital planning buffer ³⁾		1,000		0	1,414	-
	Countercyclical buffer	571	571	571	379	379	379
Total		4,605	8,560	13,073	4,395	8,905	12,565

¹⁾ 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.

²⁾ As of 31 December 2016, income volatility is no longer reported separately from the internally assessed capital requirement, since this is deemed to comprise a business risk that has already been included in capital adequacy through the capital planning buffer.

³⁾ 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	31 Dec 2016			31 Dec 2015		
	Total	DISTRIBUTION BY CURRENCY		Total	DISTRIBUTION BY CURRENCY	
		EUR	USD		EUR	USD
Liquidity coverage ratio, %	243	182,704	258	232	1,544,051	233
Liquid assets	63,904	11,630	5,329	59,285	12,213	3,723
Assets with 100% weight	32,394	7,602	4,506	26,779	7,715	2,493
Assets with 85% weight	31,510	4,028	822	32,507	4,498	1,230
Cash outflows	25,886	25	2,634	21,508	3	4,265
Retail deposits	15,886	0	0	11,285	0	0
Market funding	5,190	0	2,633	7,581	0	4,264
Other outflows	4,810	25	1	2,642	3	1
Cash inflows	3,674	1,594	571	2,273	1,587	2,665
Inflow from retail lending	586	0	0	1,821	0	0

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 2016, SBAB issued bonds that are recognised as Additional Tier 1 capital in equity. Interest payments on the instruments are recognised 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.

In 2014, the IASB published IFRS 9 Financial Instruments. IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement — with regard to classification and measurement, and impairment and hedge accounting. A separate project under the IASB is ongoing with regard to macro hedge accounting. The standard becomes effective as of 1 January 2018.

Under IFRS 9, classification is based on both the entity's business model and the contractual cash flow characteristics. This classification, in turn, determines the measurement. The impairment model under IFRS 9 is based on expected credit losses as opposed to the current model, which is instead based on the incurred credit loss events. The aim of the new model is to capture and recognise expected credit losses at an earlier stage. The new standard also specifies more detailed disclosures in terms of credit losses and hedge accounting. SBAB has conducted a comprehensive study of how the new rules will impact SBAB. The new rules will have most impact on SBAB's reporting in terms of the recognition of expected credit losses. SBAB has initiated a model development and evaluated how systems and processes will be affected. The development of models and methods is characterised by a large number of choices and judgements, and since no final decision has been taken on these issues, it is not possible to state a figure with sufficient precision to represent the impact of the new rules.

In terms of classification and measurement, these could impact the recognition and measurement of securities in the liquidity portfolio. Analysis has not been completed, but the preliminary assessment is that the new rules will not have any material effect on the income statement and balance sheet. No decision has yet been taken as to whether the new hedge accounting rules should apply from 1 January or whether SBAB, pursuant to the permitted choices in IFRS 9, will begin implementing the new rules only when IFRS 9 has been supplemented with rules for macro hedge accounting.

In terms of any future possible impact of the new hedge accounting rules, a preliminary assessment has been made that the new rules will only affect the recognition of the unrealized effects of changes in cross-currency basis spreads and that the new rules will not have any material effect on the income statement and balance sheet.

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

Group, SEK million	2016	2016	2015	2016	2015
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Gains/losses on interest-bearing financial instruments					
– Securities measured at FVTPL	-98	-33	-148	-43	-411
– Change in value of hedged items in hedge accounting	686	222	709	691	1,505
– Realised gain/loss from financial liabilities	-259	-87	-9	-489	-113
– Derivatives	-484	-102	-557	-352	-1,099
– Loan receivables	162	19	30	240	113
Currency translation effects	1	-2	-1	1	-2
Gains/losses on shares and participations measured at FVTPL	-	-	-	-	8
Total	8	17	24	48	1

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.

