

INTERIM REPORT

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

SBAB!

från dröm till hem

THE QUARTER IN BRIEF

We started offering deposits as recently as ten years ago. Today, we have 290,000 customers who have entrusted us with deposits of SEK 100 billion in their savings accounts. This represents a fantastic achievement of which we are extremely proud.

KLAS DANIELSSON, CEO OF SBAB

Trend for Q1 2017 compared with Q4 2016

- Healthy net growth in lending. Total lending increased SEK 9.1 billion to SEK 305.1 billion (296.0) during the quarter. New lending increased to SEK 18.0 billion (15.0)
- For the first time in SBAB's history, deposits totalled SEK 100.0 billion (96.8)
- Continued high funding activity, primarily driven by maturing bonds and growth in lending. At the end of Q1, the Group had issued bonds for around SEK 38 billion, which exceeds maturities in 2017 by about SEK 29 billion
- Another extremely strong financial performance denoted by healthy profitability, solid capitalisation and high cost-efficiency
- A new intermediary partnership with the personal finances app, Tink, covering residential mortgages and savings

SUMMARY

Group	2017	2016	Δ	2017	2016	Δ
	Q1	Q4		Jan-Mar	Jan-Mar	
Total lending ¹⁾ , SEK bn	305.1	296.0	3.1%	305.1	299.4	1.9%
Total deposits, SEK bn	100.0	96.8	3.3%	100.0	81.2	23.2%
Net interest income, SEK million	779	762	2.2%	779	630	23.7%
Expenses, SEK million	-232	-239	-2.9%	-232	-212	9.4%
Loan losses, SEK million	6	2	SEK 4 mn	6	-1	SEK 7 mn
Operating profit, SEK million	549	548	0.2%	549	439	25.1%
Return on equity ²⁾ , %	12.6	12.5	10 bps	12.6	11.2	140 bps
C/I ratio, %	29.9	30.6	-70 bps	29.9	32.6	-270 bps
CET1 capital ratio, %	29.9	32.2	-230 bps	29.9	27.6	230 bps

¹⁾ Mortgages totalling SEK 12.7 billion from the previous partnership with Sparbanken Öresund was 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 compa-

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.

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.



¹⁾ Number of full-time equivalents (FTEs) at 31 March 2017, including 21 employees of the subsidiary Booli Search Technologies AB, (Booli). One of the two Stockholm offices belongs to Booli.

STATEMENT BY THE CEO

We continue to robustly develop operations. High growth in both deposits and lending was posted in the first quarter of the year, and we delivered strong results.

Our robust market position together with a strengthened offering in two-year fixed-interest mortgages resulted in new lending for the period of SEK 18.0 billion. At the end of the quarter, SBAB's total lending was SEK 305.1 billion, corresponding to a net lending increase for the quarter of SEK 9.1 billion. Demand for housing financing remains healthy despite raised repayment requirements and rising house prices. Our share of the residential mortgage market increased from 7.23% at the end of the year to 7.35% in February. Margins on residential mortgages remain healthy but we do not anticipate any further rises at present which, however, we do anticipate for corporates. Increased housing construction has resulted in strong demand for financing of new builds which, combined with increased capital requirements for banks, has resulted in higher margins.

Household debt and house prices are continuing to rise, thereby increasing risk levels in the market. Therefore, sustainable growth through responsible credit granting is a decisive factor and, as a result of our approach, we have noted declining debt ratios in our new lending to retail customers and lower loan-to-value (LTV) ratios. To lower risk levels even further in new lending, we have decided to lower our mandatory debt ratio for residential mortgages from 6 to a maximum multiple of 5.5 times gross income.

We started offering savings accounts to consumers as recently as ten years ago. After two years, we expanded our offering to include deposit accounts for corporates and tenant-owners' associations. Ten years later, we have now gained 290,000 customers who have entrusted us with deposits of SEK 100 billion in their savings accounts. This represents a fantastic achievement of which we are extremely proud. In comparison with the zero interest offered by the major banks, our attractive savings rates with straightforward and favourable terms have resulted in many customers changing savings banks to SBAB. Deposits are also extremely important if we are to have a competitive offering in terms of residential mortgages and housing financing, since it comprises a key and growing share of our funding for lending. The share of lending funded by deposits amounted to 32.8% at the end of Q1.

Strong results

Once again, we reported strong net interest income of SEK 779 million for the quarter. The resolution fee increased and comprised a SEK 57.5 million expense in net interest income for the

quarter. The resolution fee is expected to amount to around SEK 230 million for the full-year 2017, more than double the fee for 2016. The operating profit totalled SEK 549 million, the CET1 capital ratio was 29.9% and the return on equity amounted to 12.6% for the quarter. Loan losses remained low and amounted to recoveries of SEK 6 million. Our expenses are largely trending as planned, with increased expenses primarily in IT and digitalisation as well as risk and compliance. Expenses totalled SEK 232 million for the quarter in parallel with a C/I ratio of 29.9%, which is extremely low compared with other Swedish banks.

Customer offering and new channels

Booli.se continues to post a positive trend. Exciting developments are ongoing in the property search and property service segments, the ownership change at the competitor Hemnet being but one. Booli's HittaMäklare service (find estate agents service) reported an interesting trend and could become a valuable service for estate agents and sellers as well as through its link to housing finance. During the year, additional property services will be launched that target our residential mortgage customers.

During the first quarter, we initiated a partnership with the Fintech company, Tink, whereby users are able to compare mortgages and savings accounts based on the users' actual terms and conditions compared with the terms offered by SBAB, and are offered the possibility of changing to SBAB. The partnership has made a promising start. We continuously evaluate partnerships with new participants and view collaboration as a key element of our efforts to accelerate change and develop our customer offering.

Making household finances fun

According to a SIFO survey, 70% of the Swedish people think that household finances are important, but dull. Even really dull. This is something we want to change. We have therefore given Erik Haag the task of making household finances fun by putting on a comedy show at Globen in Stockholm. The show "Making household finances fun!" will take place in November. Don't miss the film clips on www.sbab.se that follow Erik's and his friends' preparations for Globen.

