INTERIM REPORT

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

SBAB!
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THE QUARTER IN BRIEF

SBAB's strong positive trend resulted in Moody's raising our rating from A2 till A1 at the end of August. Accordingly, our long-term rating is A1 with a stable outlook.

KLAS DANIELSSON, CEO OF

The quarter in brief

- Healthy new lending and strong net growth. Total lending increased SEK 8.9 billion to SEK 324.4 billion
- Deposits continued to perform strongly. Total deposits increased SEK 4.4 billion to SEK 107.0 billion
- Stable net interest income. Net interest income rose SEK 15 million and totalled SEK 792 million. This was complemented by continued strength for metrics such as profitability, credit losses, cost-efficiency and capitalisation. Return on equity amounted to 12.2%
- At the end of August, Moody's upgraded SBAB's long-term rating from A2 (positive outlook) to A1 (stable outlook), stating reasons including SBAB's improved profitability and funding mix

SUMMARY

Group	2017 Q3	2017 Q2	Δ	2017 Jan–Sep	2016 Jan–Sep	Δ
Total lending, SEK bn [1)]	324.4	315.6	2.8%	324.4	305.0	6.4%
Total deposits, SEK bn	107.0	102.7	4.2%	107.0	93.4	14.6%
Net interest income, SEK mn	792	777	1.9%	2,348	2,067	13.6%
Expenses, SEK mn	-224	-244	-8.2%	-700	-650	7.7%
Loan losses, SEK mn	-1	-1	SEK 0 mn	4	-20	SEK 24 mn
Operating profit, SEK mn	537	539	-0.4%	1,625	1,463	11.1%
Return on equity, % [2)]	12.2	12.4	-20 bps	12.4	11.9	50 bps
C/I ratio, %	29.4	31.2	-180 bps	30.2	30.5	-30 bps
CET1 capital ratio, %	31.4	31.4	0 bps	31.4	28.5	290 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 August 2017, including 28 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 FROM THE CEO

Our transparent offering to retail customers is winning ground in the residential mortgage market. Our strong growth continued through Q3 for both lending and deposits. To date, we have captured a fantastic percentage, 17%, of net growth in the residential mortgage market, which means that, as of August 2017, our market share grew to 7.68% during the year. On the corporate side in 2017, we have focused on promoting the construction of more housing and have thereby increased our new construction financing. Our deposits posted healthy growth for Retail and Corporates, and our deposit ratio increased to 33.0% during the year. We are growing with good profitability, which enables a continued high pace of investment in operations with a focus on sustainability, new IT systems, digitalisation, customer offering and maintaining SBAB as an attractive workplace. We are strengthening our long-term competitiveness.

No one-to-one negotiations are needed with us, instead all retail customers with the same prerequisites receive the same mortgage terms directly. We focus on housing and household finances, which means that we have customers who appreciate not having to keep all their custom with one bank and instead use different banks for the services they require. During the quarter, we launched the first version of the My home (Mitt boende) service to residential mortgage customers. The My home service provides our residential mortgage customers with transparently presented, collated housing information from internal and external sources. We envisage My home as a digital home where people will, in time, gather all public and private information pertaining to their home. We have realised our pay-off and our brand promise — From dream to home — in the form of From Booli to SBAB. With the Group's combined property services, we help our customers through the entire home buying process, from looking for a home to moving, selling and once again seeking a new home.

Responsible credit granting

Our growth must always be subordinate to responsible lending, quality and good risk management. Our growth must always be sustainable. We continuously review our credit granting processes for both retail and corporate customers. On the retail side, we have assigned particular importance during the year to customers' total debt and properties' loan-to-value (LTV) ratios. We have introduced a mandatory debt-to-income ratio of 5.5 times the customer's total debt, in other words including not just for the mortgage but also any other unsecured loans and mortgages on other properties such as holiday homes. We have adapted our terms and conditions to suit lower LTV ratios and thus attract fewer customers with higher LTV ratios and more customers with lower LTV ratios. On the corporate side, due to the increasing uncertainty in the property market, we have given particular priority to increased caution in terms of lending to smaller and less experienced property developers regarding new builds. Moreover, we have generally adopted a more cautious approach to the declining investment yields in the corporate market, which means we are raising our repayment requirements and otherwise acting with a degree of restraint.

Disturbing regulatory developments

At the time of writing, the Swedish FSA (Finansinspektionen) is working on a new mandatory repayment requirement for consumers linked to a debt-to-income ratio for the individual mortgage of 4.5 times gross income. Our own debt ratio ceiling of 5.5 times gross income is different from the Swedish FSA's, since we consider customers' entire debt situation, not just the mortgage as proposed by the Swedish FSA. However, the Swedish FSA aims to increase loan repayments by 1% for debt ratios exceeding a multiple of 4.5, which will increase the maximum mandatory loan repayment from 2% to 3% on a mortgage. A 3% repayment rate is beyond the reach of many customers, particularly young people and residents of Greater Stockholm, where housing prices are significantly higher than in the rest of the country. We are extremely negative to the Swedish FSA's proposal. We are starting to note clear effects in the housing market from the Swedish FSA's latest mandatory repayment requirement as well as following the debt ratio ceilings introduced by ourselves and other banks. The new rules proposed by the Swedish FSA are extremely complex and will, thus create further lock-in effects for customers in the housing market resulting in worsened mobility and competition. The Swedish FSA needs to give customers more time to adapt to the recently introduced rules. Additional mandatory requirements for residential mortgage customers risk triggering a significantly worsening trend in the housing and property market. A trend where the customer will be hit hardest of all.

Rating and sustainable financing

SBAB's strong positive operational trend over the last few years resulted in Moody's upgrading our rating from A2 till A1 at the end of August. Accordingly, our long-term rating is A1 with a stable outlook. This is the first time since 2005 that SBAB has had its rating upgraded by one of the credit rating agencies. It is extremely pleasing. Moody's underlying reasons for the upgrade include the fact that we have strengthened our profitability and improved our funding mix with an increased proportion of deposits over an extended period.

Sustainable financing through green bonds is an extremely exciting area. SBAB's green bonds function just as standard bonds, but are subject to the condition that the funds raised will be used exclusively to finance or refinance residential properties that, under a specific framework, meet a number of energy-efficiency criteria or hold environmental certification. These will help change the world by financing a climate-smart and necessary transformation of both the economy and wider society. In mid-2016, we became the first bank in Sweden to issue a green bond and we issued our second green bond after the end of the quarter, at the start of October 2017.

Responsible and fun market communication

SBAB's brand stands for responsibility, safety and trust. We strive to further strengthen this position as well as to fill our brand with more attitude, feeling and energy. Household finances need to engage and bank transactions need to motivate. How else will competition in the banking market improve and more customers change bank? Dull and boring fails to engage us.

In 2017, our communication has focused around "Making household finances fun", which will culminate in a show with the same name at Globen in Stockholm on 15 November. It will be a star-studded comedy show starring Erik Haag, Mia Skäringer, Johan Rheborg, Nour El Refai and Björn Gustafsson. Follow the journey as the show evolves by watching our entertaining films on www.sbab.se.

Welcome to Globen on 15 November.