NOTE 3 Net loan losses

	2016	2016	2015	2016	2015
Group, SEK million	Q4	Q3	Q4	Jan-Dec	Jan-Dec
CORPORATE MARKET					
Individual provision for corporate market loans					
Write-off for the period for confirmed loan losses	-	-	-	-	-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	-0	-22
Recoveries of confirmed loan losses in prior years	0	-	0	0	0
Reversal of prior provisions no longer necessary for probable loan losses	4	0	0	4	0
Guarantees	-	-	-	-	-
Net expense for the period for individual provisions for corporate market loans	4	0	0	4	-23
Collective provision for corporate market loans					
Allocations to/unwinding of collective provisions	1	7	5	9	7
Guarantees	-1	-1	-0	-3	-2
Net expense for the period for collective provisions for corporate market loans	0	6	5	6	5
RETAIL MARKET					
Individual provision for retail market loans					
Write-off for the period for confirmed loan losses	-2	-	-1	-2	-3
Reversal of prior provisions for probable loan losses, recognised as confirmed losses in the financial statements for the period	2	-	-	2	-
Provision for probable loan losses for the period	0	-0	-20	-0	-24
Reversal of prior provisions no longer necessary for probable loan losses	11	1	1	16	1
Guarantees	-	-	-	-0	-
Net expense for the period for individual provisions for retail market loans	11	1	-20	16	-26
Collective provision for retail market loans					
Write-off for the period for confirmed loan losses	-3	-2	-4	-11	-12
Recoveries of confirmed loan losses in prior years	0	1	0	2	2
Allocations to/unwinding of collective provisions	6	-24	10	-13	26
Guarantees	-16	-2	-2	-22	-12
Net expense for the period for collective provisions for retail market loans	-13	-27	4	-44	4
Net income/expense for loan losses for the period	2	-20	-11	-18	-40

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 SEK million	31 Dec 2016		31 Dec 2015	
	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	107,345	-74	115,832	-98
Tenant-owner's rights	102,701	-105	96,283	-85
Tenant-owners' associations	50,643	-21	52,390	-34
Private multi-family dwellings	28,543	-19	25,882	-20
Municipal multi-family dwellings	240	-	470	-
Commercial properties	4,779	-	4,313	-
Other	2,006	-16	2,064	-16
Provision for probable losses	-235		-253	
Total	296,022	-235	296,981	-253

Doubtful and non-performing loan receivables	31 Dec 2016	31 Dec 2015
a) Doubtful loan receivables	134	170
b) Non-performing loan receivables ¹⁾ included in doubtful loan receivables	1	3
c) Non-performing loan receivables ¹⁾ not included in doubtful loan receivables	137	170
d) Individual provisions for loan receivables	59	81
e) Collective provision for corporate market loans	1	11
f) Collective provision for retail market loans	175	161
g) Total provisions (d+e+f)	235	253
h) Doubtful loan receivables after individual provisions (a-d)	75	89
i) Provision ratio for individual provisions (d/a), %	44	48

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

Loan portfolio, SEK million	31 Dec 2016	31 Dec 2015
Retail lending	211,857	213,980
- of which, new lending during the year	48,660	66,750
Corporate lending (incl. tenant-owners' associations)	84,165	83,001
- of which, new lending during the year	10,988	13,720
Total	296,022	296,981
- of which, new lending during the year	59,648	80,470

NOTE 5 Derivatives

Group, SEK million	31 Dec 2016			31 Dec 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	3,944	1,700	222,420	4,482	2,201	231,862
Currency-related	2,248	775	82,513	2,710	2,993	90,184
Total	6,192	2,475	304,933	7,192	5,194	322,046

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

NOTE 6 Operating segments

Group, SEK million	Jan-Dec 2016				Jan-Dec 2015			
	Retail	Corporate Clients & Tenant Owners' Associations	Other	Total	Retail	Corporate Clients & Tenant Owners' Associations	Other	Total
Income ¹⁾	2,260	610	-	2,870	1,793	519	28	2,340
Net result of financial items measured at fair value	0	4	44	48	-	-	1	1
Total operating income	2,260	614	44	2,918	1,793	519	29	2,341
Expenses ²⁾	-705	-192	8	-889	-622	-167	-20	-809
Net loan losses	-13	-5	-	-18	-23	-17	-	-40
Profit before tax	1,542	417	52	2,011	1,148	335	9	1,492
Standardised tax (22%)	-339	-92	-11	-442	-252	-74	-2	-328
Profit after tax	1,203	325	41	1,569	896	261	7	1,164
Adjustment for actual tax	1	0	0	1	-2	0	0	-2
Profit after tax	1,204	325	41	1,570	894	261	7	1,162
Return on equity, %	14.7	8.1	n/a	12.3	11.5	7.9	n/a	10.2

¹⁾ The distributed income includes net interest income, net commissions and other operating income

²⁾ 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 Tier 1 capital loans.

