SBAB Bank AB (publ)

INTERIM REPORT

January–September 2019

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SBAB!

The quarter in brief

During the year, we have developed our pricing model and ensured that we are offering competitive terms. We posted strong growth in new residential mortgage customers during Q3.

KLAS DANIELSSON, CEO OF SBAB

Q3 2019 (Q2 2019)

- Lending growth for residential mortgages remained healthy during Q3, confirming the trend change seen in Q2. Total lending increased 1.6% to SEK 378.2 billion (372.3), of which SEK 287.8 billion (282.8) comprised residential mortgages. | *Read more on page 7*
- SBAB's attractive savings offering continues to attract new customers. Total deposits increased 2.1% to SEK 130.0 billion (127.3). | *Read more on page 7*
- Strong financial performance. Net interest income grew to SEK 861 million (852). The return on equity amounted to 12.0% (11.9) and the C/I ratio was 31.8% (33.0). Credit losses remained low and totalled SEK 0 million (loss: 7) for the quarter. | *Read more on page 10*
- In August, SBAB issued a SEK 2 billion Additional Tier 1 Capital loan (AT1) to strengthen own funds and support future growth. | *Read more on page 13*
- In September SBAB accepted Samhall's Visa Vägen ("Showing the Way") prize for the best employer in the Värmland/Örebro/Dalarna/Dalsland regions based on our approach to inclusion. | *Read more on page 4-5*

SELECTED KEY METRICS

	GROUP					
	2019	2019		2019	2018	
	Q3	Q2	Change	Jan–Sep	Jan–Sep	Change
Total lending, SEK bn	378.2	372.3	+1.6%	378.2	358.0	+5.7%
Total deposits, SEK bn	130.0	127.3	+2.1%	130.0	120.5	+7.9%
Net interest income, SEK million	861	852	+1.1%	2,596	2,514	+3.3%
Expenses, SEK million	–280	–288	–2.8%	–860	–752	+14.4%
Credit losses, SEK million	0	–7	–SEK 7 mn	–16	18	+SEK 34 mn
Operating profit, SEK million	601	577	+4.2%	1,768	1,655	+6.2%
Return on equity, %	12.0	11.9	+0.1 pp [2]	12.1	12.1	0.0 pp
C/I ratio, %	31.8	33.0	–1.2 pp	32.5	31.4	+1.1 pp
CET1 capital ratio, % [1]	12.2	12.2	0.0 pp	12.2	31.5	–19.3 pp

[1] From 31 December 2018, the method for applying the existing risk-weight floor for Swedish mortgages has been amended. For more information, please refer to page 13 and Note 10.

[2] pp = percentage points

This is SBAB

SBAB's business idea is to be innovative and considerate in our offering of loans and savings products to private individuals, tenant-owner associations and property companies in Sweden.

Vision

To offer the best residential mortgages in Sweden

Mission

To contribute to better housing and household finances

Retail business area

Retail

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, housing search engine services and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. SBAB does not have any offices for physical customer meetings — we meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.44% at 31 August 2019, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se is Sweden's second-largest search engine for housing.

Corporate Clients & Tenant-Owners' Associations business area

Corporates and tenant-owners' associations

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing to property companies and tenant-owners' associations. We finance multi-family dwellings, existing as well as new construction. Our lending to property companies and tenant-owners' associations corresponds to around a quarter of SBAB's total lending. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to property companies was 10.88% at 31 August 2019 and the market share for lending to tenant-owners' associations was 9.62%.

SBAB assigns priority to four Sustainable Development Goals

Read more in SBAB's Annual Report 2018

Statement from the CEO

> Responsible and sustainable business is critical for SBAB's short-term and long-term competitiveness and profitability.

Companies are being run more and more sustainably. Naturally much remains to be achieved, but the increased responsibility companies are taking might be critical for being able to reach the Sustainable Development Goals in the 2030 Agenda. I believe this increased sense of responsibility is primarily driven by two types of stakeholders – employees and customers.

As employees, we are increasingly motivated by, and engaged in, changing the world and making a difference in our work. As customers, we prefer to purchase goods and services from suppliers who ensure that their operations are long-term sustainable and that they have no negative impact on society or the environment. Now is the time to act. Sustainability is no longer something that companies "have to" work with because it might be profitable in the long term. The way that employees and customers are acting means that responsibility and sustainable business have become short-term priorities, which is fantastic. When something is short term, the risk appetite and the discipline to implement increase. The younger generations are clearly the driving forces in this development.

If your company is responsible, you attract motivated and engaged employees and create demand for your offering. There is already abundant evidence that sustainability is profitable in the short term. Hamburger chains' sales increase when they sell vegetarian hamburgers and place charging stations outside their restaurants. Domestic flights are decreasing while rail travel is going up. More people are choosing green electricity. Research shows that motivated and engaged employees perform better at work. And so on.

Responsible and sustainable business is critical for SBAB's short-term and long-term competitiveness and profitability.

Responsibility and transparency
for better housing and household finances

According to Swedish Quality Index (Swe *Svenskt Kvalitetsindex*), SBAB has been top three the last five years regarding Sweden's most satisfied residential mortgage customers as well as Sweden's most satisfied corporate clients for property loans. Important drivers behind this are responsibility and transparency. Our interaction with customers is clear and simple. Mortgage customers do not need to negotiate and everyone in the same category receives the same mortgage rate. Our corporate clients appreciate our accessibility and our sustainability efforts.

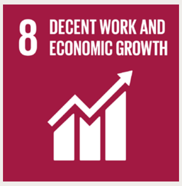
Regulatory compliance and responsible credit granting are at the essence of a bank and constitute important focus areas for SBAB. Regulatory compliance and responsible credit granting leads to reputation and trust – the life blood of a bank. Our surveys on reputation place SBAB at the top of the sector. The money laundering scandals earlier this year have seriously harmed the reputations of and trust in the affected banks according to other surveys, which we noted in the more tangible form of many mortgage customers changing bank and moving their mortgages to SBAB.

Over the year, the competition for residential mortgage customers has intensified. While responsibility and transparency are important for customers, the mortgage's effect on the wallet is also highly significant. During the year, we have developed our pricing model and ensured that we are offering competitive terms. We posted strong growth in new residential mortgage customers during Q3.

We are developing our work with regulatory compliance and responsible credit granting to expand our societal responsibility by promoting more stringent requirements for construction companies with the objective of reducing tax evasion, money laundering and the use of unreported employment when constructing new residential properties in Sweden. The problem at construction sites distorts competition in the new construction market. We have signed a letter of intent to apply more stringent requirements when granting credit with a large number of construction companies, organisations and trade unions. Our next step is to start discussions with the other banks aimed at aligning all banks behind more stringent credit granting requirements. Together, we believe we really can achieve change.

An attractive workplace
for motivation and commitment

Being motivated by what the company does and being engaged by the manner in which we ourselves contribute is of course what we all desire. In this scenario, we all thrive, feel good, perform well and have fun at work. SBAB's mission is critical to our motivation and SBAB's values-driven work approach is essential to our commitment. The majority of our newly recruited employees say that our values and our



"Our operating profit for the first nine months of the year was SEK 1,768 million, our highest to date. Following a challenging first quarter, lending growth has been healthy. At the end of Q3, our total lending amounted to SEK 378.2 billion, up 5.7% year-on-year.

corporate culture were key to their decisions to start working for SBAB. In our employee surveys, we ensure that we are primarily motivated by our responsibility and our mission – to contribute to better housing and household finances — and are committed first and foremost to our values-driven work approach.

Respect, equality and inclusion are at the core of our corporate culture. Our differences enrich us and create the best commercial solutions in terms of higher revenue and lower expenses. A few weeks ago, we accepted Samhall's Visa Vägen ("Showing the Way") prize for the best employer in the Värmland/Örebro/Dalarna/Dalsland regions based on our approach to inclusion. I would like to take the opportunity to recommend that you test respekttrappan.se, our tool for a more inclusive workplace.

Previously this year, SBAB was ranked fourth in Sweden and twentieth in Europe as the best workplace among large organisations according to Great Place to Work. We take the pulse at our workplace at the end of each quarter. Our latest reading showed that record numbers, 87% of us, considered SBAB an extremely good place to work.

Sound finances

for trust and long-term footing

Our operating profit for the first nine months of the year was SEK 1,768 million, our highest to date. Following a challenging first quarter, lending growth has been healthy. At the end of Q3, our total lending amounted to SEK 378.2 billion, up 5.7% year-on-year. Our total deposits rose 7.9% to SEK 130.0 billion over the same period.

We continue to invest in long-term competitiveness and our expenses rose 14.4% compared with the corresponding nine-month period last year, mainly driven by investments in a new banking system, digitalisation and the customer offering. We continue to be the most cost-efficient bank with a C/I ratio of 32.5%.

Climate change is affecting the housing and property market. Sea levels are rising and shifts in the weather are becoming more violent and more frequent. Moreover, landmasses in the south of Sweden are sinking and landmasses in the north are rising. We have conducted initial analyses and climate stress tests, which have shown that relatively few customers in the foreseeable future will be affected and that the impact on SBAB's operations are therefore deemed to be relatively limited. But it is important that we act responsibly and inform our customers of the risks posed by climate change when we have completed our analyses.

Everything is interconnected. When we are motivated and committed, we perform better and create a competitive, responsible and transparent customer experience that results in satisfied customers and growth. Growth and responsibly driven, cost-efficient operations create profitability, which is a prerequisite for our stakeholders' trust, for investments and for future competitiveness. It is in this advantageous position we find ourselves today.

Finally, I would like to thank all my 680 fantastic colleagues for another successful quarter.

Klas Danielsson
CEO of SBAB

Market developments

Swedish economy
The Swedish economy has entered a downturn even if activity through the beginning of 2019 was relatively good. In Q2 2019, however, Sweden's GDP only grew 0.1% compared with Q1 2019, and was primarily driven by household consumption. As a result of declining investments in housing among other factors, GDP growth for the full year 2019 is expected to amount to 1.3%. The industry's confidence indicator has shown a general decline since 2018 and, from the summer, has been at a level slightly below normal economic conditions.

The slowdown in the economy together with slower growth in household disposable income was followed by higher savings. Consumer confidence has fallen significantly since its peak at the end of 2017 and is currently negative.

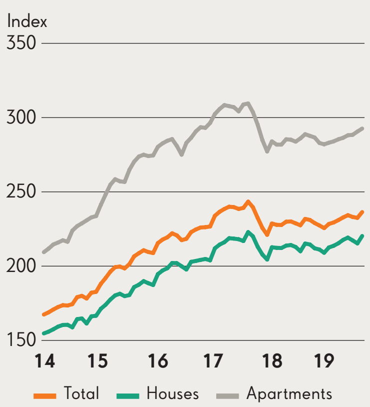
Housing market remains uncertain
Housing prices, which have largely remained still since the downturn in late 2017, gradually started a slow climb in 2019. SBAB's housing indicator points to more households believing that prices will rise rather than fall over the next year, at the same time as the Erik Olsson housing index points toward stagnant prices. During the latter part of the spring and until the start of autumn, conditions in the housing markets appeared less concerning than was the case in 2018. The number of published advertisements and the advertisement periods for existing homes have remained unchanged for more than six months. However, for new production, uncertainty remains considerable as a result of the large supply generally and increasingly long advertisement periods in some municipalities.

According to preliminary statistics, in the first six months of 2019, construction was started for about 24,650 housing units, which is down about 12% year-on-year, and down around 29% compared to the same period in 2017. The housing starts forecast for 2019 is 34% lower compared with the full year 2017, due to, inter alia, uncertainty regarding the economy, housing prices and the effects of more stringent credit terms.

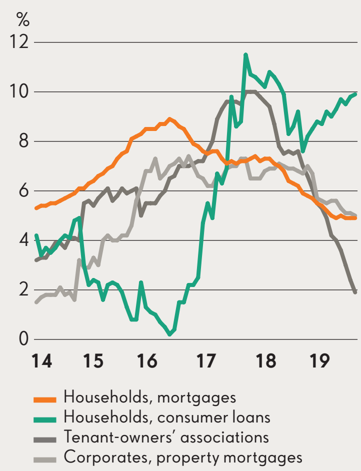
Declining lending growth
Annualised lending growth to households (mortgage loans) was 4.9% in August 2019. Compared with the year-earlier period, this represented a decline of more than two percentage points. The decline was attributable to the weaker economy and lower expectations for the future. Consistently low interest rates and a large supply of newly produced housing are factors that help maintain credit growth.