Klas Danielsson
CEO SBAB

BUSINESS RESULTS

VOLUME TRENDS

Group	2017 Q3	2017 Q2	2016 Q3	2017 Jan–Sep	2016 Jan–Sep
New lending, SEK bn	19.4	20.8	12.9	58.2	44.7
Net change in lending, SEK bn	8.9	10.5	2.3	28.4	7.9
Total lending, SEK bn	**324.4**	**315.6**	**305.0**	**324.4**	**305.0**
No. of deposit accounts, thousand	327	317	319	327	319
Net change in deposits, SEK bn	4.4	2.7	5.4	10.3	16.8
Total deposits, SEK bn	**107.0**	**102.7**	**93.4**	**107.0**	**93.4**
Deposits/lending, %	33.0	32.5	30.6	33.0	30.6
Retail business area					
No. of mortgage customers, thousand	248	243	250	248	250
No. of mortgage objects financed, thousand	158	155	160	158	160
New lending, SEK bn	17.0	16.7	10.7	49,0	37.0
Net change in lending, SEK bn	9.6	8.8	1.8	27.0	6.6
Total Retail lending, SEK bn	**238.9**	**229.3**	**220.6**	**238.9**	**220.6**
Residential mortgages, SEK bn	236.9	227.3	218.6	236.9	218.6
Consumer loans, SEK bn	2.0	2.0	2.0	2.0	2.0
Market share Residential mortgages, % [1)]	7.68	7.52	7.68	7.68	7.68
Market share Consumer loans, % [1)]	0.89	0.90	0.93	0.89	0.93
Total Retail deposits, SEK bn	**71.6**	**68.3**	**64.0**	**71.6**	**64.0**
Market share Retail deposits, % [1)]	4.15	4.06	3.99	4.15	3.99
Corporate Clients & Tenant-Owners' Associations business area					
No. of corporate clients and tenant-owners' associations	2,411	2,464	2,675	2,411	2,675
New lending, SEK bn	2.4	4.1	2.2	2.4	7.6
Net change in lending, SEK bn	-0.8	1.7	0.4	1.4	1.4
Total lending, Corporate Clients & Tenant-Owners' Associations, SEK bn	**85.5**	**86.3**	**84.4**	**85.5**	**84.4**
Lending to Corporate Clients, SEK bn	34.2	35.3	33.2	34.2	33.2
Lending to Tenant-Owners' Associations, SEK bn	51.3	51.0	51.2	51.3	51.2
Market share Corporate Clients, % [1)]	11.93	11.69	11.06	11.93	11.06
Market share Tenant-Owners' Associations, % [1)]	10.60	10.75	11.87	10.60	11.87
Total deposits, Corporate Clients & Tenant-Owners' Associations, SEK bn	**35.4**	**34.3**	**29.4**	**35.4**	**29.4**
Market share deposits, Corporate Clients & Tenant-Owners' Associations, % [1)]	3.70	3.73	3.06	3.70	3.06

[1)] Source: Statistics Sweden. The figures in the columns for Q3 2017 and Jan–Sep 2017 correspond with the market share as of 31 August 2017. The figures in the columns for Q2 2017 correspond with the market share as of 31 May 2017. The figures in the columns for Q3 2016 and Jan–Sep 2016 correspond with the market share as of 31 August 2016.

Trend for Q3 2017 compared with Q2 2017

Market comments

The housing finance market continued to grow through the third quarter of the year. The residential mortgage market increased in terms of lending to finance tenant-owner apartments and houses. Lending to tenant-owners' associations and companies also rose. Across the country as a whole, prices for tenant-owner apartments stood still, while house prices rose moderately during the quarter. Signals of reduced demand for new housing production marked the latter part of the quarter. The reduction in demand is linked to the large number of tenant-owner apartments that concurrently came available in the housing market. Moreover, the target group's purchasing power is assumed to have declined as a result of larger cash deposits, current loan repayment rules and the Finansinspektionen's (the Swedish FSA) proposals for more stringent repayment requirements. All of the above has been partially offset by the strong economy wich has helped reduce the unemployment rate which, combined with low interest rates, drove up demand.

Group

In Q3, total lending increased SEK 8.9 billion (10.5) to SEK 324.4 billion (315.6). New lending remained healthy and totalled SEK 19.4 billion (20.8). Total deposits increased SEK 4.4 billion (2.7) to SEK 107.0 billion (102.7) 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 by consumer loans and insurance broking.

During the quarter, new retail lending increased to SEK 17.0 billion (16.7) driven by the continued strength of the customer offering with competitive rates and high levels of brand awareness.

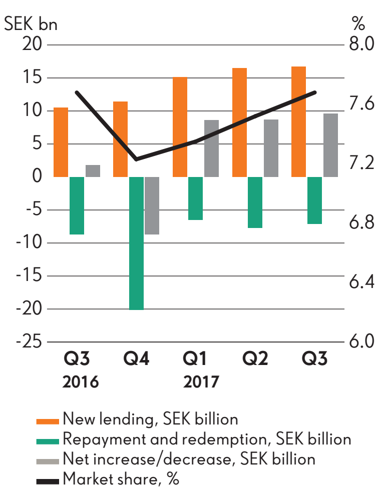
Total lending increased to SEK 238.9 billion (229.3) in the quarter, of which SEK 236.9 billion (227.3) comprised residential mortgages and SEK 2.0 billion (2.0) consumer loans. The number of residential mortgage customers increased to 248,000 (243,000), distributed over 158,000 mortgage objects (155,000). The market share of residential mortgages was 7.68% at 31 August 2017 (7.52 at 31 May 2017). At the same date, the market share for consumer loans was 0.89% (0.90).

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 68.7% (68.3) at the end of the quarter.

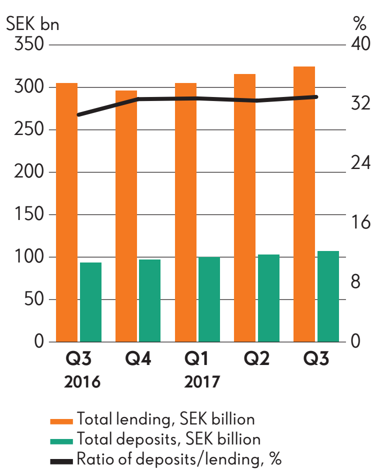
SBAB and other Swedish banks report their average mortgage rates for new loans and loans with amended terms and conditions, in line with the Swedish FSA's regulations. SBAB offers transparent terms and conditions, which is showcased by the difference between SBAB's average and list rates, which in September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

SBAB's savings accounts offer a competitive interest rate, and deposit inflows continued to grow during the quarter. Retail deposits rose SEK 3.3 billion (2.3) in the quarter and totalled SEK 71.6 billion (68.3). At 31 August 2017, the market share of retail deposits was 4.15% (4.06 at 31 May 2017).

Net lending and market shares for residential mortgages



Ratio of total deposits to total lending



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 corporate clients and tenant-owners' associations totalled SEK 2.4 billion (4.1) for Q3, supported by the high rate of new construction and the accompanying high demand from property and construction companies. However, total lending decreased to SEK 85.5 billion (86.3) as a result of an increasing number of property companies using the bond markets to refinance with the aim of reducing currency risk and diversifying their borrowing.

Of total lending, SEK 34.2 billion (35.3) comprised lending to corporate clients and SEK 51.3 billion (51.0) lending to tenant-owners' associations. The market share of lending to corporate clients was 11.93% at 31 August 2017 (11.69 at 31 May 2017), and the market share for lending to tenant-owners' associations was 10.60% (10.75). The number of loan customers declined to 2,411 (2,464) over the quarter. The decline in customer numbers over the last quarters was primarily attributable to a decline in the number of small tenant-owners' association customers, in line with SBAB's strategy of focused and qualitative credit granting.

