INTERIM REPORT

1 January–30 June 2017 | SBAB Bank AB (publ)

SBAB!

från dröm till hem

THE QUARTER IN BRIEF

The customer and volume growth continue to be strong due to our leading mortgage offering with favourable terms, simplicity, transparency and high availability.

KLAS DANIELSSON, CEO OF SBAB

The quarter in brief

- The operational trend continued in the second quarter with strong volume growth, a favourable earnings trend and raised brand awareness
- Total lending increased SEK 10.5 billion to SEK 315.6 billion during the quarter. New lending amounted to SEK 20.8 billion, compared to SEK 18.0 billion previous quarter
- Continued favourable earnings trend with strong key performance indicators. Return on equity amouted to 12.4%
- During the quarter, the Swedish FSA (Finansinspektionen) announced its intent to, in the beginning of 2018, tighten repayment requirements for new residential mortgages that exceed a multiple of 4.5 times the borrower's gross annual income
- The Swedish FSA's annual Swedish Mortgage Market survey for 2016 was published in April. SBAB's results showed strengthened credit quality

SUMMARY

	2017	2017		2017	2016	
Group	**Q2**	**Q1**	**Δ**	**Jan–Jun**	**Jan–Jun**	**Δ**
Total lending [1], SEK billion	315.6	305.1	3.4%	315.6	302.7	4.3%
Total deposits, SEK billion	102.7	100.0	2.7%	102.7	88.0	16.7%
Net interest income, SEK million	777	779	-0.3%	1,556	1,322	17.7%
Expenses, SEK million	-244	-232	5.2%	-476	-436	9.2%
Loan losses, SEK million	-1	6	-7 mn	5	0	5 mn
Operating profit, SEK million	539	549	-1.8%	1,088	929	17.1%
Return on equity [2], %	12.4	12.6	-20 bps	12.7	11.6	110 bps
C/I ratio, %	31.2	29.9	130 bps	30.6	32.0	-140 bps
CET1 capital ratio, %	31.4	29.9	150 bps	31.4	28.4	300 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 primarily to property companies and tenant-owners' associations.

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

[1)] Number of full-time equivalents (FTEs) at 31 May 2017, including 22 employees of the subsidiary Booli Search Technologies AB, (Booli). One of the two Stockholm offices belongs to Booli.

SWEDEN'S MOST SATISFIED RESIDENTIAL MORTGAGE CUSTOMERS

For the third consecutive year, SBAB had Sweden's most satisfied residential mortgage customers according to Svenskt Kvalitetsindex (Swedish Quality Index, SKI), in 2016.

STATEMENT BY THE CEO

I can confirm that SBAB is continuing to strengthen its position and long-term competitiveness.

We work, in line with our mission of helping to improve housing and household finances, toward our vision of offering the best residential mortgages in Sweden. The first quarter's positive operational trend continued in the second quarter with strong customer and volume growth, a favourable earnings trend and raised brand awareness. The customer and volume growth is strong due to our leading mortgage offering with favourable terms, simplicity, transparency and high availability. In the second quarter, contrary to our competitors' actions, we lowered the three-month mortgage interest rate by 0.10 percentage points. Our mortgage offering in combination with our strong brand and high reputation resulted in an extremely strong customer inflow and volume growth for both lending and deposits. The earnings trend was favourable due to increased volumes, healthy margins and cost-efficiency. SBAB's share of net growth in the residential mortgage market totalled approximately 18% for the first five months, compared with our total market share of 7.52% at 31 May. We are also delighted to have increased our market share of financing of new housing production in 2017, and that we are thereby helping to boost housing starts and reduce the housing shortage in Sweden.

Responsible credit granting

High credit quality is part and parcel of responsible credit granting. We have succeeded in combining high credit quality with high growth. This was confirmed by the Swedish FSA's most recent annual mortgage market survey, which found that SBAB's credit quality had made good progress and, in certain cases, was leading in terms of various ratios that illustrate the trend for different lending risks. In some areas we clearly posted the strongest progress in the sector. Over the last few years, we have consistently strengthened credit quality in new lending in terms of customers' loan-to-value (LTV) ratios and level of debt. The decisive factors behind our strengthened credit quality were internal changes in credit rules as a consequence of rising risk in our operating environment from increased indebtedness and rising housing prices. New regulations such as mandatory repayment requirements have also impacted developments.

Responsible credit granting is more than high credit quality. Responsible credit granting is also working in line with our mission and utilising our role as a credit provider to help improve housing quality and household finances in Sweden. However, escalating micro-regulation of credit granting is making it increasingly difficult for us to discharge our role and work in line with our mission. Different parts of the recently introduced Mortgage Credit Directive, the new mandatory repayment requirement introduced last year and the new rules on borrowing ceilings and raised repayment requirements that are likely next year, are examples of regulations that micro-manage customers' personal finances through sweeping brush strokes that allow little scope for exceptions or adaptations in the customer's best interest. As a consequence, various customers and customer groups are being locked out of the housing market, while others are being locked in, as a housing market is created in which people with existing homes and mortgages are afraid of moving, or are unable to move, due to the risk of being covered by the new rules with their associated negative impact on personal finances. This extensive, complex and impenetrable regulatory trend is becoming increasingly concerning and has already started to have a clear impact on our prerequisites for providing responsible credit granting. The regulatory trend also risks moving precipitously with the introduction of new rules before the most recently implemented rules have had time to impact and be analysed. A regulatory game of dominos could have undesirable consequences for the housing market.

Our brand and customer offering

SBAB's brand is strong and well-known. Our brand is highly respected and stands for safety and trust. Our brand also has one of the highest levels of brand awareness in the residential mortgage market. We work to continue strengthening our reputation and position, and to make clear that SBAB is also a challenger that stands for innovation, change and development in our area — housing quality and household finances. We will do our best to make household finances fun, because then, I believe, more people will take an interest in household finances and choose to switch mortgage providers. On November 15, we are putting on the show "Making household finances fun!" at Globen in Stockholm. Follow the entertaining journey as the show evolves by watching our films on www.sbab.se, which have already had more than one million viewings.

At www.booli.se, we offer various housing and housing-related services. In the third quarter, we will launch new housing and household finances services to our residential mortgage customers on www.sbab.se.

Have a great summer.

Solna, July 2017

Klas Danielsson, CEO of SBAB

BUSINESS RESULTS

VOLUME TRENDS

Group	2017 Q2	2017 Q1	2016 Q2	2017 Jan–Jun	2016 Jan–Jun
New lending, SEK bn	20.8	18.0	17.5	38.8	31.7
Net change in lending, SEK bn	10.5	9.1	3.4	19.5	5.7
Total lending, SEK bn	**315.6**	**305.1**	**302.7**	**315.6**	**302.7**
No. of deposit accounts, thousand	317	309	313	317	313
Net change in deposits, SEK bn	2.7	3.2	6.8	5.9	11.3
Total deposits, SEK bn	**102.7**	**100.0**	**88.0**	**102.7**	**88.0**
Deposits/lending, %	32.5	32.8	29.1	32.5	29.1
Retail business area					
No. of mortgage customers, thousand	243	238	251	243	251
No. of mortgage objects financed, thousand	155	152	161	155	161
New lending, SEK bn	16.7	15.3	14.2	32.0	26.3
Net change in lending, SEK bn	8.8	8.6	2.0	17.4	4.7
Total Retail lending, SEK bn	**229.3**	**220.5**	**218.8**	**229.3**	**218.8**
Residential mortgage, SEK bn	227.3	218.5	216.8	227.3	216.8
Personal loans, SEK bn	2.0	2.0	2.0	2.0	2.0
Market share mortgages, % [1)]	7.52	7.35	7.77	7.52	7.77
Market share personal loans, % [1)]	0.90	0.93	0.95	0.90	0.95
Total Retail deposits, SEK bn	**68.3**	**66.0**	**61.6**	**68.3**	**61.6**
Market share Retail deposits, % [1)]	4.06	4.04	3.90	4.06	3.90
Corporate Clients & Tenant-Owners' Associations Business Area					
No. of corporate clients and tenant-owners' associations	2,464	2,496	2,742	2,464	2,742
New lending, SEK bn	4.1	2.7	3.3	6.8	5.4
Net change in lending, SEK bn	1.7	0.4	1.3	2.1	1.0
Total lending, Corporate Clients & Tenant-Owners' Associations, SEK bn	**86.3**	**84.6**	**84.0**	**86.3**	**84.0**
Lending to corporates, SEK bn	35.3	34.2	32.8	35.3	32.8
Lending to tenant-owners' associations, SEK bn	51.0	50.4	51.2	51.0	51.2
Market share Corporate Clients, % [1)]	11.69	11.47	10.99	11.69	10.99
Market share Tenant-Owners' Associations, % [1)]	10.75	11.03	12.34	10.75	12.34
Total deposits, Corporate Clients & Tenant-Owners' Associations, SEK bn	**34.3**	**34.0**	**26.3**	**34.3**	**26.3**
Market share deposits, Corporate Clients & Tenant-Owners' Associations, % [1)]	3.73	3.52	2.71	3.73	2.71