Solna in April 2017

Klas Danielsson, CEO SBAB

BUSINESS RESULTS

VOLUME TRENDS

Group	2017	2016	2016	2017	2016
	Q1	Q4	Q1	Jan-Mar	Jan-Mar
New lending, SEK bn	18.0	15.0	14.2	18.0	14.2
Net change in lending, SEK bn	9.1	-9.0	2.3	9.1	2.3
Total lending, SEK bn	305.1	296.0	299.4	305.1	299.4
No. of deposit accounts, thousand	309	302	303	309	303
Net change in deposits, SEK bn	3.2	3.4	4.5	3.2	4.5
Total deposits, SEK bn	100.0	96.8	81.2	100.0	81.2
Deposits/lending, %	32.8	32.7	27.1	32.8	27.1
Retail business area					
No. of mortgage customers, thousand	238	233	253	238	253
No. of mortgage objects financed, thousand	152	149	162	152	162
New lending, SEK bn	15.3	11.6	12.2	15.3	12.2
Net change in lending, SEK bn	8.6	-8.7	2.5	8.6	2.5
Total Retail lending, SEK bn	220.5	211.9	216.6	220.5	216.6
Residential mortgage, SEK bn	218.5	209.9	214.6	218.5	214.6
Personal loans, SEK bn	2.0	2.0	2.0	2.0	2.0
Market share mortgages, % ¹⁾	7.35	7.23	7.87	7.35	7.87
Market share personal loans, % ¹⁾	0.93	0.93	0.99	0.93	0.99
Total Retail deposits, SEK bn	66.0	65.5	58.2	66.0	58.2
Market share Retail deposits, % ¹⁾	4.04	4.05	3.80	4.04	3.80
Corporate Clients & Tenant-Owners' Associations Business Area					
No. of corporate clients and tenant-owners' associations	2,496	2,589	2,831	2,496	2,831
New lending, SEK bn	2.7	3.4	2.1	2.7	2.1
Net change in lending, SEK bn	0.4	-0.2	-0.2	0.4	-0.2
Total lending, Corporate Clients & Tenant-Owners' Associations, SEK bn	84.6	84.2	82.8	84.6	82.8
Lending to corporates, SEK bn	34.2	33.5	30.9	34.2	30.9
Lending to tenant-owners' associations, SEK bn	50.4	50.7	51.9	50.4	51.9
Market share Corporate Clients, % ¹⁾	11.47	11.07	10.29	11.47	10.29
Market share Tenant-Owners' Associations, % ¹⁾	11.03	11.22	12.80	11.03	12.80
Total deposits, Corporate Clients & Tenant-Owners' Associations, SEK bn	34.0	31.3	23.0	34.0	23.0
Market share deposits, Corporate Clients & Tenant-Owners' Associations, % ¹⁾	3.52	3.10	2.63	3.52	2.63

¹⁾ Source: Statistics Sweden. The figures in the columns for Q1 2017 and Jan-Mar 2017 correspond with the market share as of 28 February 2017. The figures in the columns for Q1 2016 and Jan-Mar 2016 correspond with the market share as of 29 February 2016.

Trend for Q1 2017 compared with Q4 2016

Market comments

Pressure remained high on markets for financing housing in the first quarter of the year, even though more stringent loan terms and weakly rising interest rates held back lending growth slightly. In Q1, demand for residential mortgages grew at around the same pace as in the preceding quarter. Low interest rates and rising property prices in combination with a robust economic trend, with increasing employment and higher real incomes, contributed to this trend. Household savings accelerated slightly at the start of 2017 compared with the end of 2016. Growth in the market for property financing, including lending to tenant-owners' associations, increased marginally compared with last quarter and was driven by the historically high rate of housing construction.

Group

In Q1, total lending increased SEK 9.1 billion (decrease: 9.0) to SEK 305.1 billion (296.0). In the same period, new lending grew to SEK 18.0 billion (15.0).

Total deposits increased SEK 3.2 billion (3.4) to SEK 100.0 billion (96.8) in Q1.

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 retail lending increased to SEK 15.3 billion (11.6) driven by a continued strong customer offering, including a campaign for two-year fixed-interest mortgages, and high demand for residential mortgages despite measures to cool

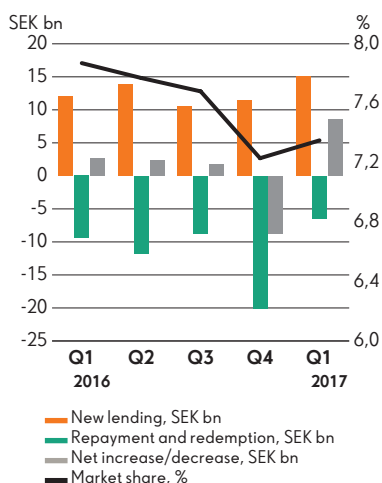
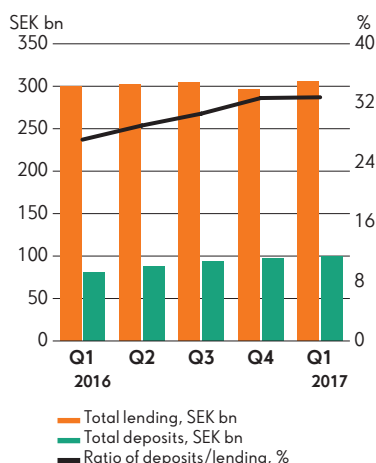
demand, such as the mandatory repayment requirement.

Total lending increased to SEK 220.5 billion (211.9) in the quarter, of which SEK 218.5 billion (209.9) comprised residential mortgages and SEK 2.0 billion (2.0) personal loans. The number of residential mortgage customers increased to 238,000 (233,000), distributed over 152,000 mortgage objects (149,000). The market share of retail mortgages was 7.35% at 28 February 2017 (7.23 at 31 December 2016). At the same date, the market share for personal loans was 0.93% (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 declined slightly to 68.4% (72.4) during the quarter.

Since 1 June 2015, Swedish banks report their average mortgage rates for new loans and loans with amended terms and conditions, in line with Finansinspektionen's (Sweden's financial supervisory authority) regulations. In March 2017, the difference between SBAB's average and list rates was 0.16 percentage points (0.12) on a three-month fixed-rate loan, which reflects SBAB's aim of offering transparent terms and conditions.

SBAB's savings accounts offer a competitive interest rate compared with the company's competitors, and deposit inflows continued to grow in the first quarter. Retail deposits rose SEK 0.5 billion (1.5) in the quarter and totalled SEK 66.0 billion (65.5). The market share of retail deposits was 4.04% at 28 February 2017 (4.05 at 31 December 2016).

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. The number of loan customers declined to 2,496 (2,589) over the quarter. The decline in customer numbers over the last quarters is primarily attributable to a reduction in the number of tenant-owners' association customers in non-prioritised locations, in line with SBAB's strategy of focused and qualitative credit granting. Pressure on margins and continued strong competition on the market has contributed to this trend.

New lending to property companies and tenant-owners' associations remained healthy and totalled SEK 2.7 billion (3.4) for the first quarter due, among other reasons, to continued high demand from property and construction companies.

Total lending increased to SEK 84.6 billion (84.2) at the end of the quarter, of which SEK 34.2 billion (33.5) comprised lending to property companies and SEK 50.4 billion (50.7) lending to tenant-owners' associations. The market share of lending to property companies was 11.47% at 28 February 2017 (11.07 at 31 December 2016). At the same date, the market share for lending to tenant-owners' associations was 11.03% (11.22).

Deposits from corporate clients and tenant-owners' associations rose SEK 2.7 billion (1.8) in the quarter and totalled SEK 34.0 billion (31.3). At 28 February 2017, the market share of deposits from corporate clients and tenant-owners' associations (non-financial institutions) was 3.52% (3.10 at 31 December 2016).