Deposits from corporate clients and tenant-owners' associations rose SEK 1.1 billion (0.3) in the quarter and totalled SEK 35.4 billion (34.3). At 31 August 2017, the market share of deposits from corporate clients and tenant-owners' associations (excluding financial institutions) was 3.70% (3.73 at 31 May 2017).

FINANCIAL PERFORMANCE

INCOME STATEMENT OVERVIEW

Group, SEK million	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2017 Jan–Sep	2016 Jan–Sep
Net interest income	792	777	779	762	745	2,348	2,067
Net commissions	-2	0	-5	-2	1	-7	9
Net result of financial items measured at fair value (Note 2)	-35	-2	-5	8	17	-42	40
Other operating income	7	9	6	17	5	22	17
Total operating income	**762**	**784**	**775**	**785**	**768**	**2,321**	**2,133**
Expenses	-224	-244	-232	-239	-214	-700	-650
Profit before loan losses	**538**	**540**	**543**	**546**	**554**	**1,621**	**1,483**
Net loan losses (Note 3)	-1	-1	6	2	-20	4	-20
Operating profit	**537**	**539**	**549**	**548**	**534**	**1,625**	**1,463**
Tax	-125	-125	-128	-119	-117	-378	-322
Net profit for the period	**412**	**414**	**421**	**429**	**417**	**1,247**	**1,141**
Return on equity [1], %	12.2	12.4	12.6	12.5	12.3	12.4	11.9
C/I ratio, %	29.4	31.2	29.9	30.6	27.8	30.2	30.5
Loan loss ratio, %	0.00	0.00	0.01	0.00	-0.03	0.00	-0.01
Net interest margin, %	0.77	0.77	0.80	0.80	0.76	0.79	0.72

[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. For more information; please refer to page 35.

Trend for Q3 2017 compared with Q2 2017

Net interest and commissions

Net interest income grew to SEK 792 million (777), attributable to a decline in the volume of liquid reserves in the quarter. The item was also positively impacted by increased lending volumes and negatively affected by lower lending margins due to the lowering of interest rates in Q2.

The resolution fee, recognised in net interest income, totalled SEK 61.6 million (65.7) 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 dropped during the quarter to an expense of SEK 2 million (0) driven, inter alia, by lower income from insurance broking.

Net result of financial items measured at fair value

The net result of financial items measured at fair value was an expense of SEK 35 million (expense: 2). The remeasurement of credit risk in derivatives was the factor with the largest earnings impact in the quarter.

Expenses

Expenses decreased to SEK 224 million (244). The variance between the quarters was primarily attributable lower marketing and development costs.

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 Q3, the average LTV ratio in SBAB's mortgage portfolio was 60% (60). 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 (1) for the quarter, corresponding to a loan loss ratio of 0.00% (0.00). For more information on loan losses; please refer to Note 3.

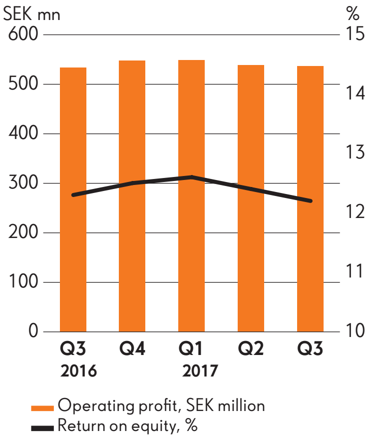
Operating profit

Operating profit amounted to SEK 537 million (539). The variance between the quarters was minor and was mainly attributable to a lower net result of financial items measured at fair value. Higher net interest income and lower expenses positively impacted the earnings trend.

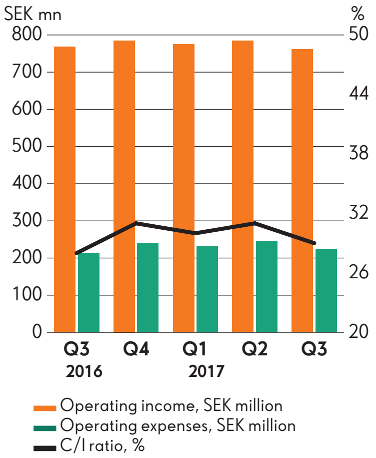
Other comprehensive income:

Other comprehensive income amounted to SEK 40 million (expense: 206). The variance between the quarters was mainly attributable to fluctuations in long term EUR interest rates. A small decrease in market rates in Q3 positively impacted this item.

Operating profit and return on equity



Income, expenses and C/I ratio



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

During the period, operating profit rose to SEK 1,625 million (1,463). The increase was primarily attributable to higher net interest income. Net interest income rose to SEK 2,348 million (2,067) as a result of increased lending volumes and lower funding costs. The net commission expense for the period was SEK 7 million (income: 9) due to higher commission expenses driven by increased issues of securities. The net result of financial items measured at fair value decreased to an expense of SEK 42 million (income: 40). The decrease was mainly due to differences in value changes in hedging instruments and hedged items, attributable to changed terms and conditions, and accrual effects from terminated hedging relationships. During the period, expenses increased to SEK 700 million (650), driven by increased personnel, IT and development costs. Loan losses remained low and amounted to a recovery of SEK 4 million (20) for the period. Other comprehensive income decreased to an expense of SEK 417 million (income: 769). The variance between the quarters was mainly attributable to fluctuations in long term EUR interest rates. A decline in market interest rates in 2016 positively impacted the comparative figures. In 2017, market interest rates started to climb, which had a significant negative impact on earnings for the current period.

BALANCE SHEET OVERVIEW

Group, SEK million	30 Sep 2017	30 Jun 2017	30 Sep 2016	31 Dec 2016
ASSETS				
Chargeable treasury bills, etc.	25,938	24,496	14,179	20,492
Lending to credit institutions	8,941	10,493	7,426	1,619
Lending to the public	324,415	315,559	304,970	296,022
Bonds and other interest-bearing securities	49,457	51,727	52,664	48,851
Total other assets in the balance sheet	6,729	6,950	10,304	8,172
TOTAL ASSETS	**415,480**	**409,225**	**389,543**	**375,156**
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	10,837	15,243	19,922	4,689
Deposits from the public	107,041	102,675	93,390	96,769
Issued debt securities, etc. (funding)	271,693	265,360	249,014	247,407
Subordinated debt	5,941	5,939	5,943	5,939
Total other liabilities in the balance sheet	4,550	5,034	6,042	5,070
Total liabilities	**400,062**	**394,251**	**374,311**	**359,874**
Total equity	**15,418**	**14,974**	**15,232**	**15,282**
TOTAL LIABILITIES AND EQUITY	**415,480**	**409,225**	**389,543**	**375,156**
CET1 capital ratio, %	31.4	31.4	28.5	32.2
Tier 1 capital ratio, %	38.6	38.7	35.9	40.1
Total capital ratio, %	49.3	49.5	46.8	51.6
Leverage ratio, % [1]	3.77	3.79	3.72	4.05
Liquidity coverage ratio (LCR), % [2]	265	240	191	243
Net stable funding ratio (NSFR), %	122	120	116	122

[1] Calculated in accordance with the applicable regulations at the reporting date.
[2] For all currencies combined.

