

SBAB! Interim Report

1 January – 30 September 2015 | SBAB Bank AB (publ)

“Our market share within retail continued to grow, both within lending and deposits, which is highly gratifying and in line with our ambition to grow.” – Klas Danielsson, CEO

Third quarter of 2015 (Second quarter of 2015)

- Total lending increased to SEK 284.0 billion (274.1).
- Deposits increased to SEK 71.5 billion (67.2).
- Operating profit totalled SEK 378 million (262). Excluding net income/expense from financial instruments and restructuring costs, it amounted to SEK 396 million (384).
- Net interest income amounted to SEK 603 million (637).
- Expenses totalled SEK 176 million (204), of which restructuring costs accounted for SEK 0 million (2).
- The net effect of loan losses was a loss of SEK 3 million (loss: 23).
- Return on equity was 10.5% (7.3), and 11.1% (10.6) excluding net income/expense from financial instruments and restructuring costs.
- The Common Equity Tier 1 capital ratio, without transitional regulations, amounted to 25.6 (26.8).

January–September 2015 (January–September 2014)

- Operating profit totalled SEK 1,090 million (1,203). Excluding net income/expense from financial instruments and restructuring costs, it amounted to SEK 1,116 million (884).
- Net interest income amounted to SEK 1,795 million (1,562).
- Expenses totalled SEK 574 million (785), of which restructuring costs accounted for SEK 3 million (175).
- The net effect of loan losses amounted to a loss of SEK 29 million (gain: 22).
- Return on equity was 10.1% (12.0), and 10.4% (8.9) excluding net income/expense from financial instruments and restructuring costs.
- The Common Equity Tier 1 capital ratio, without transitional regulations, amounted to 25.6% (26.1).

Operating profit, Q3 378 SEK million (262)	Deposits 71.5 SEK billion (67.2)
Total lending 284.0 SEK billion (274.1)	Payment factor * 0.66 %

* The payment factor is the difference between the average interest-rate on residential mortgages with a 3-month fixed interest period and the interest on a savings account with free withdrawals. The lower the factor, the better the total customer offering. SBAB has the lowest payment factor of all Swedish banks.

Statement by the CEO

It is very exciting to manage SBAB. Our company is currently transforming into a sustainable growth company with a focus on housing and housing finances. We continuously strive to create the most efficient digital residential mortgage process on the market, while developing housing services for the future at sbab.se.

The strong performance in the two first quarters of the year continued in the third quarter. Our market share within retail continued to grow, both within lending and deposits, which is highly gratifying and in line with our ambition to grow. New lending and net growth within residential mortgages to private individuals reached an all-time high in the third quarter – clear proof that our customers agree with us about the attractiveness of our offering.

We continue to offer an interest-rate on our savings accounts that is considerably higher than the rates offered by the major banks. Deposits are part of how we and other banks fund our lending. Accordingly, the difference between the residential mortgage interest-rate and the savings account interest-rate – which we refer to as the payment factor – indicates how much the bank actually charges. In other words, a low payment factor benefits a bank's customers. With a payment factor of no more than 0.66 percent, we are by far the best in the market. The second-best major bank charges more than twice as much for your money.

The situation in the Swedish housing market is highly distressing. Soaring housing prices increase the risk level for our customers, for us as a company and for the economy and society at large. This trend is not sustainable in the long term. The housing shortage is becoming increasingly pressing as housing prices continue to skyrocket. In some areas of Sweden, housing prices are increasing at a rate that in all likelihood, extends far beyond any long-term realism. High demand for housing at rising prices combined with the Riksbank's extreme interest-rate policy leads to high demand for residential mortgages. What are we doing to manage the increased risk inherent in rising housing prices and increased indebtedness? During the summer, we introduced a compulsory maximum debt ceiling of 6.5 times the income. We recently introduced new mandatory amortisation rules for all new loans where a home is mortgaged by more than 70 percent of the market value. For a residential mortgage with our maximum loan-to-value ratio, 85 percent, our new amortisation rules entail an amortisation rate that is even higher than the mandatory amortisation rules of two percent per year that were previously proposed by the Swedish Financial Supervisory Authority. If the housing price trend does not abate, we cannot exclude additional measures.

I would like to conclude by telling you about something that is close to our hearts, some corporate social responsibility projects where we work in accordance with our mission – contributing to better housing and improved housing finances. We strive to help the homeless and prevent homelessness by cooperating with and contributing to the operations of the charitable organisations Stockholms Stadsmission and Situation Stockholm. Due to the refugee crisis, many people need help with housing. When Stockholms Stadsmission recently opened a home for refugees, we helped by arranging all the beds and bedding needed, in less than 24 hours. Such things make us proud.



Klas Danielsson, CEO

Market development and volumes

Market overview

Group	2015 Q3	2015 Q2	2014 Q3	2015 Jan-Sep	2014 Jan-Sep
LENDING					
Retail					
Number of residential mortgage customers, thousands	250	246	241	250	241
Number of residential mortgages (financed objects*), thousands	166	164	160	166	160
New lending, SEK billion	18.7	16.8	9.4	46.8	27.3
Change in lending, SEK billion	9.6	7.2	1.8	20.3	6.9
Total retail lending, SEK billion	203.7	194.1	178.8	203.7	178.8
Market share residential mortgages, retail, %	7.57%	7.39%	7.28%	7.57%	7.28%
Market share consumer loans, %	0.94%	0.89%	0.76%	0.94%	0.76%
Corporate clients and tenant-owner associations					
Number of new corporate and tenant-owner association customers	2,961	3,012	3,271	2,961	3,271
New lending, SEK billion	2.5	5.0	2.0	9.6	5.2
Change in lending, SEK billion	0.2	2.0	-3.4	2.2	-8.3
Total lending corporate clients and tenant-owner associations, SEK billion	80.4	80.2	78.7	80.4	78.7
Market share tenant-owner associations, %	13.33%	13.51%	14.06%	13.33%	14.06%
Market share corporate clients, %	10.13%	9.49%	9.12%	10.13%	9.12%
Total new lending, SEK billion	21.2	21.8	11.4	56.4	32.5
Total lending, SEK billion**	284.0	274.1	257.6	284.0	257.6
DEPOSITS					
Number of accounts	288,064	281,239	260,174	288,064	260,174
Change in the number of accounts	6,825	5,192	7,902	20,352	43,046
Change, SEK billion	4.3	3.3	1.8	10.9	11.4
Total deposits, SEK billion	71.5	67.2	57.2	71.5	57.2
Deposits, retail	53.9	51.2	46.0	53.9	46.0
Deposits, corporate clients	17.5	16.0	11.2	17.5	11.2
Market share deposits, retail, %	3.71%	3.59%	3.42%	3.71%	3.42%
Market share deposits, corporate clients, %	2.00%	1.90%	1.54%	2.00%	1.54%

* Object refers to a single-family dwelling, tenant-owner right or holiday home.

** After deduction for probable loan losses.

Market shares refer to the month before the end of each period.

Development in the third quarter of 2015 compared with the second quarter of 2015

Retail

The residential mortgage market continued its strong performance in the third quarter, and the rate of lending increased. The steep price trend continued in the housing market. Underlying structural factors, such as population growth, urbanisation and insufficient housing construction, and tax and regulatory systems drive the development. The low interest-rates also stimulate demand for housing and residential mortgages. The rapid rise in prices has caused many residential mortgage providers – including SBAB – to introduce more restrictive credit rules. During the second and third quarter, SBAB introduced a compulsory maximum debt ceiling of 6.5 times the income as well as new mandatory amortisation rules for all new loans where a home is mortgaged by more than 70 percent of the market value. In September, the Government published a bill regarding amortisation requirements, intended to be introduced on 1 May 2016.