FINANCIAL PERFORMANCE

INCOME STATEMENT OVERVIEW

Group, SEK million	2017	2016	2016	2016	2016	2017	2016
	Q1	Q4	Q3	Q2	Q1	Jan-Mar	Jan-Mar
Net interest income	779	762	745	692	630	779	630
Net commissions	-5	-2	1	10	-2	-5	-2
Net result of financial items measured at fair value (Note 2)	-5	8	17	4	19	-5	19
Other operating income	6	17	5	7	5	6	5
Total operating income	775	785	768	713	652	775	652
Expenses	-232	-239	-214	-224	-212	-232	-212
Profit before loan losses	543	546	554	489	440	543	440
Net loan losses (Note 3)	6	2	-20	1	-1	6	-1
Operating profit	549	548	534	490	439	549	439
Tax	-128	-119	-117	-108	-97	-128	-97
Net profit for the period	421	429	417	382	342	421	342
Return on equity ¹⁾ , %	12.6	12.5	12.3	11.8	11.2	12.6	11.2
C/I ratio, %	29.9	30.6	27.8	31.4	32.6	29.9	32.6
Loan loss ratio, %	0.01	0.00	-0.03	0.00	0.00	0.01	0.00
Net interest margin, %	0.80	0.80	0.76	0.69	0.65	0.80	0.65

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 calculation format.

Trend for Q1 2017 compared with Q4 2016

Net interest and commissions

Net interest income grew to SEK 779 million (762), attributable to increased lending in combination with continued favourable funding terms. The raised resolution fee, recognised in net interest income, entered force at year-end 2016 and was SEK 57.5 million (12.5) for the quarter. The resolution fee for SBAB is expected to amount to around SEK 230 million for the full-year 2017, more than double the fee for 2016. Net commission income dropped during the quarter to an expense of SEK 5 million (expense: 2) as a result of lower insurance income and arrangement fees.

Net result of financial items measured at fair value

The net result of financial items measured at fair value was a negative SEK 5 million (pos: 8). The difference was primarily attributable to earnings effects in Q4 2016 from the discontinued partnership with Sparbanken Öresund and valuation effects linked to derivatives.

Expenses

Expenses decreased to SEK 232 million (239) due to reduced business development expenses and accrual effects in the fourth quarter linked to personnel costs and marketing expenses.

Credit quality and loan losses

In Q2, on 1 June 2016, SBAB introduced new loan repayment rules in line with regulations issued by Finansinspektionen. The rules include a repayment rate of 2% per year for new residential mortgages with a loan-to-value (LTV) ratio of more than 70%, and thereafter, 1% per year down to an LTV ratio of 50%. At the end of Q1, the average LTV ratio in SBAB's mortgage

portfolio was 61% (61). At the same date, the average residential mortgage to retail customers amounted to SEK 1.5 million (1.4).

SBAB's loan losses amounted to a recovery of SEK 6 million (recovery: 2) in Q1. For more information on loan losses; please refer to Note 3.

Operating profit/loss

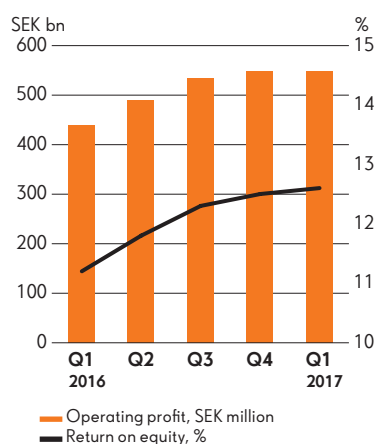
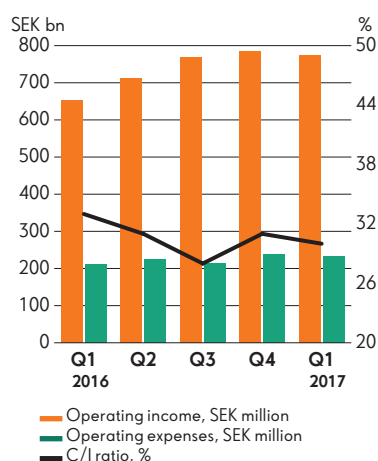
Operating profit grew to SEK 549 million (548), primarily due to higher net interest income.

Tax

The tax expense amounted to SEK 128 million (119) for the quarter and the increase was mainly due to no longer being able to deduct the interest expense on subordinated debt.

Other comprehensive income

Other comprehensive income amounted to an expense of SEK 251 million (expense: 371) in the quarter. The item was positively impacted by a lower increase in medium-term EUR interest rates in the first quarter of 2017 than in Q4 2016.

Operating profit and return on equity**Income, expenses and C/I ratio**

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

The operating profit amounted to SEK 549 million (439) for the period. The increase in operating profit was primarily attributable to higher net interest income. Net interest income grew to SEK 779 million (630), mainly due to lower funding costs. The resolution fee, recognised in net interest income, totalled SEK 57.5 million. The net commission expense totalled SEK 6 million (expense: 2). The net result of financial items measured at fair value was a negative SEK 5 million (pos: 19). The decrease was primarily due to unrealised changes in market values that arose from changed basis spreads on derivatives. Other comprehensive income amounted to a negative amount of SEK 251 million (pos: 470)

for the period. The difference was attributable to an increase in medium-term EUR interest rates in Q1 2017, compared with a decrease in interest rates in the corresponding quarter last year, which had a substantial negative impact on the item. During the period, expenses increased to SEK 232 million (212), driven by increased investment in IT and business development, sales and marketing as well as compliance. Loan losses amounted to a recovery of SEK 6 million (loss: 1).

BALANCE SHEET OVERVIEW

Group, SEK million	31 Mar 2017	31 Dec 2016	31 Mar 2016
ASSETS			
Chargeable treasury bills, etc.	27,871	20,492	25,443
Lending to credit institutions	10,358	1,619	11,271
Lending to the public	305,118	296,022	299,351
Bonds and other interest-bearing securities	51,096	48,851	53,939
Total other assets in the balance sheet	7,571	8,172	13,333
TOTAL ASSETS	402,014	375,156	403,337
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	10,917	4,689	15,395
Retail deposits	99,974	96,769	81,170
Issued debt securities (borrowings)	264,539	247,407	277,430
Subordinated debt	5,939	5,939	7,941
Total other liabilities in the balance sheet	5,200	5,070	8,741
Total liabilities	386,569	359,874	390,677
Total equity	15,445	15,282	12,660
TOTAL LIABILITIES AND EQUITY	402,014	375,156	403,337
CET1 capital ratio, %	29.9	32.2	27.6
Tier 1 capital ratio, %	37.2	40.1	33.8
Total capital ratio, %	48.1	51.6	47.3
Leverage ratio, % ¹⁾	4.06	4.05	2.96
Liquidity coverage ratio (LCR), %	295	243	122
Net stable funding ratio (NSFR), %	122	122	113

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

Trend for Q1 2017 compared with Q4 2016

Balance sheet comments

During the quarter, chargeable treasury bills increased SEK 7.4 billion to SEK 27.9 billion (20.5) and lending to credit institutions grew SEK 8.7 billion to SEK 10.4 billion (1.6). The difference between the quarters was attributable to increased liquidity in conjunction with substantial issues falling due at the end of the quarter. At the end of the quarter, bonds and other interest-bearing securities amounted to SEK 51.1 billion (48.9). For information regarding lending to the public; please refer to page 7.

Liabilities to credit institutions increased SEK 6.2 billion to SEK 10.9 billion (4.7) during the quarter. The difference between the quarters was attributable to increased liquidity in conjunction with substantial issues falling due at the end of the quarter. At the end of the quarter, subordinated debt totalled SEK 5.9 billion (5.9) and equity was SEK 15.4 billion (15.3). For information about retail deposits and issued debt securities; please refer to page 7 and the "Funding" section below.

