YEAR-END REPORT

1 January–31 December 2017 | SBAB Bank AB (publ)

SBAB!
från dröm till hem

"OVERALL, 2017 WAS THE STRONGEST EVER FOR SBAB".

KLAS DANIELSSON, CEO SBAB

The year in figures: 2017 compared with 2016

- Total lending increased 13.2% during the year to SEK 335.1 billion (296.0)
- Total deposits increased 15.6% during the year to SEK 111.9 billion (96.8)
- Net interest income rose to SEK 3,149 million (2,829)
- Expenses grew to SEK 959 million (889)
- Net loan losses resulted in a recovery of SEK 24 million (loss: 18)
- Operating profit rose to SEK 2,228 million (2,011)
- Return on equity increased to 12.5% (12.3)
- The C/I ratio decreased to 30.3% (30.5)
- The Common Equity Tier 1 (CET1) capital ratio was 32.2% (32.2)

Important events during the fourth quarter

- Opportunities within Open Banking demonstrated. Customer offering strengthened with the comparative service "Räntematchen"
- Focus on new lending under own brand by cancelling remaining 'white label' partnerships with other banks
- Issue of a new Green Bond. The bond is unsecured, amounts to SEK 1.75 billion and has a maturity of five years
- Standard & Poor's raised the outlook for SBAB's long-term credit rating from negative to stable, due to revised view of the Swedish banking sector
- The Government approved the proposal from Finansinspektionen (the Swedish FSA) regarding increased repayment requirements for households with high debt-to-income ratios

SUMMARY

	2017	2017		2017	2016	
Group	**Q4**	**Q3**	**Δ**	**Jan–Dec**	**Jan–Dec**	**Δ**
Total lending [1], SEK bn	335.1	324.4	3.3%	335.1	296.0	13.2%
Total deposits, SEK bn	111.9	107.0	4.6%	111.9	96.8	15.6%
Net interest income, SEK million	801	792	1.1%	3,149	2,829	11.3%
Expenses, SEK million	-259	-224	15.6%	-959	-889	7.9%
Loan losses, SEK million	20	-1	SEK 21 mn	24	-18	SEK 42 mn
Operating profit, SEK million	603	537	12.3%	2,228	2,011	10.8%
Return on equity [2], %	13.3	12.2	110 bps	12.5	12.3	20 bps
C/I ratio, %	30.7	29.4	130 bps	30.3	30.5	-20 bps
CET1 capital ratio, %	32.2	31.4	80 bps	32.2	32.2	0 bps

[1] Mortgages totalling SEK 12.7 billion from the previous partnership with Sparbanken Öresund were transferred from SBAB during Q4 2016. In total, around SEK 20.5 billion was transferred during 2016.
[2] From Q1 2017, SBAB has used a new definition to calculate the return on equity. The comparative figures for 2016 have not been restated. For further information, refer to page 7.

THIS IS SBAB

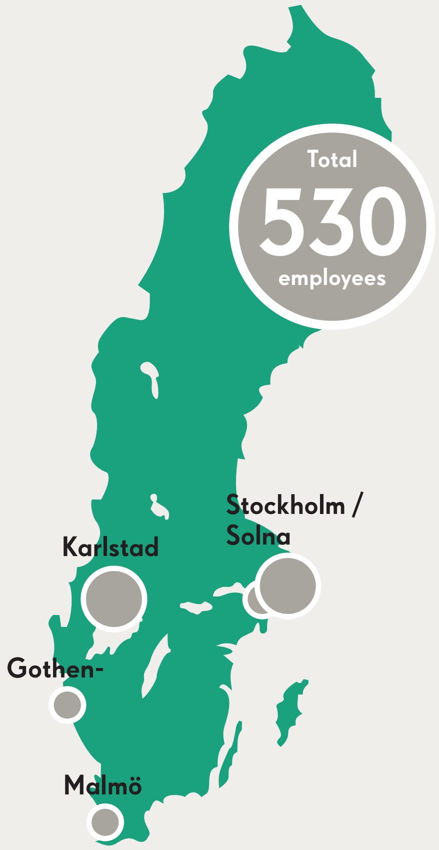
Our business idea is to be mindful and innovative in our offering of loan and savings products to consumers, tenant-owners' associations and property companies in Sweden.

Vision
To offer the best residential mortgages in Sweden

Mission
To help improve housing quality and household finances

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

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



STATEMENT FROM THE CEO

Household finances are really fun. Overall, 2017 was the strongest ever for SBAB. Satisfied customers as shown by Swedish Quality Index, a good workplace according to certification from Great Place to Work, high business volumes due to strong growth in lending and deposits as well as very strong results.

Customers in focus

It's been a good year for SBAB. Our total lending amounted to SEK 335 billion at year end, compared with SEK 296 billion at the end of 2016. This corresponded to net growth of 13% in 2017. In Retail Mortgages, our share of net market growth during the year was a strong 18%, which resulted in our market share climbing to 7.96% (7.23). Deposits also grew strongly in 2017, up 16% to SEK 112 billion. It is extremely gratifying that so many people are choosing to become customers of SBAB. This confirms that we have one of the market's most attractive customer offerings.

In 2014, 2015 and 2016, we had Sweden's most satisfied residential mortgage customers according to the Swedish Quality Index (SKI). A fact we are extremely proud of. In the 2017 survey, we were pipped at the finish line and ended up in third place. We took second place in terms of corporate customers in 2017, just as in 2016. Altogether, with third and second places, SKI 2017 shows that our customers are very satisfied, but naturally, we are not satisfied with anything other than first place and will be working hard to achieve this in 2018.

High growth sets demands on us as an organisation. As a result of the strong inflow of customers, we placed considerable focus on our customer centre to ensure efficient and good service. We achieved this partly by expanding the organisation and partly by strengthening and improving the customer process and our working methods. We are further developing our digital customer interface and customer offering on an ongoing basis and launched our new bank app in Q4.

We are introducing innovative services linked to housing and household finances to enhance the customer experience. One such example is the "Mitt boende" service, which provides our residential mortgage customers with an overview of their loans, their home and the housing market. Another example is the "Räntematchen" service, a comparison service that we are able to offer due to Open Banking. We use an automated process to collect your mortgage data from another bank and to match your terms and conditions against what SBAB can offer. We can offer around 60–80% of those who match their interest rate in the "Räntematchen" service a better mortgage rate.

On the corporate side, 2017 was an extremely active year, not least because of the considerable increase in housing construction. We participated in a wide range of customer events, including trade fairs, and customer and business meetings, with the aim of establishing and strengthening customer relationships and raising visibility for our offering and our commitment to housing-related sustainability issues.

Housing market

High demand in the housing market with rising prices in the first half of 2017 turned into declining demand and a turbulent market in the last six months of the year. In the second half of the year, concerns in the housing market resulted increasingly in home buyers deciding to wait and the supply of homes for sale increased with falling prices as a result. At the start of 2018, we can see that home buyers have become more active and that housing prices have stabilised. After several years of rapidly rising housing prices a market correction was not altogether a surprise, the forthcoming new repayment requirement however probably contributed to increased uncertainty.

In a housing market with rising prices and high demand for housing finance, risks increase and, naturally, responsible credit granting has a key role to play. Accordingly, during the year, we adopted a more cautious approach to credit granting to consumers by, inter alia, lowering our mandatory debt ratio ceiling to 5.5 times gross income. We also completed a change in our interest rate discount structure for residential mortgages, whereby we increased the discount at lower loan-to-value ratios. Altogether, over the last few years and in 2017, we have consistently strengthened credit quality with lower LTV ratios and lower debt ratios in our new lending to consumers. On the corporate side, demand for financing for new builds was particularly strong during the year. We aim to increase our financing of new builds, since we want to help solve the housing shortage and because new residential properties are normally more energy-efficient than older housing stock. We adopted a more cautious approach during the year by focusing on credit granting to established customers and larger, experienced property developers.

In November, the Government approved the proposal from Finansinspektionen (the Swedish FSA) regarding increased repayment requirements for households with debt-to-income ratios. The increased repayment requirement of one percent on top of the existing repayment requirement for mortgage holders borrowing more than 4.5 times their gross income enters force on 1 March 2018. We believe that mortgage repayment is a healthy habit, but that the additional mandatory repayment requirement is being introduced prematurely and is spawning a too extensive and complex range of regulations. SBAB and other banks have already introduced limits for debt-to-income ratios and mandatory repayment requirements were introduced in 2016. The new and expanded repayment requirement risks significantly impairing conditions for customers through a fall in housing prices, increased lock-in effects with existing housing with a reduction in market mobility, and increased lock-in effects with existing banks resulting in a significant deterioration in competition in the banking market.

A sustainable strategy

During the year, we completed work aimed at fully integrating our sustainability strategy in our business strategy. This work resulted in the full integration of business and sustainability goals from 2018 in three overriding target areas: Responsibility and transparency; An attractive workplace; and Sound finances. We have also selected four of the 17 Sustainable Development Goals in the 2030 Agenda, which are now integrated in our operations. We identified that our housing financing operations mean we can clearly impact and contribute to changing the world by pursuing the following four Sustainable Development Goals:

- Goal 8 – Decent work and economic growth
- Goal 11 – Sustainable cities and communities
- Goal 12 – Resposible consumption and production
- Goal 13 – Climate action

We assume responsibility for and create long-term values that are good for our customers, for society, for our employees and for our investors. One example is our green funding cycle. Considerable interest exists in building a sustainable society and climate-smart housing. Similarly, there is considerable demand from investors for green bonds to fund these developments. It is therefore particularly gratifying to have enabled this in the fourth quarter of the year, when we issued our second green bond to fund energy-friendly climate-smart housing.

Certified as a great place to work

SBAB's employees make the company successful and sustainable. Our market and our operating environment is changing ever faster and we therefore need to change and develop our operations with more innovation and at a faster pace to strengthen our competitiveness. Only highly motivated and committed, value-driven employees can do this. Therefore, SBAB has to be a great place to work, where we can develop and attract fantastic new employees, in a labour market where competition for the top talents is intense.

