SBAB Bank AB (publ)

Annual Report 2013

SBAB!

Contents

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

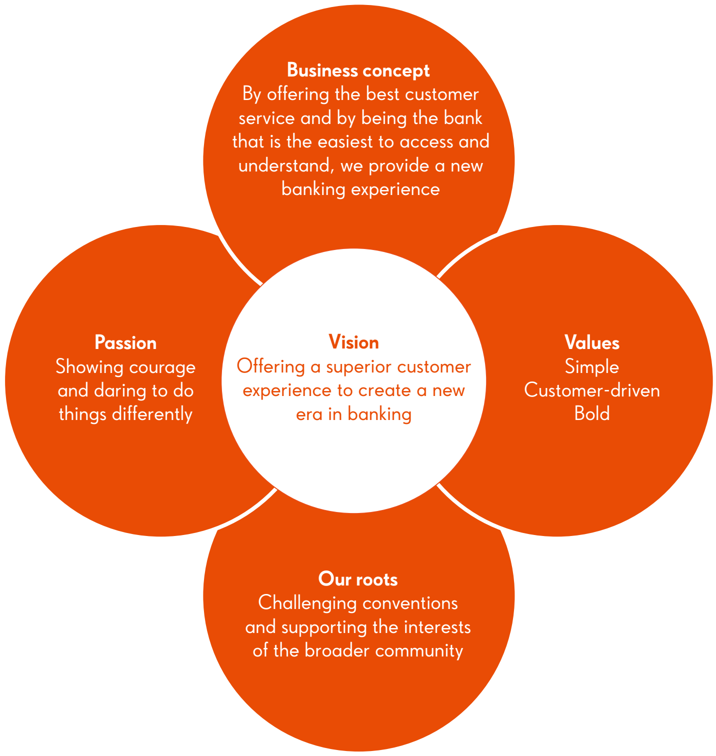
Read more at sbab.se

SBAB in brief

SBAB Bank AB (publ), "SBAB", commenced operations in 1985 with the purpose of funding capital on the credit market for the Swedish state's mortgage lending. SBAB is owned by the Swedish state and is today an independent, profit-generating bank.

SBAB's business concept is to provide a new banking experience by offering the best customer service and being the bank that is easiest to access and understand. The products are divided into three areas: Lending, Savings and Payments. The Lending area offers residential mortgages and personal loans to private individuals, and property loans to property companies and tenant-owner associations. Savings offers savings accounts and mutual funds to private individuals, and savings accounts to corporate clients and tenant-owner associations. The Payments product area is being launched at an initial stage in 2014 and will offer simple payment and card solutions for private individuals.

In 2013, SBAB had approximately 480 employees, with offices in Karlstad, Stockholm, Gothenburg and Malmö.



1985	1989	1991	1992	1996	1998	2002
SBAB launches operations with 4 employees	Established in the credit markets of London and Tokyo	Entitled to provide loans secured by first mortgage, in competition with other mortgage lenders	Office in Karlstad opens for customer service and administration of loans	Residential mortgages to private individuals	Loan applications by internet	SBAB has the most satisfied customers according to SQI

2013 in brief

- Operating profit totalled SEK 1,085 million (500)
- Net interest income amounted to SEK 1,963 million (1,941)
- Expenses totalled SEK 815 million (728)
- The year was characterised by stable lending volumes and strong growth in deposits with more than 50,000 new savings customers
- Good demand for SBAB's bonds in all funding markets
- Mutual fund portal launched including SBAB Fri – the free-of-charge mutual fund, three savings funds and 20 elective funds
- A decision was made to establish a strong and efficient unit for the financing of multi-family dwellings by merging the sales units for corporate clients and tenant-owner associations and by retaining lending operations to property companies

Summary SBAB Group

	2013 Jan–Dec	2012 Jan–Dec	%
INCOME STATEMENT ITEMS			
Net interest income, SEK million	1,963	1,941	1
Other operating income[1], SEK million	–70	–693	–
Expenses, SEK million	–815	–728	12
Loan losses, SEK million	7	–20	–
Profit, excluding net result from financial instruments, SEK million	1,046	1,101	–5
Operating profit, SEK million	1,085	500	117
Net profit for the year, SEK million	873	360	143
BALANCE SHEET ITEMS			
Lending, SEK billion	258.7	255.9	1
Doubtful loan receivables after individual provisions, SEK million	15	13	8
Deposits, SEK billion	45.9	27.7	66
Funding, SEK billion	243.9	253.9	–4
KEY FIGURES			
Level of loan losses, % [2]	–0.00	0.01	
Return on equity, %	9.5	4.2	
Average number of employees	449	413	
CAPITAL ADEQUACY			
Without transitional regulations			
Common Equity Tier 1 capital ratio, %	23.3	16.4	
Tier 1 capital ratio, %	30.6	21.7	
Total capital ratio, %	35.6	27.4	
With transitional regulations			
Common Equity Tier 1 capital ratio, %	6.9	6.9	
Tier 1 capital ratio, %	9.0	9.1	
Total capital ratio, %	10.5	11.5	
RATING			
SBAB			
Long-term funding			
–Standard & Poor's	A	A	
–Moody's	A2	A2	
Short-term funding			
–Standard & Poor's	A-1	A-1	
–Moody's	P-1	P-1	
SCBC			
Long-term funding			
–Standard & Poor's	AAA	AAA	
–Moody's	Aaa	Aaa	

[1] Includes net result from financial instruments and net commission.
[2] Loan losses calculated on a full-year basis in relation to opening balance for lending to the public.

2003	2004	2005	2006	2007	2010	2011	2013
Interest rates for tenant-owner rights lowered to the same level as for single-family dwellings	Online automated loan promises	Final mortgage loans abolished	First in Sweden to issue covered bonds	Launch of savings accounts for private individuals	Launch of personal loans for private individuals	Permission to conduct banking operations	Launch of mutual funds

CEO's review

Last year was an eventful one in SBAB's history. The residential mortgage business shows stable development and, at the same time, we are continuing our development of everyday banking services for private individuals. Lending to corporate cloents and tenant-owner associations has been streamlined, with a clear focus on multi-family dwellings and new production of housing. At the same time, the capital market also shows a high level of confidence in SBAB as an actor. In 2013 this was reflected by considerable interest in all bonds issued.

Greater external stability and increased focus on the housing and residential mortgage markets
Externally, the recovery following the crises of recent years continued. Among other concerns, uncertainty regarding developments in Eurozone decreased and, on the whole, the international economic situation looked brighter at the end of the year than at the start, although many risks remain. The year was also marked by continued low interest rates and rising stock and housing markets. The major central banks are expected to continue supporting the recovery in 2014. In recent years, the international banking regulations have been tightened, which should further contribute to increased stability in the financial sector.

Stable but weak economic conditions characterised the Swedish economy in 2013. Looking ahead, growth is expected to accelerate as international demand strengthens. Considerable focus has been aimed at rising house prices, the low levels of residential construction and increasing debt among retail customers. Several policy measures have already been taken to limit the increase in debt and in 2014 the risk-weight floor for residential mortgages will probably be raised, while demands for individual repayment plans are also imposed. It is also now important to get residential construction up to speed to prevent imbalances in the housing market from growing even stronger.

Profit with challenges in terms of expenses
SBAB's return on equity for 2013 amounted to 9.5%, compared to the target of 10%. Among other things, earnings were affected by the prevailing pressure on margins in mortgages and investments associated with the development of new banking services. This shows that our business faces challenges in terms of cost and capital efficiency. Tackling these issues is a high priority, and the continued development of the bank must be achieved with good cost-awareness.

On the positive side, we must mention the trend for SBAB's savings account, which offers a high interest from the first krona with no fees and with unlimited withdrawals. More than 50,000 new customers chose to open savings accounts over the year, and the total volume of deposits rose by 66% to nearly SEK 46 billion. This sizeable increase has a positive impact on SBAB's funding. The relation between deposits and lending has strengthened notably.

Another of the year's positive events was the formation of a strong and efficient unit for the financing of multi-family dwellings through the merger of SBAB's two sales units for corporate clients and tenant-owner associations. SBAB has prominent and profitable operations in the market for multi-family dwellings and we are further developing this. There will also be opportunities to sell the new banking offering to the members of tenant-owner associations.

A responsible business
In 2014, the launch of SBAB's new product area, Payments, is planned, offering everyday banking services including bank cards and salary accounts. Consequently, during the autumn, we will be able to offer customers the range of banking services needed to manage everyday finances. In an increasingly connected and portable world, it is also natural that we continue to develop our digital presence over the year. We intend to differentiate ourselves by means of customer experience and features of service, accessibility and accountability.

Sustainability is a highly important issue for SBAB and, over the past year, we adopted new overarching target areas for our efforts, focusing on sound finances, responsibility and transparency, as well as sustainable housing. With the crises of recent years still in our rear-view mirror, the acceptance of responsibility in the banking sector is a crucial factor in building trust over time.

SBAB has good opportunities to grow in all active segments, and with new products, we will be relevant to a greater number of customers. For SBAB, 2014 will be an important year and I look forward confidently to the challenges of the future.

Per Anders Fasth
CEO

Vision, values and objectives

Vision and values

SBAB's vision is to create a new era in banking by offering a superior customer experience.

Successful companies simplify life for customers, making them feel welcome and important. Service, availability and fast responses are success factors. As are easy-to-use technical platforms and understandable information. SBAB's business concept is to provide a new banking experience by offering the best customer service and by being the bank that is easiest to access and understand.

The key to achieving the vision lies in SBAB's roots, values and passion. The company's roots are the starting point – SBAB challenged conventions and supported the interests of the broader community. At the same time, the values provide guidande when moving forward: SBAB shall be simple, customer-driven and bold.

It is by offering a superior customer experience that SBAB will differentiate itself. For SBAB, the customer experience entails offering customers a compelling experience firmly rooted in four cornerstones – openness, personal service, simplicity and responsibility. Combined, these four cornerstones are an expression of our service concept, in which the customer perceives SBAB as exceeding their expectations of what a bank does.

Openness: In an open and honest way, SBAB will show customers what different services and products cost and what customers can do to affect their costs.

Personal service: SBAB shall be available when needed by customers. SBAB always welcomes its customers in a manner optimised according to the customer's needs.

Simplicity: Products, services and language should always serve to make matters easier for the customer.

Responsibility: SBAB accepts responsibility for its business and its surroundings. SBAB seeks to encourage customers to maintain sound finances. As a company, SBAB also seeks to contribute to long-term sustainable development in society.

Overarching objectives

Financial targets

SBAB has the following financial targets, that were adopted by the 2013 Annual General Meeting:

Profitability: Return on equity shall be at least 10%.

Capital structure: The Common Equity Tier 1 capital ratio shall be 18-20%. The Common Equity Tier 1 capital ratio is to be calculated in accordance with current regulations and the definitions applicable under Pillar 1, without transitional rules.

Dividend policy: Ordinary dividends shall be at least 40% of profit for the year after tax, taking the Group's capital structure into account.

In addition to the target levels, the Common Equity Tier 1 capital ratio and decisions regarding dividends shall take into account the implementation of the Group's strategy and investment needs. The financial targets are long-term and are to be assessed over a business cycle.

Sustainability targets

SBAB applies three overarching objectives in being a long-term sustainable company:

Sound finances: As a bank and as part of the financial system, SBAB bears a particular responsibility in safeguarding a long-term sustainable economy in society. Sound finances – economic stability and profitability – are prerequisite to SBAB being able to conduct long-term sustainable business operations.

Responsibility and transparency: Combined with openness and transparency, responsible granting of loans, marketing and sales shall characterise SBAB.

Sustainable housing: SBAB bears a particular responsibility in economic, social and environmental matters associated with homes and housing.

Financing

- Funding
- Deposits
- Equity

Products and services

- Lending: Residential mortgages | Personal loans | Property loans
- Savings: Mutual funds | Savings accounts
- Payments[1]: Card solutions | Salary account

[1] First stage of launch planned for the autumn of 2014

SBAB's income statement and balance sheet – step by step

SBAB's largest and most important income item is **net interest income**, which emerges through the difference between SBAB's interest income and interest expenses. Interest income primarily derives from SBAB's residential mortgages and property loans, while interest expenses derive from the bank's funding costs.

Net commission consists primarily of income from credit-related fees and expenses for the stability charge.

Net result from financial instruments arises through SBAB's use of financial instruments and as a consequence of assessment effects in the financial statements. SBAB's **expenses** consist primarily of personnel expenses and expenses for IT and business development.

Loan losses are incurred when SBAB's customers are unable to pay interest or amortisations to SBAB. Based on risk tolerance levels, SBAB always seeks to minimise loan losses. By way of precaution, estimated future loan losses are also taken into account.

After **tax, profit for the year** remains.

SBAB's largest asset item in the balance sheet is **lending to the public**, which consists of residential mortgages and personal loans to private individuals, as well as property loans to corporate clients and tenant-owner associations. SBAB also has **lending to credit institutions**, mainly other Swedish banks. To maintain good liquidity preparedness, SBAB also holds different kinds of **securities**, mainly in the form of a liquidity portfolio.

SBAB uses different forms of **derivatives** on both the asset and liability sides to protect the company from unwanted changes in interest and exchange rates. The item **other assets** comprises interest receivables, for example.

SBAB's lending is financed through **funding** via the capital market, **deposits** from the public and through **equity**. In this way, SBAB lays the foundation for the company's economic stability.

	Return on equity	Common Equity Tier 1 capital ratio	Dividend level
Financial targets	≥10%	18–20%	≥40%
Outcome 2013	9.5%	23.3%	–

Sales

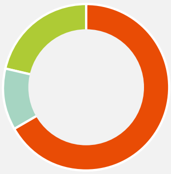
Retail Market

Collaboration Market

Corporate clients & Tenant-owner associations

Customer portfolio

Lending



Retail customers, 66%
Corporate clients, 12%
Tenant-owner associations, 21%

Deposits

Retail customers, 82%
Corporate clients, 14%
Tenant-owner associations, 5%

Simplified income statement

Income	Outcome 2013
Net interest income	1,963
Net commission	–109
Net result from financial instuments items	39
Other income	–
Total income	**1,893**
Expenses	
Expenses	–815
Loan losses	7
Tax	212
Profit for the year	**873**

Simplified balance sheet

Assets	Outcome 2013
Securities	46,919
Lending to the public	258,739
Lending to credit institutions	20,267
Derivatives	6,449
Other assets	2,684
Total assets	**335,058**
Liabilities	
Deposits	45,869
Funding	243,870
Derivatives	10,363
Other liabilities	25,275
Equity	9,681
Total liabilities and equity	**335,058**

Return on equity

SBAB has a return target of at least 10%. The fact that SBAB is profitable is important because, in addition to economic stability, this generates conditions for SBAB to develop its operations and contributes to the company generating long-term value for the owner.

Capitalisation

SBAB targets a Common Equity Tier 1 capital ratio of 18-20% (fully implemented Basel III). In simple terms, the Common Equity Tier 1 capital ratio can be expressed as equity in relation to SBAB's assets weighted by risk. The fact that SBAB is well-capitalised is important since it contributes to the company's economic stability.

Dividends

SBAB's target is that at least 40% of profit for the year should be distributed as dividends, with SBAB's capital structure being taken into account.

SBAB Group

SBAB is an independent, profit-generating bank that is owned by the Swedish state. Operations began in 1985 as a credit market company and since 2011 have been conducted as a banking business. SBAB reaches its customers through three sales units; Retail Market, Collaboration Market and Corporate clients & Tenant-owner associations. Common to the Retail Market and Collaboration Market units is that they target the customer offering to private individuals while Corporate clients & Tenant-owner associations targets property companies and tenant-owner associations.

Retail Market

Retail Market offers loans and savings products via the Internet and by telephone to private individuals. The foremost products are residential mortgages and savings accounts. Customer service is provided by e-mail and telephone from SBAB's office in Karlstad.

Collaboration Market

Collaboration Market offers other actors, such as real estate agents and banks, opportunities to sell residential mortgages to private individuals. Sales are made under the partner's brand but with SBAB as the lender. Partnerships allow SBAB to distribute residential mortgages to more customers through more platforms than would be possible solely through proprietary channels.

Corporate clients & Tenant-owner associations

Corporate clients & Tenant-owner associations offers property loans and savings accounts to property companies, particularly those focused on multi-family dwellings, and tenant-owner associations. Sales and customer service are provided by SBAB's offices in Stockholm, Gothenburg and Malmö.

Group structure

SBAB Bank AB (publ), "SBAB", Reg. 556253-7513, is regulated by the Swedish Act on Banking and Financing Activities (2004:297) and the Securities Market Act (2007:528), and is subject to supervision by the Swedish Financial Supervisory Authority. SBAB is a public banking company.

Group

SBAB began operating as a credit market company on 1 July 1985. In 2011, a decision was made empowering SBAB to begin conducting banking activities and in 2012, permission was obtained to conduct securities operations. SBAB is domiciled in Stockholm, Sweden, and comprises SBAB, the subsidiary, The Swedish Covered Bond Corporation "SCBC", Corp. 556645-9755, and the partly owned company, FriSpar Bolån AB "FriSpar", Corp. 556248-3338.

SCBC

SCBC is a wholly owned credit market company and is consolidated in the SBAB Group. SCBC's primary operations comprise the issuance of covered bonds in accordance with the Swedish Covered Bonds Issuance Act (2003:1223) and the Swedish Financial Supervisory Authority's regulation FFFS 2013:1. Funding is conducted in both Swedish and international capital markets. SCBC does not conduct any lending operations but acquires loans primarily from SBAB.

FriSpar

FriSpar is a jointly owned credit market company that primarily conducts operations in parts of southern Sweden. The company is owned by SBAB (51%), Sparbanken Öresund AB (publ) (39.2%) and Sparbanken Syd (9.8%). FriSpar is consolidated in the SBAB Group in accordance with the proportional method.

During 2013, the owners of FriSpar concluded that there is no reason to continue operating the collaboration as a company due, among other things, to changed capital adequacy regulations. Consequently, since 6 December 2013, FriSpar has not disbursed any new residential mortgages. In December 2013 the owners agreed that the partnership should evolve into a mediation arrangement, in which Öresund and Syd act as mediators for loans to SBAB, and that SBAB or SCBC will contract certain operations out to Syd and Öresund by means of assignments. In December 2013 FriSpar also transferred all outstanding loans in FriSpar to SBAB. On 5 March 2014, in accordance with an application from FriSpar, the Swedish Financial Supervisory Authority decided to revoke the company's license to conduct financing operations.

Retail Market

SBAB's offering to private individuals consists of savings and loan products that are characteristically straightforward and good value for money. Residential mortgages and savings accounts are currently the largest products and are supplemented by personal loans and savings funds. The product offering is complemented by tools and services designed to make everyday life easier for the customer. During 2014, the Payments product area will also be launched, including salary accounts, bank cards and other payment services.

The figures presented regarding lending to private individuals also include customers through partnerships, see page 11.

Summary 2013

- Stable growth in lending
- Strong increase in deposits with more than 50,000 new savings customers
- Savings funds launched

Simplified income statement – Retail Market

SEK million	2013	2012
Operating income	869	875
Expenses	–497	–420
Profit/loss before loan losses	**372**	**455**
Loan losses	–6	–17
Operating result	**366**	**438**
Return on equity	**8.8%**	**10.1%**

Market development

Residential mortgages

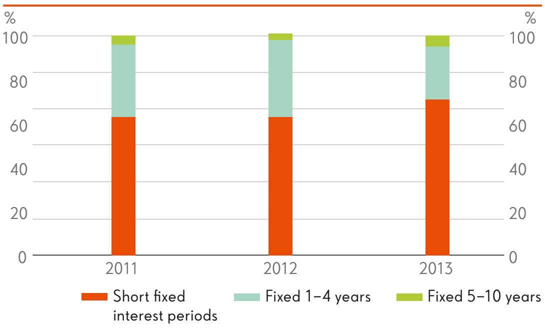
The market for residential mortgages to retail customers rose by 5.3% (4.6) over the year and amounted to SEK 2,341 billion (2,223) at year-end. Prices for single-family dwellings and tenant-owner homes continued to rise. The tenant-owner association market developed more strongly than the market for small houses, although the discrepancy decreased during the final quarter of the year. Prices for tenant-owner homes rose by about 11% (8) and for single-family dwellings by about 5% (2). The rise in prices was mainly noticeable in the metropolitan areas, driven by low interest rates, considerable demand and relatively weak supply.

Several initiatives have been taken in recent years to subdue retail borrowing, including loan ceilings, amortisation requirements and raised risk weights on residential mortgages. It has also been possible to observe certain effects: in 2013, the rate at which retail customers increased their borrowing was at approximately the same level as the increase in income. The loan-to-value ratio for new loans decreased and fewer holders of residential mortgages had a loan-to-value ratio above 85%. The proportion of retail customers amortising their loans also increased.

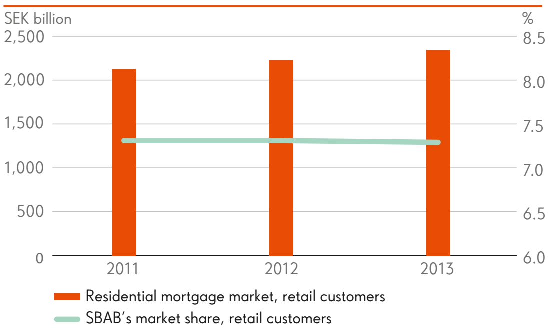
Deposits

The overall market for retail deposits continued to develop favourably over the year. At year-end, total deposits from retail customers amounted to SEK 1,288 billion (1,219), equivalent to a growth of SEK 69 billion (95) or 5.7% (8.5).

Choice of fixed-interest period, lending to retail customers



Trend in the residential mortgage market, retail customers



Product area Lending

Residential mortgages

Residential mortgages to private individuals are SBAB's largest product in terms of volumes. Customers are offered a pre-negotiated interest rate and thus avoid negotiating the best price. Over the year, the offering to customers acquiring new homes was developed. They are now offered a personal residential mortgage specialist who follows them throughout the buying process.

SBAB's new lending of residential mortgages increased during the year to SEK 31.8 billion (28.8).

The difference between the three-month interest rate and the fixed rates continued to narrow during the year. The proportion of customers with fixed mortgage rates also decreased.

The portfolio of residential mortgages to retail customers increased by SEK 8.1 billion (7.1) to SEK 170.4 billion (162.3) and SBAB's market share for residential mortgages to retail customers totalled 7.3% (7.3) at year-end.

Personal loans

Since 2010, SBAB has been offering personal loans, meaning unsecured loans to retail customers. New lending of personal loans totalled SEK 0.8 billion (0.6).

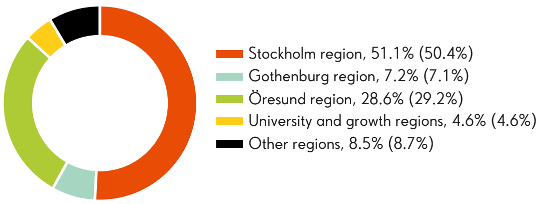
Distribution of new lending by borrower category

Composition of collateral in the loan portfolio

SEK billion	2013	2012	2011
Mortgage deed	102.8	99.9	96.7
Tenant-owner right	67.3	61.9	57.8
Municipal guarantee and direct loans to municipalities	0.7	0.8	1.0
Government guarantee	0.0	0.0	0.0
Bank guarantee	0.0	0.0	0.0
Other collateral	0.0	0.0	0.0
Personal loans[1]	1.2	0.8	0.4
Total	**171.9**	**163.3**	**156.0**

[1] Unsecured loans to retail customers.

Geographical distribution of the loan portfolio, Retail and Collaboration Market



At the end of the year, the total personal loan portfolio amounted to SEK 1.2 billion (0.7), corresponding to a market share of 0.6% (0.4). The proportion of mortgage customers also electing to sign for a personal loan was 16.5% (13.0) in 2013. Personal loans accounted for a total 1.7% (1.4) of these mortgage customers' borrowing.

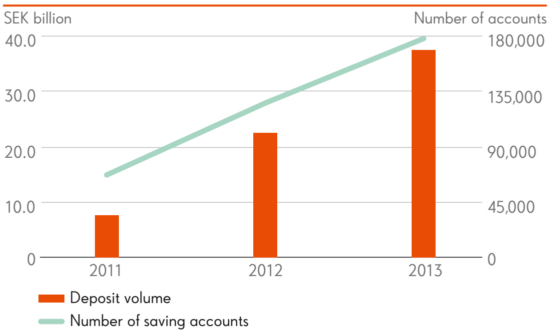
Product area Savings

Savings accounts

SBAB offers two competitive savings account formats aimed at private individuals. These have no fees, offer free withdrawals, are covered by the Swedish national deposit guarantee and are easy to open and manage via SBAB's website. On 31 December 2013, interest on savings accounts was 1.95% and on SBAB accounts for existing mortgage customers 2.20%. At the end of 2013, the proportion of mortgage customers also having a savings account amounted to 48.9% (44.1).

SBAB's deposits from retail customers rose by SEK 15.0 billion (15.1) in 2013. Consequently, SBAB's market share of new deposits amounted to approximately 22% (16). At the end of the year, SBAB's total deposits from retail customers amounted to SEK 37.5 billion (22.5), equivalent to a market share of approximately 2.9% (1.8).

Deposit volume and number of accounts, Retail Market



Mutual funds

During the year, SBAB extended its savings offering with the launch of a mutual fund portal. The mutual funds portal offers SBAB Fri – the free-of charge mutual fund, three savings funds and 20 elective funds. SBAB's savings funds are based on three different risk profiles suited to the customer's savings horizon – short, medium or long-term. The savings funds are suitable for all but particularly to those who do not want to devote much time to their savings. The 20 elective funds are available for those customers who choose to compose their own portfolio of mutual funds. At the end of the year, customers' combined mutual fund wealth was SEK 69.3 million.

Collaboration Market

Summary 2013

- New partnership with Mitt Bolån
- Improved profit
- Volume growth

Simplified income statement – Collaboration Market

SEK million	2013	2012
Operating income	348	315
Expenses	–105	–85
Profit/loss before loan losses	**243**	**230**
Loan losses	–3	–8
Operating result	**240**	**222**
Return on equity	**8.6%**	**9.1%**

SBAB's partnerships continue to be an important distribution channel for residential mortgages to private individuals.

Partnerships

Through partnerships, SBAB gives other actors the opportunity to offer residential mortgages under their own brands ("white-label"). In 2013, new lending totalled SEK 16.0 billion (14.6). The majority of this new lending derived from Sparbanken Öresund, Sparbanken Syd, ICA Banken, Folksam, Bättre Bolån, Plus Bolån and Ikano.

During 2013, SBAB entered a new partnership with loan broker Mitt Bolån, which is owned by the Schibstedt Group.

Corporate clients & Tenant-owner associations

With the purpose of enhancing the efficiency and quality of operations, the former Corporate and Tenant-owner associations market units were merged in September 2013 to form a single sales unit – Corporate clients & Tenant-owner associations. The strategic focus of the new unit is on the financing of multi-family dwellings.

Summary 2013

- Merger of the Corporate and Tenant-owner associations market units
- Larger transactions in the acquisition and new construction of multi-family dwellings
- Extension of several larger loans to strategically important corporate clients

Simplified income statement – Corporate clients & Tenant-owner associations

SEK million	2013	2012
Operating income	630	659
Expenses	–213	–223
Profit/loss before loan losses	**417**	**436**
Loan losses	16	5
Operating result	**433**	**441**
Return on equity	**11.8%**	**10.9%**

Single unit for financing of multi-family dwellings

SBAB has a long history of financing multi-family dwellings, with a leading position in both the corporate and tenant-owner association markets. In order to build a strong and efficient unit for the financing of multi-family dwellings, in June 2013 SBAB therefore decided to merge these two sales units. In connection with this, SBAB also decided to discontinue the previously commenced process to sell its corporate portfolio and to retain its lending operations to property companies as part of SBAB's housing financing offer.

Market development

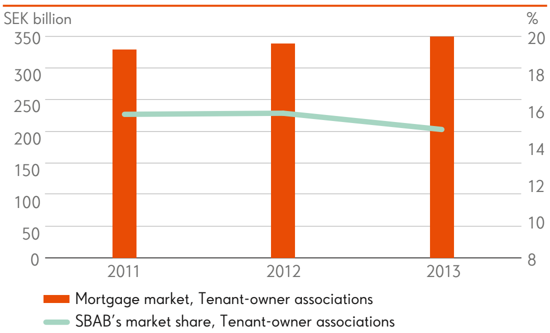
Corporate market

Development in the Swedish property market for multi-family dwellings was stable in 2013, with generally minor fluctuations in rental and price levels. In the metropolitan regions, demand for housing and communal properties has been strong.

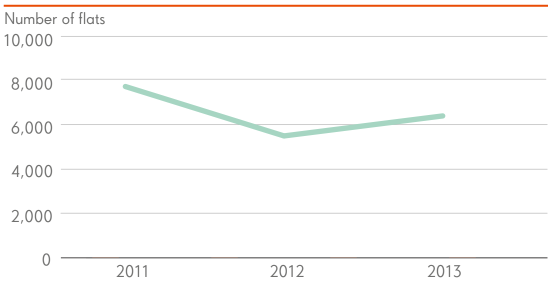
Tenant-owner associations market

The total market for lending to tenant-owner associations amounted to SEK 348.8 billion (338.2) at year-end, corresponding to an increase of 3%. In 2013, more than 6,400 rental flats were re-formed into tenant-owner associations. This is an increase of about 16% compared with 2012. Compared with the peak years of 2008-2010, this represents a decline however, as during those years, an average 16,000 to 19,500 flats were re-formed annually.

Trend in the mortgage market, Tenant-owner associations



Number of re-formed rental flats per year



Product area Lending

Corporate clients

SBAB's total lending to property companies amounted to SEK 31.7 billion (37.8) at the end of 2013. New lending totalled SEK 2.2 billion (2.3) during the year. The decrease is primarily attributable to the previous business strategy of reducing lending to property companies.

Tenant-owner associations

SBAB offers the following lending products in the area of tenant-owner housing associations:

- Construction loans for new production of tenant-owner dwellings
- Property loans to tenant-owner associations in connection with the re-formation of previously rented accommodation
- Property loans in connection with loans being taken over from other credit institutions

New lending to tenant-owner associations amounted to SEK 5.1 billion (6.3) and the total lending volume at the end of 2013 was SEK 52.4 billion (53.7). The market share with regard to loans to tenant-owner associations amounted to 15.0% (15.8) at the end of 2013.

Product area Savings

SBAB offers accounts at both floating interest rates and for fixed-term deposits for corporate customers and tenant-owner associations.

Deposits from corporate clients and tenant-owner associations totalled SEK 8.3 billion (5.1) at year-end.

Corporate clients

SBAB's deposits from corporate clients rose by SEK 2.7 billion (3.1) to a total of SEK 6.2 billion (3.5) in 2013.

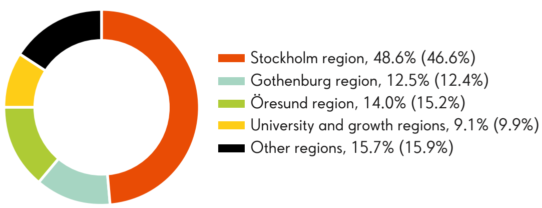
Tenant-owner associations

At the end of 2013, SBAB's deposits from tenant-owner associations amounted to SEK 2.2 billion (1.6).

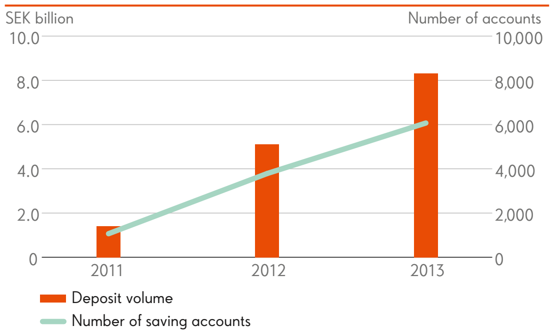
Composition of collateral in the loan portfolio, Corporate clients & Tenant-owner associations

SEK billion	2013	2012	2011
Mortgage deed	83.3	88.8	90.4
Tenant-owner right	0.0	0.0	0.0
Municipal guarantee and direct loans to municipalities	2.8	3.9	5.2
Government guarantee	0.4	0.4	0.6
Bank guarantee	0.0	0.0	0.0
Other collateral	0.6	0.5	0.8
Personal loans	0.0	0.0	0.0
Total	**87.0**	**93.6**	**97.0**

Geographical distribution of the loan portfolio, Corporate clients & Tenant-owner associations



Deposit volume & Tenant-owner associations, Corporate clients & Tenant-owner associations



Funding

SBAB finances its lending operations by funding through the capital markets and through deposits. The company's core market is the Swedish bond market, although it is also active in several other funding markets. Effective and diversified funding is the cornerstone of SBAB's funding strategy. SBAB successfully continued its diversification efforts over the year, mainly in the European capital market. During 2013, the SBAB Group encountered favourable demand in all active funding markets. At the same time, the continued strong growth in deposits entailed lower funding needs during the year.

