

★ HOUSEHOLD FINANCES ARE ★

REALLY FUN!

Annual Report 2017

SBAB!

SBAB IN BRIEF

We started our operations in 1985 and are wholly owned by the Swedish state. Our business idea is to be mindful and innovative in our offering of loan and savings products to consumers, tenant-owners' associations and property companies in Sweden.

Two business areas

Retail

The Retail business area offers savings and loan products as well as home and housing-related services to consumers. The core product is residential mortgages. We have no traditional bank branches, which means that our products and services are offered online or by telephone. Our retail customers are primarily located in areas around Stockholm, Gothenburg, Malmö, and other university cities and growth regions.

255,000 residential mortgage customers

298,000 savings customers

Corporate Clients & Tenant-Owners' Associations

The Corporate Clients & Tenant-Owners' Associations business area offers savings and housing financing primarily to property companies and tenant-owners' associations. Our credit granting in the Corporate Clients & Tenant-Owners' Associations business area is concentrated to growth regions surrounding our three offices in Stockholm, Gothenburg and Malmö.

2,400 corporate clients and tenant-owners' associations

13,600 savings customers

Lending to the public

SEK **335** billion

2016: SEK 296 billion

Deposits from the public

SEK **112** billion

2016: SEK 97 billion

High customer satisfaction

Retail: ¹⁾	Corporate: ¹⁾
2017 3rd	2017 2nd
2016 1st	2016 2nd
2015 1st	2015 2nd

¹⁾ According to Swedish Quality Index

... healthy profitability

12.5%

Return on equity

... high cost-efficiency

30.3%

C/I ratio

... low risk

+0.01%

Loan loss ratio

Total of
530
employees

Karlstad, our largest office in terms of numbers of employees, is the location of our Customer Centre and Operations.

Karlstad 256

Our Head Office in Solna, just outside Stockholm, is the main location of our central functions and Tech. Our subsidiary, Booli, is located in Stockholm.

Stockholm 25
Solna 234

Gothenburg 7

In Gothenburg, there are local account managers serving the Corporate Clients & Tenant-Owners' Associations business area.

Malmö 8

In Malmö, there are local account managers serving the Corporate Clients & Tenant-Owners' Associations business area.

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The Annual Report is submitted by the Board of Directors and applies a clear and integrated approach, which entails that information related to sustainability is integrated into financial information. The Annual Report has been prepared in accordance with the GRI Standards: Core option. It also constitutes SBAB's Communication on Progress (COP) to the UN Global Compact, a sustainability report in accordance with the Swedish Annual Accounts Act and information on how SBAB contributes to Agenda 2030 and the Sustainable Development Goals. For additional information about the Annual Report and the reporting principles, see page 135.

The table of contents has been colour-coded to show which pages have been audited and which pages have been reviewed by the auditors. The Corporate Governance Report has been subject to a statutory review by the company's auditor.



THE ANNUAL REPORT HAS BEEN AUDITED.



THE SUSTAINABILITY REPORT HAS BEEN SUBJECT TO A LIMITED ASSURANCE ENGAGEMENT.



WE SUPPORT

REVIEW OF 2017



For the first time,
total deposits exceeds

SEK 100 billion

SBAB's appealing deposit offering continues to attract savings from consumers and corporate clients. For the first time, the total volume of deposits exceeds SEK 100 billion.

 [READ MORE ON PAGE 38.](#)

Moody's
raises SBAB's
long-term credit rating
from A2 to **A1**

Moody's raises SBAB's long-term rating from A2 (positive outlook) to A1 (stable outlook), stating reasons including SBAB's improved profitability and financing structure.

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Communications during the year, with a focus on making housing quality and household finances fun, culminate at SBAB's star-packed comedy show – "Household finances are really fun!" – at the Stockholm Globe Arena with more than 10,000 spectators.

 [READ MORE ON PAGE 27.](#)



Net interest income:

SEK **3,149** million
2016: SEK 2,829 million

Expenses:

SEK **959** million
2016: SEK 889 million

Loan losses:

Recovery: SEK **24** million
2016: Loss: SEK 18 million

Q2

SBAB challenges competitors by reducing the mortgage rate

In view of the high margins on residential mortgages, we conclude that there is scope to reduce the list rate for residential mortgages by 0.10 percentage points for the two shortest maturities, three months and one year. The reduction matches our ambition of being responsible and transparent.

 READ MORE ON PAGE 23.

Launch of Mitt boende

In line with our strategic transition towards housing quality and household finances, Mitt boende (My Home) is launched, a service that provides SBAB's residential mortgage customers with an overview of mortgages, housing and the housing market, all at the same place.

 READ MORE ON PAGE 26.

Q3

SBAB's second green bond

SBAB's second green bond is issued. Demand for the issue is considerable and it is rapidly oversubscribed.

 READ MORE ON PAGE 28.



Decision on four strategically important Sustainable Development Goals which, as of now, are integrated in our sustainable governance model.

 READ MORE ON PAGE 11.

Operating profit:

SEK **2,228** million
2016: SEK 2,011 million

CET1 capital ratio:

32.2%
2016: 32.2%

HOUSEHOLD FINANCES ARE REALLY FUN!

All in all, 2017 was our strongest year ever. Growth, business volumes, revenue and earnings were at record levels. Our customers were very satisfied, we became an increasingly attractive workplace and we strengthened our brand. At the same time, it has become clearer that the challenges we face in the future are major ones, as the market and our customers' expectations are changing at an increasingly rapid pace.

There is a very strong trend toward responsibility and sustainable enterprise in the market, as well as in our customers' expectations. Over the year, we reviewed our governance and strategy with regard to business and sustainability goals, with the intent of creating a clear, integrated governance model for our operations. And we succeeded. We are now working fully on conducting all our operations with a sustainability focus. Our operations are based on our mission: to help improve housing quality and household finances. Starting in 2018, we are pushing our operations towards three overall target areas that define our vision: to offer the best residential mortgages in Sweden. These target areas are Responsibility and transparency, Attractive workplace, and Sound finances. We have also selected four of the UN's 17 Sustainable Development Goals in Agenda 2030 that we consider particularly important and relevant for our operations. These four goals are now a part of our governance model. I also endorse our support of the UN Global Compact and its ten principles in the areas of human rights, labour rights, the environment and corruption.

Responsibility and transparency

We want to have Sweden's most satisfied customers according to Swedish Quality Index (SKI). We have tremendously satisfied customers, but we didn't make it the whole way in 2017. After three years in a row in first place, we came third as regards residential mortgage customers. As regards lending to property companies, we placed third for the second year in a row. All in all, this is a very good result for our retail customers and corporate clients, but we are not satisfied. We want to be No. 1.

We are appreciated for our simplicity, consideration and transparency in our customer offering. During the year, we grew so vigorously and attracted so many new retail customers that we had no time to expand the capacity of our customer centre. This resulted in a decline in our service level, which affected customer satisfaction. The focus for 2018 will be on ensuring a high level of service and on strengthening our customer experience both digitally and over the telephone. One of the major challenges over the next few years is developing a customer offering that actually merits a customer relationship in the increasingly intense competition with several other players who offer innovative digital financial services. The increased strategic value of the customer relationship resulted in our termination of our last residential mortgage brokerage partnerships with other banks, in which the customer relationship was held by the other bank.

Our strategy for increased customer value and strengthened customer relationships is a customer offering in housing quality and household finances. During 2017, we launched the first version of the "Mitt boende" service, which provides our residential mortgage customers with an overview of mortgages, housing and the housing market, all at the same place. During the year, we also launched our bank app — which has received high ratings — and our "Räntematchen" service. Räntematchen is an innovative service built on the open banking concept, in which we automatically retrieve customers' residential mortgage information from other banks and match the mortgage rate with what SBAB can offer. Developing innovative services, and continually testing and further improving our customer offering at the

rapid pace the market and our customers demand, requires modern, flexible systems. That is why our major IT project, in which we intend over a number of years to replace our old base system with new and modern solutions, is under way. Over the next few years, we expect to drastically increase our capacity for innovation and development, which will result in both increased customer value and increased efficiency.

SBAB's brand is strong and filled with prestige, confidence and security. These values are extremely important. Also important for long-term customer relationships is that SBAB is, and is felt to be, innovative, value creating, interesting and relevant over time. Moreover, we want to be a company that brings out positive feelings and which has attitude. We are working on our customer offering and our communications so that we can fill our brand with these qualities. In 2017, we began a major communication and brand initiative in the form of "Household finances are fun!", where we have worked with humour to increase the interest in and appetite for household finances. The goal for the year was to fill the Stockholm Globe Arena with 10,000 spectators for a comedy show on 15 November 2017. And we succeeded. Many of Sweden's most appreciated comedians stood on the stage. Throughout the year, the journey to the Stockholm Globe Arena could be followed in a number of entertaining films on social media. In results from surveys, we can see that we succeeded in developing and advancing our brand. And we will continue to do so in 2018. Household finances cannot be allowed to become boring again, because then people won't review their mortgages and switch banks. "The show must go on" — but this time, everyone is invited. All 10 million people in Sweden.

Attractive workplace

Those of us who work at SBAB are the company's most important asset. To meet the increasingly rapid changes in the market, and our customers' changed expectations and demands, we must work at a faster tempo, with more initiatives and a stronger ability to put things into motion. This is a great challenge. To be competitive, we have to try more — and do more. And if we want to do more, more people need to do things. SBAB therefore needs to be a workplace where everyone makes smart decisions in everyday life. If everyone makes smart decisions, tries things and does things, the energy and tempo of our operations will be enormous in comparison to that in traditional, hierarchical and bureaucratic companies. Companies that work as we do work value-driven, with inclusive leadership and self-driven employees. A company fully driven by values is what we call a Challenger. SBAB wants to be Challenger.

Being an excellent workplace is crucial for success in achieving our vision. Competition for talent in the labour market is fierce. We have to be successful in retaining and developing talent, as well as in attracting new talent. Being a value-driven company is fundamental for being an attractive workplace, and we are making progress. In 2017, we received a certification from Great Place to Work. The certification is awarded to organisations that meet Great Place to Work's international requirements for employee experience as well as culture creating activities and work.

Working with a value-driven approach means working sustainably. Inclusion — which encompasses diversity and equality — is a prerequisite. Different references, backgrounds and experiences promote creativity, problem-solving, and innovation. We have a challenge: to achieve even better success in diversity and equality. And we will be working hard to do so.

Sound finances

Growth and cost-efficiency are crucial for long-term profitability. In 2017, we displayed strong growth, taking a full 18% of market growth in residential mortgages, which resulted in our market share climbing to 7.96% (7.23). Our total lending during the year increased 13% to SEK 335 billion (296), and our total deposits increased 16% to SEK 112 billion (97). Our C/I ratio was 30.3%, which was the lowest in the industry. Profit after tax for 2017 were SEK 1,709 million (1,570), and it is

gratifying that the Board is proposing to the AGM to distribute SEK 684 million to our owner, the Swedish state. The remainder will be re-invested into operations for growth, investments and strong own funds.

Our expenses during the year increased 8%. Costs increase owing to our dramatic growth, to our implementation of new regulations and to our investments to increase efficiency moving forward. Future cost efficiency with low margin costs is crucial for conducting competitive operations in a digital economy.

Toward the end of the year, we noted increased market uncertainty, in the form of falling house prices, an increased offering of housing and longer selling times. In a housing market long marked by rising prices and high demand for housing finance, responsible credit granting has a key role to play. Household debt is still an important element in public debate, engaging authorities, banks and politicians alike. SBAB naturally has a particular responsibility as a bank, which is why we have implemented a number of measures over the last few years. In 2017, we further revised our housing cost calculation upward and set a limit on the debt-to-income ratio at 5.5 times gross income. We also completed a change in our interest rate discount structure for residential mortgages by increasing the discount at lower loan-to-value ratios. As a result of this work, we have attained lower loan-to-value and debt-to-income ratios in our lending. In November 2017, the Government approved the proposal from Finansinspektionen (the Swedish FSA) regarding more stringent repayment requirements for households with high debt-to-income ratios. The expanded repayment requirement entered force on 1 March 2018 and apply in addition to existing requirements.

Demand for financing for new builds remained strong during 2017. We aim to increase our financing of new builds, since we want to help solve the housing shortage that still exists in many parts of the country, and since new residential properties are more energy-efficient than the older housing stock. We adopted a more cautious approach during the year in our corporate lending, however, by focusing on credit granting to established customers and larger, experienced property developers.

We assume responsibility for and create long-term values that are good for our customers, for society, for our employees and for our investors. One example is our green funding cycle. Considerable interest exists in building a sustainable society and



climate-smart housing. Similarly, there is considerable demand from investors for green bonds to fund these developments. It is therefore particularly gratifying to have issued our second green bond during the year, to fund energy-friendly and climate-smart housing.

To all fantastic colleagues: Thank you!

In conclusion, I would like to say that I am incredibly impressed with my colleagues and what we have achieved together. It's fantastic to see how we work with a value-driven approach, and the impressive performances many of you are responsible for. The tempo and the determination we have shown together during 2017 has been at a completely new level. Thank you for letting me work together with you.

Solna, March 2018

Klas Danielsson
CEO



FROM DREAM TO HOME

We want to assist our customers all the way from dream to home. We want to achieve this in a way that is as innovative and responsible as possible. We are convinced that through our operations, we can be part of the solution to many of the challenges facing the housing market.

STRATEGIC DIRECTION

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FROM DREAM TO HOME

Our day-to-day work opens opportunities for our customers to realise their dreams – dreams of owning a home.

What we offer our customers

We offer our customers simple and straightforward terms and conditions, transparent pricing and high availability online and over the phone with fast and considerate service. Our value proposition, or customer promise, is based on an understanding of and insight into the values we offer our customers, why they have chosen us and why they will continue to do so in the future. This represents the core of our operations, our DNA.



ACCESSIBILITY

Residential mortgages online and over the phone, every day and in every situation.



TRANSPARENCY

A good price and appropriate terms from the start



CONSIDERATION

Housing specialists who care

Helping throughout the housing journey

Taking up a residential mortgage is an infrequent purchase, with the customer relationship at its strongest when the mortgage application is made, a new home is bought and the mortgage is disbursed. Long-term relationships are valuable for SBAB and our customers. We seek to create customer value throughout the period when a home requires financing. We want

to assist our customers throughout the housing journey – from dream to home. For this reason, we are strengthening our customer offering by way of content and services relating to housing quality and household finances. Our acquisition of the housing service Booli in early 2016 is part of this strategy. In addition to business development, Booli also brings value in

areas such as market and valuation data as well as communication and marketing. Using data from SBAB, Booli and other sources, we want to make the housing and residential mortgage market more transparent and make it easier for our customers to make informed decisions – whether they are about finding, buying, owning or selling a home.

THE HOUSING JOURNEY

booli

Finding a home

- How and where do you want to live?
- Buy or sell first?
- How much can we afford?
- What to think about during the viewing

Buying a home

- Don't forget the loan commitment
- Win the bidding process
- Do we need a survey?
- Time to sign the contract
- Disbursing the mortgage
- On the way to your new home

Owning a home

- Managing your household finances
- Need to refurbish?
- Getting insurance
- Planning your savings

Selling a home

- Planning the sale
- Choosing an estate agent
- Preparing your home for a viewing
- Bidding process when selling
- Signing the contract when selling
- Moving out and handing over the home

SBAB!

HOW WE OPEN DOORS TO HOUSING

Our business is to raise and lend capital for residential purposes. We are part of a financial infrastructure that enables consumers to purchase their own homes and companies to finance residential properties.



Funding: SEK **275** billion
 Deposits: SEK **112** billion
 Equity: ¹⁾ SEK **14** billion

FUNDING

¹⁾ Excluding additional Tier 1 instruments

Consumers: SEK **250** billion
 Property companies: SEK **33** billion
 Tenant-owners' associations: SEK **52** billion

LENDING

FUNDING

When consumers, property companies and tenant-owners' associations come to SBAB to borrow money, we first need to raise capital. A major part of a new residential mortgage is financed by funds we borrow from other participants, mainly major investors and the public.

The majority of our funding consists of funds borrowed in the capital markets. To achieve this, SBAB and its subsidiary, SCBC, issue bonds that are purchased by investors. In return, we pay interest that is determined by the general level of interest rates and by how secure investments in the SBAB Group are considered to be. Investor risk is reduced by the fact that we often use residential mortgages as collateral for the bonds.

The second part of our funding consists of deposits. Deposits refer to consumers, companies or tenant-owners' associations

saving money in SBAB's savings accounts, in return for interest on their savings. The share of our funding provided by deposits has increased considerably in recent years, which has reduced our dependence on capital market financing.

We receive the remaining share from our owner, the Swedish Government, in the form of equity. In return for its contribution, the owner receives a return in the form of profit generated by operating activities. In accordance with the owner's dividend target, at least 40% of profit after tax is to be distributed. The rest of the profit is to be reinvested in operations.

LENDING

SBAB offers residential mortgages and housing financing to consumers, property companies and tenant-owners' associations in Sweden. We supplement our offering with consumer loans, insurance brokering and home and housing-related services. Our vision is simple but challenging – to offer the best residential mortgages in Sweden.

In this era of digitalisation, we at SBAB have not only chosen to adapt – we also ensure that digitalisation, sustainability and innovation permeate every part of our operations. We pursue our business without traditional branches but with a well-developed digital platform and a customer centre that is reached by telephone and e-mail.

We continuously strive to refine our offering, including by strengthening business models and processes, training our employees and developing and improving our products and services further.

Vision
To offer the best residential mortgages in Sweden

Mission
To help improve housing quality and household finances



SBAB
currently opens doors
to housing for over
half a million
people

HOUSING

Our operations are structured around housing – we create opportunities for people to reside, work and live. SBAB currently opens doors to housing for over half a million people across Sweden. An achievement that humbles us. We want both our residential mortgages and our other services to lead to improved housing

quality and household finances. For those who have a home. For those who do not have a home. For our customers. For the public. Well, for everyone really. And we want to achieve this in a way that is as innovative and responsible as possible. We know that Sweden is facing numerous societal challenges that are economically,

socially and environmentally related to housing and the housing stock. For that reason, we endeavour to offer financial products and services that are sustainable for both individuals, property companies or tenant-owners' associations as well as society at large.

How we achieve our results

Our lending to consumers, property companies and tenant-owners' associations totalled SEK 335 billion at year end. We receive interest as compensation for these loans. The difference between the interest expense on funding and the total sum paid by our borrowers in the form of interest is referred to as net interest income. Put simply, our final earnings consist of the net interest income less expenses for running our operations and loan losses.

A WORLD IN CONSTANT FLUX

All companies must continuously adapt and reinvent themselves in today's changing world. Technological, economic, social and political changes all have an impact on the conditions and opportunities linked to our operations.

Turmoil in the world at large

It is difficult to navigate in and assess the situation in the world at large. Donald Trump's inauguration as president of the United States, critical elections in Europe and tragic attacks in Stockholm and other parts of Europe are just a few examples of major events during 2017. An increasingly authoritarian development in large parts of the world, such as Russia and Turkey, and North Korea's military escalation in the Pacific region constitute additional destabilising factors. In addition, great uncertainty remains concerning the United Kingdom's exit from the EU.

Since the early 1990s, there has been a global trend toward military disarmament and increased globalisation. The result has been increased foreign trade and growing

prosperity, not least in parts of the world that had previously trailed behind. Sweden has also benefited from this. However, there are signs that the trend towards increased integration and cross-border exchange may start to be reversed. More obstacles to trade and less internationalisation could hold the development of the Swedish economy back in the future.

Era of digitalisation

Technology is advancing rapidly, not least in respect of digitalisation of banking and financial services. Digitalisation enables new services and changes customers' behaviour and expectations. Many established operators are working intensively to retain and defend their positions. On the other hand, many new players are ready

to compete for customers by offering new solutions and new business models. Most seem to agree that the winners of the future in the financial market will be those who create the best customer experiences and attain the best customer relationships.

The Swedish housing market

For a long time, the Swedish housing market has been marked by a considerable imbalance between housing supply and demand. This is one of the reasons for the rising house prices and the accumulation of household debt. Since the political discussions about housing policy collapsed in 2016, no new initiatives have been submitted reflecting broad political agreements. However, Finansinspektionen (the Swedish FSA) which is responsible for stability in the



financial system, has expressed concern about the increased accumulation of debt. Accordingly, the Swedish FSA proposed in 2017 an expansion of the mortgage repayment requirement by connecting it to the borrower's debt-to-income ratio, a proposal that was approved by the government in November. The new rules enter force on 1 March 2018 and will apply in addition to existing requirements. Although the Swedish FSA assesses that 14% of residential mortgage holders will be affected by the new repayment requirement, there is still some uncertainty concerning how many will ultimately be impacted. Since the requirement applies to new loans, it will take some time before we see its full effect and impact on the housing market.

Housing construction has increased sharply in recent years. In 2018, the number of housing starts is expected to match the peaks noted in the 1970s and 1990s. However, what is being built comprises relatively similar housing units at relatively high prices. In late 2017, there were also signs of excess supply of newly produced properties together with price declines on a broad front. However, the price declines are occurring against a relatively healthy economic background and there appears to be a co-variation with the increased supply and general uncertainty in the market.

Unless there is an increase in the housing expenses of households, for example via an interest-rate hike, it is uncertain how long the price decline will last.

Parallel with the comparatively one-sided type of construction, questions have been asked as to how and for whom the new housing units are being built. Some believe that the need for housing, which has increased since the large wave of refugees in 2015, has incorrectly been equated with demand and has been exaggerated. The population growth does not only comprise people who have the financial capability to demand an own home at prevailing price levels.

To ultimately achieve a balance in the housing market, what is primarily needed are measures that improve the function of the housing market, such as tax and regulatory amendments that stimulate turnover in the existing housing stock. What is also needed are inexpensive housing units that more people can afford.

High level of regulation

The financial sector is potentially the most regulated sector of the economy. An operator that wants to offer loans and savings products has to contend with a multitude of regulations. These regulations have increased considerably over the past ten years and are likely to continue increasing

in the future. The regulations essentially aim to reduce the risk of future financial crises, limit costs to society if a crisis were to occur and maintain a strong level of consumer protection.

Sustainability an increasingly important issue

Sustainability has probably never been higher on the agenda than it is today. This development is being driven by regulatory requirements and international undertakings. The pressure from customers, politicians and other stakeholders is steadily increasing. New business models and innovative solutions are emerging as society and the climate change. Companies are expected not only to position themselves in relation to, but also to integrate, societal, economic and environmental issues into their operations.

The need for investment in society is growing steadily. Many people live a life of exclusion, far from their own homes. The housing sector and services account for a full 40% of Sweden's energy consumption. It has become obvious that all agents in society, including the business sector, must work together, both continuously and preventively, to promote the long-term stability of society.

SBAB assigns priority to four Sustainable Development Goals (SDGs)



The Swedish Government's updated ownership policy, which took effect in 2017, states that state-owned enterprises must analyse the SDGs contained in Agenda 2030 within the framework of their operations to identify which goals the company can influence and contribute to through its activities. Companies are also expected to identify business opportunities that contribute to the achievement of the goals.

We have identified and chosen four of the 17 SDGs that we consider particularly important and relevant for our operations. The selected SDGs have been chosen based on extensive analysis in the form of internal workshops and ranking exercises within operations, the Executive Management and the Board. The SDGs are an integrated part of our sustainable governance model.

- 8 Decent work and economic growth** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- 11 Sustainable cities and communities** Make cities and human settlements inclusive, safe, resilient and sustainable
- 12 Responsible consumption and production** Ensure sustainable consumption and production patterns
- 13 Climate action** Take urgent action to combat climate change and its impacts.

WE WANT TO BE PART OF THE SOLUTION

We are convinced that through our operations we can contribute to solving many of the challenges facing us today. Through activities and initiatives that add value for both society and SBAB, we want to be part of the solution.



SUSTAINABLE FINANCING

Financing of a climate-smart transformation of the economy and society at large

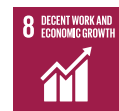
Properties, business premises and homes account for nearly 40% of total energy consumption in Sweden. As a bank, we have the capacity to influence energy use, in part through our green bonds. SBAB's green bonds function just as standard bonds, but are subject to the condition that the funds raised will be used exclusively to finance or refinance residential properties that, under a specific framework, meet a number of energy-efficiency criteria or hold environmental certification. They help us to finance a climate-smart transformation of both the economy and society at large.

 [READ MORE ON PAGE 28.](#)





SPREADING KNOWLEDGE



Increasing and spreading knowledge of housing quality and household finances

Many people find it difficult to understand the meaning of the various concepts used in the housing market. This is shown in the surveys conducted by SBAB. Furthermore, not everyone possesses the financial skills to understand the consequences of the major financial decisions taken as part of a buying or selling a home. Knowledge is needed for our customers to make objective and sound decisions when purchasing a home. For us, it is crucial that customers really understand what indebtedness entails and what will happen when the interest rate rises. Many people take low

interest rates for granted, but it is important to be able to keep up payments on one's home when the interest rates rise. Through our operations, we want to spread and increase knowledge about issues pertaining to housing quality and household finances. We want to stimulate debate, simplify for consumers and help them toward their dream homes. By proactively taking responsibility for issues of this type, we contribute to strengthening our customers', and thus our own, resilience to changes in the market.

 [READ MORE ON PAGE 26.](#)

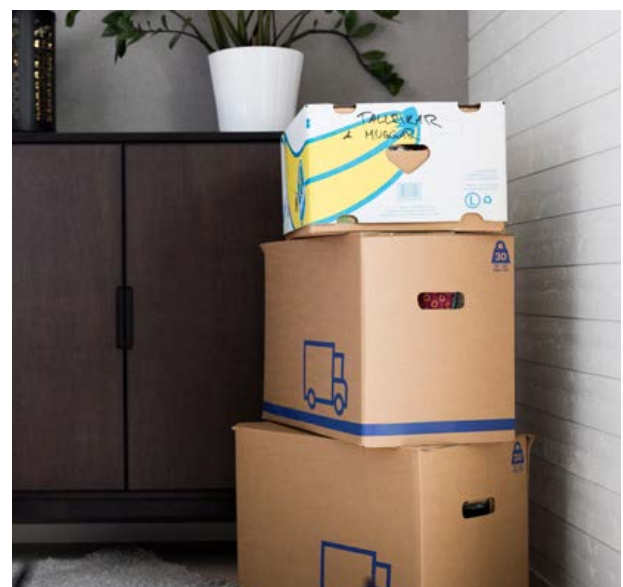


EVERYONE HAS A RIGHT TO A HOME

For the homeless, against homelessness

The right to a home is stipulated in both the UN Convention on Human Rights and in the Swedish constitution. Nevertheless having a home is not self-evident for all. SBAB supports Stockholm Stadsmission in its aim to reduce the acute issue of homelessness in Stockholm County by 2018, through the "Särskildnyttan" project. The project aims to enable property owners to contribute housing or finance housing support for those people who are most cut off from the housing market. Through our operations, we contribute to actively solving a serious and important societal problem.

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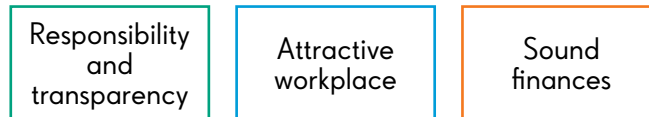


OUR SUSTAINABLE GOVERNANCE MODEL

SBAB's governance model clearly and simply describes where we are going, what steps we will take to get there and how we will achieve it. It also explains why we exist and what our operations contribute. Achieving a balance between "what" and "how" is a prerequisite for realising our vision – to offer the best residential mortgages in Sweden.

WHERE

VISION: TO OFFER THE BEST RESIDENTIAL MORTGAGES IN SWEDEN



WHAT

AN INNOVATIVE APPROACH FOCUSED ON HOUSING



HOW

A VALUE-DRIVEN WORKING APPROACH



WHY

MISSION: TO HELP IMPROVE HOUSING QUALITY AND HOUSEHOLD FINANCES

Mission

We have a mission that has many different dimensions. It explains why we exist and what our operations contribute. Our mission gives us energy and makes us committed. It is what makes us proud and is the reason why we go to work each day – to do good things for our customers, for society and for SBAB. Our mission explains that our business is responsible and sustainable and that we play an important part in the national economy.

WHERE WE ARE GOING

Vision

To offer the best residential mortgages in Sweden

Our vision is our destination – where we want to go and what we want to offer our customers. The vision encourages us to constantly improve. SBAB's focus and main product is residential mortgages. By residential mortgages, we mean retail mortgages and housing financing for tenant-owners' associations and property companies. Offering the best residential mortgages in Sweden entails great demands for innovation and mindfulness. When we have achieved our goals in our three target areas – Responsibility and transparency, Attractive workplace and Sound finances – then we will have realised our vision, then we will offer the best residential mortgages in Sweden.

Responsibility and
transparency

 READ MORE ON PAGE 22.

Attractive
workplace

 READ MORE ON PAGE 32.

Sound
finances

 READ MORE ON PAGE 38.

WHAT STEPS WE WILL TAKE TO GET THERE

Business idea

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

Innovative thinking means continuously developing and improving our customer offering.

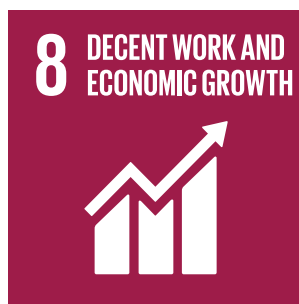
Mindfulness means consistently putting our customers first: fair prices, appropriate terms and conditions and personal service – every day, in every situation.

Loans are residential mortgages, housing financing and consumer loans. Savings are deposit services.

Our operations are characterised by innovative thinking and mindfulness and these are central features of our value-driven working approach.

Sustainable Development Goals (SDGs)

The business sector has an important role to play in achieving the SDGs. We have identified and chosen four high-priority SDGs that represent an integrated part of our operations and guide us to making even more responsible and long-term sustainable decisions.



Strategies

An innovative approach focused on housing

The development of digital banking and financial services is gaining momentum. New players are driving developments and new regulations are redrawing the playing field. Simply offering a comparable banking service is no longer a winning strategy for the future. Reflecting niche excellence and driving development in your niche with services that customers value and love – that is a winning strategy for the future and is what housing quality and household finances mean to us.

We have a number of strategies for the operations, which are designed to illustrate the route we take to offering the best residential mortgages in Sweden. These include strategies for the customer offering, IT, HR and the brand.

Regulatory framework

Efficient risk management, regulatory compliance and internal governance and control are a prerequisite for conducting banking operations. Our business is based on our customers, owner, employees, investors, business partners and the public having confidence in SBAB and the values we represent. Confidence and reputation derive from compliance with laws and regulations – both external and internal – that govern and influence our work, and also from our actions as a company.

Regulation of the banking and financial sector has increased considerably over the past few years. Regulatory matters are often handled at EU level. Regulatory developments have had various effects on SBAB, including increased capital and liquidity requirements, and have also required adaptation to existing and forthcoming regulations, such as the Mortgage Credit Directive, the Payment Services Directive (PSD2), the General Data Protection Regulation (GDPR) and new repayment requirements.

Our efforts to ensure good regulatory compliance include a large number of steering documents. These include SBAB's Code of Conduct, policies, directions and instructions. We promote a corporate culture where every employee is personally responsible for acting ethically and complying with the applicable regulations.

HOW WE WILL ACHIEVE IT

A value-driven working approach

Achieving our vision and our goals in a competitive market where the wider world, customer needs and customer behaviour are changing at an increasingly rapid pace requires a value-driven working approach. Our value-driven working approach is about an inclusive leadership and self-driven employees, where everybody is making smart decisions in their daily work. The approach is built on clarity, transparency and trust, which promote and create determination, courage, tempo, fresh ideas, everyday innovation and continual learning.

A company that works in accordance with our value-driven working approach is what we call a Challenger. The opposite of a Challenger is a bureaucratic – and therefore slow – company with hierarchical decision-making paths.

We work actively to develop our value-driven working approach, with self-driven employees and inclusive leadership at its core. Our approach involves ensuring that we work with our values in mind – practise, talk, discuss and give feedback. It involves always enabling everyone to take initiatives and make smart decisions.

The value-driven working approach places major demands on having bold leaders with a holistic perspective. By serving as role models, they build the trust and commitment required to help employees act in an independent and driven manner. Inclusive leadership is about participation, trust, responsibility and clarity as well as equality and diversity. The leader serves as a role model, establishes targets and frameworks, is clear about expectations and demonstrates trust by refraining from micromanaging or delegating solutions.



Our corporate culture is our four values

We work fast and smart

- I'm ready to challenge and think innovatively
- I act promptly and deal with issues
- We test and learn
- We keep it simple

We assume responsibility – from start to finish

- I think one step ahead
- We take decisions when issues can be solved
- We are careful with money
- We act sustainably

We are proud professionals

- I act professionally
- We are all responsible for our clients
- We foster long-term relationships
- I continuously develop my skills
- We love doing business

Together – we succeed

- We meet targets and celebrate successes
- I am direct and clear
- I share my expertise with everyone
- I make a difference and focus on the bigger picture
- I am unassuming and caring

IN DIALOGUES WITH OUR STAKEHOLDERS

Our operations depend and have an impact on many stakeholder groups. The stakeholders' confidence in us is a prerequisite for our ability to create long-term value.

Sustainable enterprise encompasses multiple aspects. Not all of them are relevant to a bank with SBAB's mission. Where to draw boundaries for where the responsibility begins and ends, as well as the resource issue and how SBAB can best integrate these issues into its core business, is something that we discuss continuously.

We have identified a number of particularly important stakeholder groups that all

affect and are affected by our operations. We maintain continuous dialogues with our stakeholders to set the right priorities in the operations and to identify which economic, social and environmental sustainability topics are most relevant to SBAB.

We report the results of our sustainability efforts in line with the GRI, which entails identifying and prioritising material sustainability topics. In 2016 and 2017, we

completed a new stakeholder and materiality assessment. This work included interviews with Board members, the Executive Management, employees, the owner, corporate clients, business partners, stakeholder organisations and NGOs. We also conducted a larger online survey among our retail customers.



CUSTOMERS

The confidence our customers have in SBAB determines our ability to develop in many respects, and therefore also our ability to take on a greater role in societal development. The skills, professionalism and consideration shown by our employees on a daily basis are apparent in surveys conducted by Svenskt Kvalitetsindex (Swedish Quality Index, SKI).

In dialogues through:

The Internet, telephone, customer surveys (SKI, brand surveys, customer panels, focus groups, etc.), social media, customer and support forum, blogs, personal meetings, customer meetings, seminars and conferences, AGM, marketing communications, etc.

Material topics in order of priority:

- 1 Transparency
- 2 Anti-corruption
- 3 Customer experience
- 4 Financial stability
- 5 Responsible mortgage provider
- 6 Risk and compliance
- 7 Corporate culture and values
- 8 Innovative product and service development



EMPLOYEES

SBAB's employees are its most important asset. Motivated and committed employees are a prerequisite for our success and one of the most important resources in terms of achieving our vision. Our employees' motivation to create value through stakeholder relations depends on a number of factors, including leadership, skills development, development opportunities and our corporate culture.

In dialogues through:

Performance evaluations, meetings, employee surveys, workplace dialogues with trade unions, monthly and departmental meetings, the intranet, AGM, CEO blogs, etc.

Material topics in order of priority:

- 1 Risk and compliance
- 2 Financial stability
- 3 Customer experience
- 4 Responsible mortgage provider
- 5 Brand
- 6 Corporate culture and values
- 7 Attractive workplace
- 8 Profitability and growth



OWNER & INVESTORS

Owner: SBAB is wholly owned by the Swedish government. The Swedish government's ambition for Swedish state-owned companies – to set good examples and serve as role models for sustainable development – has inspired us to clarify our role in the sustainable development of society.

Investors: Investor confidence in SBAB is based on investors' interaction with our employees as well as on a belief in our business model and our ability to support positive and sustainable economic developments.

In dialogues through:

Owner: Ownership policy, owner instructions, continuous ministerial contacts, board representation, AGM, network meetings, etc.

Investors: Personal meetings, group presentations, financial statements, www.sbab.se, etc.

Material topics in order of priority:

- 1 Financial stability
- 2 Risk and compliance
- 3 Anti-corruption
- 4 Customer experience
- 5 Attractive workplace
- 6 Sustainable IT platform
- 7 Transparency
- 8 Responsible mortgage provider



THE PUBLIC

Confidence from the general public and other stakeholders such as non-profit organisations, business partners, media, suppliers and interest organisations affects our opportunities to develop the operations in the desired direction. Confidence from the public is a prerequisite for attracting new customers, establishing long-term relationships and growing.

In dialogues through:

Personal meetings, network meetings, seminars and conferences, media, blogs, social media, AGM, marketing communications, etc.

Material topics in order of priority:

- 1 Anti-corruption
- 2 Financial stability
- 3 Sustainable IT platform
- 4 Transparency
- 5 Innovative product and service development
- 6 Attractive workplace
- 7 Risk and compliance
- 8 Customer experience

Material topics

By utilising input from the interviews and online surveys together with secondary sources, such as employee and brand surveys, an internal exercise was carried out, with representatives from the operations and from the Executive Management, in order to agree on a gross list of SBAB's material sustainability topics. These efforts identified a total of 18 sustainability topics. During a second exercise at the start of 2017, the Executive Management prioritised and identified the sustainability topics. The results are presented in the following diagram.



Three target areas

Based on the stakeholder and materiality assessment, we have established three overall commercial and sustainable development target areas for the operations: Responsibility and transparency; Attractive workplace; and Sound finances.

Responsibility and transparency

We endeavour to offer financial products and services that are sustainable for both individuals, property companies or tenant-owners' associations as well as society at large. We want to contribute to increasing awareness and transparency in the housing market. By being open, transparent and straightforward, we work to increase confidence in the banking and financial sectors in general, and in SBAB in particular.

Attractive workplace

Those of us who work at SBAB are the company's most important asset. Motivated and committed employees are a prerequisite for SBAB's success, competitiveness and long-term value creation. SBAB emphasises the value of employees with different backgrounds, equality and diversity. At our company, it is self-evident that all employees have the same rights, obligations and opportunities in every aspect related to work.

Sound finances

Sound finances create possibilities for us to grow and invest in our long-term competitiveness. Sound finances are a prerequisite for customers' and the general public's faith in SBAB. Profitable growth requires cost efficiency, where low marginal costs build long-term cost efficiency. As a bank, we bear a particular responsibility. This involves both contributing to our customers' financial security and, as part of the financial system, ensuring the long-term sustainability of the country's economy.



HOUSING QUALITY AND HOUSEHOLD FINANCES

Our operations are driven towards our vision through three target areas: Responsibility and transparency, Attractive workplace and Sound finances.

TARGET AREAS

- 21** Targets for 2018
 - 22** Responsibility and transparency
 - 32** Attractive workplace
 - 38** Sound finances
 - 42** Together, we make a difference
-

TARGETS FOR 2018

SBAB's three target areas encompass a number of measurable overarching goals on which the operations are focused.

Target areas	Targets for 2018		Historical outcome		
			2017	2016	2015
Responsibility and transparency READ MORE ON PAGES 22–31.	Responsibility: SBAB's ranking in Sustainable Brand Index ¹⁾	5 of 12	6 of 12	6 of 12	3 of 12
	Transparency: Number of customers who find SBAB's offering straightforward and easy to understand ²⁾	84%	83%	82%	83%
	Customer satisfaction: Sweden's most satisfied residential mortgage customers and residential property loan clients according to Swedish Quality Index	1st and 1st	3rd and 2nd	1st and 2nd	1st and 2nd
Attractive workplace READ MORE ON PAGES 32–37.	Equality & diversity Equality between women/men in management positions (within the range)	45–55%	45/55%	45/55%	44/56%
	Employee satisfaction: Percentage of employees who consider SBAB a great place to work ²⁾	82%	79%	79%	n/a ⁵⁾
	Employee experience: Total Trust Index ³⁾	77%	74%	71%	n/a ⁵⁾
Sound finances READ MORE ON PAGES 38–41.	Profitability: Return on equity over time	≥ 10.0%	12.5%	12.3%	10.2%
	Dividend: Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥ 40%	40%	40%	0%
	Capitalisation: CET1 capital ratio above regulatory requirement communicated by the Swedish FSA ⁴⁾	≥ 1.5%	6.4%	8.3%	6.0%

¹⁾ SBAB's sector ranking in the 2017 Sustainable Brand Index was sixth, with a score of 26%. The ranking is based on the proportion of respondents who regard the company's sustainability work as good (4) or very good (5) on a scale of 1–5 + don't know. The maximum score is 200%.

²⁾ Data from the Nordic Brand Academy. Outcome for the fourth quarter of each year.

³⁾ The Total Trust Index is measured in SBAB's annual employee survey in collaboration with the company Great Place to Work (GPTW). The performance measure describes the proportion of employees who have a predominantly highly positive perception of SBAB as an employer and as a workplace within the commitment-driving areas of trust, pride and camaraderie.

⁴⁾ According to SBAB's capital targets, the CET1 capital ratio, in normal conditions, should be at least 1.5 percentage points higher than the CET1 capital requirement communicated by the Swedish FSA. This requirement is expected to correspond at year end, according to SBAB's internal assessment, to a CET1 capital ratio of not less than 25.8%. The CET1 capital ratio was 32.2% (32.2) at the end of the year.

⁵⁾ Target established for 2018. Historical outcome is not available.

RESPONSIBILITY AND TRANSPARENCY

As a bank, we fulfil an important societal function. We are part of a financial infrastructure that enables consumers to purchase their own home and companies to finance residential properties. With this comes great responsibility.



Sweden faces numerous societal challenges that are economically, socially and environmentally related to housing and the housing stock. SBAB has extensive experience and knowledge of property financing, and matters related to homes and housing have long been deeply ingrained in the company's roots. In our daily work, we have a responsibility for and considerable opportunities to contribute to positive development in all the areas impacted by our operations. Through interaction and dialogue, we further enhance our ability to influence. This includes taking part and financing sustainable housing that reduces the environmental burden – to jointly contribute to achieving global and national environmental objectives by developing products and services that help our customers to think and act more sustainably in everything that involves the home. It also includes financing sustainable housing that leads to improved, healthier and more inclusive neighbourhoods. And ensuring that our communities and our housing are built based on the preconditions that apply today, and perhaps more importantly, tomorrow.

We endeavour to offer financial products and services that are sustainable for both individuals, property companies or tenant-owners' associations as well as society at large.

We regard sound and responsible credit granting as crucial. As a bank, this involves being clear and transparent in respect of our terms, conditions and products, and that we responsibly conduct sales, marketing and credit approvals. It is important that our customers fully under-

stand the terms and conditions when they buy a product or service from us – that they feel secure when they make important financial decisions. By being open and transparent, we aim to contribute to improving the way the banking and financial sector is viewed. In addition, we want to engage in proactive dialogues with our customers in order to increase awareness and transparency in the housing and residential mortgage market.

Targets for 2018

Historical outcome

		2017	2016	2015
Responsibility: SBAB's ranking in the Sustainable Brand Index	5 of 12	6 of 12	6 of 12	3 of 12
Transparency: Number of customers who find SBAB's offering straightforward and easy to understand	84%	83%	82%	83%
Customer satisfaction: Sweden's most satisfied residential mortgage customers and residential property loan clients according to Swedish Quality Index	1st and 1st	3rd and 2nd	1st and 2nd	1st and 2nd

UN's Sustainable Development Goals

In this target area, we contribute in various ways to achieving goals 8, 11, 12 and 13.

[READ MORE ON PAGE 141.](#)



OUR OFFERING

Responsibility and transparency...

We strive to be straightforward, clear and transparent in our offering. Our customers should always feel secure in having SBAB as their creditor. In the fourth quarter of 2017, 83% (82) of our residential mortgage customers believed that SBAB has an offering that is straightforward and easy to understand.

Transparent and straightforward pricing of residential mortgages is appreciated by our customers and we consider this is a natural part of an open and trustworthy customer relationship. Our pricing of residential mortgages is based on the current listed rates for each maturity, as published on www.sbab.se. The customer's specific interest rate is presented as a deviation from the list rate, and this deviation is based on the size of the loan and the loan-to-value (LTV) ratio of the property. The LTV ratio can be described as the proportion of loans in relation to the market value of the property. By visiting www.sbab.se, our customers can work out for themselves the interest rate they would receive based on various loan amounts and LTV ratios. In December 2017, the difference between SBAB's average and list rates was 0.16 percentage points on a three-month fixed-rate mortgage. This is a low figure in relation to the industry average, which reflects our



aim of being as transparent as possible in our pricing.

... leads to satisfied customers

We believe that responsible and transparent credit granting is a prerequisite for having satisfied customers. For three consecutive years, we had Sweden's most satisfied residential mortgage customers according to Swedish Quality Index (SKI). In the 2017 survey, we ended up third.

With a customer satisfaction score of 72.3 (75.2) out of 100, we rank well above the sector average of 66.7 (65.7).

In the segment for residential property lending, we finished second, just like last year, with a customer satisfaction score of 72.3 (71.2) out of 100, in relation to the sector average at 68.6 (67.3). In 2018, we will be working even harder to achieve top ratings from SKI for the most satisfied customers in both segments.

Mortgage margins

When a customer borrows from SBAB to purchase a home, we in turn have to borrow funds in the market. We do this in the capital market by issuing bonds and from our customers through our savings accounts. The interest rate paid by customers on their mortgages is called the mortgage rate. Our own borrowing cost is known as the funding cost, which in simple terms comprises the interest expense of borrowing funds in the capital markets and the interest paid on our savings accounts. The interest that we pay for borrowing money in the capital market is based on a market rate plus a premium, which varies depending on how the market prices the risk of lending money to SBAB. The difference between the customer's mortgage rate and our funding cost is called mortgage margin. This margin has to cover all costs for operating SBAB, expected credit losses and the owner's profit requirement.

The high margins on residential mortgages in 2017 meant we could reduce our list rate for residential mortgages by 0.10 percentage points for the two shortest maturities, three months and one year. The average interest rate for these maturities roughly fell by a corresponding number of percentage points. The reduction was in line with SBAB's aim of price and business model transparency. The majority of our residential mortgage customers, around 70%, have fixed their residential mortgages at the three-month interest rate.

OUR RESPONSIBILITY AS A CREDITOR

A responsible credit approval process

We carefully track how the housing and property market, macroeconomic conditions and household finances are developing. Together with analyses of SBAB's lending portfolio, this knowledge forms the basis of changes and adjustments made to our credit approval process. We continuously review our credit rules for consumers, property companies and tenant-owners' associations.

Consumers

We endeavour to have a streamlined, digital and fast credit approval process. During the year, we added an individual assessment of customers who could be expected to experience a decrease in income when they retire.

We carry out continuous random follow-ups along with other types of reviews to ensure that all of our credit approvals are managed in a sound manner that complies with our credit regulations.

Our granting of credit to consumers is based on a credit approval process that determines whether customers have the financial capacity required to meet their commitments. We base our credit approval process on existing credit rules, such as rules governing debt ratios and LTV ratios, information received from credit rating agencies, such as UC, and the Land Registry as well as information provided by the customers themselves. The expertise and professionalism of our mortgage administrators are important parts of the process.

First and foremost, we assess the customer's repayment ability, but also the collateral provided for the loan. Loans are not approved if the ability to make repayments cannot be guaranteed. The

credit approval process centres around a calculation of household costs, which is based on the income of the customers and their mortgage and housing expenses. If a customer applies for a mortgage for a tenant-owner apartment, we also assess the customer's calculation in relation to the risk of the monthly fee to the tenant-owners' association being raised. We also use various costing parameters in the calculation of household costs to work out whether the calculation truly adds up, even if, for example, the interest rate or other costs should rise. If the calculation indicates a sufficient surplus, a loan is normally granted provided that the customer satisfies other formal requirements and credit regulations. If the calculation indicates a deficit, the loan is not granted.

For SBAB's residential mortgages, collateral is provided in the form of a mortgage deed on a property or a unit in a tenant-owners' association. The loan is permitted to correspond to a maximum of 85% of the value of the property.

Loan repayments

Since SBAB believes that repayments help ensure sound household finances, we give all of our customers individual repayment recommendations. Approximately two thirds of our residential mortgage customers make repayments on at least one of their loans. In mid-2016, new mortgage repayment rules were introduced in line with regulations issued by the Swedish FSA. These rules include a repayment rate of 2% per year for new residential mortgages with an LTV ratio of more than 70%, and 1% per year down to an LTV ratio of 50%. In November 2017, the Government approved a proposal to increase repayment requirements for households with high

debt-to-income ratios. Under the expanded repayment requirement, all new mortgage holders borrowing more than 4.5 times their gross income (their pre-tax income) must amortise an additional 1% of the mortgage per year. The requirement applies in addition to already existing rules. The expanded repayment requirement enters force on 1 March 2018.

More information about the rules SBAB applies is available on our www.sbab.se.

Debt-to-income ratio

In recent years, as a result of the stricter credit rules we have introduced, we have noticed a decrease in how much our customers borrow in relation to their gross income, referred to as their debt-to-income ratio. The ratio gives us a good indication of how sensitive our customers' ability to make repayments is to changes in interest rate or income levels, as well as the customer's scope for making repayments. In 2017, we reduced our compulsory debt-to-income ratio to 5.5 times gross income.

Customers with payment difficulties

We have a responsibility and a duty to help customers who encounter temporary payment difficulties. Our insolvency team has extensive experience and works actively to help customers who have run into difficulties. We usually say that we work on preventative insolvency management. This means that our ambition is to initiate a dialogue as early as possible in cases where we discover customers are having difficulty making interest and amortisation payments on their mortgages. SBAB's low risk appetite and proactive management of insolvencies has resulted in low loan losses in recent years. For 2017, loan losses

Simplified credit approval process for consumers





HOUSING COST CALCULATION

+	Borrower's income ¹⁾
-	Housing expenses ²⁾
-	Living expenses ³⁾
=	Surplus (or deficit)

¹⁾ The stated income is checked using the credit information service UC, among others.

²⁾ Repayments, running costs, monthly fees and stressed interest rates.

³⁾ In accordance with the Swedish Consumer Agency's guidelines, taking the number of minors and adults in the household into account.

amounted to a recovery of SEK 24 million (loss: 18) as a result of recoveries of previous impairments of defaulted loans. Normal procedure is for the bank to write down the value of any loan for which there is any uncertainty regarding solvency. This negatively impacts profit or loss. Should the loan ultimately prove to be repayable, the bank can recover the impairment loss, which positively impacts profit or loss.

Corporates and tenant-owners' associations

Our credit approval of corporates and tenant-owners' associations is also primarily based on their repayment capacity. In addition to the ability to make repayments, which we assess by analysing income and cash-flow statements, we also assess the collateral for the customer's loan. When we lend money for the new build of properties, we conduct an analysis of the project and make a forecast of the final production costs. The value of the customers' properties is appraised by SBAB's valuation department. As part of this val-

uation, we also assess future maintenance requirements and the customer's ability to finance such requirements. Customers are managed individually by a team consisting of an account manager, analysts and loan administrators. In contrast to retail lending, we physically meet our corporate and tenant-owners' association customers usually via one-to-one meetings and also through regular seminars to share our expertise, gather necessary information and create a close customer relationship.

Sustainability criteria in the credit granting process

SBAB promotes sound environmental risk management in issued loans. This means any negative impact on the climate or environment should be avoided wherever possible, or at least minimised, mitigated or compensated for. In our credit granting process for property companies and tenant-owners' associations, we consider certain sustainability criteria as a part of the overall assessment, including environmental risks, energy consumption and

The Swedish FSA's annual Mortgage Market survey

The Swedish FSA conducts an annual survey of the residential mortgage stock and mortgages newly issued by institutions active in the Swedish residential mortgage market. The purpose of the survey is to analyse the banks' risk management and regulatory compliance, and to monitor development and illuminate risks associated with household debts. SBAB's results from this year's survey showed a continuation of the positive trend noted in the past few years, particularly in terms of the LTV ratio, mortgage repayment and the borrowers' resilience to interest rate hikes. **SBAB received special praise from the Swedish FSA for its compliance with the mortgage repayment requirement.**

environment classification of the properties used as collateral. The property companies' environmental policies are also relevant. When viewing and valuing properties, in addition to the property's location, condition, standard and other factors, special attention is paid to any occurrence of environmentally disturbing factors, such as polluted land, substandard ventilation and harmful building materials. SBAB also engages in a recurrent dialogue about sustainability topics with existing customers and offers customised products for this purpose.