In the fourth quarter we received a certification from Great Place to Work. This was a result of our excellent results in their employee survey and partly due to our ambitious work with values. The certification is awarded to the organisations that meet Great Place to Work's international requirements for employees' experience as well as culture creating activities and work.

Household finances are really fun

The SBAB brand stands for responsibility, safety and trust, all strong and important values that we nurture. We are developing the brand experience to include more attitude and feelings. We are an innovative company with the inclination and the attitude to make changes and to improve, which we want to be encapsulated in our brand. To achieve this, and to catalyse more people to change bank to SBAB, we want to make household finances and banking and mortgage transactions more fun. We therefore decided to make household finances fun by putting on a comedy show at Globen in Stockholm. Not an easy objective – we know. But we succeeded.

Over the year, our customers and the general public could follow the road to Globen through a number of films on www.sbab.se and on social media. We also published educational films aimed at showcasing key questions about household finances in an amusing, simple and accessible manner. On 15 November, the "Household finances are really fun" show opened for 10,000 spectators at Globen with some of the Swedish comic elite on stage. It was a hit. The results of the year's activities were increased brand awareness, the desired brand movement, increased traffic to www.sbab.se and strong customer growth.

New year and new opportunities

We are entering 2018 stronger than ever and full of confidence. The turbulence in the housing market over the last few months does not change our confidence in the future. We envisage major opportunities for continued growth and for capturing market shares from our competitors in both lending and deposits. We will achieve this by continuing to develop our customer offering with a focus on innovation, digitalisation and sustainability.

I would like to thank all my fantastic colleagues for exceptional performances in 2017, which resulted in it becoming our most successful year ever. With our will to change and future insight, I am convinced that together we will take SBAB to new heights.

Solna, February 2018

Klas Danielsson
CEO of SBAB

BUSINESS RESULTS

VOLUME TRENDS

Group	2017 Q4	2017 Q3	2016 Q4	2017 Jan–Dec	2016 Jan–Dec
New lending, SEK bn	24.1	19.4	15.0	82.3	59.6
Net change in lending for the year/period, SEK bn [1]	10.7	8.9	-9.0	39.1	-1.0
Total lending, SEK bn [1]	**335.1**	**324.4**	**296.0**	**335.1**	**296.0**
No. of deposit accounts, thousand	338	327	302	338	302
Net change in deposits for the year/period, SEK bn	4.9	4.4	3.4	15.1	20.1
Total deposits, SEK bn	**111.9**	**107.0**	**96.8**	**111.9**	**96.8**
Deposits/lending, %	33.4	33.0	32.7	33.4	32.7
Retail business area					
No. of mortgage customers, thousand	255	248	233	255	233
No. of mortgage objects financed, thousand	161	158	149	161	149
New lending, SEK bn	19.8	17.0	11.6	68.8	48.7
Net change in lending for the year/period, SEK bn [1]	11.2	9.6	-8.7	38.2	-2.1
Total Retail lending, SEK bn [1]	**250.1**	**238.9**	**211.9**	**250.1**	**211.9**
Residential mortgages, SEK bn	248.1	236.9	210.0	248.1	210.0
Consumer loans, SEK bn	2.0	2.0	2.0	2.0	2.0
Market share Residential mortgages, % [2]	7.96	7.68	7.23	7.96	7.23
Market share Consumer loans, % [2]	0.86	0.89	0.93	0.86	0.93
Total Retail deposits, SEK bn	**75.1**	**71.6**	**65.5**	**75.1**	**65.5**
Market share Retail deposits, % [2]	4.33	4.15	4.05	4.33	4.05
Corporate Clients & Tenant-Owners' Associations business area					
No. of corporate clients and tenant-owners' associations	2,384	2,411	2,589	2,384	2,589
New lending, SEK bn	4.3	2.4	3.4	13.5	11.0
Net change in lending for the year/period, SEK bn	-0.5	-0.8	-0.2	0.8	1.2
Total lending, Corporate Clients & Tenant-Owners' Associations, SEK bn	**85.0**	**85.5**	**84.2**	**85.0**	**84.2**
Lending to Corporate Clients, SEK bn	33.2	34.2	33.5	33.2	33.5
Lending to Tenant-owners' associations, SEK bn	51.8	51.3	50.7	51.8	50.7
Market share Corporate Clients, % [2]	11.30	11.93	11.07	11.30	11.07
Market share Tenant-Owners' Associations, % [2]	10.23	10.60	11.22	10.23	11.22
Total deposits, Corporate Clients & Tenant-Owners' Associations, SEK bn	**36.8**	**35.4**	**31.3**	**36.8**	**31.3**
Market share deposits, Corporate Clients & Tenant-Owners' Associations, % [2]	3.75	3.70	3.10	3.75	3.10

[1] Mortgages totalling SEK 12.7 billion from the previous partnership with Sparbanken Öresund were transferred from SBAB during Q4 2016. In total, around SEK 20.5 billion was transferred during 2016.
[2] Source: Statistics Sweden. The figures in the columns for Q3 2017 correspond to market shares at 31 August 2017.

Trend for Q4 2017 compared with Q3 2017

Market comments

House prices for the country as a whole declined by nearly eight percent during the fourth quarter. Prices declined somewhat more for tenant-owner apartments than for single-family dwellings. The decrease was largest in Stockholm, Gothenburg and Malmö. The fall in prices apperas to be the result of the substantial increase in housing supply and the general uncertainty in the housing market. The announced repo rate increase by the Riksbank around mid-year 2018 as well as the repayment requirement from 2016 may also be contributing factors. As a result of taking longer to sell and more uncertain market conditions, some construction companies have chosen to change production from tenant-owner apartments to rental apartments. At the same time, strong economic conditions – with more people finding work and interest rates remaining low – should contribute to keeping demand for housing up and thus stave off further price falls, even if some uncertainty remains regarding the market trend. The increased repayment requirement for households with high debt-to-income ratios, which enter force on 1 March 2018, contributes to the uncertainty.

Group

Total lending during the quarter fell SEK 10.7 billion (8.9) to SEK 335.1 billion (324.4). New lending remained healthy and totalled SEK 24.1 billion (19.4). Total deposits increased SEK 4.9 billion (4.4) to SEK 111.9 billion (107.0) during the quarter.

Retail business area

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

During the quarter, new retail lending remained strong, increasing during the quarter to SEK 19.8 billion (17.0) driven by a strong customer offering, competitive rates and successful communication.

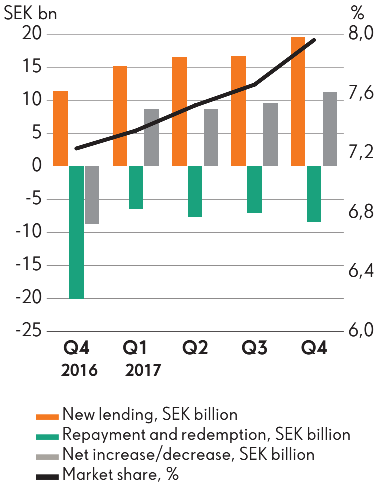
Total lending increased to SEK 250.1 billion (238.9) during the quarter, of which SEK 248.1 billion (236.9) comprised residential mortgages and SEK 2.0 billion (2.0) consumer loans. The number of residential mortgage customers increased to 255,000 (248,000), distributed over 161,000 mortgage objects (158,000). The market share of retail mortgages was 7.96% at 31 December 2017 (7.68 at 31 August 2017). At the same date, the market share for consumer loans was 0.86% (0.89).

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

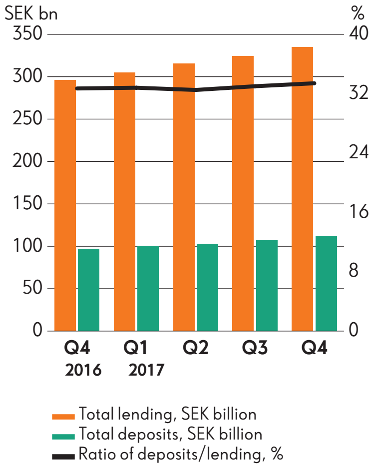
SBAB and other Swedish banks report their average mortgage rates for new loans and loans with amended terms and conditions, in line with the Swedish FSA's regulations. SBAB offers transparent terms and conditions, which is showcased by the difference between SBAB's average and list rates, which in December 2017 was 0.16 percentage points (0.15 in September 2017) on a three-month fixed-rate mortgage.

SBAB's savings accounts offer a competitive interest rate compared with the company's competitors, and deposit inflows continued to grow during the quarter. Retail deposits rose SEK 3.5 billion (3.3) in the quarter and totalled SEK 75.1 billion (71.6). At 31 December 2017, the market share of retail deposits was 4.33% (4.15 at 31 August 2017).

Lending and market shares for mortgages



Total deposits in relation to total lending



Corporate Clients & Tenant-Owners' Associations business area

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

New lending to companies and tenant-owners' associations increased during the quarter to SEK 4.3 billion (2.4), driven by a continued high rate of new construction in addition to high demand from property and construction companies. However, total lending decreased to SEK 85.0 billion (85.5) as a result of a number of property companies choosing to refinance on the bond market.

Of total lending, SEK 33.2 billion (34.2) comprised lending to companies and SEK 51.8 billion (51.3) lending to tenant-owners' associations. The market share of lending to companies was 11.30% at 31 December 2017 (11.93 at 31 August 2017), and the market share for lending to tenant-owners' associations was 10.23% (10.60). The number of loan customers declined to 2,384 (2,411) over the quarter.

Deposits from corporate clients and tenant-owners' associations rose SEK 1.4 billion (1.1) during the quarter and totalled SEK 36.8 billion (35.4). At 31 December 2017, the market share of deposits from corporate clients and tenant-owners' associations (excluding financial institutions) was 3.71% (3.70 at 31 August 2017).