Funding

Q1 was marked by continued high funding activity, primarily driven by maturing bonds and growth in lending. At the end of Q1, the Group had issued bonds for around SEK 38 billion, which exceeds maturities in 2017 by about SEK 29 billion.

In January, a EUR 1 billion seven-year covered bond was issued, in February, a long SEK 5 billion nine-year covered bond was issued and, in March, a EUR 750 million ten-year covered bond was issued. The issues fit well with SBAB's strategy of gradually extending maturities in the debt portfolio.

During the quarter, securities were issued for a total of SEK 48.3 billion (21.0) and, in parallel, securities were repurchased for SEK 7.5 billion (13.4) and securities amounting to SEK 22.6 billion (8.1) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities outstanding of SEK 17.1 billion to SEK 264.5 billion (247.4) in the quarter.

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. At the end of the quarter, issued securities outstanding totalled SEK 192.9 billion (175.9).

Liquidity

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 79.8 billion (69.5). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 76.3 billion (66.3).

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

On 31 March 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 295% (243) for all currencies combined, thereby exceeding the minimum requirement of 100%. Measured in SEK, the LCR was 205% (156). According to the European Commission's Delegated Regulation with regard to Liquidity Coverage Requirement for Credit Institutions, at 31 December 2017, the LCR was 317% (277) in all currencies combined, which exceeds the minimum requirement of 80%. When using the same method to measure in SEK, the LCR amounted to 249% (212).

The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 122% (122) as interpreted by SBAB.

For more information; please refer to Note 9.

Capital

SBAB primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised approach. In 2016, the Board of Directors adopted new capital targets for SBAB. According to these new targets, under normal conditions, SBAB's CET1 capital ratio should be at least 1.5 percentage points higher than the CET1 capital requirement communicated by Finansinspektionen. In addition, under normal conditions, SBAB's total capital ratio should be at least 1.5 percentage points higher than the capital requirement communicated by Finansinspektionen. The bank is also tasked with meeting any other regulatory capital requirements.

SBAB's lending rose SEK 9.1 billion in Q1 and totalled SEK 305.1 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 26.2% and a total capital ratio of not less than 36.2% at 31 March 2017. At the end of Q1, the CET1 capital ratio amounted to 29.9% (32.2) and the total capital ratio was 48.1% (51.6), 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 SEK 4.06% (4.05) at 31 March 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 "Capital adequacy and risk management 2016".

Annual General Meeting

SBAB held its Annual General Meeting on 24 April 2017. The AGM resolved to elect the following Board members: Bo Magnusson (Chairman), Jakob Grinbaum (Deputy Chairman), Carl-Henrik Borg, Lars Börjesson, Daniel Kristiansson, Jane Lundgren-Ericsson, Eva Gidlöf (new appointment) and Karin Moberg. The local trade unions appointed Kristina Ljung, Johan Ericsson and Margareta Naumburg (alternate) as employee representatives on the Board of Directors.

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.

Auditors' review report

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

Financial calendar

Interim report January–June 2017	19 July 2017
Interim report January–September 2017	26 October 2017
Year-end report 2017	9 February 2017

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

FINANCIAL STATEMENTS

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INCOME STATEMENT

Group, SEK million	2017	2016	2016	2017	2016	2016
	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
Interest income	1,103	1,079	1,183	1,103	1,183	4,601
Interest expense	-324	-317	-553	-324	-553	-1,772
Net interest income	779	762	630	779	630	2,829
Commission income	14	19	12	14	12	69
Commission expense	-19	-21	-14	-19	-14	-62
Net result of financial items measured at fair value (Note 2)	-5	8	19	-5	19	48
Other operating income	6	17	5	6	5	34
Total operating income	775	785	652	775	652	2,918
Personnel costs	-116	-117	-94	-116	-94	-412
Other expenses	-109	-115	-112	-109	-112	-450
Depreciation, amortisation and impairment of PPE and intangible assets	-7	-7	-6	-7	-6	-27
Total expenses before loan losses	-232	-239	-212	-232	-212	-889
Profit before loan losses	543	546	440	543	440	2,029
Net loan losses (Note 3)	6	2	-1	6	-1	-18
Operating profit	549	548	439	549	439	2,011
Tax	-128	-119	-97	-128	-97	-441
Net profit for the period	421	429	342	421	342	1,570

STATEMENT OF COMPREHENSIVE INCOME

Group, SEK million	2017	2016	2016	2017	2016	2016
	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
Net profit for the period	421	429	342	421	342	1,570
Other comprehensive income:						
<i>Components that will be reclassified to profit or loss</i>						
Changes related to available-for-sale financial assets, before tax	39	14	26	39	26	198
Changes related to cash-flow hedges, before tax	-349	-524	618	-349	618	370
Tax attributable to components that will be reclassified to profit or loss	68	112	-142	68	-142	-125
<i>Components that will not be reclassified to profit or loss</i>						
Revaluation effects of defined-benefit pension plans, before tax	-11	34	-41	-11	-41	-58
Tax attributable to components that will not be reclassified to profit or loss	2	-7	9	9	9	13
Other comprehensive income, net of tax	-251	-371	470	-251	470	398
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	170	58	812	170	812	1,968

BALANCE SHEET

Group, SEK million	31 Mar 2017	31 Dec 2016	31 Mar 2016
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	27,871	20,492	25,443
Lending to credit institutions	10,358	1,619	11,271
Lending to the public (Note 4)	305,118	296,022	299,351
Value changes of interest-rate-risk hedged items in macro hedges	323	396	626
Bonds and other interest-bearing securities	51,096	48,851	53,939
Derivatives (Note 5)	4,807	6,192	7,904
Intangible assets	161	152	138
Property, plant and equipment	16	16	17
Other assets	1,410	550	3,420
Prepaid expenses and accrued income	854	866	1,228
TOTAL ASSETS	402,014	375,156	403,337
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	10,917	4,689	15,395
Retail deposits	99,974	96,769	81,170
Debt securities issued, etc.	264,539	247,407	277,430
Derivatives (Note 5)	2,169	2,475	4,753
Other liabilities	749	347	599
Accrued expenses and deferred income	2,064	1,976	3,116
Deferred tax liabilities	143	207	219
Provisions	75	65	54
Subordinated debt	5,939	5,939	7,941
Total liabilities	386,569	359,874	390,677
Equity			
Share capital	1,958	1,958	1,958
Reserves	411	662	734
Additional Tier 1 securities	1,500	1,500	–
Retained earnings	11,155	9,592	9,626
Net profit for the period	421	1,570	342
Total equity	15,445	15,282	12,660
TOTAL LIABILITIES AND EQUITY	402,014	375,156	403,337

STATEMENT OF CHANGES IN EQUITY

Group, SEK million	Share capital	Reserves	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				-7		-7
Comprehensive income for the period		-251			421	170
CLOSING BALANCE, 31 MARCH 2017	1,958	411	1,500	11,155	421	15,445
OPENING BALANCE, 1 JANUARY 2016	1,958	264		9,626		11,848
Comprehensive income for the period		470			342	812
CLOSING BALANCE, 31 MARCH 2016	1,958	734		9,626	342	12,660
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 period		398			1,570	1,968
CLOSING BALANCE, 31 DECEMBER 2016	1,958	662	1,500	9,592	1,570	15,282