A positive trend in household disposable incomes have created greater opportunities to save, while an uncertain economy and housing market have contributed to the desire to save. Households' deposits increased significantly faster than their mortgages, despite the extremely low interest rates. Moreover, deposits from non-financial corporates, including tenant-owners' associations, continued to grow at a high pace during the start of Q3 2019.

HOUSING PRICE TREND
(HOX index 2005=100)



LENDING GROWTH
(Percentage, 12-month change)



DEPOSIT GROWTH
(Percentage, 12-month change)

Source: Valueguard, Statistics Sweden (SCB).
Data until and including August 2019.

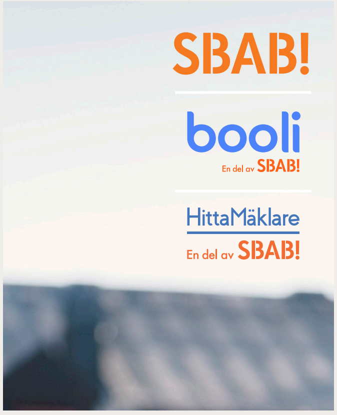
Business development

Volume trends

	GROUP 2019 Q3	2019 Q2	2018 Q3	2019 Jan–Sep	2018 Jan–Sep
New lending for the period, SEK bn	18.8	20.5	16.8	55.5	54.5
Net change in lending for the period, SEK bn	5.9	6.0	6.5	14.0	22.8
Total lending, SEK bn	**378.2**	**372.3**	**358**	**378.2**	**358.0**
No. of deposit accounts, thousand	395	391	363	395	363
Net change in deposits, SEK bn	2.7	1.2	3.5	5.1	8.6
Total deposits, SEK bn	**130.0**	**127.3**	**120.5**	**130.0**	**120.5**
Deposits/lending, %	34.4	34.2	33.7	34.4	33.7
Retail business area					
No. of mortgage customers, thousand	277	274	266	277	266
No. of mortgage objects financed, thousand	177	174	169	177	169
New lending, SEK bn	15.5	16.1	14.9	44.0	46.3
Net change in lending for the period, SEK bn	5.0	5.6	6.9	11.1	21.5
Total lending, Retail, SEK bn	**290.1**	**285.1**	**271.6**	**290.1**	**271.6**
Residential mortgages, SEK bn	287.8	282.8	269.4	287.8	269.4
Consumer loans, SEK bn	2.3	2.3	2.2	2.3	2.2
Market share, Residential mortgages, % [1]	8.44	8.39	8.27	8.44	8.27
Market share, Consumer loans, % [1]	0.85	0.86	0.88	0.86	0.88
Total deposits, Retail, SEK bn	**90.7**	**89.1**	**83.4**	**90.7**	**83.4**
No. of retail customers with savings accounts, thousand	346	345	321	346	321
Market share deposits, Retail, % [1]	4.62	4.65	4.55	4.62	4.55
Corporate Clients & Tenant-Owners' Associations business area					
No. of property finance customers	2,101	2,126	2,244	2,101	2,244
New lending, SEK bn	3.3	4.4	1.8	11.6	8.2
Net change in lending for the period, SEK bn	1.0	0.5	–0.3	2.9	1.3
Total lending, Corporate Clients & Tenant-Own. Asso., SEK bn	**88.2**	**87.2**	**86.4**	**88.2**	**86.4**
Lending, Corporate clients, SEK bn	37.2	35.9	34.6	37.2	34.6
Lending, Tenant-owners' associations, SEK bn	51.0	51.3	51.8	51.0	51.8
Market share, Corporate clients, % [1]	10.88	10.90	11.23	10.88	11.23
Market share, Tenant-owners' associations, % [1]	9.62	9.57	9.64	9.62	9.64
Total deposits, Corporate Clients & Tenant-Own. Asso., SEK bn	**39.3**	**38.3**	**37.1**	**39.3**	**37.1**
No. of corporate clients and tenant-owners' associations	12,900	12,900	13,700	12,900	13,700
Market share deposits, Corporate Clients & Tenant-Own. Asso, % [1]	3.05	3.12	3.22	3.05	3.22

[1] Source: Statistics Sweden. The figures in the columns "Q3 2018" and "Jan–Sep 2018" correspond with market share as of 31 August 2018. The figures in the columns "Q3 2019" and "Jan–Sep 2019" correspond with market share as of 31 August 2019. The figures in the column "Q2 2019" correspond with market share as of 31 May 2019. The definition of "Market share deposits, Corporate Clients & Tenant-Owners' Associations" has been revised as of 31 March 2019. The comparative figures have been restated.

Retail business area



Residential mortgage customers	Savings customers
277,000	346,000

The Retail business area offers services within housing and household finances, such as savings and loan products, insurance mediation, housing search engine services and real estate-agent services. The core product is residential mortgages. Activities are operated under the SBAB, Booli and HittaMäklare brands. SBAB does not have any offices for physical customer meetings – we meet our customers and users digitally or by telephone. Our market share in terms of residential mortgages amounted to 8.44% at 31 August 2019, which makes us the fifth-largest residential mortgage bank in Sweden. Booli.se is Sweden's second-largest search engine for housing.

Trend for Q3 2019 compared with Q2 2019

Retail business area

Lending

Growth in SBAB's retail lending remains healthy, despite increasing competition in the residential mortgage market. Many established players are working intensively to retain and defend their positions, and several new competitors have emerged as serious contenders for residential mortgage customers. In parallel, growth in the residential mortgage market has slowed.

Over the year, SBAB has implemented a number of measures to strengthen the offering. At the end of Q3, SBAB lowered the mortgage rates on all fixed-rate maturities. Market expectations of continued low interest rates and therefore lower funding costs gave rise to a further lowering of the long-term fixed-rates at the start of October. The decrease means that SBAB's listed rates are below 2% and that the lowest mortgage rate is under 1%.

Total retail lending increased during the quarter to SEK 290.1 billion (285.1), of which SEK 287.8 billion (282.8) comprised residential mortgages and SEK 2.3 billion (2.3) consumer loans. New lending in the quarter remained healthy and amounted to SEK 15.5 billion (16.1) The number of residential mortgage customers amounted to 277,000 (274,000) distributed over 177,000 (174,000) mortgage objects. At 31 August 2019, the market share for residential mortgages was 8.44% (8.39% at 31 May 2019). At the same date, the market share for consumer loans was 0.85% (0.86% at 31 May 2019).

The majority of SBAB's residential mortgage customers choose shorter maturities. The share of total lending with a 3M fixed-interest period amounted to 73.9% (73.9) at the end of the quarter.

For more information asset quality, please refer to page 11.

Savings accounts (deposit)

SBAB's retail savings accounts are characterised by competitive savings rates and simple product terms and conditions. Retail deposits increased and totalled SEK 90.7 billion (89.1) during the quarter. At the end of the quarter, approximately 346,000 (345,000) retail customers held savings accounts with SBAB. At 31 August 2019, the market share for retail deposits was 4.62% (4.65% at 31 May 2019).

User trends

Every month, many visit SBAB's website to manage mortgages and savings or to find inspiration about housing and household finances. The number of unique visitors per month to www.sbab.se averaged around 425,000 (435,000) during the quarter. The average number of unique users of the SBAB app totalled around 86,000 (76,000) for the same period.

Through its online bank, SBAB provides the amortisation certificate in a simple, digital format, which is required for mortgage loans to be moved from one bank to another. SBAB is the only market participant to offer the amortisation certificate digitally. SBAB is pushing for the Swedish Bankers' Association to influence, and for Finansinspektionen (the Swedish FSA) to require, other banks to act in the same manner.

Booli.se is a popular platform for finding information about supply, demand and price trends for housing. The number of unique visitors per month to www.booli.se averaged around 948,000 (891,000) during the quarter. Booli's monthly housing valuation email had more than 369,000 subscribers in September 2019. HittaMäklare's services are used by about 84% of the registered real estate agents in Sweden.

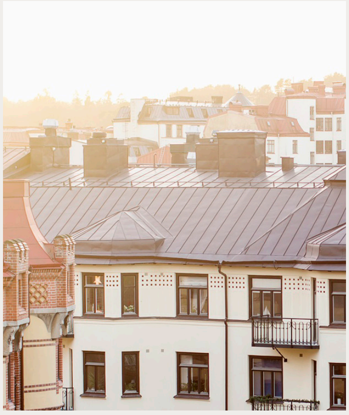
Customers in focus

Over the last quarter, SBAB has launched a number of improvements aimed at creating an even better and more efficient customer experience. In October, the first chatbot was launched on www.sbab.se and, during the quarter, testing started of a new voice-activated service through Google Assistant. The SBAB app has been available for some time in both Swedish and English. The app is continuously supplemented with new content and functionality, most recently regarding extra loan repayments.

Staff numbers at Customer Service are currently being expanded with the aim of meeting the strong demand for SBAB's mortgages and of improving SBAB's accessibility and service.

At booli.se, work continues with streamlining and optimising data collection, and complementing the platform with relevant information. Booli's Android app was launched during the quarter. The app, which already exists for iPhone, allows users to search for, value and view actual selling prices for homes.

Corporate Clients & Tenant. own.



Property finance customers	Savings customers
2,100	12,900

The Corporate Clients & Tenant-Owners' Associations business area offers savings and property financing to property companies and tenant-owners' associations. We finance multi-family dwellings, existing as well as new construction. Our lending to property companies and tenant-owners' associations corresponds to around a quarter of SBAB's total lending. We offer personal service to our customers, who are concentrated in growth regions surrounding our offices in Stockholm, Gothenburg and Malmö. The market share for lending to property companies was 10.88% at 31 August 2019 and the market share for lending to tenant-owners' associations was 9.62%.

Trend for Q3 2019 compared with Q2 2019

Corporate Clients & Tenant-Owners' Associations business area

Property financing (lending)

Activity in the corporate market is high and housing remains an attractive investment for domestic and international investors, despite uncertainty regarding the terms relating to the development of future housing policy. The market for lending to tenant-owners' associations is dominated by intense price competition, not least in the major metropolitan areas. The assessment is that SBAB's market position provides the preconditions for a continued healthy sales trend.

In Q3, new lending to corporate clients and tenant-owners' associations was good and amounted to SEK 3.3 billion (4.4). Total lending increased to SEK 88.2 billion (87.2) during the quarter, of which SEK 37.2 billion (35.9) comprised lending to corporate clients and SEK 51.0 billion (51.3) lending to tenant-owners' associations. The market share for lending to property companies was 10.88% at 31 August 2019 (10.90% at 31 May 2019). At the same date, the market share for lending to tenant-owners' associations was 9.62% (9.57% at 31 May 2019).

The number of property finance customers continued to decline and amounted to 2,101 (2,126) at the end of the quarter, which is in line with SBAB's existing strategy to focus on customers in regions where SBAB has a physical presence and the possibility of establishing good customer relations.

The market for new construction has slowed, primarily in Stockholm, but also in other growth regions where the pace of new construction was previously particularly high. However, analyses conducted by Booli show that the number of tenant-owner rights transactions among consumers increased after the summer and that housing prices have started to stabilise. SBAB focuses on lending to established customer relationships and large, experienced property developers, whereby both the customer and SBAB set higher pre-sales requirements on binding purchase agreements before the start of production. Moreover, SBAB also requires a larger own investment when lending to new construction projects.

For more information on asset quality, please refer to page 11.

Savings accounts (deposit)

Deposits from corporate clients and tenant-owners' associations amounted to SEK 39.3 billion (38.3) at the end of Q3. At the same time, 12,900 (12,900) corporate clients and tenant-owners' associations had savings accounts at SBAB. The market share for deposits from corporate clients and tenant-owners' associations was 3.05% at 31 August 2019 (3.12% at 31 May 2019).

Customers in focus

At the start of the second quarter, we launched an updated online bank for SBAB's corporate and tenant-owners' association customers with a complete revamp of the design and user experience. The new online bank offers users greater choice and flexibility through functions such as an increased level of self-service.

SBAB and Booli are reviewing the possibility of providing structured key metrics for tenant-owners' associations with the help of annual report data via Booli Pro, a service used by many of the largest property and construction companies in Sweden.