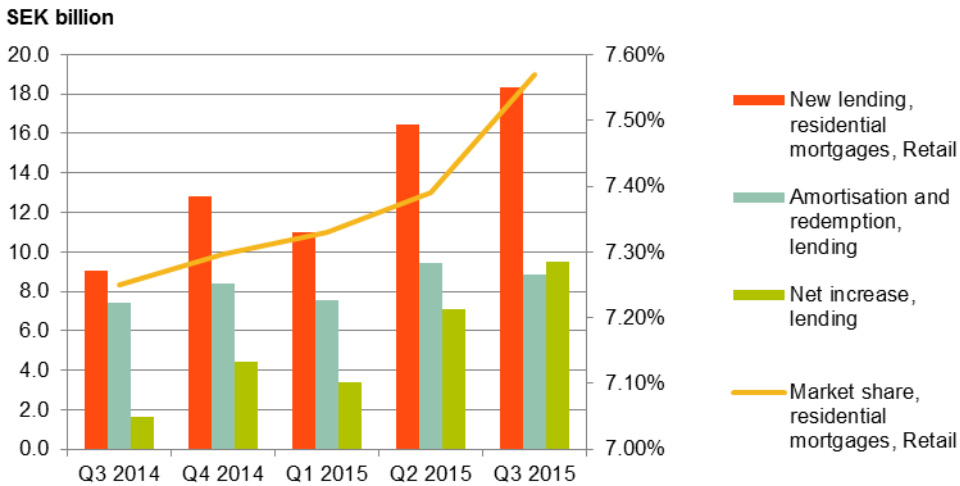
SBAB offers savings and loan products to private individuals. SBAB had approximately 250,000 residential mortgage customers (approximately 246,000) at the end of the period, distributed over 166,000 financed objects (164,000). Residential mortgages are offered under our own brand and through partnerships with banks and estate agents.

The great majority of SBAB's residential mortgage customers choose shorter maturities. The share of total lending with a three-month fixed-interest period amounts to 69.4% (67.4). Since 1 June 2015, Swedish banks report their average residential mortgage rates on new loans and loans with amended terms and conditions according to the Swedish Financial Supervisory Authority's regulations. The difference between SBAB's average rate and list rate was 0.13 percentage points on loans with a 3-month fixed-interest period. This is a very low figure compared to the market and reflects the company's aspiration to offer transparent terms and conditions.

During the quarter, new lending to retail customers increased to SEK 18.7 billion (16.8), of which SEK 18.4 billion (16.5) involves residential mortgages. Total lending to retail customers rose to SEK 203.7 billion (194.1).

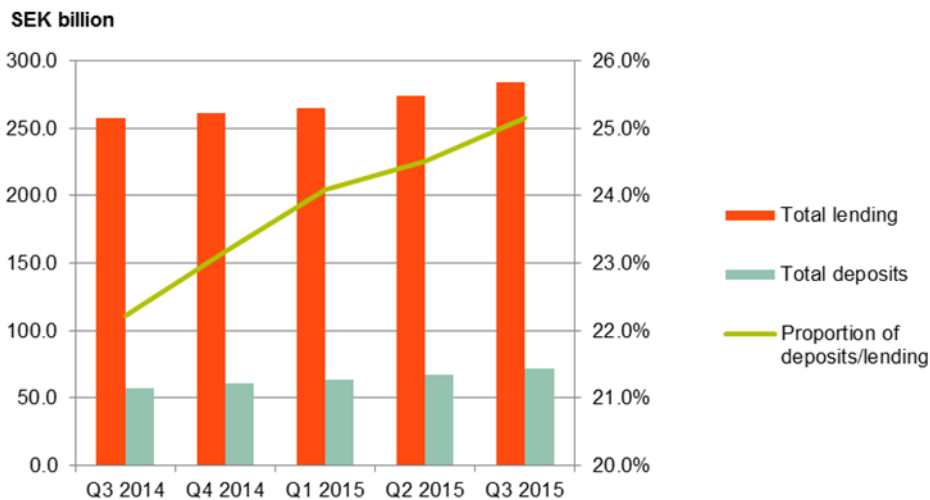
The market share of residential mortgages to retail customers continued to grow in the third quarter and amounted to 7.57% (7.39) as at 31 August 2015, corresponding to SEK 198.0 billion (189.1). For consumer loans, the market share was 0.94% (0.89), corresponding to SEK 2.0 billion (1.9).

Chart showing lending and market shares for residential mortgages, Retail



The interest-rate on SBAB’s savings accounts remains competitive in relation to the company’s competitors’, and the inflow of deposits remained good in the third quarter of the year. Retail deposits rose by SEK 2.7 billion (1.9) in the quarter to a total of SEK 53.9 billion (51.2). The market share within retail deposits increased to 3.71% (3.59). SBAB works actively on diversifying the company’s sources of funding through increased retail and corporate deposits.

Diagram showing total deposits in relation to total lending



Corporate clients and tenant-owner associations

In the third quarter, the property market was characterised by high activity and good access to funding, with continued high transaction volumes and high activity with regard to the production of new housing. The financing of new housing production is an area of priority for SBAB, and it is also one of the company's central sustainability targets. The market for refinancing and additional credit to tenant-owner associations remained stable, even if the number of reorganisations from rented to tenant-owned apartments remains on a modest level compared to the peak years from 2009–2010.

SBAB offers savings and loans to property companies and tenant-owner associations. The number of customers amounted to 2,961 (3,012) at the end of the period.

New lending to property companies and tenant-owner associations amounted to SEK 2.5 billion (5.0) in the period. Total lending increased to SEK 80.4 billion (80.2). The tenant-owner association market share was 13.33% (13.51) as at 31 August 2015, and the corporate client market share was 10.13% (9.49).

Deposits from corporate clients rose by SEK 1.5 billion (1.4) to a total of SEK 17.5 billion (16.0). The market share within deposits from corporate clients (not financial companies) increased to 2.00% (1.90).

Financial performance

Quarterly overview

Group SEK million	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3
Net interest income	603	637	555	549	552
Net commission income	-28	-28	-23	-20	-27
Net result from financial instruments measured at fair value (Note 2)	-18	-120	115	126	183
Total operating income	557	489	647	655	708
Expenses	-176	-204	-194	-223	-347
- of which restructuring costs	0	-2	-1	-3	-175
Profit/loss before loan losses	381	285	453	432	361
Loan losses, net (Note 3)	-3	-23	-3	8	1
Participations in joint ventures	-	-	-	1	-1
Operating profit/loss	378	262	450	441	361
Operating profit excl. net result from financial instruments and restructuring costs	396	384	336	318	353
Tax	-83	-58	-99	-97	-78
Profit/loss for the periods	295	204	351	344	283
Cost/Income ratio	32%	42%	30%	34%	49%
Cost/Income ratio excl. net result from financial instruments and restructuring costs	31%	33%	36%	42%	33%
Return on equity ¹⁾	10.5%	7.3%	12.5%	12.8%	10.9%
Return on equity excl. net result from financial instruments and restructuring costs ¹⁾	11.1%	10.6%	9.4%	9.3%	10.7%
Common Equity Tier 1 capital ratio ²⁾	25.6%	26.8%	27.5%	29.8%	26.1%

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

²⁾ Without taking transitional rules into account.

Development in the third quarter of 2015 compared with the second quarter of 2015

Operating profit

Operating profit increased to SEK 378 million (262). Excluding net income/expense from financial instruments and restructuring costs, operating profit rose to SEK 396 million (384), primarily driven by reduced costs. The difference in operating profit between the quarters is primarily attributable to a positive trend in net income/expense from financial instruments measured at fair value.

Net interest and net commission

Net interest income declined to SEK 603 million (637) in the period, driven by lower lending margins. Net commission income for the period amounted to an expense of SEK 28 million (expense: 28), including a fee of SEK 32 million (32) for the government stability fund.