Development in the capital market

During 2013, the process of normalisation and recovery continued in the European capital market where funding costs for countries in southern Europe, for example, fell sharply. The market was pervaded by favourable functionality, largely thanks to rigorous liquidity-strengthening measures by the central banks, as well as other political measures such as a common bank union designed to strengthen the European financial system.

In June, the Federal Reserve announced an upcoming reduction in stimuli through a decrease in the volume of its monthly bond purchases. In the short term, this contributed to increased uncertainty with rising interest rates, higher credit spreads and an increased outflow of capital from growth markets. Among other effects, these market reactions led to clearer communication from the Federal Reserve regarding its changed policy measures. The reduction in monthly bond purchases did not commence until the end of the year and turned out to be smaller than previously communicated. Despite decreased bond purchases by the Federal Reserve, major central banks around the world maintained highly supportive monetary policies with low key rates and other liquidity-enhancing measures. On the whole, the capital market functioned well in 2013.

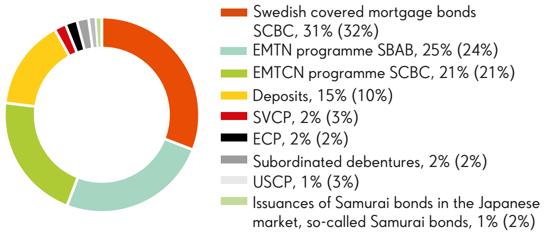
SBAB's funding operations

The SBAB Group is active in both the non-covered bond market through the Parent Company SBAB, as well as in the covered bond market through the wholly owned subsidiary SCBC. The Group works actively to limit its liquidity and funding risks. This work includes extending the issued debt, evening out the maturity profile, active debt management through repurchasing of bonds with short remaining maturities and continued efforts to diversify debt. The sharp increase in deposits contributes to reduced future annual funding needs and decreased dependency on the capital market, as well as an improved balance between lending and deposits.

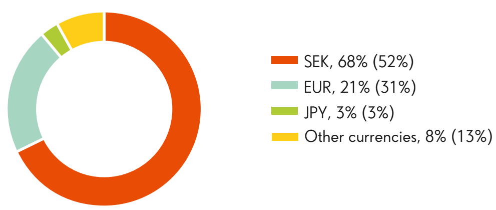
The vast majority of funding via the capital market is secured through the Swedish capital market. More than 70% of long-term market funding in 2013 was issued in SEK.

In 2013, SBAB took important steps in its funding operations by successfully raising financing on the European fixed income non-covered bond market. In April, the company issued a five-year bond in EUR and in August, this was followed by a seven-year bond in EUR. The volume issued in both instances was EUR 750 million and both bonds were oversubscribed and well received.

Debt securities in issue (including subordinated debentures), and deposits, SBAB Group.
Debt outstanding at 31 December 2013: SEK 296 billion



Currency distribution, debt securities in issue (including subordinated debentures) and deposits, SBAB Group.
Debt outstanding at 31 December 2013: SEK 296 billion



SBAB has also been regularly active in the Swedish non-covered market. Notable for the year was a successful five-year non-covered transaction for SEK 4.8 billion that was issued in October. In the Swedish covered bond market, SCBC introduced two new covered bond loans, among other instruments.

Short-term funding

SBAB applies three commercial paper programmes for non-covered short-term funding: one Swedish, one European and one US programme. Commercial papers are issued in several currencies. Over the year, short-term funding gradually decreased and was instead replaced by long-term funding and deposits. This is in line with the strategic aim of extending the maturity of outstanding debt.

Short-term funding sources	Limit
Swedish Commercial Paper Programme (SvCP)	SEK 25 billion
European Commercial Paper Programme (ECP)	EUR 3 billion
US Commercial Paper Programme (USCP)	USD 4 billion

Long-term funding

SBAB issues non-covered (senior) loans through an EMTN programme. The Group's covered funding is conducted through SCBC's EMTCN programme and a Swedish covered bond programme. SCBC also has access to the Australian market through a separate funding programme. During the year, the Group issued bonds with a total volume of SEK 57.4 billion (46.1). The increase over the year should be viewed as a normalisation of the funding volume, with the funding volume for 2012 in particular being affected by the pre-funding carried out in previous years.

Long-term funding sources	Limit
Euro Medium Term Note Programme (EMTN), SBAB	EUR 13 billion
Euro Medium Term Covered Note Programme (EMTCN), SCBC	EUR 10 billion
Swedish Covered Bond Programme, SCBC	No fixed limit
Australian Covered Bond Issuance Programme, SCBC	AUD 4 billion

SCBC

SCBC's primary operations comprise the issuance of covered bonds in the Swedish and international capital markets. SCBC's funding programmes have received the highest possible long-term ratings of Aaa and AAA from the rating agencies Moody's and Standard & Poor's. The company does not conduct any lending activities itself, but acquires loans, primarily from SBAB. The intention of the acquisitions is for these loans to be included in full 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 at www.sbab.se.

Rating

On 19 July 2013, Standard & Poor's placed SBAB's credit rating on CreditWatch Negative. This decision was based on a global study in which the Nordic banking sector in particular stood out unfavourably with regard to financing and liquidity, partly due to its greater dependence on the capital market, as well as shorter maturities in issued debt. Over the year, SBAB reduced its dependence on short-term market financing and strengthened its liquidity reserve. The focus is on continuing this work and decreasing dependence on the capital market through continued growth in deposits. On 25 September, SBAB was removed from CreditWatch Negative and the A/A1 credit rating was confirmed. Negative outlook remains as previously.

Moody's long-term and short-term credit ratings were unchanged during the year, at A2 and P-1 respectively.

Rating on 31 December 2013	Moody's	Standard & Poor's
Long-term funding, SBAB	A2	A
Long-term funding, SCBC	Aaa	AAA
Short-term funding, SBAB	P–1	A–1

On 14 January 2014, Moody's initiated a review of SBAB's long and short-term rating, with a possible downgrade as a result. SCBC's rating was unaffected. For further information, go to www.sbab.se/ir.

Sustainable business

Introduction

For several years, SBAB has worked with issues involving sustainable enterprise. Efforts have primarily focused on issues involving the responsible granting of loans, employee satisfaction, health and commitment, as well as endeavours to contribute to reduced energy consumption and environmental impact. Sustainability work is important both in securing the long-term generation of value in the company and in managing risks and opportunities associated with SBAB's operations.

The development of SBAB's business operations and external changes entail new challenges on which the company must take a stance. It is therefore important the sustainability work is conducted in a goal-oriented manner and with a clear strategy.

SBAB's responsibility as a bank

SBAB is a Swedish bank with housing financing and deposits as its predominant areas of business. SBAB is responsible for conducting sound and responsible lending, marketing and sales, and for contributing to financial stability and the positive development of society. SBAB's work in these areas is important in the company achieving its objectives. SBAB's vision is to create a new era in banking by offering a superior customer experience. The ambition is to develop the company in such a way that SBAB achieves this vision in a manner that contributes to long-term sustainable economic growth.

SBAB's targets as a sustainable company

In 2013, SBAB's Board of Directors and management were involved in designing SBAB's targets and strategy in sustainable business. In the autumn of 2013, a special working group was established including the Chairman of the Board, three other Board Members and five representatives from Executive Management, including the CEO and all Business Area Managers. The working group was tasked with preparing proposals for long-term sustainability targets for SBAB to be adopted by the Board of Directors.

In December 2013, the Board of Directors of SBAB adopted three target areas of particular importance to SBAB as a long-term sustainable company:

- Sound finances
- Responsibility and transparency
- Sustainable housing

In each target area, SBAB has adopted several directly measurable targets that can be followed up. Beyond the targets mentioned above, SBAB also conducts several activities to achieve set targets on economic sustainability, social sustainability and environmental sustainability.

Three overarching target areas

Sound finances

As a bank, SBAB bears a particular responsibility. This involves contributing to customers' financial security and, as part of the financial system, safeguarding a long-term sustainable economy in society. Sound finances are a prerequisite to SBAB being able to achieve this and to being able to conduct long-term sustainable business operations. Actual outcomes in terms of return on equity, Common Equity Tier 1 capital ratio and rate of dividends determine the degree of target achievement in this area.

Responsibility and transparency

For SBAB, responsibility and transparency involve working for responsible lending, marketing and sales. Component targets in this area are satisfied customers who perceive that SBAB states its prices and product terms clearly and openly, and a low loan loss rate. Through openness and transparency, SBAB seeks to improve the reputation of the banking and finance sector.

SBAB's responsibility as an employer also forms an important part of this target area and should lead to a high proportion of motivated employees.

Sustainable housing

SBAB has extensive experience and knowledge in funding of housing. Issues affecting homes and housing are deeply rooted in the company's culture. Sweden faces numerous social challenges that are economically, socially or environmentally linked to housing. Being highly committed to sustainable housing, SBAB seeks to contribute to the positive development of society.

SBAB has a specific objective of contributing to the financing of new housing production and, in cooperation with others, to initiate activities to improve the housing environment is particularly exposed areas. Furthermore, it is SBAB's ambition to be able to contribute to reduced energy consumption in Swedish households.

Stakeholder dialogue

For SBAB, an active and frequent dialogue with stakeholders is an important tool in being able to prioritise the right sustainability issues. SBAB's priority stakeholders are customers, the owner, employees and investors.

In 2013, SBAB intensified its dialogue with its prioritised stakeholders through a stakeholder and materiality analysis. Sector and stakeholder organisations associated with the bank and property sector also participated in the analysis. Areas highlighted by stakeholders included:

- Economic stability and profitability
- Sound and responsible lending
- Customer satisfaction
- Good business ethics
- Clear social commitment

SBAB views this analysis as the start of a long-term, on-going dialogue with its stakeholders. Consequently, the ambition for the future is to develop and deepen the stakeholder dialogue in different ways to ensure that stakeholders' perspectives, ideas and views are fostered.

Responsible granting of loans

The lending process

SBAB's granting of loans is based on a credit evaluation that ensures that customers have the financial capacity necessary to be able to meet their commitments. Foremost, the customer's repayment capacity is assessed. Loans are not approved if repayment capacity cannot be ascertained. Secondly, any collateral for the loan is assessed. The credit evaluation for private individuals includes a calculation of housing costs. If this calculation indicates a surplus, the loan can be approved on the condition that there are no other circumstances indicating that SBAB should not approve the loan. If the calculation indicates a deficit, the loan cannot be approved.

Repayment

SBAB takes the view that repayment contributes to sound household economy. More than two thirds of SBAB's residential mortgage customers amortise at least one of their loans and an amortisation requirement is imposed on all new residential mortgages with a loan-to-value ratio of more than 75%, as well as for unsecured loans. During the year SBAB has worked to develop clearer guidelines regarding repayment on mortgages.

Credit evaluation model for retail mortgages

1. Repayment capacity

The bank stress-tests the customer's repayment capacity against a computed rate of interest. The computed rate of interest accounts for such factors as the forecast interest-rate development and also includes a buffer for unexpected interest-rate hikes.

2. Calculation of residual disposable income

The bank reviews the customer's financial status to estimate his/her residual disposable income. Among other factors, the calculation takes into account housing costs and the cost of living. If the calculation results in a surplus, there is a possibility for SBAB to approve the loan.

3. Collateral

Collateral for a residential mortgage is not relevant until the customer's financial position passes the bank's credit evaluation. The valuation is conducted using SBAB's approved valuation models. Using a residence as collateral, a customer may borrow up to a maximum of 85% of its value.

Reporting

SBAB reports its sustainable development work on the basis of GRI 3.0, level C+. Reports encompass the Parent Company, SBAB Bank AB (publ), and the wholly owned subsidiary SCBC. SCBC's operations are pursued by employees of the Parent Company and the applicable rules and guidelines encompass both companies.

SBAB reports on specific indicators depending on their relevance and the availability of data and information. The quality of the reporting is assured by independent auditing and confirmation. More information about sustainable development and policies is available at sbab.se.

Governance of sustainability work

For SBAB to be a sustainable company, sustainability work must be integrated into its operations. To achieve this, SBAB has the following functions that govern and follow up its sustainability work:

Board of Directors

SBAB's Board of Directors determines SBAB's long-term sustainability targets, as well as the policy for sustainable business and the ethics policy. Furthermore, the Board monitors and assesses SBAB's sustainability work.

Executive Management

The Executive Management bears the overall responsibility for sustainability work within the company being run in a manner that results in the accomplishment of the adopted objectives. Effective from 2014, the areas of responsibility will be divided between the business area and department managers, and will be included in annual business planning.

Sustainability Council

SBAB's Sustainability Council advises management on the coordination and implementation of sustainability work in operations. The Sustainability Council consists of the CEO, the Head of Communications & HR, Chief Legal Counsel, representatives from the operations and the coordinator of SBAB's sustainability work.

Coordination of sustainability work

The function for the coordination of SBAB's sustainable business work is assigned to Communications & HR. The coordination of sustainability work entails leading and coordinating SBAB's efforts to achieve the adopted sustainability goals.

Agreements

SBAB has signed the following international and national agreements:

UN Global Compact

In 2009, SBAB signed the UN Global Compact initiative which comprises principles concerning human rights, aspects of labour law, the environment and corruption.

The Global Compact comprises ten principles aimed at corporates. These principles are based on the UN Declaration on Human Rights, the ILO's basic conventions on human rights in working life, the Rio Declaration and the UN Convention against Corruption. Each year, SBAB issues a Communication on Progress (COP) to the UN Global Compact to account for the company's efforts regarding the ten principles.

ECPAT Sweden and the Swedish Financial Coalition against Child Pornography

In November 2012, SBAB signed a partnership agreement with ECPAT Sweden. The partnership serves to work proactively to counteract the dissemination of child pornography materials. Among other efforts, this involves training for key individuals, external and internal information and the issue being addressed in SBAB's internal policies, instructions and guidelines.

SBAB is a member of the Swedish Financial Coalition against Child Pornography. Its membership of the Swedish Financial Coalition grants SBAB the opportunity – alongside other actors in the financial sector – to contribute actively to eliminating opportunities to distribute and receive payment for child pornography on the Internet.

Risk management

SBAB's risk taking is low and is kept at a level commensurate with financial targets for return, scope of risk capital and target rating. SBAB's risks consist mainly of credit risk through its lending operations. For further information about SBAB's risk management and capital adequacy, refer to Note 2 or visit SBAB's website: www.sbab.se.

The risks that arise in SBAB's operations primarily comprise:

Risk	Description
CREDIT RISK	The counterparty is unable to fulfil its payment obligations.
LIQUIDITY RISK	Being unable to meet payment obligations on the date of maturity without the cost of obtaining payment funds increasing significantly.
MARKET RISK	A decline in profitability due to unfavourable market fluctuations.
OPERATIONAL RISK	Losses due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events, including legal risk.
BUSINESS RISK	Declining income due to deteriorating competitive conditions or an incorrect strategy or decision.
CONCENTRATION RISK	Exposures concentrated to certain counterparties, regions or industries.

Risk strategy

SBAB's operations are to be conducted such that risks are suited to SBAB's capacity to bear risk. Risk-bearing capacity primarily refers to the capacity to manage unexpected and expected losses by means of own funds or ongoing earnings capacity and, secondly, the capacity to minimise unwanted risks by means of appropriate organisation, processes and controls. The anticipated scope of expected losses is to be borne by continuous earnings, while unexpected losses are to be covered by own funds insofar as they exceed ongoing earnings.

An important part of SBAB's business model entails risks being relatively small and predictable, making it possible to maintain a large volume of business in relation to own funds. This does not mean that each individual credit exposure has a very low risk, rather that the total lending portfolio consists largely of low-risk exposures such that SBAB's total risk is limited.

Certain risks cannot be quantified and compares with risk-bearing capacity in the same way as for credit risk and market risk, for example. In such cases, the cost of mitigating the risk should be weighed up against the desired level of risk and the change in the level of risk achieved through a particular measure.

SBAB should only deliberately expose itself to risks directly attributable or necessary to SBAB's business operations. Such risks mainly consist of credit risk, market risk, liquidity risk, earnings volatility and operational risk.

Risk tolerance

SBAB defines risk tolerance as the risk SBAB is willing to take to achieve the established business objectives within the framework of the chosen long-term strategy. The Board of Directors documents its accepted level of risk tolerance at least once annually in a Board-approved document.

The level of risk taking within SBAB shall be low. This is achieved by ensuring that total risk level is kept at a level compatible with the financial objectives for return, the size of risk capital and the target rating.

SBAB has identified three principal categories in the bank's risk tolerance framework. Within each category, there are a number of sub-categories for which specific risk tolerance measures have been formulated. The solvency category encompasses the risks for which SBAB retains capital and includes credit risk, market risk, operational risk, capital targets and earnings volatility. The liquidity risk category encompasses the risks that affect SBAB's opportunities for successful funding and liquidity management and includes the sub-categories short-term and structural liquidity risk. The third main category comprises compliance and encompasses the regulations and ethical standards with which SBAB must comply to be able to pursue its operations.

The basis for SBAB's tolerance of various types of risk is that each risk should be fit within a well-defined area of SBAB's risk-bearing capacity. The total risk exposure may not exceed the total risk-bearing capacity. The scope of the risk that is accepted must be clearly linked to how important the relevant risk is to SBAB's business concept and the positive effects expected to be achieved in the form of expected income, cost savings or reduction of other risks.

SBAB shall continuously, and at least annually, reassess the balance between risks and risk-bearing capacity or the costs to minimise risk. The reassessment encompasses all limits and calibration levels.

Risk measurement

To meet both legal and internal business requirements, SBAB applies suitable risk measurements adjusted according to the scope and complexity of the operations that are conducted.

For credit risk, SBAB applies an internal ratings-based approach (IRB) that provides conditions for the development of internal models with acceptable capacity for prediction at a reasonable cost.

SBAB applies a set of different risk measures based on measurement methods accepted in the market, including Value-at-Risk, sensitivity measures and stress tests, to ensure that the Board of Directors and management receive accurate documentation of SBAB's exposure to market risk. SBAB applies the standardised approach in its calculation of capital requirements for market risk.

SBAB applies the standardised approach in the measurement of risk exposure and capital requirements for operational risks. The standardised approach also encompasses requirements for self-assessment and incident reporting.

To measure liquidity risk, SBAB applies both measures that reflect the possibility of meeting payment commitments in the short term without access to new financing, as well as measures for structural liquidity risk. As a complement to this, stress tests are conducted regularly.

SBAB's capital requirements are calculated in part on the basis of external regulations and, in part, using internal methods of capital adequacy assessment. Within the framework of SBAB's process for internal capital adequacy assessment, a forward-looking assessment is made of the capital requirement on the basis of the bank's business plans, future regulatory changes and other external changes. In addition, stress tests are conducted that serve to ensure that own funds are sufficient for operations to be able to continue working well even under unfavourable economic conditions and extraordinary events.

Written reports are submitted to the CEO and the Board of Directors monthly and as necessary. The reporting structure is designed so that the Board of Directors and management receives reports regarding all material risks, as well as regarding the company's risk profile in relation to the approved risk tolerance.

Authority and responsibility

SBAB's Board of Directors bears the overarching responsibility for the company's total risk exposure. The Board of Directors or, in certain cases, the Board's Credit Committee approve all significant methods, models and processes.

The CEO is responsible for on-going administration in accordance with the strategies, guidelines and governance documents set out by the Board of Directors. The CEO ensures that the methods, models and processes forming part of the internal measurement and control of identified risks functions as intended and are approved by the Board of Directors. The CEO also ensures, on an on-going basis, that the reporting to the Board of Directors by each unit, including the independent risk control function, is conducted in accordance with the relevant instructions.

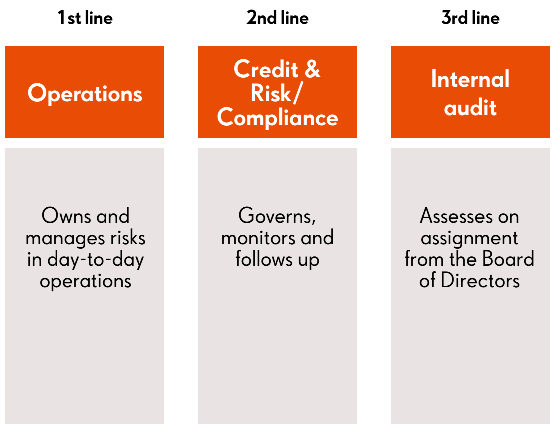
In SBAB's risk management, roles and responsibilities are divided in accordance with the three lines of defence:

- The first line of defence refers to all risk management activities performed by the business operations. The operations that incur the risk also own that risk, meaning that the day-to-day management of risks is to be performed by those responsible for the operations.
- The second line of defence refers to the risk control and compliance functions. Risk control is responsible for the identification, quantification, analysis and reporting of all risks. Risk control shall also support and promote operations having the procedures, systems and tools necessary to uphold the on-going management of risks. Compliance shall verify that operations adhere to laws and regulations and shall support the operations within its area of responsibility.
- The third line of defence refers to the internal audit, which performs regular independent reviews of the management and systems of internal controls.

Those who own the risks, i.e. the business operations, shall, without delay, inform Risk control of occurrences of material deviations or otherwise of events that could entail a heightened risk.

A more detailed description of SBAB's risk management and capital adequacy is presented in Note 2.

The three lines of defence



Results

Operating result

The operating profit excluding the net result from financial instruments measured at fair value for the 2013 full-year amounted to SEK 1,046 million (1,101). The year was characterised by a stable trend in lending volumes and a sharp increase in deposits. The operating result rose to SEK 1,085 million (500), driven primarily by improved net result from financial instruments. The expenditure/income ratio decreased to 43% (58), mainly due to higher income. Loan losses remained low during the year. Return on equity was 9.5% (4.2). SBAB's owner has decided on a profitability target whereby the return on equity should be at least 10%.

Operating income

Operating income amounted to SEK 1,893 million (1,248). Net interest income increased 1% to SEK 1,963 million (1,941). Compared to 2012, net interest income increased in the beginning of the year driven by lower funding costs. However, it was later affected negatively by lower margins in the lending business, as well as temporarily higher liquidity in the final months of the year driven by strong growth in deposits. An increase in the liquidity portfolio also had a negative impact on net interest income. Commission income fell to SEK 40 million (55), mainly due to lower income from business partners. Commission expenses were on par with the preceding year. The stability fee for the year was SEK 114 million (115). The stability fee comprises a fixed percentage of 0.036%, calculated on the basis of obligations in the fee-payer's balance sheet less certain intra-Group loans and subordinated debt. The net result from financial instruments measured at fair value amounted to SEK 39 million (neg: 601) and was mainly affected by unrealised changes in market values of basis swaps[1] and the sale of RMBSs.

Operating expenses

SBAB's expenses totalled SEK 815 million (728). Personnel costs amounted to SEK 346 million (342) Other expenses totalled SEK 400 million (362). The increase is mainly attributable to higher operating and support expenses resulting from the strong influx of customers and the development of new services. Depreciation of property, plant and equipment and amortisation of intangible fixed assets amounted to 69 SEK million (24), of which SEK 38 million derived from impairment of intangible assets.

Loan losses

Loan losses remained low. For full-year 2013, the outcome for loan losses was a positive SEK 7 million (neg: 20), corresponding to a loan loss rate of -0.00% (0.00). For a more detailed account of the loan-loss trend, refer to Note 11.

Parent Company

The operating result in 2013 totalled SEK 176 million (104). Operating income amounted to SEK 1,061 million (941). The operating result was primarily impacted by higher net interest income totalling SEK 283 million (130). The improvement in net interest income was primarily driven by an increase in the volume of loans to the public and interest income arising from a higher amount of subordinated loans to the subsidiary, SCBC. Net result from financial transactions amounted to SEK 128 million (213). The decrease was primarily attributable to unrealised changes in market values of basis swaps and in the liquidity portfolio. Expenses totalled SEK 871 million (803). The increase in expenses is explained by higher costs for IT, development, personnel and marketing. Net loan losses decreased to SEK 14 million (34). The net effect was mainly impacted by increases in provisions.

SCBC

SCBC's operating result for 2013 amounted to SEK 741 million (loss 194). Net interest income weakened compared with the preceding year to SEK 1,651 million (1,787). The lower net interest income is mainly due to an increase in SCBC's funding costs for non-covered funding. At year-end, the lending portfolio amounted to SEK 210.0 billion (208.9). Net result from financial instruments amounted to an expense of SEK 192 million (1,322). Net commission amounted to an expense of SEK 83 million (86). SCBC's total operating income increased in comparison with the preceding year to SEK 1,376 million (380). Expenses for the year increased to SEK 656 million (587), The principal reason was higher

[1] Fair-value recognition of derivative instruments
The currency and interest-rate risk inherent in funding conducted in foreign currency is normally 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 (market value), with changes in fair value included in net income/expense from financial instruments measured at fair value. Major variations in the actual market value between reporting periods could result in significant changes in the carrying amount and thus also in capital adequacy. However, changes in the form of losses/gains remain unrealised as long as the basis swap is not closed prematurely. In cases where the derivative is held to maturity, earnings are not affected by the accumulated changes since the market value of each derivative contract starts and ends at zero. Most of SBAB's basis swaps are held to maturity.

costs for payment to SBAB for administrative services in accordance with an outsourcing agreement, along with payment to SBAB for the management of loans amounting to SEK 75 million (70) transferred from SBAB to SCBC and granted by FriSpar Bolån AB. Net loan losses amounted to a positive SEK 21 million (13), corresponding to a loan loss rate of neg. 0.01% (neg. 0.01).

FriSpar

The operating result amounted to SEK 45 million (51) and the lending portfolio to SEK 0 billion (1.4). During 2013, the owners of FriSpar concluded that there is no reason to continue operating the collaboration as a company due, among other things, to changed capital adequacy regulations. Consequently, since 6 December 2013, FriSpar has not disbursed any new residential mortgages. In December 2013 FriSpar also transferred all outstanding loans in FriSpar to SBAB.On 5 March 2014, in accordande with an application from FriSpar, the Swedish Financial Supervisory Authority decided to revoke the company's license to conduct financing operations.

Capital adequacy

Basel III was implemented on 1 January 2014 and the regulations entail, among other things, requirements for increased own funds and higher capital requirements compared with earlier regulations. SBAB has taken this into account in its capital planning and meets the requirements in accordance with the new regulations. According to a preliminary assessment, capital requirements, own funds and major exposures will not be affected by changes in IFRS that have been published but that have yet to take effect. For more information on SBAB's capital adequacy, refer to Note 2.

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. In view of the fact that the Swedish Financial Supervisory Authority has announced additional increases in the risk weight floor for residential mortgages, which would increase the need for equity, the Board proposes that the net profit for 2013 be carried forward and that no dividend be paid. The complete proposed appropriation of profits is given on page 83 and an integrated part of the Administration Report.

Corporate Governance Report

SBAB's Corporate Governance Report for 2013 is appended to this Annual Report on page 85. The information it provides regarding the most important aspects of the Group's system of internal governance and control is given on pages 90–91.

Future prospects, risks and uncertainties

SBAB holds an established position in the Swedish residential mortgage market and has, in recent years, also strengthened its status in the deposits market. The strong customer growth in 2013 demonstrates that SBAB's offering is suited to the current market and, by also establishing straightforward bank services over the upcoming years, the company will make itself relevant to a larger target group.

The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity and the quality of its assets since the operation 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. Retail demand is expected to show stable growth over the next few years, underpinned by low inflation, low interest rates and rising stock market and property prices. The Swedish economy is sensitive to global economic developments and to conditions on the international financial markets. The risks regarding these factors are expected to decrease over the upcoming years but are nonetheless significant. A strained housing market and high indebtedness among retail customers result in the economy also being sensitive to changes in interest rates and house prices. The risks associated with these factors are expected to increase as long as housing prices and indebtedness continue to rise faster than incomes.

For further information on SBAB's risks and risk management, please refer to the Risk Management section and Note 2.

Events after the balance-sheet date

On 13 January 2014, it was announced that Carl-Viggo Östlund, who has been CEO of SBAB since 2012, is leaving the bank. Since that date, Per Anders Fasth has been acting CEO of SBAB. Per Anders Fasth has been a Board Member of SBAB since 2011 and is a partner in the management consultancy firm Quartz+ Co, with chief responsibility for banking and insurance. He has left these assignments in conjunction with his appointment as CEO. His previous experience includes 15 years as Senior Vice President within the SEB Group and CEO of ERC, a company specialising in bank restructuring.

Overview of earnings

SEK million	Parent Company SBAB Bank	SCBC	FriSpar	Group 2013 [1]	Group 2012 [1]	%
Interest income	3,243	6,211	68	8,147	10,485	
Interest expense	–2,960	–4,560	–21	–6,184	–8,544	
Net interest income/expense	**283**	**1,651**	**47**	**1,963**	**1,941**	**1%**
Dividends received	19					
Commission income	124	8		40	55	
Commission expense	–74	–91		–149	–150	
Net result from financial instruments measured at fair value/						
Net result from financial transactions	128	–192		39	–601	
Other operating income	581				3	
Total operating income	**1,061**	**1,376**	**47**	**1,893**	**1,248**	**52%**
Personnel costs	–371			-346	–342	2%
Costs for premises	–34			-34	–29	17%
IT expenses	–247			–165	–146	13%
Other administration expenses	–119	–655	–2	–120	–114	5%
Marketing	–66			–66	–58	14%
Other operating expenses	–14	–1		–15	–15	0%
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	–20			–69	–24	188%
Total expenses before loan losses	**–871**	**–656**	**–2**	**–815**	**–728**	**12%**
Profit/loss before loan losses	**190**	**720**	**45**	**1,078**	**520**	**106%**
Loan losses, net	–14	21		7	–20	–135%
Operating result	**176**	**741**	**45**	**1,085**	**500**	**116%**
Tax	154	–171	–10	–212	–140	
Profit for the year	**330**	**570**	**35**	**873**	**360**	**140%**

[1] Parent Company SBAB Bank, SCBC and FriSpar do not add up to SBAB Group due to consolidated eliminations.

Definitions of key data

New lending	Gross lending
Investment margin	Net interest income in relation to average total assets
Loan loss rate	Loan losses in relation to opening balance for lending to the public
Share of doubtful loan receivables	Doubtful loan receivables (net) in relation to lending to the public at year-end
Expenditure/Income ratio, excl. loan losses	Total operating expenses/total income
Expenditure/Income ratio, incl. loan losses	(Total operating expenses plus loan losses)/total income
Return on equity	Operating result after actual tax in relation to average equity
Common Equity Tier 1 capital ratio	Tier 1 capital less additional Tier 1 instruments in relation to risk-weighted assets (RWA)
Total capital ratio	Own funds/risk-weighted assets
Tier 1 capital ratio	Tier 1 capital/risk-weighted assets
Equity ratio	Equity, incl. minority interest, in relation to total assets at year-end
Consolidation ratio	Equity, incl. minority interest, and deferred tax in relation to total assets at year-end
Number of employees	Permanent and temporary employees (annual average)

Five-year overview

GROUP					
SEK million	**2013**	**2012**	**2011**	**2010**	**2009**
Interest income	8,147	10,485	10,449	5,355	6,043
Interest expense	–6,184	–8,544	–8,831	–3,593	–4,524
Net interest income/expense	**1,963**	**1,941**	**1,618**	**1,762**	**1,519**
Other operating income [1]	–70	–693	–439	–333	455
Total operating income	**1,893**	**1,248**	**1,179**	**1,429**	**1,974**
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	–69	–24	–27	–26	–28
Other operating expenses	–746	–704	–680	–578	–550
Total operating expenses	**–815**	**–728**	**–707**	**–604**	**–578**
Profit/loss before loan losses	**1,078**	**520**	**472**	**825**	**1,396**
Loan losses	7	–20	–8	–40	–107
Operating result	**1,085**	**500**	**464**	**785**	**1,289**
Lending portfolio	258,739	255,946	248,150	249,103	225,976
Other assets	76,319	78,482	91,600	67,822	68,099
Total assets	**335,058**	**334,428**	**339,750**	**316,925**	**294,075**
Deposits	45,869	27,654	8,769	6,083	4,653
Debt securities in issue, etc.	243,870	253,897	276,678	261,962	249,095
Other liabilities	29,388	37,057	39,615	35,298	29,161
Deferred tax liabilities	459	0	71	60	238
Subordinated debt	5,791	7,052	6,233	5,508	3,551
Equity	9,681	8,768	8,384	8,014	7,377
Total liabilities and equity	**335,058**	**334,428**	**339,750**	**316,925**	**294,075**
Lending					
New lending, SEK million	37,367	34,878	31,107	50,398	64,626
Investment margin	0.59%	0.58%	0.49%	0.58%	0.55%
Securitised, SEK million	–	–	–	–	–
Loan losses					
Loan loss rate	-0.00%	0.01%	0.00%	0.02%	0.06%
Share of doubtful loan receivables	0.00%	0.01%	0.00%	0.01%	0.01%
Productivity					
Expenditure/Income ratio, excl. loan losses	43%	58%	60%	42%	29%
Expenditure/Income ratio, incl. loan losses	43%	60%	61%	45%	35%
Capital structure					
Return on equity	9.5%	4.2%	4.2%	7.5%	13.8%
Common Equity Tier 1 capital ratio without transitional regulations	23.3%	16.4%	15.0%	14.1%	14.1%
Tier 1 capital ratio without transitional regulations	30.6%	21.7%	20.0%	19.1%	15.9%
Total capital ratio without transitional regulations	35.6%	27.4%	23.9%	22.4%	19.7%
Common Equity Tier 1 capital ratio with transitional regulations	6.9%	6.9%	6.7%	6.4%	6.6%
Tier 1 capital ratio with transitional regulations	9.0%	9.1%	8.9%	8.7%	7.4%
Total capital ratio with transitional regulations	10.5%	11.5%	10.7%	10.2%	9.2%
Equity ratio	2.9%	2.6%	2.5%	2.5%	2.5%
Consolidation ratio	2.9%	2.6%	2.5%	2.5%	2.6%
Employees					
Number of employees (annual average)	449	413	419	431	396

[1] Includes net commission, net income/expense from financial instruments and other operating income.