[1)] Source: Statistics Sweden. The figures in the column "Q1 2017" correspond with the market share as of 28 February 2017. The figures in the columns "Jan–Jun 2016" and "Q2 2016" correspond with the market share as of 31 May 2016. The figures in the columns "Jan–Jun 2017" and "Q2 2017" correspond with the market share as of 31 May 2017.

Trend for Q2 2017 compared with Q1 2017

Market comments

The housing finance market continued to grow through the second quarter of the year. The residential mortgage market grew at about the same pace as in Q1, while lending to tenant-owners' associations and companies accelerated. A continued strong economic trend, with healthy household finances and increasing housing construction, and low interest rates drove demand for lending. However, the tightening of lending conditions with, for example, many banks introducing debt-to-income ratio ceilings for mortgage borrowers, held back growth. House prices continued to climb in Q2, albeit at a slightly slower pace than previously as demand slackened slightly. It is primarily in the Stockholm region where housing demand has slackened, most likely due to the debt-to-income ratio ceilings and high levels of new housing production. The Swedish FSA has announced its intention to introduce more stringent repayment requirements at the start of 2018 to further dampen the increase in household debt. This measure is expected to lead to a further reduction in demand in the major metropolitan areas.

Group

In Q2, total lending increased SEK 10.5 billion (9.1) to SEK 315.6 billion (305.1). New lending in the quarter amounted to SEK 20.8 billion (18.0) Total deposits rose SEK 2.7 billion (3.2) to SEK 102.7 billion (100.0).

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 by personal loans and insurance broking.

During the quarter, new lending increased to SEK 16.7 billion (15.3) driven by the continued strength of the customer offering, including a rate decrease for residential mortgages with shorter tenors.

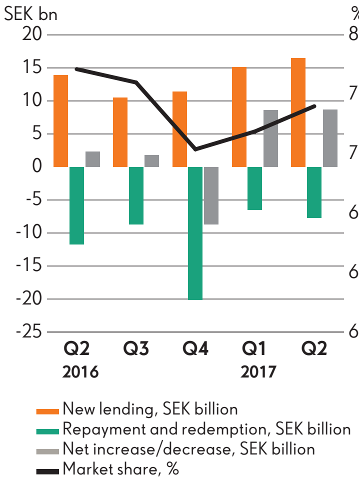
Total lending increased to SEK 229.3 billion (220.5) in the quarter, of which SEK 227.3 billion (218.5) comprised residential mortgages and SEK 2.0 billion (2.0) personal loans. The number of residential mortgage customers increased to 243,000 (238,000), distributed over 155,000 mortgage objects (152,000). The market share of retail mortgages was 7.52% at 31 May 2017 (7.35 at 28 February 2017). At the same date, the market share for personal loans was 0.90% (0.93).

A substantial majority of SBAB's residential mortgage customers continue to choose the shortest maturities. The share of total lending with a three-month fixed-interest period amounted to 68.3% (68.4) at the end of the quarter.

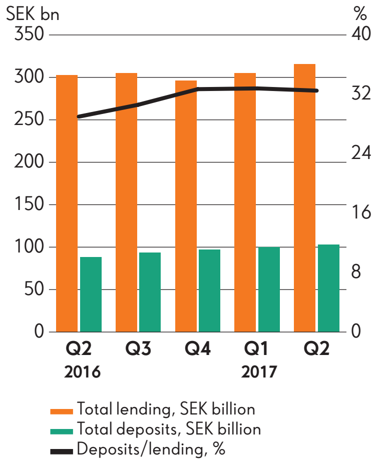
SBAB and other Swedish banks report their average mortgage rates for new loans and loans with amended terms and conditions, in line with the Swedish FSA's regulations. SBAB aims to offer transparent terms and conditions, which is showcased by the difference between SBAB's average and list rates, which in June 2017, was 0.15 percentage points (0.16 in March 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 2.3 billion (0.5) in the quarter and totalled SEK 68.3 billion (66.0). At 31 May 2017, the market share of retail deposits was 4.06% (4.04 at 28 February 2017).

Lending and market shares, Retail mortgages



Total deposits in relation to total lending, Group



Corporate Clients & Tenant-Owners' Associations Business Area

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

New lending to property companies and tenant-owners' associations remained healthy and totalled SEK 4.1 billion (2.7) for Q2 due, among other reasons, to continued high demand from property and construction companies.

Total lending increased to SEK 86.3 billion (84.6) at the end of the quarter, of which SEK 35.3 billion (34.2) comprised lending to property companies and SEK 51.0 billion (50.4) lending to tenant-owners' associations. The market share of lending to property companies was 11.69% at 31 May 2017 (11.47 at 28 February 2017). At the same date, the market share for lending to tenant-owners' associations was 10.75% (11.03). The number of loan customers declined to 2,464 (2,496) over the quarter. The decline in customer numbers over the last quarters was primarily attributable to a reduction in the number of tenant-owners' association customers in non-prioritised locations, in line with SBAB's strategy of focused and qualitative credit granting. Pressure on margins and continued strong competition in the market has contributed to this trend.

Deposits from corporate clients and tenant-owners' associations rose SEK 0.3 billion (2.7) in the quarter and totalled SEK 34.3 billion (34.0). At 31 May 2017, the market share of deposits from corporate clients and tenant-owners' associations (excluding financial institutions) was 3.73% (3.52 at 28 February 2017).

FINANCIAL PERFORMANCE

INCOME STATEMENT OVERVIEW

Group, SEK million	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2017 Jan–Jun	2016 Jan–Jun
Net interest income	777	779	762	745	692	1,556	1,322
Net commissions	0	-5	-2	1	10	-5	8
Net result of financial items measured at fair value (Note 2)	-2	-5	8	17	4	-7	23
Other operating income	9	6	17	5	7	15	12
Total operating income	**784**	**775**	**785**	**768**	**713**	**1,559**	**1,365**
Expenses	-244	-232	-239	-214	-224	-476	-436
Profit before loan losses	**540**	**543**	**546**	**554**	**489**	**1,083**	**929**
Net loan losses (Note 3)	-1	6	2	-20	1	5	0
Operating profit	**539**	**549**	**548**	**534**	**490**	**1,088**	**929**
Tax	-125	-128	-119	-117	-108	-253	-205
Net profit for the period	**414**	**421**	**429**	**417**	**382**	**835**	**724**
Return on equity [1)], %	12.4	12.6	12.5	12.3	11.8	12.7	11.6
C/I ratio, %	31.2	29.9	30.6	27.8	31.4	30.6	32.0
Loan loss ratio, %	0.00	0.01	0.00	-0.03	0.00	0.00	0.00
Net interest margin, %	0.77	0.80	0.80	0.76	0.69	0.79	0.69

[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 securities 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 formula.