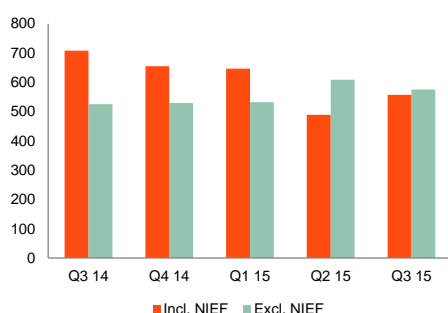
Expenses

Expenses decreased to SEK 176 million (204). This reduction in expenses was primarily attributable to temporarily lower IT-related costs in the quarter.

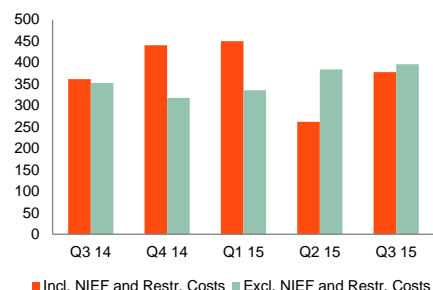
Loan losses

The net effect of loan losses was a loss of SEK 3 million (loss: 23) in the third quarter. For further information, please see Note 3.

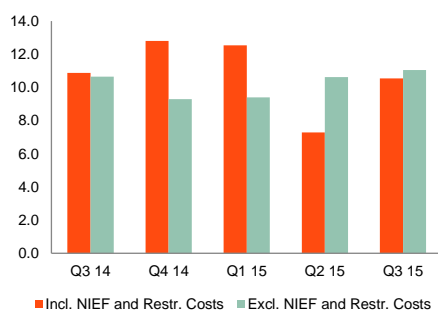
Operating income (SEK million)



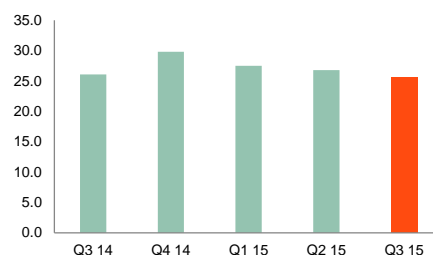
Operating profit (SEK million)



Return on equity (%)



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



NIEF = Net income/expense from financial items. Restr. Costs = Restructuring costs.

Net income/expense from financial instruments measured at fair value

Net expenses from financial instruments measured at fair value amounted to SEK 18 million (120) for the period. The greatest factor impacting earnings was unrealised market value changes in the liquidity portfolio. For further information regarding how unrealised changes in market values affected profit/loss for the period, please see Note 2.

Lending and deposits

New lending for the period amounted to SEK 21.2 billion (21.8) and the total lending volume increased to SEK 284.0 billion (274.1). Deposits rose by SEK 4.3 billion (3.3) in the quarter to SEK 71.5 billion (67.2).

Funding

The total value of outstanding covered debt securities in issue rose by SEK 10.8 billion during the quarter to SEK 264.9 billion (254.1). During the quarter, securities amounting to SEK 26.9 billion (37) were issued, securities amounting to SEK 6.7 billion (3.5) were repurchased and securities amounting to SEK 10.3 billion (18.9) matured.

At the end of September, SBAB issued a public five-year covered bond of EUR 750 million, through the wholly-owned subsidiary AB Sveriges Säkerställda Obligationer (Swedish Covered Bond Corporation, "SCBC"). This was the second public Euro-denominated covered bond issued by SCBC in 2015. Regularity in the international market is an important part of the Group's funding strategy, and the issue met with favourable demand despite an increasingly difficult market situation.

Funding through the issuance of covered bonds takes place in the wholly-owned subsidiary, SCBC. Total outstanding covered debt totalled SEK 188.6 billion (177.5), compared with SEK 175.0 billion at the beginning of the year.

In the first three quarters, the SBAB Group issued SEK 70.7 billion in long-term bonds.

Capital adequacy

SBAB primarily recognises credit risk pursuant to the internal ratings-based approach (IRB approach) and operational and market risk in accordance with the standardised approach. According to the internal capital target, Common Equity Tier 1 capital ratio according to Pillar 1, without consideration for transitional rules, shall amount to at least 22%. The Common Equity Tier 1 capital ratio amounted to 25.6% (26.8). The total capital ratio according to Pillar 1, without consideration for transitional rules, amounted to 39.2% (40.9). This provides a comfortable margin to applicable regulatory requirements. For information concerning other capital ratios, refer to the table on page 14. Profit for the period as at 30 June 2015 is included in own funds while the expected dividend has reduced own funds. The capital requirement has primarily been affected by an increased credit volume.

Liquidity reserve

SBAB's liquidity reserve comprises liquid, interest-bearing securities with a high rating. The market value of the assets in the liquidity reserve amounted to SEK 63.4 billion (60.5). Taking the Riksbank's and the ECB's haircuts into account, the value of the assets was SEK 60.3 billion (57.3).

SBAB measures and stress-tests liquidity risk by calculating the survival horizon, which is an internal ratio used to see for how long SBAB is able to meet its payment obligations without access to capital market funding and net outflows from lending/deposits. This is made by totalling the maximum need of liquidity for each coming day and comparing this to the size of the liquidity portfolio after applicable haircuts. The survival horizon amounted to 356 (329) days, which the Company considers satisfactory.

The Liquidity Coverage Ratio is calculated in accordance with the Swedish Financial Supervisory Authority's regulation regarding requirements for a liquidity coverage ratio and reporting of liquid assets and cash flows. In the beginning of the period, the Liquidity Coverage Ratio was 543% (403) for all currencies combined, 948% (18,690,719) for the EUR and 204% (1,816) for the USD, which exceeds the minimum requirement of 100%. In SEK, the Liquidity Coverage Ratio amounted to 281% (136). Liquidity Coverage Ratio is a ratio affected by the amount of maturities within 30 days.

For further information on the liquidity reserve, the calculation of survival horizon and the Liquidity Coverage Ratio, see Note 9.

Overview of earnings

Group	2015	2015	2014	2015	2014
SEK million	Q3	Q2	Q3	Jan-Sep	Jan-Sep
Net interest income	603	637	552	1,795	1,562
Net commission income	-28	-28	-27	-79	-90
Net result from financial instruments measured at fair value (Note 2)	-18	-120	183	-23	494
Total operating income	557	489	708	1,693	1,966
Expenses	-176	-204	-347	-574	-785
- of which restructuring costs	0	-2	-175	-3	-175
Profit/loss before loan losses	381	285	361	1,119	1,181
Loan losses, net (Note 3)	-3	-23	1	-29	22
Participations in joint ventures	-	-	-1	-	0
Operating profit/loss	378	262	361	1,090	1,203
Operating profit excl. net result from financial instruments and restructuring costs	396	384	353	1,116	884
Tax	-83	-58	-78	-240	-291
Profit/loss for the periods	295	204	283	850	912
Cost/Income ratio	32%	42%	49%	34%	40%
Cost/Income ratio excl. net result from financial instruments and restructuring costs	31%	33%	33%	33%	41%
Return on equity ¹⁾	10.5%	7.3%	10.9%	10.1%	12.0%
Return on equity excl. net result from financial instruments and restructuring costs ¹⁾	11.1%	10.6%	10.7%	10.4%	8.9%
Common Equity Tier 1 capital ratio ²⁾	25.6%	26.8%	26.1%	25.6%	26.1%

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

²⁾ Without taking transitional rules into account.