Trend for Q3 2017 compared with Q2 2017

Balance sheet comments
During the quarter, chargeable treasury bills, etc. increased to SEK 25.9 billion (24.5), and bonds and other interest-bearing securities decreased to SEK 49.5 billion (51.7). The change was within the scope of the normal management of the liquidity portfolio to maintain the desired duration and credit risk profile. Lending to credit institutions decreased to SEK 8.9 billion (10.5) as part of normal liquidity management. For information regarding lending to the public; please refer to page 5.

During the quarter, liabilities to credit institutions decreased to SEK 10.8 billion (15.2). The decrease was due to smaller volumes of short-term repos compared with the preceding quarter. The change was within the scope of the normal short-term liquidity management. At the end of the quarter, subordinated debt remained unchanged and amounted to SEK 5.9 billion (5.9). Equity increased during the quarter to SEK 15.4 billion (15.0) due to changes in other comprehensive income, 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 5 and the "Funding" section below.

Funding
Strong lending growth resulted in somewhat higher issues of securities in Q3, despite lower debt maturities. Total bond issues in the quarter amounted to around SEK 16 billion (12) and included an EUR 500 million five-year uncovered bond in the European market.

During the quarter, securities were issued for a total of SEK 19.4 billion (15.5) and, in parallel, securities were repurchased for SEK 2.1 billion (1.9) and securities amounting to SEK 10.5 billion (12.9) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 6.3 billion to a total of SEK 271.7 billion (265.4).

At the end of Q3, commercial paper borrowing amounted to SEK 4.9 billion (7.9) and senior unsecured funding amounted to SEK 63.7 billion (61.4). Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Issued securities outstanding totalled SEK 203.1 billion (196.1), of which SEK 149.2 billion was in SEK and SEK 53.9 billion was in foreign currencies.

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 75.3 billion (73.8). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 72.2 billion (70.8).

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

On 30 September 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 265% (240) for all currencies combined, thereby exceeding the minimum requirement of 100%. Measured in SEK, the LCR was 186% (159). According to the European Commission's Delegated Regulation with regard to Liquidity Coverage Requirement for Credit Institutions, at 30 September 2017, the LCR was 271% (259) in all currencies combined, which exceeds the minimum requirement of 80%. When using the same method to measure in SEK, the LCR amounted to 212% (200). The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 122% (120) 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 8.9 billion in Q3 and totalled SEK 324.4 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 27.0% (26.7) and a total capital ratio of not less than 37.3% (36.9) at 30 September 2017. At the end of Q3, the CET1 capital ratio amounted to 31.4% (31.4) and the total capital ratio was 49.3% (49.5), which provided a comfortable margin to both internal and external requirements.

In a decision by the Swedish FSA, subject to the company's auditors being able to confirm the surplus and that deductions for any dividends and foreseeable costs have been carried out pursuant to the Capital Requirements Regulation and that these calculations have been conducted in compliance with the Commission Delegated Regulation (EU) No 241/2014, SBAB received approval for using the full-year surplus in own-funds calculations. Deloitte AB conducted the above review for 30 September 2017. This means that net profit for the period has been included in own funds and that expected dividends have reduced own funds.

The leverage ratio amounted to SEK 3.77% (3.79) at 30 September 2017.

For more information; please refer to notes 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 has 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 Annual Report 2016 (pages 54–57 and Note 2 respectively) as well as in the report "Capital Adequacy and Risk Management 2016."

Change of control clause in the EMTN programme
In conjunction with the annual update of the EMTN programme planned for 1 November 2017, SBAB intends to amend the terms and conditions for the purpose of introducing the possibility of issuing new senior unsecured debt free from the change of control clause*. The aim is to issue new bonds that are not subject to the change of control clause, which means that the amendment will only affect the terms and conditions governing the issue of new bonds.

Improved rating from Moody's
On 21 August 2017, Moody's Investors Service (Moody's) upgraded SBAB's long-term rating from A2 (positive outlook) to A1 (stable outlook), stating reasons including SBAB's improved profitability and funding mix. Additional information is available on www.sbab.se.

Board changes
During the quarter, Jakob Grinbaum stepped down from his position as Board member and Deputy Chairman of the Board of SBAB and from his position as Board member of SCBC. Accordingly, he has been removed from all his assignments for the Group.

Events after the end of the period

Green bond
On the 4th October 2017, SBAB issued a new Green Bond. The bond is in unsecured format, amounts to SEK 1.75 billion and has a maturity of five years. The issue was met with substantial demand and was quickly oversubscribed. Additional information about the transaction is available on www.sbab.se.

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

*The clause in question, known as the change of control clause, is a clause that confers a right on the holders of any such unsecured debt to demand repayment should the Swedish state's ownership of SBAB change to the effect that the state's entitlement to exercise voting rights in the company's affairs should decrease to a level below 51%.

Financial calendar

Year-end report 2017	15 February 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

SBAB's Annual General Meeting will be held on 24 April 2018 in Solna.

Credit rating

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

[1] Negative outlook

FINANCIAL STATEMENTS AND NOTES

CONDENSED FINANCIAL STATEMENTS

NOTES

PARENT COMPANY

CONDENSED INCOME STATEMENT

Group, SEK million	2017 Q3	2017 Q2	2016 Q3	2017 Jan–Sep	2016 Jan–Sep	2016 Jan–Dec
Interest income	1,154	1,140	1,172	3,397	3,522	4,601
Interest expense	-362	-363	-427	-1,049	-1,455	-1,772
Net interest income	**792**	**777**	**745**	**2,348**	**2,067**	**2,829**
Commission income	16	23	13	53	50	69
Commission expense	-18	-23	-12	-60	-41	-62
Net result of financial items measured at fair value (Note 2)	-35	-2	17	-42	40	48
Other operating income	7	9	5	22	17	34
Total operating income	**762**	**784**	**768**	**2,321**	**2,133**	**2,918**
Personnel costs	-115	-118	-100	-349	-295	-412
Other expenses	-100	-118	-107	-327	-335	-450
Depreciation, amortisation and impairment of PPE and intangible assets	-9	-8	-7	-24	-20	-27
Total expenses before loan losses	**-224**	**-244**	**-214**	**-700**	**-650**	**-889**
Profit before loan losses	**538**	**540**	**554**	**1,621**	**1,483**	**2,029**
Net loan losses (Note 3)	-1	-1	-20	4	-20	-18
Operating profit	**537**	**539**	**534**	**1,625**	**1,463**	**2,011**
Tax	-125	-125	-117	-378	-322	-441
Net profit for the period	**412**	**414**	**417**	**1,247**	**1,141**	**1,570**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Group, SEK million	2017 Q3	2017 Q2	2016 Q3	2017 Jan–Sep	2016 Jan–Sep	2016 Jan–Dec
Net profit for the period	**412**	**414**	**417**	**1,247**	**1,141**	**1,570**
Other comprehensive income:						
Components that will be reclassified to profit or loss						
Changes related to available-for-sale financial assets, before tax	-40	98	99	97	184	198
Changes related to cash-flow hedges, before tax	68	-317	55	-598	894	370
Tax attributable to components that will be reclassified to profit or loss	-6	48	-34	110	-237	-125
Components that will not be reclassified to profit or loss						
Revaluation effects of defined-benefit pension plans, before tax	23	-46	-28	-34	-92	-58
Tax attributable to components that will not be reclassified to profit or loss	-5	11	6	8	20	13
Other comprehensive income, net of tax	**40**	**-206**	**98**	**-417**	**769**	**398**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**452**	**208**	**515**	**830**	**1,910**	**1,968**