FINANCIAL PERFORMANCE

INCOME STATEMENT OVERVIEW

Group, SEK million	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2017 Jan–Dec	2016 Jan–Dec
Net interest income	801	792	777	779	762	3,149	2,829
Net commissions	2	-2	0	-5	-2	-5	7
Net result of financial items measured at fair value (Note 2)	30	-35	-2	-5	8	-12	48
Other operating income	9	7	9	6	17	31	34
Total operating income	**842**	**762**	**784**	**775**	**785**	**3,163**	**2,918**
Expenses	-259	-224	-244	-232	-239	-959	-889
Profit before loan losses	**583**	**538**	**540**	**543**	**546**	**2,204**	**2,029**
Net loan losses (Note 3)	20	-1	-1	6	2	24	-18
Operating profit	**603**	**537**	**539**	**549**	**548**	**2,228**	**2,011**
Tax	141	-125	-125	-128	-119	519	-441
Net profit for the period/year	**462**	**412**	**414**	**421**	**429**	**1,709**	**1,570**
Return on equity [1], %	13.3	12.2	12.4	12.6	12.5	12.5	12.3
C/I ratio, %	30.7	29.4	31.2	29.9	30.6	30.3	30.5
Loan loss ratio, %	0.02	0.00	0.00	0.01	0.00	0.01	-0.01
Net interest margin, %	0.77	0.77	0.77	0.80	0.80	0.80	0.75

[1] From Q1 2017, SBAB has used a new definition to calculate the return on equity. The return on equity is calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 instruments and value changes in financial assets recognised in equity. The comparative figures for 2016 have not been restated. For the full-year 2016, return on equity amounted to 12.7% with the new formula compared with 12.3% using the previous calculation format.

Trend for Q4 2017 compared with Q3 2017

Net interest and commissions

Net interest income grew to SEK 801 million (792), mainly due to higher lending volumes. The resolution fee, recognised in net interest income, totalled SEK 61.6 million (61.6) for the quarter. The resolution fee for SBAB corresponds to SEK 247 million for the full-year 2017, compared with SEK 102 million for 2016. Net commission income increased during the quarter to SEK 2 million (expense: 2), due in part to increased provisions for intermediation of mortgage insurance and other insurances.

Net result of financial items measured at fair value

The net result of financial items measured at fair value was SEK 30 million (expense: 35). The remeasurement of credit risk in derivatives (CVA/DVA) was the factor with the largest earnings impact in the quarter.

Expenses

Expenses grew to SEK 259 million (224), attributable to higher personnel costs, increased marketing expenses linked to brand campaign, as well as increased investments in IT.

Credit quality and loan losses

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

At the end of 2017, the average LTV ratio[1)] in SBAB's mortgage portfolio was 58% (60). At the same date, the average residential mortgage to retail customers amounted to SEK 1.6 million (1.5).

SBAB's loan losses for the quarter amounted to a recovery of SEK 20 million (loss: 1). For more information on loan losses; please refer to Note 3.

Operating profit

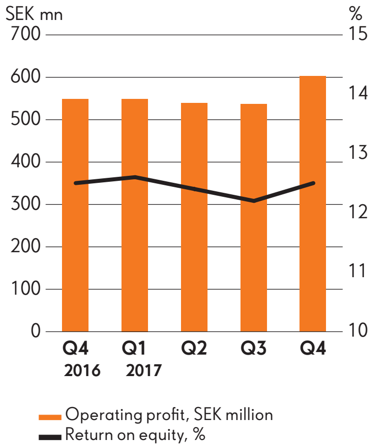
Operating profit amounted to SEK 603 million (537). The increase is primarily due to a higher net result of financial items measured at fair value, somewhat higher net interest income, and positive effects from loan losses.

Other comprehensive income

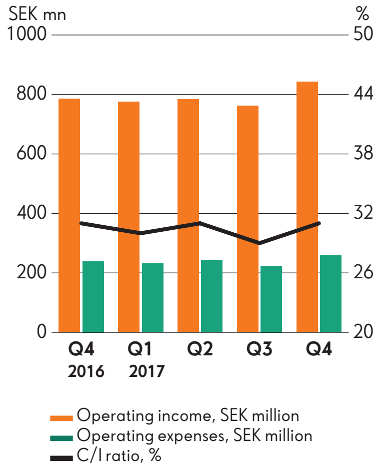
Other comprehensive income was negative SEK 57 million (income: 40). The variance between the quarters was mainly attributable to changes in long EUR interest rates; during the quarter they rose, in contrast to the preceding quarter when they fell.

[1)] The loan-to-value ratio is defined as the size of a loan in relation to the market value of pledged collateral. Where applicable, the calculation takes into consideration contributory factors such as guarantees and the collateral's lien priority.

Operating profit and return on equity



Income, expenses and C/I ratio



Trend for January–December 2017 compared with January–December 2016

During the period, operating profit rose to SEK 2,228 million (2,011). The increase in operating profit was primarily attributable to higher net interest income. Net interest income rose to SEK 3,149 million (2,829) as a result of increased lending volumes and lower funding costs. The net commission expense for the period was SEK 5 million (income: 7) as a result of higher expenses linked to funding operations. The net result of financial items measured at fair value was an expense of SEK 12 million (income: 48). The difference between the periods was attributable to unrealised changes in market values as a consequence of changed basis spreads and changes to credit spreads for securities. Other comprehensive income decreased to an expense of SEK 474 million (income: 398). Changed long EUR interest rates had a substantial negative effect on operating profit. Expenses during the period increased to SEK 959 million (889), driven by increased personnel costs in areas including compliance and service, as well as increased investments in IT. Loan losses for the period amounted to a recovery of SEK 24 million (loss: 18).

BALANCE SHEET OVERVIEW

Group, SEK million	31 Dec 2017	30 Sep 2017	31 Dec 2016
ASSETS			
Chargeable treasury bills, etc.	22,952	25,938	20,492
Lending to credit institutions	1,867	8,941	1,619
Lending to the public	335,111	324,415	296,022
Bonds and other interest-bearing securities	49,764	49,457	48,851
Total other assets in the balance sheet	7,093	6,729	8,172
TOTAL ASSETS	**416,787**	**415,480**	**375,156**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	5,674	10,837	4,689
Deposits from the public	111,895	107,041	96,769
Issued debt securities, etc. (funding)	274,517	271,693	247,407
Subordinated debt	4,942	5,941	5,939
Total other liabilities in the balance sheet	3,949	4,550	5,070
Total liabilities	**400,977**	**400,062**	**359,874**
Total equity	**15,810**	**15,418**	**15,282**
TOTAL LIABILITIES AND EQUITY	**416,787**	**415,480**	**375,156**
CET1 capital ratio, %	32.2	31.4	32.2
Tier 1 capital ratio, %	39.3	38.6	40.1
Total capital ratio, %	47.6	49.3	51.6
Leverage ratio, % [1]	3.86	3.77	4.05
Liquidity coverage ratio (LCR), % [2]	226	265	243
Net stable funding ratio (NSFR), % [3]	117	122	122

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

[2] Liquidity coverage ratio under the Swedish FSA's regulation regarding requirements for a liquidity coverage ratio and reporting of liquid assets and cash flows. For all currencies combined.

[3] As interpreted by SBAB.

Trend for Q4 2017 compared with Q3 2017

Balance sheet comments

Chargeable treasury bills fell during the quarter to SEK 23.0 billion (25.9) while bonds and other interest-bearing securities increased to SEK 49.8 billion (49.5). The change was within the scope of the normal management of the liquidity portfolio. Lending to credit institutions decreased to SEK 1.9 billion (8.9), attributable to lower repo volumes. The change was within the scope of the normal short-term liquidity management. For information on lending to the public, please see page 6.

Liabilities to credit institutions decreased during the quarter to SEK 5.7 billion (10.8), also driven by lower repo volumes and within the scope of the normal short-term liquidity management. Subordinated debt at the end of the quarter totalled SEK 4.9 billion (5.9) as a result of exercising the right of early redemption of subordinated loans. Equity increased during the quarter to SEK 15.8 billion (15.4). Equity was affected by changes in other comprehensive income during the quarter, dividends on additional Tier 1 instruments and net profit for the year. For information about deposits from the public and issued debt securities, please refer to page 6 and the "Funding" section below.

Funding

Issue activity was somewhat lower during the last quarter of the year in relation to Q3, as a consequence of normalising the balance sheet ahead of year-end, previously implemented pre-financing and fewer maturities. In total, SEK 7 billion (16) in bonds was issued. During the quarter, SBAB issued a new green bond. The bond is unsecured, amounts to SEK 1.75 billion and has a maturity of five years. There was considerable demand for the issue and it was soon oversubscribed. Additional information about the issue is available on www.sbab.se.

During the quarter, securities were issued for a total of SEK 12.8 billion (19.4). In parallel, securities were repurchased for SEK 5.3 billion (2.1) and securities amounting to SEK 6.2 billion (10.5) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 2.8 billion to a total of SEK 274.5 billion (271.7).

At the end of the quarter, commercial paper borrowing amounted to SEK 5.5 billion (4.9) and senior unsecured funding amounted to SEK 64.9 billion (63.7). Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Issued securities outstanding totalled SEK 204.2 billion (203.1), of which SEK 149.3 billion was in SEK and SEK 54.9 billion was in foreign currencies.

Liquidity position

SBAB's liquidity reserve primarily 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 72.7 billion (75.3). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 69.4 billion (72.2).

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 330 (375) days, which the company deems satisfactory.

On 31 December 2017, 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 226% (265) for all currencies combined, thereby exceeding the minimum requirement of 100%. Measured in SEK, the LCR was 150% (186). According to the European Commission's Delegated Regulation with regard to Liquidity Coverage Requirement for Credit Institutions, at 31 December 2017, the LCR was 249% (271) in all currencies combined, which exceeds the minimum requirement of 80%. When using the same method to measure in SEK, the LCR amounted to 185% (212). The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 117% (122) as interpreted by SBAB. For more information, please refer to Note 9.