Financial performance

Income statement overview

SEK million	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2019 Jan–Sep	2018 Jan–Sep
	GROUP						
Net interest income	861	852	883	848	833	2,596	2,514
Net commissions	5	–5	–12	18	–63	–12	–67
Net result of financial transactions (Note 2)	4	15	13	8	–19	32	–73
Other operating income	11	9	8	7	9	28	25
Total operating income	**881**	**871**	**892**	**881**	**760**	**2,644**	**2,399**
Expenses	–280	–288	–292	–297	–246	–860	–752
Profit before credit losses and impairments	**601**	**583**	**600**	**584**	**514**	**1,784**	**1,647**
Net credit losses (Note 3)	0	–7	–9	–7	0	–16	18
Impairment of financial assets	–1	–1	–1	–1	0	–3	0
Reversals of impairment of financial assets	1	2	0	0	0	3	0
Operating profit	**601**	**577**	**590**	**576**	**514**	**1,768**	**1,665**
Tax	–136	–130	–132	–131	–120	–398	–384
Net profit for the period	**465**	**447**	**458**	**445**	**394**	**1,370**	**1,281**
Return on equity, % [1]	12.0	11.9	12.5	11.9	10.9	12.1	12.1
C/I ratio, %	31.8	33.0	32.8	33.7	32.5	32.5	31.4
Credit loss ratio, %	0.00	–0.01	–0.01	–0.01	0.00	–0.01	0.01
Net interest margin, %	0.71	0.71	0.77	0.75	0.72	0.74	0.77
Number of employees (FTEs)	679	653	614	602	597	679	597

[1] When calculating the return on equity for "Jan–Sep 2018", average equity has been adjusted for the dividend of SEK 684 million for 2017. When calculating the return on equity for "Q1 2019", "Q2 2019" and "Jan–Sep 2019", average equity has been adjusted for the dividend of SEK 690 million for 2018. For more information about the calculation of alternative performance measures, please refer to page 44.

Trend for Q3 2019 compared with Q2 2019

Operating profit grew to SEK 601 million (577) in the third quarter. The return on equity amounted to 12.0% (11.9) and the C/I ratio was 31.8% (33.0).

Net interest income
Net interest income grew to SEK 861 million (852), mainly due to lower guarantee fees. Furthermore, the item was positively impacted by increased lending volumes and lower expenses for market funding and negatively affected by lower mortgage rates.

During the quarter, the Swedish National Debt Office notified of its decision regarding the national deposit guarantee fee for 2019. The outcome was slightly lower than SBAB's previous estimate, resulting in a positive effect on net interest income for the quarter. Guarantee fees for the quarter amounted to SEK 60 million (76), of which SEK 61 million (59) comprised the resolution fee and a reversal of SEK 1 million (17) pertained to the national deposit guarantee fee.

Net commission
Net commission income increased during the quarter to SEK 5 million (expense: 5). The change was mainly due to lower commission expenses linked to funding operations.

Net result of financial transactions
The net result of financial transactions was SEK 4 million (15) and was mainly driven by a decline in interest compensation from customers. For more information; please refer to Note 2.

Expenses
Expenses amounted to SEK 280 million (288) for the quarter. The decrease was mainly due to seasonally low IT-related expenses during the quarter. Expenses for the full-year 2019 are expected to be higher than 2018 and in line with the operational development and investment strategies for long-term competitiveness.

Credit quality and credit losses
Net credit losses remained low and totalled SEK 0 million (losses: 7) for the third quarter. Confirmed credit losses totalled SEK 6 million (4).

Provisions for credit stage 1 remained unchanged in the quarter. Provisions for credit stage 2 decreased SEK 1 million and provisions for credit stage 3 decreased SEK 4 million. The total decrease in provisions of SEK 5 million mainly pertained to the unwinding of provisions for confirmed credit losses and a marginal improvement in credit risk in the portfolio. Provisions for loan commitments remained unchanged in the quarter. For more information on credit losses, please refer to notes 3 and 4.

The credit quality of SBAB's lending is good and the risks entailed in retail lending are low. SBAB's granting of credit to private individuals is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitment.

At the end of the quarter, the average LTV ratio[1)] in SBAB's mortgage portfolio was 62% (61). At the same date, the average residential mortgage to retail customers amounted to SEK 1.7 million (1.6). During the quarter, the LTV ratio for new lending was 70% (68) and the debt-to-income ratio was 3.5 (3.5).

Other comprehensive income
Other comprehensive income decreased to SEK 743 million (1,013), due to interest rate changes in the euro market. For more information, please refer to page 17.

1) The loan-to-value ratio is defined as the size of a loan in relation to the market value of pledged collateral. The reported average is the weighted average. Where applicable, the calculation takes into consideration contributory factors such as guarantees and the collateral's lien priority. SBAB verifies property values on a regular basis. For residential properties and tenant-owners' rights, the property value is verified at least every third year.

Trend for Jan–Sep 2019 compared with Jan–Sep 2018

Operating profit rose to SEK 1,768 million (1,665). The return on equity amounted to 12.1% (12.1) and the C/I ratio was 32.5% (31.4).

Net interest income grew to SEK 2,596 million (2,514), mainly due to higher lending volumes, of which the majority pertained to residential mortgages, and lower guarantee fees. A rise in market interest rates and therefore higher funding costs negatively affected net interest income, even if the effect was partly offset by static deposit margins. Guarantee fees amounted to SEK 215 million (268) for the period, of which SEK 183 million (230) comprised the resolution fee and SEK 32 million (37) the national deposit guarantee fee. Total guarantee fees have been determined to SEK 286 million for 2019, compared with SEK 348 million for 2018.

The net commission expense was SEK 12 million (expense: 67). A non-recurring commission expense to a mortgage broker was charged to the comparative figure for Q3 2018 in conjunction with winding up the partnership.

The net result of financial transactions increased to SEK 32 million (expense: 73), mainly due to differences in value changes in hedging instruments and hedged items.

Other comprehensive income increased to SEK 2,584 million (expense: 437), due to the substantial positive impact on the item of a downturn in long euro interest rates. For more information, please refer to page 17.

Expenses grew to SEK 860 million (752), mainly due to increased operational investments in areas including customer experience and customer service, digitisation and IT. Efforts to replace SBAB's core bank platform are ongoing and require considerable time and resources. Modern, flexible system support comprises a key component for strengthening SBAB's future competitiveness, and its ability to develop digital services and enhance the digital customer interface.

Net credit losses totalled SEK 16 million (recoveries: 18). The difference between the periods was partly attributable to the large reversal in the first quarter of 2018 of previously impaired credit stage 3 loans and partly due to the review of the macroeconomic projections applied in the impairment model ahead of 2019. The revised projections entailed a slightly more negative outlook for the housing market and the review entailed a non-recurring effect at year-end of around SEK 10 million in increased provisions. Moreover, provisions increased SEK 9 million due to a decline in risk classes for larger individual exposures. Aside from the above effects, the loan portfolio has developed positively in terms of credit risk. Confirmed credit losses amounted to SEK 12 million (7) during the period. For more information on credit losses, please refer to notes 3 and 4.

Balance sheet overview

SEK million	GROUP 30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018
ASSETS				
Chargeable treasury bills, etc.	27,615	37,590	20,904	31,189
Lending to credit institutions	3,616	2,618	2,847	6,190
Lending to the public	378,223	372,281	364,215	357,989
Bonds and other interest-bearing securities	55,311	55,712	50,945	50,572
Total other assets in the balance sheet	20,097	17,146	9,444	10,028
TOTAL ASSETS	**484,862**	**485,347**	**448,355**	**455,968**
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	15,622	12,258	6,607	11,253
Deposits from the public	129,986	127,319	124,926	120,483
Issued debt securities, etc. (funding)	306,294	317,017	290,795	299,205
Subordinated debt	4,949	4,948	4,946	4,945
Total other liabilities in the balance sheet	5,594	4,570	3,845	4,139
Total liabilities	**462,445**	**466,112**	**431,119**	**440,025**
Total equity	**22,417**	**19,235**	**17,236**	**15,943**
Of which, Tier 1 capital instruments	*3,500*	*1,500*	*1,500*	*1,500*
TOTAL LIABILITIES AND EQUITY	**484,862**	**485,347**	**448,355**	**455,968**
CET1 capital ratio, % [1]	12.2	12.2	12.5	31.5
Tier 1 capital ratio, % [1]	16.3	14.8	15.1	38.3
Total capital ratio, % [1]	19.2	17.6	18.1	46.1
Leverage ratio, % [2]	4.01	3.55	3.77	3.63
Liquidity coverage ratio (LCR), % [3]	298	274	283	277
Net Stable Funding Ratio (NSFR), % [4]	138	123	122	118

[1] On 23 August 2018, the Swedish FSA decided to amend the method for applying the existing risk-weight floor for Swedish mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the scope of Article 458 of the CRR. The change means the capital requirement is set as a requirement in Pillar 1. The change entered force from 31 December 2018. For more information, please refer to page 13 and Note 10.

[2] Calculated pursuant to Article 429 in Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

[3] According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements. For all currencies combined.

[4] In line with forthcoming regulations, from 30 September 2019 SBAB is calculating the net stable funding ratio (NSFR) in accordance with Regulation (EU) 2019/876 of the European Parliament and the Council. Previously, the NSFR has been calculated pursuant to the Basel regulations. The comparative figures have not been restated according to the new calculation method.

Trend for Q3 2019 compared with Q2 2019

Balance sheet comments

During the quarter, chargeable treasury bills decreased to SEK 27.6 billion (37.6). The change is primarily due to the high cash liquidity in the comparative period as a result of pre-financing. Bonds and other interest-bearing securities declined marginally to SEK 55.3 billion (55.7). Lending to credit institutions increased to SEK 3.6 billion (2.6), attributable to higher repo volumes within the scope of normal short-term liquidity management. Lending to the public increased to SEK 378.2 billion (372.3). For more information on Lending to the public, please refer to pages 7–9 and Note 4.

Liabilities to credit institutions increased to SEK 15.6 billion (12.3) during the quarter and were driven by increased collateral received (CSA) within the scope of the normal short-term liquidity management. Deposits from the public increased to SEK 130.0 billion (127.3), of which 81.8% comprised retail deposits and the remainder non-operational deposits pursuant to the liquidity coverage regulations and the EU-LCR. For more information on deposits from the public, please refer to pages 7–9. For information about issued debt securities, please refer to the "Funding" section below. Subordinated debt totalled SEK 4.9 billion (4.9). Equity increased during the quarter to SEK 22.4 billion (19.2), mainly due to the issue of a SEK 2.0 billion Additional Tier 1 Capital loan (AT1). The item was also affected by changes in other comprehensive income.

Funding

Funding activity was lower in Q3 due to a higher issue rate in the first six months of the year. In total, the SBAB Group has issued bonds for around SEK 45 billion in 2019, of which SEK 7 billion in Q3, compared with bonds maturing during the year of about SEK 37 billion. In August, SBAB issued a SEK 2.0 billion Additional Tier 1 Capital loan (AT1) for the first time since 2016. The underlying reason for the transaction included strengthening SBAB's own funds and supporting future growth. Demand from investors was healthy and the transaction was well-received in the market.

Generally, the market was characterised by increased concerns regarding lower inflation and an economic downturn during the quarter, which resulted in a fall in long interest rates. The movement in market rates was supported by softer signals from the major central banks and, during the quarter, both the ECB (10 basis points) and the Fed (50 basis points) lowered their key interest rates. The ECB announced further quantitative easing through expanding its bond-buying program and more favourable terms for European banks to borrow funds from the central bank through targeted longer-term refinancing operations (TLTROs). Overall, long interest rates at the end of the quarter found themselves at extremely low levels from a historical perspective for many currencies.

During the quarter, securities were issued for a total of SEK 10.5 billion (25.3). In parallel, securities were repurchased for SEK 3.9 billion (7.5) and securities amounting to SEK 20.1 billion (6.2) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in a decrease in issued debt securities outstanding of SEK 10.8 billion to a total of SEK 306.3 billion (317.0). At the end of the quarter, commercial paper funding amounted to SEK 3.3 billion (3.3) and senior unsecured funding amounted to SEK 53.7 billion (56.5). Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. Secured debt outstanding totalled SEK 249.3 billion (257.2) at the end of the quarter, of which SEK 155.5 billion was in SEK and SEK 93.8 billion was in foreign currencies.