Trend for Q2 2017 compared with Q1 2017

Net interest and commissions

Net interest income declined marginally to SEK 777 million (779), as a result of the increased resolution fee. The resolution fee, recognised in net interest income, totalled SEK 65.7 million (57.5) for the quarter. The resolution fee for SBAB amounted to SEK 247 million for the full-year 2017, slightly higher than the estimate of approximately SEK 230 million communicated in the last interim report. Increased lending volumes positively impacted the net interest income.

Net commission income rose in the quarter to SEK 0 million (expense: 5) partly as a result of higher insurance income.

Net result of financial items measured at fair value

The net result of financial items measured at fair value was an expense of SEK 2 million (expense: 5). The variance between the quarters was attributable to valuation adjustments of credit spreads on derivatives.

Expenses

Expenses amounted to SEK 244 million (232) for the quarter. The variance between the quarters was primarily attributable to increased marketing expenses linked to ongoing brand campaigns.

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%.

At the end of Q1, the average LTV ratio in SBAB's mortgage portfolio was 60% (61). At the same date, the average residential mortgage to retail customers amounted to SEK 1.5 million (1.5).

SBAB's loan losses remained low and totalled SEK 1 million (recovery: 6) in Q2. For more information on loan losses; please refer to Note 3.

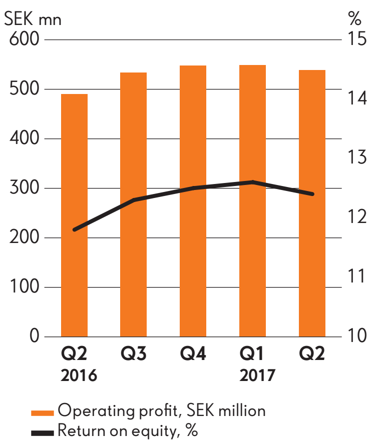
Operating profit

Operating profit amounted to SEK 539 million (549). The variance between the quarters was attributable to the lack of positive effects from credit losses in Q2 as well as to higher expenses.

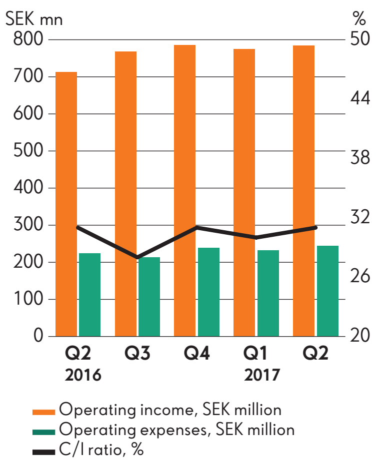
Other comprehensive income

Other comprehensive income amounted to an expense of SEK 206 million (expense: 251) in Q2. The variance between the quarters was attributable to unrealised changes in market values as a result of changed basis spreads on derivatives.

Operating profit and return on equity



Income, expenses and C/I ratio



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

During the period, operating profit rose to SEK 1,088 million (929). The increase in operating profit was primarily attributable to higher net interest income. Net interest income rose to SEK 1,556 million (1,322) due to improved ledning volumes and lower funding costs. The net commission expense for the period was SEK 5 million (income: 8) as a result of higher expenses in conjunction with issuance of securities. The net result of financial items measured at fair value was a negative SEK 7 million (pos: 23). The factors that had greatest impact on the results on this item was unrealised changes in market values from changed basis spreads and valuation adjustments of credit spreads on derivatives. Other comprehensive income was a negative SEK 457 million (pos: 671). The item was negatively affected by changes in long-term market interest rates. During the period, expenses increased to SEK 476 million (436), driven by increased personnel costs in areas including compliance and sales. Loan losses amounted to a recovery of SEK 5 million (0).

BALANCE SHEET OVERVIEW

Group, SEK million	30 Jun 2017	31 Mar 2017	30 Jun 2016	31 Dec 2016
ASSETS				
Chargeable treasury bills, etc.	24,496	27,871	20,428	20,492
Lending to credit institutions	10,493	10,358	8,663	1,619
Lending to the public	315,559	305,118	302,747	296,022
Bonds and other interest-bearing securities	51,727	51,096	54,594	48,851
Total other assets in the balance sheet	6,950	7,571	9,650	8,172
TOTAL ASSETS	**409,225**	**402,014**	**396,082**	**375,156**
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	15,243	10,917	12,442	4,689
Deposits from the public	102,675	99,974	87,958	96,769
Issued debt securities, etc. (funding)	265,360	264,539	268,132	247,407
Subordinated debt	5,939	5,939	5,940	5,939
Total other liabilities in the balance sheet	5,034	5,200	6,885	5,070
Total liabilities	**394,251**	**386,569**	**381,357**	**359,874**
Total equity	**14,974**	**15,445**	**14,725**	**15,282**
TOTAL LIABILITIES AND EQUITY	**409,225**	**402,014**	**396,082**	**375,156**
CET1 capital ratio, %	31.4	29.9	28.4	32.2
Tier 1 capital ratio, %	38.7	37.2	35.6	40.1
Total capital ratio, %	49.5	48.1	46.4	51.6
Leverage ratio, % [1)]	3.79	3.71[2)]	3.24	4.05
Liquidity coverage ratio (LCR), %	240	295	256	243
Net stable funding ratio (NSFR), %	120	122	121	122

[1)] Calculated in accordance with the applicable regulations at the reporting date.
[2)] The previously reported leverage ratio as per 31 March 2017, 4.06%, has been restated.

Trend for Q2 2017 compared with Q1 2017

Balance sheet comments

Chargeable treasury bills decreased SEK 3.4 billion to SEK 24.5 billion (27.9) during the quarter, as a result of decreased liquidity. At the end of the quarter, lending to credit institutions amounted to SEK 10.5 billion (10.4). At the same date, bonds and other interest-bearing securities amounted to SEK 51.7 billion (51.1). For information regarding lending to the public; please refer to page 5.

Liabilities to credit institutions increased SEK 4.3 billion to SEK 15.2 billion (10.9) during the quarter. The increase was attributable to liquidity management in the end of the quarter. Subordinated debt remained unchanged and amounted to SEK 5.9 billion (5.9). Equity declined during the quarter to SEK 15.0 billion (15.4) due to changes in other comprehensive income and dividends. For information about deposits from the public and issued debt securities; please refer to page 5 and the "Funding" section below.

Funding

The high level of funding activities in the first quarter of the year resulted in lower issue activity in Q2. During the quarter, bonds for around SEK 12 billion were issued, compared with about SEK 38 billion in Q1. Issues in the quarter included a SEK 3 billion five-year unsecured bond in the Swedish market.

During the quarter, securities were issued for a total of SEK 15.5 billion (48.3) and, in parallel, securities were repurchased for SEK 1.9 billion (7.5) and securities amounting to SEK 12.9 billion (22.6) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 0.8 billion to SEK 265.4 billion (264.5).

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. At the end of the quarter, issued securities outstanding totalled SEK 196.1 billion (192.9).

Liquidity position

SBAB's liquidity reserve comprises liquid, interest-bearing securities with high ratings. Securities holdings are limited by asset class and by country, respectively, and must have a AAA rating on acquisition. At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 73.8 billion (79.8). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 70.8 billion (76.3).

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 408 days (452), which the company deems satisfactory.

On 30 June 2017, the liquidity coverage ratio (LCR) under the Swedish FSA's regulation regarding requirements for a liquidity coverage ratio and reporting of liquid assets and cash flows was 240% (295) for all currencies combined, thereby exceeding the minimum requirement of 100%. Measured in SEK, the LCR was 159% (205). According to the European Commission's Delegated Regulation with regard to Liquidity Coverage Requirement for Credit Institutions, at 30 June 2017, the LCR was 259% (317) in all currencies combined, which exceeds the minimum requirement of 80%. When using the same method to measure in SEK, the LCR amounted to 200% (249).