Performance for January–September 2015 compared with January–September 2014

Operating profit for the period dropped to SEK 1,090 million (1,203). Income was reduced to SEK 1,693 million (1,966), with the reduction being explained by a deterioration in net income/expense from financial instruments. Net interest income rose to SEK 1,795 million (1,562), driven by a sharp increase in volume and improved lending margins. The net expense from financial instruments measured at fair value increased to SEK 23 million (income: 494) and was mainly affected by changed market values in the liquidity portfolio and hedge accounting effects.

Costs for the period declined to SEK 574 million (785). The decrease in expenses is mainly attributable to restructuring costs that affected the comparison period in 2014 and ongoing cost efficiency programme. Loan losses amounted to SEK 29 million (positive: 22). Confirmed loan losses remained low.

Other significant information

Rating

Current ratings are stated below.

Rating	30/09/2015	31/12/2014	30/09/2014
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 the assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. Household demand is showing a stable trend, underpinned by low inflation, low interest-rates and rising stock market and property prices. A housing market with soaring prices and growing household indebtedness among retail customers makes the Swedish economy sensitive to changes in interest-rates and housing prices. The risks associated with these factors are expected to increase as long as housing prices and indebtedness continue to rise faster than incomes. Extensive regulatory developments in the residential mortgage market are an uncertainty factor.

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

For further information on SBAB's risks and risk management, please refer to the Risk Management section and Note 2 in the 2014 Annual Report.

Changes in the Executive Management

Per O. Dahlstedt, former Head of Corporate Clients and Tenant-Owner Associations, left SBAB in October in order to retire. Tim Pettersson, formerly Head of Sales Corporate Clients and Tenant-Owner Associations, was appointed as the new Head of Corporate Clients and Tenant-Owner Associations. During the quarter, Robert Burén resigned from the role as CIO and will be succeeded by Klas Ljungkvist. Jim Peterson, Head of Development, has been appointed Acting CIO until Klas Ljungkvist takes up the position.

Financial calendar

Year-end report 2015	5 February 2016
Interim report January–March 2016	29 April 2016
Interim report January–June 2016	19 July 2016
Interim report January–September 2016	28 October 2016
Year-end report 2016	8 February 2017

SBAB's Annual General Meeting will be held on 28 April 2016 in Stockholm.

Review Report

This interim report has not been reviewed by the company's auditor.

The CEO affirms that this interim report provides an accurate overview of the operations, financial position and performance of the Parent Company and the Group, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Stockholm, 21 October 2015

Klas Danielsson
CEO

Contacts

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Income statement

Group SEK million	2015 Q3	2015 Q2	2014 Q3	2015 Jan-Sep	2014 Jan-Sep	2014 Jan-Sep
Interest income	1,182	1,314	1,791	3,962	5,657	7,261
Interest expense	-579	-677	-1,239	-2,167	-4,095	-5,150
Net interest income	603	637	552	1,795	1,562	2,111
Commission income	10	13	17	43	35	47
Commission expense	-38	-41	-44	-122	-125	-157
Net result from financial instruments meas. at fair value (Note 2)	-18	-120	183	-23	494	620
Other operating income	0	-	-	0	-	-
Total operating income	557	489	708	1,693	1,966	2,621
Personnel costs	-85	-101	-102	-274	-321	-414
Other expenses	-84	-95	-110	-278	-311	-434
Amortisation and depreciation of fixed assets	-7	-8	-135	-22	-153	-160
Total expenses before loan losses	-176	-204	-347	-574	-785	-1,008
Profit/loss before loan losses	381	285	361	1,119	1,181	1,613
Loan losses, net (Note 3)	-3	-23	1	-29	22	30
Participations in joint ventures	-	-	-1	-	0	1
Operating profit/loss	378	262	361	1,090	1,203	1,644
Tax	-83	-58	-78	-240	-291	-388
Profit/loss for the period	295	204	283	850	912	1,256

Statement of comprehensive income

Group SEK million	2015 Q3	2015 Q2	2014 Q3	2015 Jan-Sep	2014 Jan-Sep	2014 Jan-Sep
Profit/loss for the period	295	204	283	850	912	1,256
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	-	32	32
Changes related to financial assets available before sale, before tax	-23	-20	-	-45	-	-5
Changes related to cash flow hedges, before tax	220	-186	-28	145	-28	128
Tax attributable to components that will be reversed against the income statement	-43	45	-2	-22	-3	-36
<i>Components that have not or will not be reversed against the income statement</i>						
Revaluation effects of defined benefit pension plans, before tax	-	61	-68	0	-68	-71
Tax attributable to components that will not be reversed against the income statement	-	-13	15	0	15	16
Other comprehensive income, net after tax	154	-113	-54	78	-52	64
Total comprehensive income for the period	449	91	229	928	860	1,320

Balance sheet

Group SEK million	30/09/2015	31/12/2014	30/09/2014
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills and other eligible bills	15,725	15,557	11,536
Lending to credit institutions	15,409	7,437	19,320
Lending to the public (Note 4)	283,992	261,445	257,412
Change in value of interest-rate-hedged items in portfolio hedges	739	937	894
Bonds and other interest-bearing securities	47,301	42,335	36,039
Derivative instruments (Note 5)	8,498	9,408	8,095
Shares and participations	-	253	242
Shares and participations in joint ventures	-	-	39
Deferred tax assets	57	104	-
Intangible fixed assets	53	52	56
Tangible fixed assets	20	27	29
Other assets	8,320	461	9,544
Prepaid expenses and accrued income	791	969	724
TOTAL ASSETS	380,905	338,985	343,930
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	17,619	7,284	19,889
Deposits from the public	71,486	60,610	57,254
Debt securities in issue	264,921	243,168	237,299
Derivative instruments (Note 5)	5,373	7,263	8,436
Other liabilities	458	424	323
Accrued expenses and prepaid income	3,125	3,200	3,832
Provisions	87	89	546
Subordinated debt	6,409	5,946	5,810
Total liabilities	369,478	327,984	333,389
Equity			
Share capital	1,958	1,958	1,958
Other reserves	155	77	-39
Retained earnings	8,464	7,710	7,710
Profit/loss for the year	850	1,256	912
Total equity	11,427	11,001	10,541
TOTAL LIABILITIES AND EQUITY	380,905	338,985	343,930

Statement of changes in equity

Group SEK million	Share		Retained earnings	P/L for the period	Total equity
	capital	Other reserves			
Opening balance, 1 January 2015	1,958	77	8,966		11,001
Dividends paid			-502		-502
Total comprehensive income for the period		78		850	928
Closing balance, 30 September 2015	1,958	155	8,464	850	11,427

In accordance with a resolution by the Annual General Meeting on 22 April 2015, SBAB has paid a dividend to its owner of SEK 502 million (SEK 25,634 per share).

	Share		Retained earnings	P/L for the period	Total equity
	capital	Other reserves			
Opening balance, 1 January 2014	1,958	13	7,710		9,681
Total comprehensive income for the year		64		1,256	1,320
Closing balance, 31 December 2014	1,958	77	7,710	1,256	11,001

	Share		Retained earnings	P/L for the period	Total equity
	capital	Other reserves			
Opening balance, 1 January 2014	1,958	13	7,710		9,681
Total comprehensive income for the period		-52		912	860
Closing balance, 30 September 2014	1,958	-39	7,710	912	10,541

Cash flow statement

Group SEK million	2015	2014	2014
	Jan-Sep	Jan-Dec	Jan-Sep
Cash and cash equivalents at the beginning of the period	7,422	19,238	19,238
Cash flow from operating activities	8,005	-11,892	93
Cash flow from investing activities	-16	76	-36
Cash flow from funding activities	-2	-	-
Increase/Decrease in cash and cash equivalents	7,987	-11,816	57
Cash and cash equivalents at the end of the period	15,409	7,422	19,295

Cash and cash equivalents are defined as cash and loans to credit institutions with maturities of less than three months from the acquisition date.