Liquidity position

SBAB's liquidity reserve primarily comprises liquid, interest-bearing securities with high ratings. At the end of the quarter, the market value of the assets in the liquidity reserve amounted to SEK 85.2 billion[1] (94.6). Taking the Riksbank's and the ECB's haircuts into account, the liquidity value of the assets was SEK 81.6 billion (90.5).

SBAB measures and stress-tests liquidity risk, for example, by calculating the survival horizon. The survival horizon totalled 339 days (421), which the company deems satisfactory.

According to the European Commission's Delegated Regulation with regard to liquidity coverage requirements, at 30 September 2019, LCR was 298% (274) in all currencies combined, which exceeds the minimum requirement of 100%. Measured in SEK, LCR was 188% (182). The net stable funding ratio (NSFR), which measures the difference in tenors between commitments and funding, amounted to 138% (123) according to SBAB's interpretation of Regulation (EU) 2019/876 of the European Parliament and the Council.

For more information on SBAB's liquidity position, please refer to Note 9.

Capital position

The capital requirements from the Swedish FSA are expected to correspond to a CET1 capital ratio of 10.7% and a total capital ratio of 14.8% according to SBAB's internal assessment. SBAB's capital targets[2] are thus expected to correspond to a CET1 capital ratio of not less than 11.3% and a total capital ratio of not less than 15.4%. The capital requirements, and SBAB's capital target, have increased during the quarter as a result of the Swedish FSA's decision to raise the countercyclical buffer value from 2.0% to 2.5%. The amendment entered force on 19 September 2019.

At the end of the quarter, CET1 capital amounted to SEK 14.8 billion (14.7) and total capital was SEK 23.3 billion (21.1). The increase total capital was due to the issue of a SEK 2.0 billion Additional Tier 1 Capital loan (AT1). The risk exposure amount (REA) totalled SEK 121.2 billion (119.7). This corresponded to a CET1 capital ratio of 12.2% (12.2) and a total capital ratio of 19.2% (17.6), which provided a comfortable margin to both internal targets and external requirements from government agencies. Net profit for the period was included in own funds while expected dividends reduced own funds.[3]

For more information on SBAB's capital position, please refer to Note 10 and 11.

The leverage ratio increased and amounted to SEK 4.01% (3.55) at 30 September 2019 as a result of the issue of a SEK 2.0 billion Additional Tier 1 Capital loan (AT1).

For information about the EU's reforms to the Capital Requirements Regulation, the Capital Requirements Directive and the Crisis Management Directive (the banking package) that entered force on 27 June 2019, refer to Note 10.

1) Also encompasses non-HQLA classified assets included in the Riksbank's or ECB's lists of assets eligible as collateral.

2) On 23 August 2018, the Swedish FSA decided to amend the method for applying the risk-weight floor for Swedish mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The change means the capital requirement is set as a requirement in Pillar 1. The amendment entered force from 31 December 2018 and applies for two years. Given the above amendment, SBAB's Board has decided to translate the buffer levels, expressed in percentage points, in SBAB's capital targets. After the adjustments, which entered force in parallel with the change on 31 December 2018, SBAB's CET1 capital ratio and total capital ratio must, under normal conditions, amount to not less than 0.6 percentage points above the requirement communicated by the Swedish FSA, which is published in the Swedish FSA's quarterly report on Swedish banks' capital requirements. In nominal terms, this corresponds to a buffer level of 1.5 percentage points before moving the risk-weight floor and is in line with the previous capital targets. For more information, please refer to Note 10.

3) 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 Regulation on Prudential Requirements for Credit Institutions and Investment Firms 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 2019. This means that net profit for the period has been included in own funds and that expected dividends have reduced own funds.

Other information

SBAB's financial targets 31 Dec 2018

- **Profitability:** A return on equity of no less than 10% over a business cycle.
- **Capitalisation:** The CET1 capital ratio and total capital ratio should be at least 0.6 percentage points higher than the requirements communicated by the Swedish FSA.
- **Dividend:** Ordinary dividend of at least 40% of profit for the year after tax, taking the Group's capital structure into account.

Effects of IFRS 16 at 1 January 2019

The new IFRS 16 standard has changed the lease classification criteria and entails the recognition of leases as assets with corresponding liabilities in the lessee's balance sheet. On transition on 1 January 2019, SBAB recognised, in its consolidated accounts, a tangible asset with respect to lease contracts identified pursuant to IFRS 16 of SEK 104 million. The asset is based on the sum of the lease liability, which is in turn based on the discounted remaining lease fees. For more information, please refer to Note 12.

Termination of partnerships

SBAB's partnership with ICA Banken and Sparbanken Syd regarding origination of residential mortgages are terminated as of 30 November 2019 and are thus being phased out. ICA Banken's mediated loan portfolio (SEK 19.3 billion at 30 September 2019) will remain on SBAB's balance sheet and customer relations will transfer to SBAB after the collaboration ceases. Considerable focus will be given to managing the customers with information to ensure a good customer experience during the transition to using SBAB's services. Sparbanken Syd has announced that the company intends to exercise its contractual right to acquire mediated loan portfolio (SEK 9.6 billion at 30 September 2019). The parties are discussing the acquisition of the entire loan portfolio in 2020 and have therefore agreed not to carry out a partial transfer in 2019. Further information will be provided in conjunction with the completion of discussions.

New partnerships

SBAB started a new partnership during the quarter with the loan broker Consector and sales are scheduled to start 1 October 2019.

Temporary change of offices in Karlstad

In July, all employees in Karlstad moved into new offices as a result of the refurbishment of the existing offices. The refurbishment is expected to be completed in 2020.

Changes in Executive Management

During the quarter, Malin Pellborn left her roles as Head of Sustainability, Marketing and Communication and member of Executive Management. In conjunction with the above, Robin Silfverhielm took over the role as Acting Head of Sustainability, Marketing and Communication alongside his existing role as CXO at SBAB.

During the quarter, Peter Svensén informed of his intent to step down from his role as CRO in autumn 2019. Fredrik Stenbeck has been appointed as the new CRO and member of Executive Management. He will take office on 1 January 2020. Recruitment is ongoing for a new Head of Corporate Clients & Tenant-Owners' Associations.

Board changes

During the quarter, Karin Moberg stepped down from her role as Board member of SBAB.

Events after the end of the period

No significant events occurred after the end of the period.

Auditors' review report

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

Risks and uncertainties

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity, and the quality of our assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. Household demand for housing posted a stable trend, underpinned by low interest rates and healthy income levels, despite turbulent housing prices since the end of 2017 and difficulties experienced by certain housing developers in 2018 with selling their newly produced units. For more information on market developments, please refer to page 6. A housing market with soaring prices over an extended period, in parallel with rising household debt, has resulted in the Swedish economy becoming sensitive to rapid changes in interest rates and house prices. The outlook indicates rising interest rates, albeit at a slow rate. This is, in its turn, expected to act as a damper on the price trend for housing. The risks linked to these factors could be amplified if many households have high levels of debt in relation to their disposable incomes. The extensive regulatory changes in the residential mortgage market comprise a further uncertainty factor. Moreover, political decisions, for example changed tax rules, could have major consequences on households' solvency and property values. Recently, new competitors have appeared in the residential mortgage market. In time, increasing competition in the mortgage market could affect the market and mortgage margins. Increased competition arises, inter alia, from the Mortgage Business Act (2016:1024), which allows residential mortgages to be provided by companies other than banks and which are thus not encompassed by the rules for capital requirements that apply to banks. Such regulatory differences risk creating unfair competition in the market.

Read more about risks and risk management in SBAB's 2018 Annual Report on page 70.

CONTENTS

Condensed income statement

	GROUP					
	2019	2019	2018	2019	2018	2018
SEK million	**Q3**	**Q2**	**Q3**	**Jan–Sep**	**Jan–Sep**	**Jan–Dec**
Interest income	1,493	1,480	1,240	4,377	3,675	4,924
Interest expense	–632	–628	–407	–1,781	–1,161	–1,562
Net interest income	**861**	**852**	**833**	**2,596**	**2,514**	**3,362**
Commission income	23	22	12	60	54	90
Commission expense	–18	–27	–75	–72	–121	–139
Net result of financial transactions (Note 2)	4	15	–19	32	–73	–65
Other operating income	11	9	9	28	25	32
Total operating income	**881**	**871**	**760**	**2,644**	**2,399**	**3,280**
Personnel costs	–159	–156	–133	–467	–399	–543
Other expenses	–102	–116	–105	–341	–332	–474
Depreciation, amortisation and impairment of PPE and intangible assets	–19	–16	–8	–52	–21	–32
Total expenses before credit losses	**–280**	**–288**	**–246**	**–860**	**–752**	**–1,049**
Profit before credit losses	**601**	**583**	**514**	**1,784**	**1,647**	**2,231**
Net credit losses (Note 3)	0	–7	0	–16	18	11
Impairment of financial assets	–1	–1	0	–3	0	–1
Reversals of impairment of financial assets	1	2	0	3	0	0
Operating profit	**601**	**577**	**514**	**1,768**	**1,665**	**2,241**
Tax	–136	–130	–120	–398	–384	–515
Net profit for the period	**465**	**447**	**394**	**1,370**	**1,281**	**1,726**

Condensed statement of comprehensive income

	GROUP					
	2019	2019	2018	2019	2018	2018
SEK million	Q3	Q2	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Net profit for the period	**465**	**447**	**394**	**1,370**	**1,281**	**1,726**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	–66	–12	–249	–42	–198	–63
Changes related to cash-flow hedges, before tax	1,079	1,353	–405	3,509	–305	634
Tax attributable to components that will be reclassified to profit or loss	–217	–287	144	–742	111	–120
Components that will not be reclassified to profit or loss						
Revaluation effects of defined-benefit pension plans, before tax	–67	–52	0	–179	–58	–39
Tax attributable to components that will not be reclassified to profit or loss	14	11	0	38	13	8
Other comprehensive income, net of tax	**743**	**1,013**	**–510**	**2,584**	**–437**	**420**
Total comprehensive income for the period	**1,208**	**1,460**	**–116**	**3,954**	**844**	**2,146**

In Q3 2019, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 1,486 million (1,475) for the Group.

The Group's financial position and development is reflected primarily in the income statement and balance sheet. Moreover, the applied accounting policies give certain revaluation effects, among other effects, that are recognised in other comprehensive income.

Other comprehensive income includes changes in cash-flow hedges that consist of unrealised value changes from derivatives used for hedging cash flows in the Group's funding in foreign currencies. Underlying funding is measured at amortised cost, where value changes are not recognised while derivatives that hedge borrowing are marked to market. This means that changes in rates, primarily in euro, can lead to volatility during the term, even if the long-term result is zero. The line item is normally affected positively by a decline in interest rates and negatively by a rise in interest rates.

Financial assets measured at FVTOCI consist of unrealised value changes in securities (classified according to certain principles) in the liquidity reserve. The line item is primarily affected by changes in credit spreads in bond holdings.

The item revaluation effects of defined-benefit pension plans includes actuarial gains and losses where changes in the discount rate is the assumption that has the strongest impact on the item.

For further information, refer to SBAB's 2018 Annual Report, Note G 1.