The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 120% (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. In 2016, the Board of Directors adopted new capital targets for SBAB. According to these new targets, under normal conditions, SBAB's CET1 capital ratio should be at least 1.5 percentage points higher than the CET1 capital requirement communicated by 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 SEK 10.5 billion in Q2 and totalled SEK 315.6 billion. 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 26.7% (26.2) and a total capital ratio of not less than 36.9% (36.2) at 30 June 2017.

At the end of the quarter, the CET1 capital ratio amounted to 31.4% (29.9) and the total capital ratio was 49.5% (48.1), which provided a comfortable margin to both internal and external requirements. Net profit/loss for the period was not included in own funds while expected dividends reduced own funds. The leverage ratio amounted to 3.79% (3.71) at 30 June 2017.

For more information; please refer to note 10–11.

OTHER INFORMATION

Risks and uncertainties
The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity, and the quality of our assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. Household demand posted a stable trend, underpinned by low inflation, low interest rates and rising stock market and property prices. A housing market with soaring prices and rising household debt means the Swedish economy is sensitive to changes in interest rates and house prices. The risks associated with these factors are expected to increase as long as house prices and debt continue to outpace increases in income. Extensive regulation in the residential mortgage market is another uncertainty factor.

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

More information about the Group's risk structure for risk and capital management is available in SBAB's integrated 2016 Annual Report (pages 54–57 and Note 2 respectively) as well as in the report "Information regarding capital adequacy and risk management 2016."

Dividend
The AGM resolved to pay a dividend for 2016 of 40%, corresponding to SEK 628 million, in line with SBAB's dividend policy. The details regarding the proposed appropriation of earnings is available from SBAB's integrated 2016 Annual Report, on page 70. This dividend has been satisfied on 3 May 2017.

Events after the end of the period
Since 30 June 2017 no additional events to those disclosed in these Consolidated Condensed financial statements have occurred that might significantly affect the information reflected herein.

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 35.

Financial calendar

Interim report January–September 2017	26 October 2017
Year-end report 2017	15 February 2018 [1]

[1] Publication moved from 9 February 2018

Credit rating

	Moody's	Standard & Poor's
Long-term funding, SBAB	A2 [1]	A [2]
Long-term funding, SCBC	Aaa	–
Short-term funding, SBAB	P–1	A–1

[1] Positive outlook
[2] Negative outlook

FINANCIAL STATEMENTS AND NOTES

CONDENSED FINANCIAL STATEMENTS

NOTES

PARENT COMPANY

CONDENSED INCOME STATEMENT

Group, SEK million	2017 Q2	2017 Q1	2016 Q2	2017 Jan–Jun	2016 Jan–Jun	2016 Jan–Dec
Interest income	1,140	1,103	1,167	2,243	2,350	4,601
Interest expense	-363	-324	-475	-687	-1,028	-1,772
Net interest income	**777**	**779**	**692**	**1,556**	**1,322**	**2,829**
Commission income	23	14	25	37	37	69
Commission expense	-23	-19	-15	-42	-29	-62
Net result of financial items measured at fair value (Note 2)	-2	-5	4	-7	23	48
Other operating income	9	6	7	15	12	34
Total operating income	**784**	**775**	**713**	**1,559**	**1,365**	**2,918**
Personnel costs	-118	-116	-101	-234	-195	-412
Other expenses	-118	-109	-116	-227	-228	-450
Depreciation, amortisation and impairment of PPE and intangible assets	-8	-7	-7	-15	-13	-27
Total expenses before loan losses	**-244**	**-232**	**-224**	**-476**	**-436**	**-889**
Profit before loan losses	**540**	**543**	**489**	**1,083**	**929**	**2,029**
Net loan losses (Note 3)	-1	6	1	5	0	-18
Operating profit	**539**	**549**	**490**	**1,088**	**929**	**2,011**
Tax	-125	-128	-108	-253	-205	-441
Net profit for the period	**414**	**421**	**382**	**835**	**724**	**1,570**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Group, SEK million	2017 Q2	2017 Q1	2016 Q2	2017 Jan–Jun	2016 Jan–Jun	2016 Jan–Dec
Net profit for the period	**414**	**421**	**382**	**835**	**724**	**1,570**
Other comprehensive income:						
Components that will be reclassified to profit or loss						
Changes related to available-for-sale financial assets, before tax	98	39	59	137	85	198
Changes related to cash-flow hedges, before tax	-317	-349	221	-666	839	370
Tax attributable to components that will be reclassified to profit or loss	48	68	-61	116	-203	-125
Components that will not be reclassified to profit or loss						
Revaluation effects of defined-benefit pension plans, before tax	-46	-11	-23	-57	-64	-58
Tax attributable to components that will not be reclassified to profit or loss	11	2	5	13	14	13
Other comprehensive income, net of tax	**-206**	**-251**	**201**	**-457**	**671**	**398**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**208**	**170**	**583**	**378**	**1,395**	**1,968**

CONDENSED BALANCE SHEET

Group, SEK million	30 Jun 2017	31 Dec 2016	30 Jun 2016
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	24,496	20,492	20,428
Lending to credit institutions	10,493	1,619	8,663
Lending to the public (Note 4)	315,559	296,022	302,747
Value changes of interest-rate-risk hedged items in macro hedges	267	396	633
Bonds and other interest-bearing securities	51,727	48,851	54,594
Derivatives (Note 5)	4,950	6,192	7,040
Intangible assets	168	152	135
Property, plant and equipment	14	16	16
Other assets	803	550	935
Prepaid expenses and accrued income	748	866	891
TOTAL ASSETS	**409,225**	**375,156**	**396,082**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	15,243	4,689	12,442
Deposits from the public	102,675	96,769	87,958
Debt securities issued, etc.	265,360	247,407	268,132
Derivatives (Note 5)	2,171	2,475	3,434
Other liabilities	562	347	384
Accrued expenses and deferred income	2,095	1,976	2,715
Deferred tax liabilities	86	207	277
Provisions	120	65	75
Subordinated debt	5,939	5,939	5,940
Total liabilities	**394,251**	**359,874**	**381,357**
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	205	662	935
Additional Tier 1 securities	1,500	1,500	1,500
Retained earnings	10,476	9,592	9,608
Net profit for the period	835	1,570	724
Total equity	**14,974**	**15,282**	**14,725**
TOTAL LIABILITIES AND EQUITY	**409,225**	**375,156**	**396,082**

CONDENSED STATEMENT OF CHANGES IN EQUITY

Group, SEK million	Share capital	Reserves/Fair value reserve	Tier 1 capital Instruments	Retained earnings	Net profit for the period	Total equity
OPENING BALANCE, 1 JANUARY 2017	**1,958**	**662**	**1,500**	**11,162**		**15,282**
Dividend, Tier 1 capital instruments				-58		-58
Dividends paid				-628		-628
Comprehensive income for the period		-457			835	378
CLOSING BALANCE, 30 JUNE 2017	**1,958**	**205**	**1,500**	**10,476**	**835**	**14,974**
OPENING BALANCE, 1 JANUARY 2016	**1,958**	**264**		**9,626**		**11,848**
Tier 1 capital instruments			1,500			1,500
Dividend, Tier 1 capital instruments				-18		-18
Comprehensive income for the period		671			724	1,395
CLOSING BALANCE, 30 JUNE 2016	**1,958**	**935**	**1,500**	**9,608**	**724**	**14,725**
OPENING BALANCE, 1 JANUARY 2016	**1,958**	**264**		**9,626**		**11,848**
Tier 1 capital instruments			1,500			1,500
Dividend, Tier 1 capital instruments				-34		-34
Other				0		0
Comprehensive income for the year		398			1,570	1,968
CLOSING BALANCE, 31 DECEMBER 2016	**1,958**	**662**	**1,500**	**9,592**	**1,570**	**15,282**