Contents

Income statement

SEK million	Note	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Interest income	3	8,147	10,485	3,243	4,162
Interest expense	3	–6,184	–8,544	–2,960	–4,032
Net interest income		**1,963**	**1,941**	**283**	**130**
Dividends received	4	–	–	19	17
Commission income	5	40	55	124	136
Commission expense	5	–149	–150	–74	–70
Net result from financial instruments measured at fair value/ Net result from financial transactions	6	39	–601	128	213
Other operating income	7	–	3	581	515
Total operating income		**1,893**	**1,248**	**1,061**	**941**
Personnel costs	8	–346	–342	–371	–354
Other expenses	9	–400	–362	–480	–434
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	10	–69	–24	–20	–15
Total expenses before loan losses		**–815**	**–728**	**–871**	**–803**
Profit/loss before loan losses		**1,078**	**520**	**190**	**138**
Loan losses, net	11	7	–20	–14	–34
Operating profit		**1,085**	**500**	**176**	**104**
Tax	12	–212	–140	154	–11
Profit for the year		**873**	**360**	**330**	**93**

Statement of comprehensive income

SEK million	Note	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Profit for the year		**873**	**360**	**330**	**93**
Other comprehensive income					
Components that have or will be reallocated to income statement	33				
Change in reclassified financial assets, before tax		17	20	17	20
Tax attributable to components that have or will be reallocated to profit or loss		–3	–6	–3	–6
Components that have not or will be reallocated to income statement	33				
Revaluation effects of defined benefit pension plans, before tax		34	–6	–	–
Tax attributable to components that have not or will be reallocated to profit or loss		–8	3	–	–
Other comprehensive income, net after tax		**40**	**11**	**14**	**14**
Total comprehensive income for the year		**913**	**371**	**344**	**107**

Balance sheet

		GROUP		PARENT COMPANY	
SEK million	**Note**	**2013**	**2012**	**2013**	**2012**
ASSETS					
Cash and balances at central banks		0	0	0	0
Chargeable treasury bills and other eligible bills	13	8,183	12,860	8,183	12,860
Lending to credit institutions	14	20,267	18,269	49,183	48,435
Lending to the public	15	258,739	255,946	48,758	46,360
Change in value of interest-rate-hedged items in portfolio hedges		757	1,617	1	–
Bonds and other interest-bearing securities	16	38,736	31,452	38,736	31,452
Derivative instruments	17	6,449	12,745	4,981	11,499
Shares and participations	18	217	150	217	150
Shares and participations in joint ventures	19	–	–	113	830
Shares and participations in Group companies	20	–	–	10,300	9,600
Deferred tax assets	30	–	34	–	–
Intangible fixed assets	21	165	122	14	14
Property, plant and equipment	22	37	33	37	33
Other assets	23	595	238	477	76
Prepaid expenses and accrued income	24	913	962	695	719
TOTAL ASSETS		**335,058**	**334,428**	**161,695**	**162,028**
LIABILITIES AND EQUITY					
Liabilities					
Liabilities to credit institutions	25	15,191	17,538	557	2,443
Deposits from the public	26	45,869	27,654	45,869	27,654
Debt securities in issue	27	243,870	253,897	91,316	101,782
Derivative instruments	17	10,363	15,383	7,909	13,909
Other liabilities	28	306	361	996	356
Accrued expenses and prepaid income	29	3,502	3,698	848	835
Deferred tax liabilities	30	459	–	133	65
Provisions	31	26	77	–	–
Subordinated debt	32	5,791	7,052	5,791	7,052
Total liabilities		**325,377**	**325,660**	**153,419**	**154,096**
Equity					
Share capital	33	1,958	1,958	1,958	1,958
Legal reserve		–	–	392	392
Reserves/Fair value reserve	33	13	-27	–23	–37
Retained earnings		6,837	6,477	5,619	5,526
Profit for the year		873	360	330	93
Total equity		**9,681**	**8,768**	**8,276**	**7,932**
TOTAL LIABILITIES AND EQUITY		**335,058**	**334,428**	**161,695**	**162,028**
Memorandum items					
Assets pledged for own liabilities	34	204,198	205,127	9	2,117
Commitments	35	27,452	39,279	48,298	59,587

Statement of changes in equity

GROUP

SEK million	Note	RESTRICTED EQUITY Share capital	NON-RESTRICTED EQUITY Reserves	Retained earnings and profit for the year	Total Equity
OPENING BALANCE, 1 JAN 2012		**1,958**	**–51**	**6,477**	**8,384**
Changed accounting policy, IAS 19			13		13
Adjusted opening balance at 1 January 2012		**1,958**	**–38**	**6,477**	**8,397**
Other comprehensive income, net after tax	33		11		11
Profit for the year				360	360
Comprehensive income for the year				**360**	**360**
CLOSING BALANCE, 31 DEC 2012		**1,958**	**–27**	**6,837**	**8,768**
OPENING BALANCE, 1 JAN 2013		**1,958**	**–27**	**6,837**	**8,768**
Other comprehensive income, net after tax	33		40		40
Profit for the year				873	873
Comprehensive income for the year			**40**	**873**	**913**
CLOSING BALANCE, 31 DEC 2013		**1,958**	**13**	**7,710**	**9,681**

PARENT COMPANY

SEK million	Note	RESTRICTED EQUITY Share capital	Legal reserve	NON-RESTRICTED EQUITY Fair value reserve	Retained earnings and profit for the year	Total equity
OPENING BALANCE, 1 JAN 2012		**1,958**	**392**	**-51**	**5,526**	**7,825**
Other comprehensive income, net after tax	33			14		14
Profit for the year					93	93
Comprehensive income for the year				**14**	**93**	**107**
CLOSING BALANCE, 31 DEC 2012		**1,958**	**392**	**-37**	**5,619**	**7,932**
OPENING BALANCE, 1 JAN 2013		**1,958**	**392**	**-37**	**5,619**	**7,932**
Other comprehensive income, net after tax	33			14		14
Profit for the year					330	330
Comprehensive income for the year				**14**	**330**	**344**
CLOSING BALANCE, 31 DEC 2013		**1,958**	**392**	**-23**	**5,949**	**8,276**

Cash flow statement

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Cash and cash equivalents at the beginning of the year	**17,536**	**18,939**	**7,584**	**10,984**
OPERATING ACTIVITIES				
Interest received	8,298	10,623	3,289	4,317
Commission received	43	48	125	140
Interest paid	–6,757	–9,093	–2,986	–4,314
Commission paid	–179	–143	–80	–66
Dividends received for shares and similar securities	–	–	19	17
Group contribution received	–	–	–	510
Recoveries on loans previously written off	3	3	3	3
Payments to suppliers and employees	–824	–709	–914	–788
Paid/repaid income tax	–195	–201	–177	–174
Change in subordinated receivables	–	–	–513	–3,301
Change in lending to credit institutions[1]	–296	3,853	341	7,879
Change in lending to the public	–2,689	–7,714	–2,394	–13,449
Change in chargeable treasury bills and other eligible bills	4,312	–6,564	4,312	–6,564
Change in bonds and other interest-bearing securities and fund units	–6,958	9,635	–6,958	9,635
Change in liabilities to credit institutions	–2,359	–3,695	–1,885	–7,245
Change in deposits from the public	18,215	18,885	18,215	18,885
Issuance of long-term funding	58,384	47,844	29,600	27,394
Repayment of long-term funding	–54,291	–64,433	–27,575	–37,439
Issuance of short-term funding	69,885	98,757	69,885	98,757
Repayment of short-term funding	–81,421	–99,850	–81,421	–99,850
Change in other assets and liabilities	–353	461	–5	1,304
Cash flow from operating activities	**2,818**	**-2,293**	**881**	**–4,349**
INVESTING ACTIVITIES				
Sale of property plant and equipment	0	0	0	0
Investments in property plant and equipment and intangible fixed assets	–116	–110	–24	–26
Investments in subsidiaries and joint ventures	–	–	718	–25
Cash flow from investing activities	**–116**	**–110**	**694**	**–51**
FUNDING ACTIVITIES				
Issuance of subordinated debentures	–	1,000	–	1,000
Repayment of subordinated debentures	–1,000	–	–1,000	–
Cash flow from funding activities	**–1,000**	**1,000**	**–1,000**	**1,000**
Increase/decrease in cash and cash equivalents	**1,702**	**–1,403**	**575**	**–3,400**
Cash and cash equivalents at the end of the year	**19,238**	**17,536**	**8,159**	**7,584**

[1] Pertains to lending to credit institutions with a maturity of more than three months from the acquisition date.

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

Notes

Note 1 Accounting policies

The operations of SBAB Bank AB (publ), "SBAB", and its subsidiaries and joint ventures mainly comprise lending to private individuals, tenant-owner 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 Stockholm. The address of the Head Office is SBAB Bank AB (publ), Box 27 308, SE-102 54 Stockholm.

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, the Swedish Financial Supervisory Authority's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25), the 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.

SBAB also applies Chapter 5, Section 4 of the updated FFFS 2008:25 (FFFS 2013:24) prematurely for this report. The Annual Report has been prepared in accordance with the acquisition method, apart from derivatives and financial assets and liabilities measured at fair value through profit or loss, as well as hedge-accounted items. On 13 March 2014, the Board of Directors approved the financial statements for publication. They will receive final approval from the Annual General Meeting on 24 April 2014.

Amended and new accounting policies in 2013

IFRS 7 – Financial Instruments: Disclosures

- In IFRS 7, Financial Instruments: Additional disclosure requirements have been added regarding the offsetting of financial assets and liabilities. The disclosure requirements apply to all recognised financial instruments that are offset in accordance with item 42 in IAS 32, but also to recognised financial instruments covered by a legally binding framework agreement on offsetting or any similar agreement, regardless of whether or not they are offset in accordance with item 42 in IAS 32. The disclosures are provided in Note 38.

IFRS 13 Fair Value Measurement

- Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 also includes extensive disclosure requirements. The new standard does not stipulate that any new items be measured at fair value. With regard to the items that SBAB measures at fair value, the new definition is not expected to have an impact on the financial statements. The standard is being applied as of 1 January 2013.

IAS 1 Presentation of Financial Statements

- Components in other comprehensive income are divided into two groups, The division is made according to whether the components have or can be reallocated to profit for the year or whether the components cannot or could not in the future be reallocated to profit for the year. Any tax accruing on each of the two groups is differentiated. This affects SBAB's financial statements to only a limited extent. The standard is being applied as of 1 January 2013.

IAS 19 Employee Benefits

- All changes to the pension provision are to be recognised immediately. The equalisation effect derived from the corridor method has been eliminated. This will result in increased volatility in the balance sheet and other comprehensive income. In addition, the calculated return on the plan assets is to be based on the discount rate, meaning the rate used for calculating the pension obligation. The transitional effect arising from the discontinuation of the corridor method for unrecognised accumulated actuarial gains amounted to SEK 18 million on 1 January 2012 including special employer's contributions, which implies a corresponding positive effect on equity and reduction in pension provisions. The corresponding effect for 2012 and 2013 is shown in the "Statement of comprehensive income". The provision for deferred tax rose by SEK 5 million as per 1 January 2012. The new regulations also had an adverse impact of SEK 3 million on profit during 2012. The standard was introduced on 1 January 2013 with retroactive application.

Introduction of new accounting standards

IFRS 9 – Financial Instruments

- Since 2008, the IASB has been working to develop a new standard, IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The work is divided into three phases:
- – Classification and measurement
- – Impairment
- – Hedge accounting

For the first phase, Classification and measurement, an exposure draft (ED) was released in 2012 and the IASB plans a final standard for this phase in mid-2014.

It is proposed that classification be performed on the basis of the company's business model and the characteristic properties of the contractual cash flows. For the second phase, Impairment, a new exposure draft (ED) was issued in March 2013. The impairment model is based on expected losses rather than loss events that have occurred as in the current model. The final standard for this phase is planned for mid-2014.

The third phase, Hedge accounting, has been divided into normal hedge accounting and hedge accounting for macro hedges. A new standard was issued in November 2013 covering normal hedge accounting, and the IASB is working to issue a discussion paper (DP) on hedge accounting for macro hedged in early 2014.

The implementation of the standard has been postponed and the date for the compulsory application of the new standard will be 1 January 2017 at the earliest. However, it is expected that early adoption will be permitted once IFRS 9 has been adopted by the EU, which is a requirement for application. SBAB's assessment is that introduction of the standard concerning classification and measurement of financial assets and liabilities will have a limited impact on its financial statements. SBAB has yet to make a preliminary assessment of how the normal hedge accounting will affect the financial statements.

IFRS 10 Consolidated Financial Statements

- The definition of controlling influence has been clarified but entails no major changes in practice. The new standard is to be applied as of 1 January 2014, but is not expected to impact SBAB's financial statements.

IFRS 11 Joint Arrangements

- This standard applies to arrangements in which the part-owners hold a joint controlling influence and significant decisions require the unanimous consent of all part-owners. Joint arrangements are classified as either joint operations or joint ventures. SBAB's joint venture FriSpar Bolån AB is expected to remain classified as a joint venture in the future. The proportional method will no longer be permitted and SBAB has concluded that the equity method will be used for the Group's consolidation. This will have a minor impact on SBAB's financial statements. The standard is applied effective from 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities

- The disclosure requirements for subsidiaries, joint arrangements and associated companies have been compiled in one standard. Since the proportional method will no longer be permitted, and FriSpar Bolån AB will be consolidated in accordance with the equity method, new disclosure requirements will be added. In 2014, FriSpar Bolån AB will phase out operations and the disclosure requirement is therefore not expected to have any impact on the financial statements. The standard is applied effective from 1 January 2014.

IAS 39 Financial Instruments: Recognition and Measurement

- In July 2013, an amendment to IAS 39 (and IFRS 9) was published concerning the novation of derivatives and continuation of hedge accounting. The amendment makes it possible for an existing hedge relationship to continue if a novation that was not intended at the outset of the hedging relationship meets specific criteria. The addition is not expected to have any significant impact on SBAB's financial statements. The standard is applied effective from 1 January 2014.

Other

- The clarification of IAS 32 regarding set-off rules and IFRIC 21 Levies, is not expected to have any significant impact on SBAB's financial statements.

Other amendments, interpretations and annual improvements are deemed to have had no significant impact on SBAB's financial statements.

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, which means that the Parent Company has the power to govern the financial and operating strategies of the entity in order to obtain financial benefits from its activities. The companies included in the Group are those over which SBAB exercises the control generally accompanying a shareholding of more than 50% of the voting rights or where the Group exercises a sole controlling influence by agreement. The companies are consolidated from the date on which control is transferred to SBAB and are deconsolidated from the date on which control ceases. Intra-Group transactions and receivables and liabilities between Group companies are eliminated.

Joint venture

By contractual agreement, FriSpar Bolån AB is to be regarded as a joint venture and recognised in accordance with the proportional method. The proportional method entails that SBAB Bank's share (51%) of the company's assets and liabilities is included in the consolidated balance sheet. The corresponding share of the company's income and expense is included in consolidated profit or loss.

Recognition in and de-recognition from the balance sheet

Issued securities and all derivative instruments 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 the cash flows from the financial asset expire and the company 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 expires.

Recognition of income and expense

Interest income and interest expense (including interest income from impaired receivables) are recognised in accordance with 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 following the effective interest method via net interest income over the expected maturity of the loan.

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

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 heading "Net income/expense from financial instruments measured at fair value." Other items under this heading are described in the section "Financial instruments."

Financial instruments

Classification

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

- Financial assets measured at fair value through profit or loss
- Loans and receivables
- Financial liabilities measured at fair value through profit or loss
- Other financial liabilities

SBAB has not classified any assets as "Held-to-maturity investments" or as "Available-for-sale financial assets".

Offsetting

A financial asset and a financial liability shall be offset and recognised at the net amount 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 to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants. Measurement of the fair value 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. Calculations conducted in connection with measurement are based to the greatest extent possible on observable market information. 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 fair value through profit or loss

The category "Financial assets measured at fair value through profit or loss" is divided into holdings 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 plus fund units. On the first accounting occasion, 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 income/expense from financial instruments measured at fair value," while the effective interest rate is recognised in net interest income.

Loans and receivables

Financial assets classified as loans and receivables are recognised at fair value at the time the loan is released plus transaction costs.

Loans and receivables 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 private individuals for multi-family dwellings and commercial properties. Changes in value are recognised as "Loan losses, net," while the effective interest rate is recognised as interest income. Also refer to the section on "Loan losses and impairment of financial assets."

From 1 July 2008, loan receivables also include the securities (residential mortgage-backed securities – RMBSs) that have been reclassified from "Available-for-sale financial assets" to "Loans and receivables." For further information, refer to Note 36.

Impairment losses are recognised as "Impairment of financial assets", while the effective interest rate is recognised as interest income.

Available-for-sale financial assets

Financial assets that were previously included in this category pertained to the securities that have been reclassified as "Loans and receivables."

The change in value that was recognised on the reclassification date in "Reserves/Fair value reserve" under equity will be reversed using the effective interest method in pace with the maturity of the underlying asset. This reversal will be recognised in profit or loss as interest income.

Financial liabilities measured at fair value through profit or loss

The category "Financial liabilities measured at fair value through profit or loss" 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. The category includes derivatives not covered by 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 heading "Net result from financial instruments measured at fair value," while the effective interest rate is recognised in net interest income.

Other financial liabilities
Financial liabilities that are not classified as "Financial liabilities measured at fair value through profit or loss" 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 debt securities in issue, deposits from the public and liabilities to credit institutions.

Realised profit or loss from the repurchase of own liabilities affects profit or loss when incurred and is recognised under the heading "Net result from financial instruments measured at fair value."

Repos
Repos are agreements where the parties have simultaneously reached agreement on the sale and repurchase of a particular security at a pre-determined price. Securities that have been provided or received according to a repo agreement 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.

Derivatives and hedge accounting
Derivative instruments are used primarily to manage interest-rate and currency risk in the Group's assets and liabilities. Derivatives 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 hedging of the interest-rate and currency risk.

There are also other economic hedges for which hedge accounting is not applied and such derivatives are classified as assets or liabilities, respectively, measured at fair value through profit or loss.

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 heading "Net result from financial instruments measured at fair value." 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 adjusting the carrying amount of the hedged item in profit or loss 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 the heading "Net result from financial instruments measured at fair value."

Macro hedge
In this type of hedging, derivative instruments 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 hedging instruments recognised at fair value.

In fair value hedging of portfolios of assets, the gain or loss attributable to the hedged risk is recognised under the heading "Change in value of interest-rate-hedged items in portfolio 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.

Loan losses and impairment of financial assets
On the balance-sheet date, an assessment takes place of whether there is any objective evidence that an individual receivable or group of receivable requires impairment. This takes place as a result of events that have occurred after the initial recognition of the asset and which have had an impact on the estimated future cash flows for the loan receivable or group of receivables in question.

Events that could lead to the loan being impaired include bankruptcy, suspension of payments, a composition or a court order to pay. 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 pledge are included in the cash flow calculations. 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 the item "Loan losses, net" or "Impairment of financial assets" depending on the type of receivable.

Refer to the paragraph on "Loans and receivables" on page 32.

If the impairment requirement has declined in a subsequent period and the decrease can objectively be attributed to an event that occurred after the impairment loss had been recognised, a reversal of a previously recognised impairment loss can be recognised in the corresponding profit or loss 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 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 individually measured. 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 requirements has been determined in accordance with the above information on "Individually measured loan receivables."

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 produce 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 events that have recently taken place but which have not yet had an impact on the risk classification system.

Restructured receivables
A restructured loan receivable is a receivable on which SBAB has made some form of concession due to deficiencies in the borrower's solvency. Concessions granted are regarded as a confirmed loan loss. A loan that has been restructured is no longer regarded as doubtful but as a receivable with new conditions.

Individually measured bonds
Receivables included in this group are the securities (RMBSs) that as of 1 July 2008 were reclassified from "Available-for-sale financial assets" to "Loans and receivables." 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, a subsidiary and a joint venture.
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 date of transaction, and foreign currency receivables and liabilities are translated using the closing day 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 income/expense from financial instruments measured at fair value."

Leasing
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 9.

Property, plant and equipment
Property, plant and equipment are recognised as an asset 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 fixed assets
Investments in acquired computer software and/or software developed by SBAB are recognised at cost less any accumulated amortisation and impairment losses. 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 and use it,
- it can be demonstrated how the software will generate probable future financial benefits,
- adequate technical, financial and other resources for completing the development and for using the software are available, and
- the expenditure that was attributable to the software during its development can be reliably estimated.

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 an asset 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.

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 an intangible fixed asset 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 profit or loss.

Tax
Total tax consists of current tax and deferred tax. Current tax comprises tax which 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 carryforwards 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 a maturity 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 applying 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 the operating result. This includes 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 the operating result. All revaluation effects are recognised under "Reserves" in equity.

Segment reporting
A 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 operations 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 results. At SBAB, the CEO is the function that is responsible for allocating resources and assessing the result of the operating segment.

Parent Company accounting policies
The Parent Company, SBAB Bank AB (publ), applies statutory IFRS, which means that the 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 Financial Supervisory Authority's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25). SBAB also applies Chapter 5, Section 4 of the updated FFFS 2008:25 (FFFS 2013:24) prematurely for this report.

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 entails a different presentation of Equity. The Parent Company's legal reserve is recognised in the Group as retained earnings, while the Parent Company's fair value reserve is included in the Group's reserves.

Note 1 Accounting Policies, Continued

Pensions
The Swedish Pension Obligations Vesting Act and regulations issued by the Swedish Financial Supervisory Authority contain rules requiring a different method of recognising defined-benefit pension plans compared with the manner 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.

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

Dividends
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.

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
Significant estimates in the application of SBAB's accounting policies
Although SBAB Bank owns 51% of the shares in FriSpar, the shareholder agreement between SBAB Bank, Sparbanken Öresund AB (publ) and Sparbanken Syd prevents SBAB Bank from determining the company's financial and operating strategies alone. In addition, unanimity among all part-owners is required for valid decisions in all important matters. Accordingly, SBAB does not have a controlling influence and Executive Management has arrived at the assessment that FriSpar is to be recognised as a joint venture. At the Group level, this entails a marginal effect on net interest income, total assets and capital adequacy compared with recognising FriSpar as a subsidiary.

Critical assumptions
To prepare the annual accounts in compliance with statutory IFRS, it is required 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 commitments, 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 and liabilities 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 section "Loan losses and impairment of financial assets" above. The part of "Bonds and other interest-bearing securities" that pertains to so-called RMBSs is also valued as loan receivables. Here too the most critical assumption involves estimating future cash flow. Models are used to enable measurements to be performed in an appropriate manner.

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 the discounting of 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 31.

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

Note 2a Risk management – Credit risk in lending operations

Credit risk in the lending operations is the risk that the counterparty is unable to fulfil its payment obligations. Credit risk arises in conjunction with loans and loan commitments, as well as in connection with changes in the value of pledged assets entailing that these no longer cover the Group's receivables. Credit risk also arises in finance operations (Note 2b).
The credit risk in the lending operations is restricted by credit limits decided on for various customers or customer groups. The credit risk is also managed through a credit-granting process, whereby the ability of potential borrowers to make their interest payments and pay amortisation is analysed. The loans that have been acquired have been granted only to borrowers who are judged to be able to pay interest and amortisation in an interest-rate situation that comfortably exceeds the rate prevailing when the loan decision is taken. 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 the foundation IRB approach (FIRB approach) for Corporate loans. The Swedish Financial Supervisory Authority has reviewed the bank's IRB approach and found it to be reliable. The IRB approach is used for assessing the credit risk associated with each part of the company's individual exposures to retail or Corporate customers that have a mortgage deed or a tenant-owner right as collateral. For other types of exposures, the standardised approach is used for measurement of credit risk. For cases in which external ratings are used, the lowest rating from either Moody's or Standard & Poor's is selected. The credit risk models assess the following parameters:

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

On the basis of these parameters, customers can be ranked according to risk, and the expected and unexpected loss can be estimated. After assessment, the exposure is allocated to one of eight risk classes for retail and corporate loans, of which the eighth class comprises customers in default. The development of customers in high risk classes is monitored thoroughly and, when necessary, the exposure is managed actively by credit monitoring personnel in the credit division. The developed models are validated annually and calibrated as the need arises. The validations in 2013 did not result in any changes to models.
In the financial statements, the calculated loan loss (EL) according to IRB models differs from the provision for probable loan losses. The calculation of EL according to Basel Pillar 1 is regulated by the Capital Adequacy and Large Exposures Act (2006:1371) and by the Swedish Financial Supervisory Authority's regulations and general guidelines governing capital adequacy and large exposures (FFFS 2007:1). According to these regulations, the risk associated with each individual loan is to be estimated over a longer period of time using a statistical model. The management of the loss arising in the financial statements is 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 the future cash flows. EL for loans calculated according to IRB models amounts to SEK 301 million. The provision for corresponding loans according to the financial statements is SEK 225 million. In the capital adequacy calcula-

Note 2a Risk management – Credit risk in lending operations, continued

tion, difference is subtracted in the calculation of the capital base.

In connection with the quantitative assessment in lending to corporates[1], a systematic qualitative assessment is conducted based on the internal loan regulations by responding to a number of questions. This enables a more uniform risk assessment founded on a larger amount of data.

In 2013, SBAB received permission to change its definition of retail exposures and to change the method for calculating LGD for tenant-owner association so that exposures to tenant-owner associations with a turnover of less than EUR 50 million and full collateral in residential property are reported in the retail exposure category for which SBAB holds an IRB permit.

Collateral in the lending operations

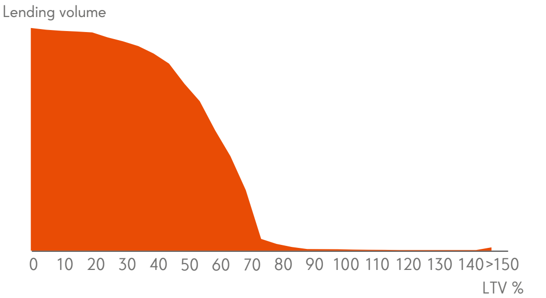
For loans granted by SBAB, adequate collateral must normally be provided. Adequate collateral primarily refers to mortgage deeds in residential properties or shares in tenant-owner associations within a maximum of 75–85% of the market value. The 85% level applies only provided that collateral can be obtained with priority right and that 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 C1–C4. In other cases, the loan-to-value ratio of 75% applies. In addition to collateral in the form of mortgage deeds in residential property or shares in tenant-owner associations, it is possible to grant loans against, inter alia, collateral in the form of a government guarantee, municipal guarantee, securities, bank guarantee and deposits in a Swedish bank. A very limited part of total lending has been made without any collateral being secured. SBAB does not hold any collateral which has been taken over to protect a receivable. Lending to the public accounts for 77% (77) of SBAB's overall assets.

Without taking collateral received or any other forms of credit enhancement into account, the maximum credit risk exposure for the lending operations matches the carrying amount.

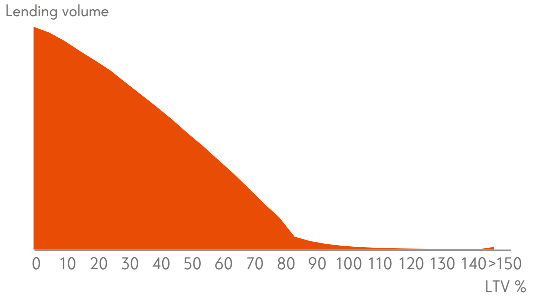
The financial effect of collateral received is illustrated in the diagram below, which shows loans in relation to the market value of underlying collateral for loans secured on collateral comprising mortgage deeds or shares in tenant-owner associations. The floor area in the diagram corresponds to the lending volume and shows that SBAB's lending portfolio has favourable collateral, since the floor area is greatest in connection with lower loan-to-value ratios. The data encompasses 97% (97) of the company's total lending to the public. Since 95% (95) of total lending is secured on collateral in mortgage deeds or shares in tenant-owner associations within 75%, the quality is judged to be highly favourable.

Loans in relation to the market value of underlying collateral (LTV) for loans secured on collateral comprising mortgage deeds or tenant-owner rights

Retail exposures



Exposures to corporates



Segment	Below 50%	Below 75%	Below 100%	Exposure-weighted average LTV
Exposures to corporates	80.6%	98.5%	99.7%	58.5%
Retail exposures	73.0%	93.2%	99.1%	68.8%

Loan portfolios in lending operations allocated by risk class

Every customer is allocated to a risk class. However, lending to the public includes a receivable of SEK 8.8 million that is not assigned a risk class as it lies outside the normal lending operations. Customers with individually reserved loans are always allocated to corporate risk class (C8) or Retail Market risk class (R8). For corporates, loans covered by collective provisions are obtained from risk classes C6–C7, and collectively impaired Retail Market loans comprise loans in risk classes R5–R8. Risk class C0 comprises loans to counterparties with a 0% risk weight (Swedish municipalities). Transaction costs of SEK 48 million (34), which were attributable to the loans, are distributed in the table on a pro rata basis.

Loan portfolio allocated by risk class – Retail

	2013		2012	
Risk class R[2]	Lending	Provisions/lending in respective risk class	Lending	Provisions/lending in respective risk class
R1/C1	20.0%	0.0%	14.1%	0.0%
R2/C2	33.9%	0.0%	24.7%	0.0%
R3/C3	25.7%	0.0%	40.0%	0.0%
R4/C4	11.5%	0.0%	10.5%	0.0%
R5/C5	5.8%	0.3%	6.1%	0.5%
R6/C6	1.7%	1.1%	2.7%	1.2%
R7/C7	1.2%	3.8%	1.6%	3.9%
R8/C8	0.2%	10.7%	0.3%	12.5%
	100.0%	0.1%	**100.0%**	0.2%

[1] "Loans to retail customers" refers to all lending to the public pertaining to single-family homes, holiday homes and tenant-owner homes, as well as unsecured loans to private individuals and loans to tenant-owner associations, with a turnover of less than EUR 50 million. "Loans to corporates" refers to i) loans to other legal entities, and ii) other loans to private individuals.

[2] R = Retail Market.

Note 2a Risk management – Credit risk in lending operations, continued

Loan portfolio by risk class - Corporate Market, including tenant-owner associations

	2013		2012	
Risk class C[1]	Lending	Provisions/lending in respective risk class	Lending	Provisions/lending in respective risk class
C0	0.1%	–	0.2%	–
C1	59.9%	–	63.2%	–
C2	20.0%	–	22.8%	0.0%
C3	10.8%	0.0%	8.9%	0.0%
C4	5.7%	0.0%	2.3%	0.1%
C5	2.5%	0.0%	1.8%	0.1%
C6	0.7%	5.8%	0.4%	2.4%
C7	0.1%	7.7%	0.2%	7.3%
C8	0.2%	40.2%	0.2%	21.5%
Not assigned a risk class	0.0%	0.0%	–	–
	100.0%	0.1%	**100.0%**	0.1%

[1] C=Corporate Market

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 terms of the loans
- With unpaid amounts more than five days past due – the borrower has not fulfilled its payment obligations
- With individual provisions, doubtful receivables

For individually reserved loan receivables, 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-owner 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 December 31, 2013, total provisions (individual and collective) amounted to SEK 230 million (268) after a deduction for guarantees, which corresponds to 0.1% (0.1) of the loan portfolio, of which individually assessed loans accounted for SEK 47 million (54). At year-end 2013, individual provisions after deduction for guarantees had decreased by SEK 7 million (decrease: 4) compared with the preceding year, and accounted for 76% (81) of doubtful receivables, which amounted to SEK 62 million (67). 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

	2013		2012	
SEK million	**Public**	**Credit institutions**	**Public**	**Credit institutions**
❶ Current loans without past due unpaid amounts or provisions	258,103	20,267	255,117	18,269
❷ Loans with unpaid amounts more than five days past due	865		1,098	
❸ Loans with individual provisions	62		67	
Total outstanding loans	**259,030**	**20,267**	**256,282**	**18,269**
Individual provision	47		54	
Collective provisions, corporates	26		27	
Collective provisions, retail	218		255	
Total provisions	**291**		**336**	
Total lending after provisions	**258,739**	**20,267**	**255,946**	**18,269**
Guarantees for loans with individual provisions	–		–	
Guarantees for loans with collective provisions, corporates	4		4	
Guarantees for loans in collective provisions, corporates	57		64	
Total guarantees	61		68	
Total lending after provisions and guarantees	**258,800**	**20,267**	**256,014**	**18,269**

Note 2a Risk management – Credit risk in lending operations, continued

❶ 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 93% (92) are in the risk classes C0/R1–C4/R4. The allocation includes total transaction costs of SEK 48 million (34), which were allocated on a pro rata basis. The costs derive mainly from single-family dwellings and tenant-owner rights.