Moving forward, our aim is to shoulder even greater responsibility for ethics and human rights in our credit granting. In partnership with our customers, we want to promote acceptable working conditions for people working on new construction projects financed by us, and to ensure controls are in place and active positions enforced in terms of undeclared wages, bribes and corruption.

KNOWLEDGE OF HOUSING QUALITY AND HOUSEHOLD FINANCES

To make objective and sound decisions, our customers need to understand the relevant financial issues. In addition to contact with our customers via the internet, telephone and marketing communication, we attend trade shows, arrange seminars, provide digital tools and services and regularly publish analyses, surveys and reports that contribute to spreading knowledge and raising awareness of housing quality and household finances.

SBAB's spokespersons

SBAB's Head Economist and our Housing economists are financial experts that conduct analyses on aspects of macro-economics, savings, housing finances and other issues related to private finances. They serve as SBAB's spokespeople and work to spread information to and share their expertise and skills with customers, investors, the public and the media. This work is conducted in many ways and through multiple communication channels, and all reports and analyses are available free of charge at www.sbab.se.

Marketing communication

Much of SBAB's marketing communication aims to increase understanding of financial issues. In 2017, we started a major marketing initiative, "Household finances are really fun!" with the aim of increase public interest in the subject.

Digital tools and services

Our sites, www.sbab.se and www.booli.se, provide tools, services and information pages that help and inform on issues regarding housing quality and household finances.

A more transparent housing market

We want to take part in the creation of a more secure housing market. We intend to achieve this by developing services that promote transparency in the market and help our customers to make informed decisions in and outside the home. During the year we launched a new service for our residential mortgage customers called *Mitt boende* (My Home), which provides our residential mortgage customers with an overview of mortgages, housing and the housing mar-

ket, all at the same place. The aim is to continue to increase the amount of relevant data, and to develop smart, innovative services that contribute in various ways to improving housing quality and household finances for our customers.

Räntematchen

Our digital interest-rate comparison service "Räntematchen" allows consumers, by identifying themselves using Bank-ID and an estimate of their home's value, to compare their existing mortgage interest rates at other banks with SBAB's offering.

Booli

Together with Booli, we are working to achieve a better and more transparent housing market. www.booli.se is one of Sweden's largest housing sites and, together with the www.HittaMäklare.se sister website, Sweden's largest digital estate agent service, provides the platform to 1.5 million unique visitors per month. In addition to housing units for sale and end prices, www.booli.se also shows house and apartment valuations.

Dialogue and partnerships

SBAB's Corporate Clients & Tenant-Owners' Associations business area regularly participates in trade shows and holds seminars that are primarily aimed at trustees and board representatives from tenant-owners' associations. In 2017, we participated in 18 trade shows to share expertise and experience, forge new contacts and learn about trends, while gathering the sector's thoughts about the future. We also arranged ten of our own seminars during the year, whereby experts from SBAB or our network are invited to address topics such as board liability, energy efficiency measures, new legislation affecting tenant-owners' associations and much more. During the Almedalen week forum, we joined various property companies in seminars and panel discussions on how various stakeholders, such as property companies, public housing companies and politicians, could cooperate to create a better social housing environment where people are satisfied and can feel safe and secure.



Our housing economist, Claudia Wärmann, and our Head Economist, Robert Boije, are happy to respond to questions and can be followed on Twitter and on www.sbab.se/bloggen.

RESPONSIBLE AND REALLY FUN MARKET COMMUNICATION

HOUSEHOLD FINANCES ARE REALLY FUN!



According to a SIFO survey commissioned by SBAB in early 2017, a full 70% of the Swedish population think that household finances are important, but dull. Even really dull.

Responsibility, safety and trust. Our brand is full of strong and important values that we nurture. We are developing the brand experience to include more attitude and feelings. We are an innovative company with the inclination and the attitude to make changes and to improve, which we want to be even clearer in our brand. To achieve this, we decided to make household finances fun and banking and mortgages more enjoyable.

We therefore decided to make household finances really fun by putting on a comedy show at the Stockholm Globe Arena. Not really an easy task, we must admit. So we asked the Swedish comedian Erik Haag to help us.

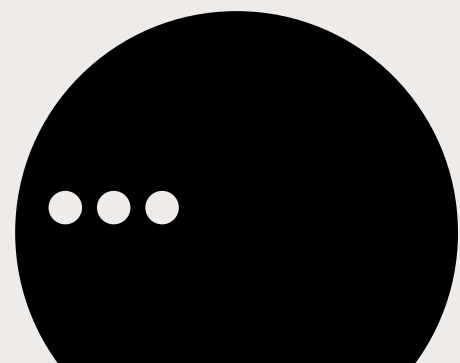
Over the year, our customers and the general public could follow the road to the Stockholm Globe Arena through a number of amusing films on www.sbab.se and on social media. We also published

educational films aimed at showcasing key questions about household finances in a straightforward and accessible manner.

Communication during the year culminated with SBAB's comedy show – "Household finances are really fun!" – at the Stockholm Globe Arena with more than 10,000 spectators. On stage, we had stars including Erik Haag, Mia Skäringer, Johan Rheborg, Nour El Refai and Björn Gustafsson.

A good example of what we at SBAB consider innovative, responsible and fun marketing communication.

★ HOUSEHOLD FINANCES ARE ★
REALLY FUN!



A CLIMATE-SMART TRANSFORMATION OF SOCIETY



Properties, business premises and homes account for nearly 40% of total energy consumption in Sweden. As a bank, our financing and credit granting enables us to influence the market through requirements, stimuli and dialogue with the aim of reducing energy consumption.

How can we influence our customers?

Education and skills development are prerequisites for changed behaviour with regard to the environment and sustainability. Accordingly, a key question for SBAB is how we should shape the training of our employees and how we should spread knowledge and influence values and behaviours among our customers.

Corporate Clients & Tenant-Owners' Associations

For our corporate customers, social and environmental sustainability have become areas of increased interest in recent years. Property companies are now also starting to be impacted by sustainability requirements from their suppliers, including municipalities

who provide access to land. Tenant-owners' associations have yet to make as much progress in their management of sustainability matters, but they are responsive to the running costs that the careless use of, for example, energy could entail.

SBAB promotes increased energy efficiency at our customers' properties. We intend to achieve this through a variety of initiatives, such as by providing information that helps our customers come to an understanding of their own energy consumption, relative to that of other property owners. Such a realisation could, for example, result in a re-prioritisation of maintenance plans and investments in energy optimisation. The information is supplemented by consultation with SBAB's business partners in the technical equipment arena. We also offer particularly advantageous loans for energy-saving investments. In addition, we can also impact energy consumption through differing choices with our new lending, in which new build financing is a key component. For existing customers, we regularly

arrange seminars on various sustainability themes. In these forums, we collaborate with a number of energy consultants who contribute to skills enhancement and guidance.

Sustainable products

By developing products that give our customers the potential and incentive to invest and implement measures that improve energy performance and the environment in their homes and properties, we can participate by helping to create positive societal development. Positive effects are attained through lower energy consumption, including reduced running costs and improved indoor climate.

Our Green loans aimed at tenant-owners' associations and property companies — a loan with a particularly advantageous interest rate for customers intending to implement measures that improve energy performance and the environment in their properties. At the end of the year, 33 corporate and tenant-owners' association customers (19) had a Green loan with SBAB, corresponding to a volume of SEK 88 million (55).

The Energy loan is a green consumer loan with an interest rate discount available to customers intending to make sustainable investments in their homes. At the end of 2017, 92 retail customers (44) had an Energy Loan with SBAB, corresponding to a volume of SEK 8.1 million (4.2).

Green bonds

In 2007, the World Bank issues the world's first green bond. Since then, the global market for green bonds has seen an explosion in growth. A green bond works just like a normal bond, the exception being that the bond's liquidity is earmarked for eco- and climate-friendly projects.

In mid-2016, we became the first bank in Sweden to issue a green bond. In October 2017, we issued our second — a 5-year unsecured green bond amounting to SEK 1.75 billion. At the end of the year, SBAB's volume of green bonds totalled SEK 3.75 billion (2.0). Eligible projects within SBAB's green bond framework are estimated to generate an annual reduction in GHG emissions corresponding to 1,365 tonnes CO₂e.

Properties, business premises and homes account for nearly 40% of total energy consumption in Sweden. As a bank, our financing and credit granting enables us to influence the market through requirements, stimuli and dialogue with the aim of reducing energy consumption.

SBAB's green bonds

SEK **3.75** billion

Total volume outstanding

1,365 tonnes CO₂e

Expected annual reduction in GHG emissions

Financing of new housing

In many areas of Sweden, demand still exceeds the supply of housing, which is an important contributing factor to rising housing prices over the last few years. This has led to certain groups, including young people, having problems entering the housing market. The financing of new housing units enables us to contribute value to society. Newly built properties are also more energy-efficient than older properties. In other words, we help to satisfy the need for more housing units but also to increasing the proportion of

properties with low energy consumption. We intend to continue expanding our new build business and preferably finance energy efficient properties. In 2017, SBAB was involved in the financing of 2,608 new-build homes (2,966).

Climate impact from own operations

We are a digital bank. We have no branch offices and are reached by our digital channels and over the telephone. This enables us to avoid transportation and the operation of branch offices around the country, which contributes to the relatively small size

of our direct environmental impact. However, because we still want to reduce the impact that we have, we have measured our carbon dioxide emissions since 2009. A summary of SBAB's climate report for 2017 is available on page 137. The report is available in full at www.sbab.se.

About SBAB's green bonds

The funds SBAB raises through our green bond issues are used exclusively to finance or refinance residential properties that meet a number of energy-efficiency criteria or hold certain environmental certification.

A framework based on the International Capital Market Association's (ICMA) "Green Bond Principles" has been developed, which sets out the conditions for issuing our green bonds and our onward lending of these funds. This framework has been reviewed by the independent climate and environmental research institute, Center for International Climate and Environmental Research – Oslo (CICERO), and SBAB's green bonds are classified as Medium Green. The framework, CICERO's statement and SBAB's Green Bonds Impact Report 2017 are available at www.sbab.se.





SKANSKA & IKEA

AFFORDABLE HOMES FOR ALL

A DIFFERENT WAY TO LOOK AT HOUSING CONSTRUCTION

BoKlok is a somewhat different housing concept developed by Skanska and IKEA. BoKlok develops and builds sustainable housing with good design, function and quality at low prices.

“It all started in the mid-1990s after the Swedish financial and property crisis. Skanska and IKEA decided to jointly offer affordable quality homes,” says Jonas Spangenberg, CEO of BoKlok.

“At first, the focus was on developing homes for specific groups. The typical customer was a single nurse with one child. Today, BoKlok targets a wider segment”, Jonas relates.

“Our basic idea is to build quality homes that everyone can afford to buy. The situation in the housing market is strange in many ways. There is a surplus supply of newly built housing units, at the same time as there is a serious housing shortage in many places. Many people can quite simply not afford to buy a house that is produced at the prevailing price levels. And that’s where we come in.

“The starting point for our offering is how much our customers can afford to pay. We devised our Left-to-live-on calculation at an early stage and we still use it. This is the foundation for the offerings we develop.

“Then it’s all about finding suitable land to start building on. We have chosen to build in areas that many other property developers avoid, such as deprived areas.

BoKlok builds about 1,200 housing units per year and has completed a total of slightly more than 11,000 units to date. BoKlok is responsible for the entire value chain. From product development, project development and factory manufacturing to construction, sales and customer relations after occupancy.

“Cost effectiveness is naturally very important to us. We compete on the basis of price. To be able to sell cheaply, we have to produce efficiently. Our entire operation is pervaded by this perspective.

“Our housing is built in 3D modules. They are designed by architects and are well-conceived, but only once. Subse-

quently, we build according to the same drawing over and over again. This makes us really efficient.”

Jonas explains that BoKlok always looks at new ways of producing housing.

“We are a commercial operator and we basically want to conduct a profitable business. But one aspect need not exclude the other. As a result of our operations, more people get a chance to buy their own home. We also always try to develop our building method, not least on the basis of various sustainability dimensions. We want our building work to be as sustainable and eco-friendly as possible. By taking such an approach, the total calculation frequently ends up better.

“We are always interested in finding new business partners who understand the business value of what we do – so that we can jointly develop our concepts. SBAB is definitely such a company.”

HOW WE APPROACH SECURITY

Banking security

We work proactively with compliance and security issues to ensure that we comply with the regulations and requirements that apply to operations. Banking confidentiality is a key point of departure for our security efforts. Living up to the expectations and requirements placed on us as a company is of vital importance to the confidence that our customers, owner, employees and other stakeholders have in SBAB.

Our security measures involve both prevention and control. We take actions to detect and counteract threats in advance and we regularly check that our protective measures are effective. Security is always an important element in the management and development of our products and services.

Work conducted in 2017 included focusing on an additional mapping and classification of information flows and assets, strengthening our security follow-ups of suppliers and implementing further improvements concerning authorization management.

Cyber security

Identity theft, spyware, trojans and other forms of cyber-based threats are current societal problems that impact our operations. The cyber threat to the financial sector is particularly extensive. During the year, all employees completed obligatory training in the area. SBAB has a dedicated security group tasked with ensuring and maintaining a high level of cyber security in our operations. The group works proactively with increasing risk and security awareness with our customers and our staff, and with improving security in our systems. The security unit is also responsible for SBAB's Security Incident Response Team (SIRT), which is responsible for identifying, analysing and rectifying IT security incidents.

Financial crime

SBAB's work to counter financial crime is controlled and driven by a separate unit, Anti-Financial Crime (AFC).

Money laundering and financing of terrorism

Our operations are to be conducted in a manner that minimises the risk of the bank being exploited for money laundering

purposes or for the financing of terrorism. We annually conduct a comprehensive risk assessment to identify and assess the risk that SBAB will be exploited for money laundering and the financing of terrorism. The assessment then forms the basis for actions to be taken to control and mitigate the identified risks. The actions taken necessitate that we:

- Have a good level of customer awareness
- Have risk-based procedures
- Have an adapted transaction-monitoring system in place
- Undertake regular checks
- Train employees, partly via classroom exercises and partly through annual e-learning courses that are obligatory for all employees.
- Continuously follow up how the measures are functioning
- Closely monitor regulatory developments.

Counteract corruption

It is of the utmost importance for us as a company to take a clear stand against corruption. There are many reasons for this. Corruption undermines democracy, renders financial growth more difficult, distorts competition and entails serious legal and reputational risks.

SBAB has an internal policy detailing how our operations should deal with bene-

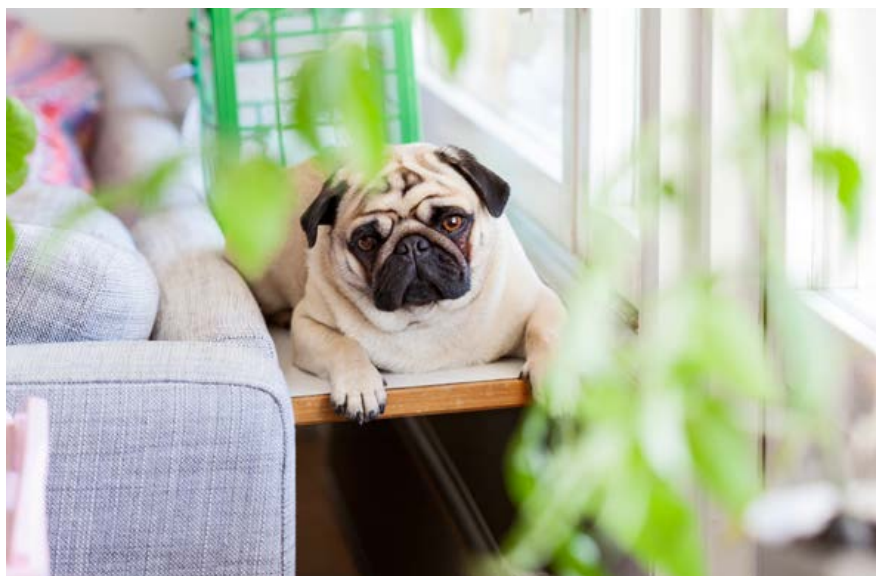
fits. The policy is designed to reflect the Code on Gifts, Rewards and other Benefits in Business published by the Swedish Anti-Corruption Institute. We complete ongoing courses and risk evaluations in this area. No incidents of corruption were reported during the year

Code of Conduct

We let our values and Code of Conduct act as a moral compass in terms of defining our behaviour and what we stand for as a company. Our Code of Conduct is decided by the Board of Directors and is available for all employees on our intranet. It provides guidance on how we should act and conduct ourselves in various situations and the inherent responsibilities of being a SBAB employee. Employees, managers, consultants, members of the Executive Management and Board members are responsible for understanding and complying with our Code of Conduct.

Whistleblowing function

We have a whistleblowing function in place, through which employees are able to report serious improprieties committed by senior executives and key personnel at the SBAB Group. Instructions regarding the function are available for all employees on our intranet. During the year, we had one whistleblowing incident.



ATTRACTIVE WORKPLACE

We who work at SBAB are the company's most important asset by far. Motivated and committed employees are a prerequisite for SBAB's success, competitiveness and long-term value creation.

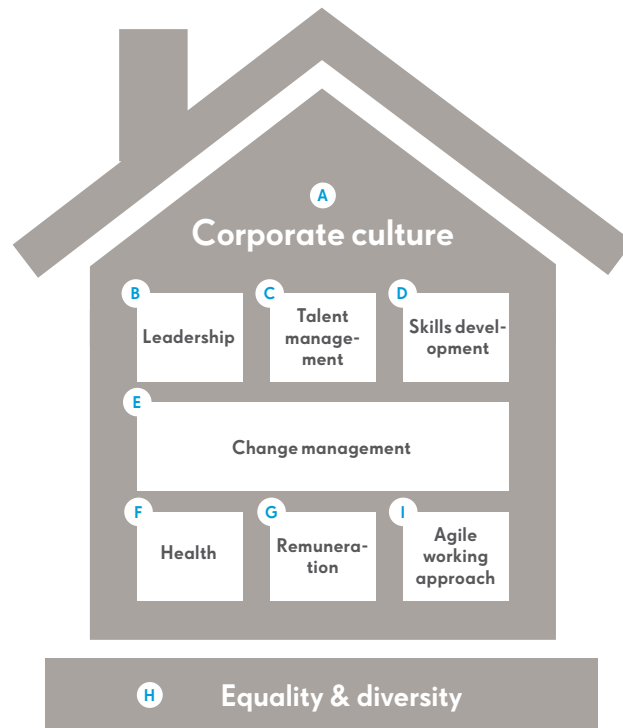
For us, it is vital that everyone at SBAB has job satisfaction, that we feel good, that we can be ourselves and that we feel that we can jointly make a contribution and develop every day. SBAB emphasises the value of employees with different backgrounds. At our company, it is a given that all employees have the same rights, obligations and opportunities in every aspect related to the workplace. We want SBAB to be an equal workplace with a high level of integrity that encourages differences and diversity. We are convinced that a mixture of competencies and backgrounds enriches our company.

We measure the progress we have made in our perception of an attractive workplace through our annual employee survey in cooperation with the company Great Place to Work and through other quarterly surveys. The aims of such surveys are to deepen our understanding of our employees' satisfaction and how they experience

the workplace, based on a number of fundamental needs in the areas of trust, pride and camaraderie. In so doing, we want to create a basis for analysis and a more involved dialogue at departmental and team level, while establishing a clearer understanding of the activities we should be focusing on to improve or maintain our employees' experiences of SBAB.

Our HR strategy

SBAB works in accordance with a long-term HR strategy in which we have defined nine particularly important focus areas: Corporate culture, Leadership, Talent management, Skills development, Change management, Health, Remuneration, Equality & diversity and Agile working approach. By continuously and determinedly working in these areas, we want to achieve our long-term aim of being one of the best workplaces in Sweden.



Targets for 2018

Equality & diversity Equality between women/men in management positions (within the range)	45–55%
Employee satisfaction: Percentage of employees who consider SBAB a great place to work	82%
Employee experience: Total Trust Index	77%

Historical outcome

	2017	2016	2015
Equality & diversity	45/55%	45/55%	44/56%
Employee satisfaction	79%	79%	n/a
Employee experience	74%	71%	n/a

UN's Sustainable Development Goals

In this target area, we contribute in various ways to achieving goal 8.

[READ MORE ON PAGE 141.](#)





A Corporate culture

One of our focus areas in the HR strategy is that SBAB will become an even stronger value-driven company. We strive to enable all of our employees to be self-driven and take own sensible decisions in their daily work. Our corporate culture is describes in our four values with their 18 sub-items which are presented on page 17.

At SBAB, it is not the Executive Management that decides in detail how we reach our goals by delegating and issuing instructions. At SBAB, the focus is always on our employees. Using our business plan as a base, we have clear goals and frameworks for what we want to achieve in the forthcoming year and further ahead.

In 2017, we arranged 21 Challenger Days, with employees participating in order to increase awareness of the self-driven employee and to enhance capacity to implement. Our attitude and our behaviour are decisive to how we will achieve our vision. Therefore, we have placed considerable focus on inspiring, developing and communicating our value-driven working approach. With full transparency regarding

our sustainable governance model, we want to clarify how everyone's input contributes to our vision and our goals. Consequently, we want all employees to understand how their specific duties contribute to the whole and why they specifically are important for SBAB's success. During the Challenger Days, participants were able to work with different issues, where together, based on our values, they were able to reason their way to solutions, train giving and receiving feedback, and discuss what being a self-driven employee entails.

B Leadership

The value-driven working approach places far-reaching demands on having bold managers with a holistic perspective. We work with inclusive leadership, which is about participation, trust, responsibility and clarity as well as equality and diversity. Our managers set targets and frameworks, establish clear expectations and demonstrate trust by refraining from micromanaging employees. This enables us to increase the pace and enhance decisiveness and daily innovation, thanks to all

our employees making smart decisions in their daily work. By serving as role models, our leaders can build the trust and commitment required to help employees act in an independent and driven manner.

In 2017, we trained new leaders in inclusive leadership, through activities including Challenger Days for leaders and through our leadership development program for new managers. We have also worked with existing leaders through workshops in management groups and through our leader forum which has been completed three times during the year.

79%

of all employees at SBAB consider SBAB a great place to work

Symbols as tools to make it easier for us to apply our value-driven working approach

Our symbols are practical tools in daily life and symbolise how we are to act in our day-to-day work.



The glass of water represents trust. The glass fills up slowly by our positive actions, whereas water spills out and trust is lost when we act incorrectly.



The helicopter represents our ability to see the bigger picture – lifting up to get an overview of how everything works, like a helicopter.



The lighthouse represents the signals we send out – that we are all role models and ambassadors. We all affect each other.



The door represents courage – daring to open unknown doors, try out new pathways and think innovatively. Trust enables courage.



The ladder symbolises our ability to take our own initiatives. Being high up this ladder means taking initiatives and taking action. Lower down on the ladder are victims, people who complain and wait around.



The egg represents our approach to taking responsibility. This is constant, meaning we also take responsibility beyond our function. Our responsibilities overlap and create a stronger whole.

C Talent management

To ensure our long-term competitiveness, we need to attract, develop and retain talents, in other words, all of us at SBAB. In our recruitment, we look for self-driven people with the right attitude, who share our values and who, with considerable commitment, want to find new ways to advance together with their colleagues. We view the employment as a shared journey. It is important for us that, employees' time at SBAB is characterised by development, learning and high performance.

We want to apply an innovative approach to how we attract and recruit new colleagues. Depending on the position, we adapt our advertising and channels, which in 2017, resulted in a full-page advertisement in Dagens Industri as part of the hunt for our new COO and push adverts on social media to attract more employees to our customer centre in Karlstad. In 2017, we also developed our exit interviews and created a specific career page for Tech at www.sbab.se

The initial time at a new workplace is vital for an employee to feel welcome and secure in his/her career choice. It is important to understand the big picture, regardless of the role in which an employee joins SBAB. Our two-day Boost Camp residential course aims to introduce new employees in an energising, motivating and inclusive manner to our corporate culture, our value-driven working approach and to SBAB as a whole. In 2017, we completed five Boost Camps for a total of 91 new employees.

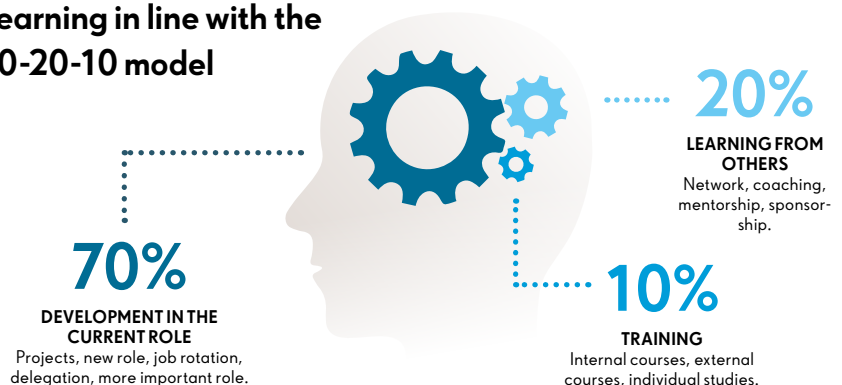
D Skills development

Learning and skills development are becoming increasingly important in today's ever-changing world. We focus intently on developing a learning organisation. It is important to ensure that the work we conduct is relevant and contributes to the right business value and long-term skills development. Skills are perishable in our changing world, which is why the opportunities for learning and continuous development are strategically important priorities. Our development efforts are based on the "70-20-10-model." Put simply, the model means that 70% of our learning should come from developing in our existing role, 20% from learning from others and 10% from traditional training. The greatest and most important part of this learning is the development that takes place on a day-to-day basis and together with others.

Reflection and feedback are prerequisites for learning and development, which explains why regular progress meetings between manager and employee form an obvious part of our ongoing work. Management by objectives is important for defining and providing substance to the direction of, and the framework for, what has to be attained. This work is given substance through an individual annual plan, which is continuously followed up and adjusted.

One of our largest initiatives in 2017 has been the mortgage licensing of everyone at SBAB. Under the EU Mortgage Credit Directive that was implemented in Sweden in early 2017, the personnel at organisations that offer credit, credit brokering or advisory services in the field of mortgage credits to consumers are required to possess special knowledge and skills. As part of the work with the Mort-

Learning in line with the 70-20-10 model



gage Credit Directive and together with Swedish industry body SwedSec Licensing AB, the Swedish Bankers' Association has developed a separate skills test for personnel who work with mortgages, which in turns leads to a licence to be able to work with mortgages. By year end, 401 SBAB employees had received mortgage licences. We have also created conditions for more efficient learning by digitalising other regulatory requirements and other knowledge requirements from classroom courses to e-learning programmes. Today, the main intention of our classroom courses is to serve as in-depth discussions and to provide understanding of more complex issues.

E Change management

We need considerable competence and talent when it comes to leading and living with change. This is particularly important when change is a natural feature of our reality. Our aim is to make sure that change management becomes a part of our DNA. Most changes differ but if we

have the same methodology and a shared language for change, we can generally increase the pace and enhance the quality of our change efforts.

We apply the ADKAR model. The acronym ADKAR stands for five components: Awareness, Desire, Knowledge, Ability and Reinforcement. The model provides us with a shared platform and mindset to change, which helps us communicate, keep pace and focus in the change process. It supports us with being proactive and taking responsibility through the differing stages of change. ADKAR is a model and a language that works equally well in major strategic change projects and in minor everyday changes. It is important to work according to the same methodology and the same concepts regardless of the scope of the change. To additionally strengthen internal competencies concerning change management and to create greater awareness in the organisation, employees are continuously certified in the model.

F Health

We want to enable everyone who works with us to have a sound balance in life through a sustainable workload. Life consists of many different phases and challenges both at work and outside. Our health-related initiatives are designed to proactively support everyone, regardless of their situation in life. We aim to promote the health of all employees and thus to contribute to their well-being and sustainability. We offer a number of wellness alternatives through our digital health and wellness portal, which is complemented with a wealth of activities arranged by wellness coaches. We believe in preventing ill health by creating a healthy work environment and offering various health-promoting activities. We offer all employees a wellness allowance, health-care hours, free gym access at several offices and subsidised health insurance and medical care. Flexible working hours, reinforced parental pay and the active



prevention of long-term sick leave in cooperation with occupational health services are other building blocks of our health-related initiatives. In 2017, we implemented professional counselling called, Vardagsstödet, for all employees. Vardagsstödet provides knowledgeable and anonymous help in finding solutions as early as possible and offer ways ahead in both simple and difficult issues. During the year, we also implemented a training initiative in health-promoting leadership for managers in order to increase awareness and supply tangible tools for providing better support to co-workers based on every individual's needs and wishes.

G Remuneration

Our remuneration policy encompasses all SBAB employees, regardless of position. In accordance with the relevant policy, SBAB's remuneration is to be competitive, capped and appropriate, moderate, reasonable, well considered and not salary-leading. It should also contribute to high ethical standards and a good corporate culture. The

same applies to the benefits we offer – all employees are offered the same benefits, regardless of position. Since 2012, there have been no incentive programmes and no variable remuneration to our employees that could have any significant impact on the SBAB Group's risk profile. The total level of remuneration is determined based on responsibility, complexity and results within the respective employee's area, but also on how well the employee lives our values and our value-driven working approach. We apply individual salary-setting in accordance with our collective bargaining agreement, which means that remuneration and salary growth is individual and differentiated. Salary reviews take place annually by way of individual salary interviews, whereby performance in the role and applicable salary criteria are taken into consideration. In 2017, we further improved the process for remunerating managers by implementing a new tool for managing both salary planning and pay reviews. We also conduct annual salary surveys to ensure the continuation

of our successful work to prevent non-objective salary differences and salary discrimination. Should abusive special treatment occur, procedures are in place to launch investigations and take actions. Reports should be submitted to line managers or HR. If the employee belongs to a union, a representative from that organisation is brought into the investigation. No known cases of workplace discrimination occurred at SBAB in 2017.





Photo from SBAB's head office in Solna.



SBAB is certified by Great Place to Work. The certification is awarded to organisations that meet Great Place to Work's international requirements for employees' experience as well as culture-creating activities and work.

H Equality & diversity

SBAB has a policy that emphasises the value of employees with different backgrounds. For us, it is a given that all employees have the same rights, obligations and opportunities in every aspect related to the workplace. We want everyone to feel that they are seen, appreciated and respected for who they are. We are convinced that a mixture of competencies and backgrounds enriches our company. These matters are also an important part of the human rights principles that we have undertaken to support within the scope of the UN Global Compact.

One of our targets concerns equality between men and women in executive positions. At year end, 45% (45) were women and 55% (55) were men, which falls within our target range of 45–55%. We work continuously to achieve our target in this area, including by collaborating with "Nyckelta-institutet" to obtain an external assessment of our equality initiatives, requesting equal candidate lists from our external recruitment partners when recruiting, and by ensuring that we have clear guidelines in place that help our employees combine their work with parenthood. Diversity is included in our equality plan with the aim

of demonstrating that diversity is a highly important priority. The term "diversity" entails the targets and activities implemented with the aim of promoting equal rights and opportunities at the workplace, and is thus important in terms of combatting discrimination. Efforts concerning equality and diversity are pursued across every part of SBAB. The HR department is responsible for producing, developing, driving and raising awareness of the equality and diversity plan at an overall level. Managers are responsible for driving equality and diversity efforts within their respective areas. Each individual employee has a personal responsibility to get involved in and adhere to the plan and to adopt an equality-driven approach that combats discrimination in day-to-day work.

Since early 2016, an initiative has been in place at SBAB that aims to contribute to diversity by working together with Sweden's Public Employment Agency to offer new and introductory work to newly arrived immigrants. In 2017, we also initiated collaboration with the Tekniskprånget and Jobbsprånget labour programmes. These initiatives are pursued on a cross-functional basis throughout the organisation.

I Agile working approach

We strive to work using the agile work approach to increase tempo, improve efficiency and to create a more developing work environment. We operate in a changing world that requires us to quickly and flexibly adapt ourselves to new preconditions. A major change resulting from fully transitioning to an agile working approach is to optimise the operations for value flows rather than resources. In simplified terms, this entails that the time from starting a certain activity until it is completed is more important than planning how specific resources are to work with a certain thing at a specific point in time. Aided by agile working principles, we want to further develop our value-driven working approach.

SOUND FINANCES

Sound finances mean strong own funds and profitability. Growth and cost-efficiency are crucial for creating long-term profitability. Profitability is a precondition for being able to make investments in long-term competitiveness. Sound finances enable us to run SBAB responsibly and sustainably.

As part of the financial system, we also have a responsibility to promote a national economy that is sustainable over the long term. Well-functioning banks contribute to societal development and employment and constitute an important element of financial stability. Sound finances are a prerequisite for our ability to achieve this, as well as to create value for our stakeholders and society in general.

Efficiency

In recent years, banking operations have become increasingly complex and demanding due to regulatory developments, especially around issues concerning customer experiences, reporting, capital and liquidity. This increased complexity has led to an increased need for investments that increase fixed costs for conducting banking operations. Digitalisation and new customer behaviours fundamentally change the value of our customer offering, how it is offered and what the customer pays for each product and service. In general, the trend is towards the banks' marginal costs for offering digital services approaching zero. When necessary investments have been made, the banks' marginal costs are extremely low,

which means that the price the customer pays for a digital banking service on a competitive market is also very low. One exception is the price on money borrowed – this is a finite resource, and borrowing money entails a risk. Borrowed money therefore always has a price.

SBAB is a digital bank. We have no traditional branch offices. Our customer experience and customer offering takes place through digital channels and the telephone. Cost-efficiency is therefore crucial for our long-term competitiveness. We invest in our operations for the purpose of attaining extremely low marginal costs, in order to ensure long-term competitiveness. Our expenses increased 8% during the year to SEK 959 million (889). One way of measuring total cost efficiency is the C/I ratio. This is a measurement that describes the relationship between our costs and our revenue – how much each crown earned actually costs SBAB. Our C/I ratio for 2017 totalled 30.3% (30.5), which is the lowest in the industry.

Responsible growth

Growth is central for companies on competitive markets. If they do not grow, they shrink – there are always competitors

who are interested in your customers. If they grow, it is proof that their customer offering is in demand. To ensure SBAB's long-term competitiveness, our operations need investments. Not only to improve our customer offering, but also to make ourselves even more efficient so that our growth takes place at low marginal costs. Our investments will make us efficient, so that the marginal costs for growing with more customers and larger volumes become so low that we will always be able to offer competitive terms on our credits and services. This is responsible growth.

Responsible growth also involves pursuing responsible provision of credit. Our provision of credit must be sustainable over the long term, with very low loan losses. We do not want our customers to have problems paying interest and amortisations. We have a responsibility to finance homes for customers who are creditworthy. We always need to get better, and more efficient, at assessing creditworthiness so as to ensure that SBAB's risk taking is always reasonable and that the customer, in accordance with their conditions, borrows the right amount at the right price and can manage to pay interest and amortisations even when conditions have

Targets for 2018

Historical outcome

		2017	2016	2015
Profitability: Return on equity over time	≥ 10.0%	12.5%	12.3%	10.2%
Dividend: Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥ 40%	40%	40%	0%
Capitalisation: CET1 capital ratio above regulatory requirement communicated by the Swedish FSA	≥ 1.5%	6.4%	8.3%	6.0%

UN's Sustainable Development Goals

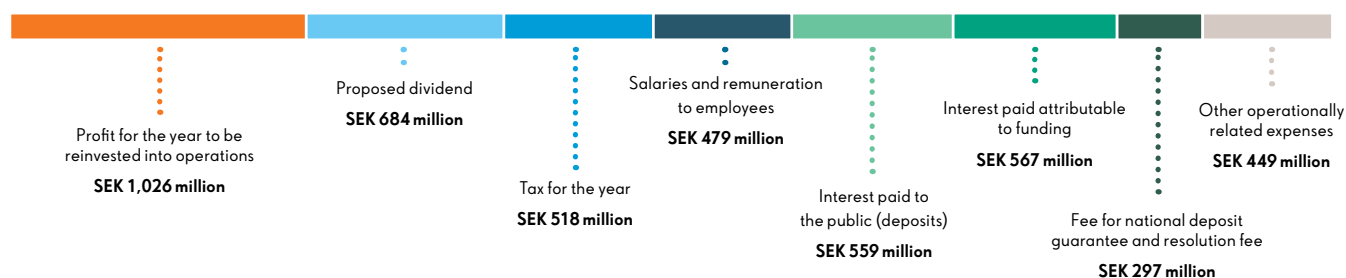
In this target area, we contribute in various ways to achieving goal 8.

[READ MORE ON PAGE 141.](#)



Financial value creation

One way of measuring how we generate financial value for our stakeholders is by presenting information on how the financial value is distributed.



MOODY'S

RAISED CREDIT RATING

In August, Moody's raised SBAB's long-term credit rating from A2 (positive outlook) to A1 (stable outlook).

This is the first time since 2005 that SBAB has had its rating raised by one of the credit rating agencies. Moody's underlying reasons for the upgrade include the fact that SBAB has strengthened its profitability and improved its lending mix through an increased share of deposits.

During the quarter, Standard & Poor's (S&P) raised its outlook for SBAB's long-term credit rating from negative to stable, after their assessment that the economic risk trend for Swedish banks is stable. They state that Sweden's economy remains strong, with falling unemployment and a high level of activity. SBAB's long-term credit rating from S&P is therefore A (stable outlook).





changed. For some time now, we have achieved lower LTV ratios and indebtedness rates in our lending portfolio. This development is the result of conscious, continual work that involved aspects such as developing existing credit rules and implementing more risk-based pricing. In addition, we have worked on distribution and customer communications customised for target groups.

Total lending totalled SEK 335.1 billion (296.0) at the end of the year, equivalent to net growth of 13% in 2017. The number of residential mortgage customers increased 9% to 255,000 in total. Total deposits amounted to SEK 111.9 billion (96.8) at the end of the year, equivalent to net growth of 16% in 2017. The total number of savings accounts increased 12% during the year, to 338,000. Traffic on our Web sites also increased during the year. The number of unique visitors per month to www.sbab.se was 781,000, corresponding to an increase of 8% in relation to 2016. The number of unique visitors per week to www.booli.se was 277,000, an increase of 16% year-on-year.

The year in figures

Group	2017	2016	Δ
	Jan-Dec	Jan-Dec	
Total lending, SEK bn	335.1	296.0	13.2%
Lending, Retail, SEK bn ¹⁾	250.1	211.9	18.0%
Lending, Corporate Clients & Tenant-Owners' Associations, SEK bn	85.0	84.2	1.0%
Total deposits, SEK bn	111.9	96.8	15.6%
Net interest income, SEK million	3,149	2,829	11.3%
Expenses, SEK million	-959	-889	7.9%
Loan losses, SEK million	24	-18	SEK 42 million
Operating profit, SEK million	2,228	2,011	10.8%
Return on equity ²⁾ , %	12.5	12.3	20 bps
C/I ratio, %	30.3	30.5	-20 bps
CET1 capital ratio, %	32.2	32.2	0 bps

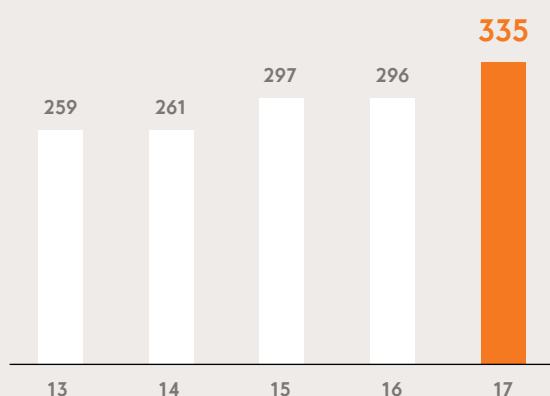
¹⁾ Mortgages totalling SEK 12.7 billion from the previous partnership with Sparbanken Öresund were transferred from SBAB during Q4 2016. In total, around SEK 20.5 billion was transferred during 2016.

²⁾ From Q1 2017, SBAB has used a new definition to calculate the return on equity. The comparative figures for 2016 have not been restated. For further information, refer to page 147.

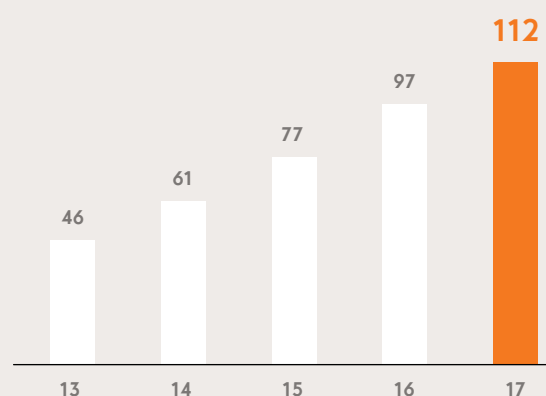
STRONG GROWTH

SBAB's total lending amounted to SEK 335 billion at year end, compared with SEK 296 billion at the end of 2016. This corresponded to net growth of 13% in 2017. Deposits also grew strongly during the year, up 16% to SEK 112 billion. The fact that so many people choose to become customers of SBAB is clear confirmation that we have one of the market's most attractive customer offerings.

TOTAL LENDING, SEK BN



TOTAL DEPOSITS, SEK BN



Profitability

Profitability provides conditions for growth as well as for investing in operations for long-term competitiveness and strengthened cost-efficiency. Profitability also provides conditions for building stable own funds, which for us as a bank is crucial for creating confidence among our stakeholders such as savings customers, bond investors, credit rating agencies and government authorities.

We achieve profitability through developing and working with both revenue and cost streams. The revenue factors with the largest impact are growth in the form of more customers, growth in borrowing and interest margins on our lending. Our growth was strong in 2017, and our margins developed favourably during the year. As regards costs, low marginal costs is the most important factor for achieving long-term cost efficiency, both for conducting operations and for growth.

SBAB's profitability target specifies a return on equity of no less than 10% over a business cycle. Return on equity in 2017 amounted to 12.5% (12.3).

Dividend

Part of our funding comes from our owner, the Swedish state, in the form of equity. In return for its contribution, the owner receives a return in the profit generated by operating activities. In accordance with the owner's dividend target, at least 40% of profit after tax is to be distributed, taking SBAB's capital structure into consideration. Since our owner is the Swedish state, this profit goes back into the Treasury and thus helps to finance state expenditure. The Board proposes a dividend of 40% (40) for 2017, corresponding to SEK 684 million (628). The rest of the profit is to be reinvested in operations.

Capitalisation

It is important for SBAB to be well capitalised, since this promotes confidence from our stakeholders, financial stability and the opportunity to grow. According to SBAB's capital targets, the CET1 capital ratio should under normal conditions be at least 1.5 percentage points higher than the CET1 capital requirement communicated by the Swedish FSA. This requirement is expected to correspond at year-end, according to SBAB's internal assessment, to a CET1 capital ratio of not less than 25.8%. At year end, the Common Equity Tier 1 capital ratio was 32.2% (32.2), which was 6.4 percentage points over the requirement.

TOGETHER, WE MAKE A DIFFERENCE

Our social responsibility is a core and clear part of our mission. This involves taking social responsibility by clearly contributing to better housing quality and household finances in various different ways.



Portrait of sellers of the magazine Situation Sthlm

EVERYONE HAS A RIGHT TO A HOME

The right to a home is stipulated in both the UN Convention on Human Rights and in the Swedish constitution. Nevertheless having a home is not self-evident for all. We support Stockholms Stadsmission in its aim to halve the acute issue of homelessness in the City of Stockholm by 2018, through the "Särskildnyttan" project. Within the framework of the project, we

have provided access to a full-time project manager resource. We have also brought together representatives of the City of Stockholm and our property company customers to discuss what we can do together and to find solutions that reduce homelessness. In 2017, the project began to bear fruit and a number of people now have an own home thanks to "Särskildnyttan".

We also contribute in other ways to Stockholms Stadsmission's operations. For example, we have contributed to beneficial financing of a property in which it conducts its activities. We are also a regular customer in Stockholms Stadsmission's conference activities, where a number of customer seminars for tenant-owners' associations are conducted every year.

To improve the housing situation for the homeless, we also support Situation Stockholm and Faktum, magazines sold by the homeless. These are societal and cultural magazines whose idea is to attract readers and thereby create work and a personal income for the magazine's sellers. The aim is to support these individuals in their return to society — selling magazines is a job, not charity.

Homelessness risks affecting new groups in our society. Every player in the housing market needs to work together to tackle the major challenge posed by the housing shortage.

– Marika Markovits,
Director, Stockholms Stadsmission

SPREADING KNOWLEDGE

We want to contribute to better social housing environments in the areas where we finance properties. For this reason, we collaborate with the football club FC Rosengård, which runs the labour market project Boost in the Malmö region that aims to help long-term unemployed youth find work or begin studying. Employees at SBAB contribute to the content of the project by giving lectures several times a year that provide inspiration in everyday personal finances. Every year, about 150 adolescents receive education.



SKILLS DEVELOPMENT

To ensure sustainable social development and to maintain competitiveness, competent employees will also be needed in the future, not least in the digital area. We contribute to lighting the stars of the future already today by backing the non-profit organisation Hello World!, which works to support digital creation. On two occasions in 2017, Hello World! invited some 100 young people aged 8–18 to meet-ups at SBAB’s premises in Solna. We contribute premises, networks, refreshments and service through a number of employees working on a voluntary basis.



EMPLOYEE COMMITMENT

Since spring 2016, SBAB employees have had an opportunity to undertake two days of voluntary work per year at organisations that reflect our mission. Examples of such organisations are Refugees Welcome in Karlstad and Stockholms Stadsmission. The volunteer work is performed during ordinary working hours, following which the volunteers share their experiences by relating them on our intranet, in an article in social media, in a brief presentation for their work team or at a monthly meeting to which the entire organisation is invited. With this initiative, we want to make it possible for our employees to become involved and to contribute to making our society a better place.

VOLUNTEER DAYS

Whole days	48
Half days	21
Number of hours	503

THE BEST RESIDENTIAL MORTGAGES IN SWEDEN

SBAB's operations continue to develop favourably with healthy volume growth, stable financial results and strong KPIs.

ADMINISTRATION REPORT

- 45** Condensed income statement and balance sheet
- 46** Market developments
- 48** Consolidated income statement
- 50** Retail business area
- 54** Corporate Clients & Tenant-Owners' Associations business area
- 58** Funding and liquidity
- 60** Risk and capital management

From financial years starting after 31 December 2016, large undertakings must report sustainability in line with the new rules in the Swedish Annual Accounts Act pertaining to sustainability reporting. SBAB's Sustainability Report has been prepared in line with the GRI's framework for sustainability reporting, GRI Standards: Core option. The separate GRI/COP index on page 139 sets out which parts of the report constitute SBAB's Sustainability Report pursuant to the GRI.

CONDENSED INCOME STATEMENT AND BALANCE SHEET

CONDENSED INCOME STATEMENT

+ SBAB'S INCOME

SEK million	2017 (2016)
Net interest income	3,149 (2,829)
SBAB's largest and most important revenue item is net interest income, which comprises the difference between SBAB's interest income and interest expenses. Interest income is primarily from SBAB's residential mortgages and housing loans, while interest expenses mainly comprise SBAB's funding costs.	
Net commission	-5 (7)
Net commission mainly comprises income from insurance broking and other credit-related fees and funding-related expenses.	
Net result of financial transactions	-12 (48)
The Net result of financial transactions arises through SBAB's application of financial instruments and as a result of accounting valuation effects.	
Other operating income	31 (34)
Other operating income primarily consists of income from the subsidiary Booli Search Technologies AB.	
Total income	3,163 (2,918)

- SBAB'S EXPENSES

SEK million	2017 (2016)
Expenses	-959 (-889)
SBAB's expenses mainly comprise personnel, premises and marketing costs and costs for IT and business development.	
Loan losses	24 (-18)
Loan losses arise when SBAB's customers are unable to pay interest and make loan repayments. We always work to minimise credit losses, based on our adopted risk tolerance levels. By way of precaution, we also prepare for estimated future credit losses through provisions.	
Tax	-519 (-441)
Tax consists of income tax of 22% of net profit for the year with an addition for tax adjustments and any adjustments of tax for previous years.	
Total expenses	-1,454 (-1,348)
= NET PROFIT/LOSS FOR THE YEAR	1,709 (1,570)

The net profit for the year comprises total income less total expenses. According to SBAB's dividend target, at least 40% of profit is distributed to owners, which in 2017 corresponded to SEK 684 million (628). The remaining portion of net profit is returned to equity.

CONDENSED BALANCE SHEET

SBAB'S ASSETS

SEK billion	2017 (2016)
Securities (liquidity portfolio)	73 (69)
In order to maintain high liquidity, SBAB has various forms of securities, mainly in the form of a liquidity portfolio. The liquidity portfolio was set up to ensure access to finance at times when SBAB's normal funding sources are not operating satisfactorily.	
Lending to the public	335 (296)
SBAB's largest asset item in the balance sheet was lending to the public. This item comprises residential mortgages and consumer loans to consumers as well as housing loans to businesses and tenant-owners' associations.	
Lending to credit institutions	2 (2)
For short-term liquidity management, SBAB utilises, inter alia, the repo market to invest or borrow money from other banks.	
Derivatives	6 (6)
SBAB utilises various forms of derivatives both on the asset and liability sides to protect the company against undesired changes in interest rates or exchange rates.	
Total assets	417 (375)

SBAB'S LIABILITIES AND EQUITY

SEK billion	2017 (2016)
Deposits from the public	112 (97)
SBAB's lending is financed, among other things, by retail deposits. Deposits refer to consumers, companies or tenant-owners' associations saving money in SBAB's savings accounts, in return for interest on their savings.	
Liabilities to credit institutions	6 (5)
See the comment under the post "Lending to credit institutions" above.	
Issued debt securities (funding)	275 (247)
The largest part of SBAB's lending is funded through borrowing in the capital market, which is referred to in the balance sheet as issued debt securities.	
Derivatives	2 (2)
See the comment under the item "Derivatives" above.	
Subordinated debt	5 (6)
SBAB utilises subordinated debt to strengthen its capital position. The fact that the debt is subordinated means in the event of a bankruptcy, the debt will be realised only when other liabilities have been paid.	
Equity	16 (15)
Total liabilities and equity	417 (375)

MARKET DEVELOPMENTS

The Swedish economy continued to perform strongly in 2017, partly due to favourable international economic trends, the low value of the krona and low interest rates. The number of new build homes continued to increase vigorously. Despite the mid-2016 introduction of the repayment requirement and a slight decline in house prices, household mortgage debt continued to increase much faster than incomes.

Developments in the Swedish housing market impact SBAB's lending and profitability. In turn, developments in the housing market are affected by the general state of the Swedish economy. Sweden is a small, heavily export-dependent economy that is highly influenced by international economic developments. Therefore, in addition to the housing and residential mortgage market, SBAB follows global and domestic macroeconomic developments.

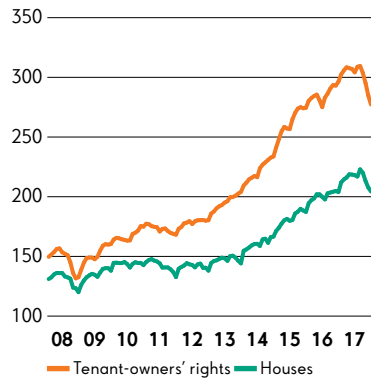
Healthy international economic trend

The international economy continued to strengthen over the past year. The United States is far ahead in the economic cycle. Countries like Brazil and India have exited their recessions. Economic recovery in the euro area found an increasingly firm footing following the prolonged financial crisis and the considerable initial unrest following Brexit. Continued low interest rates in many countries and the cyclical upswing

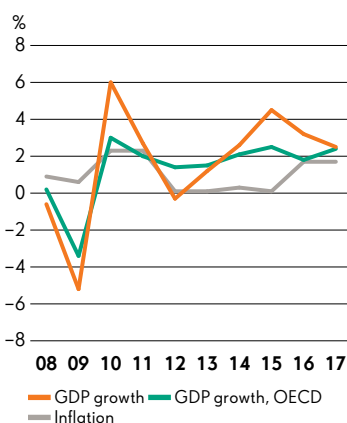
boosted private consumption and private investment grew faster than normal. Various sentiment indicators showed high confidence among both households and businesses. The positive international trend is driven by highly expansionary monetary policies in many countries, which has contributed to inflated asset prices with a risk of backlash. Political turbulence prevails in many European countries, including Poland, Hungary and Turkey, as well as in the USA. Depending on how negotiations between the United Kingdom and the EU develop, concerns regarding Brexit risk finding new momentum. The development of debt in China is an area of concern as is the tension regarding North Korea.