CASH-FLOW STATEMENT

Group, SEK million	2017	2016	2016
	Jan-Mar	Jan-Mar	Jan-Dec
Opening cash and cash equivalents	1,619	3,456	3,456
OPERATING ACTIVITIES			
Interest and commissions paid/received	815	-2,060	2,316
Outflows to suppliers and employees	-225	-206	-863
Taxes paid/refunded	-248	-248	-394
Change in assets and liabilities of operating activities	8,399	10,388	-2,307
Cash flow from operating activities	8,741	7,874	-1,248
INVESTING ACTIVITIES			
Change in property, plant and equipment	0	0	0
Change in intangible assets	-2	0	-30
Acquisitions/divestments of subsidiaries	-	-59	-59
Cash flow from investing activities	-2	-59	-89
FUNDING ACTIVITIES			
Change in subordinated loans	-	-	-2,000
Change in Tier 1 capital instruments	-	-	1,500
Cash flow from funding activities	-	-	-500
Increase/decrease in cash and cash equivalents	8,739	7,815	-1,837
Closing cash and cash equivalents	10,358	11,271	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, Finansinspektionen's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups have been taken into consideration. The Group's interim report fulfils the requirements stipulated under IAS 34, Interim Financial Reporting.

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

The accounting policies and calculation methods are unchanged in comparison with the 2016 Annual Report.

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

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

Under IFRS 9, classification is based on both the entity's business model and the contractual cash flow characteristics. This classification, in turn, determines the measurement. The impairment model under IFRS 9 is based on expected credit

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

In terms of classification and measurement, it is likely that these will have a certain impact on the recognition and measurement of securities in the liquidity portfolio. 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.

No decision has yet been taken as to whether the new hedge accounting rules should apply from 1 January or whether SBAB, pursuant to the permitted choices in IFRS 9, will begin implementing the new rules only when IFRS 9 has been supplemented with rules for macro hedge accounting.

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

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

Group, SEK million	2017	2016	2016	2017	2016	2016
	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
Gains/losses on interest-bearing financial instruments						
– Securities measured at FVTPL	-18	-98	70	-18	70	-43
– Change in value of hedged items in hedge accounting	329	686	-214	329	-214	691
– Realised gain/loss from financial liabilities	-166	-259	-31	-166	-31	-489
– Derivatives	-160	-484	163	-160	163	-352
– Loan receivables	10	162	30	10	30	240
Currency translation effects	0	1	1	0	1	1
Total	-5	8	19	-5	19	48

NOTE 3 Net loan losses

Group, SEK million	2017 Q1	2016 Q4	2016 Q1	2017 Jan-Mar	2016 Jan-Mar	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	-0
Recoveries of confirmed loan losses in prior years	-	0	-	-	-	0
Reversal of prior provisions no longer necessary for probable loan losses	0	4	0	0	0	4
Guarantees	-	-	-	-	-	-
Net expense for the period for individual provisions for corporate market loans	0	4	0	0	0	4
Collective provision for corporate market loans						
Allocations to/unwinding of collective provisions	0	1	1	0	1	9
Guarantees	-0	-1	-1	-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	-2	-	-0	-	-2
Reversal of prior provisions for probable loan losses, recognised as confirmed losses in the financial statements for the period	0	2	-	0	-	2
Provision for probable loan losses for the period	-1	0	-0	-1	-0	-0
Reversal of prior provisions no longer necessary for probable loan losses	1	11	1	1	1	16
Guarantees	-	-	-	-	-	-0
Net expense for the period for individual provisions for retail market loans	-0	11	1	-0	1	16
Collective provision for retail market loans						
Write-off for the period for confirmed loan losses	-1	-3	-3	-1	-3	-11
Recoveries of confirmed loan losses in prior years	1	0	1	1	1	2
Allocations to/unwinding of collective provisions	6	6	1	6	1	-13
Guarantees	-0	-16	-1	-0	-1	-22
Net expense for the period for collective provisions for retail market loans	6	-13	-2	6	-2	-44
Net income/ expense for loan losses for the period	6	2	-1	6	-1	-18

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

NOTE 4 Lending to the public

GROUP	31 Mar 2017		31 Dec 2016		31 Mar 2016	
SEK million	Lending	Provision	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	111,796	-71	107,345	-74	115,381	-99
Tenant-owners' rights	106,885	-103	102,701	-105	99,367	-83
Tenant-owners' associations	50,433	-21	50,643	-21	51,807	-33
Private multi-family dwellings	29,273	-19	28,543	-19	26,185	-19
Municipal multi-family dwellings	237	-	240	-	459	-
Commercial properties	4,716	-	4,779	-	4,359	-
Other	2,007	-15	2,006	-16	2,042	-15
Provision for probable losses	-229		-235		-249	
Total	305,118	-229	296,022	-235	299,351	-249

Doubtful and non-performing loan receivables	31 Mar 2017	31 Dec 2016	31 Mar 2016
a) Doubtful loan receivables	132	134	166
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	90	137	168
d) Individual provisions for loan receivables	59	59	80
e) Collective provision for corporate market loans	1	1	9
f) Collective provision for retail market loans	169	175	160
g) Total provisions (d+e+f)	229	235	249
h) Doubtful loan receivables after individual provisions (a-d)	73	75	86
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	31 Mar 2017	31 Dec 2016	31 Mar 2016
Retail lending	220,499	211,857	216,593
- of which, new lending during the period	15,327	48,660	12,160
Corporate lending (incl. tenant-owners' associations)	84,619	84,165	82,758
- of which, new lending during the period	2,703	10,988	2,063
Total	305,118	296,022	299,351
- of which, new lending during the period	18,030	59,648	14,223

NOTE 5 Derivatives

Group, SEK million	31 Mar 2017			31 Mar 2016		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate-related	3,169	612	267,752	5,350	2,338	234,210
Currency-related	1,638	1,557	92,829	2,554	2,415	98,068
Total	4,807	2,169	360,581	7,904	4,753	332,278

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

NOTE 6 Operating segments

Group, SEK million	Jan-Mar 2017				Jan-Mar 2016			
	Retail	Corporate Clients & Tentant-Owners's Associations	Other	Total	Retail	Corporate Clients & Tentant-Owners's Associations	Other	Total
Income ¹⁾	611	169	–	780	514	119	–	633
Net result of financial items measured at fair value	–	–	–5	–5	–	–	19	19
Total operating income	611	169	–5	775	514	119	19	652
Expenses ²⁾	–187	–45	–	–232	–169	–46	3	–212
Net loan losses	4	2	–	6	–1	0	–	–1
Operating profit	428	126	–5	549	344	73	22	439
Tax	–100	–29	1	–128	–76	–16	–5	–97
Net profit/loss for the period	328	97	–4	421	268	57	17	342
Return on equity ³⁾ , %	15.2	8.2		12.6	13.3	5.9		11.2

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

²⁾ The distributed income includes personnel costs, other expenses and depreciation of 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 securities 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

