

SBAB! Interim Report

1 January – 30 September 2014 | SBAB Bank AB (publ)

Strong profit trend and new strategy

Third quarter of 2014 (Second quarter of 2014)

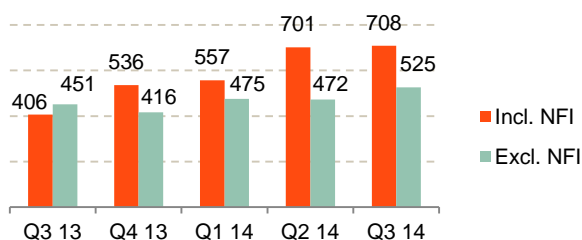
- Operating profit totalled SEK 361 million (502)
- Operating profit, excluding net result from financial instruments and restructuring costs, amounted to SEK 353 million (273)
- Net interest income amounted to SEK 552 million (514)
- Expenses totalled SEK 347 million (219), of which restructuring costs accounted for SEK 175 million (-)
- The net effect of loan losses amounted to a gain of SEK 1 million (gain 20)
- Return on equity was 10.9% (14.3), and 10.7% (8.4) excluding net result from financial instruments and restructuring costs
- The Common Equity Tier 1 capital ratio, without transitional regulations, amounted to 26.1% (23.5)

January-September 2014 (Jan-Sep 2013)

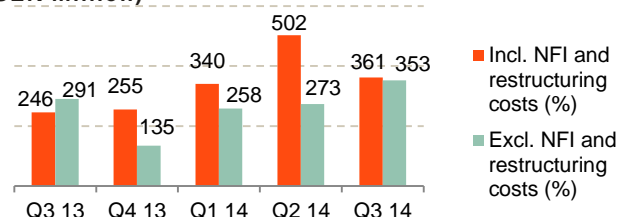
- Operating profit totalled SEK 1,203 million (830)
- Operating profit, excluding net result from financial instruments and restructuring costs, amounted to SEK 884 million (911)
- Net interest income amounted to SEK 1,562 million (1,520)
- Expenses totalled SEK 785 million (563), of which restructuring costs accounted for SEK 175 million (-)
- The net effect of loan losses amounted to a gain of SEK 22 million (gain 36)
- Return on equity was 12.0% (9.9), and 8.9% (11.0) excluding net result from financial instruments and restructuring costs
- The Common Equity Tier 1 capital ratio, without transitional regulations, amounted to 26.1% (25.8)

- New lending for the quarter amounted to SEK 11.4 billion (11.7) and the total lending volume was SEK 257.4 billion (259.0).
- New deposits for the quarter amounted to SEK 1.8 billion (3.5) and the total volume of deposits was SEK 57.3 billion (55.5).

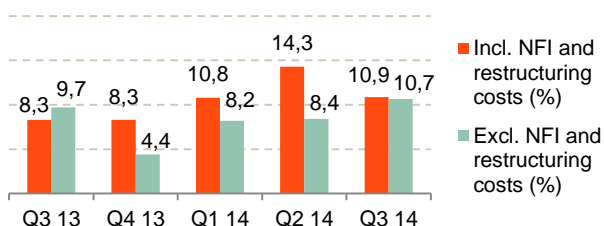
Operating income, incl. and excl. net result from financial instruments (SEK million)



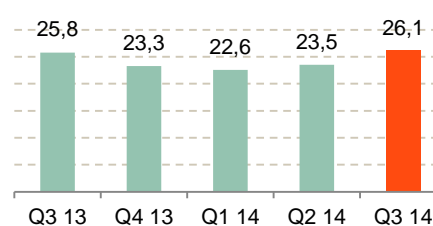
Operating profit, incl. and excl. net result from financial instruments and restructuring costs (SEK million)



Return on equity, incl. and excl. net result from financial instruments and restructuring costs (%)



Common Equity Tier 1 capital ratio without transitional regulations (%)



Statement by the CEO

The third quarter was characterised by a good business climate, and we enter the fourth quarter with a positive profit trend. We shall concentrate on improving, reinforcing and developing our residential mortgage offering. We have a new Vision – we shall offer the best residential mortgages in Sweden.

Strategic direction

In the quarter, we made the decision that our strategic direction shall be our core business – we shall focus on residential mortgages – which includes residential mortgages to private individuals and residential financing to property companies and tenant-owner associations. As a consequence of this strategic decision, we discontinued the development of bank services, such as card and payment services, and wound up our fund offering. Our savings offering with its excellent terms and conditions will remain as an important part of our customer offering.

Focus on the core business and cost reductions

Our direction in recent years, towards a widening of our bank offering to private individuals, caused an unprofitable cost trend and a lack of focus on our core business. An extensive offering entails ever higher costs in the current increasingly regulated and complex financial market. Due to the widening of our customer offering, we were unable to pay sufficient attention to the core business. We therefore risked weakening our long-term profitability. We are now changing our conditions. We are carrying out an efficiency programme that will reduce our costs in 2015 and 2016. Reduced costs and focus on the core business reinforce the conditions for continued good profitability. We hold a strong position on the residential property market, and we are a sought-after partner within residential financing. Our brand is well known and strong, our customers are highly satisfied and I am impressed by the profound knowledge and expertise within residential mortgages that exists within the organisation. In the remaining part of 2014 and in 2015, we shall lay the foundation for future growth by strengthening our customer offering and developing our communications with customers.

A changing residential mortgage market

The residential mortgage market is changing, which also provides new opportunities. The Swedish Bankers' Association recently issued recommendations on increased amortisation requirements, the Swedish Financial Supervisory Authority proposes requirements on the publication of actual mortgage rates and Swedish regulations will be introduced to implement the European Mortgage Credit Directive. Rising indebtedness is in focus; accordingly, responsible lending continues to be a key issue for SBAB.

A strong SBAB

I took up the position of CEO on 14 August. With my background as a financial entrepreneur, I view the opportunity to develop and strengthen SBAB, in cooperation with my approximately 400 colleagues, as a great privilege. I am convinced that we, as a focused residential mortgage player, will become a winner in the residential mortgage market – for our customers, our employees and all of us in Sweden, who own SBAB together.