HOUSING PRICES

Index, 2005 = 100



GROWTH AND INFLATION

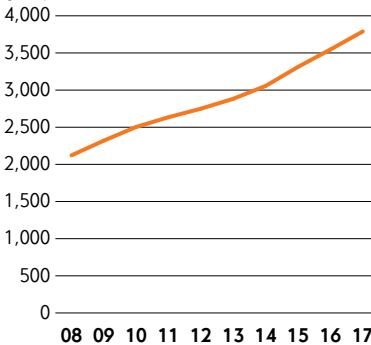


Slower but continued positive economic trend in Sweden

Year-on-year, GDP growth in Sweden slowed, but remained above the OECD average. The positive international trend contributed to continued high Swedish exports in 2017, even if net exports declined due to high import growth. Growth in demand was mainly maintained by private consumption and business sector investments, while growth in public consumption slowed down considerably year-on-year.

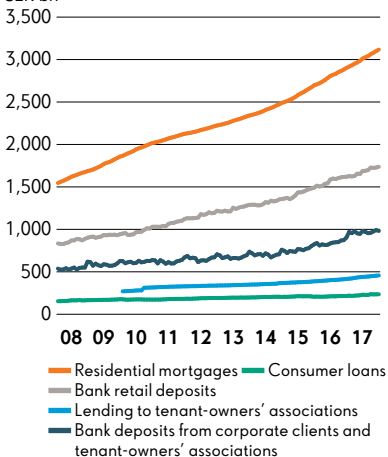
HOUSEHOLD DEBT

SEK bn



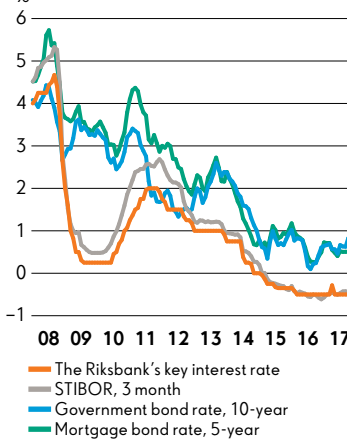
MARKET DEVELOPMENTS

SEK bn



INTEREST RATES

%



The repo rate remained at minus half a percent throughout 2017 and inflation rose gradually over the year. For some time now, inflation has been nearing the Riksbank's inflation target of 2%. The Riksbank forecasts raising the repo rate, albeit slowly, after mid-2018. However, to secure the increase in inflation, in 2018, the Riksbank will reinvest in new government bonds when its current holdings mature, in order to continue to hold down long-term interest rates. The highly expansionary monetary policy helped maintain demand in the Swedish economy in 2017. Measured as the change in government structural net lending, according to the National Institute of Economic Research (NIER), fiscal policy had instead a slight restricting effect on demand.

Increase in properties for sale and decline in housing prices

The extended rise in housing prices is largely attributable to fundamental factors, including decades of very low new production, low real interest rates, rising disposable incomes and urbanisation. Expansionary monetary policy has also contributed to this trend.

The number of completed housing starts continued to increase robustly in 2017, with a larger increase for apartments than for houses. Housing prices declined slightly in 2017. For the country as a whole, housing prices fell 2.5%. Prices for tenant-owner apartments declined

6.5%. The corresponding fall in Stockholm was 9.0%. For the country as a whole, house prices rose marginally over the year, up 0.2%. In Stockholm and Gothenburg, house prices declined somewhat.

The substantial increase in new production, particularly in certain segments, and an increase in properties for sale together with market uncertainty has most likely contributed to the most recent falls in prices. The Riksbank's announced repo rate increases and the repayment requirement introduced from 2016 can also be assumed to have had a cooling effect. As a result of taking longer to sell and more uncertain market conditions, some construction companies have chosen to change production from tenant-owner apartments to rental apartments. At the same time, a strong economy with more people in work and interest rates remaining low should contribute to keeping demand for housing up, thus curbing further falls in prices, even if uncertainty still prevails regarding the market trend. The expanded repayment requirement could impact housing prices moving forward from 1 March 2018.

Household mortgage debt continues to rise rapidly

During the year, households' mortgages grew 7.4% (7.6) to SEK 3,117 billion (2,902), while loans to tenant-owners' associations increased 9.8% (7.2) to SEK 457 billion (416). Low interest rates, the stable devel-

opment of household incomes, increased housing construction and beneficial conditions for property transactions have all contributed to this expansion. The consumer loan market increased 9.2% (4.4) during the year to SEK 235 billion (215)

Between 2016 and 2017, household disposable income grew 4%, which means that mortgage debt's share of household's disposable income continued to grow.

High rate of saving

At the end of 2017, household deposits were SEK 1,737 billion (1,619) with banks, which are subject to the national deposit guarantee. During the year, retail deposits in banks increased 7.3% (8.6). Rising incomes and a strong labour market have provided households increased opportunities to save. At the same time as demand for basic buffer saving remained strong. Household savings increased at a faster rate than household debt, despite the low interest rates. The market for deposits from corporate clients and tenant-owners' associations grew 8.6% (9.8) in 2017, to SEK 981 billion (904).



CONSOLIDATED INCOME STATEMENT

Our operations continue to develop favourably and for 2017, we are once again able to present strong financial results.

Earnings

In 2017, SBAB's operating profit amounted to SEK 2,228 million (2,011), primarily attributable to improved net interest income. The return on equity was 12.5% (12.3), which exceeded our profitability target of 10% by a healthy margin.

Income

Net interest income rose to SEK 3,149 million (2,829) as a result of increased lending volumes and lower funding costs. The resolution fee, recognised in net interest income, totalled SEK 247 million (102) for 2017. The net commission expense decreased to SEK 5 million (income: 7) as a result of higher expenses linked to funding operations. The net expense from financial transactions was SEK 12 million (income: 48). The difference between the periods is attributable to unrealised changes in market values as a consequence of changed basis spreads and changes to credit spreads for securities. Other comprehensive income decreased to an expense of SEK 474 million (income: 398).

Changed long EUR interest rates had a substantial negative effect on this item.

Expenses

SBAB's expenses grew to SEK 959 million (889). The increase in expenses was due to higher personnel costs in areas including compliance and service as well as increased investments in IT. Personnel costs amounted to SEK 479 million (412). Other expenses exclusive of depreciation, amortisation and impairment amounted to SEK 449 million (450). Depreciation, amortisation and impairment of PPE and intangible assets amounted to SEK 31 million (27). The C/I ratio decreased to 30.3% (30.5).

Loan losses

For the full-year 2017, loan losses resulted in recoveries of SEK 24 million (loss: 18), which corresponds to a positive loan loss ratio of 0.01% (negative: 0.01). For a more detailed account of the Group's loan losses, please refer to Note 10.

Dividend policy and appropriation of profits

The principle established by the owner is that ordinary dividends should be at least 40% of profit for the year after tax, taking the Group's capital structure into account. The Board proposes a dividend of 40% (40), corresponding to SEK 684 million (628) for 2017. The proposed appropriation of profits can be found on page 76.

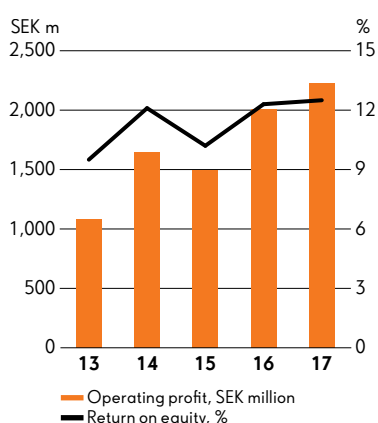
Remuneration

There are no differences between the proposed guidelines for remuneration and other terms of employment for senior executives to be adopted at the 2018 Annual General Meeting compared to the guidelines that applied in 2017. The most recently adopted guidelines are provided in Note 7.

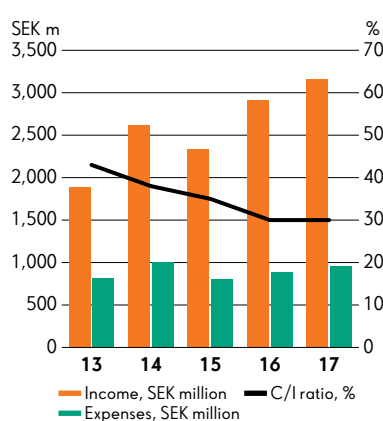
Risks and uncertainties

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

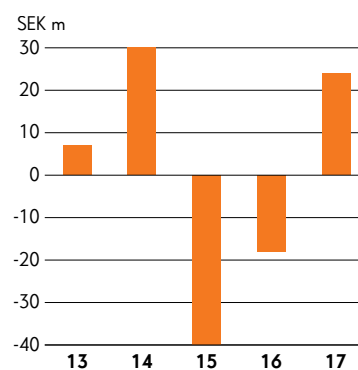
OPERATING PROFIT AND RETURN ON EQUITY



INCOME, EXPENSES AND C/I RATIO



LOAN LOSSES





is the primary risk factor for SBAB's future earnings capacity, and the quality of our assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. Household demand posted a stable trend, underpinned by low inflation, low interest rates, and rising stock market and property prices. A certain softening of real estate prices was perceived in the market towards the end of 2017; at the time of writing, it cannot be said with any certainty whether this is temporary or the beginning of a trend. A housing market with soaring prices and rising household debt has meant the Swedish economy is

sensitive to changes in interest rates and house prices. The risks associated with these factors are expected to increase as long as house prices and debt continue to outpace increases in income. The extensive regulatory changes in the residential mortgage market, increased offering of new builds, protraction of the time taken to sell and more uncertain market conditions all comprise uncertainty factors.

Parent Company

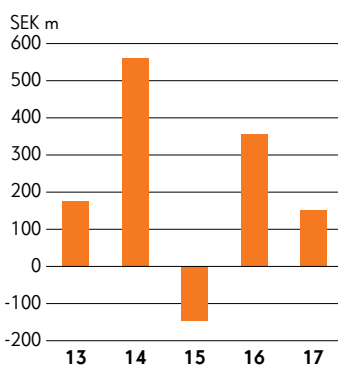
The operating profit amounted to SEK 153 million (355) for 2017. The decrease was mainly attributable to higher costs for the period and to lower net income from financial transactions. Net interest income

decreased to SEK 294 million (326), mainly driven by higher funding costs. The net result of financial items was a negative SEK 7 million (positive: 143) and other comprehensive income was SEK 130 million (410). Expenses increased to SEK 963 million (872), and were attributable to higher personnel costs in areas including compliance and service. Net credit losses resulted in a recovery of SEK 13 million (loss: 9).

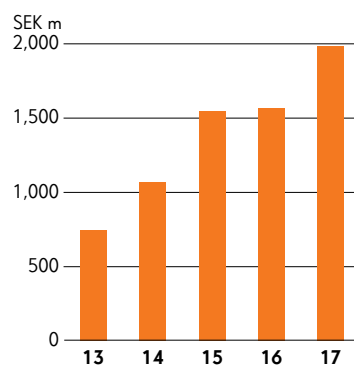
AB Sveriges Säkerställda Obligationer (publ)

AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) is a wholly-owned subsidiary of SBAB whose primary operations comprise of the issuance of covered bonds to fund the lending of the SBAB Group. At year-end, SCBC's lending portfolio amounted to SEK 312.2 billion (244.4). SCBC's operating profit for 2017 totalled SEK 1,982 million (1,563). Net interest income grew to SEK 2,855 million (2,503) and total operating income increased to SEK 2,731 million (2,292). The net expense from financial transactions was SEK 61 million (expense: 179). The net commission expense was SEK 63 million (expense: 39). SCBC's total expenses increased during the year to SEK 761 million (720). The majority of the expenses are attributable to costs for operations outsourced to SBAB. Credit losses resulted in a recovery of SEK 12 million (loss: 9). SCBC's Annual Report is available at www.sbab.se.

THE PARENT COMPANY'S OPERATING PROFIT



SCBC'S OPERATING PROFIT



RETAIL BUSINESS AREA

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



Organisation

At the end of 2017, the Retail business area comprised the units Retail, Partnerships & Business Development unit and Booli.

Residential mortgages

During the year, the total volume of retail mortgages increased around 18% to SEK 248.1 billion (210.0) driven by the continued strength of the customer offering, competitive rates and high levels of brand

awareness. New lending amounted to SEK 68.0 billion (47.8) in 2017. At the end of 2017, we had 255,000 residential mortgage customers (233,000) allocated over 161,000 mortgage objects financed (149,000). The residential mortgage market share was 7.96% (7.23) at the end of the year, which puts SBAB in fifth place after the four major banks. SBAB's lending is concentrated to the Stockholm, Öresund and Gothenburg regions, which together represent about 86% of the residential

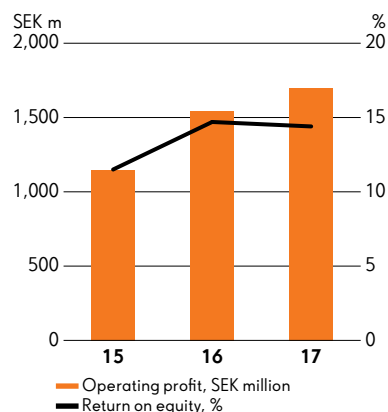
mortgage stock. A large majority of SBAB's residential mortgage customers choose shorter maturities. The share of total lending with a three-month fixed-interest period amounted to 68.7% (72.4) at the end of 2017.

In mid-2016, SBAB introduced new loan repayment rules in line with regulations issued by the Swedish FSA. The rules include a repayment rate of 2% per year for new residential mortgages with a loan-to-value (LTV) ratio of more than 70%,

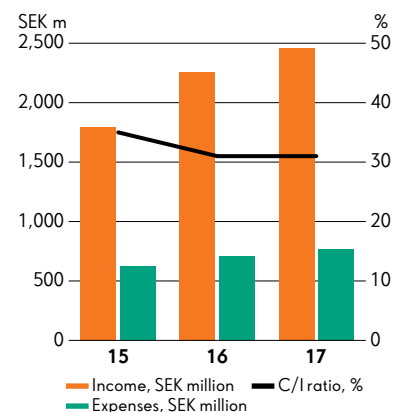
CONDENSED INCOME STATEMENT, RETAIL

SEK million	2017	2016
Operating income	2,457	2,260
Expenses	-766	-705
Net loan losses	7	-13
Operating profit	1,698	1,542
Return on equity, %	14.4	14.7

OPERATING PROFIT AND RETURN ON EQUITY



INCOME, EXPENSES AND C/I RATIO



and thereafter, 1% per year down to an LTV ratio of 50%. In November 2017, the Government approved a proposal regarding increased repayment requirements for households with high debt-to-income ratios. The increased repayment requirement entails all new mortgage holders borrowing more than 4.5 times their gross income (their pre-tax income) must amortise an additional one percent of the mortgage per year. The proposal applies in addition to already existing rules. The new rules enter force on 1 March 2018.

At the end of 2017, the average LTV ratio¹⁾ in SBAB's mortgage portfolio was 58% (61). At the same date, the average residential mortgage to retail customers amounted to SEK 1.6 million (1.4).

Consumer loans

A consumer loan is a loan without a requirement for collateral. Unlike residential mortgages, consumer loans are not connected to any specific purpose, although they are frequently used to supplement residential mortgages in relation to home finance. At the end of the year, the total consumer loan volume amounted to SEK 2.0 billion (2.0). At the same date, the market share was 0.86% (0.93). At 31 December 2017, about 19,000 (18,000) customers had consumer loans with SBAB.

Savings accounts

Our savings accounts offer competitive interest rates, are free of charge, have free withdrawals and are covered by the national deposit guarantee. Retail deposits during the year amounted to SEK 75.1 billion (65.5). At the same date, the market share was 4.33% (4.05). The increase was due to a high savings interest rate, increased marketing initiatives to position the savings product in the market as well as a continuing high level of deposits in savings accounts by households. At the end of 2017, approximately 298,000 (270,000) retail customers held savings accounts with SBAB.

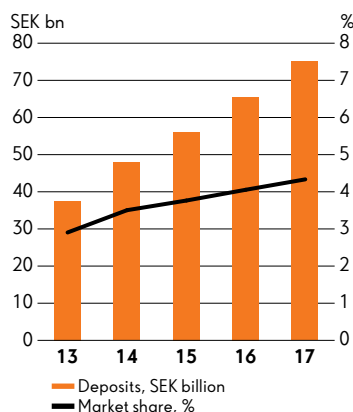
Insurance broking

We offer two insurance products that are related to residential mortgages and housing in different ways: mortgage insurance and home insurance. Mortgage insurance insures customers against unemployment or sick leave, by compensating the monthly cost of the loan. Mortgage insurance also means that the borrower's residential mortgage may be wholly or partially written off in the event of death. Home insurances pay compensation to the homeowner in case of damage to the home or house. These products protect our customers, but they also add value for SBAB, as good insurance protection reduces the risk of loan losses.

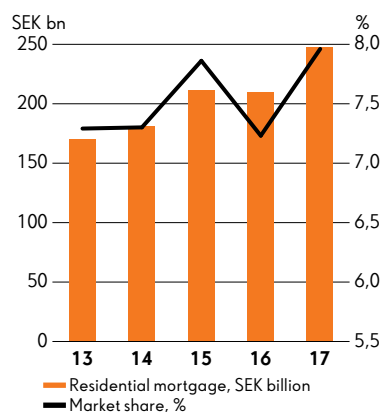


¹⁾ The loan-to-value ratio is defined as the size of a loan in relation to the market value of pledged collateral. Where applicable, the calculation takes into consideration contributory factors such as guarantees and the collateral's lien priority. The reported average is the weighted average.

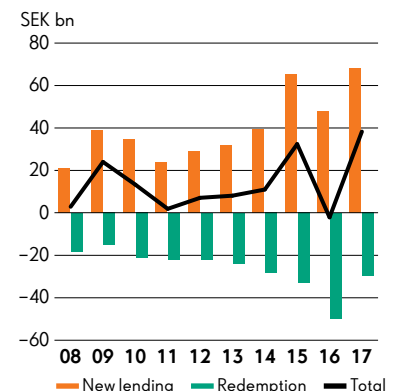
VOLUME AND MARKET SHARE, DEPOSITS



VOLUME AND MARKET SHARE, MORTGAGES



NEW LENDING AND REDEMPTION, RESIDENTIAL MORTGAGES



Partnerships

Part of SBAB's lending to consumers is carried out in partnership with other participants. At year end, the total volume of mediated residential mortgages amounted to around SEK 46 billion (41), which is equivalent to 18.5% of SBAB's total lending to consumers. Approximately SEK 17 billion (10) of mediated residential mortgages were under the SBAB brand. The remainder, about SEK 29 billion (31), were mediated residential mortgages using other brands, with SBAB as the underlying creditor. For a long time, SBAB has had partnerships (residential mortgage brokering) with other banks with the aim of increasing distribution of residential mortgages to create economies of scale in the operations. With access to SBAB's balance sheet, these banks have been able to strengthen their customer offering

with a residential mortgage product under their own brands (known as a 'white label' partnership). In the fourth quarter of 2017, we chose to terminate our three such remaining partnerships. For some time, we have prioritised new lending under SBAB's brand, where we believe we can deliver the greatest customer benefit and build the strongest customer relationships. The mortgages remain on SBAB's balance sheet, and customer relations will transfer to SBAB after the agreed notice periods, with the exception of one of the partnerships, where the partner has the right to take over the mortgages and step in as the lender. In the future, we will primarily focus on partnerships with players using digital business models, where we see the potential for creating customer value.

Loan losses

SBAB's low risk appetite and active management of insolvencies has resulted in low loan losses in recent years. Rising property prices and low interest rates have contributed favourably to this trend. Loan losses amounted to recoveries of SEK 7 million (loss: 13) in 2017.

Booli

Booli comprises two business areas: Housing, with the services www.booli.se and Booli Pro; and Estate agent, with the service www.hittamaklare.se. In 2017, Booli increased sales to SEK 30.1 million, corresponding to a year-on-year increase of 21.5%. Total traffic on Booli's websites, measured as the average number of unique visitors per week, was 305,895 in 2017. This was a 19% increase compared with 2016.

COMPOSITION OF COLLATERAL IN THE LOAN PORTFOLIO, RETAIL

SEK billion	2017	2016	2015
Mortgage deeds	126.5	107.0	115.4
Tenant-owners' rights	121.5	102.7	96.2
Municipal guarantees and direct loans to municipalities	0.1	0.3	0.4
Government guarantees	0	0	0.0
Bank guarantees	0	0	0.0
Other collateral	0	0	0.0
Consumer loans ¹⁾	2.0	2.0	2.0
Total	250.1	212.0	214.0

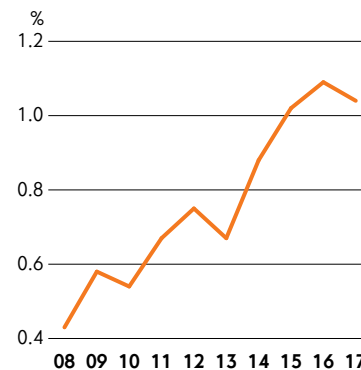
¹⁾ Unsecured loans to retail customers.

GEOGRAPHIC DISTRIBUTION OF THE LOAN PORTFOLIO

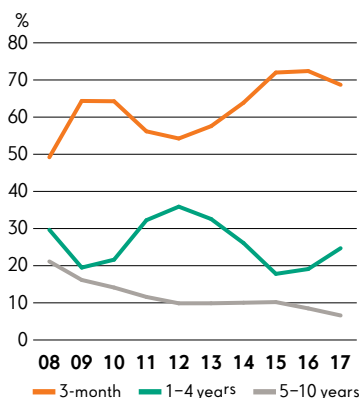


- Stockholm region 65.4% (64.9)
- Öresund region 11.2% (11.8)
- Gothenburg region 9.6% (9.4)
- University and growth areas 8.2% (7.9)
- Other regions 5.6% (5.9)

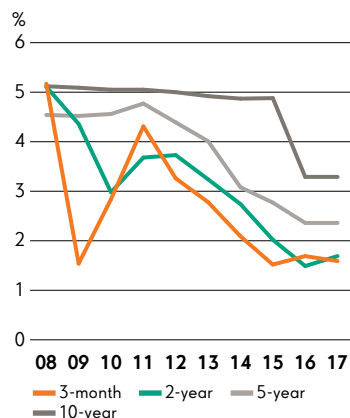
MARGIN DEVELOPMENT, RESIDENTIAL MORTGAGES



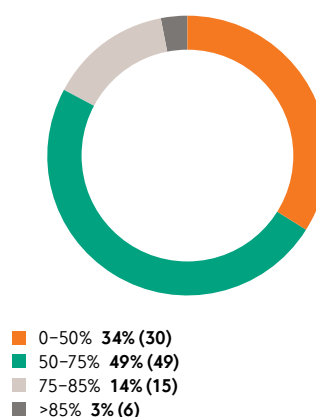
CHOSEN FIXED-INTEREST PERIOD, RESIDENTIAL MORTGAGES



AVERAGE MORTGAGE RATES



LTV RATIO IN THE RESIDENTIAL MORTGAGE PORTFOLIO



INTERVIEW WITH ELLEN EKBLOM, RESIDENTIAL MORTGAGE CUSTOMER AT SBAB

THE RIGHT TERMS – FROM THE START



We spoke to Ellen Ekblom, on her thoughts about her home and why she chose SBAB for her mortgage provider.

Ellen has been a customer of SBAB since spring 2017, when she bought her one-bedroomed apartment in central Stockholm.

"It was my sister, who put me onto SBAB. I wanted to know how much I could borrow and had neither the time nor the inclination to visit a bank office. I was told that I could find out my borrowing limit in real time from SBAB's website.

Ellen works as a relationship manager at a company that delivers solar and geothermal power solutions in Stockholm and, at the start of the year, she had decided it was time to move to something slightly larger.

"Previously, I lived in a small studio flat, just a few blocks from here. I felt the time had come to move to something larger."

"I had also just changed jobs, which meant the finances were in place."

Ellen says it was the simplicity of SBAB's offering that she appreciated.

"I needed a loan commitment pretty quickly to be able to bid on a few apart-

ments. I was going to quite a few viewings at the time. Being able to get a loan commitment online was really convenient.

"After outbidding the other bidders, I checked the terms offered by the other banks. But SBAB were still the best. In addition, I didn't want to be forced to negotiate, which I don't like doing – I just wanted an easy solution with the right terms, right from the start."

Ellen is now considering moving to something even larger, together with her boyfriend. Preferably a townhouse close to the city.

"My boyfriend and I have discussed moving in together. Partly because we want to live together, but also because it would be financially advantageous. We both have our own apartments today."

"I like the countryside and water, but we also like the pace of city life. A combination would be perfect. Perhaps a townhouse in a suburb close to Stockholm."

After outbidding the other bidders, I checked the terms offered by the other banks. But SBAB were still the best. In addition, I didn't want to be forced to negotiate, which I don't like doing – I just wanted an easy solution with the right terms, right from the start.



CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS BUSINESS AREA

The Corporate Clients & Tenant-Owners' Associations business area funds multi-family dwellings. With a flexible organisation and the capacity to manage major projects, we offer services that are characterised by expertise and professionalism.

We primarily target major property owners, tenant-owners' associations and construction companies, where our skills and extensive experience of credit granting and properties make us highly competitive. Our credit granting in the Corporate Clients & Tenant-Owners' Associations business area is concentrated to expansive growth regions and near our three offices in Stockholm, Gothenburg and Malmö, where we can create the close relationships required to remain competitive and provide our customers with the best possible service.

Organisation

We have offices in Stockholm, Gothenburg and Malmö. The Stockholm office accounts for more than half of our lending.

Property financing

Corporate Clients & Tenant-Owners' Associations finances multi-family dwellings, both privately owned and owned by tenant-owner associations. The properties may consist of existing buildings or new construction, where we mortgage the

land and the construction, and offer final funding. SBAB's total lending to corporate clients and tenant-owners' associations amounted to SEK 85.0 billion (84.2) on 31 December 2017, equivalent to about 25% (28) of SBAB's total lending.

We offer funding of up to 75% of a property's value. In our credit process, we monitor developments in the property market on a regular basis, and conduct a review and risk evaluation of all customer relationships at least once a year.





Corporates

New lending to property companies remained healthy and totalled SEK 6.4 billion (6.0) for 2017 and was driven by a continued high pace of new construction, increased financing of managed properties and continued high demand from property and construction companies. However, total lending decreased marginally to SEK 33.2 billion (33.5) as a result of a number of larger property companies choosing to refinance in the bond market in the second half of the year. The number of property

company customers decreased over the year and amounted to 72 (76) at year-end 2017. The main reason for the decrease was the acquisition and merger of companies. At year end, the market share for lending to property companies was 11.30% (11.07).

As a result of the changed market conditions in the new build market, we have for some time applied a more restrained approach to our lending. In certain geographies, such as Stockholm and other growth areas, new construction has been

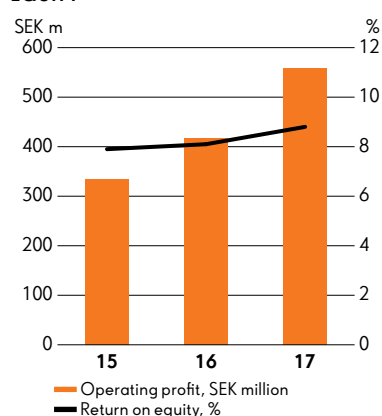
particularly high. This has led to actions such as setting higher pre-sales requirements and larger own investments when lending for new build projects.

At 31 December 2017, our lending to commercial properties amounted to SEK 3.5 billion (4.8). Our primary focus is on financing of multi-family dwellings. We do not intend to grow our lending to commercial properties, but we can offer funding if required by the overall business or the customer relationship in individual cases.

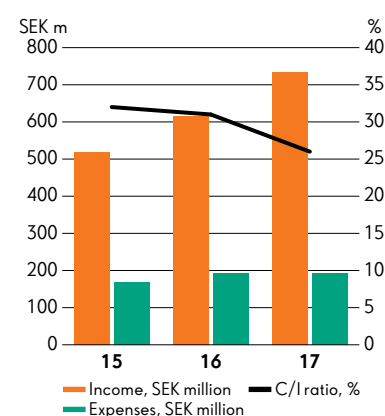
CONDENSED INCOME STATEMENT, CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS

SEK million	2017	2016
Operating income	734	614
Expenses	-193	-192
Loan losses/recoveries	17	-5
Operating profit	558	417
Return on equity, %	8.8	8.1

OPERATING PROFIT AND RETURN ON EQUITY



INCOME, EXPENSES AND C/I RATIO





Tenant-owners' associations

At the end of 2017, our lending to tenant-owners' associations amounted to SEK 51.8 billion (50.7) and new lending for the period amounted to SEK 7.1 billion (5.0). The increase was due to high market activity and trends for commitments to existing customers. At year end, the market share for lending to tenant-owners' associations was 10.23% (11.22). The decrease in market shares was a consequence of continued intense competition at low margins among Swedish banks regarding lending to tenant-owners' asso-

ciations. In turn, this has contributed to us being unable to grow at the same pace as the market.

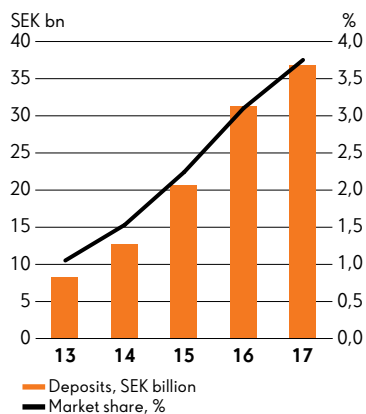
The number of tenant-owners' association company customers decreased in 2017 and was 1,979 (2,162) at year end. The decline was in line with our strategy of focused and qualitative credit granting.

Savings accounts

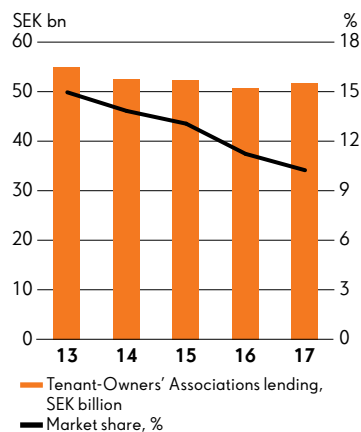
SBAB also offers competitive terms for deposit accounts for companies and tenant-owners' associations. Deposits from companies and tenant-owners' associa-

tions (non-financial institutions) increased over the year, totalling SEK 36.8 billion (31.3), and the market share was 3.75% (3.10) at the end of 2017. At year end, 9,300 (9,100) corporate clients and 4,300 (4,000) tenant-owners' associations held savings accounts with SBAB.

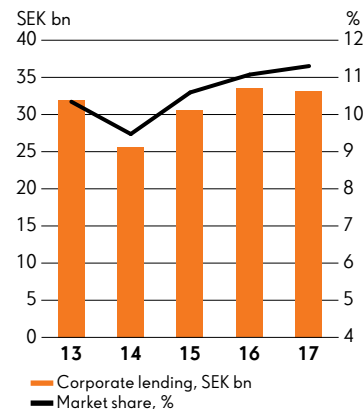
VOLUME AND MARKET SHARE, DEPOSITS, %



VOLUME AND MARKET SHARE, TENANT-OWNERS' ASSOCIATIONS



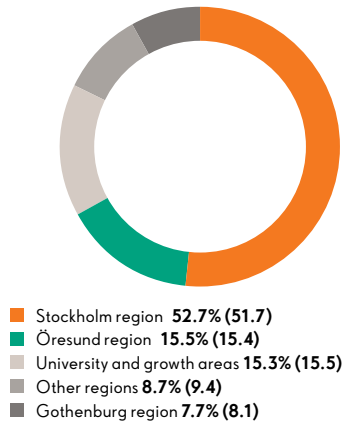
VOLUME AND MARKET SHARE, CORPORATES, %



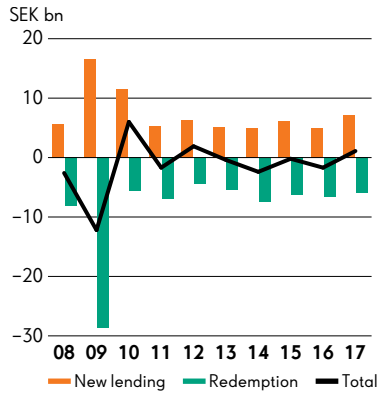
COMPOSITION OF COLLATERAL IN THE LOAN PORTFOLIO, CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS

SEK billion	2017	2016	2015
Mortgage deeds	83.5	82.2	80.1
Tenant-owners' rights	0.0	0.0	0.0
Municipal guarantees and direct loans to municipalities	0.9	1.1	1.7
Government guarantees	0.1	0.2	0.2
Bank guarantees	0.0	0.0	0.0
Other collateral	0.5	0.7	1.0
Total	85.0	84.2	83.0

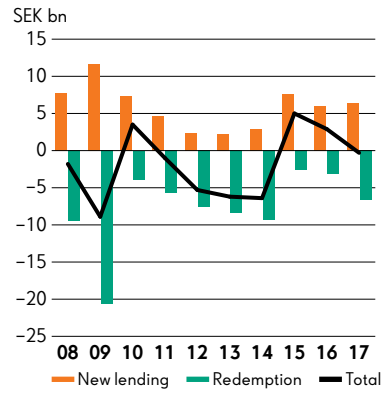
GEOGRAPHIC DISTRIBUTION OF THE LOAN PORTFOLIO



NEW LENDING AND REDEMPTION, TENANT-OWNERS' ASSOCIATIONS



NEW LENDING AND REDEMPTION, CORPORATES



FUNDING AND LIQUIDITY

SBAB's operations are primarily financed through funding in the capital market, but since 2007, funding is also increasingly raised through deposits from the public.

Funding operations

The SBAB Group is active in both the senior unsecured bond market through the Parent Company SBAB, as well as in the covered bond market through the wholly owned subsidiary SCBC.

During the year, the SBAB Group issued long-term bonds valued at SEK 73.7 billion (47.6). At year end, the Group's total volume of issued debt outstanding amounted to SEK 274.5 billion (247.4), of which SEK 204.2 billion (175.9) was secured debt and SEK 70.3 billion (71.5) unsecured debt.

Funding Strategy

Through access to stable and competitive funding, we ensure that SBAB can offer lending at attractive terms.

We actively work to diversify our sources of funding through increased retail and corporate deposits. Growing deposit volumes have in recent years reduced our dependence on capital markets at the same time as these have provided us with a better and more balanced funding mix. The cornerstones of our funding strategy are to promote diversified borrowing and



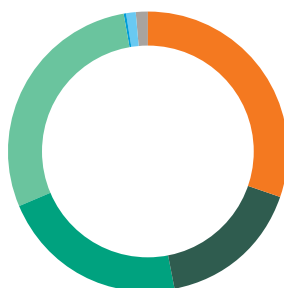
SHORT-TERM FUNDING SOURCES

	Limit
Swedish Commercial Paper Programme (SVCP)	SEK 25 billion
European Commercial Paper Programme (ECP)	EUR 3 billion

LONG-TERM FUNDING SOURCES

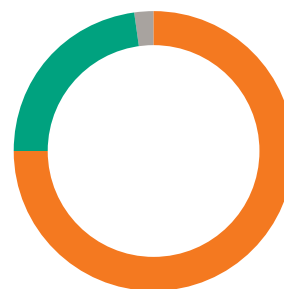
	Limit
Euro Medium Term Note Programme (EMTN), SBAB	EUR 13 billion
Euro Medium Term Covered Note Programme (EMTCN), SCBC	EUR 16 billion
Swedish covered bond programme, SCBC	[No fixed limit]
Australian Covered Bond Issuance Programme, SCBC	AUD 4 billion

FUNDING SOURCES, GROUP



- Swedish benchmark covered bonds SCBC **30.4%** (29)
- EMTN programme SBAB **16.6%** (18)
- EMTCN programme SCBC **21.8%** (21)
- Deposits **28.5%** (28)
- ECP **1.5%** (3)
- Issues on the Japanese market, Samurai bonds **0.0%** (0)
- SVCP **0.2%** (0)
- Subordinated loans **1.3%** (2)

FUNDING SOURCES, DISTRIBUTION BY CURRENCY, GROUP



- SEK **75%** (74.6)
- EUR **23%** (21.5)
- Other currencies **2%** (3.7)
- JPY **0%** (0.1)

to be a regular issuer in both the Swedish and European markets. Active debt management, in part through repurchasing bonds with short remaining maturities, as well as a balanced maturity profile are other key elements. We also attach great importance to regularly meeting and updating investors in the markets where we operate, primarily in Sweden and Europe.

Unsecured funding

Long-term funding

SBAB's business involves financing housing, which in turn requires stable long-term financing. Continued strong deposit inflows and healthy liquidity also contributed to a slight reduction in the need for long-term unsecured funding in 2017. At the end of the year, long-term unsecured funding totalled SEK 64.9 billion (62.6).

Short-term funding

Short-term funding continues to represent a limited part of our total funding. At the end of the year, short-term senior unsecured funding totalled SEK 5.5 billion (8.8). SBAB mainly uses short-term funding to manage and balance liquidity between different periods.

Secured funding

Funding through the issue of covered bonds is carried out by the wholly-owned subsidiary, SCBC. At the end of the year, covered debt outstanding totalled SEK 204.2 billion (175.9).



SCBC in brief

SCBC's primary operations comprise the issue of covered bonds in the Swedish and international capital markets. The company's funding programmes have received the highest possible long-term rating of Aaa from the rating agency Moody's. SCBC does not conduct any lending activities itself, but instead acquires loans from SBAB, with the aim that these are included wholly or in part in the cover pool that serves as collateral for SCBC's covered bonds. Information on SCBC's covered bonds and cover pool is published monthly on www.sbab.se.

Liquidity portfolio

The primary purpose of SBAB's liquidity portfolio is to act as a provision for situations when the ability to obtain liquidity

from other sources is limited or rendered materially more difficult. The size of the liquidity portfolio is equivalent to slightly more than a year's debt maturities. Both external regulations and internal limits dictate the size and composition of the liquidity portfolio.

At the end of 2017, the liquidity portfolio amounted to SEK 72.7 billion (69.3). Securities holdings are limited by asset class and by country, respectively, and must have a AAA rating on acquisition. The average maturity of the portfolio is 2.2 years (2.3), with a maximum of ten years for new investments. Investments are mainly in SEK, EUR and USD and we use derivatives to manage the portfolio's interest-rate and currency risks.

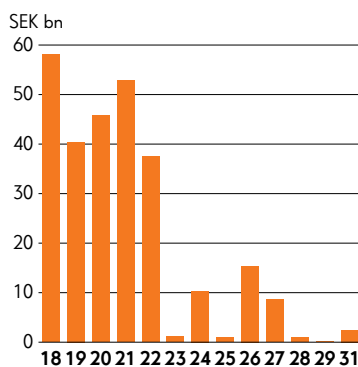
Green bonds in the liquidity portfolio

At the end of 2017, our holdings in green bonds amounted to about SEK 2.3 billion (1.4). It is our aim to increase these holdings within the scope of the current investment policy.

Credit rating

In August 2017, Moody's Investors Service (Moody's) raised SBAB's long-term rating from A2 (positive outlook) to A1 (stable outlook), stating reasons including SBAB's improved profitability and financing structure. In November 2017, Standard & Poor's (S&P) raised the outlook for SBAB's long-term credit rating from negative to stable. Additional information is available on www.sbab.se.

OUTSTANDING MATURITY PROFILE, GROUP



RATING

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

KEY FIGURES FOR LIQUIDITY

	2017	2016
LCR, % ¹⁾	249	277
NSFR, % ²⁾	117	122

¹⁾ The liquidity coverage ratio (LCR) in all currencies combined, according to the European Commission's Delegated Regulation with regard to Liquidity Coverage Requirement for Credit Institutions.

²⁾ Net Stable Funding Ratio (NSFR) as interpreted by SBAB.

RISK AND CAPITAL MANAGEMENT

Risk management involves ensuring that SBAB is resilient in all types of situation and that the company has capital that guarantees that even unexpected risks can be managed.

SBAB's risk management function identifies, analyses and prevents various types of risks in our operations. The main risk is credit risk arising from lending and loan commitments, primarily to household customers. In addition, SBAB is exposed to credit risk in treasury operations, above all the counterparty risk for the derivatives and repo contracts we enter into in order to manage financial risks. Other risks in SBAB's operations mainly pertain to market risk, liquidity risk, business risk and operational risk. SBAB retains sufficient capital to cover these risks, even in stressed situations. SBAB is currently well capitalised and has own funds that comfortably exceed both the internally estimated need of own funds and the capital requirement calculated by the Swedish FSA. Liquidity risk is managed by maintaining a liquidity reserve and through diversified funding.

SBAB's risks and how we manage them

Risk is defined as a potentially negative impact that may arise due to ongoing or future events. The definition of risk includes the probability that an event occurs as well as the impact the event could have on SBAB's profit, operations and capital. The risks have, in accordance with the risk policy, been classified using a framework known as "SBAB's risk appetite." This includes a definition of the risk we are willing to take to achieve our business objectives within the framework of our chosen long-term strategy.

In SBAB's risk management, roles and responsibilities are divided in accordance with the three lines of defence: The Business that owns and manages risks in day-to-day operations; Risk Control & Compliance that governs, monitors and follows up; and Internal Audit that assesses on assignment from the Board of Directors.

Risk governance

All measurable risks are monitored and reported to the Board of Directors. The Board of Directors bears the ultimate responsibility for SBAB's total risk expo-

The three lines of defence



sure. It is the Board's responsibility to ensure that operations are conducted with good internal control.

The CEO is responsible for ongoing operational management and monitors that each unit's, including the risk control units, reporting to the Board of Directors is conducted in accordance with the relevant instructions.

The risk control units within Credit & Risk are responsible for the identification, quantification, analysis and reporting of all risks. The Chief Risk Officer ("CRO") is responsible for the independent risk control units within Credit & Risk and reports directly to the CEO and the Board of Directors of SBAB.



Risk strategy

SBAB is tasked with identifying, measuring, governing, reporting internally and maintaining control of the risks to which we are or may become exposed to. The Board adopts the strategic direction and the overarching risk level that SBAB is willing to accept, based on our business and how value is created for our customers. This means SBAB is to consciously expose itself only to risks that are directly connected to or are regarded as necessary for its operations.

SBAB's profitability is dependent on its ability to assess, manage and price risks. It is also about maintaining sufficient liquidity and capital to meet unforeseen events. Knowledge and awareness of any risks that SBAB may be exposed to, together with the right expertise to estimate the size of existing and potential risks, is absolutely necessary for our operations. There is an independent function for risk control at SBAB whose principle task is to monitor that risk awareness and acceptance are adequate for managing risks on a daily basis.

SBAB has a documented process (NPAP) for the approval of new or significantly altered products, services, markets, processes and IT-systems. The same process also covers major changes to the company's organisation and operations. The Board of Directors sets limits for all material risks, which should be commensurate with the pre-determined risk appetite.

Risk taking

SBAB's risk taking is kept at a level consistent with our short-term and long-term plans for strategy, capital and financial stability.

An important part of SBAB's business model is that the risks we are exposed are low and predictable. In reality, this does not mean that each individual credit exposure has very low risk, rather that the total lending portfolio consists largely of low-risk loans. And each loans' internal risk effect is such that the total risk is limited.

The basis for SBAB's appetite for various types of risk is that each risk should fit within a well-defined segment of our risk-bearing capacity. Risk-bearing capacity primarily refers to the capacity to cover expected and unexpected losses by means of our ongoing earnings capacity and own funds.

Components of the capital target

SEK million	Total capital	%	CET1 capital	%
<i>Pillar 1 minimum requirement</i>	3,344	8.0%	1,881	4.5%
<i>Pillar 2 core requirement</i>	1,957	4.7%	1,305	3.1%
<i>Pillar 2 risk-weight floor, Swedish mortgages</i>	7,940	19.0%	5,717	13.7%
<i>Capital conservation buffer</i>	1,045	2.5%	1,045	2.5%
<i>Countercyclical buffer</i>	829	2.0%	829	2.0%
Internally assessed capital requirement	15,114	36.2%	10,776	25.8%
SBAB's capital target	15,741	37.7%	11,403	27.3%
SBAB's actual capital	19,891	47.6%	13,443	32.2%

The scope of acceptable risks is clearly linked to how important these are to our business mode, in other words the positive effects anticipated to be achieved in the form of expected revenue, cost savings or the mitigation of other risks. SBAB minimises undesired risks through appropriate functions, strategies, processes, procedures, internal rules, limits and controls.

Capital adequacy

According to SBAB's capital targets, under normal conditions, the CET1 capital ratio should be at least 1.5 percentage points higher than the CET1 capital requirement communicated by the Swedish FSA. In addition, under normal conditions, SBAB's total capital ratio should be at least 1.5 percentage points higher than the capital requirement communicated by the Swedish FSA. The bank is also tasked with meeting any other regulatory capital requirements. According to internal estimates by SBAB, the new capital targets are expected to correspond to a CET1 capital ratio of not less than 27.3% and a total capital ratio of not less than 37.7% at the end of 2017.

At year end, the CET1 capital ratio amounted to 32.2% (32.2) and the total capital ratio was 47.6% (51.6). This provides a comfortable margin to both internal targets and external regulatory requirements. Net profit for the year is included in the calculation of own funds and Tier 1 capital. Dividends calculated

according to SBAB's dividend policy have been deducted.

Change in material risks in 2017

Credit risk

Credit risk increased somewhat during the year as a result of growth in the lending portfolio. During the year, we also witnessed a positive trend for our new lending in the form of lower average LTV ratios and debt-to-income ratios. The quality of the loan portfolio has also developed positively in other areas, with a reduction in the number of customers in payment arrears and an increased repayment rate. Toward the end of the year, increased uncertainty was noted in the housing market, in the form of falling prices and properties taking longer to sell. SBAB has noted lower square metre prices on financed objects but has yet to note any significant effects on risk metrics or the general credit quality in the lending portfolio.

Household debt levels are still an important element in public debate and engage authorities, banks and politicians. Over the last few years, SBAB has also implemented a number of measures such as limits to the debt ratio and our own capital repayment rules. In 2017, we further revised our housing cost calculation upward and set a limit on the debt-to-income ratio at 5.5 times gross income. On 13 November 2017, the Swedish FSA delivered its final proposal to strengthen households ahead of any future finan-

cial crisis. The proposal entails all new mortgage holders borrowing more than 4.5 times their gross income (their pre-tax income) must amortise an additional one percentage point of the mortgage per year compared with the corresponding minimum requirements today. This is to apply in addition to already existing rules. According to the proposal, the rules will apply from 1 March 2018 after being approved by the government on 30 November 2017.

Other risk classes

In treasury operations, SBAB has continued to clear interest-rate derivatives via central counterparties, known as clearing houses. Market risk under Pillar 1 continued to decline over the year as a result of the discontinuation of the trading book

classified portion of the liquidity portfolio. No material risk or model changes in other risk classes occurred during the year.

Other material events in 2017

During the year, SBAB worked progressively with adaptation to new regulatory frameworks, notably IFRS 9, which enters force 1 January 2018, and with the interpretation and analysis of the new regulations both proposed and adopted. In order to maintain a high degree of risk awareness related to regulatory changes linked to capital adequacy, the SBAB Board is being trained in the risk areas on an ongoing basis.

In December 2017, the Basel Committee published its reform package for calcu-

lating capital requirements for risks linked to Pillar 1.

The new global standards impact SBAB in the form of changed definitions and standardised approaches for credit and market risk as well as operational risk and associated methods for CVA risk. Furthermore, future capital floors, their phasing in and a leverage requirement were clarified. Further clarity with regard to definitions and the consequences of local regulatory frameworks will be provided in the forthcoming years. SBAB closely monitors regulatory trends and continuously explores forthcoming requirements and clarifications. Altogether, SBAB is well prepared and capitalised to drive adaptation to all currently known regulatory frameworks.



Sustainability risks

SBAB's aim is to manage sustainability risks with a risk-based approach. In the event of a high sustainability risk, the aim is to conduct an in-depth sustainability review and, where necessary, set requirements to counteract the adverse environmental and societal impact. The aim and goals are based on national and international regulations and guidelines in the areas of climate and environment, human rights including labour conditions and business ethics, anti-corruption, including money laundering and the financing of terrorism.

Climate and the environment

Our primary exposure to climate and environmental risks arise in conjunction with our credit granting. Climate and environmental risks can arise when financing new production and redevelopment projects, but can also arise in existing holdings in coastal areas should water levels rise. Mainly, we manage such risks through the analysis of climate and environmental risks in decision data ahead of credit decisions and through training.

Respect for human rights

We are exposed to risks linked to human rights violations in conjunction with lending to new production projects and customers with a high proportion of subcontractors. The controls performed by the main contractor in areas such as working conditions are made more complex when production is outsourced. The import of prefabricated material from other countries also entails some risk, since SBAB does not know the conditions that apply for production. SBAB aims to manage risks linked to violations of human rights through in-depth customer dialogues and industry collaboration.

Anti-Corruption

Our main exposure to corruption risk arises in conjunction with our credit granting. We manage such risks through training, taking credit decisions in duality or by a committee, and through ongoing review of relevant processes. For further information, refer to page 31.