Capital position

SBAB primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised approach. According to SBAB's capital targets, under normal conditions, the CET1 capital ratio should be at least 1.5 percentage points higher than the CET1 capital requirement communicated by the Swedish FSA. In addition, under normal conditions, SBAB's total capital ratio should be at least 1.5 percentage points higher than the capital requirement communicated by the Swedish FSA. The bank is also tasked with meeting any other regulatory capital requirements. SBAB's lending rose to a total of SEK 335.1 billion (296.0). The capital requirement was mainly impacted by the increase in lending. SBAB's capital targets are expected to correspond to a CET1 capital ratio of not less than 27.3% and a total capital ratio of not less than 37.7% at 31 December 2017. At the end of the quarter, the CET1 capital ratio amounted to 32.2% (31.4) and the total capital ratio was 47.6% (49.3), which provided a comfortable margin for applicable regulatory requirements. Net profit/loss for the period was included in own funds while expected dividends reduced own funds. The leverage ratio amounted to SEK 3.86% (3.77) at 31 December 2017.

OTHER INFORMATION

Risks and uncertainties

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity, and the quality of our assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. Household demand posted a stable trend, underpinned by low inflation, low interest rates, and rising stock market and property prices. A certain softening of real estate prices was perceived in the market towards the end of 2017; at the time of writing, it cannot be said with any certainty whether this is temporary or the beginning of a trend. A housing market with soaring prices and rising household debt has meant the Swedish economy is sensitive to changes in interest rates and house prices. The risks associated with these factors are expected to increase as long as house prices and debt continue to outpace increases in income. Extensive regulation in the residential mortgage market, increase in housing supply, longer time to sell and more uncertain market conditions are additional uncertainty factors.

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 684 million, for 2017.

Changes in Executive Management

On 20 December 2017, SBAB's Chief Retail Officer, Elizabet Jönsson, resigned from her current position. Ms. Jönsson will, on an interim basis, be replaced by Sara Davidgård (SBAB's COO) as Acting Chief Retail Officer. Ulrika Wilbourn will as a consequence replace Ms. Davidgård on an interim basis as Acting Chief Operating Officer. Ms. Wilbourn will be responsible for the day-to-day management of Operations. Ms. Davidgård will continuously form part of the Executive Management and represent both Retail Market and Operations.

Rating

During the quarter, Standard & Poor's (S&P) raised its outlook for SBAB's long-term credit rating from negative to stable, after their assessment that the economic risk trend for Swedish banks is stable. SBAB's long-term credit rating from S&P is therefore A (stable outlook).

Cancellation of certain partnerships

For a long time, SBAB has had partnerships (residential mortgage brokering) with other banks for the purpose of achieving increased distribution power of residential mortgages to create economies of scale in the operations. With access to SBAB's balance sheet, these banks have been able to strengthen their customer offering with a residential mortgage product under their own brands (known as a 'white label' partnership). As a link in the strategy of focusing on lending under its own brand, SBAB cancelled the remaining three bank partnerships of this kind on 30 November 2017. The mortgages remain on SBAB's balance sheet, and customer relations will transfer to SBAB after the agreed notice periods, with reservation for one partnerships. In one of the cases, the partner has the right under the agreement to take over the mortgages and step in as the lender.

MREL

The Swedish National Debt Office (SNDO) has established resolution plan on consolidated basis as well as minimum requirements for own funds and eligible liabilities (MREL) for SBAB Bank AB (publ) and The Swedish Covered Bond Corporation. Accordingly, SNDO has deemed that the SBAB Group's activities are critical to the Swedish financial system.

Effects of IFRS 9 at 1 January 2018

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

Events after the end of the period

No significant events occurred after the end of the period.

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 38.

Financial calendar

Annual General Meeting (Solna)	24 April 2018
Interim Report January–March 2018	25 April 2018
Interim Report January–June 2018	18 July 2018
Interim report January–September 2018	26 October 2018
Year-end report 2018	15 February 2019

Credit rating

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

FINANCIAL STATEMENTS AND NOTES

CONDENSED FINANCIAL STATEMENTS

NOTES

PARENT COMPANY

CONDENSED INCOME STATEMENT

Group, SEK million	2017 Q4	2017 Q3	2016 Q4	2017 Jan–Dec	2016 Jan–Dec
Interest income	1,175	1,154	1,079	4,572	4,601
Interest expense	-374	-362	-317	-1,423	-1,772
Net interest income	**801**	**792**	**762**	**3,149**	**2,829**
Commission income	20	16	19	73	69
Commission expense	-18	-18	-21	-78	-62
Net result of financial items measured at fair value (Note 2)	30	-35	8	-12	48
Other operating income	9	7	17	31	34
Total operating income	**842**	**762**	**785**	**3,163**	**2,918**
Personnel costs	-130	-115	-117	-479	-412
Other expenses	-122	-100	-115	-449	-450
Depreciation, amortisation and impairment of PPE and intangible assets	-7	-9	-7	-31	-27
Total expenses before loan losses	**-259**	**-224**	**-239**	**-959**	**-889**
Profit before loan losses	**583**	**538**	**546**	**2,204**	**2,029**
Net loan losses (Note 3)	20	-1	2	24	-18
Operating profit	**603**	**537**	**548**	**2,228**	**2,011**
Tax	141	-125	-119	519	-441
Net profit for the period/year	**462**	**412**	**429**	**1,709**	**1,570**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Group, SEK million	2017 Q4	2017 Q3	2016 Q4	2017 Jan–Dec	2016 Jan–Dec
Net profit for the period/year	**462**	**412**	**429**	**1,709**	**1,570**
Other comprehensive income:					
Components that will be reclassified to profit or loss					
Changes related to available-for-sale financial assets, before tax	21	-40	14	118	198
Changes related to cash-flow hedges, before tax	-89	68	-524	-687	370
Tax attributable to components that will be reclassified to profit or loss	15	-6	112	125	-125
Components that will not be reclassified to profit or loss					
Revaluation effects of defined-benefit pension plans, before tax	-4	23	34	-38	-58
Tax attributable to components that will not be reclassified to profit or loss	0	-5	-7	8	13
Other comprehensive income, net of tax	**-57**	**40**	**-371**	**-474**	**398**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	**405**	**452**	**58**	**1,235**	**1,968**

CONDENSED BALANCE SHEET

Group, SEK million	31 Dec 2017	31 Dec 2016
ASSETS		
Cash and balances at central banks	0	0
Chargeable treasury bills, etc.	22,952	20,492
Lending to credit institutions	1,867	1,619
Lending to the public (Note 4)	335,111	296,022
Value changes of interest-rate-risk hedged items in macro hedges	191	396
Bonds and other interest-bearing securities	49,764	48,851
Derivatives (Note 5)	5,830	6,192
Intangible assets	179	152
Property, plant and equipment	12	16
Other assets	65	550
Prepaid expenses and accrued income	816	866
TOTAL ASSETS	**416,787**	**375,156**
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	5,674	4,689
Deposits from the public	111,895	96,769
Debt securities issued, etc.	274,517	247,407
Derivatives (Note 5)	1,643	2,475
Other liabilities	429	347
Accrued expenses and deferred income	1,697	1,976
Deferred tax liabilities	83	207
Provisions	97	65
Subordinated debt	4,942	5,939
Total liabilities	**400,977**	**359,874**
Equity		
Share capital	1,958	1,958
Reserves/Fair value reserve	188	662
Additional Tier 1 instruments	1,500	1,500
Retained earnings	10,455	9,592
Net profit for the year	1,709	1,570
Total equity	**15,810**	**15,282**
TOTAL LIABILITIES AND EQUITY	**416,787**	**375,156**

CONDENSED STATEMENT OF CHANGES IN EQUITY

	RESTRICTED EQUITY	UNRESTRICTED EQUITY			
Group, SEK million	**Share capital**	**Reserves**	**Additional Tier 1 instruments**	**Retained earnings and net profit for the year**	**Total equity**
OPENING BALANCE, 1 JANUARY 2017	**1,958**	**662**	**1,500**	**11,162**	**15,282**
Additional Tier 1 instruments, dividend				-74	-74
Dividends paid				-628	-628
Other				-5	-5
Other comprehensive income, net of tax		-474			-474
Net profit for the year				1,709	1,709
Comprehensive income for the year		**-474**		**1,709**	**1,235**
CLOSING BALANCE, 31 DECEMBER 2017	**1,958**	**188**	**1,500**	**12,164**	**15,810**
OPENING BALANCE, 1 JANUARY 2016	**1,958**	**264**	**–**	**9,626**	**11,848**
Additional Tier 1 instruments, dividend			1,500	-34	1,466
Other				0	0
Other comprehensive income, net of tax		398			398
Net profit for the year				1,570	1,570
Comprehensive income for the year		**398**		**1,570**	**1,968**
CLOSING BALANCE, 31 DECEMBER 2016	**1,958**	**662**	**1,500**	**11,162**	**15,282**

CONDENSED CASH-FLOW STATEMENT

Group, SEK million	2017 Jan–Dec	2016 Jan–Dec
Opening cash and cash equivalents	**1,619**	**3,456**
OPERATING ACTIVITIES		
Interest and commissions paid/received	2,912	2,316
Outflows to suppliers and employees	-929	-863
Taxes paid/refunded	17	-394
Change in assets and liabilities of operating activities	-70	-2,307
Cash flow from operating activities	**1,930**	**-1,248**
INVESTING ACTIVITIES		
Change in property, plant and equipment	-4	0
Change in intangible assets	-50	-30
Acquisitions/divestments of subsidiaries	–	-59
Cash flow from investing activities	**-54**	**-89**
FUNDING ACTIVITIES		
Dividends paid	-628	–
Change in subordinated loans	-1,000	-2,000
Change in additional Tier 1 instruments	–	1,500
Cash flow from funding activities	**-1,628**	**-500**
Increase/decrease in cash and cash equivalents	**248**	**-1,837**
Closing cash and cash equivalents	**1,867**	**1,619**

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

CHANGE IN LIABILITIES ATTRIBUTABLE TO FUNDING ACTIVITIES

			NON-CASH ITEMS					NON-CASH ITEMS		
SEK million	**Opening balance, 1 Jan. 2017**	**Cash flow**	**Fair value**	**Other**	**Closing balance, 31 Dec. 2017**	**Opening balance, 1 Jan. 2016**	**Cash flow**	**Fair value**	**Other**	**Closing balance, 31 Dec. 2016**
Long-term interest-bearing liabilities	7,439	-1,000	-3	6	6,442	7,943	-493	-11	0	7,439
Derivatives	-11	7	5	-6	-5	-24	6	1	6	-11
Total	**7,428**	**-993**	**2**	**–**	**6,437**	**7,919**	**–**	**-10**	**6**	**7,428**

NOTE 1 Accounting policies

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

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

The accounting policies and calculation methods are unchanged in comparison with the 2016 Annual Report. These consolidated condensed financial statements have been prepared on a going concern basis. On 15 February 2018, the Board of Directors approved the consolidated condensed financial statements for publication.