CONDENSED BALANCE SHEET

Group, SEK million	30 Sep 2017	31 Dec 2016	30 Sep 2016
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	25,938	20,492	14,179
Lending to credit institutions	8,941	1,619	7,426
Lending to the public (Note 4)	324,415	296,022	304,970
Value changes of interest-rate-risk hedged items in macro hedges	222	396	568
Bonds and other interest-bearing securities	49,457	48,851	52,664
Derivatives (Note 5)	4,689	6,192	7,829
Intangible assets	169	152	132
Property, plant and equipment	13	16	15
Other assets	944	550	1,010
Prepaid expenses and accrued income	692	866	750
TOTAL ASSETS	**415,480**	**375,156**	**389,543**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	10,837	4,689	19,922
Deposits from the public	107,041	96,769	93,390
Debt securities issued, etc.	271,693	247,407	249,014
Derivatives (Note 5)	1,718	2,475	2,742
Other liabilities	499	347	417
Accrued expenses and deferred income	2,144	1,976	2,481
Deferred tax liabilities	94	207	303
Provisions	95	65	99
Subordinated debt	5,941	5,939	5,943
Total liabilities	**400,062**	**359,874**	**374,311**
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	245	662	1,033
Additional Tier 1 instruments	1,500	1,500	1,500
Retained earnings	10,468	9,592	9,600
Net profit for the period	1,247	1,570	1,141
Total equity	**15,418**	**15,282**	**15,232**
TOTAL LIABILITIES AND EQUITY	**415,480**	**375,156**	**389,543**

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, additional Tier 1 instruments				-66		-66
Dividends paid				-628		-628
Comprehensive income for the period		-417			1,247	830
CLOSING BALANCE, 30 SEP 2017	**1,958**	**245**	**1,500**	**10,468**	**1,247**	**15,418**
OPENING BALANCE, 1 JANUARY 2016	**1,958**	**264**		**9,626**		**11,848**
Additional Tier 1 instruments			1,500			1,500
Dividend, additional Tier 1 instruments				-26		-26
Comprehensive income for the period		769			1,141	1,910
CLOSING BALANCE, 30 SEP 2016	**1,958**	**1,033**	**1,500**	**9,600**	**1,141**	**15,232**
OPENING BALANCE, 1 JANUARY 2016	**1,958**	**264**		**9,626**		**11,848**
Additional Tier 1 instruments			1,500			1,500
Dividend, additional Tier 1 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

Group, SEK million	2017 Jan–Sep	2016 Jan–Sep	2016 Jan–Dec
Opening cash and cash equivalents	**1,619**	**3,456**	**3,456**
OPERATING ACTIVITIES			
Interest and commissions paid/received	2,686	2,034	2,316
Outflows to suppliers and employees	-677	-630	-863
Taxes paid/refunded	-499	-745	-394
Change in assets and liabilities of operating activities	6,443	3,872	-2,307
Cash flow from operating activities	**7,953**	**4,532**	**-1,248**
INVESTING ACTIVITIES			
Sale of property plant and equipment	0	0	0
Investments in PPE and intangible fixed assets	-3	-3	-30
Acquisitions/divestments of subsidiaries	–	-59	-59
Cash flow from investing activities	**-3**	**-62**	**-89**
FUNDING ACTIVITIES			
Dividends paid	-628	–	–
Change in subordinated loans	–	-2,000	-2,000
Change in additional Tier 1 instruments	–	1,500	1,500
Cash flow from funding activities	**-628**	**-500**	**-500**
Increase/decrease in cash and cash equivalents	**7,322**	**3,970**	**-1,837**
Closing cash and cash equivalents	**8,941**	**7,426**	**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 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 25 October 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 from 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 Q3	2017 Q2	2016 Q3	2017 Jan–Sep	2016 Jan–Sep	2016 Jan–Dec
Gains/losses on interest-bearing financial instruments						
– Securities measured at FVTPL	-19	-42	-33	-79	55	-43
– Change in value of hedged items in hedge accounting	103	307	222	739	5	691
– Realised gain/loss from financial liabilities	-43	-36	-87	-245	-230	-489
– Derivatives	-91	-243	-102	-494	132	-352
– Loan receivables	17	15	19	42	78	240
Currency translation effects	-2	-3	-2	-5	0	1
Total	**-35**	**-2**	**17**	**-42**	**40**	**48**

NOTE 3 Net loan losses

Group, SEK million	2017 Q3	2017 Q2	2016 Q3	2017 Jan–Sep	2016 Jan–Sep	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	7	0	8	9
Guarantees	-0	-0	-1	-0	-2	-3
Net expense for the period for collective provisions for corporate market loans	**0**	**0**	**6**	**0**	**6**	**6**
RETAIL MARKET						
Individual provision for retail market loans						
Write-off for the period for confirmed loan losses	–	–	–	-1	-0	-2
Reversal of prior provisions for probable loan losses, recognised as confirmed losses in the financial statements for the period	–	–	–	1	0	2
Provision for probable loan losses for the period	-0	-0	-0	-1	-0	-0
Reversal of prior provisions no longer necessary for probable loan losses	0	0	1	1	5	16
Guarantees	0	0	–	–	-0	-0
Net expense for the period for individual provisions for retail market loans	**0**	**0**	**1**	**1**	**5**	**16**
Collective provision for retail market loans						
Write-off for the period for confirmed loan losses	-3	-4	-2	-8	-8	-11
Recoveries of confirmed loan losses in prior years	1	0	1	2	2	2
Allocations to/unwinding of collective provisions [1]	-0	3	-24	8	-19	-13
Guarantees	1	-0	-2	1	-6	-22
Net expense for the period for collective provisions for retail market loans	**-1**	**-1**	**-27**	**3**	**-31**	**-44**
Net income/expense for loan losses for the period	**-1**	**-1**	**-20**	**4**	**-20**	**-18**

[1] 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.

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 Sep 2017		31 Dec 2016		30 Sep 2016	
SEK million	Lending	Provision	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	120,950	-68	107,345	-74	115,768	88
Tenant-owners' rights	116,069	-103	102,701	-105	103,039	-112
Tenant-owners' associations	51,331	-21	50,643	-21	51,129	-26
Private multi-family dwellings	29,747	-19	28,543	-19	28,177	-19
Municipal multi-family dwellings	222	–	240	–	369	–
Commercial properties	4,273	–	4,779	–	4,750	–
Other	2,048	-14	2,006	-16	1,997	-14
Provision for probable losses	-225		-235		-259	
Total	**324,415**	**-225**	**296,022**	**-235**	**304,970**	**-259**

Doubtful and non-performing loan receivables	30 Sep 2017	31 Dec 2016	30 Sep 2016
a) Doubtful loan receivables	128	134	156
b) Non-performing loan receivables [1] included in doubtful loan receivables	2	1	4
c) Non-performing loan receivables [1] not included in doubtful loan receivables	158	137	164
d) Individual provisions for loan receivables	58	59	76
e) Collective provision for corporate market loans	1	1	3
f) Collective provision for retail market loans	166	175	180
g) Total provisions (d+e+f)	225	235	259
h) Doubtful loan receivables after individual provisions (a-d)	70	75	80
i) Provision ratio for individual provisions (d/a), %	45	44	49