SBAB's significant risks

Risk type	Risk appetite		Risk profile	Risk management
	Classification	Level		
<p>Credit risk in lending operations</p> <p>The risk that the counterparty does not fulfil its payment obligations towards SBAB. Credit risk is defined as the risk of loss due to the customer's inability to make interest and loan repayments or otherwise fulfil the loan agreement. Credit risk arises in conjunction with loans and loan commitments, as well as in connection with value changes in pledged collateral. The credit risk also includes concentration risk, which refers to the increase in credit risk that arises in large exposures to individual counterparties, regions or industries.</p> <p> READ MORE – NOTE 2a.</p>	Wanted risk	Medium	SBAB's customer base is primarily consumers and tenant-owners' associations, the majority of which are concentrated to major metropolitan areas. To a limited extent, lending takes place for commercial properties.	Credit risk is central to SBAB's business model and it is considered to be the dominant risk in operations. Credit granting in SBAB is characterised by responsible credit granting taking into account the customer's long-term repayment capacity and resilience. Credit rules and credit management is continuously analysed, processed and improved. Corporate clients are processed individually while retail customers are analysed using a structured process in conjunction with the credit approval process.
<p>Credit risk in treasury operations</p> <p>Defined as the total of investment risk and counterparty risk. Counterparty risk is defined as credit risk in financial derivatives that arises when the value of the instrument changes resulting from variations, for example, in interest rates or currency exchange rates, which means SBAB recognises a receivable against the counterparty. In addition, counterparty risk entails that SBAB's financial counterparties cannot meet their commitments under the contracted repos. Investment risk is defined as credit risk in financial investments and entails the risk that a debtor does not fulfil its payment obligations, meaning either completes payments late or not at all. Investment risk arises through investments in the liquidity portfolio and the investment of surplus liquidity.</p> <p> READ MORE – NOTE 2b.</p>	Necessary risk	Low	SBAB's counterparty risks and investment risks are low and are not considered dominant risks.	Counterparty-risk exposure is primarily covered through collateral agreements in which the counterparty provides collateral in an effort to reduce exposure. Investment risk is mitigated as SBAB only invests in interest-bearing bonds with AAA credit ratings.
<p>Market risk</p> <p>The risk of loss or reduced future income due to market fluctuations. Market risk includes interest-rate risk, currency risk, basis risk and spread risk. Currency risk refers to the risk that changes in the exchange rate for SEK against other currencies result in losses or lower future income. Interest-rate risk is defined as the risk that variations in interest rates result in losses or lower future income as assets and liabilities have different fixed-interest periods and interest terms. Spread risk refers to an exposure to changing conditions between interest costs for different issuers. Basis risk refers to the risk associated with deposits and lending that are locked to different interest bases.</p> <p> READ MORE – NOTE 2d.</p>	Necessary risk	Low	SBAB's market risk is low and is not considered a dominant risk.	Interest-rate risk is to be mitigated through direct funding or the use of derivatives. Currency risks are mitigated as funding in international currency is hedged through currency swaps or invested in matching currencies.
<p>Operational risk</p> <p>The risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events, including legal risk. The forms of operational risk applicable to SBAB are shown in the categorisation of types of events. Examples of types of events that could be applicable are internal and external fraud, work conditions and environment, damage to tangible assets, disruptions to the business operations and systems, transaction management and process control. Legal risk includes the risk that agreements or other legal transactions cannot be completed in accordance with specific terms and conditions or that judicial proceedings are started that could have a negative impact on SBAB's operations.</p> <p> READ MORE – NOTE 2e.</p>	Necessary risk	Low	Operational risk is a natural part of all business. SBAB aims to optimise the relationship between costs for operational risk and operating activities. SBAB considers operational risk to be a prerequisite for implementing the business concept efficiently and competitively, taking into account operations, strategy, risk appetite and the macro environment.	<p>Within SBAB, risk management consists of uniform valuation and reporting of operational risk. The analysis of risk levels in all operations is conducted on a regular basis and reported to the Board, the CEO and the Executive Management.</p> <p>Self-evaluation and incident management are central features in monitoring processes.</p> <p>In order to identify risks that may arise from changed or new processes, a new product approval process (NPAP) is carried out before implementation.</p>
<p>Business risk</p> <p>The risk of declining earnings due to harsher competition, inappropriate strategies or erroneous decisions. As the accounting standards used by SBAB require that certain components of the portfolio are measured at market value while other components are recognised at their carrying amount, this has impacts on earnings, and consequently also own funds, that do not correspond to the actual risk to which the portfolio is exposed. To limit such effects, income volatility is to be measured and limited.</p> <p> READ MORE – NOTE 2f.</p>	Necessary risk	Low	SBAB's business risk is low and is not considered a dominant risk.	New business is usually relatively similar to the business SBAB already has. Changes in the form of new products or new markets may only constitute a small part of SBAB's activities and must be implemented at such a pace that SBAB does not substantially jeopardise its profit level and with great probability avoids pressure on its own funds. The effect on the operating profit/loss arising from applied accounting standards is mitigated through limit setting and the greater use of hedge accounting.
<p>Liquidity risk</p> <p>The risk that the company will not be able to meet its payment obligations on the date of maturity without the related cost increasing significantly. Short-term liquidity risk measures the risk of being impacted in the short term by a lack of liquidity, while structural liquidity risk is a measure of the mismatch between assets and liabilities in terms of maturities, which risks leading to a lack of liquidity in the longer term.</p> <p> READ MORE – NOTE 2c.</p>	Necessary risk	Low	SBAB has a low liquidity risk and diversified funding. Securities that are part of the liquidity reserve have high credit ratings and are eligible as collateral with either the Riksbank or the European Central Bank, to guarantee liquidity.	SBAB's liquidity strategy includes proactive and continuous liquidity planning, active debt management and an adequate liquidity reserve. The funding strategy takes into consideration the expected maturity on the asset side. On this basis, SBAB limits its structural liquidity risk by maintaining diversified funding with sufficiently long maturities. SBAB has several liquidity metrics, for which limits apply, most of which are monitored and reported on a daily basis.

SUSTAINABLE GROWTH

The banking and finance sector is changing. We live in an era where customers are placing ever-greater demands on transparency, accessibility and high quality in all parts of the customer experience. Digitalisation, new regulations and new players are speeding up developments. Simply offering a good-value banking service will no longer be sufficient. It is also a matter of creating loyal customers who choose SBAB's products and services because the user-friendliness and customer experience are better than other market options. Furthermore, companies are expected not only to position themselves, but also to integrate societal, economic and environmental issues in their core operations. In parallel, the requirements and regulations that control and influence our operations are becoming more numerous and extensive in their formulation.

Continued focus on residential mortgages and housing financing

We are continuing to deliver on our strategy and, once again, we posted strong results in 2017. We have very satisfied customers and are fulfilling our financial targets with a comfortable margin, both in terms of profitability and capitalisation. SBAB's residential mortgage stock grew 18% over the year to a total of SEK 248 billion and the market share for residential mortgages at year end was 7.96%, compared with 7.23% at the start of the year.

This was an extremely positive trend and a clear signal that our customers appreciate our offering with favourable terms, simplicity, transparency and high availability. SBAB's operating profit grew by close to 11% to SEK 2,228 million. It also gives me pleasure to note that the Board of Directors for 2017 proposes a dividend of 40%, corresponding to SEK 684 million, to our owner, the Swedish state.

Thanks to its decision to focus fully on residential mortgages and housing financing, SBAB has secured its place in tomorrow's banking and financial market. This market requires focus and precision to become the best and to win customers' confidence. During the year, SBAB launched a range of exciting and innovative digital services linked to housing quality and household finances. It is important for us to continue investing in the development of our offering and in our ability to deliver high-quality customer experiences. In line with our plan, we decided to wind up our last residential mortgage brokering partnerships with other banks during the year with the aim of focusing on new lending under our own brand and on ensuring that it is SBAB, and not any other supplier, who will own the customer relationship in the future. We also continued the replacement of SBAB's entire base system structure during the year. If SBAB is to offer the best residential mortgages in Sweden, we need to be quick-footed

and innovative in our work and in our processes, which requires modern and flexible system support. The Board of Directors and I are of the firm opinion that SBAB is well-equipped to work towards our end goal and our vision – to offer the best residential mortgages in Sweden.

Tricky waters to navigate

2017 was pervaded by uncertainty, both in terms of global geopolitical developments and trends in the Swedish housing market. Donald Trump's inauguration as the US President and North Korea's military escalation being two of many examples. The United Kingdom's future exit from the EU is another. 2017 was also dominated by continued low interest rates and new regulations.

To counter rising household debt, in November, the government approved the proposal from the Swedish FSA regarding increased repayment requirements for households with high debt ratios. In the last few years, the importance of responsible credit granting has become increasingly important, and we are continuing to review credit rules, distribution and customer communication on an ongoing basis. As a result, once again, we are presenting low credit losses and continued favourable credit quality in our lending portfolio.

Regulation and monitoring of the banking and financial sector continues to increase. The regulatory developments have entailed considerable work with adaptation for SBAB. We expect the high pace of regulatory development to continue and that this will increase complexity for banking operations, with sometimes difficult-to-assess consequences as a result. Good corporate governance is key to ensuring that SBAB is managed in a qualitative and effective manner. This is particularly important in the changeable world in which we live today. SBAB's corporate governance structure supports the Board of Directors in obtaining necessary information, governing and controlling operations and in taking necessary decisions on important strategic issues. The Board's work during the year continued to

The business community, including SBAB, has a decisive role to play in ensuring sustainable development. The Board and myself are convinced that SBAB together with other stakeholders can create long-term values that are good for our customers, for society and for SBAB as a company.



be characterised by a focus on governance, internal control and compliance, which are all fundamental if we are to achieve our ambitious targets and ensure that our owner, public authorities, investors, customers and the general public all have confidence in SBAB. Our work has also focused on crucial actions to strengthen SBAB's customer offering and long-term sustainability, such as the implementation of our partnership strategy and the decision on a fully integrated business plan.

Next steps in sustainable enterprise

The business community, including SBAB, has a decisive role to play in ensuring sustainable development. The Board and myself are convinced that SBAB together

with other stakeholders can create long-term values that are good for our customers, for society and for SBAB as a company. In 2017, we reviewed our strategy linked to sustainable enterprise. This has resulted in us no longer differentiating between business and sustainability goals. Moving forward, we are driving and steering operations in three integrated target areas: Responsibility and transparency; Attractive workplace; and Sound finances. Together, these comprise the basis for how we will drive our business forward and contribute to sustainable development. We have also identified and prioritised four of the UN's 17 Sustainable Development Goals within the Agenda 2030 framework, that we consider particularly important and relevant for

our operations. The Board and I share the ambition to continue the implementation of sustainability topics in all parts of SBAB's operations.

A heartfelt thank you

On behalf of the Board of Directors, I would like to take this opportunity to thank all of SBAB's employees and managers for a successful 2017.

Solna, March 2018

Bo Magnusson
Chairman of the Board

CORPORATE GOVERNANCE REPORT

SBAB is a Swedish public limited banking company that is wholly owned by the Swedish state. SBAB is domiciled in Solna. Owner governance of SBAB is exercised through general shareholder meetings, the Board of Directors and the CEO in accordance with the Companies Act, the Articles of Association, and the policies and instructions adopted by SBAB. The Corporate Governance Report has been prepared pursuant to the regulations covering corporate governance reports in the Swedish Corporate Governance Code (the Code) and the Annual Accounts Act.

This Corporate Governance Report has been subject to a statutory review by the company's auditor.

The foundation of SBAB's corporate governance

Well-functioning corporate governance, risk management and internal governance are essential for SBAB to reach set targets and gain the confidence of its stakeholders. In addition to corporate governance in the traditional sense, which describes the system by which a company is governed and controlled, SBAB's vision, mission, business idea and values are important elements in SBAB's governance model. As well as information transparency, corporate culture, leadership and the long-term sustainable conduct of operations. This, together with corporate governance, means that we can maintain a high level of confidence in SBAB's operations. Confidence forms the basis of all banking operations.

Application

SBAB does not apply some of the rules of the Code that are specifically aimed at companies with more than one owner. This is because SBAB is wholly owned by the state and on these points it follows the state's ownership policy.

Based on this ownership structure, deviations have occurred from the following Code rules:

- Code rule 1.1 – publication of information regarding the shareholders' right to propose business for the Annual General Meeting (AGM). The purpose of this rule is to give shareholders the opportunity to prepare ahead of time for the AGM and have matters included in the agenda for the AGM. In companies entirely owned by the Swedish state, in accordance with the owner's

guidelines, the public shall be invited to attend the AGM. As a notice is sent to the Central Bureau of the Swedish Riksdag (parliament), members of parliament also have the opportunity to attend.

- Code rules 1.4 and 2 – the establishment of a nomination committee responsible for matters such as the appointment and remuneration of the Board of Directors and the auditor. The reason for the deviation is that nomination matters in state-owned companies are handled by the government in the manner described in the state's ownership policy.
- Code rules 2.6, 4.4, 4.5, 4.6 and 10.2 – information to be provided concerning the independence of Board members in relation to major shareholders. No such information is provided since the primary objective of the Code rules in question is to protect minority shareholders in companies with dispersed ownership. Consequently, there is no reason for such information concerning independence to be disclosed in entirely state-owned companies.

Articles of Association

SBAB's Articles of Association regulate matters such as the company's business objectives. The Articles of Association do not include any stipulations regulating the appointment or dismissal of Board members, with the exception of stipulations stating that the AGM is to appoint the Chairman of the Board and determine the minimum and maximum number of Board members. It is further stated that if the Chairman of the Board resigns from his or her office during the mandate period, the Board is to appoint one of the Board members as the new Chairman until the end of the AGM, when a new Chairman will be elected by the AGM. For amendments to

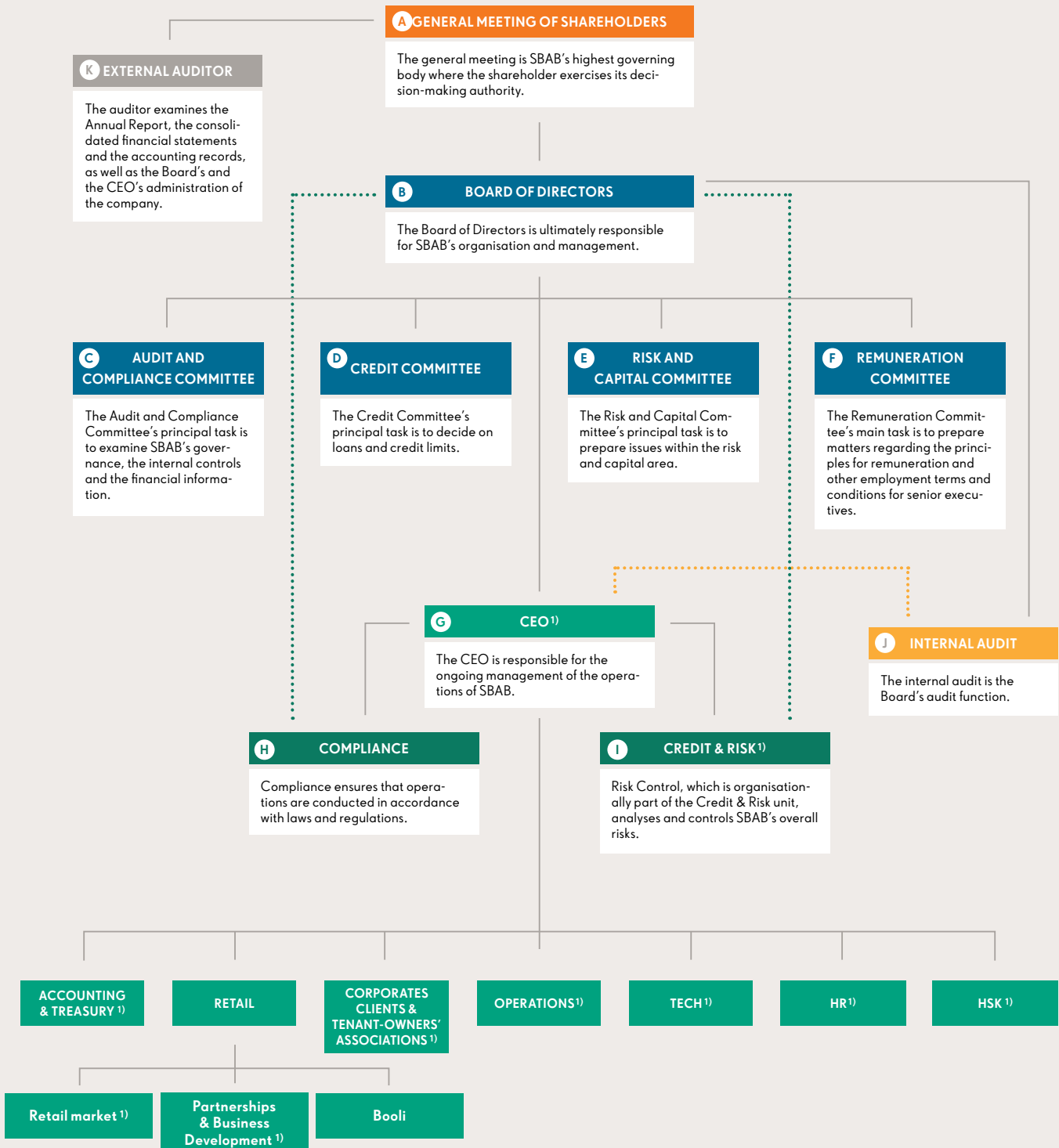
be made to the Articles of Association, the notice of the extraordinary general meeting that will address amendments to the Articles of Association is to be issued not earlier than six weeks and not later than four weeks prior to the meeting.

A General meeting of shareholders

SBAB's Annual General Meeting was held on 24 April 2017. The AGM was open and the members of parliament and the general public were invited to attend. The owner was represented by Linda Sundberg from the Swedish Ministry of Enterprise and Innovation. Most of SBAB's Board members, the CEO and SBAB's auditor also attended the AGM. Bo Magnusson, Chairman of the Board of SBAB, served as the Chairman of the AGM. The AGM re-elected Board members Bo Magnusson (who was also elected Chairman), Jakob Grinbaum (who was also elected Vice Chairman), Carl-Henrik Borg, Lars Börjesson, Eva Gidlöf, Jane Lundgren-Ericsson, Karin Moberg and Daniel Kristiansson.

The AGM passed resolutions regarding the discharge from liability for the Board of Directors and the CEO, the appropriation of profits and the adoption of the annual accounts for 2016. The meeting elected Deloitte AB, with Patrick Honeth as the auditor-in-charge, as SBAB's auditor until the close of the 2018 AGM. The meeting reviewed the guidelines for remuneration to senior executives adopted by the 2016 AGM, see Note 7 for details of the guidelines, and adopted new guidelines for remuneration to senior executives. The meeting also decided on the fees to be paid to the members of the Board. No fees will be paid to Board members who are either employed by the Government Offices of Sweden or are employee representatives. The CEO and Chairman reported on the operations of the bank and the work of the Board of Directors in 2017.

OVERVIEW, 31 DECEMBER 2017



¹⁾Included in Executive Management. HSK is the Swedish abbreviation for Sustainability and Strategic Communication.

B The Board of Directors

Composition and nomination procedure
In entirely state-owned companies, uniform and shared principles are applied to achieve a structured nomination process for the appointment of board members in state-owned companies. The objective is to ensure an adequate supply of competence for the boards of directors of these companies. The Board nomination process is coordinated by the Swedish Ministry of Enterprise and Innovation. For each company, competence needs are analysed on the basis of the company's business, circumstances and future challenges, as well as the composition of the Board of Directors and the Board assessments that have been conducted. Recruitment requirements are then established and work commences. Members are selected from a broad recruitment base in order to draw on the expertise of both women and men, as well as individuals with different backgrounds and experience.

Diversity and eligibility policies

The Board has adopted a policy on diversity in the Board and a policy on eligibility assessments for Board members, the CEO and senior executives. The diversity policy includes statements to the effect that the composition of the Board should be such that a balance is achieved with regard to background, areas of competence, experience and gender. The eligibility policy states that the eligibility assessment of the

Board, the CEO and the senior executives should take into account the individual's skills, experience, reputation and judgment.

Chairman of the Board

The Chairman of the Board is elected by the AGM. If the Chairman of the Board resigns during the mandate period, the Board is to appoint one of the Board members as the new Chairman until the end of the AGM, when a new Chairman will be elected by the AGM. The Chairman leads the Board's work, monitors to ensure that the Board is performing its duties, represents the Board in relation to the owner and maintains contact with the owner. The Chairman is also responsible for initiating the annual evaluation of the Board's and the CEO's work. The Chairman of the Board ensures that the Board receives adequate information and decision data for its work and the training necessary for the Board to function efficiently.

Board governance and activities

SBAB's Board comprises eight members elected by the AGM and two members appointed by the employees' organisations, SACO and the Financial Sector Union of Sweden. The CEO is not a member of the Board. None of the board members or the CEO hold shares or financial instruments issued by SBAB.

The Board adopts business objectives and strategies for SBAB's operations. The Board ensures that an efficient system

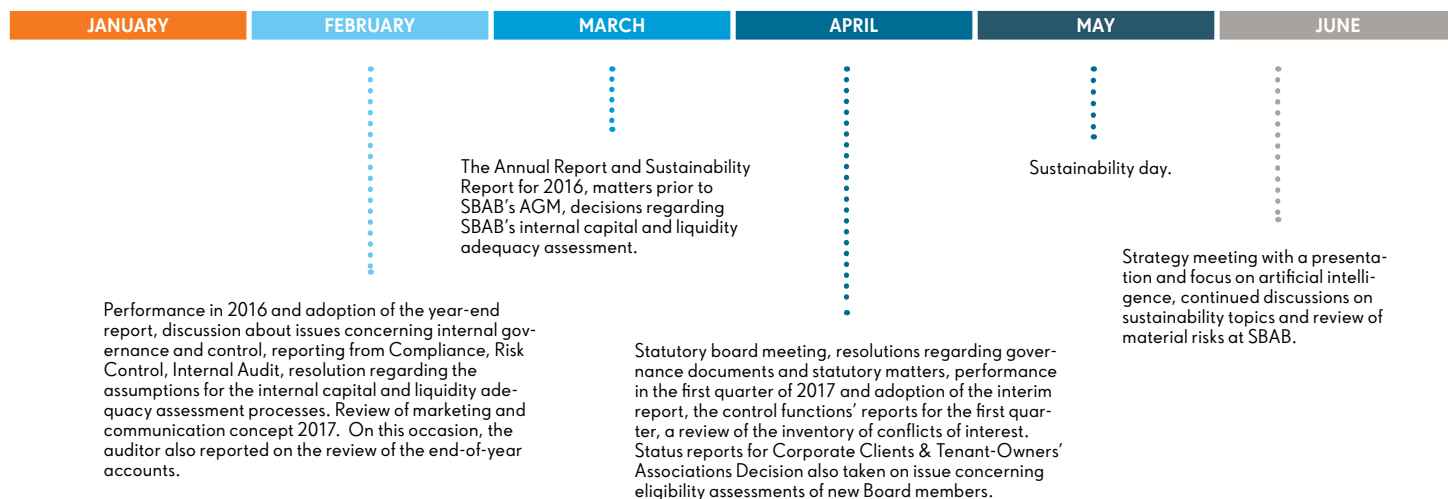
is in place for the follow-up and control of SBAB's operations. The Board is also tasked with appointing, evaluating and, if the need arises, dismissing the CEO. The work of the Board complies with the formal work plan adopted annually at the Board of Directors' statutory Board meeting immediately after the AGM.

The formal work plan regulates decision-making within SBAB, the arrangements for Board meetings and the division of work among the Board, the Chairman of the Board and the Board committees. The work of the Board complies with an annual plan that satisfies, inter alia, the Board's need for information. SBAB's Board makes decisions on matters relating to SBAB's strategic direction, for example by means of a business plan, and makes decisions regarding larger investments, funding, capitalisation (including capital and liquidity adequacy assessments), significant organisational issues, policies and certain guidelines.

The Board addresses and determines the company's interim reports. The Board also follows up SBAB's risks, compliance, and reports on the effectiveness of internal control within SBAB by means of reports provided by SBAB's independent Risk Control, Compliance and Internal Audit units. The Board also receives reports from SBAB's auditor regarding the reporting of completed audits, and financial reporting assessments and internal control. The CEO attends the meetings of the Board

Work of the Board of Directors in 2017

In 2017, the Board of Directors held eight board meetings.



of Directors, and other SBAB officers may participate in a reporting role if necessary.

The Board's committees

The Board has established the following committees to prepare matters ahead of the Board's decisions.

C Audit and Compliance Committee

The Audit and Compliance Committee is SBAB's Audit Committee and its main task is to examine the SBAB Group's governance, internal controls and financial information and to prepare issues in these areas for decision by the Board. This is done at the request of the owner and on the basis of the applicable regulations. The Committee is also responsible for monitoring financial statements and the efficiency of risk management and of the work carried out by Compliance and Internal Audit. Moreover,

the Committee is responsible for evaluating external auditing work, informing the owner of the results of this work and assisting in the drafting of proposals for auditors. The Committee is also to review and monitor the auditor's impartiality and independence. Annual plans and reports from Internal Audit and Compliance are also addressed by the Audit and Compliance Committee in preparation for decision by or for presentation to the Board of Directors. The Audit and Compliance Committee comprises three Board members.

Following the statutory Board meeting in 2017, the members of the Audit and Compliance Committee are:

- Karin Moberg (Chairperson)
- Daniel Kristiansson
- Bo Magnusson

The Audit and Compliance Committee held five meetings during the year.

D Credit Committee

The principal task of the Credit Committee is to decide on loans and credit limits in SBAB's lending and funding operations. The Credit Committee also has the task of preparing matters involving changes in the credit policy and credit instructions for decision by the Board, the assessment of portfolio strategies, the transparency of the loan portfolio, the evaluation of existing or proposed portfolio strategies, the evaluation of existing or new delegation rights and the Board's annual review of regulatory frameworks, models for granting credits and outcomes in terms of retail credit granting. The Committee prepares all matters relating to credit risk and approves new IRB models and significant changes to existing models.

ATTENDANCE OF THE BOARD OF DIRECTORS IN 2017

The table presents the meeting attendance of the Board and its committees in 2017 by those who were members of the Board as of 31 December 2017. One member, Eva Gidlöf joined the Board of Directors during the year, so her attendance refers to part of the year. Two members, Jakob Grinbaum and Ebba Lindsö, stepped down from the Board of Directors during the year, so their attendance refers to part of the year.

Board members	Board of Directors	Credit Committee	Risk and Capital Committee	Audit and Compliance Committee	Remuneration Committee
Bo Magnusson	8/8		1/6*	5/5	8/8
Jakob Grinbaum	5/8*	12/20*	4/6*		
Carl-Henrik Borg	8/8				
Lars Börjesson	8/8	20/20			
Daniel Kristiansson	8/8			5/5	8/8
Johan Eriksson	7/8				
Ebba Lindsö	2/8*		2/6*		
Jane Lundgren-Ericsson	8/8	20/20	6/6		
Karin Moberg	8/8			5/5	
Kristina Ljung	7/8				
Eva Gidlöf	6/8*		4/6*		

* Pertains to part of the year

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

Performance in the second quarter and adoption of the interim report, reporting from Compliance and Internal Audit. The auditor's review of the second quarter accounts.

Performance in the third quarter, adoption of the interim report, reporting from Compliance, Risk Control and Internal Audit. Review of housing market developments and discussion of brand repositioning and housing services.

Training on credit issues, review of the overriding conditions for the 2018 business plan as well as a presentation from SBAB's Customer Centre and other operations in Karlstad, where the meeting was held.

Adoption of the 2018 business plan and budget, adoption of annual plans for the control functions, review of the new customer communication system, review and discussion regarding the evaluation of the Board's work. The evaluation was conducted with the assistance of an external party by way of a questionnaire that was then compiled, the result of which was discussed by the Board at the board meetings. On the same occasion, the Board of Directors resolved on measures arising from the evaluation.

Following a change in the composition of the Committee on 9 October 2017, the members of the Committee are:

- Jane Lundgren-Ericsson (Chairperson)
- Lars Börjesson

Jakob Grinbaum was a member of the Committee until 9 October 2017 when he asked to step down from his assignments at SBAB. In conjunction with the above, Grinbaum was dismissed from his assignment with the Credit Committee.

The Credit Committee held 20 meetings during the year.

E Risk and Capital Committee

The Risk and Capital Committee prepares matters concerning SBAB's treasury operations, matters related to risk and capital and the use of new financial instruments. The Committee also prepares issues for resolution by the Board of Directors concerning objectives, strategies and control documents within the areas of risk and capital. The Committee consists of at least three members appointed by the Board. The Risk and Capital Committee is the statutory Risk Committee of the SBAB Group.

Following a change in the composition of the Risk and Capital Committee on 25 October 2017, the members of the Committee are:

- Bo Magnusson (Chairman)
- Eva Gidlöf
- Jane Lundgren-Ericsson

Jakob Grinbaum was a member of the Committee until 9 October 2017 when he asked to step down from his assignments at SBAB. In conjunction with the above, Grinbaum was dismissed from his assignment with the Risk and Capital Committee.

Following the Board's decision, Bo Magnusson was appointed Chairman of the Committee on 25 October 2017.

The Risk and Capital Committee held six meetings during the year.

F Remuneration Committee

The principal task of the Remuneration Committee is to prepare issues regarding principles for remuneration and other employment terms and conditions for senior executives for resolution by the Board. The Committee also prepares matters pertaining to SBAB's remuneration system ahead of Board decisions. The Committee follows up remuneration structures and remuneration levels within SBAB.

Following the statutory Board meeting in 2017, the members of the Remuneration Committee are:

- Bo Magnusson (Chairman)
- Daniel Kristiansson

The Remuneration Committee held eight meetings during the year.

G CEO and Executive Management

The Board has formulated instructions for the CEO's work. The CEO is responsible for the ongoing management of the operations in accordance with guidelines, established policies and instructions issued by the Board. The CEO reports to the Board. Executive Management provides the CEO with support in exercising operational management of SBAB.

In addition to the CEO, the following positions are included in SBAB's Executive Management: CFO, COO, CIO, CRO, Head of HR, Chief Retail Officer, Head of Partnerships & Business Development, Head of Corporate Clients & Tenant-Owners' Associations, and Head of Sustainability and Strategic Communication. Moreover the Chief Legal Counsel is co-opted to the Executive Management.

The CEO's councils and committees

The CEO has appointed a number of councils and committees within SBAB to support him in his work in the management of the operations. These are tasked with preparing issues for the CEO, either prior to his decisions or his recommendations on matters to be determined by the Board. These established councils and committees are the Marketing Council, the Price Council, the Sustainability Council, ALCO (Asset and Liability Committee), the Credit Council and the Forum for Matters of Principle. The Marketing Council prepares marketing-related matters, the Price Council prepares matters related to the pricing of SBAB's products, the Sustainability Council prepares and coordinates issues related to sustainability, ALCO prepares issues related to the Group's financial operations, balance-sheet risks and capital issues, the Credit Council prepares and has a certain scope to make decisions on matters connected to SBAB's credit operations and limits for the financial operations, and the Forum for Matters of Principle coordinates and makes proposals on the Group's more important standpoints.

Governance of sustainable business

Within SBAB, the Board is ultimately responsible for ensuring that proactive, long-term efforts to achieve sustainable development are carried out within the company. The Board also adopts a strat-

egy, objectives and a policy for sustainable business. Furthermore, the Board monitors and assesses SBAB's sustainability efforts.

The Executive Management presents the company's strategic business plan, including its aims, direction and objectives for sustainability efforts, in conjunction with deciding the business plan and budget. From 2017, SBAB's sustainability efforts are fully integrated in SBAB's business plan. The Executive Management control and take decisions on priorities and strategic direction for sustainability in accordance with the decided business strategy.

The Sustainable Business function (Sustainability and Strategic Communication), with one representative in the Executive Management, is responsible for, in consultation with operations, preparing and facilitating SBAB's sustainability agenda, including strategy, objectives and activities.

To optimise the integration and focus of sustainability efforts, SBAB has a Sustainability Forum that meets regularly. The Sustainability Forum is a working group with representatives from across the company tasked primarily with evaluating and prioritising larger and more significant ideas pertaining to sustainability. The Forum's members should also help the business inspire, educate and facilitate these efforts. The Head of Sustainability and Strategic Communication is responsible for this forum.

SBAB has decided on direct measurable goals for the respective target areas. At company level, a number of metrics exist for the respective target areas, which are measured and reported to the CEO and Board each month. These goals are formulated within the framework of the annual business planning. Based on the company's overriding business plan, operational goals and activities are in place at a departmental and functional level.

Remuneration of the Board of Directors and senior executives

Information regarding the remuneration of the Board, the CEO and Executive Management is presented in Note 7 to the annual accounts.

Internal control and governance

Internal control is important for ensuring that SBAB's operations are conducted in accordance with prevailing regulations, as well as ensuring that SBAB identifies, measures and controls relevant risks and has an efficient organisation and operational management, and reliable financial reporting. The Board and the CEO are ultimately responsible for ensuring good internal

control and governance. The Board and the CEO of SBAB are assisted in this work by several functions. Key control functions in this regard are the Compliance, Risk Control and Internal Audit functions, which are described in further detail below. Other functions, including Accounting, Credit and Legal, support the Board and the CEO with regard to good internal governance and control. All managers in each area of responsibility are responsible for the activities they oversee being conducted with good internal governance and control.

H Compliance

SBAB has a central Compliance function. The Compliance function's area of responsibility comprises rules on internal governance and control, customer protection and market conduct. Compliance is independent of the business operations and is directly subordinate to the CEO. Compliance provides advice and support to the operations on compliance matters, analyses compliance risks and monitors regulatory compliance in respect of operations requiring licences. Reporting occurs on an ongoing basis to the CEO and quarterly by means of a written report to the Board and the CEO. The scope and focus of the work of Compliance is established in an annual plan adopted by the Board.

I Risk Control

The SBAB Group has a central Risk Control department with overall responsibility for developing and ensuring that risk-taking strategies are conducted in accordance with the Board's intention, and that policies and processes facilitate relevant follow-up. Risk Control is responsible for the identification, quantification, analysis and reporting of all risks. The CRO is responsible for Risk Control. The CRO is directly subordinate to the CEO and reports to the Board and CEO of SBAB. Risk Control is to ensure that risk awareness and acceptance are sufficient to be able to manage risks on a daily basis. Risk Control also has a supportive role and works to ensure that the operations have the requisite procedures, systems and tools for daily management of risks, thereby ensuring that operations comply with the applicable laws and regulations in risk control's sphere of responsibility.

J Internal audit

SBAB's Internal Audit unit constitutes an internal independent audit function. Accordingly, the main function of the Internal Audit is to examine and evaluate governance and internal controls, to examine and

evaluate that the company's organisation, control processes, IT systems, models and routines are appropriate and efficient, and to review and regularly assess the reliability and quality of the work conducted in other control functions in SBAB. All reporting to the Board and its Audit and Compliance Committee is conducted in accordance with a reporting and meeting plan.

K External auditor

The General Meeting appoints auditors. SBAB's Audit and Compliance Committee evaluates the contribution of the auditor and assists the owner in preparing motions for the auditor. Officials at the Government Offices of Sweden monitor all stages of the procurement process from tendering criteria to selection and evaluation. At the AGM, the owner appoints the auditor or the accounting firm that is commissioned to audit SBAB. Auditors must be authorised public accountants or an authorised accounting firm with an auditor-in-charge. As of 2011, SBAB's auditor is appointed annually in accordance with the Companies Act and the Articles of Association. The 2016 AGM appointed Deloitte AB as auditor, with Patrick Honeth as the auditor-in-charge. A more detailed presentation of the auditor, the auditor-in-charge and the fees and expenses paid to auditors is provided in Note 8 of the Annual Report. The auditor examines the Annual Report, the consolidated financial statements and the accounting records, as well as the Board's and the CEO's administration of the company. In addition, the auditor reviews SBAB's interim reports and year-end reports and presents his findings to the Audit and Compliance Committee at regular meetings of the Committee, when the interim and year-end reports reviewed by the auditor are considered, and when the internal control review is reported to the Board. The auditor also reviews the Sustainability Report and the Communication on Progress (COP).

Internal Control of Financial Reporting

At SBAB, the internal control of financial reporting is primarily aimed at ensuring that an effective and reliable procedure for SBAB's financial reporting is in place, and that both internal and external reporting is correct and accurate. Work with the internal control of financial reporting is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, which comprises five internal control components.

The control environment

The internal control of financial reporting uses SBAB's values, organisational structure, codes of conduct, policies, instructions and directions for SBAB's operations as its starting point.

Risk assessment

Each unit within SBAB identifies, evaluates, manages and assesses its own risks. The analysis of risk levels in all operations, including financial reporting, is conducted on a regular basis and reported to the Executive Management, the CEO and the Board.

Each year, a risk assessment is performed in the form of a self-evaluation of all business-support processes, including financial reporting, and is managed and reported using separate risk tools. In relation to changes related to financial reporting, a new product approval policy (NPAP) is also carried out.

Control activities

Business-support processes that provide data for the financial statements are charted and contain control activities in the form of descriptions of processes, reasonability assessments, reconciliations, attestations and performance analyses. An internal set of rules, including accounting policies, planning and reporting procedures, ensures the application of control activities.

SBAB's financial position and performance, target attainment and analysis of operations is reported on a monthly basis to both the Executive Management and the Board. The Board's Audit and Compliance Committee supervises the financial reporting as well as the effectiveness of internal control.

Information and communication

The Economy and Finance unit ensures that the instructions on accounting and financial reporting are updated, communicated and made available for the units that need them for their work. The instructions are also available on SBAB's intranet.

Follow-up

The Board's measures to follow up on the internal control of financial reporting include the Board's regular follow-up of SBAB's financial position and performance, etc., but also include the Board's review and follow-up on the auditor's review reports.

BOARD OF DIRECTORS

At 31 December 2017

Member

Bachelor of Arts/Social Sciences Degree Born in 1957. Elected in 2017.

Board assignments: Mercuri International Group AB, Metria AB (Chairman), SBC Sveriges BostadsrättsCentrum AB (Deputy Chairman), Uniflex AB, Stockholm Chamber of Commerce, International Women's Forum Sweden and Mondrago Consulting AB

Other assignments: SNS Confederation and Nomination Committee.

Previous experience: Includes: CEO Capgemini Sweden, CEO Bankgirocentralen, Deputy CEO Tieto, and previous experience from board assignments at more than 25 companies, government agencies and organisations.

Chairman of the Board

Higher bank degree (SEB). Born in 1962. Elected in 2013.

Board assignments: Carnegie Investment Bank AB and Carnegie Holding AB, Rikshem AB and Rikshem intressenter AB, AB Sverige Säkerställda Obligationer (publ), Chairman of the Board in all of the above companies. Board member of KBC Bank N.V.

Other assignments: –

Previous experience: Deputy CEO at SEB and other senior positions within SEB.

BO MAGNUSSON



EVA GIDLÖF



CARL-HENRIK BORG



Member

LLM. Born in 1952. Elected in 2015.

Board assignments: Lägenhetsbyte Sverige AB (Chairman), Chiffer Media Aktiebolag (Chairman) and CABO consulting AB.

Other assignments: Self employed and digital advisor.

Previous experience: CEO of Hemnet, founder/senior partner of Webanalys Sitesfaction AB.

Member

Bachelor of Business Administration and Economics. Born in 1974. Elected in 2016.

Board assignments: Vasallen AB, Industrifonden.

Other assignments: Under-secretary at the Government Offices.

Previous experience: Vice President, Investment Banking Citigroup.

DANIEL KRISTIANSSON



LARS BÖRJESSON



Member

Master of Engineering. Born in 1964. Elected in 2014.

Board assignments: Taggsvampen AB, Dovana AB.

Other assignments: CEO of KGH Customs Services.

Previous experience: CEO of Stena Technoworld, Director of Strategy and Business Development Stena metall, Senior partner of Accenture, including Managing Director of Accenture Management Consulting Nordic.

Member

Bachelor of Business Administration and Economics. Born in 1963. Elected in 2009.

Board assignments: FriendsOfAdam, DORO AB, Doro Care AB.

Other assignments: CEO Friends of Adam.

Previous experience: CEO Telia e-bolaget, Marketing Director and Acting Chief Communication Officer TeliaSonera, Management consultant.

KARIN MOBERG



JANE LUNDGREN-ERICSSON

**Member**

Master of Law, LL.M (London). Born in 1965. Elected in 2013.

Board assignments: Miskatonic Musik Aktiebolag (deputy).

Other assignments: Executive Director & Head of Lending at Svensk Exportkredit.

Previous experience: CEO of SEK Securities and other senior positions at Svensk Exportkredit AB.

Board Member (Employee Representative)

Born in 1982. Appointed in 2016 by the local club committee of SACO.

Board assignments: BRF Trekanten Liljeholmen

Other assignments: Project manager IT, SBAB, Chairman of the local club committee of the Confederation of Professional Associations (SACO) at SBAB.

JOHAN ERIKSSON



KRISTINA LJUNG

**Board Member (Employee Representative)**

Born in 1966. Appointed in 2016 by the local club committee of the Financial Sector Union of Sweden.

Board assignments: –

Other assignments: Key Account Manager Köp och Byt, Retail Market SBAB, Chairman of the local club committee of the Financial Sector Union of Sweden at SBAB.

Board Member (Employee Representative, deputy)

Born in 1987. Elected in 2017.

Board assignments: –

Other assignments: Account Manager savings and loans, Retail Market SBAB, member of the local club committee of the Financial Sector Union of Sweden at SBAB.

LOTTA LINDBERG

MARGARETA NAUMBURG

Board Member (Employee Representative, deputy)

Born in 1964. Appointed in 2017.

Board assignments: –

Other assignments: Compliance Officer SBAB, member of the local club committee of SACO at SBAB.

EXECUTIVE MANAGEMENT

At 28 March 2018



KLAS DANIELSSON

CEO

Bachelor of Social Sciences Business Administration Born in 1963. Year of employment: 2014

Board assignments: Board member AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC), DE Capital Nordic AB and Spiderweb Consulting AB. Chairman of the Board of Booli Search Technologies AB. Deputy Member of the Board of the Swedish Bankers' Association.

Other assignments: Chairman of the Nomination Committee for Stockholms Stadsmission.

Previous experience: Founder and CEO of Nordnet AB (publ) and Nordnet Bank AB, Head of Trading at SBC Warburg AB, Chairman of Swed-Sec Licensiering AB, Board Member of Ikano Bank AB, East Capital AB, the Swedish Consumers' Banking and Finance Bureau, Alternativa Aktiemarknaden AB, the Swedish Securities Dealers Association, and others.

MALIN PELLBORN

Head of Sustainability and Strategic Communication

Master of Business Administration and Economics. Born in 1973. Year of employment: 2017

Board assignments: Board member Swedish Golf Association and Swedish Centre for Business History.

Previous experience: Head of Brand, Market, Customer Insights & Digital Sales, as well as other positions within Skandia. CEO of advertising agency HägerFredlund

KLAS LJUNGKVIST

CIO

Master of Engineering. Born in 1966. Year of employment: 2016.

Board assignments: –

Previous experience: CTO of Nordnet Bank AB, various managerial positions within Abaris.

MIKAEL INGLANDER

CFO

Master of Business Administration and Economics. Born in 1963. Year of employment: 2014

Board assignments: Board member of Booli Search Technologies AB.

Previous experience: CEO of Lindorff Sverige AB, Executive Vice President and CFO of Swedbank AB, Regional Manager and Executive Vice President of ForeningsSparbanken AB, Board member of ICA Banken, OK-Q8 Bank AB, HansaBank Group AS, and others.

DANIEL LJUNGEL

Head of Partnerships & Business Development

Master of Business Administration and Economics. Born in 1975. Year of employment: 2015.

Board assignments: Board member of Booli Search Technologies AB.

Previous experience: Sales Manager at East Capital, Head of Funds at Nordnet.

SARA DAVIDGÅRD

Acting Head of Retail Market and COO

Master of Business Administration and Economics. Born in 1974. Year of employment: 2017

Board assignments: –

Previous experience: Head of Risk Swedish Banking at Swedbank, Board member Sparia, Segment Manager at Swedbank, various management positions within Swedbank as well as other positions within Swedbank Robur.

CARINA ERIKSSON

Head of HR

Master of Business Administration and Economics. Born in 1965. Year of employment: 2015.

Board assignments: –

Previous experience: Scandinavian HR Business Partner Lead, Trygg Hansa/Codan; Scandinavian HR Director Personal Lines, Trygg Hansa/Codan; HR Director, Microsoft Sweden; COO, Deutsche Bank Nordic Equities.

TIM PETERSSON

Head of Corporate Clients & Tenant-Owners' Associations

Post-secondary school education – economics. Born in 1960. Year of employment: 2002.

Board assignments: –

Previous experience: Office and Area Manager, Swedbank, Head of Sales, Corporate Clients & Tenant-Owners' Associations, SBAB.

PETER SVENSÉN

CRO

Master of Engineering. Born in 1974. Year of employment: 2012.

Board assignments: –

Previous experience: Senior Job Manager at Oliver Wyman, Manager at KPMG Financial Services.

AUDITOR

Patrick Honeth – Deloitte AB
Auditor-in-charge at SBAB since 2016.

The 2017 AGM appointed Deloitte AB as auditor, with Patrick Honeth as the auditor-in-charge.

PROPOSED APPROPRIATION OF PROFITS

SBAB posted a net profit for the year after tax of SEK 90,541,036. According to SBAB's balance sheet, SEK 7,019,314,418 is at the disposal of the Annual General Meeting.

Fair value reserve	157,278,128
Additional Tier 1 instruments	1,500,000,000
Retained earnings	5,271,495,254
Net profit for the year	90,541,036
Total	7,019,314,418

The Board proposes that the earnings be appropriated as follows:

A dividend payment of SEK 34,915 per share, in total	683,740,445
Carried forward to next year	6,335,573,973
Total	7,019,314,418

The proposed dividend, which amounts to 7% of the company's equity, has been proposed with consideration for the rules on buffer capital, risk limitation and transparency under the Banking and Financing Business Act. The applicable regulations on capital adequacy and major exposures mean that the company's own funds at any given time are to correspond to not less than the total capital requirement for credit risk, market risk and operational risk, and the calculated capital requirement for additional identified risks in the operations, in accordance with the company's internal capital adequacy assessment. After the proposed appropriation of profits, own funds amounted to SEK 13,574 million (15,157) and the final minimum capital requirement amounted to SEK 2,542 million (2,519). The items are specified in Note 2i.

In the Board's assessment, the proposed dividend is justified considering the requirements that the nature, scope and risks of the operations impose on the scale of equity in the Parent Company and the Group, as well as on the needs of the Parent Company and the Group in terms of consolidation, liquidity and position. Furthermore, the Board assesses that the Parent Company and the Group's financial position do not give rise to any other assessment than that the Parent Company and the Group are expected to fulfill its obligations in the short and long term.

FIVE-YEAR OVERVIEW

Group, SEK million	2017	2016	2015	2014	2013
Interest income	4,572	4,601	5,123	7,261	8,147
Interest expense	-1,423	-1,772	-2,681	-5,150	-6,184
Net interest income	3,149	2,829	2,442	2,111	1,963
Other operating income ¹⁾	14	89	-101	510	-70
Total operating income	3,163	2,918	2,341	2,621	1,893
Depreciation, amortisation and impairment of PPE and intangible assets	-31	-27	-31	-160	-69
Other operating expenses	-928	-862	-778	-848	-746
Total operating expenses	-959	-889	-809	-1,008	-815
Profit before loan losses	2,204	2,029	1,532	1,613	1,078
Loan losses	24	-18	-40	30	7
Participations in joint ventures	-	-	-	1	-
Operating profit	2,228	2,011	1,492	1,644	1,085
Lending portfolio	335,111	296,022	296,981	261,445	258,739
Other assets	81,676	79,134	77,571	77,540	76,319
TOTAL ASSETS	416,787	375,156	374,552	338,985	335,058
Deposits	111,895	96,769	76,639	60,610	45,869
Debt securities issued, etc.	274,517	247,407	264,205	243,168	243,870
Other liabilities	9,540	9,552	13,870	18,260	29,388
Deferred tax liabilities	83	207	47	-	459
Subordinated debt	4,942	5,939	7,943	5,946	5,791
Equity	15,810	15,282	11,848	11,001	9,681
Total liabilities and equity	416,787	375,156	374,552	338,985	335,058
Selected key performance indicators					
New lending, SEK million	82,282	59,648	80,470	48,297	37,367
Net interest margin, %	0.80	0.75	0.68	0.63	0.59
Loan loss ratio, %	0.01	-0.01	-0.01	0.01	0.00
C/l ratio, %	30	30	35	38	43
Return on equity, % ²⁾	12.5	12.3	10.2	12.1	9.5
Return on assets, %	0.4	0.4	0.3	0.4	0.3
Number of employees at year-end, FTEs ³⁾	530	510	429	397	436
Selected key performance indicators, Capital structure					
CET1 capital ratio, %	32.2	32.2	28.6	29.8	23.3
Tier 1 capital ratio, %	39.3	40.1	35.1	36.8	30.6
Total capital ratio, %	47.6	51.6	49.3	44.7	35.6
Total capital ratio with transitional rules, %	10.3	11.7	11.4	10.8	10.5

¹⁾ The item includes net commission, the net result of financial transactions and other operating income.

²⁾ From 2017, SBAB has used a new definition to calculate the return on equity. The comparative figures for previous years have not been restated. For further information, refer to page 145.

³⁾ Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence.

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INCOME STATEMENT

SEK million	Note	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
Interest income	3	4,572	4,601	1,317	1,300
Interest expense	3	-1,423	-1,772	-1,023	-974
Net interest income		3,149	2,829	294	326
Commission income	4	73	69	79	85
Commission expense	4	-78	-62	-23	-39
Net result of financial transactions	5	-12	48	-7	143
Other operating income	6	31	34	760	721
Total operating income		3,163	2,918	1,103	1,236
Personnel costs	7	-479	-412	-472	-408
Other expenses	8	-449	-450	-479	-449
Depreciation, amortisation and impairment of PPE and intangible assets	9	-31	-27	-12	-15
Total expenses before loan losses		-959	-889	-963	-872
Profit before loan losses		2,204	2,029	140	364
Net loan losses	10	24	-18	13	-9
Operating profit		2,228	2,011	153	355
Tax	11	-519	-441	-62	-78
Net profit for the year		1,709	1,570	91	277

STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
Net profit for the year		1,709	1,570	91	277
Other comprehensive income					
<i>Components that will be reclassified to profit or loss</i>	30				
Changes related to available-for-sale financial assets, before tax		118	198	118	198
Changes related to cash-flow hedges, before tax		-687	370	-68	-28
Tax attributable to components that will be reclassified to profit or loss		125	-125	-11	-37
<i>Components that will not be reclassified to profit or loss</i>	30				
Revaluation effects of defined-benefit pension plans, before tax		-38	-58	-	-
Tax attributable to components that will not be reclassified to profit or loss		8	13	-	-
Other comprehensive income, net of tax		-474	398	39	133
Total comprehensive income for the year		1,235	1,968	130	410

BALANCE SHEET

SEK million	Note	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
ASSETS					
Cash and balances at central banks		0	0	0	0
Chargeable treasury bills, etc.	12	22,952	20,492	22,952	20,492
Lending to credit institutions	13	1,867	1,619	94,302	56,630
Lending to the public	14	335,111	296,022	22,912	51,577
Value changes of interest-rate-risk hedged items in macro hedges		191	396	0	0
Bonds and other interest-bearing securities	15	49,764	48,851	49,764	48,851
Derivatives	16	5,830	6,192	6,240	6,221
Shares and participations in Group companies	17	-	-	10,386	10,386
Intangible assets	18	179	152	26	31
Property, plant and equipment	19	12	16	12	16
Other assets	20	65	550	45	179
Prepaid expenses and accrued income	21	816	866	771	761
TOTAL ASSETS		416,787	375,156	207,410	195,144
LIABILITIES AND EQUITY					
Liabilities					
Liabilities to credit institutions	22	5,674	4,689	4,720	4,191
Deposits from the public	23	111,895	96,769	111,895	96,769
Debt securities issued, etc.	24	274,517	247,407	70,363	71,474
Derivatives	16	1,643	2,475	5,340	6,075
Other liabilities	25	429	347	376	334
Accrued expenses and deferred income	26	1,697	1,976	349	373
Deferred tax liabilities	27	83	207	56	41
Provisions	28	97	65	-	0
Subordinated debt	29	4,942	5,939	4,942	5,939
Total liabilities		400,977	359,874	198,041	185,196
Untaxed reserves					
Equity					
Share capital	30	1,958	1,958	1,958	1,958
Statutory reserve		-	-	392	392
Reserves/Fair value reserve	30	188	662	157	118
Additional Tier 1 instruments	29	1,500	1,500	1,500	1,500
Retained earnings		10,455	9,592	5,271	5,703
Net profit for the year		1,709	1,570	91	277
Total equity		15,810	15,282	9,369	9,948
TOTAL LIABILITIES AND EQUITY		416,787	375,156	207,410	195,144

STATEMENT OF CHANGES IN EQUITY

GROUP	SEK million	Note	RESTRICTED EQUITY		UNRESTRICTED EQUITY			Total equity
			Share capital		Reserves	Additional Tier 1 instruments	Retained earnings and net profit for the year	
OPENING BALANCE, 1 JANUARY 2017			1,958		662	1,500	11,162	15,282
Additional Tier 1 instruments, dividend							-74	-74
Dividends paid							-628	-628
Other ¹⁾							-5	-5
Other comprehensive income, net of tax		30			-474			-474
Net profit for the year							1,709	1,709
Comprehensive income for the year					-474		1,709	1,235
CLOSING BALANCE, 31 DECEMBER 2017			1,958		188	1,500	12,164	15,810
OPENING BALANCE, 1 JANUARY 2016			1,958		264	-	9,626	11,848
Additional Tier 1 instruments, dividend						1,500	-34	1,466
Other ¹⁾							0	0
Other comprehensive income, net of tax		30			398			398
Net profit for the year							1,570	1,570
Comprehensive income for the year					398		1,570	1,968
CLOSING BALANCE, 31 DECEMBER 2016			1,958		662	1,500	11,162	15,282

PARENT COMPANY	SEK million	Note	RESTRICTED EQUITY		UNRESTRICTED EQUITY			Total equity
			Share capital	Statutory reserve	Fair value reserve	Additional Tier 1 instruments	Retained earnings and net profit for the year	
OPENING BALANCE, 1 JANUARY 2017			1,958	392	118	1,500	5,980	9,948
Additional Tier 1 instruments, dividend							-74	-74
Dividends paid							-628	-628
Other ¹⁾							-7	-7
Other comprehensive income, net of tax		30			39			39
Net profit for the year							91	91
Comprehensive income for the year					39		91	130
CLOSING BALANCE, 31 DECEMBER 2017			1,958	392	157	1,500	5,362	9,369
OPENING BALANCE, 1 JANUARY 2016			1,958	392	-14	-	5,737	8,073
Additional Tier 1 instruments, dividend						1,500	-34	1,466
Other ¹⁾							0	0
Other comprehensive income, net of tax		30			132			132
Net profit for the year							277	277
Comprehensive income for the year					132		277	409
CLOSING BALANCE, 31 DECEMBER 2016			1,958	392	118	1,500	5,980	9,948

¹⁾ Other, primarily includes revaluation of the liability to the owners regarding the remaining shares and warrants in the subsidiary Booli Search Technologies AB.