CONDENSED CASH-FLOW STATEMENT

	2017	2016	2016
Group, SEK million	**Jan–Jun**	**Jan–Jun**	**Jan–Dec**
Opening cash and cash equivalents	**1,619**	**3,456**	**3,456**
OPERATING ACTIVITIES			
Interest and commissions paid/received	1,886	1,383	2,316
Outflows to suppliers and employees	-461	-423	-863
Taxes paid/refunded	-374	-497	-394
Change in assets and liabilities of operating activities	8,454	5,303	-2,307
Cash flow from operating activities	**9,505**	**5,766**	**-1,248**
INVESTING ACTIVITIES			
Change in property, plant and equipment	0	0	0
Change in intangible assets	-3	0	-30
Acquisitions/divestments of subsidiaries	–	-59	-59
Cash flow from investing activities	**-3**	**-59**	**-89**
FUNDING ACTIVITIES			
Dividends paid	-628	–	–
Change in subordinated loans	–	-2,000	-2,000
Change in Tier 1 capital instruments	–	1,500	1,500
Cash flow from funding activities	**-628**	**-500**	**-500**
Increase/decrease in cash and cash equivalents	**8,874**	**5,207**	**-1,837**
Closing cash and cash equivalents	**10,493**	**8,663**	**1,619**

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

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 (Finansinspektionen) 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 18 July 2017, the Board of Directors approved the consolidated condensed financial statements for publication.

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

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

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

In terms of classification and measurement, it is likely that these will have a certain impact on the recognition and measurement of securities in the liquidity portfolio. The existing securities holdings have been analysed in terms of the business model, and in terms of how the cash flows form the assets only comprise payments of capital and interest. A final analysis can only be conducted when the holdings at the transition date are known, but the preliminary assessment is that the new rules will not have any material effect on the income statement and balance sheet.

In terms of any future possible impact of the new hedge accounting rules, a preliminary assessment has been made that the new rules will not have any material effect on the income statement and balance sheet. Preliminarily, SBAB intends to continue to apply the rules for hedge accounting in IAS 39, even after 1 January 2018.

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

Group, SEK million	2017 Q2	2017 Q1	2016 Q2	2017 Jan–Jun	2016 Jan–Jun	2016 Jan–Dec
Gains/losses on interest-bearing financial instruments						
– Securities measured at FVTPL	-42	-18	18	-60	88	-43
– Change in value of hedged items in hedge accounting	307	329	-3	636	-217	691
– Realised gain/loss from financial liabilities	-36	-166	-112	-202	-143	-489
– Derivatives	-243	-160	71	-403	234	-352
– Loan receivables	15	10	29	25	59	240
Currency translation effects	-3	0	1	-3	2	1
Total	**-2**	**-5**	**4**	**-7**	**23**	**48**

NOTE 3 Net loan losses

Group, SEK million	2017 Q2	2017 Q1	2016 Q2	2017 Jan–Jun	2016 Jan–Jun	2016 Jan–Dec
CORPORATE MARKET						
Individual provision for corporate market loans						
Write-off for the 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 period	-0	-0	–	-0	-0	-0
Recoveries of confirmed loan losses in prior years	–	–	–	–	–	0
Reversal of prior provisions no longer necessary for probable loan losses	0	0	0	0	0	4
Guarantees	–	–	–	–	–	–
Net expense for the period for individual provisions for corporate market loans	**0**	**0**	**0**	**0**	**0**	**4**
Collective provision for corporate market loans						
Allocations to/unwinding of collective provisions	0	0	0	0	1	9
Guarantees	-0	-0	-0	-0	-1	-3
Net expense for the period for collective provisions for corporate market loans	**0**	**0**	**0**	**0**	**-0**	**6**
RETAIL MARKET						
Individual provision for retail market loans						
Write-off for the period for confirmed loan losses	–	-0	-0	-0	-0	-2
Reversal of prior provisions for probable loan losses, recognised as confirmed losses in the financial statements for the period	–	0	0	0	0	2
Provision for probable loan losses for the period	-0	-1	-0	-1	-0	-0
Reversal of prior provisions no longer necessary for probable loan losses	0	1	3	1	4	16
Guarantees	0	–	-0	0	0	-0
Net expense for the period for individual provisions for retail market loans	**0**	**-0**	**3**	**0**	**4**	**16**
Collective provision for retail market loans						
Write-off for the period for confirmed loan losses	-4	-1	-3	-5	-6	-11
Recoveries of confirmed loan losses in prior years	0	1	0	1	1	2
Allocations to/unwinding of collective provisions [1)]	3	6	4	9	5	-13
Guarantees	-0	-0	-3	-0	-4	-22
Net expense for the period for collective provisions for retail market loans	**-1**	**6**	**-2**	**5**	**-4**	**-44**
Net income/expense for loan losses for the period	**-1**	**6**	**1**	**5**	**0**	**-18**

[1)] The unwinding of collective provisions for retail market loans during Jan–Jun 2017 are mainly due to reclassification to better risk classes within the lending portfolio.

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

NOTE 4 Lending to the public

GROUP	30 Jun 2017		31 Dec 2016		30 Jun 2016	
SEK million	Lending	Provision	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	115,968	-69	107,345	-74	115,329	-95
Tenant-owners' rights	111,464	-103	102,701	-105	101,665	-81
Tenant-owners' associations	50,928	-21	50,643	-21	51,189	-33
Private multi-family dwellings	30,700	-19	28,543	-19	27,827	-19
Municipal multi-family dwellings	224	–	240	–	445	–
Commercial properties	4,492	–	4,779	–	4,556	–
Other	2,009	-14	2,006	-16	1,978	-14
Provision for probable losses	-226		-235		-242	
Total	**315,559**	**-226**	**296,022**	**-235**	**302,747**	**-242**

Doubtful and non-performing loan receivables	30 Jun 2017	31 Dec 2016	30 Jun 2016
a) Doubtful loan receivables	130	134	159
b) Non-performing loan receivables [1] included in doubtful loan receivables	1	1	3
c) Non-performing loan receivables [1] not included in doubtful loan receivables	154	137	155
d) Individual provisions for loan receivables	59	59	76
e) Collective provision for corporate market loans	1	1	10
f) Collective provision for retail market loans	166	175	156
g) Total provisions (d+e+f)	226	235	242
h) Doubtful loan receivables after individual provisions (a-d)	71	75	83
i) Provision ratio for individual provisions (d/a), %	45	44	48

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

Loan portfolio, SEK million	30 Jun 2017	31 Dec 2016	30 Jun 2016
Retail lending	229,255	211,857	218,782
- of which, new lending during the period	*31,998*	*48,660*	*26,318*
Corporate lending (incl. tenant-owners' associations)	86,304	84,165	83,965
- of which, new lending during the period	*6,806*	*10,988*	*5,404*
Total	**315,559**	**296,022**	**302,747**
- of which, new lending during the period	*38,804*	*59,648*	*31,722*

NOTE 5 Derivatives

Group, SEK million	30 Jun 2017 Assets measured at fair value	30 Jun 2017 Liabilities measured at fair value	30 Jun 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 amount
Interest-rate-related	2,788	1,572	318,771	3,944	1,700	222,420
Currency-related	2,162	599	86,415	2,248	775	82,513
Total	**4,950**	**2,171**	**405,186**	**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–Jun 2017 Retail	Jan–Jun 2017 Corporate & Tenant-Owners' Associations	Jan–Jun 2017 Other	Jan–Jun 2017 Total	Jan–Jun 2016 Retail	Jan–Jun 2016 Corporate & Tenant-Owners' Associations	Jan–Jun 2016 Other	Jan–Jun 2016 Total
Income [1]	1,218	348	–	1,566	1,077	265	–	1,342
Net result of financial items measured at fair value	–	–	-7	-7	–	–	23	23
Total operating income	**1,218**	**348**	**-7**	**1,559**	**1,077**	**265**	**23**	**1,365**
Expenses [2]	-382	-94	–	-476	-345	-95	4	-436
Net loan losses	2	3	–	5	0	0	–	0
Operating profit/loss	**838**	**257**	**-7**	**1,088**	**732**	**170**	**27**	**929**
Tax	-195	-60	2	-253	-161	-37	-7	-205
Net profit/loss for the period	**643**	**197**	**-5**	**835**	**571**	**133**	**20**	**724**
Return on equity [3], %	14.7	8.2		12.7	14.1	6.7		11.6