Introduction of new accounting standards

IFRS 9 Financial instruments

IFRS 9 Financial Instruments (IFRS 9) replaces IAS 39 Financial Instruments in its entirety and encompasses classification and measurement, and impairment and hedge accounting. A separate project under the IASB is ongoing with regard to macro hedge accounting. 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 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. The new hedge accounting rules have a clearer ambition to reflect risk management and entail a number of new disclosures.

SBAB will apply the mandatory sections pertaining to classification and measurement and impairment from 1 January 2018. The rules will be applied through the adjustment of the balance sheets of the Group and the subsidiaries at that date. No requirements apply for restatement of comparative periods. Upon the transition to IFRS 9, the credit loss reserves in the Group decreased SEK 46 million (2.1% of the Group's profit before tax). The overall effect increased equity (before tax) by a corresponding amount at 1 January 2018. For the Parent Company, the net of reserves and provisions for expected credit losses increased SEK 5 million, which was attributable to off-balance-sheet ECLs, loan commitments and building credits. The decrease in the credit loss reserve is based on an adjustment to take into consideration expected credit losses that are estimated to be lower than the incurred losses under the Group's current accounting estimate methodology according to IAS 39. With the transition to IFRS 9, all parameter estimates have been adjusted more in line with expected values, which better match the prevailing economic conditions. With current historically low default rates and extremely few confirmed loan losses, an expected value model under IFRS 9 makes a relatively small provision for expected credit losses (ECLs) given the scope of the lending. The changes in the regulations for provisions had a limited impact on the capital adequacy ratios. SBAB has decided not to apply the transitional rules nor additional relief in conjunction with the introduction of IFRS 9.

Classification and measurement

SBAB's analysis of the contractual cash flows on holdings of financial instruments, excluding derivatives, finds that these pertain solely to principal amounts and the interest on such principal amounts. The business models that exist under IFRS 9 are as follows:

- Where the objective is to hold assets in order to collect contractual cash flows. Measurement and recognition is performed at amortised cost.
- Where the objective is achieved by both collecting contractual cash flows and selling financial assets. Measurement and recognition is performed at fair value through other comprehensive income.
- Whether the objective is to "hold" or to both "hold and sell." Measurement and recognition is performed at fair value through profit or loss.

Under IFRS 9, a company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective The company's business model is not dependent on the Executive Management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined at a higher level of aggregation. However, an entity may have more than one business model for managing its financial assets.

SBAB has evaluated the business model for portfolios of financial assets based on how they are managed and valued. SBAB's assessment is that the Group's securities portfolios are managed in accordance with the two first-mentioned business models, which entails measurement and recognition at amortised cost and fair value through other comprehensive income (FVTOCI). For assets that will, due to this assessment, be reclassified and measured at amortised cost and where the interest-rate risk has been hedged using derivatives, inconsistencies will arise in recognition since derivatives are recognised at fair value through profit or loss (FVTPL). The fair value option, which entails recognition at FVTPL, will be applied for these assets. Other financial assets, excluding derivatives, will be managed in accordance with the first-mentioned business model and recognised at amortised cost. Measurement and classification of derivatives and other financial liabilities will not be changed due to IFRS 9.

Compared with previous accounting policies, the measurement and classification of financial assets under IFRSs 9 has not impacted values in the balance sheet or equity as of 1 January 2018.

Impairment – expected credit losses

Where in the balance sheet a provision (loss allowance) is recognized depends on the classification of the exposure under IFRS 9 and the cash flow characteristics:

- For financial assets measured at amortised cost, the loss allowance is recognised as a deductible item together with the asset.
- For financial assets measured at FVTOCI, the loss allowance is recognised in equity.
- For exposures that are not recognised in the balance sheet (for example, loan commitments and construction loans), the loss allowance is recognised as a provision on the liability side of the balance sheet

Expected credit losses for financial assets in the balance sheet:

Under IFRS 9, following initial recognition, financial assets are divided in three stages according to their relative credit risk:

	Change in credit risk		
	Stage 1	**Stage 2**	**Stage 3**
Timing	From initial recognition	On a significant increase in credit risk following initial recognition	On default
Loss allowance	12-month ECL	Lifetime ECL	Lifetime ECL
Interest income	Based on gross carrying amount	Based on gross carrying amount	Based on net carrying amount

Depending on the credit stage, the loss allowance is determined by calculating the ECL for the next 12-month period or the remaining expected lifetime. Assets can migrate between stages from one balance-sheet date to another. This is decided based on changes in credit risk compared with initial recognition. Interest income from assets in stage 3 are based on the net carrying amount after deduction of the loss allowance, in other words, the amortised cost, while interest income for the other stages is based on the gross carrying amount.

Credit stage 1

All financial assets will, at a minimum, have a loss allowance that corresponds to 12-month ECL. Three main parameters are taken into consideration when measuring ECLs. Probability of default (PD), loss given default (LGD) and exposure at default (EAD) where the product results in the expected credit loss (ECL). The calculation of 12-month ECL uses SBAB's portfolio models for internal risk classification (IRB) that are intended for capital adequacy, but where adjustments for the economic conditions and conservatism are excluded from the estimated parameters. The same procedure for adjusting the parameters from IRB are also applied in stages 2 and 3. For further information on IRB, see Note 2a Risk management – Credit risk in lending operations in SBAB's annual report 2016.

Credit stage 2

For financial assets where the credit risk has increased significantly since initial recognition, the loss allowance will correspond with lifetime ECL. Assessments of whether a significant increase in credit risk since initial recognition has occurred is made on an individual and a collective basis for homogenous credit risk groups,

Cont. NOTE 1 Accounting policies

known as risk classes. In addition to PD from IRB, the determination of whether a significant increase has occurred also uses empirical default data for the respective risk classes and forward-looking information in the form of macro-economic factors. SBAB assesses whether credit risk has increased significantly since initial recognition by measuring the deviations from an expected PD trend given the original risk class. SBAB also applies presumptions in line with maturities of over 30 days as an indicator of a significant increase in credit risk.

Credit stage 3
Credit deteriorated assets should also be assigned a loss allowance that corresponds with lifetime ECL. The internal default definition is applied to determine whether a financial assets has suffered credit deterioration. SBAB deems a default to have occurred if any of the following criterisa are met:

- The borrower has entered into liquidation, officially suspended payments or applied for a composition
- The credit is overdue by more than 60 days
- The credit has been restructured and the borrower been granted concessions
- The credit is categorised as insolvent based on a separate expert assessment.

Expected credit losses for exposures not recognised in the balance sheet.
For loan commitments, initial recognition is defined as the moment the bank enters into the irrevocable undertaking. The loss allowance is calculated in the same manner as for financial assets in the balance sheet, but includes the application of a credit conversion factor (CCF). The CCF measures the likelihood of a loan commitment being converted into a financial asset. In common with other parameters, the CCF is also used in the IRB approach for capital adequacy.

Forward-looking information
So as not to solely base the estimate of ECL on empirical information, forward-looking information in the form of housing market forecasts is used. The reason is to not solely rely on the past when calculating the loss allowance, but to also take into consideration immediate prospects to thereby enable objective and accurate expected values. Forecasts are prepared for macro-economic factors that have been shown to strongly correlate with default frequencies and actual credit losses in SBAB's lending. The forward-looking information should be viewed as an adjustment to the two risk dimensions PD and LGD, which impact both the allocation of credit stages and the level of the loss allowance.

Modification of financial assets
If the cash flows from a financial asset are renegotiated or otherwise modified, SBAB assesses whether the change is so significant that the modification will lead to derecognition from the balance sheet or whether the change will result in a modification gain or loss. In the event of derecognition from the balance sheet, the financial asset is assigned a new issue date and, thus a new initial risk class.

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

IFRS 16 Leases
The new IFRS 16 has changed the lease classification criteria. Assuming that the EU adopts IFRS 16 and that the date proposed by the IASB for it to enter force does not change, the standard will apply from the 2019 financial year. The new standard entails that all leases (with the exception of short-term and smaller leases) are to be recognized as right-of-use assets with corresponding liabilities in the lessee's balance sheet, and the lease payments recognized as depreciation and interest expense. Moreover, disclosure requirements will apply. SBAB is working to analyse the financial effects of the new standard.