CASH-FLOW STATEMENT

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Opening cash and cash equivalents	1,619	3,456	56,630	17,162
OPERATING ACTIVITIES				
Interest received	4,647	4,745	1,314	1,430
Commission received	64	69	89	86
Interest paid	-1,726	-2,407	-1,061	-1,075
Commission paid	-73	-91	-18	-68
Outflows to suppliers and employees	-929	-863	-951	-858
Taxes paid/refunded	17	-394	81	-41
Change in lending to the public	-39,065	941	28,677	29,622
Change in chargeable treasury bills, etc.	-2,532	-6,287	-2,532	-6,287
Change in bonds and other interest-bearing securities and fund units	-1,118	1,092	-1,118	1,092
Change in liabilities to credit institutions	985	-422	529	1,218
Change in deposits from the public	15,126	20,130	15,126	20,130
Change in debt securities issued, etc.	28,295	-16,226	-808	-5,331
Change in other assets and liabilities	-1,761	-1,535	-24	138
Cash flow from operating activities	1,930	-1,248	39,304	40,056
INVESTING ACTIVITIES				
Sale of property plant and equipment	0	0	0	0
Investments in PPE	-4	-6	-4	-5
Investments in intangible assets	-50	-24	-	-24
Investments in subsidiaries	-	-59	-	-59
Cash flow from investing activities	-54	-89	-4	-88
FINANCING ACTIVITIES				
Dividends paid	-628	-	-628	-
Repayment of subordinated debentures	-1,000	-2,000	-1,000	-2,000
Tier 1 capital instruments issued	-	1,500	-	1,500
Cash flow from funding activities	-1,628	-500	-1,628	-500
Increase/decrease in cash and cash equivalents	248	-1,837	37,672	39,468
Closing cash and cash equivalents	1,867	1,619	94,302	56,630

Comments to the cash-flow statement

The cash-flow statement is reported in accordance with IAS 7 and cash and cash equivalents are defined as cash and balances at central banks as well as lending to credit institutions, which does not correspond to the liquidity definition applied at

Group level. Subordinated receivables (receivables from Group companies) are included in cash and cash equivalents for the Parent Company, and are recognised in the balance sheet under Lending to credit institutions.

Cont. CASH-FLOW STATEMENT

CHANGE IN LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES

GROUP	SEK million	Opening balance, 1 Jan. 2017	Cash flow	NON-CASH ITEMS		Closing balance, 31 Dec. 2017	Opening balance, 1 Jan. 2016	Cash flow	NON-CASH ITEMS		Closing balance 31 Dec. 2016
				Fair value	Other				Fair value	Other	
Long-term interest-bearing liabilities		7,439	-1,000	-3	6	6,442	7,943	-493	-11	0	7,439
Derivatives		-11	7	5	-6	-5	-24	6	1	6	-11
Total		7,428	-993	2	-	6,437	7,919	-487	-10	6	7,428

PARENT COMPANY

PARENT COMPANY	SEK million	Opening balance, 1 Jan. 2017	Cash flow	NON-CASH ITEMS		Closing balance, 31 Dec. 2017	Opening balance, 1 Jan. 2016	Cash flow	NON-CASH ITEMS		Closing balance 31 Dec. 2016
				Fair value	Other				Fair value	Other	
Long-term interest-bearing liabilities		7,439	-1,000	-3	6	6,442	7,943	-493	-11	0	7,439
Derivatives		-11	7	5	-6	-5	-24	6	1	6	-11
Total		7,428	-993	2	-	6,437	7,919	-487	-10	6	7,428

FINANCIAL NOTES

NOTE 1 Accounting policies

SBAB Bank AB (publ), "SBAB," and its subsidiaries mainly conduct lending to consumers, tenant-owners' associations and companies in the Swedish residential mortgage market. SBAB's offering also includes savings products. SBAB is a Swedish public limited banking company domiciled in Solna. The address of the Head Office is SBAB Bank AB (publ), Box 4209, SE-171 04 Solna, Sweden.

The Annual Report for SBAB has been prepared in accordance with 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 Annual Report has been prepared in accordance with the cost method, apart from the revaluation of derivatives, and financial assets and liabilities measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI), and hedge-accounted items. On 21 March 2018, the Board of Directors approved the financial statements for publication and await final adoption by the Annual General Meeting (AGM) on 24 April 2018.

Introduction of new accounting standards

IFRS 9 Financial instruments

IFRS 9 Financial Instruments (IFRS 9) replaces IAS 39 Financial Instruments in its entirety and encompasses classification and measurement, and impairment and hedge accounting. A separate project under the IASB is ongoing with regard to macro hedge accounting. The standard becomes effective as of 1 January 2018.

Under IFRS 9, classification is based on both the entity's business model and the contractual cash flow characteristics. This classification, in turn, determines the measurement. The impairment model under IFRS 9 is based on expected credit losses as opposed to the current model, which is instead based on incurred credit loss events. The aim of the new model is to capture and recognise expected credit losses at an earlier stage. The new standard also specifies more detailed disclosures. The new hedge accounting rules have a clearer ambition to reflect risk management and entail a number of new disclosures.

SBAB will apply the mandatory sections pertaining to classification and measurement and impairment from 1 January 2018. The rules will be applied through the adjustment of the opening balances of the Group and the subsidiaries. No requirements apply for restatement of comparative periods.

Upon the transition to IFRS 9, provisions for expected credit losses in the Group decreased SEK 46 million (2.1% of the Group's profit before tax). The overall effect increased equity (before tax) by a corresponding amount at 1 January 2018. For the Parent Company, the net of reserves and provisions for expected credit losses increased SEK 5 million, which was attributable to off-balance-sheet expected credit losses (ECLs), loan commitments and building credits. The decrease in ECL provisions was based on an adjustment that took into consideration expected future credit losses, which are assessed as being lower than incurred losses under the Group's existing accounting assessment method in line with IAS 39. With the transition to IFRS 9, all parameter estimates have been adjusted more in line with expected values, which better match the prevailing economic conditions. With current historically low default rates and extremely few confirmed loan losses, an expected value model under IFRS 9 makes a relatively small provision for ECLs given the scope of the lending. The changes in the regulations for provisions had a limited impact on the capital adequacy ratios. SBAB has decided not to apply the transitional rules nor additional relief in conjunction with the introduction of IFRS 9.

Classification and measurement

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

- Where the objective is to hold assets in order to collect contractual cash flows. Measurement and recognition is performed at amortised cost.
- Where the objective is achieved by both collecting contractual cash flows and selling financial assets. Measurement and recognition is performed at FVTOCI.
- Where the objective is to "hold" or to both "hold and sell." Measurement and recognition is performed at FVTPL.

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

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

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

Impairment – expected credit losses

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

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

Expected credit losses for financial assets in the balance sheet:

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

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

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

Credit stage 1

All financial assets will, at a minimum, have a loss allowance that corresponds to 12-month ECL. Three main parameters are taken into consideration when measuring ECLs. Probability of default (PD), loss given default (LGD) and exposure at default (EAD), where the product results in the expected credit loss (ECL). To calculate the 12-month ECL SBAB uses their model under the internal ratings-based approach (IRB) intended for capital adequacy but where appropriate adjustments have been made to ensure an unbiased probability-weighted ECL calculation reflecting current expectations and forward-looking information. The same procedure for adjusting the parameters from IRB are also applied in stages 2 and 3. For further information on IRB, see Note 2a Risk management – Credit risk in lending operations.

Credit stage 2

For financial assets where the credit risk has increased significantly since initial recognition, the loss allowance will correspond with lifetime ECL. Assessments of whether a significant increase in credit risk since initial recognition has occurred is made on an individual and a collective basis for homogenous credit risk groups, known as risk classes. In addition to PD from IRB, the determination of whether a significant increase has occurred also uses empirical default data for the respective risk classes and forward-looking information in the form of macro-economic factors. SBAB assesses whether credit risk has increased significantly since initial recognition by measuring the deviations from an expected PD trend given the original risk class. SBAB also applies presumptions in line with maturities of over 30 days as an indicator of a significant increase in credit risk.

Credit stage 3

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

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

Expected credit losses for exposures not recognised in the balance sheet.

For loan commitments, initial recognition is defined as the moment the bank enters into the irrevocable undertaking. The loss allowance is calculated in the same manner as for financial assets in the balance sheet, but includes the application of a credit conversion factor (CCF). The CCF measures the likelihood of a loan commitment being converted into a financial asset. As for the other parameters the CCF is derived from the models used in the IRB approach for capital adequacy where proper adjustments have been made for ECL.

Forward-looking information

So as not to solely base the estimate of ECL on empirical information, forward-looking information in the form of housing market forecasts is used. The reason is to not solely rely on the past when calculating the loss allowance, but to also take into consideration immediate prospects to thereby enable objective and accurate expected values. Forecasts are prepared for macro-economic factors that have been shown to strongly correlate with default frequencies and actual credit losses in SBAB's lending. The forward-looking information should be viewed as an adjustment to the two risk dimensions PD and LGD, which impact both the allocation of credit stages and the level of the loss allowance. With regards to EAD cash flows are projected by the amortisation schedule. In addition to scheduled cash flows pre-payment rates are used to account for the expected lifetime of the loan. The empirical information enriched by forward-looking information, that is applied on the abovementioned risk dimensions, ensures an unbiased probability-weighted ECL suitable for the purposes of IFRS 9.

Modification of financial assets

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

IFRS 15 – Revenue from Contracts with Customers

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

IFRS 16 Leases

The new IFRS 16 has changed the lease classification criteria. IFRS 16 has been adopted by the IASB, the standard will apply from the 2019 financial year. The new standard entails that all leases (with the exception of short-term and smaller leases) are to be recognized as right-of-use assets with corresponding liabilities in the lessee's balance sheet, and the lease payments recognized as depreciation and interest expense. Moreover, disclosure requirements will apply. SBAB is working to analyse the financial effects of the new standard.

Other amendments

Due to further disclosure requirements under IAS 7, SBAB has added a new table on page 83. Other changes in 2017 are not expected to have any material impact on the Parent Company or the Group's financial statements.

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

General accounting policies

Consolidated financial statements

The consolidated financial statements were prepared in accordance with the acquisition method and include the Parent Company SBAB and its subsidiaries. Entities qualify as subsidiaries if they are controlled by the Parent Company. A parent company is deemed to have control of a subsidiary when it not only controls the subsidiary and is exposed to, or is entitled to, variable returns from the subsidiary but when it can also affect the returns from the subsidiary by means of its influence. The companies are consolidated as of the date when the Parent Company assumes control of the subsidiary, and the consolidation ends when the Parent Company no longer exercises controlling influence over the subsidiary. Intra-Group transactions and receivables and liabilities between Group companies are eliminated.

The cost of an acquisition comprises the fair value of any assets provided by way of remuneration and any arisen or assumed liabilities. Any unsettled consideration for a put option is valued at the present value of the redemption amount. Identifiable acquired assets, and assumed liabilities and contingent liabilities are valued at fair value on the acquisition date. Any consideration transferred for corporate acquisitions that exceeds the fair value of identifiable acquired net assets is recognised as goodwill. Goodwill is distributed over cash-generating units (CGUs) or groups of CGUs, which are expected to benefit from the acquisition through synergies. The CGUs to which goodwill is distributed correspond to the lowest level within the Group where goodwill is followed up in the internal governance.

Transaction costs, with the exception of transaction costs related to the issue of equity or debt instruments, that arise through the acquisition are recognised directly in profit/loss for the year. For acquisitions where a put option has been issued, the anticipated-acquisition method is applied, which means that the put option for the remaining shares is considered as acquired at the time of acquisition. Consequently, no minority holdings are recognised. The debt regarding the present value of the redemption price for a put option will thereby be included in the fair value of the total consideration.

Recognition in and derecognition from the balance sheet

Issued and acquired securities, including all derivatives, are recognised on the trade date, meaning the date on which the significant risks and rights are transferred between the parties.

Other financial instruments are recognised on the settlement date.

A financial asset is derecognised from the balance sheet when the contractual rights to receive cash flows from the financial asset expire and the Group has transferred essentially all of the risks and rewards of ownership of the asset. A financial liability is derecognised from the balance sheet when it is extinguished, meaning when the obligation specified in the contract is fulfilled, cancelled or has expired.

Cont. NOTE 1 Accounting policies

Recognition of income and expense

Interest income and interest expense (including interest income from impaired receivables) are recognised using the effective-interest method. The calculation of the effective interest rate includes all fees paid or received between the parties to the contract, including transaction costs.

Since transaction costs in the form of remuneration to business partners or issue expenses attributable to the acquisition of loans constitute part of the acquisition cost of the loan, these costs are recognised in the balance sheet and included in profit or loss using the effective-interest method via net interest income over the expected tenor of the loan.

Commission income and commission expense are included in profit or loss continuously in accordance with the contractual terms.

In the event of premature redemption of loans, the customer pays interest compensation intended to cover the cost that arises for SBAB. This compensation is recognised as income directly under the "Net result from financial transactions." Other items under this heading are described in the "Financial instruments" section.

Financial instruments

Classification

All financial instruments covered by IAS 39 and which are not subject to hedge accounting are classified pursuant to this standard in the following categories:

- Financial assets measured at FVTPL
- Loans and accounts receivable
- Investments held to maturity
- Available-for-sale financial assets
- Financial liabilities measured at FVTPL
- Other financial liabilities

Offsetting

Financial assets and financial liabilities are to be offset and recognised at net amounts only where the recognised amounts may legally be offset and the intention is to settle the items with a net amount or to simultaneously realise the asset and settle the liability. No financial instruments are recognised at net amounts in the balance sheet.

Fair value measurement

Fair value is defined as the price that would be received on the valuation date on the sale of an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants.

Fair value measurement of financial instruments measured at fair value and traded on an active market is based on quoted prices.

If the market for a financial instrument is not active, the fair value is established on the basis of generally accepted measurement methods. As far as possible, calculations made in conjunction with measurement are based on observable market data. The main tools used are models based on discounted cash flows. In individual cases, the calculations may also be based on assumptions or estimates.

Financial assets measured at FVTPL

The category "Financial assets measured at FVTPL" is divided into "held for trading" and "financial assets that Executive Management designated as such upon initial recognition." All of SBAB's assets in this category are classified as held for trading and primarily encompass interest-bearing instruments. This category includes derivatives that are not subject to hedge accounting.

On initial recognition, assets in this category are recognised at fair value, while related transaction costs are recognised in profit or loss.

Changes in fair value and realised gains or losses for these assets are recognised directly in profit or loss under the heading "Net result of financial transactions", while the effective interest rate is recognised as interest income.

Loans and accounts receivable

Financial assets classified as loans and accounts receivable are recognised at fair value at the time the loan is disbursed plus transaction costs.

Loans and accounts receivable are subsequently recognised at amortised cost using the effective-interest method. This category consists of assets with fixed or determinable payments that are not quoted in an active market. Loan receivables consist of lending to the public and credit institutions and include associated items. The majority of lending comprises retail loans for the funding of housing and loans to legal entities and consumers for multi-family dwellings and commercial properties.

Changes in value are recognised as "Net loan losses," while the effective interest rate is recognised as interest income. The assets are tested for impairment if there are indications, referred to as objective evidence, of impairment. Refer also to the "Loan losses and impairment of financial assets" section.

Investments held to maturity

The "Investments held to maturity" category recognises interest-bearing assets that the Group has the intent and ability to hold to maturity. If any more than an insignificant amount in this category is sold or reclassified in the current financial year or in the two previous financial years, no assets can be classified as belonging to this category. The exception to this rule is sales or reclassifications made close to maturity, or if more or less the entire original nominal amount has been received, or if it depends on an isolated event over which the company had no control, that was non-recurrent, and that the company could not reasonably foresee.

"Investments held to maturity" are measured at amortised cost. The assets are tested for impairment if there are indications, referred to as objective evidence, of impairment. Impairment losses are recognised as "Impairment of financial assets," while the effective interest rate is recognised as interest income. Also refer to the "Loan losses and impairment of financial assets" section.

Available-for-sale financial assets

In the "Available-for-sale financial assets" category, financial assets are recognised for which there is an active market, but where the assets are not held for trading and are not intended to be held until maturity. These are measured at fair value in the balance sheet, with the change in value recognised as a component of other comprehensive income and accumulated in a separate reserve (the fair-value reserve) in equity. Changes in fair value are not recognised in profit or loss until the asset has been realised or an impairment is recognised. Changes in value that are attributable to exchange rate changes are recognised in profit or loss.

When a fair value reduction for a financial asset that has been categorised as available for sale has been recognised in other comprehensive income and objective evidence of impairment exists, the accumulated loss reported in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment, even if the financial asset has not been removed from the statement of financial position. The impairment amount is recognised under the "Net result of financial transactions".

Financial liabilities measured at FVTPL

The "Financial liabilities measured at FVTPL" category is divided into financial liabilities held for trading and financial liabilities that Executive Management has designated as such upon initial recognition. All of SBAB's liabilities in this category are classified as held for trading. This category includes derivatives that are not subject to hedge accounting. Liabilities in this category are initially recognised at fair value, while related transaction costs are recognised in profit or loss. Changes in fair value and realised gains or losses for these liabilities are recognised in profit or loss under the "Net result of financial transactions," while the effective interest rate is recognised as interest expense.

Other financial liabilities

Financial liabilities that are not classified as "Financial liabilities measured at FVTPL" are initially recognised at fair value with an addition for transaction costs and are subsequently recognised at amortised cost using the effective-interest method. This category consists mainly of issued debt securities, retail deposits and liabilities to credit institutions. Realised gains or losses from the repurchase of own liabilities affects profit or loss when incurred and is recognised under the "Net result of financial transactions," while the effective interest rate is recognised as interest expense.

Liabilities to the owners of the remaining shares and warrants in subsidiaries, for which put options have been issued, are classified as other financial liabilities and recognised under other liabilities. The amounts recognised are based on the amounts expected to be disbursed under the option agreements outstanding. The revaluation of the liability is recognised against retained earnings. For ownership details, refer to Note 17 Shares and participations in Group companies.

Repos

Repos are agreements where the parties have reached agreement on the sale and repurchase of a particular security at a pre-determined price. Securities that have been provided or received under these repo agreements are not derecognised from or not recognised in the balance sheet, respectively. Payments received are recognised in the balance sheet as liabilities to credit institutions and payments made are recognised as lending to credit institutions. The impact on profit or loss is attributable to the difference between sale and repurchase prices and is recognised as interest income or interest expense, respectively.

Equity instruments

Issued debt securities with the financial nature of equity, as per the definitions in IAS 32, are recognised as additional Tier 1 capital under equity. Interest payments on these instruments are recognised as a deduction from equity at the time of payment.

Derivatives and hedge accounting

Derivatives are used primarily to manage interest-rate and currency risk in the Group's assets and liabilities, and are recognised at fair value in the balance sheet.

For economic hedges where the risk of a significant fluctuation in profit or loss is the greatest and that meet the formal hedge accounting criteria, SBAB has chosen to apply hedge accounting for the hedging of interest-rate and currency risk. There are also other economic hedges for which hedge accounting is not applied. These derivatives outside hedge accounting are classified as assets or liabilities, respectively, measured at FVTPL.

Fair-value hedging

In the case of fair-value hedging, the derivative hedging instrument is measured at fair value at the same time as the hedged asset or liability is measured with an addition for accumulated changes in fair value attributable to the hedged risk associated with the hedged item. Changes in fair value are recognised directly in profit or loss under the "Net result of financial transactions." The effective interest rate of the hedge is recognised in net interest income.

When hedging relationships are terminated, the cumulative gains or losses are accrued in profit or loss, after adjustment of the carrying amount of the hedged item in the income statement in accordance with the effective-interest method. The accrual extends over the remaining maturity of the hedged item. The realised gain or loss arising from premature closing of a hedging instrument is recognised in profit or loss under "Net result of financial transactions."

Macro hedges

In this type of hedging, derivatives are used at an aggregated level to hedge structured interest-rate risks. When reporting these transactions, the carve-out version of IAS 39 is applied, as adopted by the EU. In the financial statements, derivative instruments designated as macro hedges are treated in the same way as other fair-value hedging instruments.

In fair value hedging of portfolios of assets, the gain or loss attributable to the hedged risk is recognised under "Value changes of interest-rate-risk hedged items in macro hedges" in the balance sheet. The hedged item is a portfolio of lending transactions based on the next contractual renewal date. The hedging instrument used is a portfolio of interest-rate swaps grouped in accordance with renewal intervals based on conditions in the fixed leg of the swap.

Cash-flow hedges

In the case of cash-flow hedges, the hedging instrument (the derivative) is valued at fair value. The effective part of the total change in value is reported as a component in other comprehensive income and accumulated in a separate reserve (hedge reserve) in equity. The accumulated amount is reversed in the income statement in periods where the hedged item affects the profit or loss. The ineffective part of the derivative's change in value is transferred to the income statement under "Net result of financial transactions," where the realised gain or loss arising at the end of the hedge relationship is recognised. The effective interest-rate of the derivative is recognised in net interest income.

Loan losses and impairment of financial assets

Loans and receivables recognised at amortised cost

On the balance-sheet date, an assessment takes place of whether any objective evidence exist of impairment of an individual receivable or group of receivables. This takes place as a result of events that have occurred after the initial recognition of the asset and which have impacted the expected future cash flows for the loan receivable or group of receivables. Events that could lead to impairment of the loan being include, depending on the circumstances, receivership, suspension of payments, a composition, a court order to pay or a changed credit rating.

The amount of impairment is measured as the difference between the carrying amount of the receivable and the present value of estimated future cash flows discounted at the effective interest rate of the receivable in accordance with the most recent interest-rate adjustment date. The cash flows attributable to the borrower or the issuer and any use of the collateral are taken into consideration when assessing the need for impairment. Any expenses associated with the realisation of the collateral are included in the cash-flow calculations. The measurement of probable loan losses or impairment of other financial assets is effected in gross amounts and, when there is a guarantee or the equivalent, this is recognised as a receivable against the counterparty. If the present value of future cash flows exceeds the carrying amount of the asset, no impairment takes place and the receivable is not regarded as doubtful. The impairment amount is recognised in profit or loss under "Net loan losses" or

"Impairment of financial assets" depending on the type of receivable. See the "Loans and accounts receivable" and "Investments held to maturity" sections. If the impairment requirement has declined in a subsequent period and the decrease can objectively be attributed to an event that occurred after recognition of the impairment, a reversal of a previously recognised impairment can be recognised under the corresponding income statement item.

Confirmed loan losses and provisions for probable losses, with deductions for guarantees expected to be utilised or that have been utilised plus any recoveries, are recognised as loan losses. The term "Confirmed loan losses" refers to losses where the amounts are definite or established with a high level of probability and have thus been derecognised.

Individually measured loan receivables

Corporate market loans (loans to companies and tenant-owners' associations) are individually measured for impairment. Retail market loans are individually measured for impairment if there are special reasons for doing so. Loan receivables not determined to have an individual impairment requirement are included in a group of financial assets with similar credit risk characteristics and are judged on a collective basis in terms of the impairment requirement.

Collectively measured loan receivables

The loan receivables assessed in this group are as follows:

- Retail market loans not subject to collective provisions. These consist of a large number of loans each of a limited amount and with similar credit risk characteristics
- Individually measured loan receivables where no objective evidence of individual impairment has been determined in accordance with the above information on "Individually measured loan receivables."

The impairment of collectively measured loans is identified in two different ways:

- Based on the internal risk classification and adjusted in accordance with the IFRS regulatory framework, groups of loans have been identified that have been subject to events that produced a measurable negative impact on the expected future cash flows
- In addition, groups of loans are identified for which future cash flows have undergone a measurable deterioration due to recent events but which have not yet had an impact on the risk classification system.

Loans with renegotiated terms and conditions

Loans with renegotiated terms and conditions are receivables where SBAB has granted some form of concession due to a deterioration in the borrower's financial position or because the borrower has encountered other financial problems. Concessions granted are considered to constitute confirmed loan losses, and are recognised in profit or loss under "Net loan losses." Additional information about loans with renegotiated terms and conditions is provided in Note 2a Risk management – Credit risk in lending operations.

Individually measured securities

Receivables included in this group are securities that have been classified as "Investments held to maturity." Each security is impairment tested individually.

Other

Functional currency

Functional currency is the currency used in the primary economic environments in which the Group operates. The companies included in the Group are the Parent Company and subsidiaries. The Parent Company's functional currency and presentation currency is SEK. The Group's presentation currency is SEK.

Foreign currency translation of receivables and liabilities

Foreign currency transactions are recognised by applying the exchange rate on the transaction date, and foreign currency receivables and liabilities are translated using the closing-date rate. Foreign exchange gains or losses resulting from settlements of foreign currency transactions and from the translation of monetary assets and liabilities in foreign currency are recognised in profit or loss under "Net result of financial transactions."

Leases

Existing leases relate to normal leases for SBAB's operations. They mainly concern office premises and office equipment and are classified as operating leases. In operating leases, lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term. Agreed future lease payments are presented in Note 8.

Cont. NOTE 1 Accounting policies

Property, plant and equipment

Property, plant and equipment are recognised as assets in the balance sheet if it is probable that future financial benefits will flow to the entity and the cost of the item can be measured reliably. Property, plant and equipment are recognised at cost less any accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment

The depreciable amount is calculated as the cost of the asset less its estimated residual value at the end of its useful life. The depreciable amount is allocated on a straight-line basis over the estimated useful life of the asset, and the depreciation charge for each period is recognised in profit or loss. This means that computer hardware is depreciated over four years and other equipment over five years. The residual value and useful life of an asset are assessed annually.

Intangible assets

Investments in acquired computer software and/or software developed by SBAB are recognised at cost after accumulated amortisation and impairment losses have been deducted. Costs for the maintenance of software are expensed as they arise. Development expenditure that is directly attributable to the development and testing of identifiable and unique software products controlled by the Group is recognised as an intangible asset when the following criteria are fulfilled:

- It is technically possible to complete the software so that it can be used.
- The company intends to complete the software product and use it.
- It can be demonstrated how the software will generate probable future financial benefits; and that adequate technical, financial and other resources for completing the development and for using the software are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Other development expenditure that does not fulfil these criteria is expensed as it arises. Development expenditure that has previously been expensed may not be recognised as an asset in a later period.

Additional expenses for capitalised intangible fixed assets are recognised as assets in the balance sheet only in cases where they increase the future financial benefits of the specific asset to which they are attributable. All other costs are expensed as they arise. Development expenditure is capitalised only in the consolidated financial statements.

On the acquisition of a subsidiary, its identifiable assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. The portion of the acquisition cost that exceeds the fair value of the net identifiable assets is recognised as goodwill. Goodwill is allocated to the CGUs and tested not less than once each year for impairment.

Amortisation of intangible fixed assets

Amortisation is allocated on a straight-line basis over the useful life of the asset. This entails amortisation periods of four or five years. The amortisation period and amortisation method for intangible fixed assets are reviewed at each financial year-end.

Impairment of non-financial items

The recoverable amount of an asset is measured when there is any indication that an asset may be impaired. Development work not yet available for use is tested annually for impairment irrespective of whether there is any indication of impairment. An asset is impaired when its carrying amount exceeds its recoverable amount. The impairment loss for each period is charged against net profit/loss for the period.

Impairment of goodwill is recognised when a CGU (group of CGUs) carrying amount exceeds its recoverable amount. An impairment is recognised as an expense in the profit for the year. When a need for impairment is identified for a CGU (group of CGUs), the impairment amount is primarily allocated to goodwill. Thereafter, proportional impairment is applied to the other assets in the CGU (group of CGUs). Goodwill impairment is never reversed.

The impairment amount is the higher of fair value less costs to sell and value in use. When calculating the value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risks associated with the asset in question.

Tax

Total tax consists of current tax and deferred tax. Current tax comprises tax that is to be paid or received for taxable earnings during the current year and adjustments of current tax for previous years. Accordingly, for items recognised in profit or loss, the related tax effects are also recognised in profit or loss.

Tax effects of items recognised in other comprehensive income or equity are recognised in other comprehensive income or equity.

Deferred tax assets and tax liabilities are measured according to the balance sheet method on the basis of temporary differences that arise between the carrying amount and the tax base of an asset or liability. Deferred tax assets are recognised for unutilised tax losses to the extent that it is probable that the carry-forwards can be used to offset future taxable profit. Deferred tax is calculated in accordance with the tax rate applicable at the time of taxation.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and lending to credit institutions with maturities of not later than three months from the acquisition date.

Pensions

The Group has both defined-contribution and defined-benefit pension plans. For the defined-contribution pension plans, fixed fees are paid to an independent unit, following which no additional obligations arise. Pension costs for defined-contribution plans are expensed on a continuous basis in pace with vesting by the individual employee.

The Group's net obligation with regard to defined-benefit plans is calculated separately for each plan by estimating the future benefit that employees have earned through their service in current and prior periods, with that benefit being discounted to its present value. The present value of the defined-benefit obligation is determined by discounting the estimated future cash flows applying the interest rate for mortgage bonds in SEK with maturities comparable to those of the pension obligation in question. Changes or reductions in a defined-benefit plan are recognised on the earliest of the following dates: a) when the change or reduction in the plan occurs or b) when the company reports related restructuring costs and severance benefits. The changes/reductions are recognised directly in profit for the year. The defined-benefit pension obligation is calculated annually by independent actuaries using the "projected unit credit method."

The provision recognised in the balance sheet for defined-benefit pension plans represents the present value of the defined-benefit obligation at the close of the reporting period less the fair value of the plan assets. The provision includes special employer's contributions. All of the components included in the period's cost for a defined-benefit plan are recognised in operating profit. This includes the return on plan assets, calculated applying the same discount rate used to calculate the present value of the obligation. Revaluation effects comprise actuarial gains and losses, including the difference between the actual return on plan assets and the total included in operating profit. All revaluation effects are recognised under "Reserves" in equity.

Segment reporting

An operating segment is a part of a business for which independent financial information is available, that conducts business operations from which income can be generated and expenses incurred and whose operating profits are regularly assessed by the company's chief operating decision maker as a basis for decisions regarding the allocation of resources to segments and an assessment of the segment's profit or loss. At SBAB, the CEO is the function that is responsible for allocating resources and assessing the profit or loss of the operating segment.

Parent Company accounting policies

The Parent Company, SBAB Bank AB (publ), applies statutory IFRS, which means that this Annual 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 Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish FSA's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25).

Differences compared with the Group

The main differences between the accounting policies of the Group and those of the Parent Company are shown below:

Presentation of the income statement and balance sheet

The Parent Company complies with the presentation standards for income statements and balance sheets stipulated in the Annual Accounts Act for Credit Institutions and Securities Companies, which entail a different presentation of equity. The Parent Company's statutory reserve is recognised in the Group as retained earnings, while the Parent Company's Fair value reserve is included in the Group's Reserves.

Pensions

The Swedish Pension Obligations Vesting Act and regulations issued by Finansinspektionen contain rules requiring a different method of recognising defined-benefit pension plans compared with that stipulated in IAS 19. Application of the Swedish Pension Obligations Vesting Act is a prerequisite for tax deductibility of the pension payments. In view of this, RFR 2 states that the regulations of IAS 19 in terms of defined-benefit pension plans need not be applied by the legal entity.

Measurement in relation to the assumption of receivables

Intra-group loan receivables between the Parent Company and the subsidiary, SCBC, are recognised at fair value. When a reserved receivable is transferred between the companies, it is assumed at the net carrying amount after provisions. The selling company recognises the loss as a confirmed loss, while the purchasing company recognises the receivable at the net carrying amount, without provisions. The loan will be recognised as a doubtful receivable in the purchasing company, albeit at the net carrying amount. If it is later established that the receivable can be measured at its original value (after amortisation), the income will be recognised in profit or loss under "Net income from financial transactions."

Subsidiaries

Participations in subsidiaries are recognised in the Parent Company in accordance with the cost method.

Dividend

Dividends received from subsidiaries are recognised in profit or loss. Anticipated dividends from subsidiaries are recognised in cases where formal decisions have been taken in the subsidiary or where the Parent Company otherwise has full control over the decision-making process before it publishes its financial statements.

Dividends paid are recognised as a reduction of unrestricted equity following the passing of a resolution on dividends at the Annual General Meeting.

Group contributions

Group contributions received from subsidiaries are recognised as financial income, while Group contributions paid to subsidiaries by the Parent Company are recognised as increased participations in Group companies.

Critical accounting estimates and judgements

Critical assumptions

Preparing the annual accounts in compliance with statutory IFRS, requires that Executive Management use estimates and judgements based on historical experience and assumptions that are considered to be reasonable and fair. These estimates affect the carrying amounts of assets, liabilities and off-balance sheet exposures, as well as income and expenses presented in the Annual Report. Subsequently, the actual outcome may differ to some extent from the estimates made.

Measurement of loan receivables

The area that primarily entails a risk of causing an adjustment to recognised assets in the next financial year is the measurement of loan receivables. In the case of individually measured loan receivables, the most critical assessment, which also contains the most uncertainty, is the estimate of the future cash flow that the customer will generate. For collectively measured loan receivables, the estimates of future cash flows are based partly on assumptions concerning how observable data may result in loan losses. See also the "Loan losses and impairment of financial assets" section above. On the transfer of loan receivables within the Group, the carrying amount, which comprises the principle borrowed under the loan receivable together with any interest and less deduction for any credit loss allowance, is assumed to correspond to fair value.

Recognition of pensions

Measurement of the Group's pension obligations is based on a number of actuarial and financial assumptions that have a material impact on carrying amounts. SBAB uses the yield on mortgage bonds for discounting pension obligations, since a functioning market for mortgage bonds exists in Sweden. The assumptions upon which the measurement is based, as well as a sensitivity analysis, are presented in Note 28.

Recognition of deferred tax assets

The recognition of deferred tax assets pertaining to deductible temporary differences or loss carry-forwards is based on management's assessment of the future likelihood of the company generating taxable profits corresponding to the basis for deferred tax assets.

Impairment testing of goodwill

The value of recognised goodwill is tested at least once a year with regard to a potential need for impairment. This testing requires an assessment to be made of the value in use of the cash-generating unit to which the goodwill value is attributable. Furthermore, an assumption regarding expected future cash flows is required along with the establishment of a relevant discount rate for calculating the present cash flow value. The assessments conducted as of 31 December 2017 are described in Note 18.

NOTE 2 RISK MANAGEMENT AND CAPITAL ADEQUACY

Note 2, Risk management and capital adequacy is divided into the following segments:

- a) Credit risk in lending operations
- b) Credit risk in treasury operations
- c) Liquidity risk
- d) Market risk

- e) Operational risk
- f) Business risk
- g) Concentration risk
- h) Internal capital adequacy assessment
- i) Capital adequacy analysis

NOTE 2a Risk management – Credit risk in lending operations

Credit risk in lending operations is defined as the risk that the counterparty is unable to fulfill its payment obligations. Credit risk arises in conjunction with loans and loan commitments, as well as in connection with value changes in pledged assets entailing that these no longer cover the Group’s receivables. Credit risk also arises in treasury operations (Note 2b).

The credit risk in lending operations is managed through a credit granting process that analyses the ability of potential borrowers to meet their interest payments and make capital repayments. New loans are only granted to borrowers who are judged able to pay interest and make capital repayments when interest rates comfortably exceed the rate prevailing when the loan decision is taken. Moreover, the credit risk is restricted by credit limits adopted for various customers or customer groups. SBAB applies a debt ratio¹⁾ ceiling for new retail loans of 550% with the aim of ensuring that the good credit quality of the lending portfolio is maintained. Furthermore, risk classification is based on the internal ratings-based approach (IRB approach) for the analysis of the credit risk for new and existing customers in the loan portfolios. SBAB applies the IRB approach for retail loans and lending to many tenant-owners’ associations and the foundation IRB approach (FIRB approach) for corporate loans and lending to tenant-owners’ associations with turnover exceeding EUR 50 million. The Swedish FSA has reviewed the bank’s IRB approach and found it reliable. The standardised approach is used for quantifying credit risk for unsecured loans. When external ratings are used, the two lowest ratings from Moody’s, Fitch or Standard & Poor’s is selected.

The IRB approach has been used since 2007 for assessing credit risk where a mortgage deed or a tenant-owners’ right is used as collateral. In 2015, SBAB also received permission to use the IRB approach for excess exposures that are not fully covered by mortgage deeds, property financing using other collateral than directly pledged mortgage deeds and letters of credit. Previously, the standardised approach was used for these exposures.

The IRB credit risk models assess the following parameters:

- Probability of default by the customer – PD (Probability of Default)
- Loss amount in the event of default – LGD (Loss Given Default)
- The part of the off-balance sheet exposure that is utilised in the event of default – Credit conversion factor (CCF)
- The expected exposure in the event of default – EAD (Exposure at default)
- The expected loss (EL) is measured using the formula
 $EL = PD * LGD * EAD$

Customers are ranked according to risk based on these parameters, and expected and unexpected losses can be estimated. After assessment, the exposure is allocated to one of eight risk classes for retail and corporate exposures, of which the eighth class comprises customers in default. Trends for customers in high-risk classes are monitored thoroughly and, when necessary, exposures are managed actively by credit monitoring personnel in the credit division. The developed models are validated annually and cali-

brated as the need arises. Validations conducted in 2017 did not result in any changes to the models.

In the financial statements, the EL according to IRB models differs from the provision for probable loan losses. The calculation of EL according to Basel Pillar 1 is governed by the Capital Requirements Regulation (“CRR”)²⁾. Under this regulation, the risk associated with each individual loan is to be estimated based on historic information, over a longer time horizon and using a statistical model. The management of the loss arising in the financial statements is still regulated by IAS 39, according to which, assets are to be impaired when there are objective grounds for impairment due to the occurrence of one or more events that have a negative impact on future cash flows. Total EL for loans calculated according to IRB models amounts to SEK 205 million (208). The net provision for corresponding loans in the financial statements is SEK 176 million (206). The capital adequacy calculations separate non-performing loans from other loans. Any positive difference reduces CET1 capital while negative differences are added to Tier 2 capital. New forthcoming rules in IFRS 9 will change the method used for credit risk provisions from 2018, refer to Note 1.

In connection with quantitative assessments in lending to companies, systematic qualitative assessments are conducted based on the internal loan regulations through responses to a number of questions. This enables a more uniform risk assessment based on more substantial data.

Collateral in the lending operations

For loans granted by SBAB, adequate collateral must normally be provided. Adequate collateral primarily refers to mortgage deeds in residential properties or shares in tenant-owners’ associations within a maximum of 75–85% of the market value. The 85% level only applies if collateral can be obtained with a primary lien and the customer is included in a lower risk class. The lower risk classes for retail customers (Retail – R) comprise the levels R1–R4, while the lower risk classes for Corporate customers, (Corporate – C) comprise the levels C0–C3, and manually adjusted from C3 to C4³⁾. In other cases, a loan-to-value (LTV) ratio of 75% generally applies.

In addition to collateral in the form of mortgage deeds or tenant-owners’ rights, it is possible to grant loans against, inter alia, collateral in the form of a government guarantee, municipal guarantee, securities, bank guarantees and deposits in a Swedish bank. A very limited part of total lending has been made without any collateral being obtained.

On the corporate side, building credits are normally secured through notes of lien and guarantor commitments. SBAB also normally requires a set percentage of sales to consumers before any disbursement is made. Disbursements continue in line with the progress of production.

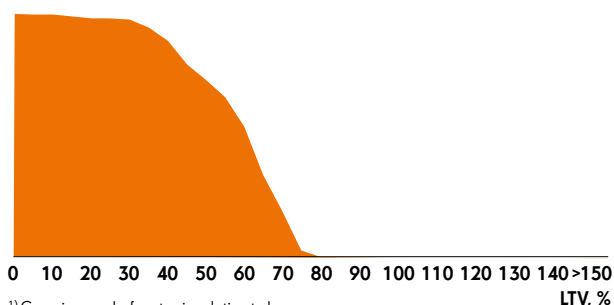
SBAB does not hold any collateral that has been taken over to protect a receivable. Lending to the public accounts for 80% (79) of SBAB’s overall assets.

The financial effect of collateral received is illustrated in the diagram below, which shows loans in relation to the market value of underlying collateral for loans secured on

LOANS IN RELATION TO THE MARKET VALUE OF UNDERLYING COLLATERAL (LTV) FOR LOANS SECURED ON COLLATERAL COMPRISING MORTGAGE DEEDS OR TENANT-OWNERS’ RIGHTS

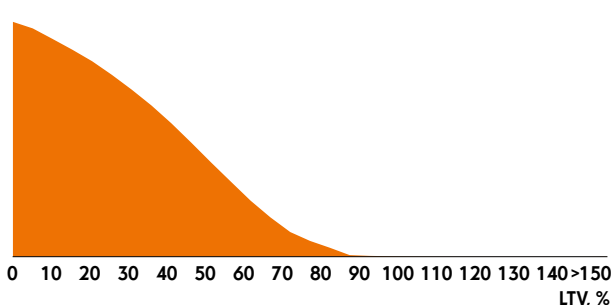
CORPORATE EXPOSURES

Lending volume



RETAIL EXPOSURES

Lending volume



¹⁾ Gross income before tax in relation to loan.

²⁾ CRR refers to Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

³⁾ “Retail loans” refers to all lending to the public pertaining to houses, holiday homes and tenant-owners’ rights, as well as unsecured loans to consumers and loans to tenant-owners’ associations with a turnover of less than EUR 50 million. “Loans to corporates” refers to i) loans to other legal entities, and ii) other lending to consumers.

⁴⁾ In 2017, market values were assessed in the 15 June to 1 October period.

collateral comprising mortgage deeds or shares in tenant-owners' associations. The area in the diagram corresponds to the lending volume and shows that SBAB's lending portfolio has favourable collateral, since the largest area in the diagram is for lower LTV ratios. The diagram encompasses 96% (97) of the company's total lending to the public. Since 99% (98) of total lending is secured with collateral in mortgage deeds or shares in tenant-owners' associations to within 75%, credit quality is assessed as highly favour-

able. Since SBAB regularly assesses the market value of collateral⁴⁾ against the loan, LTVs of above 100% can arise due to changes in actual market values or could be due to data analysis not always taking into consideration the unique qualities of the property that were taken into account at the time of lending. A further reason, could be that older public sector loans with guarantees from the former Swedish National Housing Credit Guarantee Board (BKN) for which values have yet to reach parity with the loans.

Segment, %	2017				2016			
	Below 50%	Below 75%	Below 100%	Exposure-weighted average LTV	Below 50%	Below 75%	Below 100%	Exposure-weighted average LTV
Corporate exposures	79.3	99.7	100.0	62.8	77.8	99.3	99.9	64.5
Retail exposures	85.2	98.7	100.0	55.1	83.2	98.1	99.8	56.8
Total	84.7	98.8	100.0	55.8	82.6	98.2	99.8	57.7

Loan portfolios in lending operations allocated by risk class

As per 31 December 2017, SBAB's lending to the public amounted to SEK 335 billion (296). Every customer is allocated to a risk class. Customers with individual loan provisions are always allocated to the corporate risk class (C8) or the retail risk class (R8). For corporates, loans covered by collective provisions are assigned risk classes from C6–C7, and collectively impaired retail loans comprise loans assigned risk classes R5–R8. The risk class C0 comprises loans to counterparties with a 0% risk weight (Swedish municipalities). Transaction costs of SEK 55 million (89), which were attributable to the loans, are distributed in the table on a pro rata basis.

LOAN PORTFOLIO BY RISK CLASS – RETAIL (INCLUDING TENANT-OWNERS' ASSOCIATIONS)

Risk class ¹⁾	2017		2016	
	Lending	Provisions in respective risk class	Lending	Provisions in respective risk class
R1/C1, %	37.8	–	35.8	–
R2/C2, %	29.1	–	30.1	–
R3/C3, %	16.9	–	17.2	–
R4/C4, %	10.3	–	10.6	–
R5/C5, %	4.5	0.5	4.7	0.5
R6/C6, %	0.8	1.1	1.0	1.2
R7/C7, %	0.5	4.2	0.5	4.8
R8/C8, %	0.1	10.8	0.1	15.5
	100%	0.1%	100%	0.1%

¹⁾ R=Retail, C=Corporate.

LOAN PORTFOLIO BY RISK CLASS – CORPORATE

Risk class ¹⁾	2017		2016	
	Lending	Provisions in respective risk class	Lending	Provisions in respective risk class
C0, %	0.0	–	0.0	–
C1, %	61.1	–	58.7	–
C2, %	32.0	–	26.4	–
C3, %	6.0	–	13.1	–
C4, %	0.2	–	1.4	–
C5, %	0.6	–	0.3	–
C6, %	0.0	12.8	0.0	19.8
C7, %	0.0	3.9	0.0	4.0
C8, %	0.1	38.6	0.1	37.2
	100%	0.0%	100%	0.1%

¹⁾ C=Corporate

Lending to the public and credit institutions

The table below shows loans to the public and credit institutions in three categories based on the status of the borrower's payments:

- Without past-due unpaid amounts or provisions – the borrower has fulfilled its payment obligations in accordance with the loan terms and conditions
- With unpaid amounts more than five days past-due – the borrower has not fulfilled its payment obligations
- With individual provisions, doubtful receivables

For loan receivables with individual provisions, an individual assessment of the loan's future cash flow is conducted in conjunction with an estimate of the market value of the underlying collateral, which constitutes the basis for the individual provision. For collective provisions, a change has occurred in the risk associated with a group of loans, but this change cannot be traced to an individual customer. The table provides a specification of provisions without taking guarantees into account, as well as a specification of the guaranteed amount for each group of provisions. The value of collateral and guarantees largely refers to the value of mortgage deeds or tenant-owners' rights and to a lesser extent to the value of loan guarantees from the Swedish National Housing Credit Guarantee Board (currently part of the National Board of Housing, Building and Planning), insurance companies and banks that have been recognised at the assessed value of what is expected to be received in the event of insolvency.

At 31 December 2017, total provisions (individual and collective) amounted to SEK 190 million (221) after a deduction for guarantees, which corresponds to 0.06% (0.07) of the loan portfolio, of which the provision for individually assessed loans accounted for SEK 45 million (59). Individual provisions after deduction for guarantees accounted for 40% (44) of loans with individual provisions, which amounted to SEK 113 million (134). No need for provisions arose for lending to credit institutions.

LENDING TO THE PUBLIC AND CREDIT INSTITUTIONS BASED ON THE STATUS OF THE BORROWER'S PAYMENTS

SEK million	2017		2016	
	Public	Credit institutions	Public	Credit institutions
1 Current loans without past-due unpaid amounts or provisions	334,725	1,858	295,744	1,619
2 Loans with unpaid amounts more than five days past due	482	–	379	–
3 Loans with individual provisions	113	–	134	–
Total loans outstanding	335,320	1,858	296,257	1,619
Individual provisions	–45	–	–59	–
Collective provisions, corporates	–1	–	–1	–
Collective provisions, retail	–163	–	–175	–
Total provisions	–209	–	–235	–
Total lending after provisions	335,111	1,858	296,022	1,619
Guarantees for loans with individual provisions	–	–	–	–
Guarantees for loans with collective provisions, corporates	–	–	1	–
Guarantees for loans with collective provisions, retail	19	–	13	–
Total guarantees	19	–	14	–
Total lending after provisions and guarantees	335,130	1,858	296,036	1,619

Cont. NOTE 2a Risk management – Credit risk in lending operations

1 Current loans without past-due unpaid amounts or provisions

The allocation of loans per risk class for the loans that had neither past-due unpaid amounts nor individual provisions shows that 95% (94) are in the risk classes C0/

R1–C4/R4. The allocation includes total transaction costs of SEK 55 million (89), which were allocated on a pro rata basis. The costs derive mainly from single-family dwellings and tenant-owners' rights.

LENDING TO THE PUBLIC BY SEGMENT – CURRENT LOANS WITHOUT PAST DUE UNPAID AMOUNTS OR INDIVIDUAL PROVISIONS

2017								
Risk class SEK million	Single-family dwellings and holiday homes	Tenant-owners' rights	Tenant-owners' associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
C0	–	–	–	–	2	–	–	2
C/R1	48,162	31,101	34,823	18,431	134	2,697	196	135,544
C/R2	37,344	36,822	14,556	9,289	82	167	396	98,656
C/R3	20,057	27,555	1,937	1,698	1	387	742	52,377
C/R4	13,560	16,355	222	31	–	22	361	30,551
C/R5	5,612	7,495	93	15	–	213	211	13,639
C/R6	1,016	1,363	26	1	–	–	66	2,472
C/R7	660	595	–	11	–	–	30	1,296
C/R8	51	15	100	21	–	–	1	188
Total	126,462	121,301	51,757	29,497	219	3,486	2,003	334,725

2016								
Risk class SEK million	Single-family dwellings and holiday homes	Tenant-owners' rights	Tenant-owners' associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
C0	–	–	–	–	2	–	–	2
C/R1	39,145	26,158	28,691	18,205	112	2,053	166	114,530
C/R2	31,384	29,849	17,748	7,075	82	1,229	367	87,734
C/R3	17,164	23,851	3,555	3,056	–	1,057	748	49,431
C/R4	12,417	14,161	393	139	43	328	370	27,851
C/R5	5,272	6,509	97	4	1	112	234	12,229
C/R6	1,037	1,325	43	3	–	–	71	2,479
C/R7	697	591	14	11	–	–	32	1,345
C/R8	33	14	75	21	–	–	0	143
Total	107,149	102,458	50,616	28,514	240	4,779	1,988	295,744

2 Loans with unpaid amounts more than five days past due

The table describes loans with a past-due principal. All amounts are distributed by segment. Loans with past-due amounts in several time intervals are shown in full in the oldest time interval.

At year-end 2017, 99.8% (99.8) of lending had no past-due unpaid amounts and was not assessed as doubtful. Of SBAB's loan portfolio totalling SEK 335 billion (296), SEK 482 million (379) of the principal has past-due unpaid amounts.

LENDING TO THE PUBLIC BY SEGMENT – LOANS WITH UNPAID AMOUNTS MORE THAN FIVE DAYS PAST DUE

2017								
SEK million	Single-family dwellings and holiday homes	Tenant-owners' rights	Tenant-owners' associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
Past due 5–30 days ¹⁾	9	11	5	–	–	–	0	25
Past due 31–60 days	137	122	3	–	–	–	7	269
Past due 61–90 days	23	22	–	–	–	–	2	47
Past due 91–180 days	24	21	26	–	–	–	3	74
Past due 181–365 days	15	19	–	–	–	–	2	36
Past due > 365 days	18	12	–	–	–	–	1	31
Total	226	207	34	–	–	–	15	482

2016								
SEK million	Single-family dwellings and holiday homes	Tenant-owners' rights	Tenant-owners' associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
Past due 5–30 days ¹⁾	5	8	4	–	–	–	0	17
Past due 31–60 days	110	108	–	–	–	–	6	224
Past due 61–90 days	14	26	–	–	–	–	2	42
Past due 91–180 days	17	18	–	–	–	–	3	38
Past due 181–365 days	19	15	–	–	–	–	2	36
Past due > 365 days	13	7	–	–	–	–	2	22
Total	178	182	–	–	–	–	15	379

¹⁾ For the first time interval, amounts past-due by five days or less are not taken into consideration to ensure that the analysis is not distorted by payments delayed because the payment date is a holiday.

3 Loans with individual provisions

Loans with individual provisions refers to receivables where provisions have been made following individual risk assessment. These loans account for no more than 0.03% (0.05) of SBAB's total lending.