[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 Tier 1 capital loans 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	30 Jun 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.	10,326	14,170			24,496	24,496
Lending to credit institutions			10,493		10,493	10,493
Lending to the public			315,559		315,559	316,482
Value changes of interest-rate-risk hedged items in macro hedges			267		267	–
Bonds and other interest-bearing securities	8,229	33,371		10,127	51,727	51,793
Derivatives	4,950				4,950	4,950
Other assets			63		63	63
Prepaid expenses and accrued income	120	257	136	63	576	576
Total	**23,625**	**47,798**	**326,518**	**10,190**	**408,131**	**408,854**

GROUP

Financial liabilities

SEK million	30 Jun 2017			
	Liabilities measured at FVTPL	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		15,243	15,243	15,243
Retail deposits		102,675	102,675	102,675
Issued debt securities, etc.		265,360	265,360	266,464
Derivatives	2,171		2,171	2,171
Other liabilities		549	549	549
Accrued expenses and deferred income		2,076	2,076	2,076
Subordinated debt		5,939	5,939	5,963
Total	**2,171**	**391,842**	**394,013**	**395,141**

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
Retail deposits		96,769	96,769	96,769
Issued debt securities, etc.		247,407	247,407	249,331
Derivatives	2,475		2,475	2,475
Other liabilities		219	219	219
Accrued expenses and deferred income		1,952	1,952	1,952
Subordinated debt		5,939	5,939	5,967
Total	**2,475**	**356,975**	**359,450**	**361,402**

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. Mainly, the models used are based on discounted cash flows.

Issued debt securities and subordinated debt are measured at the Group's current borrowing rate, Level 2.

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

NOTE 8 Fair Value Disclosures

GROUP

SEK million	30 Jun 2017 Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets				
Chargeable treasury bills, etc.	24,496	–	–	24,496
Bonds and other interest-bearing securities	41,600	–	–	41,600
Derivatives	–	4,950	–	4,950
Prepaid expenses and accrued income	376	–	–	376
Total	**66,472**	**4,950**	**–**	**71,422**
Liabilities				
Derivatives	–	2,171	–	2,171
Total	**–**	**2,171**	**–**	**2,171**

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

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

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 408 days (452),

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	30 Jun 2017					31 Dec 2016				
		DISTRIBUTION BY CURRENCY					DISTRIBUTION BY CURRENCY			
	Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
Cash and balances at central banks	833	833	–	–	–	632	632	–	–	–
Balances at other banks	–	–	–	–	–	–	–	–	–	–
Securities issued or guaranteed by governments, central banks or multinational development banks	24,149	13,828	7,842	2,479	–	25,166	14,343	7,602	3,221	–
Securities issued or guaranteed by municipalities or public sector entities	11,063	9,441	134	1,488	–	6,596	5,311	–	1,285	–
Covered bonds issued by other institutions	37,794	32,374	4,600	820	–	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	**73,839**	**56,476**	**12,576**	**4,787**	**–**	**69,464**	**51,650**	**12,341**	**5,473**	**–**
Bank and loan facilities	–	–	–	–	–	–	–	–	–	–
Total	**73,839**	**56,476**	**12,576**	**4,787**	**–**	**69,464**	**51,650**	**12,341**	**5,473**	**–**
Distribution by currency, %	–	76.5	17.0	6.5	–		74.3	17.8	7.9	–

LIQUIDITY COVERAGE RATIO Group, SEK million	30 Jun 2017			31 Dec 2016		
		DISTRIBUTION BY CURRENCY			DISTRIBUTION BY CURRENCY	
	Total	EUR	USD	Total	EUR	USD
Liquidity coverage ratio (LCR), % [1]	240	1,787	1,860	243	182,704	258
Liquid assets	**68,167**	**11,887**	**4,664**	**63,904**	**11,630**	**5,329**
Assets with 100% weight	36,048	7,976	3,967	32,394	7,602	4,506
Assets with 85% weight	32,119	3,910	697	31,510	4,028	822
Cash outflows	**32,859**	**2,661**	**257**	**25,886**	**25**	**2,634**
Retail deposits	18,379	0	0	15,886	0	0
Market funding	7,394	2,659	0	5,190	0	2,633
Other outflows	7,086	2	257	4,810	25	1
Cash inflows	**7,860**	**3,210**	**6**	**3,674**	**1,594**	**571**
Inflow from retail lending	3,378	0	0	586	0	0
Other inflows	4,482	3,210	6	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.

NOTE 10 Capital adequacy, own funds and capital requirements

CAPITAL ADEQUACY Group, SEK million	30 Jun 2017	31 Dec 2016	30 Jun 2016
CET1 capital	12,877	12,385	11,742
Tier 1 capital	15,877	15,385	14,742
Total capital	20,327	19,833	19,189
Without transitional rules			
Risk exposure amount	41,047	38,413	41,392
CET1 capital ratio, %	31.4	32.2	28.4
Excess [1] of CET1 capital	11,030	10,656	9,879
Tier 1 capital ratio, %	38.7	40.1	35.6
Excess [1] of Tier 1 capital	13,414	13,080	12,259
Total capital ratio, %	49.5	51.6	46.4
Excess [1] of total capital	17,043	16,760	15,878
With transitional rules			
Own funds	20,335	19,835	19,252
Risk exposure amount	181,838	168,936	171,338
Total capital ratio, %	11.2	11.7	11.2

[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 Group, SEK million	30 Jun 2017	31 Dec 2016	30 Jun 2016
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	10,476	9,592	9,608
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	205	662	934
Additional Tier 1 securities	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend [1)]	501	942	435
CET1 capital before regulatory adjustments	**14,640**	**14,654**	**14,435**
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-73	-67	-75
Intangible assets (net of related tax liability) (negative amount)	-154	-142	-121
Fair value reserves related to gains or losses on cash-flow hedges	-6	-526	-891
Negative amounts resulting from the calculation of expected loss amounts	-11	-3	-62
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-19	-31	-44
Additional Tier 1 securities in equity	-1,500	-1,500	-1,500
Total regulatory adjustments to CET1 capital	**-1,763**	**-2,269**	**-2,693**
CET1 capital	**12,877**	**12,385**	**11,742**
Additional Tier 1 capital: Instruments			
Capital instruments and the related share premium accounts	3,000	3,000	3,000
Of which: classified as equity under applicable accounting standards	*1,500*	*1,500*	–
Of which: classified as liabilities under applicable accounting standards	*1,500*	*1,500*	*3,000*
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase-out from Additional Tier 1 capital	–	–	–
Additional Tier 1 capital before regulatory adjustments	**3,000**	**3,000**	**3,000**
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital		–	–
Additional Tier 1 capital	**3,000**	**3,000**	**3,000**
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	**15,877**	**15,385**	**14,742**
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	4,447	4,447	4,447
Credit risk adjustments	3	1	–
Tier 2 capital before regulatory adjustments	**4,450**	**4,448**	**4,447**
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	**4,450**	**4,448**	**4,447**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**20,327**	**19,833**	**19,189**
Total risk-weighted assets	**41,047**	**38,413**	**41,392**
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	31.4	32.2	28.4
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	38.7	40.1	35.6
Total capital (as a percentage of total risk-weighted exposure amount), %	49.5	51.6	46.4
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	8.5
Of which: CET1 capital, minimum requirement, %	*4.5*	*4.5*	*4.5*
Of which: capital conservation buffer requirement, %	*2.5*	*2.5*	*2.5*
Of which: countercyclical capital buffer requirement, %	*2.0*	*1.5*	*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, %)	26.9	27.7	23.9

Cont. NOTE 10 Capital adequacy, own funds and capital

OWN FUNDS Group, SEK million	30 Jun 2017	31 Dec 2016	30 Jun 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) Reduced by the expected dividend of SEK 334 million based on Q2 2017.