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

Loan portfolio, SEK million	30 Sep 2017	31 Dec 2016	30 Sep 2016
Retail lending	238,882	211,857	220,590
- of which, new lending during the period	*48,957*	*48,660*	*37,049*
Corporate lending (incl. tenant-owners' associations)	85,533	84,165	84,380
- of which, new lending during the period	*9,225*	*10,988*	*7,613*
Total	**324,415**	**296,022**	**304,970**
- of which, new lending during the period	*58,182*	*59,648*	*44,662*

NOTE 5 Derivatives

Group, SEK million	30 Sep 2017 Assets measured at fair value	30 Sep 2017 Liabilities measured at fair value	30 Sep 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	2,666	1,322	277,501	3,944	1,700	222,420
Currency-related	2,023	396	86,192	2,248	775	82,513
Total	**4,689**	**1,718**	**363,693**	**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–Sep 2017 Retail	Jan–Sep 2017 Corporate clients & Tentant-owners' assoc.	Jan–Sep 2017 Other	Jan–Sep 2017 Total	Jan–Sep 2016 Retail	Jan–Sep 2016 Corporate clients & Tentant-owners' assoc.	Jan–Sep 2016 Other	Jan–Sep 2016 Total
Income [1]	1,826	537	–	2,363	1,667	426	–	2,093
Net result of financial items measured at fair value	–	–	-42	-42	–	–	40	40
Total operating income	**1,826**	**537**	**-42**	**2,321**	**1,667**	**426**	**40**	**2,133**
Expenses [2]	-560	-140	–	-700	-512	-142	4	-650
Net loan losses	1	3	–	4	-15	-5	–	-20
Operating profit/loss	**1,267**	**400**	**-42**	**1,625**	**1,140**	**279**	**44**	**1,463**
Tax	-295	-93	10	-378	-251	-61	-10	-322
Net profit/loss for the period	**972**	**307**	**-32**	**1,247**	**889**	**218**	**34**	**1,141**
Return on equity, % [3]	14.6	8.5		12.4	14.6	7.3		11.9

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

[2] The expenses 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. For more information; please refer to page 35.

NOTE 7 Classification of financial instruments

GROUP

Financial assets

	30 Sep 2017					
SEK million	Assets measured at FVTPL (held for trading)	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	Total fair value
Cash and balances at central banks			0		0	0
Chargeable treasury bills, etc.	10,911	15,027			25,938	25,938
Lending to credit institutions			8,941		8,941	8,941
Lending to the public			324,415		324,415	325,358
Value changes of interest-rate-risk hedged items in macro hedges			222		222	
Bonds and other interest-bearing securities	7,569	32,642		9,246	49,457	49,517
Derivatives	4,689				4,689	4,689
Other assets			339		339	339
Prepaid expenses and accrued income	82	341	150	13	586	586
Total	**23,251**	**48,010**	**334,067**	**9,259**	**414,587**	**415,368**

GROUP

Financial liabilities

	30 Sep 2017			
SEK million	Liabilities measured at FVTPL	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		10,837	10,837	10,837
Deposits from the public		107,041	107,041	107,041
Issued debt securities, etc.		271,693	271,693	273,509
Derivatives	1,718		1,718	1,718
Other liabilities		491	491	491
Accrued expenses and deferred income		2,122	2,122	2,122
Subordinated debt		5,941	5,941	5,962
Total	**1,718**	**398,125**	**399,843**	**401,680**

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 alue
	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. 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 Sep 2017 Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets				
Chargeable treasury bills, etc.	25,938	–	–	25,938
Bonds and other interest-bearing securities	40,211	–	–	40,211
Derivatives		4,689	–	4,689
Prepaid expenses and accrued income	423	–		423
Total	**66,572**	**4,689**	**–**	**71,261**
Liabilities				
Derivatives	–	1,718	–	1,718
Total	**–**	**1,718**	**–**	**1,718**

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 375 (408) 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.

	30 Sep 2017					31 Dec 2016				
		DISTRIBUTION BY CURRENCY					DISTRIBUTION BY CURRENCY			
LIQUIDITY RESERVE Group, SEK million	**Total**	**SEK**	**EUR**	**USD**	**Other**	**Total**	**SEK**	**EUR**	**USD**	**Other**
Cash and balances at central banks	830	830	–	–	–	632	632	–	–	–
Balances at other banks	–	–	–	–	–	–	–	–	–	–
Securities issued or guaranteed by governments, central banks or multinational development banks	25,331	15,352	7,585	2,394	–	25,166	14,343	7,602	3,221	–
Securities issued or guaranteed by municipalities or public sector entities	11,964	10,353	173	1,438	–	6,596	5,311	–	1,285	–
Covered bonds issued by other institutions	37,216	31,838	4,586	792	–	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	**75,341**	**58,373**	**12,344**	**4,624**	**–**	**69,464**	**51,650**	**12,341**	**5,473**	**–**
Bank and loan facilities	–	–	–	–	–	–	–	–	–	–
Total	**75,341**	**58,373**	**12,344**	**4,624**	**–**	**69,464**	**51,650**	**12,341**	**5,473**	**–**
Distribution by currency, %		77.5	16.4	6.1	–		74.3	17.8	7.9	–

	30 Sep 2017			31 Dec 2016		
		DISTRIBUTION BY CURRENCY			DISTRIBUTION BY CURRENCY	
LIQUIDITY COVERAGE RATIO Group, SEK million	**Total**	**EUR**	**USD**	**Total**	**EUR**	**USD**
Liquidity coverage ratio (LCR), % [1)]	265	52,772	193	243	182,704	258
Liquid assets	**69,760**	**11,657**	**4,505**	**63,904**	**11,630**	**5,329**
Assets with 100% weight	38,126	7,758	3,832	32,394	7,602	4,506
Assets with 85% weight	31,634	3,898	673	31,510	4,028	822
Cash outflows	**28,884**	**88**	**2,336**	**25,886**	**25**	**2,634**
Deposits from the public	19,065	–	–	15,886	–	–
Market funding	4,595	–	2,045	5,190	–	2,633
Other outflows	5,225	88	291	4,810	25	1
Cash inflows	**4,868**	**2,183**	**7**	**3,674**	**1,594**	**571**
Inflow from retail lending	2,291	–	–	586	–	–
Other inflows	2,577	2,183	7	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 Sep 2017	31 Dec 2016	30 Sep 2016
CET1 capital	13,090	12,385	11,656
Tier 1 capital	16,090	15,385	14,656
Total capital	20,541	19,833	19,104
Without transitional rules			
Risk exposure amount	41,705	38,413	40,860
CET1 capital ratio, %	31.4	32.2	28.5
Excess [1] of CET1 capital	11,213	10,656	9,817
Tier 1 capital ratio, %	38.6	40.1	35.9
Excess [1] of Tier 1 capital	13,588	13,080	12,204
Total capital ratio, %	49.3	51.6	46.8
Excess [1] of total capital	17,204	16,760	15,835
With transitional rules			
Own funds	20,563	19,835	19,144
Risk exposure amount	187,529	168,936	173,281
Total capital ratio, %	11.0	11.7	11.0