Klas Danielsson, CEO



Overview of earnings

Group SEK million	2014 Q3	2014 Q2	2013 Q3	2014 Jan-Sep	2013 Jan-Sep
Net interest income	552	514	480	1,562	1,520
Net commission income	-27	-42	-29	-90	-82
Net result from financial instruments measured at fair value (Note 2)	183	229	-45	494	-81
Total operating income	708	701	406	1,966	1,357
Expenses	-347	-219	-167	-785	-563
- of which restructuring costs	-175	-	-	-175	-
Profit/loss before loan losses	361	482	239	1,181	794
Loan losses, net (Note 3)	1	20	7	22	36
Participations in joint ventures	-1	0	-	0	-
Operating profit/loss	361	502	246	1,203	830
Operating profit excl. net result from financial instruments	178	273	291	709	911
Tax	-78	-139	-53	-291	-155
Profit/loss for the period	283	363	193	912	675
New lending, SEK billion	11.4	11.7	8.6	21.2	26.8
Total lending, SEK billion	257.4	259.0	257.5	258.7	257.5
New deposits, SEK billion	1.8	3.5	4.3	11.4	8.2
Total deposits, SEK billion	57.3	55.5	35.9	57.3	35.9
Cost/income ratio	49%	31%	41%	40%	41%
Return on equity ¹⁾	10.9%	14.3%	8.3%	12.0%	9.9%
Return on equity excl. net result from financial instruments and restructuring costs ¹⁾	10.7%	8.4%	9.7%	8.9%	10.8%
Loan loss rate ²⁾	+0.00%	+0.03%	+0.01%	+0.01%	+0.02%
Common Equity Tier 1 capital ratio ³⁾	26.1%	23.5%	25.8%	26.1%	25.8%

¹⁾ Return on equity calculated on a full-year basis.

²⁾ Loan losses calculated on a full-year basis in relation to lending to the public at the beginning of the year.

³⁾ Without taking transitional rules into account.

New strategy and cost efficiency programme

In the quarter, a change in strategies was adopted, involving a focus on the core business of residential mortgages to private individuals and residential financing to property companies and tenant-owner associations. For this reason, the development of bank services, such as payment solutions, current accounts and card services, was discontinued and the fund offering wound up. At the same time, a cost efficiency programme was initiated.

This change in strategies involved restructuring costs in the third quarter of SEK 175 million in total; SEK 125 million concerned the depreciation of software and bank services systems and SEK 50 million were winding up costs and redundancy costs.

The cost efficiency programme will have some impact already in the fourth quarter, but most of the impact will be gradually apparent in 2015. Full effect is expected as of January 2016. Operating expenses of approximately SEK 850 million are expected for the full-year 2014, with the ambition that they should fall below SEK 800 million for the full-year 2015, with further abatement in 2016. Estimated operating expenses is exclusive of restructuring costs and potential new investments in growth.

Due to the change in strategies and the cost efficiency programme, an overview of the organisation was conducted, and it was established that the company had approximately 20 surplus employees in 2014.

Market development and volumes

Development in the third quarter of 2014 compared with the second quarter of 2014

Private

SBAB offers savings and loan products to private individuals. Residential mortgages are also offered through partnerships with banks and estate agents.

The housing market remained characterised by strong demand and weak supply in the third quarter. Price increases accelerated while time-to-sale became shorter and bidding (the difference between the starting price and the final price) increased. Underlying structural factors, such as demography, residential construction, income growth and employment rates, as well as tax systems and sets of rules and regulations, drive the housing markets. The recent fall in interest rates and a growing belief in continued price increases have fuelled the rise. SBAB's new lending to retail customers amounted to SEK 9.3 billion (10.2) for the quarter. Total lending amounted to SEK 178.7 billion (176.9). In residential mortgages to private individuals, SBAB's market share amounted to 7.3% (7.3) and for private loans it was 0.8% (0.7).

SBAB's savings accounts, which are characterised by high interest rates and clear product terms continued to attract new customers. SBAB's retail deposits rose by SEK 1.0 billion (2.8) in the quarter to a total of SEK 46.0 billion (45.0). The market share within retail deposits amounted to 3.4% (3.4).

Corporate clients and tenant-owner associations

SBAB offers residential financing to property developers and tenant-owner associations and deposits to companies.

The property market showed strong performance in the first six months, which led to a good third quarter with regard to lending and financing arrangements. In the corporate market, operations were partly driven by the high number of properties sold and partly by several projects involving new production of houses. A purposeful and active development of tenant-owner associations led to a greater proportion of full service customers and a number of new customers.

New lending to corporate clients and tenant-owner associations amounted to SEK 2.0 billion (1.5). The total lending volume decreased to SEK 78.7 billion (82.1) due to increased redemption as a result of some previously known agreements. The market share of loans to tenant-owner associations was somewhat reduced due to redemptions in connection with major loan renewals and amounted to 14.1% (14.4).

Deposits from companies and tenant-owner associations rose in the quarter by SEK 0.9 billion (0.6) to a total of SEK 11.3 billion (10.4).

Financial performance

Development in the third quarter of 2014 compared with the second quarter of 2014

Operating profit

SBAB's operating profit amounted to SEK 361 million (502). Excluding net result from financial instruments, the operating profit amounted to SEK 178 million (273). Operating profit excluding restructuring costs amounted to SEK 536 million (502). Excluding net result from financial instruments and restructuring costs, profit amounted to SEK 353 million (273).

The profit trend was primarily impacted by higher net interest income, unrealised changes in the market value of the liquidity portfolio and hedge accounting effects. The remaining RMBS¹ portfolio,

¹Residential Mortgage-Backed Securities

with a book value of SEK 2 278 million, was divested in the quarter. This affected the operating profit negatively, by SEK 62.4 million.

Net interest and net commission

SBAB's net interest income for the period was SEK 552 million (514). The higher net interest income is mainly explained by lower funding costs. Net commission income for the period amounted to an expense of SEK -27 million (-42), including a fee of SEK -30 million (-33) for the government stability fund.

Expenses

SBAB's expenses amounted to SEK 347 million (219), which was an increase compared with the previous quarter. Restructuring costs of SEK 175 million had the greatest impact on the quarter's expenses. Excluding restructuring costs, expenses were SEK 47 million lower in the third quarter compared with the second quarter. This was the result of lower personnel and development costs and lower marketing costs in the third quarter.

Loan losses

The net effect of loan losses was a gain of SEK 1 million (positive 20) in the third quarter. For further information, please see Note 3.

Net result from financial instruments measured at fair value

The net result from financial instruments measured at fair value amounted to SEK 183 million (229) for the period. The greatest factor impacting earnings was unrealised market value changes on basis swaps. Basis swaps are used to minimise interest-rate and currency risks that arise in conjunction with funding in foreign currency. For further information regarding how changes in market values affected profit for the period, please see Note 2.