Lending to the public by segment – current loans without past due unpaid amounts or provision

	2013							
Risk class SEK million	**Single-family dwellings and holiday homes**	**Tenant-owner**	**Tenant-owner associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties**	**Loans without formal collateral**	**Total**
C0	0	0	0	0	28	0	0	28
C/R1	20,496	8,565	16,183	14,456	3,428	2,025	73	65,226
C/R2	31,414	16,955	28,742	3,821	82	1,792	160	82,966
C/R3	27,606	22,547	7,566	3,138	30	396	363	61,646
C/R4	13,331	10,956	1,333	1,537	131	244	320	27,852
C/R5	6,469	5,647	632	217	29	577	189	13,760
C/R6	2,023	1,493	249	212	0	0	46	4,023
C/R7	1,584	820	21	22	0	0	21	2,468
C/R8	45	11	47	21	0	0	1	125
Not assigned a risk class	–	–	–	–	–	–	9	9
Total	**102,968**	**66,994**	**54,773**	**23,424**	**3,728**	**5,034**	**1,182**	**258,103**

	2012							
Risk class SEK million	**Single-family dwellings and holiday homes**	**Tenant-owner**	**Tenant-owner associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties**	**Loans without formal collateral**	**Total**
C0	–	–	–	–	216	–	–	216
C/R1	16,775	6,119	30,763	19,326	3,839	5,284	6	82,112
C/R2	26,239	13,863	17,102	3,119	265	864	55	61,507
C/R3	37,347	27,363	4,793	2,846	190	481	319	73,339
C/R4	9,591	7,333	1,235	583	251	56	157	19,206
C/R5	5,641	4,077	957	239	34	443	127	11,518
C/R6	2,391	1,831	222	103	–	–	60	4,607
C/R7	1,458	750	43	149	–	–	28	2,428
C/R8	51	20	42	70	–	–	1	184
Total	**99,493**	**61,356**	**55,157**	**26,435**	**4,795**	**7,128**	**753**	**255,117**

Note 2a Risk management – Credit risk in lending operations, continued

❷ Loans with unpaid amounts more than five days past due

The table below shows loans with past due receivables without individual provisions distributed by past due amortisation, past due accrued interest and past due principal for which notice of termination has been given. Furthermore, for the sake of completeness, "principal and accrued interest not yet past due" are also stated for these loans. All amounts are distributed by segment. For loans with past due amounts in several time intervals, the part that is not past due is shown, where relevant, in the oldest time interval.

At year-end 2013, 99.6% (99.5) of lending had no past due unpaid amounts and was not assessed as doubtful. Of SBAB's loan portfolio totalling SEK 259 billion (256), SEK 865 million (1,098) of the principal has past due unpaid amounts.

When calculating the value of collateral, the entire loan-to-value ratio for mortgage deeds or tenant-owner rights within the market value was included together with the entire municipal guarantee, government loan guarantee and bank guarantee. The value of the mortgaged collateral is based on the market value of the properties pledged as collateral for the corresponding loans. The market value is monitored regularly and refers to the most probable price in a sale on the open property market on the measurement date.

Lending to the public by segment – loans with unpaid amounts more than five days past due

	2013							
SEK million	Single-family dwellings and holiday homes	Tenant-owner	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
Past due 5-30 days[1]								
Past due amortisation	1.1	1.4	1.3	–	–	–	0.2	4.0
Past due accrued interest	1.0	0.5	0.6	–	–	–	0.0	2.1
Terminated past due principal excl. past due amortisation	1.4	–	–	–	–	–	–	1.4
Principal not past due	278.5	148.9	53.0	–	–	–	4.5	484.9
Accrued interest not past due	0.1	0.0	0.2	–	–	–	0.0	0.3
Past due 31-60 days								
Past due amortisation	0.1	0.0	–	–	–	–	0.0	0.1
Past due accrued interest	0.4	0.3	–	–	–	–	0.0	0.7
Terminated past due principal excl. past due amortisation	1.6	4.1	–	–	–	–	–	5.7
Principal not past due	73.5	40.0	–	–	–	–	0.3	113.8
Accrued interest not past due	0.0	0.0	–	–	–	–	0.0	0.0
Past due 61-90 days								
Past due amortisation	0.1	0.1	–	–	–	–	0.0	0.2
Past due accrued interest	0.3	0.2	–	–	–	–	0.0	0.5
Terminated past due principal excl. past due amortisation	0.7	0.8	–	–	–	–	0.0	1.5
Principal not past due	33.2	22.4	–	–	–	–	0.1	55.7
Accrued interest not past due	0.0	0.0	–	–	–	–	–	0.0
Past due > 90 days								
Past due amortisation	2.1	0.4	–	2.2	–	–	0.2	4.9
Past due accrued interest	4.6	1.2	–	0.1	–	–	0.1	6.0
Terminated past due principal excl. past due amortisation	89.2	33.4	–	9.6	–	–	2.0	134.2
Principal not past due	38.9	19.6	–	–	–	–	–	58.5
Accrued interest not past due	0.2	0.1	–	0.0	–	–	–	0.3
Total past due								
Total past due amortisation	3.4	1.9	1.3	2.2	–	–	0.4	9.2
Total past due accrued interest	6.3	2.2	0.6	0.1	–	–	0.1	9.3
Total terminated past due principal excl. past due amortisation	92.9	38.3	–	9.6	–	–	2.0	142.8
Total principal not past due	424.1	230.9	53.0	–	–	–	4.9	712.9
Total accrued interest not past due	0.3	0.1	0.2	0.0	–	–	0.0	0.6
Total lending for loans with past due receivables without provisions	**520.4**	**271.1**	**54.3**	**11.8**	**–**	**–**	**7.3**	**864.9**
Value of collateral and guarantees –	495.2	265.3	54.3	11.8	–	–	–	826.6

[1] For the 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.

Note 2a Risk management – Credit risk in lending operations, continued

Lending to the public by segment – loans with unpaid amounts more than five days past due

	2012							
SEK million	Single-family dwellings and holiday homes	Tenant-owner	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
Past due 5-30 days[1]								
Past due amortisation	5.7	5.8	5.9	8.2	–	–	0.1	25.7
Past due accrued interest	1.4	0.6	0.3	0.1	–	–	0.0	2.4
Terminated past due principal excl. past due amortisation	1.4	0.4	–	–	–	–	–	1.8
Principal not past due	371.1	155.4	30.9	5.9	–	–	3.9	567.2
Accrued interest not past due	0.1	0.0	0.1	0.0	–	–	0.0	0.2
Past due 31-60 days								
Past due amortisation	0.1	1.0	0.0	2.2	–	–	0.0	3.3
Past due accrued interest	0.6	0.3	0.0	0.0	–	–	0.0	0.9
Terminated past due principal excl. past due amortisation	1.9	0.8	–	1.8	–	–	–	4.5
Principal not past due	92.0	46.3	5.2	0.4	–	–	1.0	144.9
Accrued interest not past due	12.4	0.0	0.0	0.0	–	–	0.0	12.4
Past due 61-90 days								
Past due amortisation	0.1	0.3	–	–	–	–	–	0.4
Past due accrued interest	0.5	0.2	–	–	–	–	–	0.7
Terminated past due principal excl. past due amortisation	5.7	1.5	–	–	–	–	–	7.2
Principal not past due	51.6	15.9	–	–	–	–	–	67.5
Accrued interest not past due	0.0	0.0	–	–	–	–	–	0.0
Past due > 90 days								
Past due amortisation	1.9	0.8	–	0.0	–	0.0	0.3	3.0
Past due accrued interest	6.1	2.1	–	0.0	–	0.0	0.1	8.3
Terminated past due principal excl. past due amortisation	127.9	54.9	–	0.2	–	0.5	1.0	184.5
Principal not past due	65.8	21.9	–	–	–	–	–	87.7
Accrued interest not past due	0.2	0.1	–	0.0	–	0.0	–	0.3
Total past due								
Total past due amortisation	7.8	7.9	5.9	10.4	–	0.0	0.4	32.4
Total past due accrued interest	8.6	3.2	0.3	0.1	–	0.0	0.1	12.3
Total terminated past due principal excl. past due amortisation	136.9	57.6	–	2.0	–	0.5	1.0	198.0
Total principal not past due	580.5	239.5	36.1	6.3	–	–	4.9	867.3
Total accrued interest not past due	12.7	0.1	0.1	0.0	–	0.0	–	12.9
Total lending for loans with past due receivables without provisions	**725.2**	**305.0**	**42.0**	**18.7**	**–**	**0.5**	**6.3**	**1,097.7**
Value of collateral and guarantees	692.8	291.2	42.0	18.1	–	0.5	–	1,044.6

[1] For the 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.

Note 2a Risk management – Credit risk in lending operations, continued

❸ Loans with individual provisions, doubtful receivables
"Doubtful receivables" refers to receivables where provisions have been made following individual risk assessment. Doubtful loan receivables accounted for 0.02% (0.03) of SBAB's total lending.

Lending to the public by segment – loans with individual provisions (doubtful receivables)

	2013							
SEK million	**Single-family dwellings and holiday homes**	**Ten-ant-owner**	**Tenant-owner associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties**	**Unsecured loans**	**Total**
Doubtful receivables	9	13	10	30	–	–	–	62
Individual provision, Corporate Market	–	–	–3	–25	–	–	–	–28
Individual provision, Retail Market	–6	–13	–	–	–	–	–	–19
Doubtful receivables, net	**3**	**0**	**–**	**5**	**–**	**–**	**–**	**8**
Calculated value of guarantees	–	–	–	–	–	–	–	0
Doubtful receivables with pledged guarantees taken into consideration	**3**	**0**	**–**	**5**	**–**	**–**	**–**	**8**

	2012							
SEK million	**Single-family dwellings and holiday homes**	**Ten-ant-owner**	**Tenant-owner associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties**	**Unsecured loans**	**Total**
Doubtful receivables	9	16	–	42	–	–	–	67
Individual provision, Corporate Market	–	–	–	–34	–	–	–	–34
Individual provision, Retail Market	–6	–14	–	–	–	–	–	–20
Doubtful receivables, net	**3**	**2**	**–**	**8**	**–**	**–**	**–**	**13**
Calculated value of guarantees	–	–	–	–	–	–	–	–
Doubtful receivables with pledged guarantees taken into consideration	**3**	**2**	**–**	**8**	**–**	**–**	**–**	**13**

Restructured receivables
Restructured loan receivables entail that the borrower has been granted some form of concession due to a deterioration of his/her financial position or because he/she has encountered other financial problems. After the loans have been restructured, they are considered satisfactory on the basis of the new terms.

Restructuring of a loan receivable may entail that:
- the terms of the loan are modified by terms that are not normal market terms
- the borrower partly repays the loan by handing over 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	**2013**	**2012**
Single-family dwellings and holiday homes	4	6
Tenant-owner rights	3	1
Tenant-owner associations	10	10
Private properties	–	–
Municipal properties	–	–
Commercial properties	–	–
Unsecured loans	–	–
Total	**17**	**17**

Carrying amount of financial assets that would otherwise have been recognised as past due or impaired and whose terms have been renegotiated by type of property.

Note 2b Risk management – Credit risk in treasury operations

In the treasury operations, credit risk arises when the counterparty is unable to fulfil its payment obligations. Credit risk in the treasury operations arises in the form of counterparty credit risk for the derivative contracts entered into by the SBAB Group for the purposes of managing financial risk and in the form of investment risk resulting from investments in the liquidity portfolio and investments of surplus liquidity.

Limit utilisation

	GROUP				PARENT COMPANY			
SEK million	2013		2012		2013		2012	
Rating category	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit
AAA	0	0	0	0	0	0	0	0
AA– to AA+	5,600	1,876	5,450	1,626	5,600	1,403	5,450	655
A– to A+	8,825	1,610	10,885	2,702	8,825	1,408	10,885	2,152
Lower than A–	910	410	2,400	151	910	212	2,400	3
No rating	–	–	–	–	–	–	–	–
Total	**15,335**	**3,896**	**18,735**	**4,478**	**15,335**	**3,023**	**18,735**	**2,810**

The table shows the utilised limit and the limit, respectively, at an aggregate level per rating category, with each counterparty placed in relation to its lowest rating, for the SBAB Group's counterparties which are banks and credit institutions. The table includes investments, derivative contracts and repo contracts. The limit is set by the Board of Directors' Credit Committee within the confines of the rating-related framework adopted by the Board of Directors. The utilised limit is viewed as the market value of financial derivative instruments, repo contracts and investments. For counterparties who are also loan customers, the limit is to be coordinated with the credit limit. A counterparty limit can be established for a maximum period of one year before a new assessment must be made. The decisions of the Credit Committee are to be reported to the Board at the following Board meeting. All of SBAB's counterparties have a rating.

Individual limits for investment and counterparty exposure may, as a main rule, not exceed 15% of SBAB's own funds. Excepted from this are certain Nordic counterparties for whom the maximum limit may amount to the equivalent of 20% of own funds. The current rating of individual counterparties issued by Moody's or Standard & Poor's is an additional restriction in establishing individual limits. The higher the rating class of a counterparty, the larger the exposure that can be permitted in relation to SBAB's Bank's own funds.

Distribution of chargeable treasury bills, bonds and other interest-bearing securities by rating category

	2013					
Rating category SEK million	Covered bonds	RMBSs	Government guaranteed securities	Supranational and sovereign agencies	Non-governmental public sector entities	Total
AAA	26,558	279	11,218	1,825	4,572	44,452
AA– to AA+	–	34	380	–	–	414
A– to A+	–	584	–	–	–	584
Lower than A–	–	1,469	–	–	–	1,469
Total	**26,558**	**2,366**	**11,598**	**1,825**	**4,572**	**46,919**

Geographical distribution of chargeable treasury bills, bonds and other interest-bearing securities

	2013			
Carrying amounts Securities SEK million	Sweden	Other EU	Other	Total
Covered bonds	19,697	3,721	3,140	26,558
RMBSs	–	2,366	–	2,366
Government guaranteed securities	4,416	7,082	100	11,598
Supranational and sovereign agencies	–	1,825	–	1,825
Non-governmental public sector entities	3,623	949		4,572
Total at 31 December 2013	**27,736**	**15,943**	**3,240**	**46,919**
Total at 31 December 2012	**22,989**	**19,597**	**1,726**	**44,312**

Note 2b Risk management – Credit risk in treasury operations, continued

Counterparty credit risk

Counterparty credit risk is the risk that SBAB's financial counterparties cannot fulfil their commitments under concluded derivative contracts and mainly comprises exposures to leading banks. This exposure is predominantly covered by collateral agreements, where the counterparty posts collateral to reduce the exposure. In accordance with the credit directive, the credit-risk limit is established by SBAB's Credit Committee for all counterparties in the treasury operations, with the exception of the Kingdom of Sweden and companies included in the SBAB Group, for which no credit limits are established.

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivative instruments that are not cleared by clearing organisations approved by the Swedish Financial Supervisory Authority (in accordance with FFFS 2007:1), a framework agreement is to be entered into with the counterparty.

Where appropriate, such framework agreements, known as ISDA Master Agreements, or similar agreements have been supplemented with associated collateral agreements, known as Credit Support Annexes (CSAs). A CSA must always be established for counterparties entering into derivative contracts with SCBC. The framework agreements entitle the parties to net receivables against debt in the event of a payment default.

Counterparty credit risk is reconciled on a daily basis for all counterparties. CSAs are reconciled on a daily basis or on a weekly basis if a collateral agreement exists. When collateral agreements exist, collateral is transferred to reduce the exposure. 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 pledged and received collateral are shown in greater detail in Note 38 Information about offsetting.

Maximum credit risk exposure in the treasury operations

SEK	Without taking into account collateral received or other credit enhancements 2013	2012	Taking into account collateral received or other credit enhancements 2013	2012
Lending to credit institutions	16,984	13,761	20,267	18,269
Chargeable treasury bills and other eligible bills	8,183	12,860	8,183	12,860
Bonds and other interest-bearing securities	38,736	31,452	38,736	31,452
Derivative instruments	6,449	12,745	4,526	9,370
Maximum credit risk exposure at 31 December	**70,352**	**70,818**	**71,712**	**71,951**

Liquidity portfolio

The SBAB Group's liquidity portfolio primarily comprises liquid, interest-bearing securities with a high rating and is intended to reduce the Group's liquidity risk. Holdings in securities are limited by asset class and by country, respectively, and must have the highest rating upon acquisition.

Securities holdings also constitute an integrated part of the total credit risk utilisation for each issuer/counterparty. Holdings in the portfolio are long-term and amounted to SEK 47.3 billion at 31 December 2013, with an average maturity of 4.84 years. At the same date, 95% of the portfolio's value had a rating of Aaa from Moody's or AAA from Standard & Poor's.

As per 31 December 2013, there was, in addition to the securities holdings, an SEK 1 billion placement with the Swedish National Debt Office in the liquidity portfolio.

The various asset classes in the portfolio are:
- Securities issued by central governments, SEK 8.3 billion
- Securities guaranteed by central governments, SEK 3.5 billion
- Securities issued by supranational and sovereign agencies, SEK 1.9 billion
- Securities issued by public sector entities, SEK 4.6 billion
- European covered bonds, SEK 26.9 billion
- European "residential mortgage backed securities" (RMBSs), SEK 2.1 billion

In the liquidity portfolio, holdings of RMBSs are classified as "Loans and receivables" and other holdings are "Securities measured at fair value through profit or loss".

Collateral posted and received under collateral agreements, 31 December 2013

Company SEK	Collateral pledged	Collateral received
SBAB	3,409,122	462,186
SCBC	6,738	1,334,565
FriSpar Bolån	–	–

Note 2b Risk management – Credit risk in treasury operations, continued

Liquidity reserve

SEK million	DECEMBER 2013	DISTRIBUTION BY CURRENCY SEK	EUR	USD	Other
Cash and balances from central banks [1]	1,000	1,000	–	–	–
Balances from other banks	–	–	–	–	–
Securities issued or guaranteed by central governments central banks or multinational development banks	13,585	4,894	8,030	661	–
Securities issued or guaranteed by municipalities or non-governmental public sector entities	4,626	3,640	–	986	–
Covered bonds issued by others	26,902	20,394	5,190	1,104	214
Own covered bonds	–	–	–	–	–
Securities issued by non-financial companies	–	–	–	–	–
Securities issued by financial companies (excl. covered bonds)	2,145	–	2,145	–	–
Other securities	–	–	–	–	–
	48,258	**29,928**	**15,365**	**2,751**	**214**
Bank and loan facilities	–			–	
Total	**48,258**	**29,928**	**15,365**	**2,751**	**214**
Distribution by currency		62%	32%	6%	0%

[1] Refers to a placement with the Swedish National Debt Office.

SBAB's liquidity portfolio primarily comprises liquid, fixed income securities with a high rating and it is an integral part of the Group's liquidity risk management. Holdings in securities are limited by asset class and by country, respectively, and must have the highest rating upon acquisition. In addition to these collective limits, limits for individual issuers may also be set. RMBSs are reported in the table above at market value, in accordance with the Swedish Banking Association's template for the disclosure of a bank's liquidity reserve. Since the secondary market for RMBSs is no longer as liquid as when the assets were acquired, it has been concluded that the liquidity value of these securities is no longer sufficient to warrant their inclusion in the liquidity reserve used in internal measurements of liquidity risk. These assets are also excluded from regulatory liquidity measurements.

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 based on the following principles:

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. Short-term, mid-term and long-term funding takes place on a global basis. Moreover, the SBAB Group has access to the covered bond market, both in Sweden and internationally, through SCBC.

Liquidity reserves

To ensure access to funding in times when the normal sources of funding do not function, the SBAB Group has a liquidity portfolio. When calculating the reserve value of the securities included in the liquidity portfolio, 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 reserve value of the liquidity portfolio is referred to as the liquidity reserve. The portfolio comprises liquid securities with high ratings and 90% of the value of the portfolio can be used as collateral for repos with the Riksbank or another central bank.

At 31 December 2013, SBAB's liquidity reserve comprised SEK 42.4 billion (reserve value at the Riksbank) in liquid securities. Since 15 April 2013, RMBSs are no longer approved as collateral for repos at the Riksbank but continue to be approved by other central banks, including the ECB. RMBSs were already excluded from all of SBAB's liquidity risk measures.

Liquid balance sheet

SBAB's assets primarily comprise lending against collateral in residential properties and tenant-owner rights. SCBC was established in 2006 for the purpose of issuing covered bonds, which has also resulted in increased liquidity in SBAB's balance sheet.

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 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 measurements

To increase transparency and the comparability of liquidity risk between banks, the Basel Committee has formulated international measurements for use by all banks. The short-term measurement, called the Liquidity Coverage Ratio (LCR), has the purpose of ensuring that a bank maintains unencumbered liquid assets that, if required, can be converted into cash and cash equivalents sufficient to cover 30 days of forecast liquidity required under stressed conditions. The liquidity requirement consists in part of the bank's contractual cash flows and in part of theoretical cash flows based on standard assumptions concerning, for example, the utilisation of committed lines of credit or major withdrawals of corporate and retail deposits. Within the EU, a version of the LCR, with binding requirements for all banks, will be phased in between 2015 and 2019.

The Swedish Financial Supervisory Authority introduced a Swedish version of the liquidity coverage ratio, which is binding for all banks with balance sheet totals exceeding SEK 100 billion as of 1 January 2013. The liquidity coverage ratio must correspond to at least 100% at a consolidated level, as well as isolated in terms of EUR and USD. SBAB's liquidity coverage ratio, at all given times, is limited to amount to at least 100%.

Internally within the SBAB Group, the liquidity risk is measured and stress tested by totalling the maximum conceivable need for liquidity for every day during the coming 365 days. This measurement of liquidity risk is known as the Maximum Cumulative Outflow (MCO). MCO calculations are based on a stress 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. Corporate and retail deposits are treated with a conservative assumption, whereby

Note 2c Risk management – Liquidity risk, continued

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 number of MCO days corresponds to the number of days for which the liquidity reserve covers the maximum outflow (MCO) and is limited to a minimum of 30 days at any given time.

Moreover, unutilised issuance capacity for covered bonds is an additional reserve that is not included in the calculation of the measurements above. Nor are the holdings of RMBSs included in the definition of the liquidity reserve used to calculate the measurements.

Liquidity situation in 2013

As per 31 December 2013, the reserve in accordance with the definition for the MCO measure corresponded to 142 days (83) outflow. During 2013, the liquidity reserve was never lower than the equivalent future liquidity requirement of 57 days (45).

At the same date, the liquidity coverage ratio, in accordance with the definition in FFFS 2012:6 that governs the Swedish quantitative requirement, was 180% at the consolidated level, and 864% and 192% in EUR and USD respectively. During the year, the liquidity coverage ratio never fell below 111%.

New regulations for liquidity risk

In the wake of the financial crisis and its implications, a major international review has been carried out and extensive efforts launched to review the regulations for the management of liquidity risk in banks and credit institutions. The objective of the new regulations, which are still being formulated, is to increase the resilience of banks to serious disruptions in the capital market and to achieve a more harmonised approach to liquidity risk at the international level.

In order to set minimum levels for the liquidity of banks, the new regulations focus on two key ratios or standard measurements called the net stable funding ratio (NSFR) and the liquidity coverage ratio (LCR). The aim of NSFR is to indicate how stable the Group's funding is by comparing the stability of assets and liabilities. LCR is described in greater detail above.

In the EU, both measures are included in the new capital adequacy regulations that came into effect on 1 January 2014. The measurements are to be reported to the EBA as soon as the regulations come into effect, although no quantitative requirements will take immediate effect. The LCR requirement will be phased in from 2015, when the minimum level will begin at 60%. Since SBAB is required to comply with the Swedish Financial Supervisory Authority's requirement of 100%, the introduction will not have any substantial effect on SBAB. The EU requirements apply to each company individually, but SBAB plans to seek permission to meet the requirements at the Group level instead. The Basel Committee is in the process of reworking the NSFR and the quantitative requirements are expected to come into effect in 2018.

The EBA has developed five more measures of liquidity risk that are intended for comparison purposes – no quantitative requirements are expected in connection with these. The reporting of measures to the EBA is expected to start on 1 July 2015.

The measures are:

- A maturity ladder showing maturities of assets and liabilities up to ten years into the future.
- 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 funding counterparties and products, showing the counterparties or funding products representing such a large percentage that losing them would affect the bank's liquidity risk.
- Rates for various funding maturities.
- Extension of maturing funding during the reporting period.

GROUP

Maturities for financial assets and liabilities (amounts refer to contractual, undiscounted cash flows)

SEK million	2013							2012						
	Without maturity	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	Without maturity	< 3 months	3–6 months	6-12 months	1–5 years	> 5 years	Total
ASSETS														
Cash and balances from central banks	0	–	–	–	–	–	0	0	–	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	208	799	120	6,608	755	8,490	–	35	2,416	367	8,967	1,456	13,241
Lending to credit institutions	419	19,101	1,024	–	–	–	20,544	1,219	16,339	38	416	262	20	18,294
Lending to the public	–	38,853	44,152	87,690	94,957	5,014	270,666	–	34,400	41,247	83,317	105,224	3,965	268,153
Bonds and other interest-bearing securities	–	195	2,173	1,608	30,347	7,937	42,260	–	871	1,737	2,057	25,589	3,353	33,607
Of which classified as loans and receivables	–	*64*	*63*	*122*	*968*	*1,587*	*2,804*	–	*327*	*694*	*473*	*2,126*	*1,815*	*5,435*
Derivative instruments	–	23,423	12,310	20,725	112,058	4,304	172,820	–	45,305	17,716	18,197	136,374	9,249	226,841
Other assets	1,508	–	–	–	–	–	1,508	1,200	–	–	–	–	–	1,200
Total financial assets	**1,927**	**81,780**	**60,458**	**110,143**	**243,970**	**18,010**	**516,288**	**2,419**	**96,950**	**63,154**	**104,354**	**276,416**	**18,043**	**561,336**
LIABILITIES														
Liabilities to credit institutions	–	15,472	–	–	–	–	15,472	–	17,541	–	–	–	–	17,541
Deposits from the public	45,697	17	6	83	66	–	45,869	27,568	15	5	3	63	–	27,654
Debt securities in issue, etc.	–	22,573	21,704	25,024	179,557	10,091	258,949	–	33,320	28,625	13,518	186,742	5,044	267,249
Derivative instruments	–	23,576	12,193	22,085	115,719	4,562	178,135	–	46,995	15,871	19,257	139,847	9,749	231,719
Other liabilities	3,808	–	–	–	–	–	3,808	4,059	–	–	–	–	–	4,059
Subordinated debt	–	9	249	26	6,105	0	6,389	–	10	1,323	33	6,525	0	7,891
Loan commitments and other credit-related commitments	–	27,452	–	–	–	–	27,452	–	39,279	–	–	–	–	39,279
Total financial liabilities	**49,505**	**89,099**	**34,152**	**47,218**	**301,447**	**14,653**	**536,074**	**31,627**	**137,160**	**45,824**	**32,811**	**333,177**	**14,793**	**595,392**

Note 2c Risk management – Liquidity risk, continued

PARENT COMPANY

Maturities for financial assets and liabilities (amounts refer to contractual, undiscounted cash flows)

SEK million	2013 Without maturity	2013 < 3 months	2013 3–6 months	2013 6–12 months	2013 1–5 years	2013 > 5 years	2013 Total	2012 Without maturity	2012 < 3 months	2012 3–6 months	2012 6-12 months	2012 1–5 years	2012 > 5 years	2012 Total
ASSETS														
Cash and balances from central banks	0	–	–	–	–	–	0	0	–	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	208	799	120	6,608	755	8,490	–	35	2,416	367	8,967	1,456	13,241
Lending to credit institutions	40,435	7,958	1,024	0	0	–	49,417	40,817	6,305	77	849	390	41	48,479
Lending to the public	–	8,712	9,674	17,452	14,168	984	50,990	–	7,480	9,992	19,043	11,140	918	48,573
Bonds and other interest-bearing securities	–	195	2,173	1,608	30,347	7,937	42,260	–	871	1,737	2,057	25,589	3,353	33,607
Of which classified as loans and receivables	–	*64*	*63*	*122*	*968*	*1,587*	*2,804*	–	*327*	*694*	*473*	*2,126*	*1,815*	*5,435*
Derivative instruments	–	19,107	10,848	15,763	62,212	2,438	110,368	–	40,592	11,077	15,945	76,635	5,866	150,115
Other assets	1,172	–	–	–	–	–	1,172	795	–	–	–	–	–	795
Total financial assets	**41,607**	**36,180**	**24,518**	**34,943**	**113,335**	**12,114**	**262,697**	**41,612**	**55,283**	**25,299**	**38,261**	**122,721**	**11,634**	**294,810**
LIABILITIES														
Liabilities to credit institutions	–	784	–	–	–	–	784	–	2,445	–	–	–	–	2,445
Deposits from the public	45,697	17	6	83	66	–	45,869	27,568	15	5	3	63	–	27,654
Debt securities in issue, etc.	–	20,440	7,463	15,767	45,339	6,965	95,974	–	32,158	6,963	11,461	53,354	1,090	105,026
Derivative instruments	–	19,412	11,229	16,404	64,242	2,518	113,805	–	41,575	10,998	16,363	78,119	5,922	152,977
Other liabilities	1,844	–	–	–	–	–	1,844	1,191	–	–	–	–	–	1,191
Subordinated debt	–	9	249	26	6,105	0	6,389	–	10	1,323	33	6,525	0	7,891
Loan commitments and other credit-related commitments	–	27,452	–	–	–	–	27,452	–	39,135	–	–	–	–	39,135
Total financial liabilities	**47,541**	**68,114**	**18,947**	**32,280**	**115,752**	**9,483**	**292,117**	**28,759**	**115,338**	**19,289**	**27,860**	**138,061**	**7,012**	**336,319**

For receivables and liabilities that have been amortised, the maturity for the amortisation has been calculated as the period up to the date of maturity for the particular amortisation. Foreign currency cash flows have been recalculated at the closing rate at 31 December 2013. Future interest-rate cash flows with floating interest rates have been estimated until the change of condition 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. Since the maturity is not specified, current debt is recognised as without maturity and without estimated interest-rate cash flows.

The item "Loan commitments and other credit-related commitments" for the Group, which totals SEK 27,452 million (39,279), amounts to SEK 6,680 million (6,517) after application of the internal model for calculating the conversion factor. The reduction has not been included in the table. The corresponding figures for the Parent Company amounted to SEK 27,452 million (39,135) and SEK 6,680 million (6,411), respectively).

Structural liquidity risk

Structural liquidity risk pertains to when funding opportunities become more costly, or in short supply, as a result of differences in structure and maturity between lending and funding. SBAB aims to have a diversified funding. The SBAB Group has adopted a conservative approach to the management of funding. A greater share of future maturities is pre-funded and the share of total funding attributable to short-term funding is 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-funding constitutes key elements of the practical management efforts aimed at reducing the risk.

SBAB primarily measures its structural liquidity risk through a gapping-measure, which measures the relationship between the maturity of assets and liabilities from a liquidity perspective at various points in the future. This can be viewed as SBAB's internal variety of 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 on the behaviour of SBAB's customers. On 31 December 2013, the measure was 104.4% at the one-year point, compared with the limit of 90%.

In addition to this measure, structural liquidity risk is also measured through debt concentration, measured as the sum of maturing debt in periods of 30 days in relation to the market value of the liquidity reserve, and resistance to drops in house prices, which measures the extent to which SBAB can withstand a drop in house prices without the surplus collateral in the cover pool falling below the rating companies' requirements for a AAA rating.

The tables "Derivative cash flow statement" and "Maturities for financial assets and liabilities" show what SBAB Bank's future cash flows looked like at 31 December 2013 and 31 December 2012, respectively, from both a short and long-term perspective.

Stress tests

A model has been developed for stress testing of liquidity risk in order to fulfil internal requirements with regard to the analysis of liquidity risk and risk management preparedness. The stress tests were designed in accordance with the Swedish Financial Supervisory Authority's regulations regarding the management of liquidity risks in credit institutions and investment companies (FFFS 2010:7). The developed models analyse SBAB's Group's ability to meet its capital requirement in various scenarios and assesses the effect that a prolonged period with various stresses would have on an estimated maturity profile. The scenarios are designed on the basis of SBAB's specific risk profile and cover both idiosyncratic and market-related problems. The scenarios are divided into different stages that illustrate increasing levels of stress intensity to reflect how a crisis can continuously deteriorate.