NOTE 7 Classification of financial instruments

GROUP

Financial assets

31 Dec 2016						
SEK million	Assets measured at FVTPL (held for trading)	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.	7,135	13,357			20,492	20,492
Lending to credit institutions			1,619		1,619	1,619
Lending to the public			296,022		296,022	297,118
Value changes of interest-rate-risk hedged items in macro hedges			396		396	-
Bonds and other interest-bearing securities	9,101	28,554		11,196	48,851	48,913
Derivatives	6,192				6,192	6,192
Shares and participations	-				-	-
Other assets			52		52	52
Prepaid expenses and accrued income	157	453	144	67	821	821
Total	22,585	42,364	298,233	11,263	374,445	375,207

GROUP

Financial liabilities

31 Dec 2016				
SEK million	Liabilities measured at FVTPL	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		4,689	4,689	4,689
Retail deposits		96,769	96,769	96,769
Issued debt securities, etc.		247,407	247,407	249,331
Derivatives	2,475		2,475	2,475
Other liabilities		219	219	219
Accrued expenses and deferred income		1,952	1,952	1,952
Subordinated debt		5,939	5,939	5,967
Total	2,475	356,975	359,450	361,402

NOTE 7 continued

GROUP

Financial assets

SEK million	31 Dec 2015					Total fair value
	Assets measured at FVTPL (held for trading)	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	7,192				7,192	7,192
Shares and participations	-				-	-
Other assets			1,246		1,246	1,246
Prepaid expenses and accrued income	255	455	224	92	1,026	1,026
Total	33,907	28,697	302,456	9,416	374,476	375,293

GROUP

Financial liabilities

SEK million	31 Dec 2015			Total fair value
	Liabilities measured at FVTPL	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	5,194		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
Total	5,194	357,448	362,642	363,628

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. Investments held to maturity were measured at quoted prices, Level 1.

For Lending to the public, Issued debt securities and Subordinated debt, fair value is established based on generally accepted valuation techniques. As far as possible, calculations made in conjunction with measurement are based on observable market data. Mainly, the models used are based on discounted cash flows. Issued debt securities and subordinated debt are measured at the Group's current borrowing rate, Level 2.

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

NOTE 8 Fair value disclosures

GROUP

31 Dec 2016

SEK million	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets				
Chargeable treasury bills, etc.	20,492	-	-	20,492
Bonds and other interest-bearing securities	37,655	-	-	37,655
Derivatives	-	6,192	-	6,192
Prepaid expenses and accrued income	609	-	-	609
Total	58,756	6,192	-	64,948
Liabilities				
Derivatives	-	2,475	-	2,475
Total	-	2,475	-	2,475

31 Dec 2015

	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets				
Chargeable treasury bills, etc.	14,312	-	-	14,312
Bonds and other interest-bearing securities	40,390	-	-	40,390
Derivatives	-	7,192	-	7,192
Prepaid expenses and accrued income	710	-	-	710
Total	55,412	7,192	-	62,604
Liabilities				
Derivatives	-	5,194	-	5,194
Total	-	5,194	-	5,194

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 2015 or 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 market data (Level 2)

Measurement aided by external market information other than quoted prices included in Level 1, such as quoted interest rates or prices for closely related instruments. This group includes all non-quoted derivatives.

Measurement based in part on market unobservable data (Level 3)

Measurement whereby a material component of the model is based on estimates or assumptions that do not originate directly from the market. This method is currently not used on any asset or liability.