Lending and deposits

New lending for the period amounted to SEK 11.4 billion (11.7) and the total lending volume amounted to SEK 257.4 billion (259.0), compared with SEK 258.7 billion at the start of the year. New deposits for the period amounted to SEK 1.8 billion (3.5) and the total deposit volume amounted to SEK 57.3 billion (55.5), compared with SEK 45.9 billion at the start of the year.

Funding

At the end of the third quarter, a EUR 1 billion covered bond was issued, with a maturity of 7 years. The issue was well received by investors and was oversubscribed, which contributed to its competitive pricing. The value date of the transaction was 7 October 2014.

The total value of outstanding debt securities in issue rose by SEK 1 billion during the quarter to SEK 237.3 billion (236.3). During the quarter securities amounting to SEK 23.4 billion (23.0) were issued, securities amounting to SEK 2.4 billion (2.0) were repurchased and securities amounting to SEK 20.0 billion (24.4) matured.

Funding through the issuance of covered bonds takes place in the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation), "SCBC". Total outstanding covered debt totalled SEK 160.4 billion (150.8), compared with SEK 152.7 billion at the beginning of the year.

Capital adequacy

SBAB reports credit risk mainly in accordance with the IRB approach, and reports operational and market risk in accordance with the standardised approach. SBAB's total capital ratio under Pillar 1, without transitional rules, amounted to 39.5% (36.5) at 30 September 2014, compared to 35.6% at the beginning of the year. Without consideration for transitional rules, the Common Equity Tier 1 capital ratio amounted to 26.1% (23.5) compared with 23.3% at the beginning of the year. The period's profit was considered in the calculation of the capital base. For information concerning other capital ratios, refer to the tables on pages 11 and 12.

The internally calculated capital requirement was SEK 7.3 billion (7.9), compared with SEK 8.7 billion at the beginning of the year.

Liquidity reserve

SBAB's liquidity reserve mainly comprises securities. The market value of the assets in the liquidity

reserve amounted to SEK 48.0 billion (47.1). Taking the Riksbank's haircuts into account, the value of the assets was SEK 45.2 billion (44.2).

SBAB measures and stress-tests liquidity risk by totalling the maximum need of liquidity for each of the upcoming 365 days, MCO (Maximum Cumulative Outflow). For SBAB, the number of MCO days amounts to 194 (157), which SBAB considers satisfactory.

The liquidity coverage ratio is calculated in accordance with the Swedish Financial Supervisory Authority's regulation, FFFS 2012:6. The liquidity coverage ratio was 439% for all currencies combined, 653% for the EUR and 679% for the USD, which exceeds the minimum requirement of 100%. In SEK, the liquidity ratio amounted to 206%.

For further information on the liquidity reserve, the calculation of MCO days and the liquidity coverage ratio see Note 9.

Quarterly overview

Group	2014	2014	2014	2013	2013
SEK million	Q3	Q2	Q1	Q4	Q3
Net interest income	552	514	496	443	480
Net commission income	-27	-42	-21	-27	-29
Net result from financial instruments measured at fair value (Note 2)	183	229	82	120	-45
Total operating income	708	701	557	536	406
Expenses	-347	-219	-219	-252	-167
- of which restructuring costs	-175	-	-	-	-
Profit/loss before loan losses	361	482	338	284	239
Loan losses, net (Note 3)	1	20	1	-29	7
Participations in joint ventures	-1	0	1	-	-
Operating profit/loss	361	502	340	255	246
Operating profit excl. net result from financial instruments	178	273	258	135	291
Tax	-78	-139	-74	-57	-53
Profit/loss for the period	283	363	266	198	193
New lending, SEK billion	11.4	11.7	9.5	11.1	8.6
Total lending, SEK billion	257.4	259.0	258.0	258.7	257.5
New deposits, SEK billion	1.8	3.5	6.1	10.0	4.3
Total deposits, SEK billion	57.3	55.5	52.0	45.9	35.9
Cost/Income ratio	49%	31%	39%	47%	41%
Return on equity ¹⁾	10.9%	14.3%	10.8%	8.3%	8.3%
Return on equity excl. net result from financial instruments and restructuring costs ¹⁾	10.7%	8.4%	8.2%	4.4%	9.7%
Loan loss rate ²⁾	+0.00%	+0.03%	+0.00%	-0.05%	+0.01%
Common Equity Tier 1 capital ratio ³⁾	26.1%	23.5%	22.6%	23.3%	25.8%

¹⁾ Return on equity calculated on a full-year basis.

²⁾ Loan losses calculated on a full-year basis in relation to lending to the public at the beginning of the year.

³⁾ Without taking the transitional rules into account.

Performance January–September 2014 compared with January–September 2013

Operating profit for the period totalled SEK 1,203 million (830). Excluding net result from financial instruments, profit amounted to SEK 709 million (911). Income amounted to SEK 1,966 million (1,357), with the increase due to higher net interest income and an improved net result from financial items. Net interest income rose to SEK 1,562 million (1,520), attributable primarily to lower funding costs. The net result from financial instruments measured at fair value amounted to SEK 494 million (-81) and was mainly affected by changed market values in the liquidity reserve and hedge accounting effects.

Costs for the period amounted to SEK 785 million (563). The increase was mainly attributable to restructuring costs of SEK 175 million. Loan losses remained low and amounted to SEK 22 million (positive 36).

Other significant information

Rating

Rating	30/09/2014	31/12/2013	30/09/2013
SBAB Bank AB (publ)			
<i>Long-term funding</i>			
-Standard & Poor's	A	A	A
-Moody's	A2	A2	A2
<i>Short-term funding</i>			
-Standard & Poor's	A-1	A-1	A-1
-Moody's	P-1	P-1	P-1
SCBC			
<i>Long-term funding</i>			
-Moody's	Aaa	Aaa	Aaa

Risks and uncertainties for the Group and Parent Company

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. Household demand is showing stable growth, 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 associated with these factors remain considerable. A strained housing market and high household 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 see the Risk Management section and Note 2 in the 2013 Annual Report.

Changes in the management team and the organisation

On 14 August, Klas Danielsson took up the position of CEO of SBAB. On 27 August, the Board of Directors adopted a new organisation. The purpose of the change is to support the adopted strategic direction. The following functions will now be included in the management team: CFO (Mikael Inglander), CRO (Peter Svensén), Head of Retail (Sarah Bucknell), Head of Corporate Clients and Tenant-owner associations (Per O. Dahlstedt), Head of HR (Catharina Kandel), acting Head of Operations/COO (Bror-Göran Pettersson), Chief Legal Counsel (Christine Ehnström), CIO (Vacant), Head of Communications (Vacant) and also, for a transitional period, Head of Retail Market (Håkan Höijer). This change took effect from 1 October 2014.