	30 Jun 2017		31 Dec 2016		30 Jun 2016	
RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS Group, SEK million	**Risk exposure amount**	**Capital requirement**	**Risk exposure amount**	**Capital requirement**	**Risk exposure amount**	**Capital requirement**
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	12,552	1,004	12,106	969	11,638	931
Retail exposures	11,927	954	11,440	915	13,579	1,086
Of which: exposures to SMEs	*1,139*	91	*1,211*	*97*	*1,313*	*105*
Of which: retail exposures secured by immovable property	*10,788*	863	*10,229*	*818*	*12,266*	*981*
Total exposures recognised with the IRB approach	**24,479**	**1,958**	**23,546**	**1,884**	**25,217**	**2,017**
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions [1]	2,208	177	1,907	152	2,011	161
Of which: derivatives according to CRR, Appendix 2	*2,046*	*164*	*1,903*	*152*	*1,918*	*154*
Of which repos	*162*	*13*	*3*	*0*	*87*	*7*
Of which other	*0*	*0*	*1*	*0*	*6*	*0*
Exposures to corporates	–	–	–	–	15	1
Retail exposures	2,341	187	1,933	155	2,154	172
Exposures in default	12	1	12	1	10	1
Exposures in the form of covered bonds	3,553	284	3,384	271	3,762	301
Exposures to institutions and corporates with a short-term credit rating	24	2	19	1	26	2
Other items	539	43	561	44	898	72
Total exposures recognised with standardised approach	**8,677**	**694**	**7,816**	**624**	**8,876**	**710**
Market risk	**1,385**	**111**	**1,571**	**126**	**1,608**	**129**
Of which: position risk	*531*	43	*886*	*71*	*847*	*68*
Of which: currency risk	*854*	68	*685*	*55*	*761*	*61*
Operational risk	**4,144**	**331**	**3,634**	**291**	**3,634**	**291**
Credit valuation adjustment risk	**2,362**	**190**	**1,846**	**148**	**2,057**	**164**
Total risk exposure amount and minimum capital requirements	**41,047**	**3,284**	**38,413**	**3,073**	**41,392**	**3,311**
Capital requirements for capital conservation buffer		**1,026**		**960**		**1,035**
Capital requirements for countercyclical buffer		**813**		**571**		**629**
Total capital requirements		**5,123**		**4,604**		**4,975**

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 2,208 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 14,536 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.

		30 Jun 2017			31 Dec 2016		
			EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR		EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR
SEK milliion		**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	2,842	2,842	2,842	2,656	2,656	2,656
	Market risk	111	111	111	126	126	126
	Operational risk	331	331	331	291	291	291
Pillar 2	Credit risk [1]		1,056			1,019	
	Market risk		1,062	1,062		1,118	1,118
	Operational risk		103	103		91	91
	Risk-weight floor		–	7,419		–	6,532
	Concentration risk		767	767		669	669
	Sovereign risk		62	62		59	59
	Pension risk		0	0		0	0
Buffers	Capital conservation buffer	1,026	1,026	1,026	960	960	960
	Capital planning buffer [2]		824	-		1,000	
	Countercyclical buffer	813	813	813	571	571	571
Total		**5,123**	**8,997**	**14,536**	**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–June 2017 compared with January–June 2016

The operating profit amounted to SEK 16 million (35) for the period. The change in operating profit was mainly attributable to higher costs for the period. Net interest income rose to SEK 125 million (59), mainly driven by lower funding costs in the period. The net expense from financial transactions was SEK 19 million (income: 41). Expenses increased to SEK 481 million (434), and were attributable to higher personnel costs in areas including compliance. Loan losses remained low and totalled SEK 5 million (0). The tax expense increased to SEK 17 million (8) due to no longer being able to deduct the interest expense on subordinated debt. Lending to the public increased in the period to SEK 72.1 billion (57.6). Retail deposits increased to SEK 102.7 billion (88.0). The CET1 capital ratio was 21.5% (23.4) and the internally assessed capital requirement was SEK 5,797 million (5,561).

CONDENSED INCOME STATEMENT

	2017	2017	2016	2017	2016	2016
Parent Company, SEK million	**Q2**	**Q1**	**Q2**	**Jan–Jun**	**Jan–Jun**	**Jan–Dec**
Interest income	303	308	298	611	597	1,300
Interest expense	-248	-238	-250	-486	-538	-974
Net interest income	**55**	**70**	**48**	**125**	**59**	**326**
Commission income	20	16	30	36	45	85
Commission expense	-6	-7	-10	-13	-19	-39
Net result of financial transactions	-12	-7	49	-19	41	143
Other operating income	180	193	170	373	343	721
Total operating income	**237**	**265**	**287**	**502**	**469**	**1,236**
Personnel costs	-116	-114	-101	-230	-196	-408
Other expenses	-127	-118	-115	-245	-230	-449
Depreciation, amortisation and impairment of PPE and intangible assets	-3	-3	-4	-6	-8	-15
Total expenses before loan losses	**-246**	**-235**	**-220**	**-481**	**-434**	**-872**
Profit/loss before loan losses	**-9**	**30**	**67**	**21**	**35**	**364**
Net loan losses	-4	-1	1	-5	0	-9
Operating profit/loss	**-13**	**29**	**68**	**16**	**35**	**355**
Tax	-4	-13	-15	-17	-8	-78
Net profit/loss for the period	**-17**	**16**	**53**	**-1**	**27**	**277**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Parent Company, SEK million	2017 Q2	2017 Q1	2016 Q2	2017 Jan–Jun	2016 Jan–Jun	2016 Jan–Dec
Net profit/loss for the period	**-17**	**16**	**53**	**-1**	**27**	**277**
Other comprehensive income:						
Components that will be reclassified to profit or loss						
Changes related to available-for-sale financial assets, before tax	98	39	59	137	85	198
Changes related to cash-flow hedges, before tax	-19	-25	17	-44	19	-28
Tax attributable to components that will be reclassified to profit or loss	-18	-3	-17	-21	-23	-37
Other comprehensive income, net of tax	**61**	**11**	**59**	**72**	**81**	**133**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**44**	**27**	**112**	**71**	**108**	**410**

CONDENSED BALANCE SHEET

Parent Company, SEK million	30 Jun 2017	31 Dec 2016	30 Jun 2016
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	24,496	20,492	20,428
Lending to credit institutions (Note 10)	41,195	56,630	48,583
Lending to the public	72,060	51,577	57,620
Value changes of interest-rate-risk hedged items in macro hedges	–	–	0
Bonds and other interest-bearing securities	51,727	48,851	54,594
Derivatives	5,531	6,221	7,131
Shares and participations in Group companies	10,386	10,386	10,386
Intangible assets	28	31	9
Property, plant and equipment	14	16	16
Other assets	258	179	371
Prepaid expenses and accrued income	577	761	761
TOTAL ASSETS	**206,272**	**195,144**	**199,899**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	12,605	4,191	10,913
Deposits from the public	102,675	96,769	87,958
Debt securities issued, etc.	69,285	71,474	76,884
Derivatives	5,151	6,075	7,362
Other liabilities	544	334	372
Accrued expenses and deferred income	676	373	789
Deferred tax liabilities	62	41	17
Subordinated debt	5,940	5,939	5,940
Total liabilities	**196,938**	**185,196**	**190,235**
Equity			
Restricted equity			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
Total restricted equity	**2,350**	**2,350**	**2,350**
Unrestricted equity			
Fair value reserve	191	118	67
Additional Tier 1 securities	1,500	1,500	1,500
Retained earnings	5,294	5,703	5,720
Net profit/loss for the period	-1	277	27
Total unrestricted equity	**6,984**	**7,598**	**7,314**
Total equity	**9,334**	**9,948**	**9,664**
TOTAL LIABILITIES AND EQUITY	**206,272**	**195,144**	**199,899**