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

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

Group, SEK million	2017 Q4	2017 Q3	2016 Q4	2017 Jan–Dec	2016 Jan–Dec
Gains/losses on interest-bearing financial instruments					
– Securities measured at FVTPL	-30	-19	-98	-109	-43
– Change in value of hedged items in hedge accounting	56	103	686	795	691
– Realised gain/loss from financial liabilities	-73	-43	-259	-318	-489
– Derivatives	50	-91	-484	-444	-352
– Loan receivables	31	17	162	73	240
Currency translation effects	-4	-2	1	-9	1
Total	**30**	**-35**	**8**	**-12**	**48**

NOTE 3 Net loan losses

Group, SEK million	2017 Q4	2017 Q3	2016 Q4	2017 Jan–Dec	2016 Jan–Dec
CORPORATE MARKET					
Individual provision for corporate market loans					
Write-off for the year/period for confirmed loan losses	–	–	–	–	–
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 year/period	-0	-0	-0	-0	-0
Recoveries of confirmed loan losses in prior years	–	–	0	–	0
Reversal of prior provisions no longer necessary for probable loan losses [1]	12	0	4	12	4
Guarantees	–	–	–	–	–
Net expense for the year/period for individual provisions for corporate market loans	**12**	**0**	**4**	**12**	**4**
Collective provision for corporate market loans					
Allocations to/unwinding of collective provisions	1	0	1	1	9
Guarantees	-1	-0	-1	-1	-3
Net expense for the year/period for collective provisions for corporate market loans	**0**	**0**	**0**	**0**	**6**
RETAIL MARKET					
Individual provision for retail market loans					
Write-off for the year/period for confirmed loan losses	-1	–	-2	-1	-2
Reversal of prior provisions for probable loan losses, recognised as confirmed losses in the financial statements for the period	1	–	2	1	2
Provision for probable loan losses for the year/period	-0	-0	0	-1	-0
Reversal of prior provisions no longer necessary for probable loan losses	1	0	11	2	16
Guarantees	–	0	–	–	-0
Net expense for the year/period for individual provisions for retail market loans	**1**	**0**	**11**	**1**	**16**
Collective provision for retail market loans					
Write-off for the year/period for confirmed loan losses	-2	-3	-3	-10	-11
Recoveries of confirmed loan losses in prior years	1	1	0	3	2
Allocations to/unwinding of collective provisions [2]	2	-0	6	11	-13
Guarantees	6	1	-16	7	-22
Net expense for the year/period for collective provisions for retail market loans	**7**	**-1**	**-13**	**11**	**-44**
Net income/expense for loan losses for the year/period	**20**	**-1**	**2**	**24**	**-18**

[1] The reversal of the provision for corporate market loans was largely due to one commitment being declared healthy.

[2] The unwinding of the collective provisions for retail market loans in 2017 was mainly due to reclassification to better risk classes within the lending portfolio in H1 2017, and to loans with unpaid overdue amounts (>60 days) declining over the year.

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	31 Dec 2017		31 Dec 2016	
SEK million	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	126,699	-61	107,345	-74
Tenant-owners' rights	121,570	-105	102,701	-105
Tenant-owners' associations	51,801	-10	50,643	-21
Private multi-family dwellings	29,523	-19	28,543	-19
Municipal multi-family dwellings	219	–	240	–
Commercial properties	3,487	–	4,779	–
Other	2,021	-14	2,006	-16
Provision for probable losses	-209		-235	
Total	**335,111**	**-209**	**296,022**	**-235**

Doubtful and non-performing loan receivables	31 Dec 2017	31 Dec 2016
a) Doubtful loan receivables	113	134
b) Non-performing loan receivables [1] included in doubtful loan receivables	2	1
c) Non-performing loan receivables [1] not included in doubtful loan receivables	188	137
d) Individual provisions for loan receivables	45	59
e) Collective provision for corporate market loans	1	1
f) Collective provision for retail market loans	163	175
g) Total provisions (d+e+f)	209	235
h) Doubtful loan receivables after individual provisions (a-d)	68	75
i) Provision ratio for individual provisions (d/a), %	40	44

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

Loan portfolio, SEK million	31 Dec 2017	31 Dec 2016
Retail lending	250,110	211,857
- of which, new lending during the period	*68,799*	*48,660*
Corporate lending (incl. tenant-owners' associations)	85,001	84,165
- of which, new lending during the period	*13,483*	*10,988*
Total	**335,111**	**296,022**
- of which, new lending during the period	*82,282*	*59,648*

NOTE 5 Derivatives

Group, SEK million	31 Dec 2017 Assets measured at fair value	31 Dec 2017 Liabilities measured at fair value	31 Dec 2017 Total nominal amount	31 Dec 2016 Assets measured at fair value	31 Dec 2016 Liabilities measured at fair value	31 Dec 2016 Total nominal mount
Interest-rate-related	2,425	1,259	295,484	3,944	1,700	222,420
Currency-related	3,405	384	90,925	2,248	775	82,513
Total	**5,830**	**1,643**	**386,409**	**6,192**	**2,475**	**304,933**

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

NOTE 6 Operating segments

Group, SEK million	Jan–Dec 2017 Retail	Jan–Dec 2017 Corporate clients & Tentant-owners' assoc.	Jan–Dec 2017 Other	Jan–Dec 2017 Total	Jan–Dec 2016 Retail	Jan–Dec 2016 Corporate clients & Tentant-owners' assoc.	Jan–Dec 2016 Other	Jan–Dec 2016 Total
Income [1]	2,457	718	0	3,175	2,260	610	–	2,870
Net result of financial items measured at fair value	0	16	-28	-12	0	4	44	48
Total operating income	**2,457**	**734**	**-28**	**3,163**	**2,260**	**614**	**44**	**2,918**
Expenses [2]	-766	-193	0	-959	-705	-192	8	-889
Net loan losses	7	17	–	24	-13	-5	–	-18
Operating profit	**1,698**	**558**	**-28**	**2,228**	**1,542**	**417**	**52**	**2,011**
Tax	-394	-131	6	-519	-338	-92	-11	-441
Net profit/loss for the year	**1,304**	**427**	**-22**	**1,709**	**1,204**	**325**	**41**	**1,570**
Return on equity [3], %	14.4	8.8	n/a	12.5	14.7	8.1	n/a	12.3

[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 PPE and amortisation of intangible assets.

[3] From Q1 2017, SBAB has used a new definition to calculate the return on equity. The return on equity is calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 instruments and value changes in financial assets recognised in equity. The comparative figures for 2016 have not been restated.

NOTE 7 Classification of financial instruments

GROUP

Financial assets

SEK million	31 Dec 2017 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.	5,386	7,966		9,600	22,952	22,953
Lending to credit institutions			1,867		1,867	1,867
Lending to the public			335,111		335,111	335,800
Value changes of interest-rate-risk hedged items in macro hedges			191		191	191
Bonds and other interest-bearing securities	7,425	33,715		8,624	49,764	49,822
Derivatives	5,830				5,830	5,830
Other assets			65		65	65
Prepaid expenses and accrued income	120	461	147	32	760	760
Total	**18,761**	**42,142**	**337,381**	**8,656**	**416,540**	**417,097**

GROUP

Financial liabilities

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

Cont. NOTE 7 Classification of financial instruments

GROUP

Financial assets

SEK million	Assets measured at FVTPL (held for trading)	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	Total fair value
	31 Dec 2016					
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
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

SEK million	Liabilities measured at FVTPL	Other financial liabilities	Total	Total fair value
	31 Dec 2016			
Liabilities to credit institutions		4,689	4,689	4,689
Deposits from the public		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**

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 2016 Annual Report. In the Total fair value column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet.

The carrying amounts for current receivables and liabilities have been assessed as equal to their fair values. Investments held to maturity were measured at quoted prices, Level 1. For Lending to the public, Issued debt securities and Subordinated debt, fair value is established based on generally accepted valuation techniques. As far as possible, calculations made in conjunction with measurement are based on observable market data. The main tools used are models based on discounted cash flows. Issued debt securities and subordinated debt are measured at the Group's current borrowing rate, Level 2. For Lending to the public, where no observable credit margin data is available at the time of measurement, the credit margin on the most recent date for changes in terms is applied to set the discount rate, Level 3.

NOTE 8 Fair value disclosures

GROUP

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

SEK million	31 Dec 2016 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**

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting Policies in the 2016 Annual Report. In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement levels used below.
No transfers were made between levels in 2016 or 2017.

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

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

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

NOTE 9 Liquidity reserve and liquidity risk

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

Calculation of survival horizon
SBAB measures and stress-tests liquidity risk, 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. The survival horizon totalled 330 days.

Liquidity coverage ratio
The liquidity coverage ratio (LCR) 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.

LIQUIDITY RESERVE Group, SEK million	31 Dec 2017				31 Dec 2016			
		DISTRIBUTION BY CURRENCY				DISTRIBUTION BY CURRENCY		
	Total	**SEK**	**EUR**	**USD**	**Total**	**SEK**	**EUR**	**USD**
Cash and balances at central banks	500	500	–	–	632	632	–	–
Balances at other banks	–	–	–	–	–	–	–	–
Securities issued or guaranteed by governments, central banks or multinational development banks	28,033	17,926	7,714	2,393	25,166	14,343	7,602	3,221
Securities issued or guaranteed by municipalities or public sector entities	8,621	7,003	176	1,442	6,596	5,311	–	1,285
Covered bonds issued by other institutions	35,501	30,146	4,564	791	37,070	31,364	4,739	967
Covered bonds issued by SBAB	–	–	–	–	–	–	–	–
Securities issued by non-financial corporates	–	–	–	–	–	–	–	–
Securities issued by financial corporates (excl. covered bonds)	–	–	–	–	–	–	–	–
Other securities	–	–	–	–	–	–	–	–
Total	**72,655**	**55,575**	**12,454**	**4,626**	**69,464**	**51,650**	**12,341**	**5,473**
Bank and loan facilities	–	–	–	–	–	–	–	–
Total	**72,655**	**55,575**	**12,454**	**4,626**	**69,464**	**51,650**	**12,341**	**5,473**
Distribution by currency, %		76.5	17.1	6.4		74.3	17.8	7.9

LIQUIDITY COVERAGE RATIO Group, SEK million	31 Dec 2017			31 Dec 2016		
		DISTRIBUTION BY CURRENCY			DISTRIBUTION BY CURRENCY	
	Total	**EUR**	**USD**	**Total**	**EUR**	**USD**
Liquidity coverage ratio (LCR), % [1)]	226	184,698	141	243	182,704	258
Liquid assets	**67,331**	**11,770**	**4,507**	**63,904**	**11,630**	**5,329**
Assets with 100% weight	37,155	7,891	3,835	32,394	7,602	4,506
Assets with 85% weight	30,176	3,879	673	31,510	4,028	822
Cash outflows	**34,131**	**25**	**3,195**	**25,886**	**25**	**2,634**
Deposits from the public	19,994	–	–	15,886	0	0
Market funding	6,138	–	944	5,190	0	2,633
Other outflows	7,999	25	2,251	4,810	25	1
Cash inflows	**6,785**	**4,166**	**2**	**3,674**	**1,594**	**571**
Inflow from retail lending	811	0	0	586	0	0
Other inflows	5,974	4,166	2	3,088	1,594	571

[1)] Liquidity coverage ratio = liquid assets/(cash outflow - cash inflow). The LCR 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. In autumn 2017, the Swedish FSA issued a proposal regarding the repeal of the two liquidity regulations, FFFS 2011:37 and FFFS 2012:6. The Board of the Swedish FSA approved the proposal, which means that the Liquidity coverage ratio table will be replaced in future reports.