LENDING TO THE PUBLIC BY SEGMENT – LOANS WITH INDIVIDUAL PROVISIONS

SEK million	2017							Total
	Single-family dwellings and holiday homes	Tenant-owners' rights	Tenant-owners' associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Unsecured loans	
Loans with individual provisions	11	62	11	26	–	–	3	113
Individual provision, Corporate Market	–	–	–9	–18	–	–	–	–27
Individual provision, Retail Market	–3	–12	–	–	–	–	–3	–18
Loans with individual provisions, net	8	50	2	8	–	–	0	68
Estimated value of guarantees	–	–	–	–	–	–	–	–
Loans with individual provisions with pledged guarantees taken into consideration	8	50	2	8	–	–	0	68
SEK million	2016							Total
	Single-family dwellings and holiday homes	Tenant-owners' rights	Tenant-owners' associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Unsecured loans	
Loans with individual provisions	15	64	23	28	–	–	4	134
Individual provision, Corporate Market	–	–	–21	–18	–	–	–	–39
Individual provision, Retail Market	–4	–12	–	–	–	–	–4	–20
Loans with individual provisions, net	11	52	2	10	–	–	0	75
Estimated value of guarantees	–	–	–	–	–	–	–	–
Loans with individual provisions with pledged guarantees taken into consideration	11	52	2	10	–	–	0	75

Loans with renegotiated terms and conditions

In exceptional cases, loans may be renegotiated due to a deterioration of the borrower's financial position or because the borrower has encountered other financial problems. Such receivables are monitored carefully.

Loans that have been renegotiated due to the borrower's inability to fulfil the loan agreement may entail that:

- The terms of the loan are modified by terms that are not normal market terms
- The borrower partly repays the loan through the surrender of various assets
- The borrower agrees to convert part of the loan receivable into an ownership share
- The borrower is replaced or supplemented by a new borrower

CARRYING AMOUNT OF RENEGOTIATED LOANS BY SEGMENT

SEK million	2017	2016
Single-family dwellings and holiday homes	4	7
Tenant-owners' rights	2	0
Tenant-owners' associations	16	38
Private multi-family dwellings	–	–
Municipal properties	–	–
Commercial properties	–	–
Unsecured loans	–	–
Total	22	45

The carrying amount of financial assets that would otherwise have been recognised as past-due or impaired and whose terms have been renegotiated, by segment.

NOTE 2b Risk management – Credit risk in treasury operations

Credit risk in treasury operations arises when the counterparty is unable to fulfil its payment obligations. Credit risk arises, in part, in the form of counterparty risk for the derivative and repo contracts entered into by SBAB to manage financial risks and, in part, as a result of investments in the liquidity portfolio and of surplus liquidity.

The SBAB Group's counterparties are banks and credit institutions, and the underlying exposure in the table includes investments, derivatives and repos. The limits are set by the Board's Credit Committee within the confines of the framework adopted by the Board of Directors. The utilised limit is calculated as the market value of financial derivatives, repos and investments. For derivatives and repos, the

effect of collateral pledged or received under CSAs or GMRAs is included in the total limit. Moreover, for derivatives, an add-on amount is also calculated for future risk-related changes. The limit is coordinated with the credit limit for counterparties who also are loan customers. Counterparty limits may be established for a period of not longer than one year, after which a new assessment must be conducted. The decisions of the Credit Committee are reported to the Board at the following Board meeting. All of SBAB's counterparties have a rating from either Moody's or Standard & Poor's.

LIMIT UTILISATION

Rating category, SEK million	GROUP				PARENT COMPANY			
	2017		2016		2017		2016	
	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit
AAA	-	-	-	-	-	-	-	-
AA- to AA+	11,400	3,226	11,600	3,092	11,400	3,099	11,600	2,917
A- to A+	14,500	3,916	13,910	3,957	14,500	3,865	13,910	3,526
Lower than A-	4,800	330	4,310	542	4,800	311	4,310	542
Unrated	-	-	-	-	-	-	-	-
Total	30,700	7,472	29,820	7,592	30,700	7,275	29,820	6,984

The "Limit utilisation" table shows the limits and the utilised limits, respectively, for SBAB's derivative counterparties. The limits for each derivative counterparty are proposed by SBAB's Treasury and adopted by the Board's Credit Committee within

the confines of the framework adopted by the Board of Directors. The values in the table comprise an aggregate of individual derivative counterparty's total exposure and the limits for the respective rating category.

DISTRIBUTION OF CHARGEABLE TREASURY BILLS, BONDS AND OTHER INTEREST-BEARING SECURITIES BY RATING CATEGORY

The table below shows an analysis of chargeable treasury bills, bonds and other interest-bearing securities distributed in accordance with the lowest rating as at 31 December 2017, based on Standard & Poor's rating or equivalent.

Rating category, SEK million	2017					Total
	Covered bonds	Government guaranteed securities	Sovereigns, supranationals and agencies	Non-governmental public sector entities		
AAA	35,181	23,553	2,494	8,628		69,856
AA- to AA+	577	1,709	-	574		2,860
A- to A+	-	-	-	-		-
Lower than A-	-	-	-	-		-
Total	35,758	25,262	2,494	9,202		72,716

Rating category, SEK million	2016					Total
	Covered bonds	Government guaranteed securities	Sovereigns, supranationals and agencies	Non-governmental public sector entities		
AAA	37,255	21,297	1,753	6,323		66,628
AA- to AA+	-	1,882	-	834		2,716
A- to A+	-	-	-	-		-
Lower than A-	-	-	-	-		-
Total	37,255	23,179	1,753	7,157		69,343

GEOGRAPHICAL DISTRIBUTION OF CHARGEABLE TREASURY BILLS, BONDS AND OTHER INTEREST-BEARING SECURITIES

Securities, SEK million	2017			Total
	Sweden	Other EU	Other	
Covered bonds	29,956	3,195	2,606	35,757
Government guaranteed securities	21,121	106	4,035	25,262
Sovereigns, supranationals and agencies	-	-	2,496	2,496
Non-governmental public sector entities	8,008	122	1,071	9,201
Total as per 31 December 2017	59,085	3,423	10,208	72,716
Total as per 31 December 2016	55,667	10,100	3,577	69,343

Counterparty risk

Counterparty risk is the risk that SBAB's financial counterparties cannot meet their commitments pursuant to the completed derivatives and repo contracts, and such risk consists primarily of exposures to well-reputed and established banks. This exposure is predominantly covered by collateral agreements, where the counterparty posts collateral to reduce net exposure. In accordance with SBAB's credit instruction, the credit-risk limits are established by SBAB's Credit Committee for all counterparties in treasury operations.

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivatives that are not cleared by clearing organisations approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement is to be entered into with the counterparty. In most cases, the framework agreement, an ISDA Master Agreement or similar agreements with terms for final settlement, have been supplemented with an associated collateral agreement, known as a Credit Support Annex (CSA). A CSA must always be established for counterparties entering into derivative contracts with SBAB and SCBC. The framework agreements entitle the parties to offset receivables against debt in the event of a payment default.

Counterparty risk is monitored on a daily basis for all counterparties. When entered into, CSAs are reconciled on a daily basis or on a weekly basis. Derivative transactions entered into with external counterparties are mostly entered into by the Parent Company, where the CSAs are reconciled with all counterparties on a daily basis. When CSAs are in place, collateral is pledged to reduce net exposures. Wherever applicable, the posted and received collateral takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations. The effects of posted and received collateral are shown in greater detail in Note 35 Offsetting disclosures.

SBAB participates in the calculation of the STIBOR (Stockholm Interbank Offered Rate) reference rate for the Swedish market. STIBOR is a reference rate that shows an average of the interest rates at which a number of the banks active in the Swedish money market are prepared to lend to each other without collateral under different maturities.

In 2016, it became mandatory under the European Markets Infrastructure Regulation (EMIR) for SBAB to clear interest-rate derivatives via central counterparties, known as clearing houses. The aim is for clearing houses to act as counterparties for buyers and sellers, and to participate in ensuring payment obligations are discharged.

MAXIMUM CREDIT-RISK EXPOSURE IN TREASURY, GROUP

SEK million	Without taking into account collateral received or other credit enhancements		Taking into account collateral received or other credit enhancements	
	2017	2016	2017	2016
Lending to credit institutions	1,867	1,619	1,867	1,619
Chargeable treasury bills, etc.	22,952	20,492	22,952	20,492
Bonds and other interest-bearing securities	49,764	48,851	49,764	48,851
Derivatives	5,830	6,192	1,084	2,001
Maximum credit risk exposure as of 31 December	80,413	77,154	75,667	72,963

COLLATERAL POSTED AND RECEIVED UNDER COLLATERAL AGREEMENTS

Company, SEK million	2017		2016	
	Collateral pledged	Collateral received	Collateral pledged	Collateral received
SBAB	621	4,720	792	4,191
SCBC	0	25	0	0

NOTE 2c Risk management — Liquidity risk

Liquidity risk is defined as the risk that the company will not be able to meet its payment obligations on the date of maturity without the related cost increasing significantly. The SBAB Group has long identified the importance of well-functioning and proactive liquidity risk management. SBAB's liquidity risk management is described below.

Broad and diversified funding

Because the SBAB Group has maintained an active presence in the international capital market since 1989, its brand is well established. The SBAB Group has access to the covered bond market, both in Sweden and internationally, through SCBC. In addition to issuing bonds, SBAB is funded by retail deposits.

Liquidity reserve

The liquidity reserve is defined as the reserve value of the securities in the liquidity portfolio and other liquid short-term investments. When calculating the reserve value of the securities included in the liquidity reserve, the SBAB Group applies the haircuts issued in accordance with the Riksbank's Guidelines for Collateral Management in the regulatory framework for RIX and monetary policy instruments.

The liquidity portfolio acts as a buffer, as the securities in the portfolio can be sold to free up liquidity in stressed conditions. The portfolio holdings are long-term and mainly comprise liquid, interest-bearing securities with high ratings, where 100% of the portfolio's value can be used as collateral for repos with the Riksbank or the European Central Bank (ECB).

Holdings in the liquidity portfolio are limited by asset class and by country, and must have the highest rating upon acquisition. In addition to these collective limits, limits for individual issuers are also set. Securities holdings constitute an integrated part of the total credit risk utilisation for each issuer/counterparty. At 31 December 2017, 96% (96) of the portfolio had a rating of Aaa from Moody's or AAA from Standard & Poor's.

Excluding pledged collateral, SBAB's liquidity reserve amounted to SEK 69.4 billion (66.3) at year end (the reserve value at the Riksbank or the ECB). The market value amounted to SEK 72.7 billion (69.5) with an average maturity of 2.17 years (2.2). Moreover, unutilised issuance capacity for covered bonds comprises an additional reserve that is not included in the calculation of the above liquidity metrics.

The liquidity reserve's market value is distributed over the following asset classes:

- Securities issued by central governments: SEK 23.2 billion (20.7)
- Securities guaranteed by central governments: SEK 2.3 billion (2.7)
- Securities issued by sovereigns, supranationals and agencies (SSAs), SEK 2.5 billion (1.7)
- Securities issued by public sector entities, SEK 8.6 billion (6.6)
- European covered bonds, SEK 35.5 billion (37.1)
- Deposits at central banks SEK 0.5 billion (0.6)

Continuous monitoring of liquidity risk

Active debt management, the liquidity of the balance sheet and the size of SBAB's liquidity reserves are key factors in SBAB's liquidity risk management. By viewing funding activities as a natural part of both operational work and the strategic planning of liquidity risk, concentrations of excessively large funding maturities are avoided. Another important part of the ongoing liquidity risk management is the continuous monitoring and testing of the practical liquidity value of the liquidity portfolio in the secondary market. Liquidity risk measurement at SBAB is separated into short-term and structural liquidity risk.

Liquidity risk measurements — short-term liquidity risk

SBAB is subject to the Swedish FSA's as well as EU's Delegated Regulation (EU) 2015/61 liquidity coverage ratio (LCR) requirements. The LCR measures the amount of assets that can be converted to cash in relation to a stressed liquidity need for a 30-day period. The regulations stipulate that the institutions covered by them must, at every point in time, have an LCR amounting to at least 100%, both at the total level and for EUR and USD.

On 31 December 2017, the LCR, in accordance with the definition in FFFS 2012:6, was 226% (243) at the consolidated level, and 184,691% (182,704) and 141% (258), respectively, in EUR and USD. In 2017, SBAB's LCR never fell below 166% (131).

At 31 December 2017, the LCR, in accordance with the EU's Delegated Regulation (EU) 2015/61, was 249% (277) at the consolidated level, and 16,288% (7,315) and 140% (262), respectively, in EUR and USD. In 2017, SBAB's LCR never fell below 220% (178). According to the EU's Delegated Regulation, all credit institutions must meet a total LCR of at least 80%. The requirement will be raised to 100% from 1 January 2018. Since SBAB is already required to comply with the Swedish FSA's LCR requirement of 100%, the introduction will not have any material effect on SBAB. The Swedish FSA have decided to repeal the two liquidity regulations, FFFS 2011:37 and FFFS 2012:6. This means that the Swedish FSA's own LCR metrics will cease to apply from 1 January 2018. Therefore, only LCR in accordance with the EU's Delegated Regulation (EU) 2015/61 will be reported going forward.

Internally within the SBAB Group, the liquidity risk is measured and stress tested by totalling the maximum conceivable need for liquidity for each coming day. This liquidity risk metric is referred to as the survival horizon. 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. Retail deposits are treated with a conservative assumption, whereby withdrawals from the portfolio are distributed over time on the basis of historical balance volatility. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. The survival horizon corresponds to the number of days for which the liquidity reserve covers the maximum outflow, and it has been limited to a minimum of 180 days at the consolidated level and 90 days for USD and currencies for which the liability exceeds 5% of total liabilities. At 31 December 2017, the survival horizon was 330 days (444) at the consolidated level, and 252 days (188) for SEK, 977 days (1,343) for EUR and 500 days (375) for USD respectively. In 2017, the survival horizon never quoted lower than 312 days (244) at the consolidated level.

LIQUIDITY RESERVE Group, SEK million	31 Dec 2017				31 Dec 2016			
	Total	DISTRIBUTION BY CURRENCY			Total	DISTRIBUTION BY CURRENCY		
		SEK	EUR	USD		SEK	EUR	USD
Cash and balances at central banks	500	500	-	-	632	632	-	-
Balances at other banks	-	-	-	-	-	-	-	-
Securities issued or guaranteed by governments, central banks or multinational development banks	28,033	17,926	7,714	2,393	25,166	14,343	7,602	3,221
Securities issued or guaranteed by municipalities or public sector entities	8,621	7,003	176	1,442	6,596	5,311	-	1,285
Covered bonds issued by other institutions	35,501	30,146	4,564	791	37,070	31,364	4,739	967
Covered bonds issued by SBAB	-	-	-	-	-	-	-	-
Securities issued by non-financial corporates	-	-	-	-	-	-	-	-
Securities issued by financial corporates (excl. covered bonds)	-	-	-	-	-	-	-	-
Other securities	-	-	-	-	-	-	-	-
Total	72,655	55,575	12,454	4,626	69,464	51,650	12,341	5,473
Bank and loan facilities	-	-	-	-	-	-	-	-
Total	72,655	55,575	12,454	4,626	69,464	51,650	12,341	5,473
Distribution by currency, %	100	76.5	17.1	6.4	100	74.3	17.8	7.9

Liquidity risk measurements – structural liquidity risk

Structural liquidity risk is a measure of the mismatch between assets and liabilities in terms of maturities, which risks leading to a lack of liquidity in the longer term. SBAB aims to have a diversified funding. The SBAB Group has adopted a conservative approach to the management of funding. A larger share of future maturities is being pre-financed and the share of total funding attributable to short-term funding is being maintained at a low level. SBAB works actively to ensure an even distribution of maturities, while at the same time extending the maturity of the liabilities. Monitoring of upcoming maturities, repurchases, replacements and pre-financing constitute key elements of the practical management aimed at reducing the risk.

SBAB limits its dependence on market funding by applying a limit on the ratio between retail deposits and lending to the public. On 31 December 2017, the ratio was 33% (33) compared to a limit of 28% (24). Access to funding from covered bonds is further secured by monitoring, at each point in time including in stressed circumstances, that the overcollateralisation in the cover pool exceeds Moody's requirements for Aaa ratings.

SBAB also measures its structural liquidity risk through a metric for maturity matching that measures the relationship between the maturities of assets and liabilities from a liquidity perspective at various points in the future. This can be viewed as SBAB's internal version of the net stable funding ratio (NSFR), in which the maturity in terms of liquidity, on deposits and lending is estimated by means of SBAB's own statistical models which are based on historical data of the behaviour of SBAB's customers. The metric is subject to a one-year floor limit of no less than 90% at a consolidated level, 60% for USD and currencies for which the liability exceeds 5% of total liabilities. At 31 December 2017, maturity matching was 128% (116) at the consolidated level, 124% (134) in SEK, and 131% (145) in EUR and 106% (105) in USD.

The NSFR according to the Basel Committee definition amounted to 117% (122).

The tables "Maturities of hedged cash flows in cash-flow hedges" and "Maturities of financial assets and liabilities" show the status of SBAB's future cash flows at 31 December 2017 and 31 December 2016, respectively, from both a short-term and long-term perspective.

GROUP**Maturities of financial assets and liabilities (amounts refer to contractual, undiscounted cash flows)**

SEK million	2017							2016						
	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
ASSETS														
Cash and balances held at central banks	500	-	-	-	-	-	500	632	-	-	-	-	-	632
Chargeable treasury bills, etc.	-	11,821	606	229	10,129	409	23,194	-	6,841	64	2,919	10,295	601	20,720
Lending to credit institutions	-	1,956	-	-	-	-	1,956	-	1,861	-	-	-	-	1,861
Lending to the public	-	43,751	65,937	123,535	105,528	4,739	343,490	-	42,965	59,147	105,103	91,041	5,264	303,520
Bonds and other interest-bearing securities	-	928	2,784	4,688	36,912	5,413	50,725	-	672	1,103	3,684	42,899	1,265	49,623
<i>of which classified as loans and accounts receivable</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-	10,423	27,042	5,046	128,972	62,714	234,197	-	26,950	2,544	5,107	122,182	20,043	176,826
Other assets	60	-	-	-	-	-	60	550	-	-	-	-	-	550
Total financial assets	560	68,879	96,369	133,498	281,541	73,275	654,122	1,182	79,289	62,858	116,813	266,417	27,173	553,732
LIABILITIES														
Liabilities to credit institutions	-	5,877	-	-	-	-	5,877	-	4,896	-	-	-	-	4,896
Deposits from the public	110,024	248	1,087	252	284	-	111,895	95,494	83	20	1,129	62	-	96,788
Issued debt securities, etc.	-	15,363	18,420	38,032	242,176	54,961	368,952	-	24,792	14,416	8,604	250,537	27,073	325,422
Derivatives	-	10,404	26,309	4,354	127,002	63,233	231,302	-	26,314	2,439	4,652	120,527	20,094	174,026
Other liabilities	430	-	-	-	-	-	430	348	-	-	-	-	-	348
Subordinated debt	-	65	38	67	6,868	-	7,038	-	72	42	1,082	7,058	-	8,254
Loan commitments and other credit-related commitments	-	28,323	9,924	418	5,093	-	43,758	-	32,560	-	80	4,189	-	36,829
Total financial liabilities	110,454	60,280	55,778	43,123	381,423	118,194	769,252	95,842	88,717	16,917	15,547	382,373	47,167	646,563

Maturities of hedged cash flows in cash flow hedges

SEK million	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
Interest-rate-hedged	-	137	79	127	1,148	465	1,956
Currency-hedged	-	-	-2,950	-623	-46,179	-18,269	-68,021
Net	-	137	-2,871	-496	-45,031	-17,804	-66,065

Cont. **NOTE 2c** Risk management – Liquidity risk**PARENT COMPANY****Maturities of financial assets and liabilities (amounts refer to contractual, undiscounted cash flows)**

SEK million	2017							2016						
	No maturity	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	No maturity	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
ASSETS														
Cash and balances held at central banks	500	–	–	–	–	–	500	632	–	–	–	–	–	632
Chargeable treasury bills, etc.	–	11,821	606	229	10,129	409	23,194	–	6,841	64	2,919	10,295	601	20,720
Lending to credit institutions	92,593	1,806	–	–	–	–	94,399	55,123	1,743	–	–	–	–	56,866
Lending to the public	–	3,738	2,564	3,845	13,167	969	24,283	–	6,689	11,308	18,711	15,248	1,247	53,203
Bonds and other interest-bearing securities	–	928	2,784	4,688	36,912	5,413	50,725	–	672	1,103	3,684	42,899	1,265	49,623
<i>of which classified as loans and accounts receivable</i>	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Derivatives	–	9,988	25,772	3,685	89,804	41,826	171,075	–	14,207	1,627	4,431	90,492	13,173	123,930
Other assets	45	–	–	–	–	–	45	179	–	–	–	–	–	179
Total financial assets	93,138	28,281	31,726	12,447	150,012	48,617	364,221	55,934	30,152	14,102	29,745	158,934	16,286	305,153
LIABILITIES														
Liabilities to credit institutions	–	4,923	–	–	–	–	4,923	–	4,398	–	–	–	–	4,398
Deposits from the public	110,024	248	1,087	252	284	–	111,895	95,494	83	20	1,129	62	–	96,788
Issued debt securities, etc.	–	8,831	15,480	6,786	40,316	–	71,413	–	12,175	3,186	6,869	50,304	–	72,534
Derivatives	–	10,244	25,327	3,514	89,450	41,814	170,349	–	14,349	1,729	4,416	90,244	13,190	123,928
Other liabilities	376	–	–	–	–	–	376	334	–	–	–	–	–	334
Subordinated debt	–	38	65	67	6,868	–	7,038	–	42	72	1,082	7,058	–	8,254
Loan commitments and other credit-related commitments	–	28,323	9,924	418	5,093	–	43,758	–	32,560	–	80	4,189	–	36,829
Total financial liabilities	110,400	52,607	51,882	11,037	142,011	41,814	409,751	95,828	63,607	5,007	13,577	151,857	13,190	343,066

Maturities of hedged cash flows in cash flow hedges

SEK million	No maturity	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Interest-rate-hedged	–	2	27	15	134	–	178
Currency-hedged	–	–	–2,950	–295	–12,007	–	–15,252
Net	–	2	–2,923	–280	–11,873	–	–15,074

The maturity of the amortisation for amortised receivables and liabilities has been calculated as the period up to the date of maturity of the respective amortisation. Foreign currency cash flows have been converted using the closing rate at 31 December 2017. Future interest-rate cash flows with floating interest rates are estimated until the next fixing date using forward interest rates based on the actual interest base, usually the three-month STIBOR. The Parent Company, SBAB, is the creditor for the subsidiary SCBC's subordinated debt. If the maturity is not specified, current debt is recognised as having no maturity and without estimated interest-rate cash flows.

The item "Loan commitments and other credit-related commitments" for the Group, which totals SEK 43,758 million (36,829), amounted to SEK 14,615 million (11,861) after application of the internal model for calculating the CCF. The reduction has not been included in the table. The corresponding figures for the Parent Company amounted to SEK 43,758 million (36,829) and SEK 14,615 million (11,861), respectively.

Developments in liquidity risk regulation

The area of liquidity risk is subject to constant regulatory development. The following regulatory changes are on the agenda for the immediate future:

New version of the Capital Requirements Regulation (CRR)

In November 2016, the European Commission published a new Capital Requirement Directive (CRD II) and the Capital Requirements Regulation (CRR), which is intended to replace the current directive that entered force in 2014. The largest amendment to liquidity risk is the introduction of a mandatory requirement in terms of a net stable funding ratio (NSFR). Since 2014, SBAB has regularly calculated NSFR based on the Basel Committee's standard, despite the lack of any quantitative requirement. According to the proposal in the CRR II, the mandatory NSFR requirement within the EU will commence two years after adoption of the directive, which had yet to take place at the end of 2017.

Other regulatory changes**Additional Liquidity Monitoring Metrics (ALMM)**

Six different liquidity risk metrics prepared by the EBA, which are to be reported monthly to the Swedish FSA and used for comparison and supervision. At present, no quantitative requirements apply for ALMM. On 1 March 2018, a new technical standard was introduced that entailed certain changes in the calculation and reporting of the various metrics listed below:

- Maturity Ladder – shows the maturities of assets and liabilities.
- Concentration of counterbalancing capacity per issuer/counterparty, showing the bank's holdings of liquid assets or liquidity facilities to meet temporary declines in access to liquidity in the market.
- Concentration of financing counterparties, showing the counterparties that represent such a large percentage that losing them would affect the bank's liquidity risk.
- Concentration of financing products, showing the financing products that represent such a large percentage that losing them would affect the bank's liquidity risk.
- Prices for various financing maturities.
- Extension of maturing financing during the reporting period.

Repeal of regulations

As of 1 January 2018, the European Commission's Delegated Regulation with regard to Liquidity Coverage Requirement for Credit Institutions was fully phased in with a quantitative requirement of 100%. Moreover, the Capital Requirements Regulation includes requirements pertaining to other binding, directly applicable liquidity provisions (such as, ALMM as mentioned previously). Given the above, in December 2017, the Swedish FSA decided to repeal FFFS 2012:6 regarding requirements for a liquidity coverage ratio and reporting of liquid assets and cash flows, and FFFS 2011:37 regarding the reporting of liquidity risks for credit institutions and investment firms from 1 January 2018.

Pillar 2 liquidity risk requirements

In December 2017, the Swedish FSA published a memorandum regarding the introduction, within the Pillar 2 framework, of a liquidity requirement for supervision category 1 and 2 banks (which include SBAB). The requirement means that the bank must maintain LCRs in EUR and USD of not less than 100%, assuming that liabilities in these currencies correspond to not less than 5% of total liabilities (significant currencies). The reason being the EU regulation which, as mentioned above, will replace the Swedish rules and which does not set any minimum LCR requirement for individual significant currencies. However, the Swedish FSA is of the opinion that the assessments on which the previous LCR requirements for EUR and USD were based

NOTE 2d Risk management – Market risk

Market risk is the risk of loss or reduced future income due to market fluctuations. SBAB is characterised by low risk taking, with the Board determining the overall risk appetite and setting the limit for the risk metric Value at Risk (VaR). In addition to VaR, a number of supplementary risk-based metrics set by the CEO of SBAB are also subject to limitation. Through daily reports, Risk Control checks compliance with current risk levels and limits. Market risk is followed up on the Group level as well as broken down to lower levels.

The general principle governing SBAB's exposure to market risk is that the level of risk taking should be low. As a general principle, interest-rate risk is to be mitigated through direct funding or the use of derivatives. SBAB's interest-rate structure as of 31 December 2017 is shown in the table "Fixed-interest periods for financial assets and liabilities." Currency risks are mitigated as funding in international currency is hedged through currency swaps or invested in matching currencies. As per 31 December 2017, total assets and liabilities in foreign currency amounted to a net liability of SEK 85.5 billion (liability: 74.2) in nominal terms. The risk outstanding was reduced using derivatives where the nominal amount was equivalent to SEK 87.1 billion (74.3). The total effect per currency is reported in the table "Nominal amounts for assets, liabilities and derivatives in foreign currency."

Value at Risk

VaR is a comprehensive portfolio metric expressing the potential loss that could occur given a certain level of probability and holding period. SBAB's model is a historical model and applies percentiles in historical market data from the past two years.

Limits for the day-to-day follow up of VaR are set at two levels: SBAB's total market risk, and all market risks that Treasury is responsible for managing. The limit for SBAB's total market risk is based on the VaR metric included in the model for economic capital and applies a probability level of 99.97% and a holding period of one year, while the other metric applies a probability level of 99% and a holding period of one day.

As per 31 December 2017, SBAB's total market risk exposure was SEK 1,029 million (1,118), compared with the limit of SEK 1,950 million (1,650). Exposure to market risks managed by Treasury was SEK 38 million (42) and the limit was SEK 70 million (55).

Supplementary risk metrics

In addition to the overall VaR limits determined by the Board, the CEO has set a number of supplementary risk metrics for different kinds of risks to which SBAB is exposed. For interest-rate risk, there are limits for parallel shifts, where the effect on the present value of a one percentage point shift in the yield curve is measured, and curve risk where the effect on the present value is measured in different scenarios, in which the short end of the yield curve is adjusted down (up) and the long end is adjusted up (down). Currency risk is controlled by measuring the effect on present value when currency exchange rates change compared to SEK, and in the liquidity portfolio by controlling the matching of the principal in each currency. There are also limits for basis risk, credit-spread risk and income volatility from basis spreads.

Income volatility from basis spreads arises because the derivatives used to hedge funding is recognised at fair value while the underlying funding is reported as book value, in accordance with the accounting standards applied by SBAB. This causes effects to arise in operating profit that do not correspond to the actual risk to which SBAB's portfolio is exposed. The income volatility from basis spreads is expected to decrease in the future, as SBAB has applied hedge accounting through cash-flow hedges since 2014, which means that income volatility will only be calculated for swap contracts that are not subject to cash-flow hedges.

Interest-rate risk in other operations

Interest-rate risk in other operations is measured and reported to the Swedish FSA in accordance with FFFS 2007:4. As per 31 December 2017, the effect on the present value was negative SEK 885.4 million (negative: 818.2) for a 2 percentage-point parallel upward shift and a positive SEK 909.3 million (834.6) for a 2 percent-

remain valid. At the end of 2017, the Swedish FSA's proposal was being circulated for comment and no decision had been taken.

Harmonised rules for covered bonds

In December 2016, the EBA published a report that advocates harmonised rules for covered bonds within the EU. Among other suggestions, the report proposes that issuers should maintain a separate liquidity reserve to cover outflows from covered borrowing over the next 180 days. No tangible regulatory proposals exist at present.

SBAB continues to monitor regulatory changes on an ongoing basis.

age-point parallel downward shift. As SBAB's own funds amounted to SEK 19.9 billion (19.8) at 31 December 2017, the effect of the stress tests amounted to negative 4.5% (negative: 4.1) and 4.6% (4.2) of own funds, respectively. The net interest income effect is measured to capture the impact of changes in interest rates on profit or loss. The metric reflects the differences in volume and fixed-interest periods between assets, liabilities and derivatives in other operations. The net interest income effect is based on an instantaneous parallel shift of one percentage point up and down over a 12-month time horizon with no changes to the balance sheet. At the end of the year, the net interest income effect was negative SEK 53 million (negative: 97).

Risks in the trading book

The trading book consists of investments in SBAB's trading portfolio and the part of the liquidity portfolio that is classified as "financial assets measured at FVTPL." The liquidity portfolio is subject to a limited interest-rate risk. The risk in the liquidity portfolio primarily derives from credit risk. The trading portfolio gave SBAB a limited mandate to accept market risk by taking its own positions in the market. All market risks in the trading book are managed within SBAB as an integrated part of the balance sheet together with other operations. SBAB has reclassified remaining assets in the liquidity portfolio from the trading book to the banking book in conjunction with IFRS 9. Going forward the section regarding the trading portfolio will therefore be omitted from the financial report.

NOMINAL AMOUNTS FOR ASSETS, LIABILITIES AND DERIVATIVES IN FOREIGN CURRENCY

GROUP SEK million	Assets and liabilities	Derivatives
CHF	-1,261	1,261
DKK	0	0
EUR	-80,673	80,670
GBP	-4,716	4,716
JPY	0	0
NOK	-1,000	1,001
USD	2,187	-509
Total	-85,463	87,139

NOMINAL AMOUNTS FOR ASSETS, LIABILITIES AND DERIVATIVES IN FOREIGN CURRENCY

PARENT COMPANY SEK million	Assets and liabilities	Derivatives
CHF	-1,261	1,261
DKK	0	0
EUR	-29,239	29,238
GBP	-2,497	2,497
JPY	0	0
NOK	0	0
USD	2,515	-837
Total	-30,482	32,159

Cont. NOTE 2d Risk management – Market risk

FIXED-INTEREST PERIODS FOR FINANCIAL ASSETS AND LIABILITIES

Group, SEK million	2017							2016						
	Without interest period	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	Without interest period	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
ASSETS														
Cash and balances held at central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chargeable treasury bills, etc.	-	11,573	573	199	10,167	440	22,952	-	6,696	33	2,856	10,254	653	20,492
Lending to credit institutions	-	1,867	-	-	-	-	1,867	-	1,619	-	-	-	-	1,619
Lending to the public	-	222,922	10,849	17,566	80,546	3,228	335,111	-	206,929	9,440	13,493	62,008	4,152	296,022
Change in fair value of interest-rate-hedged loan receivables	-	-	4	13	156	18	191	-	91	49	8	122	126	396
Bonds and other interest-bearing securities	-	7,381	2,222	2,753	32,132	5,276	49,764	-	8,040	448	2,713	36,363	1,287	48,851
Derivatives	-	-86	105	1,487	2,513	1,811	5,830	-	-716	34	14	5,342	1,518	6,192
Other assets	881	-	-	-	-	-	881	1,416	-	-	-	-	-	1,416
Total financial assets	881	243,657	13,753	22,018	125,514	10,773	416,596	1,416	222,659	10,004	19,084	114,089	7,736	374,988
LIABILITIES														
Liabilities to credit institutions	-	5,674	-	-	-	-	5,674	-	4,689	-	-	-	-	4,689
Deposits from the public	-	110,272	1,087	252	284	-	111,895	-	95,513	51	1,143	62	-	96,769
Issued debt securities, etc.	-	56,128	15,583	17,547	145,867	39,392	274,517	-	65,761	15,113	2,602	144,906	19,025	247,407
Derivatives	-	1,454	-296	280	741	-536	1,643	-	622	-735	277	2,424	-113	2,475
Other liabilities	2,126	-	-	-	-	-	2,126	2,323	-	-	-	-	-	2,323
Subordinated debt	-	3,943	-	-	999	-	4,942	-	4,741	-	200	998	-	5,939
Total financial liabilities	2,126	177,471	16,374	18,079	147,891	38,856	400,797	2,323	171,326	14,429	4,222	148,390	18,912	359,602
Difference assets and liabilities	-1,245	66,186	-2,621	3,939	-22,377	-28,083	15,799	-907	51,333	-4,425	14,862	-34,301	-11,176	15,386

PARENT COMPANY SEK million	2017							2016						
	Without interest period	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	Without interest period	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
ASSETS														
Cash and balances held at central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chargeable treasury bills, etc.	-	11,573	573	199	10,167	440	22,952	-	6,696	33	2,856	10,254	653	20,492
Lending to credit institutions	-	94,302	-	-	-	-	94,302	-	56,630	-	-	-	-	56,630
Lending to the public	-	19,281	435	290	2,797	109	22,912	-	45,458	754	1,192	3,875	298	51,577
Change in fair value of interest-rate-hedged loan receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds and other interest-bearing securities	-	7,381	2,222	2,753	32,132	5,276	49,764	-	8,040	448	2,713	36,363	1,287	48,851
Derivatives	-	2,471	-414	1,451	2,085	647	6,240	-	972	31	74	4,316	828	6,221
Other assets	816	-	-	-	-	-	816	940	-	-	-	-	-	940
Total financial assets	816	135,008	2,816	4,693	47,181	6,472	196,986	940	117,796	1,266	6,835	54,808	3,066	184,711
LIABILITIES														
Liabilities to credit institutions	-	4,720	-	-	-	-	4,720	-	4,191	-	-	-	-	4,191
Deposits from the public	-	110,272	1,087	252	284	-	111,895	-	95,513	51	1,143	62	-	96,769
Issued debt securities, etc.	-	33,502	9,265	3,433	24,163	-	70,363	-	37,569	3,937	2,602	27,366	-	71,474
Derivatives	-	531	-263	441	2,344	2,287	5,340	-	347	-113	285	4,571	985	6,075
Other liabilities	725	-	-	-	-	-	725	707	-	-	-	-	-	707
Subordinated debt	-	3,943	-	-	999	-	4,942	-	4,741	-	200	998	-	5,939
Total financial liabilities	725	152,968	10,089	4,126	27,790	2,287	197,985	707	142,361	3,875	4,230	32,997	985	185,155
Difference assets and liabilities	91	-17,960	-7,273	567	19,391	4,185	-999	233	-24,565	-2,609	2,605	21,811	2,081	-444

NOTE 2e Risk management – Operational risk

Operational risk means the risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events. The definition includes legal risk.

Risk management

The process for managing operational risk is based on the continuous identification, analysis and assessment of risks as well as their management and follow-up. An analysis of risk levels is reported to the Board, the CEO and the Executive Management. The Operational Risk function within the Credit and Risk department has overall responsibility for the methods and procedures used in the risk management process. The management of operational risk is carried out based on SBAB's risk appetite and the significant processes for the business. This entails constant efforts to develop employees' risk awareness and the bank's risk culture, to improve processes and procedures as well as to provide the right tools to efficiently manage day-to-day operational risk.

Self-evaluation

The self-evaluation process encompasses the identification and evaluation of operational risks in all significant processes. Self-evaluation is carried out using a shared method that includes system support. The result of the self-evaluation is reported annually to the Board, the CEO and the Executive Management.

Incident management

SBAB has procedures and system support intended to facilitate the reporting and follow-up of incidents. The Operational Risk function supports the operations with the analysis of reported incidents to ensure that root causes are identified and suitable measures are implemented. Even incidents that have not caused direct damage or financial loss are reported, to promote proactive risk management.

New product approval policy (NPAP)

SBAB has an NPAP in place for the implementation of new or significantly altered products, services, markets, processes and IT-systems as well as major operational and organisational changes at SBAB. The aim of the NPAP is the advance identification and management of risks related to changes.

Security and contingency management

At SBAB, security involves protecting customers, individuals, information and physical assets. Information must be kept confidential and be reliable and accurate, and it must be made available to the appropriate people as and when needed. SBAB's security efforts include technical, organisational and administrative measures, which are based on the international information security standard ISO/IEC 27000.

SBAB works in a pre-emptive manner to prevent security incidents that may affect the company's ability to operate. The bank has an established contingency organisation that is responsible for crisis and catastrophe management, and communication in case of serious incidents, crises or disasters.

Cyber risk

The cyber threat to the Swedish financial sector is extensive and persistent. SBAB has a dedicated security team comprised of specialists tasked with attaining and maintaining a high level of cyber security for the bank. This is achieved through proactive efforts to ensure strong, digital perimeter protection and a high level of security within this protective shield. The team endeavours to increase risk and security awareness throughout SBAB with the aim of achieving the right level of security for our customers, systems and personnel. The security team are also responsible for SBAB's Security Incident Response Team (SIRT) function, which is responsible for identifying, analysing and rectifying IT security incidents. The security team act as an agile support team across SBAB, with a focus on transparency and collaboration.

Risk and compliance coordinator

As part of strengthening SBAB's risk culture the bank has established risk and compliance coordinators (RCC) in the first line. The RCCs support the business managers with a focus on risk management, process mapping, internal controls, incident management, and regulatory compliance.

Capital requirements for operational risks

SBAB uses the standardised approach to calculate capital requirements for operational risk within the Pillar 1 framework. The capital requirements for operational risk are presented in the Capital requirements table (Note 2i).

NOTE 2f Risk management – Business risk

By business risk, SBAB means the risk of declining earnings due to harsher competition, inappropriate strategies or erroneous decisions. Business risk includes strategic risk, reputational risk and margin risk, which arise when the interest margins on lending and borrowing have different maturities.

New business is usually relatively similar to the business SBAB already has.

Changes in the form of new products or new markets may only constitute a small part of SBAB's activities and must be implemented at such a pace that SBAB does not substantially jeopardise its earnings level and with great probability avoids pressure on its own funds.

As the accounting standards used by SBAB require that certain components of the portfolio are measured at market value while other components are recognised at their carrying amount, this has effects on the operating profit/loss, and consequently also on own funds, that do not correspond to the actual risk to which the portfolio is exposed. To limit such effects, income volatility is measured and limited, and mitigated through the use of hedge accounting.

Business risk is included in the calculation of the Pillar 2 capital requirement as part of SBAB's stress tests.

NOTE 2g Risk management – Concentration risk

Concentration risk arises when major exposures or exposures in the loan portfolio are concentrated to certain counterparties, regions or industries. SBAB is primarily considered to be exposed to credit-risk related concentration risk in its lending operations. The concentration risk is calculated based on the size of the exposures, industry concentration and geographical concentration. SBAB's lending operations are concentrated mainly in Sweden and especially in the metropolitan regions. SBAB's business model has shown that its lending business is attracting customers in the larger cities. SBAB has increased its market share and this resulting in an increased concentration against the areas having the largest population and the highest turnover ratio in the housing market. Considering this, and Sweden's demography, SBAB's lending is highly concentrated towards the Stockholm region. SBAB measures and actively monitors the geographical concentration risk in terms of volume of loan and area. The name concentration risk in large is driven by SBAB's largest customers, which is also handled through the regulations for large exposures. Tenant-owners' associations and private multi-family dwellings account mostly for the name concentration risk, whereas the sector concentration risk and the geographical concentration risk is greater in single-family dwellings and tenant-owners' rights. The capital requirement for concentration risk is quantified with the economic capital for credit risk. Upon calculation at 31 December 2017, the internally calculated capital requirement for concentration risk was SEK 898 million (669), of which SEK 842 million (619) pertained to credit risk in lending operations and SEK 57 million (50) to credit risk in funding operations.

NOTE 2h Risk management – Internal capital adequacy assessment

Internal capital adequacy assessment

Within the framework of Pillar 2, the Basel regulations impose the requirement that banks' management and assessment of risks must be satisfactory to ensure that the banks can fulfil their obligations. To meet this requirement, the banks must have methods that enable them to continuously evaluate and uphold capital in an amount, type and distribution sufficient to cover the risks to which they are or will become exposed. This is called the internal capital adequacy assessment process (ICAAP), which is part of SBAB's internal capital and liquidity adequacy assessment process. Currently, liquidity risk does not add any actual capital requirement for SBAB. See note 2c for more information regarding liquidity risk.

The ICAAP aims to identify, evaluate and manage the risks to which SBAB is exposed and ensure that the Group has sufficient own funds for its selected risk profile. The ICAAP is revised annually to identify changes in the operating environment and changed regulations and supervisory practices that continuously affect the

bank's performance. The amount of own funds required to manage the combined risk in the operations is based primarily on the calculation of SBAB's economic capital. However, if the economic capital for risks included in Pillar 1 is less than the capital requirements under Pillar 1 for a given type of risk, the capital requirements under Pillar 1 are applied.

Finally, consideration is given to the risk associated with deteriorating macro-economic conditions, which is illustrated in conjunction with stress tests.

Within the Pillar 2 framework, the risk-weight floor applied to Swedish residential mortgages by the Swedish FSA in its supervisory practices is considered. Since September 2014, the risk-weight floor has been 25%. The internal capital requirement is reported both including and excluding the risk-weight floor.

Taken together, the above comprise the capital that, in accordance with Basel 3, is required to meet all risks in the operations. Additional information on the internal capital adequacy assessment can be found in the document "Capital Adequacy and Risk Management 2017," which is published on www.sbab.se.

For the Parent Company, the internally assessed capital requirement amounted to SEK 5,720 million (5,132).

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

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

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

NOTE 2i Risk management – Capital adequacy analysis

Regulatory framework

New common regulations on supervisory requirements for credit institutions have been adopted by the EU. The purpose of the rules is in part to make institutions more resilient to new crises, and in part to raise confidence in the institutions' ability to manage new crises. The regulations include capital requirements, requirements on capital quality, a non-risk-based metric (leverage ratio) and quantitative liquidity requirements.

Within the framework of these regulations, the Swedish FSA has adopted a national risk-weight floor of 25% for residential mortgages to Swedish households within Pillar 2. Banks that are considered systemic will be subject to additional capital requirements. SBAB is not subject to these requirements.

Moreover, the rate of change in the regulatory frameworks has remained high. Over the year, the EBA presented additional proposals for changes aimed at increasing transparency and making institutions more resilient to disruptions in the market. Actions have included the submission of new guidelines for calculating PD, LGD and exposures in default as well as disclosure requirements.

Future rules in IFRS 9 will regulate a new method for credit-risk provisions, refer to Note 1.

SBAB's capital

SBAB is well capitalised, and to retain a strong capital position, SBAB's Board of Directors adopted a new capital policy. According to these new targets, under normal conditions, SBAB's CET1 capital ratio should be at least 1.5 percentage points higher than the CET1 capital requirement communicated by the Swedish FSA. In addition, under normal conditions, SBAB's total capital ratio should be at least 1.5 percentage points higher than the capital requirement communicated by the Swedish FSA. The bank is also tasked with meeting any other regulatory capital requirements. By means of a strong capital position and good risk management, SBAB meets the supervisory rules adopted by the EU.

SBAB primarily recognises credit risk in accordance with the internal ratings-based (IRB) approach, and the other risk categories in accordance with the standardised approaches.

The SBAB Group has no securitised loans of its own and has not contributed to any other institution's securitisation.

Section 2h contains a summary of the method used to assess the internal capital requirement.

Own funds

SBAB's own funds comprise equity as well as additional Tier 1 capital and Tier 2 capital consisting of subordinated loans. SBAB's own funds amounted to SEK 19,890 million (19,833) as per 31 December 2017.

Over the year, the CET1 capital was affected by the fact that net profit/loss for the period was added and the estimated dividend was deducted. The surplus has been verified by the company's auditors, in accordance with Article 26, item 2, of the CRR.

According to Article 35 of the CRR, the institution shall, except in the case of the items referred to in Article 33, not make adjustments to remove from own funds unrealised gains or losses on assets or liabilities recognised at fair value. According to this Article, SEK 189 million (662) has been added to CET1 capital.

According to Article 33, item 1, of the CRR, part of the fair-value reserves related to gains or losses on cash-flow hedges of financial instruments that are not measured at fair value, including projected cash flows, is not to be included in own funds. The CET1 capital has been adjusted for SEK 9 million (negative: 526) in cash-flow hedges.

Changes in fair value that depend on the institution's own credit standing and that are related to derivatives had a negative impact on the CET1 capital of SEK 17 million (negative: 31), in accordance with Article 33, item 1b.

With reference to Articles 34 and 105 of the CRR, SEK 62 million (67) has been deducted due to the requirements for prudent valuation.

A deduction of SEK 83 million (142) for intangible assets and a deduction of SEK 29 million (3) for net provisions were made in accordance with Article 36. At year end, there were no positive net provisions. Last year, SEK 1 million in Tier 2 capital was added in accordance with Article 62.

The consolidated situation

The table below lists the companies that are included in the consolidated situation within the SBAB Group. SBAB owns the majority of the shares (68%) in Booli Search Technologies AB (Booli). Booli was previously deemed to be part of the consolidated situation. Following a more detailed review of Booli's business activities, SBAB has made the assessment that Booli is not part of the consolidated situation which, accordingly, from 31 December 2017, encompasses SBAB Bank AB (publ) and AB Sveriges Sakerstallda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC).

There are no on-going or unforeseen material obstacles or legal barriers to a rapid transfer of funds from own funds other than what is stipulated in the terms and conditions governing subordinated loans (see Note 29) or what is generally stipulated by the Companies Act.

Impact of IFRS 9

The changes in the regulations for provisions have a limited impact on the capital adequacy ratios, since the change in the results will have the opposite effect in the deduction for expected credit losses in own funds. SBAB has decided not to apply the transitional rules nor additional relief in conjunction with the introduction of IFRS 9.

COMPANIES INCLUDED IN THE CONSOLIDATED SITUATION

Company	Corporate Registration Number	Ownership share	Consolidation method used in the accounts	Consolidation method used for capital adequacy	Company description
SBAB Bank AB (publ)	556253-7513	Parent Company	–	–	Institution
AB Sveriges Sakerstallda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)	556645-9755	100%	Fully consolidated	Acquisition method	Institution

COMPANIES NOT INCLUDED IN THE CONSOLIDATED SITUATION

Company	Corporate Registration Number	Ownership share	Consolidation method used in the accounts	Consolidation method used for capital adequacy	Company description
Booli Search Technologies AB	556733-0567	68%	Fully consolidated	Not consolidated	IT company

Subordinated loans

Subordinated debt may be included in the calculation of Tier 1 capital if certain conditions are present according to the transitional regulations of the CRR and if the Swedish FSA has given its consent. SBAB received such consent for four subordinated loans with a nominal value of SEK 2,000 million. These have been included in own funds as Tier 1 capital. Tier 2 capital amounted to SEK 3,447 million. Two loans of SEK 1,000 million were redeemed during the year. No new subordinated loans have been taken that are recognised as Tier 2 capital.

Subordinated loans are subordinate to the Parent Company's other liabilities, and subordinated loans that are included in Tier 1 capital are subordinate to other subordinated loans. Please refer to the link under "Capital adequacy and risk management" at www.sbab.se for a specification of own funds and the complete terms

and conditions for subordinated loans in accordance with Commission Implementing Regulation (EU) No 1423/2013. The complete terms and conditions for each subordinated loan are specified in the same place. For further information on subordinated loans, also refer to Note 29.

The consolidated situation

Disclosure of own funds during a transitional period

Disclosures in accordance with Article 5 of Commission Implementing Regulation (EU) No 1423/2013.

No amounts are subject to the provisions preceding Regulation (EU) No 575/2013 (CRR) or the prescribed residual amount according to Regulation (EU) No 575/2013.

Cont. **NOTE 2i** Risk management – Capital adequacy analysis

OWN FUNDS CONSOLIDATED SITUATION, SEK million	31 Dec 2017	31 Dec 2016
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	10,452	9,592
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	189	662
Additional Tier 1 instruments	1,500	1,500
Independently verified net profit for the year net of any foreseeable charge or dividend ¹⁾	1,026	942
CET1 capital before regulatory adjustments	15,125	14,654
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-62	-67
Intangible assets (net of related tax liability) (negative amount)	-83	-142
Fair value reserves related to gains or losses on cash-flow hedges	9	-526
Negative amounts resulting from the calculation of expected loss amounts	-29	-3
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-17	-31
Additional Tier 1 instruments in equity	-1,500	-1,500
Total regulatory adjustments to CET1 capital	-1,682	-2,269
CET1 capital	13,443	12,385
Additional Tier 1 capital: Instruments		
Capital instruments and the related share premium accounts	3,000	3,000
<i>of which: classified as equity under applicable accounting standards</i>	1,500	1,500
<i>of which, classified as liabilities under applicable accounting standards</i>	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-
Additional Tier 1 capital before regulatory adjustments	3,000	3,000
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	3,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	16,443	15,385
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	3,447	4,447
Credit risk adjustments	-	1
Tier 2 capital before regulatory adjustments	3,447	4,448
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	3,447	4,448
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	19,890	19,833
Total risk-weighted assets	41,797	38,413
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	32.2	32.2
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	39.3	40.1
Total capital (as a percentage of total risk-weighted exposure amount), %	47.6	51.6
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	9.0	8.5
<i>of which, CET1 capital, minimum requirement, %</i>	4.5	4.5
<i>of which, capital conservation buffer requirement, %</i>	2.5	2.5
<i>of which, countercyclical buffer requirement, %</i>	2.0	1.5
<i>of which, systemic risk buffer requirement, %</i>	-	-
<i>of which, G-SII buffer and O-SII buffer, %</i>	-	-
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	27.7	27.7
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
Current cap on T2 instruments subject to phase-out arrangements	-	-

¹⁾ Net profit for the year was reduced by the expected dividend of SEK 684 million. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation (see the explanation in the administration report).

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

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

AVERAGE RISK WEIGHT FOR CREDIT RISK RECOGNISED USING THE IRB APPROACH, CONSOLIDATED SITUATION SEK million	2017					2016				
	Expo- sure before credit- risk hedge	Expo- sure after CCF	Risk expo- sure amount (REA)	Capital require- ment	Average risk weight, %	Expo- sure before credit- risk hedge	Expo- sure after CCF	Risk expo- sure amount (REA)	Capital require- ment	Average risk weight, %
Credit risk in lending portfolio recognised under the IRB approach										
Exposures to corporates	43,551	42,133	12,258	981	29.1	42,574	40,801	12,106	969	29.7
Retail exposures	331,840	303,942	12,469	997	4.1	287,316	263,459	11,440	915	4.3
<i>of which, single-family dwellings and holiday homes</i>	141,440	130,472	5,183	414	4.0	118,792	110,205	4,939	395	4.5
<i>of which, tenant-owners' rights</i>	143,335	127,288	6,126	490	4.8	121,663	107,472	5,290	423	4.9
<i>of which, tenant-owners' associations</i>	47,065	46,182	1,160	93	2.5	46,861	45,782	1,211	97	2.6
Total credit risk under the IRB approach	375,391	346,075	24,727	1,978	7.1	329,890	304,259	23,546	1,884	7.7

Disclosure of own funds during a transitional period.

Disclosures in accordance with Article 5 of Commission Implementing Regulation (EU) No 1423/2013.

No amounts are subject to the provisions preceding Regulation (EU) No 575/2013 (CRR)

or the prescribed residual amount according to Regulation (EU) No 575/2013.