NOTE 12 Lending to credit institutions

Of the Parent Company's lending to credit institutions, SEK 33,297 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	30 Jun 2017	31 Dec 2016	30 Jun 2016
CET1 capital	7,430	7,708	7,694
Tier 1 capital	10,430	10,708	10,694
Total capital	14,880	15,157	15,141
Without transitional rules			
Risk exposure amount	34,510	31,484	32,893
CET1 capital ratio, %	21.5	24.5	23.4
Excess [1] of CET1 capital	5,877	6,292	6,214
Tier 1 capital ratio, %	30.2	34.0	32.5
Excess [1] of Tier 1 capital	8,360	8,819	8,721
Total capital ratio, %	43.1	48.1	46.0
Excess [1] of total capital	12,119	12,639	12,510
With transitional rules			
Own funds	14,885	15,162	15,180
Risk exposure amount	48,176	35,833	38,671
Total capital ratio, %	30.9	42.3	39.3

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

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

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**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2016**
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	5,686	6,094	5,849
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	191	118	67
Additional Tier 1 securities	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend [1]	-335	-350	–
CET1 capital before regulatory adjustments	**9,000**	**9,320**	**9,374**
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-77	-70	-79
Intangible assets (net of related tax liability) (negative amount)	-28	-31	-9
Fair value reserves related to gains or losses on cash-flow hedges	61	27	-10
Negative amounts resulting from the calculation of expected loss amounts	-7	-7	-39
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-19	-31	-43
Additional Tier 1 securities in equity	-1,500	-1,500	-1,500
Total regulatory adjustments to CET1 capital	**-1,570**	**-1,612**	**-1,680**
CET1 capital	**7,430**	**7,708**	**7,694**
Additional Tier 1 capital: Instruments			
Capital instruments and the related share premium accounts	3,000	3,000	3,000
Of which: classified as equity under applicable accounting standards	*1,500*	*1,500*	–
Of which: classified as liabilities under applicable accounting standards	*1,500*	*1,500*	*3,000*
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase-out from Additional Tier 1 capital	–	–	
Additional Tier 1 capital before regulatory adjustments	**3,000**	**3,000**	**3,000**
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	–	–	–
Additional Tier 1 capital	**3,000**	**3,000**	**3,000**
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	**10,430**	**10,708**	**10,694**
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	4,447	4,447	4,447
Credit risk adjustments	3	2	–
Tier 2 capital before regulatory adjustments	**4,450**	**4,449**	**4,447**
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	**4,450**	**4,449**	**4,447**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**14,880**	**15,157**	**15,141**
Total risk-weighted assets	**34,510**	**31,484**	**32,893**
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	21.5	24.5	23.4
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	30.2	34.0	32.5
Total capital (as a percentage of total risk-weighted exposure amount), %	43.1	48.1	46.0
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	8.5
Of which: CET1 capital, minimum requirement, %	*4.5*	*4.5*	*4.5*
Of which: capital conservation buffer requirement, %	*2.5*	*2.5*	*2.5*
Of which: countercyclical capital buffer requirement, %	*2.0*	*1.5*	*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, %)	17.0	20.0	18.9

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

OWN FUNDS Parent Company, SEK million	30 Jun 2017	31 Dec 2016	30 Jun 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] Reduced by the expected dividend of SEK 334 million based on Q2 2017.

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS Parent Company, SEK million	30 Jun 2017 Risk exposure amount	30 Jun 2017 Capital requirement	31 Dec 2016 Risk exposure amount	31 Dec 2016 Capital requirement	30 Jun 2016 Risk exposure amount	30 Jun 2016 Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	7,248	580	6,474	518	6,238	499
Retail exposures	4,108	328	3,172	254	3,928	314
Of which: exposures to SMEs	*390*	*31*	*351*	*28*	*369*	*29*
Of which: retail exposures secured by immovable property	*3,718*	*297*	*2,821*	*226*	*3,559*	*285*
Total exposures recognised with the IRB approach	**11,356**	**908**	**9,646**	**772**	**10,166**	**813**
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions [1]	2,073	166	1,645	132	1,755	140
Of which: derivatives according to CRR, Appendix 2	*1,959*	*157*	*1,645*	*132*	*1,679*	*134*
Of which repos	*114*	*9*	–	–	*71*	*6*
Of which other	*0*	0	*0*	*0*	5	0
Exposures to corporates	–	–	–	–	15	1
Retail exposures	2,340	187	1,933	155	2,155	172
Exposures in default	12	1	12	1	10	1
Exposures in the form of covered bonds	3,553	284	3,384	271	3,762	301
Exposures to institutions and corporates with a short-term credit rating	22	2	16	1	24	2
Equity exposures	10,386	831	10,386	831	10,386	831
Other items	135	11	85	6	110	9
Total exposures recognised with standardised approach	**18,521**	**1 482**	**17,461**	**1,397**	**18,217**	**1,457**
Market risk	**826**	**66**	**1,195**	**96**	**1,158**	**93**
Of which: position risk	*531*	*42*	*887*	*71*	*847*	*68*
Of which: currency risk	*295*	*24*	*308*	*25*	*311*	*25*
Operational risk	**1,570**	**126**	**1,478**	**118**	**1,478**	**118**
Credit valuation adjustment risk	**2,234**	**178**	**1,704**	**136**	**1,874**	**150**
Total risk exposure amount and minimum capital requirements	**34,507**	**2,760**	**31,484**	**2,519**	**32,893**	**2,631**
Capital requirements for capital conservation buffer		**863**		**787**		**822**
Capital requirements for countercyclical buffer		**683**		**467**		**500**
Total capital requirements		**4,306**		**3,773**		**3,953**

[1] The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 2,073 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 19 July 2017 at 8:00 a.m. (CEST).

Contact

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

Solna, 18 July 2017

Bo Magnusson
Chairman of the Board

Jakob Grinbaum
Deputy Chairman
of the Board

Lars Börjesson
Board Member

Carl-Henrik Borg
Board Member

Karin Moberg
Board Member

Jane Lundgren-Ericsson
Board Member

Eva Gidlöf
Board Member

Kristina Ljung
Board Member
(Employee Representative)

Daniel Kristiansson
Board Member

Johan Ericsson
Board Member
(Employee Representative)

Klas Danielsson
CEO

AUDITORS' REVIEW REPORT

Introduction

We have reviewed the interim report for SBAB Bank AB (publ) for the period January 1 – June 30 2017. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim 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 interim 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 interim 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 18 July, 2017

Deloitte AB

Patrick Honeth
Authorised Public Accountant

DEFINITIONS

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

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.

For more information about Alternative Performance Measures, visit sbab.se.

Definitions of Alternative Performance Measures

New lending	Gross lending for the period
Deposits/lending	Ratio of total deposits to total lending (closing balances)
Net interest margin	Net interest income in relation to average (calculated using the opening and closing balances for the reporting period) total assets.
Loan loss ratio	Loan losses in relation to lending to the public (closing balance)
C/I ratio	Total expenses, excluding loan losses, in relation to total operating income
Return on equity	Definition as of 2017/31/03: Earnings after tax in relation to average (calculated using the opening and closing balances) equity, after adjustment for additional Tier 1 securities and value changes in financial assets recognised in equity
	Definition before 2017/31/03: Earnings after tax in relation to average (calculated using the opening and closing balances) equity, after adjustment for additional Tier 1 securities

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