NOTE 9 Liquidity reserve and liquidity risk

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

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

Group, SEK million	31 Dec 2016					31 Dec 2015				
	DISTRIBUTION BY CURRENCY					DISTRIBUTION BY CURRENCY				
	Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
Cash and balances at central banks	632	632	-	-	-	461	461	-	-	-
Balances at other banks	-	-	-	-	-	-	-	-	-	-
Securities issued or guaranteed by governments, central banks or multinational development banks	25,166	14,343	7,602	3,221	-	19,345	10,435	7,715	1,195	-
Securities issued or guaranteed by municipalities or public sector entities	6,596	5,311	-	1,285	-	6,972	5,674	-	1,298	-
Covered bonds issued by other institutions	37,070	31,364	4,739	967	-	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	-	-	-	-	-	-	-	-	-	-
Total	69,464	51,650	12,341	5,473	-	65,282	48,145	13,007	3,940	190
Bank and loan facilities	-	-	-	-	-	-	-	-	-	-
Total	69,464	51,650	12,341	5,473	-	65,282	48,145	13,007	3,940	190
Distribution by currency, %		74.4	17.8	7.9	-		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. At the end of the quarter, the survival horizon was 444 days (472).

PARENT COMPANY

Trend for January–December 2016 compared with January–December 2015

The operating profit amounted to SEK 355 million (loss: 148) for the period. The change in operating profit was mainly attributable to improved net income from financial transactions and higher net interest income. Net interest income amounted to SEK 326 million (161), driven by lower funding costs. Net income from financial transactions amounted to SEK 143 million (expense: 76). 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 increased to SEK 872 million (810), and were attributable

to higher personnel, IT, business development and marketing costs. Loan losses dropped to SEK 9 million (51). Lending to the public decreased during the period to SEK 51.6 billion (81.2), which was attributable to the acquisition by the subsidiary SCBC in January 2016 of loan receivables from the Parent Company corresponding to a nominal amount of around SEK 30 billion for the purpose of increasing the covered pool at SCBC. Retail deposits increased to SEK 96.8 billion (76.6). The CET1 capital ratio was 24.5% (22.4) and the internally assessed capital requirement was SEK 5,132 million (5,525).

INCOME STATEMENT

	2016	2016	2015	2016	2015
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Parent Company, SEK million					
Interest income	357	346	288	1,300	1,419
Interest expense	-215	-221	-261	-974	-1,258
Net interest income	142	125	27	326	161
Commission income	24	16	22	85	82
Commission expenses	-11	-9	-20	-39	-79
Net result of financial transactions	74	28	-1	143	-76
Other operating income	208	170	177	721	625
Total operating income	437	330	205	1,236	713
Personnel costs	-112	-100	-102	-408	-379
Other expenses	-116	-103	-127	-449	-409
Depreciation, amortisation and impairment of PPE and intangible assets	-4	-3	-7	-15	-22
Total expenses before loan losses	-232	-206	-236	-872	-810
Profit/loss before loan losses	205	124	-31	364	-97
Net loan losses	3	-12	-22	-9	-51
Operating profit/loss	208	112	-53	355	-148
Tax	-45	-25	11	-78	31
Net profit/loss for the period	163	87	-42	277	-117

STATEMENT OF COMPREHENSIVE INCOME

Parent Company, SEK million	2016	2016	2015	2016	2015
	Q4	Q3	Q4	Jan-Dec	Jan-Dec
Net profit/loss for the period	163	87	-42	277	-117
OTHER COMPREHENSIVE INCOME					
<i>Components that will be reclassified to profit or loss</i>					
Changes related to available-for-sale financial assets, before tax	14	99	39	198	-7
Changes related to cash-flow hedges, before tax	-54	7	-1	-28	-6
Tax attributable to components that will be reclassified to profit or loss	9	-23	-9	-37	3
Other comprehensive income, net of tax	-31	83	29	133	-10
Total comprehensive income for the period	132	170	-13	410	-127