Own funds

Disclosures in accordance with Article 5 of Commission Implementing Regulation (EU) No 1423/2013.

Group, SEK million	30 Sept 2015	31 Dec 2014	30 Sept 2014	Amounts subject to pre-regulation or prescribed residual amount*
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and associated share premium reserves	1,958	1,958	1,958	N/A
Retained earnings	8,464	7,710	7,710	N/A
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses according to applicable accounting standards)	155	76	-40	N/A
Interim profit/loss after deduction of foreseeable costs and dividends, verified by persons in an independent position	215	754	548	N/A
Common Equity Tier 1 capital before regulatory adjustments	10,792	10,499	10,176	N/A
Common Equity Tier 1 capital: regulatory adjustments				
Additional value adjustments (negative amount)	-68	-70	-64	N/A
Intangible assets (net after deduction for associated tax liabilities) (negative amount)	-44	-43	-47	N/A
Reserves in fair value related to profit or loss on cash flow hedging	-214	-100	22	N/A
Negative amounts following the calculation of expected loss amounts	-67	-84	-86	N/A
Gains or losses on liabilities valued at fair value that result from changes in the own credit standing of the institution	-35	-2	-7	N/A
Total regulatory adjustments to the Common Equity Tier 1 capital	-428	-300	-182	N/A
Common Equity Tier 1 capital	10,364	10,199	9,994	N/A
Additional Tier 1 instruments: instruments				
Capital instruments and associated share premium reserves	1,500	-	-	N/A
<i>Of which classified as liabilities according to applicable accounting standards</i>	1,500	-	-	N/A
Amount for qualified items referred to in Article 484(4) and associated share premium reserves included in the phase-out from the additional Tier 1 instruments	994	2,395	2,395	N/A
Additional Tier 1 instruments before regulatory adjustments	2,494	2,395	2,395	N/A
Additional Tier 1 instruments: Regulatory adjustments				
Total regulatory adjustments of additional Tier 1 instruments	-	-	-	N/A
Additional Tier 1 instruments	2,494	2,395	2,395	N/A
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + additional Tier 1 instruments)	12,858	12,594	12,389	N/A
Tier 2 capital: instruments and allocations				
Capital instruments and associated share premium reserves	3,000	2,599	2,599	N/A
Amount for qualified items referred to in Article 484(5) and associated share premium reserves that are phased out from Tier 2 capital	-	114	148	N/A
Tier 2 capital before regulatory adjustments	3,000	2,713	2,747	N/A
Tier 2 capital: regulatory adjustments				
Total regulatory adjustments of Tier 2 capital	-	-	-	N/A
Tier 2 capital	3,000	2,713	2,747	N/A
Total capital (total capital = Tier 1 capital + Tier 2 capital)	15,858	15,307	15,136	N/A
Total risk-weighted assets	40,429	34,247	38,358	N/A
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of total risk exposure amount)	25.6%	29.8%	26.1%	N/A
Tier 1 (as a percentage of total risk exposure amount)	31.8%	36.8%	32.3%	N/A
Total capital (as a percentage of total risk exposure amount)	39.2%	44.7%	39.5%	N/A
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	8.0%	7.0%	7.0%	N/A
<i>of which: capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	N/A
<i>of which: countercyclical buffer requirement</i>	1.0%	-	-	N/A
<i>of which: systemic risk buffer requirement</i>	-	-	-	N/A
<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	-	-	-	N/A
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	21.1%	25.3%	21.6%	N/A
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
Current cap on AT1 instruments subject to phase-out arrangements	2,096	2,395	2,395	N/A
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	599	599	N/A
Current cap on T2 instruments subject to phase-out arrangements	910	1,040	1,040	N/A

* Amounts subject to pre-regulation (EU) No 575/2013 treatment of prescribed residual amount of regulation (EU) 575/2013

Capital requirements

Group	30 Sept 2015		31 Dec 2014		30 Sept 2014	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
SEK million						
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	795	9,942	558	6,975	575	7,191
Retail exposures	1,092	13,655	1,028	12,851	1,043	13,040
- of which exposures to SME	127	1,590	139	1,737	135	1,693
- of which retail exposures secured by immovable property	965	12,065	889	11,114	908	11,347
Total exposures in accordance with IRB approach	1,887	23,597	1,586	19,826	1,618	20,231
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*	181	2,258	111	1,388	124	1,550
- of which, derivatives according to CRR, Appendix 2	164	2,045	103	1,291	122	1,531
- of which, repos	16	206	7	85	1	7
Exposures to corporates	1	15	146	1,829	143	1,791
Retail exposures	177	2,219	143	1,783	132	1,644
Exposures in default	1	8	1	10	1	10
Exposures in the form of covered bonds	139	1,742	59	744	223	2,788
Exposures to institutions and corporates with a short-term credit assessment	154	1,929	7	86	154	1,925
Exposures to CIU:s	-	-	20	253	19	242
Other items	73	908	86	1,070	82	1,021
Total exposures in accordance with standardised approach	726	9,079	573	7,163	878	10,971
Market risk	250	3,119	337	4,210	336	4,195
- of which, position risk	199	2,485	279	3,491	288	3,592
- of which, currency risk	51	634	58	719	48	603
Operational risk	239	2,989	164	2,047	164	2,048
Credit valuation adjustment risk	132	1,645	80	1,001	73	913
Total capital requirements and risk exposure amount	3,234	40,429	2,740	34,247	3,069	38,358
Capital requirements for capital conservation buffer	1,011		856		959	
Capital requirements for countercyclical buffer	401		-		-	
Total capital requirements	4,646		3,596		4,028	

*The risk-weighted exposure amount for counterparty risk according to CRR, Article 92, item 3(f), amounts to SEK 2,251 million (1,376).

Capital adequacy

Group	30 Sept 2015	31 Dec 2014	30 Sept 2014
SEK million			
Common Equity Tier 1 capital	10,364	10,199	9,994
Tier 1 capital	12,858	12,594	12,389
Total own funds	15,858	15,307	15,136
Without transition rules			
Risk exposure amount	40,429	34,247	38,358
Common Equity Tier 1 capital ratio	25.6%	29.8%	26.1%
Excess* Common Equity Tier 1 capital	8,545	8,658	8,268
Tier 1 capital ratio	31.8%	36.8%	32.3%
Excess* Tier 1 capital	10,433	10,539	10,087
Total capital ratio	39.2%	44.7%	39.5%
Excess* total capital	12,624	12,567	12,069
With transition rules			
Own funds	15,925	15,392	15,223
Risk exposure amount	160,953	142,975	143,267
Total capital ratio	9.9%	10.8%	10.6%

* Surplus of capital has been calculated based on the minimum capital requirements (without buffer requirements)

Internally assessed capital requirements

The internal capital adequacy assessment is to ensure that SBAB has sufficient capital to deal with any financial problems that arise. The internally assessed capital requirement amounted to SEK 12,524 million (10,817) for the Group. SBAB quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment process ("ICAAP"). Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period, given a predetermined level of confidence. In SBAB's case, the level of confidence is 99.97%, which corresponds to SBAB's long-term AA– target rating (according to Standard & Poor's ratings scale). The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk. The table below reflects the internal capital requirement for the consolidated situation, with and without consideration for the Swedish Financial Supervisory Authority's supervisory practices with regard to the risk weight floor for Swedish residential mortgages.