Extraordinary General Meeting

On 16 September 2014, SBAB held an Extraordinary General Meeting. The meeting reappointed Per Anders Fasth as a Board Member. Per-Anders Fasth was the acting CEO of SBAB from January–August.

Financial calendar

Year-end report 2014	6 February 2015
Interim report January–March 2015	23 April 2015
Interim report January–June 2015	17 July 2015
Interim report January–September 2015	22 October 2015
Year-end report 2015	5 February 2016

SBAB's Annual General Meeting will be held on 22 April 2015 in Stockholm.

The CEO affirms that this interim report provides an accurate overview of the operations, financial position and performance of the Parent Company and the Group, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group. This interim report has been reviewed by the company's auditors. The review report is given on page 22.

Stockholm 21 October 2014

Klas Danielsson
CEO

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Become a customer: www.sbab.se

Information for investors: www.sbab.se/ir

The information in this report is such that SBAB Bank AB (publ.) is required to disclose in accordance with the Swedish Financial Instruments Trading Act and the Swedish Securities Market Act, as well as in the guidelines contained in the Swedish Government's ownership policy and the guidelines for companies in which the Government is an owner. While every care has been taken in the translation of this interim report, readers are reminded that the original interim report, signed by the CEO, is in Swedish. The information was submitted for publication on 22 October 2014 at 9.00 a.m. (CET).

Income statement

Group SEK million	2014 Q3	2014 Q2	2013 Q3	2014 Jan-Sep	2013 Jan-Sep	2013 Jan-Dec
Interest income	1,791	1,909	2,039	5,657	6,148	8,147
Interest expense	-1,239	-1,395	-1,559	-4,095	-4,628	-6,184
Net interest income	552	514	480	1,562	1,520	1,963
Commission income	17	9	8	35	28	40
Commission expense	-44	-51	-37	-125	-110	-149
Net result from financial instruments meas. at fair value (Note 2)	183	229	-45	494	-81	39
Total operating income	708	701	406	1,966	1,357	1,893
Personnel costs	-102	-106	-74	-321	-253	-346
Other expenses	-110	-103	-85	-311	-288	-400
Amortisation and depreciation of fixed assets	-135	-10	-8	-153	-22	-69
Total expenses	-347	-219	-167	-785	-563	-815
Profit/loss before loan losses	361	482	239	1,181	794	1,078
Loan losses, net (Note 3)	1	20	7	22	36	7
Participations in joint ventures	-1	0	-	0	-	-
Operating profit/loss	361	502	246	1,203	830	1,085
Tax	-78	-139	-53	-291	-155	-212
Profit/loss for the period	283	363	193	912	675	873

Statement of comprehensive income

Group SEK million	2014 Q3	2014 Q2	2013 Q3	2014 Jan-Sep	2013 Jan-Sep	2013 Jan-Dec
Profit/loss for the period	283	363	193	912	675	873
OTHER COMPREHENSIVE INCOME						
<i>Components that have been or will be reversed against the income statement</i>						
Change in reclassified financial assets, before tax	29	1	6	32	15	17
Tax attributable to components that will be reversed against the income statement	-8	-0	-1	-9	-3	-3
Changes related to cash flow hedges, before tax	-28			-28		
Tax attributable to cash flow hedges	6			6		
<i>Components that have not or will not be reversed against the income statement</i>						
Revaluation effects of defined benefit pension plans, before tax	-68	-	-	-68	-	34
Tax attributable to components that will not be reversed against the income statement	15	-	-	15	-	-8
Other comprehensive income, net after tax	-54	1	5	-52	12	40
Total comprehensive income for the period	229	364	198	860	687	913

Balance sheet

Group SEK million	30/09/2014	31/12/2013	30/09/2013
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills and other eligible bills	11,536	8,183	8,079
Lending to credit institutions	19,320	20,267	20,667
Lending to the public (Note 4)	257,412	258,739	257,451
Change in value of interest-rate-hedged items in portfolio hedges	894	757	625
Bonds and other interest-bearing securities	36,039	38,736	29,127
Derivative instruments (Note 5)	8,095	6,449	6,437
Shares and participations	242	217	214
Shares and participations in joint ventures	39	-	-
Intangible fixed assets	56	165	183
Tangible fixed assets	29	37	37
Other assets	9,544	595	1,107
Prepaid expenses and accrued income	724	913	674
TOTAL ASSETS	343,930	335,058	324,601
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	19,889	15,191	16,498
Deposits from the public	57,254	45,869	35,860
Debt securities in issue	237,299	243,870	241,742
Derivative instruments (Note 5)	8,436	10,363	10,468
Other liabilities	323	306	720
Accrued expenses and prepaid income	3,832	3,502	3,648
Provisions	546	485	351
Subordinated debt	5,810	5,791	5,859
Total liabilities	333,389	325,377	315,146
Equity			
Share capital	1,958	1,958	1,958
Equity method reserve	0	-	-
Other reserves	-39	13	-15
Retained earnings	7,710	6,837	6,837
Profit/loss for the period	912	873	675
Total equity	10,541	9,681	9,455
TOTAL LIABILITIES AND EQUITY	343,930	335,058	324,601

Statement of changes in equity

Group SEK million	Reserves							P/L for the period	Total equity
	Share capital	Equity method reserve	Reclassified financial assets	Cash flow hedges	Defined benefit pension plans	Retained earnings			
Opening balance, 1 January 2014	1,958	-	-23	-	36	7,710		9,681	
Change in equity method reserve		0				-0		0	
Total comprehensive income for the period			23	-22	-53		912	860	
Closing balance, 30 September 2014	1,958	0	0	-22	-17	7,710	912	10,541	

	Reserves							P/L for the period	Total equity
	Share capital	Equity method reserve	Reclassified financial assets	Cash flow hedges	Defined benefit pension plans	Retained earnings			
Opening balance, 1 January 2013	1,958	-	-36	-	9	6,837		8,768	
Total comprehensive income for the period			13	-	27		873	913	
Closing balance, 31 December 2013	1,958	-	-23	-	36	6,837	873	9,681	

	Reserves							P/L for the period	Total equity
	Share capital	Equity method reserve	Reclassified financial assets	Cash flow hedges	Defined benefit pension plans	Retained earnings			
Opening balance, 1 January 2013	1,958	-	-36	-	9	6,837		8,768	
Total comprehensive income for the period			12	-	-		675	687	
Closing balance, 30 September 2013	1,958	-	-24	-	9	6,837	675	9,455	