31 Mar 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.	13,485	14,386			27,871	27,871
Lending to credit institutions			10,358		10,358	10,358
Lending to the public			305,118		305,118	306,011
Value changes of interest-rate-risk hedged items in macro hedges			323		323	–
Bonds and other interest-bearing securities	8,737	32,102		10,257	51,096	51,160
Derivatives	4,807				4,807	4,807
Other assets			796		796	796
Prepaid expenses and accrued income	143	468	126	67	804	804
Total	27,172	46,956	316,721	10,324	401,173	401,807

GROUP

Financial liabilities

31 Mar 2017

SEK million	Liabilities measured at FVTPL	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		10,917	10,917	10,917
Retail deposits		99,974	99,974	99,974
Issued debt securities, etc.		264,539	264,539	265,875
Derivatives	2,169		2,169	2,169
Other liabilities		740	740	740
Accrued expenses and deferred income		2,048	2,048	2,048
Subordinated debt		5,939	5,939	5,964
Total	2,169	384,157	386,326	387,687

Cont. **NOTE 7** Classification of financial instruments**GROUP****Financial assets**

SEK million	31 Dec 2016					Total fair value
	Assets measured at FVTPL (held for trading)	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	
Cash and balances at central banks				0	0	0
Chargeable treasury bills, etc.	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	31 Dec 2016			
	Liabilities measured at FVTPL	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		4,689	4,689	4,689
Retail deposits		96,769	96,769	96,769
Issued debt securities, etc.		247,407	247,407	249,331
Derivatives	2,475		2,475	2,475
Other liabilities		219	219	219
Accrued expenses and deferred income		1,952	1,952	1,952
Subordinated debt		5,939	5,939	5,967
Total	2,475	356,975	359,450	361,402

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, Level 3.

NOTE 8 Fair value disclosures

GROUP

31 Mar 2017

SEK million	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets				
Chargeable treasury bills, etc.	27,871	–	–	27,871
Bonds and other interest-bearing securities	40,838	–	–	40,838
Derivatives	–	4,807	–	4,807
Prepaid expenses and accrued income	611	–	–	611
Total	69,320	4,807	–	74,127
Liabilities				
Derivatives	–	2,169	–	2,169
Total	–	2,169	–	2,169

31 Dec 2016

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

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. 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. At the end of the quarter, the survival horizon was 452 days (444).

Liquidity coverage ratio

The liquidity coverage ratio (LCR) calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. Net cash flows comprise contractual inflows and outflows, and theoretical flows based on historical data, for example, withdrawals of the bank's deposits. The weightings of the theoretical flows are fixed and are determined by the supervisory authority.

LIQUIDITY RESERVE Group, SEK million	31 Mar 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	1,310	1,310	–	–	–	632	632	–	–	–
Balances at other banks	–	–	–	–	–	–	–	–	–	–
Securities issued or guaranteed by governments, central banks or multinational development banks	27,105	16,936	7,533	2,636	–	25,166	14,343	7,602	3,221	–
Securities issued or guaranteed by municipalities or public sector entities	10,375	8,666	133	1,576	–	6,596	5,311	–	1,285	–
Covered bonds issued by other institutions	40,982	35,226	4,711	1,045	–	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	79,772	62,138	12,377	5,257	–	69,464	51,650	12,341	5,473	–
Bank and loan facilities	–	–	–	–	–	–	–	–	–	–
Total	79,772	62,138	12,377	5,257	–	69,464	51,650	12,341	5,473	–
Distribution by currency, %		77.9	15.5	6.6	–		74.3	17.8	7.9	–

LIQUIDITY COVERAGE RATIO Group, SEK million	31 Mar 2017			31 Dec 2016		
	DISTRIBUTION BY CURRENCY			DISTRIBUTION BY CURRENCY		
	Total	EUR	USD	Total	EUR	USD
Liquidity coverage ratio (LCR), % ¹⁾	295	8,453	1,141	243	182,704	258
Liquid assets	73,627	11,671	5,100	63,904	11,630	5,329
Assets with 100% weight	38,793	7,666	4,212	32,394	7,602	4,506
Assets with 85% weight	34,834	4,005	888	31,510	4,028	822
Cash outflows	27,977	552	1,787	25,886	25	2,634
Retail deposits	17,650	0	0	15,886	0	0
Market funding	5,453	535	1,786	5,190	0	2,633
Other outflows	4,874	17	1	4,810	25	1
Cash inflows	6,056	641	1,628	3,674	1,594	571
Inflow from retail lending	3,075	0	0	586	0	0
Other inflows	2,981	641	1,628	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 Own funds, capital requirements 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

	31 Mar 2017	31 Dec 2016	31 Mar 2016
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings ¹⁾	10,358	9,592	9,489
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	411	662	734
Additional Tier 1 securities	1,500	1,500	–
Independently verified interim profits net of any foreseeable charge or dividend	–	942	–
CET1 capital before regulatory adjustments	14,227	14,654	12,181
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	–76	–67	–81
Intangible assets (net of related tax liability) (negative amount)	–149	–142	–124
Fair value reserves related to gains or losses on cash-flow hedges	–252	–526	–718
Negative amounts resulting from the calculation of expected loss amounts	–4	–3	–72
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–30	–31	–39
Tier 1 capital instruments in equity	–1,500	–1,500	–
Total regulatory adjustments to CET1 capital	–2,011	–2,269	–1,034
CET1 capital	12,216	12,385	11,147
Additional Tier 1 capital: Instruments			
Capital instruments and the related share premium accounts	3,000	3,000	1,500
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	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	–	–	994
Additional Tier 1 capital before regulatory adjustments	3,000	3,000	2,494
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	–	–	–
Additional Tier 1 capital	3,000	3,000	2,494
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	15,216	15,385	13,641
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	4,447	4,447	5,447
Credit risk adjustments	2	1	–
Tier 2 capital before regulatory adjustments	4,449	4,448	5,447
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	4,449	4,448	5,447
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	19,665	19,833	19,088
Total risk-weighted assets	40,903	38,413	40,384
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	29.9	32.2	27.6
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	37.2	40.1	33.8
Total capital (as a percentage of total risk-weighted exposure amount), %	48.1	51.6	47.3
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	8.0
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	1.0
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, %)	25.4	27.7	23.1

Cont. **NOTE 10** Own funds, capital requirements and capital**OWN FUNDS**

Group, SEK million

	31 Mar 2017	31 Dec 2016	31 Mar 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	–	–	1,796
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	780

¹⁾ Retained earnings was reduced by the proposed dividend for 2016 of SEK 628 million and the expected dividend of SEK 169 million based on Q1 2017.