The scenarios simulated by the stress tests include:

- Stress in the funding operations – the intention is that the stress should replicate the 2008/09 financial crisis, with funding programmes closing at various stages.
- Rating-related stress, with gradually lower ratings for SBAB and SCBC.
- Price fall in the property market.
- Stress of liquidity in the liquidity reserve.
- Sizeable fluctuations in interest and currency exchange rates, leading to larger amounts having to be secured through CSAs which could thus impair liquidity.

The stress tests are under continuous development and the assumptions on which the various scenarios are based are assessed regularly. Stress tests are conducted and reported on a quarterly basis, and the results are assessed against SBAB's established risk tolerance and used for the purpose of adjusting strategies and guidelines.

Note 2c Risk management – Liquidity risk, continued

Cash flow statement derivatives (amounts are contractual, undiscounted cash flows)

GROUP SEK million	2013 Up to 1 month	1-3 months	3-12 months	1–5 years	> 5 years	Total	2012 Up to 1 month	1-3 months	3-12 months	1–5 years	> 5 years	Total
DERIVATIVES SETTLED ON A NET BASIS												
Currency-related derivatives						0						0
Interest rate-related derivatives	–107	318	99	1,204	–233	1,281	–162	–359	675	1,647	–528	1,273
Total derivatives settled on a net basis	**–107**	**318**	**99**	**1,204**	**–233**	**1,281**	**–162**	**–359**	**675**	**1,647**	**–528**	**1,273**
DERIVATIVES SETTLED ON A GROSS BASIS												
Currency-related derivatives												
– Inflows of cash	15,911	5,239	26,926	96,552	2,395	147,023	18,598	23,277	22,818	107,687	5,451	177,831
– Closing cash flows	–16,045	–5,469	–28,269	–101,416	–2,421	–153,620	–18,754	–24,290	–22,709	–112,807	–5,423	–183,983
Interest rate-related derivatives												
– Inflows of cash						0						0
– Closing cash flows						0						0
Total												
– Inflows	**15,911**	**5,239**	**26,926**	**96,552**	**2,395**	**147,023**	**18,598**	**23,277**	**22,818**	**107,687**	**5,451**	**177,831**
– Outflows	**–16,045**	**–5,469**	**–28,269**	**–101,416**	**–2,421**	**–153,620**	**–18,754**	**–24,290**	**–22,709**	**–112,807**	**–5,423**	**–183,983**

PARENT COMPANY SEK million	2013 Up to 1 month	1-3 months	3-12 months	1–5 years	> 5 years	Total	2012 Up to 1 month	1-3 months	3-12 months	1–5 years	> 5 years	Total
DERIVATIVES SETTLED ON A NET BASIS												
Currency-related derivatives						0						0
Interest rate-related derivatives	–26	–101	–152	–336	–83	–698	–45	–83	–170	–708	–37	–1,043
Total derivatives settled on a net basis						**0**	**–45**	**–83**	**–170**	**–708**	**–37**	**–1,043**
DERIVATIVES SETTLED ON A GROSS BASIS												
Currency-related derivatives												
– Inflows of cash	14,482	3,368	22,662	52,438	1,234	94,184	16,265	21,990	18,779	59,405	3,531	119,970
– Closing cash flows	–14,551	–3,476	–23,532	–54,132	–1,231	–96,922	–16,361	–22,750	–18,948	–60,181	–3,550	–121,790
Interest rate-related derivatives												
– Inflows of cash						0						0
– Closing cash flows						0						0
Total												
– Inflows	**14,482**	**3,368**	**22,662**	**52,438**	**1,234**	**94,184**	**16,265**	**21,990**	**18,779**	**59,405**	**3,531**	**119,970**
– Outflows	**–14,551**	**–3,476**	**–23,532**	**–54,132**	**–1,231**	**–96,922**	**–16,361**	**–22,750**	**–18,948**	**–60,181**	**–3,550**	**–121,790**

Foreign currency cash flows have been recalculated at the closing rate as per 31 December 2013. Future interest-rate cash flows for asset and liability derivative instruments with floating interest rates have been estimated until the change of condition date using forward interest rates based on the current interest base, usually the three-month STIBOR.

Note 2d Risk management – Market risk

Market risk is the risk of a decline in profitability due to unfavourable market fluctuations. SBAB is characterised by low risk-taking, and the Board ultimately decides on methods for risk measurement and for limits. Market risk is followed up at the total level and broken down to lower levels within the Group. Risk Control checks on a daily basis that current risk levels and that limits are adhered to. The exposure and limits for all limited risk measures as per 31 December are detailed in the table "Market risk limits and exposures."

Value at Risk

VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. SBAB's model is a so-called historical model and applies percentiles in the historic market data from the past two years.

In the day-to-day follow-up of risk, a probability level of 99% and a holding period of one day are applied. Limits for the day-to-day follow-up of risk have been set at two levels: for all market risks that Treasury is responsible for managing, and for the trading portfolio. SBAB has also set a VaR limit for SBAB's entire market risk, including the strategic portfolio, which consists of SBAB's equity. This limit is based on the VaR measure included in the model for economic capital and applies a probability level of 99.97% and a holding period of one year.

Interest-rate risk

Interest-rate risk arises primarily when the interest rate structure between funding and lending is not fully matched. SBAB's interest rate structure

Note 2d Risk management – Market risk, continued

at 31 December 2013 is shown in the table "Fixed-interest period for financial assets and liabilities."

The main principle for SBAB's interest-rate risk management is to limit interest-rate risk through direct funding and the use of derivative instruments. Interest rate risk is quantified i) by a parallel shift in the yield curve and ii) by applying a model that simulates a large number of non-parallel shifts in the yield curve, so-called curve risk. Calculation takes into account all contracted cash flows affecting lending, liabilities and derivative instruments.

In the parallel shift approach, the effect on the portfolio's value is calculated at a one-percentage point shift in the yield curve. In setting limits, SBAB's portfolio has been divided into three parts: operational, trading and strategic.

Operational interest rate risk arises in the risk management of the mortgage and liquidity portfolios. Interest rate risk in the trading portfolio is the interest rate risk that arises when SBAB takes proprietary positions in the market.

The strategic interest rate risk is the risk that arises when SBAB's equity is invested in fixed-interest funding. SBAB's equity is to be used primarily to fund lending operations. The benchmark for the investment of equity is set by the Board and defined as a maturity ladder with even annual maturities over a period of one to six years. The interest-rate risk associated with equity is defined as the deviation from this benchmark.

Curve risk is quantified through a model in which the short-term portion of the yield curve is adjusted upward (downward) by 1 percentage point and the long-term portion is adjusted downward (upward) by 1 percentage point. A large number of breakpoints are tested for both the short and long-term portion. The curve risk is defined as the least favourable of the tested scenarios. Limits for curve risk are set for two parts of SBAB's portfolio: operational and trading.

Basis risk

Basis risk primarily arises when funding in a foreign currency is swapped to SEK with a maturity that deviates from the maturity of the underlying funding.

The main rule is that all funding in foreign currency is to be swapped to SEK with matching maturities. Basis risk comprises any deviations from the main rule. The risk is calculated as the effect on the present value, in relation to full matching, of a parallel shift of +/−1 percentage point in the basis swap curve from foreign currency to SEK. The basis risk limit is calculated for the overall portfolio within SBAB.

Currency risk

Currency risk refers to the risk that changes in the SEK's exchange rate in relation to other currencies will result in deteriorating profitability. As a general rule, SBAB must not be exposed to exchange rate fluctuations. Accordingly, funding in international currency must be hedged through currency swap contracts or invested in matching currencies. As per 31 December 2013, total assets and liabilities in foreign currency amounted to a negative SEK 76.7 billion. The outstanding risk has been reduced using derivatives where the nominal amount was equivalent to SEK 74.1 billion.

Nominal amounts, assets, liabilities and derivatives in foreign currency

GROUP SEK million	Assets and liabilities	Derivative instruments
AUD	–446	446
CAD	–33	33
CHF	–9,913	9,913
DKK	0	0
EUR	–47,349	44,691
GBP	–1,171	1,171
JPY	–7,954	7,954
NOK	–5,883	5,883
USD	–3,306	3,331
ZAR	–691	691
Total	**–76,747**	**74,114**

Nominal amounts, assets, liabilities and derivatives in foreign currency

PARENT COMPANY SEK million	Assets and liabilities	Derivative instruments
AUD	–446	446
CAD	–33	33
CHF	–3,952	3,952
DKK	0	0
EUR	–13,115	10,394
GBP	–1,171	1,171
JPY	–7,954	7,954
NOK	212	–212
USD	–3,306	3,331
ZAR	–691	691
Total	**–30,457**	**27,761**

In the follow-up of risk against limits, the portfolio is divided into two parts; the liquidity portfolio and the total portfolio excluding the liquidity portfolio. The risk for the total portfolio, excluding the liquidity portfolio, is calculated as the effect on the present value of all contractual liquid cash flows given a change in the exchange rate of +/−10 percentage points per corresponding exchange rate. Since the liquidity portfolio is also hedged through funding in the corresponding currency or through currency swap contracts, the currency risk in the liquidity portfolio is measured as the degree of matching of the principal in each currency. The deviation from full matching in each currency is limited to 0.5% of the total balance.

Credit spread risk

Credit spread risk is the risk of changes in different issuers' interest expenses and affects SBAB in those cases where SBAB invests in other issuers' securities. Limits for credit spread risk are set for the trading portfolio and measured as the present value given a 1 percentage point shift in the mortgage and government spread compared to the swap rate.

Earnings volatility

Since the derivatives used to hedge funding are recognised at fair value and the underlying funding is reported at the carrying amount in accordance with the accounting standards applied by SBAB, effects arise in the operating result that do not correspond to the actual risk to which SBAB's portfolio is exposed. To mitigate this effect, SBAB has chosen to set a limit for earnings volatility from basis spreads. The limit is expressed as a sensitivity measure in which the change in earnings for the total portfolio may not exceed SEK 30 million at a shift of one basis point in the underlying basis spreads.

A corresponding limit measure has also been set for earnings volatility from credit spreads in the liquidity portfolio. This is because investments in securities in the liquidity portfolio are hedged using derivatives or matched by funding with the same maturity. This means that only the underlying interest rate risk is hedged and not the issuer-specific credit risk associated with the securities. The limit measure is defined as a sensitivity measure whereby the change in earnings for the total portfolio may not exceed SEK 25 million at a shift of one basis point in the underlying credit spreads.

Risks in the trading book

The trading book consists of investments in SBAB's liquidity and trading portfolios. The liquidity portfolio is subject to a minimised interest-rate risk. The risk in the liquidity portfolio primarily derives from credit risk. The trading portfolio gives SBAB a limited mandate to accept market risk by taking its own positions in the market.

Within SBAB, interest rate, currency, credit and liquidity risk in the trading book are managed as an integral part of the balance sheet together with the other operations. Interest rate risk in the trading book is included as part of the limits for operational interest rate risks and risks in the trading portfolio delegated to Treasury. Credit risks in the form of issuer and counterparty risks in the trading book are governed by credit risk limits set by SBAB's Credit Committee.

Note 2d Risk management – Market risk, continued

Fixed-interest periods for financial assets and liabilities

GROUP **Carrying amounts** **SEK million**	**2013** **Without fixed-interest period**	**< 3 months**	**3–6 months**	**6-12 months**	**1–5 years**	**> 5 years**	**Total**	**2012** **Without fixed-interest period**	**< 3 months**	**3-6 months**	**6-12 months**	**1–5 years**	**> 5 years**	**Total**
ASSETS														
Cash and balances from central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	368	779	–	6,250	786	8,183	–	190	1,879	636	8,566	1,589	12,860
Lending to credit institutions	–	20,267	–	–	–	–	20,267	–	18,036	6	25	182	20	18,269
Lending to the public	–	145,579	14,400	21,688	74,053	3,019	258,739	–	134,067	9,907	25,560	83,116	3,296	255,946
Change in fair value of hedged loan receivables	–	−6	19	59	706	−21	757	–	39	44	118	1,283	133	1,617
Bonds and other interest-bearing securities	–	6,783	1,203	688	24,089	5,973	38,736	–	7,151	652	1,254	20,826	1,569	31,452
Derivative instruments	–	−11,816	361	−757	17,508	1,153	6,449	–	−159,287	26,270	2,950	133,110	9,702	12,745
Other assets	1,508	–	–	–	–	–	1,508	1,200	–	–	–	–	–	1,200
Total financial assets	**1,508**	**161,175**	**16,762**	**21,678**	**122,606**	**10,910**	**334,639**	**1,200**	**196**	**38,758**	**30,543**	**247,083**	**16,309**	**334,089**
LIABILITIES														
Liabilities to credit institutions	–	15,191	–	–	–	–	15,191	–	17,538	–	–	–	–	17,538
Deposits from the public	–	45,714	6	83	66	–	45,869	–	27,583	5	3	63	–	27,654
Debt securities in issue, etc.	–	66,009	22,247	10,542	136,427	8,645	243,870	–	75,192	35,249	1,561	137,319	4,576	253,897
Derivative instruments	–	9,380	1,694	−5,115	3,775	629	10,363	–	−135,125	15,546	26,790	97,152	11,020	15,383
Other liabilities	3,808	–	–	–	–	–	3,808	4,059	–	–	–	–	–	4,059
Subordinated debt	–	800	300	665	4,026	–	5,791	–	1,100	1010	853	4,089	–	7,052
Total financial liabilities	**3,808**	**137,094**	**24,247**	**6,175**	**144,294**	**9,274**	**324,892**	**4,059**	**−13,712**	**51,810**	**29,207**	**238,623**	**15,596**	**325,583**
Difference assets and liabilities	−2,300	24,081	−7,485	15,503	−21,688	1,636	9,747	−2,859	13,908	−13,052	1,336	8,460	713	8,506

PARENT COMPANY **Carrying amounts** **SEK million**	**2013** **Without fixed-interest period**	**< 3 months**	**3–6 months**	**6-12 months**	**1–5 years**	**> 5 years**	**Total**	**2012** **Without fixed-interest period**	**< 3 months**	**3-6 months**	**6-12 months**	**1–5 years**	**> 5 years**	**Total**
ASSETS														
Cash and balances from central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	368	779	–	6,250	786	8,183	–	190	1,879	636	8,566	1,589	12,860
Lending to credit institutions	−632	49,815	–	–	–	–	49,183	−598	48,558	13	51	371	40	48,435
Lending to the public	–	39,514	1,601	1,954	5,386	303	48,758	–	37,651	836	1,732	5,612	529	46,360
Change in fair value of hedged loan receivables	–	1	–	–	–	–	1	–	–	–	–	–	–	–
Bonds and other interest-bearing securities	–	6,783	1,203	688	24,089	5,973	38,736	–	7,151	652	1,254	20,826	1,569	31,452
Derivative instruments	–	−4,812	585	−350	8,809	749	4,981	–	−184,398	25,330	26,929	127,489	16,149	11,499
Other assets	1,172	–	–	–	–	–	1,172	795	–	–	–	–	–	795
Total financial assets	**540**	**91,669**	**4,168**	**2,292**	**44,534**	**7,811**	**151,014**	**197**	**−90,848**	**28,710**	**30,602**	**162,864**	**19,876**	**151,401**
LIABILITIES														
Liabilities to credit institutions	–	557	–	–	–	–	557	–	2,443	–	–	–	–	2,443
Deposits from the public	–	45,714	6	83	66	–	45,869	–	27,583	5	3	63	–	27,654
Debt securities in issue, etc.	–	43,119	9,849	10,364	21,308	6,676	91,316	–	55,683	17,277	1,593	26,134	1,095	101,782
Derivative instruments	–	2,809	1,831	−5,124	7,508	885	7,909	–	−190,552	24,797	27,857	133,415	18,392	13,909
Other liabilities	1,844	–	–	–	–	–	1,844	1,191	–	–	–	–	–	1,191
Subordinated debt	–	800	300	665	4,026	–	5,791	–	1,100	1,010	853	4,089	–	7,052
Total financial liabilities	**1,844**	**92,999**	**11,986**	**5,988**	**32,908**	**7,561**	**153,286**	**1,191**	**−103,743**	**43,089**	**30,306**	**163,701**	**19,487**	**154,031**
Difference assets and liabilities	−1,304	−1,330	−7,818	−3,696	11,626	250	−2,272	−994	12,895	−14,379	296	−837	389	−2,630

Note 2d Risk management – Market risk, continued

Market risk limits and exposures

GROUP SEK million	Exposure	Limit	Utilisation
VaR Treasury[1]	11	30	36%
VaR Trading Portfolio[1]	0	12	0%
Total VaR[2]	661	1,350	49%
Operational interest rate risk (excluding trading portfolio)	24	±120	20%
Interest rate risk in the trading portfolio	0	±25	0%
Strategic interest rate risk	–2	±20	10%
Curve risk (excluding trading portfolio)	125	240	52%
Curve risk in the trading portfolio	0	50	0%
Basis risk in the trading portfolio	0	100	0%
Currency risk (excluding liquidity portfolio)	6	±10	60%
Currency risk in the liquidity portfolio[3]	0	±0,5%	0%
Spread risk in the trading portfolio	0	50	0%
Earnings volatility basis swaps	14	30	47%
Earnings volatility credit spreads	15	25	60%

[1] Limits for the day-to-day follow-up of risk have been set at two levels: for all market risks that Treasury is responsible for managing, and for the trading portfolio.
[2] SBAB has set a VaR limit for its entire market risk, including the strategic portfolio, which consists of SBAB's equity.
[3] The liquidity portfolio is hedged through funding in the corresponding currency or through currency swap contracts. The currency risk in the liquidity portfolio is measured as the degree of matching of the principal in each currency. The deviation from full matching in each currency is limited to 0.5% of the total balance.

Note 2e Risk management – Operational risk

Operational risk refers to the risk of losses due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events, including legal risk.

SBAB uses the standardised approach to measure operational risk and assess capital requirements. This approach entails that the capital requirement is based on 12–18% of the average operating income of the business areas for the past three years. To be permitted to use the standardised approach, the company must fulfil the requirements for documentation, processes and structures stipulated in the regulations, such as:

- Established control documents
- Documented risk management
- Internal reporting structure
- Processes for managing operational risks
- Contingency plans and continuity plans
- Method for allocating operating income among business areas

SBAB uses a model to manage operational risk, which is based on self-evaluation of operational risks and risks associated with financial reporting in existing processes, as well as the registration of incidents that have occurred. The self-evaluation process encompasses the identification of risks in all units, measurement of identified risks and management of material risks. The results of the self-evaluation are reported annually and any incidents that occur are reported on a monthly basis to the Board, the CEO and senior executives. For further details concerning the management of risks associated with financial reporting, refer to the Corporate Governance Report, in the section Internal control concerning financial reporting.

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, reputation risk and margin risk, which arise when the interest margins on lending and borrowing have different maturities.

Business risk is included in the calculation of the capital requirement based on economic capital using a standardised approach that reflects the business areas' operating expenses.

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. The full capital requirement for concentration risk is included in the economic capital for credit risk.

Upon calculation at 31 December 2013, the internally calculated capital requirement for concentration risk amounted to SEK 422 million (575), of which SEK 404 million (504) pertained to credit risk in the lending operations and SEK 18 million (71) to credit risk in the 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 the banks' management and assessment of risks must be satisfactory to ensure that the banks can fulfil their obligations. In order to fulfil 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).

The purpose of the internal capital adequacy assessment process is to identify, evaluate, secure and manage the risks to which SBAB is exposed and ensure that the Group has sufficient risk capital for its selected risk profile. The ICAAP is revised annually to identify changes in the operating environment that continuously affect the Group's performance. Calculation of the amount of risk capital required to manage the combined risk in the operations occurs at Group level and is based primarily on the calculation of SBAB's economic capital. If economic capital is less than the capital requirements under Pillar 1 for a given type of risk, the capital requirements under Pillar 1 are applied. A qualitative assessment is also made of the risks that are not included in the calculation of economic capital. In addition, consideration is given to the risk associated with extraordinary events, which is illustrated in conjunction with stress tests. What is finally taken into account is the impact on profit or loss caused by a valuation effect on primarily basis swap spreads as well as spreads on residential bonds and government paper that arise due to accounting regulations. The valuation effect is not estimated to affect risk in the operations, apart from the impact on own funds. Based on the qualitative assessment and results of the stress tests, as well as the calculation of earnings volatility, the calculated economic capital is supplemented with extra buffer capital.

Taken together, the above comprise the capital that, in accordance with Basel II, is required to meet all risks in SBAB's operations.

At 31 December 2013, the Group's capital requirement amounted to SEK 8,722 million (9,239).

Economic capital

Economic capital comprises the capital that SBAB deems to be required to cover unexpected losses during the coming year. It is presumed that expected losses can be covered by earnings from operating activities. The assessment of economic capital takes into account credit risk, concentration risk, market risk, operational risk and business risk. Credit risk is the dominant risk in SBAB's operations. To a large extent, the economic capital model is based on the result of the Group's IRB approach for quantification of credit risk. In addition to comprising an assessment of the combined capital requirement for managing the risks in the company's operations, the economic capital model is also used for monitoring purposes, economic control and strategic considerations.

Stress tests

Capital planning is founded on a basic scenario that reflects the most probable operational development in accordance with internal forecasts. Complementing this, stress tests and scenario analyses are performed, whereby the development of the loan portfolio and capital requirements during a serious economic downturn is evaluated. In the stress scenario, the Swedish economy is subjected to several major disturbances simultaneously. A combination of external and internal factors further exacerbates the situation and leads to a recession, inflation and problems in the bank sector. The scenario is of the nature that might be expected to occur every 20 to 25 years. The stress tests are conducted in such a way that the macroeconomic scenario that forms the foundation for the stress in the system is translated to reflect the effects it has on SBAB's risk models. A change in the credit-worthiness

Note 2h Risk management – Internal capital adequacy assessment, continued

of individual loans is simulated through changes in the majority of the parameters in SBAB's IRB approach. A negative stress on PD variables simulates the deterioration in the payment capacity of customers due to factors including higher interest rates, while declining market values for underlying collateral lead to an increase in the LGD.

To evaluate the effect of the stress test, the change in SBAB's risk-weighted assets and expected losses due to deteriorating credit quality are calculated. In the stress scenario characterised by a severe recession, risk-weighted assets and expected losses increase significantly, albeit from very low levels. At the same time, earnings deteriorate as a result of a weaker net interest.

Based on the results of the stress tests, a capital buffer of SEK 1,193 million (996) has been allocated to meet the increased capital requirements, higher loan losses and the weakened earnings over the three-year period covered by the stress test. The buffer is deemed sufficient to meet the increased losses, increased capital requirements and weaker earnings to which a recession corresponding to the stress test scenario leads.

SEK million	2013	2012
Credit risk	4,416	5,070
of which, concentration risk	*422*	*575*
Market risk	661	156
Business risk	280	123
Operational risk	190	243
Total economic capital	**5,547**	**5,598**
Earnings volatility	1,702	2,080
Other risks and adjustments for Pillar 1	280	565
Stress test	1,193	996
Total capital requirements	**8,722**	**9,239**

Note 2i Risk management – Capital adequacy

Many of the changes discussed prior to Basel II were never included in the regulations, but rather were deferred until a later time. Since then, the financial and debt crises have led to additional demand for stricter capital adequacy regulations. The result is a new body of joint European capital adequacy regulations, CRR/CRD IV, which came into effect on 1 January 2014. The regulations include proposals for higher capital requirements, stricter demands on capital quality, the introduction of a non-risk-based measurement (leverage ratio) and quantitative liquidity requirements. In addition to the new regulations, Swedish authorities have determined a national risk-weight floor of 15% for Swedish residential mortgages for Swedish households. Banks that are important to the Swedish system, which include the four major Swedish, are subject to more stringent demands than other banks. The requirement for additional capital at a later stage could encompass more banks.

The regulations for capital adequacy and large exposures introduced in 2007 through Basel II stipulate that the risk associated with the company's operations is to be reflected in the minimum capital requirement. To date, the effects of the changed regulations have been limited. The reason is that the transition rule, which is linked to older regulations, acts as a floor for minimum capital requirements. The rule, which was intended to apply until the end of 2009, has been extended and now applies until the end of 2017 in accordance with the new CRR regulations, unless national authorities decide not to apply this rule. The Commission will submit a report to the European Parliament and the Council on the suitability of further extending this rule.

SBAB primarily recognises credit risk in accordance with the IRB approach, and operational and market risk in accordance with the standardised approach. Profit for the year is included in the calculation of own funds and Tier 1 capital. The figures do not include a dividend to shareholders, which is in line with the Board of Directors' proposal for the appropriation of profits. There are no ongoing 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 debentures (see Note 32) or what is generally stipulated by the Companies Act.

As part of the adaptation to Basel III, a decision has been made to phase out FriSpar Bolån AB. Up until the end of the year, SEK 1,338 million was repaid to shareholders, which affected minority interests in the negative amount of SEK 631 million, which reduced own funds.

SBAB owns securitised assets in the form of RMBSs (residential mortgage-backed securities). These are now recognised under "Positions in securitisation" in accordance with the external ratings-based approach. The SBAB Group has no securitised loans of its own and has not contributed to any other institution's securitisation. The original objective for the securitised assets was that they were to be utilised as collateral with the Riksbank to ensure the bank's liquidity requirement.

Own funds

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Common Equity Tier 1 capital				
Equity	9,681	8,761	8,276	7,932
Unrealised changes in value of loan and trade receivables previously classified as assets held for sale.	23	37	23	37
Minority interest	100	731	–	–
Intangible fixed assets	–165	–122	–13	–14
Deferred tax assets	–	–36	–	–
Net provisions for IRB exposures	–56	–69	–18	–35
Common Equity Tier 1 capital	**9,583**	**9,302**	**8,268**	**7,920**
Common Equity Tier I capital instruments				
Additional Tier 1 instruments without redemption incentives[1]	2,000	2,000	2,000	2,000
Additional Tier 1 instruments with redemption incentives[1]	994	994	994	994
Tier 1 capital	**12,577**	**12,296**	**11,262**	**10,914**
Tier 2 capital				
Time-limited subordinated debentures	2,123	3,300	2,123	3,300
Net provisions for IRB exposures	–56	–70	–17	–35
Tier 2 capital	**2,067**	**3,230**	**2,106**	**3,265**
Amount for own funds net after deductible items and limit value	**14,644**	**15,526**	**13,368**	**14,179**

[1] Encompassed by the transitional regulations to FFFS 2007:1.

Note 2i Risk management – Capital adequacy, continued

Capital requirements

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Credit recognised in accordance with the IRB approach				
Exposures to corporates	736	2,173	298	575
Retail exposures	1,124	908	411	343
Positions in securitisation	270	423	270	423
Total exposures recognised in accordance with the IRB approach	**2,130**	**3,504**	**979**	**1,341**
Credit risk recognised in accordance with standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to municipalities and comparable associations	0	0	0	0
Exposures to institutions	397	387	184	223
Exposures to corporates	196	169	194	165
Retail exposures	99	76	98	74
Past-due items	1	1	1	1
Exposures to funds	17	12	17	12
Other items	10	9	7	7
Total exposures recognised in accordance with standardised approach	**720**	**654**	**501**	**482**
Risks in the trading book	**287**	**162**	**287**	**162**
Operational risk	**154**	**211**	**107**	**150**
Currency risk	**–**	**–**	**–**	**–**
Total minimum capital requirement	**3,291**	**4,531**	**1,874**	**2,135**
Addition according to transitional regulations	7,877	6,279	727	323
Total capital requirement according to transitional regulations	**11,168**	**10,810**	**2,601**	**2,458**

Capital adequacy

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012	FRISPAR 2013	FRISPAR 2012	SCBC 2013	SCBC 2012
Common Equity Tier 1 capital	9,583	9,302	8,268	7,920	203	1,489	11,318	10,724
Tier 1 capital	12,577	12,296	11,262	10,914	203	1,489	11,318	10,724
Total capital	14,644	15,526	13,368	14,179	203	1,489	11,318	10,724
Without transitional regulations								
Risk-weighted assets	41,149	56,638	23,417	26,688	124	260	19,263	31,903
Common Equity Tier 1 capital ratio	23.3%	16.4%	35.3%	29.7%	163.5%	573.8%	58.8%	33.6%
Tier 1 capital ratio	30.6%	21.7%	48.1%	40.9%	163.5%	573.8%	58.8%	33.6%
Total capital ratio	35.6%	27.4%	57.1%	53.1%	163.5%	573.8%	58.8%	33.6%
Capital quotient	4.45	3.43	7.14	6.64	20.44	71.72	7.34	4.20
With transitional regulations								
Risk-weighted assets	139,600	135,124	32,507	30,719	124	710	107,089	103,714
Common Equity Tier 1 capital ratio	6.9%	6.9%	25.4%	25.8%	163.5%	209.7%	10.6%	10.3%
Tier 1 capital ratio	9.0%	9.1%	34.6%	35.5%	163.5%	209.7%	10.6%	10.3%
Total capital ratio	10.5%	11.5%	41.1%	46.2%	163.5%	209.7%	10.6%	10.3%
Capital quotient	1.31	1.44	5.14	5.77	20.44	26.21	1.32	1.29

In the calculation of the total capital ratio and capital quotient FriSpar Bolån AB is consolidated as a subsidiary in contrast to the consolidated financial statements in which FriSpar Bolån AB is consolidated in accordance with the proportional method. This is due to differences between the rules and regulations for capital adequacy and large exposures and IFRS.

Note 3 Net interest income/expense

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Interest income				
Lending to credit institutions	202	339	1,390	1,743
Lending to the public[1]	8,412	9,782	1,541	1,715
Interest-bearing securities	795	997	795	997
Derivative instruments	–1,262	–633	–483	–293
Total interest income	**8,147**	**10,485**	**3,243**	**4,162**
of which, interest income from financial assets that is not measured at fair value through profit or loss	*8,640*	*10,221*	*2,957*	*3,558*
Interest expense				
Liabilities to credit institutions	–177	–252	–25	–100
Deposits from the public	–737	–523	–737	–523
Debt securities in issue	–5,964	–7,197	–1,816	–2,589
Subordinated debt	–348	–363	–348	–363
Derivative instruments	1,060	–198	-16	–446
Other	–18	–11	–18	–11
Total interest expense	**–6,184**	**–8,544**	**–2,960**	**–4,032**
of which, interest expense from financial liabilities that is not measured at fair value through profit or loss	*–7,244*	*–8,346*	*–2,944*	*–3,586*
Net interest income/expense	**1,963**	**1,941**	**283**	**130**

[1] Includes interest income from doubtful receivables of SEK 2 million (3).

Note 4 Dividends received

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Dividends received				
Dividend income from FriSpar Bolån AB joint venture	–	–	19	17
Total	**–**	**–**	**19**	**17**

Note 5 Commission

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Commission income				
Commission on lending	16	24	84	89
Other commission	24	31	40	47
Total	**40**	**55**	**124**	**136**
Commission expense				
Commission on securities	–35	–35	–22	–19
Stability fee	–114	–115	–52	–51
Total	**–149**	**–150**	**–74**	**–70**
Commission, net	**–109**	**–95**	**50**	**66**

Note 6 Net result from financial instruments measured at fair value/ Net result from financial transactions

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Gains/losses on interest-bearing financial instruments				
– Securities measured at fair value through profit or loss	-248	950	-248	950
– Change in value of hedged items in hedge accounting	1,419	–742	361	–62
– Realised income/expense from financial liabilities	-144	–192	-18	–21
– Derivative instruments in hedge accounting	-1,561	–333	-114	–304
– Other derivative instruments	464	–364	110	–356
– Loan receivables	87	90	16	15
Currency translation effects	6	–10	5	–9
Gains/losses on shares and participations measured at fair value through profit or loss	16	0	16	0
Total	**39**	**–601**	**128**	**213**

In the table above, changes in the market value of basis swaps affected the items "Derivative instruments in hedge accounting" and "Other derivative instruments". The positive performance of the liquidity portfolio impacted the items: "Securities measured at fair value through profit or loss" and "Other derivative instruments."

With respect to risk management, derivative instruments are related to and have their counter items in all other categories of interest-bearing financial instruments.

Note 7 Other operating income

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Administrative services on behalf of subsidiary	–	–	579	514
Other operating income	–	3	2	1
Total	**–**	**3**	**581**	**515**

Note 8 Personnel costs

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Salaries and other remuneration	–211	–197	–216	–201
Pension costs[1]	–38	–50	–53	–54
Other social security expenses	–76	–74	–81	–78
Other personnel costs	–21	–21	–21	–21
Total	**–346**	**–342**	**–371**	**–354**

[1)] The comparison figure for 2012 has been recalculated in accordance with IAS19 with regard to defined-benefit pensions.

Salaries and other remuneration

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
CEO	–5	–4	–5	–4
Senior executives who report directly to the CEO	–15	–15	–15	–15
Other employees	–191	–178	–196	–182
Total salaries and other remuneration	**–211**	**–197**	**–216**	**–201**

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 or the Board of the subsidiary The Swedish Covered Bond Corporation (SCBC) or the jointly owned company FriSpar Bolån AB in 2013. The number of senior executives who reported directly to the CEO as per the end of the year was 9 (9).