Cash-flow statement

Group SEK million	2014 Jan-Sep	2013 Jan-Dec	2013 Jan-Sep
Cash and cash equivalents at the beginning of the period	19,238	17,536	17,536
Cash flow from operating activities	93	2,818	3,907
Cash flow from investing activities	-36	-116	-88
Cash flow from funding activities	-	-1,000	-1,000
Increase/Decrease in cash and cash equivalents	57	1,702	2,819
Cash and cash equivalents at the end of the period	19,295	19,238	20,355

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

Own funds

Group SEK million	30/09/2014	31/12/2013*	30/09/2013*
Common Equity Tier 1 capital			
Shareholders' equity according to the Group's balance sheet	10,541	9,681	9,455
Estimated dividend	-365	-	-
Unrealised value changes of loan and accounts receivable previously classified as assets available-for-sale	-	23	24
Cash flow hedge reserve	22	-	-
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-7	-	-
Value adjustment due to the requirements for prudent valuation	-64	-	-
Non-controlling interest	-	100	755
Intangible fixed assets	-47	-165	-183
Net reserves for IRB exposures	-86	-38	-37
Net pension assets	-	-18	-4
Common Equity Tier 1 capital	9,994	9,583	10,010
Additional Tier 1 capital			
Additional Tier 1 instruments	2,395	2,994	2,994
Tier 1 capital	12,389	12,577	13,004
Tier 2 capital			
Time-limited subordinated debentures	2,747	2,123	2,262
Net reserves for IRB exposures	-	-38	-37
Net pension assets	-	-18	-4
Tier 2 capital	2,747	2,067	2,221
Total own funds	15,136	14,644	15,225

*According to earlier rules (Basel II)

Capital requirement

Group	30/09/2014		31/12/2013*		30/09/2013*	
	Capital requirement	Risk exposure	Capital requirement	Risk exposure	Capital requirement	Risk exposure
SEK million						
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	575	7,191	736	9,199	835	10,432
Retail exposures	1,043	13,040	1,124	14,051	1,011	12,639
- of which exposures to SME	135	1,693	211	2,638	199	2,494
- of which retail exposures secured by immovable property	908	11,347	913	11,413	812	10,145
Positions in securitisations	-	-	270	3,380	175	2,192
Total exposures in accordance with IRB approach	1,618	20,231	2,130	26,630	2,021	25,263
Credit risk reported in accordance with standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	124	1,550	397	4,965	403	5,036
Exposures to corporates	143	1,791	196	2,454	174	2,171
Retail exposures	132	1,644	99	1,231	98	1,228
Exposures in default	1	10	1	11	1	12
Exposures in the form of covered bonds	223	2,788	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	154	1,925	-	-	-	-
Exposures to CILUs	19	242	17	217	17	214
Other items	82	1,021	10	127	10	125
Total exposures in accordance with standardised approach	878	10,971	720	9,005	703	8,786
Market risk	336	4,195	287	3,591	230	2,871
Operational risk	164	2,048	154	1,923	154	1,923
CVA risk	73	913	-	-	-	-
Total capital requirements and risk exposure amount	3,069	38,358	3,291	41,149	3,108	38,843
Applicable capital buffer (Capital conservation buffer)	959	-	-	-	-	-

*According to earlier rules (Basel II)

Capital adequacy

Group	30/09/2014	31/12/2013*	30/09/2013*
SEK million			
Common Equity Tier 1 capital	9,994	9,583	10,010
Tier 1 capital	12,389	12,577	13,004
Total own funds	15,136	14,644	15,225
Without transition rules			
Risk exposure amount	38,358	41,149	38,843
Common Equity Tier 1 capital ratio	26.1%	23.3%	25.8%
Tier 1 capital ratio	32.3%	30.6%	33.5%
Total capital ratio	39.5%	35.6%	39.2%
With transition rules			
Own funds	15,223	14,644	15,225
Risk exposure amount	143,267	139,600	137,386
Total capital ratio	10.6%	10.5%	11.1%

*According to earlier rules (Basel II)

Notes

Note 1 Accounting policies

The SBAB Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition to these accounting standards, the Swedish 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 have been taken into consideration. The Group's interim report fulfils the requirements stipulated under IAS 34, Interim Financial Reporting.

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

Compared with 2013, the accounting principle regarding Joint arrangements, IFRS 11, affected the Group. The regulations in IFRS 11 have entailed that SBAB's joint venture FriSpar will, effective from 2014, be consolidated using the equity method rather than the proportional method. Since FriSpar will be phasing out its operations in 2014 and, even in 2013, had limited operations in relation to the Group's overall performance and position, the new regulations are of limited significance for the Group. The comparison figures have therefore not been recalculated with regard to this new accounting principle. Over the period, SBAB started to report transactions according to the cash flow hedging method. In case of cash flow hedging, the hedging instrument is valued at fair value. The effective part of the total change in value is reported as a component in other comprehensive income and accumulated in a special reserve in equity. The accumulated amount is reversed in the income statement in periods where the hedged item affects the profit or loss. The ineffective part of the change in value is transferred to the income statement under the item "Net result from financial instruments measured at fair value", where the realised gain or loss arising at the end of the hedge relationship is recognised. In other regards, the accounting policies and calculation methods are unchanged compared with the 2013 Annual Report.

According to SBAB's preliminary assessment, new or changed international accounting standards that have been published but not yet applied will have a limited effect on the financial reports. As regards IFRS 9, which will become mandatory on 1 January 2018, no complete assessment has as yet been made.

Note 2 Net result from financial instruments measured at fair value

Group SEK million	2014 Q3	2014 Q2	2013 Q3	2014 Jan-Sep	2013 Jan-Sep	2013 Jan-Dec
Gains/losses on interest-bearing financial instruments						
- Securities measured at fair value through profit or loss	273	542	66	1,196	-403	-248
- Change in value of hedged items in hedge accounting	-141	-565	107	-1,148	1,281	1,419
- Realised expense from financial liabilities	-40	-2	-50	-64	-95	-144
- Derivative instruments	69	222	-206	426	-940	-1,097
- Loan receivables	22	20	21	62	64	87
Currency translation effects	-4	-1	8	-3	-1	6
Gains/losses on shares and participations measured at fair value through the income statement	4	13	9	25	13	16
Total	183	229	-45	494	-81	39

Fair-value recognition

The currency and interest-rate risk inherent in funding conducted in foreign currency is generally hedged throughout the maturity of the funding through currency interest-rate derivatives, known as basis swaps. According to IFRS, all derivative instruments are to be recognised at fair value (market 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.