			Excl. Risk weight floor	Incl. Risk weight floor
		Pillar 1	Internally assessed capital requirement	Internally assessed capital requirement
Pillar 1	Credit risk	2,746	2,746	2,746
	Market risk	250	250	250
	Operational risk	239	239	239
Pillar 2	Credit risk*		1,066	0
	Market risk		217	217
	Operational risk		86	86
	Risk weight floor			6,095
	Concentration risk		552	552
	Sovereign risk		75	75
	Income volatility		852	852
Buffers	Capital conservation buffer	1,011	1,011	1,011
	Capital planning buffer**		484	0
	Countercyclical buffer	401	401	401
Total		4,646	7,979	12,524

* In internal capital requirement without consideration for the risk weight floor, additional credit risks in Pillar 2 consists of SBAB's estimated capital requirement in economic capital. As the additional capital requirement for the risk weight floor is larger than the additional capital requirement according to economic capital, only the risk weight floor is included in internal capital requirement with consideration for the risk weight floor.

** The higher of the stress test buffer and capital planning buffer are included in internal capital requirements. With consideration for the risk weight floor, the stress test buffer is calculated without consideration for risk migration in the residential mortgage portfolios, so the required buffer is smaller.

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.

SEK Million	Total	EUR	USD
Liquidity Coverage Ratio %	543%	948%	204%
Liquid assets	51,327	13,385	3,810
Assets with 100% weight	20,685	8,987	2,575
Assets with 85% weight	30,642	4,398	1,235
Cash Outflows	25,404	5,646	1,871
Retail Deposits	4,004	0	0
Market Funding	15,439	0	1,674
Other cash outflows	5,962	5,646	197
Cash Inflows	19,537	7,052	5
Inflow from retail lending	5,940	0	0
Other cash inflows	13,597	7052	5

Liquidity Coverage Ratio = liquid assets/(cash outflow-cash inflow). The Liquidity Coverage Ratio is recognised according to the definitions and weights in FFFS 2012:6. The calculation takes into consideration that assets with 85% weight must not constitute more than 40% of the reserve, and that inflows must not exceed 75% of the outflow in each column.

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.

The accounting policies and calculation methods are unchanged compared with the 2014 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 to IFRS 9, the application of which will become mandatory from 1 January 2018, there is an ongoing preliminary study intended to identify how the new rules will affect SBAB.

Note 2 Net income/expense from financial instruments measured at fair value

Group	2015	2015	2014	2015	2014	2014
SEK million	Q3	Q2	Q3	Jan-Sep	Jan-Sep	Jan-Dec
Gains/losses on interest-bearing financial instruments						
- Securities measured at fair value through the income statement	8	-415	273	-262	1,196	1,401
- Change in value of hedged items in hedge accounting	-4	937	-141	795	-1,148	-1,581
- Realised expense from financial liabilities	-44	-29	-40	-104	-64	-122
- Derivative instruments	-9	-644	69	-542	426	807
- Loan receivables	30	31	22	83	62	89
Currency translation effects	1	0	-4	8	-3	-2
Gains/losses on shares and participations measured at fair value through the income statement	-	-	4	-1	25	28
Total	-18	-120	183	-23	494	620

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 part of the 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	2015	2015	2014	2015	2014	2014
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	-1	-0	-0
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	-	-	-	-	-	-
Provision for probable loan losses for the period	-0	-22	-0	-22	-0	-0
Recoveries in respect of confirmed loan losses in prior years	-	-	0	-	0	0
Reversal of prior year provisions for probable loan losses no longer required	0	0	0	0	7	7
Guarantees	-	-	-	-	-	-
Net income/cost for the period for individual provisions for corporate market loans	0	-22	0	-23	7	7
COLLECTIVE PROVISION FOR CORPORATE MARKET LOANS						
Allocations to/redemption of collective provisions	-0	-1	1	2	8	8
Guarantees	-0	-1	-1	-2	-2	0
Net income/cost for the period for collective provisions for corporate market loans	-0	-2	0	0	6	8
RETAIL MARKET						
INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS						
Write-off of confirmed loan losses for the period	-1	-1	-2	-2	-5	-7
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	-	-	1	-	5	5
Provision for probable loan losses for the period	-1	1	1	-4	-3	-4
Reversal of prior year provisions for probable loan losses no longer required	0	0	1	0	1	4
Guarantees	-	-	-	-	-	-
Net income/cost for the period for individual provisions for retail market loans	-2	0	1	-6	-2	-2
COLLECTIVE PROVISION FOR RETAIL MARKET LOANS						
Write-off of confirmed loan losses for the period	-3	-2	-4	-8	-17	-22
Recoveries in respect of confirmed loan losses in prior years	1	1	0	2	12	12
Allocation to/redemption of collective provisions	4	4	4	16	21	31
Guarantees	-3	-2	-0	-10	-5	-4
Net income/cost for the period for collective provisions for retail market loans	-1	1	0	0	11	17
NET INCOME/COST FOR THE PERIOD FOR LOAN LOSSES	-3	-23	1	-29	22	30

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	30/09/2015		31/12/2014		30/09/2014	
	Lending	Provision	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	112,485	-109	107,425	-124	105,520	-133
Tenant-owner rights	89,289	-73	74,307	-70	71,804	-73
Tenant-owner associations	51,961	-36	52,704	-15	53,018	-14
Private multi-family dwellings	23,909	-23	21,232	-25	21,126	-25
Municipal multi-family dwellings	480	-	606	-	672	-
Commercial properties	4,097	-	3,693	-	3,934	-
Other	2,021	-9	1,720	-8	1,590	-7
Provision for probable loan losses	-250	-	-242	-	-252	-
Total	283,992	-250	261,445	-242	257,412	-252

Doubtful and non-performing loan receivables	30/09/2015	31/12/2014	30/09/2014
a) Doubtful loan receivables	77	48	49
b) Non-performing loan receivables* included in doubtful loan receivables	4	2	4
c) Non-performing loan receivables* not included in doubtful loan receivables	187	322	317
d) Individual provisions for loan receivables	62	36	37
e) Collective provisions for corporate market loans	16	19	18
f) Collective provisions for retail market loans	172	187	197
g) Total provisions (d+e+f)	250	242	252
h) Doubtful loan receivables after individual provisions (a-d)	15	12	12
i) Provision ratio for individual provisions (d/a)	81%	75%	76%

* 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	30/09/2015	31/12/2014	30/09/2014
SEK million			
Retail lending	203,604	183,250	178,702
- new lending	46,790	40,457	27,334
Corporate lending (incl. tenant-owner assn.)	80,387	78,195	78,710
- new lending	9,556	7,840	5,237
Total	283,992	261,445	257,412
- new lending	56,346	48,297	32,571

Note 5 Derivative instruments

Group SEK million	30/09/2015		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	4,970	2,891	219,301
Currency related	3,528	2,482	93,459
Total	8,498	5,373	312,760

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

Note 6 Operating segments

Segment income statement Group SEK million	Jan-Sep 2015					Jan-Sep 2014				
	Retail market	Collab. market	Tenant- owner	Other	Total*	Retail market	Collab. market	Tenant- owner	Other	Total*
Income ¹⁾	876	433	392	15	1,716	681	325	453	13	1,472
Net result from financial instru- ments measured at fair value	-	-	-	-23	-23	-	-	-	494	494
Total operating income	876	433	392	-8	1,693	681	325	453	507	1,966
Expenses ²⁾	-355	-95	-121	-3	-574	-373	-96	-141	-175	-785
Loan losses, net	-5	-3	-21	-	-29	7	2	13	-	22
Participations in joint ventures	-	-	-	-	-	-	0	-	-	0
Profit/loss before tax	516	335	250	-11	1,090	315	231	325	332	1,203
Standardised tax (22%)	-113	-74	-55	2	-240	-69	-51	-72	-73	-265
Profit/loss after tax (ROE segment)	403	261	195	-9	850	246	180	253	259	938
Adjustment for actual tax	0	0	0	0	0	-7	-5	-7	-7	-26
Profit/loss after tax	403	261	195	-9	850	239	175	246	252	912
Internally calculated ROE	12.2%	10.5%	8.0%		10.1%	8.8%	8.5%	10.8%		12.0%

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

2) The distributed income expenses include personnel costs, other expenses and depreciation of property, plant and equipment and amortisation of intangible fixed assets.