Average number of employees

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Women	253	235	253	235
Men	196	178	196	178
Total average number of employees	**449**	**413**	**449**	**413**

Note 8 Personnel costs, continued

Sickness absence

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Total sickness absence	**2.7%**	**2.1%**	**2.7%**	**2.1%**
Women	3.6%	2.8%	3.6%	2.8%
Men	1.6%	1.2%	1.6%	1.2%
29 years or younger	3.2%	2.9%	3.2%	2.9%
30-49 years	2.6%	1.9%	2.6%	1.9%
50 years or older	2.7%	2.1%	2.7%	2.1%
Proportion of long-term sickness absence, meaning sickness absence exceeding 60 days	27.3%	10.9%	27.3%	10.9%

Gender distribution among senior executives

	GROUP		PARENT COMPANY	
Board of Directors	2013	2012	2013	2012
Women	7	8	4	4
Men	10	9	4	4
Total number of Board Members	**17**	**17**	**8**	**8**

The Group includes the Board Members of the subsidiary The Swedish Covered Bond Corporation (SCBC) and the jointly owned company FriSpar Bolån AB.

	GROUP		PARENT COMPANY	
Management	2013	2012	2013	2012
Women	3	4	3	4
Men	8	10	5	6
Total number of employees in Executive Management	**11**	**14**	**8**	**10**

The Group includes the Managing Director of the subsidiary The Swedish Covered Bond Corporation (SCBC) and the Chief Credit Officer of the jointly owned company FriSpar Bolån AB.

	GROUP		PARENT COMPANY	
Form of employment	2013	2012	2013	2012
Total number of employees at the end of the year	**480**	**423**	**480**	**423**
Of whom, women	56.0%	55.8%	56.0%	55.8%
Of whom, managers	12.1%	13.5%	12.1%	13.5%
Of whom, female managers	5.0%	5.9%	5.0%	5.9%
Of whom, temporary employees	1.3%	2.1%	1.3%	2.1%
Of whom, part-time employees	2.1%	2.1%	2.1%	2.1%

	GROUP		PARENT COMPANY	
Personnel turnover	2013	2012	2013	2012
Number of permanent employees who terminated employment during the year	**31**	**36**	**31**	**36**
Of whom, women	38.7%	38.9%	38.7%	38.9%
Of whom, 29 years or younger	29.0%	13.9%	29.0%	13.9%
Of whom, 30-49 years	58.1%	47.2%	58.1%	47.2%
Of whom, 50 years or older	12.9%	38.9%	12.9%	38.9%

	GROUP		PARENT COMPANY	
External education/training	2013	2012	2013	2012
Number of education/training days per employee	2.2	1.5	2.2	1.5

	GROUP		PARENT COMPANY	
Internal education/training	2013	2012	2013	2012
Number of education/training days per permanent employee	2.6	6.1	2.6	6.1
Number of education/training days per temporary employee	2.6	6.1	2.6	6.1

Note 8 Personnel costs, continued

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 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, other remuneration and pensions (excluding special employer's contributions) to the CEO and other senior executives who report directly to the CEO

SEK million	2013		
Title	Period	Salary and other remuneration	Pension cost
CEO	1 January 2013–31 December 2013	4.5	1.2
Deputy CEO[1] and Chief Legal Counsel	1 January 2013–31 December 2013	1.8	0.5
CFO	1 January 2013–31 December 2013	1.9	0.4
CRO	1 January 2013–31 December 2013	1.7	0.4
Head of Internal Audit	1 January 2013–31 December 2013	1.1	0.5
Acting Head of Retail Market[2]	1 January 2013–31 January 2013	0.1	0.1
Head of Retail Market[2]	1 February 2013–31 December 2013	1.3	0.5
Head of Collaboration Market[2]	1 February 2013–31 December 2013	0.9	0.4
Head of Tenant-owner Associations Market[2]	1 February 2013–31 May 2013	0.5	0.1
Head of Business Development[3]	1 February 2013–31 December 2013	1.5	0.6
Chief Information Officer[3]	1 January 2013–31 January 2013	0.1	0.0
Head of Communications and HR[4]	1 January 2013–31 December 2013	1.6	0.4
Human Resources Manager[4]	1 January 2013–31 January 2013	0.1	0.0
Head of Corporate Market[4]	1 January 2013–31 January 2013	0.2	0.0
Head of Corporate and Tenant-owner[5]	1 September 2013–31 December 2013	0.7	0.1
Head of Compliance	1 January 2013–20 August 2013	0.8	0.2
Acting Head of Compliance	21 August 2013–24 October 2013	0.2	0.1
Head of Compliance	25 October 2013–31 December 2013	0.2	0.1
Total		**19.2**	**5.6**

During the year, changes were implemented to the composition of the Executive Management and new recruitments took place. Consequently, the roles are not entirely comparable with the preceding year.
On 1 February 2013, a new organisation was established within SBAB. The role of Deputy CEO[1] was introduced, the former Retail business area[2] was dissolved and replaced by three sales units: Retail Market, Tenant-owner Associations Market and Collaboration Market.
The units for business and product development and business support[3] were joined to form the new Business Development unit.
The HR function was jointed with the Communications function[4].
In September 2013, the sales departments for the Corporate and Tenant-owner Association Markets were merged to form Corporate and Tenant-owner Market5.

SEK million	2012		
Title	Period	Salary and other remuneration	Pension cost
CEO	1 March 2012–31 December 2012	3.7	1.1
Deputy CEO	1 January 2012–31 December 2012	0.3	0.1
Chief Legal Counsel	1 January 2012–31 December 2012	1.5	0.5
Head of Internal Audit	1 January 2012–31 December 2012	1.1	0.5
Human Resources Manager	1 January 2012–31 December 2012	1.3	0.4
Head of Corporate Market	1 January 2012–31 December 2012	2.0	0.4
Chief Information Officer	1 January 2012–31 December 2012	1.4	0.5
CFO	1 January 2012–31 May 2012	0.8	0.2
CFO	1 June 2012–31 December 2012	1.1	0.4
CRO	1 January 2012–28 February 2012	0.3	0.1
CRO	1 August 2012–31 December 2012	0.8	0.2
Head of Compliance	1 August 2012–20 August 2013	0.6	0.1
Head of Communications	1 January 2012–31 May 2012	0.5	0.3
Head of Communications	1 August 2012–31 December 2012	1.0	0.2
Head of Retail Market	1 January 2012–10 November 2012	1.6	0.4
Acting Head of Retail Market	11 November 2012–31 December 2012	0.2	0.1
Total		**18.2**	**5.5**

Certain personnel changes were made in 2012, which is why the roles have been held by different individuals.

Note 8 Personnel costs, continued

After preparation by the Remuneration Committee and being subjected to a risk analysis, the remuneration policy has been adopted by the Board. Risk analyses for SBAB's remuneration system, remuneration policy and remuneration instructions are published on sbab.se. The composition and mandates of the Remuneration Committee are described on page 90. Salaries and other remuneration to specially regulated personnel, 22 employees (21), excluding senior executives who report directly to the CEO, amounted to SEK 16.5 million (15.7).

Remuneration of the Board

The remuneration paid to Board Members is resolved by the Annual General Meeting. The remuneration paid to Board Members in the Parent Company amounted to SEK 1.5 million (1.3) for Board work and SEK 0.3 million (0.2) for work on committees. Board Members who serve on a committee received SEK 3,500 per meeting attended. The fees paid to the Chairman of the Board (until 18 April 2013) amounted to SEK 0.2 million, and the fees paid to the newly elected Chairman of the Board (from 19 April 2013) amounted to SEK 0.3 million (0.3).

For six of the seven Board Members elected by the Annual General Meeting, fees amounting to SEK 0.2 million (0.2) were paid and to the remaining Board Member fees of SEK 0.1 million were paid. No fees are paid to Board Members employed by the Ministry of Finance or the employee representatives who sit on the Board.

Pensions

Employees recruited to SBAB on 1 February 2013 or later are covered by the new collective pension plan BTP1, which is a defined-contribution plan. Those employed earlier are covered by BTP2, which is a defined-benefit plan. Both plans encompass health and survivor pension, as well as provisions for retirement pension. BTP2 also encompasses BTPK – supplementary pension and, where applicable, family pension. BTP2 also covers employees with high incomes, whereby the recipient can choose an alternative investment for a certain part of the premium. IN BTP1, the employee determines to a substantial extent how premiums are invested.

The defined-benefit plans are collective employer plans (BTP2) secured through insurance with SPP and constitute multi-employer plans. SBAB's pension costs for its defined-benefit pensions amounted to SEK 32.6 million (43.6), excluding payroll tax. SBAB's pension costs for its defined-contribution pensions amounted to SEK 5.3 million (3.1), excluding payroll tax.

In 2014, pension contributions for defined-benefit plans are expected to total SEK 49 million. See Note 31 for further information.

The Board's proposed guidelines for remuneration of senior executives

In 2013, the Board's preparation of matters concerning remuneration of the company's senior executives occurred in the Remuneration Committee. The Board decides on the remuneration to be paid to the CEO and senior executives, as well as the heads of the control functions. The Board's motion concerning principles for remuneration and other employment terms and conditions for senior executives, which is resolved by the Annual General Meeting, entails in brief that remuneration is to consist of a fixed basic salary without any variable remuneration.

Agreements on severance pay and pension

With respect to pension conditions, periods of notice and severance pay for senior executives, SBAB complies with the principles stipulated in the Government's guidelines for senior executives (April 2009). As per 31 December 2013, the CEO and SBAB were subject to a mutual period of notice of six months. With respect to severance pay, the agreement stipulates that if the company gives notice terminating the agreement and the CEO leaves his position, the company shall – in addition to salary and pension during the period of notice – pay severance pay corresponding to 18 monthly salaries, all with deduction of new salary[1]. 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. An agreement has been entered into with the Head of Corporate and Tenant-owner Market concerning a defined-contribution plan corresponding to 25% of pensionable salary. An agreement has been entered into with the CFO, CRO, Head of Communications and HR concerning a defined-contribution plan corresponding to 22% of pensionable salary. During the year, an agreement was reached with the Deputy CEO, Head of Business Development, and the Head of Retail Market concerning a defined-contribution plan corresponding to 30% of pensionable salary. There are no other pension agreements that deviate from the general rules of the collective agreement for the bank sector. In cases where individual agreements on severance pay exist, these comply with the Government's guidelines for state-owned companies.

Should employment be terminated by the company, remuneration of up to two years' salary is paid, including the period of notice. Deductions will be made from the remuneration should new employment or income from another activity be received during the two-year period.

The accumulated total amount plus the total expensed amount for severance pay pledged during the year was SEK 2.1 million (2.0). Disbursed severance pay during the year amounted to SEK 0.7 million (2.5). This was attributable to a few individual agreements and the number of people affected is not stated here to avoid disclosing the financial situation of individual employees.

Loans to senior executives

Loans to senior executives are presented in Note 39 Information about related parties.

Incentive programme

The Board of Directors has resolved that there will not be any incentive programme as of 2012.

Previously deferred incentive payments for 2009 for employees deemed to be able to influence the company's risk level totalled SEK 1.0 million and were disbursed in the spring of 2013 to 14 individuals. Previously deferred incentive payments for 2010 for employees deemed to be able to influence the company's risk level total SEK 0.5 million and are pending a decision on disbursement in 2014. Prior to disbursement, a risk adjustment will be performed in the form of a decision by the Board of Directors, on the basis of documentation from the Remuneration Committee, as to whether all or part of the deferred incentive payments will be disbursed, a decision that the Board has unrestricted rights to make.

All payments from the earlier incentive programme consist of cash. Deferred and disbursed incentive payments are indexed up in relation to the consumer price index (CPI). To avoid disclosing the financial situation of individual employees, incentive payments have not been broken down by business area or any similar distribution.

After preparation by SBAB's Remuneration Committee and based on the risk analysis for SBAB's remuneration system, the Board decided on an updated remuneration policy and the identification of specially regulated personnel, in accordance with the Swedish Financial Supervisory Authority's regulations and general guidelines concerning remuneration policies of credit institutions, securities companies and fund companies (FFFS 2011:1).

[1] On 13 January 2014, it was announced that Carl-Viggo Östlund, who has been CEO of SBAB since 2012, is leaving the bank. For more information, see note 42 'Events after the balance sheet day".

Note 9 Other expenses

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
IT expenses	–165	–146	–247	–223
Rent[1]	–26	–23	–26	–23
Other costs for premises	–8	–5	–8	–5
Other administration expenses	–120	–114	–119	–111
Marketing	–66	–59	–66	–58
Other operating expenses	–15	–15	–14	–14
Total	**–400**	**–362**	**–480**	**–434**

Expenses for development amounted to SEK 160 million (144), of which SEK 92 million (85) pertained to internally produced intangible assets in the Group. Most of the development work is pursued in project form and includes the budgets of entire projects, involving such expenses as planning, analysis, specification of requirements, programming, implementation and quality testing,

Fees and compensation for expenses to auditors

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Audit assignment	**–2.9**	**–3.8**	**–2.5**	**–2.8**
of which, KPMG	*–2.7*	–	*–2.0*	–
PwC	*–0.2*	*–3.8*	*–0.5*	*–2.8*
Ernst & Young	*0.0*	*0.0*	–	–
Audit tasks in addition to audit assignment	**–1.0**	**–3.4**	**–0.9**	**–2.8**
of which, KPMG	*–1.0*	–	*–0.9*	–
PwC	–	*–3.4*	–	*–2.8*
Tax consultancy	**–**	**–**	**–**	**–**
Other services	**–2.7**	**–4.2**	**–2.7**	**–3.4**
of which, KPMG	*–2.6*	–	*–2.6*	–
PwC	*–0.1*	*–4.2*	*–0.1*	*–3.4*
Total	**–6.6**	**–11.4**	**–6.1**	**–9.0**

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 of the annual financial statements 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 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Agreed future rents due for payment				
- within one year	–25	–25	–25	–25
- between one and five years	–65	–69	–65	–69
- after five years	–14	–35	–14	–35
Total	**–104**	**–129**	**–104**	**–129**

[1]) Rents = operating leases.

Note 10 Depreciation of property, plant and equipment and amortisation of intangible fixed assets

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Property, plant and equipment				
Depreciation, computer hardware	–7	–5	–7	–5
Depreciation, other equipment	–8	–6	–8	–6
Intangible fixed assets				
Depreciation, acquired software	–5	–4	–5	–4
Depreciation, internally developed part of software	–11	–9	–	–
Impairment, internally developed part of software	–38	–	–	–
Total	**–69**	**–24**	**–20**	**–15**

During 2013, SBAB upgraded its financial system and capitalised the development costs, since, in addition to adding value in terms of quality, they were also expected to bring quantitative gains and cost savings. Following the implementation of the upgrade, SBAB's analysis shows the quantitative values to be of a less substantial nature. Consequently, SBAB has chosen to recognise an impairment of SEK 18.5 million in the residual.

Until and including 2013, SBAB developed support for the newly-established mutual fund operations. The business volumes for the mutual fund operations are not initially expected to grow at the previously calculated rate. The value of the capitalised asset cannot therefore be motivated within the original calculation period and an impairment of SEK 19.5 million was therefore recognised as per 31 December 2013.

Note 11 Loan losses, net

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
CORPORATE MARKET				
Individual provision for Corporate Market loans				
Write-off of confirmed loan losses for the year	–2	-0	–2	-0
Reversals of previously implemented provision for probable loan losses that are recognised as confirmed losses in the closing accounts for 2013	1	–	1	–
Provision for probable loan losses for the year	–3	–26	–3	–26
Recoveries in respect of confirmed loan losses in prior years	–	0	–	0
Reversal of prior years' provisions for probable loan losses no longer required	8	26	8	26
Guarantees	1	–0	1	–0
Net cost for the year for individual provisions for Corporate Market loans	**5**	**-0**	**5**	**-0**
Collective provision for Corporate Market loans				
Allocation to/redemption of collective provisions	1	4	–4	5
Guarantees	0	–6	–1	1
Net cost for the year for collective provisions Corporate Market loans	**1**	**–2**	**–5**	**6**
RETAIL MARKET				
Individual provision for Retail Market loans				
Write-off of confirmed loan losses for the year	–15	–9	–15	–9
Reversals of previously implemented provision for probable loan losses that are recognised as confirmed losses in the closing accounts for 2013	11	5	10	5
Provision for probable loan losses for the year	–9	–9	–6	–9
Reversal of prior years' provisions for probable loan losses no longer required	0	0	0	0
Guarantees	0	–	0	–
Net cost for the year for individual provisions for Retail Market loans	**–13**	**–13**	**–11**	**–13**
Collective provision for Retail Market loans				
Write-off of confirmed loan losses for the year	–21	–27	–19	–25
Recoveries in respect of confirmed loan losses in prior years	3	3	3	3
Allocation to/redemption of collective provisions	38	19	13	–14
Guarantees	–6	0	0	9
Net cost for the year for collective provisions for Retail Market loans	**14**	**–5**	**–3**	**–27**
NET COST FOR THE YEAR FOR LOAN LOSSES	**7**	**–20**	**–14**	**–34**

Both the write-off of confirmed loan losses for the period and reversal of prior year write-offs as specified above relate to receivables from the public. 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 12 Tax

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Current tax	22	–247	35	–194
Deferred tax	–234	107	119	183
Total	**–212**	**–140**	**154**	**–11**
The effective tax rate differs from the nominal tax rate in Sweden as below				
Profit before tax	1,085	503	176	104
Nominal tax rate in Sweden 22% (26.3)	–239	–132	–39	–27
Restatement of deferred tax to 22%	–	–7	–	13
Tax-exempt dividend from subsidiary	–	–	4	4
Group contributions paid	–	–	154	–
Tax for prior years and other	27	–1	35	–1
Total tax	**–212**	**–140**	**154**	**–11**
Effective tax rate	19.5%	27.9%	-87.7%	10.9%

Note 13 Chargeable treasury bills and other eligible bills

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Current assets measured at fair value through profit or loss				
Swedish state	4,416	4,808	4,416	4,808
Foreign states	3,767	8,052	3,767	8,052
Total chargeable treasury bills and other eligible bills	**8,183**	**12,860**	**8,183**	**12,860**

Note 14 Lending to credit institutions

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Lending in SEK	17,120	14,117	46,027	44,286
Lending in foreign currency	3,147	4,152	3,156	4,149
Total	**20,267**	**18,269**	**49,183**	**48,435**
of which, repos	*15,544*	*11,809*	*4,472*	*1,860*

Of the Parent Company's lending to credit institutions, SEK 40,115 million (39,602) relates to a receivable from the wholly owned subsidiary The Swedish Covered Bond Corporation, SCBC (publ). These receivables are subordinated, which means that payment is received only after other creditors of the subsidiary have been paid.

Note 15 Lending to the public

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Opening balance	256,282	248,499	46,574	33,121
Lending for the year	37,367	34,878	34,646	31,673
Transferred to/from Group companies	–	–	–9,641	–303
Amortisation, write-offs, redemption, etc.	–34,619	–27,095	–22,642	–17,917
Closing balance	259,030	256,282	48,937	46,574
Provision for probable loan losses	–291	–336	–179	–214
Closing balance	**258,739**	**255,946**	**48,758**	**46,360**
of which subordinated assets	–	–	–	–

GROUP
Distribution of lending by property type

	2013				2012			
SEK million	**FriSpar Bolån AB**	**Swedish Covered Bond Corporation – SCBC**	**SBAB Bank AB (publ)**	**Total within Group***	**FriSpar Bolån AB**	**Swedish Covered Bond Corporation – SCBC**	**SBAB Bank AB (publ)**	**Total within Group[1)]**
Single-family dwellings and holiday homes	–	85,345	18,152	103,497	975	84,471	15,259	100,227
Tenant-owner rights	–	56,931	10,347	67,278	387	51,650	9,829	61,677
Tenant-owner associations	–	45,485	9,354	54,839	20	46,668	8,521	55,199
Private multi-family dwellings	–	18,699	4,766	23,465	13	21,688	4,801	26,496
Municipal multi-family dwellings	–	3,619	109	3,728	–	4,439	357	4,796
Commercial properties	–	14	5,020	5,034	–	80	7,048	7,128
Other	–	–	1,189	1,189	–	–	759	759
Provision for probable loan losses	–	–112	-179	-291	–1	–121	–214	–336
Total	**–**	**209,981**	**48,758**	**258,739**	**1,394**	**208,875**	**46,360**	**255,946**
Percentage of lending with a government or municipal guarantee	–	1	1	1	–	2	1	2
Average fixed-interest period, years	–	1.0	0.4	0.9	1.0	1.1	0.5	1.0

[1)] The Group includes 51% of FriSpar Bolån AB.

In the event of early redemption during the fixed-interest period, SBAB has the right to receive so-called interest compensation. The amount of compensation in the case of Retail Market loans is based on the interest rate on government bonds/treasury bills with a comparable remaining maturity up to the interest adjustment date +1%. 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 71,720 million (64,906) of SBAB's lending portfolio, of which SEK 14,210 million (11,744) in the Parent Company, was provided by business partners and it is possible for certain partners, in the event of a change of ownership of SBAB, to acquire brokered loans.

Loan commitments and other credit-related commitments are shown in Note 35.

Note 15 Lending to the public, continued

Doubtful loan receivables and provisions

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
a) Doubtful loan receivables	62	67	59	67
b) Individual provisions, loan receivables	47	54	44	54
c) Collective provisions, Corporate Market loans	26	27	17	13
d) Collective provisions, Retail Market loans	218	255	118	147
e) Total provisions (b+c+d)	291	336	179	214
f) Doubtful loan receivables after individual provisions (a-b)	15	13	15	13
g) Provision ratio for individual provisions (b/a)	76%	81%	75%	81%

For further information on doubtful and non-performing loan receivables, refer to Note 2a Risk management – Credit risk in lending operations.

GROUP
Distribution of doubtful loan receivables and provisions by type of property

	2013						2012					
SEK million	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associa-tions	Private multi-family dwellings	Other	Total	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associa-tions	Private multi-family dwellings	Other	Total
Doubtful loan receivables, gross	9	13	10	30		62	9	16	–	42		67
Individual provisions, loan receivables	-6	-13	-3	-25		-47	–6	–14	–	–34		–54
Collective provisions, Corporate Market loans			–10	–16		–26			–15	–12		–27
Collective provisions, Retail Market loans	-144	-69			-5	-218	–164	–84			–7	–255
Doubtful loan receivables after individual provisions						**15**						**13**

Change in provision for probable loan losses

	2013			2012		
SEK million	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	–34	–20	–282	–34	–16	–299
Individual provision for the year	–3	–10		–26	–9	
Reversed from previous provisions	8	0		26	0	
Individual provision utilised for confirmed losses	1	11		–0	5	
Allocation to/redemption of collective provisions			38			17
Provision at the end of the year	–28	–19	**–244**	–34	–20	**–282**

Note 16 Bonds and other interest-bearing securities

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Securities measured at fair value through profit or loss	36,370	26,633	36,370	26,633
Securities classified as loans and receivables, measured at amortised cost	2,366	4,819	2,366	4,819
Total	**38,736**	**31,452**	**38,736**	**31,452**
Distribution of holdings by issuer, etc.				
CURRENT ASSETS				
Listed securities				
Issued by public bodies				
Intergovernmental issuers	1,825	1,537	1,825	1,537
Other public issuers	4,572	3,683	4,572	3,683
Issued by other borrowers				
Swedish banks (with government guarantee)	–	805	–	805
Swedish mortgage institutions	19,697	13,816	19,697	13,816
Other foreign issuers (covered bonds, RMBSs)	9,227	8,321	9,227	8,321
Other foreign issuers (with government guarantee)	3,415	3,290	3,415	3,290
Total listed securities	**38,736**	**31,452**	**38,736**	**31,452**
Unlisted securities	–	–	–	–
Total	**38,736**	**31,452**	**38,736**	**31,452**
of which subordinated assets	–	–	–	–

Note 17 Derivative instruments

SEK million	GROUP 2013 Fair value assets	GROUP 2013 Fair value liabilities	GROUP 2013 Nominal amount	GROUP 2012 Fair value assets	GROUP 2012 Fair value liabilities	GROUP 2012 Nominal amount	PARENT COMPANY 2013 Fair value assets	PARENT COMPANY 2013 Fair value liabilities	PARENT COMPANY 2013 Nominal amount	PARENT COMPANY 2012 Fair value assets	PARENT COMPANY 2012 Fair value liabilities	PARENT COMPANY 2012 Nominal amount
Other derivatives												
Interest-rate related												
– interest-rate swaps	3,541	201	85,969	8,470	4,654	273,270	904	80	35,688	1,385	40	21,540
Currency related	1,589	5,398	69,609	2,623	5,192	66,543	917	2,568	39,474	1,021	1,686	33,682
Total	**5,130**	**5,599**	**155,578**	**11,093**	**9,846**	**339,813**	**1,821**	**2,648**	**75,162**	**2,406**	**1,726**	**55,222**
Other derivatives												
Interest-rate related												
– interest-rate swaps	1,013	2,676	148,185	526	2,063	49,411	2,293	3,536	246,612	7,522	9,302	387,658
– interest-rate futures	6	7	–5,000	17	17	0	6	7	–5,000	17	17	0
Currency related	300	2,081	38,678	1,109	3,457	79,662	861	1,717	40,719	1,554	2,864	80,823
Total	**1,319**	**4,764**	**181,863**	**1,652**	**5,537**	**129,073**	**3,160**	**5,260**	**282,331**	**9,093**	**12,183**	**468,481**

Note 17 Derivative instruments, continued

Derivative instruments distributed by remaining maturity, carrying amount

SEK million	GROUP				PARENT COMPANY			
	2013		2012		2013		2012	
	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount
At most 3 months	–460	22,695	–1,188	45,816	–132	30,922	–798	54,845
3–12 months	–1,317	71,474	298	86,456	–776	104,857	–38	118,379
1–5 years	–1,903	224,061	–1,476	315,035	–1,895	200,152	–1,285	317,374
More than 5 years	–234	19,212	–272	21,579	–124	21,561	–289	33,105
Total	**–3,914**	**337,442**	**–2,638**	**468,886**	**–2,927**	**357,492**	**–2,410**	**523,703**

Hedge accounting
Hedge accounting is only applied for hedging relationships where the risk of a significant fluctuation in profit or loss is considered the greatest.

Fair-value hedges
SBAB mainly uses fair-value hedges to protect against changes in the fair value of lending and funding at fixed interest rates and to hedge currency exposure of funding in foreign currency. The hedge instruments primarily used are interest-rate and currency interest-rate swaps Currency interest-rate swaps are defined as currency-related above. SBAB only applies hedge accounting to currency and interest-rate risk.

Group
At 31 December 2013, the nominal amount of derivatives held for fair-value hedging was SEK 155.6 billion (340.0). The fair value of these derivatives was a negative SEK 469 million (pos: 1,247) and the year's change in value amounted to a negative SEK 1,041 million (neg: 333). The change in fair value of the hedged items with respect to hedged risk amounted to SEK 1,419 million (neg: 742) and the realised loss on the repurchased debt was SEK 144 million (loss 192). Accordingly, the Group's hedge accounting for fair value and completed repurchases had a positive impact of SEK 234 million (neg: 1,267) on profit for the year.

Parent Company
At 31 December 2013, the nominal amount of derivatives held for fair-value hedging was SEK 75.2 billion (55.2). The fair value of these derivatives was a negative SEK 827 million (pos: 680) and the year's change in value amounted to a negative SEK 114 million (neg: 304). The change in fair value of the hedged items with respect to hedged risk amounted to a negative SEK 361 million (neg: 62) and the realised loss on the repurchased debt was SEK 19 million (loss 21). Accordingly, the Parent Company's hedge accounting for fair value and completed repurchases had an impact of SEK 228 million (neg: 387) on profit for the year.

The results were negatively impacted by value changes on basis swaps.

Note 18 Shares and participations

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Fund units measured at fair value through profit or loss	217	150	217	150
Total	**217**	**150**	**217**	**150**

Note 19 Shares and participations in joint ventures

FriSpar Bolån AB is a joint venture and is recognised in accordance with the proportional method. The company is domiciled in Stockholm.
For more information about the company, see page 23.

PARENT COMPANY

SEK million	2013	2012
Swedish credit institutions	**FriSpar Bolån AB 556248-3338**	**FriSpar Bolån AB 556248-3338**
Cost at the beginning of the year	830	733
Shareholder contribution	36	97
Repaid shareholder contribution	–753	–
Cost at the end of the year	**113**	**830**

The assets are expected to be disposed of after more than 12 months.

Swedish credit institutions	2013 FriSpar Bolån AB 556248-3338	2012 FriSpar Bolån AB 556248-3338
Number of shares	6,120	6,120
Share of ownership, %	51	51
Share of equity, %	56	56
Carrying amount, SEK million	113	830

GROUP

SEK million	2013	2012
Swedish credit institutions	**FriSpar Bolån AB 556248-3338**	**FriSpar Bolån AB 556248-3338**
Current assets	21	13
Fixed assets	102	1,470
Current liabilities	1	15
Long-term liabilities	–	689
Income	24	30
Expenses	–1	–4

The amounts relate to the Group's share, meaning 51% of FriSpar Bolån AB's corresponding amount.

Note 20 Shares and participations in Group companies

AB Sveriges Säkerställda Obligationer (publ), The Swedish Covered Bond Corporation, is domiciled in Stockholm.
For more information about the company, see page 22.

PARENT COMPANY

SEK million	2013	2012
Swedish credit institutions	**Swedish Covered Bond Corporation – SCBC 556645-9755**	**Swedish Covered Bond Corporation – SCBC 556645-9755**
Cost at the beginning of the year	9,600	9,600
Shareholder contribution	700	–
Cost at the end of the year	**10,300**	**9,600**

The assets are expected to be disposed of after more than 12 months.

Swedish credit institutions	2013 Swedish Covered Bond Corporation – SCBC 556645-9755	2012 Swedish Covered Bond Corporation – SCBC 556645-9755
Number of shares	500,000	500,000
Share of equity, %	100	100
Carrying amount, SEK million	10,300	9,600

Note 21 Intangible fixed assets

Software	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Cost at the beginning of the year	273	177	63	52
Acquisitions during the year	97	97	5	11
Divestments during the year	–	–1	–	–
Cost at the end of the year	**370**	**273**	**68**	**63**
Amortisation at the beginning of the year	–151	–139	–49	–46
Amortisation for the year according to plan	–16	–12	–5	–3
Divestments during the year	–	–	–	–
Accumulated amortisation	**-167**	**–151**	**–54**	**–49**
Impairment	**-38**	**–**	**–**	**–**
Net carrying amount	**165**	**122**	**14**	**14**

Internally produced intangible assets are reported in the consolidated financial statements. Consequently, the difference between the amounts in the Parent Company's financial statements and the consolidated financial statements pertain solely to internally-produced intangible assets. Borrowing costs are capitalised for assets that are produced internally and take a significant amount of time to utilise. In 2013, borrowing costs of SEK 2 million (2) were capitalised. The average interest rate for the periods and assets in question was 1.9% (2.7).

Note 22 Property, plant and equipment

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Cost at the beginning of the year	164	151	164	151
Acquisitions during the year	19	14	19	14
Disposals during the year	–	–1	–	–1
Cost at the end of the year	**183**	**164**	**183**	**164**
Amortisation at the beginning of the year	–131	–121	–131	–121
Amortisation for the year according to plan	–15	–11	–15	–11
Disposals during the year	–	1	–	1
Accumulated amortisation according to plan	**–146**	**–131**	**–146**	**–131**
Net carrying amount	**37**	**33**	**37**	**33**

Note 23 Other assets

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Past due interest receivables	75	189	32	57
Tax assets	509	–	386	–
Other	11	49	59	19
Total	**595**	**238**	**477**	**76**
Other assets distributed by remaining maturity, carrying amount				
At most 1 year	595	238	477	76
More than 1 year	–	–	–	–
Total	**595**	**238**	**477**	**76**

Note 24 Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Prepaid expenses	30	26	30	26
Accrued interest income	796	849	612	641
Accrued guarantees	61	68	33	40
Other accrued income	26	19	20	12
Total	**913**	**962**	**695**	**719**
Prepaid expenses and accrued income distributed by remaining maturity, carrying amount				
At most 1 year	871	917	672	692
More than 1 year	42	45	23	27
Total	**913**	**962**	**695**	**719**

Note 25 Liabilities to credit institutions

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Liabilities in SEK	13,359	14,477	112	1,685
Liabilities in foreign currencies	1,832	3,061	445	758
Total	**15,191**	**17,538**	**557**	**2,443**
of which, repos	*13,242*	*14,151*	–	*2,005*

Note 26 Deposits from the public

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Private individuals	37,521	22,518	37,521	22,518
Tenant-owner associations	2,180	1,633	2,180	1,633
Corporate	6,168	3,503	6,168	3,503
Total	**45,869**	**27,654**	**45,869**	**27,654**

Note 27 Debt securities in issue, etc.