CAPITAL REQUIREMENT Group, SEK million	31 Mar 2017		31 Dec 2016		31 Mar 2016	
	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	12,121	970	12,106	969	11,232	899
Retail exposures	11,701	936	11,440	915	13,568	1,085
Of which: exposures to SMEs	1,168	93	1,211	97	1,499	120
Of which: retail exposures secured by immovable property	10,533	843	10,229	818	12,069	965
Total exposures recognised with the IRB approach	23,822	1,906	23,546	1,884	24,800	1,984
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⁾	2,519	202	1,907	152	2,049	164
Of which: derivatives according to CRR, Appendix 2	2,409	193	1,903	152	1,654	132
Of which repos	110	9	3	0	117	9
Of which other	0	0	1	0	278	23
Exposures to corporates	–	–	–	–	15	1
Retail exposures	2,063	165	1,933	155	2,137	171
Exposures in default	11	1	12	1	9	1
Exposures in the form of covered bonds	3,504	280	3,384	271	3,670	293
Exposures to institutions and corporates with a short-term credit rating	366	29	19	1	270	22
Other items	484	39	561	44	878	70
Total exposures recognised with standardised approach	8,947	716	7,816	624	9,028	722
Market risk	1,523	122	1,571	126	1,472	118
Of which: position risk	749	60	886	71	869	70
Of which: currency risk	774	62	685	55	603	48
Operational risk	4,144	331	3,634	291	3,634	291
Credit valuation adjustment risk	2,467	197	1,846	148	1,450	116
Total risk exposure amount and minimum capital requirements	40,903	3,272	38,413	3,073	40,384	3,231
Capital requirements for capital conservation buffer		1,023		960		1,010
Capital requirements for countercyclical buffer		810		571		401
Total capital requirements		5,105		4,604		4,642

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 2,519 million (1,906).

Cont. **NOTE 10** Own funds, capital requirements and capital

CAPITAL ADEQUACY
Group, SEK million

	31 Mar 2017	31 Dec 2016	31 Mar 2016
CET1 capital	12,216	12,385	11,147
Tier 1 capital	15,216	15,385	13,641
Total capital	19,665	19,833	19,088
Without transitional rules			
Risk exposure amount	40,903	38,413	40,384
CET1 capital ratio, %	29.9	32.2	27.6
Excess ¹⁾ of CET1 capital	10,375	10,656	9,329
Tier 1 capital ratio, %	37.2	40.1	33.8
Excess ¹⁾ of Tier 1 capital	12,762	13,080	11,218
Total capital ratio, %	48.1	51.6	47.3
Excess ¹⁾ of total capital	16,393	16,760	15,857
With transitional rules			
Own funds	19,667	19,835	19,159
Risk exposure amount	175,559	168,936	169,866
Total capital ratio, %	11.2	11.7	11.3

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

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 14,200 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 Finansinspektionen's supervisory practices with regard to the risk-weight floor for Swedish residential mortgages.

		31 Mar 2017			31 Dec 2016		
			EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR		EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR
		Pillar 1	Internally assessed capital requirement	Internally assessed capital requirement	Pillar 1	Internally assessed capital requirement	Internally assessed capital requirement
Pillar 1	Credit risk & CVA risk	2,819	2,819	2,819	2,656	2,656	2,656
	Market risk	122	122	122	126	126	126
	Operational risk	331	331	331	291	291	291
Pillar 2	Credit risk ¹⁾		904			1,019	
	Market risk		1,138	1,138		1,118	1,118
	Operational risk		80	80		91	91
	Risk-weight floor		–	7,137		–	6,532
	Concentration risk		680	680		669	669
	Sovereign risk		60	60		59	59
	Pension risk		0	0		0	0
Buffers	Capital conservation buffer	1,023	1,023	1,023	960	960	960
	Capital planning buffer ²⁾		937	–		1,000	
	Countercyclical buffer	810	810	810	571	571	571
Total		5,105	8,904	14,200	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–March 2017 compared with January–March 2016

The operating profit amounted to SEK 29 million (loss: 33) for the period. The change in operating profit was mainly attributable to an improvement in net interest income. During the period, net interest income rose to SEK 70 million (11), mainly driven by lower funding costs. The net expense from financial transactions amounted to SEK 7 million (expense: 8). Expenses increased to SEK 235 million (214), and were attributable to higher person-

nel and IT expenses. Loan losses remained low and totalled SEK 1 million (1). Lending to the public increased in the period to SEK 60.9 billion (53.8). Retail deposits increased to SEK 100.0 billion (81.2). The CET1 capital ratio was 22.0% (23.8) and the internally assessed capital requirement was SEK 5,781 million (5,480).

INCOME STATEMENT

	2017	2016	2016	2017	2016	2016
Parent Company, SEK million	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
Interest income	308	357	299	308	299	1,300
Interest expense	-238	-215	-288	-238	-288	-974
Net interest income	70	142	11	70	11	326
Commission income	16	24	15	16	15	85
Commission expense	-7	-11	-9	-7	-9	-39
Net result of financial transactions	-7	74	-8	-7	-8	143
Other operating income	193	208	173	193	173	721
Total operating income	265	437	182	265	182	1,236
Personnel costs	-114	-112	-95	-114	-95	-408
Other expenses	-118	-116	-115	-118	-115	-449
Depreciation, amortisation and impairment of PPE and intangible assets	-3	-4	-4	-3	-4	-15
Total expenses before loan losses	-235	-232	-214	-235	-214	-872
Profit/loss before loan losses	30	205	-32	30	-32	364
Net loan losses	-1	3	-1	-1	-1	-9
Operating profit/loss	29	208	-33	29	-33	355
Tax	-13	-45	7	-13	7	-78
Net profit/loss for the period	16	163	-26	16	-26	277

STATEMENT OF COMPREHENSIVE INCOME

	2017	2016	2016	2017	2016	2016
Parent Company, SEK million	Q1	Q4	Q1	Jan-Mar	Jan-Mar	Jan-Dec
Net profit/loss for the period	16	163	-26	16	-26	277
Other comprehensive income:						
<i>Components that will be reclassified to profit or loss</i>						
Changes related to available-for-sale financial assets, before tax	39	14	26	39	26	198
Changes related to cash-flow hedges, before tax	-25	-54	2	-25	2	-28
Tax attributable to components that will be reclassified to profit or loss	-3	9	-6	-3	-6	-37
Other comprehensive income, net of tax	11	-31	22	11	22	133
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	27	132	-4	27	-4	410

BALANCE SHEET

Parent Company, SEK million	31 Mar 2017	31 Dec 2016	31 Mar 2016
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	27,871	20,492	25,443
Lending to credit institutions (Note 10)	45,539	56,630	38,153
Lending to the public	60,863	51,577	53,785
Value changes of interest-rate-risk hedged items in macro hedges	–	–	2
Bonds and other interest-bearing securities	51,096	48,851	53,939
Derivatives	5,324	6,221	7,169
Shares and participations in Group companies	10,386	10,386	10,386
Deferred tax assets	–	–	14
Intangible assets	29	31	11
Property, plant and equipment	16	16	18
Other assets	633	179	1,990
Prepaid expenses and accrued income	758	761	1,097
TOTAL ASSETS	202,515	195,144	192,007
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	8,650	4,191	11,673
Retail deposits	99,974	96,769	81,170
Debt securities issued, etc.	71,614	71,474	74,562
Derivatives	5,030	6,075	7,579
Other liabilities	740	334	257
Accrued expenses and deferred income	553	373	756
Deferred tax liabilities	47	41	–
Subordinated debt	5,939	5,939	7,941
Total liabilities	192,547	185,196	183,938
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	129	118	8
Additional Tier 1 securities	1,500	1,500	–
Retained earnings	5,973	5,703	5,737
Net profit/loss for the year	16	277	-26
Total unrestricted equity	7,618	7,598	5,719
Total equity	9,968	9,948	8,069
TOTAL LIABILITIES AND EQUITY	202,515	195,144	192,007