An accounting effect also arises in SBAB's securities holding, since the accounting policies that SBAB applies entail that securities assets are measured at fair value (market value), while a large portion of SBAB's liabilities are measured at amortised cost. Also in the case of securities assets, the market value will be recovered during the remaining maturity if the asset is held to maturity. Most of SBAB's securities are held to maturity.

Note 3 Loan losses, net

Group	2014	2014	2013	2014	2013	2013
SEK million	Q3	Q2	Q3	Jan-Sep	Jan-Sep	Jan-Dec
CORPORATE MARKET						
INDIVIDUAL PROVISION FOR CORPORATE MARKET LOANS						
Write-off of confirmed loan losses for the period	-0	-0	0	-0	-1	-2
Reversal of prior provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	-	-	-	-	1	1
Provision for probable loan losses for the period	-0	-0	-0	-0	-0	-3
Recoveries in respect of confirmed loan losses in prior years	0	0	-	0	-	-
Reversal of prior provisions for probable loan losses no longer required	0	0	0	7	8	8
Guarantees	-	-	0	-	0	1
Net income/cost for the period for individual provisions for corporate market loans	0	-0	0	7	8	5
COLLECTIVE PROVISION FOR CORPORATE MARKET LOANS						
Allocations to/redemption of collective provisions	1	4	3	8	5	1
Guarantees	-1	0	0	-2	2	0
Net income/cost for the period for collective provisions for corporate market loans	0	4	3	6	7	1
RETAIL MARKET						
INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS						
Write-off of confirmed loan losses for the period	-2	-1	-5	-5	-12	-15
Reversal of prior provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	1	3	3	5	10	11
Provision for probable loan losses for the period	1	-2	-1	-3	-5	-9
Reversal of prior provisions for probable loan losses no longer required	1	0	0	1	0	0
Guarantees	-	-	-	-	0	0
Net income/cost for the period for individual provisions for retail market loans	1	-0	-3	-2	-7	-13
COLLECTIVE PROVISION FOR RETAIL MARKET LOANS						
Write-off of confirmed loan losses for the period	-4	-5	-6	-17	-15	-21
Recoveries in respect of confirmed loan losses in prior years	0	11	1	12	2	3
Allocation to/redemption of collective provisions	4	17	14	21	45	38
Guarantees	-0	-7	-2	-5	-4	-6
Net income/cost for the period for collective provisions for retail market loans	0	16	7	11	28	14
NET INCOME/COST FOR THE PERIOD FOR LOAN LOSSES	1	20	7	22	36	7

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

Note 4 Lending to the public

Group	30/09/2014		31/12/2013		30/09/2013	
	Lending	Provision	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	105,520	-133	103,497	-150	102,625	-148
Tenant-owner rights	71,804	-73	67,278	-82	65,992	-72
Tenant-owner associations	53,018	-14	54,839	-13	55,087	-8
Private multi-family dwellings	21,126	-25	23,465	-41	23,607	-39
Municipal multi-family dwellings	672	-	3,728	-	4,120	-
Commercial properties	3,934	-	5,034	-	5,189	-
Other	1,590	-7	1,189	-5	1,103	-5
Provision for probable loan losses	-252	-	-291	-	-272	-
Total	257,412	-252	258,739	-291	257,451	-272
Doubtful and non-performing loan receivables			30/09/2014	31/12/2013	30/09/2013	
a) Doubtful loan receivables			49	62	48	
b) Non-performing loan receivables* included in doubtful loan receivables			4	20	12	
c) Non-performing loan receivables* not included in doubtful loan receivables			317	338	369	
d) Individual provisions for loan receivables			37	47	40	
e) Collective provisions for corporate market loans			18	26	22	
f) Collective provisions for retail market loans			197	218	210	
g) Total provisions (d+e+f)			252	291	272	
h) Doubtful loan receivables after individual provisions (a-d)			12	15	8	
i) Provision ratio for individual provisions (d/a)			76%	76%	83%	

*Where payment notices (one or more) are more than 60 days past due

In certain partnerships on the lending side, it is possible for the partner to acquire brokered loans.

Loan portfolio SEK million	30/09/2014		31/12/2013		30/09/2013	
	SBAB**	SBAB incl. all of FriSpar	SBAB**	SBAB incl. all of FriSpar	SBAB**	SBAB incl. all of FriSpar
Retail lending	178,702	178,702	171,728	171,728	169,495	169,740
- new lending	27,334	27,334	30,061	32,675	22,092	24,202
Corporate lending (incl. tenant-owner assn.)	78,710	78,710	87,011	87,011	87,956	87,965
- new lending	5,237	5,237	7,306	7,306	4,685	4,685
Total	257,412	257,412	258,739	258,739	257,451	257,705
- new lending	32,571	32,571	37,367	39,981	26,777	28,887

**Effective from 1 January 2014, the partly-owned company FriSpar Bolån AB is consolidated into the SBAB Group applying the equity method. FriSpar Bolån AB was previously consolidated applying the proportional method. Comparison figures have not been recalculated. For further information, see Note 1 Accounting principles.

FriSpar is a partnership with Sparbanken Öresund AB (publ) and Sparbanken Syd, where SBAB's ownership amounts to 51%. In December 2013 FriSpar transferred all outstanding loans to SBAB.

Note 5 Derivative instruments

Group SEK million	30/09/2014		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	5,527	3,426	207,381
Currency related	2,568	5,010	99,711
Total	8,095	8,436	307,092

Currency interest-rate swaps are classified as interest-rate-related derivative instruments.

Note 6 Operating segments

Segment income statement Group SEK million	Jan-Sep 2014					Jan-Sep 2013				
	Retail market	Collab. market	Tenant- owner	Other	Total*	Retail market	Collab. market	Tenant- owner	Other	Total*
Income ¹⁾	681	325	453	13	1,472	663	269	487	19	1,438
Net result from financial instruments meas. at fair value	-	-	-	494	494	13	-	-	-94	-81
Total operating income	681	325	453	507	1,966	676	269	487	-75	1,357
Expenses ²⁾	-373	-96	-141	-175	-785	-340	-74	-149	-	-563
Loan losses, net	7	2	13	-	22	7	5	24	-	36
Participations in joint ventures	-	0	-	-	0	-	-	-	-	-
Profit/loss before tax	315	231	325	332	1,203	343	200	362	-75	830
Standardised tax (22%)	-69	-51	-72	-73	-265	-75	-44	-80	16	-183
Profit/loss after standard tax	246	180	253	259	938	268	156	282	-59	647
Adjustment for actual tax	-7	-5	-7	-7	-26	-1	0	1	28	28
Profit/loss after tax*	239	175	246	252	912	267	156	283	-31	675
Internally calculated ROE	8.8%	8.5%	10.8%		12.5%	10.8%	10.2%	12.2%		9.4%

¹⁾ Net interest income, net commission income and other operating income are included in the distributed income

²⁾ Personnel costs, other expenses and amortisation and depreciation of fixed assets are included in the distributed expenses.