BALANCE SHEET

Parent Company, SEK million	31 Dec 2016	31 Dec 2015
ASSETS		
Cash and balances at central banks	0	0
Chargeable treasury bills, etc.	20,492	14,312
Lending to credit institutions (Note 10)	56,630	17,162
Lending to the public	51,577	81,207
Value changes of interest-rate-risk hedged items in macro hedges	0	5
Bonds and other interest-bearing securities	48,851	49,714
Derivatives	6,221	6,430
Shares and participations in Group companies	10,386	10,300
Deferred tax assets	-	52
Intangible assets	31	13
Property, plant and equipment	16	20
Other assets	179	554
Prepaid expenses and accrued income	761	904
TOTAL ASSETS	195,144	180,673
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	4,191	2,973
Retail deposits	96,769	76,639
Debt securities issued, etc.	71,474	76,925
Derivatives	6,075	6,778
Other liabilities	334	773
Accrued expenses and deferred income	373	569
Deferred tax liabilities	41	-
Subordinated debt	5,939	7,943
Total liabilities	185,196	172,600
Equity		
Restricted equity		
Share capital	1,958	1,958
Statutory reserve	392	392
Total restricted equity	2,350	2,350
Unrestricted equity		
Fair value reserve	118	-14
Tier 1 capital instruments	1,500	-
Retained earnings	5,703	5,854
Net profit/loss for the year	277	-117
Total unrestricted equity	7,598	5,723
Total equity	9,948	8,073
TOTAL LIABILITIES AND EQUITY	195,144	180,673
MEMORANDUM ITEMS		
Assets pledged for own liabilities	1,362	15
Contingent liabilities	54,151	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.

OWN FUNDS PARENT COMPANY, SEK million	31 Dec 2016	31 Dec 2015
CET1 capital: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	6,094	5,781
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	118	-14
Tier 1 capital instruments	1,500	-
Independently verified interim profits net of any foreseeable charge or dividend	-350	-117
CET1 capital before regulatory adjustments	9,320	7,608
CET1 capital: regulatory adjustments		
Additional value adjustments (negative amount)	-70	-68
Intangible assets (net of related tax liability) (negative amount)	-31	-13
Fair value reserves related to gains or losses on cash-flow hedges	27	5
Negative amounts resulting from the calculation of expected loss amounts	-7	-49
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-31	-24
Tier 1 capital instruments in equity	-1,500	-
Total regulatory adjustments to CET1 capital	-1,612	-149
CET1 capital	7,708	7,459
Additional Tier 1 capital: Instruments		
Capital instruments and the related share premium reserves	3,000	1,500
<i>Of which: classified as liabilities under applicable accounting standards</i>	<i>3,000</i>	<i>1,500</i>
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
Additional Tier 1 capital before regulatory adjustments	3,000	2,494
Additional Tier 1 capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	3,000	2,494
Tier 1 capital (Tier 1 capital = CET1 + Additional Tier 1 capital)	10,708	9,953
Tier 2 capital: instruments and provisions		
Capital instruments and the related share premium accounts	4,447	5,447
Credit risk adjustments	2	-
Tier 2 capital before regulatory adjustments	4,449	5,447
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	4,449	5,447
Total capital (Total capital = Tier 1 capital + Tier 2 capital)	15,157	15,400
Total risk-weighted assets	31,484	33,295
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	24.5	22.4
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	34.0	29.9
Total capital (as a percentage of total risk-weighted exposure amount), %	48.1	46.3
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	8.5	8.0
<i>Of which: CET1 capital, minimum requirement, %</i>	<i>4.5</i>	<i>4.5</i>
<i>Of which: capital conservation buffer requirement, %</i>	<i>2.5</i>	<i>2.5</i>
<i>Of which: countercyclical capital buffer requirement, %</i>	<i>1.5</i>	<i>1.0</i>
<i>Of which: systemic risk buffer requirement, %</i>	<i>-</i>	<i>-</i>
<i>Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffers, %</i>	<i>-</i>	<i>-</i>
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	20.0	17.9
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	-	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