Condensed balance sheet

SEK million	GROUP 30 Sep 2019	31 Dec 2018	30 Sep 2018
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	27,615	20,904	31,189
Lending to credit institutions	3,616	2,847	6,190
Lending to the public (Note 4)	378,223	364,215	357,989
Value changes of interest-rate-risk hedged items in macro hedges	238	99	144
Bonds and other interest-bearing securities	55,311	50,945	50,572
Derivatives (Note 5)	18,728	8,313	8,440
Deferred tax assets	–	–	43
Intangible assets	283	234	222
Property, plant and equipment	129	16	13
Other assets	63	73	475
Prepaid expenses and accrued income	656	709	691
TOTAL ASSETS	**484,862**	**448,355**	**455,968**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	15,622	6,607	11,253
Deposits from the public	129,986	124,926	120,483
Issued debt securities, etc.	306,294	290,795	299,205
Derivatives (Note 5)	1,825	1,339	1,434
Other liabilities	644	384	415
Accrued expenses and deferred income	1,895	1,790	2,131
Deferred tax liabilities	910	194	–
Provisions	320	138	159
Subordinated debt	4,949	4,946	4,945
Total liabilities	**462,445**	**431,119**	**440,025**
Equity			
Share capital	1,958	1,958	1,958
Reserves/Fair value reserve	3,193	609	–248
Additional Tier 1 instruments	3,500	1,500	1,500
Retained earnings	12,396	11,443	11,452
Net profit for the period	1,370	1,726	1,281
Total equity	**22,417**	**17,236**	**15,943**
TOTAL LIABILITIES AND EQUITY	**484,862**	**448,355**	**455,968**

Condensed statement of changes in equity

	GROUP				
SEK million	Share capital	Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year[1]	Total equity
Opening balance, 1 January 2019	**1,958**	**609**	**1,500**	**13,169**	**17,236**
Additional Tier 1 instruments	–	–	2,000	–	2,000
Additional Tier 1 instruments, dividend	–	–	–	–83	–83
Dividends paid	–	–	–	–690	–690
Other comprehensive income, net of tax	–	2,584	–	–	2,584
Net profit for the period	–	–	–	1,370	1,370
Comprehensive income for the period	**–**	**2,584**	**–**	**1,370**	**5,954**
Closing balance, 30 Sep 2019	**1,958**	**3,193**	**3,500**	**13,766**	**22,417**

Closing balance, 31 Dec 2017	**1,958**	**188**	**1,500**	**12,164**	**15,810**
Effect of changes in accounting policy, IFRS 9	–	1	–	35	36
Opening balance 1 Jan 2018	**1,958**	**189**	**1,500**	**12,199**	**15,846**
Additional Tier 1 instruments, dividend	–	–	–	–63	–63
Dividends paid	–	–	–	–648	–684
Other comprehensive income, net of tax	–	–437	–	–	–437
Net profit for the period	–	–	–	1,281	1,281
Comprehensive income for the period	**–**	**–437**	**–**	**1,281**	**844**
Closing balance 30 Sep 2018	**1,958**	**–248**	**1,500**	**12,733**	**15,943**

Closing balance, 31 Dec 2017	**1,958**	**188**	**1,500**	**12,164**	**15,810**
Effect of changes in accounting policy, IFRS 9	–	1	–	35	36
Opening balance 1 Jan 2018	**1,958**	**189**	**1,500**	**12,199**	**15,846**
Additional Tier 1 instruments, dividend	–	–	–	–71	–71
Dividends paid	–	–	–	–684	–684
Other[2]	–	–	–	–1	–1
Other comprehensive income, net of tax	–	420	–	–	420
Net profit for the year	–	–	–	1,726	1,726
Comprehensive income for the year	**–**	**420**	**–**	**1,726**	**2,146**
Closing balance, 31 Dec 2018	**1,958**	**609**	**1,500**	**13,169**	**17,236**

[1] Retained earnings includes the Parent Company's statutory reserve, which is not distributable.

[2] Other pertains primarily to the revaluation of the liability to the owners of the remaining shares and warrants in the subsidiary Booli Search Technologies AB.

Condensed cash-flow statement

	GROUP		
	2019	2018	2018
SEK million	Jan–Sep	Jan–Sep	Jan–Dec
Opening cash and cash equivalents	**2,847**	**1,867**	**1,867**
OPERATING ACTIVITIES			
Interest and commissions paid/received	2,791	3,012	3,494
Outflows to suppliers and employees	–808	–731	–1,017
Taxes paid/refunded	–429	–405	–531
Change in assets and liabilities of operating activities	–1,972	3,196	–155
Cash flow from operating activities	**–418**	**5,072**	**1,791**
INVESTING ACTIVITIES			
Change in property, plant and equipment	–30	–6	–10
Change in intangible assets	–73	–59	–81
Acquisition of subsidiaries	–	–	–36
Cash flow from investing activities	**–103**	**–65**	**–127**
FINANCING ACTIVITIES			
Dividends paid	–690	–684	–684
Change in Tier 1 capital instrument	2,000	–	–
Repayment of lease liabilities	–20	–	–
Cash flow from financing activities	**1,290**	**–684**	**–684**
Increase/decrease in cash and cash equivalents	**769**	**4,323**	**980**
Closing cash and cash equivalents	**3,616**	**6,190**	**2,847**

CHANGE IN LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES

	GROUP									
			Non-cash items					Non-cash items		
SEK million	Opening balance, 1 Jan 2019	Cash flow	Fair value	Other	Closing balance, 30 Sep 2019	Opening balance 1 Jan 2018	Cash flow	Fair value	Other	Closing balance, 31 Dec 2018
Subordinated debt	4,946	–	–1	4	4,949	4,942	–	–2	6	4,946
Additional Tier 1 instruments	1,500	2,000	–	–	3,500	1,500	–	–	–	1,500
Total	**6,446**	**2,000**	**–1**	**4**	**8,449**	**6,442**	**–**	**–2**	**6**	**6,446**

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 (the Swedish FSA) 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 were 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.

Introduction of new accounting standards

IFRS 16 Leases

The new IFRS 16 standard has changed the lease classification criteria. IFRS 16 is applied from 1 January 2019. The new standard entails that all leases (with the exception of short-term and smaller leases) are to be recognised as right-of-use assets with corresponding liabilities in the lessee's balance sheet. The lease payments are recognised in profit or loss as depreciation of the leased asset and as an interest expense on the lease liability. Moreover, disclosure requirements will apply. The impact on SBAB's reporting stems from the recognition of lease contracts for premises. SBAB has chosen to apply IFRS 16 in the Group when there is no requirement to apply IFRS 16 to legal entities according to RFR 2.

Current property leases have been measured pursuant to IFRS 16, where the lease cost, the lease duration and the discount rate form the most material parameters. SBAB has used the marginal interest rate on borrowing as a discount rate, and it applies for the entire duration of the contract, including any indexing.

On transition on 1 January 2019, SBAB recognised, in its consolidated accounts, a tangible asset with respect to lease contracts identified pursuant to IFRS 16 of SEK 104 million according to the simplified approach, which means that the figures for last year have not been restated.

Other

All other accounting policies and calculation methods are unchanged in comparison with the 2018 Annual Report. These consolidated condensed financial statements have been prepared on a going concern basis. On 24 October 2019, the Board of Directors approved the consolidated condensed financial statements for publication.

Note 2 | Net result of financial transactions

	GROUP					
	2019	2019	2018	2019	2018	2018
SEK million	**Q3**	**Q2**	**Q3**	**Jan–Sep**	**Jan–Sep**	**Jan–Dec**
Gains/losses on interest-bearing financial instruments						
– Interest-bearing securities	0	–3	–35	–15	–113	–134
– Change in value of hedged items in hedge accounting	–485	–766	507	–1,768	301	53
– Realised gain/loss from financial liabilities	–23	–28	–28	–96	–112	–162
– Derivatives in hedge accounting	491	771	–514	1,796	–294	–39
– Other derivatives	14	3	38	51	118	165
– Loan receivables	6	38	14	62	38	62
Currency translation effects	1	0	–1	2	–11	–10
Total	**4**	**15**	**–19**	**32**	**–73**	**–65**

SBAB uses derivatives to manage interest-rate and currency risk in the Group's assets and liabilities. Derivatives are recognised at fair value in the balance sheet. SBAB's risk management and hedge accounting strategies entail that profit variations between periods may arise for individual items in the table above, as a result of changes in market interest rates, but that they are in general offset by profit variations in other items. Profit variations not neutralised through risk management and hedge accounting are commented on in the administration report.

Note 3 | Net credit losses

	GROUP					
	2019	2019	2018	2019	2018	2018
SEK million	**Q3**	**Q2**	**Q3**	**Jan–Sep**	**Jan–Sep**	**Jan–Dec**
Lending to the public						
Confirmed credit losses	–6	–4	–3	–12	–7	–11
Recoveries of previously confirmed credit losses	2	0	0	3	1	2
Change in provision for the period – credit stage 1	0	0	0	–5	–2	1
Change in provision for the period – credit stage 2	1	6	0	3	–2	–5
Change in provision for the period – credit stage 3	4	–3	4	2	26	25
Guarantees[1]	–1	0	–1	–1	0	–1
Net credit losses for the period – lending to the public	**0**	**–1**	**0**	**–10**	**16**	**11**
Loan commitments [2]						
Change in provision for the period – credit stage 1	–1	2	1	3	1	–2
Change in provision for the period – credit stage 2	1	–8	–1	–9	1	2
Change in provision for the period – credit stage 3	0	0	0	0	0	0
Net credit losses for the period – loan commitment	**0**	**–6**	**0**	**–6**	**2**	**0**
Total	**0**	**–7**	**0**	**–16**	**18**	**11**

[1] The item includes guarantees for loan commitments.

[2] Credit provisions for loan commitments are included in the "Provisions" item in the balance sheet.

For further information about definitions and assumptions for judgements and calculations of credit risk and the various credit stages under IFRS 9, refer to SBAB's 2018 Annual Report, Note G 1.

Note 4 | Lending to the public

SEK million	GROUP 30 Sep 2019	31 Dec 2018	30 Sep 2018
Opening balance	**364,215**	**335,168**	**335,168**
New lending for the year	55,479	74,264	54,519
Amortisation, write-offs, repayments, etc.	–41,471	–45,238	–31,720
Change in provision for expected credit losses[1)]	0	21	22
Closing balance	**378,223**	**364,215**	**357,989**

[1)] For further information, refer to Note 3 Change in provision for the period — credit stages 1, 2 and 3.

DISTRIBUTION OF LENDING, INCLUDING PROVISIONS

SEK million	GROUP 30 Sep 2019	31 Dec 2018	30 Sep 2018
Lending, Residential mortgages	287,754	276,734	269,447
Lending, Corporate Clients & Tenant-Owners' Associations	88,212	85,287	86,354
Lending, Consumer loans	2,257	2,194	2,188
Total	**378,223**	**364,215**	**357,989**

LENDING TO THE PUBLIC BY CREDIT STAGE

SEK million	GROUP 30 Sep 2019	31 Dec 2018	30 Sep 2018
Credit stage 1			
Gross lending	360,184	341,390	339,358
Provision	–31	–26	–29
Total	**360,153**	**341,364**	**339,329**
Credit stage 2			
Gross lending	17,862	22,689	18,480
Provision	–70	–73	–69
Total	**17,792**	**22,616**	**18,411**
Credit stage 3			
Gross lending	308	267	281
Provision	–30	–32	–32
Total	**278**	**235**	**249**
Total gross lending	**378,354**	**364,346**	**358,119**
Total provisions	**–131**	**–131**	**–130**
Total	**378,223**	**364,215**	**357,989**

For further information about definitions and assumptions for judgements and calculations of credit risk and the various credit stages under IFRS 9, refer to SBAB's 2018 Annual Report, Note G 1.