Cont. **NOTE 2i** Risk management – Capital adequacy analysis

OWN FUNDS PARENT COMPANY, SEK million	31 Dec 2017	31 Dec 2016
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	1,958	1,958
Retained earnings	5,663	6,094
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	157	118
Additional Tier 1 instruments	1,500	1,500
Independently verified net profit for the year net of any foreseeable charge or dividend ¹⁾	-593	-350
CET1 capital before regulatory adjustments	8,685	9,320
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-66	-70
Intangible assets (net of related tax liability) (negative amount)	-26	-31
Fair value reserves related to gains or losses on cash-flow hedges	79	27
Negative amounts resulting from the calculation of expected loss amounts	-28	-7
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-17	-31
Additional Tier 1 instruments in equity	-1,500	-1,500
Total regulatory adjustments to CET1 capital	-1,558	-1,612
CET1 capital	7,127	7,708
Additional Tier 1 capital: Instruments		
Capital instruments and the related share premium accounts	3,000	3,000
<i>of which: classified as equity under applicable accounting standards</i>	1,500	1,500
<i>of which, classified as liabilities under applicable accounting standards</i>	1,500	1,500
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-
Additional Tier 1 capital before regulatory adjustments	3,000	3,000
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	3,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	10,127	10,708
Tier 2 capital: Instruments and provisions		
Capital instruments and the related share premium accounts	3,447	4,447
Credit risk adjustments	-	2
Tier 2 capital before regulatory adjustments	3,447	4,449
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	3,447	4,449
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	13,574	15,157
Total risk-weighted assets	31,776	31,484
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	22.4	24.5
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	31.9	34.0
Total capital (as a percentage of total risk-weighted exposure amount), %	42.7	48.1
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	9.0	8.5
<i>of which, CET1 capital, minimum requirement, %</i>	4.5	4.5
<i>of which, capital conservation buffer requirement, %</i>	2.5	2.5
<i>of which, countercyclical buffer requirement, %</i>	2.0	1.5
<i>of which, systemic risk buffer requirement, %</i>	-	-
<i>of which, G-SII buffer and O-SII buffer, %</i>	-	-
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	17.9	20.0
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
Current cap on T2 instruments subject to phase-out arrangements	-	-

¹⁾ Net profit for the year was reduced by the expected dividend of SEK 684 million. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

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

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

AVERAGE RISK WEIGHT FOR CREDIT RISK RECOGNISED USING THE IRB APPROACH, PARENT COMPANY SEK million	2017					2016				
	Expo- sure before credit- risk hedge	Expo- sure after CCF	Risk expo- sure amount (REA)	Capital require- ment	Average risk weight, %	Expo- sure before credit- risk hedge	Expo- sure after CCF	Risk expo- sure amount (REA)	Capital require- ment	Average risk weight, %
Credit risk in lending portfolio recognised under the IRB approach										
Exposures to corporates	19,988	18,688	6,800	544	36.4	18,990	17,360	6,474	518	37.3
Retail exposures	42,998	15,949	1,125	90	7.1	66,316	43,406	3,172	254	7.3
<i>of which, single-family dwellings and holiday homes</i>	16,777	5,810	357	29	6.2	25,929	17,344	1,450	116	8.4
<i>of which, tenant-owners' rights</i>	24,278	8,230	524	42	6.4	33,766	19,575	1,371	110	7.0
<i>of which, tenant-owners' associations</i>	1,943	1,909	244	19	12.4	6,621	6,487	351	28	5.4
Total credit risk under the IRB approach	62,986	34,637	7,925	634	22.9	85,307	60,766	9,645	772	15.9

Cont. **NOTE 2i** Risk management – Capital adequacy analysis

CAPITAL ADEQUACY SEK million	CONSOLIDATED SITUATION		PARENT COMPANY		SCBC	
	2017	2016	2017	2016	2017	2016
CET1 capital	13,443	12,385	7,127	7,708	16,710	15,162
Tier 1 capital	16,443	15,385	10,127	10,708	16,710	15,162
Total capital	19,890	19,833	13,574	15,157	16,710	15,165
Without transitional rules						
Risk exposure amount	41,797	38,413	31,776	31,484	21,422	18,402
CET1 capital ratio, %	32.2	32.2	22.4	24.5	78.0	82.4
Excess CET1 capital	11,563	10,656	5,697	6,292	15,746	14,334
Tier 1 capital ratio, %	39.3	40.1	31.9	34.0	78.0	82.4
Excess Tier 1 capital	13,936	13,080	8,221	8,819	15,424	14,058
Total capital ratio, %	47.6	51.6	42.7	48.1	78.0	82.4
Excess total capital	16,547	16,760	11,032	12,639	14,996	13,693
With transitional rules						
Own funds	19,920	19,835	13,602	15,162	16,711	15,162
Risk exposure amount	192,993	168,936	28,744	35,833	172,527	133,171
Total capital ratio, %	10.3	11.7	47.3	42.3	9.7	11.4

NOTE 3 Net interest income

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Interest income				
Lending to credit institutions	-31	-24	411	508
Lending to the public ¹⁾	4,951	5,117	1,017	926
Interest-bearing securities	398	500	398	500
Derivatives	-746	-992	-509	-634
Total interest income	4,572	4,601	1,317	1,300
<i>of which, interest income from financial assets that is not measured at FVTPL</i>	<i>6,010</i>	<i>5,308</i>	<i>2,518</i>	<i>1,649</i>
Interest expense				
Liabilities to credit institutions	45	47	33	34
Deposits from the public	-559	-515	-559	-515
Issued debt securities	-2,380	-3,262	-590	-676
Subordinated debt	-122	-166	-122	-166
Derivatives	1,891	2,261	364	420
Other	-51	-35	-51	-34
Resolution fee	-247	-102	-98	-37
Total interest expense	-1,423	-1,772	-1,023	-974
<i>of which, interest expense from financial liabilities that is not measured at FVTPL</i>	<i>-3,067</i>	<i>-3,931</i>	<i>-1,289</i>	<i>1,357</i>
Net interest income	3,149	2,829	294	326

¹⁾ Includes interest income from doubtful receivables of SEK 2 million (3).

NOTE 4 Commission

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Commission income				
Commission on lending	33	27	25	17
Other commissions	40	42	54	68
Total	73	69	79	85
Commission expense				
Commission on securities	-58	-43	-18	-20
Other commissions	-20	-19	-5	-19
Total	-78	-62	-23	-39
Net commission	-5	7	56	46

NOTE 5 Net result of financial transactions

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Gains/losses on interest-bearing financial instruments				
Securities measured at FVTPL	-109	-43	-109	-43
Change in value of hedged items in hedge accounting	795	691	118	387
Realised gain/loss from financial liabilities	-318	-489	-70	-30
Derivatives in hedge accounting	-764	-464	-101	-351
Other derivatives	320	112	152	110
Loan receivables	73	240	12	69
Currency translation effects	-9	1	-9	1
Total	-12	48	-7	143

The currency and interest-rate risk inherent in funding conducted in foreign currency is generally hedged throughout the maturity of the funding through currency interest-rate derivatives, known as basis swaps. According to IFRS, all derivative instruments are to be recognised at fair value.

Major variations in fair value between reporting periods could result in significant changes in carrying amounts and hence also in capital adequacy. Changes in the form of losses/gains remain unrealised as long as the basis swap is not closed prematurely. An accounting effect also arises in SBAB's securities holding, since the accounting policies that SBAB applies entail that parts of the securities' assets are measured at fair value, while a large portion of SBAB's liabilities are measured at amortised cost.

Also in the case of securities assets, the unrealised interest rate-related value changes that affect the result will be recovered over the remaining tenor, if the asset is held to maturity and the issuer is able to make its payments.

Most of SBAB's securities are held to maturity.

NOTE 6 Other operating income

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Administrative services on behalf of subsidiary	-	-	757	716
Other operating income ¹⁾	31	34	3	5
Total	31	34	760	721

¹⁾ Other operating income primarily includes revenue from Booli.

NOTE 7 Personnel costs

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Salaries and other remuneration	-292	-254	-283	-247
Pension costs	-47	-39	-51	-45
Other social security expenses	-105	-91	-103	-90
Other personnel costs	-35	-28	-35	-26
Total	-479	-412	-472	-408

Salaries and other remuneration, SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
CEO	-5	-5	-5	-5
Senior executives who report directly to the CEO	-20	-18	-20	-18
Other employees	-267	-231	-258	-224
Total salaries and other remuneration	-292	-254	-283	-247

Salaries and other remuneration for employees of the subsidiary Booli Search Technologies are included in the Group's expenses in the Other employees item, furthermore, variable remuneration is payable to a few employees of the subsidiary but only in smaller amounts. Other employees of the Group do not receive variable remuneration. Board Members who are employed by the Parent Company receive remuneration and pension benefits as a result of their employment. No additional remuneration or pension benefits are paid for Board assignments. No remuneration was paid to the CEO of the subsidiary Swedish Covered Bond Corporation (SCBC). The number of senior executives who reported directly to the CEO as per the end of the year was 8 (8).

Average number of employees	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Women	267	263	257	257
Men	242	239	226	227
Average number of employees	509	502	483	484

Sickness absence, %	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Total sickness absence	3.6	3.7	3.7	3.8
Women	2.3	2.2	2.4	2.3
Men	1.3	1.5	1.3	1.5
29 or younger	2.9	3.6	3.0	3.7
30-49	3.9	3.6	3.9	3.6
50 or older	4.0	4.3	4.0	4.3
Proportion of long-term sickness absence compared to total sickness (absence that exceeded 60 days)	34.6	36.7	46.6	44.1

GENDER DISTRIBUTION AMONG SENIOR EXECUTIVES

Board of Directors	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Women	5	5	4	4
Men	12	13	5	7
Total number of Board members	17	18	9	11

The Group includes the Board Members of the subsidiaries: Swedish Covered Bond Corporation (SCBC) and Booli Technologies AB.

Executive Management	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Women	4	3	4	3
Men	6	6	6	6
Total number of employees in Executive Management	10	9	10	9

Form of employment	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Total number of employees at year end	530	510	506	485
<i>of whom, women, %</i>	53.4	51.8	54.0	52.6
<i>of whom, managers, %</i>	12.3	13.5	12.6	13.2
<i>of managers, women, %</i>	5.3	5.7	5.7	6.0
<i>of whom, temporary employees, %</i>	1.9	2.0	1.6	1.6
<i>of whom, part-time employees, %</i>	1.3	2.5	1.4	2.5

Personnel turnover	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Number of permanent employees who terminated employment during the year	80	65	74	62
<i>of whom, women, %</i>	51.3	41.5	54.1	41.9
<i>of whom, 29 or younger, %</i>	26.3	26.2	23.0	24.2
<i>of whom, 30-49, %</i>	57.5	46.2	59.5	46.8
<i>of whom, 50 or older, %</i>	16.3	27.7	17.6	29.0

Salary, remuneration and pension costs for the CEO

No company car or non-cash benefits were provided to the CEO. The company pays for a defined-contribution pension insurance plan corresponding to 30% of the CEO's pensionable salary, although not longer than until age 65.

Salaries and other remuneration

Fringe benefits (subsidised interest rate, company car and sickness benefit) to senior executives who report directly to the CEO amounted to SEK 0.1 million (0.1). Salary and other remuneration were paid in the following amounts:

SALARIES AND OTHER REMUNERATION AND PENSIONS TO THE CEO AND OTHER SENIOR EXECUTIVES WHO REPORT DIRECTLY TO THE CEO

Parent Company, SEK million	2017				2016			
	Period	Salary and other remuneration	Pension cost	Severance pay	Period	Salary and other remuneration	Pension cost	Severance pay
Klas Danielsson, CEO	1 January–31 December 2017	4.8	1.4	–	1 January–31 December 2016	4.7	1.4	–
Christine Ehnström, COO	1 January–30 April 2017	0.8	0.2	–	1 January–31 December 2016	1.6	0.3	–
Christine Ehnström, Chief Legal Counsel	–	–	–	–	1 January–1 May 2016	0.6	0.2	–
Ulrika Wilbourn Acting COO	1 May–17 October 2017	0.7	0.1	–	–	–	–	–
Sara Davidgård, COO	18 October–31 December 2017	0.4	0.1	–	–	–	–	–
Mikael Inglander, CFO	1 January–31 December 2017	2.8	0.8	–	1 January–31 December 2016	2.6	0.8	–
Peter Svensén, CRO	1 January–31 December 2017	2.1	0.5	–	1 January–31 December 2016	1.9	0.3	–
Elizabet Jänsson, Chief Retail Officer	1 January–31 December 2017	2.0	0.5	3.4 ¹⁾	1 January–31 December 2016	1.7	0.5	–
Tim Pettersson, Head of Corporate Clients & Tenant–Owners' Associations	1 January–31 December 2017	1.6	0.5	–	1 January–31 December 2016	1.6	0.4	–
Daniel Ljungel, Head of Partnerships & Business Development	1 January–31 December 2017	1.5	0.4	–	1 January–31 December 2016	1.5	0.4	–
Carina Eriksson, Head of HR	1 January–31 December 2017	1.7	0.5	–	1 January–31 December 2016	1.7	0.5	–
Klas Ljungkvist, CIO	1 January–31 December 2017	2.2	0.5	–	1 February–31 December 2016	2.0	0.4	–
Malin Pellborn Head of Sustainability and Strategic Communication	18 April–31 December 2017	1.3	0.3	–	–	–	–	–
Bror–Göran Pettersson, COO	–	–	–	–	1 January–1 May 2016	0.4	0.1	–
Marie Ljungholm, Chief Compliance Officer	1 January–30 April 2017	0.5	0.1	–	1 January–31 December 2016	1.3	0.3	–
Irene Axelsson Chef Compliance	30 April–31 December 2017	0.8	0.2	–	–	–	–	–
Michael Sparreskog, Head of Internal Audit	1 January–31 December 2017	1.3	0.3	–	1 January–31 December 2016	1.3	0.3	–
		24.5	6.4	3.4		22.9	5.9	–

¹⁾ The amount refers to severance and termination pay of SEK 3.1 million together with pension costs of SEK 0.3 million, which are recognised in 2017 and have not yet been paid. In the case of new employment or income from another activity the remuneration and pension provision will be offset in full.

During the year, SBAB has chosen to link responsibility for sustainability more closely with operations and, accordingly, the Head of Sustainability joined the Executive Management in April. Moreover, the Head of Sustainability received responsibility for strategic communication.

After preparation by SBAB's Remuneration Committee and based on the risk analysis for SBAB's remuneration system, the Board decided in 2016 on an updated remuneration policy and the identification of specially regulated personnel, in accordance with the Swedish FSA's regulations regarding remuneration structures in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management (FFFS 2011:1). Risk analyses for

SBAB's remuneration system and remuneration policy are published on www.sbab.se. The composition and mandates of the Remuneration Committee are described on page 66.

Due to a revised risk analysis in 2017, the number of employees whose duties have a significant impact on the company's risk profile has been increased. The identification of employees with risk profile is based on EBA's technical standards.

Salaries and other remuneration to specially regulated personnel, 23 employees (14), excluding senior executives who report directly to the CEO, amounted to SEK 20.0 million (10.4).

REMUNERATION TO THE BOARD

Parent Company, SEK thousand	2017				2016			
	Period	Fee	Fees for work on committees	Total	Period	Fee	Fees for work on committees	Total
Bo Magnusson, Chairman of the Board SBAB ¹⁾	1 January–31 December 2017	444	79	523	1 January–31 December 2016	430	77	507
Carl–Henrik Borg, Board Member	1 January–31 December 2017	215	–	215	1 January–31 December 2016	215	–	215
Daniel Kristiansson, Board Member	1 January–31 December 2017	–	–	–	28 April–31 December 2016	–	–	–
Ebba Lindsö, Board Member	1 January–24 April 2017	72	7	79	1 January–31 December 2016	215	18	233
Eva Gidlöf Board Member	25 April–31 December 2017	143	22	165	–	–	–	–
Jakob Grinbaum, Board member ²⁾	1 January–31 December 2017	161	62	223	1 January–31 December 2016	215	70	285
Jane Lundgren–Ericsson, Board member ³⁾	1 January–31 December 2017	215	57	272	1 January–31 December 2016	215	70	285
Karin Moberg Board Member	1 January–31 December 2017	215	41	256	1 January–31 December 2016	215	18	233
Kristina Ekengren, Board member	–	–	–	–	1 January–27 April 2016	–	–	–
Lars Börjesson, Board Member	1 January–31 December 2017	215	36	251	1 January–31 December 2016	215	14	229
Johan Ericsson, Employee Representative	1 January–31 December 2017	–	–	–	1 January–31 December 2016	–	–	–
Kristina Ljung, Employee Representative	1 January–31 December 2017	–	–	–	1 January–31 December 2016	–	–	–
Anders Heder, Employee Representative	–	–	–	–	1 January–27 April 2016	–	–	–
Helen Vallin, Employee Representative	–	–	–	–	1 January–27 April 2016	–	–	–
		1,680	304	1,984		1,720	267	1,987

¹⁾ Bo Magnusson also receives Board fees from SCBC of SEK 180 thousand (180).

²⁾ Jakob Grinbaum also receives Board fees from SCBC of SEK 98 thousand (98).

³⁾ Jane Ericsson–Lundgren also receives Board fees from SCBC of SEK 33 thousand (–).

Cont. NOTE 7 Personnel costs

No fees are paid to Board members who are either employed by the Government Offices of Sweden or are employee representatives nor are any fees paid to Board members of SBAB's subsidiary Booli Search Technologies.

Pensions

Employees recruited to SBAB from 1 February 2013 are covered by the new collective pension plan BTP1, which is a defined-contribution plan. The plan encompasses disability and survivors' pensions, as well as provisions for retirement pensions. In BTP1, employees have a high degree of self-determination in how premiums are invested.

Employees recruited to SBAB before 1 February 2013 are covered by the BTP2 collective pension plan, which is a defined-benefit plan. BTP2 entails that the employee is guaranteed a lifelong pension corresponding to a specified percentage of the employee's final salary and mainly comprises retirement pension, disability pension, survivors' pension, supplementary pension (BTPK) and, where applicable, family pension. The levels of remuneration vary for salaries within different income base amounts. For salaries over 30 income base amounts, no pension is payable under BTP2. Employees who earn more than ten income base amounts are provided the possibility of selecting an alternative investment for part of the premium.

BTP2 is a collective defined-benefit employer plan secured through insurance with the insurance company SPP and comprise several employers. SPP is responsible for investing the pension capital of the BTP2 plan. The aim of the investment strategy is to obtain a high and consistent return while ensuring the investors' guaranteed increase in value.

SBAB's costs for its defined-benefit pensions amounted to SEK 21.8 million (22.0), excluding payroll tax. SBAB's costs for its defined-contribution pensions amounted to SEK 23.1 million (16.7), excluding payroll tax. In 2017, pension contributions for defined-benefit plans are expected to total SEK 20.8 million. Further information is provided in Note 28 Provisions.

Guidelines adopted by the AGM for remuneration and other employment terms and conditions for senior executives

The AGM's principles for remuneration and other employment terms and conditions for senior executives, which were adopted by the 2017 AGM, state that remuneration and terms and conditions are to be reasonable and well-considered. With regard to remuneration and other terms and conditions of employment, SBAB will continue to apply the principles set out in "The state's ownership policy and guidelines for state-owned enterprises 2017."

This remuneration should be competitive, with a set ceiling and appropriate for its purpose, as well as contributing to high ethical standards and a good corporate culture. Remuneration should not correspond to a leading salary level in relation to comparable companies but be characterised by moderation. This is also to provide guidance for the total amount of remuneration to other employees. Variable salary is not paid to senior executives. These guidelines were not amended in 2017.

Other terms and conditions for the CEO and senior executives

As regards pension conditions, notice periods and severance pay for senior executives, SBAB observes the principles stated in the state's ownership policy and guidelines for state-owned enterprises 2017.

The company pays for a defined-contribution pension insurance corresponding to 30% of the CEO's pensionable salary, although not longer than until age 65.

During 2016, an agreement was reached with the other managers who report directly to the CEO regarding a defined-contribution pension premium corresponding to 30% of pensionable salary.

There are no other pension agreements that deviate from the general rules of collective agreements in the banking area.

Agreements on severance pay

The CEO and SBAB are subject to a mutual notice period of six months. If the company gives notice, the company must, in addition to salary and pension during the notice period, pay severance pay corresponding to 18 months' salary. Deductions will be made from the remuneration should new employment or income from another activity be received during the two-year period.

For other members of Executive Management, agreements have been concluded regarding severance pay in case of termination by the company. In addition to salary and pension during the notice period, the company will pay severance pay corresponding to 12 months' salary. Deductions will be made from the remuneration should new employment or income from another activity be received during the 12-month period.

Loans to senior executives

Loans to senior executives are presented in Note 36 Related party disclosures.

Incentive programme

SBAB has no incentive programme.

NOTE 8 Other expenses

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
IT expenses	-228	-214	-270	-220
Rent	-29	-27	-28	-26
Other costs for premises	-6	-10	-6	-9
Other administrative expenses	-100	-119	-95	-115
Marketing	-68	-63	-65	-62
Other operating expenses	-18	-17	-15	-17
Total	-449	-450	-479	-449

Development expenditure amounted to SEK 153 million (97), of which SEK 49 million (9) pertained to internally produced intangible Group assets. Most of the development work is pursued in project form and includes the budgets of entire projects, including such expenses as planning, analysis, specification of requirements, programming, implementation and quality testing, etc.

Fees and expenses to auditors	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Audit assignment	-3.6	-2.8	-2.8	-2.1
<i>of which, Deloitte</i>	-3.6	-2.2	-2.8	-1.5
<i>of which, KPMG</i>	-	-0.6	-	-0.6
Audit tasks in addition to audit assignment	-1.7	-1.8	-1.0	-1.5
<i>of which, Deloitte</i>	-1.7	-1.6	-1.0	-1.3
<i>of which, KPMG</i>	-	-0.2	-	-0.2
Other services	-	-0.0	-	-0.0
<i>of which, Deloitte</i>	-	-0.0	-	-0.0
Total	-5.3	-4.6	-3.8	-3.6

The AGM on 24 April 2017 appointed Deloitte as SBAB's auditors. The audit assignment includes examination of the annual report, the accounting records and the administration by the Board and CEO. The audit assignment also includes consultancy and other assistance resulting from such examination.

Audit tasks in addition to the audit assignment pertain to the examination of interim reports/year-end report and such other duties that may only be performed by the signing-off auditor, such as the preparation of various types of certificates.

Other services pertain to consultancy services required at the initiative of SBAB.

Future rents ¹⁾ , SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Agreed future rents due for payment				
Within 1 year	-28	-24	-27	-24
Between one and five years	-99	-95	-98	-95
After five years	-33	-32	-33	-32
Total	-160	-151	-158	-151

¹⁾ Rents = operating leases.

All of SBAB's leases are in accordance with the Swedish Property Federation's standard agreement 12B.2 prepared in 2008 in consultation with the Swedish Association of Public Housing Companies, the Swedish Trade Federation and Visita. Revised in 2012 and 2014. This agreement regulates lease costs through an index clause covering rent and property taxes. The total sum of future rents pertains to fixed-term contracts.

NOTE 9 Depreciation, amortisation and impairment of PPE and intangible assets

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Property, plant and equipment				
Depreciation, computer hardware	-4	-5	-4	-5
Depreciation, other equipment	-4	-4	-4	-4
Disposals/divestments	0	0	0	0
Intangible assets				
Amortisation, acquired software	-5	-7	-4	-6
Amortisation, internally developed part of software	-14	-11	-	-
Amortisation of trademarks	-1	0	-	-
Impairment, internally developed part of software	-3	0	-	-
Total	-31	-27	-12	-15

NOTE 10 Net loan losses

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
CORPORATE MARKET				
Individual provision for corporate market loans				
Write-off of confirmed loan losses for the year	-	-	-	-
Reversals of previous provisions for probable loan losses recognised as confirmed loan losses in the end of year accounts	-	-	-	-
Provision for probable loan losses for the year	-0	-0	-0	-
Recoveries of confirmed loan losses in prior years	-	0	-	0
Reversal of prior provisions no longer necessary for probable loan losses	12	4	12	4
Guarantees	-	-	-	-
Net cost for the year for individual provisions for corporate market loans	12	4	12	4
Collective provision for corporate market loans				
Allocations to/unwinding of collective provisions	1	9	1	-0
Guarantees	-1	-3	-1	-3
Net cost for the year for collective provisions for corporate market loans	0	6	0	-3
RETAIL MARKET				
Individual provision for retail market loans				
Write-off of confirmed loan losses for the year	-1	-2	-1	-2
Reversals of previous provisions for probable loan losses recognised as confirmed loan losses in the end of year accounts	1	2	1	2
Provision for probable loan losses for the year	-0	-0	-1	-0
Reversal of prior provisions no longer necessary for probable loan losses	1	16	2	16
Guarantees	-	-0	-	-0
Net cost for the year for individual provisions for retail market loans	1	16	1	16
Collective provision for retail market loans				
Write-off of confirmed loan losses for the year	-10	-11	-9	-10
Recoveries of confirmed loan losses in prior years	3	2	3	2
Allocations to/unwinding of collective provisions	11	-13	4	4
Guarantees	7	-22	1	-22
Net cost for the year for collective provisions for retail market loans	11	-44	-1	-26
Net cost for the year for loan losses	24	-18	13	-9

Both write-offs of confirmed loan losses and reversals of write-offs for the year in accordance with the specification above pertain to receivables from the public. The net change in loans with individual provisions was primarily affected by one commitment being declared healthy. The net change in the collective provision was primarily due to reclassification to better risk classes within the lending portfolio in H1

2017, and to loans with unpaid overdue amounts (>60 days) declining over the year. The guarantees pertain to received or expected receivables from the National Board of Housing, Building and Planning, insurance companies and banks. For additional analyses and information on loan losses, refer to Note 2a Risk management – Credit risk in lending operations.

NOTE 11 Tax

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Current tax	-484	-352	-32	19
Deferred tax on changes in temporary differences	-35	-89	-30	-97
Total	-519	-441	-62	-78
<i>The effective tax rate differs from the nominal tax rate in Sweden as below</i>				
Profit/loss before tax	2,228	2,011	152	355
Nominal tax rate in Sweden 22%	-490	-442	-33	-78
Tax pertaining to non-taxable income and non-deductible costs	-29	1	-29	0
Total tax	-519	-441	-62	-78
Effective tax rate, %	23.3	21.9	40.5	22.0

NOTE 12 Chargeable treasury bills, etc.

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Current assets				
Swedish state	21,122	17,746	21,122	17,746
Foreign states	1,830	2,746	1,830	2,746
Total chargeable treasury bills, etc.	22,952	20,492	22,952	20,492

NOTE 13 Lending to credit institutions

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Lending in SEK	1,134	852	93,568	55,863
Lending in foreign currency	733	767	734	767
Total	1,867	1,619	94,302	56,630
<i>of which, repos</i>	150	118	-	-

Of the Parent Company's lending to credit institutions, SEK 92,593 million (55,123) relates to a receivable from the wholly owned subsidiary, the Swedish Covered Bond Corporation (SCBC). These receivables are subordinated, which means that payment is received only after other creditors of the subsidiary have been paid.

Interest-bearing securities that SBAB purchases with an obligation to sell at a predetermined price are not recognised in the balance sheet, while the purchase price paid is recognised in the balance sheet under Lending to credit institutions. The securities are regarded as collateral received and can be pledged or sold by SBAB. In the event that the counterparty is unable to meet its repurchase obligation, SBAB is entitled to keep the security. The fair value of collateral received in the Group was SEK 150 million (118), of which - (-) was pledged or sold, and in the Parent Company, it was - (-), of which - (-) was pledged or sold.

NOTE 14 Lending to the public

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Opening balance	296,022	296,981	51,577	81,207
Lending for the year	82,282	59,648	82,282	59,648
Transferred to/from Group companies	–	–	–85,800	–48,695
Amortisation, write-offs, redemption, etc.	–43,219	–60,625	–25,215	–40,631
Change in provision for probable loan losses	26	18	68	48
Closing balance	335,111	296,022	22,912	51,577

GROUP

Distribution of lending by property type, including provisions, SEK million	2017			2016		
	AB Sveriges S�akerst�allda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)	SBAB Bank AB (publ)	Total	AB Sveriges S�akerst�allda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)	SBAB Bank AB (publ)	Total
Single-family dwellings and holiday homes	124,629	2,009	126,638	92,858	14,414	107,272
Tenant-owners' rights	118,984	2,481	121,465	87,864	14,732	102,596
Tenant-owners' associations	45,143	6,648	51,791	40,316	10,306	50,622
Private multi-family dwellings	23,103	6,401	29,504	23,110	5,413	28,523
Municipal multi-family dwellings	218	1	219	213	27	240
Commercial properties	122	3,365	3,487	84	4,695	4,779
Other	–	2,007	2,007	–	1,990	1,990
Total	312,199	22,912	335,111	244,445	51,577	296,022
Percentage of lending with a governmental or municipal guarantee, %	0.2	0.3	0.3	1.0	1.0	1.0
Average fixed-interest period, years	0.7	0.4	0.7	0.8	0.4	0.7

In the event of early redemption during the fixed-interest period, SBAB has the right to receive interest compensation. In the case of retail loans, the amount of compensation is based on the interest rate for the loan compared to the interest rate for mortgage bonds with a maturity that corresponds to the remaining fixed-interest period for the loan, plus one percentage point. For other loans, the reinvestment interest rate for comparable government securities is, in most cases, the comparable interest rate. In other cases, the comparable interest rate is specified in the current

terms of the loan. In addition to mortgage deeds in pledged property, SBAB has, in certain cases, received government or municipal guarantees as collateral for the borrower's commitments. The proportion of loans covered by this type of guarantee is shown in the table above.

A total of SEK 45,943 million (41,431) of SBAB's lending portfolio, of which SEK 665 million (5,833) in the Parent Company, was mediated by business partners.

Loan commitments and other credit-related commitments are shown in Note 32.

Doubtful loan receivables and provisions, SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
a) Doubtful loan receivables	113	134	113	134
b) Individual provisions for loan receivables	45	59	45	59
c) Collective provision for corporate market loans	1	1	0	0
d) Collective provision for retail market loans	163	175	23	78
e) Total provisions (b+c+d)	209	235	69	137
f) Doubtful loan receivables after individual provisions (a–b)	68	75	68	75
g) Provision ratio for individual provisions (b/a), %	40	44	40	44

For further information on doubtful and non-performing loan receivables, refer to Note 2a Risk management – Credit risk in lending operations.

Cont. **NOTE 14** Lending to the public**GROUP**

Distribution of doubtful loan receivables and provisions by type of property, SEK	2017						2016					
	Single-family dwellings and holiday homes	Tenant-owners' rights	Tenant-owners' associations	Private multi-family dwellings	Other	Total	Single-family dwellings and holiday homes	Tenant-owners' rights	Tenant-owners' associations	Private multi-family dwellings	Other	Total
Doubtful loan receivables, gross	11	62	11	26	3	113	15	64	23	28	4	134
Individual provisions for loan receivables	-3	-12	-9	-18	-3	-45	-4	-12	-21	-18	-4	-59
Collective provision for corporate market loans			-0	-0	-	-0			-0	-1	-	-1
Collective provision for retail market loans	-59	-93			-12	-164	-69	-93			-12	-175
Doubtful loan receivables after individual provisions						68						75

Change in provision for probable loan losses, SEK million	2017			2016		
	Individual provision for individually measured receivables	Individual provision for collectively measured receivables	Collective provision	Individual provision for individually measured receivables	Individual provision for collectively measured receivables	Collective provision
Provision at the beginning of the year	-39	-20	-176	-43	-38	-172
Individual provision for the year	-	-1		-	-	
Reversed from previous provisions	12	3		4	16	
Individual provision utilised for confirmed loan losses	-	0		-	2	
Allocations to/unwinding of collective provisions			12			-4
Provision at the end of the year	-27	-18	-164	-39	-20	-176

NOTE 15 Bonds and other interest-bearing securities

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
<i>Distribution of holdings by issuer, etc.</i>				
CURRENT ASSETS				
Listed securities				
<i>Issued by public bodies</i>				
Sovereigns, supranationals and agencies	2,495	1,753	2,495	1,753
Other public issuers	9,201	7,157	9,201	7,157
<i>Issued by other borrowers</i>				
Swedish mortgage institutions	30,360	31,598	30,360	31,598
Other foreign issuers	5,397	5,657	5,397	5,657
Other foreign issuers (with government guarantee)	2,311	2,686	2,311	2,686
Total listed securities	49,764	48,851	49,764	48,851
Total	49,764	48,851	49,764	48,851

NOTE 16 Derivatives

SEK million	GROUP						PARENT COMPANY					
	2017			2016			2017			2016		
	Fair value of assets	Fair value of liabilities	Nominal amount	Fair value of assets	Fair value of liabilities	Nominal amount	Fair value of assets	Fair value of liabilities	Nominal amount	Fair value of assets	Fair value of liabilities	Nominal amount
Derivatives in fair-value hedging												
Interest-rate-related												
- interest-rate swaps	1,921	667	205,918	3,171	1,014	169,217	658	255	63,167	887	422	53,291
Currency-related	511	57	9,873	827	273	22,981	474	-	8,174	372	38	8,551
Total	2,432	724	215,791	3,998	1,287	192,198	1,132	255	71,341	1,259	460	61,842
Derivatives in cash-flow hedges												
Interest-rate-related												
- interest-rate swaps	388	182	59,737	610	17	36,637	-	96	9,833	-	17	4,789
Currency-related	2,731	3	64,959	1,305	1	43,865	699	-	14,498	369	1	12,296
Total	3,119	185	124,696	1,915	18	80,502	699	96	24,331	369	18	17,085
Other derivatives												
Interest-rate-related												
- interest-rate swaps	116	410	29,829	162	669	16,566	2,156	2,528	452,064	3,139	3,727	287,372
Currency-related	163	324	16,093	117	501	15,667	2,253	2,461	118,537	1,454	1,870	83,061
Total	279	734	45,922	279	1,170	32,233	4,409	4,989	550,601	4,593	5,597	370,433

Currency interest-rate swaps are classified as currency-related.

Derivatives allocated by remaining maturity, carrying amounts, SEK million	GROUP				PARENT COMPANY			
	2017		2016		2017		2016	
	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount
Maximum 3 months	-118	22,062	460	40,864	-139	34,012	-6	28,269
3-12 months	804	70,986	-144	22,023	699	109,786	-64	32,794
1-5 years	2,859	230,928	3,020	214,434	394	385,192	336	336,891
Longer than five years	642	62,433	381	27,611	-54	117,283	-120	51,406
Total	4,187	386,409	3,717	304,932	900	646,273	146	449,360

NOTE 17 Shares and participations in Group companies

PARENT COMPANY

SEK million	2017				
	Corporate Registration Number	Cost	Number of shares	Share of equity, %	Carrying amount
Swedish credit institutions					
AB Sveriges Säkerställda Obligationer (publ), Solna	556645-9755	10,300	500,000	100	10,300
Other companies					
Booli SearchTechnologies AB, Stockholm	556733-0567	86	222,796	68	86
SEK million	2016				
	Corporate Registration Number	Cost	Number of shares	Share of equity, %	Carrying amount
Swedish credit institutions					
AB Sveriges Säkerställda Obligationer (publ), Solna	556645-9755	10,300	500,000	100	10,300
Other companies					
Booli SearchTechnologies AB, Stockholm	556733-0567	86	222,796	69	86

On 14 January 2016, SBAB acquired 70.92% of the shares in Booli Search Technologies AB. In Q4 2016, the existing option program in Booli was exercised, upon which SBAB's shareholding fell from 70.92% to 69.34%. In 2017, the final portion of

the option program was exercised, which resulted in SBAB's shareholding in Booli declining further to 67.61%.

NOTE 18 Intangible assets

SEK million	GROUP							
	2017				2016			
	Goodwill	Trademarks	Software	Total	Goodwill	Trademarks	Software	Total
Opening balance, cost	75	3	124	202	-	-	423	423
Acquisition of subsidiaries	-	-	-	-	75	3	3	81
Acquisitions during the year	-	-	50	50	-	-	33	33
Divestments and disposals during the year	-	-	-	-	-	-	-335	-335
Closing balance, cost	75	3	174	252	75	3	124	202
Opening balance, amortisation	-	-0	-50	-50	-	-	-204	-204
Amortisation for the year according to plan	-	-1	-19	-20	-	-0	-18	-18
Divestments and disposals during the year	-	-	-	-	-	-	172	172
Closing balance, accumulated amortisation	-	-1	-69	-70	-	-0	-50	-50
Opening balance, impairment	-	-	-	-	-	-	-163	-163
Impairment for the year	-	-	-3	-3	-	-	-	-
Divestments and disposals during the year	-	-	-	-	-	-	163	163
Closing balance, accumulated impairment	-	-	-3	-3	-	-	-	-
Net carrying amount	75	2	102	179	75	3	74	152

SEK million	PARENT COMPANY							
	2017				2016			
	Goodwill	Trademarks	Software	Total	Goodwill	Trademarks	Software	Total
Opening balance, cost	-	-	54	54	-	-	81	81
Acquisitions during the year	-	-	-	-	-	-	24	24
Divestments and disposals during the year	-	-	-1	-1	-	-	-51	-51
Closing balance, cost	-	-	53	53	-	-	54	54
Opening balance, amortisation	-	-	-23	-23	-	-	-68	-68
Amortisation for the year according to plan	-	-	-4	-4	-	-	-6	-6
Divestments and disposals during the year	-	-	-	-	-	-	51	51
Closing balance, accumulated amortisation	-	-	-27	-27	-	-	-23	-23
Net carrying amount	-	-	26	26	-	-	31	31

Refer to Note 39 Business combinations for information about goodwill, trademarks and software from the acquisition of the subsidiary Booli Search Technologies AB. Other software pertains to internally produced intangible assets, which are reported in the consolidated financial statements. Intangible assets are subject to impairment testing on an annual basis. When impairment testing, the value in use is calculated by discounting estimated future cash flows with a discounting factor that takes into account risk-free interest and the risks associated with the specific asset.

The year's impairment testing of goodwill is based on expected future synergies in the form of increased lending volumes and cost savings as well as a discount rate of

12% (12) after tax, corresponding to a rate of 14% (14) before tax. The first five years for estimated future cash flows are based on forecasts of increased volumes and cost savings. Thereafter, the assumption is zero growth or cost savings. In the year's impairment testing, there was a comfortable margin between the value in use and the carrying amount for goodwill. The most significant variables for the calculation comprised the assumption of increased future lending volumes as well as the discount rate. No reasonable change in these assumptions would impact the carrying amount for goodwill.

NOTE 19 Property, plant and equipment

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Opening balance, cost	44	183	44	183
Acquisitions during the year	4	5	4	5
Divestments during the year	0	-1	0	-1
Disposals during the year	-1	-143	-1	-143
Closing balance, cost	47	44	47	44
Opening balance, depreciation	-28	-163	-28	-163
Depreciation for the year according to plan	-8	-9	-8	-9
Divestments during the year	0	1	0	1
Disposals during the year	1	143	1	143
Accumulated depreciation according to plan	-35	-28	-35	-28
Net carrying amount	12	16	12	16

NOTE 20 Other assets

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Tax assets	-	497	-	143
Other	65	53	45	36
Total	65	550	45	179
<i>Other assets distributed by remaining maturity, carrying amount</i>				
Maximum 1 year	65	550	45	179
Total	65	550	45	179

NOTE 21 Prepaid expenses and accrued income

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Prepaid expenses	61	49	53	47
Accrued interest income	712	786	704	700
Accrued guarantees	19	14	2	6
Other accrued income	24	17	12	8
Total	816	866	771	761
<i>Prepaid expenses and accrued income distributed by remaining maturity, carrying amount</i>				
Maximum 1 year	803	862	770	752
More than 1 year	13	4	1	9
Total	816	866	771	761

NOTE 22 Liabilities to credit institutions

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Liabilities in SEK	954	498	-	-
Liabilities in foreign currencies	4,720	4,191	4,720	4,191
Total	5,674	4,689	4,720	4,191
<i>of which, repos</i>	929	498	-	-

NOTE 23 Deposits from the public

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Consumers	75,122	65,501	75,122	65,501
Tenant-owners' associations	7,960	7,548	7,960	7,548
Corporates	28,813	23,720	28,813	23,720
Total	111,895	96,769	111,895	96,769

NOTE 24 Issued debt securities, etc.

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Commercial paper				
Commercial paper in SEK				
– at amortised cost	700	301	700	301
Commercial paper in foreign currency				
– at amortised cost	4,788	8,526	4,788	8,526
Total	5,488	8,827	5,488	8,827
Bond loans				
Bond loans in SEK				
– at amortised cost	76,789	81,752	18,437	22,664
– in fair value hedging	98,786	76,579	7,797	6,011
Bonds loans in foreign currency				
– at amortised cost	75,516	50,416	22,380	17,504
– in fair value hedging	17,938	29,833	16,261	16,468
Total	269,029	238,580	64,875	62,647
Total debt securities issued, etc.	274,517	247,407	70,363	71,474
<i>of which, covered bonds</i>	204,153	175,933	-	-

The bond loan conditions in SBAB's long-term funding programme include a possibility for the bondholder to demand premature redemption of the holder's bonds issued in such loan programmes if the Swedish state ceases to own the majority of the shares in SBAB and the Swedish state, before such change in ownership, has not taken steps to guarantee SBAB's commitments ensuing from the bond loan or the bondholders have accepted this in such a way as is described in the current terms and conditions. However, subordinated loans and additional Tier 1 capital issued under the long-term funding programme do not include the aforesaid conditions. Total funding under these programmes with the right to demand redemption amounted to SEK 64.5 million (61.9) at 31 December 2017.

NOTE 25 Other liabilities

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Trade payables	36	40	36	40
Employee withholding taxes	9	9	9	9
Liabilities to employees	234	202	221	189
Other	150	96	110	96
Total	429	347	376	334
<i>Other liabilities distributed by remaining maturity, carrying amount</i>				
Maximum 1 year	429	347	376	334
Total	429	347	376	334

NOTE 26 Accrued expenses and deferred income

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Accrued interest expense	1,539	1,842	236	274
Other accrued expenses	158	133	113	99
Total	1,697	1,975	349	373
<i>Accrued expenses and deferred income distributed by remaining maturity, carrying amount</i>				
Maximum 1 year	1,697	1,975	349	373
Total	1,697	1,975	349	373

NOTE 27 Deferred tax

SEK million	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
<i>Deferred tax assets (+)/tax liabilities (-) for temporary differences in:</i>				
Stock of financial instruments	-93	-65	-80	-50
Hedging instruments	3	-148	22	7
Intangible assets	-16	-10	-	-
Pension provision	21	14	-	-
Other	2	2	2	2
Total	-83	-207	-56	-41
<i>Change in deferred tax</i>				
Deferred tax in the income statement	-35	-89	-30	-97
Deferred tax attributable to items recognised directly against other comprehensive income	159	-71	15	4
Total	124	-160	-15	-93
<i>Deferred tax distributed by expected maturity date, carrying amount</i>				
More than 1 year	-83	-207	-56	-41
Total	-83	-207	-56	-41

NOTE 28 Provisions

SEK million	GROUP	
	2017	2016
Pension provisions	-78	-52
Provision for special employer's contribution on pensions	-19	-13
Total	-97	-65

PENSION PROVISIONS

Summary of defined-benefit pension plan, SEK million	GROUP	
	2017	2016
Present value of the obligation, closing balance	433	390
Fair value of plan assets	-355	-338
Pension provisions (excl. special employer's contributions)	78	52

RECONCILIATION OF CHANGE IN PRESENT VALUE OF OBLIGATION

SEK million	GROUP	
	2017	2016
Present value of the obligation, opening balance	390	326
Service costs during the current year	7	7
Interest expense	11	12
Gain/loss arising from changed financial assumptions	34	57
Experience-based gains/losses	-1	-3
Pension disbursements from plan	-11	-9
Gain/loss due to demographic assumptions	3	-
Present value of the obligation, closing balance	433	390

The weighted average maturity of the defined-benefit obligation is 20.05 years.

RECONCILIATION OF CHANGE IN PLAN ASSETS

SEK million	GROUP	
	2017	2016
Fair value of plan assets, opening balance	338	314
Interest income	10	11
Return on plan assets, excluding amounts included in interest expense/interest income	4	8
Premiums paid by employer	14	14
Pension disbursements from plan	-11	-9
Fair value of plan assets, closing balance	355	338

DISTRIBUTION OF PLAN ASSETS

%	GROUP	
	2017	2016
Swedish shares	2	2
Foreign shares	7	2
Government and government-guaranteed bonds	28	32
Mortgage institutions	18	24
Corporate bonds	34	32
Real estate and infrastructure	11	8
Total	100	100

The defined-benefit pension plan is secured through insurance with SPP Pension och Forsäkring AB. Through investments in shares, interest-bearing instruments and property, the insurance capital will track the performance of the financial markets. The aim of the management is to achieve a high and consistent return while ensuring a guaranteed increase in value.

FINANCIAL AND DEMOGRAPHIC ASSUMPTIONS

%	GROUP	
	2017	2016
<i>Financial assumptions</i>		
Discount rate	2.50	2.90
Annual salary increase	3.00	3.00
Annual inflation	2.00	2.00
Annual increase in income base amount	3.00	3.00
Annual increase in pension disbursements	2.00	2.00
<i>Demographic assumptions</i>		
Personnel turnover	8.00	9.00
Mortality table	DUS14	DUS14

SENSITIVITY ANALYSIS OF ASSUMPTIONS

Discount rate, SEK million	GROUP	
	2017	2016
<i>Assumption, %</i>	3.50	3.90
Present value of the obligation	355	321
Service costs during the current period	6	6
Interest expense	12	12
<i>Assumption, %</i>	1.50	1.90
Present value of the obligation	539	484
Service costs during the current period	10	10
Interest expense	8	9

The sensitivity analysis above is based on a change in one assumption while all other assumptions are kept constant. In the calculation of sensitivity in the defined-benefit obligation, the same method is applied as in the calculation of the reported pension provision.

For further information on pensions, see Note 1 Accounting policies and Note 7 Personnel costs.

NOTE 29 Subordinated debt and capital instruments

PARENT COMPANY AND GROUP

Loan designation	Currency	Nominal amount	Nominal amount outstanding	First possible redemption right for SBAB	Interest rate, % 31 December 2017	Maturity date	CARRYING AMOUNT, SEK million	
							2017	2016
SUBORDINATED DEBT								
Subordinated loan SEK 1 ¹⁾	SEK	800,000,000	–	2017	3 M STIBOR + 2.650	16 Nov 2022	–	800
Subordinated loan SEK 2 ¹⁾	SEK	200,000,000	–	2017	4.180	16 Nov 2022	–	200
Subordinated loan SEK 3 ²⁾	SEK	400,000,000	400,000,000	2020	3.825	Perpetual	398	397
Subordinated loan SEK 4	SEK	1,100,000,000	1,100,000,000	2020	3 M STIBOR + 3.250	Perpetual	1,095	1,093
Subordinated loan SEK 5	SEK	1,000,000,000	1,000,000,000	2020	3 M STIBOR + 1.300	11 June 2025	998	998
Subordinated loan SEK 6 ³⁾	SEK	600,000,000	600,000,000	2020	2.250	10 Nov 2025	601	601
Subordinated loan SEK 7	SEK	1,850,000,000	1,850,000,000	2020	3 M STIBOR + 1.900	10 Nov 2025	1,850	1,850
TOTAL							4,942	5,939
ADDITIONAL TIER 1 CAPITAL (equity)								
Subordinated loan SEK 8	SEK	725,000,000	725,000,000	2021	3 M STIBOR + 4.750	Perpetual	725	725
Subordinated loan SEK 9 ⁴⁾	SEK	775,000,000	775,000,000	2021	5.052	Perpetual	775	775
TOTAL							1,500	1,500

¹⁾ The loan was repaid in full as soon as redemption was allowed, on 16 November 2017.

²⁾ Interest rate: For the period 16 March 2015 to 16 March 2020: 3.825%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 3.250%.

³⁾ Interest rate: For the period 10 November 2015 to 10 November 2020: 2.250%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 1.900%.

⁴⁾ Interest rate: For the period 17 May 2016 to 17 June 2021: 5.052%. For the subsequent period: Floating interest corresponding to 3 month STIBOR plus 4.750%.

Subordinated loans are subordinate to the Parent Company's other liabilities, which means that they carry entitlement to payment only after other unsubordinated creditors have received payment. The subordinated loans SEK 3, SEK 4, SEK 8 and SEK 9 are subordinate to other subordinated loans, known as additional Tier 1 capital. The capital instruments issued in accordance with the more recent regulatory framework and which are included in own funds as additional Tier 1 capital comprised SEK 3 and SEK 4 (recognised as subordinated debt), and SEK 8 and SEK 9 (recognised as equity). The crucial difference between subordinated loans recognised respectively as subordinated debt or equity, is that subordinated loans rec-

ognised as subordinated debt include conditions that entail an obligation to make interest payments in the event that the regulatory authority no longer permits their inclusion in own funds as AT1 instruments under certain conditions.

Subordinated loans (capital instruments) that have not been redeemed are included in own funds when calculating the capital adequacy of the Parent Company and the Group.

For further information on the terms and conditions of SBAB's subordinated loans, see www.sbab.se and Note 2i Risk management – Capital adequacy analysis.

NOTE 33 Classification of financial instruments

GROUP

Financial assets

2017						
SEK million	Assets measured at FVTPL (held for trading)	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	Total fair value
Cash and balances at central banks			0		0	0
Chargeable treasury bills, etc.	5,386	7,966		9,600	22,952	22,953
Lending to credit institutions			1,867		1,867	1,867
Lending to the public			335,111		335,111	335,800
Value changes of interest-rate-risk hedged items in macro hedges			191		191	-
Bonds and other interest-bearing securities	7,425	33,715		8,624	49,764	49,822
Derivatives	5,830				5,830	5,830
Other assets			65		65	65
Prepaid expenses and accrued income	120	461	147	32	760	760
Total	18,761	42,142	337,381	18,256	416,540	417,097

2016						
SEK million	Assets measured at FVTPL (held for trading)	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	Total fair value
Cash and balances at central banks			0		0	0
Chargeable treasury bills, etc.	7,135	13,357			20,492	20,492
Lending to credit institutions			1,619		1,619	1,619
Lending to the public			296,022		296,022	297,118
Value changes of interest-rate-risk hedged items in macro hedges			396		396	-
Bonds and other interest-bearing securities	9,101	28,554		11,196	48,851	48,913
Derivatives	6,192				6,192	6,192
Shares and participations						
Other assets			52		52	52
Prepaid expenses and accrued income	157	453	144	67	821	821
Total	22,585	42,364	298,233	11,263	374,445	375,207

GROUP

Financial liabilities

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

2016				
SEK million	Liabilities measured at FVTPL (held for trading)	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		4,689	4,689	4,689
Deposits from the public		96,769	96,769	96,769
Issued debt securities, etc.		247,407	247,407	249,331
Derivatives	2,475		2,475	2,475
Other liabilities		219	219	219
Accrued expenses and deferred income		1,952	1,952	1,952
Subordinated debt		5,939	5,939	5,967
Total	2,475	356,975	359,450	361,402

Cont. **NOTE 33** Classification of financial instruments**PARENT COMPANY****Financial assets**

2017

SEK million	Assets measured at FVTPL (held for trading)	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	Total fair value
Cash and balances at central banks			0		0	0
Chargeable treasury bills, etc.	5,386	7,966		9,600	22,952	22,953
Lending to credit institutions			94,302		94,302	94,302
Lending to the public			22,912		22,912	23,010
Value changes of interest-rate-risk hedged items in macro hedges						
Bonds and other interest-bearing securities	7,425	33,715		8,624	49,764	49,822
Derivatives	6,240				6,240	6,240
Shares and participations						
Other assets			45		45	45
Prepaid expenses and accrued income	120	461	105	32	718	718
Total	19,171	42,142	117,364	18,256	196,933	197,090

2016

SEK million	Assets measured at FVTPL (held for trading)	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	Total fair value
Cash and balances at central banks			0		0	0
Chargeable treasury bills, etc.	7,135	13,357			20,492	20,492
Lending to credit institutions			1,507		1,507	1,507
Lending to the public			51,577		51,577	51,752
Value changes of interest-rate-risk hedged items in macro hedges						
Bonds and other interest-bearing securities	9,101	28,554		11,196	48,851	48,913
Derivatives	6,221				6,221	6,221
Shares and participations						
Other assets			36		36	36
Prepaid expenses and accrued income	157	453	39	67	715	715
Total	22,614	42,364	53,159	11,263	129,399	129,636

PARENT COMPANY

Financial liabilities

2017				
SEK million	Liabilities measured at FVTPL (held for trading)	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		4,720	4,720	4,720
Deposits from the public		111,895	111,895	111,895
Issued debt securities, etc.		70,363	70,363	70,506
Derivatives	5,340		5,340	5,340
Other liabilities		228	228	228
Accrued expenses and deferred income		323	323	323
Subordinated debt		4,942	4,942	4,942
Total	5,340	192,471	197,811	197,954
2016				
SEK million	Liabilities measured at FVTPL (held for trading)	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		4,191	4,191	4,191
Deposits from the public		96,769	96,769	96,769
Issued debt securities, etc.		71,474	71,474	71,657
Derivatives	6,075		6,075	6,075
Other liabilities		206	206	206
Accrued expenses and deferred income		349	349	349
Subordinated debt		5,939	5,939	5,967
Total	6,075	178,928	185,003	185,214

Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting Policies. In the "Total fair value" column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet. The carrying amounts for current receivables and liabilities have been assessed as equal to their fair values. Investments held to maturity were measured at quoted prices, Level 1. For Lending to the public, issued debt securities and subordinated debt, fair value is

established based on generally accepted valuation techniques. As far as possible, calculations made in conjunction with measurement are based on observable market data. The main tools used are models based on discounted cash flows. Issued debt securities and subordinated debt are measured at the Group's current borrowing rate, Level 2. For Lending to the public, where no observable credit margin data is available at the time of measurement, the credit margin on the most recent date for changes in terms is applied to set the discount rate, Level 3.