* The total agrees with the external income statement.

Note 7 Classification of financial instruments

30/09/2015							
Group	Assets measured at fair value through P/L	Hedge-accounted derivative instruments	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	Total fair value
Financial assets	SEK million						
Cash and balances at central banks				0		0	0
Chargeable treasury bills and other eligible bills	11,737		3,988			15,725	15,725
Lending to credit institutions				15,409		15,409	15,409
Lending to the public				283,992		283,992	286,141
Change in value of interest-rate-hedged items in portfolio hedges				739		739	-
Bonds and other interest-bearing securities	25,686		12,957		8,658	47,301	47,251
Derivative instruments	376	8,122				8,498	8,498
Other assets				8,320		8,320	8,320
Prepaid expenses and accrued income	340		157	243	51	791	791
Total	38,139	8,122	17,102	308,703	8,709	380,775	382,135

30/09/2015					
Group	Liabilities measured at fair value through P/L	Hedge-accounted derivative instruments	Other financial liabilities	Total	Total fair value
Financial liabilities	SEK million				
Liabilities to credit institutions			17,619	17,619	17,619
Deposits from the public			71,486	71,486	71,486
Debt securities in issue			264,921	264,921	258,679
Derivative instruments	2,494	2,879		5,373	5,373
Other liabilities			458	458	458
Accrued expenses and prepaid income			3,125	3,125	3,125
Subordinated debt			6,409	6,409	6,436
Total	2,494	2,879	364,018	369,391	363,176

Fair value measurement of financial instruments

The principles for the measurement of financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting policies in the 2014 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, level 3. 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 stipulated date of expiry is applied, Level 3. Debt securities in issue are measured at the Group's current borrowing rate, Level 2.

Note 8 Information about fair value

Group SEK million	30/09/2015			Total
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	
Assets				
Securities in the category trade	54,865	-	-	54,865
Derivatives in the category trade	0	376	-	376
Derivatives in hedge accounting	-	8,122	-	8,122
Total	54,865	8,498	-	63,363
Liabilities				
Derivatives in the category trade	0	2,494	-	2,494
Derivatives in hedge accounting	-	2,879	-	2,879
Total	0	5,373	-	5,373

The principles for the measurement of financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting policies in the 2014 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 2015.

Quoted market prices (Level 1)

Measurement at quoted prices in an active market for identical assets and liabilities. A market is deemed to be active if the price data is easily accessible and corresponds to actual regularly occurring transactions. The measurement method is used for holdings of quoted interest-bearing securities and for publicly quoted derivatives, primarily interest-rate futures.

Measurement based on observable 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 9 Liquidity reserve

SBAB's liquidity reserve 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 a rating of AAA- upon acquisition. In addition to these collective limits, limits for individual issuers may also be set.

Liquidity Reserve SEK million	30/09/2015	Distribution by currency			
		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	13,693	3,427	8,987	1,279	-
Securities issued or guaranteed by municipalities or non-governmental public sector entities	6,991	5,695	-	1,296	-
Covered bonds issued by others	42,684	35,859	5,174	1,453	198
Own covered bonds	-	-	-	-	-
Securities issued by non-financial companies	-	-	-	-	-
Securities issued by financial companies (excl. covered bonds)	-	-	-	-	-
Other securities	-	-	-	-	-
Total assets	63,368	44,981	14,161	4,028	198
Bank and loan facilities	-	-	-	-	-
Total	63,368	44,981	14,161	4,028	198
Distribution by currency		71.0%	22.3%	6.4%	0.3%

The table is reported according to the Swedish Bankers' Association's template for the disclosure of a liquidity reserve. The assets in SBAB's liquidity reserve 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 survival horizon

SBAB measures and stress-tests liquidity risk, including by calculating the survival horizon. This is made by totalling the maximum need of liquidity for each coming day and comparing this to the size of the liquidity portfolio after applicable haircuts. The calculations are based on a crisis scenario in which all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no funding is available. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established.

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 for January–September 2015 compared with January–September 2014

The operating loss for the period amounted to SEK 95 million (profit: 396). The change in operating profit/loss is mainly attributable to the lower net income/expense from financial transactions and a reduced net interest income. Net expense from financial transactions was SEK 75 million (income: 300). Expenses totalled SEK 574 million (680). The net effect of loan losses was a loss of SEK 29 million (gain: 4). Lending to the public amounted to SEK 66.4 billion (38.4). Without transitional rules, the Common Equity Tier 1 capital ratio amounted to 22.8% (28.2). For the Parent Company, the internally assessed capital requirement amounted to SEK 4,231 million (3,480).

Income statement

Parent Company SEK million	2015 Q3	2015 Q2	2014 Q3	2015 Jan-Sep	2014 Jan-Sep	2014 Jan-Dec
Interest income	316	392	689	1,131	2,242	2,758
Interest expenses	-281	-316	-574	-997	-1,965	-2,423
Net interest income	35	76	115	134	277	335
Dividends received	-	-	-	-	20	20
Commission income	16	18	19	60	41	55
Commission expenses	-18	-18	-22	-59	-64	-73
Net result of financial transactions	-23	-116	107	-75	300	300
Other operating income	132	166	152	448	498	822
Total operating income	142	126	371	508	1,072	1,459
Personnel costs	-87	-102	-105	-277	-332	-424
Other expenses	-88	-97	-109	-282	-331	-454
Amortisation and depreciation of fixed assets	-5	-5	-6	-15	-17	-22
Total expenses before loan losses	-180	-204	-220	-574	-680	-900
Profit before loan losses	-38	-78	151	-66	392	559
Loan losses, net	-2	-21	-6	-29	4	1
Operating profit	-40	-99	145	-95	396	560
Taxes	9	21	-31	20	-117	-153
Profit for the period	-31	-78	114	-75	279	407

Statement of comprehensive income

Parent Company SEK million	2015 Q3	2014 Q2	2014 Q3	2015 Jan-Sep	2014 Jan-Sep	2014 Jan-Dec
Profit for the period	-31	-78	114	-75	279	407
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	-	32	32
Change relating to available-for-sale financial assets, before tax	-24	-20	-	-45	-	-5
Changes in cash flow hedges, before tax	-2	-3	-	-10	-	-
Tax attributable to components that have been or will be reversed against the income statement	6	6	-8	11	-9	-8
Other comprehensive income, net after tax	-20	-17	21	-44	23	19
Total comprehensive income for the period	-51	-95	135	-119	302	426

Balance sheet

Parent Company SEK million	30/09/2015	31/12/2014	30/09/2014
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills and other eligible bills	15,725	15,557	11,536
Lending to credit institutions (Note 10)	36,220	35,823	64,526
Lending to the public	66,433	43,866	38,439
Change in value of interest-rate-hedged items in portfolio hedges	8	11	8
Bonds and other interest-bearing securities	47,301	42,335	36,039
Derivative instruments	7,262	7,800	7,249
Shares and participations	-	253	242
Shares and participations in joint ventures	-	-	38
Shares and participations in Group companies	10,300	10,300	10,300
Deferred tax assets	49	18	-
Intangible fixed assets	14	13	14
Tangible fixed assets	20	27	29
Other assets	354	138	347
Prepaid expenses and accrued income	648	794	538
TOTAL ASSETS	184,334	156,935	169,306
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	12,506	3,250	9,852
Deposits from the public	71,486	60,610	57,254
Debt securities in issue	76,315	68,182	76,904
Derivative instruments	7,879	9,103	8,727
Other liabilities	544	407	499
Accrued expenses and prepaid income	1,109	735	1,646
Provisions	-	-	37
Subordinated debt	6,409	5,946	5,810
Total liabilities	176,248	148,233	160,729
Equity			
Restricted equity			
Share capital	1,958	1,958	1,958
Statutory reserve	392	392	392
Total restricted equity	2,350	2,350	2,350
Unrestricted equity			
Fair value reserve	-43	-4	-
Retained earnings	5,854	5,949	5,949
Profit for the period	-75	407	279
Total unrestricted equity	5,736	6,352	6,228
Total equity	8,086	8,702	8,577
TOTAL LIABILITIES AND EQUITY	184,334	156,935	169,306
Memorandum items			
Assets pledged for own liabilities	8,798	23	7,684
Commitments	104,461	79,152	58,604