*The total is consistent with the Group's income statement

Since the second quarter of 2014, SBAB has, in its internal control and monitoring, transitioned to internal calculation of return on equity, based on standardised tax and calculated equity. The comparison figures have been recalculated.

Note 7 Classification of financial instruments

Group	30/09/2014				Total fair value
	Assets measured at fair value through P/L	Hedge-accounted derivative instruments	Loan receivables	Total	
Financial assets					
SEK million					
Cash and balances at central banks			0	0	0
Chargeable treasury bills and other eligible bills	11,536			11,536	11,536
Lending to credit institutions			19,320	19,320	19,320
Lending to the public			257,412	257,412	259,906
Change in value of interest-rate-hedged items in portfolio hedges			894	894	-
Bonds and other interest-bearing securities	36,039			36,039	36,039
Derivative instruments	792	7,303		8,095	8,095
Shares and participations	242			242	242
Other assets			9,544	9,544	9,544
Prepaid expenses and accrued income	440		284	724	724
Total	49,049	7,303	287,454	343,806	345,406

Group	30/09/2014				Total fair value
	Liabilities measured at fair value through P/L	Hedge-accounted derivative instruments	Other financial liabilities	Total	
Financial liabilities					
SEK million					
Liabilities to credit institutions			19,889	19,889	19,889
Deposits from the public			57,254	57,254	57,254
Debt securities in issue			237,299	237,299	238,324
Derivative instruments	3,651	4,785		8,436	8,436
Other liabilities			323	323	323
Accrued expenses and prepaid income			3,832	3,832	3,832
Subordinated debt			5,810	5,810	5,817
Total	3,651	4,785	324,407	332,843	333,875

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 in Note 1 of the Annual Report. 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. 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. In September 2014, all remaining reclassified assets were divested.

Note 8 Information about fair value

Group	30/09/2014			Total
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	
Assets				
SEK million				
Securities in the category trade	48,257	-	-	48,257
Derivatives in the category trade	0	792	-	792
Other derivatives	-	7,303	-	7,303
Total	48,257	8,095	-	56,352
Liabilities				
SEK million				
Derivatives in the category trade	0	3,651	-	3,651
Other derivatives	-	4,785	-	4,785
Total	0	8,436	-	8,436

The principles for the measurement of financial instruments recognised at fair value in the balance sheet are given in the accounting policies in Note 1 of the Annual Report.

In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement methods used. There have been no transfers between the levels in 2014.

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. Level 2 is used for financial instruments that are not traded in an active market. 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.

Not 9 Liquidity reserve

Liquidity Reserve SEK million	Distribution by currency				
	30/09/2014	SEK	EUR	USD	Other
Cash and balances from central banks	-	-	-	-	-
Balances from other banks	-	-	-	-	-
Securities issued or guaranteed by central governments, central banks or multinational development banks	17,105	6,748	9,616	741	-
Securities issued or guaranteed by municipalities or non-governmental public sector entities	4,993	3,879	-	1,114	-
Covered bonds issued by others	25,916	19,515	4,919	1,254	228
Own covered bonds	-	-	-	-	-
Securities issued by non-financial companies	-	-	-	-	-
Securities issued by financial companies (excl. covered bonds)	-	-	-	-	-
Other securities	-	-	-	-	-
Total	48,014	30,142	14,535	3,109	228
Bank and loan facilities	-	-	-	-	-
Total	48,014	30,142	14,535	3,109	228
Distribution by currency		62.7%	30.3%	6.5%	0.5%

The table is reported according to the Swedish Bankers' Association's template for the disclosure of a liquidity reserve. SBAB's liquidity portfolio primarily comprises liquid, interest-bearing securities with a high rating and is an integrated 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.

Calculation of MCO days

SBAB measures and stress-tests liquidity risk by totalling the maximum need of liquidity for each of the upcoming 365 days, MCO (Maximum Cumulative Outflow). MCO calculations are based on a crisis scenario in which all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no funding is available. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established.

Calculation of liquidity coverage ratio

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

Parent company

Parent Company performance in January–September 2014 compared with January–September 2013

Operating profit for the period amounted to SEK 396 million (124). Net result from financial transactions was SEK 300 million (64). Expenses totalled SEK 680 million (635). The net effect of loan losses was a gain of SEK 4 million (gain 6). Lending to the public amounted to SEK 38.4 billion (49.7). The Parent Company has favourable capital adequacy. Without the transitional rules, the Common Equity Tier 1 capital ratio and the total capital ratio amounted to 28.2% (38.2) and 46.1% (63.0), respectively. The decrease in the capital ratios is primarily attributable to new regulations regarding shares in subsidiaries.

Income statement

Parent Company SEK million	2014 Q3	2014 Q2	2013 Q3	2014 Jan-Sep	2013 Jan-Sep	2013 Jan-Dec
Interest income	689	790	818	2,242	2,414	3,243
Interest expenses	-574	-688	-742	-1,965	-2,178	-2,960
Net interest income	115	102	76	277	236	283
Dividends received	-	-	-	20	19	19
Commission income	19	11	31	41	96	124
Commission expenses	-22	-26	-19	-64	-54	-74
Net result of financial transactions	107	123	35	300	64	128
Other operating income	152	177	91	498	392	581
Total operating income	371	387	214	1,072	753	1,061
Personnel costs	-105	-110	-80	-332	-271	-371
Other expenses	-109	-112	-102	-331	-349	-480
Amortisation and depreciation of fixed assets	-6	-5	-5	-17	-15	-20
Total expenses	-220	-227	-187	-680	-635	-871
Profit before loan losses	151	160	27	392	118	190
Loan losses, net	-6	9	-1	4	6	-14
Operating profit	145	169	26	396	124	176
Taxes	-31	-72	-5	-117	12	154
Profit for the period	114	97	21	279	136	330