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Commercial papers				
Commercial papers in SEK				
– at amortised cost	4,947	8,982	4,947	8,982
Commercial papers in foreign currency				
– at amortised cost	8,839	16,013	8,839	16,013
Total	**13,786**	**24,995**	**13,786**	**24,995**
Bond loans				
Bond loans in SEK				
– at amortised cost	43,502	37,090	30,362	29,203
- in fair value hedging	100,253	98,970	7,486	4,931
Bonds loans in foreign currency				
– at amortised cost	18,923	35,103	9,540	23,686
- in fair value hedging	67,406	57,739	30,142	18,967
Total	**230,084**	**228,902**	**77,530**	**76,787**
Total debt securities in issue, etc.	**243,870**	**253,897**	**91,316**	**101,782**
of which, covered bonds	*152,656*	*152,874*	–	–

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 current terms and conditions. However, subordinated debentures and additional Tier 1 instruments 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 76.9 billion (70.3) at 31 December 2013.

Note 28 Other liabilities

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Accounts payable – trade	15	24	15	24
Employee withholding taxes	7	6	7	6
Tax liabilities	–	–	–	12
Liabilities to employees	61	82	51	65
Group contributions	–	–	700	–
Other	223	249	223	249
Total	**306**	**361**	**996**	**356**
Other liabilities distributed by remaining maturity, carrying amount				
At most 1 year	306	361	996	356
More than 1 year	–	–	–	–
Total	**306**	**361**	**996**	**356**

Note 29 Accrued expenses and prepaid income

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Accrued interest expenses	3,224	3,403	637	594
Other accrued expenses	278	295	211	241
Total	**3,502**	**3,698**	**848**	**835**
Accrued expenses and prepaid income distributed by remaining maturity, carrying amount				
At most 1 year	3,502	3,698	848	835
More than 1 year	–	–	–	–
Total	**3,502**	**3,698**	**848**	**835**

Note 30 Deferred tax

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Deferred tax assets (+)/tax liabilities (–) for temporary differences in				
– Change in value of interest-rate-hedged items in portfolio hedges	90	113	–	–
– bonds	–48	–95	–48	–95
– Debt securities in issue	–	1,195	–	207
– Derivative instruments	–563	–1,173	–89	–178
– Intangible fixed assets	–33	–24	–	–
- Pension provision	6	17	–	–
- Tax loss carryforwards	88	–	3	–
– Other	1	1	1	1
Total	**–459**	**34**	**-133**	**-65**
Change in deferred tax				
Recalculation of opening temporary differences	–248	–	–183	–
Deferred tax in profit or loss	–234	107	119	183
Deferred tax attributable to items recognised directly against equity	–13	–	–4	–
Total	**-495**	**107**	**-68**	**183**
Deferred tax distributed by expected maturity date, carrying amount				
At most 1 year	–	–	–	–
More than 1 year	–459	34	–133	–65
Total	**–459**	**34**	**–133**	**–65**

Note 31 Provisions

SEK million	GROUP 2013	2012
Provisions for pensions	–21	–62
Provision for special employer's contribution on pensions	–5	–15
Total	**–26**	**–77**

Provisions for pensions

Summary of defined-benefit pension plan

SEK million	GROUP 2013	2012
Present value, closing balance	285	298
Fair value of plan assets	–264	–236
Pension provisions (excluding special employer's contributions)	**21**	**62**

Reconciliation of change in present value of obligation

SEK million	GROUP 2013	2012
Present value of the obligation, opening balance	**298**	**272**
Cost pertaining to service during the current year	10	11
Interest expense	11	11
Gain/loss arising from changed financial assumptions	–31	15
Experience-based gains/losses	3	–7
Pension disbursements from plan	–4	–4
Gain/loss due to reductions [1]	–2	–
Present value, closing balance	**285**	**298**

[1] Changes in the plan that affect the obligation are that Section 8 – voluntary retirement from the age of 61, has been limited. This limitation entails the loss of the opportunity to opt for early retirement for employees born in 1967 or later. In addition, the retirement age is limited to 63 for employees born 1962-1966 and 62 for those born 1958-1961. As a consequence, the obligation is reduced.

The weighted average maturity of the defined-benefit obligation is 19 years.

Reconciliation of change in plan assets

SEK million	GROUP 2013	2012
Fair value of plan assets, opening balance	**236**	**211**
Interest income	9	8
Return on plan assets, excluding amounts included in interest expense/interest income	–0	3
Premiums paid by employer	23	18
Pension disbursements from plan	–4	-4
Fair value of plan assets, closing balance	**264**	**236**

Distribution of plan assets

%	GROUP 2013	2012
Swedish shares	3	3
Foreign shares	6	5
Government and government-guaranteed bonds	30	32
Mortgage institutions	23	22
Corporate bonds	30	28
Real estate and infrastructure	6	6
Other	2	4
Total	**100**	**100**

The defined-benefit pension plan is secured through insurance with SPP Livförsäkring AB. The asset management model used for the defined-benefit pension plan is characterised by dynamic risk management, good risk diversification and sustainable investments. Dynamic risk management means that the composition of the portfolio is continuously adapted to make efficient use of the available risk space.

Financial and demographic assumptions

%	GROUP 2013	2012
Financial assumptions		
Discount rate	4.00	3.50
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
Demographic assumptions		
Personnel turnover	6.00	6.00
Mortality table	DUS06	DUS06

Sensitivity analysis of assumptions

Discount rate	GROUP 2013
Assumption	5.00%
Present value of the obligation, SEK million	235
Cost pertaining to service during the current period, SEK million	6
Interest expense, SEK million	12
Assumption	3.00%
Present value of the obligation, SEK million	350
Cost pertaining to service during the current period, SEK million	11
Interest expense, SEK million	11

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 8 Personnel costs.

Note 32 Subordinated debt

PARENT COMPANY AND GROUP

Loan designation	Currency	Nominal amount	Outstanding nominal amount	First possible redemption right for SBAB	Interest rate, % 31 December 2013	Maturity date	Carrying amount, SEK million 2013	2012
Subordinated debenture JPY 1	JPY	10,000,000,000	10,000,000,000	–	5.23	16 November 2015	665	853
Subordinated debenture SEK 1	SEK	700,000,000	700,000,000	2016	5.22	Perpetual	746	765
Subordinated debenture SEK 2	SEK	300,000,000	300,000,000	2016	3 M STIBOR+0.93	Perpetual	300	300
Subordinated debenture SEK 3	SEK	–	–	–	–	–	–	1,010
Subordinated debenture SEK 4	SEK	2,000,000,000	2,000,000,000	2015	7.16	Perpetual	2,032	2,054
Subordinated debenture SEK 5	SEK	1,000,000,000	1,000,000,000	2016	6.12	20 April 2021	1,048	1,070
Subordinated debenture SEK 6	SEK	800,000,000	800,000,000	2017	3 M STIBOR+2.65	16 November 2022	800	800
Subordinated debenture SEK 7	SEK	200,000,000	200,000,000	2017	4.18	16 November 2022	200	200
Total							**5,791**	**7,052**
of which, Group companies							–	–

The subordinated debentures 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. Subordinated debentures SEK 1, SEK 2 and SEK 4 are subordinate to other subordinated debentures, known as additional Tier 1 instruments, and may be included in Tier 1 capital.

Permission has been obtained from the Swedish Financial Supervisory Authority to include these debentures in the company's own funds for the purpose of calculating the Parent Company's capital adequacy.

Subordinated debt is distributed among the following loans:
JPY 1
Maturity: 16 November 1995 – 16 November 2015
Interest: SBAB may opt to pay the interest in USD, EUR or JPY. The interest rate is 5.23% in the respective currency.

SEK 1
The loan is perpetual.
Interest rate: For the period 30 June 2006 to 30 June 2016: 5.22%. For the subsequent period: Floating interest corresponding to three -month STIBOR plus 1.93%.

SEK 2
The loan is perpetual.
Interest rate: For the period 30 June 2006 to 30 June 2016: Floating interest corresponding to three-month STIBOR plus 0.93%. For the subsequent period: Floating interest corresponding to three -month STIBOR plus 1.93%.

SEK 4
The loan is perpetual.
Interest rate: For the period 8 April 2010 to 8 June 2015: 7.16%. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 4.50%.

SEK 5
Maturity: 20 April 2011 – 20 April 2021
Interest rate: For the period 20 April 2011 to 20 April 2016: 6.123%. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 2.40%.

SEK 6
Maturity: 16 November 2012 – 16 November 2022
Interest rate: For the period 16 November 2012 to 16 November 2017: Floating interest corresponding to three-month STIBOR plus 2.65% For the subsequent period: Floating interest corresponding to three-month STIBOR plus 2.65%

SEK 7
Maturity: 16 November 2012 – 16 November 2022
Interest rate: For the period 16 November 2012 to 16 November 2017: 4.18%. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 2.65%

Note 33 Equity

The share capital amounts to SEK 1,958,300,000. The number of shares is 19,583, each with a quotient value of SEK 100,000, as in previous years. All shares are owned by the Swedish state.

Dividends are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. It is proposed that no dividend be paid for 2013. The decision was made not to pay a dividend for the years 2011 to 2012. Further information on equity is provided in the report "Changes in equity" on page 29.

Statement of changes in equity

Reserves	GROUP	
SEK million	**2013**	**2012**
Reclassified financial assets at beginning of year	**–37**	**–51**
Accrual of interest and currency effect in reclassified financial assets	17	20
Tax attributable to the change	–3	–6
Reclassified financial assets at end of year	**–23**	**–37**
Defined-benefit pension plans at beginning of year	**10**	**13**
Revaluation effects of defined-benefit pension plans	34	–6
Tax attributable to the change	–8	3
Defined-benefit pension plans at end of year	**36**	**10**
Total	**13**	**–27**

Fair value reserve	PARENT COMPANY	
SEK million	**2013**	**2012**
Reclassified financial assets at beginning of year	**–37**	**–51**
Accrual of interest and currency effect in reclassified financial assets	17	20
Tax attributable to the change	–3	–6
Reclassified financial assets at end of year	**–23**	**–37**
Total	**–23**	**–37**

Note 34 Assets pledged for own liabilities

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Loan receivables	203,702	201,776	–	–
Other receivables	9	–	9	–
Repos	487	1,234	–	–
Securities	–	2,117	–	2,117
Total	**204,198**	**205,127**	**9**	**2,117**

Of the assets pledged, SEK 204.2 billion (203.0) comprise the cover pool for covered bonds totalling SEK 152.7 billion (152.9).

Loan receivables and repos pledged as collateral mainly consist of the registered cover pool benefiting holders of covered bonds issued by SCBC and SCBC's covered derivative counterparties.

In the event that the company becomes insolvent, the holders of the covered bonds and the covered derivatives counterparties have priority rights to the pledged assets under the Covered Bonds Issuance Act and the Priority Rights Act.

Transferred financial assets not entirely removed from the balance sheet

	GROUP		PARENT COMPANY	
SEK million	**2013**	**2012**	**2013**	**2012**
Securities measured at fair value	–	2,005	–	2,005
Carrying amount of associated liabilities	–	2,005	–	2,005

Note 35 Commitments

SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Commitments concerning future payments	–	–	–	–
Other commitments				
Loan commitments and other credit-related commitments	27,452	39,279	27,452	39,135
Unutilised portion of granted credit facilities	–	–	–	–
Other commitments	–	–	20,846	20,452
Total	**27,452**	**39,279**	**48,298**	**59,587**
Commitments allocated by remaining maturity				
Within 1 year	25,861	37,904	46,707	58,212
1–5 years	1,591	1,375	1,591	1,375
> 5 years	–	–	–	–
Total	**27,452**	**39,279**	**48,298**	**59,587**

Excluding building credits of SEK 1,664 million (1,573), loan commitments and other credit-related commitments in the Group totalling SEK 25,788 million (37,706) were reduced to SEK 5,848 million (5,731) after taking into account the conversion factor, meaning the statistically calculated probability that the exposure will lead to payment of the loan.

Excluding building credits of SEK 1,664 million (1,573), the corresponding figures for the Parent Company were SEK 25,788 million (37,562) and SEK 5,848 million (5,624), respectively. The Parent Company's other commitments include an agreement concerning liquidity facility with the subsidiary, SCBC, through which SCBC may borrow funds from the Parent Company for its operations if the need arises.

Note 36 Classification of financial instruments

GROUP
Financial assets

SEK million	2013 Assets measured at fair value through profit or loss	Hedge-accounted derivative instruments	Loan receivables	Total	Total fair value
Cash and balances at central banks			0	0	0
Chargeable treasury bills and other eligible bills	8,183			8,183	8,183
Lending to credit institutions			20,267	20,267	20,267
Lending to the public			258,739	258,739	260,657
Change in value of interest-rate-hedged items in portfolio hedges			757	757	–
Bonds and other interest-bearing securities	36,370		2,366	38,736	38,516
Derivative instruments	1,319	5,130		6,449	6,449
Shares and participations	217			217	217
Other assets			595	595	595
Prepaid expenses and accrued income	559		354	913	913
Total	**46,648**	**5,130**	**283,078**	**334,856**	**335,797**

SEK million	2012 Assets measured at fair value through profit or loss	Hedge-accounted derivative instruments	Loan receivables	Total	Total fair value
Cash and balances at central banks			0	0	0
Chargeable treasury bills and other eligible bills	12,860			12,860	12,860
Lending to credit institutions			18,269	18,269	18,202
Lending to the public			255,946	255,946	258,737
Change in value of interest-rate-hedged items in portfolio hedges			1,617	1,617	–
Bonds and other interest-bearing securities	26,633		4,819	31,452	31,022
Derivative instruments	1,652	11,093		12,745	12,745
Shares and participations	150			150	150
Other assets			238	238	238
Prepaid expenses and accrued income	580		382	962	962
Total	**41,875**	**11,093**	**281,271**	**334,239**	**334,916**

Note 36 Classification of financial instruments, continued

GROUP
Financial liabilities

SEK million	2013 Liabilities measured at fair value through profit or loss	Hedge-accounted derivative instruments	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions			15,191	15,191	15,191
Deposits from the public			45,869	45,869	45,869
Debt securities in issue			243,870	243,870	244,285
Derivative instruments	4,764	5,599		10,363	10,363
Other liabilities			306	306	306
Accrued expenses and prepaid income			3,502	3,502	3,502
Subordinated debt			5,791	5,791	5,793
Total	**4,764**	**5,599**	**314,529**	**324,892**	**325,309**

SEK million	2012 Liabilities measured at fair value through profit or loss	Hedge-accounted derivative instruments	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions			17,538	17,538	17,538
Deposits from the public			27,654	27,654	27,654
Debt securities in issue			253,897	253,897	253,806
Derivative instruments	5,537	9,846		15,383	15,383
Other liabilities			361	361	361
Accrued expenses and prepaid income			3,698	3,698	3,698
Subordinated debt			7,052	7,052	7,083
Total	**5,537**	**9,846**	**310,200**	**325,583**	**325,523**

PARENT COMPANY
Financial assets

SEK million	2013 Assets measured at fair value through profit or loss	Hedge-accounted derivative instruments	Loan receivables	Total	Total fair value
Cash and balances at central banks			0	0	0
Chargeable treasury bills and other eligible bills	8,183			8,183	8,183
Lending to credit institutions			49,183	49,183	49,183
Lending to the public			48,758	48,758	49,143
Change in value of interest-rate-hedged items in portfolio hedges			1	1	–
Bonds and other interest-bearing securities	36,370		2,366	38,736	38,516
Derivative instruments	3,160	1,821		4,981	4,981
Shares and participations	217			217	217
Other assets			477	477	477
Prepaid expenses and accrued income	559		136	695	695
Total	**48,489**	**1,821**	**100,921**	**151,231**	**151,395**

Note 36 Classification of financial instruments, continued

SEK million	2012 Assets measured at fair value through profit or loss	Hedge-accounted derivative instruments	Loan receivables	Total	Total fair value
Cash and balances at central banks			0	0	0
Chargeable treasury bills and other eligible bills	12,860			12,860	12,860
Lending to credit institutions			48,435	48,435	48,443
Lending to the public			46,360	46,360	46,848
Change in value of interest-rate-hedged items in portfolio hedges			–	–	–
Bonds and other interest-bearing securities	26,633		4,819	31,452	31,022
Derivative instruments	9,093	2,406		11,499	11,499
Shares and participations	150			150	150
Other assets			76	76	76
Prepaid expenses and accrued income	580		139	719	719
Total	**49,316**	**2,406**	**99,829**	**151,551**	**151,617**

PARENT COMPANY
Financial liabilities

SEK million	2013 Liabilities measured at fair value through profit or loss	Hedge-accounted derivative instruments	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions			557	557	557
Deposits from the public			45,869	45,869	45,869
Debt securities in issue			91,316	91,316	91,355
Derivative instruments	5,260	2,649		7,909	7,909
Other liabilities			996	996	996
Accrued expenses and prepaid income			848	848	848
Subordinated debt			5,791	5,791	5,793
Total	**5,260**	**2,649**	**145,377**	**153,286**	**153,327**

SEK million	2012 Liabilities measured at fair value through profit or loss	Hedge-accounted derivative instruments	Other financial instruments liabilities	Total	Total fair value
Liabilities to credit institutions			2,443	2,443	2,443
Deposits from the public			27,654	27,654	27,654
Debt securities in issue			101,782	101,782	101,936
Derivative instruments	12,183	1,726		13,909	13,909
Other liabilities			356	356	356
Accrued expenses and prepaid income			835	835	835
Subordinated debt			7,052	7,052	7,083
Total	**12,183**	**1,726**	**140,122**	**154,031**	**154,216**

Note 36 Classification of financial instruments, continued

Fair value measurement of financial instruments

The principles for the measurement of financial instruments recognised at fair value in the balance sheet are given in the accounting policies for the Group in Note 1. In the column "total fair value" above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet.

The carrying amount for current receivables and liabilities has been assessed to be equal to the fair value.

For "Lending to the public", where there are no observable credit margin data at the time of measurement, the credit margin on the most recent date on which the terms of each loan were changed is applied.

For interest-bearing securities classified as "loan receivables", the fair value is determined using estimated prices from an independent external source. Debt securities in issue are measured at the Group's current borrowing rate.

Reclassified assets

During autumn 2008, financial institutions were given the opportunity to reclassify holdings of "Financial assets available for sale" to "Loan receivables and accounts receivable." The assets were reclassified due to SBAB's perception that the downturn in the global financial markets during autumn 2008 was of sufficient magnitude to justify reclassification. The reclassification was implemented on 1 July 2008. The value that was assigned to the assets at the time was the prevailing market value.

Since the assets in the RMBS portfolio are classified as "Loan receivables and accounts receivable," these assets have to be recognised at accrued cost and a credit-risk assessment must be performed according to the same principles as for the risk assessment of SBAB's credit portfolio.

Following the reclassification of the RMBS assets, no need to impair these assets has arisen, which is why the company has not recognised any impairment losses under the "Impairment of financial assets" item.

GROUP
RMBS portfolio

	2013	
SEK million	**Carrying amount**	**Fair value**
Country of asset		
Spain	2,087	1,872
Netherlands	279	274
Total	**2,366**	**2,146**

As of 1 July 2008, the fair value of the reclassified portfolio amounted to SEK 21.7 billion. The average effective rate used in the reclassification was 6.3%. At the same date, the fair value reserve attributable to these assets had a negative value of SEK 200 million, net after tax. At 31 December 2013, the fair value of the assets would have amounted to SEK 2.1 billion had the assets continued to be recognised as "Available-for-sale financial assets." The carrying amount at 31 December 2013 was SEK 2.4 billion. At the same date, the fair value reserve attributable to the reclassified assets would have amounted to a negative SEK 0.2 billion, net after tax, had the assets continued to be recognised as "Available-for-sale financial assets." The reserve amounted to a negative SEK 23 million, net after tax, at 31 December 2013.

After the reclassification date, SEK 227 million of the reserve before tax was reversed and exchange rate fluctuations had a negative impact of SEK 17 million before tax on the value of the reserve.

The table below shows how the reclassified assets were recognised in terms of gains, losses, revenues and costs.

Interest income is shown in gross amounts, excluding funding costs. Currency translation effects do not take into account the counteracting effects that have arisen in connection with funding.

Impact on profit

SEK million	2013	2012
Interest income	–262	110
Change in fair value	–	–
Currency	308	–230
Total	**46**	**–120**

Expected cash flows distributed by reclassification date, 1 July 2008

SEK million	< 1 year	1–2 years	2–5 years	> 5 years
Structured loans	2,430	1,769	14,875	2,603

Note 37 Information about fair value

GROUP

SEK million	2013 Quoted market prices (Level 1)	2013 Other observable market data (Level 2)	2013 Non observable market data (Level 3)	2013 Total	2012 Quoted market prices (Level 1)	2012 Other observable market data (Level 2)	2012 Non observable market data (Level 3)	2012 Total
Assets								
Securities in the category trade	44,770	–	–	44,770	39,643	–	–	39,643
Derivatives in the category trade	6	1,313	–	1,319	17	1,635	–	1,652
Derivatives in hedge accounting	–	5,130	–	5,130	–	11,093	–	11,093
Total	**44,776**	**6,443**	**–**	**51,219**	**39,660**	**12,728**	**–**	**52,388**
Liabilities								
Derivatives in the category trade	7	4,757	–	4,764	17	5,520	–	5,537
Derivatives in hedge accounting	–	5,599	–	5,599	–	9,846	–	9,846
Total	**7**	**10,356**	**–**	**10,363**	**17**	**15,366**	**–**	**15,383**

PARENT COMPANY

SEK million	2013 Quoted market prices (Level 1)	2013 Other observable market data (Level 2)	2013 Non observable market data (Level 3)	2013 Total	2012 Quoted market prices (Level 1)	2012 Other observable market data (Level 2)	2012 Non observable market data (Level 3)	2012 Total
Assets								
Securities in the category trade	44,770	–	–	44,770	39,643	–	–	39,643
Derivatives in the category trade	6	3,154	–	3,160	17	9,076	–	9,093
Other derivatives	–	1,821	–	1,821	–	2,406	–	2,406
Total	**44,776**	**4,975**	**–**	**49,751**	**39,660**	**11,482**	**–**	**51,142**
Liabilities								
Derivatives in the category trade	7	5,272	–	5,279	17	12,166	–	12,183
Other derivatives	–	2,630	–	2,630	–	1,726	–	1,726
Total	**7**	**7,902**	**–**	**7,909**	**17**	**13,892**	**–**	**13,909**

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.

There were no transfers between the levels in 2012 or 2013.

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, fund units and for publicly quoted derivatives, primarily interest-rate futures.

Measurement based on observable data (Level 2)
Measurement aided by external market information other than quoted prices included in Level 1, such as quoted interest rates or prices for closely related instruments. This group includes all non-quoted derivative instruments.

Measurement based in part on unobservable data (Level 3)
Measurement whereby a material component of the model is based on estimates or assumptions that do not originate directly from the market. This method is currently not used for any assets or liabilities.

Note 38 Information about offsetting

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

	2013				
		Related amounts that are not offset in the balance sheet			
SEK million	Amounts reported in the balance sheet	Financial instruments	Posted (+)/Received (–) collateral – securities	Posted (+)/ Received (–) cash collateral	Net amount
Assets					
Derivative instruments	6,449	–4,469	0	–1,306	674
Repos	15,544	–11,072	–4,472	0	0
Liabilities					
Derivative instruments	–10,363	4,469	0	3,236	–2,658
Repos	–13,242	11,072	2,169	1	0
Total	**–1,612**	**0**	**–2,303**	**1,931**	**–1,984**

GROUP

	2012				
		Related amounts that are not offset in the balance sheet			
SEK million	Amounts reported in the balance sheet	Financial instruments	Posted (+)/Received (–) collateral – securities	Posted (+)/ Received (–) cash collateral	Net amount
Assets					
Derivative instruments	12,745	–8,624	0	–2,820	1,301
Repos	11,808	–9,958	–1,850	0	0
Liabilities					
Derivative instruments	–15,383	8,624	0	4,484	–2,275
Repos	–14,150	9,958	4,187	5	0
Total	**–4,980**	**0**	**2,337**	**1,669**	**-974**

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

	2013				
		Related amounts that are not offset in the balance sheet			
SEK million	Amounts reported in the balance sheet	Financial instruments	Posted (+)/Received (–) collateral – securities	Posted (+)/ Received (–) cash collateral	Net amount
Assets					
Derivative instruments	4,981	–3,719	0	–355	907
Repos	4,472	0	–4,472	0	0
Liabilities					
Derivative instruments	–7,909	3,719	0	3,236	–954
Repos		0	0	0	0
Total	**1,544**	**0**	**–4,472**	**2,881**	**–47**

PARENT COMPANY

	2012				
		Related amounts that are not offset in the balance sheet			
SEK million	Amounts reported in the balance sheet	Financial instruments	Posted (+)/Received (–) collateral – securities	Posted (+)/ Received (–) cash collateral	Net amount
Assets					
Derivative instruments	11,499	–5,663	0	–397	5,439
Repos	1,860	-882	–977	0	0
Liabilities					
Derivative instruments	–13,909	5,663	0	4,484	–3,762
Repos	–2,005	882	1,117	5	–1
Total	**–2,555**	**0**	**140**	**4,092**	**1,677**

For further information on offsetting, see Note 2b Risk management – Credit risk in treasury operations

Note 39 Information about related parties

SBAB Bank AB (publ) is a Swedish public limited company that is wholly owned by the Swedish state.

Group companies and joint ventures
The Swedish Covered Bond Corporation (SCBC) is to be regarded as a subsidiary and recognised in accordance with the acquisition method, which entails the elimination of internal transactions at Group level. FriSpar Bolån AB is a joint venture. Transactions with related parties have been made on market terms.

PARENT COMPANY

	2013					
	GROUP COMPANIES		JOINT VENTURES		TOTAL	
SEK million	Assets/ Liabilities	Interest income/expense	Assets/ Liabilities	Interest income/expense	Assets/ Liabilities	Interest income/expense
Lending to credit institutions	40,115	1,308		21	40,115	1,329
Derivative instruments	2,018	981			2,018	981
Other assets	48		0		48	
Total	**42,181**	**2,289**	**0**	**21**	**42,181**	**2,310**
Liabilities to credit institutions		–2	110		110	–2
Debt securities in issue, etc.			200	–46	200	–46
Derivative instruments	1,145	–609			1,145	–609
Other liabilities	700		0		700	
Total	**1,845**	**–611**	**310**	**–46**	**2,155**	**–657**

	2012					
	GROUP COMPANIES		JOINT VENTURES		TOTAL	
SEK million	Assets/ Liabilities	Interest income/expense	Assets/ Liabilities	Interest income/expense	Assets/ Liabilities	Interest income/expense
Lending to credit institutions	39,602	1,514	1,249	105	40,851	1,619
Derivative instruments	5,232	107			5,232	107
Other assets	1		1		2	
Total	**44,835**	**1,621**	**1,250**	**105**	**46,085**	**1,726**
Liabilities to credit institutions		–62				–62
Debt securities in issue, etc.			1,488	–52	1,488	–52
Derivative instruments	3,100	–43			3,100	–43
Other liabilities	22		25		47	
Total	**3,122**	**–105**	**1,513**	**–52**	**4,635**	**–157**

Of the Parent Company's commission income, SEK 1 million (8) pertained to commission on lending from joint ventures and SEK 75 million (70) to commission on lending from Group companies.

Of the Parent Company's other commission income, SEK 17 million (16) pertained to the possibility for Group companies to utilise a liquidity facility at the Parent Company. The Parent Company also conducted administrative services on behalf of Group companies for SEK 579 million (514); refer to Note 7.

GROUP COMPANIES

	2013		2012	
	JOINT VENTURES		JOINT VENTURES	
SEK million	Assets	Interest income	Assets	Interest income
Lending to credit institutions	100	–	102	–
Total	**100**	**–**	**102**	**–**

The table shows the subsidiary SCBC's dealings with FriSpar Bolån AB.

Loans to the Board, CEO and other key senior executives

	2013		2012	
SEK million	Lending	Interest income	Lending	Interest income
Loans to key personnel				
CEO	–	–	–	–
Board of Directors	4	0	4	0
Other key senior executives	22	1	10	0
Total	**26**	**1**	**14**	**0**

Note 39 Information about related parties, continued

The CEO and the Board refer to the Parent Company. Wherever relevant, the Managing Directors and Board 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 normally available to other personnel. Following standard credit evaluation, senior executives, except the CEO, may take out preferential loans for their permanent residences. Preferential terms may be provided on loans of up to SEK 1,500,000 on the condition that the loan is within 85% of the value of the residence. On loans of up to SEK 1,000,000, a discount of 2.50% is given on the interest rate, and on loans of between SEK 1,000,001 and SEK 1,500,000 a discount of 1.50% is given on the interest rate. The preferential loan is taxable.

	2013		2012	
SEK million	**Deposits**	**Interest expenses**	**Deposits**	**Interest expenses**
Deposits from key personnel				
CEO and other key senior executives	3	0	3	0
Board of Directors	9	1	0	0
Total	**12**	**1**	**3**	**0**

The CEO and the Board refer to the Parent Company. Wherever relevant, the Managing Directors and Board 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 40 Operating segments

Changes regarding the identification of operating segments

On 1 February 2013, a new organisation was established within SBAB. The former Retail business area was dissolved and replaced by three sales departments: Retail Market, Tenant-owner Associations Market and Collaboration Market. In September 2013, the sales departments for the Corporate and Tenant-owner Association markets were merged. The Retail and Collaboration Markets include loans for single-family homes, holiday homes and tenant-owner flats. The Retail Market also includes deposits from private individuals.

Corporate and Tenant-owner consists mainly of lending to multi-family dwellings as well as commercial properties and deposits from corporates and tenant-owner associations.

In principle, the item Net income/expense from financial instruments measured at fair value, which derives from the finance operations has not been distributed and is included in the Other column. However, the Retail Market does have an impact on this item.

Net income/expense from financial instruments deriving from the market valuation of SBAB's investments in the fund portfolio. The comparison figures have been recalculated for the three new segments Retail Market, Collaboration Market and Corporate and Tenant-owner Market. The segments were previously divided in accordance with RAROC[2], in connection with the organisational change on 1 September the division was changed to be made according to SBAB's external results.

Overhead costs/indirect costs have been allocated to the segments using relevant allocation keys.

GROUP
Income statement by segment

	2013					2012				
SEK million	**Retail Market**	**Collabo-ration Market**	**Corporate clients and Tenant-owner as-sociations**	**Other**	**Total[1]**	**Retail Market**	**Collabo-ration Market**	**Corporate clients and Tenant-owner as-sociations**	**Other**	**Total[1]**
Net interest income/expense	880	382	678	23	1,963	895	338	708	–	1,941
Net commission	–27	–34	–48	0	–109	–22	–23	–50	–	–95
Net income/expense from financial instruments measured at fair value	16	0	0	23	39	–	–	–	-601	–601
Other operating income	–	–	–	–	0	2	–	1	–	3
Total operating income	**869**	**348**	**630**	**46**	**1,893**	**875**	**315**	**659**	**–601**	**1,248**
Salaries and other remuneration	–119	–30	–62	–	–211	-104	–25	–68	–	–197
Other personnel costs	–77	–17	–41	–	–135	–76	–18	–51	–	–145
Other expenses	–253	–49	–98	–	–400	-224	–39	–99	–	–362
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	–22	–4	–5	–	–31	–16	–3	–5	–	–24
Impairment of fixed intangible assets	–26	–5	–7	–	–38	–	–	–	–	–
Loan losses, net	–6	–3	16	0	7	–17	–8	5	–	–20
Operating result	**366**	**240**	**433**	**46**	**1,085**	**438**	**222**	**441**	**–601**	**500**
Tax	–71	–47	–85	–9	–212	–123	–62	–123	168	–140
Profit for the year	**295**	**193**	**348**	**37**	**873**	**315**	**160**	**318**	**–433**	**360**
Return on equity	**8.8%**	**8.6%**	**11.8%**		**9.5%**	**10.1%**	**9.1%**	**10.9%**		**4.2%**

[1] The total agrees with the Group's external income statement.
[2] Risk Adjusted Return On (economic) Capital.