NOTE 12 Own funds, capital requirements and capital – 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

	31 Mar 2017	31 Dec 2016	31 Mar 2016
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings ¹⁾	5,568	6,094	5,992
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	130	118	8
Additional Tier 1 securities	1,500	1,500	-
Independently verified interim profits net of any foreseeable charge or dividend	-	-350	-26
CET1 capital before regulatory adjustments	9,156	9,320	7,932
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-79	-70	-83
Intangible assets (net of related tax liability) (negative amount)	-30	-31	-11
Fair value reserves related to gains or losses on cash-flow hedges	45	27	3
Negative amounts resulting from the calculation of expected loss amounts	-3	-7	-35
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-29	-31	-39
Tier 1 capital instruments in equity	-1,500	-1,500	-
Total regulatory adjustments to CET1 capital	-1,596	-1,612	-165
CET1 capital	7,560	7,708	7,767
Additional Tier 1 capital: Instruments			
Capital instruments and the related share premium accounts	3,000	3,000	1,500
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	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-	994
Additional Tier 1 capital before regulatory adjustments	3,000	3,000	2,494
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	-	-	-
Additional Tier 1 capital	3,000	3,000	2,494
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	10,560	10,708	10,261
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	4,447	4,447	5,447
Credit risk adjustments	3	2	-
Tier 2 capital before regulatory adjustments	4,450	4,449	5,447
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	-	-	-
Tier 2 capital	4,450	4,449	5,447
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	15,010	15,157	15,708
Total risk-weighted assets	34,379	31,484	32,592
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	22.0	24.5	23.8
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	30.7	34.0	31.5
Total capital (as a percentage of total risk-weighted exposure amount), %	43.7	48.1	48.2
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	8.0
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	1.0
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, %)	17.5	20.0	19.3

Cont. **NOTE 12** Own funds, capital requirements and capital adequacy – Parent**OWN FUNDS**

Parent Company, SEK million

	31 Mar 2017	31 Dec 2016	31 Mar 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	–	–	1,796
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	780

¹⁾ Retained earnings was reduced by the proposed dividend for 2016 of SEK 628 million and the expected dividend of SEK 169 million based on Q1 2017.

CAPITAL REQUIREMENT Parent Company, SEK million	31 Mar 2017		31 Dec 2016		31 Mar 2016	
	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	6,641	531	6,474	518	6,282	502
Retail exposures	3,706	297	3,172	254	4,035	323
<i>Of which: exposures to SMEs</i>	356	28	351	28	432	35
<i>Of which: retail exposures secured by immovable property</i>	3,350	269	2,821	226	3,603	288
Total exposures recognised with the IRB approach	10,347	828	9,646	772	10,317	825
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	36	3
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⁾	2,374	190	1,645	132	1,871	150
<i>Of which: derivatives according to CRR, Appendix 2</i>	2,318	185	1,645	132	1,515	121
<i>Of which repos</i>	56	5	–	–	83	7
<i>Of which other</i>	0	0	0	0	273	22
Exposures to corporates	–	–	–	–	15	1
Retail exposures	2,063	165	1,933	155	2,137	171
Exposures in default	11	1	12	1	9	1
Exposures in the form of covered bonds	3,504	280	3,384	271	3,670	293
Exposures to institutions and corporates with a short-term credit rating	195	16	16	1	266	21
Equity exposures	10,386	831	10,386	831	10,386	831
Other items	91	7	85	6	95	8
Total exposures recognised with standardised approach	18,624	1,490	17,461	1,397	18,485	1,479
Market risk	1500	120	1,195	96	1,042	83
<i>Of which: position risk</i>	750	60	887	71	869	70
<i>Of which: currency risk</i>	750	60	308	25	173	13
Operational risk	1,570	126	1,478	118	1,478	118
Credit valuation adjustment risk	2,338	186	1,704	136	1,270	102
Total risk exposure amount and minimum capital requirements	34,379	2,750	31,484	2,519	32,592	2,607
Capital requirements for capital conservation buffer		860		787		815
Capital requirements for countercyclical buffer		680		467		323
Total capital requirements		4,290		3,773		3,745

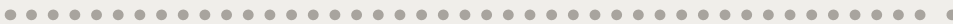
¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 2,374 million (1,645).

Cont. **NOTE 12** Own funds, capital requirements and capital adequacy — Parent Company

CAPITAL ADEQUACY Parent Company, SEK million	31 Mar 2017	31 Dec 2016	31 Mar 2016
CET1 capital	7,560	7,708	7,767
Tier 1 capital	10,560	10,708	10,261
Total capital	15,010	15,157	15,708
Without transitional rules			
Risk exposure amount	34,379	31,484	32,592
CET1 capital ratio, %	22.0	24.5	23.8
Excess ¹⁾ of CET1 capital	6,013	6,292	6,300
Tier 1 capital ratio, %	30.7	34.0	31.5
Excess ¹⁾ of Tier 1 capital	8,498	8,819	8,305
Total capital ratio, %	43.7	48.1	48.2
Excess ¹⁾ of total capital	12,259	12,639	13,101
With transitional rules			
Own funds	15,011	15,162	15,744
Risk exposure amount	41,925	35,833	37,525
Total capital ratio, %	35.8	42.3	42.0

NOTE 13 Lending to credit institutions

Of the Parent Company's lending to credit institutions, SEK 37,415 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.



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 25 April 2017 at 8:00 a.m. (CET).

Contact

For further information, please contact:

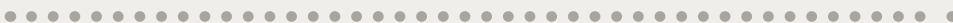
CEO Klas Danielsson, +46 8 614 43 01, klas.danielsson@sbab.se
CFO Mikael Inglander, +46 8 614 43 28, mikael.inglander@sbab.se.

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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, 24 April 2017

Klas Danielsson
CEO



DEFINITIONS OF KEY PERFORMANCE INDICATORS

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

New lending	Gross lending
Deposits/lending	Ratio of total deposits to total lending
Net interest margin	Net interest income in relation to average total assets
Loan loss ratio	Loan losses in relation to closing balance for lending to the public
C/I ratio	Total operating expenses/total income
Return on equity	Earnings after tax in relation to average equity, after adjustment for additional Tier 1 securities and value changes in financial assets recognised in equity.
Number of employees (FTEs)	Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence
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Common Equity Tier 1 capital ratio	CET1 capital in relation to risk-weighted assets
Total capital ratio	Own funds in relation to risk-weighted assets
Tier 1 capital ratio	Tier 1 capital in relation to risk-weighted assets
Leverage ratio	Tier 1 capital in relation to total assets and off-balance sheet exposures restated with the application of credit conversion factors
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Liquidity coverage ratio, LCR	Liquid assets in relation to net cash outflows over a 30-day stress scenario
Calculation of survival horizon	The number of days that the need for liquidity can be met in a stress scenario before new liquidity is needed
Net Stable Funding Ratio, NSFR	A liquidity risk metric of a structural nature that demonstrates the stability of the Group's funding in relation to its assets