Note 5 | Derivatives

	GROUP					
	30 Sep 2019			31 Dec 2018		
SEK million	Assets measured at fair value	Liabilities measured at fair value	Total nominal value	Assets measured at fair value	Liabilities measured at fair value	Total nominal value
Interest-rate-related	9,020	1,737	395,920	2,890	858	337,013
Currency-related	9,708	88	110,881	5,423	481	104,386
Total	**18,728**	**1,825**	**506,801**	**8,313**	**1,339**	**441,399**

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

Note 6 | Operating segments

	GROUP						
	Jan–Sep 2019						
	Follow-up of operations				Reconciliation against the statutory income statement		
SEK million	Retail	Corporate Clients & Tenant-Owners' Associations	Other	Total	Administrative consultants	IFRS 16 Leases	Statutory profit
Net interest income	2,000	596	–	2,596	–	–	2,596
Commission income	41	19	–	60	–	–	60
Commission expense	–57	–15	–	–72	–	–	–72
Net result of financial transactions	–	20	12	32	–	–	32
Other operating income	28	0	0	28	–	–	28
Total operating income	**2,012**	**620**	**12**	**2,644**	**–**	**–**	**2,644**
Salaries and remuneration	–228	–55	–	–283	–	–	–283
Other personnel costs	–157	–41	–	–198	14	–	–184
Other expenses	–285	–61	–1	–348	–14	21	–362
Depreciation, amortisation and impairment of PPE and intangible assets	–25	–4	–2	–31	–	–21	–52
Net credit losses	–7	–9	–	–16	–	–	–16
Impairment of financial assets, net	0	0	0	0	–	–	0
Operating profit	**1,310**	**450**	**9**	**1,768**	**0**	**0**	**1,768**
Tax	–294	–102	–2	–398	–	–	–398
Profit after standardised tax	**1,016**	**348**	**6**	**1,370**	**0**	**0**	**1,370**
Return on equity, %	12.1	11.9	–	12.1	–	–	12.1

Cont. NOTE 6 Operating segments

	GROUP					
	Jan–Sep 2018					
	Follow-up of operations				Reconciliation against the statutory income statement	
SEK million	Retail	Corporate Clients & Tenant-Owners' Associations	Other	Total	Administrative consultants	Statutory profit
Net interest income	1,936	578	–	2,514	–	2,514
Commission income	38	16	–	54	–	54
Commission expense	–108	–13	–	–121	–	–121
Net result of financial transactions	0	11	–84	–73	–	–73
Other operating income	25	–	–	25	–	25
Total operating income	**1,891**	**592**	**–84**	**2,399**	**–**	**2,399**
Salaries and remuneration	–306	–81	–	–387	–	–387
Other personnel costs	–23	–7	–	–30	18	–12
Other expenses	–260	–53	–1	–314	–18	–332
Depreciation, amortisation and impairment of PPE and intangible assets	–18	–3	–	–21	–	–21
Net credit losses	–5	23	–	18	–	18
Impairment of financial assets, net	0	0	–	0	–	0
Operating profit	**1,279**	**471**	**–85**	**1,665**	**0**	**1,665**
Tax	–295	–109	20	–384	–	–384
Profit after standardised tax	**984**	**362**	**–65**	**1,281**	**0**	**1,281**
Return on equity, %	12.8	11.9	–	12.1	–	12,1

In relation to the statutory income statement, an expense of SEK 14 million (expense:18) was transferred between the rows “Other expenses” and “Other personnel costs.” The cost refers to administrative consultants, which pertain to “Other personnel costs” in the internal monitoring. IFRS 16 is not taken into account in the follow-up of operations. All expenses identified in IFRS 16, with the exception of the interest component, are to be considered as costs for premises. The effect of IFRS 16 on the Group is recognised in the reconciliation against the statutory income statement. For more information on IFRS 16, please refer to Note 1 and Note 12.

Note 7 | Classification of financial instruments

FINANCIAL ASSETS

SEK million	GROUP 30 Sep 2019: Financial assets measured at FVTPL: Fair value option	Financial assets measured at FVTPL: Derivatives in hedge accounting	Financial assets measured at FVTPL: Other (Obligatory) classification	Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total	Total fair value
Cash and balances at central banks	–	–	–	–	0	0	0
Chargeable treasury bills, etc.	1,150	–	–	3,135	23,330	27,615	27,621
Lending to credit institutions	–	–	–	–	3,616	3,616	3,616
Lending to the public	–	–	–	–	378,223	378,223	379,642
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	238	238	–
Bonds and other interest-bearing securities	2,406	–	–	34,061	18,844	55,311	54,965
Derivatives	–	18,296	432	–	–	18,728	18,728
Other assets	–	–	–	–	63	63	63
Prepaid expenses and accrued income	31	–	–	252	259	542	542
Total financial assets	**3,587**	**18,296**	**432**	**37,448**	**424,573**	**484,336**	**485,177**

FINANCIAL LIABILITIES

SEK million	GROUP 30 Sep 2019: Financial liabilities measured at FVTPL: Derivatives in hedge accounting	Financial liabilities measured at FVTPL: Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value
Liabilities to credit institutions	–	–	15,622	15,622	15,622
Deposits from the public	–	–	129,986	129,986	129,986
Issued debt securities, etc.	–	–	306,294	306,294	321,491
Derivatives	1,273	552	–	1,825	1,825
Other liabilities	–	–	622	622	622
Accrued expenses and deferred income	–	–	1,864	1,864	1,864
Subordinated debt	–	–	4,949	4,949	4,955
Total financial liabilities	**1,273**	**552**	**459,337**	**461,162**	**476,365**

Cont. NOTE 7 Classification of financial instruments

FINANCIAL ASSETS

	GROUP						
	31 Dec 2018						
	Financial assets measured at FVTPL						
SEK million	Fair value option	Derivatives in hedge accounting	Other (Obligatory) classification	**Financial assets measured at FVTOCI**	**Financial assets measured at amortised cost**	**Total**	**Total fair value**
Cash and balances at central banks	–	–	–	–	0	0	0
Chargeable treasury bills, etc.	3,371	–	–	6,180	11,353	20,904	20,900
Lending to credit institutions	–	–	–	–	2,847	2,847	2,847
Lending to the public	–	–	–	–	364,215	364,215	364,857
Value changes of interest-rate-risk hedged items in macro hedges	–	–	–	–	99	99	–
Bonds and other interest-bearing securities	3,866	–	–	35,258	11,821	50,945	50,969
Derivatives	–	8,157	156	–	–	8,313	8,313
Other assets	–	–	–	–	73	73	73
Prepaid expenses and accrued income	76	–	–	406	175	657	657
Total financial assets	**7,313**	**8,157**	**156**	**41,844**	**390,583**	**448,053**	**448,616**

FINANCIAL LIABILITIES

	GROUP				
	31 Dec 2018				
	Financial liabilities measured at FVTPL				
SEK million	Derivatives in hedge accounting	Held for trading	**Financial liabilities measured at amortised cost**	**Total**	**Total fair value**
Liabilities to credit institutions	–	–	6,607	6,607	6,607
Deposits from the public	–	–	124,926	124,926	124,926
Issued debt securities, etc.	–	–	290,795	290,795	292,997
Derivatives	927	412	–	1,339	1,339
Other liabilities	–	–	174	174	174
Accrued expenses and deferred income	–	–	1,757	1,757	1,757
Subordinated debt	–	–	4,946	4,946	4,956
Total financial liabilities	**927**	**412**	**429,205**	**430,544**	**432,756**

Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2018 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 at amortised cost 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							
	30 Sep 2019				31 Dec 2018			
SEK million	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Chargeable treasury bills, etc.	4,285	–	–	4,285	9,551	–	–	9,551
Bonds and other interest-bearing securities	36,466	–	–	36,466	39,124	–	–	39,124
Derivatives	–	18,728	–	18,728	–	8,313	–	8,313
Prepaid expenses and accrued income	283	–	–	283	482	–	–	482
Total	**41,035**	**18,728**	**–**	**59,763**	**49,157**	**8,313**	**–**	**57,470**
Liabilities								
Derivatives	–	1,825	–	1,825	–	1,339	–	1,339
Total	**–**	**1,825**	**–**	**1,825**	**–**	**1,339**	**–**	**1,339**

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1 (Accounting Policies) in SBAB's 2018 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 2018 or 2019.

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 at least an AA rating on acquisition. In addition to these collective limits, limits for individual issuers may also be set. The following table is reported according to the Swedish Bankers' Association's template for liquidity reserve disclosures.

Calculation of survival horizon

SBAB measures and stress tests liquidity risk 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 includes outflows from deposits under a stressed scenario. The survival horizon has been limited to a minimum of 180 days at the consolidated level at any given time. The survival horizon is calculated 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 and deposits decline. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. SBAB's survival horizon amounted to 339 days at 30 September 2019 (421 days at 30 June 2019).

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is defined in accordance with the European Commission Delegated Regulation with regard to liquidity coverage requirements and 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. At 30 September 2019, the LCR was 298% (274) in all currencies at the consolidated level, and 9,996% (1,513) and 296% (187), respectively, in EUR and USD. Measured in SEK, the LCR was 188% (182). For further information on the liquidity coverage ratio, refer to SBAB's report "Capital, liquidity and leverage disclosures, September 2019."

LIQUIDITY RESERVE

		GROUP									
		30 Sep 2019					31 Dec 2018				
			Distribution by currency					Distribution by currency			
SEK million		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
Level 1	**Level 1 assets**	**81.9**	**62.8**	**13.1**	**6.0**	–	**70.3**	**54.5**	**11.7**	**4.1**	–
	Cash and balances with central banks [1]	3.0	3.0	–	–	–	3.7	3,7	–	–	–
	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	30.7	21.8	5.8	3.1	–	25.0	16.8	5.8	2.4	–
	Securities issued by municipalites and PSEs	13.9	7.6	4.1	2.2	–	10.8	7.1	2.6	1.1	–
	Extremely high quality covered bonds	34.3	30.4	3.2	0.7	–	30.8	26.9	3.3	0.6	–
	Other assets	–	–	–	–	–	–	–	–	–	–
Level 2	**Level 2 assets**	**4.2**	**3.7**	**0.5**	–	–	**4.0**	**3.4**	**0.6**	–	–
	Level 2A assets	***4.2***	***3.7***	***0.5***	–	–	***4.0***	***3.4***	***0.6***	–	–
	Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	–	–	–	–	–	–	–	–	–	–
	High quality covered bonds	4.2	3.7	0.5	–	–	4.0	3.4	0.6	–	–
	Corporate debt securities (lowest rating AA-)	–	–	–	–	–	–	–	–	–	–
	Other assets	–	–	–	–	–	–	–	–	–	–
	Level 2B assets	–	–	–	–	–	–	–	–	–	–
	Asset-backed securities	–	–	–	–	–	–	–	–	–	–
	High quality covered bonds	–	–	–	–	–	–	–	–	–	–
	Corporate debt securities (rated A+ to BBB-)	–	–	–	–	–	–	–	–	–	–
	Shares (major stock index)	–	–	–	–	–	–	–	–	–	–
	Other assets [1]	–	–	–	–	–	–	–	–	–	–
Liquidity reserve		**86.1**	**66.5**	**13.6**	**6.0**	–	**74.3**	**57.9**	**12.3**	**4.1**	–

[1] Includes central bank facilities

Note 10 | Capital adequacy, own funds and capital requirements

The EU Official Journal has on June 7 published amendments to the Capital Requirements Regulation, the Capital Requirements Directive and the Bank Recovery & Resolution Directive (the 'Banking Package') which entered info force on June 27, 2019. The Banking Package includes changes to capital requirements and changes in the loss-absorbing and recapitalisation capacity of credit institutions. Most of the changes will apply from June 28, 2021.

In addition, changes to the Capital Requirements Regulation have been adopted on April 26, 2019 which relate to a deduction in own funds for new loans that have become non-performing. The deduction should act as a backstop for non-performing loans.

CAPITAL ADEQUACY[1)]

	CONSOLIDATED SITUATION		
SEK million	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**
CET1 capital	14,812	14,263	13,916
Tier 1 capital	19,812	17,263	16,916
Total capital	23,262	20,713	20,367
Risk exposure amount	121,241	114,141	44,194
CET1 capital ratio, %	12.2	12.5	31.5
Excess [2)] of CET1 capital	9,356	9,127	11,928
Tier 1 capital ratio, %	16.3	15.1	38.3
Excess [2)] of Tier 1 capital	12,537	10,415	14,265
Total capital ratio, %	19.2	18.1	46.1
Excess [2)] of total capital	13,563	11,582	16.832

1) From the end of 2018, the risk-weight floor for residential mortgages has affected risk exposure amount, excess capital and capital ratios.

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

The Swedish FSA's decision regarding the shift of the risk-weight floor for residential mortgages
In August 2018, the Swedish FSA decided to apply the existing risk-weight floor for mortgages applied in Pillar 2 as a requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The amendment entered into force from 31 December 2018 and applies for two years.

The change means the capital requirement is set as a requirement in Pillar 1. The credit institutions encompassed by the measure are those authorised to use the IRB approach and which have exposures to Swedish residential mortgages. The branches of foreign credit institutions in Sweden that are exposed to Swedish residential mortgages and which apply the IRB approach for these may also be affected. The following calculation shows what the actual outcome would have been if the risk-weight floor had not been moved to Pillar 1.

OUTCOME PRIOR TO THE MOVE OF THE RISK-WEIGHT FLOOR FOR MORTGAGES

	CONSOLIDATED SITUATION		
SEK million	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**
Risk exposure amount, SEK million	46,670	43,422	44,194
CET1 capital ratio, %	31.7	32.8	31.5
Tier 1 capital ratio, %	42.5	39.8	38.3
Total capital ratio, %	49.8	47.7	46.1

1) The table illustrates what the capital situation would have been if the risk-weight floor had not been moved. This information is solely for comparative purposes.