NOTE 10 Capital adequacy, own funds and capital requirements

CAPITAL ADEQUACY **Consolidated situation, SEK million**	**31 Dec 2017**	**31 Dec 2016**
CET1 capital	13,443	12,385
Tier 1 capital	16,443	15,385
Total capital	19,890	19,833
Without transitional rules		
Risk exposure amount	41,797	38,413
CET1 capital ratio, %	32.2	32.2
Excess [1] of CET1 capital	11,563	10,656
Tier 1 capital ratio, %	39.3	40.1
Excess [1] of Tier 1 capital	13,936	13,080
Total capital ratio, %	47.6	51.6
Excess [1] of total capital	16,547	16,760
With transitional rules		
Own funds	19,920	19,835
Risk exposure amount	192,993	168,936
Total capital ratio, %	10.3	11.7

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

Cont. NOTE 10 Capital adequacy, own funds and capital

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 **Consolidated situation, SEK million**	**31 Dec 2017**	**31 Dec 2016**
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	10,452	9,592
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	189	662
Additional Tier 1 instruments	1,500	1,500
Independently verified net profit for the year net of any foreseeable charge or dividend [1]	1,026	942
CET1 capital before regulatory adjustments	**15,125**	**14,654**
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-62	-67
Intangible assets (net of related tax liability) (negative amount)	-83	-142
Fair value reserves related to gains or losses on cash-flow hedges	9	-526
Negative amounts resulting from the calculation of expected loss amounts	-29	-3
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-17	-31
Additional Tier 1 instruments in equity	-1,500	-1,500
Total regulatory adjustments to CET1 capital	**-1,682**	**-2,269**
CET1 capital	**13,443**	**12,385**
Additional Tier 1 capital: Instruments		
Capital instruments and the related share premium accounts	3,000	3,000
Of which: classified as equity under applicable accounting standards	*1,500*	*1,500*
Of which: classified as liabilities under applicable accounting standards	*1,500*	*1,500*
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–
Additional Tier 1 capital before regulatory adjustments	**3,000**	**3,000**
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	**–**	**–**
Additional Tier 1 capital	**3,000**	**3,000**
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	**16,443**	**15,385**
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	3,447	4,447
Credit risk adjustments	–	1
Tier 2 capital before regulatory adjustments	**3,447**	**4,448**
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	**–**	**–**
Tier 2 capital	**3,447**	**4,448**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**19,890**	**19,833**
Total risk-weighted assets	**41,797**	**38,413**
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	32.2	32.2
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	39.3	40.1
Total capital (as a percentage of total risk-weighted exposure amount), %	47.6	51.6
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	9.0	8.5
Of which: CET1 capital, minimum requirement, %	*4.5*	*4.5*
Of which: capital conservation buffer requirement, %	*2.5*	*2.5*
Of which: countercyclical capital buffer requirement, %	*2.0*	*1.5*
Of which: systemic risk buffer requirement, %	–	–
Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffers, %	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	27.7	27.7

Cont. NOTE 10 Capital adequacy, own funds and capital

OWN FUNDS **Consolidated situation, SEK million**	**31 Dec 2017**	**31 Dec 2016**
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

[1] Net profit for the year was reduced by the expected dividend of SEK 684 million.

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS **Consolidated situation, SEK million**	**31 Dec 2017**		**31 Dec 2016**	
	Risk exposure amount	**Capital requirement**	**Risk exposure amount**	**Capital requirement**
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	12,258	981	12,106	969
Retail exposures	12,469	997	11,440	915
Of which: exposures to SMEs	*1,160*	93	*1,211*	*97*
Of which: retail exposures secured by immovable property	*11,309*	904	*10,229*	*818*
Total exposures recognised with the IRB approach	**24,727**	**1,978**	**23,546**	**1,884**
Credit risk recognised with the standardised approach				
Exposures 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]	2,593	207	1,907	152
Of which: derivatives according to CRR, Appendix 2	*2,583*	*206*	*1,903*	*152*
Of which repos	*9*	*1*	*3*	*0*
Of which other	*1*	*0*	*1*	*0*
Exposures to corporates	–	–	–	–
Retail exposures	2,193	175	1,933	155
Exposures in default	11	1	12	1
Exposures in the form of covered bonds	3,282	263	3,384	271
Exposures to institutions and corporates with a short-term credit rating	21	2	19	1
Equity exposures	1,078	86	–	–
Other items	331	27	561	44
Total exposures recognised with standardised approach	**9,509**	**761**	**7,816**	**624**
Market risk	**1,159**	**93**	**1,571**	**126**
Of which: position risk	*413*	33	*886*	*71*
Of which: currency risk	*746*	60	*685*	*55*
Operational risk	**4,144**	**331**	**3,634**	**291**
Credit valuation adjustment risk	**2,258**	**181**	**1,846**	**148**
Total risk exposure amount and minimum capital requirements	**41,797**	**3,344**	**38,413**	**3,073**
Capital requirements for capital conservation buffer		**1,045**		**960**
Capital requirements for countercyclical buffer		**829**		**571**
Total capital requirements		**5,218**		**4,604**

[1]The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 2,592 million (1,906).

NOTE 11 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for the Group amounted to SEK 15,115 million (SEK 13,073 million at 31 December 2016). SBAB quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period, given a predetermined level of confidence. In SBAB's case, the level of confidence is 99.97%, which corresponds to SBAB's long-term AA– target rating (according to Standard & Poor's ratings scale). The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk. The table below sets out the internal capital requirement for the consolidated situation, with and without taking into account the Swedish FSA's supervisory practices with regard to the risk-weight floor for Swedish residential mortgages.

		31 Dec 2017			31 Dec 2016		
			EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR		EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR
SEK million		**Pillar 1**	**Internally assessed capital requirement**	**Internally assessed capital requirement**	**Pillar 1**	**Internally assessed capital requirement**	**Internally assessed capital requirement**
Pillar 1	Credit risk & CVA risk	2,920	2,920	2,920	2,656	2,656	2,656
	Market risk	93	93	93	126	126	126
	Operational risk	331	331	331	291	291	291
Pillar 2	Credit risk [1]	–	1,119	0	–	1,019	0
	Market risk	–	1,002	1,002	–	1,118	1,118
	Operational risk	–	0	0	–	91	91
	Risk-weight floor	–	–	7,940	–	–	6,532
	Concentration risk	–	898	898	–	669	669
	Sovereign risk	–	57	57	–	59	59
	Pension risk	–	0	0	–	0	0
Buffers	Capital conservation buffer	1,045	1,045	1,045	960	960	960
	Capital planning buffer [2]	–	1,125	0	–	1,000	0
	Countercyclical buffer	829	829	829	571	571	571
Total		**5,218**	**9,419**	**15,115**	**4,604**	**8,560**	**13,073**

[1] In the internal capital requirement without taking the risk-weight floor into account, additional credit risks in Pillar 2 consist of SBAB's estimated capital requirement in economic capital. Since the additional capital requirement for the risk-weight floor exceeds the additional capital requirement according to economic capital, only the risk-weight floor is included in the internal capital requirement with consideration for the risk-weight floor.

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

PARENT COMPANY

Trend for January–December 2017 compared with January–December 2016

The operating profit amounted to SEK 153 million (355) for the period. The change in operating profit was mainly attributable to higher costs for the period and to lower net income from financial transactions. Net interest income rose to SEK 294 million (326), mainly driven by lower funding costs in the period. The net expense from financial transactions amounted to SEK 7 million (income: 143). The difference between the periods was primarily attributable to unrealised market value changes as a result of changed credit spreads for securities, compensation for the transfer of mortgages from the previous partnership with Sparbanken Öresund in 2016 and buyback expenses linked to the discontinuation of financing. Expenses increased to SEK 963 million (872), and were attributable to higher personnel costs in areas including compliance. Net credit losses resulted in a recovery of SEK 13 million (loss: 9). Lending to the public declined during the period to SEK 22.9 billion (51.6) as a result of movements of loan assets, following permission from the Swedish FSA, from SBAB to SCBC at the end of 2017. Deposits from the public increased to SEK 111.9 billion (96.8). The CET1 capital ratio was 22.4% (24.5) and the internally assessed capital requirement was SEK 5,720 million (5,132).