NOTE 34 Fair value disclosures

GROUP

SEK million	2017				2016			
	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.	13,352	-	-	13,352	20,492	-	-	20,492
Bonds and other interest-bearing securities	41,140	-	-	41,140	37,655	-	-	37,655
Derivatives	-	5,830	-	5,830	-	6,192	-	6,192
Prepaid expenses and accrued income	581	-	-	581	609	-	-	609
Total	55,073	5,830	-	60,903	58,756	6,192	-	64,948
Liabilities								
Derivatives	-	1,643	-	1,643	-	2,475	-	2,475
Total	-	1,643	-	1,643	-	2,475	-	2,475

PARENT COMPANY

SEK million	2017				2016			
	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.	13,352	-	-	13,352	20,492	-	-	20,492
Bonds and other interest-bearing securities	41,140	-	-	41,140	37,655	-	-	37,655
Derivatives	-	6,240	-	6,240	-	6,220	-	6,220
Prepaid expenses and accrued income	581	-	-	581	609	-	-	609
Total	55,073	6,240	-	61,313	58,756	6,220	-	64,976
Liabilities								
Derivatives	-	5,340	-	5,340	-	6,075	-	6,075
Total	-	5,340	-	5,340	-	6,075	-	6,075

Parent Company and Group

In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement methods used.

No transfers were made between levels in 2016 or 2017.

Quoted market prices (Level 1)

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

Measurement based on observable market data (Level 2)

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

Measurement based in part on unobservable market 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 35 Offsetting disclosures

GROUP

Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the balance sheet.

RELATED AMOUNTS NOT OFFSET IN THE BALANCE SHEET					
2017					
SEK million	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	Net amount
Assets					
Derivatives	5,830	-916	-122	-4,726	66
Repos	150	-150	-	-	-
Liabilities					
Derivatives	-1,643	916	-	715	-12
Repos	-929	150	774	-	-5
Total	3,408	-	652	-4,011	49

RELATED AMOUNTS NOT OFFSET IN THE BALANCE SHEET					
2016					
SEK million	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	Net amount
Assets					
Derivatives	6,192	-1,518	-	-4,015	659
Repos	118	-118	-	-	-
Liabilities					
Derivatives	-2,475	1,518	-	784	-173
Repos	-498	118	380	-	-
Total	3,337	-	380	-3,231	486

Repos are recognised in the balance sheet under the headings Lending and Liabilities to credit institutions, respectively. For further information on offsetting, see Note 2b Risk management – Credit risk in treasury operations, the section on Counterparty risk.

Cont. **NOTE 35** Offsetting disclosures**PARENT COMPANY**

Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the balance sheet.

RELATED AMOUNTS NOT OFFSET IN THE BALANCE SHEET					
2017					
SEK million	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	Net amount
Assets					
Derivatives	6,240	-1,490	-122	-4,704	76
Repos	-	-	-	-	-
Liabilities					
Derivatives	-5,340	1,490	-	715	-3,135
Repos	-	-	-	-	-
Total	900	-	-122	-3,989	-3,211

RELATED AMOUNTS NOT OFFSET IN THE BALANCE SHEET					
2016					
SEK million	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	Net amount
Assets					
Derivatives	6,221	-2,078	-	-4,015	128
Repos	-	-	-	-	-
Liabilities					
Derivatives	-6,075	2,078	-	784	-3,213
Repos	-	-	-	-	-
Total	146	-	-	-3,231	-3,085

NOTE 36 Related party disclosures

SBAB Bank AB (publ) is a Swedish public limited company that is wholly owned by the Swedish state.

Group companies

AB Sveriges S akerst allda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) and Booli Search Technologies AB are to be regarded as subsidiaries and recognised in accordance with the acquisition method, which entails the elimination of internal transactions at Group level. Transactions with related parties have taken place at market terms.

PARENT COMPANY

SEK million	GROUP COMPANIES		TOTAL	
	Assets/ Liabilities	Interest income/ Interest expense	Assets/ Liabilities	Interest income/ Interest expense
2017				
Lending to credit institutions	92,593	429	92,593	429
Derivatives	574	106	574	106
Other assets	89	-	89	-
Total	93,256	535	93,256	535
Derivatives	3,697	-901	3,697	-901
Other liabilities	-	-	-	-
Total	3,697	-901	3,697	-901

SEK million	GROUP COMPANIES		TOTAL	
	2016			
	Assets/ Liabilities	Interest income/ Interest expense	Assets/ Liabilities	Interest income/ Interest expense
Lending to credit institutions	55,123	524	55,123	524
Derivatives	645	434	645	434
Other assets	2	-	2	-
Total	55,770	958	55,770	958
Derivatives	3,826	-1,215	3,826	-1,215
Other liabilities	1	-	1	-
Total	3,827	-1,215	3,827	-1,215

Of the Parent Company's other commission income, SEK 14 million (26) pertained to the possibility for SCBC to utilise a liquidity facility at the Parent Company, refer to Note 4. The Parent Company also conducted administrative services on behalf of

Group companies for SEK 757 million (716), refer to Note 6. During the year, Booli invoiced SBAB for marketing expenses of SEK 0.8 million (2) and SBAB invoiced Booli SEK 0.5 million (-) for time invested by corporate management.

LOANS TO THE BOARD, CEO AND OTHER KEY SENIOR EXECUTIVES

SEK million	2017		2016	
	Lending	Interest income	Lending	Interest income
Loans to key personnel				
CEO	-	-	-	-
Board of Directors	7	0	5	0
Other key senior executives	6	0	5	0
Total	13	0	10	0

The CEO and the Board of Directors refer to the Parent Company. Wherever relevant, the managing directors and boards of other Group companies are included under "Other key senior executives."

Lending to Board Members of SBAB Bank AB (publ) or to employees holding key positions in the company may not occur on terms that are not available to other per-

sonnel. The ceiling for total capital debt on preferential terms is SEK 2,000,000 per household on the condition that the loan is within 85% of the property's LTV. On preferential loans of up to SEK 2,000,000, a 2 percentage point discount is given against SBAB's current list rate. The preferential loan is taxable. The interest rate received after the discount must not be less than 0.25%.

SEK million	2017		2016	
	Deposits	Interest expense	Deposits	Interest expense
Deposits from key personnel				
CEO and other key senior executives	4	0	4	0
Board of Directors	1	0	2	0
Total	5	0	6	0

The CEO and the Board of Directors refer to the Parent Company. Wherever relevant, the managing directors and boards of other Group companies are included under "Other key senior executives." Deposits from key personnel are made on the same terms and conditions as other deposits in the company.

NOTE 37 Operating segments

Operating segments are reported in accordance with IFRS 8 Operating Segments, which means that the segment information is presented in a manner that corresponds to that applied internally for monitoring and control purposes. The Group has identified the CEO as the chief operating decision maker and the internal reporting used by the CEO to monitor and make decisions regarding the allocation of resources as the basis for the information to be presented.

The Retail operating segment includes the Retail Market and the Partner Market. The Retail Market includes loans for single-family homes, holiday homes and tenant-

owned apartments, as well as all retail deposits. Corporate Clients & Tenant-Owners' Associations mainly include lending to multifamily dwellings as well as commercial properties. The item Net result of financial transactions, which derives from treasury operations, has not been distributed and is included in Other. The expenses are allocated to the business areas, using distribution quotas.

GROUP

Income statement by segment, SEK million	2017				2016			
	Retail	Corporate Clients & Tenant-Owners' Associations	Other	Total	Retail	Corporate Clients & Tenant-Owners' Associations	Other	Total
Net interest income	2,431	718	-	3,149	2,221	608	-	2,829
Commission income	52	21	-	73	86	17	-	103
Commission expense	-57	-21	-	-78	-47	-15	-	-62
Net result of financial transactions	0	16	-28	-12	-	4	44	48
Other operating income	31	0	0	31	0	0	0	0
Total operating income	2,457	734	-28	3,163	2,260	614	44	2,918
Salaries and remuneration	-230	-62	0	-292	-198	-59	3	-254
Other personnel costs	-167	-47	0	-214	-152	-44	1	-195
Other expenses	-345	-77	0	-422	-333	-84	4	-413
Depreciation, amortisation and impairment of PPE and intangible assets	-24	-7	-	-31	-22	-5	-	-27
Net loan losses	7	17	-	24	-13	-5	-	-18
Operating profit/loss	1,698	558	-28	2,228	1,542	417	52	2,011
Tax	-394	-131	6	-519	-338	-92	-11	-441
Profit/loss after standardised tax	1,304	427	-22	1,709	1,204	325	41	1,570
Return on equity, %	14.4	8.8		12.5	14.7	8.1		12.3

In relation to the statutory income statement, an expense of SEK 27 million (expense: 37) was transferred between the rows "Other personnel costs" and "Other expenses." The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring.

The return on equity is calculated as earnings after tax in relation to average equity, after adjustment for additional Tier 1 instruments and value changes in

financial assets recognised in equity. The comparative figures for 2016 have not been restated.

The Group does not have a single customer which accounts for more than 10 per cent of its total income.

NOTE 38 Five-year overview

PARENT COMPANY

SEK million	2017	2016	2015	2014	2013
Interest income	1,317	1,300	1,419	2,758	3,243
Interest expense	-1,023	-974	-1,258	-2,423	-2,960
Net interest income	294	326	161	335	283
Other operating income	809	910	552	1,124	778
Total operating income	1,103	1,236	713	1,459	1,061
Depreciation of PPE and amortisation of intangible assets	-12	-15	-22	-22	-20
Other operating expenses	-951	-857	-788	-878	-851
Total operating expenses	-963	-872	-810	-900	-871
Profit/loss before loan losses	140	364	-97	559	190
Net loan losses	13	-9	-51	1	-14
Operating profit/loss	153	355	-148	560	176
Lending portfolio ¹⁾	22,912	51,577	81,207	43,866	48,758
Other assets	184,498	143,567	99,466	113,069	112,937
TOTAL ASSETS	207,410	195,144	180,673	156,935	161,695
Deposits from the public	111,895	96,769	76,639	60,610	45,869
Issued debt securities, etc.	70,363	71,474	76,925	68,182	91,316
Other liabilities	10,785	10,973	11,093	13,495	10,310
Deferred tax liabilities	56	41	-	-	133
Subordinated debt	4,942	5,939	7,943	5,946	5,791
Equity	9,369	9,948	8,073	8,702	8,276
Total liabilities and equity	207,410	195,144	180,673	156,935	161,695
CET1 capital ratio, %	22.4	24.5	22.4	28.4	35.3

¹⁾ The Parent Company continuously transfers loans to the subsidiary, Swedish Covered Bond Corporation (SCBC).

NOTE 39 Business combinations

Acquisitions in 2016

In December 2015, SBAB agreed to acquire 71% of the shares in Booli Search Technologies AB with affiliates (Booli). The day of taking possession was the 14 January 2016, which is the date on which control was obtained. For the remaining shares and issued warrants, both put and call options exist. The put option liability is calculated at the present value of the exercise price based on the option clauses in the contract and, as a consequence, the acquisition of Booli is recognised without any non-controlling interest at the day of taking possession.

Booli develops products and services focusing on the housing market. The company's services include www.booli.se, which is one of Sweden's largest real-estate search services with approximately 270,000 unique users per week. SBAB believes the acquisition will strengthen the company's competitiveness, its position in the residential mortgage market and the customer offering. Booli Search Technologies AB is a subsidiary of SBAB and will be a part of the Retail business area. Booli is operated as a separate business unit under the Booli trademark.

Net assets acquired at the acquisition date:	Fair value recognized on acquisition
Property, plant and equipment	0
Intangible assets, of which	80
– Databases/software	3
– Trademarks	3
– Deferred tax	-1
– Goodwill	75
Accounts and other receivables	3
Cash and cash equivalents	7
Trade and other payables	-4
Net assets and consideration	86

The consideration consists of:	Fair value recognized on acquisition
Cash	59
Liability to the owners of the remaining shares and warrants	27

At the time of acquisition, intangible assets have been identified and consist mainly of trademarks/domain names and software/databases. The acquisition also led to the creation of goodwill, which is attributable to synergy effects. The transaction costs related to the acquisition were charged to profit or loss under Other expenses.

Analysis of the acquisition's impact on consolidated cash flows:	Fair value recognized on acquisition
Consideration	59
Settled:	
Cash and cash equivalents (acquired)	7
Net cash outflows	52

NOTE 40 Proposed appropriation of profits

SBAB posted a net profit for the year after tax of SEK 90,541,036. According to SBAB's balance sheet, SEK 7,019,314,418 is at the disposal of the Annual General Meeting.

Fair value reserve	157,278,128
Additional Tier 1 instruments	1,500,000,000
Retained earnings	5,271,495,254
Net profit for the year	90,541,036
Total	7,019,314,418

The Board proposes that the earnings be appropriated as follows:

A dividend payment of SEK 34,915 per share, in total	683,740,445
Carried forward to next year	6,335,573,973
Total	7,019,314,418

NOTE 41 Events after the balance sheet date

At an extraordinary general meeting on February 15, 2018, Jan Sinclair was elected as a member of the Board for the period until the end of the next Annual General Meeting.

SUSTAINABILITY NOTES

Sustainability is reported as an integrated part of our Annual Report. Our sustainability reporting follows the Global Reporting Initiative's (GRI) guidelines, GRI Standards: Core option, and has been reviewed by the auditing firm Deloitte in accordance with the Assurance Report on page 146. It also constitutes SBAB's Communication on Progress (COP) to the UN Global Compact, sustainability report in accordance with the Swedish Annual Accounts Act as well as information on how SBAB contributes to the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development.

NOTE 1 Information about the report

SBAB complies with the Government Offices of Sweden's special Guidelines for external reporting by state-owned enterprises, adopted by the Swedish Government on 22 December 2016. The guidelines are to be applied for reports submitted for fiscal years starting from January 1, 2017 and replace the previous guidelines that were decided in 2007. These guidelines are included in the state's ownership policy.

Report defined by the Board of Directors

The Board of Directors have signed, and thereby submitted, the Annual Report in its entirety. The formal Annual Report is to be found in specially marked sections, which are also apparent from the table of contents. The Sustainability Report, excluding the Corporate Governance Report, constitutes the remaining part of this Annual Report.

The Global Reporting Initiative's (GRI) reporting framework

SBAB's Annual Report pertains to the 2017 calendar year. SBAB applies the GRI's framework for sustainability reporting, GRI Standards: Core option, including GRI G4 Sector Disclosures, Financial Services. The separate GRI/COP index on page 139 sets out which parts of the Annual Report constitute SBAB's Sustainability Report pursuant to the GRI.

UN Global Compact & the 2030 Agenda for Sustainable Development

The state's ownership policy stipulates that state-owned enterprises should serve as role models in the area of sustainable business and otherwise act in a manner that generates public confidence. Acting as a role model includes working strategically and transparently with a focus on a collaborative approach. These efforts are inspired and guided by international guidelines including the UN Global Compact as well as the 17 SDGs of the 2030 Agenda for Sustainable Development.

UN Global Compact, Communication on Progress (COP)

SBAB joined the UN Global Compact in 2009. SBAB's commitment to the Global Compact means that SBAB reports its work on implementing the Ten Principles of the Global Compact in an annual Communication on Progress (COP). The separate GRI/COP index on page 139 states which parts of the Integrated Annual Report constitute SBAB's Communication on Progress, which is based on the BASIC GUIDE Communication on Progress, GC Active Level, developed by the Global Compact.

2030 Agenda for Sustainable Development

The state's ownership policy states that, within the framework of their operations, state-owned enterprises must analyse the SDGs contained in the 2030 Agenda for Sustainable Development to identify which goals the company can influence and contribute to through its activities. Companies are also expected to identify business opportunities that contribute to achieving the SDGs. SBAB has identified four SDGs as being of material significance for the business. These are presented in more detail on page 11. SBAB's contribution to the respective goals is presented in the separate GRI/COP index on page 139 and freestanding on page 141. The selected goals have been chosen based on extensive analysis in the form of internal workshops and ranking exercises within operations, the Executive Management and the Board.

Sustainability reporting in accordance with the Swedish Annual Accounts Act

From financial years starting after 31 December 2016, large undertakings must report sustainability in line with the new rules in the Swedish Annual Accounts Act pertaining to sustainability reporting. The provisions are based on an amendment to the EU Accounting Rules Directive (Directive 2014/95/EU of the European Parliament and the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. Under the new rules, a sustainability report is a report containing the requisite sustainability information to enable gaining an understanding of the company's development, position and performance as well as the consequences for the operations. This information should encompass questions pertaining to the environment, social conditions, personnel, respect for human rights and anti-corruption efforts. SBAB's Sustainability Report has been prepared in line with the GRI's framework for sustain-

ability reporting, GRI Standards: Core option. The separate GRI/COP index on page 139 sets out which parts of the Annual Report constitute SBAB's Sustainability Report pursuant to the GRI.

The report's scope and boundaries

The Annual Report encompasses the Parent Company, SBAB Bank AB (publ). The wholly owned subsidiaries AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) and Booli Search Technology AB issue their own annual reports. The Sustainability Report encompasses the Parent Company, SBAB Bank AB (publ), the wholly-owned subsidiary AB Sveriges Säkerställda Obligationer (publ) and, unless otherwise stated, Booli Search Technologies AB.

Changes in the report

This year's report is based on a new stakeholder and materiality analysis that was completed in 2017. The analysis on which SBAB's 2016 report was based dated back to 2013. The target areas and targets for SBAB's sustainability efforts have been updated in line with the analysis ahead of 2018. From 2017, SBAB reports in line with the GRI Standards: Core option (previously, GRI G4 – Core option).

Audit and limited assurance report

The report defined by the Board of Directors clarifies which parts of SBAB's Annual Report constitute the formal Annual Report, and therefore have been subject to audit. The sections that do not constitute the Annual Report constitute SBAB's Sustainability Report according to GRI and have been subject to a limited assurance review by the auditors in their entirety, except in the sections made available through links. The Corporate Governance Report is subject to a statutory review, which is less comprehensive than an audit or auditor's review. Deloitte submits an audit report for the Annual Report and the Corporate Governance Report, and a separate limited assurance report for the Sustainability Report/COP.

NOTE 2 Stakeholder and materiality assessment

SBAB's Sustainability Report has been prepared pursuant to the GRI's principles for defining report content and quality. Stakeholder dialogues and materiality assessments form the basis for SBAB's prioritised sustainability topics.

Formats for continuous stakeholder dialogues

SBAB has identified a number of particularly important stakeholder groups that all affect and are affected by the bank's operations, such as customers, employees, the owner, investors, stakeholder organisations and the general public. We maintain continuous dialogues with our stakeholders to set the right priorities for business development and our sustainability work. A more exhaustive description of the dialogue with our stakeholders is available in the table on page 18.

Stakeholder and materiality assessment

We report the results of our sustainability efforts in line with the GRI, which includes identifying and prioritising material sustainability topics.

In autumn 2016, a new stakeholder and materiality assessment was completed. This work included 15 interviews with Board members, the Executive Management, employees, the owner, corporate customers, business partners, stakeholder organisations and NGOs, which were conducted as face-to-face meetings and by telephone. Moreover, an online survey was conducted of SBAB's retail customers, around 600 customers in total. Listening to our stakeholders is important for identifying the financial, societal and environmental sustainability topics that are material for our operations.

By utilising input from the interviews and online surveys together with secondary sources, such as employee and brand surveys, an internal exercise was carried out, with representatives from operations and the Executive Management, with the aim of agreeing on a gross list of SBAB's material sustainability topics.

These efforts identified a total of 18 material sustainability topics, which are presented in the table on the following page.

IDENTIFICATION OF MATERIAL SUSTAINABILITY TOPICS

#	Sustainability topic
1	Financial stability
2	Profitability and growth
3	Customer experience
4	Risk and compliance
5	Anti-corruption
6	Innovation and product and service development
7	Sustainable IT platform
8	Transparency
9	Brand
10	Responsible mortgage provider
11	An attractive workplace
12	Corporate culture and values
13	Social requirements for corporate customers and suppliers
14	Community engagement
15	Popular education
16	Offering of green products and services
17	Climate impact and use of resources
18	Environmental and climate requirements for customers and suppliers

During a second exercise at the start of 2017, the Executive Management prioritised and identified the sustainability topics. All subjects interviewed were given the opportunity for such prioritising as part of the process. The results from the exercise are presented in the following diagram.



How the material sustainability topics have been reported

SBAB’s sustainability efforts and its operations are based on the stakeholder and materiality assessment and driven in three target areas: Responsibility and transparency; Attractive workplace; and Sound finances. For each target area, we have adopted fixed strategies and activities, overall targets and metrics, and determined how the results should be reported. Activities, targets and metrics are reviewed each year in conjunction with the business planning process. Since 2017, SBAB’s business plan has been fully integrated, which means that SBAB does not differentiate between business targets and sustainability targets. SBAB’s targets are presented on page 21 of this report.

14 of the 18 sustainability topics identified through stakeholder and materiality assessments are reported as material in SBAB’s sustainability report. These are reported in our three target areas as follows:

Responsibility and transparency

- Customer experience
- Sustainable IT platform
- Transparency
- Brand
- Community engagement
- Innovation and product and service development
- Responsible mortgage provider
- Offering of green products and services
- Risk and compliance
- Anti-corruption

An attractive workplace

- An attractive workplace
- Corporate culture and values

Sound finances

- Financial stability
- Profitability and growth

The above responsibility issues have been delimited in the report to include SBAB’s direct efforts and are reported using at least one GRI indicator per material topic (see the GRI/COP index, page 139). SBAB’s material impact is downstream in the production chain, that is, in connection with our lending.

NOTE 3 Responsibility and governance

Within SBAB, the Board is ultimately responsible for ensuring that proactive, long-term efforts to achieve sustainable development are carried out within the company. The Board of Directors decides on strategy, objectives and a policy for sustainable business. Furthermore, the Board monitors and assesses SBAB’s sustainability efforts.

The Executive Management presents the company’s strategic business plan, including its aims, direction and objectives for sustainability efforts, in conjunction with deciding the business plan and budget. From 2017, SBAB’s sustainability efforts are fully integrated in SBAB’s business plan. The Executive Management control and take decisions on priorities and strategic direction for sustainability in accordance with the decided business strategy.

The Sustainable business function (Sustainability and Strategic Communication), with one representative in the Executive Management, is responsible for, in consultation with operations, preparing and facilitating SBAB’s sustainability agenda, including strategy, objectives and activities.

To optimise the integration and focus of sustainability efforts, SBAB has a Sustainability Forum that meets regularly. The Sustainability Forum is a working group with representatives from across the company tasked primarily with evaluating and prioritising larger and more significant ideas pertaining to sustainability. The Forum’s members should also help the business inspire, educate and facilitate these efforts. The Head of Sustainability and Strategic Communication is responsible for this forum.

Governance, follow-up and responsibility by target area

SBAB has decided on direct measurable goals for the respective target areas. At company level, a number of metrics exist for the respective target areas, which are measured and reported to the CEO and Board each month. These goals are formulated within the framework of the annual business planning. Based on the company’s overriding business plan, operational goals and activities are in place at a departmental and functional level.

Responsibility and transparency

The ongoing governance and follow-up of goals linked to the Responsibility and transparency target area is allocated between the Retail Corporate Clients & Tenant-Owners’ Associations and Sustainability and Strategic Communication business areas.

Read more about the target area on page 22.

An attractive workplace

SBAB’s HR department is responsible for the ongoing governance and follow-up of the goals linked to the Attractive workplace target area.

Read more about the target area on page 32.

Sound finances

The goals in the Sound finances target area comprise financial goals from our owner, the Swedish state. SBAB’s accounting and treasury department are responsible for the ongoing governance and follow-up of these goals.

Read more about the target area on page 38.

NOTE 4 SBAB's climate impact

We are a digital bank. We have no branch offices and are mainly reached by our digital channels and over the telephone. This enables us to avoid unnecessary transportation and the operation of a number of branch offices around the country, which contributes to the relatively small size of our direct environmental impact. However we still want to reduce any impact we have and have therefore measured our carbon dioxide emissions since 2008.

As employees, we contribute to the company's ambitions by taking personal responsibility and, for example, utilise the office's waste sorting facilities, turn off lights and computers when we leave, use paper and printing frugally, and travel by rail instead of air whenever possible. Each employee is also responsible for noticing, driving and developing resource and energy-saving work methods that contribute to reducing the environmental impact. In recent years, SBAB has implemented a series of measures and activities to reduce the company's impact on the environment. We buy green electricity from renewable energy sources to all of our offices. The property we rent in Solna is BREEAM certified as Good.

The table data below shows greenhouse gas emissions expressed in carbon dioxide equivalents, CO₂e. Unless otherwise stated, we report in tonnes of CO₂e.

SBAB's climate report for 2017 was conducted in collaboration with the company U&We using the Our Impacts computer tool and is available in full at www.sbab.se.

SBAB has appointed a working group to prepare internal goals aimed at reducing carbon dioxide emissions from our own operations. The aim is to present these goals in the report for 2018.

EMISSIONS DIVIDED BY SCOPE ¹⁾

Emissions tCO ₂ e	2017	2016	2015	2014	2013
Total	183.9	185.5	158.6	170.9	200.2
Scope 1	17.0	16.9	13.7	12.6	10.0
Scope 2	22.9	26.1	54.5	86.0	89.4
Scope 3	144.0	142.5	90.4	72.2	100.8

EMISSIONS DIVIDED BY SOURCE ¹⁾

Emissions tCO ₂ e	2017	2016	2015	2014	2013
District heating	23.9	25.0	45.4	69.7	71.6
Electricity	10.8	14.1	15.0	16.6	18.1
Waste for incineration	0.4	2.5	0.2	0.1	0.1
Vehicles	21.4	20.4	15.0	13.3	11.1
Air travel	115.9	108.2	65.7	59.3	85.9
Rail travel	0.4	1.5	1.3	1.1	1.2
Vehicles used by employees	7.3	11.3	16.0	10.8	12.4
Taxi ²⁾	3.7	2.4	n/a	n/a	n/a
District cooling ²⁾	0.1	0.1	n/a	n/a	n/a
Total	183.9	185.5	158.6	170.9	200.2

¹⁾ Data excluding the subsidiary Booli Search Technologies AB.

²⁾ New values for 2016.

NOTE 5 Suppliers and purchases

SBAB's supply chain includes suppliers of various services and materials. Examples of these are IT-systems, office materials, and consultancy and advisory services. In 2016, we initiated a systematic project to continuously consolidate the number of suppliers and to review existing agreements to evaluate potential savings. These efforts continued in 2017. This work was led by SBAB's purchasing function, together with representatives from operations to ensure that our purchasing needs are coordinated. In 2017, SBAB's supplier code has been attached to all material agreements. The code addresses SBAB's view and expectations of our suppliers' sustainability efforts and compliance with international guidelines and principles. It also addresses SBAB's view of workplace sexual harassment. The code is published on our website: www.sbab.se. All new, material agreements entered into by SBAB in 2017 currently include the supplier code. We intend to continue the ongoing development of our supplier code to ensure increased focus on responsibility and sustainability across the entire supply chain. Our aim over time, is to only enter into contracts with suppliers that comply with SBAB's adopted sustainability criteria and to follow up compliance on an ongoing basis. Moving forward, our aim is also to conduct internal training on the code for all management at SBAB and to ensure that all business-critical agreements are supplemented with the supplier code and/or a deviation form.

NOTE 6 Other memberships of associations

Since 2012, SBAB has been a member of the Swedish Financial Coalition against child pornography. The Financial Coalition collaborates with ECPAT with the aim of preventing and rendering it more difficult to trade in pictures featuring sexual abuse of children through financial systems on the internet. SBAB is also a member of diverse branch-related organisations.

NOTE 7 Marketing Communication

Communication is a broad term that includes both financial reporting and customer dialogue. Regardless of the occasion or target group, it is critical to how SBAB's brand is perceived in the market. For brand management to be effective in the long-term, all communication must be coordinated and adhere to a number of overarching guidelines.

SBAB's Communication instruction regulates SBAB's external and internal communication and information disclosure. This instruction also aims to ensure that SBAB's information disclosure to the market is correct, relevant and complies with applicable laws and regulations. We have three underlying instructions: Instruction for strategic communication; Instruction for financial communication; and Instruction for marketing.

SBAB's Direction for the marketing process aims to describe the work process SBAB is to follow in its marketing activities. It is a tool aimed at ensuring compliance with applicable regulations. The direction is aimed at the personnel working with marketing and communication at SBAB.

SBAB had no incidents of non-compliance with regulations and voluntary codes concerning marketing communication during the year.

NOTE 8 Policies and instructions

Each year, SBAB's Board of Directors adopts a number of policies and instructions at the statutory Board meeting. These are an important part of the internal governance and help the company to promote sustainable business and to create a consensus on company-wide issues and areas.

For example, the Board of SBAB has adopted policies and instructions covering Sustainable Business, Ethics, Equality and Diversity, Remuneration, Complaints Handling, Independent Risk Control, Internal Audit, Measures to Preventing Money Laundering and the Financing of Terrorism as well as Compliance with Financial Sanctions and Recovery Plan.

In addition to policies and instructions decided by the Board, there are a number of instructions decided by the CEO or by persons with authority delegated by the CEO. Examples of such instructions include Governance documents, Outsourcing, Authorisation Instruction, Communication, Working Environment, Against Bribes and other Corruption, Bank Confidentiality, Whistleblower Process, IT Governance and Security.

NOTE 9 Green Bonds Impact Reporting

The framework for selecting the projects to be financed through SBAB's green bonds has been reviewed and analysed by CICERO, the Center for International Climate and Environmental Research – Oslo. Under this framework, the funds that SBAB raises through green bonds are to be used exclusively to finance or refinance residential properties that meet a number of energy-efficiency criteria or certain environmental certifications. The framework and CICERO's statement are available at www.sbab.se.

At year-end 2017, Eligible projects within the Green Bonds Framework totalled SEK 5.5 billion (in the form of construction loans and mortgage loans), distributed between 28 properties.

Eligible projects within SBAB's Green Bond Framework are estimated to generate an annual reduction in GHG emissions corresponding to 1,365 tonnes CO₂e. SBAB's share of the financing, based on expected amounts disbursed relative to the production cost, is expected to correspond to an annual reduction of 1,134 tonnes CO₂e. That in turn corresponds to a reduction of 0.2 tonnes CO₂e per expected disbursed SEK million and year.

The expected reduction in GHG emissions has been calculated based on how much less energy each Eligible projects' actual or expected energy consumption is compared with the allowed consumption as stated in the National Board of Housing, Building and Planning's building codes. Thereafter, reduction in GHG emissions have been estimated for each Eligible project based on average GHG emissions per kWh. ¹⁾

SBAB's Green Bonds Impact Report 2017 is available in full at www.sbab.se.

¹⁾ Source: Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting, October 2017

NOTE 10 Employee data ¹⁾

AGE DISTRIBUTION WOMEN/MEN

Age distribution at 31 December 2017	PERCENTAGE DISTRIBUTION (%)		
	Women	Men	Total
20–29	7	9	17
30–39	15	16	31
40–49	16	11	27
50–59	13	9	22
60–69	3	1	4
Total	54	46	100

LENGTH OF EMPLOYMENT WOMEN/MEN

Length of employment at 31 December 2017	PERCENTAGE DISTRIBUTION (%)		
	Women	Men	Total
<3 years	25	26	51
4–6 years	6	6	12
7–9 years	5	3	8
10–12 years	2	2	4
13–15 years	1	1	2
>16 years	15	7	22
Total	54	46	100

KEY EMPLOYEE FIGURES

Key figures	2017	2016	2015	2014	2013
Total number of employees at the end of the year ²⁾	506	485	429	397	436
of whom, women ²⁾ , %	54	53	52	56	55
Temporary employees ³⁾ , %	1.6	1.6	1.3	0.5	1.3
Part-time employees ³⁾ , %	1.4	2.5	1.7	2.1	2.1
Average age, years	41	41	41	43	42
People who left the company over the year	74	62	58	78	31
People who joined the company over the year	100	113	100	39	82
Personnel turnover, %	14	12	13	18	7
Equality					
Share of women on the Board of Directors ⁴⁾ , %	44	36	50	50	50
Share of women in the Executive Management, %	40	33	30	43	33
Share of female managers, %	45	45	44	41	41
Proportion of male employees, receiving parental leave allowance, %	47	41	24	28	28
Sick leave and wellness					
Short-term sick leave, %	2.0	2.1	1.9	1.9	2
Long-term sick leave, %	1.7	1.7	2.0	0.9	0.7
Total sick leave, %	3.7	3.8	3.9	2.8	2.7
Use of health-promotion contribution by all employees, %	79	74	69	75	76

¹⁾ Employee data excluding the subsidiary Booli Search Technologies AB.

²⁾ Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence.

³⁾ Total number of employees at the end of the year.

⁴⁾ Pertains to the Board of the Parent Company SBAB Bank AB (publ).

GRI/COP INDEX

GENERAL DISCLOSURES (CORE OPTION) (2017)




GRI Standard	Description	Page reference	Comment/Omission	UNGC principle	Global Sustainable Development Goals
Organisational profile					
102-1	Name of the organisation		SBAB Bank AB (publ)		
102-2	Activities, brands, products and services	1, 8-9, 50-56			
102-3	Location of headquarters		Solna, Sweden		
102-4	Location of operations		SBAB only has operations in Sweden		
102-5	Ownership and legal form		Limited company. SBAB is wholly owned by the Swedish government.		
102-6	Markets served	1, 50-56			
102-7	Scale of the organisation	1, 38-41, 48-56			
102-8	Information on employees and other workers	32-37, 138			8
102-9	Supply chain	137		4, 5	
102-10	Significant changes to the organization and its supply chain		No significant changes during the reporting period		
102-11	Precautionary principle	24-25, 28-29, 31, 135, 137			
102-12	External initiatives	135			
102-13	Memberships of associations	135, 137			
Strategy					
102-14	Statement from senior decision-maker	4-5, 64-65	Statements from the CEO and the Chairman		
Ethics and integrity					
102-16	Values, principles, standards, and norms of behaviour	16-17, 31, 137		10	
Governance					
102-18	Governance structure	136			
Stakeholder engagement					
102-40	List of stakeholder groups	18			
102-41	Collective bargaining agreements		All employees, except the CEO, are covered by collective bargaining agreements	3	
102-42	Identifying and selecting stakeholders	18-19, 135-136		3	
102-43	Approach to stakeholder engagement	18-19, 135-136			
102-44	Key topics and concerns raised	18-19, 135-136			
Reporting practice					
102-45	Entities included in the consolidated financial statements	135			
102-46	Defining report content and topic Boundaries	18-19, 135-136			
102-47	List of material topics	18-19, 135-136			
102-48	Restatements of information	135			
102-49	Changes in reporting	135			
102-50	Reporting period		1 January–31 December 2017		
102-51	Date of most recent report		31 March 2017		
102-52	Reporting cycle		Updated annually as at 31 December		
102-53	Contact point for questions regarding the report	148			
102-54	Claims of reporting in accordance with the GRI Standards	135			
102-55	GRI content index	139			
102-56	External assurance	135, 146			

TOPIC-SPECIFIC DISCLOSURES

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG	Sustainability topic in SBAB's materiality assessment
ECONOMIC PERFORMANCE						
201: ECONOMIC PERFORMANCE – BOUNDARIES: WITHIN SBAB						
103-1 – 103-3	Management approach	136				Financial stability
201-1	Direct economic value generated and distributed	39			8	Profitability and growth
205: ANTI-CORRUPTION – BOUNDARIES: WITHIN SBAB						
103-1 – 103-3	Management approach	136				Anti-corruption
205-2	Communication and training about anti-corruption policies and procedures	31		10		
205-3	Confirmed incidents of corruption and actions taken	31	No incidents of corruption were reported during the year	10		
ENVIRONMENTAL						
305: EMISSIONS – BOUNDARIES: WITHIN SBAB						
103-1 – 103-3	Management approach	136				Climate impact and use of resources
305-1	Direct (Scope 1) GHG emissions	29, 137		7, 8	12, 13	
305-2	Energy indirect (Scope 2) GHG emissions	29, 137		7, 8	12, 13	
305-3	Other indirect (Scope 3) GHG emissions	29, 137		7, 8	12, 13	
SOCIAL						
403: OCCUPATIONAL HEALTH AND SAFETY – BOUNDARIES: WITHIN SBAB						
103-1 – 103-3	Management approach	136				An attractive workplace
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	138	It is only relevant for SBAB to report sick leave. Divergencies: statistics not broken down by gender or region		8	
404: TRAINING AND EDUCATION – BOUNDARIES: WITHIN SBAB						
103-1 – 103-3	Management approach	136				An attractive workplace
404-3	Percentage of employees receiving regular performance and career development reviews	33-35	Divergencies: statistics not broken down by gender or employment category		8	
405: DIVERSITY AND EQUAL OPPORTUNITY – BOUNDARIES: WITHIN SBAB						
103-1 – 103-3	Management approach	136				An attractive workplace
405-1	Diversity of governance bodies and employees	138	Divergencies: statistics not broken down by minority group membership	6	8	Corporate culture and values
406: NON-DISCRIMINATION – BOUNDARIES: WITHIN SBAB						
103-1 – 103-3	Management approach	136		1, 2		An attractive workplace
406-1	Incidents of discrimination and corrective actions taken	36	No significant cases were reported during the year	6	8	Corporate culture and values
413: LOCAL COMMUNITIES – BOUNDARIES: WITHIN SBAB						
103-1 – 103-3	Management approach	136				Responsible mortgage provider Community engagement
413-1	Operations with local community engagement, impact assessments, and development programs	25, 42-43				
417: MARKETING AND LABELING – BOUNDARIES: WITHIN SBAB						
103-1 – 103-3	Management approach	136				Customer experience
417-2	Incidents of non-compliance concerning product and service information and labeling	137	No significant cases were reported during the year			Transparency Brand
417-3	Incidents of non-compliance concerning marketing communications	137	No significant cases were reported during the year			Responsible mortgage provider
418: CUSTOMER PRIVACY – BOUNDARIES: WITHIN SBAB						
103-1 – 103-3	Management approach	136				Risk and compliance Sustainable IT platform
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	31	No significant cases were reported during the year			
419: SOCIOECONOMIC COMPLIANCE – BOUNDARIES: WITHIN SBAB						
103-1 – 103-3	Management approach	136				Risk and compliance
419-1	Non-compliance with laws and regulations in the social and economic area	31, 137	Significant fines or sanctions imposed on the organisation for non-compliance with laws and regulations			
FINANCIAL SERVICES SECTOR DISCLOSURES (GRI G4)						
PRODUCT PORTFOLIO						
G4-DMA	Management approach	136		1-10		Offering of green products and services Innovation and product and service development
G4-FS8	Products and services designed to deliver a specific environmental benefit	28-29, 137		1-10	8, 13	

SUSTAINABLE DEVELOPMENT GOALS



SDG	Targets	Examples of SBAB's activities	Page reference	Associated targets
 SDG 8: Decent work and economic growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries	Contribute to GDP growth and jobs in Sweden	32-41	8.1
		Promote transparency in the housing and residential mortgage market	26	8.10
		Equality and diversity plan including goals	37	8.5
		Annual salary surveys to prevent non-objective salary differences and salary discrimination	36	8.5
		Entry-level jobs for new arrivals	37	
	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	Volunteering opportunities for all employees	43	
	8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all	Collaboration with Boost by FC Rosengård to increase employment among young people	43	8.5 & 8.10
		Set ethical requirements for suppliers through the supplier code of conduct	137	8.5
 SDG 11: Sustainable cities and communities Make cities and human settlements inclusive, safe, resilient and sustainable	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums	Green loans for green environmental and energy measures in homes and properties.	28	
		Financing new housing production to increase access to housing in Sweden	29	11.1
		Collaboration with Stockholms Stadsmission, Faktum and Situation Stockholm to reduce homelessness and exclusion	42	11.1
		Green bonds aimed at financing energy-efficient properties	28-29	
 SDG 12: Responsible consumption and production Ensure sustainable consumption and production patterns	12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	Spreading know-how, educating and taking responsibility for our customers and the public through communication and initiatives to raise awareness on questions pertaining to housing quality and household finances	26	12.1
		Tools, services and information pages that help and inform our consumers on issues regarding housing quality and household finances	26	12.1
		Collaboration with Boost by FC Rosengård to increase financial awareness among young people	43	
 SDG 13: Climate action Take urgent action to combat climate change and its impacts		Green loans for green environmental and energy measures in homes and properties	28	
		Monitoring the environmental impact of our own operations	29, 137	
		Consultations for corporate clients and tenant-owners' associations regarding how to improve property energy-efficiency	28	
		Financing new housing production that is more energy-efficient than the older housing stock	29	
		Take sustainability criteria into consideration in the credit granting process for property customers	25	
		Green bonds aimed at financing energy-efficient properties	28-29	
		Green bonds in the liquidity portfolio	59	

THE BOARD OF DIRECTORS' SIGNATURES

The Board of Directors of SBAB hereby submit SBAB's Annual Report, which includes both the Annual Report and the Sustainability Report. The formal Annual Report is to be found in specially marked sections, which are apparent from the table of contents. The Sustainability Report, excluding the Corporate Governance Report, constitutes the remaining part of this year's Annual Report.

The Board and the CEO certify that the sections pertaining to the formal annual accounts and the consolidated financial statements were prepared in accordance with the international accounting standards (IFRS) as adopted by the EU and provide a true and fair view of the Group's position and earnings. The formal annual accounts were otherwise prepared in accordance with generally accepted accounting policies and provide a true and fair view of the Parent Company's position and earnings. The Administration Report, which is provided on pages that have been marked specially, provides a true and fair view of the development of the operations,

position and earnings, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

In accordance with Chapter 6, Section 2, Item 2 of the Annual Accounts Act for Credit Institutions and Securities Companies, the Board considers the Group's equity to be sufficiently large in relation to the scope and risks of the operations.

The information provided gives a true and fair view of the circumstances of the company and nothing of material significance has been omitted which might affect the view of the company created by the Annual Report.

The report as been prepared in accordance with the Global Reporting Initiative's (GRI) guidelines; GRI Standards: Core option. It also constitutes SBAB's Communication on Progress (COP) to the UN Global Compact.

Stockholm, 21 March 2018

Bo Magnusson
Chairman of the Board

Eva Gidlöf
Board Member

Jan Sinclair
Board Member

Lars Börjesson
Board Member

Daniel Kristiansson
Board Member

Carl-Henrik Borg
Board Member

Jane Lundgren-Ericsson
Board Member

Karin Moberg
Board Member

Johan Eriksson
Employee Representative

Kristina Ljung
Employee Representative

Klas Danielsson
CEO

Our audit report was submitted on 21 March 2018
Deloitte AB

Patrick Honeth
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of SBAB Bank AB (publ)
corporate identity number 556253-7513

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of SBAB Bank AB (publ) for the financial year 2017-01-01 - 2017-12-31 except for the corporate governance statement on pages 66-75. The annual accounts and consolidated accounts of the company are included on pages 45-65 and 76-134 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 66-75. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IAS 39 is a complex and significant area with large impact on SBAB's business and financial reporting. SBAB's management exercises significant judgment when determining both when and how much to record as loan loss provisions. Example of various assumptions and judgments includes the financial condition of the counterparty,

expected future cash flow, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. Furthermore, the associated disclosures are complex and dependent on high quality data.

At December 31 2017, gross loans to the public amounted to SEK 335 111 million, with loan loss provisions of SEK 209 million. Given the significance of loans to the public (representing 80% of total assets) as well as the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, we consider this to be a key audit matter for our audit.

Refer to accounting principles regarding critical judgments and estimates in note 1 in the financial statement and related disclosures of credit risk in note 2a.

Our audit procedures included, but were not limited to:

- We assessed key controls over the approval, recording and monitoring of loans and receivables, and evaluating the methodologies, inputs and assumptions used in determining and calculating the loan loss provisions.
- For provisions calculated on an individual basis we examined a selection of individual loan exposure in detail, and evaluated management assessment of the recoverable amount. We tested the assumptions underlying the impairment, including forecast of future cash flows, valuation of underlying collateral and estimates of recovery on default. We examined a selection of loans that had been identified by management as potentially impaired.
- We examined the sufficiency of the underlying models, assumptions and data used to measure loan loss provisions for portfolios of loans with similar credit characteristics. Likewise we have examined the models, assumptions and data used for the collective impairment for incurred but not identified loss events.
- Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

Application of hedge accounting

Several criteria's in IAS 39 has to be fulfilled to be able to qualify for hedge accounting, including documentation of the characteristics and purpose of the hedge and regular testing performed on the effectiveness of the hedge. Given the complexity of the regulation for hedge accounting this is an area with higher risks for banks.

SBAB has chosen to use hedge accounting for hedging of interest and currency risk and applies hedging of fair value, macro hedge and cash flow hedges.

At December 31, 2017, effects of hedge accounting in Net result of financial items measured at fair value amounted to SEK 795 million, and in Other comprehensive income of SEK -687 million.

Given the complexity in the regulation for hedge accounting and the subjectivity involved in the judgements made, we consider this to be a key audit matter for our audit.

Refer to accounting principles regarding critical judgments and estimates in note 1 in the financial statement and related disclosures of market risk in note 2d.

Our audit procedures included, but were not limited to:

- We assessed key controls over the documentation and overview of hedge relations and their initial and on-going effectiveness.
- We evaluated the hedge documentation and relations to assess if the hedges were appropriately designed in accordance with IFRS.
- We evaluated management's assessment of the effectiveness of the hedges, and assessment and accounting for ineffectiveness in hedges.

Finally, we assessed the completeness and accuracy of the disclosures relating to hedge accounting to assess compliance with disclosure requirements included in IFRS.

IT-systems that support complete and accurate financial reporting

SBAB is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of SBAB's internal controls over financial reporting are depending upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

SBAB categorises their key IT-risk and control domains relating to financial reporting in the following sections:

- Modifications to the IT-environment
- Operations and monitoring of the IT-environment
- Information security

Modifications to the IT-environment

Inappropriate modifications to the IT-environment may result in systems that do not function as expected and result in unreliable data processing with impact on financial reporting. Hence SBAB has implemented processes and controls to support that changes to the IT-environment are appropriately implemented and function consistently with management's intentions.

Our audit procedures included, but were not limited to:

- We assessed management principles and processes for modifications to the IT-environment.
- We assessed management monitoring of modifications in the IT-environment.
- We evaluated segregations of duties.

Operations and monitoring of the IT-environment

Inappropriate operation and monitoring of the IT-environment may result in the inability to prevent or detect incorrect data processing. Hence SBAB has implemented processes and controls to support that IT-environment is monitored continuously and that incorrect data processing is identified and corrected.

Our audit procedures included, but were not limited to:

- We evaluated the appropriateness of IT-System job scheduling and alarm configuration capabilities.
- We evaluated the process for monitoring IT-System.

Information security

If physical and logical security tools and controls are not implemented and configured appropriately, key control activities may be ineffective, desired segregation of duties may not be maintained, and information may be modified inappropriately, become unavailable or disclosed inappropriately. This is of particular importance considering the current cyber threat level. Hence SBAB has implemented processes and controls to support that information is safeguarded through access controls and that known vulnerabilities are managed timely.

Our audit procedures included, but were not limited to:

- We evaluated the process for identity and access management, including access granting, change and removal.
- We evaluated the appropriateness of processes and tools to ensure availability of data as per user requests and business requirements, including data back-up and restore procedures.
- We evaluated the appropriateness of controls for security governance to protect systems and data from unauthorised use, including logging of security events and procedures to identify known vulnerabilities

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-44 and 135-141. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of SBAB Bank AB (publ) for the financial year 2017-01-01 - 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 66-75 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte was appointed auditor of SBAB Bank AB by the general meeting of the shareholders on the 24th of April 2017 and has been the company's auditor since 28th of April 2016.

Stockholm March 21, 2018
Deloitte AB

Patrick Honeth
Authorised Public Accountant

AUDITOR'S LIMITED ASSURANCE REPORT ON SBAB BANK AB'S SUSTAINABILITY REPORT

To SBAB Bank AB (publ)

This is a translation of the auditor's report in Swedish.

Introduction

We have been engaged by the Board of Directors and the Managing Director of SBAB Bank AB to undertake a limited assurance engagement of the SBAB Bank AB's Sustainability Report for the year 2017. The Company has defined the scope of the Sustainability Report on the inside of the cover page and on page 135.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 135 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, profes-

sional standards and applicable legal and regulatory requirements. We are independent of SBAB Bank AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm March 21, 2018
Deloitte AB

Patrick Honeth
Authorised Public Accountant

Didrik Roos
Authorised Public Accountant

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in SBAB Bank AB (publ), corporate identity number 556253-7513

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on pages 1-44 and 135-141 and that it has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm March 21, 2018
Deloitte AB

Patrick Honeth
Authorised Public Accountant

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 (for example, IFRS and the Swedish Annual Accounts Act) or in the EU's Capital Requirements Directive (CRD IV)/Capital Requirements Regulation (CRR).

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

New lending

Definition: Gross lending for the period.

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

Deposits/lending

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

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

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

Loan loss ratio

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

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

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

Return on equity

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

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

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

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

Group	2017	2016
Operating profit after tax, SEK million	1,709	1,570
Average equity, SEK million	13,621	12,815
Return on equity, %	12.5	12.3¹⁾

¹⁾ For the full-year 2016, return on equity amounted to 12.7% according to the revised definition.

Net interest margin

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

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

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

C/I ratio

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

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

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

Definitions of other key performance indicators

Number of employees (FTEs)	Number of employees expressed as full-time equivalents (FTEs), adjusted for sick leave and leave of absence
Return on assets	Operating profit/loss after actual tax, in relation to average total assets
CET1 capital ratio	CET1 capital in relation to risk-weighted assets
Total capital ratio	Own funds in relation to risk-weighted assets
Tier 1 capital ratio	Tier 1 capital in relation to risk-weighted assets
Leverage ratio	Tier 1 capital in relation to total assets and off-balance sheet exposures restated with the application of credit conversion factors
Liquidity coverage ratio, LCR	Liquid assets in relation to net cash outflows over a 30-day stress scenario
Survival horizon	The number of days that the need for liquidity can be met in a stress scenario before new liquidity is needed
Net stable funding ratio, NSFR	A liquidity risk metric of a structural nature that demonstrates the stability of the Group's funding in relation to its assets

CONTACT DETAILS

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Information for investors

For more information and contacts,
see www.sbab.se

Financial calendar

Year-end report 2017	15 February 2018
Annual General Meeting (Solna)	24 April 2018
Interim Report January–March 2018	25 April 2018
Interim report January–June 2018	18 July 2018
Interim report January–September 2018	26 October 2018
Year-end report 2018	15 February 2019

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