Note 41 Five-year overview

PARENT COMPANY

SEK million	2013	2012	2011	2010	2009
Interest income	3,243	4,162	3,864	2,226	2,294
Interest expense	–2,960	–4,032	–3,956	–1,922	–1,611
Net interest income/expense	**283**	**130**	**–92**	**304**	**683**
Other operating income	778	811	895	409	830
Total operating income	**1,061**	**941**	**803**	**713**	**1,513**
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	–20	–15	–13	–12	–13
Other operating expenses	–851	–788	–695	–587	–558
Total operating expenses	**–871**	**–803**	**–708**	**–599**	**–571**
Profit/loss before loan losses	**190**	**138**	**95**	**114**	**942**
Loan losses, net	–14	–34	3	–30	–82
Operating profit	**176**	**104**	**98**	**84**	**860**
Lending Portfolio[1]	48,758	46,360	32,940	35,298	48,225
Other assets	112,937	115,668	129,708	112,296	98,593
Total assets	**161,695**	**162,028**	**162,648**	**147,594**	**146,818**
Deposits from the public	45,869	27,654	8,769	6,083	4,653
Debt securities in issue	91,316	101,782	116,753	107,223	109,749
Other liabilities	10,310	17,543	22,820	20,845	20,922
Deferred tax liabilities	133	65	248	214	373
Subordinated debt	5,791	7,052	6,233	5,508	3,551
Equity	8,276	7,932	7,825	7,721	7,570
Total liabilities and equity	**161,695**	**162,028**	**162,648**	**147,594**	**146,818**
Capital adequacy with transitional regulations					
Common Equity Tier 1 capital ratio, %	25.4	25.8	26.6	26.5	21.7
Tier 1 capital ratio, %	34.6	35.5	37.3	36.9	24.5
Total capital ratio, %	41.1	46.2	45.9	44.0	30.7

[1] The Parent Company continuous transfers loans to the subsidiary, The Swedish Covered Bond Corporation (SCBC).

Note 42 Events after the balance sheet date

Change of CEO

On 13 January 2014, it was announced that Carl-Viggo Östlund, who has been CEO of SBAB since 2012, is leaving the bank. Since that date, Per Anders Fasth has been acting CEO of SBAB. Per Anders Fasth has been a Board Member of SBAB since 2011 and is a partner in the management consultancy firm Quartz+ Co, with chief responsibility for banking and insurance. He has left these assignments in conjunction with his appointment as CEO. His previous experience includes 15 years as Senior Vice President within the SEB Group and CEO of ERC, a company specialising in bank restructuring.

Rating review

On 14 January 2014, credit rating agency Moody's initiated a review of SBAB's long and short-term rating, with a possible downgrade as a result. For further information, go to www.sbab.se/ir.

Acquisition of Sparbanken Öresund

On 14 February 2014, it was announced that Swedbank is acquiring Sparbanken Öresund. Since 2000, SBAB and Sparbanken Öresund has had a partnership in mediation of residential mortgages with SBAB as creditor. As a consequence of the acquisition, the partnership is expected to be ended over time. Mediated volume amounted to SEK 33 billion by the end of 2013.

Proposed appropriation of profits

The Group's income statement and balance sheet will be submitted to the 2014 Annual General Meeting for adoption.

The Board and the CEO certify that the consolidated financial statements were prepared in accordance with the international accounting standard (IFRS) as adopted by the EU and provide a true and fair view of the Group's position and earnings. The Annual Report was prepared in accordance with generally accepted accounting policies and provides a true and fair view of the Parent Company's position and earnings.

The Administration Report for the Group and Parent Company provides a true and fair view of the development of the Group and the Parent Company's operations, position and earnings, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Group contributions of SEK 700,000,000 have been posted pending approval by the Annual General Meeting. The Board of Directors takes the view that the proposed transfer in the form of Group contributions does not constitute an obstacle under Chapter 17, Section 3 of the Companies Act. The transfer is defensible taking into account the requirements imposed by the nature, scale and risks of the operations on the size of the company's equity, as well as its liquidity and position in other regards.

In accordance with Chapter 6, Section 2, Item 2 of the Annual Accounts Act for Credit Institutions and Securities Companies, the Board considers the company's equity to be sufficiently large in relation to the scope and risks of the operations.

The Board and the CEO propose that the funds which, according to the balance sheet of the Parent Company, are at the disposal of the Annual General Meeting, namely SEK 5,925,570,835, of which profit for the year accounts for SEK 330,300,021, be carried forward.

Stockholm, 13 March 2014

Bo Magnusson
Chairman of the Board

Kristina Ekengren
Board Member

Jakob Grinbaum
Board Member

Ebba Lindsö
Board Member

Jane Lundgren Ericsson
Board Member

Karin Moberg
Board Member

Christer Åberg
Board Member

Anders Heder
Board Member
(Employee representative)

Helen Vallin
Board Member
(Employee representative)

Per Anders Fasth
CEO

Our audit report was submitted on March 13, 2014

KPMG AB

Hans Åkervall
Authorized Public Accountant

Audit report

To the annual meeting of the shareholders of SBAB Bank AB (publ), corporate identity number 556253-7513

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of SBAB Bank AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 8-83.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and for the fair presentation of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director 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.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
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 the Parent Company as of 31 December 2013 and of its financial performance and its cash flows 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 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and for the Group.

Other information
The audit of the annual accounts and consolidated accounts for 2012 was performed by another auditor, who submitted an audit report dated 14 March 2013 with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of SBAB Bank AB (publ) for the year 2013.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
We recommend to the annual meeting of shareholders that the profit 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.

Stockholm, 13 March 2014
KPMG AB

Hans Åkervall, Authorised Public Accountant

Chairman of the Board's statement

"Governance, internal control, sound risk management, clear division of responsibilities, a clear focus on earnings and sustainable enterprise are fundamental to achieving set targets and to safeguarding the owner's, customers' and the public's confidence in SBAB."

Bo Magnusson, Chairman of the Board

The areas on which the Board of Directors focused its efforts in 2013 involved monitoring and guiding the development work that is in progress to broaden SBAB's offering of products and services. During the spring of 2013, SBAB launched a mutual fund offering and the growth in deposits to SBAB by about SEK 18 billion and some 50,000 customers over the year laid a solid foundation for launching additional products, including card and payment solutions, which are planned for 2014.

During 2013, the market was pervaded by considerable margin pressure on residential mortgages. The competitive situation, as well as increased and changed capital and liquidity requirements, were issues on which the Board focused over the year.

SBAB has a long history of financing multi-family dwellings, with a leading position in both the corporate and tenant-owner association markets. In order to build a strong and efficient unit for the financing of multi-family dwellings, in June the Board of Directors therefore resolved to merge the sales units for corporate clients and tenant-owner associations. In connection with this, SBAB also decided to discontinue the previously commenced process to sell its corporate portfolio and to retain its lending operations to property companies as part of SBAB's housing financing offer.

Another important area for the Board during the year was the process that led to the Board determining both overarching objectives as well as specific targets to safeguard SBAB's efforts for sustainable enterprise. The overarching objectives that SBAB focuses on in the area of sustainable enterprise are sound finances, responsibility and transparency, and sustainable housing.

In preparation for the 2013 Annual General Meeting, the Board of Directors worked on proposals for new financial targets for SBAB, which were approved by the 2013 Annual General Meeting. The targets entail that SBAB's return on equity should be at least 10%, that dividends should amount to at least 40% of profit for the year and that SBAB's Common Equity Tier 1 capital ratio should be 18–20%.

Over the year, the Board of Directors carefully monitored SBAB's earnings trend and how this related to the set targets. The Board of Directors seeks to achieve cost-efficient implementation of SBAB's strategy, combined with a focus on capital efficiency and aspects of the balance sheet, which are subject to demands imposed by the competitive situation and upcoming new regulations in particular. These will also be important matters in the work of the Board of Directors in 2014 and, with the growing customer base of 2013 in mind, and the planned launches of new products, 2014 will be a significant year in SBAB's development.

Bo Magnusson
Chairman of the Board

Corporate Governance Report 2013

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

The Code is part of the Government's framework for corporate governance that complements the state's ownership policy (concerning, for example, external financial reporting and remuneration to senior executives). SBAB complies with the Code in the manner applied by the owner. In certain issues, the owner has decided to apply the rules in a manner that deviates from the Code rules, which are described in greater detail in the report "Government ownership policy and guidelines for state-owned companies 2013."

SBAB applies the sections of the Code that are appropriate for the bank in accordance with 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 at the Annual General Meeting. The purpose of this rule is to give shareholders the opportunity to prepare ahead of time for the Annual General Meeting and have matters included in the agenda for the Annual General Meeting. In companies wholly-owned by the Swedish state, in accordance with the owner's guidelines, the public shall be invited to attend the Annual General Meeting. As a summons is sent to the Administration of the Swedish Riksdag (parliament) Members of Parliament also have the opportunity to attend.
- Code rule 1.4 and 2 – establishment of a Nomination Committee responsible for such matters as the appointment of the Board and auditor. The reason for the deviation is that nomination matters in state-owned companies are handled by the owner in the manner described in the state's ownership policy.
- Code rule 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 wholly state-owned companies.

Articles of Association

SBAB's Articles of Association regulate matters such as the company's business objective. 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 Annual General Meeting is to appoint the Chairman of the Board and determine the minimum and maximum number of Board Members. The Articles of Association require that notification of an Extraordinary General Meeting convened to address amendments to the Articles of Association must be issued not earlier than six weeks and not later than four weeks prior to the meeting. SBAB's Articles of Association do not assign any limitations as to the number of votes each shareholder is entitled to exercise at a General Meeting.

Annual General Meeting

SBAB's Annual General Meeting was held on 18 April 2013. The Annual General Meeting was open and the general public was invited to attend.

The owner was represented by Martin Janhäll, Special Adviser to the Ministry of Finance. Most of SBAB's Board Members, the CEO and SBAB's auditor also attended the Annual General Meeting. Arne Liljedahl, former Chairman of the Board of SBAB, served as the Chairman of the Annual General Meeting.

The meeting re-elected Board Members Per Anders Fasth, Jakob Grinbaum (who also was elected Deputy Chairman of the Board), Ebba Lindsö, Karin Moberg and Christer Åberg. Newly elected Members were Bo Magnusson (who was also elected Chairman of the Board), Kristina Ekengren and Jane Lundgren Ericsson. Per Anders Fasth left the Board on 13 January 2014 when he was appointed CEO of SBAB.

The Annual General Meeting made decisions 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 2012. The Annual General Meeting elected KPMG AB, with Hans Åkervall as the auditor-in-charge as SBAB's auditor until the close of the 2014 Annual General Meeting.

Overview, 31 December 2013

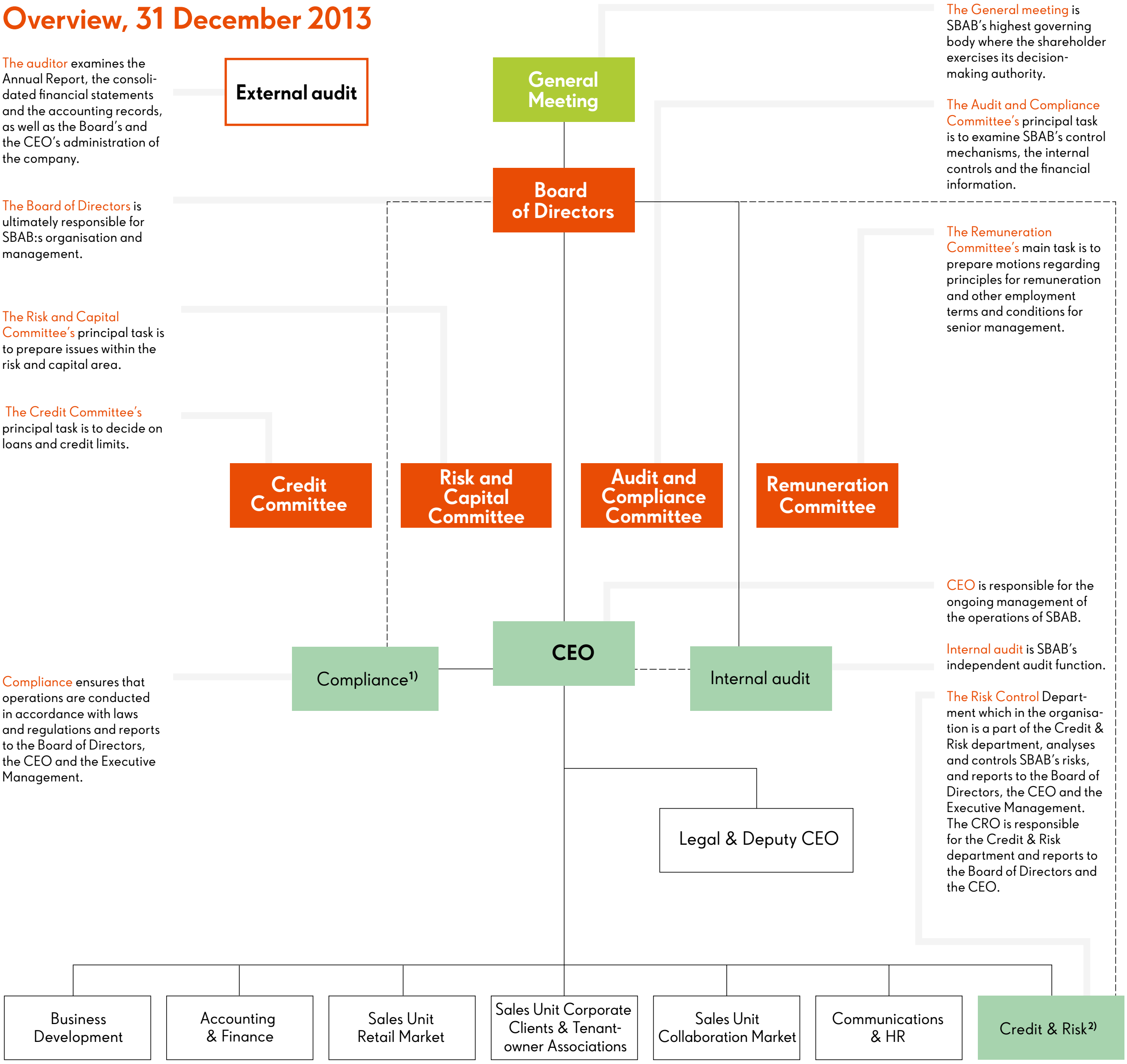
The auditor examines the Annual Report, the consolidated financial statements and the accounting records, as well as the Board's and the CEO's administration of the company.

The Board of Directors is ultimately responsible for SBAB:s organisation and management.

The Risk and Capital Committee's principal task is to prepare issues within the risk and capital area.

The Credit Committee's principal task is to decide on loans and credit limits.

Compliance ensures that operations are conducted in accordance with laws and regulations and reports to the Board of Directors, the CEO and the Executive Management.



The General meeting is SBAB's highest governing body where the shareholder exercises its decision-making authority.

The Audit and Compliance Committee's principal task is to examine SBAB's control mechanisms, the internal controls and the financial information.

The Remuneration Committee's main task is to prepare motions regarding principles for remuneration and other employment terms and conditions for senior management.

CEO is responsible for the ongoing management of the operations of SBAB.

Internal audit is SBAB's independent audit function.

The Risk Control Department which in the organisation is a part of the Credit & Risk department, analyses and controls SBAB's risks, and reports to the Board of Directors, the CEO and the Executive Management. The CRO is responsible for the Credit & Risk department and reports to the Board of Directors and the CEO.

[1] In addition to reporting to the CEO, Compliance reports to the Board of Directors.
[2] SBAB's function for independent risk management within the Credit and Risk Department reports to the Board of Directors in addition to the CEO.

The Heads of: Business Development, Accounting & Finance, Retail Market, Corporate clients & Tenant-owner associations, Collaboration Market, Legal, Communications & HR and Credit & Risk are included in SBAB's Executive Management.

The Annual General Meeting reviewed the guidelines for remuneration to senior executives adopted by the 2012 Annual General Meeting 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 elected by the Annual General Meeting. The CEO and Chairman reported on the work of the bank and the bank's Board of Directors in 2012.

The Annual General Meeting of SBAB did not authorise the Board of Directors to issue new shares or acquire treasury shares.

Nomination process

Uniform and shared principles are applied to achieve a structured nomination process for state-owned companies, as described in the report "Government ownership policy and guidelines for state-owned companies 2013." The objective is to ensure an adequate supply of competence for the Board of Directors of these companies.

The Board nomination process is coordinated by the Ministry of Finance. For each company, competence needs are analysed on the basis of the company's business, situation 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 utilise the expertise of both women and men, as well as individuals with different backgrounds and experience.

The Board of Directors and its methods of work

Board of Directors

In accordance with the Articles of Association, the Board of Directors is to comprise not fewer than five and not more than ten Members. The Members are elected annually at the Annual General Meeting for the period up to the end of the following Annual General Meeting. SBAB's Board of Directors comprises eight Members elected by the Annual General Meeting and two Members appointed by the Financial Sector Union of Sweden. The CEO is not a member of the Board.

SBAB's Board Members following the Annual General Meeting, or employee representatives following the local union's 2013 annual meeting, comprise:

- Bo Magnusson (Chairman)
- Jakob Grinbaum (Deputy Chairman)
- Kristina Ekengren
- Per Anders Fasth (left the Board January 13, 2014 in connection with his appointment as CEO)
- Anders Heder (employee representative)
- Ebba Lindsö
- Jane Lundgren Ericsson
- Karin Moberg
- Helen Vallin (employee representative)
- Christer Åberg

A specification of age, principal education, occupational experience and the other assignments held by the Board Members, as well as their attendance at Board and committee meetings, is presented on pages 89, 92-93. None of the Board Members or the CEO holds shares or financial instruments issued by SBAB.

Chairman of the Board

The Chairman of the Board is elected by the Annual General Meeting. The Chairman of the Board leads the work of the Board of Directors, monitors that the Board conducts its duties, represents the Board in any dealings with the owner and maintains contact with the owner. The Chairman of the Board is also responsible for initiating the annual evaluation of the work of the Board and the CEO. The Chairman of the Board ensures that the Board receives adequate information and decision documentation for its work and the training necessary for the Board to function efficiently. The Chairman of the Board also monitors the implementation of Board decisions.

Board work and methods of work

The Board of Directors is responsible for the organisation and administration of matters pertaining to SBAB. The Board is also responsible for continuously assessing SBAB's financial situation and ensuring that the organisation is structured in a manner that enables accounting, management of assets and SBAB's other financial circumstances to be controlled in a satisfactory manner. The Board adopts business objectives and strategies for the 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 assigned with appointing, evaluating and, if the need arises, dismissing the CEO.

The work of the Board complies with the working procedures adopted annually at the Board of Directors' statutory Board meeting immediately after the Annual General Meeting. 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.

In 2013, the Board held eight regular Board meetings and three extraordinary meetings. The work of the Board complies with an annual plan, which includes aims such as satisfying the Board's need for information. SBAB's Board makes decisions on matters relating SBAB's strategic direction, for example by means of a business plan, and makes decisions regarding investment, financing, capitalisation, significant organisational issues, policies, and certain instructions.

On a quarterly basis, the Board addresses the company's interim reports and determines their adoption and publication. 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 assessments of the financial reporting. The CEO attends the meetings of the Board of Directors. Other SBAB officers may participate in a reporting role if necessary. SBAB's Chief Legal Counsel keeps the minutes of the Board meetings.

In addition to Board meetings, the Board monitors SBAB's ongoing work and financial development through the CEO's monthly written report to the Board. This accounts for operating income and expenditure, and reports on funding operations and the capital adequacy situation.

The Board has established committees for the preparation of certain matters.

Evaluation of the work of the Board and the CEO

An annual evaluation of the work of the Board and the CEO was conducted in 2013. The evaluation was discussed at the Board meeting on 25 October 2013.

The Board's committees

The Board of Directors has established the following committees.

Audit and Compliance Committee

The main task of the Audit and Compliance Committee is, at the behest of the owner, and on the basis of the applicable regulations, to examine the SBAB Group's governance, internal controls and financial information and to prepare issues in these areas for decisions by the Board.

The Audit and Compliance Committee is also responsible for monitoring financial statements and the efficiency of internal control, internal audit and risk management with respect to financial statements.

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

The Audit and Compliance Committee comprises three Board Members. Following the statutory Board meeting in 2013, the members of the Audit and Compliance Committee are:

- Karin Moberg (chairman)
- Kristina Ekengren
- Per Anders Fasth

In conjunction with Per Anders Fasth's appointment as CEO and his departure from the Board in January 2014, he also left the Audit and Compliance Committee. On 13 January 2014, Bo Magnusson was appointed as a new member of the Audit and Compliance Committee.

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

Credit Committee

The principal task of the Credit Committee is to decide on loans and credit limits in the 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

Attendance of Board Members

The table presents the total number of meetings of the Board and its committees in 2013 and attendance by those who were Members as per 31 December 2013. Some of them took office in April 2013.

	ATTENDANCE				
Members	**Board meetings**	**Credit Committee**	**Risk and Capital Committee**	**Audit and Compliance Committee**	**Remuneration Committee**
Bo Magnusson	9/11[1]	11/16[1]	–	–	2/4[1]
Jakob Grinbaum	11/11	13/16	6/6	–	–
Kristina Ekengren	9/11	–	–	4/6[1]	2/4[1]
Per Anders Fasth	10/11[2]	–	3/6[1]	6/6	–
Anders Heder	11/11	–	–	–	–
Ebba Lindsö	11/11	–	6/6	1/6[1]	–
Jane Lundgren Ericsson	9/11[1]	10/16[1]	–	–	–
Karin Moberg	11/11	–	–	6/6	–
Helen Vallin	9/11[1]	–	–	–	–
Christer Åberg	10/11	–	–	–	–

[1] Attendance pertains only to that part of the year in which the individual was a Member, having been appointed as of April 2014 or having been appointed a Member of or having left the relevant committee as of April 2013.
[2] Per Andersen Fasth left the Board on 13 January 2014 when he was appointed CEO of SBAB.

granting. The Credit Committee prepares all matters relating to credit risk and approves new IRB models and significant changes to existing models.

The Credit Committee consists of at least three Board Members. Following the statutory Board meeting in 2013, the members of the Remuneration Committee are:

- Bo Magnusson (Chairman)
- Jakob Grinbaum
- Jane Lundgren Ericsson

The Remuneration Committee held 16 meetings during the year.

Risk and Capital Committee

The Risk and Capital Committee prepares matters regarding SBAB's finance operations, matters involving 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 Risk and Capital Committee comprises at least three members appointed by the Board from among its number.

The members of the Risk and Capital Committee following the statutory meeting in 2013 were:

- Jakob Grinbaum (Chairman)
- Per Anders Fasth
- Ebba Lindsö

In conjunction with Per Anders Fasth's appointment as CEO and his departure from the Board in January 2014, he also left the Risk and Capital Committee.

The Risk and Capital Committee held six meetings in 2013.

Remuneration Committee

The principal task of the Remuneration Committee is to prepare motions regarding principles for remuneration and other employment terms and conditions for senior executives for resolution by the Board. The Remuneration Committee is also to consider matters involving SBAB's compensation system in preparation for decisions by the Board. The Compensation Committee follows up remuneration structures and remuneration levels within SBAB.

Following the statutory Board meeting in 2013, the members of the Remuneration Committee are:

- Bo Magnusson (Chairman)
- Kristina Ekengren

The Remuneration Committee held four meetings during the year.

CEO and Executive Management

The Board has formulated instructions for the CEO's role and duties. 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, which is presented in more detail on pages 94–95, supports the CEO in the operational management of SBAB.

Remuneration of Board of Directors and senior executives

Information regarding the remuneration of the Board, the CEO and Executive Management is presented in Note 8 to the annual accounts.

Internal control and governance

Internal governance and control

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 that internal control and governance are maintained. 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 and Internal Audit functions, which are described in further detail below. Other functions, including the accounting department, the credit department and the legal department support of the Board and 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.

Risk

The SBAB Group has a central Risk Control unit that bears the overall responsibility for developing and ensuring that the Group's strategies for risk taking are implemented in accordance with the Board's intentions and that policies, instructions and processes support relevant monitoring. The Risk Control Department is responsible for analysing, assessing and reporting the SBAB Group's overall risks to the Board of Directors, CEO and other senior executives of the Parent Company. The Risk unit also submits quarterly reports directly to the Board and CEO.

Compliance
SBAB has a centrally located compliance function. The Compliance unit is independent from the business operations and the Head of Compliance reports to the CEO and the Board of Directors. Its area of responsibility encompasses providing advice and support in compliance matters to the operations, analysing regulatory compliance in respect of the operations that require licences, administration and reporting in the compliance area, as well as function responsibility for money-laundering matters. Reporting occurs on an ongoing basis to the CEO and quarterly by means of a written report to the Board and its Audit and Compliance Committee. The scope and focus of the work of the compliance function is established in an annual plan by the CEO after approval by the Board.

Internal audit
SBAB's internal audit unit is an internal independent examination function in accordance with the Swedish Financial Supervisory Authority's regulations (FFFS 2005:1, Chapter 6). Accordingly, the main function of the internal audit is to examine and evaluate the internal controls of companies in SBAB. The internal audit's examination activities are performed in accordance with an audit plan that is prepared annually by the Audit and Compliance Committee and decided on by the Board. All reporting is conducted in accordance with a reporting and meeting plan.

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 monitor all stages of the procurement process from tendering criteria to selection and evaluation.

At the Annual General Meeting, 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 2013 Annual General Meeting appointed KPMG as auditor. The auditor-in-charge is Hans Åkervall. A more detailed presentation of the auditor, the auditor-in-charge and the fees and expenses paid to auditors is provided on page 95 and in Note 9, respectively, 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. The auditor reports the results of these examinations through the Audit Report, which is presented to the Annual General Meeting. In addition, the auditor reviews SBAB's interim reports and year-end reports, and provides detailed accounts to the Audit and Compliance Committee at scheduled meetings of the committee, when the interim and year-end reports are adopted, and to the Board.

Internal control of financial reporting

The function manager for financial reporting risk within SBAB's Risk unit is responsible for following up, analysing and evaluating SBAB's financial reporting risk and for working for a favourable internal control structure.

Business-support processes that provide data for the financial statements are charted and contain control activities in the form of descriptions of processes, reasonability assessment, reconciliations, attestations and results analyses.

Each year, a risk assessment is performed in the form of a self-evaluation of all business-support processes that provide data for the financial statements. The self-evaluation includes assessing the principal risks that could lead to faults in the financial statements and the related controls. The risks and controls are identified, evaluated and documented at the process level. Controls that are assessed to not function satisfactory are improved without delay. When an event occurs that has generated faults in the financial statements, the operations must send incident reports on this through SBAB's intranet.

The function manager is to report to the Board, the Audit and Compliance Committee and the CEO annually concerning the Group's financial reporting risk. This reporting is to be coordinated with the Group's other risks.

The SBAB Group has in place governing documents and established processes regarding the internal control of financial reporting.

Board of Directors

On 13 March 2014

Bo Magnusson
Chairman of the Board

Advanced bank training (SEB)
Born: 1962
Elected: 2013
Other appointments: Chairman of Carnegie Investment Bank AB, Chairman of Carnegie Holding AB, Chairman of 4T Sverige AB, Chairman of Fastighetsaktiebolaget Norrporten
Past experience: Deputy CEO and CEO at SEB and other senior positions within SEB

Jakob Grinbaum
Vice Chairman, Board Member

Bachelor of Arts
Born: 1949
Elected: 2010
Other appointments: Chairman of Oscar Properties AB, Deputy Chairman of the Fourth AP Fund, Board Member of the Östgötagården Foundation in Uppsala, Board Member of IK Sirius, Member of the Advisory Board of Genesta Property Nordic AB
Past experience: EVP Group Treasury and Group Corporate Development at Nordea

Kristina Ekengren
Board Member

Master's Programme in Business Administration, Stockholm University
Born: 1969
Elected: 2013
Other appointments: Under-secretary at the Ministry of Finance, Board Member Lernia AB, Board Member Jernhusen
Past experience: Financial analyst at Delphi Economics

Anders Heder
Board Member
(Employee Representative)

Born: 1962
Appointed in 2012 by the Financial Sector Union of Sweden

Ebba Lindsö
Board Member

Bachelor of Business Administration and Economics
Born: 1955
Elected: 2012
Other appointments: Senior Advisor to Brummer & Partners and Kommuninvest, Chairman of the Board Sixth AP Fund, Board Member of King Carl XVI Gustaf's Young Leadership Foundation, and member of Statistic Sweden's Advisory Council
Past experience: CEO of Respect Europe, CEO of Confederation of Swedish Enterprise, CEO and editor in chief TT, editor in chief Affärsvärlden, CEO of Transferator Fondkommission

Jane Lundgren Ericsson
Board Member

Master of Laws (Stockholm), Master of Laws (London)
Born: 1965
Elected: 2013
Other appointments: Deputy COO at Svensk Exportkredit AB
Past experience: CEO of AB SEK Securities and other senior positions in AB Svensk Exportkredit

Karin Moberg
Board Member

Bachelor of Business Administration and Economics
Born: 1963
Elected: 2009
Other appointments: CEO and Founder of FriendsOfAdam, Board Member Caretech AB, Board Member of Doro AB, Board Member of IAR AB
Past experience: CEO of Telia e-bolaget, Marketing Director and Acting Chief Communication Officer TeliaSonera, Management Consultant

Helen Vallin
Board Member
(Employee Representative)

Born: 1979
Appointed in 2013 by the local chapter of the Financial Sector Union of Sweden

Christer Åberg
Board Member

Bachelor Degree, Marketing & Business IHM Business School
Born: 1966
Elected: 2012
Other appointments: CEO of Orkla Confectionery & Snacks, Board Member Svenska Spel AB and Meca Scandinavia AB
Past experience: CEO of Arlafoods Sverige AB, Unilever, including CEO of Home & Personal Care Nordic, CEO of Atria Scandinavia

Per Anders Fasth left the Board on 13 January 2014 when he was appointed CEO of SBAB.

Executive management and auditor

On 13 March 2014

Per Anders Fasth
CEO

Bachelor of Business Administration and Economics
Born: 1960
Elected: 2011
Board assignments: Board Member of SCBC
Past experience: Partner of Quartz+Co, CEO of European Resolution Capital, Senior Vice CEO of SEB, McKinsey & Company, Statoil AS

Christine Ehnström
Chief Legal Counsel & Deputy CEO

Master of Laws
Born: 1973
Year of employment: 1999
Board assignments: Board Member of SCBC, Board Member of FriSpar Bolån AB, Board Member of Maricon Marinconsult AB's Pension Fund, Deputy Board Member of Maricon Marinconsult AB
Past experience: Legal Counsel at Volvo Treasury AB (publ)

Sarah Bucknell
Head of Business Development

Bachelor of Business Administration and Economics
Born: 1971
Year of employment: 2011
Board assignment: Board Member of SCBC
Past experience: Head of Collaboration Market at SBAB, Chief Administration Officer and other positions at Nordnet Bank AB, Svenska Handelsbanken

Jonas Burvall
Head of Communications and HR

Master of Political Science
Born: 1972
Year of employment: 2012
Board assignments: Board Member of Swedish Investor Relations Association
Past experience: Head of Communications of Nordnet AB, Head of Corporate Communications at Skandia Liv, Head of Corporate Communications at SalusAnsvar AB

Per O. Dahlstedt
Head of Corporate clients & Tenant-owner associations

Bachelor of Business Administration and Economics
Born: 1953
Year of employment: 2005
Board assignments: Board Member of SCBC
Previous experience: Strategy and business development at Askus Consulting, business area and regional management positions within SEB

Håkan Höijer
Head of Retail Market

Graduate from the School of Economics
Born: 1958
Year of employment: 2008
Past experience: Head of Sales and Marketing Skandia, Head of Customer Center ICA-banken, Head of Customer Center SEB Sesam, Head of Mortgages Trygg-banken, Head of Retail Market Värmland Stadshypotek

Lennart Krän
CFO

Bachelor of Business Administration and Economics
Born: 1965
Year of employment: 2012
Board assignments: Chairman of the Board of Söderberg & Partners Placeringsrådgvining AB, Board member of FriSpar Bolån AB
Past experience: CEO and CFO of SalusAnsvar, COO of HSBC Investment Bank Stockholm, Treasury at Duni, various controlling positions within treasury and asset management at TryggHansa, auditor at PricewaterhouseCoopers AB

Eva Marell
Head of Collaboration Market

Bachelor of Business Administration and Economics
Born: 1973
Year of employment: 2001
Past experience: Various positions at SBAB, such as Business Controller and Company Controller

Peter Svensén
CRO

Master of Engineering
Born: 1974
Year of employment: 2012
Past experience: Senior Job Manager at Oliver Wyman, Manager at KPMG Financial Services

Auditor

The 2013 Annual General Meeting resolved to elect the auditing firm KPMG AB as auditor for the period until the end of the 2014 Annual General Meeting, with Hans Åkervall as auditor-in-charge.

Hans Åkervall
KPMG AB

Auditor-in-charge at SBAB since 2013
Born: 1953

Auditor's report on the corporate governance report

To the annual meeting of the shareholders of SBAB Bank AB (publ), corporate identity number 556253-7513

It is the Board of Directors who is responsible for the corporate governance statement for the year 2013 on pages 85–95 and that it has been prepared in accordance with the Annual Accounts Act.
We have read the corporate governance statement and based on that reading and our knowledge of the company and the Group we believe that we have a sufficient basis for our opinions.
This means that our statutory 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.
In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 13 March 2014
KPMG AB

Hans Åkervall
Authorized Public Accountant

Information for investors

For more information and contacts, see www.sbab.se/omsbab

Financial calendar

7 February 2014	Year-end Report 2013
24 April 2014	Annual General Meeting (Stockholm)
25 April 2014	Interim Report January-March
18 July 2014	Interim Report January-June
22 October 2014	Interim Report January-September
February 2015	Year-end Report 2014

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SBAB!