CONDENSED INCOME STATEMENT

Parent Company, SEK million	2017 Q4	2017 Q3	2016 Q4	2017 Jan–Dec	2016 Jan–Dec
Interest income	364	342	357	1,317	1,300
Interest expense	-274	-263	-215	-1,023	-974
Net interest income	**90**	**79**	**142**	**294**	**326**
Commission income	24	19	24	79	85
Commission expense	-7	-3	-11	-23	-39
Net result of financial transactions	25	-13	74	-7	143
Other operating income	219	168	208	760	721
Total operating income	**351**	**250**	**437**	**1,103**	**1,236**
Personnel costs	-128	-114	-112	-472	-408
Other expenses	-132	-102	-116	-479	-449
Depreciation, amortisation and impairment of PPE and intangible assets	-3	-3	-4	-12	-15
Total expenses before loan losses	**-263**	**-219**	**-232**	**-963**	**-872**
Profit before loan losses	**88**	**31**	**205**	**140**	**364**
Net loan losses	20	-2	3	13	-9
Operating profit	**108**	**29**	**208**	**153**	**355**
Tax	-31	-14	-45	-62	-78
Net profit for the period/year	**77**	**15**	**163**	**91**	**277**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Parent Company, SEK million	2017 Q4	2017 Q3	2016 Q4	2017 Jan–Dec	2016 Jan–Dec
Net profit for the period	**77**	**15**	**163**	**91**	**277**
Other comprehensive income					
Components that will be reclassified to profit or loss					
Changes related to available-for-sale financial assets, before tax	21	-40	14	118	198
Changes related to cash-flow hedges, before tax	-11	-13	-54	-68	-28
Tax attributable to components that will be reclassified to profit or loss	-2	12	9	-11	-37
Other comprehensive income, net of tax	**8**	**-41**	**-31**	**39**	**133**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	**85**	**-26**	**132**	**130**	**410**

CONDENSED BALANCE SHEET

Parent Company, SEK million	31 Dec 2017	31 Dec 2016
ASSETS		
Cash and balances at central banks	0	0
Chargeable treasury bills, etc.	22,952	20,492
Lending to credit institutions (Note 10)	94,302	56,630
Lending to the public	22,912	51,577
Value changes of interest-rate-risk hedged items in macro hedges	–	–
Bonds and other interest-bearing securities	49,764	48,851
Derivatives	6,240	6,221
Shares and participations in Group companies	10,386	10,386
Intangible assets	26	31
Property, plant and equipment	12	16
Other assets	45	179
Prepaid expenses and accrued income	771	761
TOTAL ASSETS	**207,410**	**195,144**
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	4,720	4,191
Deposits from the public	111,895	96,769
Debt securities issued, etc.	70,363	71,474
Derivatives	5,340	6,075
Other liabilities	376	334
Accrued expenses and deferred income	349	373
Deferred tax liabilities	56	41
Subordinated debt	4,942	5,939
Total liabilities	**198,041**	**185,196**
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	157	118
Additional Tier 1 instruments	1,500	1,500
Retained earnings	5,271	5,703
Net profit for the year	91	277
Total unrestricted equity	**7,019**	**7,598**
Total equity	**9,369**	**9,948**
TOTAL LIABILITIES AND EQUITY	**207,410**	**195,144**

NOTE 12 Lending to credit institutions

Of the Parent Company's lending to credit institutions, SEK 92,593 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 55,123 million at the end of 2016.

This receivable is subordinated in the event of receivership or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid.

NOTE 13 Capital adequacy, own funds and capital requirements — Parent Company

CAPITAL ADEQUACY Parent Company, SEK million	31 Dec 2017	31 Dec 2016
CET1 capital	7,127	7,708
Tier 1 capital	10,127	10,708
Total capital	13,574	15,157
Without transitional rules		
Risk exposure amount	31,776	31,484
CET1 capital ratio, %	22.4	24.5
Excess [1] of CET1 capital	5,697	6,292
Tier 1 capital ratio, %	31.9	34.0
Excess [1] of Tier 1 capital	8,221	8,819
Total capital ratio, %	42.7	48.1
Excess [1] of total capital	11,032	12,639
With transitional rules		
Own funds	13,602	15,162
Risk exposure amount	28,744	35,833
Total capital ratio, %	47.3	42.3

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

Cont. NOTE 13 Capital adequacy, own funds and capital requirements — Parent

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 2017**	**31 Dec 2016**
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	5,663	6,094
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	157	118
Additional Tier 1 instruments	1,500	1,500
Independently verified net profit for the year net of any foreseeable charge or dividend [1]	-593	-350
CET1 capital before regulatory adjustments	**8,685**	**9,320**
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-66	-70
Intangible assets (net of related tax liability) (negative amount)	-26	-31
Fair value reserves related to gains or losses on cash-flow hedges	79	27
Negative amounts resulting from the calculation of expected loss amounts	-28	-7
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-17	-31
Additional Tier 1 instruments in equity	-1500	-1,500
Total regulatory adjustments to CET1 capital	**-1,558**	**-1,612**
CET1 capital	**7,127**	**7,708**
Additional Tier 1 capital: Instruments		
Capital instruments and the related share premium accounts	3,000	3,000
Of which: classified as equity under applicable accounting standards	*1,500*	*1,500*
Of which: classified as liabilities under applicable accounting standards	*1,500*	*1,500*
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–
Additional Tier 1 capital before regulatory adjustments	**3,000**	**3,000**
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	**–**	**–**
Additional Tier 1 capital	**3,000**	**3,000**
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	**10,127**	**10,708**
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	3,447	4,447
Credit risk adjustments	–	2
Tier 2 capital before regulatory adjustments	**3,447**	**4,449**
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	**–**	**–**
Tier 2 capital	**3,447**	**4,449**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**13,574**	**15,157**
Total risk-weighted assets	**31,776**	**31,484**
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	22.4	24.5
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	31.9	34.0
Total capital (as a percentage of total risk-weighted exposure amount), %	42.7	48.1
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	9.0	8.5
Of which: CET1 capital, minimum requirement, %	*4.5*	*4.5*
Of which: capital conservation buffer requirement, %	*2.5*	*2.5*
Of which: countercyclical capital buffer requirement, %	*2.0*	*1.5*
Of which: systemic risk buffer requirement, %	–	–
Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffers, %	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	17.9	20.0

Cont. NOTE 13 Capital adequacy, own funds and capital requirements — Parent Company

OWN FUNDS Parent Company, SEK million	31 Dec 2017	31 Dec 2016
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

[1] Net profit for the year was reduced by the expected dividend of SEK 684 million.

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS Parent Company, SEK million	31 Dec 2017 Risk exposure amount	31 Dec 2017 Capital requirement	31 Dec 2016 Risk exposure amount	31 Dec 2016 Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	6,800	544	6,474	518
Retail exposures	1,125	90	3,172	254
Of which: exposures to SMEs	*244*	*20*	*351*	*28*
Of which: retail exposures secured by immovable property	*881*	*70*	*2,821*	*226*
Total exposures recognised with the IRB approach	**7,925**	**634**	**9,646**	**772**
Credit risk recognised with the standardised approach				
Exposures 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]	2,524	202	1,645	132
Of which: derivatives according to CRR, Appendix 2	*2,523*	*202*	*1,645*	*132*
Of which repos	–	–	–	–
Of which other	*1*	0	*0*	*0*
Exposures to corporates	–	–	–	–
Retail exposures	2,193	175	1,933	155
Exposures in default	11	1	12	1
Exposures in the form of covered bonds	3,282	263	3,384	271
Exposures to institutions and corporates with a short-term credit rating	21	2	16	1
Equity exposures	11,378	910	10,386	831
Other items	77	6	85	6
Total exposures recognised with standardised approach	**19,486**	**1,559**	**17,461**	**1,397**
Market risk	**648**	**52**	**1,195**	**96**
Of which: position risk	*414*	*33*	*887*	*71*
Of which: currency risk	*234*	*19*	*308*	*25*
Operational risk	**1,570**	**126**	**1,478**	**118**
Credit valuation adjustment risk	**2,147**	**171**	**1,704**	**136**
Total risk exposure amount and minimum capital requirements	**31,776**	**2,542**	**31,484**	**2,519**
Capital requirements for capital conservation buffer		**794**		**787**
Capital requirements for countercyclical buffer		**629**		**467**
Total capital requirements		**3,965**		**3,773**

[1] The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 2,523 million (1,645).

The information in this report is such that SBAB Bank AB (publ.) is obligated to disclose in accordance with the Swedish Financial Instruments Trading Act and/or the Swedish Securities Market Act, as well as the guidelines contained in the state's ownership policy and the guidelines for companies with state ownership. The information was submitted for publication on 15 February 2018 at 12:00 p.m. (CET).

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

Solna, 15 February 2018

Klas Danielsson
CEO

AUDITORS' REVIEW REPORT

Introduction
We have reviewed the year-end report for SBAB Bank AB (publ) for the period 1 January – 31 December 2017. The Board of Directors and the CEO 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 the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 15 February, 2018
Deloitte AB

Patrick Honeth
Authorised Public Accountant

APMS

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

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

New lending

Definition: Gross lending for the period.

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

Deposits/lending

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

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

Group	2017	2016
Deposits from the public, SEK billion	111.9	96.8
Lending to the public, SEK billion	335.1	296.0
Deposits/lending, %	**33.4**	**32.7**

Loan loss ratio

Definition: Loan losses in relation to total lending (closing balances).

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

Group	2017	2016
Loan losses, SEK million	24	-18
Lending to the public, SEK million	335,111	296,022
Loan loss ratio, %	**0.01**	**-0.01**

Return on equity

Definition as of 31 March 2017: Earnings after tax in relation to average (calculated using the opening and closing balances) equity, after adjustment for additional Tier 1 instruments and value changes in financial assets recognised in equity.

Definition prior to 31 March 2017: Earnings after tax in relation to average (calculated using the opening and closing balances) equity, after adjustment for additional Tier 1 instruments.

Previously recognised figures have not been restated as per the definition from 31 March 2017.

The APM aims to provide the reader with further information regarding the Group's profitability. The APM's definition was revised as of 31 March 2017 to better reflect the Group's profitability in relation to unrestricted equity. The revised definition also follows established industry practice.

Group	2017	2016
Operating profit after tax, SEK million	1,709	1,570
Average equity, SEK million	13,621	12,815
Return on equity, %	**12.5**	**12.3**

Net interest margin

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

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

Group	2017	2016
Net interest income, SEK million	3,419	2,829
Average total assets, SEK million	395,972	374,854
Net interest margin, %	**0.80**	**0.75**

C/I ratio

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

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

Group	2017	2016
Total operating expenses, excluding loan losses, SEK million	959	889
Total operating income, SEK million	3,163	2,918
C/I ratio, %	**30.3**	**30.5**

Definitions of other key performance indicators

Number of employees (FTEs)	Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence
CET1 capital ratio	CET1 capital in relation to risk-weighted assets
Total capital ratio	Own funds in relation to risk-weighted assets
Tier 1 capital ratio	Tier 1 capital in relation to risk-weighted assets
Leverage ratio	Tier 1 capital in relation to total assets and off-balance sheet exposures restated with the application of credit conversion factors
Liquidity coverage ratio, LCR	Liquid assets in relation to net cash outflows over a 30-day stress scenario
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