Own funds

Disclosures in accordance with Article 5 of Commission Implementing Regulation (EU) No 1423/2013

Parent Company, SEK million	30 Sept 2015	31 Dec 2014	30 Sept 2014	Amounts subject to pre-regulation or prescribed residual amount*
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and associated share premium reserves	1,958	1,958	1,958	N/A
Retained earnings	5,906	6,246	6,254	N/A
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses according to applicable accounting standards)	-43	-4	-	N/A
Interim profit/loss after deduction of foreseeable costs and dividends, verified by persons in an independent position	-75	0	0	N/A
Common Equity Tier 1 capital before regulatory adjustments	7,746	8,200	8,212	N/A
Common Equity Tier 1 capital: regulatory adjustments				
Additional value adjustments (negative amount)	-69	-70	-64	N/A
Intangible assets (net after deduction for associated tax liabilities) (negative amount)	-14	-13	-14	N/A
Reserves in fair value related to profit or loss on cash flow hedging	4	-	-	N/A
Negative amounts following the calculation of expected loss amounts	-41	-49	-47	N/A
Gains or losses on liabilities valued at fair value that result from changes in the own credit standing of the institution	-34	-2	-1	N/A
Total regulatory adjustments to the Common Equity Tier 1 capital	-154	-134	-126	N/A
Common Equity Tier 1 capital	7,592	8,066	8,086	N/A
Additional Tier 1 instruments: instruments				
Capital instruments and associated share premium reserves	1,500	-	-	N/A
<i>Of which classified as liabilities according to applicable accounting standards</i>	1,500	-	-	N/A
Amount for qualified items referred to in Article 484(4) and associated share premium reserves included in the phase-out from the additional Tier 1 instruments	994	2,395	2,395	N/A
Additional Tier 1 instruments before regulatory adjustments	2,494	2,395	2,395	N/A
Additional Tier 1 instruments: Regulatory adjustments				
Total regulatory adjustments of additional Tier 1 instruments	-	-	-	N/A
Additional Tier 1 instruments	2,494	2,395	2,395	N/A
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + additional Tier 1 instruments)	10,086	10,461	10,481	N/A
Tier 2 capital: instruments and allocations				
Capital instruments and associated share premium reserves	3,000	2,599	2,599	N/A
Amount for qualified items referred to in Article 484(5) and associated share premium reserves that are phased out from Tier 2 capital	-	114	149	N/A
Tier 2 capital before regulatory adjustments	3,000	2,713	2,748	N/A
Tier 2 capital: regulatory adjustments				
Total regulatory adjustments of Tier 2 capital	-	-	-	N/A
Tier 2 capital	3,000	2,713	2,748	N/A
Total capital (total capital = Tier 1 capital + Tier 2 capital)	13,086	13,174	13,229	N/A
Total risk-weighted assets	33,226	28,363	28,721	N/A
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of total risk exposure amount)	22.8%	28.4%	28.2%	N/A
Tier 1 (as a percentage of total risk exposure amount)	30.4%	36.9%	36.5%	N/A
Total capital (as a percentage of total risk exposure amount)	39.4%	46.4%	46.1%	N/A
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	8.0%	7.0%	7.0%	N/A
<i>of which: capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	N/A
<i>of which: countercyclical buffer requirement</i>	1.0%	-	-	N/A
<i>of which: systemic risk buffer requirement</i>	-	-	-	N/A
<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	-	-	-	N/A
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	18.3%	23.9%	23.7%	N/A
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
Current cap on AT1 instruments subject to phase-out arrangements	2,096	2,395	2,395	N/A
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	599	599	N/A
Current cap on T2 instruments subject to phase-out arrangements	910	1,040	1,040	N/A

* Amounts subject to pre-regulation (EU) No 575/2013 treatment of prescribed residual amount of regulation (EU) 575/2013

Capital requirements

Parent company, SEK million	30 Sept 2015		31 Dec 2014		30 Sept 2014	
	Capital require-ment	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment	Risk exposure amount
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	442	5,520	188	2,341	175	2,187
Retail exposures	444	5,547	343	4,292	326	4,075
- of which exposures to SME	44	549	35	436	35	433
- of which retail exposures secured by immovable property	400	4,997	308	3,856	291	3,642
Total exposures in accordance with IRB approach	886	11,067	531	6,633	501	6,262
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*	134	1,675	74	925	83	1,036
- of which, derivatives according to CRR, Appendix 2	127	1,584	71	886	82	1,021
- of which, repos	7	87	2	31	0	6
Exposures to corporates	1	15	145	1,817	144	1,799
Retail exposures	177	2,219	142	1,770	131	1,634
Exposures in default	1	8	1	10	1	11
Exposures in the form of covered bonds	139	1,742	59	744	114	1,421
Exposures to institutions and corporates with a short-term credit assessment	31	387	7	84	8	105
Exposures to CIU:s	-	-	20	254	19	242
Equity exposures	824	10,300	824	10,300	827	10,338
Other items	7	92	7	90	7	87
Total exposures in accordance with standardised approach	1,314	16,438	1,279	15,994	1,334	16,673
Market risk	217	2,708	299	3,733	308	3,852
- of which, position risk	199	2,484	279	3,491	287	3,592
- of which, currency risk	18	224	20	242	21	260
Operational risk	137	1,709	112	1,402	112	1,402
Credit valuation adjustment risk	104	1,304	48	601	43	532
Total capital requirements and risk exposure amount	2,658	33,226	2,269	28,363	2,298	28,721
Capital requirements for capital conservation buffer	831		709		718	
Capital requirements for countercyclical buffer	329		-		-	
Total capital requirements	3,818		2,978		3,016	

*The risk-weighted exposure amount for counterparty risk according to CRR, Article 92, item 3(f), amounts to SEK 1,671 million (917)

Capital adequacy

Parent company SEK million	30 Sept 2015	31 Dec 2014	30 Sept 2014
Common Equity Tier 1 capital	7,592	8,066	8,086
Tier 1 capital	10,086	10,461	10,481
Total own funds	13,086	13,174	13,229
Without transition rules			
Risk exposure amount	33,226	28,363	28,721
Common Equity Tier 1 capital ratio	22.8%	28.4%	28.2%
Excess* Common Equity Tier 1 capital	6,096	6,790	6,794
Tier 1 capital ratio	30.4%	36.9%	36.5%
Excess* Tier 1 capital	8,092	8,760	8,758
Total capital ratio	39.4%	46.4%	46.1%
Excess* total capital	10,428	10,905	11,931
With transition rules			
Own funds	13,127	13,223	13,276
Risk exposure amount	43,681	29,938	28,070
Total capital ratio	30.1%	44.2%	47.3%

* Surplus of capital has been calculated based on the minimum capital requirements (without buffer requirements)

Note 10 Lending to credit institutions

Of the Parent Company's lending to credit institutions, SEK 24,959 million relates to a receivable from the wholly owned subsidiary AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), compared with SEK 31,181 million at the end of 2014. 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.