CAPITAL REQUIREMENT

CAPITAL REQUIREMENT PARENT COMPANY, SEK million	31 Dec 2016		31 Dec 2015	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	6,474	518	6,052	484
Retail exposures	3,172	254	6,247	500
<i>Of which: exposures to SMEs</i>	351	28	648	52
<i>Of which: retail exposures secured by immovable property</i>	2,821	226	5,599	448
Total exposures recognised with IRB approach	9,646	772	12,299	984
Credit risk recognised with the standardised approach				
Exposure to governments and central banks	0	0	129	10
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to multilateral developments banks	0	0	0	0
Exposures to institutions ¹⁾	1,645	132	1,190	95
<i>Of which: derivatives according to CRR, Appendix 2</i>	1,645	132	1,186	95
<i>Of which repos</i>	-	-	-	-
<i>Of which other</i>	0	0	4	0
Exposures to corporates	-	-	15	1
Retail exposures	1,933	155	2,106	168
Exposures in default	12	1	7	1
Exposures in the form of covered bonds	3,384	271	2,957	237
Exposures to institutions and corporates with a short-term credit rating	16	1	19	2
Equity exposures	10,386	831	10,300	824
Other items	85	7	105	8
Total exposures recognised with standardised approach	17,461	1,397	16,828	1,346
Market risk	1,195	96	1,498	120
<i>Of which: position risk</i>	887	71	1,314	105
<i>Of which: currency risk</i>	308	25	184	15
Operational risk	1,478	118	1,709	137
Credit valuation adjustment risk	1,704	136	961	77
Total risk exposure amount and minimum capital requirements	31,484	2,519	33,295	2,664
Capital requirements for capital conservation buffer		787		832
Capital requirements for countercyclical buffer		467		330
Total capital requirements		3,773		3,826

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 1,645 million (1,186).

CAPITAL ADEQUACY

CAPITAL ADEQUACY PARENT COMPANY, SEK million

	31 Dec 2016	31 Dec 2015
CET1 capital	7,708	7,459
Tier 1 capital	10,708	9,953
Total capital	15,157	15,400
Without transitional rules		
Risk exposure amount	31,484	33,295
CET1 capital ratio, %	24.5	22.4
Excess ¹⁾ of CET1 capital	6,292	5,961
Tier 1 capital ratio, %	34.0	29.9
Excess ¹⁾ of Tier 1 capital	8,819	7,955
Total capital ratio, %	48.1	46.3
Excess ¹⁾ of total capital	12,639	12,737
With transitional rules		
Own funds	15,162	15,449
Risk exposure amount	35,833	50,414
Total capital ratio, %	42.3	30.6

¹⁾ 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 55,123 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

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 24 April 2017 in Solna. Additional information will be published at www.sbab.se in March. SBAB's integrated 2016 Annual Report will be published at www.sbab.se at the end of March 2017.

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 the guidelines contained in the Swedish Government's ownership policy and the guidelines for companies with state ownership. The information was submitted for publication on 8 February 2017 at 8:00 a.m. (CET).

Contact

For further information, please contact:

CEO Klas Danielsson, +46 8 614 43 01, klas.danielsson@sbab.se
CFO Mikael Inglander, +46 8 614 43 28, mikael.inglander@sbab.se.

Become a customer: www.sbab.se

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, 7 February 2017

Klas Danielsson
CEO

REVIEW REPORT

Introduction

We have reviewed the year-end report for SBAB Bank AB (publ) for the period 1 January - 31 December 2016. The Board of Directors and the President are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this year-end report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410 Review of Interim Financial Information performed by the company's auditors. A review consists of making inquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the year-end report for the Group is not, in all material aspects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies and as regards the parent company in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 8 February 2017

Deloitte AB

Patrick Honeth
Authorised Public Accountant

KEY PERFORMANCE INDICATORS, DEFINITIONS

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

Common Equity Tier 1 capital ratio	CET1 capital in relation to risk-weighted assets
Total capital ratio	Own funds in relation to risk-weighted assets
Tier 1 capital ratio	Tier 1 capital in relation to risk-weighted assets
Leverage ratio	Tier 1 capital in relation to total assets and off-balance sheet exposures restated with the application of conversion factors

Liquidity coverage ratio, LCR	Liquid assets in relation to net outgoing cash flows over a 30-day stress scenario
Calculation of survival horizon	The number of days that the need for liquidity can be met in a stress scenario before new liquidity is needed
Net Stable Funding Ratio, NSFR	A liquidity risk metric of a structural nature that demonstrates the stability of the Group's funding in relation to its assets

* Alternative performance measures

Alternative performance measures (APMs) are financial metrics of historical or future performance, financial position or cash flows that are not defined in the applicable rules for financial reporting (for example, IFRS or the Swedish Annual Accounts Act). SBAB uses APMs when these are relevant for the presentation and follow-up of the bank's financial position and when these metrics are deemed to provide additional valuable information to readers of the financial reports. APMs can be calculated with various approaches and, accordingly, SBAB's metrics are not directly comparable with similar metrics presented by other companies.