Statement of comprehensive income

Parent Company SEK million	2014 Q3	2014 Q2	2013 Q3	2014 Jan-Sep	2013 Jan-Sep	2013 Jan-Dec
Profit for the period	114	97	21	279	136	330
OTHER COMPREHENSIVE INCOME						
<i>Components that have been or will be reversed against the income statement</i>						
Change in reclassified financial assets, before tax	29	1	6	32	15	17
Tax attributable to components that will be reversed against the income statement	-8	-0	-1	-9	-3	-3
Other comprehensive income, net after tax	21	1	5	23	12	14
Total comprehensive income for the period	135	98	26	302	148	344

Balance sheet

Parent Company SEK million	30/09/2014	31/12/2013	30/09/2013
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills and other eligible bills	11,536	8,183	8,079
Lending to credit institutions (Note 10)	64,526	49,183	48,151
Lending to the public	38,439	48,758	49,700
Change in value of interest-rate-hedged items in portfolio hedges	8	1	-
Bonds and other interest-bearing securities	36,039	38,736	29,127
Derivative instruments	7,249	4,981	5,191
Shares and participations	242	217	214
Shares and participations in joint ventures	38	113	866
Shares and participations in Group companies	10,300	10,300	9,600
Intangible fixed assets	14	14	12
Tangible fixed assets	29	37	37
Other assets	347	477	885
Prepaid expenses and accrued income	538	695	445
TOTAL ASSETS	169,306	161,695	152,307
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	9,852	557	613
Deposits from the public	57,254	45,869	35,860
Debt securities in issue	76,904	91,316	92,284
Derivative instruments	8,727	7,909	7,299
Other liabilities	499	996	711
Accrued expenses and prepaid income	1,646	848	1,437
Provisions	37	133	164
Subordinated debt	5,810	5,791	5,859
Total liabilities	160,729	153,419	144,227
Equity			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
Fair value reserve	-	-23	-25
Retained earnings	5,949	5,619	5,619
Profit for the period	279	330	136
Total equity	8,577	8,276	8,080
TOTAL LIABILITIES AND EQUITY	169,306	161,695	152,307
Memorandum items			
Assets pledged for own liabilities	7,684	9	415
Commitments	58,604	48,298	60,993

Own funds

SBAB Bank AB (publ) SEK million	30/09/2014	31/12/2013*	30/09/2013*
Common Equity Tier 1 capital			
Shareholders' equity according to the Group's balance sheet	8,577	8,276	8,080
Estimated dividend	-365	-	-
Unrealised value changes of loan and accounts receivable previously classified as assets available-for-sale	-	23	24
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-1	-	-
Value adjustment due to the requirements for prudent valuation	-64	-	-
Intangible fixed assets	-14	-14	-12
Net reserves for IRB exposures	-47	-17	-20
Common Equity Tier 1 capital	8,086	8,268	8,072
Additional Tier 1 capital			
Additional Tier 1 instruments	2,395	2,994	2,994
Tier 1 capital	10,481	11,262	11,066
Tier 2 capital			
Time-limited subordinated debentures	2,748	2,123	2,262
Net reserves for IRB exposures	-	-17	-20
Tier 2 capital	2,748	2,106	2,242
Total own funds	13,229	13,368	13,308

*According to earlier rules (Basel II)

Capital requirement

SBAB Bank AB (publ) SEK million	30/09/2014		31/12/2013*		30/09/2013*	
	Capital requirement	Risk exposure	Capital requirement	Risk exposure	Capital requirement	Risk exposure
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	175	2,187	297	3,716	324	4,044
Retail exposures	326	4,075	411	5,135	386	4,828
- of which exposures to SME	35	433	75	938	64	806
- of which retail exposures secured by immovable property	291	3,642	336	4,197	322	4,022
Positions in securitisations	-	-	271	3,381	175	2,192
Total exposures in accordance with IRB approach	501	6,262	979	12,232	885	11,064
Credit risk reported in accordance with standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	83	1,036	184	2,299	175	2,185
Exposures to corporates	144	1,799	194	2,428	172	2,148
Retail exposures	131	1,634	98	1,219	97	1,215
Exposures in default	1	11	1	11	1	12
Exposures in the form of covered bonds	114	1,421	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	8	105	-	-	-	-
Exposures to CIUs	19	242	17	217	17	214
Equity exposures	827	10,338	-	-	-	-
Other items	7	87	7	90	7	90
Total exposures in accordance with standardised approach	1,334	16,673	501	6,264	469	5,864
Market risk	308	3,852	287	3,591	230	2,871
Operational risk	112	1,402	106	1,330	106	1,330
CVA risk	43	532	-	-	-	-
Total capital requirements and risk exposure amount	2,298	28,721	1,873	23,417	1,690	21,129
Applicable capital buffer (Capital conservation buffer)	718	-	-	-	-	-

* According to earlier rules (Basel II)

Capital adequacy

SBAB Bank AB (publ) SEK million	30/09/2014	31/12/2013*	30/09/2013*
Common Equity Tier 1 capital	8,086	8,268	8,072
Tier 1 capital	10,481	11,262	11,066
Total own funds	13,229	13,368	13,308
Without transition rules			
Risk exposure amount	28,721	23,417	21,129
Common Equity Tier 1 capital ratio	28.2%	35.3%	38.2%
Tier 1 capital ratio	36.5%	48.1%	52.4%
Total capital ratio	46.1%	57.1%	63.0%
With transition rules			
Own funds	13,276	13,368	13,308
Risk exposure amount	28,070	32,507	31,671
Total capital ratio	47.3%	41.1%	42.0%

*According to earlier rules (Basel II)

Note 10 Lending to credit institutions

Of the Parent Company's lending to credit institutions, SEK 52,047 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 40,115 million at the end of 2013. This receivable is subordinated in the event of bankruptcy or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid.

Review Report

To the Board of Directors of SBAB Bank AB (publ)
Corp. ID No. 556253-7513

Introduction

We have reviewed the interim report of the interim financial information (the interim report) for SBAB Bank AB (publ) as of 30 September 2014 and for the nine-month period then ended. The Board of directors and the CEO are responsible for the preparation and fair presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

The direction and extent of the review

We have performed this review in accordance with the Swedish Standard on Review Engagements (ISRE) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making enquiries, primarily to persons responsible for financial and accounting matters, performing an analytical review and undertaking other review measures. A review has another direction and is substantially more limited in scope than an audit conducted in accordance with the Auditing Standard in Sweden (RS) and generally accepted auditing practice otherwise. The measures undertaken in a review do not permit us to be certain that we have become aware of all significant matters that might have been identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act of Credit Institutions and Securities Companies for the group and in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies for the parent company.

Stockholm, 21 October 2014

KPMG AB

Hans Åkervall
Authorised Public Accountant