Cont. NOTE 10 Capital adequacy, own funds and capital

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 1423/2013, Annex V.

OWN FUNDS

	CONSOLIDATED SITUATION		
SEK million	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	12,400	11,443	11,452
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	3,193	609	–248
Additional Tier 1 instruments	3,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend [1]	831	1,041	771
CET1 capital before regulatory adjustments	**21,882**	**16,551**	**15,433**
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	–62	–59	–61
Intangible assets (net of related tax liability) (negative amount)	–165	–126	–116
Fair value reserves related to gains or losses on cash-flow hedges	–3,246	–488	248
Negative amounts resulting from the calculation of expected loss amounts	–81	–50	–59
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–16	–65	–29
Additional Tier 1 instruments in equity	–3,500	–1,500	–1,500
Total regulatory adjustments to CET1 capital	**–7,070**	**–2,288**	**–1,517**
CET1 capital		**14,263**	**13,916**
Additional Tier 1 capital: Instrument			
Capital instruments and the related share premium accounts	5,000	3,000	3,000
of which, classified as equity under applicable accounting standards	*3,500*	*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	–	–	–
Additional Tier 1 capital before regulatory adjustments	**5,000**	**3,000**	**3,000**
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	–	–	–
Additional Tier 1 capital	**5,000**	**3,000**	**3,000**
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	**19,812**	**17,263**	**16,916**
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	3,447	3,447	3,447
Credit risk adjustments	3	3	4
Tier 2 capital before regulatory adjustments	**3,450**	**3,450**	**3,451**
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	**3,450**	**3,450**	**3,451**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**23,262**	**20,713**	**30,367**
Total risk-weighted assets	**121,241**	**114,141**	**44,194**

Cont. NOTE 10 Capital adequacy, own funds and capital

SEK million	30 Sep 2019	31 Dec 2018	30 Sep 2018
	CONSOLIDATED SITUATION		
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	12.2	12.5	31.5
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	16.3	15.1	38.3
Total capital (as a percentage of total risk-weighted exposure amount), %	19.2	18.1	46.1
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	9.5	9.0	9.0
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 buffer requirement, %	*2.5*	*2.0*	*2.0*
of which, systemic risk buffer requirement, %	–	–	–
of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	7.7	8.0	27.0
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

[1] Net profit for the interim period was reduced by the expected dividend of SEK 548 million based on Q3 2019. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

Cont. NOTE 10 Capital adequacy, own funds and capital

At the start of 2019, SBAB's Board decided to apply Article 3 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) for corporate exposures to small and medium-sized enterprises. The aim is to compensate for the current pro-cyclical effect that exists in the bank's internal models for credit risk, which has resulted in PD declining in line with the favourable economic climate. As a result, the bank has introduced a capital surcharge of SEK 63 million under Pillar 1, since 31 March 2019.

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

	CONSOLIDATED SITUATION					
	30 Sep 2019		31 Dec 2018		30 Sep 2018	
SEK million	**REA**	**Capital requirement**	**REA**	**Capital requirement**	**REA**	**Capital requirement**
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	12,736	1,019	12,128	970	12,000	960
Retail exposures	12,267	981	12,096	968	13,083	1,047
of which, exposures to SMEs	*825*	*66*	*829*	*67*	*843*	*68*
of which, retail exposures secured by immovable property	*11,442*	*915*	*11,267*	*901*	*12,240*	*979*
Total exposures recognised with the IRB approach	**25,003**	**2,000**	**24,224**	**1,938**	**25,083**	**2,007**
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	169	14
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions [1]	4,386	351	3,777	302	3,479	278
of which, derivatives according to CRR, Appendix 2	*4,326*	*346*	*3,776*	*302*	*3,394*	*271*
of which, repos	*59*	*5*	*0*	*0*	*85*	*7*
of which, other	*1*	*0*	*1*	*0*	*0*	0
Retail exposures	2,284	183	2,236	179	2,192	175
Exposures in default	8	1	10	1	10	1
Exposures in the form of covered bonds	3,711	297	3,593	287	3,622	290
Exposures to institutions and corporates with a short-term credit rating	30	2	16	1	36	3
Equity exposures	1,266	101	1,116	89	1,078	86
Other items	508	41	227	18	319	26
Total exposures recognised with standardised approach	**12,193**	**976**	**10,975**	**877**	**10,905**	**873**
Market risk	**985**	**79**	**999**	**80**	**966**	**77**
Of which, position risk	–	–	–	–	–	–
Of which, currency risk	*985*	*79*	*999*	*80*	*966*	*77*
Operational risk	**4,854**	**388**	**4,339**	**347**	**4,339**	**347**
Of which, standardised approach	*4,854*	*388*	*4,339*	*347*	*4,339*	*347*
Credit valuation adjustment risk (CVA risk)	**2,842**	**227**	**2,885**	**231**	**2,901**	**232**
Additional requirements under Article 458 of the CRR	**74,572**	**5,966**	**70,719**	**5,658**	–	–
Additional requirements under Article 3 of the CRR	**792**	**63**	–	–	–	–
Total risk exposure amount and minimum capital requirements	**121,241**	**9,699**	**114,141**	**9,131**	**44,194**	**3,536**
Capital requirements for capital conservation buffer		**3,031**		**2,854**		**1,105**
Capital requirements for countercyclical buffer		**3,014**		**2,266**		**877**
Total capital requirements		**15,744**		**14,251**		**5,518**

[1] The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,385 million (3,776).

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 17,192 million (SEK 16,052 million at 31 December 2018). The internal capital requirement is assessed using SBAB's internal models for economic capital and is not fully comparable to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumtions and methodologies, mainly within market risk approach. SBAB estimates that the Swedish FSA's expected total capital requirement as of 30 September 2019 amounted to SEK 17,944 million, of which SEK 2,200 million comprised capital requirement in Pillar 2. The Swedish FSA will publish updated capital requirements of the largest Swedish banks and credit institutions that belong to supervisory categories 1 and 2 as of the end of Q3 2019 during November.

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.

		CONSOLIDATED SITUATION			
		30 Sep 2019		31 Dec 2018	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %
Pillar 1	Credit risk & CVA risk	3,203	2.6	3,046	2.6
	Market risk	79	0.1	80	0.1
	Operational risk	388	0.3	347	0.3
	Risk-weight floor[1]	5,966	4.9	5,658	5.0
	Surcharge, corporate exposures [2]	63	0.1	–	–
	Total Pillar 1	**9,699**	**8.0**	**9,131**	**8.0**
Pillar 2	Credit risk [3]	–	–	–	–
	Market risk	502	0.4	781	0.7
	Operational risk	–	–	–	–
	Concentration risk	884	0.7	968	0.8
	Sovereign risk	62	0.1	52	0.1
	Pension risk	–	–	–	–
	Total Pillar 2	**1,448**	**1.2**	**1,801**	**1.6**
Buffers	Capital conservation buffer	3,031	2.5	2,854	2.5
	Capital planning buffer	–	–	–	–
	Countercyclical buffer	3,014	2.5	2,266	2.0
	Total Buffers	**6,045**	**5.0**	**5,120**	**4.5**
Total		**17,192**	**14.2**	**16,052**	**14.1**
Total own funds		**23,262**	**–**	**20,713**	**–**

[1] Pillar 1 risk-weight floor under Article 458 of the CRR.

[2] Surcharge after decision by the Board pursuant to Article 3 of the CRR.

[3] 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.

Note 12 | Effect of changes in accounting policies

TRANSITION EFFECT OF INITIAL APPLICATION OF IFRS 16 IN THE BALANCE SHEET, 1 JANUARY 2019

	GROUP		
SEK million	Previous accounting policies, IAS 17	Transition effect, IFRS 16	IFRS 16
ASSETS			
Cash and balances at central banks	0	–	0
Chargeable treasury bills, etc.	20,904	–	20,904
Lending to credit institutions	2,847	–	2,847
Lending to the public	364,215	–	364,215
Value changes of interest-rate-risk hedged items in macro hedges	99	–	99
Bonds and other interest-bearing securities	50,945	–	50,945
Derivatives	8,313	–	8,313
Intangible assets	234	–	234
Property, plant and equipment	16	104	120
Other assets	73	–	73
Prepaid expenses and accrued income	709	–7	702
TOTAL ASSETS	**448,355**	**97**	**448,452**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	6,607	–	6,607
Deposits from the public	124,926	–	124,926
Issued debt securities, etc.	290,795	–	290,795
Derivatives	1,339	–	1,339
Other liabilities	384	97	481
Accrued expenses and deferred income	1,790	–	1,790
Deferred tax liabilities	194	–	194
Provisions	138	–	138
Subordinated debt	4,946	–	4,946
Total liabilities	**431,119**	**97**	**431,216**
Equity			
Share capital	1,958	–	1,958
Reserves/Fair value reserve	609	–	609
Additional Tier 1 instruments	1,500	–	1,500
Retained earnings	11,443	–	11,443
Net profit for the year	1,726	–	1,726
Total equity	**17,236**	**–**	**17,236**
TOTAL LIABILITIES AND EQUITY	**448,355**	**97**	**448,452**

In the Annual Report 2018, SBAB disclosed future contractual rent payments of SEK 330 million in accordance with IAS 17. The transition to IFRS 16 has entailed the recognition of a material asset of SEK 104 million in the balance sheet. The difference between IAS 17 and IFRS 16 primarily pertains to a longer rental agreement with planned occupancy at the end of 2020 and variable rental expenses.

Parent Company

Trend for January–September 2019 compared with January–September 2018

The operating profit for the period was SEK 3,370 million (116) mainly as a result of the retroactive dividend of SEK 3 billion from the subsidiary SCBC during the beginning of 2019, but also a higher net interest income. Net interest income rose to SEK 455 million (199), primarily attributable to an upswing in customer and market rates as well as lower guarantee fees. Net income from financial transactions increased to SEK 8 million (expense: 46) and was mainly attributable to the revaluation of credit risk in derivatives. Other operating income rose to SEK 757 million (646), and mainly comprised fees from SCBC for administrative services in line with the applicable outsourcing agreements. Expenses grew to SEK 878 million (769), mainly due to higher personnel and IT costs. Credit losses totalled SEK 11 million (recoveries: 44), mainly as a result of the internal movement of credit impaired loans from SBAB to SCBC due to the transition to IFRS 9 and recoveries of previous impairments during the comparative period. Lending to the public amounted to SEK 22,5 billion (23.6). Deposits from the public amounted to SEK 130.0 billion (120.5). The CET1 capital ratio was 23.3% (19.8) and the total capital ratio was 45.1% (39.6). The internally assessed capital requirement was SEK 6,220 million (5,206).

Condensed income statement

	PARENT COMPANY					
	2019	2019	2018	2019	2018	2018
SEK million	Q3	Q1	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Interest income	495	481	377	1,443	1,017	1,399
Interest expense	–337	–339	–272	–988	–818	–1,106
Net interest income	**158**	**142**	**105**	**455**	**199**	**293**
Dividends received	–	–	–	3,000	–	–
Commission income	23	23	15	64	61	100
Commission expense	–7	–10	–7	–25	–19	–25
Net result of financial transactions	6	3	0	8	–46	–45
Other operating income	247	262	214	757	646	896
Total operating income	**427**	**414**	**327**	**4,259**	**841**	**1,219**
Personnel costs	–155	–154	–130	–458	–390	–533
Other expenses	–122	–138	–121	–408	–372	–525
Depreciation, amortisation and impairment of PPE and intangible assets	–6	–3	–2	–12	–7	–11
Total expenses before credit losses	**–283**	**–295**	**–253**	**–878**	**–769**	**–1,069**
Profit/loss before credit losses	**144**	**119**	**74**	**3,381**	**72**	**150**
Net credit losses	–1	–9	0	–11	44	37
Impairment of financial assets	1	–2	0	–3	0	–1
Reversals of impairment of financial assets	1	2	0	3	0	0
Operating profit	**143**	**110**	**74**	**3,370**	**116**	**186**
Tax	–38	–30	–22	–101	–43	–63
Net profit for the period	**105**	**80**	**52**	**3,269**	**73**	**123**

Condensed statement of comprehensive income

	PARENT COMPANY					
	2019	2019	2018	2019	2018	2018
SEK million	Q3	Q1	Q3	Jan–Sep	Jan–Sep	Jan–Dec
Net profit/loss for the period	**105**	**80**	**52**	**3,269**	**73**	**123**
Other comprehensive income						
Components that will be reclassified to profit or loss						
Financial assets measured at FVTOCI	–66	–11	–249	–42	–198	–63
Changes related to cash-flow hedges	36	111	–51	211	24	142
Tax attributable to components that will be reclassified to profit or loss	7	–22	66	–36	38	–15
Other comprehensive income, net of tax	**–23**	**78**	**–234**	**133**	**–136**	**64**
Total comprehensive income for the period	**82**	**158**	**–182**	**3,402**	**–63**	**187**

In Q3 2019, interest income on financial assets measured at amortised cost, calculated using the effective-interest method, amounted to SEK 458 million (474) for the Parent Company.