[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 Sep 2017	31 Dec 2016	30 Sep 2016
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	10,469	9,592	9,600
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	245	662	1,033
Additional Tier 1 instruments	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend [1]	748	942	268
CET1 capital before regulatory adjustments	**14,920**	**14,654**	**14,359**
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-73	-67	-65
Intangible assets (net of related tax liability) (negative amount)	-155	-142	-122
Fair value reserves related to gains or losses on cash-flow hedges	-59	-526	-933
Negative amounts resulting from the calculation of expected loss amounts	-26	-3	-39
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-17	-31	-44
Additional Tier 1 instruments in equity	-1,500	-1,500	-1,500
Total regulatory adjustments to CET1 capital	**-1,830**	**-2,269**	**-2,703**
CET1 capital	**13,090**	**12,385**	**11,656**
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*	*1,500*
Of which: classified as liabilities under applicable accounting standards	*1,500*	*1,500*	*1,500*
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)	**16,090**	**15,385**	**14,656**
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	4,447	4,447	4,447
Credit risk adjustments	4	1	1
Tier 2 capital before regulatory adjustments	**4,451**	**4,448**	**4,448**
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	**4,451**	**4,448**	**4,448**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**20,541**	**19,833**	**19,104**
Total risk-weighted assets	**41,705**	**38,413**	**40,860**
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	31.4	32.2	28.5
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	38.6	40.1	35.9
Total capital (as a percentage of total risk-weighted exposure amount), %	49.3	51.6	46.8
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	24.0

Cont. NOTE 10 Capital adequacy, own funds and capital

OWN FUNDS Group, SEK million	30 Sep 2017	31 Dec 2016	30 Sep 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] Earnings for the interim period were reduced by the expected dividend of SEK 499 million based on Q3 2017. The interim results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation (see the explanation on page 10 of the administration report).

	30 Sep 2017		31 Dec 2016		30 Sep 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	12,631	1,010	12,106	969	11,471	918
Retail exposures	12,173	974	11,440	915	13,207	1,057
Of which: exposures to SMEs	*1,109*	89	*1,211*	*97*	*1,272*	*102*
Of which: retail exposures secured by immovable property	*11,064*	885	*10,229*	*818*	*11,935*	*955*
Total exposures recognised with the IRB approach	**24,804**	**1,984**	**23,546**	**1,884**	**24,678**	**1,975**
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]	2,782	222	1,907	152	2,123	170
Of which: derivatives according to CRR, Appendix 2	*2,677*	*214*	*1,903*	*152*	*2,020*	*162*
Of which repos	*104*	*8*	*3*	*0*	*103*	*8*
Of which other	*1*	*0*	*1*	*0*	0	0
Exposures to corporates	–	–	–	–	15	1
Retail exposures	2,331	186	1,933	155	1,959	156
Exposures in default	11	1	12	1	9	1
Exposures in the form of covered bonds	3,284	263	3,384	271	3,665	293
Exposures to institutions and corporates with a short-term credit rating	11	1	19	1	48	4
Other items	421	34	561	44	799	64
Total exposures recognised with standardised approach	**8,840**	**707**	**7,816**	**624**	**8,618**	**689**
Market risk	**1,210**	**97**	**1,571**	**126**	**1,751**	**140**
Of which: position risk	*418*	34	*886*	*71*	*955*	*76*
Of which: currency risk	*792*	63	*685*	*55*	*796*	*64*
Operational risk	**4,144**	**331**	**3,634**	**291**	**3,634**	**291**
Credit valuation adjustment risk	**2,707**	**217**	**1,846**	**148**	**2,179**	**174**
Total risk exposure amount and minimum capital requirements	**41,705**	**3,336**	**38,413**	**3,073**	**40,860**	**3,269**
Capital requirements for capital conservation buffer		**1,043**		**960**		**1,021**
Capital requirements for countercyclical buffer		**826**		**571**		**608**
Total capital requirements		**5,205**		**4,604**		**4,898**

[1] The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 2,781 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. At 30 September 2017, the internally assessed capital requirement for the Group amounted to SEK 14,937 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 Sep 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	2,908	2,908	2,908	2,656	2,656	2,656
	Market risk	97	97	97	126	126	126
	Operational risk	331	331	331	291	291	291
Pillar 2	Credit risk [1]	–	1,242	0	–	1,019	0
	Market risk	–	990	990	–	1,118	1,118
	Operational risk	–	115	115	–	91	91
	Risk-weight floor	–	–	7,729	–	–	6,532
	Concentration risk	–	840	840	–	669	669
	Sovereign risk	–	58	58	–	59	59
	Pension risk	–	0	0	–	0	0
Buffers	Capital conservation buffer	1,043	1,043	1,043	960	960	960
	Capital planning buffer [2]	–	807	0	–	1,000	0
	Countercyclical buffer	826	826	826	571	571	571
Total		**5,205**	**9,257**	**14,937**	**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–September 2017 compared with January–September 2016

The operating profit amounted to SEK 45 million (147) for the period. The change was primarily attributable to lower net income from financial transactions. During the period, net interest income rose to SEK 204 million (184), mainly driven by lower funding costs. The net expense from financial transactions was SEK 32 million (income: 69). The decrease was mainly due to differences in value changes in hedging instruments and hedged items, attributable to changed terms and conditions, and accrual effects from terminated hedging relationships. Expenses increased to SEK 700 million (640), and were attributable to higher personnel and IT expenses. Loan losses remained low and totalled SEK 7 million (12). Lending to the public increased in the period to SEK 80.4 billion (60.4). Deposits from the public increased to SEK 107.0 billion (93.4). The CET1 capital ratio was 20.0% (22.9) and the internally assessed capital requirement was SEK 6,043 million (5,466).

CONDENSED INCOME STATEMENT

Parent Company, SEK million	2017 Q3	2017 Q2	2016 Q3	2017 Jan–Sep	2016 Jan–Sep	2016 Jan–Dec
Interest income	342	303	346	953	943	1,300
Interest expense	-263	-248	-221	-749	-759	-974
Net interest income	**79**	**55**	**125**	**204**	**184**	**326**
Commission income	19	20	16	55	61	85
Commission expense	-3	-6	-9	-16	-28	-39
Net result of financial transactions	-13	-12	28	-32	69	143
Other operating income	168	180	170	541	513	721
Total operating income	**250**	**237**	**330**	**752**	**799**	**1,236**
Personnel costs	-114	-116	-100	-344	-296	-408
Other expenses	-102	-127	-103	-347	-333	-449
Depreciation, amortisation and impairment of PPE and intangible assets	-3	-3	-3	-9	-11	-15
Total expenses before loan losses	**-219**	**-246**	**-206**	**-700**	**-640**	**-872**
Profit/loss before loan losses	**31**	**-9**	**124**	**52**	**159**	**364**
Net loan losses	-2	-4	-12	-7	-12	-9
Operating profit/loss	**29**	**-13**	**112**	**45**	**147**	**355**
Tax	-14	-4	-25	-31	-33	-78
Net profit/loss for the period	**15**	**-17**	**87**	**14**	**114**	**277**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Parent Company, SEK million	2017 Q3	2017 Q2	2016 Q3	2017 Jan–Sep	2016 Jan–Sep	2016 Jan–Dec
Net profit/loss for the period	**15**	**-17**	**87**	**14**	**114**	**277**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Changes related to available-for-sale financial assets, before tax	-40	98	99	97	184	198
Changes related to cash-flow hedges, before tax	-13	-19	7	-57	26	-28
Tax attributable to components that will be reclassified to profit or loss	12	-18	-23	-9	-46	-37
Other comprehensive income, net of tax	**-41**	**61**	**83**	**31**	**164**	**133**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-26**	**44**	**170**	**-45**	**278**	**410**