Condensed balance sheet

SEK million	PARENT COMPANY 30 Sep 2019	31 Dec 2018	30 Sep 2018
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills, etc.	27,615	20,904	31,189
Lending to credit institutions (Note 13)	104,653	93,262	89,010
Lending to the public	22,521	24,845	23,605
Bonds and other interest-bearing securities	55,311	50,945	50,572
Derivatives	18,800	8,762	8,948
Shares and participations in Group companies	10,401	10,389	10,386
Intangible assets	23	26	27
Property, plant and equipment	38	15	13
Other assets	34	47	60
Prepaid expenses and accrued income	660	740	667
TOTAL ASSETS	**240,056**	**209,935**	**214,477**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	15,567	6,607	8,161
Deposits from the public	129,986	124,926	120,483
Issued debt securities, etc.	57,004	56,021	63,477
Derivatives	17,727	7,964	7,701
Other liabilities	556	303	349
Accrued expenses and deferred income	732	302	787
Deferred tax liabilities	97	62	12
Provisions	13	7	5
Subordinated debt	4,949	4,946	4,945
Total liabilities	**226,631**	**201,138**	**205,920**
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	354	222	23
Additional Tier 1 instruments	3,500	1,500	1,500
Retained earnings	3,952	4,602	4,611
Net profit for the period	3,296	123	73
Total unrestricted equity	**11,075**	**6,447**	**6,207**
Total equity	**13,425**	**8,797**	**8,557**
TOTAL LIABILITIES AND EQUITY	**240,056**	**209,935**	**214,477**

Note 13 | Lending to credit institutions

Of the Parent Company's lending to credit institutions at 30 September 2019, SEK 101,037million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 90,414 million at the end of 2018. 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 14 | Capital adequacy, own funds and capital requirements — Parent Company

CAPITAL ADEQUACY[1)]

	PARENT COMPANY		
SEK million	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**
CET1 capital	9,003	6,398	6,468
Tier 1 capital	14,003	9,398	9,468
Total capital	17,451	12,845	12,915
Risk exposure amount	38,696	36,404	32,618
CET1 capital ratio, %	23.3	17.6	19.8
Excess [2)] of CET1 capital	7,262	4,760	5,000
Tier 1 capital ratio, %	36.2	25.8	29.0
Excess[2)] of Tier 1 capital	11,682	7,214	7,511
Total capital ratio, %	45.1	35.3	39.6
Excess[2)] of total capital	14,355	9,933	10,305

[1)] The risk-weight floor for residential mortgages has affected the risk exposure amount, excess capital and capital ratios.
[2)] Excess capital has been calculated based on minimum requirements (without buffer requirements)

The Swedish FSA's decision regarding the shift of the risk-weight floor for residential mortgages
In August 2018, the Swedish FSA decided to apply the existing risk-weight floor for mortgages applied in Pillar 2 as a requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The amendment entered into force from 31 December 2018 and applies for two years.

The change means the capital requirement is set as a requirement in Pillar 1. The credit institutions encompassed by the measure are those authorised to use the IRB approach and which have exposures to Swedish residential mortgages. The branches of foreign credit institutions in Sweden that are exposed to Swedish residential mortgages and which apply the IRB approach for these may also be affected. The following calculation shows what the actual outcome would have been if the risk-weight floor had not been moved to Pillar 1.

OUTCOME PRIOR TO THE MOVE OF THE RISK-WEIGHT FLOOR FOR MORTGAGES [1)]

	PARENT COMPANY		
SEK million	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**
REA, SEK million	34,505	33,360	32,618
CET1 capital ratio, %	26.1	19.2	19.8
Tier 1 capital ratio, %	40.6	28.2	29.0
Total capital ratio, %	50.6	38.5	39.6

[1)] The table illustrates what the capital situation would have been if the risk-weight floor had not been moved. This information is solely for comparative purposes.

Cont. NOTE 14 Capital adequacy, own funds and capital requirements — Parent

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 1423/2013, Annex V.

OWN FUNDS

	PARENT COMPANY		
SEK million	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	4,344	4,993	5,002
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	354	222	23
Additional Tier 1 instruments	3,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend [1]	2,721	–567	–439
CET1 capital before regulatory adjustments	**12,877**	**8,106**	**8,044**
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	–88	–76	–67
Intangible assets (net of related tax liability) (negative amount)	–23	–25	–27
Fair value reserves related to gains or losses on cash-flow hedges	–197	–31	61
Negative amounts resulting from the calculation of expected loss amounts	–50	–11	–14
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–16	–65	–29
Additional Tier 1 instruments in equity	–3,500	–1,500	–1,500
Total regulatory adjustments to CET1 capital	**–3,874**	**–1,708**	**–1,576**
CET1 capital	**9,003**	**6,398**	**6,468**
Additional Tier 1 capital: Instruments			
Capital instruments and the related share premium accounts	5,000	3,000	3,000
of which, classified as equity under applicable accounting standards	*3,500*	*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	–	–	–
Additional Tier 1 capital before regulatory adjustments	**5,000**	**3,000**	**3,000**
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	–	–	–
Additional Tier 1 capital	**5,000**	**3,000**	**3,000**
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	**14,003**	**9,398**	**9,468**
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	3,447	3,447	3,447
Credit risk adjustments	1	–	–
Tier 2 capital before regulatory adjustments	**3,448**	**3,447**	**3,447**
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	**3,448**	**3,447**	**3,447**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**17,451**	**12,845**	**12,915**
Total risk-weighted assets	**38,696**	**36,404**	**32,618**

Cont. **NOTE 14** Capital adequacy, own funds and capital requirements — Parent

	PARENT COMPANY		
SEK million	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	23.3	17.6	19.8
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	36.2	25.8	29.0
Total capital (as a percentage of total risk-weighted exposure amount), %	45.1	35.3	39.6
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	9,5	9.0	9.0
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 buffer requirement, %	*2.5*	*2.0*	*2.0*
of which, systemic risk buffer requirement, %	–	–	–
of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	18.8	13.1	15.3
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 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 548 million based on Q3 2019. The interim results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation. Furthermore, the interim results have since February 2019 been affected by an extra dividend of SEK 3,000 million been paid by SCBC to the Parent Company pursuant to the resolution by the EGM.

Cont. NOTE 14 Capital adequacy, own funds and capital requirements – Parent

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

	PARENT COMPANY					
	30 Sep 2019		31 Dec 2018		30 Sep 2018	
SEK million	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	6,930	555	7,087	567	6,575	526
Retail exposures	902	72	743	59	904	72
of which, exposures to SMEs	*81*	*6*	*59*	*5*	*72*	*6*
of which, retail exposures secured by immovable property	*821*	*66*	*684*	*54*	*832*	*66*
Total exposures recognised with the IRB approach	**7,832**	**627**	**7,830**	**626**	**7,479**	**598**
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]	4,278	342	3,751	300	3,361	269
of which, derivatives according to CRR, Appendix 2	*4,228*	*338*	*3,723*	*298*	*3,313*	*265*
of which, repos	13	1	–	–	20	2
of which, other	*36*	*3*	*28*	*2*	*28*	*2*
Retail exposures	2,284	183	2,236	179	2,192	175
Exposures in default	8	1	10	1	10	1
Exposures in the form of covered bonds	3,711	297	3,593	287	3,622	290
Exposures to institutions and corporates with a short-term credit rating	30	2	16	1	16	1
Equity exposures	11,566	925	11,416	913	11,378	910
Other items	115	9	83	7	80	7
Total exposures recognised with standardised approach	**21,992**	**1,759**	**21,105**	**1,688**	**20,659**	**1,653**
Market risk	**101**	**8**	**248**	**20**	**306**	**24**
Of which, position risk	–	–	–	–	–	–
Of which, currency risk	*101*	*8*	*248*	*20*	*306*	*24*
Operational risk	**1,813**	**145**	**1,412**	**113**	**1,412**	**113**
Of which, standardised approach	*1,813*	*145*	*1,412*	*113*	*1,412*	*113*
Credit valuation adjustment risk (CVA risk)	**2,591**	**207**	**2,765**	**221**	**2,762**	**221**
Additional requirements under Article 458 of the CRR	**4,191**	**335**	**3,044**	**244**	**–**	**–**
Additional requirements under Article 3 of the CRR	**176**	**14**	**–**	**–**	**–**	**–**
Total minimum capital requirements and risk exposure amount	**38,696**	**3,096**	**36,404**	**2,912**	**32,618**	**2,609**
Capital requirements for capital conservation buffer		**967**		**910**		**815**
Capital requirements for countercyclical buffer		**960**		**722**		**646**
Total capital requirements		**5,023**		**4,544**		**4,070**

[1] The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,241million (3,723).

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, 24 October 2019

Klas Danielsson
CEO

Contact
For further information, please contact:

Klas Danielsson, CEO
+46 8 614 43 01
klas.danielsson@sbab.se

Mikael Inglander
CFO, +46 8 614 43 28
mikael.inglander@sbab.se.

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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.

This information was submitted for publication on 25 October 2019 at 8:00 a.m. (CET).

Financial calendar

Year-end Report 2019	14 February 2020
Interim Report Jan-Mar 2020	29 April 2020
Interim Report Jan-Jun 2020	17 July 2020
Interim Report Jan-Sep 2020	23 October 2020
Year-end Report 2020	11 February 2021

The Annual General Meeting will be held 28 April 2020 in Solna.

Credit rating

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

Alternative performance measures

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

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

New lending

Definition: Gross lending for the period.

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

Deposits/lending

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

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

	GROUP	
SEK billion	**30 Sep 2019**	**31 Dec 2018**
Deposits from the public	130.0	124.9
Lending to the public	378.2	364.2
Deposits/lending, %	**34.4**	**34.3**

Credit loss ratio

Definition: Credit losses for the period (annualised) in relation to total lending (closing balance).

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

	GROUP	
SEK million	**Jan–Sep 2019**	**Jan–Dec 2018**
Credit losses	–16	11
Lending to the public	378,223	364,215
Credit loss ratio, %	**–0.01**	**0.00**

Return on equity

Definition: Profit after tax for the period (annualised) in relation to average equity (calculated using the opening and closing balances for the reporting period), after adjustment for additional Tier 1 instruments and value changes in financial assets recognised in equity.

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

	GROUP	
SEK million	**Jan–Sep 2019**	**Jan–Dec 2018**
Operating profit after tax	1,370	1,726
Average equity	15,080 [1]	14,283 [2]
Return on equity, %	**12.1**	**12.1**

[1] Average equity has been adjusted for the dividend of SEK 690 million for 2018.
[2] Average equity has been adjusted for the dividend of SEK 684 million for 2017.

Net interest margin

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

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

	GROUP	
SEK million	**Jan–Sep 2019**	**Jan–Dec 2018**
Net interest income	2,596	3,362
Average balance sheet total	466,609	432,571
Net interest margin, %	**0.74**	**0.78**

C/I ratio

Definition: Total expenses before credit losses for the period in relation to total operating income for the period.

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

	GROUP	
SEK million	**Jan–Sep 2019**	**Jan–Dec 2018**
Total expenses before credit losses	860	1,049
Total operating income	2,644	3,280
C/I ratio, %	**32.5**	**32.0**

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 in accordance with the European Commission's Delegated Regulation EU (2015/61) with regard to liquidity coverage requirements
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