CONDENSED BALANCE SHEET

Parent Company, SEK million	30 Sep 2017	31 Dec 2016	30 Sep 2016
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	25,938	20,492	14,179
Lending to credit institutions (Note 10)	33,812	56,630	55,586
Lending to the public	80,374	51,577	60,436
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–
Bonds and other interest-bearing securities	49,457	48,851	52,664
Derivatives	5,137	6,221	7,774
Shares and participations in Group companies	10,386	10,386	10,386
Intangible assets	27	31	9
Property, plant and equipment	13	16	15
Other assets	245	179	356
Prepaid expenses and accrued income	553	761	637
TOTAL ASSETS	**205,942**	**195,144**	**202,042**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	9,110	4,191	10,605
Deposits from the public	107,041	96,769	93,390
Debt securities issued, etc.	68,574	71,474	73,331
Derivatives	4,666	6,075	7,667
Other liabilities	480	334	412
Accrued expenses and deferred income	778	373	821
Deferred tax liabilities	52	41	47
Subordinated debt	5,941	5,939	5,943
Total liabilities	**196,642**	**185,196**	**192,216**
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	150	118	150
Additional Tier 1 instruments	1,500	1,500	1,500
Retained earnings	5,286	5,703	5,712
Net profit for the period	14	277	114
Total unrestricted equity	**6,950**	**7,598**	**7,476**
Total equity	**9,300**	**9,948**	**9,826**
TOTAL LIABILITIES AND EQUITY	**205,942**	**195,144**	**202,042**

NOTE 12 Lending to credit institutions

Of the Parent Company's lending to credit institutions, SEK 26,047 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 Sep 2017	31 Dec 2016	30 Sep 2016
CET1 capital	7,232	7,708	7,615
Tier 1 capital	10,232	10,708	10,615
Total capital	14,683	15,157	15,064
Without transitional rules			
Risk exposure amount	36,124	31,484	33,237
CET1 capital ratio, %	20.0	24.5	22.9
Excess [1] of CET1 capital	5,606	6,292	6,120
Tier 1 capital ratio, %	28.3	34.0	31.9
Excess [1] of Tier 1 capital	8,064	8,819	8,621
Total capital ratio, %	40.6	48.1	45.3
Excess [1] of total capital	11,793	12,639	12,405
With transitional rules			
Own funds	14,700	15,162	15,094
Risk exposure amount	53,027	35,833	40,425
Total capital ratio, %	27.7	42.3	37.3

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

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

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OWN FUNDS Parent Company, SEK million	30 Sep 2017	31 Dec 2016	30 Sep 2016
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	5,678	6,094	6,104
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	150	118	150
Additional Tier 1 instruments	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend [1]	-485	-350	-429
CET1 capital before regulatory adjustments	**8,801**	**9,320**	**9,283**
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-76	-70	-70
Intangible assets (net of related tax liability) (negative amount)	-27	-31	-9
Fair value reserves related to gains or losses on cash-flow hedges	71	27	-16
Negative amounts resulting from the calculation of expected loss amounts	-21	-7	-30
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-16	-31	-43
Additional Tier 1 instruments in equity	-1,500	-1,500	-1,500
Total regulatory adjustments to CET1 capital	**-1,569**	**-1,612**	**-1,668**
CET1 capital	**7,232**	**7,708**	**7,615**
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*	*1,500*
Of which: classified as liabilities under applicable accounting standards	*1,500*	*1,500*	*1,500*
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)	**10,232**	**10,708**	**10,615**
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	4,447	4,447	4,447
Credit risk adjustments	4	2	1
Tier 2 capital before regulatory adjustments	**4,451**	**4,449**	**4,448**
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	**4,451**	**4,449**	**4,448**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**14,683**	**15,157**	**15,063**
Total risk-weighted assets	**36,124**	**31,484**	**33,237**
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	20.0	24.5	22.9
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	28.3	34.0	31.9
Total capital (as a percentage of total risk-weighted exposure amount), %	40.6	48.1	45.3
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	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, %)	15.5	20.0	18.4

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

OWN FUNDS Parent Company, SEK million	30 Sep 2017	31 Dec 2016	30 Sep 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) Earnings for the interim period were reduced by the expected dividend of SEK 499 million based on Q3 2017. The interim results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation (see the explanation on page 10 of the administration report)

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS Parent Company, SEK million	30 Sep 2017 Risk exposure amount	30 Sep 2017 Capital requirement	31 Dec 2016 Risk exposure amount	31 Dec 2016 Capital requirement	30 Sep 2016 Risk exposure amount	30 Sep 2016 Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	8,127	650	6,474	518	6,607	529
Retail exposures	4,378	350	3,172	254	3,950	316
Of which: exposures to SMEs	*390*	*31*	*351*	*28*	*421*	*34*
Of which: retail exposures secured by immovable property	*3,988*	*319*	*2,821*	*226*	*3,529*	*282*
Total exposures recognised with the IRB approach	**12,505**	**1,000**	**9,646**	**772**	**10,557**	**845**
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]	2,676	214	1,645	132	1,768	141
Of which: derivatives according to CRR, Appendix 2	*79*	*6*	*1,645*	*132*	*1,709*	*137*
Of which repos	*2,597*	*208*	–	–	*58*	*4*
Of which other	*0*	0	*0*	*0*	*1*	*0*
Exposures to corporates	–	–	–	–	15	1
Retail exposures	2,331	186	1,933	155	1,959	157
Exposures in default	11	1	12	1	9	1
Exposures in the form of covered bonds	3,283	263	3,384	271	3,665	293
Exposures to institutions and corporates with a short-term credit rating	10	1	16	1	46	4
Equity exposures	10,386	831	10,386	831	10,386	831
Other items	98	8	85	6	97	8
Total exposures recognised with standardised approach	**18,795**	**1,504**	**17,461**	**1,397**	**17,945**	**1,436**
Market risk	**681**	**54**	**1,195**	**96**	**1,331**	**106**
Of which: position risk	*418*	*33*	*887*	*71*	*955*	*76*
Of which: currency risk	*263*	*21*	*308*	*25*	*376*	*30*
Operational risk	**1,570**	**126**	**1,478**	**118**	**1,478**	**118**
Credit valuation adjustment risk	**2,573**	**206**	**1,704**	**136**	**1,926**	**154**
Total risk exposure amount and minimum capital requirements	**36,124**	**2,890**	**31,484**	**2,519**	**33,237**	**2,659**
Capital requirements for capital conservation buffer		**903**		**787**		**831**
Capital requirements for countercyclical buffer		**715**		**467**		**494**
Total capital requirements		**4,508**		**3,773**		**3,984**

1) The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 2,676 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 26 October 2017 at 8:00 a.m. (CEST).

While every care has been taken in the translation of this report, readers are reminded that the original report, signed by the CEO, is in Swedish.

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The CEO affirms 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.

Stockholm, 25 October 2017

Klas Danielsson
CEO

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 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.

For more information about APMs and how they are calculated; please refer to www.sbab.se/IR.

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 before loan losses in relation to total operating income
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

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